

M&S FOODHALL

830-832 FINCHLEY ROAD, TEMPLE FORTUNE, LONDON, NW11 6XL



PRIME REVERSIONARY LONDON FOODSTORE
INVESTMENT WITH ANNUAL FIXED INCREASES
AND REDEVELOPMENT POTENTIAL

 **MONTAGU
EVANS**


HEYWOOD & PARTNERS

INVESTMENT HIGHLIGHTS

- Temple Fortune is located in the London Borough of Barnet and one of the **fastest growing boroughs in London**, only 30 minutes north of Central London.
- **Barnet is the fourth largest Borough in London.** The property has a **large catchment** population of 252,915 people within a 10-minute drive time.
- **Exceptionally affluent catchment** comprising a **96% over-representation in the most affluent (AB) social category** compared to the UK average within a 5-minute drive time.
- **Freehold** with an overall site area of **0.84 acres**.
- Purpose built supermarket, extending to 22,027 sq ft, with 50 demised customer car parking spaces.
- Fully let to Marks and Spencer PLC until **31st March 2027**, providing an **unexpired term of approximately 4.5 years**.
- Affordable passing rent of **£442,541 per annum*** (**£20.09 psf**), which we consider to be reversionary.
- **Guaranteed rental growth** with annual rent reviews, fixed at 1.95%pa.
- The lease is contracted out of the security of tenure provisions of the Landlord and Tenant Act 1954.
- At lease expiry, M&S have an option to **renew for 40 years** with the rent reverting to market rental value, which we consider to currently be in the order of **£595,000 pa (£27.00psf)**.
- **Very strong trading profile.**
- **Strong alternative use potential** underpins investment value, subject to planning.



We are instructed to seek offers in excess of

£10,370,000

(Ten Million, Three Hundred and Seventy Thousand Pounds)

subject to contract and exclusive of VAT for our client's freehold interest. A purchase at this level would reflect an attractive **Net Initial Yield of 4.00%**, reflecting a **low capital value of £470 per sq ft**, assuming standard purchase costs at 6.70%.

The investment provides for an attractive income and yield profile, adopting the annual fixed uplifts at 1.95%:

	Income (£pa)	Net Initial Yield
Current*	£442,541	4.00%
September 2023	£451,170	4.08%
September 2024	£459,968	4.16%
September 2025	£468,937	4.24%
September 2026	£478,082	4.32%
May 2027**	£595,000	5.38%

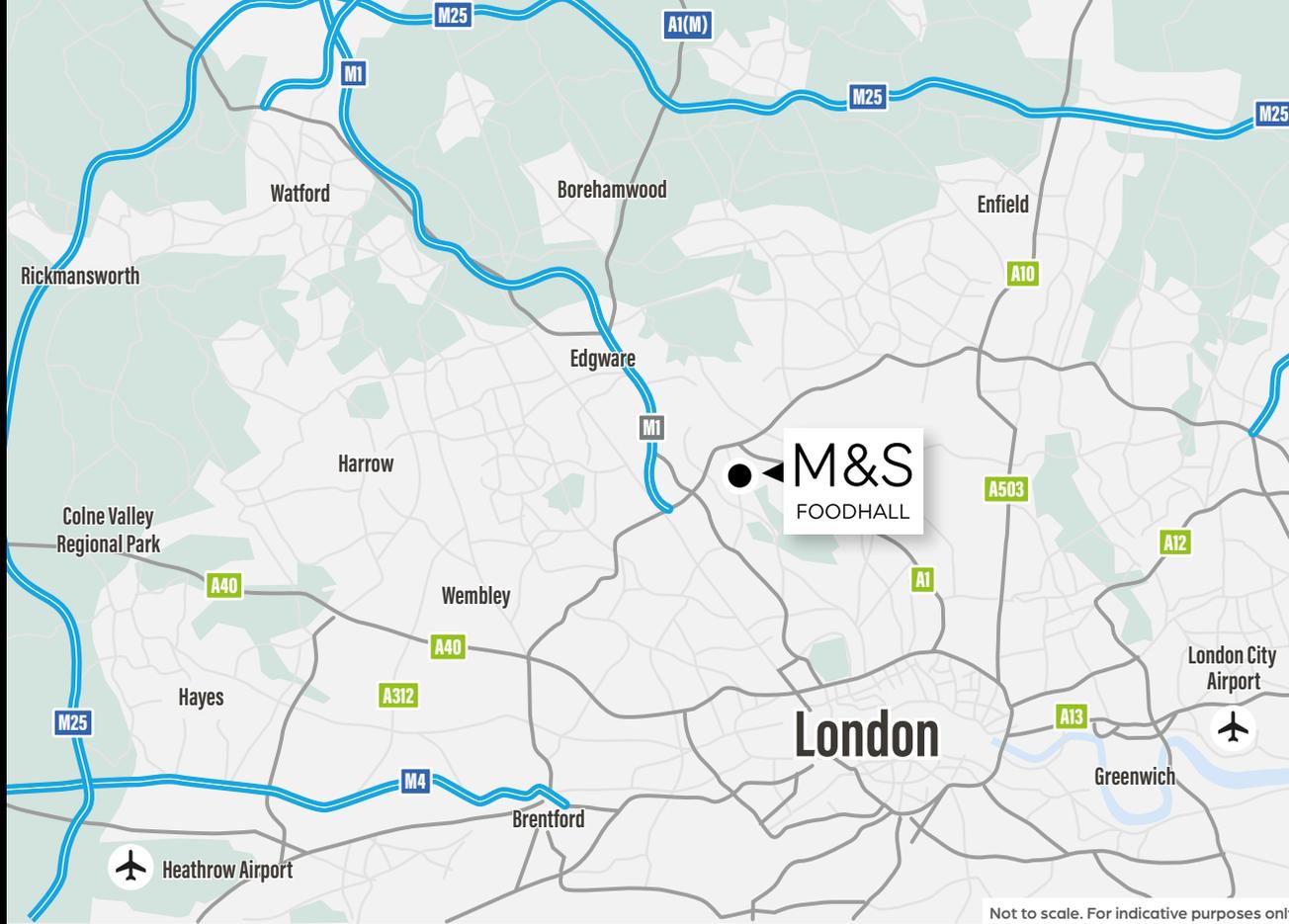
*Assumes rent topped up to September 2022 rent review.

