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# Motor Retail Property Bulletin – Autumn 2014

## INVESTORS EXPRESS RISING CONFIDENCE IN CAR DEALERSHIPS

The investment climate in the first half of 2014 continues to be healthy. The average prime yield is reported to have fallen by 17 basis points over the quarter to stand at 5.7% at the end of the second quarter. Capital values at the 'All Property' level increased by 3.8% over the quarter, with 6.8% capital value growth in the year to date.

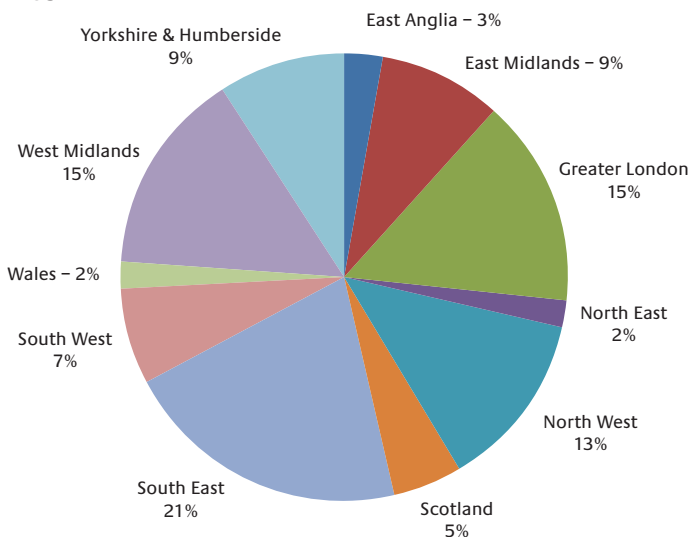
The closest competitor class for automotive dealerships is Retail Warehouses. Yields here fell sharply in the second quarter- by an average of 25 basis points so far this year. Research shows retail parks at 4.75% net initial yield with standalone sites in a range between 5.5% and 7%. By comparison the automotive sector has seen dealerships change hands so far in 2014 at an average yield of 6.36%.

The research also reports good levels of liquidity in the market and an expectation that yields will continue to move in over the course of the year.

Investment in auto dealerships over the last decade totals over £1.4 billion spread across the UK.

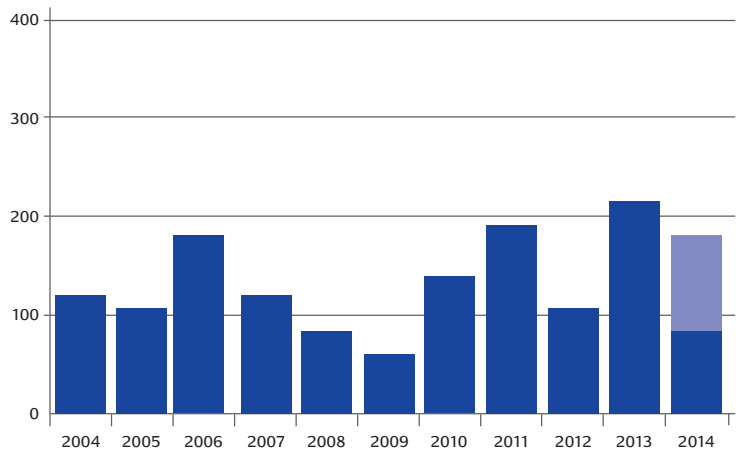
Figure 1 shows that London and the South of England has been the most active market with some 43% of the value traded compared with 29% for the North and Scotland and 28% in the Midlands and Wales.

FIGURE 1



The annual average market size shown in Figure 2 has been circa £125 million over the last decade with a range between £57 million (2009) and £212 million (2013). 2014 has seen over £135 million in transactions so far and is on target to reach £180 million by the end of the year.

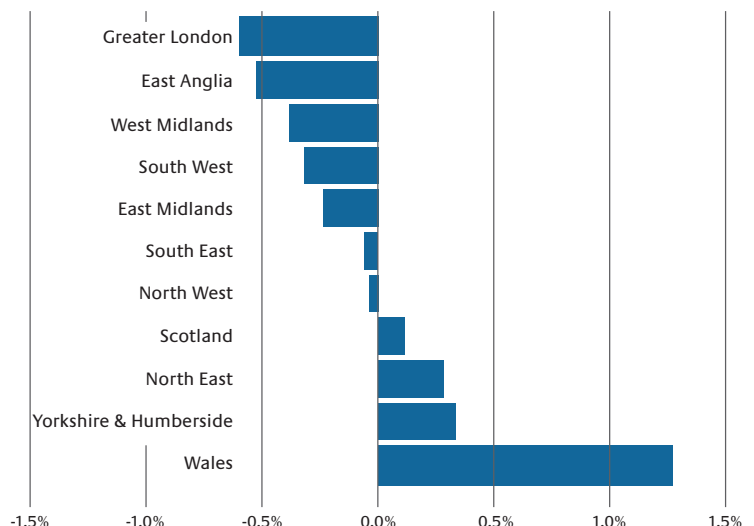
FIGURE 2



As might be expected Greater London shows the lowest initial yields over the past decade coming in 60 basis points below the average yield. Lowest prices have been seen in Wales where the ten year average yield was 139 basis points above the average.

