

Annex B – Icení Viability Report



JANUARY 2018

Planning Viability Report

135- 149 Shaftesbury Avenue, London
(17-D003)

Iceni Projects Limited on behalf of
Capitalstart Ltd

January 2018

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ON BEHALF OF
CAPITALSTART LTD

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Planning Viability Report
135- 149 SHAFTESBURY AVENUE, LONDON

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1. INTRODUCTION

Client Instruction

- 1.1 Icen Projects have been instructed by Capitalstart Ltd to produce a report setting out the viability case for the proposed hotel led mixed use redevelopment of 135-149 Shaftesbury Avenue, London WC2H 8AH, currently an Odeon cinema.

Purpose of this Report

- 1.2 Planning Viability Appraisals are usually required to determine the ability of development to support contributions to social, economic and environmental infrastructure. Contributions take in to account defined Community Infrastructure Levies and may include affordable housing, transport and education among other things.
- 1.3 The purpose of this viability report is to set out the factors effecting the proposed development and the impact on delivery of the scheme.
- 1.4 This report and accompanying appraisal is to assist planning discussions with the London Borough of Camden (LB Camden), the Local Planning Authority. It is not a Royal Institution of Chartered Surveyors (RICS) Valuation Manual (Red Book) compliant valuation report and the figures referred to in this report, are not formal valuations. However, we have provided evidence to support the indicated values and/or component inputs that have been used or where we have used data sources, identified them.
- 1.5 This Report and accompanying appraisals may not be used for investment, funding, lending, borrowing or transactional purposes.

Confidentiality

- 1.6 This viability report is provided on a strictly confidential basis to Capitalstart Ltd, our client. It is understood that it will be released to LB Camden, the Local Planning Authority and their advisers in support of a planning application for the proposed mixed use development.
- 1.7 It is understood that the outputs may be disclosed under the under the Freedom of Information Act, 2000 or under the Environmental Information Regulations, 2004. However, the appraisal contains commercially sensitive information, disclosure of which would be prejudicial to Capitalstart Ltd. We therefore request that prior to disclosure, the local planning authority confer with the applicant for redaction of the relevant data that meets the relevant test for commercial confidentiality.

- 1.8 It is understood that a copy of this report will be provided to LB Camden, and we do not offer LB Camden, their advisors and/or any third parties a professional duty of care.
- 1.9 This report may not be used for any other purposed than that stated.
- 1.10 The Date of the Appraisal is the date of this report, unless otherwise stated.
- 1.11 A Glossary of Terms is contained in Appendix 1

Information Provided

- 1.12 We have been provided with and relied on, the following information from the applicant:
- Location Plan (Appendix 2)
 - Scheme Area Details (Appendix 3)
 - Scheme Design Plans (Appendix 4)
 - Planning Statement (Iceni Projects) forming part of planning application.
 - Transport Statement (Iceni Transport) forming part of the planning application. (December 2017)
 - Design and Access Statement completed by Jestico and Whiles (December 2017)
 - Sustainability Statement prepared by DSA Engineering (December 2017)
 - Report on Hotel and Spa Elements prepared by The Hotel Management Company Ltd (Appendix 5)
 - Report on Food and Beverage Proposals prepared by Ford Consultancy Ltd (Appendix 6)
 - Report on Cinema Proposals prepared by the Independent Cinema Office (Appendix 7)

2. SITE

Site Description

- 2.1 The Planning Statement confirms that the existing building on site is a Grade II listed building that was the former Saville Theatre, originally built in 1930-1931.
- 2.2 The building is currently used as a four-screen cinema (Class C2) run by Odeon Cinemas, an established brand.
- 2.3 Surrounding the development site are a variety of land uses and buildings of varying ages. Development along Shaftesbury Avenue is primarily commercial, including a variety of retail, hospitality, leisure and office uses. This continues further south towards Seven Dials. Residential uses are located to the north and east of the site, including the Alcazar on Stacey Street and Pendrell House on New Compton Street.
- 2.4 The building is not located within a conservation area, however the Denmark Street and Seven Dials (Convent Garden) conservation areas are located immediately to the north and the south of the site, respectively. A more detailed description of the site, its history and the surrounding townscape can be found in accompanying Heritage, Townscape and Visual Impact Assessment prepared by Icen Projects and submitted as part of the planning application.

Location

- 2.5 The location plan for the site is attached at Appendix 2. The site is close to the boundary junctions of LB Camden, the City of Westminster and the City of London.
- 2.6 The site is located on the northern side of Shaftesbury Avenue. It is an island site bound to the north by New Compton Street and Phoenix Gardens, to the east by St Giles Passage, to the south by Shaftesbury and the west by Stacey Street.
- 2.7 The site is located next door to the offices of Yahoo (UK and Ireland), to the southwest, across Stacey Street on the northern side of Shaftesbury Avenue.
- 2.8 Approximately 80 metres further south-west is the junction with the Charing Cross Road (A400), at Cambridge Circus. It is also close to the 160,000 sq. ft. Google Headquarters at St. Giles Circus, around 350m.
- 2.9 The site is close to a number of theatres but there is limited retail activity on the north side of Shaftesbury Avenue.
- 2.10 The existing site does not provide any vehicular access point, with all servicing and deliveries undertaken from the street.

- 2.11 Access to the site for customers is principally through the main entrance off Shaftesbury Avenue, with staff access and the majority servicing and deliveries made via rear access to the building on New Compton Street.
- 2.12 There are no car parking spaces on site.

Communications

- 2.13 The site is located in an area of good public transport accessibility, with access to a diverse mix of different services within close proximity. The site benefits from the highest possible public transport accessibility level (PTAL) rating of 6B, with numerous bus routes operating along Shaftesbury Avenue and London Underground services operating from Leicester Square (0.2 miles south), Covent Garden (0.2 miles south east), Holborn (0.5 miles north east) and Tottenham Court Road stations (0.3 miles north), all within short walking distance.
- 2.14 The Elizabeth Line (Crossrail) is due to open a station at Tottenham Court Road station in 2019/2020. When complete, Tottenham Court Road will be one of London's busiest stations, offering an interchange between the Northern, Central and Elizabeth line services with more than 200,000 passengers passing through the station every day. The development of Crossrail at Tottenham Court Road will significantly reduce journey times to the City and Heathrow and is likely to have a significant positive impact on the wider area as a business and shopping destination.

Existing Scheme

- 2.15 The Planning Statement confirms that the existing building on site is a five storey Grade II listed building, as noted formerly the Saville Theatre, built in the 1930s.
- 2.16 The building is currently houses a four-screen cinema that was inserted into the building in the late 1960s/early 1970s, resulting in most of the Saville Theatre interior being removed.
- 2.17 The Odeon cinema offers block buster movies but also shows art house and specialist films including opera, streamed theatre as well as private viewings and catering for corporate events. Despite this however, the cinema still appears to underperform in revenue terms.

- 2.18 In a cinema industry context, the Odeon Covent Garden is in the London West End catchment, along with the other cinemas on Shaftesbury Avenue, plus cinemas on Haymarket, Panton Street, Lower Regent Street and Tottenham Court Road but differentiated from the core Leicester Square cinema offer which hosts world premier releases. Many of the West End cinemas have been substantially upgraded in recent years, with the redevelopment of Odeon Leicester Square due to open in 2019.
- 2.19 The Shaftesbury Avenue Odeon primarily competes for audience with the Curzon Soho (3 screens) and the Picturehouse Central (7 screens), both located on the western section of Shaftesbury Avenue, 5 and 10 minutes' walk away respectively. All three cinemas will often show the same films on release date. A little further away is the Odeon Tottenham Court Road to the north, or the various cinemas in Leicester Square to the South, all of which are larger, commercial multiplexes.

Odeon History

- 2.20 The building was occupied by ABC, part of the EMI group after the theatre/ music venue operation closed. Through various take overs and mergers, a collection of ABC cinemas was bought by Cinven in 1996 and merged with Odeon, which was acquired in 2000. Since 2004 Odeon has been part of the UCI cinemas group which was bought by American Multi-Cinema Entertainment Ltd (AMC) in 2016.
- 2.21 The property was acquired in 2012 by Capitalstart Ltd, with the occupier Odeon in situ under a lease from 1970. The cinema operation under different branding has been in continuous occupation on the same lease since 1970.
- 2.22 During over 40 years of occupation, Odeon has been responsible for the maintenance of the building, being required to:
- 'repair and keep the building in good and substantial repair and condition and properly decorated and in a state in every respect for use as a ...high class West End theatre'*
- 2.23 It is clear from the building condition report completed by Hallas & Co (Appendix 8) that they have neglected the responsibility under their lease terms.
- 2.24 The current occupation is producing insufficient revenue necessary to maintain the building properly and Capitalstart is keen to improve the building through investment so that it can once again become a destination venue for the location.
- 2.25 Since acquiring the property Capitalstart have secured the ability to break the lease in order to carry out the much-needed improvements to the building.

2.26 Unless investment is urgently made the property will continue to deteriorate and it will become unfit for occupation.

Odeon Capacity

2.27 The existing Odeon occupying the building has 741 seats split as follows:

Screen 1: 153 seats (+2 wheelchair spaces)

Screen 2: 269 seats (including 61 premier seats)

Screen 3: 167 seats

Screen 4: 152 seats

Odeon Performance

2.28 Table 2.1 below outlines the key performance indicators of the Odeon:

Table 2.1

Odeon Shaftesbury Avenue	
Performance Measure	Result
Annual Gross Box Office (Sept 16-Sept 17)	£1.66 million
Estimated Secondary Sales	£610,000 – £640,000
Estimated Screen Advertising/Other Revenue	Max £98,000
Ticket Prices (Cinema)	£12, £8.75, £8.25 (w/c 13 Oct 2017)
Average Ticket Gross Yield	£8.73 (£1.66 million / 190,000 admissions)
Estimated Annual Admissions	190,000 – 200,000
Estimated Annual Performances	5,792
Estimated Total Annual Capacity	1,078,896 seats
Estimated Occupancy Rate	18-19%

Source: ICO Consultancy/Iceni Projects

Industry Rates of Occupancy v Seats Available	
Performance Measure	Result
Commercial Multiplex	12-15%
Commercial Midiplex	15-18%
3-5 Screen Art-House Cinema	20-26%
1-4 Screen Boutique Cinema	30%+ (higher if new or purpose built)

Source: ICO Consultancy/Iceni Projects

2.29 The Independent Cinema Office (ICO) confirm the lower occupancy rate for larger commercial cinemas is due to most full time commercial and commercial independent cinemas offering a standard 4 screenings per day in each screen, often with additional early matinees at the weekend or during school holiday periods. The cost of film hire from a distributor is calculated as a percentage of each week's box office rather than by screening and so it is in the interest of the cinema to include as many screenings as possible, especially in the age of digitised film exhibition, when a cinema can be operated by a minimal number and non-specialised staff. So, for larger commercial cinemas where only a few admissions for midweek daytime shows may be achieved, average box office per screening tends to be low.

- 2.30 ICO confirm multiplex cinemas, offering 4-5 shows daily in each of their multiple screens, operate at between 15-20% occupancy rate across a full operating year. Independent cinemas with offering 3-4 screenings daily in each of their 3-5 screens will operate at 22-30% occupancy.
- 2.31 By these benchmarks, ICO have assumed a relatively high occupancy rate for the proposed scheme. This is after considering other key factors about this cinema such as low-ticket price, central London location, distinctive offer and lack of a directly competing offer, all of which it is assumed will help to bring audiences to the new cinema.
- 2.32 ICO notes that occupancy rates serve usefully as a general performance benchmark for cinema operators but should not be considered in isolation. ICO references numerous factors (programming, size of cinemas and whether purpose-designed, ticket pricing) which determine occupancy rate and in some cases, the average size of the audience in numbers is a better gauge of whether a cinema is successful.
- 2.33 ICO note that ticket prices at this Odeon are substantially lower than most West End cinema rates. Tickets at the Curzon Soho and Picturehouse Central, both on the same street as Odeon Covent Garden, range up to £15.00 and £16.50 respectively which ICO comment gives an indication of the very different business strategies at play across different cinemas in Central London.
- 2.34 ICO note that also, just off Shaftesbury Avenue, The Ham Yard Hotel's 190 seat cinema is open to the public with tickets at £15. Other nearby commercial cinemas include The Odeon Leicester Square (£14.25), Empire Leicester Square (£14.25-£18.70), Vue West End Leicester Sq. (£17.49) and Odeon Tottenham Court Road (up to £17.00 depending on the film and the split with the distributor). The lowest ticket price identified by ICO at a commercial cinema in the West End is at the Odeon Panton Street (£7.25), which programmatically has become Odeon's art house and 2nd run site, with cinema screens that do not meet the scale of standard of contemporary cinemas.

3. PROPOSED DEVELOPMENT

3.1 The proposed development would result in the comprehensive refurbishment of the existing Grade II listed building structure and redevelopment of the interior structures, the provision of a new two storey roof extension and terrace and new basement level to provide a 94-bed hotel (Class C1), four-screen cinema (Class D2), spa (sui generis), ground floor restaurant/bar (Class A3/A4) and roof top bar, along with public realm and highways improvements.

3.2 Specifically, the proposals comprise:

- The demolition of existing internal structures within the building and the retention of the existing façade and the excavation of one new basement level;
- The construction of a new ten storey building comprising three basement levels, five levels behind the retained façade of the building and a two-level roof extension;
- The provision of a new 94-bedroom hotel (Class C1) at part ground and first to sixth floors;
- The provision of a new four-screen cinema (Class D2) at basement levels one and two;
- The provision of a restaurant/bar (Class A3/A4), hotel reception and flexible pop up space at ground floor level;
- The provision of a spa (sui generis) at basement level three;
- The provision of a bar (Class A4) and associated terrace at roof top level;
- Highways and public realm improvements including relocated parking bays and loading zone on New Compton Street and a new on-footway layby on Shaftesbury Avenue permitting all servicing and deliveries to occur without impeding traffic and allowing a wider footpath for pedestrians;
- The provision of separate cycle parking areas for staff (12 spaces) at basement level two and for guests (12 spaces) at ground floor level.

3.3 The submitted proposals have followed extensive pre-application meetings and discussions with Council officers. The proposals have evolved and changed on each occasion to respond to comments from officers. Engagement with surrounding residents and local amenity groups has also occurred during the

preparation of the proposals, with the scheme responding to specific feedback raised during discussions.

- 3.4 Accompanying drawings and schedule are set out in Appendix 3 and 4 setting out an indicative land budget of uses
- 3.5 Details of the scheme proposals are set out in the Design and Access Statement, Design Code and planning application, dated 22 December 2017.

4. METHODOLOGY

- 4.1 This section considers the Approach to Viability and the basis of assessing the key inputs of Viability Threshold, Benchmark Land Value, Developer Risk Profit, Build Costs and Policy Obligations. Subsequent sections set out the detailed assumptions.

Approach to Viability

- 4.2 The NPPF (March 2012) sets out at paragraphs 173 to 177 that Local Planning policy should be brought forward to ensure development viability. The costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards or infrastructure contributions should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

However, NPPF also states at paragraph 176 that “where safeguards are necessary to make a particular development acceptable in planning terms (such as environmental mitigation or compensation), the development should not be approved if the measures required cannot be secured through appropriate conditions or agreements. The need for such safeguards should be clearly justified through discussions with the applicant, and the options for keeping such costs to a minimum fully explored, so that development is not inhibited unnecessarily”.

- 4.3 Paragraph 177 confirms that “it is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion”.

- 4.4 In considering the methodology for this appraisal the following national, regional and professional guidance has been taken into account, including:

- Version 4 of the HCA 2012 Development Appraisal Tool, User Manual.
- National Planning Practice Guidance Notes - DCLG
- Viability Testing Local Plans – Advice for Planning Practitioners – Local Housing Delivery Group (June 2012)
- Financial Viability in Planning – Royal Institution of Chartered Surveyors (GN 94/2012)
- The Community Infrastructure Levy Regulations 2010
- The London Plan, 2016
- Camden Local Plan

Viability Threshold

- 4.5 The Gross Development Value (GDV) of any development is determined by the market; it sets the limit within which all costs associated with delivery of the development must come in order for the development to be viable – the Viability Threshold. Development costs include land costs, construction costs and planning obligations and developer's risk profit. Where the Viability Threshold is the same as the GDV the scheme will progress. The Viability Threshold for any scheme is identified in Figure 1.
- 4.6 As figure 2 shows, if the Benchmark Land Value is not achieved, or the developer cannot secure an appropriate return on risked capital, or if planning obligations are in excess of what the value of the scheme can bear, the development will not take place because the Viability Threshold is in excess of the Gross Development Value.

