



Commercial Auction
Annual Review

2019

allsop



Contents

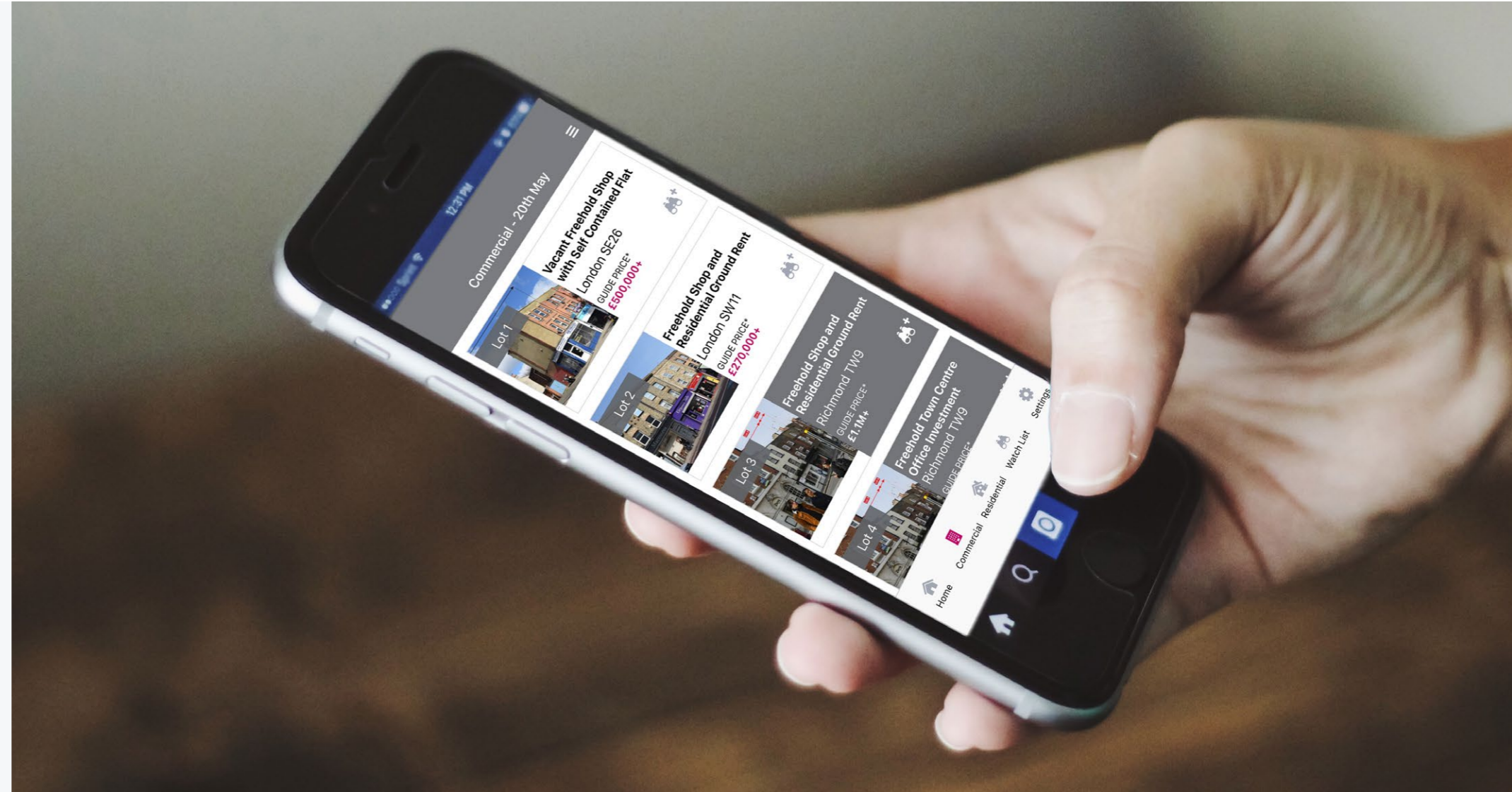
- 04 Review of 2019
- 06 Auction results 2019
- 07 Commercial auction market 2019
- 08 Property analysis - by sector
- 09 Property analysis - geographic
- 10 Property analysis - by yield
- 12 Vendor analysis
- 13 Buyer analysis
- 14 The allshop barometer
- 15 Selection of typical sales by sector
- 21 Looking ahead to 2020 - a more positive year
- 22 Forthcoming auction dates
- 23 Contact us



“The commercial auction team have raised £433m under the hammer from six auctions this year”

Review of 2019

We started the year in the knowledge that it might be a tough one with a cloud of political uncertainty casting a shadow over capital markets.



However with low interest rates prevailing and GDP positive at 2% per annum the fundamental reasons for investing in high yielding real estate remained strong.

Looking back on the year, with 648 properties sold, we must remember that we started the year selling the largest ever lot sold under our hammer at £12.4m,

in Covent Garden in February and ended it with one of the strongest sales for three years in December, where we sold one of the biggest assets of the year in Pitsea at £4.56m.

Our politicians in Westminster fed the now well-documented tide of uncertainty but these ongoing political clouds were

popped spectacularly on Friday 13th December and it was as if the buyers in our auction on 9th December already had the result. The total is now £49m, the success rate of 92% is ahead of any sale and for the last three years which reflects the busy auction room on the day bringing our total for the year to, in excess of £433m.

The wider private treaty market looks to have dropped in turnover by well over 30% year on year, which is twice the reduction of the auction market.

Buyers' resilience and long term view has been the recurring theme of the year, it is the buyers' pragmatism, and their cheque books that drive this market. Discussing things with them in the auction room three days before perhaps "the most important General Election for a generation" was uplifting as the sale result and eventual Election outcome both proved.

Politics aside, the market has had to continue to absorb the changing face of retail which has led to the increasing disparity of yields in retail, which we review later on.

This drives investor demand for added value opportunities, mixed use assets, long income and the Alternative sector which typically has longer leases on offer, there seems to be plentiful demand, **supply is the challenge.**

Alongside reading the market, we have enhanced the way we market properties for clients, a new website, hard copy catalogue and the launch of our mobile app, which allows you the chance to have a catalogue in your pocket at all times.

We would like to thank everyone we work with for your feedback during this period, and patience as we all adapted to the necessary changes.

As marketeers we are now able to analyse huge volumes of data, track bidders, under bidders and buyers, which allows us to better understand the market in real time. For those that are interested we are always happy to share these results.

