Business Outlook **2018**

EMBRACING CHANGE

christie.com

CHRISTIE & CO

BUSINESS OUTLOOK **2018**

EMBRACING CHANGE

CONTENTS

MANAGING DIRECTOR'S STATEMENT

CHRIS DAY
Global Managing Director

The persistent economic uncertainty that has hampered activity for 10 years may have finally broken, heralding the start of a more positive period for businesses that embrace change.

There is much to be upbeat about as we go into 2018

True, higher inflation and sluggish wage growth are squeezing consumer spending and acting as a drag on the speed of UK growth. Yes, construction and service growth haven't demonstrated quite the vigour we'd like. And, of course, a continuing lack of clarity around Brexit is hampering some investment, nevertheless manufacturing indices continue to be positive.

Unemployment is at its lowest rate since 1975, inflation remains low, interest rates are stable and manufacturing growth is strengthening on the back of a global economic recovery. In short: the economy is continuing to recover and still has plenty of room for growth.

At Christie & Co we are seeing the signs of increasing confidence and economic positivity in almost every sector in which we operate. Pipelines continue to grow by double digits as we enter 2018.

Activity is being fuelled in part by the availability of finance and a surge of investors – many from outside the UK – looking for good opportunities and sound returns. Asian investors particularly view the UK as an attractive investment opportunity thanks to the country's stability and relatively low value of the Pound.

We have noticed a shift in capital sources over the past year. US investors who are traditionally risk averse, have

Movement in average prices year on year

	2014	2015	2016	2017
Dental	-	-	14.9%	12.3%
Pharmacy	13.5%	10.8%	12.0%	8.1%
Care	9.8%	4.7%	5.0%	6.1%
Childcare	-	-	9.7%	10.8%
Retail	11.3%	10.3%	8.8%	-0.4%
Pubs	8.6%	10.1%	4.4%	3.8%
Restaurants	11.1%	9.9%	14.1%	-3.4%
Hotels	17.2%	9.2%	6.0%	5.8%

stepped back from the UK market in the wake of Brexit but have been replaced by Asian capital that continues to seek opportunities specifically in the UK.

In 2018 we will continue to develop and expand our international businesses where the appetite for investment is strengthening daily and there are plenty of opportunities for Christie & Co.

We will focus on bolstering teams at home and internationally to capitalise on our expertise to attract and support both new and well-established clients who need help navigating the market, and who want to ensure a high-performing business.

Power of our people

Our people are the foundation of our long-term success. The experience and knowledge of our teams set us apart from our competitors, as does their wide range of diverse contacts in almost every part of the world.

Together with staff at Christie Finance and Christie Insurance, our growing and collaborative teams continue to provide a best-in-class service.

Outlook

Our Business Outlook report gives you some of the highlights of our business over the past year and, perhaps more importantly, offers a valuable insight into what we expect in the year to come.

As you will see, we expect some consolidation as pressures on costs continue to hit margins and drive even greater efficiencies. The same pressures, combined with the most recent increase in interest rates, are also likely to increase the number of distressed businesses for at least another year in some of our sectors.

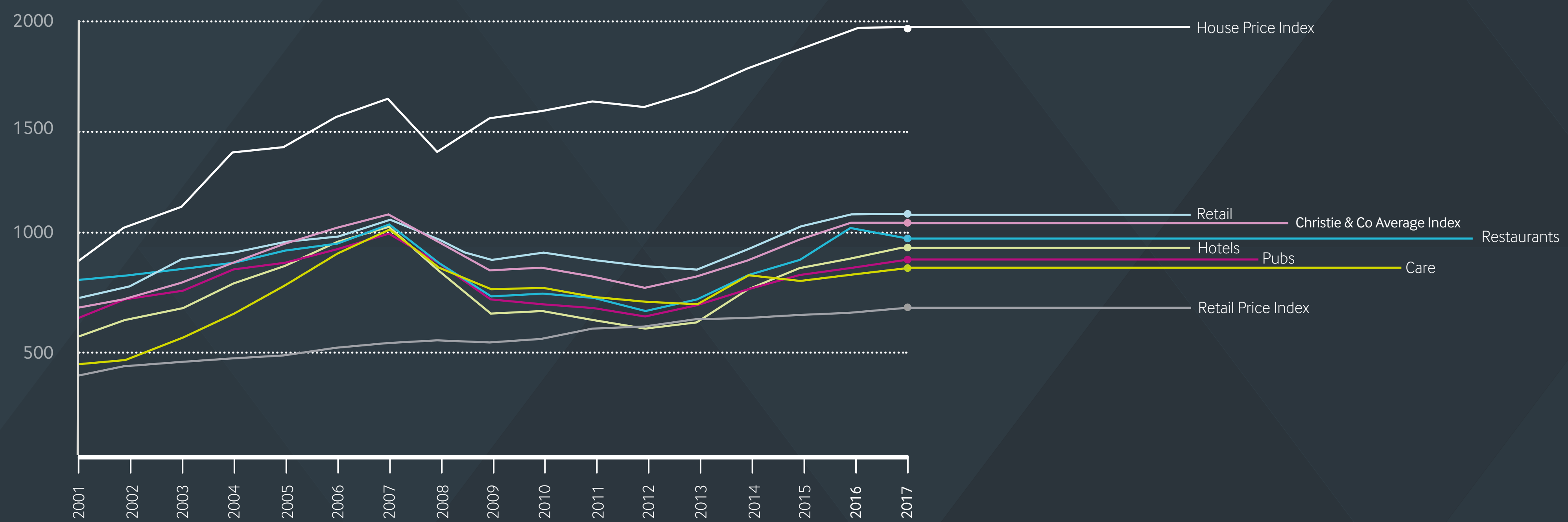
Meanwhile, staffing also remains a challenge, particularly in the wake of Brexit as many European workers return home or show some reluctance to come to the UK.

Moving forward it is becoming increasingly important for businesses in all our sectors to harness evolving technology. New authentic business concepts will be a key factor in 2018 and beyond. Independent businesses have proven time and time again that this is an area where they can flourish. The challenge for the larger corporate operators will be keeping their product fresh, attractive and competitive whilst at the same time keeping abreast of the latest trends and innovation.

Constant evolution and embracing change quickly will be the key to success across all our business sectors.

Index based on average sale prices

from a base of 100 in 1975



CONSULTANCY

MICHAEL HODGES
Head of Consultancy - Care

With a detailed and extensive knowledge of the sector, Christie & Co offers a comprehensive insight into the UK healthcare sector.

Demand for our healthcare consultancy services remains strong, driven by our market-leading data analytics system coupled with our granular knowledge of local markets. With an expanding and diverse team, our consultancy activity covers a comprehensive spectrum of healthcare businesses.

Over recent years our client base has become increasingly more sophisticated, attracting interest from a wide range of investors. We continue to add value to our clients by providing tailored insights to their specific areas of interest.

Data is crucial in informing investment and operational decisions, and has helped to shape this developing market in a number of ways.

Innovation

Changes in how healthy we are, how long we live and what we want and need in later life have all influenced the sector. We have seen greater innovation over the past year. In new build projects, for example, owners are focussed on future-proofing the design and facilities available. We are also seeing significant activity and evolution in the extra care and care village sector.

Technology is playing a growing role with the introduction of electronic care planning, and is also opening opportunities to work more in partnership with hospitals, for example using Skype to communicate with healthcare professionals and with patients' families.

In the pharmacy sector, technology is influencing the way prescriptions are issued with a move away from the current paper based system to electronic prescriptions. This is a key development which Christie & Co has been evaluating in detail for operators and investors.

Technology is driving innovation across the healthcare industry

Research

Our comprehensive report, *Adult Social Care 2017*, highlighted the key challenges faced by a sector where demand for expert care has never been greater.

With more people living longer, the sector is growing. However, pressure is also mounting on staffing, funding and the number of available places in the system, and these remain critical issues for the industry – and government – to address.

Staffing

Our 2017 report sets out starkly the growing shortage of nursing staff, fuelled in part by the material reduction in new EU nurses registering to work in the UK since the Brexit vote, and by those leaving the country to return to Europe.

Whilst the number of new nurse training places in the UK has increased, there is concern that the removal of the bursary scheme may deter new applications unless earning potential increases.

Within the NHS, remuneration is impacted by the public sector pay restraint and, in social care, an operator's ability to pay higher hourly rates is often inhibited by low local authority funded fee levels. The recently published CMA report on care home funding clearly illustrates the need for additional funding to be made available.

Given the ongoing workforce challenges, our continued ability to recruit overseas nurses takes on a greater level of importance. In particular, there is a need to ensure that nurses remain on the Shortage Occupation List beyond the current time limit of 2019.

Moving away from adult social care, staffing issues also impact other healthcare sectors. The shortage of dental associates is a particular challenge for the dental sector and in 2018, Christie & Co will be launching a new research report which will examine this in further detail.

Looking ahead

Despite these challenges, the healthcare sector as a whole continues to thrive and healthcare remains an attractive investment. Using our insight and data, we are helping more clients to better manage and shape their estates through the provision of unrivalled operational and market analysis. We believe that there will be significant activity in 2018 as many new well-funded entrants look to enter the market.

CONSULTANCY

CARINE BONNEJEAN
Head of Consultancy - Hotels

Our 30-strong pan-European team provides unrivalled insight into the hotel sector, helping a growing number of international clients with specialist support.

The expansion of our team across 14 European offices this year reflects the growth in activity in the market. As well as adding more staff with detailed knowledge of the sector and in-depth experience of local markets, we have also introduced new services to better support our clients in buying, selling or running hotels.

We support not just the best-known household names, but also smaller clients and newcomers, including a growing number of Asian investors. Our work in due diligence remains extremely strong, and we are also delivering value with the introduction of new services such as performance monitoring, which is proving increasingly popular. Reflecting market needs, we have also placed greater emphasis on strategic thinking and helping businesses maximise profit using better insight and significant sector knowledge.

Bespoke research

A 2017 highlight was the launch of our report, '*European Travel Trends and Hotel Investment Hot Spots*'. Our ground-breaking research demonstrates the type of thought leadership international investors crave.

It identified future investment opportunities in the European hotel market by highlighting areas for increasing the value of visitation, reviewing the growth opportunities of feeder markets in Europe, analysing issues surrounding accessibility, airport capacity and focusing on which markets are expected to achieve strong RevPAR increases in the coming years, making them ideal candidates for investment.

Growth markets

While the UK is still the largest and most active market for Christie & Co, Spain is where we have seen the most growth this year and we expect that trend to continue as investors continue to capitalise on new opportunities.

The German and Eastern European markets remain strong, and we are seeing an increase in investor interest in the French, Italian and Greek markets. Activity in the Nordics is also rising, although some are finding it difficult to penetrate the market.

It is clear that investors now see hotels as a core asset class, reflecting the rising returns the sector can now offer. At the same time operators also need to properly evaluate in detail every opportunity by undertaking risk-forecasting and market intelligence.

Trends

It will come as no surprise that energy, food and staff costs all continue to put pressure on margins; we expect to see some consolidation in the market as margins shrink. This will also contribute to the quest for greater efficiencies, including a growing investment in technology to reduce staff and provide a better customer experience, smaller rooms, and a shift in the food and beverage offering.

Developments in payment security, in-room tech and mobile applications are on the rise

Developments in payment security, in-room tech and mobile applications are on the rise, in recognition of the fact that online and offline customers have effectively become one.

Serviced apartments are generating more interest, as evidenced by the ongoing acquisition of SACO from Oaktree Capital Management: this is a market to watch. We expect the hotels of the future to work on a hybrid model that combines the best of the traditional with Airbnb.

Occupancy

Occupancy rates have increased significantly over the past few years – cities such as Glasgow and Cardiff, for example, have seen tremendous growth as so-called "bleisure" breaks continue to grow – but this is likely to stabilise.

Visitor numbers to the UK from abroad are likely to slow slightly due to currency, political and economic conditions, but Europe remains the biggest market in the world in terms of the visitation volume which continues to drive demand.

Hostels

We expect to see increasing activity in hostels. Gone are the days of sparse, strip-lit rooms designed to accommodate tightly packed numbers of backpackers and student travellers. Instead, new operators have transformed hostels into refreshingly modern lifestyle products with a strong social aspect. Attracting everyone from students and young families to savvy business travellers and seasoned tourists, they are better quality and much safer. Returns are good as they are more efficient with fewer costs – and they make a lot of money on drinks.

VALUATION

DARREN BOND
Managing Director - Valuation

Every year we value a business in almost every postcode district in the UK. Now, with a growing international footprint, our valuation team is more active than ever.

The growth has been driven, in part, by the review cycle adopted by banks, as regulatory requirements dictate a need for more regular valuations. It is also a reflection of increased transactional activity across our sectors.

Despite economic and political uncertainty across all our markets, activity and investor confidence remains strong. While we have seen some fluctuation in larger portfolio transactions, there has been strong levels of activity in smaller portfolios and individual assets across both the UK and European markets.

The bulk of our projects have involved a mix of North American, European and UK lenders, with an emphasis on revaluations for banks looking to review their security, along with a resilient refinancing market. Whilst we have seen an increase in interest rates at the end of 2017, the cost of borrowing remains very low and against an uncertain economic backdrop, investors have looked to take advantage of this refinancing opportunity.

Whilst we have seen some yield compression at the top end of our markets in 2017, any improvement in value has generally come through improved trading performance.

The shifting market

Throughout the first half of the year the care sector was particularly busy, however the sector has seen continued pressure from increasing staff costs and funding challenges, all of which cause banks to take a more selective approach towards older, converted properties. As a result, we have seen a continued shift in lending from social care more towards the medical sector over the course of 2017.

The decline in the value of the Pound following the Brexit vote has boosted visitor numbers from abroad to the highest level on record, which has benefited hospitality occupancy in the key international visitor locations, along with strong growth in London. Despite a summer where the weather was much wetter than average, most seasonal hotel markets enjoyed a strong rise in bookings across the season owing to an increase in staycations. This helped to buoy regional hotel and leisure values.

Significantly, the state of the Pound has also attracted a growing number of investors from Europe, the US and China scouting for potential business opportunities. Indeed, capital from Asia is expected to flow with greater force into the UK market in the year ahead. Investors in the region are driven more by the level of return on offer and will seek out portfolios offering attractive returns rather than an emphasis on trophy purchases.

Pressure points

Cost pressures will continue to have a significant squeeze on trading performance. Businesses are already struggling from increased costs caused by a higher national living wage, pension auto-enrolment and the new apprenticeship levy. This is in addition to the increase to business rates, which will continue to impact many of our sectors.

In some sectors, overseas staffing may prove to be more challenging dependent upon the outcome of the Brexit negotiations.

All these factors impact on profitability, which in turn, could affect the level of valuation.

Reinvestment

We are also at the point in the cycle where we will begin to see some pressure on capital expenditure and reinvestment into properties. The last pressure point was c. five to seven years ago when, as a consequence of the downturn, businesses that were capex starved started to see some investment return.

In a market which is more buoyant and competition extremely strong, differentiation for many will be in the quality of their estate. As a result, there will be pressure to invest in capital expenditure, especially whilst trading is good. It may seem like a bold move to make, but it will help to future-proof the business and, most importantly, it will maintain value.

Looking ahead

- Cost pressures will continue to squeeze improvements in trading performance.
- The weakness of the Pound will see a positive impact on inbound tourism and the attractiveness of staycations will boost domestic business.
- Renewed pressure on capital expenditure and reinvestment.
- Further clarity on the Brexit process will provide reassurance to investors that the UK will remain an attractive investment market.

