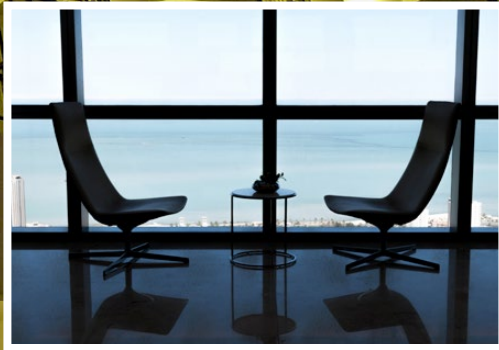
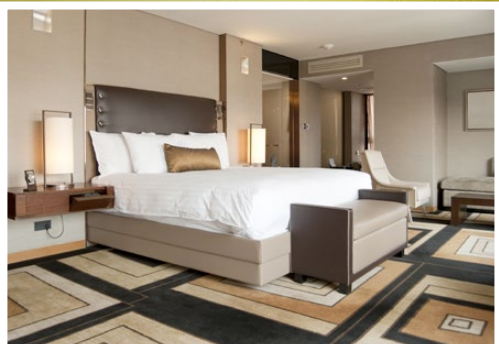




Accelerating success.



Hotel Snapshot

EDITION 4 | H1 2014

2014. Full steam ahead?



The first half of 2014 seemed to vanish in the blink of an eye. The sheer scale and pace of development and transactional activity throughout the sector has been almost relentless at times. I certainly don't recall a time like it.

We're technically just into what most probably regard as the first proper year of widespread market recovery. However, compared with previous economic cycles, the latest recovery has the distinct feel of having by-passed the initial phase and accelerated straight into a mid-cycle phase where we're already starting to caution about over-heating in certain areas.

So, it's full steam ahead? Well, not quite. For some, improving market conditions haven't been able to prevent hotel closures that have resulted in more than 2,000 rooms being taken out of supply so far in 2014, which has offset solid new supply growth of around 5,000 rooms in the same period (see graph above).

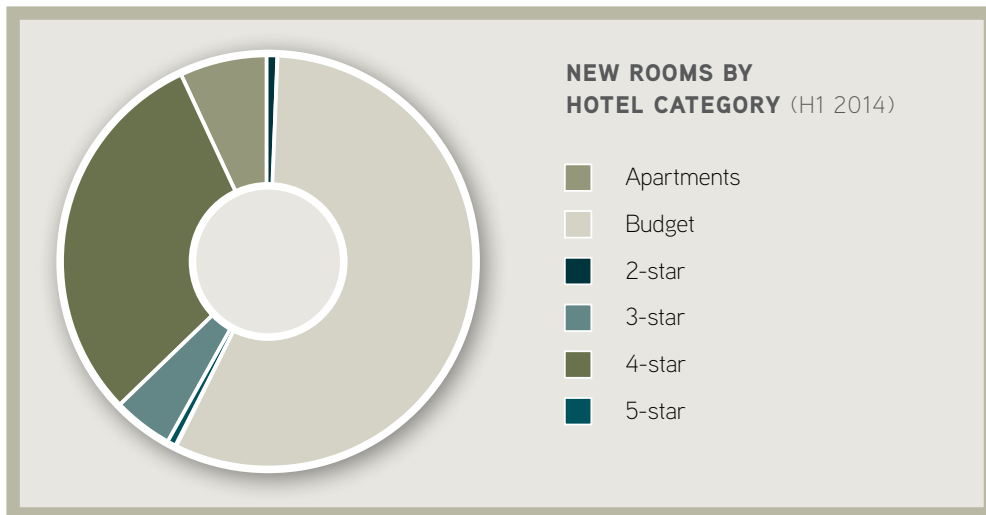
ROOM SUPPLY CHANGES (H1 2014)



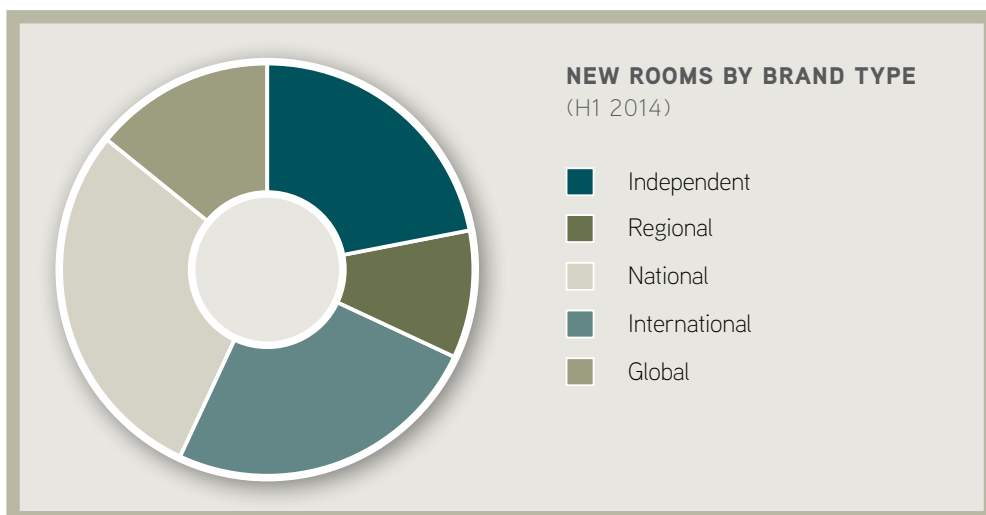
Source: AM:PM

On a brighter note, the outlook for the majority of hotels definitely appears rosier than it has for several years, but that shouldn't lead to complacency. It's always vital to distinguish between the impact of cyclical economic change over relatively short time periods and amongst other factors, structural market change over much longer periods.

Change in the supply structure of the hotel sector has always been evident. It presents opportunities for some, and threats for others. There are many hotel groups that have been consigned to history that were once the luminaries of their day – Gordon Hotels (sadly, no relation!), Spiers & Pond, British Transport Hotels, and Trusthouse Forte serve as reminders that market leaders aren't immune from industry change.



Source: AM:PM



Source: AM:PM

Demand is a key influencing factor and as consumer trends evolve, some markets irretrievably diminish and will never return to their heyday. In markets where demand isn't in question, competition from new entrants or products are key drivers. At any given point, there will be pioneers leading this process, followers attempting to preserve market share and luddites either ignorant of what's happening or pretending it won't affect them.

The phenomenal growth of budget hotels over the last 30 years has led to the greatest structural change the industry has seen in a generation. As we move through the latest economic cycle, serviced apartments and alternative accommodation providers such as Airbnb look poised to mount an increasingly serious – and at times unregulated – challenge for room nights.

