

**REPORT CONCERNING THE ECONOMIC VIABILITY OF SUSTAINING  
A PUBLIC HOUSE USE**

**PREPARED BY**

**ANTHONY R BARNES BSc (Hons) MRICS  
FLEURETS BIRMINGHAM**

**In connection with public house premises known as:**



**THE ODDFELLOWS  
MAIN STREET  
HIGHAM ON THE HILL  
NUNEATON  
WARWICKSHIRE  
CV13 6AE**

**28 September 2020**



## **CONTENTS**

| <b><u>Section</u></b> |                                                       | <b><u>Page</u></b> |
|-----------------------|-------------------------------------------------------|--------------------|
| 1.0                   | Introduction                                          | 1                  |
| 2.0                   | The Property                                          | 6                  |
| 3.0                   | The Marketplace for Public Houses                     | 17                 |
| 4.0                   | The Economic Viability of the Oddfellows Public House | 24                 |
| 5.0                   | Conclusions                                           | 35                 |
| 6.0                   | Professional Declaration                              | 36                 |

## **Appendices**

|     |                                 |     |
|-----|---------------------------------|-----|
| AB1 | Quarterly Beer Barometer (BBPA) | 38p |
|-----|---------------------------------|-----|



## **1.0 INTRODUCTION**

### **1.1 Note on Current Exceptional Circumstances**

Preparation of this report and the professional opinion sought has coincided with the Covid-19 pandemic health crisis and consequent economic turmoil. In response to the pandemic the Government initially imposed restrictions on freedom of movement and required the closure of all non-essential businesses including public houses, cafes and restaurants. Following a circa 14 weeks period of enforced closure, with effect from 4<sup>th</sup> July 2020 such businesses have been able to reopen however subject to compliance with various rules and regulations imposed on operations and procedures which are intended to prevent the spread of the Covid-19 infection. In the latest announced measures with effect from 24<sup>th</sup> September 2020, public houses, restaurants and cafes are legally obliged to close and be emptied of customers from 10.00 p.m. daily and must operate only with table service. It is presently uncertain how long such measures will be enforced, or indeed if and when licensed hospitality businesses will be able to return to their previous normal operating conditions and previously achieved trading performance levels. The Covid-19 crisis issues and measures are now a relevant factor to the issue of a public house premises' viability and I consider this more fully in Section 3 of this report.

### **1.2 Experience and Expertise**

1.2.1 I am Anthony Barnes, Senior Associate 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 hotels, restaurants, public houses and other forms of licensed and leisure property. I am based at the firm's Birmingham office covering the Midlands region. Fleurets are active property agents in the public house sector across this region and in the county of Warwickshire. Our records show that between 1 January 2010 and 31st August 2020, Fleurets dealt with agency instructions in respect of 61 public houses located in the county of Warwickshire.

1.2.2 At Fleurets I am responsible for undertaking professional work involving capital and rental valuations; rent reviews; lease renewals and other consultancy advice in respect of pubs, bars, restaurants, nightclubs and hotels. My work is conducted for private owner/operators; pub companies; commercial investor landlords; local authorities; banks and other financial institutions.



1.2.3 Based on my experience and length of time involved in the public house property market, during the last few years I have received a variety of instructions from parties who seek advice on the future viability of maintaining the use of properties as public houses. The advice is sought to form evidence for use with planning applications involving development proposals which would result in a change of use and permanent extinguishment of an existing public house.

1.2.4 I am a Member of the Royal Institution of Chartered Surveyors and have in excess of 30 years direct experience in my specialist licensed and leisure property field.

### **1.3 Instructions**

1.3.1 I have received instructions from Ms Nicola Lea of A R Cartwright Limited, the company owner of the freehold of the Oddfellows. My instructions are to provide a report setting out my expert opinion on the question of whether or not it is economically viable for there to be a reintroduction and sustaining of trading the Oddfellows as a public house. My opinion is to be prepared having regard to the known background circumstances and history of the property whilst trading as a public house. In preparing this report I am only able to utilise information which is available to 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, neither I nor my firm Fleurets have had any involvement with the Oddfellows disposal by its previous pub company owner nor in relation to its acquisition by the current owner. 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 witness on the instructions of the property owner.

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 Planning Policy**

1.4.1 My report has been commissioned by the property's owner to form evidence to accompany a planning application for development involving a change of use and



leading to the permanent extinguishment of the public house use. Please note that the planning justification for the proposal meeting and satisfying the pertinent planning policies, is separately addressed by the Applicant's planning consultant Pegasus Group.

- 1.4.2 My report is to specifically address the issue of whether or not the Oddfellows is currently economically viable for public house use if reopened for trade and could then be satisfactorily sustained as a trading public house on commercial terms. As a part of my considerations, I will identify the alternative public house amenities which are available to the resident community of the Higham on the Hill district of Nuneaton situated in and around the vicinity of the Oddfellows and thus forming the most immediate direct competition.

## **1.5 Economic Viability**

- 1.5.1 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 can reasonably be considered as economically viable. In the subject case the public house is currently closed and is believed not to have traded since October 2018. I will 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.
- 1.5.2 A public house is a facility where trading involves the retail sale of both alcoholic and soft drinks; snacks; sometimes food; and occasionally 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.
- 1.5.3 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 deduction of all operating expenses and costs associated with funding the required investment in, the property's acquisition; any required new/replacement trade



furnishings and equipment; any required repairs/refurbishment; and the provision of stock and working capital. Such capital requirement will in most instances be made up from a combination of an owner's own capital reserves and from borrowed funds.

- 1.5.4 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 which is self-supplied and an element of borrowed funds.
- 1.5.5 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 realistic costs which would be incurred in order to put the premises into a condition so that it is fit and ready for the commencement of trade.
- 1.5.6 Secondly, I consider the matters which impact on the trading potential of a public house:
- 1.5.7 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 choice involves 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 made available. The proximity of a public house to a pool of prospective custom will therefore be a key determining factor.
- 1.5.8 The potential custom which is available to any particular public house will inevitably have alternative options, ie 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.



- 1.5.9 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.
- 1.5.10 The key external influences of particular importance to public house trading include local demographics and population; social and cultural changes; economic changes; legislative changes; increases in operational and ownership costs; and increasing staff employment costs.
- 1.5.11 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 make the public house legally and commercially ready for the commencement of trade.
- 1.5.12 In the circumstances of a public house being closed for trade, there are reasonably expected to be additional costs and risks to a party contemplating its purchase and planned recommencement of trading. The fact of a public house's previous closure for trade, has a detrimental impact on the goodwill associated with the particular public house and its reputation in the local market. On any recommencement of trade of a previously closed public house, it will take time in order to re-establish sales, and in consequence the operation is unlikely to be capable of generating a profit for a period of time following the re-opening.



