



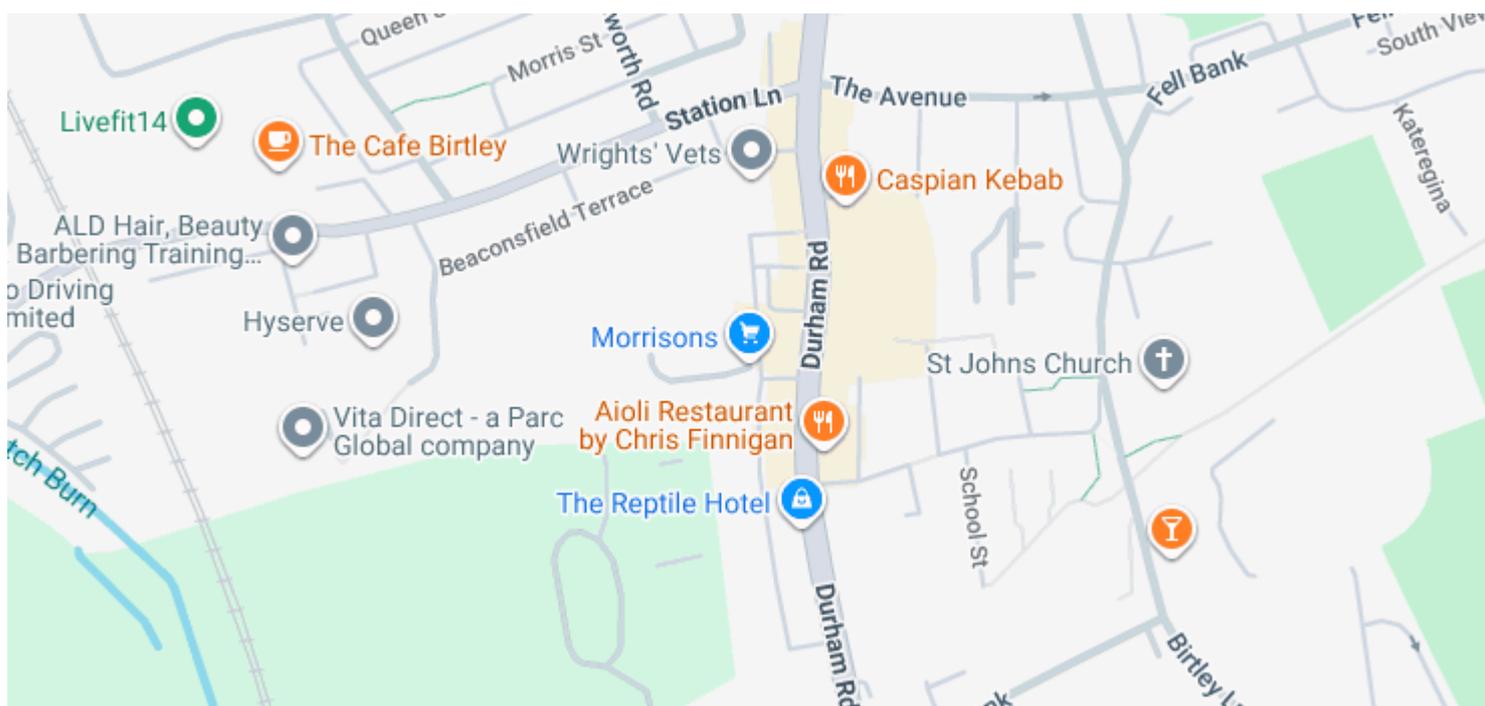
Modern Supermarket Investment for Sale

 **Morrisons | Durham Road, Chester-le-Street, United Kingdom, DH3 2PG**

FOR SALE  **PRIVATE TREATY**

£ 16,530,000 Subject to contract

Location



Birtley is a town in Gateshead, in Tyne and Wear, and is cojoined with Chester-le-Street. The town is situated approximately 11 km (7 miles) south of Newcastle, 14 km (9 miles) west of Sunderland and 16 km (10 miles) north of Durham.

