

Trade Counter Investment Opportunity

Merrifields



TOOLSTATION  **HOWDENS**

Block C, Atex Business Park
Gun Cotton Way, Stowmarket IP14 5XE


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Investment Summary

- Located close to town centre and A14 dual carriage way
- High profile position at front of estate in middle of trade counter line-up
- Freehold trade counter units
- Comprising 9,516 sq ft in total with future potential for 6 easily sub-dividable units
- Leases expiring in 2035 and 2030 AWULT 11.56 and 6.55 to break
- 2x Grade A trade counter covenants in Howden Joinery Ltd and Toolstation Ltd (D&B rated 5A1 and 5A2)
- Passing rents at £8 psf with an ERV of £10 psf providing good growth potential at review and an excellent reversionary yield
- Net income of £76,923 per annum exc. / Reversionary income of £95,160 per annum exc.
- Future proofed EPC rating of B with solar panels meeting modern energy standards
- We are instructed to seek unconditional offers in excess of £1,650,000 subject to contract and exclusive of VAT for our client's freehold interest. This reflects a NIY of 4.4% and a reversionary yield of 5.43%, assuming purchaser's costs of 6.16%.

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A14

Gateway 14 Development

Tesco Superstore

McDonalds Restaurant

Cedars Park Estate

Atex Business Park

Gun Cotton Way

Stowmarket Town Centre

Location

Stowmarket is in Suffolk located on the A14 dual carriageway (J49 / J50) between Bury St Edmunds to the north west and Ipswich to the south east, both of which are within approximately 13 miles. Cambridge is 42 miles to the west and London approximately 89 miles south west. Stowmarket's location benefits from the strategic positioning between the port of Felixstowe 27 miles to the south east and the M11 motorway 40 miles to the west.

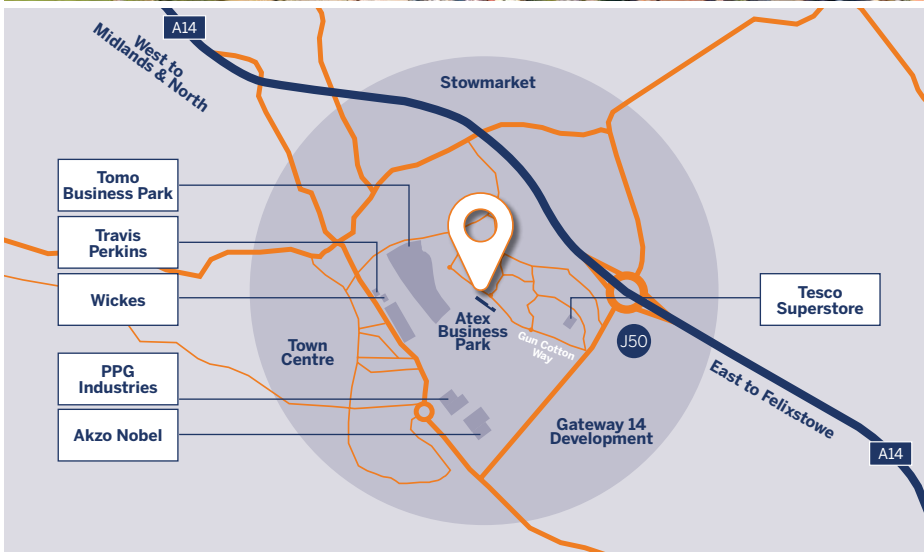
Proximity to the A14 and major motorways provides easy access to 75% of the UK's population within a 4.5-hour drive time. Stowmarket has a district population of 99,600 (2015) and a resident population of 128,000 within a 10 mile radius. Stowmarket railway station is within a 10 minute walk and is served by Greater Anglia trains with a connection to Cambridge in just over an hour, and to London Liverpool Street in a fastest journey time of 1 hour 18 minutes.

Situation

The property occupies a highly visible and prominent site on Gun Cotton Way which links the town centre and railway station in Stowmarket to Junction 49 of the A14. Situated south of the A14 the site is accessed by car from Junction 50 approximately 1 mile away. The site is approximately 1 mile away from Stowmarket railway station providing access by foot in under 10 minutes.

