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VIABILITY REPORT

Concerning

THE TALBOT ARMS,

TALBOT STREET,

CHIPPING,

PR3 2QE.



**Prepared by direction of Mr. Nathan Lowe on behalf of
Talbot Hotel at Chipping Limited.**

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Brief of Instructions:

- 1.1 I am instructed to provide an opinion as to the commercial viability of the Talbot Arms for its existing use as a public house which I inspected on September 30th 2020 with Mr. Nathan Lowe.

Qualification and Experience

- 2.1 I qualified as a Chartered Surveyor in 1967 (Diploma 0031757).
- 2.2 Between 1964 and 1991, I was at various times an employee, Partner and Director of Dacre, Son & Hartley based in Skipton. During this time I was instrumental in creating a Licensed Property Division dealing with the valuation and sale of pubs and hotels throughout Northern England with clients including Bass, Scottish & Newcastle, Thwaites and John Smiths.
- 2.3 In 1991 I left to form my own company, Westlake & Co. which is based in Gargrave dealing exclusively with Licensed and Commercial properties in this region. Clients include The National Trust, United Utilities, Scottish & Newcastle, Heineken and several leading Pubcos.
- 2.4 For many years, I was a Member of the RICS President's Panel of Experts dealing with property and valuation disputes across Northern England.
- 2.5 I believe it is fair to say that I am regarded by my peers as an expert in licensed property matters.

History of Rural Pubs:

- 3.1 Historically, virtually every village had at least one pub serving the local community, but many were part-time businesses run in association with farms or shops etc.
- 3.2 The advent of 'universal' car ownership, following World War II meant that urban dwellers had freedom of movement and driving out into the countryside for a drink became a popular pastime which also generated demand for food. This new trend established many pubs as viable trading entities and even the introduction of the breathalyser in 1967 did little to dampen demand for many years.
- 3.3 In the period up to 2008, demand for pubs was insatiable and pubcos were competing with each other to build up large estates, almost irrespective of cost, to benefit from the extra profit of bulk trading.

- 3.4 All this changed in 2008 following the Global Financial Crisis and the value of pubs fell through the floor, sometimes by over 50% causing many business failures.
- 3.5 Since then, market conditions have hardened due to changing social habits and profitability has been eroded by falling demand, increased overheads (particularly staff and utilities etc), coupled with the inability to uplift prices due to competition, all of which has forced many pubs out of business.
- 3.6 For example, in 2017 980 closures were recorded as opposed to 854 in 2018 which equates at one pub closing every 12 hours.
- 3.7 As a general rule, larger pubs are faring better than smaller ones and urban pubs better than rural as they have a larger catchment area of potential customers.
- 3.8 At the present time, the pub industry has effectively been shut down, on and off, for a year and it is a matter of fact that many will not re-open as the customer base has evaporated to a greater or lesser degree and they are never going to be commercially viable as a trading entity.

Local View:

- 4.1 The village of Chipping (population approx. 1,040) already has two pubs, [REDACTED] (next door) and [REDACTED]. Elsewhere in the village, Mr. Stephen Chicken is proposing an imaginative leisure orientated complex designed to appeal to a niche market of those who appreciate outdoor activities including walking and cycling etc.

It should be noted that this scheme has yet to be developed and is not a pub.

- 4.2 Chipping is located in a sparsely populated rural area approx. six miles from Clitheroe, eight miles from the M6 (junction 32), nine miles from Lancaster and ten miles from Blackburn so that the catchment area for trade is very limited unless customers are prepared to drive out along narrow tortuous lanes, passing numerous other pubs on the way.