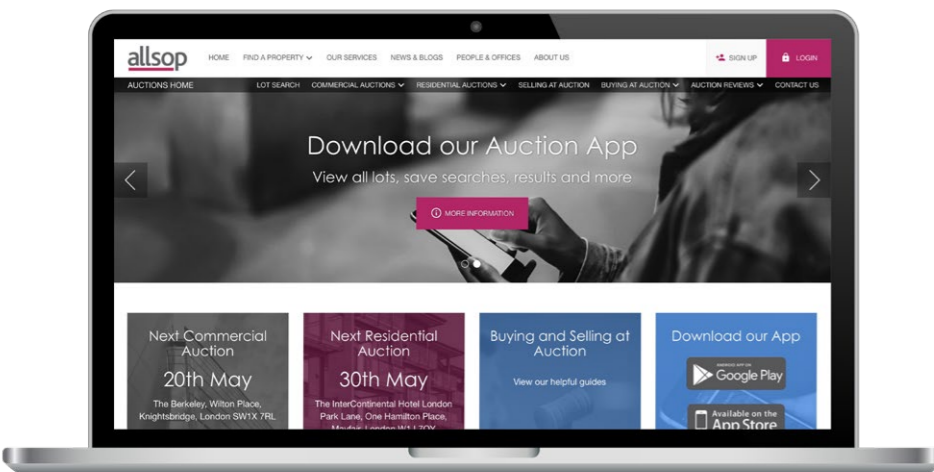
Put simply, by the end of July we had more regular users on phones and tablets than their desktops. If anyone has any insight as

"The year started on a high with a £12.4m lot, finished on a high with 92% success rate in December and our market share improved from 55% to 59%"

to why in October both the Netherlands and Finland suddenly became interested in UK based real estate, we would be delighted to know!

At this point we will leave it to you to review some of the examples and pricing that we have set out later on

and we hope that they give suitable insight into the years' trading. There are of course over 600 other examples which we can draw on to help you with any analysis, so please do ask the team if this would help you form your investment or disposal strategy going forward.

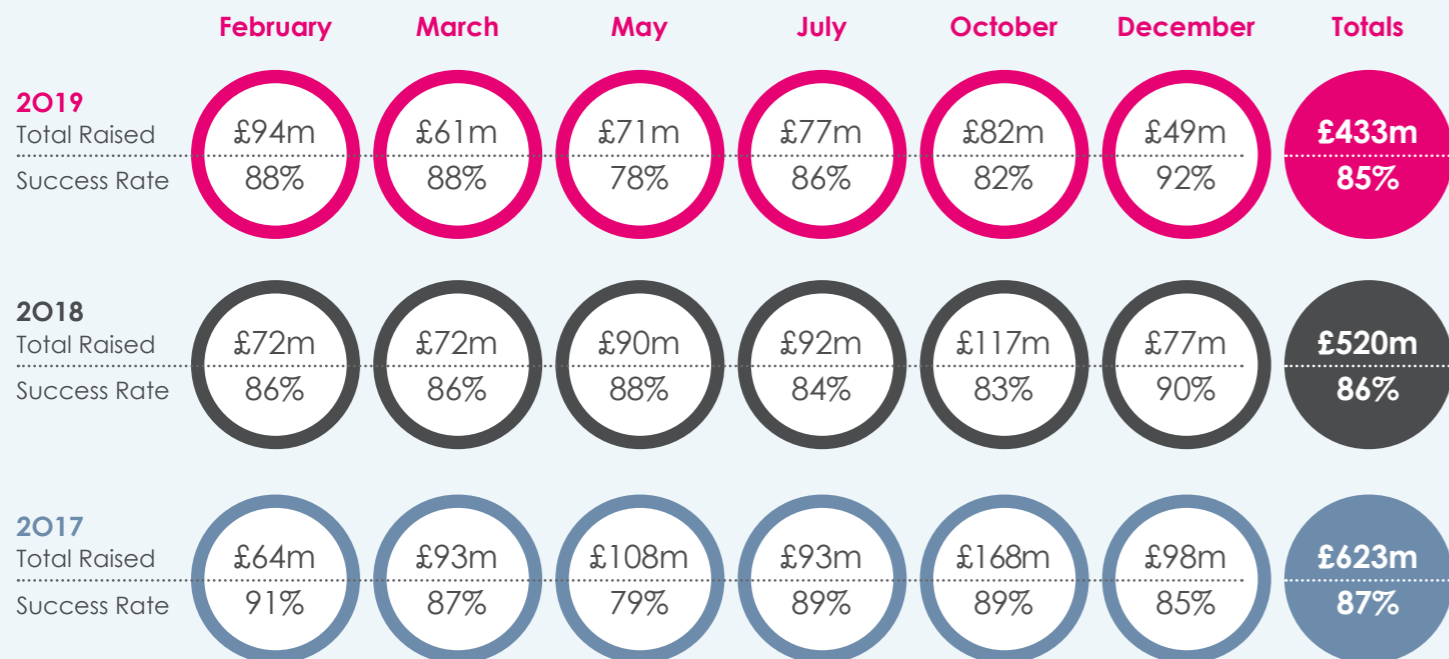
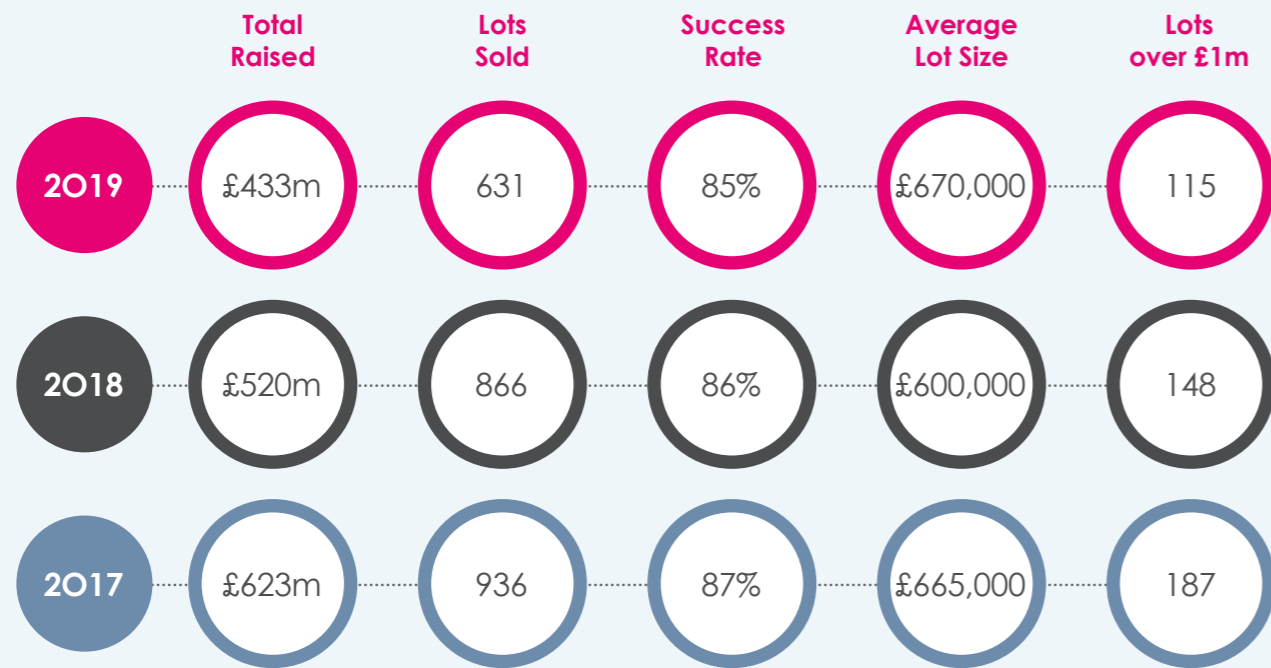


Auction Results 2019

Auction Figures for 2017 - 2019

current totals (£) and success rates (%)

Source: Allsop Auction Data, correct to 2nd January 2020.

