

LONG INCOME, INDEX
LINKED LONDON
FOODSTORE INVESTMENT
OPPORTUNITY



Sainsbury's

8-12 WORPLE ROAD, WIMBLEDON, SW19 4DD

LEWIS ELLIS



INVESTMENT CONSIDERATIONS

- **Rare opportunity to acquire a prime, index linked, long income foodstore in South West London.**
- **Wimbledon** SW19 is an internationally recognised residential, retail, leisure and business centre within an affluent and prosperous suburb of London.
- The property comprises a purpose built foodstore and office building extending to **51,804 sq ft (4,812.75 sq m) GIA.**
- The property is let entirely to **Sainsbury's Supermarkets Ltd** on a full repairing and insuring lease expiring on **28th Sept 2042 (providing approximately 21.2 years unexpired).**
- **Current passing rent of £1,010,000 per annum.**
- There are **five yearly RPI rent reviews (annually compounded) collared and capped at 1-4% per annum.** The next reviews fall on 29th September 2027, 2032 and 2037.
- **Sainsbury's is the second largest supermarket chain in the UK** and remain one of the strongest covenants available in the retail sector with a **D&B rating of 5A2.**
- **Sainsbury's have been in occupation for over 50 years** and have recently re-gearred demonstrating their commitment to the location.
- The property is **underpinned by residential and commercial development opportunities.**
- **Offers sought in excess of £25,250,000 (Twenty Five Million, Two Hundred and Fifty Thousand Pounds)** subject to contract and exclusive of VAT.
- This reflects a **net initial yield of 3.75%**, after deduction of purchase costs of 6.76%.
- A purchase at this level reflects the following minimum and maximum yield profile adopting a collar and cap of 1 - 4% per annum and the average long term RPI forecast at 2.5%:-

	1%	2.5%	4%
Running Yield 2027	3.94%	4.24%	4.56%
Running Yield 2032	4.14%	4.80%	5.55%
Running Yield 2037	4.35%	5.43%	6.75%

LOCATION

The affluent suburb of Wimbledon is located approximately 8 miles (13km) south west of Central London and is a thriving suburb dominated by strong residential, retail, leisure and office markets. Wimbledon is within close proximity to Kingston Upon Thames 4 miles (6 km) to the south west and Richmond Upon Thames 8 miles (13 km) to the north west.

RAIL

Wimbledon benefits from excellent communication links across the London public transport network, serving over 13.5 million passengers annually.

The railway station provides regular fast train services to Clapham Junction (7 minutes), London Waterloo (17 minutes) and London Victoria (20 minutes). The area is also connected to the London Underground via the District Line, which provides regular trains to Central London, via Earls Court.

The Tramlink provides access to 39 stops across highly populated suburbs in south London including East Croydon, New Addington and Beckenham.

Wimbledon is a major bus interchange in South London providing services to Wandsworth, Clapham and Kingston-upon-Thames.

CROSSRAIL II

Wimbledon will be a major station on the Crossrail II line, reported to be operational by 2030. Crossrail II is the proposed new high-frequency, high capacity rail line for the South East, running through Wimbledon and into Surrey and Hertfordshire providing improved accessibility with an extra 30 trains per hour. The service will reduce journey times from Wimbledon to Central London and will stimulate further investment and growth in Wimbledon.



ROAD

The A3 provides direct access into Central London and the M25 (J10) approximately 14 miles (22 km) to the south west.

AIR

Heathrow and Gatwick Airports are accessible by road or public transport from Wimbledon within 45 minutes and 60 minutes respectively.



Central London

All England
Lawn Tennis Club

Wimbledon Park
Golf Club

WAITROSE
& PARTNERS

Centre Court
Shopping Centre

Wimbledon Hill Road

Wellington
House

Wimbledon
Train/Tube Station

TESCO Metro

Lidl HQ

eLys

St George's
House East

UNDERGROUND

SUBJECT PROPERTY

Wimbledon
Bridge House

Morrisons

22 Worple Road

Worple Road

1-4 Francis Grove

DEMOGRAPHICS

Wimbledon is a highly desirable and affluent area with a population of 1.8 million and a primary catchment of 400,000 residents.

Over 70% of the population fall within the 'Affluent Achievers' or 'Rising Prosperity' social categories.

