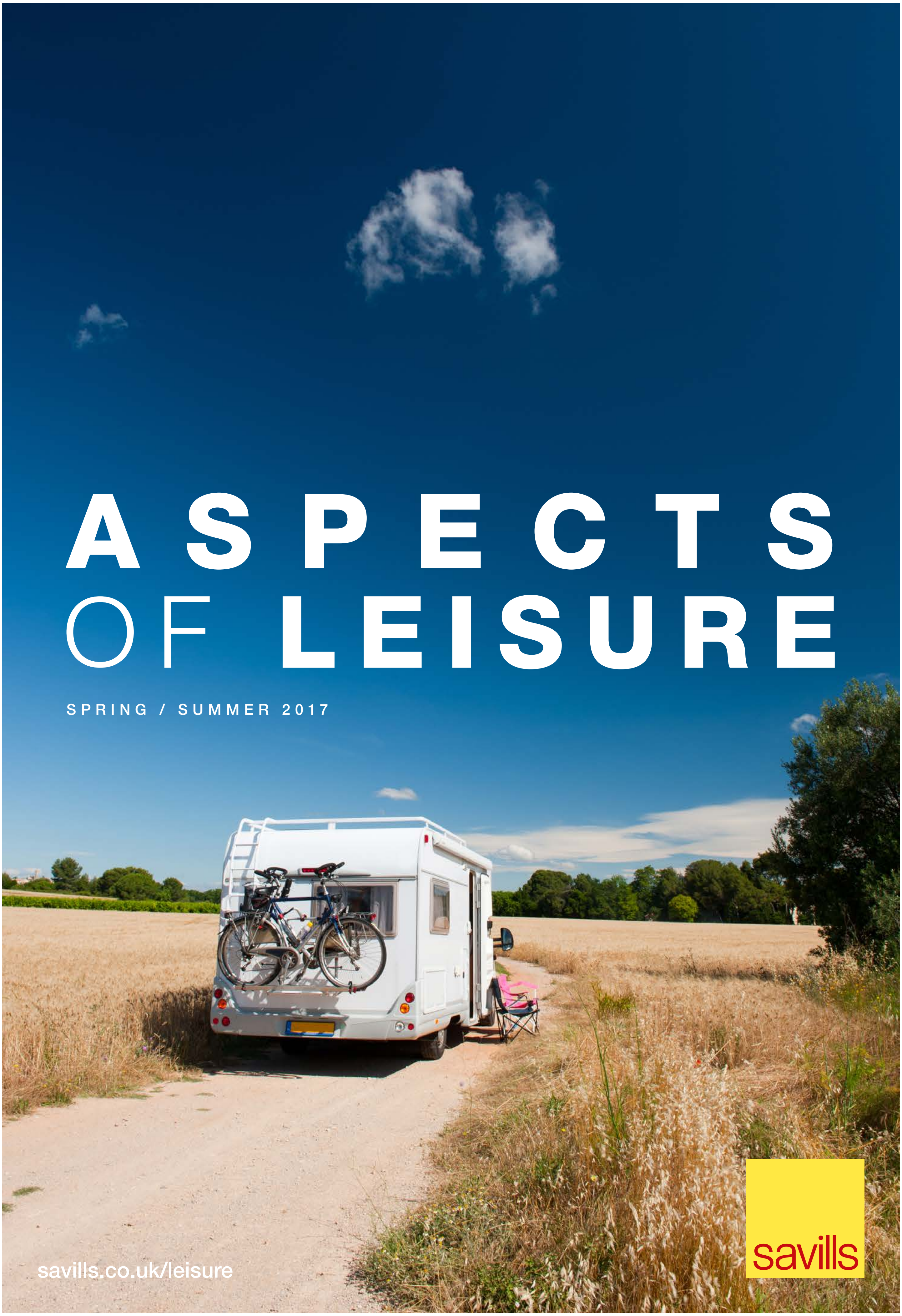
ASPECTS OF LEISURE

SPRING / SUMMER 2017



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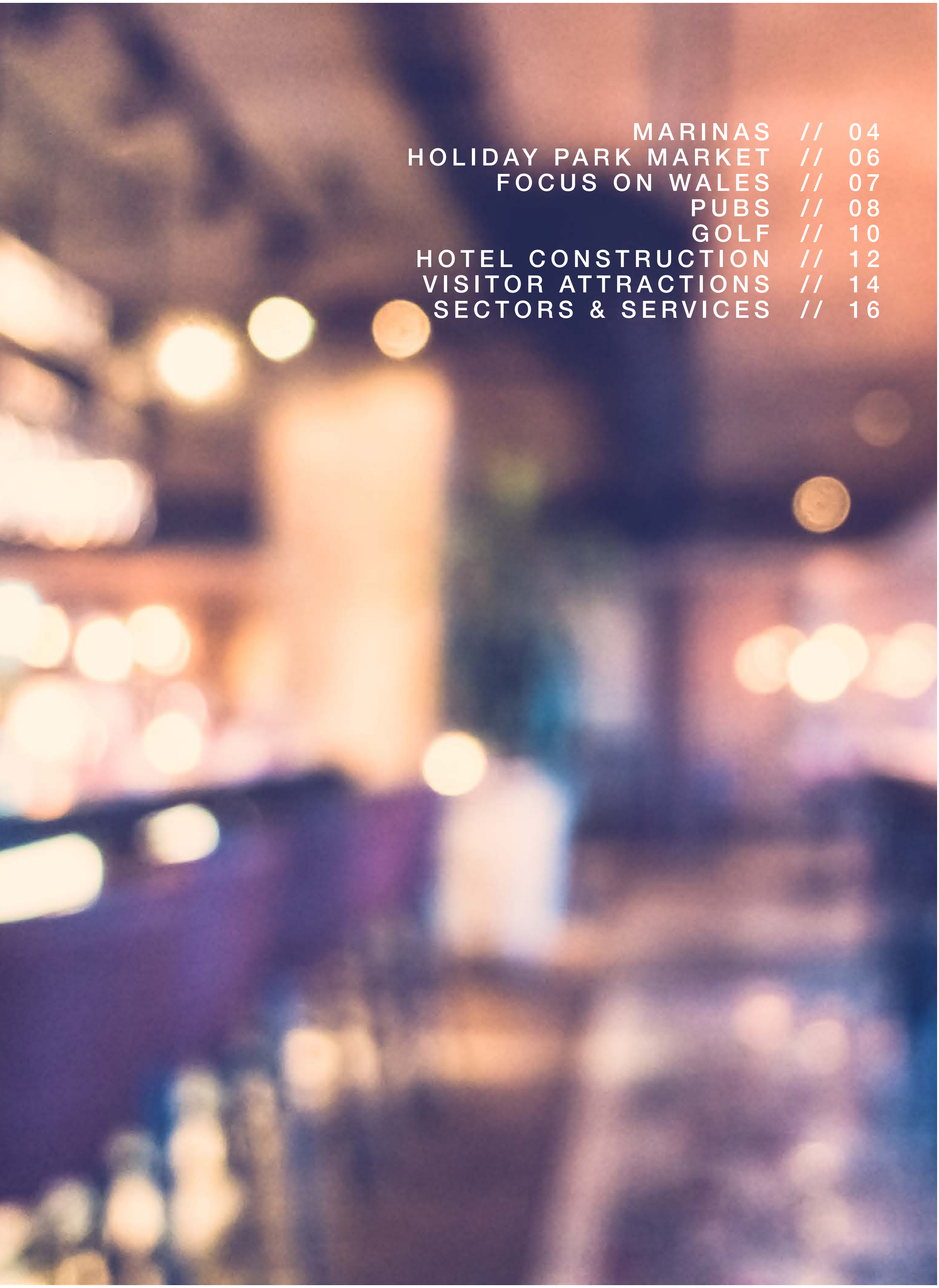
INTRO

It is an interesting time to be in property at the moment. As the market was embracing the tentative shoots of growth and relative stability, the UK voted to leave the European Union. What this means for the economy and the property sector in particular requires a crystal ball, especially with Article 50 triggered. With investment funds increasingly looking at alternative, income-producing sectors, the holiday property market in particular is benefitting from several notable transactions.

In this edition we have focussed on some of the UK's more prominent leisure sectors and comment on factors affecting the markets and potential future trends. Time will tell if our own informed and generally positive glance at the crystal ball is borne out as Brexit negotiations, and the dampening press comment which will undoubtedly accompany them, progress.

Ian Simpson
Head of Department



MARINAS

LEISURE, SUPERYACHT AND SMALL COMMERCIAL MARINE INDUSTRY

ST OLAVES FOR SALE

We currently have St Olaves Marina on the Norfolk Broads for sale with a guide price of £1.65 million. We have received a good level of interest from both existing marina operators and those operating locally or within other leisure sectors and looking to diversify.

The direct revenues generated by the leisure, superyacht and small commercial marine industry grew by circa 1.6% in 2015/16 to £3.01 billion and directly contributed over £1.11 billion to the UK economy through the sale of goods and services. The leading performers in the sector have been exporters and tourism-focused businesses who are optimistic about the sector's future prospects. However, this sentiment is not universal.

In the post referendum and Article 50 negotiation period financial volatility may lead to increased inflation and some curtailment in household leisure spending. This is likely to push up operating costs and place pressure on profit margins for marine businesses. Business investment has been on an upward trend since the end of the recession, but many businesses are cautious about the first half of 2017, anticipating rising overheads and some have put a gentle brake on major investments.

Rate of growth of the marina and moorings sub sector slowed slightly to 3.6% in 2016 with the total revenues from approximately 95,000 berths across the UK generating some £222m.

The average occupancy rate was 85%, with two thirds of the income from coastal marinas, and the remainder from inland marinas and moorings. Market sentiment reflects the cautiousness seen elsewhere in the sector with more marina and mooring businesses expecting profit margins to be lower than in recent years and their workforce growth to decline.