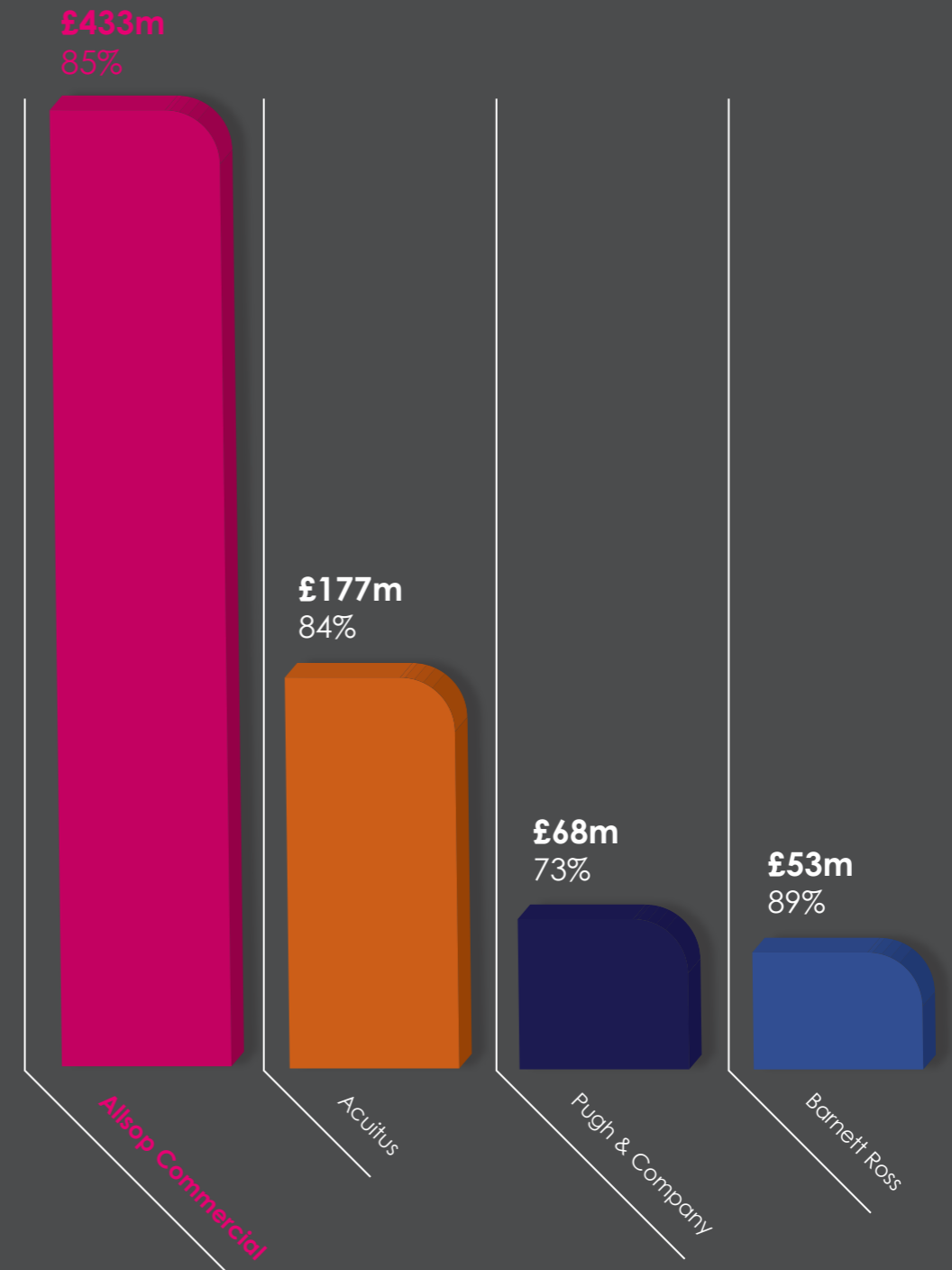


Commercial Auction Market 2019

January to December 2019

sales (£) / success rates (%)

Source: Essential Information Group.



Property Analysis

Sector analysis

Buyers are still keen to invest in retail, which accounts for 71% of all sales, despite the ongoing pressure on rents and tenant demand.

Clearly this risk is rewarded with increased yields in some areas and this has been a year where sellers have had to adjust their expectations to the market.

