CHRISTIE & CO

BUSINESS OUTLOOK 2023

FINDING CLARITY

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DARREN BOND
GLOBAL MANAGING DIRECTOR

> The war in Ukraine and the associated energy crisis that followed, along with broader cost of living pressures, have all had an impact on the last year.

2022 OVERVIEW

We entered 2022 still feeling the impact of the global pandemic, with the Omicron wave meaning that January was severely disrupted.

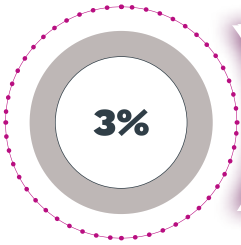
Nobody could have anticipated what would absorb our attention next, as we finally became free of restrictions and the recovery continued in earnest. The war in Ukraine and the associated energy crisis that followed, along with broader cost of living pressures, have all had an impact on the last year. That is on top of the acute staff shortage and rapidly rising costs that were already putting pressure on most operators. Notwithstanding this, 2022 was intended to be a year of recovery and it still was for the most part. Many businesses across our specialist sectors enjoyed a revival in trading performance over the year. As a result, we saw very strong transactional activity in Q2 and Q3.

As 2022 unfolded, there was increasing nervousness around the future economic landscape and where we were heading. This was compounded following the confusion surrounding the mini-budget in late September, which immediately impacted the financial markets, alongside the already challenging macro environment with rapidly rising levels of inflation, energy costs, and interest rates. This all meant that buyers were more focused on the increased costs and level of sustainable profits they believed they could achieve in the future. Sellers of businesses were taking a little more time to adjust to the new market conditions, so transactions needed much more careful management and negotiation over the final three months of the year.

VALUATIONS AND CONSULTANCY

Our valuation and consultancy teams have also been incredibly busy this past 12 months, benefitting from an increase in revaluation activity for existing lenders. We expect this trend to continue in 2023 and, despite the significant rise in interest rates, we will see an upturn in refinancing activity throughout the year as loans reach maturity and borrowers seek competitive terms in a more expensive borrowing environment.

Our consultancy team supported many existing operators and buy-side mandates looking for guidance in assessing future trading performance against this challenging economic backdrop. As markets become more opaque, we expect many more operators to be challenged with how they're able to accurately forecast what's ahead in the coming year.



In 2022, distressed business sales reached **a low at 3%** of all of our transactional activity.

DISTRESSED ACTIVITY

After a quieter than expected period through the pandemic, we also expect to see an increase in distressed activity in 2023. In 2022, distressed business sales reached a low, sitting at 3% of all of our transactional activity. This has surprised many spectators, however we feel that the Government support measures put in place through the pandemic did their job well. It is once these measures are reduced and fully withdrawn that we anticipate seeing some businesses struggle to meet the rising costs and to sustain a viable operation.

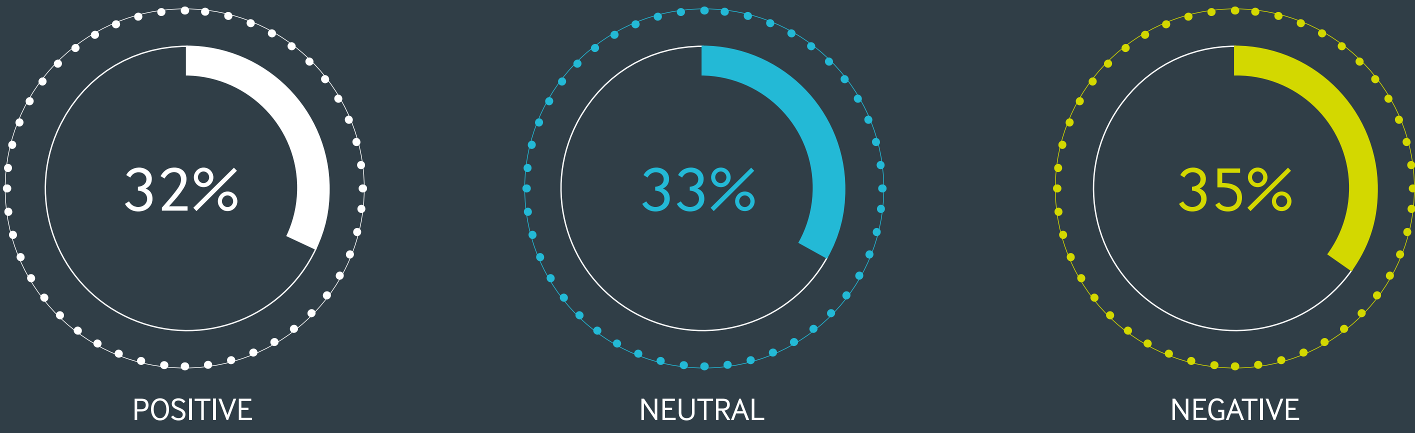
CHRISTIE & CO

At the heart of all of our specialist sectors are people: the individuals that own and operate a business and the dedicated teams of staff that work tirelessly to deliver a service. As I have mentioned in previous years, the strength of resilience in these people is that which sets our industries apart.

The coming year will require all of that grit and determination again to deal with the next phase of market forces and I'm confident that we'll meet the challenges thrown at us with the same courage as we have done so in the recent past.

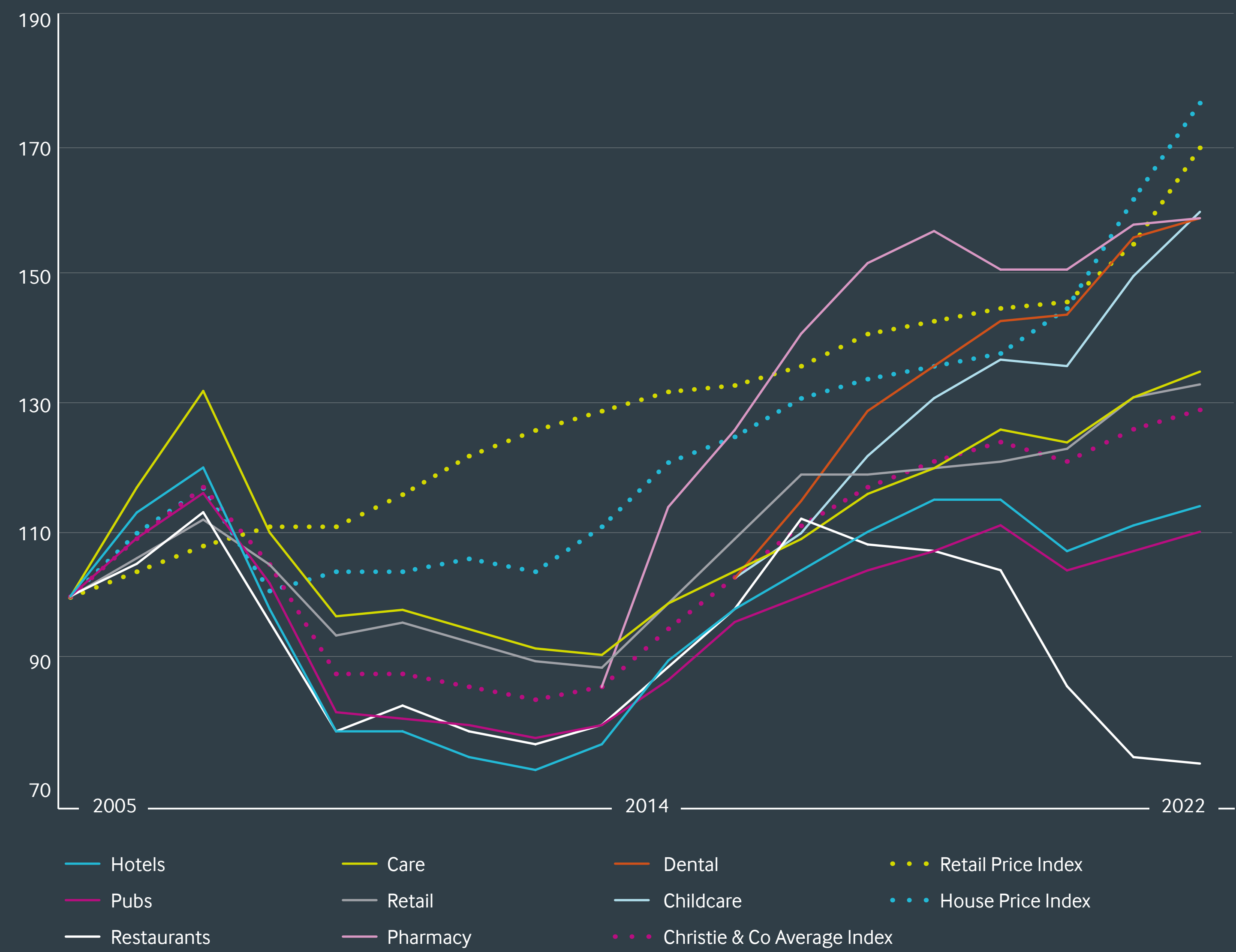
SENTIMENT IN THE MARKETS

According to our sentiment survey undertaken at the end of 2022, there is a fairly mixed outlook on how professionals across the country expect 2023 to play out. Around a third of respondents indicated a positive sentiment for 2023 (32%), against a similar but marginally higher percentage who have a more negative outlook (35%). The remaining third were neutral on their expectations for the year ahead.



The overall impact was that we saw an annual price increase of 2% across our specialist markets. Only the restaurant sector saw a decline in prices. Care homes, hotels and public houses were resilient and achieved some of the strongest price movements.

INDEX BASED ON AVERAGE SALE PRICES (FROM A BASE OF 100 IN 2005)



BANK SUPPORT & BUSINESS RECOVERY

STEPHEN JACOBS
Director, Bank Support
& Business Recovery

> As 2021 came to a close there was cautious optimism that the recovery would continue despite challenges facing commerce and the wider economy in the wake of the pandemic.

MARKET OVERVIEW

The UK economy grew at 7.5% in 2021, outperforming its G7 partners, and the OECD predicted an expansion of 4.7% in 2022, which would mean that the UK would retain its position as top performing economy in this group. Moreover, the BoE forecast that, whilst inflation would remain above its 2% target, it would peak at around 6% in spring 2022.

These prophesies proved the point made by Niels Bohr, Nobel laureate in Physics, that "Prediction is very difficult, especially if it's about the future!" The UK economy grew by only 0.6% in the first three quarters of 2022, with a contraction of 0.3% in Q3. Whilst GDP unexpectedly bounced back at 0.5% in October, the OBR estimated that the UK was already in recession and expected the downturn to last just over a year. Inflation continued to spiral throughout 2022 far surpassing the BoE's estimate, with a recording of 10.7% in November 2022.

Taming inflation to restore economic order is at the top of the Government's agenda, the main weapon being to raise interest rates. This has seen the BoE raise rates from a record low 0.1% base rate to 3.5% over a 12 month period from December 2021, sending rates to the highest level since 2008. The OBR forecasts that high inflation will lead to average living standards, as measured by after-tax real incomes per person, falling by 7% in total in 2022/2023, despite £100 billion of government support going to households.

2022 IN REVIEW

2022 was a turbulent year politically both at home and abroad. The war in Ukraine exacerbated existing supply chain challenges caused by the pandemic and energy costs, compounding inflationary pressures. In October, the UK financial markets were thrown into turmoil following a severe market reaction to a newly appointed Chancellor's mini-budget. This saw the ousting of the Chancellor followed by the Prime Minister, and another newly appointed Prime Minister and his Chancellor radically revising the formers' economic policy. This was delivered in November's Autumn Statement and provided some relief by stabilising financial markets.

Despite the macro-economic conditions, the expected rise in business distress and insolvency in 2022 did not materialise. With the exception of Creditors Voluntary Liquidations (CVL's), which typically saw directors of smaller companies with minimal assets choosing to liquidate because they deemed their businesses unsustainable, all other types of corporate insolvency remained below pre-pandemic levels.

MARKET PREDICTIONS

The economy will contract in 2023. The breadth and depth of a predicted recession will largely turn on the extent that interest rates will need to rise to control inflation

A rise in business distress and insolvency, increasing the need for our brokerage, valuation and consultancy services as escalating challenges converge to impact on operational real estate

More non-performing assets coming to market creating opportunities for well-funded experienced operators, speculative investors and private equity waiting for distressed opportunities to emerge

The cost of living squeeze will weigh on consumer purchasing power most affecting the discretionary spend sectors. Operators in the budget and luxury ends of the market stand to fair best

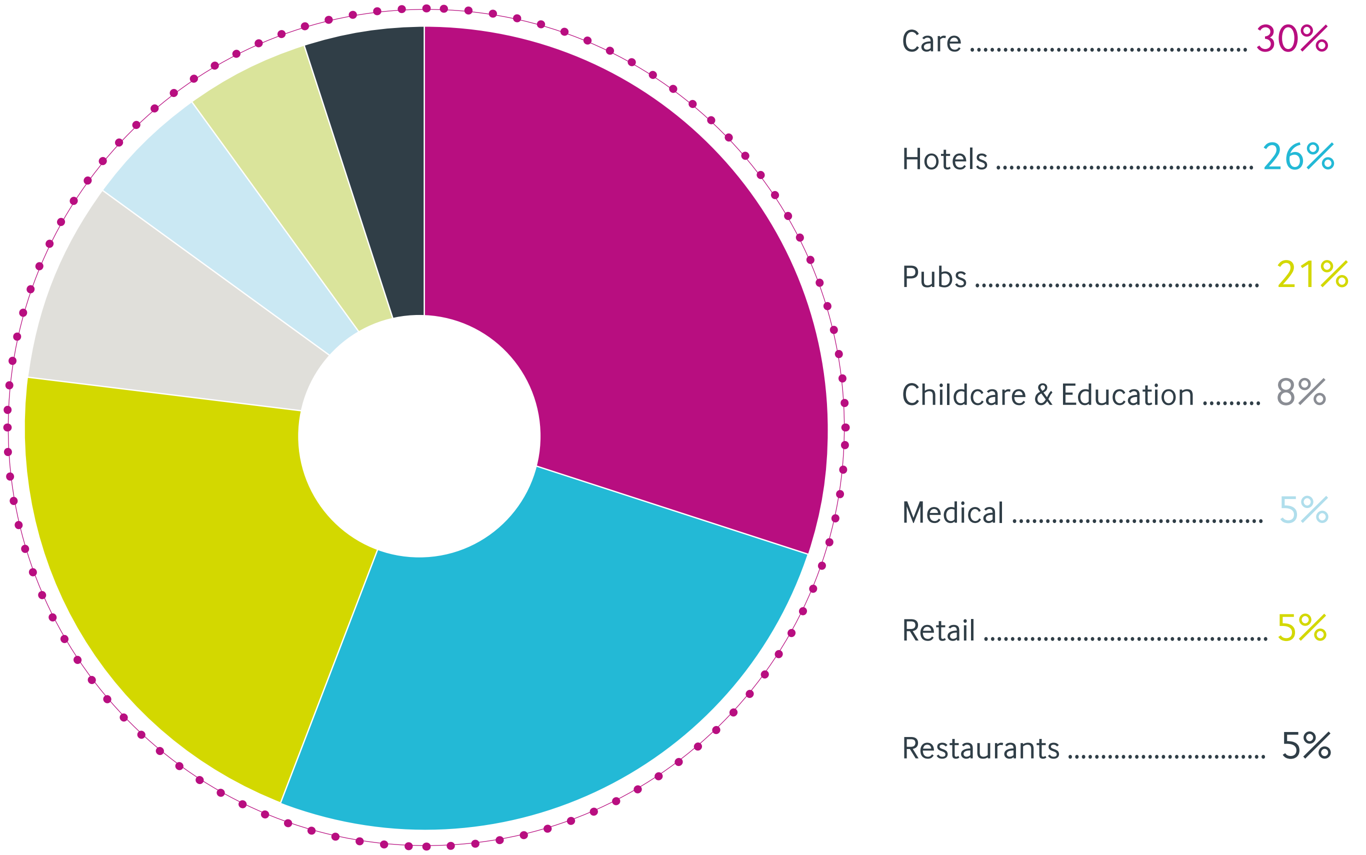
2022 activity fell broadly in line with the record lows seen in 2020/21 despite the majority of protection, characterised by the forbearance of lenders, legislation restricting debt collection and the stimulus of government business support, coming to an end. Whilst our own activity, in terms of the volume of distressed assets we were instructed to sell and value mirrored this trend, we did see an uptick in activity in the last two months of the year.

THE YEAR AHEAD

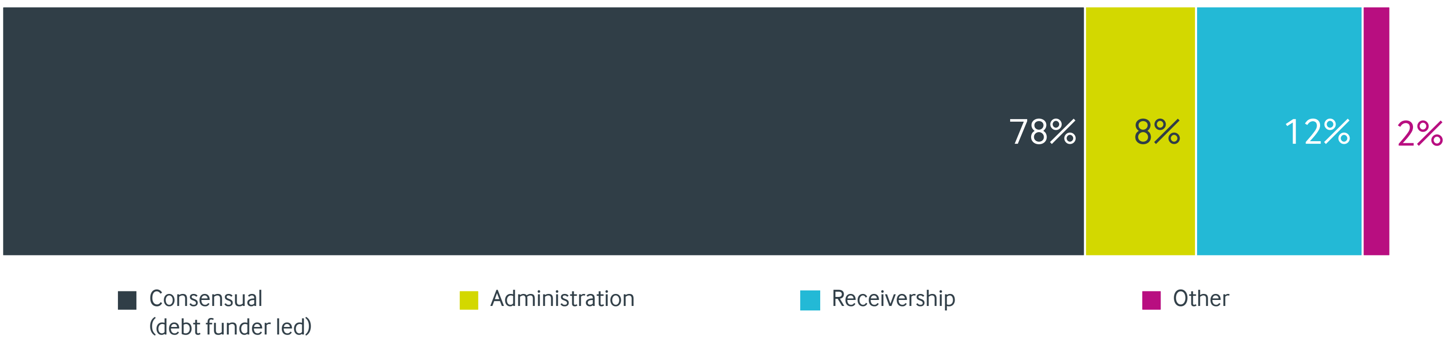
We expect this trend to continue in 2023, with a rise in business distress and insolvency increasing the need for our brokerage, valuation, and consultancy services as operators navigate escalating challenges. The inflationary pressure of energy and other input costs and higher interest rates, pushing up the cost of borrowing, will weigh on both business and consumer purchasing power, squeezing operator margins further. Pressure to meet demands of higher wages due to the cost of living squeeze and high vacancy rates could hamper bringing inflation under control, which in turn could drive interest rates higher for longer, impacting the depth and breadth of a predicted recession.

We anticipate that debt funders will take stock of their position and businesses with decreasing loan serviceability will be encouraged to refinance elsewhere. Where this is not achievable, an exit strategy may be the only realistic option, resulting in more non-performing assets coming to market. This will create opportunities for well-funded experienced operators, speculative investors and private equity waiting for distressed opportunities to emerge, driving both restructuring and deal activity.

DISTRESSED ASSETS SOLD BY SECTOR IN 2022



DISTRESSED ASSET INSTRUCTIONS FOR DISPOSAL BY APPOINTMENT TYPE IN 2022



CHRISTIE FINANCE

JOHN MITCHELL
Managing Director – Christie Finance

MARKET OVERVIEW

Following the disruption of COVID over the past few years, 2022 was hoped to be the year where we resumed business as usual. However, domestic political turmoil and the international energy crisis resulted in significant shocks to the UK and international markets that resulted in the sudden increase in borrowing rates not experienced for over a generation.

After a decade or more of historically low interest rates, the dramatic increase in the Bank of England base rate impacted all borrowers in both commercial and residential markets. So, what impact does this have? The main area of consideration for borrowers and lenders is the total cost of loan repayments, and whether the business or borrower can afford to repay the loan and meet the now much higher stress-testing levels that lenders adopt.

In many instances, the available debt for any given business will reduce, therefore limiting the buying power in the market. That said, many lowly geared or cash rich investors will see any weakness in market conditions as an opportunity and transactions will continue to take place, often with bank funding, albeit at a lower loan to value than might previously have been the case.

Economic and political turmoil aside, 2022 saw the withdrawal of a number of fringe and specialist lenders from the commercial lending market – albeit for quite different reasons. The reduction in commercial mortgage providers will not be welcomed by business operators and investors as fewer options exist, reducing competition. Such lenders have played an important role in recent years as the high street lenders continue to limit their appetite to lend in some of our key areas of specialism.

MARKET PREDICTIONS

Traditional (high street) lenders will remain very cautious towards new-to-bank clients

As the main providers of finance no-doubt tighten their lending policies, challenger banks and new entrants will take advantage and boost market share in the SME sector

The need to restructure or refinance existing and expiring debt facilities will be more likely as mainstream lenders dilute appetite in certain sectors

THE YEAR AHEAD

Despite the media headlines, we are yet to see any definitive change in borrower demand or deal type, which suggests any negative impact to the funding market has yet to materialise. Much uncertainty lies ahead however, as has been proven before, the market is very fluid and lenders and borrowers will adapt – some more extreme than others - and a new 'business as usual' era will no doubt emerge.

OUR ACTIVITY

In 2022, our commercial mortgage business saw a year-on-year increase in activity of approximately 16%, with our client base still seeking finance for business acquisition and refinancing purposes across all of our specialist sectors. Our arranging of finance within the Retail sector has been one of our strongest areas of business but we remain very active across Care, Dental, Pharmacy, Childcare, and, despite the challenges of recent years, also Hospitality.

CASE STUDIES

CHEQUERS INN, CUTNALL GREEN

Cutnall Green in Worcestershire, which was sold by Christie & Co to an experienced operator, was financed via a digital bank that's only accessible through specialist finance brokers.

PRIORY MEWS & WOODFORD HOUSE NURSING HOME, KENT

A 179-bed care facility in Kent, sold by Christie & Co and acquired by an experienced care home operator. Security package included the refinance of existing debt across existing portfolio of five care homes, creating an overall group providing 354 beds.

CHRISTIE FINANCE - UNSECURED AND ASSET FINANCE

SHAUN WATTS
Director – Christie Finance Unsecured and Asset Finance

MARKET OVERVIEW

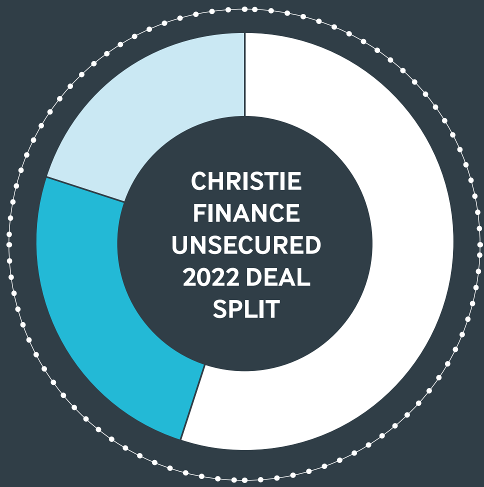
During 2022 we sourced in excess of circa £25 million of finance for UK SMEs across various sectors.

We saw significant demand across Pharmacy, Care, and Retail with most requirements to support growth aspirations as many businesses adopted a positive 'back to business' approach following a fragmented couple of years.

With the offer of fixed interest rates on unsecured business loans and asset finance facilities, we expect demand to continue to grow with businesses using this type of funding to support growth and investment in new projects. We saw an increase in the demand for revolving credit facilities offering immediate access to capital with more freedom than traditional invoice discounting and factoring facilities.

New figures released by the Finance & Leasing Association (FLA) show that total asset finance for new businesss in the first nine months of 2022 was 3% higher than in the same period in 2021. Although the outlook remains challenging with many UK businesses facing continued uncertainty with utility, operational, and staffing costs, the FLA's Q4 2022 industry outlook survey showed 50% of UK asset finance providers are expecting some increase in new business in 2023.

We also saw a significant increase in demand for equipment finance from both clients directly, along with a network of strategic equipment providers seeing the ability to offer finance as a key addition to their customer journey, allowing equipment purchasing to be viewed as an operational expense rather than lump sum capex outlay. The use of asset finance allows businesses to acquire the equipment they need when they need it.



For the third year in a row, we have been highly commended for our continued service to UK SME's

MARKET PREDICTIONS

We expect demand for finance to remain strong across all sectors, with appetite from alternative funding providers expected to mirror this demand where business can demonstrate constant recent performance

As technology becomes more relevant as a driver for growth, asset finance is expected to become many businesses' preferred method to acquire new equipment

CASE STUDY

A NEW VISION FOR PHARMACY

We worked closely with an ambitious North West based pharmacist, supporting their first venture into community pharmacy. After winning a competitive bidding process to acquire their site, sold via Christie & Co, we were tasked to provide a comprehensive asset finance solution to fund and manage the complex installation which was provided by various suppliers, each with separate payment terms.

CHRISTIE INSURANCE

WALTER MURRAY
Managing Director

> Rates for property and injury cover for staff and customers saw no real reduction in 2022 and were prone to increases.

GENERAL OVERVIEW

WHAT IS THE MARKET LANDSCAPE LIKE NOW?

Rates for property and injury cover for staff and customers saw no real reduction in 2022 and were prone to increases.

Inflation, supply chain delays, including lack of labour, have all led to an increase in the cost of repairs and delays in undertaking them.

COVID-19

THE OUTCOME OF THREE LEADING CASES IN THE HOSPITALITY AND RETAIL SECTORS

Three major decisions were handed down by the Commercial Court in October which may resolve some disputes over COVID-19-related business interruption claims. Stonegate, Various Eateries and Greggs all had insurance cover that used the Marsh Resilience business interruption wording used by several insurers. At the time of trial Stonegate's claim topped £1 billion and Various Eateries and Greggs both had multi-million-pound claims.

One key question was related to the policy limits: were the claimants subject to either one limit or multiple limits? The insurers argued that all the business interruption losses aggregated into one loss, subject to one £2.5 million limit, whereas the claimants argued they were entitled to several limits. Stonegate suggested they were entitled to claim up to £2.5 million at each of its 760 venues.

The judgments handed down in October rejected Stonegate's per premises argument, but also rejected the arguments put forward by insurers that sought to show that all losses flowed from one occurrence. The courts' view was in all three cases there were multiple occurrences.

The court rejected the argument that there was a single package of UK government measures in response to the COVID-19 pandemic, which could be described as a single occurrence; this might make it difficult for a group of policyholders to come together who have argued all the losses arising from all lockdowns are a single claim.

CARE

The price of the insurance risk in care homes has been understated by insurers for many years. COVID-19 compelled some insurers to re-evaluate their involvement in the care sector against a predicted disaster of mass litigation from staff, service users, and visitors. The insurance market froze, stopped underwriting all new business, and delayed and frustrated clients taking on new businesses.

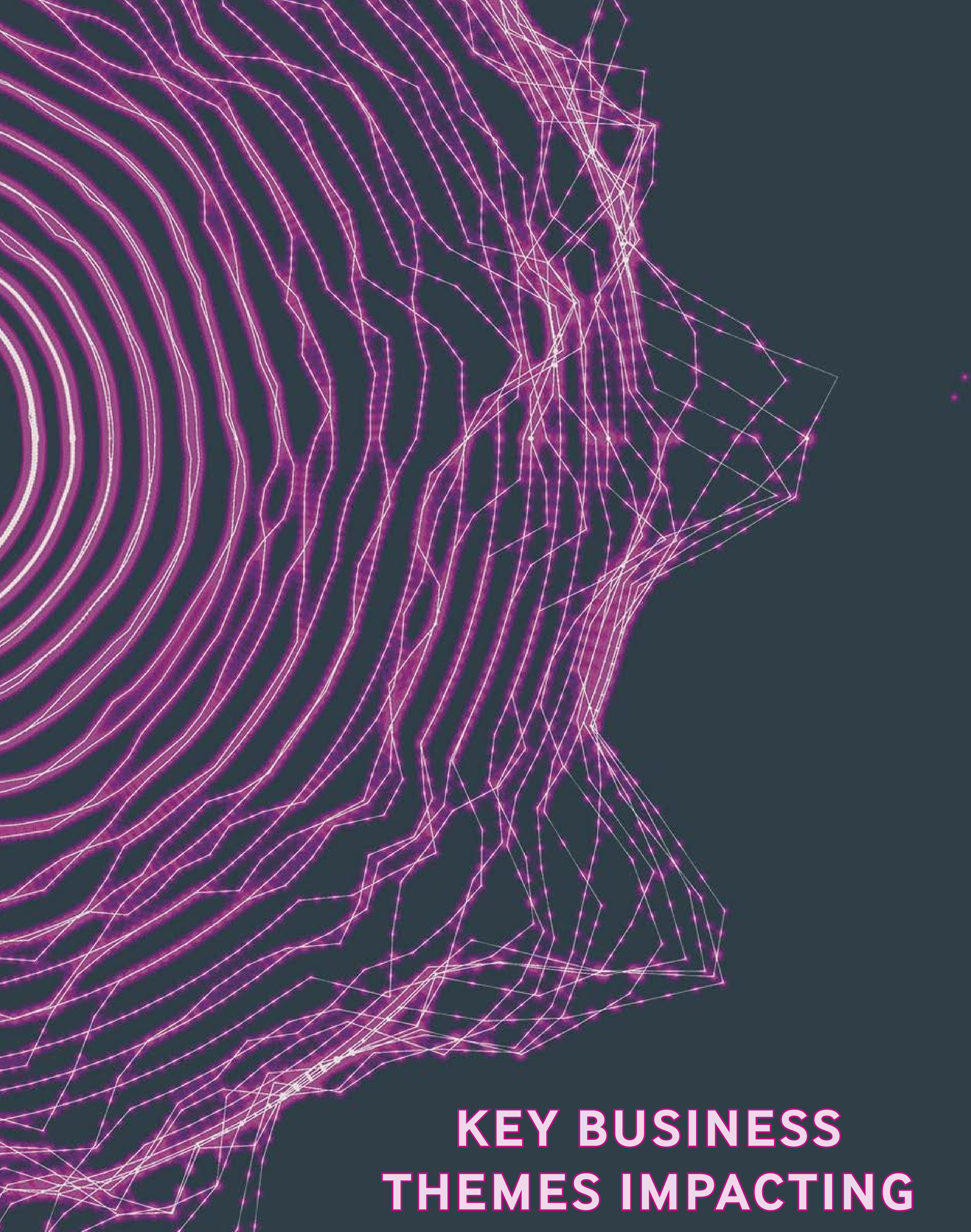
Despite the disaster not occurring the sector is still seen as under-priced for the risk which insurers take on. Until the insurance market gets to grips with what they consider to be the 'right price' it's unlikely the limited number of insurers in this sector will change.

