

The Economic Viability of Sustaining a Public House Use

Prepared by: Stuart Parsons BSc MRICS

In respect of the Premises known as

Horse Guards PH

Park Lane, Brokenborough, Wiltshire, SN16 0HZ

30 January 2023





Contents

1	INTRODUCTION.....	1
1.1	Note on Current Exceptional Circumstances	1
1.2	Experience and Expertise	1
1.3	Instructions.....	2
1.4	Instruction	2
1.5	Economic Viability	2
2	THE PROPERTY.....	4
2.1	Location	4
2.2	Situation	5
2.3	Description	8
2.4	Accommodation	9
2.5	Services	11
2.6	Condition.....	11
2.7	Premises Licence.....	12
2.8	Rating	12
3	MARKETPLACE FOR PUBLIC HOUSES.....	13
3.1	Impact of the 2007 Credit Crunch and beyond	13
3.2	Brexit.....	13
3.3	The COVID-19 Pandemic.....	14
3.4	The Pub Market.....	16
4	THE ECONOMIC VIABILITY OF THE HORSE GUARDS PH.....	18
4.1	Viability Factors.....	18
4.2	Competition/Alternative Public Houses Serving Brokenborough and the Local District..	20
4.3	Background Circumstances.....	22
4.4	Assessment of Current Trade Potential	25
4.5	Viability	29
4.6	Proposals	30
5	CONCLUSIONS	30
7	PROFESSIONAL DECLARATION	32

APPENDIX 1 – GENERAL ECONOMIC COMMENTARY

APPENDIX 2 – PUBLIC HOUSE SECTOR COMMENTARY

APPENDIX 3 – SALES PARTICULARS



1 Introduction

1.1 Note on Current Exceptional Circumstances

- 1.1.1** Preparation of this report and the professional opinion sought has coincided with the aftermath of the Covid-19 pandemic health crisis and consequent economic turmoil which has been exacerbated by Russia/Ukraine war, domestic political turmoil, spiralling inflation, interest rate hikes and increasing pressure exerted by rising utility costs.
- 1.1.2** Whilst Covid has been a lesser concern since early 2022, other outside influences have impacted the UK and worldwide economies. The Russia-Ukraine war which began in late February 2022 has resulted in widespread economic uncertainty with supply chain disruption across the world. Combined with soaring energy prices and the raising of the domestic energy price cap, consumers have faced significant increases in the cost of living.
- 1.1.3** These challenges have been coupled with spiralling inflation and rising interest rates which in turn have negatively affected consumer confidence and consumer spending. That said GDP growth for Q2 2022 is estimated (as at 30 September 2022) to have increased marginally by 0.2% in Quarter 2 (Apr to June) 2022, upwardly revised from a first estimate contraction of 0.1%.

1.2 Experience and Expertise

- 1.2.1** I am Stuart Parsons, a Divisional Director of the national practice of Chartered Surveyors, property consultants and agents Fleurets, dealing predominantly in the provision of property advice, sales, lettings and valuations of Public Houses, restaurants, guest houses, hotels and other forms of licensed and leisure property. Fleurets are active property agents in the public house sector across this region and nationally. Our records show that between 1 January 2012 and 1 January 2023, Fleurets have sold over 75 hospitality businesses located in the wider Wiltshire and Gloucestershire area.
- 1.2.2** At Fleurets I am responsible for undertaking professional work involving capital and rental valuations and other consultancy advice in respect of pubs, bars, restaurants, hotels, nightclubs and other leisure related businesses. My work is conducted for private owner/operators; pub companies; commercial investor landlords; local authorities; banks and other financial institutions. I am on occasions appointed by the Courts to act as a Single Joint Expert Witness in dispute matters and I also receive instructions to act as an Expert Witness in potential negligence cases. I have given verbal Expert Witness evidence in Court and at Planning Hearings/Inquiries.
- 1.2.3** Based on my experience and length of time involved in the licensed and leisure property market, I have received a variety of instructions from parties who seek advice on the future viability of maintaining the use of a hospitality trading entity to form evidence with planning applications which involve development proposals which require a change of use and permanent extinguishment or repositioning of the existing business.
- 1.2.4** I am a Member of the Royal Institution of Chartered Surveyors and have in excess of 35 years direct experience in my specialist licensed and leisure property field.



1.3 Instructions

- 1.3.1** I have received instructions from Manjula Cook and Carol Dobson the owners of the Property. The Property is held within two Titles namely WT209354 and WT211156. My instructions are to provide a report setting out my professional opinion on the question of whether or not it would have been economically viable for Horse Guards PH to be reopened and subsequently sustained in public house use in the medium to long term and also whether or not the local community are well served by alternative equivalent facilities. My opinion is to be prepared having regard to the known background circumstances and history of the Property. In preparing this report I am only able to utilise information which is available from the current owner or is held within public access records.
- 1.3.2** I confirm that following a check against my firm's jobs records, Fleurets has not had any previous dealings with Horse Guards PH. Accordingly, I do not consider that either myself, or my firm Fleurets are in anyway conflicted in the provision of the independent expert opinion sought.
- 1.3.3** The opinions that I express herein have been prepared in the capacity of an Expert on the instructions of the owner. I include a Professional Declaration at Section 7 of this Report.
- 1.3.4** For the avoidance of doubt I confirm that this report is not intended to be a valuation of the property, either rental or capital, and it is not therefore formatted to comply with the RICS practice statements relating to property valuations.

1.4 Instruction

- 1.4.1** My report has been commissioned by the owner of the Property to form evidence to accompany an application for change of use and leading to the permanent extinguishment of the public house use. The development proposal involves the change of use of the existing building and land to residential use.
- 1.4.2** My report is to specifically address the issue of whether or not Horse Guards PH, was and could reasonably have remained an economically viable trading public house on commercial terms. As a part of my considerations, I will identify the alternative public houses available to visitors and local residents situated in and around the local district, thus forming the most immediate local competition.

1.5 Economic Viability

It is helpful to give consideration to what factors are reasonably taken into account when making a judgement over whether or not an existing Public House facility can fairly be considered as economically viable. In the subject case the Public House is currently closed having ceased trading in March 2020, in line with Government imposed closures due to the Corona Virus Global Pandemic. On 10th May the Government announced that lockdown measures would begin to be lifted and that some hospitality businesses, including Public Houses, may begin to re-open from July 2020, albeit subject to continued social distancing and appropriate measures being implemented to control the spread of the virus.

- 1.5.1** I understand the business ceased trading on 17th March 2020, a few days prior to the enforced lockdown period and post the then Prime Minister recommending that people should not frequent public houses due to the Covid-19 pandemic. The business was not reopened when government regulations allowed. I understand that the business had performed poorly for a number of years prior to closure and had



been marketed for sale for a period, believed to be c.5 years by a recognised specialist in licensed property agency.

- 1.5.2** I firstly consider the matters which impact on the judgements of a party considering making an investment in acquiring and then operating a freehold interest public house.
- 1.5.3** A public house is a facility where trading involves the retail sale of both alcoholic and soft drinks; snacks; potentially food; and in some circumstances providing bed & breakfast accommodation to paying guests. The fundamental motivation and purpose of owning and operating a public house is to generate an income and profit. For a public house to be economically viable, the owner whether as an individual or a partnership, must be able to derive a satisfactory living from operating the public house after having met all the costs and liabilities associated with ownership and trading the property and business. If the operator is a corporate concern, the company must be able to achieve a sufficient profit from the operation in order to justify in commercial terms, the investment required in its freehold acquisition and as remuneration for engaging in its subsequent operation.
- 1.5.4** For a freehold public house owned and directly operated, the income/profit which is appropriately used to assess economic viability is that which is achievable after deductions of all operating expenses. In addition, the costs associated with funding the required investment in the property's acquisition; with any required new trade furnishings and equipment; repairs/refurbishment; stock and working capital also taken into account. Such capital requirement will in most instances be made up from a combination of an owner's own capital reserves and from borrowed funds.
- 1.5.5** For a freehold public house being acquired as an investment interest with operation to be undertaken by an occupying tenant, the freehold owner's income and profit to assess economic viability is the net rent receivable after the deduction of costs associated with funding the purchase. As in the case of an owner operator, such capital requirement will likely include a proportion self-supplied and an element of borrowed funds.
- 1.5.6** In order for a public house to be economically viable, the net income/profit must be sufficient in order to incentivise the owner/purchaser to undertake the entrepreneurial endeavour and risk associated with the venture. In either case the appraisal of economic viability must take into account the credible costs to be incurred to put the premises into a condition fit and ready for the commencement of trade.
- 1.5.7** Secondly I consider the matters which impact on the trading potential of a public house:
- 1.5.8** The customers of a particular public house must have chosen to travel to the particular property, whether walking, driving or cycling, in order to enjoy drinking and potentially dining, in the social environment provided at the premises. The attraction of custom to a public house necessitates persuading individuals to choose one property over others which they believe to offer the same or similar facilities. Such customer choices involve personal judgements over such issues as: the desired means of travel; the likely travel time; the ease of journey; the distance to be travelled; the nature of the customer environment provided; and the nature and retail cost of the drink and food offer available. The proximity of a public house to a pool of prospective custom will therefore be a key determining factor.



- 1.5.9** The potential custom which is available to any particular public house will inevitably have alternative options, i.e. the relevant competition. Thus a public house is obliged to operate within a competitive trading environment, with prospective customers making comparisons over the various factors which influence their choice.
- 1.5.10** The various characteristics of a public house and its potential custom, may however change over time, such changes caused by external factors which either have a positive or a detrimental impact on economic viability. It is a fact that over time particular external influences can be significantly detrimental to trading potential, and hence as a direct consequence may also adversely impact on economic viability.
- 1.5.11** The key external influences of particular importance to public house trading include; attractions offered by the surrounding area, social and cultural changes; economic changes; legislative changes; increases in operational and ownership costs; and increasing staff employment costs.
- 1.5.12** The economic viability of a public house is based on an assessment which is made at a particular moment in time. The assessment must take into account the individual background circumstances of the property under consideration, including any known recent trading history and the trading status at the time of making the assessment. The assessment must reflect the costs which are reasonably necessary to incur in order to complete the property's purchase and any preparation works/investment required in order to be ready for the commencement of trade.

2 The Property

2.1 Location

- 2.1.1** The Horse Guards PH is situated in the village of Brokenborough. Brokenborough is located in Wiltshire approximately 1 km from the Wiltshire/Gloucestershire boundary. The nearest town is Malmesbury which is approximately 2 km to the south east. The village is surrounded by open countryside.
- 2.1.2** Brokenborough is situated between the B4014 Malmesbury to Tebury road and the B4040 Malmesbury to Sherston road. The village is accessible via a single track lane, with passing places, the lane runs in a north/south direction. The lane is unlit and has no footpath.
- 2.1.3** The lane referred to above is the only vehicular access to the village. Houses within the village are set either side of the lane, but predominantly to the west. Towards the centre of the village there is a junction with a lane leading to the Tetbury Avon and Fosse Way. St John the Baptist Church is situated on Church Lane.
- 2.1.4** In total there are c.23 dwellings in the village, these are within an area which extends for approximately 550 metres along the lane referred to above. According to the 2021 Census there were 186 people living in the village/Parish, this figure includes people of all age groups. The village has experienced a marginal decline in population since the 2011 Census.



2.1.5 A single bus route serves Brokenborough, this being No.278 which is operated by Cheltenham Community Transport. The service operates between Tetbury and Malmesbury and seemingly provides a single bus on Monday, Wednesday and Thursday only.

2.2 Situation

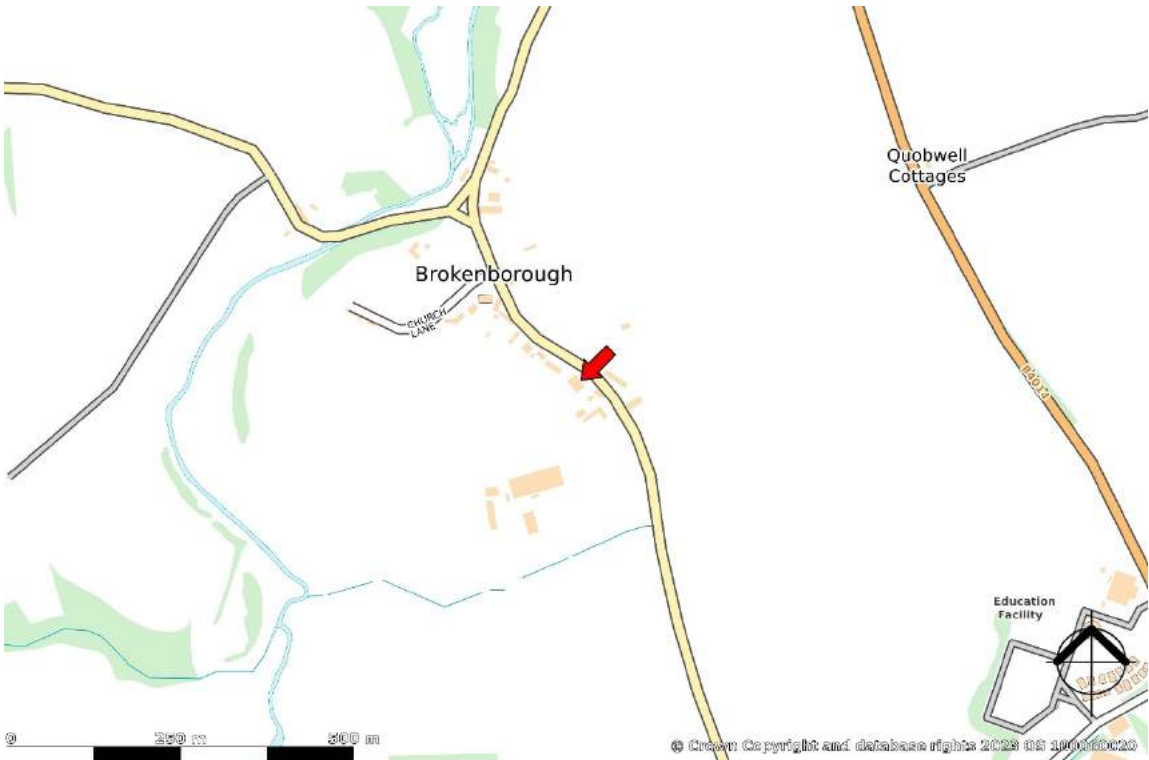
2.2.1 The Horse Guards PH is set back behind a grassed area fronting directly on to the lane that passes through the village.

2.2.2 Immediately adjoining the property to the south is a farmyard whilst to the north there is a modern detached dwelling. Opposite are two pairs of semi detached houses. The area is sparsely developed.

2.2.3 I set out below location and site plans to provide context of the property's location and situation.



Ordnance Survey © Crown Copyright 2023. All rights reserved. Licence number 1000047722



Ordnance Survey © Crown Copyright 2023. All rights reserved. Licence number 1000047722



Ordnance Survey © Crown Copyright 2023. All rights reserved. Licence number 1000047722

2.3 Description

- 2.3.1** The Horse Guards PH comprises a detached two storey public house with a single storey side addition and the remains of a former pigsty. The original front section of the building has been constructed with natural stone elevations beneath a stone tiled pitched roof. Modern single storey additions have been constructed to rear which have, in part, rendered elevations beneath pitched tile roofs. An entrance porch has been added to the front elevation. The windows are a combination of timber framed single glazed and uPVC double glazed units.
- 2.3.2** The building is positioned within a broadly square shaped site which increases in level from the front and then levels off from the building line. Customer access is from the front of the Property; access to the ancillary areas for staff is provided at the rear of the property; and accessed from the car park elevation is a separate entrance to the first floor accommodation.
- 2.3.3** Hard/gravel surface parking areas are provided either side of the property with scope to park up to 30 vehicles. A paved terrace extends across part of the rear of the building and beyond this is quite an extensive beer garden laid to grass.
- 2.3.4** The total site area is 0.29 ha (0.716 acres).
- 2.3.5** Photographs of the property's exterior are set out below.



