



# Viability Assessment – The Wheatsheaf, Oxford

Prepared for Pavot Property Investments Ltd

February 2021



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# Disclaimer

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

– **Pavot Property Investments Ltd**

This report is prepared in accordance with the correspondence and letter of engagement sent to the Client on 9<sup>th</sup> December 2020. In line with our terms and conditions, this report may not be copied, reproduced, distributed, disclosed or revealed in whole or in part to any person without prior written agreement from Christie & Co.

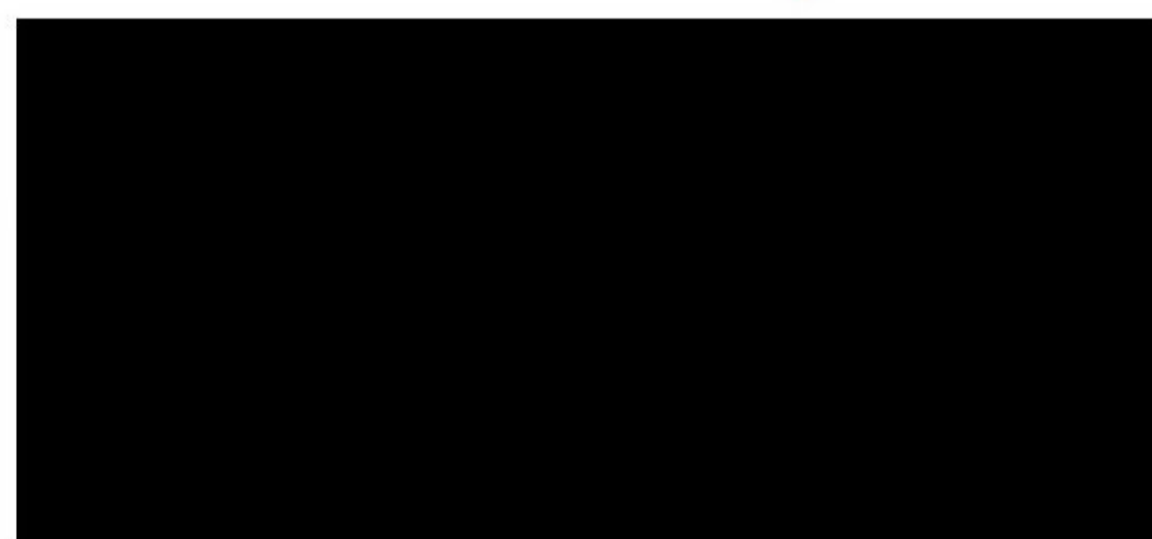
## COVID-19 Impact

COVID-19 has had a profound impact on the UK pubs market with many assets temporarily closing as a result. While pubs have reopened since July 4, the length of the market recovery along with the medium and long-term effects are not yet clear. The transactional market is also not functioning normally, with some parties pausing ongoing transactions until the extent of the worst effects of the virus have passed and the outlook is easier to forecast. All our assumptions and forecasts within the Report are prepared at a time when there is material uncertainty. We advise that the period of time during which this Report can be relied upon is reduced and ongoing monitoring and updates are required particularly with regards to forecasts.

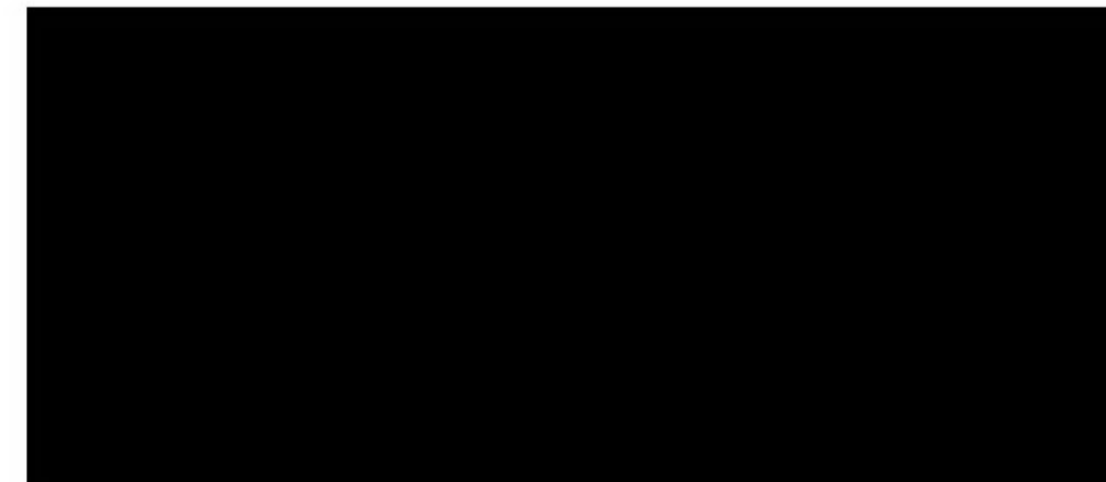
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# Introduction and Scope of Work

Christie & Co, acting as an external consultant, has completed the requested Advisory Services (the 'Study' or the 'Report') in relation to The Wheatsheaf, OX1 4DF, on behalf of Pavot Property Investments Ltd (the "Client"). This Report has been prepared to assist the client in determining the viability of the proposed pubs after conversion of the building's upper floors for alternative use. The scope of work is summarized below:

## Scope of Work

### Inspection and Analysis

- Site visit to consider premises and condition, and provide assessment of location, viability and accessibility in terms of suitability for continued pub/restaurant use
- Review of historic trading information, business mix and current demand levels
- Interview with current management of the site to understand operations

### Market Research

- Conducting competitive market analysis with a particular focus on facilities of community interest for live music
- Assessment of proposed future supply where known
- High-level research into developments of relevance within the vicinity

### Viability Assessment

- Determine the performance of the business in stabilised trading conditions with the loss of function room facility

### Conclusions and Recommendations

- Provide an assessment of viability of the pub as a going concern with the loss of facility



# Notes and Definitions

## Data Availability

This report has been prepared based on research performed by Christie & Co. Information has been sourced from the public domain, as well as benchmarking data from our internal database as appropriate.

## Independence

We confirm that we have no undisclosed interest in The Wheatsheaf or the subject matter of this report, and our employment and remuneration are not contingent upon our findings and conclusions.

## Currency

Financial results presented in this report are expressed in pounds sterling (£).

## Definitions

<b>A</b>	Actual
<b>c.</b>	Circa
<b>C&amp;Co</b>	Christie & Co
<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation and Amortisation
<b>EBITDAR</b>	EBITDA before Rent
<b>FMT</b>	Fair Maintainable Trade
<b>FY</b>	Performance for a given Financial Year
<b>HAUV</b>	Higher Alternative Use Value
<b>k</b>	Thousands
<b>KPI</b>	Key Performance Indicator
<b>m</b>	Million
<b>P</b>	Projections
<b>pa</b>	Per annum
<b>P&amp;L</b>	Profit and Loss statement





# The UK Licensed Sector



# UK Pub Sector – Background

## A sector that has proven to be resilient in the face of adversity

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 today. 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.

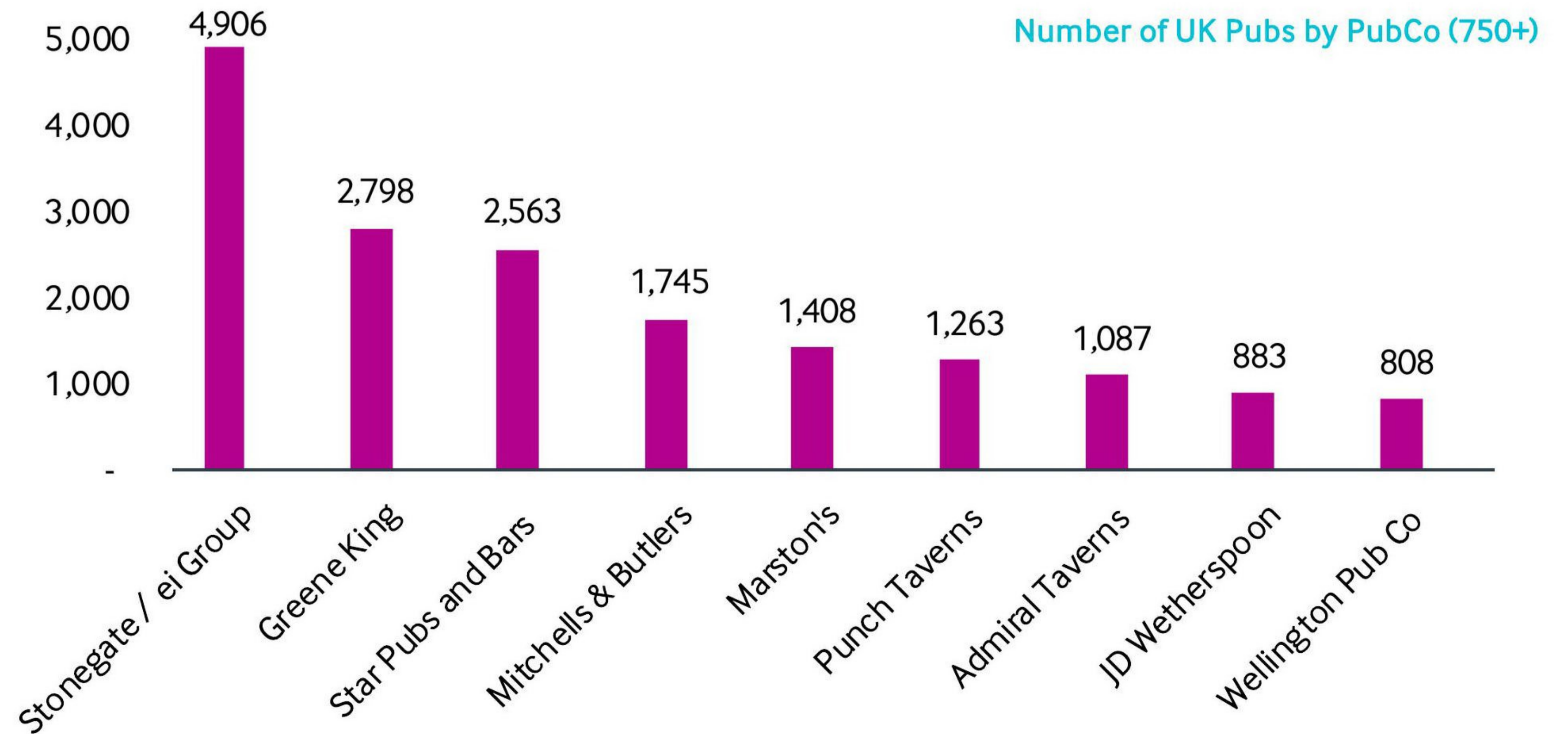
However, in truth the market was oversaturated, and many of the pubs that have closed were unsustainable bottom end sites that had been underinvested by their pubco landlord over a sustained period, with overall supply becoming leaner and of a higher average quality as a result of the closures.

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. In the last 4-5 years, demand for alcoholic drinks within the “on” trade first stabilised and then returned to growth, on a per capita, total and per pub basis.

The pandemic forced licensed hospitality businesses to close for a total of 104 days between March and July, with many businesses facing unprecedented challenges as a result. However, we have also seen some winners across the market. Notably, 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, as well as those in rural and coastal settings.

**UK Brewing**

Following Stonegate’s acquisition of ei Group, approximately 31% of pubs in the UK are owned by the biggest 6 pub companies, with Greene King, Marston's and Star Pubs & Bars also having significant brewing operations. While beer-production is still dominated by a handful of major brewers, consumers have shifted away from products that appear to be associated with large national and international breweries and towards products that have the feel of smaller craft and micro breweries. Brewers have countered by acquiring or launching their own craft ranges, as well as re-launching their volume products.





# 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 ei 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. The only significant portfolio operating exclusively under this model is Wellington (owned by Reuben Brothers).	
<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.	



# Explanation of Relevance of Certain Key Characteristics

## Notes

### A Note on Public House Categories

- Public houses can be categorised according to the different functions they provide or niches they satisfy, which are usually heavily influenced by their location, the nature of the building they are within, the demographics within their catchment area, and their target market. Public houses can range from small community operations serving a local residential catchment area through to large town centre operations. Such categories can include:
  - **Destination Food-Led Businesses.** These tend to be operated by large managed house companies and are most often found on main arterial routes, off motorway junctions, easily accessible side roads, or in attractive semi-rural locations within a short distance of large town or city centre populations. These operations tend to operate a large site with extensive car parking where the provision of food is an essential factor in driving trade to the premises and key to the business' success. In many cases children's facilities are provided either internally or externally.
  - **Young Person's Venue or Circuit Pubs.** These are large town or city centre based public houses generally operated by pub companies including the likes of JD Wetherspoons and Yates. They appeal to town centre shoppers and office workers during the day, and to a young town centre circuit trade during the evening. These are generally high turnover businesses, and in the main are run by the pub companies that own them.
  - The category into which The Wheatsheaf falls is **Community Local** public houses, classified as wet-led operations primarily serving a local residential community. These types of assets tend to be operated and run by either private individuals who own and run the premises, or, as is most often the case, by tenants of pub companies. In this case, the pub has historically been run on a "management agreement" basis, where the operator takes a percentage share of revenue, from which they are expected to pay all staff, with all residual cash being their profit. However, going forward, we understand the leaseholder will take full operational control of the pub.

