

Survey of Pub Prices

December 2000

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Fleurets
Established circa 1820
Chartered Surveyors
Hotel and Licensed Property Valuers
www.fleurets.com

Prices Achieved in 12 Months to 30th September 2000

We are pleased to set out **FLEURETS** analysis of the pubs sold in the year to September 2000. We have compared this to our annual results for the past seven years and particularly changes compared to the previous 12 months to 30/9/99. The last three years has seen relatively boom years in terms of pub prices after the doldrums of the recession of the early nineties. We reproduce this in both graph and commentary form.

It must be stressed that the result is not a measured change in value of particular units so it is not a true indication of valuation trends. It is however a true measure of the sort of public houses that have been on the market and **prices**

actually achieved – not someone's opinion of what they ought to be worth.

We divide the market into three sections.

Private Freehold Disposals (which also include long leases). These are the pubs sold with the benefit of proven accounts and can sometimes include the disposal of brewers managed houses (e.g. in 1998 we sold 40 Beefeaters for Whitbreads with the benefit of accounts and in this year our Midlands office particularly has sold many brewers managed houses).

Freehold pubs (including long leases at nominal rents) that are sold without the benefit of proven accounts. For ease of description we

call these "Brewery Disposals" although they may include disposals by Pub Cos and Receivers.

Finally we deal with leases which, in the main are leases of under twenty years at rack rents, both tied and free. This section also includes a few longer leases where the rent is more than a ground rent.

Secondly, we divide the market into six regions being London, Midlands, North, South, East and West. Finally, we provide two figures for each type of disposal and region. The first is a simple average price achieved. The second is more subjective in that the price is analysed as a multiple of Fair Maintainable Trade. In this case the negotiator handling the

sale, estimates the Fair Maintainable Trade of each property sold using his judgement as well as proven accounts (where available).

This year for the first time we have changed our graphs to make them easier to follow. We have produced two graphs for each of the regions and to represent the National Picture (14 graphs in all). Each graph shows Private Freehold Disposals; Brewery Disposals and Leasehold Disposals for the region concerned. Half of the graphs show actual prices. The other half show prices as a multiple of FMT (Fair Maintainable Trade).

If you are interested in one or two particular regions of the country you will find this publication easier to follow.

The National Picture

Private Freehold Sales

The average price of a Freehold Freehouse sold by **FLEURETS** in 12 months to 30th September 2000 was £363,149. This is a staggering 41% increase on the average price achieved in the previous 12 months. It can however be influenced by the type of properties sold in each year.

A more important and telling statistic is a comparison of price to turnover. In this case,

prices are up from 1.30 times turnover to 1.42 times turnover – an increase of 9%.

No matter how this is considered, it reflects the very strong current market.

It will be seen from the graphs that average prices achieved vary quite strongly going up and down year by year. However, only in the year to September 1998 has the average value of pubs sold by **FLEURETS** been higher. 2000 has also seen the **number** of pubs sold by

FLEURETS increase substantially (see page 3).

The average price to turnover multiple tells a different story with the figure falling from over 1.4 times turnover in 1993 and 1994 to around 1.35 times turnover for the past five years. The current figures (1.42 times) sees a restoration to historically average levels for the first time since 1994.

The price picture across the country is quite mixed with the biggest increases being

seen in the South and Midlands and virtually no increases being recorded in the North and the West.

Most areas show good growth in the multiple of price to turnover with only East and South showing no growth.

Brewery Disposals

Again, the average value has risen dramatically by 36%

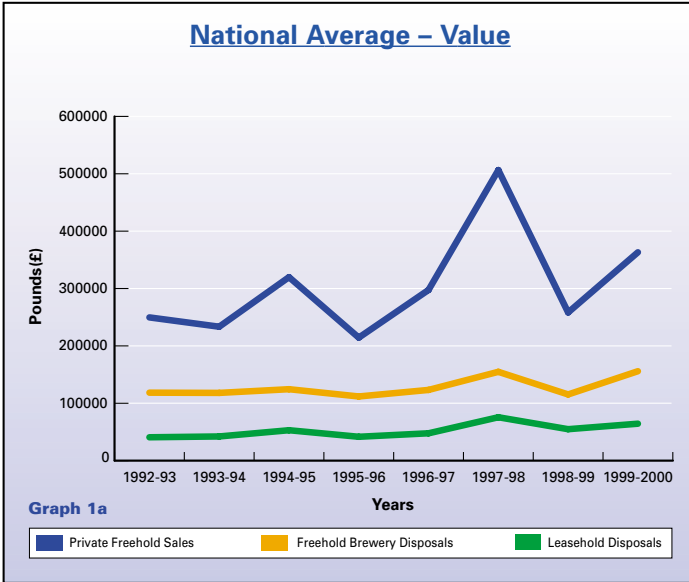
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Leasehold Disposals

from £115,000 to £156,000. As no trade figures are represented in brewery

Again, the average price, across the country has risen strongly by 17½% to £64,383,

