

Business Outlook '16

# The Future of Business Revealed.



# Business Outlook '16

04	Chairman's Overview
06	Managing Director's Statement
08	Consultancy
10	Valuation
12	Bank Support & Business Recovery
14	Hotels
18	International
26	Restaurants
29	Pubs
32	Leisure
35	Care
38	Childcare
41	Retail
44	Medical
47	Christie Finance
48	Christie Insurance
49	Transaction tables



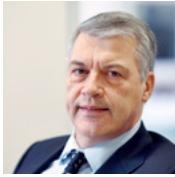


## UK OFFICES

BIRMINGHAM  
BRISTOL  
CARDIFF  
EDINBURGH  
EXETER  
GLASGOW  
IPSWICH  
LONDON - HEAD OFFICE  
LEEDS  
MAIDSTONE  
MANCHESTER  
NEWCASTLE  
NOTTINGHAM  
READING  
WINCHESTER

## INTERNATIONAL OFFICES

LONDON  
AIX EN PROVENCE  
BARCELONA  
BERLIN  
BORDEAUX  
DUBLIN  
FRANKFURT  
HELSINKI  
LYON  
MADRID  
MUNICH  
PARIS  
RENNES  
STOCKHOLM  
VIENNA  
WARSAW



“In its 80th anniversary year, the team at Christie & Co enjoyed a successful 2015 and continued to share the work, difficulties and triumphs, for, with and on behalf of our clients, adhering to our founders’ simple ethos of promoting our clients’ interests first and foremost.”

**David Rugg, Chairman**

Many of our predictions from last year’s Business Outlook have come to pass. Relatively subdued volumes coming to the market in 2015 created a scarcity of assets that further fuelled price growth, while continued low interest rates and an improved lending environment created an appetite to acquire. This disparity between supply and demand looks set to continue in 2016.

### Low volumes

In the business retail market, Christie & Co experienced continued ‘business blocking’ during 2015. Interest receivable on deposits is at an all-time low and many private business owners are simply staying put. Coupled with the fact that banks have mostly disposed of large portfolios of over-gearred loans, the result is that volumes in the market remain stubbornly subdued. In 2016 we may see some spin-off sales from large portfolios that have been bought in recent years as the acquirers sell off the assets that don’t fit with their medium-term aspirations.

### Funding landscape

As Nick Baker, Managing Director of Christie Finance, explains, the lending market has been diversifying since the recession and there are a range of challenger banks in the market. It’s interesting that crowd funding is also becoming a source of income and debt funding for new and expanding businesses. It appears less appropriate for business-purchase finance, as where any acquisition is uncertain, vendors are understandably reluctant to engage with potential purchasers whose finance is in the public realm.

### Value uptick

With the exception of the Care sector, values have largely recovered to pre-recession levels. Encouragingly, merger and acquisition activity has been evenly spread across all our business sectors. This is one key differentiator between 2015 and 2014, when the Hotel market was hectic but other sectors weren’t to the same extent. We expect the value of businesses across the medium term to continue to rise and outstrip pre-recession levels, in line with any increase in their profitability.

### The changing buy-to-let environment

The Government’s decision to reduce future buy-to-let mortgage interest tax relief contrasts with business-purchased mortgages whereby currently all interest is allowable. This decision, coupled with the announcement in November’s Spending Review of an increase in stamp duty on buy-to-let properties of 3%, is likely to impact the landlord market in 2016. Stamp Duty on business acquisitions remains unchanged.

### Uncertainty remains

Though we expect values to rise in the medium term, there are still areas of uncertainty in several of our sectors caused by factors such as the Living Wage, as our sector heads explain in this Business Outlook. Our consultancy team wrote an incisive report on the implications, following this surprise announcement last April. In June 2015 we published our report ‘The UK Nursing Workforce: Crisis or Opportunity’, which was debated in the House of Lords, and we will continue to research the area of staffing costs, which



is highly relevant to all our business sectors. Our teams across the UK and abroad have the specialist knowledge and research available to gauge the effect of various scenarios on business growth.

### The impact of politics

The UK has been through quite a period of political change in 2015 and the continued impact on our markets is varied. The dominance of the SNP in Scotland is dissuading migration from the South which has historically provided lifestyle buyers to Scotland, while in contrast the awaited referendum on the UK's membership of the EU doesn't particularly impact our domestic businesses. Political instability elsewhere in the world only serves to enforce the UK's safe haven status.

### Legislative change

As we start a new year, as an industry, we are faced with a number of legislative processes which will have an impact on all of the sectors that Christie & Co covers. Whilst the implementation of the National Living Wage will undoubtedly create challenges within certain sectors, it would appear that most operators are proactively tackling it and drawing up inventive plans to limit the impact on their businesses. Across all of our sectors, it is likely

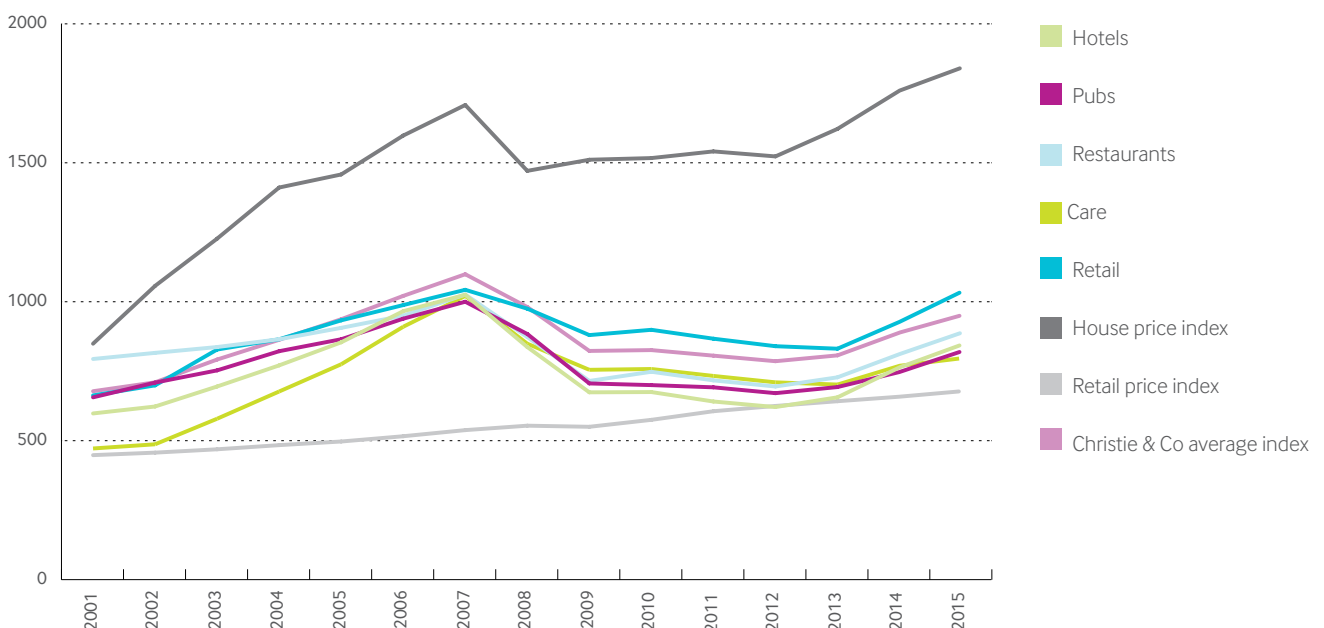
that corporate operators will undergo strategic reviews of their estates and poorer performing units will come out of the corporate sphere and return to the individual sector. We have already seen that there is a ready market waiting for such investment opportunities. A second, more recent example saw the Department of Health announce in December that funding for community pharmacy in 2016/17 will be cut by £170m – a reduction of more than 6% in cash terms. Rumour has circled the market for some months, but as yet we've seen no reduction in purchaser appetite. The announcement may accelerate some operators' plans to exit the market, however, with over 4,000 registered applicants nationally, others may see any potential increase of pharmacies being put up for sale as a real opportunity to acquire in an easing market.

### Overseas interest continues

Overseas investment volumes should continue to rise in 2016. Good businesses enjoying secure tenure of sufficient scale in an open market will always attract overseas investment, but the nationality of those purchasers varies depending on currency and political restrictions. Christie & Co's teams speak 23 languages between them and our network of offices puts us in an unrivalled position to advise clients on cross-border interactions.

## Index based on average sale prices

from a base of 100 in 1975





“Throughout 2015, activity continued at a consistent pace, particularly in terms of value, with prices still moving forward albeit not at the same speed as 12 months ago, particularly within the Hotel market. The Care market is exhibiting some caution due to the National Living Wage announcement. However, there is growth to come across all of our sectors and Christie & Co is well positioned to meet it.”

**Chris Day, Global Managing Director**

### Caution outweighs enthusiasm

At the moment, the market lies in very similar territory to where we were in 1995, the start of a long, positive but undulating road to the bubble of 2006-2007. Momentum is limited in some markets and those markets that do take off are likely to readjust as buyers exercise caution. This will be fuelled by economic and political uncertainty and very low yields exacerbated by historically low interest rates resulting in very high pricing.

### Investors could change direction

In 2016, the landscape of low borrowing and high availability of money could lead to the creation of REITs focused on our operational markets. We've seen a few US REITs enter the Care market, for example, and we could see UK entities emerge. If private equity investors start to consider their exit routes they may also need to look at REITs as an alternative to the IPO market, as in general, investors are more cautious. The UK market could increasingly mirror the market seen in the US for the last three years.

However, REITs aside, we could see some large portfolios in 2016 go for an IPO rather than re-trade to private equity houses. Some portfolios will be worth well in excess of £1bn and there aren't necessarily capital sources of that size to achieve alternative exits.

### Overseas interest

The international investment market is varied and in 2016 we expect to see a variety of outcomes. International investors are indicating that they still want to invest in Europe, but they remain cautious

of what is happening in their home markets. China is facing economic and political challenges, but on the other hand it's getting easier to move money out of the country and the flow of capital out of China is unlikely to dry up; a more likely effect is that uncertainty will reverberate into countries like Singapore and Indonesia.

Some US funds that are more susceptible to shocks in the market, such as China's troubles, have also taken the foot off the gas for the time being. Once we're through this period, however, they will realise there hasn't been a seismic change and we'll be off again. This is a pause for breath.







### Demand for our services will increase

At the moment there are a large number of consolidations occurring between large commercial real estate agencies, resulting in fewer players with knowledge of our specific markets. The opportunity this presents for Christie & Co lies in our specialist knowledge of the sectors that we operate within and our lack of conflicts. Demand for our valuation work is increasing as companies increasingly outsource services.

We are able to provide joined-up advice through our network of European offices and we have a big focus in the coming year on growing our international teams, particularly in France, Germany and Spain. Our increasing strength and depth across all European markets means that globalisation is a challenge we can help our clients to meet.



Movement in average prices year on year in per cent

	2012	2013	2014	2015
<b>Hotels</b>				
 -3.1%	-3.1%	5.7%	17.2%	9.2%
<b>Restaurants</b>				
 -1.4%	-1.4%	4.7%	11.1%	9.9%
<b>Pubs</b>				
 -3.3%	-3.3%	3.3%	8.6%	10.1%
<b>Care</b>				
 -0.7%	-0.7%	-1.1%	9.8%	4.7%
<b>Retail</b>				
 -0.9%	-0.9%	-1.0%	11.3%	10.3%
<b>Medical*</b>				
			13.5%	10.8%

\* Data relates to pharmacy only



“The Pan-European context for those involved in the Hotel sector markedly improved in 2015, but risk profiles remain variable as one would expect for a continent with such diverse cultures, business environments, economic climates and legal systems. This variability has presented opportunities for those investors looking for opportunistic returns, while at the same time offering safe haven status in other jurisdictions. Our team, which is present in 32 locations across Europe, has been able to offer industry leading advice and deal opportunities regardless of the type of hotel investment in question.”

**Andreas Scriven**, International Managing Director & Managing Director Consultancy

### Europe's risk spectrum

Depending on risk appetite there is a European market to suit a variety of investors. For those who are seeking opportunistic returns in a recovering market, Spain offers significant opportunity. The only exceptions are Barcelona and, to a lesser degree, Madrid where prices have started to match those in other major cities across Europe. It is no surprise that Germany continues to attract investors who will trade lower returns for increased stability, both in trading and yield profile.

