



**KINGS
COMMERCIAL**

MARKET

SUMMARY

COMMERCIAL MARKET
OUTLOOK 2017

POWERED BY
BB BUSINESS
BUYERS .co.uk

CONTENTS

SUCCESS IN THE COMMERCIAL SECTOR	Page 2
OVERVIEW	Page 3
2016 HIGHLIGHTS	Page 4
BUSINESS BROKER ADVANTAGES	Page 5
BUSINESS BROKER EXPECTATIONS	Page 6
SIX THINGS TO DO WHEN SELLING	Page 7
SELLING PROCESS	Page 8
MARKET TRANSACTIONS	Page 9
TRENDING IN THE COMMERCIAL SECTOR	Page 11

OUR SUCCESS IN THE COMMERCIAL SECTOR

2017 is already proving to be a productive year at Kings Commercial, having got off to a flying start within the commercial sector, activity levels are at a high and buyer demand is showing no signs of slowing down.

We have been encouraged to see buyers of all types express interest in acquiring commercial businesses, from large corporates to first time buyers looking to start up their very first business.

Despite various challenges that have affected the industry such as; the National Minimum Wage, the revaluation of business rates and uncertainty of Brexit, activity remains positive.

From Kings' perspective; the sector has gone from strength-to-strength and UK investors are likely to retain their positive view on the commercial sector, having operated in this dynamic market for decades through times of growth and recession.

The sector continually displays signs of growth and stability and we anticipate 2017 to be no different.

Kings Commercial are keen to satisfy buyer demand and have embraced an already eventful 2017 with open arms.

Demand for our Corporate Sales Process continues to increase, with many business owners increasingly wanting to get the very best marketing packages and ultimately get the best possible deal.

Our highly-experienced commercial sector team is a market leader and the quality and quantity of the sales achieved in 2016 was a testament to this.

The positive feedback we receive from business owners and buyers is also evidence of Kings commitment to offering a dedicated service and achieving a satisfying conclusion for all parties.

COMMERCIAL OVERVIEW

Commercial property is the physical platform for virtually all the UK's major industries and enterprises, as well as providing places in which people work, shop and enjoy leisure activities. It comprises office blocks, buildings for shops and other high street businesses, warehouses and industrial units, as well as other types of buildings, such as cinemas, gyms, hotels, petrol stations, car parks and the like.

The total value of commercial property rose to an all-time high of £876 billion in 2016 – representing 12% of the UK's net wealth, and a 12% increase on 2015. This increase reflects higher rents and the prices investors were willing to pay for a given rent. London's commercial property stock increased relatively quickly in 2016, such that it now accounts for 39% of the UK total, compared to 35% in 2015, primarily because of relatively strong rental growth.

To give some context to the above statements, at £876 billion, the UK's commercial property's value is comparable to the equivalent of 40% of the value of the UK stock market and almost half the value of UK government gilts. Retail represents 41% of commercial property Retail – comprising shopping centers and out-of-town retail parks, as well as supermarkets, department stores, and high street shops – is the largest commercial property sub-sector, accounting for 41% by value in 2015. Offices are the second largest sub-sector and London offices dominate this group, representing 64% of the total value of offices in the UK (but only a quarter of the total floorspace). Hotels form the largest part of the fast-growing 'other commercial property' sub-sector.

Investor ownership

The latest data provided by the ONS illustrates that Investors own £483 billion worth of UK commercial property (2015), representing 55% of the total. This is the highest value to date, exceeding the previous

peak reached prior to the global financial crisis in 2006. UK institutions (insurance companies and pension funds) were historically the biggest direct investors in UK commercial property but now account for less than one-fifth of the total, down from a quarter in 2005. In contrast, foreign investment in commercial property has increased rapidly over the last decade, and overseas investors now own 28% of UK commercial properties held as investments and 16% comes directly from Chinese investors.

In January and February 2016 alone, over £560 million of Chinese deals were transacted within the London market – clearly demonstrating the capital's popularity with Chinese investors. These estimates exclude housing and student accommodation, where large mainstream commercial investors own about £29 billion worth of such property.

