

FOR SALE

Royal Mail Group Ltd - Industrial Investment



1 Home Street

Lanark, ML11 9AR

- › Strong investment fundamental, with a low-passing rent, and a potential underlying redevelopment angle at lease end.
- › Lease until 31st August 2035

Investment Summary

Prime Location: Situated in Lanark, the main administrative and commercial centre for a significant part of South Lanarkshire.

Excellent Accessibility: Direct access from the A72, which connects to the M74, providing a convenient route to Scotland's major cities in the north and England to the south.

Warehouse Details: The unit is a standalone distribution warehouse spanning 10,199 sq ft on a 0.81-acre site in a very affluent residential area of Lanark.

Ownership: Heritable Interest (equivalent to English Freehold). Lease Terms: Fully leased to Royal Mail Group Limited on Full Repairing and Insuring (FRI) terms until August 31, 2035, with a tenant break option in 2030.

Current Rent: The passing rent is £37,200 per annum (£3.64 per sq ft) until August 2025. Subsequently, it will increase to £42,500 (£4.16 per sq ft) with an upward-only open market rent review in August 2030. The vendor will ensure the rent reaches £42,500 per annum upon sale.

Reversion: It is expected that there will be considerable reversion at the open market review in 2030.

Remaining Lease: The property has an unexpired term of 11 years until expiry and 6 years until the break option.

Royal Mail Occupancy: Royal Mail has occupied the unit since 1995, consolidating their surrounding distribution warehouses. This unit serves as their sole delivery office in South Lanarkshire.

Tenant Commitment: The tenant extended the lease recently by 10 years demonstrating their long-term commitment to the building.

Our client seeks offers exceeding £640,000 for their Heritable Interest in the Property. At this level, factoring in purchaser costs of 5.23%, the purchase would yield a Net Initial Yield of 6.32%. This reflects a low Capital Value rate of £61 per sq ft.



Location

Strategic Positioning

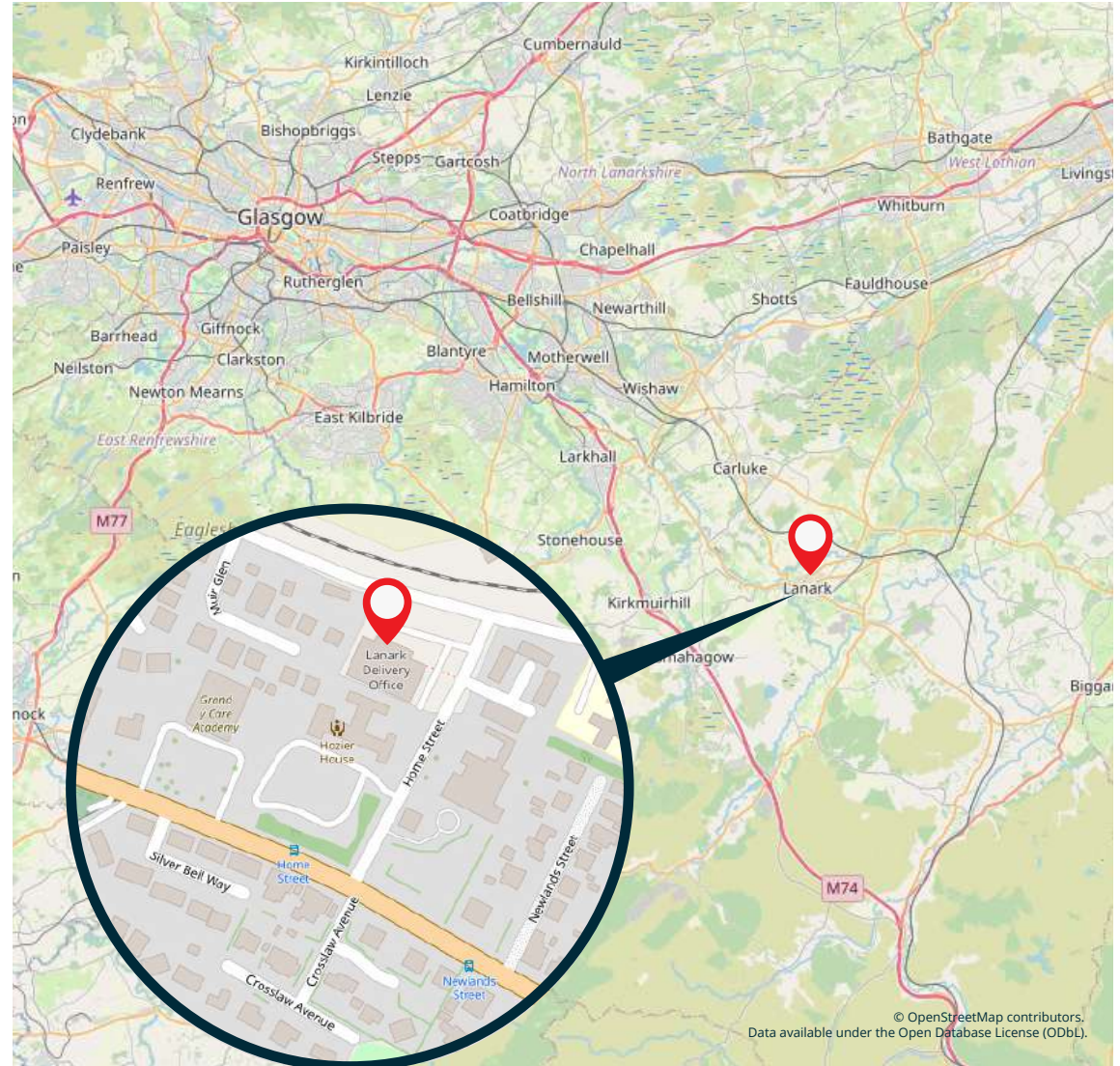
Lanark's central location within South Lanarkshire places it at the heart of a significant catchment area. Being approximately 27 miles south-east of Glasgow and 33 miles south-west of Edinburgh, it enjoys excellent connectivity to major cities, making it an ideal hub for businesses.