**Assumes reversion at lease expiry to our assessment of market rental value of £595,000 pa.

 GOLDERS GREEN STATION

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LOCATION

Temple Fortune is an affluent London suburb, within the London Borough of Barnet, located 7 miles (30 minutes) north of Central London.

Barnet is the fourth largest London Borough located in Zone 5 and will be a major beneficiary of the £1.4 billion Brent Cross regeneration, located only 1.5 miles (7 minutes) to the west of the property. Other adjacent conurbations include Hampstead, 0.3-mile (1 minute), south of the property and Finchley 1.2 miles (4 minutes) north.



Temple Fortune has excellent transport links and is a strategic location, being close to several major arterial road links with direct access to the M1, M25, A1 and A41 all within 20 minutes, connecting Temple Fortune to Central London.



Temple Fortune is within 5 minutes of four well connected London underground stations to Brent Cross, Brent Cross West, Finchley and Golders Green, all providing access across London via the Northern Line.

The new Brent Cross West Station links Temple Fortune to St Pancras International in 15 minutes with an anticipated 2.5 million passengers, yearly.



London Heathrow is the closest airport to Temple Fortune. Heathrow Airport is the UK and Europe's largest, busiest airport and the 7th busiest airport, globally. Heathrow airport is located 16.5 miles (30 minutes) south-west of Temple Fortune. It accommodates approximately 80 million passengers, annually and carries over 1.7 million tonnes of cargo.



DEMOGRAPHICS



Temple Fortune has a large catchment, comprising 740,116 people within a 15-minute drive time.

Temple Fortune benefits from an annual consumer spend of £1.4 billion on convenience goods within a 15-minute drive time, which is 23% above the UK average and £95 million within a 5-minute drive time, which is 57% above the UK average.



