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# Car Showroom Investment Market Review 2013

# Market Review 2013

New car registrations rose 5.3% in 2012 to 2.045 million units, its highest since 2008 and only the second rise since the recession; this is expected to be exceeded for 2013. The 2012 outturn was 1.6% ahead of

the Society of Motor Manufacturers & Traders (SMMT) 2.01 million unit forecast as set in October 2012 and 6.5% above the forecast set at the start of 2012. The most successful brands were those operating in the

premium segments, so dealers with these franchises had the opportunity to capitalise on the better margins associated with premium products.

**Table 1: Top selling brands 2011 & 2012**

Top 7 Movers	Market Share (%) 2011	Market Share (%) 2012	% Change
Land Rover	1.94	2.38	29
Porsche	0.33	0.39	25
Kia	2.76	3.26	24
Fiat	2.14	2.44	20
Toyota	3.79	4.14	15
Mercedes	4.22	4.49	12
BMW	6.01	6.24	9



European Union regulatory changes to the “Block Exemption Regulation” (BER) mean that car manufacturers will be issuing new contracts to their dealers effective June 2013.

This legislative change is encouraging market consolidation activity. We recorded 68 dealerships changing hands as part of business acquisitions during 2012.

These business acquisitions are part of the general trend towards market consolidation for UK car dealer groups; and continuing investment in property by dealers. This has manifested itself in several ways; dealers are reviewing the future of outlets that do not either match current “standards” or are facing lease expiry.

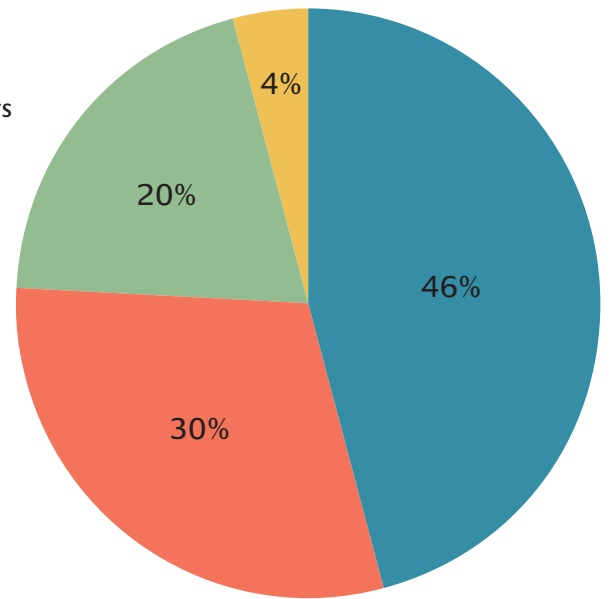
There is a continuing trend toward multi franchising, and new dealership development providing the opportunity to set up “Category Killer” destinations. For example Ford Retail have opened a stunning new dealership at Cribbs Causeway, Bristol, one of the country’s top out of town retailing destinations.

Prime car dealership investment prices remained stable during 2012. Despite the widely reported economic challenges car dealership investment pricing in 2012 varied little, however 20% of properties that came onto the market were withdrawn or abandoned due to ambitious pricing. It is likely that some of those properties withdrawn in

2012 will sell in 2013 as the vendors re-price at a more realistic level. We anticipate that more secondary property (properties with leases of 10 years or less unexpired) will come to the market as more pressure is put on banks to release money, as redemptions are made on Funds, and unexpired lease terms decrease.

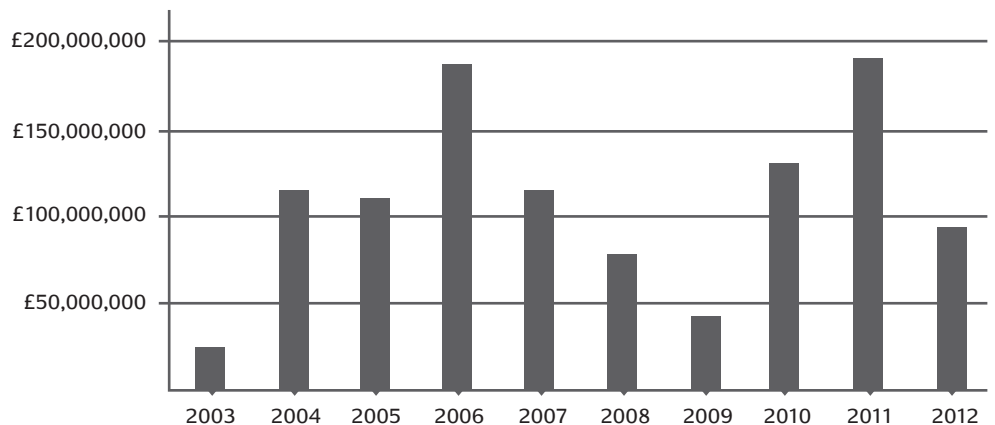
**Table 2: 2012 Transaction Review**

Available Sold Withdrawn Under Offer



Within the motor retail investment market, we estimate £95 million sold during 2012, with a single portfolio, accounting for 31.5% of all stock sold. These figures should be compared with the longer term market volume levels in table 3 opposite.

**Table 3: Total market value – sold properties**



The best Yields have been achieved for in excess of 15 year income, let to strong covenants, with rent reviews linked as a minimum to RPI, often collared and capped. Of all the investments sold in 2012, 66% were inflation linked. The secondary yields reflect car dealership properties with leases of 10 years or less unexpired.

**Table 4: Prime Yields**

	Dec 2012
Manufacturer	5.3%
Dealer Group	6%

**Table 5: Yields – all dealerships**

	2003–2012	2009–2012
Average Sale Yield	6.32%	7.08%
Secondary	7.79%	7.82%

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The 5.3% growth in new car registrations in the UK in 2012 is a promising backdrop, especially in the context of falling sales in European markets, raising the profile of the UK market for manufacturers. Sales in the UK have increased due to improved management techniques, deals on new cars, “exciting” new models being released, and the continuing colonisation of the market by “prestige” and “semi-prestige” brands, which made up 40% of all investment properties sold in 2011 and 34% of all new vehicles sold in 2012.

**Table 6: Standings 2011–2012**

	2011	2012
<b>Average lot size</b>	£3.79m	£3.97m
<b>Average yield</b>	7.15%	7.00%
<b>Average rent</b>	£12.16 psf	£13.08 psf
<b>Average unexpired term</b>	17.2 years	15.4 years
<b>Most popular region</b>	1. South East 2. North West 3. Scotland 4. Yorkshire & Humberside 5. North East	1. South East 2. North West 3. Greater London 4. West Midlands 5. South West
<b>Most popular franchise</b>	1. Mercedes 2. Land Rover 3. Ford 4. Vauxhall 5. BMW & Mini	1. Peugeot/Citroen 2. Audi 3. Honda 4. Ford 5. BMW



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