In the mid 1930's, Morrissey's was established in Nenagh, Co. Tipperary, by Daniel Morrissey, a senior politician in Ireland for 35 years and former Minister of Industry & Commerce.

In 1946, with a general practice well established, Dan moved to Dublin, encouraged by several prominent members of the Dublin licensed trade and was joined by his two sons, Tony & Liam and they formed a new company Daniel Morrissey & Sons Ltd T/A Morrissey's.

The company made fast progress and became one of the leading auctioneers, valuers and advisors in Ireland concentrating mainly on the greater Dublin area.

In 1956, Dan Morrissey was succeeded by his son Tony who further expanded the practice placing particular emphasis on the sale, acquisition and valuation of licensed premises and hotel properties.

Tony Morrissey was elected President of the Irish Auctioneers & Valuers Institute (I.A.V.I.) in 1973 a position previously held by his father Dan in 1952. In 1983, Tony Morrissey Jnr. joined the company, followed by his brother Bill in 1987, both serving their apprenticeship under their father Tony, and subsequently in 1993, they took over the company from him.

Both Bill and Tony continued on the traditions of the Company, specialising in all aspects of licensed related property, including public houses, hotels and restaurants.

The company is also a long-time member of the Society of Chartered Surveyors Ireland (SCSI) which merged in April 2011 with The Irish Auctioneers & Valuers Institute (IAVI) and The RICS (Royal Institute of Chartered Surveyors).

Morrissey’s are one of the market leaders in the Irish Hospitality Property sector and are recognised experts in providing a complete comprehensive going concern consultancy service regarding the sale, acquisition and valuation of the licensed hotel and leisure market which is backed up by a modern, extensive, computerised database system. To date Morrissey’s have handled in excess of 1,000 Licensed Property Sales / Acquisitions and have also carried out in excess of 1,850 Valuations of different hospitality properties.
<table>
<thead>
<tr>
<th>No.</th>
<th>Premise Name</th>
<th>Address</th>
<th>Location</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Karma Stone</td>
<td>40 Wexford Street</td>
<td>Dublin 2</td>
<td>Investment Interest</td>
</tr>
<tr>
<td>2</td>
<td>Hourican’s</td>
<td>6/7 Lwr Leeson Street</td>
<td>Dublin 2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>The Black Lion</td>
<td>207a Emmet Road Inchicore</td>
<td>Dublin 8</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The Horse &amp; Hound</td>
<td>44 Brookwood Rise Artane</td>
<td>Dublin 5</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>The Gate Bar</td>
<td>153-155 Crumlin Road Artane</td>
<td>Dublin 12</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Toast</td>
<td>96 Lwr Rathmines Road</td>
<td>Dublin 6</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Smyth’s</td>
<td>12 Fairview</td>
<td>Dublin 3</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Ardee House</td>
<td>1-2 Chamber Street</td>
<td>Dublin 8</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>The Dean Swift</td>
<td>40 Francis Street</td>
<td>Dublin 8</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>The Shipwright</td>
<td>16-20 Thorncastle Street Ringsend</td>
<td>Dublin 4</td>
<td>Investment Interest</td>
</tr>
<tr>
<td>11</td>
<td>O’Shea’s &amp; Home Nightclub</td>
<td>The Harbour Balbriggan Co. Dublin</td>
<td>Dublin</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Kennedy’s</td>
<td>132-134 Lwr Drumcondra Rd Drumcondra</td>
<td>Dublin 9</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>The Long Mile Inn</td>
<td>4 Long Mile Road Drimnagh</td>
<td>Dublin 12</td>
<td></td>
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<tr>
<td>14</td>
<td>Scruffy Murphy’s</td>
<td>1-2 Powerscourt Off Mount Street</td>
<td>Dublin 2</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>The Ramble Inn</td>
<td>145 Killester Avenue Killester</td>
<td>Dublin 5</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>The Back Page</td>
<td>(formerly The Red Windmill) 199 Phibsboro Road Phibsboro</td>
<td>Dublin 7</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Lincoln’s Inn</td>
<td>19-19 Lincoln Place</td>
<td>Dublin 2</td>
<td>Leasehold Interest</td>
</tr>
<tr>
<td>18</td>
<td>The Killenarden Inn</td>
<td>Kildenarden Tallaght Co. Dublin24</td>
<td>Dublin</td>
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<tr>
<td>19</td>
<td>Devitt’s</td>
<td>78 Lwr Camden Street</td>
<td>Dublin 2</td>
<td>(Lease-Purchase)</td>
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<tr>
<td>20</td>
<td>The Four Roads</td>
<td>140 Sundeire Road Crumlin</td>
<td>Dublin 12</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>The Kings Inn</td>
<td>42 Bolton Street</td>
<td>Dublin 2</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Sober Lane</td>
<td>82 Irishtown Road</td>
<td>Dublin 4</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Mcdonagh’s</td>
<td>61 Castle Street Dalkey Co. Dublin</td>
<td>Dublin</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Old Harcourt Street Station</td>
<td>Licensed Complex Harcourt Street Dublin 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>The Harbormaster</td>
<td>Old Dock Offices Custom House Dock IFSC</td>
<td>Dublin 1</td>
<td>Investment Interest</td>
</tr>
<tr>
<td>26</td>
<td>Taylor’s - The Star Bar</td>
<td>15 Main Street Swords Co. Dublin</td>
<td>Dublin</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>The Tap</td>
<td>44 North King Street</td>
<td>Tallaght</td>
<td>Dublin 24 (Investment Interest)</td>
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<tr>
<td>28</td>
<td>Howl at the Moon</td>
<td>7, 8 &amp; 8a Mount Street Lwr Dublin 2</td>
<td>Dublin 2</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Former Zanzibar</td>
<td>34-37 Lwr Ormond Quay</td>
<td>Dublin 1</td>
<td>(Hotel Development Site)</td>
</tr>
<tr>
<td>30</td>
<td>The Addison Lodge</td>
<td>Botanic Road Glasnevin Dublin 9</td>
<td>Dublin</td>
<td></td>
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<tr>
<td>31</td>
<td>Sean O’casey’s</td>
<td>105-106 Marlborough Street</td>
<td>Dublin 1</td>
<td></td>
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<tr>
<td>32</td>
<td>The Merchant’s Arch</td>
<td>48-49 Wellington Quay Temple Bar Dublin 2</td>
<td>Dublin</td>
<td>Investment Interest</td>
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<tr>
<td>33</td>
<td>Macturcall’s</td>
<td>15 Townsend Street</td>
<td>Dublin 2</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Madison’s Bar &amp; Qube Nightclub</td>
<td>Licensed Complex &amp; The Palace Nightclub 84-87 Lwr Camden Street</td>
<td>Dublin 2</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>Camden de Luxe</td>
<td>84-87 Lwr Camden Street</td>
<td>Dublin 2</td>
<td></td>
</tr>
</tbody>
</table>
Dublin Licensed Premises
Sold by Morrissey’s during 2016

