NOT ONLY SALES, BUT ALSO...

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.

FLEURETS are committed to the belief that independent thought and a strong sense of purpose enable our professional expertise and credibility to function for the benefit of our clients.

Since 1820, FLEURETS have strived to achieve the pre-eminent position that we now enjoy and continually endeavour to maintain and develop as a firm of specialist hotel and licensed property valuers. Valuing a diverse range of properties, including:

- Hotels
- Public Houses
- Restaurants
- Clubs
- Leisure – properties with a licence

In attaining the position as one of the top 50 commercial surveyors in the United Kingdom, FLEURETS incorporates and recognises the value of:*

- Teamwork
- Database development and Research
- Training
- Marketing

Satisfaction can also be gained in the knowledge that FLEURETS have committed staff with expertise in a multiple of disciplines:

- Sales and Acquisitions
- Lettings
- Valuation of Company Assets
- Valuing Individual Hotels and Public Houses
- Rent Reviews and Lease Renewals
- Investments
- Rating
- Compensation and Compulsory Purchase
- Auctions
- Litigation and Negligence
- Planning Enquiries
- Inventory Valuations
- Expert Witness
- Tenders
- Professional Consultancy – FLEURETS at its best

* (Source – Estates Gazette).

Fleurets

Established circa 1820

Chartered Surveyors
Hotel and
Licensed Property Valuers

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10984 Price survey 11/01 28/11/01 11:19 am Page 2

Survey of Pub Prices

December 2001

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

Prices Achieved in 12 Months to 30th September 2001

The Basis of Survey

We are pleased to set out **Fleurets** analysis of the pubs sold in the year to September 2001. We have compared this to our annual results for the past eight years and particularly changes compared to the previous twelve months to 30/9/00. The last four 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.

1. **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 the past six months we have sold groups of pubs for Fullers, Yates and Quaffins as well as a number of managed houses for various companies with the benefit of accounts.
2. **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.
3. 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).

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).

The National Picture

Private Freehold Sales

The average price of a freehold freehold sold by FLEURETS in 12 months to 30th September 2001 was £370,887.

This is 2% higher than 2000 (£363,149) and defies the gloom and doom spread daily in property and trade press. In itself this is a 40% increase from the prices achieved in 1999 and, ignoring the blip in 1998 can be seen to show steady growth over the past six years. (See graph 1a.)

Are these prices sustainable? The average price as a multiple of turnover is 1.50, an increase on 1.42 in 2000 and 1.30 in 1999 but a long way from the outrageous twice times turnover achieved in 1989. Given the generally higher net profit percentages now being achieved by pubs this reflects a multiple of around five to six times net profit which is a reasonable level given current very low borrowing costs.

Biggest price increases have been in the North where several Yates disposals at over £1m boosted the averages and in the East where average prices increased from £227,000 to £287,000. However given that prices nationwide have not increased there were corresponding falls in prices in the South, West and Midlands. London was up 7% at around £459,000.

In terms of value for money the East and the Midlands remain the areas where property can be bought for the lowest multiple of turnover (around 1.34) whilst London and the South as expected are the most expensive (at around 1.7).

Brewery Disposals

The price of "bottom end" pubs has increased substantially from £115,000 in 1999 to £156,000 last year and a current price of £177,172.

continued over

Where do buyers come from?

We have updated our statistics comparing sources of enquiry with **sources of actual buyers.**
Over 62% come from Fleurets own resources (Fleurets News/Fleurets.com/Fleurets Contact).
See page 2 for more detail.

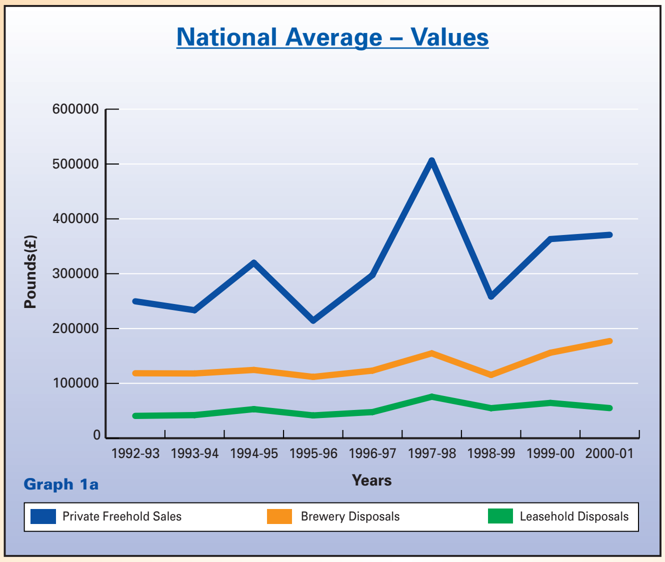
continued from page 1

Perhaps this is because of underlying increases in residential values – certainly quite a lot of surplus pubs are still being sold for alternative use.

East, it will set you back nearly £350,000 in the South.

