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PRIME MOTOR DEALERSHIP INVESTMENT **FOR SALE**

Audi Hereford, Legion Way, Roman Road, Hereford HR1 1LN

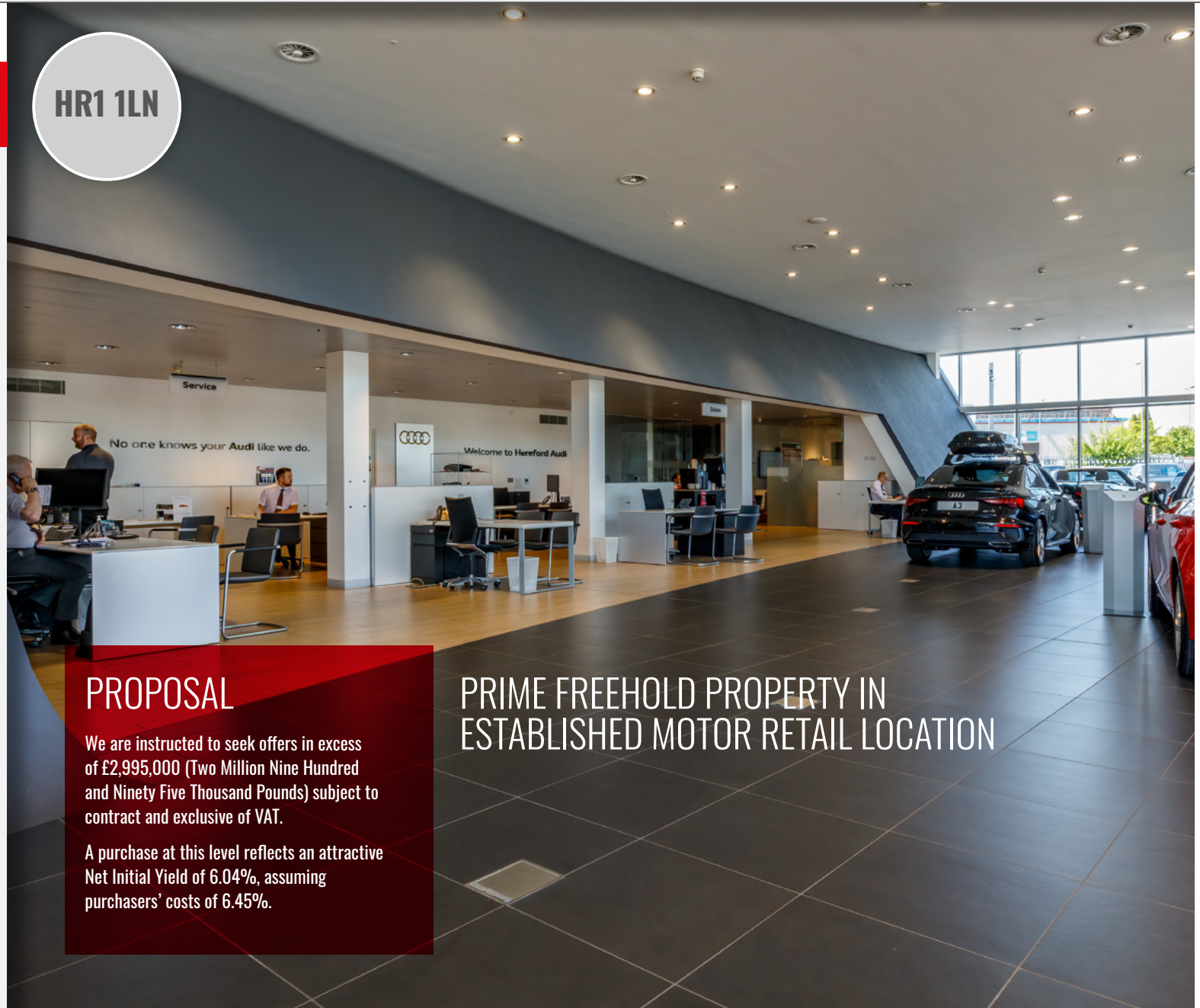




INVESTMENT SUMMARY

- Prime freehold property in established motor retail location
- Developed as part of Volkswagen Group's Site Acquisition Programme
- Strong financial covenant - let to Volkswagen Group on a 50-year lease
- Next tenant break October 2033 (11+ years)
- Purpose-built car dealership of 15,152 sq ft (1,407.6 sq m) on a site of 1.15 acres
- Latest generation "Terminal" showroom concept
- Significantly improved and extended by retailer tenant
- Strongly performing business operated by Vertu Motors plc, the 5th largest automotive retailer by turnover in the UK.
- Operated in tandem with the group's Volkswagen showroom and PDI / Storage hub (all on the same estate)
- Low rental of £192,495 p.a., reflecting only £12.70 psf
- Five yearly upward-only rent reviews linked to RPI 2.4% - 3.0% per annum

HR1 1LN



PROPOSAL

We are instructed to seek offers in excess of £2,995,000 (Two Million Nine Hundred and Ninety Five Thousand Pounds) subject to contract and exclusive of VAT.

