

If an MCC occurs any change in assessment should be limited to the valuation effect of the specific MCC.

Where a public house has remained closed for trade over an extended period and there is insufficient trading history, the valuer should endeavour to fully establish the reason(s) for the closure and the prospects for re-opening and carefully consider how this would inform the REO of likely trading levels having regard to the facts and circumstances of the subject property. It must be remembered that the economic circumstances will be those existing at the AVD.

## 7.6 Rural Public House diversification

In recent years rural public houses have come under pressure, often as a result of a combination of factors, which include declining and ageing population, decline in traditional rural occupations, low income in rural areas, changing social habits and lifestyles, increasing customer expectations, increasing regulatory demands and drink/drive legislation. The increase in residential property prices has also encouraged a change of use from rural public house to housing. To stay in business licensees have had to find ways to increase their income from other sources.

In December 2001 The Countryside Agency published a good practice guide, *The Pub is the Hub\**, which stated "our aim is to encourage breweries, managers, landlords and local communities to use their entrepreneurial skills, together with resources available to them, to help to retain and enhance vital rural services, bolster the rural economy and at the same time benefit the local community."

These efforts to sustain rural public houses, by diversification of the business, typically include the provision of Post Office/banking facilities or limited retail sales. This type of activity is often undertaken in circumstances where, without it, the house might close. Although, in themselves, such schemes may not always generate a significant profit contribution to the

business, they provide an important social facility to their community. In turn good licensees will hope the community and others will support the pub business and expand the customer base using the public house.

The traditional income streams associated with a public house, that is drinks, food and accommodation should be assessed in accordance with this Guide. Income from other activities should be considered in terms of the section covering other receipts above. Whether such income falls to be reflected in the drinks percentage adopted, or valued separately, it should be borne in mind that any profit generated is often likely to be low. Whilst it will probably be difficult to establish precisely what contribution these additional activities make to the profitability of the business as a whole, they rarely make a contribution to profit as a stand-alone business. It is important to remember that the position should be viewed from the perspective of the hypothetical tenancy, therefore costs (such as loan finance used to purchase the property) which may feature in the accounts of an owner-occupier will need to be removed from the equation.

*\*For further information refer to [pubisthehub.org.uk](http://pubisthehub.org.uk)*