

MATALAN

HEADQUARTERS

PRIME HEADQUARTERS OFFICE INVESTMENT OPPORTUNITY

PERIMETER ROAD | KNOWSLEY BUSINESS PARK | MERSEYSIDE | L33 7SZ







INVESTMENT SUMMARY

- A prime single-let headquarters office investment situated on Knowsley Business Park.
- Strategic location with excellent access to the M57, M62, M58 and A580.
- High specification office building comprising approximately **114,868 sq ft** (10,671.49 sq m) with potential to expand further.
- 651 car spaces providing a generous parking ratio of 1:176 sq ft.
- Site area of approximately 5.6 hectares (14 acres) with potential to acquire an additional adjoining site.
- **EPC B31** and BREEAM “Very Good”.
- Let to Matalan Retail Limited with approximately **16 years unexpired**.
- Passing Rent of £2,451,634 per annum (£21.34 per sq ft).
- 5 yearly **RPI linked rent reviews** (1-4% per annum compounded).
- Next rent review is on 2nd January 2027 where the rent will increase to a minimum of £2,732,035 per annum (£23.78 per sq ft) and potentially £2,982,787 per annum (£25.97 per sq ft).
- Held long leasehold for a term of 999 years from 1946 at a peppercorn rent.

We are seeking offers in excess of **£22 million** subject to contract and exclusive of VAT.

A purchase at this level reflects the following running yield profile:

Year	Minimum Guaranteed RPI Uplift (1% per annum)	Potential RPI Uplift (4% per annum)
Current	10.89%	10.89%
Jan 2027	12.14%*	13.25%
Jan 2032	12.76%	16.12%
Jan 2037	13.41%	19.62%

*This includes the cap being achieved for the first two years of the current rent review period.

The property is held within a UK domiciled Special Purpose Vehicle (SPV). The ownership of the property will be sold through the transfer of shares in the SPV via a corporate transaction. We have therefore adopted purchaser's costs of 2.3%.



SITUATION

The property is situated on Knowsley Business Park which lies adjacent to the A580 East Lancashire Road, connecting Liverpool to the west with Manchester to the east.

The A580/M57 intersection is approximately 1.5 miles to the south. The M57 links the M62 in the south to the M58 in the north, both of which connect to the M6. The A580 also provides direct access to J23 of the M6 within nine miles, as well as offering convenient access to Liverpool city centre.

The property is located on the eastern edge of Knowsley Business Park, and is accessed from Perimeter Road which links directly with the A580.

Knowsley Business Park is one of the largest commercial parks in Europe, totalling almost 1,200 acres (485 hectares). The Park is home to almost 1,000 businesses and occupiers include Bosch, Newsprinters, QVC, Capita, and Virgin Media.

The property is adjacent to a 576,000 sq ft distribution warehouse, also occupied by Matalan and together they form the national headquarters for the company.



DESCRIPTION

The property comprises a prime ESG focused headquarter office in a highly attractive landscaped environment. This modern high quality asset has a concrete frame construction with glazed curtain wall elevations. The building is arranged as a main block with a wing at each end forming a horseshoe shaped footprint. The building has been designed to be future-proofed and incorporates the ability to create an extra wing if required in the future. Completed in 2014, the building offers the following high quality specification:

- An EPC rating of B (31)
- BREEAM "Very Good" score
- Full triple height glazed reception
- Significant break out kitchen and catering areas
- Rooftop solar PV panels
- Chilled beam heating and cooling system
- Full access raised floor
- Metal grille suspended ceiling
- LED motion sensor lighting
- Four passenger lifts
- One goods lift
- Gatehouse
- Woodland walk in an extensive external landscaped area

There are 651 car spaces providing a generous parking ratio of 1:176 sq ft.



ACCOMMODATION

The property has been measured in accordance with the RICS Code of Measuring Practice (6th Edition) and extends to approximately 10,672 sq m (114,868 sq ft) Net Internal Area:

Floor	Area (sq m)	Area (sq ft)
Ground	3,536.88	38,071
First	3,567.26	38,398
Second	3,567.35	38,399
Total	10,671.49	114,868



TENANCY

The property is let in its entirety to Matalan Retail Limited for 25 years from 1st January 2015, providing approximately 16 years unexpired.

The passing rent is £2,451,634 per annum, which reflects £21.34 per sq ft.

The lease provides for 5 yearly rent reviews. The rent reviews are RPI linked with a collar and cap at 1% and 4% per annum compounded.

