



Prime Retail Warehouse Investment Opportunity with Guaranteed Rental Growth

Milton Link | Newcraighall | Edinburgh | EH15 3QH





Investment Summary

Prominent retail warehouse investment opportunity located in Edinburgh, Scotland's Capital City

Strategically situated just off the A1 at Milton Link roundabout, the property is highly accessible from the city centre

The property comprises approximately 39,969 sq ft (3,713 sq m) of retail warehouse accommodation with car park

Single let to DFS Furniture Company Limited until 26/10/2030 on a full repairing and insurance lease with an unexpired term of approximately 10 years

Topped up rent of £1,593,128 per annum, reflecting an overall rate of £39.86psf which is subject to 5 yearly upward only rent reviews, **to higher of open market value or a level reflecting 2.5% per annum compounded**

Heritable Interest (Scottish equivalent of English Freehold)

We are seeking offers in excess of **£14,925,000 (Fourteen Million Nine Hundred and Twenty Five Thousand Pounds Sterling)** for our client's Heritable Interest (Scottish Equivalent of English Freehold), subject to contract and exclusive of VAT. A purchase at this level would provide a net initial yield of 10.00% rising to 11.32% in 2025, after purchaser's costs of 6.72%

Location

The property is located approximately 8 km (5 miles) east of Edinburgh city centre, in an area known as Newcraighall.

Newcraighall is the premier retail warehousing destination serving Edinburgh and arguably Scotland, with almost 1,000,000 square foot of retail and leisure accommodation in the immediate vicinity.

The property is situated within close proximity to Fort Kinnaird Shopping complex which is one of the largest shopping parks in the UK, featuring over 70 high street retail and leisure outlets across approximately 650,000 square feet. Key Occupiers include B&Q, TK Maxx, Primark, H&M, Odeon Cinema and Currys.

It occupies a prominent position, fronting the Milton Link roundabout, at its junction with the A1, opposite an Asda Walmart Superstore and a Costa Coffee drive through to the north.

The property is accessed directly off the Milton Link Roundabout, with easy access to the A720 Edinburgh city bypass.



Demographics

The catchment population **within 15 minutes' drive of the subject property, comprises 321,747 people.**

This population is characterised as being relatively affluent with a high proportion of families (28%) featuring in the top earnings groups, earning more than £50,000 pa, compared to the GB average of 24% - there are a particularly high number of families earning more than £60,000 pa. **83% of families have a mean gross family income of more than £30,000 which is much higher than the GB average of 73%.**

There is a higher than average representation in the 'Lavish Lifestyles', 'Career Climbers', 'Countryside Communities Acorn Groups'. A large proportion of the population are also characterised as being in the 'Student Life' Acorn Group, which can be attributed to the fact there are 6 universities in Edinburgh. This translates into an the average expenditure per capita on comparison goods of £3,584 p.a. which is higher than the GB average of £3,494 pa.

In terms of the age demographic, the proportion of people within the 15 to 44 age bracket is 46%, much higher than the average for Great Britain – it is particularly high in the 25 to 34 age bracket.

Source: CACI and ONS



Newcraighall is the premier retail warehousing destination serving Edinburgh and Scotland



Aerial View

Key

- 01 Asda Superstore
- 02 IMO Car Wash
- 03 Edinburgh College
- 04 Brunstane Train Station
- 05 Brunstane Primary School
- 06 Argos
- 07 Three
- 08 Primark
- 09 TK Maxx & Homesense
- 10 H&M
- 11 B&Q
- 12 WHSmith
- 13 Costa Coffee Drive Thru
- 14 The Range

The property occupies a prominent position, fronting the Milton Link roundabout, at its junction with the A1



Communications

Located approximately 5 miles east of Edinburgh city centre, the property currently enjoys good access and visual prominence to the A1, one of the main access roads into the city centre. The city and surrounding areas have excellent transport connections with the A1 linking to the Edinburgh city bypass and providing direct access to the M8 and M9 motorways.

Edinburgh's Waverley and Haymarket stations are situated within the city centre and provide regular services to Glasgow and London amongst many others. The Newcraighall area has two train stations serving the area at Brunstane and Newcraighall. Both stations can be reached from the city centre with a travel time of approximately 10 minutes and are situated within a short walking distance of the subject property.

The property is also easily accessible by bus with numerous bus stops located on Milton Link adjacent to the site, providing regular service into Edinburgh city centre. Additionally, Edinburgh International Airport is located to the west of the city centre and has seen significant expansion in recent years. The airport, at its peak, provides over 40 flights a day to London plus a vast route network to Europe and flights to the Middle East, North America and Asia.



Located 5 miles east of Edinburgh city centre
with excellent transport connections

Description

The retail warehouses were constructed in the late 1990s, around a single storey steel portal frame design.

The property has been split into three separate units and the occupiers have fitted out to their own particular trading specifications.

There is a customer car park to the front of the units for 129 cars. To the rear of the units, there is a service yard, accessed to the east of the units.

Planning

Use Class 1 - Retail, under the 'Town and Country Planning (Scotland) Act 1997'.