- The Property is identified in the Riach Architects site plan extract contained within our Property Overview in the Site Assessment section, with the boundaries outlined in red. Further plans are set out in the Appendix I
- In order to mitigate the risks associated with COVID-19, our site inspection was conducted by an employee of Riach Architects, with videos and images being supplied to us of the entire property. Images can be found in Appendix II
- Information on available facilities, asset condition, tenure and ownership are included within our Property Overview. Condition of site interior and exterior is assessed based on our subjective opinion following inspection of the images received and discussions with Riach Architects
- We have determined key competitors by geographic proximity, similarity of trading format or likelihood to compete for the same customers. Where these key competitors are listed out, we have focused our attention on those pubs that we consider to be the primary source of competition, although maps do include additional assets of competitive relevance as we have determined appropriate
- All information upon which the following pages has been either supplied by Riach Architects, the current operator of The Wheatsheaf, or is the result of research and analysis by Christie & Co





## The Local Market

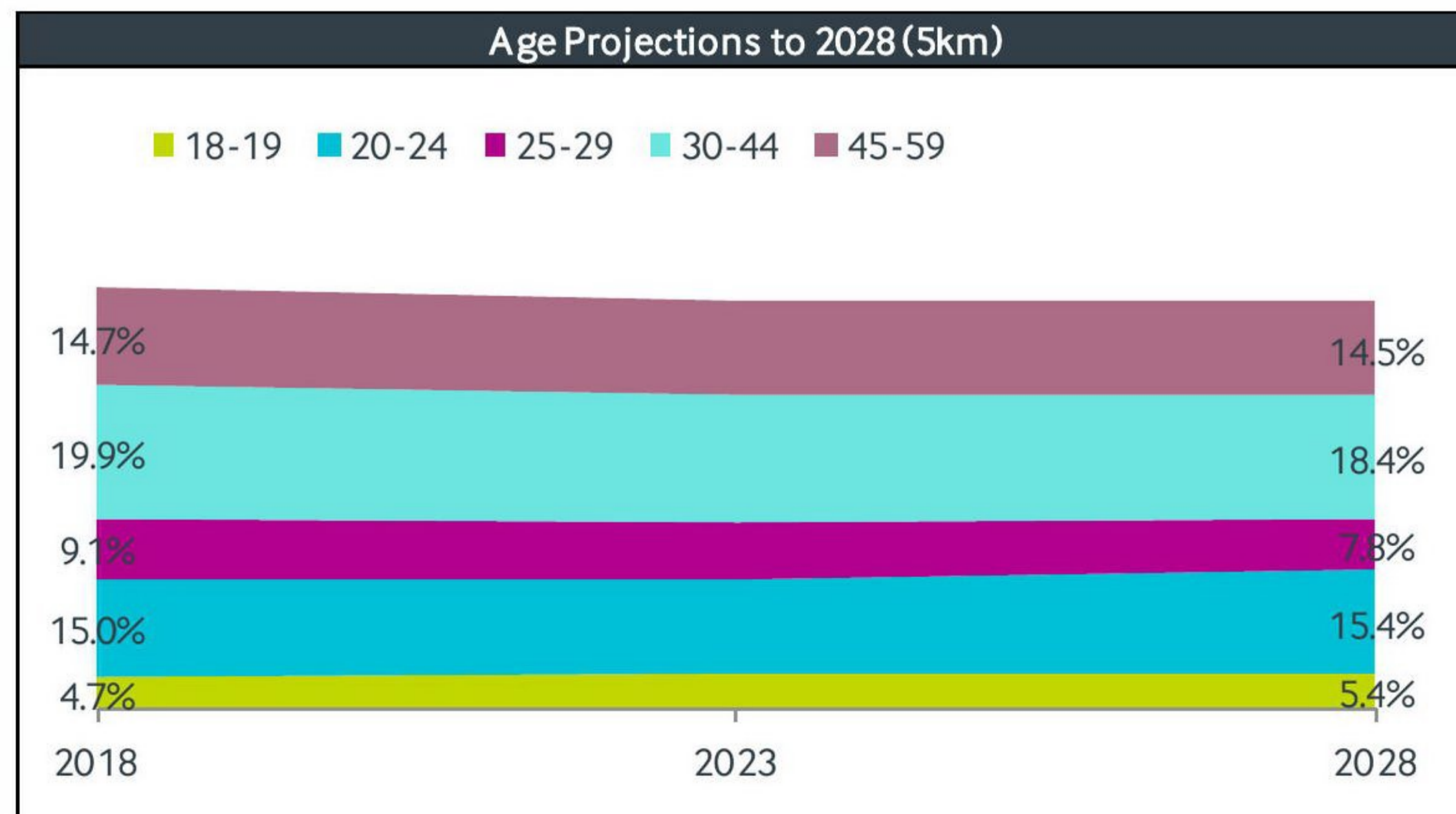
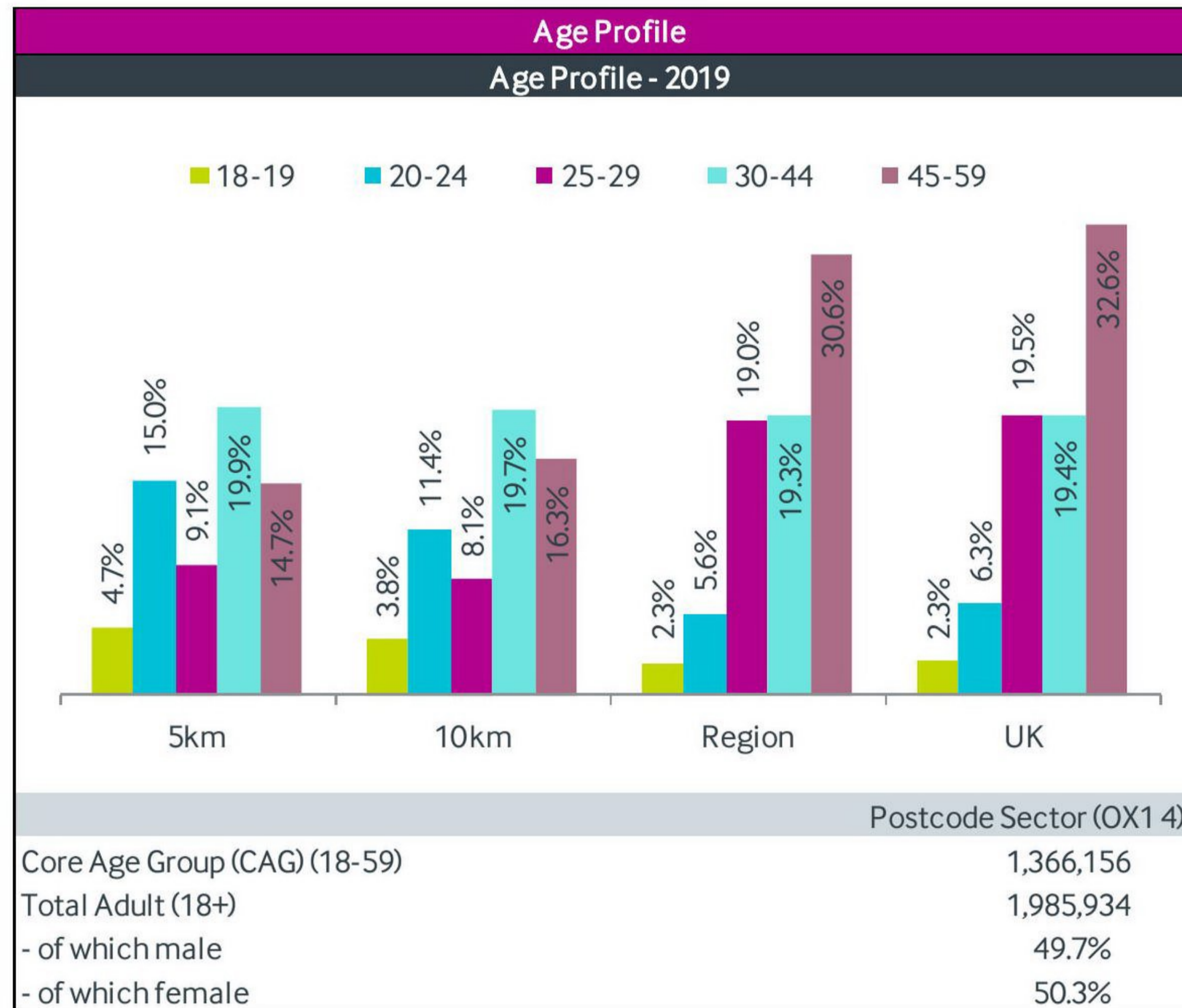


# Local Market Characteristics – Demand

## Strong demand demographics providing a good trading environment for licensed operators

### Key Observations

- The analysis on this page includes a selection of commonly used metrics within the licensed sector to provide a general indication of the demand demographics within a 5km radius of the Wheatsheaf, benchmarked against the South East region and the UK
- The Wheatsheaf is located in the city centre, just off the high street, with the surrounding catchment area consisting of a much greater proportion of residents within the core age group of 20-44 than the regional or UK average, in particular the key 20-24 bracket. Affluence indicators are similarly positive for a licensed venue, with average household income much higher than the UK average
- More broadly, Oxford is popular with tourists, attracting c.7 million visitors a year. The city has a significant student population, with 33,640 full-time students enrolled at the two universities



### Affluence Profile

#### Affluence Indicators in Catchment Area

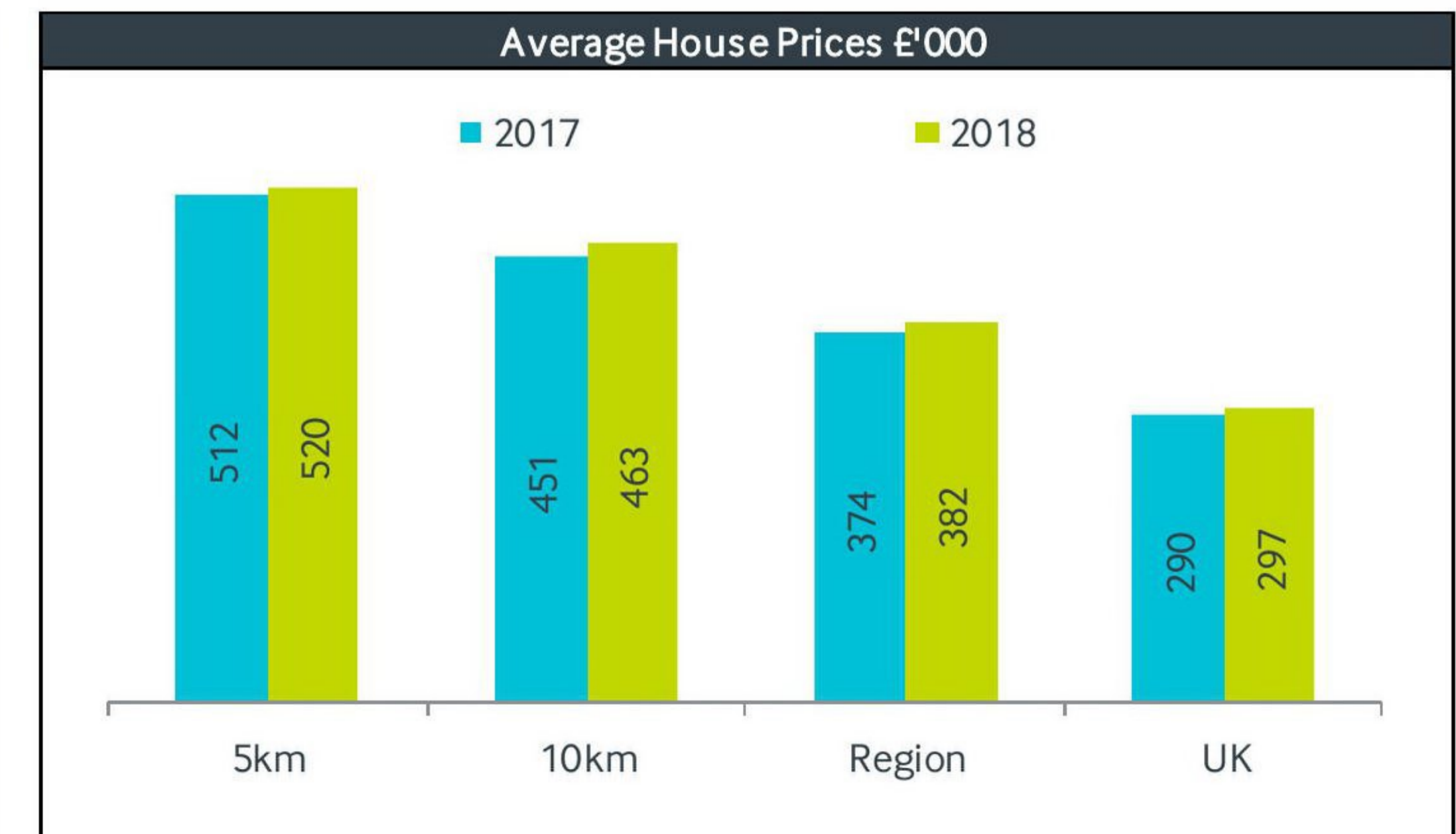
	5km	10km	Region	UK
SEC1*	21.9%	19.5%	13.7%	11.0%
SEC2**	25.9%	25.8%	25.5%	22.8%
SEC3-7***	47.0%	50.2%	56.7%	60.0%
AHI**** (£000's)	48	48	48	37
AHP***** (£000's)	520	463	382	297

