



Commercial Auction  
Annual Review

2019

allsop



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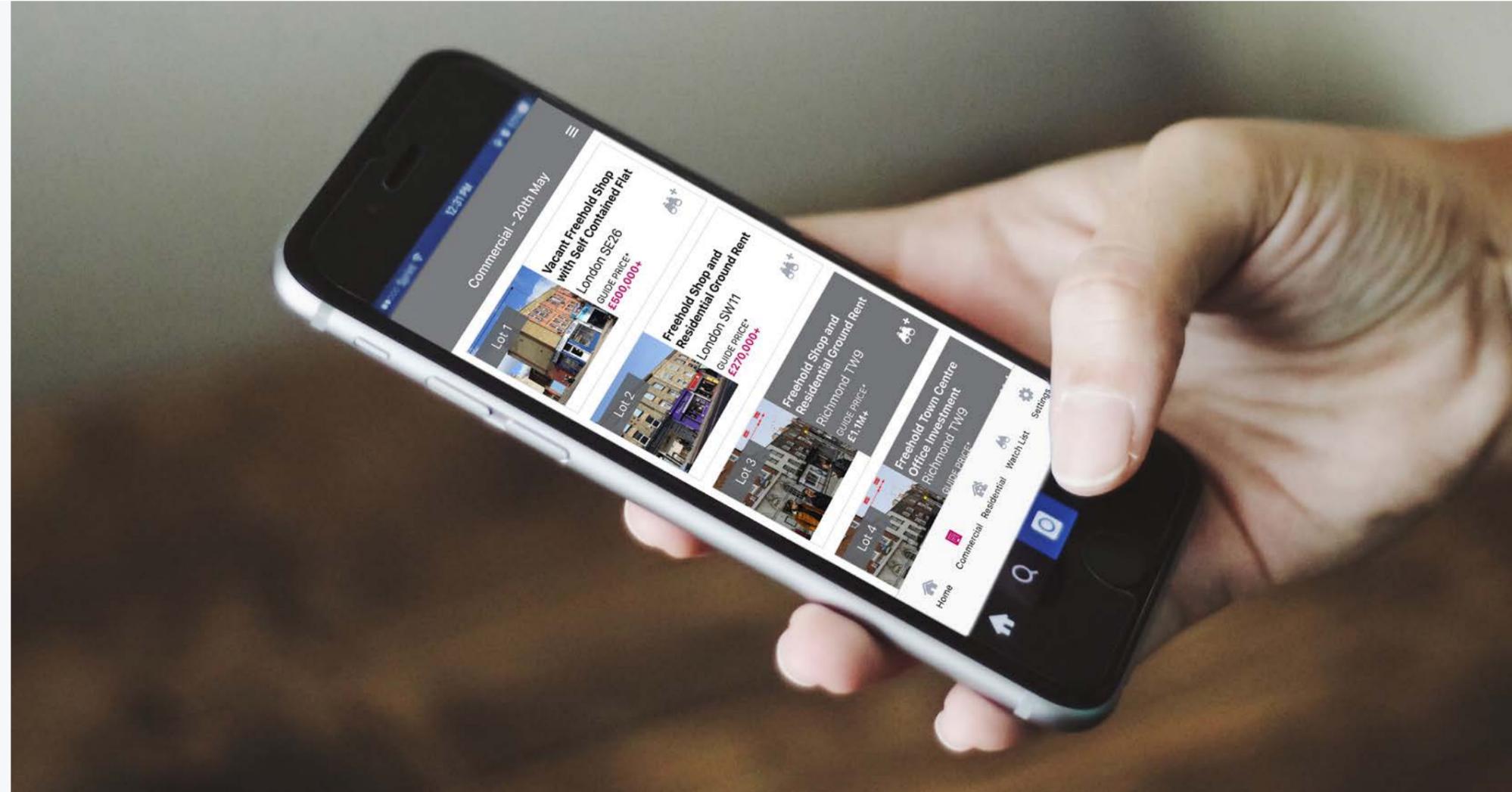
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“The commercial auction team have raised £433m under the hammer from six auctions this year”

