

63 & 65 ABOVE BAR STREET & 30 PORTLAND STREET SOUTHAMPTON | SO14 7DZ

PRIME RETAIL INVESTMENT WITH 6.8 YEARS UNEXPIRED TO BANK OF SCOTLAND PLC (T/A HALIFAX)



LEWIS ELLIS



INVESTMENT CONSIDERATIONS

- Southampton is one of the UK's primary retail centres and a principal South East port city.
- 100% prime retail unit totalling 7,627 sq ft (708.57 sq m), arranged over five floors.
- Prominent corner position on Above Bar Street, the key retailing pitch in Southampton.
- Let to the strong covenant of Bank of Scotland plc (t/a Halifax) with a D&B Rating of 5A1.
- 2018 rebased rent of £260,000 per annum, reflecting £177 per sq ft ZA.
- Additional rent from the head lease on 30 Portland Street of £330 per annum providing a total rental income of £260,330 per annum.
- Unexpired term of 6.8 years to expiry.
- Freehold.
- Future residential development angle, subject to securing vacant possession of the upper parts / rear. Potential to increase the massing of the building.

Offers sought in excess of **£3,050,000 (Three Million and Fifty Thousand Pounds)** subject to contract and exclusive of VAT.

A purchase at this level would reflect an **attractive net initial yield of 8.00%**, after deduction of purchaser's costs of 6.46%, equating to a **capital value of £297 per sq ft**.

RETAILING IN SOUTHAMPTON

Southampton is a major UK retail destination, with city centre retail floor space totalling approximately 2.12m sq ft.

The prime retail offer is concentrated on the pedestrianised section of Above Bar Street and the West Quay Shopping Centre. A significant percentage of the retail warehouse offer is situated on the western edge of the city centre, with West Quay and Mountbatten Retail Parks, plus IKEA adding to the city centre retail critical mass.

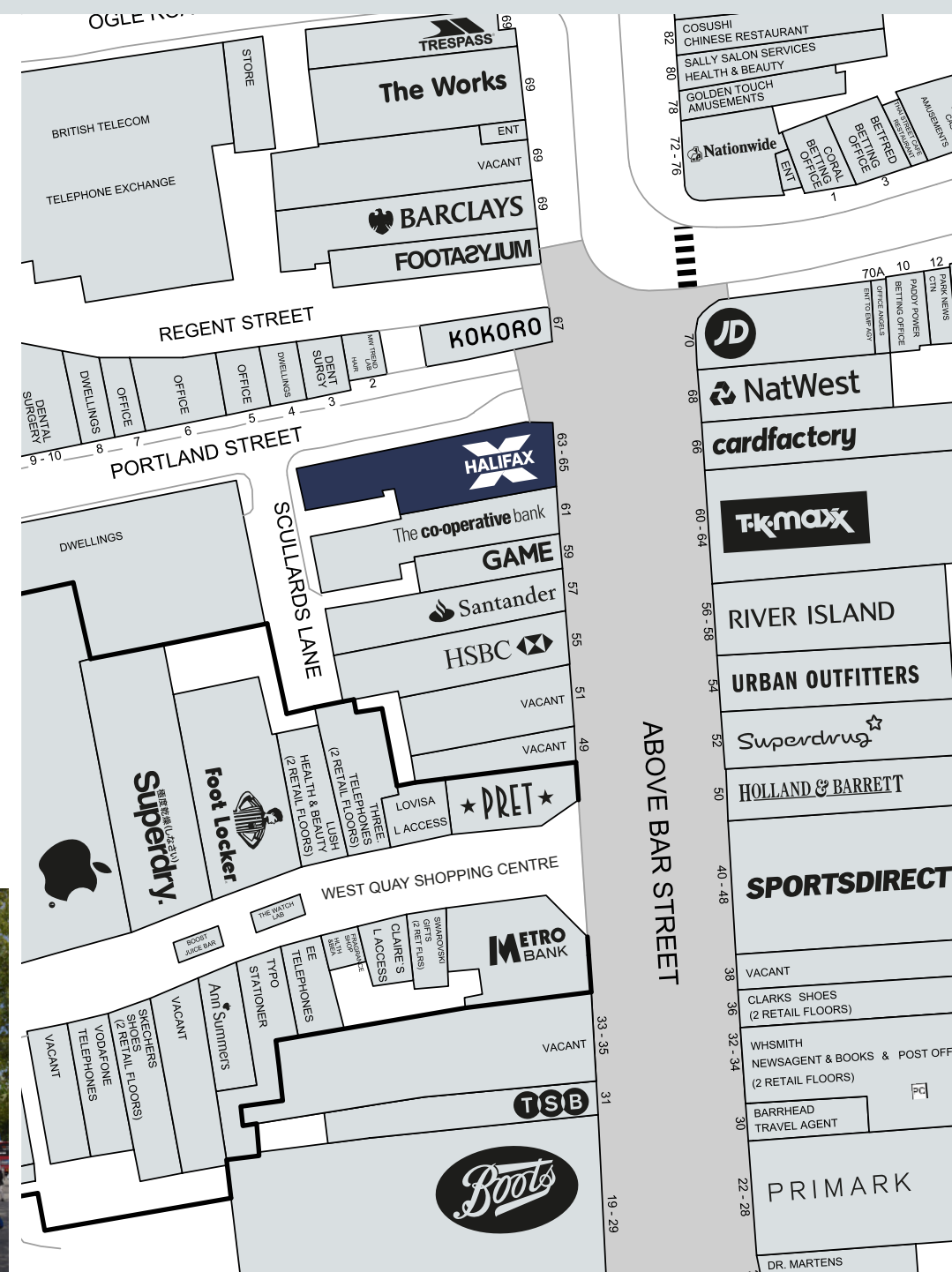
The West Quay Shopping Centre (800,000 sq ft) is anchored by John Lewis and M&S and fronts onto the pedestrianised 100% prime section of Above Bar Street.