Front Elevation



Parking Area (Front South West)



Side Elevation (South West)



Side Elevation (North East)



Car Park (North East)



Rear Elevation



Paved Terrace – External Trading Area



Rear Elevation

2.4 Accommodation

2.4.1 The Property comprises a ground floor public house with letting bedrooms to the first floor. The internal accommodation can be described as follows.

2.4.2 Ground Floor

2.4.3 A porch entrance provides access into a bar area with timber floor which in turn leads through to a smaller trading area with bar servery. Whilst no trade inventory was in situ at the time of my inspection, I understand there to have previously been provision for c.40 customers seated at a variety of stools and chairs.

2.4.4 Towards the rear of the property there is an open plan dining area with doors to the external trading area. Indications are c.40 covers could have been accommodated in this area.

2.4.5 A commercial kitchen, with provision for overhead extraction, is accessible from the dining area. The kitchen and associated areas are effectively in three areas, one of which is effectively a corridor.

2.4.6 Ladies and gentlemen's customer toilets presented in a modern style.

2.4.7 Towards the front of the property and located to the rear of the bar servery is a store room which incorporates beer storage.

2.4.8 All trade inventory has been removed from the premises with the exception of some of the catering equipment.



2.4.9 First Floor

2.4.10 A Separate external door provides access to a set of stairs which lead to the first floor accommodation. The accommodation, formerly domestic, has been converted to provide two good sized letting bedrooms with modern en suite facilities.

2.4.11 I set out below photographs of the interior of the property:

	
Lounge Bar	Bar Servery
	
'Public' Bar	Restaurant
	
Catering Kitchen	Wash-up Ancillary Area
	
First Floor Letting Bedroom	En Suite Shower Room



2.5 Services

2.5.1 I believe that the property benefits from mains electricity, water and drainage. At the time of my inspection I noted there were LPG tanks at the rear of the property and also a domestic oil tank.

2.6 Condition

2.6.1 I have not undertaken nor had access to a building condition survey, but I have carried out an internal and an external property inspection. The following disrepair has been identified from the inspection.

2.6.2 I set out the main repair condition deficiencies below:

2.6.3 Exterior

2.6.4 The site is somewhat overgrown, particularly the beer garden areas, however the Property presents reasonably well but would benefit from redecoration.

2.6.5 A number of the window units would benefit from attention.

2.6.6 The appearance of the rear elevations is poor, attention is required to the rainwater goods, window/door frames and the elevation surfaces.

2.6.7 The car park surfaces would benefit from attention/resurfacing.

2.6.8 The beer garden would need to be tended and refurnished with outside seating and tables.

2.6.9 In my experience this expenditure would mostly likely be in excess of

2.6.10 Interior

2.6.11 Given the period of time the premises had been closed the trading areas are presented in good condition.

2.6.12 There are no trade fixtures and fittings in situ and therefore a new operator would need to fully equip the trade areas.

2.6.13 The ancillary areas i.e. kitchen areas are in relatively poor condition and damage was noted to walls and ceilings, possibly from where equipment has been removed. It is not known if the remaining catering equipment is in working order, regardless the kitchen will need to be partially equipped if not fully.

2.6.14 The letting bedrooms at first floor are in relatively good order albeit they would possibly need to be 'freshened up' given the extended period of closure. One room would require re-equipping as the furniture has been removed. I highlight that prior to the first floor being adapted as letting bedrooms the former domestic accommodation would have been extremely limited, most likely there would have been no domestic kitchen.

2.6.15 For these purposes and having regard to the size of the premises and extent of repair/refurbishment necessary, I have adopted a budget to include redecoration of the ancillary areas and provision of trade inventory items prior to reopening/relaunch of trade, in the sum of In my adoption and application of this estimated capital sum, it should be recognised that such figure is only a guide based



on my experience. In addition I estimate the cost of introducing a new trade inventory would be not less than

2.6.16 I believe that a total investment of circa would be required in order to address all the ongoing issues at the property and to install a trade inventory to enable the business to trade.

2.7 Premises Licence

2.7.1 I have been advised by the Licensing Authority, Wiltshire Council, that the premises licence remains current and permits on and off alcoholic sales Monday to Saturday 11:00 – 23:00 and Sunday 12:00 – 22:30. These are 'traditional' operating hours and I would anticipate sufficient for a public house in this location.

2.8 Rating

2.8.1 The rateable values (RVs) of Public Houses are assessed based on judgements made over their trading potential. Whilst not able to be adopted as a definitive indication of a public house's actual trade performance, the RV of a trading business can provide an indication of the level of sales turnover on which it has been based and hence can be of assistance if making comparisons between differing properties.

2.8.2 Consultation of the website of the Valuation Office Agency shows the recent Rateable Value history of the Horse Guards PH:

- Rating List 2023 – RV effective from 1 April 2023 (future).
- Rating List 2017 – RV effective from 1 April 2017 to present.
- Rating List 2010 – RV £ effective 22 May 2012 to 31 March 2017.
- Rating List 2010 – RV £ effective from 1 April 2010 to 22 May 2012.

2.8.3 The 2010 Rating List entry will have been based on the property's physical size and format at 1st April 2010 albeit reflecting the economic and trading circumstances appropriate on 1st April 2007, known as the antecedent valuation date. It is likely that the original assessment will have been influenced by reports of the actual trade achieved in the period 2005 to 2007. The same applies for the 2017 Rating List entry will have been based on the property's physical size and format applicable as at 1st April 2017 however the economic and trading circumstances applicable at the antecedent valuation date, being 1st April 2015.

2.8.4 The increase in Rateable Value with effect from 22 May 2012 would appear to have been as a consequence of a material change of circumstance. Possibly the result of works having been undertaken to the property which were expected to lead to an improvement in trade potential.

2.8.5 With regards to the analysis of the 2023 Rateable Value, with an antecedent date of 1 April 2021 this indicates that the business is likely to have been assessed on average weekly sales from all sources of not much greater than per week (net), thus say total annual sales from all sources of c This is below the levels of historic trading information I have seen.



3 Marketplace for Public Houses

3.1 Impact of the 2007 Credit Crunch and beyond

3.1.1 In this section I consider the economic, operational and social influences which impact on the demand for, trading potential and economic viability of public houses. In the year 2007 the onset of the 'credit crunch' triggered a prolonged period of considerable economic uncertainty, the UK economy then suffering a sustained downturn with double dip recessions in 2008/09 and 2011/12.

3.1.2 The economic downturn had a dual impact upon the hospitality trade. Firstly, there was the effect of lower sales resulting from customers having reduced disposable income or simply exercising caution. Secondly there was the impact on the ability for prospective purchasers to raise finance. Throughout the downturn, banks were averse to risk and reluctant to entertain loans unless borrowers had relevant trade experience and accounting information was available to support the levels of projected trade performance. A policy of greater prudence in decisions to lend, together with reduced bank loan to value ratios limited individual purchasers of hospitality businesses ability to raise finance. Some banks chose to effectively exit from the licensed and leisure property sectors.

3.1.3 In Fleurets` experience, throughout the economic downturn lenders were reluctant to advance finance for acquisition of hospitality businesses, particularly those which could not demonstrate robust levels of turnover and profitability or were closed to trade. Even in a much improved economic climate, in the absence of a sustained level of proven trade and profits, very often lenders were not prepared to provide funding unless an operator was prepared to offer alternative security. The advent of the Covid-19 Pandemic has further reduced liquidity in this market. Banks are generally averse to lending against leasehold interests. The larger multiple or corporate public house operators will not generally need to raise finance for individual property acquisitions however, such operators will only acquire sites where there is potential to generate sales in excess of per week, net of VAT. The Horse Guards PH does not possess the characteristics which would enable it to trade at these levels and hence be of interest to national and regional corporate companies.

3.2 Brexit

3.2.1 In June 2016 the UK narrowly voted to leave the European Union in the BREXIT vote. Negotiations between Britain and the EU saw two deals tabled, the first rejected by Parliament, the second effectively leading to the December General Election. The new Government proceeded with BREXIT, taking effect from 31st January 2020. There has been considerable associated political and economic uncertainty which has been recognised as hindering business investment decisions and future planning.

3.2.2 The UK's exit from the EU provided some business leaders with the certainty they desired, however considerable uncertainty remained whilst future trading and regularity arrangements with the EU were negotiated. Import costs increased, particularly in the food sectors. Inflation rose strongly being at 2.5% in April 2018, having been over 3% by the end of 2017, well above the Bank of England's target level of 2%. However, inflation moved closer to the target level at 1.8% in January 2019 and down to 1.7% in September 2019, the lowest level for 3 years. The movements in inflation triggered a marginal rise in



interest rates from 0.25% to 0.5%, and to 0.75% in August 2019. The RPI in December 2019 stood at 2.2%.

3.2.3 Brexit also brought about restrictions in the movement of people across the former EU states. Whilst not readily apparent, due to the onset of Covid, this has led to significant staff shortages in the hospitality sector be it chefs/kitchen staff, bar staff or cleaning staff. Many operators are now trading reduced hours/days simply due to the lack of sufficient staff numbers.

3.3 The COVID-19 Pandemic

3.3.1 Between 23rd March 2020 and 19th July 2021 the UK was subject to a series of well documented government imposed 'Lockdowns', stay at home mandates, personal movement restrictions, social distancing requirements, business operating limitations and overseas travel restrictions, each subject to change and with varying degrees of severity. These measures were unprecedented and the impact was acute and felt across nearly all sectors and business types, particularly in the travel, leisure and hospitality sectors.

3.3.2 Between 23rd March 2020 and early June 2020, the UK was placed in full lockdown. Public houses, B&Bs and hotels (with certain exceptions) were forced to close. From early June 2020 non-essential business were permitted to reopen and some children were able to return to school. Social distancing was a key element of all reopening plans and the wearing of face masks also became a legal requirement in some settings, and at least recommended in others. Leisure and hospitality businesses were permitted to reopen on 4th July 2020, this included public houses, bed and breakfasts, holiday homes, campsites and caravan parks. However, not all businesses chose to or were able to open. Some remained closed and some others reopened on reduced operating format. Some were unable to operate effectively under social distancing requirements.

3.3.3 Covid-19 triggered a sudden and severe decline in public house businesses' trading performance. As a result, various government support initiatives were introduced that included furlough, with the government paying a proportion of employee wages, a reduction in VAT applied to certain products and services, business rates suspension, the Coronavirus Business Interruption Loan Scheme (CBILS), various government grants and the commercial rent moratorium, which prevented landlords of commercial properties exercising forfeiture for non-payment of rent.

3.3.4 A notable early consequence of Covid-19 was Travelodge's Company Voluntary Arrangement (CVA), which was approved on 19th June 2020, with landlords approving the public house operator's proposals to restructure its leases involving temporarily reducing rents and moving from quarterly to monthly payments on certain leases resulting in rents payable at 62% of usual levels. In December 2020, and after having paid rents in full throughout the Covid-19 crisis, Whitbread/Premier Inn contacted landlord's seeking a 50% reduction in rental commitments for the December 2020 quarter. A number of PubCo's granted their tenants various rent concessions to assist them through periods when they were unable to trade.



- 3.3.5** Lockdown had an immediate impact on how businesses could operate and this led to increased remote home working, reduced office attendance in towns and cities, growing use of digital collaboration tools and reduced business travel. Government imposed travel restrictions, with some ongoing concerns around overseas travel, prompted a boost in domestic holidays and preference for staycations.
- 3.3.6** Public houses are reliant on the frequent movement of people, both overseas and domestic, for reasons of leisure, visiting friends and family, and business, therefore these factors continue to impact on public house's trading performance to a varying extent depending upon operational orientation, guest base and location. Some public houses have witnessed periods of exceptional performance, others have seen a swift recovery to pre-Covid levels, however certain sub sectors of the public house market continue to operate at subdued performance levels with a longer recovery period anticipated. Indeed numerous public houses have chosen, or have been unable to reopen for trade following the lockdown periods.
- 3.3.7** Whilst the extremity of these changes are subsiding following the lifting of all remaining Covid-19 restrictions, for example as people attend the workplace more frequently and businesses return to face to face meetings, these factors have undoubtedly altered the social, business, travel and hospitality landscapes, at least in the short term.
- 3.3.8** Pre Covid, the UK economy grew by a rate of 1.4% during 2019, up from 1.3% in 2018 but down on prior years where GDP had stood at 1.8% in 2017, 1.9% in 2016 and 2.6% in 2015.
- 3.3.9** UK GDP in Q1 2020 contracted by -2.2% reflecting the first part of lock down and the effective closure of the economy. Q2 presented the harsh reality of the impact of the pandemic and lock down with a contraction of -21.4%, driven by record falls in services, production and construction output. Thereafter, on a monthly basis, the economy showed signs of recovery with positive growth and overall Q3 saw a record increase of 16.9% however this still resulted in a year on year decline in the level of GDP of -8.5% compared to Q3 2019. Overall, the economy contracted by -9.9% in 2020.
- 3.3.10** With the subsequent lockdowns in November 2020 and from January 2021, as well as the tier system, it was anticipated that GDP would contract. For Q1 2021 growth was -1.6% and a year on year decline of -6.1%, up from -7.3% in Q4 2020. With the economy continuing to reopen and a return of pre-Covid activity, the expectation and hope was for a return to pre-Covid GDP levels over the course of the second half of 2021.
- 3.3.11** The Russia-Ukraine war which began in late February 2022 has resulted in rising energy costs, food price inflation and caused widespread economic uncertainty. Combined with supply chain disruption across the world as well as the raising of the domestic energy price cap, consumers have faced significant increases in utility, fuel and food prices.
- 3.3.12** These challenges have been coupled with spiralling inflation and rising interest rates. In turn consumer confidence and consumer spending has been negatively affected. GDP growth for Q2 2022 was estimated to have increased by 0.2% in Quarter 2 (Apr to June) 2022, upwardly revised from a first estimate contraction of 0.1%. However in Q3 2022, the UK recorded GDP growth of -0.2% compared with the previous quarter and forecast to fall to -1.3% in 2023.



3.4 The Pub Market

3.4.1 As a consequence of rising costs and the immediate future uncertainties caused by the Russia/Ukraine War, the aftermath of the Covid-19 pandemic and Brexit, consumer spending is potentially at risk. Whilst the pub and public house sector has proved relatively resilient to the various pressures, there are widely reported struggles faced by the restaurant and retail sectors. Numerous restaurants across the branded, corporate and independent sectors have closed and/or been placed on the market for sale with profit warnings issued by a number of the major retailers.

3.4.2 This all comes on top of the challenges that the licensed business sector has already been faced with over the last 20 years or so. Rising costs and increasing administrative burdens, together with legislative changes have seen significant threats to stability at all levels.

3.4.3 Legislation which operators have had to address includes the following:-

- Food Act 1984 (as amended)
- Food Safety Act 1990 (as amended)
- Licensing Act 2003
- Regulatory Reform (Fire Safety) Order 2005
- Equality Act 2010
- Gas & Electrical Regulations in relation to the trade inventory

3.4.4 The mass beer market has seen and continues to experience a shift to the off trade, combined with the success of anti-drink drive legislation these have been significant factors leading to a general decline in the volume of traditional on-licensed wet sales. Recent statistics, produced by the British Beer and Pub Association (BBPA) in their UK Quarterly Beer Barometer show a decline in annual beer sales in the on-trade between Quarter 4 2000 and Quarter 4 2019 from 23,358,000 to 12,632,000 barrels, thus representing a decline of c.45% (in terms of 36 gallon brewers' barrels). The highest levels of decline were reported in 2008/09 which is consistent with the consequences of the introduction of the ban on smoking in public places, as well as the onset of the recession at that time.

