

Public Houses

Definition For the purposes of valuation, a *Public House* is a premises licensed to sell alcoholic beverages to customers for consumption on the premises, and whose main business it is to do so.

Basis for valuation The valuation of a public house is based on its annual rental value at the valuation date. This is determined by analysing the actual annual rent of that property (if applicable) and that of comparable properties.

Profit-earning ability is a key element in determining the annual rental value of a public house. It is not the actual profits, but rather the profits that would be anticipated by a hypothetical prospective tenant which have to be considered.

The Valuation Office analyses information on rents and trading patterns in public houses, and applies this information in assessing the hypothetical rental value of public houses. Details of the public house's sales mix and profit margin are collected to ensure appropriate comparisons.

Valuing multi-use premises If the premises being valued incorporates elements used for sale of alcoholic beverages for consumption off the premises, these areas are valued as part of the Public House.

If the premises being valued incorporate other elements, such as a shop, office or workshop, these areas are generally valued using the method appropriate to their use, having regard to rental evidence available in the locality.

Non-commercial elements Non-commercial elements of the premises, such as residential quarters, are excluded from the valuation, even though these may affect the actual rent paid on the premises.

Confidentiality Some of the information in the valuation report is confidential. Subject to the requirements of the Freedom of Information Act, such information will be provided only on receipt of written instructions from the occupier.

Public Houses, Continued

Information needed for valuation

The following information is needed in order to arrive at the valuation of a public house:

- Measurements
- Licence details
- Trading details
- Other factors affecting the annual rental value of the property
- Lease or purchase details

During the valuation survey and inspection, information is collected on each of these items, as detailed below.

Measurements

Public houses are measured to Net Internal Area (NIA), as described in the Valuation Office *Rating Code of Measuring Practice*.

Beer gardens, designated outdoor smoking areas and street furniture licence areas are measured to Gross Internal Area (GIA), as described in the Valuation Office *Rating Code of Measuring Practice*.

A copy of the floor plan (or, if this is not available, a sketch plan) is attached to the report)

While it is not necessary to survey the non-commercial element of public houses (residential quarters, agricultural outhouses, etc.), the report should include details of the extent and condition of these non-commercial elements, so that they can be taken into account in the analysis of rental and sales evidence.

Licence details

Most public house licences are 'seven-day' licences, which restrict their business to 'normal' opening hours. Some pubs obtain special exemptions to stay open beyond these normal hours. Details of all licences and special exemptions are recorded.

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Trading details

Details of the various trading activities are recorded during the inspection, including details of on-trade, off-trade, food trade, disco, nightclub, etc.

The following information is recorded:

- Pricing structure
- Admission charges, opening hours, etc.
- All franchise/licence and other arrangements
- Turnover and expenditure figures for each of the various trading activities
- Gross profit margin

Occupiers of public houses are requested to supply copies of the accounts covering the most recent three-year period for which accounts have been prepared.

In the case of new, redeveloped or recently acquired properties, and in cases where three years' accounts are not available, the following information is requested:

- Copies of any available accounts
 - A certified letter from the accountant setting out details of turnover and expenditure, net of value added tax, as stated in management accounts, to cover the period for which accounts have not yet been prepared.
 - A breakdown of the turnover figures between the various trading activities
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Other factors affecting value

Information is also recorded regarding:

- Car parking arrangements
 - Accessibility by public transport
 - The number of tables and chairs placed on the public footpath
 - Competition in the immediate area
 - Details of operational expenses over and above the normal – for example, high security costs, entertainment expenses, etc.
 - Any additional information necessary for an assessment of annual rental value of the property
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Public Houses, Continued

VAT All figures used in the assessment of the annual rental value are stated net of value added tax.

Details of lease For leasehold properties, details of the lease are recorded, as follows:

- Commencement date
- Length of lease
- Rent review interval
- Date of last rent review
- Current annual rent (net of VAT)
- Details of stepped rent
- Who is liable for rates, internal/external repairs and building insurance
- Break clauses in lease
- Rent free periods
- Date of purchase and price paid for leasehold interest (key money)
- Premiums paid in lieu of rent
- Whether let in shell form or fitted
- Any clause in the lease that restricts the use of the premises

Details (including dates) of expenditure incurred on the construction, alteration, improvement or redevelopment of the property are also recorded, and the contribution to fit out made by the landlord and by the tenant.

Details of purchase For **freehold** properties, details are recorded, as follows:

- Date of construction
- Purchase Price (net of VAT)
- Date of purchase
- Condition of property at date of purchase
- Details (including dates) of expenditure incurred on the construction, alteration, redevelopment, improvement and fit out of the property