## **2.0 THE PROPERTY**

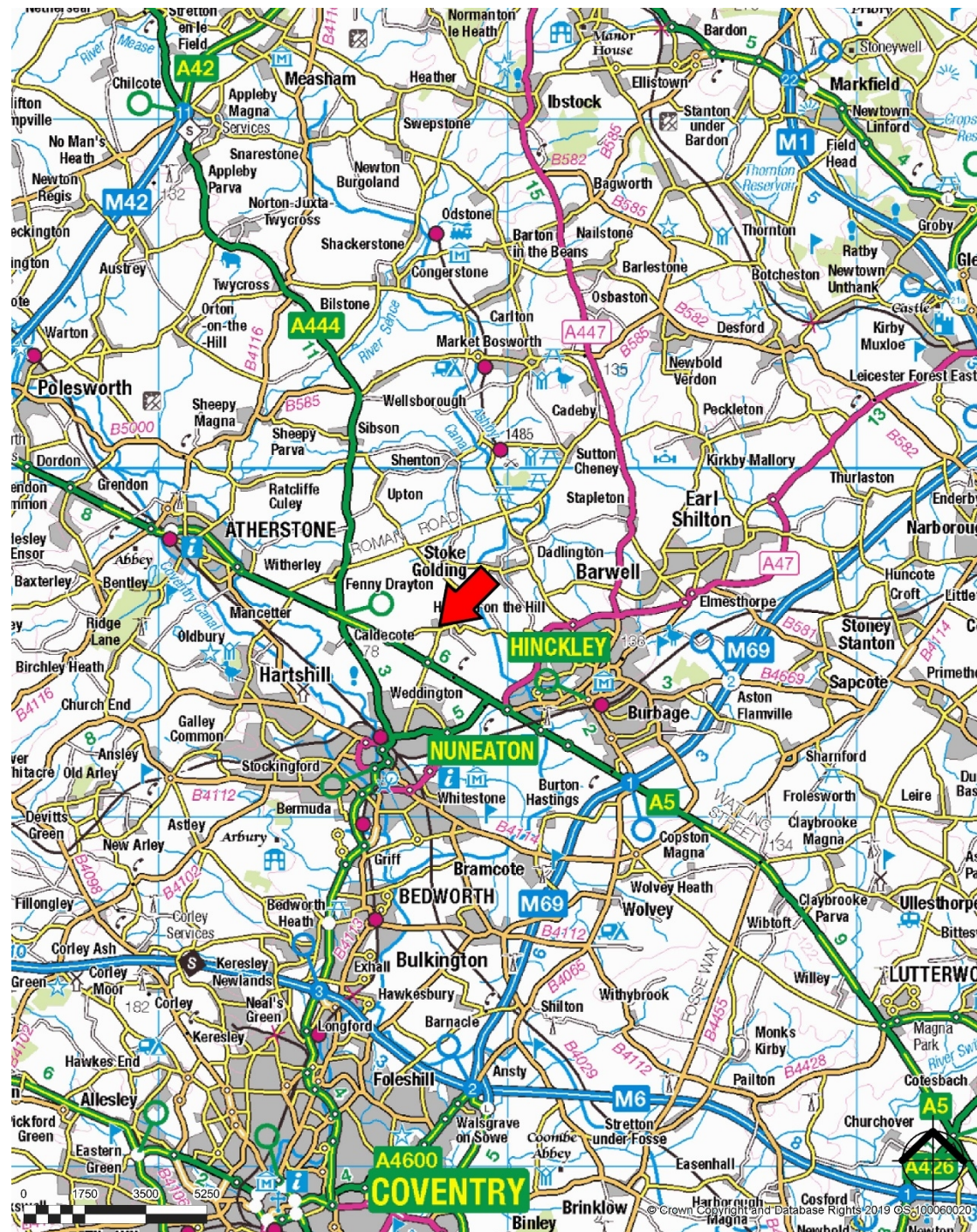
### **2.1 Location**

2.1.1 The Oddfellows public house is located in the Warwickshire village of Higham on the Hill, lying circa 2 miles to the north of the northern edge of Nuneaton; circa 2 miles to the west of Hinckley; circa 1 mile south-west of the village of Stoke Golding and circa half a mile to the north of the main A5 trunk road. The village is approached via country lane turnings northward off the A5 and westward off the A47 bypassing Hinckley to its north-western side. The local area lies within the Ambien electoral ward district which includes the villages of Higham on the Hill, Stoke Golding, Dadlington, Shenton and Sutton Cheney. The village of Higham on the Hill comprises a Parish. The Ward district including the neighbouring villages has a usual resident population of 2,226 and the Higham on the Hill Parish had a 2011 Census usual resident population of 840 spread amongst 307 individual households.

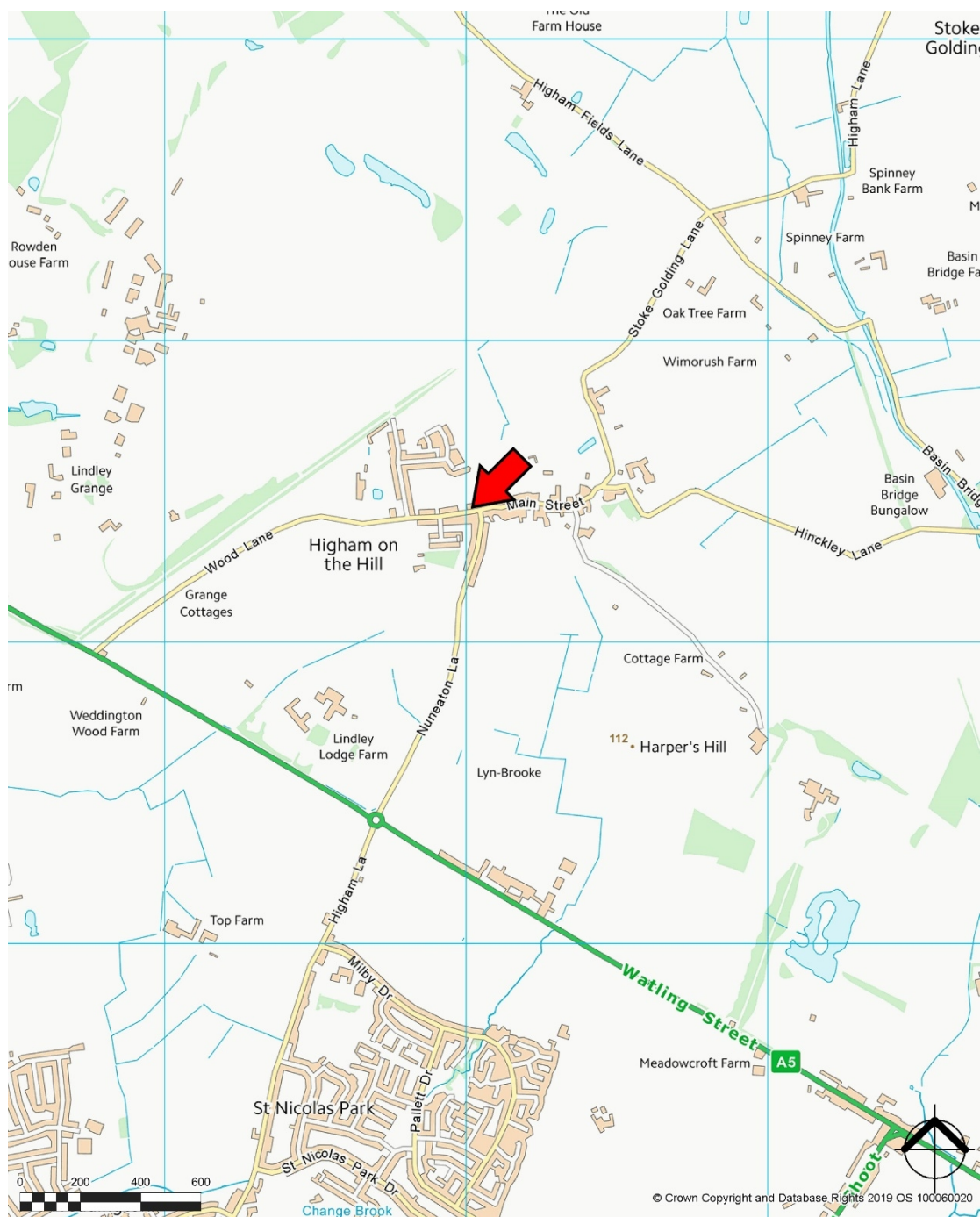
2.1.2 The village of Higham on the Hill is predominantly a residential settlement. The property is situated within the heart of the village amongst private residential dwellings and is adjacent to the village recreation ground. Land lying directly to the rear comprises pasture fields.

