



## Case Study: Traditional City Centre Public House - A Strategic Refurbishment and Development Project

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## Opportunity:

The existing well located city centre venue presented a unique opportunity for transformation. The plan involved submitting a planning application to convert the top two floors into a 6-bed en-suite “House of Multiple Occupation” (HMO), while retaining the ground and basement floors for hospitality use.

## Challenge:

### Financing and Planning

The major challenge was financing the purchase and conversion, especially in the absence of planning permission, which affected loan terms and interest rates. The project cost totalled £1.02m, with the purchase price at £900k and refurbishment costs at £120k.





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## High-Level Project Plan:

- Property agreed purchase price was £900k.
- Property had a sitting commercial tenant for 6 months after purchase (well-known pub)
- HMO conversion to begin post-vacation.
- A new 25-year lease pre-agreed with the client's hospitality company, who will occupy the commercial side of the building on a fully insured and maintained lease.
- Short-term commercial finance was required to purchase the property and convert the upper floors to HMO.





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## Financing Details:

Resolution: Tailored Financing Solution

A bespoke financing solution was structured, with a gross loan amount of £870,643 at a monthly interest rate of 1.06% and a 2% arrangement fee. The loan was flexible, offered either on a serviced or rolled-up interest basis, and could cover 70% of the purchase and 100% of refurb costs.

## Key Consideration:

- A noteworthy factor is the absence of planning permission at the time of securing the loan.
- Planning permission could have significantly reduced the interest rate to as low as 0.33% per month + BBR (0.77% per month as of January 2024).



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## Outcome:

The client was able to access a refurbishment development loan, allowing for a higher loan amount than with traditional bridging and refurbishment products. The flexibility in financing terms and the potential for reduced interest rates with planning permission further enhance the project's viability.

*"The financial flexibility and bespoke solutions offered were crucial in transforming this heritage property into a profitable venture."*

The client aims to split the title and refinance each part individually. Anticipated income includes a £60k commercial lease for the pub and an additional £60k from the HMO, resulting in a 7% yield.





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## Conclusion:

The strategic financing allowed for a higher loan than traditional options, enabling the project's completion. The client plans to split the title and refinance each part, expecting a Gross Development Value of £1.7m.

The project showcases effective financial structuring and strategic planning. The collaboration with the clients existing hospitality business added a layer of confidence to the venture and the long-term refinance models ensured a great return on investment on the funds left in the project after conversion. The acquisition using suitable specialist commercial finance products demonstrates the importance of tailored solutions in complex hospitality development projects.



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