BANK SUPPORT & BUSINESS RECOVERY

STEPHEN JACOBS
Director - Bank Support

Increasing cost pressures on British businesses and slower economic growth has led to an increase in the number of distressed assets after years of decline, and it looks like the trend will continue.

Following the Brexit referendum the UK economy fared better than many forecasters imagined, contradicting predictions of an immediate recession. Both business and consumer confidence strengthened and the UK economy expanded by 0.6% in the final quarter of 2016 above forecasters' 0.4% estimate. As the economy continued to defy expectations the Bank of England (BoE) upgraded growth forecasts. This was not borne out with weaker than expected growth in the first six months of 2017, and whilst growth in Q3 was ahead of assumptions, the Office for Budget Responsibility has revised down productivity and GDP forecasts for 2018 and beyond.

Cost pressures

Feeling the Brexit pinch, consumers are spending less than they have over the past few years, slowing the boom that had fuelled the country's economic performance. This has been impacted by real wages falling for the first time as wage growth was outpaced by inflation.

Cost pressures have also weighed in on UK businesses with the weak Pound leading to an increase in input prices and additional cost pressures, such as the National Living Wage, Voluntary Real Living Wage, rising business rates, pension auto-enrolment, apprenticeship levy and the Immigration Skills Charge squeezing margins.

Business uncertainty

Whilst Brexit in itself has been instrumental in shaping the current economic position, the sheer complexity of the task, lack of progress in negotiations and uncertainty as to whether a deal can be agreed and if so, what any deal might look like, is a further considerable risk to the UK outlook.

There are big question marks remaining over migration, the labour market, trade and investment. A Confederation of British Industry (CBI) survey found that 42% of businesses say that Brexit has affected their investment decisions. Of those, 98% say that the impact has been negative.

Rising business distress

In 2016, Christie & Co recorded a drop in the number of distressed assets we were instructed to sell by 17%, which pointed to the initial effect of Brexit not impacting negatively on our markets. Declining business distress was a continuing trend from the peak of recession activity. The trend in 2017, however, has seen a significant increase in activity by 41%, ending a five-year trend of steady decline in failing businesses.

Cost pressures, the weakened Pound, levels of consumer activity and general economic and political concern have been the main factors for this trend, with those businesses already operating on the thinnest of margins being most at risk.

Looking ahead

As pressures on cost continue to impact the bottom line, there will be a reduction on resources available for firms to invest in their business and their people.

Meanwhile, if inflation continues above the BoE's target of 2%, this will put further pressure on consumer spending as inflation pushes down on real earnings.

42% of businesses say that Brexit has affected their investment decisions

Sectors reliant on discretionary spend, such as leisure and hospitality, will be particularly vulnerable as belts tighten.

If there is no headway with Brexit negotiations or the negotiations point to a poor deal for the UK, there will be decreasing business and consumer confidence which will further impact on weak economic growth.

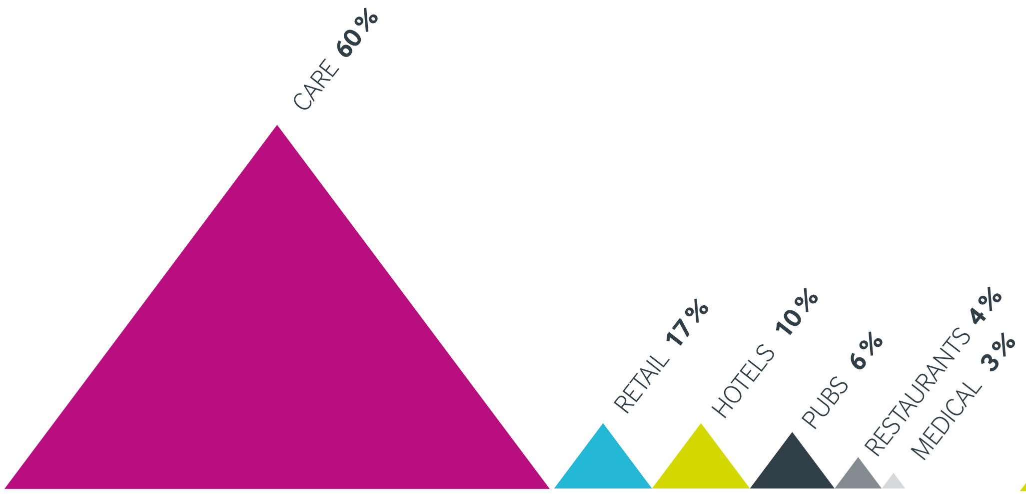
We anticipate that business distress is set to continue to rise, with the uncertainties over Brexit having the potential to exacerbate the level of that distress.

MARKET PREDICTIONS

Cost pressures on British businesses will endure, impacting the bottom line and reducing margins. This in turn will affect the ability of firms to invest in both their people and business.

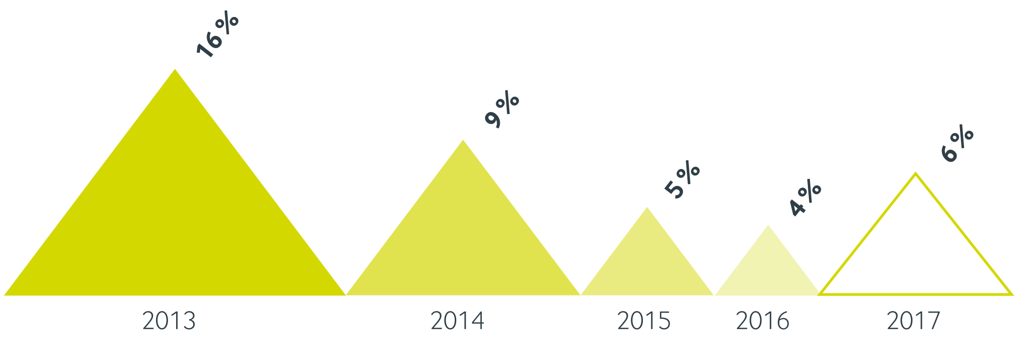
If real wage growth continues to be outpaced by inflation, hard pinched consumers will rein in spending, slowing growth and further challenging British business.

We foresee that the trend of rising business distress witnessed in 2017, the first material change since the peak of recession activity, is set to continue in 2018.



Business Distress - 1

Percentage of distressed assets instructed for disposal by sector in 2017



Business Distress - 2

Distressed assets as a percentage of all assets instructed for disposal in 2017

CHRISTIE FINANCE

NICK BAKER
Managing Director - Christie Finance

For the past four decades, Christie Finance has helped thousands of clients to buy or develop businesses, across all our specialist sectors. Today, with five regional hubs and a growing award-winning team, we are stronger than ever.

There continues to be an encouraging appetite from a wide range of lenders to assist clients seeking funding across our specialist sectors.

The market is now more diverse than ever and throughout the course of last year we worked with over 50 different lenders across the whole spectrum – the 'Big 5' through to Fintech, 'challengers' and specialist lenders.

We expect this diversification to continue.

Whilst our markets are stable and resilient it is clear that access to finance remains a challenge for those businesses who do not know where to turn in such a diverse and quickly moving market.

Important development opportunities are being missed, particularly by smaller businesses, simply because of a lack of awareness of the benefits that commercial brokers can bring.

Unlocking finance

More needs to be done to extol the virtues of using a Commercial Mortgage Broker to unlock the right finance, from the right source, at the right price. And government intervention is not enough.

The Bank Referral Scheme set up in November 2016 has so far helped around 230 companies access £3.8m. The scheme takes companies which have been refused credit by high street banks and funnels requests through one of three finance platforms.

Alternative lenders then have an opportunity to bid on that loan request, with the idea being entrepreneurs and their companies are offered a second stab at securing sought-after funding.

However, only 2.8% of the 8,100 businesses referred through the scheme were ultimately able to draw down finance at an average of just £16,000.

There is a massive opportunity here for brokers to better support SMEs through the lending process to deliver real business growth across all sectors.

The number of clients we have acted for grew by 16% in 2017, following a similar growth over the past three years. The funds that have completed on behalf of our clients is up 65%.

New services

This year we launched two new services: Christie Finance Corporate and Christie Finance Unsecured.

We have developed Christie Finance Corporate to capture corporate business and build a service line that is attractive to our corporate colleagues across the Christie & Co Network and the clients they serve across the UK.

We have won mandates in this market by playing to our core strengths, opening up an increasingly diverse lending market for corporate clients who typically require Senior Term Debt.

Christie Finance Unsecured is our most recent service line, and in Q4 2017 we received 28 instructions.

In the past, businesses only approached the alternative finance sector for funding when banks turned them down, but that is starting to shift, as the banking giants have been increasingly cutting back on their service levels to SMEs with lower 'value' requirements. Last year around £15bn was pumped into British SMEs from alternative finance firms – an indication of how mainstream the sector has become.

The aim of Christie Finance Unsecured will be to predominantly target established trading businesses for cash-flow and expansion funding. With a growing number of new lenders entering the market, we are seeing an increasing demand from clients for unsecured debt.

Looking ahead

UK SMEs will continue to invest in growth and require an ever more diverse range of funding solutions to fuel their plans. Brokers will continue to gain market share as a route to navigating a complex and diverse market.

Established UK challenger banks will continue to look at their ownership and operating models but only the strongest challengers can be expected to thrive under current conditions. And soon, higher capital requirements will add further pressure after the BoE recently ordered banks to raise capital held to ensure adequate liquidity.

The market can take new lenders but they must be adding something genuinely new.

CHRISTIE INSURANCE

WALTER MURRAY
Managing Director - Christie Insurance

Our in-depth and unrivalled knowledge of our clients and their diverse insurance needs provides us with a unique ability to help them find the right insurance cover for their business.

Working closely with Christie & Co and Christie Finance from the very early stages of their relationships with their clients gives us the time to get to know both what our clients want, and the business that they are acquiring. Many insurance brokers claim to be specialist but, as we work across the same sectors as Christie & Co and Christie Finance, we are in a unique position of having in-depth knowledge of these sectors we all work across.

Our team of insurance brokers speak the language of our clients' businesses and understand the business, regulatory, and costs issues they face.

The Market

Broadly speaking, the cost of insurance in the UK remains stable in most of the sectors in which we operate. The expectation is that despite the substantial claims across America and the Caribbean for hurricane damage, and earthquake damage in Mexico, the costs of these events will be absorbed by the insurance market, so premiums in the UK will remain broadly static.

The discount rate, the assessment of the net return on investment from which multipliers for future loss are set in personal injury claims, was the subject of dramatic change in March 2017. The reduction of the rate from 2.5% to -0.75% saw multipliers increase dramatically, beyond the expectation of many actuaries, with a significant impact on the forecasting and reported profits of many insurers. However, the Government has been persuaded to review the changes and is expected to alter the rate to somewhere between 0% and 1%: this will mean less impact on the cost of insurance for our clients.

The past and future risk

One rising and potentially substantial risk across all of the sectors in which we operate is that of cyber crime. Pubs, restaurants, hotels, children's day nurseries and the care sector all gather and store substantial amounts of sensitive information about their customers and people in their care including credit card details, medical histories and other personal data.

The skills required to conduct malicious cyber attacks are becoming less complex and more accessible. Cyber criminals can deny access to systems and data through ransomware or denial-of-service attacks, or simply threaten to do so. In many cases, our clients store information with relatively low-security protection which is accessible by hackers seeking to disrupt or deny our clients' services.

In regards to Brexit, insurers are preparing for the worst, while still hoping for an orderly and stable process

Privacy and cyber security issues will combine in the build-up to the GDPR. Compensation for privacy and security breaches may increase in much the same way that someone might have suffered a slip or trip 20 years ago without further thought will now seek compensation - a similar change is underway in the field of privacy and data protection compensation. Add to the mix litigation funders who will encourage more sophisticated claims and test cases.

To protect their data and their reputation, businesses not only need to review and improve their systems and policies, but also ensure they have the right insurance cover – cover can be obtained to pay customer compensation claims and the cost of regulatory investigations.

In the care sector abuse claims are still having an impact on insurers' perceptions of the risk of harm to vulnerable people - this was highlighted again with claims made against sporting and voluntary organisations. The aftermath of the Jimmy Savile scandal has raised awareness of the extent of sexual abuse in a wide range of organisations. The passage of time makes the investigation of historic claims challenging, but those working in the care and childcare sectors must ensure that they have the right policies and procedures in place to respond to such allegations efficiently and sensitively. Looking ahead, organisations should seek to ensure that they implement robust safeguarding procedures to minimise the risk of harm to those in their care.

In regards to Brexit, insurers are preparing for the worst, while still hoping for an orderly and stable process that maintains the existing relationship between the UK and EU. Many UK insurers like AXA and Allianz are already domiciled in the EU and those who are not have established offices within the EU.

1 MEDICAL

SIMON HUGHES
Managing Director - Medical

It was a record year for our dental team with a number of important projects completed

A strong year in the medical sectors. Robust transactional activity reflects a dynamic market and underscores the importance of our in-depth sector knowledge.

Dental

Consolidation has been the key word in the dental sector in 2017. The market remained strong and our agency team completed £90m of transactions in what was a record year. We also undertook over 350 dental practice valuations on behalf of a wide variety of banks, reflecting the appetite to lend to the sector and the high level of deal activity. As in previous years, demand is strongest in London and the South East, the Midlands and the North West, where population density is greatest. Scotland too is consolidating its position as a popular market, with buyers moving north of the border to find better value acquisition opportunities.

The corporate landscape has changed significantly since 2016, with a busy round of mergers and acquisitions affecting a number of the largest providers.

Early in the year, Europe's largest corporate provider, MyDentist, halted its acquisition programme to focus on the running of its UK wide portfolio. In doing so, it identified a number of practices which were divested.

Oasis, the UK's second largest corporate dental provider, was sold to Bupa. The sale increased the number of dental practices held by the international healthcare group to well in excess of 400, with further acquisitions recently completed including Avsan Holdings, a group of 16 practices in England and Scotland, and Metrodental, two major London practices. Both acquisitions were brokered by Christie & Co.

Meanwhile, Jacobs Holding, the Zurich-based global investment firm, acquired Southern Dental, the UK's fourth largest group with 79 practices. It also announced the acquisition of Scandinavian group Colosseum Dental in January, Swiss Smile in June, and further portfolio acquisitions in Finland and Italy, signalling a pan-European consolidation not previously seen in the dental sector.

There was further private equity activity in the UK with investments by CBPE Capital in Rodericks and by August Equity in its dental platform Genesis, which is set to grow rapidly in the coming years. We are now seeing private equity routinely bidding on both small groups and large individual practices and we expect this activity to continue for the foreseeable future. Activity in the independent sector remains strong with smaller groups equally keen to acquire to benefit from a potential shift in exit multiples afforded through growth. A number of newly formed groups offering a 'partnership' model continued to expand and are becoming increasingly active.

Further down the market, independents were also expanding with multiple offers generated on most practices, particularly larger businesses in strategic locations.

The dental labour market, in particular, the recruitment of dentists of suitable quality, is emerging as a key issue that the sector must address. The significant delay experienced by new dentists in receiving NHS "performer numbers" has led to a lack of NHS dentists and underperformance of NHS contracts. Generally, the more remote regions of the UK have been experiencing challenging recruitment conditions for a while, but this is now emerging as an issue in more densely populated areas too. A lack of dentists will inevitably put upward pressure on pay scales and could lead to margin erosion.

