



RETAIL & LEISURE
MID-YEAR INSIGHT 2024

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Introduction

We are pleased to report in this half-year update that the positive business environment that characterised H2 2023 carried on into H1 2024. Despite interest rates remaining at 5.25%, there is palpable confidence amongst buyers across our specialist sectors.

In the face of ongoing cost pressures and economic challenges, we have brought a significant number of businesses to the market this year and can reflect strong buyer demand for convenience retail, petrol stations, garden centres, and holiday parks.

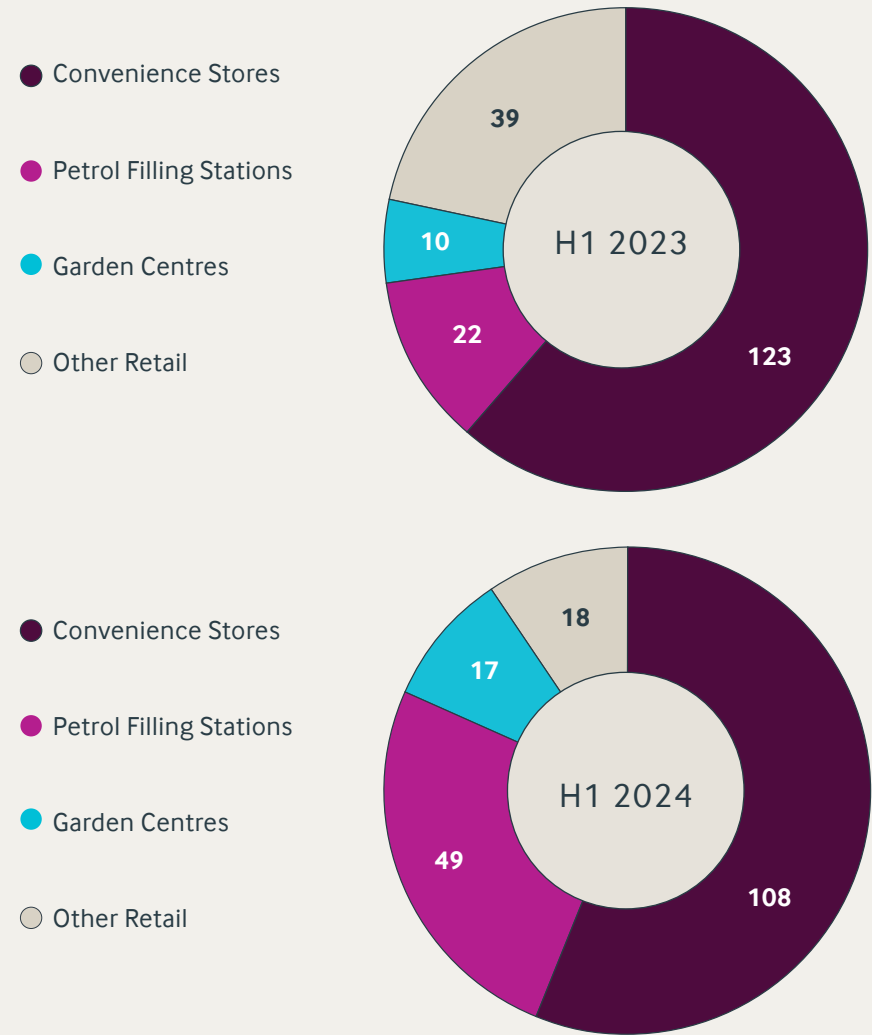
The lending environment remains fluid which has helped to drive deal volumes, although a bit more expensive than in previous years. Lenders have continued to look favourably at convenience retail and leisure buyers' assets due to the buoyancy of the market.

Overall, instruction numbers are very slightly down on last year. We usually deal with a large volume of convenience stores, but owners have held onto their businesses as they have solid trading fundamentals. When they have come to market, there is competition, especially for high turnover stores (sales of £20k or more per week). These invariably command significant interest and multiple offers.

There has been a significant increase in the number of forecourts and garden centre instructions, which reflects the success of our recently expanded garden centre team and increased activity in the forecourt market. The forecourt market has always been a sellers' market but operators are now taking advantage of buyers who can borrow more easily.

We have a significant pipeline of deals that leads us to believe 2024 will be a successful year. The Labour party's landslide general election win will provide more certainty in the market and confidence amongst buyers. This bodes well for several projects we expect to bring forward, so make sure you have logged your requirements with our team.

2023 VS 2024 INSTRUCTION COMPOSITION



Commercial investment transaction volumes remain subdued (down by 9% in Q1), with the prospect of a 'higher-for-longer' interest rate environment feeling uncomfortable for many leveraged investors.

If high levels of government borrowing persists in the medium term, it's possible that gilt yields might remain above 3.5% or even 4%, which makes a property yield of around 5% much less attractive than it was when rates were near zero.