- TOAST
  Rathmines, Dublin 6

- SMYTH’S
  Fairview, Dublin 3

- THE SHIPWRIGHT
  Ringsend, Dublin 4

- O’SHEA’S & HOME
  Balbriggan, Co. Dublin

- SCRUFFY MURPHY’S
  Off Mount Street, Dublin 2

- LINCOLN’S INN
  Lincoln Place, Dublin 2

- THE LONG MILLER
  Drimnagh, Dublin 12

- MCDONAGH’S
  Dalkey, Co. Dublin

- OLD HARCOURT STREET STATION
  Licensed Complex, Harcourt Street, Dublin 2

- SEAN O’CASEY’S
  Marlborough Street, Dublin 1

- THE MERCHANTS ARCH
  Temple Bar, Dublin 2

- MacTURCAILL’S
  Townsend Street, Dublin 2

- CAMELON DE LUXE
  Licensed Complex & The Palace Nightclub, Camden Street, Dublin 2

- CAMDEN DE LUXE
  Licensed Complex & The Palace Nightclub, Camden Street, Dublin 2

- CAMDEN DE LUXE
  Licensed Complex & The Palace Nightclub, Camden Street, Dublin 2

- CAMDEN DE LUXE
  Licensed Complex & The Palace Nightclub, Camden Street, Dublin 2

- CAMDEN DE LUXE
  Licensed Complex & The Palace Nightclub, Camden Street, Dublin 2

- CAMDEN DE LUXE
  Licensed Complex & The Palace Nightclub, Camden Street, Dublin 2
Introduction & Economic Overview

Ireland has been the fastest growing economy in Europe for the third successive year with a positive outlook for 2017 despite an uncertain political and economic landscape within the country’s main trading partners as a result of the Brexit referendum in the UK and the US Presidential Election.

The recovery in Ireland’s economy which began in 2012 following its collapse in 2008 was initially driven by export-led growth which has, over the past two to three years, given way to a greater reliance on domestic demand such as household, government and business expenditure.

The principal driver of domestic demand in 2016 was household consumption with Irish households increasing their purchases of goods and services to the largest amount since 2007. There were also modest increases in government expenditure and business expenditure which was particularly influenced by the construction sector.

