



AVON RUBBER | WRGANT PLACE | MAERDY
SOUTH WALES | CF43 4DE

MULTI-LET INDUSTRIAL FREEHOLD INVESTMENT

HIGH YIELDING OPPORTUNITY WITH POTENTIAL TO ADD SIGNIFICANT VALUE



INVESTMENT SUMMARY

- Freehold.
- Located within close proximity to the A470, which is the main arterial route connecting J32 of the M4 Motorway at Cardiff to the Heads of the Valleys road (A465). The A465 is nearing completion on a £800m improvement project.
- Well-specified manufacturing and warehouse facility of 176,288 sq ft (16,377 sq m) on a site area of 15.85 acres (6.41 hectares) with a low site cover of 25.53%.
- Let to two high calibre tenants, Avon Engineered Rubber Ltd and SPC Europe Ltd which both collectively provide a compelling occupational story having invested significantly in adapting their fit-out and installing plant equipment to carry out their specialist operations. SPC Europe has installed a new ultra-clean colour rubber compounding plant upon taking occupation.
- WAULT of 8.63 years to expiries (3.96 years to break options) with Avon Rubber having been in occupation in excess of 12 years.
- Immediately implementable value-add opportunity to let the existing vacancy of 63,963 sq ft (5,942 sq m).
- Current rent of £337,500 per annum, equating to a low £3.00 per sq ft with prospects to crystallise a significant reversion upon letting the vacant element.

Seeking offers in excess of **£3,150,000 (Three Million One Hundred and Fifty Thousand Pounds)**, reflecting an attractive **Net Initial Yield of 10.00%**, after deducting standard purchaser's costs of 7.16% and a **low Capital Value of £17.87 per sq ft**.

A purchase at this level reflects a **Reversionary Yield of 15.67%** based on the current rental tone.

Subject to Contract and Exclusive of VAT.





LOCATION

- Maerdy is situated approximately 9 miles north west of Pontypridd, the largest town north of the M4 Motorway, 22 miles from Cardiff, Wales' capital city and 12 miles south west of Merthyr Tydfil. Swansea, Wales' second largest city, is located 34 miles west.
- Maerdy is located within the county borough of Rhondda Cynon Taf (RCT) and through its connectivity allows occupiers to benefit from a skilled employment pool across the wider areas of Merthyr Tydfil, Ebbw Vale, Pontypridd and Caerphilly.
- The RCT borough is bounded by a total of 7 other counties including Cardiff, Bridgend, Caerphilly and the Vale of Glamorgan, amongst others and is thereby well placed to access the majority of the dense urban areas across South Wales.
- The RCT borough is well-connected and recorded over 2 billion road traffic kilometres across the borough in 2018 (Source: Welsh Government). This was the second highest traffic count in Wales, second only to Cardiff and demonstrates its excellent connectivity.
- Maerdy is accessible via the A470 which is the main spine road connecting the M4 Motorway to the A465 Heads of the Valleys road. This road provides strong logistics, commuting and manufacturing connectivity between Cardiff to the Heads of the Valleys areas and onwards to the West Midlands. Junction 32 of the M4 is approximately 18 miles south via the A470.