Transport Links

Lanark boasts a direct rail link with Glasgow and other parts of Lanarkshire. Additionally, its proximity to the West Coast Mainline at Carstairs ensures efficient transportation for both goods and personnel. The town's accessibility via the M74 motorway and key trunk routes (A70, A72, A73, and A721) further enhances its commercial appeal.

Situation

The subject property, located at the junction of Home Street and Whitelees Road, offers favourable conditions for industrial use. Although the immediate surroundings are predominantly residential, the property's proximity to the A72 (Hyndford Road) is a key advantage. This direct access route connects to Lanark town centre and further leads to the M74, providing efficient connections to major Scottish commercial centres in the north and England to the south. Additionally, Lanark town centre, just west of the property, facilitates various direct routes to nearby areas such as Motherwell, Wishaw, and Hamilton.



Description

This modern warehouse spans 10,199 sq ft (948 sq m) and boasts the following features:

Fully Secure Yard:

Ideal for safeguarding goods and equipment.

Modern Tenant Fit-Out:

Ensures an efficient workspace.

4.6m Eaves Height:

Ample vertical space for storage and operations.

Dedicated Car Parking:

Convenient parking for staff and visitors.

Royal Mail recently extended the lease by 10 years, demonstrating their long-term commitment to the building, consolidating their operations in the surrounding areas into this unit. The agreed rent is significantly below the current market rate, offering future potential for appreciation for any purchaser. The warehouse now serves as a critical delivery office, covering Lanark, Carluke, and Biggar.



Lease Overview

Tenancy

The property is currently leased to Royal Mail Group Limited under a Full Repairing and Insuring (FRI) lease.

The existing rent stands at £37,200 per annum (£3.64 per square foot) and remains payable until 31 August 2025. However, a 10-year lease extension has been agreed, effective from 1 September 2025. Post-extension, the rent will increase to £42,500 per annum (£4.16 per square foot). As part of a landlord incentive, the tenant will pay half rent from the lease commencement until 1 March 2026. Additionally, the vendor will top up the rent to £42,500 p.a. at the point of sale. Notably, this lease includes a tenant-only break option on 31 August 2030 and an upwards-only open market rent review, set to take effect from 1 September 2030. At the open market rent review we expect there to be considerable reversion.

A copy of the lease documentation is available in the data room.

Tenure

The property is held on Heritable Interest (Scottish Equivalent of English Freehold).

Tenant Covenant

Royal Mail Group Ltd comprises both UK and international parcels and letters delivery businesses under the 'Royal Mail' and 'Parcelforce Worldwide' brands employing approximately 150,000 people.

