SIDNEY HOUSE
BEDDINGTON FARM ROAD, CROYDON, CR0 4XB

SOUTH LONDON REVERSIONARY INDUSTRIAL INVESTMENT
WITH FUTURE REDEVELOPMENT POTENTIAL

Lambert Smith Hampton

INVESTMENT SUMMARY

- A **rare opportunity to acquire a Greater London** industrial investment with future **redevelopment potential** located in the established commercial centre of Croydon.
- Croydon is currently **undergoing a £5.25bn regeneration** and is the UK's fastest growing economy outside of Central London.
- The subject property is situated on Beddington Farm Road, an **established industrial location within Croydon**. Nearby occupiers include DPD, Royal Mail, Travis Perkins, CCF and Kuehne & Nagel.
- **Held Freehold**
- The subject property provides a gross internal area (GIA) of approximately 4,378 sq ft on a site of 0.73 acres, which provides a **very low site density of approximately 13.7%**.
- **Total passing rent of £165,000 per annum.**
- 97% of the income is let to **Arriva London North Ltd on a 15 years FRI lease expiring 30th January 2034**, with a tenant break option on 31st January 2028.
- The Arriva **current passing rent is £160,000 per annum** which reflects a **low rent of £9.50 per sq ft on the building and £5.50 per sq ft on the open storage land**.
- **Five yearly upward only rent reviews** to the **greater of OMRV** (industrial or bus depot) **or RPI subject to a collar and cap at 2.00% p.a and 4.00% p.a** respectively, providing a platform for **guaranteed growth.** The next review is 31st January 2024.
- The subject property offers an attractive AWULT to break of 6.70 years and AWULT to expiry of 12.70 years.
- **Future development potential for a new industrial scheme providing 10,500 sq ft**

We are instructed to seek offers in excess of **£3,730,000 (Three Million Seven Hundred and Thirty Thousand Pounds)**, subject to contract and exclusive of VAT.

A freehold purchase at this level reflects an attractive **Net Initial Yield of 4.15%**, assuming purchaser's costs of 6.52%.

LOCATION

Croydon is only 9.5 miles south of Central London. It is the largest London borough and a major commercial centre with a resident population of approximately 370,000, and 1.1m economically active individuals within a 30 minute commute. It is the UK's fastest growing economy outside Central London and is currently undergoing a £5.25bn regeneration.

Croydon benefits from extensive road and transport communications. The A23 is a major trunk road leading north into Central London (9.5 miles), and south to Junction 8 of the M23 and Junction 7 of the M25 (10 miles). The A22 also links Croydon to Junction 6 of the M25, 10 miles to the south east. Gatwick Airport is only 19 miles to the south.

Croydon has two mainline railway stations. East Croydon Station provides fast and frequent links to London Victoria, London Bridge and Gatwick Airport, all in 15 minutes. West Croydon Station offers easy access to Canary Wharf and the City via the Overground.

Croydon also benefits from Tramlink, which provides an important east/west connection with regular services from Beckenham to Wimbledon and is used by 28m passengers a year.

DEMOGRAPHICS

Croydon boasts a primary catchment of 866,000 and is projected to see significantly above average population growth in the period 2016-2021.

