

CROYDON

74-80 NORTH END | CR0 1UJ



PROMINENT, GREATER LONDON RETAIL AND OFFICE INVESTMENT WITH SIGNIFICANT ASSET MANAGEMENT POTENTIAL

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INVESTMENT SUMMARY

- **Croydon** is one of **London's largest boroughs**, with a large catchment population and growing economy.
- An **established and busy commercial centre** with a flourishing retail offer encompassing an extensive array of mass market retailers including **M&S, Zara, H&M, Topshop/Topman, River Island, Sainsbury's and WH Smith**.
- Occupying a **100% prime retailing location** on the **pedestrianised North End** between the main entrances of the Centrale and Whitgift Shopping Centres.
- **Weighted average unexpired lease term (WAULT)** to expiry of **2.32 years** (2.26 to break).
- Gross income of **£564,800 per annum** exclusive.
- Future Asset Management Opportunities and Significant Development Potential (STPP).
- Offers in excess of **£10,250,000 (Ten Million, Two Hundred and Fifty Thousand Pounds)**, Subject to Contract and exclusive of VAT for the freehold interest reflecting a net initial yield of 5.15% allowing for graduated purchasers costs of 6.7%.

*Well-connected business hub
– 15 minutes to Central London
and Gatwick Airport*



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LOCATION

The **London Borough of Croydon** is a densely populated suburb situated approximately 10 miles (16km) to the **south of Central London**. It is the southernmost borough of London and the second largest borough by population.

Croydon benefits from excellent road communications located within 8 miles (13km) of Junction 7 of the M25 motorway. Various "A" roads such as the A23 and A232 connect Croydon with the M25 which links with the M23, M26 and the M20.

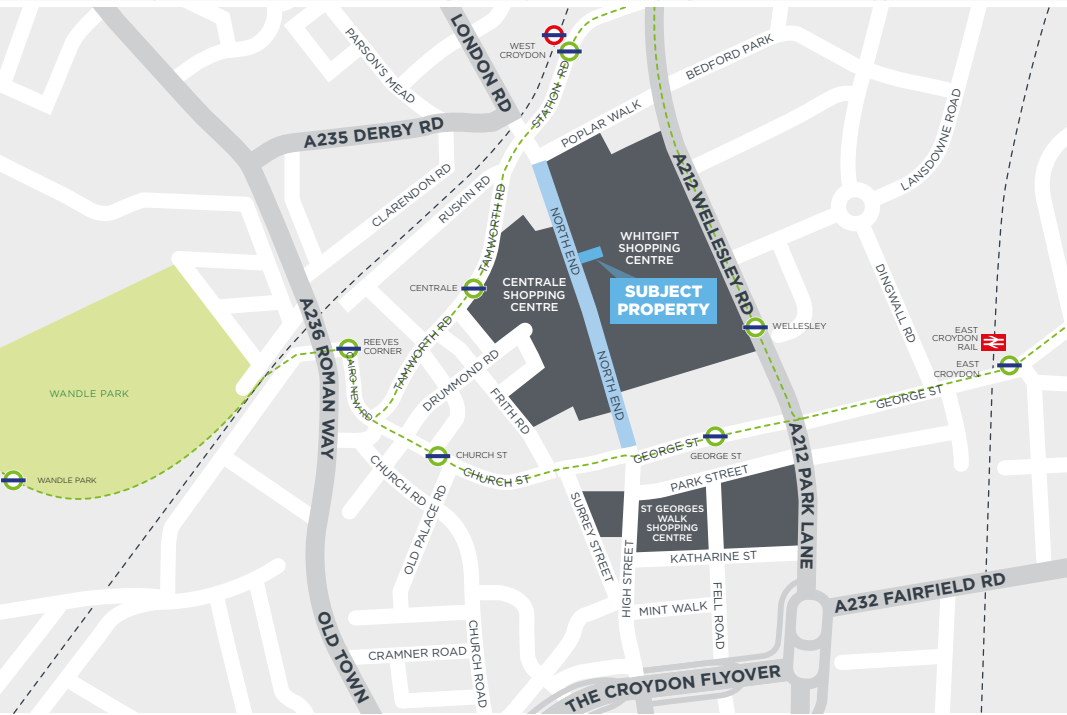
Croydon is well connected to the rail network serving London and the south coast via two main railway stations, East Croydon and West Croydon, both within walking distance of the subject property. TFL state that passenger numbers rose from 14 million in 2000 to 27 million in 2015/16.

