PRIME PETROL FILLING STATION
CONVENIENCE STORE INVESTMENT

Co-op Petrol Galleys Roundabout,
Braintree By Pass (A120),
Braintree, Essex, CM77 8GG
INVESTMENT SUMMARY

- Excellent opportunity to acquire a secure income asset in the expanding forecourt convenience sector
- Exceptionally busy main road location very close to Braintree Freeport designer outlet centre
- The asset is strongly under-pinned by its operational trading performance
- Let to Co-operative Foodstores Limited with approximately 11 years’ unexpired without break
- Attractive 2% annual compounded rental uplifts
- Guaranteed by The Co-operative Group Food Limited, an entity with £2.135bn of net assets (as at 3 Jan 2015 audited accounts)
- Passing rent with effect from 21 June 2016 of £228,263 per annum Seeking offers in excess of £3,425,000 (Three Million Four Hundred and Twenty-Five Thousand Pounds) which reflects an attractive net initial yield of 6.26% net of costs assumed at 6.5%
Braintree is a town in Essex with an urban area population of 53,477 (2011 Census), situated 46 miles (74 kilometres) northeast of London. It is ten miles (16 kilometres) northeast of Chelmsford via the A131 and 15 miles (24 kilometres) west of Colchester via the A120.

The town is served by two rail stations, including one at the nearby Freeport outlet village, providing services to London Liverpool Street via Witham. Stansted Airport is approximately 16 miles (26 kilometres) to the west via the dual carriageway A120.

Freeport Braintree has 96 retail and restaurant units and attracts 2.6 million visitors a year. (Source: Realm Ltd website)
DESCRIPTION & SITUATION

Description
The property comprises a modern Co-operative Food convenience store of approximately 298.8 square metres (3,215 square feet) with Texaco-branded petrol filling station on a site of approximately 0.23 of a hectare (0.57 of an acre).

With its prominent location the site benefits from excellent access and offers four pump islands in a square layout, parking for nine cars and ancillary services including a rollover car wash and ATM.

Internally the Co-op store offers a full grocery convenience range, an off-licence, Costa Express machine and hot takeaway food. The site operates 24 hours a day, seven days a week.

Situation
The A120 Braintree By Pass provides access to the property from its northbound carriageway, with roundabouts a short distance to both north and south enabling access from all directions. The property shares access and a service area with a Premier Inn, currently undergoing an extension to 78 beds, and associated Brewers Fayre public house.

The popular Braintree Freeport designer outlet village is located a short distance away via the B1018, with multiple roadside operators such as McDonalds, KFC and Pizza hut and several car dealerships located off the A120 roundabout junction to the south. The By Pass forms the residential boundary of the town with dense residential property immediately to the west of the subject property.
TENURE & TENANCY INFORMATION

Tenure
The property is held registered freehold. Shared access and egress arrangements are governed by a Deed between the landlord and the adjoining owner Whitbread plc.

Tenancy Information
The property is let to Co-operative Foodstores Limited and guaranteed by The Co-operative Group Food Limited, for a term of 20 years from 21 June 2007. The passing rent is £223,787 per annum, rising to £228,263 from 21 June 2016 and thereafter subject to 2% fixed annual increases throughout the term.

The lease is contracted outside Sections 24-28 of Part II of the Landlord and Tenant Act 1954 and the tenant has an option to renew the lease for either 15 or 20 years at market rent.

It is our understanding that the recent assignment from Somerfield Stores Limited (guaranteed by The Co-operative Group Limited) has been mirrored across the Co-op Group’s core food retail portfolio. Copies of all legal documents are available on request.

EPC
The property has an EPC rating of B(41).

Environmental
We understand the underground storage tanks date from the original Texaco development in 1997 and are of double-skinned construction, thus providing significant mitigation against contamination risk and a perceived economic life beyond the term of the current lease.

Petrol filling stations are subject to stringent over-sight by the Local Authority Fire or Petroleum Officer who is responsible for granting petroleum certificates to the operators. The purchaser will be offered reliance upon a new Phase 1 Environmental report (2009 acquisition report concluded ‘Low Risk’) which is being carried out by Environ and will be made available shortly.
Investors of all types continue to be attracted to the sector, with the important role it is playing in the continued growth of the convenience food market. With the poor performance of their large stores, all major grocers continue to affirm their strong focus on growing convenience and/or multi-channel operations. IGD reports 5.1% growth in the convenience food market in 2015 and forecasts that the convenience market will grow by a further 3.2% pa compounded through to 2020, by which time it will represent close to a 25% share of the entire grocery market.

The UK forecourt market is similarly undergoing rapid and fundamental evolution, with Esso having exited wholly from direct retailing of fuel in 2015 and Shell also carrying out significant site disposals. The beneficiaries of these high quality site disposals are in the first instance the largest independent fuel retailers who continue with the fuel branding but are bringing to the new sites their symbol shop brands such as Spar and Costcutter, with complementary franchises such as Subway and Greggs. Nonetheless we expect to see further lettings to the likes of BP and the grocers resulting, as the independents demonstrate the trading potential of the sites and leverage their positions to remove supply restrictions over the next few years.

With investors of all types attracted by unprecedented high levels of demand for the operational asset and the fundamentals of strong underlying cashflows, there has been substantial activity in the sector’s investment market. Our data indicates approximately £100m of transactions were concluded in 2015. This activity has mostly involved prime covenants of BP, Sainsbury’s and the Co-op Group but has also extended to include independent petrol retailer covenants such as MRH, Rontec and Eurogarages, whose businesses continue to go from strength-to-strength, with growth in both fuel and shop sales and margins in recent years and in the value of their predominantly freehold portfolios.

