

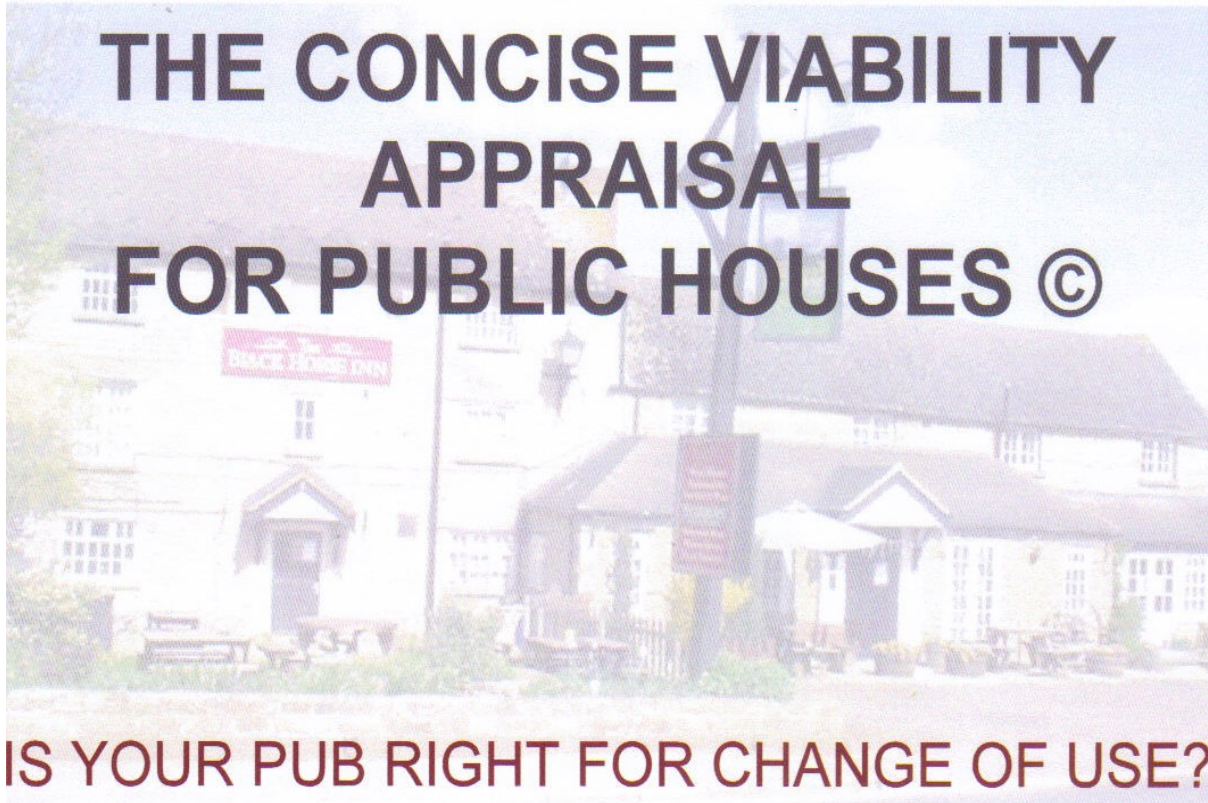
# LICENSED PROPERTY ANALYSTS

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## THE CONCISE VIABILITY APPRAISAL FOR PUBLIC HOUSES ©

IS YOUR PUB RIGHT FOR CHANGE OF USE?

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## **THE CONCISE VIABILITY APPRAISAL FOR PUBLIC HOUSES © (CVA)**

### *The fairest method of judging viability*

#### **INTRODUCTION**

This guidance is provided by a professional licensee and, more latterly, pub agent with over 40 years experience in the industry. Unlike other viability tests to which, it is claimed, planning committees often refer when considering a change of use application for a public house, this paper is devised so as to consider all aspects and not just the single view that the pub should not be lost forever.

Every case should be judged on its own merits and if there is a serious doubt behind the reasoning for change of use then, of course, the application should be rejected. There is every reason to preserve our heritage especially our pubs which are envied by the world and unique to our country. However, the fact is that many parts of the country are “over-pubbed” and generally habits have changed and a new generation sets the trend.

