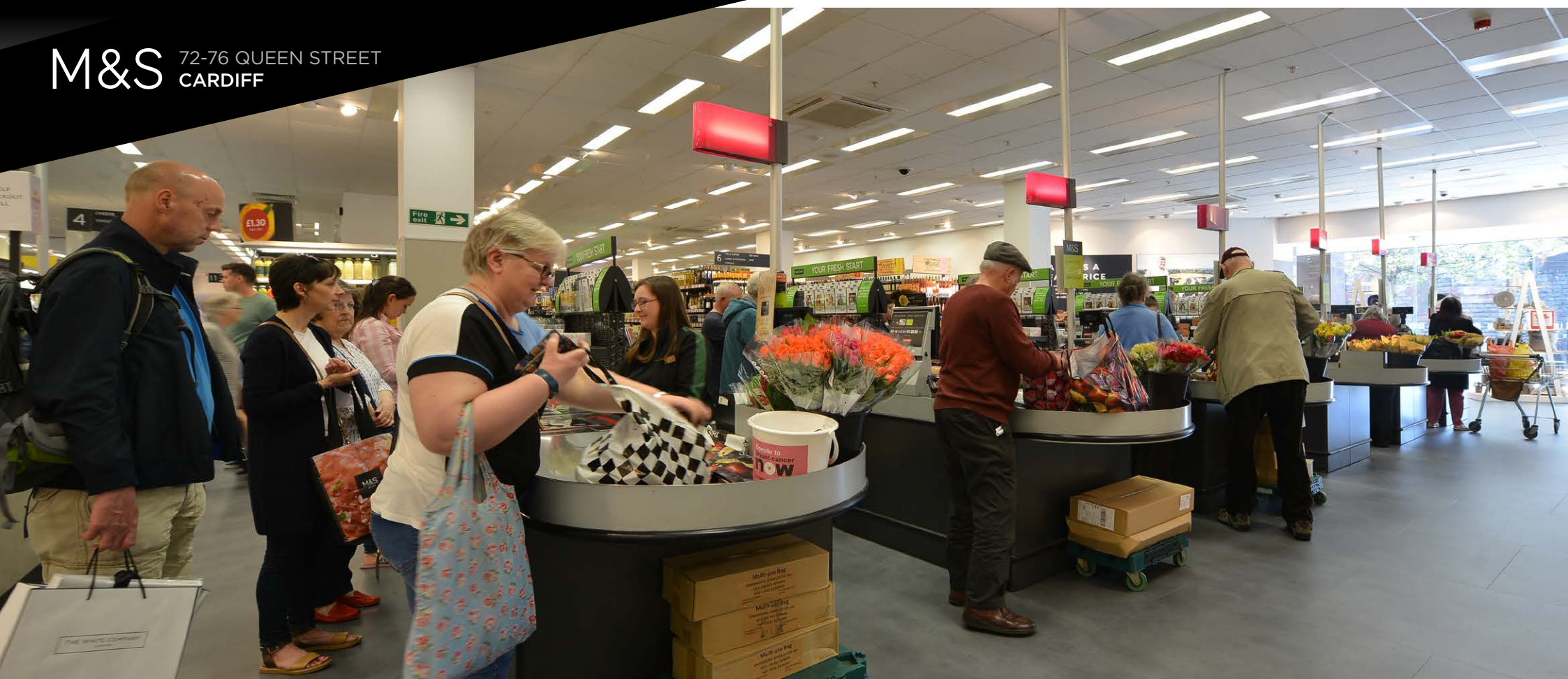


M&S

72-76 QUEEN STREET
CARDIFF

**UNIQUE RETAIL INVESTMENT
LET TO M&S FOR 137.5 YEARS**





INVESTMENT HIGHLIGHTS

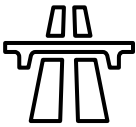
- Cardiff is the capital city of Wales and a thriving business, commercial, economic, government, leisure and retailing destination.
- The store occupies a prime position in the heart of the city centre and its attractive and inviting fully glazed, triple height frontage makes it one of the most appealing stores in Cardiff.
- Flagship store totalling 119,241 sq ft.
- Freehold.
- Uniquely let to the FTSE 100 retailer M&S for a further 137.5 years.
- M&S have been in occupation for over 80 years.
- Minimum contracted rental income of £221,000,000 to lease expiry.
- M&S is an international renowned British retailer and rated 5A1 by Dun & Bradstreet, representing a 'minimum risk of business failure'. The business has been rated investment grade (BBB- or better) since at least 2002.

