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**QUEEN STREET
CARDIFF CF10 2GQ**

**PRIME CITY CENTRE
RETAIL INVESTMENT
FOR SALE**

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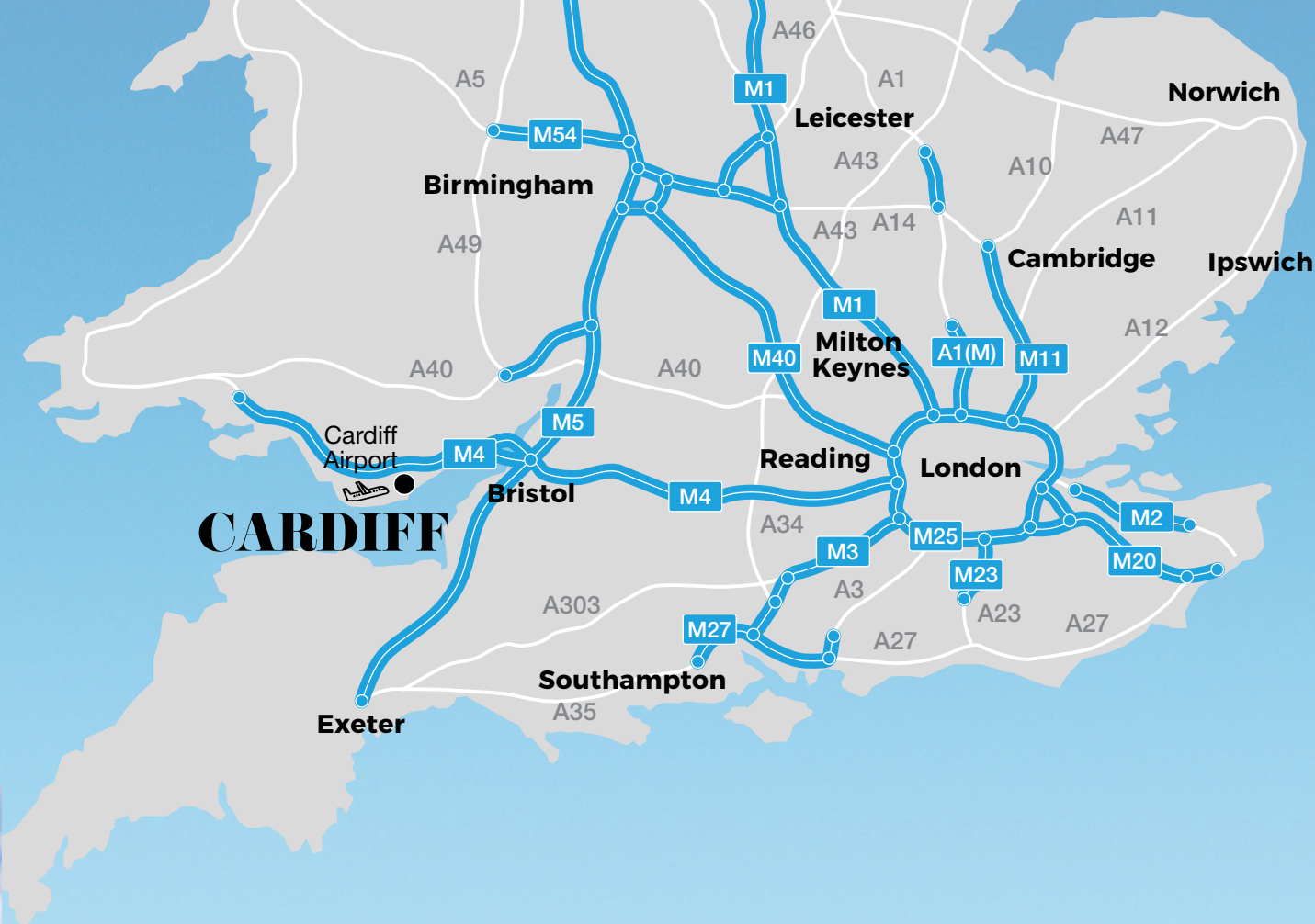
INVESTMENT SUMMARY