#### **STATE OF THE INDUSTRY**

The industry has recently experienced dramatic change, much of which has been by compulsory legislation beyond the control of landlords and freeholders. In fact, it can probably be said that in this respect the industry has recently been poorly represented by the various licensed trade bodies. Duty on alcohol has risen an eye-watering 26% during the last 5 years with further increases likely and VAT increases to 20% in January 2011. There is talk of a minimum pricing structure based on units of alcohol which will help the on-trade with regard to the current supermarket trend of selling at cost or below but will probably remove the ability of pubs to compete. At the time of the smoking ban, pubs with no outdoor facilities were most badly affected but these have mostly been sold off and developed by now with a few being packaged and disposed of to equity firms. The red tape endured by licensees at the sharp end has weighed down their ability to remain consistently hands-on with many publicans spending unprecedented amounts of time in the office and carrying out risk assessments.

#### **STILL TOO MANY PUBS?**

Taking everything into account, the industry has become less attractive to new entrants and the result is that the quality of operators has decreased which, when combined with a tied lease and top-heavy rent, can result in rapid failure of the business. These failures are sometimes down to a lack of training by the pub companies and spasmodic supervision and support from overworked business development managers (BDM's). It is relevant to note that the vast majority of closed pubs which are subject to change of use applications are owned by a pub company. There usually has been a lack of investment by the freeholder for many years resulting in what is known as “revolving doors” syndrome created when there is a succession of tenants passing through the business.

There are situations where a cull of pubs in certain areas is sometimes necessary simply to preserve other outlets which may also be under pressure because there are too many pubs competing for too few customers in a deprived community. On the other hand, there are also examples of perfectly good pubs which stand unopposed in rural areas being closed thus depriving the local residents of an important amenity. Such cases require special consideration and a compromise may be the only route whereby the pub remains and part of the land is developed into housing, for example, thus enabling the owner of the pub to regenerate the business.

## **HOW DOES THE PLANNING COMMITTEE DECIDE?**

For the planning committee to be informed by the officer or inspector that the pub in question would survive “if there were experienced and competent operators at the helm” is not always relevant. Quite often the subject pub has probably fallen into disrepair or is too small and there are no funds available from the freeholder to invest. Quality licensees, being thin on the ground, have a huge choice of opportunities within today’s market place and they are unlikely to speculate by taking a pub which has already failed or is in a decrepit condition even though it may have once been successful. Consequently, when calculating the fair maintainable trade (FMT) for the particular business it is fair to say that the calibre of tenant would probably be well below average and therefore the projected turnover will be a good deal lower than for a pub which is in fine shape and already trading.

On the other hand, a change-of-use application should primarily demonstrate that the pub is unviable. If the planning officer demonstrates to the committee that there is an overriding intention for the freeholder to profit from the development of the property without showing any consideration for the local community’s needs , then the application will undoubtedly be doomed to failure.

The planning committee will be intent on keeping the public house alive as such and it is essential that the application’s supporting evidence (i.e. the viability report and business appraisal) closely examines all the relevant local issues as well as national ones currently associated with the licensed leisure industry.

The following concise method of appraising the viability of a public house has been instrumental in gaining approval for many applications throughout the country. The test is constructed so as to encourage the planners into looking at the application from all aspects and reasoning with the logic of the report rather than the temptation of just flipping through it and automatically recommending refusal.

## THE CONCISE VIABILITY APPRAISAL FOR PUBLIC HOUSES © MANUAL QUICK CALCULATOR (see website for automatic version)

NAME OF PROPERTY: .....

ADDRESS: .....

.....

POSTCODE: .....

PARISH COUNCIL: .....

DISTRICT COUNCIL: .....

COUNTY COUNCIL: .....

IS THE PROPERTY IN A RURAL OR URBAN LOCATION? (please scroll or turn to appropriate section)

### A. RURAL PUBS

Where is the property situated:- (Tick **ONE** only) Points

- |    |   |                          |   |
|----|---|--------------------------|---|
| 1. | In a village                                |                          |   |
|    | a) of more than 50 dwellings?               | <input type="checkbox"/> | 6 |
|    | b) of less than 50 dwellings?               | <input type="checkbox"/> | 4 |
|    | c) it stands alone and is a destination pub | <input type="checkbox"/> | 2 |
|    | <b>Maximum score: 6 points</b>              |                          |   |

