

## Public House Viability Report



The Three Horseshoes

1 Stibb Green

Burbage

Wilts SN8 3AE

Prepared on behalf of Red Star WSL Ltd

6 April 2018

Prepared by Paul Deriaz MRICS MRTPI

Deriaz Campsie



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## **1.0 QUALIFICATIONS AND EXPERIENCE**

This report has been prepared by Paul N Deriaz BA (Hons) MRICS MRTPI on behalf of Red Star WSL Ltd.

I hold a Bachelor of Arts Degree with Honours in Town and Country Planning (1978) which is accredited by the Royal Institute of Town Planning, from Oxford Brooks University. I am also qualified as a member of the Royal Institution of Chartered Surveyors.

I am a consultant for Deriaz Campsie having been Managing Partner of Deriaz Slater LLP, commercial property consultants for 32 years with its principal offices in Marlow, Buckinghamshire. The agency was established in 1985 and its principal activities are the sale, letting of commercial properties including public houses in the south east.

The Practice has worked with a number of pub companies and brewers in the disposal of non-sustainable licenced premises and have successfully sold a range of licences premises for alternative use over a period of 25 years

I regularly provide expert opinion on a range of planning, market and valuation matters and have acted as expert witness at Planning Inquiries to give evidence. I have a long-standing and wide experience of the commercial property market for 36 years.

The Practice is well placed to provide a professional report on the subject property together with an opinion on the general levels of supply and demand for licenced premises

## **2.0 SCOPE OF REPORT**

This report sets out the viability issues leading to the closure of the Three Horseshoes PH and a case for favourable consideration of change of use of the pub to residential development.

## **3.0 SITE CHARACTERISTICS**

### **3.1 Location and Description**



Burbage comprises a scattered village/parish which occupies a rural location approximately 7 miles south of Marlborough.



The Three Horseshoes is located on the High Street at the junction with Severnlake Road at the northern extremity of Burbage in Wiltshire. It is a village of 4,829 residents (2011 Census). The village has no amenities or a distinctive centre, it being scattered along the High Street for a distance of one mile north from its junction with the A346 and A338. The A346 is effectively a by-pass for all non-village traffic en-route to Marlborough 6.5 miles to the north.



The site extends to 0.16 hectares (0.40 acres) and is irregularly shaped. A site plan is at **Appendix A**

### 3.2 Accommodation

The property comprises an end terrace two storey building to the front of painted brickwork under a thatched roof with single storey extensions to side and rear.



Internally at ground floor level the building has a public/lounge bar area to the front with kitchen to the rear and ancillary accommodation including beer store, stores and WCs extending to approximately 138 sq m (1485 sq ft).

A floor plan is attached at **Appendix B**.

There is self- contained residential accommodation on the first floor level.

Externally there is a small enclosed garden with seating and a tarmac parking area accessed off Steepe Way for some 15 car spaces.

Photographs of the property are at **Appendix C**.

There is one other public house in the village namely the White Hart which is more centrally located in the village and accessible to the extended residential area off Suthmere Drive and Eastcourt Road to the east.

There is no passing trade, so the viability of the public houses is dependent on local trade.

There is insufficient local trade to support the continued use The Three Horseshoes as licenced premises. This is clearly evidenced by the declining barrelage over a number of years.

#### **4.0 BACKGROUND TO THE SALE AND VIABILITY**

##### **4.1 Background**

Prior to the acquisition by our client, Wadworth and Co. owned the freehold of the public house and had leased it to tenants for a number of years.

In recent years there had been several managers of the public house, with each one seeking to invigorate custom and sales. However, barrelage figures continued to decline.

Barrelage 1 Oct-30 September	Total barrels
2013-2014	72
2014-2015	59
2015-2016	51
2016/2017	44
2017-2018 MAT	41

As part of the campaign to increase sales and profitability Wadworths agreed to reduce the tenants rent by 50% from ██████ to ██████. Wadworths supported the tenants in marketing the pub through social media, website, roadside communications (banners and A boards), leafleting, special music events and regular quiz nights in aid of charity.

