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# PRIME MOTOR DEALERSHIP INVESTMENT **FOR SALE**

Škoda Cramlington, Northumberland Business Park West, Dudley Lane, Cramlington NE23 7RH



INVESTMENT  
SUMMARY

LOCATION

ACCOMMODATION

TITLE &  
TENANCIES

TENANT &  
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## INVESTMENT SUMMARY

- 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 11,960 sq ft (1,111.1 sq m) on a site of 1.258 acres
- Significantly improved and extended by retailer tenant
- Strongly performing business operated by Pulman Škoda
- Low rental of £166,728 p.a., reflecting only £13.94 psf
- Five yearly upward-only rent reviews linked to RPI 2.4% - 3.0% per annum



NE23 7RH



### PROPOSAL

We are instructed to seek offers in excess of £2,400,000 (Two Million Four Hundred Thousand Pounds) subject to contract and exclusive of VAT.

A purchase at this level reflects an attractive Net Initial Yield of 6.53%, assuming purchasers' costs of 6.36%.

DEVELOPED AS PART OF VWG'S  
SITE ACQUISITION PROGRAMME



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## THE SITE

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MOOR FARM  
BEEFEATER

CO-OP PETROL  
FILLING STATION

MCDONALD'S

PREMIER INN

SIVERTON COURT  
OFFICE PARK

WILLOW FARM  
DINING & CARVERY

NEWCASTLE  
UPON TYNE

TYNE TUNNEL

A19 SLIP ROAD

BROAD LAW

DUDLEY LANE

DUDLEY LANE

A19

A19 SLIP ROAD

A1 TRUNK  
ROAD

NORTHUMBERLAND  
BUSINESS PARK WEST

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



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## LOCATION

**Cramlington has a population of 33,000 and is strategically located on the border of Northumberland and North Tyneside, 10 miles north of Newcastle City Centre and 2 miles east of the junction of the A19 and A1 which provides rapid access to both the north and south of the region.**

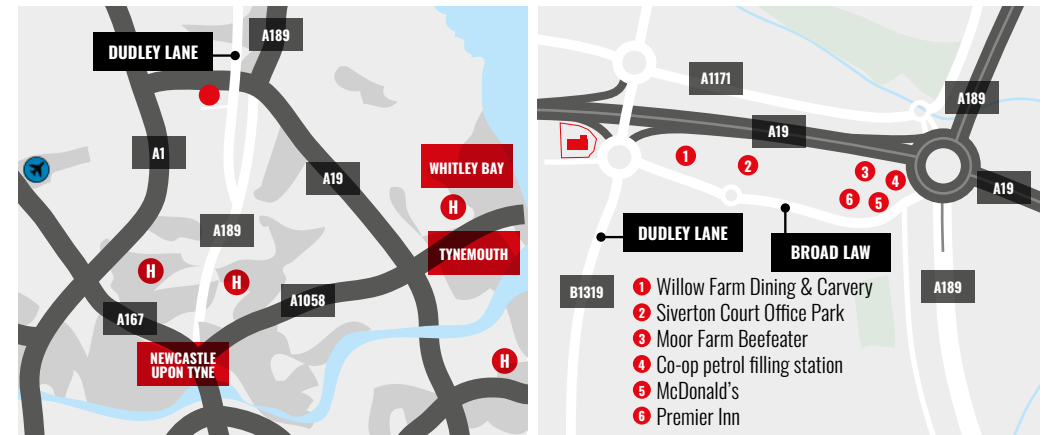
Pulman Škoda is located on a prominent site at the centre of Northumberland Business Park, fronting the Dudley Lane Interchange, alongside and with immediate access on to and egress from the A19, a few minutes' drive north of Silverlink, where the majority of motor manufacturers are represented.

The site was acquired, and dealership constructed, as part of the Volkswagen Group Site Acquisition Programme tasked with establishing a strategic network for VWG brands in the UK. It is operated by Pulman Škoda along with dealerships in Sunderland (15 miles) and Durham (25 miles), making them the dominant retailer for Škoda in the North East.

