

CAMDEN TOWN HALL ANNEX

Market Review and Impact Analysis

**CBRE Hotels Limited On Behalf of Crosstree
Real Estate Management Ltd**

October 2014

23 October 2014

Matt Mason
Crosstree Real Estate Management Ltd
1 Curzon Street
London
W1J 5HD

Dear Matt

Camden Town Hall Annex

In accordance with your instructions, we are pleased to present our assessment of the Kings Cross St Pancras market for a potential Hotel to be developed within the in Camden Town Hall Annexe (CTA). The scope of our work is as detailed in our proposal dated 5 March 2014.

Our report embraces a site location appraisal and survey of the market for upperscale lifestyle hotel accommodation in London's Kings Cross St Pancras and Euston area conducted in March 2014. The report includes our comments and recommendations on the identified development opportunity, as well as projections of estimated impact on the local competitive hotel set of a circa 270 bedroom hotel.

Key Findings and Conclusions

- In its current state 'sui generis' office space at CTA is substantially below the requirements of a modern office occupier and is therefore not suitable for office use. Substantial investment would be required to completely refurbish the current building so that it meets the requirements of a modern office user. The cost of which has been judged as prohibitive by Camden Council. The Planning Statement in section 4 states the council intends to relocate from THX (CTA) to new purpose-built premises nearby and accepts that the premises do not meet modern standards for office occupiers." (Deloitte – Camden Town Hall Annexe, London WC1, Marketing Summary, June 2014)
- In the context of the local office market where the Core Strategy recognises that "the future supply of offices in the borough can meet projected demand", change of use from offices to non-business use is supported by the local policy, for example, the Core Strategy suggests that the Council will consider proposals for other uses of older office premises..." (Core Strategy, 2010, CS8 – Promoting a successful and inclusive Camden economy, para 8.3).

- The premises were constructed specifically for exclusive occupation by Camden Council. The large deep floorplates are not conducive for letting to SMEs and therefore would need to be partitioned to provide smaller suitable spaces. These works, and the provision of services for each of those spaces, would be very costly and wholly uneconomic as a large proportion of the accommodation would be used by common areas such as corridors and partitioning.
- The proposed Hotel will be developed as an upper-upscale lifestyle hotel and therefore based upon the HCA employment guide should have an employee to room ratio of 1:1.25, equivalent to approximately 220 employees. However, we have been informed by The Standard that they have outlined to employ over 600 employees, driven by their ancillary facilities.
- The hotel site characteristics present as a clear opportunity for the proposed Hotel development. The proposed Hotel will benefit from the excellent accessibility from/to The Kings Cross redevelopment zone, Kings Cross and St Pancras Stations and surrounding areas.
- With the introduction of a hotel, with 270-bedrooms, we would expect the market to experience a slight decline in occupancy within the first year, potentially falling to below 84 per cent. However, we are of the opinion that there is a market for a hotel in this location which would not adversely impact existing hotel operations in the area.

We do not guarantee the fulfilment of any estimates contained within this report, although they have been conscientiously prepared by us on the basis of our research and information made available to us at the time of our study. No allowance has been made for the effects of possible dislocation consequent upon subsequent changes in political or economic policies in the United Kingdom or elsewhere.

As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

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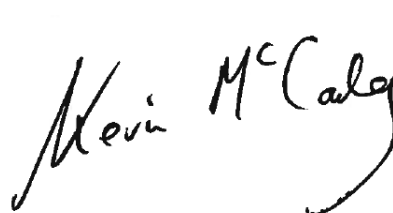
In addition to this report being presented in printed (hard copy) format, you may also have received it in electronic version. As a result, multiple copies and versions may exist in different media, and the signed, original hard copy should therefore be regarded as definitive.

We have welcomed the opportunity of preparing this report on your behalf and would be pleased to discuss it with you if so required, or to answer any queries which may arise.

Yours sincerely



Julian Kemp
Director – CBRE Hotels



Kevin McCauley
Senior Director – CBRE Research

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1

SITE AND LOCATION CHARACTERISTICS

Site Location Characteristics

1. SITE AND LOCATION CHARACTERISTICS

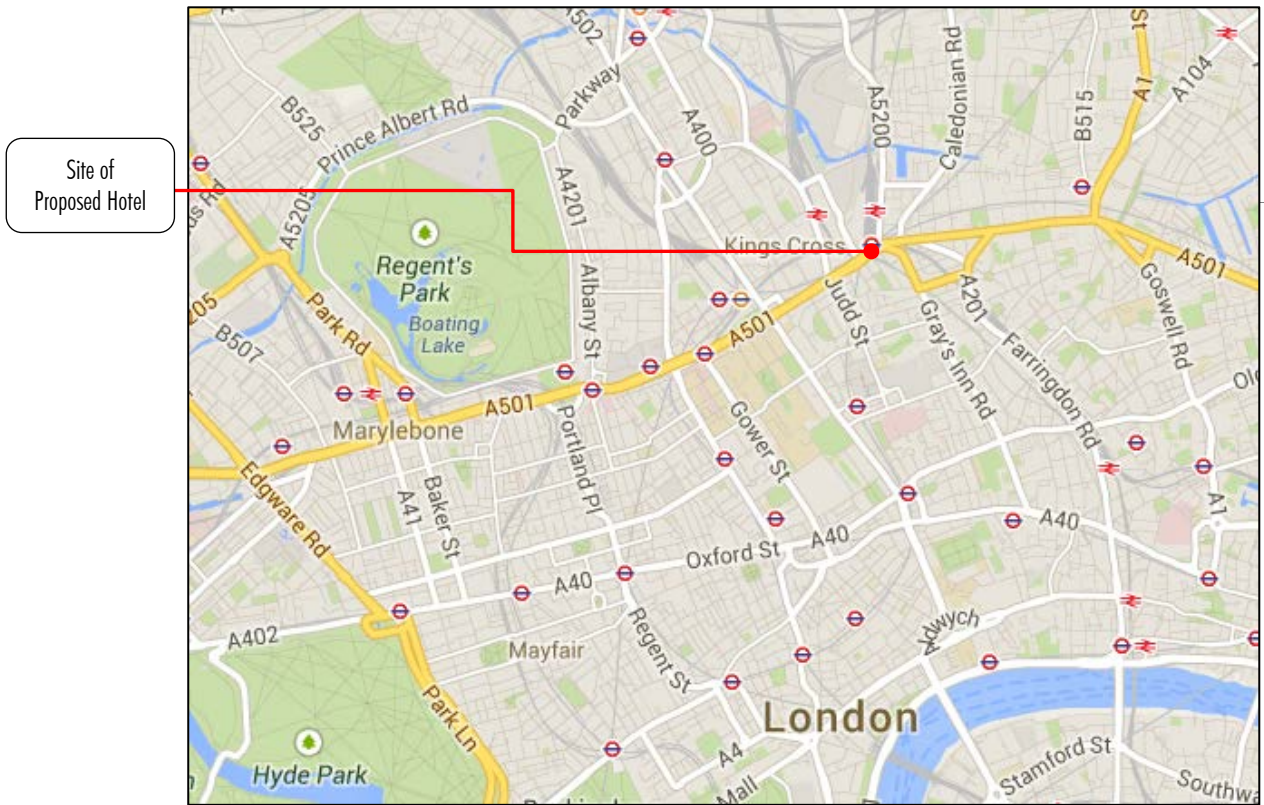
1.1 Introduction

Crosstree Real Estate Management Ltd are planning on developing the CTA into a circa 270-bedroom lifestyle hotel. The Hotel will have a main bar and roof-top bar, a diverse bedroom mix with an average bedroom size of approximately 30.5 square metres, a circa 300 square metre gym and an active street frontage with a diverse food and beverage offering. Currently it is envisaged that the hotel will be branded and operated by “Standard” part of André Balazs (AB) Properties.

In this section, we present our analysis and comments regarding the site for the proposed hotel development, the communication infrastructure around site, and location characteristics.

1.2 Site and Location Appraisal

The following map and aerial photographs present the site location of the proposed hotel in Camden, in relationship to the wider local area.