\*Social Economic Class 1 (Large Employers, higher professional, higher managerial and administrative occupations)  
 \*\*Social Economic Class 2 (Lower managerial, administrative and professional occupations)  
 \*\*\*Social Economic Class 3-7 (Intermediate occupations, small employers and own account workers, lower supervisory and technical occupations, semi-routine occupations, routine occupations)  
 \*\*\*\*Average Household Income (per earner)  
 \*\*\*\*\*Average House Prices

Note: AHP provided for England and Wales only

### Household Ownership

	5km	10km	Region	UK
Owned Outright	27.8%	30.7%	32.9%	31.0%
Owned with Mortgage or Loan	26.0%	29.7%	36.7%	34.1%
Rented	46.3%	39.6%	30.4%	34.9%



Source: Census 2011, ONS, CACI, Land Registry, Christie & Co Research and Analysis

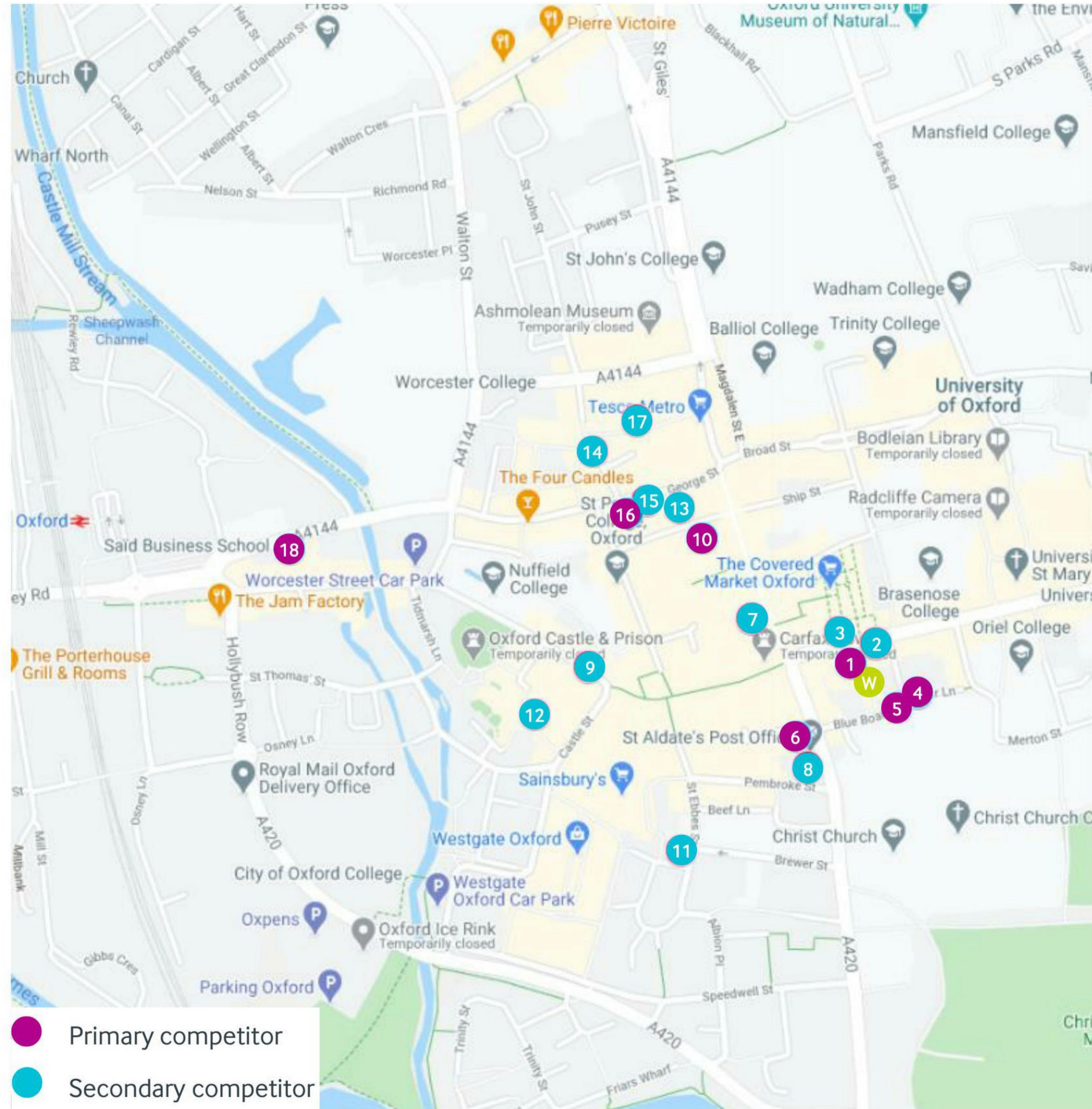


# Local Market Characteristics – Supply

## A healthy range of operators, operating styles and offers

### Key Observations

- We have noted the following public houses within a 0.5 mile radius of The Wheatsheaf. Whilst this list is not exhaustive in terms of all licensed premises, the primary competitors (for community locals, those of closest geographic proximity and predominantly wet-led) are shown in purple
- The general supply of pubs in Oxford's town centre ranges from community locals to high-street bars, with the more destination and food-led type operators locating themselves on the outskirts and surrounding towns
- The area is popular with larger pub companies that have managed operations; JD Wetherspoon, Greene King, Mitchells & Butlers, Fuller's and Marston's all have a presence, reinforcing the strong trading environment for licensed premises
- In addition, there are many successful independent or smaller multiple operators in the city centre



● Primary competitor  
● Secondary competitor

- W The Wheatsheaf
- 1 The Chequers
- 2 Varsity Club
- 3 All Bar One Oxford
- 4 The Bear Inn
- 5 The House
- 6 St Aldates Tavern
- 7 The Crown
- 8 Old Tom Pub
- 9 Cow & Creek
- 10 Three Goats Heads
- 11 The Royal Blenheim
- 12 The Swan and Castle
- 13 The Grapes
- 14 The Red Lion
- 15 Wig and Pen
- 16 O'Neills Oxford
- 17 The White Rabbit
- 18 The Oxford Retreat

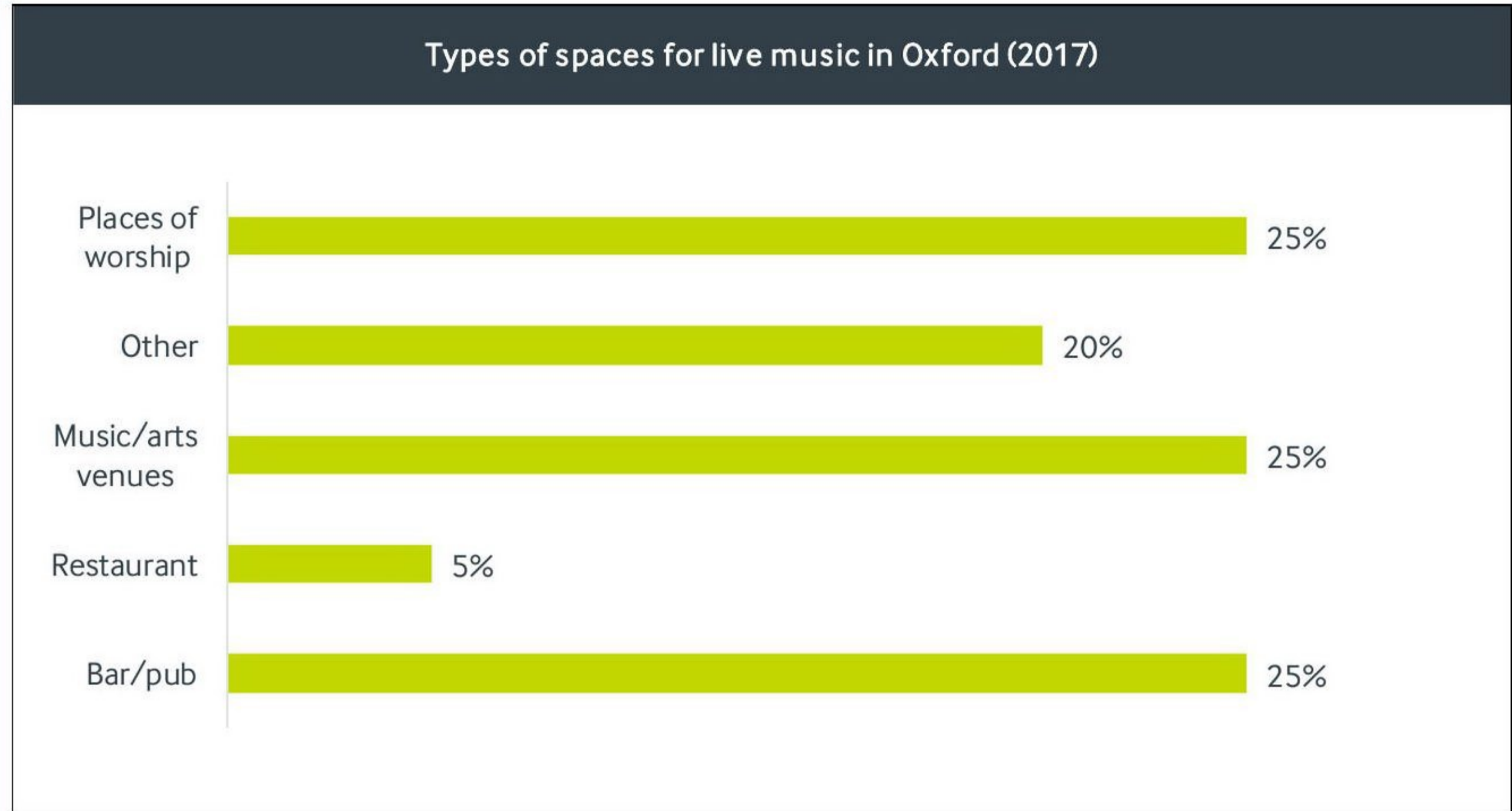


# Local Market Characteristics – Live Music Venues

## A diverse and abundant live music scene

### Key Observations

- Oxford has an incredibly diverse music scene, with live music venues hosting genres ranging from roots reggae to jazz, from classical to folk – the city’s diverse population is thoroughly represented in its music offering
- A survey of Oxford residents, compiled in 2017, found that classical, folk, indie and rock were the type of genres that were most attended. The chart across the page indicates the type of venues in which live music events are typically attended, with 30% of venues being licensed premises (pubs, bars and restaurants)
- The adjacent table gives a snapshot of the current supply of relevant pubs/bars with regular live music and entertainment events. This list is not exhaustive, but rather demonstrates the adequate supply of live music venues within walking distance of the Wheatsheaf



#	Pub name	Address	Distance from Wheatsheaf	Google review rating	Description
1	The Bullingdon	162 Cowley Rd, Cowley, Oxford OX4 1UE	1.1	4.1	Old-school watering hole with a small stage showcasing indie bands, live DJs & stand-up comedy
2	The Half Moon	17 St Clement's St, Cowley, Oxford OX4 1AB	0.6	4.2	Lively neighbourhood boozier offering live gigs by jazz and folk bands, serving real ales on tap
3	Isis Farmhouse	Haystacks Corner, Iffley Lock, Oxford OX4 4EL	1.8	4	Quirky haunt offering a pub grub menu & music nights in a rustic interior with a large outdoor area
4	Jericho Tavern	56 Walton St, Oxford OX2 6AE	0.9	4.2	Renowned for hosting amazing live music acts, The Jericho Tavern is a vibrant local with heart, soul and personality
5	The Mad Hatter	43 Iffley Rd, Cowley, Oxford OX4 1EA	0.7	4.5	Creative cocktails ordered by telephones on tables, plus live acts in eccentric speakeasy-style bar
6	O2 Academy Oxford	190 Cowley Rd, Cowley, Oxford OX4 1UE	1.1	4.1	Live music every night during university term from 7.30-10ish, followed by a selection of regular and specialist club nights
7	Sandy's Piano Bar	4 King Edward St, Oxford OX1 4HS	0.1	4.5	Classy, underground speakeasy providing original cocktails, wines by the glass & live entertainment

Source: The UK Live Music Census 2017 Report, Christie & Co Research and Analysis, Google Reviews

