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STEPHENSON & ALEXANDER
UK WIDE FOODSTORE PROPERTY RESEARCH
Q4 2009

You may be interested in the main conclusions from our research as follows:

1. Approximately 55% of investors confirmed that they wished to increase their holding of foodstore investments. Most said that they would wish to acquire in the first half of 2010 and beyond 2010.

2. Approximately 33% of respondents confirmed that foodstore would be their first priority investment purchase. It would appear that most respondents otherwise confirmed unit shopping as their preference, with some office and industrial as a first ranking. Late 2009, the first half of 2010 and beyond 2010.

3. Investors preferred (in order) J Sainsbury, M&S, Tesco and Waitrose, followed by Asda, as their preferred tenancy and investment situation. Some also favoured Aldi and Lidl, but as secondary to the major superstores.

4. In terms of preferred lot size – whilst we know that major Funds have acquired several hundred million pound lot sizes over the last 6 months, many investors confirmed a preferred lot size of £3m-4m up to £10m-20m. Lowest yields at the time of our research were 5.5-6%, and subsequently from our own involvement, we know that yields are now down to 5% and in some cases marginally below in this sector.

5. The majority of investors prefer foodstore leases to be at least 15 years, and at the higher value top end of the market, 25+ years.

6. Many investors are looking to put 30-50% of their own equity into a purchase, although many have 100% equity to invest in this sector. Geographical preference was generally UK wide. Many investors responding, confirmed that at the percentage of foodstores within their portfolio was around 5% of the portfolio by value with some likely to increase to 20-30%.

7. With the large increase in the number of foodstores recently, we asked the question as to whether foodstore retailers are likely to increase their store numbers significantly. About 66% of respondents said they would not – on account of planning difficulties and availability of suitable sites.

This summarises the main responses.

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