
LEWIS ELLIS

142-162
KILBURN HIGH ROAD
LONDON NW6 4JD

RARE OPPORTUNITY TO ACQUIRE A PRIME
FOODSTORE ANCHORED RETAIL INVESTMENT IN LONDON



THE OPPORTUNITY

142-162 Kilburn High Road comprises a prime retail led mixed use building located fifteen minutes from London's West End.

The property was developed in 2011 to address the severe shortage of modern well configured retail units on Kilburn High Road. As a result, these are the premier retail units within Kilburn and they provide an attractive shopping environment to meet the demands of modern retail occupiers.

The building offers an exceptional income profile with over 90% secured against Aldi, TK Maxx, Sports Direct and Vodafone, who are some of the strongest national multiple retailers within the UK. Kilburn is an excellent trading location for the tenants with Aldi ranking as the No.1 store out of 86 stores within its region. The income security will be further bolstered with proposed new lease terms having been issued to Vodafone and JD Spicer Zeb.

This is a high quality retail asset offering excellent income security, a guaranteed reversion through fixed uplifts and RPI reviews and an attractive initial yield.



'142-162 Kilburn High Road are the premier retail units within Kilburn and occupy a 100% prime position'



'Kilburn High Road (A5) is one of the main thoroughfares into and out of central London'



INVESTMENT SUMMARY

- Kilburn is an established inner London centre with a total retail stock of approximately 590,000 sq ft and annual retail spend of £182,000,000.
- Kilburn is currently undergoing major transformation and gentrification with significant development projects happening across the borough. The catalyst to this is the South Kilburn Regeneration Programme, a £600m four phase development delivering 2,400 homes, a new primary school, new health facilities and improved public realm.
- Kilburn benefits from excellent transport connections and is served by four tube stations with a journey time of 15 minutes into London's West End.
- The building comprises four retail units providing 48,095 sq ft of accommodation, 1,963 sq ft of offices within the upper parts and 52 residential apartments, which have been sold off on ground leases.
- The building occupies a 100% prime trading location and offers the premier retail units on Kilburn High Road.
- Fully let to five tenants with over 90% of the income secured against the excellent covenants of Aldi, TK Maxx, Sports Direct and Vodafone, rated by Dun and Bradstreet as 5A2 'lower than average risk'.
- Over 70% of the income benefits from a guaranteed reversion through either fixed rental uplifts or RPI linked rent reviews.
- All tenants trade strongly from the location. Aldi is the No.1 trading store out of 86 stores in the region.
- Attractive WAULT of 6.21 years to expiry and 4.5 years to breaks.
- Total passing rent of £1,293,175 per annum rising to approximately £1,412,000 per annum in October 2022.
- Asset managements opportunities to improve the income through re-gearing leases.
- Freehold.
- We are instructed to seek offers in excess of £21,070,000 subject to contract and exclusive of VAT. An offer at this level reflects:

NET INITIAL YIELD
5.75%

REVERSIONARY YIELD
6.28%

LOCATION

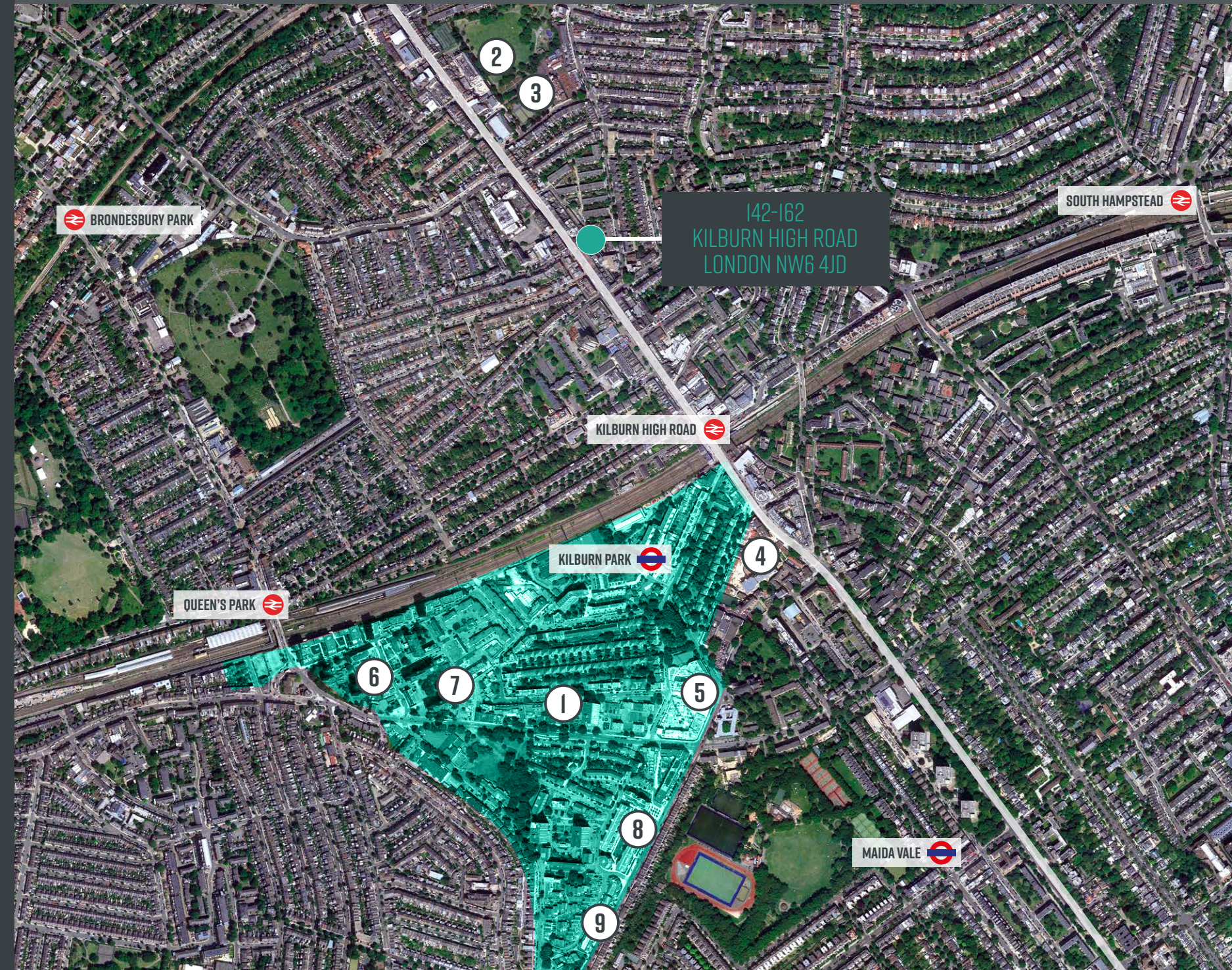
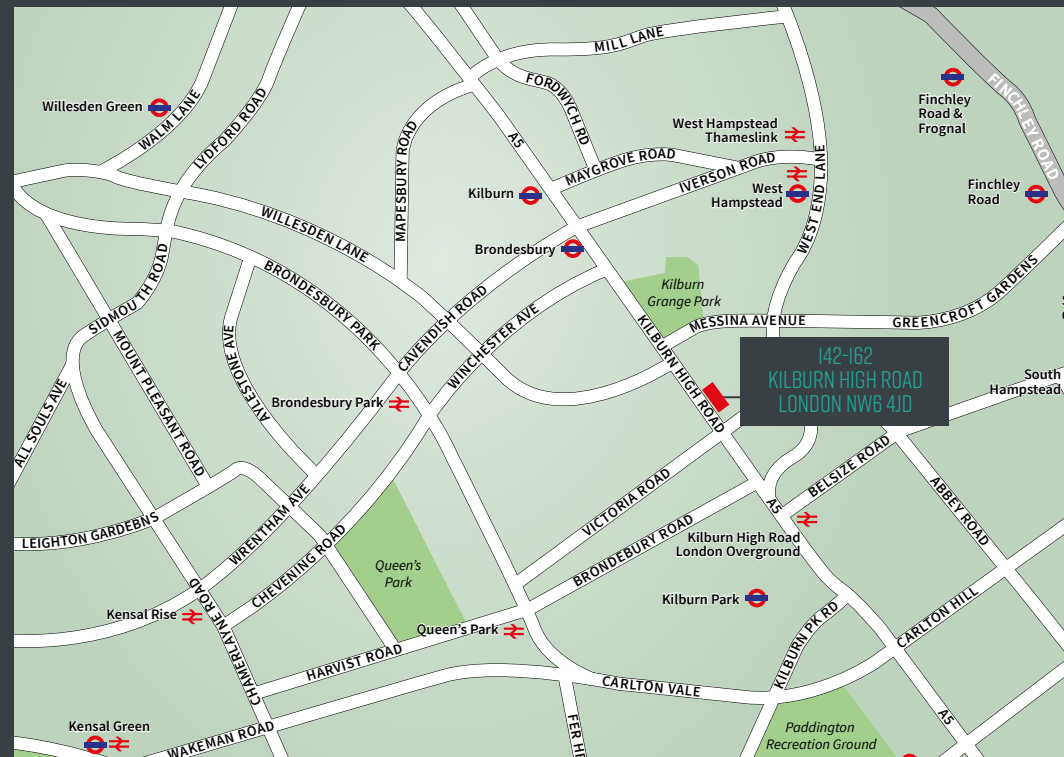
Kilburn is located 3 miles (4.8 km) north west of London's West End and is bordered by the highly affluent 'London village' locations of Queens Park, Hampstead, Maida Vale and St Johns Wood. The areas period housing stock, access to parks including Hampstead Heath and Regents Park and numerous bars, restaurants and cafes create a thriving hub for retail and leisure activity and a highly attractive place to live, work and socialise.