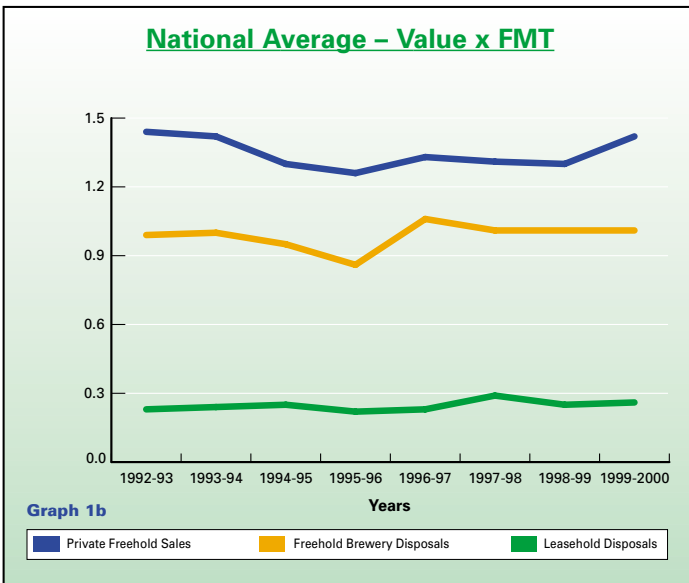


disposals, this reflects the strong underlying growth in property values. Some brewery disposals have achieved very high prices for alternative use value – thereby pushing up the average figure. The multiple of price to estimated potential turnover has grown by a far more modest 2% but it is still the second highest multiple shown since **FLEURETS** began these statistics in 1992/93 (1.01 x FMT).

but the average price has only risen from 25% to 26% of turnover indicating that average turnover has risen by approx 13½% in the past 12 months.

The picture across the regions is quite varied with prices rising most in the East and the Midlands, whilst actually falling in the South and the West.

Multiples range from 20% of turnover in the North to 29/30% in the East and London.



FLEURETS have been taking very seriously the current spate of rent reviews on a very large number of new, town centre, super pubs.

No fewer than four additional experienced Chartered Surveyors have been appointed in the last few months to help deal with the expanded volume of business.

In London Stuart Parsons ARICS has joined from Punch Pub Company after 15 years of experience as an Estate

ARICS who joins us after two years within the estates team of Scottish & Newcastle. There he was responsible for both managed houses in the South, including, Old Orleans, Chef and Brewer, Millers Kitchen, Country Carvery and De Alto's, and also the leased pub estate in the Midlands and the South West.

In the North David Sutcliffe ARICS has been appointed as Senior Associate in charge of Fleurets Manchester office. He will deal with rent reviews



Photograph shows (standing) Stuart Parsons, John Lunham, David Sutcliffe, Simon Hall and (sitting) Bill Graham, Lesley Watmough and Paul Newby.

Manager with Allied Domecq, first with Taylor Walker in London, then with Vanguard Pubs and Restaurants across the entire South East. Stuart was responsible for rent reviews of both the managed estate, including Scruffy Murphys, Firkin and Nicholsons, and also leased pubs including brands such as Jim Thompsons.

Graeme Bunn ARICS has been with **FLEURETS** since March 2000. He was formerly a member of the A1/A3 rent review team at a major West End firm. He has recently acted successfully against Wetherspools in Soho and for City Centre Restaurants in Chiswick.

The third new recruit in London is Paul Hardwick

and other professional work across the North West and also in North Wales. David was 11 years with Greenalls, latterly as Portfolio Manager.

These new recruits bring a wealth and breadth of experience which adds considerably to **FLEURETS** existing team. In London, Directors Barry Gillham FRICS MCI Arb, John Nicholl FRICS, Bill Graham FRICS and Martin Willis FRICS have a total of over 100 years licensed property experience between them.

Barry has recently dealt with the Punch & Judy and Bad Bobs, both in Covent Garden, with a combined rent roll of nearly £700,000 p.a. (an increase of 59% over five years). Bill works nationwide

High Street Rent Specialists

for various high street branded super pub operators. Martin is a specialist 'smaller company' man and prides himself on the depth of advice given to companies without the advantage of a dedicated Estates Director. John acts for a number of the traditional estates and property companies in the West End and City of London.

Janet Methven, who recently graduated from Oxford Brookes University, provides professional back up to the London Directors. The London team deals with rent reviews across the South East from Norwich to Southampton.

In the West and South Wales, Neil Edwards ARICS has recently moved to take charge of the **FLEURETS** Bristol office. Neil has been with **FLEURETS** since 1989 and worked primarily for Martin Willis and Bill Graham as part of the London professional team until 1996. He then had a spell of three years in charge of **FLEURETS** Manchester office.

