

Sainsbury's

Prime long let distribution warehouse (14.5 years unexpired) with **RPI indexation** let to the **undoubted covenant** of Sainsbury's Supermarkets Ltd



Sainsbury's Regional Distribution Centre
Hurlawcrook Road
Langlands Park
East Kilbride G75 0AP

lismore
REAL ESTATE ADVISORS

INVESTMENT SUMMARY

- A rare opportunity to acquire a prime long lease (**14.5 years unexpired**) distribution warehouse let to Sainsbury's Supermarkets Ltd
- **Prime logistics location** in central Scotland with easy access to the M74, M8 and M77 motorways
- Modern, well-specified unit extending to 25,461.86 sq m (274,069 sq ft)
- The unit forms part of the **Sainsbury's Regional Distribution Centre** serving stores in Scotland, Northern Ireland and the North of England
- **Sainsbury's have been in the location for 20 years** and have recently re-gearred their lease, confirming their long term commitment to the location
- Let to **Sainsbury's Supermarkets Ltd** on FRI terms from 13 November 2019, expiring 2nd March 2035. Tenant option to extend for 10 years
- **Sensible passing rent** of £1,547,717 (equating to £5.65 / sq ft)
- Rent reviews 5 yearly geared to **RPI (1-4% pa compounded)**, next review 3 March 2025
- Food retailing is proving to be one of the most **resilient sectors** at times of market uncertainty
- Heritable Ownership (Scottish equivalent of English Freehold)

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Offers over **£29,000,000 (Twenty Nine Million Pounds)** exclusive of VAT are sought for our client's interest. A purchase at this level would reflect a **Net Initial Yield of 5.00%** and a **Capital Value of £106 / sq ft**, assuming purchaser's costs of 6.76%.



LOCATION

East Kilbride is located 8 miles south east of Glasgow. It is at the hub of Scotland's motorway network, ideally placed to attract distribution and warehousing occupiers. The town was designated as the first new town in Scotland and widely regarded as the most successful.

The town's population is now 74,000, with a wider catchment of 352,000.



The corridor stretching east and south from Glasgow along the M8 and M74 motorways has become Scotland's prime distribution location with significant new occupiers including Amazon, DHL and DPD. Three of the top five supermarkets have major distribution centres in this corridor, those being Sainsbury's, Morrisons and Co-op.

Mossend International Railfreight Park is a 15 minute drive from the property. This provides Scotland with direct access to mainland Europe through the Channel Tunnel.

Grangemouth, which is owned by Forth Ports and is Scotland's largest container port handling 9 million tonnes of cargo each year, is located within a 40 minute drive north east of East Kilbride.

LOCATION



- 1 Q-Mass
- 2 Bovill & Boyd Engineering
- 3 Eclipse Generics
- 4 Excel Vending
- 5 Scobie & Junor
- 6 Merson Group
- 7 Glenalmond Group
- 8 Sapphire Vehicle Services
- 9 Marwood Group
- 10 R C L Vehicle Services
- 11 Re-Tek UK
- 12 Advanced Tool Manufacture
- 13 Phoenix Utilities

East Kilbride is strategically located within a prime distribution location benefiting from first class accessibility to the M74/M8 and M77 motorways. The A725/A726 is the main east-west route through East Kilbride and forms part of the Glasgow South Orbital linking the town with the M74 to the east and the M77 to the west.

The M74 is the principal motorway connecting England with south west Scotland and Glasgow. The M8 motorway connects Glasgow in the west to Edinburgh in the east. The M77 connects Ayr and the ferry ports at Cairnryan to Glasgow and other routes leading north.

Over the last 3 years, the location has benefitted further from the completion of Transport Scotland's M74 / M8 and M73 Motorway Improvements Project. The works comprised major upgrades to the M8, M73 and importantly the Raith Interchange on the M74, which has significantly improved accessibility from East Kilbride onto the motorway network.



The facility is situated at the southern end of Langlands Park, 1 mile south east of East Kilbride town centre. Langlands Park is situated adjacent to Kelvin Industrial Estate which is one of the largest industrial estates in the west of Scotland and considered to be East Kilbride's premier industrial location.

Access to the facility is from Hurlawcrook Road, via a secure self-contained entrance. Hurlawcrook Road provides access to Greenhills Road and the A726 leading to Junction 5 of the M74 and Junction 5 of the M77.

As part of the Glasgow Region City Deal, the A726 is currently undergoing a £23m investment which will see two sections being upgraded to dual carriageway, improved bus infrastructure and on-road cycle lane.



LANGLANDS DISTRIBUTION CENTRE

Sainsbury's

Sainsbury's has a long connection with the location having chosen Langlands Park as one of their main UK Regional Distribution Centres in 1997. This was a strategic decision as the depot serves stores in Scotland, Northern Ireland and, periodically, northern England. The location allows easy access for vehicles using the ferry connection from Scotland to Northern Ireland via the terminals at Cairnryan.