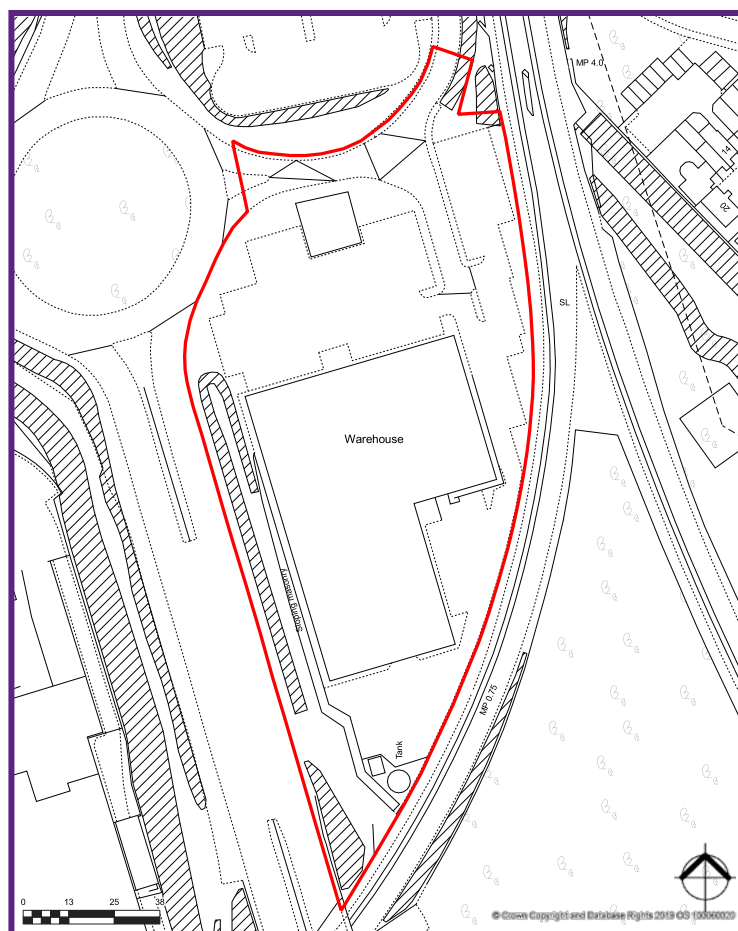


Accommodation

The accommodation extends to 39,969 sq ft (3,713 sq m) on a gross internal basis.

Site

The area stated in the lease documentation is 1.358 Hectares (3.36 acres). An indicative site plan is shown below:



Tenure

Heritable (Scottish equivalent of English Freehold).

Tenancy

The property is let on a single overriding lease to DFS Furniture Company Limited until 26th October 2030 at a current passing rent of £1,408,092 per annum. There are 5 yearly upward only open market rent reviews to the higher of open market rent or 2.5% per annum compounded with the next rent review due 4th November 2020. We calculate the minimum uplifts in 2020 and 2025 to be £1,593,128p.a. and £1,802,478p.a. respectively. The vendor will 'top up' the passing rent to £1,593,128 per annum.

DFS operates two further brands, Sofa Workshop and Dwell, from this unit. DFS have sublet part of the unit to Carpetright.

Covenant information

DFS

DFS is one of the largest furniture retailers in the UK and across Europe with over 5,500 employees and 233 group retail stores. Originally established in 1969 as Northern Upholstery in Derby, the company has since grown into a pan-European furniture retailer with stores in the UK, Spain, Netherlands and Ireland. The company is listed on the London Stock Exchange under the ticker name, DFS.

Key Financials: DFS Furniture Company Limited (Company number 00972107)

Credit Safe Rating – 51A

Year to Date	Turnover	Pre-Tax Profit	Shareholder's Funds
30/06/2019	£2,200,000	£100,000	£38,300,000
28/07/2018	£2,200,000	-£7,800,000	£38,100,000
29/07/2017	£1,600,000	-	£45,400,000

DFS Furniture Plc

The holding company of DFS Furniture Company Limited is DFS Furniture Holdings Plc, which is part of DFS Furniture Plc. Results for 2020 showed a group revenue of £724.5m which was down by £271.7m due to a pause in trading during the Covid-19 lockdown. The group however has a positive outlook for 2021, with a y-o-y revenue out-performance secured to date of £226 million based on recent orders and a £100m opening order bank.



EPC

A copy of the Energy Performance Certificate (EPC) will be available in the dataroom.

VAT

VAT will be applicable to the sale of the property, which we anticipate will be undertaken by way of a Transfer of a Going Concern (TOGC).

Capital Allowances

Any available capital allowances will be passed on to the purchaser.

Investment Considerations

- Opportunity to benefit from two further rental uplifts
- Let to one of Europe's leading furniture retailers with over 10 years of term certain income
- Easily accessible, adjacent to the A1 and within close proximity to Edinburgh city centre
- Located in an area with large amounts of retail and leisure outlets and complexes
- Opportunity to re-gear lease



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Proposal

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Further Information

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