The Northumberland Business Park comprises a combination of industrial, warehouse, office and retail / restaurant uses. A service area at the eastern end of the park includes a Co-op petrol filling station and convenience store, McDonald's, Premier Inn Hotel and Beefeater restaurant.

## NEAREST ŠKODA DEALERSHIPS

Newcastle		12 miles	Lookers
Sunderland		15 miles	Pulman
Durham		25 miles	Pulman





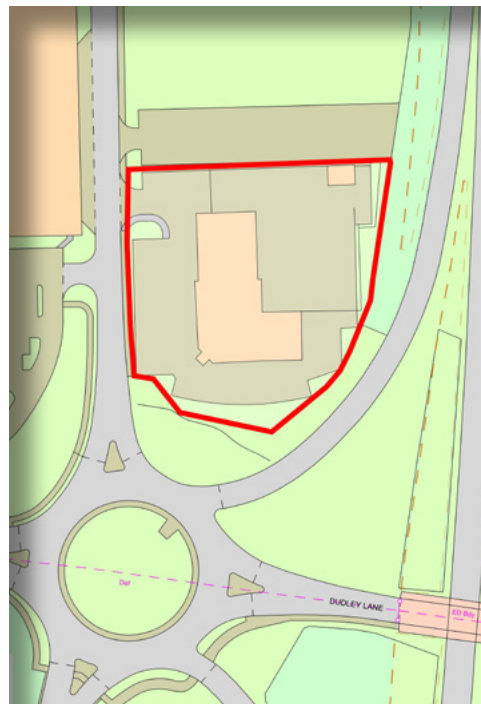
## DESCRIPTION

The dealership was constructed in 2008 as a dedicated Škoda facility under Volkswagen Group's Site Acquisition Programme.

The building is of steel portal frame construction with profiled metal cladding, glazed panels to the showroom and an insulated roof incorporating translucent panels. The accommodation is lit and tiled throughout with air-conditioning in the showroom and offices, and suspended gas fired heaters in the workshop. The showroom has capacity for up to 13 vehicles and the workshop comprises eight workbays plus MOT, and is accessed via four up'n'over doors to the rear elevation and two more to the front. The property is fitted out to a high standard throughout in accordance with the retail standards requirements of the brand.

The showroom element of the building was extended in 2018, increasing the overall floor area from 9,539 sq ft to 11,960 sq ft. In addition to extending the showroom, the retailer has also purchased a third of an acre immediately next to the site and constructed an overflow car park providing a further 50 spaces.

In summary, this is a well-proportioned and highly attractive vehicle dealership property that complies with the latest stringent standards of the Škoda 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 (extended) & Offices	491.7	5293	Detached Valet (dry)	35.6	383
Showroom Ancillary (amenity)	27.1	292			
Workshop	362.7	3904	<b>GIA</b>	<b>1111.1</b>	<b>11960</b>
Parts	42.6	459			
	<b>924.1</b>	<b>9947</b>			
			Display		46
FF Storage	86.2	928	Parking		65
Parts	38.6	415			
Ancillary	26.6	286			
	<b>151.4</b>	<b>1630</b>			

**SITE AREA**  
1.26 acres, representing a very low site cover of 19%.



## STRONGLY PERFORMING BUSINESS OPERATED BY PULMAN ŠKODA



### TENURE

The site is held under Title number NND155510 on a 199-year peppercorn ground lease expiring on 29th November 2206.

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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 £166,728 pa 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 equates to an overall rate of £13.94 psf overall.

In turn, Volkswagen Group sub-let the dealership to their retailer Silbury Motors Limited, now part of Pulman Škoda (Mike Pulman Holdings Limited) with three key dealerships in the North East.

There is a licence dated 20th August 2018 evidencing the extension of the showroom.

