



## EXPERTS IN PUBS

2022

## AT A GLANCE

40%

of FTSE100 are clients

£92.5<sub>m</sub>

turnover in year to  
April 2022

90%

of our clients have  
worked with us for  
five years or more

580+

people

£90<sub>m</sub>

of business rates savings  
for our leisure, hotels,  
education, healthcare  
and minerals clients  
for the 2017 list

£75.5<sub>bn</sub>

of assets valued

### OUR OFFICES

GLASGOW  
LEEDS  
MANCHESTER  
BIRMINGHAM  
MILTON KEYNES  
CARDIFF  
CITY OF LONDON  
LONDON, WEST END  
WEST MALLING



**Property  
Awards**

Shortlisted for  
Alternatives Team  
of the Year 2020

**Property  
Awards2021**  
WINNER

Alternatives Team  
of the Year 2021

**Property  
Awards2022**  
WINNER

Alternatives Team  
of the Year 2022

## INTRODUCTION

Public houses have formed the backbone of Britain's hospitality sector for centuries, but the last 30 years have witnessed a period of rapid change in the structure of the market, the nature of the pub and consumer demand. From the Beer Orders, the rise of Wetherspoons (one of the first 'disrupter brands'), and the smoking ban, social commentators have debated the possible "death of the British pub", while pub numbers have declined by 22% to 47,600 between 2000 and 2019. The Covid-19 pandemic has since caused a seismic jolt to the industry, severing the supply of liquidity through operators and suppliers, and straining some relationships between landlords and tenants, while strengthening ties between others.

This same crisis has at the same time demonstrated the nation's love of the pub as an institution, vital to city centre and rural communities alike. There has been unprecedented support from a national Government that has more often been seen as a threat to the sector, levying taxes and applying restrictions with equal measure. The emergence into the post-Covid era will provide huge opportunities for pubs and bars to exploit their role as a provider of quality sustenance, a place for social connection and even a 'Third Space' for flexible working. It is no surprise therefore that there is unprecedented interest in the sector from existing operators, new investment funds and buyout vehicles. We are set for a fascinating period in the sector's colourful history, and Gerald Eve's pubs team will be in the thick of much of the activity.

We have operated a specialist advisory team on this sector throughout the firm's near-100 year history. Our team of experts have a long association with many of the sector's leading operators, including Greene King, Youngs, Whitbread, Mitchells & Butler and Stonegate and likewise landlords including investment funds and London estates. We contribute to the maximisation of efficiencies in occupancy costs, negotiating rents and rates liabilities, assisting with acquisition opportunities, and disposing of surplus assets. Our wider team includes specialists in all areas of property practice, enabling us to assist our clients whatever the challenge that might be presented, with building surveyors, project managers, planning and development, service charge and asset management team.

We look forward to helping you with whatever your pub property requirements might be.



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## BACKGROUND



### COMMUNITY PUBS

#### Market themes

Pubs reliant on investment and operator expertise in both managed and tenanted/leased models; lack of access to capital in freehouse and in leased occupier markets. Strong demand for consolidation from equity-backed investor groups.

#### Challenges

Releasing potential from under-invested buildings and external areas; crystallising potential from alternative use through planning system or unconditional/STP sale.

#### Opportunities

Market consolidation, identifying candidates for trading growth or redevelopment.



### HIGH STREET BARS

#### Market themes

Trading in daytime, evening and weekend day-parts under differing pressures. Location-specific issues, with some suburban locations witnessing a resurgence. Shake-out of casual dining sector is releasing some pressure of competition in food trade.

#### Challenges

Predominantly leasehold properties with some historically high rent and rates burdens. Rebased property costs is a significant opportunity; alternative use from retail and other leisure uses constricted by lack of demand and new planning use classes. Some circuits still have too many venues.

#### Opportunities

Exploiting increased activity in some locations, and declining competition in others through investment in outdoor and indoor trading areas and operational market consolidation, identifying candidates for trading growth or redevelopment.



