

149 High Street

GUILDFORD



PRIME, HIGHLY REVERSIONARY RETAIL INVESTMENT

Investment Summary

- ▶ Guildford is the **principal administrative and commercial centre for Surrey** and boasts a primary catchment of approximately 507,000 persons; 69% of which are categorised within the most affluent ABC1 social groups.
- ▶ The town is one of the **premier retailing locations in the UK** and attracts some of the highest consumer spending in the South East.
- ▶ The subject property is situated in a prime position on the pedestrianised High Street. Aspirational retailers nearby include: Hobbs, Massimo Dutti, Hugo Boss, Jigsaw, Jo Malone, Karen Millen and Mint Velvet.
- ▶ The imminent re-development of Tunsgate Square will further strengthen this location, providing an improved leisure offer.
- ▶ 149 High Street is one of the **most attractive and best configured units on High Street** and has been impeccably fitted out in the tenant's corporate style.
- ▶ **Freehold.**
- ▶ The property is fully let to the **5A1 covenant of URBN UK Ltd (t/a Anthropologie)** on a lease expiring 20th June 2028 (10.75 years to expiry, 5.75 years to tenant break) at £400,000 pa.
- ▶ The passing rent is subject an open market rent review on 21st June 2018, where we anticipate the £480,000 pa cap will be reached.
- ▶ The second rent review (21st June 2023) is uncapped and, based on the latest comparable evidence, our opinion of ERV is £562,000 pa.
- ▶ We have been instructed to seek offers in excess of **£9,375,000 (Nine Million Three Hundred and Seventy Five Thousand Pounds)**, subject to contract and exclusive of VAT. After the deduction of standard purchaser's costs of 6.69% this would reflect a **Net Initial Yield of 4.00%, rising to 4.80% on settlement of June 2018 rent review** (assuming the £480,000 pa cap is reached) and **5.62% at the June 2023 rent review**, adopting our opinion of ERV.

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Location

Guildford is the principal administrative and commercial centre for Surrey and one of the premier retailing locations in the UK. The town is located approximately 27 miles southwest of London adjacent to the Surrey Hills Area of Outstanding National Beauty.

The town has excellent communications with dual carriageway access via the A3 to the M25 (8 miles to the north) and the South Coast (32 miles to the south). There are two railway stations offering direct and frequent rail services to London Waterloo (37 minutes), London Victoria (47 minutes), Portsmouth, Reading and Gatwick. Heathrow and Gatwick Airports are within a 25 minute drive time and offer both domestic and international flights.

Demographics

Guildford has a primary catchment of approximately 507,000 persons and an estimated shopping population of 241,000 persons. This catchment population is one of the most affluent in the UK, ranking 2nd of the PROMIS centres on the PMA Affluence Indicator. 69% of the population are categorised within the most affluent ABC1 social groups and average house prices are twice the national average. Furthermore, the town is predicted to see above average growth in population over the period 2016-2021 (PMA).

The town benefits from a significant student population with the University of Surrey accommodating some 16,000 students. Guildford is also a popular commuter town with over 8.2 million people using the principal station in 2015/2016, making it the busiest station in Surrey.



Retailing in Guildford

Guildford is a flourishing market town and attracts some of the highest consumer spending in the South East, with retail expenditure expected to grow by 2.7% pa over the period 2016-2021 (PMA). Prime pitch within Guildford is located on the pedestrianised section of the High Street, where key retailers include: M&S, House of Fraser, Boots, H&M and Russell & Bromley. There are three shopping centres within the town: The Friary Centre, White Lion Walk and Tunsgate Square. However, the High Street remains the premier shopping destination and commands the highest rents.

The retail offer in Guildford is excellent with the town regarded as the luxury shopping capital of the UK, outside of Central London. Guildford has exceptionally strong occupational demand and it is often the first location that retailers seek to establish representation having traded successfully in Central London. Recent in-movers include: Kikki.K, Masimo Dutti, Joules, Zara and Sweaty Betty. There is currently only one vacant unit on the pedestrianised High Street and with strong occupational demand for the town, rental growth prospects are excellent.

Tunsgate Square is currently being extensively refurbished by Queensberry Real Estate, who have been appointed as development manager by Merseyside Pension Fund, to turn Tunsgate Square into a leisure led new 70,000 sq ft retail, restaurant and café quarter. The scheme is expected to complement the retail offer on High Street and we believe will enhance the pitch of the subject property, adding further aspirational brands and A3 operators in the vicinity. Practical completion for the development is due in early 2018 and tenants believed to have signed include: The Ivy, The White Company, Bobbi Brown and Oka – demonstrating how the best brands are drawn to Guildford.

Situation

The property is situated in a prime position on the pedestrianised High Street. Its location, towards the top of the hill on the famous cobbled street, is synonymous with high-end luxury retailers. National tenants of this ilk in the immediate vicinity include: Hobbs, Massimo Dutti, Hugo Boss, Jigsaw, Jo Malone, Karen Millen and Mint Velvet. We envisage that the re-development of Tunsgate Square will further strengthen this pitch and provide an improved leisure offer to this location.



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Plan for illustrative purposes only

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Description

149 High Street is one of the most attractive and best configured units on High Street and the 14,782 sq ft store has been impeccably fitted out in the tenant's corporate style.

The front element of the store provides an attractive brick built building with whitewashed stucco cladding and full height glazing to the ground floor. The rear of the store is a modern extension and is understood to have been constructed in 1995.