3.4.5 During the same period annual beer sales in the off-trade showed an increase from 11,215,000 to 15,352,000 barrels, an increase of c.37%. This marks a significant switch between beer volumes consumed in trading premises such as public houses and those consumed at home, which are usually purchased from retail outlets such as off licenses, general stores and supermarkets. The shift has been so significant that in 2015 the volume of beer sold in the off-trade for the first time exceeded the volume of beer sold in the on-trade, a trend which has continued. In Quarter 4 of 2000 the beer volume sold in the on-trade represented c.68% of the total, however by Quarter 4 of 2019 the on-trade contributed only c.45% of the volume total.

3.4.6 The introduction of the ban on smoking in public places in July 2007 had a significant impact upon the trade of wet led public houses. In September 2008 a report issued jointly by the Federation of Licensed Victuallers Associations (FVLA) and the British Institute of Innkeeping (BII) concluded:



- 3.4.7 “The smoking ban has had a serious and continuing effect on trade with the very important custom of smokers much diminished and with little positive news in terms of increased non-smoker or family business. The impact has been borne most by community, drink based pubs which have also had the fewest resources to withstand the downturn.”
- 3.4.8 The development of large public houses, on local 'high streets', which have the ability to offer discounted prices through their better purchasing power resulted in a decline in sales in smaller traditional outlets within a radius of up to one mile, where there is public access/transport. As a consequence many such public houses which were previously only marginally viable have now ceased trading.
- 3.4.9 Regular eating out has become an established part of the British psyche and, as wet sales have declined, many pubs have sought to maintain and develop their business by focusing upon food led custom. However net profit margins on food led businesses are typically 5 to 10% lower than for wet led businesses. Consequently, such pubs are dependent upon achieving a higher level of food sales in order to replace lost wet sales if the overall net profit is to be maintained.
- 3.4.10 Local custom tends to be mostly 'walk-to' trade drawn from the immediate community, probably from less than ½ mile radius. Assuming a business is run in a good, competent and welcoming manner, trade will essentially be attracted by the convenience of the location and the opportunity to socialise with the local community. Local custom will tend to be concentrated towards weekday evenings and weekends.
- 3.4.11 In contrast to local trade, destination custom is often car borne and hence is attracted from a wider catchment area. Customers are drawn to an establishment by virtue of the nature of the facilities on offer, commonly including the availability of meals. Destination food led operations tend to be targeted to a particular market, which may be families, value orientated, fine dining, ethnic or traditional and offer particular desirable characteristics.
- 3.4.12 The essential characteristics of most destination led business are high visibility, ease of access and good parking. The family orientated businesses are usually run as high-volume branded outlets by multiple operators, typical examples of which are Chef & Brewer, Harvester, and Hungry Horse. They may often be combined with outdoor and/or indoor children's play facilities. Such businesses demand prominent road locations, a site of ¾ to one acre, a built area in the region of 7,000 to 8,000 sq.ft and customer area of 2,500 to 3,500 sq.ft. There has been a significant expansion in the number of this type of operation in both urban and suburban areas over the last twenty five years.
- 3.4.13 In more recent years an increasingly important requirement has been for such units to be developed near to business parks or at transport intersections. The most active companies in this market in more recent years have been Marston's and Greene King. Following the recession it has been the case that operators have been increasingly unwilling to compromise their site criteria. In the latter part of 2019, one of the most active corporate developers of new public houses, Marston's plc, abruptly terminated their programme of expansion and development reporting that the investment simply failed to deliver a satisfactory return on capital. Customers will also be attracted to destination venues by their setting, for example waterside properties or those where there is some historic interest or relevance.



3.4.14 The locational and physical characteristics of the Horse Guards PH are such that it must rely on both a locally resident custom as well as a destination type of custom.

3.4.15 The consequences of the above described economic and social trends are seen to adversely impact on public house trading, reducing alcoholic drink consumption, putting pressure on retail pricing and leading to an increasingly challenging market in which to operate. Such impacts are understood to be central to the declining numbers of public houses, both in urban and in rural districts. The background of these economic and social trends has increased the risks faced by those making investments in the sector, particularly where there is a history of business failure or the premises has not traded for an extended period of time.

3.4.16 I attach within Appendix 1 and 2 respectively the Fleurets General Economic and Public House Sector Commentary.

4 The Economic Viability of the Horse Guards PH

4.1 Viability Factors

- 4.1.1** When assessing the viability of a public house there are a number of factors which are appropriately considered and a number of potential sources of information to assist with the required appraisals.
- 4.1.2** It is firstly appropriate to consider the locational and physical characteristics of the property together with its existing local competition. Based on these considerations, a judgement can then be made over the most credible style of trading format to be adopted at a particular site, in order to best exploit the trading potential.
- 4.1.3** It is desirable to be able to review financial information recording past trade performance in circumstances where this information is available, in order to help make the required judgement over future potential. However, such historic records are not always available and in incidences where there is no trade performance history, prospective operators are obliged to rely wholly on their own judgements and experience.
- 4.1.4** The UK Hospitality and Christie & Co have produced documentation to assist hospitality operators in assessing operational costs. The Benchmarking Report 2022 uses survey data from 15 companies and includes responses covering 357 Public Houses which I believe will be of assistance in the case of Horse Guards PH and support the margins generated by the business. When utilising this data regard should be had to changes in economic conditions since the data was published.
- 4.1.5** The British Beer and Pub Association (BBPA) have also produced documentation to assist pub tenants in assessing public house operational costs. Whilst this data is specifically formatted for the use of brewery/pub company tied tenants, the average operational expenses data contained in the survey is also more widely applicable within the public house sector. UK Hospitality also reports on the pub retailing market and average performance data. Such reports and survey data are of assistance in the case of Horse Guards PH to review the markets perception of the actual/historic trade performance.



- 4.1.6 CAMRA, the Campaign for Real Ale, is an independent, voluntary organisation of over 180,000 members that was set up with the sole purpose to campaign for real ale, community pubs and consumer rights. In addition they have published a paper, the “Public House Viability Test” which identifies a number of factors that they recommend is appropriate to consider when appraising a pub's trade potential in a variety of scenarios. It is pertinent to note the CAMRA Paper is not adopted planning policy, it can however be treated as a guide to appropriate considerations.
- 4.1.7 There are a number of areas which are deemed to be important in contributing to a viable and vibrant business if run efficiently by management committed to maximising its success. However, this is not the full picture and having a Reasonably Efficient Operator (REO) running the business is not always relevant to the success of a business. The building may have fallen into disrepair or simply no longer be fit for purpose due to not having the required attributes to support a successful trade, for example, inadequate parking, lack of outside space, an inadequate catering kitchen, nearby residential properties with the potential for noise issues, inefficient/restricted layout, unappealing living accommodation, and remote or restricted outside facilities etc.
- 4.1.8 There is also a huge amount of choice when it comes to available pubs both on a leasehold and freehold basis coupled with a dearth of quality licensees looking to take on businesses that have struggled in the past and may have already failed a number of times. The squeeze on liquidity from high street lenders to fund refurbishments and extensions has continued since the financial crisis of 2008 with a particular reticence to funding new venues and unproven operators. Any cash invested will of course be at risk should the business fail again.
- 4.1.9 The CAMRA Viability Test covers a number of areas which I address point by point as follows:
- a) Local trade/population density – the property is located in a small village which is almost entirely put over to residential properties with a limited population. The village is accessed via a single track lane which makes vehicular access difficult. The town of Malmesbury is approximately 1.5 miles distant.
 - b) Customer potential – the local population is extremely limited in size and as a consequence local community trade will be at a level which is not, solely, capable of supporting the business. For the business to have any chance of being successful it would have to have food destination orientated trade from the wider area for which there are a number of competitor outlets which are in more accessible locations.
 - c) Competition – Horse Guards PH is the only public house in the village. The nearest competitor outlet is approximately 0.8 miles distant and there are a number of outlets in Malmesbury with the competitor units being at c.1.3 miles distant. It is important to appreciate that there is no population between the village and the outskirts of Malmesbury. Competition in the immediate area is relatively thin albeit in the wider area where there is a good selection of wet and food offers.
 - d) Flexibility of the site – the property is prominent within its location albeit there is no trading benefit to be gained from this. Efforts have been made by the former owners to extend the offer available and as part of this process the upper parts have been converted from domestic



accommodation to letting bedrooms. Planning permission has also been sought to extend the property to provide more extensive dining and letting bedroom facilities. Whilst planning permission was obtained to undertake such works it is understood the works were not undertaken due to issues surrounding the raising of finance.

- e) Parking – having regard to the extent of the facilities available to customers I am of the opinion the on site parking is sufficient in terms of the scope, however works to improve the surface of the car park would be beneficial.
- f) Multiple use – the business has historically traded as a wet led community bar and dining area to attract destination food trade. The offer was extended to provide two letting bedrooms, this was at the expense of the domestic accommodation. I understand that the offer was aimed at the mid market which I would have considered appropriate for the style of building and its location. Planning permission was sought and obtained to extend the property albeit these works were not subsequently implemented.
- g) Partial loss – whilst, subject to planning consent, there is arguably potential for part of the site to be developed for residential purposes, this would be a the loss of external facilities i.e. both trade garden and car parking. In my opinion to change of the use of part only of the site is likely to impinge on trade potential.
- h) Competition case studies – please refer to Section 4.2.
- i) The business past and present – please refer to Section 4.3.
- j) The sale – please refer to Section 4.3.

4.1.10 I understand the freehold interest of the subject property was acquired by my client in April 2022. Land Registry records show a purchase price of

4.2 Competition/Alternative Public Houses Serving Brokenborough and the Local District

4.2.1 There are a number of other Public Houses within the surrounding area of Brokenborough. I have reviewed properties within a five mile radius. It is helpful to briefly review this provision, which offers alternative available facilities to the local and destination trade located in the surrounding area, and importantly would form direct and pertinent competition to any party who was minded to purchase the Horse Guards PH with a view to reopening the business.

4.2.2 I summarise below the public houses within the five mile radius referred to:

Name	Address	Miles	Type of operation
1 Red Bull Inn	Malmesbury , SN16 0RA	0.9	Main road pub with large car park and beer garden. Single bar with separate function room/dining area.
2 Three Cups	90 The Triangle, Malmesbury, SN16 0AH	1.3	Lively wet led town centre pub attracting a younger crowd. Skittle alley/function room. Late licence. Believed to be operated under a Stonegate tied lease/tenancy.
3 Old Bell Hotel	Abbey Row, Malmesbury, SN16 0BW	1.5	Hotel bar open to non residents. In private ownership, reportedly acquired off a guide price of in 2021.



4	Whole Hog	8 Market Cross, Malmesbury, SN16 9AS	1.5	Popular High Street pub attracting both locals and visitors. Food offer.
5	Kings Arms Hotel	29 High Street, Malmesbury, SN16 9AA	1.6	Period coaching inn. Operates as a hotel with two bars open to non residents. Believed to be operated under a Stonegate tied lease/tenancy.
6	Smoking Dog	62 High Street, Malmesbury, SN16 9AT	1.7	Off pitch High Street pub. Large open fire. Reputation for a warm atmosphere.
7	Rose & Crown	102 High Street, Malmesbury, SN16 9AT	1.8	Large one room pub zoned as games and lounge areas. Skittle alley. Beer garden. Red Oak tied lease/tenancy.
8	Cat & Custard	The Street, Shipton Moyne. GL8 8PN	1.8	Attractive village pub. Busy main bar and snug. Food offer. Extended into adjoining cottage which has been converted to five letting bedrooms. Purchased by several local families.
9	Wheatsheaf Inn	The Street, Crudwell, SN16 9ET	2.8	Reopened in September 2020 following refurbishment. Village pub with food and acts as local Post Office. Believed to be operated under a Stonegate tied lease/tenancy.
10	Horse & Groom Inn,	The Street, Charlton, SN16 9DL	2.9	Large traditional pub reopened August 2021 following refurbishment. Food offer and letting bedrooms. Owned and operated by Butcombe Brewery/Liberation Group.
11	Rose & Crown	The Street, Lea, SN16 9PA	3.0	Single bar pub specialising in quality home cooked food with a varied menu. Lighter snacks at lunchtime. Red Oak tied lease/tenancy.
12	Tetbury	Town centre	3.2	Six pubs and hotels have been identified within Tetbury town centre offering a range of styles of offer.
13	Potting Shed	The Street, Crudwell, SN16 9EW	3.2	Traditional pub with good food offer, gardens and parking. Prominent road side property. Operated by owner of Rectory Hotel opposite on a leasehold basis.
14	Radnor Arms Inn	Corston, SN16 0HD	3.2	Cosy main road pub with large car park. Privately owned, family run village pub.
15	Vine Tree	Foxley Road, Norton, SN16 0JP	3.3	Picturesque location added to which the property has a number of intrinsic features such as stone flag floors and exposed timber beams. Trades as a gastro pub with limited provision for drinkers.
16	Trouble House	Cirencester Road, Tetbury, GL8 8SG	3.9	17 th century pub. Now trades as an upmarket breakfast and luncheon venue following change of private ownership.
17	Somerford Arms	Little Somerford, SN15 5JP	4.3	Welcoming pub with dining area and conservatory. High quality food served with seasonal menus. Private/community ownership.
18	Rattlebone Inn	Church Street, Sherston, SN16 0LR	4.5	Characterful pub with fully heated external trading area. Destination food venue owned by Youngs.
19	Volunteer Inn	Top Street, Great Somerford, SN15 5EL	5.0	Refurbished in 2017. The pub has a good food offer, function room and skittle alley. Owned by Arkells Brewery.



- 4.2.3 From the above review of the alternative public house provision located within a five mile radius of Brokenborough, it is apparent that the area is served by a range of long established well invested alternative public houses and licensed venues, providing wet led, food led, entertainment and community/sport led offers. A prospective future operator of Horse Guards PH would be conscious of, and alert to, the extent of the established competition operating under a mix of tenanted and direct management operating companies, high net worth individuals and owner operators. I am of the opinion that any future prospective operator would be concerned over the need to effectively take custom away from these other well established trading public houses, the majority of which are better located for destination trade, in order to increase the turnover and profitability of the Horse Guards PH.
- 4.2.4 As well as the traditional public houses, cafés, restaurants and hotels in the area there are a number of community meeting places available for local residents to use and enjoy including:
- 4.2.5 Due to the proximity of Malmesbury to the Horse Guards PH I have not undertaken a specific review of alternative facilities as Malmesbury is a thriving town with a broad range of facilities to meet the requirements of the surrounding communities. In my opinion the population size of Brokenborough is unlikely to require or be sufficient to support any form of alternative facility.
- 4.2.6 Having regard to the density of population in the local district surrounding the Horse Guards PH the locality is currently well provided for, in terms of public houses, with a good availability of different styles of operations, all reasonably accessible by the visitors to the area and also the local resident community. Accordingly, I consider that the permanent loss of the Horse Guards PH to public house use will not materially damage the availability of food and beverage venues along with community meeting places serving the wider area surrounding Brokenborough.

4.3 Background Circumstances

- 4.3.1 Prior to the current ownership the Horse Guards PH was owned by private individuals who purchased the property in 2004. The property was placed in a SIPP and effectively leased back. I understand from information seen that the purchase price was c The business was operated by a husband and wife team.
- 4.3.2 I have been able to ascertain that a planning application was permitted to alter and extend the public house and alter the access and drive in August 2007 (Decision Notice N/07/01846/FUL). It would appear that the works permitted were undertaken.
- 4.3.3 In January 2008 a further planning application (Ref.08/00278/FUL) was submitted to extend the property to facilitate its use as a destination venue with the introduction of letting bedrooms. The application was refused. A further application was submitted in August 2008 (Ref.08/02031/FUL) for the extension and alteration to the building to include restaurant and kitchen extension, 5 bedroom suites, 2 staff units and retained porch. Initially recommended for refusal the application was called in for consideration by the Planning Committee. The application was eventually permitted in March 2009. Unfortunately the timing of the approval coincided with the global recession referred to at 3.1 above. My understanding is that it did not prove possible to raise funding for the project, given my knowledge and experiences of the marketplace at that time I find this a perfectly credible reason for the works not proceeding. If



implemented these works would have not only resulted in the property being significantly extended but also in a complete reconfiguration of the then existing internal accommodation. The cost of undertaking the works is likely to have run into many hundreds of thousands of pounds.

