

PROJECT CAPRICORN

11 ACRES OF LAST MILE DISTRIBUTION LAND FOR SALE – MITCHAM, LONDON

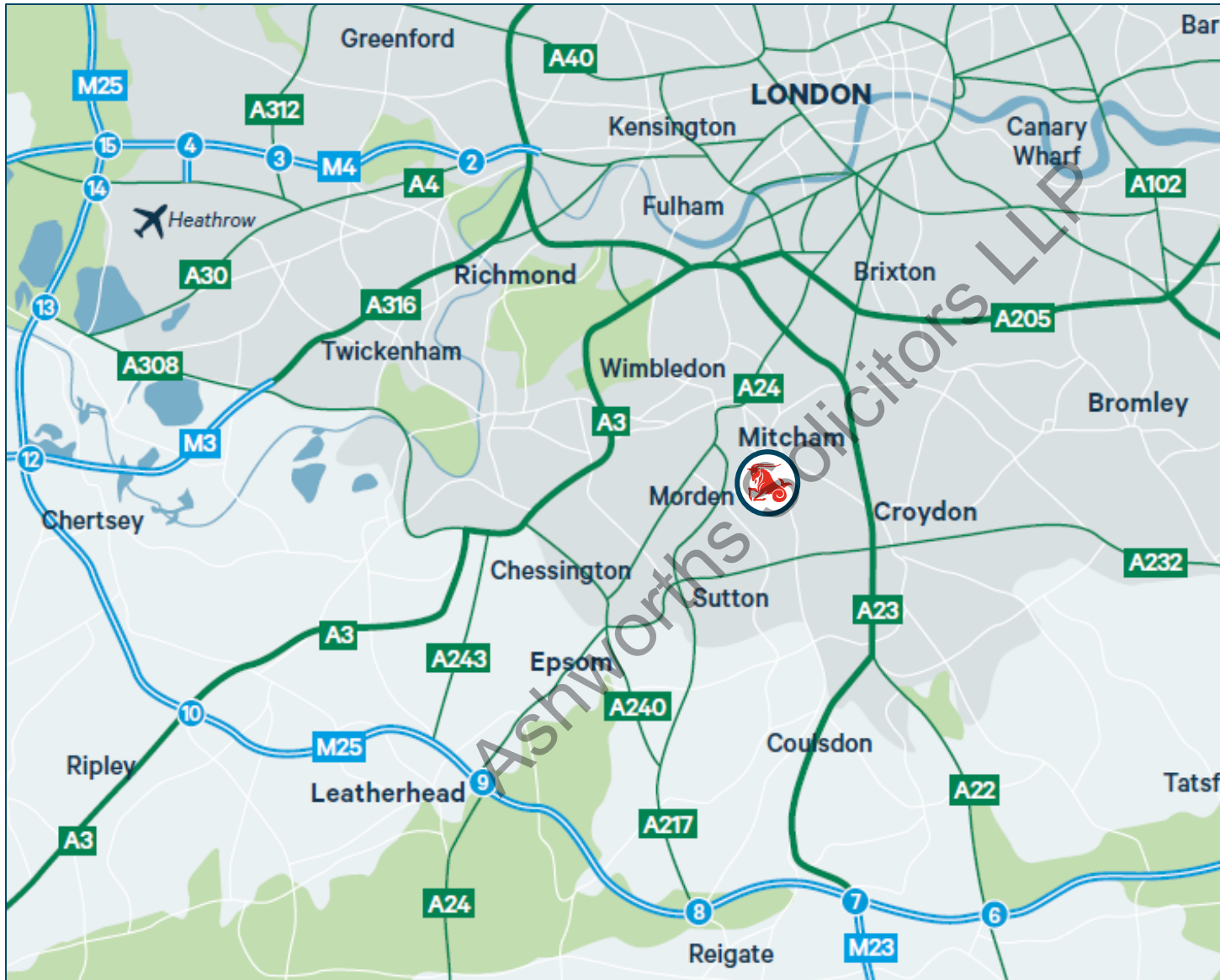


EXECUTIVE SUMMARY – GOAT ROAD, MITCHAM, CR4 4HQ

- A rare opportunity to acquire a **strategic last mile logistics site in the core South London industrial market;**
- An 11 acre rectangular parcel of land perfectly suited to **total redevelopment in 2022/2023;**
- The existing property is a low density development of open storage and **industrial buildings of approximately 109,000 sq ft;**
- **Excellent proximity to Central London,** with strong road and rail communication links;
- **Over 4 million** people live within 10 miles of the subject site;
- Situated on an **established industrial estate a short walk from Mitcham Junction Station;**
- **Freehold;**
- The site totals **c.11.0 acres (4.45 ha),** providing a site density of c.23%;
