Comet shoots for 'soft CVA'

■ Loss-making electricals chain divides stores into three categories for retention, rent reduction and disposal

BY KAT SPYBEY

Electrical retailer Comet has been locked in talks with its landlords for the past two weeks over what the market has termed a "soft CVA" – a consensual move akin to a company voluntary agreement that would allow it to reduce its rent roll.

The retailer was bought by private equity firm OpCapita for £2 in February. It is understood to have held meetings with key landlords across its 249-store portfolio in a bid to agree concessions to cut its £80m rent bill.

Comet is said to be seeking consensual concessions with landlords, but, if this cannot be achieved, a full CVA later this year could be an option. Deloitte is understood to be advising the brand on its restructuring efforts, but declined to comment.

Landlords on Comet's 3.4m sq ft of stores have been told they fall into one of three categories, graded from A to C.

Category A are stores that are performing strongly and where Comet is happy to continue paying full rent, but on a monthly basis.

Category B stores are where it is understood rent concessions of up to 25% are being sought, and category C are stores the retailer wants to exit.

A spokeswoman for Comet declined to comment on the detail of the talks, but said: "Comet is in discussions with a number of its landlords. Comet believes that its stores are the key to a successful and sustainable future.

"These discussions are at an early stage and we are working towards a solution in the best interest of all Comet's stakeholders, including its 8,000 employees."

Electrical retailers have been hit by the migration of consumers to the internet. This has reduced the need for physical selling space and left them struggling to afford rents set in a stronger market, when the internet was not so prevalent.

But one landlord told *Property Week*: "They will have to do a restructuring to some degree and their reluctant preference is a CVA, but they are trying to get landlords to agree to concessionary terms without going through a CVA itself.

"I don't think it will go through and they will have to do a formal restructuring because of the reaction of other retailers paying market rents and for funds they simply can't do it as it's outside their mandate."

It is thought if Comet does progress to a CVA, it will look to exit 58 stores, 2 of which are loss making and another 31 that are "marginal contributors".

Retail analysts predict Comet will make an operational loss of £35m on its expected £1.3bn turnover for the financial year to 30 April.

Deka makes £235m Guardian headline

Guardian Media Group's headquarters in London's King's Cross has been sold off market to a German fund manager.

PropertyWeek.com revealed on Tuesday that Deka's WestInvest InterSelect open-ended fund had exchanged contracts to buy Kings Place, at 90 York Way, for £235m, reflecting a 5.6% yield. The scheme is home to the *Guardian* and *Observer* newspapers.

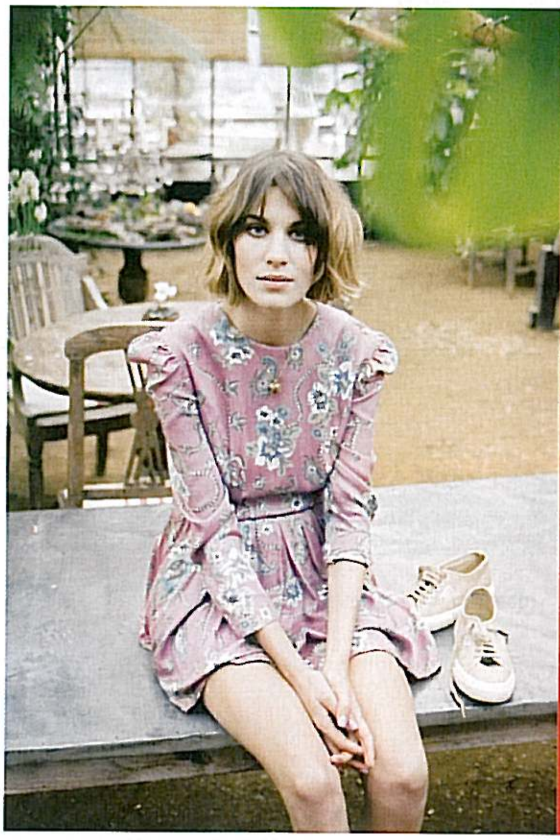
Agents at DTZ were instructed to sell the block next to the King's Cross Central scheme, to the north of Euston Road, in October last year.

Parabola bought 90 York Way in 1999 and let 150,000 sq ft to the Guardian Media Group in 2008.

The publisher co-located with Network Rail.

The 300,000 sq ft office building spans three levels and houses a 420-seat auditorium, an arts space and a canalside cafe.

Savills and CBRE are Deka's retained agents.



Sole trader
Italian plimsoll brand Superga is planning to expand across London on prime high streets. It has asked Kitchen La Frenais Morgan to find stores of 400-1,000 sq ft on Regent Street, Portobello Road, King's Road, and in Spitalfields and Mayfair this year. Superga was launched in 1913 and opened its first UK store, on Neal Street in Covent Garden, in June last year. The brand is represented by TV presenter and model Alexa Chung (pictured).

London business school seeks home

The London School of Business and Finance has hired agents to find 150,000 sq ft in central London, paving the way for one of the capital's largest lettings of the year.

Property Week understands the college, which is based at 8-9 Holborn in London's Midtown, is looking for expansion space in response to global demand for business training in the world's financial capital.

The school last week found cheap temporary teaching space at New Court – a 160,000 sq ft scheme on Carey Street in the West End, owned by the West End of London Property Unit Trust (WELPUT).

However, it could be forced to leave at a lease break in six months, as WELPUT plans to redevelop the building within two years.

James Andrew International has been instructed to find 150,000 sq ft "fringe" locations of the capital at a maximum of £45/sq ft. All parties declined to comment.

Ellie Louise in administration
Women's clothing retailer Ellie Louise, which has 97 stores, has collapsed into administration. Zolfo Cooper has been appointed.
■ More at propertyweek.com

Barburrito to expand southwards
Northern burrito chain Barburrito is planning to expand south with 12 sites following a £3.25m investment from the Business Growth Fund.
■ Full story at propertyweek.com

United House for Islington tower
United House has been picked to develop a £130m residential tower-led scheme on City North Islington trading estate in London.
■ More at propertyweek.com

Maiden letting at Walkie-Talkie
Land Securities is close to securing its first letting at its 37-storey Walkie-Talkie tower with insurance company Markel for around 80,000 sq ft.
■ Full story at propertyweek.com