The town benefits from good road communications, with the A1(M) lying immediately to the east. The A167 runs through the town, linking directly to Gateshead, the Tyne Bridge and Newcastle upon Tyne to the north and Chester-le-Street and Durham to the south.

Rail services are provided at nearby Chester-le-Street with the station being on the main East Coast main line. There are regular services to Newcastle (10 minutes) and a fastest journey time to London King's Cross of 2 hours 55 minutes.

In addition, Newcastle International Airport is approximately 22 km (14 miles) to the north.

Summary

- Modern, purpose built foodstore
- Undoubted income – principally let to “Morrisons”, the UK’s fifth largest supermarket chain (96% of total income)
- Approximately 19.25 years unexpired lease term, without breaks
- RPI linked rent reviews
- Provides the main foodstore offering for the area with no competition from other supermarket operators
- Three additional retail units let to national occupiers Subway, “Card Factory” & The Children’s Society (4% of total income)
- Freehold
- £16,530,000, subject to contract
- 6.5% Net Initial Yield
- The asset is held in a Single Purpose Vehicle which is available to purchase in order to reduce purchasers’ costs and enhance the income return.

Situation

The subject property occupies a prominent position on the west side of Durham Road (A167), within the main retailing centre for the town. Junction 63 of the A1(M) is approximately 1.6 km (1 mile) to the west. Surrounding occupiers include Greggs, Savers, Hays Travel and the Post Office.

The subject property is the dominant retail offer in the town and there are no main competing food stores close by. Thus, the property provides an essential food store offering to the local community.

Description

Constructed in 2014, the property comprises a purpose-built food store, along with an additional three retail units fronting Durham Road.

The Morrisons unit is of steel frame construction with a combination of block work with composite cladding panels and glazed curtain walling to the elevations beneath a shallow pitch roof with a profile metal decked covering.

The food store features several shopper access points, with the primary entrance located at street level on Durham Road and connected by a glazed bridge to an entrance atrium.

The property benefits from 312 undercroft car parking spaces (1:197 sq ft) at ground floor, with a travelator and lifts leading into the main store sales area at first floor.

Internally, the store features the complete Morrisons food range, the Nutmeg clothing brand, and an in-house bakery, butcher, fishmonger and café. Customers can use grocery click-and-collect through a dedicated drive-thru bay in the car park, and an Amazon collection locker is also available.

To the rear of the sales area is a store with 2 dock level loading bays leading directly into the service yard.

A copy of the original building specification is attached to the Agreement for Lease which is available to download via the data room.

Accommodation

We have been advised that the property provides the following accommodation:

Unit 1 (GIA)	Morrisons	5,705 sq m	61,411 sq ft
Unit 2 (NIA)	Subway	84 sq m	902 sq ft
Unit 3 (NIA)	The Children's Society	131 sq m	1,413 sq ft
Unit 4 (NIA)	Card Factory	128 sq m	1,377 sq ft

A set of floor plans is available to download.

Tenure

Freehold.

Tenancies

Unit 1 – 96% of Total Income

Morrisons has been in occupation for over 10 years, originally signing a 20-year lease from March 2015. The tenant entered a reversionary lease from March 2025, extending the original lease term and demonstrating their commitment to this location. The tenant received a capital contribution of £1.129m as part of the agreement to re-structure the occupation lease.

As a result, the property is currently let to **WM Morrison Supermarkets Limited** on a full repairing and insuring lease for a term of 20 years from 31st March 2025, expiring on 30th March 2045 (**approximately 19.25 years unexpired**).

The current passing rent is **£1,099,555.77 per annum** (£17.90 per sq ft overall) which was set at the most recent RPI uplift in March 2025. The rent increased from £903,755.36. The lease benefits from 5 yearly RPI-linked rent reviews (collared and capped at 1% and 3%). The next rent review is on 30th March 2030.