- The property is let to Byrne Group Ltd (Experian Rating: Very Low Risk) at a **rent of £1,200,000 per annum, with a mutual option to determine by December 2022;**
- The **short-term income** will benefit the purchaser whilst they pursue redevelopment options;
- The property offers a **unique prime last mile distribution development opportunity, of a scale which is particularly rare and will be of interest to both investors and occupiers.**



LOCATION



ROAD	
Central London	8 miles
A205 South Circular	5 miles
A3	5 miles
M25 (J.7) / M23	10 miles
M4	14 miles
M3	17 miles

RAIL	
Mitcham Junction	0.5 miles
Morden Underground	3 miles
East Croydon	5 miles

PORT	
London Tilbury	34 miles

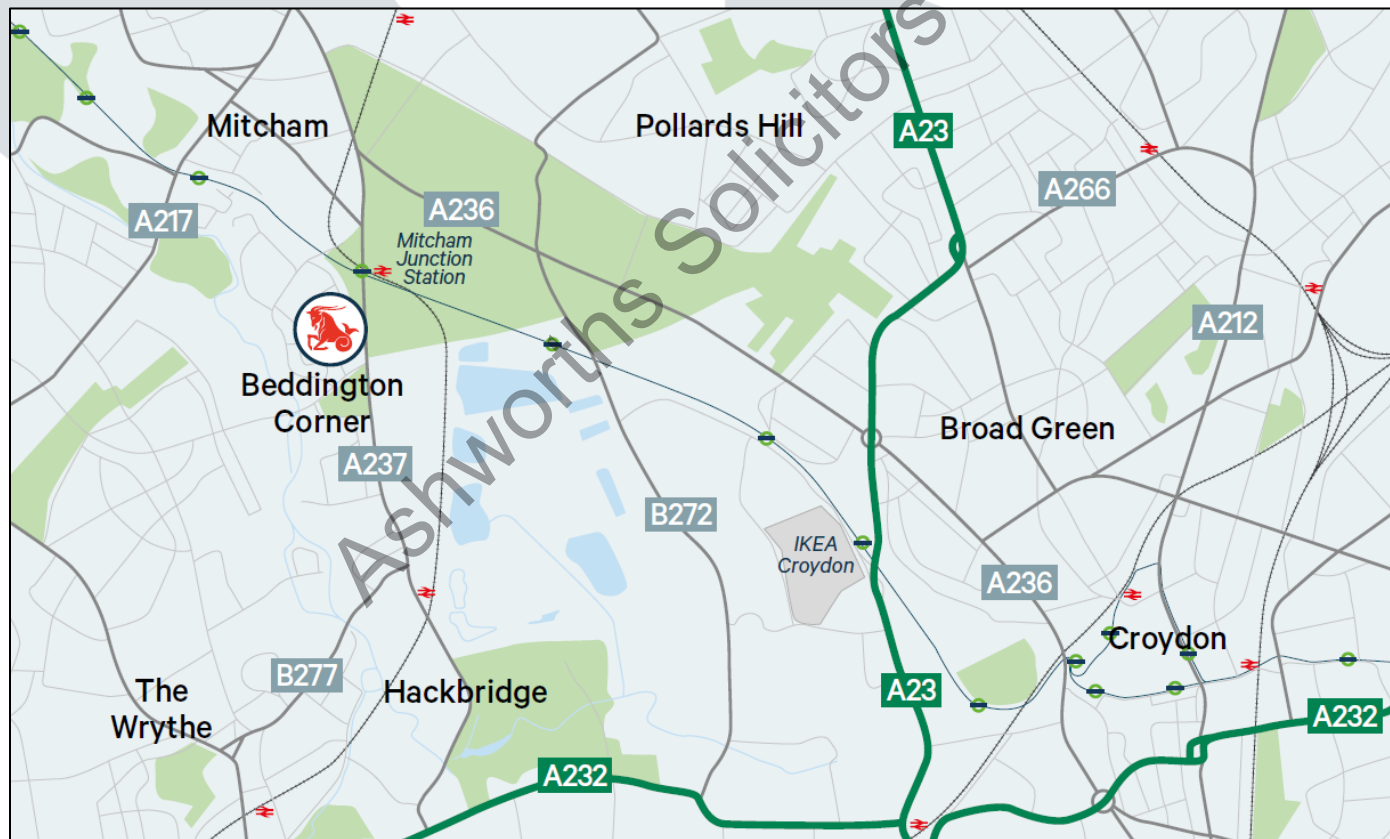
AIR	
London Heathrow	16 miles
London City	17 miles
London Gatwick	19 miles



