

SHELLEY SANDZER

Since 1983

Newsletter Q3 2020

We thought 2020 would be a year of perfect vision, but none of us could have seen the pandemic coming and the effects, both now and in the future, for the hospitality and property sectors.

We have dedicated this newsletter to how we have seen the journey so far, and how we believe it is best to navigate from here.

Part of that recovery is launching a new business, Shelley Sandzer Corporate Finance in partnership with Gerald Edelman, to help operators raise finance and other services.

With challenges come opportunities though, and we are certainly seeing the green shoots. We are looking forward to updating you in the next newsletter with some exciting news.

In the meantime we are delighted to inform you that our offices are now open

and team Shelley Sandzer is again frequenting the restaurants, bars, gyms in central London and beyond. Please let us know when you are next in town so we can give you a refreshing tour of our local haunts.



Bright future in the 'burbs

Published: MCA on May 1st and CoStar on May 4th

Nick Weir, co-managing director, Shelley Sandzer

The lockdown forced a massive change in working practices for everyone. Whether we liked it or not, we had to make working from home produce results. And even as we cautiously return to some sort of normality, we are looking at a new way of life for millions of workers.

A significant upside of the changes is the positive impact on local neighbourhoods. Wind the clock back three months and the average suburban street would have been very quiet by comparison Monday to Friday. Now, up and down the country, they have become different places.

And that is very good news for F&B operators and property investors.

Busy metropolitan suburbs provide opportunities for both as local coffee shops, bars and restaurants will be in more demand from people working, and living generally, more locally than they have done before. The go local focus will bring other benefits for the suburbs too, such as the growth of co-working and co-living outside of city centres. In London, places such as Clapham, Elephant and Castle, and Stratford are all likely to become much more significant hubs serving a multitude of purposes.

The need for quality local pubs, delis, coffee shops, restaurants, and places to co-work remotely in a safe, social setting, will be real. And, for operators, rental values will be more accessible and there will be plenty of staff to deliver a welcoming experience.

So, while there remain some very significant challenges ahead, there will also be opportunities. Our previously sleepy suburbs could just take us back to the future.



The three Cs we all need to learn

Published: CoStar on May 15th, Big Hospitality on May 18th and Restaurant Magazine's June edition

Duncan Lillie, partner, Shelley Sandzer professional services

As the leisure sector emerges from lockdown, complete with the challenges of social distancing, many operators remain in a dark place. Their frustration of running non-income producing businesses are shared by landlords, who themselves require income to fund their own debt, maintain share value, and pay staff and suppliers.

This is time for the three 'Cs' to come to the fore: collaboration; co-operation; and compromise.

Collaboration requires an open dialogue. Current rents are based on a business model that no longer exists and it is unlikely to in the short- to medium-term, if ever. To address the challenges ahead, tenants should be encouraged to share their financial projections and forecasting with their landlords.

This should include short- and medium-term assumptions on the lifting of the lockdown; the
Collaboration should engender *co-operation* between both landlords and

tenants as they will both have a better understanding of the other's position. Terms can then hopefully be agreed for a mutually agreeable lease structure. This will still largely depend on traditional valuation factors such as location, size and physical layout of any given property.

One thing is for sure though is none of this will happen without the last of the three Cs:

Compromise. The leisure sector is in uncharted territory and many established market practises will fall away, so both landlords and tenants will have to learn to *compromise* in a way that creates a “win-win” scenario for all concerned.

Failure to compromise will lead to conflict, something we have seen enough of, and which should have no place in the new normal if we are ever to thrive again as an industry.



Shelley Sandzer Professional Services launches restructuring guidance for operators

While the market is in turmoil and there remains much uncertainty ahead, operators do not have to navigate it alone. Shelley Sandzer Professional Services has launched a ten-point plan to assist operators in restructuring their businesses. While regears and renewals on more balanced terms are part of the answer, the situation facing every operator is complex and unique. The professional services team understands that and has developed a series of tools, borne out of its extensive experience, to help find the ideal solution. The team's approach is already delivering successful outcomes for a number of clients.

To find out more, please contact:



We need a sales tax not business rates

Published: CoStar on June 17

Ted Schama, co-managing director, Shelley Sandzer

The hospitality sector changed fundamentally overnight in March, with consumers and brands rapidly embracing a new way of life.

The likes of Deliveroo and UberEats took on even greater significance to consumers, leading to the growth of dedicated dark kitchens to service takeaway business.

Many brands went even further with the advent of home kits. Restaurants delivered directly make-at-home pizzas, burgers, in fact, almost anything you could dream of. Restaurant groups sourced dedicated food production units for the anticipated growth in this service. Much like Amazon, this is moving towards a remote, partly automated service.

Some operators have already said they will not re-open, while others have made it clear they will need fewer physical restaurants because of the growth of other channels. In light of these changes, how can we possibly continue with the current business rates regime?

In our new world, business rates should be scrapped and replaced with a sales tax.

This would ensure a fair playing field, capturing revenue that is currently

completely unaccounted for. It would create opportunities for lower volume local independent operators on the high street too, establishing a fairer landscape across the sector.

Replacing business rates with a sales tax would also remove the burden for landlords of vacant properties, which entail a business rates liability just when a unit is not income producing.

The world has made a quantum leaps as a result of the crisis, but there has never been a better time to make long-overdue changes that will help everyone thrive. The introduction of a sales tax to replace business rates must surely be top of the Chancellor's list as he looks to the future.



Deliveroo invites Shelley Sandzer to help accelerate recovery of restaurant sector

Shelley Sandzer's was recently invited by Deliveroo to join an initiative to help accelerate the pace of recovery in the F&B sector. Working with Deliveroo and global law firm, Goodwin, the three companies published a series of practical guides to help landlords and tenants work together, including Shelley Sandzer's 3Cs philosophy of collaboration, co-operation and compromise.

Joe Grossman, founder of Patty & Bun, welcomed the initiative: "Many F&B operators are facing what seems like insurmountable challenges as they try to rebuild their businesses, so the ready availability of advice, guidance and support from a diverse range of experts is a potential key lifeline. All sides of the industry need to work together to recover, and this initiative will help achieve that."

The announcement received widespread coverage and you can read the full story [here](#).



Shelley Sandzer Corporate Finance is here

You may have seen the recent press, but we are delighted to announce we have teamed up with Gerald Edelman, one of the leading mid-market business advisory and professional services firms in the UK, to create Shelley Sandzer Corporate Finance (SSCF). The venture will bring together our expertise in property with GE's in structuring transactions, including negotiating with and raising finance from third parties, to provide F&B operators with a full spectrum of services to help maximise their growth.

The team at GE has a lot of experience in helping clients raise capital for growth (either equity or debt) and advising business owners thinking about selling their business – often working with owners for a number of months (and sometimes years) in advance of a sale to make sure that the business is properly prepared for approaching buyers and investors.

These services will complement Shelley Sandzer's unique understanding of the hospitality sector, particularly in central London, gained from advising operators and landlords since we were founded in 1983.

Until next time!

Team Shelley Sandzer

Shelley Sandzer is the leading leisure property consultancy, covering agency, leasing, acquisitions, rent reviews, lease renewals, valuations, investments and international expansion.

Just ask and we would be happy to help you on your journey.

