

What can we learn from Auction Buyers? Do they think the market has turned?

Commentators in every capital market are teasing us and each other with the challenge of saying when it will be the “right” time to buy into their markets, Savills felt that in most markets we had reached that point in early September.

If you have worked in our market for as long as I have, more than 25 years, you get to appreciate that timing is a very individual thing. Put frankly most buyers are simply deal driven. Does this deal, in this sector at this price work for me with the cash that I have in my portfolio?

There is always activity in the commercial auction market, we sell on average 55 assets a month, raising £390m this year to date. With such an array of lots sold, we are in the privileged position of knowing with total certainty, which lots were the most popular at auction.

With eight auctions a year, this statistic is rarely out of date.

We simply look at the number of active registered bidders on each lot and the overage generated by their competition at auction. This can give an interesting insight to the market, so lets look at the five most popular lots sold on September 19th.

The September auction sale prices were on average 14% ahead of the reserves, and if you look at these examples you can see where a good amount of that overage came from.

These were the five most popular lots sold at auction, other lots sold before and after the sale.

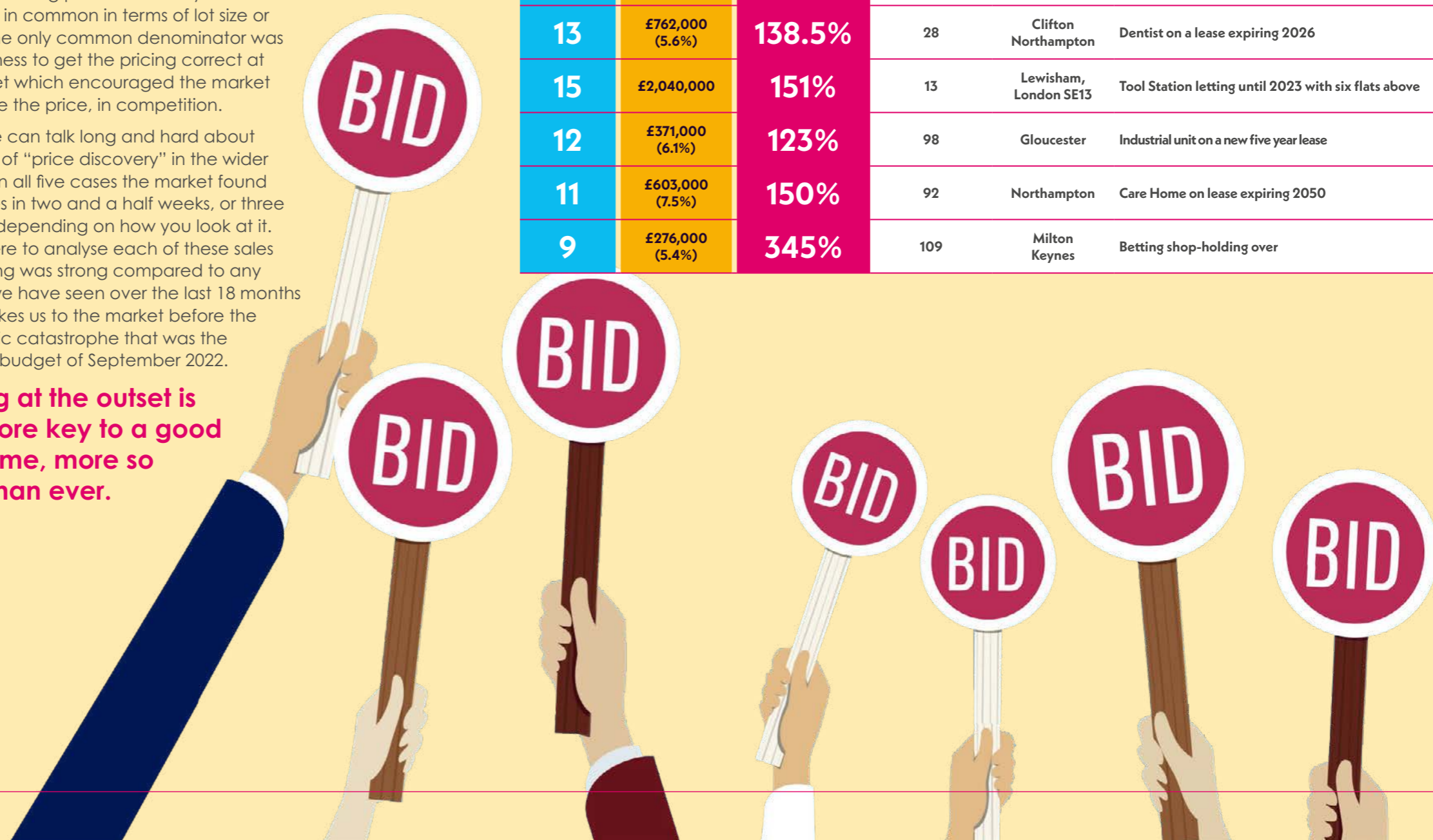
The most striking point is that they have little if anything in common in terms of lot size or sector, the only common denominator was a willingness to get the pricing correct at the outset which encouraged the market to decide the price, in competition.

