CHRISTIE & CO

BUSINESS OUTLOOK 2017

MAPPING A WORLD OF CHANGE

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BUSINESS OUTLOOK 2017

MAPPING A WORLD OF CHANGE

Contents

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.

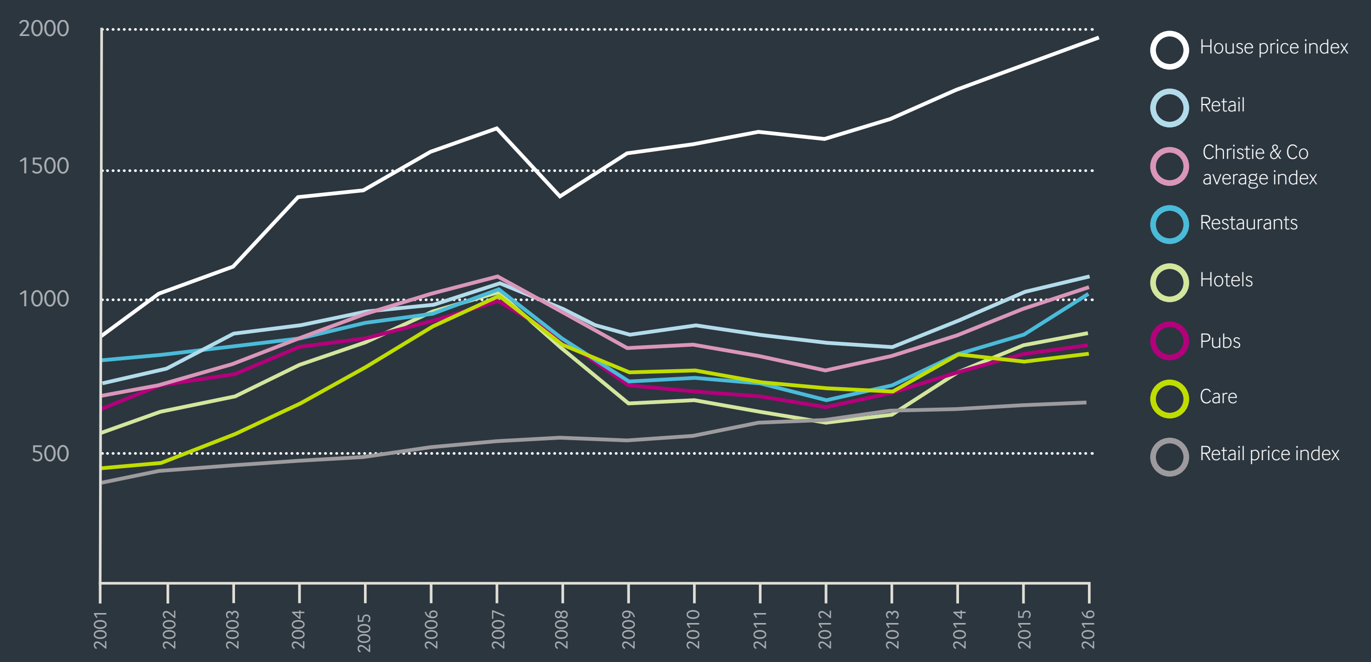
The availability of funding is a driving force within the business cycle; with base rates reduced, margins have tightened, and with borrowing becoming ever-cheaper, we are likely to see more borrowers attracted. However, the challenge remains finding good businesses to buy.

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.

Michael Hodges
Head of Consultancy
Care

The most critical issues in the UK's Adult Social Care sector are funding and staffing. Christie & Co's Healthcare Consultancy team has been responsible for the production of groundbreaking research into these issues including the creation of new KPI benchmarks for the sector.

2015

In 2015, our research document titled "The UK Nursing Workforce – Crisis or Opportunity" examined in detail the shortage of nurses within the UK and also identified potential solutions with input from leading industry figures, Dr Pete Calveley, Kevin Groombridge and Dr Chai Patel. Key findings included our conclusion that in 2015 there was a shortage of 15,000 full-time equivalent nurses. We also identified a need to revise immigration policy to place nurses back onto the shortage occupation list and undertook a survey of the 20 largest nursing home providers to understand the scale of agency usage and staff cost ratios. We are proud that this report was subsequently featured in a House of Lords debate with several of our key conclusions being acted upon and even in late 2016, was still being referenced in answers to parliamentary questions by Ministers of State. The most significant were the subsequent government decisions to place nurses back on the shortage occupation list and also the introduction of the new "Nursing Associate" role.

Christie & Co's Healthcare Consultancy Team once again produced groundbreaking research on issues relating to funding and staffing for adult social care. These will once again be the most important issues facing care home operators in 2017 with the National Living Wage set to rise again in April 2017.

2016

Moving into 2016, the issue of funding was brought sharply into focus with the introduction of the new National Living Wage. With many care assistants and domestic staff remunerated at the former National Minimum Wage level, there was significant concern that care operators would need to absorb this increase in cost unless local authorities provided compensatory fee rate rises. In July 2016, we were delighted to publish our latest piece of research "Funding, Staffing & the Bottom Line" which included a survey of all local authorities together with over 200 leading operators in both elderly and specialist care. While we concluded that the nursing shortage had remained constant at 15,000 full-time equivalent vacancies, we were very pleased to report the dramatic increase in the recruitment of new overseas nurses following the immigration rule changes and, also, a welcome boost in funding with an average local authority fee rate increase of 4.5%. The trend of positivity continued with the subsequent and unexpected government announcement about the increase in the Funded Nursing Contribution from £112 to £156.25 per week.

2017

So what does the future hold for 2017? Well, as we have seen with 2016, there are positives to talk about although operators continue to grapple with many operational and asset-related challenges. The exciting point is that a significant number of new care homes are being developed and operators are very focused on asset specific strategies. Investors and landlords have also embraced the importance of performance monitoring, a service which Christie & Co is now providing to a number of major investor clients.

Healthcare remains a very attractive asset class for investors although, following the recent announcement that the National Living Wage is set to increase again, all industry participants will be watching closely to see how fee rate settlements are determined for 2017. With the recent Autumn Statement being silent on Adult Social Care, it must be hoped that local authorities allocate sufficient funding to ensure that the trend of fee rate increases for 2016 continues through 2017.

As a consequence of all of these points, the demand for Christie & Co's healthcare consultancy services has never been stronger. Our market leading data and data analytics system coupled with our granular knowledge of local markets enables us to provide clients with expert advice backed up by comprehensive data analysis. In 2016, our areas of activity expanded into the related markets of pharmacy and dental. We look forward to continued growth 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.

Market predictions

We anticipate that hospitality, leisure trips and tourism will all see improvements in 2017.

Cost of finance will remain low, with no movement in interest rates expected in the next 12 months.

The National Living Wage will continue to have an impact on the profitability of businesses.

Market sentiment is expected to remain stable in the first half of 2017, as the Brexit process unfolds.

£6bn+

worth of assets valued in 2016

50m

data points supporting our valuation and advisory work

48

one of the largest teams of RICS Registered Valuers in our specialist sectors

Business Rates

The 2017 Business Rates Revaluation is almost upon us with the draft list figures having been released at the start of October 2016 and the list set to come into force on 1 April 2017.

The draft list figures are provisional figures that have been released for ratepayers in order to budget for the rate year ahead. The Valuation Office has created a tool on their website for ratepayers to calculate their estimated liability for the first year of the new list, however, there is no information beyond that yet in terms of how occupier liability will fare across the further four years of the 2017 list, and so business owners will still face some uncertainty long-term.

The figures released in October 2016 showed an overall increase in rateable values. This is due to higher values in London, the South East, and South West as well as increases on assessments which are valued on a turnover basis, such as public houses, hotels and petrol filling stations. There have been some quite staggering increases across these asset classes. Some occupiers face significant hikes in rates payable that will stifle future investment and growth in the sector if not challenged and reduced.

Any increases or decreases in rates payable will, however, be phased-in due to transitional arrangements. This is a system whereby the the rate payable is calculated based on the preceding year's liability plus a percentage increase or decrease. The Valuation Office has altered the way this will be administered on the 2017 list, splitting assessments into not only Small and Large classifications but also introducing a Medium category of properties. The bandings are based on the prevailing rateable value at the premises and will drastically affect how a new rates bill is calculated. A Large property for example (classed as a rateable value above £100,000) will have to absorb a 45% increase in the first year, rather than a 12.5% phased year 1 increase on the previous 2010 List – a marked difference that will impact on businesses.

At the same time a now 'Large property' would only benefit from a 4.1% reduction in their rates from the previous year, even if the rateable value has reduced at a much greater percentage. As such, just because rateable value has changed dramatically it may not necessarily mean occupiers see the full benefit or the full damage until transition has been applied and taken into consideration.

Another of the main talking points for the 2017 list is the introduction of a Check, Challenge and Appeal system by the Department for Communities and Local Government (DCLG) which it hopes will make appeals quicker and more efficient, and reduce speculative appeals.

