

# concession

## NEWS

### UPDATE



## CONCESSION AGREEMENTS – HOW THEY AFFECT SITE VALUES



Following our successful launch at GLEE, FF-Garden Centre Services has found that an alarming number of garden centres currently have concession tenants on site that, (a) Have no agreement in place, at all! (b) Are trading after an agreement has expired! (c) Have not reviewed their tenants agreement terms since they installed!

All of these can leave garden centre exposed to legal ramifications if not resolved, and not having the right paperwork will affect the overall value of a site. Thus, as an owner of a garden centre thinking of selling or even planning for the future, having a secure Concession agreement is integral to the business model.

In some cases, concession agreements are rolled over with no review of rent and terms which means that, tenants on site are not paying the market value, which will also has a negative impact on the total valuation potential.

Garden centres should not be concerned about disrupting the status quo as tenants also need secure agreements. Agreements detail a tenants full financial obligation and allows them to plan for the future therefore there is no reason why they should be trading without a completed contract.

An increase in recent acquisition activity in the marketplace has been supported by a recent report by Plimsoll has identified “136 firms as classic acquisition targets,” showing there is a growing trend for garden centre sales in the current market. As a result, garden centres making sure their concession agreements are current, secure and paying the right amount is integral to the valuation of their site.

**Richard Lewis of First Franchise commented** *“Garden Centres need to have a current concession agreement governing the terms of operation on their sites as a legal requirement. They are landlords to these retail tenants and need to protect themselves with a fair agreement that is in line with the current market values. We often find that completing these agreements is a distraction from the day to day running of the site, but the reality is that these contracts are no less important to a sites value than the sales from an instore department. We have the experience and market knowledge to help garden centres through the process and secure revenues.”*