



ODEON

PRESTON

PORT WAY, ASHTON-ON-RIBBLE, PR2 2YQ

LONG INCOME LEISURE INVESTMENT OPPORTUNITY WITH ANNUAL
RPI-LINKED RENT UPLIFTS COLLAR & CAPPED AT 1% AND 5%



THE OPPORTUNITY

- ▶ Opportunity to acquire the long leasehold (141 years UXT) interest of a 10-screen multiplex cinema underlet to United Cinema International (UK) Limited with Odeon Cinemas Limited as surety on a lease benefiting from annual RPI-linked rent reviews.
- ▶ Well located 1.5 miles (2.4 km) to the west of Preston city centre on a 3.6 acre (1.5 ha) site directly next to the Preston Marina Basin accessed from Port Way off the A583, connecting Preston to Blackpool.
- ▶ Strong asset management initiatives including potential to repurpose following lease expiry (STP) and introduce additional complementary leisure facilities (pod / drive thru) on extensive site.
- ▶ Odeon is one of two cinema operators in the city, competing with the more peripheral 7-screen Vue in Walton-Le-Dale.
- ▶ The property is a purpose built 10-screen multiplex cinema that was constructed in the 1990s. It has 1,890 seats and extends to a GIA of 35,910 sq ft (3,336 sq m) and benefits from a 220 space car park.
- ▶ The property is underlet on a 25-year lease commencing 31/10/2013, providing 14.5 years unexpired. The tenant has an option to renew for a further 10 years at expiry.
- ▶ The current rent passing is £805,352 per annum (£22.43 psf GIA), effective from 01/07/2023.
- ▶ The rent is reviewed annually to RPI (collar and cap of 1% & 5%). The next review will be on 01/07/2024 and we have assumed a 2.5% increase which reflects a rental uplift to approximately £825,500 per annum.

