



FOCUS ON **BUSINESS**  
**OUTLOOK 2020**



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**Chris Day**  
Global Managing Director

**THE BUSINESS ENVIRONMENT ALWAYS PRESENTS CHALLENGES, AND LOOKING AT THE LANDSCAPE OVER MY TIME AT CHRISTIE & CO THERE HAVE BEEN MANY UPS AND DOWNS.**

## THE BUSINESS LANDSCAPE

The business-friendly approach of the Blair years from 1997 through to 2007, surprising for some, undoubtedly generated economic growth and prosperity for business owners of all sizes across the UK. This period of strong growth came to a shuddering halt with the global financial crisis in 2008, partly resulting from debt being too freely available from the banks.

**2008 THROUGH TO 2013 WAS CERTAINLY THE MOST DIFFICULT AND CHALLENGING PERIOD OF MY WORKING LIFE, AS MARKETS FAILED TO GAIN MOMENTUM WHILST DEALING WITH THE FALL OUT OF THE CRISIS.**

More recent challenges include Brexit. The uncertainty that preceded the Brexit referendum in 2016 was further exacerbated by the inertia created by the political impasse following the vote, but particularly during 2019.

**THE FUTURE LOOKS BRIGHTER WITH A MAJORITY GOVERNMENT. THE CERTAINTY AROUND BREXIT AND PROMISED INVESTMENT WILL GENERATE POSITIVE BUSINESS ACTIVITY ACROSS THE WHOLE OF THE UK.**

Inward investment will undoubtedly pick up in the early part of 2020. The next five years and possibly beyond could mirror the growth and stability we experienced at the start of this century.

## WYEVALE

In 2019, we were delighted to complete the sale of 145 Wyevale Garden Centres. The transaction embodies all that is best in Christie & Co and illustrates the unique attributes of our business. But most importantly it evidences our ability to deliver a better result than any other broker or advisory business in Europe, through a structured and controlled process.

## CHRISTIE & CO

Christie & Co is unique in its areas of expertise. No other advisor has the network, knowledge and in-depth experience to offer advice to the smallest businesses in our chosen sectors through to the largest global operators. This advice cannot be delivered without a regional network in all our markets, not just in the UK but across continental Europe.

**OUR EXPERTISE IN HANDLING THE SALE OF PORTFOLIOS ACROSS ALL OUR SECTORS AND MAXIMISING VALUE THROUGH AN EXTENSIVE PROCESS, WHICH SEEKS BIDS ON AN INDIVIDUAL, SUBGROUP OR A PORTFOLIO BASIS IS UNMATCHED. THE WYEVALE AND VON ESSEN PROCESSES ILLUSTRATE THIS UNIQUE APPROACH TO SELLING. IT IS WORLD CLASS!**

# MY HIGHLIGHTS

2020 marks my retirement from the business and on reflection, some of the key highlights for me include working on the Forte Plc defence valuation against a hostile takeover from Granada Plc in late 1995. We valued the whole Forte portfolio which was in excess of £3.5bn and I personally inspected 18 hotels in 18 days across Europe, America and the Caribbean, including The Grosvenor House, London, George V, Paris and Sandy Lane, Barbados.

In 1998, we opened our first French office and started the roll out of our pan European network to complement our market leading UK presence. After opening the Paris office we followed

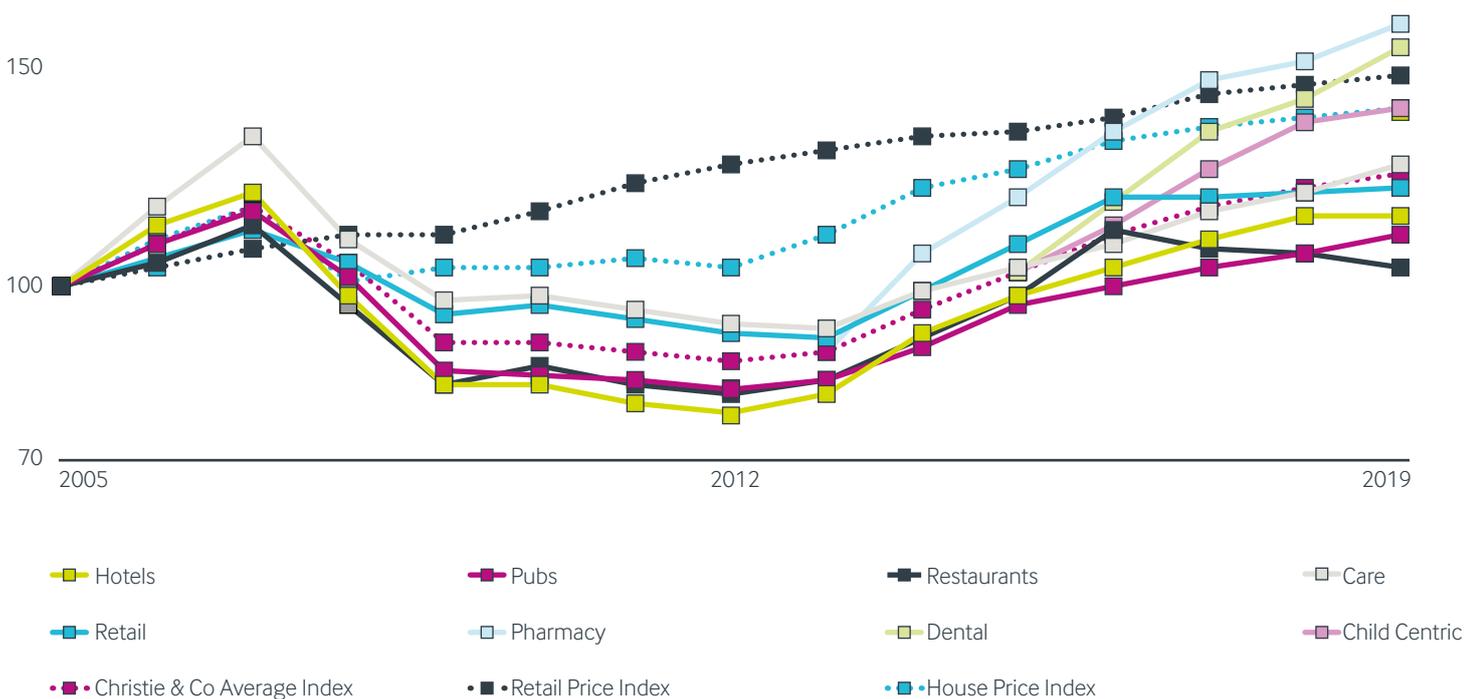
swiftly with Frankfurt and Madrid, ultimately leading to the network of 12 continental European offices we have today.

In 2012, we were appointed to sell Von Essen Hotels, a unique collection of country house hotels, out of administration. It is very unusual for a portfolio of 28 luxury country house hotels of this size to come to market. We sold the hotels individually and in small groups to extract maximum value.

As a natural extension of our specialism in operational businesses, in 2013 we developed our medical sector with our Dental and Pharmacy teams. Since the launch we have established market leading positions in both sectors.

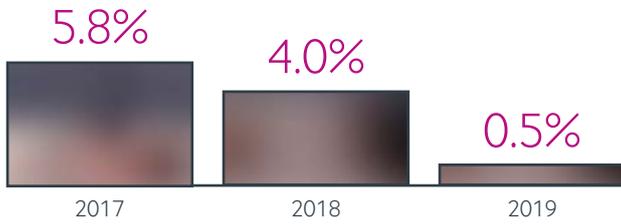


## INDEX BASED ON AVERAGE SALE PRICES (from a base of 100 in 2005)



# MOVEMENT IN AVERAGE PRICES, YEAR-ON-YEAR PER SECTOR

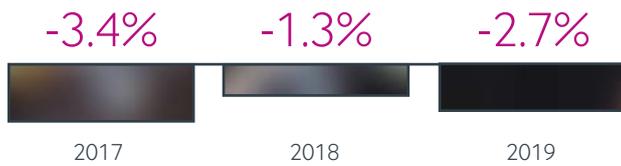
## HOTELS



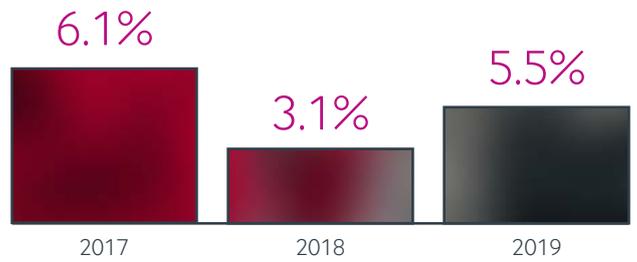
## PUBS



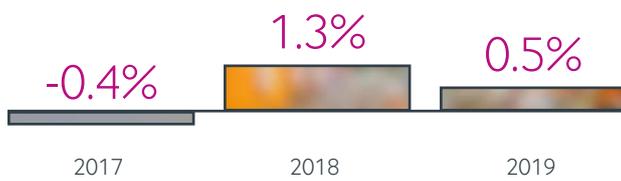
## RESTAURANTS



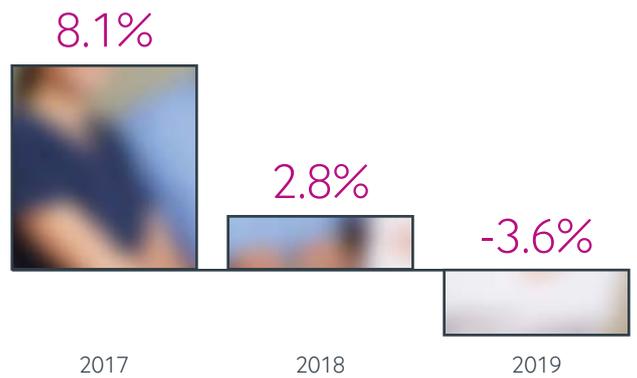
## CARE



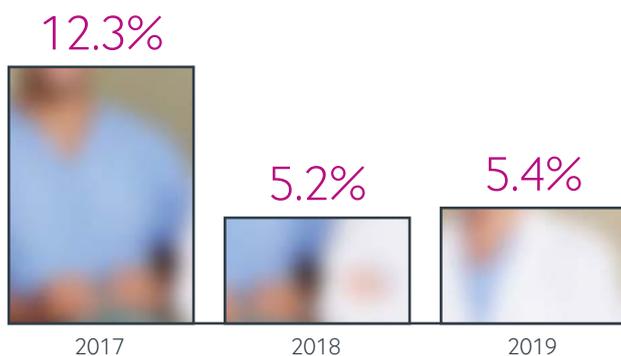
## RETAIL



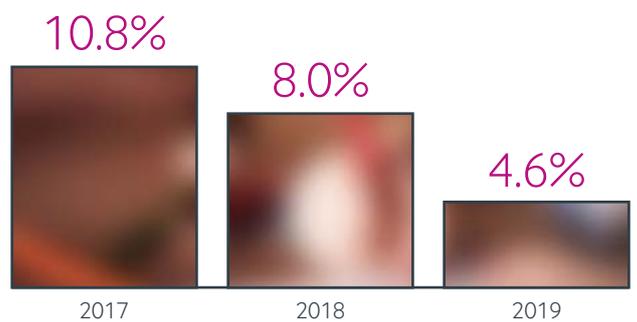
## PHARMACY



## DENTAL



## CHILD CENTRIC





**Darren Bond**

Managing Director  
Capital Markets and Global Managing Director designate

**2019 HAS BEEN AN INTERESTING AND TRANSITIONAL YEAR FOR OUR BUSINESS. DESPITE MANY MACROECONOMIC AND POLITICAL CHALLENGES, THE MARKET FOR OPERATIONAL REAL ESTATE BUSINESSES REMAINED RESILIENT, CONTINUING TO ATTRACT INTEREST FROM DIVERSE GROUPS OF OPERATORS AND INVESTORS.**

**PUBS**

We have seen significant transactional activity in the pub sector, with a number of market changing transactions occurring, many of which Christie & Co had involvement with.

**IT HAS BEEN THE BUSIEST YEAR OF ACTIVITY IN A DECADE AND THIS SHOWS HOW STRONG THE BRITISH PUB BRAND IS, BOTH DOMESTICALLY AND INTERNATIONALLY.**

Greene King and ei Group both announced changes in ownership in 2019, underpinned by the value of their freehold property portfolio.

**WYEVALE**

The landmark transaction of Wyevale Garden Centres provides a stimulus to the retail sector, whilst the high street has continued to face significant challenges. The break-up of this business demonstrated the reach of our UK network, and buyers ranged from existing operators to a number of first-time entrants into the industry. This intense activity over the last 18 months opened up the opportunity for Christie & Co in this burgeoning market. We are able to offer expertise and experience in the sector whilst the new relationships and knowledge gained through the process has made us more effective in the sector.

**INVESTMENT**

In 2019, some investors paused their interest in the UK market, opting to pursue opportunities in continental Europe. Our teams across the region were increasingly busy working on many significant assignments as there was an uptick in interest in the French and German markets. This year we expect opportunistic

investors to return their attention to the UK. With greater clarity on Brexit, we expect to see a more stable outlook for investors and operators alike. There will be some value to be realised as longer hold investors consider and execute their exit strategy.

What remains to be seen across our markets, is the continued impact of cost inflation and Government commitments to further increase the National Minimum Wage over the next few years. This is expected to add to the burden on many businesses, and the impact of these changes will start to filter through in trading performance. This, alongside a changing workforce dynamic following Brexit, will increase pressure on underperforming businesses. However, relaxation in austerity measures expected to begin during 2020 should lead to increasing public sector investment, with knock on effects particularly in the social care industry.

**CHRISTIE & CO**

This year we celebrate our 85th anniversary and I enter my twentieth year with Christie & Co, assuming the Global Managing Director position when Chris Day retires from the business. We have seen many changes across our markets, but above all, we understand the resilience of our sectors and we anticipate that the demand for properties in our specialist markets will continue to outstrip supply.

**FUNDING REMAINS AVAILABLE AND COMPETITIVE IN ALL OF OUR SECTORS AND WE ANTICIPATE THIS TO CONTINUE THROUGHOUT 2020.**

It is at this point in the cycle where we highlight the need for businesses to receive ongoing investment and capital expenditure, after a sustained period of positive trading.



**Stephen Jacobs**  
Director Bank Support &  
Business Recovery

**2019 SAW INCREASING DEMAND FOR OUR SERVICES FROM THE INSOLVENCY, RESTRUCTURING AND TURNAROUND PROFESSION. WE PROVIDED SUPPORT VIA OUR VALUATION, BROKERAGE AND ADVISORY SERVICE LINES, DELIVERING ADVICE TO ASSIST CLIENTS WITH EFFECTIVE DECISION MAKING.**

## OVERVIEW

An increase in corporate insolvency was reflected in the level of our activity and the need for strategic disposal advice, asset sales to recover monies for creditors, valuations to support business restructuring and real estate portfolio reviews for CVA proposal purposes.