Smaller markets such as the Netherlands and Belgium have increasingly become attractive to those seeking a balance between opportunity and stability. France was lagging behind most markets even before recent events in Paris and is expected to continue to struggle with macro-economic, political and other regulatory issues. That being said, opportunity does exist for those who know what they are looking for.

### International interest

International investors intensified their activity in Europe in 2015 and we expect this to continue in 2016. US funds are looking for opportunities as their domestic markets offer ever-dwindling return

opportunities and Asian capital continues to look for a home, something Christie & Co has been able to assist with across Europe. The drivers for investment originating from Asia are extremely diverse and having a keen understanding as to the variability in decision making processes, source of funding and strategic objectives is vital for sellers to understand.

### The (re)emergence of the mega deal

Following a number of years where deal volumes have consistently improved we are now witnessing the (re)emergence of major acquisitions and mergers that are likely to reshape both the European and global hospitality landscape. Marriott's acquisition of Starwood will have implications for owners as the overall footprint and brand offering of the combined company will be reviewed and some rationalisation of assets is to be expected. Accor's acquisition of Fairmont, Raffles and Swissotel will be a real test for the company and how it is able to integrate a portfolio of luxury brands into its already wide offering. It is unlikely that the Marriott and Accor deals will be the last of this kind, with the likes of Hyatt and IHG now looking to make their next move.

Deals of a different nature, but of significant impact include an influx of Chinese capital which led to the





acquisition of Club Med, Louvre and Kew Green among others. The rationale for these investments is varied, with some buyers looking to bring back brands, concepts or management platforms to China, whereas others remain focused on building a portfolio of assets across Europe and beyond. We see no reason why this appetite and activity will slow in the near future, unless there is a significant change to the geo-political or macro-economic environment in China.

### Local knowledge – global context

It remains critical that investors seeking to enter or expand their European portfolios fully understand the dynamics of the local market they are looking at. Certain markets are already trading well above 2007 peak levels, whereas others are still materially below the previous peak. Supply dynamics are changing rapidly as new hotels are being developed at pace following years of very limited supply additions in most markets. Investor appetite is also shifting from markets that have seen significant investment in recent years, most notably the United Kingdom, to markets that still hold the promise of market recovery.

Christie & Co's Hotels team, the largest in Europe, is able to advise on all these aspects and more, ensuring our clients make well reasoned decisions in a fast changing market.



## Market predictions

Continued recovery is expected across all major European Hotel markets.

Overseas capital will play a key role in driving pricing forward.

Further consolidation is likely, in both a European and global context.

Secondary churn from non-performing loan portfolios will reinvigorate the single asset transactional market in regional locations.

# 20

experienced consultants  
across Europe

Advised on Pan-European  
hotel and care transactions  
worth over

# -€10bn



“In 2015 valuation activity improved markedly, dominated in the first half by large hotel portfolios. Improving economic conditions, increasing confidence and the continued availability of finance all meant that people were no longer waiting to grow their businesses, and were taking the opportunity to benefit from the low cost of borrowing.”

**Darren Bond, Managing Director – Valuations**

### Transactional Activity

It has certainly been a sellers' year, with transaction pricing returning to pre-crisis levels. However, while some banks are still disposing of non-performing loan portfolios that have been held back, the majority of significant transactions have been carried out. Most portfolios have gone to global opportunity funds and in 2016 we expect to see a further wave of secondary transactions as opportunistic investors seek to exit their investments, buoyed by strong growth in trading performance and market sentiment. We've also seen the pricing of transactions increase – a portfolio that changed hands just two years ago could be valued significantly more today, following investment and an improved trading position. It's too early to say the market is getting overheated, but it is riding towards a peak, assisted by a shortage of opportunity.

### Opportunity funds

The opportunity funds that entered the market post-recession are very active. The main global players invested heavily in the market and are already looking to dispose of assets, having made very healthy levels of returns. Funds might have planned to have a longer hold, but because of the rapid improvement in the market, secondary churnings have come about faster than anticipated. Some larger portfolios are being exchanged in cash transactions bought to effect deals quickly, with a view to getting the assets revalued 6-12 months later in order to add debt.

### The return of capital expenditure

With the return of confidence and finance has come the return of more normalised capital expenditure. The period from 2007-2012 saw assets starved of investment, but now we've come out the other side. Owners are looking to maximise value, so where

they can see a return to improving an asset, they will invest. Some global funds have morphed to become asset managers with a team directed to maximise value. There are still unloved assets but we will see investment increase as buyers are looking for opportunities to acquire an asset that needs improvement and an opportunity to create value.

### Regions and further afield

During 2016, we expect to see continued confidence in regional markets across most sectors. Outside London many assets still haven't returned to pre-recession values, so investors see an opportunity, though the risk is higher. We will start to see values more comfortably reach beyond the pre-downturn peak. Some investors will look at broader European markets to diversify their portfolio. In the UK lots of money is chasing a few deals, and markets such as Spain have improved in confidence.

### Regulation and economic changes

Across all sectors there is uncertainty about the National Living Wage, as in almost all of our markets the biggest overhead is payroll. During 2016 we expect transparency to increase about the impact on transactions and subsequently valuations. There is also uncertainty around interest rate rises, though increases are unlikely to come in until at least late 2016 / early 2017, which will encourage people to continue to redistribute funds.

UK banks are now regulated to undertake three yearly valuations of assets, so we have seen an uptick in activity which will continue throughout 2016. At Christie & Co we use our knowledge of the market to continuously innovate, ensuring our valuation advice meets the constantly changing needs of clients.



## Market predictions

During 2016, we expect to see continued confidence in regional markets across most sectors as values return towards pre-downturn peak levels.

We expect transparency to increase about the impact of the National Living Wage in the coming year.

In 2016 we expect to see a further wave of secondary transactions as opportunistic investors seek to exit their investments, buoyed by strong growth in trading performance and market sentiment.

Owners are expected to continue to take advantage of low-cost borrowing, with interest rate rises unlikely in 2016.

4.5+

RICS Registered Valuers

£10bn

worth of assets valued in 2015



“In 2015 levels of business distress returned to pre-recession levels, the availability of finance was positive and the recovery continued, but with growth slowing in the latter part of the year. While a continued period of ultra-low interest rates played its part, the decision when to raise rates could be crucial to continued stability.”

**Stephen Jacobs, Director**

### Distressed asset activity

At Christie & Co we recorded a drop of 28% in distressed asset disposals in 2015, while valuations involving impaired assets were down by 37% on the previous year. The continuing decline was expected, as levels of distress returned to pre-recession levels and insolvency appointments were at the lowest point since 2007.

### The banks

According to the British Banking Association, the availability of finance was positive, characterised by an increasing number of loan approvals to SMEs. Participation in the Funding for Lending scheme, which will run until at least January 2018, has facilitated a rise in accessible lending to businesses. These trends were reflected in an increase in the number of valuations we undertook on behalf of banks for secured lending purposes in 2015.

### Interest rates

While some see continued low interest rates as essential to a prolonged period of stability others are concerned about the distortion that easy access to cheap credit will have on asset prices and consumer debt. Without gradual rate rises to dampen debt enthusiasm, there is a danger that borrowing will pose a risk to future economic growth.

In October 2015, the Governor of the Bank of England, Mark Carney, insisted rate rises were a “possibility not a certainty” and in November the Bank stated that interest rates could remain at their historic low until 2017.

Certainty and timing are crucial. If rates rise too soon this could be self-defeating, derailing the recovery, slowing the economy and putting pressure on weaker businesses which could fail. Repeatedly delaying action, however, could result in the need for bigger incremental rises than markets expect, equally creating risk for businesses and the recovery.

The latest Business Distress Index from insolvency trade body R3 found that one in five businesses would suffer financial difficulty if interest rates rose by 1% in 18 months with 4% saying they would struggle to pay their debts.

If rates rise at a sustainable level, we predict that levels of distress will either stay constant or decline further in the coming year, while banks’ lending will stay positive.

### Growth

Late payment and over-trading problems, due to rising demand in goods and services associated with the recovery, were suspected to be behind the rise in 2014 of “Zombie” businesses - those that are only able to pay the interest on their debts. While the continued decline in distress and the number of Zombie businesses is an indicator that many companies have successfully negotiated such trickier parts of economic growth, its slowdown in the latter part of 2015 will have had an influence.

A key concern is the cooling of the global economy and its effect on domestic growth. A continued slowdown in global trade, as some economists predict, will impact on the UK economy and the ongoing recovery of UK businesses in 2016.





## Market predictions

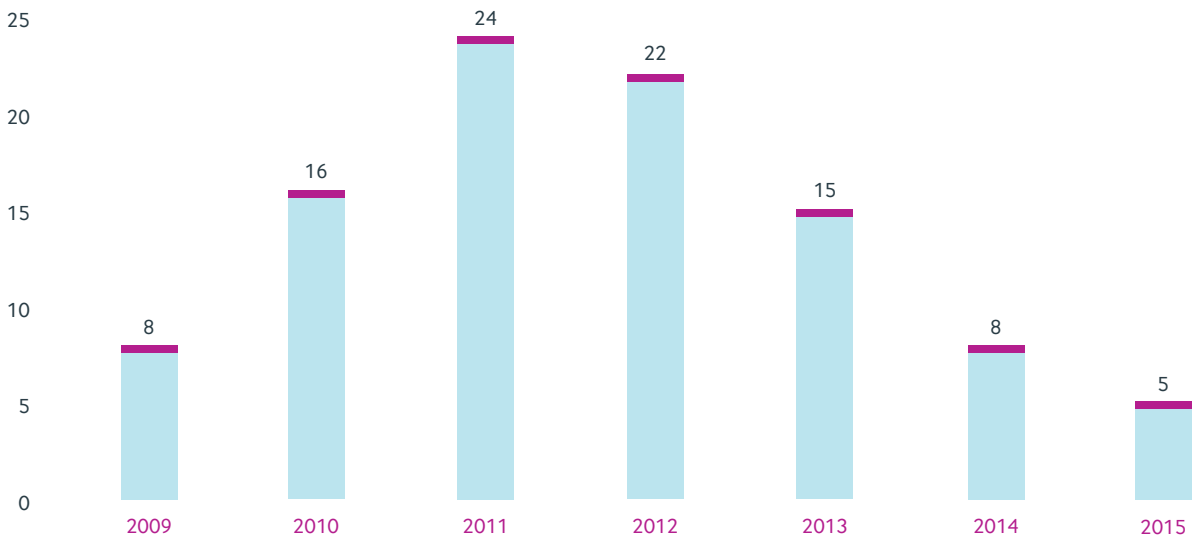
If rates rise at a sustainable level, we predict that levels of distress will either stay constant or decline further in the coming year, while banks' lending will stay positive.

Without gradual rate rises to dampen debt enthusiasm, there is a danger that borrowing will pose a risk to future economic growth.

The ongoing recovery of UK businesses in 2016 will be impacted by any continued slowdown in the global economy.

## Business distress - I

Distressed assets as a percentage of all assets instructed for disposal



## Business distress - II

Distressed assets instructed for disposal by sector





“With over 80 hotel professionals across the UK and Europe in Brokerage, Valuation and Consultancy services, and a newly formed Asia desk dedicated to the sector, Christie & Co is one of the largest and certainly the best placed hotel adviser in the market.”

**Barrie Williams, Managing Director – Hotels**

### UK Hotel transactional market

At c.£10bn of UK transactions, 2015 is set to be a record year from an investment perspective, albeit at the time of writing, some £3.4bn of transactions are slated to complete in Q4 2015. We expect this trend to continue through 2016, as the regional market continues to be attractive to all types of investors, including overseas buyers seeking improved returns, a stable economic environment and acceptable legal jurisdiction.

Some of the important brokerage transactions for Christie & Co in 2015 (for differing reasons) included the Radisson Blu Bristol, the Indigo Liverpool, the Arora International Hotel at Heathrow and the London Road Fire Station, Manchester.

