Mondi, Parkway, Deeside Industrial Park, Deeside CH5 2NS

Long Income Single Let Industrial Investment

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Investment Summary

- Strategic and expanding North-West manufacturing and logistic location with Enterprise Zone status.
- Extensive printing and distribution facility of 174,129 sq ft (16,177 sq m) GIA. Potential for sub-division.
- Key attractions for tenant include 2.5 MVA power supply with access to nearby port and air freight facilities.
- **Freehold**
- Let to a wholly owned subsidiary of **FTSE 100 listed Mondi Plc.**
- **12.25 years** to lease expiry.
- Low Principal Rent of £3.59 per sq ft plus "Fit-out Rent" of £49,680 per annum.
- Total current rental of **£674,527 per annum** with an estimated **reversion to £720,000 per annum** in July 2019.
- **Offers in excess of £8,700,000** subject to contract and exclusive of VAT.
- **Net initial yield of 7.27%** with **reversion to 7.76%** in July 2019.


M56 & M53
NORTH WALES EXPRESSWAY
A494
NORTH WALES
A548
Magellan Aerospace
Westbridge
Calbee
The Airfields
247 Acres Mixed Use Site
TNT
Volvo
Henrod
MMH
Henrod
Subject Property
Iceland Foods HQ
Dailycer
Edge Distribution
Rhino Products
Prospect Park
Ball Packaging

Location

Deeside is an important and strategic industrial location in the North West, lying within Flintshire and on the English/Welsh border, approximately 7.6 miles (12.2 km) west of Chester and 15.3 miles (24.6 km) south of Liverpool. The population of Deeside is approximately 53,568 with c.154,000 in Flintshire (2011 census). The majority of employment results from the manufacturing, production, logistics and construction industries.

Communication links are excellent with the A550 Express Way giving immediate access to Junction 16 of the M56 and the national motorway network, whilst Chester Station provides passenger rail services to London Euston (approx. 2 hours). Liverpool caters for port related uses and airport links are provided for at Liverpool John Lennon (25 miles) and Manchester International (35 miles) airports. Air freight services are available at Hawarden Airport (6 miles), whilst rail freight throughout the UK and to mainland Europe is handled at Liverpool, Chester and the Widnes Euro Freight Line Terminal.

Situation

Deeside Industrial Park is split into four Zones, spread over approximately 600 acres and the property is located on Parkway within Zone 2. Access to the A550 and M56 is currently via the A548, Shotwick Road. The Park forms part of the Deeside Enterprise Zone, providing a range of incentives to new occupiers, including enhanced Capital Allowances and discretionary Business Rates relief. The Park comprises some 5,000,000 sq ft of industrial and logistics property, acting as a strategic hub for a wide variety of distribution and manufacturing companies. Major occupiers at Deeside include Toyota, Morrisons, Tata Steel, TNT, Convatec, Bunzl Vending, Mayr-Meinhof Packaging, Westbridge Furniture and Valspar. Wheelabrator Technologies Inc is to commence the construction of a £180m EFW power plant, which is due to produce 18.8 MW from 2019.

Airbus Group's wing manufacturing facility is at nearby Hawarden. This has attracted a number of suppliers to Deeside Industrial Park, including Magellan Aerospace and CAV Aerospace. Funding for a £30m Advanced Manufacturing and Research Institute at Hawarden was announced in November 2016.

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'Northern Gateway'

The Northern Gateway Project is situated immediately to the south and adjacent to the Deeside Industrial Park. It is one of the largest strategic, mixed use development opportunities in the North West and extends to approximately 420 acres, being held in two ownerships.

