

14-22

LANDS LANE

LEEDS LS1 6LB



FOR SALE

PRIME SECURELY-LET LEISURE INVESTMENT

**Lambert
Smith
Hampton**

Investment in Leeds
14-22 LANDS LANE

Investment Summary

- Prime, securely let leisure investment located in one of the most active retail centres in the UK
- Situated on one of the busiest pedestrianised pitches in Leeds city centre
- Freehold
- Fully let to two undoubted tenants; Azzurri Restaurants Limited and Costa Limited (both D&B 5A1 rated covenants), at a rent passing of £320,000 per annum
- Strong income security, providing a WAULT to expiry of 18.0 years (12.5 years to break)
- Rebased rents equating to £138 per sq ft ITZA average, providing an excellent platform for rental growth
- The upper floors comprise a recently completed 94 bed easyHotel sold off on a long peppercorn lease. This provides a captive customer base for the leisure units
- Offers sought in excess of **£5,720,000**, reflecting a net initial yield of **5.25%** after purchaser's costs of 6.62%





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Location

Leeds is the third largest city in the UK with a population of approximately 770,000 people and a total workforce of almost two million. Situated at the geographical heart of the Northern Powerhouse, the Leeds city region is the largest economy outside of London and one of the most diverse, with the traditional strength of the financial and professional services industries complementing manufacturing and digital expertise.

Retail expenditure in Leeds is ranked fifth nationally, with over 640,000 people claiming the city as their primary shopping destination. As the most affluent catchment in the Yorkshire region Leeds has attracted best in class retail occupiers, generating high footfall and encouraging growth within the retail core.

Transport connectivity to Leeds is excellent. Leeds City Station is the UK's second busiest with over 900 trains and 50,000 passengers per day, providing a fastest journey time to London Kings Cross around 2 hours. The city benefits from proximity to the M1, M62 and A1(M), allowing easy road access to all major UK cities.

International communications are provided by Leeds Bradford Airport approximately 8 miles to the north west of the city centre, servicing over 3 million passengers per year.

640,000 people claim Leeds as their primary shopping destination

Situation

The subject property is situated approximately 20 metres north of the junction of Lands Lane and Albion Place, on a high footfall, pedestrianised pitch typified by strong retail and leisure occupiers including Snow & Rock, The Body Shop and the Levi's Store, alongside high street leisure brands such as Pizza Express, Byron Burger and ITSU.

Lands Lane is the principal thoroughfare linking the Headrow to the Trinity Shopping Centre, generating significant footfall, with main entrances to the Core Shopping Centre and the Queens Arcade. The southern stretch of the street widens substantially on the approach to Albion Place, creating a popular outdoor communal area enjoyed by shoppers and workers alike.

The subject property provides active retail frontages with outdoor seating visible from the Trinity Shopping Centre. This complements the already thriving street scene and strength of the pitch.

Lands Lane is the principal thoroughfare linking the Headrow to the Trinity Shopping Centre, with main entrances to the Core Shopping Centre and the Queens Arcade





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Description

The subject property comprises a five storey mid-terraced mixed-use block. The building is of steel frame construction with a traditional masonry envelope and surmounted by a pitched and hipped roof with tile covering.

The ground floor leisure units feature fully glazed frontages and benefit from high quality internal fit outs commensurate with the standard expected of national leisure operators.

The upper parts of the property are sold off on the basis of a 250 year lease at a peppercorn rent and have been comprehensively refurbished to hotel use under the easyHotel brand, which provides stress-free stays for budget conscious travellers. The easyHotel concept is focussed solely on accommodation provision, offering a complimentary service to the leisure elements of the property and creating a captive customer audience within the building.



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Accommodation

The property provides 9,447 sq ft (877.57 sq m) Net Internal Area as detailed in the schedule below:

Tenants	Unit	Area		Area ITZA	
		SQ FT	SQ M	SQ FT	SQ M
Ask	Ground	2,853	265.01	1,270	117.96
	Basement	4,026	374.00		
Costa	Ground	2,568	238.56	1,054	97.96
TOTAL		9,447	877.57	2,324	215.92

Tenure

Freehold.



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Tenancy

The property is let on Effective Fully Repairing and Insuring terms as detailed below:

Tenant	Rent pa	Rent ITZA	Lease Start Date	Lease Expiry	Break	Comment
Azzurri Restaurants Limited	£175,000	£138	25/06/2018	24/06/2043	25/06/2033	Five yearly OMR reviews
Costa Limited	£145,000	£138	02/07/2018	01/07/2028	-	Five yearly OMR reviews
TOTAL	£320,000					

* The upper floors have been sold off on the basis of a 250 year long leasehold at a peppercorn rent.

The **Azzurri Group** are the market leader in the Italian casual dining sector, operating the Ask, Zizzi and Coco di Mama brands. The group employs close to 6,000 staff across 260 sites in the UK, serving an average of 15 million meals per year. Following double-digit turnover growth in the last accounting period, The Azzurri Group are focussed on further expansion to drive new revenues.