A purchase at this level reflects an attractive Net Initial Yield of 6.04%, assuming purchasers' costs of 6.45%.

PRIME FREEHOLD PROPERTY IN ESTABLISHED MOTOR RETAIL LOCATION



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THE SITE

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DEVELOPED AS PART OF VWG'S SITE
ACQUISITION PROGRAMME

WORCESTER

LISTERS
LAND ROVER

HCC

VERTU
VOLKSWAGEN

BOOKER

CENTURION WAY

STONEWATER
DEVELOPMENTS
HOUSING SITE

HARTWELL
FORD

CITY
CENTRE

ROMAN ROAD (A4103)

COLLEGE ROAD

COTSWOLD
BMW

BODYCOTE

LEGION WAY

(A49)

BAYLIS
VAUXHALL

COTSWOLD
MINI

HEREFORDSHIRE
HOUSING

VERTU MOTORS
PREP
CENTRE





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LOCATION

Hereford is a cathedral city with a population of 60,800, and the administrative centre of Herefordshire. **It is 24 miles southwest of Worcester and 23 miles northwest of Gloucester.**

The city is served by three trunk roads: the A49, running north from Ross-on-Wye via Hereford, Leominster, Ludlow, Shrewsbury and Whitchurch and then on to Cheshire; the A465 from Bromyard to Hereford; and the A438 from Hay-on-Wye to Hereford.

In addition to the city itself, the Hereford car businesses serve a substantial hinterland, hence why there is such a high number of marques represented (17).

Most of Hereford's leading car brands are located approximately two miles to the north of the city centre, off Roman Road (A4103). Accordingly, this is the prime address for automotive retail in the area. Hereford Audi sits centrally within the estate, accessed from Legion Way and having a return frontage to College Road.

In addition to its Audi business, Vertu also operates the Volkswagen dealership, opposite which is Hartwell Ford, both of which are on Centurion Way in close proximity to a large Bookers outlet. Listers Land Rover is a short distance east, also on Roman Road.

Cotswold Motor Group has BMW and MINI dealerships fronting Roman Road, between which is Bayliss Vauxhall. All three have entrances on Legion Way.

Vertu also occupies a substantial central prep facility and compound to the west of the Audi, albeit accessed from Old School Lane.

College Road, which runs through the middle of the estate from Roman Road, is presently being improved in connection with the proposed development of 8.5 acres immediately south of the railway line for up to 120 new homes.

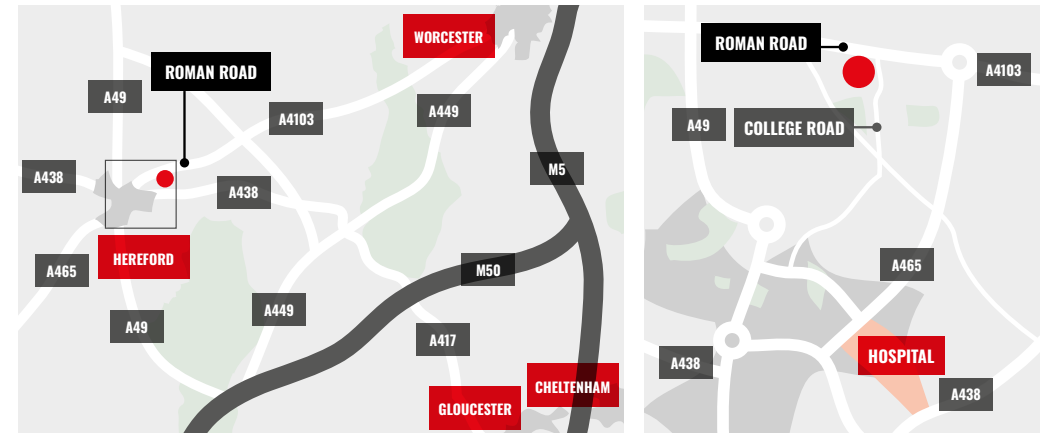
The other principal concentration of franchised dealerships in the area is on the A49 in a rural location to the southwest of the city, comprising Motorline Toyota and Hyundai, as well as Renault, Dacia, Fiat, Abarth, Jeep and Suzuki, all of which are run by Ponthir Group.

