

Prime Long-Let
Retail Warehouse Investment



Powell Lloyd



MATALAN

Foundry Road, Swansea SA6 8DU

ACCOMODATION 34,960 sq ft (3,248 sq m) | SITE 3.87 acres (1.552 hectares)

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INVESTMENT SUMMARY

Swansea is the largest city in West Wales with a regional population of 560,000

The property sits prominently just off Neath Road (A4067) under one mile from J45 of the M4 motorway.

Large public sector investment and regeneration of the city is underway, enhancing Swansea's location as the economic centre of South West Wales.

Purpose built warehouse extending to 34,960 sq ft (3,248sq m) on a site of 3.87 acres (1.552 ha).

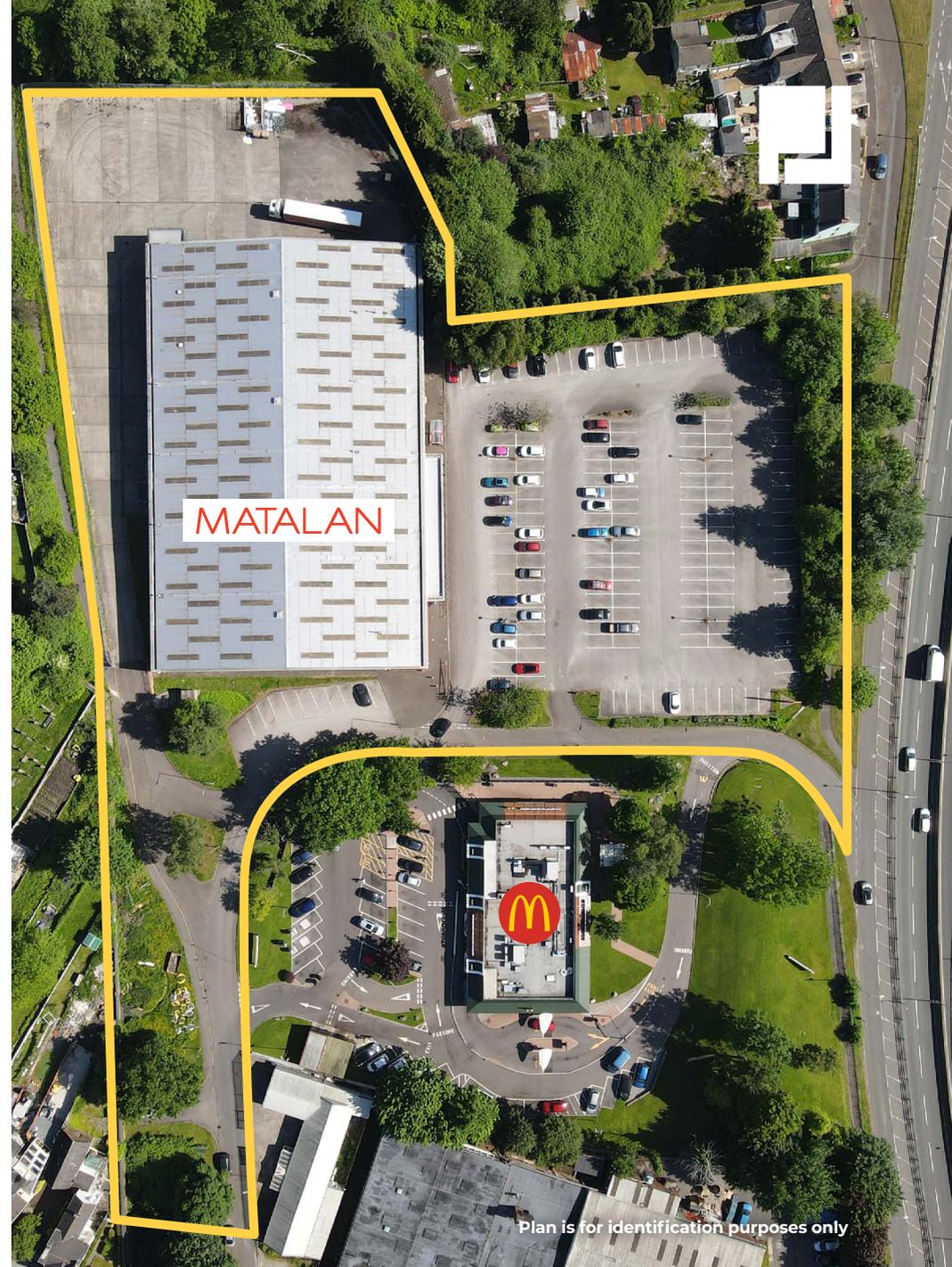
Freehold

6.75 years unexpired to Matalan Retail Ltd.