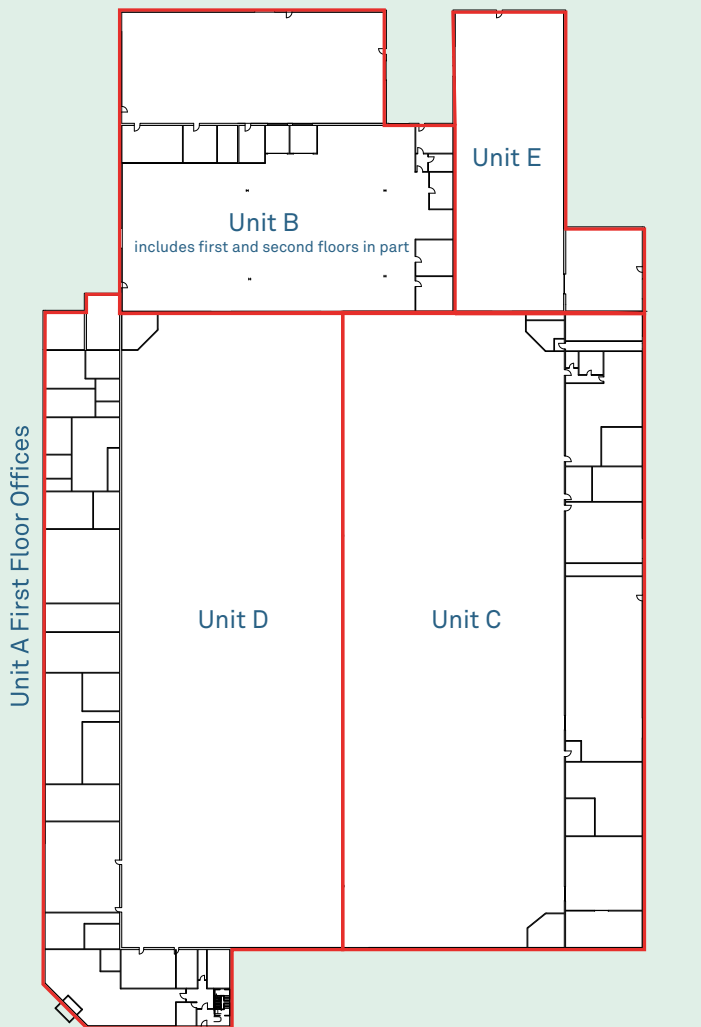




DESCRIPTION

- Constructed in 1997, the property comprises a manufacturing and warehouse facility with two storey office accommodation and is configured in a way to provide excellent flexibility for sub-division to create a multi-let unit.
- The site area is approximately 15.85 acres (6.41 hectares) with a low site cover of 25.53%.
- The asset is of steel portal frame construction with profile steel cladding to the side and roof elevations under a concrete floor slab. The property offers good height with minimum eaves of 5.8 metres rising to 7.4 metres.
- The warehouse element comprises two main bays. The rear of which is a multi-storey, high bay with warehouse/manufacturing accommodation over the ground, first and second floors accessed via two large industrial lifts and stairwells.
- To the front, the property has two storey office accommodation with an atrium reception area, fitting for a headquarter facility.
- Installation of two 2 MW transformers in 2019, representing a significant investment in the estate.
- The site provides two road access points with a circulatory road around the site and thereby providing suitability for further sub-division and multi-occupancy of the building.





Indicative Plan Only

TENANCY SCHEDULE

Area	Area sq ft (Area sq m)	Tenant	Rent £ pa (Rent £ psf)	ERV	Lease Start Date	Lease Expiry Date	Rent Review Dates
Unit B & E	54,334 sq ft (5,048 sq m)	SPC Europe Ltd	£150,000 pa (£2.76 psf)	£163,002 pa (£3.00 psf)	13 July 2018	31 Jan 2030 ⁽¹⁾	31 Jan 2025
Unit D (incl. ground floor offices & reception area)	57,991 sq ft (5,387 sq m)	Avon Engineered Rubber Ltd	£187,500 pa (£3.23 psf)	£173,973 pa (£3.00 psf)	5 Nov 2016	31 Mar 2027 ⁽²⁾	5 Nov 2021 and 2026
Unit C	50,446 sq ft (4,686 sq m)	Vacant	-	£151,338 pa (£3.00 psf)	-	-	-
Unit A - First Floor Offices	13,517 sq ft (1,256 sq m)	Vacant	-	£40,551 pa (£3.00 psf)	-	-	-
Totals	176,288 sq ft (16,377 sq m)		£337,500 pa	£528,864 pa			

