

# Prime South East Multi-Let Retail Investment

Retail *Intelligence*



**71-78 North Street & 40-44 West Street**  
Brighton, BN1 1ZA

 JONES LANG  
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*Real value in a changing world*

## Investment Considerations

- Brighton is one of the largest and most affluent retail centres within the south east of England
- Popular and prosperous tourist destination
- Very prominent position in a prime retail pitch
- Attractive retail parade at the junction of two of the main retail streets in Brighton
- Let to Waterstones, EAT and Pret A Manger
- Freehold
- WAULT of 12.08 years
- We are seeking offers in the region of **£7,080,000** subject to contract which reflects a net initial yield of **5.5%**.



## Location

Brighton is an attractive and vibrant City located approximately 56 miles south of London, 25 miles west of Eastbourne and 39 miles east of Portsmouth.

The City has excellent communication links. By road, the A23 dual carriageway provides direct access to the M23 (18 miles) and the M25 (30 miles) to the north. The A27 links Brighton with Eastbourne to the east and Chichester and Portsmouth to the west. Brighton station has direct rail services running to London Bridge and London Victoria with a fastest journey time of approximately 50 minutes. London Gatwick Airport is located only 22 miles north of Brighton via the A23/M23.

Major employers in Brighton include American Express, Legal & General, Lloyds Bank, TSB, EDF Energy and Asda.

## Demographic and Economic Profile

Brighton has a large and dominant catchment area with a total population of 499,000. The primary catchment area encompasses built-up areas, such as Hove and Shoreham-by-Sea as well as the 'rural stock-broker belt' in the Sussex Downs, including the towns of Haywards Heath, Hurstpierpoint and Burgess Hill. The shopping population is forecast to increase by 7.18% before 2018 (PROMIS).

The City has an affluent resident population with an above average proportion of the most affluent AB social group. Average house prices in Q1 2013 for Brighton and Hove were £282,600, which is significantly above the Regional Centre average of £199,400 (PROMIS).

The City also hosts a large number of major conferences and music events with approximately 8 million visitors per year.



## Retailing in Brighton

Brighton has an excellent retail offer, with an estimated 1.58 million sq ft of retail accommodation, making it comparable with the Regional Centre average and ranking the city 25th of the PROMIS Centres on this measure. Retailer demand for Brighton is very strong with approximately 46 reported retailer requirements, ranking the city 2nd out of the PROMIS centres, leaving very few available units within the core retail area.

The prime retail offer within Brighton is centred upon the Churchill Square Shopping Centre (470,000 sq ft), the top end of Western Road and North Street. East Street is home to boutique fashion retailers including; East, Jigsaw, Coast and Hugo Boss. Brighton is also home to the unique 'Lanes' area, which offers a wide array of independent / local and specialist retailers, together with restaurants and bars. This area is very popular with tourists and shoppers alike and enhances the vitality of Brighton as a retailing destination.

The City has a strong line-up of the UK's major retailers, including Debenhams, Marks & Spencer, H&M, and Primark, together with a large number of urban fashion retailers such as Hollister, Urban Outfitters and Superdry.

Brighton has a significant inner city leisure offering with Brighton seafront and Pier located close to the subject property. There are only two small retail parks in Brighton; the Goldstone Retail Park and Pavilion Retail Park, both of which are bulky.

## Situation

The subject property is located in a very prominent retailing location on the corner of North and West Street, which is part of the main thoroughfare between the Brighton railway station and the Churchill Square Shopping Centre. Nearby retailers include Boots' flagship store, Marks & Spencer, Superdry, H&M and Urban Outfitters.



## Description

The property comprises an attractive retail parade of three shops with offices and a flat above.

71/74 North Street and 40/44 West Street (Waterstones) is arranged over five levels to provide retailing on ground, mezzanine, first, second and third floors. A Costa Coffee café is situated on the second floor of the store.

The ground floor and basement of 75-76 North Street (EAT) is demised as retail. The first and second floor levels of 75-76 North Street comprise a maisonette which is accessed via a separate stairwell to the rear of the unit. The maisonette has four large double bedrooms with a 380 ft<sup>2</sup> lounge, a large south facing roof terrace and a bike store.

77/78 North Street (Pret A Manger) is arranged over ground, first and basement level. The unit has been split (by way of a sub-letting) to provide office accommodation at first floor level with a separate entrance from North Street. The basement space, occupied by Pret a Manger, is demised underneath 79 North Street.