Much improved covenant strength with drastically reduced debt and improved liquid cash position.

Passing rent of £349,600 pa, a low rent of £10psf.

Seeking offers of **£3,433,000 (Three Million, Four Hundred and Thirty-Three Thousand Pounds)** for our clients freehold interest, subject to contract and exclusive of VAT. A purchase at this price would show a net initial yield of 9.5% assuming standard Purchaser's Costs of 7.15%.



Plan is for identification purposes only

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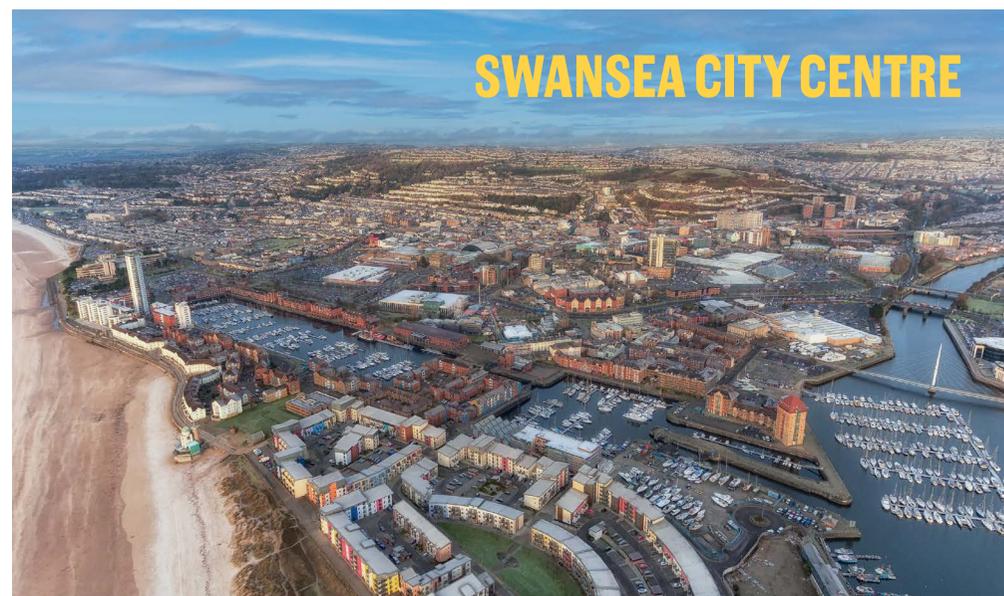
LOCATION¹

The property is located in Swansea, the thriving commercial, cultural and academic centre of the west Wales region.

Swansea has a **regional population of 560,000** and boasts two Universities: Swansea University and the University of Wales Trinity Saint David with a **large student population in excess of 24,000**.

THE CITY, POPULATION IS ESTIMATED TO GROW BY 10.4% BY 2036.

Swansea is home to major public service organisation employers such as the Driver Vehicle Licensing Authority (DVLA) and HM Land Registry. Ranked 38th in terms of total retail spend available within the Primary Retail Market area, Swansea will further benefit from its inclusion in the Swansea Bay City Deal, which pledges to **invest £1.3 billion in 11 major projects** across the Swansea Bay City Region, estimated to create **over 10,000 jobs** over the next 15 years and **boost the regional economy by £1.8 billion**.



OVER 10,000 JOBS



560,000 POPULATION

10.4% GROWTH **£1.3B INVESTMENT**

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LOCATION ²

A future-proofing Swansea Council initiative, **'Shaping Swansea'**, is also anticipated to boost several development sites.