Kilburn has experienced significant gentrification in recent years, and is an attractive residential location for young professionals, as it lies within Zone 2, with a commuting time of 15 minutes into London's West End.

Kilburn High Road (A5) is one of the main thoroughfares into and out of central London running from Edgware Road and Maida Vale in the south, to the north circular and M1 motorway at Hendon in the north.

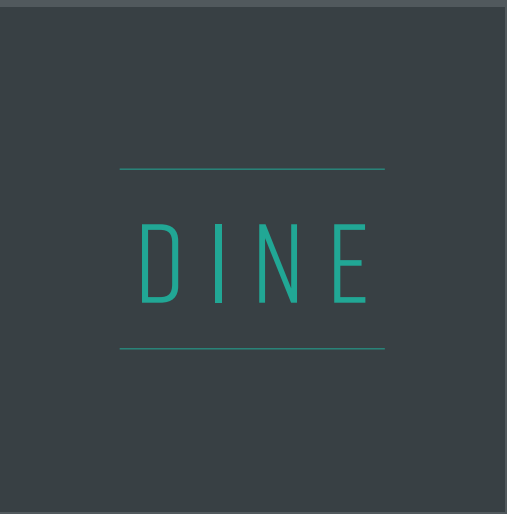
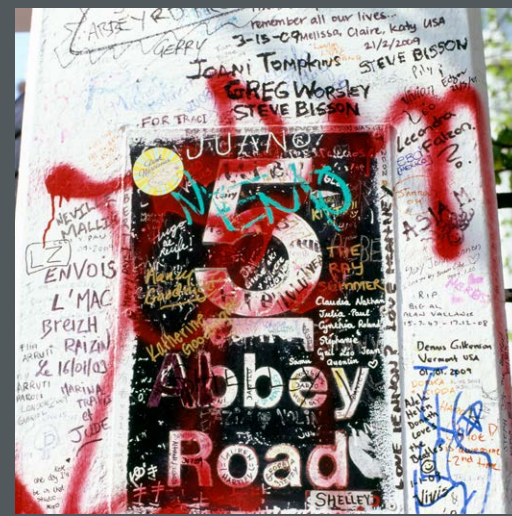
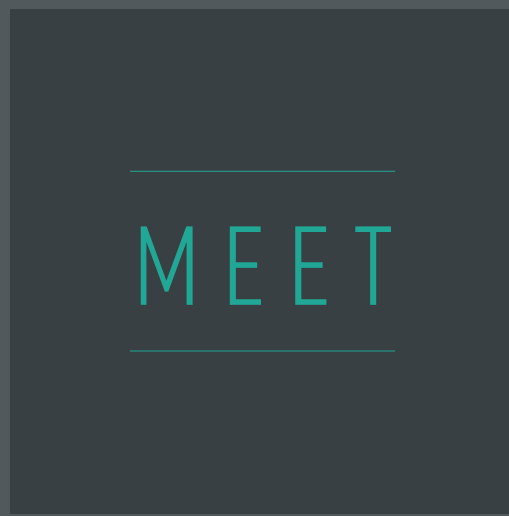
Kilburn benefits from excellent connections to the London public transport network and is served by four railway stations - Kilburn Park (Bakerloo), Kilburn (Jubilee), Kilburn High Road (London Overground) and Brondesbury (London Overground). Additionally there are nine bus routes serving Kilburn High Road.

