



NORTHERN VALUATION HOSPITALITY FOCUS

NORTHERN OUTLOOK – PUBS & RESTAURANTS

While 2017 was a record year for pub and restaurant sales in the North, the current scarcity of quality venues led to a slight downturn in transactional activity during 2018. Given the levels of uncertainty regarding consumer confidence in the sector, many Northern pub and bar operators are looking to 'sweat' their existing successful venues, expanding trade areas, enhancing offerings and introducing letting rooms to boost turnover.

The continued expansion of the prime cities such as Manchester, Leeds and Sheffield, has caused an increasing number of restaurants and bars opening in order to meet growing popularity and a perceived increase in demand. However, with the downturn in consumer spending, customers have become demanding and often look for a more imaginative experience before parting with hard earned cash. Moreover, intelligent social media and technology is becoming increasingly important and fundamental in the sector.

There have been a number of well documented casualties in the last 12 months. Including high-profile businesses such as Manchester's MAD Ltd who were long established forerunners in the renaissance of the Northern Quarter.

Family-owned pub company & brewer Mitchell's of Lancaster and connected company York Brewery Co Limited both entered into administration in December 2018, as did the Leeds based Burning Night Group, who are funded by crowdfunding. A number of reasons are cited including rising costs, business rates increase, high rents and staffing supply.

Happily, there is also some good news to report insofar as the requirement and appetite for quality venues in good locations remain high, and this in turn is reflected in improving prices being achieved as and when high quality assets come to the market. This was evidenced by the Brunning & Price acquisition of the Ribble Valley Inns portfolio, which included four leasehold gastro pubs throughout Lancashire. These were purchased off market in a deal brokered by Christie & Co and increases the company's presence within the area, and assists in building a gateway of continued expansion into the Lake District.

Despite continuing nervousness in the market, exacerbated by Brexit and a small increase in bank rates, there remains cautious optimism amongst quality independent operators and regional multi-operators whom we expect to continue to flourish in 2019.

NORTHERN OUTLOOK – HOTELS

Deal volumes are up principally due to significant portfolio activity at the start of the year, although there has also been a significant number of high-quality single asset transactions over the last 12 months. We expect to see a slight slowdown over the coming year, as a high proportion of recent acquisitions have been taken by longer term investors. Regarding transactions, there is still competitive demand for trophy assets particularly those with long-standing revenue and sustainable healthy profit margins but there is no doubt that prospective purchasers generally are adopting a far more considered approach to spending.

The city centres are increasingly seeing a new supply of bedroom stock, with the likes of Manchester at circa 18,000 and Leeds at circa 7,159 with 3,168 in the pipeline. The new supply is highly likely to impact upon trading performance affecting both occupancy and room rates. However, hotel occupancy generally across the North has continued to be strong in the main throughout 2018. This is predominantly due to the increase in staycations and an increase in international tourism due to the weakness of the pound. Tourist destination such as the North Wales coast, the Lake District and Northumberland National Park have been particular hot-spots for both staycations and foreign tourists.

Accessibility to the region is also increasing, as Carlisle Lake District Airport has begun scheduled passenger flights from Southend, Belfast and Dublin opening up the National Park to a new customer base. Additionally, the introduction of the HS2 railway line will open up access through Leeds, Manchester and Chester when it is completed, with investors looking to capitalise and develop in these areas ahead of time.

Overseas investors are particularly active as they seek long term income from prominent local hotels. We have seen significant investment from the Singapore based Fragrance Group, who acquired hotels in both Blackpool and Manchester. Expectations of a quality food offering increasing, with buyers now looking carefully at restaurant facilities within hotels as an attractive incentive for investment.

The biggest concerns and considerations for hotel owners across the board are both future staff shortages and increased labour costs together with food cost inflation which will all impact upon profitability. Staff shortages appear to be particularly concerning in areas such as the Lake District, where the cost of living is a correlating issue, with many staff members unable to settle in the locality.

VALUATION CASE STUDIES

Over the last 12 months the Northern Valuation Hospitality team have provided advice on over 300 properties from North Wales up to Northumberland. We have advised on a wide range of asset types, including individual wet-led community public houses, fast-food venues, Michelin Star hotels and quality coaching inn portfolios. Our advice is provided for a variety of purposes, including loan security and accountancy purposes but also for acquisition and disposal advice, including providing advice for companies in distress/administration. Below we highlight a snapshot of our work over the last 12 months.



Former Poundworld – County Durham

Christie & Co provided valuation advice regarding the former Poundworld, which Amber Taverns acquired to convert into a modern community public house.



Buon Apps – West Yorkshire

Established operator redeveloped a former riverside mill in order to create a high specification Italian restaurant. Existing valuation and projected mature valuations were provided for loan security purposes.



Pipe & Glass – East Yorkshire

Traditional village public house owned and operated by a Michelin Star rated chef. High quality fit out including five guest bedrooms. Valuation for loan security purposes to support customer's expansion plans.



Travelodge – Cumbria

43-bedroom budget hotel leased to Travelodge. Christie & Co provided valuation for the property as an investment.



Northcote – Lancashire

Four-star hotel with 26 high quality en suite letting rooms and restaurant which has held a Michelin Star for 23 years. We provided valuation advice when the property was transacted in early 2019.



Dunoon Hotel - Llandudno

Well-presented and established hotel with 48 guest bedrooms, located in a popular tourist destination. We provided valuation advice for loan security purposes to support expansion and development into the adjoining vacant hotel.



Mitchell's of Lancaster Portfolio

Christie & Co provided valuation advice on the Mitchell's of Lancaster portfolio which includes a mixture of tenanted and managed public houses across the North West.



The Ashdale Portfolio

Portfolio of three assets across the North East & Midlands, including the four-star Hazelwood Castle. We valued in 2018 for loan security purposes.



Blackpool Royal Hotels

A portfolio of four hotels in prime Blackpool locations with a combined 327 bedrooms. The hotels operated on a discounted package basis.

MEET OUR SPECIALIST NORTHERN HOSPITALITY TEAM



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