This means that appellants can only submit an appeal with full and frank reasoning as to why the assessment is incorrect and provide all the relevant information upfront at the time of the challenge, as well as a revised rateable valuation. The reliance upon expert knowledge, market KPIs and benchmarking, as well as an in-depth understanding of the rating system, will now be of paramount importance if rateable values are to be effectively challenged and reduced.

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

Nick Baker
Managing Director
Christie Finance

Throughout 2016, the market of connecting borrowers to lenders has remained fundamentally sound, and is characterised by some core characteristics and opportunities.

New lenders

We predicted last year that the market would diversify, and indicated that in 2016 there would be more commercial lenders than ever from which to choose from. It's fair to say that few were prepared for how this particular facet of the commercial mortgage market would develop over the year.

As we approach our 40th year, Christie Finance is still completing on financing deals with some lenders for the very first time. We have completed on transactions with over 20 lenders over the course of the year, and, at the time of writing, there are around 20 new lenders with active banking permission applications lodged with the Financial Conduct and Prudential Regulation Authorities. We have never known so many new lenders applying at the same time, and it is more evident than ever that an applicant looking to secure commercial financing needs a good broker to help them navigate such a diverse and ever-changing market.

The number of lenders in the market can only broaden, and we predict that over the next 12 months numbers will rise to over 30. It is essential that borrowers take good advice at the start of the process to ensure that their business case is presented correctly to as broad a range of providers as possible.

Positively for borrowers, this will undoubtedly lead to oversupply. If there is more supply and similar demand, which has not changed despite the potential implications of Brexit, the cost of a commercial mortgage will continue to reduce without question. In addition to the Bank of England reducing base rate to 0.25%, we have seen bank lending margins reduce significantly this year; margins can now regularly be under 2% - something which we haven't seen since before the 2008 Banking Crisis.

Margins can now regularly be under 2% - something which we haven't seen since before the 2008 Banking Crisis.

However, some of these new challenger banks are not getting the scale they had hoped to achieve, no doubt in part because of the crowded nature of the market. There is not one challenger bank which currently has a balance sheet of more than £40bn; this suggests that the lending market will consolidate in 2017. This will either be from two challenger banks with different offerings coming together to get synergies in terms of marketing, distribution and cost or for some of the tech-driven new lenders, being acquired by one of the more traditional banks who will try to offer a different type of product to their customer base. We said in 2016 that consolidation was likely, and we expect this theme to continue over the coming year.

Fortune favours the brave

A competitive commercial mortgage market means that fortune favours the brave. If your business is in the right shape to grow and you have proven your model, buying additional businesses or properties, or expanding and going into different areas, financing can be obtained at levels which have been unthinkable until recently. In fact, in many ways, now is the best time to seek commercial borrowing for over a decade.

Up to and including Q3 2016, we saw a 24% year-on-year increase in average loan size arranged across the Christie Finance business. We had already seen an 80% rise from 2014 to 2015. This suggests a wider range of operators of all shapes and sizes realise they need a broker fighting their corner.

Business lending is predicted to shrink by around 1% this year, 1.8% next year and a further 1% in 2018, according to the Ernst & Young Item Club's latest report on financial services. Lending had been expected to rise this year and beyond, after a steady decline since the financial crisis. In any other area, a 1% fall would be seen as negligible, and even as static, so we must not take these figures as a sign of a declining market - which would be the polar opposite of the conversations we have with UK SMEs on a daily basis.

In fact, the UK banking sector passed the latest EU-wide health checks in late October. The Bank of England said the stress tests, which were overseen by the pan-European banking regulator, showed that the British financial industry was resilient enough to cope with downturns in the economy and the markets.

Walter Murray
Managing Director
Christie Insurance

In broad terms, it's been a good year for Christie Insurance. Over the last 12 months we have maintained our expected volume of clients, launched Forecourt First, a comprehensive insurance package for retail forecourts, and more recently, a Terrorism cover that improves on the traditionally available cover within the insurance market.

Although Brexit may have some impact on the insurance sector, it won't have a cataclysmic effect.

The year ahead

The number of insurers in the insurance market, both in the UK and worldwide, grows every year. Due to increased competition in the market place, where insurers are looking for business from the same pool of clients, the expectation is that the cost of insurance will either stay the same, or there might be some small growth in rates/ cost, apart from a small group of unique insurers dealing with very niche sectors where capacity is limited. Some already known exceptions are cyber insurance and directors and officers insurance, which insures individuals in the operation of their businesses – as the threat of both cyber attacks and litigation against individuals increases, we'll see the cost rise for both types of cover.

Within the Christie Insurance sectors we are not envisaging much change, however, the elderly care sector still has a limited number of insurers operating within this sector, which indicates that the cost and availability of insurance for elderly care will remain challenging – however, we expect to have a new insurer option up and running within the new year which will assist our clients.

No Brexit woes expected

Although Brexit is an issue, it may not pose a major problem for the insurance sector. There may be some UK-domiciled insurers like Aviva and RSA who may have issues going forward, but Zurich, a major player in the UK, is already domiciled in Dublin, and both AXA and Allianz are non-UK companies with long established networks in their home and EU countries. Plus we are seeing the likes of Lloyd's making plans to establish itself in the EU.

There are also indications that most UK insurers will have achieved EU requirements on solvency that will allow them to access the EU, so although there may be some impact on the insurance sector, it won't have a cataclysmic effect. The EU Governments may want an insurance industry that is functioning - if the EU local insurance market can't underwrite a risk and the London market can, it is improbable that they will want to see insurance costs rising or insurance become unavailable when it is available in the UK.

The Insurance Act

In our experience, clients have not yet seen the impact of the introduction of the Insurance Act. It's a positive move to create a new and fairer balance between policyholder and insurers and provides more transparency, and it ends the ability for insurers to reject a claim based on an unrelated issue. For example, some insurers would use the breach of an alarm warranty to avoid a flood claim which made no sense to anyone but the insurers, but the new Act will balance the redress open to insurers. Pre-Act, the onus was on an owner of a business to disclose all material facts that may influence an insurer regarding risk. The average business owner could not be expected to know what would constitute material facts and so may have left out information in the past.

Now, the business owner is expected to disclose what could be reasonably considered to influence an insurer - the onus is on the insurer to investigate the risk proposed and to ask the right questions to assess the risk. The information required from policyholders will give a more rounded, realistic and relevant picture of risk.

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BUSINESS
OUTLOOK
2017

MEDICAL

MAPPING A WORLD OF CHANGE

Simon Hughes
Managing Director
Medical

Transactional activity remained extremely robust in 2016 with supply yet again a challenge for expanding operators. The more challenging geopolitical landscape has had no significant impact on primary care sectors to date.

Dental

The year started with the two corporate consolidators, Oasis and MyDentist (formally IDH), continuing their 'buy and build' strategies from previous years. It ended with Oasis announcing its sale to BUPA and MyDentist reportedly slowing its acquisition activity to focus on its core portfolio.

Integrating the Oasis practices (c. 371) could lead to a slowdown in its acquisition plans, although it's too early to say. If this does occur, with many other expanding mini-groups and independent buyers in the market, it is unlikely to affect single asset demand. The potential impact is more likely to affect the exit plans of the mini-groups themselves. In recent years Oasis and MyDentist have been seen as the 'go to' trade purchasers for such businesses. Should either or both temporarily rein in their expansion, it will be necessary for business owners to be more strategic in terms of how they achieve a planned exit, potentially exploring break up solutions or a sale to private equity.

Demand for all types of practices remained strong across the UK, with the most frenetic bidding activity seen in the traditional hot spots of London and the South East. Despite the future changes to the NHS dental contract and near zero growth in the NHS contract value year on year, there seemed to be no let up in demand for mixed practices, with multiple bids being received.

Liquidity remains an issue - we estimate only around 6% of the total UK stock of 11,000 practices came onto the market in 2016. Of these, we estimate that 60% or 450 actually transact annually in the current market.

Negotiations surrounding the new dental contract continue with no firm date, although 2019/2020 is the current best bet. There is much debate about the success of the various prototypes currently being tested, with dentists generally supportive of the proposed new system.

However, there remain some profound concerns about patient access due to the significant extra time that dentists are spending assessing patients. This will impact performance and have potential consequences for principals who do not achieve their overall target.

Pharmacy

In October, newly appointed Pharmacy Minister, David Mowat, announced that funding cuts would take effect from December 2016 with the global funding settlement reduced by £113m for the current financial year to £2.687bn, with a further reduction in 2017/2018 of £95m to £2.592bn. Whilst the scale of the cut for 2016/17 was £57m less than anticipated, the implementation of the cuts has understandably caused concern within the sector. As part of its announcement the DoH has restructured the payment of service fees into a Single Activity Fee, whilst also introducing new payments to include the Quality Payment Scheme and Pharmacy Access Scheme which will help mitigate some of the impact the cuts will have. Sector representatives continue to lobby against the cuts, and as we go to print the PSNC has announced that it is seeking a Judicial Review. In the meantime, contractors will have to implement measures to absorb this loss.