MARKET PREDICTIONS

Perhaps there will be more focus on property and business interruption insurance with the return of inflation. Insurers will be looking at the true value at risk, be that the cost of rebuilding the 'bricks and mortar' or the time to rebuild the revenue of the business which may have been understated by a combination of lack of attention, inflation, and an understandable desire to control the cost of insurance. This can result in an insufficient claim pay out to restore a business to its pre-loss position

Motor fleet's rates are expected to rise because of the impact of the cost of repairs for electric vehicles, which has been reported as +25% more than combustible engine vehicles

In the Care sector, there will be no immediate changes but there may be a gradual reopening of the market. All business clients with the right risk management approach in terms of reducing their claims will always be attractive to the insurance market



KEY BUSINESS THEMES IMPACTING THE OPERATIONAL PROPERTY MARKET

COST PRESSURES

DENTAL

NHS practices will especially feel the impact of increasing cost pressures. Buyers have become more cautious in their approach to acquiring NHS practices, however, with dentistry being a needs-driven industry, there is still demand. The private sector is more agile, and we expect to see treatment prices increase as owners will be able to shift part of the added costs onto patients.

PHARMACY

The pharmacy sector continues to endure cost pressures as a result of increasing drug prices alongside staff retention, recruitment issues, energy prices, and interest rate increases. With the flat funding model introduced in 2019 under the DHSC's Five-Year Deal, the inflationary issues currently witnessed across the economy and sector are creating real challenges for this frontline primary care service.

CARE

Occupancy levels and fee rates will need to be sufficient in order to offset any cost increases. Positively, occupancy rates are, in most cases, starting to return to pre-pandemic levels, however local authority fee rates are proving insufficient despite recent increases. Whilst funding remains an issue, the needs driven fundamentals of the sector continue to attract investment and, consequently, the transactional market has remained very active.

CHILDCARE & EDUCATION

Throughout 2022, childcare & education operational real estate markets continued to evidence their resilience and robustness. In 2022, fee increases varied significantly across the day nursery, education, specialist childcare, and looked after childcare services, with ranges of between 3-12%. Despite increased fees and operational pressures, these did not dampen the appetite of buyers for the most desirable businesses.

RETAIL

Independent retailers and petrol filling stations will likely increase prices to cover their own costs, however with fuel and essentials being needs driven items, many of these businesses will continue to do well. Garden centre sales are increasing, and they will likely remain unaffected due to their average customer base and "grey pound" spending. With the cost of finance going up, we expect to see more leasehold acquisitions over the next year.

LEISURE

Operators with high energy and electricity costs such as big box leisure units and outdoor facilities will be largely impacted, with health club operators choosing to close outdoor swimming pools earlier or reduce temperatures of indoor facilities. Many operators will have to cover a greater portion of costs, however some areas of the leisure sector where demand outstrips supply, such as premium concert venues, may be able to offset costs onto consumers.

PUBS & RESTAURANTS

Cost pressures are having a significant impact on operations. Operators are trying to mitigate this through the use of technology, as well as simplifying menus and reducing opening hours to cut costs. To relieve some of the cost pressures, operators will shift some of the cost onto customers by increasing food and drink menu prices however there will be an inevitable impact on margins.

HOTELS

Hotels have emerged stronger than ever from the pandemic in terms of top line performance. However, inflation and cost pressures are impacting most of the cost lines and eroding profitability. This, coupled with rising interest rates are impacting owners, particularly those looking to refinance in the coming months. Similarly, development is challenged by rising construction costs and buyers are waiting for pricing to adjust to find opportunities.

DENTAL

The British Dental Association, along with MPs from many constituencies, have been addressing the Health Secretary to call upon the Government to reform the NHS dental services contract - with the aim of ensuring it meets patient needs, rather than arbitrary targets, and properly incentivises dentists to take on NHS patients. The current pressure for reform is greater than ever, as NHS dentistry reaches breaking point across many areas of the UK.

PHARMACY

As with many sectors, the failed mini budget in September, alongside wider geopolitical issues, has impacted the sector and will continue to do so until the current inflationary pressures are brought under control.

CARE

Funding reform remains the most notable political issue for the sector, and we wait to see how Rishi Sunak plans to address this.

CHILDCARE & EDUCATION

While a £2.3 billion increase in school funding for 2023 and 2024 was announced in the Chancellor's Autumn budget, the early years, looked after children, and SEND support service sectors were notably neglected. The National Living Wage, set to increase in April 2023, will further exacerbate issues across these sectors, as may uncertainty in the market in relation to VAT on school fees, and potential political parties approaches to 'playing top-trumps' in citing EYFS hourly sessions increases, potentially in the absence of being properly costed, or consulted upon, in election manifestos.

POLITICAL ELEMENTS

RETAIL

The UK Government's new restrictions on promoting items in high fat, sugar and salt may have an impact on convenience stores, which heavily rely on sales of energy drinks and confectionary. Retailers will also have to find solutions in the face of increasing eco awareness and the Government's green agenda, which will impact single use plastic and fuel sales respectively.

LEISURE

The lack of geopolitical stability aligned to the ramping up of inflation and rising cost of capital has paused a number of investment decisions in the Leisure sector. There remains a demand/supply imbalance of well invested and operated businesses available to buy, whilst buyer and seller expectations are not currently aligned and may, subject to the level of potential distress involved, polarise further.

PUBS & RESTAURANTS

Many small operators will feel an additional squeeze with the National Living Wage increasing for over 23s in April 2023, although, as a result, young people will have more spare income to spend which may help balance out the consequent operational costs. The £13.6 billion business rates relief scheme is expected to make a significant impact to struggling businesses, with rates discounts increasing from 50% to 75%.

HOTELS

There were no specific measures for the hospitality industry in the Chancellor's Autumn Budget, however the £13.6 billion business rates relief scheme will benefit many businesses. The Government's extended cap on energy bills until April 2023 will relieve cost pressures for many households and may result in more travel spending.

SUSTAINABILITY FACTORS

DENTAL

At present, dentistry is behind other sectors in sustainability efforts. With many dental practices occupying older, converted buildings, factors such as travel, waste and energy are having a large impact. However, with rising awareness surrounding carbon efficiency, many private and NHS practices have expressed an interest in reducing emissions. According to the British Dental Association (BDA), the NHS aims to be "Net Zero NHS" by 2040.

PHARMACY

Sustainability is leading many contractors to review their operating procedures, in a bid to cut down wastage and make more sustainable use of resources. Some operators have also looked to invest in electric vehicles for their delivery business in a bid to cut emissions.

CARE

ESG (Environment, Social and Governance) is established as a key priority for investors within the care sector who are particularly well-placed to deliver good ESG outcomes. Whilst many care homes in the UK are older and less energy efficient, operators are embracing the opportunity to make environmental improvements, a trend that is particularly prevalent in new build developments.

CHILDCARE & EDUCATION

During the past year, we saw an uptick in consultants developing an increasing breadth of ESG services, including due diligence services for investors seeking assurances they are investing in genuine ESG, ethical businesses. During 2022, we also saw an increase in businesses planning to evidence their credentials of committing to high environmental performance and sustainability practices by achieving "B Corp" status.

RETAIL

The move towards sustainability will require capital expenditure to adapt older properties and update equipment. There are however long-term benefits around lower energy bills. There is an increasing amount of available funding and initiatives to help operators with these efforts. Energy inefficient buildings will be impacted, with the tightening of EPC standards for leaseholds (taking effect from April 2023) likely to force many landlords and retailers to spend on improvements.

LEISURE

Sustainable features such as solar panels and electric charging points have already been adopted by many larger operators of big box leisure, however for smaller operators this may not be financially justifiable given the large upfront costs. Many investment funds are actively driving the ESG agenda on both buildings and business operations, which will mean higher costs of construction and potentially operations in the short to medium term. The upside however is that the most compliant buildings should attract the lowest yields from an investment perspective.

PUBS & RESTAURANTS

As sustainability has become a prevalent global concern, an increasing number of customers are expecting operators to comply with ESG standards. Some larger groups have already begun to introduce Net Zero plans, such as UK pub group, Marston's, who aim to be completely Net Zero by 2040 by decreasing the use of single-use plastics and providing electric vehicle charger networks.

HOTELS

Almost nine out of 10 hotels that we sold in 2022 were still Grade C and below, however listed buildings and those that are energy inefficient will require substantial investment to meet the EPC requirements that are due to change in April 2023. In 2022, 72% of travellers considered sustainability when booking a holiday, and there will also be more funding opportunities from lenders for those that are environmentally compliant.

WORKFORCE ISSUES

DENTAL

The loss of many NHS staff to the private sector, along with the barrier for non-UK dentists to practice NHS dentistry, is having a major impact on performance and access. While there has been a big push from dental operators to improve the NHS framework, access to NHS dentists in many areas is non-existent, pushing many to pay privately.

PHARMACY

Ongoing staff retention and recruitment issues have been exacerbated by the continued delivery of funding under the Additional Roles Reimbursement Scheme (ARRS), which has accelerated the number of pharmacists and qualified technicians leaving community pharmacy for roles in Primary Care Networks and GP surgeries. The lack of pharmacists available to fill permanent positions in community pharmacy has led to locum costs increasing to unsustainable levels in the current funding environment, in turn leading to an increase in temporary pharmacy closures.

CARE

Workforce issues have been a long-standing challenge for the care sector with many providers reporting notable levels of agency use this year, albeit there are signs that this is now beginning to decrease. Operators are working hard to recruit and retain staff, with many adopting a very entrepreneurial approach, including partnerships with overseas training colleges to bring new staff into the UK market.

CHILDCARE & EDUCATION

Workforce challenges became heightened, and for some, acute during 2022. A wide range of businesses struggled to manage operations amid staff shortages. For businesses bound by strict regulatory staffing ratios, some made the difficult decision to cease some aspects of operation while they tried to find solutions to their immediate staffing needs. Some businesses brought annual pay reviews forward in a bid to retain staff, as competition fuelled salaries in some locations for suitably experience, qualified and competent staff, while in other instances the staffing crisis led to business closures.

RETAIL

Retail staff are often paid the minimum wage, so retail must compete with other sectors on quality of leadership and perhaps convenience of location. Wage costs are increasing through inflationary pressures. Smaller independent retailers are often family-run and can absorb much of this, but larger organisations have to increase sales or margins to counter the increase. In the forecourt sector, many of the larger multiples have responded by adding self-service check outs or a pay at pump options.

LEISURE

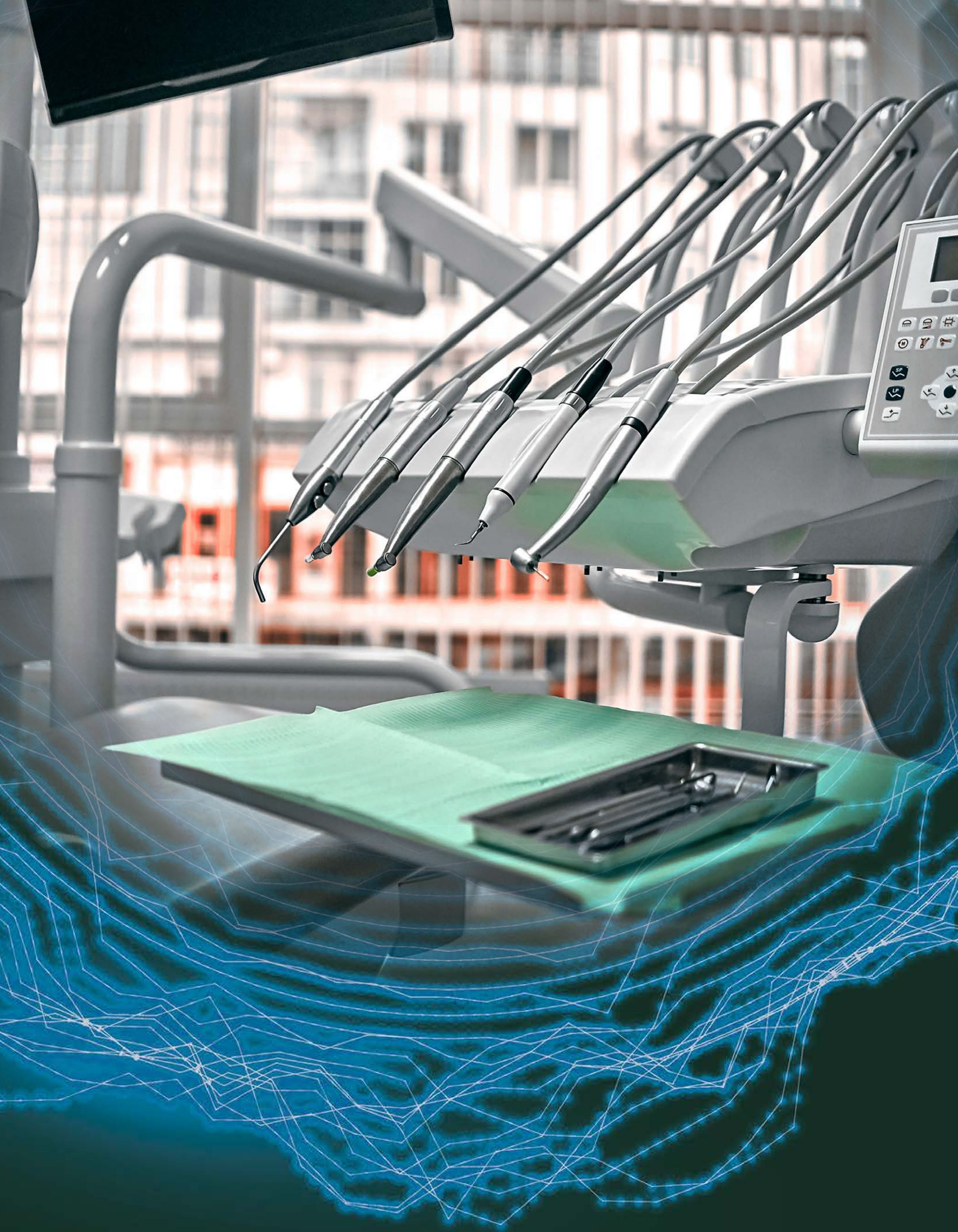
In the first half of 2022, many operators experienced a "bounce" in trading levels which exceeded those of 2019, however replacing and retaining staff has remained difficult. Staffing costs have also increased as the sector has had to compete with other job markets such as food retail where the working hours are perceived to be more attractive and wage growth has been higher.

PUBS & RESTAURANTS

Workforce issues such as staff shortages and wage inflation are prominent within the hospitality industry at present. Digital features such as table ordering systems and reduced menus have been adopted in many pubs and restaurants as a result of the pandemic, however many have kept them in place to relieve staffing shortages. Businesses that are struggling should consider moving to less labour-intensive working models and adopt features such as these.

HOTELS

Improving working conditions for hotel employees, as well as attracting and retaining staff have been key focuses within the sector, but the challenges around staffing shortages appear to have stabilised during the second half of 2022. Many operational features have become digitalised following the pandemic, such as food ordering and self-check in, which will help to relieve businesses struggling with staffing shortages.



DENTAL

SIMON HUGHES
Managing Director - Medical

PAUL GRAHAM
Head of Dental

CHRISTOPHER VOWLES FRICS
Head of Valuation - Medical

MARKET PREDICTIONS

High demand for private practices will remain, as private dentistry continues to benefit from growing waiting lists for NHS appointments

The market will become more quality-driven and practices which are future-proofed will continue to attract premium prices as demand exceeds supply for the best assets

Practices with NHS contracts will be subject to more scrutiny by purchasers and lenders in respect of UDA delivery and practice economics. Demand will continue to be strong for those with higher UDA rates and a good track record of delivery

Corporate operators and other dental groups will continue to seek specialist practices to drive internal referral income

Any tightening of consumer spending is likely to affect cosmetic and aesthetic revenues more than general treatments

Further reforms in NHS dentistry are crucial to combat the shift towards private and the loss of dentists in the NHS. There is likely to be a rise in practices either rebasing or handing back their NHS contracts as practices convert partly to private/plan

Demand for platform opportunities from new investors will remain strong. Group opportunities where NHS income is the smaller revenue stream will remain in high demand, particularly those that are fully integrated with a functioning head office structure

The continued shortage of Associates and DCPs will inflate wage costs, impacting profit margins and forcing some owners to review their future strategy

Buyers will remain active and continue to acquire, but with a more microscopic approach to viability and performance of the opportunity

High street banks will continue to lend in the sector. Funding is being stress tested at the highest rate we've seen in over a decade, so a deal that worked before the interest base rises will continue to be viable for robust practices with a financially secure buyer

Global technology companies will use virtual reality, artificial intelligence (AI), and 3D printing to accelerate efficiencies in the sector, especially in cosmetic and private dentistry

MARKET LANDSCAPE

Despite a very different economic outlook compared with 12 months ago, it is far from doom-and-gloom in the current dental market, and we predict another busy year for practice sales in 2023.

It is unrealistic, however, to say that the market conditions enjoyed over the last few years are unaffected by the increase in the cost of capital and the increasing running costs at practice level.

We expect the sector will continue to be directly affected by the challenges of spiralling costs, reduced consumer spending, and the ongoing expense of recruitment and retention for the foreseeable future.

Such challenges bring a degree of uncertainty. As patients and consumers feel the pinch of rising living costs, will this reset the demand for treatments within the private sector?

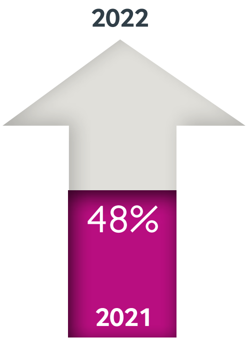
If the patient pendulum swings back towards NHS dentistry, then will Associates follow, or will they dictate that outcome by favouring to remain in the private sector, which means access for patients is more readily available?

It is natural for sellers and buyers to talk multiples of EBITDA up and down respectively. However, the crucial point is what we're multiplying, and a factor that we have certainty over is that there is a significant squeeze on practice profits due to rising costs. If dental operators are unable to match rising costs with increased revenues, then margin erosion becomes inevitable.

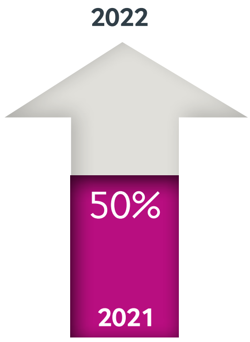
Some opportunistic buyers will use this negative sentiment to unfairly paint a bleak picture of the transactional landscape. There is no doubt that our economy took quite a battering in 2022, however, in the same breath, our dental team has had its strongest year of performance on record. The fact remains that demand from buyers outstrips current supply and, as such, we anticipate that this favourable ratio will continue.

> If dental operators are unable to match rising costs with increased revenues, then margin erosion becomes inevitable.

The aggregate offer value received at Christie & Co rose to **£930m+** in 2022, a **48% increase** on 2021.



In 2022, 150 offers were formally accepted, reflecting a **50% increase** on 2021.



CASE STUDIES

DAWOOD & TANNER, LONDON

After establishing this leading dental practice over 30 years ago, Andrew Dawood and Susan Tanner wanted to find the right partner to support the next phase of the business's growth. After a confidential sales process, it has now joined Dentex.

HANJI DENTAL GROUP, UK-WIDE

Hanji Dental Group - a successful, mixed income dental business with 88 surgeries spread across 18 trading dental practices in Birmingham, Manchester, Staffordshire, South Yorkshire, and the East Midlands - sold to Riverdale Healthcare.

MCCUTCHEON & BALLANTYNE, EDINBURGH

A majority private practice, McCutcheon & Ballantyne, attracted a substantial amount of interest, with over 40 enquires received within the first 48 hours of it launching to market. Out of eight offers received, it sold to independent buyers.

ACTIVITY OVERVIEW

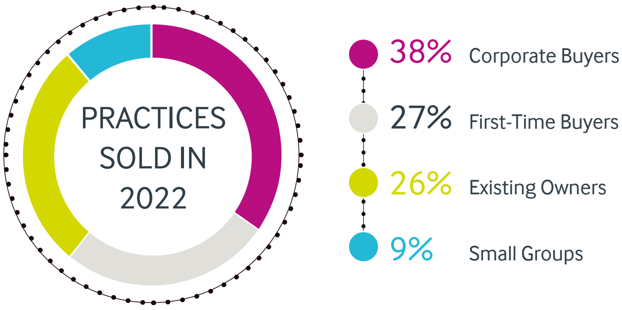
Dentistry continues to be a highly attractive sector for investors, helped by the increased awareness of oral health and the boom in cosmetic and aesthetic treatments. Despite some significant headwinds - not least rising interest rates, geopolitical and economic uncertainty, and increasing workforce challenges within the profession - the market remained extremely robust in 2022.

Completion volumes rose by 23% from 2021 to 2022, and a staggering 124% from 2018 to 2022, illustrating the increasing demand for quality practices.

Bank valuation instructions have also hit an all-time high, with a significant increase in instructions in 2022, which we anticipate continuing into 2023.

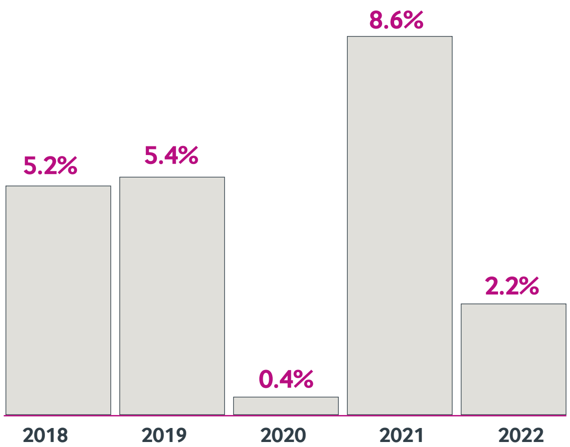
In Business Outlook 2022, we reported a positive dental price index of +8.6% for practices sold through us in 2021. This trend continued throughout 2022, with a reported dental price index of +2.2%.

In 2021, offers accepted were typically at 102% of the stated asking price. Pricing remained competitive in 2022, with deals completing at an average of 101% of asking price.



PRICE INDEX

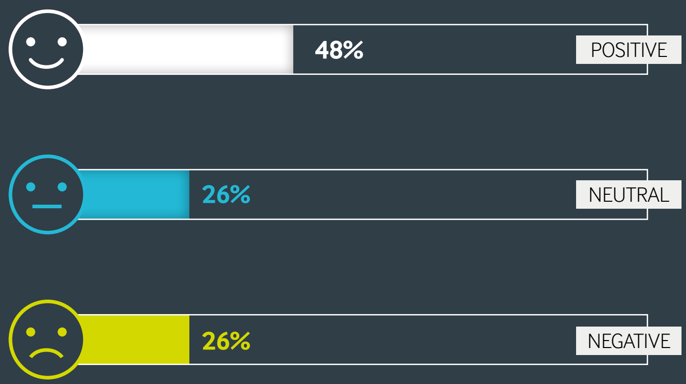
A positive price index movement of +2.2% is reflective of the core market activity and continued growth and demand within the private sector, and is offset against a cooling within the NHS market.



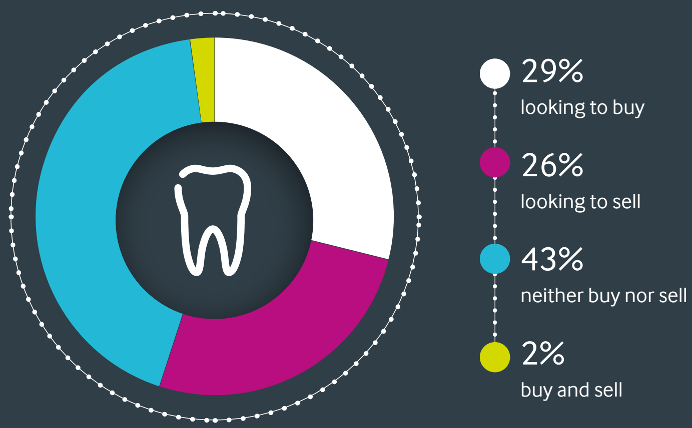
SENTIMENT SURVEY

We anonymously surveyed dental professionals across the country to gather their views on the year ahead.

When asked about their sentiment for 2023:



When asked about their sale and acquisition plans in 2023:



THE FUNDING LANDSCAPE

Emerging from the pandemic, private dentistry is stronger than it has ever been, even to the extent that lenders are now putting much less emphasis on NHS/Private split.

The exit of some specialist banks in 2022 allowed other healthcare lending specialists to step into the spotlight, and there is a healthy appetite for the sector as they are offering excellent terms for the right practice and owner if positioned correctly.

It is important to note, however, that under the strain of the current economic market and an ongoing recruitment struggle in the sector, lenders are generally taking a more cautious approach, so are favouring more robust practices that can withstand a stressed interest rate.

Becki Barnett
Finance Consultant, Christie Finance

PHARMACY

TONY EVANS
Head of Pharmacy

CHRISTOPHER VOWLES FRICS
Head of Valuation - Medical

INTRODUCTION

Over the last year, we have seen many pharmacy contractors expand their businesses both through acquisition and the development of additional services.

As a result, positive activity in the market remains, with our price index reporting a 0.7% increase in 2022.

Whilst there has been little impairment or distress in the sector, like many, it faces several headwinds that may create a more challenging trading environment over the forthcoming year.

MARKET PREDICTIONS

A continuation of corporate divestments giving more choice to buyers

Increased cost of borrowing

The challenges seen in recruiting and retaining staff in 2022 will continue throughout 2023

Reductions in profitability as staff shortages, energy, supply, and the cost of borrowing impact operators

Buyers will be more selective in what they purchase and more defensive in their strategy

We will see continued demand for quality businesses across the independent sector

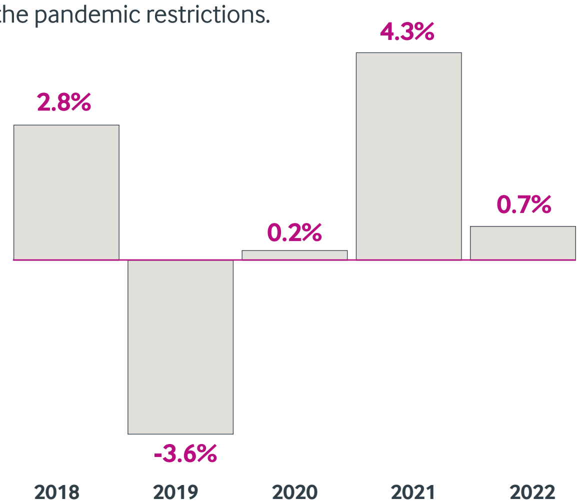
"The sector continues to experience real challenges surrounding employment issues, energy costs, supply and drug costs, and, more recently, interest rate increases which are all contributing to the rising cost of running a pharmacy business.

0.7%

Our price index reported a 0.7% increase in 2022.

PRICE INDEX

Over the course of 2022, the sector endured various cost challenges which impacted both gross and net operating margins. These, alongside inflationary issues seen in the wider economy, were further exacerbated by the flat funding regime introduced in 2019 under the DHSC's Five-Year Deal. As a result, whilst we have continued to see activity across the sector, this was more cautious than in 2021 as we bounced back from the pandemic restrictions.



MARKET LANDSCAPE

Employment issues remain as we continue to see pharmacists drain away from community pharmacy into positions within PCNs and GP environments under the Additional Roles Reimbursement Scheme (ARRS).