Also dealing with rent reviews in the West Country is Chris Irving ARICS. Chris has 11 years experience of licensed property in the South West. Having joined **FLEURETS** from the licensed division of an Oxford based firm of Chartered Surveyors and previously worked for four years for Grand Metropolitan Estates.

Director Paul Newby FRICS MCI Arb has been a corner pin of the Midlands licensed property market for 20 years, the past 10 years in charge of **FLEURETS** Birmingham office. Britain's number two city (although Manchester disputes this title) has seen a bigger explosion of new bars than anywhere else and Paul is in the thick of the action. Recent reviews of major outlets have



(Standing) Neil Edwards, John Nicholl, Martin Willis and (sitting) Barry Gillham.

been dealt with for three of the corporate operators at the Waters Edge, Brindley Place, Birmingham and other work is ongoing in the City Centre for Yates Wine Lodges, Scottish and Newcastle Retail, Punch Pub Company and The Wolverhampton and Dudley Brewers Plc. From the Birmingham office Paul works across the region and this year has had rent review instructions from Stoke-on-Trent to Grantham and from Stratford Upon Avon to Nottingham.

Paul has two Chartered Surveyors working with him in Birmingham, Andy Tudor ARICS and Steve Rodell ARICS. (Steve is another product of **FLEURETS** London Directors 'training school' having worked for two years for Barry Gillham.) However the Midlands market is so busy that Paul is currently aiming to recruit a further experienced A3 surveyor to deal with professional work including valuations and rent reviews. If you know of anyone suitable for this position please contact Paul

for a confidential discussion.

John Lunham FRICS is the Senior Associate in charge of **FLEURETS** Leeds office. He has 25 years of experience of dealing with rent reviews across the North of England. He was John Smith's Senior Estates man for several years before joining **FLEURETS** in 1987. Like Barry Gillham and John Nicholl, John is regularly called upon by the President of the RICS to act as Arbitrator or Independent Expert in the settlement of rent disputes of all kinds of



Graeme Bunn, Janet Methven and Paul Hardwick.

licensed property. The Northern Team of Licensed Property Specialist Surveyors is completed by Simon Hall ARICS who was two years with a specialist Licensed Property

firm in York before joining **FLEURETS** in 1997. In Manchester, Lesley Watmough MSc ARICS has been with **FLEURETS** since 1994. She was previously with an international firm of Chartered Surveyors based in the City of London.

Teaching Us & You

With the speed of change it is important to keep up to date. Directors Bill Graham and Paul Newby recently made presentations on the current high street rent scene to the Henry Stewart Conference, September 2000 and also to a Manchester seminar jointly hosted by Solicitors Panone & Partners and Planning Consultants Higham and Co. Around 200 delegates attended these two conferences. **FLEURETS** also held two internal training days and the photographs show the teams described in this article.

The Global Picture

In 1999/2000 **FLEURETS** sold 360 public houses for a total of £73.5m. Lettings accounted for a further 70 giving a total of 430 deals done in the year.

Sales and letting income contributed 53% to **FLEURETS** total turnover of £4.6m.

In addition **FLEURETS** professional business (valuations and rent reviews in the main) is expected to grow significantly over the next couple of years and **FLEURETS** have geared up with the expansion of offices and the recruitment of further experienced members of staff.

Around The Regions

East

Private Freehold Sales

Average price of £227,018 is up nearly 12% on the 1999 average of £203,175 and is substantially higher than every year since **FLEURETS** began their statistics in 1993 (with the sole exception of 1998 where some Beefeater sales distorted the picture). Excluding top and bottom quartiles pubs can generally be found for £133,500 to £275,000.

In terms of multiple of price to turnover, the average has been fairly steady since 1994/95 and is currently 1.21. In general, pubs are selling for between once times

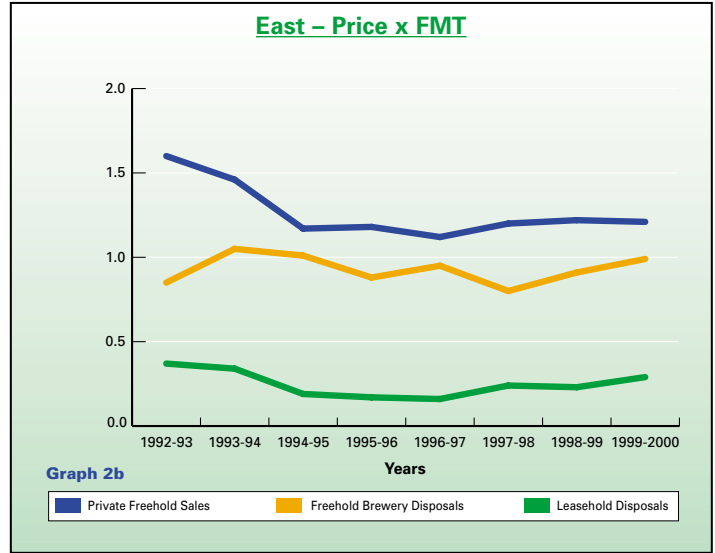
average for the past eight years. It is £17,657 more than in any previous year.