	England	Wales	Scotland	Northern Ireland
Boat Park (ownership)	545,708 boats	49,669 boats	64,031 boats	14,183 boats
Industry Revenue	£2,788m	£69m	£102m	£24m
Goods/services produced by the marine industry	£1,027m	£25m	£35m	£8m
Marine Businesses	3,909 firms	198 firms	296 firms	82 firms
Industry Employment	29,446 employees	1,035 employees	1,845 employees	382 employees
Median Marine Salary	£27,270 pa	£19,979 pa	£22,718 pa	£15,707 pa
Annual Boating Participation	2,934m participants	187,000 participants	284,000 participants	89,000 participants

Source: British Marine

The majority of the revenue generated in the UK from the sector is derived from businesses located in the south east and south west of England, providing circa 31% of the total each. This is mirrored by demand from marina operators for new properties.

There are a number of proposals for new marinas across the country including a 40 berth inland marina in Fort William and a 170 berth inland marina in Leighton Buzzard.

Demand for more facilities and moorings in London is particularly high, as more people adopt the lifestyle as an alternative trying to keep up with continually rising house prices.

The number of people living on boats in the capital has increased 57% since 2012, suggesting that there may be opportunities for development of residential moorings in the region.

Very few marina transactions take place each year, in some years, none. As a result, when, marinas are offered to the market they attract a lot of interest from both lifestyle purchasers and where meeting their criterion, the national brands.

We have also noted a cross-over of mobile home and holiday park operators expanding into the sector.

The groups remain active. Tingdene purchased Hartford Marina near Huntingdon last year, taking their portfolio to nine marinas. Dean & Reddyhoff took over Deacons Marina on the River Hamble in March this year taking their portfolio to five.

When marinas come up for sale those with holiday moorings tend to attract considerable interest. In general there tends to be less interest in residential marinas however if they are in the right location, especially London and the south, they can also attract multiple bids.

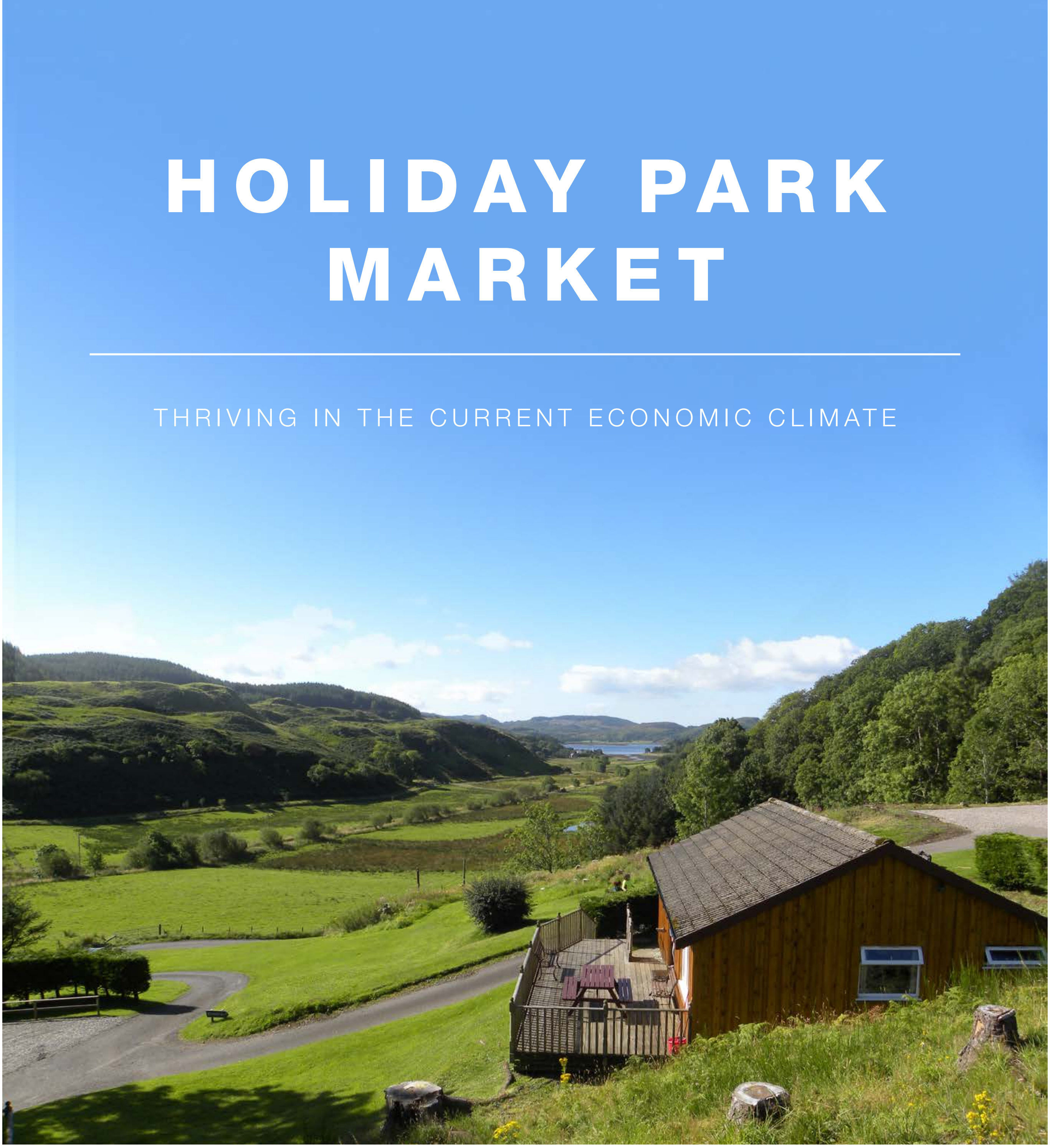
Savills provide an all round advisory service in this area, from planning for development to agency and valuations.

