



SAINSBURY'S DISTRIBUTION WAREHOUSE | BEDFORD

Marsh Leys, Bedford, MK43 9AA


GERALDEVE

INVESTMENT SUMMARY

- A unique opportunity to acquire a **prime distribution warehouse located immediately south of Bedford.**
- Marsh Leys is an excellent warehouse location, with Sainsbury's, Asda and Argos occupying large buildings on the same park.
- Situated adjacent to the A421 dual carriageway, which links to the M1 at J13 approximately seven miles (11 km) to the south west and the A1, 12 miles (19 km) to the north east.
- **462,746 sq ft** (42,990.6 sq m) including an office content of 9%.
- Developed by Gazeley in 2005 to a **high specification including 15m eaves**, with the warehouse benefiting from heating, lighting and sprinkler system.
- Total site area of approximately 22.5 acres, with a site coverage of 44%.
- **Let to the very strong covenant of Sainsbury's Supermarkets Ltd** on a lease expiring on 15 February 2030, with a reversionary lease for a further six years until 24 March 2036, giving a total **unexpired term certain of 15.6 years.**
- The passing rent of **£3,403,323 pa** equates to approximately £7.35 psf. The rent is subject to five yearly reviews linked to annual RPI changes, subject to collar and cap of 2% and 4% pa. The next rent review is on 16 February 2025 and the final rent review is on 16 February 2030.
- **The tenant has committed significant investment into the building and its operations, extensive racking and automated picking systems.** The building is used as the national centre for clothing distribution by Sainsbury's.
- We are instructed to seek offers in excess of **£70,800,000 (£153 psf) providing the following yield profile based on purchaser's costs of 6.79%:**

RPI Assumptions	Current Rent	NIY	2025 Rent	Running Yield	2030 Rent	Running Yield
2% pa min.	£3,403,323	4.50%	£3,757,544	4.97%	£4,148,632	5.49%
RPI Forecast*	£3,403,323	4.50%	£3,942,692	5.21%	£4,570,661	6.05%
4% pa max.	£3,403,323	4.50%	£4,140,663	5.48%	£5,037,749	6.66%