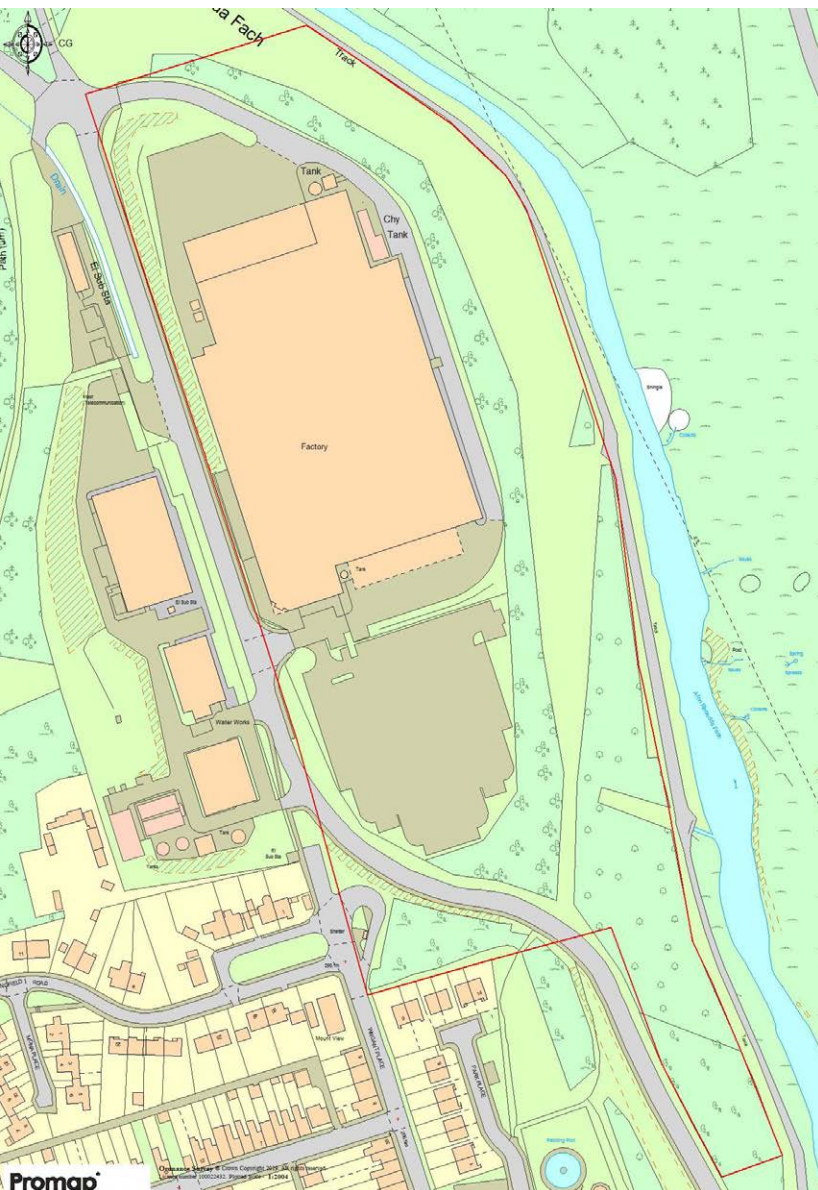
⁽¹⁾ SPC Europe Ltd have a Tenant Break Option on 31 January 2025.

⁽²⁾ Avon Engineered Rubber Ltd have a Tenant Break Option on 5 November 2022.

RECENT RENTAL TONE

Date	Address	Area sq ft (Area sq m)	Headline Rents £ PSF
Q3 2019	SPM Plastics Ltd, Mountain Ash	62,125 sq ft (5,771.55 sq m)	£3.00 psf
Q3 2019	Eco Technology Ltd, Tredegar	33,497 sq ft (3,111.95 sq m)	£3.25 psf
Q2 2019	SDC Technologies, Cwmbran	19,700 sq ft (1,830.18 sq m)	£4.50 psf
Q3 2018	Trisant Foods, Llantrisant	24,811 sq ft (2,305 sq m)	£4.84 psf





COVENANT PROFILE

Avon Engineered Rubber (AER) (Company No: 06290354) are part of Avon Group Manufacturing (Holdings) Ltd which comprise a combination of six engineering and manufacturing business divisions. The Tenant is well established having been in occupation since 2007.

AER's Maerdy facility has diverse capabilities and is one of only two worldwide suppliers of lathe cut washers to the aerosol industry with a global demand of 13.2 billion units per annum. The plant also provides a state of the art rubber mouldings and extrusions to the automotive industry including BMW, Bentley, Jaguar Land Rover and VW.

www.avon-group.co.uk

SPC Europe Ltd (Company No: 04098629) is a leading manufacturer of rubber compounds and operates a new ultra-clean colour rubber compounding plant, with a sister-plant also operating in Spain.

www.spc-group.com



Tenant	FAME Rating	Turnover (to 31 March 2019)	Pre-tax Profit	Tangible Net Worth
Avon Engineered Rubber Ltd	95% Credit Score rated 'Secure'	£11,677,246	£1,181,379	£3,550,807
SPC Europe Ltd	99% Credit Score rated 'Secure'	£25,431,774	£1,034,316	£6,912,622

TENURE

Freehold.

EPC

The property has an EPC rating of D 93. The EPC Certificate is available on request.

VAT

The property is elected for VAT and it is anticipated the transaction will be treated as a Transfer of a Going Concern (TOGC).