Atex Business Park has become established as Stowmarket's main trade counter destination with the new trade line-up the first of its kind in Stowmarket. Other occupiers on the estate include, Screwfix, Kwik-fit and Timber Services with a neighbouring unit under offer to City Plumbing Supplies. There is a large Tescos superstore and new drive-thru McDonalds and Costa nearby. Gateway 14 is a new large scale industrial development of 156 acres with freeport status which is being developed over the next 10 years at the end of Gun Cotton Way. On the northern side of Gun Cotton Way is a large housing estate.

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Atex Business Park

The buildings are part of Atex Business Park. A successful development of business and trade counter units on a high profile roadside location on a feeder road into Stowmarket. The business park has been phased over the course of the last 3 years and is due for completion at the end of 2022. The estate has become the location of choice for national trade counter operators and local and regional trade focussed businesses. The business park is shortly due to become fully occupied.

Tenure

The buildings are being sold freehold with express rights over accessways, parking and loading areas with all rights mirrored in the occupational leases.

Estate Service Charge

A service charge is payable under the freehold interest to cover the maintenance and upkeep of the common areas of the estate. This is fully recoverable from the tenants under the terms of the occupational lease.



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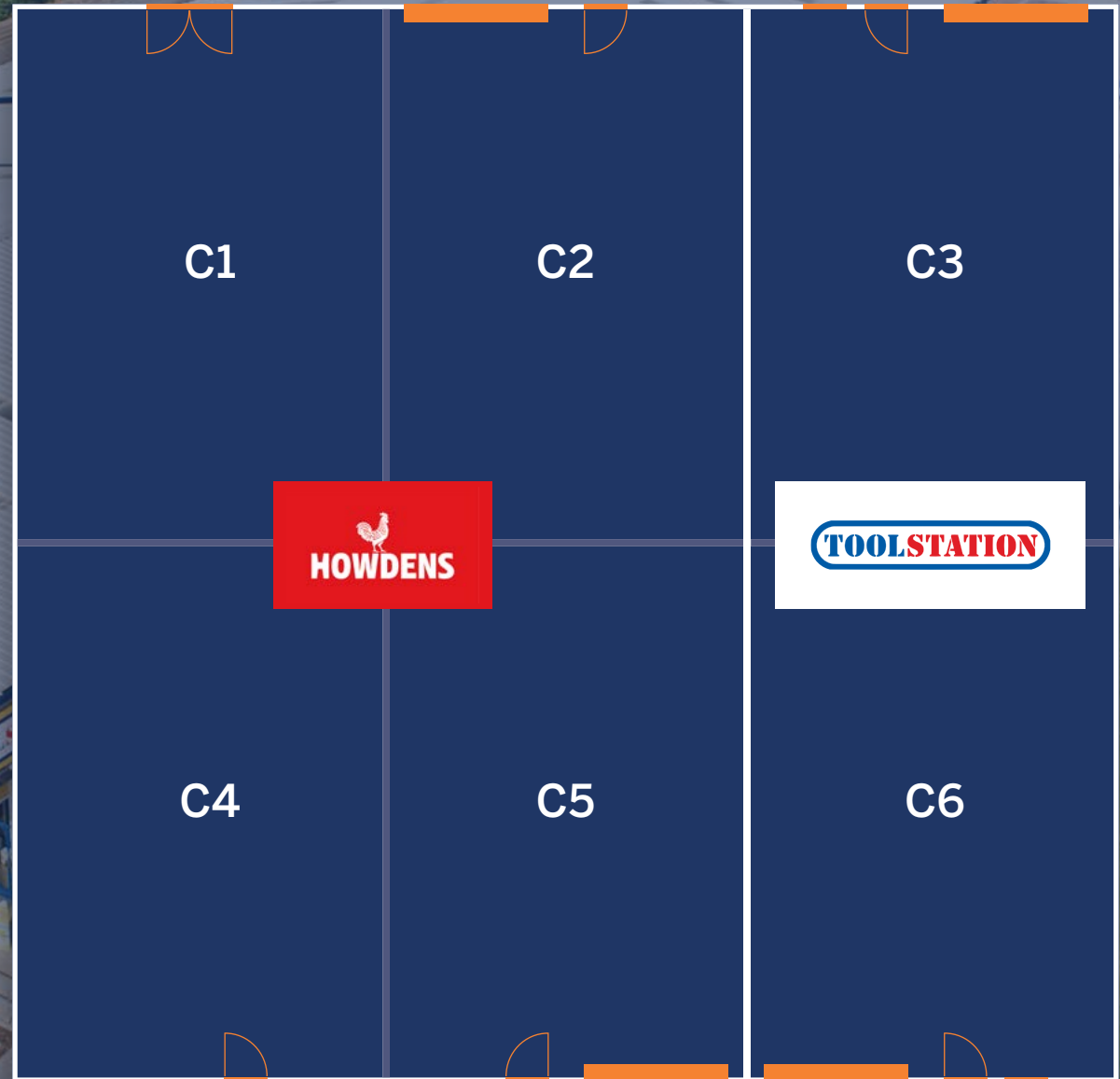
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Description