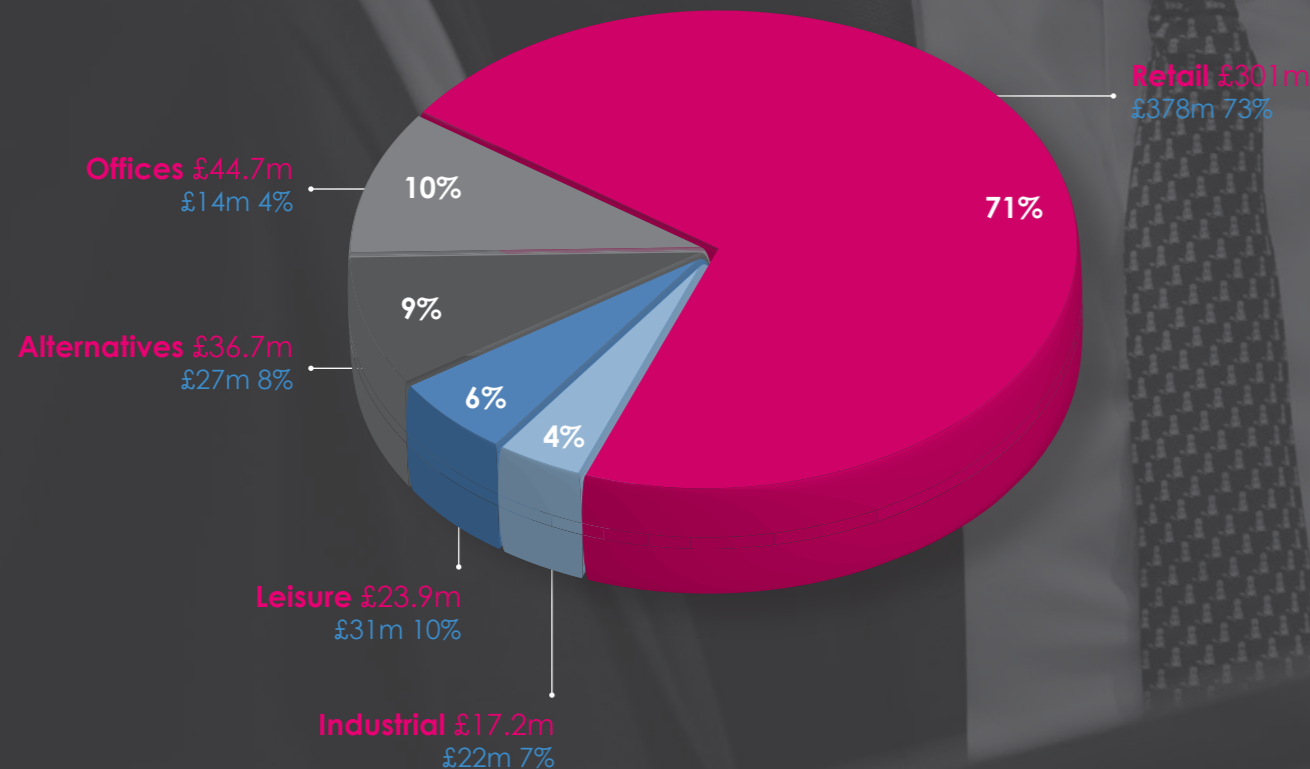
Tenant profile, sub sector and trading history are all important factors as is the quantum of rent along with more conventional ITZA measurements. The yield gap on retail has become wider during the year as a result.

We have seen the strongest growth in **office sales, the volumes have tripled year on year** which reflects buyers' hunt for yield and rental growth.

Alternatives have also seen a 35% increase by value, and this is only limited by supply. Leases are typically longer with fixed or geared increases which particularly appeal as buyers seek to diversify their portfolios.

As we talk to investors there is no lack of demand for long let income.

£million raised - 2019
(2018 figures)



Geographic analysis

National coverage has always been, and remains a by-word of our auctions, allowing sellers the opportunity to break portfolios across the UK.

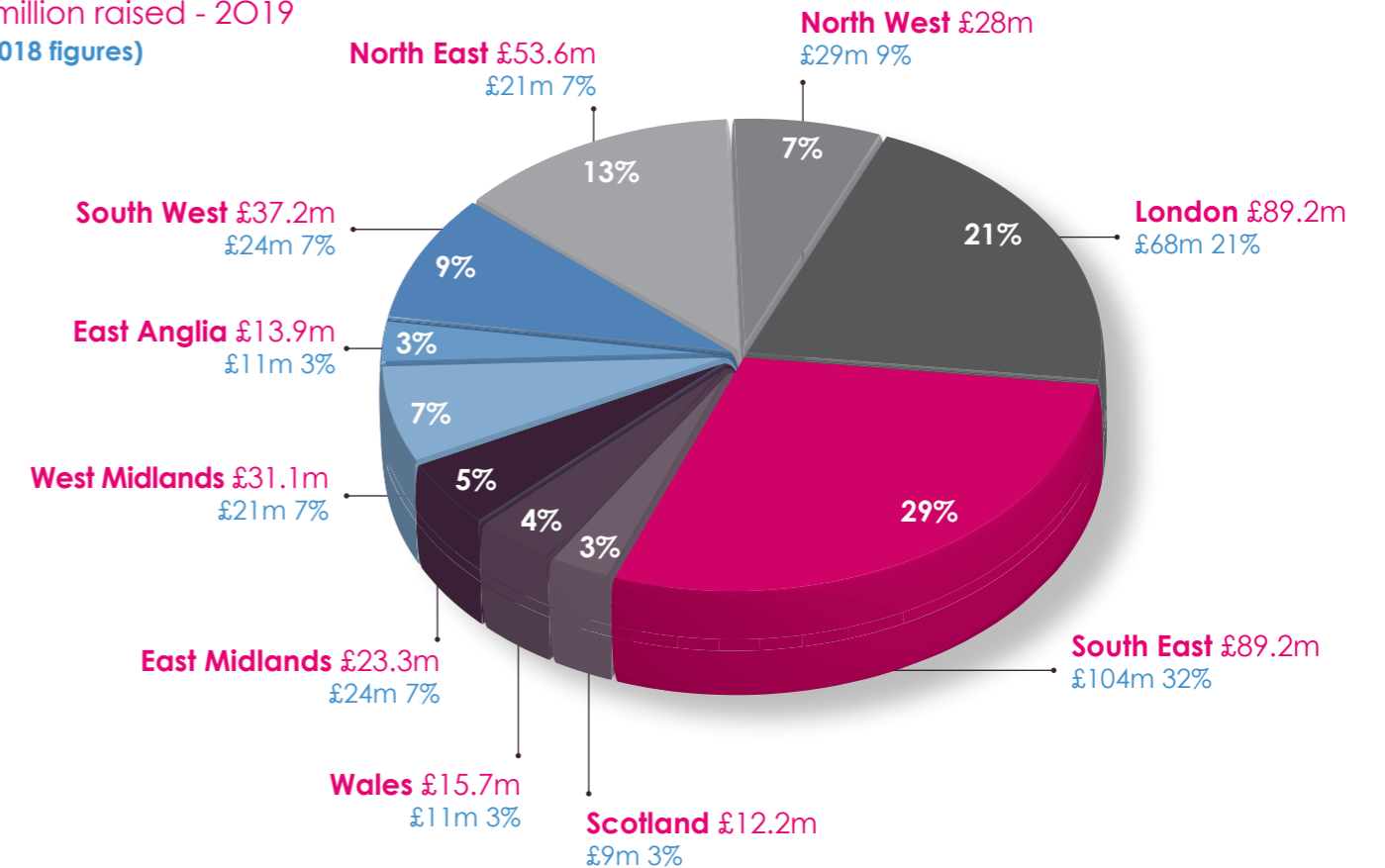
By ratio of volume the 50% London and South East to 50% in the region remains constant with other significant regional changes.

Sales in the north have increased by over 60% by value and 25% by volume, the biggest change, as buyers seek greater yield away from London and the South East.

Our Buyers tell us that they are happy to buy outside the region where they live and are driven mostly by the asset, allowing them to build a portfolio diversified by geography as well as sector.



£million raised - 2019
(2018 figures)



Property Analysis

Yield Analysis

Our sample size of 648 transactions is the largest in the market, and retail sales form the majority of this with 460 examples. This gives us a good insight into investors' view on the risk/reward curve.