The common denominator accounting for distress across the sectors Christie & Co operate in has been continued operational cost pressures such as wages, utilities, business rates, rent and the cost of goods. These factors impacted on some operators profitability, limiting the availability of capital for business investment and growth.

In addition, there were specific sector challenges that had an effect. In the hotel sector trading performance in the regions was mixed due to the impact of new supply, resulting in stagnating revenue and a decline in occupancy and RevPar. The education and care sectors experienced fee pressure as Local Authorities faced financial challenges.

A saturated casual dining market and a continued decline in restaurant visitors from the peak in 2017 contributed to distress and a number of high profile business failures in 2019. The pharmacy sector continued to endure the impact of the Category M clawback and saw challenges from drug supply shortages and resultant pricing issues. Regulated sectors such as care have been prone to additional risk from poor management and governance.

## POLITICAL UNREST

Political uncertainty influenced by Brexit further impacted consumer and business confidence during 2019, with estimates pointing to the slowest rate of economic growth since the 2008 financial crisis. Post election, economists lifted their forecasts for growth with the prospect of a swift Brexit and the hope that Government spending will help release investment and boost business and consumer confidence. The reality of this remains to be seen as any short term relief achieved by a Brexit on 31 January subsides and the potential for fresh uncertainty arises due to the ensuing trade negotiation process.

## MARKET PREDICTIONS

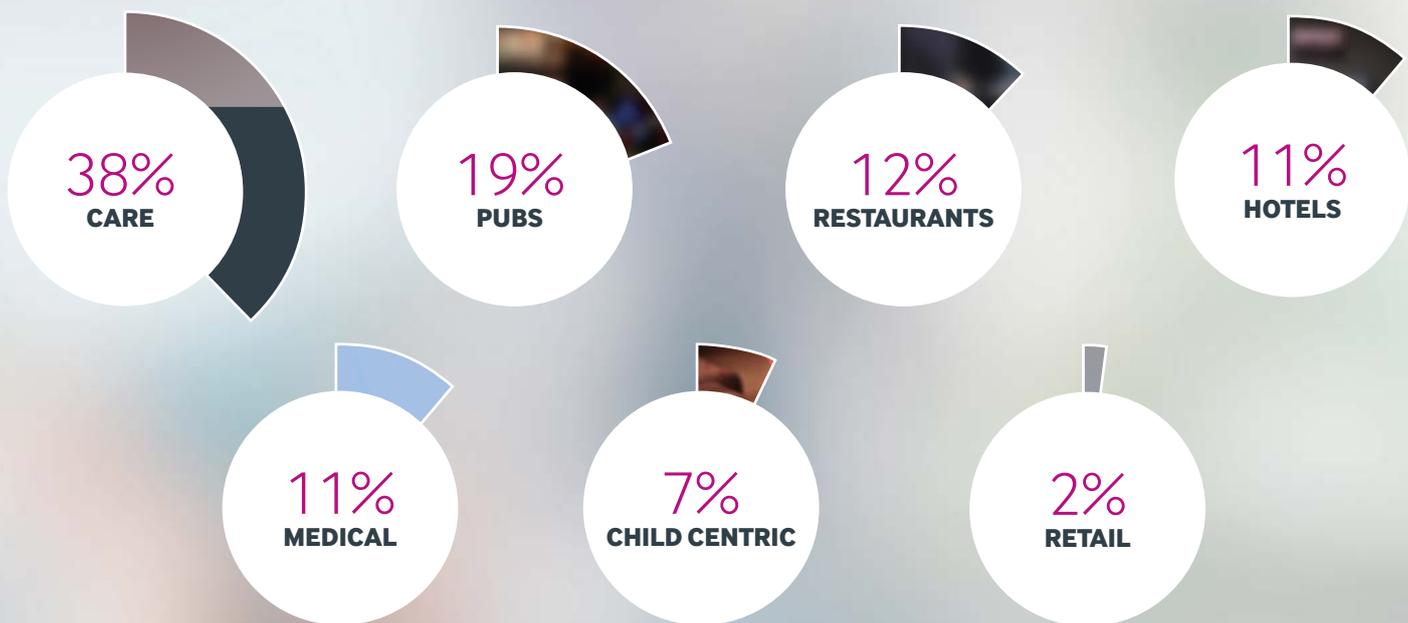
**An increase in distress positions due to under investment in assets and personnel as cost pressures impact bottom line and the availability of capital for operators to reinvest in their businesses**

**A post Brexit boost to consumer and business confidence encouraging investment and growth, its degree and longevity sensitive to any uncertainty in transition negotiations**

**The underlying trend of sluggish domestic GDP will continue despite positive post Brexit activity with any further escalation of global trade disputes having the potential to exacerbate slow growth**

**BUSINESS DISTRESS - 1**

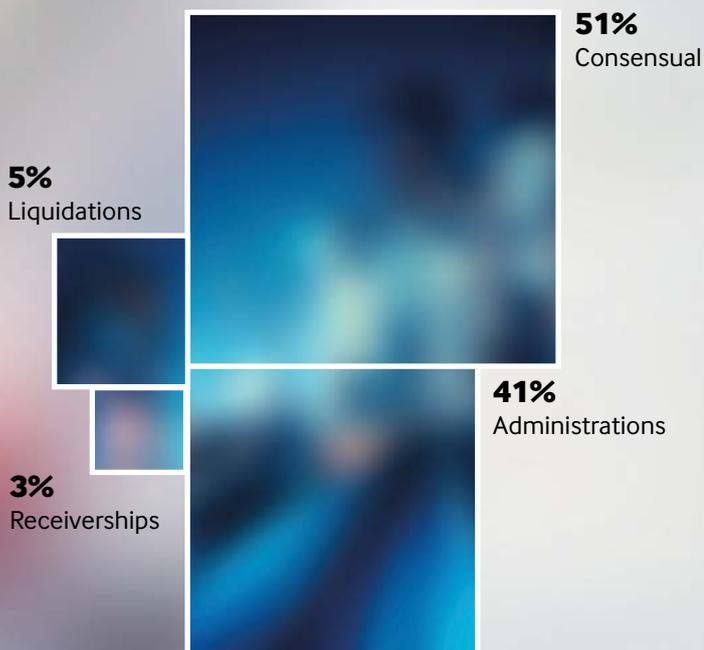
Percentage of distressed assets instructed by sector in 2019



**THE COMMON DENOMINATOR ACCOUNTING FOR DISTRESS ACROSS THE SECTORS CHRISTIE & CO OPERATE IN HAS BEEN CONTINUED OPERATIONAL COST PRESSURES SUCH AS WAGES, UTILITIES, BUSINESS RATES, RENT AND THE COST OF GOODS.**

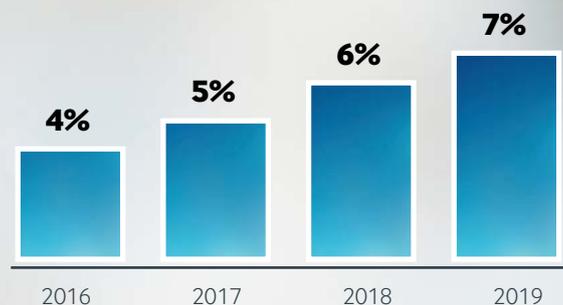
**BUSINESS DISTRESS - 2**

Distressed assets instructed by appointment type in 2019



**BUSINESS DISTRESS - 3**

Distressed assets as a percentage of all assets instructed for disposal



Source: Christie & Co Analytics

## REGIONAL OUTLOOK



**SCOTLAND**  
Brian Sheldon

Activity across many of our sectors slowed down towards the end of 2019 as political uncertainty led to a tailing off across the hotels and retail sectors. However, the care sector remained resilient with activity from specialist funds creating competitive tension, resulting in vendors taking advantage

of increased sales prices not witnessed within the last 12 years. The day nursery, pubs and restaurants sectors are all confident, although they face similar challenges including increased costs and staffing issues. This has been our best year selling pharmacies in Scotland, with the highest prices we have witnessed, whilst the dental sector saw the continued expansion of medium sized and corporate groups. Across all of our sectors there is appetite for well-established and profitable businesses across the country.



**NORTH WEST**  
Nick Brown

Manchester remains at the epicentre of infrastructure growth in the North West and both commercial and residential development looks set to continue unabated. In addition, there is cautious optimism across the wider region regarding political promises of increased infrastructure investment. The appetite to acquire

remains robust across the sectors in which we operate but buyers are more focused than ever on price, location, and key trading fundamentals when assessing the viability of a business. With pipelines looking strong across our key sectors the foundations for a successful 2020 are already in place.



**SOUTH WEST**  
Rob Kinsman

Deal levels in 2019 remained consistent with the prior year, but transaction timelines became more protracted, predominantly due to tighter bank lending criteria and wider economic uncertainty. The slow-down in the London housing market subdued first-time buyer activity in the West Country as new

entrants struggled to release equity. Appetite for pubs with diversified income streams is strong, and the healthcare market remains robust with record transaction levels in the region. Hotel transactions across the region fell – in part due to a lack of quality stock, but also reduced international demand as buyers awaited the outcome of Brexit. We expect to see more clarity in 2020 aiding both sellers and buyers.



**NORTH EAST**  
David Lee

The North East market remains busy as hotel, pub and restaurant opportunities in the region continue to be in demand from a range of purchasers. Care businesses, including elderly care and specialist care, remain popular and 2019 was a record year for our Care team in the region.

Retail businesses are very much in demand with convenience stores and petrol forecourts appealing to both existing operators and first-time buyers. We expanded our offering in the North East with some key personnel appointments during 2019 and expect a strong performance in 2020.



**MIDLANDS & EAST ANGLIA**  
Lee Howard

Throughout 2019, and despite the political instability, buyer appetite throughout the Midlands & East Anglia has remained strong. The upcoming Commonwealth Games are expected to bring a further boost to the regional economy, and the Midlands remain an attractive investment. East Anglia has

remained popular and benefitted from staycation tourism and this will be further bolstered by improved major road links in 2020. Activity across all our sectors has held up well and we are expecting a more stable year for 2020 with less political uncertainty.



**SOUTH**  
Ed Bellfield

Despite the political and economic uncertainty throughout 2019, the South saw significant transactional growth across our specialist sectors, surpassing 2018 levels and culminating in the highest income year since 2007. The care sector has continued to experience substantial growth

in newbuild activity and demand will continue to outstrip supply in 2020. The hotel and pub sectors will see the greatest opportunities to improve occupancy and revenue through increased staycations and attracting overseas investors due to the weak pound. However, the casual dining market will continue to struggle as competition and increasing costs continue to impact upon the high street.

PROPORTION OF BUYERS FROM WITHIN 50 MILES OF THE ACQUIRED PROPERTY

+80%

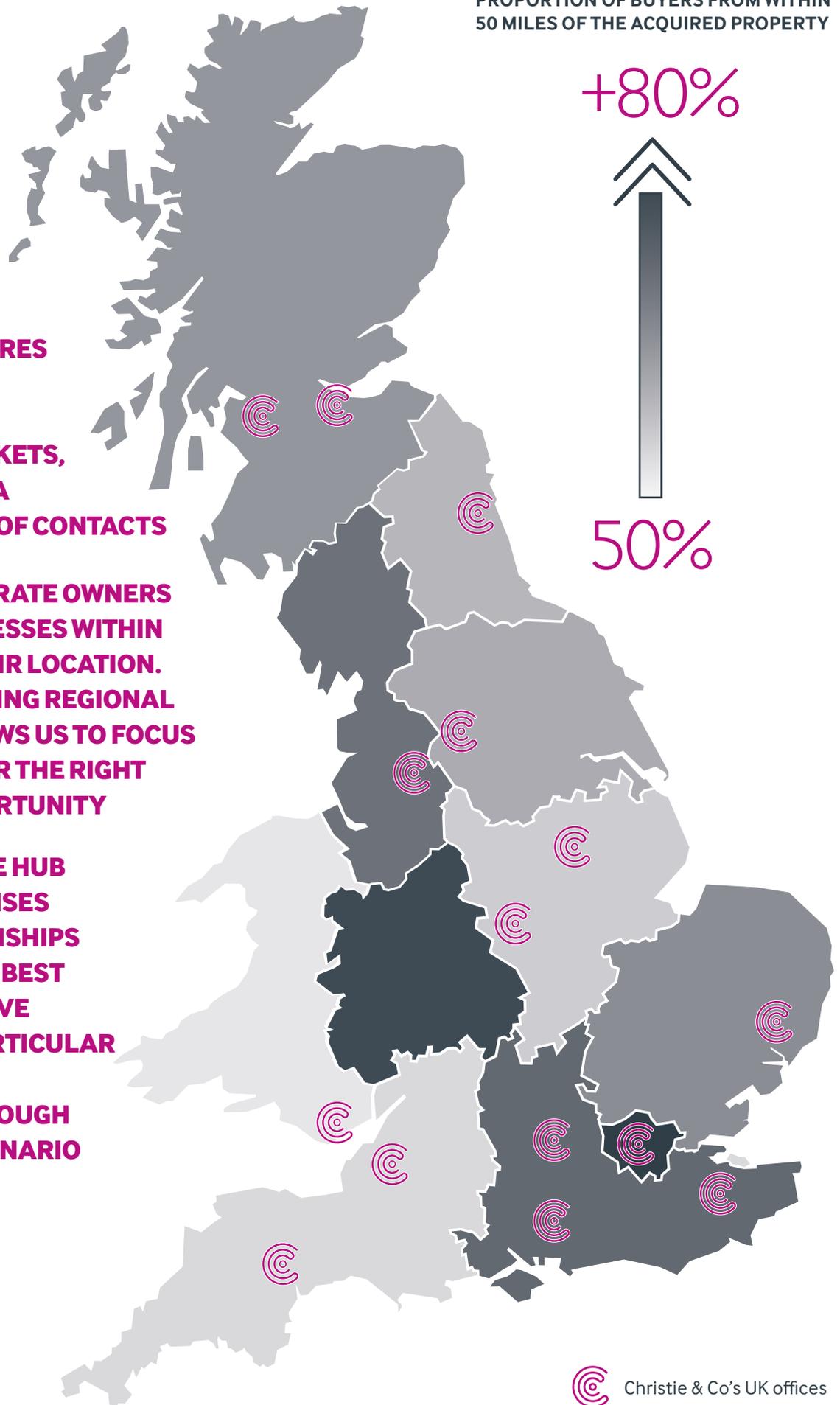


50%

**OUR REGIONAL PRESENCE ASSURES AN IN-DEPTH KNOWLEDGE OF THE LOCAL MARKETS, IN ADDITION TO A WIDE NETWORK OF CONTACTS**

**2/3 NON CORPORATE OWNERS ACQUIRE BUSINESSES WITHIN 50 MILES OF THEIR LOCATION. OUR WIDE RANGING REGIONAL NETWORK ALLOWS US TO FOCUS OUR SEARCH FOR THE RIGHT BUYER OR OPPORTUNITY**

**OUR CORPORATE HUB IN LONDON UTILISES THESE RELATIONSHIPS TO PROVIDE THE BEST ADVICE AND DRIVE RETURNS, IN PARTICULAR WHEN VALUE IS MAXIMISED THROUGH A BREAK-UP SCENARIO**



 Christie & Co's UK offices



# Christie Finance

**John Mitchell**  
Managing Director

## THE CURRENT LENDING MARKET

Many banks continue to take a conservative approach to lending – particularly some of the more established high street names. Increased due diligence in application and credit underwriting processes has led to delays for borrowers trying to secure finance, increasing uncertainty on whether suitable funding options can be provided.