### RevPAR growth continues

Operationally, RevPAR has been growing steadily for the last few years across London and the regional markets, though 2015 grew at a slower pace. PWC's September forecast for full year 2015 was RevPAR growth of 2.7% for London, driven predominantly by rate growth of 1.8%, whilst the regional markets are set for 6.3% RevPAR growth, based on 4.6% rate growth. This compares to 3.4% RevPAR growth in London and 10.4% RevPAR growth in the regional market in 2014.

With 2016 RevPAR forecasts of 2.3% for London and 4.2% for the regional markets, there appears to be continued confidence in the economy and in the employment market. With GDP growth assumptions of around 2.5% per annum, UK consumer spending and business investment will be the main growth drivers.

### Investors

London remains a strong home for investment, however the significant growth in transaction volume in 2015 has largely been driven by the regional market, which has seen increased investor confidence. While high net worth individuals and institutional investors continue to show interest, private equity firms and overseas buyers have been prevalent, as they realise debt availability has improved and acceptable returns can be made as the economy and hotel operational performance continues to grow.

### Interest from Asia

Asian investment is not just about China. We saw significant interest in 2015 from countries such as Hong Kong, Singapore, Taiwan and Malaysia. The number of investors from Asia is only going to increase throughout 2016, as will the number of in-bound Asian tourists looking to stay in hotels that are managed by companies who understand their culture.

### Looking ahead

There may be some large scale transactions in 2016 (together with our Irish colleagues, we have the launch of The Gresham hotel sale process, one of Dublin's most famous hotels in January), but our expectations are for regional transactions to dominate the volume. Hotel operational performance will continue to power ahead, overseas investor demand will remain strong and availability of debt funding will aid private equity investment. Christie & Co is best placed to take advantage of the Hotel market in 2016 with its substantial UK and European office base, highly experienced and knowledgeable personnel and unrivalled access to market information.





# Hotels







“Over the last two years, we have seen a shift in attitudes within the Asian markets with investors who had previously concentrated solely on residential and office opportunities now considering hotels in Europe.”

**Joanne Jia, Head of Investment – Asia**

Christie & Co now has a dedicated Asia desk covering the region and we spend a significant amount of time travelling to visit investors to make sure we understand their requirements.

Over the last two years, we have seen a shift in attitudes within the Asian markets with investors who had previously concentrated solely on residential and office opportunities now considering hotels in Europe.

London and Paris are consistently the first choices, but investors will now consider other capitals and key cities such as Dublin, Barcelona, Madrid, Frankfurt, Munich and Berlin. However, an increasing number of investors, especially investment funds, are looking at tier one UK regional cities such as Manchester, Liverpool or Birmingham.

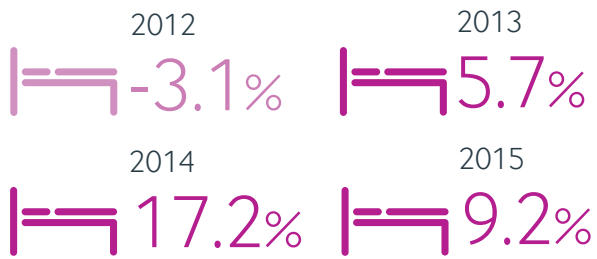
As 2016 progresses, we expect investment from Asia to continue to rise, especially capital from China. Following President Xi Jinping’s visit in October, more Chinese investors have become interested in the UK. With Christie & Co’s dedicated Asia desk, we are well placed to help their search.





## Hotels

Movement in average prices year on year in per cent



**Carine Bonnejean**, Head of Consultancy – Hotels

In addition to advising on most major UK hotel transactions, in 2015 we received increasing demand for our services in markets such as Spain, Ireland, France, the Netherlands and Italy as investors look further afield for opportunities. There is also a notable return of hotel development activity across Europe which has led to more feasibility studies, best use advice and planning support, as well as interest in alternative accommodation categories such as hostels and serviced apartments.

We anticipate similar trends to continue this year with increasing pan-European activity. In the UK, industry-wide considerations such as the new National Living Wage, the upcoming business rates revaluation and supply pipeline will be key issues for us to consider during due diligence processes.



### Case study - Radisson Blu, Bristol

Christie & Co was instructed on behalf of Evolve Fund Services Limited to market the Radisson Blu, Bristol hotel.

This profitable, 176-bedroom purpose built hotel, operated by Rezidor Hotel Group, opened in 2009, occupies a highly prominent and central location in Bristol City Centre. The sale was concluded with an overseas investor after significant interest from UK and international companies and provides an opportunity for the purchaser to capitalise on the continued strengthening of the local hospitality trading environment and improving economic conditions throughout the UK.



## Market predictions

There may be some large scale transactions in 2016 but our expectations are for regional transactions to dominate the volume.

Hotel operational performance will continue to power ahead, overseas investor demand will remain strong and availability of debt funding will aid private equity investment.

The amount of inward investment from Asia will increase in 2016.

80 +

hotel professionals across the 16 UK and 16 European offices

500 +

hotels currently available for sale with a value of over €2bn

# International





“Germany is a sellers’ market and there is strong demand from German institutions and pension funds, as well as overseas investors from Asia and the US. While investors used to only be interested in the key cities, lately there has been demand for secondary or even tertiary cities.”

**Lukas Hochedlinger**, Managing Director Germany, Austria & CEE

### Germany

At the moment Germany is very strong and cities that have seen a marked increase in RevPAR, such as Frankfurt and Berlin, are also seeing more development. 2015 saw increased investment from German institutions such as Union Investment and investors still seek quality assets that present good value; they’re sitting on money so need investment opportunities. There are some opportunistic funds that are UK-backed and Asian investors are getting more active, but their share is still small. The feedback we get is that they would invest if there were more opportunities in the market.

### Austria

The Austrian market is much smaller than the German market, but with 130m overnight stays per year, tourism plays an important role. There is strong demand for hotels in Vienna, which is one of the world’s top conference destinations, and a robust amount of development as a result. Activity in secondary locations continues to come from mainly regional parties.

### Central and Eastern Europe

Fortunes in Central and Eastern Europe have been mixed, with some markets having picked up, while others stagnate. Many investors are interested in Poland, but other areas are also seeing activity such as Prague and the Croatian coast. In Prague, trophy assets are more attractive to overseas investors, whereas in other provincial areas, regional investors prevail. Other CEE markets such as Romania, Bulgaria, Hungary and Slovakia are picking up but from a slow base. Prior to the global credit crisis, the region experienced an influx of new supply, but following the fall in the market, these new developments have tailed off with little new stock in the area.

### Hotel types

In general, the Hotel sectors that are growing are the budget and mid-range markets, including brands such as Premier Inn and Moxy. We are also seeing a growth in lifestyle brands in Germany and Austria, such as 25hours and Ruby, which we expect will continue in 2016. There are fewer openings of premium brands in Germany and Austria as development costs are much higher. Demand for resort hotels continues to fall unless a trophy asset comes to market.

### Strengthening our position

Germany is one of Christie & Co’s most important Hotel markets and in the coming year we will be allocating more resource to make our offering even stronger. With a new management structure now comfortably in place, we will continue to seek opportunities for growth and to increase our presence as demand for advice continues to grow.



### Case study - Avalon Hotel

Christie & Co acted as agent in the sale of the 4-star Avalon Hotel Freizeit Auefeld to the German branch of US casino and hotel operator Trans World Hotels (TWH) in June 2015.

TWH purchased the property from a private owner and will operate the hotel themselves. This was the second deal with TWH, following its acquisition of Hotel Columbus near Frankfurt Airport in autumn 2014.



“Performance was fairly stable across the Scandinavian markets during 2015; the markets are absorbing new supply, and occupancy levels are generally recovering. However, rates still lag behind but are expected to catch up somewhat next year.”

**Kimmo Virtanen**, Director Scandinavia, Russia and the Baltic States

### From the middle out

Across the region the mid-range Hotel market is quite saturated and as a result, most opportunities lie in expanding either the high-end, full-service market or the budget, limited-service market. In Helsinki and Stockholm, boutique hotels are becoming increasingly more popular and Copenhagen is experiencing the same phenomenon, but it is difficult to find new supply opportunities of any kind and the city already has the most developed limited service sector in the region.

### Baltic region

The Baltics are broadly in a similar situation where there are now full or limited-service hotels making an appearance rather than mid-range hotels. International hotel brand penetration is increasing in the market and there are new hotels in the pipeline, but at the moment there are more development opportunities than transactions. Part of the market has been hit by trade sanctions with Russia, so despite moderate GDP growth estimates, we predict only moderate growth for 2016.

### Finland

The Finnish market has been stagnating for a couple of years and GDP growth rate for 2016 is at the lower end of the Eurozone. Economic growth is being kept to a modest level further fuelled by the current trade sanctions with Russia. In 2016, Helsinki's market growth will be partially hampered by new supply entering the market as Nordic Choice, Cumulus and Fabian are expected to open new hotels. However, there are opportunities ahead; we are currently advising on several other developments with potential for international operators who are looking to open hotels after 2016.

### City growth ahead

In 2016, Stockholm and Copenhagen will both continue to absorb the increasing volume of visitors and rates may rise gradually. Some new supply is anticipated in Stockholm in the next couple of years, predominately from national or regional brands. The long awaited penetration of international brands has been postponed mainly due to the operational structures required by domestic investors historically. However, there are some early signs that there will be a solution for this in the next year or so. Copenhagen has suffered from high barriers of entry for new supply and operators as there are limited vacant properties or sites available. Therefore, there are only two or three potential developments that could conclude after 2016.

### Russia

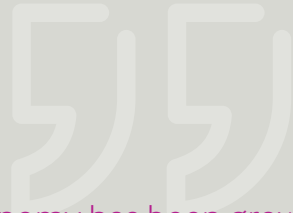
The Russian market keeps growing despite challenges such as a poor exchange rate which will hamper growth in 2016. We have seen new hotel development not just in Moscow and St Petersburg but also in Sochi, for example, due to the 2014 Winter Olympics. There are approximately 6,000 rooms being developed for the Fifa World Cup 2018 across the country although there is a concern whether demand for these rooms can be sustained after the event.

### Boosting trade

Apart from limited supply, the lack of trading across all regions could be down to a lack of visibility in the market. Christie & Co is working to make the market more liquid by providing a platform to allow investors to market assets more effectively and understand the dynamics of the markets and regions. To serve these markets better Christie & Co opened its Stockholm office in April 2015 as a response to the Swedish Hotel market being the fifth most active in Europe in 2014. We now offer a wider pan-Nordic platform using our in-depth knowledge of the region.







“The Swedish economy has been growing strongly since 2009 and the outlook for 2016 is positive.”

### Marcus Josefsson, Consultant Scandinavia, Russia and the Baltic States

Given the link between economic growth and demand for hotel rooms, we anticipate strong future growth in Sweden's Hotel market during 2016.

Though domestic travel has accounted for two thirds of the market in Stockholm historically, international visitor numbers are predicted to rise, particularly as Stockholm remains a popular international conference destination and Arlanda airport is due to expand; as of September 2015 international demand for rooms accounted for 43% in Stockholm.

As a market with relatively few international brands, now is an excellent time for overseas hoteliers to get involved with the strong pipeline of rooms under development.



### Case study - Copenhagen Gate

Christie & Co was commissioned by Harbour P/S to prepare a feasibility study and advise on operator search and selection for one of the most significant development projects in the Danish capital - 'Copenhagen Gate, Gate L & Gate M'.

The planned development project is envisaged to consist of two mixed use high-rise towers located at the tip of Langelinie and Marmormolen piers with 24 floors and 27 floors respectively. These are connected by a bridge, giving the project its name. Besides office, bars and restaurants, the towers are planned to accommodate two hotels and potentially serviced apartments.

Following a feasibility study prepared for a proposed international full-service 4-5\* hotel (12,000 m<sup>2</sup>) and a limited-service 2-3 star hotel (8,000 m<sup>2</sup>), the Nordic office of Christie & Co is currently actively involved in negotiations with potential operating companies for both hotels.

The construction start is scheduled for 2016/17 conditional on a satisfactory occupancy level. Harbour P / S and Christie & Co is actively engaged in finding tenants for the two towers, Gate L & Gate M.