2.1.3 For the purposes of public house trading, the location and situation of the Oddfellows have resulted in its former trade predominantly being targeted to a locally resident custom.

2.1.4 I set out below location and site plans.



Ordnance Survey © Crown Copyright 2020. All rights reserved. Licence number 1000047722



Ordnance Survey © Crown Copyright 2020. All rights reserved. Licence number 1000047722



Site Plan For identification purposes only. Not to Scale.



## 2.2 Description

- 2.2.1 The Oddfellows comprises a detached public house of part 3, part 2 and part single storeys. Construction is of rendered loadbearing brick main walls, the original parts reputed to date back to 1791, becoming a public house in 1874. The main roof is pitched with a covering of imitation slates. The original building has been extended in single and two storeys with side and rear extensions beneath flat felted/asphalted roofs. The building now has mostly painted external elevations and the windows comprise a mix of some timber framed casement and some upvc framed double glazed replacement variety. The building stands in a roughly rectangular shaped site with its grounds having been mainly laid-out to form tarmac surfaced car parking; vehicle circulation and service areas. Directly behind the building against its rear elevation is a raised timber decked customer seating area. There is no lawned beer garden.
- 2.2.2 Utilising an on-line mapping resource, I have assessed the property's site area to be 2,030 sqm (0.502 acres) and the building's footprint interpreted as a gross external floor area to be 285 sqm (3,068 sqft).
- 2.2.3 Photographs of the property's exterior are set out below.





*Rear Elevation*



*Rear Decked External Seating Area*



*Rear Car Park*



*Enclosed Service Yard*



## 2.3 Accommodation

The property has internal accommodation arranged over ground, first, second and basement levels. I do not have access to floor layout drawings.

### Ground Floor

- 2.3.1 The front entrance door provides access into an open plan bar area with access through to a second bar. The service support areas comprise a former relatively small commercial kitchen, kitchen stores/utility and surface level beer store.
- 2.3.2 Customer toilets for ladies and gents.



### Basement

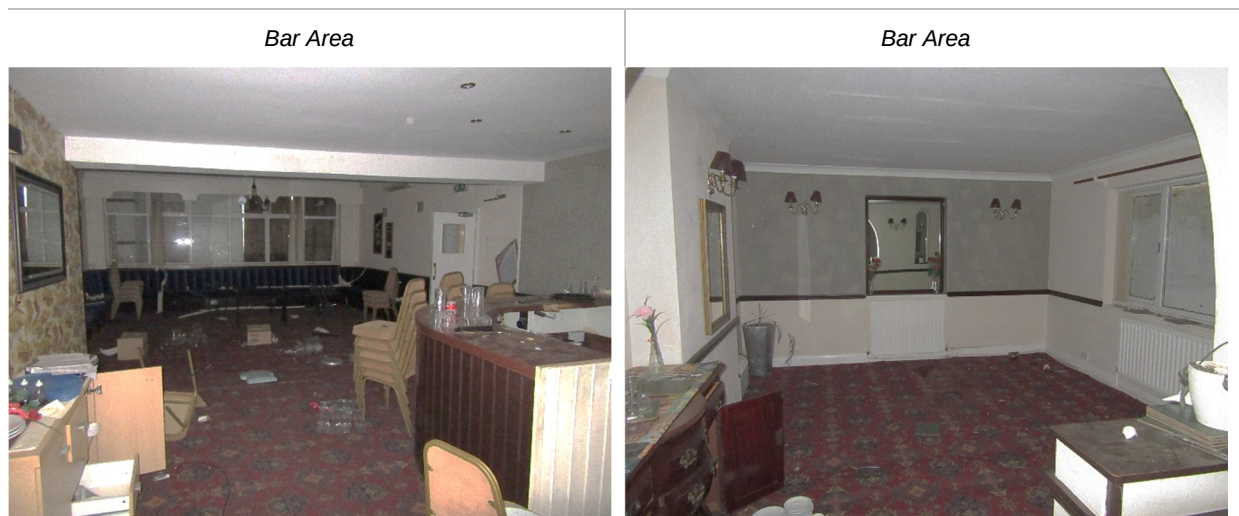
- 2.3.3 With an internal staircase access, the basement was historically used as a beer cellar but appears to have long been redundant for this purpose.

### First Floor

- 2.3.4 The first floor is believed to have been utilised solely as domestic living quarters arranged as living room, domestic kitchen, bathroom/WC and 2 bedrooms.

### Second Floor

- 2.3.5 The second floor provides domestic quarters arranged as 2 bedrooms.
- 2.3.6 Photographs taken during my inspection showing the property's interior are set out below:-





*Bar & Bar Servery*



*Former Commercial Kitchen*



*Commercial Kitchen Storage Area*



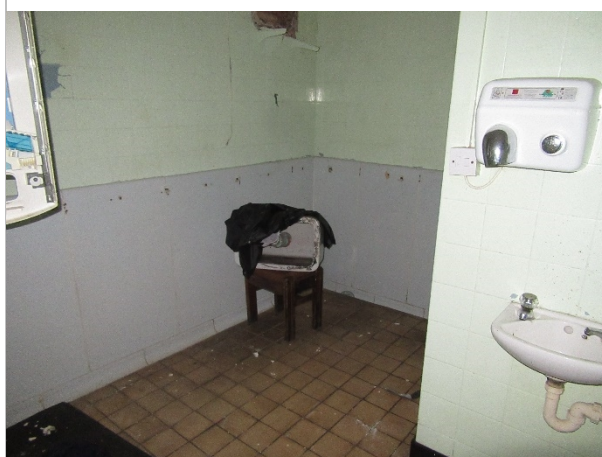
*Surface Level Beer Cellar*



*Ladies Customer Toilets*



*Gents Customer Toilets*





## **2.4 Services**

- 2.4.1 The property is understood to have been connected to mains, drainage, water, electricity and gas. The electricity and gas supplies are understood to be currently terminated for safety reasons.

## **2.5 Condition**

- 2.5.1 I have not undertaken a building condition or structural survey. However, I have been provided with a building condition survey prepared by Sansom Hamilton & Co Chartered Surveyors. The building is noted to have been unoccupied for an extended period of time and is currently boarded-up for security reasons, thus limiting natural light within the interior. The interior of the building has been subject to the stripping out of certain of its former trade furnishings and equipment. From my inspection it is also evident that the building has been subject to past break-ins and there has been malicious damage and vandalism. The property's Energy Performance Certificate expired in January 2019 and rated it as 113 within Band E. Such energy performance rating is poor by reference to both new building and existing building stock and renovation works would be obliged to materially improve the energy performance of the building.

### Exterior Grounds

- 2.5.2 The external main walls render is in poor condition with extensive cracking and deterioration due to rising damp. There is noted to be signs of structural movement in the proximity of front elevation first floor windows. The main external walls are believed to have been constructed without an adequate damp proof course and/or such damp proofing as there is, has been bridged and has failed. The windows having timber frames, particularly those at the second floor level show signs of rot and poor paintwork and likely require replacement. The property's exterior grounds are unkempt, in part overgrown, with the tarmac car park surfaces badly rutted, potholed and cracked presenting with an appearance of dereliction. The timber decking external customer seating terrace has not been subject to an appropriate level of timber treatment and would require investigation and renovation to ensure any future safe usage.