* Based on OBR forecast until 2024 and 3% pa thereafter



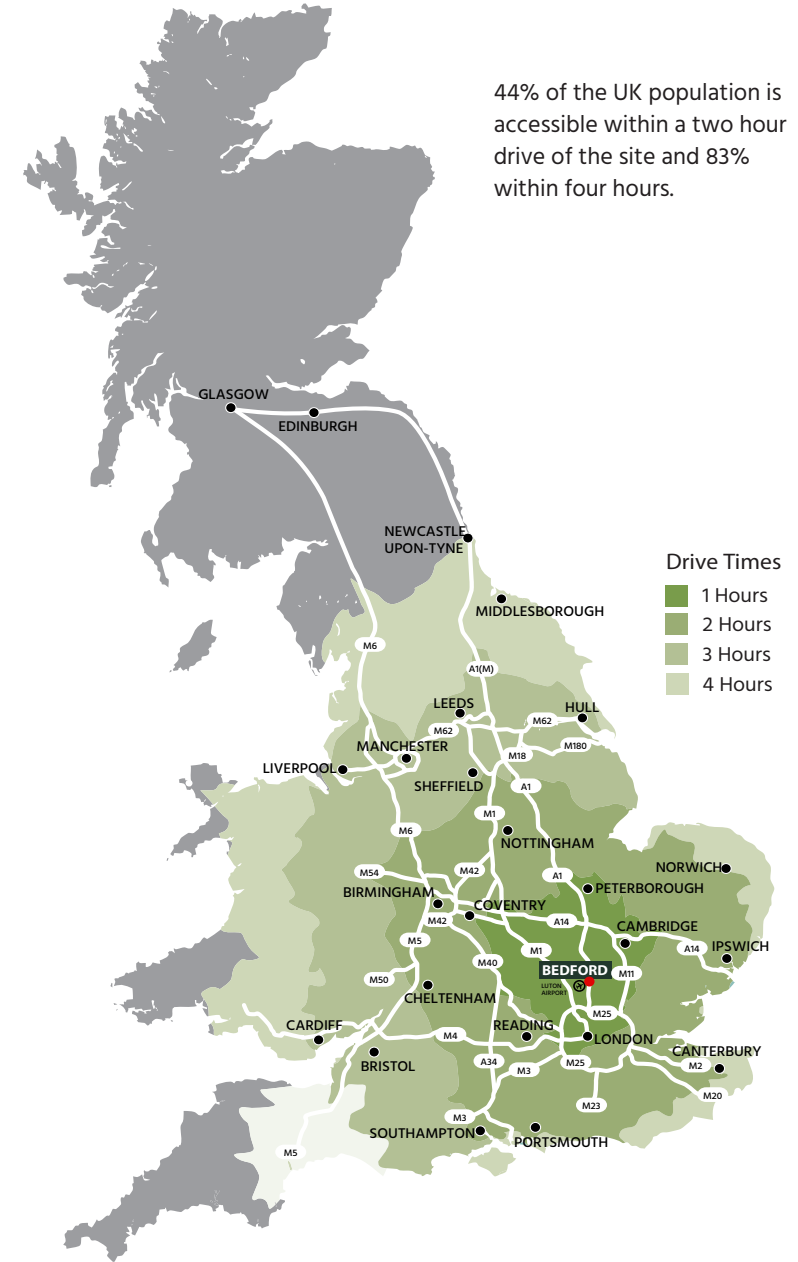
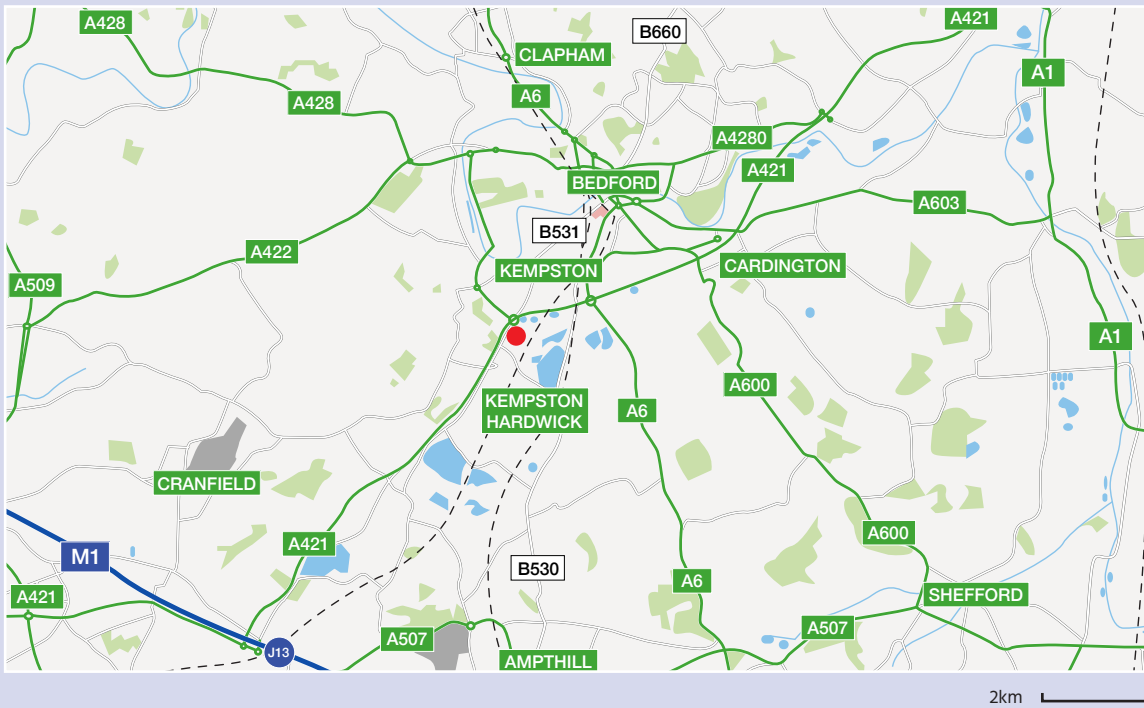


LOCATION

Bedford is the county town of Bedfordshire, located 38 miles north of the M25 and 55 miles north of Central London. Bedford has excellent links to the national and regional road transport network, being served by the A421 which links to the M1 to the south west and A1 to the north east.

Bedford St Johns railway station is approximately 3.7 miles (6 km) north of the property, providing services to London St Pancras; with the fastest journey time of 35 minutes. The station also provides services to Luton Airport Parkway (14 minutes) and Gatwick Airport (1hour 58 minutes) from its Thameslink route.