Leasehold Disposals

The price of "second hand" leases has been affected by the huge numbers of new leases

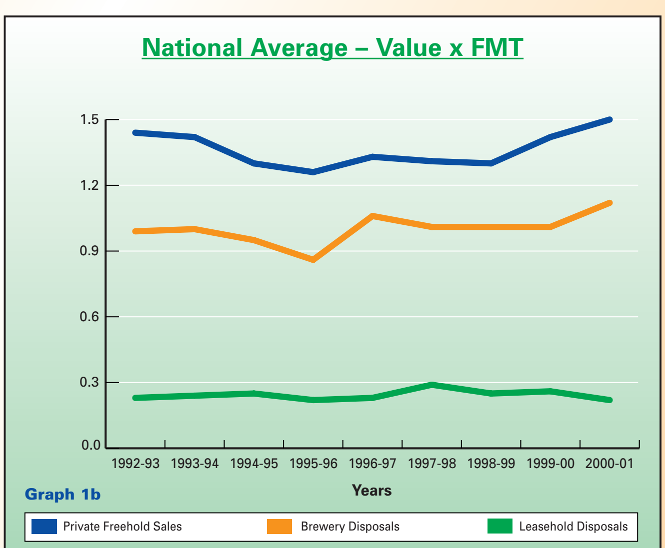


Graph 1a

Perhaps it is because the quality of bottom end disposals is gradually improving (the North and especially the North West proves an exception).

The substantial increase in values is mirrored by an increase in multiple to 1.12 which is well above the steady once times turnover of the previous eight years. Whilst "bottom end" pubs can be obtained for £66,000 in the North and £130,000 in the

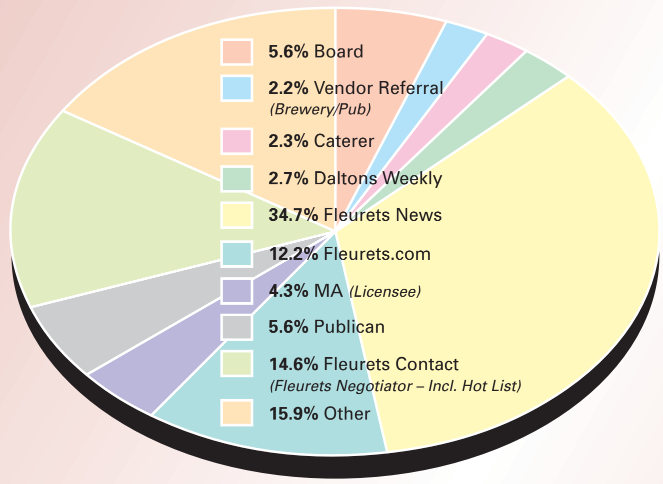
which have been offered to the market. **FLEURETS** have successfully let 200 former managed houses for Laurel. Voyager have been involved in a similar exercise. With so many excellent opportunities on offer existing leases have had to be competitively priced to sell. Prices are down by around 7% to £55,000 and prices as a percentage of turnover are down from 26% to 22%. The South bucks this trend with prices and multiples well up.



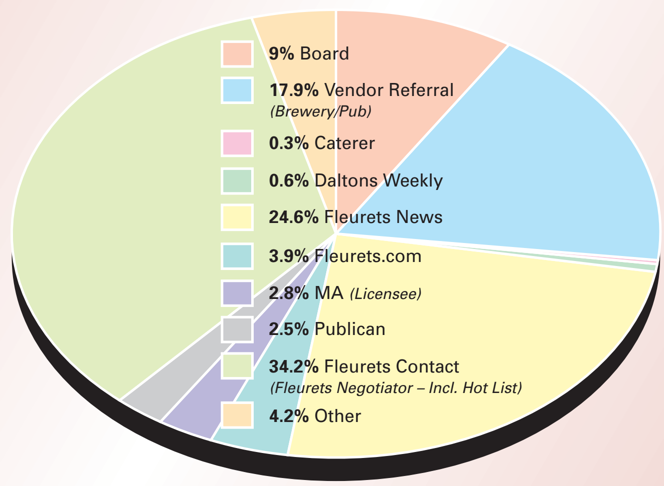
Graph 1b

Where do buyers come from?

Where enquiries come from



Where buyers come from



Six months ago we made our first enquiry, in depth, as to where **buyers** come from (as opposed to where enquiries come from). By asking all buyers over the past 12 months we now **know** that an astounding 62.7% come from sources not available except through **FLEURETS**.

FLEURETS contact heads the list at 34.2%. This is principally **FLEURETS** unique "Hot List" system whereby our negotiators keep a note of applicants requirements. We contact 50 or so "most likely" buyers by telephone, email or post to notify them when a likely proposition comes onto the market. **FLEURETS** negotiators **know** who is likely to want to buy your property and, in the main, are able to avoid time wasters. Cash availability is checked before time and money is wasted. Negotiators also contact all previously interested parties when a price is reduced, better accounts are forthcoming or a deal "falls out of bed".

FLEURETS NEWS is the second most successful source of buyers with a 24.6% success rate. All properties are advertised in **FLEURETS NEWS** until they are sold (unless a

