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**Commercial
Vehicles**

PRIME MOTOR DEALERSHIP INVESTMENT **FOR SALE**

Volkswagen Hereford, Centurion Way, Roman Road, Hereford HR1 1LQ



INVESTMENT SUMMARY

- Prominent 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)
- Expansive purpose-built car dealership of 24,057 sq ft (2,235.0 sq m) on a site of 1.93 acres
- Attractive and recently refurbished showroom
- Ongoing investment being made by occupier as a commitment to the facility and location
- 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 Audi showroom and PDI / Storage hub (all on the same estate)
- Low rental of £318,299 p.a., reflecting only £13.23 psf
- Five yearly upward only rent reviews linked to RPI 2.4% - 3.0% per annum

HR1 1LQ



PROPOSAL

We are instructed to seek offers in excess of £4,815,000 (Four Million Eight Hundred and Fifteen Thousand Pounds) subject to contract and exclusive of VAT.

A purchase at this level reflects an attractive Net Initial Yield of 6.2%, assuming purchasers' costs of 6.58%.

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



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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 Volkswagen sits to the eastern end of the estate, accessed from Centurion Way via College Road and having an extended frontage to the A4103.

In addition to its Volkswagen business, Vertu also operates the Hereford Audi dealership, opposite which is Cotswold BMW and Bayliss Vauxhall, which in turn is adjacent to Cotswold MINI.

The property is accessed from the same road (Centurion Way) as a large Hartwell Ford dealership and a Bookers outlet. Listers Land Rover is a short distance east, also on Roman Road. There is a railway line immediately to the southern boundary.

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.

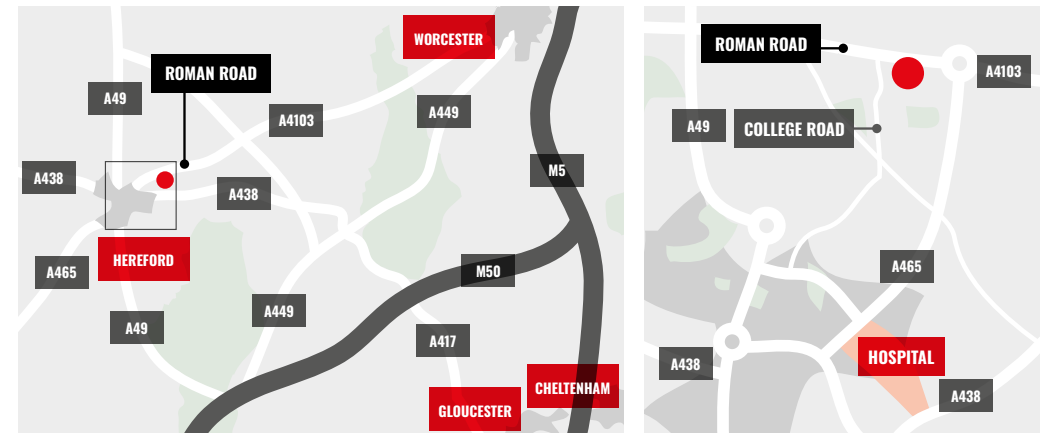
The other principal concentration of franchised dealerships in the area is on the A49 in a rural location to the southwest of the city, comprising Motorline Toyota and Hyundai, as well as Renault, Dacia, Fiat, Abarth, Jeep and Suzuki, all of which are run by Ponthir Group.

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



NEAREST AUDI DEALERSHIPS

City	Distance (miles)	Dealership Name
Worcester VW	24 miles	Listers
Gloucester VW	36 miles	Heritage
Cheltenham VW	37 miles	Inchcape





DESCRIPTION

Following its acquisition by Vertu Motors plc in September 2015, the trading performance of the business has strengthened on the back of Vertu's standing in the market and the economies of scale that the group has been able to deliver. The acquisition aligned with the group's ambition to grow with the VW brand and indeed it now has ten sales points nationally. We understand from Vertu that it is committed to the location and the facility in the longer term and that it has a proactive investment plan that it intends to keep implementing to ensure the property remains fully compliant with the OEM's retail standards.

The property is of steel frame construction, with glazed front and return elevations to the showroom and profile metal cladding elsewhere, under two main pitched profile metal clad roof structures. The property is fitted out to a good standard, particularly the showroom, which was designed to accommodate up to 13 display vehicles, and accompanying sales administration areas.