However, with demand continuing to outstrip supply and good market liquidity supported by strong industry dynamics, we believe that 2018 will continue to support a good level of activity across the market.

TONY EVANS
Head of Pharmacy

A record increase in sales has set the stage for an exciting year ahead, creating new opportunities and driving strong momentum.

Pharmacy

The market has been extremely active over the past year with little sign of it slowing down. Our team has seen a record increase in sales activity – up 31% on the previous year, and is expecting activity to remain strong into 2018.

Overall we've witnessed an 18% increase in applicant registrations over the course of 2017, fuelled by an increasing number of first-time buyers on a drive for ownership. At the same time, banks have continued to regard pharmacy as a positive sector and liquidity has been invigorated by the addition of a number of the new challenger banks keen to reap the rewards the market has to offer. Family funding – the bank of mum and dad – also remains a significant source of investment.

However, this year the pharmacy sector has faced multiple challenges, most notably funding cuts introduced by the Department of Health and the £180 million Category M clawback. With the clawback following hot on the heels of the funding cuts it is likely that this will continue to squeeze cash flow and operating margins as we progress through 2018.

With these amongst other pressures, pharmacy operators have had to continue to review the efficiencies of their businesses to ensure that they protect profitability.

Purchaser appetite during 2017 continued at levels consistent with those generated prior to the cuts, with many purchasers viewing the market with long term confidence. Throughout the year we saw enquiry levels steadily increase, particularly from first-time buyers. In the main, these were locums and pharmacy managers, who have been spurred on in their drive for ownership, as their employers seek to mitigate costs by implementing initiatives to include reducing staff hours and locum rates.

In October LloydsPharmacy announced the closure/sale of 190 of its stores, citing the funding cuts, as well as higher business rates for creating market conditions that were too challenging.

The impact of the funding cuts will certainly be felt by pharmacies throughout England; however, contractors may seek some reassurance in the fact that market activity and appetite remain strong and when a pharmacy does come to the market, there is a large pool of motivated buyers out there readily seeking opportunities. Such has been the demand in the market that we have regularly seen competitive bidding resulting in premium offers, factors we expect to continue into 2018 as we predict the number of businesses for sale will increase.

Private equity continues to circle the sector looking to implement a buy and build strategy to consolidate the market. New players also emerged in 2017 with Juno Health Ltd's, maiden acquisition of Ashchem Limited, a 15 strong pharmacy business in October. Bridges Fund Management continues to grow its presence as it invests through its Hub Pharmacy business. More recently, we have seen interest expressed by investors from other businesses outside of pharmacy, looking to obtain a presence in the sector through joint venture initiatives with existing multiple operators, something we expect will crystallise in 2018.

With the clawback following hot on the heels of the funding cuts it is likely that this will continue to squeeze cash flow and operating margins

CASE STUDY

Avsan Holdings Limited sold to Bupa Dental Care, UK

In December, we brokered the sale of Avsan Holdings Limited, a privately-owned dental group to Bupa Dental Care. Established over 30 years ago, Avsan is made up of 16 practices which are spread across Scotland and England. Bupa Dental Care is continuing to expand and currently has over 460 dental practices across the UK and Ireland.

CASE STUDY

LloydsPharmacy, UK

After its purchase of the 277 strong J Sainsbury pharmacy estate and following the CMA's findings that the acquisition could lead to a substantial lessening of competition in twelve areas of England, LloydsPharmacy instructed Christie & Co to market 14 pharmacies from Warlingham in the South East to Cardiff in the West and Liverpool in the North West. The sales were subject to a competitive marketing process in the autumn of 2016 with all completing over the first eight months of 2017.

MEDICAL MARKET PREDICTIONS

Consolidation in the dental sector to continue as existing and newly formed corporates "buy and build".

Dental labour market to become increasingly challenging as we head towards Brexit.

Pressure on pharmacy cash flows as the Funding Cuts, Category M clawback and drug shortages continue to impact.

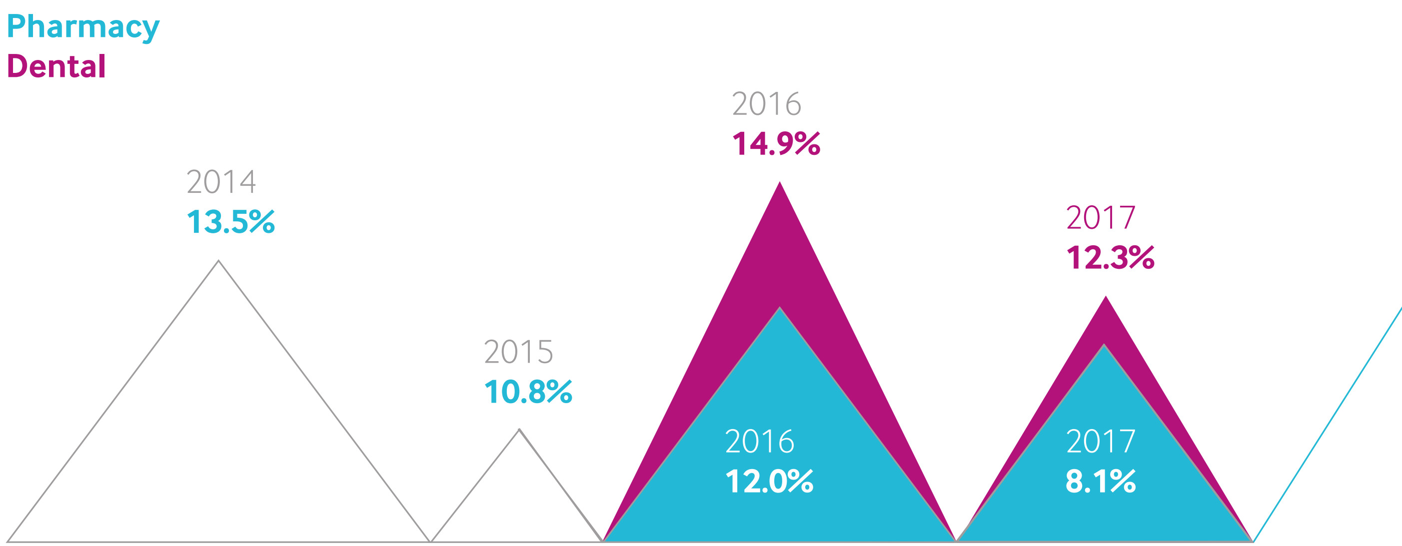
We predict an increase in the number of both pharmacies and dental practices being marketed in 2018.

18%

increase in applicant registrations over the course of 2017

£180m

of medical businesses sold in 2017



Movement in average prices, year on year

2 CARE

RICHARD LUNN
Managing Director - Care

2017 was a very strong year for Christie & Co's Healthcare business, with levels of activity across the sector on a par with those achieved pre-recession. The number of transactions concluded is very high and we remain at the forefront of the market place.

The highlights for the year include the sale of 35 care homes on behalf of Embrace Group to Sanctuary Group in an off market deal that strengthens Sanctuary's national presence, particularly in the North and Scotland.

We also advised numerous operators and investors on their acquisition and portfolio shaping strategies.

Market

The renewed confidence in the sector is illustrated by the acquisition of 122 non-core assets from Bupa by HC-One. The deal elevates HC-One to the largest operator in the sector by bed numbers. In addition, new entrants have emerged, such as Fremont Realty Capital who acquired Porthaven Group, and in doing so created new benchmarks for the sector.

Whilst some US REITS have scaled back their investment activity, new opportunities have been created by the introduction to the market of infrastructure funds, long income funds and Asian capital. The result is that yields have compressed, particularly for high specification purpose-built properties as investors aspire to acquire future proof stock which will provide secure income for the long term.

We are also likely to see the continued rise in the separation between property and operating companies. The move reflects growing global investor interest and could lead to unprecedented levels of PropCo transactions

We have seen a surge in new development activity in the sector, driven by the opportunities presented by the private pay market and the desire of operators to improve the quality of their estates. We have continued to see diversity in the care market as operators and investors seek new opportunities, particularly in care villages and Extra Care Schemes to supplement the provision of registered care.

At a grassroots level, the volume of transactions concluded by our regional agency team is the highest for several years, with independent operators taking advantage of low interest rates to expand and improve their estates.

The supported living market continues to attract new entrants, such as the National Care Group (NCG), with whom we have concluded a number of deals across the North of England. NCG have quickly established themselves as a significant provider of supported living services and we continue to work with them on their aggressive expansion plans, as well as other leading operators in all areas of specialist care.

Looking ahead

Investment in the sector is set to continue over the coming year. In a low-interest environment, investors are seeking yield security, and the mixture of long-term demographic pressures and rising fees, particularly in the private pay arena, continues to make care an attractive proposition.

We are also likely to see the continued rise in the separation between property and operating companies. The move reflects growing global investor interest and could lead to unprecedented levels of PropCo transactions, although the first OpCo based transaction is eagerly awaited.

Clearly, staffing will remain a key issue, both in terms of recruitment and retention, although ongoing public sector pay constraints may help attract some staff from the NHS into the private care sector. As well as the quest for nurses, there is likely to be a sharper focus on good quality management teams.

The number of homes in financial distress remains an issue which is likely to continue into next year. This is being driven by a combination of ageing stock, high-pressured margins and robust enforcement of Statutory regulations.

Finally, it is hoped that a resolution of the long-running Four Seasons debt restructuring will be achieved, as this would be good news for the wider industry and perception of the sector.

CASE STUDY

Embrace Group, UK

In June, Christie & Co sold a portfolio of 35 care homes on behalf of Embrace Group to Sanctuary Group in an off market deal.

The homes, located across the Midlands, North West, North East and Scotland are focused on both elderly residential and nursing care, plus an element of specialist care. The purchase by Sanctuary Group strengthens their national presence, particularly in the North and Scotland.

CARE MARKET PREDICTIONS

The themes of funding and staffing will again continue to drive the operational agenda for 2018.

Quality will remain the key area of focus for operators and investors alike particularly targeting the private pay market.

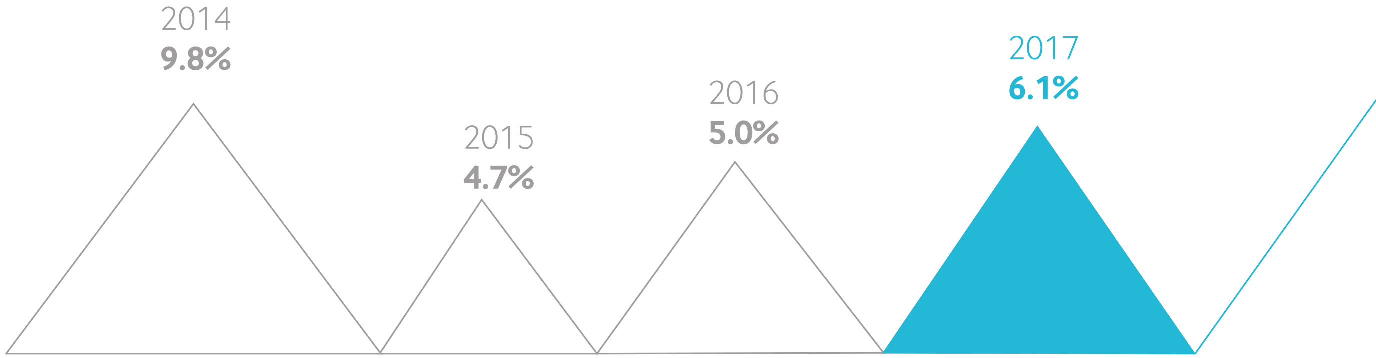
An increase in larger portfolio transactions and the sale of a significant opco portfolio likely. Increased activity in the extra care market.

16%

increase in stock to the market in 2017

c. 400

individual care home sales during 2017 with value in excess of £600m



Movement in average prices, year on year

3

CHILDCARE & EDUCATION

COURTENEY DONALDSON MRICS
Managing Director Childcare & Education

With a growing team, increased enquiries and a very significant pipeline, we remain market leaders in the childcare and education sectors.

Market

We have benefited from an extremely buoyant market this year both within the UK and beyond, that we expect to continue well into 2018.

Demand for high-quality formal childcare remains strong and we regularly gain premium, market setting prices. Working parents are reliant on childcare delivered by day nurseries; indeed during 2017 we saw a decline in the number of registered childminders and formal nursery care is in high demand, with associated costs considered as a necessity. This year the Government extended funding to enable eligible parents to access up to 30 hours of childcare, paid in part by local authorities, and while some private settings have 'opted out', the majority of nurseries in England have 'opted in'.

The importance and stability of the sector continues to attract liquidity from a range of investors and banks, keen to support business owners with their expansion and acquisition plans.

The UK market itself remains very fragmented. Around 80% of private day nurseries are owned by individual operators, with many owning single settings. The rest comprise small to medium sized groups, comprising of three or more nurseries. The largest groups – Bright Horizons and Busy Bees – collectively operate with c. 65,000 places, provided across some 600 UK settings.

Going global

The day nursery business model is one which is broadly similar across the world, with key variants being each country's respective political, regulatory and economic landscape. Opportunities, including acquisition platforms and organic growth prospects, across the UK, Europe and Asia are becoming increasingly attractive to international investors and international trade parties alike, keen to buy, develop and expand businesses with the backing of strong local management teams and the development of local partnerships. Whilst to some it may seem unusual to consider exit strategies before even making an entrance, having an eye on any potential realisation plan is key. Typically initial investments, be that a platform purchase or partnership, will objectively seek to allocate a five to eight year window during which they will seek to grow, mature, consolidate and then sell the business.

At the start of 2017, we saw the first major inbound investment in M&A activity from an overseas provider for almost two decades when Magic Nurseries, with 16 children's day nurseries, was sold to Les Petits Chaperons Rouges, a leading private nursery chain in France. The Magic portfolio, comprising a largely freehold estate with 1,076 places, was sold amid much competitive tension from a large, and wide ranging pool of prospective buyers.

The successful purchasers swiftly went on to acquire a further 20 nurseries in September and now have more than 3,000 places – ranking them as a top 10 UK provider – a position secured in less than 12 months following their initial UK entry acquisition.

The UK has become increasingly attractive to foreign investors because of currency gains against the Pound following the Brexit referendum.

Alongside inbound investment we are also seeing a substantial rise in outbound investment, with demographic trends and regulatory changes in countries such as China fuelling the interest and sowing the potential seed of opportunity for European, American and UK based providers.

For example, during 2017 British Early Education partnered with Chinese investors Largreen Education to open a 300 place International Kindergarten in Yixing. Happy Tree Nursery Group, operators of three nurseries in London, also opened a new childcare facility in Shenzhen, and Staffordshire based Busy Bees Nurseries opened their first nursery in China.

Following the revocation of China's one-child policy, there has been growing demand from aspirational parents seeking premium early years bi-lingual education. Teamed with a shortage of childcare facilities, and a desire for 'western education', opportunities are abundant for innovative providers. The interest around inbound and outbound UK-China partnerships has led to an increase in our advisory work and transactional activity.

Innovation

There is plenty of innovation across the nursery sector, all of which will contribute to shaping the landscape of the sector in the following years.

Co-locating, where nursery settings partner with care homes, a well-established concept in the US, is a trend that is on the rise and offers many benefits, including social and commercial. We first assisted a co-located nursery in Warrington, Cheshire, achieving a reduction in their rates liability almost two decades ago, and today we continue to work with clients and leading organisations to drive this initiative forward.

One of the most widely publicised new nurseries to permanently share the same site as a care home, and where children and residents meet daily for activities is Apples And Honey Nightingale in London which opened in September.

