

High Yielding, Long Income Industrial Investment with RPI rent review



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SUMMARY

- 15 years unexpired lease term (no breaks)
- Established tenant who has been in occupation for over 40 years
- RPI linked rent review in June 2020
- Tenant has recently extended their lease, demonstrating their commitment to the property
- Within an area of car showrooms and modern commercial developments
- One of the only Freehold sites on the West Tullos Estate
- £2,900,000, subject to contract
- 8.91% Net Initial Yield
- 9.87% anticipated reversionary yield in June 2020
- Capital value of £62 per sq ft



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LOCATION

Aberdeen is located approximately 180 km (125 miles) north of Edinburgh and 210km (145 miles) north east of Glasgow. The city benefits from excellent road communications with the A90 and A96 offering direct links to Dundee and Inverness. In addition, the city is connected to the national rail network with direct services to London Kings Cross with a fastest journey time of 4 hours 20 minutes. Aberdeen International Airport is approximately 9.6 km (6 miles) north-west of the city centre and is used by around 3 million passengers a year for scheduled and charter holiday flights.

Aberdeen city & Shire is the third largest city region in Scotland and home to almost 0.5 million people of which 230,000 live in Aberdeen. Aberdeen is among the top 10 places to live and work, according to PWC's 'The Good Growth for Cities Index', which measured the performance of 42 of the UK's largest towns and cities. In 2018 the city climbed from 11 to 9 in the rankings. The University of Aberdeen achieved its highest ever position in the Complete University Guide league table in 2018, climbing from 40th to 28th, the biggest rise of any of the top 50 universities and taking it into the top 30 of the main league table for the first time. In 2016, a £250 million joint investment was signed off for Aberdeen by the ministers from the UK and Scottish Governments to assist with a number of projects with a total value of £826 million over its lifetime and will assist in delivering the region's economic vision.

The Aberdeen Western Peripheral Route (AWPR) is a new city bypass designed to reduce traffic congestion in Aberdeen and improve traffic flow around the city. Several sections of the AWPR are already open with the final section of the bypass due to be open shortly to the public. The AWPR is expected to bring in an additional £6 billion to the north east economy and create around 14,000 jobs over the next 30 years (Source: Transport Scotland).

SITUATION

The property is situated in an established commercial location on the West Tullos Industrial Estate, approximately 3.2 km (2 miles) south of Aberdeen city centre. The A956, one of the city's main arterial routes, is immediately to the east and provides a direct link to the A92 & A90. The property is accessed via Craigshaw Road.

Other occupiers on the West Tullos Industrial Estate include AMEC, Forster Wheeler, Shell, Menzies Distribution, Dron & Dickson, Belmar Engineering as well as several car dealerships including Ford, Skoda, Kia, Peugeot, Renault, BMW, Volkswagen and Mercedes.

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DESCRIPTION

The subject property was purpose built as an Expanded Polyester Manufacturing (EPS) factory for the current tenant and has been modified over time.

Comprising a detached industrial warehouse with ancillary office accommodation to the front arranged over ground and first floor, the original building was constructed in circa 1965 with additions in the 1970's and 1990's. The warehouse extends over three bays, with a modern section in the southern corner comprising a higher eaves height.

The single bay warehouse is of steel portal frame construction with a combination of profiled metal sheeting clad to the elevations and part rough render. The double bay warehouse has steel columns which support a steel truss roof with a rough render finish to the elevations. The office accommodation has a brick/blockwork rough rendered surface.

The roof to the single bay warehouse is pitched and overlaid with profiled sheets, incorporating translucent skylight panels. The double bay warehouse has a profiled metal sheeting covering.

The single bay warehouse has an eaves height of approximately 4.05 metres and the double bay warehouse has an eaves height of approximately 4.20 metres. The modern section in the southern corner benefits from an eaves height of approximately 8.80 metres.

The property benefits from three roller shutter doors, giving access to a yard/loading area. In addition, there is dedicated car parking to the front and side of the site providing approximately 40 car spaces.

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ACCOMMODATION

We are advised that the property provides the following approximate Gross Internal Areas;

Unit/Floor	Use	Area (Sq M)	Area (Sq Ft)
Ground	Main Warehouse (4.05/4.2m eaves)	3,367.71	36,250
Ground (South West corner)	Warehouse with Silo (8.8m eaves)	145.56	1,567
Ground & First	Offices, workshop & staff accommodation	825.44	8,885
Total		4,338.71	46,702

SITE

We estimate the site area to be approximately 0.95 hectares (2.35 acres).

A Phase I Environmental Audit was carried out by Paragon in March 2018 which concluded that “based on the continued commercial use of the site there is a low-medium risk with regard to environmental liability” and “no further work is required for a continuation of the current site us”. A copy of this report is available to download.



