



RETAIL INSIGHT 2022

INTRODUCTION

COVID-19 continued to significantly shape business values and transactional activity across the forecourt, convenience retail and garden centre sectors in 2021.

Designated as 'essential services', forecourt and convenience businesses remained open throughout the pandemic, resulting in a prolonged period of bumper trading for many operators, which is driving the highest levels of buyer demand for convenience retail assets in many years.

AS A RESULT, CHRISTIE & CO SOLD A RETAIL BUSINESS EVERY SINGLE WORKING DAY IN 2021.

This was also reflected in the major M&A arena as EG Group's acquisition of ASDA was approved by the CMA. The chain reaction of deals after that are well documented and point the way to further blurring of lines between food retail, convenience and food service. The resulting sale of 27 EG sites required by the CMA to Park Garage Group also underpinned the strength of demand in the petrol filling station market. This high-quality package could have been sold to a number of other disappointed bidders who see ongoing and undiminished opportunity in the sector.

Garden centres were closed for a limited period but reopened quickly, albeit with restrictions on their food and beverage operations. Travel restrictions and increased staycations meant consumers upped their spending on home and garden products, which went some way to compensating for lost restaurant revenue.

Our team rose to the challenge of advising sellers who presented sometimes wildly varying financial information caused by COVID related trading periods.

We initially cautioned prospective sellers to have realistic price expectations based on pre-COVID levels. However, offers in the last year were often driven by run rate results and therefore in many cases higher than expected prices were achieved, which underpins the rise in our price index.

Our conclusion is that we are in a 'new normal', but;

- For how long is this trade 'bounce' permanent?
- Will previously office-based workers return in the foreseeable future?
- Can suppliers fulfil demand?

Such factors will shape retail going forward.

THE APPETITE AMONGST BUYERS REMAINS SO STRONG THAT THE NUMBER OF SITES COMING TO THE MARKET HAS BEEN UNABLE TO SATISFY BUYER DEMAND AND THIS IS DRIVING BUYERS TO LOOK FURTHER AFIELD FOR MORE OPPORTUNITIES.

Many operators continued to delay plans to sell in order to benefit from the ongoing boost in trading performance, which also impacted the balance of supply and demand. This led to competitive bidding and meant that we frequently achieved or exceeded asking price.

MARKET PREDICTIONS

Demand will continue to exceed the supply for retail opportunities

Operational headwinds, including inflation of staff wages, fuel and food prices, along with supply chain issues could impact trading performance – particularly for the large multiple operators

As this evolves, large operators will continue to churn - acquire better stores and sell underperforming ones, providing further opportunity for independents

We expect to see further consolidation as supermarket brands explore how to penetrate convenience further through supply deals, franchising and perhaps further deal activity

Forecourt operators will likely focus on diversifying their income and introducing alternative fuel offers

Christie & Co will conclude several garden centre deals having reinvigorated activity in this sector



Following a bumper trading year for most convenience businesses in 2021, buyer demand is at an all-time high.

Traditionally, urban stores generated the most interest due to high footfall, but in 2021 the team witnessed an increased demand for businesses in regional leisure-led destinations such as national parks and coastal resorts, with buyers looking to capitalise on the shift towards shopping locally and the booming staycation market.

The upward trend in site level performance hasn't been without its challenges. Operators faced ongoing supply chain issues due to Brexit-related changes and the 'pingdemic' often left businesses short-staffed.



However, the virus also accelerated several changes which are set to benefit the sector, including the integration of technology and digital services to capture changes in consumer behaviour and buying habits.

This may help to mitigate some of the pressure from rising operational costs and inflation of fuel and food prices in the coming months.

The one big question on the horizon has been exacerbated by the environmental and social governance (ESG) agenda. How will banks and major financial institutions view lending into businesses which do not accord with preventing climate change?

We could write an entire book on this alone, but at present we simply see no indication that the commercial decisions made on whether to lend into the retail market is having any effect whatsoever at site level. That is not to say it may not start to have an effect in the medium to long-term. The horticulture sector is well placed to benefit from this undertone. As long as packaging issues can be dealt with there is no reason why garden centres cannot capitalise on their 'green' credentials.