### Interior

- 2.5.3 The interior of the building is, as detailed above, presented in a generally unkempt, scruffy and in parts damaged physical condition, thus necessitating fairly comprehensive refurbishment and redecoration in order to provide a public house premises which can be considered as suitable for the reintroduction of public house trading.
- 2.5.4 The repairing requirements prior to any redecoration works need to address sections of poor ground floor ceilings where cracking and general water/damp ingress will necessitate replacement. Areas of the ground flooring are understood to be subject to rising damp. At first floor level the timber floor boards have been pulled up at various points and are generally uneven. Internal plasterwork wall finishes include sections with impact damage and flaking and at ground level have deteriorated due to damp ingress. At first floor level some plasterwork has been damaged by water penetration.
- 2.5.5 The above observations on the property's condition are not intended to represent a comprehensive record of all the matters requiring repair; renovation; replacement and redecoration in order to secure the property's satisfactory, safe and energy efficient qualities so as to enable the reintroduction and sustained occupation and use as a public house. Any party making a capital investment in the property's freehold acquisition for the purposes of public house use, would need to account for the capital costs of undertaking required repairs, refitting and renovation works in order to make the property ready and suitable for public house trading. For the purposes of my viability appraisal I have regard to building costs data which is prepared and published by the Royal Institution of Chartered Surveyors' (RICS) Building Cost Information Service (BCIS). In the current data set, the reported costs for the rehabilitation of an existing public house/licensed premises is a mean average of £1,804/sqm; a median average of £1,587/sqm; and a range of £1,010/sqm to £3,033/sqm, all costs assessed against gross internal floor area. For the purposes of this exercise, I estimate the ground floor Gross Internal Area of the property to be at 95% of my assessed Gross External Area, thus 271 sqm. For the purposes of my appraisal I adopt an estimated capital cost for refitting the building based on the lowest end of the BCIS range, thus £1,010/sqm. It is however necessary to make a further allowance for external works, covering the car park, seating terrace and external signage and I allow say £50,000. I therefore adopt a capital repair/refitting/renovation cost of £323,710, rounded to say £325,000.



- 2.5.6 Based upon the above logic and reasoning for my viability appraisal having regard to the size of the premises and the extent of the works necessary, I have adopted a budget to include redecoration and the supply and installation of a suitable trade inventory prior to reopening/relaunch of trade, in the rounded sum of £375,000. In my adoption and application of this estimated capital sum, it should be recognised that such figure is only an estimate and on detailed further investigation and tendering of a fully designed and specified repair and refitting scheme, taking into account required works to the domestic quarters, the credible costs to be incurred might be higher.

## **2.6 Premises Licence**

- 2.6.1 I have sourced a copy of the summary of the previously existing Premises Licence granted by the Licensing Authority, Hinckley & Bosworth Borough Council. It is noted that the licence was surrendered to the Licensing Authority on 8<sup>th</sup> January 2020. The previously authorised licensable activities were the sale of alcohol on and off the premises Mondays to Saturdays between 11.00 a.m. and 11.00 p.m and Sundays between 12.00 noon and 10.30 p.m. Other permitted licensable activities comprised performance of live music and playing of recorded music.
- 2.6.2 Any party wishing to recommence public house trading would be obliged to invest time and professional fees/application charges in making application for a new Premises Licence.

## **2.7 Rating**

- 2.7.1 The rateable values (RV) 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 public house 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 public houses.
- 2.7.2 Consultation of the website of the Valuation Office Agency shows the recent RV history of the Oddfellows:

Rating List 2010 – RV £9,000 effective 1<sup>st</sup> April 2010.

Rating List 2017 – RV £12,000 effective 1<sup>st</sup> April 2017.



2.7.3 The 2010 Rating List entry will have been based on the property's physical size and format applicable on 1<sup>st</sup> April 2010 however the economic and trading circumstances applicable on 1<sup>st</sup> 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.

2.7.4 The 2017 Rating List entry will have been based on the property's physical size and format applicable as at 1<sup>st</sup> April 2017, however the economic and trading circumstances applicable at the antecedent valuation date, being 1<sup>st</sup> April 2015. An analysis of the 2017 Rateable Value indicates that it has unlikely been assessed on average weekly sales from all sources much greater than £4,150, thus say total annual sales from all sources of circa £216,000.

### **3.0 THE MARKETPLACE FOR PUBLIC HOUSES**

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.

3.1 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.

3.2 The economic downturn had a dual impact upon the licensed 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 have limited individual purchasers of public houses ability to raise finance and continues to do so. Some banks chose to effectively exit from the licensed and leisure property sectors.

3.3 In Fleurets` experience, throughout the economic downturn lenders were reluctant to advance finance for acquisition of public houses, 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 are not prepared to provide funding unless an operator



is prepared to offer alternative security. 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 £20,000 per week, net of VAT. The Oddfellows does not possess the characteristics which would enable it to be able to generate such a level of turnover and it would not be of interest to national corporate pub companies.

- 3.4 In more recent years the economy returned to positive growth, albeit it has fluctuated. In 2014 GDP stood at 2.4%, rising to 2.6% in 2015; falling to 1.6% in 2016; at 1.8% in 2017; but falling to 1.4% in 2018, the weakest annual growth since 2012, the more recent position in quarter 3 2019 was growth at 1.9%. With the onset of the Covid-19, growth has now turned into recession.
- 3.5 In June 2016 the UK narrowly voted to leave the European Union in the BREXIT vote. Negotiations between Britain and the EU have seen two deals tabled, the first rejected by Parliament, the second effectively leading to the December General Election. The new Government has proceeded with BREXIT, taking effect from 31<sup>st</sup> January 2020. There has been considerable associated political and economic uncertainty which has been recognised as hindering business investment decisions and future planning. The certainty of BREXIT has provided some business leaders with the certainty they desired however considerable uncertainty still arises whilst future trading and regularity arrangements with the EU are negotiated. Import costs have increased, particularly in the food sectors, albeit this has subsided somewhat more recently. 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 more recently 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 had triggered a marginal rise in interest rates from 0.25% to 0.5%, and to 0.75% in August 2019. RPI in December 2019 stood at 2.2%.
- 3.6 As a consequence of rising costs and the immediate future uncertainties caused by Brexit, consumer spending is potentially at risk. Whilst the pub sector had proved relatively resilient to the various pressures, there were already 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. Such issues have now been significantly exacerbated by the onset and consequences arising from the Covid-19 pandemic.



3.7 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. Legislation which publicans have had to address includes the following:-

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

3.8 The mass beer market has seen and continues to experience a shift to the off trade, which combined with the success of anti-drink drive legislation 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.

3.9 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. A copy of the source data is attached at **Appendix AB1**.

3.10 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:

*“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.”*

- 3.11 The development of large public houses, on local 'high streets', which have the ability to offer discounted prices through their better purchasing power has 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.
- 3.12 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.
- 3.13 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.
- 3.14 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.
- 3.15 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  $\frac{3}{4}$  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 25 years.

- 3.16 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, Marstons plc, abruptly terminated their programme of expansion and development reporting that the investment simply failed to deliver a satisfactory return on capital.
- 3.17 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.
- 3.18 The locational and physical characteristics of the Oddfellows are such that it must predominantly rely on a locally resident custom and would unlikely attract or appeal to any significant degree of destination custom.
- 3.19 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.
- 3.20 **The 2020 Covid-19 Health and Economic Crisis**
- 3.21 At the date of preparing this report, the world is subject to a Coronavirus pandemic known as Covid-19, a cause of millions of infections and hundreds of thousands of excess deaths across all continents.



