

Christie + Co: Market analysis

New buyers drive pharmacy sales

A change in the profile of the traditional pharmacy buyer, encouraged by a fall in property prices, is helping to drive transactional activity in the sector.

Having valued circa 250 pharmacies across the UK over the last nine months alone, we believe the market is evolving with a number of new buyers entering the market.

With prices having fallen, we are increasingly witnessing locums and managers looking to acquire sites for the first time. Young entrepreneurs and those with a family interest in the sector are also increasingly looking to enter the market.

Over the last 12 months, the company has seen a distinct shift in the market away from the use of the wholesale guarantee scheme and towards traditional bank funding, as banks continue to be receptive to lending in the sector

The challenging environment has meant that investors are increasingly looking towards low-risk investments, which provide a secure income and pharmacies fit that bill. Banks, which have tightened their lending criteria across other sectors, continue to be more receptive to financing deals regarding pharmacies, where Loan-to-Value ratios of 80% are still being achieved."

Despite the relative low risk involved in the sector, there have been casualties as a result of over gearing, bad management, fallen revenues post price regulation schemes and category M.

Other challenges to the sector include the rise in the use of the internet as a distribution tool and the increasing expansion of the leading supermarkets into the sector.

Despite these challenges, opportunities remain for established businesses and independent operators, especially through the use of electronic prescriptions, which is helping cultivate customer loyalty backed up high levels of service.

We have witnessed a significant rise in enquiries about opportunities in the market over the last 18 months. The level of enquiries has continued to rise since the turn of the year and we expect interest in the pharmacy sector to increase further as the year progresses and prices show signs of stabilising.

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