Other commercial development in the locality includes the Spar Retail Park and adjacent retail warehousing, approximately one mile to the southwest on A49 Holmer Road, which joins with Roman Road.



NEAREST AUDI DEALERSHIPS

| Dealership | Distance (Miles) | Brand |
|-----------------|------------------|------------|
| Worcester Audi | 24 | Listers |
| Cheltenham Audi | 36 | Heritage |
| Halesowen Audi | 50 | Jardine |
| Tetbury Audi | 52 | Inchcape |
| Bristol Audi | 59 | Mon Motors |





DESCRIPTION

Following the acquisition of the business by Vertu Motors plc in September 2015, the trading performance of the business has excelled on the back of Vertu's standing in the market and the economies of scale that the group has been able to deliver. This was the group's first Audi business in the UK, hence the acquisition was a landmark one for Vertu and is regarded as an extremely important operation to which it is fully committed. This was demonstrated by the significant investment made in the property post acquisition, converting the original Audi 'Hangar' design to the latest Terminal corporate identity.

Not only did this enhance and modernise the appearance of the property, it also included an extension, all documented under a licence to alter.

The property is of steel portal frame construction, with glazed frontage to the expansive full height showroom and profile metal cladding to other elevations, all under a pitched profile metal roof. The property is fitted out to a high standard throughout in accordance with the retail standards requirements of the brand.

The showroom has capacity for 10 vehicles and has a range of open plan and glass partitioned sales and admin offices off. The workshop has been altered to enable enlargement of the adjacent parts storage area and has three dedicated bays accessed by up'n'over doors from the southern elevation leading from a parking area which also incorporates a five-bay standalone workshop (including MOT) and open sided valet bays.

There is enlarged and refurbished accommodation at first floor, principally providing additional office space, along with amenity, parts storage and comms.

There is ample vehicle display capacity on site, along with generous customer and service parking.

In summary, this is a well-proportioned and highly attractive vehicle dealership property that complies with the latest stringent standards of the Audi brand. Nevertheless, the dealer is likely to need to keep investing in the site as and when required by its manufacturer partner, Volkswagen Group.



SCHEDULE OF ACCOMMODATION

| | SQ M | SQ FT | | SQ M | SQ FT |
|-------------------------|--------------|-------------|---------------------|---------------|------------------|
| Showroom & Offices | 609.5 | 6561 | Standalone Workshop | 273.4 | 2943 |
| Entrance Lobby | 12.1 | 130 | | | |
| Showroom Ancillary | 60.7 | 654 | GIA | 1407.6 | 15152 |
| Workshop | 118.2 | 1272 | | | |
| Parts | 69.2 | 745 | Open sided Valet | 63.7 | 685 |
| | 869.8 | 9362 | | | |
| FF Parts | 41.7 | 449 | Display | | 58 Spaces |
| FF Offices | 154.6 | 1664 | Parking | | 40 Spaces |
| FF Canteen | 18.5 | 199 | | | 98 Spaces |
| FF Stores/WCs/Ancillary | 49.7 | 535 | | | |
| | 264.5 | 2847 | | | |

SITE AREA
1.154 acres, representing a low site cover of 24%.



STRONG FINANCIAL COVENANT
- LET TO VOLKSWAGEN GROUP
ON 50-YEAR LEASE

TENURE


Freehold under title number HE2262.



TENANCY

The property is let to Volkswagen Group on standard institutional fully repairing and insuring terms for 50 years from 17th October 2008 subject to breaks at the end of years 25 (16th October 2033), 30 and 40. Five yearly upward-only rent reviews are linked to RPI collared and capped at 2.4% - 3.0% per annum.

We have calculated, by reference to actual and predicted RPI, that the rent will increase to £192,495 with effect from the forthcoming rent review on 17th October 2023, and accordingly the Seller will top up the passing rent to



this level for the period between the date of completion of the sale and the review. This represents a low rent of £12.70 psf overall.

Volkswagen Group sub-let the dealership to its dealer partner, South Hereford Garages Ltd, on 4th April 2008 for a term of 20 years. The business was acquired by Vertu Motors plc in 2015.