Figure 1: Viability Threshold

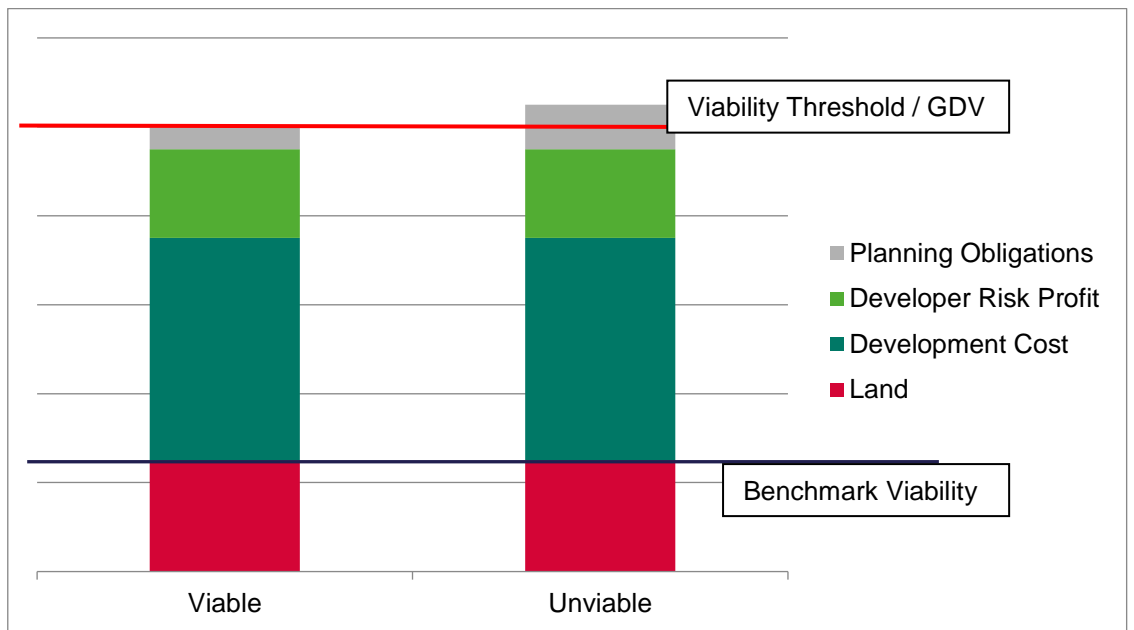
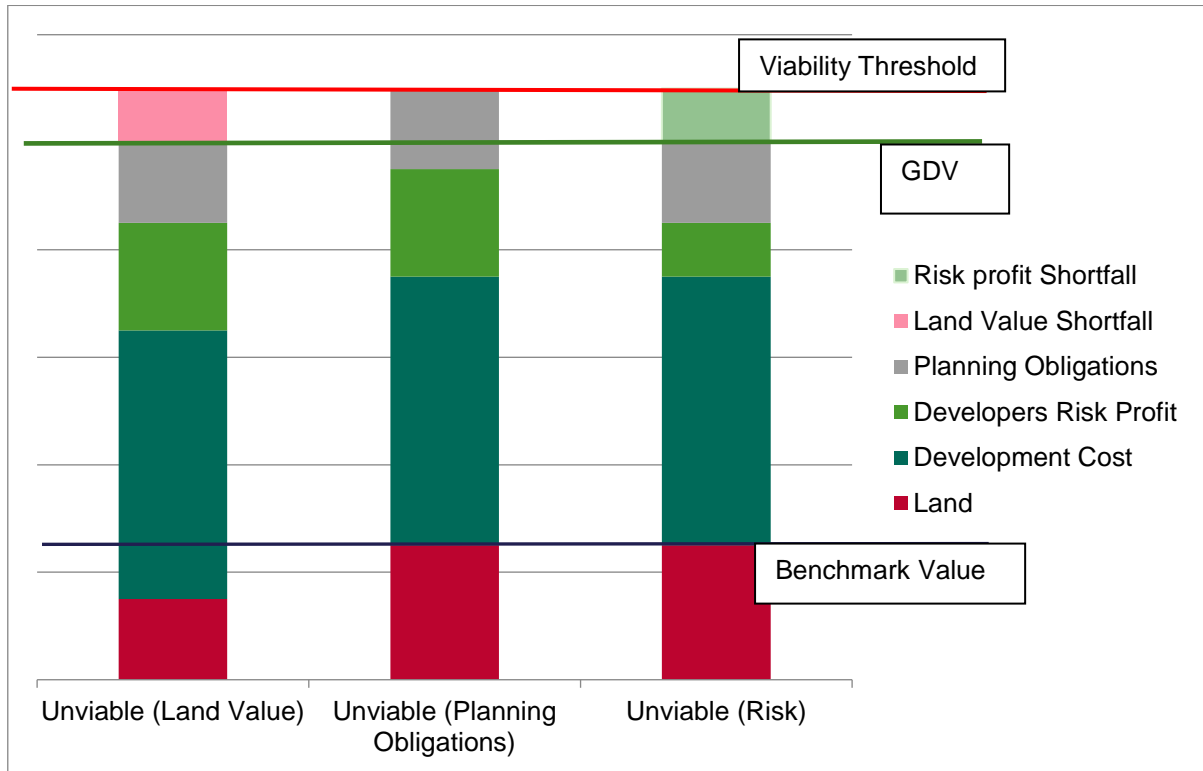


Figure 2: Unviable Development



4.7

In assessing whether a scheme will progress it is assumed that a developer will carry out proper and reasonable due diligence in respect of market demand, prices, construction costs and make a reasoned site assessment of factors that might affect delivery. The developer would also make an allowance for any planning obligations required to secure a planning consent. These factors will determine, along with market conditions, the risk that a developer would be prepared to take to purchase the land at a level that would be acceptable to the vendor, and expend money and time promoting development.

5. BENCHMARK LAND VALUE

- 5.1 The Benchmark Land Value is the level at which the land would reasonably be sold for by a willing seller to support development. It should reflect the reality of the market pricing of risk and offer an appropriate incentive for the owner to sell.
- 5.2 There are a number of approaches set out in policy and professional advice, these include:
- Existing use value plus an incentive margin (or Current Use plus an incentive margin)
 - Alternative use value
 - Market Value with Special Assumptions
- 5.3 As noted above the NPPF, NPPG and RICS guidance all seek to define a competitive return for the land owner. The RICS 2012 guidance notes the definition of EUV at E.1.8 as:

The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

- 5.4 The RICS guidance goes on at paragraph E.1.9:

It is clear the definition in E.1.8 is inappropriate when considered in a financial viability in planning context. It is an accounting definition of value for business use and, as such, hypothetical in a market context. Property does not transact on an EUV basis.

- 5.5 In its existing use the site provides an Odeon Cinema let on a 56-year lease from 25 March 1970. The value in existing use is the capitalised income stream to the end of the lease, however is unlikely to reflect a competitive return to a vendor.
- 5.6 The incentive over existing use value that a willing seller would apply therefore needs to be considered. Any reasonably willing seller would determine the premium in the context of the development that would be delivered on the land and would look to a share in the profit that a developer bringing forward the

development would make after taking off the cost of bringing forward the development.

- 5.7 An alternative use value as a basis for assessing Benchmark Values implies an alternative higher value use than the Existing Use Value. An alternative use value would need to take into account the potential costs of securing that alternative use. An alternative use would apply where it is clear that a purchaser in the market is likely to acquire the property for an alternative use that use can be readily identified as generating a higher value than the existing use and is both commercially and legally feasible. In this context consideration of the existing cinema use for an alternative occupier has been considered.
- 5.8 Market Value is defined in the RICS Red Book RICS Valuation – Professional Standards, effective from 1st July 2017 as the:

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

- 5.9 Market Value assumes the highest and best use of an asset which is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible. It would therefore take into account potential hope value that the market would place on the land in respect of alternative uses, discounted to reflect risk.
- 5.10 The RICS Red Book 2017 (RICS Valuation Global Standards 2017 includes IVS General Standards which sets out at IVS 104 the Base of Valuation for the factors to be taken into account in assessing value.
- 5.11 A willing seller would reasonably expect to take the higher of the three options, since a reasonable landowner would not sell for less under one scenario than the other two scenarios. In this context a competitive return for a vendor, i.e. a Benchmark Land Value, must related to a market value. This in essence is the RICS definition of Market Value.
- 5.12 Both the RICS and planning policy therefore adopt similar approaches in identifying a competitive return driven by market condition: Any development land brought forward by a willing land owner for which a willing developer would speculate time and money for a potential return implies a value that should reflect an appropriate Market Value assuming appropriate policy obligations have been met.

5.13 Benchmark Land Value is compared to the residual value of the proposed scheme to determine whether it can support the planning obligations sought, taking into account relevant assumptions and appropriate policy constraints, as confirmed by reference to comparable evidence.

Existing Use Value

5.14 The existing building as a cinema has been in occupied by Odeon and is badged as their Covent Garden cinema.

5.15 The Independent Cinema Office has assessed the performance of the existing Odeon and have determined that income is likely to be:

Tickets Sales per annum	Average Gross Ticket Price (inc vat at 20%)	Average Gross Secondary Spend per head
190,000	£8.73	£3.37

5.16 Total Net of Vat, Revenue for the existing Odeon is assessed by ICO as:

Average Box Office revenue (pa) (net)	Average secondary revenue (pa) net)	Average Screen Advertising revenue (pa)	Total net Revenue Odeon
£1,382,250	£533,300	£98,000	£2,290,000

5.17 The ICO reports that while the box office revenues are within the UK top 25 for opening releases, it consistently underperforms nearby cinemas. The ICO report concludes that its location, separated from Charing Cross Road, makes it a relatively unattractive location.

5.18 The result is that the Odeon Covent Garden has not attracted the level of investment needed to maintain attractiveness to audiences; this has been further exacerbated by additional investment on other nearby cinemas, such as Curzon Soho and Picturehouse Central, both to the west of the site, which offer more attractive cinema destinations in better locations, making the Odeon Covent Garden a poor environment by comparison.

5.19 If the exiting Cinema operation were to be maintained and over repairs are needed to the building for it to continue. The condition survey of the building highlights a number of significant issues and cites £10,000,000 of works being required, assumed to exclude fees contingencies (say 5.25%) and cost of capital. It is

anticipated for this appraisal these repair works could be carried out while the building remained trading (so as to minimise loss of rental income).

- 5.20 It is possible that the repairs might result in an increase in rent to potentially 10% of net revenue, or up £15 to £18 per sq ft.
- 5.21 The existing Cinema is 824 sq m (8,869 sq ft) with 1,013 sq m (10,904 sq ft) back of house space and 1,097 sq m (11,808 sq ft) of circulation space. This would imply a rental income of between £205,000 to £550,000.
- 5.22 Based on yield of 4.75% this would indicate a gross capital value of in the order of between £4.3 million and £11.6 million.
- 5.23 The current rent, based on up to 10% of net box office receipts of £138,000. This is under rented by comparison and therefore would attract a sharper yield because of its added security, we have assumed a yield of 4.5%, generating a gross capital value of £3,07 million.
- 5.24 It is clear that there is no incentive to carry out the investment to repair the property under the current leasehold occupation, even were it to generate at return off the higher lease there is no incentive to carry out the repairs that generate little or no profit.
- 5.25 The existing tenant therefore cannot sustain use of the building and there would be no incentive to any vendor transacting at the implied value. As such capitalising the existing income, taking into account value the cost of repairs, would not represent form a Benchmark Land Value for planning purposes.

Alternative Cinema Operator Value

- 5.26 The alternative to the Odeon as occupier would be to secure vacant possession, which is possible under the lease on 6 months' notice, to refurbish it in its current use and configuration but upgrading it to meet modern cinema operator and cinema goer expectations.
- 5.27 The covenant strength of the luxury operators such as Curzon and Picturehouse, are not yet as strong as the major multiplex operators such as AMC or Cineworld and therefor yields are not as tight, albeit revenues would be stronger for higher ticket prices and higher F&B sales.

5.28 ICO have considered the revenue that could be generated from an alternative occupier to Odeon and have concluded that an alternative food and beverage offer, boutique cinema club style offer, per a Picturehouse, Curzon or Everyman format could generate higher receipts and therefore support a higher rent of in the order of £380,000. This generates which generates a gross capital value of £7.6 million off a yield of 5.00%.

5.29 .

Premium to EUV

5.30 Based on the above information the site has a potential negative value if the capitalised value of the rent is assumed alone and the operational value is not included in any consideration of value. If the operational entity was also the owner, the value of the operation can also be taken into account in assessing value, as is being proposed by the client.

5.31 There is no direct transactional evidence for the site assuming its current use however, taking into account its listed status and current cinema use. The value is therefore determined by the potential development that would be allowable within the confines of the listed building, unless demolition were allowed in which case a variety of development alternatives would be considered.

5.32 Land values for alternative development has not been considered at this stage other than for the proposed scheme. However as a central London site it is unlikely that the site would not be acquired even were it to continue in its existing use at sum reflective of the scarcity of the available sites of this scale. With an income generating lease in place it would be possible to take an extended view of development potential and hold the building until such time an implementable consent were in place.

5.33 In this context a vendor would seek secure a premium which was reflective of a long term hold strategy, based on the ability to secure vacant possession at a time to be determined by the owner and a secure income stream in the interim.

5.34 We would suggest the premium could be therefore double the value of the Existing Use as determined off the capitalised rental income and the Benchmark Land Value is therefore assessed at £6 million.

6. POLICY ASSUMPTIONS

- 6.1 Planning Policy, as set out in the planning statement accompanying planning application, has been taken into account in assessing the development parameters. In so far as policy has a specific impact on the viability the following has been taken into account:

National Planning Policy

- 6.2 National Planning Policy Framework (March 2012) (NPPF) and the accompanying guidance sets out a presumption in favour of sustainable development and in doing so requires policies be in place that assist in making sustainable development viable.
- 6.3 NPPF sets out at paragraphs 173 to 177 that Local Planning policy should be brought forward to ensure development viability. The costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards or infrastructure contributions should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.
- 6.4 However, the NPPF also states at paragraph 176 that “where safeguards are necessary to make a particular development acceptable in planning terms (such as environmental mitigation or compensation), the development should not be approved if the measures required cannot be secured through appropriate conditions or agreements. The need for such safeguards should be clearly justified through discussions with the applicant, and the options for keeping such costs to a minimum fully explored, so that development is not inhibited unnecessarily”.
- 6.5 Paragraph 177 confirms that “it is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion”.
- 6.6 In addition to the NPPF, National Space Standards are in place which determine minimum unit sizes.

Regional Planning Policy

The Development Plan

- 6.7 The statutory development plan for the proposed development consists of the London Plan (2016), and the Camden Local Plan (2017). The Mayor of London is currently consulting on the draft London Plan which will eventually supersede the currently London Plan, however, this emerging draft London Plan carries limited weight at present.
- 6.8 The National Planning Policy Framework (NPPF) was published on 27 March 2012 and sets out the Government's economic, environmental and social planning policies. The NPPF outlines a presumption in favour of sustainable development as being at the heart of the planning system.
- 6.9 The National Planning Policy Guidance (NPPG) is a web-based resource that was published on 6 March 2014 and provides information and guidance on planning. The NPPF and NPPG form material considerations in the determination of the application.
- 6.10 There are a number of other adopted and emerging supplementary planning guidance and documents which also form a material consideration for the proposals. Principally, at a local level, the Council's Camden Planning Guidance documents are of relevance to the proposals.