Everyone has welcomed the improved market conditions that 2014 has brought, but the smart players will continue to keep an eye on the bigger picture to ensure a sustainable future lies ahead.

ALAN GORDON | DIRECTOR



1. UK economy and hotel market



Contacts



UK AGENCY

Julian Troup
+44 7825 891233
julian.troup@colliers.com



UK VALUATION

David Hossack
+44 7919 015899
david.hossack@colliers.com



HOTELS AND RESORTS CONSULTING

Marc Finney
+44 7825 602797
marc.finney@colliers.com

Since the beginning of the year there have been a number of positive indicators that the UK has begun a sustained economic recovery, which has to be seen as encouraging.

The Consumer Price Index (CPI) fell by 0.3% to 1.5% to the end of May 2014. Falls in transport services costs, notably air fares, provided the largest contribution to the decrease in the rate. Other large downward effects came from the food and non-alcoholic drink and clothing sectors. The largest upward pressures came from motor fuels and recreation and culture.

Figures released by the ONS at the end of April showed that GDP in the first quarter of 2014 grew by 0.8% compared with 0.7% in the last quarter of 2013. The dominant services sector (which includes hotels) grew by 0.9% while the construction sector grew by 0.3% a rebound from the 0.2% decline in the previous quarter; British manufacturing grew by 1.3% with industrial production up by 0.8%. With three out of the four sectors showing significant growth, many analysts are suggesting there is now a sustained and more importantly balanced growth in the economy.

Year on year growth was reported as 3.1%, the fastest growth in six years with analysts suggesting the economy was on track to have regained all the lost ground by the middle of the year.

Figures released on 11 June 2014 showed an unemployment rate at 6.6% of the economically active population, down from 7.2% in Q4 of 2013 and 7.8% a year earlier.

Also of note were the figures for pay, which, including bonuses, for the February to April 2014 period was up by 0.7% and by 0.9% excluding bonuses.

On 24 April 2013 The Bank of England and HM Treasury announced an extension to the Funding for Lending Scheme (FLS) aimed at building on the success of the FLS so far with three main objectives: to give banks and building societies confidence that funding for lending to the UK real economy will be available on reasonable terms until January 2015; to increase the incentive for banks to lend to small and medium-sized enterprises (SMEs) both this year and next; and to include lending involving certain non-bank providers of credit, which play an important role in providing finance to the economy.

TOTAL UK THE CALENDAR YEAR TO JUNE 2014			
	YTD'14	YTD'13	Var b/w
Occ %	73.6	72.3	1.3
ARR	99.35	96.40	3.1%
RevPAR	73.09	69.67	4.9%
TRevPAR	117.30	112.35	4.4%
Payroll %	29.2	29.5	0.3
GOP PAR	40.52	38.40	5.5%

LONDON THE CALENDAR YEAR TO JUNE 2014			
	YTD'14	YTD'13	Var b/w
Occ %	79.4	79.1	0.3
ARR	143.41	139.80	2.6%
RevPAR	113.86	110.63	2.9%
TRevPAR	158.95	153.73	3.4%
Payroll %	24.8	25.2	0.4
GOP PAR	70.15	67.84	3.4%

PROVINCIAL UK THE CALENDAR YEAR TO JUNE 2014			
	YTD'14	YTD'13	Var b/w
Occ %	70.5	68.7	1.9
ARR	73.35	70.14	4.6%
RevPAR	51.73	48.17	4.9%
TRevPAR	95.48	90.62	5.4%
Payroll %	33.0	33.3	0.3
GOP PAR	25.00	22.95	8.9%

Most recently, on 10 July, the MPC voted to keep the Base Rate at 0.5% and maintain the stock of asset purchases (QE) at £375 billion. The only unknown factor is when interest rates are going to start rising, the Governor of the Bank of England, gave a clear indication that rates are likely to rise by a small amount, sooner than many analysts were originally forecasting, possibly by the end of this year.

More positive news was published by Visit Britain on 12 June when provisional figures showed continued growth trends in visits by overseas visitors since the start of 2014, recording a record 2.95m in April, 2% more than the previous April. Both the YTD and 12 month rolling figures were up 8%, setting new records.

After record spending of £1.68bn in April 2013 (in nominal terms), April 2014 posted a 17% reduction in spending. A longer term view over the first four months of this year and the last 12 months show strong nominal spend growth increasing by 7% and 11% respectively.

Overall it would seem all the indications are that Britain is well on the road to a sustained balanced economic recovery, with business confidence for the future growing across all sectors.

SOLD BY COLLIERS INTERNATIONAL



HARPENDEN HOUSE HOTEL | HARPENDEN

The four-star hotel with 75 bedrooms and extensive conference facilities was sold on behalf of Highcross Strategic Advisors. There was a great deal of interest in the property due to it being a high quality asset in an outstanding location. Interest came from a variety of sources following an open marketing campaign.

Visa disappointment

A UK government announcement that it will further ease visa requirements for Chinese visitors has been dismissed as insignificant. Tourism and business leaders have called the current system unfit for purpose, demanding a fundamental rethink, reported the Telegraph.

Harrods managing director Michael Ward said the UK is turning its back on £1bn of trade. International Airlines Group Chief Executive Willie Walsh demanded fundamental reform to make access simpler for Chinese tourists and business visitors.

UK confidence up

Profitability at British hotels and restaurants is rising at its fastest rate since late 2006. Confidence levels have also soared to new highs in the latest Confederation of British Industry survey.

Business levels are comfortably above the norm across the service sector. Many companies are looking to recruit, but skills shortages may be looming.

UK call for VAT cut

The UK tourism industry has launched a campaign for a reduction in VAT to 5%. The "Give Us A Break" campaign has support from Accor, IHG, the British Hospitality Association and local MPs as well as the Sun newspaper.

The country's tourism sector runs a £17bn deficit, with five Brits holidaying abroad for every two foreigners who visit. The UK's 20% VAT compares with 6% in Portugal, Holland and Belgium, 7% on German hotels and 10% charged in Spain and France.

FOR SALE



GLEDDOCH HOUSE HOTEL & GOLF CLUB NEAR GLASGOW

Excellent 69 bedroom country house hotel with leisure and 18 hole golf course. T/O in excess of £2 million (net).

OFFERS AROUND £2.5 MILLION

Great start for UK regions

Hotels in the UK regions started 2014 positively, with Gross Operating Profit Per Available Room (GOPPAR) up a remarkable 25%. Room rates improved an average 7.1% helped by strong conference bookings, reported Hotstats.

Two thirds of 12 UK regions saw hotel profits improve in 2013. However, using a GOPPAR measure, hotels in greater London, the east, North East and West Midlands all saw business profitability slip.

