

# Retail Investment with Residential Development Potential



DAVID BAROUKH ASSOCIATES

4/12 LOWFIELD STREET & 11 MARKET STREET  
DARTFORD, KENT

## INVESTMENT SUMMARY

- Purchase price of **£2,450,000**.
- Net initial yield of **6.0%**.
- Reversionary yield of **6.4%**.
- Freehold.
- Total net internal area of **1,842 sq m (19,829 sq ft)**.
- Two retail units situated in the prime, pedestrianised section of the town centre.
- 94% of income deriving from the retail covenants of Argos and Lunn Poly.
- Major development planned on Lowfield Street incorporating a new Tesco superstore in close proximity to the property.
- Residential development potential with an end value of approximately **£900,000**.

## LOCATION

Located in the county of Kent, the market town of Dartford is approximately 25.6 kilometres (16.0 miles) south east of Central London. The River Darent flows through the town towards the River Thames which is 3.2 kilometres (2.0 miles) to the north. Neighbouring towns include; Bexley to the west, Sevenoaks to the south, and Gravesham to the east.

Dartford's town centre is a vibrant shopping environment benefiting from two shopping centres; The Priory and The Orchards.

Dartford Borough Council has identified six major sites for regeneration that will create a more modern and accessible town centre and establish Dartford as a regional focus.

In addition, the town is at the centre of the Government-backed Thames Gateway regeneration initiative. The strategy includes a £6 billion investment in the areas of transport, infrastructure, employment and housing. Plans are progressing to build the new international station on the Channel Tunnel Rail Link at Ebbsfleet on Dartford's boundary.

## DEMOGRAPHIC

According to the 2001 Census, Dartford has a population of 85,911. With regard to economic factors, the unemployment rate is lower than the national average of 3.4% at 2.5%. In addition, the percentage of home-owners in Dartford is 74.2% compared to the national figure of 68.9%.

## COMMUNICATIONS

Road communications for the town are good with the A225 and A206 providing access to the M25 London Orbital motorway approximately 4.0 kilometres (2.5 miles) to the west at Junctions 1B and 1A respectively. The Dartford tunnel is situated 1.0 kilometres (0.6 miles) north of Junction 1A linking Kent to Essex. In addition, the A2 is 2.0 kilometres (1.3 miles) south of the town and provides a direct route to Central London.

Dartford mainline railway station is situated approximately 0.3 kilometres (0.2 miles) north of the property providing frequent services to London (London Bridge, Cannon Street, Waterloo, Charing Cross and Victoria) with the fastest journey time being approximately 35 minutes to London Bridge.

London City airport is 28.8 kilometres (18.0 miles) to the north east whilst Gatwick airport is 54.4 kilometres (34.0 miles) to the south west.

## SITUATION

The property is situated in a prime and prominent position on the pedestrianised section of Lowfield Street at its junction with Market Street having frontages to both streets. The property benefits from its close proximity to the High Street. The prime section of the High Street is between The Priory and The Orchards shopping centres, both being extremely close to the Argos and Lunn Poly. The main entrance to The Priory Centre is diagonally opposite the property. In addition, a large car park is opposite the property on the other side of Market Street. Retailers within The Priory Centre include Sainsburys, McDonalds and Peacocks. Other retailers in the town include Waitrose, Boots, Burton, Virgin Megastore, Carphone Warehouse, Going Places, Dollond & Aitchison, WH Smith, Thomas Cook, and Dorothy Perkins.

Outline planning consent has been granted for a £94 million redevelopment of the Lowfield Street area by St James's Investments. 'The Park' development will comprise a 10,219 sq m (110,000 sq ft) Tesco's superstore, a further 3,716 sq m (40,000 sq ft) of additional retail and A3 units, 900 car parking spaces and 490 flats. The commercial element is centred around Lowfield Street and Market Square, all within the immediate vicinity of the property. We understand that retailers including Woolworths, Next, River Island, Signet Group, Blockbuster and Claire's Accessories have already expressed an interest in the scheme. Further information can be found at [www.next2thepark.co.uk](http://www.next2thepark.co.uk).