The London Plan

- 6.11 The London Plan, specifically the Affordable Housing and Viability SPG 2017 reaffirms the principles of viability. While part 3 of the SPG deals primarily with viability for delivery of affordable housing the SPG also confirms that viability is a product of a range of factors that will affect delivery on any site, these include:
- Build Costs
 - Density of development
 - Design and space requirements of homes (e.g. application of National Space Standards/accessibility)
 - Commercial lenders' perception of risk
 - Market conditions
 - Cumulative impact of charges and obligations
 - Local character considerations – conservation area, materials, type and mix of units
 - Site specific development factors (listed buildings/contamination/ground conditions)
 - Tenure split

- Occupation types/needs (rented, older people)
- Infrastructure costs, including transport, social

Local Planning Policy

6.12 The following Local planning policy has been taken into account in assessing the development from a viability perspective:

Site Specific Policy Designations

6.13 The site is Grade 2 listed and therefore subject to protection.

6.14 The site is subject to the following site-specific planning policy designations as identified by the Council's adopted Policies Map (2017):

- Located within the Central Activities Zone (CAZ);
- Located within Camden Council's Central London Area;
- Located within an Archaeological Priority Area.

6.15 The site is also located adjacent to the Phoenix Community Garden, a dedicated Open Space area, and is located adjacent to the Denmark Street Conservation Area to the north and the Seven Dials (Covent Garden) Conservation Area to the south.

Planning Obligations

CIL/ MCIL Contributions

6.16 The principle of introducing CIL was endorsed by LB Camden in April 2015. Being within Zone A (Central) Developers are required to pay a tariff of £40 per sqm for hotel use, £25 per sqm for cinema, café/restaurant and spa uses

6.17 The Mayor of London introduced a Community Infrastructure Levy (CIL) to help fund Crossrail. The Mayoral CIL rate in Camden is £50 per m2.

6.18 The table below has been completed based on the CIL formula using the below floorspace assumptions:

- Gross Proposed Area (sqm) – **6,776 sqm**, inclusive of 4,660 sqm of hotel (C1) floorspace, 1,411 sqm of cinema (D2) floorspace, 292 sqm of spa (sui generis) floorspace and 413 sqm of restaurant/bar (A3/A4) floorspace
- Existing Area to be retained (sqm) – **3,265 sqm**, inclusive of 3265 sqm of cinema (D2) floorspace
- Existing Area to be demolished (sqm) – **0 sqm**

- Net Chargeable Area (sqm) – **3,511 sqm***, inclusive of 2,414.87 sqm of hotel (C1) floorspace, 730.99 sqm of cinema (D2) floorspace, 151.32 sqm of spa (sui generis) floorspace and 214.17 sqm of restaurant/bar (A3/A4) floorspace.
- Indexation – an indexation rate of 1.269 is applicable for Mayoral CIL and a rate of 1.093 is applicable for Camden CIL

6.19 As per the CIL Regulations, the percentage of each separate proposed use forming part of the total Gross Proposed Area is to be the equivalent percentage of the chargeable floorspace. For example, the cinema floorspace (D2) forms 1,411 or 20.82% of the total Gross Proposed Area, meaning that 20.82% of the chargeable area (730.99 sqm) is to be allocated to the cinema (D2) rate.

Table 6.1

CIL Type	Calculation	Charge	Indexation
MCIL – All Uses	3,771 x 50	£175,550	£222,772.95
LBC – C1 Use	2414.87 x 40	£96,594.80	£105,578.12
LBC – D2 Use	730.99 x 25	£18,274.75	£19,974.30
LBC – A3/A4 Use	214.17 x 25	£5,354.25	£5,852.20
LBC –Sui Generis	151.32 x 25	£3,783	£4,134.82
Total		£299,556.80	£358,312.39

Source: BCIS/ LB Camden and London Plan/ Icenl Research

Section 106 Contributions

- 6.20 Camden Council uses Section 106 agreements to secure financial contributions as well as other planning obligations.
- 6.21 While the proposals would not provide residential floorspace, Camden Council has a mixed-use policy which seeks to secure affordable housing from mixed use development.
- 6.22 These obligations have formed part of discussions in the lead up to the submission of the planning application so broad heads of terms can be agreed.
- 6.23 This Viability Report and accompanying appendices is to help determine whether the proposed development is able to support the potential planning obligations sought.

7. DEVELOPMENT PROGRAMME

- 7.1 The development is complex, and due to the nature of the building is anticipated as taking a significant length of time. It is anticipated that the deconstruction of the existing internal structure, stabilisation and excavation to form the development platform will take 18 months before construction can commence.
- 7.2 Construction is complex with the exterior existing structure being mostly retained, resulting in a constrained construction site. Construction is anticipated as taking 24 months. This is consistent with other constrained sites in the locality, such as Centre Point (commenced in January 2015 and anticipated as being completed in 2018), St Giles Circus (Construction: 2017 – 2020); former Foyles Bookstore (Demolition: 9 months+). Dependent on further detailed construction methodology, an allowance of 42 months has been allowed for in the in the Appraisal for demolition and construction.
- 7.3 Following the end of construction, a 1 month snagging and testing period has been allowed for and a 3 month rent free period to allow for operational testing, training and commissioning period before initial guests are received and income generated.
- 7.4 Targeted opening based on the adopted programme is December 2021. It is noted that the anticipated Year 3 of opening from December 2023 includes the 2024 leap year day which generates an additional day of revenue and costs, which has been allowed for in the appraisals and creates a differential to the assumed year 4 and 5 figures.
- 7.5 If additional complexity in the demolition or construction delivery arises this will have an impact on programme. The following optimistic programme has been allowed for:

Stage	Estimated Time
Pre - Construction	1 month
De-Construction	18months
Construction	24 months
Post-Construction/ Snagging	1 month
Total	44 months (3 years 8 months)

8. PROPOSED SCHEME – HOTEL

Hotel Offer/Style

- 8.1 The Hotel Management Company (THMC) have considered both the hotel and the guest spa that is integral to the upscale Hotel offer proposed.
- 8.2 THMC report at Appendix 5 sets their analysis of the hotel market and projected quality of the proposed accommodation and corresponding room rates, occupancy and potential trading through to an assumed stabilised performance in year 3. The proposed hotel is based on a potential upscale branded offer providing 94 bedrooms.
- 8.3 The Hotel Management Company comment within their consultancy report that the standard rooms at the proposed hotel are appropriately sized for an upper upscale brand, but are somewhat small for a luxury offering.
- 8.4 Capitalstart Ltd is exploring the brand level offered by Sofitel’s M Gallery offer presented by Accor Hotels. A branded offer would allow the access to a larger visitor data base and booking system but would lead to additional franchise/licencing payments to the brand owner.
- 8.5 The bedroom count is in line with the brand standards of a number of potential operators and the proposed count enables reasonable economies of scale to be achieved across the operation.
- 8.6 As set out in Appendix 4 detailing the floor plans and elevations, the hotel will be over six upper floors set above a restaurant, bar, lobby and reception at ground floor, with cinema and spa in the basement floors.

Occupancy

- 8.7 HMC have determined average room occupancy would grow from year 1, plateauing to stability in Year 3 as follows:

Table 8.1 Proposed Hotel Average Room Occupancy

Year Commencing 1 January 2	Average Annual Room Occupancy
Year 1	75.5%
Year 2	80.6%
Year 3 to 5	83.5%

- 8.8 The HMC report envisions occupancy growth of 8 percentage between 2020 and 2022 on assumed continued demand for up-scale hotel accommodation in this location remaining strong through to the proposed opening in 2021, in spite of significant planned openings of hotels bed spaces planned in the next few years.
- 8.9 According to the HMC report, based on the STR Global data, occupancy in the local market has average at 84.9% from 2011 to 2016. The projection of average annual room occupancy by the third and stabilised year of operation positions the proposed hotel development slightly below the current STR Global sample of local hotels at 83.5 per cent. This is because of the inclusion of the new hotels currently in planning or under construction, such as the Indigo Hotel Leicester Square, the Radisson Blu Edwardian LSQ and the Waldorf Astoria Admiralty Arch, which are likely to dilute the wider market and make the environment that much more competitive.
- 8.10 Further details concerning occupier type and seasonality can be found within the THMC consultancy report at Appendix 5.

Room Rate

- 8.11 Based on Comparable evidence the HMC have estimated that the hotel will achieve the following average annual room rates in 2017 values exclusive of VAT.

Table 8.2 Proposed Average Room Rate (net of vat)

Year Commencing 1 January	Year 1	Year 2	Year 3 – 5
Overall Average Room Rate	£231.81	£236.85	£238.53

Source: The Hotel Management Company, 2017

- 8.12 Greater levels of discounting will be applied in the first 2 years of operation as the hotel penetrates relevant markets in order to establish its position.
- 8.13 It is projected that by the third and stabilised year of operation the proposed hotel development will achieve an average room rate of £238.53 excluding vat (£286.24 inclusive of vat), at 2017 values.

Hotel Revenue Summary

- 8.14 Based upon The Hotel Management Co report and assumptions detailed above, contained in the report at Appendix 5, the below table summarises the key revenue.

Table 8.3 HMC Revenue Summary

The Hotel Management Company Revenue Summary (net)			
	Year 1	Year 2	Year 3-5
Room Revenue	£6,008,800	£6,552,700	£6,829,600
Minor Operations (Spa)	£427,600	£495,900	£559,800
Rental and Other income	£152,000	£209,200	£257,500
Total	£6,588,400	£7,257,800	£7,646,600

8.15 The terms and classification of hotel-related revenues and expenses are based upon the Uniform System of Accounts for Hotels. All HMC revenue summaries and average spend are, unless otherwise stated, shown exclusive of VAT.

8.16 Rental and Other Income includes the revenue derived from commissions, concessions and room hire at approximately £257,500 by the third and stabilised year of operation.

8.17 It is projected that the proposed hotel at Shaftesbury Avenue, will generate a total revenue of approximately £7.6 million by the third and stabilised year of operation at 2017 values.

8.18 Slight differences in rounding in the IcenI appraisal results in the following:

Table 8.4 IcenI revenue Summary (net)

Hotel Income	Year 1	Year 2	Year 3	Year 4-5
Minor Department inc Spa	£427,600	£495,900	£559,800	£559,800
Rental & Other Income	£152,000	£209,200	£256,292	£257,500
Room Revenue	£6,008,818	£6,552,742	£6,848,229	£6,829,518
Total for Hotel Income	£6,588,418	£7,257,842	£7,664,321	£7,646,818

Minor Operations (Spa) and Other Income

8.19 A spa has become a necessity for many better-quality brands, who use it as one of the attributes promoted in marketing materials.

- 8.20 The Spa will be limited and be situated within the sub-basement of the development.
- 8.21 The HMC used a ratio-driven approach to project other revenues for the proposed hotel, based on room revenue projections, experience of working on hotels of a similar market positioning in the UK and HotStats data for hotels operating in London.
- 8.22 Minor Operated Departments includes the revenue derived from the spa, sale of inhouse movies, internet, telephone, newspapers, etc and is projected at approximately £559,800 for Minor Operating Departments which is predominantly the Spa by the third and stabilised year of operation.
- 8.23 Rental and other Income is anticipated as being £257,500 by the third and stabilised year of income.

Hotel Expenditure Summary.

- 8.24 The HMC assessed summary of expenditure is as follows:

The Hotel Management Company Expenditure Summary			
	Year 1	Year 2	Year 3-5
Cost of Sales (Spa)	£21,400	£22,300	£24,100
Direct Payroll Totals	£876,900	£940,600	£965,300
Direct Other Expenses	£822,900	£900,900	£947,200
Payroll and Related	£657,600	£657,600	£657,600
Undistributed Other Expenses	£1,033,800	£1,1,8,000	£1154,700
Management and Property Costs	£652,500	£798,100	£921,400
Total	£4,064,600	£4,437,800	£4,670,400

- 8.25 There are minor rounding differences and allowing for a leap year in in year 3 between the IcenI appraisals and the proposed totals from HMC as follows:

IcenI Hotel Expenditure Summary				
	Year 1	Year 2	Year 3	Year 4 -5
Cost of Sales (Spa)	£21,337	£22,365	£24,071	£24,071
Direct Payroll Totals	£877,424	£940,573	£967,634	£965,258
Direct Other Expenses	£822,648	£900,919	£949,235	£947,177
Payroll and Related	£658,842	£658,286	£659,132	£657,626
Undistributed Other Expenses	£1,034,382	£1,117,708	£1,154,247	£1,151,611
Management and Property Costs	£652,912	£797,637	£923,551	£921,442
Total	£4,067,544	£4,437,488	£4,677,870	£4,667,185

Summary of Hotel and Spa Performance

8.26 The summary of performance between the HMC report and the Icení is set out in the table below:

Table 8.5 Hotel and Spa Surplus

EBITDA before Debt Service and Taxation and Rent				
	Year 1	Year 2	Year 3	Year 4 -5
HMC	£2,520,300	£2,822,100	£2,976,700	£2,976,700
Icení	£2,520,874	£2,820,354	£2,986,451	£2,979,633

Hotel Specific Capex.

8.27 Gardiner and Theobald have set the construction budget for the scheme at Appendix 9. There are some specific expenditure heads which have been identified as being out with the enabling works cost plan and Construction Costs. The two elements total £3,055,000 and are:

- Fixtures and Fittings and Equipment £2,350,000
- Operational Supplied and Equipment £705,000

Capital Values of Hotel and Spa

8.28 The capital value of the Hotel and Spa elements consist of the value of the Capitalised EBITDA after rent and the capitalised value of the rent.

8.29 The sustainable rent for an up-scale hotel is higher than would anticipated for a budget hotel, such a Premier Inn or Travel Lodge, which have similar room sizing requirements, efficient business models through similarity of operations and offer institutionally attractive leases, underwritten by corporate covenant strength.

8.30 The yields for standard budget hotels, at around 4.5%, tend to reflect the strength of the business operation supporting sustainable rents per room as well as a similar trading format allowing potential alternative occupiers to operate from the premises should tenancies be terminated.

8.31 The proposed scheme has more bespoke room sizes however its central London location and the range of significant operators that have operational formats suited

to more bespoke or unique buildings styles could generate a reasonable supply of operators.

- 8.32 With Operating Profit in year 3 being c £60,700 per key and Gross Operating profit projected at £41,500 per key an anticipated rent of £15,000 per room this has been adopted as sustainable. This represents a gross rent of £1,410,000.
- 8.33 A number of the upscale hotels brands operate unique hotels, recognising the constraints that apply in some locations. The bespoke approach for the proposed scheme to reflect the unique challenges of the building and the policy that governs its use would place the scheme in a bespoke category for most operators. To reflect the non-standard sizing of rooms and configuration a yield of 5.00% has been adopted, generating a gross capital value for the hotel property element of £28,200,000.
- 8.34 In addition to the capitalised rent the Hotel's business operation has also been considered. Deducting the rent of £1.4million from EBITDA in the HMC report to £1.57 million. On the basis of stabilised income stream being achieved a multiplier of 12.5 – a yield of 8.00% has been used to generate a capital value for the operational business of £19.6 million.
- 8.35 In aggregate therefore the hotel's capital value has been calculated at £47.82 million.

9. PROPOSED SCHEME - CINEMA

9.1 The proposed scheme comprises a hotel with a spa for guests, a ground floor restaurant, a roof top bar and a 4 screen cinema.

9.2 The cinema will be individually branded, but operated on the principals of “The Light” Cinema Experience (by Cinema Next) – a premium, mainstream cinema, exciting and inclusive, with reclining seats, higher quality descriptor branded food and alcoholic beverages. It is typically a second screening venue, offering better value tickets for the showing of movies that are not quite the latest releases, all set in comfortable surroundings.

9.3 The key assumptions for the Cinema appraisal are set out below:

Cinema Offer/Styling

9.4 The Independent Cinema Office (ICO) Report at Appendix 7 sets out the detailed assumptions that have been used in the Viability Appraisal.

9.5 The proposed cinema will have 4-screens with DCI-compliant Digital Cinema projection and sound, a high level of audience comfort, and a high-quality food and drink offer is proposed.

9.6 The cinema will be promoted with substantially lower admission charges than other London West End cinemas, offering all audiences access to a contemporary, high standard cinema showing a wide range of theatrical film releases.

9.7 There will be an additional concession for Camden residents to ensure that the cinema is as accessible as possible to local people.

9.8 Key Features will include:

- A programme of just off-date titles at universally accessible admission prices (compared to current West End rates)
- A high-quality cinema experience with comfortable modern cinema seats, great sightlines, big screens and digital projection and sound

- Low ticket prices, making the cinemas completely accessible to a wider range of audiences; where elsewhere it is available only at much higher ticket prices and/or via cinemas that operate membership schemes
- Second run titles – providing audiences with only opportunity in central London to catch up on films released 5-8 weeks previously; and providing distributors with a chance to extend the central London presence of their films after the initial play period is completed.

