

## Marketing Report

**Prepared for the Owners of Ham Brewery Tap**

15 May 2023

# Disclaimer

This report is addressed for the sole and exclusive use of:

**– The Owners of Ham Brewery Tap, 4-6 Ham Street, Richmond TW10 7HT**

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# The UK Licensed Sector

# UK Pub Sector – Background

## Decline in numbers as unsustainable pubs have fallen out of the market

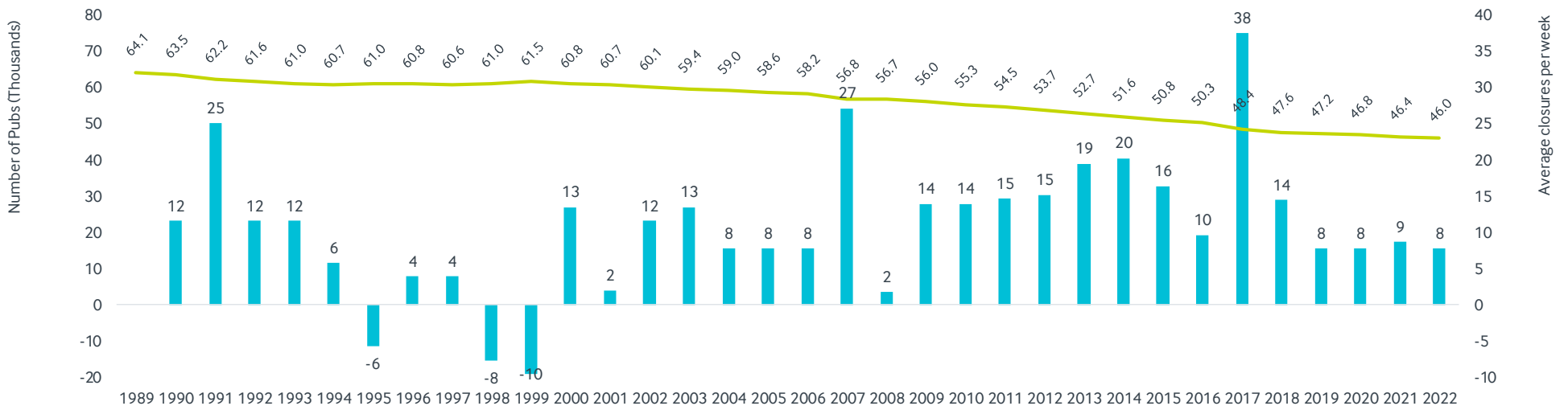
Prior to COVID-19, the overriding narrative that has featured in the UK press in recent decades has been one of negativity, focusing on the decline in the number of trading pubs, from a high of 67,000 in 1989 to just over 47,000 before the impact of COVID-19 took hold. This decline was a result of social changes and the nation’s evolving relationship with the local pub, as well as structural changes brought on by legislation, economic challenges in the wake of the global financial crisis and recession of 2007-2008, as well as the impact of the smoking ban in 2007.

However, in truth the market was oversaturated, and many of the pubs that have closed were unsustainable bottom end sites that had been underinvested by their pubco landlord over a sustained period, with overall supply becoming leaner and of a higher average quality as a result of the closures.

During the recovery, fortunes improved, and the sector showed strong fundamentals as pubs adapted to a new environment and sought to ride emerging trends first in casual dining, then later in craft beer and spirits, particularly gin.

The pandemic forced licensed hospitality businesses to close intermittently since March 2020, with many businesses facing unprecedented challenges as a result. However, as the lockdown began to lift and restrictions eased, several segments of the market enjoyed a positive response from consumers, particularly those with community-based operations, where there is sufficient demand from the local residents to support the business.

