

PRIME INVESTMENT OPPORTUNITY

BP Forecourt, Budgens C-Store & Subway Outlet

The Square • Chalfont Way • Lower Earley • Reading • Berkshire • RG6 5HJ

Barber Wadlow

Fuel and Automotive Property Advisers



- Prime BP forecourt and Budgens c-store with Subway outlet
- 20-year lease to Petrogas Group UK Limited, providing a term certain of circa 12 years
- Rent reviews every five years linked to RPI, subject to min. increase of 5% and max. increase of 15%
- Upcoming rent review in May 2023

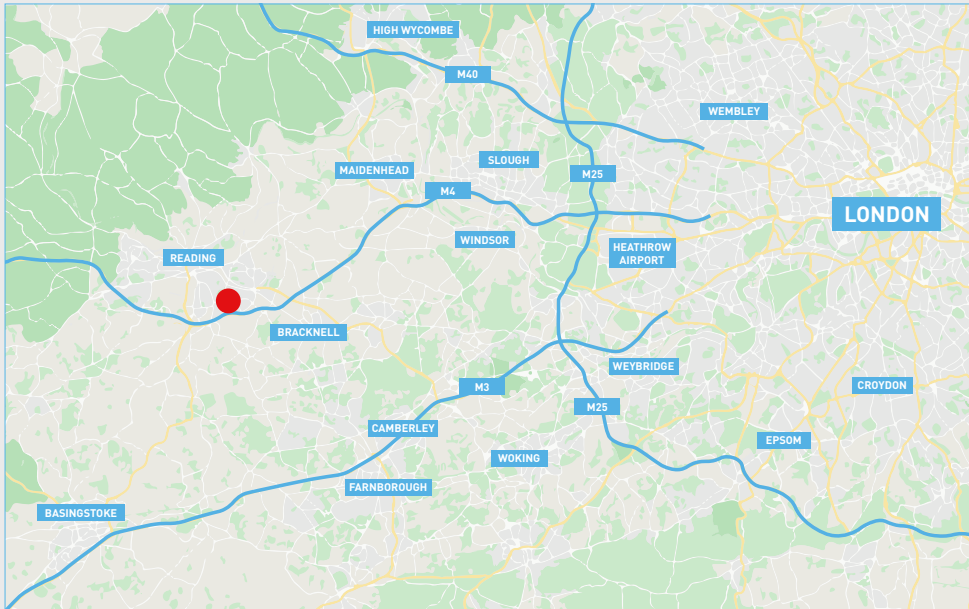


Budgens

SUBWAY

applegreen

Investment Summary

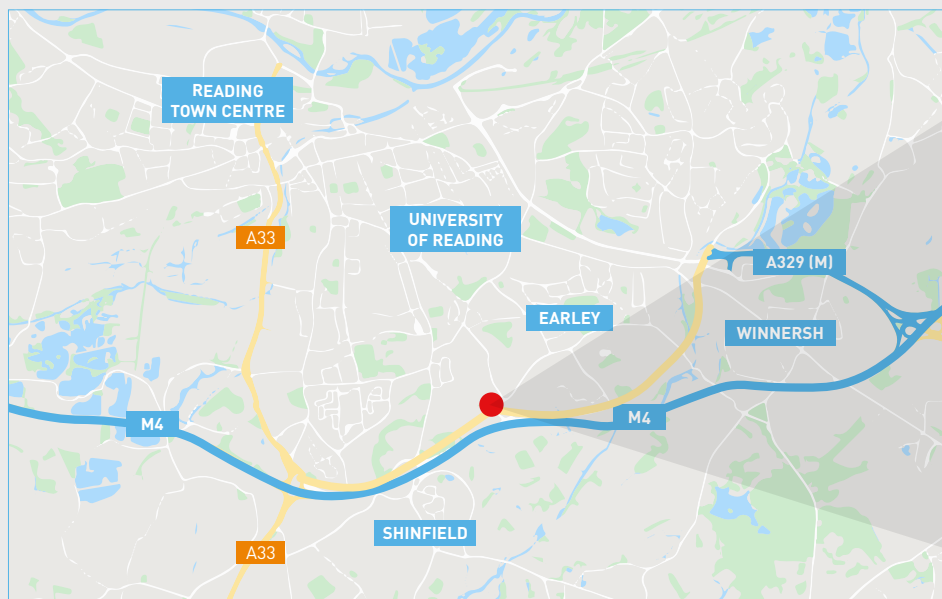


- **Modern development** comprising BP forecourt and Budgens convenience store, together with Subway outlet and valeting centre.
- **Virtual freehold** – 122 years unexpired at peppercorn rent. No restrictions on use, development or alienation.
- **Prime retail pitch** positioned at the front of a **successful retail park** incorporating **McDonald's, M&S Simply Food, Costa, Domino's and Iceland**.
- The property is well placed to service the immediate high-density residential catchment.
- Let in its entirety to **Petrogas Group UK Limited (t/a Applegreen)**, a leading operator in the roadside retail sector. The company has recently been acquired by Blackstone Infrastructure Partners.
- **20-year lease from May 2018**, expiring May 2038. Tenant break option in May 2033 delivers a term certain of circa 12 years.
- Rent: **£180,000 per annum** with five-yearly rent reviews linked to RPI subject to min. increase of 5% and max. increase of 15%. Next rent review in May 2023 – anticipated increase to £200,189 per annum.¹
- We are instructed to seek offers in excess of **£2,800,000** (Two Million Eight Hundred Thousand Pounds). This price equates to a **Net Initial Yield of 6.03%** (based upon standard purchaser's costs of 6.43%). **Running yield of 6.72% NIY in May 2023** based upon anticipated rent increase.

¹ Based upon the RPI at January 2021 and assuming 2.5% annual growth for the intervening period up to May 2023. Assumed increase equates to 2.1% annual growth over five-year period.



Location & Situation



The property is located in Reading, approximately 2.9 miles south of the town centre, in the residential suburb of Lower Earley. A highly accessible site, being situated 2.2 miles to the east of Junction 11 of the M4 motorway and 2.9 miles west of the A329(M) motorway.

Reading has a population of 218,705 inhabitants [source: Census 2011] and is located 40 miles to the west of Central London, 27 miles south of Oxford and 27 miles west of Heathrow International Airport.

The property is situated at the front of a successful retail park, with occupiers comprising M&S Simply Food, McDonald's drive-thru, Costa, Domino's, Iceland and Toby Carvery, which services the immediate high-density residential catchment. Total population of wards immediately surrounding the property is 23,846 inhabitants.²

The subject property therefore benefits from a prime pitch from a forecourt, convenience retail, food-to-go and vehicle valeting perspective.

[Click here](#) for Google Map function.



² Source: Census 2011 – Hillside, Hawkedon, Shinfield North and Shinfield South wards.