Of the main themes from the year, the stability of the overall retail yield is a little over 8% despite the ever higher path of the "Hi yielding" sector.

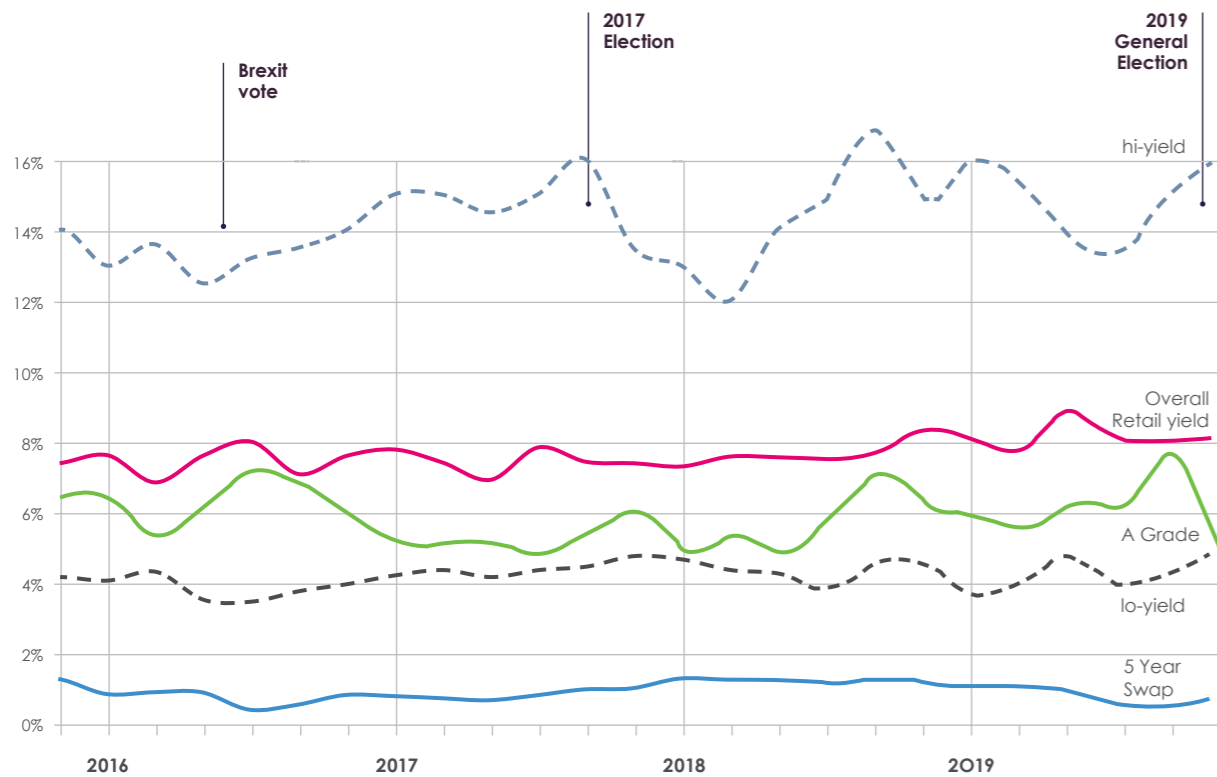
The better quality properties are more sought after and in short supply which drives their value higher, countering the effect of the high yielding sales. Some of the poorer quality

properties require substantial repositioning or redevelopment which is reflected in the yield paid and capital values.

A Grade yields dipped well below 6% for the first time in eighteen months, reflecting this increasing disparity.

Commercial Auction Results - 2016 To Date

hi/lo range with 5-year swap rate (monthly average)



“Buyers’ confidence and cash reserves generate tremendous competition in the auction room, delivering some outstanding prices”





Vendor Analysis

Whilst we continue to enjoy new entrants as buyers to our market, the make up of the sellers is fairly constant.

The biggest seller of the year has been one fund manager, who continues to reposition their mostly retail portfolio and selling via a campaign that we have conducted alongside the Allsop Private Client Desk. This allows longer marketing periods with sales exchanged on auction contracts which has proved highly effective over the last twelve months.

Corporate sellers have included a major bank, who have sold a portfolio of mostly vacant former banking halls. Ladbrokes/Coral have also conducted two successful sale and leaseback programmes with assets across the UK.

Over 60% of sales are derived from Private Property Companies and Private Investors in an increasingly fragmented market.

Buyer Analysis

Our Buyer's Survey, asked at the point of exchange, picks up on trends and sentiment amongst buyers which helps us look forward.

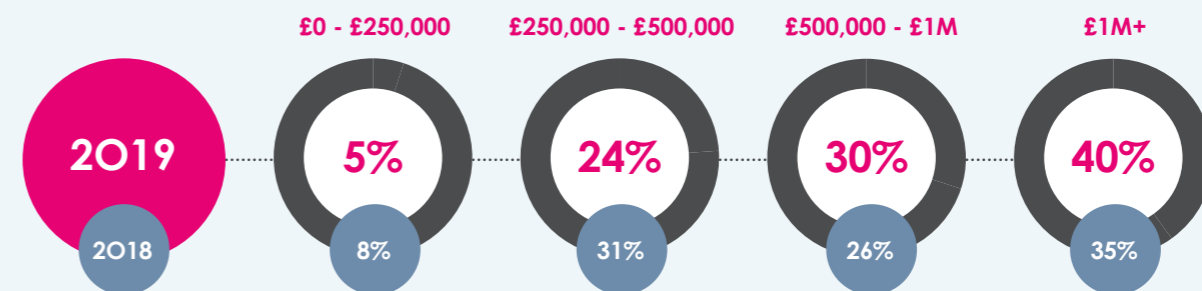
The key findings are that buyers are seeking ever larger lot sizes, with 40% seeking lots over £1m against 35% last year. Geography has become less of a concern, as buyers are more deal driven, there has also been a significant increase in overseas investors

during the year perhaps taking advantage of the weakness in sterling.

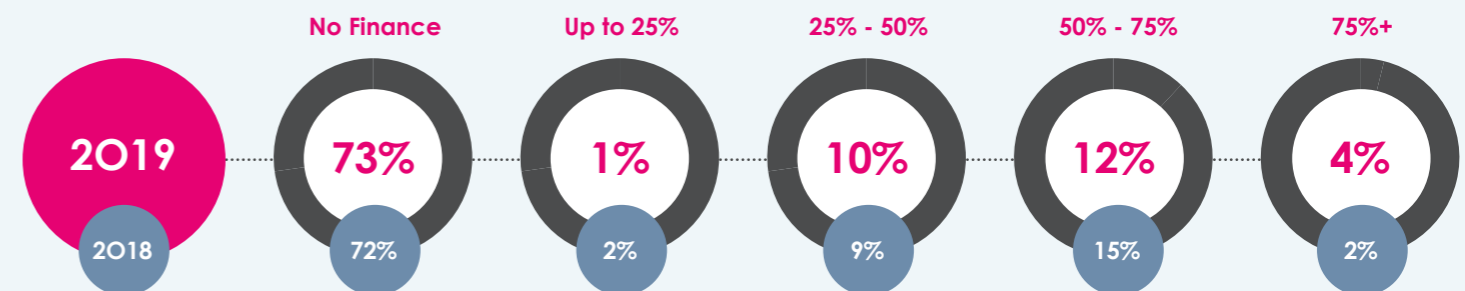
We continue to attract new buyers with 17% not having bought at auction before.

