

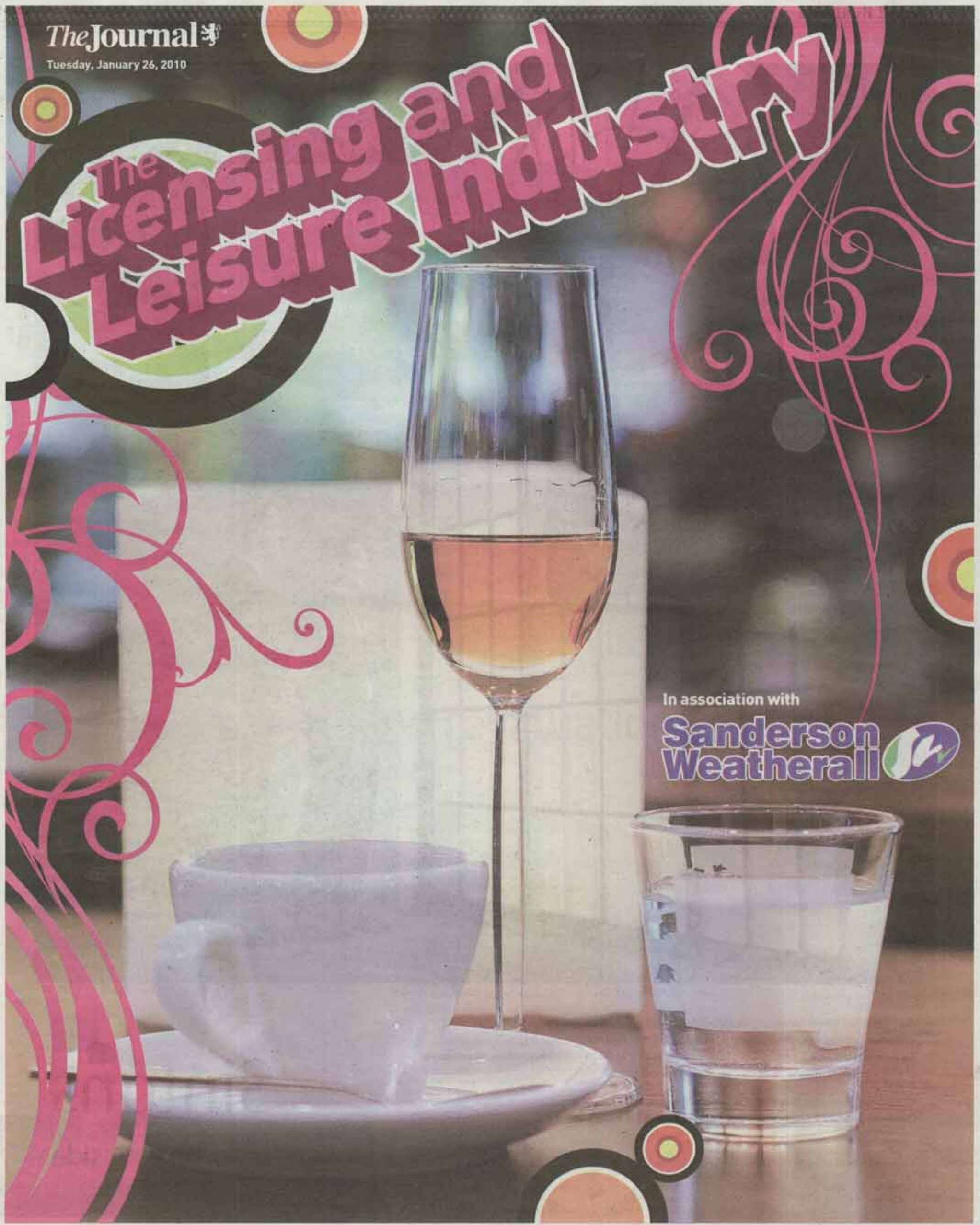
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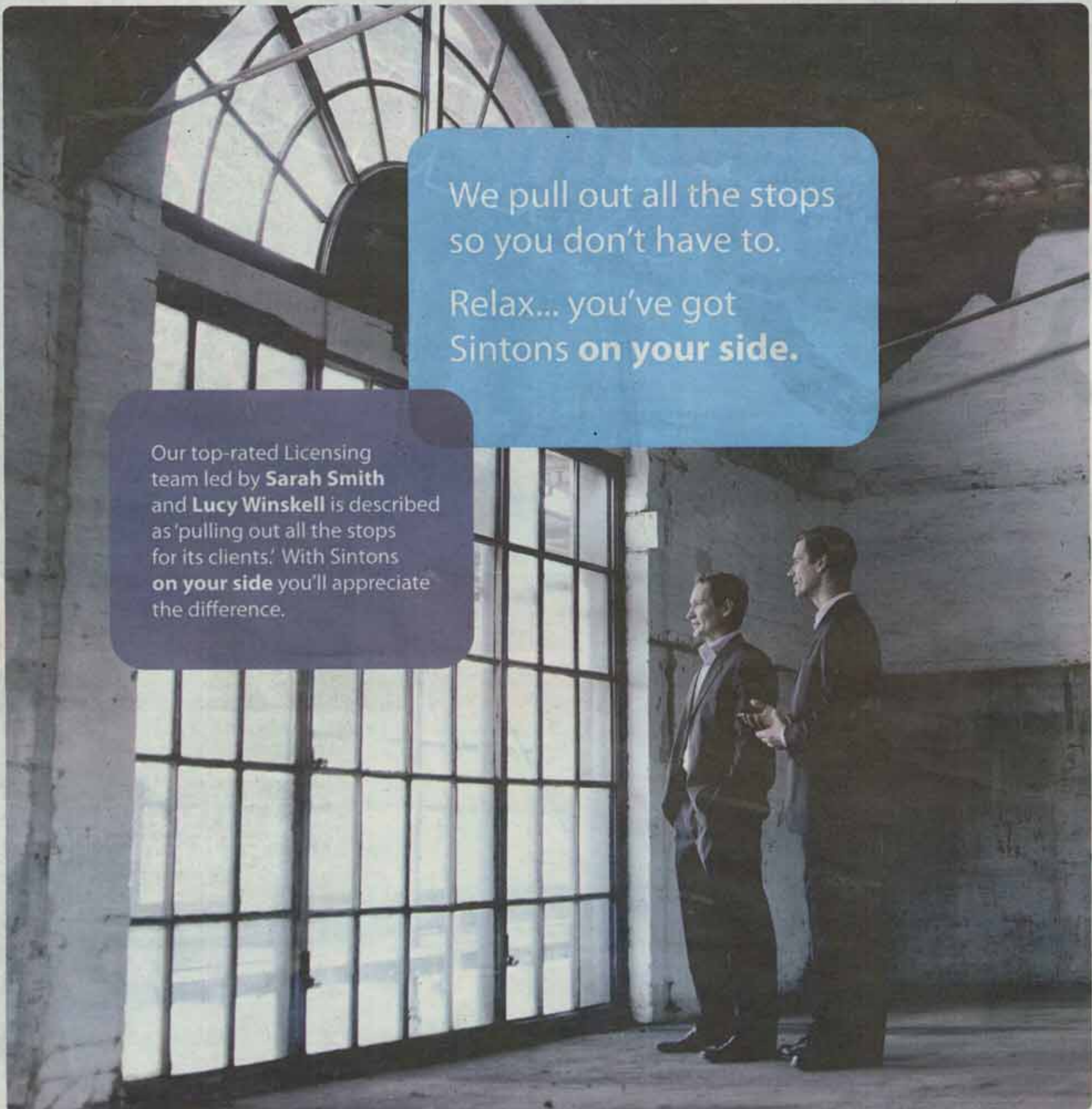
Tuesday, January 26, 2010

# The Licensing and Leisure Industry

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# Increased activity expected in 2010 but this is hardly boom time again

Nigel Westwood

**S**ALES of freeholds have been achieved throughout the last 12 months, albeit at much lower volumes than in previous years.