Praxis Holdings own 247 acres of the former RAF Sealand base and have secured outline planning consent for a mixed use scheme of approximately 2.5m sq ft of logistics/industrial; 90,000 sq ft of retail/roadside on 20.4 acres and 725 residential units. Further details and indicative layouts are available on **www.theairfields.co.uk**

A JV between Pochin Developments and Goodman owns an adjoining 180 acres of surplus Corus land, fronting the River Dee. Outline planning consent has been obtained for 1.2m sq ft of B1, B2, B8 use; 600 residential units and leisure facilities, including a hotel. A Welsh Government investment of £3.1m has financed the construction of initial road infrastructure, which will eventually open up both sites, providing a direct link between Parkway (opposite the property); Deeside Industrial Park and the A550 junction with the A548.

Description

The property comprises three interconnecting warehouse/manufacturing buildings of steel portal frame construction with insulated profiled steel cladding. Originally built in the 1990's, the main unit was rebuilt in 2006 and all units were adapted to the occupiers specific requirements post 2009. The three main buildings have concrete floors, LED lighting and a comprehensive wet sprinkler system (CO_2 extinguisher systems have been installed by the tenant). The complex is situated within a self–contained site with four vehicular access points onto Parkway and Fourth Avenue. The site has prominent road frontages and is secured via a gatehouse and CCTV. There are external service yards for each unit and 143 car parking spaces. One of the key attractions for the tenant is the site's dedicated 2.5 MVA power supply.

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Accommodation

The property was measured in accordance with the RICS Code of Measuring Practice (7th Edition). The GIA areas are:-

Building 1– Printing Area and Offices	Sq ft	Sq m
Offices Ground Floor	2,035	189.06
Offices First Floor	1,978	183.76
Laboratories	1,828	169.83
Warehouse/Production* - Housing Printing Presses	73,142	6,795.09
Mezzanine	1,630	151.43
** Varying eaves height 5.18m to 8.23m*	**80,613**	**7,489.17**
Connecting Tunnel	2,500	232.26
Building 2– Laminated Products		
Warehouse* - laminating, cutting and product finishing	51,064	4,743.98
Mezzanine	2,551	236.99
Storage Room	1,515	140.75
** Minimum eaves height - 5.49m*	**55,130**	**5,121.72**
Building 3 – Offices and Warehouse		
Warehouse* - Storage	24,896	2,312.91
Offices – Ground Floor	6,290	584.36
Mezzanine	4,602	427.54
** Minimum eaves height -5.49m*	**35,788**	**3,324.81**
Gatehouse	98	9.10
TOTAL	**174,129**	**16,177.06**

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Site

The property has a site area of 8.38 acres (3.39 hectares), providing a 47.5% site cover.

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Tenancy

The property is let to **Mondi Consumer Goods Packaging UK Limited** (formerly Excelsior Technologies Ltd) for a term of 20 years, without break, from 9th July 2009 **(12.25 yrs unexpired)**. The 'Principal Rent' is currently **£624,847 p.a.**, equating to only **£3.59 psf** and is subject to 5 yearly upward only rent reviews to Market Rent. The next rent review is due on 9th July 2019.

In addition to the 'Principal Rent', the tenant pays a 'Fit-out Rent' of **£49,680 p.a.**, which is not subject to review. This rent largely relates to the installation of a comprehensive sprinkler system and tank, which any future occupier would benefit from.

Principal Rent	£624,847.15
Fit-out Rent	£49,680.00
Total Passing Rent	**£674,527.15**

The lease is effectively on FRI terms. A Photographic Schedule of Condition, recorded at lease commencement, has been significantly superseded by subsequent licensed Tenant's Alterations.

Tenure

Freehold

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Planning

Classes B1 (c), B2 and/or B8 of the Town & Country Planning (Use Classes) Order 1987.

Covenant

Mondi Group acquired Excelsior Technologies Limited on 7th February 2017 for £33m and, as a wholly owned subsidiary of the FTSE 100 listed Mondi Plc, it was renamed as Mondi Consumer Goods Packaging UK Limited (Company number 05188170). It is a market leading company, developing and producing flexible packaging for some of the world's biggest brands, particularly in the food industry. Over 60% of production is exported world wide and the company has twice won the 'Queen's Award for Exports'.