Nevertheless, with core inflation down to 2.4% in April and wage inflation (excluding bonuses) at 6.2% (ONS October to December 2023), real income per capita is likely to have turned positive and this may give the retail business sector a boost.

Indeed, an increasing number of investors regard the current market conditions as consistent with the early stages of an upturn. Whilst this is still a minority of investors, there are some larger opportunistic funds looking to capitalise on this.

Smaller private investors are also taking advantage of the market conditions to buy re-priced retail assets, although these are predominantly cash buyers. A good example of this was the recent sale by Christie & Co of a convenience store in Bedfordshire, let to Midcounties Co-op for 15 years at a price reflecting a net initial yield of 6.15%.

The popularity of convenience store investments is underpinned by the strength of the underlying business and, for this reason, we expect many of the more alternative commercial real estate asset classes to deliver solid returns.

Despite structural changes in the automotive sector, petrol filling stations with sustainable business models will continue to provide secure long-term income, with increasingly attractive returns being achieved from re-priced assets with blue chip tenants.

Whilst EV charging is still very much in its infancy, the first dedicated EV hubs, with more than 10 rapid charging positions and café facilities, are beginning to emerge as an asset class. Whilst these offer the security of long-term leases, it remains to be seen how investors will price the risk of this new business model.



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Funding Landscape

Christie Finance remains actively engaged with new buyers and existing operators, with no shortage of opportunities to borrow which is evidence of a buoyant lending market.

Since 2022, lenders have consistently supported and provided funding solutions for the retail and leisure sectors. However, there remains a need for applicants to provide comprehensive information, a deeper understanding of future trade prospects and, in some cases, environmental and economic analysis to secure funding. Government schemes have also played a role in bolstering support for lenders, aiding them in making informed commercial decisions regarding funding requests.

The Labour Party's general election win will provide some certainty in the funding landscape over the coming months. We hope projections for further interest rate cuts are not wide of the mark. Whatever happens there is a wide range of funding options for retail and leisure businesses, using our core, corporate debt advisory, real estate, and unsecured brokers.

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 **CHRISTIE FINANCE**

Convenience

H1 2024 was characterised by strong demand for high turnover stores (sales of £20k per week or more). Experienced operators want to expand their portfolios and managers want to buy their first stores. This mix illustrates the strength of demand for needs-driven convenience retail and the view that the sector is a solid industry in which to invest. **Subsequently, we continue to receive multiple offers per site.**

Headwinds included increased store theft, competition from discount retailers, and growing uncertainty around income streams such as tobacco and vapes. However, softening utility costs, decelerating food price inflation, and ongoing local shopping habits helped retailers maintain good profitability during H1, further fuelling demand. This sentiment drove an increasing number of retailers to invest in store refurbishments, rebrands, or technology to optimise operations, reduce costs, retain customers and manage theft.

Since January, our regional teams have brought to market several confidential multi-site convenience opportunities. A growing number of regional operators are churning their portfolios which presents a great opportunity for the large pool of independent operators wanting to acquire additional sites, as well as first-time buyers.



PROJECT RAMS

Eight high quality c-stores in the North



PROJECT ANGEL

Ongoing sale of stores for national retailer



PROJECT COUNTY

Mid-Counties Co-Op disposals



PROJECT TAG

Disposal of three stores for a regional multiple operator



PROJECT ROADRUNNER

Canvey Island, Essex
Corporate leasehold sale



PROJECT PARKER

Three convenience stores disposals
for a regional Co Op

Petrol Filling Stations

During the first half of the year, we brought twice the number of forecourts to the market compared with H1 2023. Deal flow has noticeably picked up across the UK largely due to stabilising inflation and interest rates which have improved the cost of borrowing and helped to unlock the market.

Whilst macro-economic uncertainty persists, forecourt operators have maintained gross fuel margins over the last six months, to a large extent mitigating increased overheads. We expect this to be broadly sustained in the short to medium term. Additionally, the latest industry figures indicate the uptake of BEVs (battery electric vehicles) continues to flatline and previously projected reductions in fuel volumes have been revised, which has improved market sentiment and helped to drive demand.

The biggest operators are focussed on larger sites with potential for multiple uses. The wider pool of buyers, from smaller multiple operators to first-time buyers, have shown appetite for assets at all levels of the market.

Notably, we have received lots of enquiries from ex-commission operators looking to acquire sites, which reinforces the buoyancy in the market. Lenders remain particularly supportive of these applicants' ability to demonstrate experience. As such, it's a great time for any forecourt operators looking to exit their business to consider selling and capitalise on the current market conditions.

We have been active on several portfolio sales including around 50 sites, which we expect to conclude before the year end.