- 3.22 The outbreak of Coronavirus was first reported in Wuhan in the Hubei Province of China in December 2019. In January 2020 the virus had spread outside of mainland China with cases reported in Taiwan, Japan, Thailand, South Korea and the USA, and at the end of January the first cases were reported in the UK.
- 3.23 The spread of the virus was so extensive and destructive that most countries placed themselves in a form of societal 'lock down', closing borders and imposing strict restrictions on movement of people and travel.
- 3.24 In response to the growing prevalence of Covid-19 infections, on 20<sup>th</sup> March 2020 the UK Government took the unprecedented step of forcing the closure of all non-essential shops together with all pubs, bars, restaurants, cafes and other leisure facilities. The UK was placed in full lock down from 23<sup>rd</sup> March with employees encouraged to work from home and only essential travel permitted.
- 3.25 The impact of the lock down has been felt acutely across most sectors and businesses which contribute to the UK economy and has in particular adversely impacted on leisure, travel and hospitality operators whose sales income was effectively immediately halted.
- 3.26 From June 2020, the UK Government began a gradual easing and lifting of the imposed restrictions, with steps taken to encourage a return to a semblance of normality with the intent of restarting the economy. The measures enabled the reopening of non-essential businesses and the return of some children to school prior to the start of the summer school holidays. Social distancing forms a key element of the Government's reopening guidance/regulations with a reduction from a 2m to a 1m+ rule applied in environments where social distancing is not readily achievable. Pubs and restaurants were permitted to reopen from 4<sup>th</sup> July 2020. Whilst permitted to reopen, not all such business have opted or been able to reopen and a majority of those which have been able to reopen are reported to be experiencing reduced trading levels on a like for like basis in comparison with their performance of last year.
- 3.27 As part of the action taken to support the economy and business the Government issued a £350bn rescue package. This has included an extension on business rates relief which now provides a business rates holiday for 12 months for all pubs, restaurants and other businesses in the leisure and hospitality sector, regardless of their rateable value.



- 3.28 A furlough scheme was introduced to take effect from 1st March 2020 whereby the Government pays 80% of salaries up to £2,500 per employee, in an effort to prevent business failures and widespread redundancies and unemployment. Some companies have already made or announced intended redundancies. From 1<sup>st</sup> July trading companies have been able to bring back employees on a part time basis and the Government furlough support has been adjusted to reflect such part time working. The furlough scheme is being tapered out, ending on 31<sup>st</sup> October 2020. A replacement wage support scheme has just been announced covering workers retained by employers and actually working on reduced hours.
- 3.29 A restriction of public house opening times has been introduced with effect from Thursday 24<sup>th</sup> September 2020 under which all public houses, cafes and restaurants are obliged to close and clear all customers by 10.00 pm daily. In addition it is now a requirement that only table service be permitted. These measures will inevitably adversely impact on public house sales potential; their customer capacity; consumer confidence and convenience, damaging profitability.
- 3.29 The prospects for the UK's economy and the levels of unemployment and business /consumer confidence, are now as a consequence of these events and measures, highly unstable and uncertain and are realistically expected to remain so into the immediate future.
- 3.30 In the above noted exceptional market and economic conditions, the prospects for the trading of public houses is particularly uncertain. It is not possible for any party to reliably predict when a previously successfully trading business will return to and be sustained at, the previously established trading level. Some public houses may in fact never return to their previous trade performance. As a direct consequence of these circumstances, the successful relaunch for trade of an already closed public house in need of considerable immediate capital expenditure, will present even greater risks and challenges for any party considering taking on such a venture. The uncertainties and risks involved have accordingly undermined confidence to an even greater extent than was the case prior to the onset of Covid-19.



## **4.0 THE ECONOMIC VIABILITY OF THE ODDFELLOWS PUBLIC HOUSE**

### **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 public house trading 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 British Beer and Pub Association (BBPA) have 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 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 is of assistance in the case of the Oddfellows given the absence of any actual records of the past operation of the property.
- 4.1.5 In addition the Campaign For Real Ale, CAMRA, have published a Paper – “Public House Viability Test” which identifies a number of factors they recommend it is appropriate be considered 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.

## 4.2 Competition/Alternative Public Houses Serving Higham on the Hill and Local District

4.2.1 There are a number of other public houses located around the Higham on the Hill locality. It is helpful to briefly review these alternative public houses, which not only offer alternative available equivalent facilities to the Higham on the Hill resident community, but importantly would form the direct and pertinent competition to any party who was minded to purchase and reintroduce pub trading at the Oddfellows.

4.2.2 From my review of the local district I have identified the following public houses comprising the closest and most direct competition:

### Longshoot, Nuneaton CV11 6JH

(circa 2 miles distant)



A Greene King owned and operated managed pub-restaurant.

Rateable Value: £140,000

### The Marina, Wharf Farm, Coventry Road, Hinckley LE10 0NB

(circa 3 miles distant)



A Whitbread owned and operated pub - restaurant adjacent to a Premier Inn Hotel under the Brewers Fayre brand.

Rateable Value: £264,000 (Includes hotel)

Milestone, Stoke Road, Hinckley LE10 0GL

(circa 2.5 miles distant)



A Marstons owned and operated,  
destination pub-restaurant.

Rateable Value: £115,300

Royal Redgate, Watling St, Caldecote, Nuneaton CV10 0RY

(circa 2.5 miles distant)



A Marstons owned destination pub-  
restaurant.

Rateable Value: £17,500

White Swan, High St, Stoke Golding, Nuneaton CV13 6HE

(circa 2 miles distant)



An Everards owned tenant  
operated country pub serving food  
and drink.

Rateable Value: £6,500

George & Dragon, Station Road, Stoke Golding, Nuneaton CV13 6EZ

(circa 2 miles distant)



Churchend Brewery owned village local with food offer. Provides a larger customer capacity than the White Swan.

Rateable Value: £11,700

Dog & Hedgehog, The Green, Dadlington, Nuneaton CV13 6JB

(circa 3 miles distant)



Gastropub providing lunchtime and evening meals attracting a destination car borne type custom.

Rateable Value: £92,000

- 4.2.3 From the above review of the alternative public house provision located around the district surrounding the village of Higham on the Hill, it is apparent that the local resident community is served by a range of long established alternative public houses, providing both facilities for drinking and dining. A prospective future operator of the Oddfellows would be conscious of, and alert to, the extent of the established competition operating under three large managed pub operating companies and two private 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 established trading public houses in order to rebuild custom for the Oddfellows.



- 4.2.4 In my opinion in the marketplace for public house amenities applicable in 2020/2021, the local district surrounding the Oddfellows is currently satisfactorily provided for with the availability of a variety and styles of public house all reasonably accessible to the local resident community.

