



High Yielding, Long Let Restaurant Investment

 16 New George Street, Plymouth, United Kingdom, PL1 1RL

FOR SALE  PRIVATE TREATY

£ 375,000 Guide price

Location



Plymouth is the largest conurbation in the south-west region of England and a major centre with a growing population of some 264,000.

It is located some 72 km (45 miles) south-west of Exeter, 87 km (54 miles) east of Truro and 200 km (124 miles) south-west of Bristol. It is well connected by road and rail lying at the junction of the A386 and A38, which links to the M5 motorway at Exeter.

Plymouth's mainline railway station has a journey time to London of just over 3 hours and to Bristol Temple Meads of approximately 2 hours. In addition, the city is an important continental and national sea port.

Plymouth is the south west's administrative hub and has a diverse economy with an economic output of £5.03 billion and over 110,000 jobs (Source: www.dataplymouth.co.uk/economy). Plymouth University is home to 30,000 students and 3,000 staff.

Plymouth is the largest centre for shopping in the South West, outside of Bristol.

Summary

- City centre investment opportunity
- Located in the heart of Plymouth's prime retailing centre
- New letting in March 2023
- 15 year lease (TBO year 10)
- Trading as 'Chopstix Noodle Bar' – the UK's largest Asian quick service restaurant group;
- £375,000, subject to contract
- 10.4% effective net initial yield
- Rising to 15.0% in March 2028

Situation

Retailing in Plymouth is principally confined to three streets (New George Street, Cornwall Street and Armada Way) and the Drake Circus Shopping Centre.

The property is located in a prime position on New George Street, between the entrances to Drakes Circus Shopping Centre and Armada Way. Surrounding occupiers include White Stuff, Halifax, Moss Bros, Vision Express, The Body Shop, Vodafone and Caffè Nero.

Owned by British Land, Drakes Circus Shopping Centre is one of the West Country's most popular shopping destinations with around 70 shops and restaurants and 1,270 parking spaces. Key occupiers include Marks & Spencer, Apple, Primark, Next, H&M and JD Sports.

In 2019 British Land opened The Barcode, a circa 9,290 sq m (100,000 sq ft) leisure scheme next to the Drakes Circus Shopping Centre including a 12 screen Cineworld cinema, 15 restaurant units and 420 car park spaces. In 2016, British Land acquired the New George Street Estate linking the retail centre with the leisure scheme.

Plymouth Council has committed £27 million to the 'Better Places' project which aims to improve the look and feel of the city centre's main thoroughfares, making it more attractive for shoppers and visitors as well as encourage more inward investment in retail, leisure, employment and housing into the heart of Plymouth. As part of this project, works are underway to revamp Old Town Street and the upper end of New George Street with new shops, seating and trees.

A number of major projects are underway in the City Centre and Waterfront area, including the £200m regeneration of Millbay's historic former docks by English Cities Fund. A new coach station has been opened, along with The Box – the city's new history, arts and culture centre on North Hill, plus Plymouth Market has undergone a £3.5 million renovation.

Description

The property comprises a restaurant unit on ground floor which has been newly fitted out by the tenant to a high standard in their usual corporate style. The first and second floors provide ancillary accommodation.

The property has an EPC rating of B.

Rateable Value

According to the Valuation Office website the rateable value for the property is as follows;

16 New George Street

£72,500

The business rate multiplier is 51.2 pence per pound.

Accommodation

The property has been measured by BKR Floor Plans and provides the following Net Internal floor areas:

Net Frontage	8.31 m	27'3"
Gross Frontage	8.84 m	29'0"
Zone A	50.63 sq m	545 sq ft
Zone B	50.63 sq m	545 sq ft
Zone C	38.00 sq m	409 sq ft
Remainder	46.17 sq m	497 sq ft
ITZA		982
Ground Floor Total	185.43 sq m	1,996 sq ft
First Floor	204.19 sq m	2,198 sq ft
Second Floor	191.00 sq m	2,056 sq ft
Total	580.63 sq m	6,250 sq ft

The measured survey report is available to download and will be re-addressed to a purchaser at a cost of £690 + VAT.