In addition, The Priory Centre was recently acquired by Chainbow Holdings – a property asset management and development company who are proposing significant investment in the centre whilst at The Orchards, Jones Lang LaSalle have been instructed to implement a comprehensive asset management project on behalf of the freeholder – Freshwater.

## DESCRIPTION

The property is arranged over basement, ground and two upper floors and is of traditional brick construction dating from the early 1960s. The building has a flat roof towards the front elevation whilst the rear of the property has a pitched tiled roof.

The Argos unit has ancillary storage accommodation on basement, first and second floors although the second floor is not in use by the tenant. The property benefits from a goods lift and staircase.

The Lunn Poly unit has a return frontage onto Market Street. Part of the first floor is used for storage.

In addition, there is a self-contained, office suite occupied by Pertemps on the first floor with a separate access on Market Street. The office benefits from carpeting, Category II lighting and gas central heating.

## ACCOMMODATION

We have been advised that the building provides a total net internal floor area of 1,842 sq m (19,829 sq ft). Please see the tenancy and accommodation schedule.

## TENURE

Freehold.

## TENANCIES

The investment is multi-let producing a total income of **£156,000 per annum**. Please see the tenancy and accommodation schedule.

## COVENANT

Covenant	Date of Accounts	Turnover	Pre Tax Profit	Net Assets
Argos Ltd	31/03/04	£3bn	£142m	£899m
Lunn Poly Ltd	31/12/02	£158m	£11m	£31m
Pertemps Recruitment Partnership	31/12/03	£188m	£5m	£443m

# TENANCY AND ACCOMMODATION SCHEDULE

Sector Floor	Tenant	Accommodation sq m	sq ft	ITZA sq m	sq ft	Rent per annum per sq ft/ Zone A	ERV per annum per sq ft/ Zone A	Review	Expiry	Unexpired Term (years)	Comments
<b>RETAIL</b>											
Basement	Argos Ltd	263	2,831	244	2,332	£106,000 (£33.14)	£122,012 (£40.00)		25/03/08	2.75	Assumed £3.00 psf on basement and first floor and £2.00 psf on the second floor.
Ground		613	6,599								
First		549	5,911								
Second		116	1,253								
<b>Sub-Total</b>		<b>1,541</b>	<b>16,594</b>								
Ground	Lunn Poly Ltd	131	1,409	71	761	£40,500 (£49.10)	£33,575 (£40.00)	25/03/06	24/03/11	5.75	Assumed £3.00 psf to first floor. First floor is sub-let to Argos.
First		97	1,045								
<b>Sub-Total</b>		<b>228</b>	<b>2,454</b>								
<b>OFFICE</b>											
First	Pertemps Recruitment Partnership	73	781			£9,500 (£12.16)	£9,500 (£12.16)		1/01/08	2.5	
<b>Sub-Total</b>		<b>73</b>	<b>781</b>								
<b>Total</b>		<b>1,842</b>	<b>19,829</b>			<b>£156,000</b>	<b>£165,087</b>				

## ESTIMATED RENTAL VALUE

The estimated rental value of the investment is currently **£165,000 per annum**. This equates to approximately £431 per sq m (£40 per sq ft) Zone A for the retail accommodation and £131 per sq m (£12.16 per sq ft) for the offices.

