

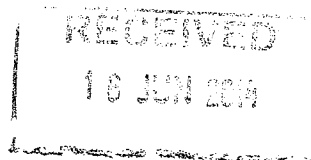
The District Valuer Service report on Brighton Hippodrome.

To read the comments by Our Brighton Hippodrome, hover the cursor over the yellow 'quotation' symbol.

The following text was included in the OBH Viability Study as an introduction to the commentary on the DVS report.

This report was commissioned by Brighton and Hove City Council on 30 April 2014 and is dated 11 June 2014. The information supplied by BHCC was the JAA Viability Report, the 10-point objection to the planning application from The Theatres Trust (see theatrust.org.uk/store/assets/0000/3872/Combined_10_points.pdf) and the letter from Ambassador Theatre Group refuting the claim that it was not interested in the Hippodrome (see 6.3 on page 68). Evidence from Our Brighton Hippodrome about the errors, misleading statements and contradictions in the JAA report (see Appendix D) were withheld on the grounds that OBH is a community group and not a professional body (see 2.4.13-14 and Appendix C). The DVS was not asked to appraise the cinema/restaurant proposal, which has thus not been independently assessed. BHCC appears to have originally intended to request appraisal of the cinema scheme (see 2.4.6). As the casino option has not been proposed, it is not considered here.

Although only six pages long, this report was selectively summarised in the planning officer's report to the elected members on the planning committee. This commentary is based on the full report.



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Your Reference :
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 Please ask for : Ashley Frank

Date: 16 June 2014

Adrian Smith MRTPI
 Senior Planning Officer
 Development Control
 Brighton & Hove City Council
 Room 333, Hove Town Hall
 Norton Road,
 HOVE
 BN3 3BQ

Dear Sir,

**FINAL REPORT
 BRIGHTON HIPPODROME, MIDDLE STREET BRIGHTON**

I refer to the instructions of Brighton & Hove City Council dated 30 April 2014. My final report is as follows:

Purpose of report To provide an appraisal of the commercial viability of the above property at the date of the report assuming that the building is occupied as a Casino or Theatre.

Basis of Valuation This report and valuation has been carried out in accordance with the Valuation Practice Statements and Practice Guidance contained in the Valuation – Professional Standards, incorporating the International Valuation Standards (“the Standards”) of the Royal Institution of Chartered Surveyors (RICS), January 2014.

For the purpose of this report reference has been made to RICS Professional Standards Valuation Practice Guidance Applications 4: 'Trade Related Property Valuations' which addresses receipts based valuations.

This appraisal as a Theatre requires the valuation is of a trade related property as a fully equipped operational entity which necessarily assumes that the transaction will be either the letting or the sale of the property, with trade inventory and licences, etc., required to trade

Inspection The property was inspected on 30th April 2014



BRIGHTON HIPPODROME, MIDDLE STREET BRIGHTON

Situation and description	<p>The property is situated in Brighton city centre and occupies a rectangular site on Middle Street in area of mixed occupations. It is located about 0.4 mile from Brighton main line station and in the immediate vicinity of the seafront and main retail area.</p> <p>According to my records the building was built in 1897 as an ice rink. Subsequent occupations as a Circus, Theatre, TV Studio and Bingo Hall resulted in alterations and additions. Its last use was as a Bingo Hall and I understand that since then the property has remained vacant. The property is configured as a traditional theatre with a level auditorium over a raked floor and mezzanine circle seating.</p>
Planning	<p>The Hippodrome is Grade II* Listed and I understand has existing use as Bingo Hall</p>
Development	<p>This report excludes any consideration of site development as this is outside the area of my expertise.</p>
Site Condition	<p>I have not been asked to provide, nor have I undertaken, any investigation or surveys into subsoil conditions or contamination underlying this site nor indeed on neighbouring land. It is assumed that no such problems exist.</p>
Restrictions, Easements and Rights of way	<p>I have not carried out any investigations into rights of way, easements or restrictions upon title. However, it is assumed that there are none which would adversely affect the value in this context.</p>
Title	<p>I have not carried out any investigations into the Freehold Title and it is assumed to be a good and marketable title.</p>
Market Commentary	<p>Casino Since the Gambling Act 2005 the system for Casino licenses has changed. While previously it was necessary for the applicant to demonstrate un-stimulated demand; now casino licenses are prescribed by the Secretary of State. The Local Authorities permitted to grant either small or large casino licenses are detailed in Categories of Casino Regulations 2008 and Brighton and Hove City Council is not listed. The nomination of regional casinos has been suspended by the Department of Culture Media and Sport.</p> <p>The 2007 smoking ban has had an impact on the profitability of casinos with the "House win" declining from an average of 18% of money changed to chips (The "Drop") to about 10%. The reasons for this need a full explanation which is not appropriate here.</p> <p>Also there are three existing casinos in Brighton and Hove. The Rendezvous at Brighton Marina, The Grosvenor at Grand Junction Road The Mint at Preston Street and the Grosvenor, Hove is closed with a retained licence.</p> <p>In present circumstances a new casino licence would not be available under the 2005 Act. Therefore, the only opportunity for casino occupation would be the transfer of an existing 1968 licence.</p>

Appraisal

In my opinion, as a traditional casino it is unlikely that this building would be suitable and justify the level of investment for adaptation. The reasoning for this opinion is as follows.