Finance continues to be sought for some purchases, although the majority are in cash, 73% which is broadly in line with 2018. Finance looks to have become harder, with a reduction to 12% from 15% seeking LTV above 50% according to the survey.

How much do you intend to invest in any single property?



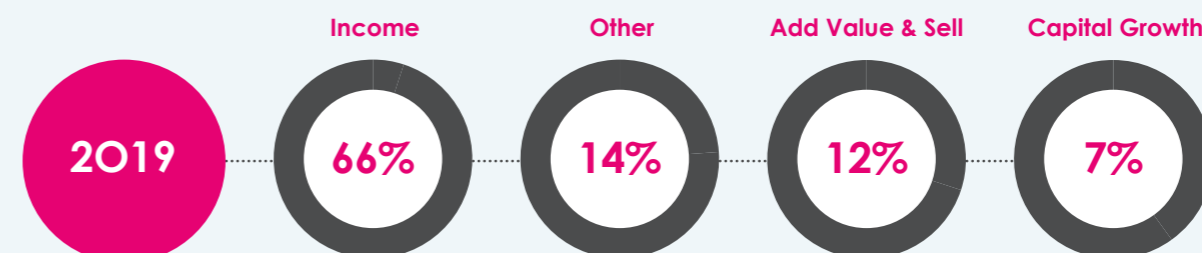
How do you intend to fund the purchase?



This year, the survey was altered to capture the reasoning behind the buyers purchase. Income was stated as the main driver by 66%

of buyers in the room, reflecting demand for the long income assets, the weight of the lease and it's components in place.

What was your main driver to purchase property?



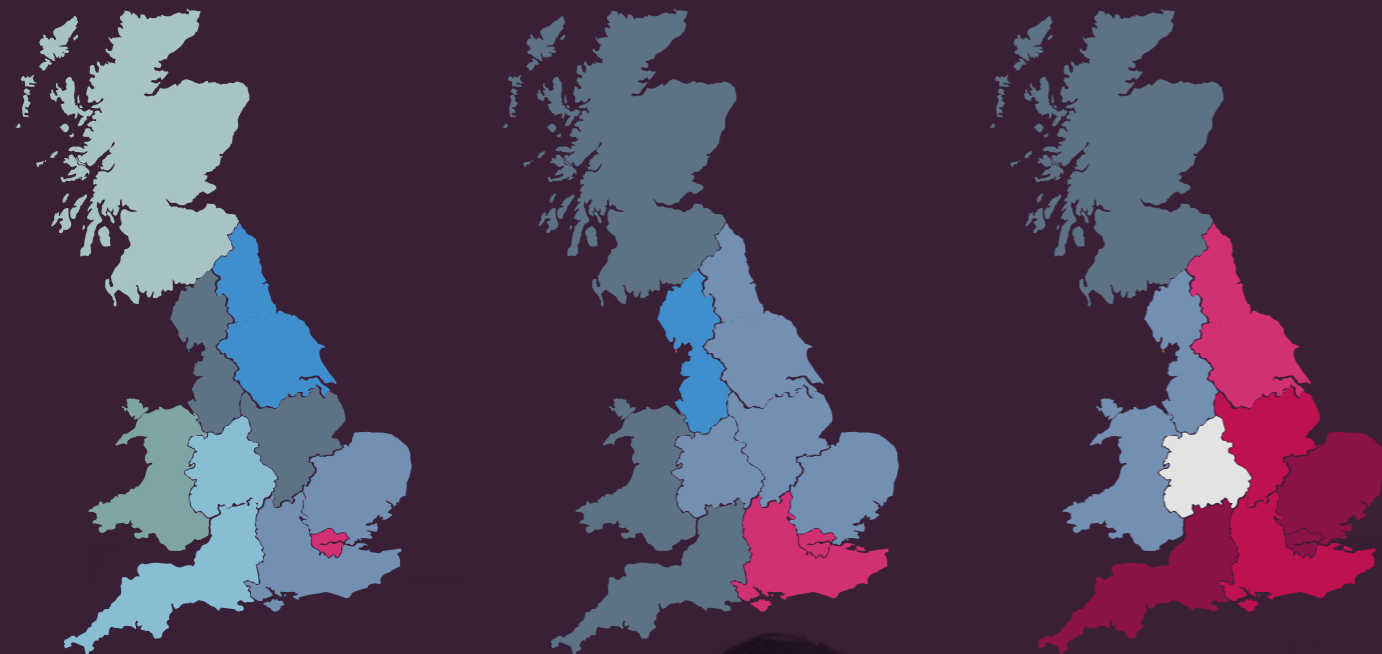
The Allshop Barometer

January - December 2019

3 Years - 5 Years
Net Yield Average

5 Years - 10 Years
Net Yield Average

10 Years - 15 Years
Net Yield Average



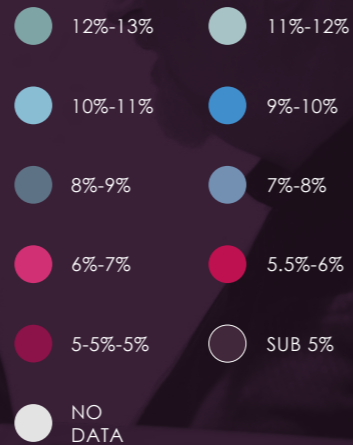
The Allshop Barometer, an index of average single let retail net yields achieved in all regions of the United Kingdom separated into three tranches based on unexpired income; Short income (3-5 years), medium income (5-10 years) and long income (10-15 years).

In the past 24 months Allshop have sold 575 (£321.9m) single let retail units falling within one of the three defined tranches, perhaps the largest sample size in the secondary market.

When analysing the results of the barometer it will be little surprise that average net retail yields have softened by 50 basis points standing at 7.9% from 7.4% in 2018. This may well be due to a national portfolio of long let banks sold in 2018, unduly impacting the sample data.

The barometer is showing a north-south divide for net average retail yields with the southern regions all recording sub 6% yields achieved for long income while the northern regions, Wales and Scotland are achieving returns of 6% or greater.

The increase in perceived risk in the retail sector has impacted the short term income yields achieved over the year, with net yields achieved in this income tranche softening in most regions (8.4% from 7.9% in 2018).



