

BUYING OR LEASING **A PUB IN 2015**



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There are many quality businesses available NATIONALLY to purchase/lease through Guy Simmonds in 2015, and most represent excellent value in the current market place. These should generate the new owner/lessee an attractive return on capital invested, in addition to providing a family home and desirable lifestyle. The licenced property market remains extremely buoyant at Guy Simmonds, with pragmatic vendors, understanding the necessity of correct and professional valuations, correlated to turnovers/profits achieved.

The search for the ideal pub business is not simply a question of considering location, style of operation, facilities and trading potential. A key consideration is the tenure – freehold or leasehold. We always advise purchasers to evaluate each proposition as an investment, to look at the size of investment required, the risk, and the possible returns – both in terms of revenue profits and future capital gain potential. It's quite a conundrum!



Ref: 7433 The Tippling Philosopher,
Milborne Port, Dorset

Freehold £350,000 or
Free-of-Tie Lease £40,000

When correctly valued, a freehold pub should be able to support borrowing of 75% which means a purchase price of £300,000 requires a purchaser's cash stake of at least circa £75,000 plus ingoing costs and working capital. The reward for that level of financial commitment is total control of the freedom to negotiate substantial supplier discounts. In the longer term, in a stable market, growth in trading profits will be reflected in the value of the business – all to the benefit of the owner-operator.

So, is buying freehold automatically the right choice?

You are of course 'King of the Castle' and in charge of your own destiny. If you increase your turnover/profitability, then your business and freehold entirety will also increase in value pro-rata, since we value licensed businesses related to turnover/profits achieved – as per verified trading accounts. However, attractive supplier discounts and banks willing to lend against the freehold security don't count for much if it turns out to be a failing business with low turnover! Although in this scenario you may well be able to exploit the lucrative 'parachute' potential of alternative/change of use – subject to planning consent.

The dominance of pub operating companies' ownership of pubs creates a huge selection of tied leasehold opportunities. Despite the effects of the fiercely-debated tie, when rents are properly (!) assessed, it is proven that some tied lessees can make an acceptable return on their investment and endeavours. But if rents are set at fanciful levels and tied supply terms take 20% off gross and net margins, one can see why many buyers will only consider freeholds or free of tie leaseholds. However, we handle many tied leasehold assignments where trading accounts demonstrate established and consistently profitable businesses which sell readily when they come to market.



Ref: 7457 The Half Moon Inn,
Glass House Lane, Kirdford, West Sussex

Leasehold £49,950



Ref: 7478 The Axe & Compass, Ringstead,
Kettering, Northamptonshire.

Free-of-Tie Leasehold £59,500

A third and highly popular option in which Guy Simmonds specialises is free-of-tie leasehold where the significant advantage of trading free-of-tie is combined with the cost-effectiveness of buying leasehold (at perhaps circa 12% of freehold value). Here the property will be owned by a private individual (often a retiring publican) or investment company seeking an adequate rental return on their property investment but who has no interest in the supply of wet products to the outlet. Amazingly, rents (set at open market levels) are often no more than for equivalent tied opportunities!

The examples featured and for sale here, are desirable quality businesses, representative of over 300 businesses we are offering for sale to discerning purchasers for 2015. Since demand is high for good value businesses, please check with our office to ensure that these have not yet sold/deposit taken, prior to arranging an appointment to view through Guy Simmonds.

To view our comprehensive selection and sales status of our quality business opportunities for sale (Freehold, leasehold and Free of Tie) click on the ['Premium Businesses for Sale'](#) tab at the top of our Home Page.

Further detailed information can be found on our ['Buying & Leasing Advice'](#) tab .