Overall Figure 3 shows the South and the Midlands have seen below average yields while the North and Scotland were above average.

FIGURE 3

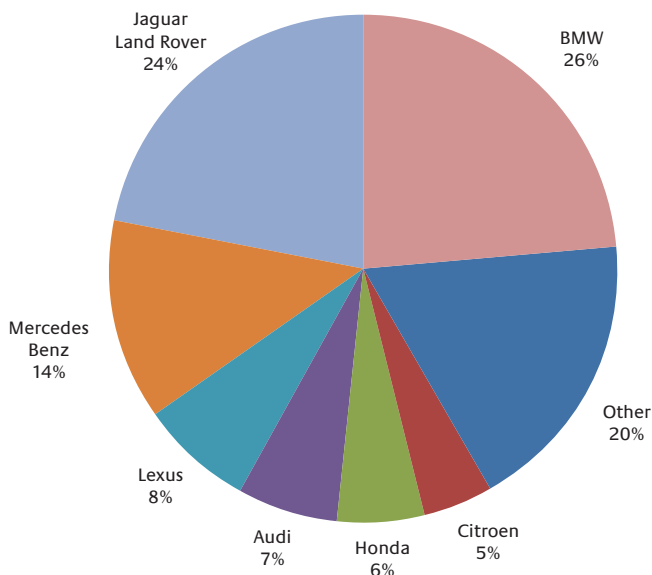


Investment activity in 2014, broken down by franchise, shows the premier brands dominating the market with 72% of the transactions by value.

This represents close to £84 million spend out of the £135 million transacted in 2014 so far.

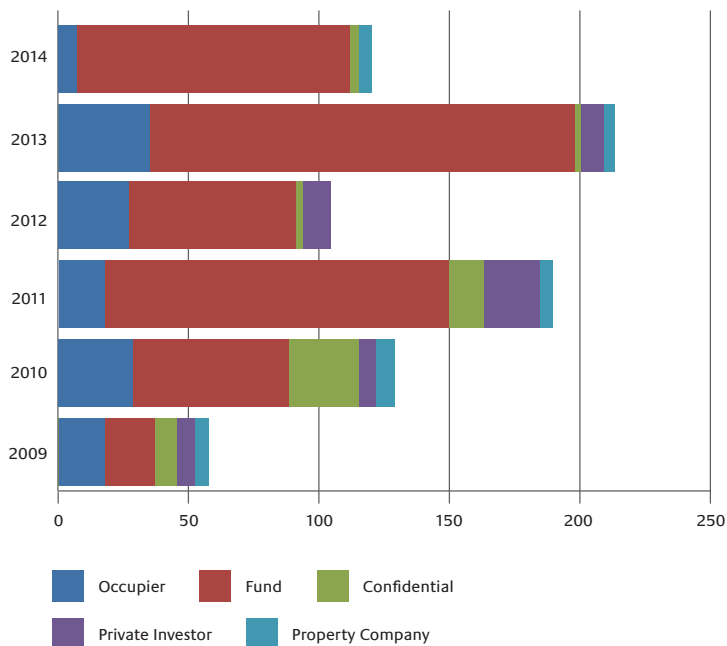
Figure 4 shows the breakdown by franchise.

FIGURE 4



In the last five years the investment market has been dominated by fund management purchases. This is demonstrable in Figure 5 where fund purchases have moved from 40% of the total value in 2009 to 79% in 2013. So far in 2014 over 90% of purchases by value have been made by Fund Managers.

FIGURE 5



The counterpoint to this is a fall in investment from occupiers – dealer groups and manufacturers – from 22% in 2009 to just under 15% in 2013. Occupiers have made just under 5% of purchases so far in 2014.

Currently, the yield profile of automotive dealerships gives scope for compression when compared with many retail warehouse investments. This has not gone unnoticed by fund managers who have spent over £500 million on this product over the past five years. All the while demand for cars remains strong – and the prospects look good for the next few years – automotive dealerships are likely to remain attractive investments.

Source: DTZ



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