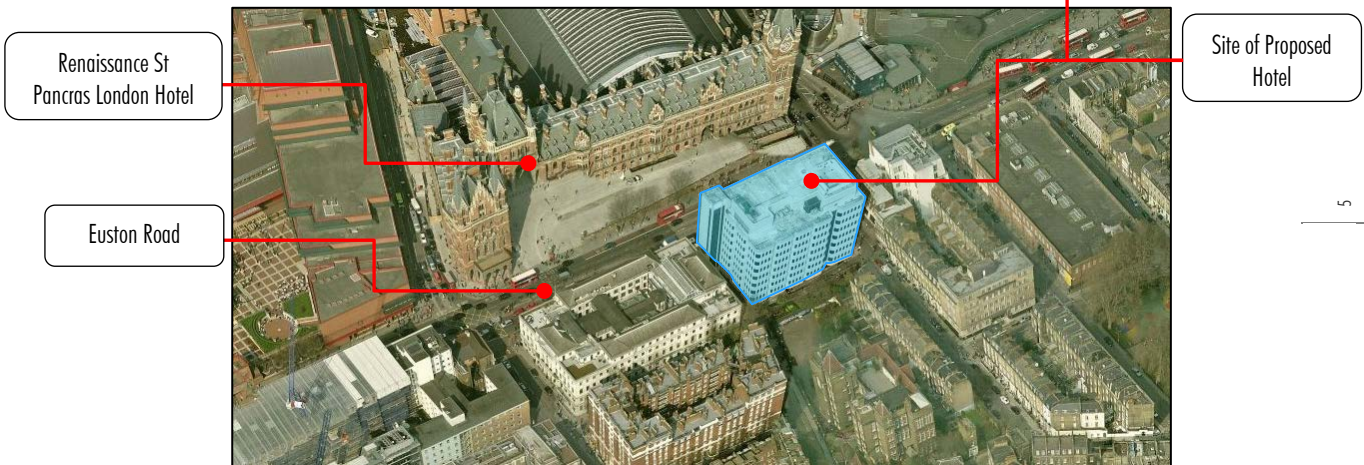


Source: Google Maps, 2014

Site Location Characteristics



Source: Google Maps, 2014 & CBRE Hotels



Source: Bings Maps, 2014 & CBRE Hotels

Comment

- The site is located on the corner of Euston Road and Argyle Street to its immediate north is the King’s Cross Opportunity Area where King’s Cross Partnership are building out an 8.0 million sq ft mixed-use development. The site is approximately 0.23 hectares.
- The site has excellent transport connections with St Pancras and King’s Cross stations to the immediate north served by mainline connections to north and east England, Scotland and to the continent as well as regional services to North London, and the Home Counties. King’s Cross underground station is served by six underground lines. The site also benefits from excellent access to the bus network and Euston Road is part of London’s strategic network.
- CTA is comprised of a net floor area of 109,803 sq ft (including two basement levels) over ten floors. The CTA was added to the old Town Hall in 1975 and is connected by a bridge structure. Floors 1 -7 are each 17,747 sq ft (gross area).
- The building was purpose built for office use and is currently in use as council offices, ancillary facilities and library.

Site Location Characteristics

- The proposed development will include the conversion of the existing building and the construction of an extension at roof level involving removal of the existing plant space creating a design-led hotel building.
- After years of under investment, Kings Cross is now undergoing one of the largest regeneration projects in the UK, estimated to cost approximately £3 billion by completion, and is quickly becoming a major component of Central London for business, tourism and study. The redevelopment of Kings Cross is explained in more detail within section 2.4 of this report.

2

OFFICE AND PLANNING ANALYSIS

Market Environment

2. OFFICE AND PLANNING ANALYSIS

2.1 Camden Town Annex

- Constructed in 1975, the existing building is substantially below the current requirements of a modern office occupier and therefore no longer suitable for use as an office.
- The London Borough of Camden’s Corporate Accommodation Strategy in referring to the Councils existing accommodation, including CTA, states:

“...the context of the deterioration of the Council’s current accommodation which is increasingly expensive to operate and maintain, the inefficient way in which the existing buildings are laid out, poor energy efficiency and environmental sustainability and how the layouts of its buildings hinders the improvement and modernisation of the Council’s services.” (para 1.5)

The Council notes that it has high occupational cost and it is energy inefficient, both of which reflect the age and condition of the building.

Additionally Camden’s Property Strategy (para 11.9, July 2010) notes the following issues with CTA:

- Plumbing issues water leak associated with again pipework/system leading to 297 reports of blocked or faulty drains and flooding,
- Regular lift problems – over the previous year at least one lift was out of action each week in the previous year
- Heating / cooling systems – expensive to maintain , inefficient and unreliable with 250 reported failures in the previous year

The cost of repairing / maintenance was high and expected to rise according to the report.

- In its current state office space at CTA is substantially below the requirements of a modern office occupier and is therefore not suitable for office use. In the context of the local office market where the Core Strategy recognises that “the future supply of offices in the borough can meet projected demand”, change of use from offices to non-business use is supported by the local policy, for example, the Core Strategy suggests that the Council will consider proposals for other uses of older office premises...” (Core Strategy, 2010, CS8 – Promoting a successful and inclusive Camden economy, para 8.3).
- The premises do not include features required by tenants seeking modern office accommodation and requires significant investment to bring up to standard. To recondition the building through a comprehensive refurbishment would require at least the replacement of M&E – the building is under lifted and this will need to be address in any refurbishment – as well as the replacement of cooling systems. The building structure above first floor is a waffle slab spanning on the wide strip beams which in turn span to the building. The replacement of the cooling system in conjunction with the current slab to slab height will reduce floor to ceiling height to below industry standards.
- A refurbishment would still leave compromises with CTA in terms of the depth of floor plate and floor to ceiling heights. Additionally the cost has been deemed prohibitive by

Market Environment

the existing owner/occupier. The Council estimate a total refurbishment cost of circa £20m (as at 2010) to bring the building to the required specification. Even with a refurbishment, the building would not be suitable for all types of occupiers because of constraints such as the size and design of the floor plate and the floor to ceiling heights.

2.2 Planning Context

- Camden Development Policies, 2010-2025, Local Development Framework, DP13 states the Council will retain land and buildings that are suitable for continued business use and will resist a change to non-business unless:
 - it can be demonstrated to the Council’s satisfaction that a site or building is no longer suitable for its existing business use; and
 - there is evidence that the possibility of retaining, reusing or redeveloping the site or building for similar or alternative business use has been fully explored over an appropriate period of time.

In regard to the above two points the ‘Planning Statement Camden Town Hall Extension’ (April 2013) prepared by London Borough of Camden states that *‘in this case, the Council intends to relocate from THX to new purpose-built premises nearby and accepts that the premises do not meet modern standards for office occupiers. Kings Cross Central is identified as delivering a significant majority of new office floorspace to meet Camden’s future demands. Therefore, evidence of site marketing is unlikely to be required to justify the conversion or redevelopment of these offices if a change of use to non-business use was proposed in this case.’*

- Policy CPG5 provides further guidance around the change from office use to non-business use: a number of which are relevant to CTA:

- “The age of the premises, some older premises may be more suitable to conversion”

The building is 30 years old and falls far short of modern requirements. Additionally there is a large development pipeline of new buildings coming through over the next five to ten years, which will accelerate its obsolesce.

- “Whether the premises include features required by tenants seeking modern office accommodation”.

As noted above the building does not meet the specification of a modern office. Its M&E (including lifts) and cooling systems would need to be replaced. The construction using a waffle slab above the first floor means that overhauling the cooling system would have a detrimental impact on the floor to ceiling height reducing them to 2.5m compared with a BCO standard of 2.8m, making the space unattractive to prospective tenants.

An additional point to note is that the King’s Cross development pipeline contains is 1.5m sq ft of speculative space that will be completed between 2014-18. This space will be more aligned to the requirements of a modern occupier than refurbished in CTA.

- “The quality of the premises and whether it is purpose build accommodation. Poor quality premises that require significant investment to bring up to modern standards may be suitable for conversion”

Market Environment

The cost of refurbishment has been deemed prohibitive by the existing owner occupier, the London Borough of Camden which are relocating from the building. The Council estimate a total refurbishment cost of £19.90m to bring the building up to the standard required for their occupation (including £1.71m for IT and furniture). This estimate was provided in 2010 and is likely to be higher because of an uplift in construction prices since then.

A more recent estimate provided by Gardiner Theobald indicates that refurbishing the offices to category A would cost £28.228 million - equivalent to £156 per sq ft. This does not include any structural alterations or modifications which would produce a material increase in refurbishment costs. The cost estimate does not include fees and other expenses that would add an additional 15% to costs, taking the total cost to approximately £32.46m.

In today’s market, refurbished office space in the building would achieve rents of between £50-52.50 per sq ft. Any reduction in floor to ceiling height would reduce the rental values.

The approximate cost of refurbishment as well as the stated achievable rents would make the refurbishment of the building for office use prohibitive.

- “Whether there are existing tenants in the building and whether these tenant intend to relocate”

The London Borough of Camden has deemed the offices not fit for purpose and has elected to relocate to new modern premises at Five Pancras Square when it is completed.

- “The location of the premises and evidence of demand for office space in this location”; and,

Previously the location was not a well-established office location but this has changed with the King’s Cross Central development and the area has become a significant new addition to the London office market. Demand for office space has been strong but this has been generally for large new well-specified buildings within King’s Cross Central with its wider amenities and environment offer. The existing CTA building does not compete with these new developments nor will it be able to offer the same quality of building if fully refurbished due to constraints slab to slab heights, positioning of core and the general construction of the building as well as the poorer general environment and range of amenities, particularly given the physical barrier Euston Road creates.