\*See appendix IV for list of music venues



# High-Level Overview of Development Projects

## Current regeneration and development projects in Oxford's Strategic Economic Plan

Key Observations	Project (current status)	Description	Key Objectives	Plan
<ul style="list-style-type: none"> <li>- Together with the completed projects at Westgate Shopping Centre and Frideswide Square, the Strategic Economic plan aims to deliver the following:</li> <li>- 28,000 new homes</li> <li>- Space for 24,000 new jobs</li> <li>- Hotels and visitor accommodation</li> <li>- Grade A office space</li> <li>- A new rail station and transport interchange</li> <li>- The redevelopment of the station area is a critical step in unlocking rail network capacity and climate emergency response, by improving sustainable transport and movement into and within the city</li> <li>- The common goal is to create synergies with neighbouring developments that will be key to the city and county's wider economic recovery and to support the planned growth of new homes and jobs for both Oxford and Oxfordshire</li> </ul>	<p><b>Oxford Station</b> (Atkins recently appointed to lead the development of the Masterplan for the area)</p>	<p>The Oxford Station Area Supplementary Planning Document (SPD), which seeks to assist in the creation of a new transport interchange and distinctive gateway to Oxford, was formally adopted by the City Council in November 2017</p>	<ul style="list-style-type: none"> <li>- Promote excellent connectivity network with the station at its core</li> <li>- Create better public spaces, bus and taxi interchange and cycling facilities</li> <li>- Maximised development potential in response to forecast increase in passengers</li> </ul>	
	<p><b>Oxpens Redevelopment</b> (currently seeking a development partner)</p>	<p>OxWED, a joint venture between Oxford City Council and Nuffield College, is leading a mix-use development with the primary objective of improving the social, economic and environmental well-being of the inhabitants of the City of Oxford</p>	<ul style="list-style-type: none"> <li>- Residential and commercial uses that support economic development of the city</li> <li>- Improved R&amp;D facilities with the development of a social sciences quarter</li> <li>- Promote a low carbon lifestyle and sustainable modes of transport</li> </ul>	
	<p><b>Blackbird Leys Development Project</b> (Budget of £21m has been approved by the City Council)</p>	<p>Oxford City Council have partnered with Catalyst Housing to develop the District Centre, bringing new commercial and community facilities, as well as 287 homes to the heart of Blackbird Leys, to begin in Spring 2022</p>	<ul style="list-style-type: none"> <li>- Address the acute need for new homes in Oxford, including social rent</li> <li>- Improve the commercial units and public space in the area, as well as upgrade community facilities</li> </ul>	



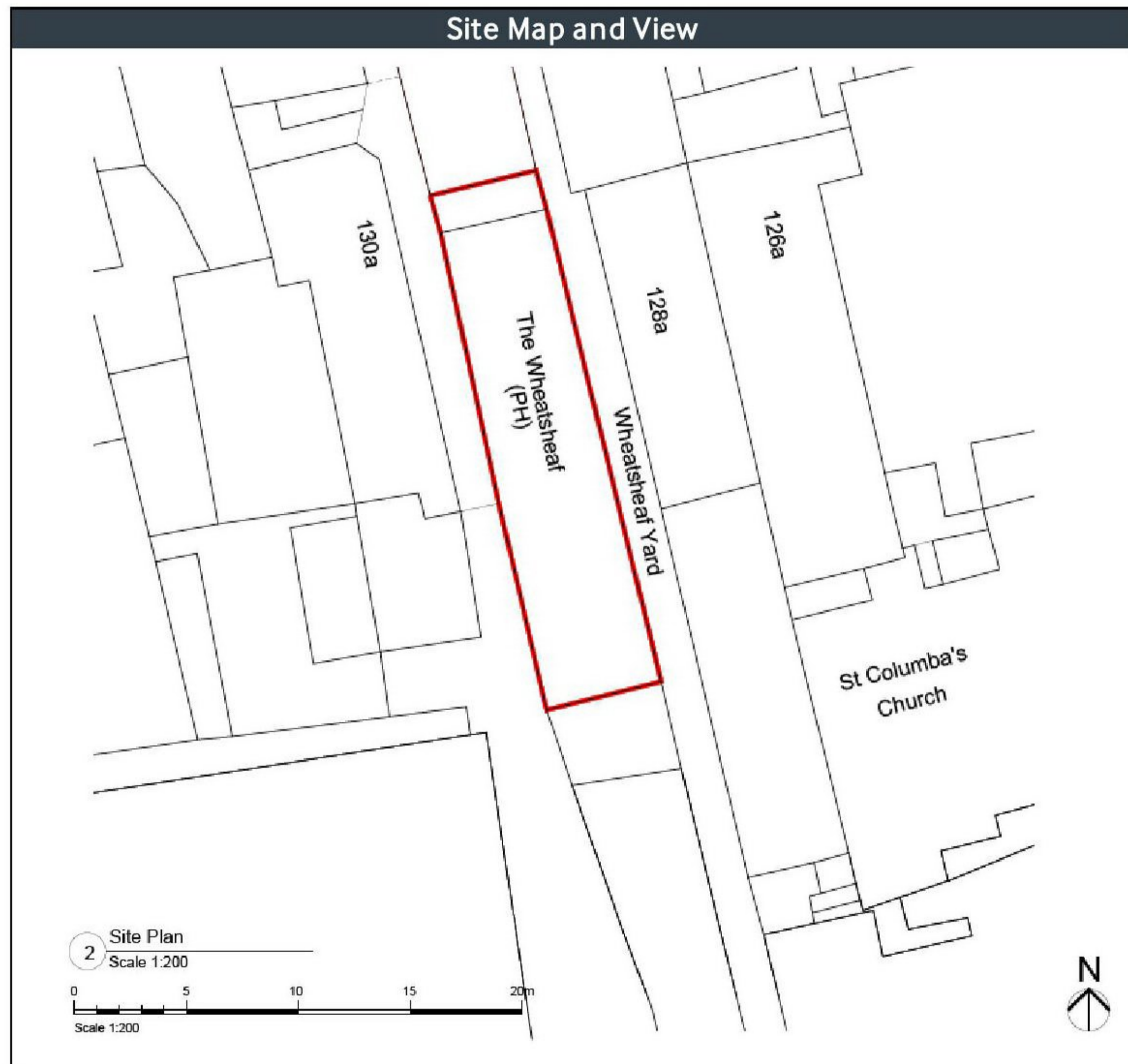


## Site Assessment



# Property Overview

A city centre property, located off the high street



Property Summary			
Location	City Centre	Number of floors	Four including cellar
Footfall	Low	Lifts / stairs	Stairs only
Visibility	Poor	External trading area	None
Accessibility	Good	Commercial kitchen	None
Car park capacity	None	Number of bars	Two

Internal Area and Facilities			
Total Gross internal area (sqm)	462	Facilities by floor:	
Basement	70	Basement	Beer cellar, storage (non-trading facility)
Ground floor	128	Ground floor	Trade area, bar, WCs, access to cellar
First floor	133	First floor	Stage, bar, office, WCs
Second floor	131	Second floor	Two bedroom flat (non-trading facility)

Summary of Key Ownership Detail			
Freeholder	Pavot Property Investments Ltd	Rateable Value 2010 List	31,000
Leaseholder	Vista Pubs Ltd	Rateable Value 2017 List	54,000
Trading status	Closed <sup>1</sup>	Change in RV (2010-2017)	74%

Condition		
Exterior structure	Good	<b>Critical Issues:</b> No critical issues that would require immediate structural or decorative work were identified
Interior structure	Good	
Exterior decorative	Good	
Interior decorative	Good	
Toilets (M)	Average	
Toilets (F)	Good	

## Key Observations

- The site is located down a pedestrian passageway off the high street in Oxford city centre making footfall directly passing the entrance limited, however, the proximity to the high street ensures that the site is still easily accessed by consumers. Transport links are good for both bus and train, with Oxford station 0.7 miles away
- The overall condition of the building is good – all trading areas appear to be in good structural and decorative condition. There is a minor decorative issue in the cellar, where there is a damp ceiling. We note that the most recent refurbishment took place in 2018
- (Footnote 1) The pub is closed at the time of writing, due to government imposed restrictions relating to COVID-19, however, the current tenant has indicated that he is interested in becoming the tenant of the pub post-development, and reopening the pub when restrictions are eased
- The c.530 sqm ground floor and basement is a suitable size for a wet-led/vertical drinking pub, as most of the space is utilised for trading, and the remaining space is sufficient for back-of-house and utilities (see Appendix I for floor plans). The first floor is utilised solely for music events, whilst the second floor serves as management accommodation



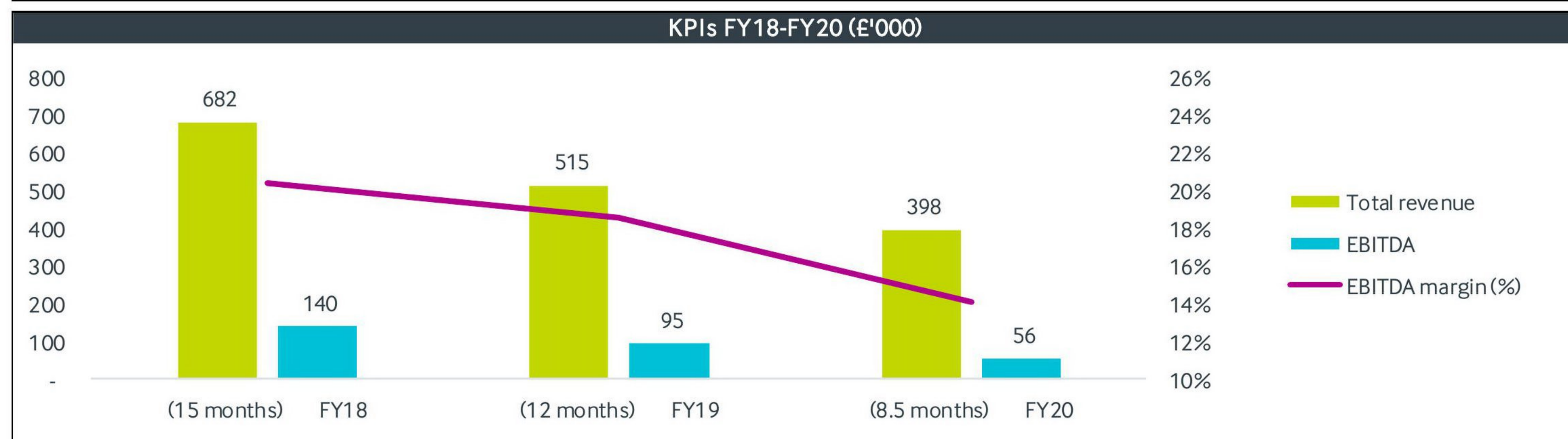
# Financial Performance Overview

A property that is still suited for use as a public house

## Key Observations

- With limited access to full management accounts, our financial performance estimate has been derived from verbal conversations with the operator, as well as internal benchmarking databases
- Prior to FY18, the financial year end was in April. During the course of FY18 the year end was extended to June 2018, and as a result the revenue figures as well as rent payable are estimated to be overstated by three months. Subsequent periods will end on the same day in future
- It was noted that a capital expenditure project was carried out during the course of FY19, resulting in an impact on the full year of trading being realised
- Due to the impact of COVID-19 all hospitality businesses were ordered to close on 23<sup>rd</sup> of March 2020, and as a result The Wheatsheaf was unable to trade for c. 3.5 months in FY20

Historical Financial Performance FY18-FY20						
	(15 months)	FY18	(12 months)	FY19	(8.5 months)	FY20
		£		£		£
Wet revenue		682,064		515,300		397,731
Total revenue		682,064		515,300		397,731
Cost of sales		259,184		195,814		151,138
Gross profit		422,879		319,486		246,594
<i>Gross profit margin (%)</i>		62%		62%		62%
Wage costs		122,771		92,754		71,592
<i>% of revenue</i>		18%		18%		18%
Property costs		75,796		64,638		56,832
Other operating costs		27,283		20,612		15,909
Total operating costs		225,850		178,004		144,333
<b>EBITDAR</b>		<b>197,029</b>		<b>141,482</b>		<b>102,261</b>
<i>EBITDAR margin (%)</i>		29%		27%		26%
Rent		57,500		46,000		46,000
<i>% of revenue</i>		8%		9%		12%
<b>EBITDA</b>		<b>139,529</b>		<b>95,482</b>		<b>56,261</b>
<i>EBITDA margin (%)</i>		20%		19%		14%