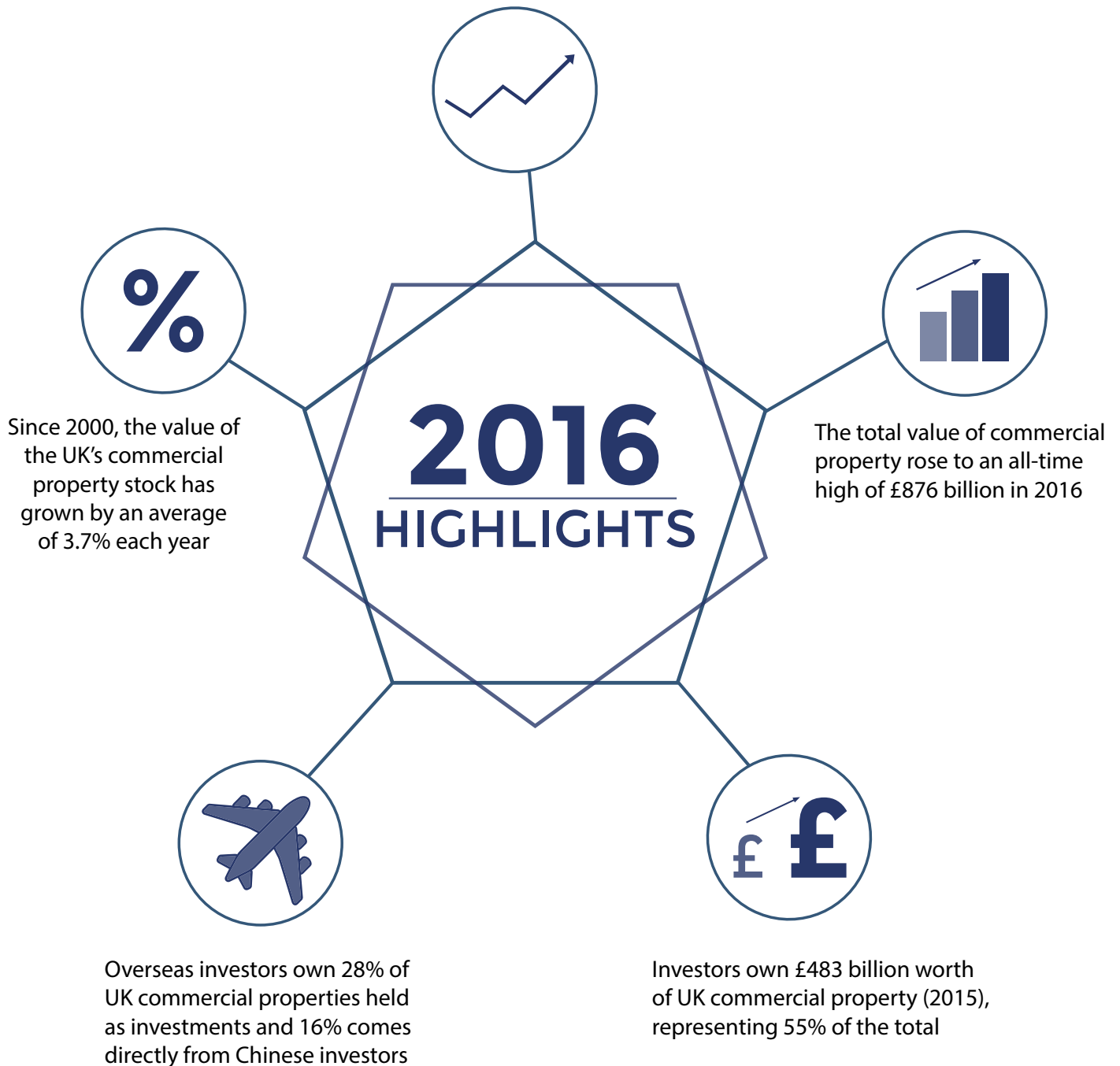
Since 2000, the value of the UK's commercial property stock has grown by an average of 3.7% each year, compared to RPI inflation of 2.8%. All other parts of the built environment have grown at a faster rate than commercial property. In particular, the value of housing has grown much more quickly, at 6.6% each year, reflecting greater increases in both prices and the volume of housing.

