

Over the parapet

John Kirwan

Heads are now appearing over the parapet.” That’s the view of Bill Bexson, managing director of Automotive Property Consultancy, who believes the dealership property market has got better over the past year. Dealers have slashed costs and boosted profits by closing underperforming sites and multi-franchised on previously solus sites.

“The car dealership property market is getting better. The automotive industry has emerged from the crisis that hit in 2008. Manufacturers and dealers alike have restructured and are both

The property market is slowly improving but values in some cases are 40 per cent adrift of their peak in 2007



DONE DEAL: Lancaster, advised by Strutt & Parker, sold the freehold for this Jaguar and Ford car showroom in Bradford, to Axa for £7.3m

reporting profits. This is feeding though into interest in property trading,” he said.

The downside is that too many properties on the market does not do anything for values.

“Many of the closed dealerships were operationally redundant and shut down for good reason. In normal market conditions these are the type of properties that would be taken up by alternative uses, in the past often housing.

“Today this recycling demand is more limited, depressing values of vacant properties by up to 40 per cent on the mid 2007 high water mark,” he said.

The upside, according to Bexson, is there are new dealer developments driven by growth

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Tom Poynton, senior surveyor of automotive and roadside, at GVA Grimley, agrees that the market is slowly recovering from the downturn during which "the vast majority" of dealers withdrew from property acquisitions.

Poynton said there was a "slow return" of activity in traditionally tough-to-fill major conurbations by large car dealers and carmakers who need representation in these areas.

"We have witnessed several strategic acquisitions of development sites in recent months, and are confidentially aware of a number of others that are under contemplation," said Poynton.

He warned, however, that the opportunity to buy properties or development sites at depressed prices is limited as a gradual improvement in prices is now expected.

David Chittenden, head of



Many of the dealerships shut down for good reason

automotive and roadside at Colliers International, believes the market is showing some signs of recovery, particularly for quality property.

"An increased demand for prime roadside locations has fuelled the appetite for automotive property with a number of deals in 2010 achieving higher levels than when the market was considered to be at its peak in 2007," he said.

According to Chittenden, good quality existing dealerships sold for continued use can often generate a premium in a competitive bidding situation, "where the quality is remembered long after the price is forgotten".

Guy Harman, director of Nigel Lawrence Partnership, said the

dealer property market is a two-tier affair. He said banks appear to be favouring dealer groups with good assets and stable profitability but carmakers, too, are also lending on property.

"We have recently observed certain car manufacturers reluctant to invest directly into property but willing to lend to their dealers to acquire property," he said.

Chittenden of Colliers warns dealers trying to dispose of

properties may have to play a waiting game.

"Although there are positive signs, there is certainly no room for complacency. The public sector spending cuts coupled with new statutory regulations will mean the whole planning process is destined to take even longer.

"This is going to impact on exit strategies. Dealers need to think at least two years ahead and adopt a more pragmatic approach to the disposal of their property." **MT**

Investment property values

UK investment property values generally have risen 15.6 per cent over the past 13 months, said Bill Bexson, managing director of Automotive Property Consultancy.

"However this capital value growth has been tempered by continuing lacklustre rental growth. We have seen examples of dealerships falling vacant as a result of administration or lease expiry being re-let at rents 20-30 per cent less than before," he said.

He said investors are increasingly showing an appetite for properties with rent reviews linked to inflation.

Tom Poynton at GVA Grimley said the lack of availability of finance at competitive levels is still restricting the investment market although there has been an increase in investment in blue-chip covenants and high quality property stock.

Harman of Nigel Lawrence Partnership agrees, saying investors are looking for quality property, for example on 15 year leases to car manufacturers or top dealer groups but only as a small part of a balanced portfolio.

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For further information on either property, contact:

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