At present only a small number of nurseries are physically co-located with a care home – although the model already operates very successfully in other countries, such as the USA, Japan and Singapore, Canada and Australia, as well as in parts of Europe.

Over the past year, we have also seen a real growth in Forest Schools, which are nurseries with virtually no premises, set in areas of woodland. Generating demand and much interest from parents, investors too are increasingly interested in this model because of the relatively low infrastructure cost and premium fees achieved. There is a similar interest in Beach Schools for nursery settings located in proximity to our UK coastline.

Vertical integration is also on the rise, where classes comprise mixed age groups. Common in parts of Europe, children learn from, play with, and support each other, as they would do with siblings of differing ages in a home environment.

Independent education

As with the early years sector, overseas interest in the UK education market has heightened, with an increasing number of both proprietors and investors seeking platform acquisitions, portfolio growth or partnership arrangements.

British education continues to be highly regarded and much sought after across the globe, and with brand positioning and reputation being a fundamental key to performance and longevity, acquirers are keen to target established, successful schools.

There have been several transactions during the course of 2017 and we very much expect this trend to continue.

There remains a very high level of demand from prospective purchasers for both world-renowned and provincial schools that demonstrate a solid academic and trading performance. As always, the key to their requirements is having a clear line of sight over revenues and expenditure.

There has long been a two-tier market across the UK independent school sector and this void between premier and provincial has certainly widened during 2017. From the start of the year, we witnessed an increase in banks seeking our advice due to schools running into financial difficulties, notably due to declining pupil numbers and increased pressures on operating costs. When moving into a period of distress, bankers and investors ordinarily do everything in their power to ensure that the business can keep trading. However, with demographic and financial pressures differing across each region of the UK, there are unfortunately an increasing number of cases where sustainability is challenged.

While being mindful of some of the domestic challenges, education has now become a sizeable global business and, similar to the nursery sector, we have seen an influx of overseas investors seeking to acquire prestigious schools or enter into management or franchise agreements with some of the most notable schools in the UK. As the demand and competition for these opportunities grow, we expect that both levels of activity and prices achieved will increase during the year ahead.

Specialist childcare

The specialist childcare sector has not been without its challenges throughout the past 12 months, however, the outlook appears positive. Across the UK, with some 460 schools, 82 colleges catering for some c. 15,000 pupils, demand from buyers for high yielding schools catering for all acuity levels remains high. In 2017, we have seen increasing demand for schools that offer boarding provision, notably due to the levels of fees that can be achieved which on average are c. £120,000 per annum compared to an average of c. £40,000 for day students.

The specialist childcare market has seen equal levels of demand with operators of children's homes, foster care agencies and SEN schools looking to establish larger and more diverse portfolios. Geography generally proves to be less of a barrier to acquisition due to nationwide demand and operators with funds have a relatively high degree of flexibility.

Looking forward to 2018, the sector continues to face challenges in relation to staff recruitment and retention, the National Living Wage and sleep-in pay, along with fee pressures from local authorities. However, experienced providers are becoming adept at ensuring these challenges are appropriately managed, as the quest for quality continues.

Following on from the recession now almost over a decade ago, at which time we saw a decline in residential children's homes and a rise in foster care, both sectors do remain highly fragmented and we anticipate further consolidation during the year ahead. With independent foster agencies achieving premium fees compared to local authority foster placements, demand from buyers is set to continue and this was very much evidenced by the degree of interest that we achieved in the sale of Moments Fostering Ltd.

Looking ahead

For nurseries, one issue we feel will come to the fore in 2018 is around ratios. At present, pre-school class ratios primarily operate on a ratio of one adult to every eight children, or thirteen children if led by a teacher. Five years ago the Government was forced into a U-turn when it tried to relax the ratios for children under three years of age, while citing ratios for children aged 3+ years in France of one to 26. Despite this, we are convinced there will be a renewed push to raise the ratios this year, and we are in the process of a major piece of pan-European research into the topic.

Sustainability challenges for some schools aside, the outlook for the independent education sector remains very positive and for 2018 domestic growth will feature high on the agenda.

CASE STUDY

Bramleys Nursery Group, UK

In July 2017 we sold Bramleys Nursery Group, a group of highly regarded and much sought after children's day nurseries located in the Oxfordshire and Wiltshire regions. The project was confidentially introduced to the market and generated strong interest with multiple bids received. The group was sold to Busy Bees Holdings.

CASE STUDY

Moments Fostering Ltd, UK

In August we sold Moments Fostering Ltd, a highly regarded and well established independent fostering agency located in the South East. The project was confidentially introduced to the market and immediately generated an enviable level of interest with multiple bids being received.

CHILDCARE AND EDUCATION MARKET PREDICTIONS

DAY NURSERIES

Increased M&A activity across the UK, Europe, Asia and China.

An increase in UK closures in some localities due to sustainability challenges.

SPECIALIST CHILDCARE

Continued pressure will be felt on fee levels, with large disparities between different UK regions and providers.

NLW increases, pensions and sleep rates will continue to have an impact on smaller, less prepared providers.

INDEPENDENT EDUCATION

Continued demand for quality, renowned independent schools across the UK especially in the South East.

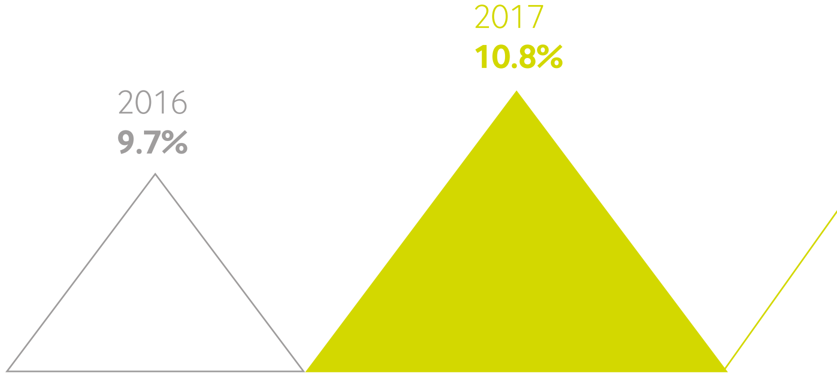
Additional cases of distressed assets coming to the UK market in light of reducing pupil numbers - driven by competition and poor financial management.

10.8%

increase on last year in the average price for CDN

£1.98bn

worth of childcare and education businesses advised upon



Movement in average prices, year on year

4

RETAIL

STEVE RODELL

Managing Director - Retail

Freehold forecourt deals fuelled growth in top end pricing but the largest number of deals happened in the leasehold dominated convenience sector. All eyes are on convenience in 2018 to drive increased profitability and a new world of innovation

Forecourt and convenience retail deals did not waver in the slightest during 2017 with so much uncertainty being peddled in the press. In fact our Retail team sold 29% more businesses than the previous year.

Petrol filling stations

The forecourt market continues to evolve and bloom, delivering consistent growth over the past three years. In one of the most active periods we have seen, we transacted or valued almost a quarter of UK independently owned and operated petrol stations in 2017 – more than ever before.

For some owners, the value of their forecourt is the highest they've seen. Some took advantage of increased demand from a wide pool of buyers and this meant prices achieved last year were consistently strong, and this is likely to continue through 2018.

This is largely the result of strong trading fundamentals supported by year on year growth shown in trading records. Good quality on-site property, healthy fuel margins and burgeoning convenience operations all combine to make forecourts an attractive proposition, especially in the current low interest rate environment.

Of the 8,459 UK petrol stations 68% are now in the hands of independent dealers and the top five groups own 28% between them. Christie & Co has become the principal consultant to the industry and advised on a third of all independent sites in 2017.

The largest operators by volume remain the supermarkets, which sell on average around 11 million litres of fuel per site. However, the number of supermarket sites remains stagnant as the major grocers halted their plans to open large stores with fuel in the face of the burgeoning discounters Aldi and Lidl. This has been good news for independents who in general no longer have to fear the arrival of supermarket fuel prices and the prospect of lost business.

Independent retailers have considerably more sites but average just two to three million litres a year and are focussed on improving non fuel sales.

The oil companies, of which only BP and Shell remain in any size, sell around four to five million litres a year per site. Their main operations are now concentrated on exploration and alternative or renewable energy as signalled by Shell's acquisition of NewMotion (electric charging) and one of the country's biggest energy suppliers, First Utility.

We expect both companies to dispose of their remaining assets that do not fit core strategy, but only where there is a strategic reason such as a lucrative supply deal or a mutually agreeable swap.

Private equity houses have invested in three of the five biggest groups in recent years and they have grown further by acquiring other independents which has fuelled group deal activity. High volume single site deals were also a significant feature of 2017 as those owners that tested the water were pleasantly surprised by the prices achieved, usually after competitive bidding.

It remains to be seen whether 2018 will follow suit but there appears to be no let-up in appetite for such sites.

There will undoubtedly be further consolidation going forward and at the time of writing two other group acquisitions were announced. Motor Fuel Group has acquired 14 sites from Golden Cross Group and Harvest Energy acquired Retail Fuels Ltd which had nine.

The next step for MRH appears to be flotation after appointing advisors to pursue a reported £1.5bn stock market flotation in 2018.

Euro Garages changed its name to EG Group – perhaps reflecting its future focus on non-fuel retailing and acquisitions in Italy and Germany.

Progressive retailers, particularly those that are backed by private equity, are also looking for new-to-industry sites. They can't acquire going concerns quickly enough and are therefore keen to build more. There are around 500 sites that closed around a decade ago that could now be ripe for redevelopment.

The announcement in July that the Government is committed to banning the sale of all new diesel and petrol cars by 2040 is unlikely to have any short-term impact,

Progressive retailers, particularly those that are backed by private equity, are also looking for new-to-industry sites. They can't acquire going concerns quickly enough and are therefore keen to build more. There are around 500 sites that closed around a decade ago that could now be ripe for redevelopment

although it may cause those 24% of landlords who have a long-term lease in place to look more closely at the future of their investment. If they decide to diversify their risk, we could see a significant number of PFS investment deals come to market.

With such a strong vacant possession price point being achieved in 2017, we could see tenant operators buying in the freehold interest from their landlords who might prefer to cash in and invest in a different asset class.

Nonetheless, independent operators are more than likely to adapt and evolve. With comparatively low margins on fuel, many operators are focussed on expanding their retail business to attract more customers into the shop.

Last year the total value of forecourt convenience sales was around £4bn. Around 3,500 petrol stations now have a symbol branded or national chain convenience store and many now also have branded food to go operations such as Subway, Greggs and various well-known coffee brands.

This is very much seen as the long term solution to the inevitable decline in fuel sales that will come on the back of alternative fuelled vehicles.

On the technology side, we expect to see a growing number of apps, such as those recently introduced by Shell and BP that allow customers to pay for fuel in advance, as well as a rollout of Wi-Fi and more electric charging points.

Getting the forecourt mix right and offering a better experience will bring more customers who are likely to dwell longer and spend more.

Convenience stores

There was massive change in the market during 2017, driven by the large grocers who are anxious to find alternative routes to income as they combat the ceaseless rise of new Aldi and Lidl openings and ever growing online shopping.

In January 2017, Tesco announced its proposed merger with Booker Group. This consolidation of the largest grocery retailer and largest retail wholesaler received approval from the Competition and Markets Authority in mid November 2017. It is too early to say what direct impact this will have on the retailers supplied by Booker, but many hope the added buying power of the newly created wholesale behemoth will somehow help them mitigate rising operating costs with better buying terms. Other wholesalers made their protestations but the deal was waved through and completion of this £3.7bn transaction is expected in early 2018.

Others have tried to tackle their falling market share by boosting their convenience credentials and some have pinned their hopes on expanding their presence in forecourts through franchising.

At the same time, they are also seeking a new direct channel to market through independent retailers. Morrisons unveiled a deal with McColl's Retail Group to supply their 800 stores, while Sainsbury's lost the opportunity to buy Nisa whose members then voted to approve a takeover by the Co-op Group for a reported £143m effective from Spring 2018.

1,190 independent retailers will effectively be supplied by the Co-op and have the option to trade under the Co-op brand – an 'asset lite' solution for the Co-op to significantly increase its footprint across the UK.

The unfortunate demise of Palmer & Harvey provided the opportunity for another consolidator to mop up a large tranche of stores at what appears to be a bargain price of £25m.

Conviviality Plc purchased WS Retail - trading under the Central Convenience fascia - right at the end of the year. This is likely to result in the switching of c.109 stores across the south to the Bargain Booze Select / Bargain Booze brands.

Retailers will continue to have to innovate what they sell to combat the higher overheads that are coming as a result of the National Living Wage and inflation – particularly in the food market.

Food-to-go is now growing 16 times faster than grocery, and expected to account for £21.7bn in sales in the UK by 2021. M&S Simply Food and Little Waitrose have both been at the forefront of harnessing this trend.

The success of retailers such as Eat 17, an award-winning independently owned group that effectively fuses dining and food shopping, is likely to encourage others to evolve the convenience model.

Indeed, exactly this type of concept would be welcomed in our rapidly changing town centres, where retail is being replaced by residential properties.

Average prices

Whilst the headline will read that the aggregate price of retail businesses sold by Christie & Co slightly fell in 2017, this needs to be read in the context of a 29% year on year rise in the number of businesses sold. There was a resurgence in the number of leasehold newsagents and convenience stores which sold for generally lower leasehold premiums. At the other end of the spectrum we sold 27% more petrol stations and the average price achieved was c.17% ahead of 2016.

CASE STUDY

Barley Grove Service Station,
North Devon

After a brief sale process that attracted interest from many of the the 'Top 50' independent forecourt operators, BP secured Barley Grove for an undisclosed sum.

BP has transformed the Budgens convenience store into a M&S Simply Food, adding to their existing estate in the South West. The site is unopposed and located on the A386 with excellent road links with direct access to Oakhampton and Bideford. A good residential catchment provides additional footfall to the site. All stock was donated by BP to a local homeless charity.

RETAIL
MARKET PREDICTIONS

Major grocers will continue expanding into forecourts through franchising and supplying the wider independent convenience sector.

Retailers will innovate their offer to increase gross margin to mitigate rising operating costs.

Research and development into Electric and Alternative fuel vehicles will increase under government initiatives. Technology solutions will be embraced to accommodate changing consumer habits.

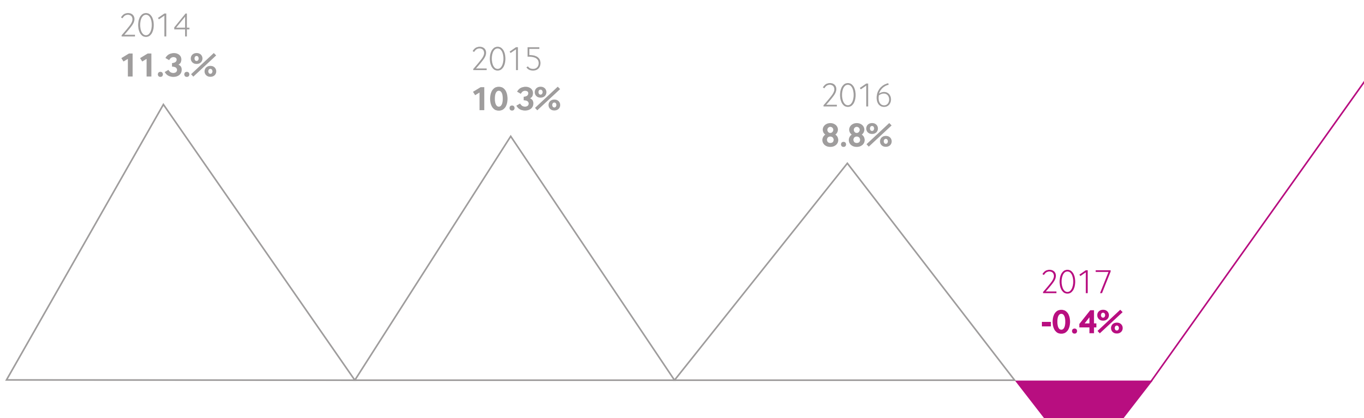
Top independents will focus on growth in the short term, but may favour selective single acquisitions where sites are better than those already owned, leading to potential estate churn in 2018.