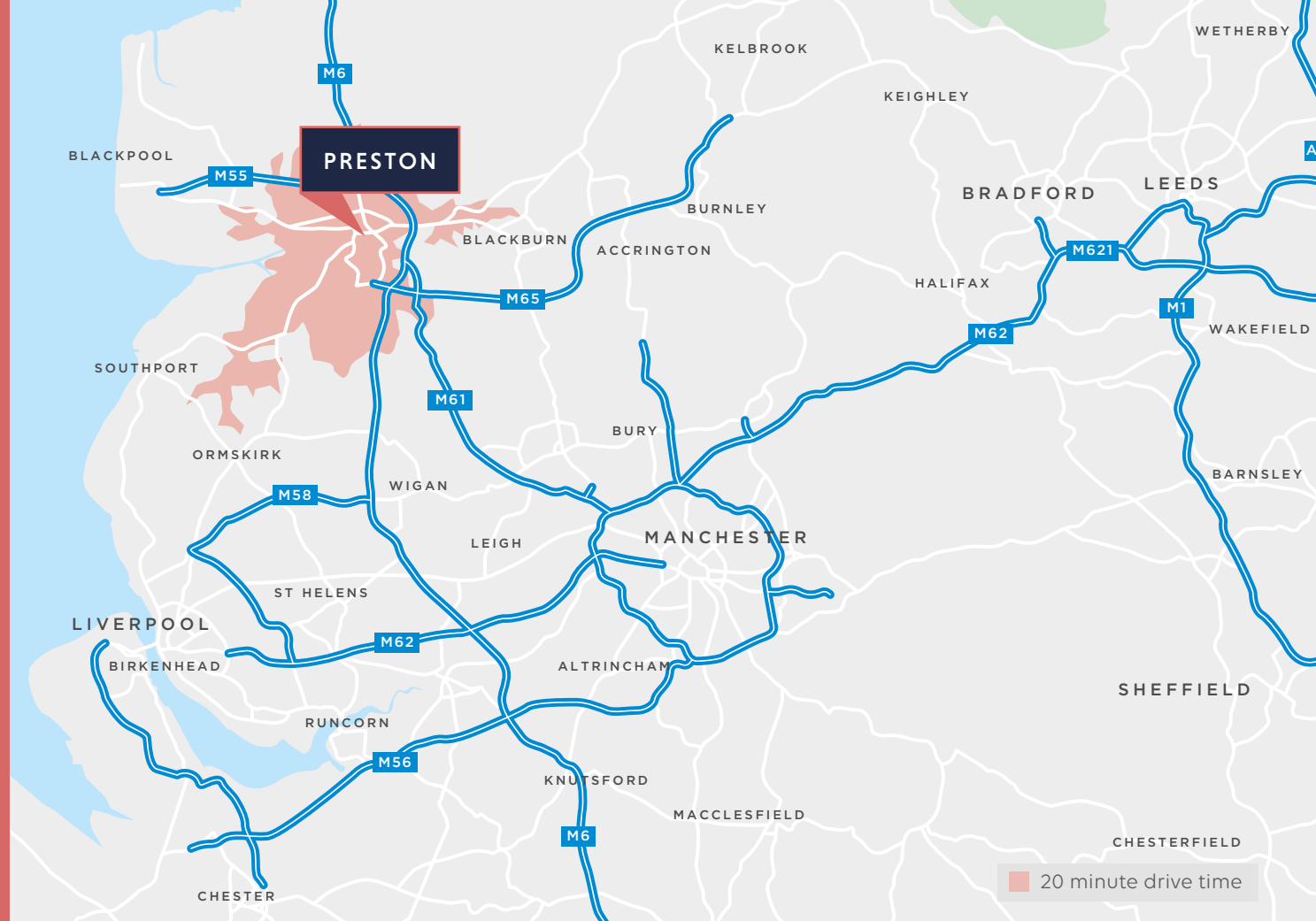
Seeking offers in excess of £6,560,000 (Six Million Five Hundred and Sixty Thousand Pounds), which reflects a NIY of 11.5% once standard purchaser's costs of 6.8% have been deducted.

LOCATION

Preston is a well connected city located 36 miles (58 km) to the north west of Manchester, Lancashire with a wider urban population of ~315,000.

Its local economy has shifted from a market town to further education and research. It is a major employer of the British defence aerospace industry, with BAE Systems locating two of its major facilities on the city fringes. Preston is also home to The University of Central Lancashire which provides direct and indirect benefits to the local economy through employment (~3,500 staff), housing and retail through servicing the ~40,000 students.

Preston is undergoing significant investment and development. The University of Central Lancashire Masterplan is a £200m transformation plan aimed at improving university facilities which in turn will create a skilled workforce and attract further investment. This is complemented by the Station Gateway regeneration framework which aims to build upon Preston's train connections as a potential HS2 linked station with Grade A office space dedicated to public sector occupiers.



The city is easily accessible via 4 major motorways, a central train station and the Preston Dock branch line. Situated approximately 36 miles (58 km) north west of Manchester, 37 miles (60 km) north east of Liverpool and 54 miles (87 km) west of Leeds, Preston enjoys excellent connectivity through the M6, M55, M65 and M61. Preston has attracted several major freight and haulage companies which add to the local economy and employment register.



Preston's railway station is located south of the city centre and provides direct services to Liverpool Lime Street (51 minutes), Manchester Airport (65 minutes), Leeds (1 hour 45 minutes), Edinburgh (2 hours 35 minutes) and London Euston (3 hours 35 minutes).



Preston is also serviced by international airports including Manchester Airport 41 miles (66 km) south east, Liverpool John Lennon Airport 46 miles (74 km) south and Bradford Airport 54 miles (87 km) north east.



SITUATION & DEMOGRAPHICS

The subject property is situated 1.5 miles (2.4 km) (13-minute drive time) south west of Preston city centre.