#### **4.3 The Oddfellows– Background Circumstances and Style of Trade**

- 4.3.1 The Oddfellows public house is believed to have been in use as a public house since the nineteenth century. My enquiries suggest it was at one time a part of the tied tenanted pub estate of corporate pub company Bass but was sold by that company in around 1991 to regional brewer and pub company Charles Wells. In 2009 the property had become surplus to Charles Wells' tied estate pub business and was offered for sale with vacant possession by auction. Whilst failing to sell at auction in July 2009 it was subsequently sold to a private owner. I have been informed that whilst privately owned during the period 2011 to 2018, the Oddfellows was occupied and operated by a single tenant. In 2018 the tenant was obliged for personal reasons to give up the tenancy and at that time the property ceased trading and has remained vacant and closed for trade since then.
- 4.3.2 The Oddfellows is believed to have always been operated as a regulars'/locals' community style of public house, operated by tenants of the owners of the freehold interest. The pub has attracted the majority of its custom from the local resident community. I have had an opportunity to speak with the last tenant operator who verbally confirmed to me that the pub was a village/community style of operation; a food offer had been developed to represent around 40% of total sales; the pub had dominoes and darts teams and a weekly quiz was held on Thursday evenings. The trade had developed to a level of sales of not less than £250,000 per annum.
- 4.3.3 The pub became vacant and closed in 2018 and was subsequently openly marketed as available to let on a new free of tie lease by pub sector specialist agent Everard Cole for a period of at least 10 months. Everard Cole have produced a separate marketing report which provides evidence that all credible parties seeking an interest in the property with an intention of continuation of pub trading, had had ample opportunity to pursue such interest.
- 4.3.4 I conclude from the background circumstances, that the Oddfellows whilst trading, unlikely generated sufficient profit for its operator to invest in and upgrade the presentation of the customer environment, amenities or service support facilities.



4.3.5 The factors which I believe have contributed to the lack of market interest in the opportunity to occupy and operate the Oddfellows and have acted to limit its trade potential, hence now adversely influence the economic viability of the property being brought back into occupation and sustained in public house use, comprise both social/behavioural and economic/financial challenges. The following factors are I believe specifically pertinent to the trading circumstances of Oddfellows:

- (a) The proportion of the locally resident adult population who visit public houses for the purposes of enjoying an alcoholic drink is expected to have been in decline, mirroring recognised national trends.
- (b) The younger generations of the local adult population now have readily available alternative means of social communication and socialising, thus reducing the need to attend public houses to meet and communicate with their friendship groups.
- (c) In areas such as Higham on the Hill, many younger members of the adult population currently have less disposable income available for the purposes of spending on leisure pursuits.
- (d) The local availability of pub dining in premises owned and operated by corporate pub retail operating companies have exhausted the potential for the Oddfellows for a similar redirection and conversion of trading style.
- (e) The achievable retail drinks prices which can be applied in the Oddfellows are believed to be limited by local economic factors, whilst the costs of undertaking the public house business have been subject to general year on year increase.

4.3.6 Based upon the practical physical size and design of the Oddfellows building and its site and facilities capable of being offered, together with the nature and extent of the established public house competition located around the surrounding district, the only style of public house trading which would in my opinion be contemplated, would be as a drink-led community locals establishment providing a budget priced food offer to support the key drinkers' type of custom.

#### **4.4 Assessment of the Oddfellows Current Trade Potential**

4.4.1 When assessing the viability of a public house 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 Oddfellows continuing in public house use, 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 houses performance over recent years.
- 4.4.5 The economic downturn discussed in Section 3.1 above, 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 such as the Oddfellows.
- 4.4.6 It is apparent from my review of the background history of the Oddfellows that its trading potential had become insufficient to warrant continued ownership by corporate tied estate pub companies. More recent marketing carried out on behalf of its previous private owner on fully free of tie terms have also failed to attract interest despite a comprehensive marketing campaign by a recognised pub sector firm of agents with a wide database of parties interested in pub opportunities.
- 4.4.7 For the purposes of this exercise I form judgements over the trade potential based on experience in the public house market sector. I have not been provided with any records detailing the Oddfellows past actual trade performance and no such records are believed to be within the knowledge of the current owner nor within records held in the public domain. I have been able to have regard to the verbal commentary provided to me by the most recent free of tie tenant operator.



- 4.4.8 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 the undertaking a comprehensive scheme of fitting out to both the ground floor commercial and first floor domestic living accommodation parts of the property. In addition, the external car park and grounds and external signage would require upgrading and renewal. 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 able to be presented with a satisfactory external appearance and a satisfactory quality of internal customer and occupier's domestic living quarters.
- 4.4.9 Based upon the combination of a consideration of a wet led local community style of trading; the size of the customer trading area; and the known external influences which have adversely impacted upon trade for this type of public house, I have formed an opinion of Fair Maintainable Turnover based upon a judgement of achievable average weekly exclusive of VAT sales of around £5,000, thus I adopt £260,000 per annum.
- 4.4.10 In terms of the achievable gross margin the principal influence will be an expectation for moderate retail drinks prices necessary in order to attract and sustain loyalty of custom for the pub from nearby resident custom. My judgement of the overall fair maintainable gross margin is based on 62%.
- 4.4.11 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 be adding to an existing portfolio of public houses operated by either tied tenants or directly employed managers. 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 2018 noted that average operational expenses associated with running licensed retailing properties continued to rise, in total averaging 52.2% of annual turnover. Expenses associated with payroll comprised the largest proportion, averaging 29.9% of turnover.
- 4.4.13 The BBPA 2019 survey data is split between a variety of pub trading styles and that for 'wet-led community' type pubs achieving average sales of £5,000/week, the reported labour expense is 15.5% of turnover with other operating expenses at 21% of turnover. In the interpretation of the available industry operational expenses survey data for application to the Oddfellows, it is pertinent that I have made an assumption that the business would be operated day to day under the control of a directly involved owner/operator.
- 4.4.14 In recognition of these factors, I apply total operational expenses slightly above average based on 38% of sales turnover, thus slightly above average justified by the adopted increased contribution to sales from food and the overall size of the building and its grounds.
- 4.4.15 Based upon these judgements the net profit prior to accounting for the costs of funding, depreciation and owner/operator's remuneration, equates to circa £61,600 equivalent to 24% of the adopted sales turnover.
- 4.4.16 An owner/operator of a public house such as the Oddfellows 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. To an extent, such expectations of an operator are subjective, but as a helpful independent guide, I refer to the legal case of *Brooker - v - Unique Pub Properties Limited* (2001) (Chancery Division Bristol District Registry Case No. BS002253) which gave consideration to the appropriate level of remuneration that a public house operator would reasonably expect to receive as a minimum. In that case it was stated that at that time, the minimum remuneration an operator would expect was £20,000 per annum. If this figure is adjusted to reflect the subsequent increase in average earnings, it would now equate to a figure in the region of £31,600.
- 4.4.17 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/renovation work costs I have adopted £325,000 (see Section 2.5.4 above) with an allowance of £50,000 for the provision of loose trade furnishings and equipment.

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, size and condition of the property, for these purposes I have adopted £275,000.

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 liability for SDLT of £3,250. In addition, I have allowed for acquisition costs of £5,000. Given the current absence of a Premises Licence a purchaser for public house use would also need to incur costs associated with application and securing a new Premises Licence for the property and I allow for £5,000.

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 £665,000, 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 60% of the required investment 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. 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. In the current market a typical loan term for a commercial property such as this is up to 20 years with interest rates of say 4½%/5%. On the basis of a borrowed funds requirement of £399,000 taken over 20 years at say 5% interest, this would equate to an aggregate of the monthly loan repayment and interest charges of £2,633, thus equivalent to £31,596 per annum. For the un-borrowed self-supplied remaining capital requirement of £266,000, I allow a notional opportunity cost at just 2.5% per annum, thus £6,650. The total costs associated with funding the required capital investment is thus £38,246 per annum.