# 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.

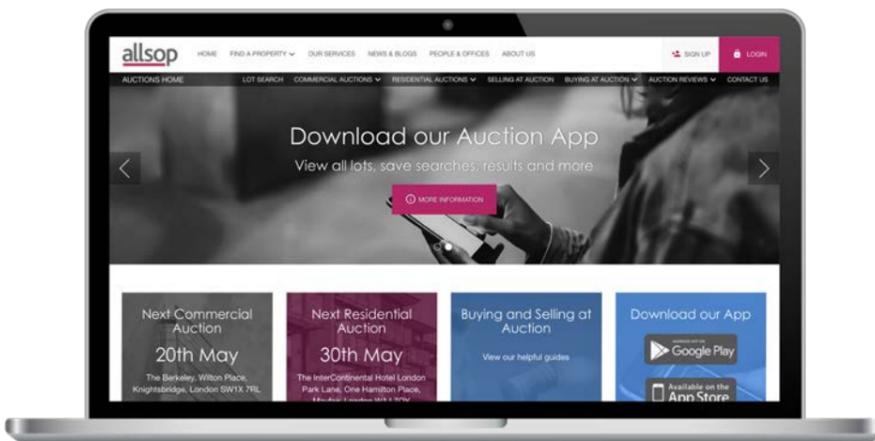
Put simply, by the end of July we had more regular users on phones and tablets than their desktops. If anyone has any insight as

**"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.

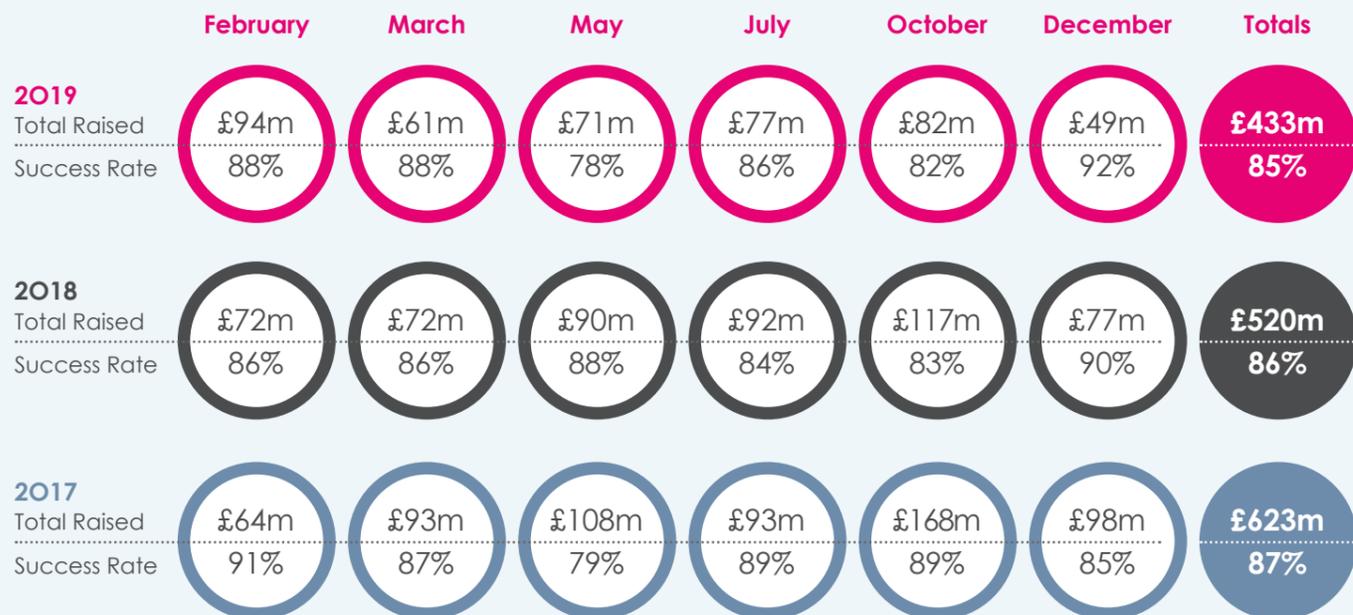
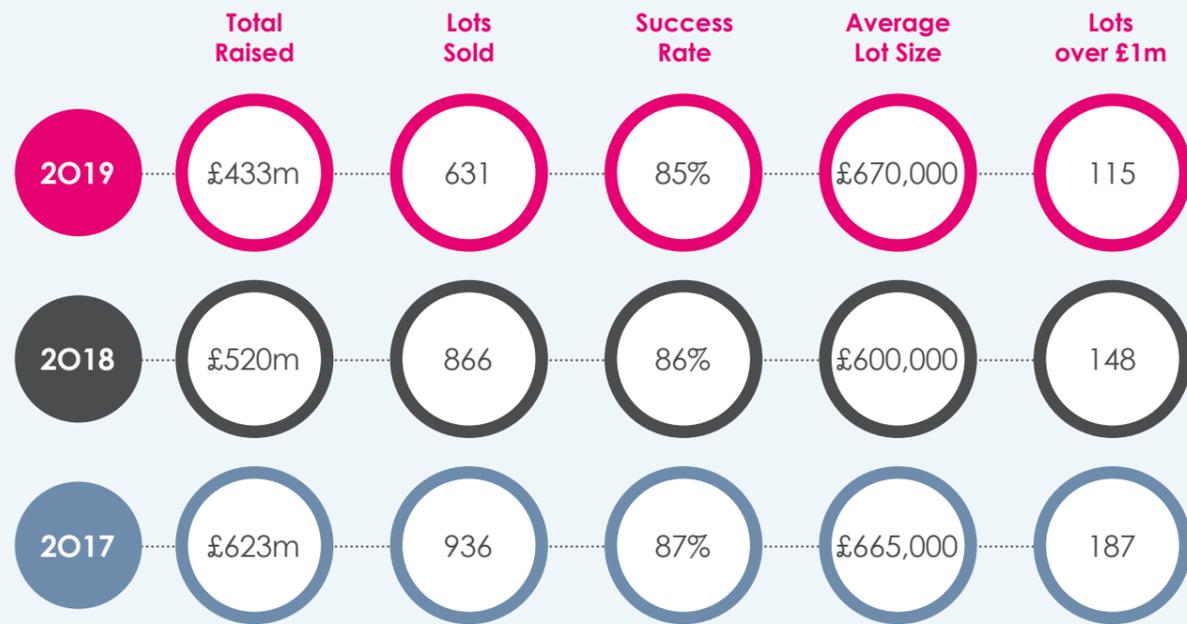