THE TOP BRANDS IN THE SECTOR

Brand	Number of Marinas	Approximate number of berth (including residential and visitor)
British Waterways Marinas Limited	19	2,500
Tingdene	9	2,000
Castle Marinas	7	1,586
Dean & Reddyhoff	5	1,995
Sorbon Estates	5	Unable to confirm

HOLIDAY PARK MARKET

THRIVING IN THE CURRENT ECONOMIC CLIMATE



The holiday park market is thriving in the current economic climate with a number of significant transactions having recently taken place. In September 2015 two major park operators, Park Resorts and Parkdean, merged to create a caravan park operator now known as Parkdean Resorts. This 73 site mixed freehold and leasehold portfolio has recently been sold to a private equity group, Onex, at a reported circa £1.35 billion, a good deal higher than market expectations and showing a particularly low yield on achieved profits.

In February 2017 the Park Holidays portfolio of 24 holiday parks (mixed leasehold and freehold) was sold to private equity group ICG at a reported £362m which can be analysed to a range of multipliers of 9 to 11 on freeholds and 9 on long leaseholds. Late 2016 also saw the sale of Sandy Balls Holiday Park on the south coast to Away Resorts at a reported £38m showing a multiplier on achieved profits believed to be in excess of 12 (8.5% yield).

The holiday park market is currently in a place where demand is outstripping supply, with only a limited number of parks coming to the market for sale. The majority of the main operators within the industry are in aggressive acquisition mode, with a notable appetite for parks that offer development or re-development opportunities.

The increased demand for short breaks in luxury accommodation across the country, along with the increasing quality and diverse range of units being produced by manufactures, is fuelling this demand. Whilst the true consequences of the UK's decision to leave the EU is unknown, the UK holiday park market is yet to experience any form of negative consequence as a result.

FOCUS ON NORTH WALES

THE CHANGING LANDSCAPE OF NORTH WALES TOURISM

In recent news the travel guide Lonely Planet named North Wales fourth in a list of best regions to visit in 2017. The news gives global recognition to North Wales being the top of the hit list for must visit destinations in the UK.

The news acknowledges the changing landscape of North Wales as a tourism destination. The most noticeable and recent change has been the rapid growth of man-made attractions such as Surf Snowdonia, Zip-World, Bounce Below and the various world class mountain biking facilities.

These new developments appeal to the emerging health and fitness tourism market and attract a wider range of visitors, diversifying from the traditional bucket and spade or walking visitors the region is accustomed to.

The market for leisure property in North Wales has been rated amongst the best in the UK with property prices achieving stronger levels than many other tourist destinations. The strength of the North Wales market has been fuelled by the populous conurbations located within 2 hours drive such as Manchester, Liverpool, Stoke-on-Trent and Chester.

Honey pot locations such as Abersoch, the North Wales Coast and areas of Anglesey are witnessing improving standards of holiday accommodation. Premium holiday caravan products in these areas are regularly being purchased for second homes at premium prices, most notably being perhaps The Warren at Abersoch where £500,000 plus has been achieved for a twin unit holiday caravan.

It is difficult to quantify the effect this is having on the tourist economy as on paper not much has changed. The Welsh Government Wales Tourism Accommodation Occupancy Survey shows only a slight improvement on the previous year.

However the published tourism statistics only refer to letting accommodation to include self-catering, hotels, B&Bs and guest houses. The changes are mainly occurring in the privately owned sector which accounts for the majority of holiday accommodation in North Wales. UK holiday caravan manufacturers are reporting significant increases in the number of units being made to satisfy demand.

Reports from holiday park owners are of significant improvements on previous years.

This recent prosperity has led to a lack of holiday parks coming to the market with park owners opting to hold on to their properties and take advantage of the current trading conditions.

We have seen demand for holiday parks grow to a level comparable to that of the peak experienced in 2007/08 with strong prices achieved across the region.

Brynteg Holiday Park, Caernarfon

Sold with a Guide Price of £15m

Caerwys View Holiday Park, Caerwys

Sold with a Guide Price of £1.95m

Trawsfynyd Holiday Village, Bronabber

For Sale with a Guide Price of £3.49m


THE ABINGER HATCH
FREE HOUSE


THE BARGE INN

PUBS

THE BIGGEST LEGISLATIVE CHANGE SINCE THE BEER ORDERS OF THE LATE 1980'S

2016 was a big year for the pub industry. The introduction of the Pubs Code in July has seen the biggest legislative change since the Beer Orders of the late 1980's. In addition to bringing a much tighter framework governing the behaviour of pub company landlords, it also offers, in some circumstances, the right for the tenant to be free of the beer tie in return for paying a free of tie market rent.