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





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## COVENANT

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

Following the initial impact of the pandemic in 2020, 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 Silbury Motors Limited who were acquired by Pulman Skoda, part of Mike Pulman Holdings Limited.

In 2021, Mike Pulman Holdings Limited turned over £115.4m (2020: £92.8m) with Pre-Tax Profits of £3,118,000 (2020: £834,000) and a Net Worth of £6.058m (2020: £4.255m). The company, which expanded with the opening of Sunderland Skoda in Summer 2021, enjoyed strong trading throughout last year and continues to grow.



### 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 2021

TURNOVER	PRE-TAX PROFIT	NET WORTH
£9.45 billion (£8.31 billion 2020)	97.8 million (£65.1 million 2020)	£726.0 million (£700.0 million 2020)

### 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, Škoda, 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 six 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](http://www.volkswagengroup.co.uk)



### ŠKODA COMMENTARY

Škoda is launching three new affordable electric vehicles having sold 878,200 vehicles across the world in 2021. In the UK alone, Škoda's sale of battery electric vehicles increased more than ten-fold. A new design language for its vehicles is expected in the second half of this year, building on the momentum of the brand. Škoda is targeting becoming one of the five top selling brands in Europe by 2030 with an emphasis on affordable entry models and a strong electric vehicle range.

The brand achieved an exceptional return on sales of 3% last year. It has 129 new car sales points with average unit sales of 469 per outlet and this is expected to increase to 546 next year. The minimum showroom and workshop size is 230 sq m and three 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
Available	Cramlington	Skoda	Volkswagen Group UK Limited	11 years	£2,400,000 Quoting	6.53%	£166,728pa / £13.94 psf. RPI (2.4% - 3% pac).
September 22	Hereford	Audi	Volkswagen Group UK Limited	11 years	£3,150,000	5.74%	£192,495pa / £12.70 psf. RPI (2.4% - 3% pac).
September 22	Hereford	VW	Volkswagen Group UK Limited	11 years	£5,000,000	5.97%	£318,299pa / £13.23 psf. RPI (2.4% - 3% pac).
September 22	Birmingham	SEAT	Volkswagen Group UK Limited	5 years	£2,250,000	6.43%	£153,872pa / £15.00 psf. Open market RR.
September 22	Chelmsford	Tesla	Tesla Motors Limited	5 years	£3,915,000	5.16%	£215,000pa / £16.45 psf. Market Rent or RPI (2.5% - 5%pac).
September 22	Newport Pagnell	Cazoo	Reg Vardy (Property Management) Limited, guaranteed by Pendragon plc	9 years	£4,100,000	6.5%	£284,266pa / £17.77 but underlet to Cazoo at £200,000pa. Annual RPI increases, capped at 2.77%.
July 22	Godalming	Peugeot	Peugeot Motor Company PLC	5 years	£5,150,000	4.12%	£225,167pa / £10.99 psf (reflecting age of the property). CPI 2-4%.
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.
February 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)
February 22	Birmingham	Volvo	Volvo Cars UK Limited	8.75 years	£3,750,000	5.01%	£200,000pa / £15.11psf. RPI capped at 3%pa.
January 22	Sale	Peugeot & Citroen	Peugeot Motor Company PLC	5.5 years	£4,950,000	5.4%	£320,863pa / £12.33 psf. CPI 2%-4%
January 22	Coventry	Peugeot & Citroen	Peugeot Motor Company PLC	5.5 years	£5,750,000	5.23%	£284,836pa / £14.01 psf. CPI 2%-4%





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LOW RENTAL OF £166,728 P.A.,  
REFLECTING ONLY £13.94 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**

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VIDEO**



## PROPOSAL

Offers are invited in excess of £2,400,000 (Two Million Four Hundred Thousand Pounds) subject to contract and exclusive of VAT, reflecting a net initial yield of 6.53% off the topped-up rent after purchaser's costs of 6.36%.

Based on RPI of 3% per annum over the intervening period, a purchase at this price would represent an attractive reversionary yield of 7.57% 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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