Buyers have had to rely more on their own resources rather than mortgage finance as lenders' loan to value ratios have retracted from 70% plus to 60% and under.

Freehold activity was partly due to many thinking that the market had bottomed and that the time was right to buy.

It was also due to pubco disposals, some of which have offered very attractive terms to sitting tenants.

These disposals can provide excellent opportunities for sitting tenants who will have the advantage of knowing the pub well, knowing its

potential and who can readily see the changes a purchase will bring to the bottom line with the removal of rent and product tie.

Moreover, they will be often best placed to know what investment is needed to increase trade and profit.

As ever, the track record of the borrower is key to achieving finance and, at present, a track record with the lender from whom you wish to borrow.

By contrast, the leasehold sector had a varied year in 2009. At the

**At the top end, many leaseholders particularly in city centres have traded at high levels**

bottom end, the combination of lower trading volumes and profit, historic rents which were too high for the current level of trade and difficulties with the cost and availability of finance meant the effective demand for many outlets was negligible.

However, at the top end, many leaseholders particularly in city centres have traded at high levels and margins and record high levels at that, and have had the wherewithal to expand their portfolios and/or invest in their premises.

As for 2010, the level of inquiries increased in the last three months of 2009. With a slight relaxation forecasted in lenders' criteria, I would expect increased activity in the sector but it will not be across the board.

Nigel Westwood, partner, Licensed and Leisure, Sanderson Weatherall LLP



CAUTIOUS Nigel Westwood.

## New business rates revaluation in effect soon



Neville Farmer

IN the last few weeks every ratepayer should have received details of the basis on which their property has been assessed.

In the case of most retail properties, this will have been calculated on a number of sq metres occupied and the rental values in the particular location. For most licensed and leisure properties however, the basis differs in that rental values (and therefore rateable values) are assessed by reference to fair maintainable volume of trade capable of being carried out as at April 1, 2008.

To arrive at a rateable value, the Valuation Officer (VO) of the Inland Revenue will have ascertained the trade by asking for details for the three years leading up to 2008. In the absence of trade information the VO may have had to resort to estimates. Obviously depending on these estimates there may be advantage or disadvantage to an individual ratepayer. In any event, these trade details are historic and physical circumstances may have changed in the last few years - leading to some rateable values being excessive.

To cope with this dilemma, it's important to get your house in order. The regulations say that the physical position of the property is that



EXPERT Neville Farmer.

pertaining at the date of the new Rating List (ie April 1, 2010).

It is therefore very important that if physical circumstances have changed in the last few years such as

new competition, roads altered or working place closures - leading to a reduction in trade - that steps should be taken to make sure that the VO's assessment is amended.

Of course, any such effects will also have a bearing on current liabilities and an appeal against the existing Rating List before April 1, 2010 may be beneficial.

For the new Rating List transitional arrangements will continue to apply - that is, any large increases in rates payable may be limited with an inflationary increase based on the current liability.

In view of the above, it is clear that it is important that any excessive amounts of rates payable is minimised for both the existing and new Lists. Additionally, the interpretation of "fair maintainable trade" is open to some educated opinion as is the way in which any given level of trade has been treated to arrive at a rateable value.

It is recommended that current rateable values be looked at before the end of the existing Rating List as backdated reductions may be warranted which may, in turn, reduce future liabilities.

Neville Farmer is a former long-term Inland Revenue valuation officer and specialises in licensed property. For informal advice and to discuss a no-gain, no-fee basis, call Neville on 0191 261 2681.

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# 2010 set for Quayside revival

Adrian Mattock

**E**CONOMIC, political and stakeholder pressures have caused hospitality and leisure firms to take a long hard look at their properties in the last 12 months, owing to a significant cut in spending on entertainment as the UK scaled back in the face of the economic downturn.