Hoteliers in the North West had the best year, with occupancy up 1.6%, room rate up 3.7% and the corporate segment overtaking leisure in the business mix. In the West Midlands, an improvement in occupancy failed to offset increases in overheads, driving profits down.

Colliers International pinpoints key market trends in UK hotel industry

Figures reported by Colliers International's Hotels team have pinpointed some interesting trends currently boosting the UK's hotel industry.

Trends identified, range from an increase in demand from international buyers to a desire by a growing number of investors for a change in 'lifestyle' – an occurring pattern, which, according to Colliers International's Julian Troup, is not only underpinning, but in some cases, outweighing the going concern value.

The UK hotel market, which has been seen as a sound investment for international buyers since 2010, though with a focus that lay almost exclusively on London and Edinburgh, is now enjoying a significant shift to the UK's regions.

In 2012, Colliers reported around 7% of their UK hotel sales were to international buyers. This figure almost tripled in 2013, spiralling to 19%, with more than 60% of the international buyers originating from China or the Far East, whilst an encouraging 24% were from Continental Europe. This trend has continued into 2014.

In 2013, more than 100 hotel assets – a combination of going concern and investment deals – were sold or acquired by the Colliers team on behalf of their UK and Ireland-based clients, with an aggregate value of in excess of £700m.

Julian Troup, Head of UK Hotels Agency at Colliers International said: "The whole of our hotel agency business enjoyed an outstanding 2013 and 2014 is shaping up to be no



ROYAL KINGS ARMS | LANCASTER

Distinctive and imposing 55 bedroom City Centre hotel sold on behalf of a multiple hotel operator.

The hotel has an established, commercial and leisure driven trading base and was sold in a competitive situation.

different. We saw some fascinating trends in 2013, and 2014 is looking equally interesting; 86% of our transactional activity in 2013 was going concern sales and acquisitions with the remaining 14% being investment sales and acquisitions, with interest generated from a diverse range of buyers and investors.

"The industry is enjoying a marked uplift in confidence, not only amongst buyers but also sellers where many are seeing an improvement in their trading performance.

"In addition to the influx of international buyers, prepared in many cases to reflect a price based on potential, we have seen evidence of 'new to the hotel industry' buyers being attracted by the lifestyle change supported by real estate value."



BANBURY HOUSE HOTEL | BANBURY

This Best Western branded hotel was sold on behalf of private clients in a very short timescale. The 64 bedroom hotel attracted a range of interest given its excellent and improving trading position.

Call for new deal for owners

Hotel owners need to demand a new type of management agreement, focusing on shared interests. Current management agreements are detrimental to value growth, argued investor Anders Nissen of Pandox in March.

Nissen, a speaker at the International Hotel Investment Forum in Berlin, argued brands currently share any upside, without bearing the risk of investment and refurbishment. Too often, fee structures focus on maximising turnover, at the expense of productivity and profitability.

FOR SALE



NORTHFIELD HOTEL | MINEHEAD

Charming and very profitable 30 bedroom hotel, set in spacious grounds. Leisure suite including indoor swimming pool and gymnasium. Healthy profits on T/O circa £1.1 million net.

GUIDE PRICE £1.75 MILLION

Independent options

Independent hotels have been warned the improvement in the UK regions may not mean that tough times are necessarily over. But for enterprising independents, surrendering to a brand flag is not the only option.

Corporate recovery specialists Begbies Traynor gave the warning in their latest Red Flag Alert report, analysing the health of business sectors across the UK. The good news is that levels of 'critical' financial stress in the hotel sector fell 24% in the last quarter of 2013, the best improvement across all of the sectors the consultants survey. But the recovery in the UK remains patchy, varying from region to region.

FOR SALE



GROVES HOTEL | YORK

Very well located 26 bedroom bed and breakfast hotel generating £284,000 profits.

GUIDE PRICE £2.3 MILLION

London leads Europe in scale of hotel development

London continues to be the most active European city in terms of hotel development, according to the January 2014 STR Global Construction Pipeline Report.

The report included all projects under construction and in the planning stages, but did not include projects in the pre-planning process.

The UK capital had 5,765 rooms under construction, while Istanbul, Turkey had 4,349 rooms; Moscow, Russia – 2,232 rooms; Berlin, Germany – 2,225 rooms; and Amsterdam, Netherlands – 1,763 rooms.

Market brightens in UK

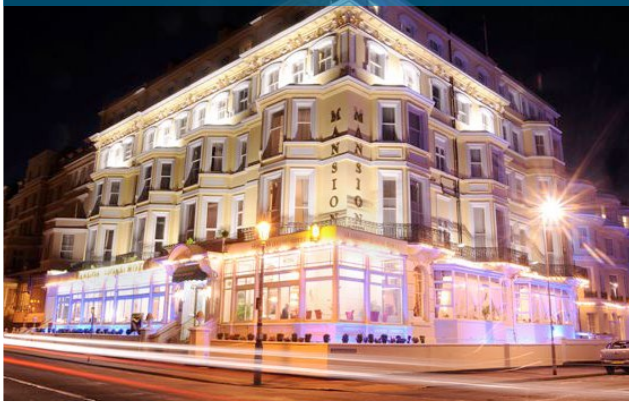
The UK's hotel market is set fair for 2014, as economic growth starts to feed through to stronger demand for rooms. But while it will be a positive year for most, there are some locations where overzealous new supply could hit rates in the short term.

The extent of the turnaround was explained in a market report put together by consultants AM:PM Hotels and HVS, and insolvency practitioners Zolfo Cooper. This notes that demand is improving, helping improve rates and occupancy. And increased confidence has led to a higher volume of property transactions in the sector, while the easing of bank finance is helping more new hotel projects make it off the drawing board.

The improvement in the sector's fortunes means new construction is building once more, and around 14,000 rooms are expected to open this year.

However, such activity is not good news for those cities where an overactive developer market threatens to deliver too much new supply down the line. The report notes Glasgow, Manchester, Liverpool and Newcastle all have an active development pipeline that measures more than 10% of its current market size whilst in the case of Glasgow, the figure is as high as 15%.

FOR SALE



MANSION HOTEL GRAND PARADE | EASTBOURNE

Mansion Hotel is an impressive 3* hotel occupying a prominent trading position on Eastbourne's Grand Parade. The property boasts 108 en suite bedrooms, of which the front facing rooms benefit from superb sea views.

OFFERS IN THE REGION OF £4.7 MILLION

Global hotel growth boosted by improved lending environment

The recession has created a new, positive environment for the financing of hotels, according to a report from accountancy firm Grant Thornton.

The report, launched at the International Hotel Investment Forum (IHIF) in Berlin in March, highlighted that lenders now better understand how hotels operate and advises hoteliers to readdress the way they deal with investors when seeking finance.

