



40-42

HIGH STREET  
INVERNESS

PRIME RETAIL  
INVESTMENT OPPORTUNITY



# INVESTMENT SUMMARY

- Prime retail investment in the heart of Inverness City Centre
- Inverness is the retail, commercial and administrative capital of the Scottish Highlands and Islands
- The city attracts more than 1.6 million tourists each year, generating £370m annually
- Excellent retail pitch on the pedestrianised section of the High Street, close to the Eastgate Shopping Centre
- Let to C&J Clark International Ltd (t/a Clarks) who have a **D&B Rating of 5A1 – ‘Very Low Risk’ of default**
- Tenant has traded from this location for over 30 years and is their only shop in Inverness and the Highland Region
- Clarks recently agreed a new Full Repairing and Insuring Lease extension providing an **unexpired term of 10.8 years** (5.8 years to break)
- **Clarks is the largest non sportswear footwear company in the world**
- The current rent is **£115,000 per annum**, which will be re-based to **£87,500 per annum** on the **13 April 2019**. The revised rent equates to a Zone A rate of **£59.44 per sqft**.
- Heritable Interest (Scottish Equivalent of English Freehold)
- Offers are sought in excess of **£1,150,000 (One Million, One Hundred and Fifty Thousand Pounds Sterling)**, reflecting an attractive net initial yield of **9.5%** and a reversionary yield of **7.2%**, assuming purchaser's costs based on Land and Buildings Transaction Tax of **5.41%**

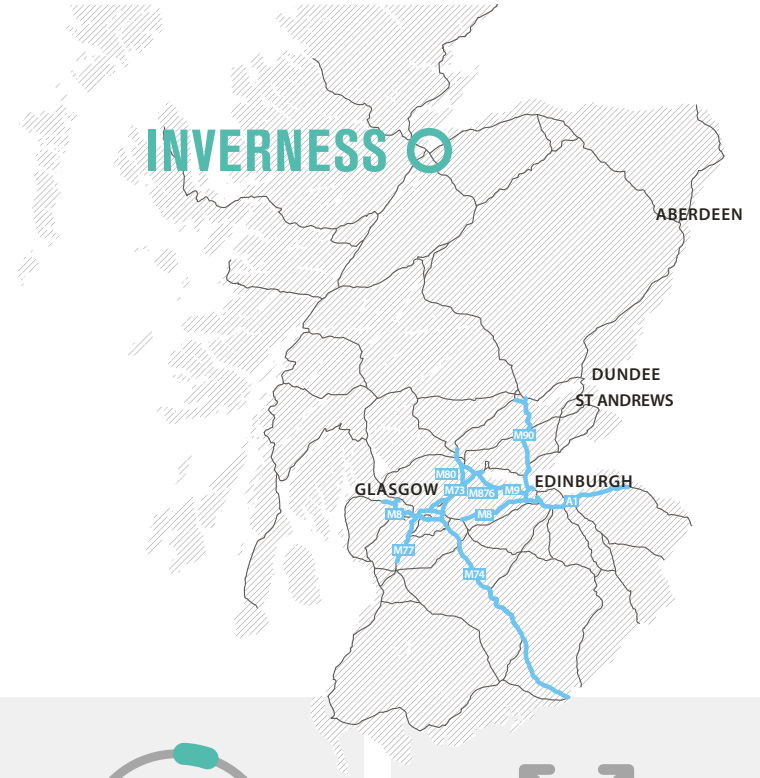
# LOCATION

**Inverness is the UK's most northern city and is the administrative centre for the Highlands and Islands. The city is located approximately 104 miles west of Aberdeen, 158 miles north west of Edinburgh and 169 miles north of Glasgow. Inverness is served by three trunk roads - the A9, A82 and A96 - which connects it to Edinburgh and Glasgow to the south, Aberdeen to the east, Caithness to the north Fort William to the west.**

The city is well served by public transport and has direct rail links to Aberdeen, Edinburgh, Glasgow and Perth. It also benefits from an excellent bus network that connects Inverness to other towns and cities in the north of Scotland, as well as further south.

Inverness Airport is located 9 miles to the east of the city centre and has regular flights to airports across the UK and the Islands to the north and west of Scotland. British Airways operate daily flights to Heathrow and KLM operate daily flights to Amsterdam providing International connectivity to the rest of the world.