Looking at Newcastle's Quayside, without doubt it has seen a significant change of fortune over the last 10 years. It was once the bustling hub of the leisure circuit, attracting visitors from far and wide.

In the last couple of years, competition from more contemporary operators surfaced to make locations such as Jesmond more attractive as 'the place to be seen'.

The pedestrianisation of Dean Street took place in 2005. On the face of it, it should have made this more 'visitor friendly' and encourage footfall but quite the reverse happened and took away some of the appeal of a good night out in this area.

Further up the bank, two other factors impacted with The Gate development gaining in popularity and the investment in the diamond strip of Collingwood Street and revellers simply moved up the hill and into town. Asking prices have now



**FUTURE PLANS** The Cooperage.

fallen and at a time when cash is king, it's now the regional multipliers with a little weight behind them that have been able to capitalise on some real bargains.

In September last year, Sanderson Weatherall let the former Julies Nightclub to Stein and plans for a German beer-themed venue to revive this location's fortunes are in place.

We have just completed the sale of another iconic business, The Cooperage. A favourite for many, it has been acquired by the Apartment Group who amongst other businesses



**NEW THEME** The former Julies Nightclub has plans in place.

operate on the diamond strip. The former Buttress building is being redeveloped into a restaurant operation, the Tavistock restaurant recently rebranded and relaunched as Charlie's Champagne bar and further along the quayside the Waterline has been placed under offer to a local operator.

This new buzz of activity is testament to the fact that operators are taking advantage of affordable properties, making the business case for the revival of premises that bit brighter – a positive move towards the quayside reinventing itself once again

to draw back the crowds. There are also good opportunities beyond the quayside and we have around 100 available at present and we are confident that a bright future will brew for many.

Adrian Mattock is Partner, Licensed and Leisure at Sanderson Weatherall LLP



**BARGAINS** Adrian Mattock, Partner, Licensed and Leisure at Sanderson Weatherall LLP.

## Leisure Property Specialists

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## Football crazy! Can the leisure industry

David Downing

**EVERYBODY** knows that Newcastle and Sunderland are football-mad cities and whilst times have perhaps not been so good for the Magpies recently, the team is back on an even keel and topping the Championship.

There is always, in both cities, a keen sense of expectation and a 'buzz' in the air around big matches and in the transfer window. Be it away from one of the clubs, like at the moment with Sunderland's Kenwyne Jones, or perhaps a big name coming to one of our Tyne and Wear teams.

Perhaps what is not so often considered or reported is the benefit to the North East economy from football, especially to the hospitality industry.

There is the local benefit of having 40,000 thirsty football fans converge on St James' Park or the Stadium of Light on a Saturday afternoon, but also the bigger aspect of the travelling away fans who may also want accommodation and experience the renowned Newcastle nightlife before or after the game.

The most recent published figures show that 8.9 million overnight tourists visited the North East in the sample period, generating approx £3.9 billion for the local economy and supporting around 76,500 jobs.

How much of this is attributable to sport is difficult to determine however. So how can the hospitality industry capitalise on football or indeed sport in general? Well perhaps the next big football opportunity is 2018, with Newcastle/Gateshead and Sunderland being confirmed as Candidate Host Cities for England's 2018 World Cup bid. Research suggests that visitor

numbers will increase substantially during the period of the games, possibly by as much as 225,000 overnight visitors.

There will be a significant generation of income from the fans travelling to the region, perhaps upwards of £50,000,000, based on the experience of Leipzig (a similar sized city area to Newcastle/Gateshead) at the 2006 World Cup in Germany.

This says nothing of the peripheral benefits such as infrastructure improvements, other capital expenditure or the PR value of exposure of the region to the world via the mass media and the legacy this will leave behind.