The East Coast ports of Felixstowe and Harwich are 100 miles east of Bedford via the A14, while Thurrock is 77 miles to the south east via the M1 / A1 and M25.



44% of the UK population is accessible within a two hour drive of the site and 83% within four hours.

SITUATION

The property is well located on Woburn Road within Marsh Leys Business Park, which is an excellent distribution location. Marsh Leys Business Park is situated on the southern side of Bedford, seven miles (11 km) from J13 of the M1 and 12 miles (19 km) from the A1, both via the A421 (dual carriageway).

Bedford is a popular distribution location given its proximity to the regional motorway network and the associated ease of access to London, South East, Midlands and rest of UK.

There is a good local labour source from employees in Bedford, Milton Keynes and Luton.



DESCRIPTION

The property comprises a high-quality distribution warehouse with three storey fully fitted offices. The building is of steel portal frame construction with profile steel cladding to the perimeter and a profile steel clad roof.

The property has substantial external hardstanding providing 128 HGV spaces and 310 Car Parking Spaces. A total of 43 dock levellers and six surface level loading doors are provided on the main loading elevation which has a yard depth of 48m. At the rear of the yard is a HGV wash and fuel station.

Internally, the warehouse has a clear eaves height of 15m and 50 kn/sq m floor loading. The property was let with Landlord's heating, lighting and sprinklers in the warehouse, with racking in situ (with in-rack sprinklers).

The tenant has committed a large amount of capital expenditure on its own fit-out, most recently on a substantial five storey, steel-framed and concrete floored mezzanine, which has an automated storage and picking system with capacity for over 4 million garments.

Sainsbury's have also recently replaced the sprinkler tanks and put measures in place to make the unit COVID-19 compliant for their workforce. In 2019, they spent over £2.5 million on over-cladding the roof demonstrating their long term commitment to this unit.



SITE

The site extends to approximately 22.5 acres (9.1 hectares) with a site cover of approximately 44%. The main HGV yard and warehouse is accessed via a manned security gatehouse via Woburn Road. The site is outlined in red below for **indicative purposes**.





ACCOMMODATION

The building has been measured in accordance with the RICS Code of Measuring Practice, Sixth Edition, and provides a Gross Internal Area as follows:

Accommodation	Sq m	Sq ft
Warehouse	38,995.9	419,748
Warehouse office	478.2	5,147
Ground floor offices	1,011.8	10,891
First floor offices	827.7	8,909
Second floor offices	827.7	8,909
Third floor plant deck	827.7	8,909
Gate house	21.6	233
Total	42,990.6	462,746

The accommodation is finished to a high standard. The main offices have raised floors, suspended ceilings with comfort cooling, double-glazed windows and gas-fired central heating. There is a large staff restaurant on the ground floor, with offices, meeting rooms and training rooms on the upper two floors. Above the offices is a large plant deck, which houses much of the air handling and heating equipment.

TENURE

Freehold.





TENANCY INFORMATION

The property is let to Sainsbury's Supermarkets Ltd from 16 February 2010 to 24 March 2036 (including six year reversionary lease), providing 15.6 years lease term certain. The current passing rent of £3,403,323 pa equates to £7.35 psf.

The rent reviews are linked to RPI subject to minimum and maximum of 2% - 4% pa, compounded five yearly. Therefore, the minimum five yearly rental increase is 10.41% and the maximum is 21.67%. The next rent review is on 16 February 2025, with each subsequent review on the fifth anniversary, the last being 16 February 2030.

The property was let with heating, lighting, sprinklers and racking within the warehouse, which is a very high specification.

The tenant has a right to a renewal lease at expiry of the current term on 24 March 2036 for between 10 and 20 years, subject to giving at least 12 months prior notice. There will be a rent review to Market Rent on the first day of the renewal lease.

RPI FORECAST RENTAL GROWTH

Year	2020	2021	2022	2023	2024 onwards
RPI	2.77%	3.02%	3.07%	3.07%	3.0%

RPI forecasts taken from OBR until 2024 and then assumed at 3% pa thereafter.



COVENANT INFORMATION

The property is let to Sainsbury's Supermarkets Ltd (No. 03261722).