The legislation only affects those pub companies owning over 500 pubs, namely Greene King, EI Group (formerly Enterprise Inns), Punch Taverns, Marstons, Admiral Taverns and Star Pubs & Bars.

Our experience to date has been that the legislation is difficult to navigate and costly to pursue. Nevertheless, it may provide tenants in some circumstances with the ability to negotiate a better tied agreement or in others, be worth the time, trouble and stress in delivering a free of tie lease.

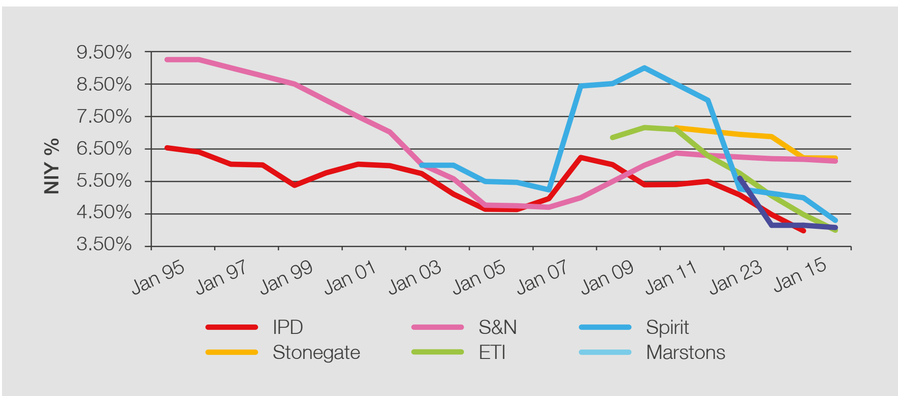
At this point, a note of caution is required. The legislation has some very tight timescales that must be followed. Failure to do so will result in the rights or ability to negotiate the terms of the free of tie lease being lost. Perhaps as a result of the complex nature of the legislation, take up by tenants has to date been limited. By December 2016 Greene King had reported 24 MRO (Market Rent Only) requests and Enterprise Inns, 94.

2016 and into 2017 has seen a general decline in the number of freehold pubs coming to the market.

This is forcing the emerging managed pub companies to consider leasehold acquisitions in order to continue expanding their estates. As a consequence, we are expecting to see increased interest in those free of tie leases that are for sale and an improvement in premiums being paid for desirable properties and well trading businesses.

In 2016 Savills Licensed Leisure team completed 93 deals and valued about £660m in the licensed property sector.

CURRENT YIELDS



GOLF

STRONG DEMAND FROM DOMESTIC AND OVERSEAS BUYERS

Golf is of considerable importance to the UK being consistently among the top five most popular sports. With a participation rate of 3.3% for those playing once in the last four weeks and 7.4% playing at least once in the last year, it suggests nearly 4 million people are playing golf at least once per year. Scotland has the highest participation rates with England having the lowest, despite having the most golfers.

A recent report prepared by Sheffield Hallam University in 2016 suggests that there are nearly 55,000 full-time equivalent employees in the sector, directly contributing £4.42 billion to the economy. Including indirect and induced income, the contribution grows to £10.291 billion. With golf making its return to the Olympic Games in Rio (after this report was published) the economic and sporting conditions are considered favourable for the UK golf industry to continue to grow.

The report continues with a breakdown of spending on golf, showing membership fees to be the highest cost to golfers. Other items such as food and beverages and clothing are supplementary to the golf round and add, sometimes significantly, to the total spend.

The 2016 market was somewhat fragmented. There is apparently strong demand from domestic and overseas buyers, but this is frustrated by relatively little supply.

Owners, where their properties are performing well, are not tempted to sell given alternative investment returns unless they have other drivers, such as retirement or consolidation. The trend of alternative development has also continued with edge of town properties frequently targeted by developers in off-market transactions – the recent conclusion of the deal which will see the Royal Norwich Golf Club move to Weston Park enabling housing on their current site is but one example.

We have also seen very good levels of demand for larger properties, including our own recently concluded deal at the Buckinghamshire Golf Club. Drivers in these areas can reflect underlying development potential for second homes, gym and leisure club memberships alongside the core golf business and – for some properties – strong food and beverage, corporate or private hospitality performance.