A continued reduction in levels of unemployment as a result of rising employment rather than rising emigration coupled with strengthening consumer sentiment, which was due in part to the growth in disposable incomes, were the main factors underpinning growth in household consumption.

The unemployment rate fell to 7.1% in January 2017 from 9.1% the previous year which was the lowest recorded figure since 2008. Importantly, the Hospitality sector has seen a gain in employment of approximately 27% to 146,000 persons from 115,000 persons in 2011.

Tourism again continued to be a shining light in 2016 with an increase of 11.58% to 8.3m visitors to Ireland compared to 2015 (based on 10 months figures as reported in the CSO Overseas Travel Report dated 24th November 2016). Failte Ireland forecasts conservatively that Irish tourism will grow by a further 3% to 5% in 2017.

2016 saw a new Fine Gael led minority government formed with Independents and the support of Fine Fail. The biggest challenge facing the new government was the housing crisis; there was a massive shortage of supply, particularly in Dublin, and growing demand. Despite initial concerns regarding the stability and sustainability of the new government; the two parties remained in place throughout 2016 and worked together to introduce Budget 2017 in October which focused on the impact of the Brexit Referendum and addressing the housing crisis.

In the wake of the Brexit Vote, the budget focused on providing positive signals to the FDI (Foreign Direct Investment) community by reaffirming the countries 12.5% corporate tax rate and confirming it will resist proposals to harmonise the tax rate across the EU or agree to a minimum tax rate. The housing crisis was addressed with €1.2bn in funding for housing, 47,000 new social housing units by 2021 and a new income tax rebate of up to 5% (available only to first time buyers on new built homes) under a Help to Buy scheme, valued up to €400,000. Other highlights include cuts to the lower rates of USC, an increase in the minimum wage and retention of the 9% VAT rate for catering food sales within the hospitality sector.

The growth of the Irish economy continued to considerably boost activity in the property market in 2016. The reliance in recent years of liquidity from private equity firms to fund transactions has been replaced with more traditional forms of finance with the domestic banks becoming increasingly active. This has underpinned confidence in the market contributing to an increase in property prices.

Since peaking in 2012 at 120.2% of GDP, Ireland’s Government deficit-to-GDP ratio has been on a downward trajectory which has resulted in a balanced budget in 2016.

The outlook for 2017 is largely positive with a slight further deceleration in growth. The ESRI forecast GDP to grow by 3.5% in 2017 from 4.2% in 2016. The outlook past 2017 is uncertain and forecasts are subject to volatile changes depending on global events. Brexit is the biggest external challenge facing the economy and while it may bring FDI opportunities as firms with interests in the EU relocate from Britain; the net result to Ireland and the economy is likely to be negative. In the US, President Donald Trump’s protectionist policies may present a significant challenge to Ireland’s ability to continue to attract FDI from the US which has been a strong component of the recovery and growth achieved in recent years.

“Ireland’s Government deficit-to-GDP ratio has been on a downward trajectory which has resulted in a balanced budget in 2016.”
Overview of The Licensed Premises Property Market 2016

The licensed property market in 2016 was again fuelled by distressed and insolvency associated transactions with activity in Dublin decreasing for the second successive year as distressed sales became less frequent. There was an increase in demand for well-located units which was highlighted by an increase in off market transactions, due to the shortage of supply. The volume of trade increased with some prime districts showing trading levels in excess of that achieved in 2007.

Activity
Activity in the Dublin market decreased slightly for the second successive year with 35 transactions recorded in 2016 compared to 39 in 2015. The decrease in transactions is indicative of a market that is returning to more normalised levels following nearly a decade of activity fuelled by legacy debt issues resulting from the market collapse in 2008.

Prime Dublin City properties sold include the Pod on Harcourt Street and the Camden De Luxe on Camden Street.

There was a rise in off-market transactions in 2016 which included Devitt’s on Camden Street and Howl at the Moon on Mount Street.

The sales of McDonagh’s in Dalkey and Kennedys in Drumcondra were the highlights in the Dublin suburban market.

The two prime Dublin Investment sales in 2016 were the Merchants Arch in Temple Bar and The Harbormaster in the IFSC showing equivalent yields of 6.8% and 10% respectively.


Ireland’s traditional pub groups were relatively inactive in 2016, choosing instead to concentrate on consolidating and growing trade in their existing portfolio rather than expanding.

The Fitzgerald Group, The TP Smith Group and the Charlie Chawke Group did not add to their portfolios of 15, 8 and 7 units respectively.

Cork Heritage Bars did not expand on their portfolio which remains at 8 units in Cork and Dublin.

The big news in 2016 was the merger of the Mercantile Group with the Capital Bars Group in February. The focus of the company since the merger appears to be consolidation of its assets rather than expanding.