We have been instructed to seek offers in excess of £33,200,000 (Thirty Three Million, Two Hundred Thousand Pounds) subject to contract and exclusive of VAT. This reflects a Net Initial Yield of 4.50% assuming standard purchaser's costs of 7.74%.

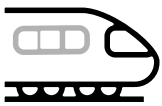
LOCATION & COMMUNICATION



Cardiff is the capital city of Wales and provides the principal retailing and commercial centre for the South Wales region. The city is located immediately to the south of the M4 motorway, approximately 150 miles west of London, 44 miles west of Bristol and 42 miles east of Swansea.



Cardiff benefits from excellent connectivity both domestically and internationally. The city is well served by road, lying adjacent to the M4 motorway, with access to the north east of the city via the A48(M), which leads directly to Junction 29, and via the A48 to the west of the city providing access to Junction 32. The M4 motorway intersects with the M5 motorway north of Bristol, providing fast access to the Midlands and the south west of England.



Cardiff Central railway station provides regular direct trains to London Paddington (1 hour 59 minutes) and Birmingham New Street (2 hours). Electrification of the line will improve Cardiff's connectivity further, improving times to London to circa 1 hour 40 minutes, with work scheduled to be completed by the end of 2019. The city's second railway station, Cardiff Queen Street, is the second busiest station in Wales. The station underwent substantial redevelopment in 2013 and provides local/commuter services to the Vale of Glamorgan, Bridgend and the South Wales Valleys.



Cardiff Airport is located 11 miles south west of the City Centre and provides scheduled flights to an ever-expanding array of global destinations.





CARDIFF CAPITAL REGION

The Cardiff Capital Region has a residential population of 1.66 million and is regarded as one of top regional centres in the UK (CACI). The catchment has a relatively young and affluent population with 27% of the population aged between 15-29, against the UK average of 20%, whilst 55% of the population is social grade ABC1, against the UK average of 52% (PMA).

The city has a significant student population of approximately 50,000 at three universities: Cardiff University, Cardiff Metropolitan University and University of South Wales. Furthermore, spending levels are bolstered by 20 million visitors to the city annually, bringing circa £1bn per annum to the economy. Tourist attractions include: Cardiff Castle, the Principality Stadium and the Wales Millennium Centre.

It is the key business, commercial, economic, government and leisure destination in Wales.
Key factors in its growth and success are as follows:

- **Fastest Growing UK City** - Cardiff is expected to grow faster than any other UK city in population terms (26%) over the next 20 years – including London. Growth has already been 12% over the last 10 years.
- **Job Creation** – Fastest jobs growth than any other UK Core City. 15,000 new private sector jobs in the last 2 years, which is the fastest jobs growth rate compared to any other UK core city.
- **Highest Earnings Growth** – Cardiff has seen the highest earnings growth of the UK Core Cities over the past year according to the Annual Survey of Hours and Earnings.
- **Quality of Life** – Cardiff is consistently ranked the UK's number 1 city for quality of life. It is the closest European capital city to London and the work/life balance offered across the region is exceptional.
- **Large Student Population** - There are over 50,000 higher education students in Cardiff and over 100,000 within a 45-minute drive time. Cardiff University ranked 6th in the 2018 Research Excellence Framework.
- **Development Pipeline** - Over £6bn of investment in the pipeline in the city and city-region expected within the next 10 years. This follows a number of recent flagship developments in the region including Central Square and St David's 2 shopping centre.
- **Commuter Belt** - 90,000 daily commuters.
- **Tourism** - Cardiff boasts an unrivalled retail, sporting and cultural offer, which bring millions of visitors to the city each year. It has seen the fastest increase in international visitors of any UK Core city.