Wimbledon is home to the renowned All England Lawn Tennis Club which attracts over 550,000 visitors every year and numerous global companies including Capsticks, Close Brothers, Lidl and Unibet.

There are seven 5* Ofsted rated primary schools in the area.

RETAILING IN WIMBLEDON

Wimbledon town centre has a strong retail provision and is visited by a million people per annum. Town centre retail floorspace is estimated at 710,000 sq ft centred around The Broadway, Centre Court Shopping Centre and Wimbledon Village.

The Broadway is located to the south east of Wimbledon Station and includes occupiers such as Uniqlo, Robert Dyas, TK Maxx, Franco Manca and Headmasters.

Wimbledon Village is located to the north west of Wimbledon Station and includes boutique occupiers such as The Ivy Café Wimbledon, Cote Brasserie, PAUL, Aubaine, Le Pain Quotidien and Carluccios.

The 310,000 sq ft Centre Court Shopping Centre is located in the centre of Wimbledon next to the station and is anchored by Tesco Metro, M&S Simply Food, H&M and Boots.

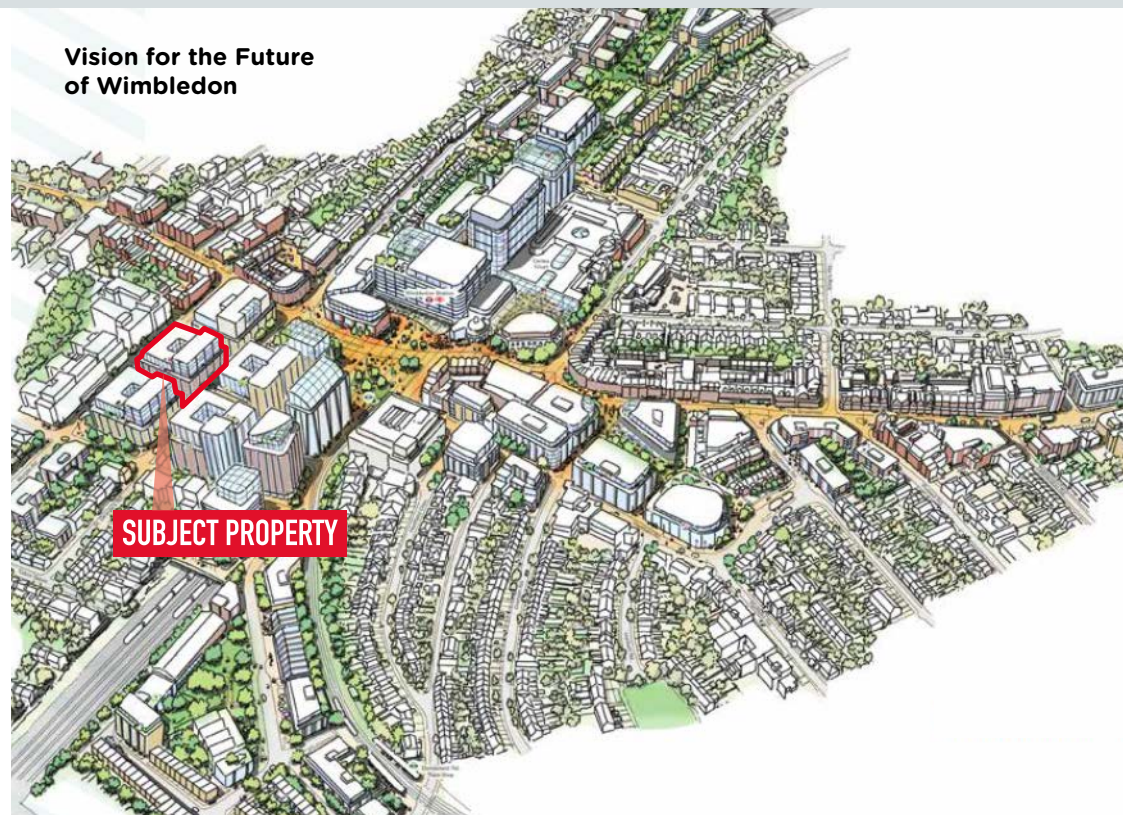
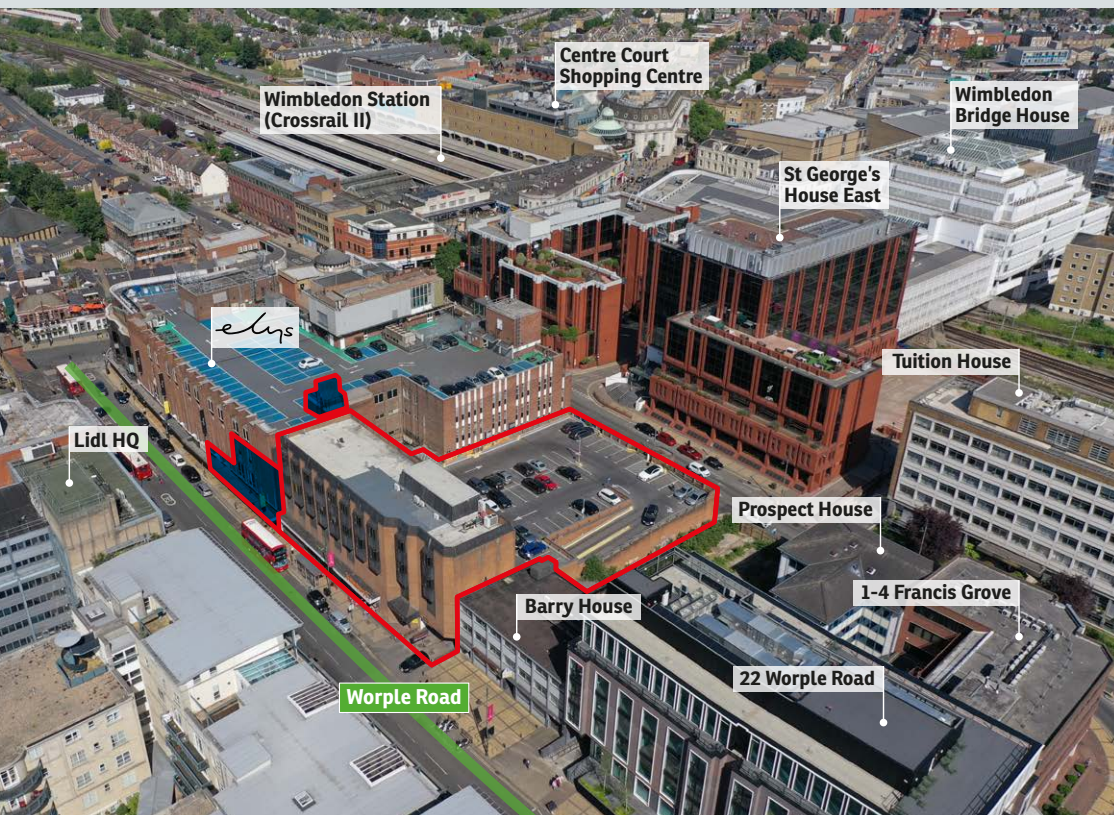
FOODSTORE PROVISION