29%

increase in number of retail deals in 2017

33%

of all independently operated petrol filling stations advised on (exc. top 5 groups)



Movement in average prices, year on year

5 LEISURE

JON PATRICK
Head of Leisure & Development

UK and international private equity and real estate investors continue to drive activity in the leisure market.

Leisure

Activity in 2017 was strong with a marked uptick on 2016, and we undertook advisory assignments across a wide spectrum of uses within the leisure industry including sporting venues, outdoor activity centres, health clubs, visitor attractions, holiday and caravan parks, and a significant number of golf courses. We have also experienced a greater number of individual transactions in the independent health and fitness market, most notably in the upscale segment.

Transaction highlights were spread across a variety of segments, including, as predicted, David Lloyd Leisure's acquisition of 14 racquets clubs from Virgin Active. Several individual health club sales with which we have been involved have followed throughout the UK and Europe.

As anticipated, the sale of Parkdean Resorts by Epiris to Canadian private equity outfit Onex Corporation was completed in March for £1.35bn, and Midlothian Capital Partners agreed a £103m management buyout of Park Leisure 2000.

Overall, the UK leisure market continues to be driven by steady demand for operational real estate with good, long-term income potential and the comparatively low cost of borrowing. Exchange rates have also made the UK very attractive to overseas investors.

There have been positive signs of rising international demand for UK leisure assets from private equity and we expect this to grow in 2018.

While the market continued to show growth in 2017, certain elements may also be cyclical and leisure will not be immune to the implications of Brexit in terms of cost and wage inflation, exchange rates and workforce availability.

Leading on from this, continued growth in staycations has fuelled the interest in the holiday park and caravan sectors. Not only has private equity been drawn to their stable and long-term income potential but individual investors have seen the advantages of investing by letting out holiday homes. As a result, we fully expect the boom in the holiday park market to continue with further M&A activity very likely.

In the health and fitness sector we have seen the growth and maturity of the budget gym market, dominated by Pure Gym and The Gym Group. In the next phase of development we can expect to see high competition in certain locations leading to saturation with the potential for consolidation, particularly among smaller operators.

While the last few years have been dominated by the budget health club sector, there was greater activity across the upper mid-market and luxury sectors in 2017, and we expect this trend to continue.

The market will also be watching closely to see if the smaller training studios offering high-intensity interval training workouts can deliver a financially viable model given the level of expansion and competition.

Trampoline parks, first introduced in the UK in 2014, did very well initially. While they are still popular, the growth of the sector to around 300 centres of varying build and operational qualities, some with high-profile health and safety issues, will, in our view, undergo a painful market correction over the next 12 to 24 months.

Development

We have been busy in all aspects of hospitality development with the aparthotel, limited service and boutique segments producing competitive KPIs across the provincial UK.

Overseas participants have been particularly active this year, with Meininger, Motel One and A&O Hostels from Germany, and The Student Hotel, City Hub, Qbic and Vastint from the Netherlands leading the charge for UK representation.

Competition within city-centre PRS and office development remains a challenge for hospitality development, but we are sure to see a range of new brands in key strategic locations across the UK over the next two to five years.

There have been positive signs of rising international demand for UK leisure assets from private equity and we expect this to grow in 2018

LEISURE
MARKET PREDICTIONS

2018 will see continued private equity and overseas investor activity in the UK leisure and "alternative" investment sectors, particularly those aligned with long-term income potential.

Savvy investors may be drawn to participate in operational real estate in search of more attractive returns.

The trampoline market looks set for a difficult time ahead whilst the staycation market will continue to drive investment and M&A activity in the holiday park market.

CASE STUDY
The Academy Health Club, Harrogate

August 2017 saw the sale of the award-winning health club & spa, The Academy Health Club in Harrogate, North Yorkshire in an off market deal.

The 65,000 sq ft racquets club and spa, set within a 6.15 acre site, was sold on behalf of Academy Leisure to David Lloyd Leisure ("DLL") with the creation of a new 25 year lease to DLL. The UK's largest operator of racquets clubs planned a subsequent £3.2m investment in the business enabling integration within the wider portfolio.

CASE STUDY
Wildmoor Spa & Health Club, Surrey

Following the acquisition of The Weybridge Club in Surrey, Christie & Co followed up with a further off market transaction on behalf of the Bannatyne Group with the purchase of the award winning Wildmoor Spa & Health Club in Stratford-upon-Avon.

The 2,500 member club originally opened in 2005 and our long term relationship with the vendor was key to the discreet and successful deal brokering which took the number of sites operated by the Bannatyne Group to 70.

6 PUBS

NEIL MORGAN
Managing Director - Pubs & Restaurants

Despite the headwinds, innovative operators will continue to boost the sector and offer investors steady returns.

Market update

It has been a busy year for our Pubs team, with significant brokerage, valuation and consultancy engagements. As a result, we have an unrivalled appreciation of operator sentiment for the year ahead.

Many operators found the market tough, with a raft of cost increases weakening P&Ls. An increase in the National Living Wage, rising pension costs, the Apprenticeship Levy and business rates revaluation all hit in April, along with rising utility costs and a weak Pound.

Despite this, operators generally enjoyed an excellent first half as good weather brought people into pubs. At the same time, the weakened Pound drove inbound tourism across the UK. Managed houses have in the main traded well, especially in revenue terms. Tightening margins will come when this temporary boost dries up in 2018.

One way to improve margins is to create new avenues of income. Accommodation is an example, as typically between 50-80% of room revenue converts to the bottom line. Although initial capital outlay can be significant, so too are the rewards. Properly executed, it can enhance profitability, de-risk trading profile and offer additional exit routes through increased buyer appeal.

Innovation is high within the sector, with a rise in the number of multiple operators – those owning three or more pubs, generally smaller and more agile – delivering better management and improved customer experience.

Investment and transactional activity

At the peak of the market in 2006, before the smoking ban and the sub-prime lending fall-out, there were more than 58,000 pubs across the country and £5bn of pub asset sales, including 26 deals of £10m or more. This year, with 49,000 pubs remaining, only six £10m-plus deals were completed.

There was considerable interest from overseas investors following the EU referendum, and the weaker Pound has created some appealing investment opportunities.
In September, after several months of subdued transactional activity, the long-anticipated Punch Taverns sale went ahead, with 1,900 pubs moving to Heineken's Star Pubs and Bars business. The remaining 1,300 sites stayed within a reformed Punch Taverns, now owned by Patron Capital.

We see operational and financial pressures in 2018 being broadly similar to those in 2017

In the same month the US private equity investor Cerberus sold Admiral Taverns to C&C and Proprium Capital, crystallising a significant gain on its 2013 acquisition. For a time, Stonegate and Deltic competed for Revolution Bars, and although both parties walked away, we still expect a sale along with more consolidation in this heavily fragmented sector.

Staffing inhibiting growth

Staffing is a challenge, particularly in kitchens, as it becomes increasingly difficult to recruit and retain people following the EU referendum. The Apprenticeship Levy, introduced in April, could help counter this by encouraging operators to grow domestic talent, with the potential to increase staff retention, lower recruitment costs, and maintain or even improve profitability.

Outlook

We see operational and financial pressures in 2018 being broadly similar to those in 2017, albeit exacerbated by a further increase in the National Living Wage and the uncertain consequences of Brexit.

Some business failures are likely as we start to come down from the peak of the cycle, but operators and investors with sizeable war chests are likely to pick up opportunistic purchases as underinvested marginal assets and portfolios go up for sale.

As costs rise, so too will the revenue threshold for managed houses, increasing competition for sites capable of generating £18k or more a week and necessitating conversion of many assets taking £10-15k back into either tenanted or franchised models. This will be compounded by more cautious operators contemplating re-gearing operations back into the tenanted sector where they can de-risk their P&Ls by taking reduced but guaranteed rental income. This additional demand for tenanted assets could drive excellent value growth.

More optimistic operators will continue to innovate, and many of our clients have benefited from the unrivalled sector knowledge of our strategic consultancy team.

In short, the sector is extremely resilient, as we saw in 2007 when a perfect storm was said to be threatening the Great British Pub. We repeat now what we said then: many will not only survive, but grow and thrive.

CASE STUDY

Whitbread, pub portfolio sold to Marston's, UK

In June we sold, on behalf of Whitbread, seven destination and premium managed houses to Marston's.

As part of Whitbread's continued focus on rooms with restaurants they appointed Christie & Co to market the properties. After a confidential process which saw a high level of interest, Marston's were selected. The purchase forms part of Marston's strategy of opening premium bars and restaurants and these sites were an ideal fit.

PUBS MARKET PREDICTIONS

Shortage of stock and increase in demand from private equity and trade buyers will have a positive effect on pub values.

Those companies financially constrained may need to shed some, if not all of their assets as rising cost pressures bite.

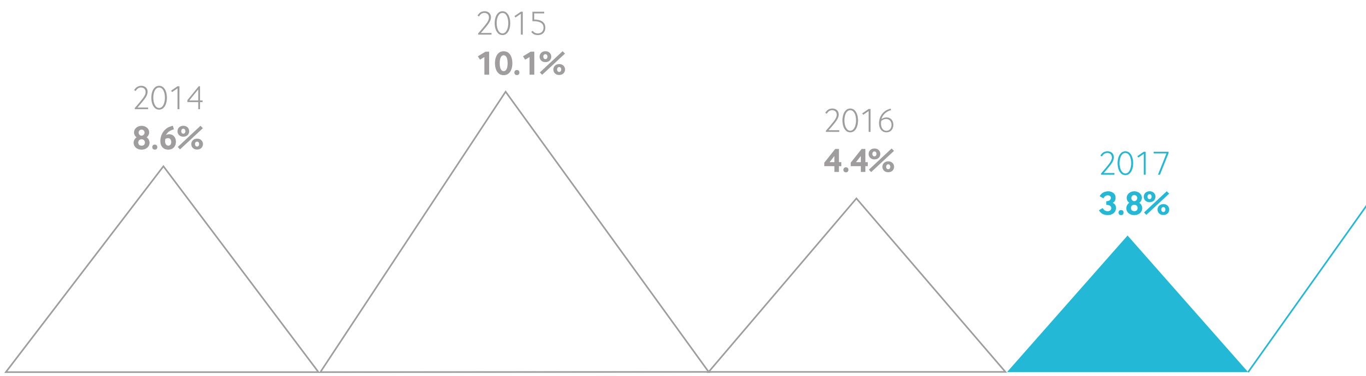
Continued rise of the small multi-operator companies and growth in the traditional freehouse sector.

85%

of pubs sold by Christie & Co remained as trading pubs

18%

increase in the number of first time buyers and private operators acquiring pubs



Movement in average prices, year on year

7 RESTAURANTS

SIMON CHAPLIN
Head of Restaurants

As our tastes change and become more demanding, the restaurant sector is under greater pressure to stay ahead – but that can be good for business, too.

Restaurants are currently a victim of their own success. Over the past three years an estimated 3,000 new businesses have opened their doors, driven by an increasing number of diners, predominantly millennials and Generation X happy to use their disposable income on eating out.

Brand loyalty has ebbed as customers increasingly look for new and alternative dining experiences. Where there was once comfort in the familiarity of the "chain gang", more and more diners are chasing a more unique experience.

This has provided a great opportunity for newcomers to grab an increasing slice of the market, leaving established brands fighting for market share and having to review their estates and brands. It has also led to the demise of a number of chains, resulting in a surge of sites coming to market, causing values to stall somewhat.

Under pressure is the £15-plus mid-market casual dining sector, populated by the burger and pizza brigade, while grab-and-go speed dining is booming. From the ashes, however, are emerging some new names to the high street with an appetising flourish of innovation and style.

As a nation, we are eating out more often but the amount we spend has remained static.

Delivering the future

At the same time delivery is proving a stubborn disruptor with some restaurants now reporting that delivery accounts for more than 10% of sales. This is an area of the market that is problematic for restaurants struggling to cope with demand at busy times, or for those whose fare does not travel. A number of restaurants have invested in additional kitchens just to serve the demand for delivery, despite the fact that margins are being more and more compressed.

Those businesses that embrace technology, particularly social media and dining apps, will be those who perform best. Equally important is to understand consumer demand for healthier food and sustainability.

Perhaps the most crucial ingredient, however, is to ensure that great food, in a high-quality setting, is served in an atmosphere that places the customer at its centre and delivers a memorable experience. Great food, environment and service will always keep diners coming back for more.

Casualties

While we have seen plenty of activity across the country, there is talk of saturation in certain areas, such as Manchester.

In 2018 we are likely to see some further casualties in the mid-market, but can expect continued growth in the fast casual and high-end casual sectors.

> Niche brands are likely to fare better next year with slight growth, whereas for the bulk of the market, just staying flat will be considered a result

Only two of the 10 operators with more than 100 sites are still expanding their networks, therefore we expect to see further closures within this group, however, any holes in the high street will be quickly filled by new, smaller brands coming into the market.

Keeping up appearances

It is increasingly important for operators to invest in buildings and décor. In an ever more competitive market, customers will bypass anywhere that looks tired, so it is vital to build refurbishment costs into business plans. Unlike pubs, which in general need attention every five years or so, restaurants need to be refreshed every three years.

Equally important is staff. Like almost every other sector, attracting and retaining staff is proving a major challenge. In the restaurant market, consistency is one of the vital ingredients of good service, as is training. With staff that are often transitory, this is an area that can so easily suffer.

Opportunity

There is plenty of opportunity for newcomers in the market to take up some of the prime sites left open by retreating groups – and there are some good deals to be had from anxious landlords.

Innovation will be crucial, creating a new flavour of restaurants. Niche brands are likely to fare better next year with slight growth, whereas for the bulk of the market, just staying flat will be considered a result.

CASE STUDY

Cha Cha Moon, London

Cha Cha Moon, located in London's Carnaby Street, was sold in early 2017 on behalf of clients Kout Food Group who were exiting the UK along with Little Chef and Maison Blanc to focus back in the Middle East.

We were seeking offers in excess of £700,000 for the leasehold interest and a sale was secured, after two rounds of bidding, in excess of £1,000,000. Such was the importance of the site to the landlords Shaftesbury Estates that they "pre-empted" and matched the deal on the table to secure the site, which they have now re-developed to incorporate it into Kingley Court.

RESTAURANTS MARKET PREDICTIONS

Brand fatigue will cause consumers to move away from established brands. Operators are the issue, not the sector, so 2018 may see some notable casualties in the mid-market.

Continued growth in fast casual and high end casual dining with millennial consumers driving growth in frequency of eating out, but spend less per visit.