- 4.3.4** Fleurets, where possible, record properties that are being marketed for sale within our specialist sector. Whilst we do not profess to capture all properties being marketed we do have saved on our database a copy of the Christie & Co details, copy enclosed as Appendix 3. The sales details refer to the availability of accounting information, copies of which I have had access to.
- 4.3.5** The Agent's details I have access to were saved on to our system in 2021, at this time the guide price was
- 4.3.6** I have accessed the Local Planning Authority Planning Portal and viewed a Marketing Report prepared by Christie & Co dated June 2021 which was submitted in connection with PL/2021/08712. The Report suggests Christie & Co were instructed to openly market the Horse Guards PH for sale in March 2017 and that at this point in time the guide price was £ The scope of the marketing undertaken is set out and I would comment that this is entirely in accordance with my expectations. From the Report I have seen I am confident that the property was fully and extensively marketed. Christie & Co comment that enquiries were received from a range of parties which included independent operators, regional breweries and property developers. I believe this wide range of interest demonstrates the effectiveness of the marketing.
- 4.3.7** Four offers are reported to have been received; two were withdrawn by the party making the offer and two were declined due to a combination of lack of proof of funding and being too low. In both these cases the offers were in connection with a proposed change of use.
- 4.3.8** The Property had been listed as an Asset of Community Value which provides for local community groups to submit offers. I am not aware of any such offers being made.
- 4.3.9** An issue which does need to be addressed is; was the guide price at a realistic level? Christie & Co include within their report a number of transactions which they say they have utilised to arrive at the guide price of £ I have undertaken a review of Fleurets' own records in order to identify transactions which we are aware of and in a number of cases have been involved in the marketing, I detail these below.

	Name	Address	Date	Sale/Guide Price/Comments
1	Holford Arms	Knockdown, GL8 8QY		Currently being advertised for sale with guide price of £
2	Vale of White Horse Inn	Minety, Malmesbury		Currently being advertised for sale with a guide price of
3	Trouble House	Cirencester Road, Tetbury, GL8 8SG	July 2020	Sold for c to private individuals for continued hospitality use.
4	Angel Hotel	High St, Sherston, SN16 0LH	March 2020	Sold for to private individuals for continued hospitality use.



5	Royal Oak	The Street, Leighterton, GL8 8UN	July 2016	Sold for c.£ to independent operator. Remains in hospitality use.
6	Horse & Groom	The Street, Charlton, SN16 9DL	April 2015	Sold off a Guide Price of to Butcombe Brewery/Liberation Group.
7	Carpenters Arms	Easton Town, Sherston, SN16 0NT	June 2014	Sold for c to private individual. Let, as a pub, in 2016. Now operates as an Indian Restaurant.

4.3.10 I am of the view an asking price for the Horse Guards PH in the order of would not have been unreasonable and not at a level to be offputting to parties interested in acquiring for continued use as a public house.

4.3.11 Post Covid-19 there was an expectation that the market would be flooded with public houses for sale, particularly those that had been in private ownership. The reality is, this has not occurred. The impact has been that there is a paucity of stock in the market and I regularly hear agency colleagues and representatives from similar specialist companies say that they are short of stock. In the last two years those properties that have come to the market with guide prices of c.£ or less and have generated good levels of interest and have quite readily sold. It is only in more recent months with increasing interest rates that transactions have become more challenging as both prospective purchasers and lending institutions have adopted a more cautious approach.

4.3.12 I do not consider it appropriate to include the detailed accounts for the Horse Guards PH herein, I shall however refer to them. Over the five year period the trend in sales was downward with an overall decline in sales of c.16.5%, in the latter years the accounts show the business as loss making. I would , however highlight that adjustments would need to be made to the accounts to add back such items as rent payable and amortisation/depreciation, conversely there is no allowance for loan interest payments which, in normal circumstances would need to be allowed for.

4.3.13 It is important to appreciate that the accounting information all relates to a period pre Covid-19. Whilst the Horse Guards PH has not traded since 17th March 2020 my experience of similar public houses is that 2020 and 2021 were extremely difficult trading years and matters were not helped in 2022 by the Ukraine-Russia war with the resulting impact this has had on the worldwide economy, more particularly inflation.

4.3.14 As the business has not now traded for close to three years I have not been able to establish the detail of the trading style, however based on my 35 years of experience I consider it reasonable to assume tha the Horse Guards PH traded primarily as a destination food venue with limited local drink sales. The letting bedrooms would have provided additional income but without any on site staff/owner's accommodation, the provision of breakfasts would have necessitated a member of staff having to attend early morning for four breakfasts at most. This is not cost effective..



I have identified the following factors as having contributed to the inability of the Horse Guards PH to be a financially viable commercial business and which have also contributed to the lack of market interest in its acquisition for continued public house use.

- a) The limited local population and the impact of this on core community trade;
- b) Site accessibility i.e. the property is only accessible via a single track lane;
- c) Good levels of competition for drive to custom in more readily accessible locations;
and
- d) The current size of the property and absence of owners accommodation.

4.3.15 Based upon the practical physical format and design of the Horse Guards PH and its site and facilities, together with the nature and extent of the established public house competition situated around the local district, the property would require significant financial investment in order for it to compete with its peers and the local area is in my opinion well served. The venue was not economically viable for the former owners; to be potentially viable material capital investment would be required to extend and improve the property. In my opinion there is significant risk and uncertainty in pursuing a material investment in order to reopen the Horse Guards PH for trade.

4.4 Assessment of Current Trade Potential

4.4.1 When assessing the viability of any hospitality business there will be differing qualities and extent of information available to assist with the necessary judgements, each case being dependent on the particular background circumstances and history applicable to the specific premises under consideration.

4.4.2 To assist in the assessment of the viability of the Horse Guards PH continuing in its use as a public house, it is necessary to form an opinion of the property's Fair Maintainable Turnover (FMT), this being the level of sales from all sources that a reasonably efficient operator (REO) would expect to achieve, when running the business in a proper and efficient manner, on the assumption that the property is properly maintained, decorated and equipped.

4.4.3 From the FMT the Fair Maintainable Operating Profit (FMOP) that a REO would expect to achieve is assessed, having taken into account the age, location, style, configuration and size/quality of the accommodation provided, as well as the style of the trade intended to be undertaken. The operating profit is stated before any deduction is made of costs associated with finance, depreciation, owner's personal remuneration/drawings and any one-off exceptional costs.

4.4.4 In arriving at my assessment of trading potential of an existing public house, I would normally have regard to any available historic trade performance data in respect of the subject and other similar properties. In addition, it is necessary to have regard to any established market trends in public house performance over recent years as well as the economic turbulence discussed in Section 3 above which will have had a negative impact on the turnover and profit potential of public houses such as the Horse Guards. These combined with the effects of other changing social trends, including greater respect for



drink driving law and increased consciousness over health, have each adversely impacted on alcohol consumption and hence on the turnover and profit potential of public houses in general.

- 4.4.5 It is apparent from my review of the background history of the Horse Guards PH that its trading fortunes have been in decline over recent years and had fallen to a level which has made the future of the business tenuous.
- 4.4.6 For the purposes of this exercise I form judgements over the trade potential of the business based on experience in the public house market sector and having seen the accounts for the business.
- 4.4.7 In making an assessment of trade potential it is necessary to make an assumption that the property receives the investment required for it to be presented in a good condition of repair and decoration. In respect of the subject property this would involve an upgrade of all external areas, an element of external decoration, updating of signage and the provision of a trade inventory. It would be unrealistic for a party to contemplate investment in the public house with an intention of reintroduction of public house trading unless the property is to be presented with a satisfactory external appearance and a satisfactory quality of internal customer environment.
- 4.4.8 Based upon the combination of a consideration of a traditional pub style of trading; the competition in the surrounding area; and the known external influences which have adversely impacted upon trade for this type of business, I have formed an opinion of Fair Maintainable Turnover (FMT) based upon a judgement of achievable average weekly sales of around £ exclusive of VAT. I have therefore adopted £ per annum. In reality the business, based on the 2023 Rateable Value of £ with an antecedent valuation date of 1 April 2021, would have been trading at no more than £ a level considerably lower than my opinion of FMT. The total sales I have adopted are in line with those achieved by the operation in 2019 and in excess of those achieved in 2018.
- 4.4.9 In terms of the achievable gross margin the principal influence will be an expectation for good value retail drinks and food prices necessary in order to attract and sustain loyalty of custom for the pub from nearby resident custom. I have assumed for the purposes of this report that the business will continue to trade as a local inn offering home cooked pub fayre style food and quality beverages including a range of real ales. My judgement of the overall fair maintainable gross margin is based on 65% which is generated by a wet margin of 68% and a food margin of 60%. Such level of gross margin is consistent with my experience in valuing this type of property where I have access to the actual accounts. With regards to the drinks pricing I have had regard to prices shown on a pricelist which remained at the property and was seen during the course of my visit.
- 4.4.10 In arriving at judgements over the expected operational expense levels, I have assumed that the property would only credibly appeal to a private entrepreneur style of owner/operator who would likely run the business themselves. I highlight that I have had regard to the recent inflationary pressures and particularly increases in fuel/utility costs.
- 4.4.11 Independent evidence of industry expectations for public house operating expenses can be sourced from the organisations UK Hospitality and the British Beer & Pub Association (BBPA). Each organisation seeks inputs from its pub operating membership as a source of data to contribute to surveys and reports



which detail average performance levels and costs within the pub retailing sector. The contributors to the UK Hospitality survey are predominantly multiple estate corporate pub retail companies operating managed pubs. The contributors to the BBPA survey are mostly individual operators of tenanted/leasehold pubs held on tied or partially tied terms. Whilst the BBPA data on gross margins reflects the drinks tie terms, the operational expense data reported is more widely applicable. It should however be noted that the BBPA survey excludes costs associated with the employment of unit level managers, whereas the UK Hospitality data is derived from managed public houses.

- 4.4.12** The UK Hospitality Benchmarking Report 2022 noted that average operational expenses associated with running licensed retailing properties continued to rise, in total averaging 55.2% of annual turnover. Expenses associated with payroll comprised the largest proportion, averaging 28.3% of turnover and is due to the heavy requirement of management staff, with utilities increasing 2% to 5.1% of turnover as at Q2 2021 and therefore not fully reflecting the full extent of the energy crisis with many businesses reporting utility cost increases in excess of 100%.
- 4.4.13** In the interpretation of the available industry operational expenses survey data for application to the Horse Guards PH, it is important to have regard to the assumption that it would be operated day to day under the control of an owner operator and therefore the operational expenses would not be influenced by the size of building nor the requirement for management staff.
- 4.4.14** In recognition of these factors I apply a labour expense based on 22.5% of sales turnover to cover the cost of employing front and back of house staff. Other annual operating expenses are based on 23% of sales turnover, thus totalling 45.5% of adopted sales. It is of note such operating expense level is above the average level reported by the BBPA but given the scale and nature of the property as well as the pressure on utility costs and wages I believe this is reasonable. I also highlight that the absence of owner/staff accommodation will increase wage costs.
- 4.4.15** Based on these judgements the net profit prior to accounting for the costs of funding, depreciation and owner/operator's remuneration, equates to £ equivalent to 19.2% of the adopted sales turnover.
- 4.4.16** Regard also needs to be had to the cost of finance, i.e. the cost of funding not only the property purchase, but also associated costs and expenses incurred in the acquisition and for undertaking any necessary repairs and upgrading of the premises. For the repairs/redecorations costs I have adopted £ along with an allowance of £ for the provision/upgrading of furnishings and equipment.
- 4.4.17** In reality, a prospective purchaser would potentially look to invest a far great sum than this, particularly if they were wishing to reposition the business to a more profitable format which would require a complete refurbishment of the trade area in addition to the provision of a full trade inventory.
- 4.4.18** To give efficacy to the appraisal, it is necessary to assume a purchase price incurred by an assumed new operator. Having regard to the location and size of the property, for these purposes I have adopted a purchase price of £ This figure is at the level of the original guide price but below the guide price on a later set of Agents details, it is below the actual price understood to have been paid.



- 4.4.19 In addition to the purchase price a purchaser must also account for Stamp Duty Land Tax together with professional fees associated with the property acquisition. The assumed purchase price would trigger a liability for SDLT of £ In addition I have allowed for acquisition costs of I have not allowed for any fees that would likely be incurred in arranging finance.
- 4.4.20 Accordingly, I am of the view that a purchaser of the freehold for the purposes of a continuation of public house trading would need to have access to capital of around £ , in order to acquire the property and put it into a condition whereby it can be traded at the adopted FMT and FMOP levels.
- 4.4.21 In respect of the assumed freehold tenure scenario, in my experience it is highly unlikely in the current market that a lender would fund any more than 50% of the purchase price and then most likely only if the purchaser was an experienced operator, accounts are available to support the projected trade and/or the borrower is able to provide alternative security. Due to the fact that the business has ceased trading and the inventory has been removed I have in this instance adopted 50% loan to value.
- 4.4.22 On this basis a purchaser would need to fund the balance of the cost from their own resources and hence would incur the opportunity cost of being unable to invest the money elsewhere. Costs of capital are therefore appropriately calculated as a minimum based on the total capital required both borrowed and self-supplied. As the business has ceased trading and the inventory removed I would anticipate funding being a 2 or 3 tier approach. Historically a typical loan term for a commercial property such as this was up to c.20 years with interest rates historically of say 3% to 5%. Since the marked recent increase in the Bank of England base rate, these figures will have increased to circa 5% to 6%.
- 4.4.23 Based on the fact that the business is closed, stripped of inventory and at various stages of disrepair I am of the opinion that the only finance that would be available initially would be bridging finance – generally for 12-24 months at 9-12% pa interest, usually paid on interest only terms.
- 4.4.24 After initial bridging the borrower would revert to a term loan or perhaps an intermediate lender for 5 years upwards at circa 6% pa. High Street lending for the then established business would be 15-20 years at 4-5% pa, on a repayment basis. The above assumptions will vary depending on the experience and track record of the operator. Obviously the lower the level of interest for the best operator. As such I would look to adopt a blended approach to the finance cost not just an overall number borrowed over the 20 years at 6% to 7%.
- 4.4.25 However the above would only be based on property value not inventory. F&F will generally be funded by asset finance rather than property finance, which is fairly broad ranging from 3.5% up to 12% per annum.
- 4.4.26 Given the squeeze on liquidity in the current marketplace I am being advised by banking contacts that in the current climate it is highly unlikely that a traditional high street lender would consider this proposition forcing a prospective purchaser to approach the secondary lenders who offer bridging loan products at a higher cost of borrowing. I have therefore adopted a blended interest rate of 7% over 20 years.



4.4.27 On the basis of a borrowed funds requirement of taken over 20 years at say 7% interest, this would equate to an aggregate of the monthly loan repayment and interest charges of pcm, thus equivalent to £ per annum. For the un-borrowed self-supplied remaining capital requirement of £ I allow a notional opportunity cost at just 4% per annum, thus pa. The total costs associated with funding the required capital investment is thus £ 3 per annum.

4.4.28 In my analysis the entire remuneration for the owner operator, including for their day to day labour and a return on entrepreneurial endeavour, is shown as the remaining balance (net profit before operator remuneration) after accounting for the cost of capital and all other operational expenses including employed staff.