'Four well configured retail units on Kilburn High Road'



FUTURE DEVELOPMENT AREAS

- | | | |
|--|---|---|
| <p>1 South Kilburn Regeneration Programme
2,400 new high quality homes. Improved public realm, new primary school & health facilities - £600 million</p> <p>2 Park Place
60 apartments
Completion - 2018
Developer - Godfrey</p> <p>3 Arbor Collection
23 apartments
Completion - Aug 2020
Developer - Camrose</p> | <p>4 NOMA
193 apartments.
Completion - Sept 2019
Developer - Clarion Housing Latimer Group</p> <p>5 Gloucester House & Durham Court
235 apartments.
Completion - 2021.
Developer - Telford Homes</p> <p>6 Falconbrook/Walbrook Court
64 apartments
Completion - 2015
Developer - Catalyst</p> | <p>7 PEEL
308 apartments
Completion - 2025
Developer - Countryside</p> <p>8 Kilburn Quarter
229 apartments
Completion - 2017
Developer - Network Housing Group</p> <p>9 Argo House
112 apartments
Completion - 2016
Developer - James Taylor Properties</p> |
|--|---|---|



SITUATION

The property is situated in a 100% prime location on Kilburn High Road and benefits from 230 ft (70m) of frontage on the Eastern side of the road, which is considered the prime retailing pitch.

The total retail floor space in Kilburn is 590,000 sq ft (54,812 sq m) with a total retail spend of £182,000,000. The prime pitch extends from Primark northwards to Aldi.

The major multiples within Kilburn are Marks & Spencer, Primark, Sainsbury's, Aldi, TK Maxx, Sports Direct, Argos, Boots, JD Sports, Footlocker, Clarks, Superdrug, Poundland, Holland & Barratt, McDonalds and Costa Coffee.

'All tenants trade strongly from the location. Aldi is the No.1 trading store out of 86 in the region'

DEMOGRAPHICS

Kilburn is in the London borough of Brent and has an estimated population of 334,779 (Source ONS). Brent is one of the most densely populated London boroughs, with the highest concentration in the south east of the borough, around the Kilburn area .

Kilburn has an above average population growth forecasted over the next five years. The largest proportions of the Kilburn population are classified as Liberal Opinions (young well educated professionals) and Alpha Territory (successful and substantially wealthy households).

Furthermore, the proportion of the population aged 22-44 is well above the national average and the demographic has a far higher than average number of high income households.



'71.6% of the income benefits from either fixed rental uplifts or RPI linked reviews'



DESCRIPTION

The property is a substantial mixed use block comprising four well configured, modern retail units totalling 48,095 sq ft (4,468 sq m), 1,963 sq ft (182 sq m) of office accommodation and 52 residential apartments.

All of the retail units benefit from rear servicing facilities from Kingsgate Place and there are two dedicated service bays for the tenants to use and individual bin stores for each unit.

Retail & Office

Unit 1 (Aldi Stores Ltd) is 15,885 sq ft (1,476 sq m) and provides well configured retail sales accommodation on the ground floor with staff and storage facilities in the basement. A goods lift serves both floors.

Unit 2 (Vodafone Ltd) is 1,432 sq ft (133 sq m) and comprises a well configured ground floor retail unit.

