High yielding multi-let industrial investment

Units 2, 3, 6, 9, 10 and 4A-4F Grange Road, Houstoun Industrial Estate, Livingston EH54 5DE

January 2015

Offers in excess of £1,417,000
12.50% Net Initial Yield

*Aerial boundaries are indicative only
Investment summary

- Multi-let industrial holding
- 2 terraces (6 units)
- 3 solus units
- 2 solus units which have been sold off on a long leasehold basis
- Gross Internal Area of 4,198.62 sq m (45,195 sq ft) excluding the long leasehold units.
- Established industrial location with excellent accessibility.
- Strong tenant mix with approximately 83% of income secured to global/national corporates.
- Passing rent of £187,421 p.a. exclusive (including vendor rent top up).
- Various asset management opportunities.
- 4.10 years Weighted Average Unexpired Lease Term.
- Offers in excess of £1.417m.
- Attractive Net Initial Yield of 12.50%.
- Low capital rate of only £31.36 per sq ft.
Location

Livingston is located in the heart of central Scotland and is arguably one of the country’s most successful former New Towns. It has a population of approximately 50,000 and a catchment in excess of 700,000. Livingston is located just 15 miles from Edinburgh and 30 miles from Glasgow. It lies adjacent to the M8 motorway and benefits from excellent access to both the M8 and the wider Scottish motorway network. Edinburgh International Airport lies within 15 minutes’ drive time to the east, with Glasgow Airport being approximately 45 minutes to the west. Due to its accessibility, Livingston is a popular location for a variety of businesses and industries.

Houstoun Industrial Estate is Livingston’s most established and successful industrial location due to ease of access and close proximity to Junction 3 of the M8 motorway. Grange Road is located in the centre of the estate, just off Houstoun Road, the main route servicing Houstoun. Houstoun Industrial Estate is characterised by a good provision of larger industrial units. The subjects offer smaller, easily accessible units and in this respect there is minimal competition from other estates within Houstoun. Units 4A - 4F occupy a prominent corner site with direct access from Grange Road, whilst Units 2, 3 and 9 are approached from Grange Road via short estate roads.

Description

Units 4A - 4F comprise 6 units within two terraces arranged around a shared yard with ancillary parking. The units are of steel frame construction with rendered brickwork external walls, surmounted by pitched profile metal sheet roofing incorporating translucent panels. Vehicular access is via metal roller shutter doors. The 6 units range in size from 5,195 sq ft to 6,545 sq ft. The total accommodation extends to approximately 35,863 sq ft.

Units 2, 3 and 9 are solus units which form part of a wider estate comprising a complex of small units. The units are of steel frame construction with rendered concrete walls, corrugated roofs and roller shutter access doors. The units range in size from 2,538 sq ft to 4,240 sq ft. The total accommodation extends to approximately 9,332 sq ft.

Units 6 and 10 (hatched blue) are included in the heritable interest but have been sold on a long leasehold basis at a peppercorn rent.
1. Iron Mountain
2. DHL
3. Keuhne & Nagel
4. Paterson Airani
5. Mitsubishi
6. New Houstoun Business Park
7. API Fails
8. Transcal
9. Hertz
10. Mitsubishi
11. SCA Foam
12. Orchard Timber Products
13. Alliance Healthcare
14. NishaEnterprises
15. VOSA
16. City Electrical Fairs

Glasgow (30 miles)
Edinburgh (15 miles)

Units 4A – 4F
Tenure

Heritable (Scottish equivalent of English freehold). Two units have been sold on a long leasehold basis.

The property for sale represents the residual interest of a large holding at Houstoun Industrial Estate. The title boundary extends significantly beyond the subject units but roads and footpaths have been adopted by the local authority. There are a number of verges and small parcels of land which have not been sold off previously or adopted which will form part of this sale. A detailed PDF title plan extract and roads adopted plan can be provided on request and will be made available in the data room.

