## HEREWARD CROSS PETERBOROUGH


> Hereward Cross comprises a fully-let retail block located in the heart of Peterborough, a historic cathedral city.
> The property occupies a strategic island site, within close proximity of Peterborough's prime retail pitch, core office market and Peterborough City Market.
> Anchored by a recently re-geared Wilko (32,354 sq ft / 3,006 sq m).
> Strong tenant line-up, also including Poundland, William Hill, RBS, Secretary of State for Defence and Stonegate Pub Company.
$>$ Extends to circa 76,896 sq ft (7,144 sq m) comprising twelve retail units, a public house, and 33 residential apartments (sold off long leasehold).
> Fully let.
> Robust income profile with a WAULT of 6.89 years to expiries and 6.25 years to breaks.
> Held long leasehold from The Council of the City of Peterborough on a recently re-geared head lease with approximately 197 years unexpired.
> Gross passing rent of $£ 967,950$ per annum.
$>$ Net operating income of $£ 867,431$ per annum.
> We are instructed to seek offers in excess of $£ 9,565,000$ (nine million five hundred and sixty five thousand pounds), subject to contract. This reflects the following yield profile assuming full purchaser's costs:

- Net Initial Yield:8.50\%
- Net Reversionary Yield: 9.03\%
- Net Equivalent Yield: 8.96\%



Location and Communications
Peterborough is a historic cathedral city in the county of Cambridgeshire in the east of England.

The city is situated approximately 35 miles ( 56 km ) north west of Cambridge, 40 miles $(64 \mathrm{~km})$ east of Leicester and 80 miles (129 km) north of London.

Road communications are strong with the A1 (Junction 17) being situated approximately 5 miles ( 8 km ) west of the city centre, providing access to London in the south and Grantham and Doncaster in the north. The A47 (Junction 18) is located approximately 2 miles ( 3 km ) north of the city centre, providing access to leicester in the west.
Peterborough has excellent transport links with Peterborough train station providing direct trains to London Kings Cross (fastest journey time of 45 minutes), Cambridge (fastest journey time of 45 minutes) and Birmingham New Street (fastest journey time of 1 hour 46 minutes). The city will also benefit from a new Thameslink connection

due in 2018 which will link Peterborough directly to Gatwick and Luton Airports as well as St Pancras International rail station.

Peterborough has an established bus network providing local access to the city centre and various routes to neighboring towns. Hereward Cross is well served by multiple bus stops in the near vicinity as well as the central bus station being located 650 metres to the south west
East Midlands airport is situated approximately 58 miles ( 93 km ) to the north west. In 2016 it was ranked as the 11th busiest UK airport and the 2nd largest cargo hub in the UK. London airports are easily accessible with London Luton Airport being situated approximately 60 miles ( 97 km ) to the south of Peterborough. London Stansted Airport is located approximately 61 miles ( 98 km ) south-east of Peterborough.

Peterborough's excellent transport links make it a popular commuter town which will be enhanced with the arrival of the new Thameslink connection.



## Local Economy

Peterborough is an increasingly popular city, growing in both population and affluence. The population growth between 2015 and 2016 was $1.60 \%$ placing Peterborough as the 4th fastest growing UK city (source: Centre for Cities Outlook 2018).
Peterborough had the 8th highest level of housing stock growth in the UK according to the UK Centre for Cities Outlook 2018. In the same survey it was ranked 6th for its proportion of private sector jobs to public sector at a ratio of 3.7 to 1 .

The city also benefits from the Peterborough Investment Partnership (PIP), a partnership between Peterborough Council and Lucent Strategic Land Fund focusing on the city's regeneration by developing surplus land in the Council's ownership. An example of this is Weston Homes' $£ 120$ million scheme at Fletton Quays, on the south bank of the River Nene which includes a hotel apartments, leisure and retail facilities.