### LATE NIGHT BARS & CLUBS

#### Market themes

15-year decline in market value followed by Covid. Survival of operators is the immediate priority with the likes of Rekom UK well-poised to lead consolidation of the market.

#### Challenges

Operating free from social distancing and associated restrictions will be a key factor. Businesses which suffered well in excess of a years total shutdown need to be re-booted.

#### Opportunities

A sector which has historically thrived on finding profitable uses for compromised and off-pitch properties should be able to exploit this strength in the emerging post-Covid economy. Operators are likely to be highly selective and focus on those opportunities which offer the most sustainable property costs and to seek opportunities for external trading.





## DESTINATION FOOD

### Market themes

Pubs in community and rural locations increasingly reliant on good food offer. Boundaries between pubs and restaurants becoming increasingly blurred. Properties often in rural or suburban locations and standing on larger sites with alternative use value underpin.

### Challenges

Major initial capex to develop sites, high staffing requirements, rise of delivery/take-out may erode demand for eat-in customers.

### Opportunities

Market consolidation, additional income streams (eg bedrooms).



## COMPETITIVE SOCIALISING

### Market themes

An embryonic, fast growing and dynamic sector experiencing strong growth and crossing into leisure markets. Targeting urban city centres, and may take off-pitch/secondary accommodation in the same way nightclubs used to. Range of size and styles based around participation of sports (cricket, football, darts, shuffleboard etc).

### Challenges

High fit-out costs, with some technological elements and increasing demand for sites, reliant on affluent customer base.

### Opportunities

Market has potential for significant growth, flexible locational requirements offer opportunity to exploit non-standard properties and locations.



## COMMON THEMES

Rates burden/appeals, increasing role of RVs (grants), TR, rent debt, competition, shifting locations, capacities, external trading, staycationing / rooms.

Use classes, closure rates, on-sales, recovery path from Covid, sector consolidation, takeaway/delivery. 'Third Space'.





## OUR CLIENT SERVICE APPROACH

Our clients benefit from access to a seamless advisory team of expert consultants and agents who understand the principal challenges and solutions for operational property in this sector. These case studies provide a selection of our expertise within the Pubs and Bars sectors across the different stages of the property lifecycle.

**admiral**  
T A V E R N S

 **AEW** EUROPE



**BRAKSPEAR**  
the oxfordshire beer

**BREWHOUSE**  
AND KITCHEN



**GREENE KING**  
BURY ST EDMUNDS



**HARVEY'S**  
BREWERY



**Mitchells & Butlers**

**REK M**  
UNITED KINGDOM

**stonegate**  
PUB COMPANY

**Trust Inns**  
Better Pubs through Better People



**W**  
WELLS & CO

**WHITBREAD**



### Our team

#### Size & experience of team

- Over 200 years' collective experience in pubs within the team
- High degree of hands-on senior Partner involvement dedicated to servicing client instructions.

#### Results

Insightful evidence-led advice provided for investor and landlord clients, including due-diligence work to underpin investment decisions.

#### Market understanding (operators & trading)

Serving operator clients from the largest pubco's to single site entrepreneurs.



### Our services

#### Rating appeals

We are retained by occupier clients to advise on circa 7,500 pubs, bars and nightclubs across the UK.

#### Alternative use value (AUV)

We work closely with our Planning and Development team to provide clients with advice relating to potential alternative use values of their pub assets, such as residential redevelopment.

#### Corporate Property Management (CPM)

Our Corporate Property Management team provides the function of an in-house estates team.

#### Valuation

Our valuers provide clients with a broad range of valuation services tailored to the unique requirements of each individual instruction.

#### Lease consultancy

Services include rent reviews of free of tie and tied pubs; lease renewals; lease re-gears for both tenants and landlords, pubco's and lessees.



## WELLS & CO

### Railway Pub

#### THE CHALLENGE

- Our client had held this freehold public house for many years, but the pub had ceased trading 3 years prior to this instruction and had lain vacant ever since
- The Local planning authority had recently refused planning consent for an upgrade of the pub buildings and had designated the property an “Asset of Community Value”, placing a partial moratorium on any sale
- The pub had a degree of popularity within the local community, and part of the site had potential for redevelopment.
- The instruction to sell came just as the Covid-19 pandemic took hold in early 2020.

