CHRISTIE & CO

International

BUSINESS OUTLOOK 2017

MAPPING A WORLD OF CHANGE

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International

BUSINESS OUTLOOK 2017

MAPPING A WORLD OF CHANGE

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Chairman's Overview

David Rugg
Chairman

In last year's Business Outlook I discussed our predictions around the subdued volumes coming to the market which did come to pass in 2016. Encouragingly, having hit a bottom in 2016, we predict an increase in supply as a result of sector challenges and the sale of units unviable for corporate operation.

Within Christie & Co we continue to focus on our company ethos of promoting clients' interests first and foremost - we are able to tap into the knowledge and expertise across the Group and share this depth of knowledge for our clients' benefit.

Longevity in our sectors

While 2016 was, it's probably fair to say, a complex series of twists and turns on the economic front, we are seeing more than ever that the sectors that Christie & Co deal in have longevity, and will remain a focus for operators and investors for the foreseeable future.

At Christie & Co we don't simply concentrate on trophy assets such as Capital Hotels; many of the business sectors that we work across support the communities in which they operate, ranging from care homes to pubs and convenience stores to nurseries. Operating across the business size spectrum, we deal with businesses across the sectors from the smallest business to the largest corporate - this scope enables us to truly understand the operating levers and market dynamics of the sectors that we are in.

Within these sectors customer purchases range from discretionary spends (Hotels, Leisure, Restaurants, Pubs), some are high-priority spends (Petrol Filling Stations, Children's Day Nurseries), some are necessity spends (Pharmacy, Care Homes, Dental) and some are essential (Convenience Stores). So although there are uncertainties in the wider market, what we can be certain of is that these businesses will continue to thrive as their customer base remains strong, and they adapt to customer requirements and trends.

Over the past year the sectors in which Christie & Co operate have faced a myriad of challenges but we have been well positioned through our network of local offices and wide-ranging expertise to support our clients.

The life cycle of ownership

Over the past few years, we have nearly doubled our service offering to 78 services across the business – all of which provide assistance to an owner or operator across the life cycle of ownership.

Christie Group can assist in making a business work. From our Business Agents helping an individual, a family or a company to buy a business, Christie Finance assisting with obtaining funding, our Consultancy teams advising on decisions concerning management and branding or looking at physical development options and operating efficiencies, Christie Insurance ensuring that the relevant coverage is in place, and Orridge and Venners covering areas of stock, logistics, management compliance and control. And then, when an owner comes to make a disposal, we are on hand to conduct the sales process, assist with marketing and advertising to complete the circle for the owner.

The "B" word

It would be remiss of me not to mention the "B" word – Brexit – in this overview. While the topic is covered extensively in the pages of the 2017 Business Outlook, I feel that although some uncertainty was felt after the initial referendum outcome, the likelihood is there will be no lasting impact on Christie & Co's sectors.
All of the business sectors referred to in this document, both in the UK and internationally, are multi-domestic businesses. Although we have seen an increase in sales to overseas buyers, particularly those from Asia, 90% of sales within our markets are to buyers within the same geographic market and, as a result, the Brexit vote will have little impact on domestic transactions. There will, of course, be an economic impact, and there is much discussion as to whether trade will boom or decline, however, Christie & Co will see no change in the way we work or in the transaction process.

Business activity in the second half of 2016 normalised, with both buyers and sellers realising that the Brexit outcome had limited immediate impact. It's clear that intelligent business owners or prospective buyers are unlikely to put their plans on hold for what could be upwards of three years, and so for them, business life goes on.

Looking ahead

Many private equity investors can be agnostic regarding the sectors they look to invest in, driven primarily by returns and for those private equity houses based outside the UK, the reduction in the value of pound sterling against major currencies, and the dollar, in particular, has made UK assets more attractively priced.

The availability of funding is a driving force within the business cycle; with base rates reduced, margins have tightened, and with borrowing becoming ever-cheaper, we are likely to see more borrowers attracted. However, the challenge remains finding good businesses to buy.

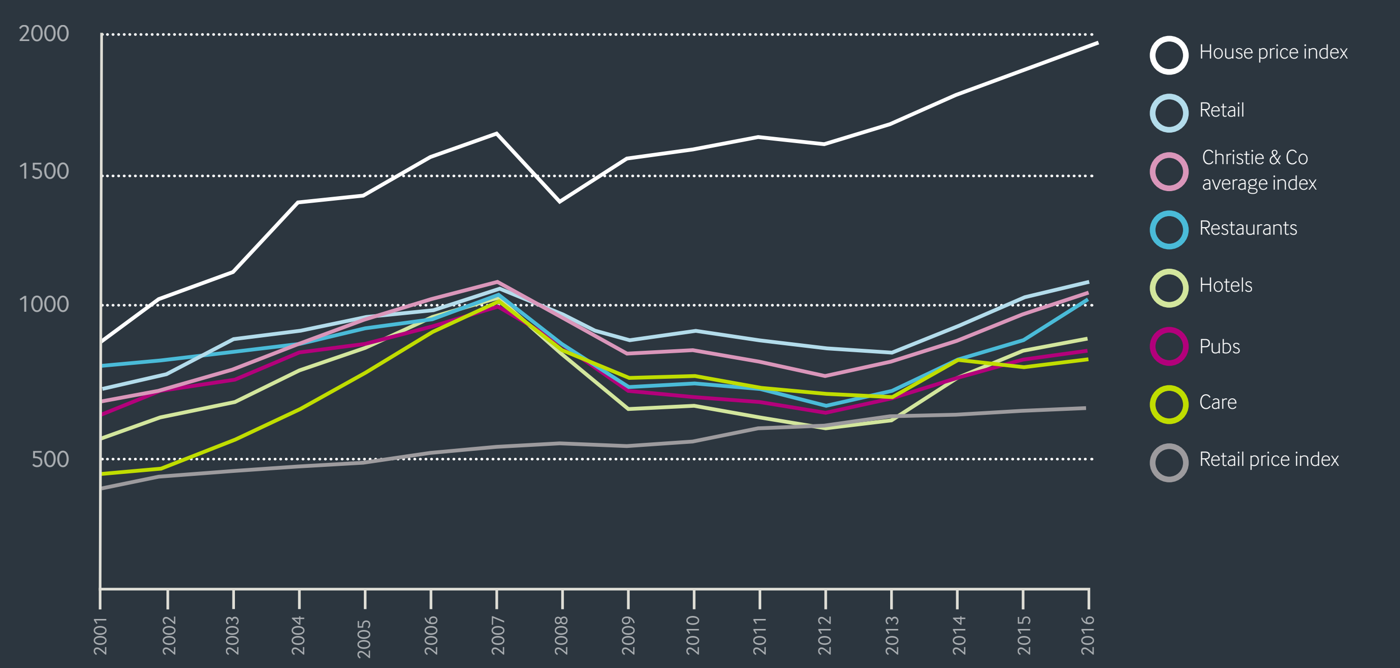
Encouragingly, we predict an increase in supply in 2017. In the UK in particular, although our sectors will be impacted by various legislative changes including the National Living Wage and pharmacy funding, these should be well-managed by good operators, leading to a minimal effect on the industry. We have seen that the pub market has settled now that uncertainty over the implementation of the Pubs Code has dissipated and that momentum has been good in the second half of 2016. This is likely to continue into 2017.

