



CARMEL HOUSE – H&M, HSBC, FOOT LOCKER & 3 STORE SHEFFIELD

PRIME LONG INCOME RETAIL INVESTMENT



CBRE
CB RICHARD ELLIS



Investment Considerations

- 100% prime flagship freehold retail parade;
- Best trading position in Sheffield;
- Modern, recently developed, well configured retail units behind a listed facade;
- 12 years average weighted unexpired;
- Let to the excellent retailers of; H&M, HSBC, Foot Locker and 3 Store;
- Sheffield is the 5th largest city in the UK and boasts a Catchment Population of 8.2m;
- Sheffield's shopping population is forecast to grow by 8% by 2018;
- We are instructed to seek offers for the Freehold investment of the subject property in excess of **£22,600,000 (Twenty Two Million, Six Hundred Thousand Pounds)**, Subject to Contract and exclusive of VAT, which reflects a Net Initial Yield of 5.75%, assuming purchaser's costs of 5.8%;





Sheffield

Sheffield is the fifth largest city in the UK, with a Resident Population of 512,000, and is the principal administrative centre in South Yorkshire. The City borders Derbyshire, The Peak District and The Pennines.

Sheffield is strategically located close to the geographical centre of the UK, being 175 miles north of London, 40 miles east of Manchester and 30 miles south of Leeds.

The City benefits from excellent communications infrastructure. By road; the M1 motorway (Junctions 33 and 34) connects Sheffield with the national motorway network. By rail; Sheffield is served by a mainline railway station with links to London St Pancras Station with a journey time of approximately 2 hours, 30 minutes. By air; Sheffield Airport is located approximately 12 miles to the north east of the City, whilst to the north Leeds/Bradford International Airport is located within a 1 hour drive time, as is Manchester International Airport to the west. Sheffield has also seen significant inward investment with the development of the light rail tram service (Super Tram) which serves the City Centre.

Demographics

Sheffield central has a catchment population of 8.2 million and as such, is ranked as the 9th largest shopping catchment out of more than 2,000 UK retail centres (NSLSP).

Sheffield's shopping population is forecast to increase due to development activity and inward population migration by 7.8% over the 2008 – 2018 period (NSLSP). PMA project that the city will see above average growth in population up to 2015.

Sheffield's catchment population is significantly enhanced by the presence of two major universities; Sheffield and Sheffield Hallam, which provide approximately an additional 52,000 residents to the total population.

Over the past decade, total employment in Sheffield has increased in line with the retail PROMIS average. Sheffield's economy has become more diversified over this period, with less reliance on traditional industry and greater emphasis on the service sectors. The City is home to large banking employers including; HSBC, Norwich Union, Abbey National and Nationwide. Sheffield has also developed a reputation for excellence in call centre operations, employers include; Freemans, DSGi, Telewest and William Hill. BSkyB is planning to set up a new SKY TV call centre in Sheffield, creating an additional 500 jobs. Voice Marketing, another call centre, has recently moved to Sheffield and is planning an extension to the workforce from 270 to 750 throughout 2011.

In addition to the growth in the service sectors, the 2011 budget introduced the Sheffield Enterprise Zone, which will focus on advance engineering and technology sectors; a modern manufacturing and technology growth area will be made up of several key sites linked by the M1 corridor. Whilst this is still subject to discussion, it is expected that 12,600 jobs will be created by 2015.

Sheffield Retailing

Sheffield has an estimated 1.5 million square feet of retail accommodation. The city's total retail provision is considered to be disproportionately low given the extensive catchment population that it boasts.

The pedestrianised Fargate provides the prime retail pitch and links with; High Street to the north and Pinstone Street, The Moor and Barkers Pool, all to the south.

Retailers in Fargate Street include; Boots the Chemist, Marks & Spencer, Dorothy Perkins, Topshop, Next, Game, WH Smith, New Look, River Island and Republic; as well as retailers in the subject block: Footlocker, HSBC, H&M Hennes and 3 Store.