Excluding top and bottom prices, most brewery disposals were sold for £80/120,000.

In terms of multiple to turnover, the price is virtually spot on once times FMT, which is a little above the past four years and 6% above the average for the past eight years.

Leases

The average value of leasehold disposals jumped dramatically from £42,000 to £73,381. Steady increases have been shown since



Graph 2b

London

Private Freehold Sales

Our London area includes the Homes Counties, Thames Valley, Beds and Northants. The average price achieved was £427,559. This is up nearly 16% on 1999 figures and up £101,173 on the average since 1993. Only in 1998 has **FLEURETS** achieved higher average values.

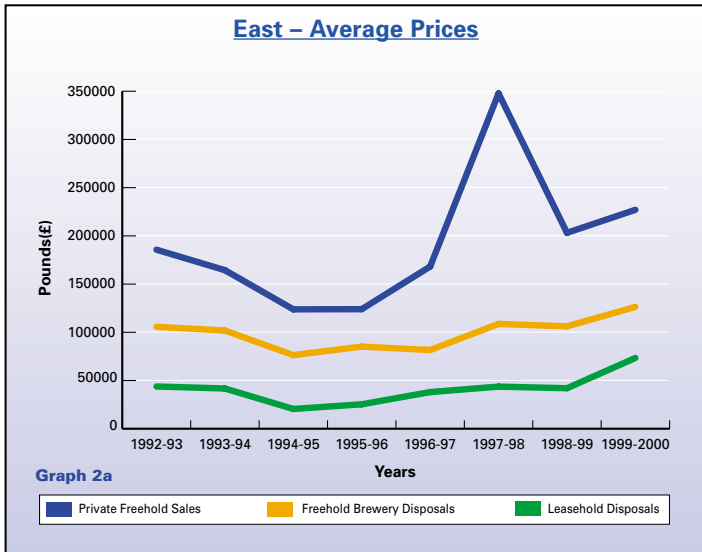
Interestingly, no spectacularly high figures were achieved in the past 12 months and most pubs have been sold for

between £325,000 and £500,000.

The multiple to FMT was 1.60 which is also up 14% on last year and up 22% on the average for the past eight years. A multiple of 1.60 is back at the average levels that have been achieved historically (i.e., before the early 90s collapse in the market, generally the multiple was in the region of 1.5 to 1.75 times turnover).

Brewery Disposals

There have been very few brewery disposals in the



Graph 2a

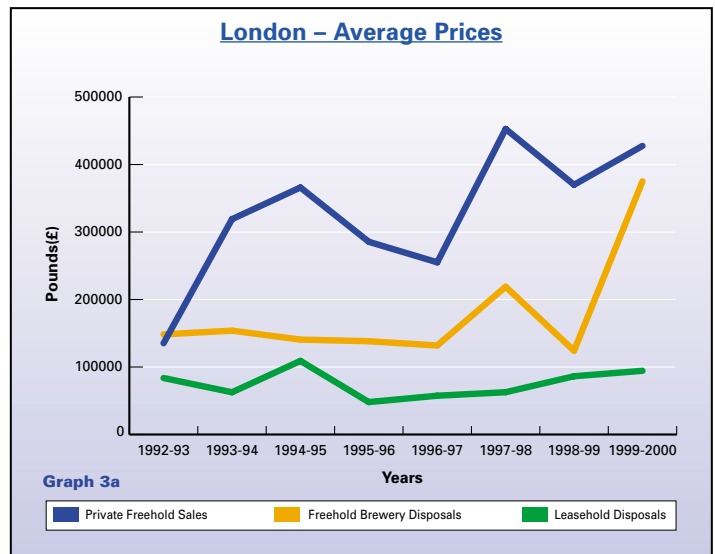
turnover and 1.3 times turnover dependent upon location and attractiveness.

Brewery Disposals

FLEURETS continue to sell a substantial number of pubs without the benefit of trade figures and often in a fairly run down condition. The average value of £126,357 is up no less than 19% on 1999 and is 28% higher than the

averages of only £20,000 in 1995. The average is distorted by a few leases selling for very high prices and the mid price has been the range of £35,000 to £95,000.

The average multiple to turnover at 29% is again well up on the past few years, with most leases selling for between 20% and 30% of turnover.