SITUATION

The property is approximately one mile south of Mitcham Town Centre, adjacent to the established Willow Lane Trading Estate, which houses over 150 businesses and employs over 2,500 people. The property benefits from a highly accessible strategic position, being accessed off Carshalton Road (A237), which connects to London Road (A217) heading north to Central London and south to Sutton. Nearby occupiers include Parcelforce, Jewson, and Hovis.

Approximately 196,935 people were recorded to live within two miles of the subject property in 2018, with 1.22m and 4.14m living within 5 miles and 10 miles respectively. Both Croydon and Mitcham are benefitting from substantial regeneration investment, with a number of schemes being built in the next few years. The large scale regeneration of the area will provide a mix of affordable, private and build to rent homes aimed at creating new communities in the area. The major regeneration will not only improve the local infrastructure and amenities for the commercial tenant base, but it will also put further intense pressure on the availability of local industrial accommodation.



AERIAL



DESCRIPTION

The existing buildings consist of a range of single storey industrial/warehouse buildings incorporating a two storey office section and ancillary storage buildings, which have been utilised for the storage of construction equipment.

The accommodation is predominantly 1960's built, with a few small newer buildings on site. The buildings are generally of concrete frame construction with mainly brick walls, although some of the walls are of part block construction and part clad externally with pre-formed metal panels.

The roofs are double pitched and finished in pre-formed metal cladding having been re-coated during the 1980s, and incorporating some Perspex roofs to provide natural light, there are also various asbestos roof panels in situ.

In front of the buildings there is a large open plan concrete hard-standing area which is currently used for the storing of plant and machinery. This has also been allocated to provide for car parking and to provide clear access to the various buildings.

An electricity pylon has two legs within the South West site boundary, but it does not impact the efficient redevelopment of the site.

The main entrance to the site is via Goat Road but there is also separate access via Drake Road to the East.

Floor Area

We have been provided with the following areas by the Vendor:

Use	Area GIA (Sq m)	Area GIA (Sq ft)
Warehouse & Storage	7,160.1	77,070
Offices	2,515.9	27,080
Loading Bay	453.6	4,883
TOTAL	10,129.6	109,033