### Changing Supply Landscape for the UK Pub Sector



Source: Christie & Co Research and Analysis

# Primary Operating Models

Five main operating models within the industry – and no such thing as a “typical” pub

Operating Model	Detail	Illustrative example
<b>Managed</b>	Trading as either branded or unbranded, managed pubs tend to be both bigger and superior, with landlords selecting the best sites to run themselves. Portfolios are typically freehold although may include some leasehold properties. Managed houses have been increasingly attractive to corporate buyers and operators in the wake of the Pubs Code, and there are several exclusively managed pub estates, including Mitchells & Butlers and JD Wetherspoon.	
<b>Franchised</b>	A model that seeks to combine the benefits of the tenanted and managed models. The operator takes a share of pub turnover (typically 15-20%) from which they must pay all staff costs and their own salary (being the remainder). This alleviates the owning pubco from having to recruit, train, rota and pay staff or ensure compliance with many laws and regulations, whilst retaining upside potential. By receiving a fixed percentage of revenue, the franchisee is encouraged to drive top lines, and keep staff costs to a minimum, thereby ensuring a greater personal return. A franchised pub can technically be either tied or free-of-tie, but generally pubcos will stipulate from where managers can order wet and/or dry produce.	
<b>Tied Lease or Tied Tenancy</b>	Private individuals (or small companies) lease their pub(s) from one or more pubcos such as Stonegate Group, Punch Taverns, or other major national or regional entities. The terms are typically for up to 30 years, and require the operator to buy the majority or even all of its beer and other drinks from their landlord or its nominated supplier. As a result, tenants typically end up paying more for their wet products (i.e. reducing gross margins), but with lower rent than for a free of tie lease, and can also receive “business development” support from their landlord.	
<b>Free-of-Tie Lease</b>	These are currently relatively few in number, but are expected to grow over the next few years as more tied tenants of major pubcos seek to exercise their MRO option and go free-of-tie. Operators pay a market rent (which is generally higher than the rent would be under a tied lease) but are then able to buy their stock from any source of their choosing, typically improving margin significantly. There are a mixture of private and institutional landlords, including major pubcos.	
<b>Freehouse</b>	The independent operator runs his or her own business in a (usually) freehold property. There is no obligations to buy stock from any particular suppliers and hence the operator can negotiate their own terms.	

Source: Christie & Co Research and Analysis



# Ham Brewery Tap Marketing Process

# Marketing Process – Background

## Ham Brewery Tap, 4-6 Ham Street, Richmond TW10 7HT

We set out in the following pages our marketing report in respect of the above property which includes the marketing for the previous owners Compton London Limited and subsequently for the current owners.

In both marketing exercises, the property was placed on the Christie & Co dedicated property selling website (www.christie.com) in addition to the Commercial section of the UK wide property selling portal Rightmove.

For both campaigns, a highly visible “To Let” Board was also placed at the property with “New Lease Available” in addition to “Freehold Offers Considered”.

The following pages summarise each of the marketing campaigns. The detail has been extracted from our unique IBIS CRM database system which provides detailed analysis of the levels of interest from our sales marketing campaigns.

### **Campaign #1 – Compton Limited (21<sup>st</sup> February 2020 to 24<sup>th</sup> September 2021)**

**11<sup>th</sup> February 2020** – Christie & Co undertook inspection of the property and provided marketing advice.

**21<sup>st</sup> February 2020** – Instructed to find a suitable tenant for the entire premises quoting a commencement rent of £60,000 per annum with term of lease to be negotiated. Or, freehold offers considered.

**A copy of Christie & Co’s marketing details for each of the campaigns is attached in Appendix II**

### **Campaign #2 – Current Owners (13<sup>th</sup> October 2021 to date)**

13<sup>th</sup> October 2021 – Instructed by new freehold owners to find a suitable tenant for the entire premises quoting a Nil Premium and commencement rent of £50,000 per annum with term of lease to be negotiated, or freehold offers may be considered.

The existing “To Let” board erected at the property was replaced with “New Lease Available”.

**A copy of Christie & Co’s marketing details for each of the campaigns is attached in Appendix III**



### **Previous Marketing Undertaken by AG&G 2018-2020**

The former owners of the property, Admiral Taverns, instructed specialist licenced premises agent AG&G to market the property on a multiple agency basis in from 31<sup>st</sup> October 2018, either to let or for sale.