<table>
<thead>
<tr>
<th>Description</th>
<th>Area (sq ft)</th>
<th>Tenant Name</th>
<th>Lease Start</th>
<th>Next Rent Review</th>
<th>Break Options</th>
<th>Expiry Date</th>
<th>Unexpired Term (years)</th>
<th>Rent (p.a.)</th>
<th>Rent (psf)</th>
<th>Percentage of Income</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Grange Rd</td>
<td>4,240</td>
<td>Stehlin Hostag Ink UK Ltd</td>
<td>28/11/1992</td>
<td>28/11/2012</td>
<td>27/11/2017</td>
<td>3.28</td>
<td>£20,000</td>
<td>£4.72</td>
<td>10.67%</td>
<td></td>
<td>Interim dilapidations have been served on the tenant.</td>
</tr>
<tr>
<td>3 Grange Rd</td>
<td>2,554</td>
<td>VACANT (Vendor Guarantee)</td>
<td>Date of sale</td>
<td>12 months from date of sale</td>
<td>1.00</td>
<td>£11,493</td>
<td>£4.50</td>
<td>6.13%</td>
<td>Vendor guarantee @ £4.50 psf for 12 months.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Grange Rd</td>
<td></td>
<td>Holland House Electrical Company Ltd</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sold off on a long leasehold basis at a peppercorn rent. Lease expiry is 28 August 2092.</td>
<td></td>
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<tr>
<td>9 Grange Rd</td>
<td>2,538</td>
<td>Belfor (UK) Ltd</td>
<td>18/03/1991</td>
<td>18/03/2011</td>
<td>27/02/2016</td>
<td>1.53</td>
<td>£11,000</td>
<td>£4.33</td>
<td>5.87%</td>
<td>Interim dilapidations have been served on the tenant. Schedule of condition attached to the lease.</td>
<td></td>
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<tr>
<td>10 Grange Rd</td>
<td></td>
<td>Heating Appliances &amp; Spares Ltd</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sold off on a long leasehold basis at a peppercorn rent. Lease expiry is 27 February 2089.</td>
<td></td>
</tr>
<tr>
<td>4a Grange Rd</td>
<td>5,195</td>
<td>Cable and Wireless UK Ltd</td>
<td>07/12/1998</td>
<td>07/12/2013</td>
<td>06/12/2023</td>
<td>9.30</td>
<td>£22,000</td>
<td>£4.23</td>
<td>11.74%</td>
<td>Schedule of condition attached to the lease.</td>
<td></td>
</tr>
<tr>
<td>4b Grange Rd</td>
<td>5,282</td>
<td>VACANT (Vendor Guarantee)</td>
<td>Date of sale</td>
<td>12 months from date of sale</td>
<td>1.00</td>
<td>£21,128</td>
<td>£4.00</td>
<td>11.27%</td>
<td>Vendor guarantee @ £4.00 psf for 12 months.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4c Grange Rd</td>
<td>5,252</td>
<td>Kuehne &amp; Nagel</td>
<td>15/07/2010</td>
<td>28/09/2018</td>
<td>4.11</td>
<td>£23,300</td>
<td>£4.44</td>
<td>12.43%</td>
<td>Rent charged at 50% (£11,650) until 13/03/2015. Vendor will top up the rent shortfall. Schedule of condition attached to the lease.</td>
<td></td>
<td></td>
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<tr>
<td>4d and 4e Grange Rd</td>
<td>13,589</td>
<td>Howden Joinery Properties Ltd</td>
<td>05/08/2002</td>
<td>20/02/2020</td>
<td>5.51</td>
<td>£52,000</td>
<td>£3.83</td>
<td>27.75%</td>
<td>5 year extension recently agreed, rent free until 20/10/2015. Vendor will top up rent shortfall.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4f Grange Rd</td>
<td>6,545</td>
<td>Ipex Investments Ltd</td>
<td>10/10/2014</td>
<td>30/09/2019</td>
<td>4.92</td>
<td>£26,500</td>
<td>£4.05</td>
<td>14.14%</td>
<td>Trading as Capital Vending. Rent free until 14 May 2015. “Schedule of condition attached to the lease. Vendor will top up the rent shortfall.</td>
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**TOTALS:** 45,195

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**Average Lease Term:** 3.53

**Average Rent:** £187,421

**Percentage of Income:** 100.00%

(WAULT 4.10 years)
Tenant Covenants

Stehlin Hostag Ink UK Ltd (Company Number: 01631839) is part of the hubergroup; a global printing ink company. Stehlin Hostag Ink UK Ltd has 4 sites across the UK and service over 30% of the UK commercial packaging industry. As of 31st December 2013 the company reported a turnover of £33.29m, pre-tax profit of £87,671, net assets of £3.37m and total assets of £10.29m. For further information please see www.stehlin.co.uk.

