

It is still possible to raise funds for pubs

Things may be tougher in today's financial climate but banks have not shut up shop completely, says one property funding expert



By Simon Stracey
Marlborough Leisure

I HAVE watched with interest the impact of the much-publicised credit squeeze upon our specialist sector - that of raising finance for the purchase of licensed leisure businesses.

While there is no question that all of the mainstream lenders have tightened their belts, and, where once a decent operator could independently raise funding (be it secured on home equity or, occasionally, simply against the strength of the lease being purchased), these propositions are now being subjected to intense scrutiny.

Attracting support from a typical high-street bank now seems to require not only the obvious qualities (good accounts, trade experience, and so forth) but signed approval, in triplicate, from your great-grand-parents!

However, I am pleased to say that

the banks have not simply 'shut up shop' and that the professionally packaged and presented lending proposals we have always relied upon continue to garner the support of the experienced lenders, with whom we maintain excellent relationships. In other words, the banks retain an appetite for good business, but the quality of presentation is more important than ever before.

Business plans that might once have been viewed as a formality are now subject to huge scrutiny.

Snatching a bargain

When Marlborough Leisure was approached by a client seeking to acquire the leasehold interest in the Black Lion, Thirsk, (off an asking price of £69,950) the challenge was compounded by a dire trading record with no recent accounting information and, to all intents and purposes, a business that had ceased to be viable.

However, our local client identified an opportunity to snatch something of a bargain and envisaged the development of a high-quality venue in this popular North Yorkshire market town.

Needless to say, he required financial support to compensate for a cash stake that represented less than 10 per cent of the lease purchase price.

Marlborough successfully obtained bank approval to a funding package



The purchaser of the Black Lion in Thirsk, Yorkshire, obtained finance against the odds

that not only provided for the balance of the purchase price, but a further sum adequate to implement an ambitious refurbishment of the trading area in a transaction that completed last week.

In the past few weeks, Marlborough has also arranged unsecured bank funding for the purchase of Rocket, a popular gastropub in Acton, West London, operated under an Enterprise lease (off an asking price of £120,000).

While our experienced client was able to invest a substantial cash sum towards the project, he was not able to offer any collateral in support of his borrowing requirements. Nonetheless, we have negotiated a funding package representing just over 60 per cent of the lease premium. ■

Simon Stracey is commercial director of Marlborough Leisure



Rocket was bought through unsecured bank funding

Top tips when seeking funding from lenders

- Improve your business plan presentation – plans are being scrutinised more heavily now than ever before
- Provide banks with as much financial and accounting information as possible
- If you are struggling to find funding, look for independent providers