Additionally, it has been established by Camden Council Camden (para 8.8, Core Strategy 2010) and the Greater London Authority (London office Policy Review, 2012) that Camden has a sufficient supply of office space to accommodate future demand.

- “Whether the premises currently provide accommodation for small and medium businesses.”

The premises are occupied exclusively by Camden Council and are not occupied by SMEs. Furthermore the premises were constructed specifically for exclusive occupation by Camden Council. The large deep floorplates are not conducive for letting to SMEs and therefore would need to be partitioned to provide smaller suitable spaces. These works, and the provision of services for each of those spaces, would be very costly and wholly uneconomic as a large proportion of the

Market Environment

accommodation would be used by common areas such as corridors and partitioning.

Additionally, DP13, paragraph 13.3 states when assessing proposals that involve the loss of a business use, the council will consider whether there is a potential for that use to continue by taking into account factors such as proximity to an Industry Area, the suitability of the location suitable for light industry and local distribution warehousing, access to the strategic road network and other modes of transport other than a car. The site's location within the CAZ, adjacency to King's Cross Opportunity Area and proximity to listed building means that B1(c) or B8 uses are not appropriate. The site is currently used as sui generis offices and not for wider business so many of the criteria do not apply.

Furthermore, the site is not in or close to an industrial area and is not suitable for such uses given it lacks site services and is close to a major London transport infrastructure hub, residential areas and also to Argyle primary school.

2.3 Market Context

- The London Plan identifies King's Cross as a growth area capable of supporting 1,900 new homes and 25,000 jobs. It is now the location of significant new development, largely around Kings Cross Central Limited Partnership's (KCCLP) scheme on former railway lands at King's Cross.
- There is 2.9million sq ft offices (1.4million sq ft has been let or is under offer) scheduled for completion at King's Cross for the period 2014-19, of which 0.7million sq ft is currently under construction. In all likelihood the completion date for some of these buildings will change as buildings prelet or experience delays, nonetheless, it provides an indication of the scale of the transformation that King's Cross will experience in the next five years.
- The London Office Policy Review (2012) – a key part of the London Plan's evidence base – suggests that Camden's supply of office space will be more than sufficient to accommodate future demand. Based on projections for office-based employment in the borough to increase by 42,633 between 2011 and 2031, implying a demand for additional office space of 584,071 sq m (GIA) compared with an estimates supply capacity of 727,762 sq m (GIA). This additional supply capacity equates to 143,691 sq m (GIA) or 25% more than anticipated demand for office space.

2.4 Conclusion

- In its current state 'sui generis' office space at CTA is substantially below the requirements of a modern office occupier and is therefore not suitable for office use. This is recognised by Camden Council in various reports and the reason for re-locating which cite long-standing problems with heating/cooling systems, waste and water systems and lifts. Additionally the escalating cost or repair and maintenance and energy inefficiency of the building mean that it is has high occupation costs.
- Substantial investment would be required to completely refurbish the current building so that it meets the requirements of a modern office user. The cost of which has been judged as prohibitive by Camden Council.
- In the context of the local office market where the Core Strategy recognises that "the future supply of offices in the borough can meet projected demand", change of use from offices to non-business use is supported by the local policy, for example, the Core

Market Environment

Strategy suggests that the Council will consider proposals for other uses of older office premises..." (Core Strategy, 2010, CS8 – Promoting a successful and inclusive Camden economy, para 8.3).

3

HOTEL ANALYSIS

3. PROPOSED HOTEL DEVELOPMENT

3.1 Introduction

In the following section, we summarise the proposed development for the hotel in the CTA, provide information on the proposed brand, an overview of other Lifestyle brands within the general hotel market and an overview on the potential employment and economic impact of the proposed Hotel.

3.2 Proposed Brand

At the time of writing, the proposed Hotel development is envisaged to become a Standard Hotel. The Standard Hotel brand was founded in 1998 by André Balazs and sits within AB Properties. The portfolio currently comprises five Standard hotels across the United States:

- The Standard, Hollywood: an adapted former 1960s motel
- The Standard, Downtown LA: former Superior Oil Company Building constructed in 1956
- The Standard Spa, Miami Beach: a Miami Modern property constructed in 1957
- The Standard, New York Highline: a new build construction in the Meatpacking district of New York
- The Standard, New York East Village: refurbished hotel

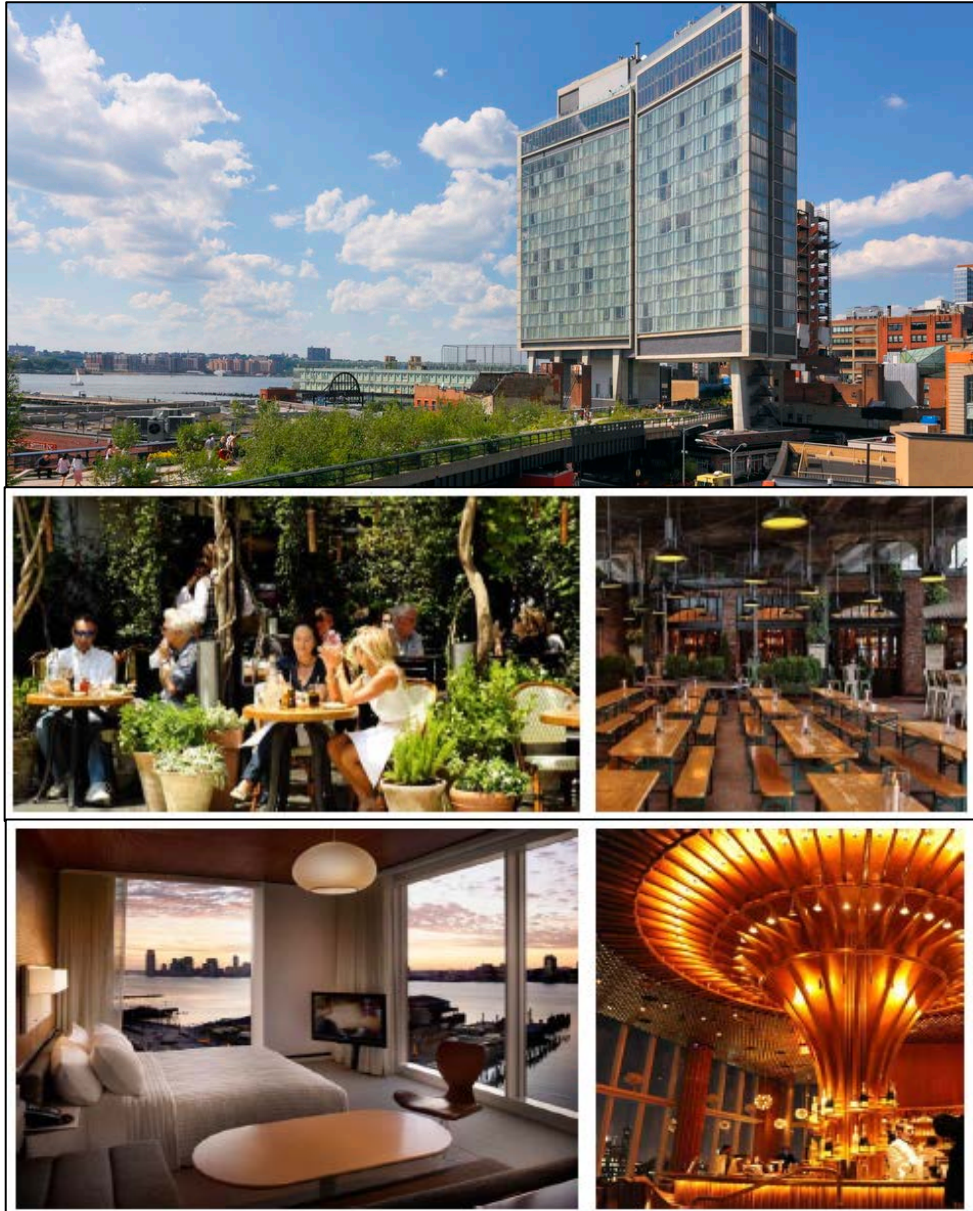
AB Properties have a proven track record in converting buildings others may consider outdated or inefficient and transforming them into modern iconic hotels that become a destination in their own right through modern design and a unique food and beverage offerings. The Standard is a soft brand and this is able to fit into most conversion schemes.

André Balazs is currently opening his first hotel in London, the Chiltern Street Firehouse. A 26 bedroom converted Victorian Firehouse, although smaller than his normal hotels, the hotel has already created great interest in what is normally a relatively slow street in terms of pedestrian footfall since its soft opening in February 2014. The opening has also provided greater brand awareness of André Balazs within the UK.

If CTA goes ahead and is branded The Standard, it will be the first of its brand outside of the US and the second hotel for André Balazs outside of the US.

The images overleaf illustrate The Standard High Line situated in the, now popular, meat packing district of New York City an area very similar to Kings Cross St Pancras prior to its regeneration in terms of public perception and degradation .