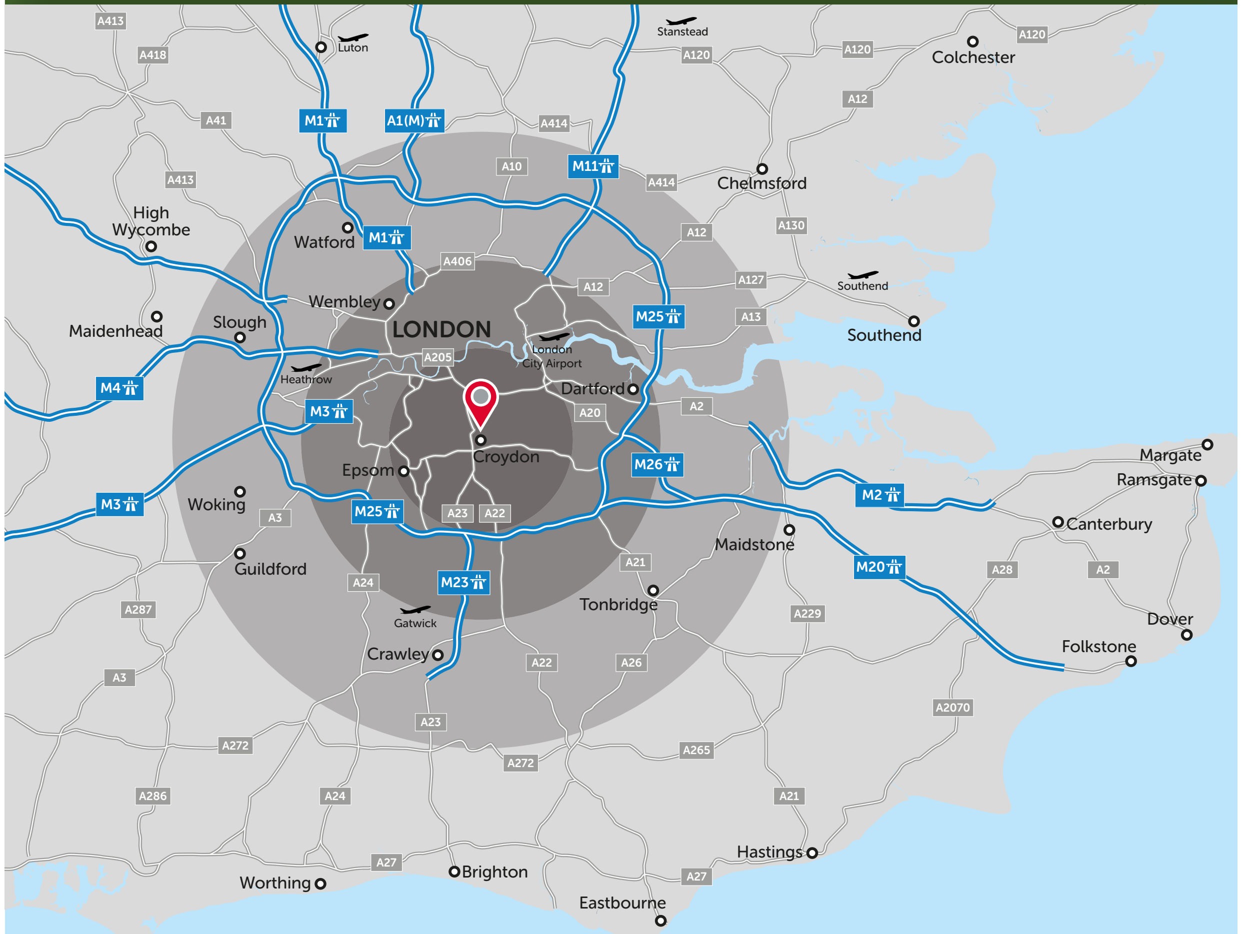
51% of the population are classed as being in the most affluent ABC1 social groups (PMA) which comprises a healthy mix of affluent families, London commuters and young working professionals. Croydon is becoming an increasingly desirable place to live highlighted by the growth in residential values over the last 5 years of approximately 35% (Land Registry House Price Index).

Croydon is currently undergoing one of the most significant commercial regeneration projects in Greater London thanks to a £5.25bn regeneration programme and is becoming an increasingly desirable place to live. This is highlighted by the significant growth in residential values over the last five years of approximately 35% (Land Registry House Price Index).