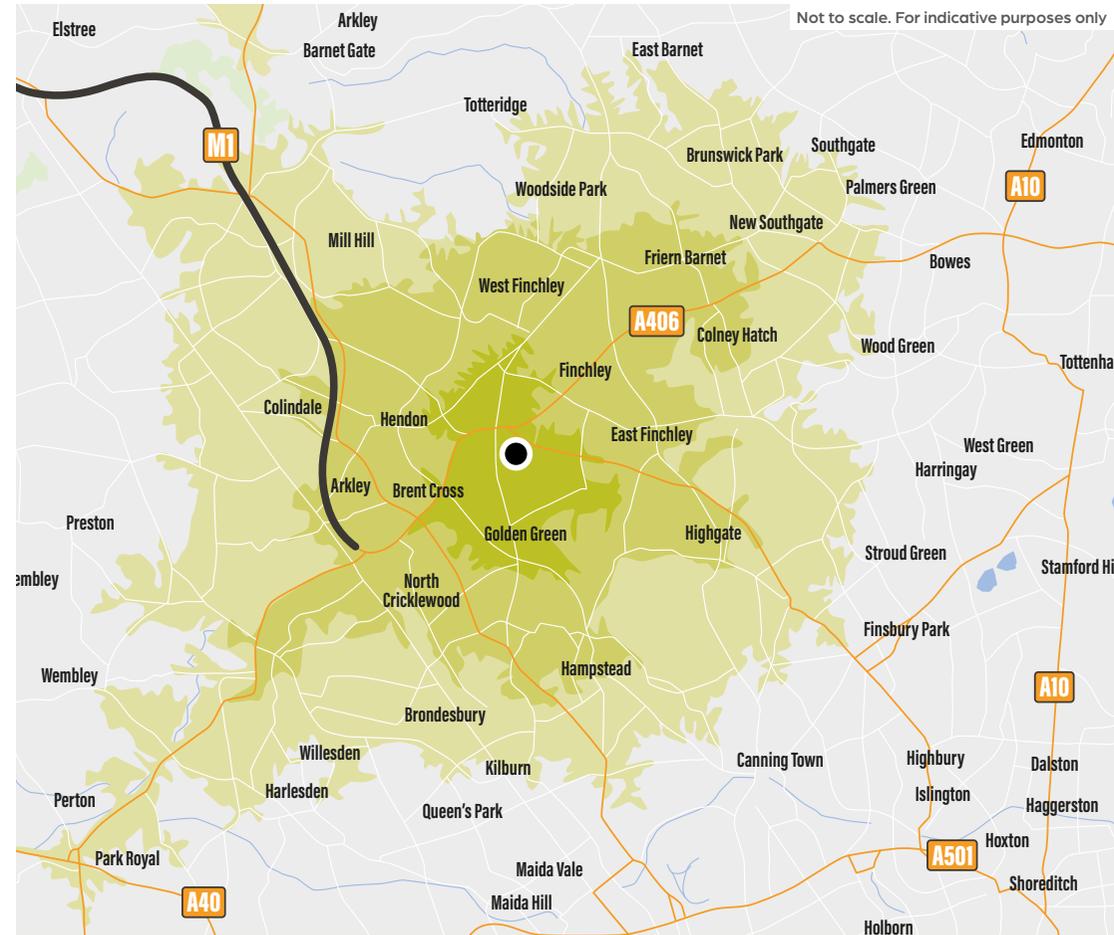
96% over-representation in the most affluent (AB) social category compared to the UK average (Source: Storepoint Geo)



£1.4 billion annual spend on convenience goods



High disposable income



5

Mins Drive Time
43,129
People

10

Mins Drive Time
252,195
People

15

Mins Drive Time
740,116
People

FOODSTORE PROVISION

Foodstore competition within Temple fortune is limited within a 5-minute drive time of the property with Waitrose, opposite the property and Sainsbury's to the south on Finchley Road.

Within the 5-minute drive time there is a total of just 48,483 sq ft (GIA) of competing supermarket floor space, increasing to 291,611 sq ft (GIA) within the 10-minute drive time. The property is also the closest supermarket for over 23,500 people.

*All foodstores over 10,000 sq ft GIA, within a 5-minute drive-time considered.

SITUATION

The property occupies a 100% prime central position within Temple Fortune. Other retailers within close proximity include: Waitrose, Boots, WH Smith and Holland & Barrett.

Alternative uses surrounding the property include residential to the north and east boundary, together with retail uses, immediately west and south.



Not to scale. For indicative purposes only



Foodstore	Area (Sq Ft)	Travel time (minutes)
● Subject property	22,254	-
★ 2 Waitrose Temple Fortune	12,166	1
★ 3 Sainsbury's Golders Green	31,316	5

DESCRIPTION

The property was constructed in the 1980s and comprises a purpose built foodstore unit. The property is of brick elevation arranged over ground and first floors.

Internally, the store has been fitted to the tenant's specification across ground and first floor. The ground floor provides for sales area and the first floor accommodates meeting and training rooms, together with storage.

Externally, the tenant has submitted plans for a substantial refurbishment to include upgraded frontage and improvements to the north and south elevations.

The service yard is located at the rear of the property and accessed via the entrance off Finchley Road.

There is a surface car park to the rear of the property comprising 50 customer car parking spaces.