INVESTMENT COMPARABLES

Date	Property	Size (sq ft)	Tenant	Price	Capital Value	NIY
Dec 19	UPG Wales, Mountain Ash	62,125 sq ft	SPM Plastics Ltd	£2.51m	£40.40 psf	6.93%
Oct 19	Gwaelod y Garth Industrial Estate, Cardiff	49,920 sq ft	Multi-let	£3.75m	£75.12 psf	6.31%
June 19	Pentwyn Business Park, Cardiff	39,891 sq ft	Multi-let	£2.56m	£64.17 psf	6.25%
July 19	Reevesland Industrial Estate, Newport	74,923 sq ft	Hasbro UK Ltd	£2.78m	£37.10 psf	6.98%
Jan 18	DHL, Festival Drive, Ebbw Vale	54,400 sq ft	DHL Supply Chain Ltd	£1.8m	£33.09 psf	8.55%
Dec 17	Severnlink, Chepstow	82,076 sq ft	Multi-let	£4.63m	£56.41 psf	6.75%
Apr 17	British Airways, Blackwood	106,844 sq ft	British Airways	£5.15m	£48.20 psf	7.84%





INVESTMENT CONSIDERATIONS

- This presents a rare opportunity to acquire a multi-let unit with income underpinned by strong covenants.
- Readily-implementable, value-add angle of refurbishing and letting the vacant space. This is against the backdrop of a market characterised by a lack of options for occupiers to secure good quality accommodation of circa 50,000 sq ft.
- Based on the quoting price, this equates to a **low capital value of £17.87 per sq ft**, providing ample headroom for investors to factor in a capital investment programme in the estate.
- **Freehold** warehouse and manufacturing facility.
- The asset is well located to access major road infrastructure such as the A470, A465 (Heads of the Valleys Road) and M4 Motorway. Its situation provides access to a readily available skilled workforce combined with competitively low occupational costs.
- Well-specified industrial unit of 176,288 sq ft (16,377 sq m) on a site area of 15.85 acres (6.41 hectares) with a low site cover of 25.53%. The configuration and layout of the unit on the site provides the flexibility for further sub-division.
- Avon Engineered Rubber forms part of a group comprising a total of six engineering and manufacturing business divisions. The Tenant is well established having been in occupation since 2007 and its latest turnover is in excess of £11.67m.

- SPC Europe Ltd is well-established in Maerdy with a sister plant in Spain. The Tenant's latest turnover figures are in excess of £25.4m.
- **WAULT of 8.63 years to expiries** (3.96 years to break options) with both tenants having invested significantly in adapting their fit-out and installing plant equipment to carry out their specialist manufacturing processes.
- **Low blended rental tone of £3.00 per sq ft** with strong prospects to capture a significant reversion upon letting the existing vacancy which provides a compellingly cost effective opportunity for occupiers.

PROPOSAL

Seeking offers in excess of **£3,150,000 (Three Million One Hundred and Fifty Thousand Pounds)**, reflecting an attractive **Net Initial Yield of 10.00%**, after deducting standard purchaser's costs of 7.16% and a **low Capital Value of £17.87 per sq ft**.

A purchase at this level reflects a **Reversionary Yield of 15.67%** based on the current rental tone.

Subject to Contract and Exclusive of VAT.

FURTHER INFORMATION

For further information or to arrange an inspection please contact:

IMPORTANT NOTICE

1. Particulars: These particulars are not an offer or contract, nor part of one. You should not rely on statements by Knight Frank LLP in the particulars or by word of mouth or in writing ("information") as being factually accurate about the property, its condition or its value. Neither Knight Frank LLP nor any joint agent has any authority to make any representations about the property, and accordingly any information given is entirely without responsibility on the part of the agents, seller(s) or lessor(s). 2. Photos etc: The photographs show only certain parts of the property as they appeared at the time they were taken. Areas, measurements and distances given are approximate only. 3. Regulations etc: Any reference to alterations to, or use of, any part of the property does not mean that any necessary planning, building regulations or other consent has been obtained. None of the services or appliances have been tested and no warranty is given or is to be implied that they are in working order. A buyer or lessee must find out by inspection or in other ways that these matters have been properly dealt with and that all information is correct. 4. VAT: The VAT position relating to the property may change without notice.

Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names, October 2019.

Photography - September 2018. Brochure - January 2020.
www.kubiakcreative.com 193874 01/20

