

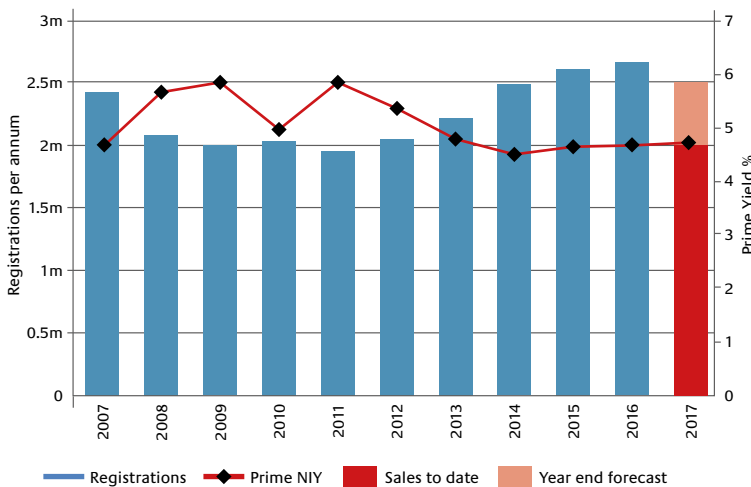


making property work for business

# Motor Retail Property Bulletin – Autumn 2017

We are entering a motoring revolution driven by government intervention and consumer sentiment moving away from conventionally fuelled cars. There is a paradigm shift to electric vehicles (EVs) and alternatively fuelled vehicles (AFVs), up 34.6% year to date. Alongside this shift, there continues to be rapid technological innovation that has introduced easier access to car sharing and steady momentum towards semi-autonomous driving. Amidst all this activity the car dealership remains central to the delivery of this evolving product package, and represents the key point of contact with customers.

**FIGURE 1: NEW CAR REGISTRATIONS vs PRIME YIELDS**



There are clear signs of the Motor Retail Market returning to a more natural long term equilibrium with an easing of new car sales numbers for the last 7 months with sales 3.9% down on 2016, but compensated for by resilient used car sales and aftersales business. As manufacturers adjust their targets to reflect this new normal, and Government manages air emission targets clarity, market stability and healthy dealer profitability should be restored, supplemented by the predicted rise over the next 5 years of electric and AFV to 20-25% of all new vehicles sold.

Electric vehicles (EVs) represent a small, but growing proportion of new registrations with over 26,000 cars eligible for the plug-in grant registered in the first 8 months of 2017 – up 20% on the same period in 2016.



## ELECTRIC VEHICLES

A proliferation of EVs is likely to present dealers with a number of opportunities going forward.

Dealers rely on aftersales service for a significant slice of their profitability. Aftersales for EVs necessitates a substantial addition to the skills and facilities required to support the new technologies involved.

Given the relatively slow pace of adoption, this investment is on top of maintaining and repairing conventional vehicles – so may have implications for the size of premises required.

Over 60% of EVs registered are hybrids. While, typically, pure EVs have dramatically fewer moving parts than conventional vehicles, hybrids, by comparison, are relatively complex combining both technologies on one platform. This complexity underlines the need for regular, professional servicing and maintenance.

**FIGURE 2: OWNERSHIP COSTS**  
SOURCE: PERRYS

	Nissan Leaf Acenta 30kw	Nissan Pulsar 1.2 Acenta
Retail Price	£26,635	£16,850
Customer Deposit	£500	£500
Government Grant	£4,000	NIL
Monthly rental 36 months	£337	£262.26
Fuel cost based on 800 miles/month	£33	£110
Road tax per month	NIL	£11.66
<b>Total Cost</b>	<b>£371</b>	<b>£383</b>



From a property perspective, servicing EVs will run in parallel to the servicing of conventional vehicles increasing the pressure to find larger sites.

Additional investment will also be required in charging and parking infrastructure for EVs. In the short-term, charging infrastructure for EVs will remain a problem. The problem posed by having relatively few parking and charging points is exacerbated by inadequate differentiation leading the bays to be blocked by conventional vehicles not using the charging capability.