Costa are the most popular branded coffee chain in Europe, with over 2,400 UK locations and outlets in 31 overseas markets. The out of home coffee market is worth £6.3Bn per year in the UK alone, with exceptional growth opportunities elsewhere; particularly China, where Costa is seeking to triple its market share. The strength of the Costa brand in a continually growing sector has been recognised by Coca-Cola, who have agreed to buy Costa from parent company Whitbread PLC, with the deal valuing Costa at £3.9Bn.

We have detailed key financial information for the tenants in the table below:

Tenant Name	Year End	Turnover	Pre Tax Profit	Shareholder's Funds	D&B Rating
Azzurri Restaurants Limited	02/07/17	£249.25M	£19.29M	£76.12M	5A1
	26/06/16	£226.64M	£17.63M	£60.45M	
	28/06/15	£217.67M	£17.36M	£45.59M	
Costa Limited	02/03/17	£886.37M	£103.39M	£628.99M	5A1
	03/03/16	£835.04M	£117.49M	£545.35M	
	26/02/15	£735.97M	£127.22M	£449.55M	



Image courtesy of Costa



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Market Overview

The retail offer within Leeds is recognised as one of the most active markets in the UK, with a leading reputation for fashion, leisure and tourism. The Harper Dennis Hobbs 2017 Vitality Index ranks Leeds as the 5th largest UK retail market with a spend potential of £3.18Bn per annum.

Despite the strength of the sector, Leeds has a comparably low Zone A rent rank of 28th in a system where rents generally reflect quantum scale, offering opportunities for growth in core areas. The October 2016 PMA Town Centre Retail analysis ranks Leeds top for non-food retail and fashion.

The prime retail rent in Leeds is currently circa £265 per sq ft ITZA and the newly-agreed rents within the subject property, equating to £138 per sq ft ITZA, provide an excellent platform for growth.

We consider the following rental comparables to be relevant:

Occupier/Address	Rent/sq ft	Date
TUI, 2-4 Lands Lane, Leeds	£100,000 pa c. £150 psf ZA	TBC
Trespass, 15 Commercial Street, Leeds	£140,000 pa £149.25 psf ZA	Feb 2018
Virgin Media, 3 Commercial Street, Leeds	£82,000 pa £141.00 psf ZA	Feb 2018
Clarks, 34-35 Commercial Street, Leeds	£300,000 pa £200.00 psf ZA	Dec 2016 (rent review)
Oliver Bonas, 50 Albion Street, Leeds	£92,500 pa £118.66 psf ZA	Feb 2016

Leeds is ranked as the 5th largest UK retail market with a spend potential of £ 3.18Bn per annum

Investment Market

The Yorkshire commercial property investment market grew at a faster pace than the wider Northern Powerhouse in the first half of 2018. Investment volume of £523M is the highest volume recorded for almost three years and is up 32% year-on-year.

Retail activity accounted for 15% of this volume at £82M, with securely let stock in sustainable, core city centre locations maintaining investor demand. The number

of active retail specific requirements has increased over the last 12 months, as the market recognises positive momentum in consumer spending drivers such as wage growth and employment. Entertainment spending posted year-on-year growth of 10.3% in August 2018, following record results earlier in the summer (Barclaycard).

We have identified the following transactions which we regard as comparable to the subject property:

Property	Description	Tenancy	Price / Yield / Date
54-55 Briggate	Return frontage unit on corner of Briggate and Commercial Street	Fully let to H Samuel jewellers until September 2022 at a rent passing of £320,000 pa	£5.8M 5.18% January 2018
28-29 Albion Place	Prominent return frontage unit with external seating on corner of Lands Lane and Albion Place	Fully let to Pret a Manger until March 2022 at a rent passing of £185,000 pa	£3.671M 4.73% May 2016
88-91 Briggate	Grade II Listed retail unit arranged over basement and four upper floors	Fully let to Carphone Warehouse with 4.5 years to break. Rent passing £155,000 pa	£2.95M 4.97% March 2016
7 Commercial Street	Mid terraced retail unit on prime pitch	Fully let to KRM Trading (Ecco Shoes) with c. 4.5 years to break at a rent passing of £100,000 pa	£1.85M 5.11% February 2016

EPC

Available on request.

VAT

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

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Entertainment spending posted year-on-year growth of 10.3% in August 2018

Proposal

We are instructed to seek offers in excess of **£5,720,000 (Five Million, Seven Hundred and Twenty Thousand pounds)** subject to contract and exclusive of VAT. A purchase at this level reflects a Net Initial yield of **5.25%** after deduction of purchaser's costs at 6.62%

Further Information

For further information or to arrange a viewing please contact:

Luke Symonds

DD: **0113 887 6705**

E: **lsymonds@lsh.co.uk**

Scott Gemmell

DD: **0161 242 8001**

E: **sgemmell@lsh.co.uk**

Ben Roberts

DD: **0161 242 8002**

E: **broberts@lsh.co.uk**

**Lambert
Smith
Hampton**

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