ACCOMMODATION

	Sq ft (GIA)	Sq m (GIA)
Ground Floor	12,248	1,137.9
First Floor	9,779	908.5
TOTAL AREA	22,027	2,046.4

M&S ARE PLANNING A SUBSTANTIAL REFURBISHMENT AND REFRESH OF THE PROPERTY



TENURE & SITE

The property is held freehold and includes 50 car parking spaces, outlined red as per the plan, inset.

The site area extends to 0.84 acres.

TENANCY

The property is let to Marks and Spencer PLC on a full repairing and insuring lease, expiring 31st March 2027, providing an unexpired term of approximately 4.5 years.

The rent is reviewed annually on 29th September with annual 1.95% fixed uplifts. The current rent passing is £434,077pa (£19.70psf). The next rent review is 29th September 2022. The forecasted rent uplift is £442,541pa (£20.09psf), which the vendor will provide a rental top-up.

The lease is contracted out of the security of tenure provisions of the Landlord and Tenant Act 1954.

There is a tenant option to renew for a further 40 years, subject to a 15 year break clause. The rent will revert to market rental value at the expiry of the current lease with the valuation date being 1st April 2026. The renewal lease is reviewed on a 5 yearly basis to open market value.

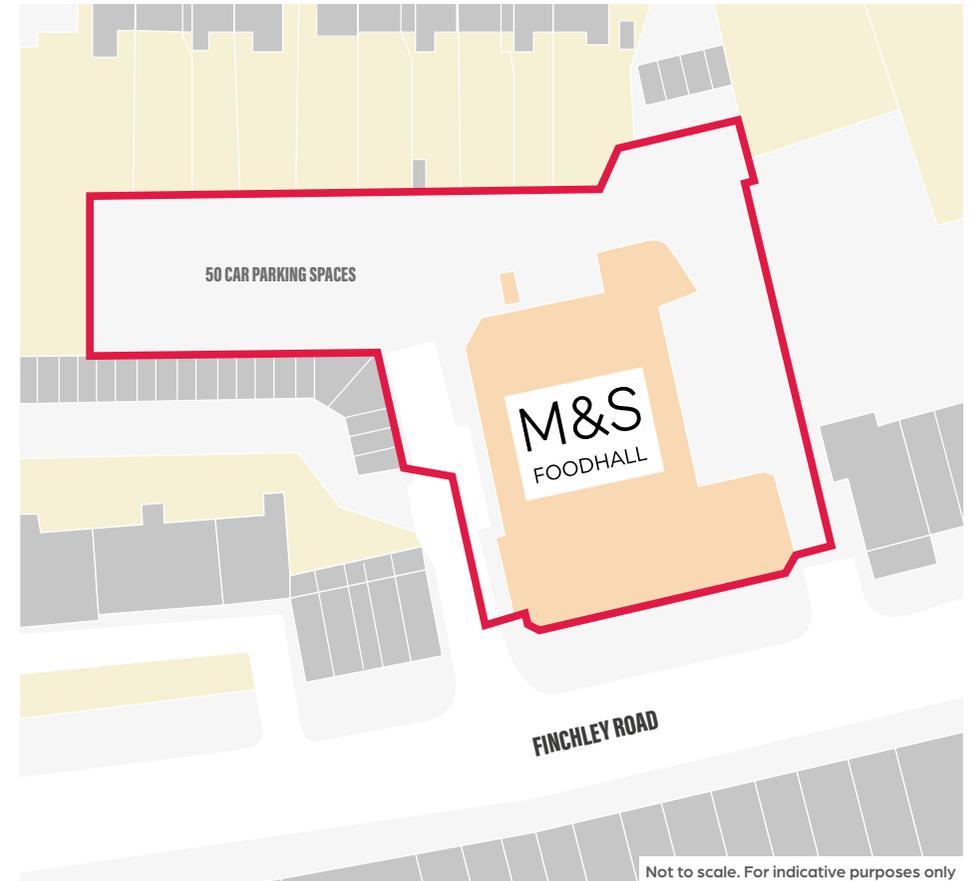
M&S has no right to renew other than the 40 year option.

YEAR END	09/2022 (Topped up)	09/2023	09/2024	09/2025	09/2026
Forecasted Rent pa (1.95%)	£442,541	£451,170	£459,968	£468,937	£478,082

The lease contains landlord friendly assignment provisions with assignment not permitted to any tenant with a weaker covenant strength than M&S plc at the commencement of the lease (July 2001), which is described as being Standard & Poor 'A' or better or Moodys 'A2' or better.

PLANNING

The subject property is located within the Hampstead Garden Suburb Conservation Area.