	Distance from the property
Central London	9.5 miles
J7 M25	10.0 miles
J8 M23	10.0 miles
Brighton	43.9 miles

	Journey Time
London Bridge	13 minutes
Gatwick Airport	14 minutes
London Victoria	15 minutes
Canary Wharf	34 minutes

	Distance from the property
Gatwick	19.0 miles
Heathrow	23.0 miles
Luton	46.8 miles
Stansted	46.9 miles



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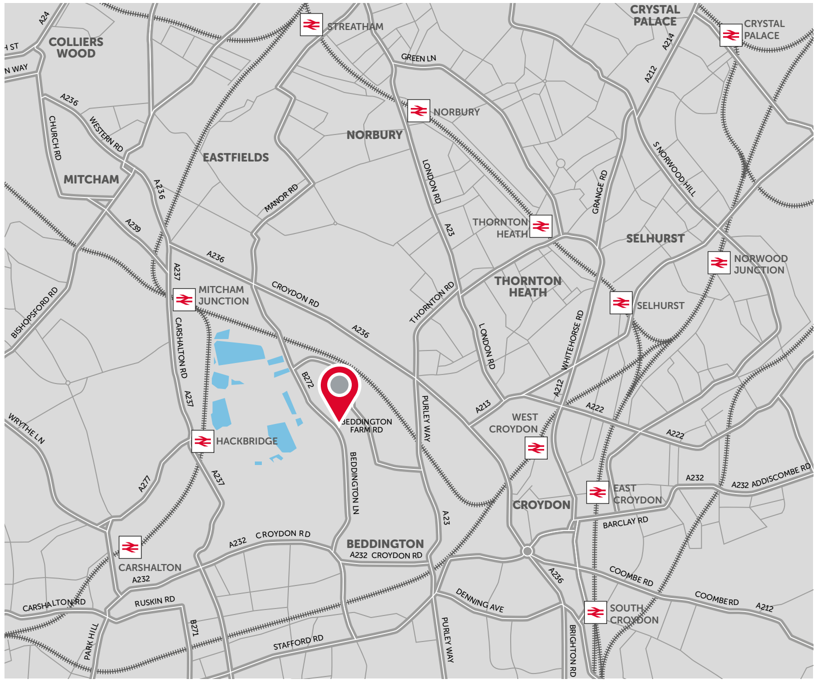
SITUATION



The subject property is located to the north west of Croydon town centre within the main industrial holding off Beddington and Beddington Farm Road. The area has attracted a number of well-known industrial occupiers which include:

dpd
Royal Mail
Travis Perkins
Your local Timber & Builders Merchant
CCF
KUEHNE+NAGEL