Wimbledon has a limited supply of suitable sites for foodstore occupiers. There are currently five foodstores in the town centre which include Sainsbury's on Worple Road (subject property), Tesco Metro (Centre Court Shopping Centre), M&S Simply Food (Centre Court Shopping Centre), Morrisons (The Broadway) and Waitrose (Alexandra Road).

The foodstore provision in Wimbledon is likely to change with the onset of Crossrail II. Within the Future Wimbledon Supplementary Planning Document dated January 2020, Centre Court is earmarked for a mixed use residential led development and this is expected to cause major disruption to the existing Tesco Metro and M&S Simply Food stores at Centre Court. The route for Crossrail II may also cause disruption for the existing Waitrose store on Alexandra Road.

Once Lidl relocate to Tolworth, a new Lidl foodstore is being considered at their existing HQ office building on Worple Road opposite the subject property.





SITUATION

The property benefits from an excellent location in Wimbledon town centre and is highly prominent with approximately 49 metres of retail frontage onto Worple Road. Sainsbury's and the adjoining Ely's department store have been key occupiers in the town centre for over 50 years in this location.

Wimbledon railway/underground station is less than 200 metres from the subject property and the immediate area around Worple Road and St George's Road comprises high end residential, retail & leisure and grade A office buildings.

A number of sites in the immediate vicinity are being progressed for office redevelopment including St Georges House East and 1-4 Francis Grove. 22 Worple Road is the latest grade A office building in Wimbledon which completed in 2020.





DESCRIPTION

The property comprises a purpose built foodstore and office building extending to 51,804 sq ft (4,812.75 sq m) GIA.

The foodstore element is accessed from Worple Road and trades on the ground floor only with ancillary storage in the basement, and ancillary staff accommodation on the first and second floors. The store is serviced from the rear on St George's Road with a dedicated covered loading yard.

The customer car park is accessed from Worple Road and provides approximately 59 spaces on the upper deck. Sainsbury's also have the right to access the parking area on the roof of the Ely's department store which provides an additional 40 parking bays.

William House benefits from a dedicated entrance fronting Worple Road and provides two floors of self contained office accommodation (second and third floor) extending to 8,722 sq ft. The offices are currently sub-let to Lidl.

The trading hours of the store on Monday - Saturday are 7.00am - 11.00pm and Sunday 11.00am - 5.00pm.

The property occupies a freehold site of 0.56 acres (0.23 hectares).

TENURE

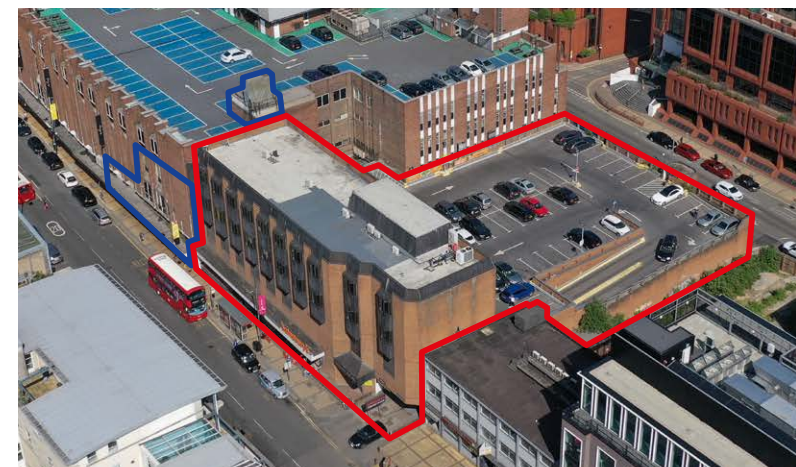
71% of the property is held freehold (outlined in red) by site area. The remainder (outlined in blue) is held long leasehold from Ely's Department store expiring 28th September 2063 with a further option to extend for 26 years at £10 per annum (providing approximately 68 years unexpired).

There is a service charge which covers the maintenance of the external elevations and rooftop parking on top of Ely's and the associated business rates for the parking bays. This is fully recoverable from Sainsbury's.

ACCOMMODATION

The property has been measured in accordance with the RICS Code of Measuring Practice (6th Edition) and comprises the following gross internal floor (GIA) areas:

FLOOR	DESCRIPTION	AREA (Sq ft)	AREA (Sq m)
Supermarket			
Ground	Sales/Ancillary	22,853	2,123.12
Basement	Ancillary	9,351	868.74
First Floor	Ancillary	5,202	483.28
Second Floor	Ancillary	1,883	174.94
Covered Loading Bay		3,793	352.38
Sub Total		43,082	4,002.45
Sub Let Offices			
Second Floor	Office	4,361	405.15
Third Floor	Office	4,361	405.15
Sub Total		8,722	810.30
TOTAL		51,804	4,812.75





TENANCY

The property is let entirely to Sainsbury's Supermarkets Ltd on a full repairing and insuring lease expiring on 28th Sept 2042 (providing approximately 21.2 years unexpired).

The current passing rent is £1,010,000 per annum which devalues to £25.80 per sq ft on the ground floor sales area, £10.00 per sq ft on the ancillary storage and covered loading bay and £25.00 per sq ft on the offices.

There are five yearly RPI rent reviews (annually compounded) collared and capped at 1-4% per annum. The next reviews fall on 29th September 2027, 2032 and 2037.

The offices (William House) are sublet to Lidl UK GMBH until 23rd Sept 2027 at £143,000 per annum (£16.40 per sq ft). There are tenant only break options within the sub lease on the second and third floors on 24th March 2024 and 1st October 2023 respectively (upon providing 12 months written notice).