# Operational Considerations

## The Wheatsheaf has the operational capacity to adjust to the loss of facility

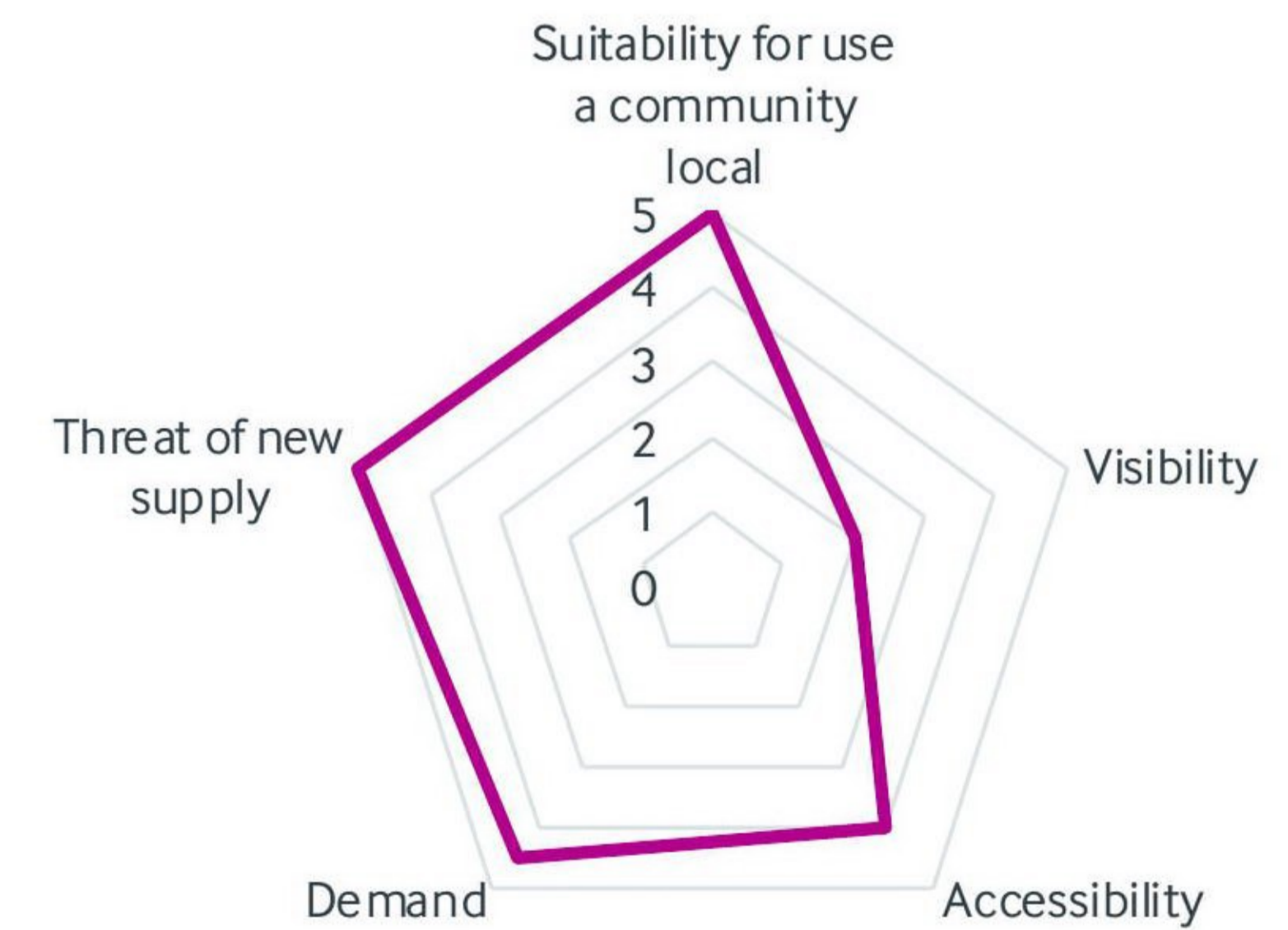
Area	Current Situation	Impact of loss of facility
<b>Positioning</b>	The pub is positioned as a mid-market traditional wet-led British pub serving the local community, with a well established music venue. Relative to the current supply, this is a unique offering in the sense that the revenue mix is 100% wet-led, where other operators have at least a minor food-offer.	The pub will continue to serve the local community and its regular drinkers throughout the week. This is the primary revenue driver of the business. The current operator plans to continue hosting events throughout the week that will ensure the reputation as a music venue remains.
<b>Facilities</b>	The ground floor consists of a bar and trading area as well as a pool table and large TV's throughout. The first floor is used solely as a music venue with a bar. Difference in bar take between the ground floor and first floor for a live music event is c. £3k vs £300 respectively.	Ground floor remains the same, and music remains a key part of the facilities, as the pub will continue to provide live music on a smaller scale. Profitability may improve as a result of the loss of facility, as the reduced property and operational costs of running a smaller site outweigh the marginal loss in revenue as a result of the loss of facility.
<b>Capacity</b>	The licensed capacity of the entire venue is currently 100 people, which includes seating for 56 people on the ground floor. The music venue on the first floor has capacity for a maximum of 60 people, which limits the ground floor trade when upstairs is in use.	The current operator believes that the maximum capacity for the venue could remain comfortably at 100 as a result of the double door exits at either end of the pub. It was noted that a reduction in licensed capacity to 65-70 people would still ensure viability for trade.
<b>Customer profile</b>	Relatively diverse customer profile reflected in the alcohol volumes – in the time the current operator has been in situ (12 years) the drinks mix has changed from 80:20 beer to other to 60:40. Current customer profile includes regular day drinkers, transient workers living outside the city, students, and gig goers.	The customer profile will broadly remain the same with the loss of the music venue, as the only customer type that is solely engaged with the upstairs facility, and therefore the minority of customers attending The Wheatsheaf will be affected.
<b>Seasonality</b>	Average turnover varies slightly between term time and vacation time, with average weekly takings at c. £15k and c.£9-10k respectively for those periods. There are events throughout the week including comedy nights, jazz nights and other live music events. Strong daytime trade, despite serving no food, but evenings are busiest.	Trading outside of term time will remain broadly the same, with term time trade seeing a marginal impact on revenue. Weekly seasonality may be impacted on Friday and Saturday live music nights, however we do not believe this to have a significant impact on overall profitability. Day time trade will continue to be strong.



# Site Assessment

The site is well positioned for continued use as a community local

Criteria	Score	Comment
Suitability for use a community local	5.0	<ul style="list-style-type: none"> <li>- Its town centre location in a thriving licensed scene makes this pub very suitable for continued use as a licensed venue, even with the loss of facility</li> <li>- Given that the majority of revenue is generated by the “community local” element of the pub on the ground floor, and the level of trade is consistent throughout the day and the week due to a regular crowd of local drinkers, The Wheatsheaf is highly suited to continue as a community local only</li> </ul>
Visibility	2.0	<ul style="list-style-type: none"> <li>- The visibility is very limited for passing traffic, as the entrance can only be accessed by walking down a pedestrian alleyway off the high street</li> </ul>
Accessibility	4.0	<ul style="list-style-type: none"> <li>- The property is located just off the high street, in the city centre of Oxford. Oxford station is only a 15 minute walk from the site, and can take 44 minutes to reach Paddington Station, London, making this site easily accessible via train</li> <li>- Oxford has an excellent bus service, with several routes stopping in the city centre</li> <li>- Given the wet-led operating style, access via car is not suitable for assessment</li> </ul>
Demand	4.5	<ul style="list-style-type: none"> <li>- Strong demand demographics that show an affluent population in the catchment area, together with projected growth in 20-24 year olds indicate an ideal trading environment for a licensed property</li> <li>- The presence of several large corporate operators suggests a favourable trading location</li> </ul>
Threat of new supply	5.0	<ul style="list-style-type: none"> <li>- Before COVID-19, there were only a handful of large corporate pub companies that were developing new pub assets. These pubs were being developed in rural and destination locations, with a focus on food-led pubs with accommodation. The city centre location also increases the barriers to entry for pub assets</li> </ul>
Conclusion	20.5/25	= <b>82%</b> score indicates excellent suitability of the site for continued use as a community local







## Performance Projections



# Indicative Projected Stabilised Financial Performance

## A property that will continue to be profitable

### Key Observations

- Projections are based on our assessment of the level of trade that the current tenant could be expected to achieve with the loss of facility. Any financial projections or prices provided are intended to be indicative, and are all based on our extensive experience of the licensed sector. Actual performance is likely to vary
- We have analysed the existing supply and demand demographics within the local market in the vicinity of The Wheatsheaf, as discussed on the previous pages, and with reference to our in-house database, provided an indicative profit and loss summary from revenue through to EBITDA (earnings before interest, tax, depreciation and amortisation), which is a widely-used KPI within the sector, and provides an approximation of the cash-generating capacity of a business. Our projections are for a stabilised year, using pre-COVID levels of revenue as an indication of the level of trade the pub is capable with the loss of music venue

Stabilised Financial Performance Projections			
	FY18-FY20 monthly averages (annualised)	Stabilised C&Co FMT without facility (2021 prices)	% of revenue
		£	
Wet revenue	540,818	393,716	100.0%
Total revenue	540,818	393,716	100.0%
Cost of sales	205,511	149,612	38.0%
Gross profit	335,307	244,104	62.0%
<i>Gross profit margin (%)</i>	62.0%	62.0%	
Wage costs	97,347	78,743	20.0%
Property costs	68,503	41,102	10.4%
Other operating costs	21,633	15,143	3.8%
<b>EBITDAR</b>	<b>147,825</b>	<b>109,116</b>	<b>27.7%</b>
EBITDAR margin (%)	27.3%	27.7%	
Rent	52,314	20,000	5.1%
<i>% of revenue</i>	9.7%	5.1%	
<b>EBITDA</b>	<b>95,511</b>	<b>89,116</b>	<b>22.6%</b>
<i>EBITDA margin (%)</i>	17.7%	22.6%	

Despite the reduction in revenue, the loss of facility will provide an opportunity to reduce overheads apart from wage costs. Specifically, cost savings will be found in business rates, utilities, and repairs & maintenance as the trading area is reduced. Given that the primary revenue stream (i.e. the ground floor bar) will continue to trade at the same level, and costs related to the property are reduced, the pub will be able to improve profitability in as the reduced costs outweigh the loss in revenue in relative terms. The reduction in rent will have the most significant impact on overall profitability.



# Indicative Projected Stabilised Financial Performance (continued)

## Key Assumptions

P&L Line Item	Assumption
<b>Revenue</b>	Revenue from the music venue historically represented approximately 25% of revenue. Revenue is therefore projected at 70% of annualised average monthly revenues between FY18-FY20, adjusted for inflation. Our stabilised revenue figure assumes the current tenant is an experienced and competent operator, having been in the sector for over 12 years.
<b>Gross Profit</b>	Gross profit margins have been determined based on the current tenant's wet gross profit margins. As a multiple operator, the buying power that is associated with operating multiple sites will ensure that gross profit margins are maintained in the future. Gross profit margins of 62.0% are in line with our own internal benchmarking data, and the results of the UKHospitality Christie & Co Benchmarking Report 2018.
<b>Wage costs</b>	Given the tenant has historically run the pub on a "franchised" basis (see pg.8), day to day management of the pub was outsourced to a management company. Therefore responsibility of paying staff wages was not of concern, and wage costs were fixed at a percentage of revenue from the current tenant's perspective. Going forward, the tenant has indicated that he will take full ownership of the operation of the pub, and therefore we expect wages to initially increase in relative terms, but stabilise as the operator finds efficiencies in staffing rotas. The loss of facility means that less staff will be required, and will improve this staffing efficiency and overall profitability in the long term. We have therefore estimated stabilised wages to be c.20.0% of revenue based on the levels necessary to operate a similar business based on our own internal benchmarking data, and the results of the UKHospitality Christie & Co Benchmarking Report 2018.
<b>Other overheads</b>	<p>Whilst the increase in Rateable Value at the premises from £31,400 to £54,000 is testament to the increase in trading potential that has taken place between 2010 and 2017, the reduction in revenue and as a result profit in absolute terms means that the rateable value will decrease, and therefore business rates payed will be lower.</p> <p>Given the last refurbishment was three years ago, we expect repair and maintenance costs in a stabilised year to have ramped up slightly in order to maintain a condition that will encourage positive trading. This is however, offset by the overall reduction in property and operating costs such as utilities, business rates, outsourced services (for example, cleaning). We expect other operating costs such as advertising and insurance to remain broadly the same.</p>
<b>Rent</b>	The Client has estimated that rent payable for the remaining pub facility will fall to c. £20k per annum, and as a result we have assumed this to be a reliable estimate of what the tenant will be paying in rent in a stabilised year (in 2021 terms).
<b>Other</b>	Whilst excluded from our projections, in reality there would be further costs incurred below EBITDA that cash flows, namely: interest; taxation on any profits; and capital expenditure to maintain the asset, amongst other items. However, given the cash generating ability of this site, these costs are not significant enough to inhibit the viability of the pub as a going concern.