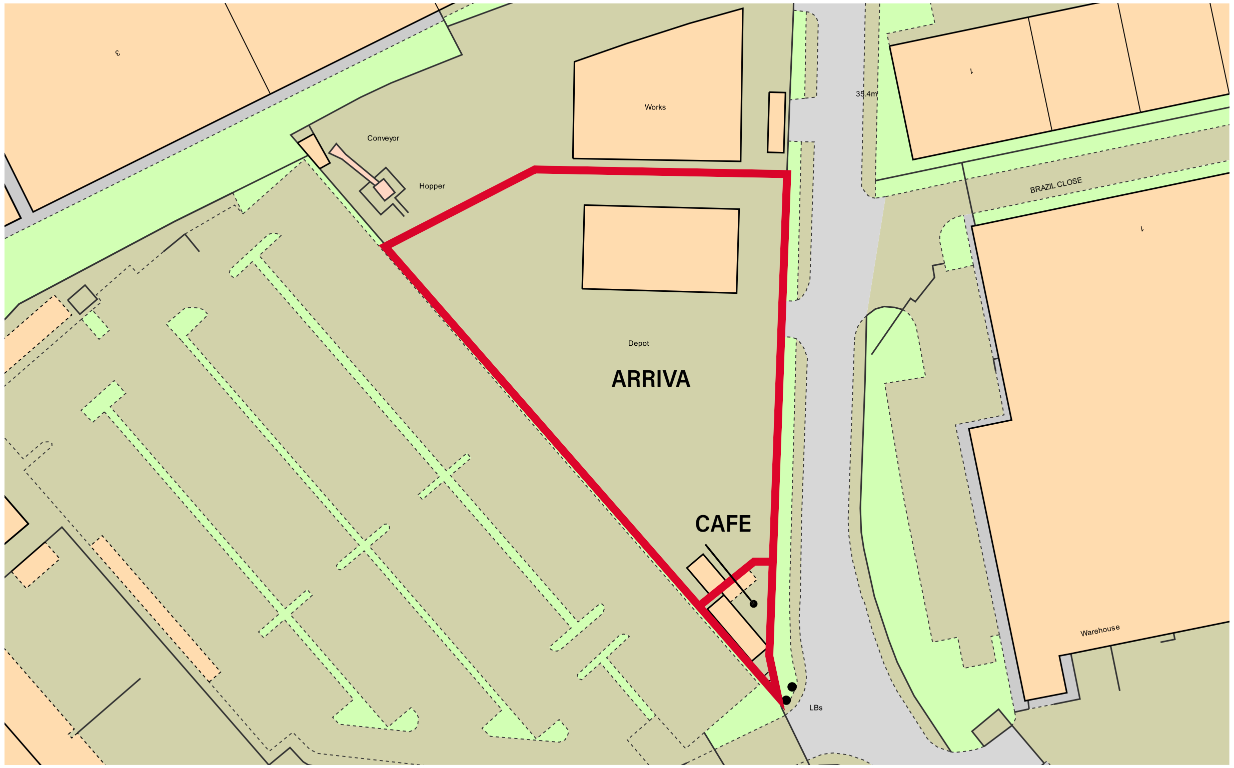
DESCRIPTION

The majority of the subject property is currently used as open storage land for the storage and maintenance of the Arriva bus fleet, which benefits from Sui Generis use.

There is a 4,378 sq ft warehouse which is currently being used by the tenant as a workshop. The unit has one loading door and is covered by an asbestos clad roof. There is also a small temporary building at the tip of the site which is being used as a café.

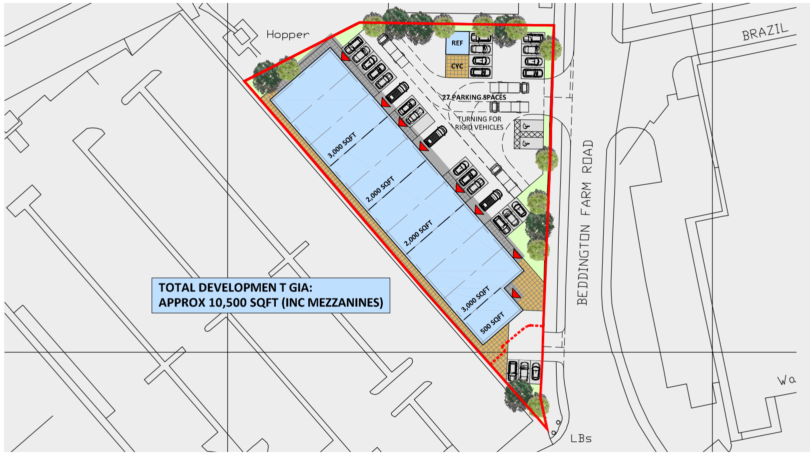
ACCOMMODATION

The subject property provides a gross internal area (GIA) of approximately 4,378 sq ft on an entire site of 0.73 acres, which provides a low site density of approximately 13.7%.



DEVELOPMENT POTENTIAL

A potential scheme has been drawn up as per the plan below.



TENANCY

97% of the subject property is let to Arriva London North Ltd on a 15 year FRI lease from 31st January 2019 and expiry 30th January 2034. There are tenant break options at the 3rd and 9th anniversary of the term and the tenant has not served their January 2022 notice. The lease is subject to a schedule of condition.

The current passing rent is £200,000 per annum which reduces to £160,000 per annum on 31st January 2022. The vendor will benefit from this additional rent.

The rent of £160,000 per annum reflects a low £9.50 sq ft on the building and £5.50 per sq ft on the excess yard. The rent is to be reviewed on 31st January 2024 and 31st January 2029 on an upward only basis to the greater of Open Market Rent (industrial or bus depot) and RPI collared and capped at 2.00% p.a and 4.00% p.a respectively.