- |    |  |                              |   |
|----|--|------------------------------|---|
| 2. | What other community facilities are there? |                              |   |
|    |  | (Tick <b>ALL</b> that apply) |   |
|    | a) Village Hall                            | <input type="checkbox"/>     | 4 |
|    | b) School                                  | <input type="checkbox"/>     | 2 |
|    | c) Toddlers' Nursery                       | <input type="checkbox"/>     | 1 |
|    | d) Church                                  | <input type="checkbox"/>     | 1 |
|    | e) Sporting facilities                     | <input type="checkbox"/>     | 1 |
|    | f) Garage                                  | <input type="checkbox"/>     | 1 |
|    | g) Post office                             | <input type="checkbox"/>     | 4 |
|    | h) Shop                                    | <input type="checkbox"/>     | 4 |
|    | i) At least one other pub                  | <input type="checkbox"/>     | 6 |
|    | j) No facilities                           | <input type="checkbox"/>     | 0 |
|    | <b>Maximum score: 24 points</b>            |                              |   |

- |    |   |                          |   |
|----|---|--------------------------|---|
| 3. | As far as you are aware, what is the population of your village? (Tick <b>ONE</b> only) |                          |   |
|    | a) Below 100  | <input type="checkbox"/> | 6 |
|    | b) 100-250  | <input type="checkbox"/> | 4 |
|    | c) 250-500  | <input type="checkbox"/> | 3 |
|    | d) 500-1000   | <input type="checkbox"/> | 2 |
|    | e) 1000 +   | <input type="checkbox"/> | 1 |
|    | <b>Maximum score: 6 points</b>  |                          |   |

4. Are there any public transport services where you live? (Tick **ALL** that apply)
- |                         |                          |   |
|-------------------------|--------------------------|---|
| a) Bus stop             | <input type="checkbox"/> | 6 |
| b) Train station        | <input type="checkbox"/> | 4 |
| c) Taxi easily obtained | <input type="checkbox"/> | 2 |
| d) No public transport  | <input type="checkbox"/> | 0 |
- Maximum score: 12 points**

**THE BUSINESS\*** (Tick **ONE** profit or loss module only)

Turnover (K)	Profit (K)	Profit (K)	Profit (K)	Loss	
75-150	16-33 <input type="checkbox"/>	14-27 <input type="checkbox"/>	8-15 <input type="checkbox"/>	0 or less	<input type="checkbox"/>
150-200	33-44 <input type="checkbox"/>	27-36 <input type="checkbox"/>	15-20 <input type="checkbox"/>	0 or less	<input type="checkbox"/>
200-250	44-55 <input type="checkbox"/>	36-45 <input type="checkbox"/>	20-25 <input type="checkbox"/>	0 or less	<input type="checkbox"/>
250+	55+ <input type="checkbox"/>	45+ <input type="checkbox"/>	25+ <input type="checkbox"/>	0 or less	<input type="checkbox"/>
<b>Points</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>Maximum score: 6 points</b>

**MARKETING\*** (Tick **ONE** only)

	On Market More than <u>6 months</u>	On Market Less than <u>6 months</u>	Not on <u>the Market</u>	
Tick Box	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Points</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>Maximum score: 6 points</b>

**\*Note:** Evidence will be required in the way of trading accounts and estate agents records

**ASSESS THE CHANCES OF GAINING CHANGE-OF-USE:**

Add up the points against **ALL** your ticks in Sections A, B & C

**Note:** Sections A.2 & A.4 are the only ones where you may have **more than** one tick so you will need to add all the points in each of those two sections **ONLY**.

	<b>Points Scored</b>		
Maximum Score	44-60	29-44	0-29
60			
Tick Box	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chance of success	High	Good	Tricky, but it has been done!

**IF THE PROPERTY IS CLOSED AND NOT TRADING PLEASE CALL FOR YOUR FREE APPRAISAL**

## B. URBAN PUBS

1. Where is the property situated? (Tick **ONE** only)

- |                                       |                          |   |
|---------------------------------------|--------------------------|---|
| a) On the outskirts of a town or city | <input type="checkbox"/> | 6 |
| b) On an estate                       | <input type="checkbox"/> | 2 |
| c) In the town or city centre         | <input type="checkbox"/> | 4 |