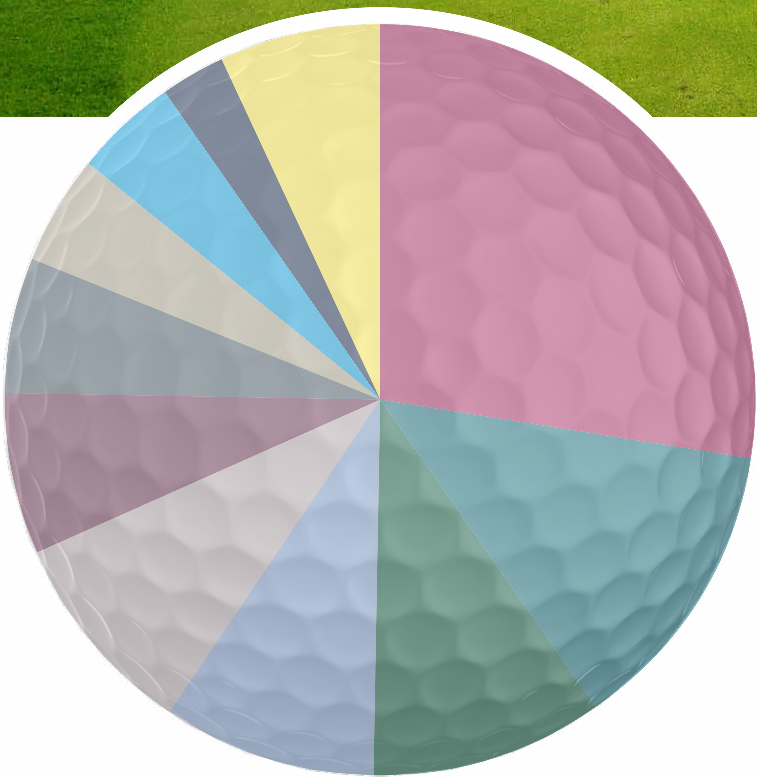
The next couple of years may prove testing, as Brexit will continue to concern all markets and the likely economic impacts seem to be differently forecast by every commentator;

Golf courses will however remain substantial land assets and a sound long term investment.

GOLF PARTICIPACTION IN THE UK, 2014

Nation	Adult Population	4-weekly participation rates	Regular adult golfers	12-montly participation rates	Occasional adult golfers
England	44,136,000	2.5%	1,099,000	6.2%	2,747,000
Scotland	4,298,000	7.0%	301,000	17.5%	752,000
Wales	2,516,000	4.0%	101,000	10.0%	252,000
Northern Wales	1,468,000	4.0%	53,000	9.0%	132,000
Total Adults	52,418,000	3.0%	1,554,000	7.4%	3,883,000

Sources: Active People Survey; Welsh Participation Surbey; SAPAS; and Scottish Household Survery



SUMMARY OF CONSUMPTION
(£ MILLION)

Members' Fees	1,184 (27.5%)
Golf Equipment Retail / Hire	551 (12.8%)
Green Fees	433 (10.0%)
Accommodation	399 (9.3%)
Golf Clothing & Footwear	386 (9.0%)
Food and Beverages in Clubs	287 (6.7%)
Tourism (Agents)	257 (6.0%)
Golf Betting	202 (4.7%)
Driving Ranges and Lessons	193 (4.5%)
Live Events	120 (2.8%)
Other	291 (6.7%)

HOTEL CONSTRUCTION

MODULAR CONSTRUCTION SLOTS INTO PLACE FOR HOTEL SECTOR

Modular construction is not a new idea within commercial property. In the UK, and particularly in mainland Europe, high-rise modular construction has been used in the residential and student accommodation sectors since the late nineties. In the UK, offices, schools, cafes and sports clubs have been using modular construction in one and two storeys for some years. Also, Travelodge have been using the technique for some time.

Its use within high rise high quality hotel buildings, however, is a more recent development. The hotels sector is a fairly new adopter and the method has been pioneered by budget providers looking for a quick way to construct a hotel from scratch.

Produced off-site in factories, modular construction involves pre-engineered units being delivered to a construction site kitted out with a varying level of completeness ranging from empty shells to fully furnished en-suite bedrooms. The benefits of modular construction include reduced build time, less disruption to the surrounding neighbourhood and fewer construction vehicles on site. Hotel and motel buildings built using modular construction are reportedly 20% less expensive and 50% faster to build than traditional construction techniques which can lead to quicker customer/client occupancy. There are also claims that modular buildings are up to 60% more energy efficient than traditional, reduce waste on site, reduce traffic to site by 85% and have a wide range of exterior and interior finishes.

The construction of affordable boutique hotels is best suited to this method as their models are based around smaller rooms with quirky and innovative design solutions.

In the UK, a 220 bedroom Holiday Inn in Manchester is currently being constructed from shipping containers and will be the first of its kind in the North West. Each module will contain two fully furnished en-suite bedrooms that will be individually stacked on top of a ground floor slab. The construction of the hotel will be noticeably quicker, with the majority of construction expected to be completed within a month. Once all the containers are in place, cladding and branding can be easily applied to the outside to complete the building. In Edinburgh, meanwhile, a 160 bedroom Courtyard Hotel by Marriott is being developed by Polcom using modular construction and finished with brick and aluminum panels.

Across the Atlantic in New York, citizenM is undertaking the biggest modular project in the city using 210 separate parts to create a 20-storey, 300-bedroom hotel. The surrounding neighbourhood should feel the benefits with the number of truck deliveries to the site cut by around 1,200 compared to a conventional construction site. The time spent by cranes on the site will also be reduced to around five months, as opposed to a year. Although this is their first project of this kind in New York, citizenM has used modular construction in hotel development across Europe in recent years.