SITE

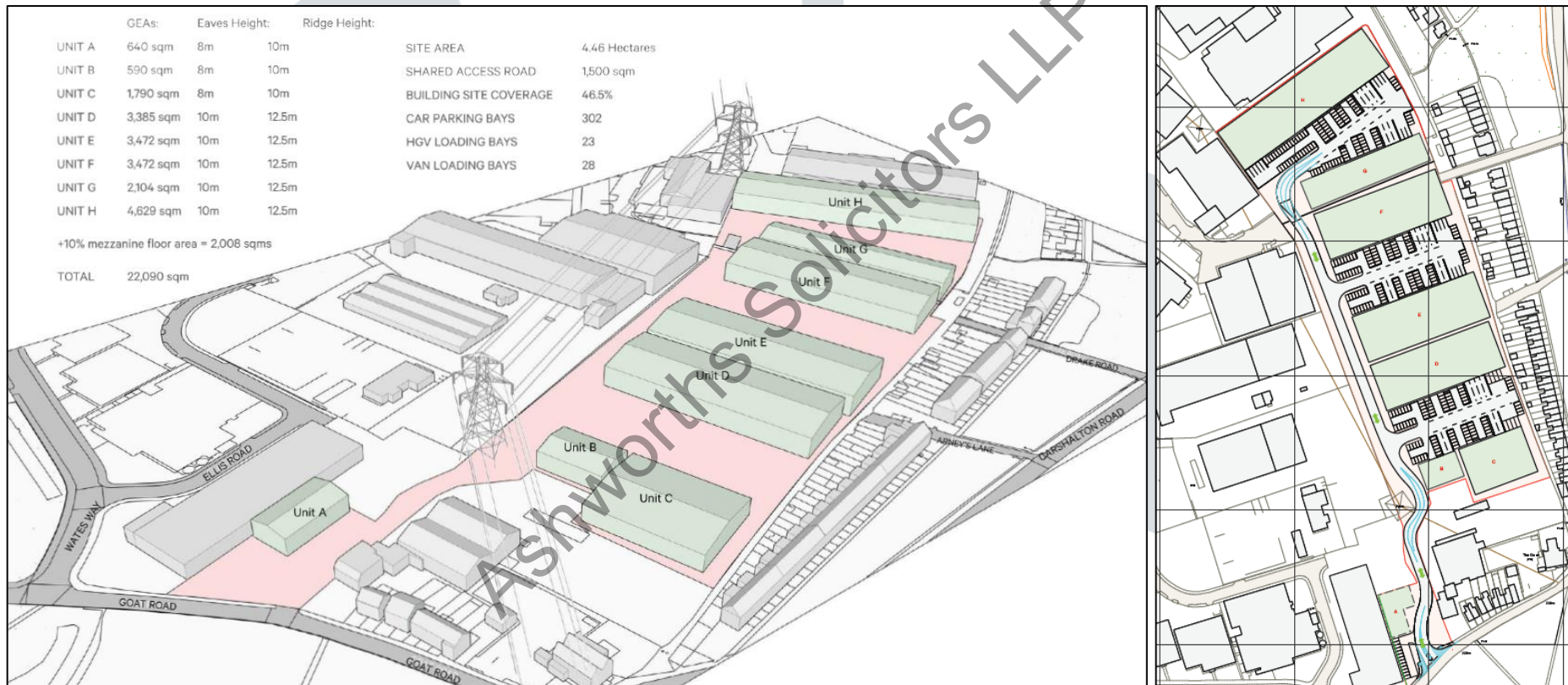
The site extends to a total area of c. 11.0 acres (4.45 ha), providing approximately 23% site density. This red line boundary is **indicative** only.