4.4.22 It should be noted that my above adopted judgements reflect pre-Covid-19 health and economic impact circumstances. The prospects for public house trading performances returning to pre-Covid-19 levels is currently uncertain. Such uncertainty and the current restrictions on trading have significantly adversely impacted on confidence of those operating in the sector and those with existing financial investments in public houses. Importantly, these negative impacts have also created additional significant caution by the recognised suppliers of finance for public house investment and acquisition.

#### 4.5 THE ODDFELLOWS VIABILITY ASSESSMENT

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 Oddfellows.

|                                                  |                  |
|--------------------------------------------------|------------------|
| Wet Sales (68% contribution)                     | £176,800         |
| Dry Sales (30% contribution)                     | £ 78,000         |
| Machine Income net (2% contribution)             | <u>£ 5,200</u>   |
| Total Sales (£4,808/week average)                | £260,000         |
| Gross Profit (62% wet/60% dry/100% machines)     | £161,616         |
| Overall Gross Profit 62.1%                       |                  |
| <u>Less</u>                                      |                  |
| Operational Costs circa @ 38% but say            | <u>-£100,000</u> |
| Net Operating Profit Before Finance/Remuneration | £61,616          |
| Deduct Owner's Minimum Remuneration              | £31,600          |
| Deduct Cost of Finance/Capital                   | £38,246          |
| Total deductions prior to net profit             | <u>-£69,846</u>  |
| Annual Loss on venture                           | <u>(£8,230)</u>  |

4.5.2 Based upon the above detailed and reasoned appraisal, I am of the opinion that the reintroduction and sustaining of public house trading at the Oddfellows following a purchase of the freehold interest, would not offer a party, whether private individual/partnership entrepreneur or corporate company, 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. The appraisal is based on the operator accepting a remuneration at only a level judged to be a minimum acceptable for the long hours and entrepreneurial endeavours of the direct operation of a public house.



- 4.5.3 The achievable profit prior to the deduction of the minimum remuneration for direct labour and the funding of required capital investment, shows a totally inadequate return having regard to the efforts, risks and capital requirement of entering into the venture.
- 4.5.4 The above appraisal includes assumptions made over the capital requirement to achieve the freehold acquisition; the costs associated with the property's acquisition; gaining a new Premises Licence; the required investment in repairs and refurbishment; and the required investment in provision of the trade furnishings and equipment. Based on the property's known recent history; the most credible category of purchaser for a pub use; and the demands and requirements of funders who are active in the public house sector, it is in my opinion highly unlikely that a purchaser would choose to invest in the order of £266,000 of their own funds in the venture, and even more unlikely that a third party bank would lend circa £400,000 against the property.

## **5.0 CONCLUSIONS**

- 5.1 On consideration of the Oddfellows location; its physical size; the facilities it is capable of offering; the limited indications available of its past actual trade; the external factors currently impacting on the trade performance of local community public houses; and the scale and nature of the existing local public house competition serving the communities lying around Higham on the Hill, I am of the opinion that the property does not have a credible or economically sustainable future trading as a public house.
- 5.2 I have detailed above the financial rationale which would be applied by any prudent party considering taking on the property for an intended reintroduction of public house trading. In reality the financial loss expected on seeking the acquisition, renovation and re-establishment of public house trading would likely be greater than that demonstrated above, given the very real prospect of the costs of repair and renovation materially exceeding my adopted sum. In addition, it is in my opinion highly unlikely in the current market and economic circumstances that a prospective purchaser of the property would be successful in persuading a third party supplier of finance to back them in such a proposition.
- 5.3 The date of preparation of this report coincides with the worldwide pandemic of Covid-19 and the UK Government's measures seeking to reduce infection rates. The defensive measures adopted in the UK which have included an enforced closure of public houses in England effective between 21st March and 4th July 2020 and subsequently when permitting reopening for trade, imposed restrictive measures on



customer capacity and operating protocols, recently including closure and clearance of customers by 10.00 pm daily and a requirement for table service. The closure measures effectively instantaneously halted the income generation of public house businesses. It remains uncertain as to when the now applicable measures enabling trading will be relaxed and when public houses will once again be entitled to trade free of these conditions. The current operating requirements will have a material and detrimental impact upon achievable sales performance, customer confidence and demand. Public house operators, whether individuals, partnerships or corporate concerns, are now facing considerable financial challenges in remaining solvent during what are recognised to be unprecedented times. It is likely that some pub operators/owners will not have the financial resources to be able to survive. The state of the UK economy; the populations personal wealth; consumer confidence; and the propensity for spending on leisure once the crisis measures are relaxed, is currently unknown and are a matter of speculation. In respect of the subject matter of this report, I am of the opinion that in the Covid-19 crisis circumstances, it is reasonable to conclude that required investment in re-opening the Oddfellows for public house trading, is an even more unlikely uneconomic proposition than existing before the onset of the crisis conditions.

- 5.4 Based on these applied judgements and explained rationale, I therefore conclude that the Oddfellows is no longer economically viable in public house use.

## **6.0 PROFESSIONAL DECLARATION**

- 6.1 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.
- 6.2 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.
- 6.3 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.
- 6.4 I confirm that I am not instructed under any conditional fee arrangement.



6.5 I confirm that I have no conflicts of interest of any kind other than those already disclosed in my report.

6.6 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:**

**A R Barnes BSc (Hons) MRICS**

**28<sup>th</sup> September 2020**



## Appendix 1

### UK Quarterly Beer Barometer

4th Quarter 2019



Moving annual total beer sales ('000 barrels)

| Total sales | Q1     |          | Q2     |          | Q3     |          | Q4     |          |
|-------------|--------|----------|--------|----------|--------|----------|--------|----------|
|             | Volume | % change | Volume | % change | Volume | % change | Volume | % change |
| 2000        | 35,464 | -0.6%    | 35,503 | 1.5%     | 35,052 | -1.0%    | 34,572 | -3.5%    |
| 2001        | 34,531 | -2.6%    | 34,432 | -3.0%    | 34,473 | -1.7%    | 34,627 | 0.2%     |
| 2002        | 34,953 | 1.2%     | 35,287 | 2.5%     | 35,201 | 2.1%     | 35,141 | 1.5%     |
| 2003        | 35,052 | 0.0%     | 35,033 | 0.0%     | 35,483 | 0.0%     | 35,500 | 1.0%     |
| 2004        | 35,771 | 2.0%     | 35,969 | 2.7%     | 35,495 | 0.0%     | 35,641 | 0.4%     |
| 2005        | 35,413 | -1.0%    | 35,015 | -2.7%    | 35,215 | -0.8%    | 34,902 | -2.1%    |
| 2006        | 34,778 | -1.8%    | 35,191 | 0.5%     | 34,596 | -1.8%    | 34,448 | -1.3%    |
| 2007        | 34,265 | -1.5%    | 33,600 | -4.5%    | 33,558 | -3.0%    | 33,155 | -3.8%    |
| 2008        | 33,144 | -3.3%    | 32,790 | -2.4%    | 32,213 | -4.0%    | 31,482 | -5.0%    |
| 2009        | 30,961 | -6.6%    | 30,543 | -6.9%    | 30,503 | -5.3%    | 30,214 | -4.0%    |
| 2010        | 29,927 | -3.3%    | 30,225 | -1.0%    | 29,514 | -3.2%    | 29,150 | -3.5%    |
| 2011        | 29,003 | -3.1%    | 28,272 | -6.5%    | 28,492 | -3.5%    | 28,477 | -2.3%    |
| 2012        | 28,412 | -2.0%    | 27,984 | -1.0%    | 27,548 | -3.3%    | 27,031 | -5.1%    |
| 2013        | 26,871 | -5.4%    | 26,530 | -5.2%    | 26,898 | -2.4%    | 26,999 | -0.1%    |
| 2014        | 26,848 | -0.1%    | 27,419 | 3.4%     | 27,085 | 0.7%     | 27,090 | 0.3%     |
| 2015        | 27,047 | 0.7%     | 26,667 | -2.7%    | 26,994 | -0.3%    | 26,970 | -0.4%    |
| 2016        | 26,913 | -0.5%    | 27,026 | 1.3%     | 26,790 | -0.8%    | 26,723 | -0.9%    |
| 2017        | 26,905 | 0.0%     | 26,977 | -0.2%    | 26,849 | 0.2%     | 26,916 | 0.7%     |
| 2018        | 26,947 | 0.2%     | 27,149 | 0.6%     | 27,419 | 2.1%     | 27,683 | 2.8%     |
| 2019        | 27,766 | 3.0%     | 27,603 | 1.7%     | 27,897 | 1.7%     | 27,984 | 1.1%     |

