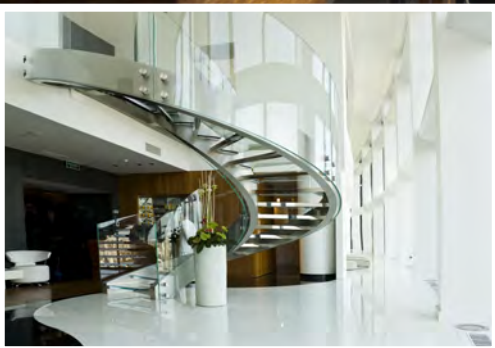
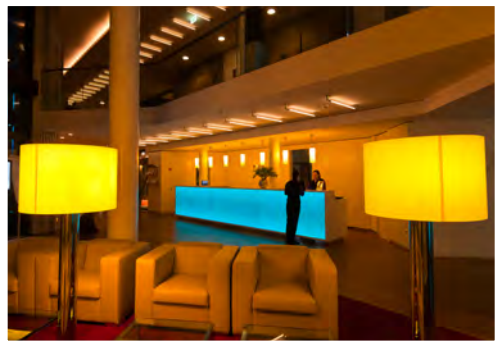


Accelerating success.

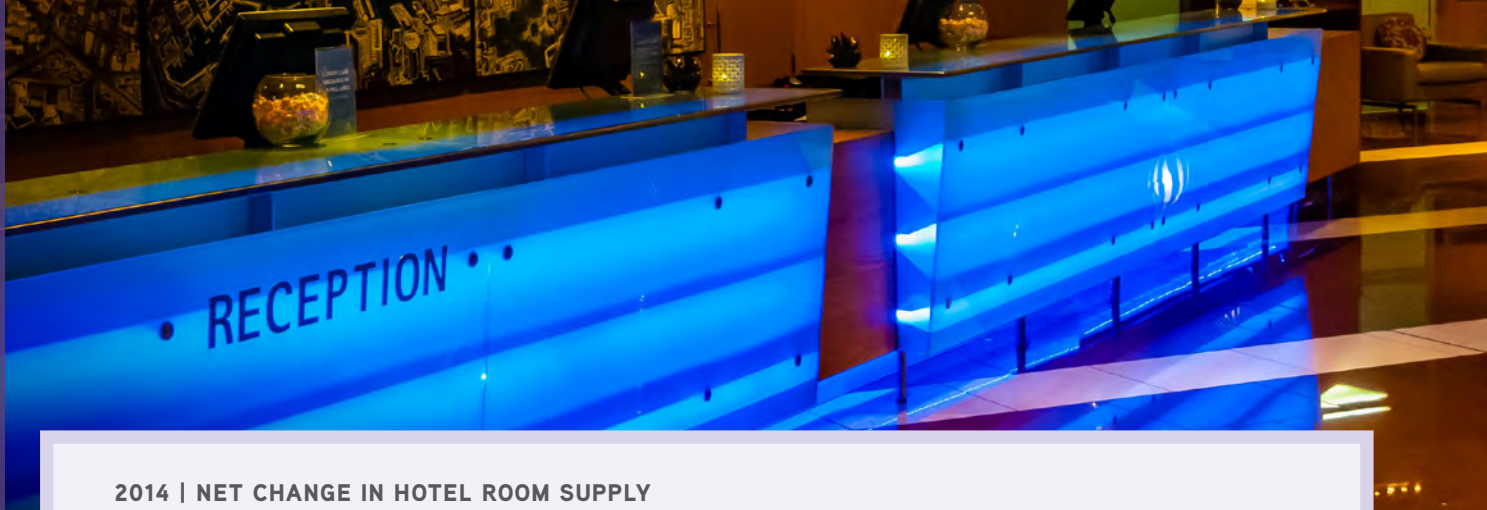


# Hotel Snapshot

H2 2014



# 2015: Mind the gaps

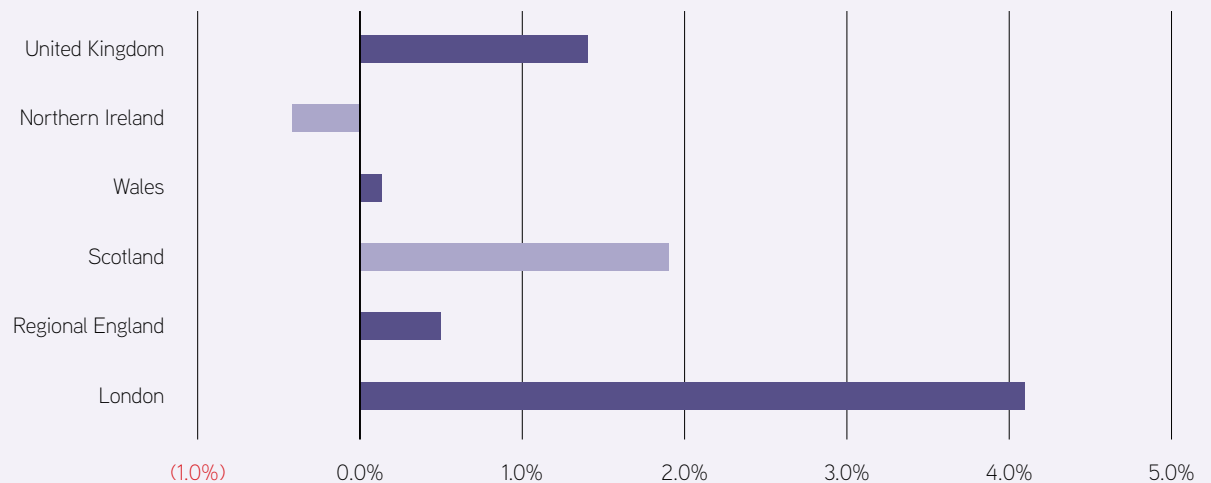


2014 was a positive year for the UK hotel industry. Strong momentum in the first half of the year continued into the second half and if anything picked up pace. After several recessionary years and generally a sombre mood, it was very welcome to feel more widespread positivity return to the market and tangibly witness increased investor confidence, albeit this perhaps soon bordered exuberance in some cases.

At a national level, a number of key measures give context to a year of impressive progress in 2014. Room supply growth from new hotel openings was more than 40% up on prior year; room supply loss from hotel closures was down over 20%; strong Revenue Available Per Room (RevPAR) growth was evident across all major markets and profitability largely followed; hotel transactions increased by over 50%, underpinned by significant regional activity.

