

Recovery Email: [November 2011](#)



[THIRTY-THREE IS THE LESS-THAN-MAGIC NUMBER](#)

Thirty-three appeared to be the common number recently with the release of two reports on business insolvencies and administrations.

Baker Tilly reported on a sharp increase in the number of hotels and bars falling into administration, with 48 across England and Wales during the third quarter – up by 33 percent on quarter two. The increase was largely attributed to the stricter lending by banks (see below) and the continuing pressure on the consumer purse.

The picture in Scotland largely mirrored that in England and Wales according to a report by KPMG. Insolvencies in Scotland increased by 33 percent in quarter three 2011 compared to the same period last year. In common with Baker Tilly, KPMG highlighted the lack of available finance as a critical cause of the increase, while also citing inflation, public sector spending cuts and the sovereign debt problems in the Eurozone.

Most forecasters agree that the period ahead will remain challenging for businesses, with a slow recovery being the best we can hope for.

[NEW LENDING COULD SPARK SMALL BUSINESS AND ENTREPRENEURS](#)

A raft of new lending mechanisms have emerged recently, promising support for small and medium sized businesses, as well as entrepreneurs.

Shawbrook Bank, chaired by Sir George Mathewson, aims to loan £250m to small and medium sized companies in 2012. Meanwhile, property entrepreneur Christian Candy has launched a £200m bridging loan fund as the first step towards creating a fully-fledged bank. The Omni Capital vehicle will offer bridging and short-term loans to senior business figures and entrepreneurs who have substantial assets but cannot access the mortgage market because of the lending squeeze.

On the subject of lending, recent figures show the UK's biggest four banks have increased 'Project Merlin' lending to businesses in the third quarter of 2011. Under the Project Merlin agreement, the four banks are reported to have issued £57.4 billion of new loans between July and September. This is an increase on the £53 billion of new loans issued in the second quarter. However, some critics believe that the target-based nature of Project Merlin misses the point and does not address the shortage of lending to viable businesses.

[SECTOR IN FOCUS: CARE](#)

Activity in the care marketplace in 2011 has been played out against the backdrop of the Southern Cross demise, now resolved with the reassignment of leases to other major corporate providers. With the assignments having concluded, it is now expected that the new landlords and providers will carefully evaluate their stock and rationalise their estates. This activity will likely bring additional stock to the

market in the near future. However, most importantly the immediate future of 31,000 residents of care homes has been secured.

The care sector received a warning from ratings agency Fitch which suggested in a recent report that care home operators do not have enough cash reserves to meet



Christie + Co recently sold this Sheffield turn-key care home to Sanctuary Group.

tough new regulations being considered. A government discussion paper proposes that care operators should be required to post capital to prove their financial viability. Fitch's report suggested that operators are unlikely to be able to meet this requirement because of declining business valuations, in part caused by government cuts, undermining their ability to raise debt.

The year ahead could remain tricky for the care sector, but as the major providers increasingly migrate towards quality – with new builds and turn-key developments still prominent (see photo above) – and as they seek to churn their estates, we should at least see some improvement in corporate transactional activity, which has largely stalled in 2011. Further activity will be generated in asset-light areas such as supported living and domiciliary care and, of course, by further distress sales – which remain an inevitable by-product of the times in which we live.

BANK SUPPORT AND BUSINESS RECOVERY PROJECTS

Christie + Co handled 81 new Bank Support and Business Recovery cases in October, including a number of larger portfolio projects. This comprised a mixture of valuation, advisory and agency cases.

- Acting on behalf of Maurice Moses and Ian Best, Joint Administrators of Gold Care Group Limited & Gold Care Homes Limited, Christie + Co were instructed to sell five nursing homes.
- Acting on behalf of Kenneth Craig and Alexander Fraser Joint Administrators of Glenorchy Lodge Hotel Limited, Christie + Co are selling the freehold interest of three hotels in Scotland.

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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