Graph 3a

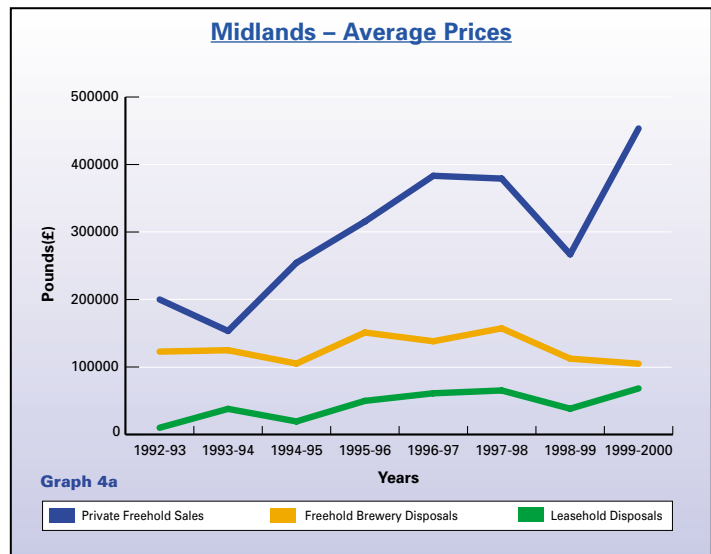
London area and those that have been sold have been good properties with an average FMT of £375,000. Not surprisingly, the average price of £375,000 is well above usual and is thought not to be representative of the market as a whole or by comparison with earlier years.

Leases

The leasehold market in London continues to get busier each year and the average price continues to rise. This year, the average

price of a leasehold assignment dealt with by **FLEURETS** London office was £94,359. This is up 9% on last year and up £18,841 on the average for the past few years.

Interestingly, the average multiple to turnover remains fairly steady at 30% (it has been 28/33/35% over the past three years) which indicates that the turnover of leasehold disposals being dealt with by **FLEURETS** London office must be improving by around 10% on previous years.



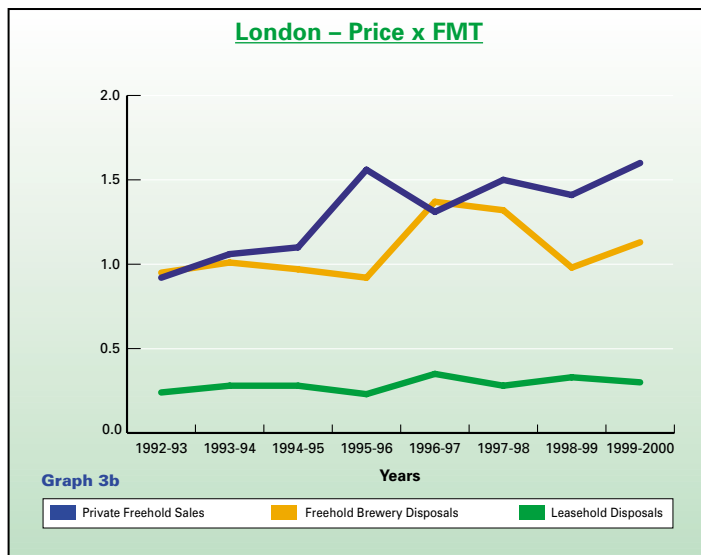
Graph 4a

£150/275,000, whilst the bottom quartile has sold for £35/70,000. There would appear to have been something for every one in **FLEURETS** Midlands disposals in 2000.

Average price of FMT is well up at 0.99 compared to an

1999 (which we last year described as a statistical blip) and the average of £43,726 over the past eight years.

Most leases in the Midlands sold for £50/75,000. The average price achieved represented 24% of turnover which is up on the eight year



Graph 3b

Midlands Private Freehold Sales

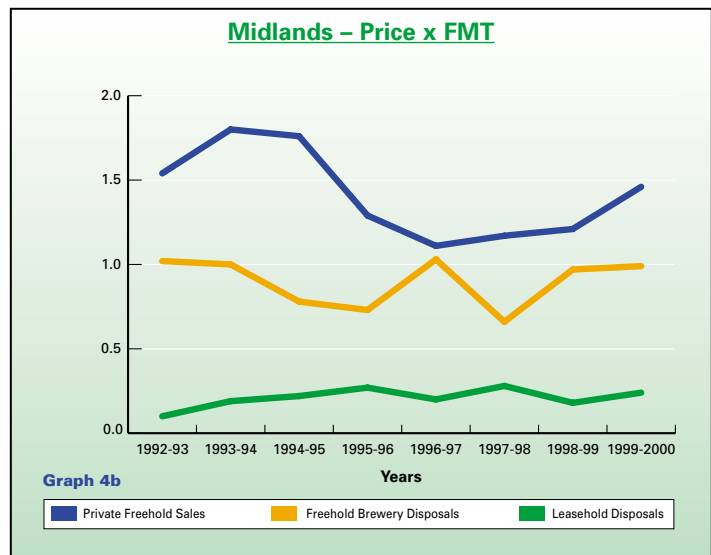
The Midlands office of **FLEURETS** consistently deals with some good private freehold disposals. 2000 has been no exception with a high volume of instructions selling for an average price of £453,389 which is up 70% on levels achieved in 1999. It is also up £153,645 (51%) on the average since 1993. This years disposals have included some brewery managed houses, two sales at over £1million and one at over £2million. If the extremes are eliminated, the average

disposal price has been £200/500,000.

