

FREEHOLD WAREHOUSE INVESTMENT

Halesfield 11, Telford, TF7 4LZ



CeDo Production Facility

Investment Summary

- Freehold Warehouse Investment
- 183,450 sq ft high bay warehouse
- 8.2m rising to 19.2m eaves height
- 10.2 acre site (41% site cover)
- Let to CeDo Ltd
- CeDo Ltd have been in occupation for over 30 years
- £3.5 million profit, £33.7 million shareholders' funds (12/2015)
- 10 year lease from 14 June 2016
- Annual 2% rent increase
- Tenant break on 14 June 2021
- Estimated cost to tenant of break £890,000
- Current rent £612,000 pa - £3.36 psf
- Offers in excess of £6.5 million subject to contract
- Net Initial Yield – 8.82 %
- Reversionary Yield (6/2025) – 10.34%





Location

Telford is a large town in the county of Shropshire located 15 miles to the east of Shrewsbury and 27 miles North West of Birmingham city centre.

The town has a population of around 155,000 and is the largest town in Shropshire and one of the fastest growing towns in the United Kingdom. It is a new town, named after engineer Thomas Telford, and was built under the guidance of the Telford Development Corporation between the mid 1960's and late 1980's.

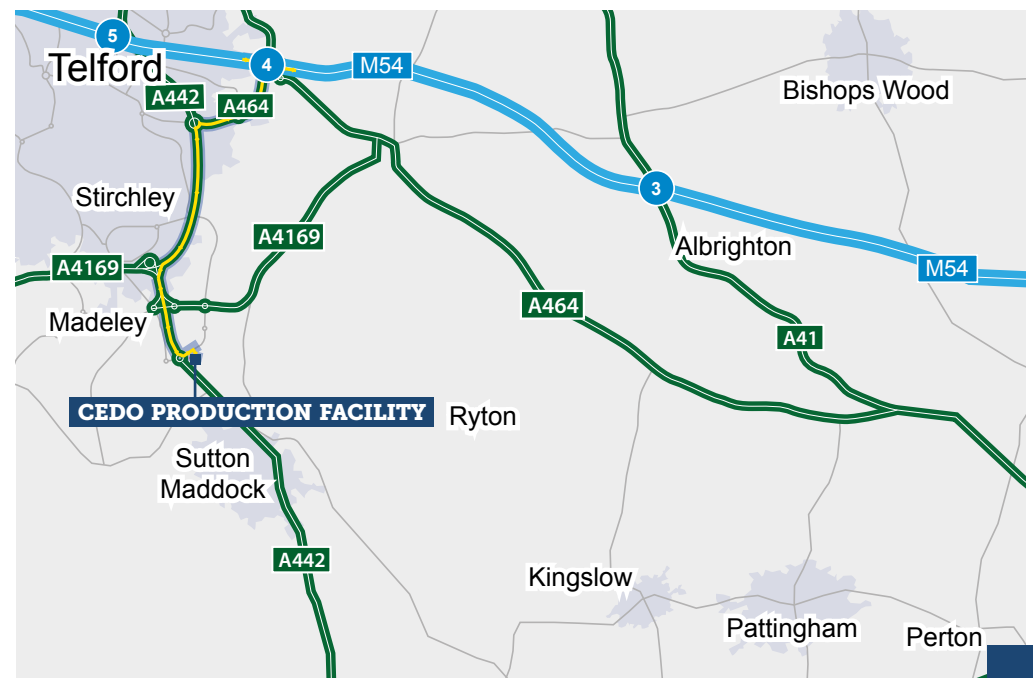
The town is served by rail from Telford Central Station where trains run to Birmingham New Street every half an hour with a fastest journey time of 37 minutes. There is also a twice daily direct service to London Euston with a 2 hour 12 minute journey time.

Access by road is via the M54 motorway which links the town to junction 10A of the M6 motorway 16 miles to the east.