With this tail wind, the industry should rightly be feeling pretty good about itself and on the whole that is very much the case. Notwithstanding the inevitable uncertainty that will surround

2014 | NET CHANGE IN HOTEL ROOM SUPPLY



Source: AM:PM

this May's General Election, the year ahead looks set to be another good one. This platform provides hoteliers with as reasonable cause as possible to be optimistic about medium term prospects, which in turn should encourage much needed investment in property and people.

However, it's worth reiterating that the feel good factor has yet to be experienced universally. There are some fairly fundamental gaps emerging and in some cases widening

between winners and losers in the sector. For the latter there is genuine concern some may miss the party of this economic cycle whilst for the former, it seems quite incredible that we're already regularly sounding a note of caution about overindulging.

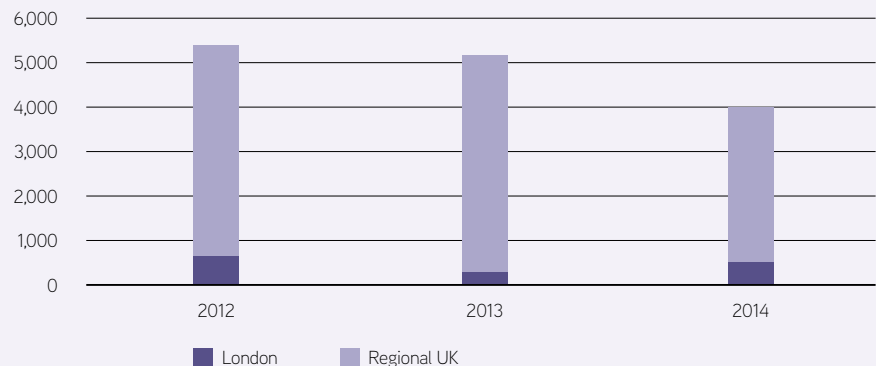


## ROOM SUPPLY INCREASE FROM NEW HOTEL OPENINGS



Source: AM:PM

## ROOM SUPPLY DECREASE FROM HOTEL CLOSURES



Source: AM:PM

There are several gaps we should bear in mind throughout the UK hotel industry. Some are more obvious than others such as the sustained growth of hotel brands at the expense of independent hoteliers or the relentless expansion of budget hotels that cause consumers to increasingly challenge the value offered by some full service hotels.

But there are also less apparent or frequently discussed gaps that appear to be widening throughout the sector. Investors and operators have an almost insatiable appetite for London, which added more new rooms than the rest of England in 2014. Scotland continues to do well to attract new hotel investment but the same can't unfortunately be said for Northern Ireland or Wales where growth has been relatively stagnant. Across all regions, there is also a clear and consistent pattern of strongest growth in major metropolitan and urban areas, in marked contrast with rural and coastal locations where supply is typically flat or in decline.

The life of a hotelier has never been an easy one and for some, prospects remain challenging but 2015 is shaping up to be another vintage year for those in the right position to enjoy it. Here's to the year ahead!

ALAN GORDON | DIRECTOR

**AM:PM** hotels  
Hotel data and intelligence

# 1. UK economy and hotel market

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It would be easy for hotel owners not to have noticed that the market for selling their businesses has been steadily improving over the last two years. With their hotels seeing the growth coming from an improving economy and freer spending customers they have had positive issues at home to focus on.

However, the market has been showing consistent recovery with more competition and better bank funding availability driving speed of transactions and prices too.

Here at Colliers International we are ahead of the transactional volume of last year at the same point and with dozens of sales in solicitors hands at the moment we expect to exceed last year's total of 103 sales by a healthy margin.

There has undoubtedly been an improved picture in the UK hotel landscape in the last 12 months with a good deal more 'confidence' across the board.

Potential purchasers are acting in a more positive fashion, whilst banks are increasingly returning to support the sector, due mainly to an overall improving trading performance.

In particular there has been a significant uplift in transactional activity at a Corporate level. International Private Equity backed demand has seen competitive bidding returning to the UK hotel marketplace.

We are confident that this trend will continue into 2015.

Although there is the probability of interest rates rising at some stage up to Spring 2016, these are likely to be modest increases, due to the low inflationary conditions currently prevailing, and the cost of borrowing should remain relevantly cheap.

As there is a General Election on the horizon however, we feel, the overall state of the improving UK general economy will help override the effects of any uncertainty as a consequence of both these events.

The hotel market is closely aligned to the general economy and with the likelihood, we believe, of a further uplift in trading performance, this can only help to improve the overall volume of hotel transactional activity during 2015.

| TOTAL UK   THE CALENDAR YEAR TO DECEMBER 2014 |        |        |         |
|---|--------|--------|---------|
|   | YTD'14 | YTD'13 | Var b/w |
| Occ %   | 76.8   | 75.5   | 1.3     |
| ARR   | 102.73 | 99.52  | 3.2%    |
| RevPAR  | 78.91  | 75.13  | 5.0%    |
| TRevPAR                                       | 126.43 | 120.94 | 4.5%    |
| Payroll %                                     | 27.8   | 28.1   | 0.3     |
| GOP PAR                                       | 46.91  | 44.31  | 5.9%    |

| LONDON   THE CALENDAR YEAR TO DECEMBER 2014 |        |        |         |
|---|--------|--------|---------|
|   | YTD'14 | YTD'13 | Var b/w |
| Occ %                                       | 82.3   | 82.0   | 0.3     |
| ARR   | 147.25 | 144.84 | 1.7%    |
| RevPAR                                      | 121.22 | 118.83 | 2.0%    |
| TRevPAR                                     | 169.10 | 164.52 | 2.8%    |
| Payroll %                                   | 23.7   | 23.8   | 0.1     |
| GOP PAR                                     | 77.95  | 76.28  | 2.2%    |

| PROVINCIAL UK   THE CALENDAR YEAR TO DECEMBER 2014 |        |        |         |
|--|--------|--------|---------|
|  | YTD'14 | YTD'13 | Var b/w |
| Occ %  | 73.9   | 72.0   | 1.9     |
| ARR  | 76.49  | 72.00  | 6.2%    |
| RevPAR   | 56.53  | 51.84  | 9.0%    |
| TRevPAR  | 103.85 | 97.70  | 6.3%    |
| Payroll %  | 31.4   | 32.0   | 0.6     |
| GOP PAR  | 30.49  | 27.27  | 11.8%   |

Source: HotStats

In terms of UK Hotel trade, the likes of the 2015 Rugby World Cup will not only stimulate domestic activity but also boost the flow of international business, not only to the capital, but also many of the key provincial destinations, including cities and regions on an international traveller's bucket list.

Although buyers, and more particularly their funders, continue to look for a return on investment driven by operating profit (EBITDA), there have been signs of more buyers returning to reflect potential in their pricing and the type of opportunities that are attracting their attention.

