

## What could the Citroen/Peugeot takeover of Vauxhall mean for UK property?



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The recent announcement that PSA Group, who own Peugeot and Citroen, will buy Vauxhall and Opel from their parent company General Motors for £1.9 bn will see the creation of the second largest car manufacturer in Europe (behind Volkswagen Group).

Vauxhall have 333 dealerships in the UK\* along with major production plants at Ellsmere Port and Luton. The chairman of PSA, Carlos Tavares, has already suggested savings will be made of £1.47 billion per annum by 2026.

However going forward what could the effects be on the property market?

### Dealerships

We are unlikely to see the wholesale closure of dealerships across the UK. In recent years there has been a trend for manufacturers to split their brands in terms of properties, whether this is separate sections of the same building or indeed totally separate buildings. There could be some scope for Vauxhall dealerships to incorporate the other brands into their sites, especially where they have previously had other GM brands such as Saab or Chevrolet. Given Vauxhall had just over 10% of the UK car market in 2015\*\*, it's unlikely that the brand will disappear and there is the potential for new investment and growth.

However it is unlikely we will see any major moves in the dealership market in the short to medium term.

### Non-retail premises

Where we expect there could be change is in the non-retail properties. Citroen recently sold their HQ and relocated to Coventry to share premises with Peugeot. We could foresee a similar situation with Vauxhall relocating some functions from its spiritual home in Luton.

The topic of Luton is probably the biggest question mark. With the new owners looking at costs and the general consensus that the

enlarged group now has too many manufacturing facilities, this could be where the major effect on property will be felt. If one of the UK plants was to close, it is not only the plant itself which would be affected but all of the supporting infrastructure, from the manufacturers of parts to the workers in the nearby sandwich shop. However the effects of a hard or soft Brexit are likely to have an impact on the final decision on any plant's future.

### Property Investment

Property investment could benefit from the takeover as the growth in the size of the company could lead to further investments, possibly the redevelopment of old sites for new state of the art facilities or even a relocation of all brands in a town to a single larger bespoke site. If the new owners can return Vauxhall (Opel) to profit, making their existing properties a more attractive investment, we could see the hardening of yields.

From a landlords perspective, the vast majority of Vauxhall dealerships have been run by national franchise dealer groups on a leasehold basis. Any landlords who own one of these investments, with a short or medium term lease in place to a franchise group on a Vauxhall site, should consider the chance of the enlarged PSA group rationalising their portfolio. In this case, Rapleys' Automotive & Roadside team are on hand to discuss a range of likely options for your asset.

**For any further information, please contact Mark Frostick.**

\*Source: Vauxhall.co.uk \*\*Source: Car Magazine