

# Shell Stacey Bushes Forecourt Convenience Investment Opportunity

H3 MONKS WAY  
STACEY BUSHES | MILTON KEYNES | MK12 6HU

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- Well-established Shell forecourt and convenience asset in a busy commercial location
- Let to Shell U.K. Limited (£2.51bn net worth), with indexed rental increases and in excess of 13 years' unexpired term



ALEXANDER JAMES



## INVESTMENT SUMMARY

- Well-positioned Shell fuel forecourt and convenience store on a **large site of just under an acre**
- Milton Keynes has a **population of 287,000** and is home to a number of major national and international companies
- **Prime commercial and trade park location** with surrounding occupiers including a Lexus dealership, KFC, Screwfix, HSL and Toolstation
- Let to **Shell U.K. Limited (£2.51bn net worth)** for a term certain **in excess of 13 years**
- Passing rent of **£152,676.85 per annum** subject to five-yearly **indexed uplifts based on RPI** with an annual collar of 1% and cap of 3%

## PROPOSAL

We are seeking offers in excess of **£2,300,000 (Two Million Three Hundred Thousand Pounds)**, reflecting a **Net Initial Yield of 6.24%** (assuming purchaser's costs of 6.34%).

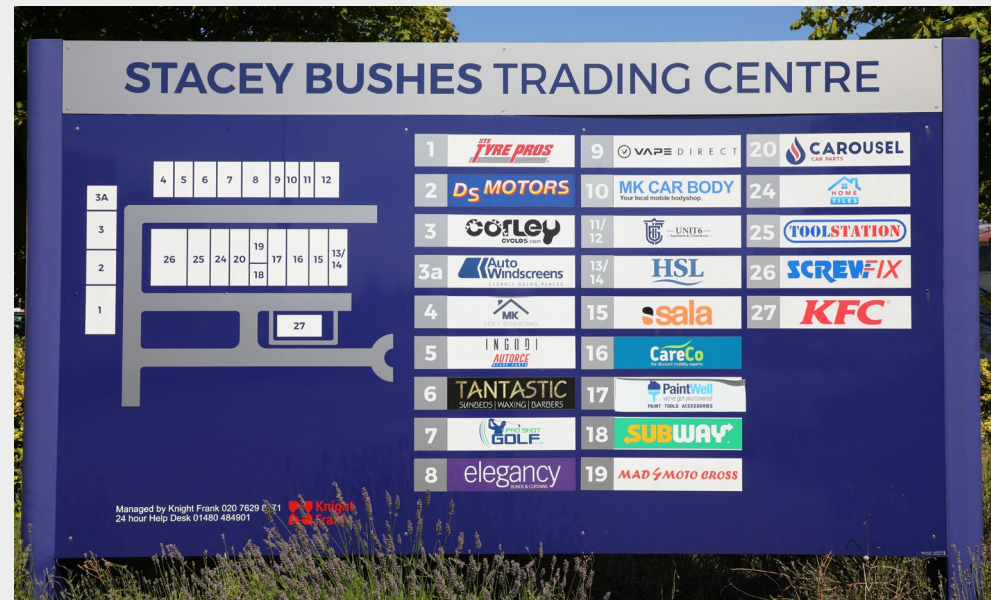
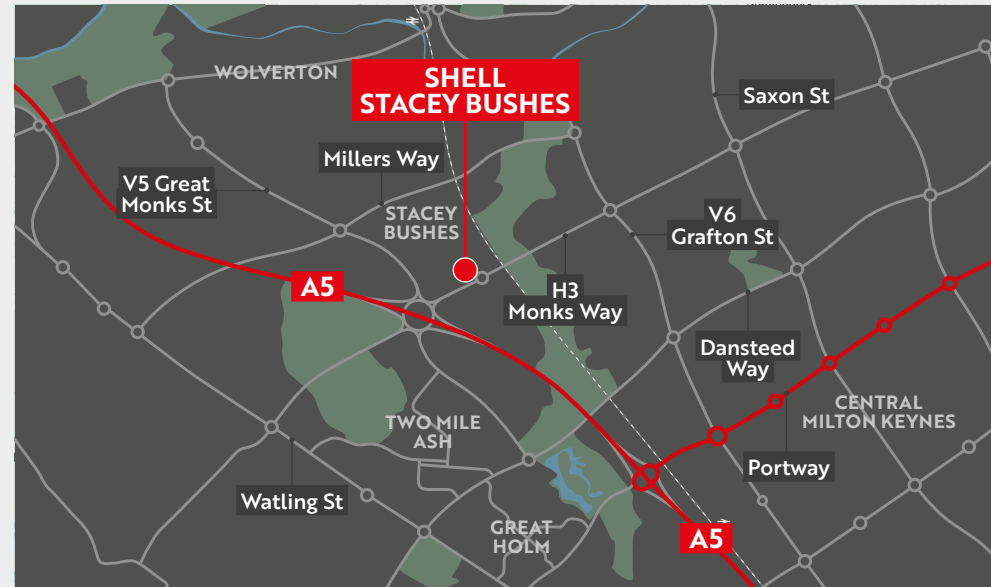
## LOCATION & SITUATION

Milton Keynes is a city in Buckinghamshire of circa 287,000 people (2021 Census), situated approximately 50 miles northwest of London. It was the largest new town developed in the UK and is well known for its grid layout. The city ranks as one of the most economically productive locations in the UK and is home to several major international companies, including VW, Red Bull Racing, Mercedes-Benz and Domino's Pizza.