We have information from AG&G that this marketing activity was initiated in part due to Admiral’s tenant being in rental arrears with the pub’s business apparently failing. AG&G have furthermore confirmed that Admiral’s tenant held a tied tenancy at a rental of £29,000pa. We are informed that AG&G generated 4 offers for the property, exclusively from prospective non-licenced trade buyers, none of which was pursued by Admiral.

Subsequently, Admiral chose to pursue a sale to Compton London Ltd, a subsidiary of Radia Estates Ltd and contracts for a freehold sale of the property were exchanged. AG&G were then instructed by Radia Estates to offer the property to let or for sale on 28<sup>th</sup> February 2020. Christie & Co were not informed of this instruction to AG&G by Radia/Compton. A copy of AG&G’s sales particulars is attached as Appendix IV

# Marketing Process – Campaign #1

## Marketing period - Compton Limited (21st February 2020 to 24th September 2021)

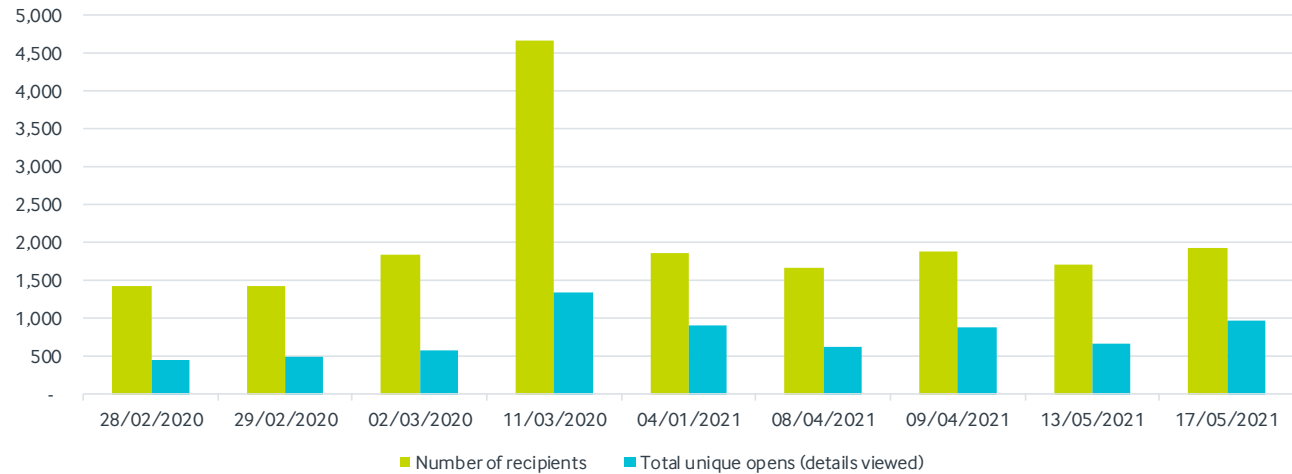
### Marketing Campaign

Nine general email campaigns “New Opportunities” and “Targeted Campaigns” were issued to the Christie & Co database of applicants on the following dates resulting in a total of 18,425 applicants and 6,880 unique opens. The Ham Brewery Tap was featured on the Christie & Co website and Rightmove from date of instruction in February 2020 till 24 September 2021.

The marketing campaign covered not only pubs, restaurants and cafes, but also other community uses including gyms, health clubs, surgeries, vets, nurseries, social clubs, dance studios, laundrettes and religious establishments. As a result of our campaign, 13 formal viewings were undertaken from a range of buyers including existing pub and restaurant operators, as well non licensed uses e.g. an Arts & Social Club.