Unit 3 (SportsDirect.com Retail Ltd) is 9,219 sq ft (856 sq m) and provides well configured retail sales accommodation on ground and basement floors. A goods lift serves both floors.

Unit 4 (TK Maxx) is 21,599 sq ft (2,007 sq m) and provides well configured sales accommodation on ground and basement floors. A goods lift and passenger lift serve both floors.

Office (JD Spicer Zeb) comprises a self-contained office of 1,963 sq ft (182 sq m). The property is situated in the upper parts above TK Maxx and is arranged over first, second and third floors and is accessed from Kilburn High Road.



Residential

The upper parts of retail units 1, 2 & 3, together with the land to the rear, were redeveloped in 2011 to provide 52 flats known as Kingsgate House and Westbourne House. The development is accessed from Kingsgate Road and Kingsgate Place and comprises an attractive courtyard scheme on 3 levels.

- 18 of the flats have been sold on individual 999 year leases with ground rents payable to the landlord.
- 14 of the flats are used for affordable and have been sold on a single 999 year lease at a peppercorn.
- 6 of the flats are shared ownership and have been sold on a single 999 year lease at a peppercorn.
- 14 of the flats have been sold on individual 999 year leases with ground rents (these do not form part of the sale).

Further information is available within the tenancy schedule.



TENURE

The vendor is selling the Freehold interest.

TENANCY

The property is let in accordance with the tenancy schedule and produces a total rental income of £1,293,175 per annum. The WAULT to expiry is 6.21 years and the WAULT to break is 4.45 years.

New lease terms have been proposed to Vodafone and JD Spicer, which will further bolster the income, and demonstrates commitment to the building and location.

TK Maxx's lease benefits from a fixed rental uplift in April 2021 to £640,000 per annum.

Aldi's lease benefits from a RPI linked uplift in Oct 2022 to £405,935 per annum (assuming 2.5% per annum compounded growth).

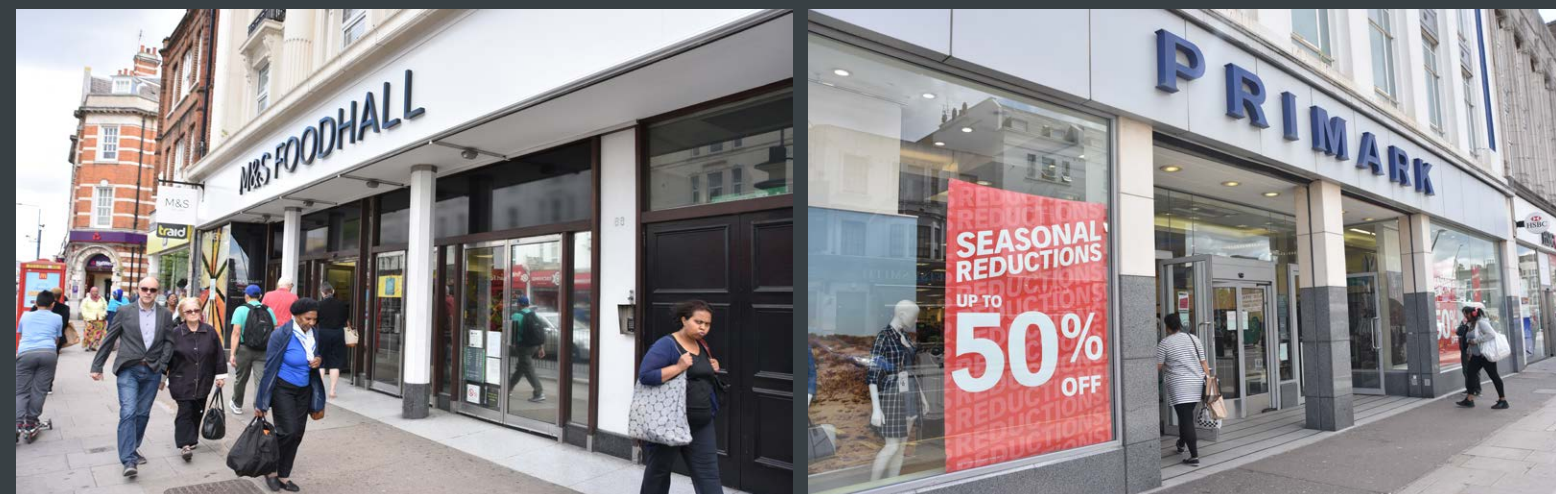
The total current passing rent is therefore reversionary to approximately £1,412,000 per annum in October 2022.

