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INVESTING THROUGH AUCTIONS RETAIL

In a career spanning more than 25 years in commercial property, private investor Stephen Ashworth always found retail far too expensive. But he is now seizing on plummeting shopping centre values as an opportunity to diversify his holdings, which are dominated by industrial and offices.

Before it could go under the hammer in Allsop's March auction, Ashworth paid just under £2.9m for his first shopping centre, the 95,000 sq ft Loreburne in the Scottish town of Dumfries – a 31% net initial yield. In a recent podcast discussion for EG's Investing Through Auctions series, he explains why it was the right move.

#### The only way is up

"I wasn't put off by all the retail nightmares, purely and simply because I really do feel that we've hit the bottom of the market with shopping centres. We're bubbling along the bottom," says Ashworth, who is chairman and chief executive of Hurstwood Holdings.

Allsop auctioneer George Walker says a growing number of entrepreneurs such as Ashworth are lining up for these assets now that their owners have reached "the acceptance stage" on values.

"They've stopped pretending it's worth £35m. They've accepted that it's very, very hard to price it. And you need entrepreneurs like Stephen to say 'I'll back it,'" Walker says.

For Ashworth, the Loreburne will slot into a platform which is focused on the rent roll, with individual team members responsible for each property's performance, including debt collection.

"I'm all about filling buildings, making people happy in them, getting the best value for them and getting the best value out of the building so that we can make a profit," Ashworth says.

Having found himself over-exposed to development in the last financial crisis, Ashworth reoriented the business to focus 90% of its activity on investment and just 10% on development.

Hurstwood now has a £180m portfolio of primarily offices (45%) and industrial (45%) with the balance (10%) made up of retail, leisure and other asset classes. It includes 33 properties bought over the last three years alone, many of them through auction. All estate management is carried out inhouse, with 25 staff based at the head office in Manchester and a further 30 staff maintaining and managing properties across the country.

Ashworth has "great plans" for the Loreburne which was guided at £2.75m-£3m, and says he is looking to buy more retail. His team is currently engaging with the community in



## Local heroes

When Allsop offered a provincial shopping centre at a knockdown guide price, private investor Stephen Ashworth seized the opportunity to buy at what he believes is the bottom of the market. By Julia Cahill

*"Corporates have their place and they are good anchors for shopping centres, but they are harder to deal with. They push you around as a landlord"*

Stephen Ashworth

Dumfries on its plans, with proposals including creating a food hall and business space. An architect has been appointed. But, fundamentally, it will remain a shopping centre under Ashworth's ownership.

"Why did I like it? Why did I go for it? It's the only shopping centre in Dumfries. It's right in the heart of the town," Ashworth says.

He feels certain that people will continue to want physical shops, particularly in provincial areas. "Online is the future and the predominant way to shop, of course it is. But people need the experience and, especially now after Covid, people need to get out and walk and enjoy a day out at the shops," he says.

#### Focus on local independents

The centre houses a number of multiples, but having been "treated badly" by one or two PLCs during the pandemic, Ashworth says he wants more local independents on the rent roll – and will prioritise doing deals with them.

"I would much sooner do a deal with a local person who wants to run their business there. I think they are better tenants. They pay the rent for a start. And I think they serve a better purpose in these shopping centres," he says.

"Corporates have their place and they

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The Loreburne in Dumfries that Hurstwood's Ashworth purchased for £2.9m prior to auction in March

are good anchors for shopping centres, but they are harder to deal with. They push you around as a landlord. They don't pay as well. They maximise their power as a PLC and it's not happy, it's not a good place to be on the end of."

It's a view shared by Anthony Ratcliffe of Ratcliffes Chartered Surveyors, which creates and manages prime commercial property investment portfolios on behalf of investors, with those portfolios ranging in size from £1m to more than £50m. Assets are heavily weighted towards high street retail. The bulk of tenants are major corporates – a strategy which seemed foolhardy at the time.

"The majors have bullied us," says

Ratcliffe. "They've exploited CVAs in a way that was never supposed to be possible."

Meanwhile, the small number of local tenants across the estate behaved "really well". "They came to us for help. We offered the help. They took it. They were grateful for it. And once they'd got the help, they behaved impeccably," says Ratcliffe.

Walker says the experience could perhaps prompt a rethink of the calibration of tenants – perhaps with prices reflecting higher yields for corporate tenants and keener yields for local tenants.

Ratcliffe agrees. "The property's got to be good. The position has got to be good.

And I think that eventually the penny will drop that the local guy running the coffee shop as opposed to the corporate running the coffee shop is actually the person that you would rather deal with," Ratcliffe says. "I'd say it will take a little bit of time."

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THIS PODCAST AND ARTICLE WERE PRODUCED BEFORE THE EXTENSION OF THE BAN ON COMMERCIAL EVICTIONS TO 2022.

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