2019 Selection of typical sales by Sector

Multi-Million Pound Lots



SOLD £12.4M (1.3% NIY)

FEBRUARY

Lot 87 - "The Lady" Magazine, London WC2
Rare freehold office and residential investment comprising 11,140 sq. ft. let at £170,000 p.a. £1,113 per sq. ft.



SOLD £5.85M (4.5% NIY)

JULY

Lot 72 - Lloyds Bank, London NW1
Lloyds Bank & four flats in Camden, with potential to create further flats. Total rents £276,732.50 p.a., £706 per sq. ft.



SOLD £3.2M (5.0% NIY)

JULY

Lot 11 - Boots, Berkhamsted
Substantial Boots Chemist let at £169,950 p.a. until 2022 with future residential potential.



SOLD £4.56M (8.5% NIY)

DECEMBER

Lot 14 - Parade of Shops, Pitsea
Unbroken parade comprising 13 shops, offices, 4 flats, 9 garages, 2 phone masts and car parking over 29,775 sq. ft. Total rent £415,717.70 p.a.

115 £1m lots sold at up to **£12,400,000**

2019 Selection of typical sales by Sector

Retail - Added Value Opportunities



Lot 26 – 1-7 High Street, Grays
Retail Parade comprising five shop units with upper parts, let at £164,285 p.a. Tenants include Subway, Paddy Power, Coral, Premier and Bonmarche.



Lot 62 – Co-op, Shoreham-by-sea
Substantial Freehold Supermarket Investment let to Co-Operative Foodstores Limited until 2022 at £260,000 p.a.

Price range **£130,000 to £4,560,000**

Retail - Convenience



Lot 31 – Co-op, Neath
Co-Op convenience store with car park let until 2032 (no breaks) at £50,000 p.a. with RPI linked reviews.



Lot 40 – Co-Op, Gateshead
Co-op convenience store let at £67,500 p.a. on a new 15 year lease.

Price range **£302,500 to £1,430,000**

Retail - High Street



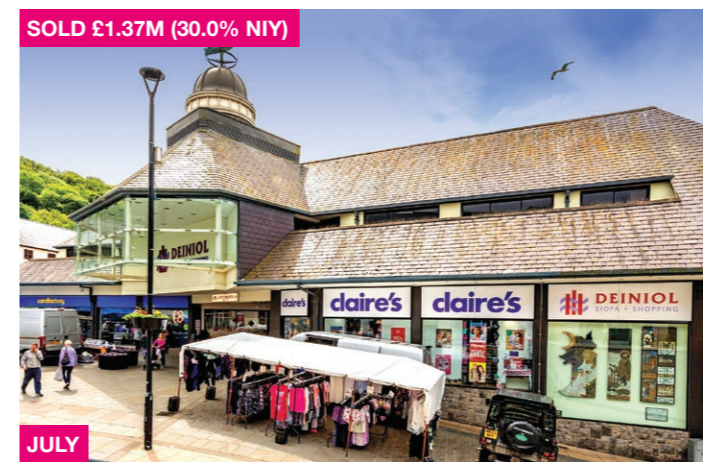
Lot 10 – Specsavers, Hinkley
Town centre Specsavers Opticians let at £31,500 p.a. until 2023.



Lot 52 – B&M, Gravesend
Let to B&M Retail at £200,000 p.a. until 2031 with RPI linked rent reviews.

Price range **£300,000 to £3,850,000**

Retail - Shopping Centres



Lot 47 – Deiniol Shopping Centre, Bangor
Shopping Centre comprising 27 units. Tenants including Specsavers, Vodafone and Iceland. Total Rents £436,736 p.a.



Lot 85 – College Walk Shopping Centre, Rotherham
Shopping Centre comprising 18 units. Tenants include Home Bargains, JD Sports, Warren James, Greggs, CeX, Subway, Coral and Ladbrokes. Total Rents £528,250 p.a.

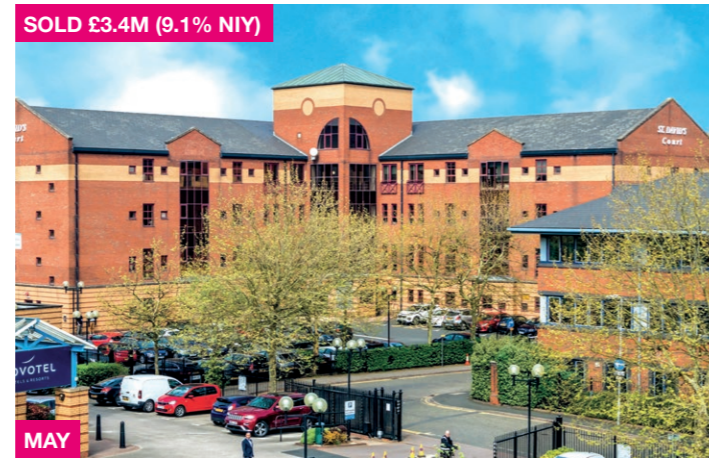
Price range up to **£3,550,000**

2019 Selection of typical sales by Sector

Offices



Lot 17 – Woodingdean Business Park, Brighton
 Modern multi-let office building arranged over 14,621 sq. ft. plus 60 parking spaces. Total rent £177,446 p.a.



Lot 103 – Wolverhampton
 Multi-let office with parking, extending to 41,874 sq. ft. Total rents £328,872 p.a.

Price range **£151,000 to £3,600,000**

Mixed Use



Lot 79 – Iceland, London N1
 Well located supermarket on Caledonian Road, let to Iceland at £100,000 p.a. until 2022.



Lot 97 – Southfields, London SW18
 Comprising a shop and one flat let to Boot UK Ltd at £74,600 p.a. and another flat let on an AST.

Price range **£250,000 to £12,400,000**

Industrial



Lot 107 – Tuffnell Distribution, Oldham
 Distribution warehouse let to Tuffnells at £88,500 p.a. until 2023.



Lot 53 – Queens Road, Great Yarmouth
 Entirely let to Certas Energy UK Limited until 2032 (no breaks) at £42,500 p.a. with RPI linked reviews.

Price range **£190,000 to £1,310,000**

Leisure



Lot 15 – Pure Gym, Didcot
 Town centre gym let to Pure Gym Limited on a new 15 year lease at £70,000 p.a. with RPI linked reviews.



Lot 74 – JD Wetherspoon, Sutton Coldfield
 Attractive J D Wetherspoon pub let at £100,000 p.a. until 2035.

Price range **£150,000 to £2,575,000**

2019 Selection of typical sales by Sector

Alternatives



SOLD £870,000 (5.7% NIY)

OCTOBER

Lot 17 – Toolstation, Stockport
Let to Toolstation Ltd until 2029 at £52,000 p.a. with rent review in 2024.