Financial Highlights (2019-20):

Consolidated Income Statement:

- Revenue: £10.8 billion
- Operating profit: £325 million
- Profit before tax: £180 million

Consolidated Balance Sheet:

- Total assets: £7.9 billion
- Total liabilities: £5.6 billion

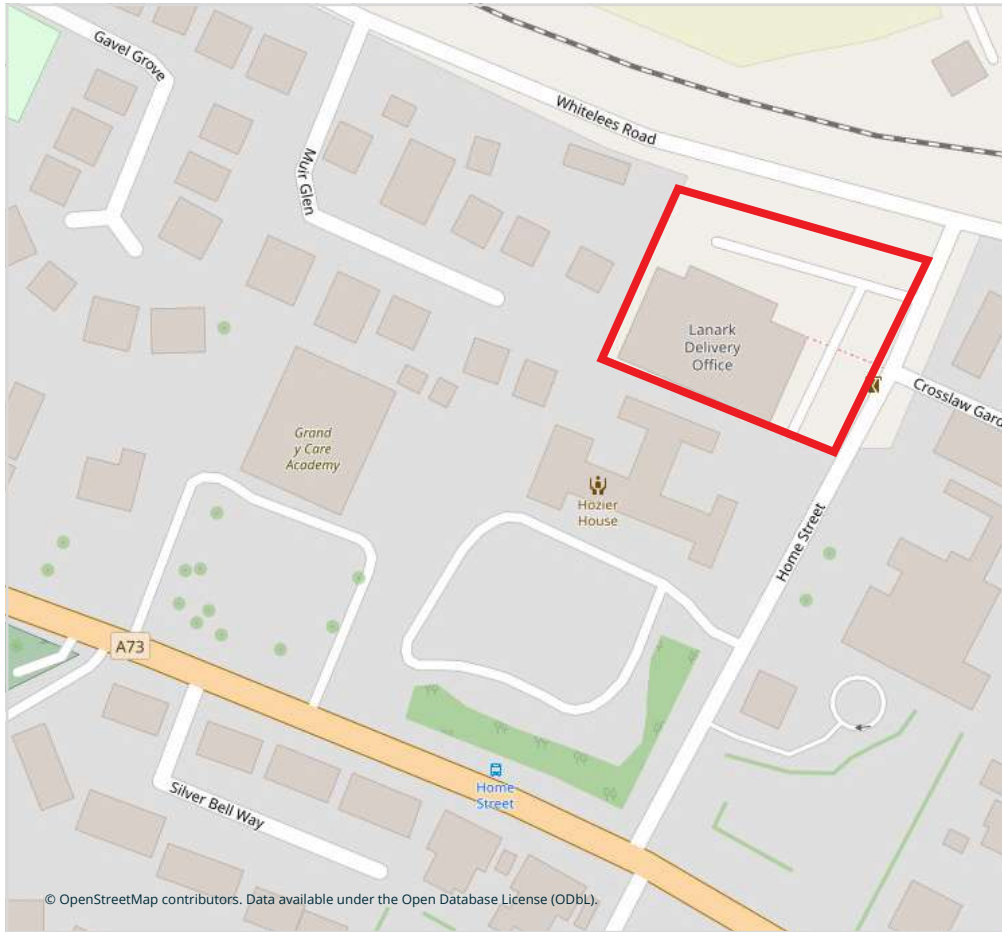
Consolidated Statement of Cash Flows:

- Net cash from operating activities: £371 million
- Net cash used in investing activities: (£297) million
- Net cash used in financing activities: (£75) million

More Details

Site Area

Total Site area of 0.81 acres representing a site coverage of 29%.



VAT

The property is elected for VAT. We envisage that the sale will be treated as a Transfer of a Going Concern (TOGC).

Data Room

Access to a data room is available to parties registering an interest via the selling agent.

Anti-Money Laundering Regulations

Under both HMRC and RICS guidance, as property agents we are obliged to undertake AML diligence for both the purchasers and vendors (our client) involved in a transaction. As such, personal and or detailed financial and corporate information might be required before any terms are agreed or any transaction can conclude.

Proposal

Offers are sought in excess of £640,000 (Six Hundred and Forty Thousand Pounds) for the asset, subject to contract and exclusive of VAT. A purchase at this level would reflect a net initial yield of 6.32%, based on standard purchaser's cost of 5.23% and an attractive capital value of £61 per sq ft.



Viewings & Further Information

For further information or to arrange a viewing, please contact the joint letting agents:

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Important Notice

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