It should be noted that a Director of Compton Ltd suddenly passed away and as a consequence Christie & Co were instructed on the 31st March 2021 to seek a freehold purchaser, resulting in an offer from the current owners accepted by the Estate Beneficiaries on 13<sup>th</sup> July 2021, with contracts subsequently exchanged on 24<sup>th</sup> September 2021

### Activity Summary - Christie & Co Email Campaign



Source: Christie & Co Research and Analysis

### Activity Summary - Websites

Christie & Co Website	Rightmove	
Total website page views	4,167	
Total logged in page views	2,264	
Total guest page views	1,903	
Total unique logged in users	806	
Total unique guest users	1,583	
	Total Rightmove page visits	19,747
	Total Rightmove email enquiries	154

### Offer Analysis

Date	Commentary
02/10/2020	Mr Abhinav Malhotra – (existing pub operator). Nil premium, 8-month rent free and then 7 months at £2,083 per month, increasing to £4,166 per month until year 5. Bidder withdrew interest following detailed investigation of the area, cost of refurbishment and viability.
04/12/2020	Mr Nikola Moya – (Restaurant operator) Nil Premium, 6-month rent at £2,500 pcm, then £50,000 per annum until year 5. Offer considered however the purchaser was unable to provide a suitable and viable business plan or any evidence of sufficient financial funds to undertake the refurbishment and re-opening of the pub.
27/02/2021	Mr Faigk Israfilof - (first time buyer) Nil premium, 3-month rent free, 9 months at £1,875 per month, £3,750 per month for years 2 to 5 and then £4,166 per month until year 6. Offer was withdrawn following further consideration given to the property location and size of internal and external trade areas.
23/04/2021	Ms Jessica Ann Williams – (Runs an existing Dance Studio business, looking to create an Arts & Pub Club). Nil Premium, month rent free and then £2,000 for 24 months. Offer rejected as vendors were now seeking a freehold sale only. Applicant resolved to progress interest in other available preferred sites.
01/06/2021	Mr Masoero submitted an offer for £1.1M, increased to £1.175M on 16th June and then a final offer of £1.225M on 21st June 2021. Despite repeated requests for proof of funding, this was not forthcoming.



# Marketing Process – Campaign #1 (Continued)

## Notes to the campaign

### Feedback from viewings during the campaign:

- Cost of fit out renders proposition unviable
- Area/demographics unsuitable for intended style of operation
- Trade space too small and limited scope to significantly extend
- Configuration of trade space unsuitable
- Too much competition in immediate vicinity
- Lack of prominence and passing trade

# Marketing Process – Campaign #2

## Marketing period – Current Owners (13th October 2021 to date)

### Marketing Campaign

General email campaign “New Opportunities” and “Targeted Campaigns” were issued to the Christie & Co database of applicants on the 27th October 2021.

The Ham Brewery Tap was placed on the Christie & Co website from date of instruction in September 2021 and continues to attract enquiries.

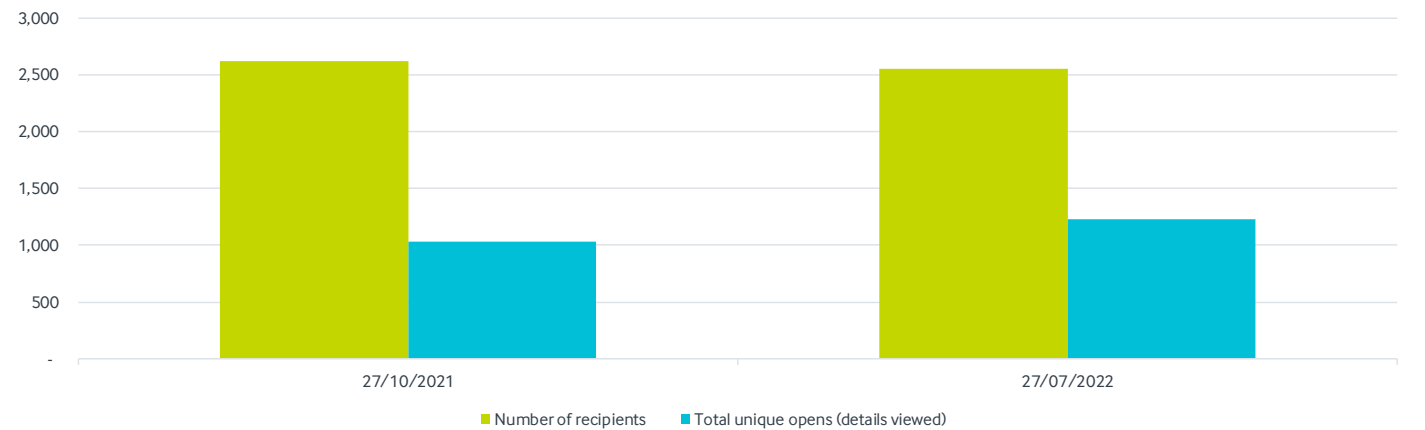
The marketing campaign covered pubs, restaurants and cafes together with a similar list of community users to the previous marketing campaign undertaken for Compton Ltd.

