

UNVEILING THE SPECIALIST MARKETS

A strong investor interest in the specialist property sectors is continuing. Fund managers have dramatically increased their allocations to 'alternative' property investment; where occupier demand is often underpinned by long term demographic and socio-economic changes.

There were more than £12 billion of transactions in alternative property sectors in 2016, accounting for nearly 30% of all commercial market activity. It is expected that deal volumes will rise significantly in 2017 as investors search for higher and often index-linked returns in times of economic and political uncertainty.

CARE HOMES – HENRY HARRIS

Following some decline in sentiment in H2 of 2015, 2016 was highly positive for the care home sector across England. Publicly funded fees generally increased in recognition of rising costs although overall care budgets remain under strain. For homes in the private pay space, fee growth at above inflationary rates has continued and gained momentum as the narrative around wage pressures has become widespread in the mainstream media.

In the Spring 2017 Budget the Chancellor announced an additional funding of £2 billion over three years with £1 billion of this in 2017/18, the effect of this should start to be evident shortly. Staffing remains the greatest or most widely discussed challenge day to day with a shortage generally of RGNs, but also good quality carers.

The investor market remains strong. However, as noted last year, and despite the generally positive comments above, trading conditions remain highly variable and some providers are in difficulty while others are experiencing boom conditions.

EDUCATION – PAUL HARRISON

Demand within the independent schools sector has cemented in the last decade as more parents choose to pay for private childcare up to the age of five and consequently the prospect of continuing to pay for independent schooling beyond five is not a contrast in mind-set. However, the recent improvement in the state school sector has increased competition.

Today the independent sector caters for some 625,000 children in some 2,700 schools. While the sector may well be seen as mature, the economic environment of recent years has taken its toll on many settings and overall growth of pupil numbers has slowed. Schools appear to have adapted well to economic pressures and careful financial and estate planning have allowed schools to implement low fee increases. In previous years, polarisation of the market saw smaller, less well reputed schools struggle following the onset of the recession, while larger, more established schools that focused on continued investment fared well.

The sector is divided into schools operated by Charities, Proprietary and Private Equity. This splits the sector into those that are 'not for profit', or as we prefer 'not for dividend', and those that are for profit, which results in varying degrees of profitability and investment returns.

CARAVAN PARKS – CHARLIE MASON

Trading conditions for holiday parks improved in 2015 and 2016. Buoyed by relatively fine summers, most holiday park operators have reported increased profit levels during these recent years. As the UK has come out of recession the market for holiday parks has also improved. The market has seen an increase in well funded buyers for most sizes of parks and first time buyers are becoming more active for smaller parks. At the corporate end of the market there are a number of established, well backed companies, looking to expand their portfolios.

There are good levels of demand for residential parks in all parts of the country, particularly in the South East. For this reason, the price of parks has risen over the last 12-18 months. Increased profits are primarily being driven by increases in income from the sale of new park homes and commissions on second hand park homes. Pitch fee income is still a key determinant of occupied pitch values.

Changes brought about by the Mobile Homes Act 2013 have reduced the control an operator of a residential park home estate may exert over homes that are already sited on the park. This has resulted in vacant and un-developed pitches being considered even more attractive, as prices achieved for new park home sales continue to rise.

PRIME YIELD MATRIX

SECTOR	Q1 2017	3 Month Movement (bps)	12 Month Movement (bps)	PRIME YIELD SENTIMENT
INDUSTRIAL				
Prime Distribution (20 yrs fixed RPI)	4.25%	0	0	◁▷
South East Prime Distribution (15 yrs)	4.50%	-25	-25	▽
Regional Prime Distribution (15 yrs)	4.75%	-25	-25	▽
South East Secondhand Distribution (10 yrs)	5.50%	-25	-50	▽
South East Prime Multi-let (excluding Heathrow)	4.50%	-25	-50	▽
Regional Prime Multi-let	5.50%	-50	-50	▽
OFFICES				
City Prime	4.00%	-25	0	◁▷
West End Prime	3.50%	0	25	◁▷
Major Regional Cities	5.00%	0	25	◁▷
South East Towns	5.00%	0	0	◁▷
South East Business Parks	5.25%	0	0	◁▷
Regional Business Parks	6.00%	0	25	◁▷
RETAIL				
Prime Oxford Street	2.50%	0	0	◁▷
Prime Shops (excluding Central London)	4.00%	0	0	◁▷
Regionally Dominant	4.50%	0	25	△
Sub-Regional Prime	5.75%	0	50	△
Good Secondary	7.50%	0	75	△
Open A1/Fashion	4.75%	25	50	△
Bulky Goods Parks	6.00%	0	50	△
Supermarkets (annual RPI)	4.25%	0	0	◁▷
ALTERNATIVES				
Prime Leisure Parks	5.00%	-25	-25	◁▷
Budget Hotels (excluding London)	4.50%	-25	-25	◁▷
Student Accommodation (Prime London)	4.50%	-25	-25	◁▷
Student Accommodation (Prime Regional)	5.25%	-25	-25	◁▷
Healthcare	4.50%	0	0	◁▷

Source: LSH Research

HOW WE'VE HELPED OUR CLIENTS

At Lambert Smith Hampton we have a nationwide network of specialist valuers dedicated to providing you with market leading local knowledge. Our team of valuers are experienced in valuing a multitude of asset types; from care homes to doctors surgeries, prime hotels to public houses, airports to marinas, and schools to student accommodation. With teams in 24 different locations in the UK we have a deep understanding in the specialist markets across the country.



CARE HOMES

- Two new care homes, purpose built by Care UK in 2013 and 2014
- 72 and 80 large bedrooms all with en suite wet rooms
- A wide range of day space including cafes, cinemas, salons and therapy rooms
- Strong trading since opening with fees > £1,000 per week
- Local under supply of modern grade beds in each catchment
- Mature trade rent cover c. 2.2 x



EDUCATION

- Secure lending valuation for United Learning's Guildford High School
- A modern independent school for girls aged from 4 to 18
- 994 pupils
- Average fee of £14,500 per pupil per annum
- Located across two central Guildford sites since 1893 totalling 3.54 hectares
- Rated 5th and 9th for GCSE and A-Level results respectively by The Daily Telegraph 2016



CARAVAN PARKS

- A portfolio of 6 Residential and Holiday Caravan Parks
- 550 holiday static pitches
- 219 residential pitches
- The property is in administration
- Assets located in East Anglia and North West
- Significant potential to improve operations and take advantage of recent planning gains

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