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TENURE

Heritable (Scottish equivalent of English Freehold).

TENANCY

The property is let to **Jablite Limited** until 24th December 2033 (**approximately 15 years unexpired lease term**), without breaks. An investor will benefit from an income of **£275,000 per annum** (£63.39 per sq m / £5.89 per sq ft). The lease is subject to a Schedule of Condition.

The tenant has been in occupation in excess of 40 years with their most recent lease being for a term of 15 years from 21st April 2015, expiring 20th April 2030, subject to a break option on 20th April 2025. **Such is the tenant's long term commitment to the property, in January 2019 they entered into a Lease Variation to remove their break option and extend the term of their lease from April 2030 to December 2033.**

In accordance with the Deed of Variation, the tenant has been granted a 3 month rent free period from 25th January 2019 to 24th April 2019 (inclusive). For the next 6 months, namely from 25th April 2019 to 24th October 2019 the rent is reduced by 50% equating to £137,500 per annum. Thereafter, the rent will be **£275,000 per annum**.

In order that a purchaser does not suffer an income shortfall the vendor will top up the rent to £275,000 per annum on completion by way of an adjustment to the purchase price.

There is an RPI linked rent review on 24th June 2020, subject to a 1% collar and 3% cap compounded annually, with 5 yearly open market rent reviews thereafter. Adopting the latest RPI All Items Index figure published in December 2018, if a rent review were to occur today then the rent will increase to **£304,419 per annum**.

The tenant is permitted to pay the rent monthly throughout the term of the lease.

A small section of the ground floor office totalling 65 sq m (700 sq ft) has been sub-let to Aberdeen Alarm Company Limited. The sub-lease can be terminated by either party at any time, subject to 6 months' prior notice.



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COVENANT

Jablite Limited (Co. No. 1073622) has reported the following figures:

	31 st December 2017	31 st December 2016
Turnover	£24,331,935	£26,511,226
Pre-Tax Profits (Loss)	(£2,322,263)	£32,747
Shareholders' Funds	£9,331,333	£10,619,767

The tenant has been in occupation of the subject property for a period in excess of 40 years.

Established in 1973, Jablite is the UK's largest producer of EPS (expanded polystyrene) insulation products and civil engineering solutions. The company manufactures and supplies a wide range of BBA-certified insulation products for roofs, walls and floors.

With its sister company, Styropack, they have five manufacturing sites. These are positioned to give them complete UK coverage with locations in Aberdeen, Howden, Blackburn, Belvedere and Ford on the Sussex coast.

Jablite concentrates on large block mould production and Styropack is expert in shape moulding. Styropack packaging is currently protecting and enhancing products in a wide range of sectors, including heating, air conditioning and ventilation equipment, vaccines, pharmaceuticals, fresh fish, horticulture, frozen food and home delivery.

Over the past five years, Jablite has pioneered innovation in insulation products; investing over £1 million in product development and winning funding competitions for innovative refurbishment products run by Innovate UK on behalf of the Department of Energy and Climate Change.

For further information see www.jablite.co.uk.



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VAT

The property has been registered for VAT. It is anticipated that the sale will be treated as a Transfer of a Going Concern (TOGC).

PROPOSAL

We are instructed to seek offers in the region of **£2,900,000** (Two Million, Nine Hundred Thousand Pounds), subject to contract, reflecting a net initial yield of **8.91%** and a capital value of **£62 per sq ft**, assuming purchaser's costs of 6.10%.

Adopting the latest RPI All Items Index figure, the annual rental income will increase to £304,419 per annum at the June 2020 rent review which will provide an investor with a reversionary yield of **9.87%**.

Please note that a purchaser will be re-charged the costs of the searches which are provided in the data room.

INVESTMENT CONSIDERATIONS

1. An opportunity to acquire a high yielding industrial investment;
2. Long unexpired lease term of 15 years, without breaks;
3. The lease benefits from an RPI linked rent review in June 2020;
4. The property is let to an established tenant who has been in occupation for a period in excess of 40 years;
5. The tenant has recently extended their lease, demonstrating their commitment to the property;
6. The property is situated within an area of car showrooms and modern commercial developments so may lend itself to future redevelopment, subject to obtaining the necessary consents;
7. The subject property is one of the only sites on the West Tullos Industrial Estate which is held Freehold, with the majority being held Long Leasehold;
8. A purchase at the asking price will provide an investor with an attractive net initial yield
9. Significant reversion anticipated following the RPI-linked rent review in June 2020;

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SUBJECT TO CONTRACT & EXCLUSIVE OF VAT

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Finance Act 1989

Unless otherwise stated, all prices and rents are quoted exclusive of VAT.

Property Misdescriptions Act 1991

These details are believed to be correct at the time of compilation, but may be subject to subsequent amendment.

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