Internationally, we may see a potential hiatus as Germany and France go through election periods, but now that a settled government is in place in Spain, it is likely we will see a continuation of demand there, as well as in Scandinavia, Poland and CEE.

Although 2016 has been quite a tumultuous year in terms of macro environmental factors, at Christie & Co we are busy assisting our clients through the strength of our business network and experienced teams. We predict a further flurry of Corporate Merger & Acquisition activity as the New Year unfolds.

Index based on average sale prices

from a base of 100 in 1975



Managing Director's Statement

Chris Day
Global Managing Director

When you look back over the last 12 months, it's clear that we really are mapping a world of change.

Globally, we've seen a period of adjustment, with the markets seeing the light of day following the biggest financial crisis the world has ever seen, a UK vote to exit the European Union, an unexpected win in the US elections and an ongoing phase of instability as governments across Europe change and potentially look to elect new leaders.

How has this impacted pricing?

Encouragingly, our markets have remained remarkably resilient in the face of political and economic uncertainty. Our overall weighted price movement across all our sectors was +8.0% in 2016. The strongest price movements were in the leasehold and "goodwill" sectors such as dental, pharmacy, retail and restaurants. To put these price movements into context, the house price index was +4.4% (nationwide to November 2016) and RPI to November 2016 was +2.2%.

As we move into 2017 there is still some uncertainty, which is outlined below, but all our lead indicators suggest that the market is remarkably robust and we anticipate another year of solid price growth.

What doesn't kill us only makes us stronger...

The outcome of the High Court ruling on whether the triggering of Article 50 requires parliamentary approval is the first of many hurdles on the route to Brexit, all of which continue to create some uncertainty for businesses. However, we believe that on a day-to-day basis businesses will continue as normal. The European Union could be set for further disruption depending upon the outcome of a series of elections set to be held across the continent, which could result in more favourable trading conditions across the UK.

Within the Christie & Co sectors, we've also experienced a world of change over the last 12 months as business owners and operators adapt to new legislation – the National Living Wage, changes to the Pubs Code, and a revaluation of Business Rates, all of which have taken their toll on businesses and business sales around the UK.

Businesses will need to adapt in order to counteract and manage the impact, but I am confident that Christie & Co has the tools, the reach, the knowledge, and most importantly the people, to assist business owners in mapping this world of change. We have seen time and time again that in periods of uncertainty the determination and tenacity of business owners is outstanding and the resolve to continue 'business as usual' is commendable. It is likely we will see a continuation of business start-ups or expansions across 2017.

Across Christie & Co we are seeing that most markets are showing continued growth, however, we see fewer quality businesses coming to the market, creating higher levels of interest in the businesses we do bring to market.

We're growing...

As Asian investors look to take advantage of preferable currency rates to invest in the UK, we have seen our Asia desk build on a stellar launch and work in partnership with our corporate teams. We've grown our Europe-wide consultancy team to encompass the Pubs, Restaurants and Medical fields, in addition to our existing Care and Hotels' experts. And, as David Rugg mentions, we have extended our service lines to cover the full circle of ownership, from buying a business, to selling it, and everything a business owner might need along the way.

... and working together

The cross-business activity between Christie & Co businesses, including Christie Finance and Christie Insurance, has never been stronger. We are always working together to provide business owners with a full-service resource they can rely on, whatever the size of their operation, and whatever assistance they require. We pride ourselves on having our fingers on the pulse of all of our sectors and being close to investors – with people on the ground via our UK offices and our teams in key areas of Europe, we are best placed to provide relevant sector advice that is tailored to an individual regional market.

There is no such thing as "one size fits all", and we have adapted, and will continue to adapt, to the needs of our clients in a changing world. The business of running a business is a complex one, and at Christie & Co, we are striving to provide the tools required to make an operation or investment work more effectively and ultimately achieve the very best result for all our clients.

Movement in average prices year on year in percent

	2013	2014	2015	2016
Pharmacy	--	13.5%	10.8%	12.0%
Dental	--	--	--	14.9%
Care	-1.1%	9.8%	4.7%	5.0%
Childcare	--	--	--	9.7%
Retail	-1.0%	11.3%	10.3%	8.8%
Pubs	3.3%	8.6%	10.1%	4.4%
Restaurants	4.7%	11.1%	9.9%	14.1%
Hotels	5.7%	17.2%	9.2%	6.0%

Andreas Scriven
International Managing Director & Managing Director Consultancy

2016 continued the theme that the new normal is that there is no such thing as a normal year for our clients.

For every challenge there will be the prospect of opportunity if the challenge is faced head-on and with clarity.

An unpredictable market

Near constant change in our markets and the uncertainty that this brings has provided both opportunities and challenges as we have transitioned from an opportunistic growth environment, to a more competitive marketplace with more limited supply in many markets.

Fewer large portfolio transactions have forced major investors to either look at adding to existing portfolios or to look to continental Europe for opportunity. The unpredictability and diversity of these markets has continued to require a deft touch and access to relevant, current and local market intelligence so as not to be caught out or overpay for assets.

Investment decisions driven by data

To respond to this thirst for market intelligence our Consultancy team has continued to invest and develop our bespoke, business reporting proposition across a variety of our sectors. Marrying demographic, transactional, operational, financial and a wide variety of other proprietary data points, we are in the unique position to provide a fuller picture of what is happening in our sectors. With millions of data points ready to be analysed and turned into information that nobody else has access to in the market, it has proven to be one of the reasons our clients keep on coming back to our Consultancy team.

The type of investor we are seeing has clearly changed. Going through a typical cycle, we saw the bottom of the recession where banks disposed of their non-performing loans and we saw opportunity funds and hedge funds buying. We then experienced private equity coming back into the market, and then more traditional property investors returning. Now, we are seeing people looking to invest who have never invested in our specialist sectors before. Whilst their investment criteria are all different, the need for access to industry specific data and information remains constant.

What does post Brexit look like?

Brexit dominated many conversations in mid-2016. Reactions ranged from significant concern amongst many in the US Private Equity community to a sense of opportunity from significant Asia capital sources. Given the continuing uncertainty as to the shape Brexit will ultimately take, the only thing we can be sure of is that there will be further times of volatility and a need for calm, considered decision-making, detached from the inevitable battles that will be waged by both sides in the court of public opinion.

It's not all about the numbers

As we look to 2017 we expect a further diversification of the types of clients who will be looking at our sectors. Each of these sectors has now become established amongst global investors and we expect to continue to see capital sources be geographically varied. The needs of these capital sources will be equally challenging to predict, ranging from general market knowledge for those investing in Europe for the first time to those seeking a competitive edge by understanding the specific industry KPIs better than their competitors.

One of the things I would continue to challenge investors and owners to look for is a desire to understand their businesses beyond the uniform financial data and some high-level industry KPIs. The assets we deal with are trading businesses where much of the value comes from aspects that are more difficult to capture or understand – people skills, customer service quality, reliance on third parties, etc., all of which directly impact profitability and value. They are rarely discussed by investors despite their importance and in our view this needs to change.

Opportunity in the face of change

Finally, 2017 is certain to bring further challenges for our clients across Europe. Be it macro issues such as Brexit, the US political shift to the right, upcoming elections in France and Germany or more industry specific issues such as the rise of disruptors, increased regulation or rising wage costs. But for every challenge, there will be the prospect of opportunity if the challenge is faced head-on and with clarity. We look forward to once again providing industry leading insight to our clients in 2017.