From a sales point of view, whilst there was a flurry of activity in the first quarter, as some operators reacted to the DoH's December 2015 announcement, this settled down at the end of Q2 as industry rumours hinted that the funding cuts were likely to be delayed.

At the end of 2015, approximately 79% of applicants registering with us were first-time buyers or new entrants to the market. Move on three months into 2016, and this had risen by five percentage points to almost 84%. Whilst this settled slightly as the year progressed, we expect to see a similar spike as pharmacists react to employment uncertainty as a result of the cuts implementation. This drive to ownership has been an underlying factor in the marketplace for a number of years but none more so than in 2016. We expect this to continue through 2017.

We've seen increased appetite from existing independent and multiple operators who see potential opportunity to acquire further pharmacies as more come to market. In 2016, we've experienced an average of 110% of asking prices and eight offers per pharmacy sold.

As we go into 2017, we anticipate a further raft of sales as the funding cuts take effect. However, with burgeoning demand and the still relatively few pharmacies available for sale, we are confident that appetite will continue well into 2017.

Market predictions

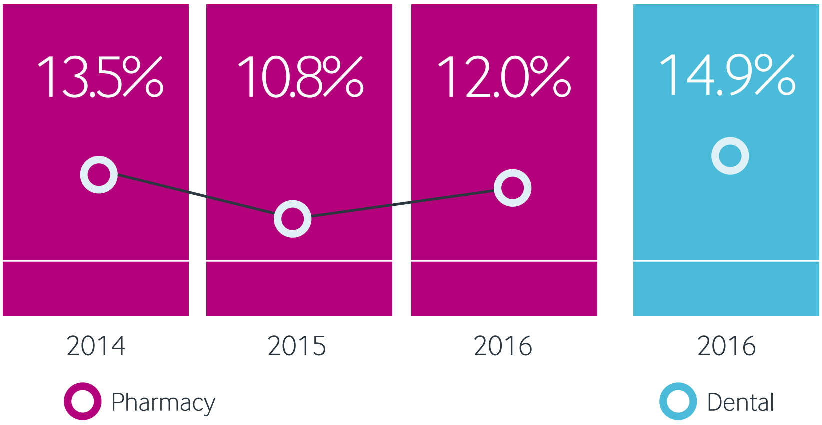
Recruitment to remain a real challenge in the dental sector, particularly in 'the corners' of the UK.

Pharmacies will see a change in focus as they seek to meet 'gateway' and 'quality' criteria to obtain remuneration under the newly implemented Quality Payment Scheme.

Both sectors to continue as a safe haven for private investors and family money.

Increased sale activity from the end of the first quarter as pharmacy contractors feel the impact of the funding cuts on their remuneration.

Movement in average prices, year on year in percent



40m

number of data points supporting our valuation and advisory work

541

total number of businesses advised on, valued or sold

CASE STUDY

Smile & Madeira
Dorset

In January, these two prominent practices, under the same ownership in Dorset and consisting of 10 surgeries, were sold by Christie & Co.

The three working Principals were retained in the business which we sold to a multiple operator. We worked closely with our clients to ensure that their best interests were protected, negotiating matters such as deferred sale price, tie-in periods and Associates' terms.

Garners Pharmacy Limited
Yorkshire and North Lincolnshire

Christie & Co successfully brokered the sale of Garners Pharmacy Limited to Day Lewis plc. The group consisted of four freehold community pharmacies located in Yorkshire and North Lincolnshire with a combined annual turnover of £3.5m and dispensing around 27,000 NHS items a month.

Marketing commenced in January 2016, with best-and-final bids received in March. The sale, to the market-leading Day Lewis plc, completed in August 2016.

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BUSINESS
OUTLOOK
2017

CARE

MAPPING A WORLD OF CHANGE

Richard Lunn
Managing Director
Care

The care sector transactional market in 2016 reflected two major events of the year, namely the introduction of the National Living Wage and the UK's Brexit vote.

A number of larger sales processes in late 2015 and early 2016 stalled as buyers and investors factored into their pricing a full negative impact of National Living Wage, whilst assuming very low or negligible increases in fee income to offset these costs. Sellers, naturally, assumed more optimistic increases and balances in compensatory fees, which led to vast differences in pricing between the buyer and seller. This meant that many transactions in H1 were pulled and operators focussed on improving performance.

Local Authorities' ability to raise taxes were enhanced by the announcement of a 2% annual council tax precept over 3 years, subsequently revised in December 2016 to provide the same uplift over 2 years, meant many fee settlements were close to 4%, which, when combined with the significant increase in the rate paid for funded nursing care (FNC), meant that the actual impact of the National Living Wage was somewhat mitigated. Clearly other cost increases, the recruitment, and retention of qualified staff and added regulatory burden all continue to squeeze operator margins, in particular those who are solely focussed on looking after Local Authority funded clients. Many operators continue to subsidise and offset the low level of fees for looking after publically funded clients, with increases in the level of privately funded resident fees by an average of 6-8%.

As a result, the care sector remains a challenging but attractive marketplace for investors, particularly those with experience and capital. Our regional agency team continues to transact many homes for corporate operators looking to dispose of non-core or poorly performing stock. We have undertaken major disposal programmes for most of the larger corporate operators - these opportunities have been positively received by local operators who have the capital and capacity to remodel and reposition these services. In the first half of 2016, we transacted sales of over 150 individual homes to local and regional buyers, with average sale values between £500,000 - £4m.

Brexit brings challenges and opportunities for all sectors, however with staffing costs often in excess of 60% of turnover, the ability to recruit people to work in the care sector remains one of the biggest issues facing operators. UK investors and operators remain cautious in terms of larger transactions, however, the reduction in the value of pound sterling has made the UK market more attractive to overseas investors, in particular, China and Malaysia, together with existing interest from American REITs and operators - the largest transaction in 2016 was the sale of Priory to Arcadia Healthcare.

We have continued to see an increase in the level of distressed stock coming to market, which in part is driven by a less conciliatory regulator and a tightening of margins for some operators. In December 2016, only 1% of all services had been rated outstanding (the highest rating) by the regulator, 71% rated good, but 26% rated as requiring improvement and worryingly, 2% rated inadequate. As standards continue to improve in both operational terms and the quality of the services, older, underinvested stock is failing at a quicker rate. Many operators, when faced with the twin challenges of reduced occupancy and inability to recruit nursing staff, have simply closed their services or repositioned them as residential care services. In turn, this will lead to improved occupancy for those remaining quality operators, and a greater challenge for Local Authorities to find beds in some areas.

The market for quality homes remains robust, with many operators and investors chasing the limited supply of newer purpose-built or remodelled services, and values for this type of stock has remained strong.

The trend for development of purpose-built services continues, especially those aimed at the private pay market and particularly for the larger corporate operators who look to supplement their portfolios. Yields for prime new build homes let to the best covenants have seen further compression with institutional funds remaining very acquisitive. We have also seen significant activity in new and emerging areas of the care market, particularly care villages and extra care schemes.

The wider market for care investment assets and portfolios has also seen increasing activity with the most notable deal being the acquisition by Lonestar of the Quercus healthcare investment portfolio from Aviva. This deal illustrates a trend of increasing activity in the secondary investment market with a number of other transactions being concluded involving either older homes or regional covenants.

Looking ahead to 2017, we anticipate a busy year with more portfolio activity and continued portfolio churn. Funding remains the key challenge and all eyes will be on where local authorities determine fee rate increases for the year ahead, together with new announcements which are anticipated in relation to the FNC.

CASE STUDY

Links and Lindsay care homes

Bournemouth

In October, Bupa UK acquired The Lindsay and The Links care homes in Bournemouth from Primetower Care in a company share sale brokered by Christie & Co.

The two homes offered a unique opportunity to acquire purpose-built, private pay care businesses with geographical synergy and excellent prospects for growth.

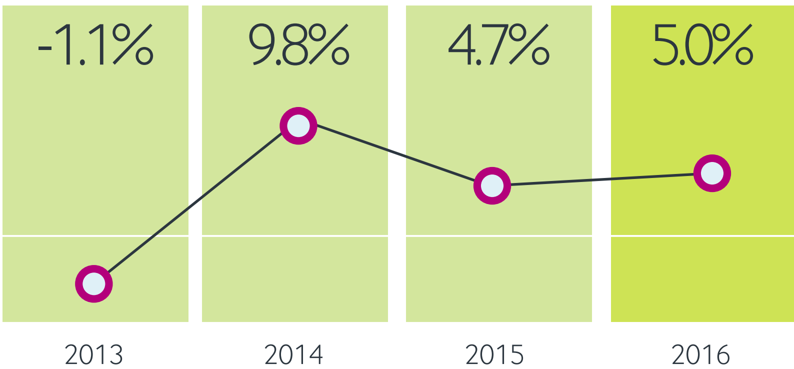
Market predictions

The themes of funding and staffing will continue to drive the operational agenda for 2017.