## Conclusions and Recommendations



# Conclusions

We believe there is a long-term future for the property as a public house without a music venue



Strong demand

No negative impact on community

Positive stabilised financial projections

Conclusions	
Area	Comment
Demand and Positioning	From our research and knowledge of the sector, it is a public house which has been successful in attracting a sufficient level of trade to sustain it as a viable business. There are strong demand demographics providing a good trading environment for licensed operators, evidenced by the presence of experienced pub companies in the area. In addition to corporate operators, there is a healthy range of operators, operating styles and offers in the city centre, and the wet-led and independent nature of The Wheatsheaf in relation to the rest of the market positions it as a unique offering
Property	The pub is in good condition, and we understand no critical issues with the structural and decorative condition of the building were identified by the architect, and therefore the property should not require any immediate capital expenditure projects for the next couple of years
Impact on Community	Oxford has an incredibly diverse and abundant live music scene, demonstrated by the amount of venues that provide live music. We believe that Oxford is not losing an integral part of its social and community value with the loss of a single music venue in the context of local supply
Operational Flexibility	The Wheatsheaf will adjust to the loss of facility from an operational perspective - the current tenant plans to continue hosting events throughout the week on a much smaller scale on the ground floor, which will ensure demand for live music/events is met
Trading capabilities	The primary revenue stream for the pub is generated from ground floor bar sales. Historically during live music events on the first floor, the capacity of the ground floor trading area is forced to reduce capacity to meet overall capacity licensing restrictions. With the loss of the first floor facility, and assuming that the overall capacity of the building either does not change or does not fall below 65 people, revenue can be maximised on the ground floor
Financial Performance	Stabilised financial performance indicates that the property will continue to be profitable with the loss of facility, as the reduced operational and property costs of running a smaller site should outweigh the loss in revenue as a result of the loss of facility. An EBITDAR margin of 22.6% is above average for a community local of this nature, driven largely by the significant reduction in rent and improved profitability of the site
Final Conclusion	On the basis of the factors set out above, and with an incoming operator who has significant experience in managing multiple sites as well as being the incumbent tenant for c.12 years, we are confident that there is a long-term future for the Property as a public house

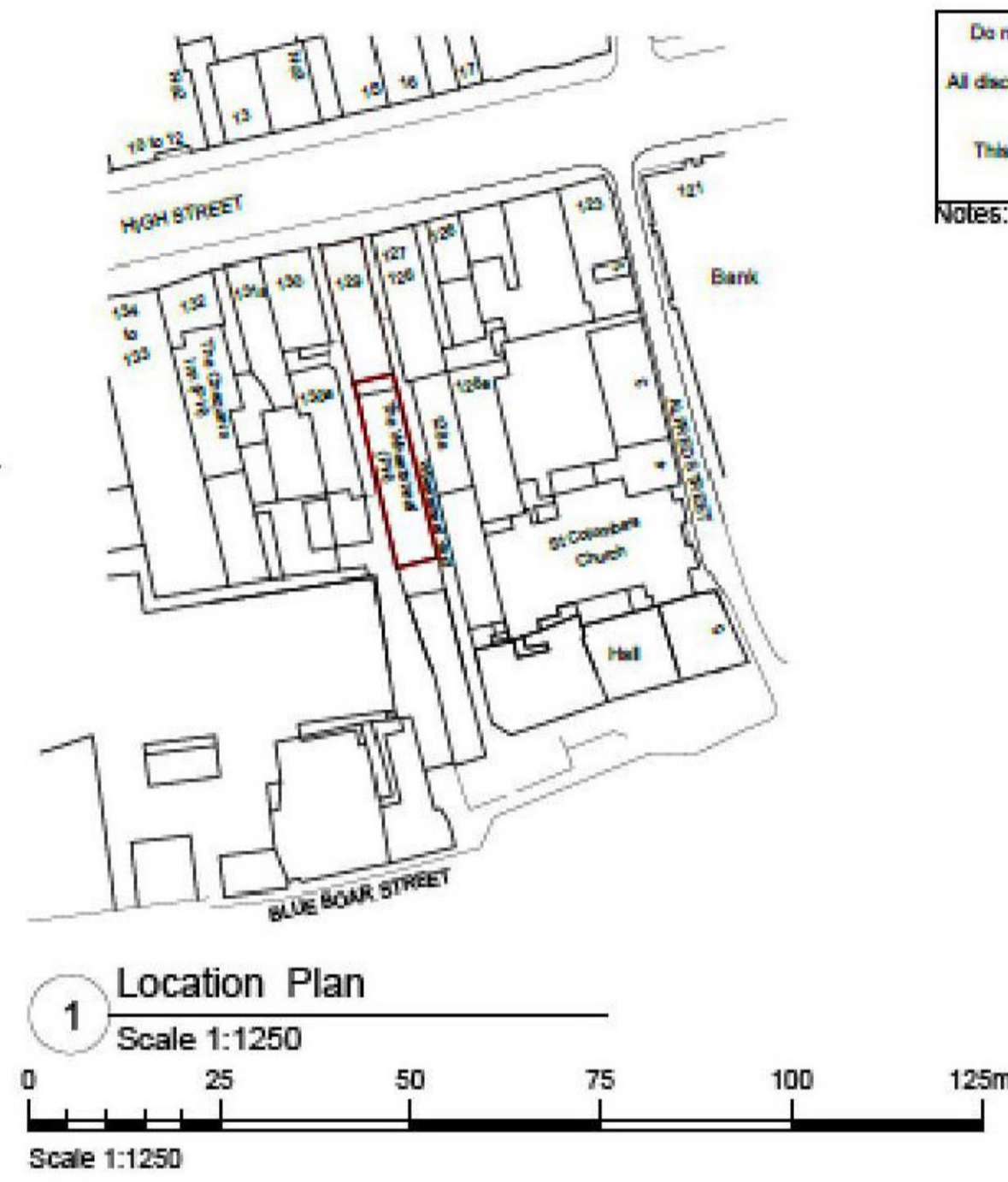
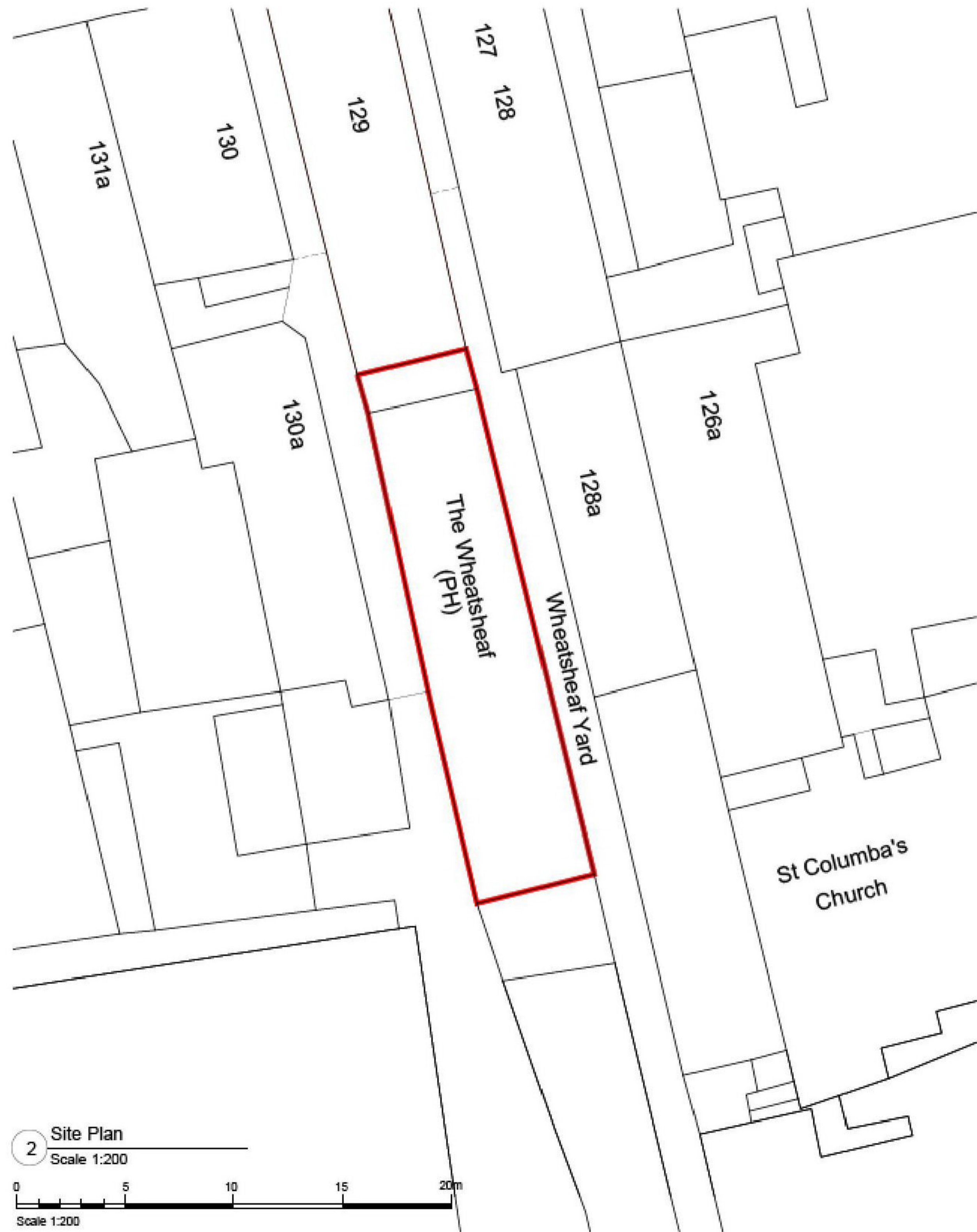




## Appendix I – Site Plans



# Location and Site Plan



Do not scale from this drawing. All dimensions are approximate and should be checked on site prior to construction. All discrepancies must be reported to the Architect for verification prior to commencement of the affected works. This drawing is Copyright protected and must not be reproduced or used without prior written permission.

NOTES:

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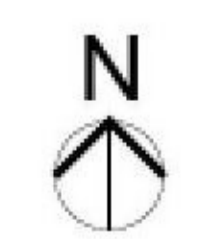
Project  
Wheatsheaf Student Rooms

Drawing title  
Location Plan and Site Plan

Date	Scale
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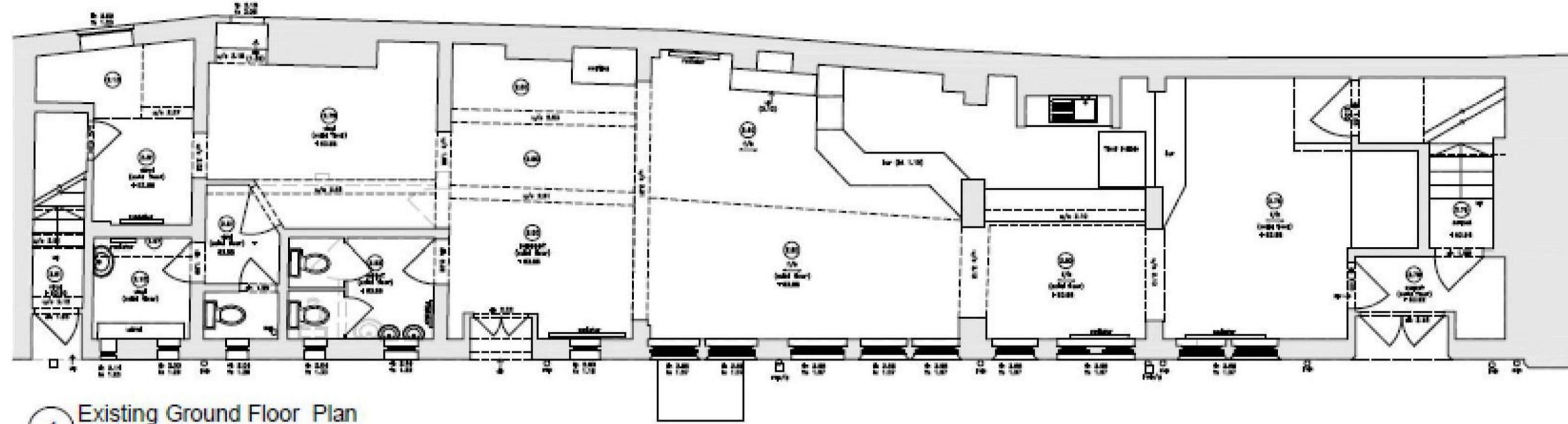
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Pre-App	PI	TB

Drawing Number	Revision
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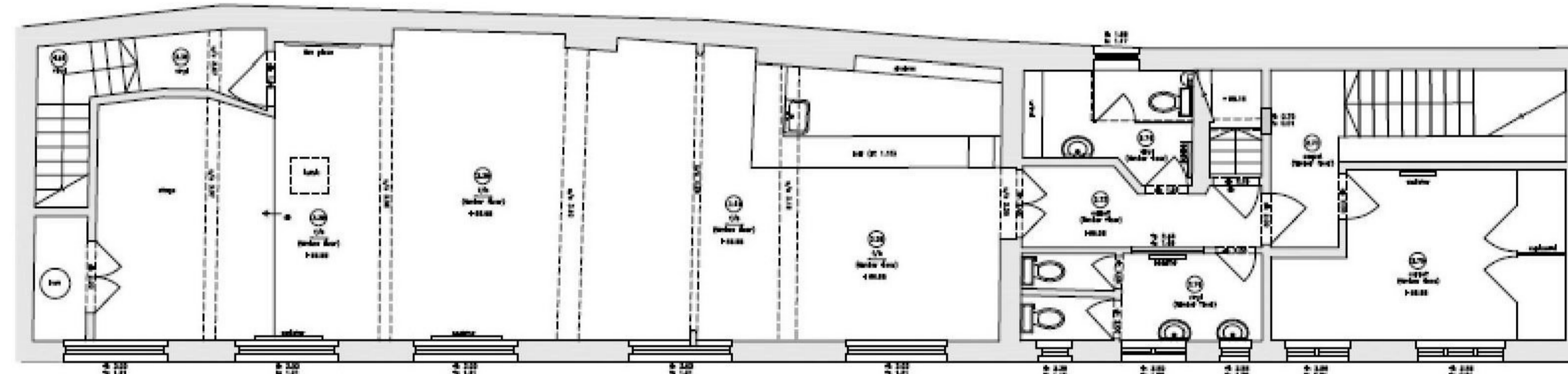