The town is well connected by rail and road to London, with junctions 13 and 14 of the M1 lying immediately to the east of the city and typical train times of 45 minutes.

The A5 also runs through the western side of the city, linking to the A421 to Buckingham 12 miles to the west and to Dunstable and Luton to the south.

The property is located in the Stacey Bushes area of the city, approximately three miles northwest of the city centre. H3 Monks Way is a very busy arterial route with an average daily traffic count of circa 23,000 vehicles (DfT). The immediate area is characterised by commercial and retail with Stacey Bushes Trading Centre and Industrial Estate both in close proximity. Major occupiers nearby include Screwfix, Toolstation, HSL, KFC, Lexus and BP.



## DESCRIPTION

The property incorporates a well-presented Shell-branded fuel forecourt with "Select" convenience store. The store has a total gross internal area of approximately 114.8 sq m (1,235 sq ft) of which 69.1 sq m (744 sq ft) is retail area.

The well-stocked sales area provides a broad range of convenience goods, takeaway hot bakery food, two Costa Express coffee machines, lottery and off licence.

The main fuel forecourt is laid to concrete and arranged in a four-island startergate layout providing all grades of fuel at eight filling points. Additionally, to the eastern end of the site are two separate diesel dispensers for HGVs.

The site trades 24/7 and externally offers customer parking and an Amazon parcel locker.

Shell obtained planning permission in 2019 to redevelop the site to provide a larger retail unit of 275.4 sq m GIA with 15 customer parking spaces. Whilst not yet implemented it demonstrates how the site could be transitioned in the future.



## SITE AREA

The property occupies a site of approximately 0.38 hectares (0.94 acres).

## TENURE

Freehold.

## TENANCY

The property is let to Shell U.K. Limited on full repairing and insuring terms until 31 December 2037, so having approximately 13.3 years' unexpired.

The passing annual rent is £152,676.85, which is subject to five-yearly indexed increases linked to RPI, with a collar of 1%pa and cap of 3%pa. The next review is effective 1 January 2028, with a further increase in 2033.

The tenant carried out improvements to the site in 2021 including the installation of new underground fuel storage tanks and fuel dispensers, together with resurfacing of the re-fuelling areas.

## MARKET COMMENTARY

Notwithstanding the Government's re-stated aim of ceasing sales of ICE vehicles in 2030 and the growth in EV numbers, investors continue to be attracted to this specialist asset class. Interest is prompted by continued strong occupier market demand and pricing levels, evolving occupier market, and well-established fundamentals of long leases coupled with excellent rental growth prospects.

The forecourt retail market is a key component of the convenience and food-to-go sector and represents an excellent way for investors to access the sectors' strong underlying growth in sales, backed up by the extremely robust covenant strengths of the major energy companies and largest independent retailers.

The forecourt retail sector has always had to evolve when faced with regular challenges, whether regulatory or market driven, and we see the de-carbonisation of transport as a significant opportunity for the best located assets in the sector. We are also seeing continued strength in the underlying operational market having successfully concluded a number of market rent reviews over the last two years for landlords.

With 20-30% rent increases common on good quality sites there is a strong chance that assets with capped indexation-linked increases like this one have become reversionary.

## RELEVANT FORECOURT CONVENIENCE TRANSACTIONS

Property	Unexpired Term	Rental uplifts	Date	Price	NIY
BP, Melton Mowbray	9.25 years	Market rent	May 2024	£2.75m	7.00%
ASDA, Nottingham	13.25 years	Fixed 2.5%pa five-yearly	May 2024	£2.87m	7.00%
Spar, Louth	8.25 years	RPI 1.5% - 3.5% five-yearly	Mar 2024	£3.0m	6.69%
BP, Heaton Mersey	11.5 years	Market rent	Dec 2023	£2.1m	6.10%



## COVENANT INFORMATION

### SHELL U.K. LIMITED

Shell is a global energy company with a target to become a net-zero emissions business by 2050. In the UK, Shell's brand is found on one in eight petrol stations and it supplies over 20% of the UK's gas.

Shell UK's stated aim is to play a leading role in securing vital energy for today while investing in, and helping to build, the energy system of the future. The company intends to deploy \$10-15 billion on low-carbon energy solutions between 2023 and the end of 2025.

Shell UK's most recent published accounts show the following:

	2022 £million	2021 £million	2020 £million
<b>Sales Turnover</b>	10,225	5,101	3,461
<b>Pre-Tax Profit</b>	551	-1,239	-1,125
<b>Net Assets</b>	2,509	2,691	3,092

## EPC

The property has a rating of B(37).

## VAT

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



## PROPOSAL

We are seeking offers in excess of **£2,300,000 (Two Million Three Hundred Thousand Pounds)**.

A purchase at this level reflects an attractive **Net Initial Yield of 6.24%**.

Assuming average annual RPI of 2.5%, a purchase at this level will show the following running yield profile:

<b>Net Initial Yield</b>	6.24%
<b>1 January 2028</b>	7.06%
<b>1 January 2033</b>	7.99%

All yields stated assume the deduction of normal purchaser's costs of 6.34%.

Subject to contract and exclusive of VAT.

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