1. I agree with the conclusions reached by J. Ashworth Associates in Para 5.4 concerning the informal proposal from Genting to occupy the premises on a lease. The terms offered, which includes a fit-out contribution, are below market expectations.
2. The existing competition in the City. Admittedly, Grosvenor (Genting) also occupy the former ABC Cinema on Grand Junction Road but this has the advantage of strong roadside presence. In my opinion there is no evidence to show that there is demand for further casinos.

A casino replicating the Leicester Square Hippodrome would not be feasible as there is not the same level of off-season custom to justify the development costs.

Therefore, in my opinion, a casino occupation is not a viable consideration.

Theatre I understand that the proposed development is for a 1300 seat theatre utilising the existing raked floor below the existing floor structure.

With this proposal the crucial considerations are demand for theatre space in Brighton and its catchment area. And current utilization (or occupancy levels) that operating theatres are achieving

The main commercial theatre in Brighton is the Theatre Royal in New Road with 915 seats (some of which have obscured views). I estimate that utilisation is above 50%

The Brighton Dome is the main civic theatre with 1856 seats. I estimate that utilisation is well below 50%. I also understand that this theatre receives an operating subsidy from Brighton & Council

I have not included the Komedia in this appraisal as it appears to have a significant licensed and restaurant operation and without detailed trading information it is not possible to estimate utilisation levels

I am aware that the Gardner Arts Centre at the University of Sussex closed in 2007 and attempts to reopen as the Attenborough Centre for Creative Arts has so far not been successful. This theatre offers modern technological facilities

I have not examined small community theatres

Conference venue Theatres are often occupied as ad hoc conference venues unless excluded by planning use restrictions. In my opinion there is no demand for conference facilities with the proposed seating capacity. The Brighton Centre, The Brighthelm Centre and the Dome complex meet current and estimated future demand

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Information Sources In arriving at these opinions I have had regard to confidential trading information for Theatres in Brighton and London, market rents for casinos in the UK and Annual reports of the Gambling Commission.

I have not referred to any other professional advice or opinion in the preparation of this report.

Plans and Photographs For expediency copies of Plans and Photographs have been omitted

Estimated Trading performance



<u>Reasonable expectation of Gross receipts</u>	
Estimated Admissions	145,600
Average ticket price	£18
Food and Beverage	£2,620,800
	£196,560
Total Receipts	£2,817,360 p.a.
<u>Costs of sales</u>	
Purchases	£128,000
Direct costs -	£1,756,000
Gross Profit	£933,360
<u>Indicative Expenditure</u>	
42% Gross receipts	£1,183,250
Estimated Annual Profit/Loss	-£249,890

Taking account of the market appraisal and this estimated trading performance, it is my opinion that the proposed development as a Theatre would not be commercially viable.



I have also considered the prospects as a "presenting" theatre (i.e. by providing the accommodation to a production company in return for a fee.) but there is adequate supply of theatres in Brighton for this purpose and, as I have already indicated, there is no evidence of demand for additional theatre space.

Notes






1. This performance is based on estimates derived from theatres and other trade related occupations. It has been prepared without actual forecasts and other essential information.
2. The estimate of reasonable expectation of gross receipts represents what I consider a potential occupier would adopt as being realistic estimates of the business' future and mature income potential after three years trading.

The Theatres Trust I have had regard to the comments made by The Theatres Trust dated 17th April. In particular:-

Paragraph 3. An occupation thus described as "capable of hosting large West End musicals, large scale spectacle and circus"

Paragraphs 7 & 9: Brighton and Hove City Council has not undertaken such an assessment for theatre use or need.

In my opinion these proposals for Theatre use would not be commercially viable for the following reasons:

- a) The space is similar to Brighton Dome which only operates with the assistance of a Council subsidy. 
- b) The Hippodrome at Leicester Square London is similar in size and even with West End custom was unable to remain commercially viable as a performance venue. 
- c) I estimate to be commercially viable a theatre with 1800 seats would require more than 1.7 full houses per week (3048 full price ticket sales) or 2.34 full houses for 1300 seats. There is no evidence to support this level of custom in Brighton. 
- d) I also considered whether an additional theatre in Brighton would generate additional custom for Brighton as a theatre destination location and thus would make this theatre proposal commercially viable. There is no evidence to support such a contention. Indeed, the Hippodrome at Leicester Square, surrounded by West End theatres, indicates that the opposite is the case (see above). In my opinion, a concentration of theatres cannot reliably contribute to commercial success. 
- e) The Gardner Arts Centre (Attenborough Centre) at the University of Sussex has been unable to attract the custom for Cultural and Arts performances with ca 482 seats. This Theatre offers multi-media facilities. 

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**Professional
Status**

I, Ashley Douglas Shaw Frank, am a professional member of the Royal Institution of Chartered Surveyors. I qualified in the General Practice division in 1996 and I have been continuously employed by the Valuation Office Agency since 1989. Since 2001 I have been actively and consistently engaged in the valuation of Leisure and Licensed properties. I am an RICS Registered Valuer.

Validity

This report should not be considered valid for a period exceeding 3 months from the date hereof, nor if there is a material change in circumstances in any way. This valuation is provided for the stated purpose and for the sole use of the named client. It is confidential to the client and their professional advisers and District Valuer Services, Valuation Office Agency accepts no responsibility whatsoever to any other person.

If you have any queries regarding the above please do not hesitate in contacting me.

Yours faithfully



A.D.S.Frank BA (Hons) MRICS
RICS Registered Valuer