9.9 ICO confirm occupancy rates serve usefully as a general performance benchmark for cinema operators but should not be considered in isolation. There are numerous factors (programming, size of cinemas and whether purpose-designed, ticket pricing) which determine occupancy rate and in some cases, the average size of the audience in numbers is a better gauge of whether a cinema is successful.

9.10 While ICO confirm independent cinemas offering 3-4 screenings daily in each of their 3-5 screens will operate at 22-30% occupancy, ICO have suggested a stabilised average occupancy level of 40% for the proposed cinema.

9.11 ICO confirm that multiplex cinemas, offering 4 daily screens in each of their multiple screens, operating 363 days per year which is equivalent to 99.45% of a 365 day year.

9.12 Total Number of seats:

Number of Seats	
Screen 1	40
Screen 2	46
Screen 3	69
Screen 4	65
Total Number of Seats	220
Number of Screenings	
Early Matinee/Lunchtime Screenings per day	1
Late Matinee Screenings per Day	1
Evening Screenings per Day	2
Number of Screening per day	4
Total Number of Seats Available per day	880

9.13 Based on a 363 day year the total number of seats that can be sold is 319,440.

9.14 Drawn from the ICO report it is assumed that the closure of the building and re launching will require time to grow the offer back to a stabilised income level. The stabilised income level is assessed at 40% of the available seats which is anticipated as being achieved in Year 3.

9.15 The ICO have indicated a week day admission split as follows:

Table 9.1 Admissions Split:

	Monday to Thursday	Friday to Sun	Total
Admissions Split	40%	60%	100%

9.16 The report indicates a programme split as follows during each screening day

Table 9.2 Audience split by performance

Programme Split	
Early Matinee	20%
Late Matinee	10%
Early Evening	30%
Late Evening	40%
Total	100%

9.17 These in turn, based on a 365 day year represent the following daily admissions:

Table 9.3 Admissions per Day

Average Admissions per Day (365 day year)	Year 1		Year 2		Year 3	
	Monday to Thursday	Friday to Sunday	Monday to Thursday	Friday to Sunday	Monday to Thursday	Friday to Sunday
Early Matinee	14	21	21	31	28	42
Late Matinee	7	10	10	16	14	21
Early Evening	21	31	31	47	42	63
Late Evening	28	42	42	63	56	84
Totals	70	105	105	157	140	210
Admissions per Day (365 Day Year)		175		262		350

9.18 ICO have assumed that the concession rate to local (London Borough of Camden) residents would be at £1.00 discount to the non-concession rate of £6.50, inclusive of vat, per ticket. It is anticipated that 25% of tickets sold would be at the concession rate of £5.50 inclusive of vat. This give a weighted average ticket price of £6.25 inclusive of vat. Vat is assumed at 20%.

9.19 Total gross (i.e. inclusive of vat) Box Office sales are therefore anticipated as being as follows:

Table 9.4 Box Office Income per annum:

Assumed Gross Box Office income per Year						
	Year 1	Year 1	Year 2	Year 2	Year 3	Year 3
	Monday to Thursday	Friday to Sunday	Monday to Thursday	Friday to Sunday	Monday to Thursday	Friday to Sunday
Early Matinee	£39,930	£59,895	£52,708	£79,061	£63,888	£95,832
Late Matinee	£19,965	£29,948	£26,354	£39,531	£31,944	£47,916
Early Evening	£59,895	£89,843	£79,061	£118,592	£95,832	£143,748
Late Evening	£79,860	£119,790	£105,415	£158,123	£127,776	£191,664
Total Ticket Revenue	£199,650	£299,475	£263,538	£395,307	£319,440	£479,160
Total Ticket Revenue per annum		£ 499,125		£ 658,845		£ 798,600

9.20 Due to slight rounding and timing differences the IcenI the cashflow totals are as follows:

Table 9.5 Gross Box Office Revenue

Box Office Gross Income					
	Year 1	Year 2	Year 3	Year 4	Year 5
ICO Totals	£499,125	£658,845	£798,600	£798,600	£798,600
Iceni Totals	£499,065	£658,845	£800,771	£798,584	£798,584

9.21 The year of sale is assumed to be in year 5, based on three years of stabilised income from year 3 onwards.

Additional Cinema Revenue

- 9.22 Additional revenue for the cinema operation is generated from Screen Advertising and Private Hire. Kiosk Sales (Food and Beverage) have been separately accounted for.
- 9.23 The revenue from Screen Advertising will be determined once audience numbers have stabilised. An allowance has been made of £20,000 in Year 1, £30,000 in Year 2 and £44,000 in Year 3 as stabilised Screen income by the ICO.
- 9.24 Private Hire is anticipated as reaching a stabilised quantum of £30,000 per annum based on an assumed 120 hours of rental at £250.00 per hour in the year.

Cinema Expenditure.

- 9.25 The ICO report sets out indicative costs and staffing requirements for the cinema and these have been replicated in the appraisal.
- 9.26 Where expenditure is related to box office sales, which are calculated by actual date related income in IcenI, there are some slight rounding differences which are reflected in the net of vat box office related expenditure, such as Film Hire (38.00% of net Box office receipts) and Performing Rights Society (PRS) levy (1.00% of net box office receipts).
- 9.27 The ICO anticipate a modest increase in Heating and Lighting as the cinema reaches its stabilised income. Heating and lighting has been anticipated as being £14,400 in Years 1 and 2, increasing to £15,000 in Year 3.
- 9.28 The current Business Rateable Value on the existing four screen, 713 seat Odeon Cinema is £101,000, with rates payable of £48,379 per annum. It is anticipated that this will change following the redevelopment. It is noted that the basement and Ground floor Curzon Cinema at 99 Shaftesbury Avenue (3 Screens, 502 seats including café and bar) has a rateable value of £216,000 (assumed Rates Payable of £103,464). On a similar basis the rateable Value for the proposed Rates could be in the order of £40,000. An allowance has been made for rates payable of £18,000 for years 1 and 2, rising to £20,000 per annum from year 3 as an apportionment of the overall rates payable.
- 9.29 The cinema will have limited street visibility due to the listed nature of the building and therefore the programme and activities of the cinema will require a continuous marketing spend to attract audience numbers. This has been assessed by ICO as

£8,000 per month, £96,000 per annum, however Year 1 marketing, to reflect the launch requirements of a new cinema, has been increased to £120,000.

Cinema Capital Expenditure

9.30 The majority of capital expenditure is contained in the construction cost report written by Gardiner and Theobald per Appendix 9 and as commented on at Section 11. There is cinema specific capital expenditure which is detailed in the ICO report and reflected in the Gardiner and Theobald Cost Plan with an allowance of £412,000 for digital display systems, sound, screens and seating.

Cinema Summary Assumptions

9.31 The Summary below sets out the advice from the Independent Cinema Office consultancy report for the proposed scheme of a 4-screen cinema (220 seats) with hotel, bar, café/ restaurant and licenced auditoria and the comparison to the Icen Viability Appraisal identifying the effect of rounding:

Table 9.6 Summary of Cinema Income and Expenditure

Proposed Hotel - ICO Shaftesbury Avenue	Year 1	Year 2	Year3	Year 4 & 5
Income	Result (£)	Result (£)	Result (£)	
Cinema box office (gross)	£499,125	£658,844	£798,600	£798,600
Cinema secondary sales (kiosk sales)	Shown in F&B sales	Shown in F&B sales	Shown in F&B sales	Shown in F&B sales
Screen advertising	£40,000	£40,000	£44,000	£44,000
Private hire	£30,000	£30,000	£30,000	£30,000
Total Income	£569,125	£728,844	£872,600	£872,600
Expenditure				
Film Hire @38% of (net) box office	£158,056	£208,634	£252,890	£252,890
PRS @1% of box office	£4,159	£5,490	£6,655	£6,655
VAT on Ticket Sales	£83,188	£109,807	£133,100	£133,100
Projection servicing costs/new lamps	£8,000	£8,000	£8,000	£8,000
Box office operating system licence	£5,000	£5,000	£5,000	£5,000
Heating and Lighting	£14,400	£14,400	£15,000	£15,000
Rates (estimate, apportioned to cinema)	£18,000	£18,000	£20,000	£20,000
Insurance	£6,000	£6,000	£10,000	£10,000
Cinema Managers X 2 (FTE)	£66,000	£66,000	£68,000	£68,000
Cinema staff (X 8 FTE including Employer's NI)	£116,688	£116,688	£120,188	£120,188
Marketing	£120,000	£96,000	£96,000	£96,000
IT	£10,000	£10,000	£10,000	£10,000

Kiosk stock	Shown in F&B sales	Shown in F&B sales	Shown in F&B sales	Shown in F&B sales
Film transport	£3,000	£3,000	£3,000	£3,000
Total Expenditure	£612,491	£667,020	£747,833	£747,833
ICO Totals	-£43,366	£61,824	£124,767	£124,767
Iceni Totals	-£45,430	£59,782	£124,133	£124,703

9.32 Further notes explaining the operational budget can be found at Appendix 7 within the consultancy report completed by ICO.

Cinema Capital Values

9.33 The ICO report does not budget for rents however it is understood that the current passing rent is related to the box office takings, as opposed to total net revenues.

9.34 A rent of £73,950 per annum, 10% of revenue, net of vat, has been allowed for as rent.

9.35 The F&B offer, critical to the functioning of any cinema and has been separately accounted for in the Food and Beverage section.

9.36 There is little transactional evidence of recent disposals of cinemas. Where forming part of larger mixed-use leisure scheme or as standalone portfolios yields have been reported of down to 5.25% for a leisure complex including a 14 screen cinema in Nottingham.

9.37 Industry reports cite yields ranging from 4.75% to 5.00%, however for the purposes of this report we have applied a yield of 5.50% to reflect the constraints of the proposed scheme and limited occupier market for the envisaged product.

9.38 The Gross Capital Value of the cinema element from a property perspective is assessed at £1.06 million.

9.39 The rent, if set at £73,950 would represent a significant proportion of the trading surplus or EBITDA, in year 3.

9.40 There is useful evidence of the multiplier that can be applied to cinemas with the acquisition of the Odeon Group by AMC. AMC quoted a multiplier of 9.1 times earnings. This is equivalent of a 10.5% yield on the EBITDA (less rent), i.e £50,800 giving an implied value of £495,300.

9.41 Therefore, in aggregate, the value attributed to both the trading entity and the capitalised rent is £1,8439,829, say £1.84 million.

10. PROPOSED SCHEME – FOOD AND BEVERAGE

- 10.1 This Viability Report draws on the Ford Consultancy Report at Appendix 6. The proposed food and beverage provision is made up of the elements set out in Table 10.1 below:

Table 10.1

Element	Service Times
Hotel Breakfast	06:30 – 12:00
Hotel Restaurant	12:00 – 23:00
Hotel Room Service	06:30 – 23:00
Rooftop Bar	12:00 – 01:00
Cinema In-Screen Dining	12:00 – 23:00

Food and Beverage Revenue Assumptions

Breakfast F&B

- 10.2 The breakfast offer is driven significantly by the hotel occupancy, which is proposed with 94 bedrooms. The hotel is anticipated as taking three years to achieve a sustainable, stabilised occupancy level, growing from 75.5% occupancy in year 1 to 83.5% in Year 3. Ford Consultancy advise that an anticipated 60% of hotel guests will breakfast in the hotel.
- 10.3 Double occupancy rates are derived from The Hotel Management Company Report at Appendix 5 which Ford Consultancy have determined as equating to an average room occupancy of 1.1 persons during the week (Monday to Friday) and 1.7 persons at weekends.
- 10.4 The proposed breakfast rate is determined as being £16.50 net of vat (£19.80 including vat) based on comparable pricing in the locality.
- 10.5 Ford Consultancy determined a Year 3 stabilised income for Monday to Friday Breakfasts of £359,619 per annum. This equates to 54.96% of the available rooms purchasing breakfasts.
- 10.6 Ford have assumed that there will be use growth from Year 1 to Year 3 as the Restaurant becomes established, with stabilised growth in Year 3 and year 1 and 2 representing 90% and 97% of Year 3 trade respectively.
- 10.7 The breakfast usage factor for year is based on the number of diners as a percentage of the number of bedrooms rooms as follows:

	Years 3 -5 Breakfast Revenue p.a.	Price of Breakfast	Number of Breakfast Dining Guests per annum (202,033/15)	Total Number of available Rooms per annum (94*365)	Number Dining Guests as % of Total Number of available Rooms
Monday to Friday Breakfast	£ 202,033	£16.50	13,469	34,310	39.26%
Week End Breakfast	£ 124,893	£16.50	8,326	34,310	24.27%
Total Breakfast Sales	£326,926				

- 10.8 Usage factors, which take into account room occupancy, double occupancy and a weighted different between week days and weekends, are as follows:

Breakfast Usage Factor	Year 1	Year 2	Year 3 - 5
Mon – Fri	35.50%	37.89%	39.26%
Sat – Sun	21.94%	23.42%	24.27%

- 10.9 There are some minor rounding differences between the Ford Consultancy Breakfast totals and the totals in IcenI. For Total Breakfast Revenues are as follows:

Breakfast Total Revenue	Year 1	Year 2	Year 3	Year 4 & 5
Ford Consultancy Totals	£325,165	£347,129	£359,619	£326,926
IcenI Totals	£325,176	£347,085	£360,638	£359,653

Restaurant – Lunch F&B

- 10.10 The Restaurant sales are based on the available covers in the restaurant (95); this would generate a total number of covers of 34,310 per sitting. As with other meal times Ford Consultancy have identified differences between Monday to Friday and Weekend trade patterns, which is reflected in the Viability Appraisal.
- 10.11 Ford have assumed that there will be use growth from Year 1 to Year 3 as the Restaurant becomes established, with stabilised growth in Year 3 and Year 1 and 2 representing 86% and 92% of year 3 trade respectively.
- 10.12 Usage Factor, the table occupancy as a percentage of total number of covers per sitting, in the year for the lunch time trade, taking into account table occupancy and the weighted difference between weekdays and weekend is as follows:

Lunch Restaurant Usage Factor	Year 1	Year 2	Year 3 -5
Mon – Fri	40.26%	42.64%	45.62
Sat – Sun	19.20%	20.35%	21.78%

10.13 The assumed spend during the week is £18.33 per diner (£22.00 inc vat) and the assumed spend at the weekend is £27.50 (£33.00 inc vat) at weekends.

10.14 There are minor rounding differences between the Ford Consultancy totals and the Icenit totals as set out below:

Lunch/Early Matinee Total Revenue	Year 1	Year 2	Year 3	Year 4 & 5
Ford Consultancy Totals	£438,741	£465,065	£497,620	£497,620
Icenit Totals	£438,592	£464,876	£498,816	£497,453

Restaurant – Afternoon F&B

10.15 Based on 34,310 covers available for the Afternoon Restaurant (95x365) and pricing at £18.33 (£22.00 inc vat) per cover, for both weekday and weekends the assumed usage has been assessed as being:

Afternoon Restaurant Total Revenue	Year 1	Year 2	Year 3	Year 4 & 5
Ford Consultancy Totals	361,990	383,709	410,569	410,569
Icenit Totals	361,779	383,453	411,463	410,339

Restaurant – Evening F&B

10.16 Based on 34,310 covers available for the evening meals the assumed usage, drawn from the Ford Consultancy, is as follows:

Evening Restaurant Usage Factor	Year 1	Year 2	Year 3 - 5
Mon – Fri	32.35%	34.46%	36.88%
Sat - Sun	23.19%	24.58%	22.65%

10.17 Based a spend of £27.50 per cover weekdays and £32.08 per cover for the weekends the assessed total evening restaurant spend is as set out below. Minor variations due to rounding re identified.

Evening Restaurant Total Revenue	Year 1	Year 2	Year 3	Year 4 & 5
Ford Consultancy Totals	£568,063	£602,147	£644,297	£644,297
Iceni Totals	£567,963	£602,019	£645,993	£644,228

Restaurant Summary

10.18 The Summary revenue from the Breakfast, Lunch, Afternoon and Evening Restaurant activities (and differences to Iceni due to rounding) are as follows:

Restaurant Totals	Year 1	Year 2	Year 3	Year 4 & 5
Ford Consultancy Totals	£1,693,959	£1,798,050	£1,912,105	£1,912,105
Iceni Totals	£1,693,511	£1,797,433	£1,916,910	£1,911,672

Room Service F&B

10.19 Room Service revenues have been included by Ford Consultancy in the overall revenue assumptions for the Restaurant.