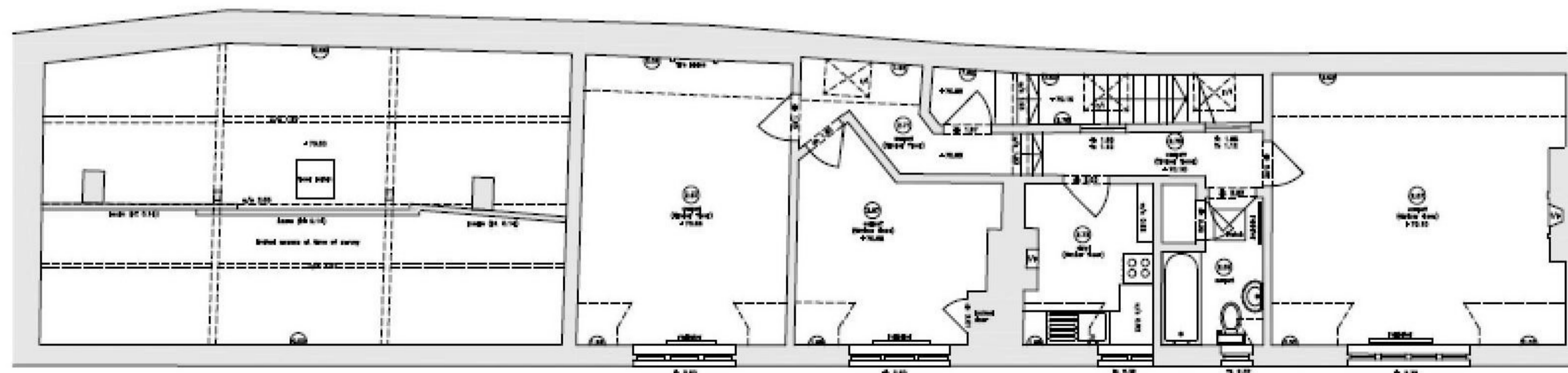
# Existing Floor Plans



1 Existing Ground Floor Plan  
Scale 1:100



2 Existing First Floor Plan  
Scale 1:100



3 Existing Second Floor Plan  
Scale 1:100



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NOTES:

Revisions:

Rev	Date	Amendment
A	11.01.21	Survey information updated

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Project

Wheatsheaf Student Rooms

Drawing title

Existing Floor Plans

Date

October 2020

Scale

1:100@ A3

Stage

Pre-App

Drawn By

PI

Checked By

TB

Drawing Number

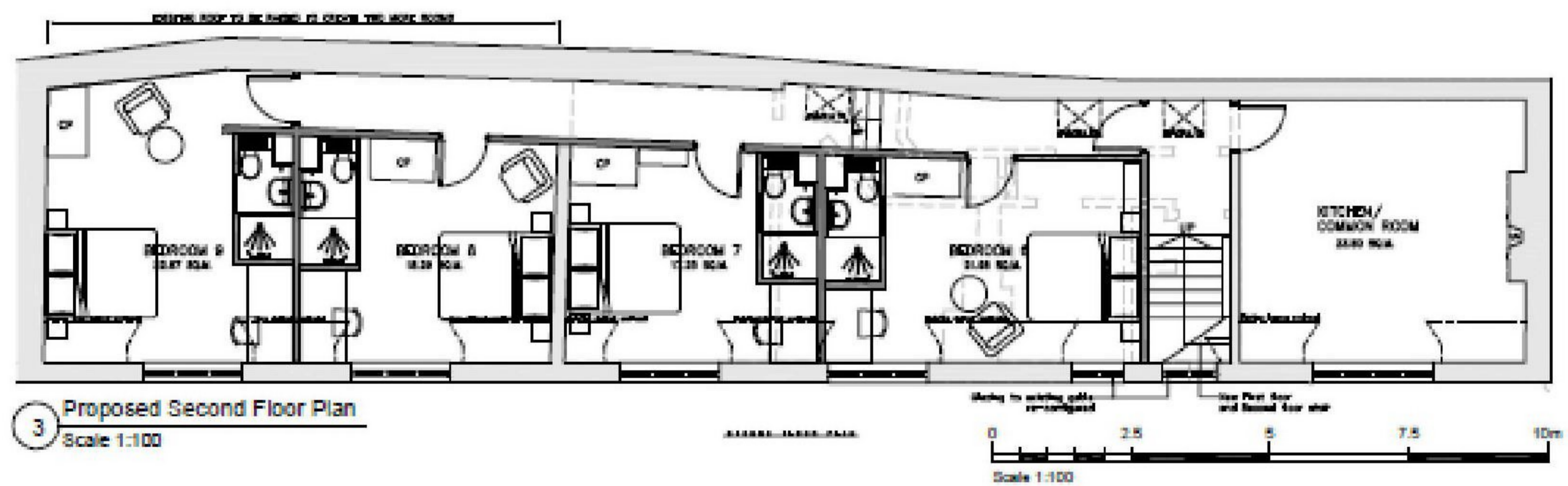
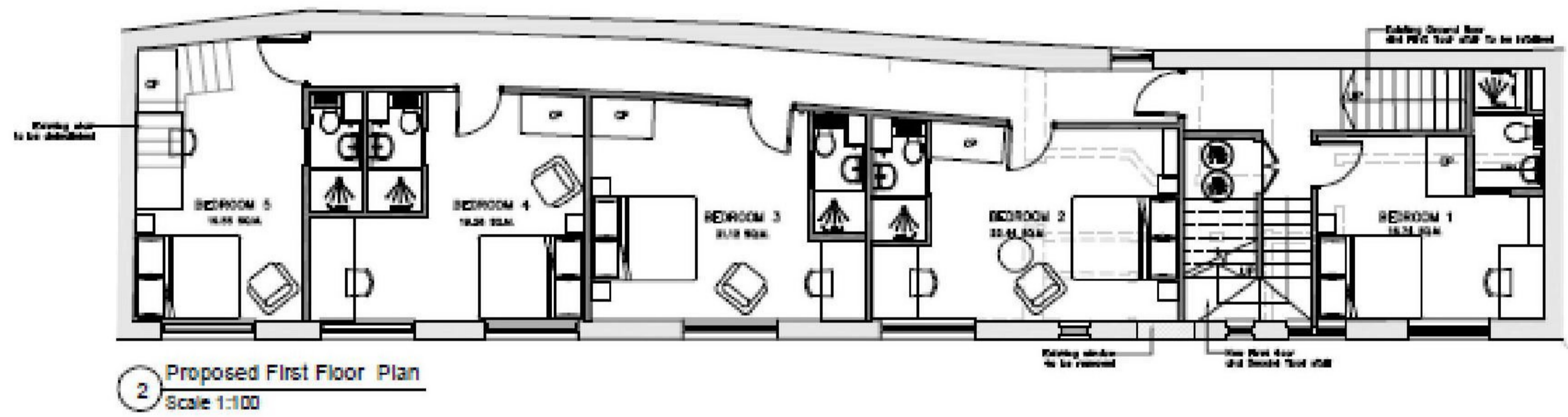
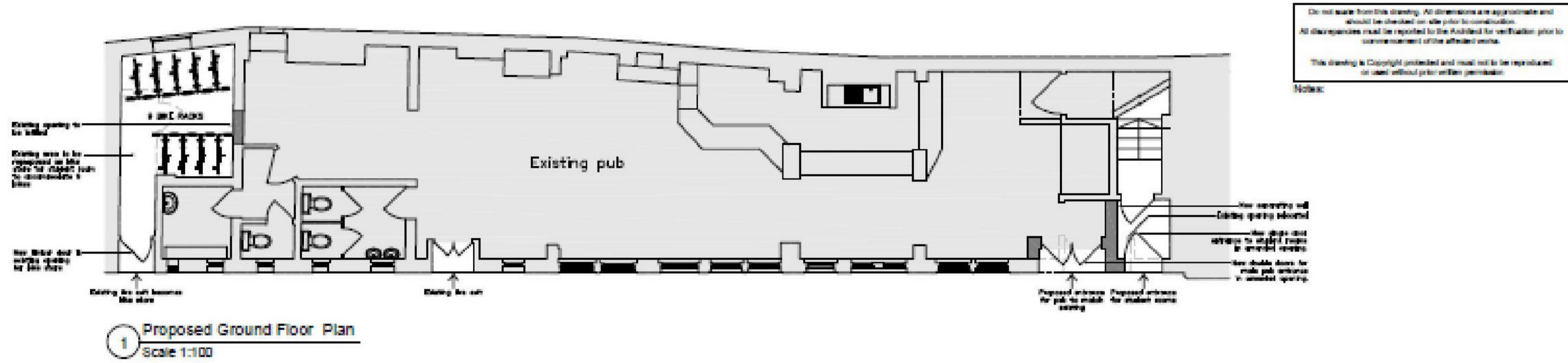
1864\_002

Revision

A



# Proposed Floor Plans



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Project:  
Wheatsheaf Student Rooms

Drawing title:  
Proposed Floor Plans

Date: Jan 2021  
Scale: 1:100@ A3

Stage: Planning  
Drawn By: PI  
Checked By: TB

Drawing Number: 1864\_101  
Revision: A



# Existing Elevation

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Notes:



1 Existing East Elevation  
Scale 1:100

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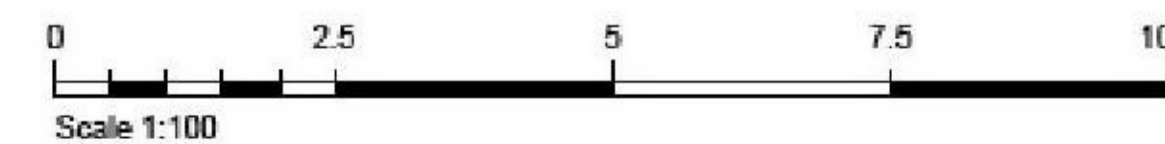
Project  
Wheatsheaf Student Rooms

Drawing title  
Existing East Elevation

Date	Scale
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Stage	Drawn By	Checked By
Pre-App	PI	TB

Drawing Number	Revision
1864_003	-





# Proposed Elevation

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Notes:



1 Proposed East Elevation  
 Scale 1:100

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Client  
 C/O Agent

Project  
 Wheatsheaf Student Rooms

Drawing title  
 Proposed East Elevation

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Stage	Drawn By	Checked By
Pre-App	PI	TB