We anticipate continued marginal growth in hotel values within London supported by a buoyant travel market. We have seen evidence of parties who historically focussed only on the capital being prepared to 'cast their net' further afield and look more seriously at provincial hotel opportunities. We believe that this is a trend that will continue through 2015.

Main areas of risk will be outside the control of the UK if there is any downturn in international interest driven by a global economic downturn or global political unrest.

To summarise, 2014 has presented us with a much improved hotel transactional trading position and we predict an on-going improvement in demand during 2015.

### JULIAN TROUP

HEAD OF UK HOTELS AGENCY



**SOLD BY COLLIERS INTERNATIONAL**



## INDIA BUILDINGS | EDINBURGH

Historic city landmark sold on behalf of RBS REAM for hotel use.

## UK upturn sustained

UK hotels are on an upturn that should be sustained through 2015. London properties are edging up already high occupancies, while the regions are enjoying strong improvements, reported PwC.

## Strong finish for UK

Hotels in the UK enjoyed a strong December, with rooms yield growing by 13% in London and 13.9% in the regions. London saw occupancy up 4.5% to 79.8%, while in the region's room rates increased 8.1%, reported BDO LLP.

Good weather helped the performance, while BDO also noted improving consumer confidence in the UK. For 2015, the positive outlook continues, while VisitBritain is predicting record tourism numbers.

## Hotel closures logged

A quarter of hotels closed in the UK market are demolished, while many of the rest are converted to residential use. An update to the database held by consultants AM:PM now shows details of more than 6,000 closures, many of which were independents.

The south of the UK has seen the greatest change, with coastal resorts losing the greatest stock. Also hard hit have been Northern Ireland and Wales, with one room closing for every two in the current supply.

The loss of bedroom stock should not necessarily be considered a negative change. Often, the hotel accommodation is of a poor quality or of a configuration that is no longer fit for purpose. Such losses can help to strengthen existing hotel stock and improve the potential viability of new hotel development.

**FOR SALE**



## GEORGE HOTEL PENRITH

Imposing town centre hotel with 35 refurbished letting bedrooms and popular and extensive public areas.  
EPC = Exempt.

**OFFERS IN THE REGION OF £3M**

## UK RevPAR strong

UK hotels averaged RevPAR increases of 20% in the last quarter of 2014 with Glasgow enjoying a 48% uplift. It was reported that major sporting events and the NATO summit in Wales helped draw visitors.

Brisk investment activity means 2014 transaction volume has topped the figure for all of 2013. Budget hotels continue to dominate current supply and account for 50% of the pipeline.

SOLD BY COLLIERS INTERNATIONAL



## BROOKLANDS HOTEL WEYBRIDGE

Iconic 120 bedroom hotel sold on behalf of BDO.

## Relief as Scots vote No

A sense of relief enveloped not just the UK government but a far wider community, as the Scottish people voted by a small but decisive majority to stay within the United Kingdom in a vote on September 18th 2014.

The uncertainty ahead of the vote – combined with impassioned campaigning from the two sides of the argument – led to a hiatus in business activity, felt keenly within the hospitality sector alongside several others. According to the British Hospitality Association, around 15% of the Scottish population work in hospitality and tourism, while England remains Scotland's most important source market for tourism.

Leisure and tourism businesses were, however, largely concerned about the economic downsides, worried about the administrative complications of differing currencies and changing tax rates, and the consequences of a wider loss of economic confidence on their businesses. One lone voice in the tourism space was British Airways chief Willie Walsh, who said independence could be a 'positive development' with the promised cut in Air Passenger Duty (APD) being 'marginally positive'.

His comments in a media interview were immediately seized by the Yes campaigners as a ringing endorsement for their approach. Key business decisions were put on hold, until the outcome of the vote was clear. One of the first hotel deals waiting on ice Redefine International's decision to buy the DoubleTree by Hilton in Edinburgh.



## ST GEORGES INN HOTEL | LONDON

A 22 bedroom, profitable bed and breakfast hotel occupying an excellent trading location close to Victoria station. EPC rating – Commissioned.

**GUIDE PRICE - £3.5M**

Travel booking website Trivago noted a substantial knock-on effect, as both English visitors opted to stay away from Scotland, and vice versa. In mid-September, it said travel interest from the rest of the UK to Scotland was down 29% compared with the same period of 2013. The Scots, also appeared hunkered down pending the vote, with Scottish travel interest in the rest of the UK reduced, showing online searches down 19% compared to the same period the same period a year earlier.

**SOLD BY COLLIERS INTERNATIONAL**



**MERCURE RIBBLE VALLEY | CLITHEROE**

Commercial 44 bedroom hotel sold on behalf of Aviva Investors.

## London leads for hotel investment

London is the most attractive hotel investment destination in Europe, according to a new survey of senior hospitality industry figures released in 2014.

More than half of respondents ranked the UK capital ahead of Paris (33%), Barcelona (30%) and Amsterdam (23%).

However, some 52% said London was overvalued, with 45% saying it was fairly valued.

European hotel transaction activity is expected to be dominated by international investors underpinned by North America (58%), China (53%) and the Middle East (52%) in 2015 and continued low interest rates will reinforce traditional bank debt as the core financing option.

Against the backdrop of a stagnant European economy, upscale hotels (33%) are the preferred product segment.

## VAT off the agenda

The UK government told British tourism chiefs it will not consider a cut in VAT levels, to encourage growth in the sector. Members of the Tourism Council, set up in June 2014 to hear views from the industry, were told that VAT reductions cannot be discussed.

A campaign to cut VAT in the UK, similar to reductions in several other European countries, has already drawn the support of 90 British MPs. Research suggests a reduction could boost tourism spending, and create 120,000 jobs.

The Cut Tourism VAT campaign said that it would continue to battle for a reduction in the tax rate for tourism.

**SOLD BY COLLIERS INTERNATIONAL**



**VICTORIA SQUARE HOTEL | BRISTOL**

Attractive 41 bedroom hotel sold on behalf of private hotelier.

## Americans head for Europe

Americans expect to spend 8% more on leisure travel in 2015 compared with 2014. London, Rome and Paris head the wish list of the 11% expecting to visit Europe, according to research for Choice Hotels.

Senior travellers will see the greatest growth in spend, expected to increase 33% in 2015. Many favour mid-price hotels, in order to have greater funds to spend on unique travel experiences such as culinary tourism and adventures. ■



# 2. Corporate news



## CONRAD LONDON | ST JAMES LONDON

Newly constructed 256 bedroom luxury hotel (formerly known as InterContinental Westminster) acquired on an investment basis on behalf of a major Scandinavian pension fund client.

### Aberdeen addition

Canadian hotel group Sandman is to open a hotel in Aberdeen. A 220 room hotel will be created by converting a former university building, it was reported.