INDICATIVE REDEVELOPMENT OPTIONS

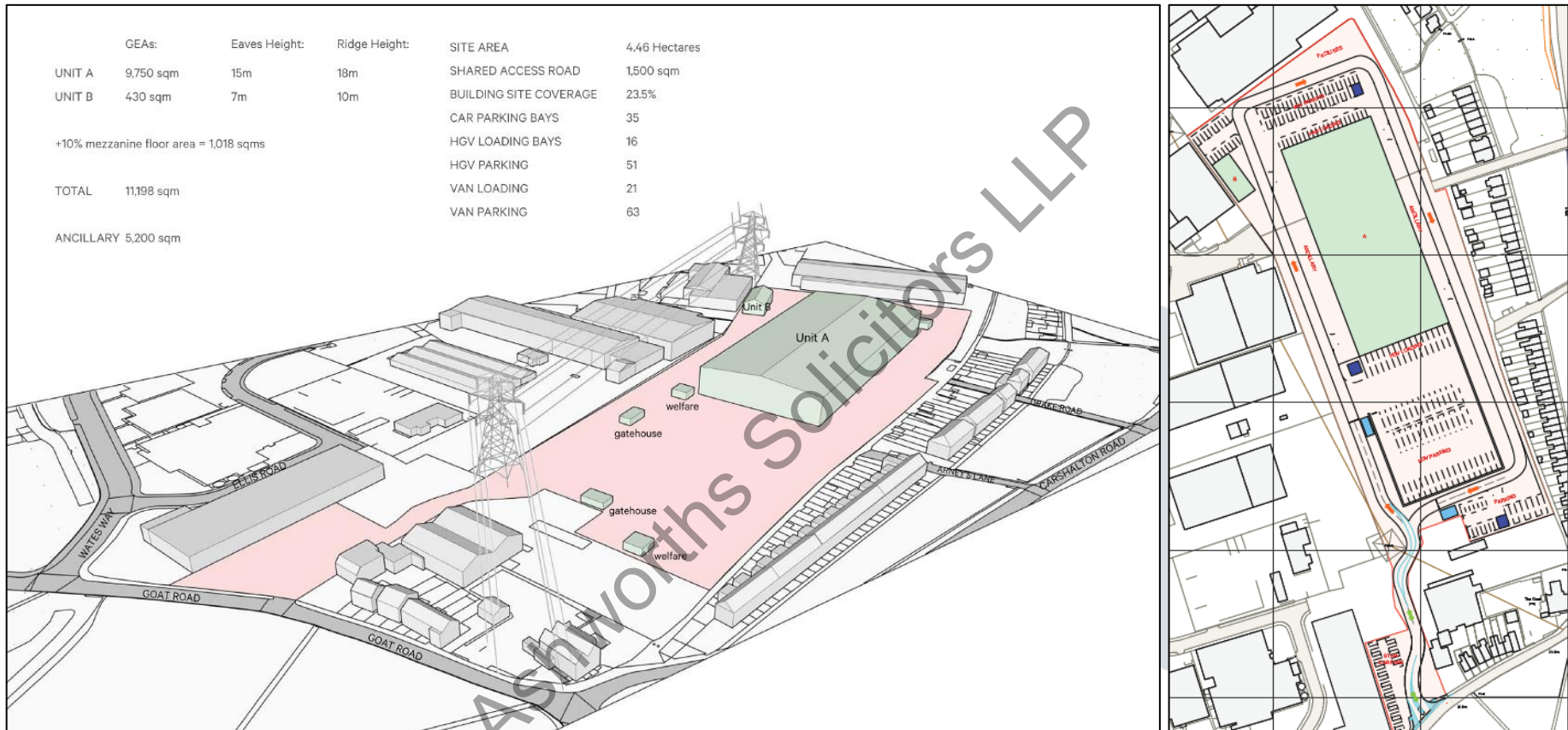
The vendor has recently submitted a pre-planning application, to understand the potential redevelopment options. The Local Authority have been initially very supportive of the following two schemes, which would comply with the current relevant planning policy (we expect a formal response by early November 2020):

Multi-unit last mile estate



INDICATIVE REDEVELOPMENT OPTIONS

Single unit last mile logistics unit



Key Elements:

- The ridge height extends up to 18 metres;
- Massing of a multi-unit estate up to 22,090 sq m / 237,775 sq ft;
- Secondary access route via Drake Road to the eastern elevation of the site.



SURVEYS AND GROUND CONDITIONS

A Phase II Environmental report have been conducted by Delta Simons on behalf of the vendor dated October 2020. A topographical survey has been prepared by 3Deling. Both surveys will be made available to the purchaser for reliance purposes. We have provided the summary and recommendations of the **Draft** Preliminary Risk Assessment & Geo-Environmental Assessment report carried out by Delta-Simons below (final report to be issued by end of October subject to outstanding laboratory results):

Ground Conditions

Ground conditions encountered during the investigation were found to be a cover of concrete overlying a mixture of granular and cohesive Made Ground to a maximum depth of 6.3m below ground level (bgl) bearing onto the London Clay Formation. Groundwater was monitored across the Site at depths between 0.83 and 3.35m bgl . No evidence of significant visual or olfactory evidence of contamination was noted during the investigation.