The unit was originally designed as a block of 6 units which have been sub-divided to provide a unit of approximately 6,316 sq ft and a unit of 3,200 sq ft let to two tenants. The units are newly built to modern building regulations with steel portal frame, power floated concrete floor and plasticised insulation panels on the roof and elevations. Internally the tenants have fitted out the units with a trade counter and showroom areas to the front and storage areas to the rear. Both tenants have large mezzanine floors increasing the floor plate of the units significantly.

- > Newly built to modern insulation standards
- > New PV panels over south elevations
- > LED lighting throughout
- > Large mezzanine floors installed as part of tenant fit-out
- > High specification fit-out and significant investment by tenants
- > EPC ratings of low Bs

Unit C		sq m	sq ft
Unit 1 - C1/2/4/5		586.76	6,316
Unit 2 - C3/6		297.28	3,200
Total		885.80	9,516



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Covenants

Tenant: Howden Joinery Properties Limited Guarantor: Howden Joinery Limited

Howdens was established in 1995 to provide trade customers with kitchens, joinery and hardware products, which are available from local stock at depots across the UK, France and Belgium. They currently trade out of more than 750 locations supporting the trade and customers that they serve. Howdens were voted in to the Top 25 Best Big Companies to work for by the Sunday Times in 2020 and also hold a Royal Warrant by appointment to Her Majesty The Queen to supply goods and services to the royal households since 2015. In 2020, Howdens were named as the UK's number 1 supplier of trade kitchens by Mintel Group.



Howden Joinery Limited are rated 5A1 (D+B)

Tenant: Toolstation Limited

Toolstation was formed in 2003 and is one of Britain's fastest growing suppliers of tools, accessories and building supplies to the trade, home improvers and self-builders. With a multi-channel offering, Toolstation customers can buy online through a dedicated UK call centre, and has over 500 branches across the UK which are open 7 days a week offering a range of over 25,000 products. The company is a wholly owned subsidiary of Travis Perkins PLC, the ultimate parent company.

During the COVID-19 pandemic in the UK, Toolstation remained open to provide essential products to the trade and general public, initially operating a click and collect service which still operates to this day. In 2020, Toolstation opened an additional 60 branches.



Toolstation Limited are rated 5A2 (D+B)

Tenant: Howden Joinery Properties Ltd

Year Ending	Turnover	Pre-tax profits	Shareholders Funds
2020	£59,411,000	£1,902,000	-£18,005,000
2019	£60,516,000	£2,881,000	£1,694,000
2018	£56,366,000	£2,093,000	£1,285,000

Guarantor: Howden Joinery Ltd

Year Ending	Turnover	Pre-tax profits	Shareholders Funds
2020	£1,519,574,000	£224,926,000	£282,396,000
2019	£1,560,143,000	£295,328,000	£341,573,000
2018	£1,485,243,000	£281,441,000	£329,223,000

Year Ending	Turnover	Pre-tax profits	Shareholders Funds
2020	£563,138,000	£19,501,000	£78,494,000
2019	£434,165,000	£25,610,000	£63,056,000
2018	£354,601,000	£21,883,000	£52,644,000

Tenancies

Unit 1 C1/2/4/5

Unit 1 C1/2/4/5 Atex Business Park is let to Howden Joinery Properties Limited (Guaranteed by Howden Joinery Limited) on a new 15 year lease from 26th August 2020 until 25th August 2035 at an initial rent of £51.163 pax and subject to 5 yearly upward only market rent reviews and a break at the end of year 10 subject to 6 months notice.

