

04/24/12

APPENDIX

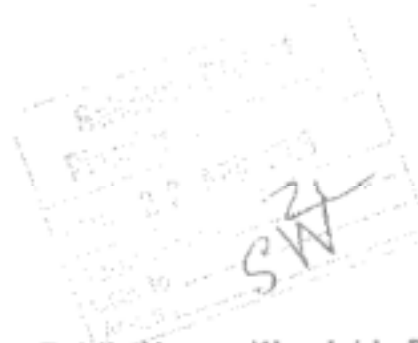
J.G. ADAIR
CHARTERED BUILDING SURVEYOR

21 April 2005

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Dear Ms Waaldijk

Re The Conquered Moon Public House, Woodside Road, Salisbury

We would wish to make the following comment upon the report commissioned by the Council from Sidney Philips Ltd regarding the viability of the Conquered Moon Public House.

1. We agree that the site is unoccupied and has been boarded up, the latter was on the instructions of Enterprise Inns to ensure its security and reduce vandalism.
2. We agree that the Conquered Moon was acquired from Gibbs Mews in 1998 (when the latter disposed of all their licensed premises) and that the number of lessees, tenants and probationary tenants since this period is considered high.
3. We are in agreement with the planning issues listed, with the exception of Local Policy PS3. We believe this policy quite clearly is meant to apply only to smaller settlements and does not apply within the area of the city.
4. We accept that the calculations should have been based on a nominal 'brewers barrel' of 36 gallons. This error arose from a misunderstanding as the actual sales and deliveries were made in the 22 gallon kegs to which we referred to in the viability study.
5. While we agree that Enterprise Inns do not directly employ management staff; we had used the term management in our submission to differentiate the difference between tenants and licensees. All Enterprise Inn tenants are required to hold the British Institute of Innkeepers Certification, indicating they have undertaken a period of training and have knowledge and experience of the licensed trade. In this instance we believe the distinction was valid since several of the tenants were not initially being asked to pay any rent and were therefore only in a management role regarding the property.

6. We do believe we were accurate in stating the decline of sales at The Conquered Moon reflected a trend in sales at licenced properties. The Publican newspaper claims the amount of beer drunk in pubs is at a 30 year low. They estimate a 16% fall in on-sales since 1979 with a fall by 3.7% in 2000 alone. The Euromonitor analysis of the industry notes the increasing movement of sales away from on-premises and particularly for the sale of beer. They note the attempt by the on-trade companies to counter this by mergers and take-overs to gain size. This is to try and match the buying power and tactics of supermarkets in order to pressure the beer manufacturing companies to offer increased discounts and therefore lessen the disparity between on and off-sales. They also predict a fall in the sales of alcoholic drinks in the near future with beer and FAB (Flavoured Alcoholic Beverages) sales showing the greatest fall (Euromonitor Chap 57, April 2005). Figures from The Interbrew Market Report also show that modern pubs have now taken 20% of the total market, cutting traditional pub shares back to 44%. Their survey also shows a continuing decline in the number of visits each week. While the national figures do not show the 50% decline at Bemerton Heath we believe the implications are significant for a property showing marginal viability.

7. In the viability assessment we would query the price quoted for a pint of beer in 1998 and suggest this price reflected the cost of premium lager products at that time, rather than standard beers and ales which were more likely to be the main sale at The Moon. However, we would accept and agree with the assessment that a further 10% in sales could be attributed to sales of wines, spirits, minerals and bottles products.

We would question the assessment of the income from gaming machines, juke box and pool tables. Whilst the figure quoted appears to be broadly in line with a high expectation for such machines from a premise with this barrelage, it does not reflect the actualities of machine rental. Custom and practice would normally be a 50:50 share of the income between the landlord and the machine operator in a 'freehouse' while in a 'tied' house it would be more usual for it to be split $\frac{1}{3}$: $\frac{1}{3}$: $\frac{1}{3}$ between the licensee, operator and freeholder. I therefore feel the gross profit should be reduced by c£8,000 in 1998 and by £4,000 in 2001.

I also do not feel the viability calculation has adequately examined the operating costs of a property of this type in sufficient detail, but merely noted there are costs. It is considered typical for a lessee/tenant to have to spend 15% of gross turnover on staff wages (bar staff, cleaners etc.). We would agree that the rent expected would be about £15,000 p.a. as it is typically assessed at between 10% & 16% of gross turnover and therefore falls in line with the figure mooted. The operating costs (heat, lighting, insurance, rates etc.) is usually estimated at about 16% of gross turnover – these costs are more fixed and the percentage therefore more likely to vary as a percentage of the sales. As they are fixed they will, however, therefore bear more heavily if the turnover falls.

We would therefore re-assess Sidney Phillip's calculations as follows:

	1998	2001
Draught beer sales	£104,480	£59,927
Wines, spirits, minerals and bottled sales	£10,448	£5,992
	£114,928	£65,119
By 50% gross profit	£57,464	£32,559
Machine income & Sundries (Nett)	£4,000	£2,000
GROSS PROFIT	£61,464	£34,559
LESS		
Wages (Estimate, minimum)	£12,000	£6,000
Rent	£15,000	£15,000
Operating Costs (Estimate)	£14,000	£10,000
NETT PROFIT TO TENANT	£20,464	£3,559

We would therefore agree, particularly in the years leading up to closure that the tenants would have experienced severe financial difficulties and this would have contributed to the frequent change in licensee.