4.4.29 An owner/operator of a public house such as the Horse Guards PH must be able to expect a reasonable return on their effort, labour and business risk taken if investing in acquiring, re-establishing and operating the business. I have had regard to the national average salary, which according to The Office of National Statistics in its provisional update of the UK Average Salary 2021, showed that the average full-time salary is £ and average part-time salary is I would expect an operator of a public house to expect to make no less than this for their endeavours.

4.5 Viability

4.5.1 I set out below my assessments of the viability of the freehold purchase and subsequent re-commencement of the public house use of the Horse Guards:

Wet Sales

Dry Sales

Accommodation Sales

Total Sales (£ week average)

Gross Profit (%)

Less

Operational Costs @ 45.5%

Net Operating Profit before Finance)

Deduct

Cost of Finance/Capital

Total deductions prior to net profit

Annual Profit/Loss before operator remuneration



- 4.5.2** Based upon the above detailed and reasoned appraisal, I am of the opinion that the sustaining of a public house business at the Horse Guards PH following a purchase of the freehold interest and then putting the building back into repair would not offer a party, whether private individual/partnership or entrepreneur investor, considering such a venture, a financially viable or prudent proposition. The appraisal demonstrates that the venture would be loss making and therefore makes no economic or financial sense.
- 4.5.3** The appraisal is based on the operator accepting a remuneration at a level judged to be a minimum acceptable for the long hours and entrepreneurial endeavours of the direct operation of a hospitality business. If I were to adopt an operator remuneration of then this would increase the losses incurred by the business to pa. I highlight that I have only allowed for one 'salary' where as the expectation is a couple would actually operate the business.
- 4.5.4** Consideration should also be given to the time the operator will need to invest in re-establishing the business after a prolonged period of closure. It is unlikely that the business will break even let alone be profit making for a period of time following reopening and this is usually expected to be circa one years' worth of profit foregone, so in this instance this could be assumed to be a further loss over the first year of trading.
- 4.5.5** The above appraisal includes assumptions made over the capital requirement to achieve the freehold acquisition; costs associated with the property's acquisition; required investment in repairs and refurbishment; and required investment in upgrading the trade furnishings and equipment. Based on the property's known recent history; the most credible category of purchaser for a public house use; and the demands and requirements of funders who are active in the hospitality sector, it is in my opinion highly unlikely that a purchaser would choose to invest over £ of funds in the venture, and even more unlikely that a third party lender would lend against the property.

4.6 Proposals

- 4.6.1** I have been advised by my client that they intend to develop the property to provide a single dwelling.

5 Conclusions

- 5.1.1** On consideration of the Horse Guards' location; its physical size; the facilities it is capable of offering; the limited indications available of its most recent trade history; the external factors currently impacting on the trade performance of local public houses; and the scale and nature of the existing local public house competition serving both the resident community and visitors to the area, I am of the opinion that the property does not have a credible or economically sustainable future trading as a public house.
- 5.1.2** I have detailed above the financial rationale which would be applied by any prudent party considering taking on the property for continued public house trading. In reality the financial loss expected on seeking the acquisition and the investment required to restart and possibly re-position the business to a profitable trading format would likely be greater than that demonstrated above given the very real prospect, with continued inflation, of the costs of renovation materially exceeding my adopted sum.



- 5.1.3** The date of preparation of this report coincides with the aftermath of a worldwide pandemic of Covid-19 which caused governments around the world to take significant measures in attempts to slow infection rates. The defensive measures in the UK have included the enforced closure of hospitality businesses effective from 21st March 2020 and subsequently restrictive measures on personal freedoms to be away from home. Such measures instantaneously and effectively totally halted the income generation of hospitality businesses with the exception of those catering for key workers.
- 5.1.4** These measures were relaxed for some areas of the hospitality sector and they were allowed to reopen from 4th July 2020 with stringent measures in place regarding social distancing, cleaning and registering customer. Hospitality operators, whether individuals, partnerships or corporate concerns faced considerable financial challenges in remaining solvent during the period of closure and as predicted some did not have the financial resources to be able to survive and reopen.
- 5.1.5** The impact of the Ukraine/Russian war which erupted in February 2022 on the heels of the recovery from the Covid-19 has caused the entire global economy to weaken by causing significant disruptions in trade and food supply chains along with fuel price shocks, all of which are contributing to high inflation and subsequent tightening in global financing conditions.
- 5.1.6** In the UK hospitality operators, whether individuals, partnerships or corporate concerns, continue to face considerable financial challenges in the face of domestic spiralling inflation, the significant increases in the cost of utilities and products as well as staff shortages. In respect of the subject matter of this report, it is suffice to say that the Covid-19 crisis followed by the impact of the Ukraine/Russian war is reasonably seen to make the long term future of the Horse Guards as a viable public house, even more unlikely compared to the position which existed before the onset of these crisis conditions.
- 5.1.7** I am also of the opinion that the surrounding area is sufficiently supplied with alternative venues that both the local community and visitors to the area would not be left without options across the whole range of hospitality venues, from food led pubs including gastro pubs, value led offerings and restaurants with bars to wet led operations specialising in real ales, entertainment and sport along with meeting places and function venues. The business has also been closed for nearly three years with former custom having sought out alternative provision.
- 5.1.8** Based on these applied judgements and rationale, I conclude that the closure of Horse Guards PH has not unacceptably diminished the public house or community amenities available in the area.



7 Professional Declaration

- 7.1.1** I have prepared this report in the capacity of a surveyor expert witness and include below the required declaration expected of Chartered Surveyors acting in this capacity.
- 7.1.2** I confirm that my report includes all facts which I regard as being relevant to the opinions which I have expressed and that attention has been drawn to any matter which would affect the validity of those opinions.
- 7.1.3** I confirm that my duty as an expert witness overrides any duty to those instructing or paying me, that I have understood this duty and complied with it in giving my evidence impartially and objectively, and that I will continue to comply with that duty as required.
- 7.1.4** I confirm that I am not instructed under any conditional fee arrangement.
- 7.1.5** I confirm that I have no conflicts of interest of any kind other than those already disclosed in my report.
- 7.1.6** I confirm that my report complies with the requirements of the Royal Institution of Chartered Surveyors (RICS), as set down in Surveyors Acting as Expert Witnesses RICS Practice Statement.

Signed:

Stuart Parsons BSc MRICS

Fleurets

Dated: 30th January 2023



Appendix 1 – General Economic Commentary

Fleurets[®]

Leisure Property Specialists

UK ECONOMIC SUMMARY Q2 2022



The Covid-19 Pandemic

From the early part of 2020, the world started to be gripped by what soon became a worldwide pandemic arising from the spread of Coronavirus (Covid-19), a highly infectious flu-like virus.

The outbreak of this virus was first reported in Wuhan, Hubei Province, China, in December 2019 and rapidly spread worldwide. The continued spread of the virus was so extensive and destructive that most countries placed themselves in 'lockdown', closed borders and imposed strict restrictions on movement of people and travel, amid efforts to contain the virus and prevent further infections and deaths.

The following commentary is a summary only and does not include detail on all rules and restrictions which were imposed.

LOCKDOWN 1 (UK)

- 20th March 2020 – Hospitality businesses (except those operating as takeaways) forced to close.
- 23rd March 2020 – UK entered full lockdown including closure of all non-essential businesses, a work from home directive, non-essential travel prohibited, requirement to stay at home except for things like limited periods of exercise, shopping for basic necessities and medical reasons.
- Early June 2020 – non-essential businesses permitted to reopen and some children able to return to school. Social distancing was a key element of all reopening plans and the wearing of face masks also became a legal requirement in some settings, and at least recommended in others.
- 4th July 2020 – hospitality businesses and some leisure businesses including hotels permitted to reopen. Local lockdowns introduced in some areas.
- 14th August 2020 – Further easing of restrictions. Reopening of businesses such as theatres and bowling alleys. Nightclubs remained closed.

Hereafter there was a more fragmented and devolved approach to managing the Covid-19 pandemic. The commentary hereafter relates to the steps taken by England only.

THE TIER SYSTEM & LOCKDOWN 2 (ENGLAND)

With infection rates on the rise, England was subjected to new restrictions in an effort to curb the spread and prevent a 'Second Wave'.

- 14th September 2020 – 'Rule of Six' introduced banning groups of greater than six in both indoor and outdoor settings.
- 22nd September 2020 – 10pm curfew introduced for hospitality businesses. Work from home directive reintroduced.
- 14th October 2020 – 3 Tier System introduced.

- **Tier 3 (the highest level)**

Pubs and bars closed with the exception of those serving substantial meals, and alcohol could only be served when in conjunction with such a meal; socialising with people from outside your own household or support bubble prohibited in nearly all circumstances; work from home where possible; social distancing required; restrictions on travel; accommodation such as hotels open for essential purposes only.

The likes of Manchester and Liverpool and other areas in the north of England were placed in this category.



- **Tier 2**

Hospitality businesses open but subject to 10pm curfew and table service only requirement; socialising outside of own households and support bubbles in an indoor setting prohibited; Rule of Six applied to outdoor settings; work from home where possible; leisure and gyms remained open but subject to some restrictions; social distancing required; accommodation such as hotels open for own households or support bubbles.

- **Tier 1**

Social distancing required; Rule of Six for indoor and outdoor settings; hospitality businesses open but subject to 10pm curfew and table service only requirement; work from home where possible; leisure and gyms remained open but subject to some restrictions; social distancing required; accommodation such as hotels open subject to the Rule of Six.

Nightclubs remained closed in all tiers.

- 5th November 2020 - Despite these attempts to reduce the spread and rate of infections, the Government announced on 31st October 2020 that with effect from 5th November to 2nd December England was to return to a nationwide lockdown. All non-essential businesses were forced to close, including those within the leisure and hospitality sector, people were to work from home where possible and only leave home for a limited number of reasons such as for work, exercise, essential shopping and medical appointments.

POST LOCKDOWN 2 – STRICTER TIERS (ENGLAND)

- On lifting of Lockdown 2, from Thursday 3rd December a new Tier system took effect.
- 99% of the country was placed in Tiers 2 and 3, placing the greatest restrictions on freedoms.
- Both tiers prevented mixing of households indoors in any setting.

- Tier 3 - pubs and restaurants closed except for take away; accommodation such as hotels closed except for some specific circumstances.
- Tier 2 – pubs and restaurants open but subject to limitations with no household mixing indoors; 11pm curfew; requirement that alcohol could only be served when in conjunction with a substantial meal; accommodations such as hotels open for own households or support bubbles.
- Cities such as Manchester, Newcastle and Bristol were in Tier 3. London was placed in Tier 2.
- Aside from the above, many of the existing restrictions remained as per the previous tier system.
- 19th December 2020 – a new Tier 4 was announced in response to a new variant of the Covid-19 virus being identified and escalating numbers of infection cases.
- Tier 4 – Stay at Home directive; people were to work from home where possible and only leave home for a limited number of reasons such as for work, exercise, essential shopping and medical appointments; no mixing of households indoors and only permitted to meet one other person outdoors; closure of non-essential shops; hospitality venues only permitted to open if operating as a takeaway; leisure and gyms closed; accommodation such as hotels closed except for some specific circumstances. London and large swathes of the south east of England were placed in this tier.
- Restrictions on household mixing over the Christmas period were also tightened.
- Further areas of the country were placed in Tier 4 from Boxing Day

LOCKDOWN 3 & THE ROADMAP (ENGLAND)

- 5th January 2021 – England enters a third lockdown.
- All non-essential businesses forced to close again, including the leisure and hospitality sectors.
- During the early part of the year the vaccine roll out accelerated and continued to progress positively.
- 22nd February 2021 - Government announced the 'Roadmap' to bring the country out of lock-down.





- 8th March 2021 - children returned to schools and colleges.
- 29th March 2021 - weddings attended by up to six people were permitted and outdoor sports facilities such as golf courses were able to reopen.
- 12th April 2021 - reopening of non-essential retail, personal care, gyms, public buildings and outdoor leisure facilities including campsites and holiday lets. Hospitality venues were permitted to open for external trading only and without requirements for the service of food with alcohol and with no curfews. Weddings attended by up to 15 people were permitted. Some restrictions on household mixing still applied.
- 17th May 2021 - reopening of indoor hospitality venues however all customers were still required to be seated and the Rule of Six or two households applied. Weddings attended by up to 30 people were permitted. Larger events restarted, indoors and outdoors, but subject to limitations on numbers. Hotels, hostels and B&Bs reopened.
- 19th July 2021 - delayed by a month due to high infection rates driven by a new variant, all remaining restrictions were lifted and nightclubs reopened.

OMICRON – Q4 2021 & Q1 2022

In late 2022 a new variant of Covid-19 was detected, known as Omicron. This variant has so far proven to be more transmissible than previous variants, but generally less severe in the illness it can cause. Following cases of Omicron being detected in the UK and spreading rapidly, from mid-December the Government urged caution across society and reintroduced the requirement to work from home where possible, the wearing of face masks in many indoor settings including retail and public transport, and from 15th December, the introduction of Covid passports for nightclubs and various large scale gatherings (excluding events such as weddings, places of worship and funerals). The Government did not impose any further restrictions over the Christmas and New Year period.

GOVERNMENT SUPPORT INITIATIVES

- Commercial Rent Moratorium – originally for an initial three month period, extended on several occasions, now due to expire in March 2022. Intended to prevent landlords of commercial properties exercising forfeiture for non-payment of rent.
- Furlough – introduced effective from 1st March 2020 whereby the Government paid 80% of salaries up to £2,500 per employee, in an effort to prevent business failures and widespread redundancies and unemployment. From 1st July 2020 companies were able to bring back employees on a part time basis. Other financial support packages were put in place to help the self-employed sector. The furlough scheme was due to end on 31st October 2020 however due to the subsequent lockdowns and Tier system introduction this was extended and finished at the end September 2021, albeit on a reducing scale with employers contributing 10% in July and 20% in August and September. Further support for the self-employed sector was also announced.
- VAT Reduction – reduced from 20% to 5% for the hospitality, hotel and holiday accommodation sectors as well as to admissions to some attractions. This came in to effect on 15th July 2020 and was originally due to end on 12th January 2021. This was extended until the end of September at which point it rose to 12.5% and will return to 20% from April 2022 onwards. The reduction does not apply to alcoholic beverages.
- 'Eat Out To Help Out' – a limited period incentive scheme during August 2020 whereby customers benefitted from a 50% reduction on their bill (Monday to Wednesday only and not including alcoholic beverages) up to the value of £10 per person. The establishments then reclaimed the discount from HMRC.
- Business Rates - suspended for the retail, hospitality and leisure sectors for the year to April 2021. The suspension was extended until June 2021 and thereafter business rates became payable at 2/3 of the full amount to a maximum of £2m for closed businesses, and to a lower cap for businesses which were able to reopen. For the year 2022/23 business rates for the leisure and hospitality sectors are to be at 50% of the full levels for a period of 12 months, subject to a cap at £110,000.
- Coronavirus Business Interruption Loan Scheme - government backed loans up to £5m, available through accredited lenders.
- Restart grants of up to £18,000.
- Additional grants of £6,000 per hospitality business offered in December 2021 in response to the impact of the Omicron variant and the changed Government guidelines.



Gross Domestic Product

Between early 2020 and early 2022 the UK battled with the Covid-19 pandemic, with restrictions and lockdowns being imposed. The economic impact was unprecedented and severe.

UK GDP in Q1 2020 contracted by -2.5% reflecting the first part of lockdown and the effective closure of the economy. Q2 presented the harsh reality of the impact of the pandemic and lockdown with a contraction of -19.4%, driven by record falls in services, production and construction output. Thereafter, on a monthly basis, the economy showed signs of recovery with positive growth and overall Q3 saw a record increase of 17.6%.