Description

A service station that provides a comprehensive range of facilities, including a BP-branded forecourt, Budgens c-store with a Subway outlet, and valeting centre, on a site extending to 0.158 hectare (0.390 acre).

The c-store is situated along the southern boundary and provides single-storey accommodation extending to 243.7m² (2,623ft²), with a retail sales area of 161.1m² (1,734ft²). The shop provides a comprehensive convenience retail offer, including Costa Express and a Subway outlet with seating area. There is an ATM 'hole in wall' positioned in the front elevation of the shop building.

The forecourt comprises four multi-grade fuel dispensers that are protected by a steel-framed, flat-topped illuminated canopy. The dispensers are linked to an underground, double-walled tank farm that was installed in 1994 and provides a total capacity of 103,602 litres.

The site benefits from a substantial vehicle valeting centre comprising a tunnel wash, a jet wash, two vacuum/fragrance machines and two air/water towers.

An Amazon 'Click & Collect' facility is positioned on the forecourt, together with six customer car parking spaces.

Tenure

The property is held on a long lease with 122 years unexpired (expiry date - 24.12.2143) at a peppercorn rent (title no. BK323564). Landlord consent not required to alter/develop, change use or assign/sublet. A copy of the lease can be made available upon request.

The demise is shown highlighted red below, which benefits from an unrestricted right of way over the estate road as shown hatched blue.



Tenancy

The property is let to Petrogas Group UK Limited for a term of 20 years from 29 May 2018 on a full repairing and insuring basis (subject to schedule of condition). There is a tenant break option in May 2033, therefore the term certain is circa 12 years.

The passing rent is £180,000 per annum, which is subject to five-yearly rent reviews linked to the Retail Price Index (RPI) subject to a minimum increase of 5% and a maximum increase of 15% over each five-year period.

The next review is on 29 May 2023, therefore just over two years' time. Based upon the RPI at January 2021 and assuming 2.5% annual growth for the intervening period up to May 2023, the rent will increase to £200,189 per annum. On this basis, the rent increase equates to 2.1% annual growth over five-year period.

A copy of the lease can be made available upon request.

Covenant Information

Petrogas Group UK Limited (tenant) is wholly-owned by Applegreen Plc, one of the leading players in the roadside retail sector with 559 sites, operating petrol filling stations and motorway service areas in the Republic of Ireland (204 sites), United Kingdom (164 sites) and the USA (191 sites) and has over 11,000 employees.

Applegreen Plc was taken private on 9 March 2021 by Blackstone Infrastructure Partners. The price equated to a market capitalisation of €718.1million, which represented a 48.2% premium on the previously listed share price. Blackstone's long-dated infrastructure funds will drive Applegreen's future growth, including site upgrades, development of electric vehicle infrastructure and investment in new sites.