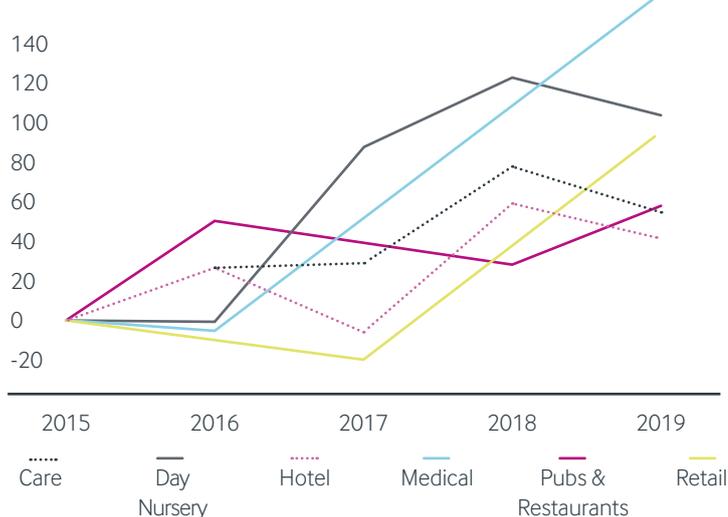
The ease of being able to access finance is key for many established business owners, with increased demand for our unsecured and asset finance offering from operators looking to invest in their businesses.

Funding within certain 'green light' sectors such as dental, pharmacy and day nurseries remains readily available. However, challenges still exist in other sectors such as elderly care where there is a reduced appetite to fund smaller care homes. We are also seeing reduced appetite in the licensed sector, where strong profits and demonstrable experience needs to be evidenced to secure funding from high street lenders.

## THE SPECIALIST BROKER

Christie Finance has delivered growth across all three divisions in 2019: Core, Corporate and Unsecured. This can be attributed to an expanding team of brokers across our six regional hubs and an increasing market presence and knowledge of our offering within our specialist sectors, most notably medical (pharmacy and dental).

**Change in total transactional volume by sector, rebased to 2015 (%)**



Source: Christie & Co Analytics

## LOOKING TO 2020

Borrowers are becoming more accepting of multi-banked relationships or utilising alternative funders to secure the finance they need. Established operators are likely to have experienced the frustrations of the lending market first hand and are therefore more willing to rely upon a specialist commercial finance broker to obtain the debt they require.

Going into 2020, we are likely to witness continued diversity within the lending market as new lenders seek to establish themselves as reliable alternatives to established high street banks. We also predict a continued dilution of appetite from certain lenders towards certain sectors, which in turn, should generate an increased demand in refinance opportunities.

## OUR DIVISIONS

As the go-to provider of business finance, we take a whole of market approach in securing finance on behalf of our clients. In 2019 we engaged with more than 70 lenders and secured formal offers of finance from 42 different providers.

### CORE

Securing finance for independent or small group operators

- Commercial Mortgages for Acquisitions
- Refinance
- Development

### CORPORATE

Securing finance for multi asset operators

- Senior Debt and Mezzanine Finance for Acquisitions
- Refinance
- Development

### UNSECURED

Securing short term finance for all business owners

- Asset Finance
- Unsecured Loans
- Tax and VAT Loans



# Christie Insurance

**Walter Murray**  
Walter.Murray@christie.com

## CYBER

Ransomware attacks skyrocketed in the first quarter of 2019 according to the Beazley Breach Response (BBR) Services team, which reported a 105% increase in the number of ransomware attack notifications against clients compared to the first quarter of 2018.

Significantly, the report also found that the average ransomware demand was 93% higher than in 2018, with a demand of £184k compared to £95k.

## UNDERINSURANCE

A valuation expert indicates in their report

“On average 77% of the properties surveyed were underinsured by 45%”

One in five SMEs surveyed (21%) said they had experienced disruption to their business - it took up to three months for a quarter of them to get back to normal business trading and, for the remainder, it took up to two years or more.

## KEY PERSON COVER

According to a recent survey undertaken by Legal & General, 73% of sole traders and 47% of new businesses in the UK think they would cease trading within six months if they were to lose a key person.

The insurer also suggested that when the consequences of a key person's death or critical illness had been considered, over half (52%) did not think that their business would survive the next 12 months.

## HEALTH AND SAFETY

According to Health and Safety Regulations, every employer shall appoint one or more Competent Persons to assist them in undertaking the measures they need to take to comply with the requirements and prohibitions imposed upon them by the Fire Precautions Regulations.

The requirement to have a Competent Person applies to every workplace. It does not matter if you employ one person or one hundred, there are no exceptions.

*Walter Murray is the Managing Director of RCC Insurance Brokers plc, an Introducer Appointed Representative (IAR) of Towergate Underwriting Group Limited (TUGL), trading as Christie Insurance. He does not provide advice or make recommendations in respect of any specific insurance policy, on behalf of TUGL, in this capacity.*



**ACCORDING TO THE ABI (ASSOCIATION OF BRITISH INSURERS), JUST 11% OF BUSINESSES ARE THOUGHT TO HAVE A SPECIFIC CYBER INSURANCE POLICY IN PLACE**



**OF UK SMES EITHER DON'T HAVE BUSINESS INTERRUPTION INSURANCE OR ARE UNSURE ABOUT WHETHER IT'S INCLUDED IN THEIR CURRENT BUSINESS INSURANCE POLICY**



**OF BUSINESSES WOULD CEASE TRADING IN UNDER ONE YEAR IF THEY LOST A KEY PERSON**

### HOW WE CAN SUPPORT YOU

Christie Insurance will gather key information from the rest of the Christie & Co network to avoid wasting any time when handling your insurance cover.

At the point of exchange, an insurance package will be devised that ensures you and your business is adequately covered.

We can also guide you on how to overcome some of the other challenges mentioned above such as cyber attacks, underinsurance, key person cover, and health and safety compliance.



**Medical**



**Simon Hughes**  
Managing Director  
Medical



**Paul Graham**  
Head of Dental



**Christopher Vowles**  
Head of Valuation  
Medical

## DENTAL

### CONTINUED CONSOLIDATION

2019 was another very buoyant year in the dental sector with demand outstripping supply for quality dental practices across the UK, particularly in urban and suburban locations.

The ownership landscape has continued to evolve with all of the large dental companies now actively seeking to expand and improve their portfolios through mergers and acquisitions. A number of portfolios have taken on private equity investment during the course of 2019 and are now also competing for larger practices in both the NHS and private sectors. This has increased demand still further for larger practices in particular.

One of the main features of the last few years has been the growth in the number of multiple practice owners. We now estimate that there are over 500 owners in the UK with three or more sites.

#### Market composition by number of practices



Source: Christie & Co Analytics

Many of these will be acquisition targets for larger companies, fuelling the continued consolidation that has become a feature of the market over the last few years. We are seeing an increase in prices being paid, driven by higher multiples of EBITDA to reflect the shortage of such opportunities and those that have high quality integrated portfolios with competent management teams are attracting significant premiums.

The shortage of associates, as highlighted in our inaugural report into the Dental Industry (Staffing, Brexit and the Dentist Shortage 2018), remains a key challenge for the profession and shapes the expansion strategies of many corporates and multiple practice owners. This has led to buyers becoming more discerning in terms of location and practice type which has polarised demand for larger, better-quality practices in both NHS and private segments.

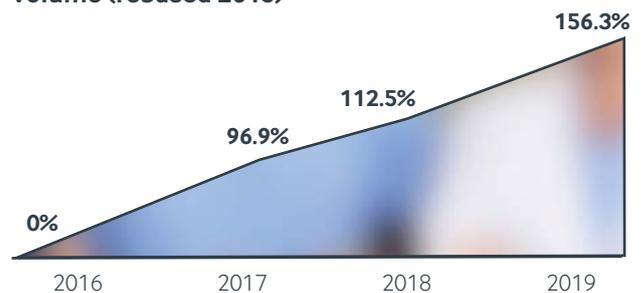
Across the market we noted an increase in average sale price of 5.4%, with larger practices operating in the private sector

growing at a faster rate than their NHS counterparts. Conversely, smaller NHS practices in more rural locations, and particularly those which have not fulfilled their UDA targets have generally fallen in value, as pricing is now linked to actual performance rather than baseline contract value.

### MARKET PRESENCE

Our market presence and transactional activity has notably increased over the last five years, reflecting both a growing team and more sophisticated and regionally diverse market.

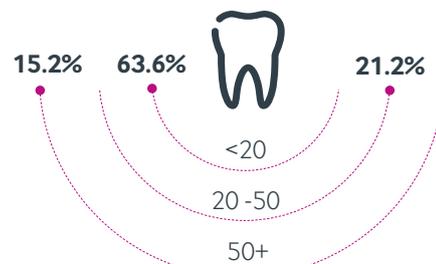
#### Christie & Co's change in dental transaction volume (rebased 2015)



Source: Christie & Co Analytics

Our regional network assures an in-depth knowledge of the local markets within which we work. Analysis of buyer trends reveals that some 85% of independent purchasers acquire a practice within 50 miles of where they live, rather than relocating.

#### Proportion of dental practices sold by distance of purchaser (miles)



Source: Christie & Co Analytics

### OUTLOOK

We believe that the market will continue to perform well in 2020 with demand from both the independent and corporate sectors. Traditional lenders will support buyers and a number of new challenger banks will enter the market.



**Tony Evans**  
Head of Pharmacy



**Jonathan Board**  
Director

## OVERVIEW

Whilst 2019 was a more challenging year, the sector did see large deals take place. We were instructed on 70 Rowlands Pharmacies in February and after a short marketing period, sales were agreed on the majority which continue to progress to exchange and completion as we enter 2020.

The sector continued to endure the impact of the latest Category M clawback of £50m until the end of March 2019. Alongside this, the sector still saw challenges from drug supply shortages and resultant pricing issues.

In July, the Department of Health and Social Care (DHSC) announced its new Five-Year Deal, fixing the global funding sum at £2.592 billion per annum for each of the five years. In doing so, it has signposted changes in the allocation of funding to more service-led activities. Whilst the settlement has received a cautious welcome from many in the sector, the full impact is difficult to measure and will be dependent on the roll out of new services over the course of the deal.

However, the funding climate north of the border was far more settled. As a result, in Scotland, we continued to see significant increases in value, with pharmacies changing hands at £2.00 to £2.20 in £ of turnover or up to multiples of 12 times EBITDA.

### Year-on-year change in new instructions



Source: Christie & Co Analytics

**FROM OUR UNRIVALLED PRESENCE AND MARKET REACH, WE WERE ABLE TO BENEFIT FROM THE RISE IN PHARMACIES COMING TO MARKET, DELIVERING A 46.4% INCREASE IN INSTRUCTIONS IN 2019, WHICH WE PREDICT WILL CONTINUE IN 2020.**

## PHARMACY

### Proportion of transactions by operation type



Source: Christie & Co Analytics

## IMPACTS TO THE BOTTOM LINE

The bottom line will be impacted depending on the allocation of funding and implementation of new service activities as outlined in the Five-Year Deal

The fixing of the global funding sum at £2.592 billion for each of the next five years, although providing certainty, does, however, represent a real term cut in remuneration of c. 5%

Proposed increases in National Living Wages will continue to squeeze operating margins

Drug pricing and supply issues will continue to place pressure on gross profit margins and resultant net profit margins

## CASE STUDIES



### HOUSTON DENTAL

44 surgeries across North Somerset and wider South West region.



### PROJECT LOGAN

Two large profitable mixed practices in West Yorkshire sold for more than 300% of turnover.



### ROWLANDS PHARMACY

On behalf of Rowlands Pharmacy we brought 70 pharmacies (69 in England and one in Wales), to the market. This presented a rare opportunity for first-time buyers and independent operators to acquire corporate pharmacy assets. The process is expected to conclude in 2020.



### PAINSWICK PHARMACY

Painswick Pharmacy, located in the centre of the Cotswold town of Painswick near Stroud, was sold following over 25 years of ownership for a private client. The deal also included the desirable freehold property which had planning consent for development.

## MARKET PREDICTIONS DENTAL

**Continued demand for urban locations as corporate and expanding multiple operators target larger practices, particularly those with an EBITDA of £250,000+**

**A likely increase in volume of NHS practices coming to market, as sellers seek to maximise their returns ahead of the potential contract reform**

**UK price increases will encourage mature dental companies of scale to target pan-European opportunities, where prices are lower and the market is less mature**

## PHARMACY

**In England we expect to see corporate and multiple operators continue to churn non-performing/marginal pharmacies, with many being acquired by independent contractors. We expect the proportion of managed business sales to increase further in 2020**

**Further retirement sales from those who don't adapt to the new funding regime and service-led contract**

**An increase in the number of sales to first-time buyers, driven by a continued optimism and keenness to run/own their own businesses**

© Frontier Estates



Care



**Richard Lunn**  
Managing Director  
Care



**Michael Hodges**  
Managing Director  
Healthcare Consultancy



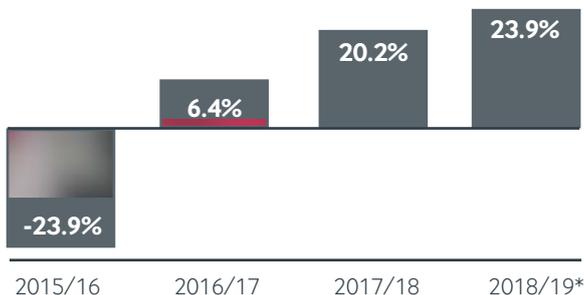
**Jeremy Cashmore**  
Head of Valuation  
Care

## OVERVIEW

**2019 HAS BEEN AN OUTSTANDING YEAR IN TERMS OF BROKERAGE AND ADVISORY ACTIVITY WITH OUR TEAM SELLING 66% OF ALL THE INDIVIDUALLY TRANSACTED CARE HOMES IN THE MARKET.**

Source: Caring Times

### Variance in transactional activity, rebased at 2015



\*includes progressed deals at time of analysis  
Source: Christie & Co Analytics

## MAJOR PORTFOLIO & INVESTMENT DEALS

In the investment market appetite remained very strong in 2019 with high quality single or small groups of assets let to leading covenants, resulting in prime yields compressing to record low levels. This reflects demand from an ever increasing number of institutional investors and specialist funds, attracted by the need driven fundamentals of the sector, coupled with challenges in more traditional parts of the property industry such as high street retail.

We have been at the forefront of the development market, facilitating the sale of 3,018 beds with a number of related investment deals involving forward funds with a range of operator covenants.

