BUSINESS OUTLOOK **2025**

CHRISTIE & CO

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GLOBAL MANAGING DIRECTOR'S STATEMENT

DARREN BOND
Global Managing Director

For further insight and to read the full report, **please scan the QR code**

We are delighted to report that we saw a recovery in the UK market during 2024, as the repercussions following the 2022 mini-budget were unwound and we saw an increase in business confidence. That was despite the calling of a snap general election in the UK and other concerns from businesses around changes in policy, following the change in government.

In 2024 we had our busiest ever year for deal completions and concluded the sale of over 1,100 business properties. There was no shortage of appetite from buyers who, in the independent segment of the market, remained ambitious to seek out opportunities to expand their portfolios. Deal times did however take longer during the year, with transactions taking an average of seven months from acceptance of offer to completion. This reflected an increase of just over a month longer than in the prior year.

The 2024 Autumn Budget revealed a number of unexpected changes, particularly the increase in employer National Insurance contributions (NICs) which will hit all businesses hard when it takes effect in April 2025. We feel the ability to pass on further price increases to the consumer will be stretched to breaking point for some businesses, on the back of several years of very high inflation. For this reason, we do predict to see an increase in business distress cases over the next 12 months.

Our valuation and consultancy teams remain busy working on pan-European assignments, which have included some of the largest pub companies and internationally branded hotels.

We continued to monitor price movements across our specialist sectors and this year we report an overall fall in the average price of businesses sold by Christie & Co of 0.7%. This reflects an increase in the number of corporate divestments at the lower value end of their portfolios, with first time buyers and small independent groups remaining very acquisitive.

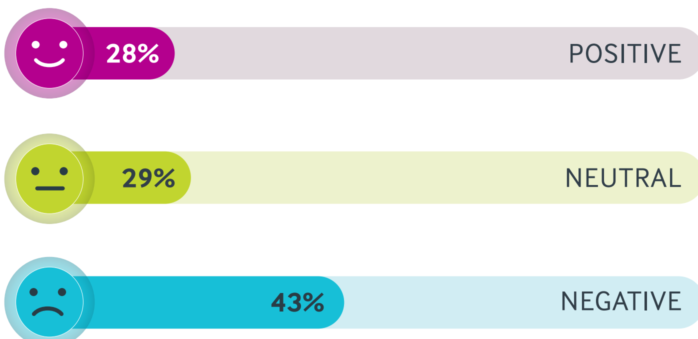
In Europe, we launched a healthcare team in France, building on the strength of our UK business and the recent launch in Germany. We will look to expand into other operational real estate markets across Europe in 2025, as we build on relationships with investors as they explore new markets.

In May 2025, we will celebrate our 90th anniversary. Our team has been successfully advising and selling businesses across our specialist sectors for many years and we are proud to have supported some of our clients in their journey from buying their very first business, to building portfolios worth into the billions. We hugely value those relationships and look forward to celebrating this milestone and continuing the journey with you.

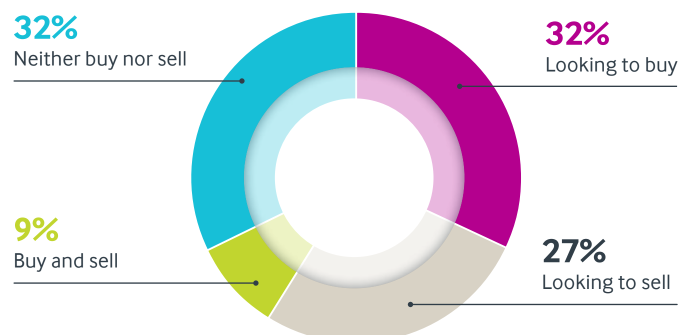
MARKET SENTIMENT

We anonymously surveyed sector stakeholders across the country to gather their views on the year ahead.

When asked about their sentiment in 2025

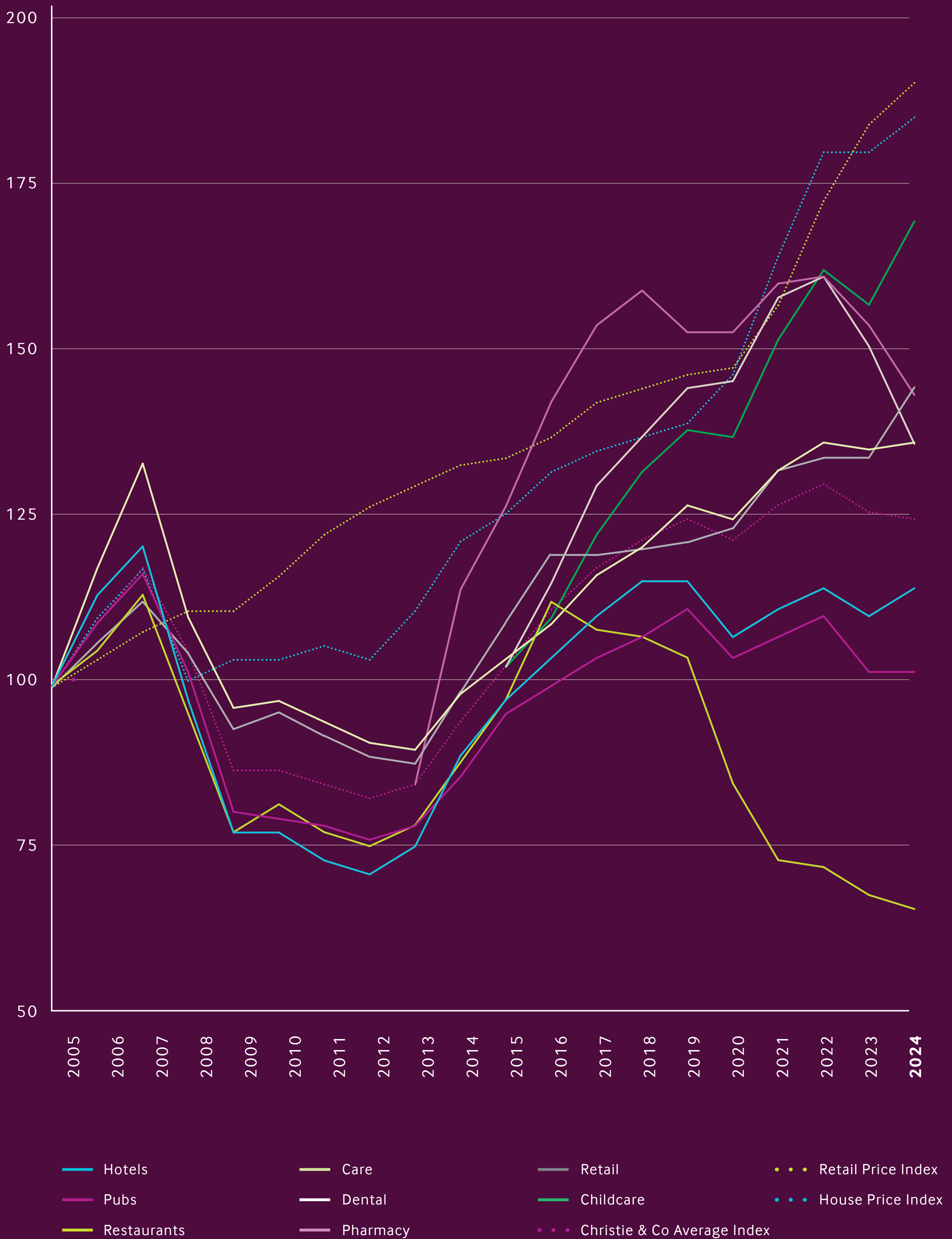


When asked about their sale and acquisition plans in 2025



PRICE INDEX

INDEX BASED ON AVERAGE SALE PRICES (FROM A BASE OF 100 IN 2005)



BANK SUPPORT & BUSINESS RECOVERY

For further insight and to read the full report, scan the QR code:

The upward trend of distressed operational real estate situations we saw in the latter half of 2023 continued into 2024. This resulted in the number of distressed businesses we were instructed to sell last year being in line with 2023, when our activity returned to the pre-pandemic level of 2019.

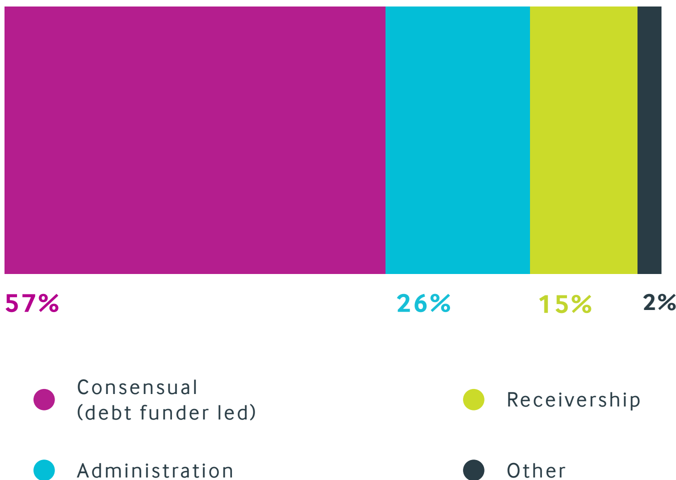
Persistent inflationary pressures and the higher cost of servicing debt have been key factors impacting many businesses over the last few years, decreasing their operating margins and profitability. Inflation declined significantly during 2024, reaching a low of 1.7% in September but rising in the two subsequent months to 2.6% in November. This created uncertainty over the downward trajectory of future interest rates which had reduced to 4.75% by November, after peaking in September 2023 at 5.25%. Any relief from interest rate cuts is likely to be afforded through reductions in small increments over a prolonged period resulting in the cost of borrowing continuing to be a burden on businesses during 2025.