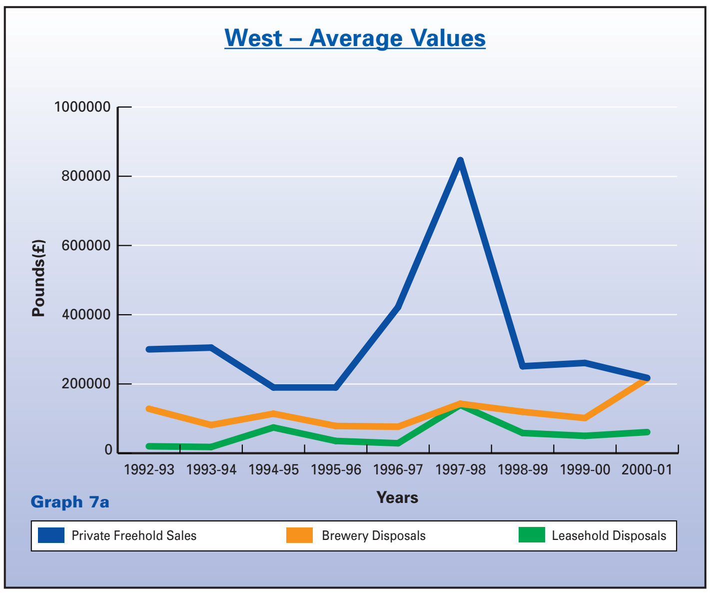
West

Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset, South Wales, Wiltshire

Private Freehold Sales

Sales of private freehouses in 2001 were depressed by foot and mouth scares. The average price achieved of £217,500 was down 16% on the previous year but fairly close to the average for the previous eight years (see graph 7a) (excluding 1997/1998).

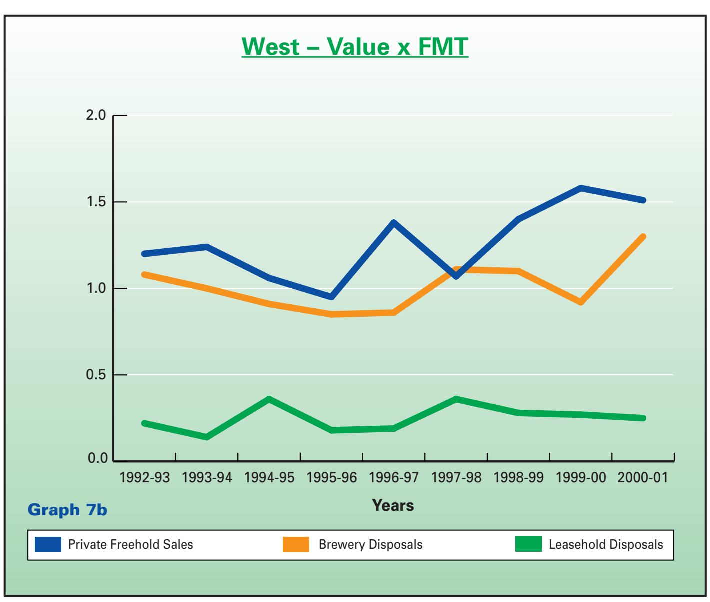
At 1.51 times turnover the multiple is close to the national average (whereas traditionally it has been above the national average). It shows that no high turnover freehouses have been sold by **FLEURETS** in the past 12 months. No doubt owners of good pubs have chosen not to sell whilst prices have been depressed.



Graph 7a

Brewery Disposals

This is not an area where there are many brewery disposals. This year we had no disposals in South Wales (traditionally an area which has featured strongly on breweries disposal programmes), hence the steep increase in price of disposal properties to £215,000. It is probably more relevant to compare the prices achieved with adjoining areas in the South (£343,000) and Midlands (£134,000). Similarly the multiple at 1.3 ties in well with surrounding areas.



Graph 7b

Leasehold Disposals

The West is only the second area where leasehold prices have risen in the past 12 months to £61,000. However the average is slewed by relatively few high value sales and the median price has been £29,000 to £75,000 which is only slightly higher than last year. The multiple of turnover has fallen from 27% to 25% which follows the national downward trend.

continued from page 3

"just interested" (time wasters to you and me) vendor referral comes top of the list with a hit rate of one buyer from every 18 referrals (who said Estate Agents do not earn their money?) **FLEURETS** contact results in one buyer from every 62 enquiries (and don't forget enquiries only come back from a small proportion of parties originally contacted by hot list etc). Boards are third with one buyer from every 90 enquiries. (How many frogs must an Agent kiss?) All other sources are long shots by comparison. The trade papers produce one buyer from each 354 replies. Those of you who have placed advertisements will know only too well how many replies to expect from the average advertisement and how much they cost. **FLEURETS NEWS** (which is provided free to **FLEURETS** standard "sole rights to sell" clients) produces one buyer for every 205 replies and we answer the phone!

The number of enquiries has increased enormously in the past six months, primarily due to the intense promotion we have given to high quality leasehold offers. These are above average pubs available for below average amounts of cash resources. However again there are wide variations in where the enquiries come from.

The trade papers have produced two and a half times more enquiries over the past six months whereas the increase via **FLEURETS NEWS** is over **threefold**, **fleurets.com** is doubled: **FLEURETS** contact is up by over seven times and For Sale boards by four times.

This increase in enquiries has led to a big increase in potential buyers on FLEURETS books just waiting to be contacted with details of YOUR property.

Finally we have compared our survey for the first six months with the latest six months to see what changes are happening in the market.

It will be seen that **more buyers** are coming from the **fleurets.com** and from **FLEURETS** negotiator contact. Vendor referral has become less important (but is still third, way above advertising in the trade press). **fleurets.com** produced nearly 6% of buyers in the second half compared to only 2% in the previous six months. **FLEURETS** will continue to invest in the best and most advanced technology but importantly we recognise our clients' wish to deal with competent and experienced **PEOPLE** and have increased our investment in this resource at the same time!