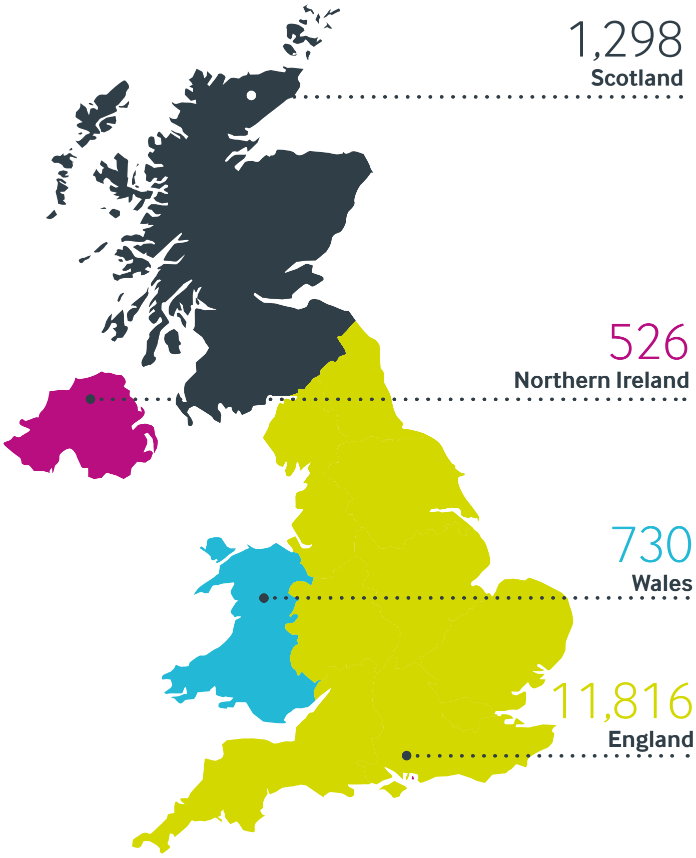
The squeezed supply of full-time pharmacists has led to a rapid increase in locum costs, as contractors seek to deliver a consistent service, however, such outgoings are unsustainable in the medium to long-term.

Despite continued pressures in the sector and the wider economy over the course of 2022, activity in the pharmacy market remains positive, with competitive bidding for quality businesses in areas of low supply very much being a feature.

More recently, a number of corporate operators have implemented disposal strategies, offloading significant volumes of pharmacies in certain areas. Inevitably, this additional supply of pharmacies to the marketplace will lead to a perception of more choice for purchasers. However, the sale conditions and liabilities that may accompany some such sales will mean that those prospective purchasers who are either new to the market or are reliant on funding to support acquisitions may find acquiring such opportunities challenging. Whilst many operators are feeling the squeeze, the increased supply of pharmacies in the market creates a strong opportunity for acquisitive, experienced operators with good track records and funding support.

Funding of the sector remains a major topic of discussion with the Five-Year Deal that was introduced in 2019 baring its weaknesses in the current high inflationary economy. With negotiators due to discuss funding with the Department of Health and Social Care for after the expiry of the Five Year Deal next year, the successful outcome of such discussions will be crucial to the health and wellbeing of the sector.

NUMBER OF PHARMACIES*



**Excludes Hospitals, NHS Trusts, HM Prisons. Data from GPhC March 2022*

CASE STUDIES

BOOTS UK PHARMACIES, ENGLAND AND WALES

We continue to act for Boots UK as it divests a small number of pharmacies within its estate. These opportunities generate interest from a range of first-time buyers and existing operators who are keen to provide a flexible and local approach to patient care.

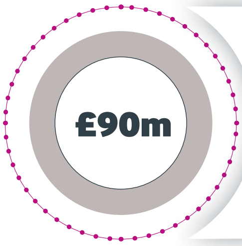
ALLENDALE PHARMACY, NORTHUMBERLAND

This well-performing community pharmacy was brought to market to allow its owner to focus on his other business venture. Following a confidential sale process with our team, it was sold to a first-time buyer who sourced funding through Christie Finance.

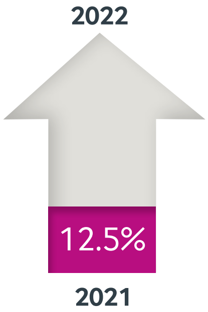
THE HUB PHARMACY, NORTH OF ENGLAND

We were appointed by The Hub Pharmacy Group to sell its 16-strong pharmacy business across the North of England. Following an open marketing sales process, the portfolio sold to Essex-based Allcures plc, an established pharmacy group operating across Southern England.

ACTIVITY OVERVIEW



In 2022, we sold 105 pharmacies with a combined value in excess of £90 million.



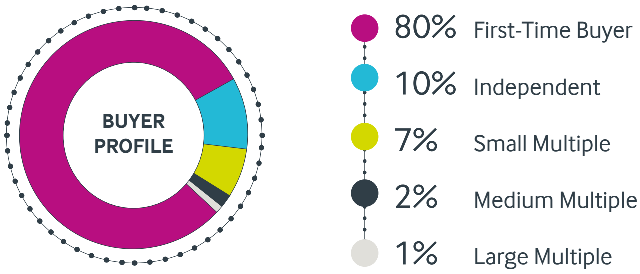
Deal activity has been brisk, too, as we saw a 12.5% increase in deals agreed in 2022 compared with 2021. **On average, we received three offers per pharmacy sold in 2022**, this was slightly up on 2021 figures.

As reported in our 2022 Pharmacy Market Review, deal times improved last year, recording an average of 32 weeks from a deal being agreed to its completion. As in previous years, although appetite was witnessed across all four country regions, we saw strong activity across Scotland the North East of England and South East of England, in particular.

AVERAGE TIMELINE FROM A SALE BEING FIRST AGREED TO COMPLETION

The number of applicants - those interested in acquiring a pharmacy business - recorded on our UK database in 2022 remained consistent with previous years, with 80% being first-time buyers, 10% being independent contractors looking to expand, and the remaining 10% being a mix of small, medium, and national multiple operators.

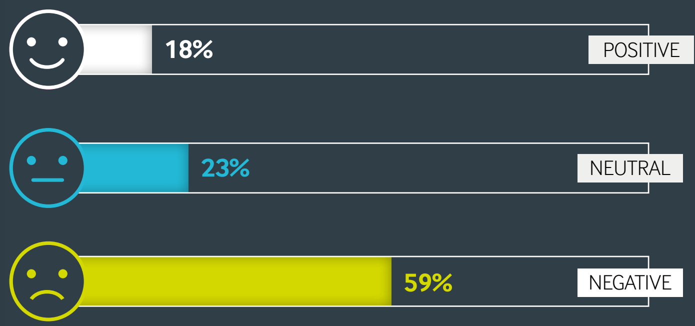
However, this continued appetite did not directly correlate with sales activity, with only 23% of sales undertaken in 2022 having been to first-time buyers, as vendors sought the security of selling to more experienced and well-funded operators. Bank portfolio valuations, coupled with single asset valuations, increased significantly during 2022. This appears to be unabated as we go into 2023.



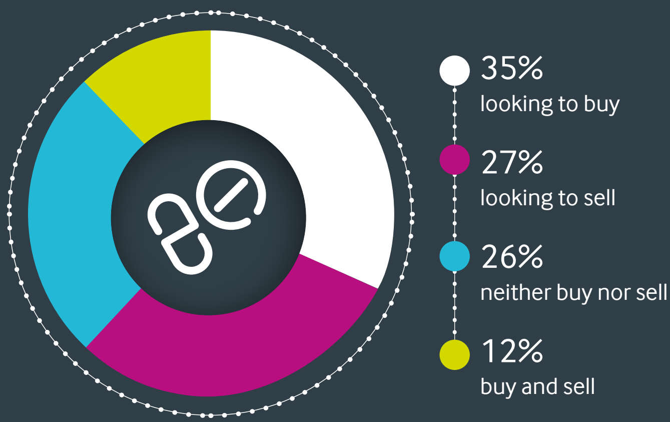
SENTIMENT SURVEY

We anonymously surveyed pharmacy professionals from across the country to gather their views on the year ahead.

When asked about their sentiment for 2023:



When asked about their sale and acquisition plans in 2023:



THE FUNDING LANDSCAPE

2022 saw a strong funding appetite in the pharmacy sector with lenders supporting both first-time buyers and those wishing to expand. However, as the year progressed, various elements put pressure on the funding of the sector. The withdrawal of Wesleyan Bank and, to a lesser extent, Recognise Bank, from the pharmacy sector put pressure on the remaining lenders. This, together with rising interest rates and increasing locum costs, caused lenders to adopt a more cautious approach with their lending policies.

As we move forwards into 2023, the uncertainty of the financial and political markets will no doubt see lenders scrutinise applications in even more detail than they perhaps did previously, stressing the need for a robust finance application.

David Ward
Senior Director, Christie Finance

CARE

RICHARD LUNN
Managing Director - Care

MICHAEL HODGES
Managing Director
- Care Consultancy

> As our ongoing project to sell 111 Four Seasons care homes has demonstrated, there is an excellent level of appetite across this wide buyer universe.

MARKET PREDICTIONS

Demand for good quality assets and general buyer sentiment will remain strong

The trend of an increasing number of operators taking leases is likely to continue

Sale and leaseback finance will continue to underpin a notable number of transactions, although yields may soften as a consequence of wider macro-economic factors

Occupancy should fully return to pre-pandemic levels by year end

Workforce challenges and cost inflation are likely to remain as the two key operational headwinds

We may see more signs of distress emerging, particularly for smaller older style assets which are reliant on local authority funding

We anticipate further transactional activity in the OpCo market

MARKET LANDSCAPE

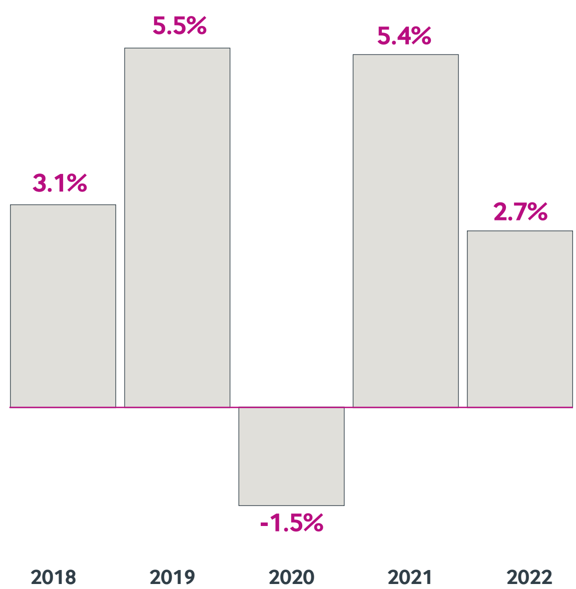
The market landscape for the care sector is diverse, with participants ranging from local operators to the largest corporates and major international investment funds.

We also have a large number of other key market participants including developers and investors who are pivotal in delivering the latest new build facilities.

The level of demand and volume of care homes transacted by our team during 2022 was at a 14-year high. Most encouragingly, current market participants include a number of new European organisations who are looking to either enter the UK market or increase their presence through building on existing investments.

PRICE INDEX

Our price index reflects a strong appetite for care, however this is tempered by increased interest rates, capital costs, and operational costs.



42%

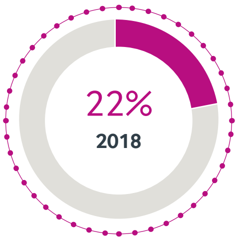
In 2022, we brokered 42% more deals in the sector than in 2021, including a number of notable regional group deals.

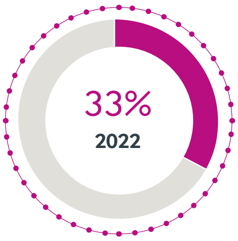
One example is the sale of the high-quality Halcyon portfolio to Anchor, a particularly important precedent as it is one of only a handful of substantial OpCo transactions to have taken place in the UK care home market.

We are also currently engaged in the high-profile mandate to sell 111 freehold care homes for Four Seasons Health Care Group. The instruction represents a major milestone in the restructuring of Four Seasons, with the assets being offered for sale on a portfolio, sub-group or individual basis.

Following the launch of the process in the summer of 2022, significant market interest has been generated with a busy period of diligence currently underway including a programme of guided site visits with multiple potential purchasers. Subject to the Group's objective of maximising value for its creditors, and the attractiveness of offers received, the sales process is expected to complete in the second half of 2023.

Corporate investors accounted for **33% of our completions** last year, a significant increase from **22% in 2018** which reflects the increasing use of sale and leaseback finance and a wide level of activity from a cross section of UK, US, and European REITS together with institutional capital.





This is further illustrated by analysing where buyers are based relative to the businesses which they acquire. In 2022, **48% of our deals** were concluded to buyers located over 100 miles from the target business, **a 19% increase** since 2015, which reflects a national and international buyer base.

2015
100 + miles: 19%

2022
100 + miles: 48%

CASE STUDIES

CARE HOME DEVELOPMENT SITE, KENT

Acting for Aspire LPP, we brokered the sale of a development site in Tenterden, Kent, with planning consent for a 64-bedroom care home to Barchester Healthcare. The home will benefit from 100% en suite wet rooms and a range of amenities.

GROVE CARE LTD, BRISTOL & GLOUCESTERSHIRE

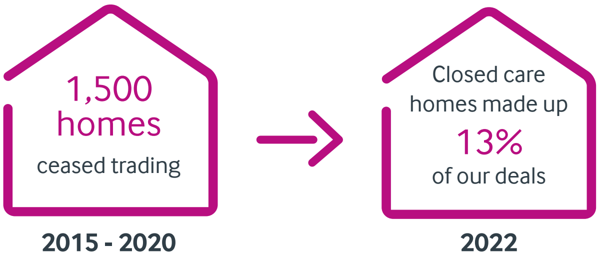
We were instructed to sell four high-quality care homes in Bristol and South Gloucestershire, all of which were rated 'Outstanding' or 'Good' by the CQC. The portfolio sold to dementia and nursing care provider, Allegra Care.

HALCYON CARE HOMES TOPCO LIMITED, EAST MIDLANDS & SOUTH ENGLAND

Anchor acquired the entire share capital of Halcyon Care Homes Topco Limited in a transaction brokered by Christie & Co which comprised a new build leasehold platform of 11 residential care homes. This was the third OpCo transaction of scale in the UK, creating an important transaction precedent.

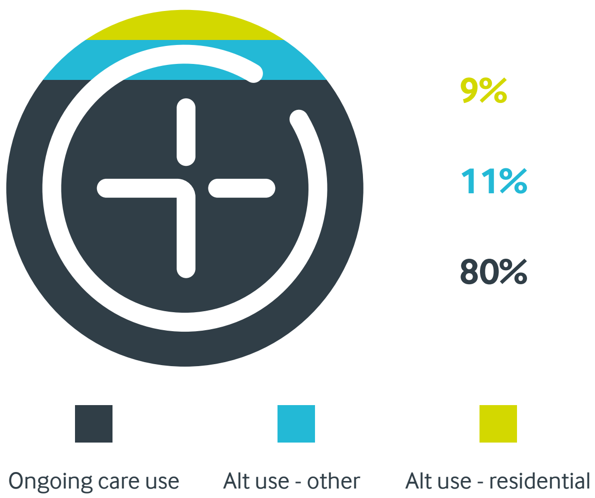
> In 2022, Christie Finance completed on 12% more loans than in 2021, as the sector remains keen to borrow funds to acquire, expand or recapitalise.

With the changing macro-economic landscape, the trend moving forward will be driven by a number of factors including the availability of capital and the alignment of vendor's pricing expectations relative to prevailing market conditions.



Between 2015 and 2020, over 1,500 homes ceased trading. In 2022 the number of closed care homes transactions decreased, accounting for 13% of our deals. When these transactions did occur, 80% of vacant possession deals were concluded to care home providers.

PROPORTION OF TOTAL SALES ON A CLOSED AND INTENDED-USE BASIS IN 2022

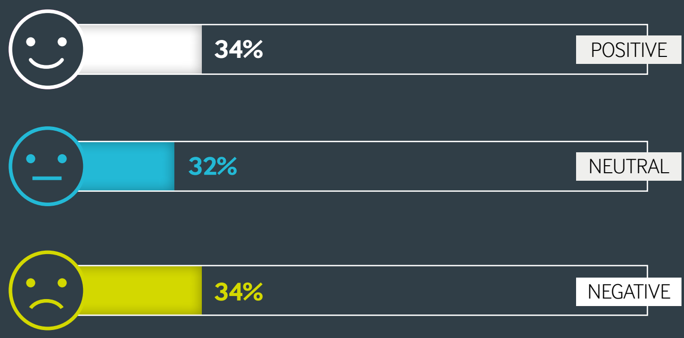


Where the sale was for ongoing use, the larger homes were commonly sold to elderly care providers seeking to reposition the care home in the market. Smaller homes were often acquired by specialist care providers and supported living operators.

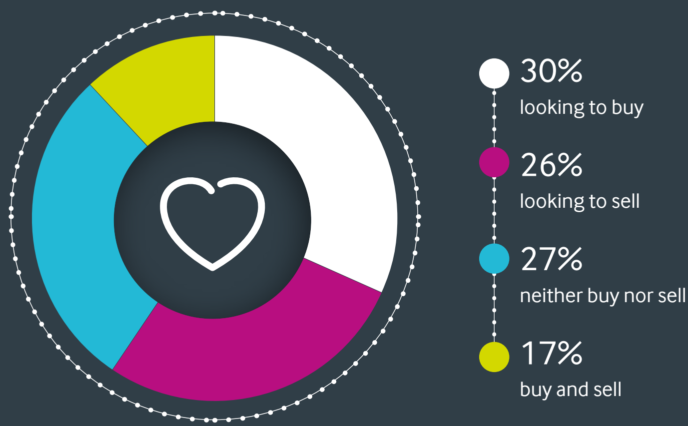
SENTIMENT SURVEY

We anonymously surveyed care market participants from across the country to gather their views on the year ahead.

When asked about their sentiment for 2023:



When asked about their sale and acquisition plans in 2023:



THE FUNDING LANDSCAPE

In 2022, at Christie Finance, we completed on 12% more loans than in 2021, as the sector remains keen to borrow funds to acquire, expand or recapitalise.

Since January 2022, amid macro-economic volatility, lenders have begun to put the pandemic behind them and focus on inflationary costs and interest rate increases. The pressures for operators in this sector remain unchanged, for example obtaining and retaining staff, CQC and fee income to name a few.

These increased external pressures have heightened the due diligence a lender will pursue through a funding process, however, despite this, we are still finding the debt market to remain buoyant and diverse to explore for our clients.

Jimmy Johns
Director, Christie Finance

CHILDCARE & EDUCATION

COURTENEY DONALDSON MRICS
Managing Director
- Childcare & Education

INTRODUCTION

In Business Outlook 2022, we stated "There are plenty of reasons for confidence and optimism..." In market terms, this sentiment indeed bore through, as the volume of deals completed and the value and volume of offers received reached unprecedented highs.

Following a period of stagnated activity in 2021, due largely to the pandemic, it was clear from the start of 2022 that confidence and growth appetite had been regained. Previously paused exit plans resumed, and we saw a surge in owners wishing to sell.

Drivers that fuelled buyer appetite included the post-COVID 'catch-up' hunger to grow earnings and market share via consolidation, teamed with an increase in opportunities coming to the market. Within childcare and education sectors, the children's day nursery and specialist childcare markets experienced the greatest degrees of heightened activity, with quality early years businesses, especially small- to medium-sized regional groups, being highly sought-after. These, along with organic development sites for new specialist childcare operations and properties offering potential for SEND day and residential use, transacted amid bidding wars fuelled by intense buyer demand.

That said, not all childcare and education markets have returned to pre-pandemic levels, as not all businesses have returned to pre-pandemic trading performances, with many continuing to face a host of operational challenges. In 2022, while some businesses were sold for eye-watering prices, others were unable to keep their heads above water due to financial, workforce, and capacity issues which resulted in an increase in business closures.

We saw a widening gap between businesses doing well and businesses struggling, and an increase in businesses just 'getting by', especially within the early years and provincial pre-prep independent school sectors where trading performances have been heavily influenced by local demographics and capacity limitations alongside other micro and macro factors.

LOOKING AHEAD IN 2023...

Sizeable headwinds have the potential to create much turbulence. Having been supportive throughout the pandemic, incumbent lenders are likely to become less sympathetic towards businesses that breach banking covenants. We anticipate that lenders will encourage customers of businesses with diminishing loan serviceability headroom to refinance or, if refinancing facilities cannot be sourced, encourage customers to sell their non-performing assets. This could result in an increase in under-performing opportunities coming to the market which will create opportunities for experienced operators with operational wherewithal and turnaround skills, new entrants, and cash buyers.

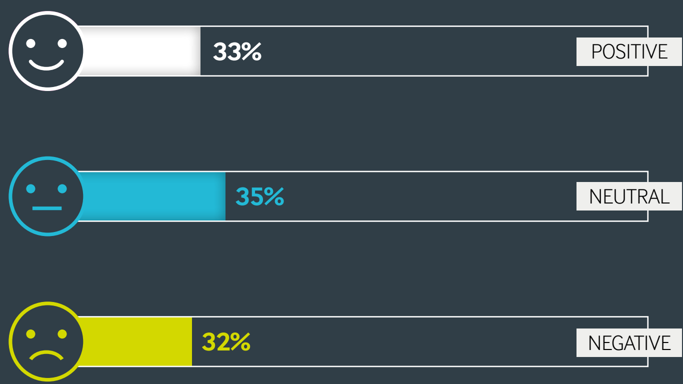
Despite a likely increase in 'distressed' businesses coming to the market, buyers will continue to react with pace when quality childcare and education businesses, whether single assets or groups, come to market.

We predict heightened transactional activity across the specialist childcare and looked after children's markets, and fully anticipate continued consolidation between national and regional day nursery groups.

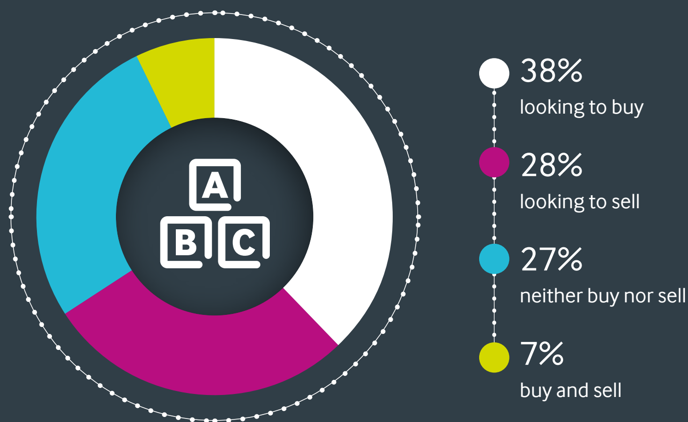
SENTIMENT SURVEY

We anonymously surveyed childcare and education professionals from across the UK to gather their views on the year ahead.

When asked about their sentiment for 2023:



When asked about their sale and acquisition plans in 2023:



INTERNATIONAL EARLY CHILDHOOD EDUCATION & CARE (ECEC)

COURTENEY DONALDSON MRICS
Managing Director
- Childcare & Education

THE FUNDING LANDSCAPE

Traditional funding - investor, private equity and bank lending - tends to be procyclical, contracting with an economic slowdown and rising when confidence renews. Historically, childcare and education businesses have gained preferential status for traditional lenders and, teamed with new banks and lenders entering the market, operators have been able to explore innovative lending solutions.

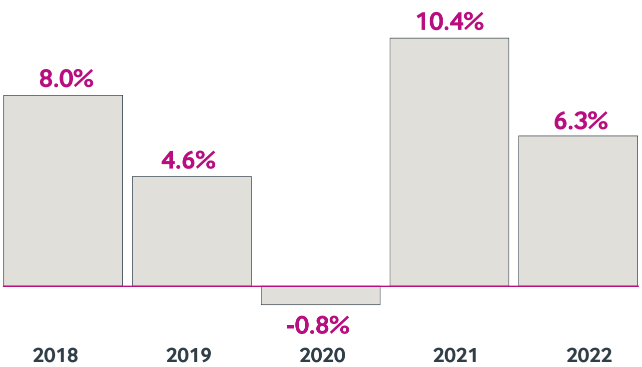
In 2023, it's likely that we will see an increase in borrowers seeking refinancing opportunities. Some SMEs that have seen diminishing revenues and earnings could encounter reduced enthusiasm from their incumbent lenders, subject to business specifics and financial performances, not all may have the appetite. Despite energy costs, base rate increases, and a mass of political changes, financially sustainable, high-quality, well-managed childcare and education businesses with good leadership should remain a stable lend for banks and investors.

Throughout previous recessions, the childcare and education markets have evidenced exceptional resilience. We predict that understanding and knowledge associated to prior recessionary performances should award confidence to investors and lenders alike. For businesses with solid and stable operational track records, investor and lender enthusiasm will be maintained.

Alena Ray
Associate Director, Christie Finance

PRICE INDEX

Competitive bidding between buyers and an increase in high-quality assets coming to the market during 2022 fuelled a price increase of 6.3%. This sits in line with what we initially predicted at the outset of the year. Anticipating an increase in the volume of assets of differing quality coming to the market this year, we would expect to see slightly lower price index movement for some Childcare & Education assets in 2023.



THE MARKET IN 2022

2022 saw some very notable activity with trade buyers across different continents acquiring high-quality ECEC platforms in new territories.

Transactions included the merger of Sodexo's Childcare Services business with Grandir. Having entered the early years childcare market with its acquisition of Creche Attitude in 2010, Sodexo built and grew the early years childcare portfolio, Liveli, which saw successful expansion into Germany via Elly & Stoffl, Spain and India. With Liveli providing 300 ECEC centres, revenues in the order of €146 million and 3,500 staff, this was one of the most notable ECEC European transactions of Q1.

In May, in the southern hemisphere, Bright Horizons announced its acquisition of Only About Children. With revenues of (A)$197 million, the portfolio of 75 ECEC centres in New South Wales, Victoria, and Queensland, was sold By Bain Capital for (A)$450 million.

In tandem with trade buyer activity, investment activity also gained momentum. Canadian private equity firm, Onex, sold its majority stake in the largest childcare provider in the Netherlands, Partou, to former minority shareholder Waterland Private Equity Investments. Just four months later, Partou acquired UK nursery group, All About Children which marks the provider's second UK deal following its acquisition of Just Childcare in 2021.

Other global ECEC transactions included the sale of Just Kidz Group, a portfolio of 13 centres in Singapore, sold to Busy Bees for (SGD)$62.3 million, China New City Commercial Development Limited's sale of London located Maggie and Rose nurseries, to Grandir, and UK headquartered Dukes Education's first international acquisition of United Lisbon International School, providing early childhood education and care from three years through to graduation.

For investors, trade buyers, and those successfully completing the sales of their international portfolios, 2022 was a landmark year. We anticipate further consolidation opportunities to emerge in 2023, with premiums remaining strong for the most desirable portfolios. We expect to see a very busy international ECEC marketplace with significant merger and acquisition activity ahead.

CHILDREN'S DAY NURSERIES

NICK BROWN
Director & Head of Brokerage
- Childcare & Education

MARKET PREDICTIONS

The market will continue to be resilient in terms of quality and offering against external challenges and pressures

Premium childcare settings will remain highly sought-after by buyers, commanding premium prices

All locations will be considered by buyers as they expand out of London and the South East

We will continue to see regional consolidation as operators strive to protect their portfolios/footprints

Expanding private equity-backed groups will show signs of further growth over the coming years

MARKET LANDSCAPE

Despite multiple challenges, 2022 was an exceptional year for day nursery transactions. One of the most significant being the sale of All About Children, which comprised 38 settings and circa 3,000 places largely based in London, the South East, and the Midlands. The business sold to Partou in a multi-million-pound deal backed by Waterland Private Equity Investments.

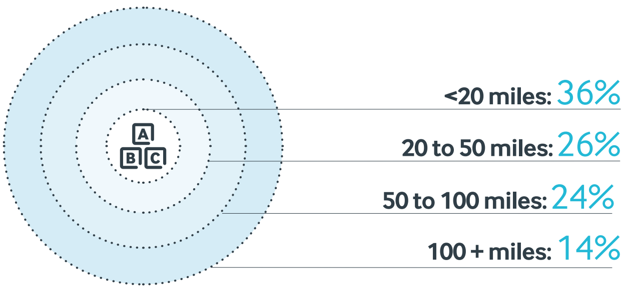
Throughout 2022, we saw a huge amount of interest for a range of day nurseries across the UK from a pool of well-funded buyers. Appetite remained strong for freehold and leasehold opportunities, although we saw a shift in trend towards sellers choosing to retain their freehold properties and just selling the business in isolation, thus providing an annual income as well as a lump sum premium.

Impressive prices continued to be achieved for the most desirable nurseries with robust and up-to-date information, for both single assets and portfolios in sought-after cities and regional hubs, including London, the Midlands, and the South East as well as Leeds, Greater Manchester, Bristol, Glasgow, and Edinburgh. We expect this increase in regional demand to continue well into 2023.

ACTIVITY OVERVIEW

While in 2021, buyers were mostly acquiring settings close to home, in 2022, they looked further afield, with the majority (62%) buying within 50 miles of their current operation/residences, and approximately a third buying within 30 miles of existing hubs. Those purchasing settings over 50 miles away increasingly represent corporates or groups with a national presence.