We have seen continued forbearance from mainstream lenders to pent up debt by extending capital repayment holidays or loan facilities to give borrowers time to refinance.

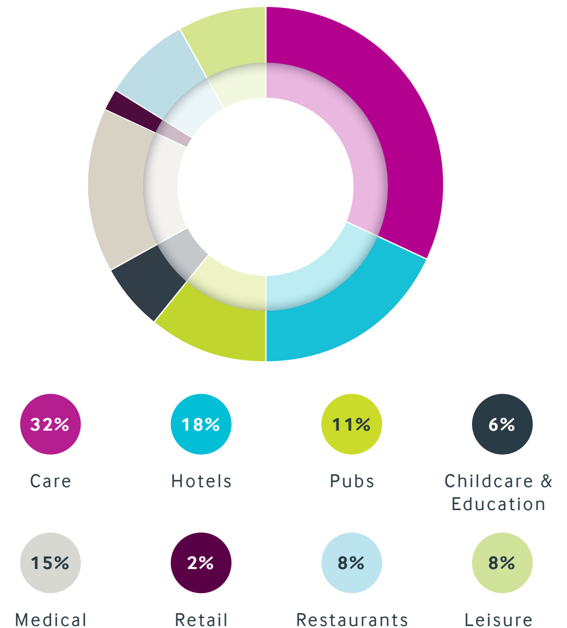
Notably, we saw an increase in the number of consensual sale mandates we dealt with in 2024 where directors were actively attempting to refinance while marketing their businesses for sale through Christie & Co. In some cases, the decision to sell was driven by funders offering forbearance as leverage over borrowers. This ensured the potential for more than one route to debt being repaid, particularly when achieving a refinance was not certain. Conversely, we witnessed a lesser degree of forbearance by some challenger banks, bridging and tertiary lenders who were quicker to appoint administrators or receivers to enforce their security and sell assets to recover their loans.

Perhaps the biggest threat to business in 2025 is the budget set in November 2024 by the newly elected Labour government. Headlined as a budget for growth through a significant increase in public spending, financed by a combination of tax rises and higher borrowing, the reality is that an increase in employers' National Insurance contributions, the National Living Wage and Minimum Wage and a reduction in business rate relief from 75% to 40% will stifle growth for many SMEs. The significant increases in payroll and rates are likely to put further pressures on operational margins during 2025 and jeopardise investment.

DISTRESSED ASSET INSTRUCTIONS FOR DISPOSAL BY APPOINTMENT TYPE IN 2024



DISTRESSED ASSETS SOLD BY SECTOR IN 2024



MARKET PREDICTIONS

- Business distress which trended up from Q3 2023 through 2024 will continue at similar levels in 2025
- Tax rises implemented in the November 2024 Budget will result in increasing business distress and failure for a swathe of SMEs already operating on the thinnest of margins
- A steady increase in demand for turnaround and restructuring support as businesses continue to face ongoing pressures and uncertainty
- Relief for businesses from stabilised inflation but the cost of borrowing will remain a challenge as interest rates reduce in small increments over a prolonged period

CAPITAL MARKETS

For further insight and to read the full report, scan the QR code:

2024 saw a notable increase in real estate capital markets activity across Christie & Co's specialist sectors – a trend which we expect to see continuing in 2025.

Following a relatively subdued market environment in 2023, we have seen activity steadily building through 2024 as investor confidence has started to return. More capital has been looking to deploy with this increase in liquidity resulting in a number of sales processes being launched. Much of this has to do with a general acceptance from buyers and sellers that the current macroeconomic conditions broadly reflect the 'new norm', albeit with the welcome news of gradual reductions in the Bank of England base rate helping to boost confidence.

As a business, Christie & Co specialises in operational real estate which is often referred to by investors as 'alternatives' when compared to the more mainstream asset classes of high street retail, offices and industrial. With the post-Covid world redefining how we work and shop, many real estate investors have been adjusting their strategies to focus more on the 'alternative' and, in particular, the sectors that are underpinned by need or forward looking lifestyle choices/ consumer trends. This is a trend that we expect to continue into 2025, leading to a buyer pool which should be wider and more diverse – albeit with a sensitivity to price given the wide array of opportunities which are becoming available.

The cost and availability of capital remains a key determining factor with many existing investors looking to raise funds and some listed investors constrained by subdued share prices. This latter point includes funds located in the UK, USA and Europe where many have been actively asset managing throughout 2024 to create liquidity with a view to being in a position to start selectively buying during 2025.

SPOTLIGHT ON CHRISTIE & CO SECTORS

Of all the sectors that we operate in, **healthcare** (including childcare and medical), has seen significant activity throughout 2024 as investors are attracted by the 'needs-driven' nature of the sector and its long-term demand fundamentals.

We have seen several very substantial transactions in the UK and Europe including the sale of Northwest Healthcare REITS UK portfolio of hospitals to Assura and Civitas's acquisition of Alloheim in Germany in September 2024. We have also seen Parkway Life REIT, one of Asia's major listed healthcare REITs, enter the European market with a €111m sale and leaseback deal in France of an 11 care home portfolio.

In a similar vein, there is a good appetite for investments in the medical sector, in particular GP and dental practices, where we have seen an increasing level of activity.

Childcare is also a sector of significant interest to a wide range of real estate investors, including increasing appetite for new build SEN school investments along with early years settings and larger mainstream schools.

We expect investor interest in these 'needs driven' sectors to evolve further, particularly given their strong alignment with ESG and investing for a positive social impact.

For **hotels**, we have seen a notable uptick in activity within the UK market as illustrated by a number of recent processes involving assets let to covenants such as Premier Inn and Travelodge. Demand is coming from a broad spectrum of buyers ranging from institutional funds at the lower end of the yield curve to private equity companies, family offices, special situation funds and entrepreneurial investors for value-add situations. In Europe we have seen good demand in the key cities, especially for upscale or trophy assets together with luxury resort hotels in key European markets.

The picture for **pubs** and **leisure** has been more variable with much depending on the quality of the asset, covenant and the trading position of the operator. There has been a trend of more stock coming to the market and, in many cases, yields have been pitched at high single digit or even double-digit levels. This higher level of return provides good opportunities for a wide pool of capital albeit, often, with a need for more proactive asset management and a generally higher risk profile when compared to other sectors.

MARKET PREDICTIONS

We are positive about the prospects for the year ahead and are actively expanding Christie & Co's Capital Markets activity across our different sectors and operating geographies. Whilst there are clearly some macroeconomic and geopolitical factors to navigate around, the tone of market sentiment is positive. We summarise our key predictions:

- We expect to see more capital looking to deploy in the market, with particular focus on the 'alternatives' sectors which form Christie & Co's core markets
- More stock and opportunities are likely to come to the market
- Subject to wider macroeconomic conditions remaining stable, yields will continue to stabilise, and we may see some compression, particularly for best in class, institutional grade stock
- The focus on sustainable investment/ ESG will continue to evolve

DENTAL

For further insight and to read the full report, scan the QR code:

The independent sector continued to dominate market activity throughout 2024, with independent first-time buyers, existing owners, and smaller groups driving over 80% of agreed transactions.

This sustained momentum in the volume segment was reflected in pricing, with practices achieving an impressive average of 108% of their asking price.

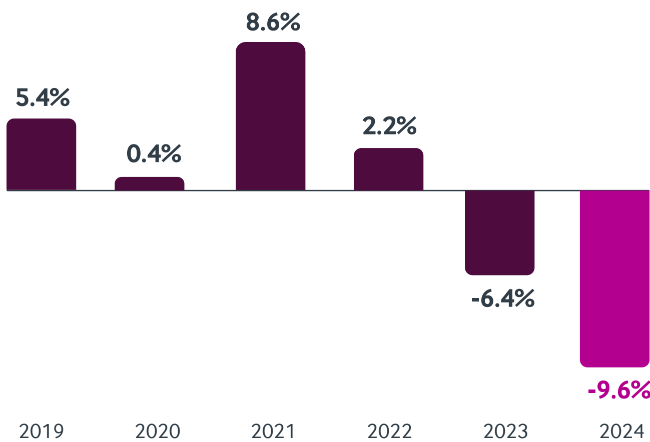
As borrowing costs stabilised over the year, the market gained more confidence, particularly in practice acquisitions. Viewings surged by 19%, offers received rose by 17%, and the number of agreed deals soared by 26% compared with 2023.

The aggregate value of all offers increased by 1.5% which, when allowing for the increased volume of offers received, reflects the dominance in independent market activity.

Activity levels were further bolstered by a significant 18% rise in the number of practices brought to market in 2024. This influx of supply provided prospective buyers with a wider range of opportunities, influencing the average number of offers per practice sale. After climbing from 2.2 in 2022 to 4.4 in 2023, the average rose to 4.8 in 2024, reflecting the evolving market dynamics.