The multiple of FMT @ 1.46 reflects the quality of many of the properties sold and is higher than for any year since 1993/1994/1995. Whilst being up on the past four years it is close to the average for the past eight years.

Brewery Disposals

As in London, there have been some good quality brewery disposals in the Midlands. Whilst the average price has been only £104,857, this conceals a very wide band of prices. The top quartile has sold for between



Graph 4b

average of 0.90 over the past eight years, but is now in line with the National average.

Leases

The price of a Leasehold assignment in **FLEURETS** Midlands region was £68,222 which is well up on the very low figure of £38,000 for

average as well as 1999. Most leases in the Midlands sold for 14%/29% of turnover.

The average sales price was 24% of turnover which is in line with the National average of 25%. (The poor year in 1998 recorded sales at only 18% FMT.)

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North

Private Freehold Sales

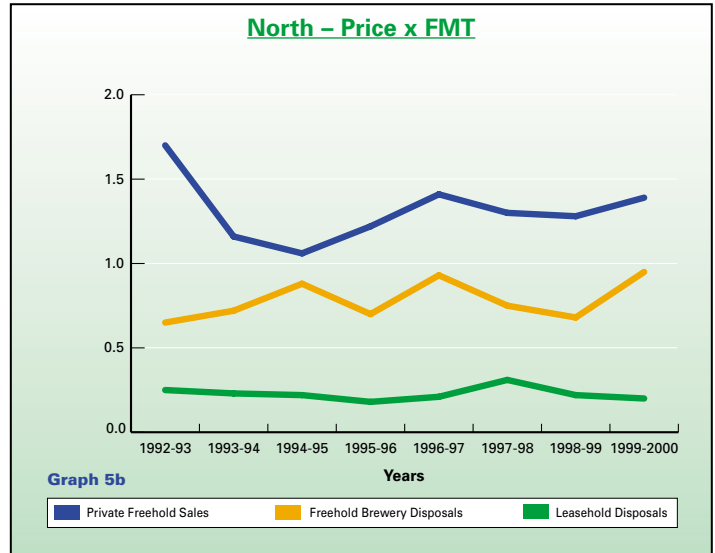
The North is one of only two regions (the other is the West) where the FLEURETS statistics do not show a substantial increase in the price of private freehold pubs sold.

The average price crept up from £235,520 to £236,219 which in itself is below the average of £270,000 for the past eight years.

Brewery Disposals

Again there have been fairly large numbers of disposals of pubs sold without the benefit of proven accounts. The average value of £100,587 is close to the average for the past eight years but this has been a volatile figure alternating between £150,000 in the best two years and under £60,000 in the worst two years.

The average price to FMT has also varied widely between 0.65 and 0.95. This years figure of 0.95 is above all

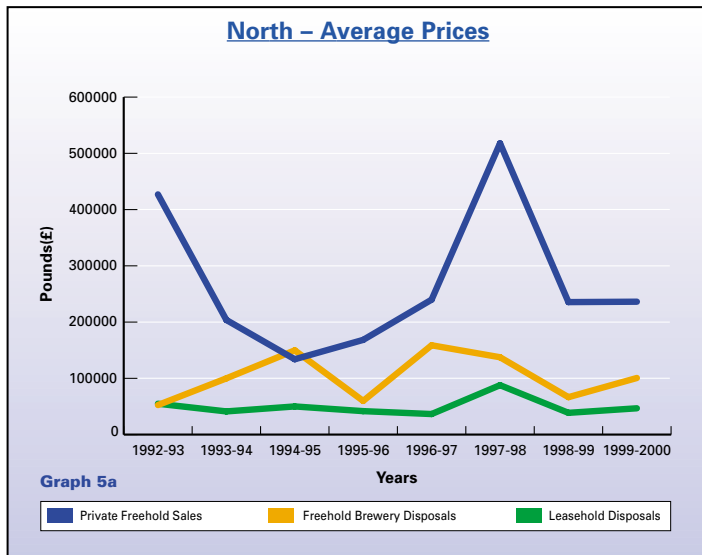


Graph 5b

a low average price, only the Midlands is worse.

