## HEREWARD CROSS

CITY CENTRE RETAIL INVESTMENT OPPORTUNITY



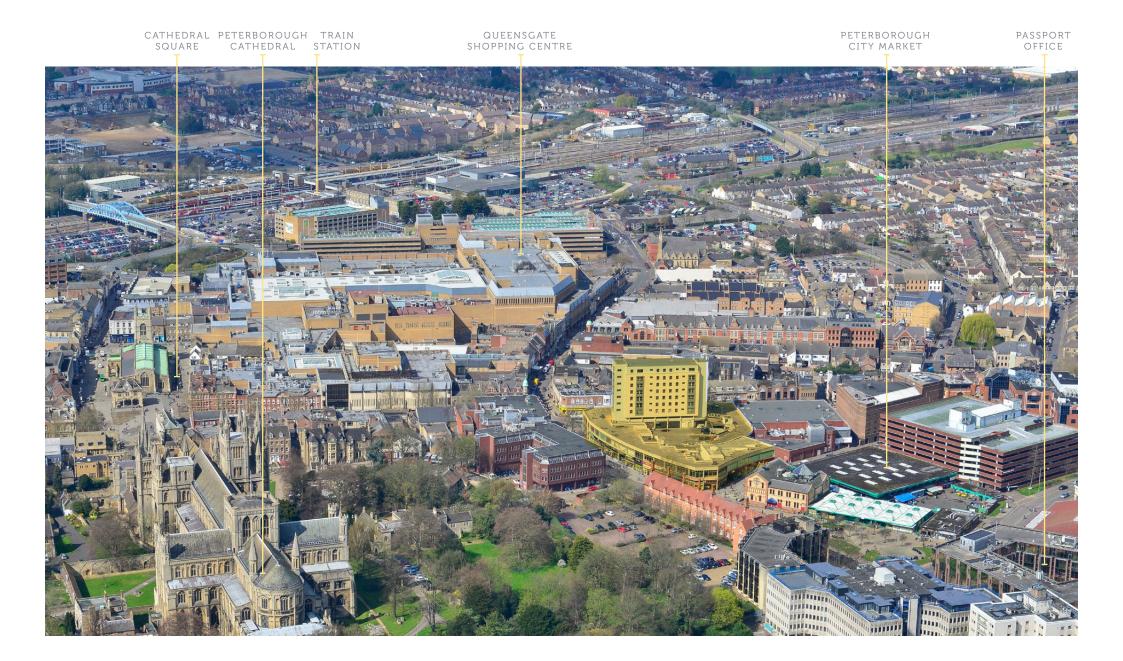


- Hereward Cross comprises a fully-let retail block located in the heart of Peterborough, a historic cathedral city.
- The property occupies a strategic island site, within close proximity of Peterborough's prime retail pitch, core office market and Peterborough City Market.
- Anchored by a recently 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%





# HEREWARD CROSS, PETERBOROUGH



## 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 km) east of Leicester and 80 miles (129 km) north of London.

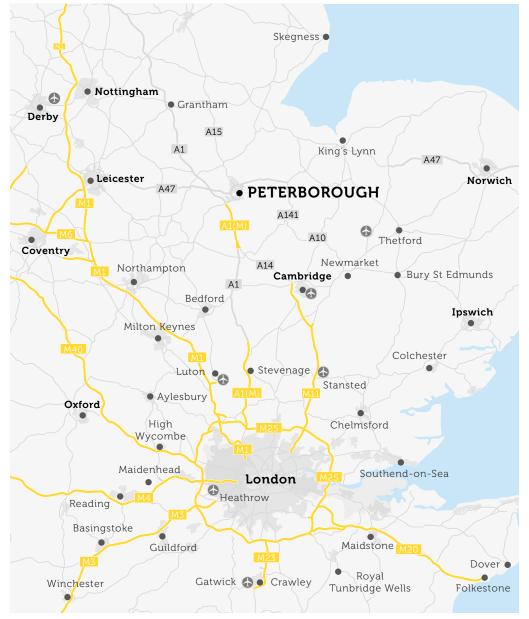
Road communications are strong with the A1 (Junction 17) being situated approximately 5 miles (8 km) west of the city centre, providing access to London in the south and Grantham and Doncaster in the north. The A47 (Junction 18) is located approximately 2 miles (3 km) north of the city centre, providing 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.