The challenge for the industry is to make more from these visitors than just a one or two-night stay for the game and convert that to a week's stay with the family. To do this we need to emphasise the other attractions the North East has to offer; such as the stunning Northumberland coastline; the sporting opportunities such as mountain biking at Kielder or surfing at Tynemouth; the history and heritage of Durham, Lindisfarne and the Northumberland castles; the quality cuisine being created in the region by chefs like Kenny Atkinson and Terry Laybourne; and the art and cultural scene in the area with the likes of Baltic, Middlesbrough Institute of Modern Art (MIMA), The Sage, The Sunderland Empire and Newcastle's Theatre Royal.

This is a role that Tourism North East has been busily working on over the past few years, with increased marketing in cyberspace and through the traditional media.

As for other sporting events, the BUPA Great North Run is the world's



**HOTBED** St James' Park

biggest half marathon annual feature in the sporting calendar, capitalised on this average RevPar (Re Room), by approx 1 weekend.

There are of course opportunities in other sports. In the same with cricket, you have Doncaster Riverside Ground hosting a one-day international against Pakistan in the Twenty20 Final Ashes test in 2013. In the Aviva British Grand

David Downing

AFTER copious high-profile insolvencies and administrations in the leisure sector over the last few years which have included the Sports Café, The Laurel Pub Co (Yates, Hogshead etc), various football clubs and numerous restaurant groups, including a number of outlets owned and operated by TV Chef Anthony Worrall Thompson - as the market begins to settle at the start of 2010, is now the time to call last orders on the redundant pubs?

It's been bleak for many pub companies as their units under-performed and they were unable to rid themselves of these properties as trading entities. However, some of the more proactive owners have taken the opportunity to look at their portfolios, prune back the dead wood and offer the properties de-licensed for alternative use.

Recently, we have seen a number of former pubs, clubs and bars acquired and converted into something new. In North Shields, the former Chain Locker pub was acquired by North Court Developments and converted to 15 apartments. Earlier this year, Sanderson Weatherall sold the former Tow Law Workingmen's Club for development into alternate use and the former Globe pub in Shieldfield has been sold and is in the process of being converted to student housing.

Non-traditional developers are also getting in on the action. The former Junction in Church Fenton, Selby, has been sold de-licensed to an affordable

## Calling last orders on redundant pubs

housing provider. Closer to home, there has been interest from alternate users in The Cradlewell in Jesmond which has recently been marketed by Sanderson Weatherall on behalf of S & N Pub Enterprises. This de-licensed pub was offered to the market and a variety of potential purchasers, have taken a closer look, including residential developers, children's day nursery and retailers. We have also recently sold the former Broadway in North Shields for redevelopment as a convenience store.

Perhaps the greatest opportunities at present can be found in the smaller towns and villages where there are perhaps three or four pubs, one performing well and the remaining three barely paying for their upkeep. In such a situation, de-licensing and selling one of these under-performing units could help improve the trade of the others and bring an under-used building into more beneficial use for the local community.

Having said that, not everything is doom and gloom in the leisure and pub world. Well-run pubs with a good operator can still make money even in difficult economic conditions. We have seen several sales of pubs to the in-situ tenant, where simply the change from tenancy to freehold has

enabled the operator to improve trade and turn its fortunes around. The Ball Alley in Stanley and the sale of the Trust Inns portfolio which was broken up and sold to a variety of operators/occupiers are great examples of once under-performing pubs trading well under new ownership.

There are, of course, still some operators in the market with an acquisition programme in place. Major pub operators JD Wetherspoon continues on the acquisition trail with a requirement for circa 10 new pubs a year. Whilst these figures are down from their peak, this is still a positive growth aspiration. Marston's Inns & Taverns also continues to acquire sites with a requirement for 15-20 sites per year for new-build pub development in neighbourhood locations.

Smaller regional companies such as Dorbiere Ltd are actively seeking to acquire freehold sites which they can then let to tenants and provide the beer at an attractive rate. This model is designed to make the most of the opportunity to acquire sites at a reasonable price in the current market.