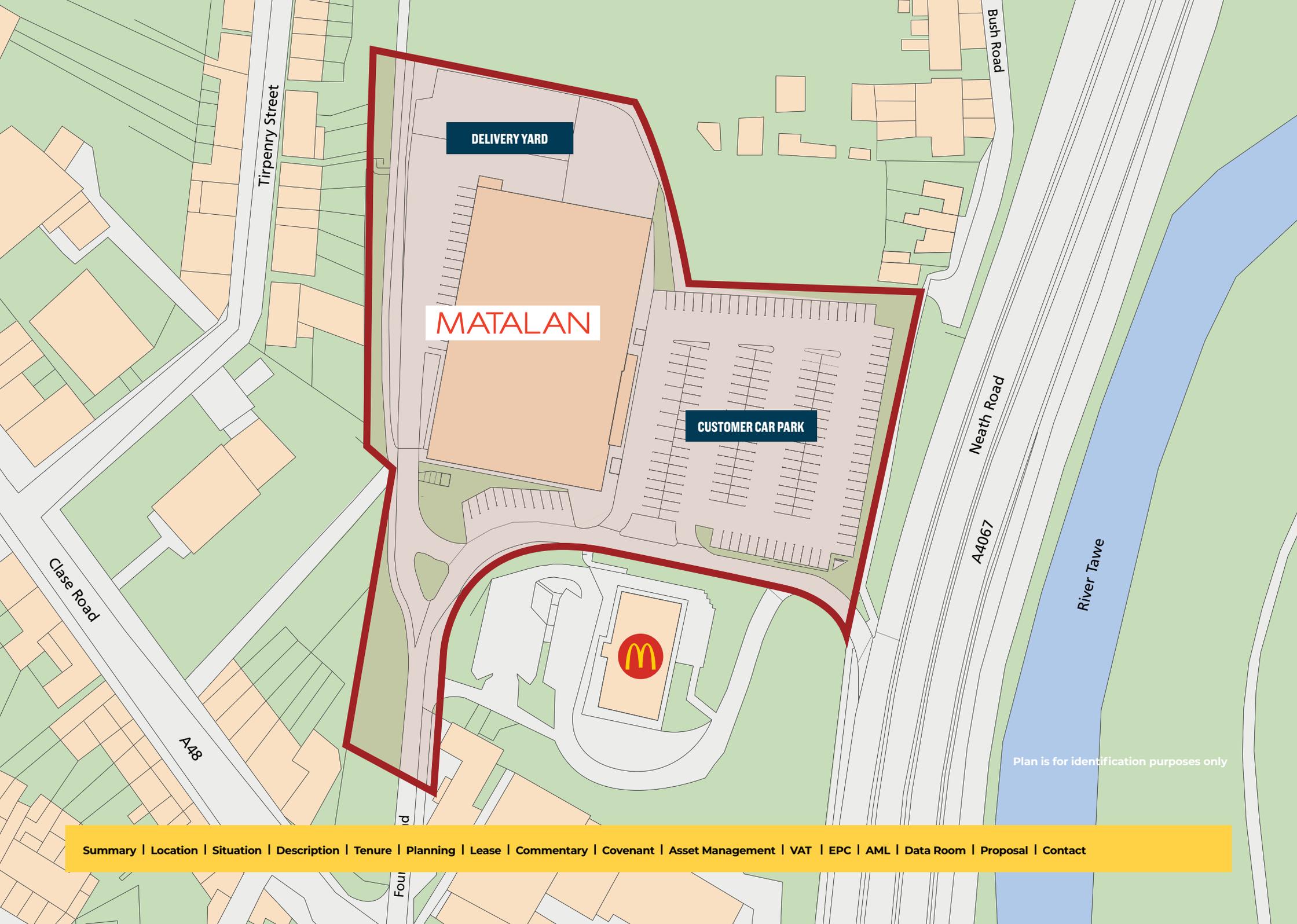


Urban Splash has recently signed a 20 year contract as development partner to Swansea Council to redevelop and enhance a number of city areas and schemes with an estimated value of £750m.

