



making property work for business



Land Rover, Battersea – rent review

Motor Retail Market Review Spring 2015

THE MARKET IN 2015

The climate for property was relatively balmy in 2014 with double digit returns in most categories. Notwithstanding an impending General Election the expectation for 2015 is for more of the same. New car registrations grew for the 34th consecutive month in December 2014, up 8.7%, according to the Society of Motor Manufacturers and Traders (SMMT). 2,476,435 new cars were registered in 2014, a rise of 9.3% above the 2013 full-year total.

As in 2013, Ford took the top two slots with the Fiesta and Focus being the top sellers. In 2014 the Peugeot 208, BMW 3 series and 1 series have all dropped out of the top ten to be replaced by the Audi A3, Fiat 500, and Nissan Juke.

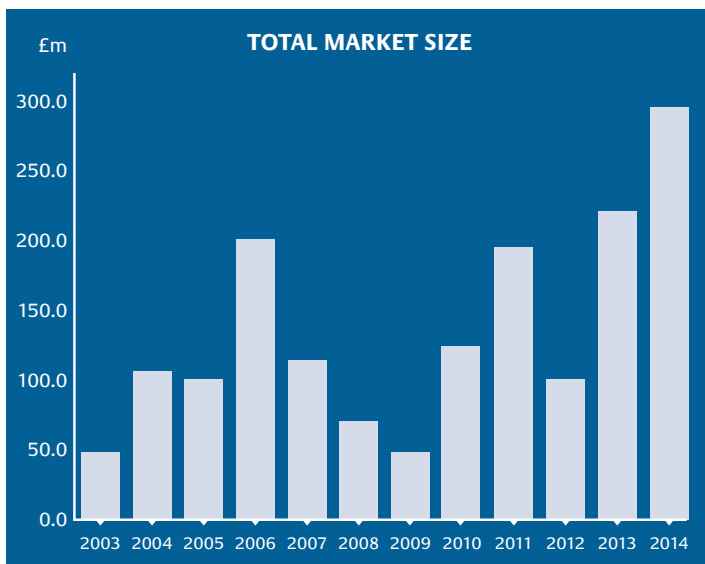
BEST SELLING BRANDS

Rank	Manufacturer	Model	Unit Sales
1	Ford	Fiesta	131,254
2	Ford	Focus	85,140
3	Vauxhall	Corsa	81,783
4	VW	Golf	73,880
5	Vauxhall	Astra	59,589
6	Nissan	Qashqai	49,909
7	VW	Polo	48,004
8	Audi	A3	45,581
9	Fiat	500	44,005
10	Nissan	Juke	39,263

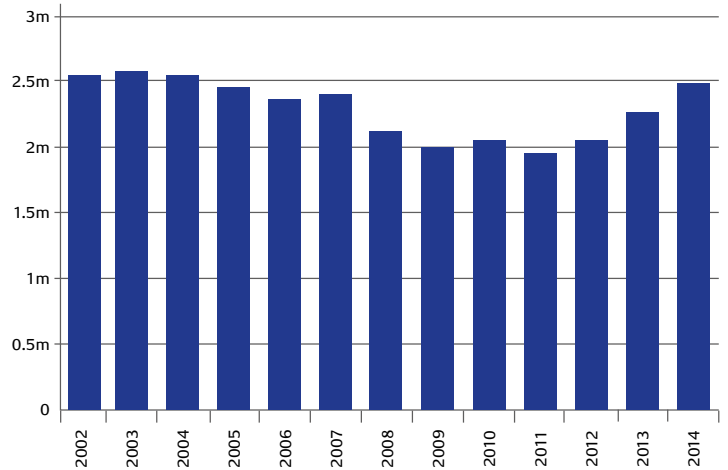
Consumer confidence, an important driver of new car sales, peaked in August 2014 but has remained fairly stable in the final quarter of the year, holding out the prospect of continued momentum in the automotive market.

Ongoing sales and restructuring amongst the important players have sparked significant investment in the sector leading to shortages of suitable sites for expansion and relocation around the country.

The market for motor dealerships in 2014 was just over £288 million – up on nearly £220 million seen in 2013.