CARDIFF CATCHMENT



1.66 million residential population



90,000 daily commuters to Cardiff



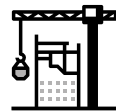
Cardiff is regularly ranked the UK's **number 1 city** for quality of life



Highest earnings growth of the UK Core Cities



£4.089 billion of Retail Expenditure in 2018



£6 billion investment in the city development pipeline



Retail Expenditure expected to grow at **1.8% pa over 2018-2023**



15,000 new private sector jobs in the last 2 years



50,000 higher education students



Over **20 million** people visit Cardiff annually – bringing approximately **£1 billion** to the economy



BBC Wales Headquarters



High Street Arcade



John Lewis



Principality Stadium



Cardiff Castle



St David's



RETAILING IN CARDIFF

Cardiff has one of the strongest and most extensive retail offers in the UK, ranking 7th on the basis of its PMA retail score and 10th on the PMA fashion score.

Queen Street is the historic prime pitch and benefits from excellent footfall and an impressive tenant line-up. The core retail offer is focused along the pedestrianised Queen Street and the three shopping centres: St David's, The Capitol and Queens Arcade. Queen Street is a key location providing access to all three shopping centres and is anchored by a number of large multi-national retailers including Zara, Boots, JD Sports, Primark, M&S and Next.

In addition to Queen Street, retailing in Cardiff was enhanced by the opening of the St David's shopping centre extension in 2009. The development brought a 265,000 sq ft John Lewis to the city, as well as high-end retail brands, an improved leisure offer and a 2,000 space car park, substantially improving shopper access. Finally, the retail offer includes seven historic retail arcades: Royal Arcade, Morgan Arcade, Castle Arcade, High Street Arcade, Dominions Arcade, Wyndham Arcade and Duke Street Arcade. These historic arcades bring variety to Cardiff's retail offer, increasing its attractiveness amongst shoppers. The Arcades provide a range of unit sizes, suiting a variety of occupiers from independent local operators to high end national multiple boutiques.



SITUATION

The property occupies a prime position in the heart of the city centre. Its enviable corner position at the junction of Queen Street and Charles Street makes it extremely prominent and it benefits from an extensive side return. Furthermore, its attractive and inviting fully glazed, triple height frontage, enclosing the historic façade makes it one of the most appealing stores in the city centre.

The store is adjacent to the Cathedral Walk entrance to St David's shopping centre, one of the scheme's principle entrances. The shopping centre boasts average annual footfall of 37,000,000, one of the highest in the UK, and lists its anchors as M&S, John Lewis and Primark.

Key retailers neighbouring include: Zara, Boots, JD Sports, Primark, Debenhams, WH Smith, River Island and Next.

Cardiff Queen Street station (Cardiff's principal commuter station) is just 250 metres away and the building benefits from its proximity to both The Capitol and St David's which offer circa 2,400 parking spaces.



DESCRIPTION

M&S have occupied the building for over 80 years and the purpose built retail store has been adapted over the years to match the retailer's reputation for quality and style. The triple height glazed frontage is a clear example of this and the glass box even includes café seating at first floor.

The property is arranged over basement, ground and three upper floors, with the retailer trading from ground, first and second floors. Each floor is open and offers high quality retail space, with minimal columns, and there is escalator and lift access to all trading floors. Ground floor houses womenswear and a large foodhall, first floor has further womenswear and a modern café and the second floor stocks menswear, kidswear, homeware and offers banking/currency services.

The unit benefits from additional entrances into St David's shopping centre and Cathedral Walk/Charles Street (though these do not form part of our client's ownership).

Floor	Area (sq ft)	Area (sq m)
Basement	5,940	551.84
Ground Floor	32,064	2,978.85
First Floor	31,252	2,903.41
Second Floor	30,737	2,855.56
Third Floor	14,570	1,353.60
Roof	4,678	434.60
TOTAL	119,241	11,077.86



M&S have occupied the building for over 80 years and the purpose built retail store has been adapted over the years to match the retailer's reputation for quality and style

TENANCY

The property is let to Marks & Spencer Scottish Limited Partnership on a 185 year and 9 month lease expiring 25th December 2156, therefore having 137.5 years unexpired. The current passing rent is £1,610,000 per annum. Rent reviews are upwards only and 21 yearly, with the next falling on 25th March 2034.