- Cardiff is the Capital and largest city in Wales and is the country's leading commercial centre, benefitting from a large retail footprint population.
- Cardiff is one of the fastest growing cities in the UK with a predicted 26% population growth rate over the next 20 years (Business News Wales, 2018).
- Cardiff benefits from 21 million tourist visits annually, boosting local expenditure by almost £1.3 billion a year in addition to a sizeable student population of 75,000.
- Freehold.
- Highly prominent prime trading location on the pedestrianised Queen Street, in close proximity to the main entrance of the St David's Shopping Centre.
- Let to the undoubted covenant of Telefonica UK Ltd (Trading as O2) with just over 4.25 years remaining on the lease.
- The tenant did not activate their break clause effective 13th June 2019.
- Our clients are seeking offers in excess of **£2,100,000 (Two Million One Hundred Thousand Pounds)** subject to contract and exclusive of VAT. A purchase at this level would reflect a net initial yield of 7.25% after allowing for normal purchaser's costs at 6.78%.



| LOCATION

Cardiff is located on the south coast of Wales and lies approximately 15 miles (24 km) south west of Newport, 42 miles (68 km) east of Swansea, 43 miles (69 km) west of Bristol and 150 miles (241 km) west of London. Cardiff is well served by the national rail network. Cardiff Central railway station provides regular direct trains to Newport (12 minutes), Bristol (38 minutes), London Paddington (1 hour 59 minutes) and Birmingham New Street (2 hours). 12.95 million passengers used Cardiff Central station in the year 2017 to 2018 and this is predicted to rise to 32 million by 2043.



Cardiff Queen Street station provides an excellent local rail service, serving The Valleys (Caerphilly, Pontypridd, Merthyr Tydfil and numerous other destinations). 2.9 million passengers used Cardiff Queen Street station in the year 2017 to 2018. Additionally, a £1.2 billion Cardiff Capital Region deal was signed in early 2016, which aims to improve public transport across the city/region via the provision of a new £734 million South Wales Metro in addition to other projects. Further upgrade works will mean from 2020, electric services on Great Western Railway's Intercity Express Trains, will be running between Cardiff Central and London Paddington. According to Network Rail, electrification will enable more seats, a greater frequency of services and quicker journeys for passengers.

The city boasts excellent road communications and lies 4 miles (6 km) south of the M4 motorway, which provides direct access to London to the east and much of South Wales to the west. The city is only 28 miles (45 km) from the Severn Bridge, close to where the M4 intersects with the M5 motorway north of Bristol.

Cardiff Airport is located 11 miles (18 km) south west of the city centre. The airport caters for over a million passengers a year, with over 50 direct routes and more than 900 connecting destinations worldwide through hubs including Amsterdam, Dublin and Barcelona (source: Cardiff Airport).

| DEMOGRAPHICS

Cardiff is the capital and largest city in Wales, it is the country's chief commercial centre and base for most national, cultural and sporting institutions. It is one of the UK's fastest growing cities with a predicted 26% population growth rate over the next 20 years.

Cardiff benefits from a large catchment area, 315,000 people live within a 15-minute drive time of the City centre. This number rises to over 2.3 million within an hour drive time. 43% of the population is aged in the high spending bracket of 15-44 with 56% of the population classed in the social grade AB C1.

The city is also an important tourist destination and Cardiff City Council estimate that 21 million tourists visit the city each year, bringing in an approximate total spend in excess of £1.3 billion to the local economy (Cardiff City Council). Cardiff's role as a capital city enhances its profile as a major regional centre. It has excellent sporting, tourist and leisure facilities, including the Principality Stadium, exceptional arts facilities and the Cardiff Bay area, which has seen significant development in recent years.

The city also has a significant student population with approximately 75,000 students at the three Universities; Cardiff University, Cardiff Metropolitan and the University of South Wales.



CARDIFF IS ONE OF THE UK'S FASTEST GROWING CITIES WITH A PREDICTED **26% POPULATION GROWTH RATE** OVER THE NEXT 20 YEARS.





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 7th on the PMA Fashion Score and 10 on the PMA Fashion Square.



BOSS
HUGO BOSS

The city has a retail catchment population of 1,648,271. The principal shopping streets include Queen Street and The Hayes, the latter of which is anchored by a 260,000 sq ft John Lewis store to the south, providing the aspirational retail offer in the City. Queen Street runs from west to east, providing the mass market offer with tenants including Next, Primark, River Island and Top Shop. The range and quality of Cardiff's fashion offer improved with the opening of the extension to St David's Centre in 2009. The centre offers mass market operators like H&M and New Look, but also many quality/upmarket brands such as Vans, Coast, Reiss, Hugo Boss and Kurt Geiger.



The retailing is further complimented by the secondary retailing of Queens Arcade and the Capitol Centre. The owners of the Capitol Centre, New River, are in a pre application consultation with Cardiff Council with a view to a major development. Plans include a conversion to a mixed use retail/leisure destination.



The Cardiff Central Square Development, which is being phased over several years, aims to create a new City Quarter and has already begun to transform the Centre of Cardiff with the relocation of BBC Wales Headquarters to the scheme being the catalyst for this.