As a result of our extensive campaign, to date 17 formal viewings have been undertaken from a range of buyers including existing pub and restaurant operators, as well non licensed use e.g. Vets practice.

Feedback from the various viewings:-

- Limited customer parking on the premises
- Trade space too small and limited scope to extend
- Internal layout non conducive to intended style of operation
- Problems in attracting staff
- Strong competition from larger better located pubs in the immediate vicinity
- High energy costs a significant negative factor in terms of viability

### Activity Summary - Christie & Co Email Campaign



Source: Christie & Co Research and Analysis

### Activity Summary - Websites

Christie & Co Website	Rightmove
Total website page views	2,608
Total logged in page views	904
Total guest page views	1,704
Total unique users	2,034
Total unique logged in users	499
Total unique guest users	1,535
Total Rightmove page visits	11,391
Total Rightmove email enquiries	28

### Offer Analysis

Date	Commentary
10/10/2022	Mr Sagar Wahi – ethnic restaurant/bar - offer at £30,000pa. Rejected as applicant unable to produce a credible business plan.
07/10/2022	Graham & Farah Drabble – café/bar – rent offered £30,000pa rising to £35,000pa. Rudimentary business plan provided giving rise to serious concerns as to viability of proposed operation. Offer withdrawn 12/2022 due to applicant realisation that location was too lacking in passing trade to justify overheads
23/08/2022	Mr Rudramoorthy Rudrakumar – children’s nursery - rent offered at £37,500pa with break
26/02/2022	Vetcentric Ltd – offer on new lease accepted. Planning application for change of use to Class E submitted 05/2022. Offer withdrawn 07/2022 due to applicant preferring an alternative opportunity not requiring complex and costly planning application process
11/11/2021	North & South Leisure – public house – offered tenancy-at-will for 2 years at 10% of net turnover with significant rent free period. Offer subsequently withdrawn due to substantial expenditure required to create a viable operating public house and limited potential for food trade.
10/12/2021	Mr Nikola Moya – offered new lease at £55,000pa for ethnic restaurant/bar use. Offer considered, however purchaser unable to provide a credible business plan or evidence of sufficient funds to undertake refurbishment and re-opening.



# Commercial Viability

# Operational Issues and Competition

## Significant competition and operational challenges face this business

### Conversion to Food-Led Model:

- Our marketing campaign has generated a limited number of enquiries for conversion of the Ham Brewery Tap to a food led pub or restaurant. However, following on site inspections and assessments of trading potential, applicants have without exception declined to progress an acquisition.
- The reasons for this have predominantly centred on the limited trading area and lack of potential to extend. Although the overall ground floor area is c.210 sqm, the pub's trading area is little more than half this figure. In contrast, the requirements of 'gastro pub' and restaurant occupiers tend to range from 300 sqm – 500 sqm.
- Examples of requirement circulars from typical gastro pub and restaurant occupiers supporting this assessment are attached in Appendix IV
- Other reasons noted for the building's unsuitability for food led trade include:
  - the lack of passing trade
  - limited outside seating area
  - lack of on site parking;
  - and concerns as to the suitability of the local catchment area for such use.