THE FUNDING LANDSCAPE

With buyer demand for convenience retail assets currently at an all-time high, lenders are happy to fund in this sector and have supported buyers and those wishing to refinance throughout the pandemic, albeit with a more cautious and data driven approach than we have experienced in previous years. Government-backed funding was widely used by existing operators, but we also saw challenger banks return to the fore in 2021.

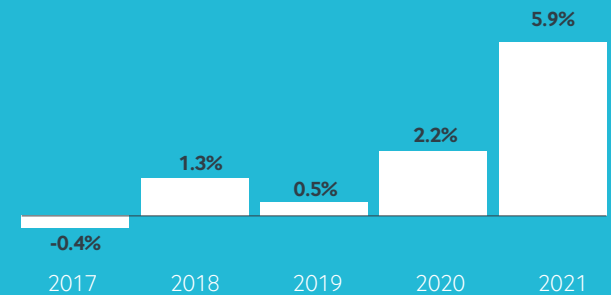
Looking ahead to 2022, it is important to ensure operators or buyers have a plan of action.

AT CHRISTIE FINANCE WE WILL CONTINUE TO USE OUR WIDE RANGE OF LENDERS AND FUNDING SOLUTIONS TO ENSURE OUR CLIENTS CAN ACCESS THE FINANCE THEY NEED.

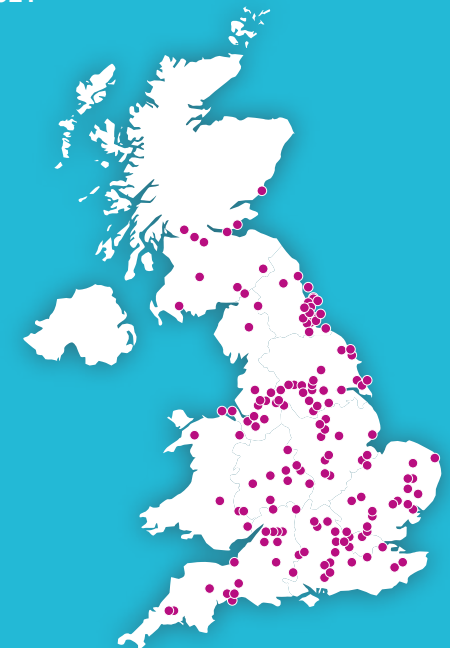
LAWRENCE ROBERTS
ASSOCIATE DIRECTOR, CHRISTIE FINANCE

PRICE INDEX

Following a bumper trading year for most convenience businesses in 2021, buyer demand is at an all-time high. This has resulted in a continuation of the rise in our index seen over the past few years.



GEOGRAPHICAL DISTRIBUTION OF BUSINESSES SOLD IN 2021



CONVENIENCE

Demand for convenience retail opportunities remained high across the UK throughout 2021 and continued to outstrip supply, including markets where perhaps there was historically less demand. In contrast to many other sectors, convenience operators benefited from the UK's national lockdowns and ongoing social distancing restrictions, and transactional volumes continued an upwards trajectory as a result.

OUR ACTIVITY

IN 2021 WE SOLD

60% & 70%

MORE CONVENIENCE STORES THAN WE DID IN 2020

MORE THAN IN 2019

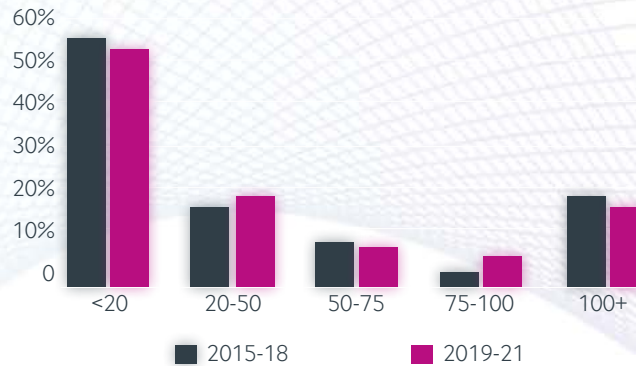
Over the last five years, there has been a 50% increase in the number of offers achieved for each business we market. This has accelerated in the last two years which, in our view, is a result of the heightened profile of convenience as an essential service since the beginning of the pandemic.