Marks & Spencer Scottish Limited Partnership is a Scottish Limited Partnership where Marks & Spencer PLC is a general partner. Marks & Spencer PLC hold the majority stake in the partnership and will be liable for any debts of the Marks & Spencer Scottish Limited Partnership. The partnership is the freeholder/long leaseholder of much of Marks & Spencer's owner occupied estate. The portfolio was valued at £1.5 billion in their 2018 Annual Report meaning the partnership has significant assets.

The lease was originally granted to Marks & Spencer Limited (now Marks & Spencer PLC) and the full Marks & Spencer PLC covenant therefore provides a guarantee under Privity of Contract.

TENURE

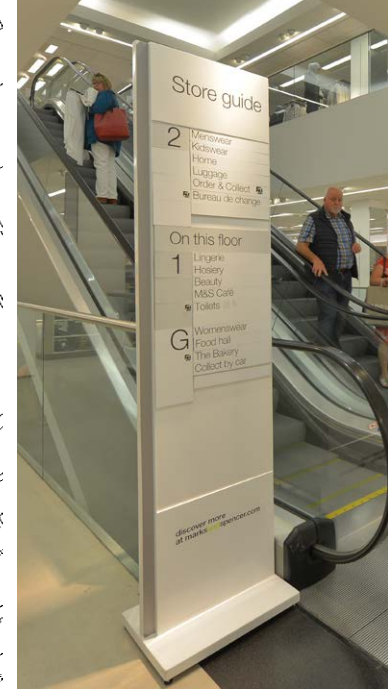
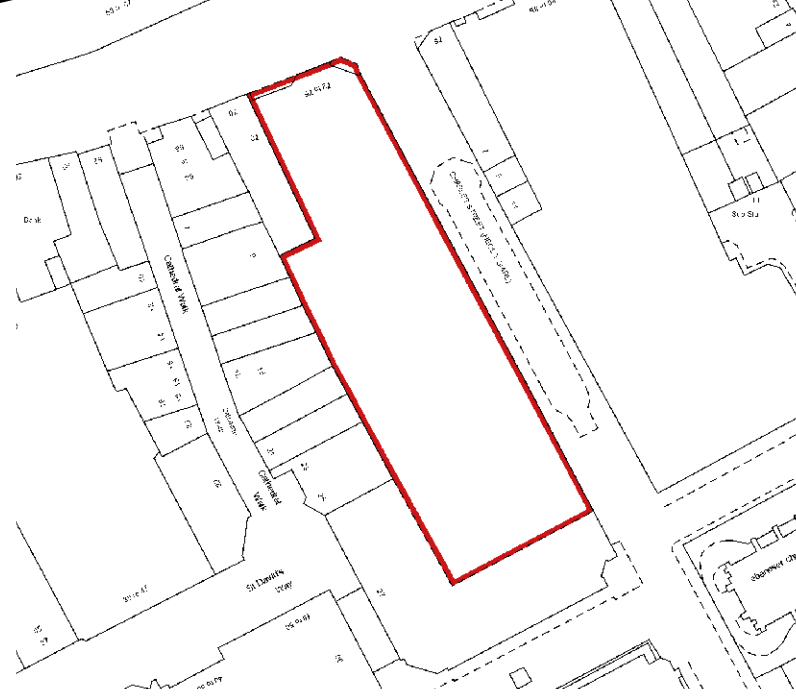
Freehold.

VAT

We understand that the property is elected for VAT purposes. It is anticipated that the sale will be treated as a Transfer of Going Concern (TOGC).

EPC

An Energy Performance Certificate is available upon request.



Marks & Spencer is an internationally renowned British retailer and a constituent of the FTSE 100

MARKS & SPENCER PLC

Marks & Spencer PLC (00214436) is an internationally renowned British retailer and a constituent of the FTSE 100 on the London Stock Exchange. The brand specialises in great value clothing, home products and high quality foods sourced from around 2,000 suppliers globally.