SITUATION

The subject property is situated in a prime trading location on the south side of the pedestrianised Queen Street, adjacent to the main entrance to the St David's Centre. Retailers close by include Primark, River Island, Zara, JD Sports, Marks and Spencer and Next.

DESCRIPTION

The property is of brick construction arranged over basement, ground and two upper floors. The property is currently arranged to provide sales accommodation at ground floor level and part first floor, together with ancillary accommodation at basement and the remainder of the first floor. The second floor comprises a plant room.

The property is not listed but is situated within a conservation area.



For Identification purposes only

ACCOMMODATION

The property comprises the following approximate net internal floor areas:

Ground Floor Sales	1579 sq ft	146.69 sq m
ITZA	653 sq ft	60.66 units
First Floor Sales	722 sq ft	67.07 sq m
First Floor Store	640 sq ft	59.46 sq m
Basement Store	627 sq ft	58.25 sq m
Total Floor Area	3,568 sq ft	331.47 sq m

TENURE

The property is held freehold under title number WA233933.

There is a right of way granted to the adjoining property at 56 Queen Street over the subject property which can be terminated and further details are available on request.

TENANCY

The subject property is let to Telefonica UK Ltd, on a Full Repairing and Insuring lease from 14th June 2014, to expire 13th June 2024, at a current rent of £162,500 per annum exclusive. The property was subject to a tenant break option on 13th June 2019, but this was not activated.



RENTAL ANALYSIS

In our opinion, the current rent passing of £162,500 per annum devalues to a Zone A rent of £210 per sq ft, applying A/10 on the first floor sales, A/20 on the first floor store and £5 per sq ft on the basement store.

COVENANT

Telefonica

TELEFONICA UK LIMITED

Telefonica UK Limited is a leading digital communications company owned by Telefonica S.A. and operates in 21 countries across the world under brands such as Telefonica; Movistar; Vivo and O2; employing 125,000 people and servicing over 327 million customers.

The summary accounts information can be set out as follows: -

Telefonica UK Limited	31/12/2018 GBP 000	31/12/2017 GBP 000	31/12/2016 GBP 000
Turnover	5,742,000	5,471,000	5,241,000
Pre-tax profit	715,000	534,000	545,000
Net Worth	1,077,000	543,000	516,000

Experian gives Telefonica UK Limited a rating of 100 out of 100, which reflects a very low risk of business failure.





I VAT

We understand that the property is elected for VAT and therefore VAT will be payable on the purchase price. It is envisaged that the sale will be dealt with as a Transfer Of A Going Concern (TOGC).

I EPC

The property has an EPC rating of C61. A copy of the EPC certificate and report is available on request.

I PROPOSAL

We are instructed to seek offers for the freehold interest in excess of **£2,100,000 (Two Million One Hundred Thousand Pounds)**, subject to contract and exclusive of VAT. A purchase at this level would reflect a **net initial yield of 7.25%** after allowing for purchaser costs of 6.78%.

The sale price reflects a capital value rate of £589 psf. The principal comparable evidence can be set out as follows: -

10 The Hayes, Cardiff (TK Maxx)

Prime long leasehold (244 years remaining at a peppercorn) let to TK Maxx on a 10 year lease at a rebased rent of £700,000 pa sold to Corum in August 2019 at a price of £10.495m, which reflected a net initial yield of 6.25%.

The investment was sold following a regear of the lease. The rent was reduced from £900,000 pa to £700,000 pa and the term was extended from c. 4 years to 10 years. The tenant received a £500,000 capital contribution as part of the deal. The store is c. 66,638 sq ft.

46/48 Queen Street, Cardiff (EE)

Prime retail investment let on a new 10 year full repairing and insuring lease from October 2018 without break at a rebased rent of £250,000 pa (£176.50 ZA) sold in February 2019 for £4.077m reflecting a net initial yield of 5.75%. The purchaser was Aspect Property Group and the sale price reflected £575 per sq ft. The shop comprises a total area of 7,091 sq ft with 2,546 sq ft of ancillary space at second floor.

56 Queen Street, Cardiff (HSBC)

Adjoining prime city centre high street bank investment totalling approximately 5,483 sq ft let to HSBC for an unexpired term of 10 years, at a passing rent of £542,374 pa (c£325 ZA). The rent is reviewed annually in line with RPI with a collar and cap of 3% - 5%. The investment was sold in December 2017 for £8.9m reflecting a net initial yield of 5.71% and a capital value rate of £1,623 psf.



For further information, please contact:

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