“Although the first quarter of 2015 saw a slowdown in the French market, particularly in Paris due to the terrorist attacks at the start of the year, global performance looks stable compared with 2014, but we still need to analyse the potential impact of the November 2015 terrorist attacks in Paris.”

**Florence Mebrouk**, Managing Director France

### The draw of France

France remains a very popular destination for tourists from across the globe, with visitor numbers expected to hit 85m in 2015 and the tourism sector representing 2m jobs and 7% of the global GDP of France. The French Government is keen to improve the visitor experience further, so is likely to stimulate investments in order to increase lodging capacity over coming years. Consumer confidence in France lagged behind the rest of Europe, mainly due to the unemployment rate (c. 10%).

### Investment

Investment for 2015 is estimated at €1.7bn. The majority of investors are still French institutional investors or US private equity funds. However, we are seeing the entrance of Middle Eastern investors, as well as many from China.

The biggest transaction in 2015 was Jin Jiang's acquisition of Louvre Hotels - from Starwood for €1.3bn, although this is not included in the annual investment total. Maranatha bought a €350m portfolio of six luxury hotels in Paris and Nice totalling c. 500 rooms from the Le Roy family. IHG sold the Intercontinental Paris Le Grand to the Qatari fund Constellation Hotels Ltd for €330m and the new owner is to spend an additional €60m Capex. The hotel comprises 470 rooms including 70 suites, as well as the famous Café de la Paix.

In 2016 we might see AccorHotels decide to have their HotelInvest division quoted as a new REIT (SIIC) as it has been an active buyer in recent years and could be large enough to stand alone.

### Competition is high

Many investors seek a trophy asset in Paris, but at the moment there are no premium hotels coming to the market, so subsequently some investors have moved their search and are looking at other cities with a minimum of 250,000-300,000 inhabitants and at assets worth at least €20m. However, in general, investors are not interested in secondary cities although cities such as Lille, Strasbourg and Bordeaux do maintain their performance. Marseilles, Nantes and Toulouse suffer from too many rooms per visitor and returns are affected.

### New asset types

In 2016, the rise of one new hotel concept in particular should continue in Paris - lifestyle hotels that target young travellers, such as Meininger, Generator or Christopher's Inn. However, they seek specific spaces with large, sociable bar/lobby areas so there are limited possibilities. Outside Paris there is still scope for the expansion of budget hotel groups such as B&B or Okko Hotels.

### The rise of AirBnB

A notable concern among hoteliers is the rise of AirBnB, particularly in Paris which is the company's biggest market in Europe. The Paris administration is trying to control AirBnB use but this is difficult and AirBnB looks set to grow. Hoteliers will need to be more innovative in order to attract customers.



## Case study - Coytel Paris

The Parisian Hotel market remains attractive and significant, especially when the asset presents a genuine potential for improvement and growth.

The sale of the Hotel Coytel also demonstrates the importance of alternative financing methods, such as risk-capital initiatives. Consistency between vendor price expectation and value potential was also decisive in this transaction.



“Performance in Ireland’s Hotel market steamed ahead in 2015, particularly in Dublin where substantial growth in demand resulted in RevPAR growth above 20%. Strong performance was also witnessed in other parts of the country, with average RevPAR growth of around 10%.”

**Maureen Bayley, Director Ireland**

### Economic growth

In 2015, the market was buoyed by a robust economic performance and growth in Ireland surpassed expectations due to higher than expected domestic consumer confidence and spending. There has also been a significant increase in international visitors to Ireland, primarily from the UK and the US aided in part by favourable exchange rates.

### Weak development pipeline

Dublin’s Hotel sector growth is somewhat hindered due to a lack of pipeline of future bedroom stock. Very few opportunities have come on board over the last few years relative to the level of inward investment growth in the economy and improvement in consumer sentiment. There are a number of hotel development projects mooted for Dublin city however the majority will not come on stream before 2018.

### Continuing High Levels of Activity

Across Ireland, while there were marginally fewer asset disposals in 2015 than in 2014, the volume of spend in the sector increased overall through rising values across the country along with increased appetite for lending to the sector from the domestic banks. A large number of hotels that have been in distress situations with their lenders for a number of years have now transacted, or have been refinanced out of these distress situations, while a significant portion of the balance were traded by the banks via portfolio loan sales. The banks are advancing their final phase of deleverage in 2016. While the biggest sales to shape the Irish Hotel market in 2015 was Dalata’s acquisition of the Bewleys Moran Portfolio and Loan Star Funds acquisition of Jurys Inns for €455m and €970m respectively, there have been a number of significant single asset disposals over the year, highlighting the healthy interest in the sector from both domestic and international investors.

### Investor market

Irish hotel groups and investors have been highly acquisitive since 2013 and are looking at all opportunities that arise, but there is also demand from overseas investors looking for trophy assets. John Malone has emerged as one of the biggest buyers of hotels in Ireland over the last few years having teamed up with local developer/businessman John Lally. Other active domestic investors include Tetrarch Capital, Dalata Hotel Group, McGettigan Hotel Group and Great National Hotels to name a few.

### Investment

For the economy and the Hotel market to continue to grow, further investment is needed. Ireland has seen a lot of infrastructure improvements over the last 10 years but more needs to happen for it to remain competitive both as a travel destination and as a country. Works are currently underway on the LUAS interconnector line (LUAS Cross City) in Dublin and other infrastructure improvements are mooted, particularly in relation to public transport.

### Predictions

- More supply is needed for Dublin and until this comes, rates will continue to be pushed. There is only one new hotel confirmed to open in the city, which is the Holiday Inn Express on O’Connell Street due to open by mid-2016.
- In terms of transactions, we have yet to see second round sales of hotels bought out of the property downturn, but these will come. As market norms return, we would expect to see some ‘natural churn’ occur.
- “We will see a number of new international investors entering the market for both prime Dublin and more regional hotel assets over the course of 2016”.

**Dave Murray, Director of Brokerage - Ireland**



“Poland’s Hotel market has been growing for several years and 2015 was no different. Investor interest is at a high, matched by a rising number of rooms coming to the market.”

**Adam Konieczny, Country Head Poland**

### Tourists keep coming

Poland’s popularity among tourists, both foreign and domestic, has been increasing and this is likely to continue in 2016. Demand and occupancy rates have been on the rise for several years, particularly in Warsaw, Krakow and the Tri-City area around Gdansk, Gdynia and Sopot.

### Investors take note

Poland’s Hotel investment market may still be in its infancy, but there are many reasons why investors are convinced of the country’s potential. Factors include the improvement of hotel indicators, more hotel chains, the enhancement of the country’s meetings and conferences industry, improving road and rail infrastructure, and also favourable property prices in comparison to key European markets such as London, Paris or Munich.

In general, investors are mainly looking for branded, well-established business hotels, while chain-affiliated city-centre economy or mid-scale hotels are proving to be successful. There were a number of notable transactions in 2015, such as Union Investment’s acquisition of the Radisson Blu in Wroclaw from UBM Development Group AG, and the acquisition of the Sheraton in Warsaw as part of a Pan-European portfolio by Benson Elliot and Walton Street Capital.

### Overseas money

There is rising interest in hotel acquisitions from German, French, British and American investors. Paradoxically, the crisis in Ukraine seems to have had a positive effect on the Polish Hotel investment market since those investors who previously planned to put their money in Ukraine and Russia are now withdrawing from those markets and moving West, allocating their capital in countries such as Poland.



### The rise of mid-range hotels

While Poland’s Hotel market is still dominated by the upscale segment and investors are keen to have trophy assets in their portfolios, we have observed a shift in interest from the high-end towards the midscale market and more sustainable hotels. There is also strong potential for investors in the budget sector, as expansion plans in this segment have so far been rather limited. Until recently, the majority of investors were only interested in lease agreements, but now they are increasingly considering management contracts.

### Predictions

- The outlook for Poland’s Hotel market continues to be positive with new hotel developments, new chains coming to the market and investors expanding their gaze to include regional cities.
- As we are observing significant rises in the number of visitors, we are predicting ADR increases this year, particularly in Warsaw where new supply was limited.
- Good KPIs will encourage developers to prepare new projects with limited availability of plots in the city centre of Warsaw potentially leading to conversion projects, most notably in office buildings from the 1990s.

## Case study - Warsaw

The Warsaw office has been involved in a number of hotel advisory and valuation assignments.

These include due diligence support for a planned mid-tier hotel with 300 bedrooms in the city centre of the Polish capital as well as a RICS compliant valuation of a branded budget hotel with close to 150 bedrooms in Wroclaw for an international operator. Also, with the annual conference Spotlight Hotel Investment Poland – which Christie & Co co-organised for the second time in 2015 and attracted more than 200 attendees – Christie & Co Warsaw successfully established a platform for players in this emerging Hotel market.





“The Spanish Hotel market in 2015 has seen a clear recovery after the worst years of economic downturn. In 2012, investment in Spain’s Hotel sector totalled €540m while in 2015 the total surpassed €1.6bn. The market is highly active and we expect there to be a rise in transactions in 2016.”

### **Inmaculada Ranera, Managing Director Spain & Portugal**

#### **Tourists continue to arrive**

Spain has made a remarkable economic recovery and the tourism market continues to flourish. In 2014, Spain received almost 65m visitors and in the first seven months of 2015, 38m foreign visitors arrived in the country, a 4.7% rise on the same period in 2014. Occupancy and ADR figures have increased year on year. RevPAR has grown on average 4% over the past five years, though there is still room for rate growth compared to the rest of Europe.

#### **Investors’ interest increases**

Spain has again become an attractive option and both domestic and international investors are highly active. International transactions such as the sale of Barcelona’s W Hotel to a Qatari fund and the purchase of Madrid’s Hotel Ritz by a joint venture between Mandarin Oriental and the Saudi conglomerate Olayan Group, show the increasing interest from the Middle East and China. We have helped a number of overseas funds to carry out due diligence processes regarding hotel assets in Spain and we expect this appetite to continue in 2016.

#### **Interest expands**

Madrid’s market is booming and values are now starting to top those in Barcelona. However, although there is still some difficulty in secondary cities where domestic demand has not yet returned, both tourists and investors are starting to look further afield. Seville, Valencia and Malaga are improving and there is already a lack of opportunities in Bilbao and San Sebastian. The interest of international investors continues in consolidated holiday destinations such as the Canary and Balearic Islands. Difficulties faced by other countries with Mediterranean coasts are driving more tourists to these locations, which are seeing their records surpassed every season.

#### **REITs emerge**

Spain’s first hotel REIT was formed between Hispania and Grupo Barceló in 2015 with an initial investment of €421m in 16 hotels with an aim to add and manage 12,000 rooms across the country. We expect to see growth in this area this year.

#### **New projects emerge**

Appetite is strong for new hotel projects, though most focus on building conversions rather than new developments as the market remains cautious. Several landmark office buildings are being converted in Madrid, Malaga and Barcelona. Across the country, 80% of current projects are related to 4 or 5 star hotels, and 84% of the projects are concentrated in consolidated destinations: Madrid, Barcelona, Malaga or the Balearic Islands. It is expected that these developments will attract more international brands to the country although hotel owners and operators will have to make efforts to differentiate themselves in this increasingly competitive environment.



### **Case study - Hotel Amaral**

After the re-opening of the Madrid office in September, the first deal was brokered in the city in November.

The Hotel Amaral, a 3 star hotel with 126 bedrooms was leased by Playa Senator, a chain that is expanding on its development plans in Spain.

# Restaurants





“2015 brought a wider variety of new restaurant concepts to the market, characterised by the innovative and inspired. As consumers continue to demand more choice, better quality and good service, restaurants numbers will continue to swell.”

### **Simon Chaplin, Head of Pubs & Restaurants – London**

#### Growth of street food and eating out – the influence

The rise of the street food phenomenon was a big factor in 2015, and, as a result, the fast casual sector is the fastest growing at 7-8% a year. Established brands are now trying to replicate this success as they realise customers want something different and to be challenged. Next year we will continue to see entrepreneurs expand new brands from around the globe.

#### The impact of the millennials

The section of the consumer market having the biggest impact is the 'millennials', who are eating out more but spending less each time. They don't eat at traditional times, so we will see more all day dining offers coming to the market. Those brands that are best at social media are doing particularly well as they are speaking directly to their target market, while innovations such as online and delivery order apps are helping smaller independents to target a wider market and trade beyond the limits of their own four walls.