NURSERIES SOLD BY DISTANCE FROM BUYERS 2022 (MILES)



2022 was a record year in terms of volume and value of offers received. Offers accepted sat at an average of 17% over asking price which illustrates acute competitive market tension between buyers to secure the most desirable nurseries and gain 'quality' market share.

VALUE AND VOLUME OF OFFERS BY YEAR

Year to date, November 2021 versus 2022, we saw a 48% increase in new instructions, and a 35% increase in completions which substantially exceeded pre-pandemic volumes. This can, in part, be attributed to a surge in both owners facing ongoing operational pressures and uncertainly for the year ahead, and those wanting to capitalise on the strength of pricing in the market.

CASE STUDY

EGG DAY NURSERY PORTFOLIO, HAMPSHIRE

The Egg Day Nursery business is renowned for providing high-quality childcare to up to 181 children across three Hampshire settings. In a deal brokered by our team, the business was sold to Busy Bees.

INDEPENDENT EDUCATION

SOPHIE WILLCOX
Director
- Childcare & Education

MARKET PREDICTIONS

Independent mainstream schools, both day and boarding, with capacity for 1,250+ pupils will remain sought-after by domestic and international buyers

Further divergence between successful sustainable schools and struggling schools

Surplus margin erosion will be evidenced by independent schools unable to offset operational costs via adequate annual fee increases

Potential pupil number diminution to be experienced by smaller schools in less affluent areas

With a general election looming, Labour's plans to charge VAT on school fees due to the extent of the UK Government's COVID-19 and energy crisis-related borrowings could create further uncertainty

Increasing due diligence associated with potential political policy changes and risk will increasingly be at the forefront of buyer's thoughts, leading to enhanced sensitivity analysis

Closed and vacant former education establishments will continue to secure strong interest from specialist SEND providers

MARKET LANDSCAPE

During 2022, the volume of operational independent school transactions was supressed in comparison to previous years, primarily due to financial performances being largely distorted for the academic years ending 2021 and 2022.

An increasing number of independent education business casualties came to the market in 2022, as the gap between schools sustainably succeeding and those in untenable financial predicaments widened. We also saw an increase in smaller provincial prep schools facing acute financial challenges, some of which were insolvent pre-pandemic but sought to battle on in the hope that prospects would improve.

The independent schools market continues to be highly fragmented and, therefore, opportunities for corporate groups and investors to acquire via portfolio buy and build strategies are not as prevalent compared with the volume of opportunities awarded by other operational real estate sectors.

The pool of prospective buyers continues to be significantly smaller than it is for other childcare and education asset backed businesses. For independent schools, this is largely due to considerations relating to charitable versus for profit business status, composition of the market, and requisite skills needed, which can create additional complexities in transactions, while different factors relate to the pool of buyers seeking language colleges, private tuition, and vocational training businesses.

London and the South West remain key hotspots for buyers and investors seeking educational businesses, and there remains no shortage of appetite from those looking to acquire the UK's most prestigious educational assets.

ACTIVITY OVERVIEW

In April 2022, Patron Capital announced its investment in Wishford Schools, a portfolio of eight prep-schools and a co-educational boarding school catering for children aged between two and 18 years, located across Berkshire, Kent, Wiltshire, and Gloucestershire.

Ahead of the announcement, our consultancy team was appointed to undertake a comprehensive commercial due diligence on behalf of a major European infrastructure investment fund which was keen to facilitate a buy and build strategy. With our help, it sought to gain greater insight into the macro market, policy landscape, operational performance, and wider commercial and financial due diligence considerations.

CASE STUDY

HAWLEY HURST SCHOOL CAMPUS, SURREY

We were appointed by the Administrators to sell the former Hawley Place School campus near Camberley, Surrey. The opportunity was of great interest to a wide range of prospective purchasers and was subsequently sold to a private, SEMH school operator.

SPECIALIST CHILDCARE, LOOKED AFTER CHILDREN'S SERVICES & SEND

MARKET PREDICTIONS

There will be a high level of demand for specialist childcare businesses and properties, and complex children's services will achieve the largest premiums

Demand from corporate and regional operators across England and Scotland will continue to outstrip supply, resulting in heady prices being achieved

The Welsh Government's 'Eliminate' policy – which poses a significant threat – could worsen the children's home sufficiency crisis

New regulatory standards for leaving care services will drive businesses and authorities' quest for quality

We will see continued investment into the expansion of therapeutic care services

There will be ongoing challenges associated with the demand for services, staff recruitment, capacity limitations, and increased operational costs

MARKET LANDSCAPE

In 2022, we saw an uptick in market buoyancy and transaction pace in the specialist market.

Due to capacity challenges, a stark rise in the demand for services, and an increase in children's home providers creating hub and spoke services - whereby children have access to education away from their residential setting - we saw established operators up and down the country eagerly pursue organic expansion opportunities as well as established operational children's homes and specialist childcare businesses. There was also further interest from organisations and investors keen to enter the market. As such, the increase in former independent schools being brought to market with vacant possession - many of which present renovation potential - was met with great interest from buyers across the specialist sectors.

THE IMPACT OF THE PANDEMIC ON THE DEVELOPMENT OF CHILDREN AND YOUNG PEOPLE

Multiple research papers were published in 2022 by bodies such as the NSPCC, King's College London, and Nuffield Trust and Health Foundation, which examine the impact of the pandemic on children's and young people's development and wellbeing.

JULIE KITSON
Director
- Childcare & Education

The findings of the research have become increasingly evident; from children aged two and three years with significant speech and language delays, to increased incidents of very young children being excluded from nurseries and schools due to challenging behaviours, the rise in risks related to abuse, neglect and exploitation, and the impact on children and young people's relationships, mental health, education, and wellbeing. All these effects have increased the need for specialist childcare, looked after children, and SEND services, hence the high levels of interest for additional premises.

ACTIVITY OVERVIEW

Activity in the sector largely centred around operators with urgent requirements to identify, lease, and buy properties capable of creating new provision to meet the demand for their services. Along with the growth in appetite for residential childcare services, we saw a small number of corporate operators rationalising their portfolios for a variety of reasons. Vacant children's homes proved very popular with smaller regional groups and new market entrants seeking strategic growth opportunities. Due to the demand, many transactions were agreed and completed in just a matter of weeks.

Amid competitive sales processes to acquire properties and sites suitable for organic development, operational trade buyers endured a raft of challenges associated with the 'speedy' facilitation of refurbishments, registration, and recruitment of a suitably qualified workforce to deliver high-quality services. This led many providers to seek funding for their plans, which resulted in a busy year for our valuations team which was commissioned by banks and investors alike to provide formal red book valuations, largely for new secured lending purposes.

CASE STUDY

CONSIDERATE CARE LTD, LIVERPOOL

Considerate Care Ltd is a long-established portfolio of two reputable children's homes in Liverpool. In a deal brokered by our specialist team, the homes were sold to Keys Group.

RETAIL

STEVE RODELL
Managing Director
- Retail

INTRODUCTION

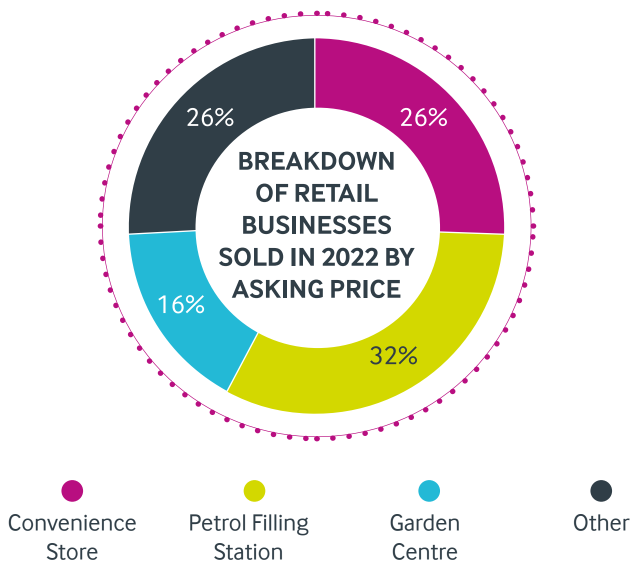
In the face of rising operational costs and record inflation levels, the UK's convenience retail, petrol retailing, and garden centre markets have proved to be more resilient than ever.

Consumers have undoubtedly become more conscious of their overall expenditure, and convenience retail is arguably better placed than other industries to weather 2023's anticipated headwinds as they offer essential local services. Shoppers will make careful discretionary spending choices, but items such as food, fuel, and perhaps tobacco and alcohol will be considered a necessity.

The buoyant trading period that many retailers across these sectors have experienced may start to balance out throughout 2023. As a consequence, operators will need to make pricing adjustments to offset any reduction in sales volumes and maintain profitability.

Buyers continue to look favourably at these sectors and the transactional market remains robust. Our Retail team has a strong pipeline going into the new year, and we anticipate a healthy number of transactions to complete in each of our retail subsectors in 2023. Buyers will continue to outstrip the number of opportunities available. The results of our sentiment survey support this, with most respondents indicating a positive outlook and an intention to buy in 2023.

Over the next few pages, we take a closer look at convenience stores, petrol filling stations and garden centres.



MARKET PREDICTIONS

The threshold for a viable corporate business has increased again, leading to more and better-quality corporate divestments. This presents an acquisition opportunity for independents

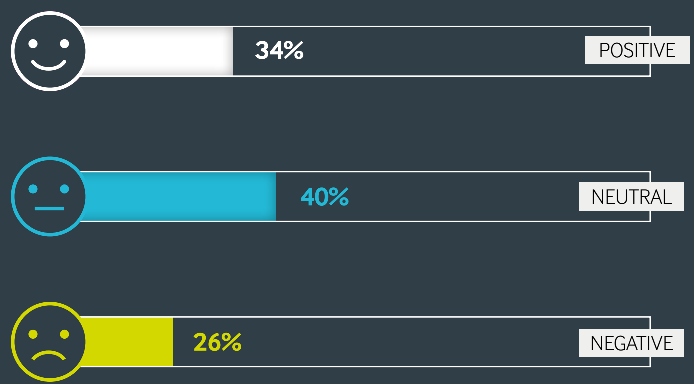
All sellers will need to be realistic about pricing, to reflect the performance of their business and a new cost base

Price expectations will be a key focus for 2023

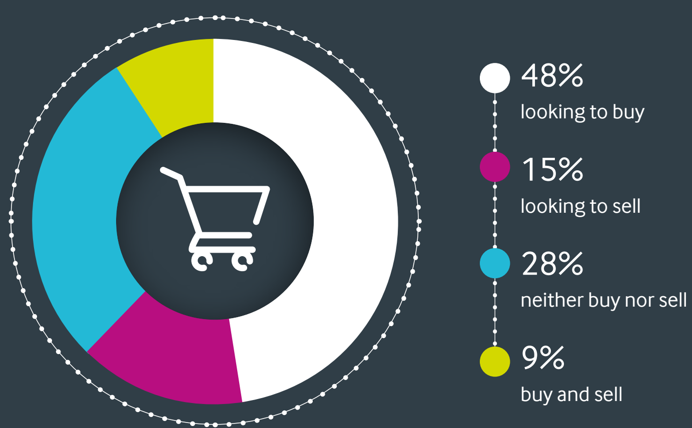
SENTIMENT SURVEY

We anonymously surveyed retail professionals from across the UK to gather their views on the year ahead.

When asked about their sentiment for 2023:



When asked about their sale and acquisition plans in 2023:



RETAIL INVESTMENT AND VALUATION

NICK BYWATER MRICS
Director

INVESTMENT MARKET OVERVIEW

Concerns over the macro-economic outlook, and rising interest rates in particular, dampened overall investment demand during the second half of 2022. However, with good underlying trading fundamentals, the convenience and petrol filling station sectors still offer attractive investment opportunities, and we expect greater activity from cash buyers in 2023.

CONVENIENCE

With fewer convenience store investment sales during 2022, investor demand has softened since the beginning of the year

Investment pricing is currently uncertain but prime yields may have increased by up to 50 basis points, driven largely by the increasing cost of debt finance

However, trading fundamentals within the sector remain robust, with sales at convenience stores across the UK having increased by £2 billion this year from £43.2 billion to £45.2 billion (source: ACS September 2022)

Rental values and occupancy therefore remain stable and this will underpin investment values during 2023

PETROL FILLING STATIONS

Petrol Filling Station investment volumes are also down, and investors are increasingly focused on the longer-term sustainability of individual sites, to the detriment of weaker trading locations where yields may have increased by more than 50 basis points during 2022

Nevertheless, larger petrol filling stations in strong trading locations, with room for expansion and with diversified trade, continue to attract investors, particularly where these are let on long leases to strong tenant covenants

DEVELOPMENT

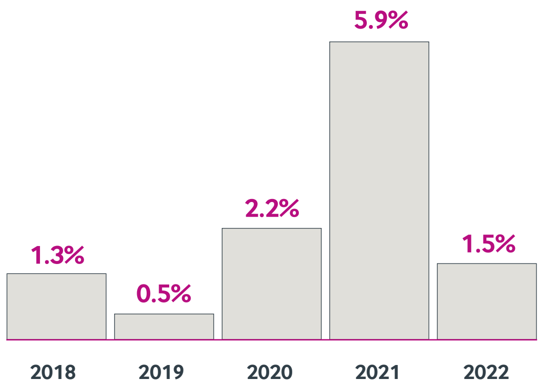
Demand for roadside sites with an area of over an acre, in busy A road locations, continues to be strong and there is sustained occupational demand for drive-thru restaurants from a variety of national brands and their franchisees

There is also an increasing demand for new roadside sites from car wash operators, EV charging providers and battery storage companies, often in conjunction with drive-thru operators

The location of sites for EV charging and battery storage is often limited by the need for a nearby grid connection with sufficient capacity, but we still view this as a growing opportunity for developers and investors

RETAIL PRICE INDEX

After what would have been a bumper trading year in 2021-22 for most convenience businesses, the resulting increased demand has caused a rise in our index.



CASE STUDY

CENTRAL STORES, WHEDDON CROSS, SOMERSET

Rural convenience store and petrol station let to Bestway Retail. Lease with 14 years unexpired at £73,542 per annum. We sold the freehold investment in excess of the £1,225,000 asking price.

CONVENIENCE

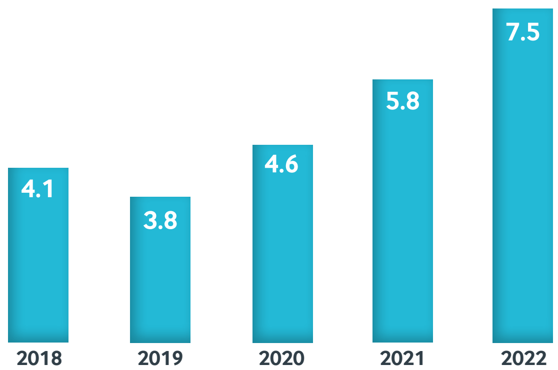
As we expected, consumers started to feel the pinch from inflation and the increased cost of living resulting in more price sensitivity in the second half of 2022. It will therefore be vital for convenience retailers to maintain their profit margins to focus on delivering value offerings to consumers in 2023.

Despite the economic challenges, business buyers did not appear to be deterred by any short-term decline in consumer spending and the demand for convenience stores remained strong throughout 2022. The total value of convenience sales is forecast to reach £48.6 billion by 2025, reflecting the sector's resilience and the value that consumers place on their local convenience store.

This sentiment helped to drive our transactional activity in 2022 and **we sold 41% more convenience stores than we did pre-COVID**.

Buyers continued to outstrip the number of stores available, so we often experienced competitive bidding, achieving an average of **7.5 offers for each business that we marketed**. This figure has been steadily increasing over the past few years.

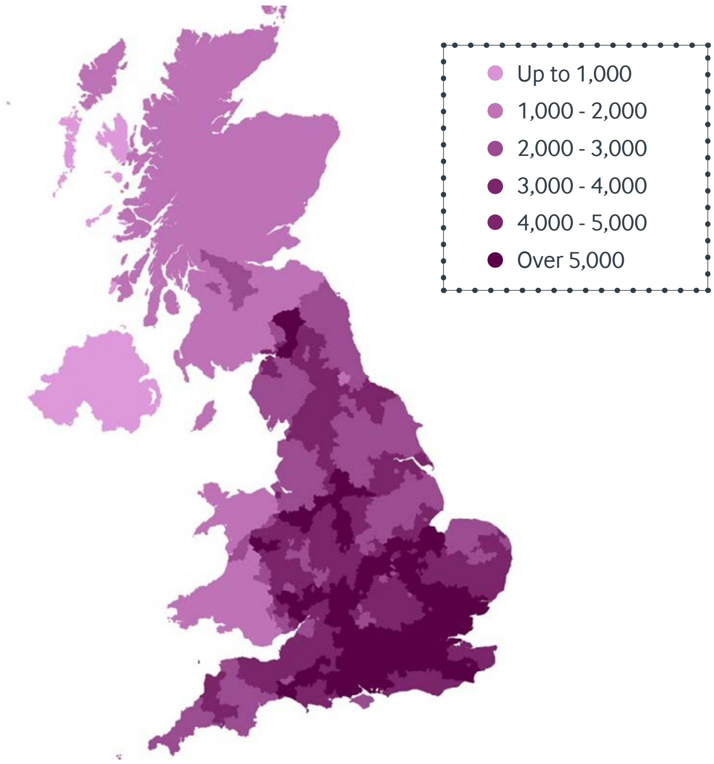
AVERAGE NUMBER OF OFFERS



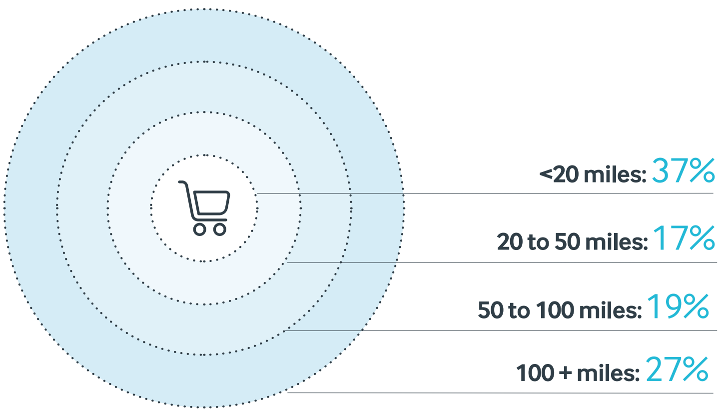
While some of the larger corporates have scaled back their new development plans, they continue to churn their portfolios which provides a fantastic opportunity to the wide pool of independent buyers seeking sites, with profitability and growth potential becoming key considerations in light of increasing operational costs. We remain instructed on Project Angel, an ongoing divestment program for the UK's largest convenience operator.

We currently have over **27,600 live applicants** on our data base, including corporates, small groups, independents, and first-time buyers.

DEMAND FOR CONVENIENCE STORES IN THE UK CHRISTIE & CO APPLICANTS



CONVENIENCE STORES SOLD BY DISTANCE FROM BUYER (MILES)



Over half of buyers (54%) acquire from within 50 miles of their current operation or residence. Indeed, over a third of buyers will acquire within 20 miles.

CASE STUDY

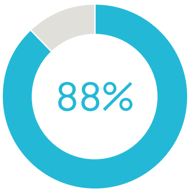
PROJECT VALE, YORKSHIRE

On behalf of D&S Retail group, we confidentially sold six high turnover leasehold convenience stores located throughout the East Riding of Yorkshire to Naeem Ahmad, a growing multi-site operator based in the North of England.

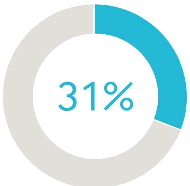
PETROL FILLING STATIONS (PFS)

It was encouraging to see trading conditions at PFS across the UK bounce back well in 2022, with average diesel and petrol volumes reaching 92% of pre-COVID levels. However, retailers were also grappling with rising cost pressures and turned to fuel pricing and shop margins to maintain profitability.

Historically, fuel was the primary reason to visit a PFS. However, we have seen other income streams such as 'fast-moving convenience goods' trend significantly upward over the last few years and become an important element to achieve better site margins. This has been demonstrated particularly well by large operators, who continue to invest heavily into the retail areas of their top sites.



of the UK's petrol filling sites now feature a retail offering



of which are full convenience stores

The war in Ukraine caused a surge in the wholesale cost of oil which meant higher pump prices for all. This has more recently been exacerbated by OPEC restricting production and causing the UK Government to review its dependency on external suppliers and revisit fracking. Prices are unlikely to fall significantly and as we face the take-up of battery electric vehicles (BEVs) and alternative fuels vehicles (AFVs), retailers will need to increase margin if volumes start to decline. The looming ban on the sale of internal combustion engine (ICE) cars in 2030 will make this inevitable. However, Christie & Co research indicates that the current market growth for BEV's has not impacted the appetite for PFS businesses and in fact, **we estimate it will take until the 2040s for the number of BEV's on the road to overtake fuel and diesel cars.**

At present, a host of barriers stand in the way of us seeing uptake accelerate, not least the hike in utility bills. BEVs will remain cost prohibitive and impractical for many consumers until a widespread and reliable rapid-charging network is in place. Consequently, the market for PFS remains steady, and PFS will continue to be in demand with multiple buyers hungry to acquire assets at every level of the transactional market.

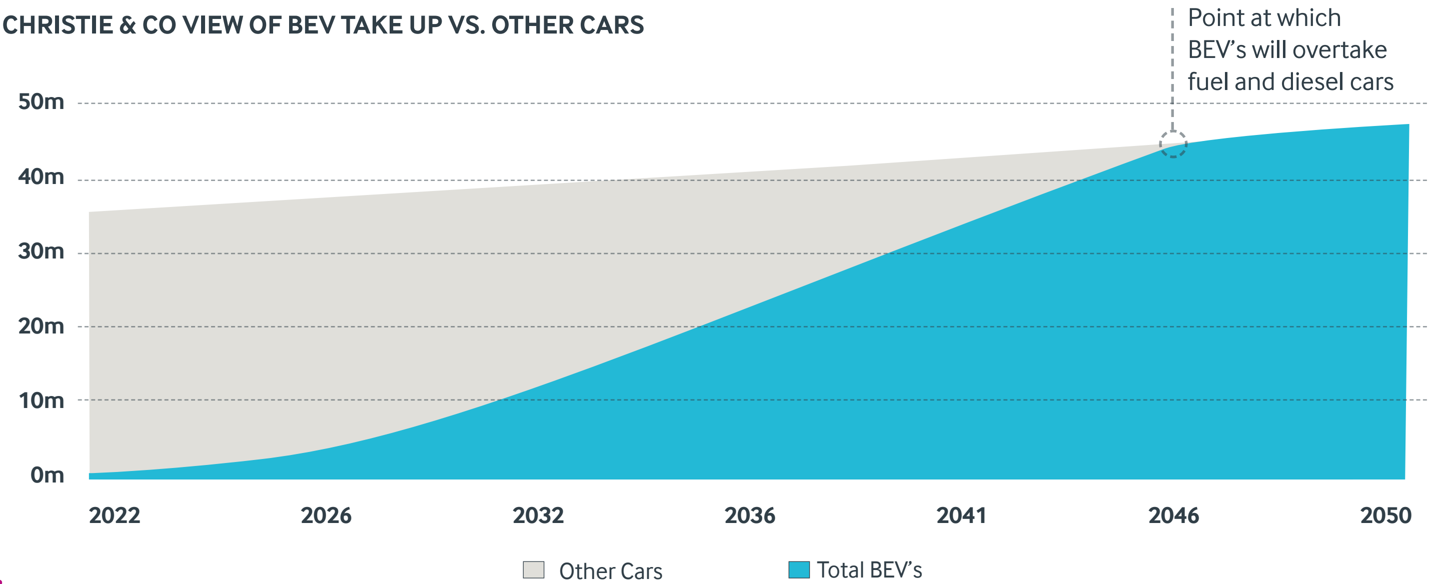
The sale of 87 MFG sites following owner, Clayton Dubilier & Rice (CD&R)'s acquisition of Morrisons created a significant level of buy side activity. However, healthy trading fundamentals deterred many other sellers from parting with their business in this competitive market.

Sites sold through Christie & Co in 2022 achieved an average of five offers per transaction, reflecting this demand. Deals across the wider market, such as Asda's acquisition of The Co-operative Group's 132-strong national estate of PFS sold for £600 million after competitive bidding, further demonstrating the ongoing relevance of PFS.

Nonetheless, operators must continue to evolve and reposition their sites for the future. Additional services that will maintain demand and footfall in the long term will help. Increasing fuel margins is a short-term solution, but redevelopment and a future strategy is the solution to long-term success.

In December 2022, BEVs represented 2.5% of total vehicles on the road and 15% of all new car sales.

CHRISTIE & CO VIEW OF BEV TAKE UP VS. OTHER CARS



CASE STUDY

PROJECT ROADSIDE, NORTH WEST ENGLAND

We were instructed to market a group of 10 former petrol stations sites in high-traffic locations across the North West of England. Available individually, in sub groups or as a portfolio, the sites present an ideal platform for a multitude of alternative uses.

GARDEN CENTRES

TOM GLANVILL
Director

OUR ACTIVITY

Our valuation and agency departments valued over 130 garden centre businesses in 2022 and the volume of sales was the highest that we have seen since 2018. Our pipeline looks strong, with a good number of deals due to complete in the first half of the year.

Christie & Co has more available garden centres for sale than any other agent as well as a good range of off-market opportunities. Most of the sites that we have sold or agreed sales on received offers from multiple competing buyers. Our analysis of those parties who have made offers for garden centres has been enlightening, with around half of all the offers made by new entrants to the garden centre market.

THE YEAR AHEAD

Spring is a key time for gardeners and will also be a key indicator of the market's resilience. The industry will be hoping for warm weather and a strong start to the gardening season.

It is well known that a large proportion of the garden centre customer profile is amongst the least affected by an economic downturn which does provide considerable cause for optimism in the short term. Garden centres also stand to benefit from the decline evident in high streets across the country and we see out of town shopping, with easy, free parking as a likely winner in 2023. Indeed, garden centres are relatively unique in the way they combine retail, leisure and hospitality.

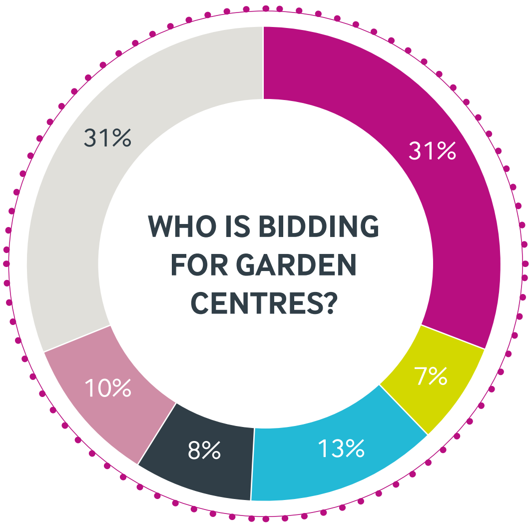
We anticipate that the garden centre market will remain strong as buyers will continue to be attracted by the profitability of garden centres, alongside the strong underlying land value and in some cases the longer-term development potential that these large sites offer.

AT A GLANCE

Freehold garden centre values are holding firm

Multiple operators continued to purchase good quality independent garden centres, keeping the market buoyant in 2022

Strong demand for smaller garden centres, farm shops and retail plant nurseries from lifestyle buyers



- Garden Centre Operator
- Neighbouring Land Owner
- Developer
- Other Hospitality Owner
- Professional Seeking Career Change
- Entrepreneur with no Experience in Sector

THE FUNDING LANDSCAPE

Despite interest rate rises, buyers are still opting to fund purchases in the retail sector with a loan. Our data indicates that over 50% of buyers in our retail markets required funding in 2022, so the right plan and specialist team of agents and brokers is therefore essential to ensure funding is secured. Christie Finance is an important player in this marketplace, working with a wide range of lenders that can offer finance solutions to our clients.

Lenders continue to support both first-time buyers and experienced operators across our specialist retail sectors. However, there is a greater amount of lender due diligence and emphasis on detail. As an independent broker, Christie Finance's retail finance experts have added huge value to the application process.

Lawrence Roberts
Director, Christie Finance

CASE STUDY

MILLBROOK GARDEN CENTRE, MONMOUTH

We sold this family-run garden centre near Monmouth, South Wales, to a couple who plan to invest in the site. The business received strong interest, with offers from seven interested parties, only one of which was an existing garden centre owner.

LEISURE

JON PATRICK
Head of Leisure & Development

> Many leisure operators experienced boom-time trading levels throughout spring and summer, with experiential, outdoor, visitor attraction and staycation-led businesses experiencing the most significant bounce-backs.

MARKET PREDICTIONS

Investment yields to soften as a result of the greater cost of capital

Reduction in household disposable income will impact discretionary spend. As a result, businesses within the luxury and value ends of the market will fare best

We expect to see an uptick in business distress in 2023

Continued staycation interest in high-quality holiday and lodge park opportunities, but sales of holiday park homes may have peaked given rise in interest rates and cost of living

Weaker value of the pound may assist inbound international leisure and tourism

INTRODUCTION

There were clear signs of recovery across the UK leisure sector in 2022, particularly during the spring and summer months, with many operators reporting positive year-on-year growth.