| On-trade sales | Q1     |          | Q2     |          | Q3     |          | Q4     |          |
|----------------|--------|----------|--------|----------|--------|----------|--------|----------|
|                | Volume | % change | Volume | % change | Volume | % change | Volume | % change |
| 2000           | 24,281 | -3.1%    | 24,018 | -3.2%    | 23,671 | -4.4%    | 23,358 | -4.7%    |
| 2001           | 23,134 | -4.7%    | 22,961 | -4.4%    | 22,794 | -3.7%    | 22,763 | -2.5%    |
| 2002           | 22,811 | -1.4%    | 22,725 | -1.0%    | 22,552 | -1.1%    | 22,333 | -1.9%    |
| 2003           | 22,165 | 0.0%     | 22,013 | 0.0%     | 21,981 | 0.0%     | 21,890 | -2.0%    |
| 2004           | 21,821 | -1.5%    | 21,796 | -1.0%    | 21,621 | -1.6%    | 21,513 | -1.7%    |
| 2005           | 21,381 | -2.0%    | 21,064 | -3.4%    | 20,935 | -3.2%    | 20,729 | -3.6%    |
| 2006           | 20,499 | -4.1%    | 20,466 | -2.8%    | 20,145 | -3.8%    | 19,942 | -3.8%    |
| 2007           | 19,770 | -3.6%    | 19,423 | -5.1%    | 19,166 | -4.9%    | 18,737 | -6.0%    |
| 2008           | 18,389 | -7.0%    | 17,876 | -8.0%    | 17,506 | -8.7%    | 17,048 | -9.0%    |
| 2009           | 16,818 | -8.5%    | 16,634 | -6.9%    | 16,451 | -6.0%    | 16,256 | -4.6%    |
| 2010           | 15,951 | -5.2%    | 15,714 | -5.5%    | 15,430 | -6.2%    | 15,135 | -6.9%    |
| 2011           | 15,075 | -5.5%    | 14,980 | -4.7%    | 14,894 | -3.5%    | 14,925 | -1.4%    |
| 2012           | 14,766 | -2.1%    | 14,576 | -2.7%    | 14,379 | -3.5%    | 14,166 | -5.1%    |
| 2013           | 13,997 | -5.2%    | 13,773 | -5.5%    | 13,737 | -4.5%    | 13,690 | -3.4%    |
| 2014           | 13,600 | -2.8%    | 13,677 | -0.7%    | 13,610 | -0.9%    | 13,537 | -1.1%    |



|      |        |       |        |       |        |       |        |       |
|------|--------|-------|--------|-------|--------|-------|--------|-------|
| 2015 | 13,469 | -1.0% | 13,322 | -2.6% | 13,306 | -2.2% | 13,230 | -2.3% |
| 2016 | 13,218 | -1.9% | 13,153 | -1.3% | 13,035 | -2.0% | 12,933 | -2.2% |
| 2017 | 12,836 | -2.9% | 12,831 | -2.4% | 12,710 | -2.5% | 12,637 | -2.4% |
| 2018 | 12,684 | -1.2% | 12,579 | -2.0% | 12,628 | -0.6% | 12,730 | 0.7%  |
| 2019 | 12,707 | 0.2%  | 12,616 | 0.3%  | 12,682 | 0.4%  | 12,632 | -0.8% |

| Off-trade sales | Q1     |          | Q2     |          | Q3     |          | Q4     |          |
|-----------------|--------|----------|--------|----------|--------|----------|--------|----------|
|                 | Volume | % change | Volume | % change | Volume | % change | Volume | % change |
| 2000            | 11,183 | 5.3%     | 11,484 | 12.9%    | 11,381 | 6.9%     | 11,215 | -0.9%    |
| 2001            | 11,397 | 1.9%     | 11,471 | -0.1%    | 11,679 | 2.6%     | 11,864 | 5.8%     |
| 2002            | 12,143 | 6.5%     | 12,562 | 9.5%     | 12,649 | 8.3%     | 12,808 | 8.0%     |
| 2003            | 12,888 | 0.0%     | 13,020 | 0.0%     | 13,502 | 0.0%     | 13,610 | 6.3%     |
| 2004            | 13,949 | 8.2%     | 14,174 | 8.9%     | 13,874 | 2.8%     | 14,128 | 3.8%     |
| 2005            | 14,032 | 0.6%     | 13,951 | -1.6%    | 14,279 | 2.9%     | 14,173 | 0.3%     |
| 2006            | 14,278 | 1.8%     | 14,725 | 5.6%     | 14,451 | 1.2%     | 14,506 | 2.4%     |
| 2007            | 14,496 | 1.5%     | 14,177 | -3.7%    | 14,391 | -0.4%    | 14,418 | -0.6%    |
| 2008            | 14,755 | 1.8%     | 14,915 | 5.2%     | 14,707 | 2.2%     | 14,434 | 0.1%     |
| 2009            | 14,143 | -4.2%    | 13,909 | -6.7%    | 14,052 | -4.5%    | 13,958 | -3.3%    |
| 2010            | 13,976 | -1.2%    | 14,512 | 4.3%     | 14,084 | 0.2%     | 14,015 | 0.4%     |
| 2011            | 13,928 | -0.3%    | 13,293 | -8.4%    | 13,598 | -3.5%    | 13,552 | -3.3%    |
| 2012            | 13,646 | -2.0%    | 13,409 | 0.9%     | 13,169 | -3.2%    | 12,866 | -5.1%    |
| 2013            | 12,875 | -5.7%    | 12,757 | -4.9%    | 13,161 | -0.1%    | 13,308 | 3.4%     |
| 2014            | 13,248 | 2.9%     | 13,742 | 7.7%     | 13,475 | 2.4%     | 13,553 | 1.8%     |
| 2015            | 13,578 | 2.5%     | 13,345 | -2.9%    | 13,688 | 1.6%     | 13,740 | 1.4%     |
| 2016            | 13,694 | 0.9%     | 13,873 | 4.0%     | 13,756 | 0.5%     | 13,790 | 0.4%     |
| 2017            | 14,070 | 2.8%     | 14,146 | 2.0%     | 14,139 | 2.8%     | 14,280 | 3.6%     |
| 2018            | 14,264 | 1.4%     | 14,570 | 3.0%     | 14,791 | 4.6%     | 14,953 | 4.7%     |
| 2019            | 15,059 | 5.6%     | 14,987 | 2.9%     | 15,216 | 2.9%     | 15,352 | 2.7%     |