The Fitzgerald Group, The TP Smith Group and the Charlie Chawke Group did not add to their portfolios of 15, 8 and 7 units respectively.

Cork Heritage Bars did not expand on their portfolio which remains at 8 units in Cork and Dublin.

The Galway Bay brewing company added an additional 2 Dublin units (The Beer Traders and The Gasworks) to bring its portfolio to 11 units in Dublin and Galway.

The Bodytonic group added one Dublin unit (The Back Page) and one Clare unit (Healy’s KA Nan Ahearn’s) to bring their total to 7.

Non-domestic operators, JD Wetherspoon, has shelved its expansion plans, citing in the summer of 2016, the dramatic increase in capital value of Irish property as their reason for doing so. Their current Irish operation remains at 5 outlets.

In contrast, the more recently formed pub groups were again active in 2016.

Press Up Entertainment, which is now one of Ireland’s largest hospitality groups added one Dublin bar (Howl at the Moon) to bring their portfolio to 11 bars and clubs in Dublin and Cork (plus 2 hotels). One restaurant in Ranelagh was also added and the group announced plans for a 41 bedroom boutique hotel together with public bar in Ranelagh; a 60 bed hotel with ground floor and rooftop bars in the Docklands and plans to refurbish the Stella Cinema in Rathmines into a luxury cinema and bar offering.

Alan Clancy added a Limerick Unit (Sin Bin) to bring his total to 7 which are located in Dublin, Limerick and Wicklow.

The Chris Kelly group added two Dublin units (The Black Lion and The Gate) to their portfolio to bring their total to 8 Dublin units. In addition the group operates a number of Dublin licensed premises under management contracts.

The Galway Bay brewing company added an additional 2 Dublin units (The Beer Traders and The Gasworks) to bring its portfolio to 11 units in Dublin and Galway.

The Bodytonic group added one Dublin unit (The Back Page) and one Clare unit (Healy’s KA Nan Ahearn’s) to bring their total to 7.

“Outside of Dublin, city and large town environments fared best.”
Overview of The Licensed Premises Property Market
2016 continued

Supply
Traditionally the supply of licensed premises to the market for sale has been principally driven by private instructions whereby operators were seeking to trade up, trade down or retire from the licensed trade.

However, the market collapse created an environment over the past decade where the principal motivator for sales was distressed loans / insolvencies.

Approximately 60% of the licensed premises offered for sale within the Dublin market in the past five years have been insolvency related cases.

However, this trend has started to yield in the past 24 months pointing to a changing market with a return to more traditional private instructions.

There were 56 units offered for sale in the Dublin market in 2015 of which 64.3% were insolvency related sales. This figure reduced to 53.7% in 2016, illustrating an increase in private instructions, year on year and the start of a return to a more normal functioning market.

Looking forward we envisage that the supply of distressed loans / insolvency related instructions will continue to reduce over the next 12 - 24 months, with a further rise in traditional private transactions, possibly predominantly off-market at first as financed purchasers continue to explore direct approaches to potential vendors.

Demand
There has been a marked increase in demand over the past 12 months; in particular for well-located city centre units, but also for good suburban locations. The rise in demand is predominantly due to an increase in the availability of finance from the pillar banks which has resulted in an increase in the number of licensed premises purchasers actively seeking opportunities. The growth in the economy and disposable income levels has led to a significant recovery in the volume of trade enjoyed, thus increasing the appeal of licensed premises within key trading areas. In addition, a rising number of licensed premises operators have entered the market following the conclusion of settlement agreements on their debt and sourcing of additional finance from the domestic banks and alternative lenders.

This rising demand and lack of supply is evidenced by the increasing number of off-market transactions as purchasers become impatient and approach vendors directly. The off market sale of Howl at the Moon on Mount Street highlights this trend, having been sold for approximately 62% in excess of the price achieved for the same property in June 2014. Other examples of high profile off-market transactions throughout 2016 include Devitt’s on Camden Street, MacTurcaills on Townsend Street, The Gate in Crumlin, The Black Lion in Inchicore and The Back Page in Phibsboro.

Demand continued to be focused on licensed premises which are well located in areas enjoying an established population and good transport links, whether they are located in “city centre”, “mid town” or “suburban” locations. These licensed premises, which usually enjoy a good “population mix” (combination of residential, office & retail), enable operators to enjoy a throughput of business throughout the day and evening, driving the volume of business enjoyed and in turn economies of scale and profitability. However licensed premises that were located in trading “Fringe Areas” or sparsely populated districts that do not enjoy an optimum floor plate and a viable business model, did not fare well.