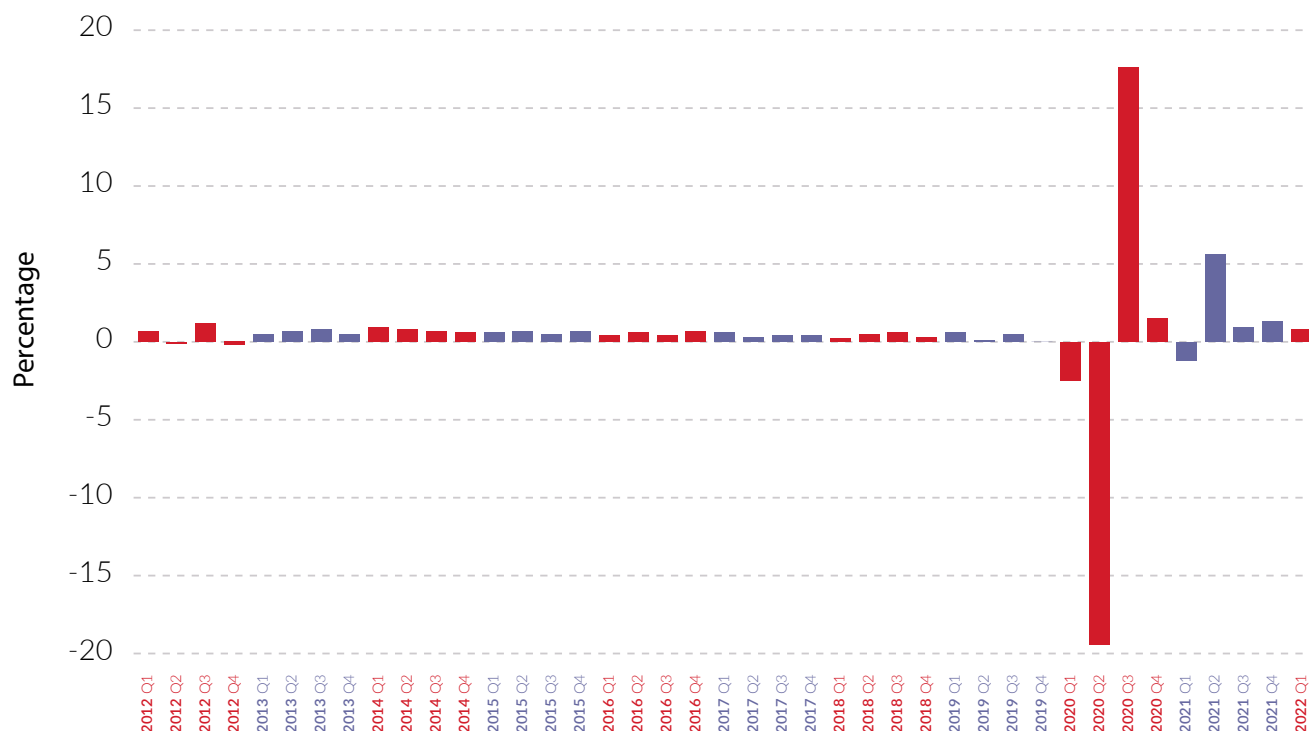
With the subsequent lockdowns in November 2020 and from January 2021, as well as the tier system, it was anticipated that GDP would contract. For Q4 2020 GDP growth was just 1.5%, followed by a contraction of -1.2% in Q1 2021. Thereafter with the easing of the lockdown GDP grew by 5.6% in Q2 2021, followed by 0.9% in Q3. The growth in the middle part of 2021 was driven principally by growth in the hospitality, arts, entertainment and recreation sectors following the lifting of the last lockdown. There were falls in the production and construction sectors.

Overall, annual GDP for 2020 was -9.3%, compared with 1.7% in 2019. 2021 saw improvement however to a degree this was driven by the recovery from a weak point. Annual GDP for 2021 was 7.4%

Whilst Covid has been a lesser concern since early 2022, other outside influences have impacted the UK and worldwide economies. The Russia-Ukraine war which began in late February 2022 has resulted in rising energy costs, food price inflation and caused widespread economic uncertainty. Combined with supply chain disruption across the world as well as the raising of the domestic energy price cap, consumers have faced significantly increases in utility, fuel and food prices. In turn consumer confidence and consumer spending has been negatively affected. GDP growth for Q1 2022 stood at 0.8% with contractions in all the main sectors.

UK GDP – Q1 2012 to Q1 2022

Source: ONS



Interest Rates & Brexit

Brexit

In June 2016 the UK voted in favour of leaving the EU and there was a period of heightened uncertainty following. Brexit negotiations continued for several years. In December 2020 however a General Election was held and the Conservatives secured a significant majority. Following this, and parliamentary votes, on 31st January 2020 the UK left the EU and the country entered a period of transition before finally leaving the EU on 31st December 2020 after a trade deal was agreed following intense and lengthy negotiations.

Interest Rates

Base Rates were held at 0.5% for 7 years between March 2009 and August 2016, at which point rates were cut to 0.25%. The Bank of England cited the rate cut as necessary to stem the risk of a recession and to boost the economy following the vote to leave the EU and the concerns of weaker growth as a potential consequence.

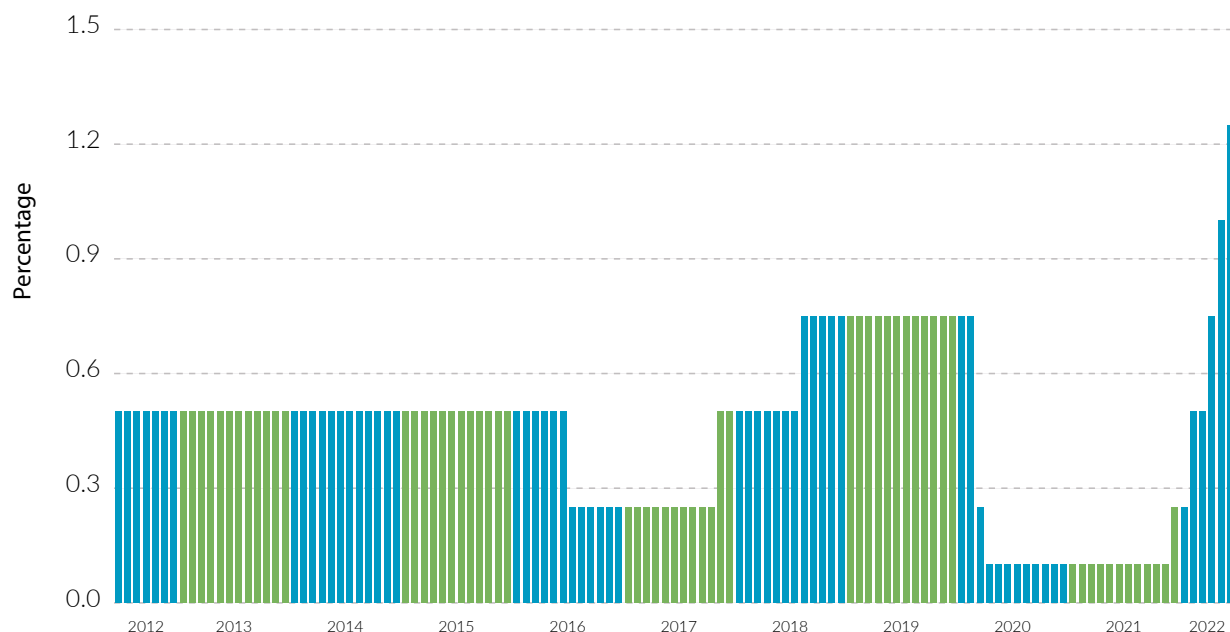
In November 2017 interest rates were raised to 0.5% and from August 2018 were raised to 0.75%, as a consequence of improved economic conditions and lower inflation. At the start of 2020, the Monetary Policy Committee voted to maintain interest rates at 0.75% due to the global economic stabilisation and concerns regarding Brexit diminishing. It was however highlighted that with the outbreak of Coronavirus and the resultant economic impact the situation would need to be closely monitored.

As a direct consequence of the impact of Coronavirus on the UK economy, the Monetary Policy Committee made emergency cuts in interest rates, to 0.25% (11th March 2020) and 0.1% (19th March 2020) in an effort to try and mitigate the economic decline. Interest rates were raised to 0.25% in December 2021.

The Russia-Ukraine war which began in late February 2022 has resulted in rising energy costs, food price inflation and caused widespread economic uncertainty. Combined with supply chain disruption across the world as well as the raising of the domestic energy price cap, consumers have faced significantly increases in utility, fuel and food prices. As a consequence inflation is running at high levels. As at May 2022 CPI was at 9.1%. The Bank of England have responded to this by raising interest rates in an effort to bring inflation closer to its 2% target rate. Interest rates have been raised reaching 1.25% in June 2022.

Bank of England Interest Rates – June 2012 to June 2022

Source: Bank of England



Inflation

Consumer Price Index (CPI) rates have increased significantly in recent months following the outbreak of the Russia-Ukraine war as well as due to supply chain disruption and the raising of the domestic energy price cap.

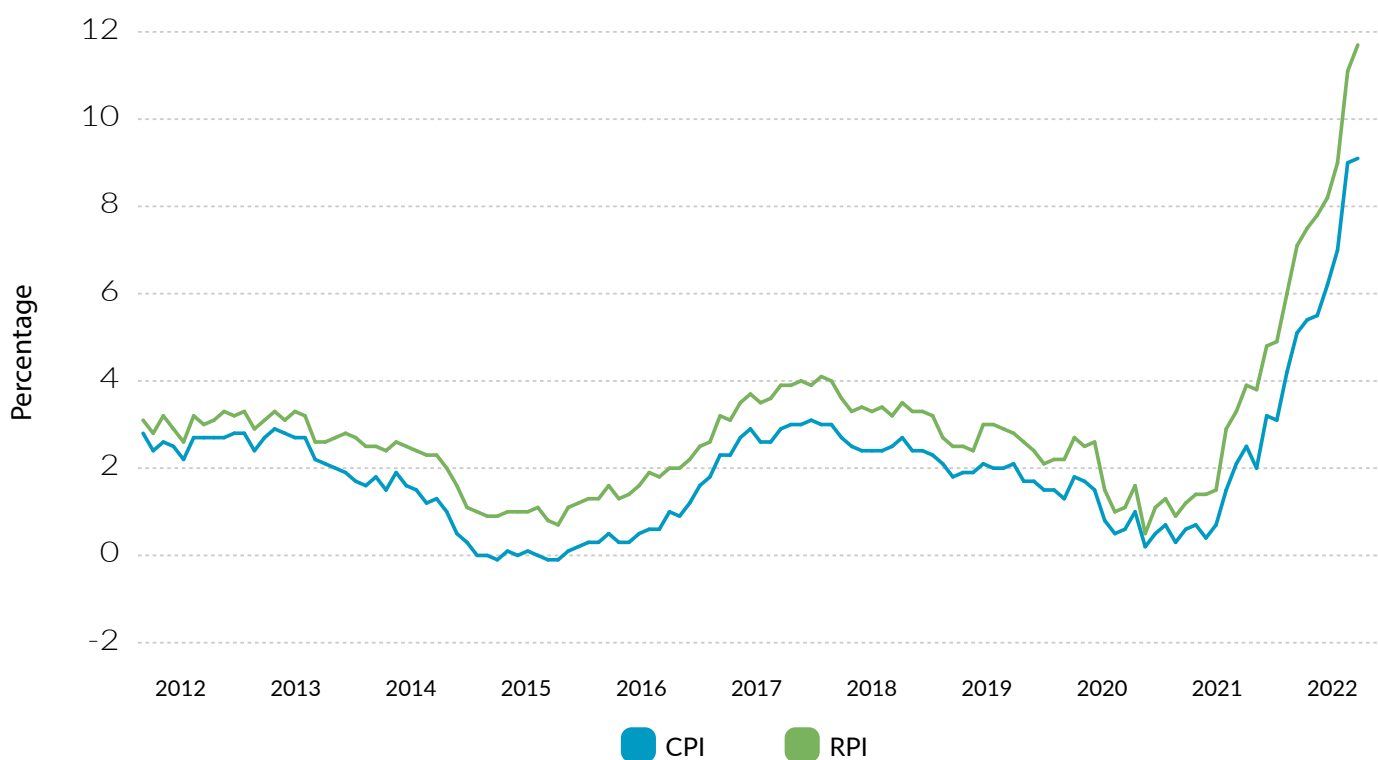
As at May 2022, the CPI rate was at 9.1%, an increase from 9% in April. On a monthly basis, inflation grew by 0.7% in May. At 9.1% this is the highest rate recorded by the Office for National Statistics since their records began in 1997.

The CPIH rate which includes owner occupier housing costs rose by 7.9% in the year to May 2022, up from 7.8% in April 2022, driven primarily by strong increases in housing, household services, utility and transport costs.

Retail Price Index (RPI) rates have also grown significantly standing at 13.7% in May 2022.

CPI and RPI Rates – May 2012 to May 2022

Source: ONS



Unemployment

Following the 2008/9 recession, unemployment levels gradually declined as the economy recovered, falling from c.8% to c.4% in 2019/2020. This came despite the uncertainty following the UK's vote to leave the EU in June 2016 at which point there was concern over whether companies would put a freeze on hiring or even relocate outside the UK and concerns arose in the hospitality sector as to the impact on recruitment and staff retention given the reliance on EU nationals working in this sector in the UK.

2019 unemployment levels also remained resilient in the face of wide spread closures, CVAs and administrations across the retail and restaurant sectors. House of Fraser was the notable administration of 2018. 2019 saw Debenhams and HMV fall to the same fate, entering administration and with store closures following.

Prior to the pandemic, unemployment rates were at record low levels, showing only a marginal rise from 3.8% in December 2019 to 4.0% in February, March and April 2020. Following the onset of the pandemic, unemployment levels rose, reaching 5.2% in December 2020, a level not seen since Q4 2015 and Q1 2016.

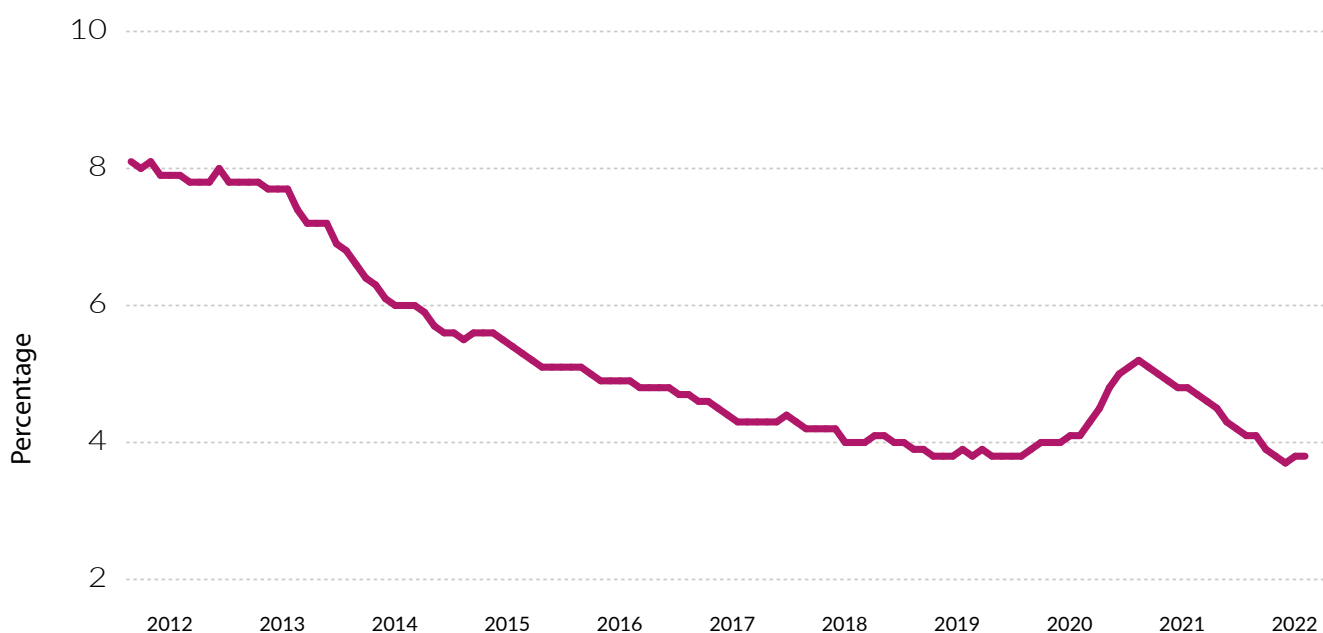
Since the start of 2021 unemployment rates declined continually to a rate as at March 2022 of 3.7%. This comes despite the fears that the ending of the furlough scheme from October 2021 would result in widespread redundancies and increased unemployment. Unemployment rose slightly to 3.8% as at April 2022. The number of vacancies is also at record high levels with 1,300,000 vacancies between March and May 2022.