Although the number of charging points is likely to grow exponentially, there are issues of standardization to address, since each manufacturer has a different connector.

Clearly, dealers tied to one manufacturer are unlikely to have this problem, but space will still be required for parking and charging EVs again potentially affecting site size and configuration.

Research by J P Morgan estimates that electric cars are likely to take 35% of the global market by 2025 and 48% by 2030.

Given a policy environment that favours EVs, the cost in comparison to owning a conventional vehicle is likely to favour the electric vehicle in the medium term.

A more detailed study of the growth of Electric Vehicles is available on the APC website:

[www.automotive-property.com](http://www.automotive-property.com)

## RETAIL SALES

Mercedes-Benz has opened a pop-up store in Selfridges at The Bullring in Birmingham. The store is a joint venture with local dealer Mercedes-Benz of Birmingham Central, operated by LSH Auto.

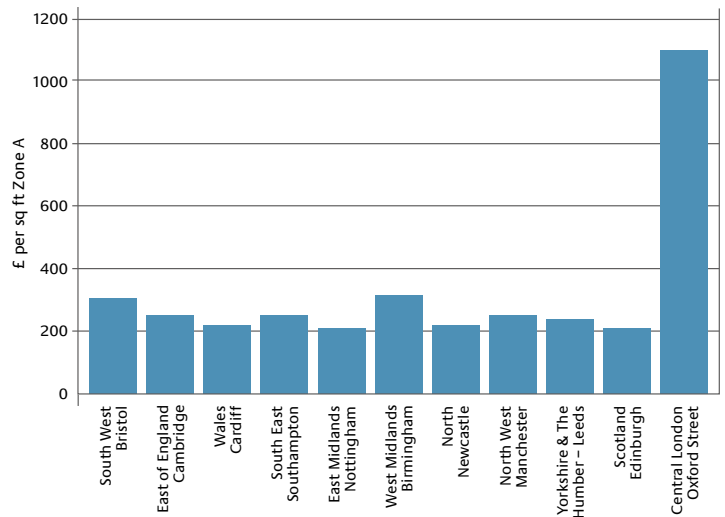
The temporary store is being used to promote flagship models and shoppers can book test drives and purchase from a range of branded merchandise.

This demonstrates an increasing trend by manufacturers to place their brand in front of a willing retail audience. It is popular - over 500,000 customers visited Mercedes-Benz pop-up shops in 2016 - but it is not a conventional car dealership. The one thing that isn't being sold is a vehicle since this would contravene planning regulations (premises for the sale or display of motor vehicles are a Sui Generis use - not retail).

Given the considerable gulf between the unit rent paid by dealerships and occupiers of shopping centres, this is only ever likely to be a marketing exercise supported by manufacturers but it taps in to the aspirational nature of car ownership and may lead, eventually, to a direct sale from a dealer.

Figure 3 shows prime retail rents in a selection of cities. For comparison, average dealership rents range from nearly £20 per square foot in Greater London to around £9 per foot in the East of England. The national average is around £12 per square foot.

FIGURE 3: PRIME RETAIL RENTS



For more information please contact:  
Automotive Property Consultancy Ltd  
100 Pall Mall, St James, London SW1Y 5NQ  
Tel: 0203 588 7200



Keep up to date with APC by using the links above

**Bill Bexson** BSc FRICS  
Managing Director  
RICS Registered Valuer

Investment, Agency, Development, Valuation,  
and Corporate Consultancy

Tel: 07831 827442  
[bbexson@automotive-property.com](mailto:bbexson@automotive-property.com)

**Kristina Simpson** MSc MRICS  
Director  
RICS Registered Valuer

Agency, Development, Valuation  
and Corporate Consultancy

Tel: 07585 705336  
[ksimpson@automotive-property.com](mailto:ksimpson@automotive-property.com)

**Disclaimer.** The property details contained within our database have been sourced from particulars in general circulation and our own records and whilst the information is believed to be correct Automotive Property Consultancy Ltd do not accept responsibility for the accuracy of the information provided. Whilst we endeavour to keep this information regularly updated we recommend that the information provided is independently verified if contemplating relying on it. October 2017.

Regulated by: RICS