PRICE INDEX

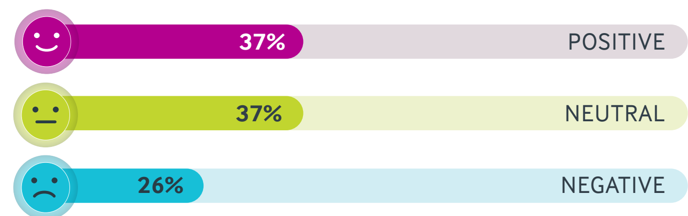
The market has experienced a further pricing recalibration, with valuation multiples adjusting to more sustainable levels. Our data indicates that this correction has now stabilised and, indeed, is showing signs of renewed optimism on the horizon. While the transactional market in 2024 saw fewer major deals to corporate operators, this shift has opened up exciting opportunities for independent and first-time buyers.



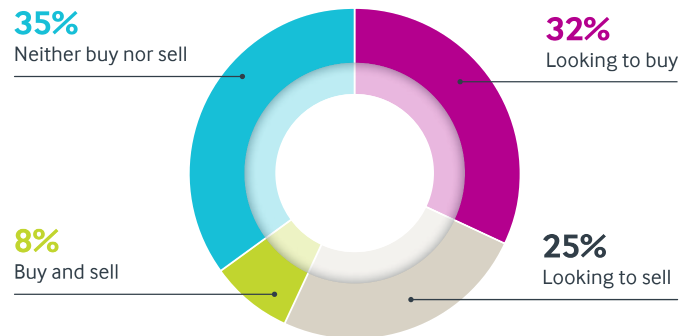
SENTIMENT SURVEY

We anonymously surveyed dental professionals across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



When asked about their sale and acquisition plans in 2025



MARKET PREDICTIONS

- A continued appetite from independent groups and owner-operator first-time buyers for all practice types
- Increased numbers of sellers wanting to exit before future changes to Business Asset Disposal Relief
- Higher National Living Wage (NLW) rates affecting practice profitability along with employers' National Insurance contributions (NICs)
- Private equity-backed corporate buyers returning to the market in light of stabilised interest rates and successful periods of integration and divestment
- Continued issues with recruitment, alleviated somewhat by the streamlining of the PVLE & ORE processes
- Due to the financial restrictions placed on NHS-focused practices, such as the ineligibility for the increased employment allowance, acquisitions focused on NHS-heavy portfolios might have less appeal to buyers. Buyers may, instead, target practices with a larger private patient base, which are less constrained by the 2024 Autumn Budget's public sector stipulations

PHARMACY

For further insight and to read the full report, scan the QR code:

Following Labour's landslide election victory in July 2024, the Party appointed Stephen Kinnock as its new Pharmacy Minister, along with a host of other appointments across healthcare.

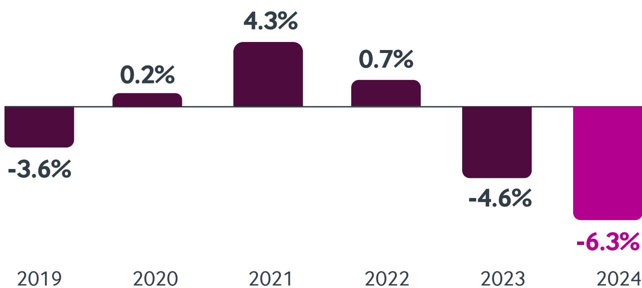
Pharmacists, Sadik Al-Hassan and Taiwo Owatemi, also now sit as parliamentary MPs, which, one would hope, will provide better insight into the sector's challenges and drive necessary change. Whilst any funding announcement was delayed in 2024, it is hoped that more positive news will be received in early 2025.

A minor boost was also received by the sector with the introduction of the Pharmacy First service in England, which has been operating successfully in both Scotland and Wales (CAS) for a couple of years. The implementation wasn't without its challenges, however, with some minor adjustments to activity thresholds in October last year, it is hoped that the delivery of the service will continue to improve to the benefit of patients, and provide much-needed additional income to contractors.

Throughout 2024, transactional activity was strong despite ongoing operational challenges. In the 12 months to November 2024, we completed 222 pharmacy sales, more than double the amount for the preceding year. 36% of these were corporate disposals which we expect to subside in 2025 and be replaced with an increasing volume of independent sales.

PRICE INDEX

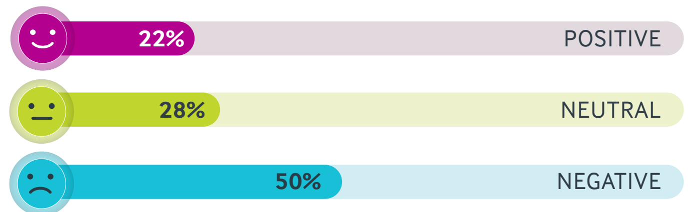
2024 was a record year for transactional activity, with deal volume at an all-time high despite ongoing operational challenges and cost pressures. However, the negative price index in 2024 was a product of the high number of smaller pharmacies and corporate disposals sold in the first half of the year. Encouragingly, the last quarter saw a vast increase in the average value of the pharmacies being added to our pipelines, which will no doubt positively impact our price index in 2025.



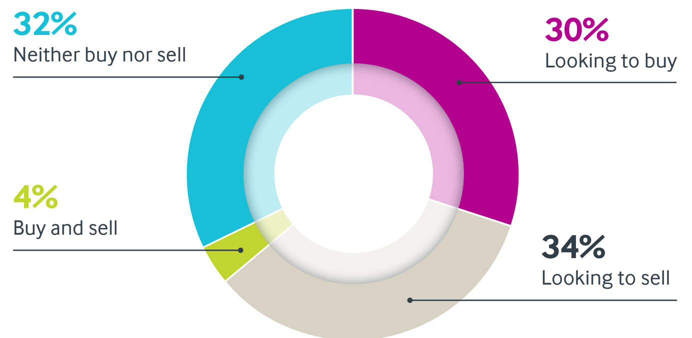
SENTIMENT SURVEY

We anonymously surveyed pharmacy professionals across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



When asked about their sale and acquisition plans in 2025



MARKET PREDICTIONS

- Cost challenges will remain a key factor in the market, none more so than the increase in National Living Wage (NLW) from April 2025
- It is hoped that, with an improved funding settlement, levels of distress in the sector will subside
- A continuation of the improvement we saw in Q4 2024 of the volume of independent sales as corporate disposal processes start to subside
- Improved appetite from group operators to acquire as some cost pressures stabilise
- Private equity is expected to renew its focus on the sector, as it is one of the few primary care sectors not to have seen significant investor appetite

CARE - UK

For further insight and to read the full report, scan the QR code:

In many ways, 2024 was a year of growth in the UK care market, with the majority of operators reporting an improvement in occupancy levels and a reduction in agency usage.

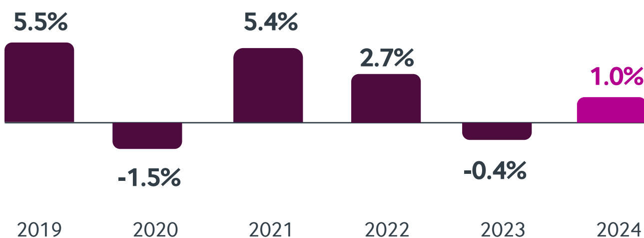
We saw a return in buyer confidence which resulted in an increase in transactional activity across the market, especially from the first-time buyer and independent segments. However, deal times were delayed as issues with the Care Quality Commission (CQC) persisted.

There was a clear reemergence of real estate investment activity following a relatively benign market environment in 2023 whereby investors adjusted to a range of factors including higher interest rates, inflationary pressures, and an upward movement in government gilts. In 2024, we saw yields stabilise with market activity seeing a notable pick up.

The land and development market faced stronger headwinds due to construction cost inflation, ongoing challenges in the planning system, and the availability of debt. However, the need for future-proof care beds remains undiminished and the underlying ESG credentials, together with future bed demand, remain compelling for investors. We saw a greater number of developments coming forward in untapped regions including the South West of England, Wales and London and this will continue into 2025.

PRICE INDEX

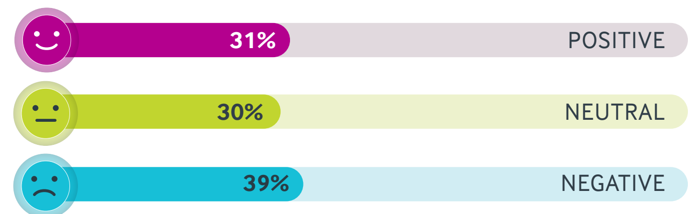
Higher interest rates hampered new deal activity early in 2024 and the calling of a general election created uncertainty in the market. This led to buyer hesitancy and a decline in the number of care homes coming to the market. Positively, activity levels increased in Q3 following a reduction in interest rates and the general election result. The impact of the changes in employer National Insurance contributions (NICs) in the Autumn Budget is yet to be fully understood but the momentum of the transactional market was undiminished in Q4. Given the wider turbulence, underlying demand from investors remained strong with good prices achieved. Our price index reflects this with a 1% overall increase.