# Auction Results 2019

## Auction Figures for 2017 - 2019

current totals (£) and success rates (%)

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

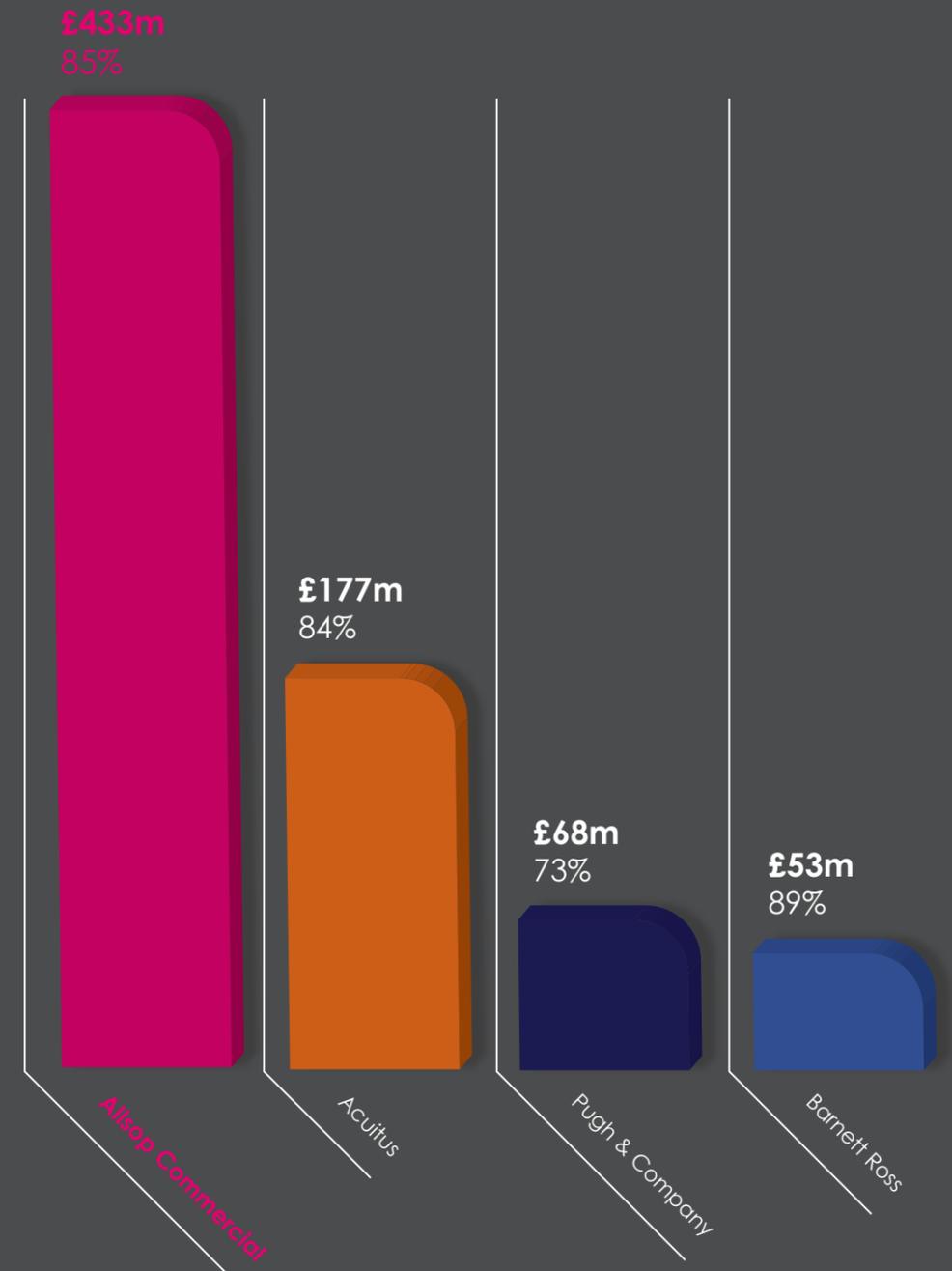


# Commercial Auction Market 2019

## 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.