Gillian Saunders, global leader of hospitality and tourism at Grant Thornton, said the world of hotel finance has changed 'massively' in a short time. *"Despite the pain of the financial crisis; what's emerging as a result, is a more sophisticated and ultimately more effective understanding between investors and lenders and hotel businesses."*

"This new environment is welcomed by hoteliers and comes at a time when there is resurgent appetite to invest and lend to the sector. It's promising for the financing of future growth in the sector."

2014 predicted to be a record-breaking year for tourism

Tourism Agency VisitBritain has predicted that 2014 will be a record-breaking year for visitors, with numbers growing by 2% with a spend of around £21.5b.

It made the prediction as the government announced a further £90m funding for the GREAT campaign over the next two years at the end of 2013.

As well as forecasting a growth in visitor numbers which, it said, represent a 4.2% growth in nominal terms, VisitBritain said it expected the volume of visits to return to 2008 levels, with 32.6 million arrivals in 2014.

VisitBritain said that in 2014 it expected growth from emerging markets, particularly Malaysia, South Korea, China and Mexico. ■



2. Corporate news



Jurys joins UK deals trend

Jurys Inn has bought out of the freehold of three sites in the UK in a deal rumored to be worth more than €10m.

The deal marks both the strengthening of the group following 2013's restructuring and the resurgence of the UK regional hotel market.

The company acquired leases on the hotels in Swindon, Bradford and Sheffield from long-time partner McAleer & Rushe. The agreement came almost a year after the group completed its restructuring, with its existing backers putting a reported £120m of equity into the business.

The deal is thought to have cut the group's debt by £280m to around £250m and, at the time, Jurys Inn CFO, Cormac Ó Tighearnaigh said that it left the group *"with a strong balance sheet and the long-term funding to capitalise on opportunities across our existing portfolio of hotels as well as pursuing new opportunities"*.

UK rebrands for Accor

Accor agreed a deal with landlord Moorfield that will reflag three hotels as MGallery and six to the Mercure brand. The pair also extended to 2032 a management agreement covering 24 Moorfield hotels in the UK.

The new MGallery hotels are in Windsor, Cheltenham and Aberdeen, joining the first UK MGallery property in Bath. Moorfield is planning a significant investment to renovate and reposition all 24 hotels in its portfolio.

Akkeron deal

Five hotels formerly owned by Akkeron hotels were sold by administrators Zolfo Cooper. The leasehold hotels – Quality Hotels in Bury St Edmunds, Colchester, Peterborough and Kings Lynn and the Cromwell Hotel in Stevenage – were sold as going concerns to West Register (Property Investments).

A sixth hotel owned by the same company, the Himley Country Hotel, was sold at the end of February. All six were previously held by Akkeron Hotels (Admiral) Ltd.



Marriott sells Editions

Marriott International sold the London Edition and two other owned Edition hotels currently under development in Miami Beach and Manhattan, for close to \$815m to the Abu Dhabi Investment Authority.

The deal illustrates the ongoing interest in the global luxury hotel market, particularly from sovereign investors in the Middle East. Marriott International also signed long-term management agreements to operate the hotels under the Edition brand. The group said that the total purchase price for the three Edition hotels was roughly equal to their total development cost.

Strategic exits London

Strategic Hotels sold its last significant European hotel interest, the Marriott Grosvenor Square in London. The deal saw the hotel sold for £125m, giving Strategic a net £58.1m after costs, to help reduce its debts. Marriott will continue to operate the hotel for its new owners, a consortium led by Chinese private equity investor Joint Treasure, who have bought the property with 43 years remaining on the lease.

Strategic has long expressed its intentions to extract itself from Europe, having decided instead to concentrate its efforts in its home US market. "By closing on the sale of the Marriott Grosvenor Square, we are finalising our exit of the European market, as previously committed," said Strategic chairman Rip Gellein.

Macdonald refinanced

Macdonald Hotels secured a £300m refinancing deal with Lloyds Bank that returns majority control to the management. A five year facility will allow capital expenditure of £70m on the group's 46 hotels and 10 resort properties, reported the Times.

Macdonald saw average occupancy up 4% to 64.6% in the year to March 2014, with room rates up 1%. The company also completed a sale and leaseback on its Randolph hotel in Oxford, in a deal estimated at £35m.

EasyHotel falls short

Budget hotelier EasyHotel raised £30m in a share listing on London's junior stock market. The fundraising is just half its target amount with the shortfall blamed on difficult market conditions, reported the Financial Times.

Chief executive Simon Champion said the company had effectively raised 150% of its pre-IPO valuation. The London market is experiencing buyer fatigue, with several recent IPOs now trading below launch price.

Pullman for Liverpool

Accor has signed to open an upscale Pullman hotel in Liverpool. The 216 room new build hotel will sit alongside the city's exhibition and conference centres and will open in 2015.

The hotel is only the second Pullman in the UK, after the 2012 launch of the brand in the UK with a hotel in St Pancras.

SOLD BY COLLIERS INTERNATIONAL



GRASMERE RED LION HOTEL GRASMERE

This highly popular Lake District hotel was sold on behalf of BDO LLP following administration and a lengthy negotiation process. The established business enjoyed a high level of trade and offers were requested from the multitude of interested parties.

The 49 bedroom hotel was marketed openly and interest was derived from across the UK.

FOR SALE



BEST WESTERN QUEENS HOTEL PERTH

Imposing and striking 3-star, 51-bedroom hotel with pool and leisure.

T/O in excess of £1.3m (net).

OFFERS AROUND £1.75 MILLION

FOR SALE



CHATSWORTH HOTEL GRAND PARADE | EASTBOURNE

The Chatsworth Hotel is an attractive detached Edwardian style property benefiting from superb sea views for front facing bedrooms & several parts of the main public areas. The Chatsworth boasts 47 well-appointed en-suite bedrooms.

OFFERS IN THE REGION OF £3.0 MILLION

KSL links UK businesses

Malmaison and Hotel du Vin took over management of the Belfry resort. The decision by owner KSL ends a deal with De Vere, which has been operating the property for the last two years.

KSL bought the Belfry in 2012 and has carried out a renovation of the property since then. It bought the Malmaison and Hotel du Vin chains, numbering 28 properties, in 2013.

IHG bid rebuffed

InterContinental hotels turned down a £6bn takeover bid from Wyndham Worldwide. The IHG board said the offer undervalues the company, whose shares give it a current market value of £5.7bn.

IHG chief Richard Solomons says there is no need for big deals, to provide growth in the hotel sector. Responding to news of the bid, he said each of the big players had ample growth opportunities, reports Bloomberg.

Solomons said IHG has created massive value and delivered to shareholders. The company's brands have a huge organic pipeline, including many openings in emerging markets.