Our research **proves** that it takes **people** to ensure that pubs sell quickly and for the best possible price.

continued from page 5

In the past 12 months **FLEURETS** have sold the Watling Street Inns Group from Yates to Hardy's & Hansons, but there have also been some excellent sales from private vendor to private purchaser.

Obviously the average price has been boosted by the corporate sales and averaged £528,742 for the past 12 months compared to only £236,000 in 2000. However when the top and bottom quartiles are excluded the median range is £155,000 to £425,000 which compares strongly with the 2000 figures.

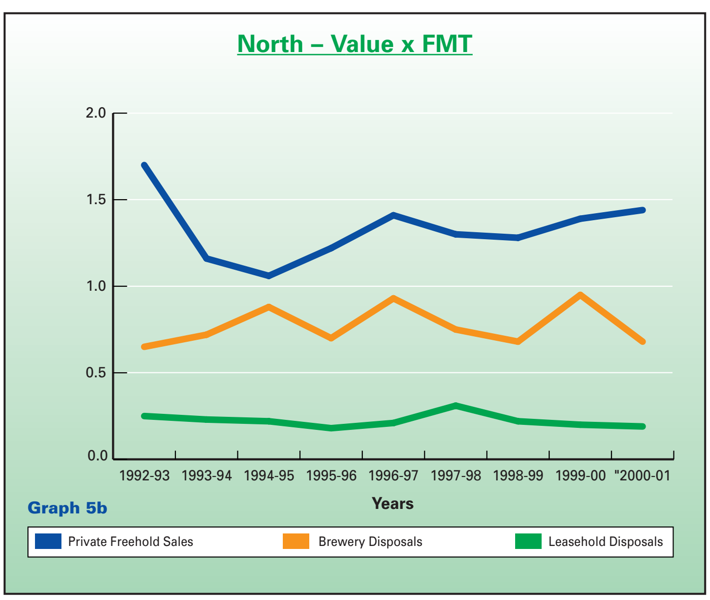
Brewery Disposals

The disposal market is dominated by a lot of low value property in the Liverpool/Manchester conurbations. **FLEURETS** are busy in this market and 85% of the pubs have been sold for less than £100,000. 50% have been sold for less than £50,000! Not surprisingly this results in an average disposal price of under £66,000 which is only half the level of the other two lowest areas, East (£130,000) and Midlands (£134,000). The multiple of turnover is equally low at 68% which tends to drag down the national average (given the relatively high numbers).

Leasehold Disposals

Leases traditionally have sold for lower prices in the North than in other areas of the country (hard headed Northerners prefer stone and mortar!). Values have fallen again slightly in the past 12 months, but no worse than the national average, from £47,000 to £42,633. Prices as a percentage of turnover are down slightly at 19% (against 20%). This is still the second lowest in the country.

Average turnover for a leasehold pub sold in the North of England is £208,000.



Graph 5b

South

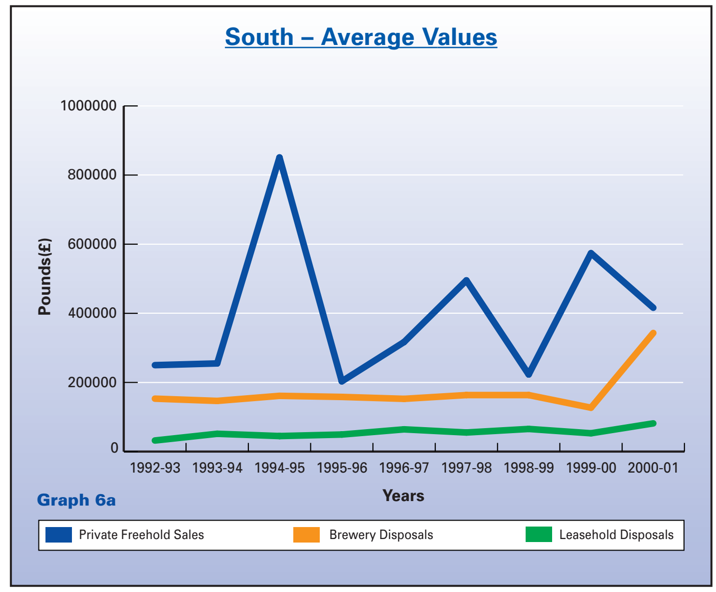
Hampshire, Isle of Wight, South Kent, South Surrey, Sussex

Private Freehold Sales

This category has been boosted in the past six months by **FLEURETS** sale of the Quaffins Group which had six freehold pubs, but other good sales have been made from private vendors to private buyers. The number of sales is up on the past few years – this is an area where freehold freehouses are rarer than gold doubloons.

The average price of £416,071 continues the see saw activity as shown in graph 6a. This reflects the low numbers in the sample each year but can be seen to show a gradual increase since 1995/1996.

At 1.71 times turnover this area, not surprisingly, shares with London and the Home Counties the privilege of being the most expensive in the country. The multiple ratio is up 36% on last year and the year before but is only 4% above 1997-98. This year's big jump in multiple is despite a fall in the average prices. The average freehouse in the South has a turnover of £246,000.