Ground Floor, Unit 1, Durham Road

Let to **Subway Realty Limited** on a full repairing and insuring lease for a term of 15 years from 20th April 2016, expiring on 19th April 2031. There is a tenant break option on 20th April 2026, subject to six months' notice. The passing rent is **£16,000 per annum** (£17.74 per sq ft). The lease benefits from an open market rent review on 20th April 2026. Subway have underlet to a franchisee for a term expiring on 16th April 2031 at the passing rent of £16,000 per annum.

Ground Floor, Unit 2, Durham Road

Let to **The Children's Society** on a full repairing and insuring lease for a term of 10 years from 15th March 2016, expiring on 14th March 2026. The passing rent is **£20,000 per annum** (£14.15 per sq ft).

Ground Floor, Unit 3, Durham Road

Let to **Sportswift Limited (t/a Card Factory)** on a full repairing and insuring lease for a term of 5 years from 1st December 2023, expiring on 30th November 2028. There is a tenant break option on 15th January 2027, subject to six months' notice. The passing rent is **£12,000 per annum** (£14.52 per sq ft).

Therefore, an investor will benefit from a total income of **£1,147,555.80 per annum**, of which 96% is derived from WM Morrison Supermarkets Limited

Site

The site area is approximately 3.1 acres (1.25 hectares).

A Geo-Environmental Appraisal was undertaken by DTS Raeburn Limited in 2013, prior to the development. The report concluded that “the tested soils are within acceptable limits for the currently proposed development and present a sufficiently low risk”. A copy of the report is available to download in the data room.

The coal mining report dated August 2021 (available to download) states that “The property is not within a surface area that could be affected by present underground mining” and that it “is not in an area likely to be affected from any planned future underground coal mining”.

Covenants

WM Morrison Supermarkets Limited (Co. No. 00358949) has reported the following figures:

Year Ending	27th October 2024	29th October 2023
Revenue	£17,018,000,000	£18,358,000,000
Pre-Tax Profits	£2,728,000,000	£51,000,000
Net Assets	£6,371,000,000	£3,693,000,000

During the year, like-for-like sales were up 4.1%. Underlying EBITDA from continuing operations was £835 million (2022/23: £751 million), an 11.2% year-on-year increase.

During the year the Group disposed of its 337-site petrol forecourt business to MFG for £2.5bn. This strategic disposal was part of the Group's decision to focus on what it does best; food making and retailing.

Morrisons is the UK's fifth largest supermarket chain with a market share of 8.6% (Source: Kantar). The core purpose and business model is making good food affordable for everyone. At the end of the period the Group had 495 supermarkets, 966 convenience stores and a strong online business. A further 658 stores are supplied via their franchise model. There are over 118,000 members of staff across the business. For further information visit www.morrisons-corporate.com.

Subway Realty Limited (Co. No. 04174473) has reported the following figures:

Year Ending	31st December 2024	31st December 2023
Turnover	49,216,949	£46,777,346
Pre-Tax Profits	£3,908,603	£3,523,987
Net Assets	£13,255,213	£10,366,280

Subway Realty Limited is a wholly owned subsidiary of Subway International Holdings BV and operates as part of the group's European division. Subway Realty Limited enters into leases with landlords and subleases these to franchisees. It has become one of the leading UK franchises.

The Subway brand began in 1965 in the USA and has since expanded to become one of the world's largest restaurant brands across more than 100 countries. Across the UK and Ireland there are over 2,500 stores. For further information visit www.subway.com.

The Children's Society (Charity No. 221124), formally the Church of England Children's Society, is a national children's charity whose objectives are to improve the lives of children and young people and the related social attitudes. The charity has over 100 retail shops throughout England and Wales. For the year ending 2024 the charity reported a Total Income of 40,307,000 and Net Assets of £45,965,000. For further information visit www.childrenssociety.org.uk.