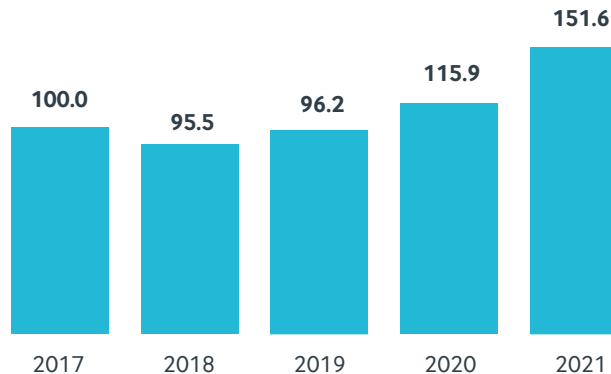
Our data indicates that 2/3 of buyers come from within 50 miles, however 1/3 of buyers are travelling from over 50 miles for opportunities.

Stock comprised a good mix of independent and corporate opportunities, contrasting what we have seen in previous years. Corporate divestment ramped up as several large multiples took advantage of the buoyant market. This presented an excellent opportunity for independent retailers either looking to acquire their first convenience retail asset or expand an existing portfolio.

PROPORTION OF CONVENIENCE STORES SOLD BY DISTANCE FROM PURCHASER (MILES)



INDEX OF OFFERS PER MARKETED BUSINESS (BASE = 100, 2017)



CASE STUDIES

Project Angel, Nationwide



Throughout 2021, our work supporting the Co-operative Group with an ongoing multi-phase divestment project continued. To date we will have confidentially marketed six tranches

of stores that no longer align with their future business model, with a very high level of success. Stores divested to independents are generally then supplied by NISA.

Ansell Village Stores, South East England



Pre-pandemic, we were instructed to market four Ansell Village Stores, three of which have now been sold. The final store will complete early this year.

Londis Late Store, North Wales



Following a semi-confidential marketing campaign which generated a host of offers, this high turnover convenience

store sold above asking price to a buyer funded by Christie Finance. We then referred the vendor to our hospitality team, who identified a suitable site for their new business venture.

PETROL FILLING STATIONS

Despite discussions around climate change and electric vehicles dominating news headlines throughout 2021, there remains an insatiable appetite for petrol filling stations, with multiple buyers hungry to acquire assets at every level of the market. Such activity has been driven by the opportunity in convenience and food services, coupled with a strong underlying property element.

The headline deal of the year was the sale of 27 high quality EG Group sites to Park Garage Group (PGG). This resulted from the agreed remedy between EG and the CMA to perceived unfair competition created by EGs acquisition of ASDA. A stunning deal for PGG which catapulted them to fifth in the Forecourt Trader Top 50 listing with 78 sites.

The sale of Petrogas UK (Applegreen UK) remains a possibility at the time of writing as Welcome Break became the focus of growth for Applegreen.

The “panic buying” of road fuel was media driven, resulting in irrational consumer behaviour. There was a short-term shift of fuel storage from petrol station storage tanks to vehicle fuel tanks. However, the industry caught up within two weeks of the unfortunate event and there was no impact on the transactional market.

AT A SINGLE SITE LEVEL:

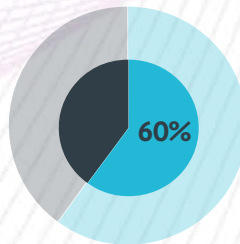
- Many commission operators want to buy their first PFS
- Small multiples are adding sites
- Group deals achieved pricing at multiples of EBITDA above those achieved for single site deals

OUR ACTIVITY

The sale of eight sites in the North East (Project Ranger) brokered by Christie & Co completed early in 2021 and set the pace for small group activity. We advised on several other small groups and expect a few to reach the market in 2022.