Carine Bonnejean
Head of Consultancy
Hotels

2016 has been one of the most exciting years to date for our 20-strong pan-European consultancy team, thanks to a wide range of acquisition due diligence projects, development advice and research assignments as well as the launch of our Pubs & Restaurants consultancy practice.

Overview

The type of work that the Christie & Co Hotels Consultancy team does, particularly our due diligence work across Europe, gives us a good reflection of the market generally, both on the transactional and development sides, as well as a clear idea as to what investors and operators wish to focus their attention on.

We saw continued transactional activity in 2016, mainly of single assets. We have undertaken due diligence on a number of these types of transactions as portfolio transactions were scarce, even with the increased activity during the second half of the year.

Most of our work over 2016 was development led and this reflects what the UK is seeing in terms of supply pipelines and development becoming more interesting to investors. With banks increasingly keen to lend and the positive trading environment, this has led to our team undertaking a wide range of development advice followed by operator search instructions.

Going into 2017, we will see that consultancy requirements will be primarily about strategic thinking, maximising profit, and assessing issues. Investors and operators will need to properly evaluate the pros and cons of an opportunity or existing operation, and undertake proper risk-forecasting, more than ever before.

We have also seen very pronounced differences develop across Europe and when we work on Pan-European projects, we are finding ourselves increasingly reliant on the knowledge and experience of our European consultancy team, who are active on the ground in 16 European markets.

Diversity of the marketplace

In terms of diversity, 2016 has been one of the most exciting years to date. The type of work we have undertaken has been very varied from small single hotels in UK towns to substantial Pan-European portfolios to a research document on how to adapt hotel products to Chinese travellers.

We have seen a lot of interest from Asian investors trying to educate themselves in terms of the European hotel industry and certain sectors such as serviced apartments and hostels, or other alternative types of accommodation. We have also assisted Asian hotel groups wanting to enter Europe with brand acquisition strategy advice. This Asian interest will continue into 2017 and beyond.

Food and Drink

2016 saw the development of our Pubs & Restaurants consultancy practice. We are undertaking due diligence work for a number of restaurant and pub chains including strategic exercises, as well as operators asking us to look into the restaurant parts of their business.
The food and beverage segment of the hotel sector is gaining more interest as operators realise that although profits may be limited, it makes up a substantial part of the business, and with the right concept and offering, you can make a huge success of it.

Employment

Employment could be a challenge over the coming year. Not only do we have the impact of the National Living Wage, but the hotel and wider leisure sector rely heavily on EU staff, who may be impacted following the implementation of Article 50. When you start assessing businesses going forward, this will be something that cannot be overlooked, and more granular analysis will be required by businesses across all areas of the market.

Business Rates

The 2017 Business Rates Revaluation is being ignored by some companies, and without due attention, this will impact severely on their outgoings. Towards the end of 2016, Christie & Co began undertaking due diligence on some large assets, and in reviewing business plans, we saw that some companies haven't factored this in and that some businesses may see substantial increases of their rating obligation if they don't pay close attention.

We have also seen very pronounced differences develop across Europe and when we work on Pan-European projects, we are finding ourselves increasingly reliant on the knowledge and experience of our European consultancy team, who are active on the ground in 16 European markets.

Darren Bond
Managing Director
Valuations

2016 was a fascinating year, dominated by the headlines of the EU referendum and the ultimate, if not widely-unexpected, Brexit decision. We noted a slowdown in activity in the period prior to the vote and immediately following the result.

It was also notably quieter on corporate M&A activity in the first half of 2016 than in 2015, with many corporates abandoning transactions ahead of the referendum. The regional and single asset valuation markets continued largely unaffected, although there was a slight downturn in transaction volumes around mid-year.

Uncertainty abounds

After several years of improved confidence across the economy and our specialist markets, the Brexit decision reintroduced some uncertainty into the equation. The market was relieved to see that the much media-hyped crash didn't occur immediately in the aftermath, with the subsequent months showing some stability and normality returning to transactional markets.

It has taken a few years, following the emergence from the economic downturn, for investment activity to increase. Development schemes now under construction are likely to have been conceived many years earlier, but delayed by economic and financial constraints. This means that much of the current development pipeline will come to fruition once the full impacts of our decision to leave the EU are clearer and Article 50 is exercised.

From a valuation perspective, the tone and evidence in approach should always follow and not lead the market. At present, there is very limited evidence to demonstrate that the market has shifted in a particular direction. There are no signs of an immediate crash or a crisis, although the market is fully aware that we face periods of uncertainty in the weeks and months ahead. Until we see any change in the sentiment of transaction volumes or prices achieved, valuations will continue to reflect the current market sentiment.

National Living Wage

Perhaps the biggest threat to trading performance and value itself has been the introduction of the National Living Wage (NLW). Effective from April 2016, we are only just beginning to see the impact of this in trading numbers. We experienced challenges in pubs, restaurants, and hotels, where increased costs have been passed onto the consumer through price rises. The discretionary spend sectors can do this; not just to pass on their own increases in costs, but those right the way through the supply chain, which have also been impacted by the NLW.

The sector that we all thought would be hit the hardest – care – received better fee increases than anticipated, and so the issues that we anticipated probably haven't occurred to the same degree. It will be interesting to see how the next round of fee increases implemented in April 2017 fare, and whether they will soften a little from those in 2016, increasing pressure on operators margins.

Looking forward

There are some opportunities that have emerged from the Brexit decision. The weakening pound is expected to generate an uptick in overseas visitors to London and other strategic tourist destinations. We are seeing another resurgence in the staycation as European holidays become more expensive. We anticipate that hospitality, leisure and tourism will all see improvements in 2017. Reservation numbers for next year are already well ahead of the prior year's position and so long as we get some support from the British weather, we are optimistic that this will translate into positive news for the UK.

Over the next 12 months, opportunities will arise for many reasons. Investors may seek to exit a specific market. Investors and operators will always need to explore refinancing opportunities and businesses will want to invest and expand. What will happen to valuation levels is a much more difficult question to answer, but so long as we avoid inertia entering the equation, valuation metrics will not vary significantly in 2017.

Until we see any change in the levels of transaction volumes or prices achieved, valuations will continue to reflect the current market sentiment.

Stephen Jacobs
Director – Bank Support

Despite the UK's unexpected vote to leave the EU, the initial effect of Brexit has not impacted negatively on our markets as the level of business distress in 2016 continued to decline. Slowed growth, rising inflation and business costs and any fallout from Article 50 being triggered has the potential to reverse this trend and we can expect to see an increase in business failures in 2017.

As 2015 came to a close we predicted that in 2016 the degree of distress in our markets would either stabilise or decline still further after witnessing levels of business distress returning to pre-recession levels in 2015. We cautioned, however, that growth had slowed in the latter part of the year and this could be further impacted by the threat of the global economy cooling. Indeed, in January 2016 George Osborne said the year was likely to be one of the toughest since the financial crisis as the UK faced a "cocktail" of serious threats from a slowing global economy.

The Brexit effect

Our predictions were made on the premise that the economy was in continuing recovery mode and interest rates would remain low, and if rates did rise, it would be gradual and in small increments. Although the EU referendum was on the horizon, many did not seriously contemplate Brexit as an outcome and therefore its potential implications for the UK economic recovery.