Despite these low levels of unemployment, average wages are reported to be falling at the fastest rate in two decades as wage growth fails to keep pace with inflation and rising costs. The Office for National Statistics reported wage growth excluding bonuses of 4.2% however in real terms, allowing for inflation, wage growth exclusive bonuses was down -2.2%.

In recent months there have been shortages of staff in the hospitality sector, with demand for staff strong against a shortage of candidates. This has fuelled wage growth as companies compete to secure staff.

Unemployment Statistics – April 2012 to April 2022

Source: Trading Economics



Consumer Confidence

The Consumer Confidence Index is an indicator designed to measure the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation. At the height of the credit crunch in 2008 the index stood at -39.

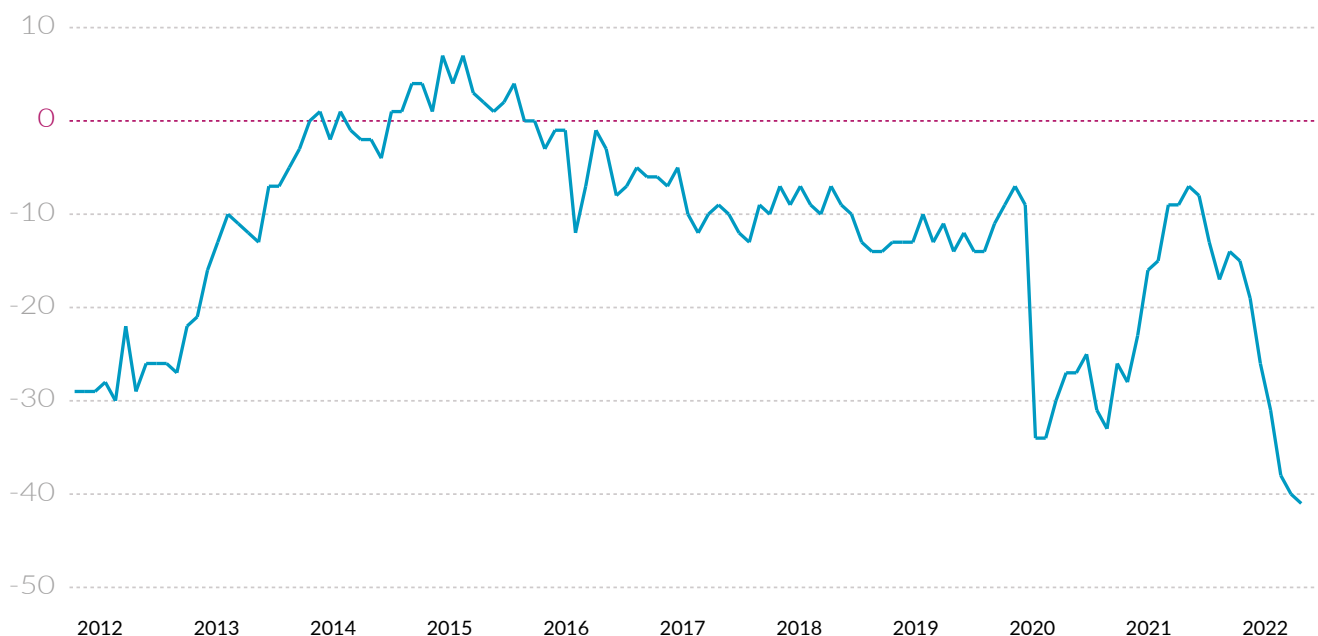
During 2015 the Consumer Confidence Index rose back to the levels seen prior to the 'credit crunch', fuelled in part by low interest rates, low inflation, improved wage growth and improved employment conditions. The index fell to -12 in July 2016, down from -1 in June, at the time being the sharpest fall in 26 years and the lowest level since the end of 2013 and considered to be a direct consequence of the decision by the UK to leave the EU following the vote at the end of June 2016.

After the General Election in December 2019 confidence improved with a rise from -14 to -9 however with the onset of the Covid-19 pandemic this fell dramatically to -34 in April 2020, close to levels last seen during the 2008/9 recession. The index remained at similar levels over the months that followed, particularly with the onset of Lockdown 2, however post December 2020 there was a gradual improvement. The index as at July 2021 stood at -7, marking a return to pre-Covid levels.

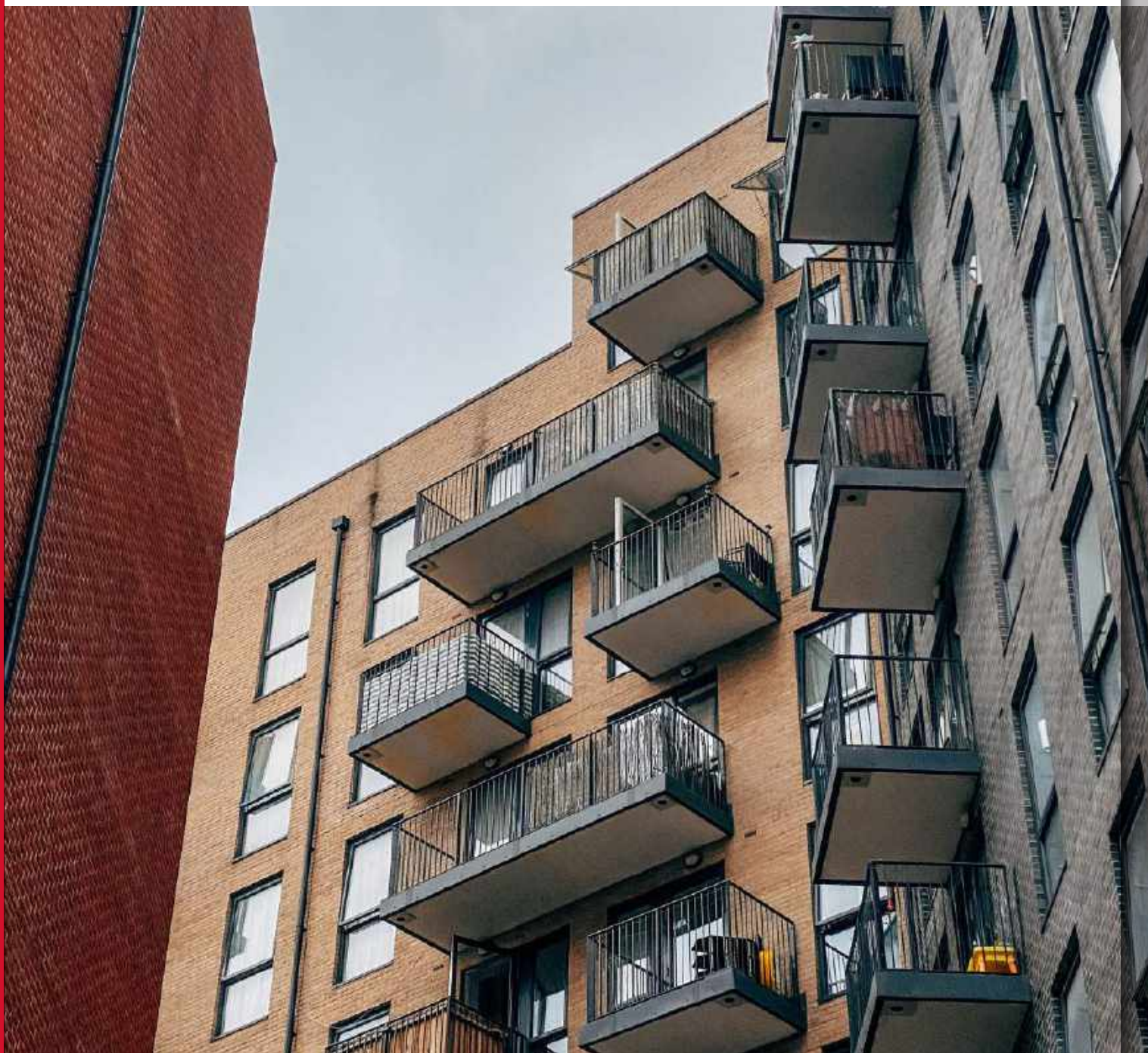
In recent months, the Russia-Ukraine war, combined with the cost of living crisis has led to reduced consumer confidence. Since the start of the year consumer confidence has fallen from -19 to -41 as at June 2022. This is the lowest level on record.

Consumer Confidence Index – June 2012 to June 2022

Source: Trading Economics



Housing Market

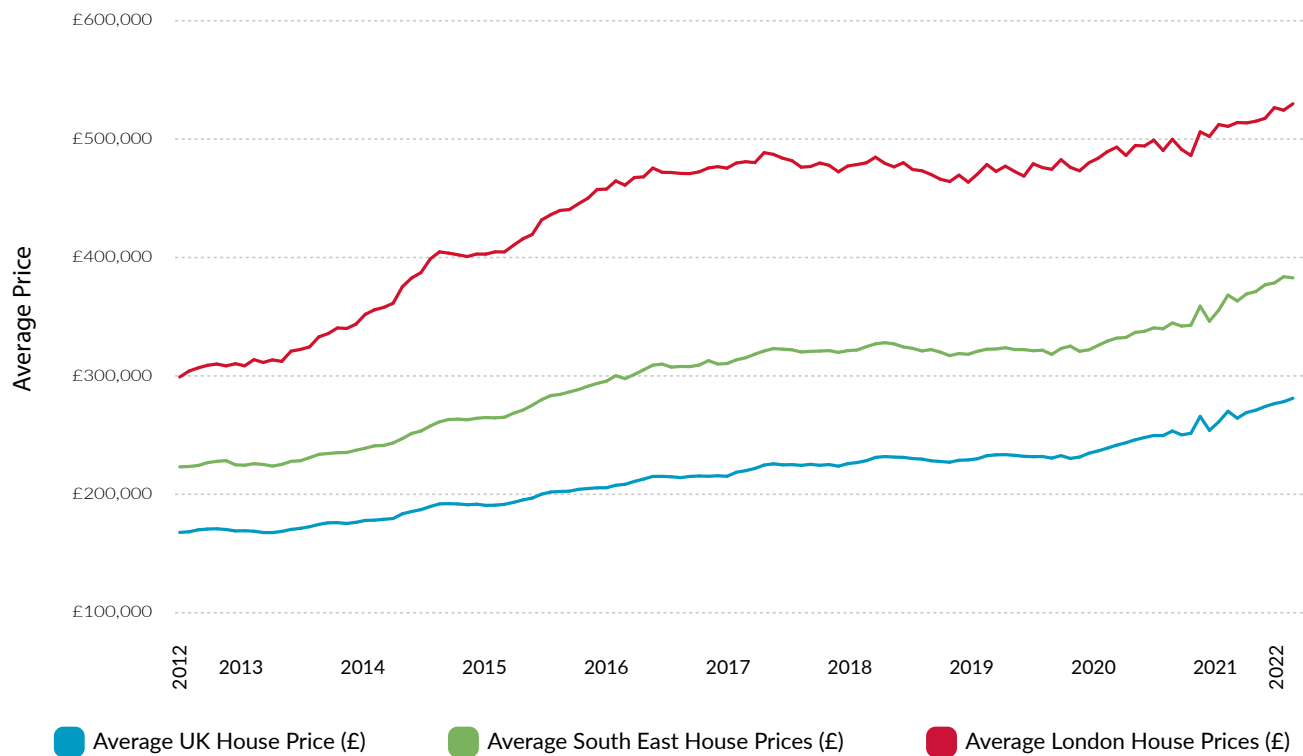


Following the December 2019 election, the RICS reported improved sentiment in the housing market and sales increased for the first time in seven months, driven by increased activity in London and the Southeast. This continued with a second month in a row of increased sales in January 2020. Reduced uncertainty regarding the election and Brexit underpinned this activity. Affordability however remained a challenge, particularly for young adults with house prices high compared to incomes.

Brexit and political uncertainty reduced only for the housing market to then be faced with the impact of the Coronavirus pandemic. As part of the first lockdown the Government effectively froze the market, prohibiting estate agents from undertaking in-person viewings and valuations. This resulted in the lowest level of sales (April 2020) since records began in 2005.

Average House Prices – April 2012 to April 2022

Source: Land Registry. Contains HM Land Registry data © Crown copyright and database right 2020. This data is licensed under the Open Government Licence v3.0.



After the first lockdown restrictions were lifted there was a surge in the number of properties being put on the market for sale, the highest level since March 2008, and there was increased activity with people living in London and the southeast looking to move further out as home working became easier and more acceptable to employers. During the first lockdown, mortgage offers were granted extensions beyond the standard 3 month period in order to assist purchasers in transactions and some banks granted customers mortgage holidays to help them through the period. At the height of the pandemic in the UK a number of banks withdrew mortgage products from the market and some increased the minimum deposit level required in order to access a mortgage.

With the reopening of the housing market, the mortgage market also started to widen again. In an effort to reinvigorate the housing market, Stamp Duty was cut to 0% on houses up to £500,000 until 31st March 2021. This was later extended to 30th June 2021. From 1st July 2021 the threshold reduced to £250,000 and returned to the original level of £125,000 from 1st October 2021. The reduction in stamp duty rates was a key driver in house price growth and transactional activity in 2021.

According to the Land Registry, the average house price in the UK as at April 2022 was £281,161, an annual increase of 12.4%. In England the average price was £299,249, an annual increase of 11.9%. On a regional level, the strongest house price growth was seen in the South West (14.1%). The lowest level of growth was seen in London at 7.9%.

A mismatch between supply and demand continues to be reported and various forecasts estimate house price growth of around 3 – 3.5% during 2022.



London

20-22 Bedford Row
London
WC1R 4EB

☎ 020 7280 4700
✉ london@fleurets.com

East

☎ 01223 402 600
✉ east@fleurets.com

South

☎ 01273 429500
✉ south@fleurets.com

Midlands

☎ 0121 236 5252
✉ midlands@fleurets.com

West & South Wales

☎ 0117 923 8090
✉ west@fleurets.com

North West

☎ 0161 683 5445
✉ northwest@fleurets.com

North

☎ 0113 234 0304
✉ north@fleurets.com



Appendix 2 –Public House Sector Commentary

Fleurets[®]

Leisure Property Specialists

PUB SECTOR COMMENTARY Q2 2022



Sector Composition

The public house industry has two broad operational models.

- Managed Houses, held on either a leasehold or a freehold basis, are typically the biggest and best operations. They are mainly owned by the larger companies, employing on-site management and operational staff.

Managed houses tend to occupy larger sites in strong trading locations, often in town centres and suburban areas or within leisure and retail parks. With the shift in focus towards increased food sales in recent years, more rural locations have also proven increasingly appealing and several managed house pub companies have increased their presence in these locations and created destination food-led venues.

Managed House operators retain total control over the operational style of the business, the products sold, marketing and income generation together with the operational costs. Significant economies-of-scale are possible through group ownership and operation, and in turn these units produce the highest level of sales and profitability in the sector.