Of course, other operators have their own models that work equally well. The North East's Head of Steam operates with a model encompassing



DE-LICENSED The Broadway in North Shields will become a food retailer.

entertainment and high quality real ales from independent micro and family breweries, which is enabling it to build a solid reputation and a growing business with outlets all over the North of England. Some of the independent brewers, such as Fraserburgh's so called 'punk brewers', Brew Dog, (infamous for their Tactical Nuclear Penguin 32% brew, the world's strongest beer) are also taking the opportunity to acquire units and build their own chain of branded pubs.

There is no doubt in my mind that

the market has changed and now is the time to call last orders on the under-performing pubs. Whether this is achieved by de-licensing and selling to alternate users or perhaps selling to independent operators who can revitalise a tired 'Red Lion' or put some fresh wind in the sails of 'The Ship' - the fact of the matter remains that there are lots of opportunities in the current market to be had to get a quart from a pint pot.

David Downing is Partner, Valuation and Licensed & Leisure, Sanderson Weatherall LLP

## Industry score a goal in 2018?



es' Park is in the running to host 2018 World Cup games.

on and as an the North East hoteliers have increasing the revenue Per Available Room for the event

se additional mer sports to do the marketing. In irham CCC's e Chester-le-Street international September 2010, day in 2011 and an athletics, with the Prix in July 2010 at

the Gateshead International Stadium and rugby with regular Guinness Premiership and European Challenge Cup games at Newcastle Falcons' Kingston Park, amongst others.

So perhaps now is the time for the hospitality industry to get behind our sporting teams, back the bid ([www.England2018bid.com](http://www.England2018bid.com)) and take the opportunity to score a goal for the North East.

David Downing is Partner, Valuation and Licensed & Leisure, Sanderson Weatherall LLP



# Leisure Property Specialists



**Lynn Club, North Shields**  
Proprietary Club with Stewards 2B accommodation. Currently closed. Some refurbishment required. LLH (approx 75 years remaining).  
**Offers invited**



**Peacock, Kenton**  
Pub. Ground Leasehold interest with 52 years unexpired. circa 1/2 acre site.  
**POA**



**Mount Pleasant Social Club, Gateshead**  
Workingmen's club in residential area. Mostly FH, part to LLH (67 years remaining). Currently trading. Stewards 3B accommodation (currently vacant).  
**O.I.R.O. £150,000**

For further information please contact:  
**Nigel Westwood** 0191 269 0107 [Nigel.Westwood@sandersonweatherall.com](mailto:Nigel.Westwood@sandersonweatherall.com)  
**Anthony Tubbs** 0191 269 0161 [Anthony.Tubbs@sandersonweatherall.com](mailto:Anthony.Tubbs@sandersonweatherall.com)



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# Diversification is the name of the game for many landowners

Sarah Smith

**I**N THE challenging economic climate of the last 18 months, it is hard to think of a section of society that hasn't been affected by the recession. The impact on the licensed trade has been well documented in the press with record numbers of pubs closing.

However, we have also seen an increase in previously non-licensed businesses seeking licences in order to maximise returns on their businesses. Rural businesses appear to be leading the way on diversification in these difficult times.

Over the last year Sintons has worked closely with a large number of North East land and property owners, who have sought to weather the storm by diversifying their businesses. Sintons has dealt with some very interesting and often novel applications.

One of the most lucrative areas for property owners to tap into is the wedding market. Even in a recession brides are not prepared to scrimp on their big day and Sintons has received a lot of interest from owners of large, or even small, country houses looking to offer the full wedding package. With the appropriate premises licence in place permitting sale of alcohol and entertainment and the necessary approval to conduct marriage ceremonies on the premises, almost any sound building can be used for this purpose.