#### Private equity as a funding option

We are seeing continued impact from private equity entrants that are all seeking the next big opportunity. Their target is restaurant chains that reach over ten outlets and private equity funding is increasingly replacing traditional bank lending for entrepreneurs. There is an increase in both angel investment and crowd funding.

#### Demand for smaller sites

Most of the top ten operators with more than 100 sites have changed hands in the last 18 months, which means that groups with 20-80 sites are now on investors' radars. Competition for single sites is now high, particularly in London, which is pushing values up. Around 70% of restaurants remain independently operated and 80% of Christie & Co sales are on behalf of individual owners. As costs rise there will be a greater push from occupiers for turnover rents to redress the balance between rent and trade.

#### The London effect

The growth of the restaurant sector in northern cities such as Manchester and Leeds is now spreading to other cities, and pressure on space means smaller market towns are seeing branded restaurants coming into the area. We are also seeing London-centred brands heading into the regions. One threat for regional cities, however, is that rates and rent increases are coming through. The London market is overheating, some sites are becoming unviable, and some brands need to expand 20% a year to keep investors happy, but they may not find the opportunities in the regions that existed three years ago – there have been examples of £75/sq ft rent outside London.





## Market predictions

In 2016, while there are threats to growth, such as the impact of the National Living Wage and a risk on margins, we expect restaurant numbers to continue to grow by about 10% a year.

We will continue to see entrepreneurs expand new brands from around the globe.

Pubs will continue their fight back and win their share of the casual dining market. Coffee shop numbers, including independents, will swell.

# 33%

increase in restaurant mandates in 2015

# 210

restaurants currently for sale in the UK

Movement in average prices  
Year on year in percent

2012  
-1.4%

2013  
4.7%

2014  
11.1%

2015  
9.9%

## Case study - The Troubadour, London

Following an extremely short marketing period during which a last minute decision was made to place the company into administration, Christie & Co sold the iconic music venue in South West London well above the asking price.

The venue celebrated over 60 years of business since being established in 1954 and is one of the last remaining '50s Coffee Houses in London with a proud history as a centre of bohemian art. The Troubadour Club has hosted music greats such as Bob Dylan and Paul Simon in the '60s and '70s, Ronnie Wood and Mick Taylor last year as well as Adele, Ed Sheeran and Amos Lee.



# Pubs







“2015 was a positive year for the Pubs team and we transacted or advised on more than £6bn of assets, £2bn up on the previous year. We have seen more confidence in the sector which is driving growing private equity interest in new and exciting brands.”

**Neil Morgan**, Managing Director – Pubs & Restaurants

### Pub disposals

While pub closure programmes do continue, this tends to be at the bottom end of the market in unviable locations and the rate of pub closures is flattening out; we are now reaching a more sustainable number of pubs in the market. The pubs sold by Christie & Co marked as distressed halved in 2015, a clear sign that the pubs sector is showing recovery, supported by overall economic improvement in the UK.

### Shift in demand

One of the last sizeable managed house portfolios, Tattershall Castle Group (TCG), was sold by Christie & Co in October 2015 and further diminishes the availability of managed house stock in the market. Demand for these types of assets will continue in 2016, ultimately leading to a further increase in values and a shift in interest from Pubcos, investors and private equity players towards the acquisition of single sites or smaller multiple operators who have significantly increased in numbers over the past five years. As there are now fewer managed house portfolios; the new influx of buyers to the market have a smaller pond to fish in which will also push up prices.

### Opportunities in the market

This shift in the market provides a real opportunity for small multiple operators, of which there are about 300 in the UK, to take advantage and command higher multiples for their businesses. In 2016 we predict sub £20m pub group deals or mergers and acquisitions by multisite owners who see an overall objective in exiting at a future date, attracting competition from existing managed house Pubcos and investors to drive up price.

### Pubs remaining pubs

Reassuringly, 84% of freehold pubs sold by Christie & Co in 2015 were to buyers retaining the pub for continued licensed use, a further increase of 4% on the previous year and 17% on 2013, the highest recorded percentage in five years. As total pub numbers in the UK have reduced, what remains are more viable, sustainable trading entities. Only 8% of all pubs sold by Christie & Co were for residential use or development, and only 3% of pubs sold were for conversion to retail convenience store use.

Over half of the pubs not sold for continued pub use still provide a local amenity and employment opportunities while a staggering 92% of total freehold pubs sold by Christie & Co remain as businesses providing support to the local community.

### Market Rent Only Option

As the Market Rent Only Option continues to be debated in Parliament, there is some continued underlying uncertainty in the market. Once a decision is reached, we predict that 2,000-3,000 pubs will be sold over the next three years but until then, affected pub companies will hold off making any decisions.

### External factors

There are uncertainties affecting the 2016 outlook, such as the introduction of the National Living Wage. This will have an impact on the bottom line and pubs may have to put up prices, which is tough in a competitive market that competes with the casual dining sector. Other factors include auto-enrolment pensions, business rates reviews and continued supermarket discounting. However, the continued interest from private equity investors, the growth of the freehouse market fuelled by entrepreneurs and the continuing increase in multiple operators suggest there is a strong year ahead.





## Market predictions

We predict sub £20m pub group deals or mergers and acquisitions by multisite owners who see an overall objective in exiting at a future date, attracting competition from existing managed house Pubcos and investors to drive up price.

Demand for managed house stock will continue in 2016.

We predict that 2000-3000 pubs will be sold over the next three years but until pending legislation is clearer, affected pub companies will hold off on making any decisions.

Advised on and transacted assets worth

£6bn

84%

of pubs transacted by Christie & Co were retained as licensed premises



## Case study - Tattershall Castle Group

Christie & Co brokered the sale of 53 pubs previously owned by Tattershall Castle Group (TCG) to Stonegate Pub Company, one of the largest managed pub companies in the United Kingdom for an undisclosed sum.

The acquisition brings Stonegate's number of operating sites to 665. The acquisition consists of 53 pubs including the famous Tattershall Castle flagship floating bar which is moored on the River Thames. Stonegate plans to invest in the majority of the acquisitions and further consolidate their position as a leading high street managed pub operator.





# Leisure







“2015 was a phenomenal year for merger and acquisition activity across the Leisure sector in both leasehold and asset backed businesses. This has been driven by a number of factors including consolidation across various sectors, as well as the pursuit of secure and long-term income streams with excellent real estate backing in operational businesses.”

**Jon Patrick, Head of Leisure & Development**

### The origins of growth

We have seen some major deals from private equity and investment players in 2015 and they are now looking for alternative investment opportunities. The comparative low costs and barriers to entry in the budget gym and adventure golf sectors have made them attractive both to operators and the private equity community, while the long-term and steady incomes capable of being produced by holiday park operations such as Centre Parcs or busy coastal and inland marinas are also proving increasingly attractive for investors.

A word of caution however; we have seen increased competition particularly in the budget gym space, which in some places has led to saturation and failure. In addition, some of the EBITDA multiples paid for businesses (a number with catch up “Capex” or additional investment requirements) may make future returns more difficult to achieve.

### New leisure activities

There is a danger that some new leisure concepts, for example, trampolining, could fall into the “fad” category or be adopted in some format by other existing leisure/health related businesses. We are also seeing new activities emerge however, such as Footgolf, which has a modest cost of entry. Course affiliation may assist more traditional golf courses in widening their appeal to a different demographic audience.

### Continued growth of mixed use developments

As the high street continues to go through dramatic change, leisure increasingly shapes the look and feel of many city centre mixed use developments. Increasing dwell times and providing shoppers with a greater variety of activity is key, although it will lead to higher occupational costs for operators. There is a risk that existing leisure circuits in town and city centres will suffer as a result of some of these new developments due to the reasonably finite amount of footfall available.

### Development risks

The marked increase in construction costs we have witnessed over the last 18-24 months is affecting the Leisure sector as much as any. Developers face a lengthy and costly process through the planning maze with Section 106 obligations and the Community Infrastructure Levy adding to the burden. The consequence for operators is that development and conversion projects will be more costly in 2016 and it remains to be seen who will bear the brunt of this cost inflation.



## Market predictions

2016 will see further M&A activity in the Leisure sector, particularly within cinemas and health & fitness.

The sheer number of players in the budget gym space points to consolidation by necessity and perhaps some smaller deals across the board.

There will continue to be organic growth via acquisition and development across the board as the ownership structure in many leisure subsectors is highly fragmented.

# 10.2

viewings for every property

# 5.5

offers for every sale



## Case study - Oasis Health Club, Mansfield

The sale of Oasis Health Club, Mansfield demonstrates the vibrant market for secondary freehold sites.

The majority of properties in the "Big Box" leisure space are occupied by operators on a leasehold basis with freehold properties a rarity, so when the chance arose to market a purpose built 2,159 sq m health club, interest was substantial from a variety of leisure and retail buyers. Multisite "Not for Profit" and social enterprise and charitable company Barnsley Premier Leisure was the successful purchaser following a competitive bidding process which saw a 10% premium achieved against the guide price.



# Care





## National Living Wage

The announcement of the introduction of a National Living Wage (NLW) affects the Care sector more than any other sector served by Christie & Co, given the high level of current Minimum Wage staff and published pay differentials between different grades of staff, which have to be maintained. As primary purchasers of care services, local authorities already have substantially squeezed budgets, and this makes it difficult for providers to pass on costs. It will be easier for providers of Private Pay services to mitigate some of this margin squeeze by passing the increased costs onto self-funded residents. However, local authority funded providers will find it harder to do so.

## Staffing shortages

In 2015 we released our report 'The UK Nursing Workforce: Crisis or Opportunity' which detailed the challenges facing the sector, namely the shortage of nurses – one of the biggest factors affecting the care industry. In October 2015, the Government added nurses to the Shortage Occupation List, in an effort to tackle this across social care and the NHS, prioritising applications of nurses from non-EU countries.

## Private fee growth

Provision of new build care homes for self-funded residents has been a key driver for years and will persist in 2016. The NLW announcement has reinforced this trend although a shortage of land and significant increases in build costs have limited this.

US REITS, including newcomers Ventas and Omega, continued their investment in the UK healthcare scene, driving values at the top level of the market with interest primarily focusing on new, high-quality private homes. Private equity investors remain interested in the sector, while the Special Situation Funds have been buying debt and are now starting to actively manage their portfolios. We have seen more estate rationalisation across the larger operators and are working closely with HC-One and Four Seasons Health Care to deliver these programmes. It has been interesting that the sale of several portfolio transactions have stalled this year (as a result of NLW), while individual home disposals have yielded significantly higher interest, particularly where operational performance can be improved by the incoming purchaser.

## Construction challenges

The new build residential housing market has had a profound effect on construction costs across all types of developments, including new build care facilities. The rise in costs has delayed new build development and several contractors have been forced into administration as a result.

## Values

2015 saw regional values improve, but we haven't seen a significant increase in value although the top end of the market is seeing a premium on the back of interest from REITs. Following the NLW announcement, we may see more care homes coming to the market in 2016 and we certainly expect to see growth in the private sector.

## Data is key to insight

Throughout 2016 we will continue to assist clients with our breadth of knowledge and experience of the Care sector and through our Care Consultancy team we will provide expert insight to help investors deal with uncertainties in the Care arena. We have established KPIs and Benchmark analysis on areas such as fee rates and staffing costs-with a particular focus on agency usage where we have analysis of most of the major providers' performance.



“While the broad adult social care market saw significant activity early in 2015, the National Living Wage announcement and squeeze on funding is having a significant impact on the sector.”

**Richard Lunn,**  
Managing Director – Care

Provision of new build care homes for self funded residents has been a key driver for years and will persist in 2016.

Local authority funded providers are inevitably going to experience a squeeze on margins.

Following the National Living Wage announcement, we may see more care homes coming to the market in 2016 and we certainly expect to see growth in the private sector.





