

53/57 CHURCH STREET & 2/4 BASNETT STREET, LIVERPOOL



PRIME FREEHOLD FLAGSHIP RETAIL INVESTMENT FOR SALE

**jackson
criss**


**Legal &
General**
INVESTMENT MANAGEMENT

INVESTMENT SUMMARY

- Liverpool is one of the UK's major commercial districts and one of the largest cities in the north west of England.
- The city is the 2nd fastest growing economy outside of London.
- Liverpool is one of the strongest retailing centres in the UK with a primary population of 3.65 million people and ranked fifth in the UK in terms of retail spend.
- More than 57 million footfall across Liverpool's city centre, which increased by 2.4% in 2018.
- Landmark building
- Situated in a 100% prime trading location opposite Primark, whilst in close proximity to Marks & Spencer and Next.
- Freehold.
- Let to the undoubted covenant of TJX UK t/a TK Maxx until December 2024, who removed the break clause effective December 2019.
- Asset management initiatives to release value.
- We are instructed to seek offers in excess of **£13,900,000 (Thirteen Million Nine Hundred Thousand Pounds)** subject to contract and exclusive of VAT, which reflects a net initial yield of 6.51% after allowing for standard purchaser's costs.



LOCATION

Liverpool is the second largest city in the north west of England and is situated approximately 34 miles (55 km) west of Manchester and 18 miles (29 km) north of Chester. The city has excellent road connections to the M62, M58 and M67 providing access to the M6 motorway, 12 miles (19 km) to the east linking the city to Birmingham and the Scottish border. Manchester, Leeds and Hull are also easily accessible by the M62.

The public transport network within Liverpool is well established and the local bus network provides extensive services centring on the principal bus stations at Queens Square and Liverpool ONE. The city is well served by both overground and underground rail networks linking Liverpool to the surrounding areas. A regular rail connection with London Euston is also provided from Liverpool Lime Street station with a fastest journey time of 2 hours 15 minutes.

Liverpool John Lennon Airport, one of Europe's fastest growing airports is located 8 miles (13 km) south of the city, Manchester Airport can also be reached within a one hour drive time.





RETAILING IN LIVERPOOL

Liverpool city centre is one of the strongest retailing centres in the UK, ranked second on the PROMIS retailing centres in terms of retail provision, providing approximately 2.6 million sq ft of retail floorspace, including 6 shopping centres.

The city centre hosts most of the UK's major retailing anchor stores including John Lewis (top 5 performer in the UK), Debenhams, Marks & Spencer and Primark, together with leading retail chains including Boots, Next, Top Man/Top Shop, JD Sports, River Island, T K Maxx and H&M.

Recent lettings have attracted new retail representation by the likes of Victoria's Secret, Nespresso, Vans and the world's largest Lush store.

The prime retailing is focused around the pedestrianised Church Street, further complimented by Lord Street, together with St Johns Centre and Clayton Square Shopping Centre.

The city's principal shopping centre is Liverpool ONE opened by Grosvenor in 2008, comprising 1.65 million sq ft of retail space and 230,000 sq ft of leisure space, anchored by John Lewis and Debenhams, the largest Top Man/Top Shop in Europe outside of Central London, Zara, Harvey Nichols, Urban Outfitters and Apple. JD Sports have recently expanded to flagship status and represents one of the company's top UK outlets.

The Liverpool ONE Odeon Cinema is the best performing in the country outside of London and the leisure is complimented by a range of restaurant chains and a 36 hole adventure golf centre.

Footfall in Liverpool city centre excluding Liverpool ONE was up 2.4% to more than 57 million in 2018, bucking both the regional and national downward trend (Liverpool bid).

Overall, Liverpool city centre faces below average competition from competing retail centres. Retail sales are estimated to be at 6% ahead of the UK average and catering spend is estimated to be at 30% ahead of the UK average.



FLANNELS



DEMOGRAPHICS

Liverpool has an estimated shopping population of 704,000 people which ranks the city 4th of the PROMIS Centres. The city has the 8th largest retail spend in the UK per annum and generates a significant amount of expenditure from tourism. Retail spend in the city is boosted by its status as the European capital of culture (2008) and the above average population of students who attend Liverpool's three universities. Liverpool is the 4th most visited city in the UK (Liverpool Echo).