70,000
people employed



1,500
stores



Creditsafe
The company is rated
A86 'Very Low Risk'



Strong Performance
delivered by a more
resilient M&S

COVENANT

Marks and Spencer PLC is a major British retailer listed on the London Stock Exchange. Founded in 1884, M&S is one of the UK's leading retail groups with a combined focus on the sale of food, clothing and home products. M&S is one of the most popular supermarket chains in the UK, complemented with an expansive international operation.

A summary of Marks and Spencer PLC recent accounts is included below:

Year Ending	Mar-22 (000s)*	Mar-21 (000s)	Mar-20 (000s)	D&B Rating
Sales / Turnover (£000s)	£10,885,000	£9,155,700	£10,181,900	5A2
Pre-Tax Profit (£000s)	£391,700	(-£266,800)	£60,200	
Tangible Net Worth (£000s)	£2,725,000	£3,980,900	£5,294,400	

* 2022 figures taken from M&S plc 2022 annual report. The net worth figure is based on total equity of £2,917.9m with intangible assets of £192.5m

The combined effects of reshaping the business, which more recently included a new partnership with Ocado and the bounce back from the pandemic have driven exceptional results with increased Pre Tax Profit for March 2022 of £391.7 million, up from -£266.8 million the year before. M&S was the fastest growing major store-based Food retailer during the Christmas 2021 trading period.

UK food accounts for 60% of total turnover, summarised as follows:

	Y/E April 2022	Change vs 20/21 %	Change vs 19/20 %
Food	£6.639 billion	10.8	10.1
Clothing & Home	£3.332 billion	51.6	3.8
International	£937 million	20.3	-0.8
Total	£10.908 billion	216.6	6.9



RENTAL COMMENTARY

We consider the topped up passing rent of £442,541 pa, reflecting £20.09 per sq ft to be reversionary. There is limited supermarket competition within a 5-minute drive time in an exceptionally affluent catchment and the store trades very strongly. In the event that the property was available to let, we would expect competitive interest from numerous foodstore occupiers. We consider the market rental value to be in the order of £595,000 pa, reflecting £27.00 psf and would highlight the following evidence.

Occupier	Location	GIA (sq ft)	Transaction	Date	£ per sq ft	Comments
M&S	Southgate	18,664	Rent Review	Dec-20	£28.07	Uplift from £27.25 psf. Negotiated settlement on rent review.
Lidl	420-446 Holloway Road	17,674	Open Market Letting	Aug-20	£24.05	25-year lease, tenant break at years 15,18 and 21. 18 months rent free. 5 yearly CPI reviews c/c 1%-2% per annum, compounded.
Lidl	2-10 Morris Place, Finsbury Park	15,231	Agreement for Lease	Apr-20	£26.31	25-year lease, 20-year tenant break. 6 months rent free. 5-yearly CPI reviews c/c 1%-3%pac.
Lidl	Whitehorse Road Croydon	17,760	Open Market Letting	Aug-19	£27.03	25-year lease. No breaks. 5-yearly RPI reviews c/c 1% - 3%pac. No rent free. Lidl paid £400k premium.

ALTERNATIVE USE

Planning Context

Barnet Council has a substantial housing target and is heavily reliant on underutilised sites in town centres coming forward to help deliver sufficient housing sites. This provides a clear opportunity to actively promote the subject property for development.

Barnet Council may prioritise the retention of a retail use fronting Finchley Road, which has been provided for in the feasibility study below.

Any redevelopment of the site would require the approval of the Hampstead Garden Suburb Trust, in addition to planning.

Feasibility Study

A feasibility study has been undertaken, demonstrating the potential scale and density of development that could be accommodated on the site. A copy of the feasibility study is available on request. Key features include:

- Residential led scheme of 42 units, with convenience retail at ground floor level.
- 35 flats across a single building ranging from 1-3 storeys, together with 7 mews houses located to the rear of the site.
- Residential Net Internal Area of 31,732 sq ft and Retail Gross Internal Area of 4,413 sq ft.



THE CAPITAL VALUE REFLECTS ONLY £471 PER SQ FT, WHICH IS AT A SIGNIFICANT DISCOUNT TO PREVAILING RESIDENTIAL VALUES IN THE VICINITY.



PROPOSAL

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EPC

Marks & Spencer: C(58)

VAT

The property is elected for VAT and it is proposed that the sale will be treated as a Transfer of Going Concern.

AML

The successful purchaser will be required to comply with anti money laundering requirements.

FURTHER INFORMATION



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