

Recovery Email: [February](#)

Property prices, value consciousness and nightclubs

[TWISTS AND TURNS ON ROAD TO RECOVERY](#)

Despite many companies entering the year with renewed optimism, recent figures and projection have again highlighted that the road to recovery will be a long and, in some cases, painful one. According to a report by the independent think-tank Centre for Cities, it will take “years” for some UK cities and towns to recover from the recession.

The latest quarterly report from the Ernst & Young Item Club economic forecasting group came to the conclusion that the UK economy faces a decade of “painful readjustment”, with growth set to struggle to hit 1% this year. As the economic landscape continues to be challenging across Christie + Co’s specialist sectors the main talking points this month are average property prices, the perception of value, and late-night drinking venues.

[PROPERTY PRICES FALL](#)

The full impact of the recession continued to hamper transactional activity and reduce average property prices across the hotel, pub, restaurant, leisure, care and retail sectors during 2009.

Using average price information derived from transactions brokered by the company, Christie + Co’s Business Outlook 2010 publication, showed that prices in the hotel sector reduced by 19.5% during 2009, whilst the pub and restaurant sectors witnessed declines of 20.1% and 18.1% respectively. The care sector reported a fall in prices of 11%, whilst the retail sector experienced a reduction of 9.8% in average prices.

The report also highlighted the movement in average property prices from the peak of each respective market. Hotel prices experienced a c.34% drop since the hotel market’s peak in Q3 2007, whilst pub prices fell around 29% from the pub market’s fourth quarter peak in the same year. Restaurant prices, which peaked in Q1 2008, fell c.30%, with care sector prices falling around 26% since the market’s peak in the third quarter of 2007.

Finally, retail prices saw a c.16% fall after its market peaked in the second quarter of 2007. The decline in pub prices reflected the high proportion of “bottom end” sites sold by major pubcos during the period.

To download or read a copy of Christie + Co's Business Outlook 2010 publication, please go to:
http://www.christiecorporate.com/ccc/news/publications/business_outlook/

CUSTOMER CARE

Value consciousness was one of the big themes in 2009. Buyers sought exceptional value deals – regardless of whether they were purchasing pizza, buying a drink or an overnight stay. Promotional offers became almost universal, as business owners sought to boost customer numbers or maintain occupancy levels. Consumers became more strategic in where they planned to stay, drink and eat, researching the best deals for that day, week or month, and switching between different operators/brands.

Customer numbers were undoubtedly boosted by the many value deals in 2009, but it will be interesting to see how businesses manage to re-establish their prices in the long-term, now that customer expectations have been set. We expect to see continued price and value competition throughout the remainder of 2010.

TIME AT THE BAR

The slowdown in consumer spending, rise in youth unemployment, the ongoing fallout from the smoking ban and other legislative changes will ensure that the trading environment across the UK's late-night venue sector remains challenging for many operators. Independent operators who can adapt quickly to changing trends and fads will in many towns and cities continue to prosper.

High street rental levels that are based on floor areas, or over-ambitious sale and leaseback deals, have proved to be a significant burden as trading conditions have become more difficult and this has left many retailers struggling to move their businesses forward. Flat or diminishing sales versus increasing operating costs have translated into weakening profit conversion and have ultimately had a negative impact on value.

The late-night sector has the potential for recovery in the medium-term, especially as the licensed leisure market continues to evolve and cooperation between landlords, investors and operators - a positive development in this difficult market - will ensure that many more businesses survive. The reality, we believe, is that the sector is set for another tough 12 months, with more insolvencies inevitable, as the banks continue to reappraise and reposition their exposure to what is recognised as a high-risk, high-reward market.

Please go to <http://www.christiecorporate.com/ccc/news/publications/leisure/> to download or read a full copy of Christie + Co's latest Late-Night Sector Market Analysis note: Late-night venues feel the strain.

THE MARKETPLACE

We witnessed some encouraging early signs in January that suggest 2010 will be an improvement on the previous 12 months in terms of deal activity. Increased viewings and more offers have resulted in more deals being agreed than in any month during 2009. Since the beginning of January, 2,335 new applicants have registered on our website www.christie.com, whilst over 1,280 viewings were conducted and 92 deals exchanged or completed with many more agreed.

In October we were instructed to market a group of more than 300 pubs on behalf of Punch Taverns. These pubs have attracted an encouraging amount of enquiries, with less than 10% failing to generate any serious interest. The success of this campaign is particularly gratifying for Christie + Co because many of the units were previously exposed to the market by other business agents.

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 Administrators RSM Tenon Recovery, Christie + Co is marketing the leasehold interests of eight former Puccino's coffee shops, which are spread across England.
- Acting on behalf of Administrators KPMG, more than 3,000 offers have been generated on approximately 1,170 former FQR stores – more than 650 of which have been accepted.
- Acting on behalf of Richard Neville of Quadra Business Recovery Limited, Joint Administrator of Intra West Limited, Christie + Co is marketing the St Elizabeth's House Hotel near Plymouth, Devon.

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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