704,000
ESTIMATED SHOPPING
POPULATION



8TH LARGEST
RETAIL SPEND
IN THE UK

Tourism is a major source of economic wealth for Liverpool with an estimated 64.2 million tourists per year to the Liverpool City region in 2017, generating an estimated £4.53 billion for the local economy and supports in excess of 54,000 jobs. From 2009 to 2017 there has been a 66% growth in economic value due to tourism, rising from £2.73 bn to £4.53 bn – 6.5% per year. High levels of tourism has also increased the amount of hotel operators opening in the City. Directly opposite the subject property, Australian Hotel chain Quest have opened their first hotel in the UK and have invested over £10m into the property.

Over the last decade Liverpool has attracted over £5bn of physical investment and will continue to do so, adapting to the significant changes that are taking place, both physically and culturally.

Liverpool has 1.5 million residents, with almost 900,000 being between the ages of 16-60 years old. Furthermore, 49% of Liverpool's population aged 16-64 are classed in the most affluent ABB and C1 social grade. Liverpool is the fastest growing UK city outside of London (www.investinliverpool.com). The population of Liverpool's city centre has more than doubled in the last decade fuelled by a rise in young professional jobs.

Major employers in the area include Barclays, HBOS, Novartis, Jaguar, Land Rover and Unilever.



METQUARTER

LIVERPOOL

ST. JOHNS SHOPPING CENTRE

For Identification purposes only



CHURCH STREET



CLAYTON SQUARE
SHOPPING CENTRE

LIVERPOOL LIME STREET



SITUATION

Church Street is the recognised 100% prime retail thoroughfare. The subject property occupies a prime position, adjacent to Marks & Spencer whilst in close proximity to Primark, Top Shop, Next, H&M and River Island. In addition, there is significant pedestrian flow through Church Street from St John's and Clayton Square Shopping Centres.



ACCOMMODATION

The TK Maxx demise has been measured in accordance with the RICS Code of Measuring Practice (6th edition) and comprises the following approximate gross internal floor areas: -

Ground Floor	10,869 sq ft	(1,009.73 sq m)
Sub Basement	6,186 sq ft	(574.68 sq m)
Basement	11,337 sq ft	(1,053.20 sq m)
First Floor	10,674 sq ft	(991.61 sq m)
Total GIA:	39,066 sq ft	(3,629.22 sq m)

On a zoned basis, the property comprises the following approximate net internal floor areas: -

Ground Floor Area	10,394 sq ft	965.60 sq m
Ground ITZA	2,287 sq ft	
Sub Basement	6,186 sq ft	574.68 sq m
Basement Sales	11,073 sq ft	1,028.68 sq m
First Floor Sales	10,410 sq ft	967.09 sq m
Total NIA	38,063 sq ft	3,536.05 sq m

We have not measured the upper floors above TK Maxx, but understand that the approximate areas can be set out as follows: -

GIA		
Second	12,475 sq ft	(1,158.9 sq m)
Third	12,669 sq ft	(1,176.9 sq m)
Fourth	11,736 sq ft	(1,090.3 sq m)
Fifth	11,629 sq ft	(1,080.3 sq m)
Sixth	10,553 sq ft	(980.4 sq m)
Seventh	8,697 sq ft	(807.9 sq m)
Total Area	67,759 sq ft	(6,294.7 sq m)

The North building formerly occupied by Rapid Hardware has not been measured but we understand it comprises approximately 150,000 sq ft (13,935 sq m)



TENURE

The property, highlighted in red on the goad plan extract for indicative purposes, is held freehold, subject to the existing leases.

LEASES

SOUTH BUILDING (TK MAXX)

The south building ground, sub basement, basement and first floor are let to TJX UK Limited (trading as TK Maxx) on a 15 year effective FRI lease from 25th December 2009, at a current rent of £967,500 pa subject to a final upward only rent review on 25th December 2019.