The entire ground floor is used as sales and offers some 5,098 sq ft of excellent clear retail space. It links with the first floor via a grand staircase and the majority of the first floor is utilised for the sale of Anthropologie's homewares and fitting rooms. The first floor is exceptionally well lit with skylights and windows making for an appealing shopping environment. The basement is currently used as ancillary but was historically partially used as a sales area and remains in suitable condition for trading. The remaining space is used as ancillary and staff accommodation. A 16 person passenger lift serves basement to first floors and the property is serviced via North Street to the rear and the rear yard provides staff parking facilities.

The property is Grade II Listed.

We have measured the property on a Net Internal Area (NIA) basis and conclude the following floors areas:

DESCRIPTION	AREA (sq ft)	AREA (sq m)
Ground Sales	5,098	473.61
ITZA	1,299 units	
Basement Sales	1,809	168.02
Basement Ancillary	1,722	159.98
Basement Ancillary (Reduced Height)	1,129	104.90
First Floor Sales	3,241	301.07
First Floor Ancillary	836	77.67
Second Floor Ancillary	768	71.37
Third Floor Ancillary	179	16.61
TOTAL	14,782	1,373.29





Tenure

Freehold

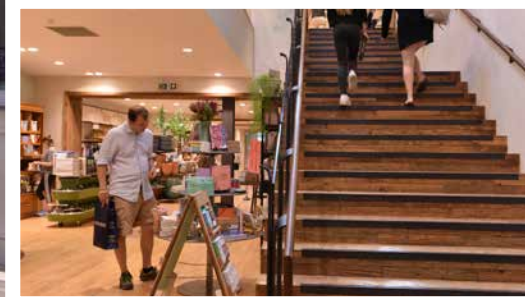
Tenancy

The property is let on a Full Repairing and Insuring lease to URBN UK Limited (t/a Anthropologie) for a term of 15 years from 21st June 2013 expiring 20th June 2028 (10.75 years unexpired). Provided the lease remains vested in URBN UK Ltd (or a group company), there is a tenant's option to determine the lease on 20th June 2023, subject to six months' prior notice.

The rent specified in the lease is £450,000 pa. However, while the lease is vested in URBN UK Ltd (or a group company) the rent until the first rent review is £400,000 pa plus an amount equivalent to the amount by which 9% of the tenant's gross turnover exceeds £400,000. This turnover provision remains in place while URBN UK Limited (or a group company) is the tenant.

The first rent review (21st June 2018) is upwards only to the open market rental value, subject to a cap of £480,000 pa.

The second rent review (21st June 2023) is uncapped and upwards only to the open market rental value.



Rental Value

Guildford is one of the few towns where rents have risen post-recession. Prime rents on the High Street were £240 Zone A in 2007 and now stand at £320 Zone A. Over the last decade, Guildford has achieved the highest level of prime rental growth outside London - evidencing the strength of its retail environment (PMA).

The most recent occupational activity on High Street was the Open Market Letting to Massimo Dutti (133-135 High Street) in February 2016 at £320 ZA and the assignment to Kikki.K (76-78 High Street) in October 2016 at £314 Zone A. Furthermore, the rent review at the adjacent Lloyds Bank (147 High Street) dated December 2015 was an uplift to £427,650 pa, reflecting £295 Zone A. Further rental evidence can be found below:

ADDRESS	TENANT	TRANSACTION	DATE	HEADLINE ZONE A
76-78 High Street	Kikki.K	Assignment	October 2016	£314.00
133-135 High Street	Massimo Dutti	Open Market Letting	February 2016	£320.00
115 High Street	LK Bennett	Open Market Letting	January 2016	£297.00
147 High Street	Lloyds Bank	Rent Review	December 2015	£295.00
70 High Street	Jack Wills	Rent Review	September 2015	£307.50
83 High Street	Links of London	Rent Review	December 2014	£290.00
141 High Street	Hobbs	Rent Review	July 2014	£282.50

Based on the above we are of the opinion that the open market rental value for the subject property is £562,000 pa. This reflects £295 Zone A, with A/12 applied to basement and first floor sales accommodation, A/20 applied to the modern basement and first floor ancillary accommodation, A/30 on the second floor ancillary and A/40 of third floor ancillary and historic basement.

Over the last decade, Guildford has achieved the highest level of prime rental growth outside Greater London - evidencing the strength of its retail environment





Covenant

Anthropologie is an American clothing retailer that operates over 200 stores throughout the USA, UK and Canada, featuring a curated assortment of clothing, jewellery, intimates, home furniture and décor, beauty and gifts. The brand was founded in 1992 in Wayne, Pennsylvania and has grown into a one-of-a-kind destination with their products taking inspiration from the worlds of fashion, art and entertaining.

Anthropologie is part of the URBN Group and the property is let to URBN UK Limited which also owns and operates Urban Outfitters. The company has a Dun & Bradstreet rating of 5A1 – representing minimum risk of business failure. The group posted the following financials for the last three years:

YEAR ENDING	31st JAN 2016	31st JAN 2015	31st JAN 2014
Turnover	£173,807,712	£167,418,344	£152,016,736
Pre-Tax Profit (Loss)	(£11,332,288)	(£8,620,386)	£1,679,702
Net Worth	£73,484,075	£81,369,455	£42,559,286

VAT

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





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EPC

The property has an EPC rating of D90.

Proposal

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Contact

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