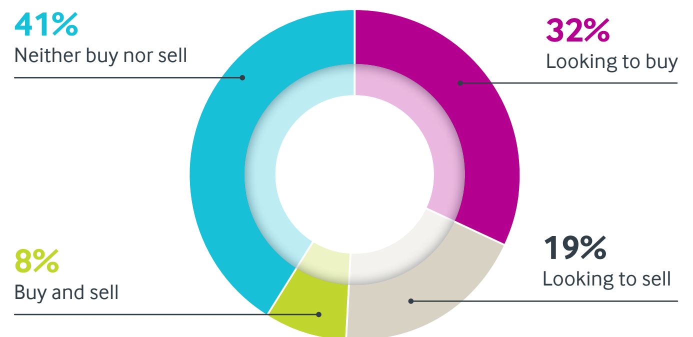
SENTIMENT SURVEY

We anonymously surveyed care providers across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



When asked about their sale and acquisition plans in 2025



MARKET PREDICTIONS

- Increased activity with interest rates easing
- Increased deals funded by REITs
- Continued first-time buyer activity
- Margins squeezed on those dependent on local authority fees
- ESG credentials will become increasingly important for both owners and funders
- Existing operators will continue to expand with a preference for businesses with upside
- Concern around staffing cost increases versus local authority fees
- We remain positive that healthcare will continue to be a key target sector for investors

CARE - GERMANY

For further insight and to read the full report, scan the QR code:

The German market for care properties is currently marked by dynamic developments, offering both attractive investment opportunities and notable challenges.

Driven by demographic shifts, the rising demand for residential care and senior housing continues to serve as a stable, long-term growth factor for this asset class.

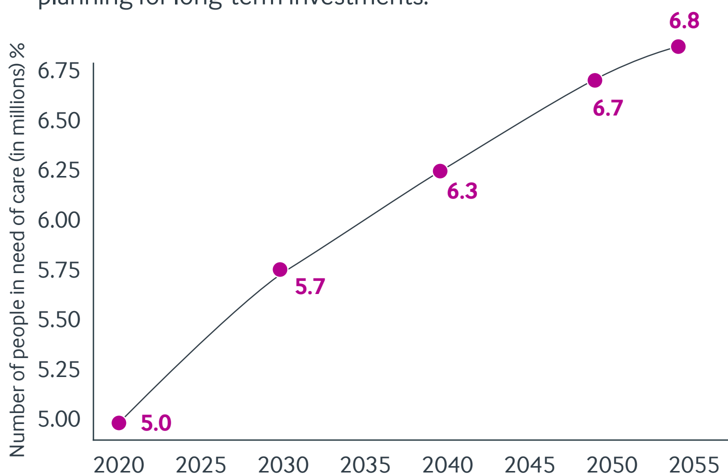
A prime example of ongoing market activity is the Alloheim Group's acquisition of the operational business of all 27 Katharinenhof locations. This transaction, encompassing over 3,000 care places for residential care and assisted living, and involving an investment volume of around €300 million, underscores strong confidence in the sector's long-term viability. Additionally, Alloheim has entered into 25-year lease agreements with Civitas Investment Management Limited, highlighting the long-term strategic planning and stability of this investment.

Investors are seeing attractive yield opportunities; care homes currently achieve yields ranging from 4.0 % to 7.0 %, depending on quality and location, while assisted living facilities offer yields between 3.5 % and 6.0 %, influenced by location and demand. Despite these favorable fundamentals, the market is experiencing a phase of consolidation. However, recent developments, such as declining financing costs and strategic acquisitions, could pave the way for a revival in transaction volumes. Our expert team sees potential for a more active second half of the year, with well-positioned market participants poised to seize emerging opportunities.

The demand also continues to focus on lower-risk investment options, particularly assisted living and medical office buildings. Investors are increasingly drawn to Core-Plus strategies, which offer a balanced mix of yield potential and stability. Overall, the care property market remains a solid yet demanding investment landscape, requiring thorough risk assessment and well-crafted strategies.

RISE IN THE NUMBER OF PEOPLE IN NEED OF CARE IN GERMANY IN MILLIONS (2021–2055):

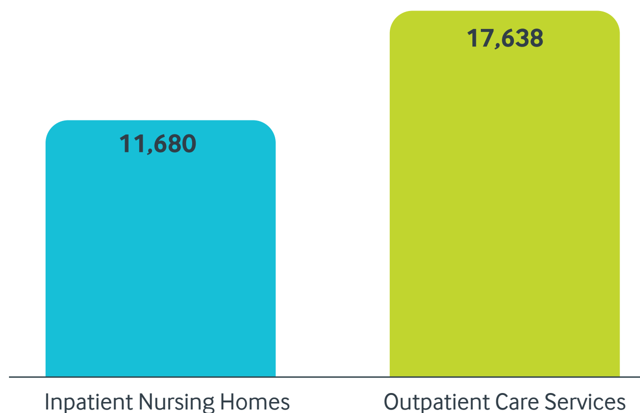
The number of people in need of care in Germany is expected to rise significantly by 2055. This increase highlights the growing demand for healthcare infrastructure and services. Investors should consider this demographic trend when planning for long-term investments.



Source: Statistical Office

NUMBER OF CARE FACILITIES AND SERVICES (2024):

Outpatient care services outnumber inpatient nursing homes, reflecting a shift towards community and home-based care. This trend presents opportunities for investments in outpatient healthcare facilities. As the population ages, the demand for these services will likely continue to grow.



Source: National Care Market Report

MARKET PREDICTIONS

- The demand for high-quality senior living facilities will exceed supply, driven by an aging population and increasing expectations for quality
- The shortage of skilled labour will intensify, forcing operators to adopt technological innovations and implement strategic workforce planning
- ESG criteria will become critical for financing and valuation, necessitating extensive retrofitting of existing properties
- Investment in outpatient healthcare facilities will increase, reflecting the shift towards outpatient care models
- Regional disparities in care provision will widen, as rural areas struggle to attract investment and qualified staff

CARE - FRANCE

For further insight and to read the full report, scan the QR code:

In 2024, the healthcare investment volume in France remained resilient, with a transaction volume of circa €500 million, largely driven by notable deals in both the care home and acute care markets, including the first entry of two international investors.

The 2024 total investment volume is forecasted to reach €800 million, which, although 20% below the last 10-year average of circa €1billion, represents a relatively moderate decline compared with the significant decline of other real estate asset sectors, such as the much sharper drop in offices, which reportedly decreased by up to 50% year on year.

The 2024, total investment volume is forecasted to reach €800 million

INSIGHTS

Investment in care homes was almost at a standstill in France in 2022-23, however, following that period, most of the investments have shifted towards healthcare clinics. 2024 confirmed this trend, with health clinics accounting for circa 60% of the total investment volume.

On the other hand, the market entry of international investors has proven that there is a renewed interest for care homes, supporting the long-term demand for this sector, which is starting to benefit from the continued rebranding and refinancing efforts of the leading operators.

Health clinics accounted for circa 60% of the total investment volume in 2024

MAIN DEALS

- The main highlight at the beginning of the year was the acquisition of Clinique du Parc in Lyon, a prime asset reportedly transacted at circa 5.6% NIY by the recently created SCPI Patrimoine Santé AEW. This was their first healthcare acquisition
- In the second half of the year, Emeis announced the €185 million buy-back of eight clinics that they previously leased
- In October, Parkway Life REIT announced the €111 million sale-and-leaseback of an 11-care home portfolio in France leased to DomusVi, marking their first investment in Europe
- In November, Healthcare Activos announced their first acquisitions in France, with one care home in Paris 8 operated by Clariane, and another care home in Bordeaux leased to Colisée

MARKET PREDICTIONS

- Interest rate cuts driven by central banks point to a stabilisation of transaction yields across the real estate market in 2025, including the healthcare sector
- Investment volumes should return to normal, nearing the €1bn mark
- As new healthcare investment vehicles continue to rise and new international investors enter France, appetite for healthcare opportunities will remain strong
- Major healthcare operators will continue to actively divest their real estate assets to stabilise their finances, attracting attention from investors interested in sale-leasebacks
- The office market downturn will keep creating opportunities for repurposing existing buildings into senior housing and medical offices

CHILDCARE & EDUCATION

For further insight and to read the full report, scan the QR code:

2024 saw heightened childcare and education business acquisition, merger, and investment activity amid a more stabilised inflationary environment and the settling of interest rates.

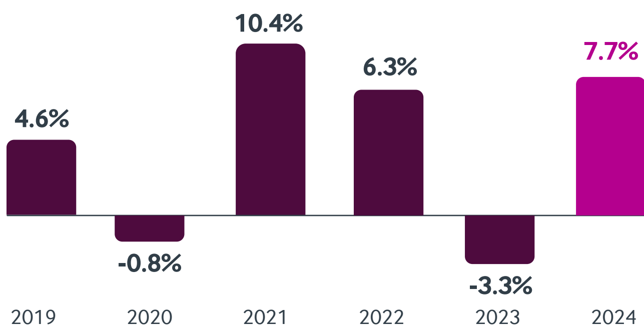
There was no shortage in demand from investors and buyers seeking platform acquisitions and opportunities to consolidate via the acquisition of high-quality, larger capacity settings within the children's day nursery sector.

The UK independent schools market saw significant disruption, with buyers, investors, and lenders practising heightened caution due to the lack of visibility following the announcement of the introduction of VAT on private school fees effective January 2025, loss of business rates relief effective April 2025, and latterly employers' NIC increases.

The voracious appetite from buyers across the specialist and SEND markets continued. A dearth of opportunities which has, for some time, prevailed, continued to heighten the prices that buyers pay for high-quality businesses, enabling them to facilitate consolidation, expansion, and growth.

PRICE INDEX

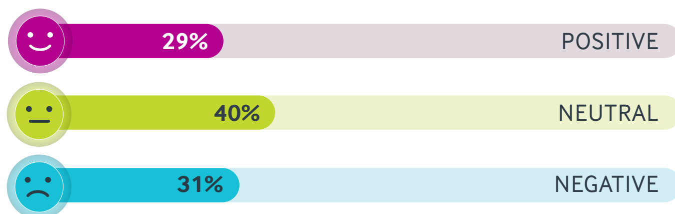
The quality of assets transacted was notably ahead of 2023, with the average price of medium group portfolio sales over 10% higher and small group, single settings sales roughly 1% higher. Whilst there may be some influence through the comparative premium paid for groups, single assets are still in high demand and exceptional prices are achieved for quality settings.