Graph 6a

Brewery Disposals

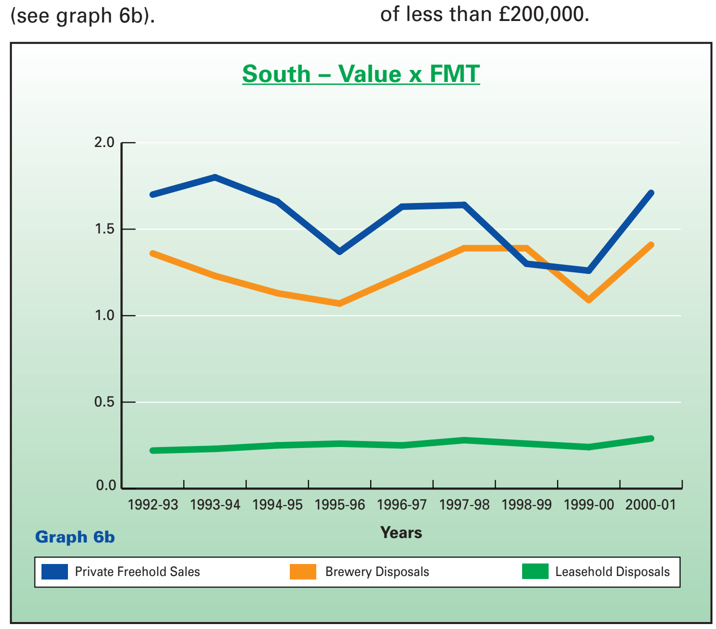
There are very few "brewery surplus" sales in this area. Those that have been sold have fetched good prices due to underlying property prices and good trade potential.

Average price has been £343,097 which is well up on the sub £200,000 for the past 8 years (see graph 6a). Multiple at 1.41 is well above the national average but not out of line with historic trends (see graph 6b).

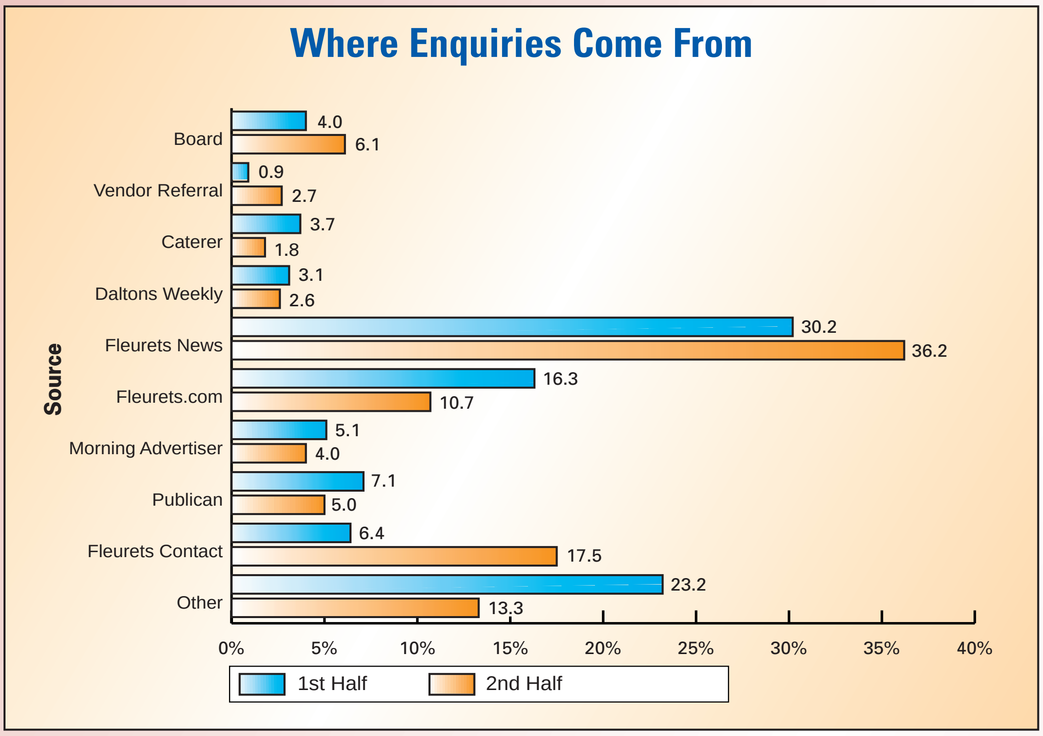
Leasehold Disposals

FLEURETS South office dominates the leasehold sales market in the area. Each year it sells more leases. This year has seen a reversal of the national trend in the South with lease prices increasing from £53,000 to £81,540. As a multiple there has also been an increase from 24% to 29% – also bucking national trends.

No less than 63% of **FLEURETS** sales in the South are of leasehold property. 23% were sold for over £100,000 but one deal at over £400,000 rather slews the average. The median price for leaseholds in the South was £37,000/£90,000. The average turnover for a leasehold pub in the South was £259,000. Only 16% of pubs sold has a turnover of less than £200,000.



Graph 6b



client demands a low key approach). Changes in price are announced by **FLEURETS** unique **STAR BUY** symbol. The success rate of **FLEURETS NEWS** should be compared to the Morning Advertiser (2.8%); The Publican (2.5%); Daltons Weekly (0.6%); and Caterer (0.3%). This gives lie to the thought that all you need to do is to "stick in an ad" and await the buyers queuing up! Sales are achieved by advertising in **FLEURETS NEWS** which is ONLY sent to people who want to BUY pubs, hotels and restaurants. Then for experienced and competent sales negotiators to talk to purchasers and owners to clinch a deal and follow it through to a successful conclusion. "There's many a slip...." and an experienced negotiator who has seen it all before is the difference between a number of exasperating abortive negotiations and a successful sale. This is particularly appropriate with leasehold sales where a number of outside parties are involved in a deal. **Fleurets.com** has now overtaken the trade papers in terms of success (3.9% of sales). This is a rapidly increasing medium (5.8% in the second half of the year compared to only 2.2% in the first six months).