COVENANT INFORMATION

Sainsbury's is the second largest supermarket chain in the UK, with a 15.3% share of the market as of April 2021 behind Tesco (27.0%) and ahead of Asda (14.8%). The company occupies c. 23.2 million sq ft of retail space in the UK across 600 supermarkets and 800 convenience stores and employs over 161,000 employees.

During the last 12 months all of the major food retailers have benefited from sales growth, both online and in store, due to increased consumption at home. Most recently, in the 12 weeks to 21st March 2021, Sainsbury's announced a 7.3% rise in sales growth.

The largest overall Sainsbury's shareholder is the investment vehicle of the Qatari royal family who now hold 26.145% of the company. It is listed on the London Stock Exchange and is a constituent of the FTSE 100 Index.

In 2016, Sainsbury's acquired Argos in a £1.4bn deal designed broaden its reach into general merchandise, ramp up its online and digital expertise, and provide Argos with a greater presence inside the grocer's larger stores.

Sainsbury's Supermarkets Limited (company number 03261722) are one of the strongest covenants available in the retail sector and have a Dun and Bradstreet rating of 5A2, representing a lower than average risk of business failure.

	03 July 2020 (000's)	03 September 2019 (000's)	03 October 2018 (000's)
Sales Turnover	£24,059,000	£24,030,000	£23,606,000
Pre Tax Profit (Loss)	£172,000	£174,000	£187,000
Net Current Assets (Liabilities)	(£1,650,000)	(£1,130,000)	(£1,715,000)
Tangible Net Worth	£4,542,000	£5,669,000	£4,562,000

PLANNING AND DEVELOPMENT

Merton Borough Council have released their Future Wimbledon Supplementary Planning Document dated January 2020. The document sets out a future vision for Wimbledon town centre and many aspects of the wider council planning strategy on both macro and micro levels including transport, public realm, design quality, sustainability, building heights, future retail, office and residential provision.

Sainsbury's is of strategic importance to the council and is earmarked as a key ownership within the town centre.

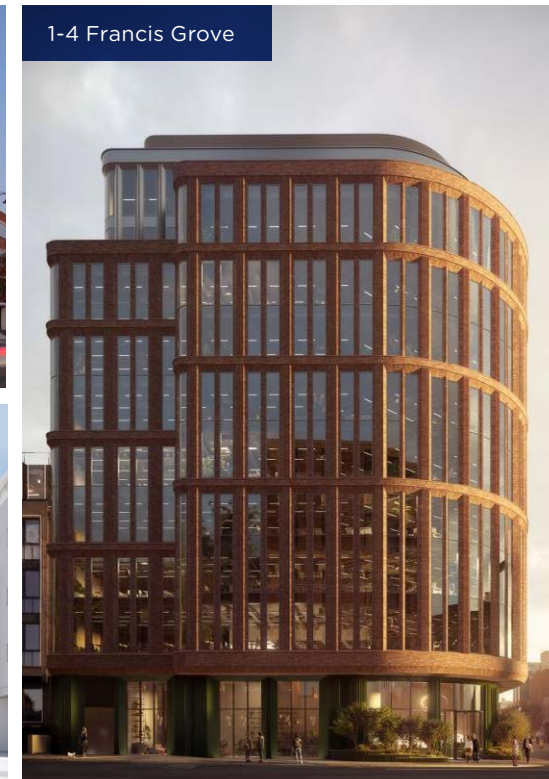
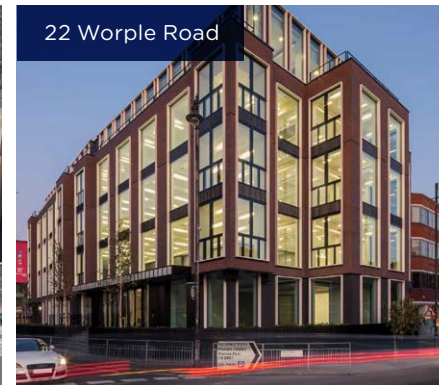
The SDP provides guidance on building heights, stating that 10 storeys could be achieved on St Georges Road and 8 storeys could be achieved on Worple Road.