Founded in 1884, M&S operates across 1,035 stores in the UK plus an expanding international offer that includes 428 stores in 56 territories across Europe, the Middle East and Asia.

Marks & Spencer is well underway with its 5 year plan. This includes the acceleration of the store closure programme, with the business set to close up to 100 underperforming, secondary stores and focus on fewer, larger and more profitable locations. The subject property would obviously fall into the latter category as the Welsh flagship. The company is also strengthening its online offer and recently announced a joint venture with Ocado (M&S are acquiring 50% of the Ocado online delivery business for £750m), which will come into effect in September 2020 and enable M&S

to benefit from Ocado's established online retailing technology and logistics capability. This has been viewed positively by commentators and will allow M&S's Simply Food business to quickly target a much wider audience.

The company has a Market Cap of £4.6 billion and is rated the highest score of 5A1 by Dun & Bradstreet, representing a 'minimum risk of business failure'. The business has been rated investment grade (BBB- or better) since at least 2002.

	31/03/2018 (000s)	01/04/2017 (000s)	02/04/2016 (000s)	28/03/2015 (000s)	29/03/2014 (000s)
Turnover	£10,698,200	£10,622,000	£10,555,400	£10,311,400	£10,309,700
Exceptional Items & Other Costs/Incomes	£-418,800	£-420,000	£-131,400	£20,600	£48,100
Profit	£112,600	£130,600	£488,800	£600,000	£580,400
Shareholders' Funds	£5,512,500	£5,670,200	£6,021,100	£5,649,800	£5,192,400
Gearing	52.50%	58.10%	54.80%	56.00%	64.50%



£10.7bn Group Revenue



80,787 Number of employees as of 31 March 2018



56 International Territories



1,035 UK Stores



£10.7bn Group Revenue



19,500,000 Average Weekly Footfall



UK Turnover is split 61% Food and 39% Clothing & Home



£3.7bn Clothing & Home Revenue



£5.9bn Food Revenue



Rated investment grade (BBB- or better) since at least 2002



£4.6bn Market Cap



11,100,000 Average Weekly Transactions

INVESTMENT COMPARABLES

Date	Town	Address	Tenant	Years to Expiry	Price	NIY	Purchaser
Available	Edinburgh	60 Princes Street	M&S	67	£12,000,000	4.06%	-
Mar-19	High Wycombe	19-22 Church Street	Primark	134.5	£7,500,000	4.17%	Motcomb Estates
Aug-17	Brighton	130-134 Western Road	Waitrose	41.5	£10,850,000	4.00%	Waitrose
May-17	Wood Green	44-46 High Road	M&S	145	£14,200,000	3.25%	PPR Estates
Jul-16	Maidenhead	60-64 High Street	M&S	950	£6,300,000	2.75%	M&S
Apr-16	Wimbledon	46-48 Wimbledon Hill Road	Wagamama	51	£2,935,000	3.48%	Private

DEBT FINANCING

The investment grade covenant of M&S, prime location in the heart of Cardiff and length of lease will be viewed positively by lenders. Taking these factors into consideration, we believe the following debt terms would be achievable in the current market:

LTV	50%	55%	60%
Margin	2.00%	2.10%	2.20%

For more information please contact Knight Frank Debt Advisory - jane.stockdale@knightfrank.com.

ABOUT KNIGHT FRANK DEBT ADVISORY

Knight Frank's Debt Advisory team provides reliable, unbiased advice to real estate investors and developers. We maintain relationships with over 200 active lenders in the real estate debt market including senior, stretched senior and mezzanine financiers, and we have a depth of experience in arranging both development and acquisition finance across all property asset classes.

Our access to different sources of finance and our track record in executing commercial real estate transactions across the capital stack mean that we can optimise debt terms and efficiently transact deals; reducing timescales and minimising costs.





PROPOSAL

We have been instructed to seek offers in excess of **£33,200,000 (Thirty Three Million, Two Hundred Thousand Pounds)** subject to contract and exclusive of VAT. This reflects a **Net Initial Yield of 4.50%** assuming standard purchaser's costs of 7.74%.

CONTACT INFORMATION

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