For Sale Boards (very low tech compared to the web!) continue to be successful (9%) despite most owners' dislike of them. Boards are used on only a small proportion of properties offered which makes their success all the more astounding. It will also be noted that a higher proportion of enquiries from boards are converted to sales. Obviously local people have already seen the property and the local area before they make contact with **FLEURETS**. We strongly recommend boards for more difficult to sell properties or where a quick deal is required. **Vendor Referral** is the third most successful means of sale. Again this is not surprising as the person referred will already know the property. **FLEURETS** only work on "sole rights to sell basis". In this way the owner and **FLEURETS** are able to work together to achieve a sale. The owner can do as much or as little of the negotiations as he wishes. Sometimes even the friendliest of deals needs a dispassionate third party to mediate, negotiate, cajole or persuade. This option is not open to vendors who simply list their property with a dot.com agency or place an advertisement. It is the combined efforts of owner and **FLEURETS** that produces a sale.

As stated above direct advertising in the entire spectrum of the trade press resulted in only 6.2% of the sales in the past 12 months. In addition is 4.2% from "other" sources which include Estates Gazette, **FLEURETS HOTELS REVIEW**, Local and National Press, Reputation, Yellow Pages and word of mouth. It will be noted that "other" accounted for 15.9% of the enquiries so this is not a particularly prolific source of conversion from enquiry to sale but is an example of **FLEURETS** leaving no stone unturned in search of prospective buyers.

In terms of success rate in providing **BUYERS** instead of

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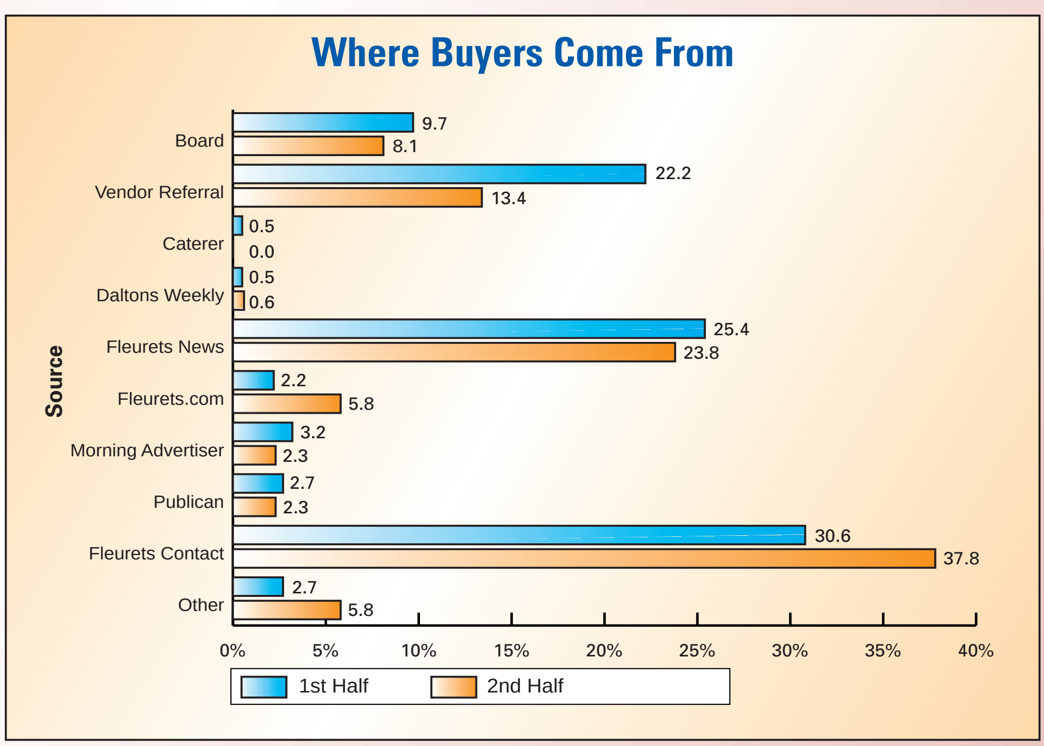


Around the Regions

East

Cambridgeshire, Essex, Norfolk, South Lincolnshire, Suffolk

Private Freehold Sales

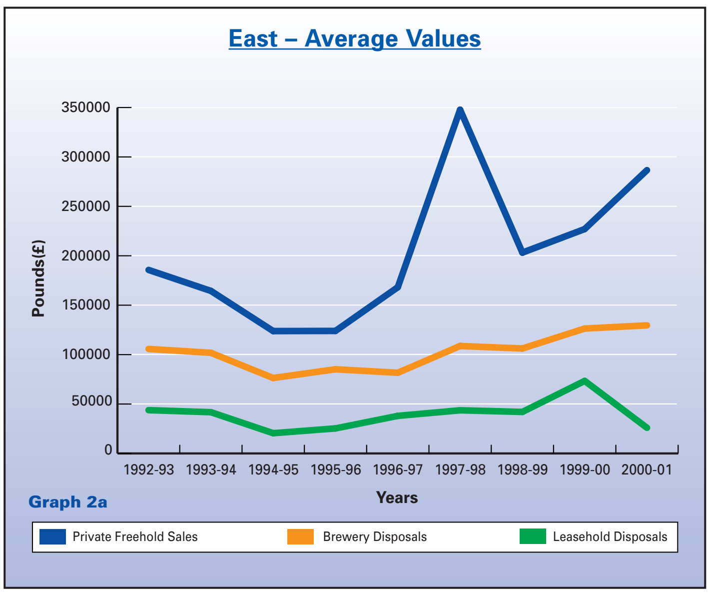
Average prices are up by 26% from £227,000 to £286,625 but this is boosted by a few sales over half a million pounds. The mid quartile range is £189,000 to £320,000. More importantly, although the overall average at 1.33 times turnover is still the lowest in the country it is up from 1.29 last year. The median multiple is in the range of 1.17 to 1.47.