The next rent review is on 2nd January 2027 and will increase to a minimum of £2,732,035 pa (£23.78 per sq ft) and potentially £2,982,787 pa (£25.97 per sq ft).



For indicative purposes only.

SITE

The site edged in red extends to approximately 14 acres (5.6 hectares).

TENURE

The property is held leasehold for a term of 999 years with effect from 1st April 1946 at a peppercorn rent without review.

COVENANT STATUS

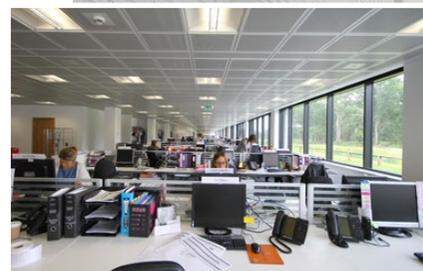
Matalan was founded in 1985 and is a leading out of town fashion and homeware retailer, serving over 11 million customers through 228 stores in the UK, an e-commerce platform and 47 overseas franchise stores. The ultimate parent company of Matalan is Maryland Holdco Limited.

Matalan has recently gone through a major recapitalisation transaction which was completed on 26th January 2023. The transaction delivers a de-levered and sustainable balance sheet, a substantial injection of new capital, providing a platform to drive a return to strong and sustained growth. The transaction included for:

- Significant reduction in gross debt from £593 million to £336 million.
- Up to £100 million of new capital to support delivery of their strategy and growth ambitions.
- Financing for the next 4 years, with the earliest maturity in January 2027.
- A flexible debt package which provides committed and undrawn funding.

Matalan Retail Limited has reported the following most recent accounts:

Year to Date	Turnover	Pre Tax Profit	Shareholder's Funds
26/02/2022	£1,027,100,000	-£7,600,000	£207,900,000
27/02/2021	£744,100,000	-£127,600,000	£199,000,000
29/02/2020	£1,129,400,000	-£22,000,000	£331,100,000



Matalan reported strong Q2 2023 financial performance. For the 13 weeks to 26th August 2023, total revenue was at £288,600,000 (up 0.8% from the same quarter in 2022), with an EBITDA of £47,900,000 (an increase of 16.6% from the same quarter in 2022).

More information about the company can be found at www.matalan.co.uk/corporate/about-matalan

ESG INFORMATION

Matalan's ESG actions and ambitions are focused on four key areas: Planet, People, Product and Good Business which include;



PLANET

- Matalan have a number of goals for 2025 which include; ensuring 70% of plastic packaging can be reused or recycled, ensuring imported plastic contains 30% recycled content and including recycling instructions across the product range.
- They publish a Strategic Energy and Carbon report each year and have committed to a credible pathway to Net Zero Carbon by 2025.



PEOPLE

- Supporting schemes such as Kickstart, traineeships and apprenticeships and offers work experience and offering opportunities to young people affected by homelessness through a partnership with 'End Youth Homelessness'.
- Involved with partnerships for future leaders and targeted programmes to improve the pipeline of Women in Leadership roles and signed up to the British Retail Consortium Diversity and Inclusion Charter to improve the diversity across retail.



PRODUCT

- Committed to source 100% of cotton as 'Better Cotton' by 2023, which ensures cotton is sourced sustainably and farmers working and living conditions are improved. Committed to source all man-made fibres from high sustainability sources by 2025.
- In 2021, this contributed to sourcing 7000 metric tonnes of cotton under the Better Cotton Initiative. Additionally, 800 metric tons of sustainable viscose was sourced and 3.4 billion litres of water saved.
- Matalan are using technology to provide digital samples rather than physical samples to prevent waste. In 2021, Matalan successfully converted more than 98% of their store and head office waste from landfill to energy resources.



GOOD BUSINESS

- Matalan have a number of goals for 2025 which include;
 - Raising £1 million for NSPCC.
 - Each store supporting a local cause.
 - Every employee involved in a charity.



PROPERTY ESG

The property has excellent ESG credentials including an EPC B31 and a BREEAM "Very Good" rating.

The building has an abundance of amenity to support employee well being including an area to the north west of the site, where there is a mature woodland with an established walking path and pond.

CRREM ANALYSIS

A CRREM benchmarking exercise has been undertaken for the property and if the gas fired plant was replaced with heat pumps, which could be carried out in the future when the existing plant reaches its economic life span, the results show that the building wouldn't breach the decarbonising pathway until 2043.