NORTH BUILDING (RAPID HARDWARE)

The north building fronting William Square is held by Rapid Property Investments Ltd on a 250 year lease from 30th June 2009 at a peppercorn rent. The tenant can only use the building for any use within class A1, A2, A3 and B1 of the 1987 Use Classes Order. The tenant has planning permission granted for change of use from retail to a 157 bedroom hotel (C1) with ancillary restaurant, bistro, gym, spa, basement casino, bar nightclub and events space. The leaseholder will require consent to the change of use.

All leases are on an effectively full repairing and insuring basis, recoverable via a service charge. The service charge payable by TK Maxx is capped at £29,012.81 pa which is increased annually in line with RPI. There are no service charge shortfalls.

SOUTH BUILDING UPPERS (VACANT)

Grosvenor Developments Limited (the original owner) assigned their lease to Gethar Ventures (Church Street) Limited on floors 2-7 (together with the link building and parts of the sub basement, basement, ground and first floor) of the south building (above TK Maxx) as well as the link building between the north and south buildings which is held on a 250 year effective Full Repairing and Insuring lease at a peppercorn rent from 11th December 2009. The original tenant Grosvenor Developments Limited (Company No: 625561) has an AGA in place. This space is currently being marketed and is under offer to a party who plan to carry out alterations, subject to landlords consent and convert the space into office accommodation. The access to the space will be via Basnett Street. Further details are available from this office.



COVENANT

TJX UK (Company No: 03094828), trading as TK Maxx is an apparel and homes good company and operates stores throughout the United Kingdom, Ireland, Germany, Poland, Austria and The Netherlands and more recently in Australia, when the brand took over the 25 trades secret discount department stores in 2017. The company has a total of 515 stores in Europe (up from 407 stores in December 2014 and 38 in Australia as of November 2017). The stores offering includes men's, women's and children's apparel and shoes as well as other areas such as toys, bath and beauty, accessories and home products ranging from furniture to kitchen utensils.

The company's partner TJX Companies Inc ranked number 85 among Fortune 500 companies, with \$35.9 billion in revenue in 2018. Across the 7 retail chains TJX Companies own more than 4,000 stores in 9 countries across 3 continents.

The most salient accounting information is set out as follows: -

	Jan 18 (£)	Jan 17 (£)	Jan 16 (£)
Sales Turnover	2,968,600,000	2,684,000,000	2,434,000,000
Profit before Tax	87,100,000	111,400,000	142,300,000
Net Worth	645,600,000	640,500,000	599,400,000

TJX UK has a D&B rating of 5A1 and a 100/100 D&B score, representing a minimum risk of business failure.

EPC

The property has an EPC rating of E106. An EPC for the property can be provided on request.

VAT

The property is elected for VAT purposes. It is anticipated that the investment sale will be treated as a Transfer Of A Going Concern (TOGC).



PROPOSAL

We are instructed to seek offers in excess of **£13,900,000 (Thirteen Million Nine Hundred Thousand Pounds)** subject to contract and exclusive of VAT, which reflects a net initial yield of 6.51% after allowing for standard purchaser's costs. The sale price would reflect a capital value of £356 per sq ft on the TK Maxx demise only.

Recent transactions include the following: -

1. 48/50 High Street, Worcester (TK Maxx)

Freehold retail investment bought by Sedgmoor District Council in March 2019 for £8.05m reflecting a net initial yield of 6.60%. The property was let to TK Maxx on a lease to expire 4th May 2024 at a rent of £565,000 pa.

2. 44 East Street, Chichester (TK Maxx)

Freehold retail investment let to TK Maxx on a lease to expire 11th December 2030 (tenant break December 2026) at a passing rent of £450,000 sold in February 2019 to Brentwood Council for £7.075m which reflects a net initial yield of 5.96%.

3. 1 Derby Square, Liverpool

Freehold 70,000 sq ft mixed use building let to tenants including Tesco, Medicash, Reeds, Pret a Manger and Brook Street sold in December 2018 for £13.975m reflecting a net initial yield of 6.93%. The purchaser was Palace Capital Plc.

4. 73/83 Church Street, Liverpool

Freehold secondary retail block providing a Wault of 9.1 years to expiry and 5 years to break sold in May 2019 for c. £4.4m which reflects a net initial yield of 7.50%. The block is over rented and is let to a mixture of local and national covenants.



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