The £20m four star hotel will include a restaurant and conference facilities. Sandman purchased the building on St Andrew Street outright.

### every and Amba brands launched

Hotel group glh launched a new four star brand, every Hotels. The first property under the new brand will open in London in early 2015, with three further London properties lined up for refurbishment and conversion.

Glh says every will provide fair, flexible contracts for owners, and is ideal for conversions as well as new builds. It aims to grow the brand to 50 hotels globally by the end of the decade.

In addition, glh launched its first Amba rebranded hotel, the former Charing Cross hotel in London. The brand promises the fastest hotel Wi-Fi in the world, with no download limits.

Amba hotels have the latest technology, with iPads and smart TVs in every room. The brand will have more than 2,000 rooms in London by 2016.

### Conrad for London

Hilton signed to put its Conrad brand on a 256 room hotel in Westminster, London. A deal with owner Supreme Hotels saw the former InterContinental reflagged and re-opened. Colliers International advised the owners of the property through the rebranding process. Supreme is part of the Splendid Hospitality group, which is already working with Hilton on its London Bankside hotel, due to open in summer 2015. The Conrad luxury brand currently has European hotels in Dublin, the Algarve and Istanbul.

### Motel One Debut

German budget hotel group Motel One made its London debut with the opening of the 291-bed Motel One London – Tower Hill. The hotel is situated on Minories near Aldgate station. It is owned by Scottish Widows and was built by McAleer & Rushe on behalf of developers Endurance Land.

## Qatar banks Savoy

Katara Hospitality led a joint venture to buy a 50% stake of the Savoy hotel in London. It was reported that the Qatari investors agreed the purchase from Lloyds Banking Group at an undisclosed price.

Savoy manager Fairmont Raffles, whose owner already holds the remaining 50% interest in the Savoy, was part of the joint venture deal. Lloyds inherited its interest in the London landmark when it took over The Royal Bank of Scotland in 2008.



**SOLD BY COLLIERS INTERNATIONAL**

### KENSINGTON TOWN HOUSE HOTEL | LONDON

39 bedroom boutique hotel sold on an investment basis.

## Accor gets five hotels

Hotel operator Accor has signed for five new sites and more than 500 bedrooms in London and Edinburgh.

The group will open the 202-bedroom Novotel Brentford and Novotel at 40 Marsh Street in Canary Wharf, E14. Mercure London Heathrow will also open under a franchise agreement with Crimson Hotels as a 184-bedroom development.

Three Ibis hotels will also open; 115-bedroom Ibis Styles in Kensington, 161-bedroom Ibis Budget in Edinburgh Park and 103-bedroom Ibis Styles, St Andrew Square, Edinburgh.

The hotels will open between late 2014 and 2016.

In addition, Accor has bought 13 UK hotels for £71m from investment group Tritax, which has been operating the hotels under lease since 2001.

## Hotel Collection restructured

The Hotel Collection, formerly Puma, was restructured after a 'pre-pack' administration. Former Travelodge chief Grant Hearn was hired to take the 21 strong chain through a major refurbishment.

The restructuring agreement saw the company lose around one third of its £350m debt.

**FOR SALE**



### BORROWDALE GATES HOTEL KESWICK

Superb country house hotel with 33 letting bedrooms and 13 staff bedrooms in a stunning Lake District location. EPC = B.

**OFFERS AROUND £3.75M**

## Hilton launches Canopy

Hilton revealed details of its twelfth brand, named Canopy. The group has signed an initial 11 sites under letters of intent, 10 across the US and one in London.

The new brand aims to be a 'more accessible lifestyle brand'. Rates will include a basic Wi-Fi access, and an 'artisanal' breakfast.

**FOR SALE**



## THE ROYAL HOTEL WOOLACOMBE

100 bedroom hotel with extensive public areas just up from the “best beach in England”. Mixed use development opportunity as well as a straight going concern. EPC = C.

**GUIDE PRICE £1M**

## LRG signs Redefine

Management company Redefine BDL signed a deal to add 22 hotels to its portfolio, making it Europe’s largest manager of IHG properties. The agreement with LRG Acquisition Ltd added 19 Holiday Inns and 3 Crowne Plaza properties in the UK, with almost 6,000 rooms.

Five central London hotels are included in the package, along with a range of city centre properties. The addition will mean Redefine BDL moving to new larger offices in London.

## Six for Interstate

Management company Interstate added six hotels to its UK portfolio. Three of the six are already open, while a further three will open in 2015 and 2016.

Those already operating are the Holiday Inn Express Dundee, Staybridge Birmingham and Ramada Encore at Luton airport. Between them, the hotels will add more than 650 rooms to Interstate’s UK management responsibilities.

## Expansion for Holiday Inn

IHG announced four additions to its UK Holiday Inn portfolio. The four properties, in Cardiff, Birmingham, west London and Heathrow, are all conversions.

The Heathrow and Birmingham North hotels see IHG working with existing owner partners Arora and Nine Hospitality. Kew Green will operate the Cardiff hotel, while new partner Mango owns the newly extended west London property.

**SOLD BY COLLIERS INTERNATIONAL**



## CHARLECOTE PHEASANT HOTEL STRATFORD-UPON-AVON

69 bedroom hotel with 7 conference suites sold on behalf of a private fund.

## Whitbread managing director steps down

The managing director of Whitbread Hotels & Restaurants Patrick Dempsey is to quit the company in February 2015.

As part of the reshuffle, marketing director Simon Jones will become managing director of Premier Inn UK and Hub by Premier Inn, while property director Mark Anderson will add responsibility for Premier Inn Germany to his remit.

The announcement came as Premier Inn revealed its UK pipeline now stands at 12,400 rooms.

The company has opened 2,177 rooms during 2014, a figure it plans to more than double in 2015.

FOR SALE



## THE ARGYLL HOTEL | INVERARAY ARGYLL

36-bedroom hotel in popular 'model' historic village, overlooking Loch Fyne. EPC = G.

**OFFERS AROUND £1.5M PLUS VAT**

## Travelodge announces three new local authority partnerships

Travelodge announced it secured three hotel sites through partnerships with local authorities. The deals represent £11.5m of investment by the company.

New Travelodge hotels will be built as part of regeneration schemes with Cherwell district council, Bicester; Breckland council, Thetford, and Reigate & Banstead borough council, Redhill.

Hotels in the programme are built on surplus local authority land with the funding provided either through the council's internal resources or via low-cost funding from the Public Works Loan Board or third-party resources.

Once the developments are completed local authorities can either retain ownership of the hotel and use the rental income from Travelodge to support the funding, or sell the hotel with Travelodge as its operator and retain the development profits for the benefit of local communities.