Quality will remain the key area of focus for operators and investors alike.

An increase in larger portfolio transactions and refinances is likely.

Movement in average prices, year on year in percent



17.7m

number of data points supporting our valuation and advisory work

1,185

total number of care businesses valued or sold

3

BUSINESS
OUTLOOK
2017

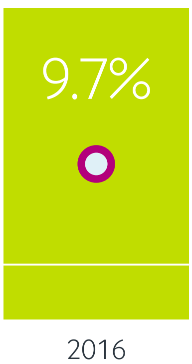
CHILDCARE & EDUCATION

MAPPING A WORLD OF CHANGE

Courteney Donaldson
Head of Childcare & Education

2016 has been a phenomenal year for UK day nursery sales of all shapes and sizes - from the sale of Asquith Nurseries, a portfolio of 90 nurseries nationwide, to the sale of 21st Century Kidz a single setting in Blackburn, we have seen continued demand, and in many cases market setting prices and premiums being achieved.

Average day nursery price increase in percent



Parents increasingly need to work and so demand for high-quality formal childcare remains strong. This market driver, when viewed alongside demographics, government policy, consolidation opportunities and business metrics, underpins the rationale as to why the nursery sector is becoming increasingly attractive.

Childcare has government backing and is therefore positive for both investors and operators alike, on the proviso that costs of delivery are adequately met. Banks also take comfort in the sector and are keen to lend financial support to their customers to aid their expansion and acquisition plans. Many high street banks have recently rewritten and improved their credit lending policies towards the childcare sector.

Key UK regions continuing to experience demand for high-quality assets are the South, South East, and London, and when such settings with proven earnings come to the market, deals are often agreed within days.

The pool of acquisitive, funded buyers is likely to grow further during 2017 as we continually receive new enquiries. We also expect to see an increase in overseas operators and investors making their first acquisitions this year.

Business Rates will be a hot topic for 2017. Operators will need to monitor and manage their occupancy levels, fee increases and operating costs on a monthly basis so they can ensure that operational costs are covered by revenues received. Some will be subject to greater cost pressures than others, and proactive measures may be required.

Education & specialist childcare

Save for a number of high-profile transactions, activity and demand across the UK Independent School market has been at a steadier pace compared to activity and demand elsewhere across the globe during 2016. We continue to see increased demand in International schools from across Europe, Asia and in particular China. As of November 2016, the number of Independent Schools in China reached 661, the world's largest number of registered International schools in one country, with the majority located in Beijing and Shanghai. In December 2016 our team were invited to deliver a presentation on "The development and trend of International Education in China" at the Annual Real Estate Development Conference in Shanghai.

We are increasingly seeing overseas operators and investors, especially from Asia and the UAE, looking toward the UK in a bid to identify and acquire high-quality education assets. Likewise, UK education business owners are starting to look overseas for high-quality education business acquisition and investment opportunities, with Asia, UAE and China proving increasingly desirable and sought after localities.

One of the most significant transactions of the year was the listing of AcadeMedia, the largest independent education provider in Northern Europe, on the Stockholm Stock Exchange in June 2016.

Buyer demand for educational and specialist childcare businesses has continued to outstrip supply. High-calibre businesses, which can demonstrate established and high yielding earnings, will remain much sought after and continue to command premium prices.

AcadeMedia operates 550 centres across Sweden, Norway and Germany, supporting some 140,000 children and students each year which attend the companies' pre-schools, compulsory schools, upper secondary schools and adult education courses.

In the UK, we have seen an increase in activity in the education and specialist childcare markets, including transactions in the foster care, children's homes and specialist school sectors. Groups have become increasingly keen on expanding via the re-ignition of both acquisition, and organic development strategies.

We expect activity within the education and specialist childcare markets to increase during 2017, across both domestic and international markets.

Market predictions

Further consolidation across the UK nursery market, driven by demand from regional and national groups, alongside increases in acquisitions by new entrants.

An increase in transactional activity across the foster care and specialist childcare sectors, particularly from small and medium sized regional groups seeking acquisition and expansion opportunities.

Inward investment from overseas, across both the Early Years and Independent School sectors.

Nursery operators are likely to seek professional strategic advice associated to 30 hours implementation, alongside gaining insight into how they can operate their businesses in a more efficient manner.

Advised on childcare and education assets with an aggregate value circa

£1.1bn

88

schools valued in RICS 'Red Book' compliant reports for secured lending purposes

CASE STUDY

Positive Steps Children's Day Nurseries Ltd

South East

In the biggest regional childcare portfolio sale of 2016, Christie & Co brokered the sale of Positive Steps Children's Day Nurseries Ltd – an established group of eight childcare settings and one development site with planning consent for day nursery use – to Busy Bees Nurseries, one of the UK's leading childcare operators.

The portfolio was one of the most highly-acclaimed in the South East with all of the nurseries located in prime sought after trading locations around London and the surrounding counties.

The knowledge and experience which Christie & Co as a company were able to provide and its intimate knowledge of buyer behaviour enabled the Childcare team to achieve a sale which was a perfect fit for all parties concerned.

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BUSINESS
OUTLOOK
2017

RETAIL

MAPPING A WORLD OF CHANGE

Steve Rodell
Managing Director
Retail

Petrol station transactions were at a post-recession record in 2016. We sold more petrol stations in 2016 than any other year and group deal activity resulted in a two-tier pricing structure. Convenience remains at the centre of the multiples growth strategies with fresh and 'food-to-go' driving profitability.

74% of convenience retailers are first-time investors. Corporate disposals represent an opportunity for such investors.

Focus on independent petrol filling stations

During 2016, the forecourt market was driven by, at the top end, four private equity-backed 'super dealers'. As the oil companies have finished their disposal programmes they turned to the independent sector for growth. Going into 2017, we may see some activity from Shell and BP, but attention will be focused on the independent groups.

The independent dealer market, where there is a price differential slightly below the level of group deals, is heated. Simple laws of supply and demand are in effect, and there are just not enough quality sites available. Existing operators are keen to acquire a second, third or more.

First time buyers also remain keen to enter the market and are willing to pay a premium to get there, frequently on a leasehold basis. Behind all this sentiment are banks which are currently keen to lend into the sector.

Supermarket branding and deregulation

We've seen the emergence of supermarket branding appear on forecourts in the last 12 months. This is a result of the major grocers looking to improve performance after a tough couple of years. Euro Garages announced their trial with Sainsbury's in October and we are likely to see some of the other leading independent dealers become supermarket branded franchisees in a similar way that BP own and operate its sites, under the M&S brand.

Regulation has been lifted on the development of new motorway service areas (MSAs). Providing an operator meets proximity regulations and can obtain access to the highway, they can build a site more or less anywhere. As a result, in 2017, we expect to hear MSA operators announce the development of greenfield sites to include not only a new filling station but also casual dining and coffee outlets.

Reinvent to survive

Analysts seem to concur that convenience sales and large multiples in the convenience sector are growing. The fact is that there is more choice in the market, and operators are increasingly having to find the right formula to survive and thrive in the market.

We have seen McColl's transforming itself in terms of churn within its estate and acquiring bigger and better convenience stores at the top end while disposing of those at the lower end. In 2016, Christie & Co played an important role in purchasing, disposing and valuing assets for McColl's Retail Group Plc including a Class One valuation of properties as part of their acquisition of 298 convenience stores from the Co-operative Group.

We can clearly see a two-tier convenience market whereby anything turning over £15,000 per week attracts multiple offers – and branded stores and post offices command premium pricing. Stores that turnover less must be competitively priced to sell.

Diversification

Retailers are aware that traditional convenience lines can no longer be solely relied upon, and increasingly offer something different. Potential buyers look at this latent potential and seek profitable add-on services – food-to-go and coffee-to-go are particularly popular within this sector and are becoming increasingly common. We expect this trend, along with fresh food provision, to grow through 2017 as operators look to diversify and maximise their turnover. We will also see a sideways push to bring standalone Post Office units into the convenience sector to encourage footfall.

CASE STUDY

Project Detroit

UK

In July 2016, McColl's announced that they had entered into a conditional agreement to acquire 298 convenience stores from the Co-operative Group Plc. To assist this acquisition, we provided a 'Red Book' valuation as required under UK Listing rules in connection with the proposed acquisition.

The UK Retail Valuation team provided a fast and flexible turnaround from instruction with the team mobilised immediately to inspect and value 133 properties in less than a month.