Rents in prime Fargate historically reached £255 Zone A. However, in recent years these have fallen back to around £210 Zone A as evidenced by a number of recent transactions on prime Fargate:

- 34-36 Fargate, February 2010, lease regear to Abbey Bank at £220 Zone A.
- 33-35 Fargate, March 2010, Arcadia lease renewal at £235 Zone A.
- 58 Fargate was let at the bottom of the market in April 2009 to Republic at £208 Zone A.
- 2 Fargate, September 2008, HSBC rent review at £237 Zone A.

Hammerson’s Sevenstone development, is situated on a site immediately adjacent to the southern end of Fargate and north of The Moor. The proposed scheme has recently been revised; the existing 250,000 sq ft John Lewis store will be remodelled and there will be an additional 500,000 sq ft of new accommodation comprising retail units, 4 MSUs and a multiplex cinema with leisure and restaurant operators. Work is not planned to begin until 2013 at the earliest. In our opinion the subject property, being at the southern end of Fargate, is well placed to benefit from an improved retail offer should the scheme be delivered.



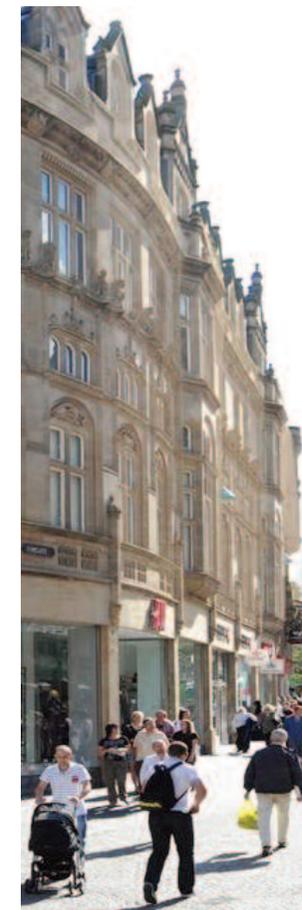
Rental Growth Prospects

In our opinion, prime Fargate has excellent rental growth prospects, given the significant catchment population of over 8.2 million (NSLSP). Other comparable major regional centres support significantly higher rental tones:

City	Catchment Population (million)	Retail Provision Sq ft (million)	Prime Town Centre Zone A Rate (PMA)
Liverpool	5.9	3.0	£280
Newcastle-upon-Tyne	5.5	2.6	£310
Glasgow City Centre	2.8	2.9	£260

We also note that Meadow Hall, Sheffield City Centre’s primary competition, reached a rental tone of approximately £400 Zone A.

In our opinion, Sheffield’s status as a regional retail destination can only improve as the retail and leisure offer in the city improves. We anticipate the rental tone will therefore increase in the medium term.





Situation

Carmel House occupies a 100% prime location at the southern end of Fargate. Occupiers immediately adjacent to the property include Republic, River Island, New Look, Next and WH Smith.

Prime Fargate benefits from significant footfall; the month of July 2011 had 1,234,000 shoppers (Sheffield City Council).

Description

The property is an attractive and prominent multi-let retail parade behind a listed façade. The parade was developed approximately 5 years ago and provides excellent modern, well configured, retail accommodation.

Unit 2 provides excellent large retail floor plates with sales accommodation over ground, first and second floors linked by escalators and sales lift.

Unit 3 provides a flagship retail unit with sales lift and escalator providing access to basement sales accommodation.

Units 1 and 4 provide well configured ground floor retail units.

The property provides the approximate areas below:



Address	Tenant	ITZA	Ground sq ft	Basement (assumed ancillary) sq ft	First sq ft	Second (assumed ancillary) sq ft	Total sq ft
Unit 1	3 Store	637	1,050	-	-	-	1,050
Unit 2	H&M Hennes	1,772	4,318	-	9,195	4,008 (4,008)	21,530
Unit 3	HSBC	1,174	2,714	5,000 (2,686)	-	-	10,400
Unit 4	Foot Locker	544	704	899	-	-	1,603



Tenure

Freehold.

Pepper Alley (outlined in blue on the Goad plan) which runs to the rear of the property is held on a leasehold basis for a term of 150 years from 13/12/2006 at a peppercorn rent. An electricity substation in Pepper Alley is held on a leasehold basis for a term of 125 years from 13/12/2006 at £1000 per annum.