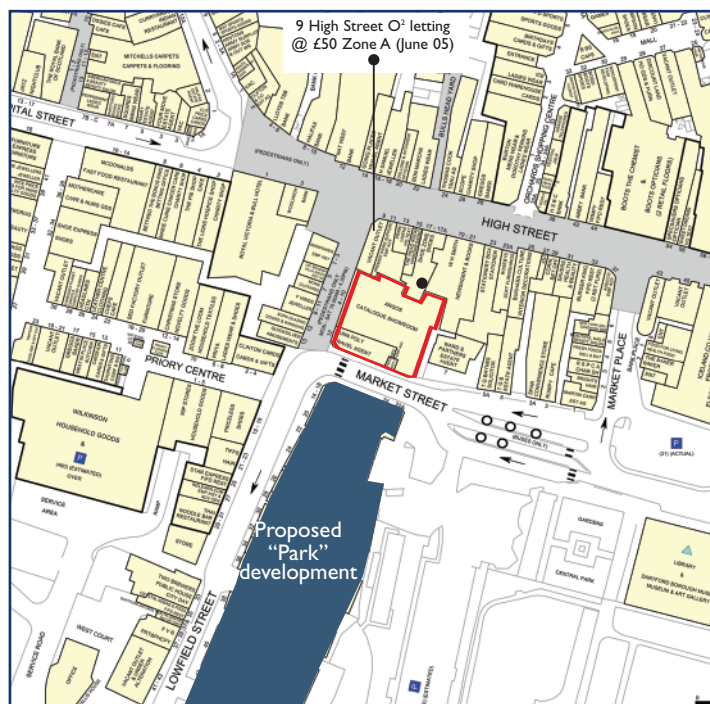
We have been advised of the following recent comparable evidence in the town;

At 9 High Street, adjacent to the property, 02 have agreed terms on a lease of 10 years at a rent of £34,245 per annum which equates to approximately £538 per sq m (£50 per sq ft) Zone A.

We have been advised that the established rental level at both The Priory Centre and The Orchards is currently in the region of £484 sq m (£45 sq ft) Zone A.

## RESIDENTIAL DEVELOPMENT POTENTIAL

Our client is considering a third floor extension and converting the second floor to residential subject to obtaining the necessary consents. Following positive preliminary discussions with the local authority's planning department, our client has instructed architects to design a residential scheme which is submitted comprising 3 one bed and 5 two bed flats totaling 454 sq m (4,887 sq ft) gross internal area. These plans are available on request. We understand that residential values within the town centre are in the region of £2,152 per sq m (£200 per sq ft).



## PRICE

The freehold interest can be acquired for a price in excess of **£2,450,000** reflecting a net initial yield of 6.0%, a reversionary yield of 6.4% and a capital value of £1,330 per sq m (£124 per sq ft) based upon costs of 5.7625%.