Volume of Trade
The Drinks Industry Group of Ireland (DIGI) reported a decline in the volume of on-trade enjoyed nationally from 2008 to 2012 showing a reduction of 34.2% cumulatively. This decline in the volume of trade created increasing difficulty for the Irish banking system, potential vendors, purchasers and professionals alike, in gauging “maintainable turnover” and in turn the true market value of trading units.

However, since the low point of 2012 there has been stabilisation and growth in the volume of trade enjoyed in certain sectors of the market - principally the main population centres and tourist districts of the country.

The CSO Retail Index reported that bar sales (defined as beverage sales consumed on the premises inclusive of coffee shop and juice bar sales) increased by 5% in 2016 (based on 11 months figures) and 11% since 2012.

Research carried out by Morrissey’s indicates that the trading levels of prime Dublin City units (sample of 12 units with turnover in excess of €1.5m) have increased by 11% since 2015 and 18% since 2014. The strongest performing trading district was Temple Bar with trading levels up 21% on average on 2007 / 2008 levels (based on a sample of 4 units).

Prime Dublin suburban units (turnover in excess of €1m) enjoyed more modest growth with their trade growing by 3.6% on average since 2015 (sample of 5 units), and 1.2% between 2014 and 2015 (sample of 10 units).

Prime units in large towns and cities outside Dublin (turnover in excess €1m) showed an increase of 4.2% on average since 2015 (sample of 8 units) and an increase of 11.5% between 2014 and 2015 (sample of 14 units).

This stabilisation and growth has increased market confidence in ascertaining the volume of trade that could be sustainable over the short to medium term and in turn has underpinned market valuations.

“Research carried out by Morrissey’s indicates that the trading levels of prime Dublin City units (sample of 12 units with turnover in excess of €1.5m) have increased by 11% since 2015”
Operational Trends

Concepts
Traditionally, there was a consistency in the concept and style of product offerings of the vast majority of licensed premises which generally included similar food and beverage options and design concepts for each unit type. The diminution in value due to the market collapse allowed younger and less impacted operators to enter the market and expand their portfolios. The drop in trade forced these operators to become increasingly innovative and consumer focused in order to attract business.

These new pub operators, such as Alan Clancy, Paddy McKillen Jnr / Press Up Entertainment, Trevor O’Shea / Bodytonic and Galway Bay Brewing Co. have introduced multiple new alternative concepts into Dublin City where the design, food and drinks menu combine to focus on attracting targeted consumer groups.

This trend gathered pace in 2016 with the introduction of units such as Farrier and Draper on Sth William St, Chelsea Drugstore on Georges St, Lemon & Duke (Formerly Grafton Lounge) and Zozimus on Anne’s Lane. The trend is concentrated within the city centres; however it has extended to Dublin’s city fringes and suburbs with the opening of the Bowery in Rathmines and the refurbishment of both The Hill in Ranelagh and The Bottle Tower in Churchtown.

Concepts are in response to consumer trends of being less likely to go for ‘beverage only’ occasions and an increasing focus on food when considering venues, together with less brand loyalty for beverages. As a result publicans are witnessing an increase in sales by providing a wider and more varied drinks offering inclusive of various premium spirits including whiskeys, gins & vodkas, craft beers and cocktails, together with a high quality food menu.

Craft Beer
Although currently accounting for a small sector of the total market, craft beer is seeing an exponential rise in popularity. According to a report commissioned by An Bord Bia the number of microbreweries in Ireland has more than quadrupled since 2012 to 62 and craft beer accounted for 3.4% of total beer sales in 2016 up from 2.5% in 2015 and 0.6% in 2012. The volume of turnover for craft beers was projected at €59m for 2016 up from an estimated €40m in 2015 and €7.8m in 2012.

High profile examples of these Micro Breweries include Galway Bay Brewery with 11 units in Dublin & Galway and BRÚ Brewery with 3 units in Dublin, Meath & Kildare. Longer established and arguably the original pioneering Irish Microbreweries include the Porterhouse Brewing Co. with 5 units in Dublin, Wicklow and Cork and J.W Sweetmans (formerly Messrs Maguires) with 1 Dublin unit.
Food
Food has become an increasingly important component of the licensed premises product offering over the past 10 years. Pubs located within secondary city or town centres, suburban or rural locations now require a food offering to ensure the viability of their business. A food offering in pubs within key trading areas of large towns and cities allows the business to exploit the weekday lunchtime and weekend day trade. A food offering also benefits the operator by increasing the more profitable beverage sales, particularly early evening and weekend daytime sales.

This repositioning of the on-trade in accommodating a broader and more developed food offering has positioned licensed premises operators to compete against restaurant and café premises, thereby enabling them to protect turnover and margins.