PROJECT PHOENIX
Disposal of a forecourt group across Scotland



PROJECT IVOR
Portfolio disposal of mixed retail businesses



PROJECT GOLD
Forecourt and vehicle rental disposal



PROJECT COTSWOLD
Disposal of two high turnover freehold forecourts sites



PROJECT SAXON
Sale of six sites in the Southern counties

Garden Centres

We saw plenty of activity and good transaction volumes across the UK garden centre market in the first half of the year. Despite facing poor weather, many businesses reported strong trading performance, in particular restaurants and cafés.

The net result is that most garden centres have traded at similar levels to last year, meaning they remain attractive businesses to run. Our agency team has seen record instruction activity, and our valuation team also experienced an increase in demand for professional valuation work, perhaps reinforcing investor confidence in the sector.

The sale of Peter Beales Roses in February stands out as a high-profile deal for our team and demonstrates the successful collaboration between our valuation and agency teams to produce an exceptional outcome for our clients.

By the second week of May, we achieved a significant milestone, having arranged 100 viewings on our live opportunities in the South. This led to 27 offers, many of which were at acceptable levels. As a result, **we anticipate completing 14 garden centre transactions in the coming months.**

There is also strong demand in the North, primarily driven by multi-site owners seeking to expand by acquiring large sites that offer a mix of retail, food & beverage and horticulture. Simultaneously, we had more enquiries from local buyers and existing garden centre employees who are interested in smaller sites for their first business venture or a lifestyle change. Given these dynamics, it's crucial to adopt an open marketing sales process to maximise exposure to a diverse pool of potential buyers.

Since expanding the garden centre team north of the English border, **we have launched four sites to the market in Scotland**, with one already under offer. These opportunities arose primarily due to retirement. Indeed, a significant portion of garden centre operators across the country are approaching retirement age, which is likely to result in more sites coming to market over the coming months.

The source of buyers to date across the board has been diverse. They include both corporate and small regional multiple operators for going concerns. Where plot size is sufficient and location is suitable, there has been a healthy number of developers expressing interest for alternative use.

WHAT'S NEW TO THE MARKET?



CONFIDENTIAL
Guide price - POA



BURNISTON NURSERIES
Guide price - £595,000 + stock



NORTH WALES GARDEN WORLD
Guide price - £2,700,000



MILLSTONE GARDEN CENTRE
Guide price - Offers over £850,000 + stock



STRAIGHT MILE NURSERY GARDENS
Guide price - £1,500,000



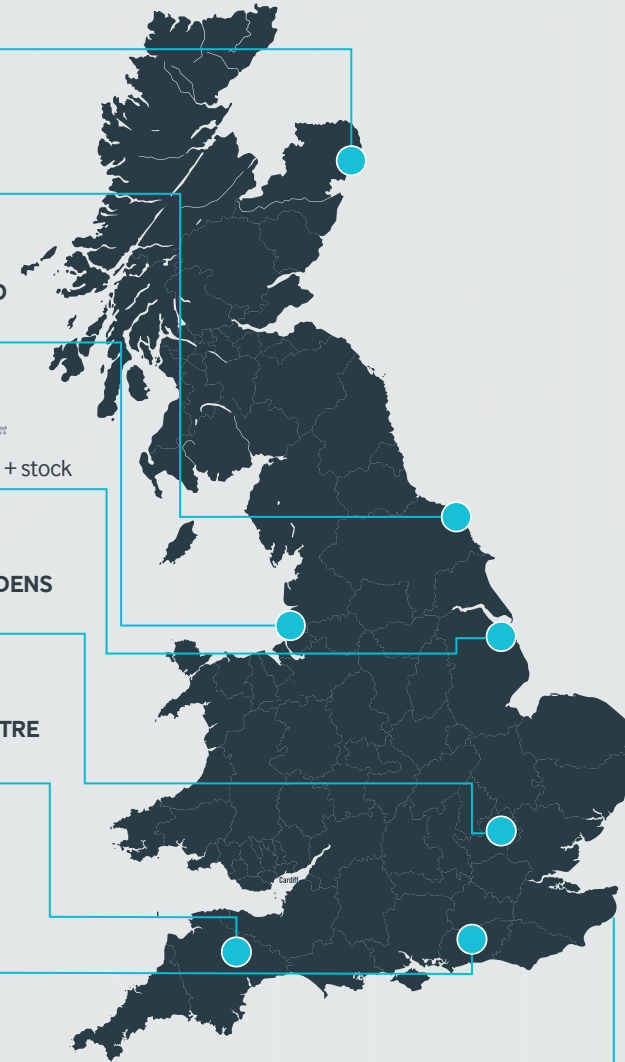
WEST SOMERSET GARDEN CENTRE
Guide price - £1,350,000



MERRY HARRIERS
Guide price - £4,000,000



PRESTON GARDEN CENTRE
Guide price - £1,450,000



HOLIDAY PARKS

The first half of the year was characterised by an increase in market activity relative to 2023, both in terms of the number of opportunities coming to the market and the appetite to acquire, together with general demand for holiday homes and domestic holidays from holiday makers.