There has been a recent migration of occupiers from the West Quay Shopping Centre on to Above Bar Street, which has been driven by cheaper occupational costs outside of the shopping centre (c. 45% lower) due to lower rents and either lower or no service charge costs.

The lower occupational costs and constrained prime pedestrianised pitch of Above Bar Street has created consistent retailer demand. Occupiers that have recently moved onto Above Bar Street include River Island, Sports Direct, GAME, TUI, JD Sports and Greggs.

SITUATION

The property occupies a highly prominent corner position on the 100% prime pedestrianised section of Above Bar Street near to the entrance of the West Quay Shopping Centre. Notable nearby occupiers include Sports Direct, River Island, Urban Outfitters, TK Maxx, Primark and JD Sports.



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DESCRIPTION

The property comprises a highly prominent end of terrace retail unit arranged over five levels (basement to third floor) with full height glazed frontage on to Above Bar Street and return frontage on to Portland Street.

The return frontage and corner presence significantly enhance the visibility and prominence of the unit. Internally, the ground and first floors provide well configured retail banking and ancillary areas fitted out to the tenant's corporate style and the basement provides further ancillary storage accommodation. The second and third floors are not currently used by the tenant.

The remainder of the property comprises 30 Portland Street, a separate inter-connecting building situated to the rear of 63 & 65 Above Bar Street, which the tenant occupies by virtue of a separate 999 year lease. The building is not listed nor situated in a conservation area.

ACCOMMODATION

Floor	Area	Sq M	Sq Ft
Ground	Retail / Banking	229.10	2,466
Ground	ITZA	126.26	1,359
Basement	Ancillary	153.20	1,649
First	Ancillary	129.69	1,396
Second	Not Used	150.32	1,618
Third	Not Used	46.26	498
Total		708.57	7,627

* The ground floor ITZA stated above incorporates a 5% addition to reflect the unit's prominence / return frontage.

The long leasehold element at 30 Portland Street benefits from the following areas: Ground Floor - 585 sq ft; First Floor - 1,048 sq ft; Second Floor - 1,009 sq ft.