The Croydon tram link also offers shoppers living in neighbouring conurbations fast access to the town centre. The 17 mile (28km) track links central Croydon with Wimbledon to the northwest, Beckenham junction, Birkbeck and Elmers End to the east and New Addington to the south east.

The two largest international airports in the UK are easily accessible from Croydon. London Gatwick Airport is located approximately 18 miles (29km) to the South and London Heathrow Airport is located approximately 25 miles (40km) to the North West.



Grade A office space available at one third the cost of Central London



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DEMOGRAPHICS

The **total population** within the Croydon **primary catchment** area is **866,000**, above the regional centre average, ranking the centre 14th of the 200 comparable PROMIS centres. The potential catchment population however extends to around 2 million people. This is the anticipated catchment uplift the area might experience because of the future re-generation in the area.

Croydon is projected to see **significantly above average population** growth over the period 2016-2020. In a paper produced by Croydon Council they earmark it as a 'growth borough' forecasting this as the main driver for growth in South London in the period to 2031.

The **estimated shopping population is 448,000**, which is above the average for the Sub Regional Centres. The population is youthful; there is a particularly high proportion of adults aged 25-44 and children aged 0-14 are also over-represented. In contrast, older working age adults aged 45-64 and the retired aged 65 and over are notably under-represented.



866,000
IN PRIMARY
CATCHMENT
AREA



1,100,000
ECONOMICALLY
ACTIVE WITHIN
30 MINS



448,000
ESTIMATED
SHOPPING
POPULATION

£5.2 billion of private and public investment earmarked for Croydon regeneration

ECONOMY

Croydon has a strong history as a commercial location. Around 60% of Croydon's GDP is made up by the service sector with thousands of government workers having been based in the town for several years now. Within the finance sector, **Barclays Financial and Insurance Services, Allianz** and **AIG** have major offices while other notable employers include **Arcadis, The Body Shop, WH Smith, EDF Energy** and **Superdrug** who all have headquarters here.

Extensive efforts by the local council, along with Government backing, have helped raise Croydon's profile as a growth area for the future. With £5.2 billion of private and public investment earmarked for Croydon's regeneration over the next few years, there is evidence of growing momentum in expansion of the town's employment base.



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RETAILING IN CROYDON

Croydon is one of the leading retail destinations in Greater London. Town centre retail floor space totals approximately 2.6 million sq ft, and the town ranks 14th out of the PROMIS centres in terms of retail floor space. Croydon's retail activity is centred on the enclosed Whitgift Shopping Centre, pedestrianised North End and the Centrale Shopping Centre. The pedestrianised section of North End extends from the junction with George Street to the south of the Premises as far as Poplar Walk to the north. 100% prime North End is considered to be where the subject property is located.

Since its completion in 1969, the 1.25 million sq ft (116,125 sq m) Whitgift centre has been refurbished and modernised and provides an attractive, covered retail environment on two main levels, with good shopper facilities. Anchor tenants are **M&S**, **Boots** and **Sainsbury's** and there are in the order of 120 retail units together with 12 restaurants and cafes as well as 2 customer car parks. The centre is reported to enjoy a weekly footfall of over 600,000 persons.