Whilst we can talk long and hard about a period of “price discovery” in the wider market, in all five cases the market found the prices in two and a half weeks, or three minutes depending on how you look at it. If you were to analyse each of these sales the pricing was strong compared to any pricing we have seen over the last 18 months which takes us to the market before the economic catastrophe that was the Truss era budget of September 2022.

Pricing at the outset is therefore key to a good outcome, more so now than ever.

Top 5 Most Popular Lots Sold Sept 2023

Number Of Bidders	Sale Price & Yield	Overage Above Guide Price	Lot Number	Location	What Was It?
13	£762,000 (5.6%)	138.5%	28	Clifton Northampton	Dentist on a lease expiring 2026
15	£2,040,000	151%	13	Lewisham, London SE13	Tool Station letting until 2023 with six flats above
12	£371,000 (6.1%)	123%	98	Gloucester	Industrial unit on a new five year lease
11	£603,000 (7.5%)	150%	92	Northampton	Care Home on lease expiring 2050
9	£276,000 (5.4%)	345%	109	Milton Keynes	Betting shop-holding over



Why were these lots so popular?

Lot 28 - The Elms Dental Practice, Cliftonville, Northampton
Dentist on a lease expiring 2036



NO OF BIDDERS	SALE PRICE	YIELD	OVERAGE ABOVE GUIDE PRICE
13	£762,000	5.6%	138.5%

This was one of a portfolio of 10 sales, being offered by the former owners who had retained the freeholds of the surgeries when they sold the business. The assets were spread across the south of the country and caught the imagination not only of our regular investors but also local dentists as they appreciate the true worth of these sites. This was one of the larger lots in the portfolio, so it is a little more of a surprise that demand was so strong, with 13 bidders, it was the most popular lot in the catalogue on its own self contained site with parking.

Why so popular?

Rental growth and the long lease, until 2036 gives the buyer a relatively low risk but secure income for a further 13 years.

Lot 13 - Tool Station with six flats above, Lewisham High Street, London SE13
Tool Station letting until 2032 with six flats above



NO OF BIDDERS	SALE PRICE	OVERAGE ABOVE GUIDE PRICE
15	£2,040,000	138.5%

This was the largest lot sold under the hammer, at £2.04M was well ahead of the guide of £1,400,000 and was sold on behalf of The City Corporation. This includes a trade counter, always a popular sector whether in town or out, and only one of the flats was let, giving the chance for the buyer to refurbish and let them quickly in a rising rental market.

Why so popular?

Mixed use assets in London are always popular with a strong letting market and Investors also like to buy from Institutions like the City Corporation as there is always a view that they can improve the asset.

Lot 98 - Unit 2 Whitworth Court, Gloucester
Industrial unit on new 5 year let



NO OF BIDDERS	SALE PRICE	YIELD	OVERAGE ABOVE GUIDE PRICE
12	£371,000	6.1%	123%

Demand seems to have returned to the industrial sector as a dozen buyers were active on this lot.

Why so popular?

The modest lot size, realistic rent which offered the chance to grow and that our market has been a little starved of industrial assets for the last few years as they rarely reach the open market.

Lot 92 - Care Home, 17 Landsdown Drive Northampton
Care Home on lease expiring 2050



NO OF BIDDERS	SALE PRICE	YIELD	OVERAGE ABOVE GUIDE PRICE
11	£603,000	7.5%	150%

The key to this lot was the lease length, expiring 2052 - our market rarely sees an occupational lease for a further 29 years, and with such a strong tenant buyers were competing for a long and resilient income stream which increases annually by RPI.

Why so popular?

The length of lease from a solid covenant gives investors a very long income, with annual RPI growth built in which overcomes any nervousness about the underlying value of the real estate.

Lot 109 - Ladbrokes, Milton Keynes
Betting Shop - holding over



NO OF BIDDERS	SALE PRICE	YIELD	OVERAGE ABOVE GUIDE PRICE
9	£276,000	5.4%	345%

The sellers, LPA Receivers had previously agreed a sale of this betting shop, let on expired lease to Ladbrokes to the Freeholders, but that sale fell through so they entered it into auction.

Despite a very restrictive lease we identified a special purchaser and the auction took off.

Why so popular?

The overage at 345% looks very high, special purchasers drive overage against the wider market and the auction process delivered a tremendous result for our client selling to a good buyer.

So is now a good time to buy?

These examples show our buyer pool are long on cash and each have their own criteria, which when it is met will encourage them to pay good prices when the asset works for them.

These Investors would take little notice of the wider market, as they are able to make their decisions quickly, in order to build their portfolios and optimise their returns on cash.

Many would agree that it is always a good time to buy – buyers just need the incentive