Sportswift Limited (Co. No 3493972) has reported the following figures:

Year Ending	31st January 2025	31st January 2024
Revenue	£507,769,000	£483,251,000
Pre-Tax Profits	£72,957,000	£68,568,000
Net Assets	£71,490,000	£163,364,000

UK Store sales of £493.8 million increased by £25.6 million or +5.5% compared to the prior year, with like-for-like sales of +3.3%.

Sportswift Limited, trading as Card Factory, is the UK's leading specialist retailer of greeting cards, dressings and gifts with an estate of over 1,000 stores across UK and Ireland, their website www.cardfactory.co.uk and supply through franchise stores and partner stores mainly in the UK and Australia. The company is part of the Card Factory plc Group.

EPC

The Energy Performance Certificates are as follows:

Morrisons	C74	Expiry November 2035
Subway	B49	Expiry April 2028
The Children's Society	B38	Expiry March 2026
Card Factory	B42	Expiry March 2026

Service Charge

In accordance with the 30th June 2026 budget, the service charge payable by the occupational tenants is as follows:

Unit 1	Subway	£5,431.49
Unit 2	The Children's Society	£8,825.38
Unit 3	Card Factory	£8,554.12
Total		£22,811.00

There are no service charge provisions in the Morrisons lease, but the tenant must pay to the Landlord a fair proportion of the costs to keep the access road and service media in good and substantial repair and condition. The service charge relating to maintenance of the communal areas around the three retail units.

Copies of the service charge accounts and budget are available to download.

Rateable Value

According to the VOA website, the rateable values are as follows:

Unit	Description	Rateable Value
Morrisons	Supermarket & Premises	£890,000
Unit 1 (Subway)	Shop & Premises	£15,250
Unit 2 (The Children's Society)	Shop & Premises	£21,750
Unit 3 (Card Factory)	Shop & Premises	£20,750

The business rates multiplier is 55.5 pence for rateable values of £51,000 or more and 49.9 pence for rateable values below £51,000.

VAT

The property has been registered for VAT. It is anticipated that the sale will be treated as a Transfer of a Going Concern (TOGC).

Proposal

We are instructed to seek a figure of **£16,530,000** (Sixteen Million, Five Hundred and Thirty Thousand Pounds), subject to contract, reflecting a net initial yield of **6.5%**.

Investment Considerations

1. An opportunity to acquire a long income foodstore investment;
2. The investment provides undoubted income, being let to “Morrisons”, the UK’s fifth largest supermarket chain;
3. Highly attractive unexpired lease term of approximately 19.25 years, without breaks;
4. The lease benefits from RPI-linked rent reviews;
5. The subject property provides the main foodstore offering for the area with no competition from other supermarket operators;
6. Additional income from three retail units let to national occupiers Subway, “Card Factory” & The Children’s Society;
7. Freehold;

Company Purchase

The property is held in a single purchase vehicle (SPV) based in the British Virgin Islands to provide tax efficiency, particularly for an overseas-based investor (we recommend investors obtain professional advice).

Given there is no tax in acquiring shares in the SPV, with net purchase costs at 1.50% (agent and legal fees), the net initial yield estimated on a company purchase is 6.84%.

Singer Vielle Finance Services

Subject to status, it is anticipated that a loan can be organised for the purchase at 60% of the investment value, for five years, interest-only at a finance margin of 2.25%. As a result, the equity requirement to purchase would be in the order of £7m, producing a return on equity of **8.3%**.

Purchase Price Agreed for Property		£16,530,000
Loan	60%	£9,918,000
Finance on Rate – margin		5.75%
Equity		£6,612,000
Agents	1.00%	£165,300
Legal	0.50%	£82,650
Bank Arrangement fee	1.00%	£66,120
Gross costs		£314,070
Gross Purchase		£6,926,070
Property Income		£1,147,555.80
Loan Cost		£570,285
Surplus Income after Debt Cost		£577,271
Return on Equity		8.33%

Singer Vielle Finance Services

Contact our team if you are seeking senior debt, bridging finance or development finance.

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All Properties are listed subject to contract and the prices shown are exclusive of VAT if applicable.