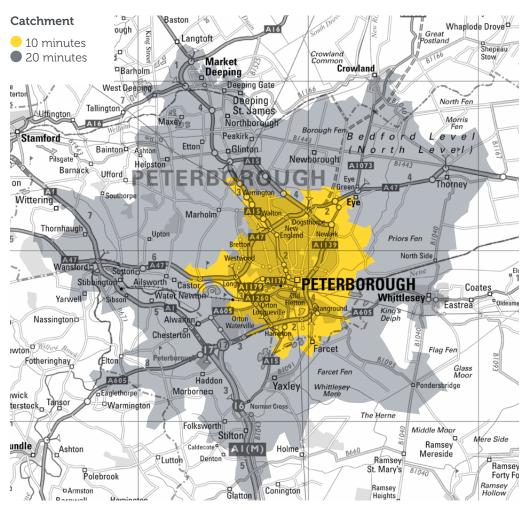
Peterborough has an established bus network providing local access to the city centre and various routes to neighboring towns. Hereward Cross is well served by multiple bus stops in the near vicinity as well as the central bus station being located 650 metres to the south west.

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.



## HEREWARD CROSS, PETERBOROUGH



## 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.

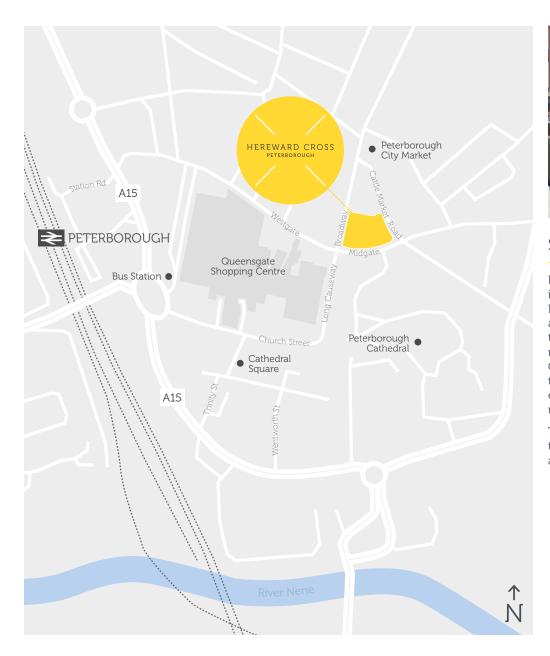
## Demographics

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).

## HEREWARD CROSS, PETERBOROUGH





## 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 sq ft (7,144 sq 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 sq ft / 3,006 sq m). Other national covenants include Poundland (13,332 sq ft / 1,239 sq 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 sq ft (3,478 sq 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.

