

## Freehouses

The freehold sector of the pub property market is still the most buoyant and active, despite being buffeted by the prevailing economic conditions.

**The Greyhound Inn, Grizebeck, Cumbria: the freehold of this pub has just been sold by Guy Simmonds prior to auction off a guide price of £275,000**



Leading national licensed property agents Guy Simmonds are pleased to report that the freehouse pub property market remains buoyant throughout the country. Managing Director Stephen Taylor told the PMA that activity this Autumn at Guy Simmonds is excellent, with an increased number of offers and completions taking place. The caveat applies however that valuations must be realistic in order to achieve sales. We are finding that knowledgeable vendor clients now accept that in order to achieve a sale their price expectations need to be curtailed to the prevailing economic climate and revised valuation criterias. Fortunately a similar scenario applies upon their exit strategy, whereby the vendors' subsequent purchase, whether domestic or commercial, will also be correlated to today's market conditions.

Freehouses most in demand as going concerns are those generating proven profits (with up to date verified accounts) and located in desirable villages offering an attractive family lifestyle with local amenities. Conversely, we are also inundated with private and corporate investors seeking suitable premises for change of use to either domestic or differing commercial uses. We are pleased to report that demand in all regions is buoyant providing the area is desirable.

Whilst the licensed trade sector is still clearly not the priority lending sector from the banks' point of view, we have noticed that recently funding has been made available for suitable applicants with the requisite training/experience to acquire their chosen freehouse. In addition, our research shows that over 70% of our sales are taking place to our purchasing clients who are in the fortunate position of being cash buyers – without having recourse to any borrowings whatsoever. Most of these applicants have sold their own property which was mortgage free and have decided upon a career change, which is either their own decision or as a result of corporate redundancy.

We are pleased to see that 2011 has resulted in new private purchasing clients instructing Guy Simmonds to source suitable freehouses, with a view to either operating the outlet themselves or retaining the freehold for investment and instructing us to create a new free of tie lease.



Guy Simmonds do of course specialise in creating free of tie leases for their vendor clients and we are also busy in this sector throughout the country. The free of tie lease option is extremely desirable, fuelled by demand from our Corporate redundancy Training Programmes and a waiting list of applicants for a suitable outlet. Many of these free of tie leases are available at similar annual rents as the proliferation of tied leases currently on the market – but free of tie leases do of course have the massive benefit of taking advantage of the barrelage discounts available. To put this differential into perspective, a free of tie leasehold pub with a barrelage of circa 300 draught barrels would make an additional net profit of circa £45,000 per annum when directly compared with a fully tied leasehold pub offering no discounts at the same annual rent. We have successfully created these free of tie leases on behalf of our vendor clients for over 30 years. Our aim is to provide our vendor clients with an initial up-front sum (premium) together with an attractive annual return on their investment, which is invariably a much higher and safer return than is achievable on the volatile and uncertain financial markets. The added benefit to our vendor clients is of course that they retain their property for investment which also accrues in value as the years pass by. The sustainable rent is also linked to the RPI inflation index thereby protecting the return and investment. Crucially our recommended rentals are based on certified accountancy information and consequently set at a sustainable level for the purchaser – thereby helping to ensure a good level of profitability and also longevity to the mutual benefit of both the freehold landlord and lessee. We are able to advise upon the creation of these leases and also then continue to offer our advice throughout the term based on our first hand knowledge of this specialised sector – since we own several of these freehold investments ourselves which are let on favourable free of tie terms. Sometimes our freehold investor client will decide to sell the freehold element at a later date in which case the lessee is usually given first option to purchase at an agreed market valuation at the time.

We are also encouraged to announce that we have been approached by numerous multi-operators and corporate clients looking to acquire selective further free trade licensed outlets on a national basis. Certainly from our business perspective the freehouse and free trade sector is extremely busy and to this end we are advertising to engage further valuers.

Another field of activity which is currently buoyant on a national basis are Pub Auctions. The obvious advantage of this scenario is that providing a realistic reserve and guide price is set, then the property will find its own level and true market value on the “fall of the hammer”. Pub auctions tend to fall into 2 main categories: those of the “bottom end” and usually closed pubs (often Pub Co sell offs) which are generally entered into a group auction or those sold as profitable, desirable going concerns. Our Auction Department invariably specialises in the latter, whereby following an intensive, national and customised marketing campaign we hold an individual on-site auction. We find holding a specialised on-site auction at the pub produces a high level of local interest in addition to national bidders seeking to acquire a profitable going concern. We often find that the auction process stimulates interest and a buyer is found, with contracts exchanged prior to the auction actually taking place.