However, mounting operational headwinds and a reduction in household discretionary spending due to the cost-of-living crisis and inflation hitting a 40-year high are set to continue to pressure the sector in 2023, albeit some leisure businesses are better placed to weather the storm than others.

THE FUNDING LANDSCAPE

Funding for leisure businesses is still achievable where businesses can demonstrate positive signs of recovery, backed by a strong business plan and robust operational experience. Lender's criteria has tightened where they expect businesses to demonstrate a higher level of affordability, where energy bills are rising along with the BOE base rate. Following on from this, projection-led proposals are challenging. Looking ahead to 2022, it is important for applicants to demonstrate their experience and capabilities of running a leisure business to achieve funding.

Emma Vanson
Finance Consultant, Christie Finance

2.2%

The Office for Budget Responsibility (OBR) says that real household disposable incomes (RHDI) will reduce on a per-person basis by 2.2% in 2022-23. This suggests that some leisure operators may be exposed to a reduction in consumer spending.

During 2022, the UK leisure industry experienced more stable trading conditions for the first time in two years, as the removal of COVID-19 trading restrictions enabled pent-up consumer demand to flow back into the market.

Many leisure operators experienced boom-time trading levels throughout spring and summer, with experiential, outdoor, visitor attraction and staycation-led businesses experiencing the most significant bounceback. This helped to keep the transactional market buoyant, as well as shaping buyer appetite, with sales of visitor attractions, holiday parks, holiday letting accommodation and experiential-led offerings continuing to dominate market activity.

Despite encouraging signs of recovery across the sector, operators are now grappling with numerous operational challenges including the cost of capital, food and staffing price inflation and supply issues, to significant uncertainty around the price of utilities.

Meanwhile, consumers are expected to rein in discretionary spending in the coming months due to the pressure on living standards, all of which is combining to create an uncertain market outlook for 2023.

Households will, in many cases, need to review their spending patterns, with the OBR suggesting real household disposable incomes (RHDI) will reduce on a per-person basis by 2.2% in 2022-23. This suggests that some leisure operators may be exposed to a reduction in consumer spending. However, there has been a significant shift in public sentiment towards leisure activities, likely due to the multiple COVID-19 lockdowns endured over the past two years, with consumers valuing recreational and leisure experiences more than ever. As such, we expect some consumers will become increasingly price sensitive and trade down in 2023, rather than forgoing leisure activities all together, which will play to the value end of the market. Additionally, the bookings window may become shorter, as we have witnessed with the holiday, live music and theatre sectors. Conversely, demand at the luxury end of the market will see little change, whilst those consumers not exposed to increased mortgage costs and perhaps seeing their savings earning a better return, appear to be especially active participants of leisure activities.

As was the case during the 2008/2009 credit crunch, the health & fitness sector is also expected to weather the challenging trading conditions better than many other leisure businesses, perhaps due to an increasing number of consumers prioritising health and wellness as a lifestyle necessity. The usual churn of less "sticky" memberships however is likely to be where operators will need to focus their efforts.

Buyers are looking for discounted prices but these have not materially filtered through as yet. Operational costs have increased which is likely to mean bottom line profit will be impacted and the cost of borrowing has risen. We're going to be in a "Price Discovery" period for some time. Those businesses under pressure to sell will most likely attract a greater discount on pre-pandemic pricing. High quality and well invested assets in sought after locations (like we saw post credit crunch) may well achieve similar pre pandemic prices. Private Equity players are likely to return to the market when the financial landscape is more stable but with increased emphasis on discounted opportunities. We'll also see Private Equity targeting cross sector operational real estate opportunities via loan book acquisition as happened during the credit crunch.

CASE STUDIES

SERVICED APARTMENT DEVELOPMENT, YORK

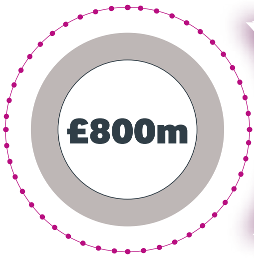
Off-market freehold turnkey development sale of prime, city centre serviced apartment scheme on behalf of Grantside (North Star One) Ltd to serviced apartment specialist, The Mansley Group.

THE NORTHERN SNOOKER CENTRE, LEEDS

Sale of long leasehold, landmark snooker and cue sports business in the same hands for 48 years. Sold amid competitive bidding process for well in excess of the £750,000 guide price to Yorkshire-based, Concept Taverns.

HOLIDAY PARK PORTFOLIO, NORTH WEST

Valuation of a 700-pitch holiday and residential park portfolio, in support of the acquisition of a c. £10 million holiday park business.



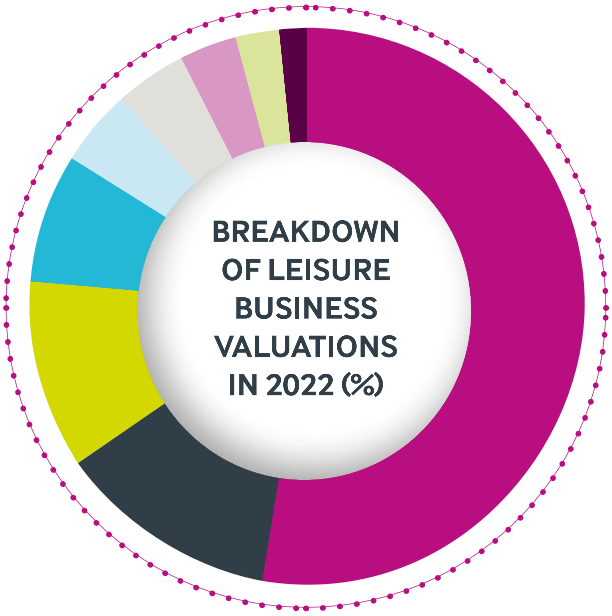
In 2022, we valued close to £800 million worth of leisure businesses.

OUR ACTIVITY

We advised on a wide variety of leisure-based business during 2022. Our specialist operational real estate activity covered everything from cinemas to casinos, golf courses and adventure golf to health & fitness clubs and spas, through to marinas, piers, motorsport and racetracks.

Additionally, 2022 was busy in terms of considerable visitor attraction assignments, including wildlife and safari centres to park farms, museums and a plethora of specialist wedding venues.

Mirroring the leisure sector as a whole and by far the busiest aspect of Christie & Co's leisure work across the year was the holiday park and lodge market. In this segment alone, we valued in excess of **£325 million** worth of sites.



Holiday Park.......... 53%

Garden Centre 14%

Amusements 13%

Visitor Attraction 4%

Golf Club 6%

Wedding/Events Venue 4%

Leisure/Health Club 3%

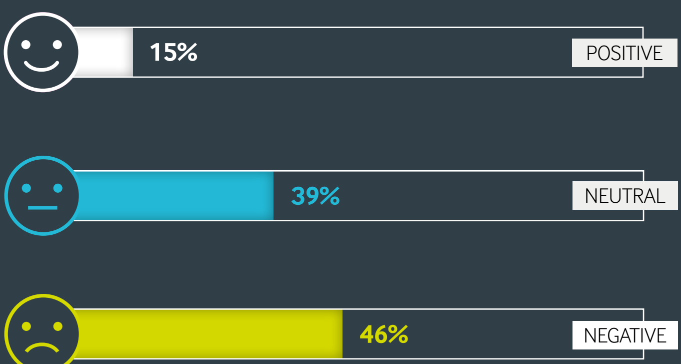
Marinas & Moorings 2%

Theatre/Showbar 1%

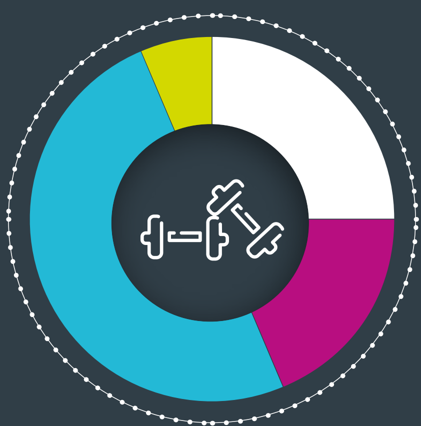
SENTIMENT SURVEY

We anonymously surveyed leisure professionals from across the country to gather their views on the year ahead.

When asked about their sentiment for 2023:



When asked about their sale and acquisition plans in 2023:



25% looking to buy

19% looking to sell

50% neither buy nor sell

6% buy and sell

PUBS

STEPHEN OWENS
Managing Director
- Pubs & Restaurants

NEIL MORGAN
Senior Director
- Pubs & Restaurants

SEAN LUDDEN MRICS
Director
- Valuations

MARKET PREDICTIONS

Uptick in distressed activity and the return of single asset disposal campaigns

Increased M&A activity as operators seek synergy and savings

Return of opportunistic buyers and private equity

Individual cash buyers looking for affordable pubs

Continuing demand for pubs with accommodation, and coaching inns

Increase in other operating formats such as the franchise model

Managed house numbers to remain static in light of escalating costs pressures

INTRODUCTION

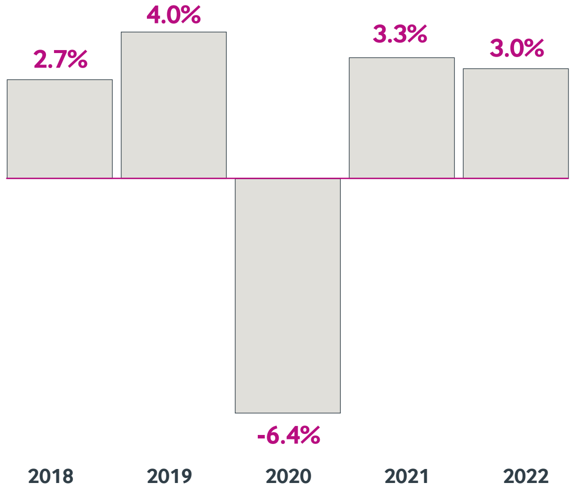
Despite a positive first half of the year, the UK pub sector faced relentless economic and operational headwinds in 2022 which slowed down the transactional market in H2.

Political instability, increasing operating costs, staff shortages and withdrawal of government COVID support created significant challenges for operators and an uncertain outlook for buyers and sellers.

Nonetheless, against this challenging backdrop the pub industry has remained remarkedly resilient, and we anticipate increasing opportunities for the sector in 2023, once market conditions improve and stability returns.

PRICE INDEX

The rise in our price index reflects the supply and demand imbalance and strong buyer appetite in the first half of 2022, on the back of good trading. The second half of the year was more subdued but with little distress, so values held up reasonably well.



MARKET OUTLOOK

2022 marked the first time in two years that UK pubs could return to unrestricted trading and the sector reported a strong bounce back during H1 as a result, supported by significant consumer demand.

Yet this wasn't without challenges, with operators facing the lingering effects of the pandemic and geopolitical events of the last two years, including staff shortages, soaring operating costs and growing debt.

The sector's solid headline performance helped to retain investor interest and drive transactional activity in the first half of the year, albeit the market has become polarised, with strong demand for assets at the premium and value end of the spectrum and fewer opportunities in the mid-market.

As the year progressed, the increasing economic and operational headwinds, and political instability shifted the generally positive market sentiment and the transactional market became subdued during the second half of 2022, as buyers and sellers became more cautious. Several portfolio sales failed to materialise against the political and economic instability, as investors decided not to deploy capital and existing owners opted to wait until market conditions become more favourable. On the other hand, deals for quality businesses and smaller portfolios continued.

The distressed activity predicted for 2022 did not materialise and remains at all-time low levels. However, operators will be forced to navigate challenging headwinds in the coming months. Higher interest rates and inflationary pressures will remain in 2023, and there is talk of prolonged recessionary conditions. This may result in an increased demand for Christie & Co's brokerage services.

We may begin to observe a short-term levelling out in managed house pub numbers over the next twelve months, with increasing costs pushing up the bar at which this operating model is considered viable. Bottom end managed houses may be sold into the freehouse sector or transferred into the franchised or tenanted models.

Whilst operators will need to focus on new ways to reduce operating costs in 2023, there will be more opportunity for further recovery as trading conditions improve later in the year. The British Pub is an important part of the national landscape, and well supported by the public, with the ability to adapt and prosper as they have many times before.

Christie & Co's expert team are well placed to provide wide-ranging strategic advice, to help operators weather the storm. In some instances, exiting the business may be the most suitable option but it's not the only one. In the coming months we anticipate an increased demand for our advisory services, operational reviews, refinancing, changing operational formats and effective margin management.

> Whilst operators will need to focus on new ways to reduce operating costs in 2023, there will be more opportunity for further recovery as trading conditions improve later in the year.

CASE STUDIES

BERKELEY INNS, DERBYSHIRE

We were appointed by multi-award-winning gastropub operator, Berkeley Inns Limited to sell two of their Derbyshire sites. The pubs, The Meynell Ingram Arms and The Cock Inn Mugginton were both acquired by RedCat Pub Company.

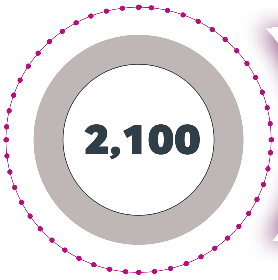
METROPOLITAN PUB COMPANY, GLASGOW

We supported Metropolitan Pub Company's acquisition of three iconic restaurants in Glasgow. The venues, including The Ubiquitous Chip, the award-winning Stravaigan and The Hanoi Bike Shop were sold to the Greene King subsidiary in a highly confidential off-market deal.

THE WIREMILL, EAST GRINSTEAD

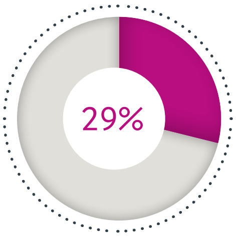
We advised Yummy Pubs on the sale of The Wiremill near Lingfield, to regional brewer and pub company, Hall & Woodhouse. Following our advice, the business was confidentially marketed to a limited number of buyers as Yummy Pubs had received several unsolicited approaches from various pub companies.

OUR ACTIVITY

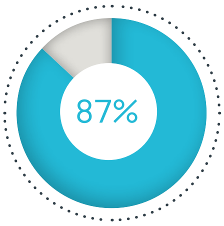


In 2022, we advised on over 2,100 hospitality businesses across the UK.

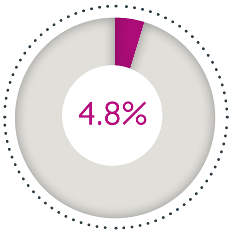
The majority of our pub transactions comprised individual asset sales, as **the market for pub assets under 500k remains resilient.** This mirrored what we experienced in 2020-2021.



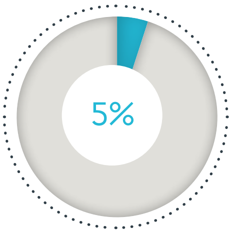
Increase in new instructions compared to 2021



Were purchased for continued use as a pub. Apart from residential, other uses included day nursery, cookery school and a music studio for a Hollywood star!



Increase in the number of pubs achieving their asking price, demonstrating that values have held up well. A lack of supply and a strong presence of buyers in the market drove this relatively robust pricing



Were distressed sales; half of that which we saw pre-pandemic as the government support provided a lifeline for many businesses. This is expected to change as support is scaled back

Freehold assets remained most attractive to buyers, although there was still good demand for free-of-tie leasehold sites in prime locations across all regions.

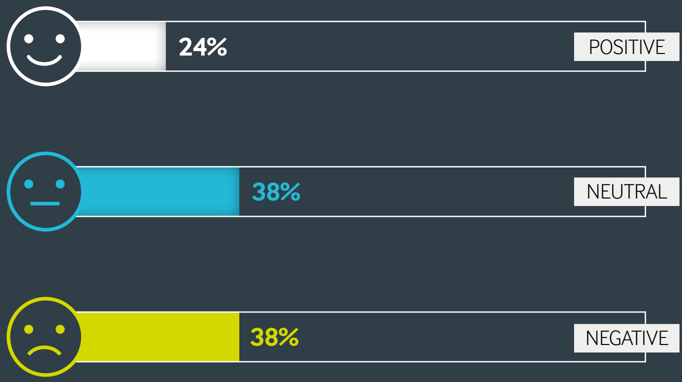
On the whole, deal times remain protracted and increasing interest rates and difficulty in pricing debt has dampened the M&A market however we expect this to pick up in 2023.

In the wider market, several pub companies such RedCat and Red Oak continue to be particularly acquisitive, having exchanged and completed on several sites with the support of Christie & Co, illustrating the strength of the market despite the challenging trading environment.

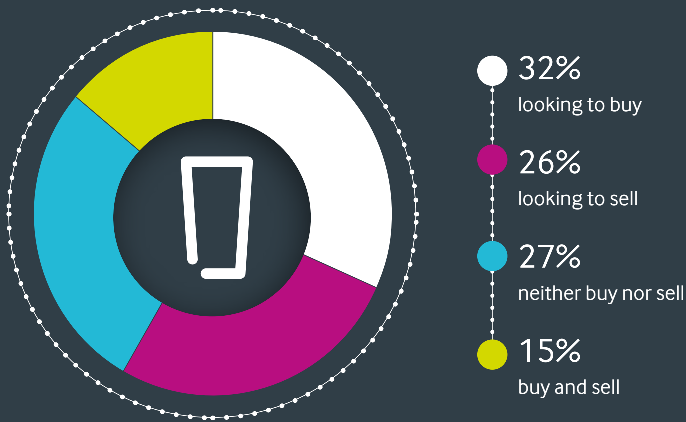
SENTIMENT SURVEY

We anonymously surveyed pub professionals across the country to gather their views on the year ahead.

When asked about their sentiment for 2023:



When asked about their sale and acquisition plans in 2023:



THE FUNDING LANDSCAPE

The pub sector's headline performance in 2022 improved lender confidence in providing debt, albeit there is still an air of caution amongst high street providers. This has left the door ajar for challenger banks to take a more holistic approach and their appetite for the sector remains strong.

Lending policies continue to differ from one bank to the next, with some favouring more diverse income streams including accommodation and delivery options, while others focus on the more traditional elements of the pub business.

There is still a willingness to lend both existing operators and first-time buyers, with relative experience alike. Now more than ever, it is vital to have a detailed understanding of any potential future operating cost increases and factoring these into a robust forecast and business plan.

Ashley Clements
Finance Consultant, Christie Finance

RESTAURANTS

STEPHEN OWENS
Managing Director
- Pubs & Restaurants

SIMON CHAPLIN
Senior Director
- Restaurants & Franchise

> New opportunities and ways of operating have emerged, with certain markets seeing growth as a result.

MARKET PREDICTIONS

Increased roll out of new, more cost-effective models and brands

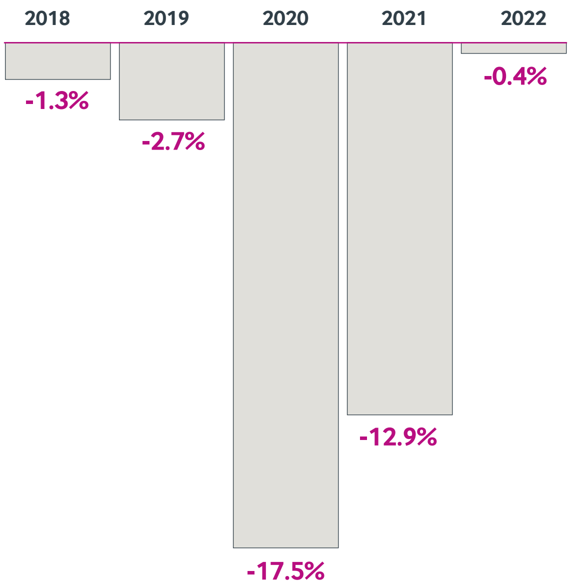
Good property deals as landlords offer concessions and rent deals

More CVAs as tired and over leveraged businesses feel the heat

Continuing popularity of QSR, franchising and drive through

PRICE INDEX

Despite the headwinds facing the sector, freehold restaurant sales held up well in 2022 and we recorded a marginal drop in our price index compared to previous years, although it remains challenging to achieve historical premium values



INTRODUCTION

The UK restaurant sector has faced a turbulent period over the last few years, with the pandemic exacerbating the distress that already existed within the sector.

It was therefore encouraging to observe the relatively robust rebound in consumer demand in 2022, once COVID-19 related restrictions were lifted, which gave operators a much-needed boost. Although it wasn't long before a new wave of headwinds presented themselves, adding fuel to the fire.

The sector faces a challenging year ahead, with increasing operating costs and the pressure on consumer spending expected to disrupt recovery in 2023. However, amongst the flames, new opportunities and ways of operating have emerged, with certain markets seeing growth as a result. Over the next few pages, we examine where some of the opportunities lie within the UK's changing restaurant landscape.

MARKET OUTLOOK

The COVID-19 related upheaval of the last two years has fundamentally re-shaped the UK restaurant sector, from both a consumer behaviour and operational point of view, with customers and operators placing a significant emphasis on convenience, consistency and value now more than ever.

This has enabled certain markets to forge ahead and see growth in 2022, despite the challenging trading conditions.

Whilst not quite at the levels we saw during the pandemic, the demand for delivery has remained high, as consumers continue to prioritise convenience and remain happy to pay the price for this service. This is driving the rise in quick service restaurants (QSRs) which are now purpose-built to cater for the delivery market. For those at the other end of the age scale, the appeal of midweek dining has seen many venues fine tune their offers to attract repeat clientele and those working from home who might sneak out for lunch!

The rise, and rise, of QSR venues is based on both value and convenience. A recent survey suggested that 63% of people were spending the same or more on QSR dining, compared to a drop in other dining experiences.

The other important factor is consistency, and this has seen the franchise model gain in popularity. The top ten UK casual dining brands are now dominated by franchised operations however, newer entrants are offering desserts, craft beer, sushi and other Asian street foods.

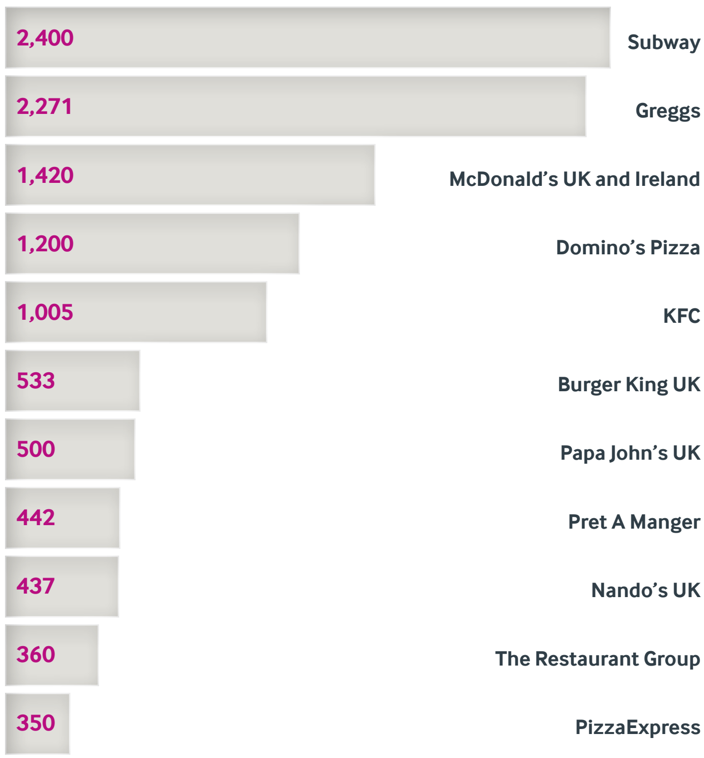
FRANCHISING: WHAT'S THE APPEAL?

- Built for delivery
- Tried-and-tested business model (key for lenders)
- Enable new brands to grow quickly within a market
- Ability to operate independently but with the support of a larger brand if needed

Major investors are increasingly attracted to this segment of the market as they can join forces with international brands and seek to expand, not only in the UK but Europe and beyond.

Looking ahead in 2023, we can safely predict that there will be more distress. Restaurant insolvencies were up by 60% at the end of 2022 and we are likely to see this reach pre-pandemic levels as government support reduces over the coming months. However, there will also be winners who will be looking to expand, leaning on landlords and fine tuning their offer to offset rising operational costs and reduced consumer spending. This can include reduced opening hours, smaller cover numbers and simpler menus, all aimed at delivering value-led offerings, to align with consumers tightening belts. High quality yet simple, low-priced options will be favoured by increasingly price sensitive customers.

TOP UK RESTAURANT/FOOD-LED OPERATORS - 100 SITES OR OVER



CASE STUDIES

SUSHI SHOP, NATIONWIDE

We were solely instructed by Sushi Shop, part of the AmRest family, to acquire a number of regional franchisees across the UK, with the first multi-site franchisee due to be announced imminently.

THE BULL AUBERGE, IPSWICH

We were instructed to sell this profitable freehold restaurant and hotel near Eye in Suffolk after 27 years' private ownership. The business generated multiple interest before selling to family buyers from Hertfordshire.

MILLSTONES RESTAURANT, HARROGATE

Detached restaurant and catering business which occupies a busy roadside position near Harrogate town centre and en route to the Yorkshire Dales. The building was sold to a local businessman for alterative use.

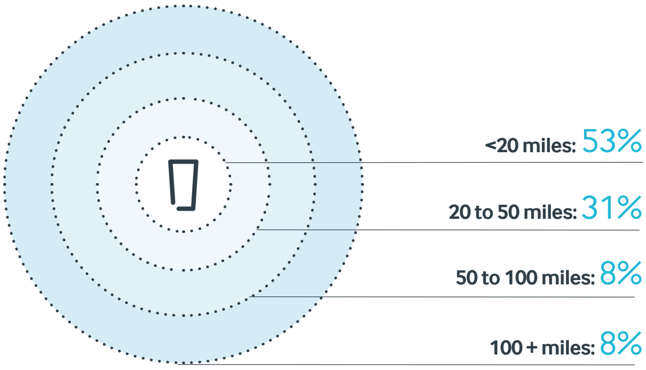
OUR ACTIVITY

There is still an appetite for well-priced sites and whilst we observed some individual asset sales throughout 2022, the transactional market was largely subdued due to declining consumer sentiment.

During 2021 we were successful in securing new hospitality franchisees for two packages of Pizza Hut Delivery sites for YUM!. Last year saw us build on this with further work for YUM!, securing a new multi-site franchisee for AmRest with their Sushi Shop brand, along with portfolio valuations for a variety of franchisees.

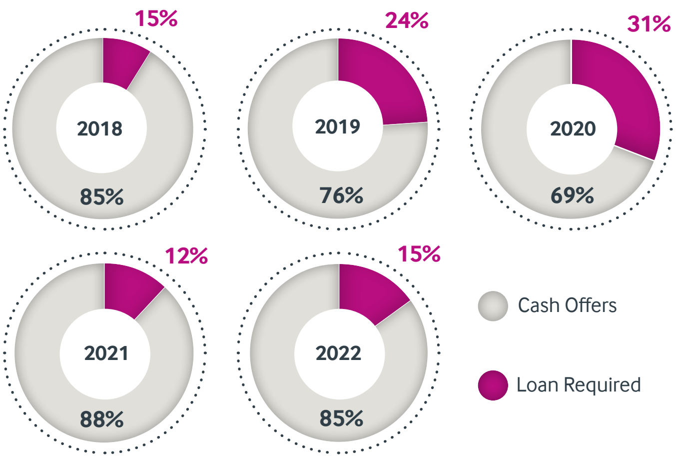
Many new entrants breaking into the world of restaurants look for some familiarity and over half our buyers live within 20 miles of the business they buy.

RESTAURANTS SOLD BY DISTANCE FROM BUYERS 2022 (MILES)*



In a sector which is dominated by leased assets, 85% of transactions are cash funded as lenders read the headlines and get nervous. This has caused the offer levels to drop and meant that the number of leasehold restaurant transactions with a premium in 2022 was at an all-time low.

ACCEPTED OFFERS BY TIME



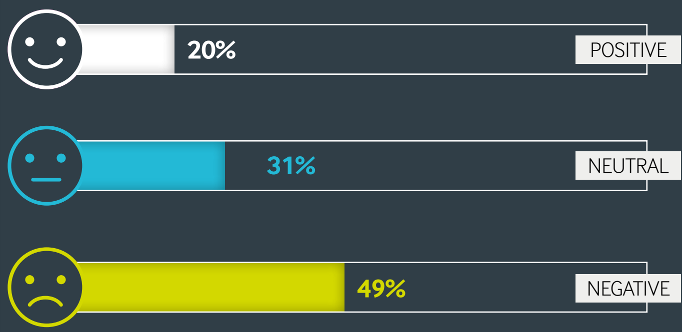
Surprisingly, distressed transactions remained at a low level due to the fact that, with no value to be gained, many keys went direct to landlords.

In comparison freehold restaurant sales held up well, showing a 30% increase in transactional volumes, with prices achieved within 10% of the final asking price. This has seen us record a marginal drop in our price index although that hides the dramatic drop in premium values that can no longer be achieved.