The Standard High Line, New York



Source: Standard Hotels

André Balazs recently commented on The Standard Brand in the Design Hotels Magazine, stating that “In the early days of its existence, the hotel was a public space, it was the centre of a community. We still focus on this traditional idea of the hotelier’s contribution to urban life. I believe that a community can still be galvanized around a hotel, and our hotels try to do that. When we opened The Mercer, my biggest concern was that people would not know where SoHo was. Now every city has a neighbourhood they call Soho. When we opened The Standard, Downtown LA in 2003, that neighbourhood had been written off. Now it’s thriving.”

3.3 Proposed Development

Proposed hotel, Camden Town Hall Annexe

Proposed hotel Facilities

COMPONENT	CHARACTERISTICS
Bedrooms	<ul style="list-style-type: none"> Approximately 270 bedrooms : Average room size of approximately 31m²
Other	<ul style="list-style-type: none"> Ancillary retail space Ancillary hotel lobby areas The basement will contain ancillary hotel facilities such as a hotel function room

Source: Crosstree Real Estate Management Ltd

3.4 Likely Direct Employment

The proposed hotel will provide employment opportunities, both direct and indirectly. As the hotel is aimed at the upscale market with multiple ancillary facilities the hotel will require a significant number of staff. Staff levels will be at a higher level than those required for a budget style operation due to the facilities and service offered.

The Employment density guide (second edition, 2010) is published by the Homes and Communities Agency (HCA) to assist appraisers in the estimation of employment generated by property development based on employment density ratios. Ratios are generally expressed as the number of square metres per employee, however, in hotels it is expressed on the number of rooms per employee. The following table illustrates the ratios for uses relevant to the proposed hotel.

HCA Employment Density Guidance

TYPE	EMPLOYMENT DENSITY
A1 High Street Retail	1 employee per 19sq m (NIA)
A3 Restaurants & Cafes	1 employee per 18sq m (NIA)
C1 Budget Hotels	1 employee per 3 bedrooms plus casual staff
C1 Midscale Hotels	1 employee per 2 bedrooms
C1 Upperscale Hotels	1 employee per 1.25 bedrooms

Source: HCA Employment Density Guide, 2010

From this information an estimate for the staffing level within the proposed Hotel can be established (not including staffing for the residential or retail aspects). We have assumed that the proposed Hotel will be developed as an upper-upscale hotel and therefore have an employee to room ratio of 1:1.25, equivalent to approximately 220 employees.

However, we understand that the ancillary facilities associated with The Standard are not typical hotel outlets and therefore require greater staffing levels. As such we have been informed by The Standard that they have outlined to employ over 600 employees, driven by their ancillary facilities.

3.5 Potential Wider Employment Support by the Proposed Hotel

Additionally, in October 2011 the British Hospitality Association commissioned Oxford Economics to produce a report highlighting the Economic Contribution of UK Hospitality Industry. The research assessed the various economic contributions that the hospitality industry makes to the wider UK economy and provided scenario analysis of the potential future contribution of the hospitality economy under a range of different assumptions. The scope included a detailed analysis of the direct contribution that the core hospitality industry

makes to the UK economy (covering employment, GVA, Exchequer tax revenue, exports/in-bound spending and investment), as well as an examination of the indirect and induced contributions, via supply-chain linkages and consumer spending of persons directly and indirectly employed by the industry.

The following graph illustrates the results from their report highlighting the direct and indirect employment of the Hospitality Industry across London as a percentage of the boroughs work force.

**Oxford Economics Direct and Indirect Hospitality Employment
October 2011 Report**

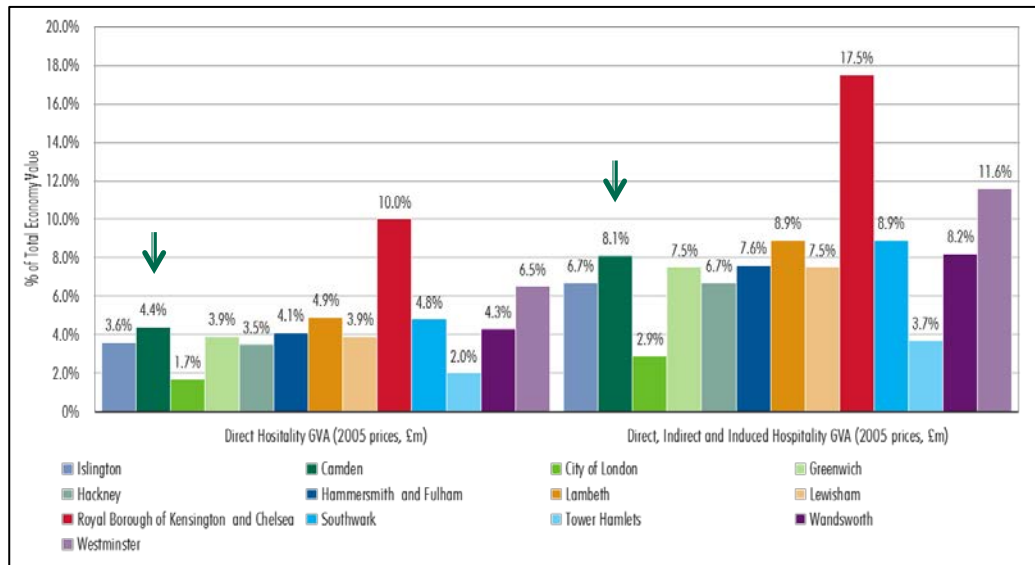


Source: Oxford Economics, Hospitality Driving Local Economies

3.6 Potential Economic Benefit of the proposed Hotel on the Local Neighbourhood

The report from Oxford Economics also looked at the economic impact of hospitality on local areas across the UK. Within the graph overleaf we present their findings on the impact of Hospitality in London’s Boroughs as a percentage of total borough GVA both direct and indirectly.

Oxford Economics Direct and Indirect Hospitality Employment October 2011 Report



Source: Oxford Economics, *Hospitality Driving Local Economies*

3.7 Lifestyle Brand Overview

As stated previously the envisaged brand and operator for the proposed hotel is 'The Standard'.

The Building, due to its floor plates and layout is not wholly suitable to a core brand hotel, which comes with many fixed brand standards. As such the building will lend itself to a conversion brand, where standards are not so rigid.

The Lifestyle product is largely developed by designers that are happy to work with a mix of room sizes and layouts. If AB Properties do not go ahead with the scheme there are a number of other Lifestyle brands and operators in the market place.

The diagram overleaf shows a number of brands within this space that either operate in the UK or outside, but are looking for an entry into the London market.



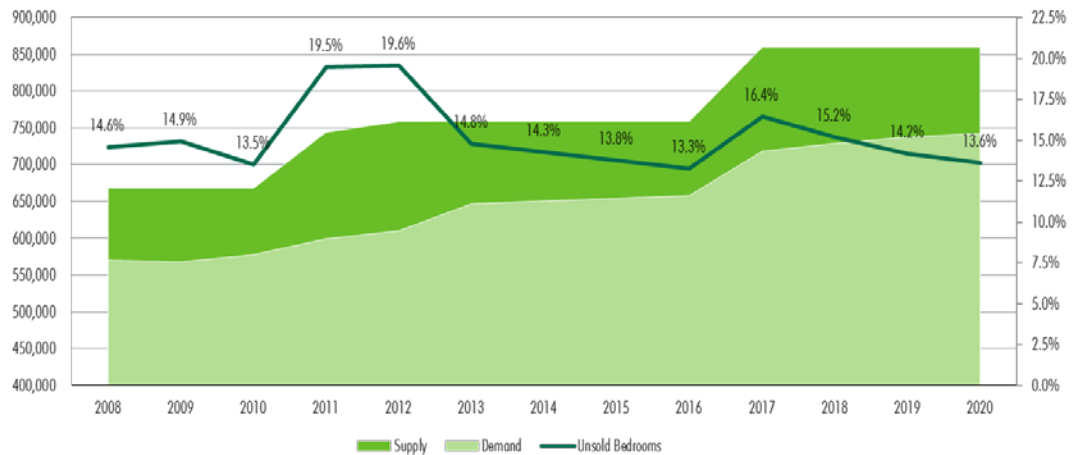
3.8 Impact Analysis

3.8.1 Key Assumptions

- We have assumed that the proposed hotel development will commence trading on 1 January 2017. The first trading period is assumed to be the 12 months ending 31 December 2017;
- There is no additional supply growth within this market segment; and
- With designs still being drawn we have based our analysis on 270-bedrooms to illustrate the impact on the market with a larger hotel entering.

The graph overleaf provides our projected impact on the Set 1, as illustrated in appendix 2, local market of relevance from the opening of a hotel with approximately 270-bedrooms until stabilisation in 2020.