## Ireland's largest hotel group eyes €450m takeover

Irish hotel operator Dalata has agreed to buy Moran Bewley's Hotel Group for around £357m subject to shareholder approval.

Moran Bewley's portfolio includes four hotels in Dublin, two in London and one hotel in Cork, Manchester and Leeds, with a combined 2,506 rooms. ■

FOR SALE



## BOLTONS HOTEL LONDON

A well-appointed and recently refurbished 57 bedroom hotel located in the Royal Borough of Kensington & Chelsea. High specification bedrooms and a previous category winner of Best Western Hotel of the Year. EPC rating – D.

**GUIDE PRICE - £14M**

# 3. Transactional news

## VALUATION BY COLLIERS INTERNATIONAL



### KINGSWAY HALL HOTEL | LONDON

170 bedroom 4 star hotel valued on behalf of lenders during the acquisition process.

### Topland marches on

Sol Zakay's Topland bought Hallmark Hotels, a portfolio of eight four-star facilities, for £75m.

The hotels, in cities including Croydon, Manchester and Gloucester, comprise 730 rooms and employ nearly 600 people.

The deal meant that at the time Topland owned 30 hotels across the UK as the company marches forward with plans to build a £1bn hotel business.

It follows Topland's acquisition of the Menzies portfolio in November 2013.

Both portfolios will be managed by Bespoke Hotels.

Lionel Benjamin, Topland's director of hotels, added: "*Hallmark Hotels' success to date has been through a sharp acquisition strategy, a £16m refurbishment over the past four years and commencing the hotels repositioning in their respective locations and markets. The synergies with Menzies were immediately apparent, combined with the opportunity to further grow the business as a combined hotel portfolio.*"

In addition Topland provided £20m of funding to develop a Hampton by Hilton in London Docklands. The 190 room project is being developed by Marick Capital.

The £35m hotel sits alongside two other hotels, which are being built close to the Excel exhibition centre. The leisure quarter project includes a 131 room Travelodge and a planned four star hotel.

### Shiva completes £100m Kingsway buy

Shiva Hotels completed the purchase of the Kingsway Hall Hotel, W1, from Cola Holdings for close to £100m, reflecting a circa 5.5% yield.

The deal came less than two weeks after Cola secured planning permission to extend the hotel and create an extra 20 rooms.

For Shiva it is the latest in a string of London deals which have swollen its portfolio to more than 2,000 bedrooms under operation or development in London.

## Village hotels bought by US firm

An American private equity firm purchased Village Urban Resorts for more than £480m from the De Vere Group.

KSL Capital Partners, which owns The Belfry golf course and Malmaison, also bought Cannizaro House hotel on Wimbledon Common for up to £20m.

## Starwood buys in Edinburgh

Starwood Capital bought the Roxburghe hotel in Edinburgh in an off-market deal. The property was refurbished in 2013 and rebranded as a Crowne Plaza.

The 199 room property dates back to 1791, and has grown into neighbouring properties over the years. The deal is said to be the largest in the Scottish capital since 2007, underlining the attractiveness of hotel assets in the city.

## Redefine HIE buy

Redefine International completed the £17.65m acquisition of two Holiday Inn Express properties in the UK. It bought the outstanding 40% interest in a 150 room Earls Court hotel, and a 48 room extension to the brand's Southwark property.

The assets will be held through Redefine Hotel Holdings (RHH), the group's 71% owned property division. RHH now owns seven hotels, and refinanced in 2013 with a new £96m facility.

## Roomzzz adds Nottingham

Aparthotel operator Roomzzz has bought a Nottingham hotel for conversion. The 96 room Welbeck will be refurbished in early 2015 to create 106 apartments before reopening in April.

The hotel was being run by administrators from Grant Thornton following the demise of owner Starfame in February 2014.

## Marathon buys £135m Queens Moat House

A package of 11 former Queen's Moat House hotels was sold to US investor Marathon Asset Management.

The hotels were sold by Goldman Sachs, which acquired the troubled group in 2004.

## Fairmont St Andrews sold

Kennedy Wilson paid £32.4m to buy the Fairmont hotel in St Andrews. The 209 room hotel was sold by SABD Holdings.

Fairmont has a management contract to run the hotel through to 2031. In June 2014, Kennedy Wilson also bought the Portmarnock hotel in Dublin.

## £500m Travelodge deal

A portfolio of 144 Travelodge hotels was sold to a trio of investors for an estimated £500m. It was reported that the buyers are Goldman Sachs, Avenue Capital and GoldenTree Asset Management. The deal means that both the operating company and some of its property assets are now controlled by the same fund managers. Travelodge chief executive Peter Gowers said there had been strong interest in the



package, sold by investors Prestbury, West Coast Capital, Aldersgate Investments and Lloyds Bank. Meanwhile, Legal & General bought the Travelodge in central Manchester in a £23.1m deal. The 157 room hotel was redeveloped earlier this year, and includes two restaurants and a supermarket at ground level.

Travelodge has leased the property to 2039, and the deal price equates to an initial 4.84% yield. It was reported that L&G aims to hold the property long term for its UK property fund.

## SOLD BY COLLIERS INTERNATIONAL



### RED LION HOTEL BASINGSTOKE

Centrally located 62 bedroom hotel sold on behalf of Zolfo Cooper.

## SOLD BY COLLIERS INTERNATIONAL



### PREMIER INN SPINNINGFIELDS MANCHESTER

143 bedroom hotel forward funded on behalf of LaSalle Investment Management, reflecting a net initial yield of 5.7%.

## Kew Green buys 19 Holiday Inns

Kew Green Holdings bought 19 Holiday Inn hotels, making it InterContinental Hotels Group's largest Holiday Inn franchise partner in Europe.

Kew Green bought the portfolio from a joint venture between Lehman Brothers Real Estate, Realstar and GIC Real Estate off a £70m asking price, bringing its portfolio of Holiday Inns to 38.

The hotels are located throughout the UK in prominent cities and commercial centres. They will continue to trade as Holiday Inn hotels under a new franchise agreement and will all undergo extensive refurbishment over the next few years.

Paul Johnson, founder and chief executive of Kew Green, said: *"This is an exciting acquisition for us which will enlarge our portfolio to 53 hotels with almost 6,700 bedrooms in total. These new hotels will all benefit from a comprehensive refurbishment programme."*

## Agents in £110m hotels sale

Agents have been instructed to sell two London Adagio apart-hotel sites for £110m.

Union Hanover and EquityBridge Asset Management have appointed Colliers International jointly for the land disposals.