Several of these transactions have created new yield benchmarks for strong regional and SPV type covenants. Investment activity in the secondary market has also been steady with funds like Impact REIT announcing a number of deals involving regional operators.

BUSINESS OUTLOOK 2020

## TRANSACTIONAL MARKET

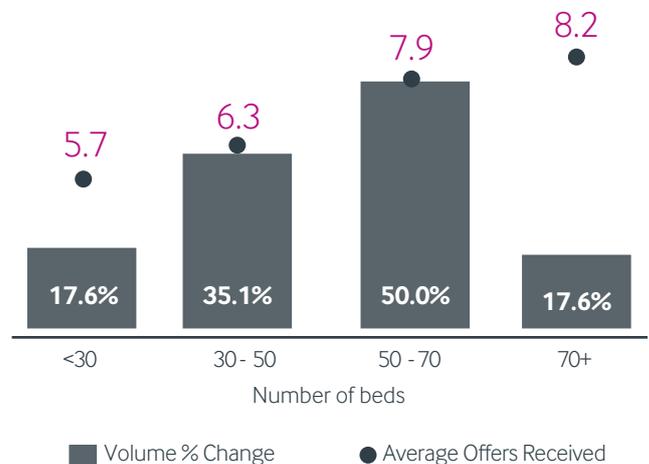
The going concern transactional market has remained active with excellent volume in the market and a wide range of stock. The strength of our team is its ability to transact individual care home deals delivering greater value for our clients.

In 2019, we saw an increase in interest across both larger and smaller care homes, fuelled by strong buyer demand, particularly from entrepreneurial regional operators.

6 to 7

**OFFERS RECEIVED PER CARE HOME SOLD, ILLUSTRATING BOTH MARKET DEPTH AND HOW EFFECTIVE WE ARE**

### Variance in transactional activity volume by size of home vs. how competitive the process is 2018/19\*



\*includes progressed deals at time of analysis  
Source: Christie & Co Analytics

## CLOSED / VACANT POSSESSION TRANSACTIONS

During 2019, we sold a number of care homes on a closed/vacant possession basis. In nearly all cases, the closed assets which we brought to market attracted a good level of interest from a wide range of buyers including entrepreneurs, developers and other parties looking to acquire assets for alternative uses. The latter typically included specialist care, childcare or supported living in addition to re-development or non care related uses.

## CASE STUDIES



### **BIRCHLANDS NURSING HOME**

In June 2019, we sold Birchlands Nursing Home in York to Impact Healthcare REIT plc. The large, purpose-built home with extensive facilities and 51 bedrooms will be added to their existing portfolio of 82 care homes.



### **ABBHEY HOUSE**

Acting on behalf of the Milestones Trust in Bristol, we sold Abbey House in Swindon to the Care Concern Group. Milestones Trust commissioned the development of Abbey House which opened for trading in 2016. The care home provides 73 single bedrooms in a three storey, purpose-built property.



### **DIGNUS GROUP LIMITED**

We completed the sale of the elderly care division of the Dignus Group Limited, which owned and operated a group of four established care homes across the West Midlands. The buyers, RD Capital Partners, are a growing investment company in the healthcare industry.

## MARKET PREDICTIONS

**More portfolio M&A activity is likely once uncertainty associated with Brexit is resolved**

**New build development and investment activity will remain very active**

**A portfolio transaction involving a sale of an OpCo is likely to occur**



# Child Centric Sectors



**Courteney Donaldson**  
Managing Director  
Child Centric Sectors



**Nick Brown**  
Head of Brokerage  
Childcare



**Rosie Adlem**  
Director  
Education & Specialist Childcare

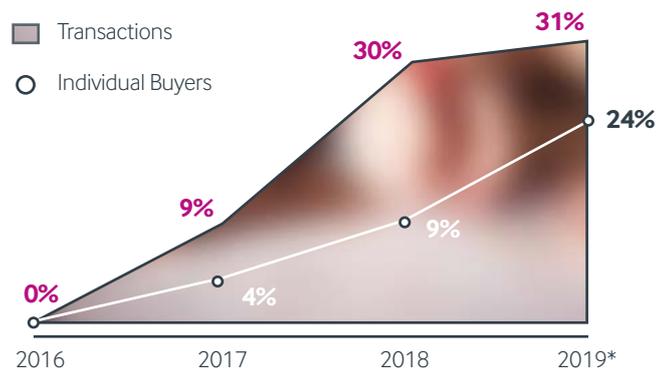
**2019 HAS MIRRORED THE SUCCESSES OF 2018 IN TERMS OF OVERALL ACTIVITY, ALTHOUGH THERE HASN'T BEEN THE SAME VOLUME OF REGIONAL PORTFOLIO DEALS AS EXPERIENCED IN THE PRIOR YEAR. THE MARKET HAS PERFORMED WELL AGAINST THE BREXIT BACKDROP AND ACTIVITY HAS REMAINED ROBUST. MARKET AND BUYER DEMAND REMAIN INCREDIBLY BUOYANT.**

## CHILDREN'S DAY NURSERIES

Trade buyers and investors alike, large and small, regionally and nationwide are looking at cluster opportunities. The larger corporate groups are taking an interest in smaller opportunities and single assets as they present themselves. Demand continues to exceed supply, fuelling continued growth in values as competitive tension between eager parties looking to expand or establish themselves shows no signs of abating.

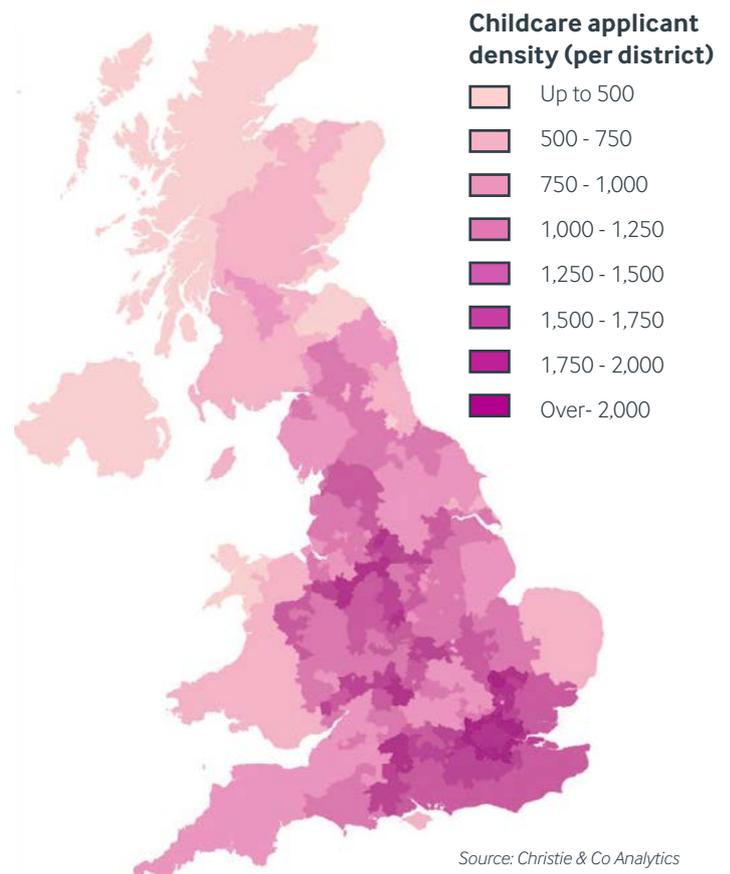
## MARKET PRESENCE

**Change in transactional activity by volume and number of buyers, rebased to 2016**



\* Includes progressed deals at the time of analysis  
Source: Christie & Co Analytics

Whilst there have been fewer regional portfolio group transactions this year, we have seen an increase in single asset transactions. Where the overall number of childcare businesses sold is in line with last year, we have seen an increase in the number of individual buyers. This highlights both the strength of appetite in the market and continued increasing market presence.



The greatest demand from buyers remains across London and the South East. Established provincial businesses are becoming increasingly attractive due to their availability and offer of stronger returns on investment due to regional pricing differentials.

## EDUCATION

Appetite for good quality schools remains strong despite what may come due to Brexit, as the British independent education system is likely to hold its own. Activity will continue to be high across the entire sector, although an element of distress in the market is likely to grow – driven in the main by potential government policy changes such as VAT, school charity status and pensions.

In 2019, we witnessed an increase in activity across transactional and valuation services as banks and investors have remained supportive of the sector despite wider economic challenges. Christie & Co instructions have seen the full breadth of educational facilities from boarding schools, day schools, pre-prep and prep and language schools.

Within the general increase of activity across the sector there has also been a larger degree of distressed advisory work, where we have been appointed to work on behalf of insolvency practitioners representing proprietors, charities and banks for transactional, valuation, finance and consultancy services. Despite an element of wider Brexit comfort, there has equally been nervousness across the mid market, specifically linked to the possible impact of international students with some schools looking for campuses across Europe as a defensive measure. This coupled with the potential implementation of VAT on fees and increasing pension contributions has resulted in additional financial pressures for many independent education facilities.

### KEY CHALLENGES FOR 2020

The increase in the Teachers' Pension Scheme contribution from 16.5% to 23.6% in September 2019 will have brought financial challenges to many schools

Smaller capacity schools facing financial challenges will see increase in distress

The ongoing Brexit debate has concerned many operators although we are yet to witness any dilution of overseas interest in the UK

The number of teachers moving overseas has increased, currently resulting in a net loss

Pressures on pupil fees has increased for many schools meaning the ordinary annual increases have been difficult to implement

## SPECIALIST CHILDCARE

Across the specialist childcare sector in 2019 we saw increased fee pressures as Local Authorities faced financial challenges. The quality of some provision for children and younger adults in care has faced scrutiny due to a number of cases covered by the press relating to 'imprisoned' circumstances. The sector remains high risk and issues, if not managed correctly, can result in monumental failings. Overall, the increased number of children in care are putting pressure on the sector.

However, we have witnessed an increase in activity across transactional and valuation services, and banks and investors have remained supportive of the sector despite the high degree of risk associated. A number of regional groups have generated multiple bids within a short marketing period resulting in swift sales.

### KEY CHALLENGES FOR 2020

The funding gap for children with additional needs is unlikely to be tackled to the degree required

Possible increase in high profile cases of families challenging the quality of care they are able to access

Better quality provisions being developed may result in older facilities facing occupancy or fee pressure

Providers will continue to receive unprecedented levels of referrals demonstrating the challenge of appropriate placements

### OUTLOOK

We expect transactional activity in the sector will remain high as vacant buildings, whether former independent schools, former hotels or care facilities, are likely to be developed by experienced operators into new facilities. The number of children in care will continue to grow and the level of activity will increase.

However, as a needs-driven sector, Brexit is unlikely to have any substantial impact although the government position may result in Local Authority cost pressures. We anticipate that the investment market will continue to show interest due to the mature, needs-driven nature of the sector.

## CASE STUDIES



### PROJECT QUEEN

We acted as agent and advisor to the exiting vendors. The privately operated group of freehold and leasehold assets, including seven homes and one school, working with 19 Local Authorities, was sold to a national provider.



### LITTLE GARDEN DAY NURSERIES

We brokered the sale of a premium group of four leasehold childcare settings located in prime Central London on behalf of Anne de Zoysa and Sue Woodford-Hollick OBE who founded the company some 30 years ago. The group was acquired by August Equity LLP in conjunction with an experienced management team.



### SMALL WORLD NURSERY & ST MARY'S NURSERY

We brokered the sale of an 'Outstanding' group of two freehold childcare settings located in Doncaster, South Yorkshire. We were instructed on the sale of both settings together, having realised the market value that could be achieved. The group was acquired by Just Childcare, an expanding national operator.

## MARKET PREDICTIONS

### DAY NURSERIES

**Further consolidation in the children's day nursery sector both domestically and internationally**

**We will see the gap compounding between those who achieve success and those struggling**

### EDUCATION

**School proprietors, trustees and governors will look to diversify, such as increasing provision through early years and wraparound care**

**The level of distressed sales are likely to increase as cost and operational pressures grow**

**Schools will focus on further increasing and enforcing their existing community integration and relationships to combat the 'elitist' view being depicted by Labour**

### SPECIALIST CHILDCARE

**Both regional and national UK operators across the looked after children sector will continue to grow and develop their groups, and operators will look to divest into different elements of care packages**

**The number of hospitals or secure units will increase as demand for more acute facilities grows allowing children to be closer to families**



Retail



**Steve Rodell**  
Managing Director  
Retail



**Nick Bywater**  
Associate Director  
Retail

## GARDEN CENTRES

In 2019, transactions within the retail sector were dominated by the sale of 145 Wyevale Garden Centres, the biggest sale of garden centre assets in the UK. We brokered 57 individual transactions by optimising our regional network and collaborating with management, solicitors and the client to maximise proceeds, which were based on an aggregated guide price of c. £444 million. The project generated an avalanche of interest and twice as many offers than we typically see across our sectors. This suggests a strong appetite for the alternative investment market. Christie & Co continues to speak with business owners across a wide-ranging mix of trades as a result of the project, giving us an opportunity to diversify our offering in 2020 onwards.

## PROJECT DOUGLAS

A “TRANSFORMATIONAL DEAL”



The sale of 145 Wyevale Garden Centres completed in November 2019.

Christie & Co’s carefully designed marketing campaign reached over 60,000 people and promoted an aggregate guide price of c. £444 million.

Our professional execution ignited interest and created an avalanche of activity in horticulture and beyond into the finance and real estate sectors.

**Food Retail**  
**Garden Centres**  
**Convenience stores**  
**Food & Drink**  
**PFS** Off License  
**Newsagent** Supermarket  
**Post Office** Development & Investment

3,246

**NON-DISCLOSURE AGREEMENTS SIGNED**

817

**PHASE 1: UNCONDITIONAL OFFERS EXCEEDING THE AGGREGATE GUIDE PRICE**

383

**PHASE 2: UNCONDITIONAL OFFERS**

57

**SEPARATE TRANSACTIONS**

**CLOSE COLLABORATION BETWEEN ALL STAKEHOLDERS AND MANAGEMENT ENSURED SIGNIFICANTLY GREATER NET PROCEEDS THAN ANY LIKELY GROUP DEAL**

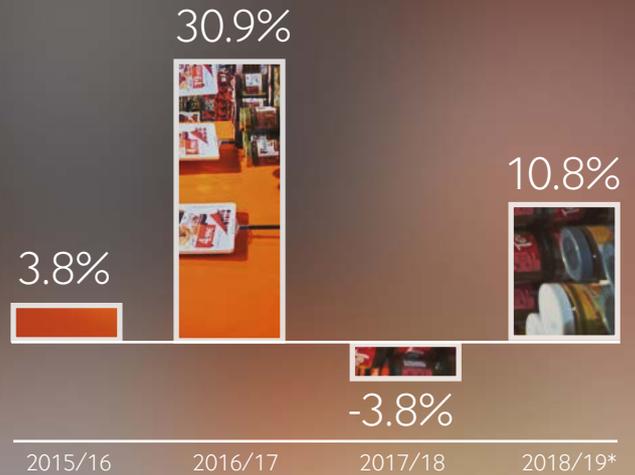
# CONVENIENCE

Convenience trading fundamentals remained strong as declining footfall, store closures and job losses continued on the high street and some retail parks. Non-food retailers battled against insolvency in some cases with consumers increasingly opting to shop online. Consumer behaviour continues to move in favour of convenience retail and this has underpinned transactional activity.