While the initial shock and reaction to the UK's vote to leave the EU had an immediate negative impact, with global financial markets sent into a spin, pound sterling plunging to its lowest level in more than 30 years and shares in some UK banks dropping significantly as investors bet that the UK economy would suffer, there has been no signs of the economic apocalypse that had been predicted by the Remain campaign.

The UK economy grew 0.5% in the third quarter of 2016, ahead of analysts' expectations and we saw a strengthening of business confidence and a healthy return to optimism, with consumer confidence restoring to pre-referendum levels. The International Monetary Fund also said it expected the UK to be the fastest growing G7 economy in 2016. It has, however, also predicted the UK to suffer a post-Brexit vote shock in 2017 with slowed growth.

Distressed Asset Activity

In 2016 we recorded a drop in the number of distressed assets as a percentage of all assets Christie & Co were instructed to sell by 17%, while valuations involving impaired assets were at a similar level to the prior year, in line with our predictions 12 months earlier. Clearly, the initial effect of Brexit has not impacted negatively on our markets, but it is harder, if not impossible, to predict the future particularly if Article 50 is invoked in March as planned.

Burdens on business

The Office for Budget Responsibility (OBR) has revised economic growth forecasts downwards for 2017 and beyond in anticipation of a slowdown in the growth of household outgoings and cutbacks in business investment spending. In November, last year, the rate of inflation was at its highest since late 2014 at 1.2% and is anticipated to increase above the BOE's 2% target as a result of the falling value of pound sterling, and as confidence in investing in the UK economy is dented.

This, coupled with the potential for a significant rise in business rates for some companies, the full impact of the National Living Wage being felt, rising by 4% in April, and the additional burden, for some, of the apprenticeship levy planned for 2017, will put a further squeeze on businesses. The challenges facing UK business have the potential to reverse the trend of declining distress and we can expect to see a rise in business failures, the most vulnerable being companies who are struggling because their margins are already thin.

In 2016 we recorded a 17% drop in the number of distressed assets Christie & Co were instructed to sell.

Market predictions

There will be winners and losers, with both domestic and international tourists and exporters benefitting from Brexit devaluing pound sterling, but UK businesses with foreign sourcing will face increasing costs and reduced margins.

Where rising inflation outpaces wage growth, consumer spending and economic growth will be impacted.

Increasing cost pressure on UK businesses has the potential to reverse the trend of declining distress witnessed during the recovery and we can expect to see a rise in business failures.

Business distress - I

Distressed assets instructed for disposal by sector in 2016

Business distress - II

Distressed assets instructed for disposal by appointment type in 2016

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HOTELS

MAPPING A WORLD OF CHANGE

Barrie Williams
Managing Director
Hospitality

Whilst the full impact of the Brexit vote will not be understood for some time, the uncertainty and initial impact on interest rates, currency and growth prospects will have consequences for the hotel market. It's a question of the benefits of a weak pound sterling boosting inbound travel, investment and staycations, with concerns around security, supply growth and consumer/corporate spending.

Whilst the London hotel market has been impacted by global issues, the regional UK hotel market is more aligned to domestic issues, of which the fundamental UK drivers remain positive.

Investment Performance

2016 produced some challenges and some opportunities for the Hotels team. Q1 saw the team complete on Project Smanda, a portfolio of six, Hilton branded hotels and highlighted the strength of the regional UK market for hotels priced between £5 -15m. As the larger, private equity owned platforms reviewed their portfolios, a number of smaller portfolio opportunities came to the market and with our extensive regional office presence, we were well placed to provide advice, guidance and brokerage expertise to the resultant single asset sales.

As we moved towards June, the market definitely slowed as investors began to realise that Brexit was a realistic possibility. In the immediate aftermath, transactions took longer to complete, price chips were undertaken and a general investor nervousness, sent the market into an early summer break.

As the market came back to work in early September, it was clear that whilst it would take a few years to fully understand the Brexit implications, investor appetite had returned to complete transactions. We enjoyed a strong Q4 performance, with a number of transactions completing.

Whilst the PWC statistics for the investment market forecast 2016 to be down at c. £5.5bn against c. £9bn for 2015 (a record year), the market movement away from large investment deals to single asset, regional transactions, should result in a satisfactory 2016 versus 2015 performance for Christie & Co hotels.

Operational Performance

PWC forecasts London RevPAR performance to be down 2.8% in 2016 and a further decline of 0.5% in 2017, driven by a drop-off in demand from the impact of a spate of terrorist attacks in Europe, pre and post EU referendum impact, less US travellers from the US in an election year and an increase in new bedroom stock to the Capital (some 6,000 rooms in 2016 and a further 7,000 rooms in 2017).

In contrast to the performance of London hotels, the Regional UK market continues to perform well with PWC forecasting RevPAR to be up 3.4% on 2016 and a further increase of 2.3% in 2017 principally driven by rate. As expected there are significant variances between major cities and regions. Forecast UK GDP growth declines may impact businesses and corporate travel expenditure but the impact of currency movements should encourage staycations (increased cost of overseas holidays for UK residents) and an increase of inbound visitors (cheaper holidays to the UK). The challenge for UK hoteliers, therefore, is converting the increased sales into profits by dealing with anticipated increased costs and uncertainties in relation to wages, staff retention, food and utilities etc.

2017

Whilst a number of private equity investors have moved their attention to the European markets, in 2017 we would expect to see continued interest in the UK regional market and additional overseas inbound investment.

We will continue to see more Asian investors in the market and with our Asia desk firmly established, alongside our extensive UK and European network of over 80 hotel experts, Christie & Co remains well placed to continue to advise across all areas of the hotel market.

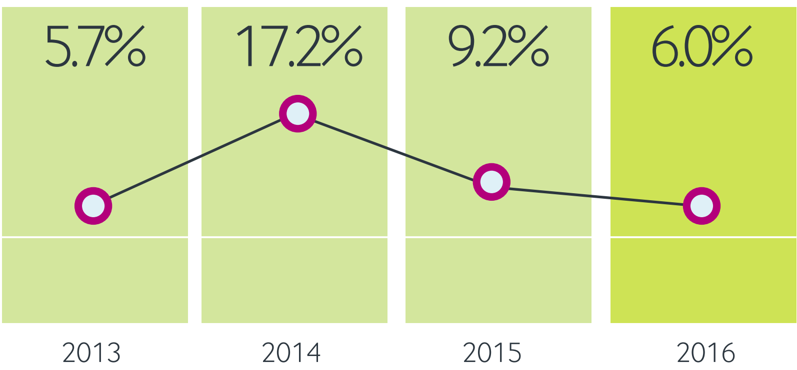
Market predictions

We expect transaction levels to remain relatively flat in 2017, in line with 2016 rather than the heights of 2014/2015. The market however for single asset, regional transactions should remain healthy.

Asian investors will continue to grow in importance as buyers of UK hotels, both in London and across the regional markets.

RevPAR improvements in the regional markets will continue to grow (but at lower levels), whilst London will struggle (but at materially higher occupancy and rate levels to the regions).

Movement in average prices, year on year in percent



700+

total number of hotels advised on, valued or sold

£2.5bn+

total value of hotels advised on, valued or sold

CASE STUDY

Project Smanda

UK

In April, Christie & Co announced the final sale of a collection of six Hilton managed regional properties.