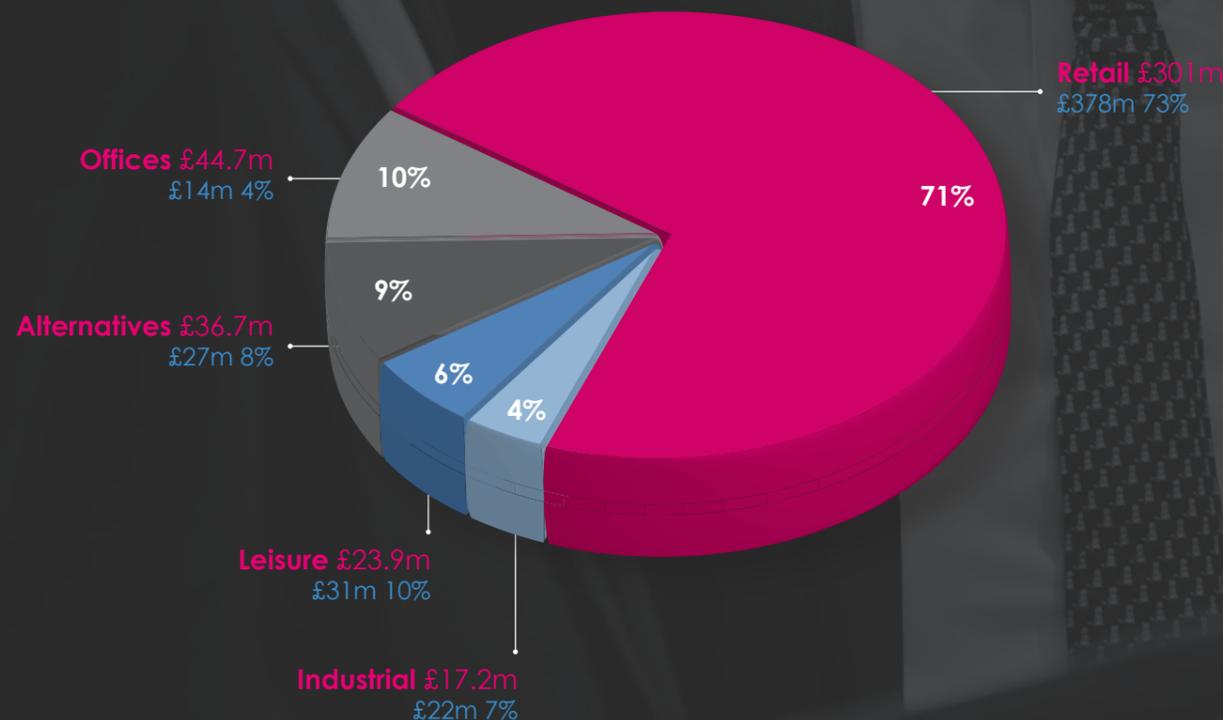
Tenant profile, sub sector and trading history are all important factors as is the quantum of rent along with more conventional ITZA measurements. The yield gap on retail has become wider during the year as a result.