In addition to the subjects, the centre comprises a further three warehouse buildings closely occupied by Sainsbury's (comprising a 150,000 sq ft warehouse used as a fresh goods depot, a 50,000 sq ft recycling depot and a 9,000 sq ft vehicle maintenance warehouse).

There are some 450 employees on-site at the subject property.

The facility is operated by DHL on behalf of Sainsbury's and runs 24/7 for 364 days a year.



DESCRIPTION

The property comprises a purpose-built distribution warehouse with two storey office accommodation on a site extending to approximately 8.9 Ha (22 acres), providing a site coverage of c. 29% with all round circulation, extensive lorry parking and a separate car park.

There is an undeveloped area of approx. 1.5 Ha (3.7 acres) situated to the north west of the lorry park that is demised to the tenant but not used.

The building comprises a three span steel portal frame construction providing a clear eaves height of approximately 12.15m (40ft). The elevations are constructed of blockwork and plastisol coated panel cladding. There is a plastisol clad roof incorporating automatic smoke vents and an insitu concrete floor with a power floated screed finish to the warehouse. There are 62 dock levellers and 3 level access loading doors serving the warehouse area.

The two storey office is situated on the eastern elevation of the subject property. The first floor offices (served by a lift) house administration and conference rooms, while the ground floor has reception, changing rooms, showers, comms room and a canteen / restaurant. Toilets are on both floors.

There is a 65m turbine erected in the lorry park which is operated by Ecotricity, further details at www.merchantwindpower.co.uk/case-studies/east-kilbride-scotland

ACCOMMODATION

The property has been measured in accordance with The RICS Code of Measuring Practice (6th Edition) on a Gross Internal basis, summarised below.

USE	GIA (Sq m)	GIA (Sq Ft)
Warehouse	23,478.47	252,720
Office	1,678.22	18,064
Lorrywash	166.57	1,793
Material Store	101.79	1,096
Gatehouse	36.81	396
Total	25,461.86	274,069

* There is a stated area in the Review Clause in the lease of 281,403 sq ft (26,143.19 sq m).



TENURE

Heritable Ownership
(Scottish equivalent of
English Freehold).



TENANCY & COVENANT

The property is leased on FRI terms to Sainsbury's Supermarkets Limited (Company No. 03261722). The original lease commenced on 3 March 1998 and was subsequently varied and extended on 13 November 2019.

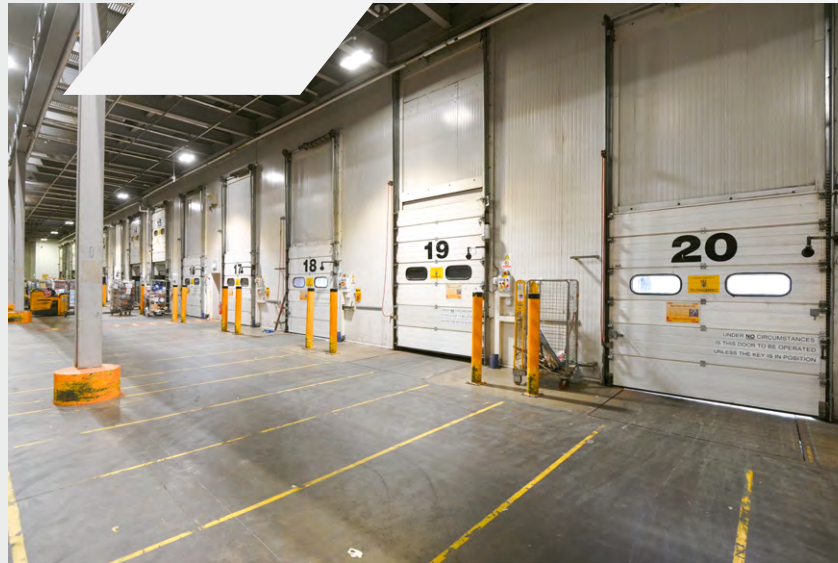
The new lease expires on 2 March 2035 (14.5 years unexpired), with the tenant having an option to extend for a further 10 years on giving 18 months notice.

The current rent is £1,547,717pa (£5.65 / sq ft), with rent reviews due 5 yearly on 3 March 2025, 3 March 2030 and in the event that the tenant exercises their option to extend, 3 March 2035 and 3 March 2040. Rent is paid monthly.

For reviews on 3 March 2025, 3 March 2030 and 3 March 2040 – the rent is increased in line with RPI compounded over the previous 5 years (collar and capped at 1 - 4% per annum). The review on 3 March 2035 is to the higher of (a) open market rent (b) notional rental value and (c) £1,547,717.