**Michael Hodges,**  
Head of Consultancy – Care

The Care market has changed pace dramatically in the last few years and there are now lots of funds, REITs and sophisticated investors that want data to confirm their opinions and inform their choices. Three years ago Christie & Co set up its Care Consultancy department and we are now busier than ever advising clients who require robust advice which is underpinned by market leading insight, data analysis and performance benchmarking. Our critically acclaimed research document on the UK Nursing Workforce was a major highlight of 2015 and is a good example of the informative and high quality analysis which our consultancy team provides.

As 2016 progresses, we will see demand increasing for specialist advice around all aspects of Care and we will continue to create new and insightful products for clients. Sophisticated investors are here to stay and will be looking for us to help advise on strategies and educate their thinking on what type of asset they should look for, how to find opportunities and what their exit strategy should be.

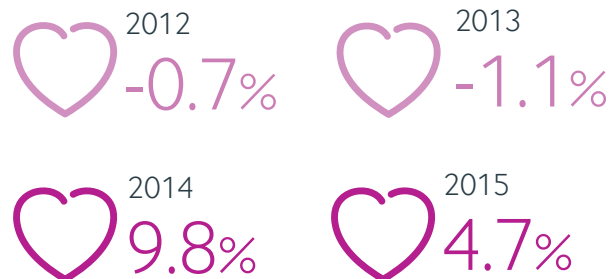


## Market predictions

# 2608

inspections in 2015

Movement in average prices year on year in percent



## Case study - Anchor Care Homes

In September 2015, Christie & Co brokered a deal worth more than £100m for Anchor to acquire 24 purpose-built homes operated by LNT Group subsidiary Ideal Carehomes.

The longstanding relationship between Christie & Co and LNT led to one of the biggest deals of the year, demonstrating that despite uncertainties and challenges in the market, there is still significant appetite for high-quality residential homes.





# Childcare





## Increased confidence

Confidence, the key driver of market activity, has been fuelled by banking and investor sector assurances on the back of positive demographics, Government policy, and parents increasing their use of formal childcare following a small shift away during the recession.

## Growth in all sectors

The UK Childcare sector is a hugely fragmented market and c. 81% of day nursery assets are owned by independent operators. While 2015 saw few sizeable portfolio transactions there was considerable activity involving regional groups, alongside single asset transactions and an increase in organic development plans. We expect to see some significant deals in 2016 involving a number of the UK's leading national groups, regional providers and new entrants. The UK's two largest groups, Busy Bees and Bright Horizons continue to seek overseas opportunities likewise, and overseas operators are increasingly looking at the UK in a bid to identify and acquire a suitable platform to enter the market.

## Private equity interest

Private equity interest remains incredibly strong and key to this attraction are businesses led by long established and experienced management teams, alongside securing the platform investment at the right price and negotiating preferential equity holdings. Private equity purchasers appreciate that they will be bidding against trade acquirers, many of whom will have differing approaches to pricing. Despite this, during 2015 we saw competitive bidding on prime opportunities by a number of private equity houses and we expect this to continue.

## Regulation changes

The most notable and potentially far reaching changes in 2016 will include the introduction of the National Living Wage, and the commencement of pilots in preparation for the implementation of the Government's free 30 hours childcare.

In terms of the Living Wage, anecdotal evidence indicates that there is a reluctant acknowledgement by providers that the cost of implementing salary increases will have to be passed onto parents. Indeed, some providers have already budgeted significant fee increases scheduled for implementation during Q1 2016.

With regards to the much talked about 'free 30 hours childcare pledge', as at the time of writing, the question remains as to whether the Government will be able to appropriately fund the entitlement, as for many providers there is already a significant shortfall in funding they receive to deliver the prevailing 15 hours.

Being mindful that HM Treasury will seek to mitigate the costs associated to the roll out of '30 hours', there is some speculation that the childcare ratio debate, as witnessed in 2013, may be reignited during 2016.

## Waiting for further announcements

Until further announcements occur in relation to the 30 hour proposal, a degree of uncertainty will prevail. However, to date, this uncertainty has not caused any slowdown in market activity - demand from buyers and confidence amongst banks and investors in the UK nursery sector remains strong. Indeed, the perceived drive from Government to encourage parents back into employment is providing some nursery owners with confidence to predict there may be capacity issues, which is already the case in parts of London and the South East. We expect this strong demand to continue into 2016.



“The Childcare market has been very buoyant for the last few years, reminiscent of the pre-downturn environment, and there was no let-up in 2015. To meet the increasing demand for professional and market leading services, we have grown our Childcare team. Christie & Co have the largest dedicated team of business property childcare specialists in Europe.”

**Courteney Donaldson,**  
Head of Childcare





## Market predictions

Bank and investor confidence, while already strong, will further strengthen due to the potential increase in government backed revenues.

We will see a further increase in consolidation, driven by both national and regional groups.

We will see an overseas entrant make a significant childcare business platform acquisition.

We will see an increase in new nursery developments and owners seeking consent to expand their facilities in some locations.

# 998

day nurseries inspected

Advised on nursery assets with a value of

# -£733.6m

## Education

During recent years our valuation and advisory team has advised on a wide range of projects associated with the valuation and sale of independent schools, special educational need (SEN) day and residential schools, private tuition businesses and independent colleges, including foreign language and technical skills colleges.

With child-centric sectors at Christie & Co being defined as all businesses that cater to children aged 0 – 19 years, we are frequently invited to advise upon projects which relate to children's home portfolios, foster care businesses, children's indoor activity centres and children's outward bound activity centres. We will be looking to increase the breadth of our service across these asset types during 2016.



## Case study - Corner House Nurseries

Christie & Co were appointed to run a confidential sale process of Corner House Nurseries, which was founded in 1995 in Edinburgh's highly sought-after Merchiston area.

After receiving multiple offers, Bertram Nursery Group were selected as the preferred purchaser because of their shared culture and values, synergies and commitment to delivering exceptional services to families and children in their care.



# Retail





“The convenience retail property market in 2015 was resurgent, particularly in the forecourt sector where we experienced a severe lack of supply. Multiple offers on each sale was the norm, resulting in robust pricing and we expect this to continue. The Multiples persisted with their aggressive acquisition programmes and we saw a significant managed disposal campaign from McColls Retail Group as they sought to ‘churn’ their portfolio by replacing smaller CTNs with larger convenience store acquisitions.”

**Steve Rodell**, Managing Director – Retail

### More fuel to go around

In 2015, the biggest single impact on the forecourt sector originated from the international oil price collapse. This led to the lowest pole pricing since Spring 2013 and petrol / diesel pump price parity for the first time in 14 years. Small businesses are benefiting and according to the Petrol Retailers Association the number of light goods vehicles on the road has increased dramatically, possibly due to rising home delivery services.

### Forecourts changing hands

2015 saw the conclusion of a seismic shift in forecourt ownership that has seen oil companies divesting assets and tying purchasing independents into supply agreements. By the end of the year around 70% of all sites were independently owned against 60% just five years ago. This has resulted in the rise of the ‘super dealers’ including Rontec, Euro Garages, MRH and Motor Fuel Group who have all taken significant packages from the oil companies. This activity attracted private equity into the sector as investors saw an opportunity to buy a platform from which to acquire other operators.

### Convenience stores

The convenience retail sector is still growing at a rate of 5% per year and is now worth £37.7bn to the UK economy. The large multiples are still actively acquiring sites to capitalise on changeable consumer behaviour as different grocery formats evolve. The South East has the greatest demand for sites and the heated London property market commands higher rents – probably double the market rate in the regions.

The grocery Multiples have begun to focus more on the profitable areas of their portfolios and ways in which they can reduce their overall costs due to ever-increasing competition within the sector. There has been a strong resurgence amongst independents acquiring lower tier assets, and this has increased the number of unaffiliated independent stores by 3.4% in the last year.

### External factors

The National Living Wage, potential change to Sunday trading law and business rate rises could all impact the sector in the coming year. According to the Association of Convenience Stores (ACS), if the current Sunday trading laws are abolished in favour of allowing stores larger than 3,000 sq ft to trade for more than 6 hours on Sunday, the convenience sector could lose an estimated £870m in value to the economy.

The cost of the National Living Wage, including employment allowance and auto enrolment could cost the convenience sector a total of £166m. The implication of these reforms may reduce the level of investment in the sector and could also put approximately 80,000 jobs at risk (ACS).

The proposed shift in administration of business rates to local authorities is a concern to the industry. There is fear that successful businesses could be penalised. There is also a potential impact on the property market should the move result in less occupier demand in areas with high rates and more demand in cheaper areas.







## Market predictions

Trading fundamentals driven by consumer behaviour will enable continued demand for good convenience locations. 2016 will see the convenience property market grow concurrently with real estate generally and we expect a busy year with more M&A activity possibly through private equity participation.

We expect the lack of quality sites coming to the market to be a major factor driving prices through 2016.

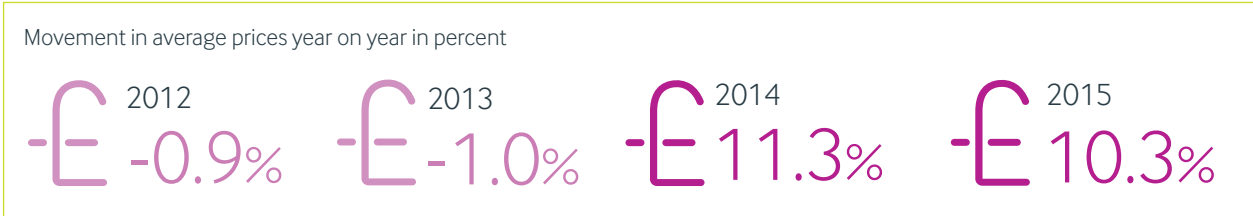
We expect increased private equity activity in 2016.

# 5,179

retail properties advised on in 2015

Advised on forecourt and convenience properties worth

# £1.34 bn



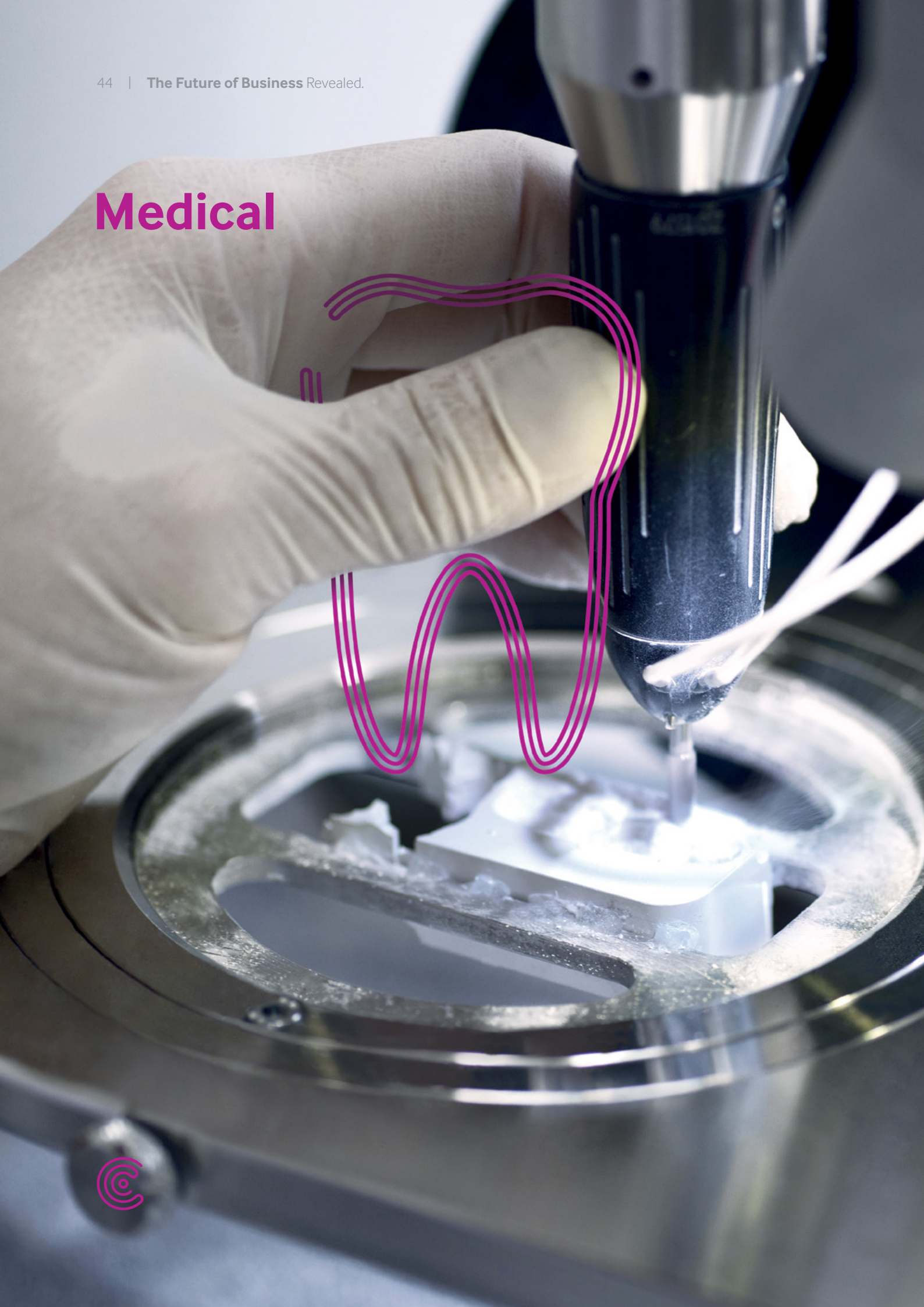
## Case study - M Local Convenience

Christie & Co were instrumental in the acquisition of 140 M Local convenience stores by Mike Greene backed Greybull Capital Partners.