The developments for sale include a proposed £70m, 217-bedroom scheme on Whitechapel Road, E1, and a £40m, 137-bedroom development on Celebration Avenue in Stratford, E20.

Both will be operated by Adagio and open in 2016 and 2018 respectively.

Union Hanover managing director Eric Jafari said: *"We have already had a number of off-market approaches by investors for the properties, so we decided to capitalise on investor appetite. Union Hanover will remain the development manager on both projects."*

## Budget hotel market

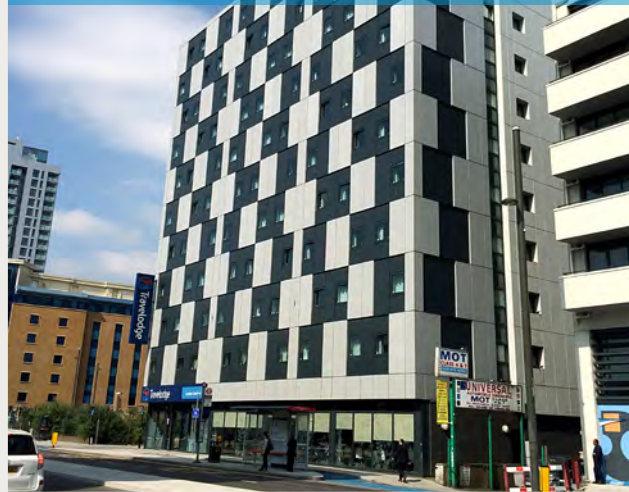
Colliers International transacted on a record number of budget hotels in 2014 including the Travelodge and Premier Inn brands.

Highlights include the Travelodge, Stratford, London which comprises a purpose built hotel arranged over ground, and 10 upper floors consisting of 188 ensuite bedrooms, a bar and restaurant facility. Colliers International acted on behalf of the purchaser, Aberdeen Asset Management, who acquired the investment in October 2014 for a purchase price of £18.3m, reflecting a net initial yield of 4.98%.

Another highlight was the Premier Inn (Spinningfields), Manchester where Colliers International acted for LaSalle Investment Management on the forward funding of the Property in October 2014 at a purchase price of £12.32m, reflecting a net initial yield of 5.7%. The property comprises a 3\* 143 bedroom hotel arranged over ground and six upper floors in two wings.

In addition, Colliers also transacted two further Travelodge hotels in Newcastle under Lyme and Leeds, 10 further Premier Inn hotels in locations including Manchester, Liverpool and Northampton and the acquisition of a group of seven for around £60m. We were also involved in 4 of the first Premier Inn Hubs in the UK in Edinburgh and London, including the valuation of one site for Secured Lending Purposes.

**SOLD BY COLLIERS INTERNATIONAL**



### TRAVELODGE STRATFORD | LONDON

188 bedroom hotel acquired on behalf of Aberdeen Asset Management reflecting a net initial yield of 4.98%.

## Lowry sold

Rocco Forte sold his Lowry hotel in Manchester for a reported £40m. The property was bought by Westmont Hospitality and Mount Kellett Capital Management.

Forte has tried to sell the five star property twice, having launched it in 2001. The new owners have retained the existing team, and promised a refurbishment.

## QHotels adds De Vere

Qhotels is to run six former De Vere golf and luxury lodge properties. The additional hotels will be managed alongside the existing Qhotels portfolio of 21 hotels.

The six properties were bought by Sankaty Advisors and Canyon Capital Advisors, in a deal that closed in late 2014. The new owners plan to invest in refurbishing the properties over the coming months.

Hotels in Buxton, Basingstoke and Cheltenham belonging to the group have already been placed in agents' hands.

## Redefine buys Edinburgh Hilton

Redefine International bought the DoubleTree by Hilton Hotel in Edinburgh city centre for £25.3m – a 6.9% yield.

The hotel provides 138 recently refurbished bedrooms, and includes the separate heritable title of The Chanter public house, located on the ground and basement floors of the property.

Redefine Hotel Management, a wholly owned subsidiary of Redefine BDL Hotel Group in which Redefine International has a 25.28% stake, will take on the lease on the property.



## FOR SALE



### MARINE HOTEL | TROON

A rare and unrivalled opportunity to acquire one of the most well known and iconic hotels in Scotland. 89 bedrooms and a host of leisure and conferencing facilities. EPC = G.

**OFFERS IN THE REGION OF £7M**

## Tron trophy for sale

The Hotel Collection has placed a fourth hotel from its portfolio up for sale. Offers of around £7m are being sought for the 89 room Marine Hotel in Troon, by Colliers International.

Julian Troup, Head of UK Hotels Agency at sole selling agent Colliers International, said: *"The Marine comes with considerable heritage, a strong trading base and platform for future business growth. We anticipate considerable interest from our database of UK and International buyers"*.

## Renowned Lake District hotel sold

Windermere Hydro Hotel, located close to the centre of Bowness-on-Windermere, was bought by Squire Hotels for a sum close to the guide price of £3.75m.

The recently formed Squire Hotels, plans to fully refurbish the hotel. The 3\* hotel with 84 bedrooms, extensive public areas and leisure facilities was sold on behalf of Lake Hotel Limited by the specialist hotels agency team at real estate advisors Colliers International.

Julian Troup, head of UK hotels agency at Colliers International, secured the sale on behalf of the owners.

He commented: *"Our instructions were to handle the matter in a confidential fashion and we employed a targeted approach to marketing. We were able generate a healthy level of winterest and Squire Hotels were given 'preferred bidder status' on the back of their proven ability to perform having acquired two other North West of England Hotels in the recent past"*.

## Jupiter hotels on the block

RBS and Patron Capital have appointed agents to sell a 31-strong portfolio of UK hotels.

The Jupiter portfolio, a 50:50 joint venture between RBS's restructuring unit West Register and the private equity firm, operate under the Mercure brand and comprise 3,177 rooms in total.

## SOLD BY COLLIERS INTERNATIONAL



### WINDERMERE HYDRO HOTEL BOWNESS-ON-WINDERMERE

Popular Lakeland 84 bed hotel sold on behalf of Lake Hotel Ltd.

The business was seeded with a £111m, 26-strong portfolio of Jarvis Hotels which RBS and Patron acquired in 2011.

A further five Choice hotels in East Anglia were added to the portfolio in March 2014 including the Clarion Collection Cromwell Hotel in Stevenage, and the Quality Hotels in Bury St Edmunds, Peterborough, Colchester and Kings Lynn.

Management of all five hotels – which had been facing administration – has since passed to Jupiter.

## Greg Dyke buys Sheffield hotel

Former BBC director general Greg Dyke's hotel company, Saxon Hotels, bought the Cutlers Hotel in Sheffield out of administration. The administrators were advised by Colliers International's Peter Bean.

