

Recovery Email: [October](#)

Lessons learnt, star ratings and performance monitoring

NOT SO HAPPY ANNIVERSARY

A year on from the collapse of Lehman Brothers and the world is still being rocked by its after shocks. The UK economy has begun to emerge from recession but growth next year will be fragile, according to the CBI.

Optimism for the coming months has been tempered by the pound falling back against the euro, further increases in unemployment and London posting its lowest retail sales growth in four years.

A silver lining continues to be the small but steady rise in house prices and confidence in the housing market (although this is due in a large extent by under supply) which is helping to generate increased activity in the commercial property sector.

As the economic landscape continues to be challenging across Christie + Co's specialist sectors the main talking points this month have been what the future holds for hotels, the care sector star-rating system, pubcos paying down debt, and performance monitoring.

LESSONS LEARNT?

Deloitte has reported that the worst of hotel RevPAR declines across the UK's hotel sector are over, with London and the regions set to experience improved performance next year. When, not if, the recovery takes hold in the hotel industry, those who can apply the lessons learnt and adapt to the inevitable changes will stand to benefit through the next cycle.

Investors, developers and operators are likely to witness the banks move away from the high risk strategies experienced in recent years. There will be a return to sound underlying operational principles and less focus on the pure real estate aspects that many investors have previously concentrated on.

Please go to www.christiecorporate.com/ccs/news/publications/ to read Christie + Co's latest overview on the hotel sector in its: Hotel Focus Autumn 2009

STAR QUALITY

Most care businesses continue to trade at sustainable levels. However, national average occupancy has softened recently and is currently running at around 90%.

There have been a number of key changes to regulation in the sector in the last 12 months including the introduction of the Quality Care Commission's (CQC) new star rating system.

The star rating system has made a significant impact on the day-to-day running of facilities as service providers aim to meet the prescribed standards. Lenders must be aware that the star rating is a significant indicator of quality and will impact future earnings potential.

Please click on www.christiecorporate.com/ccq/news/publications/ to read our latest market briefing called Care Insight on the subject of: The Star Rating System and Performance in the Care Sector.

MAKE MINE A PUB

The need for the UK's major pub companies to pay down debt and balance their books in the face of challenging trading conditions is set to continue until the end of the year. The different approaches of the two largest pubcos – Punch Taverns and Enterprise Inns – in carrying out this process has come into sharp focus.

Last week, Enterprise Inns announced it planned to sell a clutch of freehold pubs at auction as part of a sale and leaseback programme. If successful, the company will raise about £15m and could sell up to 100 sites in this way.

Punch Taverns has already raised £350 million through a rights issue this year and is currently buying back convertible bonds in an attempt to raise further finance. It has also successfully sold a number of pubs to regional brewers over the past 12 months. Punch has recently instructed Christie + Co to sell c.300 sites across the UK - the largest number of pubs to come on to the market for some time.

ENHANCING ASSET PERFORMANCE

Over the last 18 months, Christie + Co's Consultancy Team has undertaken an increasing number of Independent Business Reviews (IBRs) as lenders carefully review their portfolios. The IBR is particularly useful for highlighting key trends and identifying areas of risk and opportunity as well as providing options and recommendations on how to move the business forward.

Christie + Co is able to take this a step further with our asset Performance Monitoring (PM) Service. This provides ongoing support to our clients by tracking the progress of an asset using key performance indicators. Potential 'red flags' can be spotted at an early stage, allowing for corrective action to be taken. PM can build upon the findings of an IBR and provide an ongoing health check of the asset at regular intervals

Please go to

<http://www.christiecorporate.com/ccs/services/consultancy/pedigree/> to view the full range of services that Christie + Co's Consultancy Team can provide to assist and enhance your business.

THE MARKETPLACE

There are plenty of opportunities in the hospitality, retail and care sectors for anyone able to adapt, restructure or secure funding to grow and gain market share through the acquisition of well-located, realistically priced businesses.

The market has not been flooded with distressed assets but as property values start to bottom out vendors are finally accepting that the price correction is a long-term change and are bringing their assets to the market.

Interest in viable businesses remains strong, as witnessed by the volume of interest generated and viewings conducted by Christie + Co on the Park Inn, Russell Square. In the space of just four weeks 40 parties have viewed the hotel, resulting in 30 offers. Interest has come from a wide range of parties from all over the world.

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.

- On the instructions of Tenon Recovery, Christie + Co is marketing the assets of Dark Star in Administration, one of Scotland's largest bar, restaurant and hotel businesses.
- Acting on behalf of MCR, Christie + Co has secured a buyer for Sai Pharma Ltd in Administration. The deal includes a fully operational pharmacy, the freehold investment of an adjacent doctor's surgery and two maisonettes.
- On the instructions of Grant Thornton UK LLP, Christie + Co completed the sale of The Liddington hotel & conference centre venue near Swindon, to PGL, the outdoor education centre business, for £9.44 million.

- Acting on behalf of BDO Stoy Hayward LLP's Bristol office, Christie + Co has sold the Ruffwell Inn Thorverton, Devon in Receivership to a local property company, for an undisclosed sum. The freehouse attracted multiple offers and was eventually sold to Exdon Ltd, who exchanged contracts within three days of their offer being accepted.

To get more information on any of the projects we are currently working on or if you wish to discuss any insolvency or distressed situations with us, please contact our team in confidence:

Steve Rodell Head of Bank Support and Business Recovery DD: 020 7227 0759 E: steve.rodell@christie.com	Kerr Young Bank Support and Business Recovery DD: 020 7227 0788 E: kerr.young@christie.com
--	--