- Tenanted/Leased sector offers a cheaper entry into the market and are more commonly operated, and indeed more appealing to independent and small multiple companies and individuals (as tenants). In this instance the landlord receives a core 'dry' rent plus additional wholesale profit, the 'wet' rent. The 'dry rent' is agreed between the parties at the inception of the lease or at rent review and reflects the lease terms and scope of the product tie. The 'wet rent' is the margin made by the landlord in the supply of the tied products (this element of the rent moves with turnover).

MANAGED



MANAGED & TENANTED



TENANTED



Current Market Overview



If you were to believe everything the press had reported over the past two years, you would be forgiven for thinking that the pub industry had fallen to its knees, poured its last pints and would never recover. In reality, the sector had been somewhat bruised but certainly not broken. 2022 started positively, and whilst there had been casualties as a result of the Covid-19 pandemic, the positive stories of the post pandemic bounce were widely reported and the pub industry was showing strong signs of a return to the buoyant sector it was pre-pandemic. Events towards the end of Q1 2022 and throughout Q2 however have presented new challenges and pressures for operators, investors and consumers alike.

It goes without question that the enforced closure of pubs and the imposition of restrictions on trading resulted in periods of highly reduced trade and at times no trade. Outside of these periods however the story was somewhat different, albeit there was significant polarisation in this. Pubs in larger commercial towns and city centres, reliant on office worker trade, and particularly those which are wet focussed, bore the brunt of the work from home directive and the ongoing reduction in office workers and tourist footfall. In contrast to this, pubs in smaller residential towns and villages and destination locations, particularly food focussed pubs, reaped the benefits of the shift to more homeworking, staycation holidays and higher levels of local footfall and a more local regulars customer base.

The trading results from many of the medium and larger operators demonstrated this and proved that the role and place of the pub remains an integral part of the British culture and lifestyle. Pent up

demand and a desire to be out and about socialising tended to outweigh concerns over the virus, and during 2021 this was aided by a highly successful vaccine roll out giving many customers restored confidence. The 'Eat Out To Help Out' initiative in August 2020 and VAT reduction in the second half of 2020 and throughout 2021 certainly helped fuel strong customer demand.

Despite an uncertain end to 2021 following the emergence of the Omicron variant and the introduction of some temporary restrictions and requirements, 2022 started positively. The Government held its nerve and continued to hold off imposing further restrictions, to the relief of operators and the public alike, and from late January the temporary restrictions were lifted, including the recommendation to work from home where possible. This resulted in an uptick in the number of commuters. It is however unlikely that there will be a return to 5 day office working and for town and city centre pubs reliant on office worker trade this could continue to place pressures financially given many such pubs will have been leased or acquired based on pre-pandemic trading levels. This will likely be borne out in profit erosion but equally by way of reduced rental growth for investor owners in the short to medium term. Conversely for suburban and destination pubs, the opposite could become true.



Operators were also facing additional indirect pressures associated with the pandemic as well as from other external factors. Increased testing at the end of 2021 and in to 2022 combined with the variant at that time being more contagious, resulted in increased infection numbers and as a consequence high numbers of people in temporary isolation. This impacted on the staffing of businesses across all sectors. Whilst the isolation period was reduced to 5 days (subject to other criteria being met) in order to ease this strain it presented an ongoing stress for many businesses. This came on top of the staff shortages across the leisure and hospitality sectors which has resulted in strong wage growth and competition for staff.

The Business Rates revaluation in 2017 resulted in significant redistribution of the rates liability across the country with many smaller northern pubs benefitting from reduced rates bills or being taken out of rating all together, but many larger southern operations seeing significant increase in rates liability, the initial impact of which was softened to some extent by transitional relief. As part of the Government's Covid-19 support package, business rates were suspended for the retail, hospitality and leisure sectors for the year to April 2021. The suspension was extended until June 2021 and thereafter business rates became payable at two thirds of the full amount to a maximum of £2m for closed businesses, and to a lower cap for businesses which were able to reopen. For the year 2022/23 business rates for the leisure and hospitality sectors are at 50% of the full levels for a period of 12 months, subject to a cap at £110,000. This business rates relief is going some way to offset some of the increased costs being experienced in wage costs and also in energy costs.

Despite a difficult couple of years, 2021 and the start of 2022 has demonstrated that the pub sector remains an attractive sector. There has been strong appetite across the investment and corporate acquisitions markets, as well as for individual site acquisitions, particularly from well capitalised multi-site operators.

Investment yields for prime assets in strong locations with index linked rental growth have frequently achieved sub 5% net initial yields and ostensibly show no signs of having weakened as a result of the pandemic. An underlying belief in the sector and the pent up consumer demand is likely to have underpinned this level of confidence across the investment market place. The sought after characteristics remain good quality tenant covenants such as Stonegate Group and J D Wetherspoon, long unexpired lease terms and rental incomes with fixed annual increases, indexation and sometimes with open market rent reviews in addition. Location is not the critical factor but there does appear to be a southeast bias at present. Notable transactions include the sale of the Fox on The Green in Islington in October 2021 reflecting a 3.5% net initial yield and more recently, the sale of the Wells Tavern in Hampstead in January 2022 for a sum reflecting a 2.9% net initial yield.

Away from the private investment sphere, corporate investment activity also resumed. In July 2021 Punch Pubs & Co acquired 56 of 63 tenanted pubs from Youngs' Ram Pub Company for a sum of £53m. Soon after this, in December, Fortress Capital acquired Punch Pubs & Co from Patron Capital Partners. The sum paid is undisclosed but rumoured to be in the region of £1bn. Also in July 2021 Admiral



Image © Ewan Munro, 2008

Taverns acquired Hawthorn, the community pub company, previously owned by New River REIT, for a sum of £222.3m. The portfolio comprised 674 tenanted, leased and operator managed sites.

Back in early 2019, the Ei Group free of tie pub estate was sold to Tavern Prop Co, owned and managed by American firms, Global Mutual and Davidson Kempner Capital Management. This marked their first investment in the UK pub market. Two and half years on, the owners have entered in to a joint venture with London based leasehold bar and pub operator Urban Pubs and Bars to help drive the growth of the company. Soon after this Urban Pubs and Bars acquired 13 pubs and bars from London based BarWorks, taking the portfolio to 34 sites.

A further notable activity in the sector has been the creation of Nightcap. Nightcap's focus is on the drinks focused and late night bars sectors with the first acquisition in January 2021 of 10 strong London Cocktail Club for £5.7m. At the same time the company announced its Initial Public Offering and soon floated on the Alternative Investment Market. Later in the year the company acquired Barrio Familia Ltd, the owner of the five strong bar group operating primarily as Barrio Bars, with sites across London. The price paid was £4.935m. This followed the acquisition of Adventure Bar Group earlier in the year. Adventure Bar Group operated three sites in London. The price paid was believed to be £2.5m.



Image © Ewan Munro, 2018

Owner-operator acquisitions have also proven surprisingly robust, but again for well capitalised, often investor backed companies. In early 2021, RedCat Pub Company was created, headed up by former Greene King CEO, Rooney Anand, and with £200m of backing from American private equity investment firm, Oaktree. Rooney Anand was reported as saying in early December 2021 that they were taking a “half billion pound bet on the pub industry”. The sentiment was clear and their ambition strong. In March 2021, RedCat acquired 42 sites from Stonegate. The sites were brought to the market as a consequence of the requirements imposed by the Competition and Markets Authority following Stonegate’s acquisition of Ei Group in 2019. August 2021 saw RedCat acquire the 18 strong Coaching Inn Group which operates coaching inns across England and Wales, particularly in market towns. The price paid is undisclosed but believed to be in the region of £50m. In December 2021 RedCat acquired Pie & Pint, the operator of three sites in Essex, for an undisclosed sum. In addition to this there have been acquisitions of a number of individual sites in recent months.

Oakman Inns have also continued to expand as they seek to reach a portfolio of 40 sites. In March 2021 the company acquired the food led pub operator Seafood Pub Company (in administration) which operated six long leasehold sites across the north of England. In March 2021, the company acquired the leasehold interest in the Woburn Hotel from The Bedford Estate. This marked a continued foray into pubs with letting bedrooms. Over the course of 2021, the company also acquired the Grand Junction in Tring and the Grand Junction in Buckingham as well as the Rose in Wokingham, bringing the company close to its 40 site target.

The first half of 2022 continued to remain positive for the sector. The likes of Youngs and RedCat remained acquisitive. Youngs acquired six sites in the Cotswolds from the Lucky Onion group in February 2022, and in March 2022 Portobello Pub Company acquired five sites from City Pub Company, mainly located in coastal towns in the south east.

Whilst Covid has been a lesser concern since early 2022, other outside influences have impacted the UK and worldwide economies and in turn the pub sector. The Russia-Ukraine war which began in late February 2022 has resulted in rising energy costs, food price inflation and caused widespread economic uncertainty. Combined with supply chain disruption across the world as well as the raising of the domestic energy price cap, consumers have faced significant increases in utility, fuel and food prices. In turn consumer confidence and consumer spending has been negatively affected. Commercial energy costs have also increased significantly. In addition to this, wage costs in the leisure and hospitality sector have increased as a result of increases to the National Living Wage and National Minimum Wage and shortages of staff across the sector.

Despite the many challenges being faced, there have been examples of encouraging trading performance albeit there has been some distinct variations between trading locations, with high quality destination food focus pubs performing better than town centre venues. The continued trend of a hybrid of office and home based working has resulted in improved mid-week trading in larger towns and cities but often at the expense of Fridays, a previously strong trading day for pubs in these locations.

Demonstrating this trend we have seen Like for Like (LfL) sales decline of 4.0% (compared to the same period in FY2019) for the 13 weeks to 24 April 2022 for JD Wetherspoon. It is however an improving trend with the company reporting positive LfL sales in the last two weeks of the quarter. Also, Whitbread have reported food and beverage sales down 4.3% on pre-covid levels in Q1 FY22. In comparison Young’s have performed very strongly with a sales increase of 17.0% for the first 13 weeks of the new financial year compared to the same period in 2019.

The recent events and changes to the economic and trading environment present operators, investors and customers with fresh concerns and challenges. At present the overriding feeling remains one of the pub industry being a robust investment and operational sector and a key part of communities, however in time over the next few months the impact of the increased costs we are all being faced with will become clearer as we see more financial results from operators and monitor transactional activity.



London

20-22 Bedford Row
London
WC1R 4EB

☎ 020 7280 4700
✉ london@fleurets.com

East

☎ 01223 402 600
✉ east@fleurets.com

South

☎ 01273 429500
✉ south@fleurets.com

Midlands

☎ 0121 236 5252
✉ midlands@fleurets.com

West & South Wales

☎ 0117 923 8090
✉ west@fleurets.com

North West

☎ 0161 683 5445
✉ northwest@fleurets.com

North

☎ 0113 234 0304
✉ north@fleurets.com



Appendix 3 – Sales Particulars



The Horse Guards

Ref: 3451321

Brokenborough, Malmesbury, SN16 0HZ

Freehold: £[REDACTED] plus VAT

Detached Cotswold 18th century Inn

Grounds over half an acre with ample parking

42 seater restaurant refurbished in 2017

PP lapsed for bedrooms, owners flat, function

2 en suite letting rooms with high occupancy

Potential for wedding/music events, Energy Rating C



The property is detached with the original building thought to date back to the 18th century with construction of local stone. There have been numerous extensions and additions over the years both to the side and rear with the most recent addition in 1990, which included the restaurant, toilets and doubled the size of the commercial kitchen. In 2017, our clients carried out a complete refurbishment of the restaurant including new furnishings and the creation of a coffee station and still area.

Our clients have plans to retire and are currently looking at all options in the light of the current pandemic, one of which is to investigate a change of use to residential as a backup plan. However the site does measure in excess of half an acre and therefore lends itself to further expansion of rooms or re-development subject to planning.



Location

Located in the village of Brokenborough approximately one mile from the Historic town of Malmesbury, four miles from Tetbury and two miles from the Dyson Campus/Institute of Engineering and Technology, a base for 4,500 employees and student.

The A429 is close-by linking Chippenham with Cirencester and 6 miles away is Junction 17 of the M4 providing easy access to Swindon and Bristol.

There are many tourist and leisure attractions in close proximity including Westonbirt Arboretum, Gatcombe, Highgrove and Charlton Park where Womad music Festival is held.

There is good brown signage from the busier roads directing you to the Horse Guards which is tucked away in the village within the Cotswold area of outstanding natural beauty.

Internal Details

Entrance lobby with flagstone flooring, door to split level open plan bar and dining areas with central stone built chimney with wood burning stove, wood flooring throughout with exposed ceiling timbers and stone walling. Bar server with access to the cellar immediately behind. Fixed and table seating plus bar stools for around 40 persons overall.

Walk through to a spacious coffee station and booking area for the restaurant which comfortably seats 42 persons, a light and airy room with double doors onto the outside terrace.

Ground Floor

The cloakrooms refurbished in 2017 are close to both the bar and restaurant and accessed via a hallway with door to the spacious three section commercial kitchen consisting of a wash up area with door to outside, middle kitchen including a prep station for starters and desserts plus refrigeration. Main kitchen and cooking area with further freezer storage.



Fixtures & Fittings

Trade inventory included in the sale.



The Opportunity

The business trades as a food led destination village country inn with a core local customer base from a 7/10 mile radius, in addition to the influx of visitors to the Cotswolds during the summer months. The area has become even more popular since the pandemic attracting regulars walkers and cyclists .

In order to develop and grow the trade and to take the business to the next level, new owners would ideally need to add more letting rooms to satisfy the demand for accommodation in the area . This is not just from tourism and leisure but also from the visitors to the Dyson campus nearby.

Our clients openly admits he does not encourage families to utilise the outside garden space with play equipment. Another potential source of income could come from hosting events such as weddings, beer festivals and live music. We understand the Hollies and the Wurzels have performed outside at the pub in the past. The pub has not re-opened since the first lock down due to retirement.

Staff

Both owners are front of house.

Trading Information

Accounts will be made available to seriously interested parties.

Development Potential

Letting Accommodation

Separate External ground floor access for residents of the two king size letting bedrooms both with en-suite shower rooms.

Tariff Rates: per night including breakfast. High occupancy of between 75 and 80%.

External Details

The site measures in excess of half an acre with ample car parking on both sides of the property as well unrestricted parking on the village road.

The gardens to the rear are laid mainly to lawn which in the past has accommodated a marquee for weddings of up to 130 and live music events for over 450.

Owner's Accommodation

The former owners accommodation was converted to the existing letting bedrooms.

Planning permission was granted and has now lapsed for a two bedroom owners flat.



Trading Hours

Historic opening hours trading : 6 and half days a week open from 12 midday to 2.30 and 6.30 to 11.00 pm

Planning Permissions

Granted in 2010 for five letting rooms, function room, two bedroom staff/owners flat now since lapsed.

Business Rates

Rateable Value as of April 2017 is £

Regulatory

Premises Licence



Customer Due Diligence Checks

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended) require us to conduct due diligence checks upon all purchasers. When an offer has been accepted, the prospective purchaser(s) will need to provide, as a minimum, proof of identity and residential address; if the purchaser is a company or other legal entity, then any person owning more than 25% must provide the same. These documents must either be handled and copied by a Christie & Co employee, or certified copies be provided.

Contact

No direct approach may be made to the business. For an appointment to view, please contact the vendor's agent:

Nicholas Calfe

Director - Hospitality

T:+44 117 946 8504

M:+44 7764 241 295

E:nicholas.calfe@christie.com

Bristol



Christie Finance is an independent finance broker recommended by Christie & Co. For full information on the finance options available for this business or any other, please call 0344 412 4944.



For full information on Christie Insurance please call 0207 444 0040