

**PREMIUM LOOK:** Sytner has completed the £1m redevelopment of its Mercedes-Benz dealership in Stockton-on-Tees



# The waiting game

What impact will the uncertainty following Brexit have on the UK dealer property market?

John Kirwan

**T**he UK commercial property market has seen a significant drop in confidence and investor demand following the Brexit vote. That was the conclusion of the Royal Institution of Chartered Surveyors commercial property market survey carried out after the Referendum on 23 June.

It said both the investment and occupier sides of the market had been impacted and rent and capital value expectations were now in negative territory.

That's the UK picture. But what does Brexit mean for dealer property values? For the past few years the market has been buoyant, particularly for large, in-demand roadside sites.

Alisdair James, a partner at Rapleys, believes it is too early to say how much dealership property will be hit.

"The first indicator will be consumer confidence and the car sales figures over the next few months and particularly the September plate-change.

"If the uncertainty caused by Brexit impacts on consumer confidence and car sales decline significantly then we can expect a knock-on effect in the property market and for site values. For the time being however it seems to be business as usual.

"Where dealer groups remain under pressure from their manufacturer partners to upgrade or

relocate their facilities they are continuing with their plans as before. A softening in the market could even present new opportunities for cash-rich dealer groups, particularly if competition for prime sites from alternate uses declines.

"In the short term, we have not seen a drop-off in enquiry levels for dealership property, and Brexit's shadow has not deterred a number of recent corporate transactions, which have completed since the referendum vote. Others completed pre-June 23, despite the uncertainty. We expect this activity to continue," he said.

Paul Taylor, a senior director with Bilfinger GVA also believes it is too close to call on the Brexit impact.

"Logic points towards there ultimately being an adverse knock-on effect arising as a consequence of the worsening economic conditions that are likely to prevail.

"If customers are more reticent to commit to new car purchases and particularly if list prices were to rise due in part to the exchange rate deterioration, then one could anticipate a slowdown in the market.

"In reality, this may have been anticipated in any event regardless of the outcome of the referendum given the last four years of sustained headline growth."

He also pointed out that it is difficult to get valuation data on much dealer property.

"In reality, relatively little prime dealership property is traded on the open market. The bulk of manufacturer-compliant property is transferred as part of business transactions, and the associated valuations are rarely published or totally reliable," he said.

## Institutional investors

We also asked some of the experts what impact Brexit has or will have on institutional investors and dealership property?

## APC Property market review

In June Automotive Property Consultancy (APC) identified just over 1.5 million square feet of motor retail property which was available on the market.

Over 70% of this was in the Midlands and the North with the West

Midlands alone providing a quarter of the total. But demand for property is lagging behind.

"Requirements, by comparison are well down on the levels seen over the past two years. Geographically, half the current requirements have been targeting Greater London or the South East, the area that only represents 12% of the vacancy," said Bill Bexson, managing director of APC.

"Typically, the requirements are for between one and four acres of land with between 10,000 and 20,000 square feet of premises. Physical presence on main roads remains the primary conduit to market," he said.

Bexson said there was demand for bigger and fewer outlets with extensive parking.

"This has created a more clearly segmented market than before, exacerbated by continuing market consolidation, establishing distinctive value brands.

"This places those controlling the best properties at the apex of the opportunity curve to secure the best franchises and generate the best returns."



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In the short term, we have not seen a drop-off in enquiry levels



At the wider level UK property funds managing billions of property assets have marked down their value of the building they own by 5%. These were mostly carried out by funds that are open to retail investors who can demand their money back at short notice.

Martin Carey, head of Investment at Rapleys said: "Brexit has undoubtedly caused something of a shockwave. The motor trade sector is unlikely to see the full extent of the referendum result for some while yet.

"While the automotive manufacturing industry has been vocal in its concerns, the mood amongst dealership operators is slightly more nuanced and this is being reflected in an investment market which hasn't lost its appetite.

"For prime assets we anticipate that the market will remain stable and we are seeing a degree of confidence in the sector with dealership investment opportunities coming to market with little movement on asking terms and anticipated realisation figures."

Carey argued that funds were still in the market for dealership opportunities which have strong covenants with long term rental growth prospects.

"Dealerships which have long-term, index linked income streams are still at the top of the shopping list with early indications that for the right asset, transactions are at pre-Brexit levels," he said.

"Dealership property is still seen as a relatively



**MEGA BUSINESS:** Ocean Automotive has opened the largest Audi dealership in Europe with a total investment of £15m

safe investment, with Brexit not yet, altering the market fundamentals for occupiers and consumers.

"Dealership networks are continuing to expand fueling a steady stream of investment opportunities coming to market. While the Brexit tremors will continue to cause uncertainty, the automotive property market might just be better placed than most to weather the storm."

Taylor at Bilfinger GVA said it was early days.

"Logically demand will be thinner, at least in the short term, as many of the recent buyers of prime real estate in the sector have been the retail funds.

"In theory, with fewer buyers for prime stock, values could cool, although there is an argument that the very best investments will hold their value or even improve marginally given demand in the wider market is predominantly for long dated secure income," he said. **MT**

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Established for over 30 years, Adlers is a well-known firm of specialist Chartered Surveyors dealing with all types of automotive properties including dealerships, showrooms, workshops, tyre & exhaust centres and petrol stations throughout the UK. Adlers' clients range from single site operators through to multi franchise groups. All instructions are handled at Partner level.

Adlers deals with acquisition, disposal, landlord and tenant negotiations, valuation, business rates appeals and development advice.

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Automotive Property Consultancy (APC) is a specialist surveying practice dedicated to the franchised motor retail property sector. The company's sole focus on the franchised dealer market has enabled it to build on its sector knowledge and provide clients with a comprehensive and unique motor retail property service. Its aim is to provide clients with the best property service in the motor retail sector at the lowest overall cost. Clients include dealer groups, manufacturers, property companies, investors and other property consultancy businesses.

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Valuations	✓
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Estate management	✓

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Bilfinger GVA is a top 5 UK property consultancy and its specialist automotive and roadside team is the longest standing in the business.

It advises vehicle manufacturers, retailers, banks, accountants and property investors on all property aspects relating to the vehicle retailing sector. Covering the whole of the UK, it offers a full range of consultancy services including site finding, acquisition, disposals, valuations, rent reviews, lease renewals and expert witness work.

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The specialist division of Caxtons offers a full range of services for automotive property. From its south east base, valuations for finance, restructuring and taxation are all available, as is advice on lease renewals, rent reviews, compulsory purchase, expert witness, dispute resolution and development issues.

With its wide range of clients, the firm covers franchised dealerships, independent showrooms and car sales, petrol filling stations, car parks and tyre & exhaust centres.

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Hunter Property Consultants has over 30 years experience of motor trade properties. All instructions are handled on a personal basis without delegation.

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Valuations	✓
Lease renewal and rent reviews	✓
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For over 30 years Rapleys has been synonymous with the automotive & roadside property market.

Rapleys dedicated team provides timely and pragmatic advice on properties across the UK, whether single assets or portfolios. Its wealth of knowledge and experience is tailored to meet clients' requirements, whether to enhance asset value or mitigate unwanted liability.

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Disposals and acquisitions	✓
Valuations	✓
Lease renewal and rent reviews	✓
Planning applications	✓
Estate management	✓



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