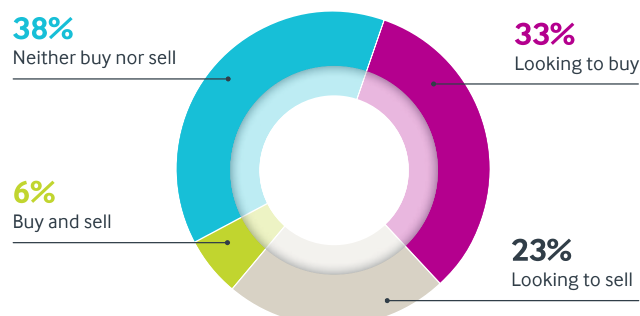
SENTIMENT SURVEY

We anonymously surveyed childcare and education professionals across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



When asked about their sale and acquisition plans in 2025



MARKET PREDICTIONS

CHILDREN'S DAY NURSERIES

- High demand for quality leasehold and freehold opportunities
- Further consolidation from large and medium-sized groups seeking acquisition opportunities
- Buyers will scrutinise parental demographics when considering acquisitions and undertaking due diligence
- With the 2025-26 EYPP funding rates not factoring in NIC increases, some settings will face greater financial challenges

SEND SCHOOLS

- Sellers will achieve super-premiums, driven by competitive buyer tension
- Demand for properties with vacant possession will facilitate new capacity creation
- Local authority budget pressures will increase the focus on providers demonstrating value for money
- Infrastructure property funds will show additional interest in assets occupied by SEND providers
- Regulatory scrutiny will intensify

INDEPENDENT SCHOOLS

- Schools able to act nimbly in diversifying to create new, additional revenues will do so
- For some, operational cost pressures will lead to financial distress and an increase in closures
- Closed assets will be acquired by SEND providers or for alternative use

CHILDREN'S SOCIAL CARE

- Continued buyer appetite for quality businesses with proven earnings
- Properties with the benefit of permitted C2 or C2a use will command premiums over those on a vacant possession basis with C3 use
- With local authority funding shortfalls, commissioning into services at lower cost points could result in children's individual needs not being met
- Continued short-term stagnation of the market in Wales

LEISURE

For further insight and to read the full report, scan the QR code:

All businesses face higher employment costs and taxation as a result of the Labour government's first budget. Businesses will, wherever possible, look to pass these on to the consumer, especially in non-discretionary spending sectors.

The leisure sector, however, tends to be driven by more discretionary spending and may fare differently as consumers resist operators' attempts to pass on such costs. The key, therefore, will be the quality of offer and service provided by leisure businesses to their customers to maintain operating margins.

Financial performance and new EBITDA levels will only start to show in six months to a year's time when management information and accounts become available. The market will price in any movement in value whether it is up or down.

Buyer sentiment remains positive in operational real estate, with the view that interest rates should come down at some point during 2025 and we have no shortage of buyers for well-presented and invested leisure businesses for sale. Private equity activity has shown a marked uptick across the board with a number of consolidation deals and, as always, carefully pitched pricing is key to attracting good levels of interest to ensure potential buyer engagement.

However, sellers still should be mindful that overly optimistic pricing can deter motivated buyers. Having said this, 2024 was a very successful year for leisure - we added to our transactional team in response to market demand and continued to value a wide variety of leisure businesses.

CASE STUDIES

PORT DINORWIC MARINA
North Wales

Sold to a local consortium following a competitive bidding process on behalf of the joint administrators, Azets.

BROOM BOATS
Norwich

A freehold marina, marine services and boating holiday business with an adjacent pub, sold to Horning Pleasurecraft.

MARKET PREDICTIONS

MARINAS

- We anticipate an increase in corporate M&A activity driven by falling interest rates
- Marinas in excess of 200 berths and with opportunities to diversify the business offer will be in greatest demand
- Poorly invested marinas will be at greatest risk of business failure, and we may anticipate further potential distress involving both secured lenders and HMRC seeking to protect their positions
- We expect to see further cross-sector acquisition activity from the holiday park market as well as smaller investment players
- Boat brokerage sales are expected to remain more challenging, mirroring the holiday lodge/static caravan and holiday home sectors

HOLIDAY PARKS

- More corporate M&A activity given subdued activity in 2024 and the natural ending of the private equity cycle
- Cost of capital/borrowing is decreasing (slowly), resulting in more refinancing activity
- More buoyant caravan and lodge sales market, given the above sentiment and the cost-of-living crisis subsiding

RETAIL

For further insight and to read the full report, scan the QR code:

2024 retail deal activity continued in the same vein as H2 2023. Despite operational challenges from rising crime and state intervention on unhealthy products, convenience trading remains a robust sector driven by need.

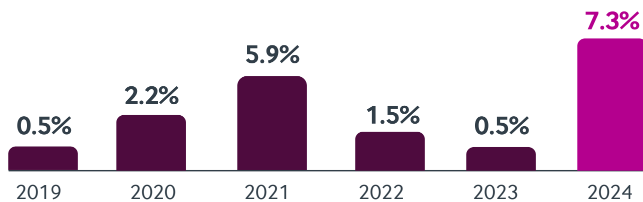
However, the ever-increasing operator cost base is causing the multiples to increase the turnover threshold for profitable stores, inevitably presenting opportunities for independent buyers.

Demand for petrol stations remained strong with buyers continually outnumbering sellers and, by Q3 2024 we had sold more sites than in all of 2023. Many operators have made significant investments in their real estate to attract customers to the forecourt.

Our garden centre team cemented its position as market-leaders in the sector as evidenced by the string of deals announced in the trade press. This underpinned the solid valuations we delivered to financial institutions and stakeholders in this sector.

PRICE INDEX

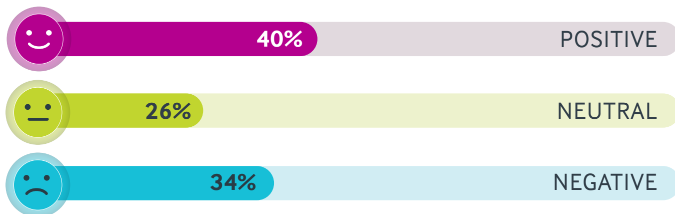
There has been little impact of the macroeconomic and political environment on the trading performance of convenience and forecourt businesses. These robust subsectors have therefore continued to attract investment from independent and multiple operators. National branded chains such as Co-op and ASDA have outlined growth/acquisition plans which require some estate 'churn'. High-quality store disposals from these groups have influenced pricing with significant appetite from small groups and independents, driving competition and pricing.



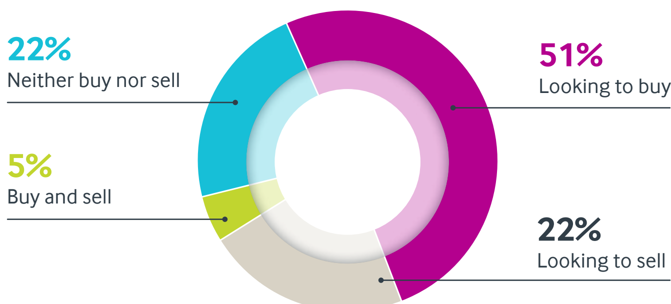
SENTIMENT SURVEY

We anonymously surveyed retail stakeholders across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



When asked about their sale and acquisition plans in 2025



MARKET PREDICTIONS

CONVENIENCE STORES

- Retailers will face increasing costs as a result of measures outlined in the Budget, and this will affect wages in particular. This has the potential to cause an increase in retail prices. However, as convenience stores are needs-driven, consumers will accept the rises
- It is unlikely that there will be a reduction in demand for sites, but purchasers will most likely factor these cost increases into their offers

FORECOURTS

- Some owners who are thinking of selling may market their businesses sooner rather than later to avoid future Capital Gains Tax (CGT) or Inheritance Tax (IHT) rises which will come into effect in April 2025 and beyond
- As costs rise, continued divestment from corporate multiple retailers is expected in 2025

GARDEN CENTRES

- As many garden centres are sold on a freehold basis, it is likely that the falling cost of borrowing in 2025 will help drive further garden centre sales and make it easier for existing operators to expand, as well as continue to spend on improvements at existing sites
- Christie & Co sold more than double the number of garden centres in 2024 than in 2023, and we expect this to increase again in 2025

PUBS

For further insight and to read the full report, scan the QR code:

In 2024, we saw an increase in transactional activity across the pub sector, assisted by reasonable trading conditions and easing cost pressures. With the expectation of interest rates falling further, this helped improve market sentiment following a turbulent few years.

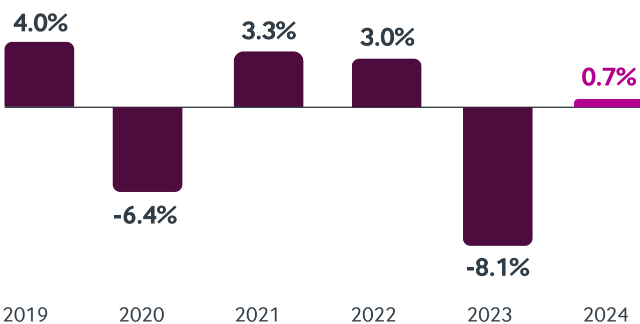
However, the Autumn Budget delivered by the newly elected Labour government in October, which saw an increase in employers' National Insurance contributions (NICs) and the National Living Wage (NLW) and National Minimum Wage (NMW), and a reduction on business rate relief, prompted fears that significant increases in payroll and rates could jeopardise investment.