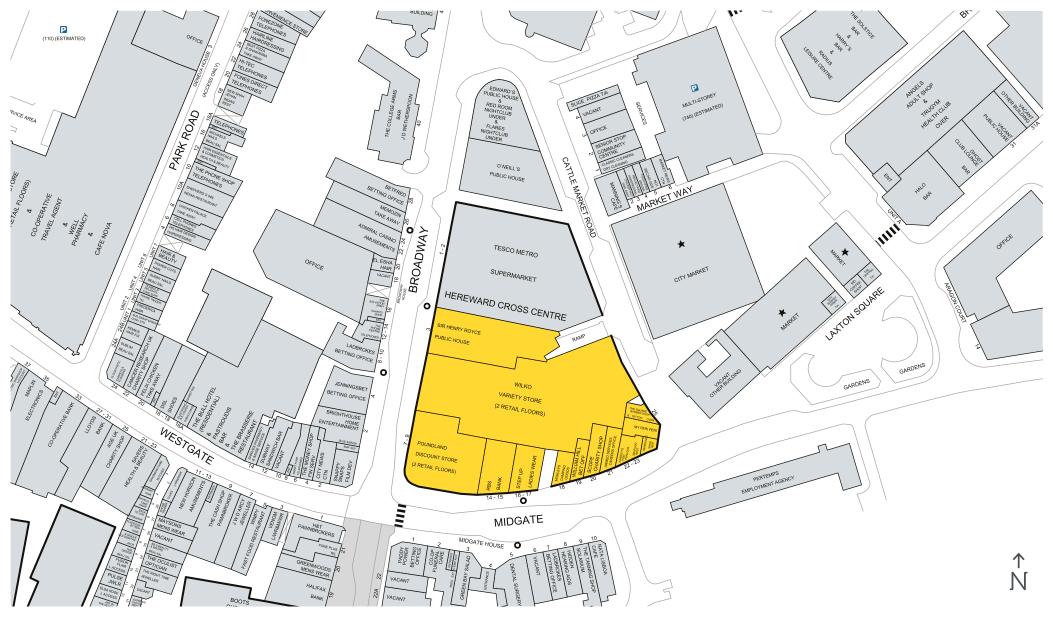
Market Car Park (outside ownership) is located adjacent to the property and provides in the region of 700 spaces making it one of the city's principal multi-storey car parks.















## 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.

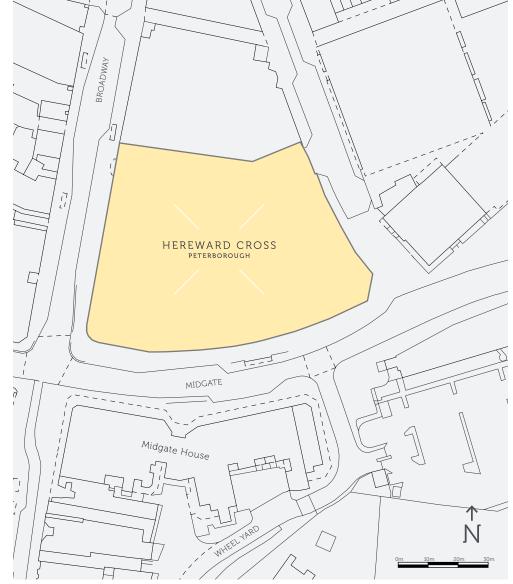
The commercial element is subject to an initial rent of £73,520 per annum. This rent is subject to review every five years to the greater of passing or 7.50% of gross rents received.

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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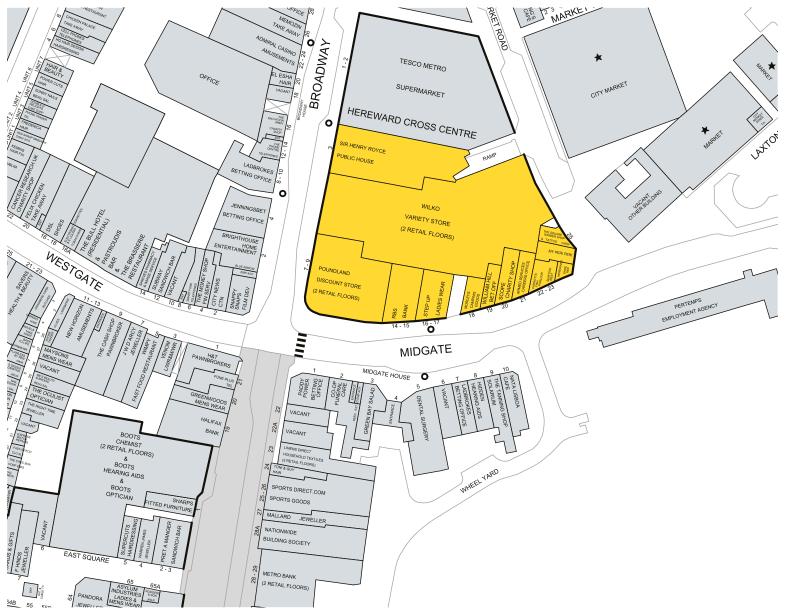


## Tenancies

Please refer to the full schedule of tenancies and areas.