Investment performance

Returns from investment in directly-owned commercial property – at 13.1%, according to the IPD Annual Index – were substantially higher than UK equities and bond returns in 2015. Property company shares also delivered comparatively high returns. The performance of property shares and property over five years also comfortably exceeded the performance of the FTSE and gilts.

2016 HIGHLIGHTS

London's commercial property stock increased rapidly in 2016, it now accounts for 39% of the UK's total



ADVANTAGES OF USING A BUSINESS BROKER

We believe that using a business broker is certainly the best course of action to take for anyone who wants to sell their business effectively. Although there are opportunities to sell direct, selling a business is not always a straightforward process and going it alone may offer various disadvantages including; negotiation experience, price achieved, time management, lack of evaluation and legality expertise etc. We strongly believe that business owners who decide to sell should place confidence in working alongside an experienced and well-knowledge broker to offer support and advice in making all important decisions for these essential reasons;

ADVERTISING & MARKETING

When selling a business, the way the business is perceived by potential buyers is crucial. Experienced brokers know exactly where to advertise your business to maximise interest and more significantly how to market your business so that it gets noticed by serious, potential investors.

NEGOTIATION EXPERTISE

Business brokers are skilled negotiators who are driven to maximise your sale price. The role of a business broker is to bring “serious” buyers and sellers together with a view to achieving the best deal and sale price possible.

QUALIFIED BUYERS

Business brokers qualify all prospective buyers at the primary stage of the sales process. When a broker qualifies a buyer, they will ensure that the buyer is serious about purchasing the business and will also identify if the potential buyer has the realistic financial capacity to complete the transaction.

TIME MANAGEMENT

By using a business broker, you can concentrate on running your business instead of answering enquiries about the business sale. You ensure the business is still running optimally, and let the broker take care of the rest.

CONFIDENTIALITY & DISCRETION

When selling a business, you may not want your competitors, employees or customers knowing that you are selling your business.

A broker will keep all details of a sale completely confidential. All potential buyers will sign a legal confidentiality agreement and then be ‘qualified’ as a serious buyer. It is only then, that the potential buyer will be presented with details of a business for sale.

BUSINESS APPRAISALS

Experienced business brokers possess the knowledge, skills and on-hand information directly related to your business, industry and location. This gives the broker the ability to accurately appraise your business.

RISK

Achieving the best possible deal, out of the transaction is the most essential aspect of the process. The knowledgeable broker will work to their greatest ability to ensure that you get the most realistic sale possible, taking the risk out of you receiving a below market value sale for your business.

LEGALITIES

If you are considering a sale within the near future, then it is crucial that you consider your exit strategy. Tax planning and legal advice are a must and will ensure that the path to the exit is smoother and less costly than leaving everything to the last minute. It is essential that you have a strong professional team who are all working on your behalf.

We believe that each business is unique, and that individual owners have different needs, requirements and aspirations - that is why we offer a free, no obligation appraisal, to show you what we can do for the sale of your business.

WHAT TO EXPECT WHEN WORKING WITH BUSINESS BROKER

Making the decision to work with one of our specialist business brokers is a positive step in the correct direction. Their skill and experience can be invaluable in achieving the best possible outcome for you and your business.

Although, working with a broker requires commitment from both parties and the better the working relationship, the more likely you are to maximise the benefits. Here are the steps achieve this.

You are engaging the assistance of an experienced broker because selling a business can be a complex task and one which you have not undertaken previously. Some of the processes may seem at odds with other kinds of sale you have undertaken but the process business brokers undertake will have been tried and tested on countless businesses before yours to ensure that it is effective at achieving your objectives.

Trust your broker to know the most effective way to position your business with potential buyers, to manage all enquiries, manage negotiations, and completion of the business sale process.

COMMUNICATION

The more information about your business that you can impart the better. Your advisers' aim is to position your business in the best possible light to prospective buyers. To do this they will need:

BUSINESS PLAN

A full business plan, or "vision" document which will aid prospective buyers in identifying the potential of your business and its potential value as an investment in forthcoming years.

