

# GARDEN CENTRE PROPERTY MATTERS

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**Gilbert Evans - as the leading garden centre property advisor, we continue to be involved with the majority of major garden centre transactions**

## Market Overview

Generally, 2017 saw a good but mixed performance from garden centres with some reporting over 10% growth year-on-year, with others struggling to beat 2016. As always spring sales were weather dependent but the snowfall over the sector's busiest Christmas weekend impacted many. However, regardless of the tough trading conditions, the garden centre sector continues to outperform the high street.

The number of freehold centre sales was slightly lower in 2017 but this is not due to weakening demand. Demand remains strong with lack of supply underpinning values. Value hinges primarily on trading performance with the potential to improve turnover an important factor. Most of the groups remain in the market to acquire new centres with leaseholds forming part of the solution for expansion.

### ***Demand remains strong with lack of supply underpinning values***

With greenfield sites scarce, a new approach to development/leasing/investment was demonstrated this year at Bridgford Garden Centre, Nottingham. You can read an interview with Mike Gilbert and owner Edward Tarbatt overleaf for a more detailed insight. The case study provides an example of a creative solution to maximising value, resulting in far greater rewards for both parties. A potential template for other operators to consider. 2017 saw the sale of Yarnton Garden Centre to private investor New Court, a transaction demonstrating how strong concession income can increase value. Dorney Court Garden centre was acquired by Crocus, marking an interesting move from the significant online retailer, and we also sold Woodborough Garden Centre to Peter Self's Whitehall Group, and Abbey Garden Centre to Stewarts.

At Dobbies, a number of senior management changes have been instigated. Christmas trading was challenging apparently, but Dobbies' portfolio is generally high quality in terms of both infrastructure and locations, and we would not be surprised to see ambitious acquisition plans targeting the south.

The Wyevale rumour mill has been working overtime. Its acquisition trail seems to be on hold one moment, back on the next. No other group has ever experienced such a 'churn' of senior management. Investment in the group's website offering and click and collect is an indication of its future offering.

Larger independents continue to innovate, pioneering new concepts. Some are developing children's play areas, indoor and outdoor, that appear a good fit with traditional business. Barton Grange is leading by example with the development of its £8 million multi-purpose leisure centre that will include a curling rink, ten pin bowling, a three-screen cinema, an all-weather Crazy Golf course, two golf simulators and two restaurants.

### ***Trading has been strong for a few years, demographics continue to favour garden centres and confidence is strong***

In 2018 we expect to see some garden centre business sales, driven primarily by retirement. The sector generally feels upbeat. Trading has been strong for a few years, demographics continue to favour garden centres and confidence is strong. Some argue that the year ahead may be more challenging with Brexit uncertainties, interest rates, inflation and business rates all having a potential impact but, as always, the biggest concern for garden centres remains the weather. However, the industry is robust and dynamic and will continue to innovate and invest to ensure it captures positive sentiment at every opportunity.

Gilbert Evans provides garden centre operators with a comprehensive range of specialist services including advising on business sales and acquisitions, business rates, compulsory purchase, dispute resolution, lettings, rent reviews and lease renewals, sale and leasebacks and valuations.



## Interview with Edward Tarbatt and Mike Gilbert The Benefits of Garden Centre Development & Leasing

Last year Blue Diamond agreed a 35-year lease with Edward Tarbatt, the owner of Bridgford Garden Centre in Nottingham, to operate the centre on completion of its redevelopment. The redevelopment comprises a new 140,000 sq ft garden centre, an extended children's play barn, concession buildings, a veterinary practice and more than 600 car parking spaces on an 18-acre site.

Gilbert Evans advised Edward Tarbatt on the leasehold deal and here Edward and Gilbert Evans partner Mike Gilbert discuss the background to the deal and what garden centre operators look for when considering a leasehold agreement.

The leasehold agreement marked the culmination of many years of planning as Edward explains: "I have worked on plans to redevelop the centre for a long time. I wanted to create an exciting destination that would add great value to the area and create many new jobs. Both my family and I have worked with Mike and his colleagues over the years, initially when my father sold three garden centres from the Garden Centres of Excellence portfolio to Blue Diamond in 2008 and then again, several years later when we needed a specialist garden centre compulsory purchase valuation. It made sense to call on Gilbert Evans' garden centre property experience again to advise on leasing the centre once the redevelopment works were completed."

### ***Leasing the centre provides a way of retaining the freehold interest as an investment and retain the upturn in value from the redevelopment***

Mike adds: "Having advised on the sale of his family's centres ten years ago, working with Edward again served as a reminder of how well the garden centre industry has held up over the years as a robust retail sector with sustained demand for well-run centres."

"In Edward's case, having secured planning permission in 2016, he initially required advice as to the viability of a garden centre new build development. He subsequently decided to undertake the redevelopment himself but then move away from the day to day running of the business, whilst still retaining ownership of the centre. Leasing the centre provides a way of retaining the freehold interest as an investment and retain the upturn in value from the redevelopment. However, every case needs to be carefully assessed, balancing risk and reward and ensuring that the right deal is struck both for the owner and the leaseholder.

"The first step was to evaluate the potential of a large, high quality garden centre development at Bridgford. The site is in a great location, with excellent demographics and transport links. Once we had identified the risks, we established with Edward that it represented a financially viable exercise, particularly as a leasehold deal. We then moved on to identifying those operators with an appetite for expansion and open to considering leaseholds."

Edward Tarbatt continues: "When considering potential leaseholders, it was important that we selected an operator with

a strong covenant, a respected brand and an impeccable track record of running large garden centres, especially those with both a significant gardening and non-gardening offer as Bridgford Garden Centre will have. Blue Diamond ticked all those boxes."

Mike Gilbert explains: "An agreement needed to be secured that suited both parties and maximised rental value for Edward. We had to ensure that Edward could continue to trade the existing Bridgford Garden Centre throughout the development, and it was important that staff were able to move to the new Blue Diamond centre in a smooth and seamless manner. The lease is structured over 35 years with the initial rental rising over the first five years. Rent reviews are linked to the Retail Prices Index, with an agreed maximum and minimum increase at each review. This provides a level of certainty for both parties. Blue Diamond will take on the lease when construction has been completed, expected in spring 2018 and will be responsible for the fitting out. Edward retains the old garden centre site and we are working with him to develop and let complementary retail units. We believe we have negotiated a lease that works for both Edward and Blue Diamond with both parties securing an excellent asset."

Edward Tarbatt concludes: "We are now looking forward to seeing many years of hard work come to fruition. I know that Blue Diamond's innovative fit-out will complement my vision for the centre and the expertise and diligence that Mike has brought to the team has been invaluable. The result is a very good long-term investment for me and my family"



Edward Tarbatt on site at  
Bridgford Garden Centre

### Advice notes

We publish a series of technical advice notes on our website. Our most recent cover Inheritance Tax and Succession Planning.

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www.gilbertevans.com

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