The properties were offered on a whole, sub-group or individual sale basis and we were able to leverage our knowledge of the sector and the players within it to run a competitive sales process, culminating in all sites selling on an individual basis.

The six hotels, located across the UK in Basingstoke, Bromsgrove, Dunkeld, Newbury, Newport and Swindon had a combined total asking price of c. £40m and were all purchased by individual buyers.

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INTERNATIONAL

MAPPING A WORLD OF CHANGE

Andreas Scriven
International Managing Director & Managing Director Consultancy

Europe is an incredibly exciting prospect right now, particularly in the hotels market. Whatever your investment profile, there are opportunities to be had across the region and you can invest anywhere on the risk curve – you just need to pick your location.

Despite Brexit and being historically more volatile, the UK is still seen as a safe haven by many investors, and while yields have tightened and pricing has become more expensive in Germany, it maintains its status as a low volatility market.

The threat of terrorism

Of course, the one thing that keeps operators and investors awake at night is the ongoing terrorist threat that many areas are experiencing. This affects both the investment and operational sides of the hotel industry, and due to its unpredictability, is not easily prevented or prepared for. The markets in Brussels, Berlin, Paris, Nice and Istanbul, in particular, have been severely impacted by terrorist attacks, and it is also becoming increasingly difficult to name a "safe" mid-haul tourist destination. Tourists may previously have travelled to Turkey or North Africa, but as these markets have experienced sustained unrest in recent years, the main beneficiaries have been Spain, Italy and Greece, which have seen visitor numbers ramp up.

The rise and fall

Investors are seeing the Iberian Peninsula as a recovering area, with Madrid and Barcelona, in particular, being very competitive. Pricing has risen, but there are still a lot of Spanish regions experiencing distress, and as opportunity funds from the US see falling return potential, we are likely to see a shift into these areas of Spain and along the Mediterranean towards Italy and even Greece. This may sound surprising given Greece's precarious recent economic history, but in our sectors, we are seeing some private equity houses investing hundreds of millions of euros in Greece, including in the hospitality & leisure sectors. How things can change over a couple of years.

Eastern Europe is coming back strongly, with Poland, the Czech Republic and Croatia all gaining interest amongst investors, and we expect this trend to continue into 2017 and beyond. In October 2016, Christie & Co brokered the sale of the luxury Radisson Blu Sun Gardens resort in Dubrovnik to a Chinese investor, showing the attractiveness of the CEE market to investors and the increased interest from Asian money into the European marketplace. This is set to continue if not dramatically increase as Asian operators, particularly from China, look to make moves into Europe.

Adaption is a key requirement to success

Domestic Asian chains are keen to establish themselves within European markets. Christie & Co signed an agreement in late 2016 to support China's Dossen Hospitality Group in its bid to gain a stronger foothold in Europe, and through our Asia presence, we constantly speak with both operators and investors who are looking to move into the region. We are also continually advising European clients on how to adapt to the rising numbers of Chinese visitors to Europe for both leisure and business purposes.

Going forward, it is clear that this fluidity and constant evolution of the European market will be a feature for some time to come. While we can never prepare fully for the results of elections, terrorism threats or economic turmoil, there is significant opportunity for those looking to invest across Europe.

Lukas Hochedlinger
Managing Director
Germany, Austria & CEE

Germany remains a sellers' market as there continues to be very little quality supply, but with high levels of interest from German institutions and pension funds, as well as overseas investors, the outlook for 2017 is positive.

CASE STUDY

Radisson Blu Sun Gardens
Dubrovnik

In October, Christie & Co brokered the sale of one of Croatia's most prominent hotel complexes in the largest hotel transaction in Eastern Europe this year. Erste Group Bank AG sold the luxury Radisson Blu Resort & Spa Sun Gardens resort in Dubrovnik to a Chinese investor under the terms of a share deal.

Germany

After a very successful and active 2015, we were pleased to see that 2016 was a very strong year in terms of hotel transactions. We saw high levels of demand from German domestic investors, particularly German institutions as well as seeing high levels of interest from European, US and Asian funds.

Operational success continues

As has been a trend in recent years, we continued to see more demand than quality supply in the market. This, in turn, has compressed yields, making it more attractive for hotel owners to sell their assets and as prices have increased, there has been more incentive for developers to bring new hotels to the market, thus increasing the level of quality supply into 2017, although this level may flatten as the year goes on. We also have to consider the real possibility that yields will compress a little further over the coming 12 months.

In light of Brexit and the perceived terrorist threat across Europe, Germany has, for a long time, felt like a safe haven for investors, and we have seen a large number of people wanting to buy in Europe's largest economy. However, following the terrorist attack on Berlin in December 2016, the impact on tourism numbers and investors sentiment remains to be seen.

Room occupancy, average room rate and RevPAR all showed positive signs throughout 2016, and overall hotels have performed very well operationally. As some UK banking businesses look to base themselves outside of the UK post-Brexit, and with most cities continuing to attract foreign visitors, we would expect this performance to continue throughout 2017.

A potential bubble?

There has been talk in the media, and anecdotally among investment professionals as the possibility of there being a bubble in the German market. Time will tell as to whether this is eventually the case, but for now, we are just experiencing positivity in the market, with lots of new hotels opening, and lots of new brands entering. So far, all the signs are positive, so unless anything external and unexpected happens, this good feeling will go on for a while.

Moving forward

Within the three Christie & Co offices in Germany, based in Berlin, Frankfurt and Munich, we have been incredibly busy over the course of the year and the German team is growing quickly.

We've seen a number of large instructions, in the region of €250-300m, coming to the market, including the SI Centrum development in Stuttgart, which called on the expertise of both the German teams as well as that of our colleagues in the UK.

In September 2016 alone, we brought five different opportunities to the market, so with this level of activity and interest in German investments, we are very positive about the year ahead.

In 2017, it is likely that we'll see a continued focus on secondary cities and markets, as key cities become oversaturated with supply and become too expensive. We'll also see investors and operators concentrating on the budget and mid-level markets in order to take advantage of demand in those segments.

Germany is particularly strong, but the rest of the region is also strong, with both Austria and the other CEE areas experiencing a busy and successful year in 2016.

Austria

Similarly to Germany, the Austrian hotel market also experienced a successful year in 2016. Austria's transactional hotel market is usually only around one-tenth of Germany's, which leads some people to dismiss its possibility as a successful investment opportunity. However, in terms of transaction volume, we had already surpassed 2015 transaction levels by October, and with other deals in Q3 clearly reached an all-time high in transaction volume in 2016.

The Austrian hotel market is much smaller than that of Germany, but like its neighbour, Austria is perceived as a safe haven for investors. Over 2016, we saw several resort hotels sold and two trophy assets in Vienna, the Hilton and the Hotel Imperial being sold for €250m. Just before the end of the year NH Vienna Airport and NH Salzburg transacted in a deal between Invesco and Pandox, so it is clear that interest in the area is high. Vienna remains the key market for hotel transactions.

Vienna is regarded to have a high standard of living, and the pace of life is slower - certainly than London, but also than Germany. However, there is still a lot of activity from both investors and operators looking to expand existing brands and bring new international brands into the country.

The former Austro-Hungarian empire states – Slovakia, the Czech Republic, Hungary, Slovenia and Croatia – are all now regaining strength and growing. All were hit very hard after the financial crisis, but they are now coming back, which is to the benefit of Austrian developers and hotel groups, who will be looking for the next opportunity in 2017.