Rooftop Bar F&B

10.20 The Roof Top Bar makes a significant positive contribution to the F&B revenue. The roof top bar is estimated to have a capacity of 142 people and has trading periods at lunch, afternoon and evening. Total Capacity is therefore 142 people for 365 days – 51,830 people, per trading period.

10.21 Bar expenditure is variable by day and by trading period as follows:

Bar Average Spend Per Head (net)		
Trading period		
Lunch	Mon - Fri	£11.00
	Weekend	£13.75
Afternoon	Mon - Fri	£13.75
	Weekend	£13.75
Evening	Mon - Fri	£16.50
	Weekend	£13.75

10.22 Assumed usage varies between weekday and weekend use with the overall usage as a percentage of total capacity is as follows:

Bar Usage Factor (Capacity 142)		Year 1	Year 2	Year 3	Year 4 & 5
Lunch	Mon - Fri	23.80%	25.23%	27.75%	27.75%
	Weekend	16.13%	17.10%	18.29%	18.29%
Afternoon	Mon - Fri	12.77%	13.53%	14.89%	14.89%
	Weekend	8.06%	8.55%	9.23%	9.23%
Evening	Mon - Fri	58.89%	62.43%	68.67%	68.67%
	Weekend	17.81%	18.88%	22.65%	22.65%

10.23 Ford Consultancy has assumed that there will be use growth from Year 1 to Year 3 as the Restaurant becomes established, achieving stabilised growth in Year 3 with Year 1 and 2 representing 77% and 87% of Year 3 trade respectively.

10.24 Total Bar Revenue is estimated as follows:

Bar Revenue Total	Year 1	Year 2	Year 3	Year 4 & 5
Ford Consultancy Totals	£1,029,678	£1,091,459	£1,209,185	£1,209,185
Iceni Totals	£1,029,569	£1,019,514	£1,212,444	£1,209,132

Cinema F&B

10.25 Cinema attendance as set out in the ICO report at Appendix 7, with the assumptions set out in Section 4, assumes a breakdown in audience numbers between Early Matinee, F&B expenditure for which has been included in Lunch Trading Period, Late Matinee F&B Expenditure has been included in Afternoon Trading Period and two viewings in the evenings which corresponds to the Evening F&B trading period.

10.26 The ICO report also highlights differences between Monday to Thursday Attendance and Friday to Sunday attendance; the anticipated attendance is as set out below:

Ticket Sales Per Screening Period						
	Year 1	Year 1	Year 2	Year 2	Year 3	Year 3
	Monday to Thursday	Friday to Sunday	Monday to Thursday	Friday to Sunday	Monday to Thursday	Friday to Sunday
Early Matinee (Lunch)	9,583	6,389	12,650	8,433	15,333	10,222

Late Matinee (Afternoon)	4,792	3,194	6,325	4,217	7,667	5,111
Early Evening (Evening)	14,375	9,583	18,975	12,650	23,000	15,333
Late Evening (Evening)	19,166	12,778	25,300	16,866	30,666	20,444
Total Tickets Sold		79,860		105,415		127,776

10.27 Estimated spend per cinema visitor is £5.00 inc vat, this is £4.17 net of vat. Based on the number of attendees identified earlier in this report this results in the following anticipated revenue profile:

F&B Cinema Revenue: net of vat						
	Year 1	Year 1	Year 2	Year 2	Year 3	Year 3
	Monday to Friday	Saturday to Sunday	Monday to Friday	Saturday to Sunday	Monday to Friday	Saturday to Sunday
Early Matinee	£39,930	£26,620	£52,708	£35,138	£63,888	£42,592
Late Matinee	£19,965	£13,310	£26,354	£17,569	£31,944	£21,296
Early Evening	£59,895	£39,930	£79,061	£52,708	£95,832	£63,888
Late Evening	£79,860	£53,240	£105,415	£70,277	£127,776	£85,184
Sub Total	£199,650	£133,100	£263,538	£175,692	£319,440	£212,960
Total Cinema FB Revenue		£332,750		£439,230		£532,400

F&B Trade through the Day

10.28 Total Breakfast Trade, which includes room service but assumes no trade from the Cinema or the Bar, is as set out at xx above

10.29 Total Lunch time trade, including all restaurant, room, cinema and bar sales is assessed by the Ford Consultancy compared to Icenis as follows:

Lunch/Early Matinee Total Revenue				
	Year 1	Year 2	Year 3	Year 4 & 5
Ford Consultancy Totals	£755,925	£818,583	£892,685	£892,685
Icenis Totals	£756,206	£818,986	£895,609	£893,162

10.30 Total afternoon trade including all restaurant, room, cinema and bar sales is assessed by the Ford Consultancy as follows:

Afternoon Total Revenue				
	Year 1	Year 2	Year 3	Year 4 & 5

Ford Consultancy Totals	£543,729	£585,004	£635,699	£635,699
Iceni Totals	£543,641	£585,009	£637,551	£635,809

10.31 Total Evening Trade including all restaurant, room, cinema and bar sales is assessed by the Ford Consultancy compared to Iceni is as follows:

Evening Total Revenue	Year 1	Year 2	Year 3	Year 4 & 5
Ford Consultancy Totals	£1,431,568	£1,578,023	£1,765,687	£1,765,687
Iceni Totals	£1,432,908	£1,579,870	£1,772,785	£1,767,942

Summary F&B Revenue Assumptions

10.32 The Total F&B revenue from all sources of is as follows:

Total F & B Revenue	Year 1	Year 2	Year 3	Year 4 & 5
Ford Consultancy Totals	£3,056,386	£3,328,739	£3,653,691	£3,653,691
Iceni Totals	£3,057,931	£3,330,951	£3,666,584	£3,656,566

F & B Expenditure assumptions

10.33 The Ford Consultancy Report sets out assumed expenditure costs which are replicated in the Iceni Appraisals.

10.34 The lack of ground floor entrances and windows means that any F&B offer will not benefit from a street-facing presence as a means of attracting and capturing passing trade. This lack of visibility will result in higher marketing costs to promote the venue and a greater reliance on the entertainment elements and hotel residents to populate the F&B spaces.

- 10.35 Marketing of F&B offers within the hotel would normally fall under the overall business strategy and overhead, but Ford Consultancy have assumed independent PR activity to create specific awareness and drive footfall to the bar and restaurant at an additional cost of £25,000 per annum (PR agency contract) plus sundry costs associated with promotional activities.
- 10.36 Ford Consultancy note the marketing spend is more in line with the level of cost associated with a concession or licensed F&B offer operating independently within a hotel property.
- 10.37 There are minor rounding differences where the costs are expressed as a percentage of income. In Summary these are as follows:

Ford Consultancy Summary of Costs (excluding rent)				
	Year 1	Year 2	Year 3	Year 4 & 5
Total Cost of Sales	£794,334	£866,016	£950,220	£950,220
Staff Salaries	£1,173,652	£1,278,236	£1,403,016	£1,403,016
Total Operational Costs	£187,270	£203,067	£221,914	£221,914
Total Fixed Costs	£286,877	£310,436	£338,544	£338,544
Totals	£2,442,134	£2,657,754	£2,913,695	£2,913,695

- 10.38 Which compares to the IcenI totals as follows:

IcenI Summary of Cost (excluding rent)				
	Year 1	Year 2	Year 3	Year 4 & 5
Total Cost of Sales	£794,754	£866,611	£953,604	£950,999
Staff Salaries	£1,174,246	£1,279,085	£1,407,968	£1,404,121
Total Operational Costs	£187,360	£203,195	£222,662	£222,081
Total Fixed Costs	£287,011	£310,627	£339,659	£338,793
Totals	£2,443,371	£2,659,519	£2,923,894	£2,915,994

- 10.39 In addition to the expenditure noted above as part of the initial commissioning during the end of construction £42,500 of expenditure has been identified for staff uniforms, tableware as a one off expense.

F & B Summary

- 10.40 In Summary the EDITDA of the Food and Beverage Offer as advised by Ford Consultancy is as follows:

Ford Consultancy P&L

	Year 1	Year 2	Year 3	Year 4 & 5
Total Revenue	£3,056,386	£3,328,739	£3,653,688	£3,653,688
Total Costs	-£2,808,900	£3,057,203	-£3,352,137	-£2,913,695
EBITDA	£247,487	£271,536	£301,551	£301,551

10.41 This compares with the IcenI Appraisal totals as follows:

IcenI P&L drawn from Ford Consultancy Inputs				
	Year 1	Year 2	Year 3	Year 4 & 5
Total revenue	£3,057,931	£3,330,951	£3,666,584	£3,656,566
Total Costs	-£2,807,290	-£3,059,233	-£3,363,884	-£3,354,782
EBITDA	£250,641	£271,718	£302,700	£301,784

Capital Values F&B

10.42 The based on a rent for the F&B operation across all activities being at 12% of revenue net of vat, the rent rises in line with the revenue. There is an assumed 3 month rent free period to assist with the initial trading.

10.43

11. DEVELOPMENT ASSUMPTIONS

11.1 In addition to the revenue and expenditure assumption set out in sections xx to xx the following Assumptions are also made:

Professional Fees

11.2 The complex nature of the development both in terms of the retention of the existing structure, deconstruction of the existing interior and construction of the new scheme will result in significantly higher consultancy costs to manage the risk of delivery. The retention of the existing external structure will require a more iterative and responsive approach increasing fees. These higher fees will help mitigate increased contingency allowances.

11.3 It would be usual for professional fees for a cleared site to be in the order of 10% to 12% of construction costs. These tend to be higher for central London development, where constrained sites tend to require more complex solutions.

11.4 The allowance for fees for this significantly more complex and constrained site are set out below. Overall these fees total £3,373,307 and represents a total of 16.75% of Construction Costs.

Professional Fees	% of Construction/ £ Budget
Architect	4.00%
Heritage	0.10%
Ecologist	0.05%
Interior Design	0.25%
Daylight/Sunlight	0.15%
Construction Drawings	0.50%
Sustainability	0.15%
Quantity Surveyor	1.75%
Structural Engineer	2.00%
Mech/Elec Engineer	0.50%
Project Manager	2.00%
C.D Manager	0.50%
Planning	0.50%
Utilities	0.15%
Transport	0.10%
Viability	0.10%
Air Quality	0.10%
Engagement and Consultation	0.10%
Planning Lawyers	0.25%
Marketing	1.50%
Sales Agency	1.50%
Sales Legal	0.50%

Build Costs

- 11.5 Build Costs have been determined by Gardiner and Theobald with additional inputs and dialogue with the hotel, cinema and F&B sector specialists who reports are contained in appendices to this report.
- 11.6 The constrained location restricted site and listed nature of the building, will generate additional costs in management and execution of the works. The initial enabling phase is going to be a process of deconstruction in the first instance before new structure can be introduced.
- 11.7 In summary the build costs are as set out below:

Table 11.1 Enabling Works

Enabling Works Costs	Sub-Total
Enabling Works Nett Trade	£9,360,000
Enabling Works Preliminaries (18.0%)	£1,690,000
Enabling Works OHP (15.0%)	£1,660,000
Enabling Works Design (5%)	£640,000
Enabling Works Construction (5%)	£640,000
Enabling Works Costs	£14,020,000

Table 11.2 Construction Works

Construction Works Costs	Sub-Total
Shell and Core Nett Trade	£13,808,000
Fit Out Nett Trade	£11,136,000
Construction Works Preliminaries (16.5%)	£4,120,000
Construction OHP (6%)	£1,750,000
Design Contingency (5%)	£4,800
Construction Contingency (5%)	£14,400
Construction Works Costs	£33,984,00

Table 11.3 Fixtures Fittings & Equipment/Operating Supplies & Equipment

FF&E/OSE	Sub-Total
Hotel	£3,055,000
Cinema	£412,000
Other (Infrastructure Upgrade)	£300,000
FF&E /OSE	£3,767,000

- 11.8 These elements sum to construction costs of £51,771,000. And are set out in detail in the Gardiner and Theobald Report at Appendix 9.

Borrowing and Funding Rates

- 11.9 It is assumed that site acquisition and the development is funded through borrowing and the opportunity cost of equity. The cost of borrowing is determined by risk for the capital.
- 11.10 The development is an usual project, given the status of the building and mixture of uses proposed and the development is likely to be placed as a higher risk than some other newbuild developments, which in turn will lead to higher interest rates and is likely to attract a highly bespoke funding package.
- 11.11 At this juncture a borrowing rate of 6.25% has been utilised with a presumed inclusion of arrangement, utilisation, non-utilisation, redemption and monitoring fees.
- 11.12 However it would not be unsurprising if for the complexity and nature of this project that once funders have bid, rates sought by lenders may be higher.
- 11.13 For a project of this nature it would not be unusual to have a structured funding solution that relies on significant equity as well as senior debt and potentially mezzanine finance.

12. YIELD ASSUMPTIONS

- 12.1 Recent yields alongside agency reports have been considered using both comparable second hand and new sales evidence within the nearby area.
- 12.2 When giving regard to available data there were few hotel-led mixed-use investment sales. There are 2 comparable schemes which have been outlined below.
- 12.3 Data is however scarce, we have therefore included yield data and applied it to the different elements of the proposed scheme. Please see table 12.1 below which outlines the two comparable sales.

Table 12.1

Property Address	Date	Price	Yield	Comment
South Place Hotel, Liverpool Street	April-17	£41m	4.20%	Hotel is operated by D&D, includes Michelin starred Angler restaurant, South Place Chop House and the Secret Garden, Event space, Spa and Gym.
W Hotel, Leicester Square	Sept-11	£200m	3.64%	192 room Hotel run by Starwood Hotels, restaurant and bars, a 35,000-square foot M&M's store (Mars Retail Group) and 11 apartments. The hotel includes two 40sqm meetings rooms
Average			3.92%	

Source: Property Week/ EGI/ Icen Research 2017

- 12.4 The W Hotel was the former Swiss Centre in Leicester Square. the 10-storey property opened in February 2011, launched sale in March 2011 and sold in September 2011. The hotel was bought by a Qatari Sovereign Wealth Fund from Northern Irish developer McAleer & Rushe and is situated in a hugely popular tourist destination. The hotel is a trophy asset for the Fund and there was significant yield tightening to reflect that.
- 12.5 The 80 room South Place Hotel opened in 2012 and so had a good history of occupational data for prospective buyers. The property was sold to Hong Kong listed investor Tian An China by Frogmore. Being situated between Moorgate and Liverpool Street and the hotel is aimed at international business rather than tourism. The high-end boutique hotel property is a similar size to the proposed development, small than the W hotel cited above. The property is also set to benefit from the new Crossrail Station at Liverpool Street, due to open in 2018/2019. Marc Nelson, a director in CBRE Hotels commented that the sale “demonstrates the sustained interest from international buyers to London as well as the significant appetite from long-dated fixed income investments in the hotel sector.” (CBRE, 2017)

Hotel

- 12.6 Look above we can see there are a good demand and supply balance within the hotel sector. JLL note within their Hotel Intelligence Report in Q3 2017 that hotel investment volumes in London reached nearly £1.9 billion in the first eight months of 2017, up an impressive 117% compared to same period last year. The uplift was largely driven by the £575m sale of the 496-room JW Marriott Grosvenor House London. Nevertheless, the market was still up 50% if we exclude this deal.
- 12.7 JLL also suggest a strong and varied buyer base as “London continues to attract investors’ interest, both domestically and from abroad. North American investor was the largest buyer group, taking up 36% of deal volumes, mainly driven by the Grosvenor House sale. British buyers accounted for 35% of London hotel investment, followed by European buyers, at 18%.” (JLL, 2017)
- 12.8 In terms of outlook, several agents agree that the UK remains an attractive global destination. The softening of the pound, together with the strength of both U.S and Eurozone economics, have attracted more tourists to the city, this was reflected through the positive uplift in both RevPAR and international tourists from November 2016 onwards. This trend is expected to carry on to next year. The latest PwC forecast predicted a RevPAR uplift in both 2017 and 2018, supported mostly by average rate.
- 12.9 Please see table 12.2 below outlining agency prime hotel yield forecasts we have gathered.

