

Licensed Property Market in 2016



Stephen Taylor, MD, Guy Simmonds

Summary of the property market at Guy Simmonds, including extracts from a published interview with the leading National trade journal PMA:

FREE OF TIE LEASES



Ref: 7682 The Crown Inn,
Normanton on Trent, Notts
Free-of-Tie Lease £49,950

We have been involved in advising and creating free-of-tie leases on behalf of our clients for over 35 years. Our speciality and expertise evolved initially, from our Managing Director purchasing his own freehold licensed premises and successfully creating these leases, for both long-term rental and/or capital gains. Consequently, we are uniquely qualified in this respect, and from first-hand experience, in order to offer the requisite initial (and on-going advice) in this specialised investment sector.

Private free-of-tie leases were in exceptional demand at Guy Simmonds in 2015 and we have a waiting list of clients moving into 2016. There has also been an influx of commercial buy-to-let investors, in addition to retiring freeholder landlords, which I'd say shows this sector is even more buoyant for us, than it has been in the last couple of excellent years. I predict this will continue throughout 2016 and thereafter into 2017. We always advise that the annual rent is correctly calculated and pragmatic, thereby helping to ensure that the lease is sustainable, to the mutual benefit of landlord and tenant. There are many agents out there who put unrealistic rentals and premiums on businesses, which is to the obvious long-term detriment of both landlord and tenant. For longevity in the market, premiums and annual rentals should usually relate to the verified reconstituted net profits achieved in the annual accounts. Naturally the lessee, will rightly expect to achieve the financial rewards, commensurate with the requisite investment and huge effort, necessary for success.



Ref: 7679
The Gate Inn,
Bryants Bottom,
Buckinghamshire

Freehold £875,000
Or
Free-of-Tie Lease £125,000

At Guy Simmonds many of our shrewd freehold vendor clients, engage us to advise upon creating these desirable free-of-tie leases and to find them a suitable lessee. They prefer to retain their appreciating freehold investment asset and enjoy the benefit of obtaining an initial 'cash' upfront premium for the business, plus an attractive sustainable income/rental - which they receive every quarter in advance. The annual income from their tangible freehold investment property is usually far greater than placing 'cash' in various investment schemes/deposit accounts and certainly should be far less volatile than 'risking' the stock market. Should our vendor clients ever decide to sell their freehold asset in the future, then we do of course frequently handle this subsequent transaction for them, or advise upon inserting 'an option to buy' within the lease.



Ref: 7551
The Bulls Head Inn, Wilson,
Derbyshire
Free-of-Tie Lease £19,950
(with freehold option at an additional
£379,000)
Or
Freehold £399,000

PUB CO. LEASES



Ref: 7696 The Farndon, Farndon,
Chester, Cheshire
Partially Tied Lease £49,950

Despite the adverse publicity that these leases sometimes attract, we are pleased to report that in 2015, demand and sales for profitable leases at Guy Simmonds was extremely good. Our sales 'pipeline' for 2016, within this sector, is already 20% higher, when compared with the corresponding period for 2015. Also, our current number of viewings from discerning purchasers seeking a desirable and profitable business, are also far higher than the corresponding period last year. We have many excellent and profitable Pub Co leases for sale throughout the country,

representing good value for money.

However, there is an obvious caveat applicable for Pub Co Leases, in that the annual rental must be realistic, and relate to both proven turnover and verified (not potential) profits. If correctly valued and professionally operated these leases can offer a relatively low entry cost to the tenant/lessee, and an excellent financial return on the purchase price (premium) for the lease. Most in demand, are profitable businesses, in attractive villages/areas, which in addition to producing a rewarding income, also offer a family lifestyle. Most of our discerning purchasers are seeking this type of business and lifestyle, together with up-to-date verified accounts.

Conversely, we find that 'over rented', hence unprofitable, unattractive licensed premises/businesses in undesirable areas, are quite naturally and usually ignored in the market place. Unless there are extenuating circumstances most purchasers understandably do not usually wish to purchase these types of businesses/liabilities. We feel that in these instances, many of these premises, should be offered for potential 'alternative use', which is a sector of the market we are increasingly involved in as agents and advisors. We will be further expanding within this sector for 2016 and 2017 onwards.

We now sometimes advise certain Pub Cos on their rent levels. Interestingly, they are proving to be more receptive than previously. It should be in everybody's interest for operators to be successful in the long-term so rents must be sustainable, realistic and relate to the actual turnover that's being achieved in the outlet. In the past, some of these landlords were operating with ambitious/unrealistic rental figures but the 'proof is in the pudding' and market forces will inevitably dictate a material change. Thankfully the days when companies could offer unattractive and neglected properties, at unrealistic rentals, to a 'queue' of prospective tenants/lessees are long since gone. Market forces dictate, and we at Guy Simmonds welcome the 'new breed' discerning and more 'savvy' purchasers.

As regards to tied leases, there is a degree of uncertainty that's crept into the market with regards to the MRO. Uncertainty delays transactions and can negate them, something we fear is set to continue in 2016 so we are actively involved in allaying these problems. We will continue to address this issue so the market continues to move forward. We actively encourage purchasers and vendors to contact us so we can advise on their rights under Landlord & Tenant Act 1954, especially rights of renewal. We have a professional and formal referral arrangement in place with a specialist licensing team of Solicitors, who can give clients expert advice when required. Our job is to facilitate transactions, and we're doing more and more through our advisory service to reach our successful goal. Our main advice is for tenants/lessees to seek professional advice, and be sure of their rights.

FREEHOLD

The freehold market proved good for us in 2015 and was much more buoyant than previously envisaged. We believe this was due to our extensive, innovative and unique web based marketing, in addition to us having the largest profile of any agent, every week, within the leading trade journal - The Publicans' Morning Advertiser.

Our forward planning will ensure that this strategy and success will continue for 2016 and thereafter. We are also pleased to report that financing for freehold licensed premises is much easier to obtain than a few years ago, for suitable applicants. This will naturally further enhance sales and opportunities for 2016, within this sector at Guy Simmonds.

A buoyant freehold market, also culminates in a 'three-tier' market sector for Guy Simmonds: 1... There are companies looking to buy for change of use, 2...there are

those looking to buy to operate and 3... there are private investors/freeholders looking for us to create free-of-tie leases. That's the perfect synergy and demonstrates that the market is looking very strong and multi-faceted for the future, and long term benefit of the licensed property market.



Ref: 7652 The Cornishman Inn, Tintagel, Cornwall
Stunning Coastal Inn with 11 Letting Bedrooms and Substantial Turnover.
Free-of-Tie Lease £150,000 or Freehold £995,000

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

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