Dyke is chairman and owner of the firm, which operates a Best Western Hotel and Whirlowbrook Hall near the city.

Dyke said: "Our business in Sheffield has performed well since we acquired it nearly 10 years ago and has established a good reputation with many local companies and organisations. The opportunity to acquire Cutlers Hotel is a perfect fit for us and our existing management team. We will be investing substantially to bring this popular city centre hotel right up to date and to meeting our guests' expectations. I'm confident it will be a successful and long-term contributor to Sheffield's increasingly vibrant urban life".

## InterContinental buys US hotel group

InterContinental Hotels Group agreed to buy US group Kimpton Hotels for £275m.

Kimpton manages 62 hotels in the US, with a further 16 in the pipeline as well as 71 hotel-based destination restaurants and bars. In total it has 11,000 bedrooms spread over 28 US cities.

The acquisition will bring IHG's portfolio to more than 200 hotels across 19 countries.

## SOLD BY COLLIERS INTERNATIONAL



### BEST WESTERN BURNSIDE HOTEL BOWNESS-ON-WINDERMERE

Excellent located 57 bedroom hotel sold on behalf of BDO.

## Lakes hotel changes hands

Local business GGE has bought the Best Western Burnside Hotel in the Lake District National Park from LPA receivers and administrators at BDO.

The property changed hands off a guide price of £3.1m for the hotel and associated staff accommodation. The 57 en suite rooms are set in a 2.4-acre site.

GCE is owned by local businessman, Richard Berry.

In addition, Colliers also sold the Grasmere Red Lion hotel in Grasmere on behalf of the same client. The 49 bedroom hotel was sold to purchasers who were not from the area.

Colliers International acted jointly on behalf of BDO.

## SOLD BY COLLIERS INTERNATIONAL



### BEST WESTERN CUTLERS HOTEL SHEFFIELD

City centre 45 bedroom hotel sold on behalf of FRP Advisory LLP to Greg Dyke.

## Invesco spends £35m on Reading hotel

The Novotel and Ibis hotel in Reading was bought by one of Invesco real estate's funds for £35m – a 5% yield.

Located on Station Road, Reading, the asset has 360 bedrooms combined.

The hotel is let on a lease to Accor for another 27 years for a rent of £2m p/a and was sold on behalf of a private individual. ■

# 4. Advisory and consultancy matters



**CONSULTANCY ADVICE BY  
COLLIERS INTERNATIONAL**

## **BRISTOL AIRPORT BRISTOL**

Consultancy advice provided resulting in a long ground lease signed (capital value some £6m) leading to £14m investment onto the site.

**CONSULTANCY ADVICE BY  
COLLIERS INTERNATIONAL**



## **CALTONGATE | EDINBURGH**

Colliers International was appointed by Artisan Real Estate Investors to source hotel operators for the high profile redevelopment of the Caltongate area of Edinburgh. We secured lease deals for a 128-room Premier Inn and a 130-room Hub by Premier Inn. In addition we secured a lease from Adagio, the Accor SA / Pierre et Vacances, for an extended stay hotel with in excess of 135 rooms.

The year of 2014 saw the return of development projects to the UK with a vengeance.

For many years and in many locations it has been possible for investors to buy hotels at prices far lower than the cost of development making it very difficult for developers to make their projects work.

This was not the case in London and the capital has always seen strong demand for hotel space.

The problem in London has been more one of competing uses and the surge in residential prices has made it very difficult for developers to compete for hotel sites in the central areas of London. This has seen them move a little further out and you don't need to go very far South or East in London to see a number of hotel projects coming out of the ground. This is further spurred by the positive effect that Cross Rail will have on access to these areas and journey times.

We are still a long way from a supply imbalance, however, and the high occupancies achieved in London attest to this.

## CONSULTANCY ADVICE BY COLLIERS INTERNATIONAL



### CITY TOWER MANCHESTER

Advised Schroder Property Investment Management on the £132 million acquisition of City Tower. The tower includes a 280 room Mercure hotel operated under a lease and a franchise agreement.

## SOLD BY COLLIERS INTERNATIONAL



### MANOR HOUSE HOTEL GUILDFORD

Substantial 52 bedroom country house hotel sold on behalf of Zolfo Cooper.

Not only does demand continue to rise but the increase in supply is also tempered by a number of hotels falling out of the market to alternative uses. This is especially so in traditional tourist hotel locations such as Bloomsbury, Earl's Court and Bayswater where residential prices are hard to compete with.

London was always an exception but we have also seen other cities coming back to the market for developers one by one. Starting with the more obvious candidates such as Edinburgh, Manchester and Glasgow but also some less obvious markets such as Aberdeen (at least until the recent oil price slump), Chester, York, Oxford and Cambridge. The 'Seven Day' markets are particularly popular where cities offer a strong commercial base but also leisure attractions to fill the weekend and off-season room inventory.

We are still some way from the excesses of the early and mid-noughties but a more normal level of development activity is certainly returning. There are still issues and the plethora of budget and economy hotels is a concern for some medium sized towns and cities that have seen very little new full-service hotel activity. This has largely been down to a funding issue with institutional capital only prepared to back the relatively lower risk FRI lease structure which has meant only one or two candidates for most locations. More recently not only have the institutions become a little braver but there is new capital that specifically targets the more risky but higher returns that hotels are now offering.

There is also the issue of rising construction costs and this is an issue that the brands seem to be aware of, designing ever more 'compact luxury' products that use space more efficiently. Modular system building is also making a big comeback and CIMC systems, a Chinese backed UK company, is very active in the sector.

All of the above is, of course, driven by the greatly improved operating results of hotels which is making owners and lenders more confident and under-pinning the development of new properties.

At Colliers we are seeing a greatly increased level of developer activity across the board. This is being matched by an increased willingness of lenders to re-enter the fray and investors seeing the opportunity. Hopefully we are now firmly back in the 'new normal' for hotel development in the UK with a few good years ahead of us. ■

# 5. Hotel investment market



- Improvements in the economy, the 2015 Rugby World Cup and the increase in business travel should lead to increased hotel trade in 2015 by approximately 6%.
- Due to the good summer weather experienced in 2014, some UK based cottage and holiday park businesses have already reported an 11% increase in bookings for 2015.
- Significant openings have been scheduled with 9,300 hotel rooms being planned for development for the end of 2014 and 2015 in London, and over 14,700 rooms elsewhere in the UK.
- Institutions are committing themselves to the hotel investment market. Recent months have seen an improved appetite for turnover rents from UK and Global institutional investors.
- The UK Economy is Europe's fastest growing major economy and has experienced eight consecutive quarters of growth. For many industries and hotels in particular, 2014 was the best year since the financial downturn in 2007.
- As yields have compressed in major cities, investors have started to consider more regional and secondary locations which provide other opportunities.
- According to VisitBritain, the tourism industry in the UK accounts for over £127bn, while its value to the UK economy grows by 3.8% per annum. Travel and tourism are now worth more than 9% of total UK GDP.
- The UK hotel market is still immature and under supplied, therefore there is room for further development to take place.
- 2014 has proven that premium prices are still being paid for London real estate assets.
- £4.3 billion was invested in the UK hotel market in 2014 which was a 90% increase on 2013.