Generally speaking, licensed premises operators now acknowledge that wet on-sales can be bolstered through the provision of a quality food offering.

This increasing focus on food has blurred the lines between pubs and full service restaurants with some of the latest ‘bars’ actually operating under special restaurant licences.

Operational Overheads
The increase in the volume of trade in recent years has not been reflected in a like for like rise in profits due to increasing operational overheads throughout the same period.

Drinks Industry Ireland reported that the excise on alcohol products significantly increased in the 2013 & 2014 budgets with excise on beer increasing by 44%, excise on spirits increasing by 27% and excise on wine increasing by 62%. On average, Irish consumers pay the second highest amount of alcohol tax within the EU. Over the past two budgets there has been more positive news for publicans as alcohol excise duty has remained static and the 9% vat rate on catering food sales has been retained.

Budget 2017 increased the minimum wage from €9.15 to €9.25 from January 2017, following on from the previous year’s increase from €8.65 to €9.15, which naturally impinges on bottom line profit.

Research carried out by the LVA (Licensed Vintners Association) reported that the average insurance premiums for Dublin pubs increased from €17,000 in 2014 to €25,000 in 2016 representing a rise of 47% with late night venues more severely affected.

Freehold vs Leasehold
Irish publicans have traditionally favoured acquiring licensed premises that are freehold rather than leasehold. This is unusual when compared to their counterparts in the UK and Europe. Consequently, well established pub groups such as the Fitzgerald Group; Charlie Chawke Group; and the former Thomas Read and Capital Bars Groups took a significant length of time to put together their portfolios.

The new and younger breed of operator is more or less indifferent as to whether they acquire freehold or leasehold, as long as the unit and location meet their requirements. In some cases, the preference is to acquire leasehold as it requires less initial capital outlay. A number of units can therefore be acquired quite quickly and optimum economies of scale achieved.

The reduction in market values in recent years, together with the availability of alternative forms of finance, enabled operators with access to significant capital to acquire a large number of freehold units in a short space of time.

“The new and younger breed of operator is more or less indifferent as to whether they acquire freehold or leasehold, as long as the unit and location meets their requirements.”
Summary of Activity
35 licensed premises changed hands in the Dublin market in 2016. This reflects 4.79% of the total number of Dublin licensed premises. This compares with 5.34% in 2015. While a reduction in the overall volume of sales was recorded for the second year running, transactional activity was more in line with the normalised levels of approx. 5% of the market when compared to the lows which ranged from 0.64% to 1.55% throughout 2008-2012.

The capital value of the market however increased to €62.17m, returning an average sales price of €1.78m which compared to a market value of €43.33m and an average sales price of €1.11m in 2015. 2016 also returned the strongest growth in values since the height of the market in 2006.

For the past 8 years, activity in the market place has been predominantly driven by distressed sales due to a reduction of trade coupled with unsustainable debt. However, improving market conditions within the past 24 to 36 months and a realignment of both trade and capital values to more normalised levels has resulted in owners of business that have been contemplating retiring from the licensed trade over recent years beginning to bring their properties to market with successful outcomes. Examples of such sales in 2016 are Kennedy’s Drumcondra, Devitt’s Camden Street and The Star Bar in Swords, all of which were retirement driven. We expect this trend to continue over the short to medium term.

Analysis of Method of Sale
The makeup of the method of sales in the Dublin market was as follows;

<table>
<thead>
<tr>
<th>Sales Analysis of Licensed Premises Transactions for 2016</th>
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</thead>
<tbody>
<tr>
<td>Auction</td>
</tr>
<tr>
<td>Post Auction</td>
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<tr>
<td>Private Treaty</td>
</tr>
<tr>
<td>Tender</td>
</tr>
</tbody>
</table>

Private Treaty continued to be the preferred mode of disposal for the twelfth year running. This means of sale accounted for 88.57% of market sales in 2016. We expect this mode of disposal to remain the preferred method of sale over the short to medium term until such a time as market conditions normalise and prospective purchasers are afforded greater access to loan finance.

Auction sales represented 11.43% of market transactions in 2016; however the asset class accommodated within this category predominantly represented the lower value bandwidth from €400,000 to €493,000 in 2016 & €315,000 to €395,000 in 2015 (*Sheary’s Crumlin & The Traders Walkinstown returned €900,000 & €1,000,000 respectively at auction in 2015 however both represented viable trading models).

The auction mode of sale has in recent years been employed by bank and insolvency practitioners to accommodate predominantly distressed / receivership assets that were either problematic, i.e. experiencing issues pertaining to title, licensing, planning, or where it had been perceived that there would be little appetite from the market for the asset in question.
Analysis of the Dublin Market in 2016

Naturally price guides and reserves reflected these issues. Indicatively and as an illustration of this point, The Bridge House in Crumlin was sold at auction in October 2015 for €320,000 to the only bidder. The Kings Inn on Bolton Street sold at auction in September 2016 for €400,000.