Proposed Hotel's Potential Impact on Competitive Set



Source: CBRE Hotels Projections

Comment

- Since 2008 the hotel market identified within Set 1, as illustrated in appendix 2, has achieved occupancy of over 80.0 per cent. In 2011, with the significant addition of supply prior to the Olympics the market occupancy fell by approximately 6.0 per cent from 86.5 per cent in 2010 to 80.5 per cent in 2011. However, the hotel market post Olympics has seen the additional supply absorbed with occupancies returning to 2010 levels.
- CBRE Hotels has projected that with the continued development of the Kings Cross St Pancras area as well as the planned regeneration of Euston Station the demand for hotel accommodation within the area will continue to increase reaching approximately 86.7 per cent in 2016, when an additional 30,000 people are expected to be either living, working or studying in Kings Cross St Pancras.

With the introduction of a hotel, with 270-bedrooms, we would expect the market to experience a slight decline in occupancy within the first year, potentially falling to 83.6 per cent. However, we are of the opinion that there is a market for a hotel in this location which would not adversely impact existing hotel operations in the area.

3.9 Conclusion

- Kings Cross St Pancras is London's most connected location in terms of transport links, with six underground lines, as well as multiple bus routes, international and national trains connecting the area to principal cities in the UK, European capitals as well as direct access to London Heathrow Airport.
- The regeneration of the Kings Cross area, at an estimated cost of approximately £3 billion, is the one of the largest redevelopments within the UK and Europe. With an estimated increase of 45,000 people either living, working or studying in the area due to the regeneration we are of the opinion that there will be a significant increase in demand for hotel accommodation, restaurants and other ancillary facilities.
- The proposed hotel is planned to enter the market at a strategically important point of the regeneration, with 30,000 people are already expected to be utilising the new area.
- The local hotel market is currently dominated by smaller two and three-star unbranded independent hotels and large budget hotels. This provides an opportunity for a upscale lifestyle hotel to fill the gap in the market place.

- The continued growth of London, especially post Olympics has enabled the local market to record strong occupancy levels and any new supply in the area is quickly absorbed.
- The hotel site characteristics present as a clear opportunity for the proposed Hotel development. The proposed Hotel will benefit from the excellent accessibility from/to The Kings Cross redevelopment zone, Kings Cross and St Pancras Stations and surrounding areas.
- CBRE Hotels has projected that with the continued development of the Kings Cross St Pancras area as well as the planned regeneration of Euston Station the demand for hotel accommodation within the area will continue to increase.
- The proposed Hotel will be developed as an upperscale lifestyle hotel and therefore based upon the HCA employment guide should have an employee to room ratio of 1:1.25, equivalent to approximately 220 employees.

However, we understand that the ancillary facilities associated with The Standard are not typical hotel outlets and therefore require greater staffing levels. As such we have been informed by The Standard that they have outlined to employ over 600 employees, driven by their ancillary facilities.

APPENDICES

APPENDIX 1: Glossary

ARR – Average Room Rate

Defined as the average room rate charged per paid room occupied and is calculated by dividing total rooms revenues by the number of rooms sold.

Bednights

Quantifies the number of guests resident in the hotel.

CAZ – Central Activity Zone

The CAZ represents London primary business district and contains high concentrations of financial, business and profession services, communications, publishing, advertising and media businesses.

Cost of Sales

Expenses directly related to the sale of goods or services such as raw materials but excluding indirect expenses.

Demand Build-Up

Demand build-up is a methodology used to project roomnight demand, and includes an assessment of seasonality, source of demand, and future trading potential of any given hotel.

Direct Expenses

Direct expenses relates to direct variable costs incurred in the operation of each department and varies from property to property. Examples include satellite television subscription, laundry and dry cleaning, guest and cleaning supplies costs.

DOP – Departmental Operating Profit

Total departmental revenue less cost of sales, payroll costs and direct operating expenses.

Double Occupancy

Double occupancy describes a double or twin room that is occupied by two people as opposed to single occupancy in which case one person occupies a double or twin room.

Double Occupancy Factor

A measurement to denote the incidence of two people occupying double or twin room. A double occupancy factor of 1.2 denotes that 20 per cent of the time, two people share the room, while a double occupancy factor of 2.0 denotes that two people share the room all of the time.

Fair Share

Based on a quantification of current accommodation demand and supply in any given hotel market and includes an assessment of demand growth in the market, the impacts of future competitive supply and displaced and created demand in the market. The term 'fair share' relates to each hotel achieving an equal proportion of demand in the quantified market.

GOP – Gross Operating Profit

Gross Operating Profit is defined as total revenue less all departmental and undistributed operating expenses, also referred to as IBFC (Income before Fixed Costs).

Management Fees

Management Fees are fees charged by an organisation managing a property for management services and supervision of the property.

MOD – Minor Operated Departments

Minor Operated Departments include equipment rental, telephone and business centre revenues.

Rack Rate

The standard price of a hotel room before any discounting has taken place and is often a statement of position in the market.

Room Yield

Calculated by dividing total room revenues by the number of rooms available for sale in the same period.

Room Occupancy

Calculated by dividing the number of roomnights sold during a period by the total number of rooms available in the same period.

Roomnights

Describes the number of rooms that are occupied in a hotel, regardless of the number of people staying in the room.

Sales per Employee

Calculated by dividing total sales by the total number of full-time employees (i.e. part-time employee's count as fewer than one).

UOE – Undistributed Operating Expenses

This classification is used for administrative and general expenses, marketing expenses, energy costs, and property operation and maintenance expenses.

APPENDIX 2: Hotel Market of Relevance

Introduction

In this section, we examine the historic and current trading dynamics of the competitive hotel market of relevance to this project. In order to illustrate the operating characteristics of the local hotel market of relevance, we have used the following STR Global benchmark samples:

SET 1 – The sample comprises the following hotels situated within 0.75 miles of the proposed hotel.

■ Pullman London St Pancras	-	312 bedrooms
■ Renaissance St Pancras London Hotel	-	245 bedrooms
■ Thistle Euston	-	362 bedrooms
■ Doubletree London West End	-	215 bedrooms
■ Mercure London Bloomsbury	-	109 bedrooms
■ Principal Hayley Hotel Russell	-	373 bedrooms
■ Hilton London Euston Hotel	-	150 bedrooms
■ Holiday Inn London Bloomsbury	-	314 bedrooms

SET 2 – This secondary sample comprises a selection of lifestyle branded hotels situated in London.

■ Andaz Liverpool Street London	-	267 bedrooms
■ Renaissance St Pancras London Hotel	-	245 bedrooms
■ W Hotel London Leicester Square	-	192 bedrooms
■ Sanderson Hotel	-	150 bedrooms
■ One Aldwych Hotel	-	105 bedrooms
■ St Martin`s Lane	-	204 bedrooms

SET 1 – Key Performance Indicators (KPI)

We have used a hotel market benchmark sample of upperscale (four and five-star) hotels within 0.75 miles of the proposed Hotel development to illustrate the operating characteristics of the local hotel market to assess the local market environment.

To illustrate the operating characteristics, the table overleaf presents occupancy, average room rate and RevPAR analysis from February 2010 to January 2014.

APPENDIX 2: Hotel Market of Relevance

Hotel Market Operating Performance

SET 1 Hotel Market (48 months to January 2014)

12 MONTHS TO JANUARY		2011	2012	2013	2014	VARIANCE 2013/2014	CAGR 2014/2011
Performance Indicators							
Occupancy	%	86.0	80.0	80.4	86.0	5.6	0.0
Average Room Rate	£	107.32	126.73	134.27	135.10	0.6%	8.0%
Room Revenue Yield	£	92.32	101.40	107.98	116.20	7.6%	8.0%
Performance Indicators							
Annual Room Supply (000s)	£	668.0	751.9	758.8	759.2	0.0%	4.4%
Annual Rooms Sold (000s)	£	574.7	601.7	610.2	653.0	7.0%	4.4%
Actual Rooms Revenue (000s)	£	61,669.5	76,245.0	81,938.0	88,216.0	7.7%	12.7%