In a recent property website survey Inverness came out top as the happiest place to live in Scotland and second happiest in the whole of the UK, behind Harrogate in East Yorkshire.



one of the  
**fastest growing**  
cities in Europe

current population of  
**65,000**

**4-5 %**  
projected growth  
rate in the next 10 years

wider catchment population  
estimated to be approximately  
**300,000**

# ECONOMY

Inverness is developing as a centre of excellence for life sciences commercialisation and research. The country's largest life sciences employer, LifeScan Scotland, is based in the city, along with the prestigious Centre for Health Science. The centre symbolises the City's ambition to play a central role in the research and development of medical devices and bio-technology. There are more than 70 life sciences organisations operating in the Highlands and Islands with the sector worth an estimated £131 million.

As well as tourism other key business sectors include retail, construction, public administration, IT Services and commercial activities related to the primary industries of forestry, agriculture, and fisheries which form an important part of the Highland economy.

Many new industries are also being attracted to the city – notably renewables with two of Scotland's leading wave and tidal companies based in the city.

In addition to the public sector major private employers in Inverness include Lifescan Scotland (part of Johnson & Johnson), Scottish & Southern Energy, Global Energy Group (currently developing Nigg Energy Park), Orion Group and Cap Gemini.



## INVERNESS BID DISTRICT

The BID district was set up in 2008 to work with stakeholders in Inverness City Centre to develop a strong and successful trading environment to enable all businesses within the BID area to maximize their potential. The current Inverness city centre development brief involves the following developments:

- The need for a quality tourism hub, which meets the expectations of visitors to Inverness. This would help to increase footfall in certain parts of the city.
- A niche retail/arts & crafts complex would again add to the visitor experience and create pathways throughout the business district.
- A consolidated office hub in the city centre would also enable out of date buildings to be updated and reinvigorate this important market, which in itself supports other elements of the economy.
- We would also like to see a tour coach drop off point in the City Centre to encourage tourism trade. The bay in front of the Co-op in Church Street would be ideal for this.



# A9 DUALLING

(PERTH TO INVERNESS)

The Scottish Government has committed to a **£3 billion infrastructure** project which involves the upgrading of 80 miles of single carriageway along the A9 between Perth and Inverness by 2025.

The project is well under way and is designed to deliver economic growth through improvements to road safety and journey times as well as better links to pedestrian, cycling and public transport facilities. The project will provide greater access to the many tourism and recreation sites along the route of Scotland's longest trunk road.

# UNIVERSITY OF HIGHLANDS & ISLANDS

## The new Inverness Campus at Beechwood opened in August 2015.

The new facility which represents a **£50 million investment** occupying 18,500 sq m has created an iconic and modern environment at Beechwood Campus. A selection of courses from national certificates to post graduate degrees are taught to over **6,500 full time and part time students** from the Inverness Campus.

The commitment to the new campus also involved the creation of the first purpose built student housing accommodation in the city which by the start of the 2017 academic year will reach **300 beds**. The first phase of this student housing was funded by Aviva last year.

Further information can be provided at [www.invernesscampus.co.uk](http://www.invernesscampus.co.uk).

# INVERNESS CITY DEAL



The Scottish & UK Governments have confirmed details and pledged a £315 million commitment to Inverness and the wider Highlands area which will include improved transport links, digital connectivity and creating new skill academies, mostly in Inverness.





- |                             |                              |                            |                        |
|-----------------------------|------------------------------|----------------------------|------------------------|
| 1. <b>CLARKS</b>            | 5. Royal Highland Hotel      | 9. Rose Street Retail Park | 13. Premier Inn        |
| 2. Inverness Castle         | 6. Inverness Railway Station | 10. New Travelodge Hotel   | 14. Columba Hotel      |
| 3. Morrisons Supermarket    | 7. Inverness Bus Station     | 11. Penta Hotel            | 15. Best Western Hotel |
| 4. Eastgate Shopping Centre | 8. Multi Storey Car Park     | 12. Mercure Hotel          | 16. Millburn Academy   |



# DESCRIPTION

40-42 High Street comprises a retail building arranged over ground and two upper floors situated in a prominent position in the heart of Inverness High Street. It is of traditional stone construction set beneath a pitched and slate roof.

Internally, the property has been fitted out to Clarks's usual corporate specification. The ground floor provides the main sales area, with the first and second floors used as stock rooms and staff break out areas.

40-42, High Street comprises everything in the red line boundary except:

- the ground floor area tinted orange
- The single story extension within the area tinted orange and hatched in red
- The area hatched green belongs to 40-42 High Street but unit 36 has emergency/fire escape rights over this area.