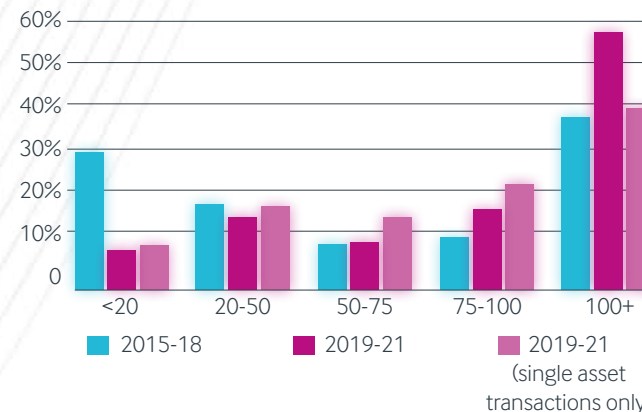
The time from instruction to exchange decreased by 22.7% due to competitive tension among buyers.

Buyers outnumber sites that exist by a ratio of 3:1. Not all sites come to the market, so those that do attract a significant number of buyers and we achieve an average of five offers per transaction.



In the forecourt market, people travel much further for opportunities, with 60% of buyers hailing from over 50 miles away.

PROPORTION OF PETROL FILLING STATION SOLD BY DISTANCE FROM PURCHASER (MILES)



CASE STUDIES



Project Ranger, North East England

During February, we completed on the sale of seven petrol filling stations operated by Marla and Gus Saggi to Certas Energy UK Limited, bringing their company-owned estate to a total of 84 sites. An eighth site was sold separately to Penny Petroleum. Whilst COVID-19 delayed the sales process, which initially launched in early 2020, as soon as restrictions were eased a relaunch resulted in multiple offers, not only for individual sites but also on a group basis, with Certas Energy UK Ltd emerging as the preferred party.



Greenacre Garage, Cheshire

During September, we sold this independently branded petrol filling station, convenience store and MOT garage in Cheshire for the first time in 30 years to a first-time buyer, with funding for the purchase secured by Christie & Co's sister company, Christie Finance.

SOLD IN 2021: CONVENIENCE STORES



NISA LOCAL

Denby Dale, West Yorkshire

- New lease assignment



LONDIS LATE STORE

Llandudno, Conwy

- Leasehold sale



PREMIER - BORDER REIVER

Otterburn, Northumberland

- Freehold sale



LONDIS CENTRAL

Pollokshields, Glasgow

- Leasehold sale



GERALD'S SUPERMARKET

Dawlish, Devon

- Leasehold sale



ASLOCKTON POST OFFICE

Aslockton, Nottinghamshire

- Freehold sale



GELLIDEG POST OFFICE & STORE

Merthyr Tydfil, South Wales

- Freehold sale



GEMINI NEWS

Portsmouth, Hampshire

- Leasehold sale



LONDIS

Clapham Common, London

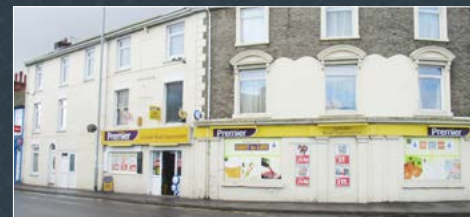
- Leasehold sale



CHILDREY VILLAGE STORES

Childrey, Oxfordshire

- Freehold sale



CAMDEN ROAD SUPERMARKET

Great Yarmouth, Norfolk

- Freehold sale



THE OLD SCHOOL SHOP

Weobley, Herefordshire

- Freehold sale

SOLD IN 2021: PETROL FILLING STATIONS



GOLDEN LION SERVICES

Arbroath, Angus

- Leasehold sale



INCH SERVICE STATION

Castle Kennedy, Stranraer

- Freehold sale



SHOP & GARAGE

Morfa Nefyn, Gwynedd

- New lease assignment



GREENACRE GARAGE

Tarvin, Cheshire

- Freehold sale



LOGGERHEADS GARAGE

Loggerheads, Flintshire

- Freehold sale



FOUR TURNINGS GARAGE

Fowey, Cornwall

- Freehold sale



CRACKMORE FILLING STATION

Milborne Port, Somerset

- Freehold investment sale



WARWICK ROAD GARAGE

Wellesbourne, Warwickshire

- Leasehold sale



SHIRELAND SERVICE STATION

Birmingham, West Midlands

- Freehold sale



ANSTY CROSS SERVICE STATION

Haywards Heath, West Sussex

- Freehold sale



HIGH POST FILLING STATION

Salisbury, Wiltshire

- Freehold sale



BROADWAY PACE FILLING STATION

Yaxley, Cambridgeshire

- New lease assignment

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.