All tenants trade strongly from the location. Aldi is the No. 1 trading store out of 86 in the region.

TENANCY SCHEDULE

Unit	Tenant	Demise	Area (Sq ft)	Lease Start	Lease Expiry	Break Options	Rent Review	AWULT to Expiry (Break)	Rent pa	Rent psf/ ITZA	Comments
Unit 1	Aldi Stores Ltd	Ground Floor	8,063	05/10/2012	04/10/2032		05/10/2022	12.23	£358,787	£22.59	5 yearly reviews linked to RPI with a collar of 1% pa and a cap of 2.5% pa compounded. Service charge cap of £5,000 increasing with RPI.
		Basement	7,822								
Unit Total			15,885								
Unit 2	Vodafone Limited	ITZA	696	15/06/2010	14/06/2020			0	£82,500	£118.53	New lease in legals. Proposed terms - 5 years from 30 December 2020 at £83,500 pa subject to 6 months rent free. Lease subject to a tenant break option in year 3.
		Ground Floor	1,432								
Unit Total			1,432								
Unit 3	Sportsdirect.com Retail Limited	Ground Floor	3,705	17/10/2011	16/10/2021			1.26	£258,750	£28.07	Service charge cap of £5,000 increasing with RPI.
		Basement	5,514								
Unit Total			9,219								
Unit 4	TJX UK (trading as TK Maxx)	Ground Floor	10,214	28/04/2011	27/04/2026	28/04/2022	28/04/2021	5.79 (1.79)	£567,500	£26.32	Rent review to higher of OMV or £640,000. Tenant break option subject to 12 months' notice and penalty of £160,000.
		Basement	11,345								
Unit Total			21,559								
Offices	JD Spicer Zeb	First Floor	690	19/02/2007	18/02/2022			1.59	£19,668	£10.02	Proposed lease terms - 15 years at a rent of £26,000 pa subject to 1 month rent free. Rent reviews and tenant break option in years 5 and 10.
		Second Floor	621								
		Third Floor	652								
		Unit Total									
Residential	Private Individuals	Flats 7, 8, 9, 14, 17, 18, 19, 20, 21, 22, 24, 28, 31, 34, 35, 36, 37, 38 Kingsgate House		29/09/2011	28/09/3010				£5,950		18 flats sold off on individual 999 year leases with ground rents, producing £5,950 pa.
Residential	Origin Housing Limited	Flats 1-14 Westbourne House		29/09/2011	28/09/3010				£0		Affordable. 14 flats sold off on a single 999 year lease at a peppercorn.
Residential	Origin Housing Limited	Flats 2, 11, 12, 16, 25 & 29 Kingsgate House		29/09/2011	28/09/3010				£0		Shared ownership. 6 flats sold off on a single 999 year lease at a peppercorn.
Residential	Private Individuals	Flats 1, 3, 4, 5, 6, 10, 13, 15, 23, 26, 27, 30, 32, 33 Kingsgate House		29/09/2011	28/09/2010				£0		Excluded from sale and available by way of separate negotiation. 14 flats sold off on individual 999 year leases with ground rents producing £5,100 pa.
TOTAL			50,058					6.21 (4.45)	£1,293,175		

‘Over 90% of the income is secured to 5A2 rated covenants (lower than average risk)’



SERVICE CHARGE

There is a service charge for the property which predominantly relates to the residential elements, although there is a small service charge levied on the commercial part in respect of the small amount of common parts that exist. Service charge caps are in place for two tenants as outlined in the tenancy schedule. The service charge budget for the year ending 30th September 2020 is £12,243 (commercial) and £153,395 (residential). Further information is available upon request.