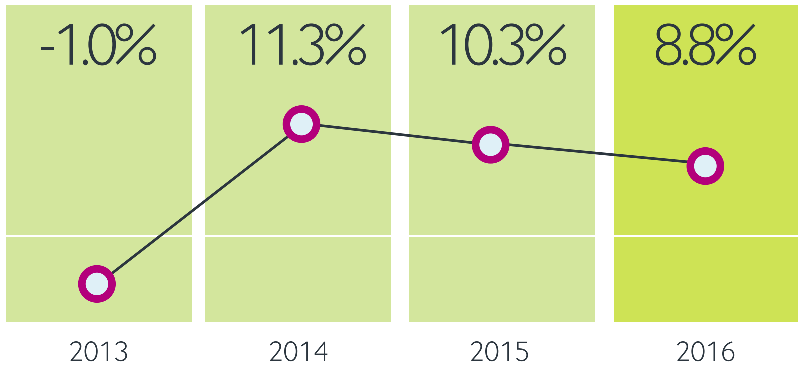
Market predictions

Wholesale suppliers including major grocery brands will focus on independents to grow their convenience channel.

Consolidation amongst the 'Top 50' independent forecourt operators.

Increased investment in existing petrol filling stations to develop food-to-go and convenience.

Movement in average prices, year on year in percent



12%

increase in the average number of offers received per business

5,556

total number of businesses advised on in 2016

5

BUSINESS
OUTLOOK
2017

LEISURE

MAPPING A WORLD OF CHANGE

Jon Patrick
Head of Leisure
& Development

2016 continued the private equity community's attraction to the leisure sector, characterised by significant M&A activity and strong trading fundamentals.

Leisure

Leisure as a leading player in the burgeoning alternative asset classes continues to be seen as an attractive investment and development proposition – particularly when we look at what has been happening on the high street from a retail perspective. 2016 saw a continuation of the upswing in interest that has been shown in the Leisure sector by the international Private Equity and Real Estate investment community and once again, we have seen such parties looking for the secure long-term income and upside potential that a number of key transactions have provided. With the present low interest rate environment fueling investor appetite for real estate funds we envisage 2017 will continue this trend.

A lot has happened since June and whilst the currency market has weakened with inflation rising from its previous near zero levels, the wider leisure sector has seen relatively settled KPIs. There has been much talk about how pound sterling hitting its lowest level for 30 years is going to make the UK attractive to both investors and consumers, particularly from a leisure and tourism perspective. Conversely, the increased cost of overseas holidays may once again be to the benefit of the staycation. Coupled with the comparatively low cost of borrowing we believe these factors will drive interest in the holiday park sector, both from a private equity perspective as well as individuals seeking park homes as alternative investments or quasi-second/holiday homes. We have seen considerable activity over the last 12 months and the attractive mix of long-term site fees, holiday rental and secondary income, together with the opportunity for caravan/lodge sales, ensures holiday parks will be highly sought after in 2017.

At the macro level, we are still effectively at the Brexit starting line and consumers engaging in leisure pursuits have not noticed a diminution in how busy things are. Indeed, many leisure based activities are now so ingrained in people's day to day routines and family activities that they are seen as necessities and for this reason we anticipate that the "best in class" performers or those with the ability to go to the next level will remain successful and popular among both customers and investors.

In the cinema segment, Cineworld has bolted on a number of acquisitions over the last 2-3 years and in July 2016 completed the acquisition of Empire Cinemas for around £100m. The deal of 2016, however, was Terra Firma's sale of Odeon and UCI to AMC for a reported £921m.

In other areas of the Leisure sector, we saw Electra Partners repositioning the Hollywood Bowl tenpin bowling business ahead of its £240m IPO. Elsewhere, trampolining has continued its explosion of sites and will go through the 100 barrier in 2017. On the Health & Fitness front, DW Sports acquired Fitness First and its 62 clubs, while Nuffield acquired 35 clubs from Virgin. In the budget sector Pure Gym decided to remain in private hands postponing its scheduled October IPO, whilst The Gym Group, following its successful stock market debut and share price high of £2.74 in April, saw values fall below the price at launch to £1.65 a share only a year after listing.

In 2017, we are likely to see more expansion from the charitable trust health club operators which benefit from different VAT and business rate treatment and therefore compete on a different footing to the private sector. We expect to see charities and operators working together to provide mutually beneficial terms for the consumer as well as profits being re-invested into facilities which will hopefully assist longer term sustainability.

Development

In terms of property development, 2016 showed us that mixed-use is the new normal and we no longer expect to see purely leisure or retail parks being developed.

Leisure is very much seen as the driving force of footfall for retail schemes and operators are generally prepared to commit significantly earlier in the process in comparison to retail occupiers. The Friarsgate scheme in Lichfield on which we are advising is evidence of this, with contracts exchanged with the cinema operator and a variety of fast casual and premium casual dining offers ahead of the scheme's anticipated 2019 opening.

A word of caution, however, should be sounded in that the leisure sector cannot simply be expected to be the saviour of retail schemes and, in most every development, careful consideration needs to be given to ensuring a vibrant and complimentary mix of operators are accommodated whilst guarding against an oversupply.

Market predictions

2017 will see heightened private equity and overseas investor activity in the UK leisure and "alternative" investment sectors.

The uncertainty provided by the announcement of Brexit and the weakness in pound sterling will drive staycation activity.

The trampolining market will experience continued growth but we also expect to see moves towards consolidation and in some cases failure as we go through the 100 centre mark in this fledgling sector.

14.1%

increase in the no. of inspections on last year

25

different types of leisure category business advised on in 2016

Whilst the leisure market remains highly fragmented, Christie & Co's office network ensures we provide timely and relevant client advice to both independent and corporate operators on a local, national and international basis.

CASE STUDY

London Road Fire Station
Manchester

In early 2016, Manchester's iconic London Road Fire Station was sold in a deal brokered by Christie & Co, ending years of stalemate about its future.

The Grade II-listed building in the city centre had been empty for about 14 years after plans to turn it into a hotel were shelved. Christie & Co brokered a deal between Britannia Hotels and developers Allied London for an undisclosed amount, with the new owners planning to bring the building back to life and redevelop the site into a key part of the Manchester leisure scene.

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BUSINESS
OUTLOOK
2017

PUBS

MAPPING A WORLD OF CHANGE

Neil Morgan
Managing Director
Pubs & Restaurants

The 2016 pubs market was muted for a number of reasons – not only Brexit, but the introduction of the Pubs Code and the Market Rent Only legislation contained within, has undoubtedly had an impact on the sector. Cost pressures have also played a major part.

Mixed trading performance

Independent pub deals are still happening, and we saw the occasional acquisition and expansion by smaller multi-site operators. We also saw a drop in the number of pubs coming to market, and while some areas of the UK seem robust and resilient, overall it has been a quiet 12 months, with transaction volumes down and with limited M&A activity at a corporate level until the latter end of the year.

Overall, trading performance was mixed, and publicans have generally found 2016 difficult. The ALMR Christie & Co Benchmarking Report, released in September, confirmed anecdotal evidence and showed that the average costs of running a pub are at a seven-year high, with payroll costs accounting for almost 30% of turnover.

With the Government looking to introduce further increases to the National Living Wage, some operators have no choice but to absorb at least some of these additional payroll costs. Uncertainty over the UK's EU exit could undermine security in the sector and threaten investment, particularly if restrictions on foreign labour are introduced.

Diversification and Divestment

In 2017, we will likely see a number of larger companies examining their estates and either rebranding or realigning some of their sites to fit with modern customer demands. We may even see divestment of assets in certain circumstances.

Following Fuller's acquisition of Stable, we could see other pubcos becoming heavily involved in the food sector. It wouldn't be a surprise if one of the regional brewers bought out one of the food groups, and ran them as standalone businesses using the venues they already have.

In many areas we've seen pub operators buying high-value sites, often paying over £1.5m for some freeholds, including St Austell's purchase of the Cat & Fiddle in Exeter in a deal brokered by Christie & Co. We expect further interest in good-quality freehold businesses where multiple operators are willing to pay to get the right site.

Sector growth

New builds by the larger pubcos will make a significant contribution to the estates of some operators, who see them as offering better returns than existing sites. We are likely to see others picking up smaller multiple operators. The franchise model may replace some marginal managed houses, as rising operating costs make managed houses more expensive in the long term. We're expecting to see a further contraction in lease assignment transactions on the basis that there is uncertainty as to what will happen near the end of the lease term. MRO might, however, have the reverse effect as operators have to sell now to release value rather than let the lease term run down and see the pubco take it back.

Private Equity

In July, the £118m acquisition of Liberation Group by Caledonia Investments – a new private equity entrant to the licensed sector - was supported by valuation services provided by Christie & Co.

In December we saw TDR Capital backed Stonegate acquire the Walkabout operator Intertain from Beta Capital for £39.6m and Lion Capital acquire the majority stake in Loungers from Piper Private Equity for £137m. Both deals demonstrate private equity's continued interest in the sector. Private equity, multiple operators, family brewers and to an extent national pubcos have cash available and are keen to acquire but there are few major targets available. As a result, many are looking at buying small packages and in some cases single sites, which is to the benefit of individual publicans looking to sell.

