



JDW: holds 40-year lease on pub

## Nearly £2m for pub with JDW tenant

A freehold investment property in London that is tenanted in part by JD Wetherspoon, has sold for £1.825m.

The pub, in South Norwood, has been tenanted by Wetherspoon since 1998 on a 40-year lease, with an initial rent of £50,000 per annum, subject to five-yearly review, (due next on 13 July 2008).

Nine flats above it rent out for a combined income of £58,260. The pub, near Crystal Palace FC, was sold prior to a Bernard Marcus auction.

## Pub companies can't expect rents to increase in line with inflation

Pub companies can't expect rents to increase in line with inflation, according to chartered surveyor Cookseys DMP.

Managing director David Morgan said that lots of high-street outlets have not seen a rental increase.

"There are a large number of high-street rents standing still and an equally large number of nil rent increases at rent review."

Morgan said that staffing costs and soaring utility bills are damaging profits.

"Pub rents are always calculated on a profits test basis. Massive increases in utility and staff costs are hitting straight at the bottom line, with a direct

effect upon profitability."

Many pub leases state that an outlet's rent will automatically increase in line with the Retail Price Index (RPI). At 2.5%, this would mean an increase of 12.5% per five-year periodic rental review.

Morgan also questioned the "creative financial accounting" behind sale and lease-back transactions.

He said: "I wonder at the underlying certainty of the sale and lease-back module being used by a desperate legion of corporate buyers and linked with the professional advice which they and their bankers might be receiving as a future rental growth.

"When - as it inevitably will - the merry-go-round

stops, it might be the case that certain parties and their professional advisers will end up catching a colossal cold."



Asking tough questions: David Morgan takes a swipe at "creative financial accounting"

## MyNewPub

Paul and Maura Gale, Smiths Arms, Caerphilly, south-east Wales - agent Redwoods Dowling Kerr

Paul Gale used to be an accountant before embarking on a career in the licensed trade. He said: "The Smiths Arms used to be my local, but we stopped going because we felt it had lost its appeal. It was more of a family pub for the licensee's family only, and we didn't feel welcome there. We wanted to restore it to its former glory."

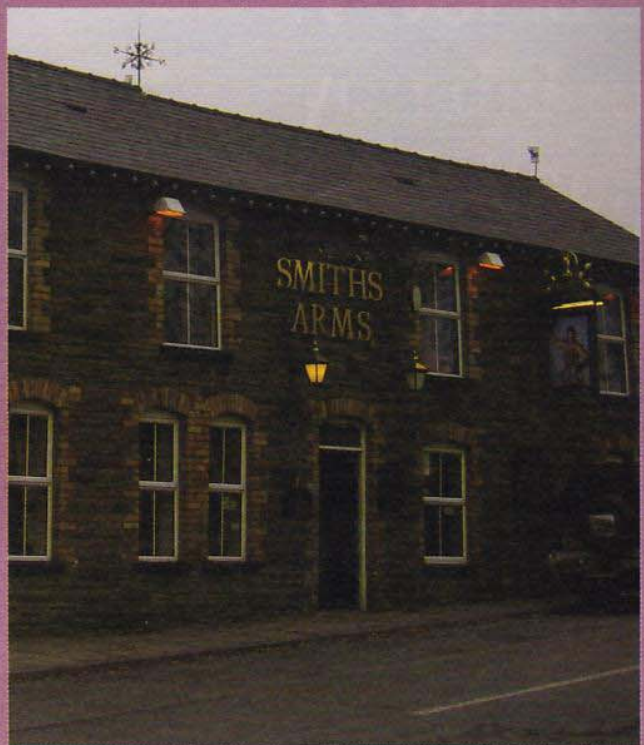
The Gales looked at a dozen pubs before plumping for the Smiths Arms. Paul admitted he was shocked at the amount of book-keeping a licensee has to do.

"I still run my accountancy business, but looking after the pub's books is a full-time job, especially when you're new to the job and not sure how much stock you need," said Paul.

The Gales bought the 11-year Enterprise lease for £45,000 and they have worked hard to turn trade around.

Paul said: "We moved in on 5 June and in two and a bit months, trade has gone from £2,000 a week to £4,000 a week. There's potential to grow weeknight trade and we started a live music night last Wednesday. We were packed."

The Gales decided to enter the trade to be their own bosses. "I wanted to work for myself. I'm also a community man and I wanted to work at the heart of it," added Paul.



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### The Quee Worsley Lancashir

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