The passing rent under the sublease is marginally higher than the passing rent under the head lease due to reviews

being to the higher of market rent or uncapped RPI. Given current levels of inflation, this gap is anticipated to widen ahead of the review next year.

There is a licence dated 14th June 2018 evidencing the significant improvements made to the property by Vertu following its acquisition of the business.

Copies of the lease and licence documentation are available in the data room.

WATCH
THE
VIDEO



COVENANT

Volkswagen Group UK Limited is the leading tenant covenant in the UK Auto sector and the company has 20.3% of market share across its brands which primarily include Audi, VW, Skoda, SEAT & VW Commercial Vehicles.

The accounts for 2020 inevitably reflect the initial impact of the pandemic. The business has experienced a significant improvement over the last 18 months with most of its retailers reporting record profits as it moves back towards pre-pandemic levels as evidenced in 2019.

As Volkswagen Group does not retail directly in the UK, all of its operational property is underlet to its dealer network in conjunction with franchise agreements. In this instance the underlessee is South Hereford Garages who were acquired by Vertu Motors plc in 2015 for £12.8m, which afforded the leading group its first Audi business.

South Hereford Garages reported pre-tax profits in the year ended 28th February 2021 of £1.108m (2020: £1.164m) on a turnover of £74.282m (2020: £91.261m) and Total Shareholders' Funds of £16.2m (2020: £15.261m).

Vertu Motors plc, the ultimate parent company, is one of the UK's leading and best regarded vehicle retailers. It recently announced record trading performance for the year ended 28th February 2022 with adjusted profit before tax of £80.7m (2021: £24.6m; 2020: £23.0m) on revenues of £3.6bn. Strong trading performance in the key months of March and April this year revealed a trading profit of £19.1m.



AUTOMOTIVE RETAIL MARKET COMMENTARY

The auto market witnessed a strong recovery in 2021 with most retailers reporting exceptional performance off the back of new car sales at full margin, a surge in the value of used cars and various government support packages.

1.65m new cars were registered in 2021, a slight increase on 2020 but still 28.7% below pre-covid levels. 1.72m are expected to be registered in 2022. Supply chain issues related to Covid and more recently the war in Ukraine continue to affect the sector but retailers' profitability continues to look promising.

Pure battery electric and plug-in hybrid sales are growing strongly and accounted for 27.5% of market share in 2021.

VOLKSWAGEN GROUP UNITED KINGDOM LIMITED

Year to 31st December 2020

TURNOVER
£8.3 billion
(£10.2 billion 2019)

PRE-TAX PROFIT
£65.1 million
(£105.6 million 2019)

NET WORTH
£700 million
(£732 million 2019)

VWG COMMENTARY

Volkswagen Group United Kingdom Limited is the UK subsidiary of Volkswagen AG (the German parent) and is responsible for the import, sale and after sale services of all of brands within VWG Group including Audi, VW, Skoda, SEAT and VW Commercial Vehicles.

VWG has, over many years, acquired a number of strategic sites across the UK and retains control of such, notwithstanding the identity of its local dealer partner.

The company has settled its dieselgate litigation in the UK and is now focussed on accelerating its worldwide race for pure electric vehicle dominance, expected to overtake Tesla in 2024/25. As part of this strategy, the company is currently building 6 battery factories across Europe.

In 2021, VWG registered 369,747 vehicles in the UK (22.6% market share) through its network of over 600 retailers and sold over 37,000 battery electric vehicles to become the clear market leader in this burgeoning sector.

For additional information on Volkswagen Group United Kingdom Limited, please visit:

www.volkswagengroup.co.uk

AUDI COMMENTARY

Audi placed fifth out of all UK brands in the latest ARN Survey, principally because "it made an awful lot of money per car and sold plenty of them". It was the best of the three premium German brands on sales alone in 2021, with registrations up by 9.38%. The brand has 115 new car sales points, averaging 1,170 sales per outlet in 2022, shared amongst its 26 sales partners. It presently has no open points and the average return on sales is an impressive 3.0%. The minimum showroom and workshop size is for 8 cars and 3 bays, respectively. [Source: ARN Franchising Report 2022.]