This year we also saw a landmark decision imposed by the Competition & Markets Authority, with the formal block of the proposed £13 billion merger of Sainsbury's and ASDA over findings this would disadvantage consumers.

Continued rationalisation of large portfolios and disposal of surplus assets was a key theme amongst large chains. Throughout the year Christie & Co brought to market a number of convenience stores on behalf of Co-operative Food and in September, Sainsbury's announced the closure and disposal of up to 125 stores.

## Year-on-year change in transactional volume



\* Includes progressed deals at time of analysis  
Source: Christie & Co Analytics

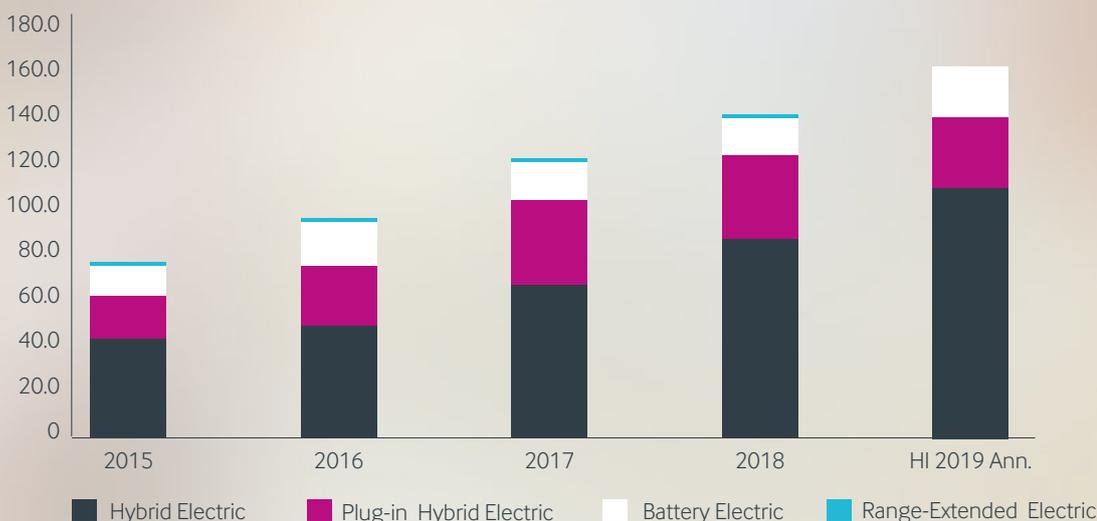
As we continue to expand both our team and network, the number of local convenience transactions in 2019 has increased by over 10%.

# PETROL FILLING STATIONS

The petrol filling station (PFS) market faces similar dynamics to convenience retail. Developments in alternative fuel vehicles (AFVs) present a forthcoming challenge for the sector as the Government pushes on with its 'Road to Zero' strategy to cut CO2 emissions.

The initiative brings with it many questions for the PFS market. However, recent reports of modest increases in electric vehicle (EV) sales suggest petrol filling stations will remain relevant for the foreseeable future. Christie & Co will be monitoring this aspect of the market closely through our initiation and involvement in regular cross sector discussions.

## Number of electric vehicles registered for the first time (000's)



Source: Department for Transport

## Proportion of battery electric vehicles of all new vehicles

2018 0.7%  
H1 2019 1.0%

**49%**  
**OF CAR USERS DO NOT EXPECT TO BUY AN EV IN THE NEXT 15 YEARS**

The PFS market remained robust in 2019, which is evidence there remains strong ongoing interest in PFS assets amongst investors. Fuel margins remained buoyant and we have seen a general upwards gross profit margin trend to meet rising costs this year.

Whilst Christie & Co transacts more PFS than any other agent, we are also the valuers of choice to many leading operators. We supported Sewell Retail's six site acquisition through our valuation of the portfolio for RBS. We have also worked extensively with other leading PFS operators such as MPK and its stakeholders, Stratford Capital and Penny Petroleum.

## CASE STUDIES



### COUGHLANS BAKERY

Christie & Co was appointed to market Coughlans Bakery, an award winning, family-run artisan bakery and café business, comprising 23 retail outlets in affluent boroughs of South London and 29,000 sqft of freehold head office and bakery space in Croydon.



### PROJECT ANGEL

The Co-operative Group appointed Christie & Co to market a small number of convenience stores that no longer fit their long term plans. This successful pilot led to further (ongoing) instructions.



### RONTEC ACQUISITION OF TWO A37 PETROL FILLING STATIONS

Acting on behalf of Local Fuels, Christie & Co were appointed to broker the sale of Lewes Service Station and Newmarket Service Station, two well established East Sussex petrol stations, to expanding operator and Top 50 Indie, Rontec.

## MARKET PREDICTIONS

**We expect to see a rise in convenience franchising as suppliers make attractive offers, inviting retailers to participate in premium brands such as Co-operative Food**

**There will be continued rationalisation of large portfolios by the multiples, whilst ongoing acquisition programmes will drive better performance in their top stores – necessary to mitigate rising wage and other operating costs**

**Ongoing strong demand for petrol filling stations, with an increase in overseas investment in the UK fuel market**



**Leisure**



**Jon Patrick**  
Head of Leisure & Development

Health & Fitness Development Zoo  
Live Music Trading Ice Skating  
Investment High Ropes  
Theme Park  
Freehold Leasehold SPA Tenpin Golf  
Swimming  
Visitor Attraction Arena Stadia  
Nightclub  
Sale & Leaseback  
Bowling

## INTRODUCTION

A healthy level of investor interest in the ‘alternatives’ property sector continued throughout 2019, with well invested and well-located businesses remaining the most sought-after assets. It was a year of major M&A activity, as well as a number of opportunistic acquisitions of distressed portfolios.

Notable transactions included the sale of Merlin Entertainments to Blackstone, Canadian pension firm, CPPIB and Kirkbi, a company operated by the Danish family who control Lego, with an enterprise value of £5.9 billion. This transaction saw Merlin return to private ownership.

Similar deals across the sector suggest a strong appetite continues amongst PE investors for the alternatives space and this looks set to continue in 2020, with a number of exciting deals due to complete in the first half of the year.

Despite many leisure operators trading comparatively well, we have started to see an increase in operational costs including wages, utilities and the cost of goods impacting profitability. This may influence owners’ capital expenditure plans in 2020 however, where possible we consider that continued investment is essential to maintaining competitive advantage and value.

## SIMILAR DEALS ACROSS THE SECTOR SUGGEST A STRONG APPETITE CONTINUES AMONGST PE INVESTORS FOR THE ALTERNATIVES SPACE AND THIS LOOKS SET TO CONTINUE IN 2020

With regard to Brexit, deals involving European investors continue to be delayed by the ongoing uncertainty surrounding negotiations, albeit the outcome of the General Election in December and the reaction of financial markets suggests we may see an improvement in this regard.

## LEISURE MARKET ACTIVITY

The health and fitness market enjoyed a continued period of growth in 2019, exceeding a market value of £5 billion for the first time. Investor interest remains strong for corporate quality deals, whether by M&A activity or new build organic growth. In December 2019 came the announcement that leading low cost gym operator, Pure Gym is set to acquire Fitness World to create a 500-club business. During the year Christie & Co acquired Cookridge Hall Health & Fitness on behalf of Bannatyne Fitness in an off-market transaction. The team has also been mandated by David Lloyd Leisure to help grow its portfolio in Germany.

Developers of leisure and hospitality real estate faced a number of challenges during the year as construction inflation continued to drive up the cost of delivering leisure and hospitality schemes. There is now often a considerable gap between the cost of procuring a new property, versus what existing businesses may be acquired for in the market.

### 2019 CHALLENGES

- Business Rates
- Increasing utility costs
- Increasing staff costs
- Employment and challenges attracting new talent into the industry
- Capex and refreshing of portfolios
- Portfolio churn
- Construction inflation

## CASE STUDIES



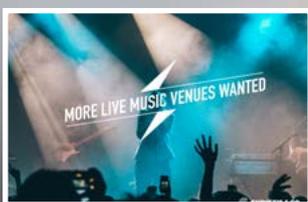
### COOKRIDGE HALL HEALTH CLUB

Freehold 38,000 sq. ft property acquired on behalf of Bannatyne Fitness in an off-market transaction.



### PROJECT CARGO

Confidential sale of two boutique hostels in Liverpool and Newcastle, trading under the Euro Hostels brand, to the Youth Hostel Association.



### ELECTRIC GROUP

Instructed in Q4 to acquire multiple sites in key city centres throughout England, Scotland and Wales for their live music and entertainment concept.

## MARKET PREDICTIONS

**Uncertainty around Brexit may continue to influence a reduction in investor confidence until a decision has been finalised. As a result, we may see a decrease in European investment into the UK, however there is still significant interest from other regions including China and the US**

**Increase in distress disposals and CVA's (this will drive increasing uncertainties for landlords exposed to rental income) for under invested and/or poorly managed businesses**

**Holiday parks will continue to be highly sought after, however a number of administrations in 2019, including the collapse of Dream Lodge Group in August, suggest their attractiveness as a second home could come under pressure as lenders tighten their borrowing criteria**

**Quality health & fitness businesses will be in high demand given the small number of opportunities that typically come to market**



**Pubs**



**Stephen Owens**  
Managing Director  
Pubs & Restaurants

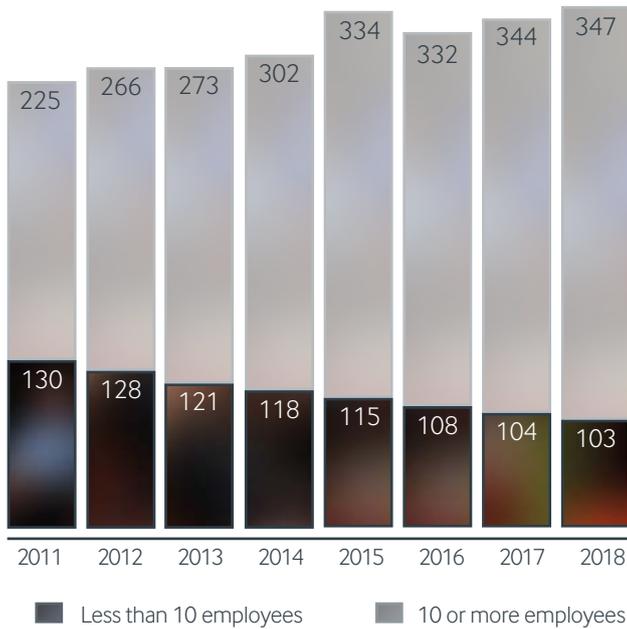


**Neil Morgan**  
Senior Director  
Pubs & Restaurants



**Ramzi Qattan**  
Director  
Pubs & Restaurants  
Consultancy

**Number of employees in pub sector, by size of pub (000's)**



Source: Office for National Statistics

**WHAT'S DRIVING THE MARKET**

Operators have mitigated rising wage costs through consolidation into larger and more efficient premises

A critical shortage of skilled chefs has resulted in delays to expansion, and food offerings having to be simplified

Properties with letting rooms continue to attract the highest demand and are a key feature of many growth strategies

Traditional pub companies continue steady acquisitions and churn of their tail end, whilst private equity will continue to acquire and consolidate

**MARKET OVERVIEW**

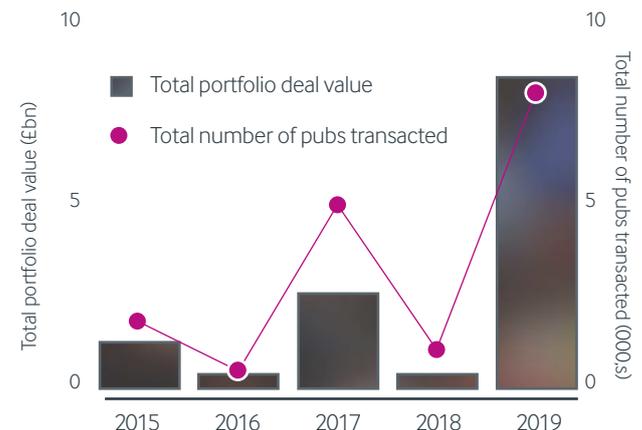
The pub sector is in an incredibly strong position. Beer volumes are in growth, following a sustained period of decline and stabilisation, and official national statistics on employment within the sector have shown that the sector is undeniably growing. The historical decline in pub numbers appears to have been countered by operators' consolidation into fewer, better quality and more efficient premises.

For the Christie & Co team, 2019 involved completing acquisitions and disposals on behalf of a diverse range of international investors, national brewers, regional pub companies and multiple operators. The £8 billion+ of portfolio transactions in 2019 surpassed that which we've seen in the previous ten years combined.

Supply is coming from the continued churn of large tenanted estates, with pub companies such as Marston's, Star Pubs & Bars, Wadworth, and others, offloading what they considered to be a tail end. Private equity (and private equity backed operators) have driven demand, with investors eager to deploy capital into a sector that was previously overlooked by many, and one that contains opportunities for consolidation, as well as turning around under-managed and under-invested businesses.

We have supported new entrants to the sector, such as Davidson Kempner, although undoubtedly the two largest deals of the year were CK Asset Holdings completing an acquisition and de-listing of Greene King, and TDR Capital-backed, Stonegate announcing their intention to acquire and de-list ei Group. However, this is not a bubble, and realistic pricing remains a key factor in achieving a successful outcome.

**Pub sector portfolio transaction volume**



Source: Christie & Co Analytics

## CASE STUDIES



### PROJECT HARVEST

In November 2019, we completed on the sale of 137 Marston's pubs to Admiral Taverns for £44.9 million. The portfolio included a mix of pubs from across Marston's tenanted and franchised divisions, comprising mainly smaller wet-led pubs. We advised Marston's that the optimal route to value was best realised through marketing the portfolio as a single package.



### PROJECT TAVERN

We advised Davidson Kempner on their first foray into the sector with an acquisition of 370 pub investments from ei Group's commercial property division in a £348 million deal which completed in March 2019. This was noted for being the largest transaction in terms of both volume and value to take place in the UK since September 2017.



### PROJECT SWORDFISH

In August 2019, we completed the sale of a portfolio of 18 pubs on behalf of Wadworth to national pub company, Red Oak Taverns. The leased and tenanted pubs located across the South and South West of England attracted interest from numerous buyer groups. We worked closely with the vendor to ensure minimal business disruption for the tenants and the overall business.