**Maximum score 6 points**

2. Are there any of the following community facilities within 500m? (Tick **ALL** that apply)

- |                                 |                          |   |
|---------------------------------|--------------------------|---|
| a) Other pubs                   | <input type="checkbox"/> | 6 |
| b) Libraries, community centres | <input type="checkbox"/> | 1 |
| c) Public halls, meeting places | <input type="checkbox"/> | 2 |
| d) Social clubs                 | <input type="checkbox"/> | 6 |
| e) Off-licences or mini-markets | <input type="checkbox"/> | 4 |
| f) Supermarkets                 | <input type="checkbox"/> | 4 |
| g) Neighbourhood watch          | <input type="checkbox"/> | 1 |

**Maximum score 24 points**

3. How long has the property been a pub? (Tick **ONE** only)

- |                        |                          |   |
|------------------------|--------------------------|---|
| a) Less than 50 years  | <input type="checkbox"/> | 6 |
| b) 50-100 years        | <input type="checkbox"/> | 4 |
| c) More than 100 years | <input type="checkbox"/> | 2 |

**Maximum score 6 points**

4. Is the property listed (Grade I or II)? (Tick **ONE** only)

- |        |                          |   |
|--------|--------------------------|---|
| a) Yes | <input type="checkbox"/> | 2 |
| b) No  | <input type="checkbox"/> | 6 |

**Maximum score 6 points**

5. Have you applied for Change-of-Use before? (Tick **ONE** only)

- |        |                          |   |
|--------|--------------------------|---|
| a) Yes | <input type="checkbox"/> | 2 |
| b) No  | <input type="checkbox"/> | 6 |

**Maximum score 6 points**

**Please continue overleaf**

**THE BUSINESS\*** (Tick **ONE** profit or loss module only)

Turnover (K)	Profit	Profit	Profit	Loss	
75-150	16-33 <input type="checkbox"/>	14-27 <input type="checkbox"/>	8-15 <input type="checkbox"/>	0 or less	<input type="checkbox"/>
150-200	33-44 <input type="checkbox"/>	27-36 <input type="checkbox"/>	15-20 <input type="checkbox"/>	0 or less	<input type="checkbox"/>
200-250	44-55 <input type="checkbox"/>	36-45 <input type="checkbox"/>	20-25 <input type="checkbox"/>	0 or less	<input type="checkbox"/>
250+	55+ <input type="checkbox"/>	45+ <input type="checkbox"/>	25+ <input type="checkbox"/>	0 or less	<input type="checkbox"/>
<b>Points</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>Maximum score: 6</b>

**STYLE OF TRADING**

1. Is your business:- (Tick **ONE** only)

- |                               |                          |   |
|-------------------------------|--------------------------|---|
| a) Wet led                    | <input type="checkbox"/> | 4 |
| b) Food led                   | <input type="checkbox"/> | 2 |
| c) Approximately 50/50        | <input type="checkbox"/> | 6 |
| <b>Maximum score 6 points</b> |                          |   |

**MARKETING\*** (Tick **ONE** only)

	On Market More than <u>6 months</u>	On Market Less than <u>6 months</u>	Not on <u>the Market</u>	
Tick Box	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Points</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>Maximum score: 6 points</b>

**\*Note:** Evidence will be required in the way of trading accounts and estate agents records

**ASSESS THE CHANCES OF GAINING CHANGE-OF-USE:**

Add up the points against **ALL** your ticks in Sections A, B & C

**Note:** Sections A.2 & A.4 are the only ones where you may have **more than** one tick so you will need to add all the points in each of those two sections **ONLY**.

	<b>Points Scored</b>		
Maximum Score	50-66	33-50	0-33
66			
Tick Box	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chance of success	High	Good	Tricky, but it has been done!

**IF THE PROPERTY IS CLOSED AND NOT TRADING PLEASE CALL FOR YOUR FREE APPRAISAL**



**The following statements and questions form the basis of our viability appraisal:-**

**THE NEXT STEP**

Now that you have an approximate idea of your chances in gaining a change-of-use, our report will need to make some further clear statements.

You do not need to answer all the following points now. We will cover everything in the main report and provide you with a list of everything we need.

**THE PROPERTY:- (please provide a copy of the agent's details if appropriate)**

What is the full description of the building's facilities and its grounds as a public house?

Is the subject property of historic interest i.e. is the building protected?

Is the site within a conservation area?

Would you describe the site as green field or brown field?

Where is the site in relation to the local Town & Country Planning policy?

Have there been any planning applications in relation to the site within the last 5 years?

Where does the site stand in relation to PPS7 of the current English Government Guidance: Sustainable Development in Rural Areas?