Excluding the "blip" in 1998 (caused by some managed house disposals, graph 2a shows a steady increase in values since 1996 and graph 2b shows steady growth over the same period.

Brewery Disposals

The East is a very rural area with generally low population ratios which leads to a continuous stream of brewery disposals of low trading but attractive properties.

The average price of disposals has risen from once times turnover to 1.13. Median price is £105,000 to £150,000 which generally finds an attractive village inn or a small but busier town pub.



Leasehold Disposals

At £25,944 the price of leases sold by **FLEURETS** in the East was around **half the natural average.** This is almost certainly a reflection upon the fact that freeholds in the area are relatively plentiful and reasonably priced. Most leases are sold for between £16,000 and £35,000 at a multiple of only 16% of turnover which is again well below the national average Looked at from another angle this means that purchasers will get an average turnover of around £170,000 for their money. They would need to pay nearly £50,000 more to buy a similar pub in the Southern Counties of England!

London

Bedfordshire, Berkshire, Buckinghamshire, Hertfordshire, Middlesex, North Kent, North Surrey, Northamptonshire, Urban Essex & the Whole of London.

Private Freehold Sales

We continue to seek the year when the average price of a London freehouse will exceed half a million pounds. This year the average is up 7% to £458,750. 44% of the pubs sold achieved prices in excess of £500,000. Only one pub was sold for less than a quarter of a million pounds. The median price was £320,000/£550,000.

Interestingly no pubs have been sold by **FLEURETS** in the past 12 months for over £1m (which would have boosted the average price).

The turnover multiple is also up 7% indicating that turnover levels have been static in the past 12 months and the whole of the price increases can be put down to increased demand and the lower cost of borrowing.

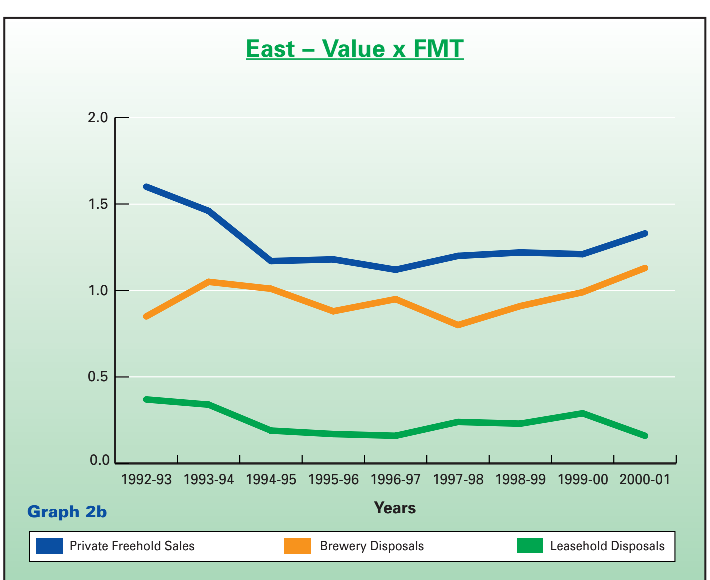
Brewery Disposals

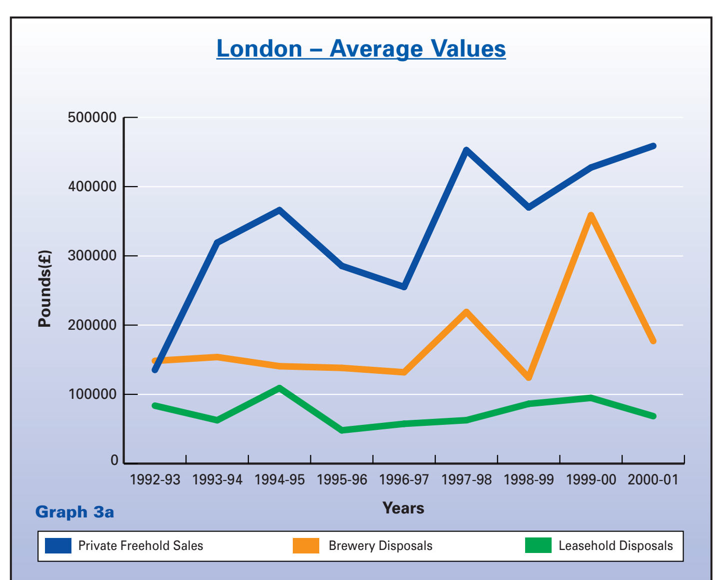
As ever there are very few brewery disposals in London and the Home Counties. This accounts for the very erratic graph in 3a. The number of disposals are too few to provide reliable statistics.

