

Recovery Email: [March](#)

Rents, restaurants and stabilisation

[RECOVERY STARTS BUT UNCERTAINTY CONTINUES](#)

The “green shoots” of recovery are still proving hard to find with uncertainty and the threat of a “double dip” recession continuing to hang over the UK economy. Talk of growth seems premature, especially with inflation rising sharply. Indeed, what little growth there is, whether short or medium-term, remains at risk.

Business experts warn that after a recession has officially finished corporate failures increase, partly because business owners let down their guard. Companies can be increasing revenue but getting into difficulty because they do not have the cash to service new customers.

The main talking points this month centre on monthly rental terms, flexibility in the restaurant sector, and signs of stabilisation in the pub sector.

[ARE MONTHLY RENTS HERE TO STAY?](#)

Switching from quarterly to monthly rental payments has long been a hot topic in the commercial property world. Prompted by the economic downturn the switch has become an increasingly frequent and sometimes unwelcome reality for landlords and could prove permanent in some cases. However, it has succeeded in keeping many businesses afloat during the recession.

Over the last 18 months, tenants in the leisure and retail sectors have been requesting assistance from landlords to ease the financial burden caused by the downturn, by seeking straightforward rental concessions such as deferred payment, rent reductions or moving to monthly payments to ease cash flow.

The flexibility shown by landlords and the success of tenants and their advisors in negotiating such terms could see a return to quarterly rental payments postponed during a gradual recovery or in some cases indefinitely.

FLEXIBLE SERVICE

The ability to adapt to changing consumer behaviour, combined with flexible operating and acquisition criteria, will prove crucial factors in the success of many restaurant operators over the next 12 months. Consumer trends that were established over the last 10 years may no longer prevail. Diners are making trade-offs in their eating out decisions and operators will need to be alert and flexible to match these constant switches in need and expectation.

The downturn has also pushed operators, especially those that are long established, into reassessing their expansion plans. Some are taking a long-term view by investing in or acquiring under-developed sites in key locations, whilst others are looking at closed pub and bar sites as new opening opportunities. Landlords are also showing flexibility by assisting with fit-out costs in addition to the above mentioned rental concessions.

SIGNS OF STABILISATION

Disposals from the UK's major pub companies continue to generate strong buyer interest, helping to stabilise average property prices, according to evidence gathered from pub transactions brokered by Christie + Co.

The increase in activity applies to both high-quality freehold units and 'tail end' disposals. Top quality units are in short supply and can still command high prices. These better quality units will not see price falls of the magnitude we reported in the last 12 months. During 2009, some pubs saw price declines of less than 10%, where trade and management were in great shape and the pub enjoyed a sought after location. There is also evidence to suggest that prices of lower quality sites are also stabilising, as they attract interest from proven managers and operators who are seeking freehold sites. We are confident that prices we achieve in 2010 will form the basis of robust valuations moving forward.

THE MARKETPLACE

Market activity manifested in a rise in the number of would-be buyers, viewings, and agreed deals we experienced up to the end of 2009 has continued during the start of this year. The number of contract races has risen and we seem to be going to 'best & final bids' on many properties. These are all signs that the commercial property market is picking up.

Acting on behalf of Santander UK PLC, Christie + Co sold the freehold interest of the closed Spar store near Bridgewater, Somerset, to Gilletts of Callington, one of the largest independent retailers in the UK, for an undisclosed sum. The property generated an unprecedented level of interest with over 25 viewings taking place in one afternoon, resulting in 14 separate

offers. This sale demonstrates that there continues to be a high level of demand for realistically-priced businesses.

BANK SUPPORT & BUSINESS RECOVERY PROJECTS

Christie + Co's Bank Support and Business Recovery team continues to work on a number of projects for leading banks and insolvency practitioners. Here is a selection:

- Acting on behalf of David Chubb and Mike Jervis of PricewaterhouseCoopers LLP (PwC), Joint Administrators to GRS Inns Limited, Christie + Co is marketing the leasehold interest of 27 pubs spread across the UK.
- Acting on behalf of Joint Administrators, Sallyanne Pitt and Paul Williams of MCR, Christie + Co sold the former Old Manor House Nursing Home in Felpham, West Sussex.
- Acting on behalf of Administrator from BDO Stoy Hayward, Christie + Co has been instructed to market the leasehold interest of the former Walkabout-branded bar in Islington.
- Acting on behalf of Robert Barclay and Bryan Jackson of PKF (UK) LLP, Joint Receivers of the Morris Inns Group, the Lanarkshire-based, family run business, Christie + Co is marketing the well-known Da Luciano restaurant and bar, and the boutique Redstones Hotel in Glasgow.

For further information on how our specialist market intelligence can add value to your restructuring/recovery process, please contact our team in confidence:

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