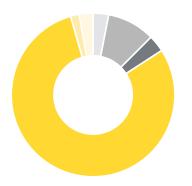
Hereward Cross is fully let under sixteen tenancies.

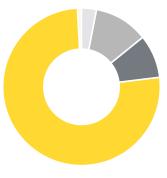
- The current gross contracted income is £967,950 per annum.
- > The head rent is currently £79,134 per annum.
- There is a shortfall of £21,385 pa arising from Tesco's service charge cap. There are no other business rates, service charge or insurance shortfalls.
- > The current net income is therefore £867,431 per annum.
- > The estimated gross rental value is £1,001,100 per annum.

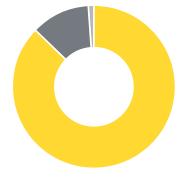




## Income Analysis







#### 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.

Weighted Average Unexp	-,	6.89 years
9 15 yrs +	£25,500	2.66%
l0 yrs to 15 yrs	£15,000	1.56%
🥚 5 yrs to 10 yrs	£766,350	79.84%
2 yrs to 5 yrs	£32,000	3.33%
• 0 yrs to 2 yrs	£91,000	9.48%
Holding Over	£30,000	3.13%

#### 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%
9 5 yrs to 10 yrs	£730,500	76.11%
0 yrs to 15 yrs	£O	0.00%
9 15 yrs +	£7,500	0.78%
Weighted Average Unexpir	red Lease Term	6.25 years

#### Income Profile by Covenant

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

<ul> <li>National</li> </ul>	£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	ress & Occupier				Lease	Dates			Rent			Area (	sq ft)		
Ref	Unit	Tenant	Trading As	Lease Start Date	Lease Expiry	Next Review Date	Break Date	Current Gross Rent (£ per annum)	Passing Zone A Rate (£ per sq ft)	ERV (£ per annum)	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	-	-	-	-	<ol> <li>Right of way only.</li> <li>Fixed apportionment and service charge cap give rise to a current landlord shortfall of £21,385 pa.</li> </ol>
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			£30,000	£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	<ol> <li>Contracted rent is £58,500 pa. Noted rent is as a result of a concessionary agrrement.</li> <li>Lease renewal in solicitor's hands for a new 5 year term at a rent of £38,000 pa.</li> </ol>
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	<ol> <li>Schedule of condition.</li> <li>Lease renewal in solicitors hands. 5 year term from 8/8/2018 at a rent of £18,000pa. Mutual break option on 8/2/2018 on 6 months notice.</li> </ol>
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	<ol> <li>Repairing obligation qualified by reference to condition as at 29 Sep 1980.</li> <li>Right to use of 6 car parking spaces.</li> </ol>
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	<ul><li>(1) TBO - 6 months notice.</li><li>(2) Right to use 1 car parking space.</li></ul>
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. (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	<ul><li>(1) TBO - 6 months notice.</li><li>(2) Right to use 1 car parking space.</li></ul>
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	-	-	-	-	<ol> <li>3 yearly rent reviews to RPI or Market Rent if higher.</li> <li>TBO - 12 months notice. Tenant also has option to break at anytime subject to conditions.</li> </ol>
18	Residential Ground Rents							£8,100	-	£8,100	-	-	-	-	<ol> <li>Ground rents for 33 residential dwellings. All leases expire 5 June 2215.</li> <li>Reviewed 10 yearly to RPI. Full schedule available on request.</li> </ol>
тот	ALS							£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.

## EPCs

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

### Contact

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## savills

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June 2018