The wedding market allows the owner to be selective as to when they hire out their homes, avoiding the need to have strangers traipsing through their living room on a daily basis. With weddings often being booked years in advance, owners also



**BIG DAY** More and more country house owners are looking to offer the full wedding package at their premises.

have a good idea of future income and marketing costs can be very small.

Landowners have also been utilising their fields and parkland by

hiring them out to organisers of concerts and music events. Again with tickets selling at over £50 a head, and the audience of such events being so large, people are keen

to jump on the Glastonbury band wagon, albeit on a smaller scale.

If you haven't got the stomach to handle the brides or the crowds Sintons has also dealt with many more modest applications involving the conversion of barns and outbuildings to high quality restaurants, cafes, farm shops and even ice cream parlours.

Whether your plan for diversification is big or small it will require deft handling of the planning, licensing and commercial aspects. In order to turn dreams into reality you will require a well-thought out strategy. You will need to research your proposals carefully to deal with potentially delicate negotiations with licensing and planning authorities, police, fire authorities and others.

This is always best dealt with prior to submitting applications to avoid wasted costs and the help of professional advisers will be invaluable at an early stage.

Both Sarah Smith and Lucy Winkell of Sintons Licensing team have gained a reputation for skilful negotiations with licensing authorities, the police and fire authorities as well as neighbouring landowners, leading to successful outcomes for all.

With many years of experience between them, the Sintons Licensing



**EXPERTISE** Sarah Smith, Partner in Sintons LLP's Licensing team.

team can help achieve a property's maximum potential.

Contact Sarah Smith or Lucy Winkell, Partners in Sintons LLP's Licensing team on: Sarah - 0191 226 4897, sarah.smith@sintons.co.uk  
Lucy - 0191 226 7802, lucy.winkell@sintons.co.uk



**SHOWTIME** Landowners have also been utilising their fields and parkland by hiring them out for music events.

# Is two in a bar too much for musicians?



Lucy Winskell

**M**ANY in the licensing trade mourn the demise of the "two-in-a-bar" rule which meant that up to two musical performers could entertain customers in the local pub or other venues without the requirement for a Public Entertainment Licence.

The new Licensing Act 2005 did away with Public Entertainment Licences, replacing them

with a system for Premises Licences, under which the operators have to specify the activities that will be undertaken in licensed premises. This may or may not include live music, and debate has raged as to the fee required by the local authority to provide live musical entertainment - some describing it as 'crippling'.

Certainly, many argue that it is prohibitive for those who simply want to host the occasional night of live music. Musician Feargal Sharkey has led a vociferous campaign, arguing that these local pubs and similar venues provide a valuable springboard for fledgling performers and musicians, and that there are now very few entertainment venues where they are able to perform, because the operators simply aren't able



to afford the cost of providing the required Premises Licence.

The Government has finally taken some steps to think about the issue, and Sintons is in the midst of a consultation period about small live music venues. There is still time to feed in views. On the face of it, there seems little objection to the low key and amplified music which we used to enjoy in our local pub.

However, residents who live near to such pubs may have less sentimental views about these kind of venues - many arguing that they cannot get a



**TWO SIDES TO STORY** Lucy Winskell, Partner, Licensing Team, Sintons LLP.

good night's sleep, notwithstanding the fact that there may not be amplification - and instead they and their family are faced with disturbance late into the night. As ever, two sides to the argument.

It's difficult to predict the outcome of the consultation, but if anyone has questions or concerns about music that they wish to provide in venues at the moment, or wish us to have a say in the consultation period, Sintons Licensing team would be happy to talk through the various options with you.