CEE

The situation in Central and Eastern Europe remains very similar to the conditions that we experienced last year.

We saw lots of activity in Prague, which is one of the strongest, if not the strongest Eastern European hotel market. Budapest is growing in interest and coming back as an attractive investment and operating prospect.

We have been surprised by the high level of activity taking place in Croatia. In previous years, resort developments have not been of huge interest to investors, but in August 2016 Christie & Co sold the Radisson Blu Sun Gardens in Dubrovnik to Chinese investors entering Eastern Europe for the first time. It is clear that the Adriatic coast is very popular for both investment opportunities and for operators.

We have seen some interest in other markets, such as Romania and Bulgaria, but these are young markets and will take a little more time to mature.

CASE STUDY

Falkensteiner Hotel Balance Resort Stegersbach

Falkensteiner Hotel & Spa Bad Leonfelden, Austria

In May, Erste Bank disposed of its equity interest in Falkensteiner Hotel Balance Resort Stegersbach and Falkensteiner Hotel & Spa Bad Leonfelden.
Christie & Co brokered the hotels deal comprising of a total of 258 bedrooms to Friedrich Huemer, CEO of Austrian automotive supplier Polytec Group.

99 Hotel

Berlin, Germany

In October, Christie & Co identified an operator for a 200-bedroom hotel which is currently being developed by German property developer PROJECT Immobilien at Berlin's new BER Airport: The Hamburg-based Centro Hotel Group is going to run the hotel under their new budget design brand 99 – the very first hotel of that brand, which is set to be implemented all over Europe.

Kimmo Virtanen
Director
Nordics, Russia & the Baltic States

2016 saw encouraging performance across Scandinavia and the Baltic States. Russian markets remain mixed with challenging market conditions, but fortunes could change with the planned increase of supply.

CASE STUDY

Hilton

Baltics

Christie & Co was appointed to conduct a feasibility study for a full-service hotel in Tallinn, Estonia to advise on gaps in the local market and how the client's business plan would suit the local conditions. As a result, the existing hotel was demolished, and a new one built.

We then negotiated a management contract with Hilton to operate the new 202-room Hilton Tallinn Park – the first Hilton in the Baltic States. The hotel opened its doors in June 2016.

Helsinki

Despite sluggish economic growth for a prolonged period, the market has been performing well. Helsinki saw strong RevPAR growth during H1 2016 (19% over H1 2015), with occupancy up by 5% and ARR up by 9.9%. RevPAR reached €71 in H1 2016, a level not seen since before the economic crisis.

With institutional owners holding on to their assets the transaction market has been quiet, however, this is set to change in 2017 due to sharpening yields. Helsinki has seen little new supply, but now a number of rooms are at the planning stage and expected to come to the market within one or two years. The market remains concentrated at the mid-market and is missing some full and limited-service products while being under-supplied with international brands. An increase in boutique style and large conference hotel supply has started to attract international investors.

Stockholm

Fuelled by strong economic growth, the Stockholm market has performed well with rolling 12 month performance YTD June 2016 indicating that RevPAR is up by 13%; occupancy by 4 percentage points and ARR has risen by 7%.

Approximately 3,000 rooms are expected to emerge into the market between now and 2018, although mainly mid-market domestic supply driven, which is becoming a saturated avenue. Despite the strong increase in RevPAR, we expect this to start working against itself later. Swedish economic growth is expected to slow down during 2017 and 2018. Together with the new supply entering the market, we would expect this to hamper RevPAR growth to a certain extent.

Copenhagen

Economic growth in Denmark has been sluggish at around 1.0% for 2015 and 2016 but will increase to 1.5-2.0% as we move into 2017. Copenhagen experienced a very similar trend to Helsinki and Stockholm with rolling 12 month YTD June 2016 occupancy up by two percentage points, ARR up by 7.5%, yielding RevPAR growth of 10.1%. The city has absorbed most of the new supply, and occupancy levels are very high, fueling ARR increase pressure into 2017. Copenhagen's quality supply distribution is more even and has slightly more diversification, through limited to full service and boutique sectors, than in Stockholm and Helsinki.

The Baltic States

Baltic market performance has also been positive over 2016. Riga was reasonably stable, while occupancy in Vilnius August 2016 has improved (+5.5%) and ARR is up by 3.5%, with RevPAR up 9.2%. Tallinn saw a 5.4% increase in RevPAR YTD September, owing to some rebranding, and the introduction of new Hilton hotel in June 2016. The 2016 GDP rate growth is expected to continue in 2017. Some cities, like Riga, faced an increase in supply which had been hampering RevPAR growth, further fuelled by very low pricing strategies. International brands are emerging stronger in these markets, both in the limited and full-service sectors.

Russia

The key Russian markets appear difficult to forecast. Moscow's trading volume is up by 10.3% (YTD Aug 2016) but ARR is down by 9.8%, leaving RevPAR somewhat unchanged at -0.5%. St Petersburg's trading is somewhat better, occupancy up by 4.9% (YTD Aug 2016) and ARR by 1.4%, yielding RevPAR growth of 6.3%. Trading sanctions and restriction in travel visas have impacted the sector, and domestic travel has increased room rates. 6,000 new rooms will be developed across the country as Russia prepares for the 2018 FIFA World Cup games.

Florence Mebrouk
Managing Director
France

A drop in performance for Paris market but a more positive record for some provincial areas.

The terrorist attacks in Paris and Nice have highly impacted the hotel occupancy rate in Paris and the French Riviera. Along with a spring and summer of poor weather, and the industrial strikes experienced in Paris, it is not surprising that enthusiasm to visit France has been dampened, nor that some regions have suffered from poor performance. Paris and the Riviera Coast are facing a revenue decrease of 15-20% respectively.

Against expectations, the UEFA European Championship football tournament in June 2016 did not result in better performance. The occupancy rate of Paris hotels across all segments, from economy to luxury, did not benefit from the games as expected, which is probably the result of tourists turning to alternative accommodation options such as AirBnB. Marseille, Lille, Lyon and Bordeaux saw their ADR and RevPAR increase. We also saw good performances on the Brittany and Aquitaine coasts during the summer period, and this, in turn, led to a good overall performance of these markets during 2016.

Transactional successes

During 2016 we undertook over 15 transactions, including the disposal of the 180-room Novotel Nice which occurred in May 2016. We also sold a 167-room portfolio of three hotels in the Loire Valley and a two-hotel portfolio totalling 151 rooms in Belfort & Montbeliard.

Investment activity

French institutional investors remain active as evidenced by the purchase of the Pullman Bercy by BNP Paribas Cardif for €180m in July 2016, and the purchase of Pullman Tour Eiffel (430 rooms) by Amundi. Other key French investors have continued to invest outside of France - Foncière des Murs invested more than €1bn in 2016, of which two-thirds are in Germany, including the Hyatt Regency Dusseldorf and AXA Reim bought the hotel Steingenberger***** Brussels (267 rooms) for €120m.

Other major deals to be noted include Mount Kellet's disposal of both Meridien Etoile (1,025 rooms - the largest hotel in Paris) to Henderson Park in November 2016 for €365m and Sofitel Faubourg-Saint-Honoré to a group of Chinese investors for more than €100m.
The main activity, however, remains outside of Paris, as owners within Paris wait for the market to recover before considering a sale. It is worth noting that most of the hotel market is made up of individual hotels valued below €10m which limits the appetite of key players, especially foreign ones unless the assets can be sold as a portfolio.