In this respect, numerous operators have reported increases in caravan sales and fleet hire income relative to the same period last year.

General economic sentiment appears to have improved following interest rates hopefully peaking. There is more certainty going into Q3 and Q4 following the Labour Party's general election win. Operators that may have delayed investing or disposing of assets, will have a clearer outlook. The general economic sentiment, at the time of writing, seems to be more positive. There is an expectation that interest rates will fall towards the end of the year but, given the time it takes to sell a going concern, the market is already gearing up to capitalise on the positive sentiment.

CURRENT OPPORTUNITY



BRAYTON PARK, LAKE DISTRICT

145 acre site with long term development potential and planning for 213 units. Highly profitable 'high end' target market.

For more information, contact:

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MARINAS

During the early part of the year, we saw an uptick in brokerage activity in the marina market. Drivers affecting the decision to come to market were influenced by succession planning and/or retirement often after long-term ownership. We've continued to see interest in marina opportunities from local/regional caravan and holiday park operators, whilst there are some signs that funding commitments have been challenging for those with shorter term/more expensive lending facilities.

CASE STUDY



PORT DINORWIC MARINA

Sold in administration on behalf of Azets via a competitive bidding process, with multiple viewings and bids, leading to a sale being concluded with The Waterside Consortium.



FOR A CONFIDENTIAL DISCUSSION REGARDING YOUR MARINA BUSINESS OPTIONS, PLEASE GET IN TOUCH.

JON PATRICK, DIRECTOR
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Our Recent Successes

SOLD GARDEN CENTRES



LINCS AQUATICS
Hull, East Riding of Yorkshire
Freehold sale



HAWLEY GARDEN CENTRE & NURSERY
DARTFORD
Dartford, Kent
Freehold sale



PETER BEALES ROSES & GARDEN CENTRE
Attleborough, Norfolk
Freehold sale



430 offers on retail and leisure businesses this year so far

SOLD PETROL FILLING STATIONS



WELHAM GREEN SERVICE STATION
Hatfield, Hertfordshire
Freehold sale



BP JOBLINGS GARAGE
Bicester, Oxfordshire
Freehold Sale



STATION GARAGE
Driffield, East Riding of Yorkshire
Freehold sale

SOLD LEISURE BUSINESSES



PORT DINORWIC MARINA
Battle, East Sussex
Freehold sale

SOLD CONVENIENCE STORES



NISA CHADBURN
Peterborough, Cambridgeshire
Virtual freehold



BARGAIN BOOZE
Lydney, Gloucestershire
Leasehold sale



SPAR OWTON MANOR
Hartlepool, Cleveland
Corporate leasehold sale



PESTALOZZI
Battle, East Sussex
Freehold sale

Our Services

BUYING

We work with many retained clients who are keen to acquire convenience stores and petrol filling stations that meet their requirements.

Even if you are unsure about when to bring your business to the market, we may already have the right buyer lined-up.

SELLING

In total, we have received over **430 offers** on retail and leisure businesses this year so far, and we have successfully transacted more than **£36m worth of retail and leisure assets**. If you're considering selling your business, we have the reach and the expertise to make it happen.

PRICING

We sell hundreds of businesses every year, so we know what the market is prepared to pay. We pride ourselves on providing realistic and achievable pricing guidance, and marketing recommendations that get results.

VALUATIONS

Our team of RICS Registered Valuers has valued in excess of **£1.1bn worth of retail and leisure assets** in 2024 so far. As such, we are well-placed to deliver formal Red Book valuations that provide informed advice based upon our unrivalled access to comparable trading and transactional evidence.

INVESTMENTS

We have an extensive database of investors looking to purchase retail assets that meet their yield and covenant requirements. Furthermore, our extensive corporate contacts ensure that we are well placed to find you a secure tenant if you're looking to let.

PROJECTS

We are frequently engaged by national retailers to run disposal processes for corporate sites that no longer align with their strategic priorities. As such, we have extensive experience in handling the sale of multiple retail businesses on a project basis.

FINANCE

Our partner company, Christie Finance, is an independent, specialist commercial finance broker within the convenience retail sector. With access to a wide variety of lenders, they are able to secure competitive finance solutions for clients in the form of commercial mortgages and unsecured business loans.

INSURANCE

Our partner company Christie Insurance specialises in insurance and risk management solutions to ensure that our clients have the most appropriate policies in place. Their services range from business insurance through to life insurance and employee benefits.

Our Team

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