Swansea is a notably well-connected city occupying a prominent position served by four junctions of the M4 Motorway, imparting easy access to other major cities such as Cardiff and Bristol to the east and benefitting further by a centrally located intercity main line train station.

The city is recognised for its position along the acclaimed coastline of the Gower Peninsula, an area which became the first in the United Kingdom to be appointed an Area of Outstanding Natural Beauty in 1956. Swansea is a popular tourist destination attracting 4.7 million visitors spending over £460 million per year.





DELIVERY YARD

MATALAN

CUSTOMER CAR PARK



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SITUATION

The subject property is situated on Foundry Road, just off Neath Road (A4067), one of the main arterial routes into Swansea. Occupying a prominent position sitting just above the A4067, the property boasts a highly-visible location within a facility of proven trading excellence.

The site functions well operationally on both a customer and trade basis as the property is served by a high-capacity customer car park to the front in addition to a yard to the rear facilitating delivery and loading access.



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DESCRIPTION

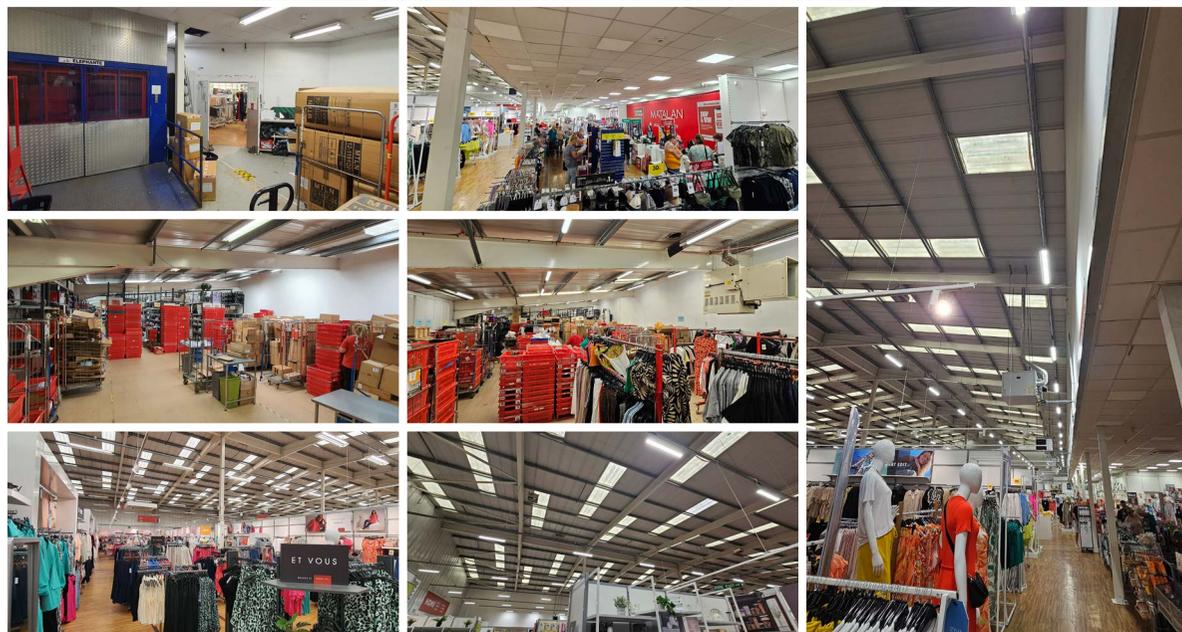
The property comprises a purpose-built, stand-alone retail warehouse unit developed in the late 1980's. The building is of steel portal frame construction, with metal profiled roof and wall cladding.

34,960 SQ FT (3,248 SQ M) OF ACCOMMODATION ON A 3.87 ACRES (1.552 HECTARES) SITE

The building is rectangular in shape and benefits from **178 car spaces**, a favourable ratio of 1:196 sq ft.

There is a **sizeable storage yard to the side and rear of the building** with two roller shutter loading bays. The ground floor consists predominantly of sales space, with a small storage and staff area.

Matalan utilize the space above the staff and changing areas to the front of the store as **stock storage** accessed via a service lift.