The property occupies a prominent location on Port Way, which can be accessed from the A583, which is a main arterial route servicing Preston city centre. The cinema is situated in the vicinity of the Preston Marina Basin and Mariners Way Retail Park which attracts a wide array of office, retail and leisure occupiers which drive cinema attendances. Local occupiers include KFC, JD Gyms, Morrisons and McDonalds.

Immediately adjacent to the site is a cluster of residential housing with residential development expanding north west of the site surrounding Ashton Park, with further development south west of the site adjacent to Penwortham Golf Club. This supports the asset having a large catchment demographic of approximately 100,000 people within a 2 mile radius.



36
MEDIAN
POPULATION AGE



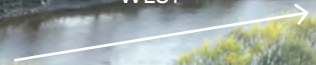
C1
AVERAGE
SOCIAL GRADE



£310,000
AVERAGE RESIDENTIAL
PROPERTY SALE PRICE

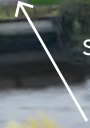


WEST



RIVER RIBBLE

SOUTH



LEA / CLIFTON ↗

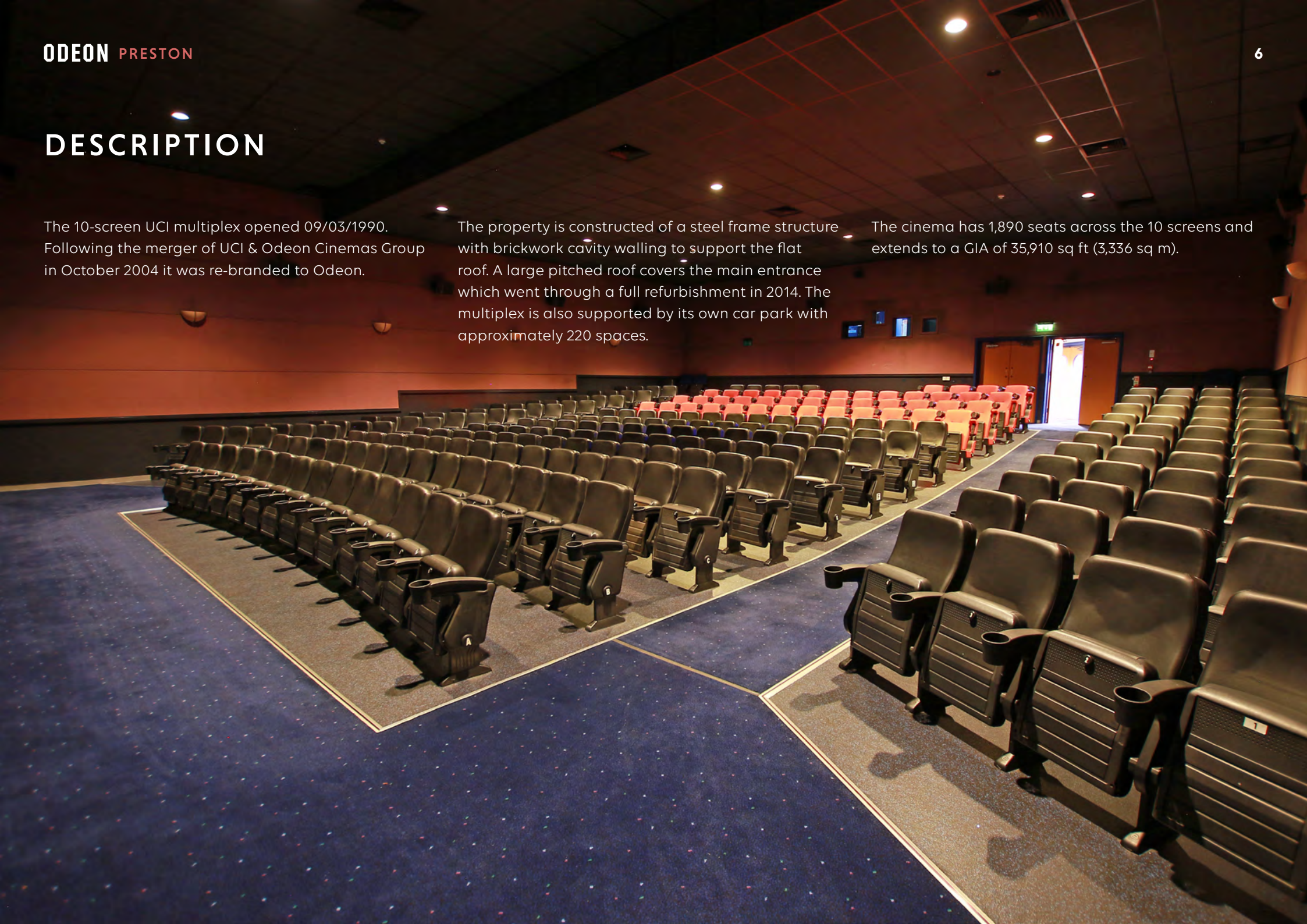
PRESTON CITY CENTRE ↘

DESCRIPTION

The 10-screen UCI multiplex opened 09/03/1990. Following the merger of UCI & Odeon Cinemas Group in October 2004 it was re-branded to Odeon.

The property is constructed of a steel frame structure with brickwork cavity walling to support the flat roof. A large pitched roof covers the main entrance which went through a full refurbishment in 2014. The multiplex is also supported by its own car park with approximately 220 spaces.

The cinema has 1,890 seats across the 10 screens and extends to a GIA of 35,910 sq ft (3,336 sq m).



ACCOMMODATION

Accommodation is arranged as follows:


FLOOR	AREA SQ FT	AREA SQ M
Gross Internal Area	35,910	3,336
Net Internal Area	33,441	3,107
Non-Rentalised Area*	2,469	229

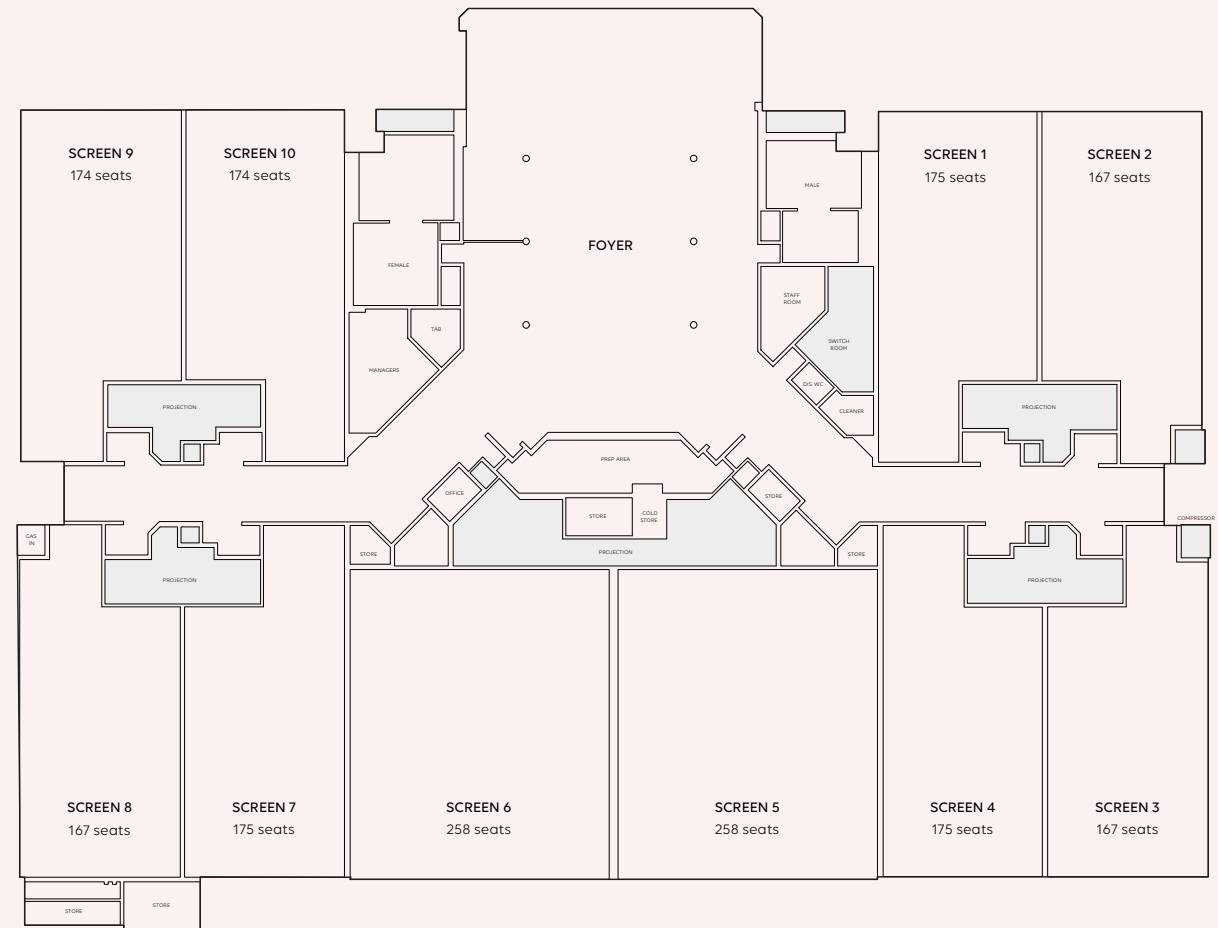
* Fire escape corridors, stairways and projection mezzanine

