

## Market Comment September 2022

When I retired in December 2020 I said would not write another market comment but here I am writing one. This however will I think be a rare reoccurrence as opposed to the old monthly frequency. I have certainly missed writing these. I know you have missed reading them too. I felt one had to be written in view of the challenges facing the small business sector at this time.

I look back briefly through the gap since my retirement in December 2020 and concentrate on the period between now and Christmas 2022.

It looks like we all bounced back from the Covid pandemic and the numerous crisis' that occurred within it. The world has changed somewhat, yes but things seem back normal and we are cruising along quite nicely. Yeah right we have lurched from one crisis to another. In the UK that means a dipshit running the country, a cost of living crisis, an election for a replacement prime minister, electricity bills through the roof. The unions are carrying out more strikes than your average bowling alley will see in its lifetime!

Elsewhere in the world a Russian nutcase with control issues has invaded another country and with it annoyed the rest of the entire civilised world. Not only that, but the knock on effect has caused numerous supply chain issues that have effected entire industries such as the automotive sector. The sector was already having issues after Covid but this has made things worse. I feel for the Ukraine I really do. I hope when this is all over that they build back up bigger and better.

So where does that leave the small business sector and the small business deals sector. We thought we were in between a rock and a hard place with the Covid pandemic. Well, it looks like the rocks have got bigger and harder to shift and the hard surface floor we are balancing on is now covered with spikes!

Stories of commercial electricity bills going through the roof are common place. I have heard of renewal electricity quotes for cafes ballooning to £65,000 a year from £4000 or £5000. Do the maths and that's at least an 11 quid price hike on the cost of my favourite latte! Based on that, what the hell are they going to do to the cost of my favourite slice of cake? More importantly what will the taxman say when I try to expense it!!

It's hard to for me to say this but I think in terms of closing down sales, January saes and end of stock sales, we will see more of these than the furniture sector has ever had! In terms of hot food on or of premise retail I can see a lot of independents closing down either by choice or force. Both through rising costs and a lack of

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customers who are tightening their belts. In terms of selling on these businesses values could drop by up to 50%. I suspect that this will push a large number of empty retail units to be converted to residential use.

In terms of independent retail. I can see the same happening. I think a shift to online only might be the only way to save some of these businesses. I note that there are still issues with Brexit and obtaining stock from other countries which may also be pushing prices to the already cash strapped customer up.

Taking a sector agnostic view I can see the sale values of small businesses and lifestyle businesses dropping significantly and can only see this being sustained until the end of 2023. My advice would be to hold if you can. If you cannot hold and need to sell, be prepared to accept a low value offer.

I really cannot see things changing. The UK government hasn't got a clue even with our recently announced new leader. I just hope she calls a general election sooner rather than later.

In terms of commercial property my outlook is the same but I do see localised bidding wars for really good residential conversion opportunities being a reality. A pity really as once a commercial property goes to residential the commercial sector will never get it back.

There are some opportunities for the side hustle sector but I think that ingenuity will be the key to a side hustle being successful. The only other sector I can see benefiting from the need for a second income is the part time gig economy.

Old time readers of Market Comment will remember that there always used to be an incident surrounded the publication of it. One issue was produced from a hospital bed for example! This issue is the same as I managed to spill a hot drink while writing!

I would like to close by saying the following: I have really enjoyed writing this for you all. I hope you enjoyed reading another issue of Market Comment. I wish all readers, the very best for their business futures.

Best regards

Court Guinness