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TENURE

Freehold-title no. WA554545

PLANNING

The property benefits from an Open A1 (non-food) planning consent.

OCCUPATIONAL LEASE

The unit is leased to Matalan Retail Limited on a 35 year lease from 9th February 1990. They have signed a reversionary FRI lease expiring 13th May 2031, leaving 6.75 unexpired. **The passing rent is £349,600pa (£10psf) and is paid monthly.**

The next rent review is in May 2026. Rent review is capped in 2026 at £395,540pa.



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MARKET COMMENTARY

The UK retail warehouse market has shown signs of recovery and optimism in 2024. Although the first quarter of 2024 experienced a decline in transaction volumes, there has been a notable improvement in pricing, with net initial yields (NIY) for prime assets tightening.

Investor interest is expanding beyond the South East and this trend suggests a broader geographic appetite and a growing demand.

On the occupational front, demand for retail warehouse space remains robust, driven by a diverse array of retailers, especially those focusing on essential and value-based goods.

Vacancy rates have continued to decline, reaching 4.6% at the end of 2023. However, a significant portion of this vacant space is either not fit for purpose or hindered by planning delays, effectively reducing the true available vacancy to around 1.7%.

Overall, the retail warehouse market is poised for continued rental growth due to the competitive tension for limited available space. Net effective rents have seen steady increases, rebounding from previous declines and growing by 4.5% in 2023.



+4.5%
**RETAIL WAREHOUSE
RENTAL GROWTH IN 2023**

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COVENANT



Matalan was founded in 1985 and is a leading out of town fashion and homeware retailer, serving over 11 million customers through 231 stores in the UK, an e-commerce platform and 50 overseas franchise stores. They employ in excess of 11,000 people.

Matalan has recently gone through a major recapitalisation transaction which was completed on 26th January 2023. The transaction delivers a de-levered and sustainable balance sheet, a substantial injection of new capital, providing a platform to drive a return to strong and sustained growth.

The transaction included:

- Significant reduction in gross debt from £593 million to £336 million.
- Up to £100 million of new capital to support delivery of their strategy and growth ambitions.
- Financing for the next 3 years, with the earliest maturity in January 2027.
- A flexible debt package which provides committed and undrawn funding.
- Recent accounts published by Matalan in June 2024 indicate Significant improvement in underlying profitability, against challenging trading conditions and good early operational progress in the transformation of Matalan. EBITDA up 92% to £53m, improved gross margin and a closing unrestricted cash position of £123m representing a significant improvement in liquidity, driven by both EBITDA growth and tighter stock controls.