Applegreen is the No. 1 motorway service area operator in Ireland and No. 2 in the UK following its acquisition in August 2018 of a majority stake in Welcome Break. The group offers a distinctive convenience retail offering, operating a number of franchised brands within its stores, including Costa Coffee, Subway, Starbucks, Greggs and Waitrose, amongst others.

Petrogas Group UK Limited owns and operates the group's UK forecourt / c-store retail network, which comprises circa 100 sites, including the subject site.

Petrogas Group UK Limited:

	31/12/2019 (£,000)	31/12/2018 (£,000)	31/12/2017 (£,000)
Turnover	634,943	606,438	441,866
(Loss)/Profit Before Tax	1,991	(705)	2,001
Net Worth	2,967	3,212	2,583

For the financial year ending 31.12.2019, the balance sheet incorporated circa £65.5million of fixed assets, including property/ plant/fixtures and fittings.

According to Applegreen's interim results (H1 2020), the company's 100 UK service stations that are held by Petrogas Group UK Limited traded ahead of 2019, despite the Covid-19 lockdowns, benefiting from strong fuel margin and substantial increases in c-store sales.

The company has a CreditSafe rating of 61 out of 100 and is classified as "Low Risk", the second from top ranking. A copy of the report is available upon request.

Environmental

In accordance with the lease, the tenant indemnifies the landlord against environmental liability during the term. An environmental report was undertaken immediately prior to lease commencement in 2018 and is available upon request.

EPC

C70 (certificate and recommendation report available upon request).

VAT & Capital Allowances

It is understood that the property has been elected for VAT. In any event, the transaction can be treated as a TOGC, therefore VAT will not be chargeable.

Proposal

We are instructed to seek offers in excess of **£2,800,000** (Two Million Eight Hundred Thousand Pounds). This price equates to a Net Initial Yield of **6.04%** off the passing rent of £180,000 per annum.

The running yield in May 2023 will rise to **6.72% NIY** based upon a rent increase to £200,189 per annum.*

This assumes the deduction of standard purchaser's costs of 6.43%, subject to contract and exclusive of VAT.

* Based upon the RPI at January 2021 and assuming 2.5% annual growth for the intervening period up to May 2023. On this basis, assumed increase equates to 2.1% annual growth over five-year period.



Market Conditions & Latest Transactions

The sector continues to appeal to a variety of investors, ranging from institutions to private individuals, due to its appealing characteristics of long term leases, guaranteed rental growth, strong tenant covenants and underpinning vacant possession values.

The sector has evolved substantially in the last 15 years, diversifying away from fuel sales into c-store and food-to-go retailing, vehicle valeting and 'click & collect' / online delivery, amongst others. The sector is also well-placed to capitalise upon the development of alternative fuel offerings, including EV charging – fuel forecourts will be able to provide a national network of super-fast EV charging locations, a necessity for EV rollout given the difficulties with home-charging, particularly in major conurbations.

The sector has performed particularly well through the pandemic. Whilst fuel sales declined in April 2020, the sector saw volumes return rapidly to pre-Covid levels during the summer months, in addition to benefiting from strong fuel margins. C-stores have enjoyed strong growth through lockdown, generally trading 20% - 30% ahead of historic levels, which reflects the consumer's desire to shop locally and avoid larger / less convenient supermarkets.

The 2020 trading period has underlined the sector's infrastructure grade fundamentals and the fact that the vacant possession value of forecourts significantly underpins investment value.

Property	Tenant	Term Certain	NIY	Date
SGN Stamford Hill, London	TG Convenience Stores Ltd	20 years	4.75%	Q1 2021
SGN Plumstead, London	TG Convenience Stores Ltd	20 years	4.85%	Q1 2021
BP/M&S Redditch	BP Oil UK Ltd	14.5 years	4.65%	Q1 2021
Co-Op, Yeovil	Co-Operative Group	14.5 years	5.13%	Q3 2020
BP/M&S, Brentwood	BP Oil UK Ltd	17 years	4.25%	Q3 2020
BP/M&S, Lewes	BP Oil UK Ltd	16 years	4.85%	Q3 2020
Applegreen, Chatteris	Petrogas (Applegreen)	11.5 years	5.75%	Q2 2020
Co-Op, Hillingdon	Co-Operative Group	15 years	4.5%	Q1 2020
Applegreen, Merthyr Tydfil	Petrogas (Applegreen)	7.5 years	6.02%	Q4 2019
Applegreen, Bristol	Petrogas (Applegreen)	7.5 years	5.7%	Q4 2019
Rontec, Wolverhampton	Rontec	19 years	5.16%	Q4 2019

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Further Information

If you require further information on this property, please do not hesitate to contact:

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Subject to Contract . AGW/2021/0020/940 . April 2021



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