## MARKET PREDICTIONS

**Traditional family-owned pub companies and brewers are expected to continue expanding at a slow and steady pace, whilst bringing the tail end of their portfolios to market**

**We expect to see further M&A activity within the pub sector as private equity continues to seek tenanted, managed and franchised portfolios and consolidation opportunities**

**The pub sector will continue to evolve with innovation and diversification of the pub offering coming from the independent freehouse sector**

**Properties with letting rooms will continue to attract the highest demand, representing a more diverse income stream, as it is seen as a more mature entry point for investors**



**Restaurants**



**Stephen Owens**  
Managing Director  
Pubs & Restaurants



**Simon Chaplin**  
Senior Director  
Corporate Pubs & Restaurants

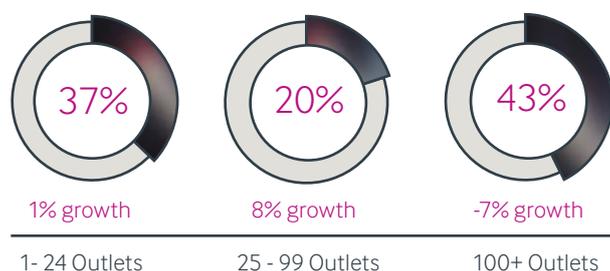


**Jamie Harvie-Austin**  
Director  
Pubs & Restaurants

## MARKET OVERVIEW

During 2019, we saw an increase in the amount of distressed sales across the restaurant sector, as a result of a record number of restaurants, including household names such as Byron, Strada and Gourmet Burger Kitchen falling into insolvency. This market trend was reflective of the alleged 'casual dining crunch' which began to sweep the UK in 2017 and has been driven by an overcapacity of casual dining venues, following a period of rapid growth.

### Share of market and growth by portfolio size 2019



Source: CGA, Outlet Index

Ongoing news of new Company Voluntary Arrangements (CVAs) and administrations, economic uncertainty fuelled by Brexit negotiations, and predictions there will be more high street casualties in 2020, suggest challenging times ahead. Confidence amongst lenders has been reduced, with traditionally aggressive lenders announcing a more cautious approach, and resulting in operators resorting to alternative forms of funding.

## INCREASING COST PRESSURES REMAINS A KEY CHALLENGE FOR THE RESTAURANT SECTOR, INCLUDING WAGE COSTS, BUSINESS RATES, UTILITIES AND RENT

## RESTAURANT VISITS CONTINUE TO DECLINE FROM THE PEAK IN 2017

Disparities in the rental market remain a particular challenge, with those rents agreed to in the 2015/16 boom causing issues for companies who have not gone through a CVA or rent regear process.

Fall in number of restaurants in the UK by

3.4%



Source: CGA, Alix Partners

2% SALES GROWTH MAINLY RELIANT ON MENU PRICING

Source: MA Menu and Trends Report

YOUNGER GENERATION SPENDING MORE ON EATING OUT BUT FEWER COURSES AND LIMITED ALCOHOL. TAKEAWAY DELIVERY TO GROW TO

£5BN

Source: NPD Group

## OUTLOOK

In these turbulent times, there is an opportunity for independent operators to thrive, as consumers favour niche, local eateries over large chains. We expect to see limited interest from traditional institutional investors, with a growth in interest from specialist investors including private equity, incubator investors etc. On a positive note, there has never been a better time to acquire sites, with plentiful supply, reduced premiums, and landlords offering significant inducements.

## CASE STUDIES



### JAMIE'S ITALIAN

Most notably, we were instructed on behalf of joint administrators, Will Wright and Mark Orton from KPMG to market Jamie's Italian, Barbecoa and Fifteen, a group of 20 restaurants operating as part of the Jamie Oliver Restaurant Group. Located in prime locations across the UK, the properties were offered on an individual, sub-group or group basis.



### TWO PRIME LONDON COFFEE SHOPS

Early in 2019 the sale of Urban Tea Rooms took place, a company sale of two sites in central London. The business was bought by the fast expanding coffee shop operator, Department of Coffee & Social Affairs, who have acquired brands around London and the UK. These two sites were in excellent locations close to Carnaby Street and Piccadilly with good footfall. Such was the demand that the sale was achieved off market inside six weeks.

## MARKET PREDICTIONS

**Casual dining will still face pressure until supply reaches a sustainable equilibrium. Further mid-market restaurant casualties are expected**

**We will see an emergence of more Asian and Middle Eastern influenced restaurants, with support from foreign backers as well as new, young brands evolving from the "street food" scene**

**There will be a rise in the number of vegetarian and vegan offerings available to consumers, with specialist menus becoming increasingly mainstream for the environmentally conscious consumer**



**Hotels**



**Carine Bonnejean**  
Managing Director  
Hotels



**Jeremy Jones**  
Head of Brokerage  
Hotels



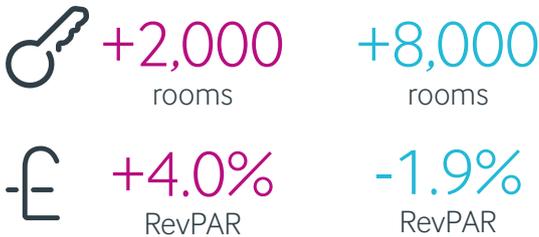
**Olivia Chaplin**  
Director  
Hotels Consultancy

## MARKET OVERVIEW

In 2019, we saw a notable decline in both transactional volume and deal count in the UK despite a number of significant transactions at record prices. However, domestic and overseas investor appetite remains strong and the hotel market remains an attractive investment option.

The sector responds well to changing investor requirements by adapting operating structures and evolving and innovating brands with technology. However, we have also seen large amounts of development and an ongoing increase in the supply of hotel rooms in recent years. This, alongside the political and economic uncertainty influenced by Brexit, has contributed to notable drops in RevPAR in some markets. Quality assets in markets with the right fundamentals will continue to see growth in 2020.

### Year-on-year KPIs



Source: STR

**London**

**Regional UK**

The hotel construction pipeline in the UK is currently the second largest in Europe, in terms of projects, after Germany. Approximately 225 hotels are currently underway across the UK, with London continuing to be the country's development hot spot, notably in East London and the Southbank. Regional UK cities, such as Manchester, Glasgow and Bristol, are expected to see double-digit growth in their current room supply by the end of 2022.

Development pipeline of

**225 Hotels** **+4%** in room supply

Of which, serviced apartments represent  
**9%**

Source: STR

## 2019 CHALLENGES

Trading performance in the regions has been mixed due to the impact of new supply with many markets recording RevPAR declines

Stagnating revenue and continued pressure on costs and staffing are impacting the bottom line

The capital expenditure timebomb has started to hit owners, impacting trading even further for tired assets threatened by new supply

2019 deal flow has been limited despite continued appetite from both domestic and overseas investors

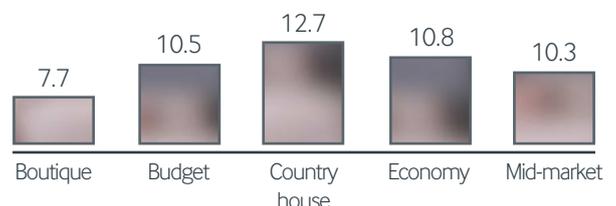
## OUTLOOK

Continued additions to supply, cost pressures and staffing issues are likely to further impact trading in 2020, particularly for underinvested assets outside city centres. Nonetheless, the General Election outcome and renewed investor confidence should unlock the transactional market and we have already seen positive signs of deal flow increasing in 2020.

In 2019, we saw an uptake in interest for country house hotels and we expect this to continue this year as interest comes from a range of buyers, from regional to international.

The sector is of interest to many and is well accepted and understood by institutional investors who are happy to take on increasing levels of risk.

### Average number of viewings by hotel type



Source: Christie & Co Analytics

## CASE STUDIES



### DAYS HOTEL WATERLOO

We sold the Days Hotel Waterloo, in London, on behalf of administrators Smith & Williamson, to Palm Holdings, which will operate it under its subsidiary, Waterloo Hub Hotel Ltd. The Days Hotel comprises 162 bedrooms and sits in a prime Central London location, close to Lambeth North and Waterloo stations.



### DE VERE HORWOOD ESTATE

In September 2019 we completed on the sale of Horwood Estate, a Grade II listed manor house and conference centre in Milton Keynes, to ZIZ Hospitality, on behalf of De Vere Hotels. Totalling 185 guest bedrooms and numerous conference and meeting rooms, as well as extensive grounds and leisure facilities, combined with the scale, cash flow and the huge development potential on offer appealed to a range of buyers.



### COTSWOLD INNS & HOTELS

We received interest from a wide-range of both domestic and international investors for Cotswold Inns & Hotels. This collection of managed pub-hotels, which includes some of the best quality food and accommodation offerings throughout the Cotswolds, was acquired by Fuller's PLC in October off a guide price of £40 million.

## MARKET PREDICTIONS

**Hotel operators are likely to experience continued pressure on profit margins, impacted by RevPAR declines, intensified competition and higher operational costs**

**Capital expenditure will be top of the agenda for owners to maintain a competitive edge**

**We anticipate an increase in distress positions for under-invested and/or poorly-managed assets**

**Deal flow for higher value assets and portfolios should unlock in 2020 as uncertainty around Brexit eases**



**International**

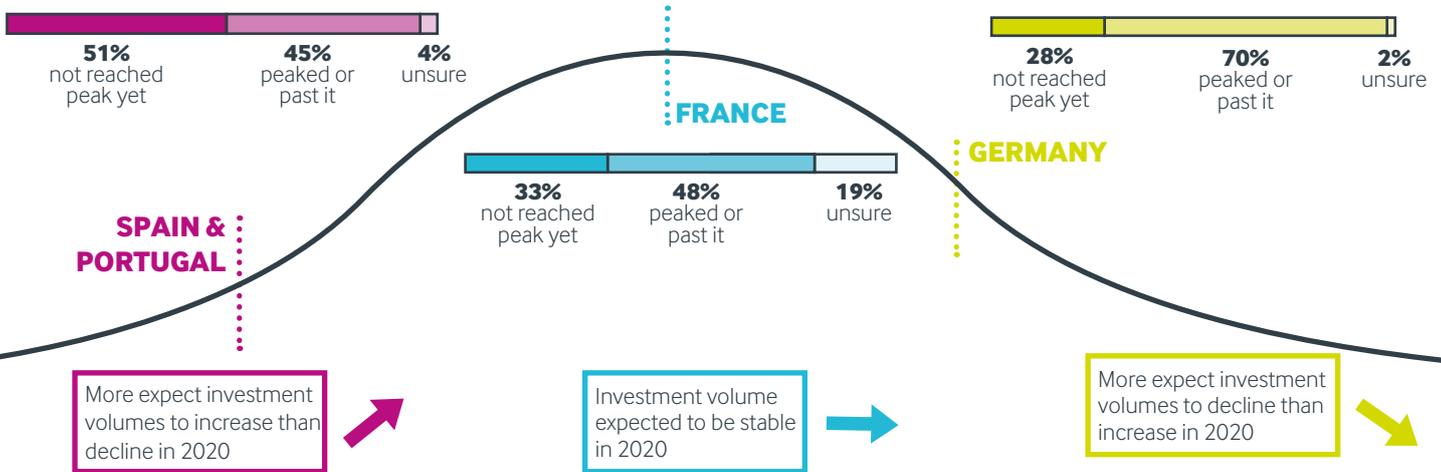
# 2020 SENTIMENT SURVEY RESULTS

Christie & Co's international business continues to remain active across our markets with an expanding team of experts across Europe, with offices in France, Germany, the Nordics, Spain, Portugal and Asia.

As part of our Outlook for 2020, we have conducted a survey across our European network on the hotel market, investment and Brexit. With some of our key findings outlined below – what is the market sentiment for 2020?

## HOTEL INVESTMENT

Where are we in the cycle, how attractive is it and where are the main focus areas for 2020?



A majority said the market is more attractive today than it was five years ago. In response only 10% said they are looking to invest internationally, with over 80% looking to invest in their current portfolio or nationally.

If we consider the wider transactional landscape in 2019, at least 70% has been through local investors.

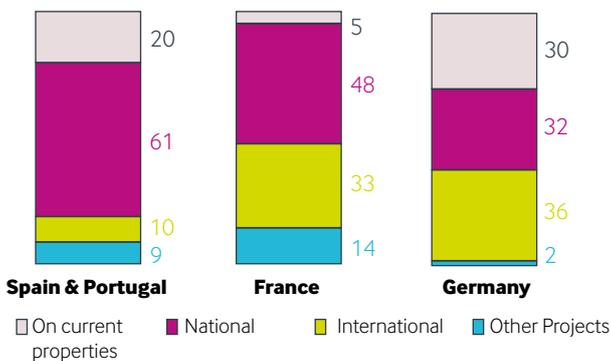
Overall, the general sentiment is to expand portfolios, with only 5% of respondents looking to invest in current properties.

With a wider range of international investors entering the market, including from the US and overseas, over 70% of respondents in France said the market is more, or just as, attractive today than five years ago.

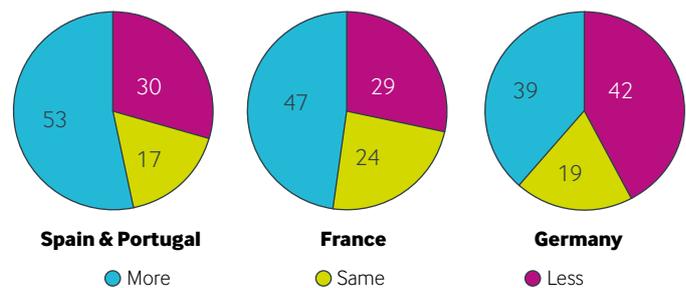
A majority are of the opinion that the investment cycle is at its peak, or we have past it.

As a result, there is a mixed view on investment focus, however less are interested in national investment when compared to France, Spain and Portugal. Interest remains dynamic and investor appetite is strong, with performance softening in line with German GDP and new supply.

### In which areas are you looking to invest in 2020? (%)



### How attractive is the market compared to five years ago? (%)



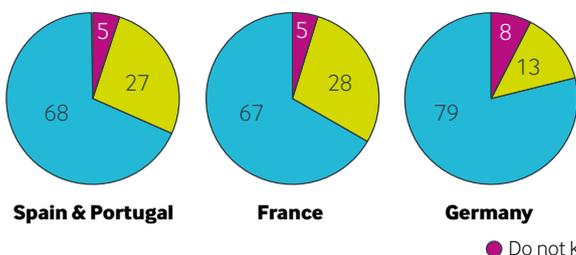
## BREXIT

Has the UK's decision to leave the EU had an impact on the market? Is it expected to in 2020?

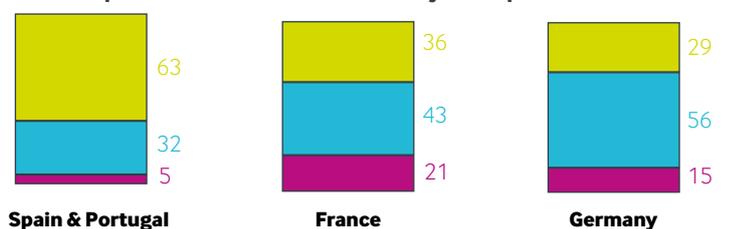
European markets have generally not seen any impact caused by Brexit to date – only 1/3 of respondents in Spain, Portugal and France said they have been impacted, and only 1/5 in Germany agreed with this sentiment.