SENTIMENT SURVEY

We anonymously surveyed restaurant professionals from across the country to gather their views on the year ahead.

When asked about their sentiment for 2023:



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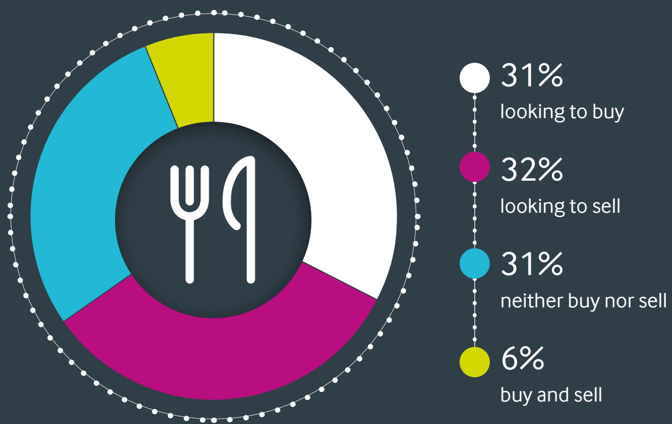


THE FUNDING LANDSCAPE

With stories of the restaurant industry's struggles dominating news headlines of late, it would be reasonable to believe that the sector had fallen out of favour with funders however, this is far from the case at Christie Finance. Our finance experts work with a range of lenders and have the experience and knowledge to support restaurateurs, both first-time buyers and existing operators, seeking finance. Presenting a defined, robust strategy to manage increased costs and reduced consumer spending remains the simplest strategy to garner support from high street and challenger banks alike in the current market. A diversification of income streams and future growth strategy will also demonstrate that your restaurant business is built on solid fundamentals, which will improve lenders confidence in providing debt.

Ian Shenton
Finance Consultant, Christie Finance

HOTELS

CARINE BONNEJEAN
Managing Director - Hotels

JEREMY JONES
Head of Brokerage - Hotels

MARKET PREDICTIONS

The hotel sector is procyclical and RevPAR will soften in 2023 as the recession impacts discretionary spending and corporate activity

The market will become more polarised with luxury and economy faring better compared to the mid-market which will be squeezed

Pricing will have to adjust to reflect increasing debt costs and eroding profits. The softening in yields observed in Q4 2022 will continue

A wall of capital is waiting for distressed opportunities to emerge; however, based on historical evidence, there may be a lag of up to 24-36 months

Development will be challenged by the limited debt financing, rising interest rates, and volatility of construction costs

INTRODUCTION

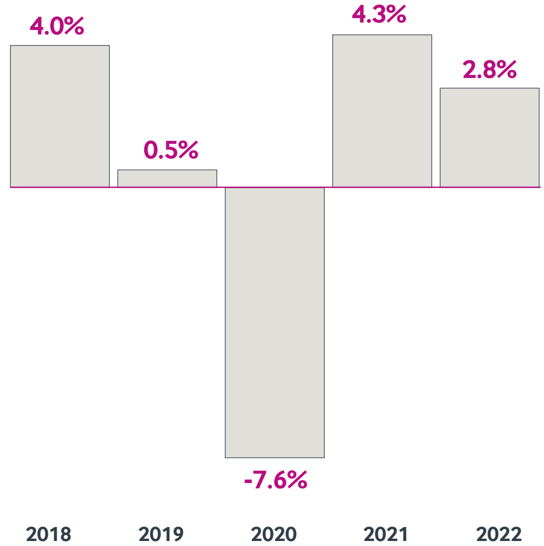
There were positive signs of recovery across the UK hotel sector in 2022, amidst challenging trading conditions. The rebound in consumer demand from March onwards gave hoteliers a much-needed boost as they emerged from the pandemic.

However, the sector is facing a new wave of challenges in 2023, with a confluence of headwinds expected to exert pressure on hotel owners and operators, including not just the well-publicised increasing operational costs but also the cost of debt and the maturing of loans granted under the Coronavirus Business Interruption Loan Scheme (CBILS).

Whilst the Autumn Budget provided some relief in relation to skyrocketing energy costs and business rates, margins are likely to be under significant pressure in the new year but we are confident the sector will remain resilient.

PRICE INDEX

A story of two halves. Strong appetite, low stock and good prospects were positively impacting pricing during H1 but the deteriorating climate and the increasing cost of financing impacted in H2.



4.4%

Up to 30,000 hotel rooms (4.4% of UK room supply) are being requisitioned by the Home Office every day to house asylum seekers.

MARKET OUTLOOK

The UK hotel market was certainly a tale of two halves in 2022 and 'heaven and hell' is a good representation of where the market currently is.

During H1, occupancy levels recovered at a much faster rate than first anticipated, backed by a strong rebound in consumer demand. This drove a healthy level of transactional activity to be recorded across the market. Overall performance neared or surpassed 2019 levels from May onwards, and regional UK markets such as Edinburgh, Birmingham and Liverpool saw the highest increase in RevPAR, surpassing 2019 levels. In comparison, London was slower to recover as the capital relies on international source markets and business travellers.

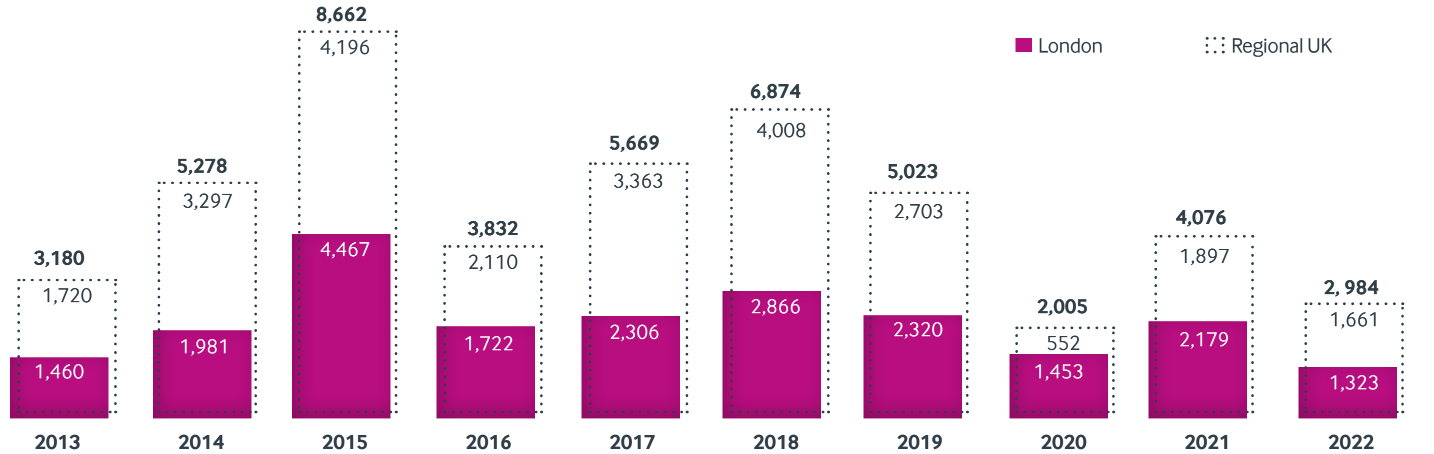
At the same time, hoteliers were forced to navigate intensifying operational headwinds and a period of political chaos. The effects of this uncertainty began to creep in and slowed transactional activity in Q4, with many hotel operators choosing to hold off on selling and buyers adopting a 'wait and see' approach, in anticipation of a price correction and an increased volume of distressed assets coming to market in 2023.

Domestic buyers were far more active in the market in 2022 compared to 2021, where cross-border investors represented 52% of buyers. Yet this number dropped to 23% in H1 2022, likely due to international Covid-19 travel restrictions imposed over the past few years. However, more recently, the drop in the British Pound has positively impacted international travel and stronger buying power, especially for American funds.

Throughout the year, operators maintained high ADRs to offset some of the growing cost pressures and protect their profit conversions.

This was widely accepted by consumers, who are increasingly prioritising holiday spending despite rising household costs. Whilst this is expected to reduce in 2023, not all levels of the market will be impacted to the same degree. The luxury segment will fare better as affluent consumers are generally less focused on price. So too will the economy segment, as less affluent travellers may choose to trade down. Therefore, mid-market hotels are likely to be most impacted, albeit there will be an opportunity for these hotels to capture the many consumers who choose to holiday in the UK over a trip abroad, in order to spend less.

HOTEL INVESTMENT VOLUMES IN THE UK BY YEAR (£M)



Sources: MSCI Real Capital Analytics and Christie & Co Research and Analysis

CASE STUDIES

PREMIER INN GLASGOW CITY CENTRE, CHARING CROSS

Sold off a guide price of £8.5 million, this 278-bedroom hotel was acquired by one of Europe's largest private hotel groups, Britannia Hotels. This was a prime example of the buoyancy across the Glasgow and wider Scottish hotel market.

THE METROPOLE HOTEL & SPA, LLANDRINDOD WELLS

This iconic Welsh hotel was sold to Crest Hotels Limited. Regarded as one of the pre-eminent hotels in Wales, with extensive function facilities, the 109-bedroom property has been independently owned and operated by the same family since 1897.

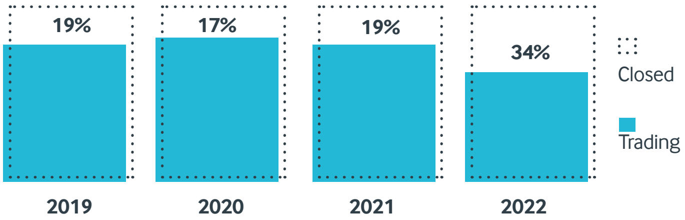
INDEPENDENT OPERATIONAL REVIEW, REGIONAL UK

We were appointed by a lender to undertake an independent business review of a small hotel group with a strong emphasis on F&B, in order to ascertain the financial viability of the group, prepare a cost restructuring plan to return to profitability and inform the corporate workout.

OUR ACTIVITY

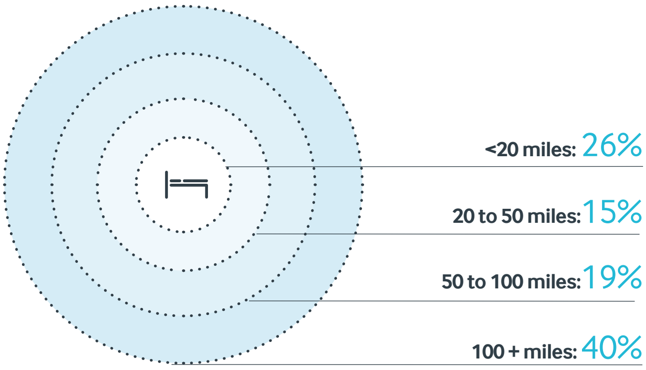
On average, we **sold two hotel businesses per week in 2022**, a level slightly behind 2022, maintaining our position as the market-leader for hotel deals by volume. We also observed a notable increase in closed assets being sold – about a third of all transactions compared to less than a fifth pre-COVID, albeit the vast majority of deals are for continued hotel use.

PROPORTION OF CLOSED HOTELS SOLD*



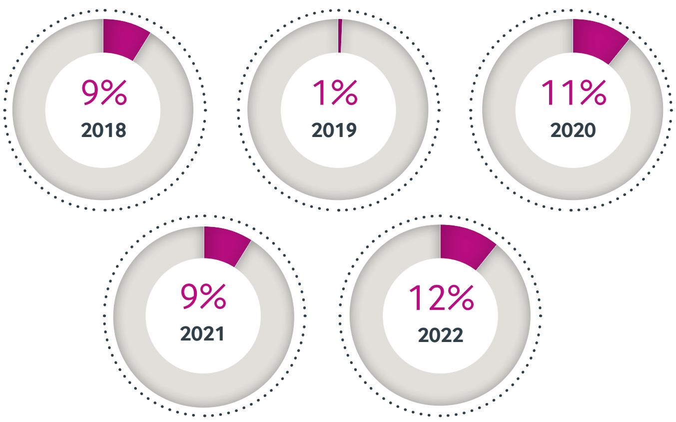
Our market activity was dominated by individual asset sales across the regions due to more liquidity in the regional market. The buyer appetite for quality assets in regional cities, semi urban or coastal locations remains strong, and we noticed that buyers have been expanding their radius search to find the right opportunities. On the other hand, there was little in the way of corporate deals, particularly post summer due to the challenges around debt financing and the unsettled economic environment.

HOTELS SOLD BY DISTANCE FROM BUYER*



Our valuation team was extremely busy in 2022, notably for refinancing valuations, and consultancy activity has started to pick up for independent business reviews initiated by lenders, a potential early sign of distressed activity, which remains at an all-time low. We anticipate an uptick from the second half of 2023, as the main pinch point for owners will be their next refinancing, which will drive restructuring activity and deal flow.

PROPORTION OF DISTRESSED TRANSACTIONS BY YEAR*

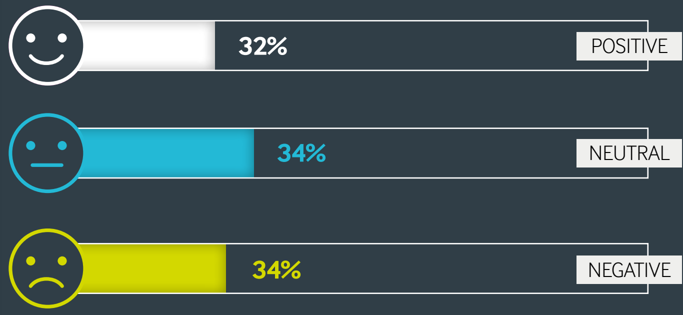


Source: Christie & Co Research and Analysis

SENTIMENT SURVEY

We anonymously surveyed hotel professionals from across the country to gather their views on the year ahead.

When asked about their sentiment for 2023:



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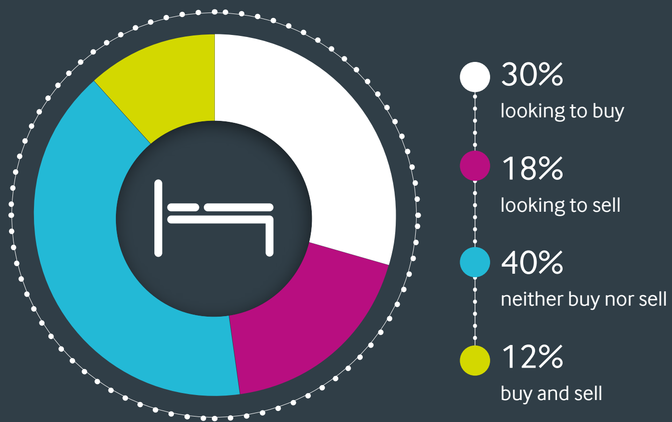


Encouragingly, the majority of respondents indicated plans to buy and/or sell in 2023, suggesting the market will remain buoyant.

THE FUNDING LANDSCAPE

The hotel funding landscape was complex in 2022 however, the recovery of occupancy levels helped to maintain lender appetite. The high-street lenders that we traditionally work with became less active and an ever-increasing number of challenger banks entered the market, with competitive terms for existing operators and new entrants.

Lenders are focused on the borrower's experience and capability of running a hotel business, favouring hotels that have bounced back well since the pandemic. Although lenders have a more cautious approach than we have experienced in previous years, there is a real focus on affordability, ensuring hotels can carry more expensive debt as base rate increases and energy bills grow. Looking ahead to 2023, it is important to ensure operators have a solid business plan demonstrating their hospitality experience.

Emma Vanson
Finance Consultant, Christie Finance

INTERNATIONAL

AUSTRIA & CEE

LUKAS HOCHEDLINGER MRICS
Managing Director
- Central & Northern Europe

SIMON KRONBERGER
Director
- Austria & CEE

MARKET PREDICTIONS

Less pandemic interferences should allow many European markets to continue their recovery to meet pre-pandemic demand figures

Strongly increasing ADR levels will compensate for higher operational costs

The lender market will be more challenging due to rising interest rates putting financial pressure on owners with high portion of variable financing, especially among Austrian private hotels, potentially leading to insolvencies

Softening yields across all markets caused by alternative investment options will impact real estate values

Growing uncertainty for ski-destinations in the Alps due to high energy costs, general climate issues, and less demand from high-spending feeder markets Russia and Ukraine

Current development on the energy market with Austria, as well as CEE, being highly dependent on Russian gas, will open gaps for new trends in travel habits especially regarding sustainability and energy saving

Opportunity for new asset-classes or hotel-like conversions such as care, senior living, or medical use

ACTIVITY OVERVIEW

In line with current market dynamics, we have seen a shift from large investment deals to smaller, mainly privately owned value-add hotels.

We have therefore adjusted our activities to support private hotel owners who own businesses that are suitable for conversions to care, residential or serviced apartment uses. In addition, the formerly empty development pipeline due to the pandemic standstill picked up again in 2021 and 2022, with some significant hotel constructions and openings expected in 2023.

This has led to an increased demand for advisory work, especially in early stages of developments, such as market and positioning studies as well as operator searches. Lastly, the strong performance of resort hotels during the pandemic has made many investors look at this sector with the aim to diversify their portfolios.

Union Investment's acquisition of a hotel at Lake Tegernsee, brokered by Christie & Co, is a prominent example and we expect this trend to continue in 2023.

The strong performance of resort hotels during the pandemic has made many investors look at this sector with the aim to diversify their portfolios.

MARKET LANDSCAPE

The overall market sentiment in Austria, as well as emerging markets in CEE, has shown a growing gap between operators and investors. While hotels in cities like Vienna, Prague, Budapest, and Krakow have seen a strong recovery in demand and record-breaking ADR levels in large parts of the region, investors have become restrained and observant of current market dynamics, caused by increasing financing costs and prediction of lowering values.

In the near future financing will be more and more connected with ESG criteria which are becoming one of the most critical factors in EU taxonomy. While the current state can be seen as 'adaption', ESG will very soon be a 'must-have' for investors to meet internal as well as external standards for investments.

From an operational perspective, top line KPIs (mainly ADR) have shown stable growth throughout the past year and are expected to grow further in the upcoming year. In 2022, most destinations were able to recover their RevPAR significantly above 2020 and 2021 levels, partly even reaching pre-pandemic levels. This has compensated operators for some inflationary cost increases, mainly in the energy and labour sector.

The pandemic and war in Ukraine have also had an impact on the labour market for hospitality. Lots of seasonal destinations have strongly relied on temporary staff from Eastern Europe. Travel restrictions, health-risks in specific winter destinations and unstable markets have reduced this workflow in Austria and the region. In addition, the share of Ukrainian seasonal workers was growing over the past years but abruptly stopped this year. A general recovery in other sectors caused many to leave the tourism industry, resulting in recruitment to become one of the main difficulties for hotels and restaurants throughout Europe. It is expected that staff shortages will also be one of the most urgent issues for 2023.

CASE STUDY

HOTEL BASSENA VIENNA KAGRAN, VIENNA

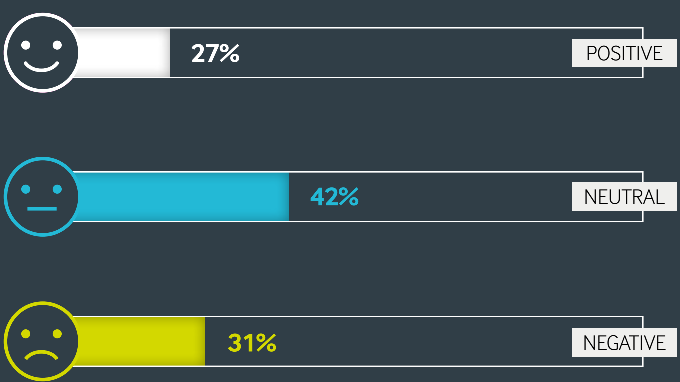
Before COVID hit Central Europe, we were instructed with the sale of Hotel Bassena Kagran by way of a forward deal. We identified a buyer, who paused due to the first lockdown in March 2020. The deal was signed in March 2022 with that same buyer at the price we agreed in 2020.

MARKET SENTIMENT

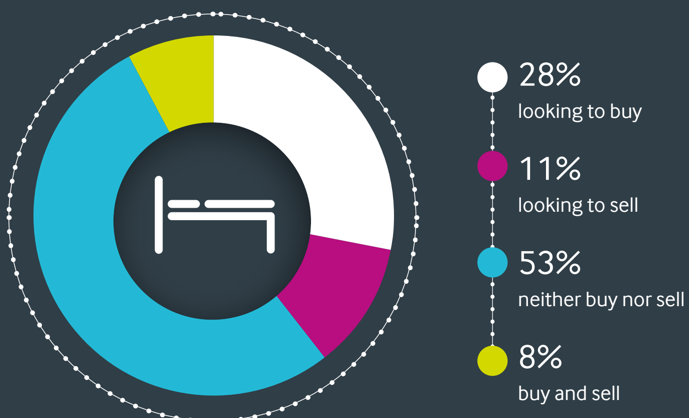
We anonymously surveyed sector professionals from across the country to gather their views on the year ahead. While the sentiment is quite balanced between positive, neutral, and negative, there is a slight tendency towards a neutral or negative position. While last year, the sentiment was more positive due to a foreseen end of the pandemic cycle, we now see that political and financial insecurities have changed perceptions.

However, this does not negatively affect portfolio strategies, where almost half of participants neither plan to sell nor buy. Over a quarter still plan to buy, versus only just over a tenth planning to dispose of assets. We interpret that, in the current state of uncertainty, real estate is seen as a consistently secure form of investment.

When asked about their sentiment for 2023:



When asked about their sale and acquisition plans in 2023:



THE NORDICS

KIMMO VIRTANEN
Director – Scandinavia
and the Baltic States

> Domestic tourism will continue to drive recovery, with hotels in the provincial areas outperforming pre-pandemic levels.

MARKET PREDICTIONS

Domestic tourism will continue to drive recovery, with hotels in the provincial areas outperforming pre-pandemic levels

Assuming the war between Ukraine and Russia sets the stage for peace, currently closed airspace will re-open, and higher demand for outbound travel is forecasted. This is important for Helsinki and its airport which, before the COVID-19 pandemic, served as an important gateway between Asia and Europe

A further surge in branded hotel stock is anticipated as the Nordic region continues to remain an alluring destination for major international chains

Despite the Scandinavian hotel market being prevalent to lease agreements, there is no shortage of investors wishing to expand in the region

Rising construction and building material costs coupled with expected inflation will lead to increases in workforce payroll with more developers turning to the modular-based construction models

We expect to see a rise in select-service and apartment hotel products throughout the region. Furthermore, there are still vast opportunities in the luxury segment, e.g., Lapland

THE MARKET LANDSCAPE

With its extensive social welfare and efficient economic model, the Scandinavian region fared well throughout the pandemic compared to other European states in terms of both public health and overall economic performance.

As the pandemic fades into the background, newly emerged challenges – inflation rates and energy cost hikes – present obstacles to anticipated economic recovery.

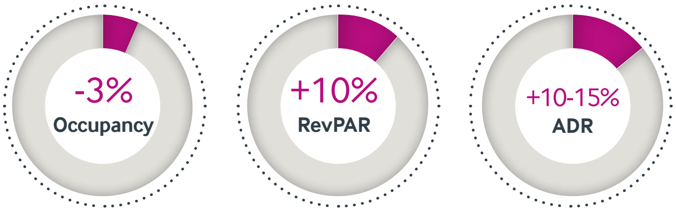
Nevertheless, over the last decades, Nordic states have created ways to become more energy self-sufficient and are endowed with ample renewable energy resources. This forward-thinking approach, coupled with energy-saving construction methods that the Nordics have long been utilising will not only help the region to better tackle these issues, but also to remain leaders in ESG (environmental, social, governance) matters. The latter is rapidly becoming a win-or-lose point in attracting a larger pool of hotel investors for acquisition and/or exit.

Tourism in Scandinavia continues to show strong signs of recovery largely driven by local and intra-Nordic demand.

Hotel overnight stays produced by locals have exceeded pre-pandemic levels with Iceland outperforming by 120% and the rest by 5-20%.

The share of foreign stays and passenger traffic to the airports of capital cities are still 10-30% below 2019 figures. We have observed distinct differences between the performance of capital markets and provincial areas. Thus, up-to-date data (YTD October 2022) provided by Benchmarking Alliance illustrate that: capital cities are 10-15% below in occupancy levels, 5-10% below in revenue per available room (RevPAR), however, 5-10% above in average daily rate (ADR) versus the same period in 2019.

The provincial market picture is a bit rosier with these indicators exceeding 2019 levels: occupancy by some -3% pp, RevPAR by +10% and ADR by +10-15%



On the operational side, the shortage of staff remains a principal issue which is further exacerbated by increasing living costs. This puts strong cost pressures on the bottom line, taking into consideration that the aggregate labour costs in Scandinavia are in the top quartile in Europe. Due to the large collective salary agreements within the region (Scandinavia has a relatively high unionised workforce), there are fears that payroll inflation will drastically increase the cost of operations and may not be met by equal opportunities to raise prices, both in hotel accommodations and restaurants. This cost rise may not be imminent but will need to be faced during the next round of collective agreement negotiations.

In the Baltic market, the escalation of the war in Ukraine had an immediate adverse impact on the travel scene of all three states (Estonia, Latvia, Lithuania). Hotel performance increased in 2022 compared to the last two years, but is still somewhat behind pre-pandemic numbers. Like the Scandinavian region, the rural areas of the Baltics performed considerably better. Year-to-date October ADR and RevPAR in secondary and tertiary destinations of Estonia, for example, grew by 25% compared to 2019, while occupancy rates were on par. Despite the less mature hotel market and proximity to Russian borders, we noticed an increasing number of regional and international investors convinced of the potential and upside of these markets. Apart from solid economic fundamentals, and improving performance indicators, there are a great number of large-scale developments emerging in the region, such as Rail Baltica, Riga Port City, and RIX Airport City to name just a few.

CASE STUDY

ARENA 3.3, FINLAND

Area 3.3 is probably the largest indoor arena-style project in the Nordic region, with a maximum capacity of 33,000 pax. Together with a proposed conference centre next door and a 310-room internationally branded hotel, it will create a major addition to the hotel and event space supply of Helsinki and Vantaa. We conducted a Feasibility Study for the hotel together with an Operator Search. We are now seeking investor(s) for the entire complex.

OUR ACTIVITY

Our recent activity has concentrated on consultancy projects for provincial market opportunities in Finland and the Baltics.

There are several developments that require conceptual tightening to counterbalance the increasing costs, both development and operational.

Furthermore, we have been assisting several developments to find the right type of operating company to maximise the earning potential and to deliver international branding/products to the market.

The transactional market is becoming slightly more fluid, as an aftermath of the prolonged pandemic period some owners have decided to sell their real estate/operations. We have sold an investment in Tallinn, have several opportunities on the market elsewhere in the Baltics, and have some operating opportunities available on the Scandinavian side.

Some of the developments that were put on hold during the pandemic have now progressed beyond attracting the right operators, and we are currently seeking investors to reach the latter stages of the development path.

The transactional market is becoming slightly more fluid, as an aftermath of the prolonged pandemic period some owners have decided to sell their real estate/operations.

FRANCE

Carine Bonnejean
President - France

> Despite the first quarter of 2022 being affected by the Omicron wave, the recovery of hotel performances in France was dazzling.

MARKET PREDICTIONS

Hotels will remain a strong asset class as the resilience of the hoteliers during the COVID crisis and the V-shaped market recovery have demonstrated

In 2023, we anticipate a larger number of transactions pushed by two large upcoming events; the Rugby World Cup and the Paris Olympic Games

CASE STUDY

MERCURE LIBOURNE SAINT EMILION, LIBOURNE

In May 2022, our Bordeaux office completed the sale of the Mercure Libourne St Emilion, a 4-star property with 81 rooms, located in the centre of Libourne and in the immediate vicinity of the Saint-Emilion and Pomerol vineyards. The sale was completed in less than five months, demonstrating the appetite of investors for the region and this type of asset.

THE MARKET LANDSCAPE

Hotels across all segments, including large and medium cities, mountain resorts, Mediterranean and Atlantic coasts have achieved RevPARs above 2019 levels with historically high ADRs.

This high demand recorded during the second quarter was fuelled by domestic and European travellers and has been reinforced during the summer by international inbound tourism, such as American and Middle Eastern travellers attracted by the low euro exchange rate. The level of bookings remained high until the end of the year, confirming a V-shape recovery, in contradiction to the majority of post-COVID predictions announcing a recovery in 2024 or even 2025.

This travel euphoria didn't fall in its entirety into hotel operators' bottom line. During the second quarter, the war in Ukraine provoked a rise in energy prices and also in construction materials and other supplies revealing a level of inflation we haven't seen in Europe for many years. As a consequence, the Central Bank had to increase interest rates which is adding uncertainty to the already complex economic and geopolitical outlook.

> This travel euphoria didn't fall in its entirety into hotel operators' bottom line.