Tenancies

The property is let on FRI leases on the following basis:

Unit	Tenant	Start Date	New Rent Review	ToB	Expiry	UXT years	% Income	Passing rent pa	Passing Zone £ psf	Comments
Unit 1	Hutchinson 3G (UK) t/a 3 Store	24/06/2006	24/06/2011	24/06/2016	23/06/2021	9.8	12%	£160,000	£240	Devaluation assumes 5% for return frontage.
Unit 2	H&M Hennes Ltd	24/06/2006	24/06/2011	-	23/06/2026	14.8	44%	£607,500	£211	Devaluation assumes -5% discount for quantum.
Unit 3	HSBC Bank Plc	24/06/2006	24/06/2011	-	23/06/2021	9.8	34%	£470,000	£255	Devaluation assumes 5% premium for A2 user.
Unit 4	Freedom Sportsline t/a Foot Locker	24/06/2006	24/06/2011	23/06/2016	23/06/2021	9.8	10%	£137,500	£238	
TOTAL						12.0	100%	£1,375,000		



Covenants

H&M Hennes Limited

H&M Hennes & Mauritz AB is a Swedish retail clothing company. Established in 1947, H&M has grown into a truly global fashion brand with more than 2,200 stores in 40 different countries throughout 4 continents. In the UK, H&M has 192 stores. Today, H&M is recognised as one of the most successful global retail fashion brands.

The last 3 reported annual accounts for H&M Hennes Limited are below:

	30/11/2009 (£,000s)	30/11/2008 (£,000s)	30/11/2007 (£,000s)
Turnover	£565,888	£524,530	£527,534
Pre-Tax Profit	£9,866	£10,564	£58,936
Net Worth	£122,300	£104,220	£53,506

Freedom Sportsline Limited

Freedom Sportsline Ltd's parent company is Foot Locker UK Ltd with the ultimate parent company being the American retailer Foot Locker Inc. Foot Locker is one of the world's leading retailers in sports footwear and has been established since 1974. They operate out of over 3,400 retail stores in 21 countries throughout North America, Europe and Australia. In the UK there are 70 Footlocker shops.

The last 3 reported annual accounts for Freedom Sportline Limited are below:

	31/12/2009 (£,000s)	31/12/2008 (£,000s)	31/12/2007 (£,000s)
Turnover	£76,083	£78,752	£78,686
Pre-Tax Profit	£2,076	-£1,067	£3,423
Net Worth	£17,928	£16,682	£30,086

HSBC Bank Plc

HSBC is one of the largest banking and financial services in the world. With their headquarters in London, HSBC's international network has around 7,500 offices in 87 countries across Europe, the Asian pacific region, North, Central and South America, the Middle East and Africa. The business dates back to 1836.

The last 3 reported annual accounts for HSBC Bank Plc are below:

	31/12/2010 (£,000s)	31/12/2009 (£,000s)	31/12/2008 (£,000s)
Turnover	£4,011,000	£4,014,000	£4,366,000
Pre-Tax Profit	£32,357,000	£28,428,000	£20,661,000
Net Worth	£21,214,000	£16,588,000	£8,143,000

Hutchinson 3G UK Ltd

3 Store is part of the Three brand which is owned by Hutchinson Whampoa (HWL). HWL is one of the largest companies listed on the Hong Kong Stock Exchange and a Fortune 500 Company, with a turnover of approximately HKD 326 billion. It is an international corporate employing 240,000 people and operating a diverse array of holdings including telecommunications operations branded Three. Three own 9 3G licences globally including the UK. In the UK Three has the largest 3G network.

The last 3 reported accounts for Hutchinson 3G UK Ltd are below:

	31/12/2009 (£,000s)	31/12/2008 (£,000s)	31/12/2007 (£,000s)
Turnover	£1,504,129	£1,493,218	£1,268,284
Net Profit (loss)	(£361,979)	(£151,892)	(£790,913)
Total Assets	£6,137,000	£6,731,628	£6,702,693



VAT

It is anticipated that the sale be treated as the transfer of a going concern (TOGC).

Proposal

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SUBJECT TO CONTRACT CB Richard Ellis, September 2011