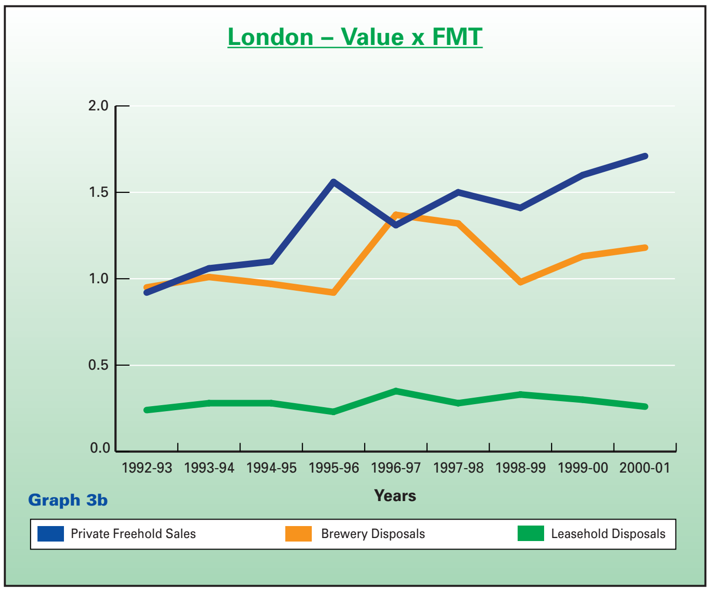
Leasehold Disposals

Conversely the leasehold market in the London area remains exceptionally busy and 71% of **FLEURETS** sales in the past 12 months were of leasehold properties. Due to the very high number of "new issue" leases offered during the year prices have fallen strongly from £94,500 last year to a current average of £68,488.

The multiple of price to turnover is also down from 30% to 26%. The average turnover of a leasehold pub in London is £275,000 (well over £6,000 per week including VAT) which compares with a turnover of £280,000 for a freehold freehouse. During the year 12% of pubs were sold for over £100,000 whilst 44% could be had for less than £50,000.







Midlands

Derbyshire, Herefordshire, Leicestershire, Mid Wales, Nottinghamshire, Shropshire, Staffordshire, Warwickshire, West Midlands, Worcestershire

Private Freehold Sales

FLEURETS second largest sales team continues to dominate the Midlands market.

2001 saw less major company disposals at very high values (last year saw two sales at over £1m and one at over £2m which boosted the averages).

Consequently average value is down from £453,000 to £317,631 but the underlying market remains reasonably strong at a median price range of £175,000/ £415,000 (compared to £200,000/ £500,000 last year). Average turnover on freehold pubs sold in the Midlands was £236,000 ex VAT.

In terms of multiple the average is 1.35, well down from the 1.46 last year but still up on the two previous years. It is the second "best value" area in the country.

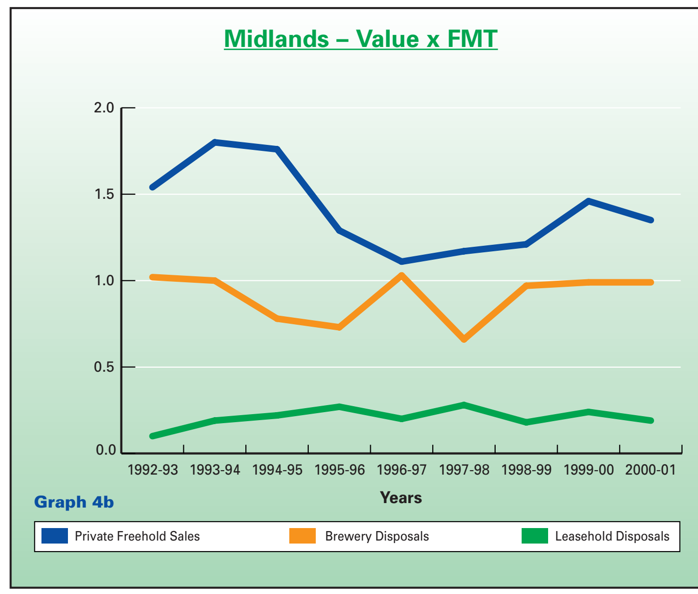
Brewery Disposals

This market remained fairly buoyant in the past 12 months with **FLEURETS** again being a major agent in the field. Average value was up from £105,000 to £132,731. Multiple remained steady at around once times turnover indicating a better quality of disposal property in the past year. £75,000/£170,000 is the price range where most properties can be found.

Leasehold Disposals

FLEURETS sell a lot of leases in the Midlands but the trend, price wise, was again downwards with average prices down from £68,000 to £50,000 and the multiple of turnover down from 24% to 19%. The Midlands again has seen large numbers of "new issue leases" in the past 12 months and 19% is one of the lowest multiples anywhere (North is also 19% - East is only 16%).

The average turnover of a leasehold pub in the Midlands is £252,318 so some good bargains are to be had. 50% of the pubs sold by **FLEURETS** last year could be had for less than 21% of turnover. (£53,000).



North

Cheshire, Cleveland, Cumbria, Durham, Greater Manchester, Humberside, Lancashire, Merseyside, North Lincolnshire, North Wales, Northumberland, Teeside, Tyne & Wear, Yorkshire

Private Freehold Sales

FLEURETS have two offices covering the North (Leeds and Manchester). Between them they deal with a very high proportion of the sales of freehouses across the North.

continued over ➡