As visitors look for hotels that are used as functional 'bases' rather than opulent places to stay, modular construction provides the perfect solution – rooms that are small, quiet and full of innovative design. For developers, construction is quicker and it allows expansion into city centre areas that may have been previously ruled out.

00
es built
y year

Modular buildings account for about
2% of the total
construction market

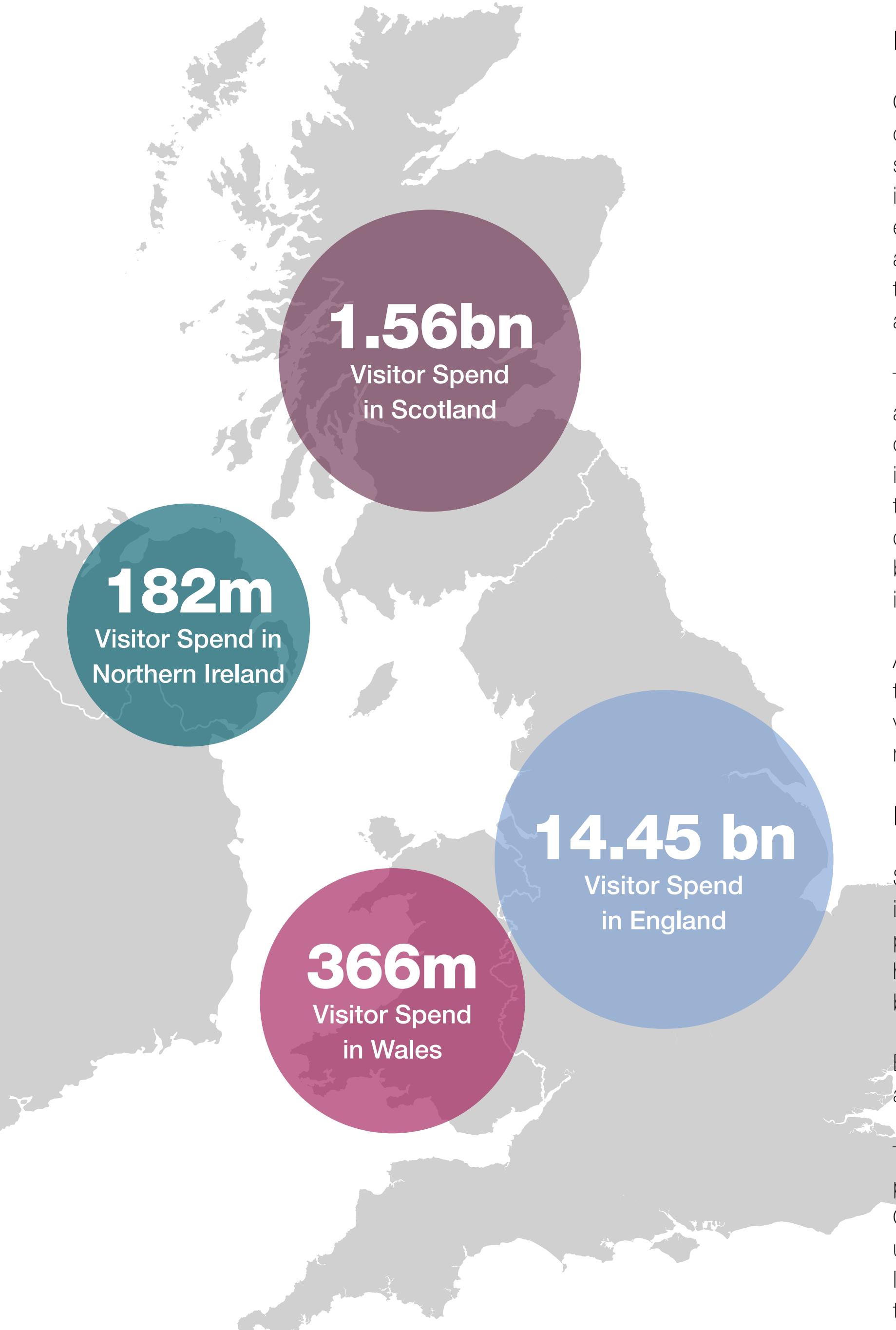
20%
less expensive and
60%
faster to build

The off-site construction of building, building elements and structures is currently worth
£2-3 billion
per year

Modular construction's market share is increasing by
25% per year

VISITOR ATTRACTIONS

FIVE KEY TRENDS SHOWN BY 2016 AND OUR PREDICTIONS FOR 2017



Source: Visit Britain statistics for Jan – Sept 2016

INCREASED SPEND

Overall spend varied by quarter and region as shown on the map. Visit England, Wales and Scotland all showed increased spend for 2016 for day visits. With interest rates remaining at an all time low, a beneficial exchange rate for foreign visitors with a weak pound and a continued 'staycation' effect following on from foreign terror alerts, more discretionary spend from both home and abroad went into UK tourist attractions last year.