Belfor (UK) Ltd (Company Number: 01369726) is part of Belfor Holdings; a leading disaster recovery and property restoration business specialising in fire, water and storm damaged property. They have 300 offices around the world covering 21 countries. As of 31st December 2013 the UK company reported a turnover of £10.16m, pre-tax loss of £2.44m, net assets of £-7.95m and total assets of £4.52m. For further information please see www.belfor.com.uk.

Cable and Wireless UK Ltd (Company Number: 01541957) is now known as Cable and Wireless UK (the unit is branded as Virgin Media) which is a leading telecommunications company in the UK. As of 31st March 2014 the company reported a turnover of £4.00bn, pre-tax loss of £201m and net assets of £933m. For further information please see www.virginmedia.com.

Kuehne and Nagel Limited (Company Number: 01722216) is a global logistics company with a 120 year history. They have over 1000 offices in 100 countries. As of 31st December 2013 the company reported a turnover of £1.11bn, pre-tax profit of £24.66m and total assets of £52.19m. For further information please see www.kuehne-nagel.com.

Howden Joinery Properties Ltd (Company Number: 05656171) is part of Howden Joinery Ltd; a leading kitchen and joinery manufacturer and supplier in the UK. As of 28th December 2013 the company reported a turnover of £36.25m, pre-tax profit of £721,000, net assets of £361,861 and total assets of £966,765. For further information please see www.howdens.com.

Ipex Investments Ltd (Company Number: 0626594) t/a Capital Vending is a successful vending company with a 29 year trading history. They provide vending solutions to a wide range of businesses and public facilities across the UK. As of 30th June 2013 the company reported a cash position of £58,373, net assets of £361,861 and total assets of £966,765. For further information please see www.capitalvending.co.uk.

Dun & Bradstreet reports for each of the tenants are available on request.
Accommodation
The accommodation (excluding units 6 and 10) extends to a Gross Internal Area of approximately 4,198.62 sq m (45,195 sq ft). Individual unit sizes are provided in the tenancy schedule.

Service charge
A service charge is in place to maintain and manage the common areas of Units 4A-4F. We understand the service charge currently equates to £0.48 sq ft. Additional details can be provided on request. There is no service charge applicable to Units 2, 3 and 9.

Planning
The estate is within the Employment Area boundary of the adopted West Lothian Local Plan (Policies EM 5-6).

VAT
The property has been elected for VAT purposes and VAT is charged on the rent. VAT is payable over and above the purchase price however we envisage that any sale will be conducted by way of a Transfer of a Going Concern (TOGC).

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Capital allowances
No capital allowances are available.

EPC
EPC ratings range from D to G. EPC’s are available on request.

The Scottish industrial market
Accommodation on Grange Road meets the demand of the most active portion of the Scottish industrial market. As businesses have adjusted to challenging economic conditions, overall take up of industrial space has generally declined however, 85% of industrial space left remains second hand stock and a high proportion of this is for units under 5,000 sq ft.

In 2013, all UK industrial property returned 13.20% (2012: 3.00%, 2011: 7.30%). Scotland provided total returns of 10.60% in 2013 (2012: 3.30%, 2011: 6.90%) (Source: IPD). Scotland industrial property has also performed well in the medium to long term. The UK industrial property sector total return for the last 10 years (annualised year on year) is 6.00% with Scotland providing a total return of 6.50%.

Opportunities and asset management
• Low capital rate of £31.36 per sq ft which is significantly below construction cost and site value.
• Attractive net initial yield with minimal non recoverable costs.
• 100% vacant rates relief applicable on vacant units under current legislation.
• Numerous active management opportunities including the enhancement of the current income stream through lease extensions and new lettings as well as individual unit sales.

Data room
An online data room will be made available to seriously interested parties which will include relevant lease, title and management information.

Proposal
We are instructed to seek offers in excess of £1,417,000 exclusive. A purchase at this level would reflect a Net Initial Yield of 12.50% and equate to a low capital rate of only £31.36 per sq ft.

Further Information
Viewing is by appointment only.

For further information regarding this opportunity please contact:

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