Tenure

The property is held under a head lease from Plymouth City Council for a term of 125 years from 3rd January 1992 (in excess of 93.25 years unexpired) at a ground rent of 10% of the occupational rent, i.e. £4,062.50 per annum.

As the occupational lease has a rent free period until 27th March 2024 there is no head rent payable until this expires.

There is no head rent payable if the property is vacant.

Tenancy

The property is let to **KK Foods SW Limited (t/a Chopstix)**, guaranteed by **Kernow Koffi Limited**, for a term of 15 years from 27th March 2023, expiring on 26th March 2038. There is a tenant's break option on 27th March 2033, subject to six months' notice. The lease is full repairing and insuring, subject to a Schedule of Condition in relation to the first and second floors.

The lease is subject to a 12 month rent free period expiring on 27th March 2024. The vendor will 'top-up' the income by way of an appropriate adjustment on the completion sum in order that a purchaser does not suffer an income shortfall.

The passing rent in accordance with the lease is £65,000 per annum. However, for the period from 27th March 2024 to 26th March 2028 the annual rent shall be reduced to £40,625 per annum.

Therefore, an investor will benefit from an initial income of **£40,625 per annum**, with a guaranteed minimum increase to **£65,000 per annum** in March 2028.

The lease benefits from five yearly upwards only rent reviews.

Covenant

Chopstix is the UK's largest Asian quick service restaurant group. Established in Camden Market in 2002 by entrepreneurs Sam Elia and Menashe Sadik, the company celebrated its 20th anniversary last year, and is currently undergoing a busy period of expansion. The Chopstix Group consists of over 100 Chopstix sites, in addition to 10 sites operating as Yangtze, and 27 sites under the Chozen Noodle brand, which the group acquired earlier this year.

The business boasts a strong pipeline of new sites, through both company operated and franchise ownership models, having already opened new equity stores in Bracknell and Brent Cross in the first half of the year and having recently secured agreements with other experienced QSR operators including Sparta Foods, Haven and Butlin's.

The Group plans to open 30 new stores this year, creating almost 1,000 new jobs in the process. The rapid expansion has been fuelled by record revenues, with system sales forecast to hit over £65m by the end of FY23 (23 April 2023), an increase of over 40 per cent compared to FY22. Revenue is projected to rise even further in FY24, with system sales expected to hit over £90m over the next financial year (Source: What Franchise).

The company has announced a long-term franchise agreement with KK Foods SW (the tenant) as it looks to develop a pipeline of stores across the South-West. KK Foods SW, which already has significant experience operating Quick Service Restaurant (QSR) businesses, opened its first Chopstix store in Plymouth, recording a record first week of sales for a Chopstix franchise site, with a second site launch planned in Portsmouth later this year.

For further information visit www.chopstixnoodles.co.uk.

The guarantor on the lease, Kernow Koffi Limited, has reported Net Assets of £1,320,998 for the year ending 31st August 2022.

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 **£375,000** (Three Hundred and Seventy-Five Thousand Pounds), subject to contract, reflecting an effective net initial yield of **10.4%**, rising to a guaranteed **15.0%** in March 2028.

Please note a purchaser will be re-charged the cost of the searches (£1,500) and measured survey (£690 + VAT) which are provided in the data room.

Please note that a purchaser will be charged a Transaction Fee of 1.0% of the Purchase Price plus VAT

Investment Considerations

1. An opportunity to acquire a city centre investment;
2. The property is located in the heart of Plymouth's prime retailing centre;
3. New letting in March 2023;
4. 15 year lease term;
5. Let to an established 'Chopstix' franchisee – the UK's largest Asian quick service restaurant group;
6. A purchase at the asking price reflects a very attractive yield profile;
7. Attractive lot size for an investor.

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