## TRAVELODGE | LEEDS CENTRAL

108 bedroom budget hotel and ground floor restaurant sold on behalf of Royal London reflecting a Net Initial Yield of 5.75%.

# 6. Hotel valuation



## VALUATION BY COLLIERS INTERNATIONAL



### MOORFIELD HOTEL BRAE | SHETLAND ISLANDS

A modern, purpose built 100 key hotel and restaurant, with meeting rooms and gymnasium, valued for loan security purposes on behalf of the owner's bank

## VALUATION BY COLLIERS INTERNATIONAL



### CONISTON HOTEL SKIPTON

AA 4 star 71 bedroom hotel valued on behalf of the owner's bank for loan security purposes.

## Who would be a hotel valuer?

Not surprisingly over recent years many valuations for secured lending purposes have come under increased scrutiny. This has particularly been the case for valuations of undeveloped hotel sites where the valuation was based on trading projections. Post development, many have failed to trade in line with the initial projections and as a result the market value is now lower than originally envisaged with the problems this brings both developer and funder alike.

In order to try and avoid this scenario there are many skills required in a hotel valuer's 'tool box'. The valuation of hotels never has been, and never will be, simply the case of plugging figures into a 'valuation model' and reporting the figure because that's what the computer says, so it must be right! The valuer needs to be, amongst other things, a detective to accurately evaluate hotel trading performance and it is crucial that they also have the ability to listen and interpret a client's plans and aspirations set against the backdrop of the actual market. Clearly being an experienced sector specialist is a prerequisite – our valuation team has over 150 years' experience between them.

## VALUATION BY COLLIERS INTERNATIONAL



### THE CUMBERLAND HOTEL | LONDON

Valuation advice provided to lenders in relation to this 1,019-room 4 star landmark hotel. Strategically positioned directly opposite Marble Arch and Hyde Park Corner in London's West End, the property is to be further upgraded and reconfigured to refresh its Oxford Street frontage and create additional retail space along Oxford Street and Old Quebec Street.

## VALUATION BY COLLIERS INTERNATIONAL



### ST PAULS HOTEL HAMMERSMITH

Recently opened 35 bedroom boutique hotel in Hammersmith valued for loan security purposes.

Once all the pieces of the jigsaw have been assembled the valuer must then stand back and consider if the results of his or her deliberations are in line with market sentiment.

Whilst this may sound fairly obvious it can bring its own challenges. In London for example, there remains strong demand from overseas buyers, particularly from the Far East, who are prepared to acquire central London hotel assets at all costs and in the process are driving prices inexorably upwards. For the fortunate few there has probably not been a better time to sell. How long this will be the case remains to be seen and is a question which we are regularly asked.

The provincial market also has its challenges. Take for example LRG's sale of 19 Holiday Inns to Kew Green Holdings in Q3 2014. Although this realised a relatively strong yield when analysed against reported EBITDA, at circa £45,000 per key, the deal almost pales in to insignificance when we compare it to the reported +£100,000 per key that was paid for the eight Hallmark hotels earlier in 2014. It will be interesting to see at which end of the spectrum the latest LRG package achieves.

Valuing in the current market is probably as difficult as it has ever been and it is not surprising that lenders, not wishing to repeat mistakes of the past, have reduced their valuation panels accordingly to comprise sector specialists, as opposed to general practice valuers. That said, skilled or not, what we all crave is a period of market stability. With a General Election and continued turmoil in the Eurozone, this may seem unlikely, certainly in the short term.

### RICHARD GREENWOOD

DIRECTOR | HOTEL VALUATION

## Is a branded management company always the right answer?

As more and more owners and investors consider the best way to manage their properties and the number and variety of management companies continue to grow, knowing which will deliver the best results is becoming increasingly difficult.

There is no denying the power of the internationally recognised brands and their presence in the market place. Very few travellers have not heard of Holiday Inn, Hilton, Marriott or Ibis just as examples and for those guests visiting a major city, or flying in or out of an international (or even regional) airport for a one or two night stay, then the big brands are a safe option, with perceived guaranteed consistency of product, competitive pricing and the opportunity to earn loyalty points.

All the major brands have their own management arms and there is no shortage of specialist management companies who operate franchise agreements with the big brands. It is also true to say that many lenders believe that having a recognised brand is the best way to guarantee success.

Notwithstanding the above, the question remains, is a branded hotel always the right answer? Well, in our view, not necessarily. But please do read on. Whilst we readily accept that in many cases a hotel operated under a management agreement with an international brand is absolutely the best option, there are some cases where this is not necessarily the best way forward.

## VALUATION BY COLLIERS INTERNATIONAL



### HOLIDAY INN EXPRESS | STRATFORD LONDON

153 bedroom limited service hotel valued on behalf of the owner's bank for secured lending purposes.

With a number of portfolio transactions having taken place over the last year and new owners divesting non-performing or non-core assets there have been a number of previously branded hotels coming to the market. These represent an opportunity for individual private investors to acquire good sized hotels in provincial locations which actually need a more personal style of management to make them successful. This is where the 'white label' management companies can really add value.

In terms of costs, a non branded hotel does not have to conform to brand standards and therefore potentially expensive property improvement plans, or 'PIPs', nor do they have to incur onerous fixed central marketing and franchise fee costs on top of high management charges.

Many of the white label management companies have developed highly effective distribution channels adept at driving reservations through the hotel websites which reduces the reliance on expensive third party booking agents. As a result the loss of a hard brand can be offset and when combined with the reduction in franchise and associated costs any potential reduction in top line room revenue is more than compensated for by the reduction in costs.

Further, many of the non-branded management companies have the flexibility to be creative with fee structures to help owners to invest in improving product quality, thereby increasing revenues and profits, and ultimately value.

Though we believe there is space for both the large branded management companies and the white labels the key is choosing the right company for the right hotel at the outset, and we are here to help.

### MARK CLEAVER

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Our dedicated hotels team are well positioned across the UK to deliver local expertise in a global context.

Should you wish to contact one of our experts in your local area for advice on the sale or valuation of your hotel or consultancy advice, please call your local office using the details on the left.

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