Recent leasing and rent review evidence in the market has seen rents typically in the range of £175-250,000 a year. BP and Sainsbury’s are committing to 15-20 year leases often with RPI linked reviews or fixed uplifts. We are also seeing both main group and regional Co-ops carrying out fresh forecourt-led acquisitions as confidence grows in terms of the performance of its existing estate.

Recent Transactions
The following deals highlight the level of recent activity and demand for Co-op and other grocer PFS investment stock.

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>PASSING RENT</th>
<th>NET INITIAL YIELD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-op Roehampton</td>
<td>£229,645</td>
<td>5.75%</td>
</tr>
<tr>
<td>Co-op Hemel Hempstead</td>
<td>£182,779</td>
<td>6.25%</td>
</tr>
<tr>
<td>Co-op Charvil, Berkshire</td>
<td>£134,741</td>
<td>5.75%</td>
</tr>
<tr>
<td>BP/M&amp;S, York</td>
<td>£220,000</td>
<td>5.1%</td>
</tr>
<tr>
<td>Sainsbury’s, Balsall Common</td>
<td>£175,000</td>
<td>5.5%</td>
</tr>
<tr>
<td>Sainsbury’s Nag’s Head, Bristol</td>
<td>£138,000</td>
<td>5.4%</td>
</tr>
</tbody>
</table>
PROPOSAL & VAT

VAT
The property is elected for VAT and it is anticipated the transaction will be treated as a TOGC.

Proposal
We are seeking offers for the property in excess of £3,425,000 (Three Million Four Hundred and Twenty-Five Thousand Pounds) subject to contract and exclusive of VAT.

A purchase at this level reflects a net initial yield of 6.26% net of costs of 6.5% (allowing for SDLT of approximately 4.7%).

Running Yield

<table>
<thead>
<tr>
<th>Year</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>6.77%</td>
</tr>
<tr>
<td>2023</td>
<td>7.19%</td>
</tr>
<tr>
<td>2026</td>
<td>7.63%</td>
</tr>
</tbody>
</table>

COVENANT INFORMATION

Tenant
Co-operative Foodstores Limited is a recently incorporated wholly-owned subsidiary of Co-operative Group Food Limited and does not yet have individually stated accounts that are publicly available.

Guarantor - Co-operative Group Food Limited
The Co-op Group is the fifth largest food retailer in the United Kingdom with a 6.1% market share (Source: Kantar) operating just over 2,800 grocery outlets, with a store in every UK postal code area. Co-operative Group Food Limited is a Registered Society, a wholly-owned subsidiary of the Co-operative Group Limited and is the legal entity for its food retail business.

The Co-op Group is, by its own admission, one year into a three-year rebuilding phase following the serious problems with its banking arm. However the underlying grocery sales picture is very positive, with 3.8% like-for-like sales growth (as reported in its 2015 annual report) from its core convenience store portfolio, outperforming the market at 2.5% (IGD). During 2015 the Co-op refurbished 264 stores and opened 97 new ones, with 100 new convenience stores targeted in 2016. Average sales growth of 6% was reported following the store refit work.

Furthermore the main Group reduced net debt from £1.4bn to £692m as at its 2015 year end report and last year received a credit upgrade from Standard and Poor’s. Recent individual accounts for the guarantor company as lodged with the Financial Conduct Authority (FCA) highlight the following financial information:

<table>
<thead>
<tr>
<th></th>
<th>03/01/2015</th>
<th>04/01/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>£6.3278bn</td>
<td>£6.304bn</td>
</tr>
<tr>
<td>Net Profit</td>
<td>£214.5m</td>
<td>£182.6m</td>
</tr>
<tr>
<td>Net Assets</td>
<td>£2.135bn</td>
<td>£1.920bn</td>
</tr>
</tbody>
</table>

FURTHER INFORMATION - To discuss this opportunity in more detail please contact:

Alastair Coates
 t: +44 (0)113 394 8864
e: alastair.coates@cbre.com

Adam Fotheringham
 t: +44(0)207 182 2285
e: adam.fotheringham@cbre.com

CBRE Ltd
Petroleum & Automotive
St Martins Court,
Paternoster Row,
London,
EC4M 7HP

SUBJECT TO CONTRACT Disclaimer: CBRE Limited, April 2016

Important notice relating to the Misrepresentation Act 1967. CBRE act for itself and the vendor as agents for the vendor give notice that: 1. We provide the information contained in these particulars for guidance to intending purchasers, licensees or any other third parties and they are for your general information only and will be used at your own risk. 2. We will use all reasonable endeavours to ensure the accuracy of information, however, we do not guarantee or warrant the accuracy or completeness, factual correctness or reliability of any information in the particulars (especially as the information may have been obtained from third parties) and do not accept any liability for any errors or omission including any inaccuracies or typographical error. 3. Any interested purchasers, licensees or any third parties should not view the information in the particulars as statements or representations of fact and should satisfy themselves that the facts and specific details in the particulars are correct and accurate especially in relation to floor areas and other measurements through inspection or other means, as appropriate, and will be responsible for taking independent surveys or valuations before entering into any legally binding transaction in respect of the property or premises that is the subject matter of these particulars. 4. We have not made any investigations or otherwise of any issues concerning pollution and potential land, building, air or water contamination. Prospective purchasers, licensees or any third parties must undertake their own enquiries and satisfy themselves in this regard. 5. Unless otherwise stated, all prices and rents are quoted exclusive of VAT.