Hammerson's Centrale (originally known as The Drummond Centre) has been developed in several phases and is now Croydon's largest managed centre, spread over three levels anchored by **House of Fraser** and **Debenhams** and houses notable retailers such as **Zara**, **Next**, **Nike**, **TK Maxx** and **Mango** as well as a second **H&M** store. The scheme provides circa 800,000 sq ft (74,321 sq m) of retail accommodation together with a 950 space car park.

CROYDON REGENERATION AND THE OPPORTUNITY FOR NORTH END:

Westfield and Hammerson are collaborating to develop a new town centre scheme in Croydon, incorporating the Whitgift Centre and Centrale Shopping Centre, to create a mixed use scheme. The current plan for the £1.5bn development will include 1.5 m sq ft of retail and leisure (over 300 shops), offices and 600 new homes within 5 residential towers. Consent for the scheme was granted in 2013, with work due to start on site later this year and completion scheduled for 2021/2022. The scheme will adjoin the subject property. Retail rents on North End have increased in recent years as a result of this short / medium term uncertainty

Elsewhere in Croydon, Boxpark opened their second site in 2016 adjacent to East Croydon Station. This comprises 80 small retail units and approximately 20,000 sq ft of event space. The scheme is comprised of independent businesses with a particular bias towards food, drinks and entertainment. Demand has been exceptional with the scheme reportedly 250% oversubscribed before opening.



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SITUATION

The subject property is located on a **100% prime retail pitch** on the eastern side of the pedestrianised North End. The property is located between the respective entrances of the **Centrale and Whitgift Shopping Centres**. Occupiers in the vicinity include **H&M, Zara, McDonalds, Next** and **Office**.

TENURE

Freehold.



DESCRIPTION

The subject property is an attractive, prominent building fronting North End, which constitutes two distinct sections, 80 North End and 74-78 North End. The building comprises three well-proportioned retail units arranged over ground and basement floors let to Deichmann, Game and Vodafone (currently unoccupied). Deichmann also have a small amount of ancillary space at first floor level, to the rear of the building.

There are three upper floors currently utilised as office accommodation which benefit from a separate access fronting onto North End. The first, second and third floors at 74-78 North End is occupied by Atkins Hope, family and civil solicitors practice, while the first, second and third floors at 80 North End is let to Oasis Dental Care (part 1st, 2nd and 3rd floors) and Croydon Chiropody and Podiatry Centre (part 1st floor).

The upper floors only cover a small section of the ground floor, leaving a large section of flat roof to the rear which is unutilised and may lend itself to further development (subject to planning permission).



ACCOMMODATION

The property provides a total of **17,589 sq ft (1,634 sq m)** of accommodation.

INCOME

Gross annual income of **£564,800 pax.**

SERVICE CHARGE

There is a fully comprehensive service charge currently in place. A copy of the current budget is available on request, which at present produces a landlord shortfall of £3,101 pax.