2017

Although 2016 has been able to absorb the impact, hoteliers, particularly those in Paris, anticipate that their market will need a minimum of 18 months to return to its usual performance, which is an average occupancy rate of 80%.

As we did not see any drop in investment volume in 2016, we do not expect this to change in 2017, although the market will remain cautious. Yields were attractive in the past because of a combination of strong performances and low interest rates, however, since performance has declined over the past year, we should be cautious when forecasting for 2017. We must take into account that the number of large transactions is always very limited and that on the whole, France does not see the same level of sales activity as other western European countries.

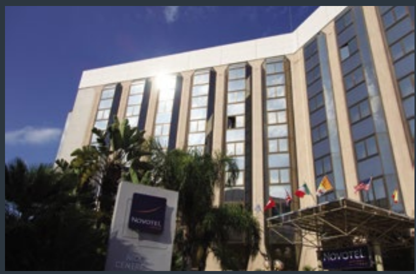
2017 will also see the French Presidential election which always creates uncertainty in business due to the unknown potential tax and legal changes. The GDP rate remains below 1% and this is unlikely to increase by much, if at all, in 2017.

In 2017, it is likely that we will see French investors considering investment in new sectors such as open air leisure or childcare.

CASE STUDY

Novotel

Nice, France



In June, we acted on behalf of AccorHotels Group and a Middle Eastern majority shareholder to sell the Novotel**** Nice Centre hotel (181 rooms). Purchased by Oletis Group to reinforce its portfolio in the south of France, the asset sold for over €20m.

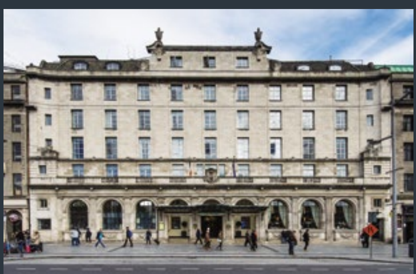
INTERNATIONAL OUTLOOK

Maureen Bayley
Director
Ireland

Strong performance was witnessed in 2016 thanks to improved consumer sentiment, an increase of over 12% in tourism visitors into Ireland and an upturn in overall economic conditions.

CASE STUDY

Gresham Hotel
Dublin, Ireland



In September, following an extensive marketing process which attracted worldwide attention, Christie & Co brokered the sale of Dublin's 323-room Gresham Hotel to Riu Hotels and Resorts for in excess of €90m.

Performance

In 2016 Ireland recorded over 15% growth in RevPAR with Dublin seeing close to 20%. These growth levels were only slightly below the levels recorded in 2015, as performance grew from the low base of prior years.

We are likely to see continued RevPAR growth in 2017 although this is likely to be lower than the recent double-digit levels recorded.

Brexit

Visitors from the UK account for 42% of total overseas tourism and Ireland is very reliant on UK tourist spend. There is concern that post-Brexit, the Irish economy may suffer due to changes in trading conditions, particularly due to the strength of the euro against pound sterling which may also impact the desire of UK tourists to visit Ireland. Brexit is set to have a major impact on the Irish economy in general as the UK is Ireland's closest trading partner. The UK is the most important market for the food and drinks industry accounting for 41% of all Irish agri-food and drink exports in 2015. 15% of all Irish goods are exported to the UK, and around half of exports from indigenous Irish companies are dependent on this market.

Transactions

The transaction market in 2016 was largely bank/receiver led, however we also saw a number of high profile voluntary sales by owners. 2016 showed a renewed strength in prices being paid, indicating a more robust hotel property market.

The most recent significant sale was the transfer of the Smorgs Ltd ten-strong property portfolio of Travelodge Hotels (780 rooms) to Goldman Sachs with TIFCO set to operate the group. The 'Lifestyle Collection' was sold in September by the Fitzpatrick family and stakeholders Patron Capital Partners to Irish American investor John Malone. Comprising the Morgan, the Spenser and the Beacon Hotels (374 rooms in total), this collection sold for €150m - a staggering €400k per room.

Two high profile hotels, which were sold following a short hold period and refurbishment, included the 501 room Doubletree by Hilton Burlington Road and the 136 room Temple Bar Hotel. Both deals resulted in substantial gains for investors who had acquired the properties in 2012 and 2015 respectively.

International interest

Interest for hotel properties in Ireland has mainly come from domestic Irish investors, many with backing from foreign investors including from the USA. Irish opportunities have also drawn attention from capital originated in China, Europe and the Middle East, but this is less common.

Supply/Demand imbalance

In 2016, we saw visitors struggling to find an available hotel room on both midweek and weekend nights, particularly in Dublin but also in secondary cities such as Galway and Cork. While this pushed up prices and resulting ARR achievability for hotels, it has made Irish cities comparatively uncompetitive as tourist destinations.

There is a reported 5,000 rooms in the pipeline for Dublin, however these are taking longer than expected to be delivered. There are over 1,300 rooms confirmed to open during 2017, many of which include extensions to existing hotels. 2018 is likely to bring further hotel schemes to fruition as a number of new builds take shape during the next 12 months. Development prospects in the short term fall short of the number of rooms required for Dublin, therefore it's likely that the imbalance of supply versus demand will continue throughout 2017 and possibly beyond.

Adam Konieczny
Country Head
Poland

The Polish market performed remarkably well over 2016, and hotels are trading very well in both occupancy and ADR. In some markets, there has been a significant increase in RevPAR with some areas seeing double-digit growth.

Business travel

This strong performance is largely due to an increase in the number of business travellers to Poland. Cities such as Krakow, Wroclaw, Gdansk and Katowice became more important from a global perspective as centres for Business Process Outsourcing companies (BPOs) – not only very basic call centres, but more advanced services. This has created a lot of jobs as well as driven demand for hotel services.

Development and investment

Over the course of 2016, Poland saw a lot of new hotel development coming to some markets. Lots of hotels are already under construction in cities like Gdansk, and although there are not many hotels in Warsaw, there is a significant pipeline to bring new hotels to fruition.

We are observing that the investment market is maturing. In the past, we had few hotel transactions in the Polish market, but now we are seeing funds coming, particularly from new regions, including Asia and the Middle East, with Korean and Qatari funds actively seeking opportunities in the country. In October 2016, Christie & Co brokered the sale of two internationally branded hotels in Poland to a Norwegian investor, showing that interest and confidence in the market is widespread.

In 2017, we are likely to see regional cities in Poland attracting more interest from investors. For example, Wroclaw, which was the 2016 European capital of culture, has become more attractive, and in 2016 Union Investments showed confidence in the market by buying a hotel in the city. Krakow saw a record number of visitors over the past year, and with ADR rates in both already rising, we expect high levels of interest in 2017.

Increase in international brands

Over the last 12 months, we have seen a rise in the number of hotel brands coming to Poland. A lot of new brands are looking into Polish opportunities, with some being very active in their enquiries.

A large number of German brands are entering the Polish marketplace, with operators such as MotelOne, Intercity and Leonardo taking opportunities in both the capital and in secondary cities. Spanish chains, like Melia, Barcelo and NH are also actively looking in Poland, and as we came to the end of 2016, Movenpick and Kempinski were in discussions regarding their Polish options.