Key employers in Peterborough include BGL Group (comparethemarket.com), Bauer Media Group and Perkins Engines Company, collectively providing in excess of 3,200 jobs In addition to the NHS and the city council, public sector organisations providing local employment include the UK Passport Agency, English Nature and Peterborough District Land Registry.

Peterborough's excellent transport links, including frequent rail services to London, have also made it a popular commuter hub, supporting the growth of the local economy.

## Demographics

As a key regional centre, Peterborough has a significant retail catchment with 142,046 people living within a 10-minute drivetime. The catchment population increases to 234,059 within a 20 -minute drivetime (source: Savills Research).
Given the large population, retail spending capacity is sizeable, reaching $£ 654$ million in the 10-minute drivetime catchment and increasing to $£ 1.11$ billion in the 20 -minute drivetime catchment (source: Savills Research).

Within both the 10 and 20-minute drivetime catchments, there are above average levels of employment ( $65 \%$ and $67 \%$, respectively), compared to the UK average (64\%). Furthermore, the percentage of the population in full-time employment (42\% and $43 \%$, respectively) is also above the UK average $(38 \%)$, underlining the strength of Peterborough's economy (source: Savills Research).



## Situation

Hereward Cross occupies a prominent island site in a strategic location in Peterborough, bordering both the core retail and office market. It is located adjacent to Peterborough City Market and to the north east of the prime retail pitch and Queensgate Shopping Centre. Additionally, the property is located circa 800 metres east of Peterbrorough train station and 300 metres north of the Peterborough Cathedral

The property is bound by Midgate Road to the south, Cattle Market Road to the east and Broaway to the west.


Retailing in Peterborough
Peterborough is one of the dominant retailing destinations in the wider Cambridgeshire area and therefore benefits from a comprehensive, varied retail offer. Given the distance of the city from competing retail centres, such as Cambridge and Leicester, leakage is limited and spend is retained in the city.
The city benefits from a compact retail core. Hereward Cross occupies the northern section of the retail circuit, next to the city's covered market hall. Queensgate Shopping Centre, which houses the city's prime retail pitch, is located circa 100 metres south west of the property and is home to retailers including John Lewis, Marks \& Spencer, Primark and H\&M.

## Description

Hereward Cross was originally constructed in the early 1960s and was extensively reconfigured and refurbished approximately 10 years ago to provide circa $76,896 \mathrm{sq}$ ft ( $7,144 \mathrm{sq} \mathrm{m}$ ) of high street retail. The property comprises of thirteen units arranged over ground and first floor.
The property has a strong discount and convenience retail-led offer and is anchored by Wilko ( $32,354 \mathrm{sq} \mathrm{ft} / 3,006 \mathrm{sq} \mathrm{m}$ ). Other national covenants include Poundland ( $13,332 \mathrm{sq} \mathrm{ft} \mathrm{/} \mathrm{1,239} \mathrm{sq} \mathrm{m}$ ), RBS, William Hill and the Secretary of State for Defence.

The ownership also includes the Sir Henry Royce public house, operated by Stonegate Pub Company Limited, which forms one of a cluster of other public houses on Broadway.
A $37,436 \mathrm{sq} \mathrm{ft}(3,478 \mathrm{sq} \mathrm{m}$ ) Tesco (outside the ownership) adjoins the asset and provides a key source of footfall as well as a complementary retail offer. The property fronts Midgate Road, a prominent retail thoroughfare in Peterborough leading to both the Queensgate Shopping Centre and the Cathedral.
All the retail units are serviced from first floor level, where there is a loading/turning area reached by a vehicular ramp from Cattle Market Road.

Hereward Tower lies at the centre of the property and comprises a former office building that now houses 33 residential apartments. The apartments have been sold off on a long leasehold basis.

## Car Parking

Hereward Cross benefits from 65 roof top parking spaces.
39 spaces are designated under the residential long leasehold interests, 8 spaces are committed to tenants of Hereward Cross and thirteen are committed to the Royal National Institute of Blind People who occupy the opposite office building called Midgate House.