Table 12.2

Agency	Report Title	Prime Hotel Yield
JLL	Capital Markets Report H1 2017	4.50%
Knight Frank	Specialist Sector Report 2017	3.50%
Savills	UK Hotel Investment Q4 2016 Report	4.25 – 4.75% (Fixed lease with strong covenant)
Average		4.17%

Source: Agency Reports/Iceni Research 2017

- 12.10 Being labelled “prime” we understand these yields reflect well known assets with secure or proven income streams, with this in mind we have loosen the hotel yield applied to the capital stream to 4.50%. This reflects the greater risk inherent in the Shaftesbury Avenue asset, the location and mixed use nature of the asset.

Leisure

- 12.11 According to Savills, consumer spending on leisure services grew by 7.8% in 2016. Despite economic headwinds and Brexit fears, this is forecast to continue to grow at 4% per annum over the next 5 years (Savills, Q1 2017). Accordingly, investors are increasingly enthusiastic about the sectors secure-income characteristics.
- 12.12 According to the latest Family Expenditure Survey, the typical household now spends 22% of its weekly outgoings on leisure, compared to 14% on housing. This is however unlikely to continue, as the outlook for household incomes and spending is weakening due to inflation rises.
- 12.13 Investment agent reports produce the following yield forecasts:

Table 12.3

Agency	Report Title	Prime Leisure Yield
Knight Frank	Yield Guide July 2017	5%
Savills	Spotlight UK Commercial Leisure Q1 2017	5%
Average		5%

Source: Agency Reports/Iceni Research 2017

- 12.14 These yields have been confirmed by comparables sales within Zone 1 or similar type attractive locations, please see table 12.4 below outlining comparable high-end restaurant and fitness sales.

Table 12.4

Property Address	Date	Price	Yield	Comment
Kinnaird House, Pall Mall	Feb-16	£85m	3.95%	The six-storey building was redeveloped in 2001 and provides 61,500 sq. ft. of offices and 10,000 sq. ft. of restaurant space. The office space is let to McKinsey & Co until March 2018 and the restaurant is let to Out of Africa Investments until September 2037.
Bene't Street, Cambridge	On Market	£5.6m	5.50%	Fully let to Ask Restaurants, which will trade it as a Zizzi, and Cau, the "affordable" steak format of Gaucho Holdings. Both tenants have 25-year leases. Bidwells are selling agents
2 St Anne's Court, Soho	Dec-14	£8.25m	3.50%	The 5,560-sq. ft. restaurant was recently let to Burger & Lobster Restaurant Group on a 25-year lease with no breaks and is trading as seafood restaurant Rex and Mariano
35 Chiswell Street, City of London	Dec-17	£17.6m	4.50%	Multi-let to eight tenants, with reversionary potential. The 1990 property had recently been refurbished and provides 17,285 sq. ft. of office, healthcare and gym accommodation arranged over basement, lower ground, ground and five upper floors.
David Lloyd Leisure, Newbury	Sept-17	£14.85m	4.13%	The sale and leaseback purchase, David Lloyd has agreed a new 30-year lease subject to annual RPI linked rent reviews. Opened in December 2015, the purpose-built health club totals 59,000 sq. ft. and is located on a 4.5-acre site. Facilities include indoor and outdoor tennis courts, squash courts, indoor and outdoor swimming pools, spa facilities, a fitness centre, members' lounge and kids club, a café/restaurant and 180 parking spaces.

Virgin Active, Wandsworth	Mar-17	£12.95m	5%	The property is single let to Virgin Active with about 20 years unexpired and benefits from an RPI-linked rent review in 2021. Located in a three-storey building totalling 40,192 sq. ft., the Virgin Active gym comprises two floors of gym and fitness class facilities and a 25m heated swimming pool, as well as a steam room and sauna.
Average			4.43%	

Source: EGI /Iceni Research 2017

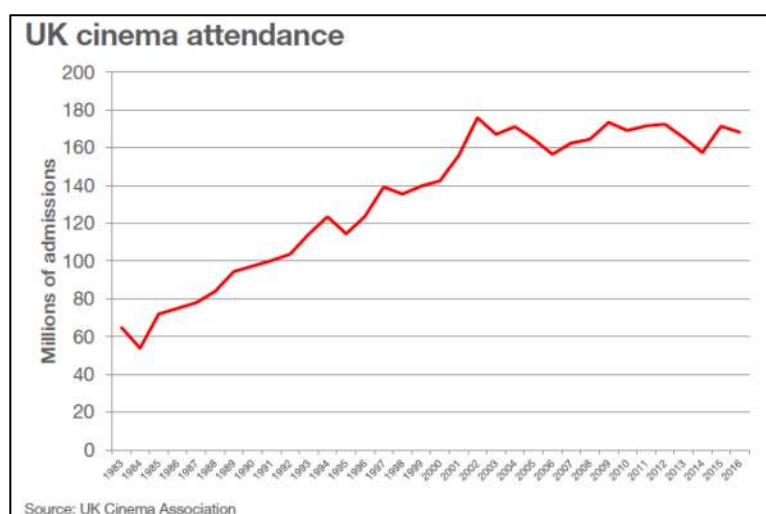
12.15 Looking to the transactions above, The Virgin Active gym at Wandsworth hold a long and secure income stream to a nationally recognised covenant. This will have tightened the yield as well as the wealth of facilities. This security is balanced by a poorer location being further from Central London than the subject site.

12.16 The proposed gym provision, albeit exclusive, will have less facilities and be entirely underground but will in within Zone 1 and hold a transitory but regular catchment from the hotel. Considering this we would expect the gym to have a tighter yield.

12.17 A yield of 5% has been applied to the restaurant and 4.5% to the spa facilities in line with the agent forecasts and comparable evidence, adjusting for location, situation and scale.

Cinema

12.18 According to Savills, Cinema attendance in the UK fell by 2% in 2016 to 168 million visits. However, they expect to see further growth amongst boutique cinemas. The graph below outlines UK cinema attendance with data from the UK Cinema Association, this shows that 2016 visits are broadly in line with the average annual level of the last 15 years.



12.19 The graph above shows that cinema operators are generally in good health, having been through the massive cap ex of digitalisation and being less exposed to rising costs and consumer restraint seen in other leisure areas.

12.20 Cushman and Wakefield in their UK cinema market briefing report in April 2017 outline the localisation of cinema. They note:

“While multiplex cinemas without doubt have a long and lasting place, consumers broadly now see two ways of visiting the cinema. They may want to see the latest Bond film on a huge IMAX screen but for a more intimate occasion they want something more local, more personable and more intimate.” (Cushman & Wakefield, 2017)

12.21 So increased segmentation is likely and we would expect therefore yields to be focused by niche investors and be considered a more emerging market.

12.22 Considering the above and with the lack of yield data for specific cinema transactions, a yield of 5% has been applied in line with Savills forecasting for leisure investments.

Conclusion

12.23 Table 12.5 below sets out the separate yields being applied to the elements of the proposed development:

Table 12.5

Element	Yield Applied
Hotel / Spa	4.50%
Restaurant	5.00%
Cinema	5.00%

13. CONCLUSION

- 13.1 The scheme is complex because of the nature of the building and constraint that are placed on its potential economic uses. These in turn determine the development that may be deliverable in it.
- 13.2 It would be usual for a developer to seek a 17.5% return on costs for a project of this nature. With a zero land cost this would require a return of in the order of £13.7 million.
- 13.3 With a Benchmark Land Value of £6 million the scheme would need to generate in excess of £15.7 million before it was able to support contributions to section 106 obligations over and above the LB Camden CIL and Mayoral CIL which is accounted for in the project.
- 13.4 This project produces a deficit as follows:

Development Summary	Sub-Total
Net Development Value (Property)	£60,468,918
Net Operational Income prior to Sale (Operational)	£9,007,552
Operating Revenue	£9,184,608
Net Income	£78,661,078
Land Value	£0
Gross Construction Costs	-£83,966,489
Development Deficit	-£5,305,410

- 13.5 A deficit of this nature would usually generate a capital contribution from a source not requiring a commercial return, such a grant making body, to support the investment.

A1. GLOSSARY

Extracts from policy and guidance

Gross Development Value

On an individual development, detailed assessment of Gross Development Value is required. On housing schemes, this will comprise the assessment of the total sales and/or capitalised rental income from the development. Grant and other external sources of funding should be considered. Wherever possible, specific evidence from comparable developments should be used after adjustment to take into account types of land use, form of property, scale, location, rents and yields. For housing, historic information about delivery rates can be informative.

Revision date: 06 03 2014

Planning Practice Guidance Paragraph: 022 Reference ID: 10-022-20140306

Costs

Assessment of costs should be based on robust evidence which is reflective of market conditions. All development costs should be taken into account including:

- build costs based on appropriate data, for example that of the Building Cost Information Service;
- abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or historic costs associated with brownfield, phased or complex sites;
- infrastructure costs, which might include roads, sustainable drainage systems, and other green infrastructure, connection to utilities and decentralised energy and provision of social and cultural infrastructure;
- cumulative policy costs and planning obligations. The full cost of planning standards, policies and obligations will need to be taken into account, including the cost of the Community Infrastructure Levy.
- finance costs including those incurred through loans;
- professional, project management and sales and legal costs.

Revision date: 06 03 2014

Planning Practice Guidance Paragraph: 023 Reference ID: 10-023-20140306

Land Value

Central to the consideration of viability is the assessment of land or site value. Land or site value will be an important input into the assessment. The most appropriate way to assess land or site value will vary from case to case but there are common principles which should be reflected.

In all cases, land or site value should:

- reflect policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;
- provide a competitive return to willing developers and land owners (including equity resulting from those wanting to build their own homes); and
- be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.

Revision date: 06 03 2014

Planning Practice Guidance Paragraph: 024 Reference ID: 10-024-20140306

Market Value

A1.1 Market Value assumes the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion

A1.2 It ignores any price distortions caused by special value or synergistic value. It represents the price that would most likely be achievable for an asset across a wide range of circumstances. Market rent applies similar criteria for estimating a recurring payment rather than a capital sum.

A1.3 In applying market value, regard must also be had to the conceptual framework set out in IVS Framework paragraphs 30–34 Market Value, which includes the requirement that the valuation amount reflects the actual market state and circumstances as of the effective valuation date.

A1.4 Notwithstanding the disregard of special value (see definition in IVS Framework paragraphs 43–46 Special Value), where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the asset in the future, the impact of that expectation is reflected in market value. Examples of where the expectation of additional value being created or obtained in the future may have an impact on the market value include:

- the prospect of development where there is no current permission for that development and •
- the prospect of synergistic value (see definition in IVS Framework paragraph 47) arising from merger with another property or asset, or interests within the same property or asset, at a future date.

A1.5 Development Viability: National Planning Policy guidance which states:

“A site is viable if the value generated by its development exceeds the costs of developing it and also provides sufficient incentive for the land to come forward and the development to be undertaken.”

Planning Practice Guidance Paragraph: 016 Reference ID: 10-016-20140306 (Revision date: 06 03 2014)

Competitive return to developers and land owners

Viability should consider “competitive returns to a willing landowner and willing developer to enable the development to be deliverable.” This return will vary significantly between projects to reflect the size and risk profile of the development and the risks to the project. A rigid approach to assumed profit levels should be avoided and comparable schemes or data sources reflected wherever possible.

A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.