The tenant received a rent free period at the recent lease re-gear of 16 months which expires 2 July 2021. The vendor will either top the rent up during this period or agree an apportioned price adjustment.

The wind turbine is held by way of a sub-lease between Sainsbury's and Merchant Wind Park (East Kilbride) Ltd. There is a nominal rent payable and the sub-lease expires on 1 March 2023.



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www.sainsburys.co.uk

Sainsbury's is one of the 'Big Four' supermarkets dominating the UK grocery market with a market share of 15% as at June 2020, second only to Tesco (27%), and ahead of Asda (14%) and Morrisons (10%). The company occupies some 23.2 million sq ft of retail space in the UK across 1,415 stores (608 supermarkets and 807 convenience stores) and employs over 185,000 employees.

Sainsbury's Supermarkets Limited is the main UK operating company of J Sainsbury plc. The tenant has an excellent independent credit rating from Experian of 100/100, denoting very low risk.

A summary of the last 3 years reported accounts is set out below:

	Year Ending 09/03/2019	Year Ending 09/03/2018	Year Ending 09/03/2017
Sales Turnover (£'000)	£24,030,000	£23,606,000	£23,234,000
Pre-Tax Profit (£'000)	£174,000	£187,000	£342,000
Total Net Worth (£'000)	£5,669,000	£4,562,000	£4,353,000

OCCUPATIONAL

The fundamentals of strong occupational demand and restricted supply have continued to ensure out-performance, a fact that looks set to increase further in the short to medium term. COVID-19 has accelerated structural trends that were already underway and logistics is benefiting from the ever expanding growth in on-line retailing and additional take-up as companies strengthen their supply chains.

The UK recorded take-up of 19.1 million sq ft during the first half of 2020, largely due to a strong second quarter. Pre-letting through design and build remains the dominant form of take-up and this trend is expected to continue. The recent pre-letting of 145,000 sq ft to Amazon at Glasgow Business Park being a good example of how the market is evolving.

Availability in Scotland totals c. 0.7 million sq ft of which there is currently nothing being built speculatively.

INVESTMENT

Industrial and logistics remains the sector of choice for many investors (particularly UK Funds and REITs) but the buyer pool has deepened further as private equity and overseas capital has become increasingly active in the sector. H1 2020 saw UK investment volumes totalling £2.1bn, with REITs and UK Funds making up almost 75% of the transactions.

The sector was the first to be released from the restrictions of the post lockdown valuation material uncertainty clause, reflecting the continued flow of transactions, depth of buyer and pricing confidence.

Pricing has remained robust and in certain prime areas has sharpened during H1 2020. Prime distribution yields are now at c. 4.25% but trending stronger. In Scotland, while there have been no significant transactions completed post-lockdown, there are several on-going and a schedule of key investment transactions in Scotland and elsewhere in the UK is outlined below.



Date	Property	Price	NIY	Cap Val (psf)	Area (sq ft)	Unexpired Term	Review	Purchaser
On-going	Amazon Glasgow Business Park, Glasgow	Quoting £31.15m Interest at stronger than this level	5.0%	£216	144,150	15	CPI (1-2.5%)	-
On-going	Amazon Sandpiper Drive, Dunfermline	£62m (under offer)	4.8%	£60	1,022,919	11.4	CPI(1-3%)	KFIM
July 2020	B&M Bargains Wixams, Bedford	£143.8m	4.1%	£132	1,090,316	20	CPI (1-3%)	DEKA
June 2020	CEF Biggleswade, Stratton Business Park	£33.7m	4.16%	£203	165,400	20	RPI (1-3%)	Aberdeen Standard Investments
April 2020	Next South Elmsall, Wakefield, Doncaster	£119.11m	4.75%	£98	1,216,000	25	RPI (2-4%)	Aviva Investors
December 2019	Royal Mail Cultins Road, Edinburgh	£25.46m	5.20%	£115	215,745	10.5	OMV	Hines Global Income Trust
November 2019	Brewdog plc Eurocentral	£15m	5.04%	£116	129,183	15	RPI (2-4%)	CBREGi

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DATA ROOM

Additional detailed information is available from an electronic data room. Access arrangements can be made available to interested parties.

EPC

The property has an EPC rating of 'B'. A copy of the Certificate is available within the Data Room.

VAT

VAT will be payable on the purchase price. It is anticipated that the transaction will be by way of a Transfer of a Going Concern (TOGC) and, therefore, no VAT will be payable.

PROPOSAL

Offers over **£29,000,000 (Twenty Nine Million Pounds) exclusive of VAT** are sought for our client's interest. A purchase at this level would reflect a Net Initial Yield of 5.00% and a Capital Value of £106 / sq ft, assuming purchaser's costs of 6.76%.

FURTHER INFORMATION

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