

# Property Week.

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## Prime appeal

In addition to 20-year-plus leases as standard, car showrooms typically occupy prime sites on major arterial roads on the outskirts of urban conurbations - all of which greatly appeals to investors, says Richard Harding, a director at HSM Chartered Surveyors.

"People like the underlying quality of the location, which normally is very strong, and the fact that in many instances you're getting strong covenants, and over the last two to three years those covenants have been getting stronger and stronger," he says.

And not just for the larger dealership groups. "If you tried to sell a regional dealership group two years ago, it would have been much harder than it is today," says Harding. "But the economy is stronger and the motor industry has been buoyant over the last few years, so these companies are very successful in their own right and the attraction of some of these smaller dealership groups is you've always got the option of a larger dealer acquiring them."

Another attraction for investors is that car showrooms are fairly futureproof, says GVA's Taylor. "If you're investing in a new build or modern facility, even if something were to happen to your tenant the manufacturer would proactively seek for that representation to be retained and the chances are you could get a covenant windfall in the form of a larger group buying the tenant out," he explains.

Then there's the longer-term redevelopment play to consider. "By their nature, showrooms need to be seen and be accessible so they occupy prominent locations often in a commercial environment. So you've always got the longer-term alternative use appeal," adds Taylor.

However, their popularity is such that prices are rising and yields compressing. Prime dealerships let to manufacturers sell for yields of 4.5%, according to Knight Frank's latest automotive report, although it maintains that the sector still offers "genuine value compared with other specialist sectors". The signs were there earlier this year when CBRE Global Investors bought the BMW Mini Tring site from Lightstone Properties for £7.62m at a net initial yield of 4.85%, in what one industry source described as a