THE INVESTMENT LANDSCAPE

The first half of 2022 showed a good volume of hotel transactions in France, with €1,075 million compared with €978 million for the first six month of 2021. The volume of transaction during the third quarter seemed to slow down a little, with only €293 million in 2022, versus €322 million in Q3 2021.

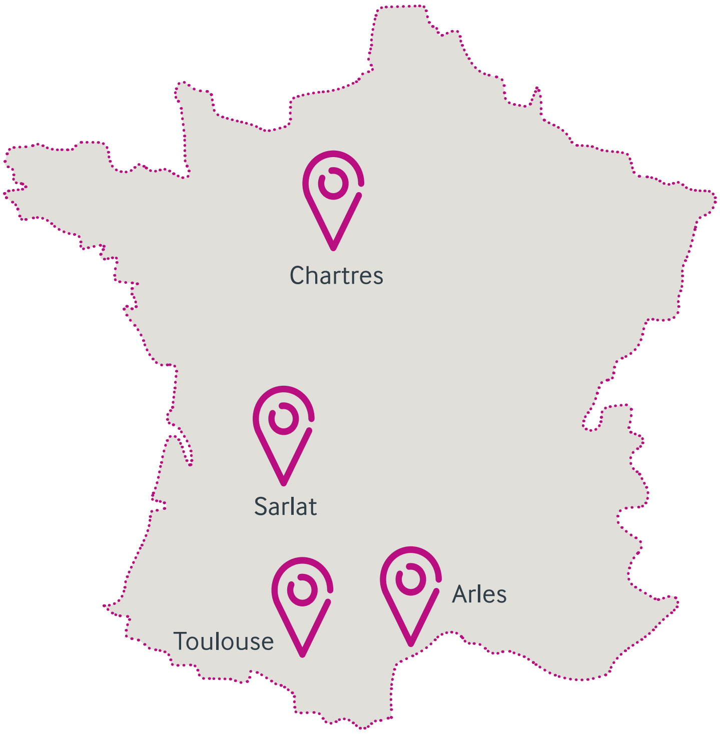
The increase in interest rates has not yet affected the appetite of the investors for hospitality investments. The demand for prime assets in Paris and French getaway cities remains high as well as economic and mid-scale regional assets which have proven the most resilient and stable during the COVID-19 crisis.

OUR ACTIVITY

The appetite of investors for hotels remains high, particularly for operators aiming to consolidate their portfolios. The best illustration of this is in the Auvergne, Rhône Alpes, Bourgogne, and Franche-Comté areas. Indeed, in 2022, our Lyon office recorded seven sales, demonstrating strong demand for the French eastern region.

We were active in the mid-range or economy segment, with an investment volume of €24 million, across 405 rooms, and of €37 million in the upscale segment, with sales of properties in Arles, Chartres, Sarlat, and Toulouse.

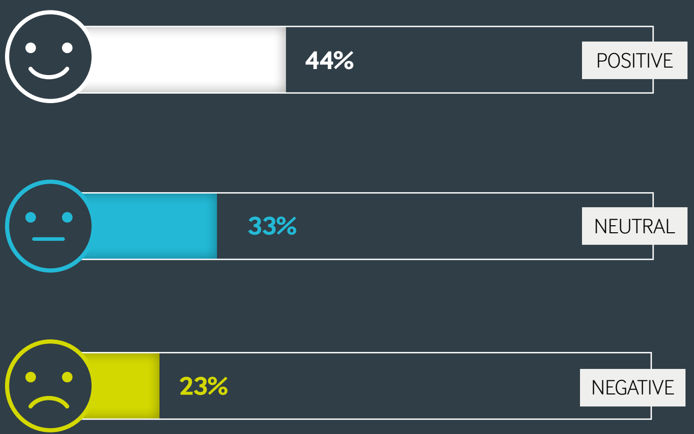
Another good example of this market activity is the sale of the Hôtel de France in Valence, a 4-star hotel with 50 rooms located in the heart of the city which will be fully renovated to join the upcoming brand You Urban Home Hotels collection, which opened its first hotel in Deauville in 2021.



MARKET SENTIMENT

Our market sentiment survey confirms the trends we observed during the third quarter of 2022; that there are more buyers than sellers despite the economic conjuncture and there is an overall positive sentiment due to the good results of the last eight months.

When asked about their sentiment for 2023:



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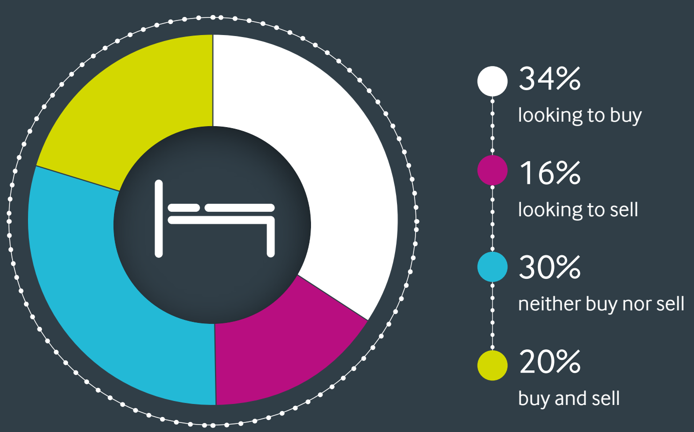


SPAIN & PORTUGAL

NICOLAS COUSIN
Managing Director
– Spain & Portugal

> The overall picture is still positive for hoteliers and most of them feel reasonably optimistic for the coming months.

MARKET PREDICTIONS

We expect demand to remain strong in the leisure segments and prices to stabilise after a year of important growth. Coastal destinations will likely see another successful summer season

Corporate and MICE demand will continue to recover and should be close to 2019 levels by year end. Most destinations will see record RevPar performance

Luxury brands will keep opening at a strong pace in top destinations like Madrid, Barcelona, Marbella, and the Balearics

We will see intense demand for hotel franchising and operators' searches

On the transaction side, we expect a "wait and see" period in the first quarter of the year due to interest rate rises, difficult access to financing, and good business on the books for the operators. The situation will eventually evolve and should lead to strong transactional activity in the second part of the year when loans and state help will need to be reimbursed and when investors who bought in 2017/2018 start to implement their exit strategies

ACTIVITY OVERVIEW

For Christie & Co Spain and Portugal, 2022 was a pivotal year with a very strong performance from the investment team, with more than 10 operations completed during the year and four successful operators searches in Spain and Portugal.

Our advisory team has also been very active, with more than 50 assignments completed which included Commercial Due Diligences, Feasibility Studies, Asset Valuations.

In 2023, we are expanding the team in order to keep providing our clients and partners with best-in-class services.

CASE STUDY

EXPLORER INVESTMENTS, LISBON

In 2022, we successfully assessed Explorer Investments, a private Portuguese equity fund, to sign a franchise with Intercontinental Hotel Group under the Crowne Plaza brand for the Aldeia dos Capuchos Golf & Spa, located 15 minutes away from Lisbon.

THE MARKET LANDSCAPE

2022 was a year of contrasts and challenges. On the one hand, we noticed the return of international travellers and confirmation of the strength of local demand, while, on the other hand, the international situation is more complex than ever.

COVID-19 is still around and inflation is reaching historical levels in Europe driven by utility costs and political instability in Europe.

These elements have led to an interesting situation where operational performances have reached record levels driven by both ADR and occupancy uprises. Although P&Ls have been impacted by increases in both staff and utility costs, the overall picture is still positive for hoteliers and most of them feel reasonably optimistic for the coming months, especially considering that some markets markets, including the USA and Asia, are not back yet.

We have noticed that the energy costs rise has drawn a lot of attention towards sustainability and efficiency and that both operators and owners are seriously working on this topic.

This optimism will be questioned if energy costs remain out of control and if the labour situation continues to deteriorate with difficulties to find qualified employees in some destinations.

On the transactional side, the first three quarters of the year were exceptionally active with transactions reaching more than €2 billion in value.

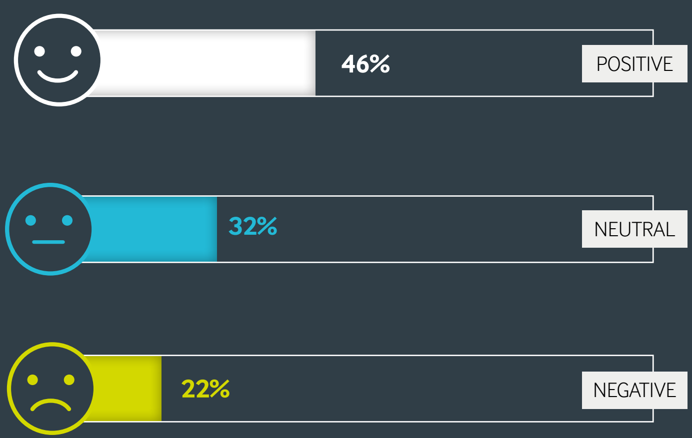
We noticed a clear pause in the last quarter of 2022. The rise in interest rates is clearly a concern for investors as their required profitability is increasing while asking price remain stable. Most investors adopted a "wait and see" attitude and some operations have been put on hold or discarded recently, waiting for vendors to reconsider asking prices.

All these elements will lead us to an interesting 2023, where we expect operational performance to remain strong and where sellers and buyers to get closer after the first quarter.

MARKET SENTIMENT

We anonymously surveyed sector professionals from across the country to gather their views on the year ahead.

When asked about their sentiment for 2023:



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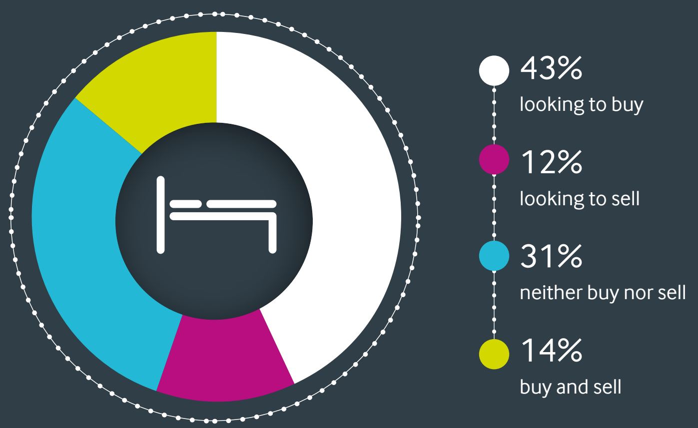


Results of the survey demonstrate confidence and resilience in the market, with about two thirds of the respondents feeling either positive or neutral.

Another key takeaway of the survey is that most stakeholders are planning on continuing being active in the transactional market either as buyer or seller.

GERMANY

LUKAS HOCHEDLINGER MRICS
Managing Director
- Central & Northern Europe

BENJAMIN PLOPPA
Director
- Head of Hotels Germany

MARKET PREDICTIONS

The general volatility of hotel investment markets seen in 2022 will go into "extra time" in 2023 due to a variety of reasons including a negative macro-economic outlook, declining real wages, high inflation and lower consumption

Hotels will struggle to cope with inflation, high energy costs and talent shortages, limiting their ability to be profitable

Despite the negative macro-economic trends, we expect ADRs to remain strong and increase further in 2023 in most key cities, especially for business hotels. Certain hotels will be able to compensate the higher operating costs

The additional difficulties and challenges for operators as well as higher interest rates will lead to more hotel owners being motivated or forced to sell their hotels later in 2023. Whether their pricing expectations meet the investors' view of values remains to be seen

MARKET LANDSCAPE

We have noticed a big divide between the reported operational KPIs on the one hand and the investment market on the other hand over the last year. Pent-up demand and 'revenge travel' led to increasing ADRs and occupancy rates across the country in 2022, but hotels struggled and are still struggling to find enough staff to serve their guests. However, political uncertainty, soaring inflation and energy costs as well as high interest rates, have put a break on investors' appetite to buy hotels now. Nevertheless, transactions are still taking place, with all-equity buyers and owner-operators being in a favourable position.

As there is no real systemic issue with the hotel sector itself, products and concepts are evolving, partially accelerated by COVID and the energy crisis, with owners and operators trying to be more competitive and meet today's and future travellers' needs.

One clear trend is focused on digitalisation, which ranges from easier, better and more targeted bookings to an enhanced digital hotel stay experience to meet the guests' desires, but also reduce payroll and operating costs.

The lack of greenfield plots will further increase mixed-used assets as modern urban developments combine living, working, shopping, fitness, gastronomy, leisure and even education. From an investor's perspective, round-the-clock use of an asset with multiple usages can increase returns and, at the same time, mitigate risk.

Another trend is conversions, again as a result of the lack of suitable development sites. Developers are increasingly looking for assets that could be converted into hotels or mixed-use properties. However, it is not just hotel developers that are looking to convert office buildings, schools, or other assets such as prisons and warehouses, real estate developers are increasingly interested in buying hotel real estate to open senior homes or transform assets into residential units.

ESG will become a central component of each hotel investment; EU-Taxonomy/ESG has to be implemented more thoroughly, otherwise hotels will be sold at discounts.

OUR ACTIVITY

2022 was a good year for us, with various sales of independent hotels as well as larger corporate deals.

Examples include the sale of Euro Park Hotel Hennef (78 rooms) sold to a local hotelier in a four-month sales process, as well as Forsters Posthotel Donaustauf (73 rooms) bought by the French investor ExtendAM together with owner operator somnOO. The sale of Moxy/Residence Inn Hamburg Altona (264 rooms) and Hotel Caro & Selig Tegernsee Autograph Collection (126 rooms), both bought by institutional investors, underpin the continued interest in the hotel asset class from institutional buyers.

In 2023, we predict that conversions will play an increasingly important role in the transactional market. Through search mandates, we are supporting hotel groups with the expansion of their portfolios while explicitly looking for suitable properties (office, retail, residential) that can be converted into hotels.

CASE STUDY

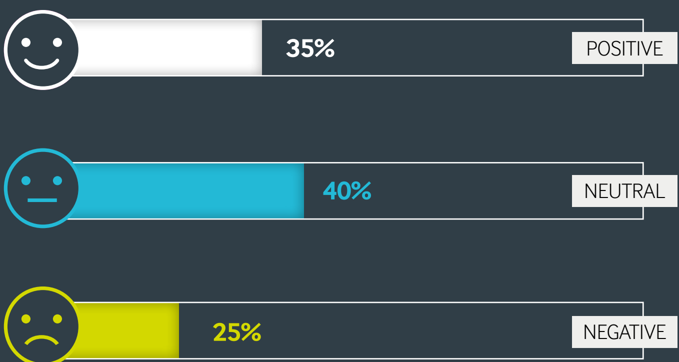
RESIDENCE INN/MOXY, HAMBURG ALTONA

Sale of the newly built Hamburg Residence Inn/Moxy on behalf of a German developer. The hotel opened during the pandemic within a new neighbourhood development in Hamburg Altona. The challenge with this transaction was a deteriorating macroeconomic outlook and increasing interest rates. We successfully identified a European institutional investor as a buyer for the hotel.

MARKET SENTIMENT

We anonymously surveyed sector professionals from across the country to gather their views on the year ahead.

When asked about their sentiment for 2023:



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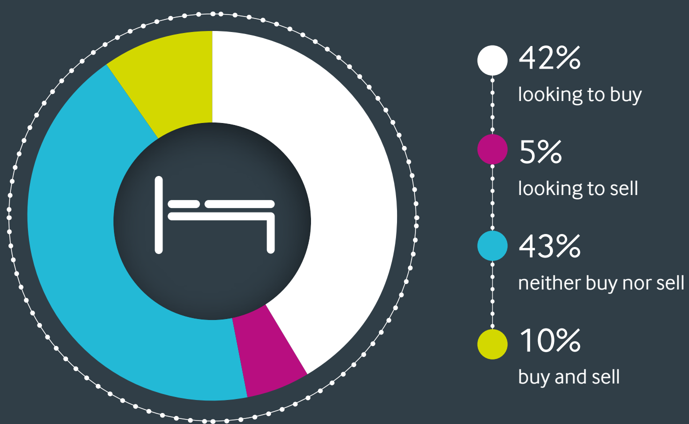
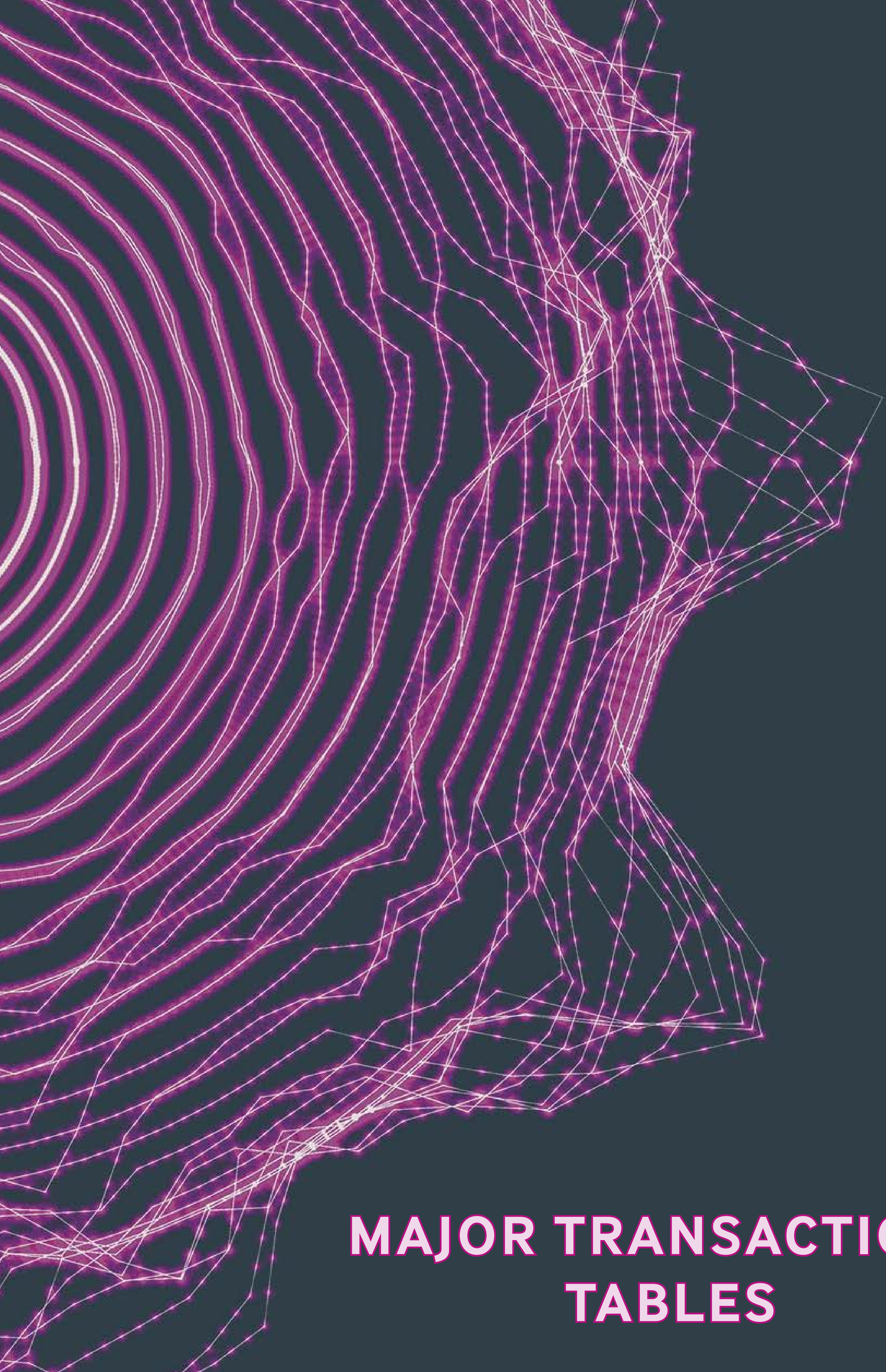


The overall sentiment underpins the continued confidence in hotels as an asset class. Despite the additional difficulties and challenges for operators over two thirds of respondents have a positive or neutral sentiment about the year ahead and confirms the resilience of the industry after its above-average recovery during the summer.

The sentiment furthermore shows that investors are still motivated (42%) to purchase assets.

Challenges for the year ahead are therefore the number of available assets on the market, with only 5% willing to sell in the current market environment. A reason for the retrained behaviour could be the difference between the expectations of the seller as well as the buyer. Whereby investors hope to get hold of bargains, sellers are not ready to reduce the price as several hotels had a strong 2022.



MAJOR TRANSACTIONS TABLES

DENTAL

DATE	VENDOR	PURCHASER	DEAL
Mar-22	Dental Partners	Rodericks / CapVest	Rodericks Dental Group Limited - a leading provider of NHS, private and specialist dental services in England and Wales - sold to CapVest Partners.
Mar-22	Kiss Dental	Dental Beauty	Dental Beauty Partners partnered with leading, Manchester-based dental cosmetic group, Kiss Dental, to support its rapid growth plans.
Jul-22	Shawlands Dental	Dentex	Shawlands Dental Care – an award-winning, eight-surgery practice located in the south side of Glasgow - sold to Dentex.
Jul-22	Hoghton Street Dental Practice and Hesketh Lane Dental Practice	The Dental Team	One of the UK's oldest dental practices, Hoghton Street Dental Practice in Southport, Merseyside, and Hesketh Lane Dental Practice in Tarleton, Lancashire, sold to The Dental Team.
Jul-22	Ceramiart Dental Laboratories	Dentex	Established 28 years ago by Marcel Roetjens, leading London dental laboratory, Ceramiart Dental Laboratories, sold to Dentex in a landmark deal.
Aug-22	Hanji Dental Group	Riverdale Healthcare	Hanji Dental Group sold to Riverdale Healthcare in one of the largest UK dental transactions in recent years.
Aug-22	Enamel Dental	Real Good Dental	Real Good Dental made a strategic investment in Enamel Dental Group. Known as a leading group in Scotland, this deal marked Real Good Dental's move into the English market.
Aug-22	Dentex	Portman	Leading corporate dental groups, Dentex and Portman, announced that they are undergoing a merger. Together, they will operate in excess of 350 practices and provide dental care for over 1.5 million patients per year.
Aug-22	Mathewson Dental Practice Ltd	SDCG	Mathewson Dental Practice Ltd, which comprises two high-quality Edinburgh dental practices, sold to Scottish Dental Care which owns another 15 practices across Scotland.
Aug-22	The Care Dental Practice and Care Dental Platinum	Colosseum Dental	A pair of award-winning practices in Hammersmith, West London - The Care Dental Practice and Care Dental Platinum - sold to Colosseum Dental.
Sept-22	Dawood & Tanner	Dentex	One of the UK's leading specialist dental practices, London-based Dawood & Tanner, joined the Dentex group.

PHARMACY

DATE	VENDOR	PURCHASER	DEAL
Mar-22	Kelisdar Enterprises Limited	Independent operator	A pair of pharmacies in Scarborough, North Yorkshire, sold to an independent operator.
May-22	Shires Pharmacies Limited	Peak Pharmacy	Springs Pharmacy, Shire Pharmacy, Market Pharmacy in Nottinghamshire and Derbyshire sold to large independent multiple, Peak Pharmacy.
Jul-22	Northsworthy Limited	Day Lewis plc	Topsham Pharmacy, Glasshouse Pharmacy, West Hoe Pharmacy in Devon sold to the largest independent multiple operator in the UK, Day Lewis plc.
Jul-22	The Hub Pharmacy Limited	Allcures plc	A group of 16 pharmacies in the North of England on behalf of The Hub Pharmacy sold to expanding multiple operator, Allcures plc.
Sept-22	Graphictrail Limited	Amber Pharm Ltd	A group of six pharmacies in Great Manchester and its surrounds sold to East Midlands based operator, Amber Pharm Ltd.
Oct-22	Project Northolme	Independent operator	A pair of high-dispensing Halifax pharmacies trading under the Medichem brand sold to an independent operator.
Nov-22	F C Whelan Chemists Limited	Independent operator	F C Whelan Pharmacy and Harrington Pharmacy in Cumbria sold to an independent operator from the West Midlands.
Nov-22	Prentex Limited	Medi Zen Healthcare Limited	Two West Midlands pharmacies sold to independent regional operator, Medi Zen Healthcare Limited.
Nov-22	Frosts Pharmacy Limited	Well	Marston Pharmacy and Frosts Pharmacy in Oxfordshire sold to corporate operator, Well.
Sept/ Nov-22	John Ross (Chemists) Ltd	Independent operators	St Mary's Pharmacy and Lossiemouth Pharmacy in Dundee and Morayshire respectively sold individually to two large independent multiple operators in Scotland.
Various 2022	Boots UK	Various	16 Boots-branded pharmacies sold to a mixture of first-time buyers and existing independent operators.

CARE			
DATE	**VENDOR**	**PURCHASER**	**DEAL**
Feb-22	Legal & General Investment Management	PGIM Real Estate	PGIM Real Estate acquired a portfolio of investments let to Care UK from Legal & General Investment Management (LGIM) for £70.2 million (€81.7 million).
Apr-22	Hamberley Group (backed by Patron Capital)	Rynda Healthcare	Care home developer and operator, Hamberley Group, backed by Patron Capital, sold five of their care homes to real estate investment firm Rynda Healthcare for £100 million in a sale and leaseback transaction.
Apr-22	Confidential	Aedifica	Aedifica invested £58 million in four care homes in Jersey and one on the Isle of Man, and €57 million in three care homes in Ireland. The Jersey and Isle of Man care homes are operated by LV Care Group, and the Irish homes are operated by Silver Stream Healthcare Group.
May-22	Hamberley Group (backed by Patron Capital)	Octopus Real Estate	Octopus acquired six Hamberley facilities for residents with complex care requirements, including a state-of-the-art Inspire Neurocare neurological rehabilitation centre in Worcester for £100 million in a sale and leaseback.
Jul-22	New Century Care	Gresham House	London-based alternative asset manager, Gresham House, acquired New Century Care for £21 million. The investment was made by Gresham House's second sustainability fund, BSIF II, in partnership with specialist care and education provider Salutem.
Jul-22	Four Seasons Health Care	Beaumont Care Homes	Four Seasons Health Care Group sold 29 care homes in Northern Ireland, comprising freehold or long leasehold properties with a total of 1,415 effective beds, located in the eastern side of the province. The homes were sold to Beaumont Care Homes.
Sept-22	Balhousie	AcalisCare	Balhousie Care Group was acquired by international healthcare firm, AcalisCare. Balhousie accommodates circa 1,000 residents in 26 care facilities, ranging from residential and nursing to specialist care, across six regions of Scotland.
Nov-22	Cornwall Care	Sanctuary Care	Cornwall Care was acquired by Sanctuary Care. Cornwall Council and Sanctuary Care have now agreed a long-term strategic partnership as part of the acquisition.
Nov-22	Halcyon	Anchor	Anchor completed its deal to acquire the entire share capital of Halcyon Care Homes Topco Limited. The transaction involved a high-quality platform of 11 new build care homes, all of which are leasehold, setting an important precedent for the market.
Nov-22	Grove Care Ltd	Allegra Care	Four high-quality care homes in Bristol and South Gloucestershire sold to Allegra Care and Moorfield Group.

RETAIL			
DATE	**VENDOR**	**PURCHASER**	**DEAL**
May-22	Mount Garages	RFL Limited	On behalf of the Goodwin family, Christie & Co confidentially sold two petrol filling sites in Liverpool. Funding for the new owners purchase was secured through Christie Finance.
May-22	Private	Private	The sale of 10 former forecourt sites in high-traffic locations across the North West of England, brokered by Christie & Co.
Jun-22	D&S Retail Group	Naeem Ahmad	The confidential sale of six high turnover leasehold convenience stores across the East Riding of Yorkshire to a growing multi-site operator based in the North of England through Christie & Co.
Jun-22	MFG	Various purchasers	Disposal of 87 MFG sites as instructed by the Competition and Markets Authority (CMA), following owner, Clayton Dubilier & Rice (CD&R)'s acquisition of Morrisons.
Aug-22	Co-op	Asda	Asda acquisition of 132 Co-op petrol station sites in a deal worth £600 million.
Aug-22	MPK	SP Trade in Limited	Sale of two former MPK leasehold sites in Eastfield and Crossroads by Christie & Co.
Oct-22	Whiteley's Garden Centre	British Garden Centres	British Garden Centres grew to 62 sites with the acquisition of Whiteley's Garden Centre in Yorkshire.
Nov-22	Rosebourne	Hillier	Hillier complete the transaction of three sites from Rosebourne garden centre group.
Nov-22	Van Hage	Blue Diamond	Blue Diamond announce the purchase of three garden centres from Van Hage Garden Centres.