Turnaround of the project was necessarily quick, with the final valuation delivered to Greybull two weeks after initial outreach. The deal shows a shift in the market from ownership by supermarket Multiple chains and independents towards private equity.



# Medical





“In our key sectors of Pharmacy and Dentistry, market conditions have been very strong all year with an insatiable appetite for all types of businesses. Demand is coming from all buyer groups including first time buyers, expanding multiples and corporates.”

### Simon Hughes, Managing Director – Medical

Bank funding is still relatively easy to obtain for experienced operators with a solid business plan and there is a huge amount of third party investment, typically from the ‘Bank of Mum and Dad’. Private equity is circling all medical sectors, though so far this has translated into more interest rather than actual deals. All types of investors are attracted by the monopoly income that the NHS funded Pharmacy and Dental sectors offer.

#### Dental

##### Pushed to private

The Dental sector is extremely buoyant, with Christie & Co arranging an average of 12 viewings on every practice offered to the market. 80% of what we sell goes for above asking price, showing the appetite amongst buyers and the current imbalance of supply and demand. Our prediction last year that the private dentistry market would see more activity this year has proven to be correct, as many buyers have turned to higher risk but better return (on investment) opportunities in the private dental sector.

##### A changing NHS

The proposed NHS reforms in England and Wales (not applicable in Scotland which remains on a ‘capitation’ model for NHS dentistry), originally due in 2016 but now more likely to be in 2018 may well introduce some uncertainty into the market as we get closer to their introduction. However, for many practice owners this is the third or fourth contract reform and they take a pragmatic view. The way in which NHS dentistry will be delivered is likely to change and whilst it is unlikely funding will be significantly affected, practice owners will need to adapt to a new way of working. This could add more cost into a dental practice but equally, there will be opportunities to enhance efficiencies.

#### Pharmacy

##### High demand

The Pharmacy sector continues to experience strong buyer appetite, with 79% of the demand generated from first time buyers. However, 60% of deals in 2015 were actually transacted to multiple operators, so this massive appetite is yet to translate into dominance.

In 2015 we received, on average, eight offers per pharmacy sold; an increase on the previous year. The percentage of prices paid that are in excess of asking price are increasing – on average, assets were sold for 111% of the asking price further demonstrating how strong appetite is. Last year saw a record for the Pharmacy team with over £50m of sales. With strong deal activity still being generated, we predict this will continue in 2016.

##### A shift towards service

The funding settlement for 2015/2016 included funding for a national flu vaccine programme which was seen as a welcome boost to the sector and seen by many as a drive towards further services to be offered by pharmacy in an attempt to alleviate pressure elsewhere in the NHS.

### Case study - Jordan Dental

Christie & Co brokered the sale of one of the largest transactions of the year - six dental practices based in the East Midlands operating as Jordan Dental.

Acting for the Jordan family, Christie & Co undertook a formal marketing process which generated interest from a wide range of parties. Jordan Dental is a progressive and well run group of predominantly NHS practices in excellent locations in Nottingham, Derby and Mansfield. The portfolio has been sold to {my}dentist, the largest corporate operator in the UK.



## Case study - Medicx Pharmacies

After only four weeks of marketing Christie & Co generated unprecedented interest in the Medicx Pharmacy Ltd. estate resulting in excess of 200 offers being received.

In total, 10 individual sales were agreed including a sale to the current management of nine pharmacies in the North West from which they will develop their business with the backing of Bridges Ventures LLP. By breaking up the group, a high level of interest was generated across the estate, with some pharmacies receiving well over 30 offers each. This has been one of the largest disposal projects the market has seen for over five years.



## Market predictions

The recently announced funding settlement for 2016/17 may accelerate some operators' plans to exit the market, albeit with the current appetite for pharmacy businesses others will view this as real opportunity to purchase.

2016 will see further consolidation in the dental sector with no let up in activity. Larger operators will continue to develop the 'hub and spoke' model and find value through the introduction of more specialist treatments including cosmetic dentistry.

Movement in average prices year on year in percent

2014  
13.5%

2015  
10.8%

Data relates to pharmacy only

205%

increase in viewing activity

200%

increase in enquiries

A record year for transactions with over

14.0

Medical businesses sold or under offer

Over

£150m

of dental practices advised on, valued or sold in the last 12 months







## CHRISTIE FINANCE

Part of the Christie & Co Network

“2015 was epitomised by improving market conditions and a noticeable increase in clients seeking commercial funding and in lender appetite for new business. Christie Finance is experiencing a rising number of enquiries across all of our specialist sectors, from first time buyers to experienced operators.”

### Nick Baker, Managing Director

Borrower demand has been notable across a number of our sectors, specifically Healthcare, Hotels and Medical, with Christie Finance having completed on an increasing amount of sizable financing mandates over the last 12 months.

#### SME lending

Figures from the Bank of England show that SME lending rose in 2015, and we have seen the average loan size arranged by Christie Finance increase by around 80%. There has been major downward pressure on rates during the course of 2015, a trend born by the sheer weight of capital chasing SME lending across our specialist sectors and this is a pattern likely to continue in 2016. This may result in lenders relaxing their wider credit guidelines in order to get capital out the door.

#### Regulation changes

The consumer credit industry, which includes credit broking, is currently going through a significant period of change. On 1 April 2014, the Financial Conduct Authority (FCA) took over the regulation of consumer credit firms from the Office of Fair Trading (OFT), a

process being staggered over time. Christie Finance were delighted to receive Full Authorisation from the FCA in November 2015. Our work doesn't stop there; we are continuously improving our processes and procedures, with our clients at the very core of everything we do.

In the long run, we believe regulation in our markets will offer consumers enhanced protection and improve our own market position, as a premium advisory business.

#### The lending market diversifies

Since the recession, we have seen an increase in the number of new lenders in our markets, joining traditional banks, now more established 'challenger banks', and foreign banks with a UK presence also aggressively targeting SME business.

This is adding a depth to the market and this diversity makes the role of a Commercial Finance Broker that much more important. Navigating the lending market requires in-depth knowledge and experience on a local and national level.



## Market predictions

Purchasers and operators of businesses who receive the most appropriate and independent advice will continue to secure the commercial finance they require, on increasingly competitive terms.

The brokerage market will undoubtedly consolidate. Some firms will cease to trade because of the weight of regulation, reporting requirements and the impact on operating costs.

More businesses will seek a wider range of finance and will look to have a Commercial Finance Broker fighting their corner.



## CHRISTIE INSURANCE

Part of the Christie & Co Network

“Christie Insurance provides insurance advice to the same sectors as Christie & Co, enabling us to take advantage of the shared knowledge bank to tailor our insurance solutions more effectively for each of our clients.”

**Walter Murray, Managing Director**

### 2015 overview

We saw an increase in insurance tax from 6% to 9.5%. This has had an immediate and unwelcome effect on the cost of insurance for our clients which will continue to be felt into 2016. The announcement came as a surprise to our clients, but our annual review of cost and coverage will ensure they still get the best deal for their businesses from the insurance market. As a result of the announcement we have seen some ill-informed advice, including suggestions that clients move their renewal dates. However, as a tax, there is very little our clients can do and we don't expect demand for insurance to be affected – the need for insurance remains and it will not dissuade people from buying insurance.

The 2015 Insurance Act will come into force in August 2016 and is the biggest reform to insurance contract law in more than a century. Previously insured parties had to disclose every circumstance they knew, or could have known, to the insurance company, requiring the insured parties to predict, without much guidance, hypothetical situations that an insurer may be influenced by. This could result in insurers being able to refuse a claim if there was a breach of contract, however innocent. The 2015 Act introduces a range of proportionate remedies depending on the scale of the breach and the effect of the non-disclosure on the insurer applied premium and coverage. While these changes will not affect premiums, it will make the insurance market more responsible, particularly as the insurance companies now have a range of channels to assess risk that are proposed to them that weren't available over a

century ago, such as examining a building via Google Maps and searching data on the background of people and companies.

### Cyber crime

Given the extensive media coverage around cyber crime and data breaches in 2015, we are expecting the topic to remain particularly relevant in 2016. We have seen growth of cyber insurance across 2015 as companies are storing ever-growing volumes of client data. Across the sectors in which Christie Insurance operates, hotels, for example, store substantial data on their customers, such as credit card information and home addresses. The Care sector stores particularly sensitive and confidential medical data. These sectors must address the risk associated with holding this data, from accidental loss to criminal theft and the reputational damage that will inevitably be caused if the data is lost or misused.

### Predictions

New players will continue to come into the insurance market. Having more capital providers in the space creates more competition between older, established companies and newer ones.

Premiums have been fairly benign and we expect this will hold true in 2016 due to an over-supply of insurers in our sectors. Clients who have better risk management and claims experience will continue to get lower premiums and benefit from their attractiveness to insurers.



## Major Transactions - Hotels

Date	Vendor	Purchaser	Deal
April	Oceana Hotels	Overseas Investor	This profitable business, including 3 hotels and a total of 283 keys, was acquired as a first entrant into the UK Hotel sector.
May	Best Western Angel Hotel, Chippenham	Leena Group	Investment opportunity with Legacy Hotels appointed to operate the hotel under a management contract.
June	Radisson Blu, Bristol	Confidential	Sale of Radisson Blu Bristol hotel with the benefit of a Rezidor management agreement for an undisclosed sum.
June	Hotel Indigo, Liverpool	Marathon Asset Management	Instructed to sell in 2015, asking price in excess of £11m, sold to Marathon Asset Management substantially ahead of the asking price.
June	Arora Hotel, Heathrow	M&L Investments	The 350 bedroom Arora London Heathrow Hotel on Bath Road was sold on behalf of Davidson Kempner to the Singaporean REIT M&L Hospitality. The hotel was sold free & clear of management and branding for £44m after losing a large crew contract significantly reducing its room revenues in the year prior to the sale.
June	Bredbury Hall	Golam Sarwar	148 bedroom hotel in Stockport sold on behalf of Duff & Phelps (administrators) but with Cerberus pulling the strings in the background). The hotel included a significant night club element and was sold for £8.75m.
November	The Fire Station, Manchester	Allied London	Development site owned by Britannia Hotels, potential for 220 bedroom hotel development, marketed for £10m with competitive bidding generating substantial offers ahead of this.
December	Swire Hotels	Malmaison/Hotel Du Vin	Instructed in 2015 to market on a confidential basis. Marketed group of 4 hotels for £40m. The sale was completed in December.