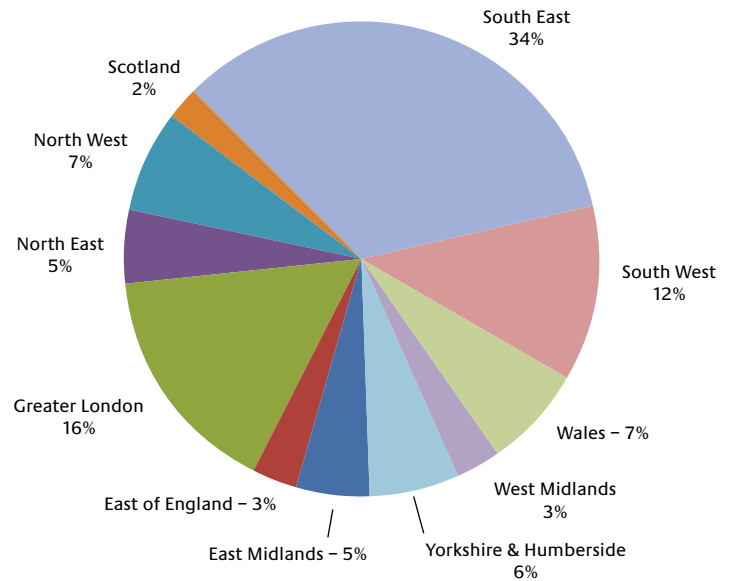
TOTAL NEW CAR REGISTRATIONS (millions)



INVESTMENT

Greater London and the South East took the lion's share in 2014 with 50% of all UK dealership sales by value. The South West took 12% of sales but all the other UK regions had only single digit shares. In part this represents differences in price per square foot between regions.

2014 SALES



Analysis of the regional shares in terms of the number of transactions shows, with the exception of the South East, a much more equitable split with most regions seeing between two and four transactions during the year.

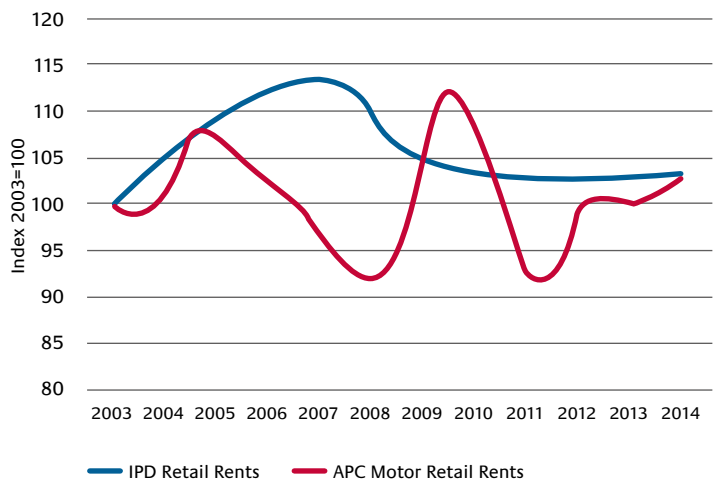
OCCUPATION

For the most part, average rents by region follow the familiar hierarchy with Greater London and the broad South seeing the highest rents and the broad North seeing the lowest.

Average rents by region – 2014	£ psf
Greater London	£14.45
South East	£12.77
South West	£12.49
West Midlands	£11.75
North East	£11.53
East Midlands	£11.40
Yorkshire & Humberside	£11.20
North West	£11.19
Wales	£10.82
Northern Ireland	£10.76
Scotland	£10.10
East of England	£9.74
National	£11.61

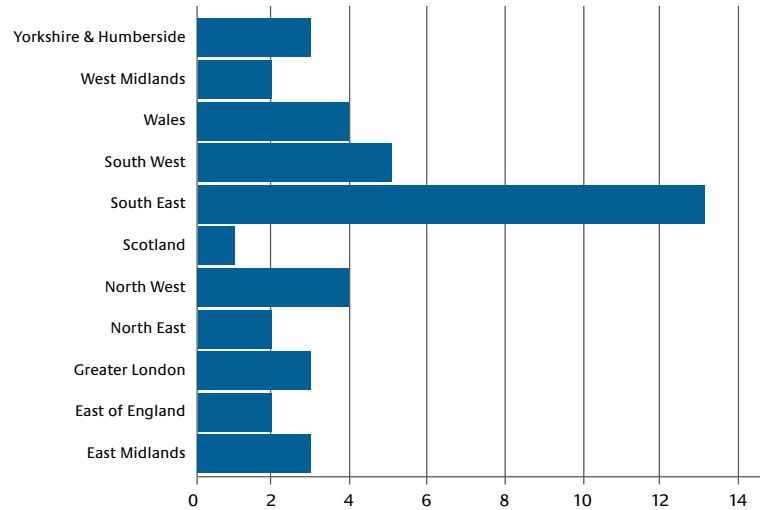
Average rents disguise the prime rents seen. In Greater London these are around £25 per square foot and in the South East circa £20 for example.

DEALERSHIP RENTS VS IPD



Overall, rents are edging up but are still some way off the peak seen in 2007.