Sainsbury's is the second largest supermarket in the UK with a market share of 16%. Sainsbury's was established in 1869 and currently operates from 608 supermarkets and 807 convenience stores across the UK and facilitates over 250,000 online orders each week. They employ around 161,000 people across the UK and this facility is used as the national centre for clothing distribution by Sainsbury's.

Sainsbury's is also a member of the FTSE 100 and has a Market Cap of c. £4.227 billion.

Dun & Bradstreet rate the covenant as 5A1 which represents a minimum risk of business failure. This is based in part on the following financial results for the last three available years:

	Year 09-Mar-19	Year 09-Mar-18	Year 09-Mar-17
Turnover	£24,030,000,000	£23,606,000,000	£23,234,000,000
Profit (Loss) Before Taxes	£174,000,000	£187,000,000	£342,000,000
Net Assets	£5,838,000,000	£4,712,000,000	£4,498,000,000



OCCUPATIONAL MARKET - ACHIEVED / QUOTING RENTAL COMPARABLES



Liberty 196, Northampton, Brackmills
 197,216 sq ft
 James & James Fulfillment Ltd
 £6.81 psf - achieved (Aug 2020)



Marston Gate, Bedford
 275,000 sq ft
 Rajapack
 £7.25 psf - achieved (Oct 2019)



Magna Park, Milton Keynes
 Altitude 574,258 sq ft
 Amazon
 c. £7.75 psf - achieved (Jun 2019)



Bedford Commercial Park
 407,000 sq ft
 Available
 c. £6.75 psf - U/O to Amazon










Symmetry Park, Biggleswade
 661,000 sq ft
 Co Operative Group
 £7.10 psf - achieved (Feb 2020)



Panattoni Park, Luton
 345,000 sq ft
 Available
 £10.00 psf - quoting

INVESTMENT MARKET

Investor demand for high-quality distribution warehouses remains very strong, particularly in the Southern M1 area which has excellent road links to London, the South East and Midlands, plus major ports at Felixstowe, Harwich and the Thames within a relatively short drive-time. This investor appetite is underpinned by strong occupier demand for large-scale, well-located warehousing fuelled by the growth of internet retailing. Increased occupier demand in a market of short supply and relatively low levels of development has led to strong rental growth in the last cycle, which is forecast to continue given the occupational fundamentals of the sector.

	Property	Date	Tenant	Area (sq ft)	Passing Rent (psf)	Lease Term	Comments	Price	NIY	Purchaser
	Barlborough, Chesterfield	Sep-20	Amazon	500,220	£2,509,050 (£5.00)	13	15 year lease to Amazon Retail Limited from 2018, subject to five yearly CPI linked rent reviews at 1 - 3% pa compounded	£57,300,000	4.10%	Warehouse REIT
	Unit 2, Juno Place, Biggleswade	Jun-20	CEF	115,952	£782,676 (£6.75)	22	Sale and Leaseback RPI linked rent reviews 0-4% pa compounded Following completion of the Transaction the Seller will construct and fund a 98,479 sq ft extension and lease back this extension at £6.75 psf on the same lease terms	£33,700,000	4.16%	Aberdeen Standard
	Next, Sale & Leaseback	Apr-20	Next PLC	1,184,029	£5,715,000 (£4.80)	25	Sale and Leaseback RPI linked rent reviews 2% - 4% compounded Two units	£118,930,000	4.50%	Aviva
	B&M Bedford	Feb-20	B&M	1,090,316	£6,912,285 (£6.50)	20	Sale and Leaseback Forward Commitment CPI linked rent reviews 1 - 3% pa compounded	£153,800,000	4.20%	DEKA
	Panntoni Park, Luton	Oct-19	Delta Electrical	68,610	£737,557 (£10.75)	15	Forward Commitment CPI linked reviews 2.5% - 4% pa compounded	£16,120,000	4.29%	CBREGi
	Gateway, Redditch	Sep-19	Amazon	360,860	£3,558,000 (£9.86)	15	15 year lease to Amazon Retail Limited, subject to five yearly compounded CPI linked rent reviews at 1 - 3% pa compounded	£79,000,000	4.35%	Royal London
	Manton Wood, Worksop	Aug-19	DHL	538,280	£3,033,773 (£5.64)	20	The lease will be subject to 5 yearly rent reviews annually compounded at 2% per annum.	£67,000,000	4.20%	Alpha Real Capital

EPC

The property has an EPC rating of B38. A copy of the certificate is available on the data room.

