

Cash Rich Victims of the Recession

The UK recession has triggered an unlikely spin-off for pub property agents as cash-rich victims of corporate redundancy programmes seek a new career in the licensed trade. Stephen Taylor, managing director of Guy Simmonds, says the company's trade induction seminars are generating high levels of interest from people who have received redundancy pay-outs. "This is directly leading to offers being made by people identifying the pub industry as an attractive and potentially lucrative lifestyle," Taylor reports.

It means well-funded purchasers are often in pole position to take advantage of reduced pub values brought about by the credit crunch and economic slowdown. Taylor says the banking crisis and revised lending criteria are now having an effect on both vendors' price aspirations and buyers' borrowing/purchase ability. This new-found realism is resulting in deals now being completed compared to six months ago when, Taylor reveals, there was something of a "stand off" between vendors and purchasers.

"We are not concerned about the extent of corporate disposals currently hitting the market as, in the main, these tend to be lower-end or so-called 'turnaround' businesses which, frankly, have rather daunting trading histories. The 'bargain prices' attached to many of these units might appeal to experienced operators who can exploit perceived undeveloped potential, or property developers looking at alternate business or residential use, but inexperienced operators should treat these premises with some caution," he adds. "Market activity is at its strongest for quality businesses with proven net profits situated in desirable locations. By seeking out such businesses and valuing them at realistic prices based upon proven (not imagined or projected) figures, we have been able to maintain a healthy level of sales despite the current challenging economic times".

Guy Simmonds specialises in creating new, free-of-tie leases on behalf of freehold vendor. A recent example is Ye Olde Rock Inn, Upper Hulme, Staffordshire, in the Peak District. After 24 years of successful operation, the owners wanted to retire and retain an investment income, which led to the creation of a 12-year free-of-tie lease that was purchased by Simon and Alison Jackson.



"Simon was formally a business development manager for Enterprise Inns, but also recognised the considerable benefits of a free-of-tie business. This Peak District inn was operating on severely limited hours, yet still turning over circa £265,000 with a trade split of approximately 70% food, 30% wet. The trading areas accommodate around 220 customers. A 12-year new free-of-tie lease was created and the leasehold sold off an asking price of £65,000".