At the time of writing, there has been the announcement of the proposed purchase of Punch for an agreed price of £402.7m by private equity firm Patron Capital Advisers LLP and Dutch brewer Heineken. Punch is the second-largest pub chain in the UK by a number of sites, with about 3,300. This may trigger some of the other larger pubcos to review their estates in 2017 and provide some opportunities for larger M&A activity. Christie & Co has worked with Punch over many years in both a brokerage and advisory capacity and continues to do so.

Having witnessed a muted transactional market for the first half of 2016, we are now experiencing more activity which provides optimism heading into 2017.

CASE STUDY

Acquisition of Chapman Group by Dominion Hospitality

In a deal brokered by Christie & Co, Dominion Hospitality, an affiliate of Stellex Capital Management, acquired the Chapman Group, which owns and manages 28 hotels and pubs in the south of England in November 2016. The acquisition focused on providing growth capital and resources to expand Dominion's presence in the UK.

Over the last 15 years, Christie & Co has advised and worked with the Chapman Group to create an estate that was previously highly focused on wet-led outlets, some with late licenses and has been shifted to create a more balanced portfolio with letting accommodation becoming a major factor.

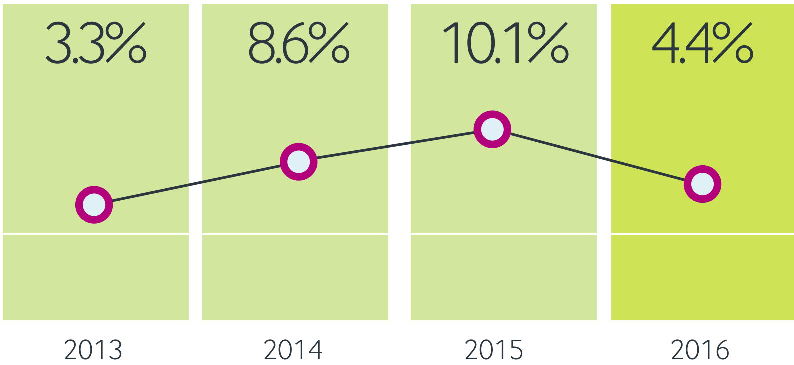
Market predictions

Increased M&A activity within the managed house sector.

Pubs with letting rooms will become an important niche in the marketplace.

Increasing cost pressures leading to some distress.

Movement in average prices, year on year in percent



7,029

number of pubs advised on, valued or sold

£5.7bn

value of pubs advised on, valued or sold

7

BUSINESS
OUTLOOK
2017

RESTAURANTS

MAPPING A WORLD OF CHANGE

Simon Chaplin
Head of Restaurants

It's been relatively postitive in the restaurant sector for the last few years, but are we reaching a peak where rents are at a point where they cannot be sustained?

With the UK's dining-out sector worth over £87bn, and over 331,000 outlets serving food, the level of competition for restaurant sites has grown significantly in London and primary cities such as Brighton, Manchester and Leeds. This, in turn, has driven up rents and lease premiums. As a result, many operators have sought to reduce risk and increase profitability by focusing on the UK's secondary and tertiary cities and market towns to fulfil their growth ambitions, in turn driving up competition and rents in those locations.

Average spend rising

It is estimated that 40% of the average UK individual's leisure spend now goes on eating out, with 31% of the population choosing to eat out at least once a week. Younger consumers are not confined to eating only at traditional meal times, and those restaurants that are able to successfully offer all-day dining seek to benefit.

Spend per head is up 8% in restaurants as teenagers and young adults seek a higher class of food options where they can sit with friends in a restaurant setting. Youngsters are prepared to go out more often, especially as cash is available via student loans and credit cards and, as they are already prepared for accruing debt, they are less careful with their cash and don't worry about spending more on food.

Rationalisation in the sector

Looking into 2017, there will be more rationalisation within the restaurant sector, with operators looking at their estates and engaging with landlords over an exit. If the market becomes tight and the Brexit effect hits hard, could we see those towns that have been "revived" by restaurant chains suddenly experiencing empty patches as operators leave and others fall out as the circuit becomes less attractive and loses footfall? Only time will tell, but it is a definite possibility.

We said in last year's Business Outlook that there would be no chain casualties in 2016, but that the axe would fall in 2017, due to the growing costs of running a chain, and because like for likes are not growing at the same rate as the cost of overhead inflation. This was a good call, as late in 2016 we saw the fall of Ed's Easy Diner. We expect one, maybe even two other chains to go the same way in 2017.

Branding is vital

As Bella Italia, who have had to reinvent the brand, and The Restaurant Group, now selling 30+ sites including some Frankie & Benny's, have recently found, unless you frequently refresh your brand, customers will get bored. We have reached a situation where companies have to think about factoring refurbishment costs into their valuations, and with only marginal increase in consumer spend, and costs rising, the additional costs of brand reinvention are surely going to impact on the market.

It is clear that customers are looking for the latest, fast, fashion food, and with the Instagram generation seeking the hottest flash brands, the new kids in town no longer have to offer discounts or concession to pull in customers – interest in the brand, being on trend, or starting a new one and a good social media presence will drive the footfall.

Looking into 2017, there will be more rationalisation within the restaurant sector, with operators looking at their estates and engaging with landlords over an exit.

Although activity in the branded sector has declined slightly over the last year, fast-growing brands have continued to attract private equity investment over the last four years in order to finance expansion. In 2016, we have seen private equity invest in a number of smaller brands as they look to find the next big thing. This is likely to continue in 2017.

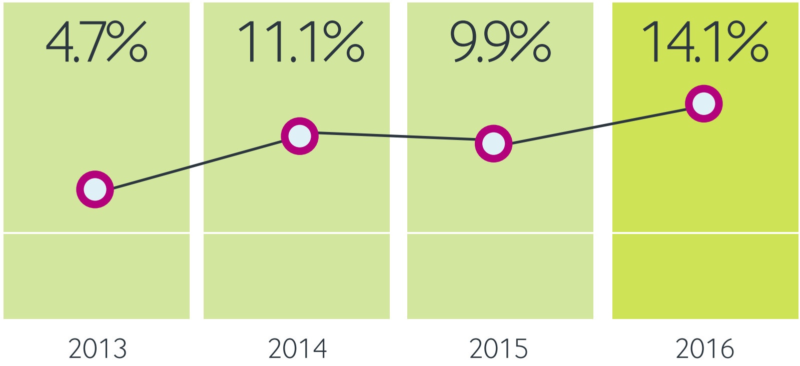
Market predictions

Pressure of rising costs starts to impact on the casual dining sector.

Established brands face stiff competition from new "on trend" operators.

Landlords of "secondary" locations find downward pressure on rents.

Movement in average prices, year on year in percent



total value of businesses advised on, valued or sold

increase in restaurants for sale on last year

CASE STUDY

Sale of of Riverstation Bristol

In November, Riverstation, the well-known and long-standing restaurant and bar on the waterfront in Bristol city centre was sold to Young's through Christie & Co.

Christie & Co sought offers in excess of £2m for the freehold with several offers being received above this price from a wide range of buyers.

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BUSINESS
OUTLOOK
2017

HOTELS

MAPPING A WORLD OF CHANGE

Barrie Williams
Managing Director
Hospitality

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.

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.

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.

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.

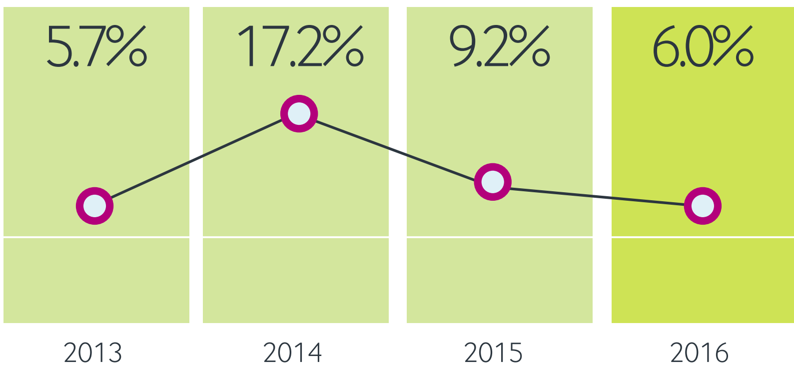
Market predictions

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

9

BUSINESS
OUTLOOK
2017

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

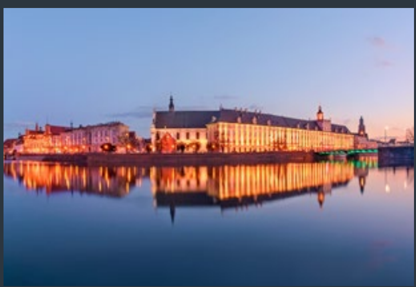
2017/18 will see the opening of the first Raffles Hotel in Warsaw, and it is likely that in 2017 we will see a rise in the number of upscale brands looking to come to the city for the first time. There is also scope for Krakow to host a five-star hotel given the lack of upscale offerings that exist in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

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.