Market Car Park (outside ownership) is located adjacent to the property and provides in the region of 700 spaces making it one of the city's principal multi-storey car parks.




## Tenure

Hereward Cross is held long leasehold from The Council of the City of Peterborough. The head lease was recently re-geared with the property now secured for a period of 200 years from 6 July 2015, thereby expiring 5 July 2215 (197 years unexpired).

Under the head lease, different rent structures are applied for the commercial and residential elements.

The commercial element is subject to an initial rent of $£ 73,520$ per annum. This rent is subject to review every five years to the greater of passing or $7.50 \%$ of gross rents received.
The residential element has an initial rent of $£ 5,614$ per annum. This rent is reviewed every five years in line with RPI.
The aggregate head rent passing is therefore $£ 79,134$ per annum.

## Town Planning

We understand that no part of the property is listed nor does it lie within a conservation area.


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the purposes of identification only and although believed to be correct accuracy is not guaranteed.



## Tenancies

Please refer to the full schedule of tenancies and areas.
Hereward Cross is fully let under sixteen tenancies.
$>$ The current gross contracted income is $£ 967,950$ per annum.
$>$ The head rent is currently $£ 79,134$ per annum.
$>$ There is a shortfall of $£ 21,385 \mathrm{pa}$ arising from Tesco's service charge cap. There are no other business rates, service charge or insurance shortfalls.

The current net income is therefore £867,431 per annum

The estimated gross rental value is £1,001,100 per annum.


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## Income Analysis



## Income Expiry Profile (No Breaks)

The income profile of the asset is strong with a Weighted Average Unexpired Lease Term (WAULT) to lease expiry of 6.89 years. Over $84 \%$ of income is secured on leases with more than five years until lease expiry.

| Holding Over | $£ 30,000$ | $3.13 \%$ |
| :--- | ---: | ---: |
| 0 yrs to 2 yrs | $£ 91,000$ | $9.48 \%$ |
| 2 yrs to 5 yrs | $£ 32,000$ | $3.33 \%$ |
| 5 yrs to 10 yrs | $£ 766,350$ | $79.84 \%$ |
| 10 yrs to 15 yrs | $£ 15,000$ | $1.56 \%$ |
| 15 yrs + | $£ 25,500$ | $2.66 \%$ |
| Weighted Average Unexpired lease Term | 6.89 years |  |



## Income Expiry Profile (Assuming Breaks Are Exercised)

Assuming activation of all breaks, the expiry profile remains robust, with a WAULT to breaks of 6.25 years. Almost $77 \%$ of income is secured on leases with more than five years term certain.

| Holding Over | $£ 30,000$ | $3.13 \%$ |
| :--- | ---: | ---: |
| 0 yrs to 2 yrs | $£ 108,400$ | $11.29 \%$ |
| 2 yrs to 5 yrs | $£ 83,450$ | $8.69 \%$ |
| 5 yrs to 10 yrs | $£ 730,500$ | $76.11 \%$ |
| 10 yrs to 15 yrs | $£ 0$ | $0.00 \%$ |
| 15 yrs + | $£ 7,500$ | $0.78 \%$ |
| Weighted Average Unexpired Lease Term | 6.25 years |  |



## Income Profile by Covenant

In the region of $87 \%$ of income is secured against National covenants.

| National | $£ 845,400$ | $87.34 \%$ |
| :--- | ---: | ---: |
| Regional | $£ 0$ | $0.00 \%$ |
| Local | $£ 114,450$ | $11.82 \%$ |
| Other | $£ 8,100$ | $0.84 \%$ |