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.

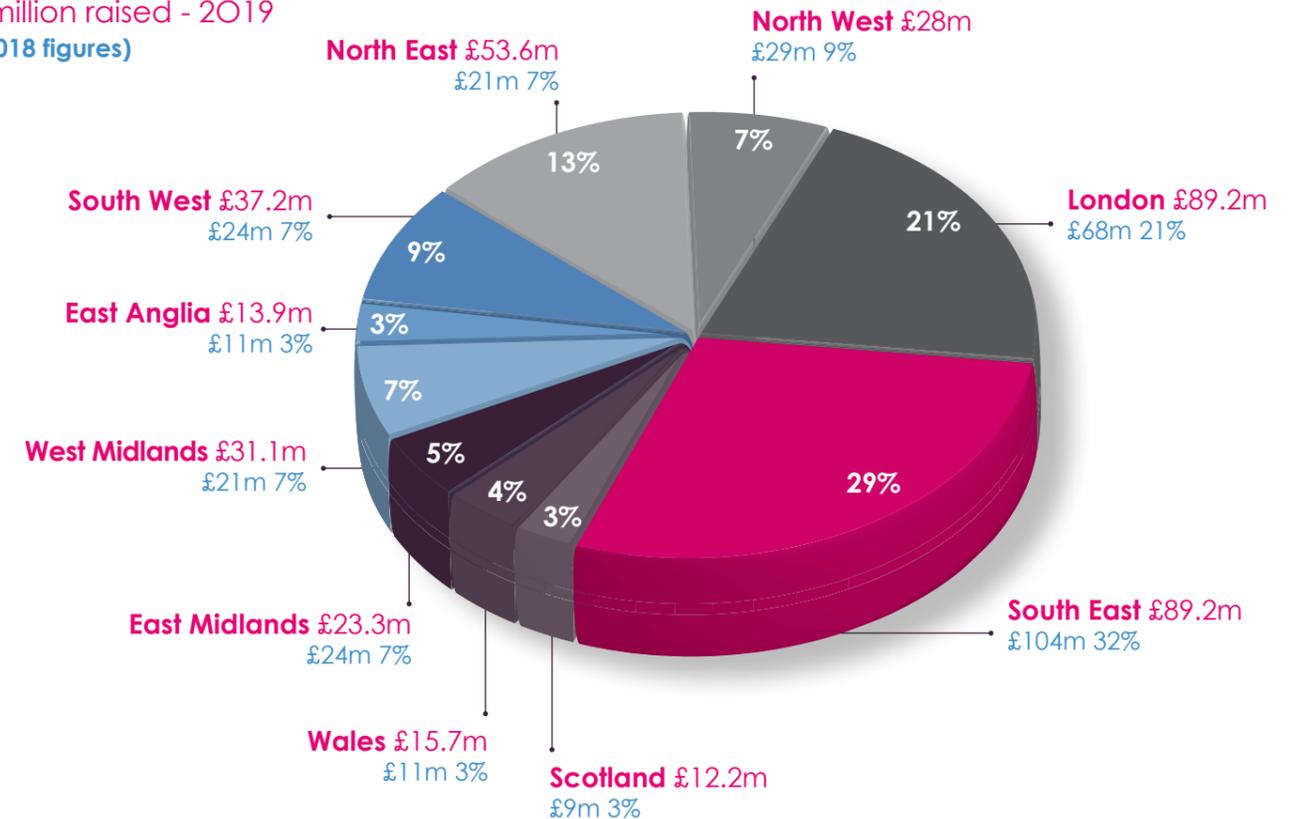
By ratio of volume the 50% London and South East to 50% in the region remains constant with other significant regional changes.