PPS6 may also apply (community's access to services).

Where does the site stand in relation to the appropriate policy within the District Local Plan?

1. Re-use of rural buildings
2. Retention of community facilities

Is the pub owned by:-

1. A private individual who operates the business
2. Private landlord who rents out the property
3. Regional brewer
4. Pub company
5. Other (please define)

**THE BUSINESS:-**

Is the business trading or has it closed, if so, when?

Approximately how many times has the business changed hands in the last 10 years i.e. different licensees?

What is the trading style of the pub?

1. Serves mainly drinks
2. Serves mainly food
3. Serves some of each. If so, what is the approximate split?

4. Entertainment venue
5. Sports and pub games venue i.e. Sky TV; skittles; darts etc

What is the niche market for the subject site (i.e. music, food, real ale, chameleon)?

Is the pub open all day? If not, what are the normal trading hours?

Has the pub traded successfully in the past? If so, when?

Have you carried out any major alterations within the last 3 years?

Please provide 3 years' certified trading accounts (re-constituted)

Do you have any historical accounts from previous owners? (if appropriate)

What is the barrelage? (36 galls)

What is the split? (Wet/Dry/Accommodation)

What is the Fair Maintainable Trade (FMT) of the business?

How is an "average operator" defined within the appraisal?

What is the market rent for the business (if the property is tenanted) and how is it calculated?

What are the likely reasons for the pub's failure (if the pub is closed)?

If there are other pubs within ½ mile, how do they compare and, if appropriate, why are they successful?

**IF THE PUB AND SITE HAS RECENTLY BEEN SOLD OR HAS FAILED TO SELL:-**

How long was the property on the market?

Was it advertised as a going concern?

Was it advertised as a development site?

What was the asking price?

Please ask the agent to provide records of enquiries they have received for your property.

What is the true market price of the property?

**NATIONAL STATISTICS:-**

National trends for the consumption of alcohol and visits to licensed premises – apply to the subject property.

What is the current state of the industry?

## SUMMARY:-

Within the professional appraisal can we say that the pub is viable?

Would the environment and lives of the community be greatly affected by the cessation of the business?

Could the business of a public house be replaced by a different retail facility or the building adapted to provide an amenity such as play group, community centre etc?

Would it be appropriate to consider a mixed residential development for the site? This might mean keeping the pub trading if the site is large enough.

Should the application be rejected and the building allowed to deteriorate?

## CONCLUSION:-

It's a difficult decision and a sensitive subject when it comes to judging if a pub should remain open or be allowed to close. There are so many outside factors and pressures to consider. It's important to have been presented with all the evidence so that a rational conclusion can be arrived at.

1. Are the local residents going to be satisfied with the planners' decision?
2. Have all the alternatives and options been outlined to the parish council?
3. Is the decision going to be the right one for the community as a whole?
4. Can one really expect the pub company, brewery or owners of the business to continue absorbing a financial loss?
5. Are there really any funds available from the owners to improve the facilities of the pub?
6. The government are suggesting that the local community has an opportunity to purchase and operate the site – is this a viable proposal in itself? Where will the funds come from? Who will run the business and why should it be successful where all other efforts have failed? (Community purchasing proposals have recently been shelved)
7. Can the site survive if there is a mixed development which retains the public house?

We suggest that there is a life for a site rather than leaving it closed or in rapid decline with no decision taken. Do you want the building to end up like this?



OR THIS



Much of the decision relies on having expert advice which is relevant to the application and also gives an unbiased view of the industry as a whole. Some of our reports come out against the application as we too are committed to the future of the "great English pub" and there should not

be deliberate profiteering allowed. However, half-hearted applications with the old “unviable” aspect in themselves are no longer acceptable.

The Concise Viability Appraisal for Public Houses poses all the points which need addressing, and which are briefly outlined in this presentation, so that planning committees have a uniform yardstick from which to fairly judge all the options which are available.

We appreciate that planners are committed to the well being of the environment and the community when making key decisions. In order to make this procedure positive everyone really does need to possess confidence which can only come with the concise evidence laid before them.

The Concise Viability Appraisal for Public Houses is available to applicants looking for change of use of such premises. We are suggesting that applications for the change of use of a public house would carry more weight if accompanied by our report thus enabling the various parties to arrive at a confident, well informed and unbiased decision.

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