2014 SALES – NUMBER OF TRANSACTIONS



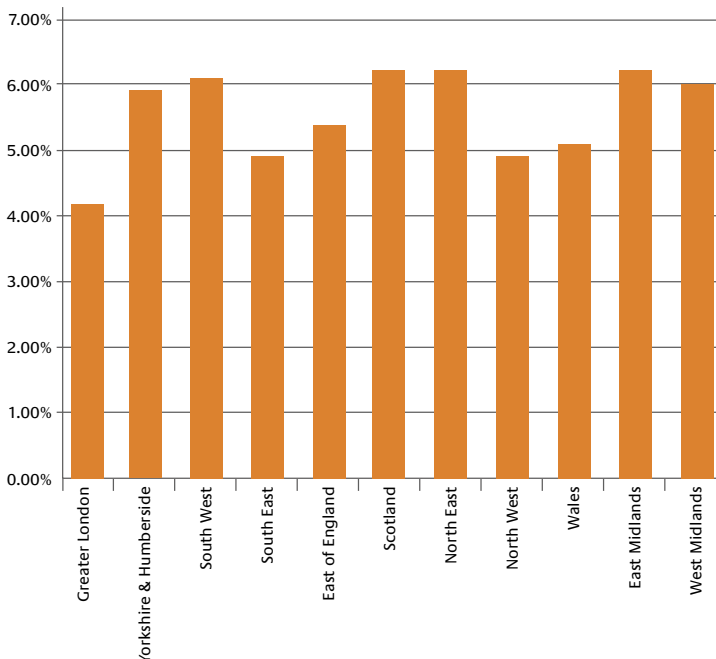
Yields achieved during 2014 range from 8% in Scotland to sub 5% in Greater London. While this hierarchy may be as expected the range is very wide. Prices in Scotland were affected by a dearth of market confidence surrounding the referendum on Scotland's place in the UK observable in other economic indicators. The next highest yield is seen in the North East at just over 7%.

The yield data shows a clear North South split. The North is above 6% - the South, including Wales and the East of England is clustered around 5%.

The top ten locations with the lowest yields are dominated by the South East region but the lowest yield seen in 2014 was 4.3% in South London. The South East saw a fund take a dealership at 4.85% while in the North West a fund paid 4.95%.

Overall the "all dealerships" average yield stands at around 6.4%, reflecting the maturity of the sector and the wider range of investments.

PRIME YIELDS BY REGION 2014



DEVELOPMENT

Land market sentiment is positive, with housebuilders and commercial developers acquisitive and seeking to secure pipeline.

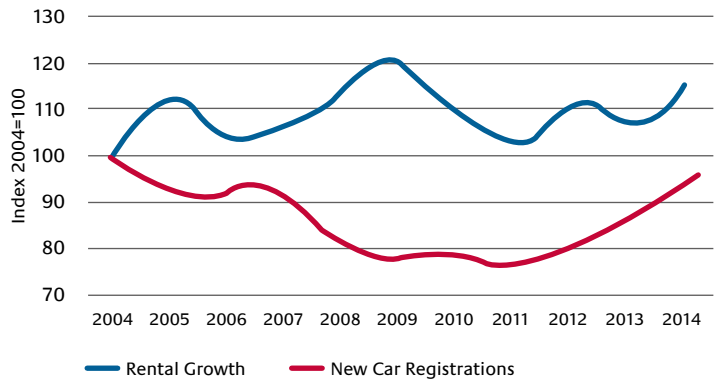
TYPICAL INDUSTRIAL LAND VALUES (SOURCE: RETRI)

Location	£ per acre
Glasgow	175,000
Manchester	200,000
Newcastle	200,000
Cardiff	250,000
Thurrock	250,000
Leeds	275,000
Bristol	400,000
Birmingham	450,000
Northampton	475,000
Enfield	900,000

As the market has improved so has demand for industrial and logistics property leading to significant increases in the price of industrial land.

This has created significant problems for dealerships seeking new, well connected, high visibility sites all around the country as other uses compete vigorously for the same product.

RENTAL GROWTH VS NEW CAR REGISTRATIONS



OUTLOOK

At the beginning of 2015 the market for motor dealerships is under stress from a number of factors: Growth plans and relocations are being hampered by a lack of suitable sites; such sites that there are see competition from other, more traditional, uses driving up prices.

The market is also under stress from structural change from one key manufacturer – Jaguar Land Rover (JLR). JLR is a company with big plans. In 2014 construction started on a manufacturing plant in Brazil. This in the context that Jaguars and Land Rovers have always been made in the UK hitherto.

It is projected that new models will drive sales of JLR in the UK to triple by 2018. As part of the planning for this rapid growth, JLR are integrating their sales from a network of 90 Jaguar dealers and 120 Land Rover dealers to a smaller network of JLR dealers. This exercise is expected to generate significant demand for new sites to cater for the integrated brand.



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