The National Planning Policy Framework, 2012

A2. LOCATION PLAN

A3. SCHEME AREA SCHEDULE

A4. SCHEME DESIGN PLANS

A5. HMC CONSULTANCY REPORT

A6. FORD CONSULTANCY REPORT

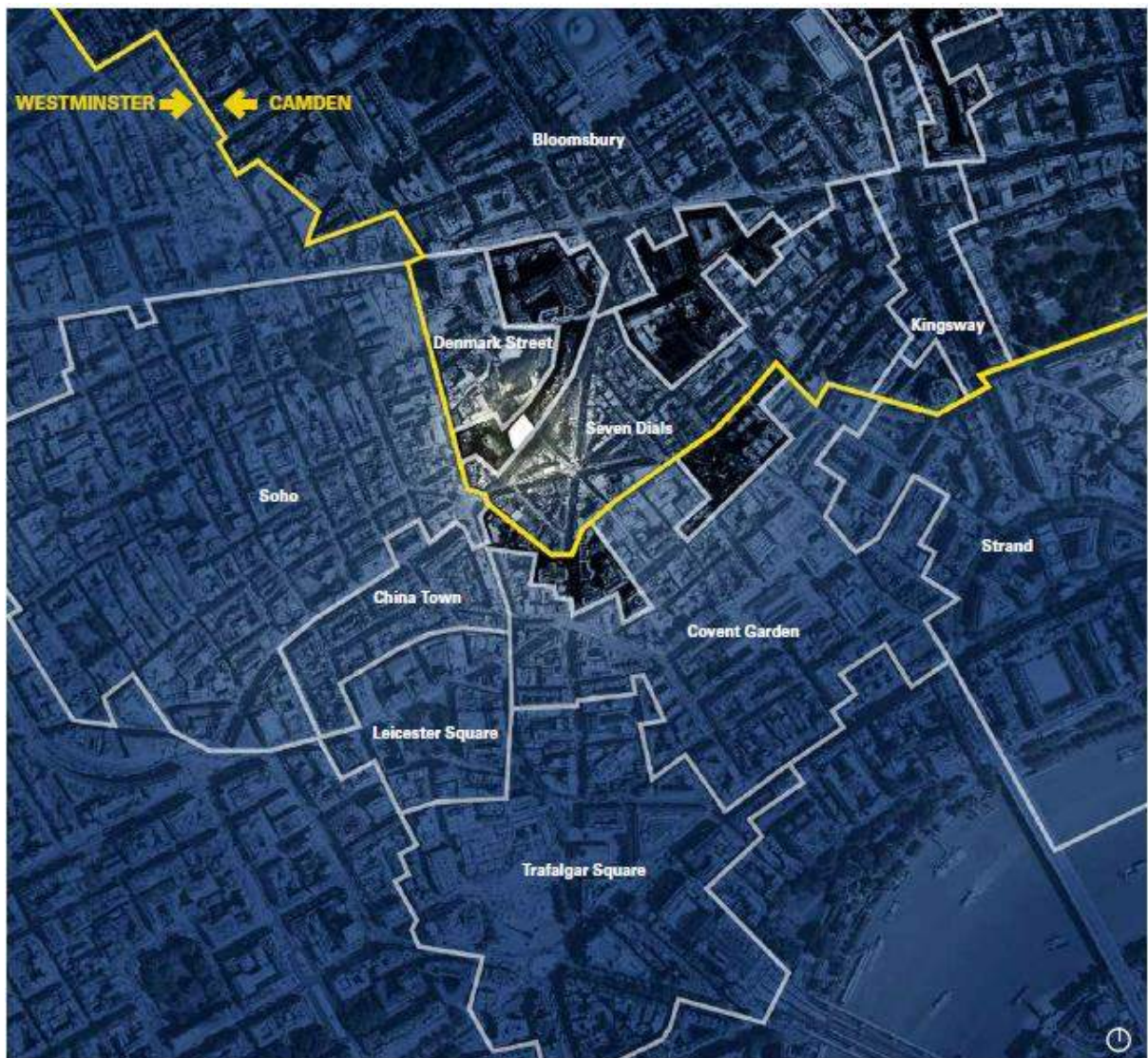
A7. ICO CONSULTANCY REPORT

A8. BUILDING CONDITION REPORT

A9. GARDINER AND THEOBALD BUILD COST REPORT

A10. APPRAISAL SUMMARY

Location Plan



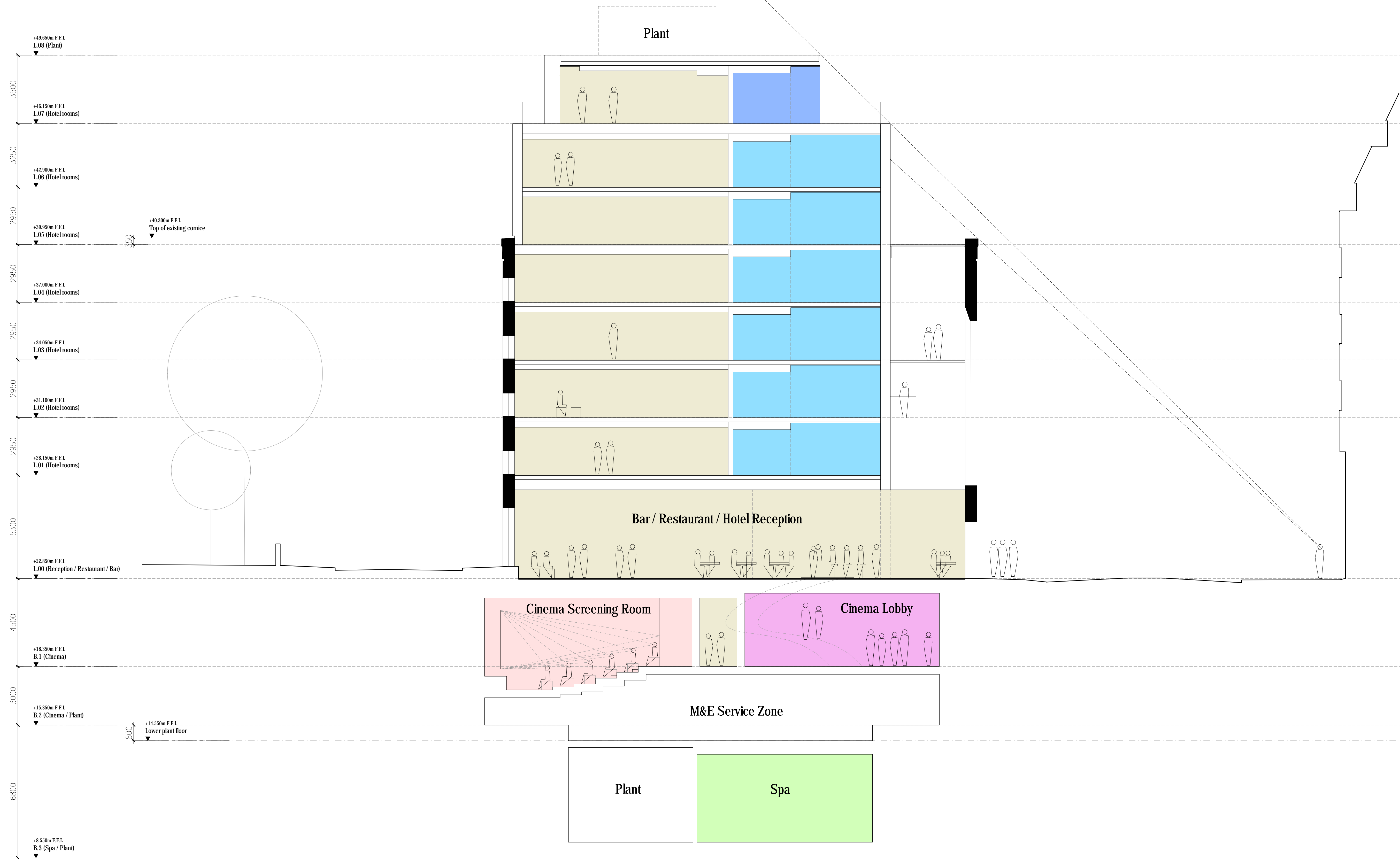


Project: 135-149 Shaftesbury Avenue, London WC2H 8AH

Date: 07 December 2017

Title: Floor Area Summary – NIA / GIA / GEA – by land use

Land Use	Existing Floorspace (sqm)			Proposed Floorspace (sqm)			Net Change (sqm)		
	NIA	GIA	GEA	NIA	GIA	GEA	NIA	GIA	GEA
Cinema (D2)	824	3,265	3,713	537	1,401	1,549	-287	-1,864	-2,164
Restaurant/Bar (A3/A4)	-	-	-	638	764	782	+638	+764	+782
Spa (Sui Generis)	-	-	-	134	257	274	+134	+257	+274
Hotel (C1)	-	-	-	2,686	4,230	5,190	+2,686	+4,230	+5,190
Total	824	3,265	3,713	3,995	6,652	7,795	+3,171	+3,387	+4,082



DO NOT SCALE THIS DRAWING ALL DIMENSIONS MUST BE CHECKED ON SITE INFORM THE ARCHITECT OF ANY DISCREPANCIES PRIOR TO CONSTRUCTION

KEY PLAN

NOTES

- | | | | |
|--|---|--|--|
| CINEMA | BAR / RESTAURANT | RECEPTION | KITCHEN |
| SPA / POOL | PLANT | CIRCULATION | BACK OF HOUSE |
| STANDARD ROOM | SUITE | | |

REV.	DATE	DESCRIPTION
P01	31.10.17	FOR INFORMATION
P02	07.11.17	FOR INFORMATION

DRN.	CHK.	DRAWING TITLE
JR	CS	CROSS SECTION
JR	CS	

SCALE 1:100

A1 SHEET

STATUS
PRELIMINARY

DRAWING NO
2818-SK-070

REV
PO2
CLIENT
CAPITAL START LTD
PROJECT
ODEON
SHAFTESBURY AVENUE, LONDON

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architecture + interior design london + prague

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PROPOSED UPSCALE HOTEL DEVELOPMENT, SHAFTESBURY AVENUE, LONDON WC2

Feasibility Study

On Behalf of CapitalStart Ltd

December 2017

The Hotel Management Company
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Hampshire
GU34 5PP

Mobile: + 44 (0) 7887 711 041
Email: nick.howat@thehotelmanagement.co

Haim Danous of
Capitalstart Ltd
25 Northumberland Avenue
London
WC2N 5AP

18 December 2017

Dear Haim

PROPOSED UPSCALE HOTEL DEVELOPMENT, SHAFTESBURY AVENUE, LONDON WC2

We are pleased to present our report on the Proposed Upscale Hotel Development at 129-135 Shaftesbury Avenue, London WC2H 8AH. The scope of our work is detailed in our proposal of October 2017.

The report includes a site appraisal and analysis of the market in which the proposed hotel will compete and provides comments and recommendations on the identified development opportunity, as well as projections of estimated revenue, costs and operating profit for the first five years of operation. The research process adopted for this study is presented in Section 1 of the report, as well as a list of those organisations and persons contacted during the course of our research. d

We do not guarantee the fulfilment of any estimates contained within this letter 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.

This report has been prepared for the information of Mr Haim Danous of Capitalstart Ltd and for presentation to relevant third parties. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

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



Roddy Watt
CEO



Nick Howat
Strategy & Investment

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Executive Summary

EXECUTIVE SUMMARY

- Based on our research we consider there to be a clear market opportunity for the development of an upscale hotel at the identified site on Shaftesbury Avenue, London, WC2.
- The site benefits from an excellent strategic location in central London in the Borough of Camden, with excellent connectivity to major generators of commercial and leisure demand of local and national significance.
- Whilst the immediate surround of the site suffers from congestion and there is a homelessness issue to rear of the building, these issues will be carefully managed so as not to detract from the project overall and the area is likely to be subject to regeneration in the medium to long-term in line with the realisation of the Borough of Camden Public Realm Masterplan.
- We envisage the growth in headline performance at hotels in the local market is set to continue as key redevelopment projects in the Borough of Camden, Westminster and City of London drive accommodation demand, supported by a strong economic outlook for London.
- Based on the information and assumptions detailed in this report, the following table summarises our profit and loss projections for the proposed hotel development on Shaftesbury Avenue, London WC2 in actual year values (assuming an opening date in 2022). The projections assume a 94-bedroom branded upscale hotel.

Proposed Hotel Development, Shaftesbury Avenue

Summary of Estimated Profit and Loss (2017 Values)

OPERATING PERIOD (Ending 31 December)		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Rooms Available		94	94	94	94	94
Average Annual Room Occupancy	%	75.5	80.6	83.5	83.5	83.5
Average Room Rate	£	231.81	236.85	238.53	238.53	238.53
Total Revenue	£000s	6,584.7	7,259.7	7,646.9	7,646.9	7,646.9
Gross Operating Profit	£000s	3,172.7	3,620.2	3,898.0	3,898.0	3,898.0
Gross Operating Profit as a Percentage of Total Revenue	%	48.2	49.9	51.0	51.0	51.0
EBITDA (post FF&E)	£000s	2,586.1	2,894.7	2,976.7	2,976.7	2,976.7
EBITDA (post FF&E) as a Percentage of Total Revenue	%	38.3	38.9	38.9	38.9	38.9

- Based on our research, we project the Gross Operating Profit per Room for the Proposed Upscale Hotel Development in the third and stabilised year of operation to be approximately £41,500. We project the EBITDA per available room to be approximately £31,670 by the third and stabilised year of operation.
- The full profit and loss statement for the first five years of operation is presented as Exhibit 1 (at 2017 values).

Background and Research

1 BACKGROUND AND RESEARCH

1.1 Background

Iceni Projects are planning and development consultants retained by Mr Haim Danous of Capitalstart Ltd, which have been commissioned to manage the planning process, producing the planning statement, heritage statements and other planning documents.

Capitalstart Ltd are a firm engaged in the development of building projects. Capitalstart Ltd has a history of successfully developing and operating hospitality operations in London, including the Indigo (IHG) Hotel at Tower Hill and the Thai Square Restaurant chain.

Capitalstart Ltd are the owners of the Odeon Cinema building on 129-135 Shaftesbury Avenue, London WC2H 8AH and wish to submit a planning application to convert the site into a boutique hotel of 94-bedrooms, with ancillary related facilities, including cinema, food, beverage and spa. Capitalstart Ltd wishes to assess the financial viability of such a project in this location.

- Capitalstart Ltd intends to franchise the M Gallery by Sofitel brand or equivalent, under which to operate the proposed upscale hotel, using their own management company, as an owner-operator;
- The hotel will be set above a restaurant, bar, lobby and reception at ground floor, with cinema and spa in the basement floors. Hotel bedrooms will be developed on six upper floors and will be developed to an upscale standard in order to maximise average daily rate (limited by size from being 5-star standard; fewer, but larger bedrooms could conceivably be built to meet 5-star standards, however the smaller bedroom count would negatively impact the hotel’s ability to attract an international franchise brand).
- The cinema will be individually branded, but operated on the principals of “The Light” Cinema Experience (by Cinema Next) – a premium, mainstream cinema, exciting and inclusive, with reclining seats, higher quality descriptor branded food and alcoholic beverages. It is typically a second screening venue, offering better value tickets for the showing of movies that are not quite the latest releases, all set in comfortable surroundings.

The Hotel Management Company has been commissioned by Iceni Projects and Capitalstart Ltd to provide a feasibility study for a proposed upscale hotel development at their site on 129-135 Shaftesbury Avenue in London.

1.2 Research

In December 2017, we visited the proposed site and undertake research into the existing supply of and demand for hotel accommodation in the market. We assessed its accessibility as well as its suitability and relationship to other hotels, transport routes, commercial and tourist areas and other main facilities in London.



Background and Research

We analysed the existing, historic and future environment in which the proposed hotel will operate. During our field research, we:

- obtained current and historic market and operational data on the hotel, leisure and other relevant commercial sectors;
- determined the existing and future characteristics of markets, which we consider to be of relevance to this project;
- determined the present supply of hotel accommodation serving those markets and obtained available data from sources considered authoritative on other relevant planned developments;
- obtained other pertinent information relating to the economy, communications infrastructure and general economic development of the Borough of Camden and the City of Westminster; and
- assessed the economics of and general climate for the operation of the proposed hotel development.

In light of our primary and secondary research, we have assessed the current commercial and economic position of the area, its hotel and tourism industries and the likely future market environment. This market research has been used to help formulate our conclusions and financial projections for the proposed hotel development.

Statements of estimated profit and loss have been prepared and are presented as Exhibits at the end of this report. These estimates are prepared in accordance with the accepted Uniform System of Accounts for Hotels.

We have commented on the proposed hotel development on Shaftesbury Avenue, London in terms of the standard and scale of facilities and provided projections of utilisation and revenue which have been used to underpin profit projections.

Site and Location Characteristics

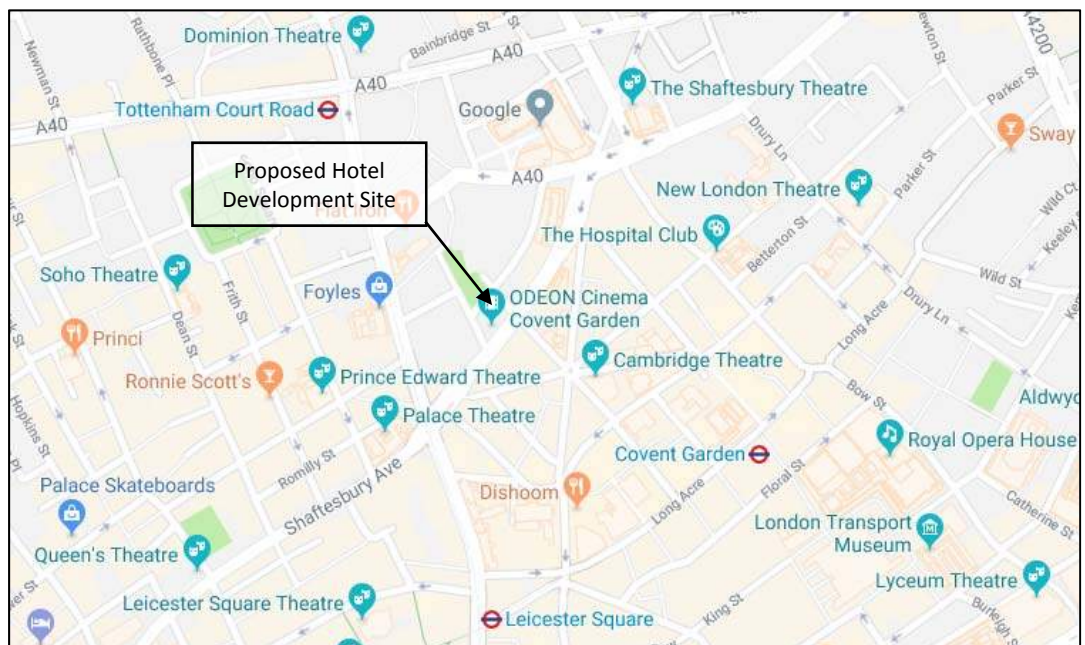
2 SITE AND LOCATION CHARACTERISTICS

2.1 Introduction

We present in the following section our analysis and comments regarding the site for the proposed hotel development, the communications infrastructure in and around London WC2 and the wider London area, as well as the general location characteristics.

