

applegreen QUINTON

HAGLEY ROAD WEST • QUINTON
BIRMINGHAM • B32 2AL

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FORECOURT CONVENIENCE INVESTMENT OPPORTUNITY

- Extremely busy fuel forecourt and convenience store on a key arterial route between Birmingham city centre and the M5
- Let to Petrogas Group UK Limited with 14.5 years until lease expiry



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02.

Forecourt Convenience
Investment Opportunity

INVESTMENT SUMMARY

Established Applegreen-branded forecourt and convenience store with Costa barista counter on a highly prominent corner plot

Situated directly off a busy roundabout junction on the A456 Hagley Road West on the western outskirts of Birmingham

Prime roadside retail location with Domino's Pizza, Greggs, KFC and McDonald's all nearby

Let to Petrogas Group UK Limited (t/a Applegreen), one of the largest independent fuel retailers in the UK

Applegreen has recently been taken private by Blackstone Infrastructure Partners

Long lease with 14.5 years until expiry

Passing rent of £185,000pa secured at the 15 August 2021 open market rent review (up 23%)

Subject to further five-yearly upward only open market rent reviews in 2026 and 2031

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We are seeking offers
in excess of **£2,780,000**
**(Two Million Seven Hundred
and Eighty Thousand Pounds).**
A purchase at this level
reflects an attractive
Net Initial Yield of 6.25%
(assuming purchaser's costs of 6.42%).

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One and a half miles north-east of Junction 3 of the M5.



LOCATION & SITUATION

Quinton is a suburb of Birmingham, approximately six and a half miles west of the city centre with a resident population of 20,251 (2011 Census). The area sits between the affluent suburb of Harborne and the M5 motorway.

The property is situated one and a half miles north-east of Junction 3 of the M5. Hagley Road West (A456) is an arterial road into Birmingham from the west connecting the city with Junction 3 of the M5 via Quinton, Harborne and Bearwood.

Traffic flows are exceptional with the A456 registering an average estimated daily traffic flow of circa 36,000 vehicles (DfT 2019), highlighting the strength of the site's roadside retail location.

The immediate area is characterised by mixed uses including high density residential and commercial/retail occupiers. Nearby roadside and retail occupiers include:



04.

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SITE AREA

The site occupies an area of approximately 0.17 hectares (0.43 acres).

DESCRIPTION

The property incorporates an Applegreen-branded re-fuelling forecourt and store with a Costa Coffee barista counter and seating area. The store has a total gross internal area of approximately 129.4 sq m (1,393 sq ft).

The well-stocked sales area provides a range of convenience goods, lottery and off licence.

The fuel forecourt is arranged in a three island startergate layout and provides unleaded, diesel and both grades of premium fuel.

High-margin valeting facilities are provided in the form of an automatic car wash machine positioned to the rear of the forecourt building.

This part of the site has excellent scope (STP) to be redeveloped in the future to provide a larger store building and/or more customer parking.



TENURE

Freehold.

TENANCY

The property is let to Petrogas Group UK Limited (company number 05952225) for a term expiring on 14 August 2036 (approximately 14.5 years unexpired).

The passing annual rent is £185,000, following a recent settlement of the 15 August 2021 open market rent review. The rent is subject to two further five-yearly upward only market rent reviews in 2026 and 2031.

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

MARKET COMMENTARY

2021's forecourt investment market was the most active we have experienced. Provisional data shows that £165m of deals transacted last year, with nearly 20 different buyers involved. The total surpasses the previous two years combined, so the numbers tell a story in themselves. We expect there to be continued high levels of activity prompted by an evolving occupier market, excellent rental growth and strong investor demand for this specialist asset class.

Investors continue to be attracted to the sector fundamentals of long leases and excellent rental growth. Investors recognise that the forecourt retail market is a key component of the convenience food sector and represents an excellent way to access the strong growth in sales, which have shown exceptional resilience throughout the Covid-19 disruption.

We consider the forecourt sites that will remain robustly in demand to be the suburban C-store led type and the more transient sites situated in strategic locations on main A roads where the need for the human body to refuel will undoubtedly persist. Additionally, the sites which have the size and scale to evolve over time will best suit the prevailing vehicle re-fuelling requirements. This asset covers all of these categories based on its arterial road positioning, convenience retail offer with Costa counter and scope to expand the shop footprint in the future.

We are also seeing continued strength in the underlying occupational market having successfully concluded a number of market rent reviews over the last 18 months for landlords, with 20-30% rent increases common on good quality sites over the five-yearly review periods 2015/16 – 2020/21, as has been the case with the subject property.

RELEVANT TRANSACTIONS

Property	Date	Unexpired Term	Rental uplifts	Price	NIY
SGN Reading	Nov 2021	20 years	CPI 1%-3%	£2.7m	4.85%
Applegreen Lower Earley	Oct 2021	12 years	RPI 1%-3%	£2.82m	6.00%
MFG Calne	Feb 2021	14 years	Five-yearly 2.5%pa then OMRR	£3.275m	5.19%
BP Redditch	Feb 2021	14.5 years	Five-yearly 2%pa then OMRR	£2.515m	4.65%
Applegreen Chatteris	Apr 2020	11.5 years	OMRR	£1.15m	5.75%
Applegreen Ross-on-Wye	Feb 2020	15 years	RPI 2%-4%	£2.8m	6.04%

COVENANT INFORMATION

Petrogas Group UK Limited is wholly owned by Applegreen Limited (formerly plc). Applegreen is a leading independent fuel and convenience retailer, with over 500 locations across the Republic of Ireland, UK and the USA.

Applegreen Plc was taken private in March 2021 in a deal funded by management together with Blackstone Infrastructure Partners.

The deal valued the business at €718.1 million, which represented a 48.2% premium to the previously listed share price. Blackstone's long-dated infrastructure funding will drive Applegreen's future growth, including site upgrades, development of electric vehicle infrastructure and investment in new sites.

Petrogas Group UK Limited owns and operates the group's UK forecourt / c-store retail network, which comprises circa 100 sites. The company has reported the following financials over the last three years:

	2020	2019	2018
Turnover	£467,287,000	£634,943,000	£606,438,000
Profit before Tax	£3,728,000	£1,991,000	-£705,000
Net Worth	£8,722,000	£2,967,000	£3,212,000

For the financial year ending December 2020, the balance sheet incorporated circa £49 million of fixed assets, including property/plant/fixtures and fittings.

According to the Group's most recent accounts, the company's UK service stations traded ahead of 2019, with the sites benefiting from strong fuel margin and substantial increases in convenience retail sales.

The company has an Endole Score of 86 out of 100 and is classified as "Secure".

06.

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EPC

The property has a rating of C(51).

VAT

It is expected that the transaction will be treated as a TOGC.

PROPOSAL

We are seeking offers in excess of **£2,780,000 (Two Million Seven Hundred and Eighty Thousand Pounds)**. A purchase at this level reflects an attractive **Net Initial Yield of 6.25%**.

This assumes the deduction of normal purchaser's costs of 6.42%.

Subject to contract and exclusive of VAT.

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