Warner success based on silver cash

Warner Hotels has kept its room occupancy rate at 90% through the economic downturn by appealing to the baby boomer generation.

Entertainment tailored to the tastes of a generation that grew up in the 60s and 70s is part of the package offered by Warner.

Shard opening

Shangri-La opened its landmark hotel in the Shard on 6 May, taking reservations from the week before. The lofty hotel features a gym and infinity pool on the 52nd floor of the London landmark.

The hotel's lounge and restaurant are on level 35, while event spaces on level 34 promise visitors a view of London from 125 metres up. Room rates start from £450 per night.

SOLD BY COLLIERS INTERNATIONAL



RESTOVER LODGE | DONCASTER

Budget hotel with 62 bedrooms sold off an asking price of £300,000. Sold on behalf of Administrators at Moorfields Corporate Recovery LLP.

SOLD BY COLLIERS INTERNATIONAL



RESTOVER LODGE | ROTHERHAM

Budget hotel with 51 bedrooms, bar and restaurant sold off an asking price of £400,000. Sold on behalf of Administrators at Moorfields Corporate Recovery LLP.

SOLD BY COLLIERS INTERNATIONAL



RESTOVER LODGE | PETERBOROUGH

Budget style hotel with 72 letting bedrooms sold off an asking price of £650,000. Sold on behalf of Administrators at Moorfields Corporate Recovery LLP.

Brook Hotels shrinks to five properties as Brompton Hotels goes into administration

The precarious nature of some of the UK's mid-market provincial hotels was highlighted by the administration of Brompton Hotels, a group of eight leasehold properties.

Until a year ago Brook Hotels had 21 properties. Following the administration of Brompton Hotels, Brook Hotels, which managed Brompton Hotels' operations, now has only five remaining properties: Kingston Lodge in Kingston-upon-Thames; Marston Farm, Birmingham; Mollington Banastre, Chester; Red Lion, Colchester and Whipper-In, Oakham.

Edwardian case settled

Jasminder Singh, owner of the Radisson Edwardian hotel group, won a court case brought by his father, claiming a share of the family business. His 87 year old father Bal Mohinder Singh had argued that, according to Sikh tradition, he was entitled to one third of the business, reported the Daily Mail.

The father and son started in the UK with a post office business in north London, before buying modest B&B hotels.

Interstate lands in UK

US-based Interstate Hotels & Resorts has bought the management platform of UK developer Sanguine Hospitality. The deal gives Interstate a UK portfolio of 14 hotels, running under Hilton, IHG and Wyndham flags.

Currently, the Sanguine portfolio stands at nine recently opened hotels, with a further five in the development pipeline. The deal grows Interstate's European interests to 46 hotels under management or signed.

PPHE gets building

Hotel group PPHE secured funding for its new 438 room Park Plaza hotel on a site in central London. Banque Hapalim will provide funding of up to £80m to complete the hotel, due to open in autumn 2016.

Permission is being sought to extend the existing permission from 438 to 490 rooms. The project will add to PPHE's cluster of Park Plaza branded hotels in London's south bank area.

VALUATION



DOUBLETREE BY HILTON LONDON VICTORIA

226 key DoubleTree by Hilton hotel valued on behalf of the owner's bank for secured lending purposes.

Brands jostle for London market presence

The beginning of 2014 saw two luxury hotel groups underline their authority as owner-operators in the London market. Millennium & Copthorne (M&C) acquired the Chelsea Harbour hotel, dislodging incumbent brand Wyndham in the process, and Indian-based Taj decided now is the time to hoist its own flag on a hotel in Victoria it has owned for many years.

M&C Chairman Kwek Leng Beng commented: *"We are delighted to be acquiring this property which will fit very efficiently into our existing portfolio of London properties. The Chelsea Harbour is one of the few hotels in the city to offer all suite guest accommodation, and is situated in a prestigious riverside area that will be going through further transformation and improvement in the near future."*

Work started on the adjacent Chelsea Waterfront development, which will replace a derelict power station, last September.

For Wyndham, the loss of the Chelsea Harbour hotel from its portfolio means the group now has no luxury hotel presence in the UK capital at all; and just two budget Days Inn hotels in the central area of the city.

Taj has opted to rebrand a hotel in St James's, along with an adjacent block containing long stay suites. The buildings have been owned by Taj for many years, but have until now been operated under IHG's Crowne Plaza flag.

Now branded as St James' Court, a Taj Hotel, the 340 room hotel, and adjacent 86 suites at 51 Buckingham Gate, have been in the group's ownership since 1982.

Lone Star scoops hotel debts

Investor Lone Star is understood to have successfully purchased £5.2bn of bank loans in Project Rock and Project Salt, sold by the Irish Bank Resolution Corporation. The deal included loans owed by QHotels, Somerston Hotels and Puma Hotels (which has recently rebranded to The Hotel Collection).

Lone Star is reported to have paid a price representing a discount of more than 30% to the gross unpaid balances outstanding. The deal reflected a far better outcome for IBRC than that envisaged when the distressed loan sale was announced in summer 2013.

Hilton unveils Curio brand

Hilton is launching a boutique brand under the name Curio. The flag expects to attract four and five star independents in mature US and European markets.

Hilton aims to sign hundreds of hotels, but starts with five in the US, and will announce deals in Doha and Dubai shortly. It also plans to announce a new lifestyle brand aimed at tech savvy guests, later this year.

Premier Inn Growth

Whitbread pushed like for like sales at Premier Inn up 9.5% in the first quarter. Revpar was up 8.8% and room nights sold improved by 11.2%.

Occupancy was up to 80% in the regions and to 86.1% in the London market. Premier Inn expects to open 4,500 rooms during this year.

Travelodge opens £11m flagship hotel in Manchester

A new £11m, 157-bedroom, flagship Travelodge hotel has opened in Manchester. Located in the city's Piccadilly Gardens district, The Manchester Piccadilly Travelodge brings the number of Travelodge properties in Greater Manchester up to 16 and the total company portfolio up to 513.

The hotel occupies six floors of the former 1927 Woolworths building, with the ground floor occupied by restaurants and shops, in a development undertaken by Associated Property Investors.

Travelodge growth plans

Budget chain Travelodge is two thirds through its £70m portfolio refit, which is receiving strong reviews from customers. The group has a pipeline of 5,000 rooms and expects to lift its annual openings to 3,500 – 4,000 rooms a year, reported the Times.

New head Peter Gowers said value for money remains key to the Travelodge offer, noting UK customer preferences for other value brands including Primark and Lidl. He expects Travelodge to deliver a £20-30 per night discount to rival Premier Inn.

Dominvs reflags in Dumfries

Dominvs Group and IHG agreed a deal to reflag the Aston Hotel in Dumfries as a Holiday Inn. The 71 room hotel will re-launch under a franchise agreement, and points to a growing partnership between the two companies.