#### THE SOLUTION

- We undertook a targeted marketing campaign using mostly in-line marketing tools and our knowledge of the pool of potential purchasers
- We were able to attract firm interest despite the restrictions on physical inspections during lockdown, and the widespread impacts on property markets caused by the pandemic
- We narrowed down bids and invited renewed offers, to sharpen the quality of bids.

#### THE RESULTS

- Following a competitive bidding process we achieved a sale completion by September 2020, at a price above the asking price, and including a clawback provision with potential for a post-completion premium in respect of the adjoining land.



## SIR ANDREW JUDD FOUNDATION

Mabels Pub, Mabledon Place, London WC1

### THE CHALLENGE

- Our landlord client was seeking to instigate the 2019 open market rent review in order to optimise rental income for their charitable functions
- Direct comparable evidence was limited due to the location of the property in a backstreet away from other food and beverage operations
- The property comprised a fitted public house valued traditionally on the profits method but no trading accounts were available.

### THE SOLUTION

- We applied our extensive knowledge of the local rental market for public houses in the Euston area
- We produced a robust evidence-based case for a significant uplift in rent
- We engaged directly with the tenant's in-house property function to expediate a swift outcome.

### THE RESULTS

- A swift agreement was reached with the tenant within only 3 months of the rent review falling due
- The rent was increased by over 90%, delivering exceptional rental growth over the 5-year period to the client and significantly enhancing the Capital Value of the asset.





## DELTIC GROUP LTD

Oceana, Leisure World, Southampton

### THE CHALLENGE

- This long-established, multi-venue nightclub is Southampton's leading bar and club venue with capacity for over 3,000
- It was subject to a major refurbishment and relaunch in 2007 and our client faced a prohibitively costly rates burden based on the assessment of RV £865,000, which the Valuation Office had based on historic rent data for this location
- One of the trading venues was less popular and the property costs for that part were an additional issue requiring a solution.

### THE SOLUTION

- We undertook investigations on a national level into applicable rental evidence, using our national network and our position as the UK's leading nightclub rating advisor
- We applied our extensive knowledge of the more local Southampton bar market where we had undertaken valuation and rent review work, including a successful rent review arbitration on Oceana and the adjoining leisure venues
- We undertook direct negotiations with the Valuation Office, seeking a collaborative approach, and explored the opportunity for a phased reduction in the assessment to provide the client with some immediate financial relief.

### THE RESULTS

- We successfully reduced the assessment at first from RV £865,000 to £695,000 to relieve the initial financial pressure on the client
- We subsequently agree to split out the unsuccessful venue within the club into a separate assessment in order to attract empty rates relief
- We then negotiated a further reduction in the club assessment down to £362,500, followed by a reduction in the assessment in the new 2017 Revaluation from RV £437,500 to RV £350,000
- Together this advice brought rates savings to the client of well in excess of £1 million helping to secure the future sustainability of the club operations.



## ETM GROUP LTD

One Canada Square, London E14

### THE CHALLENGE

- Our client opened their bar/restaurant in 2013 but found the rates burden of RV £147,000 to be excessive
- We established that there were four potential avenues to pursue in seeking a reduction in RV – the adopted main space rate, the relative value on first floor trading area, the treatment of ancillary areas for valuation and the correct date for the assessment to be effective
- On our initial approach to the Valuation Office we were told that the assessments in Canary Wharf would not be reduced as they were fair and defensible.

### THE SOLUTION

- We applied our extensive knowledge of the Canary Wharf bar rental market
- We undertook thorough investigations into the framework of rental evidence including detailed inspection of the entire Canary Wharf eating and drinking destination
- We established an evidence-backed case to support a significant reduction in the rating assessment of our client's property, and when the Valuation Office refused to back down, we pursued the case to a Valuation Tribunal Hearing.