Contact Lucy Winskell, Partner, Licensing Team, Sintons LLP. Tel: 0191 226 7802 or email [lucy.winskell@sintons.co.uk](mailto:lucy.winskell@sintons.co.uk)



**CAMPAIGNER** Feargal Sharkey chats with Creative Industries and Tourism minister James Purnell.

## Licensed & Leisure Properties Going, going, gone...



### McCoy's Brasserie Newcastle upon Tyne

- Fully equipped restaurant
- Prominent city centre location
- Ready to operate
- Realistically priced for early sale
- Price: £35,000 for leasehold (negotiable for early completion)



### Cashmere Nightclub Berwick upon Tweed

- Berwick's premier nightclub venue
- 550 capacity, realistic rental
- Fully equipped with sound and light
- Consistent turnover from an established business
- Price £895,000 long leasehold



### The Bridge Spennymoor

- Ground floor open plan bar and dining room
- Preparation kitchen fully equipped
- Rear smoking area
- 3 bedroom owners' accommodation
- Price £225,000 freehold



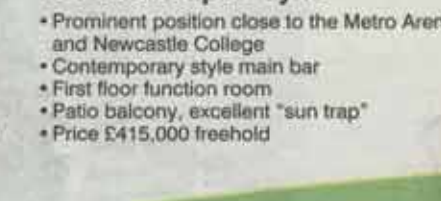
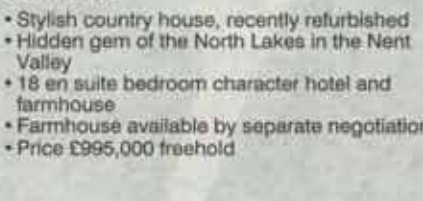
### Shadforth Plough & Witch Hill Restaurant, Durham

- Traditional village public house
- Fully modernised and equipped with character features
- Main bar, snug, separate dining room (100)
- 3 bedroom owner's accommodation
- Price £50,000 leasehold



### Helme Park Hall, Bishop Auckland

- 14 en suite bedrooms
- Function room (150)
- Large garden plus car park
- Magnificent views
- Price £940,000 freehold



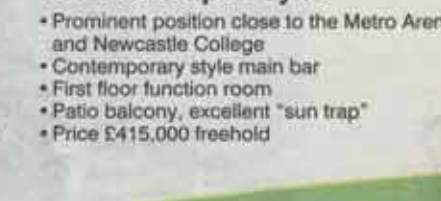
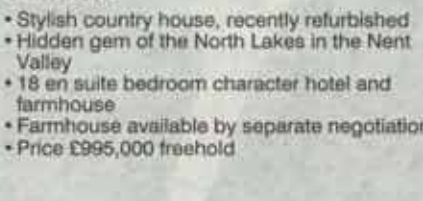
### New Mill South Shields

- Prominent corner site
- Good road frontage
- Freehold
- Offers over £330,000



### St James Gate Newcastle City Centre

- High profile leisure unit
- Incentives available
- 2,672 sq ft and 2,481 sq ft
- Ground and mezzanine floors
- Rent on application



### Eclipse Newcastle upon Tyne

- Freehold investment opportunity
- Rent £57,500 p a from July 2009
- Well established property
- Trading over 2 floors
- P.O.A.



### Pravda, Quayside Newcastle upon Tyne

- New Free of Tie FRI lease
- Approximately 5,000 sq ft trading area
- Potential Restaurant use
- Prominent Quayside location
- Initial Rent: £80,000 per annum



### Nent Hall, Alston Cumbria

- Stylish country house, recently refurbished
- Hidden gem of the North Lakes in the Nent Valley
- 18 en suite bedroom character hotel and farmhouse
- Farmhouse available by separate negotiation
- Price £995,000 freehold



### The Globe Newcastle upon Tyne

- Prominent position close to the Metro Arena and Newcastle College
- Contemporary style main bar
- First floor function room
- Patio balcony, excellent "sun trap"
- Price £415,000 freehold



### Chambers Events Darlington

- Late night function venue (capacity 700)
- First floor relax lounge/bar and external smoking area
- 2 bedroom first floor apartment
- Genuine reason for sale
- Price £995,000 freehold

**SOLD**

For further information on any of these properties contact Adrian Mattock  
on 0191 269 0166 or 07912 276 751, 22-24 Grey Street Newcastle upon Tyne NE1 6AD

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