Mondi Group is an international packaging and paper conglomerate. Mondi Plc has dual listings on the London and Johannesburg Stock Exchanges. It's London Market Capitalisation in April 2017 was c. £9.56 bn. The Group derives 70% of its turnover from packaging, with key operations in Europe, Russia, North America and South Africa. The purchase and integration of Excelsior Technologies complements its global operations.

For the year ending 31st December 2016, Mondi Group reported a turnover of €6.66 bn (2015 - €6.82bn); Pre-Tax Profits of €843m, post 'Special Items' (2015 - €796m) and Shareholders' Funds of €3.7bn (2015 - €2.91bn).

For the year ending 31st December 2015, Mondi Consumer Goods Packaging UK Ltd (Formerly Excelsior Technologies Ltd) reported a turnover of £34.49m; Pre-Tax Profits of £883,103 and Net Liabilities of (£624,000). Their full 2016 accounts are not yet available but increased revenues of £39m to 31st Dec 2016 were reported.

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Letting Activity

We set out below a list of recent letting transactions in the local area.

Date	Location	Size (sq ft)	Occupier	Lease Term	Rent	Comments
Dec 2016	Unit 3, Prospect Park, Parkway, Deedside	11,166	Chester Wool Ltd	10 years	£5.82 psf	New space.
Nov 2016	Excel 95, First Avenue, Deeside	96,597	Magllan Aerospace (UK) Ltd	10 years	£3.75 psf	Second hand. 5 year tenant only break option.
Nov 2015	Unit 90, First Avenue, Deeside	64,340	Calbee Inc	15 years	£4.25 psf	Second hand.
Jun 2015	Unit 2, Deeside Industrial Park, Deeside	90,000	Great Bear Distribution	10 years	£4.00 psf	Sale and leaseback, 5 year tenant only break option.
Jun 2014	Expressway 56, Deeside	162,116	Mayr-Melnhof Packaging UK	10 years	£3.97 psf	Second hand. 5 year tenant only break option.

Investment Activity

We set out below a list of recent comparable investment transactions.

Date	Location	Size (sq ft)	Occupier	AWULT	Price	Yield (NIY)
Marketing	Deeside Industrial Estate East	871,143	Multi Let	5.4 yrs (to bk.)	Q. £38m	Q. 7.56%
Under Offer	Excel 95, Deeside Industrial Park	96,597	Magellan Aerospace	5.25 years	u-o>£4.25m	sub 8.0%
Jan 2017	Heywood Distribution Park, Heywood	92,340	Transpennine 200	5 years	£8.266m	7.37%
Nov 2016	Venus 110, Knowsley	110,4298	Amazon UK Services	4.5 years	£8.6m	6.3%
May 2016	Runcorn, Cheshire	131,960	Rehau	12.6 years	£11.45m	5.7%
Jun 2015	Unit 2, Deeside Industrial Park, Deeside	90,000	Great Bear Distribution	5 yrs (to bk.)	£4.25m	8.0%
Jun 2014	Expressway 56, Deeside	162,116	Mayr-Melnhof Packaging	2.5 years	£7.10m	8.5%

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Proposal

Offers in excess of **£8,700,000** for the freehold interest, subject to contract and exclusive of VAT. A purchase at this level reflects **a net initial yield of 7.27%**, assuming costs of 6.68%.

Assuming a rental uplift at review in July 2019 to **£720,000 pa** (£3.85 per sq ft as the 'Principal Rent' and the 'Fit-out Rent' of £49,680 pa.), this would reflect a **reversionary yield of 7.76%.**

EPC Rating

EPC – C (69). A copy of the certificate is available upon request.

VAT

The property has been elected for VAT and the sale will be treated by way of a Transfer of Going Concern (TOGC).

Capital Allowances

There are no capital allowances available to a purchaser.

Further Information

For further information or to arrange an inspection please contact:-

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