Footnote: areas have been sourced from an historic measured survey (2013). CBRE advise interested parties to instruct refreshed measured surveys for reliance purposes as the selling agents will not indemnify the accuracy of the areas quoted.



FLOOR PLANS

Not to scale.
Indicative only. 



TENURE

The property is held on a long leasehold interest of 150 years from 14/01/2016 with a peppercorn rent payable annually.

The unexpired term of the long leasehold interest is 141 years.

The freeholder is Preston City Council.

Long leasehold title number: LAN173847.

SITE

The site extends to approximately 3.6 acres (1.5 ha), providing a site coverage of 21%.

EPC

The current EPC rating for the building is D - 76 and expires January 2034.



Not to scale. For identification purposes only. This plan is based upon the Ordnance Survey Map with the sanction of the controller of H.M. Stationery Office. Crown Copyright reserved.

ASSET MANAGEMENT

The property allows for a variety of alternative uses STP (subject to planning) with the exception of retail under the current user clause.

The site benefits from low coverage, offering the potential to enhance value through the addition of further complementary leisure / hospitality facilities by introducing a pod and/or drive thru*.

Potential alternative uses might include*:

- ▶ Retail Warehouse
- ▶ Self Storage
- ▶ Experiential Leisure
- ▶ Health & Fitness



*Subject to obtaining the necessary consents and a deed of variation on the basis of any retail use.

TENANT

ODEON

Founded in 1930, Odeon Cinemas Limited (Company Number: 01854132) is the largest and best-known cinema operator in the country with more than 100 cinemas in the UK alone.

Odeon Cinemas Limited forms part of Odeon Cinemas Group, who operate in 14 countries across Europe and have almost 3,000 screens that host approximately 2.2 million guests per week.

Odeon generated the highest revenue of all operators in the UK for the past two quarters (Q4-23 & Q1-24), with Odeon Cinemas Limited benefiting from a Dun & Bradstreet rating of 5A2.