Drawing Number	Revision
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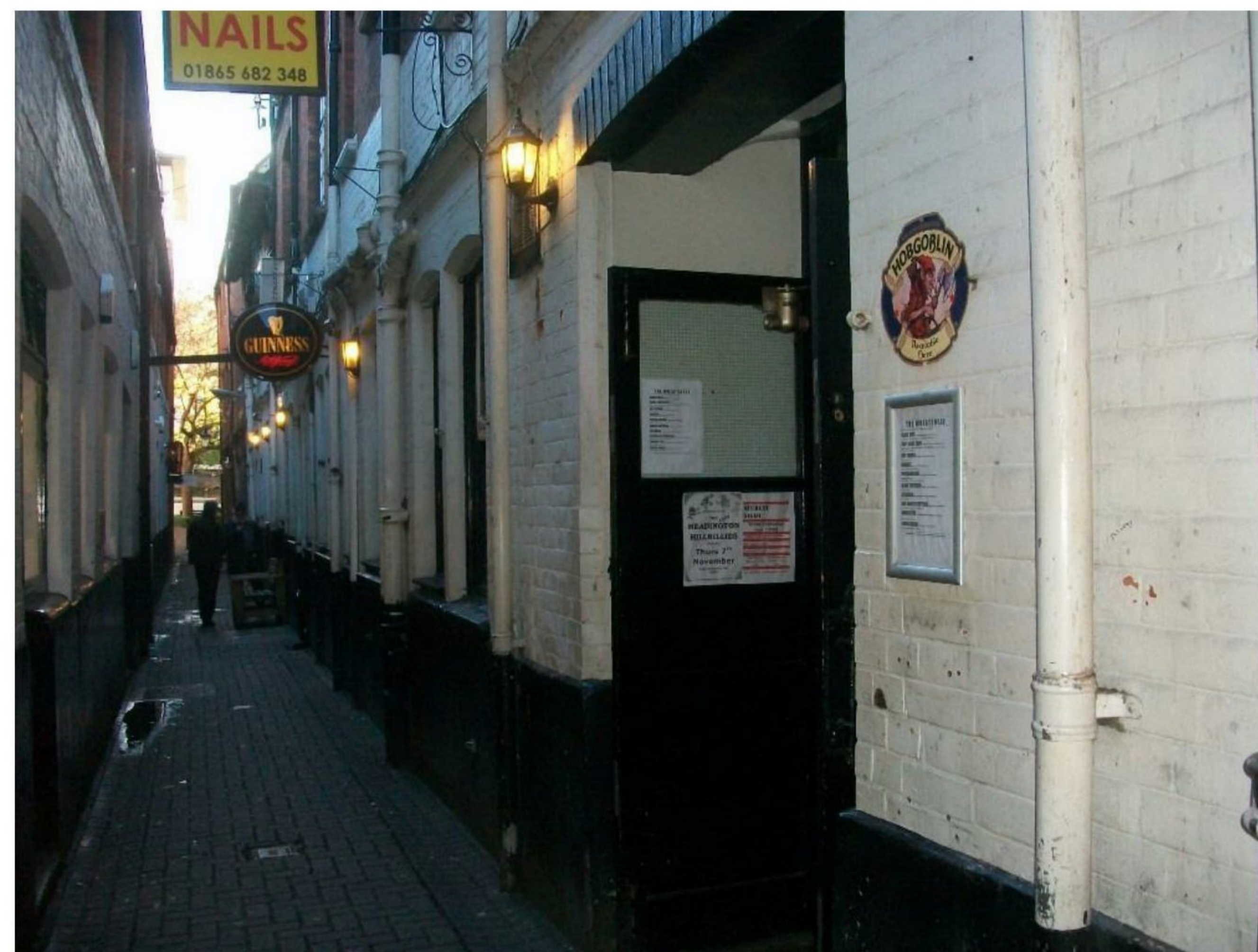
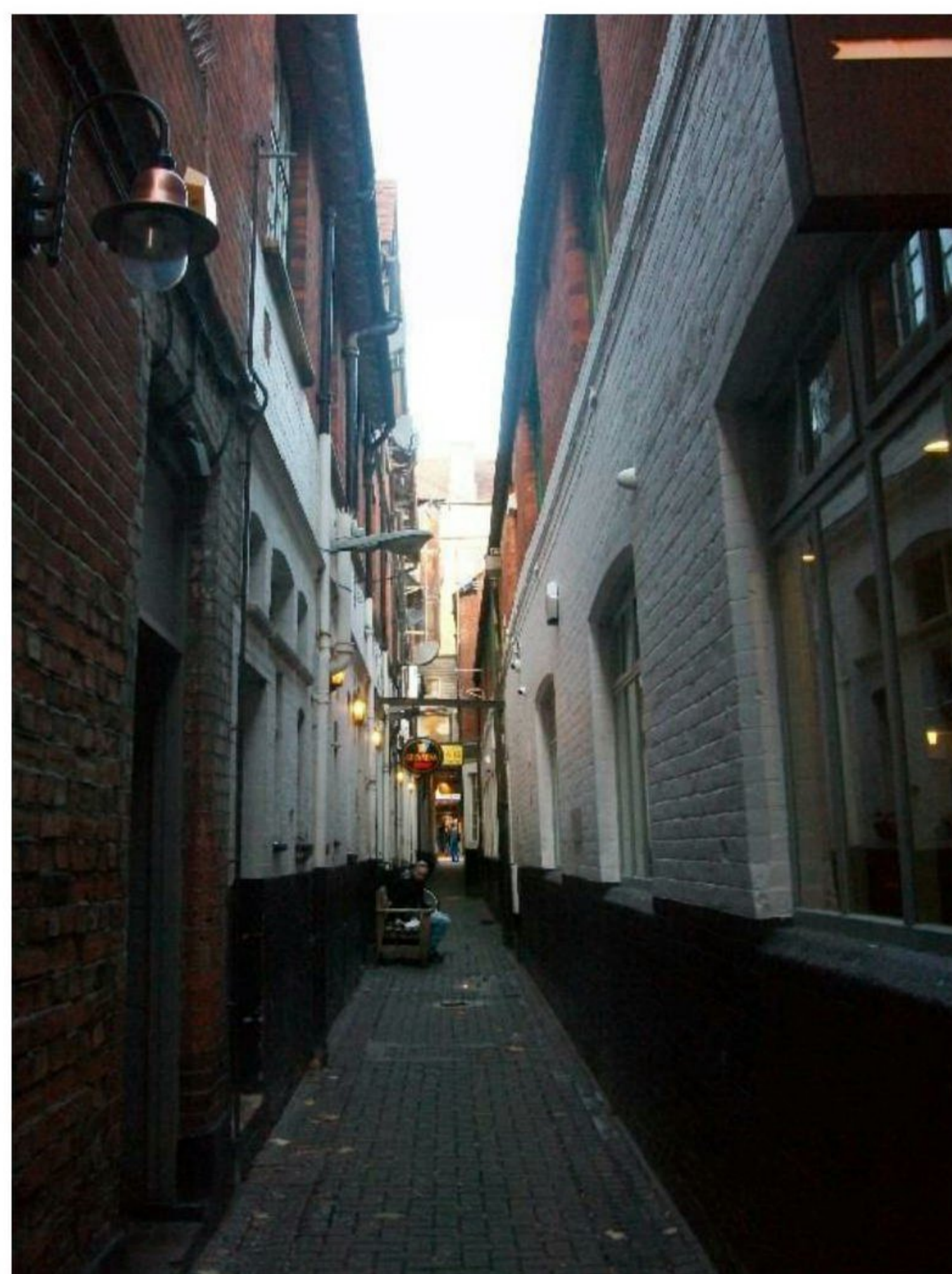




## Appendix II – Property Images



# External





# Ground Floor – Pub





# First Floor – Music Venue





# Cellar







## Appendix III – Music Venues in Oxford



# Music Venues in Oxford

## # Music Venues

- 1 Cafe Baba, 240 Cowley Rd, Oxford
- 2 City of Oxford Silver Band, Temple Rd, Oxford
- 3 Cowley Workers Social Club, Between Towns Rd, Oxford
- 4 Fusion Arts, 44B Prince St, Oxford
- 5 Holywell Music Room, Holywell St, Oxford
- 6 Isis Farmhouse, Haystacks Corner, The Towing Path
- 7 Jacqueline du Pré Music Building, Cowley Pl
- 8 Jericho Tavern, 56 Walton St, Oxford
- 9 Joe's Bar & Grill, 260 Banbury Rd, Oxford
- 10 O2 Academy Oxford, Cowley Rd
- 11 Oxford Town Hall, St Aldate's, Oxford
- 12 Rose & Crown, North Parade Ave, Oxford
- 13 Sandy's Piano Bar, 4 King Edward St, Oxford
- 14 SJE Arts, 109a Iffley Rd, Oxford
- 15 St Giles' Church, Woodstock Road, Oxford
- 16 St Michael at the North Gate, Cornmarket St, Oxford
- 17 Tap Social Movement, Curtis Industrial Estate
- 18 The Black Swan, Crown St
- 19 The Bullingdon, 162 Cowley Rd
- 20 The Cape Of Good Hope, 1 The Plain, Oxford
- 21 The Catweazle Club, 44 Princes St, Oxford
- 22 The Cricketers Arms, 102 Temple Rd, Oxford
- 23 The Half Moon, 17 St Clement's St, Oxford
- 24 The Jericho Tavern, 56 Walton St, Oxford
- 25 The Library, 182 Cowley Rd
- 26 The Mad Hatter, 43 Iffley Rd, Oxford
- 27 The Old Fire Station, 40 George St, Oxford
- 28 The Sheldonian Theatre, Broad St, Oxford
- 29 The White House, 38 Abingdon Rd, Oxford

Source: Google Maps





## Appendix IV – Terms & Conditions



# Appendix I – Terms & Conditions

Christie & Co, acting as External Consultants, has undertaken Strategic Advisory Services (the “Study” or the “Report”) in relation to the terms of our Letter of Engagement dated 15 October 2018. This Report has been prepared for Pavot Property Investments Arms Limited (the “Client”), by Christie & Co based on information provided by the Client. 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:

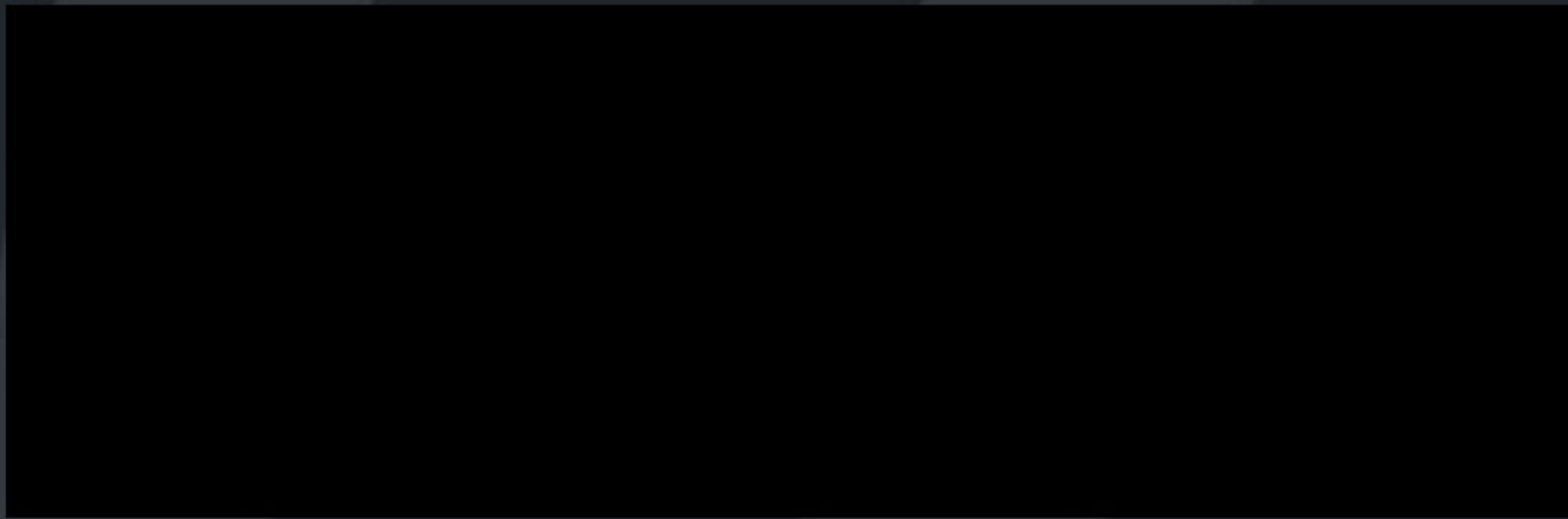
1. For the purpose of these Terms and Conditions, the “Subject Property” shall refer to the assets, whether freehold or leasehold, that form part of the past, present or future estate of Pavot Property Investments Limited or affiliated companies whether or not currently incorporated.
2. The work which we have undertaken has been tailored to the Client’s particular purpose and is not suitable for any other purpose or for use by any other person. This Report is therefore for the Client’s sole use and must not be disclosed in whole or in part to any other person without prior written agreement from Christie & Co, which is not to be unreasonably withheld. This Report shall remain the copyright of Christie & Co.
3. 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.
4. 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.
5. 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.
6. Historical and projected financial data presented in this Report have been prepared using sophisticated computer models which work to several decimal places. However, data points are presented in this Report to one or fewer decimal places, and some rounding differences may therefore appear.
7. For the avoidance of doubt, our projections exclude a detailed consideration of corporation and other taxation payments, and independent advice from a qualified taxation professional would be required to fully assess the impact of taxation.
8. All mortgages, loans, encumbrances, leases and servitudes have been disregarded unless specified otherwise.
9. 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.
10. 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.



# Key Contacts

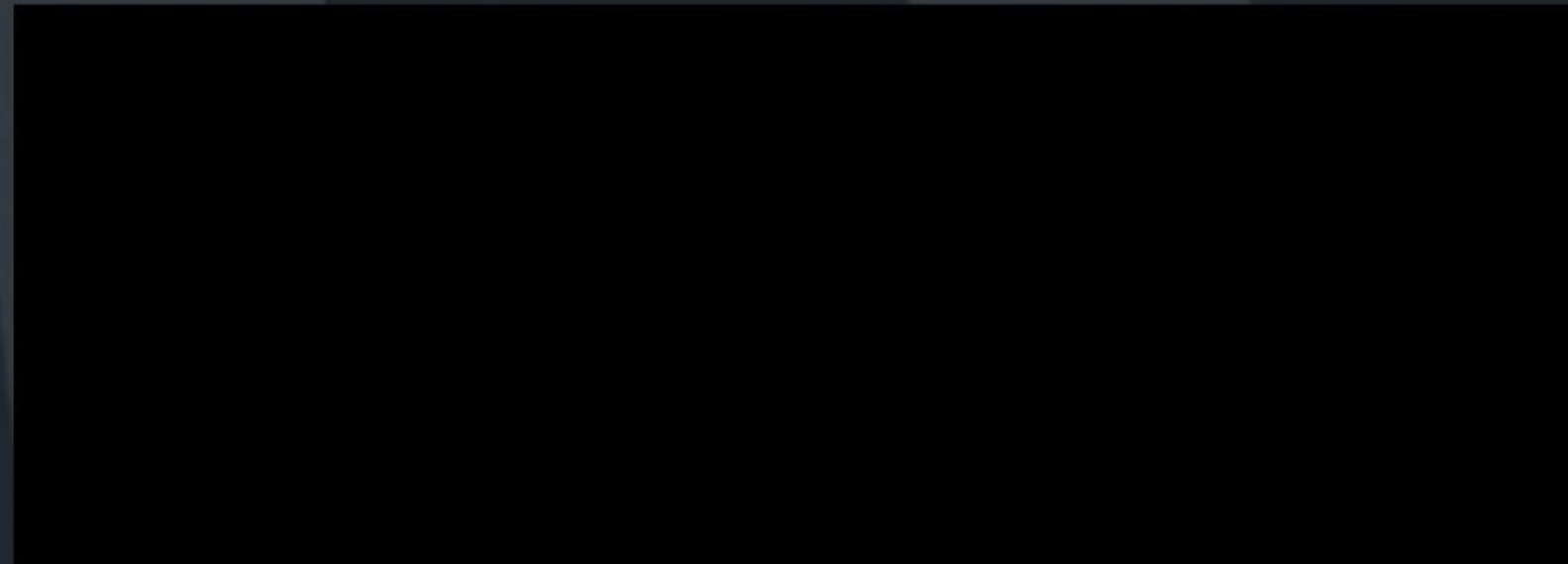
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