## Accommodation

We have measured the property according to the RICS Code of Measuring Practice and our net internal floor areas are as follows:

### 71/74 North Street & 40/44 West Street (Waterstones)

Floor	Use	Net Internal Area		Comments
		sq m	sq ft	
Ground	Sales/Ancillary	280.37	3,018	
Ground	ITZA	124.77	1,343	
Mezzanine	Sales	121.05	1,303	Valued at A/12
First	Sales	249.16	2,682	Valued at A/12
Second	Sales	247.21	2,661	Valued at A/20
Third	Sales / Anc	247.02	2,659	Valued at A/30
Basement	Anc	35.30	380	Nil Value applied
<b>Total</b>		<b>1,180.60</b>	<b>12,708</b>	

### 75-76 North Street (EAT)

Floor	Use	Net Internal Area		Comments
		sq m	sq ft	
Ground	Sales/Ancillary	138.52	1,491	
Ground	ITZA	78.50	845	
<b>Total</b>		<b>138.52</b>	<b>1,491</b>	

### 77-78 North Street (Pret a Manger) & 79 North Street (basement)

Floor	Use	Net Internal Area		Comments
		sq m	sq ft	
Ground	Sales	154.12	1,659	
Ground	ITZA	66.98	721	
First	Office	139.54	1,502	Sub-let to Brook Street (UK) Ltd until March 2017 at £19,000 per annum.
Basement (79 North Street)	Staff/Ancillary	91.14	981	This area is the basement at 79 North Street.
<b>Total</b>		<b>360.65</b>	<b>3,882</b>	

The residential accommodation is contained in the upper parts of 75-76 North Street.