TENANCY

The property is underlet in its entirety to United Cinema International (UK) Limited with Odeon Cinemas Limited as surety, on a 25-year FRI lease expiring 30/06/2038. The rent is subject to annual rent reviews indexed to RPI with collar and cap of 1% - 5%. The current passing rent is £805,352 per annum (£22.43 psf GIA).

The lease is contracted out of the security of tenure provisions of the Landlord & Tenant 1954 act.

The tenant has an option to renew the lease for a further 10 years at expiry. If the tenant validly exercised the renewal option, the rent will be reviewed (upwards only) on 29/06/2038 and 01/07/2043 to open market rental value.

Odeon operate the Costa Coffee at the premises under their master franchise agreement.



COVENANT

Odeon Cinemas Limited forms part of the Odeon Cinemas Group, which is the largest cinema operator in Europe. In 2016 Odeon Cinemas Group was acquired by AMC Theatres, the largest movie exhibition company in the world, operating 11,000 screens globally in over 1,000 theatres.

AMC has seen continued recovery as per 2023 financial results, with attendance up 19.2% Y-o-Y driving a 23% increase in revenue to €4.81bn and adjusted EBITDA to €426m (from €47m in 2022).

Through 2023 AMC raised \$865m from the sale of 88m AMC shares and 18m APE (AMC Preferred Equity) units. \$216m of aggregate principle amounts of Second Lien Notes were repurchased at a 35% discount and the business has reduced the amount of debt and finance leases by \$448m on 2022 levels.

More recently, the company announced a USD \$250m stock offering in March 2024 with the intention to use the net proceeds to bolster liquidity and to repay, refinance, redeem or repurchase its existing debt, which has majority shareholder support.

ODEON CINEMAS LIMITED FY TO 31ST DEC	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Turnover	£202,852	£136,799	£65,991	£246,425
Gross Profit	£144,073	£96,678	£43,798	£159,022
Operating Profit/Loss	(£30,001)	(£31,206)	(£86,164)	£9,799



105
UK CINEMAS



33
LUXE CINEMAS



43m
INCREASE IN
ATTENDANCE VISITS
ON FY21



£19.8m
INVESTED IN
ESTATE CAPEX
IN FY22



5A2
D&B RATING

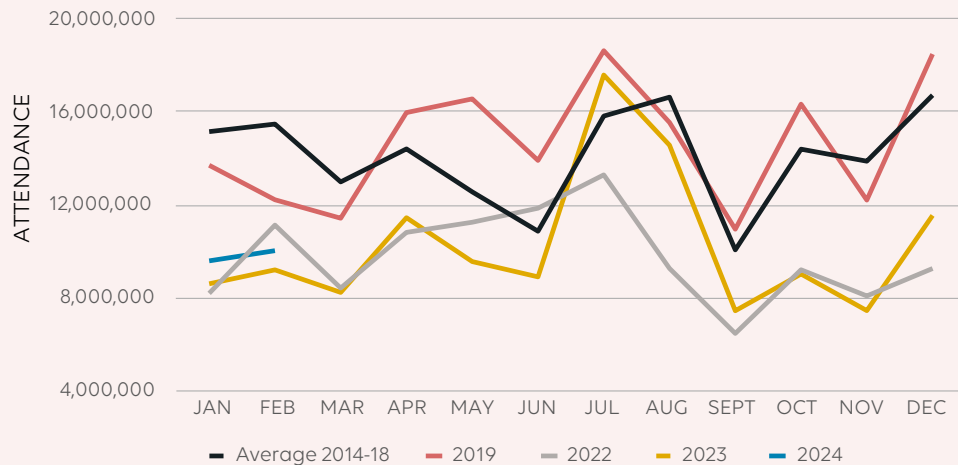
OPERATIONAL MARKET

The UK cinema market has continued to improve post Covid with 80% attendance in 2023 versus 2019 and current Box Office figures for Q1 2024 replicating the same period in Q1 2023. Whilst the impact of the now resolved actors and screenwriters strike (2023) has resulted in some of the 2024 film slate having been delayed by 1-2 years, it does mean that full recovery of the sector is now anticipated to occur during 2025/26.