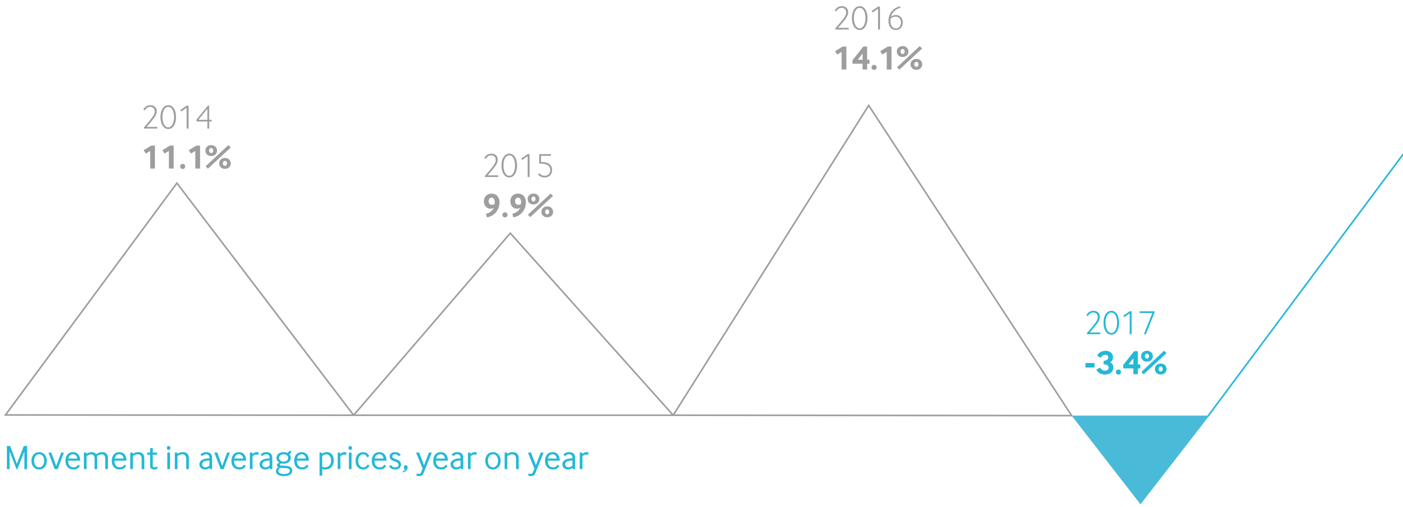
Operators making the best use of technology and social media, promoting healthy eating and an ever-changing experience will continue to thrive.

4%

increase in viewings as more buyers are seeking restaurants

30%

increase in the number of leased sites sold as demand remains strong



Movement in average prices, year on year

8
HOTELS

BARRIE WILLIAMS
Managing Director - Hospitality

Investment in UK hotels remains strong, but caution is on the rise over operational costs.

Market

The hotel market has enjoyed a stellar year as one of the few sectors to fully benefit from Brexit. While we see challenges ahead, we remain optimistic of the market's ability to deal with them innovatively.

The declining Pound boosted leisure travel from Europe, the US and China; 39m visitors spent more than $25bn. A weaker pound also lifted staycations which drove up occupancy and RevPAR in London and the regions.

Brexit uncertainty has increased pressure on finding – and retaining – talent. Rising costs have become an even greater challenge. Staff costs, business rates, pensions, utility and food bills are all escalating, a trend that is likely to persist for the next couple of years.

While we expect continued RevPAR growth driven by visitor numbers, this year it has been from tourists (up 20%) rather than business travellers (down 2.8%) and any further currency movement could impact 2018. Combined with increased stock (19,000 rooms in the UK in 2017 and 2018) and greater competition from providers such as serviced apartments, hostels and aparthotels, the effect will be to place pressure on existing, under-capexed hotels.

PwC analysis for 2018 forecasts RevPAR growth of 2.4% for London and 2.3% in the regions, both principally driven by rate.

In 2017 most of our work was focused on regional, single-asset hotels valued at £5m to £25m, and portfolios up to £300m, and the market has been active. Likewise, regional, single-asset, sub-£5m hotels have been buoyant.

The year ended with total sales of c. £5.3bn, up almost 18% year on year but still down significantly on the heights of 2015. Sales in 2018 are expected to show a slight decline, to around £5bn, but in line with the longer-term average.

A good proportion of buyers of single-asset hotels have an overseas connection, with most equity coming from the Far East. Typically, they invest in properties across the UK, often outside London, and want their money placed in stable economic and legal environments while generating good returns. These are practical, long-term investors, with no interest in vanity deals. Stratford-upon-Avon, Blackpool, Scarborough and Torquay are delivering great returns and double-digit growth.

There is plenty of liquidity in the UK lending market, supported by banks, financial institutions, peer-to-peer lending and even crowdfunding. Regionally, affluent individuals and families, and hotel funds are the most active buyers.

The market has traditionally been viewed by investors as alternative, but is now becoming more mainstream for long-term investors such as L&G, which this year acquired the Hampton Inn Stansted. Life funds are now entering the market, looking for variable income, and we see a large appetite for lease income from institutions keen on sharpening yields.

Innovation

Technology and how customers interact with hotels is undergoing a seismic shift. Aside from keyless entry via phone, and service automation (letting you check in and out independently), hotels are ramping up connectivity. More apps, better bandwidth and seamless connectivity are all here to stay. We expect innovation in food and beverage as customer demands evolve. Pop-up cafés, renowned chefs and DJs, specialist food and delivery are all ways of enlivening F&B.

Transaction highlights

The largest transaction of 2017 was the c. £800m acquisition of the Jurys Inn portfolio, bought by Pandox from Lone Star/Hudson. Other deals included the £525m sale by private equity firms Bain Capital Credit and Canyon Partners of Q Hotels, to investment company Aprirose. The sale of Hilton's London and Birmingham Metropole hotels to Henderson Park for around £500m. Generator Hostels, with 14 design-led budget hostels spread across Europe, sold for £400m.

Other individual deals included Grosvenor House for £600m, the Lowry, Manchester for £53m and the Holiday Inn, Manchester for £53m.

Christie & Co is one of the UK's biggest sellers of hotels: in 2017 we sold more than 150, including sales for Starwood Capital, Lone Star/Hudson including a portfolio of MGallerys, a portfolio of assets under Project Newlands and single-asset sales such as the Crown Spa Scarborough, Broome Park Estate, Canterbury and a number of Mercure-branded hotels.

With a strong team across Europe and a comprehensive suite of services, Christie & Co is well-placed to capitalise on new opportunities, such as the rise in interest in serviced apartments and hostels.

We will continue to expand our cross-border work and to advance our market share in these sectors. Both US and UK private equity houses are increasingly interested in Europe and we are already helping as they consider the opportunities.

CASE STUDY

Project Georgian, Portfolio of MGallery by Sofitel, UK

In May 2017, Christie & Co sold a collection of three MGallery by Sofitel hotels on behalf of Lone Star Funds/Hudson Advisors.

The hotels were offered on a group basis with the benefit of the existing MGallery brand and Accor Management Agreement in place. We were able to utilise our understanding of the local markets and investment community to achieve a sale price in excess of asking price in an off market transaction.

HOTELS MARKET PREDICTIONS

UK hotels in 2018 should be able to maintain RevPAR growth due to exchange rate benefits and visitor numbers/staycations.

Profitability growth will come under pressure from increased operational costs.

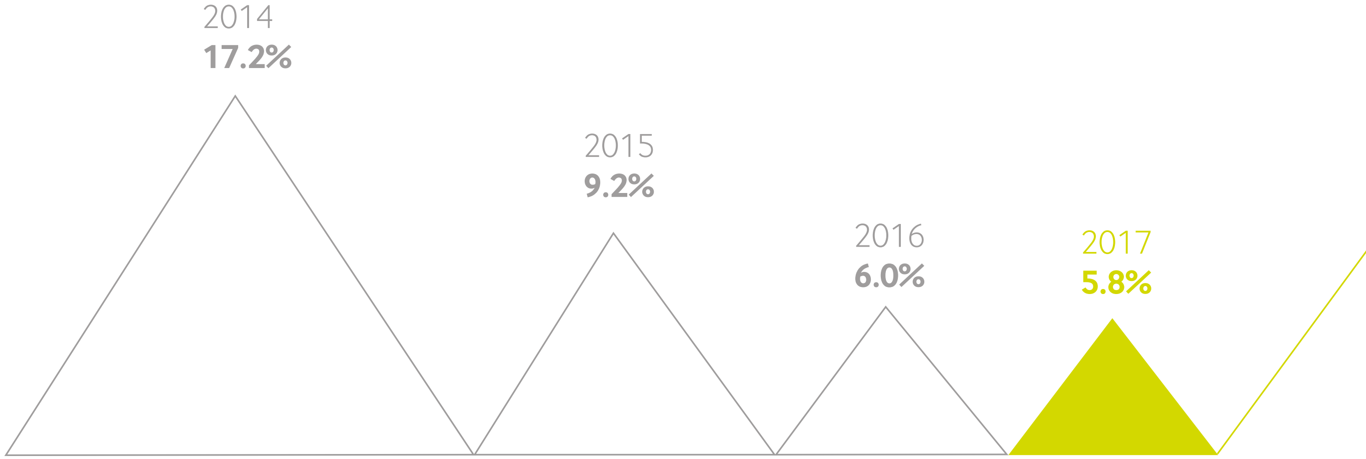
Investor demand will remain strong from UK, European and Far Eastern investors.

£4.5bn

worth of hotels sold, valued or advised on in 2017 (c. 500 hotels)

38%

increase in offers on last year



Movement in average prices, year on year

9

INTERNATIONAL

LUKAS HOCHEDLINGER
Managing Director - Central & Northern Europe

Positive pan-European investor sentiment reflects the strength of the hotels market across the region as record numbers of tourists flock to the continent.

Germany

As one of our largest European markets, Germany has remained very active throughout the course of 2017 and we expect the number of hotel transactions to remain steady as we move into 2018.

Demand continues to outpace supply - particularly for quality stock - which is compressing yields and driving a move towards more development in the market.

The drive for quality has resulted in a decline in the number of hotels – there are now around 33,000 across Germany – but an increase in the number of beds available. New developments, which come with long-term leases, are generally much larger in scale with a quality fit in order to future-proof them.

Most of these hotels are classic mainstream, but there are a growing number of new brands with new concepts easing into the market, such as 25Hours, Moxy and Ruby hotels as well as Generator Hostels or The Student Hotels. These new brands offer a different type of lifestyle stay and rooms in these hotels are generally smaller, however there is often a shared workspace, usually with a bar with 'grab and go' food, allowing for a more sociable vibe and experience.

Throughout the course of the coming year some of this development may flatten out. We expect slower growth with fewer large portfolio deals coming to the market and a further shift and focus towards secondary markets, such as Leipzig and Nuremberg, as there is limited supply and hotels for sale in the primary markets.

Buyers are still a solid mix of German institutional investors and international funds, with strong interest from France, Scandinavia, the US and the Far East. Asian investors, mainly from Singapore, are on the rise and are predominately focussed on the big-ticket items on the market. One such deal occurred when the Singaporean property company First Sponsor Group partnered with its shareholders, City Developments and Tai Tak Estates Sendirian, to acquire the Le Meridien Frankfurt Hotel. Only a few months earlier CDL Hospitalty Trusts bought the Pullmann Munich, which marked its first hotel transaction in Germany.

In 2017, we saw demand for everything from high-profile trophy assets all the way down to the smaller independent hotels and hostels across all major cities in Germany. We have seen particular success in the €5m - €20m bracket.

The investment market was fuelled by a continued growth in overnight stays, which has led to improving KPIs across the country. While occupancy grew by 2%, ADR improved marginally by 0.9%, which led to a countrywide RevPAR increase of 2.9% (YTD November 2017). While some cities like Cologne and Bonn performed exceptionally well with double-digit growth in RevPAR compared to 2016, other markets such as Hamburg, Hannover, Dresden and Dortmund still reported healthy RevPAR growth. Other markets, including both primary and secondary, from Munich to Nuremberg and Essen, had to cope with new supply and tougher competition which led to declines in RevPAR in 2016 (all figures YTD November, STR).

In 2017 we saw demand for everything from high-profile trophy assets all the way down to the smaller independent hotels and hostels across all major cities in Germany

As a result of the above, in 2018, investors are likely to look for opportunities off the beaten track, capitalising on deals in locations outside of the main cities and with some smaller operators.

Those investors that demonstrate more creativity, flexibility and a greater appetite for risk are likely to be more successful.

Austria

Steady activity across the year from large institutional investors and high net worth individuals has kept the Austrian market stable. Total hotel transaction volume reached more than half a billion EUR in 2017 – somewhat less than 2016, but better then the previous years.

As ever, Vienna remains the favourite investment destination, but we have seen activity increasing in the provinces and some of the provincial capitals. The sales of Steigenberger Linz, as well as the Courtyard Marriott in Linz are just two examples of the growing interest. While the first was bought by a US hotel and entertainment company, the latter was acquired by a local HNWI. The Austrian lifestyle budget brand, Roomz, saw two of its hotels changing owners, one in Vienna as part of a development and the other in the city of Graz.

Any sizable hotel coming on the market in Vienna attracts significant demand, which is ultimately leading to further price increases.

On the back of some notable transactions in the last couple of years, we expect to see greater interest in resort destinations, such as Carinthia, Salzburg and Tyrol over the coming year.

CEE

CEE has found its way back onto the radar of canny investors who are seeking deals in multiple cities across Poland as well as in old favourites; Prague and Budapest,

We expect a wave of interest across the CEE region from international brands and investors keen to expand their footprint as fast as they can, and smaller and more risk averse investors will follow the big players

which are currently two of the most popular investment destinations in the region.

Croatia, which has seen higher tourist numbers as a result, in part, of instability in Northern Africa, as well as Greece and Turkey, is also riding high. Many of the 5-star hotels developed over the past few years are trading strongly and even more hotels are now being developed to cope with a surge in demand, such as the Sheraton in Dubrovnik.

An established emerging market, Poland's relatively strong economy has attracted a larger number of investors and developers keen to capitalise on the growing market. Warsaw, with less than 100 hotels, remains a key focus and demand is predominantly driven by business travellers. Equally attractive are cities such as Krakow, Gdansk and Lodz which are all experiencing greater tourism and rising demands for quality accommodation.

The Czech Republic and Hungary have also demonstrated strong activity. Prague is still the strongest hotel market in Eastern Europe in terms of overnight stays while interest in Budapest continues to be high.

The increased interest in CEE was fuelled by double digit RevPAR growth rates in most markets, although from a lower starting point than in other Western European markets.

We expect a wave of interest across the region from international brands and investors keen to expand their footprint as fast as they can.

Indeed, in November 2017, Starwood Capital Group acquired the Sofitel Budapest Chain Bridge Hotel from Orbis Hotel Group, the leading hotel operator in Eastern Europe.

Budapest could turn into the fastest growing urban hotel market across Europe in 2018, benefitting from a mix of international leisure and corporate demand.

Parallel with the above destinations following their path to maturity, we expect a further shift in investors' attention eastwards and southeastwards to cities such as Bucharest, Sofia, Zagreb, and Belgrade. Indeed, US investment fund Cerberus bought the Radisson Blu Complex in Bucharest, comprising of a Radisson Blu, a Park Inn, serviced residences, a casino and other leisure facilities.

We expect smaller and more risk averse investors to follow the big players, now that they have entered these markets.

Our team

We continue to work closely with the wider Christie & Co teams and in 2017 we did so more than ever. The launch of the '*European Travel Trends and Hotel Investment Hot Spots*' report demonstrated how closely we work with our UK and European colleagues, and as a pan-European team we are able to offer strategic advice to maximise the potential of our clients' business and investments.