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TENANCY

Unit No:	Address	Tenant	Lease Start	Lease Expiry	Rent PAX	Next RR	1954 L&T	Breaks	Areas			Service Charge (To 31/12/2017)	Rateable Value 2017	Rates Payable	Landlord Shortfall*	Notes
									Description	Sq. Ft.	M ²					
1	74 Ground Floor & 74/76 Basement	Vodafone Limited (not in occupation)	26 Nov 2008	25 Nov 2018	£147,500 (£210 ZA)		IN	n/a	ITZA	670	n/a	£2,173.56	£78,500	£39,015		1. Rent Review: The 2013 Rent Review has not been initiated. 2. Other: Tenant not in occupation. 3. Offer from national multiple tenant in excess of passing rent which has not been progressed.
									GF Sales	1,458	135					
									Basement	745	69					
2	76/78 Ground Floor, Part 1st Floor and Basement	Deichmann-Shoes UK Limited	04 Oct 2010	03 Oct 2020	£280,000 (£195 ZA)		IN	n/a	ITZA	1,361	n/a	£7,023.42	£173,000	£85,981		1. Rent Review: The 2015 Rent Review has not been initiated. 2. Rent Deposit: Rent Deposit held of £140,000.
									GF Sales	4,752	441					
									GF Ancillary	71	6					
									Basement	835	78					
									FF Ancillary	1051	98					
3	80 Ground Floor & Basement	Game Retail Limited	20 Dec 2013	19 Dec 2018	£95,000 (£155 ZA)		OUT	n/a	ITZA	600	n/a	£1,910.27	£69,500	£34,542		1. S/C Cap: Calculated Annually on 20-Dec based on the formula: (£5,000 x RPI) / 251.9 2. Payment Schedule: Monthly.
									GF Sales	1,388	129					
									GF Anc	117	11					
									Basement	665	62					
4	80 Part 1st Floor Offices	Croydon Podiatry Limited	28 Mar 2013	27 Mar 2021	£3,800 (£7.62 psf)	28 Mar 2018	IN	n/a	Total Area	499	46	£1,287.23	£5,900	£2,932		1. Rent Deposit: £1,900.
5	80 Part 1st, 2nd & 3rd Floor Offices	Oasis Dental Care (Central) Limited	28 Mar 2013	27 Mar 2021	£11,000 (£4.81 psf)	28 Mar 2018	IN	28-Mar 2018	Total Area	2,285	212	£5,703.79	£14,500	£7,207		1. Tenant Only Break. Break Notice 6 months.
6	74-78 1st, 2nd & 3rd Floor Offices	Atkins Hope	09 Feb 2011	08 Feb 2021	£27,500 (£7.38 psf)		IN	n/a	Total Area	3,723	346	£9,435.74	£27,250	£13,189	£3,101	1. Rent Review: The 2016 Rent Review has been settled, an uplift from £18,000 pax. 2. S/C Proportion: May not exceed 23% of the total cost of services. 3. Schedule of Condition.
TOTAL					£564,800				TOTAL AREA	17,589	1,634	£27,534				
LANDLORD SHORTFALL					£3,101				WAULT - L/E	2.32						
NET CURRENT INCOME					£561,699				WAULT - TBO	2.26						

*The landlord shortfalls are in relation to the service charge.

RENTAL COMMENTARY

We are aware of the following recent rental transactions on North End:

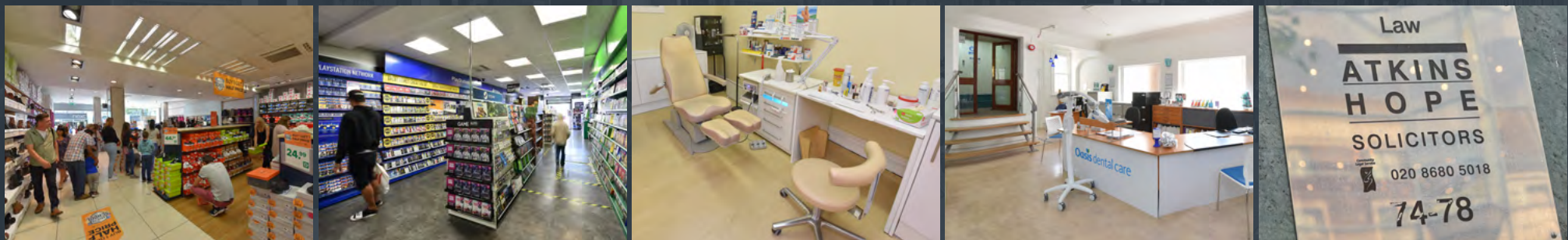
ADDRESS	TENANT	TRANSACTION TYPE	DATE	ZONE A RATE (£)
82/84 North End	Office	OML	Dec 2016	£188
51 North End	Greggs	OML	Aug 2016	£197
87-89 North End	EE	OML	Mar 2016	£176
75 North End	Pandora	RR	Dec 2015	£175
73 North End	Natwest	OML	Oct 2015	£216

Taking into account contracted evidence, Green & Partners are of the opinion that the subject property has a rental value of reflecting £195 Zone A albeit interest has been expressed from a number of occupiers in taking a new lease of 74 North End in excess of this level. A national multiple offered on the unit at a level of 210 Zone A.