TENANT'S COVENANT

Aldi Stores Limited

Aldi is a German based discount supermarket chain. It is one of Europe's leading discount supermarkets with over 10,000 stores in 20 countries. The company has over 830 UK stores and plans to open another 130 in the UK over the next two years. Aldi is now the UK's 5th largest supermarket with a market share of 8% (6.7% growth in market share since 2018) and was voted Britain's favourite supermarket in 2019. Aldi Stores Ltd has a Dunn and Bradstreet rating of 5A2 representing a lower than average risk of business failure. The company recorded the following financial accounts over the past three years:

	31 Dec 2018 £000's	31 Dec 2017 £000's	31 Dec 2016 £000's
Sales Turnover	11,334,428	10,181,049	8,744,385
Pre-Tax Profit (Loss)	182,151	220,877	241,795
Tangible Net Worth	2,665,996	2,515,973	2,321,983

Vodafone Ltd

Vodafone Ltd is part of the Vodafone Group, one of the world's leading mobile communications providers, operating in 26 countries and in partnership with networks in over 55 more. Across the world, Vodafone has almost 444 million customers and around 19.5 million in the UK. The company now employs over 13,000 people across the UK. Vodafone Limited has a Dunn and Bradstreet rating of 5A2 representing a lower than average risk of business failure. The company recorded the following financial accounts over the past three years:

	31 Mar 2019 £000's	31 Mar 2018 £000's	31 Mar 2017 £000's
Sales Turnover	5,512,900	6,253,600	5,843,900
Pre-Tax Profit (Loss)	(679,500)	(339,900)	(668,500)
Tangible Net Worth	3,054,300	3,401,600	3,128,100

Sportsdirect.com Retail Ltd

Founded by Mike Ashley in 1982, SportsDirect has grown to become the UK's largest sporting retailer. The company operates over 890 stores in 19 European countries, employing over 29,400 people. Its sports brands include Dunlop, Slazenger, Everlast and Lonsdale. Sportsdirect.com Retail Limited has a Dunn and Bradstreet rating of 5A2 representing a lower than average risk of business failure. The company recorded the following financial accounts over the past three years:

	28 Apr 2019 £000's	29 Apr 2018 £000's	30 Apr 2017 £000's
Sales Turnover	2,187,760	2,206,501	2,220,022
Pre-Tax Profit (Loss)	345,610	167,306	177,097
Tangible Net Worth	1,376,728	1,080,137	1,273,500

TJX UK

TJX is one of the largest global retailers with over 4,300 stores in nine countries employing over 270,000 associates. T K Maxx is part of the TJX UK group of companies. Launched in 1994 T K Maxx is a European retailer selling apparel and home fashions from over 515 stores. The company offers great value in top-brand family apparel and home fashions including women's footwear, lingerie, accessories and other merchandise such as luggage and toys. TJX UK has a Dunn and Bradstreet rating of 5A2 representing a lower than average risk of business failure. The company recorded the following financial accounts over the past three years:

	02 Feb 2019 £000's	03 Feb 2018 £000's	28 Jan 2017 £000's
Sales Turnover	3,157,800	2,968,600	2,684,000
Pre-Tax Profit (Loss)	120,500	87,100	111,400
Tangible Net Worth	723,700	645,600	640,500

JD Spicer Zeb

Founded in 1977 JD Spicer Zeb is a national legal practice with over 80 lawyers and support staff covering complex and high profile work across England and Wales. The firm was started in London and has since grown to 4 offices which are located in London, Birmingham and Manchester. JD Spicer Zeb has a Dunn and Bradstreet rating of O1 representing a minimum risk of business failure. For further information visit: www.jdspicer.co.uk



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EPC

Aldi	B rating 34
Vodafone	B rating 49
Sports Direct	B rating 50
T K Maxx	B rating 45
JD Spicer Zeb	D rating 88

VAT

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

DATA ROOM

There is a data room for the property with key tenancy information, service charge information, title documents and the EPC. Access to it can be obtained via Lewis Ellis.

PROPOSAL

We are seeking offers in excess of £21,070,000 (Twenty One Million and Seventy Thousand Pounds), subject to contract and exclusive of VAT, after purchase costs of 6.75%.

A purchase at this level reflects an attractive net initial yield of 5.75%, rising to 6.28% in October 2022.

FURTHER INFORMATION

Should you require further information or wish to view the property, please contact either:

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