There is a distinct office cluster around Worple Road and St George's Road and this is considered the prime

location from a business space perspective. Key schemes include:

- 22 Worple Road (owned by Nuveen) was refurbished and extended in 2020 and now offers 40,000 sq ft of Grade A office accommodation across five floors. The building is multi let and has achieved rents in excess of £55 per sq ft.
- 1-4 Francis Grove (Kingston Estates) obtained a planning consent in June 2020 for a brand new Grade A office building of 63,267 sq ft across ground and nine upper floors.
- St George's House East (owned by M&G) will be redeveloped into a brand new part 7, part 12 storey high quality Grade A office building. The scheme is at the pre-application stage and under consultation between major stakeholders.

- Prospect House (owned by Nuveen) and the adjoining cleared site (owned by the Council) is a proposed hotel development site. We understand the Council are exploring selling their interest to Nuveen to unlock the development.
- 120 The Broadway (owned by M&G) is currently under refurbishment and will offer 23,500 sq ft of Grade A offices across four floors. Quoting rents are in excess of £50 per sq ft.
- Wellington House (owned by Threadneedle) extends to 26,400 sq ft across five floors and was comprehensively refurbished in 2019. The property is now fully let to Intelliflo at £53.50 per sq ft.





INVESTMENT MARKET COMMENTARY

UK retail has gone through enormous structural and cyclical change over the last decade with digital, e-commerce and technology at the heart of a transforming retail landscape.

Of all the sub sectors within the retail umbrella, foodstores remain the most sought after and are highly liquid. The positive trading performance reported during COVID has made them an attractive investment proposition. Defensive assets with strong property fundamentals, alternative use underpin, catchment domination and long WAULTs remain in the highest demand.

A schedule of recent investment comparables are set out below:

Property	Date	Area	Rent Psf	Price	NIY	Lease Term	RR Mechanism
Lidl, Weybridge	June 2021	15,031	£31.27	£12.5m	3.70%	24	5 yearly RPI 1 - 3%
Sainsbury's, West Ealing	Mar 2021	69,325	£18.00	£33.7m	3.45%	21	5 yearly OMV
Sainsbury's, Barnet	Jan 2021	77,562	£25.12	£51.1m	3.57%	17	5 yearly RPI 2.5% - 3.5%
M&S, Southgate	Dec 2020	18,664	£27.00	£12.7m	3.54%	25	5 yearly RPI 1 - 3%

FOODSTORE MARKET COMMENTARY

There is very limited foodstore supply across SW London, particularly in town centre locations where there are a lack of suitable buildings to accommodate significant sized stores. We would highlight the following comparable evidence:

Property	Transaction	Date	Size (Sq Ft)	Rent (psf)	Tenant	Comments
M&S, Southgate	Reversionary lease	July 2020	18,644	£27.23	M&S	20 year reversionary lease
Lidl, Weybridge	OML	Dec 2019	15,055	£31.22	Lidl	25 year lease, 20 year TOB
Waitrose, Gloucester Road	Rent Review	April 2019	27,334	£33.50	Waitrose	
Tesco Metro, Camden	Lease Renewal	Jan 2019	19,560	£27.15	Tesco Metro	

VAT

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

ENERGY PERFORMANCE CERTIFICATE

The foodstore has an EPC rating of 84 (Band D) and the offices have an EPC rating of 69 (Band C). Copies of the EPC's are available on the dataroom.

DATA ROOM

There is a dataroom for the property with key tenancy information, title documents and the EPCs. Access to it can be obtained via Lewis Ellis.

Sainsbury's

PROPOSAL

We are seeking offers in excess of **£25,250,000 (Twenty Five Million, Two Hundred and Fifty Thousand Pounds)** subject to contract and exclusive of VAT.

This reflects a **net initial yield of 3.75%**, after deduction of the usual purchaser's costs of 6.76%.

A purchase at this level reflects the following minimum and maximum yield profile adopting a collar and cap of 1 - 4% per annum and the average long term RPI forecast at 2.5%:-

	1%	2.5%	4%
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FURTHER INFORMATION

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

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- **Rare London foodstore investment**
- **Highly attractive Sainsbury's covenant**
- **21.3 years unexpired**
- **Index linked rent reviews**
- **Redevelopment underpin**
- **0.56 acre town centre freehold site**



Sainsbury's

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