Activity across the year remained polarised, with strong demand for assets under £600,000 and for prime properties, with the mid-market proving to be challenging. Corporate buyers were responsible for much of the activity, particularly the tenanted pub companies both as sellers and buyers. The number of pubs being sold for continued use remains high.

As we move into 2025, we expect that increased buyer and operator caution resulting from the Budget will be offset by an increase in the supply of pubs coming to the market, with opportunistic and serial investors taking confidence in downward pressure on interest rates. The momentum built in 2024 will continue, although pricing of assets will need to reflect the operational challenges that exist.

PRICE INDEX

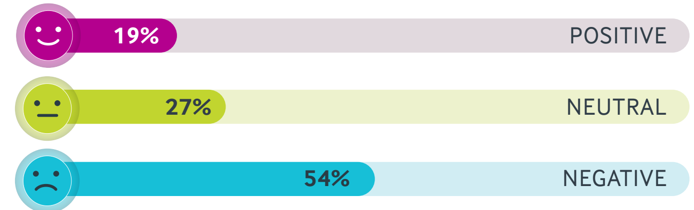
Whilst there were still operational and cost challenges as we entered 2024, the sentiment of operators and buyers was cautiously optimistic, with the expectation that cost pressures would ease and interest rates fall alongside improved consumer confidence. This led to increased levels of activity, with most of our key performance indicators being positive. However, these gains were reversed to a degree when it was announced in the Autumn Budget that employers' National Insurance contributions (NICs) would increase alongside National Living Wage (NLW) and National Minimum Wage (NMW), and that business rates relief would be cut from 75% to 40%. Consequently, we have seen prices remain broadly flat with a very marginal increase on the previous year.



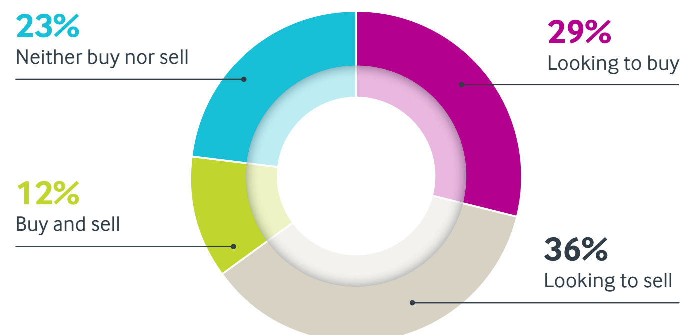
SENTIMENT SURVEY

We anonymously surveyed pub stakeholders across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



When asked about their sale and acquisition plans in 2025



MARKET PREDICTIONS

- We will continue to see an increase in transactional volumes
- The market will remain polarised, with strong demand for assets under £600,000 and at the prime end of the market
- We will see a continued increase in M&A activity
- Operational challenges for pub owners and operators will continue
- Emerging signs of distress will encourage opportunistic buyers

RESTAURANTS

For further insight and to read the full report, scan the QR code:

In 2024, we started to see a recovery in the casual dining sector, with brands looking for new sites and reporting an uptick in margins. The number of full-service restaurants has fallen from 32,000 to 26,000 but, as profitability has now started to stabilise, it is predicted that we will see outlet growth in 2025.

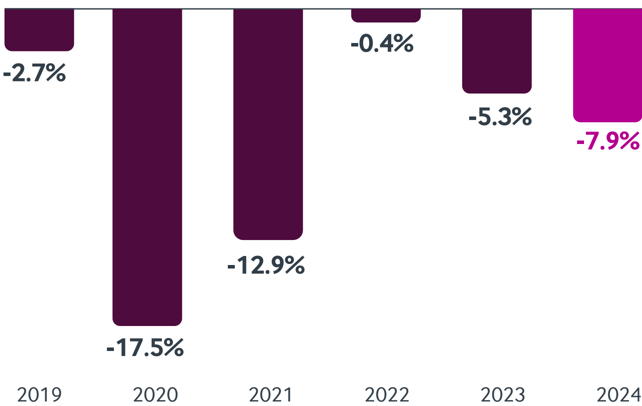
A particular success story is the Quick Service Restaurant (QSR) sector: with over 100,000 take-aways and cafes in the UK, it may seem surprising that less than 20% are operated by the 'big brands'. The rapid expansion of the likes of German Doner Kebab and Slim Chickens, alongside the continued growth of McDonalds and Starbucks, is compelling.

Those who used to go to the high street for family dining are dropping down in price to QSR, and the younger generation loves the speed and reliability, forcing operators to improve their quality. Such is the demand for drive-through sites, we are finding their rents are now higher than in city centres.

This growth has been supported by the acceptance of the franchise model. At a time when businesses are being hit by financial pressures, it can be gratifying to know that you have a multi-national on your side offering support and advice.

PRICE INDEX

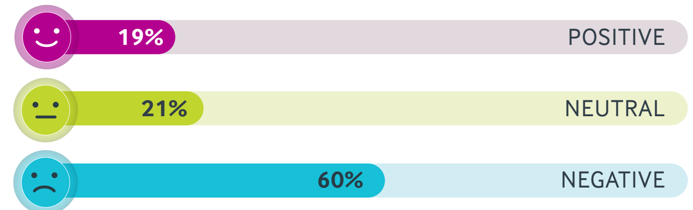
This drop in the price index reflects continuing difficulties in the sector. At the start of 2024, food inflation was at 7%, operating costs remained high, and consumers were dining out less as prices increased to compensate. With reduced profit margins and continuing venue closures, investors were unwilling to take the risk. However, we have seen many landlord-incentivised deals and food entrepreneurs coming back into the market - it remains to be seen whether an upward trend in the price index will return.



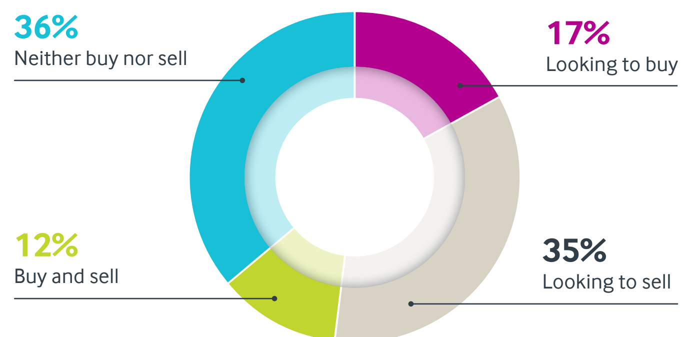
SENTIMENT SURVEY

We anonymously surveyed restaurant stakeholders across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



When asked about their sale and acquisition plans in 2025



MARKET PREDICTIONS

- We will continue to see a gradual recovery in the casual dining sector
- There will be continued growth of QSRs
- Fine dining will become more exclusive and expensive for customers
- We will see market integration for greater synergy benefits
- There will be an overheating of rents for QSR drive-through sites outside of towns

HOTELS - UK

For further insight and to read the full report, scan the QR code:

Following a year characterised by uncertainty in 2023, European commercial real estate is now moving into a recovery phase, and the hotel sector has been the outperformer of the past year, attracting significant attention from investors at all levels.

In particular, the UK proved itself to be the leading market, making up 37% of total hotel deal volumes in Europe up to Q3 2024.

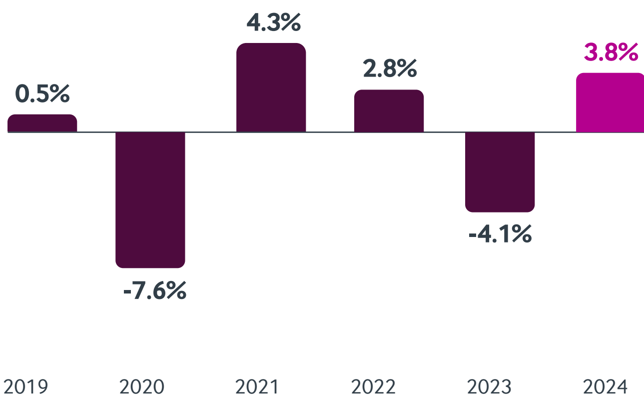
This resurgence in transactional activity was principally linked to several portfolios, with 76% of transactional volume portfolio-linked during the first three quarters of the year. While single assets are still transacting, they only represented approximately £1.2 billion versus £3.8 billion worth of portfolios. Approximately 39% of the volume transacted in London versus regional UK in this period.

The number of deals agreed and exchanged increased significantly from 2023 to 2024, a clear sign that the tide is turning and pipelines are growing. However, the Autumn Budget announcements made by the Labour government are likely to put pressure on operational margins during 2025 and, whilst we are positive about deal activity for next year supported by strong pipelines, it is unlikely that similar levels of portfolio activity will be replicated.

Overall, the outlook for the sector remains positive for 2025 and we expect to see trading performance maintain an upwards trajectory.