## Occupancy Rates

The scheme is well-let with no vacancy

## Tenancy Schedule

| Add | ess \& Occupier |  |  | Lease Dates |  |  |  | Rent |  |  | Area ( sq ft ) |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Ref | Unit | Tenant | Trading As | Lease Start Date | Lease <br> Expiry | Next Review Date | Break Date | Current Gross Rent ( $£$ per annum) | Passing Zone A Rate ( $£$ per sq ft) | $\begin{gathered} \text { ERV } \\ \text { (£ per } \\ \text { annum) } \end{gathered}$ | ITZA | Ground Sales | First | TOTAL NIA | Comments |
| 1 | 1, 2, 3 | Stonegate Pub Company Ltd | Sir Henry Royce | 9-Feb-01 | 8-Feb-26 | 8-Feb-18 |  | €92,500 | £10.28 | £112,500 | - | 5,152 | 3,849 | 9,001 |  |
| 2 | 1/3 Broadway | Tesco Stores Ltd | Tesco | 9-Feb-01 | 21-Feb-39 | 9-Feb-16 |  | £7,500 | - | £7,500 | - | - | - | - | (1) Right of way only. <br> (2) Fixed apportionment and service charge cap give rise to a current landlord shortfall of $£ 21,385$ pa. |
| 3 | 4, 5, 6 | Wilko Retail Limited | Wilko | 6-Nov-06 | 5-Nov-26 | 6-Nov-21 |  | £370,000 | £11.44 | £370,000 | - | 22,285 | 10,069 | 32,354 | (1) Lease expiry date includes five year term granted by a recently documented reversionary lease. 18 months rent free from 18 May 2018 (to be topped up by vendor). |
| 4 | 7-12 | Poundland Ltd | Poundland | 20-Oct-14 | 19-Oct-24 | 20-Oct-19 |  | £235,000 | £17.63 | £235,000 | - | 7.299 | 6,033 | 13,332 |  |
| 5 | 14 | The Royal Bank of Scotland Plc | RBS | 18-Jun-10 | 17-Jun-20 |  |  | £28,000 | £41.35 | £22,500 | 642 | 1,098 | 702 | 1,800 |  |
| 6 | 15 | The Royal Bank of Scotland Plc | RBS | 18-Jun-10 | 17-Jun-20 |  |  | £ $¢ 0,000$ | £43.88 | £22,500 | 637 | 1,253 | 933 | 2,186 |  |
| 7 | 16, 17 | Step Up Retail Ltd | Step Up | 25-Apr-07 | 24-Apr-17 |  |  | £30,000 | £22.25 | £38,000 | 1,209 | 1,833 | 2,790 | 4,623 | (1) Contracted rent is $£ 58,500$ pa. Noted rent is as a result of a concessionary agrrement. <br> (2) Lease renewal in solicitor's hands for a new 5 year term at a rent of <br> £ $38,000 \mathrm{pa}$. |
| 8 | 18 | Robert Thomas Saunders | Morleys Camping Goods | 8-Aug-13 | 7-Aug-18 |  |  | £18,000 | £33.18 | €18,000 | 515 | 653 | 549 | 1,202 | (1) Schedule of condition. <br> (2) Lease renewal in solicitors hands. 5 year term from $8 / 8 / 2018$ at a rent of E18,000pa. Mutual break option on 8/2/2018 on 6 months notice. |
| 9 | 19 | William Hill Organisation Limited | William Hill | 29-Aug-13 | 28-Aug-33 | 29-Aug-18 | 29-Aug-23 | £18,000 | £32.22 | £20,000 | 548 | 735 | 212 | 947 | (1) TBO every 5 years. 2018 option not operated. |
| 10 | 20 | SCOPE | SCOPE | 22-Dec-13 | 21-Dec-23 | 22-Dec-18 | 21-Dec-18 | £17,400 | £27.57 | £20,000 | 590 | 844 | 822 | 1,666 | (1) TBO - 6 months notice. |
| 11 | 21 | The Secretary Of State For Defence | Armed Services Careers Office | 29-Sep-05 | 28-Sep-20 |  |  | £32,000 | £12.88 | £40,000 | 546 | 703 | 4,994 | 5,697 | (1) Repairing obligation qualified by reference to condition as at 29 Sep 1980. <br> (2) Right to use of 6 car parking spaces. |