SOLD £1.73M (4.5% NIY)

OCTOBER

LOT 43 – NCP Car Park, Lincoln
Town centre car park with 46 spaces let to NCP Ltd at 83,720 p.a. with annual rental increases of 2.75%.

Price range **£101,000 to £4,000,000**

Long Income



SOLD £2.575M (5.8% NIY)

DECEMBER

Lot 20 – Travelodge, Sutton Coldfield
Attractive 58 bedroom roadside hotel let to Travelodge until 2035 (no breaks) at £160,722 p.a. with uncapped RPI reviews.



SOLD £1.4M (4.4% NIY)

OCTOBER

Lot 184 – NCP Car Park, Crawley
Let to NCP on a new 35 year lease with annual RPI increase at £65,000 p.a.

Price range up to **£4,000,000**



Looking ahead to 2020 a more positive year

The “Boris Bounce” started in our market at 0840 on Friday 13th December, with a previously dithering buyer checking on an unsold sold, which he thought would “now show me some growth”, he exchanged at £2,000,000 two days later, “no ifs and no buts”.

There are of course many factors that govern pricing and demand, but this immediate change of heart, swiftly followed by three other sales has left us with a very positive view of 2020 and 648 sales done.

Buyers' confidence will drive growth in both liquidity and volumes in the year ahead. Rental growth should become a feature in the office and industrial sectors as the economy grows with the help of the promised Government investment in infrastructure and health particularly in the regions which is one of the priorities of the new regime.

With interest rates remaining low and stable, we return to the central tenets of our market which is the appeal of high yielding income streams when there is a yield gap to exploit, and buyers seeking control of their own tangible assets.

The disparity of yields we believe will remain as there will continue to be a supply of high yielding retail that needs to be re-positioned, and with a more flexible planning environment allowing retail to be converted to residential use, these opportunistic buyers will deliver meaningful returns.

Other pundits have called the bottom of the residential market in London and the South East after some years of weak performance, which will add to the demand for added value opportunities and mixed paradises that we have seen sell so well consistently over the last year.

At the other end of the risk spectrum, the prices for the most vanilla and long let assets could improve again across all sectors as the market polarises further into

low yielding long leases and the higher yields that value added opportunities offer. The only limitation is supply. Sellers might need to be convinced to move these assets on but with a ready and willing buying pool they can be sure of a good price and in a more liquid market there will be plenty of other opportunities for them to re-invest into.

Each property is of course unique, and with over 270 years of experience in the market our team is well placed to advise as the market continues to evolve.

We would like to thank all our clients for their business over the last twelve months and look forward to a busy year.

2020 Auction Dates

Commercial

Tuesday 11th February
Catalogue online 17th January

Monday 30th March
Catalogue online 6th March

Tuesday 19th May
Catalogue online 24th April

Tuesday 7th July
Catalogue online 12th June

Wednesday 14th October
Catalogue online 18th September

Monday 7th December
Catalogue online 13th November

Residential

Thursday 13th February
Catalogue online 25th January

Tuesday 31st March
Catalogue online 14th March

Thursday 28th May
Catalogue online 9th May

Thursday 16th July
Catalogue online 27th June

Thursday 17th September
Catalogue online 29th August


















Thursday 29th October
Catalogue online 10th October

Thursday 17th December
Catalogue online 28th November

For further details on our auction sales including venue and timings please visit our website allsop.co.uk

Contact us

The team has 274 years of combined auction experience

 <p>Mark Gower MRICS Partner DDI: 0207 543 6727 mark.gower@allsop.co.uk</p> <p>Joined 1996</p>	 <p>George Walker FRICS Partner & Auctioneer DDI: 0207 543 6706 george.walker@allsop.co.uk</p> <p>Joined 1997</p>	 <p>Alex Neil MRICS Partner DDI: 0207 543 6895 alex.neil@allsop.co.uk</p> <p>Joined 2002</p>
 <p>Patrick Kerr FRICS Consultant DDI: 0207 543 6701 patrick.kerr@allsop.co.uk</p> <p>Joined 1977</p>	 <p>Duncan Moir FRICS Consultant DDI: 0207 543 6704 duncan.moir@allsop.co.uk</p> <p>Joined 1986</p>	 <p>Gregor Campbell MRICS Partner DDI: 0207 543 6703 gregor.campbell@allsop.co.uk</p> <p>Joined 1986</p>
 <p>Philip Parsons MRICS Partner DDI: 0207 543 6891 philip.parsons@allsop.co.uk</p> <p>Joined 1991</p>	 <p>Chris Childs MRICS Partner DDI: 0207 543 6817 chris.childs@allsop.co.uk</p> <p>Joined 2006</p>	 <p>Jonathan Wright MRICS Partner DDI: 0207 543 6725 jonathan.wright@allsop.co.uk</p> <p>Joined 2008</p>
 <p>Will Clough MRICS Associate & Auctioneer DDI: 0207 543 6838 will.clough@allsop.co.uk</p> <p>Joined 2010</p>	 <p>Ben Hodge MRICS Associate DDI: 0207 543 6831 ben.hodge@allsop.co.uk</p> <p>Joined 2011</p>	 <p>Doug Guild MRICS Senior Surveyor DDI: 0207 543 6890 doug.guild@allsop.co.uk</p> <p>Joined 2015</p>
 <p>Tom Hanson MRICS Senior Surveyor DDI: 0207 543 6807 tom.hanson@allsop.co.uk</p> <p>Joined 2014</p>	 <p>Siobhan Badman Graduate Surveyor DDI: 0207 543 6841 siobhan.badman@allsop.co.uk</p> <p>Joined 2018</p>	 <p>Amy Heuch Auction Assistant DDI: 0207 543 6881 amy.heuch@allsop.co.uk</p> <p>Joined 2018</p>
 <p>Chattie Webb-Bowen Auction Administrator DDI: 0207 543 6824 chattie.webb-bowen@allsop.co.uk</p> <p>Joined 2014</p>	 <p>Annabel Wellington Auction Administrator DDI: 0207 543 6792 annabel.wellington@allsop.co.uk</p> <p>Joined 2019</p>	



Commercial Auction
Annual Review

2019

Contacts

Head office:

33 Wigmore Street, London W1U 1BZ
Tel: +44 (0)20 7437 6977

City office:

2 Copthall Avenue, London EC2R 7DA
Tel: +44 (0)20 7588 4433

Leeds office:

8th Floor, Platform, New Station Street,
Leeds LS1 4JB
Tel: +44 (0)113 236 6677

Brighton office:

Princes House, 53-54 Queens Road,
Brighton BN1 3XB
Tel: +44 (0)1273 322 013

Services

Asset Management

Auctions

Build to Rent

Business Rates

Development Agency & Advisory

Investment (Sales & Acquisition)

Lease Consultancy

Letting and Management

Office Leasing (Central London)

Receivership

Valuation