The key takeaway from major blockbusters such as Barbie and Oppenheimer in 2023 is that demand still remains buoyant for the right product and whilst trading is still challenging, the future for cinemas and operators remains positive. This is reinforced with new and existing operators bidding for cinema assets following the demise of Empire in 2023.

The continued high cost of cinema development provides a strong barrier to entry for new operators, with competition largely dominated by the established market leaders.

CINEMA ATTENDANCE



Source: UK Cinema Association

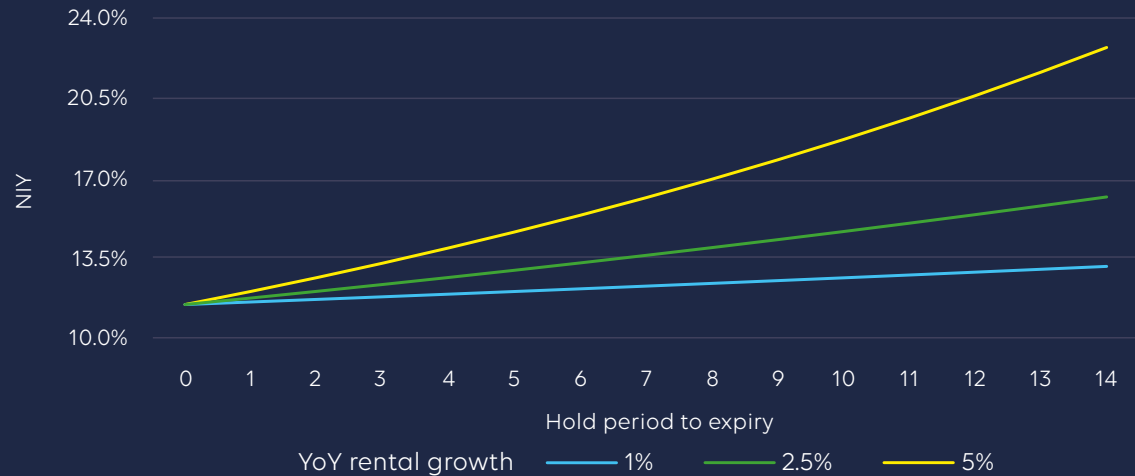
INVESTMENT MARKET

PROPERTY	SALE DATE	UNEXPIRED TERM	NIY %	PRICE (£M)	CINEMA RENT REVIEW	
					REVIEW BASIS	REVIEW FREQUENCY
Odeon, Preston	-	14	11.50	£6.5	RPI (1% & 5%)	Annual
Old Dairy, Ruislip (Cineworld)	Jan-24	18	8.70	£35.0	Fixed 2.5%	5 Yearly (Annual Compound)
Meridian Leisure Park, Leicester (Vue)	Dec-23	12	8.50	£25.0	Open Market	5 Yearly
Knights Park Tunbridge Wells (Odeon)	May-23	10	7.00	£20.0	Open Market	5 Yearly
Odeon Harrogate	Jul-22	14	7.25	£6.8	RPI (1% & 5%)	Annual



RUNNING YIELD

The graph below demonstrates the running yield based on the rental cap, collar and an assumption that rental growth reflects 2.5% annually for the remainder of the term, assuming an acquisition at 11.5% NIY.



Year	1% Increase	2.5% Increase	5% Increase
2024	11.61%	11.78%	12.07%
2026	11.84%	12.38%	13.31%
2028	12.08%	13.01%	14.67%
2030	12.32%	13.66%	16.17%
2032	12.57%	14.36%	17.83%
2034	12.82%	15.08%	19.66%
2036	13.08%	15.85%	21.68%

FURTHER INFORMATION

VAT

The property is elected for VAT.

PROPOSAL

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