PRICE INDEX

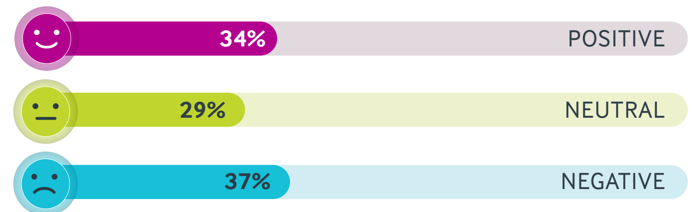
Market conditions improved, particularly towards the end of the year, with solid trading performances, more liquidity and more certainty around interest rates finally being on a downward trend. The impact of the Autumn Budget, particularly on increasing cost structures, has yet to transpire in pricing metrics.



SENTIMENT SURVEY

We anonymously surveyed hotel stakeholders across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



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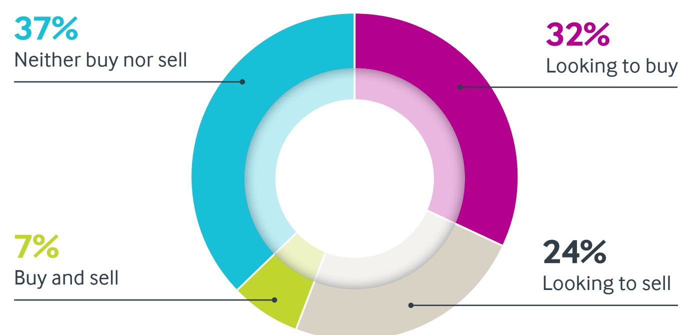


MARKET PREDICTIONS

- Positive deal volume, but mostly through non-core disposals and individual deals as opposed to portfolio activity as seen in 2024
- Plateauing of top-line performance combined with cost pressures post-Budget announcements are likely to impact margins overall
- Slow yield compression anticipated progressively throughout the year, linked to gradual interest rate cuts
- No material shift in development pipeline expected due to debt and construction costs
- Possible uptick in distress due to budgetary increases in payroll, pension and business rates

HOTELS - AUSTRIA

For further insight and to read the full report, scan the QR code:

In 2024, the Austrian hotel industry continued to face some challenges, but there were also encouraging signs of recovery and growth. Overall, hotel transaction volume remained subdued, with Austria's total standing just above €200 million as of October 2024. However, there are currently some sizable hotels on the market in Austria, particularly in Vienna, which could boost the full year volume. With international travel reaching normal levels, we expect to see larger investors focusing on strong city markets such as Vienna and Salzburg.

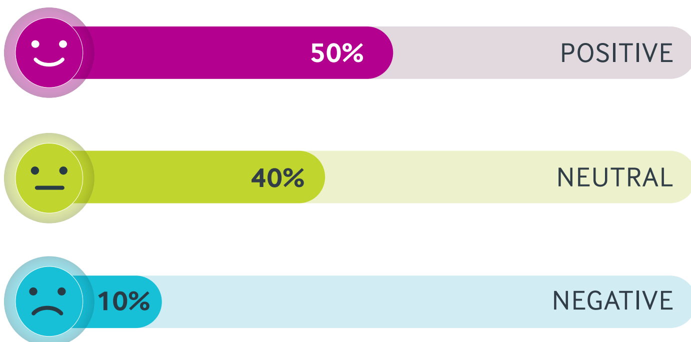
Investors' excessive appetite for resort hotels, which began in 2020 and 2021 and was fueled by limited flights available to other destinations, now seems to be leveling off and giving way to previous demand levels. Hotels in Austria's holiday regions continue to perform well; however, the majority of these are owner-operated and have limited room capacities, meaning there are often few suitable properties available for larger investors. We have seen the most demand for resort hotels in Tyrol and Salzburg, which are also the two provinces with the most overnight stays in Austria.

Christie & Co continues to play a key role in facilitating some of the most prominent deals in the region. Notably, we were instrumental in multiple successful operator searches, ranging from the Holiday Inn Vienna South to several smaller hotels in Lower Austria. We also assisted owners in successfully marketing their assets, ranging from the ibis budget Sankt Marx to an undisclosed five-star hotel in Vienna's famous Ringstrasse. These achievements have solidified our position as the most active hotel broker in Austria.

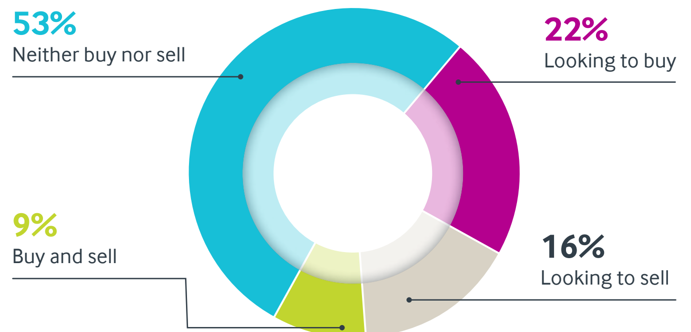
SENTIMENT SURVEY

We anonymously surveyed hotel stakeholders across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



When asked about their sale and acquisition plans in 2025



MARKET PREDICTIONS

- Operating costs will continue to stabilise or even reduce, helping bottom line profitability of hotels
- More sizable hotels will come to market as institutional owners continue to sell off their assets
- Cash-rich operators and owner-operators will emerge as opportunistic buyers
- ESG/sustainability will become mainstream for corporate investors

CASE STUDY

Operator search - Kursalon Hübner Vienna
Vienna

Marketing a property of such historical significance in Vienna is a rare opportunity and sparked tremendous international interest. We identified chocolatiers, Lindt & Sprüngli, as the future operator, who will maintain the classic heritage of the property and offer exhibitions and events centered around the theme of chocolate.

HOTELS - SPAIN

For further insight and to read the full report, scan the QR code:

2024 set new heights for the Spanish hotel industry, with record ADRs and occupancy rates, following a remarkable 2023.

Spanish resorts have consolidated their position as the leading sun and beach hub in Europe, and indeed the world. Meanwhile, urban destinations continue to offer a mix of excellent leisure and business facilities. Demand from European and US markets contributed to an improvement in performance year-on-year, with RevPAR increasing steadily in all destinations. The market is undergoing structural changes, with international destinations making progress in reducing seasonality and attracting more visitors throughout the year.

At a national level, ADRs are up 5.5% on 2023 (+32.6% on 2019) and occupancy has increased to a solid 70.9% (+1.7 ppt on 2019), resulting in a whopping 10.2% increase in RevPAR (+36.4% on 2019).

On a YTD September basis, overnight stays in the country grew by 5.2% versus 2023 (also +5.2% versus 2019), demonstrating the success of Spain as a tourist destination.

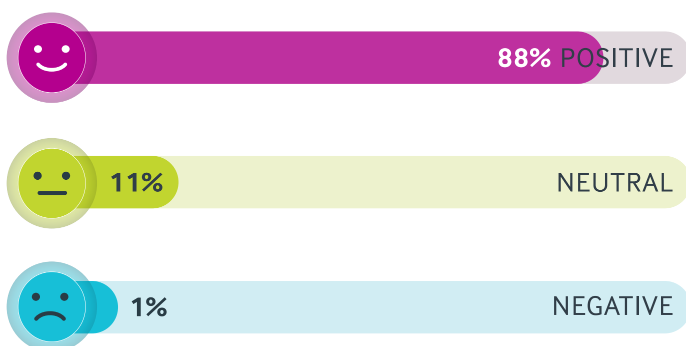
In terms of transactions, the market remains strong with some significant deals, but is lagging behind 2023 figures, when large portfolio transactions somewhat changed the global picture (mid-October investment volume was €1.9 billion). One of the main reasons for the lower level of activity is that asking prices remain high due to the strong operational performance of the assets and the solid financial situation of the main operators.

In 2024, our team was involved in numerous projects, both on the advisory side with several commercial due diligence, feasibility studies and valuations, and on the brokerage side with some successful operator searches and various sales mandates for prime assets in some of Spain's best destinations.

SENTIMENT SURVEY

We anonymously surveyed hotel stakeholders across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



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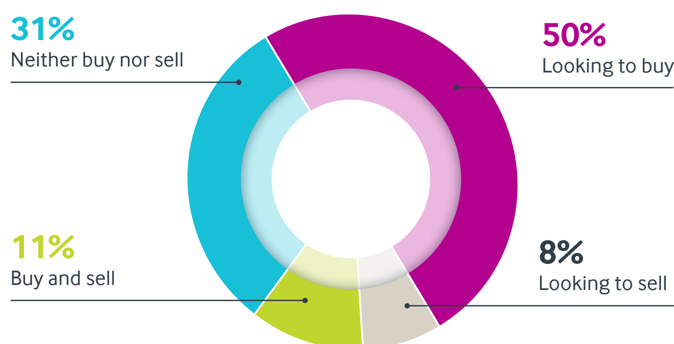

MARKET PREDICTIONS

- Occupancy rates will remain stable in 2025 and ADR should see a moderate growth rate
- Institutional investors will come back to the market, incentivised by the lower cost of debt and the need to diversify their investments
- Operators will be looking to acquire assets in top leisure and urban destinations
- Economy and mid-scale operators will accelerate growth in Spain
- International brands will keep pushing to further penetrate the market with the help of white label operators

CASE STUDY

Confidential project – Lisbon region
Portugal

Christie & Co was appointed in February 2024 to undertake a development options analysis and commercial due diligence for a 60+ key luxury hotel in Lisbon, Portugal. We carried out extensive market research including a local economic and demographic profiling, competitive market analysis and benchmarking to identify key competitors.