TOGC & VAT

The property is elected for VAT and it is envisaged that the transaction will be treated as a TOGC.

PROPOSAL

We are instructed to seek offers in excess of **£70,800,000**. A purchase at this level reflects a net initial yield of **4.50%**, assuming standard purchaser costs of 6.79%, and a capital value of **£153 psf**. The RPI-linked rental uplifts provide the following minimum, forecast and maximum running yield:

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AGENTS

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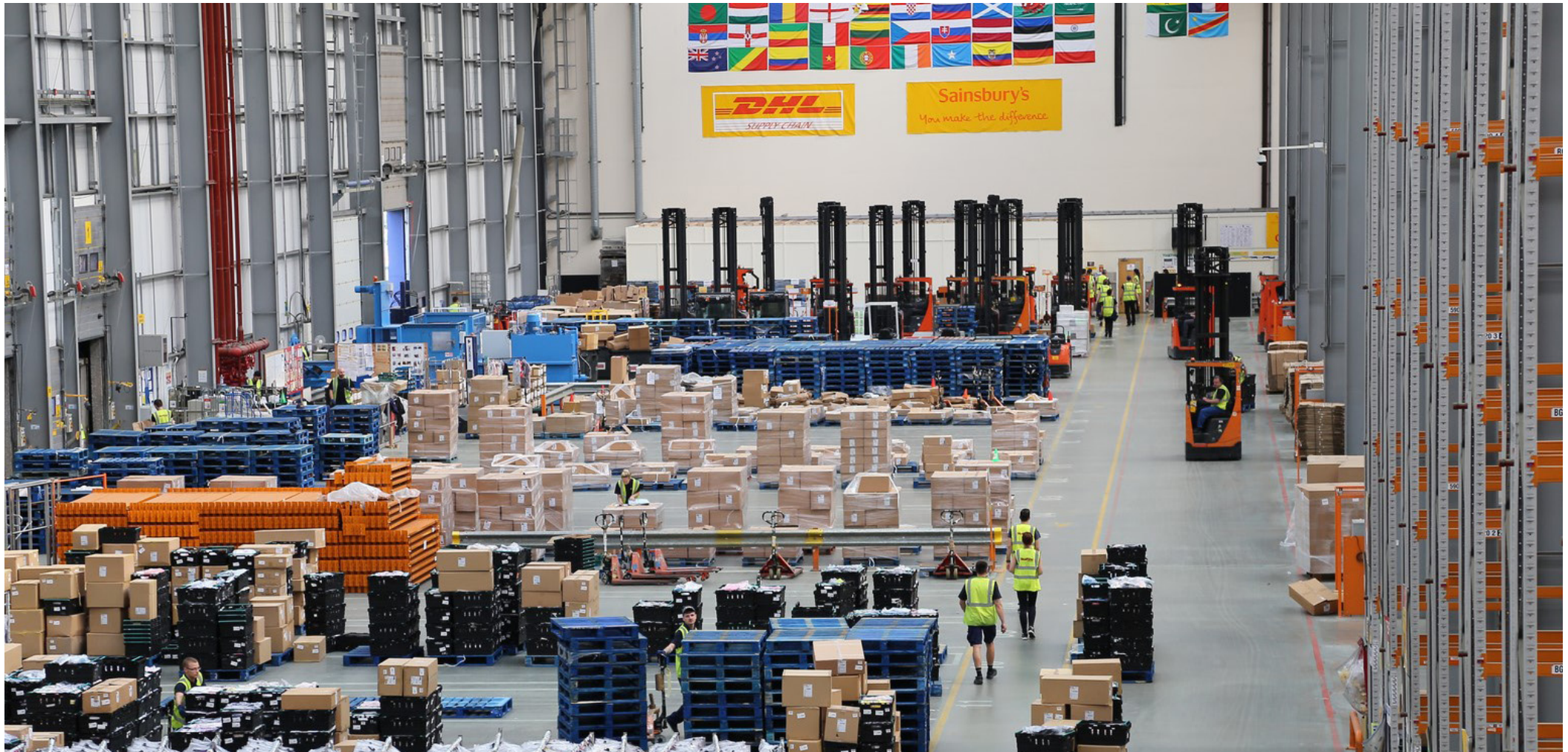
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AN INVESTMENT BY





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