Situation

The Halesfield Industrial Estate is located to the south east of the town and is the largest estate in Telford.

The subject property is on Halesfield 11 and benefits from direct dual carriageway access via the A442 and A464 to junction 4 of the M54 motorway 3 miles to the north.



Description

The property was built in two phases with the offices and main production area built in the 1970's and the rear high bay warehouse built in the early 1990's.

The property comprises an 88,000 ft² production building with a 13.5m (44ft) eaves height central section and two flanking 8.2m (27ft) eaves height sections. It is used for manufacturing plastic products and production lines for rolling, separating and packaging.

The warehouse building comprises a 38,000 ft² very high bay area with a 19.2m (63ft) eaves height which is fully racked and a 23,000 ft² high bay area with an 11m (36ft) eaves height which is part racked and part used as a loading platform.

The warehouse could be used as a cross docked facility with large loading yards at each end, though the tenant does not use it in this configuration.

There is a two storey office building along the northern elevation which is fully occupied with Cedo Ltd's head office functions.



Accommodation

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

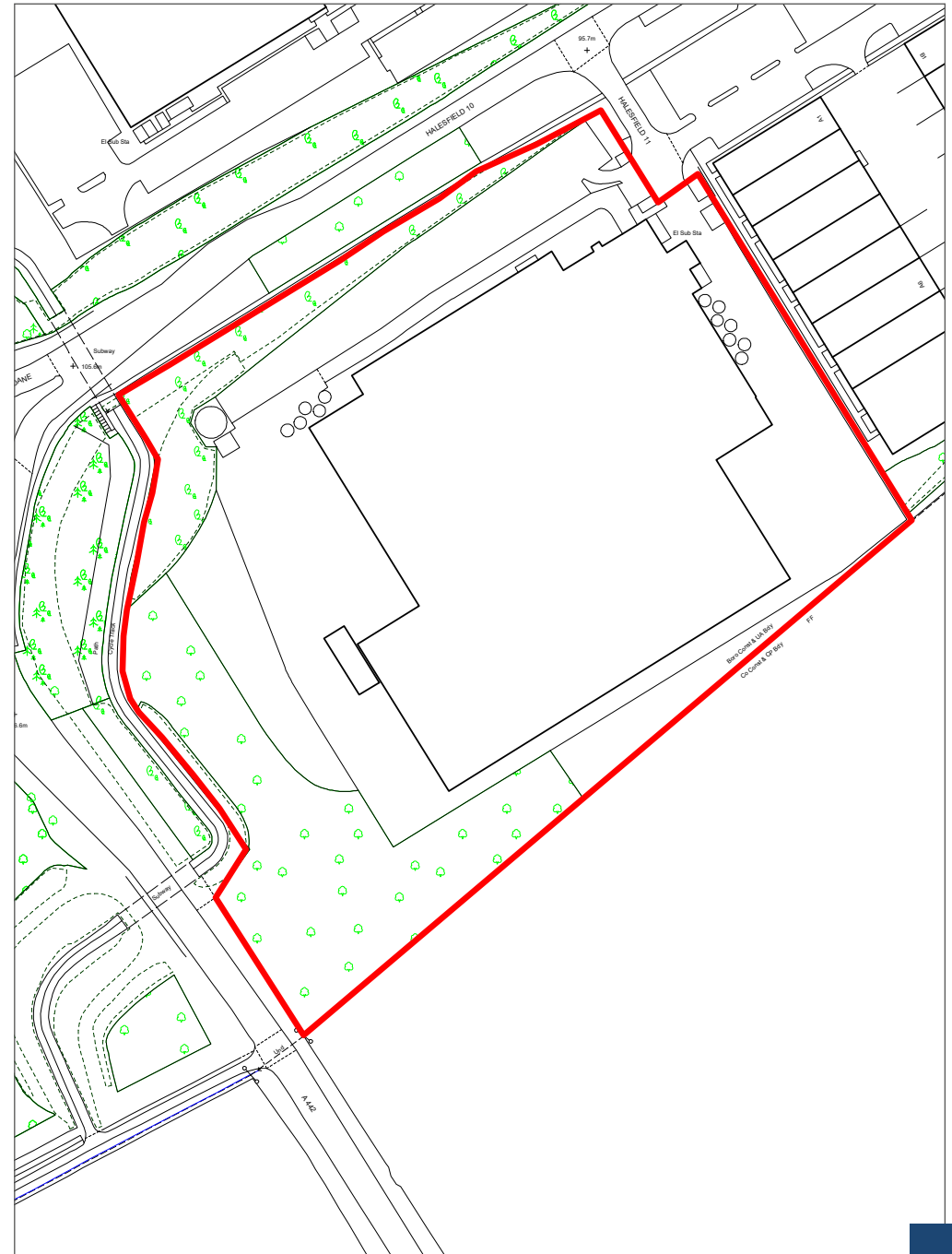
		sq m	sq ft
Main Production Building	Ground Floor	8,207.1	88,325
	Mezzanine	720.0	7,749
Connecting Building		1,374.0	14,787
High Bay Warehouse		5,892.2	63,424
Offices		851.6	9,165
		17,044.9	183,450