CHILDREN'S DAY NURSERIES

DATE	VENDOR	PURCHASER	DEAL
Feb-22	Paintpots Nursery Group	Winchester Social Enterprise	Paintpots Nursery Group - a portfolio of 10 renowned childcare settings based in and around Southampton - sold to Winchester Social Enterprise.
Feb-22	Twinkles Nursery Group	Kids Planet	Twinkles Nursery Group, which comprises five settings with an effective operating capacity for 538 children, sold to national operator, Kids Planet.
Jul-22	Cheshire Day Nursery Group	Bright Stars Nursery Group	Five impressive, market-leading settings which traded as Cheshire Day Nursery Group, sold to Bright Stars Nursery Group.
Sept-22	Childs Time Ltd	Family First Nurseries	A pair of exceptionally high-quality day nursery settings in Derby and Nottingham, which boast a combined capacity for 250 children, sold to Family First.
Sept-22	Egg Nursery Group	Busy Bees	Egg Nursery Group, which comprises three 'Outstanding' rated day nursery settings with a capacity for 181 children, sold to Busy Bees.
Sept-22	Hove Village Nurseries	Dukes Education	Hove Village Nurseries, which comprises three high-quality day nurseries with an effective operating capacity for 237 children, sold to Dukes Education.
Oct-22	All About Children	Partou	All About Children, which offers 3,500 childcare places across the group of 38 settings, sold to Partou, the largest childcare provider in the Netherlands.
Nov-22	Woodberry Nursery Group	Family First Nurseries	Woodberry Nursery Group, a portfolio of four impressive Hampshire settings with effective operating capacity for 307 children, sold to Family First.
Nov-22	Cherry Childcare Nurseries	Family First Nurseries	Group of 11 premium leashold settings across Surrey, Hampshire, Buckinghamshire and Berkshire solf to Family First.

INDEPENDENT EDUCATION

DATE	VENDOR	PURCHASER	DEAL
Jan-22	St. Edward's School Cheltenham Limited	Alpha Schools (Holdings) Limited	St Edward's Cheltenham, which comprises two co-educational independent day schools in Cheltenham, was acquired by Alpha Schools. As part of the transaction, Alpha Schools pledged to invest £3 million into improving the school's facilities.
Jan-22	St Mary's School	Dorset Council	Dorset Council acquired former St Mary's School in Shaftsbury, which comprises a campus with 165,000 sq ft of accommodation set within 55 acres, for a net purchase price of £10.05 million.
Mar-22	The Devonshire House Partnership	Dukes Education Limited	Devonshire House Preparatory School in Hampstead, a co-educational school for children aged two to 13 years, sold to Dukes Education.
Mar-22	Grace Dieu Manor School	FCV International Football Academy	The former Grace Dieu Manor School in Leicestershire, which includes 43,000 sq ft of accommodation set within 66 acres, sold to FCV International.
Apr-22	Wishford Schools (Group) Limited	Patron Capital Partners	A portfolio of nine schools - eight prep-schools and a co-educational boarding school catering for children aged two to 18 years – located across Berkshire, Kent, Wiltshire and Gloucestershire sold to Patron Capital.
May-22	St Francis' College	Inspired Learning Group	Located in Letchworth, Hertfordshire, St Francis' College, an independent day and boarding school for girls aged three and 19 years, sold to Inspired Learning Group.
Jul-22	Prenton Preparatory School Limited	Forfar Education Limited	Prenton Preparatory School, a co-educational school for circa 130 children aged one-and-a-half to 11 years, sold to Forfar Education.
Sept-22	Plymouth Preparatory School	Spaghetti Bridge Limited	The school campus, which comprises a Grade II listed St Dunstan's Abbey Chapel, sports fields and ancillary accommodation set in 4.5 acres, sold to Spaghetti Bridge Limited for £3 million.
Nov-22	United Lisbon International School (ULIS)	Dukes Education Group	ULIS, having grown into an IB school with 500 students and 89 teachers and staff, became Duke's first international acquisition, extending the group's portfolio to 62 settings, with 2,280 staff supporting 8,500 students.

SEND EDUCATION, SPECIALIST CHILDCARE & LOOKED AFTER CHILDREN'S SERVICES			
DATE	**VENDOR**	**PURCHASER**	**DEAL**
Jan-22	Sandcastle Care	Aspiris	Sandcastle Care, a portfolio of 52 operational homes, grown from 16 to 52 settings over a three year period, joined Aspiris.
Mar-22	St Peter's School	Confidential	The former St Peter's School in Northampton, which previously offered independent education to 140 pupils, was sold to a leading independent operator of schools and services for young people with a range of learning disabilities and other complex needs.
Mar-22	Horizon Care & Education Group Ltd	Platform Childcare	Located in Shropshire, former Brightlee Children's Home, beneifting from C3 use, and with capacity for four young people, was sold amid much competition between buyers.
May-22	Armley Grange School	Confidential	The former Armley Grange School - a Grade II listed property renovated to a high standard for SEMH provisions, set within circa 1.23 acres, was sold to a nationwide childcare group.
May-22	Considerate Care Ltd	Keys Group	Considerate Care Ltd - a long-established portfolio of 'Good' rated children's homes with an excellent reputation - sold to Keys Group.
May-22	Peak Activity Services Ltd	Keys Group	Peak Activity Services Ltd - a provider of four schools facilitating specialist education and seven activity centres located across England - sold to Keys Group.
Jun-22	Accomplish Group HoldCo Limited	Keys Group	Accomplish Group, a leading operator of residential and supported living services, delivering specialist support for people with Mental Health needs, Autism, Learning Disabilities and Acquired Brain Injuries, merged with Keys Group.
Aug-22	Former Hawley Hurst School	Confidential	The former site of Hawley Place School in Camberley sold to a private SEMH school operator in multi-million-pound deal.
Oct-22	Horizon Care & Education Group Ltd	Kids Inc Residential Services Ltd	A former children's home in Macclesfield sold to Kids Inc Residential Services Ltd.
Oct-22	The Esland Group Limited	Blue Mountain Homes Ltd	Located in Staffordshire, the former Audley House Children's Home sold to Blue Mountain Homes.
Dec-22	The Esland Group Limited	Nine Points Property Ltd	Primrose Lodge in Staffordshire - a former children's home located on an extensive plot extending to circa 2.2-acres - sold to Nine Points Property Ltd.

RESTAURANTS			
DATE	**VENDOR**	**PURCHASER**	**DEAL**
Feb-22	Brasserie Bar Co	Alchemy	The Brasserie Bar Co portfolio of 18 pubs and 14 restaurants was acquired by Alchemy for a rumoured £40 million.
Jul-22	Barburrito	The Restaurant Group	The Restaurant Group acquired the 16-strong bar chain Barburrito for £7 million.
Sept-22	Banana Tree	The Big Table Group	Banana Tree, which operates sites in nine locations in the South East, was acquired by The Big Table Group.
Oct-22	Hickory's	Greene King	Greene King acquired the chain of restaurants with plans to grow to a national dining chain.
Oct-22	Karali Group/Burger King	Burger King UK	Burger King UK acquired 74 restaurants from its second largest franchise partner.

PUBS

DATE	VENDOR	PURCHASER	DEAL
Jan-22	SA Brain	Song Capital/ Cerebus Capital Management	SA Brain sold 95 freehold and leasehold investments to Song Capital, reflecting a net initial yield of 5.75%.
Jan-22	Punch pubs	Fortress Investment Group	Fortress Investment Group acquired 100% of the share capital in Punch Pubs & Co from Patron Capital for a rumoured £1 billion.
Feb-22	Brasserie Bar Co	Alchemy	The Brasserie Bar Co portfolio of 18 pubs and 14 restaurants acquired by Alchemy for a rumoured £40 million.
Feb-22	Inn Collection	Harris family/Kings Park Capital	Leading pubs with rooms operator, The Inn Collection Group purchased by The Harris Family Trusts together with Kings Park Capital.
Feb-22	Lucky Onion	Youngs	Lucky Onion disposed of six out of the seven assets within its portfolio.
Mar-22	City Pub Group	Portobello	Freehold managed pub firms backed by Zetland Capital, Portobello Starboard purchase a package of five pubs from The City Pub Group
May-22	Admiral Taverns	Proprium Capital Partners	C&C Groups disposed its 47% stake in Admiral Taverns to Proprium Capital Partners for a cash consideration of £55 million.
Jun-22	Tonge Leisure	Inglenook Inns and Taverns	Inglenook Inns & Taverns acquired nine freehold pubs from the Bolton-based operator Tonge Leisure for an undisclosed sum.
Sept-22	Pub People	Downing LLP	Downing acquire 49 pubs to merge in with the existing Autumn Portfolio.
Oct-22	Peach Pub Company	Revolution Bar Group	The share capital of Peach Pub Company was acquired for a consideration of £16.5 million, with £500k contingent on future performance.
Oct-22	Hickory's	Greene King	Greene King acquire the chain of restaurants with plans to grow to a national dining chain.
Dec-22	Cirrus Inns	Liberation Group	Liberation Group acquired 22 sites located between London and the Cotswolds to increase its estate to 137 pubs.

LEISURE

DATE	VENDOR	PURCHASER	DEAL
Feb -22	Argyll Holidays	Cove Communities	Sale of the Argyll Holidays portfolio in Scotland to US-based international resort operator, Cove Communities for in excess of £100 million.
Mar-22	Rock'up	Hapik	Backed by Trocadero Capital Partners, Hapik acquires the seven-strong UK Rock'up portfolio for an undisclosed sum.
Mar-22	Antin Infrastructure Partners	Macquarie Asset Management	Macquarie Asset Management acquires Motorway Service Operator Roadchef for circa £900 million.
Apr-22	Phoenix Equity Partners/ Forest Holidays/LDC	Sykes Holiday Cottages	Sykes Holiday Cottages acquires Forest Holidays in a deal reported to be in excess £250 million.
Apr-22	Intermediate Capital Group	Sun Communities	REIT Sun Communities acquires 40-strong holiday park operator Park Holidays UK for circa £900 million.
Jun-22	Park Leisure 2000/ Midlothian Capital Partners	Sun Communities	Midlothian Capital Partners sells Park Leisure 2000 for an enterprise value of £182 million to Sun Communities, Inc.
Jul-22	Blackstone/Bourne Leisure (Butlins)	Universities Superannuation Scheme	Pension fund provider, Universities Superannuation Scheme acquires the sites of Blackstone-owned holiday chain Butlin's in a £300 million ground rent deal.
Jul-22	Sunnyside Caravan Parks	Lyons Holiday Parks	Lyons Holiday Parks acquires Sunnysands Caravan Parks with five sites and more than 1,200 pitches in North Wales for an undisclosed sum.
Sep-22	Blackstone/Bourne Leisure (Butlins)	Harris Family	Former owners, the Harris family, buy back the Butlin's seaside resorts group, with operations in Skegness, Minehead and Bognor Regis, for £300 million following the £300 million ground rent deal with USS in July.
Oct-22	The Haulfryn Group	RoyaleGroup	RoyaleGroup agrees to acquire eight holiday parks from The Haulfryn Group in the South West of England and North Wales for an undisclosed sum.

HOTELS			
DATE	**VENDOR**	**PURCHASER**	**DEAL**
Feb-22	Alchemy Partners	Kings Park Capital and the Harris Family Trusts	Kings Park Capital, alongside The Harris Family Trusts purchased the 31-site Inn Collection Group back from Alchemy Partners for £300 million.
Feb-22	Ralph Trustees	Bourne Leisure	Bourne Leisure, the UK holiday operator, continued to expand its Warner Leisure Hotels portfolio through its acquisition of the 180-room Runnymede on Thames Hotel for a price of circa £49.9 million (£277k per key).
Feb-22	Chardon Hotels	L+R's Atlas Hotels	Chardon Group's six Scottish hotels totalling 569 bedrooms were acquired by Atlas Hotels for a total consideration of £63 million (£111k per key).
Apr-22	JV between HPL and Ong Beng Seng	JV between Frogmore and C1 Capital	The 405-bedroom Hilton London Olympia was sold for a price of £130 million (£321k per key).
Apr-22	The Wellcome Trust	Tristan Capital Partners	Tristan bought a majority stake in Raag Hotels Limited, who owns budget boutique hotel chain Point A Hotels, in a deal worth circa £420 million.
Apr-22	BMW (UK) Trustees	LaSalle Investment Management	LaSalle provided funding for the £50 million development of a 189-bedroom Premier Inn hotel in Hammersmith.
May-22	JV between Marrico Asset Management and Helios Real Estate	UK Commercial Property REIT	UK Commercial Property REIT agreed to fund the 305-bedroom Hyatt Sovereign Square in Leeds for £63 million (£207k per key).
July-22	Blackstone	Universities Superannuation Scheme (USS)	The UK's largest private pension scheme completed the acquisition of the real estate assets of holiday resort operator Butlin's for approximately £300 million.
Aug-22	L+R Hotels	Crimson Hotels Group	The 131-bedroom Trafalgar St. James in London transacted for £130 million (£992k per key).
Aug-22	BAE Systems	UK institution	BAE Systems sold the forward contract on the 262-room ibis Budget and the 280-room Holiday Inn Manchester Airport for circa £42 million (£77,000 per key).
Sept-22	JV between Azora and NH Hotels	Edyn Group	Brookfield-backed Edyn acquired the NH Hotel Kensington which will become the sixth Locke-branded property in London.
Sept-22	Starwood Capital Group	Pandox AB	The 176-bedroom DoubleTree by Hilton, Bath was sold for £40 million (£227k per key).
Oct-22	Archer Hotel Capital	Fattal Group	The 283-bedroom Dilly Hotel in Piccadilly, London was sold for c.£90 million (£318k per key). A further £90 million will be invested for renovations.

GROUP SERVICES

SCOTT HULME
Managing Director

MARKET PREDICTIONS

2023 will be another tough year for hospitality as inefficiencies in business become more costly than previous years

Continued challenges will force operators to make difficult decisions, such as reducing trading hours – approaches to this may vary regionally

Survival of the fittest will see businesses with unique experience-based offerings coming out on top

Hospitality will look to maintain and train talent with diversified skillsets to overcome continued labour shortages

Operational excellence will remain a key differentiator between businesses that are successful and those that are not

CASE STUDY

A popular music and arts venue reduced stockholding value by £30,000 and made significant monthly improvements to profit control with the help of Venners. Formerly averaging monthly losses.

MARKET OVERVIEW

Having reopened businesses fully post-pandemic, hospitality operators saw an initial regaining of momentum in trade early 2022. As the year went on, however, the war in Ukraine, escalated costs, and labour market shortages presented an entirely new set of challenges. In what has been a relentless journey from one crisis to another – with talks of recession being the tip of the iceberg – the sector is still fraught with uncertainty and financial distress. This, coupled with widespread operational challenges, saw operators who had survived a season of not trading at all, facing a new battle of fighting to stay operational.

There were some silver linings. Extra bank holidays, a World Cup and the certainty of Christmas offered glimmers of hope to our stricken industry. Despite the slight uptake in trade from this, hospitality businesses have struggled to dedicate the required attention to critical operational tasks, which have subsequently either been neglected altogether or not been completed to the correct calibre. From our area of influence, it has been obvious that as a result operational excellence standards across the board have taken a serious hit.

OUR ACTIVITY

Hospitality businesses last year rediscovered that, to trade profitably, one needs to invest in the right level of support. With renewed demand for specialist support services, Venners swiftly returned to operating at capacity. To tackle challenges head on, our attention turned to solidifying our strong position as employer and industry insights leader in operational excellence. This transformation saw us onboard many new team members and corporate clients, as well as supporting many struggling businesses with stock excellence training workshops and additional advice services.

In 2022, we were proud to add several front runners and upcomers in the industry to our portfolio, including Brewdog, Slim Chickens, Flight Club, Flipout and Stranger Things Experience. Sectors beyond hospitality – such as Therapie Clinic's 65 medical aesthetic treatment locations – have also begun to recognise the benefits of our unique auditing services.

DARREN FLACK
Managing Director

ORRIDGE
the Company that Counts

> Retail's appetite for our core store stocktaking services remains strong.

RETAIL

Retail was tested in 2022 by the cost-of-living crisis, inflationary pressures, supply chain issues and labour market conditions. Some sub-sectors are more resilient to these challenges than others, but none are immune. The supply of fuel and raw materials has increased the cost of operating and supply chains have been impacted by Russia's invasion of Ukraine. COVID-19 remains a concern (albeit to a lesser extent) as new variants emerge and, although supply of stock is improving, it hasn't returned to being optimal yet. Online retail market share continues to gradually increase as expected.

The future for the sector is still exciting despite these challenges. New consumer behaviour is being responded to with product and business model innovation, including technological innovation that is creating a more immersive online experience and more relevant in-store offerings. The Retail sector has faced harsh challenges before and has demonstrated resilience and the ability to overcome them.

Retail's appetite for our core store stocktaking services remains strong. The sector's labour availability challenges have created new opportunities to support our customers' other stock-related objectives. Gaining reliable stock data and management information remains essential and the additional operational, stock availability and sales-related benefits are more important to our customers than they have ever been.

Our supply chain audit services continue to gain more interest, from existing and new customers.

As retailers' stock management strategies develop, to become more comprehensive, in-store stocktaking and supply chain audit work's intrinsic link is becoming clearer. The behaviour of existing customers and our activity with prospective customers indicates that Retail will increasingly outsource stocktaking services in the future.

PHARMACY

The Pharmacy sector is increasingly essential as its remit widens to provide more services to the community. Significant resourcing challenges apply, community pharmacies being disproportionately affected. Margins are being squeezed by imposed price increases on certain medicines and more general cost increases are being absorbed.

Dispensing activity has increased. Online dispensing is gaining market share; independents are demonstrably able to compete and have the advantage of being able to offer other services and patient support. When GP's hands-on services remained inaccessible, patients turned to pharmacies for primary care instead.

The number of pharmacies in the UK remains reasonably consistent to previous years.

Existing customer and new customer behaviour indicates that gaining reliable stock valuation data is indispensable; therefore, we predict that market demand for quality stocktaking services will remain strong in the future.

CASE STUDY

ONE STOP

Since 2021, we have provided delivery accuracy services to One Stop's stores. Previously, lots of store employees' time was being consumed with checking direct-to-store supplier deliveries. The Orridge solution eradicates this task and provides One Stop with a comprehensive, insightful view of delivery accuracy, enabling concentration on root cause resolution.

> Existing customer and new customer behaviour indicates that gaining reliable stock valuation data is indispensable.

PAUL HARDING
Managing Director

> Crucial to attraction management in 2022 has been the collection of data and how to use it effectively.

MARKET PREDICTIONS

Higher levels of international tourism throughout 2023

Increased number of one-off events in the UK

Growing desire for dynamic pricing functionalities

Attractions looking to cut costs in the face of a recession

Return to pre-COVID numbers by 2024/2025

MARKET OVERVIEW

Thankfully, the tourism industry is continuing to heal.

An uptick in international tourism has helped visitor attractions massively, but they aren't out of the woods yet, and numbers are still down pre-COVID.

At the time of writing, international visits are expected to reach 26.7 million by the end of 2022, almost four times that of 2021, which has already helped visitor attractions across the country. In fact, DCMS-sponsored museums and galleries saw double the number of visits between July and September 2022 than during the same period in 2021.

However, the tally of overseas visitors is still 15 million below that of 2019, which means it's just as important for attractions to maximise returning and domestic visitor numbers. This has been one of the main challenges for the industry this year, and the focus on domestic customers will continue into 2023.

Lastly, crucial to attraction management in 2022 has been the collection of data and how to use it effectively. Data helps visitor attractions make informed business decisions using customer profiles, peak visitor times, best-selling merchandise, and more. This information can give visitor attractions reason to increase or decrease prices, plan specific events, and increase upsells when able.

OUR ACTIVITY

Through 2022, we set up a number of ticketing and EPoS systems for attractions across the UK. This has helped them prepare and cope with the increased levels of tourism towards the end of the year, while also helping them to target returning customers with special offers.

We've also worked on redesigning our user experience so that we can comfortably say we have the best-in-class user journey in the ticketing industry. In turn, our clients get more opportunities to promote upsells and their customers get a cleaner, sleeker look and feel. It also simplifies the data collection process, providing more opportunities for our clients to collect and utilise important customer data.

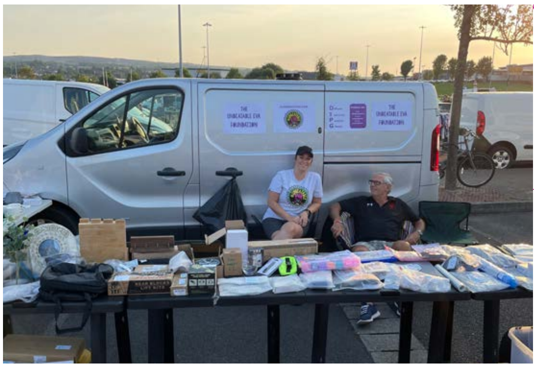
26.7M

International visits are expected to reach 26.7 million by the end of 2022, almost four times that of 2021.

CASE STUDY

THE FOOD MUSEUM, SUFFOLK

The Food Museum, Large Museum of the Year award-winner from the Association of Suffolk Museums, worked with Vennersys to update their systems to improve data collection, increase Gift Aid donations, and better organise event tickets. VenposCloud gives them the functionality they need to make proactive decisions.



Vicky Marsland's car boot sale for The Unbeatable Eva Foundation

Martin Daw raised money at the Over 40's Hockey World Cup in August

After prepping for months on end, Darren Bond ran in the London Marathon in October, followed by the New York Marathon in November, and raised over £1,700 for The Unbeatable Eva Foundation

COMPANY CHARITY ACTIVITY

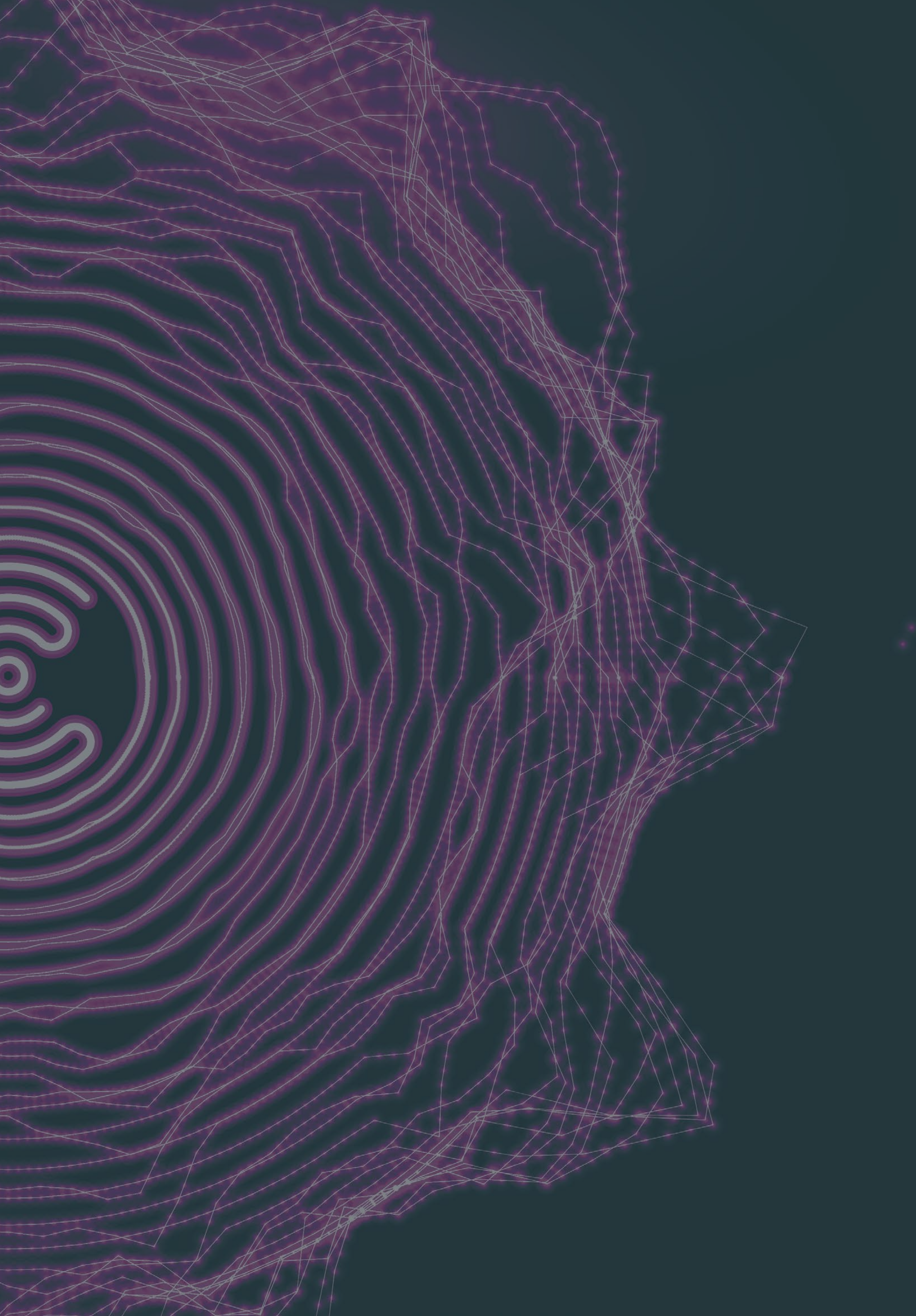
Our teams took part in some incredible activities throughout 2022, raising money for our sponsored charity, The Unbeatable Eva Foundation. **So far, we have raised over £5.7k**, with another year of fundraising to go!

Our London and Manchester offices got in the spirit for this year's World Cup and raised £600 along the way

The Christie Finance team's Snowdon walk in Wales

Alex Rex and James Moore Martin's charity football match in September

Julie Kitson rowed an astounding 85k across the Great River Ouse from St. Neots to Denver in September



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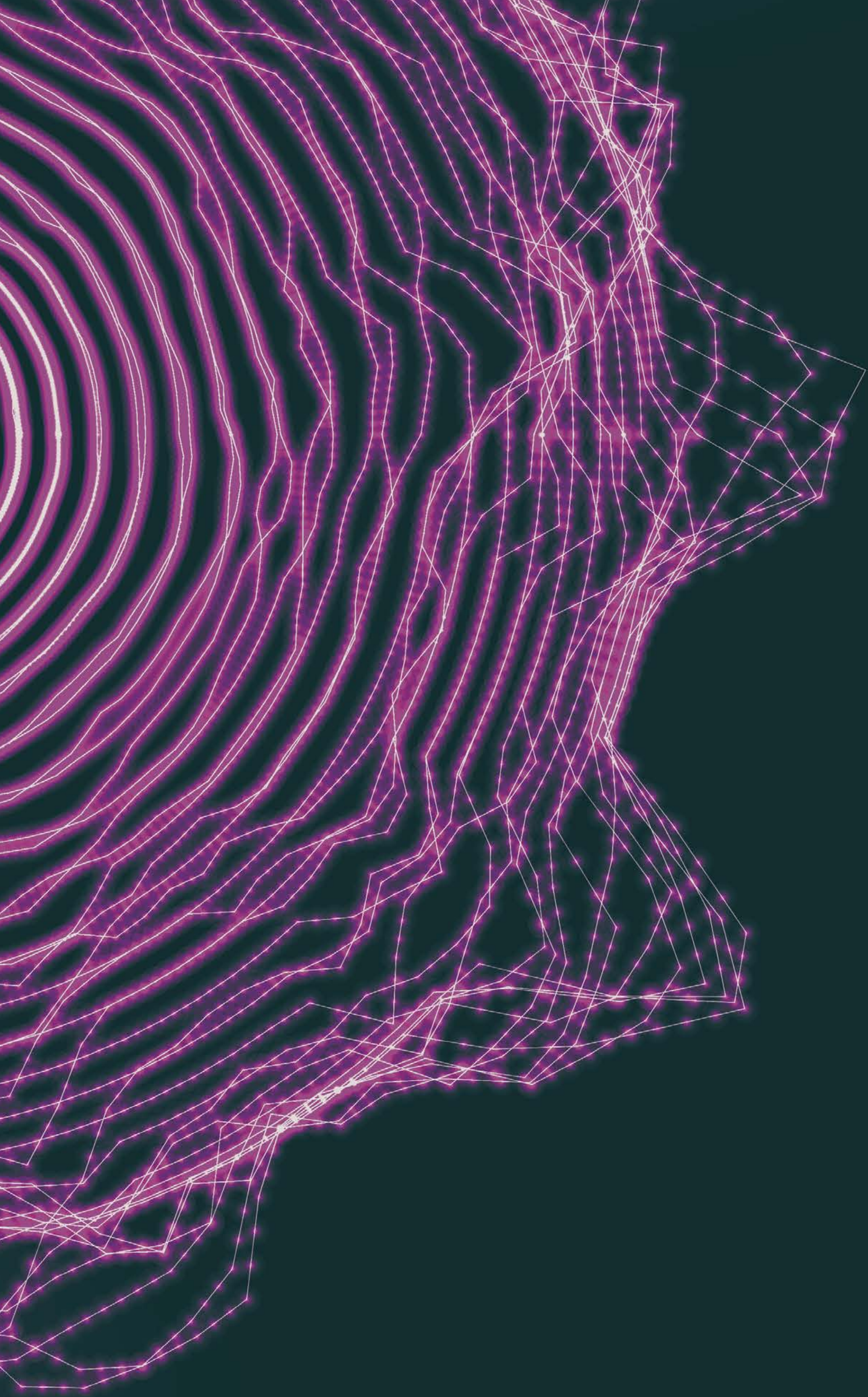

CHRISTIE & CO