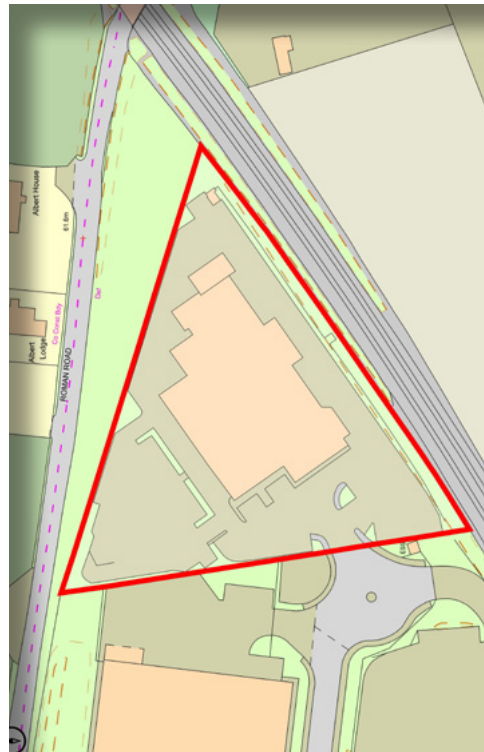
The property provides two workshops, the principal one of which faces the site entrance and provides 13 bays plus MOT, whereas the second is used for commercial vehicles (having previously been a bodyshop) and has 4 bays plus MOT, being accessed via the southern elevation.

The ground floor accommodation also includes parts storage, valet, amenity and ancillary accommodation along with a recent office extension for warranty work and prospecting. There are further offices at first floor, along with storage, amenity and ancillary space.

The property is afforded spacious external areas that extend around the periphery of the entire building, with the main vehicle display area (for passenger cars) being an attractive forecourt fronting Roman Road. There is a

separate commercial vehicle display area immediately to the right-hand side of the site entrance.

In summary, this is an expansive and appealing vehicle dealership property that complies with the retail standards of the VW brand. As is generally the case with franchised sales and servicing outlets, the dealer is committed 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	546.0	5877	FF Offices & Ancillary	137.9 1484
Entrance Lobby	10.9	117	Canteen	27.7 298
Showroom Ancillary	92.4	995	Stores & IT Servers	30.9 333
Prospecting (Office)	64.5	694	Parts	92.5 996
Front Workshop	482.8	5197	Ancillary	55.8 601
Workshop Control	51.3	552	GIA	2235.0 24057
Parts & Stores	131.7	1418	Display	80 Spaces
Rear Workshop	359.2	3866	Parking	90 Spaces
Ancillary	44.6	480		170 Spaces
Valet Bays	106.8	1150		
	1890.2	20346		

SITE AREA

1.928 acres, representing a low site cover of 24%.



TENURE

Freehold under title number HW87855.



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

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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 £318,299 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 £13.23 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 10th April 2019 evidencing the recent improvements, primarily to the showroom and external areas, made by Vertu since its acquisition of the business.

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



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 and VW Commercial businesses.

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

VOLKSWAGEN COMMENTARY

Volkswagen placed second out of all UK brands in the latest ARN Survey, having taken Ford's title as the country's best-selling car brand and achieving a highly impressive 3.0% return on sales along with the significant volume of sales. The brand has 181 new car sales points, averaging 1,086 sales per outlet in 2022, shared amongst its 50 sales partners. This is expected to increase to 1,150 per outlet next year. It presently has no open points across the UK. The minimum showroom and workshop size is for 6 cars and 4 bays, respectively. [Source: ARN Franchising Report 2022.]





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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%.



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LOW RENTAL OF £318,299 P.A.,
REFLECTING ONLY £13.23 PSF



**Commercial
Vehicles**



EPC

The property's current energy rating is C.

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**

Welcome to Volkswagen

**WATCH
THE
VIDEO**

PROPOSAL

Offers are invited in excess of **£4,815,000 (Four Million Eight Hundred and Fifteen Thousand Pounds)**, subject to contract and exclusive of VAT, reflecting a net initial yield of **6.2%** off the topped-up rent after purchaser's costs of **6.58%**.

Based on RPI of **3%** per annum over the intervening period, a purchase at this price would represent an attractive reversionary yield of **7.19%** 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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