In addition, there is a lease in place to a coffee operator on a small element of the site. This is let to Erdogan Hemo on a 5 year lease from 2nd July 2016 and expiry 1st July 2021, at a passing rent of £5,000 per annum.

The property offers an attractive WAULT to expiry of 12.70 years and 6.70 years to break.

Unit	Site Area (Acres)	Tenant	Lease Start Date	Lease Expiry Date	Tenant Break Option(s)	Current Rent (£ pa)	Rent Review Date	Rent Review Mechanism	Schedule of Condition	Security of Tenure
Bus Depot	0.62	Arriva London North Ltd	31-Jan-19	30-Jan-34	31-Jan-28	£160,000	31-Jan-24 31-Jan-29	Greater of OMRV and RPI	Yes	Yes
Café	0.11	Erdogan Hemo	02-Jul-16	01-Jul-21		£5,000	n/a	n/a	No	Yes
Total	**0.73**					**£165,000**				

TENURE

Freehold.

COVENANT

	31/12/2019 GBP	31/12/2018 GBP	31/12/2017 GBP
Turnover	£259,905,000	260,432,000	259,985,000
Profit before Tax	£5,562,000	£12,820,000	£18,632,000
Net Worth	£43,580,000	£76,034,000	£56,462,000

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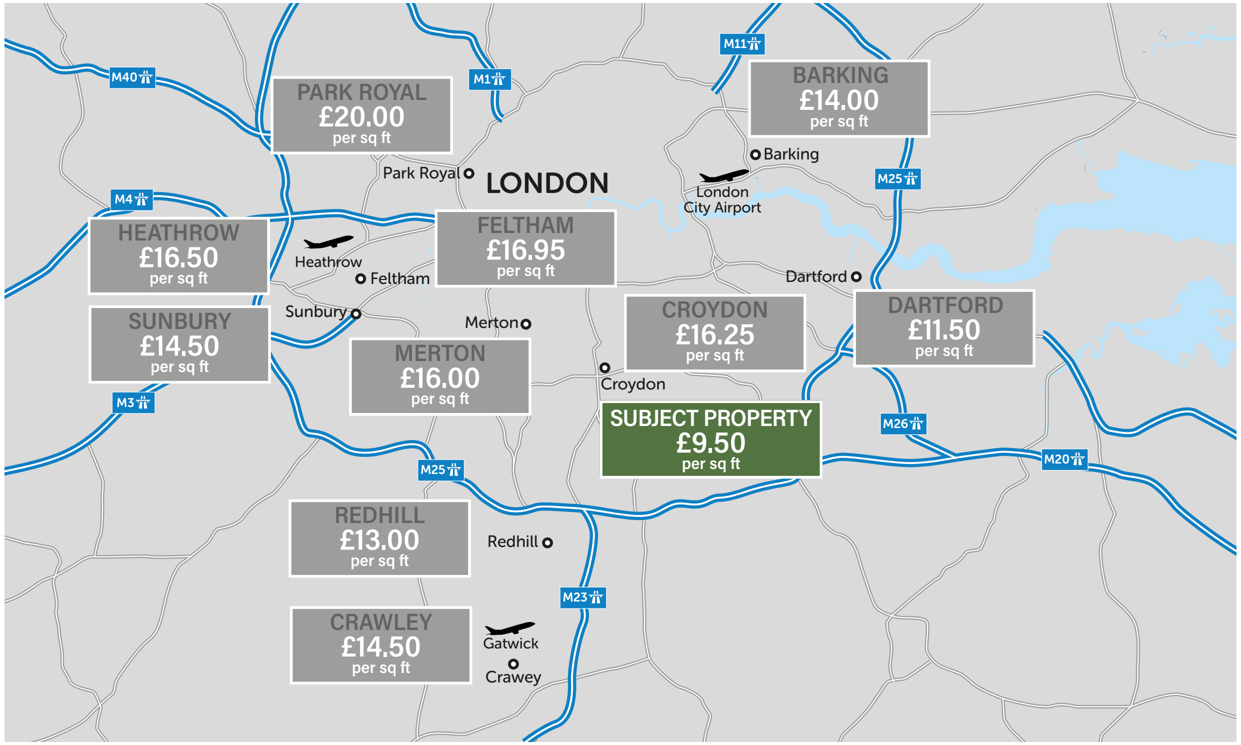
OCCUPATIONAL MARKET

In spite of arguably the most challenging trading conditions of the past decade, Covid-19 has brought the importance of the industrial and logistics sector into sharp focus. Leasing activity was particularly strong through 2020, culminating with the highest levels of take-up on record being achieved.

