

“DEMAND IS AS STRONG AS IT HAS BEEN FOR YEARS”



From market values and acquisitions to business rates and tax relief opportunities – **Mike Gilbert**, partner at property consultants Gilbert Evans, looks at what's having the biggest impact on the garden centre sector.

As specialist garden centre property advisers, our most frequently-asked questions are centred on demand and values. The good news is that demand is as strong as it has been for many years. Groups and independents are on the lookout for centres with either existing £3million-plus turnover or the potential to exceed that

with some investment.

Demand remains buoyant for several reasons. Primarily, garden centres are profitable businesses - the sector has enjoyed healthy trading for a number of years and continues to outperform the high street.

Confidence in continued future growth of trading levels is strong. Garden centres offer customers an alternative to the high street and out of town shopping parks - an attractive leisure, retail and

restaurant destination and free parking. Strong and improving demographics also favour the sector's growth prospects with 'baby boomers' starting to move into retirement.

For these reasons investment funds remain keen on the sector. The recent £10million-plus purchase of Yarnton Nurseries by Newcore Capital Management is a good example, following a number of recent investment transactions.

Consequently, values remain high - albeit with a degree of disparity depending on size, location and turnover. To get an accurate market valuation, it is essential that they are carried out by valuers who can demonstrate specialist market and garden centre knowledge.

All eyes are currently on Dobbies' new CEO, Nicholas Marshall, who is charged to deliver the group's ambitious strategy. With most of Dobbies' sites located in the north and Scotland, it is expected that Marshall will look to the south to grow Dobbies' portfolio. The question is whether growth will come from the group's previous policy of new build development or from acquisition. Some commentators have even mentioned there would be little surprise if Wyevale became a target if the opportunity arose.

Inconsistent rate increases

There is undoubtedly a fly in the ointment for many garden centre operators in the shape of the recent rating revaluation and the arrival of new rates bills for liabilities as of April 1, 2017. Most garden centres are seeing increases in rates bills of approximately 10%-15%. However, we have seen a real lack of consistency by the Valuation Office Agency, from reductions of 17% to staggering increases of over 50%. There is a new appeal process in place, far more complex than its predecessor with changes to ensure

fewer appeals, and to limit appeals heard before the Valuation Tribunal, with fees now payable by the ratepayer to have their case heard by the Tribunal. It is a challenging process and expert advice should be sought to ensure grounds for appeal are valid and robust.

Tax relief

We have been helping many of our clients work with trusted capital allowances consultants since we noted that a surprising number of operators are unaware that tax relief is potentially available through capital allowances on capital expenditure incurred on new construction, fitting out, refurbishment and extension works. A capital allowance is given instead of depreciation for certain types of asset.

Whilst it is true that accountants will claim routine capital allowances, in our experience there is a real likelihood that they can miss less obvious qualifying expenditure as they are not generally trained in building costs nor comfortable with making assessments where building invoices provide no detail. Typically, a specialist capital allowances surveyor will be able to increase capital allowances 30-50% more than an accountant by detailed analysis and a property inspection. More good news is that capital allowances consultant fees are on an incentivised basis and on a no-win, no -fee basis. Some clients have been pleasantly surprised about the increased capital allowances they have been able to claim through using a specialist consultant.

Whilst the impact of the impending general election and Brexit negotiations are unclear, from a property perspective, we continue to be positive in our outlook for the sector and can see little reason for any imminent change in either demand or values.