| 12 | 22 | Timothy Parrot | Parrots Fish Parlour | 10-Oct-16 | 9-Oct-26 |  | 10-Oct-21 | £25,500 | £31.27 | £25,500 | 787 | 857 | 570 | 1,427 | (1) TBO - 6 months notice. <br> (2) Right to use 1 car parking space. |
| 13 | 23 | Ramesh Chauhan | Hereward Shoe Repair | 25-Mar-17 | 24-Mar-27 | 25-Mar-22 | 25-Mar-22 | €7,000 | £33.24 | £10,000 | 202 | 202 | 172 | 374 | (1) TBO - 6 months notice. <br> (2) Right to use 1 car parking space. |
| 14 | 24 | Mr M Tokir | The Perfect Chicken | 23-May-16 | 22-May-26 | 16-Aug-18 | 23-May-21 | €18,950 | £35.75 | £20,000 | 499 | 687 | 621 | 1,308 | (1) TBO - 6 months notice. <br> (2) Right to use 1 car parking space. |
| 15 | 25 | Gianna Tompsett | Square Barber Shop | 23-Dec-08 | 22-Dec-18 |  |  | £15,000 | £27.87 | £15,000 | 515 | 515 | 464 | 979 |  |
| 16 | Car Park | Car Park |  |  |  |  |  | €0 | - | €0 | - | - | - | - | (1) 65 rooftop parking spaces. 39 designated under the residential leasehold interests, 8 spaces granted to commercial tenants of Hereward Cross and 13 currently allocated to RNIB - a tenant of the adjacent Midgate House which is under the vendor's ownership. |
| 17 | Antenna | EE Limited | EE | 12-Feb-16 | 11-Feb-31 | 12-Feb-19 | 12-Feb-25 | £15,000 | - | £16,500 | - | - | - | - | (1) 3 yearly rent reviews to RPI or Market Rent if higher. <br> (2) TBO - 12 months notice. Tenant also has option to break at anytime subject to conditions. |
| 18 | Residential Ground Rents |  |  |  |  |  |  | £8,100 | - | £8,100 | - | - | - | - | (1) Ground rents for 33 residential dwellings. All leases expire 5 June 2215. <br> (2) Reviewed 10 yearly to RPI. Full schedule available on request. |
| TOTALS |  |  |  |  |  |  |  | £967,950 |  | £1,001,100 | 6,690 | 44,116 | 32,780 | 76,896 |  |


| Total Gross Rent | $£ 967,950$ |
| ---: | ---: |
| Shortfalls | $(£ 21,385)$ |
| Head Rent | $(£ 79,134)$ |
| Net Income | $£ 867,431$ |

## Service Charge

The current annual service charge budget for the year ending 30 April 2018 is $£ 83,705$, equating to approximately £0.75 per sq ft.

The service charge is calculated on a floor area basis

## Business Rates

The 2017 revaluation saw a reduction in the rateable value of the property by an average of $18 \%$ with some units seeing reductions of up to $38 \%$.

Subject to transitional relief, reduced rates liabilities will improve the affordability of retail space and provide a tangible foundation for potential future rental growth.

Energy Performance Certificates (EPCs) are available on the marketing website.

## VAT

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

## Pricing

We are instructed by our client to seek offers in excess of $£ 9,565,000$ (Nine Million Five Hundred and Sixty Five Thousand Pounds), exclusive of VAT and subject to contract. This reflects a net initial yield of $8.50 \%$, a reversionary yield of $9.03 \%$ and an equivalent yield of $8.96 \%$, assuming purchaser's costs at 6.69\%.

## Website

Further information is available on the secure marketing website:
www.savills.com/herewardcross

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