Site Area

10.2 acres (4.1 Hectares).

Tenure

Freehold.



Tenancy

The property is let to Cedo Ltd for a term of 10 years from 14 June 2016 until 13 June 2026 at a current passing rent of £612,000 per annum. The rent is increased by 2% annually on the 14 June. There is a zero rent period between 14 June 2021 and 13 June 2022.

Tenant Break

The tenant has an option to break on 14 June 2021 on not less than 12 months notice, subject to reinstatement preconditions. The estimated cost of compliance with these preconditions is £890,000. Further information available.

Covenant

The tenant, Cedo 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	£97,483,000	£93,078,000	£94,914,000
Profit before tax	£3,461,000	£5,932,000	£6,798,000
Shareholders' Funds	£33,670,000	£36,090,000	£31,489,000

Cedo is the largest manufacturer of own label and branded household disposables in Europe.

Cedo household products include food and freezer bags, cling films, aluminium foil, bin liners, refuse sacks, hygiene disposal and bio-degradable bags. The Telford factory employs over 400 people on a three shift, 24 hour production program.



Income

Date	Rent	Yield
14 June 2017	£612,000 per annum	8.82%
14 June 2018	£624,240 per annum	9.00%
14 June 2019	£636,725 per annum	9.17%
14 June 2020	£649,459 per annum	9.36%
14 June 2021	a peppercorn	0.00%
14 June 2022	£675,697 per annum	9.75%
14 June 2023	£689,711 per annum	9.94%
14 June 2024	£702,995 per annum	10.14%
14 June 2025	£717,055 per annum	10.34%
Average	£589,709 per annum	8.50%

Rental Value

The current lease was agreed in June 2016 on a rising rent that averaged £3.21 per sq ft over the term of the lease. Due to a lack of development and take up of existing space there is a shortage of available warehousing space in Telford.

We consider the property rack rented at the passing rent and that there is good potential for rental growth.

EPC

The property has an EPC rating of F147. We are advised that this can be improved to a D79 rating by removing the mezzanine and upgrading lighting to T8 lamps in the warehouse.



Proposal

We are seeking offers in excess of £6,500,000 (six million five hundred thousand pounds) subject to contract for the freehold interest. A purchase at this price would show a net initial yield of 8.82% after purchase costs of 6.64%, a reversionary yield of 10.34% in 2025 and an average yield of 8.50% over the term of the lease.

Contact

JAMES
BOATMAN

Chartered Surveyors

21 Woodstock Street, London W1C 2AP

020 7409 0409

James Boatman

020 7409 0409

james@jamesboatman.co.uk