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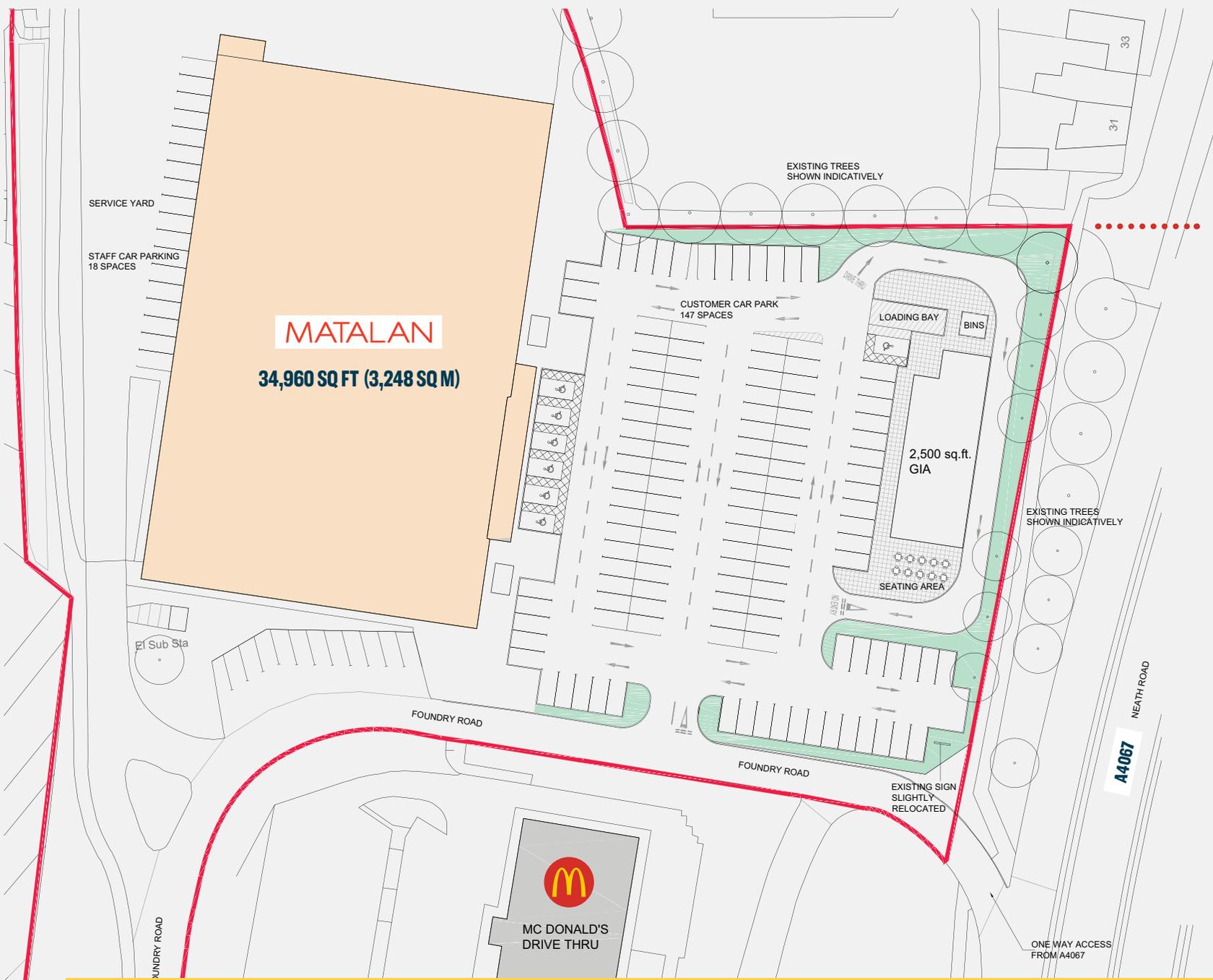
Financial summary (£m)

	FY 2024	FY 2023 1	YOY change
Total revenue	1,082	1,153	(6)%
LFL revenue	1,049	1,119	(6)%
Gross margin 2	495	458	8%
Adjusted Pre-IFRS 16 EBITDA	53	28	92%
Closing Unrestricted cash	123	83	£40m
Loss Before Tax	(60)	(106)	(44)%

Note 1: The FY 2023 numbers referenced here are pro-forma figures for the underlying Matalan Group. These numbers better reflect Matalan's trading performance for FY 2023 and are different to those included in the statutory accounts because of the strategic sales process that was undertaken during the period. The numbers here are proforma incorporating 11 months of the old group structure and one month of the new group structure, as opposed to the numbers in the statutory accounts which reflect only 30 days of trading in FY 2023.

Matalan Retail Limited have a Creditsafe score of 79/100 in 2024 and are rated as 'Very low risk', much improved from their 2021 rating of 29.

MATALAN



3.87 ACRES (1.552 HECTARES) SITE

POTENTIAL ASSET MANAGEMENT

Rental growth potential at 2026 rent review

Easily divisible unit should it ever be required with ample car parking and service yard

Scope to add an extra F&B unit on the car park (subject to planning and partial surrender from Matalan).

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VAT

The property has been elected for VAT and the transaction will be treated as a TOGC.

EPC

The property has an EPC rating of 98 - D. A copy of the report is available on request.

AML

When submitting a bid for the property, potential purchasers will need to provide appropriate documentation capable of satisfying the requirements of the Anti-Money Laundering Regulations.

DATA ROOM

Data room access can be provided upon request.



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PROPOSAL

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For further information or to arrange an inspection, please do not hesitate to contact:



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