HOTEL GULDSMEDEN
Berlin

At the beginning of the year, Christie & Co introduced the first property in Germany for Danish boutique brand Guldsmeden, directly in the heart of the German capital.

Guldsmeden Hotels focus on organic food, and sustainability has made them trailblazers among boutique brands. The Danish chain has acquired the operating company of Hotel Altberlin located near Potsdamer Platz. The plan is to extend the hotel to increase bedroom capacities from 50 to 80. Reopening took place in December 2017. Christie & Co acted on behalf of Guldsmeden Hotels with their German expansion.

STEIGENBERGER HOTEL
Linz

Steigenberger Hotel Linz was sold by Real 4 You GmbH to Trans World Hotels TWH, the hospitality division of US gaming and entertainment firm Trans World Corporation.

The 4-star hotel, which has been renamed Hotel Donauwelle, will be operated by TWC's hospitality division, Trans World Hotels (TWH) and is the company's first property in Austria and its fifth in Europe. The acquisition was TWC's fourth transaction assisted by Christie & Co. Hotel Donauwelle is situated on the banks of the Danube River and comprises 176 bedrooms, six conference rooms, a restaurant and a bar as well as a spa and fitness area on the top floor.

HOTEL EXCELSIOR
Lübeck

In September, Christie & Co brokered the sale of well established Hotel Excelsior in the Hanseatic town of Lübeck on behalf of a private owner.

The centrally located 3-star hotel in Northern Germany was acquired by French fund LFPI, who will continue to operate the hotel as part of their German portfolio. Originally built around 1900, the hotel comprises 81 classically designed rooms, a breakfast restaurant, a garden terrace as well as a conference room.

KIMMO VIRTANEN
Director Nordics, Russia & the Baltic States

Fuelled by a strong economic performance and RevPAR increases of around 25% across all four capitals over the past five years, the Nordics continue to grow in popularity.

Strong economic growth has fuelled tourism across the region, particularly from Asia, putting increased pressure on room numbers and driving a push for new supply. RevPAR is up everywhere – but Iceland remains the standout success.

Overall, the market is more active and we saw some major deals take place. In Copenhagen, the 812-room Bella Sky hotel – the largest in Scandinavia – changed hands and the Marriott, with 406 rooms, was sold for €135m. In Stockholm, the Quality Airport Arlanda was sold and in Helsinki the 425-room Tripla development was confirmed.

The rise of limited service concept hotels, such as Moxy, Citizen M and Wakeup are also likely to invigorate the market.

Finland - Helsinki

Although one of the smallest markets in Scandinavia with just 55 hotels, Helsinki demonstrated a marked improvement on last year, with an increase in both volume and price. RevPAR is now at a high of 6.9%, driven by slightly increased occupancy and much improved room rates.

The number of rooms available has risen strongly by over 15% to almost 9,600 in the past decade. There are plans for an additional 1,700 rooms by 2020, although these will sit mainly at the top end of the market.

Meanwhile, Marriott's first hotel in the country is due to open in late 2019, adding 229-rooms, and will probably fuel greater interest from other international corporate brands.

Although there were few transactions, Sweden's Scandic Hotels became the largest hotel operator in the country with its purchase of 43 hotels from Restel Oy for €114.5m in June.

Sweden - Stockholm

The boom in Stockholm's housing market, where prices are even higher than in some parts of Manhattan, is stealing attention away from hotel development. However, we expect room numbers to exceed 23,000 by 2020 – an increase of around 14% – in order to meet demand. This is likely to place a downward pressure on occupancy rates and ARR. As the total market revenue has grown by over 5%, RevPAR growth has somewhat run out of steam at 1%, mainly due to the market absorbing the new supply entering the market.

An ongoing challenge is in the predominance of lease agreements, which remain a barrier for many international brands loath to overburden their balance sheets.

Denmark - Copenhagen

After two years of double-digit growth and in anticipation of an increase in capacity, total market revenue growth appears to have slowed down. Coupled with one of the highest occupancies in the Nordic markets, exceeding 80%, average room rate growth has also slowed. Together these factors will put further pressure on RevPAR growth for 2018.

Iceland - Reykjavik

Albeit a tiny market with c. 1m room nights available, it has been thronged by foreign tourists, raising the occupancy level to over 80%, and fuelling the cumulative RevPAR growth to a staggering 70% over the past five years.

Although the market has seen a phenomenal increase in supply over recent years, it has absorbed all of this, and total market revenue has continued to grow at a substantial rate.

Baltic States

Occupancy and room rates are up, helping to deliver a strong double-digit RevPAR growth performance in Tallinn, fuelled by the Estonian Presidency of the Council of the European Union.

In Lithuania, while volumes are stable we experienced some strong growth in average room rates.

Meanwhile, in Latvia, the average room rate has managed to grow quite well despite a wash of new supply in the Riga market. The lavish Grand Hotel Kempinski opened with 141 rooms. This year the first Radisson RED hotel was signed to open with 220 rooms in 2020.

ROMAIN GOWHARI
Managing Director
France & Belgium

YOANN VITTOZ
Head of Agency
France

PAUL COOPER
Head of Valuation & Consultancy
France

Olympian infrastructure projects and a return to economic and political confidence provide a positive outlook for the year ahead.

Recovery has been the keyword for the climate in France both in terms of the economy and the hotel investment market.

Many owners and operators adopted a wait-and-see approach during the first half of the year, but with a strong rebound in visitor numbers and improving economic conditions the market has strengthened considerably.

While caution has certainly driven the investor mood, we have seen a strong appetite for established hotels with 50+ rooms.

Competition is strengthening and has resulted in continued compression of yields. Domestic OPCI and SCPI funds continue to enjoy strong capital raising and are looking increasingly at opportunities in the freehold market.

Infrastructure boom

The 2024 Olympic Games will be held in Paris and this has delivered a substantial boost to the entire hotel market.

Massive investment in infrastructure projects across Paris will create new underground lines, transport hubs and support a wave of construction projects. Elsewhere, cities such as Bordeaux, Nantes, Rennes, Toulouse and Marseille will benefit from new high speed rail lines and infrastructure developments.

Underpinning all this is a rising demand for accommodation for both business and leisure travel which has sparked an increase in the number of new hotel projects across France.

Transactions

Activity has dipped slightly year on year as many owners continue their cautious approach. The upside has seen significant build up in the pipeline and we expect to see an uptick in activity next year.

Meanwhile, the main groups such as Accor, Louvre Hotels, B&B and Foncière des Murs, continue with their growth strategies.

Development

There is a new dynamism in the development market. Citizen M, Hoxton and Okko were among those to open new hotels in the capital in 2017 as the lifestyle market continues to evolve.

Limited service and lifestyle hotels are increasingly popular and we expect the inward flow of international investment to be matched by the continued expansion of new French brands such as OKKO and Maison Albar.

Hostels will feature more prominently in the new accommodation landscape. Accor's Jo & Joe, for example, opened its private-rental, hostel and hotel mix in Hossegor last year and now plans to expand across Europe with 50 sites in the next two years.

Innovation will also help to drive success like AccorHotels recently launched app, which aims to maximise profitability from underused services and spaces by partnering with local community businesses. The AccorLocal app will roll out globally this year.

We expect innovation on the F&B front too, as operators look to breathe new life into their offerings.

INMACULADA RANERA
Managing Director, Spain & Portugal

With tourist numbers increasing and improving economies, Spain and Portugal are set to reap rewards in the hotels market.

With a resurgence in Turkey, Egypt and Greece, competition for tourists means operators need to do more to stay ahead.

Christie & Co's in-depth knowledge is helping investors focus on the best properties, and ensuring hotel owners can better improve their assets' performance.

Spain

Proceeds from the top seven deals in 2017 brought in more revenue than the total from all transactions in 2016.

Investment companies accounted for 51.2% of the total volume of transactions in 2017. Key players included The Blackstone Group (with the €630.7m sale from HI Partners, the largest transaction recorded, with 24.4% of the total investment), HI Partners and KKR & Dunas Capital.

The second largest group of investors were hotel companies, with Riu Hotels & Resorts acquisition of the five-star Edificio de España (Madrid), for €272m.

The proportion of investments funded by off-shore capital reached 56% with the main players coming from the US, the UK and France.

Resort destinations dominate investor interest, and up to November 2017, accounted for 58% of investment. Occupancy soared by 4.9% (YTD Jan-Oct 2017) vs 2016, driving an increase in ADR to €88.1.

Demand outstrips supply and this is pushing prices up and compressing yields; this has resulted in increasing interest in less well-known locations.

We will see more instructions as investment funds have started to market some of the hotels that were part of portfolios acquired five years ago.

Portugal

In 2017, only seven Portuguese deals were known to the market. Two hotel properties were individually sold in Funchal acquired by MGM Muthu Group and Hoti Hotels; both sold by ECS Capital. In Lisbon, the Lux Lisboa Park Hotel was acquired by Internos, and in Porto the Gran Hotel de Paris was sold by Inter-risco.

Hotels in Lisbon have delivered astonishing growth in RevPAR – up 51%. The main KPI's show the strong recovery the market has experienced. Occupancy until September 2017 showed a growth of 2.8% in comparison with the same period in 2016. In terms of RevPAR, the growth vs the same period in 2016 was almost 14%. Over the past decade demand in Portugal has consistently outstripped supply. As a result, it is now one of the best European markets for opportunities and we expect to see a sharp rise in activity in 2018.

In 2017, investors continued to focus on Lisbon and Porto, as well as the Algarve and Madeira. We estimate that the number of private local buyers will continue to increase.

CASE STUDY
Hotel Asta Regia

In November we sold the Hotel Asta Regia, located in Jerez de la Frontera (southern Spain), to Grupo Hotusa on behalf of Banco Sabadell. The 4-star boutique hotel, with 31 rooms and two meeting rooms is located in the city centre, in an ideal location near the Town Hall, the Cathedral and the Alcázar. This is a good example of our ability to sell all types of hotel assets in the Spanish market, regardless of size and location.

JOANNE JIA
Head of Asia

China's cultural & tourism villages are set to blossom while Asian capital looks increasingly to Europe for better returns.

In 2017, we saw significant growth in the European hotel market from Hong Kong, Singapore and Thailand, offsetting the sharp decrease in Chinese capital due to tighter government controls.

Asian investor interest in the UK is set to continue throughout 2018, partly driven by the devaluation of the Pound.

Investors have also placed a greater focus on the domestic market where the healthcare and education markets remain strong. Chinese investors continue to search for both care and education providers to manage their high-quality facilities in the country, and we remain active in supporting these markets.

Cultural and tourism villages

The rise of the cultural and tourism villages concept is also sparking investor interest.

Although the market is young, it is growing quickly due to the recent boom of domestic tourism and the improvement of consumption capability and leisure preferences.

The Chinese Government is championing the creation of these villages, with 1,000 planned by 2020 and 3,000 more in the planning stages. They will include theme parks, hotels, pubs and restaurants, tourist attractions as well as retail shops. They will also feature holiday houses, healthcare and education facilities.

Our heritage and detailed knowledge of the hospitality and leisure sector in the UK and throughout Europe puts us in an ideal position to support these developments and to capitalise on this growing market. We have already been working with branded operators in this regard.

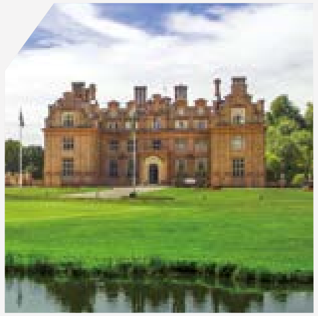
Outlook

Increasing competition in the Asian hotel market will lower yields prompting more interest in Europe and the UK. Overseas hotel investments will continue to be the focus for Asian hotel groups, private funds, real estate conglomerates and mega-insurers. However, we will see more strategic partnerships between international hotel groups and local hotel groups, such as IHG with HKCTS and Accor with China Lodging Group.

Other alternative opportunities, such as education and healthcare, will draw investor interest, especially for those who previously focused on traditional real estate.

We are leveraging our expertise to provide an unrivalled service to investors domestically, helping them to secure high-quality service providers to operate theme parks, pubs and restaurants, and healthcare and education facilities.

Demand from Asian investors for European businesses is rising and we expect this to continue, putting increasing pressure on supply. Confidence in the UK market remains strong and we expect a greater volume of activity in 2018, regardless of the value of the Pound.



CASE STUDY
Broome Park

In December we sold Broome Park, an exceptionally rare example of an imposing Grade I Listed Mansion House with its estate principally intact. The Estate has been sold on behalf of Diamond Resorts Group to an associate of Pyrrho Investments Ltd part of the Bonds Group. This leading Hong Kong investor will reinstate it as a hotel resort under the management of Countrywide Properties.

MAJOR TRANSACTIONS / DENTAL

Date	Vendor	Purchaser	Deal
January	Private	August Equity	Sale of 11 regional practices as dental platform
February	Bridgepoint Capital	Bupa	Sale of the UK portfolio of Oasis practices
April	Southern Dental	Jacobs Holding	Sale of 79 UK practices
April	Private	Gensmile	Large 10 surgery high quality practice in Suffolk
July	Private	Smile Clinic Ltd	8 surgery mixed practice in Ipswich, Suffolk
August	Private	Portman	11 surgery mixed practice in Shropshire. Sold off an asking price of £3.5m plus FH
September	Rodericks	CBPE	Investment in Rodericks alongside founder and CEO Shalin Mehra for further expansion of UK portfolio
October	Private	Gensmile	Group of 3 specialist referral practices in the South of England
November	Avsan Holdings	Bupa	Group of 16 practices across England and Scotland
November	Metro Dental	Bupa	2 large high quality private practices located in central London
November	Private	Dentex	2 high end specialist paediatric and orthodontic practices in the West End
November	Michael & Margaret Naylor	Genesis Dental Care	2 high turnover mixed dental practices in South Yorkshire comprising 13 surgeries

MAJOR TRANSACTIONS / PHARMACY

Date	Vendor	Purchaser	Deal
Jan - Mar	Midcounties Co-op	Various	Disposal of 11 community pharmacies
March	Mr Gary Barber	Raylane Ltd	Sale of Gary Barber Pharmacies Ltd
June	Mr & Mrs Nickels	Day Lewis Plc	Sale of Drurys Pharmacy Ltd
October	Mr & Mrs Goodfellow	A & JM Sheppard Ltd	Sale of Andojg Ltd t/a Emersons Pharmacy
January	J N Murray Limited	Cohens Pharmacy Group/Gorgemead Limited	Sale of 15 pharmacies in the North West of England
March	LloydsPharmacy	SUTTON CHASE LIMITED	Sale of 7 pharmacies as part of the LloydsPharmacy CMA divestment process
July	Community Pharmacies plc	Day Lewis PLC	Sale of 50% shareholding in 15 standard and 100 hour health centre pharmacies
August	JKB Healthcare Limited	Knights Pharmacy Limited	Sale of Bartley Green Pharmacy, Birmingham
August	LloydsPharmacy	Britannia Pharmacy/Laville Limited	Sale of 5 pharmacies as part of the LloydsPharmacy CMA divestment process
September	Ashchem Limited	Juno Health Limited	Sale of 15 pharmacies in the North East of England to new market operator
November	Salram Limited	O'Briens Pharmacies Ltd	Sale of 3 pharmacies in Lancashire