VALUATION BY COLLIERS INTERNATIONAL



HAMPTON BY HILTON LONDON WATERLOO HOTEL

A new, purpose built 297 key 'focus service' hotel valued on the instructions of the owners' bank for loan security purposes.

Dominvs has also started work on the construction of the new build Holiday Inn Manchester city centre, which will open in 2016. It also recently opened the Holiday Inn Darlington North, also reflagged from an Aston.

Starwood refinances Principal

Starwood Capital arranged a refinancing of its debt used to buy the Principal Hayley hotel group. A £250m deal arranged by Morgan Stanley saw Starwood release £100m of equity and provides £80m to fund improvements, reported Property Week.

The portfolio of hotels has risen in value by 16% to £417m since Starwood acquired the assets for £360m. The funding agreed with Morgan Stanley has a five year term.

DoubleTree forms a quartet in Scotland and Hampton debuts in central London

Hilton Worldwide's DoubleTree brand has opened its fourth hotel in Scotland, and its 21st in the UK overall.

The 138-room DoubleTree by Hilton Hotel Edinburgh City Centre was developed in a historic building that dates from 1892. The site used to house the Point Hotel and underwent a £4.2 million renovation before opening under the DoubleTree flag.

In addition, Hilton's Hampton brand made its debut in central London with the official opening of the 297-room Hampton by Hilton London Waterloo. The newly built, eight-storey hotel is owned by Shiva Hotels.

Puma rebrands

Puma Hotels rebranded its 21 strong UK chain as The Hotel Collection. Chief executive Frederik Korallus said the move puts the focus on the strengths of the individual hotels in the portfolio.

Puma regained control of the hotels in 2012, after operator Barcelo pulled out of a lease agreement signed in the boom years. Puma remains encumbered with substantial debts, owing more than £300m to IBRC, a debt that was sold to Lone Star earlier this year as part of Project Rock. ■

3. Transactional news



SOLD BY COLLIERS INTERNATIONAL

HOLIDAY INN EXPRESS ROYAL MILE EDINBURGH

This prominent Edinburgh hotel, located close to the world famous Royal Mile was sold on behalf of CHGF. The 78 bedroom hotel is ideally positioned to cater for Edinburgh's year round diverse tourist base. There was strong demand for this hotel business.



SOLD BY COLLIERS INTERNATIONAL

HOLIDAY INN EXPRESS DUNFERMLINE

This limited service hotel was on behalf of CHGF. The 82 bedroom hotel is well placed to form a base to explore Scotland north of Edinburgh and also Edinburgh itself.

Chardon adds Scottish duo

Investor Chardon Trading has bought two Scottish Holiday Inn Expresses. The properties in Edinburgh and Dunfermline were sold as a pair, off a guide price of around £12m.

Interstate will continue to manage the hotels under their existing flags.

Acting on behalf of CHGF, Colliers International successfully organised the sale.

Julian Troup, Head of UK Hotels Agency at Colliers International commented, "There was strong demand for both these limited service hotel businesses, which were being offered for sale as a package, from not only the UK corporate companies but also internationally. The success of Edinburgh as a destination, where occupancy levels and achieved room rates have and are being successfully maintained, undoubtedly was a huge draw and appealed particularly to those companies and brands not yet represented in the City."

Four for Kew

Kew Green Hotels bought four Holiday Inn branded properties from Stardon Capital investments. The hotels, in Brighton, Norwich, Leeds and East Kilbride, will continue to be managed by Kew Green.

All four properties will undergo refurbishment, and are set to remain under the IHG flag. Kew Green now operates 31 hotels across the UK, and plans to double the size of its portfolio through single property and portfolio acquisitions.

Travelodge buy

Investor Redefine International bought a 132 room Travelodge in Enfield, north London, paying £10m. The deal represents an initial yield of 5.5%, with uplift from the letting of a vacant ground floor retail unit.

The hotel opened in 2012, with Travelodge committed to a 33 year lease on an index linked rent. Redefine says the hospitality sector is one it knows well, and is happy investing in.

Hilton London sale

Norwegian investor Pandex sold the Hilton hotel in London's Docklands. The buyer was HIG Capital, while the transaction price was not revealed.

The 378 room hotel is located on the south bank of the Thames. Pandex owns 105 rooms across Europe, operating under a wide range of major brands.

Brooklands deal

Investors Bestford Capital and Westmont Hospitality bought the Brooklands Hotel in Weybridge, Surrey. The 120 room hotel was sold after inviting offers in excess of £20m by Colliers International, acting for administrators to the property's owner.

The hotel is on the site of the Brooklands racetrack, the birthplace of British motorsport, and today the home to the Mercedes-Benz World museum.

Julian Troup, Head of UK Hotels Agency at Colliers International, said, *"The hotel's unique location at the world-famous birthplace of British motorsport generated interest from a number of domestic and overseas investors. These were driven by the hotel's luxury appeal, superb trading performance and the area's reputation as one of Home Counties' chief business destinations."*

Starwood bags Pillars

Starwood Capital bought UK hotel owner and operator Four Pillars. The deal included an 863 room portfolio of five owned properties and one managed hotel, around the Oxfordshire area.

The three and four star collection varies from the contemporary Cotswold Water Park to the listed 190 room Tortworth Court in Gloucestershire.

SOLD BY COLLIERS INTERNATIONAL



BROOKLANDS HOTEL WEYBRIDGE

Sold on behalf of BDO LLP, this iconic 120 bedroom trophy asset was marketed with interested parties requested to submit offers. Colliers International identified a purchaser following a complicated campaign involving an Op-Co/Prop-Co/Dev-Co scenario. Colliers' building surveyors were also procured to undertake a full vendor survey.

SOLD BY COLLIERS INTERNATIONAL



PEEBLES HYDRO HOTEL EDINBURGH

Sold on behalf of prominent Scottish hotelier, McMillan Hotels, the asset was marketed on a confidential basis to a small number of parties from our extensive corporate buyer database. Located just outside Edinburgh, the popular hotel has 136 bedrooms and an extensive range of function and leisure facilities.

Crieff expands

Scottish hotelier Crieff Hydro bought the Peebles Hydro Hotel and Park Hotel from McMillan Hotels, investing more than £10m.

The 134 bedroom Peebles Hydro is a renowned hotel close to Edinburgh and was sold by Colliers International's Julian Troup and Alistair Letham. The hotel includes a wide range of public areas as well as excellent conference rooms, leisure facilities and beautiful grounds.

The sale also included the Park Hotel which was also sold through Colliers.