Unit 2 C3/6

Atex Business Park is let to Toolstation Ltd on a new 10 year lease from 4th September 2020 until 3rd September 2030 at an initial rent of £25,760 pax and subject to 5 yearly upward only market rent reviews and a break at the end of year 5 subject to 6 months notice.

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Investment Market Commentary

- The UK industrial investment market continues to go from strength to strength, with considerable global appetite for industrial assets resulting in approximately £12.5bn of national industrial transactions, making 2021 the strongest trading year on record, 55% above the 5-year annual average.
- This has been driven by investors competing for exposure to a sector that has low obsolescence and restricted supply and strong rental growth which is driven by the ongoing economic shift and a continued evolving ecommerce sector, which has pushed yields lower.
- Trade counter assets have proved highly resilient over the last 12 months with the pandemic accelerating consumer adoption of online commerce, food delivery and home improvements.

Occupational Market Summary

There has been strong demand from the industrial and trade counter market across the Eastern Region in recent years, as online retail is reshaping the geography of the logistics and last mile distribution markets. The A14 particularly has seen a substantial rise in demand as the towns in East Anglia have become an important strategic location close to the port of Felixstowe with access from the A14 to the rest of the UK. This backdrop has provided substantial growth in the industrial market in the region with sale prices and rents rising substantially. This growth looks to continue in Stowmarket, with the planned Gateway 14 development's designated freeport status.

The trade counter market has remained strong and resilient in the region with continued growth across East Anglia as people have moved out of London following the pandemic and continued growth with more houses planned across the region. There is a very low vacancy rate across the trade counter estates and rents in Bury St Edmunds and Ipswich have reached in excess of £10 psf for existing/older buildings. Recent rents achieved on the business park itself have been at £10 psf, with a letting to Kwik Fit and a unit under offer to City Plumbing, both at £10psf.

Property	Tenants	Area (Sqft)	Unexpired Term Certain	Price	NIY	Date
Units 2&4, Phoenix Trade Centre, Corby	Howdens / Jewson	25,334	3.5 and 9 years	£3.25m	4.45%	Available
Seven60, Nectar Way, Northampton	Hellermann Tyton	63,484	10 years	£11m	3.75%	Feb 22
Cardinal Park, Huntingdon	Various x5	79,713	2.91 years	£16.2m	3.31%	Nov 21
Units 20 & 21, Woodside Industrial Park, Letchworth	Toolstation, Eurocell	13,724	4.75 years	£1.765m	4.90%	Oct 21
Brackmills Trade Park, Northampton	Howdens, Screwfix, Topps Tiles, Greggs	66,317	7 years	£15.58m	3.81%	June 21
Trade City, Chelmsford	Various incl Dulux	61,200	5.6 years	£16.4m	4.29%	June 21
Woodside Park, Dunstable	Deralam Laminates Ltd	18,998	4 years	£3m	4.27%	May 21

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EPC

Unit 1 C1/2/4/5 Atex Business Park has an EPC rating of B (28)

Unit 2 C3/6 Atex Business Park has an EPC rating of B (27)

VAT

The property is elected for VAT. It is assumed this transaction will be structured as a transfer of a going concern.

Proposal

We are instructed to seek unconditional offers in excess of £1,650,000 subject to contract and exclusive of VAT for our client's freehold interest. This reflects a NIY of 4.4% and a reversionary yield of 5.43%, assuming purchaser's costs of 6.16%.

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Important Notice

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A member of staff at Merrifields has an interest in the property.

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