Prices as a multiple of turnover have fallen for the second year running (to

20% of turnover) which again is the lowest of any region. Leases in the North must be competitively priced to sell in the current market.



Graph 5a

The average multiple to FMT however increased from 1.28 to 1.39 (up 8½%) which perhaps indicates that FLEURETS have dealt with more lower volume turnover pubs in 2000 and the statistics ought perhaps be treated with a degree of caution.

FLEURETS dealt with a large number of private disposals from their two Northern offices in Manchester and Leeds but unusually there were no really highly priced units to boost the average. Most pubs sold within a narrow band of £160/225,000.

As mentioned the multiple of FMT has only been exceeded in two of the past eight years.

previous years proving an improving general property market across the North of England and North Wales.

Leases

The leasehold assignment market in the North continues to be inhibited by the large number of leases still being offered at nil premium by the major lease companies.

Even so prices achieved by FLEURETS have increased by 21% in the past twelve months from a low point of £38,632 in 1999 to £46,732 in the past year. However one sale at £185,000 distorts the average!

Leases in the North still sell for

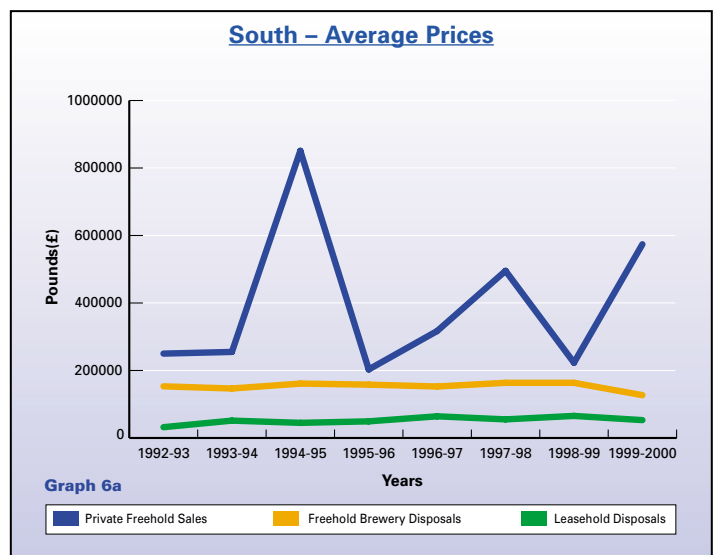
South

Private Freehold Sales

There continues to be a dearth of private freehold sales as owners hold on to successful businesses. Prices have to be high to tempt owners to sell and the average for the past 12 months has jumped to £573,958 which is above even that recorded in FLEURETS London and Home Counties regions. The price is well up

on the previous year and exceeds the eight year average by a massive 45%. Two properties have been sold for over £1m. Average of the middle range of prices is in the region of £325/560,000.

Interestingly the multiple to turnover is well down on the average for the past eight years (1.55) which indicates that several high turnover units have been sold for reasonable prices in the past year.

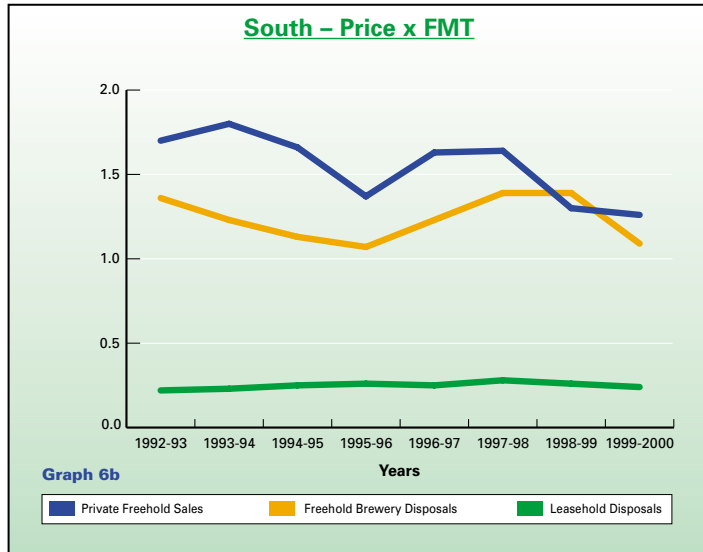


Graph 6a

Brewery Disposals

This is not a region where brewers often sell properties. Only a few were sold in 2000 and these achieved relatively low prices. A couple of very low prices and a small sample make the 2000 figures dangerous to follow. The average price over the past eight years has been over £150,000 and this probably is still a figure to be relied upon.

Similarly the multiple of FMT is not to be relied upon for 2000. Over the past eight years it has averaged 1.24.