In addition, Crieff will take on management of four hotels owned by Freedom, of which three are in Scotland with one in Harrogate. Crieff achieved 82% occupancy in its eponymous hotel in 2013, and is Scotland's oldest registered trading company.

Third Express for Hetherley

Investors Cannock Investments and Hetherley Capital Partners bought the Holiday Inn Express adjacent to the Channel Tunnel in Kent. The 100 room hotel was built in 2008, and the new owners have appointed Interstate to manage it.

The purchase is the third by Hetherley, which also owns similarly branded properties in Leeds and Dundee.

Starwood sells Park Lane leasehold

Starwood Hotels & Resorts sold its leasehold interest in The Park Lane Hotel, London to Sir Richard Sutton's Settled Estates for an undisclosed fee.

Starwood will continue to operate the hotel under a new long-term management contract under the Sheraton brand flag.

"Sir Richard Sutton's Settled Estates shares Starwood's vision for The Park Lane Hotel to be a brand-enhancing property, and we look forward to collaborating together on the future success of this iconic hotel, which will undergo a full renovation beginning this Fall," said Michael Wale, President, Europe, Africa and the Middle East.

Redefine buys Earls Court hotel

Redefine International bought the remaining 40% share in the ownership of the 150-bedroom Holiday Inn Express hotel in Earls Court, SW5.

The purchase implies a value of £28.1m for the hotel.

L&G buys in Bucks

Legal & General Property bought a 120-bedroom Travelodge hotel in High Wycombe, Buckinghamshire.

It paid McLaren Property £11m, reflecting a 6.8% net initial yield.

The asset, which includes three shops, was bought on behalf of the Linked Pension Fund.

The hotel is let to Travelodge on a FRI lease for a term of 25 years, expiring in November 2036, with Travelodge Hotels accountable for 73% of the total passing rent on the property.

Somerston checks in to buy Morethan Hotels

Somerston Capital has bought the Morethan Hotels regional portfolio from Royal Bank of Scotland.

It is reported that the group agreed to pay £70m for the chain of 12 Express by Holiday Inns, which includes assets in Birmingham, Manchester, Bristol, Bradford, Southampton and Stafford.

The offer is believed to have been made in a joint venture with US private equity fund Lone Star.

Lone Star took control of Somerston Capital's hotel arm, Somerston Hotels, through its purchase of the IBRC Project Rock loan portfolio.

Somerston Hotels, a chain of three-star properties across the UK, had £339.5m of debt outstanding to IBRC in two loans.

Somerston Capital subsidiary St James's Hotels Group also acquired 14 hotels across England from administrators of Forestdale Hotels.

EHC buys Bovey Castle

Eden Hotel Collection has bought Bovey Castle, on Dartmoor, for an estimated £13m-£14m from a Delancey-led joint venture.

Wyndham Grand London Chelsea Harbour sold to Millennium & Copthorne

The Wyndham Grand London Chelsea Harbour dropped the Wyndham Grand branding following the acquisition of the 158-suite hotel by a subsidiary of Millennium & Copthorne Hotels (M&C).

The renamed Chelsea Harbour Hotel is the only hotel within M&C's portfolio of 20 UK hotels that does not carry either the Millennium or Copthorne brand.

Millennium Hotels (West London) is the new leasehold owner of the property, which has been purchased for £65 million.

The deal was brokered by Colliers International's Head of London Agency; Colin Hall.

Lake District Hotel sold to Chinese investor

The Keswick Park Hotel in the Lake District has been sold to a Chinese investor.

The move is a sign that investors are increasingly looking to destinations outside London, said property specialists Colliers International, who managed the deal. The buyer, from Beijing, has refurbished and reopened the hotel.

Haydn Spedding, of Colliers International, said: *"The buyer is indicative of an increasing number of quality overseas buyers looking to acquire hotels such as Keswick Park, as investor interest moves outwards from London to other popular destinations such as the Lake District."*

SOLD BY COLLIERS INTERNATIONAL



WYNDHAM GRAND CHELSEA HARBOUR LONDON

London's only 5 star all-suite hotel, sold on behalf of a Dublin based property company to Millennium & Copthorne Hotels. 200,000 sq ft building featuring 158 luxury suites, sold for £65m for the long leasehold interest.

SOLD BY COLLIERS INTERNATIONAL



ENTERPRISE HOTEL LONDON

On behalf of Woodley Hotel Group, the freehold interest and operating business of this 100 bedroom West London hotel was sold to Far Eastern-based buyers in an off-market transaction.

Enterprise hotel in Earls Court sold off guide price of £25m

The 100-bedroom Enterprise hotel in London's Earls Court was bought off a guide price of £25m by Chatteris Developments, a joint venture company between Heeton Holdings and Ryobi Kiso Holdings.

Chatteris, who acquired the property from Woodley Hotels (Kensington) intends to now refurbish the hotel and add 20 bedrooms.

Danny Low, chief operating officer at Heeton, a Singapore-based property company which owns 80% of Chatteris, said: "This acquisition will strengthen our hospitality portfolio, bringing the total number of hotel rooms in our group to about 365.

"The group believes that the hospitality sector presents the best mid to long-term opportunity for growth as demand for travel accommodation continues to outstrip available accommodation in popular gateway cities throughout the world."

Colin Hall of Colliers International, who handled the sale on behalf of the sellers, said: "This was an off-market sale which generated huge interest from a number of international buyers. The sale to Heeton is testament to the strong appetite Singaporean buyers have for the London hotel market."

Kingcraig Castle hotel bought by Grant Hotels

Grant Hotels bought the Kincaig Castle hotel in Invergordon, Ross-shire. The former ancestral home of the Clan Mackenzie was acquired from Wickman hotels. It had been on the market for £1.3m.

The four-star, 15-bedroom hotel is set in over 10 acres of grounds and offers views of the Cromarty Firth. Its restaurant holds two AA rosettes.

Alistair Letham, a director with selling agent Colliers International, added: "Kincaig Castle Hotel is an outstandingly attractive, typically Scottish, property and its quality of product and service is reflected in its numerous awards. The business has enjoyed year-on-year growth, boosted by the excellent commercial business centred on the Cromarty Firth area, which should offer further opportunities for growth in 2014 and beyond."

Starwood Capital buys De Vere Venues for £231m

Starwood Capital Group completed its second major UK hotel deal of 2014, after acquiring De Vere Venues from De Vere Group for £231m.

The deal, which had been predicted since late 2013, sees Starwood Capital take on a collection of 23 owned and leased hotels with 2,433 rooms, 374 meeting rooms and 414,000 sq ft of meeting space, most of which is in central London.

It follows Starwood Capital's £90m purchase of Four Pillars Hotels in January this year.