## Major Transactions - Restaurants

Date	Vendor	Purchaser	Deal
January	Prezzo	TPG	Private Equity giant TPG take controlling stake in the 250 strong pizza chain set up by the Kaye family in 2000.
March	Franco Manca	Fulham Shore	Burgeoning 10-strong London based pizza chain Fanco Manca is acquired from Rocca by industry stalwart David Page in a £27.5m deal.
July	Las Iguanus	Casual Dining Group	CDG, the former Tragus Group, start further expansion with the acquisition of the 41-strong group for £85m.
July	Coco Di Mama	Azzuri	ASK and Zizzi owners acquire Italian quick service chain of six London sites aiming for 40 sites in the next few years.
July	CBPE	BC Partners	CBPE achieves a reported 2.9x return when selling the 67-strong Côte brasserie chain for £250m having purchased it in 2013.
September	La Tasca	Casual Dining Group	A further 46 sites added to the CDG stable for only £25m, only 25% per site of what they paid for La Tasca earlier in the year.
November	Yo Sushi	Mayfair Partners	Quilvest exits for £81m in a deal involving 90 sites, 10 overseas.

## Major Transactions - Pubs

Date	Vendor	Purchaser	Deal
January	Butcombe Brewery	Liberation	The transaction included 19 freehold managed pubs and the brewery for a total purchase price of £18m.
March	Revolution Bars Group	IPO	Revolution Bars Group floated its shares on the London Stock Exchange for 200p per share, totalling £100m.
March	PFA Acquisitions	OLIM Property Limited	Investment acquisition of seven freeholds, which are let to Stonegate Pub Company and its subsidiaries, purchased for £9.7m.
June	Maclay Group	Stonegate	Stonegate acquired the Maclay Inns portfolio for £12m, from the Scottish-based company which had gone into administration. The portfolio included 15 pubs found in prime sites across Scotland.
June	Spirit	Greene King	The biggest deal of the year was Greene King's acquisition of Spirit Pub Company for £774m, which included c. 764 managed houses.
August	GRS Group	Red Oak Capital	Acquisition of 146 predominantly freehold properties for an undisclosed sum.
August	Punch Taverns	NewRiver Retail	NewRiver Retail acquired 158 non-core pubs from Punch Taverns for a sum of £53.5m.
August	Greene King	Star Pubs & Bars	Heineken purchased 13 pubs from Greene King, for its Star Pubs and Bars tenanted and leased estate, for an undisclosed sum.
September	Tattershall Castle Group	Stonegate	Stonegate acquired 53 core pubs from TCG, including the Tattershall Castle floating bar on the river Thames, for an undisclosed sum.
October	NBGI Private Equity	Isfield Investments	Kornicis Group, owners of Jamie's and Smollensky's branded bars and restaurants, sold by NBGI Private Equity to a new management team.

## Major Transactions - Convenience Retail

Date	Vendor	Purchaser	Deal
February	Rontec Ltd	Asda	Purchased 15 standalone petrol filling stations, marking a move towards Asda's target of 100 standalone petrol filling stations by end of 2018.
March	Esso	Euro Garages	Acquired 104 sites as part of Exxon divestment strategy.
April	Shell	Euro Garages	Acquired 68 service stations as part of Exxon divestment strategy.
April	Shell	Motor Fuel Group	Acquired 90 service stations as part of 158 Shell UK retail divestment strategy.
April	Esso	MRH (GB)	Acquired 78 sites as part of Exxon divestment strategy.
April	Exe Trading	McColl's Retail Group	Five stores in Exeter acquired as McColl's Retail Group aim to have 1,000 sites by 2016.
May	Esso	Rontec Investments LLP	Acquired 19 sites as part of Exxon divestment strategy.



## Major Transactions - Convenience Retail Continued

Date	Vendor	Purchaser	Deal
May	Musgrave GB	Booker Group	Booker Group purchases operations of Musgrave GB in a €40m deal. This sees Booker Group's current brands of Premier and Family Shopper grow to include Londis and Budgens.
June	Patron Capital (MFG)	Clayton Dubilier & Rice	€500m acquisition for 85% stake in Motor Fuel Group from Patron Capital.
June	Shell UK	HKS Retail	Acquired seven sites as part of Shell divestment strategy.
June	Shell UK	Spring Petroleum	Acquired six sites as part of Shell divestment strategy.
September	WM Morrison Supermarkets	Greybull Capital	Greybull purchase 140 Morrisons M Local convenience stores for £25m. Stores re-branded as My Local with management team led by industry entrepreneur Mike Greene.
September	Matthew Clark	Conviviality	Conviviality acquire drinks wholesaler Matthew Clark in £200m deal. This gives Conviviality a truly national reach in both on and off trade.
October	Euro Garages	TDR Capital	Private equity firm TDR Capital acquired a 40% stake in Euro Garages in a €1.3bn deal.
November	Brobot Group	HKS Retail	Acquired 26 sites from fellow Top 50 Indie, Brobot Group, to double their portfolio of sites.
November	James Hall	Alfred Jones	Acquired last remaining 23 Spar stores from Alfred Jones after considerable downsizing in recent years.

## Major Transactions - Leisure

Date	Vendor	Purchaser	Deal
January	Extreme Cool Ltd	Development Securities	Purchase of The Chill Factor, Manchester for £15.5m.
March	Plas Coch Holiday Home Park	Park Leisure	Purchase of state of the art 320-pitch holiday park for £15m.
April	CVC Capital	Brait	Purchase of 80% stake in Virgin Active gym group for €1.3bn.
May	Swecure Income REIT plc	Fubon Life Insurance Co	Purchase of freehold of Madame Tussauds for £323.5m.
May	LA Fitness	Pure Gym	Purchase of 42 LA Fitness sites for c. £75m.
May	Barclays, Coop Bank and RooGreen Ventures	Northedge Capital	Purchase of Total Fitness for c. £11.5m.
May	Premier Marinas Limited	The Welcome Trust	Purchase of eight marinas operated by PML from BlackRock UK Property Fund for an undisclosed sum.
June	Odeon Cinemas Limited	Everyman Cinemas	Purchase of four cinemas for an undisclosed sum.
June	Blackstone	Brookfield Property	Purchase of Center Parcs UK for £2.4bn.
June	Aspria	Cofinimmo Group	Purchase of two sports and wellness centers in Hamburg and Hannover for c. €53.6m.
August	MAMA & Company	Live Nation	Purchase of venue and festival operator from LDC for an undisclosed sum.
November	The Gym Group	IPO	The Bridges Ventures backed Gym Group lists on the London Stock Exchange valuing the company at £250m.
December	TDR Capital/David Lloyd Leisure	M&G Investments	Acquisition and leaseback of a portfolio of 44 clubs for £350m.
December	Bowlplex	Electra Partners	Acquisition of six Bowlplex centres for c. £18-20m.



## Major Transactions - Childcare

Date	Vendor	Purchaser	Deal
January	Mike and Kathy Bowe	Bright Start Day Nurseries	Single asset long leasehold setting in Cheshire sold off an asking price of £1.3m.
February	Knowledge Universe – Sale of operational assets in Singapore and Malaysia)	Busy Bees	Portfolio comprising 48 day nurseries located in Singapore and 12 settings in Malaysia were acquired by Busy Bees from Knowledge Universe.
February	Combe Bank School	Radnor House School	Sale of Co-educational school in Sevenoaks.
February	BIS Vietnam	Nord Anglia Education (Hong Kong)	Portfolio comprising four premium international schools in Vietnam for 3,372 FTE students.
March	By the Bridge	The Cambian Group	By the Bridge, an independent fostering provider, providing care to 516 children with complex needs was acquired by The Cambian Group for a reported £36m.
April	Jane Marsh	Just Childcare Limited	The Big Picture Nursery, Southport was sold to rapidly expanding regional nursery group Just Childcare.
May	Hildebrandt Learning Centres	Bright Horizons Family Solutions	Pennsylvania-based Hildebrandt manages 40 work-based childcare centres for a number of large employers in the Mid-Atlantic area, including colleges and universities, businesses, hospitals and government agencies. The portfolio was acquired by Bright Horizons.
June	Corner House Nursery Group	Bertram Nursery Group	The highly-regarded Corner House Nursery Group in Edinburgh was sold to Bertram Nursery Group.
June	Liverpool Day Nurseries (Holdings) Ltd.	Kids Planet Day Nurseries	This portfolio of nurseries, comprising two freeholds and one leasehold setting, were sold, amid much competition, to Kids Planet Nursery Group.
June	Four Seasons Nurseries	Asquith Day Nurseries & Pre-schools	Asquith Nurseries acquired Four Seasons' two settings in Glasgow and now operate 80 settings with around 13,000 places.
August	Derek and Liz Witherspoon	Just Childcare Limited	Park Wood Day Nursery was sold following a confidential marketing process. A deal was agreed within a few days of the opportunity being introduced to a select number of potential purchasers.
September	Stephanie O'Reilly	Halliwell Homes	The former Newhaven Day Nursery in Rossendale, which had previously traded successfully as a children's day nursery for 25 years, was sold to Halliwell Homes.
October	Neil Grayson	Anand Pattar	The sale of the Big Sky Centre, a leasehold indoor play Centre located in Peterborough.
December	Kids 1st	Busy Bees	This North East portfolio of purpose built nurseries were acquired by Busy Bees.



## Major Transactions - Care

Date	Vendor	Purchaser	Deal
February	Signature Senior Lifestyle - Cabot Square Capital	MBO backed by Health Care REIT	16 homes with over 800 beds.
February	Meridian Healthcare	HC One	30 Care Homes in North West & Yorkshire for £100m.
May	Healthcare Homes - Bowmark Capital	Omega Healthcare Investors	Completed a sale and leaseback transaction on 23 homes for approximately \$175m (£115.2m).
May	Bridgepoint	Lifeways	Care UK Learning Disability division.
May	Bridgepoint	PiC	Care UK Mental Healthcare division.
July	Avery Healthcare	Well Tower	US-based Health Care REIT (Now Well Tower) has acquired a 9.9% equity stake in care home operator Avery Healthcare for an undisclosed amount.
July	Spark of Genius	Caretech	Nine residential homes in Scotland, representing 48 beds, and three schools for young people with complex needs for £9.23m.
July	Brookdale	TRACS	Brookdale Care provides secure rehabilitation, residential and supported living services.
August	Orchard Care Homes	Alchemy Partners	Undisclosed.
September	Ideal carehomes	Anchor	Sale of 24 purpose built residential care homes for in excess of £100m.
December	Four Seasons Health Care	Monarch Alternative Investment	Care Home investment portfolio let to operators including Priory and Voyage.
December	Leyton Healthcare	Orchard Care Homes backed by Alchemy Partners	Elderly Care Home portfolio with 21 homes.
January 2016	Advent International	Acadia Healthcare	US mental health operator buys Priory for £1.3bn & 5.4m shares for 300 facilities with 7,200 beds.

## Major Transactions - Medical

Date	Vendor	Purchaser	Deal
January	Norchem Limited	Lexon (UK) Ltd	Sale of 20 pharmacies and a wholesale business.
February	Care4You Limited	Well Pharmacy	Sale of seven pharmacies in Devon.
March	GlobalHour Limited	Warwick Healthcare Limited	Sale of four pharmacies in South/West Yorkshire.
April	Newlands Pharmacy Limited	Day Lewis plc	Sale of six Essex pharmacies.
May	JS Chemists Limited	Day Lewis plc	Sale of three pharmacies in Poole, Dorset.
May	Lane family	Portman Dental	Sale of Apollonia House, a substantial private practice in Lancashire.
June	RS Marsden (Chemsit) Limited	Day Lewis plc	Sale of six pharmacies in Yorkshire.
June	Medicx Pharmacy Limited	Various	Sale of 21 pharmacies through a break up of the company.
July	J Sainsbury	LloydsPharmacy	Proposed sale of its 278 pharmacy chain to Lloydspharmacy with the deal expected to complete in February 2016 subject to CMA investigation.
September	Angel Chemist Limited	Well Pharmacy	Sale of three pharmacies in Dorset.
September	Jordan dental	{my} dentist	Sale of six mainly NHS dental practices in the East Midlands.
October	TD Pharma Limited	Knight's Chemist Limited	Sale of two West Midlands health centre pharmacies.
December	Private	Oasis Dental	Sale of substantial seven surgery mixed practice in Great Dunmow, Essex.









CONSULTANCY  
DEVELOPMENT  
INVESTMENT  
TRANSACTIONS  
VALUATION  
FINANCE  
INSURANCE

**christie.com**

+44 (0) 20 7227 0700