HOTELS - FRANCE

For further insight and to read the full report, scan the QR code:

In 2024, the French transaction market was good, with a volume estimated at €2.5 billion. This was largely driven by the Parisian market, estimated at €1 billion. Especially thanks to big operations in Paris, e.g. Pullman Paris Tour Eiffel for €330 million, the Hilton Opéra for €240 million, the Dame des Arts and the Mandarin Oriental for €205million.

The need for liquidity by some major players in the real estate market has affected the hotel sector, which remains more liquid than others. With the sudden rise in interest rates in 2024, the investment market is clearly more oriented towards value-add within a lack of 'core' players, and SCPI players exclusively positioned on brick assets only which have had to increase their return expectations and saw their assets depreciate and lose liquidity. However, the strong easing carried out by the BCE at the end of 2024 should soften this trend in 2025. Hotel business fund owners were overall less exposed thanks to their operational performances which made it possible to offset the negative financial impacts. Across France, from an operational point of view, the Olympic Games generated an unstructured year with an underperformance before the games from June to mid-July, and an overperformance during the Olympics, representing an additional turnover of €357 million* in professional accommodation (excluding online platforms). This represents an increase of 1.4% in the sector's annual turnover.

Another unpredictable element we saw in 2024 was the dissolution of the National Assembly and a 'wait and see' attitude may continue into 2025 as the new governments in France and the UK take power, as well as another Trump presidency in the US.

**Source: MKG Consulting*

SENTIMENT SURVEY

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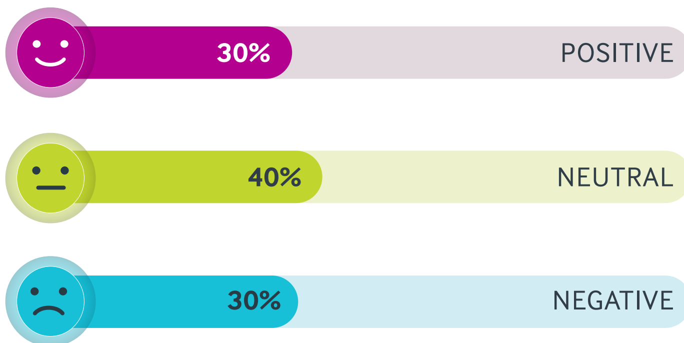
When asked about their sentiment in 2025



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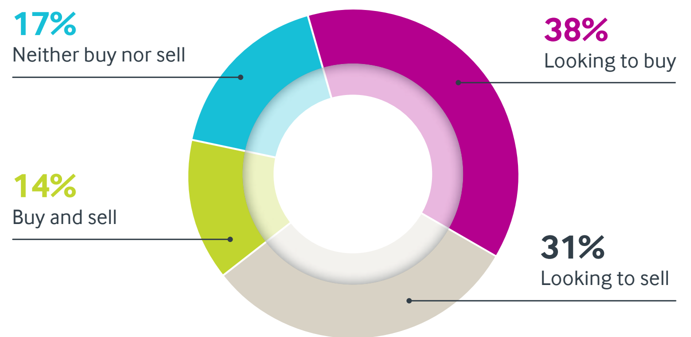


MARKET PREDICTIONS

- Despite a return to a normal year without major events, demand should stabilise through more international arrivals, particularly from Asia, boosted by the success of the JOP, spotlighting Paris
- The 'upscaling' trend will continue to maintain low room growth (+0.2% CAGR 2019-2023) as small underperforming properties close or renovate, contributing to occupancy stabilisation
- Institutional investors are expected to return to the hotel market, while owner-operators will continue their positive investment trajectory, seeking operational leverage
- High interest rates and office market downturn challenged real estate developers, creating opportunities for redeveloping tertiary projects or building new hotels in VEFA structures

CASE STUDY

Operator Search – Les Chalets du Mont d'Arbois
Megève

Christie & Co's office in Lyon supported Edmond de Rothschild Heritage in its operator search for the historic asset located in the heart of the French Alps. The 40-room, five-star Chalets du Mont d'Arbois is now operated by Beyond Places.

HOTELS - GERMANY

For further insight and to read the full report, scan the QR code:

In 2024, we saw a noticeable upswing in transaction volumes across the German hotel investment market. This was a significant improvement on 2023, when buyers and sellers adopted a 'wait and see' approach due to the disparity in pricing expectations driven by escalating capital costs.

However, while the European hotel investment market picked up by 62% in the first half of the year, Germany was struggling to keep up with this pace, achieving a pickup of 42% in hotel transactions during the same period.

A number of factors are driving this trend and are the reason behind this gap. Hotel demand characteristics, performance development, as well as standards in German hotel operator contracts, are amongst them.

The good news is that we are heading into 2025 with a more stabilised prime yield of 5.25%, which is comforting buyers and managing sellers' pricing expectations.

KEY MARKET TRENDS

Non-active institutional buyers: Although Q4 saw some institutional activity, overall sentiment amongst this group of buyers remains very hesitant when it comes to the German hotel investment market.

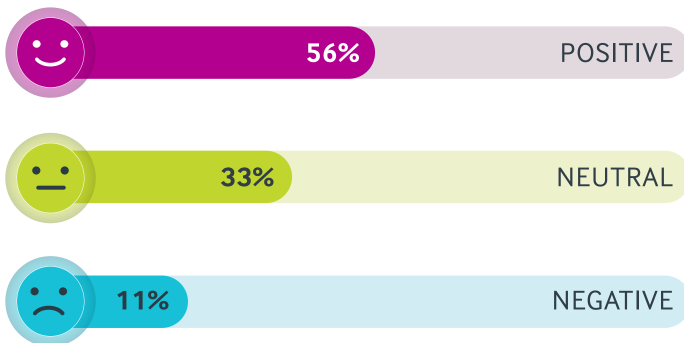
Conversions: While newly developed hotels are still a rarity, we have seen a large amount of conversions of mostly office buildings. However, the conversion rate of projects remains low due to legal limits and construction costs. One factor to be noted is that mixed-use is the trend to revive areas.

Opportunistic buyers are leading the market: The most active group of investors are still private equity and multi-family offices. However, with a remaining gap of pricing expectations, deal-making is key.

SENTIMENT SURVEY

We anonymously surveyed hotel stakeholders across the country to gather their views on the year ahead.

When asked about their sentiment in 2025



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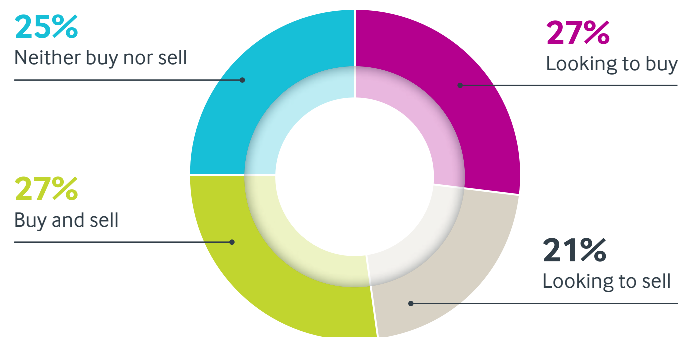

MARKET PREDICTIONS

- Falling inflation below the 2% target in Germany and other European countries will lead to further interest rate cuts to stimulate transactional activity in 2025
- Price finding between sellers and buyers is converging, as evidenced by higher transaction activity and investor interest in 2024. We expect to see an uptick in 2025
- The strong ADR growth in the period 2021 to 2024 will slow, and the development of hotel performance will be driven by an improvement in occupancy
- The outlook for 2025 is more optimistic, with GDP growth forecast to increase to around 1.0% (0.1% in 2024), as real wage growth will drive domestic demand
- To offset rising costs without compromising customer service, digitalisation will become increasingly important for hotel operators

CASE STUDY

NH Munich City Süd
Munich

Acting on behalf of the Spanish NH Group, we successfully identified a German/UK based owner-operator/PE fund to acquire the hotel (162 rooms) in Munich. It is looking to convert it into student housing.

Christie Finance has over 40 years' experience in financing businesses in the hospitality, leisure, healthcare, medical, childcare & education and retail sectors. Christie Finance prides itself on its speed of response to client opportunities and its strong relationships with finance providers.

christiefinance.com

Vennersys operates in the UK and delivers online cloud-based ticketing sales and admission systems to visitor attractions such as historic houses and estates, museums, zoos, safari parks, aquaria and cinemas. It has over 25 years' experience delivering purpose-designed solutions for clients' ticketing, admissions, EPoS and food and beverage sales requirements.

vennersys.co.uk

Christie Insurance has over 40 years' experience arranging business insurance in the hospitality, leisure, healthcare, medical, childcare & education and retail sectors. It delivers and exceeds clients' expectations in terms of the cost of their insurance and the breadth of its cover.

christieinsurance.com

Venners is the leading supplier of stocktaking, inventory, consultancy & compliance services and related stock management systems to the hospitality sector. Consultancy nd compliance services include control audits and 'live' event stocktaking. Bespoke software and systems enable real-time management reporting to customers using the best available technologies. Venners is the largest and longest established stock audit company in the sector in the UK.

venners.com

PINDERS

Pinders is the UK's leading specialist business appraisal, valuation and consultancy company, providing professional services to the licensed, leisure, retail and care sectors, and also the commercial and corporate business sectors. Its Building Consultancy Division offers a full range of project management, building monitoring and building surveying services. Pinders staff use business analysis and surveying skills to look at the detail of businesses to arrive at accurate assessments of their trading potential and value.

pinders.co.uk

christie.com