Source: STR Global, 2014

Comment

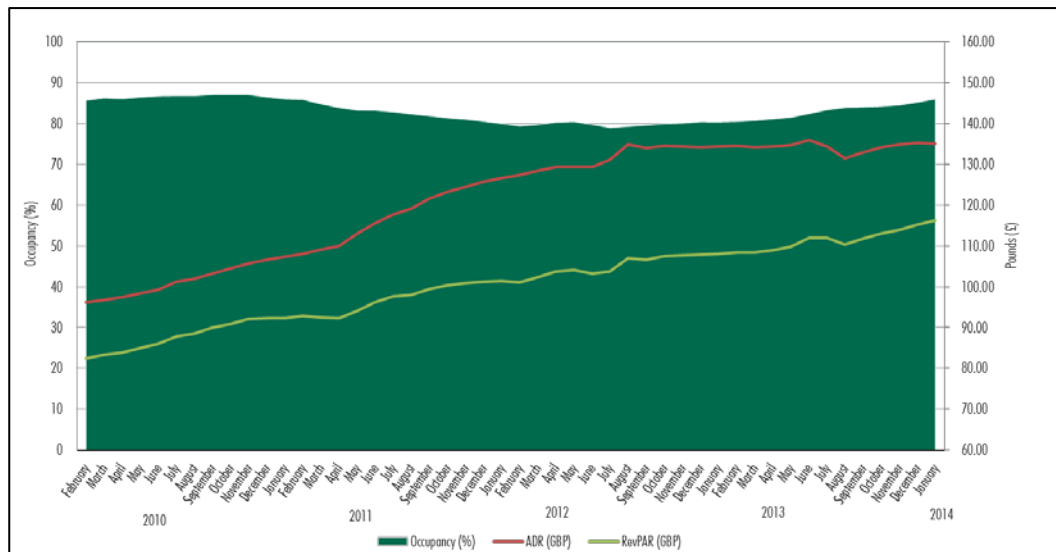
- The continued growth of London, especially post Olympics has enabled the local market to recover occupancy levels to 86.0 per cent, in the 12 months to January 2014. What is of greater interest is that both room supply and rooms sold annually has been growing at a CAGR of 4.4 per cent respectively, showing that new supply in the area is quickly absorbed.
- There is no doubt that with occupancies as high as 86.0 per cent there are periods within the year that hotels within the benchmark set 1 are displacing demand, to hotels outside the Borough and there is a missed opportunity for the area to maximise the economic benefits of overnight visitors.
- As well as the occupancy trend, the resulting ADR growth further demonstrates the popularity of the area, with hotels being able to realise an 8.0 per cent CAGR between 2011 and 2014.

Overleaf, we present the rolling 12-month moving average trend (MAT) key performance indicators for the competitive market of relevance for the 48 months to January 2014.

APPENDIX 2: Hotel Market of Relevance

MAT Occupancy, ARR and RevPAR

SET 1 Hotel Market (48 months to January 2014)



Source: STR Global, 2014

Comment

- The MAT analysis further demonstrates the popularity of the area with occupancies rarely falling below 80.0 per cent and hotels able to grow average room rates.
- The slight decline in occupancy in 2011 was due to the increased roomstock in London pre Olympics, but as illustrated this downward trend was short lived with new roomstock absorbed quickly and occupancy trending upwards.
- With occupancies returning to above 85 per cent levels the hotel market is already displacing significant accommodation demand to other areas.

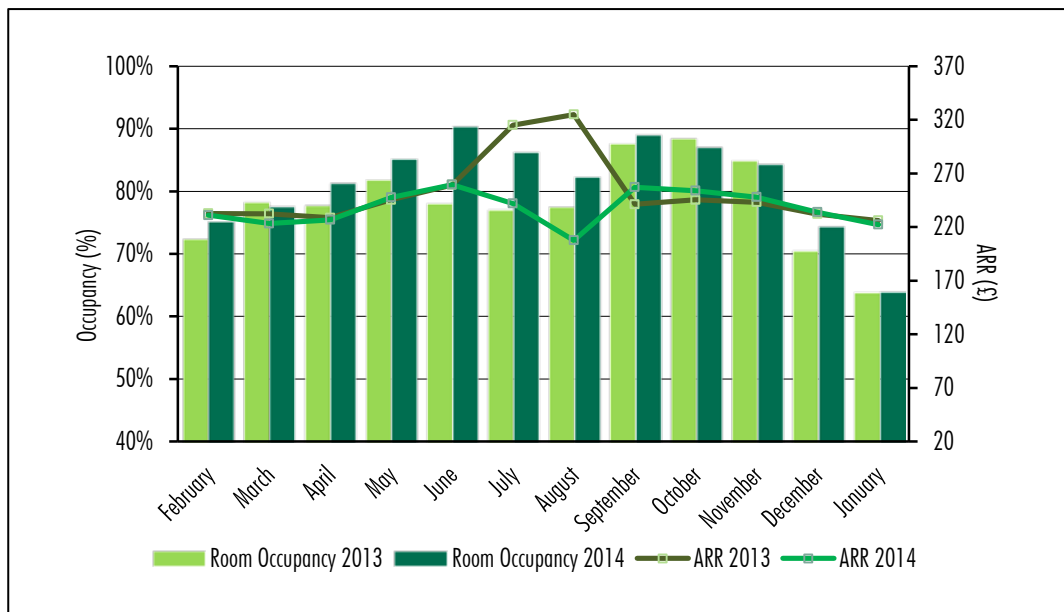
Seasonality Profile

The graph overleaf illustrates the seasonality patterns of occupancy and average room rate performance achieved by the above sample of upperscale hotels in the hotel market of relevance for the 12 months to January 2013 and 2014.

APPENDIX 2: Hotel Market of Relevance

Hotel Market Seasonality

SET 1 Hotel Market (12 months to January 2013 and 2014)



Source: STR Global, 2014

Comment

- Set 1 hotels enjoy strong occupancy levels throughout the year, rarely falling below 70.0 per cent. The only months of weak demand are periods associated with low corporate demand. The area benefits throughout the year from London’s position as a must see location and business destination.
- The large variances over the summer period between the 12 months to January 2014 and 2013 stems from the Olympic period where rates were artificially inflated above the market average and occupancies were lower due people steering clear of London pre-Olympics.

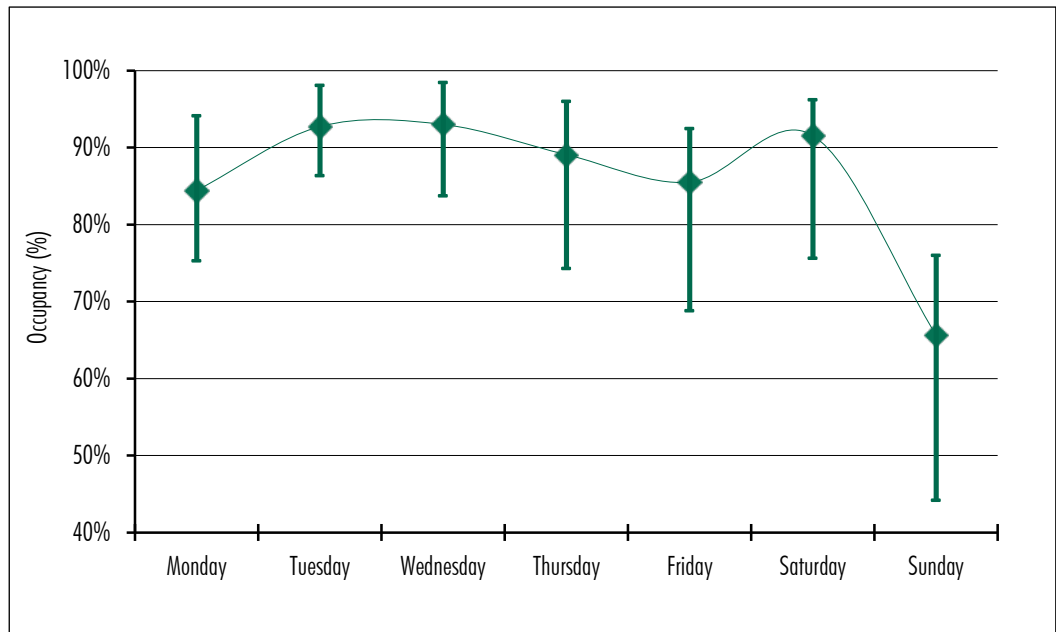
Daily Market Trends

In addition to the performance analysis above, we have used data from our sample of hotels to analyse daily trends for the 12 months to January 2014. In the following graphs we present the spread of average daily room occupancy and average daily room rate performance, illustrating the highest, lowest and average levels achieved over this period.