### Alternative Community Uses:

- Our marketing campaign has been extensive to other community uses, although positive responses have been very limited. The property is clearly too small for a health club/gym, with the added limitation of lack of on site parking and limited outdoor space. The enquiry from an arts/pub/café club failed to progress beyond initial discussions in part due to cost pressures and also other sites being deemed more suitable.
- By far the best enquiries generated from 'community-style uses' have been those from children's nurseries and also the previous enquiry from Vetcentric, being the subject of the prior now withdrawn planning application.

The area is well catered for with a number of pubs accessible in the vicinity including the following:-



Source: Google Maps Christie & Co Research and Analysis

# Pub	Description
1 Ham Brewery Tap	Subject Property
2 The New Inn	Occupies a prominent position at the junction of Ham Common and Petersham Road some 437m to the east of the Ham Brewery Tap. This pub is larger, better located, has an extensive pub garden and enjoys good food trade.
3 Hand & Flower	Occupies a good busy location on Upper Ham Road some 535m to the south-east. This pub is much larger than the Brewery Tap and has an extensive beer garden to the rear. Although this pub has a somewhat chequered history, it has good potential for increased food trade having previously enjoyed a popular restaurant to the rear of the bar areas. We understand a new lease has been agreed with a pub operator, and that contractors are on site to begin refurbishment works.
4 Fox & Duck	Occupies a prominent position on Petersham Road some 1,200m to the north. This pub has been subject to recent improvement works, has parking and outdoor seating and enjoys good food trade. We note from The Ham & Petersham Community Magazine that the operators are due to submit an application for a new restaurant area and extended kitchen.
5 The Anglers	A significantly larger pub/restaurant occupying a riverside location some 1,100m to the south-west. This pub has the benefit of an extensive pub garden with riverside frontage and enjoys very popular food trade.