INVESTMENT COMPARABLES

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“The auto market witnessed a strong recovery in 2021 with most retailers reporting exceptional performance off the back of new car sales at full margin, a surge in the value of used cars and various government support packages.”

| DATE | LOCATION | FRANCHISES | TENANT | TERM CERTAIN | PRICE | NIY | COMMENTS |
|-------------|------------------------|-------------------|--|--------------|--------------------|-----------------|---|
| On Market | CHELMSFORD | Tesla | Tesla Motors Limited | 5 years | £3,910,000 | 5.16% (Quoting) | £215,000pa / £16.45 psf. Market Rent or RPI (2.5% - 5%opac). |
| On Market | NEWPORT PAGNELL | Cazoo | Reg Vardy (Property Management) Limited, guaranteed by Pendragon plc | 9 years | £4,100,000 | 6.5% (Quoting) | £284,266pa / £17.77 but underlet to Cazoo at £200,000pa. Annual RPI increases, capped at 2.77%. |
| Under Offer | GODALMING | Peugeot | Peugeot Motor Company PLC | 5 years | £4,000,000 | 5.28% (Quoting) | £225,167pa / £10.99 psf (reflecting age of the property). CPI 2-4%. Offers received materially above quoting. |
| Under Offer | BIRMINGHAM | Vauxhall | Lookers Motor Group Ltd | 8 years | £5,160,000 | 6.00% (Quoting) | £330,000pa / £12.09 psf. Open Market reviews. Pricing better than asking. |
| June 22 | NEWMARKET | Harley-Davidson | Lind US Ltd, guaranteed by Lind Group Holding Limited | 16 years | £4,175,000 | 3.95% | £153,950pa / £10.00 psf (going to £181,250 / £11.77 in Sept '23. Market Rent or RPI (2-4%). |
| June 22 | DERBY | Audi | Volkswagen Group UK Ltd | 3.5 years | £5,600,000 | 5.74% | £342,500 / £13.79 psf. Nearing lease expiry. |
| Feb 22 | BIRMINGHAM | Volvo | Volvo Cars UK Limited | 8.75 years | £3,750,000 | 5.01% | £200,000pa / £15.11psf. RPI capped at 3%pa. |
| Feb 22 | SOLIHULL | VW, Mazda & Volvo | Volkswagen Group UK Ltd & Johnsons Cars Ltd | 17 years | £15,000,000 | 4.84% | £774,295pa / £15.00 psf. RPI 1-3% (VW) & RPI 2-3% (Johnsons). |
| Jan 22 | SALE | Peugeot & Citroen | Peugeot Motor Company PLC | 5.5 years | £4,950,000 | 5.4% | £320,863pa / £12.33 psf. CPI 2%-4% |
| Jan 22 | COVENTRY | Peugeot & Citroen | Peugeot Motor Company PLC | 5.5 years | £5,750,000 | 5.23% | £284,836pa / £14.01 psf. CPI 2%-4% |
| Dec 21 | TRING | BMW & MINI | Specialist Cars Ltd | 13 years | £7,750,000 | 5.39% | £445,240pa / £13.65psf. RPI 2-4.5% |
| Dec 21 | MAIDSTONE | Audi | Motorline (Kent) Limited | 18.5 | £11,800,000 | 4.25% | £693,810pa / £16.61 psf excluding car deck. RPI 2.5-4.5%. |



LOW RENTAL OF £192,495 P.A.,
REFLECTING ONLY £12.70 PSF



Red line is for illustrative
purposes only





EPC

The property's current energy rating is B.

VAT

The property is elected for VAT purposes and it is anticipated that the transaction will be treated as a Transfer of a Going Concern (TOGC).

AML

To comply with our legal responsibilities for Anti-money laundering, the successful bidder will need to provide all information necessary for us to undertake such checks prior to completion including corporate structure and ownership details, identification and verification of ultimate beneficial owners and satisfactory proof of the source of funds for the purchaser and (if appropriate) funder(s).

DATAROOM

Access to the data room can be provided upon request.

FIVE YEARLY UPWARD-ONLY RENT REVIEWS LINKED TO RPI 2.4% - 3.0% PER ANNUM

WATCH
THE
VIDEO

PROPOSAL

Offers are invited in excess of **£2,995,000 (Two Million Nine Hundred and Ninety Five Thousand Pounds)**, subject to contract and exclusive of VAT, reflecting a net initial yield of **6.04%** off the topped-up rent after purchaser's costs of **6.45%**.

Based on RPI of **3%** per annum over the intervening period, a purchase at this price would represent an attractive reversionary yield of **7.0%** in **October 2028**.

For further details or to arrange a viewing please contact:

Paul Taylor | 07831 820642 | paul@latitudere.co.uk OR Andrew Ilsley | 07717 292210 | andrew@latitudere.co.uk

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