APPENDIX 2: Hotel Market of Relevance

Spread of Occupancy Per Day

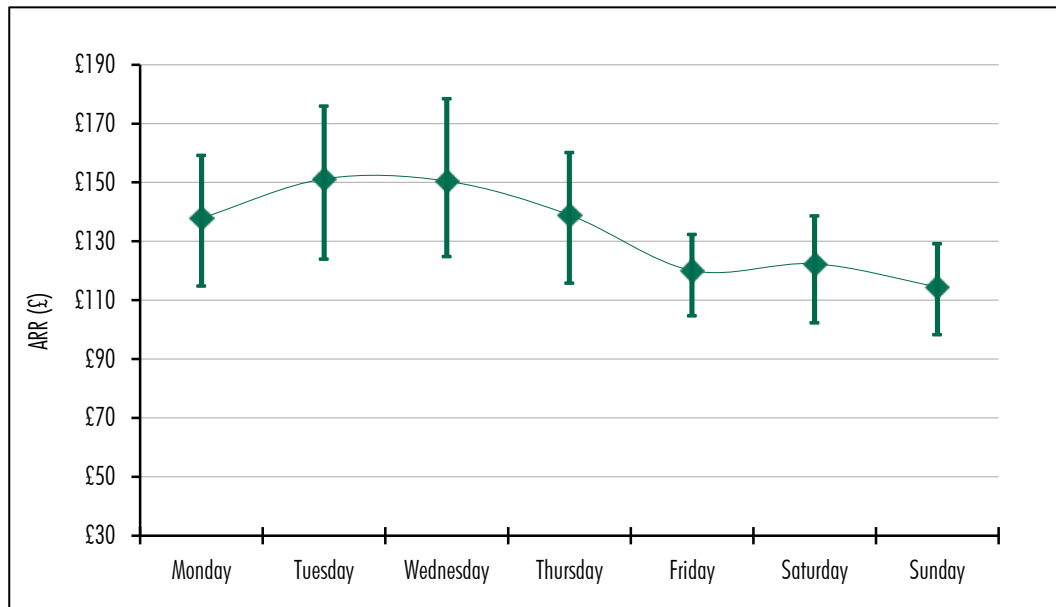
SET 1 Hotel Market (12 months to January 2014)



Source: STR Global, 2014

Spread of Average Rate Per Day

SET 1 Hotel Market (12 months to December 2013)



Source: STR Global, 2014

Comment

- The local upscale hotel market of relevance exhibits stronger average daily room occupancy during the midweek period and Saturday night, with peak demand levels achieved on Tuesday, Wednesday, Thursday and Saturday, at an average occupancy of approximately of 93 per cent. Monday, Friday and Sunday nights represent the lowest demand nights of the week due to limited corporate and leisure-related demand,

APPENDIX 2: Hotel Market of Relevance

illustrated by Sunday night with achieved average room occupancy of 65.6 per cent in the 12 months to January 2014.

- Whilst average room rate remained fairly static throughout the week, the lowest average room rates were achieved on Sunday nights, at approximately £115, and the strongest were achieved on Tuesday and Wednesday nights at approximately £151.

SET 2 – Key Performance Indicators (KPI)

In this section, we have used a hotel market benchmark sample of central London lifestyle branded hotels (similar style to proposed development) across London to illustrate the demand within the accommodation market for this style of hotel.

To illustrate the operating characteristics, the following table presents occupancy, average room rate and RevPAR analysis from February 2010 to January 2014.

Hotel Market Operating Performance

SET 2 Hotel Market (48 months to January 2014)

12 MONTHS TO JANUARY		2011	2012	2013	2014	VARIANCE 2013/2014	CAGR 2014/2011
Performance Indicators							
Occupancy	%	78.9	74.0	78.2	81.4	3.2	1.1%
Average Room Rate	£	239.26	245.53	252.74	238.59	-5.6%	- 0.1%
Room Revenue Yield	£	188.67	181.68	197.66	194.17	-1.8%	1.0%
Performance Indicators							
Annual Room Supply (000s)	£	265.0	417.6	424.5	424.5	0.0%	17.0%
Annual Rooms Sold (000s)	£	209.0	309.0	332.0	345.5	4.1%	18.2%
Actual Rooms Revenue (000s)	£	49,995.4	75,874.5	83,907.6	82,422.5	-1.8%	18.1%

Source: STR Global, 2014

Comment

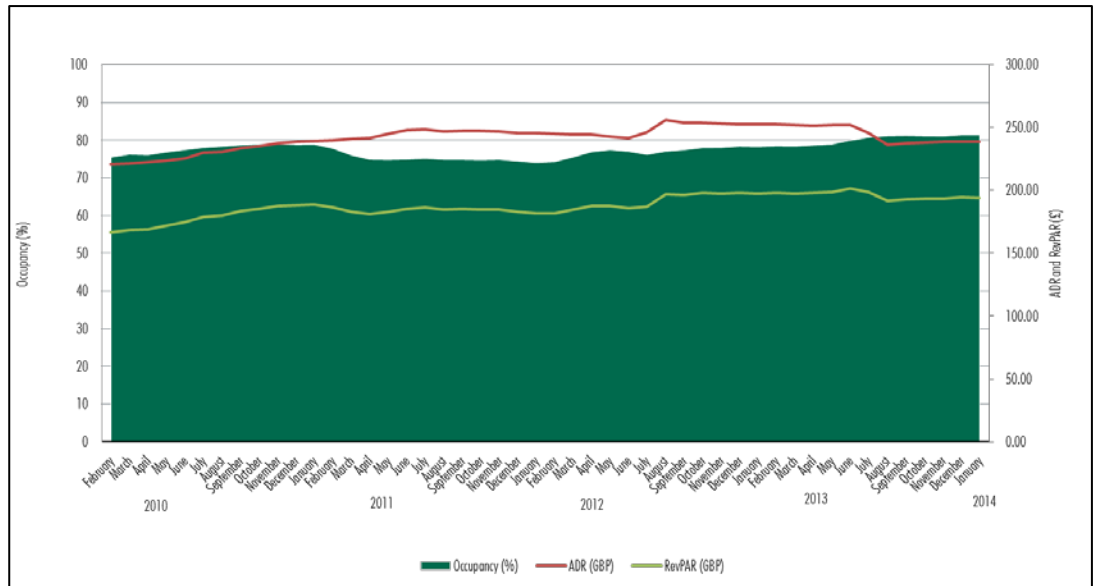
- Similar to Set 1 data, the lifestyle hotels have benefitted from the growth of London as a destination with occupancy levels showing a CAGR of 1.1 per cent over the period of review. Whilst a proportion of this demand will be generated by the London effect, Lifestyle hotels are still fairly new in the London market place and are becoming more popular, especially as disposable income increases.
- The CAGR calculation in respect of rooms supply and rooms sold illustrates that this classification/type of product is very popular with rooms sold growing at a faster rate than rooms supply. The trend, if it continues, will eventually show that demand will outweigh supply and therefore representing development opportunities going forward.

Overleaf, we present the rolling 12-month MAT key performance indicators for the competitive market of relevance for the 48 months to January 2014.

APPENDIX 2: Hotel Market of Relevance

MAT Occupancy, ARR and RevPAR

SET 2 Hotel Market (12 months to January 2014)



Source: STR Global, 2014

Comment

- As with Set 1, there was a significant increase in supply in the 12 months to January 2012 causing the occupancy dip in March 2011; however, this additional supply has been quickly absorbed with occupancy levels continually growing from December 2011.

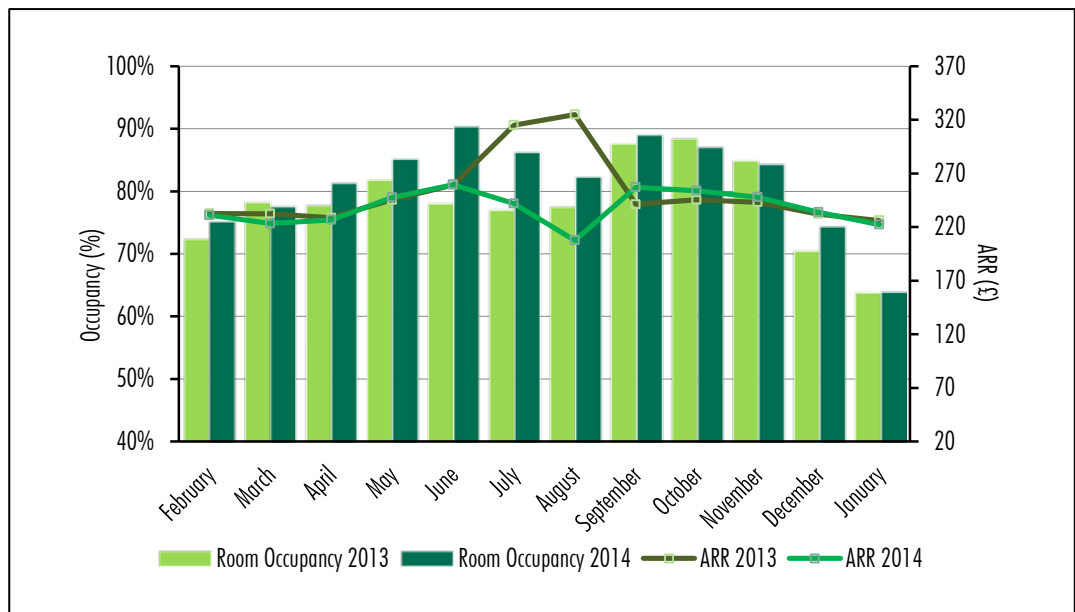
Seasonality Profile

The graph overleaf illustrates the seasonality patterns of occupancy and average room rate performance achieved by the above sample of luxury lifestyle branded hotels in London for the 12 months to January 2013 and 2014.

APPENDIX 2: Hotel Market of Relevance

Hotel Market Seasonality

SET 2 Hotel Market (12 months to January 2013 and 2014)



Source: STR Global, 2014

Comment

- The set has seen significant growth in occupancy over the summer months during 2013, which could be attributed to the weather London experienced during 2013 and the post-Olympic effect.
- Achieved average rooms rates indicate relative stability within the market place, with increases in occupancy been driven by demand rather than through reducing room rate.