### THE RESULTS

- After we presented our case at the hearing, the Tribunal agreed with us that the assessment was based on an excessive base price
- Tribunal determined that the assessment should be reduced to RV £128,000
- The decision was awarded with an amended effective date in line with our submissions, with the above all leading to significant rates savings for the client.

# WHAT DOES ESG MEAN TO GERALD EVE?

## OUR PEOPLE, OUR BUSINESS, OUR COMMUNITY

At Gerald Eve we are constantly seeking to improve the way we operate, to maximise the benefit to our clients and our communities.

The guiding principles of ESG (Environment, Social and Governance) have become an increasingly essential part of this process. ESG offers a framework to harness our deep-rooted commitment to being a responsible business, providing a structure that underpins our goals and ambitions. It focuses our attentions in three key areas; our green credentials and ambitions (E for Environment); our approach to nurturing and developing our people (S for Social); our approach to doing business and helping our clients achieve their goals (G for Governance).



Information on our offer, commitments, goals and stories can be [accessed online](#).

Gerald Eve is a foundation partner of LandAid, the charity supported by the property industry. LandAid provides grants, free technical training and career advice, which enable disadvantaged young people across the UK to rethink their ambitions, live independently and have a positive future. As well as our annual £10,000 donation, we also organise and participate in fundraising activities throughout the year. We also take on a smaller charity (with a turnover of under £2m) for two years at a time and have recently selected Their Voice, a chair supporting survivors of modern slavery and human trafficking. In addition to this we organise events and fundraising activities for other charities and good causes such as Comic Relief, Crisis, Macmillan, The Movember Foundation and The Trussell Trust.

LandAid

COMIC  
RELIEF

Crisis

MACMILLAN  
CANCER SUPPORT



## HOW WE WORK AT GERALD EVE

As leading experts advising across operational real estate, our clients expect us to contribute beyond the role of real estate advisors; we are there to achieve success for you and achieve this with our exceptional understanding of your organisations needs and the regulatory and economic pressures you face.



### **Client partner and dedicated client team**

Our clients benefit from a dedicated client partner, overseeing all aspects of our service. We can offer a full-service or a specific advisory service to fit around your needs. We go to extraordinary lengths to ensure our experienced professionals are fully aligned to your requirements.



### **Long-term trusted advisor relationships**

Our primary focus is on developing a long-term, trusted adviser relationship, where your priorities come above everything else. We act as the eyes and ears in the market and arrange regular review meetings to understand your future commercial priorities and how we can help achieve them.



### **Sharing marketing trends and insight**

We regularly share our market-leading research reports and host regular workshops and round tables on current trends and important topics.



### **Flexible resourcing**

We ensure we resource each job with the right talent and with a firm of over 550 we have the resource to pull onto a project at any key moment. Additionally, we have seen an increased demand for secondments. We work with many of our clients to provide resourcing solutions, from interim partner secondments to junior reverse secondments to gain invaluable experience, we work with an open mind and would be delighted to support your inhouse team.



### **National coverage**

We work hard to get the right shaped team around your projects and benefit from our network of nine UK offices based in London and across the country. We have strong relationships with investors, developers, occupiers and Local Authorities in major cities and our project leads are experienced project and resource managers. They can tap into a talented team of leading experts covering the full spectrum of sectors and services.



### **International network**

Gerald Eve are part of an international network of boutique real estate advisors across Europe and North America. If you are looking for specialist advice across the world we are able to facilitate introductions to our international alliance of leading advisors.



## YOUR DEDICATED PUBS TEAM



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For further information on our Pub sector, visit our website [here](#)

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Gerald Eve is a firm of international property consultants based in the UK. We operate a national network of nine offices and an international association covering 20 European countries and all major US markets.

Whether you are a property owner, investor, occupier or developer, Gerald Eve provides independent, intelligent and relevant advice based on detailed market knowledge and sector understanding.

Together we have the resource, experience and relationships to deliver the best property solutions for your business.