However, of those who have not seen any impact to date, c. 50% expect to see this in 2020, driven by tourism rich Spain & Portugal. Spain welcomed 18.5 million British tourists in 2018 (22% of global visitors), and despite respondents not seeing an impact from Brexit in 2019, they are less optimistic about the impact in 2020.

### Have you seen any impact from Brexit? (%)



### Where no impact has been observed, do you expect it in 2020? (%)





**Lukas Hochedlinger**  
Managing Director  
Central and Northern Europe

## GERMANY

**IN 2019, THE TRANSACTIONAL ENVIRONMENT FOR HOTEL INVESTMENTS IN GERMANY REMAINED DYNAMIC. TRANSACTION VOLUME IN THE FIRST HALF WAS BELOW LAST YEAR'S FIGURES, CAUSED BY A LACK IN SUPPLY RATHER THAN WEAKENED DEMAND.**

However, we expect the total 2019 transaction volume to reach 2018 levels due to portfolio transactions at the end of 2019. Recent noteworthy hotel deals included HR

## CASE STUDY



### ROMANTIK HOTEL SCHLOSS RHEINFELS

Christie & Co sold Romantik Hotel Schloß Rheinfels on behalf of the owner. Privathotels Dr. Lohbeck takes over the 4-star superior castle hotel with 60 stylishly furnished rooms and suites from Gerd Ripp.

The prominent and imposing castle complex, consisting of the historical castle hotel and the Villa Rheinfels, is located in the middle of the UNESCO World Heritage Site Upper Middle Rhine valley.

Group's sale of seven of its properties and its acquisition of a Swissôtel portfolio from Accor. Other major transactions included the sale of the Hilton Munich Park, the sale of the Maritim Hotel Dusseldorf Airport and the largest operator transaction was Huazhu's acquisition of Deutsche Hospitality.

Investor appetite remains strong despite performance growth softening in line with German GDP. According to the German Federal Ministry for Economic Affairs and Energy, GDP growth slowed from 1.1% in 2018 to 0.5% in 2019. Beyond the macroeconomic environment, the performance growth declines may have been influenced by new supply.

Yield compression has continued in 2019, albeit at a slower pace. Going forward, we expect investor interest to remain high in primary to tertiary cities across all segments, especially in the serviced-living space. As construction costs rise, opportunities for new-builds may become scarcer in the medium term, however pipelines of the top tier markets currently remain full - which is likely leading to performance decreases in some markets. The tax reform for share deals received plenty of attention in 2019 but has been delayed until 2020, creating some uncertainties among investors. Until the first draft has been published (expected March 2020), legislation and taxation will not change and share deals will be taxed subject to the currently effective laws.

Overall, the fundamentals of the German hotel investment market are still positive. As interest rates continue to be negative, keeping investment pressure up, we expect interest from investors to continue to be high. Deceleration in economic growth and the expected changes in taxation may cause minor speedbumps in growth in the short term.

## AUSTRIA & CEE

This year we observed some of the largest transactions in the region's respective markets, especially in Vienna, Prague, Budapest and Croatia. This also led to the largest recorded hotel transaction volume, exceeding 2bn EUR in Austria and CEE combined. Further to the transactional activity, operative figures have also increased steadily with strong RevPAR increases across all countries, excluding Croatia.

This positive trend is also reflected in the market predictions, where we see a further yield compression that is encouraged by interest rate cuts in capital markets, resulting in more developments being sold in forward deals. With the growing strength and stability in emerging markets, a shift from Central to Eastern European markets will continue as we continue to see stronger yields in these markets. However, we may see some markets or micro locations overheat. Some of the Eastern European markets still face general economic and political challenges that might influence tourism and hotel development.

Internally, we look back on a successful 2019 with many projects and fruitful transactions. Assuming that our steadily growing team and some major projects in the pipeline complete - 2020 might exceed 2019. We have more hotel stock than ever before, from individual privately-run hotels to chain hotels and small portfolios and look forward to a busy year with great opportunity.



**Carine Bonnejean**  
Managing Director  
Hotels

## FRANCE

The French market in 2019 was very active and it is likely to be one of the best years in France in terms of hotel transactions. The market for single assets has been strong, as well as portfolio deals which we expect to continue into 2020.

In the wider market we saw major hotel operators expanding, diversifying and consolidating their presence through large M&A operations. Whilst in the development space, we observed the emergence of multi-development modes: new entrants are buying, and hybrid contracts are multiplying.

There was very strong investor appetite for hotel investment, driven by an abundance of readily available capital. However, a lack of available assets continued to inflate prices, pushing them to their highest levels in recent years.

## POLITICAL UNREST

Momentum continued to build around the 'Yellow Vests Movement' which began in 2018, with the grievances of French protesters widening to include calls for more economic equality and a minimum wage increase amongst other things. The social movement presents potential challenges for the industry as the Government faces pressure to increase staff wages and operating costs.

## CASE STUDY



### EASYHOTEL

In September 2019, we assisted easyHotel in their acquisition of ibis Nice Palais des Congrès.

The property currently has 87 rooms and will undergo refurbishment to fit brand standards and increase its capacity to 94 rooms. The transaction results from an advisory project aiming at shortlisting suitable opportunities for the client.

## INVESTMENT LANDSCAPE

We have seen a wider range of investors entering the market across 2018 and 2019, from US private equity to overseas investors. KSL Capital Partners are a good example of a US fund who may have previously looked at the UK market, but a combination of factors, not least Brexit and political uncertainty in the UK, supported by a strengthening French market has led them to acquire Les Hôtels d'en Haut, a group of five hotels in premier leisure markets across France. Another example is Gecina's sale of five hotels in Paris and the greater Paris region for EUR 181m to US fund Angelo Gordon & Co and EQ Group.

## REGIONAL GROWTH

Whilst deals are still taking place in Paris, although with limited stock available, we continued to see interest in major cities including Lyon, Nice and Marseille as deal flow picked up across France and a range of domestic and international buyers continue to be active.

Tourism within France has a bright future ahead of it and domestic visits and overnights are steady and constant, whilst international visits are on the rise, at a double-digit rate of growth.

## TRANSPARENCY IN THE MARKET

The lack of transparency in the French hotels market has historically impacted the volume of international investors looking at the market. Without transactional data, or even the knowledge of what is available, foreign investors find entry challenging.

To attract global players, the French market needs to become more transparent and we at Christie & Co are working closely with investors to highlight the tremendous opportunities offered by the French regional market.

## MARKET PREDICTIONS

**Growing investment in the regional markets**

**Growth in performance indicators, although continuing strikes may have an impact**

**Disposal of regional portfolios and high-value provincial and Parisian assets**

**Diversification of supply in key markets, such as the rise in hostels, aparthotels etc.**



**Kimmo Virtanen**

Director

Scandinavia, Russia and the Baltic States

## NORDICS

Following a consistent period of growth, supply has outpaced demand in most Nordic capital cities, leading to RevPAR decreases in 2019.

A number of significant acquisitions were observed across the market, including the acquisition of Danish limited-service chain, Zleep by Deutsche Hospitality, and Nordic Choice acquiring Kämp Collection hotels, the leader in the luxury segment in Helsinki. Nordic Choice also announced the proposed development of what will be the second biggest hotel in the Nordics at Helsinki Airport, with over 700 rooms. Similar hotel openings scheduled for 2020 will put increased pressure on performance, especially in Copenhagen.

The Nordics remain an attractive alternative investment for international investors. However, the dominance of lease agreements remains a barrier for entry. The lack of mid-sized operators who can compete with domestic incumbents for new leases and sign a franchise agreement with an international chain exacerbates the difficulty for chains to penetrate.

## MARKET PREDICTIONS

**Continued interest from international operators to penetrate the market, especially Finland, however low transactional activity may make this difficult**

**Due to new supply entering the market, the strong RevPAR growth in Helsinki will slow down in 2020. Limited growth is also expected in the other capital markets, as new supply is absorbed**

**The co-working trend is making its entry into new hotel developments**

## BALTICS

The Baltic markets experienced strong continued interest from overseas operators. Riga and Vilnius saw international brands such as Hilton, who opened in both capital cities, and Marriott who opened their first property in Riga. Accor strengthened its position in Tallinn.

However, as a result slowing rate growth was evident in Riga and Vilnius, driven by independent hotels trying to compete with new, branded supply by lowering rates. Low unemployment and poor availability of qualified staff has resulted in rapid wage increases, putting pressures on hotel profitability. Low rate increases are driving hoteliers to defensive capex only.

In 2019, the Estonian government removed the increase on the excise duty of alcohol in Tallinn which was put into place in 2017, reducing alcohol tax by 25%. This has begun to reverse the negative impact on Finnish overnights, the most important source market for the capital.

## MARKET PREDICTIONS

**Rate growth will continue in Tallinn owing to a limited pipeline, continued demand growth and professional revenue management becoming more prevalent**

**Strong growth in Asian visitation will continue especially in Tallinn, which benefits from the improving Helsinki-Asia connection**

**Increased activity in the transactional market due to smaller players wanting to exit as competition increases and branded players strengthen their positions**

## CASE STUDY



### TALLINN WORLD TRADE CENTRE

We conducted a feasibility study for the Tallinn World Trade Centre, a mixed-use development site in central Tallinn.

The site includes two hotels as well as office, residential and retail space. The feasibility study was followed by an operator search and selection process, which raised the interest of several local and international operators. Once the preferred operator has been selected we will launch the search for a co-investor for the development.



**Inmaculada Ranera**  
Managing Director  
Spain and Portugal

## SPAIN & PORTUGAL

In 2019, we saw strong performance from the city markets in Spain, with Madrid standing out as a prime target for investors. Urban destinations are set to surpass the resort destinations in terms of investment, which usually represent above 60% of total investment and we expect to see strong yield compression as a result. Interest in secondary cities also remains strong as returns are usually higher than in primary cities.

Leasehold sales have experienced an increase in terms of number of leases signed. This continues to be the preferred agreement between owners and operators in Spain.

## INVESTMENT

In 2019, the expected investment volume in comparison to 2018 investment will be very similar if we exclude the two Blackstone deals, HIP and Hispania, which were acquired by Blackstone in 2018 and represented almost 50% of the total investment volume. If we include those deals, investment volume expected for 2019 will be about half of 2018.

At least 70% of the transactional activity has been in the hands of local investors in 2019. Investment funds have been active, acquiring NPL and debt packages including hotel collateral debt.

## MARKET PREDICTIONS

**Appetite for urban hotels (Tier 1 and secondary cities) will continue to grow for investors and hotel operators, both national and international, especially if a lease agreement is in place**

**The investment community will continue to be more professionalised, with the addition of institutional investors and other types of investors, which are expected to elevate the Spanish hotel market**

**The hostels market and other hospitality trends will continue to grow**

## 2020 CHALLENGES

**Lack of clear regulation to control the illegal tourist apartments**

**Local planning restrictions for hotel development in cities including Barcelona, Palma, Madrid, Valencia**

**Uncertainty in relation to Imsero travel (retired people travelling in Spain with subsidised trips) may have a negative impact on primary and secondary holidays destinations**

**Partial privatisation of the High-Speed Train system, which might have an impact on domestic demand**

**General economic slow-down and, in particular, slow-down of German economy, which is an important feeder market for the Balearics and the Canaries resort markets**

## POLITICAL UNCERTAINTY

There was some instability regarding national politics in Spain in 2019. General elections always have some impact on the decision-making process of investors, who usually postpone decisions until after the new government is in place. A new government is expected to be formed in January 2020. The situation with Catalonia has also created some instability and the investment volume in the region decreased in 2019. Whilst there continues to be uncertainty around Brexit and its impact on the Spanish tourism industry, the outcome of the UK election should bring more certainty.

## CASE STUDY



### BLACKROCK – AMISTAT HOSTELS

We assisted BlackRock in its pan European hostel investment strategy with the acquisition of a local hostel operator,

Amistat Hostels, during a three-phased project including a detailed review of the portfolio, business plan, independent projections and price advice to support the acquisition underwriting.



**Joanne Jia**  
Head of Asia

**WE HAVE CONTINUED TO SEE THE ASIAN MARKET SHINE OVER THE LAST FEW YEARS AND CHINA HAS BEEN THE LARGEST SOURCE MARKET IN RELATION TO OUTBOUND TRAVEL.**

## ASIA

According to the China Outbound Tourism Research Institute, total cross-border trips for Chinese citizens was expected to reach 174 million in 2019, increasing by 7% on 2018. It is also the world's largest spender, with overseas spending reaching over USD 277bn in 2018, accounting for one fifth of total spending globally.

The increasing outbound travel encourages Chinese hotel and hospitality companies to invest overseas such as Huazhu recently snapping up Deutsche Hospitality for €700m. We expect to see more such transactions in the future.

The domestic tourism market is also booming. Domestic travellers are now seeking an in-depth travel experience, and themed travel, cultural & tourism villages in particular, are becoming very popular. We have observed several development announcements for theme parks and resorts throughout 2019, most recently including Merlin's Legoland Theme Park in Shanghai.

The healthcare, childcare and education sectors remain attractive for Chinese investors, who are keen to acquire reputable healthcare and educational operators to roll out their business models in China. We have seen many transactions made over the last few years, most recently including China-based /NYSE-listed company, Bright Scholar's recent acquisition of CATS Colleges. This trend is expected to continue in 2020 with no sign of slowdown.

## GLOBAL CONSOLIDATION

**WE HAVE SEEN DYNAMIC CONSOLIDATION ACTIVITY IN THE HOTEL SECTOR WITH SEVERAL LARGE ASIAN HOTEL GROUPS CONTINUING TO EXPAND BY SNAPPING UP SMALLER GROUPS.**

Examples include Thai-based UCity acquiring German hotel group, Arcona Hotels, through their Vienna House platform boosting their portfolio by 17 additional hotels. Huazhu Group acquired Deutsche Hospitality, one of the largest European transactions, marking this Chinese hotel giant entry into Europe.

## ASIAN INVESTMENT

Over the past year we have once again seen challenges as premium quality assets on the market remain limited and yield expectations continue to be sharpened. However, existing Asian investors remain active and additional newcomers are keen to step into this market.

More investors are willing to consider alternative / operational real estate investment, such as Korean investors taking over Hilton Vienna and CK Asset acquiring Greene King, Britain's largest pub chain.

## CASE STUDY



### BEAVER HOTEL

In February 2019 we completed on the sale of the Beaver Hotel, situated in Earl's Court, South West London, to a Malaysian based investor with experience in the hospitality sector.