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.

Major Transactions - Dental

Date	Vendor	Purchaser	Deal
February	Private	Undisclosed	Marlfield House, large 10 surgery practice in Winchester
February	Private	Damira	Wellum House, 6 surgery practice in Andover, sold to expanding corporate
February	Private	Corporate	Smile & Madeira Dental, Dorset. A pair of mixed practices sold to a large corporate operator
March	Private	Corporate	157 Dental Group, Peterborough, 4 dental practices
March	Private	Corporate	Dental Care Plus, 7 UK clinics
June	Grant Mitchell, Michael Mannion and Pamela Ferguson	Oasis Dental Care	Inchcape Dental Pratice in St Andrews, Scotland. Substantial 7 surgery NHS practice. Sold in excess of £1.4m asking price
June	Private	Gensmile	Sale of large mixed practice in Wiltshire to expanding multiple operator
September	Private	Oasis Dental Care	Essex- substantial 6 chair private referral centre. Total revenue in excess of £2m 6 offers received in competitive process with eventual sale price 20% above original guide of £2.65m
October	Private	Corporate	East Hull Dental Centre, 9 surgery NHS practice

Major Transactions - Pharmacy

Date	Vendor	Purchaser	Deal
February	Medipharmacy Group	Laville Limited	3 pharmacies in Canvey Island
February	Wellbrooke Products Limited	Allcures PLC	6 pharmacies across the South of England
March	W R Evans (Chemists) Limited	PCT Healthcare Ltd	Acquisition of 54 pharmacies across the Midlands and Northern Home Counties - reported value £80m
March	W R Evans (Chemists)Limited	Daleacre Consulting Limited	10 pharmacies across East Midlands
August	Garners Pharmacies Ltd	Day Lewis plc	3 pharmacies in South and East Yorkshire
September	KM Brennan (Chemists)Ltd	PCT Healthcare Ltd	Sale of 9 pharmacies in Leicestershire
September	LloydsPharmacy	Jhoots Group	Sale of 11 small pharmacies
September	J Sainsbury	LloydsPharmacy/Celesio UK	Completion of the purchase of J Sainsbury's 281 strong pharmacy estate previously announced in July 2015
September	Hartshill Pharmacy Limited	Secret Potions Limited	A group of 4 pharmacies in Stoke-on-Trent
September	David Wyse Limited	M&D Green Dispensing Chemist Limited	2 high turnover pharmacies in Port Glasgow, Scotland
November	S G Court Limited	Paydens Limited	Purchase of 21 pharmacies in the South East

Major Transactions - Care

Date	Vendor	Purchaser	Deal
January	Advent	Acadia	US mental health provider Acadia acquired Priory Group which runs over 300 healthcare facilities in the UK
July	Private	Agilitas Private Equity	Exemplar Healthcare, a provider of specialist care services with 25 purpose-built nursing homes
August	LBG	The Carlyle Group	Akari Care, a portfolio of 38 care homes previously operated by Southern Cross
August	MHC Care Homes	Runwood	Runwood acquired 3 care homes in Northern Ireland from MHC Care Homes let to Countrywide Care
October	Aviva Investors; Quintain	Loan Star	75 elderly and specialist care homes, which formed the remainder of the Quercus Healthcare Fund
October	Primetower	BUPA	BUPA acquired The Links and Lindsay House in Poole for an undisclosed price
October	New Bridges	Tracscare	We advised Tracscare on their acquistion of 4 Acquired Brain Injury clinics in South Wales
November	Acadia Healthcare	BC Partners	Following Priory acquisition, disposal of 22 Priory Group and Partnerships in Care care homes for competition reasons

Major Transactions - Childcare

Date	Vendor	Purchaser	Deal
February	First Class Childcare	Just Childcare	Just Childcare acquired First Class Child Care, a predominantly freehold portfolio comprising 9 settings, offering some 600 childcare places, across Lancashire and Yorkshire
February	Barley Barn Childcare Group	Asquith Day Nurseries & Pre Schools	Asquith Day Nurseries acquired a group of 3 nurseries, comprising Sawbridgeworth Day Nursery in Hertfordshire, Barley Barn Day Nursery in Enfield, North London and the North Weald Pre-School & Day Nursery in Essex
March	London Montessori Group	Asquith Day Nurseries & Pre Schools	Asquith Day Nurseries acquired the London Montessori Group of nurseries. The group of 3 nurseries incuded Norfolk Lodge Montessori Nursery in Barnet, Chantry Hall Montessori Nursery in Muswell Hill, and Haydon Hall Montessori Nursery in Pinner
April	Nellies Nurseries	All About Children	All About Children acquired Nellies Nurseries a group of 4 nurseries in Dulwich, South London, which collectively provide 195 childcare places
April	Kindercare (Harrogate) Limited	Treetops Nurseries	Treetops Nurseries acquired Yorkshire-based group Kindercare, a portfolio comprising 10 nurseries situated in Harrogate, Leeds, Ripon and York, which trade with an effective operating capacity for 900 children

Major Transactions - Childcare

Date	Vendor	Purchaser	Deal
May	Bush Babies Nurseries	Busy Bees Nurseries	Busy Bees Nurseries acquired Bush Babies Nurseries, a portfolio of 7 freehold and leasehold settings, with an overall operating capacity for 435 children, situated across Leicestershire
August	Positive Steps Chidren's Day Nurseries	Busy Bees Nurseries	Positive Steps sold their portfolio of 9 nurseries to Busy Bees Nurseries. Operating in the South East of England, the Positive Steps Group trade with a capacity for 619 children, across 8 established settings. A day nursery development site also owned by Postive Steps was sold to Busy Bees Nurseries as part of the transaction
August	Yellow Brick Nurseries	Complete Childcare	Regional operator Complete Childcare acquired Yellow Brick Nurseries, a group comprising 4 leasehold nurseries located across Berkshire. The Yellow Brick Nursery Group was established in 1989, and at the point of sale traded with an aggregate capacity of 214 childcare places
August	Little Unicorns Nurseries	Bright Horizons Family Solutions	Bright Horizons Family Solutions acquired the Little Unicorn Group of nurseries. The portfolio of nurseries are all located in Canary Wharf, London and comprise 4 leasehold settings, with an aggregate capacity for around 350 children
November	Conchord Limited (Trading as Asquith Day Nurseries & Pre-Schools)	Bright Horizons Family Solutions	Bright Horizons Family Solutions acquired Asquith Day Nurseries for a reported £166m. The Asquith portfolio was founded in 1989 and comprises of some 90+ nurseries located across England, Scotland and Wales, with a large proportion of the portfolio being within the M25

Major Transactions - Education & Specialist Childcare

Date	Vendor	Purchaser	Deal
Jan	International School of Barcelona	Cognita Schools	Cognita acquired the International School of Barcelona which delivers the IGCSE, IB and International A Level curricula to around 300 students aged 2-18 years
March	Outcomes First Group	Options Group	Outcomes First Group merged with Options Group to create one of the UK's largest providers of specialist care and education to children and adults
May	The Redland High School for Girls	The Red Maids School	Merger between the 2 private Schools in Bristol to become known as Redmaids High School providing education to 780 pupils
May	University of Stirling	US institutional Investor (Placement)	The Higher Education facility raised £50m through a placement of unlisted, private securities to a group of US and UK-based insitutional investors
June	Eaton House School	Sovereign Capital	Sovereign Capital acquired a majority shareholding in Eaton House, a portfolio of 6 prestigious schools in London which were originially founded in 1897 and today cater for children aged 3-11 years
July	Acorn Care and Education	National Fostering Agency	Acorn Care and Education provide specialist care and education to children and young adults across the UK and was acquired for a sum reported to be in the order of £400m
Aug	Adren University	Global University Systems	Higher Education facility acquired by GUS for a reported £15m
Sept	Astrum Education	Sailing Capital Advisors (HK)	Sovereign Capital realised its investment in Astrum Education Group - comprising 3 sixth form colleges located in London
Sept	International School of Europe Group	Inspired	Inspired acquired the ISE - a leading group of schools in Italy with over 1,800 K-12 students - from HIG Capital for an undisclosed sum
Nov	Crossway Services Limited	Pebbles Care	Pebbles Care acquired Crossway Services, a provider of 6 single occupancy residential children's homes in Cheshire