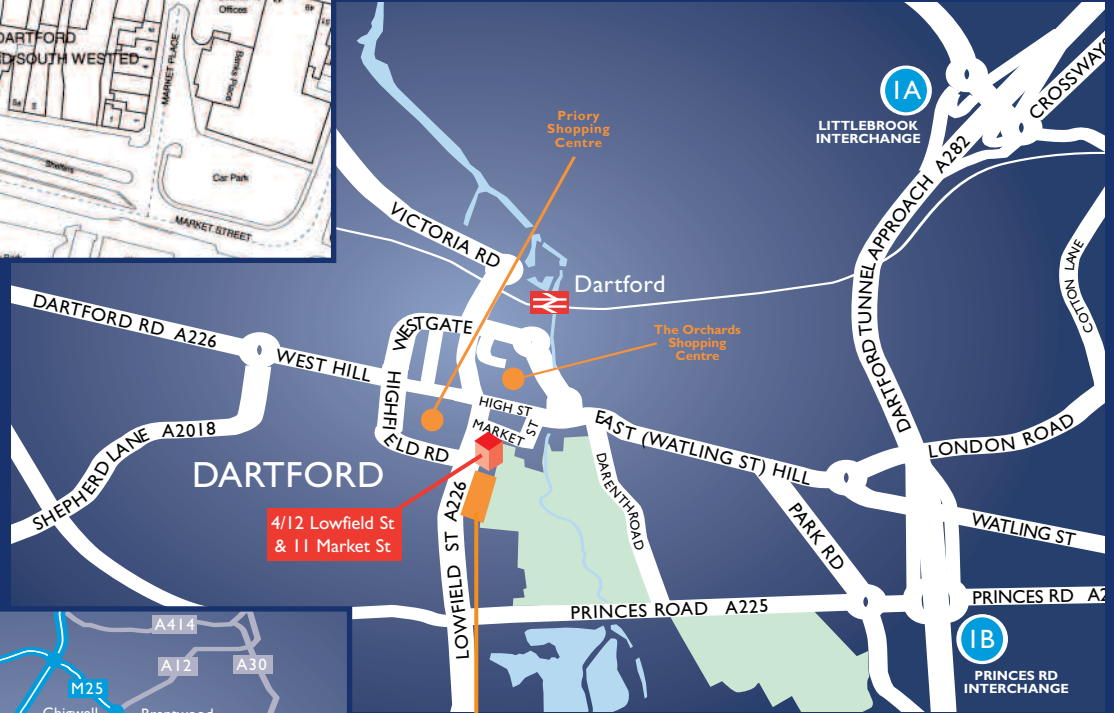
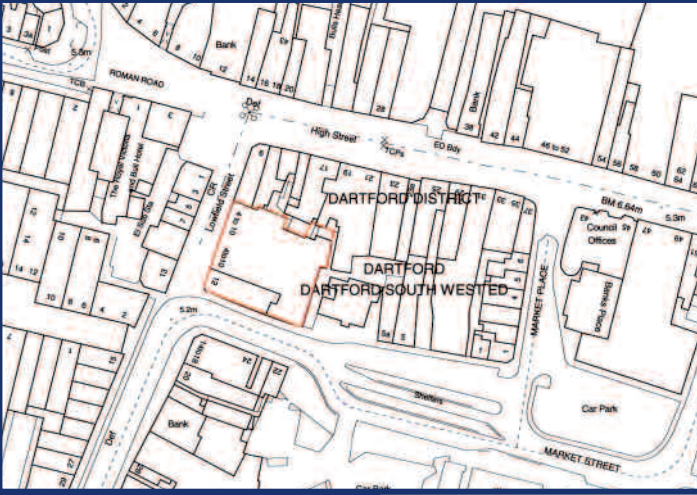
## VALUE ADDED TAX

The property has been elected for VAT and will therefore be treated as a Transfer of Going Concern (TOGC).

## INVESTMENT CONSIDERATIONS

- Dartford is within the Government's Thames Gateway initiative being a commitment to invest £6 billion in transport, infrastructure, employment and housing within the area.
- The property is situated in close proximity to the High Street within the prime pedestrianised section of the town centre, diagonally opposite the entrance to The Priory Centre.
- Attractive reversionary yield of 6.4%.
- 94% of income derives from the retail covenants of Argos and Lunn Poly.
- Low rental base on the Argos unit of £357 per sq m (£33.14 per sq ft) Zone A with excellent potential for further rental growth. Evidence of open market letting to 0<sup>2</sup> at £538 per sq m (£50.00 per sq ft) on the adjacent unit at 9 High Street.
- Low capital value of £1,330 per sq m (£124 per sq ft).
- An opportunity to agree a lease renewal with Argos. We understand there are few similar sized units in the town that would suit their requirements.
- Potential to convert and extend the building to provide residential accommodation subject to obtaining the necessary consents. Initial discussions with both the planners and Argos, with regard to surrendering the second floor, have been positive. Based on the current scheme designed by architects, the end value will be in the region of £900,000.
- An opportunity to acquire a retail investment within Dartford town centre prior to the completion of various development proposals, regeneration and investment in the town centre. 'The Park' development will consolidate the prime retail position towards Lowfield Street and in turn may have an impact on rental values.

**SUBJECT TO CONTRACT AND EXCLUDING VAT**



The proposed "Park" development on Lowfield Street

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