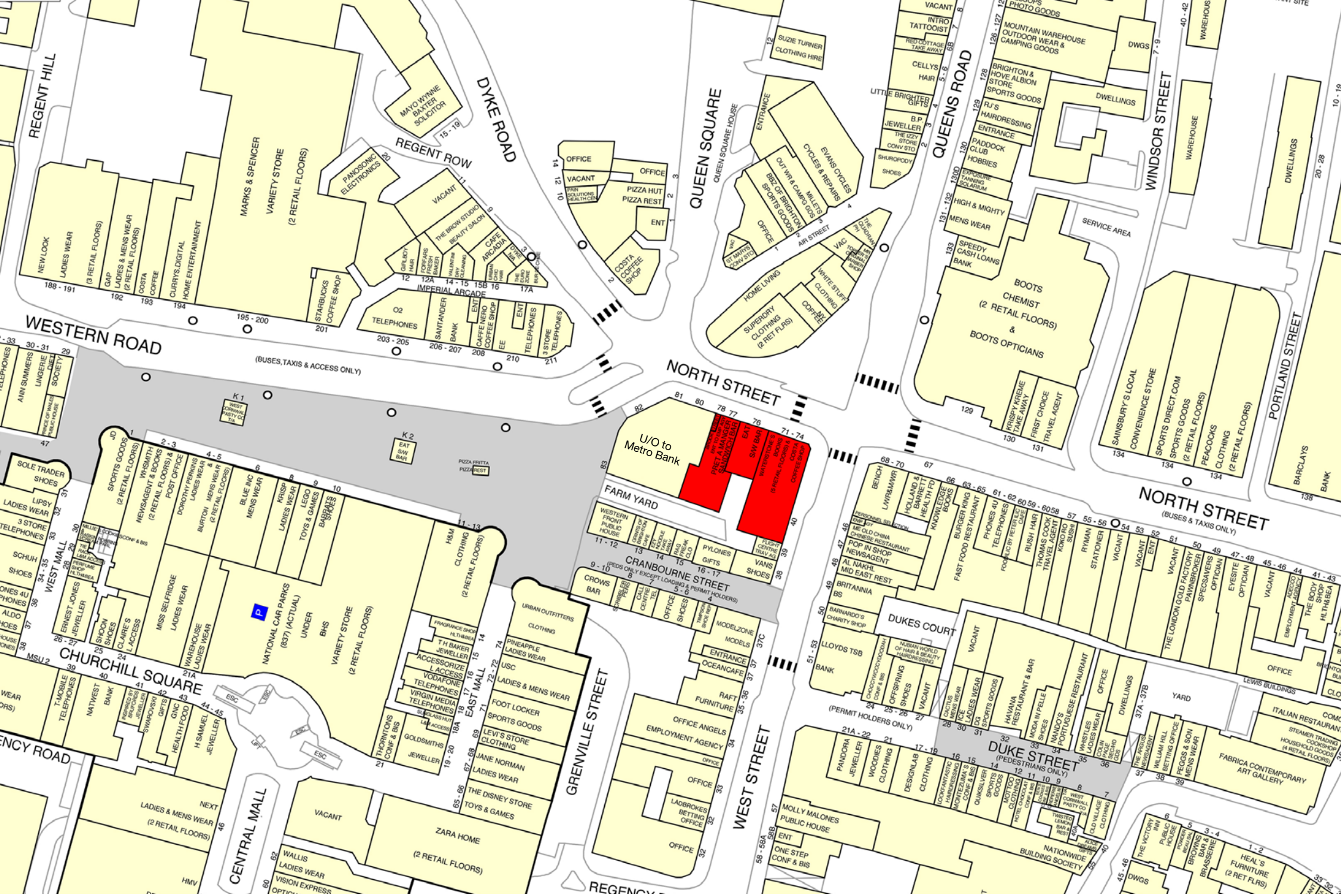
## Tenure

71-78 North Street & 40/44 West Street is held freehold.

The basement of 79 North Street is held as a long leasehold for a term of 999 years from 16 July 2004 (990 unexpired) at a peppercorn rent.

## Tenancies

Address	Tenant	Lease Start	Lease Expiry	Next Rent Review	Rent Per Annum	Comments
71/74 North Street & 40/44 West Street	Waterstones Booksellers Ltd	07/10/2011	06/10/2026	07/10/2016	£200,000	The term includes a new 5 year reversionary lease which will include an upward only rent review on its start date, 07/10/2021.
75-76 North Street	EAT Ltd	25/11/2011	24/11/2021	25/11/2016	£95,000	
77/78 North Street & Basement (79 North Street)	Pret A Manger (Europe) Ltd	09/01/2014	08/01/2029	09/01/2019	£96,000	The first floor is sub-let to Brook Street (UK) Ltd on a 7 year lease from 22/02/2010 at a current rent of £19,000 per annum.
75-76 North Street (1st & 2nd Floor) Maisonette	AST	22/08/2012	21/06/2013	-	£21,000	The tenants are currently paying on a rolling contract but wish to renew the AST for another 12 months.
<b>Total</b>					<b>£412,000</b>	





## Covenant

We set out below the latest accounts for the tenants as follows:

Waterstone's Booksellers Limited			
Year Ending	28/04/2012	30/04/2011	24/04/2010
Turnover	£410,354,000	£477,424,000	£488,901,000
Pre-Tax Profit	(£37,314,000)	(£20,597,000)	(£2,133,000)
Shareholder Funds	£8,864,000	£51,676,000	£79,909,000

Waterstones was founded in 1958 and currently operates in 296 stores while employing approximately 4,500 staff.

Waterstones were acquired by A & NN Capital Fund Management, owned by Russian billionaire Alexander Mamut, in June 2011 from HMV Group for £53 million. Following this Waterstones have started to re-brand their stores across the estate. They have created Wi Fi hot spots, new cafés within stores and established a new staff training programme.

Pret A Manger (Europe) Limited			
Year Ending	03/01/2013	29/12/2011	30/12/2010
Turnover	£360,015,000	£316,926,000	£281,579,000
Pre-Tax Profit	£40,187,000	£34,643,000	£30,488,000
Shareholder Funds	£184,352,000	£151,867,000	£118,609,000

Founded in London in 1986, Pret is a natural food sandwich shop. Today Pret has over 240 shops in the UK and 295 shops worldwide.

EAT Limited			
Year Ending	28/06/2012	30/06/2011	01/07/2010
Turnover	£94,951,000	£87,359,000	£81,963,000
Pre-Tax Profit	£1,114,000	£2,633,000	£1,912,000
Shareholder Funds	£13,355,000	£12,240,000	£9,607,000

Founded in 1996, EAT is a sandwich and coffee shop with more than 100 shops throughout the UK.



## Rental Levels / ERV

The passing rent devalues as follows;

Waterstones:	£100 Zone A (including a 7.5% allowance for the return frontage)
Eat:	£112 Zone A
Pret:	£101 Zone A

We understand that Metro Bank are under offer on the adjacent building (80-82 North Street). This letting has not exchanged but we understand this will increase the rental tone on the pitch whilst also improving the tenant profile.

It is our opinion that the property is rack rented and provides an excellent platform for future rental growth, due to the limited supply of both in-town and out of town retail and the strong underlying demand.

## VAT

The property is elected for VAT and therefore VAT will be payable on the purchase price unless the sale can be treated as a TOGC.

## Proposal

We are instructed to seek offers in the region of **£7,080,000** for our client's freehold interest, subject to contract and exclusive of VAT. A purchase at this level will reflect a net initial yield of **5.50%**, after allowing for purchaser's costs of 5.80%.

## Further Information

For further information, please contact

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