

press cutting



Client Allsop

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Shops have lot in store for foreign buyers

Tom Knowles

The fall in the value of the pound has caused a surge in overseas buyers purchasing small commercial buildings around Britain, according to a leading property auctioneer.

Allsop said that the number of foreign buyers taking part in commercial property auctions had tripled last year. For years the proportion has remained steady at between 3 per cent and 4 per cent, but this jumped to 13 per cent in 2017.

The assets offered in such auctions tend to be unglamorous shops, restaurants and office buildings. Investors are attracted by the steady income they can make from rent at an impressive yield.

In the most recent auction by Allsop, a Boots shop with three flats in Egham, Surrey, went for £1.25 million, while a lot of five small shops in the West End of London went for £2.12 million, with a net yield of 5.2 per cent.

George Walker, a partner in commercial auctions at Allsop, said that overseas buyers had "piled into" auctions since October 2016 because of the fall in the pound. He said that the average overseas buyer was a high-net-worth individual who was "very much in control of their own capital" and probably running several businesses. "They are very happy on backing themselves to make a good decision and get a return," he said.

A typical purchase was a "grade A" asset of between £1 million and £2 million that was likely to include a shop or restaurant that needed little involvement. Mr Walker offered the example of a McDonald's in Leicester with a 15-year lease going for about £2 million.

Hot property

Sold
£2.12m
LONDON, W1
Net initial yield
5.22%



Sold
£1.25m
EGHAM
Net initial yield
6.09%



Sold
£3.5m
READING
Net initial yield
7.22%



"It's a university city with a big population that is well connected, while McDonald's really appeals to someone who's got money because they recognise it as a global brand. The buyer has got £109,000 a year secured until 2036,

with a chance to review the rent every five years. You send an invoice four times a year and insure it and that's it."

Mr Walker said that overseas buyers were also attracted by the stability of British property law. "You know what

you own and that no one is going to ride over the horizon and take it off you."

There were buyers from south India and mainland Europe, he said, but commercial auctions were starting to attract Chinese capital.