Auction, traditionally the preferred mode of disposal within the licensed trade, due to its transparency, has in recent years become somewhat tarnished and is now perceived to be the mode of disposal best utilised for non-premium assets. We anticipate this perception to be positively altered and realigned with more traditional views in the coming years, as higher value non-insolvency related opportunities are offered to the market for sale. As market sentiment and in turn confidence amongst vendors improves, we see auction returning as a preferred mode of disposal. We see opportunity for vendors to drive value through this mode of disposal as a result of increased appetite and activity within the market for well-located assets. This demand will be generated from increasing levels of funded purchasers. There were no auction sales from 2007 through to 2011 on account of market conditions. This reflected an acute shortage of liquidity and market confidence during this period.

“There were no auction sales from 2007 through to 2011 on account of market conditions. This reflected an acute shortage of liquidity and market confidence during this period.”

Valuation

In 2016 capitalising ratios (multiple of turnover) continued to consolidate and increased in certain sectors of the market.

Adjusted average capitalising ratios (multiples of turnover) in respect of net wet on-sales at the close of the year were ranging between 0.5 and 2.5 times net turnover. These ratios were influenced by many varying factors such as but not limited to; location, make-up of trade, volume of business, margins & profitability, competition and demand for the particular asset.

These ratios are applicable to licensed houses where the business is already exploited; the property is in good repair and condition and takes into consideration the size, throughput and type of business enjoyed, profitability, consistency of trade, target market etc.

Cap ratios in excess of the above are achieved for licensed premises affording future business growth or alternatively businesses that enjoy a considerable volume of trade with ultimate economies of scale and a substantial bottom line profit i.e. the top tier of the licensed premises property market.

Cap ratios below the above reflect licensed premises that enjoy poor economies of scale relative to the volume of trade enjoyed and in turn profit (if any) generated.
The Provincial Market in 2016 and Provincial Sales concluded by Morrissey’s

The Provincial Market in 2016

The market forces that prevailed within the Dublin Market were mirrored, generally speaking, throughout the provincial market.

For the third year running, there has been both a recovery in value and a consolidation of trade within the principal population centres nationally. The key drivers are cities and large towns including Tourist destinations that enjoy good economies of scale and sustained employment.

In contrast, the provincial rural market continues to struggle with continued reports of closures of licensed premises, the bulk of which were located in sparsely populated districts with an oversupply of competing licensed premises.
Licence Market for Extinguishment and Transfer purposes

There are three natural markets for the disposal / extinguishment & transfer of licences.

**Category 1**
Extinguishment and transferral for the creation of a *new Licensed Premises*.

**Category 2**
Extinguishment and transferral for the creation of a *new Hotel Premises*.

**Category 3**
Extinguishment and transferral for the creation of a *new Off-Licence Premises* be it stand-alone or housed within a new or existing retail outlet.

Demand throughout 2016 was again from the off-licence sector of the market which has continued to remain the stimulus for activity over the last decade with negligible demand from Categories 1 & 2 above.

The capital value of licences began to increase in 2016, albeit at a very modest rate, for the first time since 2010. Values increased from €55,000 in Q1 2016 to €60,000 by the end of the year. However, current values remains at approximately one third of the value realised at their peak in 2006.

The stimulus behind the modest increase in value realised throughout the past 12 months has principally been lack of supply. Prospective purchasers have continued to experience difficulty in identifying suitable licences for extinguishment and transfer purposes due to a large volume of licences not being renewed / held current at the date of requirement for extinguishment and transfer by a purchaser.

“Prospective purchasers have continued to experience difficulty in identifying suitable licences for extinguishment and transfer purposes”

Principal demand has been from the following market sectors:
- Convenience Retailers
- Discount Supermarkets
- Forecourt Retailers
We expect the improved market sentiment of 2016 to continue into 2017 with an increase in overall activity and possibly the beginning of a return to a traditional functioning licensed property market which historically was characterised by a large percentage (approx. 50-60%) of transactions being concluded off market and the properties that were offered for sale publicly being sold predominantly by auction.

2017 will see a continued reduction in sales motivated by distressed loans, coupled with a rise in private sales. This increase in private sales will predominantly come from publicans considering retirement. These may have heretofore postponed offering their assets for sale due to depressed market conditions and the resultant lower values. Consequently we anticipate sales of retirement-led, well-located licensed premises, to rise over the next 12-24 month period. This rise will be modest at first but should gather momentum as high value transactions increase, underpinning market confidence.