Wadworths considered plans for further investment into the public house and in August 2014 Wadworths submitted a planning application for a rear extension of 38 sq m (409 sq ft) to increase the trading floorspace from the existing 16 covers. Consent was granted in October 2014 (ref 14/07657).

After due consideration of the declining wet sales there was careful analysis whether a further investment of ██████ to increase food sales would be sufficient to arrest the declining business. Wadworths concluded that there was not a justifiable business case to commit a further investment of ██████ to the pub.



## 4.2 Potential Trade Assessment

### Accounting information

Trading information has been provided to us with regard to the recent overall financial history of the subject property in the hands of the previous tenants. Prior to closure the last tenant had struggled to survive in an increasingly competitive local marketplace.

We have had sight of management internal trading records covering the period from 1 July 2015- 30 September 2017

Turnover	1/7/14-30/6/15	1/7/15-30/6/16	1/7/16-30/6/17	1/7/17-30/9/17 MAT
Wet sales	██████████	██████████	██████████	██████████
██████████	██████████	██████████	██████████	██████████
████████████████████	██████████	██████████	██████████	0
Total	██████████	██████████	██████████	██████████
Gross profit	██████████	██████████	██████████	██████████
Expenditure – variables	██████████	██████████	██████████	██████████
Expenditure - fixed	██████████	██████████	██████████	██████████
Total expenses	██████████	██████████	██████████	██████████
Trading Profit/loss	██████████	██████████	██████████	██████████

It is important to note that the landlords Wadworths reduced the rent by ██████████ from 1 April 2016 which impacted significantly to the fixed cost expenditure and ultimately improved the trading profit. However, this is not a sustainable situation for the landlords as the business must achieve a Fair Maintainable Operating Profit without a rental subsidy.

It is evident that a pub group must achieve a return on its property asset and a profit from the business operating from it. This scenario would be equally relevant to an owner occupier. From the trading figures reported an owner occupier would not be able to make a living from a very intensive and time- consuming business, involving long hours of operation.

Taken together, it is evident that the Three Horseshoes is not a viable business proposition and there are no foreseeable market conditions that would change that situation in the short and medium term.

### 4.3 Alternative Uses

We have given consideration to potential alternative uses for the property.

The layout and configuration of the property does not lend itself to conversion to A1 retail use; in addition, there is no prospect of achieving a Fair Maintainable Operating Profit from a retail use in this village location.

Regarding potential use as another community facility the property is highly divisible into several rooms and areas that would not be function as a village hall. The cost of adaption including removal of walls, raising the ceiling height etc are neither feasible or economic to undertake.

Other facilities under D class such as day nursery, doctors surgeries and specialist functions including physio, chiropractice may have a relevant and sustainable role in larger settlements but would not be sustainable in Burbage.

The property is relatively expensive to maintain and the thatched roof which is an attractive asset is at the same time in urgent need of remedial work.

It is very important to secure a viable use for the property to enable necessary refurbishment to be undertaken so that the property remains an attractive asset to the village setting.



## 5.0 MARKET CONDITIONS

As a freehold disposal agent Deriaz Campsie has considerable experience of the public house sector and the challenges faced by pub operating groups and brewers to maintain rural pubs on a sustainable financial basis.

To maintain a viable business over the last 5 years is extremely difficult because of rising overheads and reducing clientele, the “smoking ban”, the 2011 increase of VAT to 20%. Viability issues are particularly severe in rural areas where the number of pubs relative to the catchment population is high.

The decline in consumer spending combined with the over supply of “bottom -end” traditional public houses has led to downward pressure on rental levels and capital values. Large tenanted Pub Companies such as Punch, Enterprise and Admiral have attempted to tackle their large debt levels by disposal of a significant number of poorer located sites. The over supply of the “bottom end” public houses has resulted in the alternative use market remaining buoyant. Residential development is the dominant alternative use followed by retail, catering and occasionally medical use.