The Croydon industrial market has particularly benefitted from the growth and demand of 'last mile' delivery and local distribution centres which service the online retailing industry. It is strategically positioned in South London to service a wide range of conurbations within the Greater London area and Home Counties in its immediate proximity. Equally, restrictions on the development of Green Belt land and a severe lack of suitable alternative land for development locally have inhibited the potential for larger scale logistic units.

There is an extremely limited supply of quality stock available and an even thinner committed and speculative development pipeline on the horizon. Indeed, just 1.1% of total industrial stock has been built in the last five years which has placed upwards pressure on rental levels. Prime rents in Croydon are now in excess of £20 per sq ft for newly constructed units. MSCI Rental Growth Forecast for Croydon outlined below:

Town	2021	2022	2023	2024	2025	Forecast 2021-25
Croydon	2.40%	3.20%	3.60%	3.30%	2.90%	3.10%



INVESTMENT MARKET

The resilience of the logistics sector through the pandemic was clearly reflected in the investment market. Total industrial volume was £6.9bn in 2020, the third highest annual total behind 2017 and 2018. However, this owed much to a phenomenal final quarter, with volume of £3.4bn in Q4 2020 smashing the previous record of £2.3bn set in Q4 2018.

While the phenomenal final quarter volume of 2020 is unlikely to be repeated any time soon, positive momentum has certainly continued into 2021. Ongoing voracious appetite from overseas buyers will drive volumes and further price rises in the distribution sector in 2021.

Investor demand for greater London industrial assets remains very strong and buying opportunities are hotly contested. The supply/demand imbalance currently favours landlords and provides excellent future rental growth prospects which investors are looking to take advantage of.

We have highlighted below some recent comparable transactions below:

Address	Tenant	Date	Size (Sq Ft)	WAULT	Achieved Price	NIY	Cap Val £ psf
Old Oak Common Lane, Acton	Saint Gobain	Available	21,217	3.0	Q £7.61m	Q 3.75%	Q £359
Crown Works, Enfield	Hunter Vehicles	Apr-21	34,213	1.0	£4.55m	4.08%	£132
11 & 12 Wintersells Road, Byfleet	Weybridge Skip Hire	Mar-21	6,891	3.8	£2.85m	3.30%	£414
IO Centre, Barking	Multi let	Oct-20	25,676	7.7	£7.3m	3.81%	£284
School Road, Park Royal	HR Owen	Jul-20	42,722	2.8	£15.1m	2.84%	£354
Ocado, Walthamstow	Ocado	Jun-20	32,000	8.0	£10.9m	3.50%	£340
Selco, Wembley	Selco	Mar-20	47,500	11.5	£16.1m	3.57%	£355
620 Western Avenue, Park Royal	Nationwide Storage	Jan-20	36,171	7.8	£9.8m	3.83%	£271
Units 2&3 Hook Rise South, Chessington	Bishops Move / Carpetright	Jun-19	23,815	7.4	£6.1m	4.43%	£259

VAT

We understand the property is elected for VAT and it is envisaged that the sale will be treated as a Transfer of a Going Concern (TOGC).

EPC

Available upon request.

DATA ROOM

Access to the data room will be made available upon request.

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REVERSIONARY YIELD POTENTIAL

Year	2.00% min uplift	Projected Reversionary Yield	4.00% min uplift	Projected Reversionary Yield
2024	£186,653	4.70%	£204,664	5.15%
2029	£216,080	5.44%	£259,006	6.52%

*assumes ERV on café of £10,000 pa

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FURTHER INFORMATION

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