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.

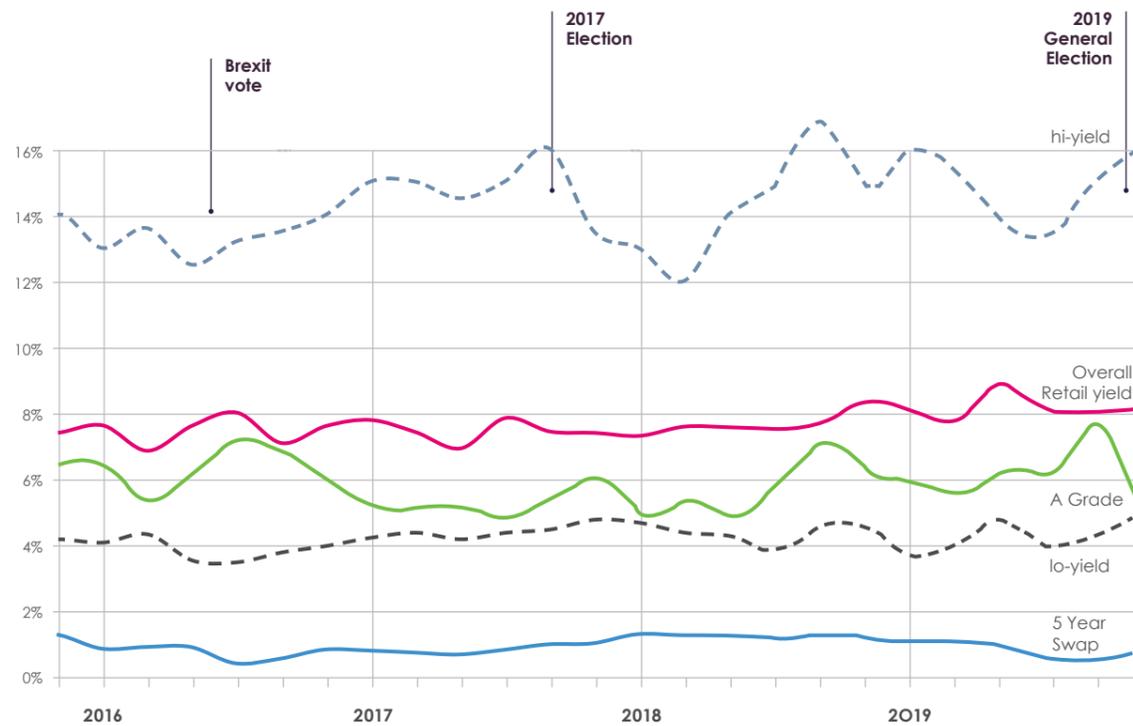
The better quality properties are more sought after and in short supply which drives their value higher, countering the effect of the high yielding sales. Some of the poorer quality

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.

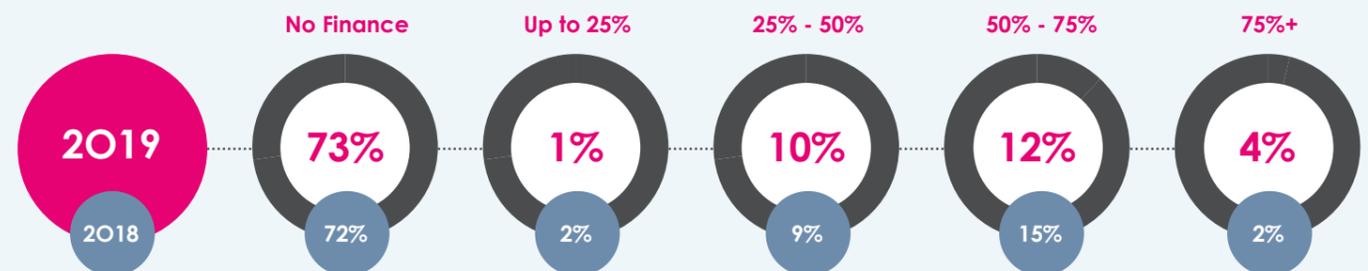
We continue to attract new buyers with 17% not having bought at auction before.