In a statement, Kevin Colket, senior vice president at Starwood Capital Group, said: "We are very pleased to add De Vere Venues to our growing portfolio of attractive and well-placed assets in the United Kingdom. The company serves a number of long-term, blue-chip corporate customers, and we look forward to building upon its reputation for operational excellence." ■

4. Advisory and consultancy matters



FEASIBILITY STUDY

HOTEL AT DURHAM COUNTY CRICKET CLUB DURHAM

Market and financial feasibility study for a proposed hotel and conference and events centre at Durham County Cricket Club.



FEASIBILITY STUDY AND DISPOSAL ADVICE

INDIA BUILDINGS EDINBURGH

Financial feasibility study, best use scenario analysis and exit sale for the India Buildings property in central Edinburgh.

Over the last six months the Hotels & Resorts Consulting team has witnessed a strong pick of activity across the United Kingdom.

With banks increasingly willing to lend for projects with strong fundamentals, we have witnessed a return of hotel development projects supported by alternative deal structures. Like transactional activity, hotel development has largely been driven by the corporate market. As a relevant example, we were asked by Bristol Airport to find an investor or joint venture partner to bring forward the development of a limited service hotel on a site next to the terminal building; we are now in a period of exclusivity with the preferred bidder. We were also retained to provide lease advisory services and to assist them in the negotiation with hotel operators.

Whilst bigger cities are seeing the wider portion of hotel development, some activity is also taking place in more peripheral locations to create quality hotels. Working for Durham Cricket Club, we undertook a feasibility study for a proposed limited service hotel and conference and events centre to be located at the Emirates Durham International Cricket Ground in Chester-le-Street.

ADVISORY SERVICES AND OPERATOR SELECTION



PROPOSED HOTEL AT BRISTOL AIRPORT BRISTOL

Advisory services, operator search and selection and research of a JV partner for a site next to Bristol Airport terminal building.

OPERATOR SELECTION



CALTONGATE REDEVELOPMENT EDINBURGH

Operator selection secured with Whitbread for a Premier Inn and Hub by Premier Inn, first of its kind outside London.

In addition to development services, as liquidity has started to return to the UK provincial markets we are increasingly being asked to provide both disposal advice and acquisition due diligence. Acting on behalf of West Register for their India Buildings property in Edinburgh, we conducted a feasibility study for the conversion of this 'A' listed building into a boutique hotel and analysed a number of alternative uses for the property. In addition, we succeeded in securing a purchaser for the property, providing West Register with an exit strategy. As an additional example, in Manchester we were appointed by Schroders for the acquisition review of the Mercure Manchester Piccadilly Hotel. The hotel is part of Manchester's landmark City Tower, which provides office, retail and hotel accommodation on a three acre island site.

In fact, Colliers International advised on the purchase of the wider scheme, which amounted to the biggest office transaction in the city over the last two years. Following the buoyant development activity, we have also experienced a boost of operator search and selection services throughout the UK.

In Edinburgh we acted on behalf of Artisan Real Estate Investors, the international development consortium behind the transformation of Edinburgh's former Caltongate area.

We were instrumental in securing a deal with Whitbread PLC for both a 128-room Premier Inn and also a 130-room Hub by Premier Inn, Whitbread's innovative new 'compact' hotel format, which will be the first of its kind outside of London. Moving to the Midlands, acting on behalf of Britain's biggest union Unite the Union, we prepared a feasibility study for a 170-room hotel and conference centre in Birmingham's regeneration area Eastside Locks. Our work also involved conducting an operator search, selecting the preferred bidder and structuring a partnership between our client and an equity investor.

UK development was not the only focus of our business in the first half of 2014. The Colliers International Hotels & Resorts Consulting team carried out advisory work for projects located in most Western and Eastern European countries but also as far South as Sierra Leone and the Democratic Republic of Congo. We expect Africa and Sub-Saharan Africa in particular to become a recipient of financing from the key financing institutions over the next five years and a growing source of demand for our services. ■

5. Hotel valuation



COUNTY HOTEL DALKEITH

32 key mid-market hotel with restaurant, bar and function facilities, in a town centre location, valued for loan security purposes during its recent acquisition.



JAMAICA INN BODMIN MOOR

This internationally known inn has 16 bedrooms with a shop and museum, valued for a potential purchaser.

Is my development really a viable proposition?

Whilst there seems little doubt the market is improving and confidence in the hotel sector is growing, development funding remains difficult to obtain and lenders are scrutinising potential projects with greater intensity than pre-recession. We are frequently contacted by lenders who have clients or potential clients who have a 'sure fire winner' of a development and are looking to fund it.

Whether it is an existing hotelier looking to expand their hotel or a new entrant into the market with 'a perfect site' for a hotel the developers are invariably convinced the project can't fail. They have seen an opportunity and know in their hearts it will work. All too often however, developers have been close to the proposed project for a long time and sometimes hearts are ruling heads.

VALUATION BY COLLIERS INTERNATIONAL



RIVERSIDE HOTEL | KENDAL

50 key full service hotel valued for loan security purposes on behalf of the owner's bank.

VALUATION BY COLLIERS INTERNATIONAL



BEST WESTERN WHITEHOUSE HOTEL WATFORD

57 key, three star Best Western hotel valued for a potential purchaser.

VALUATION BY COLLIERS INTERNATIONAL



SCALFORD HALL | LEICESTERSHIRE

88 key hotel and conference centre valued for acquisition purposes.

Lenders and particularly their credit teams, even ones who know the developer or hotelier, still need an independent view as to the viability of the proposed project. A well prepared business plan or feasibility study is one of key elements of any credit application but these can be expensive if prepared by a third party, sometimes running into several thousand pounds.

Talking a project through with an experienced, wholly independent third party, who can introduce a fresh pair of eyes (without the rose tinted spectacles) can often highlight potential weaknesses of a development as well as the strengths, it can also minimise up front costs, by identifying at an early stage if a project is likely to be viable before going to the expense of a full feasibility study. Taking an independent

overview to a lender as part of an application for funding can often speed up the application process as it adds credibility to the proposal and takes away the sentimental element. If you are considering a development project, be it large or small, an early discussion and examination of likely viability can save both time and money.

Mark Cleaver is a Director working within the valuations team, he brings over 30 years of hotel experience (including 18 years of operational management) to bear when looking at potential projects. He has worked on numerous projects on behalf of lenders and developers alike from small extensions to existing businesses, through to large branded city centre projects.

Mark would be happy to have an initial discussion about any UK project and can be contacted on **07770 947194** or by email **mark.cleaver@colliers.com**

These notes contain a summary only of certain aspects of the subject matter. They have been prepared for the purposes of the newsletter and are not a substitute for legal advice on specific facts. Great care has been taken in their preparation but no responsibility is accepted for any inaccuracies or omissions.

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Our registered office is at 50 George Street, London W1U 7GA.