We anticipate rental values will grow further in North End as demand increases from retailers looking for certainty of trade while the proposed scheme comes to fruition.

COVENANT STRENGTH

TENANT	YEAR ENDING	DNB RATING	TURNOVER	PROFIT / LOSS	TANGIBLE NET WORTH
Vodafone Ltd (1471587)	31/03/2016	5A 1	£6,183,500,000	−£636,800	£ 3,506,200,000
Deichmann-Shoes UK Ltd (2893066)	31/12/2015	4A 1	£80,510,000	£1,368,000	£19,096,000
Game Retail Ltd (7837246)	30/07/2016	5A 1	£583,890,000	£6,868,000	£72,104,000
Croydon Podiatry Ltd (5742007)	31/03/2016	D 1	n/k	n/k	£74,912
Oasis Dental Care (Central) Ltd (505769)	31/03/2016	N 1	£58,282,000	£2,499,000	(£23,090,000)
Atkins Hope	Financial Status Undisclosed on DnB. Tenant been in occupation since circa 1993.				



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ASSET MANAGEMENT OPPORTUNITIES

OFFICES

- Look to regear leases with existing occupiers.
- Refurbish the existing offices and remarket at expiry of existing leases. In 2016, prime office rents rose by 38% in Croydon.

RETAIL

- Capitalise of positive occupational market on North End caused by uncertainty over timing of scheme.
- Rental Value back up towards £200 Zone A and increasing.
- Agree a surrender with Vodafone and relet.
- Crystallise reversion on Game unit.
- Explore wholesale reconfiguration of ground floor.

RESIDENTIAL

- Croydon Council has a strategic objective to deliver new homes in the town.
- Explore residential development opportunity to include a larger scheme to span over the entire flat roof (STPP).
- The vendor has produced plans which convert the office floor plates to nine flats.
- Residential capital values are currently at circa £500-850 psf.



INVESTMENT COMPARABLES

We are aware of the following recent investment comparables on North End:

DATE	ADDRESS	TENANT	LEASE EXPIRY	RENT (PAX)	PRICE	PURCHASER	NIY	COMMENTS
Current	82-86 North End	McDonalds (half the shop), Office Shoes	8.69 years	£310,000	£6,100,000	Exchanged	4.75%	McDonalds owner occupy the other half of unit so committed to location. Passing Rents £180-188 Zone A. Adjoins the subject property
September 2017	75 North End	Pandora	3 years	£97,500 (retail)	£2,650,000	Hermes	4.85% (Retail)	Dec 15 RR completed £175 Zone A. £97,500 pax paying 4.85% on retail. Three flats above let on AST's
September 2016	63, 75, 129/131 North End	Pandora, Money Shop, Costa	6 years	£200,620	£6,050,000	Avignon Capital	4.18%	Package of Shops.
June 2016	73 North End	Natwest, Rush Hair	10 years	£230,000	£5,000,000	Private Investor	4.3%	New Natwest lease. 6 months rf. £216 Zone A.



28 new public squares and places as part of a wholesale transformation of the metropolitan centre into a new, modern European city



EPC

A copy of individual EPC's are available on request.

VAT

The property has been elected for VAT and any disposal will be by way of a Transfer of a Going Concern (TOGC).

PROPOSAL

We have been instructed to seek offers of **£10,250,000 (Ten Million, Two Hundred and Fifty Thousand Pounds)**, Subject to Contract & Exclusive of VAT, which reflects a **net initial yield of 5.15%** allowing for purchaser's costs of 6.70%.

FURTHER DETAILS

For further information, for access to the data room or to arrange inspection please contact:

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