MARKET COMMENTARY

Overall office take-up for the Liverpool region was 510,552 sq ft in 2022, meaning Liverpool ended the year as one of the UK's most active markets within the Big Nine market. Prime office rents increased by 16% to £25.50 per sq ft.

For Q3 2023, total take-up was 136,486 sq ft, reflecting an increase of 74% on the previous quarter and in line with the 10 year average. The out of town office take-up was 64,896 sq ft representing 47% of the quarterly total. Key deals included the Department for Education's 50,000 sq ft acquisition of Napier Court and BT Group's 50,143 sq ft lease at the Plaza.

The current vacancy rate is 5.4% but premium quality space is severely undersupplied with the Grade A availability rate recorded at only 0.2%. The development pipeline is highly constrained with no new office buildings currently under construction. This imbalance is likely to lead to further rental growth.

NORTH WEST RENTAL COMPARABLES

We have summarised some recent comparable transactions below:

Date	Property	Size (sq ft)	Tenant	Rent (£/psf)	Comments
Sept-23	The Plaza, Liverpool	50,143	BT Group Plc	£25.00	10 year lease
Sept-23	Birchwood Park, Warrington	35,793	Arne Clo Ltd	£21.00	5 year lease
July-23	Birchwood Park, Warrington	12,454	Nuvia	£21.00	10 year lease
May-23	8 Princes Parade, Liverpool	4,732	Ryder Levett, Bucknall	£22.00	10 year lease
Mar-23	12 Princes Parade, Liverpool	2,880	Novo Incident Management Limited	£22.00	5 year lease
Mar-23	10 Princes Parade, Liverpool	7,000	City Hospital	£22.00	15 year lease
Mar-23	The Plaza, Liverpool	8,417	BMSL	£23.50	15 year lease

INVESTMENT MARKET COMMENTARY

Recent comparable transactions include:

Property	Date	Size (sq ft)	Unexpired Term	Rent (per sq ft)	Purchase price	NIY	Capital Value (per sq ft)	Comments	Purchaser
Virgin Atlantic HQ, Crawley	Under offer	110,545	9.00 years	£23.00	£31.8 million	c 8.00%	£288	Open Market reviews and the tenant could extend by 2.5 years	Under offer
Co-op HQ, NOMA, Manchester	Nov-23	329,219	15.00 years	£37.17	£140 million	8.40%	£440	5 yearly RPI linked rent reviews (1.5% - 4% per annum)	High Net Worth Middle Eastern Investor
Motability HQ, South Gyle Business Park	Sep-23	35,370	13.75 years	£21.00	£8.8 million	7.75%	£249	Open Market rent reviews	Priory Real Estate
BT HQ , 1 Sovereign Street, Leeds	Aug-23	139,079	17.25 years	£20.62	£38.5 million	7.07%	£273	5 yearly RPI linked rent reviews (1% - 3% per annum)	Clients of Citibank
Verisure HQ, Newcastle	Jun-23	94,656	14.50 years	£15.85	£18.3 million	7.68%	£193	Lease includes fixed increases at rent review	Bank of London & Middle East



EPC

The property has an EPC rating of B31.

BREEAM

The property has a 'Very Good' rating.

DEBT ADVISORY

JLL Debt Advisory provides market leading debt solutions. We have a wide-ranging expertise in senior debt and mezzanine arrangement for investment and development projects. JLL Debt Advisory would be delighted to discuss funding options with potential purchasers. Please contact us for further details.

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HEADQUARTERS

PROPOSAL

We are seeking offers in excess of **£22 million (Twenty-Two Million Pounds)** subject to contract and exclusive of VAT.

This price would reflect the following running yield:

Year	Minimum Guaranteed RPI Uplift (1% per annum)	Potential RPI Uplift (4% per annum)
Current	10.89%	10.89%
Jan 2027	12.14%*	13.25%
Jan 2032	12.76%	16.12%
Jan 2037	13.41%	19.62%

**This includes the cap being achieved for the first two years of the current rent review period.*

SPV

The property is held within a UK domiciled Special Purpose Vehicle (SPV). The ownership of the property will be sold through the transfer of shares in the SPV via a corporate transaction rather than a direct asset sale. We have therefore adopted purchaser's costs of 2.3%.

More information on the SPV is available upon request.

We understand that capital allowances are available to qualifying purchasers. More information is available upon request.

FURTHER INFORMATION

For more information or to arrange an inspection please contact:



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