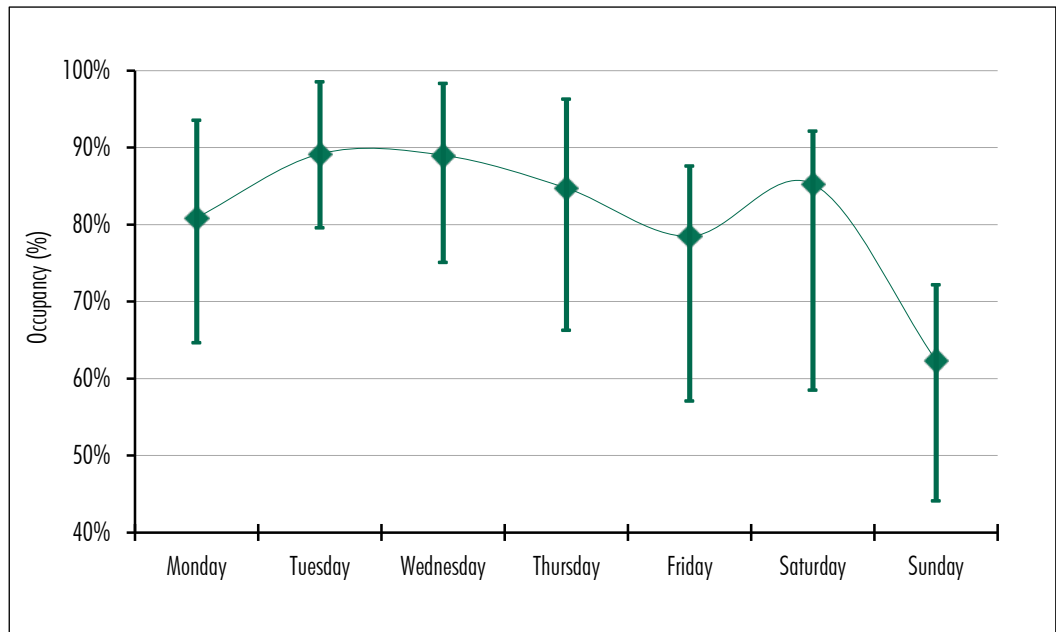
Daily Market Trends

In addition to the performance data above, we have used data from our sample of hotels to analyse daily data trends for the 12 months to January 2014. In the following graphs we present the spread of average daily room occupancy and average daily room rate performance, illustrating the highest, lowest and average levels achieved over this period.

APPENDIX 2: Hotel Market of Relevance

Spread of Occupancy Per Day

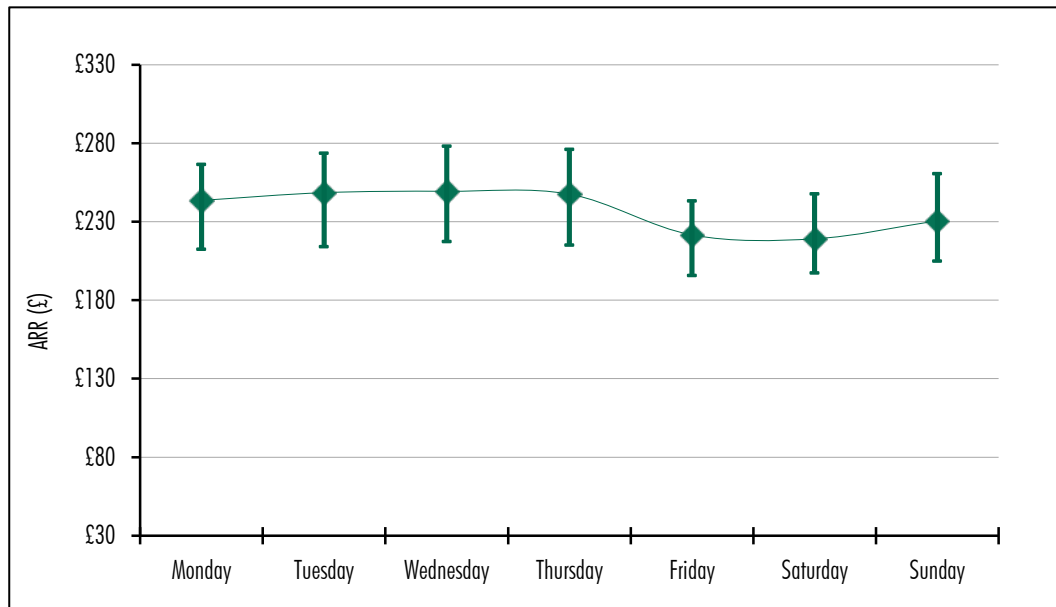
SET 2 Hotel Market (12 months to January 2014)



Source: STR Global, 2014

Spread of Average Rate Per Day

SET 2 Hotel Market (12 months to January 2014)



Source: STR Global, 2014

Comment

- Set 2 follows a similar pattern to Set 1 in terms of peak occupancy days being Tuesdays, Wednesdays, Thursdays and Saturdays. However, where Set 1 (the Kings Cross Sample) achieves its highest average occupancy of 93.0 per cent on Wednesdays, Set 2 achieves 89.2 per cent occupancy on Tuesdays.

APPENDIX 2: Hotel Market of Relevance

- These variances in occupancy are likely driven by the market sectors the hotels attract. Set 1 has a significantly lower average rate than Set 2 and the variance across the week in terms of the highest average achieved rate and lowest average achieved rate is also far greater in Set 1. This illustrates that Set 1 has, comparatively, a more rate sensitive market place than Set 2.

Future Hotel Supply of Relevance

In the following table we provide an overview of anticipated and potential future additions to hotel supply in Camden.

Future Hotel Supply in Camden

HOTEL NAME	GRADE	BEDROOMS	ADDRESS	STATUS
DUE IN 2014				
Premier Inn London Holborn	Budget	153	29-37 Red Lion Street, WC1R 4PS	Due Q3 2014
Premier Inn London St Pancras Station	Budget	266	83-117 Euston Road, NW1 2RA	Due 12-May-14
SUBTOTAL		419	28.7%	
DUE IN 2015				
hub by Premier Inn London Goodge Street	Budget	179	2-16 Torrington Place, WC1E 7HN	Under Appeal
Baptist Society HQ	5-star	67	2-6 Southampton Row / 118-120 High Holborn, WC1B 4AA	Full 2008
Hoxton Holborn	4-star	174	199-206 High Holborn, WC1V 7BD	Due 31-May-14
SUBTOTAL		420	28.8%	
DUE IN 2016				
0	Budget	0	0	0
SUBTOTAL		0	0.0%	
ON				
Bravo Hostel	Hostel	101	120 Finchley Road, NW3 5JB	Full 2010
Kings Cross Inn (extension)	2-star	37	1-11 Euston Road, NW1 2SA	Withdrawn 2013
SUBTOTAL		138	9.5%	
SPECULATIVE				
Premier Inn London Euston (extension)	Budget	57	1 Duke's Road, WC1H 9PJ	Speculative
St Peters	3-star	24	124-132 Clerkenwell Road, EC1R 5DJ	Full 2012
Newman Street Boutique Hotel & Members Club	4-star	50	20-22 Newman Street, W1T 1PH	Awaiting Planning
Staunton (extension)	3-star	9	11 Gower Street, WC1E 6HE	Awaiting Planning
DoubleTree by Hilton London - West-End (extension)	4-star	10	92 Southampton Row, WC1B 4BH	Awaiting Planning
Britannia Street	Budget	121	13 Britannia Street / 146 Wicklow Street, WC1X 9JS	Awaiting Planning
Rough Luxe (extension)	3-star	7	1 Birkenhead Street, WC1H 8BA	Refused 2012
Jenkins (extension)	2-star	4	45 Cartwright Gardens, WC1H 9EH	Full 2012

APPENDIX 2: Hotel Market of Relevance

112A Great Russell Street	Budget	172	112a Great Russell Street, WC1B 3NP	Awaiting Planning
St Giles Circus	3-star	28	St Giles Circus / Denmark Place / Denmark Street, WC2H 8LB	Full 2013
SUBTOTAL		482	33.0%	
TOTAL		1,459		

Source: AM:PM Hotels, 2013

Comment

- The pipeline shown above illustrates a potential 9.0 per cent growth of supply within the Borough. However, up to 4.0 per cent of this increase is either on hold or speculative and therefore is not considered to be a threat to the potential Hotel development of Camden Town Hall Annexe.
- From the above list there are four hotels, equivalent to 431 bedrooms, in the pipeline for the Kings Cross St Pancras area. Two are budget hotels, with the Premier Inn due to be delivered in May 2014 and the Britannia Street hotel being speculative and awaiting planning. The remaining two are both extensions of existing properties and neither is considered to be of competitive relevance.
- There are four hotels that are within the four and five-star sector. All four of these properties are situated in the southern part of the Borough and are therefore not in the immediate area of competitive relevance for the proposed Hotel.