## SITE AREA

The total site area extends to 0.17 acres (0.069 hectares)

## TENURE

Heritable Interest (Scottish equivalent of English freehold)

## TENANCY

The property is let in its entirety to C&J Clark International Ltd (t/a Clarks) on a Full Repairing and Insuring lease. The current lease expires on **12th April 2019** but the tenant has agreed an extension until **13th April 2029** with a break option on **13th April 2024** at a reduced rent.

The current passing rent is **£115,000 per annum** which equates to a Zone A rate of **£78.13 psf**. This will reduce to **£87,500 per annum**, which equates to a Zone A rate of **£59.44 psf**, from the **13th April 2019** and is subject to an upwards only rent review on **13th April 2024**.



## ACCOMMODATION

This unit has been measured in accordance with the RICS Code of Measuring Practice (Sixth Edition) and the approximate floor areas are as follows:

Floor	sqm	sqft
Second Floor	149.4	1,608
First Floor	181.3	1,951
Ground Floor	168.9	1,818
<b>Total NIA</b>	<b>499.5</b>	<b>5,377</b>
<b>ITZA</b>	<b>136.8</b>	<b>1,472</b>



# SITUATION

## 100% PRIME LOCATION

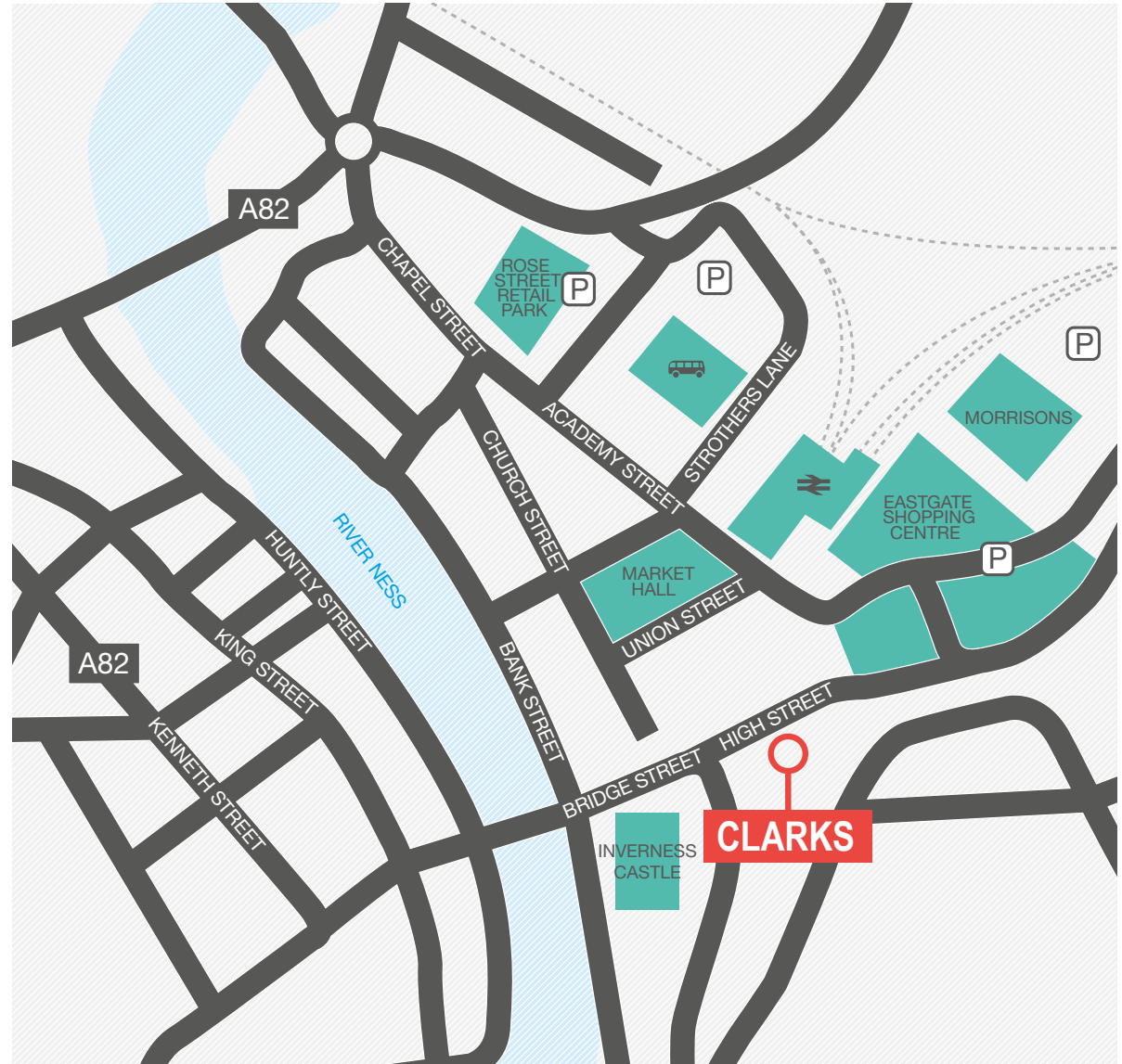
The property is situated on the pedestrian section of Inverness High Street. This section of the High Street is the city's principle retail thoroughfare and benefits from its proximity to the Eastgate Shopping Centre, which acts as a large draw for shoppers and increases the footfall in the location.