Geotechnical Summary

Shallow strip foundations are considered unsuitable for the majority of the site, however, may be suitable in the south dependent on final design loads, founded at a minimum depth of 2m bgl within the River Terrace Deposits. Deeper Made Ground has been encountered across the remainder of the site associated with infilled material of historic gravel quarries. In the areas of deep Made Ground alternative foundation solutions including the use of vibro ground improvement to permit the use of shallow spread foundations may provide a viable alternative, with building footprints located away from locations of likely highwalls. Alternatively, piled foundations transferring loads into the deeper London Clay Formation may provide a suitable founding solution. Due to the thick and variable nature of the Made Ground, ground bearing floor slabs are unlikely to be suitable unless ground improvement techniques are adopted.

Whilst soakaways are currently present on Site, it is recommended that these are decommissioned where feasible and surface water discharged to the existing surface water network.

Based on the findings of the investigation the Site is considered to pose a low risk to human health set in its current potential future use and also a low risk to controlled waters given the absence of sensitive aquifer, and protection afforded by the London Clay Formation.

Asbestos is known to be within buildings at Site, and it is also recommended that an asbestos survey be completed within all structures prior to the demolition of existing buildings and as part of routine maintenance of properties.



TENANCY

The property is let on a ten year lease to Byrne Group Ltd expiring 25 June 2027 at a passing rent of £1,200,000 per annum. The lease benefits from a mutual break option on 30 June 2022, subject to 12 months written notice. The break notice is subject to additional complexity, which is detailed below.

Break Option

Although the mutual break date is 30 June 2022, the tenant has the option to remain in occupation until 31 December 2022. In order to do so, the tenant has to respond to the landlord's break notice within a 28 day period, calling for this to be extended to 31 December 2022. Accordingly:

- The landlord only has the option to terminate on 30 June 2022;
- The tenant can:
 - serve a break notice confirming that it wishes to bring the tenancy to an end on either 30 June 2022 or 31 December 2022.
 - the tenant can respond to the landlord's break notice by calling for expiry on either 30 June 2022 or 31 December 2022 with 28 days notice.

Upon yielding up, the site will be cleared of all free-standing plant and equipment but the tenant will leave all structures behind and will be under no obligation to make good or carry out repairs.

TENURE

The property is held Freehold.



COVENANT

The property is let to Byrne Group Ltd (Co Reg: 01100323), a high-quality construction service supplier. Set up in 1969, the company provides a range of products from formwork to fit-out across a multitude of sectors.

They have worked on some of the most iconic projects across London including, The Shard development, the London 2012 Olympic Stadium, the refurbishment of the Savoy Hotel, the Cutty Sark at Greenwich, the upgrade of the hospitality suites at Twickenham Stadium (RFU), and the extension to the Tate Modern that opened in 2016.

The tenant benefits from an Experian rating of 92 out of 100, indicating a “Very Low Risk” covenant.

Please see below an extract from the last three years of company accounts:

Byrne Group Ltd	31 May 2017	30 Jun 2018	30 Jun 2019
Turnover (£)	£321,656,720	£138,697,136	£202,825,002
Pre-tax Profit (£)	£1,659,644	(£8,184,485)	£5,701,355
Net Worth (£)	£12,070,516	£15,278,293	£18,888,696

More information on the company can be found on their website: <https://www.byrnegroup.co.uk/>.



OCCUPATIONAL MARKET COMMENTARY

Industrial and Logistics occupier demand in 2020 has been exceptionally strong. The fundamentals driving this market have been exacerbated by the COVID-19 lockdown, highlighting the occupational demand for industrial and logistics. The occupational market continues to be driven by the changes brought about by the accelerated structural transition to online retail sales, BREXIT restructuring, UK population growth and increased online fulfilment infrastructure into the wider retail market.

Rental growth in London continues to accelerate, with prime London rents consistently breaking new territory. This change has been presaged by the erosion of industrial land in the capital. The vast majority of the UK remains undersupplied with buildings fit for modern occupiers' requirements, in particular with smaller last mile facilities. The South London market is a key example of this and the rental growth prospects for modern buildings mean that the region is considered a key geography for sophisticated investors. Rental growth for the London market has been recorded at an average of 7.8% p.a. over the past 5 years according to CoStar. If we assume the ERV for the recently developed property is £19.00 per sq ft, adopting the average rental growth moves the rent up to c. £23.75 - £24.00 per sq ft in 2023.