OPERATIONAL INFORMATION

All the operational information required to create the most important document in the process (apart from the Sale and Purchase Agreement) - the Information Memorandum.

FINANCIAL INFORMATION

It must be up to date and without any missing elements. All this information will be sent to potential buyers, your advisor will know exactly how much to divulge and when to do so. Additionally, information will only be communicated to potential buyers who have signed an NDA.

YOUR TIME

Whilst your broker will manage the sale process on your behalf it is very much a joint venture. Maintain communication with your broker and be sure respond to their emails and telephone calls promptly

NEGATIVE ASPECTS

Negative aspects of your business - make sure your advisor is aware of these and decide together how to present these in a positive light. Discovering negative aspects while talking directly to a buyer can put you and your advisor on 'the back foot'

BUSINESS CHANGES

During the sale process, which can take many months, keep your broker updated on any alterations in your business that could affect its value i.e. changes regarding key employees, any new products launches or service offerings, changes in your marketplace, etc.

Your specialist broker is your key partner throughout this process, use their experience, empower them to deliver the best long-term result for you.

SIX THINGS TO DO IF YOU ARE SELLING YOUR BUSINESS

Deciding to sell a business is naturally a challenging and often confusing time, so it's important that vendors prepare properly. These are five pieces of advice I would give to anyone looking to sell their business.

CHOOSE THE RIGHT BROKER

Choosing to sell through a broker is the best, most effective way of ensuring that not only does your business sell, but that it reaches the right buyer. With many options available, it's important to research which brokers have a proven track record of success within the sector. Look for a broker that you can rely on to support you throughout the sale. In addition, it is important to choose a broker who exclusively works on your behalf. Not one influenced by external bodies such as banks and regulatory bodies.

HAVE A BUSINESS APPRAISAL PERFORMED ON YOUR BUSINESS

Marketing your business at too high or too low a price can cost you dearly, in both time and money.

PREPARE YOUR DOCUMENTS

Make sure you speak to your negotiators, lawyers, anyone whose job it is to represent you in advance and make sure you obtain details of what information you are required to provide. Have all your information prepared and up to date, including all accounts, regulatory reports, planning contracts, and documents relating to health and safety. All of this information is crucial for prospective buyers and so it's imperative that they're ready to go when an interested party arises.

PREPARE FOR VIEWINGS

It's important to have your financial information fully up to date and that you prepare your nursery for viewing as best you can. So much assessment of a business' potential comes through prospective buyers actually visiting the premises, rather than reading about it through other sources. It sounds obvious, but make sure it's as clean and tidy as it can be and that everything a potential buyer might be interested in is provided.

COMMUNICATE

Be pro-active and ensure there is a constant dialogue between you and your agent. Any negotiator worth their salt will aim to constantly keep you up to date with every stage of the sale, but don't be afraid to keep picking up the phone. Selling a business can be an often stressful process, but you will find that staying in constant contact with your representatives will offer you re-assurance and vital guidance. A vendor who recently sold their nursery with RDK said: **"There were many twists and turns. While I was fraying at the edges, my negotiator was in regular contact, supplying up to date information and constantly providing reassurance."**

HAVE A HANDOVER PLAN PREPARED

The work doesn't stop once the price has been agreed, so it is important to prepare for the eventual handover of your business to the new ownership. Make sure you and the buyer are on the same page when it comes to logistics, dates, staff, etc. Little details can stall the handover process and make things more difficult for both buyer and vendor. It's important that you are happy with whoever takes the reins from you, as it will provide a great deal of re-assurance knowing that you've left it in good hands.

THE SELLING PROCESS

INTERESTED PARTIES

Multiple expressions of interest will drive a competitive environment and put you as our client in position of strength

HEADS OF TERMS

We play an active role in structuring the HOTS and liaising with legal representation on both sides of the deal.

BUYER VIEWINGS

We offer advice on how to conduct a meeting and preparation of management presentations

DUE DILIGENCE & DATA ROOMS

We ensure that the buyer has access to up to date and detailed information will ensure momentum is maintained throughout process.

OUTLINE INDICATIVE OFFERS

We review all offers and assess their suitability to you and all your shareholders.