## MARKET PREDICTIONS

**Given the clarification of the Brexit plan we expect the European market will remain the focus for Asian cross-border capital. We may see some impact due to Brexit but it may not be significant**

**Portfolios with good quality assets and brands will be sought after by Asian investors, while individual upscale assets with attractive yields will also be targets for those who already have a platform in Europe in order to expand their portfolio**

## MAJOR TRANSACTIONS / DENTAL

DATE	VENDOR	PURCHASER	DEAL
April	Total Dental Care	BUPA	Sale of quality mixed-group comprising five practices in London and the South East.
April	Dental Care Group	G Square Capital	Investment purchase of 25-strong mixed group to enable continued expansion.
May	Houston Group	Alliance Dental Care	Sale of quality 44 surgery group in the South West.
June	Burgess Hyder	Dentex	Group of 12 NHS practices in the North East sold to Dentex.
July	Denticheck	Rodericks	Sale of portfolio with 12 practices in England and Wales.
July	Independent	Bupa	Sale of Martin Dental Care, a five surgery mixed income dental practice, business and property in Glasgow, sold in excess of the asking price.
August	Independent	Bupa	Sale of B Dental, a substantial fully private practice in Islington, North London.
October	Scottish Centre for Excellence in Dentistry	Portman	Leading dental centre in Glasgow sold to Portman.
October	Private	Independent (practice associate)	High St Dental Practice in Birstall sold in excess of a £2.1m guide price.
November	Ravat and Ray	Dental Partners	Dental Partners purchase group of mixed practices in the North West.

## MAJOR TRANSACTIONS / PHARMACY

DATE	VENDOR	PURCHASER	DEAL
February	Manichem Limited	Enimed Limited	Purchase of 19 pharmacies.
May	Manor Pharmacy (Wheatthamstead) Limited	Canary Trading Company Limited	Purchase of five pharmacies in Hertfordshire.
July	John Preddy Group	Allcures plc	Purchase of group which operates 10 pharmacies across Sussex and West Country.
July & August	J&A Reekie Chemists, Ayrshire	M Farren Pharmacies & Callendar Pharmacy	Two pharmacies sold to M Farren Pharmacies & Callendar Pharmacy group.
September	Avicenna pc	Juno Health Limited	Acquisition of 22 pharmacies.
September	Longton Pharmacy, Nr Preston	M&B Healthcare Limited	Sale of a premium independent pharmacy to a regional multiple operator.
November	J&P Venables Limited, Glasgow	Dickson Chemists	Sale of two pharmacies in Glasgow.
November	Hutchison Health Care Ltd., Central Belt, Scotland	W Davidson & Son	Sale of portfolio comprising two pharmacies.

## MAJOR TRANSACTIONS / DAY NURSERIES

DATE	VENDOR	PURCHASER	DEAL
February	My Family Care	Bright Horizons Family Solutions	Sale of nursery offering emergency childcare, maternity and paternity, coaching and consultancy and training services.
February	Giraffe Childcare	Busy Bees Holdings	21 settings based in Ireland sold to expanding national operator.
March	Funcare Nurseries	Just Childcare	Acquisition of three leasehold day nurseries based in Harrogate.
March	Day Break Nurseries	All About Children	Sale of four leasehold day nurseries based in London.
July	Rainbow Nurseries	Kids Planet	Acquisition of two freehold day nurseries in Cheshire.
August	Little Gardens Day Nurseries	August Equity	Acquisition of four leasehold day nurseries based in London.
August	Small World Day Nursery	Just Childcare	Two freehold day nurseries based in Doncaster.
September	Premier Nurseries	La Maison Bleue	Sale of two settings based in London.
December	Scamps Day Nursery	Busy Bees Holdings	High value premium long leasehold day nursery.

## MAJOR TRANSACTIONS / EDUCATION

DATE	VENDOR	PURCHASER	DEAL
March	Kingsley School	China First Capital Group	Devon based day and boarding for 369 students. Sold to Chinese investment holding company.
March	Chatsworth Schools	Synova Capital	Currently operating with five schools, Synova will support Chatsworth during their acquisitive growth.
April	Oxford International College	Oxford International Education Group	Boarding school for 14-19 years with capacity for 160. Acquired by Oxford International Education Group.
May	Farlington School	Bellevue Education International	Independent day and boarding school from 4-18 years.
June	Bosworth Independent College and St Michael's School	Bright Scholar Education	Reportedly acquired for a combined £38m.
July	CATS Colleges	Bright Scholar Education	Global portfolio sold for £150m.

## MAJOR TRANSACTIONS / SPECIALIST CHILDCARE

DATE	VENDOR	PURCHASER	DEAL
January	Sandcastle Care	Waterland Private Equity	Portfolio of residential children's homes in Lancashire sold to Waterland Private Equity.
January	Courtyard Care Ltd	Apposite Capital	Portfolio of residential care homes in the North West.
January	PiCs	Core Assets Group	Company merger.
September	Fearndearle Child Care	Compass Community	Two residential homes providing therapeutic care and education sold to Compass Community.
November	Tumblewood Project Limited	Witherslack Group	Special school and residential care for young girls, aged 9-18yrs who have experienced complex trauma sold to Witherslack Group.
November	Pebbles Care Limited	Ardenton Capital Corporation	Portfolio providing residential care and education for young people, comprising 41 residential care homes and four schools located across North of England and Scotland sold to growing corporation.

## MAJOR TRANSACTIONS / RETAIL

DATE	VENDOR	PURCHASER	DEAL
Feb-Nov	Wyevale Garden Centres	British Garden Centres	Acquisition of 36 garden centres.
April	Local Fuels	Rontec	Two petrol filling stations acquired by expanding national retailer, Rontec.
May-Sept	Wyevale Garden Centres	Dobbies Garden Centres	Acquisition of 31 garden centres.
June	Wyevale Garden Centres	Hillier Garden Centres	Acquisition of small group of four garden centres.
June	Roger Shackleton	Certas Energy	Acquisition of two petrol filling stations.
July	Simon Smith Retail	Motor Fuel Group	Acquisition of seven petrol filling stations.
July	Wyevale Garden Centres	Otter Nurseries	Acquisition of two garden centres.
September	Wyevale Garden Centres	Blue Diamond Garden Centres	Acquisition of eight garden centres.
October	Symonds Retail	Motor Fuel Group	Acquisition of 10 petrol filling stations and three petrol filling station developments.
December	Cornwall Garage Group	Ascona Group	Portfolio of 17 petrol filling stations sold to Ascona Group as part of a rapid expansion plan.
December	Denovo Retail	Appleby Westward	Acquisition of 17 convenience stores.

## MAJOR TRANSACTIONS / PUBS & RESTAURANTS

DATE	VENDOR	PURCHASER	DEAL
January	Novus Leisure	Stonegate Pub Company	Stonegate acquired a package of six leasehold sites from Novus for an undisclosed price.
January	Fever Bars	Stonegate Pub Company	32 bars acquired for an undisclosed price.
January	Private	Young & Co	15-strong group of Redcomb Pubs situated in London and the South of England, sold to Young's.
January	ei Group	Davidson Kempner / Global Mutual	ei Group sold 370 pubs from its commercial division to a new entrant, Tavern Pub Co (owned by Davidson Kempner) for £348m.
April	British Land	Apriose Real Estate	Acquisition of branded pub portfolio of 45 Spirit Investments.
May	Downing Finance	Oakman Inns	Oakman Inns and Restaurants completed the acquisition of seven freehold pubs with combined EBITDA of £2.8m from funds managed by Downing.
July	ei Group	Stonegate Pub Company	TDR Capital, owner of Stonegate Pub Co made an agreed bid for the ei Group Plc with completion due Q1 2020.
August	Wadworth & Co Ltd	Red Oak Taverns	Acquisition of 18 tenanted pubs from brewer Wadworth's.
September	Marston's	Admiral Taverns	Acquisition of a package of 137 tenanted and franchised pubs from Marston's for £44.9m.
September	Star Pubs & Bars	Admiral Taverns	Admiral Taverns acquired a package of 150 tenanted pubs.
October	Greene King	CKA Holdings	Listed pub company with c. 3,000 pubs acquired by a Hong Kong property investment firm.
October	Cotswold Inns	Fuller Smith & Turner	Acquisition of a collection of seven freehold Country Inns and Hotels and eight freehold staff cottages, together with two leasehold bars in Birmingham city centre, by way of a company sale for £40M.
December	Individual Inns	Robinsons	North West brewer acquired 20-strong managed pub chain for an undisclosed sum.
December	Bravo Inns	NewRiver REIT	Sale of 44 Bravo Inns located across the North West and Midlands for £17.9m.

## MAJOR TRANSACTIONS / LEISURE

DATE	VENDOR	PURCHASER	DEAL
Jan	Tanjong Group	Parques Reunidos Group	Spanish theme park operator Parques Reunidos Group which operates 64 parks worldwide, with 19.6m visitors per annum acquired the 630 acre Tropical Islands Resort, tropical theme park located in the former Brand-Briesen Airfield in Halbe for a reported €226m.
Jan	Airhop Trampoline Group	Management with R Capital	R Capital backed Airhop MBO with operations in Bristol – the largest trampoline park in Europe and additional parks in Guildford, Moers, Dusseldorf and Munich.
March	MFA Bowl UK in Administration (Duff & Phelps)	Disco Bars Group	Disco Bars Group diversified and bought nine MFA Bowl UK sites out of administration for an undisclosed sum in Nottingham, Southend, Chatham, Lewisham, Weymouth, Nuneaton, Scunthorpe, Sunderland and Worcester.
May	Away Resorts (LDC)	Bregal Freshstream	Private equity investor, LDC sold Away Resorts to investment fund, Bregal Freshstream in a deal believed to be worth more than €100m. LDC will retain a minority share in the Hertfordshire-headquartered company. The business subsequently acquired Mersea Island Holiday Park in Essex and Sandy Balls in the New Forest.
September	All Star Lanes	Risk Capital	Risk Capital acquired the five-strong business, which was founded in Holborn in 2006, through a pre-pack administration overseen by BDO for a consideration understood to be £2.325m.
October	Independent	Kings Park Capital	Kings Park Capital acquired two freehold independent Devon holiday parks (Otter Falls, 48 acres and Clawford Lakes, 78 acres to create Lakeshore Leisure Group.
November	Goals Soccer Centres	Inflexion	Inflexion agreed to acquire the assets of Goals Soccer Centres, the UK's leading operator of small-sided football pitches. Founded in 1987, Goals has 45 centres in the UK with original founders of the business Barry and Ian McDermott, investing in the business together with Inflexion.
November	Merlin Entertainments	Blackstone, CPPIB and Kirkbi	Blackstone, Canadian pension firm CPPIB and Kirkbi, a company operated by the Danish family that control Lego acquires Merlin. The offer of 445p per share implies an enterprise value of £5,905 million and a multiple of approximately 12.0x Merlin's underlying EBITDA of £494 million for the year ended 29 December 2018. Merlin would return to private ownership following the transaction.
December	Blackstone	Aroundtown	Aroundtown announced in July the proposed purchase of seven Centre Parcs operated by French hospitality group Pierre et Vacances from Blackstone for c. €900 million. The centres located in Germany and Belgium reflect an initial yield of c. 6.25%.
December	Fitness World	Pure Gym	Pure Gym announced it is set to acquire the Denmark based Fitness World for £350m to create a combined 500-club business. The acquisition will bring the combined business to 1.7 million members and almost 500 gyms with revenues of £426 million.

## MAJOR TRANSACTIONS / CARE

DATE	VENDOR	PURCHASER	DEAL
March	Milestones Trust	Downing LLP, Care Concern Group	Abbey House care home sold to expanding operator.
March	Private	Civitas Social Housing (UK)	Sale of 21 supported living assets across England and Wales.
April	Morrison Community Care Ltd	Patron Capital Advisers LLP	Sale of Abbotsford House Luxury Suites, comprising 45 beds.
June	Private	Impact Healthcare REIT plc	Three care homes, Holmesley Nursing Home, Old Prebendal House and Kingston Court acquired as part of an acquisition deal.
June	Hadrian Healthcare	Aviva Investor	Sale of five Luxury Care Homes, run by Anchor.
August	Blue Brick Healthcare	Target Healthcare REIT	Acquisition of two care centres, The Moors and Wharf Care Centre.
August	Cardinal Healthcare	Impact Healthcare REIT	Acquisition of Baylham Care Centre and Barham Care Centre.
September	Voyage Care	Triple Point Social Housing REIT	The sale of 36 homes has completed and the remaining four homes are expected to go through in early 2020.
November	Terra Firma	Barchester Healthcare	Sale of 24 brighterkind assets (1,570 beds).
November	Darrington Healthcare	Target Healthcare REIT	Five elderly care homes comprising 362 beds acquired by Target Healthcare.

## MAJOR TRANSACTIONS / HOTELS

DATE	VENDOR	PURCHASER	DEAL
January	Aldgate Hotel Holdco LLC	Dalata Hotel Group	Clayton Hotel Aldgate London sold for £91m.
January	Farnsworth Group, Rotch Property Group	Vivion Capital Partners	Zinc Portfolio - a collection of nine Hilton properties across the UK with over 1,400 bedrooms sold for £246m.
January	Pickstock Group	M&G Investments	£230m forward funding of a dual-branded Staycity and Premier Inn property, in London Paddington, with 620 rooms.
February	Topland Group	Unnamed Israeli Investment Fund	26 Hallmark properties with over 2,400 bedrooms across the UK were sold for £250m.
March	Grange Hotels	Queensgate Investments	Four Grange hotels in London sold for £1bn and rebranded to Leonardo Hotels under their Leonardo Royal and NYX brands.
April	Fragrance Group Limited, Aspial Corporation Limited	Heeton Holdings, Ho Lee Group, KSH Holdings	Crowne Plaza Kensington, London sold for £83.5m.
May	Property Alliance Group	Aviva Investors	Clayton Hotel Manchester sold for £62.5m.
September	Osprey Equity Partners	Aviva Investors	The Gate Aparthotel London sold for £150m.
September	Arora Hotels	Schroders, on behalf of JV between BAE Pension Funds and Immobilien Europa Direkt	Sofitel London Gatwick sold for £150m.
October	Cotswold Inns and Hotels	Fuller Smith & Turner PLC	This portfolio of seven properties represented the largest collection of privately-owned hotels in the Cotswolds. Christie & Co negotiated an off-market sale for the Horton Family for £40m.
December	Marathon Asset Management	Thai conglomerate DTGO	Portfolio of 17 hotels in the UK sold for £450m, mostly operated under franchise with IHG and Hilton brands.



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**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 has 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.

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 get business coaches too.

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



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**ORRIDGE - TAKING  
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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 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?

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



# CHARITY ACTIVITY



## NORTH EAST REGION THREE LAKES CHALLENGE



## SRI LANKAN ULTRA X MARATHON



## MANCHESTER OFFICE ANNUAL BAKE OFF



## CHRISTIE FINANCE MIDLANDS CYCLE CHALLENGE



## **UK OFFICES**

**LONDON – HEAD OFFICE & CORPORATE**

**BIRMINGHAM**

**BRISTOL**

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**MANCHESTER**

**NEWCASTLE**

**NOTTINGHAM**

**READING**

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