TENANCY

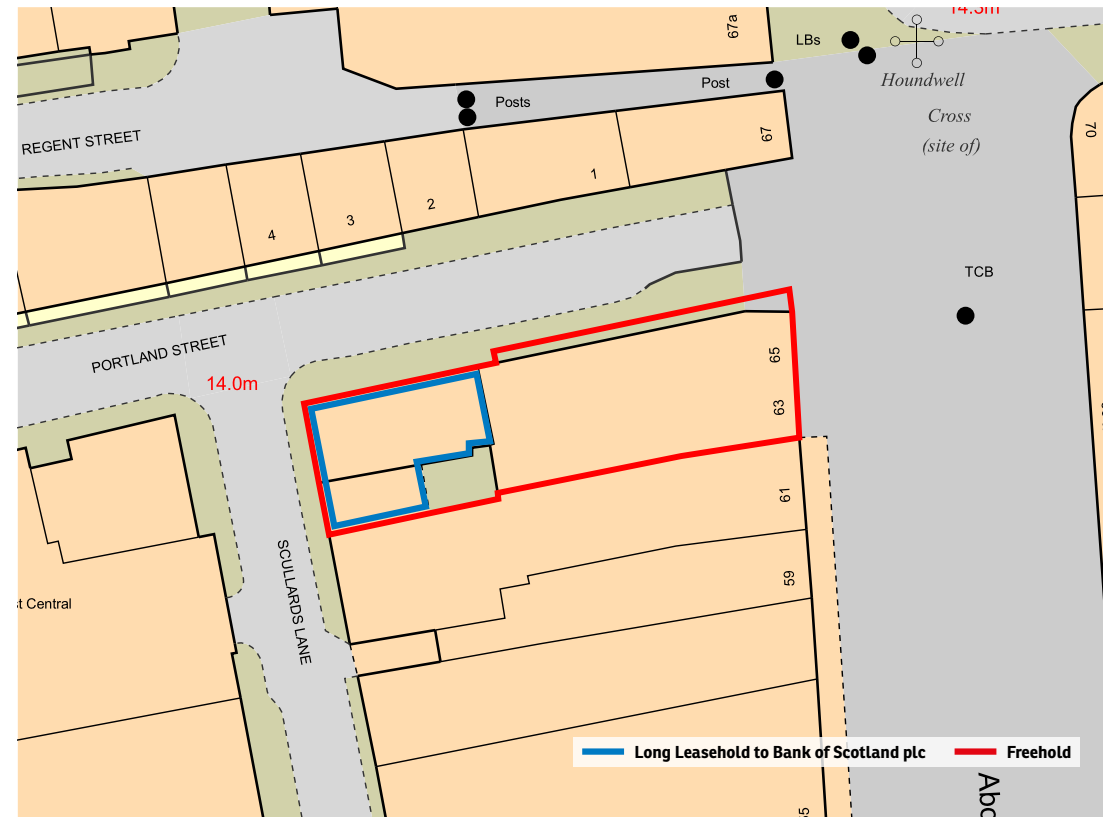
63 & 65 Above Bar Street are let to Bank of Scotland plc (t/a Halifax) on a 10 year lease expiring 23rd June 2028, without break (6.8 years unexpired). The passing rent is £260,000 per annum (reflecting £177 per sq ft ZA) which was set in 2018 when a lease regear was undertaken with the rent being rebased from £292,000 per annum. There is an upwards only OMOV rent review on 24th June 2023.

30 Portland Street is let to the same tenant on a 999 year lease from 24 June 1957 (935 years unexpired) at a fixed rent of £330 per annum.

Therefore, the property produces a total rental income of £260,330 per annum.

TENURE

Freehold.





Rear aspect



2nd floor unused space

COVENANT INFORMATION

BANK OF SCOTLAND plc (t/a Halifax) SC327000

Bank of Scotland Plc is a wholly owned subsidiary of Lloyds Banking Group Plc which operates under Halifax, Lloyds Bank and Bank of Scotland. Lloyds Banking Group is the UK's largest digital bank and financial services group, reporting Pre-Tax Profits of £1,226 million and Total Assets of £871,269 million for the year ending 2020.



Bank of Scotland plc has a D&B rating of 5A1 and has reported the following set of accounts for the last 3 years:

	31/12/2020	31/12/2019	31/12/2018
Sales Turnover	£8.03bn	£9.51bn	£9.28bn
Pre-Tax Profit (Loss)	£883m	£1.28bn	£2.23bn
Current Net Assets (Liabilities)	£17.30bn	£16.60bn	£16.40bn
Tangible Net Worth	£12.83bn	£12.62bn	£11.17bn

DEVELOPMENT POTENTIAL

There is a future development angle to be explored, converting the upper floors to residential, subject to gaining vacant possession and the necessary planning permission. The tenant does not currently use the second and third floors of the building and side / rear access to these parts could mean residential accommodation would work well. Residential buildings around the subject property are generally higher so extra massing might be achieved as part of a residential conversion of the upper parts.

VAT

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

EPC

The property has an EPC rating of D (87). An EPC certificate can be provided on request.

DATA ROOM

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

AML

When submitting a bid for the freehold interest in the property, potential purchasers will need to provide appropriate documentation capable of satisfying the requirements of the Anti-Money Laundering Regulations.



INVESTMENT COMPARABLES

Bank yields have remained resilient in the last 18 months due to the secure covenant strengths and consistent rental payments during the Covid-19 pandemic.

Address	Date	Tenant	Size (Sq Ft)	Unexpired Term (Break)	Price	NIY
27 High Street & Culver Street West, Colchester	Aug-21	Lloyds Bank	9,334	5 years	£2.7m	6.91%
23 Brand Street, Hitchin	Jun-21	Santander	1,352	4 years	£580k	5.75%
HSBC, Cornmarket, Louth	Jun-21	HSBC	4,689	5 years	£442k	6.93%
127-133 High Street, Hounslow	Jun-21	HSBC	15,575	8 years	£3.5m	4.96%
116-118 Peascod Street, Windsor	Mar-21	Metro Bank	7,427	17 years (8 years)	£3.85m	6.10%



PROPOSAL

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FURTHER INFORMATION

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

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