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?



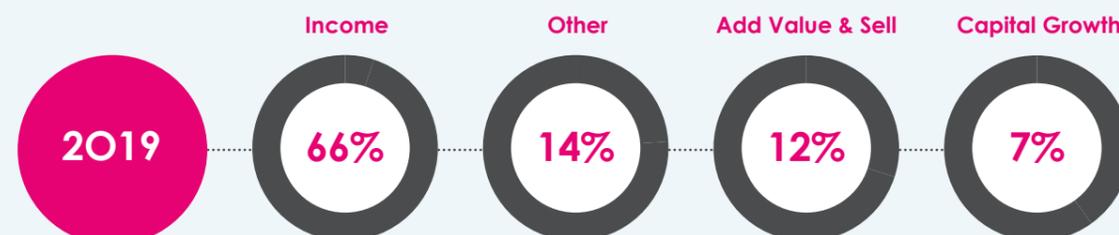
How do you intend to fund the purchase?



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?



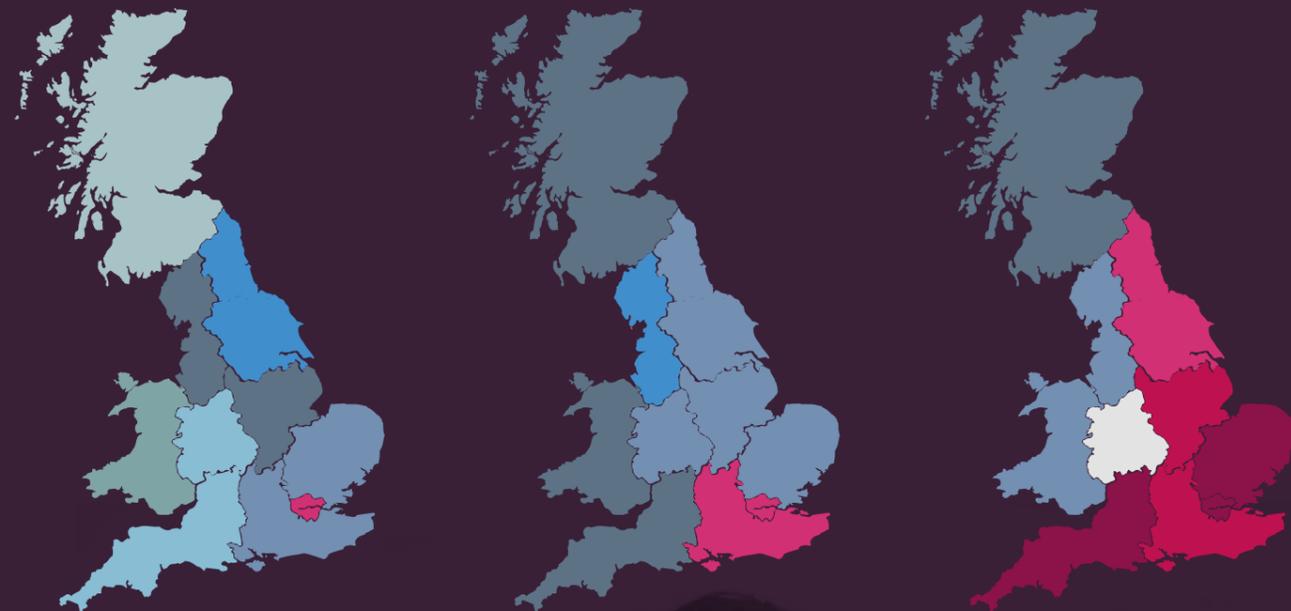
# The Allshop Barometer

January - December 2019

3 Years - 5 Years  
Net Yield Average

5 Years - 10 Years  
Net Yield Average

10 Years - 15 Years  
Net Yield Average



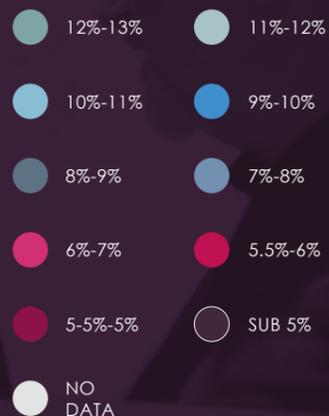
The Allshop Barometer, an index of average single let retail net yields achieved in all regions of the United Kingdom separated into three tranches based on unexpired income; Short income (3-5 years), medium income (5-10 years) and long income (10-15 years).