8. We would argue that Enterprise Inns have made strenuous efforts to operate The Conquered Moon prior to its closure. That despite a variety of tenants managing the property not one appears to have been able to revive trade sufficiently to make the property viable or to be induced to take on a lease. We would record that the mix of tenants included local residents.
9. We are pleased that Sidney Phillips regard Enterprise Inns as being recognised as aggressive purchasers of public houses and believe this reflects their commitment to their core business – the ownership and operation of licenced premises. On a national scale we believe this is re-iterated by their recent acquisition of the Unique Pub Company. Enterprise Inns continued to support their investment in purchasing The Moon through their continued attempts to place a tenant in the property. As a major pub operator they have also had the resources and experience to support their tenants through their area managers.

10. We are in further agreement regarding the capabilities of Christie and Co who have marketed the property since its closure; and the opinion that any serious purchaser of a licenced premise would have made contact with them, either to view the property or obtain further details. Since the meeting of the Committee where the change of use was last discussed Christie's have only received one further enquiry despite their continued marketing in both their published material and on their Internet site. There has also been publicity from the report of the Committee's discussions in the local Salisbury press. They have continued to market the property and a copy of the display in their latest brochure is attached, it should be noted the details do not refer to development potential but its public house potential.

One offer of £170,000 was received, subject to the property being refurbished to a condition suitable for trading. It is estimated that expenditure in the region of £100,000 would be required to achieve this. This figure reflects the need for new fixtures and fittings within the property and the desire to re-decorate and carry out some internal repair work before re-opening. A significant part of this sum would also be an allowance to meet the requirements of the Disability Discrimination Act 2004. This would require alterations to the internal layout due to the presence of steps and inadequate door widths, which would also then necessitate re-decoration. I also believe that it would be necessary to install a separate fully accessible toilet. Further, although strictly falling outside the scope of the Building Regulations, there would be difficulties in making it fully accessible to all sections of the community in its present form. There are difficulties due to the sloping nature of the site and the arrangement of steps and ramps which give the access to the property.

The consequence of the need for such an investment means the offer would have only had a nett value to Enterprise Inns in the region of £70,000. Understandably Enterprise Inns did not find such an offer acceptable for what, must be recognised, is a substantial property with a generous three-bedroom flat.

Enterprise Inns also have a book value for the property (as for all their assets which is reflected in their Balance Sheet) which reflects their purchase price from Gibbs Mews in 1998.

11. We would agree that The Moon had an unopposed trading position in Bremerton Heath but would question whether this trading position has any viability. Certainly the trading statistics above indicate a property which has gone from one which provides a marginal living for the lessee to one which is completely unviable. We would also question whether the location of The Moon is now totally unopposed since we believe that a private members club attached to the local football club has provided some of the amenities previously offered by The Moon. We do recognise there are restrictions in the environment and accessibility of a members only bar.
12. We note the suggestion that a new leaseholder would not be restricted to products supplied by Enterprise Inns. Enterprise Inns requires both

lessees and tenants to operate profitable businesses in order to ensure the security of their business. We would again note the independent professional analyses which indicate the competition faced by the industry from supermarket and other off-sales, associated with lifestyle and demographic changes, which is forcing changes in the industry. These surveys note in particular the concentration of pub operation groups to try and secure discounts from the brewers similar to that enjoyed by the supermarkets. Any independent licensee of this property would therefore be unlikely to have the access and benefit of Enterprise's bulk purchasing strength and is more likely to face increased costs for their supplies, rather than reduced costs as implied in Sidney Smith's report.

13. Christie's have extensively marketed not only this but other licenced properties in the region. They report a succession of sales and that prices reached have frequently exceeded the asking price. They therefore see the lack of interest in The Conquered Moon as reflecting the lack of viability of the property, rather than a lack of activity in this market and interest in purchasing pubs.
14. We would express our complete agreement with Sidney Smith's assessment that The Conquered Moon has limited appeal and that its location in Bemerton Heath represents a difficult business environment. We believe he has shown the low turnover and decline of the business over the five years prior to its closure. We would also agree that the property has been extensively marketed to attract any potential new interest in it. We also note the strongly expressed opinion of the lack of viability for any other A3 use.
15. The property was initially marketed as a licenced premise at a price that reflected this. The history of the planning application for residential use on the site has only occurred after a considerable period of time after it being marketed as a pub. We would accept that it does have a greater value as building land than as a public house, however the poor trade of the property reflects a land use that is now unviable and contributes little to the community in its setting.
16. Enterprise Inns require their tenants or lessees to prepare a business plan as part of their acceptance procedure to ensure they are fully understand the financial commitment they are taking on. This requirement, however, discourages casual applicants but does ensure that any offers are based on sound financial planning. A copy of their *pro forma* is attached.

Conclusion

It is considered the existing A3 use is an unviable proposition set, as it is, within a difficult environment and unused and unwanted by the local community. The recent history of the pub and the lack of viability for other A3 uses on the site tends to indicate that there is no economic future for this property as a public house. It is considered therefore that permission should

be granted for a change from A3 use to allow residential building by a housing association on the site.

Yours sincerely,



James Adair