2017/18 will see the opening of the first Raffles Hotel in Warsaw, and it is likely that in 2017 we will see a rise in the number of upscale brands looking to come to the city for the first time. There is also scope for Krakow to host a five-star hotel given the lack of upscale offerings that exist in the city, and over the course of 2017, we may see top-level hotel brands looking at opportunities there.

Future growth

During 2016, Warsaw saw one of the lowest ADRs of all the EU capitals, so there is definitely scope for growth as we enter 2017. Next year, we will see solid growth in business destinations in terms of occupancy. We are likely to see even stronger growth in ADR, due to relatively high levels of occupancy in cities like Warsaw and Krakow.

CASE STUDY

2 internationally branded hotels
Poland

In October, Christie & Co was responsible for the sale of two well established 4-star hotels in the key Polish cities of Gdansk and Wroclaw.

Centrally located in two of the strongest cities within Poland, these offer a combined total of over 300 bedrooms. We were instructed by an institutional pan-European hotel fund and sold to a Norwegian high-net worth individual.

Inmaculada Ranera
Managing Director
Spain & Portugal

2016 consolidated the recovery of the Spanish hotel industry in terms of trading resources as well as investment appetite in Spain. Conversely, Portugal's recovery from the downturn has been longer and tougher than other countries, but it is now a market that is of interest to investors and operators.

Safe travels

Spain benefitted from its image as a safe destination, especially when compared with other Mediterranean competitive countries, such as Turkey and North Africa, which have suffered successive waves of terrorist attacks. The first seven months of 2016 saw an 11.6% rise to just over 2m passengers to the Balearics and a 9.3% increase to 1.5m visitors to the Canary Islands. In contrast, passenger numbers to Turkey, the second largest destination, fell by 13.4% to 2.76m travellers over the same period.

According to Exceltur, 14.4m of British visitors came to Spain up to September, representing a 13% increase from the previous year, showing that while Brexit uncertainty might have an impact on 2017 activity, 2016 saw positive results.

Investment activity

In Spain, SOCIMIS (Spanish REITS), Spanish and foreign investment funds, hotel operators and family offices are all active, as are Chinese investors. The recent strong performance of Iberian resort destinations is attracting interest from major investment groups who are actively seeking opportunities. Most transactions in resorts concern the purchase of existing hotels for redevelopment, but there is still room for new developments.

Spanish and American REITs and funds are very transactionally active across all sectors of the Spanish market. During the recent crisis, most of the hotel operators preferred to sign management agreements, and leases were renegotiated to convert them into agreements with a fixed and variable lease component, or into management agreements. With REITs being so active in Spain (80% of assets under REIT investment have to be under a lease agreement) the leases have been relaunched again. This will be a trend to watch in 2017.

Investment is highly-focused on resort destinations (54%), with urban locations accounting for 44% and smaller cities only 2%. Domestic buyers account for the great majority of total purchases, but foreign investors, predominantly from the US, as well as the Middle East, are interested in growing markets such as Spain.

The key players in the Spanish hotel market are domestic chains with Marriott-Starwood, Accor and Hilton being three of the most active foreign groups. Despite chain hotel development stagnating for some years, largely due to the severe 5-year recession, since 2015 we have seen transactional activity coming back and hotel chains in search of new opportunities.

Political uncertainty

After months of political uncertainty, October 2016 saw a new government come into place. With the consequent political stability, the market should accelerate. Investors are actively seeking new opportunities, and transactional activity will increase further.

Land of opportunity

We foresee that in 2017 the interest will be balanced between sun and beach and urban destinations. Previously, with vacation areas being seasonal, investors were reluctant to look at them, but this has changed and investors now realise how resilient these areas can be, and how attractive the returns are. Transactional activity in cities, particularly Madrid, Barcelona, Málaga, San Sebastian and Bilbao, will continue to grow as long as prices are sensible and in line with the expected returns. After a few tough years, Spain has become a land of opportunity.

CASE STUDY

Spanish Hotel Market Review

Spain

In 2016, we released Hotel Market Reviews on the most competitive areas in Spain & Portugal, providing clients and potential investors with valuable insight into the hotels market. These analysed the growth in visitors, the characteristics of the hotel offer and recent performance indicators. We also reviewed the hotel projects in the pipeline, highlighting increasing interest among industry players to develop quality accommodation in these cities.

Joanne Jia
Head of Asia

Following its introduction in 2015, the Asia desk has concentrated on three main business areas – Hotels, Education and Elderly Care.

In light of the recent, and unexpected, result of the Brexit referendum, many investors are adopting a cautious approach in the short-term until a better understanding of the UK and Europe's future relationship emerges. However, the current weakness of pound sterling presents a significant opportunity for overseas investors, with effective prices significantly reduced.

Investors from China and Hong Kong in particular remain active, and many transactions have completed recently at both a property and corporate level. Current uplifts in performance across much of the UK accommodation sector, arising from its increased attractiveness to foreign tourists and the boom in domestic staycations, is only helping to support this trend.

The overarching feeling is very positive, and investors all seem to see the UK as a viable investment market.

Hotels

UK hotel acquisitions completed by Asia capital reached £1.75bn in 2015, and over £2bn for the last 21 months, of which Chinese and Hong Kong investors account for over 50%. Although there was a reduction in disposal volume caused by the uncertainty of the referendum, some overseas investors are still seeking bargains.

We have been assisting Asian investors in European markets through both the buy and sell sides, and helping Asian hotel operators globalise their brands. Due to increased competition in China, many local hotel brands are looking to globalise and have asked for our help to analyse and critique their current situation, provide an insight into the European hotel market, and make suggestions to allow them to formulate and develop new strategies. In September 2016, Christie & Co was named as Vice President of the Hotel Investors Association – a hotel division of the China Real Estate Chamber of Commerce (CRECC) – and invited to become a long-term co-operation professional consultant.

Care

In Asia, especially China, the elderly care home business is a new concept, as the Asian elderly care home market is akin to the UK market 30 years ago. This is largely due to demographics and the knock-on effect of the single child policy in place from 1978 - 2015. With parents of the one-child generation now becoming elderly, their child is often not in the same city and unable to personally provide care, creating very strong demand drivers for the elderly care market.

Companies are trying to understand how to make a profit out of this business, and as a result, we are trying to bring elderly care home management companies into the market. We are co-operating with companies to undertake feasibility studies in China and we are also looking to introduce senior managers into the Chinese market. In addition, we are co-operating with elderly care training institutions to introduce training programmes into the market.

Education

In Asia, we understand that many western educational organisations are very keen to expand their businesses and so we are working on their behalf to find the right opportunities in the region. We also work on behalf of Asian investors, usually real estate companies, to undertake feasibility studies for their proposed projects in Asia and invite western organisations to bid for the projects.

Looking to 2017

We have a very strong belief that the elderly care and education businesses can be developed in Asia. As we continue to make inroads into these sectors over 2017, we foresee a successful picture.

CASE STUDY

The Chinese tourism market

Asia

In 2016 we prepared a research report on behalf of Pandox Berlin GmbH, a large multi-national hotel operator, to explore Chinese outbound tourism.

We examined the hotel market and proposed a strategic implementation plan to prepare them for the influx of Chinese tourists visiting Stockholm for both business and leisure purposes.