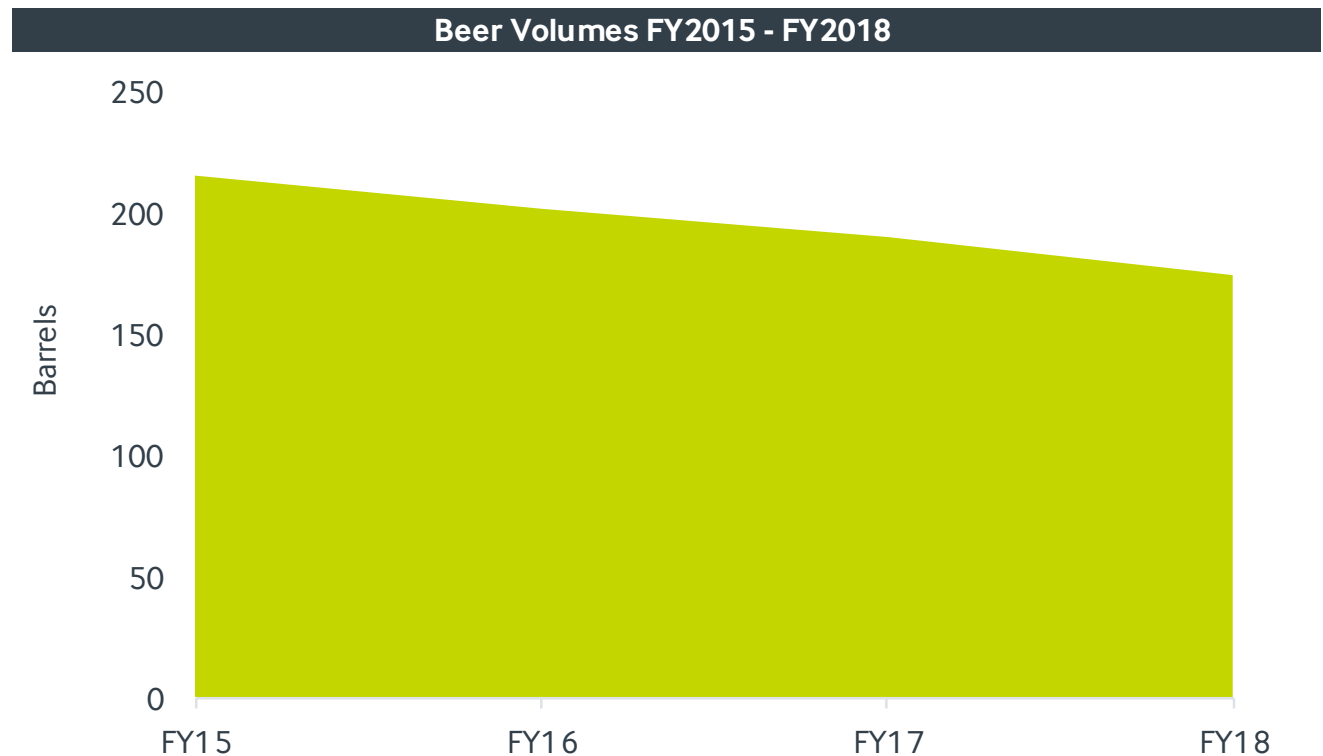
# Historical Trading

## Most recent available data shows barrelage in decline

### Key Observations:

- Figures for 2019 have not been made available to us, but it is known that the business failed, with the tenant in rental arrears and having vacated early in 2020 leaving significant debts and court summonses without leaving a forwarding address.
- Furthermore, the Rateable Value of the Ham Brewery Tap of £23,750 suggests an historic turnover in the order of £225,000-£250,000 per annum which is marginally viable for an owner operator seeking a lifestyle business and providing a roof over his head. It is insufficient to attract a multiple pub operator wishing to employ a manager.
- This assessment is supported by the most recent barrelage figure of 174 barrels per annum, which for a wet-led pub would suggest an overall turnover of c.£190,000 net of VAT. Assuming a margin of 20%, this analysis implies a residual annual sum of c.£38,000 to cover rent and profit.
- Our assessment that this pub is, at best, marginally viable is derived from the above analysis coupled with the unsuitability of the pub as a gastro pub for food led trade for reasons already highlighted within this report.
- The results of our marketing campaign clearly demonstrate that pub operators are not interested in taking on businesses that are projected as marginally viable – they instead require businesses that have strong prospects of generating material and consistent levels of profitability.

The Ham Brewery Tap has survived almost exclusively on 'wet trade' as a result of the limited size of its public areas, consequent unsuitability for food trade, and demographically differing local catchment areas. Over recent years, most wet-led pubs have suffered from significant declines in turnover and profitability. The Ham Brewery Tap has been no exception, as evidenced by the decline in sales of beer (barrelage) figures confirmed below:-



Source: Current Owners, Christie & Co Research and Analysis



## Conclusions

# Conclusions

## Operational challenges as well as significant competition makes this property marginally viable for continued use

### Conclusions

Despite extensive marketing over a period in excess of 3 years by ourselves, and over 5 years with the inclusion of AG&G's involvement, it has not resulted in a letting or sale to a tenant or purchaser requiring the premises for use as a public house, restaurant, café or any other community use.

Prospective purchasers appear to have been put off for a number of reasons:

There are four public houses occupying significantly superior locations nearby, all being larger and with much better actual or potential for food led trade. Furthermore, the southern environs of Richmond and the northern environs of Kingston provide significant numbers of pubs, restaurants and other community uses.

The property's Rateable Value, its recent declining trading history and our assessment of marginal viability indicates that the pub has not been well supported by the local community in the past. A material reason for this lack of support is that the pub sits between two areas of differing demographic profiles.

In the unlikely event that the pub were to attract a tenant or purchaser continuing its use as a wet led local pub, it is our assessment that the business would continue to suffer from, at best, marginal viability as pub wet sales continue to decline, unable to support investment in improvements and probably with regular tenant failures followed by lengthy void periods.

Furthermore, the results of our marketing demonstrate clearly that the potential for the pub to diversify into food, increase turnover, margins and ultimately profit is illusory. In practice, the limited size of the trading area, lack of on-site parking, limited outdoor seating and lack of passing trade have been negative determining factors in the minds of prospective purchasers and tenants.