Historically, off-market transactions accounted for the majority of activity within the licensed property market and we expect 2017 to see the beginning of a return to these levels due to the shortage of well-located properties offered to the market coupled with the rising number of purchasers entering the market; the latter due to improved access to loan finance and completion of settlements on legacy debt.

Traditionally auction has been the preferred mode of sale for licensed premises offered for sale publicly in a normal functioning market. Over the past 4 or 5 years, auction has primarily been used for distressed asset sales and has become regarded as a “fire sale” method of disposal. As the property market realigns and purchasers are afforded more normal access to loan finance, competition will increase for all types of property and we see auction returning as a preferred mode of sale particularly for licensed property. Whilst the stigma attached to auction as being predominantly for the disposal of distressed assets continues to be eroded, we see the value class and calibre of property being offered for sale by auction increasing. This, in turn, will engage vendors to reconsider auction as being the best suited method of sale in order to realise the best price for their asset.

It is widely forecasted that the growth of recent years will continue into 2017 and the real fallout from Brexit will be post 2017. Any forecasts post 2017 are subject to volatile changes. The immediate concern for the licensed trade is the fluctuating value of sterling and the fear that further reductions in value will begin to impact UK visitor numbers to Ireland (approx. 40% of total visitors in 2016) and result in a decline in trading levels of licensed premises within the tourist’s districts around the country and in the border counties. Over the longer term post Brexit, the industry is exposed as any trade agreements between the EU and UK will impact on pricing levels. Currently, there is a heavy reliance in the licensed trade on the UK for imports; with the UK accounting for nearly 70% of soft drinks imports, 25% of beer Imports and 67% of spirits and liquor imports. Whiskey and wine imports will be significantly less affected. In addition to the direct consequences, the industry is, of course, exposed to the macro economic impact Brexit will have on Ireland.
Statistics Year End Review 2016

Chart A:
Licensed House sales Analysis 2007 - 2016
represented as the annual percentage of the total number of transactions in the Dublin market.

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</thead>
<tbody>
<tr>
<td>€0 - €2M</td>
<td>26.32</td>
<td>16.66</td>
<td>0.00</td>
<td>100.00</td>
<td>100.00</td>
<td>83.33</td>
<td>95.00</td>
<td>78.26</td>
<td>87.18</td>
<td>74.29</td>
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</tbody>
</table>
€2M - €6M| 15.79  | 16.66  | 40.00  | 0.00   | 0.00   | 16.67  | 5.00   | 17.39  | 10.26  | 17.14  |
€6M - €8M| 15.79  | 33.36  | 40.00  | 0.00   | 0.00   | 0.00   | 0.00   | 4.35   | 0.00   | 2.86   |
€8M - €10M| 5.26   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 2.86   |
€10M - €12M| 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 2.86   |
€12M - €14M| 5.26   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   |
€14M plus| 15.79  | 16.66  | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   |
Total | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   |

Chart B:
Volume of Licensed House Transactions in Dublin 2007 - 2016
represented as a percentage of the total number of Public Houses in Dublin.

Chart C:

Chart D:
Average One Month Lending Rates Rates 2007 - 2016.

Chart E:
Excise Duty Fee for the renewal of a 7-Day Publicans License under the 1992 Finance Act.

<table>
<thead>
<tr>
<th>Category</th>
<th>Turnover Net of Vat €</th>
<th>Fee €</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Under 190,500</td>
<td>250</td>
</tr>
<tr>
<td>2</td>
<td>190,500 - 381,000</td>
<td>505</td>
</tr>
<tr>
<td>3</td>
<td>381,000 - 635,000</td>
<td>1,140</td>
</tr>
<tr>
<td>4</td>
<td>635,000 - 952,000</td>
<td>1,775</td>
</tr>
<tr>
<td>5</td>
<td>952,000 - 1,270,000</td>
<td>2,535</td>
</tr>
<tr>
<td>6</td>
<td>1,270,000+</td>
<td>3,805</td>
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</table>

Chart F:

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</thead>
<tbody>
<tr>
<td>Inflation Rate %</td>
<td>4.9</td>
<td>4.1</td>
<td>-4.5</td>
<td>-1.0</td>
<td>2.6</td>
<td>1.7</td>
<td>0.5</td>
<td>0.2</td>
<td>-0.33</td>
<td>0.00</td>
</tr>
</tbody>
</table>
**Chart G:**

**Chart H:**

**Chart I:**

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We dedicate the publication of this review to the memory of the late Bill Morrissey, R.I.P., Director and valued colleague to all at Morrissey’s who passed away peacefully on the 19th July 2016.