Major Transactions - Retail

Date	Vendor	Purchaser	Deal
March	First Stop News Ltd (Rippleglen)	James Convenience Retail	Acquisition of 77 stores trading under Supernews, Arden News and Maynews fascias to James Convenience Retail with a long-term franchise agreement with Conviviality Plc for all of the stores
April	Rontec	Sainsbury's	Acquisition of 3 sites. Rontec will act as Sainsbury's development partner
June	Gillett's (Callington)	Appleby Westward	Acquisition of 63 Spar convenience stores across Cornwall, Devon, Dorset, Somerset and Wiltshire by the Spar distributor for the South West of England, Appleby Westward
July	North East Convenience Stores	James Hall & Co	Sale of 30 convenience stores around Newcastle and Northumberland to Spar wholesaler James Hall & Co
July	The Co-operative Group	McColl's Retail Group plc	McColl's acquiring 298 neighbourhood convenience stores from The Co-operative Group for a reported £117m subject to approval from the CMA
July	My Local Convenience Ltd	Numerous	Acquisition of 20 or more My Local convenience stores by a range of corporate operators following My Local entering administration
August	Synergie Holdings Ltd	Motor Fuel Group	Acquisition of fellow Top 50 Independent operator's 19 petrol filling stations situated throughout the North West
August	Roadside Group	Motor Fuel Group	Acquisition of fellow Top 50 Independent operator's 10 petrol filling stations situated throughout the North East
September	East of England Co-operative	McColl's Retail Group plc	Acquisition of 4 neighbourhood convenience stores
December	KMD Enterprises	Conviviality Retail	Acquisition of 15 family owned convenience stores in the South East
December	The Co-operative Group	Rontec	Acquisiton of 40 petrol filling stations from The Co-operative Group

Major Transactions - Leisure

Date	Vendor	Purchaser	Deal
January	Albion Ventures and London Health	Sports Direct	Sports Direct Fitness acquires the former 37° health club in London from Albion Ventures and London Health for an undisclosed sum
April	The Brighton Marine Palace and Pier Company	Eclectic Bar Group	Eclectic Bar Group acquires The Brighton Marine Palace and Pier Company for £18m
June	Virgin Active	Nuffield Health	35 health clubs acquired for a consideration of c. £80m
July	Terra Firma	AMC Theatres	Terra Firma sells Odeon & UCI Cinemas Group to AMC Theatres for £921m, creating the largest movie theatre operator in the world
July	Cinema Holdings Limited	Cineworld Group	Cineworld Group acquires 5 cinemas from Cinema Holdings Limited for £94m
September	Electra Partners	N/A	Electra Partners completes the listing of Hollywood Bowl Group on the Main Market of the London Stock Exchange giving Hollywood Bowl a market capitalisation of £240m
September	Fitness First UK	DW Sports	DW sports acquires Fitness First UK and its 62 clubs to add to its existing portfolio of 78 health clubs
November	Woodbury Park	The Club Company	Golf and health club operator The Club Company acquires Woodbury Park off a guide price of £11.75m.
November	Piperdam Resort	Coppergreen developments Ltd	Holiday park operator Coppergreen Developments Ltd acquires the 600 acre Piperdam Resort incorporating 77 holiday lodges, a golf course, wedding & conference centre for £25m
December	Caledonia Investments	Tiger Bidco (Intermediate Capital Group)	Park Holidays UK is sold by Caledonia Investments to Tiger Bidco, a special purpose vehicle incorporated by Intermediate Capital Group (ICG), for £362m
December	Epiris	Parkdean Resorts	Parkdean Resorts which comprises 73 holiday parks has been sold by Epiris (formerly Electra Partners) to Onex for £1.35bn

Major Transactions - Pubs

Date	Vendor	Purchaser	Deal
April	JD Wetherspoon	Hawthorn Leisure	Hawthorn Leisure has acquired 11 pubs to be traded as managed sites for c. £7.5m
June	Living Ventures	Graphite Capital	New World Trading Company has been purchased for £50m
June	Enterprise Inns	Shepherd Neame	The transaction includes 13 pubs for a total consideration of £13.4m
June	Enterprise Inns	UK institution	Private buy has purchased 22 properties from ETI for a sum of £20m, representing a gross yield of 6.7%
July	Caledonia Investments	Liberation Group	The transaction comprised 94 assets in the Channel Islands and the South West for a price of £118m
July	Bath Ales Ltd	St Austell Brewery Company Ltd	St Austell Brewery Company Ltd purchased Bath Ales Ltd, its portfolio of beer brands and portfolio of 11 pubs
August	Aprirose	LaSalle Investment Management	Portfolio of pubs investments for £17.8m, locations include Islington, Putney and Croydon
September	Greene King	Various	Greene King has disposed of 90 of its weakest assets
November	Chapman Group	Dominion Hospitality	The sale of a portfolio of 28 managed hotels and pubs in the South of England. Christie & Co acted for the Chapman Group
November	Village Green Restaurants	Shepherd Neame	Shepherd Neame paid £11.9m for 5 assets with a combined turnover of £6.6m and an operating profit of £900k
December	Piper LLP & Founders	Lion Capital	Loungers who operate 95 sites was sold for £137m. The company opened their first site in 2002
December	Intertain	Stonegate	Private equity firm Better Capital disposes of its interest in Walkabout operator Intertain to TDR Capital backed Stonegate Pub Company at an enterprise value of £39.5m

Major Transactions - Restaurant

Date	Vendor	Purchaser	Deal
January	Intermediate Capital Group	Equistone	Gaucho, the Argentinian steak restaurant chain with 14 UK sites and 3 overseas, has sold a majority stake to private equity in a deal understood to be worth more than £100m
January	Richard Caring	BC Partners	Backers of Cote, the 71 strong french bistro chain aquire another Richard Caring brand, Jackson & Rye with 4 London sites, for an undisclosed sum
Febuary	AlixPartners	Various	As part of the restructuring of Strada 4 sites around the UK are sold to the likes of Wahaca, Casual Dining Group and CAU for a total price in excess of £1.6m by Christie & Co
April	Paul Oberschneider	Vital Ingredient	LDC funded a management buyout led by Paulo Peretti. Now have £12m capital to expand outside London
May	Living Ventures	Graphite Capital	Mid-market private equity firm, Graphite Capital, has acquired the fast-growing pub and restaurant business, New World Trading Company (NWTC), in a £50m transaction
June	Tesco	Boparan	Giraffe. The sale includes 54 standalone restaurants and 3 that sit inside Tesco stores. Boparan already own Harry Ramsden's the Fish & Chip shop chain
June	Tesco	Caffe Nero	Harris & Hoole sold by Tesco as they sell off a number of recent aqusitions
September	Gourmet Burger Kitchen	Famous Brands	GBK has 75 sites in the UK and was bought by Famous Brands Group from South Africa who currently operate the Wimpy chain for £120m following the fall in the exchange rate
October	Ed's Easy Diner	Boparan	33 sites sold via a pre-pack administration to Giraffe owners Boparan for a figure under £10m having been floated earlier in the year at £80m
November	Riverstation	Young's Brewery	Christie & Co sell one of Bristol's foremost restaurants in the city centre for in excess of £2m for the riverside freehold

Major Transactions - Hotels

Date	Vendor	Purchaser	Deal
January	Chelsfied Partners	ATP and AXA Insurance	2 Club Quarters hotels, £180m
January	Administrators of Prima Hotel Group	High Net Worth Individual	Crowne Plaza Edinburgh Royal Terrace, £16.5m
February	Oaktree Capital Management	Al Habtoor Group	Hilton Wembley, £95m
February	Algonquin	Splendid Hospitality Group	Mercure Bristol Brigstow, £13.5m
March	Defence Infrastructure Organisation (DIO)	Hinduja Group & OHL Developments	Ministry of Defence Old War Office, £350m+
May	Oaktree Capital	6 individual buyers	Project Smanda - 6 non-core Hilton assets, £40m
June	Lonestar/Hudson	London & Regional	Atlas Portfolio - 47 limited-service hotels, £575m
June	Queensgate Investments	Arora Group	InterContinental London - O2 (50% Stake), £100m
June	Whitbread	L&G	Hub by Premier Inn Kings Cross - 389 beds, £84.5m
July	Undisclosed	Y.T. Realty Group	Travelodge Liverpool Street, £42.3m
July	Magnificent Real Estate	Henderson Global Investors	Travelodge London King's Cross Royal Scot, £70m
August	HIG's Bayside Capital	Junson Capital	DoubleTree by Hilton Hotel London - Docklands Riverside, £80m
September	Golden Tree, Avenue Capital and Goldman Sachs	Secure Income REIT	55 Travelodges, £196.2m
September	Morrison Street Hotel Ltd	Fattal Properties	Premier Inn Haymarket Edinburgh, £43.5m
September	Hyatt	Affiliate of Bin Otaiba Investment Group	Hyatt Regency Birmingham, £38.6m
November	Blackstone	Bhatia Family	Doubletree by Hilton Tower of London - 585 beds, c. £300m

Taking stock

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

Venners and Orridge (part of Christie Group Plc) between them have almost 300 years of service to the hospitality, medical and retail sectors to provide real time advice, inventory and supply chain optimisation to help reduce shrinkage, improve fulfilment, operating costs and customer experience.

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