- 4.3 In the locality, pub 'casualties' include [REDACTED] [REDACTED] [REDACTED] [REDACTED] at Chipping (application for residential); [REDACTED] [REDACTED] at Chaigley (residential); [REDACTED] at Newton (residential); [REDACTED] at Knowle Green on market for three years prior to closure; and [REDACTED] at Knowle Green (application for holiday accommodation).
- 4.4 Last year, the [REDACTED]. collapsed involving ten pubs which include [REDACTED] at Laneshawbridge, The famous [REDACTED] at Downham, [REDACTED] at Barley Village, [REDACTED] [REDACTED] [REDACTED] at Chipping Road, Thornley, The [REDACTED] at Great Eccleston and [REDACTED] [REDACTED] at Cloughton, Lancaster.
- 4.5 N.B. These pub/restaurants were all well equipped and it is rumoured that they have been acquired with a view to re-opening in future.
- 4.6 The Talbot Arms ceased trading in 2004 and was eventually sold in 2010 for £400,000 which included the adjacent barn and land.

I believe it is significant that the business failed during a period when the pub trade was extremely buoyant, some four years before the market collapsed.

- 4.7 Subsequently, Planning Consent was obtained in January 2013 for a development which includes a function suite, bistro restaurant, bar, nine en-suite bedrooms and conversion of the barn to eleven en-suite bedrooms plus refurbishment of car parking facilities (46 spaces) and grounds.
- 4.8 I have not been provided with any costings relating to this development and I am not a Quantity Surveyor but the scheme was never implemented and I have no doubt that the market would regard it as being a very high risk venture that would be extremely difficult to finance in current market conditions.

- 4.9 My report is focussed on the existing public house, excluding the barn which comprises the following accommodation:

Ground Floor:

VESTIBULE and HALLWAY.

BAR, 4.67m x 3.0m with fireplace and adjacent GAMES ROOM, 5.4m x 4.6m.

Ladies' and Gents' TOILETS.

Rear BAR, 7.7m x 2.9m plus 5.5m x 4.4m.

DINING ROOM, 11.4m x 4.56m plus 4.6m x 4.3m.

KITCHEN.

STORAGE and CELLAR.

First Floor:

SNOOKER ROOM/LIVING ROOM.

BATHROOM.

Three BEDROOMS.

OFFICE.

ATTIC STORAGE.

- 4.10 The licensed trade area is 157sq.m.
- 4.11 Based on data from numerous other valuations prepared of similar rural pubs, I would expect the refurbished and equipped premises to achieve a turnover of £335,000 per annum (net V.A.T) which would equate at a profit of £65,000 per annum and value the freehold business at a maximum of £350,000.
- 4.12 However, the property has stood empty for 17 years and is in poor condition throughout so that essential repairs are likely to cost around £350,000/£400,000 plus the cost of furnishings and equipment before the pub could open its doors for trade and it would then take some time to re-establish the business from a 'cold' start.

N.B. As the property is Grade II Listed, the cost of repairs and refurbishment will be greater than for a non-Listed building due to compliance with Listed Building Consent.

- 4.13 Based on the above calculations, which I believe to be realistic, confirms that the pub as existing does not constitute a potentially commercially viable trading entity. Indeed, the obligation to repair, refurbish and re-open the pub would render it a financial liability.

4.14 My company act for a number of pubcos who are actively divesting themselves of attractive and once-popular country pubs including [REDACTED] in the pretty Ribble Valley village of Grindleton.

Planning:

5.1 I have been provided with a Planning Appraisal prepared by Judith Douglas and am aware of the requirement for a marketing period as a prerequisite to considering an application for Change of Use but, in the circumstances, I maintain that this would serve no useful purpose. In my view, the challenge of repairing and re-equipping the former pub to trade again is a risk not worth taking.

5.2 As the premises have been vacant for 17 years during which time it has contributed nothing towards the local community in terms of providing a social amenity or employment. In my experience, if there was any latent demand for the property as a pub then it would have become evident somewhere along the way.

5.3 Further, I suggest that conversion to residential use is the only logical alternative and, implemented in a sympathetic manner, would not in any way harm or detract from the protected status of a Listed Building which is currently unkempt and an eyesore in an otherwise idyllic village.

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Michael S. Westlake FRICS

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