In contrast, following extensive marketing campaigns, in conjunction with our joint agents, we have managed to generate a high class applicant for children's day nursery use. The applicant intends to invest significant sums on refurbishment to safeguard and improve the integrity and visual appearance of the building and also contribute a valuable new facility for the undoubted benefit of the local community at large.

In reference to the Campaign for Real Ale's (CAMRA) Public House Viability Test, which requires assessing trading potential of a public house if it were to be run by a reasonably efficient operator, we believe that this report has considered the circumstances of the Ham Brewery Tap and measured these appropriately against the criteria of the Viability Test. Furthermore, the feedback from potential purchasers has reinforced a lack of confidence in the commercial viability of the Ham Brewery Tap.



## Appendix I – Terms & Conditions



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Christie & Co, has undertaken Advisory Services (the "Report") in relation to the terms of our Letter of Engagement dated 3<sup>rd</sup> June 2021. This Report has been prepared for The Owners of Ham Brewery Tap, 4-6 Ham Street, Richmond TW10 7HT (the "Client"), by Christie & Co based on information provided by the Client and Christie & Co's internal database. This Report contains information which is confidential and is for the exclusive use of the persons to whom it is addressed. Accordingly, this Report may not be copied, reproduced, distributed, disclosed or revealed in whole or in part to any person without the prior written agreement of Christie & Co. The Report and its conclusions are based on our knowledge of demand sources, economic and growth data, as well as the status of the local competitive market. For the purposes of the Report and these Terms & Conditions:

1. For the purpose of these Terms and Conditions, the "Subject Property" shall refer to the asset, whether freehold or leasehold, that forms part of the past, present or future estate of the Client or affiliated companies whether or not currently incorporated.
2. Unless previously advised by, or to, Christie & Co in writing, Christie & Co shall be entitled to place full reliance upon the information provided by the Client or the Client's professional advisers (or either management's or the Companies' professional advisers where relevant) and where relevant upon agent's particulars which have been issued in respect of the Subject Property. Where expressly stated in the deliverables that Christie & Co has been provided with various information from statutory authorities, whether verbally, through electronic search, in writing or otherwise, (for example, with regard to fire precautions or planning or other statutory matters, etc) Christie & Co shall be entitled to place due reliance thereon. Notwithstanding the foregoing, Christie & Co can take no responsibility for any misstatement, omission or misrepresentation made to us by any of these parties or in the information provided to us. No representation, warranty or undertaking whatsoever, expressed or implied, is made or given by or on behalf of Christie & Co in relation to the completeness or accuracy of the information provided to us in order to prepare this Report. In particular, no representation or warranty is given as to the probability of achievement or reasonableness of any future projections, management estimates, prospects or returns contained in this Report.
3. The quality of onsite management operations has a direct effect on a property's economic viability. Any commentary on potential future performance for the Subject Property will assume both responsible ownership and competent management. Any variance from this assumption may have a significant impact on the potential performance of the Subject Property.
4. We do not guarantee that our estimates will be attained but they have been conscientiously prepared on the basis of information provided to us and our research and knowledge of regional and national licensed markets of relevance.
5. If the deliverables shall be required to be used for the purpose of any Court proceedings, the express prior written consent of Christie & Co will be required (which will not be unreasonably withheld subject to such additional fee as Christie & Co may reasonably charge, and subject to Christie & Co's rights of copyright being acknowledged by the parties to those proceedings). We are not required to give testimony or attendance in court in regards to this report or its subject matter unless agreed to in advance of such an appearance. If Christie & Co shall be called upon to give evidence in such proceedings, an appropriate fee calculated on the current daily charge-out rate of the consultant, surveyor or agent concerned shall be paid as an additional fee together with all disbursements, out-of-pocket expenses, mileage charges and waiting time together with VAT on the foregoing.
6. We confirm that we have no undisclosed interest in the Client or the Subject Property, and that our employment and remuneration are not contingent upon our findings and conclusions.