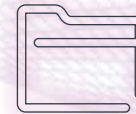
INVESTMENTS

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.



SELLING

Our team of retail experts are based nationwide, and in 2021 we helped hundreds of retailers achieve the best price for their business. If you're considering a sale, we have the national reach and the local knowledge to find you the right buyer that will pay the best price.



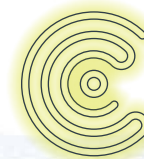
PROJECTS

We are regularly 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.



PRICING

We sell hundreds of retail 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.



INSURANCE

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



FINANCE

Our sister company, Christie Finance, is an independent, specialist commercial finance broker securing funding 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.

RCC Business Mortgages plc, trading as Christie Finance, is authorised and regulated by the Financial Conduct Authority. Our Firm number is 709982. Not all types of business we undertake is authorised and regulated by the Financial Conduct Authority. Christie Finance operate as an intermediary and are not a principal lender.



VALUATIONS

Our team of RICS Registered Valuers are well-placed to deliver formal Red Book valuations that provide informed advice based upon our unrivalled access to comparable trading and transactional evidence.

CLIENT TESTIMONIALS



We are delighted to have completed on the sale of our store. There were a number of hurdles that had to be overcome but Jack's communication and calmness got us over the line. We'd happily recommend Jack Dudley and Christie & Co to anyone considering selling their store.

Stephen & Michelle Eagling
Dodds Road Stores



Thank you so much for all of your help! We are so grateful for all of the hard work you've done to not only help us sell our business, but to achieve a price far more than we expected. We are endlessly grateful to have you as our agent and couldn't be happier with the way everything worked out.

Steven Knowles
Nisa Local – Ashworth Lane



Our gains on the sale of Stretton Garage exceeded our best expectations by over 200%. We are absolutely confident to recommend Christie and Co to any serious buyer or seller in the UK. Our initial expectations were to achieve £200,000 in order to satisfy our investment objectives, and we were seeking a quick sale. Christie & Co assured us that £400-500,000 was achievable within a 3-4 time scale. Within a few weeks they had secured an offer of £425,000.

Olusola Ayoola
Stretton Garage



Greenacre Garage had been owned by my wife and I for 32 years. It was a big decision for us to decide to sell up due to health problems and due to both of us reaching a certain age. The biggest decision was trying to decide who to use as a selling agent, we spoke to a number of agents and it's a minefield. We had a meeting with James Moore-Martin from Christie & Co – and we have nothing but praise for the way that James dealt with the lengthy sales process plus the COVID-19 situation. Having sold the business, we would strongly recommend them as trustworthy business agents.

David & Gillian Evans
Greenacre Garage



I would like to take this opportunity to thank Joe Brayne for all his help. We have had several other agents who attempted to sell our property, most of whom failed to even get us viewings. He succeeded in sending us several interested potential purchasers which, given the current global situation, was no mean feat! He kept us informed every step of the way despite having to chase solicitors to get a move on! Joe conducted matters very efficiently and we would have no hesitation in recommending him personally and recommending Christie & Co as a whole.

Alison & Bernie Riley
Louise's Greengrocers



Christie & Co recently sold our business of 21 years. James provided an exceptionally professional service and he was always available to provide reassurance and liaised between all the parties to provide us with up to date information on progress. James provided an excellent service and solved any problems that arose making the sale run smoothly.

Mark Boughen
Londis Late Store

OUR TEAM

Christie & Co has a team of retail sector specialists across the UK, contact us for expert insight and advice.

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