MAJOR TRANSACTIONS / CARE

Date	Vendor	Purchaser	Deal
February	Private	St Cloud Care	Acquisition of 15 LRH elderly Homes to St Cloud Care shareholders for an undisclosed sum
May	Minster & Croftwood Care	Impact Healthcare REIT	59 residential care homes in the North & Midlands acquired by Impact Healthcare REIT PLC for £152.8m
June	Embrace	Sanctuary	Sanctuary Group expanded its portfolio, acquiring 35 elderly homes operated by Embrace Group for an undisclosed sum
October	Bupa	HC-One	HC-One is now the largest UK residential home operator following the acquisition of 122 homes from Bupa for an undisclosed sum
October	Private	AXA Investment Managers	Acquisition for Retirement Villages Group for a price in the order of £100m. HC-One has been appointed to operate the care element of the portfolio
November	Phoenix Equity Partners	Fremont Realty Capital	Care home operator Porthaven Group Holdings, sold to Fremont Realty Capital and co-investors for an undisclosed sum
December	Scope	Salutem Healthcare	Sale of 51 care services from Scope, a disability charity, to Salutem Healthcare
December	Montreux Healthcare Fund	AMP Capital	Sale of Montreuxs' primary asset, Regard Group, to the specialist investment group AMP Capital

MAJOR TRANSACTIONS / DAY NURSERIES, SPECIALIST CHILDCARE AND EDUCATION

Date	Vendor	Purchaser	Deal
January	Magic Nurseries	Les Petits Chaperons Rouges	Portfolio of 16 day nurseries offering 1,076 places
February	Nace Schools Group	Providence	21 schools in Spain, France, India and the UK - acquired for a reported sum of €350m
March	Apollo Education Group	Consortium of Investors	Acquired by a Consortium of Investors for a reported $1.14bn
March	Electra Private Equity Partners	Busy Bees Holdings Limited	Trading as Treetops Nurseries. Portfolio of 61 settings sold in £93m deal
April	Foxcombe Hall	Peking University	Sold for a reported £8.8m, the university plans for the campus to be a branch of its HSBC Business School
April	Pham Tan Nghia, Maj Invest & Mekong Capital	Texas Pacific Group	TPG acquired Vietnam Australia International School which educates 6,300 students across 7 campuses
April	Cambridge College	Inspired	The college in Peru has over 1,000 students and this deal took the Inspired group to 27 schools
May	FosterCare UK Ltd	Capstone Foster Care	IFA operating in London, Hertfordshire and Kent - acquired by national operator Capstone Foster Care
May	Epiris	Universities Superannuation Scheme	Pension fund USS acquired the PINE Unit Trust for £95m
June	homes2inspire	Prospects Group	80 homes were sold for £11.4m to Prospects Group
June	Cardiff Sixth Form College	Dukes Education Ltd	Dukes Education acquired Cardiff Sixth Form College which enrols 300 students from around 30 countries
July	Bramleys Nursery Group	Busy Bees Holdings Limited	Regional portfolio comprising 351 places aquired by Busy Bees Holdings Limited

MAJOR TRANSACTIONS / DAY NURSERIES, SPECIALIST CHILDCARE AND EDUCATION

Date	Vendor	Purchaser	Deal
July	Keys Child Care Limited	G Square Capital	Acquired by G Square - a private equity firm focusing on mid-market healthcare companies
July	BrightPath Early Learning	Busy Bees Holdings Limited	77-centre strong Calgary-based company, in a $145m deal
July	The Stepping Stones Group	Poppy and Jacks Nursery Group	3 additional settings for a well funded and experienced operator
August	Moments Fostering Ltd	Compass Community	Sold to Compass Community following a targeted marketing campaign
September	The Childcare Corporation Limited	Les Petits Chaperons Rouges	20 nurseries located across central and southern England, providing more than 2,100 places
October	Foxes Academy	Aurora Group	A catering college and training hotel for people with learning disabilities sold for an undisclosed sum
October	Private individual	Care Concern Group	Purpose built 90 place setting in Murrayfield, Edinburgh adding to their organic growth in the South East
October	Lorna Whiston Schools	ChangedEdu	Singapore based investment firm acquired this portfolio of bilingual settings
December	Ontario Teachers' Pension Plan	Temasek	Temasek announce agreement to acquire a stake in Busy Bees Holdings Limited
2017	Various	ICP	ICP acquired 6 nurseries via multiple transactions, evidencing 'buy and build' demand

MAJOR TRANSACTIONS / RETAIL - PETROL FILLING STATIONS

Date	Vendor	Purchaser	Deal
January	Spring Petroleum	MRH (GB)	Acquisition of 27 petrol filling stations
February	Little Chef (Kout Food Group)	Euro Garages	Acquisition of 78 roadsite sites, usage rights and related brands of Little Chef
February	High Noon Stores	Euro Garages	Acquisition of 8 leasehold sites across Wales and South West England from High Noon Stores which fell into administration
June	Esso Italiana (ExxonMobil)	Intervias Group (Euro Garages parent company)	Acquisition of 1,176 Esso service stations with a long term fuel supply agreement
August	Carsley Group	Applegreen	Acquisition of 7 sites from independent Carsley Group in £21m deal
September	FW Kerridge	Motor Fuel Group (MFG)	Acquisition of 4 petrol filling stations
September	Burns & Co	Motor Fuel Group (MFG)	Acquisition of 4 petrol filling stations
September	Manor Service Stations	Motor Fuel Group (MFG)	Acquisition of 9 petrol filling stations
September	Chartman Retail	MRH (GB)	Acquisition of 10 petrol filling stations across Devon, Cornwall, Somerset and Dorset
September	Peregrine Retail	MRH (GB)	Acquisition of 5 petrol filling stations across the South West
December	ExxonMobil	Euro Garages	Acquisition of around 1,000 Esso service stations across Germany

MAJOR TRANSACTIONS / RETAIL - CONVENIENCE

Date	Vendor	Purchaser	Deal
January	Booker Group	Tesco	Proposed £3bn merger of Tesco and Booker Group. Decision cleared by CMA in December 2017
May	Sattari Family	Appleby Westward	Acquisition of 4 convenience stores in Portsmouth area
August	Heron Foods	B&M	Discounter B&M Bargains acquires frozen food retailer Heron Foods for £152m
November	Nisa Retail	The Co-op	Nisa shareholders vote in favour of sale to Co-operative Group in £143m deal
December	WS Retail (Central Convenience Stores)	Conviviality plc	£25m purchase of WS Retail (t/a Central Convenience Stores) from Palmer & Harvey in administration

MAJOR TRANSACTIONS / LEISURE

Date	Vendor	Purchaser	Deal
January	Land Securities	DTZ Investors (Strathclyde Pension Fund)	DTZ Investors acquires the Printworks in Manchester for £108 - 5.85% net initial yield
January	Aviva Investors	TH Real Estate	TH Real Estates acquires the Omni Centre in Edinburgh for £75m - 6.5% net initial yield
January	Land Securities	Orchard Street	Orchard Street acquires the Cornerhouse in Nottingham for £60m - 6.0% net initial yield
February	Park Leisure 2000	Midlothian Capital Partners	£103m MBO supported by MCP of York HQ'd holiday park operator
February	Virgin Active	David Lloyd Leisure/TDR Capital	The acquisition of 14 UK racquets clubs for an undisclosed sum
March	Epiris	Onexo Corporation	Epiris sells Parkdean Holidays to Canadian private equity outfit Onexo Corporation for £1.35bn
April	Ten Entertainment Group	IPO	Ten Entertainment Group (TEG), the UK's second largest ten-pin bowling operator, listed 25% of the company's issued share capital at a price of 165p per share, raising proceeds of £26.8m for the selling shareholders
June	Various	David Lloyd Leisure/TDR Capital	David Lloyd Leisure acquires the Park Club in Acton, the Academy in Harrogate and the Malaspina Sporting Club in Milan taking its total number of clubs to 111
July	Air Space Trampoline	Oxygen Free Jumping	Acquisition of 3 sites in East Kilbride, Stevenage and Wolverhampton for a reported c. £6m.The deal, funded by NM Capital, lifts Oxygen Freejumping's total of sites to ten, halfway to its target of 20 parks by the end of 2018
August	Mosaic Health Club Management/Downing LLP	Mosaic Health Club Management	MBO from Downing LLP of freehold health clubs and spas in Hereford and Shrewsbury together with Mosaic Management's management contracting business
August	Academy Leisure Limited	David Lloyd Leisure/TDR Capital	Acquisition of premium racquets, health club and spa business The Academy in Harrogate
November	The Bird Family	Bannatyne Fitness	Acquisition of award winning Wildmoor Spa & Health Club in Stratford-upon-Avon for an undisclosed sum
November	CCMP Capital Advisors	Leonard Green & Partners	LGP announces it will acquire a controlling interest in Pure Gym, replacing current majority shareholder and US private equity firm CCMP Capital Advisors in a deal rumoured to value the 198 club, 950,000 member business at c. £600m
November	Regal Cinemas	Cineworld	Cineworld Group Plc agreed a $3.6bn acquisition of US peer Regal Entertainment in a deal that will create one of the world's largest cinema chains

MAJOR TRANSACTIONS / PUBS

Date	Vendor	Purchaser	Deal
May	Whitbread	Marston's	Sale of 5 freehold and 3 leasehold branded managed pubs, in an off market transaction, for £12.5m
July	M&B	Aprirose Real Estate	Aprirose acquires 73 freehold branded pubs for £42m
July	Grand Union Group	Draft House	Luke Johnson backed Draft House group acquires 6 leasehold pubs for an undisclosed sum
July	Stonegate	Aprirose Real Estate	Portfolio of 13 pub freehold pub investments sold to Aprirose Real Estate at a net initial yield of 5.5% for £23m
July	Punch	Heineken/Patron	Patron Capital acquires the entire Punch Taverns estate of 3,300 pubs and sells 1,900 onto Heineken in a share sale deal for c. £403m
September	Cerberus/Admiral	Proprium/C&C	Cerberus sells its entire 845 tenanted/lease pub estate to Proprium Private Equity and C&C group for c. £220m
November	Brains	Liberation Group	Private equity backed (Caledonia) Liberation Group acquires in an off market transaction, 8 managed/tenanted pubs for £6.5m
November	Heineken/Star Pubs & Bars	Proprium and C&C/Admiral	By order of the Competition and Markets Authority (CMA) as part of its takeover of Punch, Heineken sells 17 pubs to Admiral for an undisclosed sum
November	Heineken/Star Pubs & Bars	G1	By order of the Competition and Markets Authority (CMA) as part of its takeover of Punch, Heineken sells 12 of its Scottish pubs to G1 for an undisclosed sum

MAJOR TRANSACTIONS / RESTAURANTS

Date	Vendor	Purchaser	Deal
January	Kout Food Group	Shaftesbury	Sale of Cha Cha Moon to landlords Shaftesbury Estates, who matched the deal on the table to secure the site which they have now redeveloped to incorporate it into Kingley Court
February	Kout Food Group	Euro Garages	78 remaining Little Chef sites sold to roadside and PFS operator Euro Garages who have a number of franchises including Starbucks and Burger King
July	Handmade Burger	The Burger Chain Ltd	After falling into administration the chain is rescued, jettisoning 9 of the 20 sites on the way, for less than £2m
November	Burger King UK	Bridgepoint	Bridgepoint become UK master franchisee and take over 74 sites in a deal worth £50m

MAJOR TRANSACTIONS / HOTELS

Date	Vendor	Purchaser	Deal
March	Generator Hostels	Queensgate Investments	Generator Hostels - purchased by private equity real estate fund manager Queensgate Investments for c. €450m, Generator was previously owned by Patron Capital & Invesco
April	Dominvs Group	Starwood Capital	Holiday Inn Manchester City Centre - owned by real estate investment firm Dominvs Group was purchased in April by an affiliate of Starwood Capital for an estimated £58m. Kew Green Hotels to manage the hotel
May	Westmont Hospitality / Mount Kellett Capital Management	CDL Hospitality Trust	The Lowry Hotel, Manchester - the 5 star hotel was bought by the Singaporean investment trust CDL Hospitality for £52.5m
May	Lonestar Fund/Hudson Advisors	Confidential	Project Georgian - 3 Mgallery by Sofitel hotels sold with the encumbent brand and management in an off market transaction
July	Sahara India Pariwar	Ashkenazy Acquisition Corp.	Grosvenor House Hotel - sold by Sahara India Pariwar to U.S. private real estate investors as part of a estimated £1bn deal
August	Tonstate property group	Henderson Park	Sold by Tonstate Property Group the Hilton Birmingham Metropole & Hilton London Metropole were purchased by Henderson Park in a reported £500m deal. Hilton retained as operator
August	Principal Hotel Company Ltd	Pears Group	5 Principal Hayley/De Vere assets sold on behalf of Starwood Capital as part of Project Prime, including Alexandra House, Eastwood Hall, Ettington Chase, Milton Hill and Sedgebrook Hall
September	Cedar Court Hotels Group	Confidential	Project Newlands - a group of 4 North England-based hotels sold in a competitive open market process to an overseas investor
September	Bain Capital / Canyon Partners	Aprirose Real Estate Investment / Cindat Capital Management	Q Hotels portfolio - private equity firms Bain Capital Credit and Canyon Partners sold portfolio of 26 Q Hotels spread across the UK for £525m. Purchased by Aprirose Real Estate Investment, funded by Chinese investment firm Cindat Capital Management
December	Lone Star Funds/Hudson Advisors	Pandox	Acquisition of Jury's Inn - a portfolio of 36 UK hotels

STEVE MAYNE
Managing Director

01279 620 820
enquiries@venners.co.uk

Preventing losses and optimising profits since 1896.

In a world driven by heightened customer expectations and demand it's easy to underestimate supply chain complexity and the need to ensure optimal control. Established businesses, those looking to expand and those in transition can all benefit from improved networks and operations that can meet the challenges and opportunities in today's and tomorrow's markets.

Venners have over 120 years of experience serving the hotel, pub and restaurant sectors in preventing losses, optimising stock control and increasing compliance levels, helping operators eliminate shrinkage, decrease procurement costs and significantly improve profits.

- Loss prevention services
- Stock control
- Compliance
- Consultancy
- Inventory listing and valuation
- Training and staff development

Increasing profit and optimising control for our clients is at the heart of everything we do. We have made it our business for over 120 years and have operations across the UK, so wherever your business happens to be we can react quickly to your needs. We are serious about helping you meet your targets. It's personal for us, we don't subcontract or franchise – we attract and develop our people so you not only get industry accredited auditors, but business coaches too.

PETER DAVIES
Sales Director

07867 977 190
peter.davies@orridge.co.uk

Orridge - taking stock since 1846.

- Supply chain optimisation services
- Retail store services
- Pharmacy services

At Orridge we like to think locally but act internationally, helping clients to optimise inventory levels in-store and throughout their supply chains as well as helping to significantly reduce their operating costs and improve profit margins.

We are Europe's longest-established stocktaking business, specialising in retail and in particular high street, warehousing and factory operations. We also have a specialised pharmacy division, established 170 years ago, providing valuation and stocktaking services.

We are recognised as the leading supplier in the UK retail sector due to a culture of flexibility and creativity that keeps pace with the ever-changing demands of such a dynamic industry. This has naturally progressed into supply chain solutions, where our customers benefit further from reliable stock information and analysis, helping to identify both stock loss and inaccuracy; then improve it through operational change.

Why not benefit from minimal disruption to your store and staff, enhanced customer service experience, better stock availability, reduced shrinkage and increased profit?

To see what we can do for you visit orridge.co.uk

CHRISTIE & CO