## Eastgate Centre Extension

Eastgate Shopping Centre is located in Inverness and serves the largest shopping catchment area in Europe. The centre was originally developed in 1983 and extended in 2003 and provides over 350,000 sq ft (80 units) of covered high quality retail and leisure space along with 1,350 car parking spaces. The centre attracts around 9.4 million people every year.

The two main anchor stores at the centre are Marks and Spencer and Debenhams with a number of other national brands also attracted to the centre including Argos, Boots, H&M, H Samuel, Laura Ashley, Superdry, HMV, New Look, Next, Waterstones, River Island and Topman to name just a few.

The centre was purchased in 2015 by Harbert European Real Estate Fund for £116 million and they have significant plans to invest and improve on an already impressive shopping centre. They secured planning permission (December 2016) for four new restaurants, cafes, shops and also a rooftop extension for a bar/restaurant that will offer panoramic views of the Inverness skyline and surrounding area.





# INVESTMENT COMMENTARY

The retail investment market in Inverness is benefitting from strong levels of investor demand at present. This is driven by a very tight pedestrianised High Street which has the Eastgate Shopping Centre at one end and Inverness Castle at the other. This means any void periods are very minimal for any units that become vacant. We have highlighted below some recent similar investment transactions:

Address	Tenant	Unexpired Term	Price	Yield	Date
<b>36 High Street, Inverness</b>	Visit Scotland	4.5 years	£610,000	7.05%	Jan-18
<b>54-56 High Street, Inverness</b>	Caffe Nero	7.9 years	£965,000	6.40%	Jun-17
<b>8 Bridge Street, Inverness</b>	Hector Russell	12 years	£736,500	6.73%	Sep-15

In addition, Inverness City Centre is set to improve further with the recent investment from the Highland Council, who have recently completed their £5.5 million purchase at 1-21 Bridge Street. The building includes 11 ground floor retail units, 14 car parking spaces, office accommodation arranged over two upper floors and is arguably one of the most prominent sites in the city, adjacent to Inverness Castle and fronting the River Ness. Initial plans for the site include the creation of a high-end hotel with a roof top garden, art gallery and even a museum such as the recently constructed V&A museum in Dundee.



# COVENANT

# Clarks

C & J Clark International (t/a Clarks) is a shoe manufacturer and retailer founded in 1825. Since then, they have grown to employ over 14,000 staff and trade from over 1,500 stores worldwide.

Clarks operate in 75 countries, with more than half of its annual turnover generated from sales out with the UK and is **the largest non-sports footwear brand in the world.**

C & J Clark International Limited have a D&B Rating of 5A1 which indicates a 'Very Low Risk' of default and has reported the following financial performance:

	31 Jan 2017	31 Jan 2016	31 Jan 2015
<b>Turnover</b>	£885,600,000	£935,400,000	£894,700,000
<b>Pre-Tax Profits</b>	£36,400,000	£71,300,000	£110,000,000
<b>Net Worth</b>	£332,200,000	£363,300,000	£265,500,000



## VAT

The property has been elected for VAT and therefore VAT will be payable on the purchase price. It is anticipated that the sale will be treated as a Transfer of Going Concern (TOGC).

## EPC

An EPC for the property is available upon request.

# INVESTMENT PROPOSAL

We are instructed to seek offers in excess of **£1,150,000 (One Million, One Hundred and Fifty Thousand Pounds)**, subject to contract and exclusive of VAT, for the benefit of our client's heritable interest (Scottish equivalent of English Freehold).

A purchase at this level would provide an attractive **net initial yield of 9.5% and a reversionary yield of 7.2%**, after allowing purchasers costs based on LBTT of **5.41%**.

## FURTHER INFORMATION

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