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



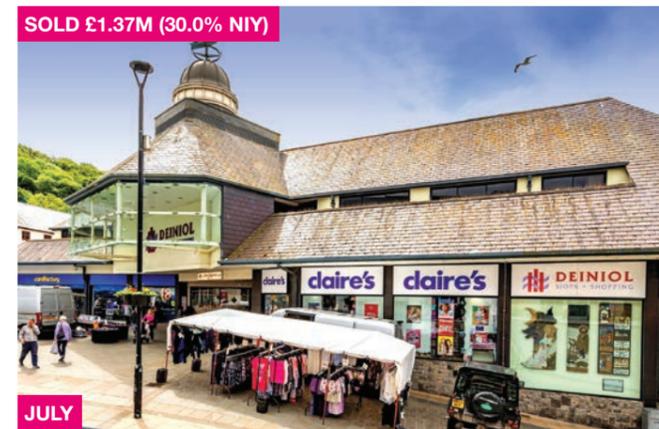
**Lot 10 – Specsavers, Hinkley**  
Town centre Specsavers Opticians let at £31,500 p.a. until 2023.



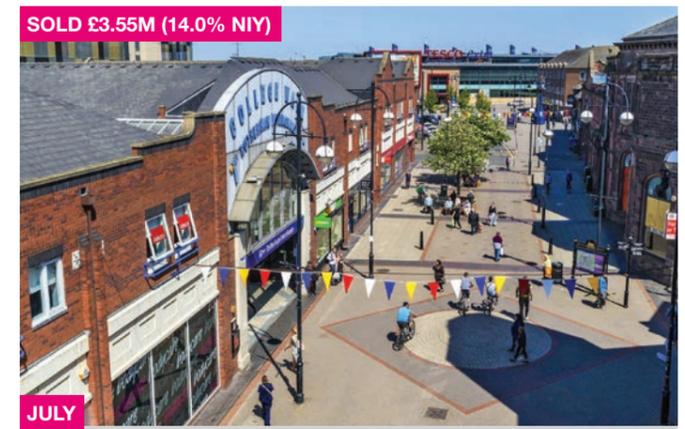
**Lot 52 – B&M, Gravesend**  
Let to B&M Retail at £200,000 p.a. until 2031 with RPI linked rent reviews.

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.

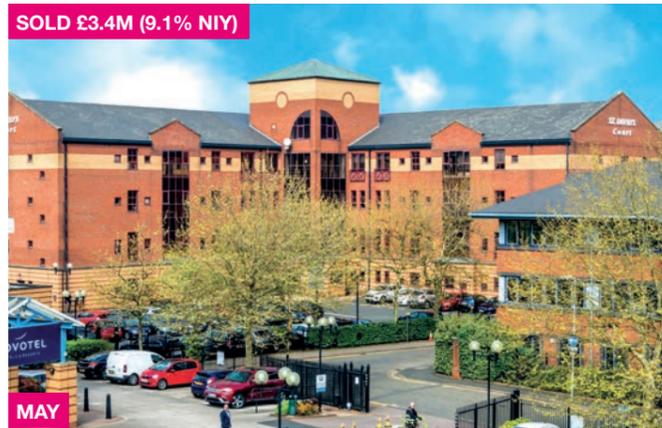
Price range up to **£3,550,000**

# 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



OCTOBER

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



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



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.



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 parades 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](http://allsop.co.uk)

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The team has 274 years of combined auction experience



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Joined 2019



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## Services

Asset Management

### Auctions

Build to Rent

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Investment (Sales & Acquisition)

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Letting and Management

Office Leasing (Central London)

Receivership

Valuation

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