In the catchment area of The Three Horseshoes there is the prime attraction of the historic centre of Marlborough – only 6 miles distant. In addition, Pewsey 5 miles to the west has 5 competing pubs namely The Golden Swan, The Waterfront, The Crown Inn, The Royal Oak and Moonrakers. Many of these pubs are situated in more accessible locations in Pewsey centre. An example is the attractive Waterfront Bar and Bistro located at Pewsey Wharf which benefits from frontage to the canal and good trade from walkers and ramblers.

In order to remain competitive pubs need to be adaptable and able to generate additional revenue streams to supplement food and beverage sales such as lettable rooms for business or vacation customers, conference facilities etc

The limited size of the subject premises in terms of its accommodation and the catchment area it serves means that the opportunities for any further investment and to achieving a realistic return on investment are not possible.

## 6.0 CONCLUSIONS

6.1 The Three Horseshoes is heavily dependent on the local catchment area for its trade and its location does not benefit from any passing trade.

6.2 The property has very limited accommodation and cannot achieve additional revenue streams to support its declining food and beverage sales

6.3 There is intense competition from better located local pubs including the White Hart in Burbage, 5 public houses in nearby Pewsey and many outlets in the historic town of Marlborough.

6.4 Despite Wadworths significantly discounting the rent chargeable and working with their tenants to improve the business at The Three Horseshoes there has been insufficient impact to achieve a Fair Maintainable Operating Profit in order to maintain a business on site.

6.5 For all the above reasons The Three Horseshoes is an unviable business proposition at present and there are no foreseeable circumstances in the market which will change that unfortunate situation.



6.6 The sale of the public house for residential development was the only option available to Wadworths that will enable this attractive property be brought back to a viable and sustainable use.