West

Private Freehold Sales

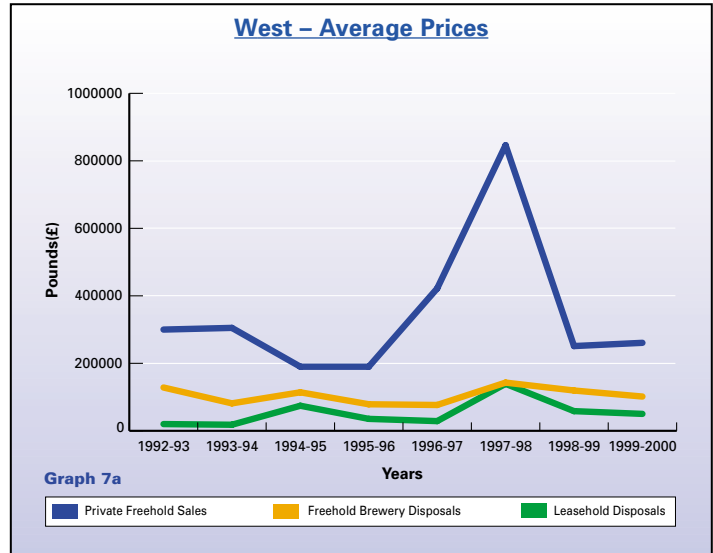
FLEURETS Bristol office also covers South Wales which means our West statistics are influenced by some of the lower prices north of the Bristol Channel.

Average Private Freehold price in 2000 was £260,750 which is up a little on the previous year but down on the eight year average which includes some quite phenomenal results for 1997/98 when we sold a few

Leases

FLEURETS Brighton office deals with a high proportion of the leasehold assignments across the South. Prices in 2000 were down a little on 1999 but close to the average for the past eight years at £52,927. It has been a fairly consistent £50/65,000 for the past five years. Most leasehold pubs in **FLEURETS** 2000 sample were sold for £35/80,000.

Again the average price to FMT at 24% was close to the average over the past eight years but is down marginally on the 25/28% achieved in the past six years.



in the West Country and South Wales. The average value at £101,550 is close to the average for the past eight years but prices have been volatile ranging from

The range in 2000 was very wide with top quartile selling for £125/280,000 and the bottom quartile being available for as little as £28/70,000.

Again an average price to FMT of 0.92 concealed a very wide range which in the mid section still varied from 0.8 to 1.1 times FMT.

The 2000 average of 0.92 is down on recent years and

also down on the average for the past eight years.

Leases

The average value of leasehold disposals was £50,167, which is down slightly on last year and on the eight year average. Prices achieved however were fairly consistent with most selling for £37/60,000.

At 27% of turnover the multiple to FMT is down a little on the past two years but up on the average for the eight year period covered by these statistics. Only in London and the East are higher multiples of price to FMT achieved.

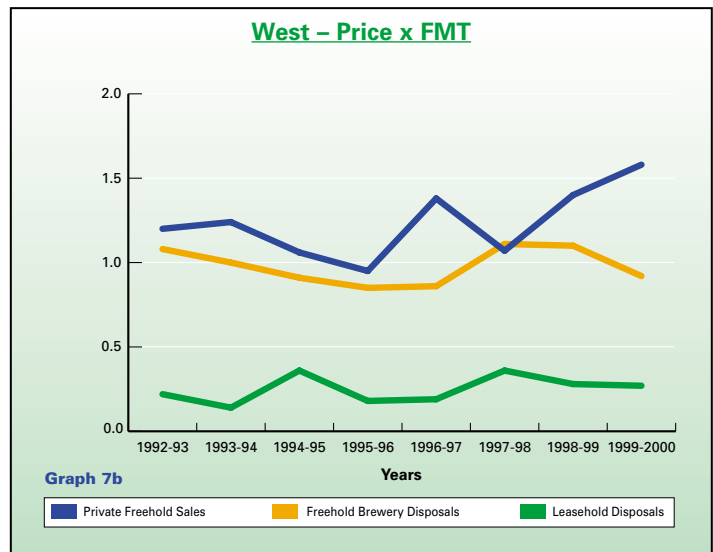
very high value freehouses.

The average multiple to turnover has jumped to 1.58 which reflects the traditional position in the West Country of high prices being paid for attractive properties but fairly low trading businesses.

Most private freehouses in **FLEURETS** West Region could be had for £160/260,000.

Brewery Disposals

The breweries continue to sell quite a number of units



COMMITMENT TO EXCELLENCE

*The philosophy of **Fleurets** is clear. The depth of our history and the strength of the current practice are beacons for our services into the future.*

The Past

- Established 175 years ago and ever since we have specialised in hotel and licensed property. Always based in Central London.

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Fleurets are the largest firm of Chartered Surveyors to specialise nationally and exclusively in the sale and valuation of public houses and hotels. To do this we have:

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- Ongoing training in professional technique with a strong tie to the commercial imperatives of our clients.
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