

RDC WAREHOUSE

Springwood Drive, Braintree, CM7 2YN



Reversionary Freehold Warehouse Investment

Investment Summary

- Reversionary Freehold Warehouse Investment
- 353,670 sq ft portal framed warehouse
- 21.5 acre site (38% site cover)
- Let to RD Trading Ltd
- £4.8 million profit, £16.2 million shareholders funds (2014)
- Lease until February 2025
- RPI rent review February 2020
- Current rent £1,000,000 pa - £2.83 psf
- Estimated rental value £1,415,000 pa - £4.00 psf
- Offers in excess of £15,000,000 subject to contract
- Net Initial Yield – 6.25%
- Reversionary Yield (2/2025) – 8.83%





Location

Braintree is located in the county of Essex 10 miles north of Chelmsford, 16 miles east of Bishops Stortford/London Stansted Airport and 40 miles north east of central London.

Braintree had a population of 41,634 people (2011) and is a fast growing commuter town with the population expected to increase by over 20% in the next 20 years as planned residential development completes. There is a regular rail service to London Liverpool Street with a journey time of about 1 hour.

Access by road was greatly improved in 2004 by the upgrading to dual carriageway of the A120 between Braintree and junction 8 of the M11 motorway at Stansted Airport. This road development has led to a new phase of warehouse development in Braintree.

Situation

The Springwood Industrial Estate is located on the western edge of Braintree and is a mixed industrial estate first developed in the 1970s. The property is at the northern end of the estate approximately one mile north of the A120 junction which is accessed via Springwood Drive and Pod's Brook Road.





Description

The property was built in 1990 and comprises a 308,262 sq ft warehouse with adjoining 38,168 sq ft two-storey office building and surrounding car parking, loading and hardstanding. The site area is approximately 21.5 acres.

The warehouse is of steel portal frame construction with a 6 metre eaves height. It has two main warehousing areas which serve the separated goods in and goods out operations, along with various testing areas and other operations relating to its use as an IT hardware recycling facility. Externally there are large loading and hardstanding areas. There is also a vehicle maintenance building which is used for storage and repairs.

The offices provide two floors of air conditioned office space. Each floor is split into four wings in a cross configuration with central staircases. The first floor offices are fitted out with suspended ceilings, carpets and are mainly open plan with some partitioned meeting rooms. The ground floor is sublet to a local NHS trust and is in a more cellular configuration.

Externally there are two large car parks serving the office and warehouse accommodation.



Accommodation

The property has been measured in accordance with the 6th edition of the RICS Code of Measuring Practice as having the following Gross Internal Floor areas:

	sq m	sq ft
Warehouse	28,643.5	308,262
Office	3,546.6	38,168
Maintenance Building	670.0	7,210
	32,860.1	353,670

Site Area

21.5 acres (8.7 hectares).





Tenure

Freehold.

Tenancy

The property is let to R D Trading Ltd for a term of 10 years expiring on 2 February 2025 at an initial rent of £1,000,000 per annum. The rent is reviewed on 2 February 2020 in an upwards only direction to the initial rent indexed by the Retail Price Index.

The tenant shall keep the property in good repair and condition but in no better state than it was at the date of the lease as evidenced by the Schedule of Condition.

The lease is guaranteed by Arrow Global Asset Disposition Inc. incorporated and registered in Delaware, USA.



Income

£1,000,000 per annum.

Covenant

The tenant, RD Trading Ltd, reported the following results for the last 3 years:

	Y/E 31.12.15	Y/E 31.12.14	Y/E 31.12.13
Turnover	£55,580,032	£57,937,145	£54,652,737
Profit before Tax	£1,131,749	£4,807,269	£3,672,501
Shareholders' Funds	£17,298,915	£16,240,698	£12,512,028

The principal activity of the company is the provision of end-of-life IT asset management services including remarketing, redeployment, recycling and computer disposals.

The directors recorded the following in the 31 December 2015 accounts:

"2015 was a significant year in the development of the business as it was acquired by Arrow Electronics in February...There were costs associated with the acquisition and subsequent restructuring which had an adverse effect on earnings for the year, but leaves RDC well placed for a recovery in profits in 2016"



Rental Value

Due to a lack of development and a significant take up of existing space there is a shortage of available warehousing space in Braintree. This has led to rising rents and reduced rent free periods.

The largest recent letting on the Springwood Estate is of 2 Elliot Drive which was built in the early 1980's and provides 55,450 sq ft of warehousing and ancillary offices on a 2 acre site. It was let in January 2015 on a ten year lease at a rent equating to £3.60 per sq ft. £8.00 per sq ft has been achieved on a recent letting of a modern 5,000 sq ft unit on the estate.

We consider the rental value of the warehouse to be at least £4 per sq ft - £1,415,000 per annum.

EPC

The warehouse has an EPC rating of E121. Further information and certificates are available on request.



Proposal

We are seeking offers in excess of £15,000,000 (fifteen million pounds) subject to contract for the freehold interest. A purchase at this price would show a net initial yield of 6.25% after purchasers costs of 6.73% and a reversionary yield of 8.83% based on our rental value.

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