LEGAL PROCESS & COMPLETION

Either through our national legal partner (Gateley) or by working with your incumbent legal advisors, we will oversee and manage an effective close to the sale process.

COMPETITIVE NEGOTIATION AND BEDDING

We facilitate and process to drive the price an optimum level

SELECTING PREFERRED BIDDER(S)

We conduct a commercial review of each offer and its deliver-ability

MAJOR TRANSACTIONS

	Vendor	Purchaser	Transaction
February	Birmingham City Council	Hammerson	Retail Property Giant acquires Grand Central Shopping Centre in Birmingham for £335m
March	Infrared Capital Partners	Rocksprings' UK Value 2 Fund	Clayton Square Shopping centre changes hands in a deal worth £38.4m
May	Diageo Pension Trust Limited	Ediston Property Investment	Plas Coch Retail Park acquired for more than £22m
September	LondonMetricProperty	Undisclosed	20,000sq. Foot retail park in Warrington sold for £6.6m
September	Maylands Business Park	LondonMetric Property	LondonMetric acquire 89,000 sq. foot distribution warehouse in Hemel Hempstead
October	Damolly Retail Park	MJM Group	Retail park in Co. Down, bought by fit-out firm for £30m+
November	Friary Retail Park	Plymouth City Council	Huge retail park sold in multi-million pound detail

MAJOR TRANSACTIONS

	Vendor	Purchaser	Transaction
November	Moorland Gate Business Park	Harworth Group	Moorland Gate Business Park in Chorley bought for £4.5m
November	Helical Retail and Coltham Developments	Moorgarth	Retail development in Solihull acquired for £16m
December	Hortons' Estate	Central England Co-Operative	Hagely Road Retail Park sold in £5m deal
December	Standard Life Investments UK	Europa Capital and Sovereign Centros	One Stop Shopping Centre in Birmingham sold for £70m

#COMMERCIAL

@PearlAndCoutts

UK #commercialproperty rental values rise 0.1% post #Brexit vote

@DarwinGrayLLP

Commercial Property Deals in Cardiff Worth Over £78m Complete Following Brexit #CommercialProperty #Cardiff

@FTnews

Commercial property owners forced to lower rents in #London, companies seek to move north in search of cheaper rates #CommercialProperty

@yorkshirenews

Demand for commercial property rises in #Yorkshire and the Humber by 0.8% post #Brexit

#BREXIT

@propertyweek

Brexit shows no effect on buyer confidence; £1.3bn sale of David Lloyd gym chain #CommercialProperty

@Carmignac

#Brexit vote has not thrown UK #commercialproperty investment deals off

@Stewardson_Devs

Central #London office market can flourish post-Brexit

#INVESTORS

@investortodayUK

Commercial property is becoming 'increasingly attractive' to overseas investors.

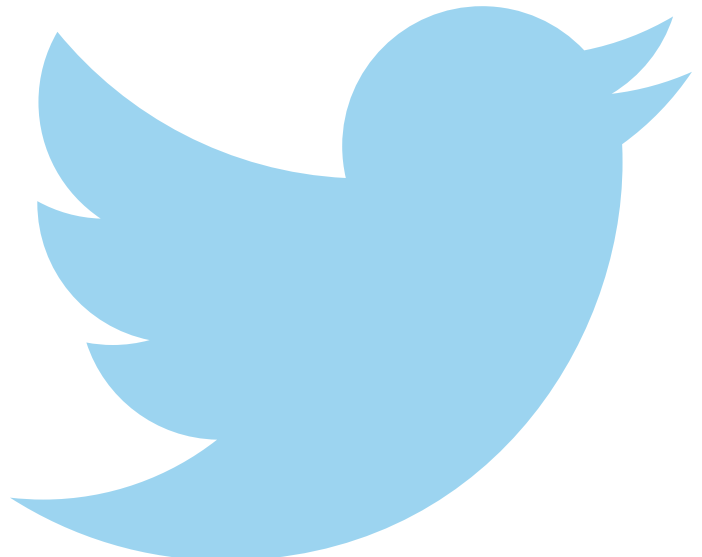
@investortoday

Chinese property investors are setting interest their sights on the UK commercial property market.

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