Industrial Headline Rent Map (5,000 sq ft +)



INVESTMENT MARKET COMMENTARY

Investor demand for logistics stock has intensified in Greater London as the occupational supply / demand imbalance continues to drive rental growth. Investors are convinced they will never be able to reinvest so the trading of stabilised estates is exceptionally rare.

Listed below are comparable industrial investment transactions within Greater London:

Date	Address	Area GIA	Acres	Build Date	Passing Rent (p.a.)	Passing Rent (psf)	Average Unexpired Years	Purchaser	Pricing Analysis	Equivalent Price per Acre
U/O	New England Industrial Estate, Barking, IG11 7NZ	143,000 sq ft	7.56 Ac	1990's	£1,254,110	£8.77	3	Confidential	c.£39,000,000 3.01% NIY £273 CV psf	£5,160,000 p/Ac
U/O	1-3 Queensway & 12 Imperial Way, Croydon, CRO 4BD	139,664 sq ft	3.42 Ac	1970's	£1,117,312	£8.00	4	Confidential	c.£21,000,000 4.87% NIY £153 CV psf	£6,140,000 p/Ac
Oct-20	Electra Business Park, Canning Town	228,137 sq ft	13.44 Ac	2000's	£3,725,373	£16.33	4	SEGRO	£133,000,000 2.58% NIY £583 CV psf	£9,896,000 p/Ac
Sep-20	Units 1/2 Brent Crescent, 11/13 Brentside Works, Brent, NW10 7XR	63,367 sq ft	2.09 Ac	1970's	£779,600	£12.30	2	Aberdeen Standard Investments	£19,050,000 3.82% NIY £301 CV psf	£9,110,000 p/Ac
Aug-20	Hawkers Yard, Ruislip	47,104 sq ft	1.60 Ac	2020	£0	£0.00	0	M7/Blackstone	£14,250,000 0.00% NIY £303 CV psf	£8,910,000 p/Ac
Jul-20	Pilot Industrial Centre, 5-9 School Road, Park Royal, NW10	42,722 sq ft	1.51 Ac	1980's	£465,000	£10.88	2	Capital Industrial	£15,325,000 2.84% NIY £359 CV psf	£10,180,000 p/Ac
Jun-20	Midpoint, 54 Jeffreys Road, Enfield, EN3 7UA	67,495 sq ft	2.11 Ac	2020	£0	£0.00	0	M7/Blackstone	£15,800,000 0.00% NIY £234 CV psf	£7,490,000 p/Ac
Jun-20	Perivale Park, Perivale	593,000 sq ft	34.00 Ac	1990's	£6,800,000	£11.47	4	SEGRO	£202,500,000 3.50% NIY £341 CV psf	£5,960,000 p/Ac
Apr-20	34-36 Verney Road, Old Kent Road, London, SE16 3DH	9,807 sq ft	0.37 Ac	1970's	£160,000	£16.31	2	M7/Blackstone	£4,600,000 3.25% NIY £469 CV psf	£12,430,000 p/Ac



MONEY LAUNDERING REGULATIONS

In accordance with Anti-Money Laundering Regulations, full disclosure of the proposed purchaser entity and confirmation of the funding source will be required at the time Heads of Terms are agreed.

VAT

The property sale will be treated as a Transfer of Going Concern for VAT purposes.

EPCs

A copy of the available Energy Performance Certificates are in the data room.

DATA ROOM

Access to the marketing data room will be restricted to approved parties and provided only upon request.

PROPOSAL

We are instructed to seek offers for the freehold interest of subject property on the proposed sale structure, subject to contract and exclusive of VAT.



FURTHER INFORMATION

The site operates highly restrictive security, therefore all inspections must be pre-arranged and in accordance with Government guidelines regarding COVID-19.

Please contact any of the Kimmre team below for further information.

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MISREPRESENTATION ACT 1967

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