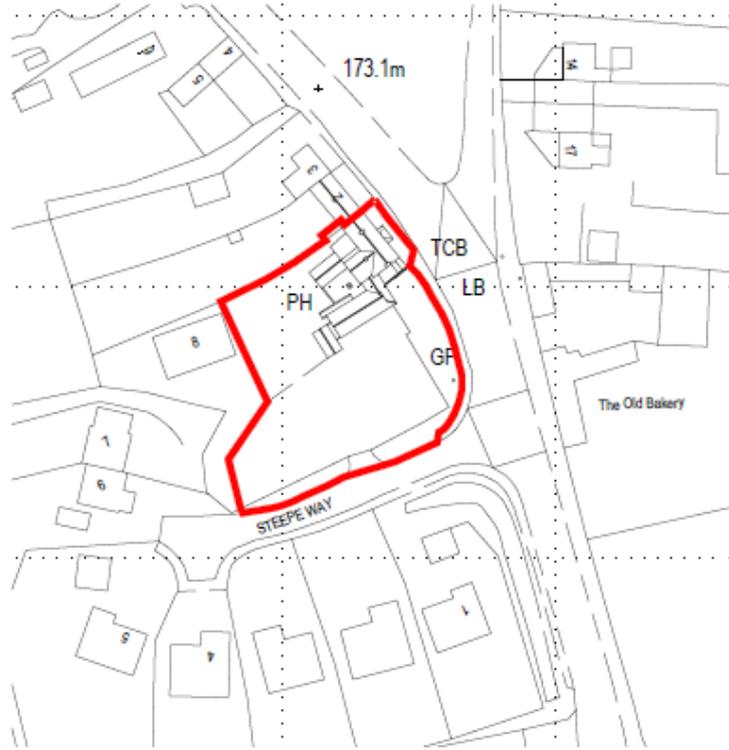


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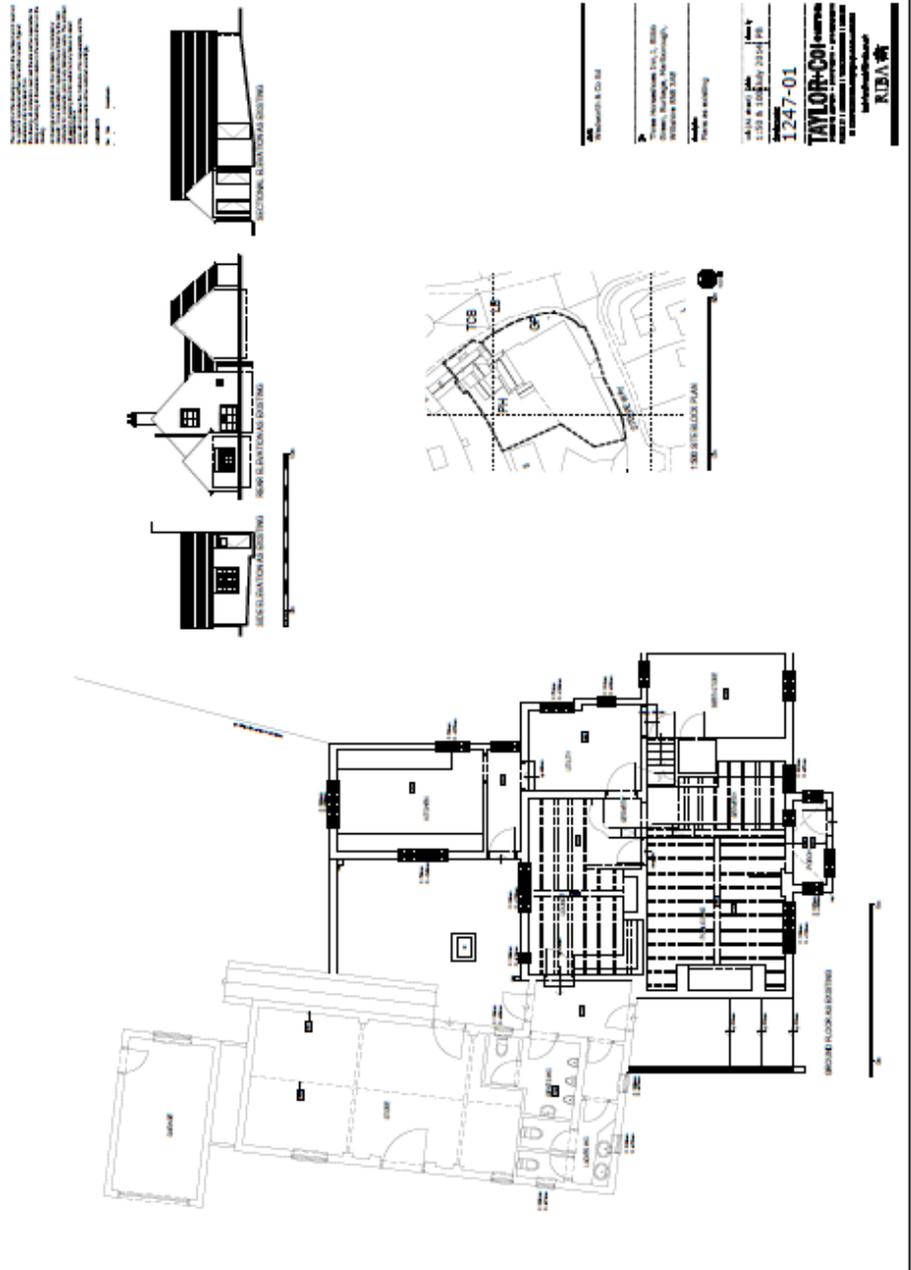
# Appendix A

## Site Plan



# Appendix B

## Existing Floor Plan



# Appendix C

## Photographs





Front elevation



Front elevation



Rear elevation





Rear patio



Rear Car park and outbuilding



Rear car park