Taking the countryside, historic towns, churches, galleries and museums into consideration, there are a large number of free attractions available. For attractions requiring income, capturing visitor spend can often entail diversifying the visitor offering and ensuring every opportunity for food, drink and retail spend is capitalised on. The offer must be regularly renewed or added to, to maintain customer interest and good value for money in the eyes of the visitor.

A 'season' or annual ticket is an increasingly used trend to secure higher entry fees initially and lead to repeat visits and secondary spend over the year, which visitors might otherwise have been reluctant to undertake.

INCREASED VISITOR NUMBERS

Statistics also showed that visitor numbers were up 4% in the year ending January 2017 compared to the same period ending January 2016. London tourism statistics however sadly showed the effects of terror fears with barely registered growth, contrary to national venues.

Both the weather and major events have been shown to affect visitor numbers.

This year with no major sporting events which have previously been shown to disrupt tourism such as the Olympics, or the World Cup, and with short-lived political upheaval, our prediction is for further increases nationally. If that were to be coupled with a bright, long summer then this could increase numbers further, increasing turnover and ultimately profitability and value.

TECHNOLOGY

Our lives inescapably now incorporate technology which pervades every experience we undertake. From the visitor's search for attractions (search engine optimisation being key and price comparison readily available), to booking it, (online is key, with a website optimised for use by smart phones and tablets), to finding the attraction, and navigating around it (audio visual guides, downloaded apps, interactive maps) and finally to the attractions themselves, technology is taken for granted as a key component.

To the millennial generation, a high-tech experience is required as fundamental. Virtual reality 4D displays, geo-tagging and location based services, web-cams, sound projection, and touch screen interaction are all now commonplace. Attractions may also be able to take advantage of technology to analyse visitor flows, monitor, measure and seek to improve on the experience provided.

And when the day is over the influence of technology does not stop; interaction with social media through Facebook, Twitter, Instagram, Blogs, and other social platforms are a key factor in promotion of the attraction, without doubt now more influential than traditional review sites or tourist awards. The venue's response and interaction with these is as crucial as interaction with strategic and online marketing to ensure a comprehensive digital strategy for promotion.

Blackgang Chine

COMMUNITY

The influence of community has long been prevalent in tourism. Ethically funded tourism combined with community based tourism is becoming popular for more conscientious travellers looking for an authentic experience, viewed through the eyes of locals.

Crowd funding can now further involve the local community in tourism and attractions, and has become commonplace. Often schemes offer kickbacks in return for investment, for example with free entry or a free night's stay and the attraction's operators will gain not only investment but ideas from investors which otherwise might be rejected by traditional lenders.

THE RETRO EFFECT

In sharp contrast to the previous comments, is a resurgence in holidaying within the UK, and escaping technology with back to basics activities and enjoying 'the great outdoors' away from television, games and mobile phones. Seaside locations are also enjoying a renaissance. There have been 7 piers sold within the last three years, often offering good profit margins from concession income and providing a mix of licensed leisure, traditional amusement arcades, retail and specialist leisure activities. Farm parks have also enjoyed increased popularity and earlier this year steam trains were once again in the news.

Multiples have tended to be around 5-8 (20% - 12.5% yields) on profits for these types of property. Larger assets are often bolstered by underlying asset value. Historically these have not shifted significantly, or as significantly as within other sub-markets of the leisure sector and therefore the key to improving value is likely to remain in the improvement of sustainable net operating profit, through keeping up to date, capitalising on visitor spend, maximising repeat visits and changing with market trends.

So in summary, our prediction for UK visitor attraction trends for the coming year includes increased spend, increased numbers, greater community involvement and a split between future proofed high tech attractions and those which look to the past.

ASPECTS OF LEISURE

Sectors

GOLF
Courses
Driving ranges
Golf developments
Golf and country clubs

HOLIDAY PROPERTIES
Static & touring caravan parks
Holiday resorts and villages
Holiday cottage complexes
Lodge and chalet parks
Timeshare resorts and complexes

MOBILE HOME PARKS

SPORTS VENUES
Health and fitness clubs
Sports grounds
Motor sports venues
Shooting schools
Ski centres and resorts
Leisure centres

VISITOR ATTRACTIONS
Theme parks
Museums and heritage centres
Children's activity centres
Wildlife parks

WATER-BASED LEISURE
Marinas and moorings
Piers
Sports and activity lakes
Fishing complexes

EQUESTRIAN
Racecourses
Studs and training establishments
Polo facilities
Riding schools
Livery yards
Equine health centres

LICENSED PREMISES
Public houses
Restaurants
Bars

HOTELS
City centre
Country house
Resort
Business
Budget
Sites and schemes

URBAN LEISURE
Bowling centres
Cinemas
Theatres
Snooker clubs
Night clubs
Casinos
Bingo clubs

TRADE-RELATED PROPERTY
Ports and airports
Waste transfer and recycling centres
Abattoirs and food processing
Crematoria, graveyards and woodland burial sites
Religious facilities
Nurseries and garden centres
Schools and colleges
Mineral extraction sites

ENERGY
Photovoltaic
Wind turbines
Anaerobic digesters
Waste to energy
Traditional generation

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- **Valuation**
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