2.2 Site and Location Appraisal

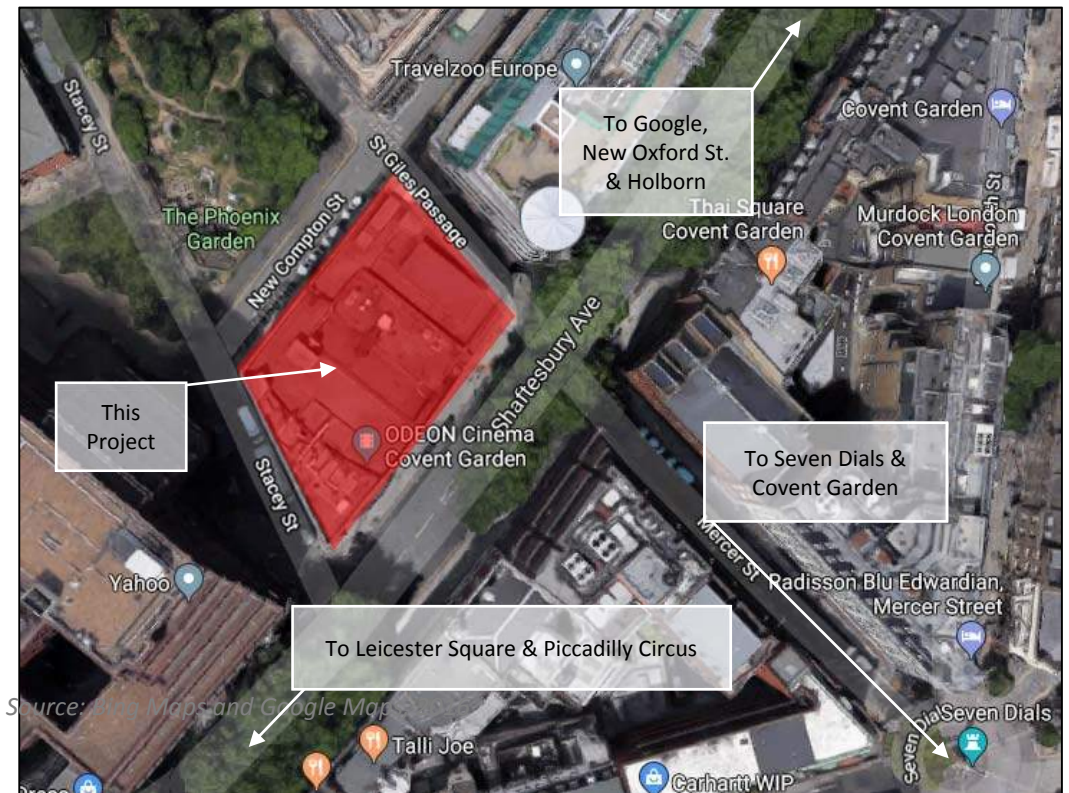
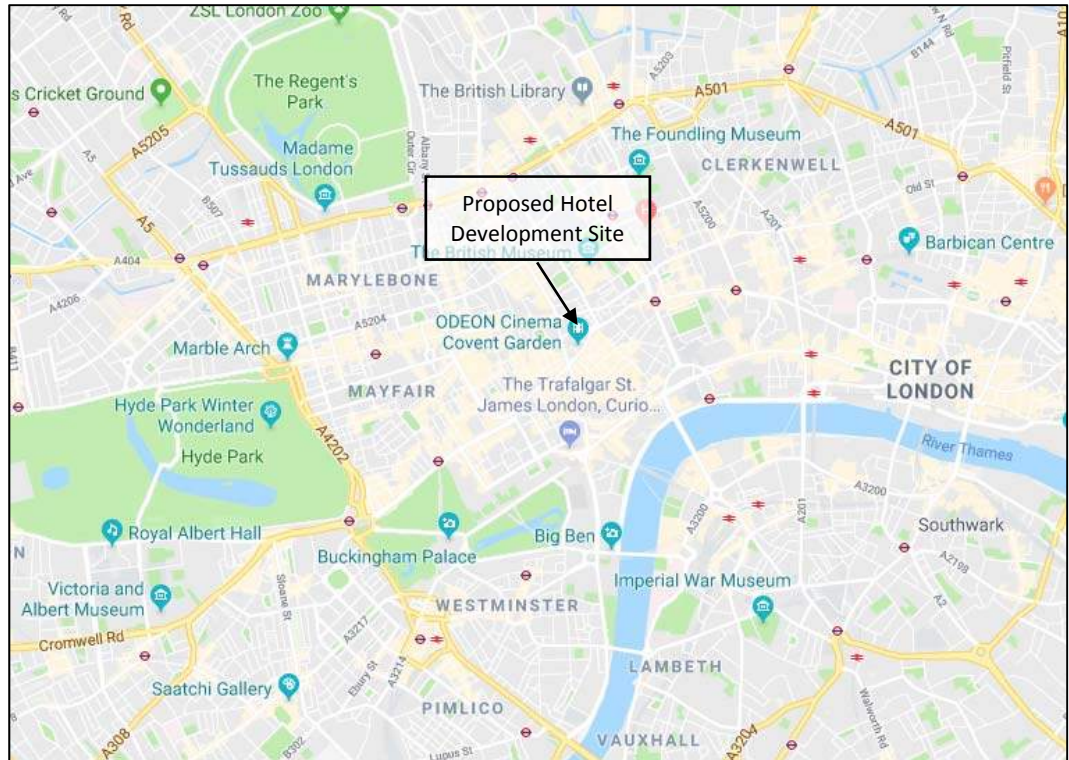
The following maps highlight the micro and macro location of the proposed site on Shaftesbury Avenue, London, as well as the location in proximity to major transport links, including primary thoroughfares (A40 New Oxford Street and the A400 Charing Cross Road) in London, and several underground stations.



The proposed hotel will sit in the south-western corner of the Borough of Camden, which borders the City of Westminster (Marylebone, Soho and Covent Garden) along the Charing Cross Road and West Street to the west and Shelton Street to the south.

The site is almost directly opposite Mercer Street, to the south of Shaftesbury Avenue which is the northern most edge of the vibrant and historically significant Seven Dials sub-district. Camden then extends north to incorporate Camden Town, Chalk Farm, the Finchley Road and Hampstead Heath, while east it extends to meet The City of London, Clerkenwell, Barnsbury, Tufnell Park and Archway.

Site and Location Characteristics



Source: Bing Maps and Google Maps

Site and Location Characteristics

Comment

- The immediate surrounding area of the proposed hotel development is primarily comprised of ground floor retail units, offices, food and beverage outlets, generally with offices above on Shaftesbury Avenue. In addition, numerous hotels and other commercial premises and further retail outlets are all within a short walk, including those of Covent Garden and Soho.
- The site is located next door to the offices of Yahoo (UK and Ireland), to the south-west, across Stacey Street on the northern side of Shaftesbury Avenue. Approximately 80 metres further south-west is the junction with the Charing Cross Road (A400), at Cambridge Circus. The Charing Cross Road, which runs broadly north-south, is a major artery linking Leicester Square, Trafalgar Square, Westminster Palace and the Embankment to the south and Tottenham Court Road, Euston Road and Camden to the north. Further south west from the site, on Shaftesbury Avenue, is southern Soho, China Town and Piccadilly Circus.
- The proposed hotel is around 350 metres from the 160,000 sqft Google Headquarters at St. Giles Circus. It is at this point that Shaftesbury Avenue also meets the A40 High Holborn (and New Oxford Street), around the corner from Tottenham Court Road and St. Giles Circus. High Holborn is one of the main east-west thoroughfares, connecting Mid-Town with the City of London to the east and Oxford Circus, the West End and Marble Arch in the opposite direction (albeit that much of the westbound route is accessible by public transport vehicles only).
- The proposed hotel will sit in an area that is colloquially known as Theatreland and there are more than 20 theatres and 20 cinemas within a radius of 1,500 metres, as well as the Royal Academy of Dramatic Arts (RADA).
- The various colleges of the University of London (UCL, LSE, and SOAS), as well as the Universities of Westminster, University of the Arts London and NYU London, all also add vibrancy to the local environment.
- In addition to the London Underground stations of Covent Garden, Leicester Square and Tottenham Court Road that are all within 300 metres, the railway stations of Charing Cross and Euston are within 0.4 of a mile (south-south-east) and a mile (north-north-west) respectively. Covent Garden and Leicester Square are both on the Piccadilly Line (which connects directly with Green Park, Knightsbridge, Kensington, and Heathrow to the west, as well as King's Cross Station to the north). Leicester Square Station is also on the Northern Line, which links to Charing Cross, Embankment and Waterloo (to the south), while Tottenham Court Road station is on the Central Line, which links to Oxford Circus, Notting Hill Gate (to the west) and Bank, Liverpool Street and Stratford to the east.
- Tottenham Court Road Station will also be on both Crossrail 1 (Elizabeth Line) and Crossrail 2, which will provide even greater access around the capital, Greater London, the South-East and internationally. The station is currently undergoing a £1 billion redevelopment at and below ground, while above, developer Almacantar is conducting a full refurbishment of the iconic Centre Point tower (converting it to residential use).

Site and Location Characteristics

- As indicated, the proposed hotel is well located within walking distance of key commercial demand generators, but is also highly accessible from the major commercial hubs of Covent Garden (and Covent Garden Piazza), Soho, Holborn, Fitzrovia, and The City, as well as the seat of government in Westminster.
- The hotel site is also located in proximity to some of London’s leading tourist attractions including the British Museum (#1 top visitor attraction, 6.42 million visitors 2016), the Barbican Centre, the National Gallery (#2 top visitor attraction, 6.26 million visitors 2016), Somerset House (#6 top visitor attraction, 3.44 million visitors 2016), and the National Portrait Gallery (#11 top visitor attraction, 1.95 million visitors 2016).
- The site is adjacent to one of the most significant public-sector regeneration projects to take place in Camden at Seven Dials that is home to over 200 shops, restaurants and bars, as well as five theatres and two hotels. The works are focused on improvement of the public realm on a 4.8-hectare site immediately south of Shaftesbury Avenue, bounded by Endell Street to the east, Tower Street to the west and Shelton Street to the south.

2.3 Communications

Road

Due to its proximity to the A40 and High Holborn and the A400 Charing Cross Road, the site benefits from excellent road communications links to the north on to the A501 Euston Road, and from there the M40 and M25 and subsequent UK motorway network. In the following table we provide approximate distances and travel times (by road) from the proposed hotel to key locations within London and the UK. We note that due to periods of congestion in Greater London, the stated drive times are for indicative purposes only.

Site and Location Characteristics

The table below presents approximate drive times to the proposed development site from major cities within the UK.

Approximate Drive Times

From Key Locations to the Proposed Hotel Development

KEY LOCATIONS	DISTANCE BY ROAD	APPROXIMATE DRIVE TIME
LONDON LOCATIONS		
Covent Garden	0.6 miles	<10 minutes
Oxford Circus	1.0 miles	10 minutes
Kings Cross/St Pancras	1.9 miles	15 minutes
Hyde Park Corner	2.4 miles	20 minutes
Liverpool Street	2.6 miles	25 minutes
Paddington	2.9 miles	25 minutes
LONDON AIRPORTS		
City	9.2 miles	40 minutes
Heathrow	17.8 miles	1 hour
Gatwick	28.3 miles	1 hour 25 minutes
Stansted	40.2 miles	1 hour 15 minutes
UK LOCATIONS		
Birmingham	126 miles	2 hours 30 minutes
Manchester	208 miles	4 hours

Source: Google Maps, 2017

Rail and London Underground

The proposed hotel development site is located within walking distance of a number of London Underground and Overground stations, as illustrated in the following table.

Approximate Walking Distance

From the Proposed Hotel to London Underground & Overground Stations

STATION	APPROXIMATE DISTANCE	APPROXIMATE WALKING TIME
UNDERGROUND		
Covent Garden	0.2 miles	5 minutes
Leicester Square	0.2 miles	5 minutes
Tottenham Court Road	0.3 miles	6 minutes
Holborn	0.5 miles	9 minutes
Piccadilly Circus	0.5 miles	11 minutes
MAINLINE RAILWAY		
Charing Cross	0.5 miles	11 minutes
Waterloo	1.1 miles	25 minutes
Euston	1.2 miles	25 minutes
Farringdon	1.2 miles	25 minutes
Kings Cross St Pancras Eurostar	1.7 miles	37 minutes
Victoria	1.9 miles	40 minutes

Source: Google Maps, 2017



Site and Location Characteristics

In the following table we provide approximate travel times from London Underground stations located within walking distance of the proposed hotel development site to key locations within London and the UK by London Underground and National Rail. The following table illustrates the excellent connectivity of the proposed hotel to key locations throughout London.

Approximate Travel Times by London Underground & Overground
From Key Locations to the Proposed Hotel Development

KEY LOCATIONS	APPROXIMATE TRAVEL TIME	DEPARTURE STATION
LONDON LOCATIONS VIA LONDON UNDERGROUND		
Oxford Circus	7 minutes	Tottenham Court Road
Hyde Park Corner	11 minutes	Leicester Square
Waterloo	11 minutes	Leicester Square
Kings Cross/St Pancras	13 minutes	Covent Garden
Victoria	13 minutes	Leicester Square
Liverpool Street	19 minutes	Tottenham Court Road
Paddington	24 minutes	Tottenham Court Road
LONDON AIRPORTS VIA LONDON UNDERGROUND & OVERGROUND		
City	40 minutes	Tottenham Court Road
Heathrow	50 minutes	Piccadilly Circus
	1 hour	Leicester Square
Gatwick	55 minutes	Leicester Square
Stansted	1 hour 10 minutes	Tottenham Court Road
UK LOCATIONS VIA LONDON UNDERGROUND & OVERGROUND		
Birmingham	1 hour 40 minutes	Leicester Square
Manchester	2 hours 25 minutes	Leicester Square

Source: Google Maps, 2017

Crossrail

- The Crossrail project is a key railway link, currently under construction, which will provide a direct connection from West London to East London. Crossrail will significantly boost the rail network into and across London and reduce journey times, congestion and overcrowding on the existing rail networks to meet the substantial growth in demand for travel over the coming decades. Trains are expected to run at a schedule comparable to the underground and tickets will be integrated into the overall London transport system.
- While only one Crossrail station built within the Borough of Camden, which is the focus of the redevelopment at Tottenham Court Road, it will mean that the proposed hotel is only a matter of a few minutes' walk from the new line, which will be operational from late 2019/early 2020 and will offer up to 12 trains per hour in each direction
- As presented in the following table, the development of Crossrail at Tottenham Court Road will significantly reduce journey times to the City and Heathrow and will undoubtedly have a significant impact on the wider area, increasing its attractiveness as a business and shopping destination.



Site and Location Characteristics

Crossrail Approximate Journey Times From Tottenham Court Road

TO	CURRENT	CROSSRAIL
Liverpool Street	13 minutes	5 minutes
Paddington	17 minutes	5 minutes
Canary Wharf	21 minutes	12 minutes
Heathrow Terminals 2&3	40 minutes	30 minutes

Source: Crossrail, 2017

Tottenham Court Road will also be the junction station between Crossrail 1 (the Elizabeth Line) and Crossrail 2, which will link Victoria, Clapham Junction and the south-west of Greater London to Euston St. Pancras and the north-east of the capital.

Air

- **London City Airport** is located approximately nine miles east of the proposed hotel development and approximately 40 minutes journey time. City Airport is easily accessible by road and public transport, directly connected with the Docklands Light Railway. The airport is the closest private jet centre to The City and mainly serves the financial district of London.

At present, London City Airport serves 48 destinations in the UK and Europe, with transatlantic flights direct to New York (an exclusive business-class only flight operated by British Airways) currently operating two flights per day. The airport reported a year-on-year increase of approximately five per cent in passenger numbers in 2016 to a total of 4.5 million terminal passengers, after investing approximately £7 million into the terminal in recent years.

- **London Heathrow Airport** is located approximately 18 miles west of the proposed hotel and approximately one hours' drive-time. The airport can also be reached within 50 minutes via London Underground (from Piccadilly Circus, via the Bakerloo line and Heathrow Express).

Heathrow is London's foremost airport with 75.7 million passengers handled in 2016. The airport is a European and worldwide hub for many national carriers and alliances and is the main entry point for the majority of long haul traffic into the UK.

The continued development and expansion at Heathrow, including a potential third runway, will inevitably have widespread ramifications on the economic growth and prosperity of the areas surrounding the airport and London in general.

- **London Gatwick Airport** is located approximately 28 miles south of the proposed hotel and can be reached within approximately 55 minutes via the Piccadilly and Victoria Lines and the Gatwick Express.



Site and Location Characteristics

London Gatwick is the second busiest airport in the UK, handling over 43.1 million passengers in 2016. Gatwick has recently established a record of becoming the world’s busiest single-use runway, with an aircraft taking off or landing every 63 seconds.

After the sale of the airport in 2009 to GIP, a vast improvement plan of £1.2 billion was announced and was completed at the end of 2014. An additional £1 billion investment from 2014 to 2019 was agreed in February 2013.

- **Stansted Airport** is located approximately 40 miles north of the proposed hotel and can be reached via the Central Line to Liverpool Street Station.

London Stansted airport is owned and operated by Manchester Airports Group and currently serves over 170 destinations across Europe, North Africa, Central and North America. It was the fourth busiest airport in the UK and handled a total of 24.3 million passengers in 2016.



Market Environment

3 MARKET ENVIRONMENT

3.1 Introduction

This section examines the demographic and economic characteristics of the Borough of Camden, as well as the City of Westminster, and the wider London market, profiling current employment rates, employment structure and significant regeneration projects in the surrounding area. We also examine the local tourism industry, detailing seasonality and sources of demand.

3.2 Economic Profile

The proposed hotel development on Shaftesbury Avenue, is located at the southwestern corner of the Borough of Camden and is within 100 metres of the border with the City of Westminster Borough. Cumulatively, the population of the two boroughs has increased by around 37.5 per cent since 1995, to approximately 493,800 people (from 365,700). The population increase is well ahead of the growth in London over the same period, which was approximately 25 per cent.

The following table illustrates the demographic profile for Camden and City of Westminster Boroughs, detailing the Boroughs’ population, education and pay levels.

Resident Population, Gross Pay and Qualification Statistics

		Camden	City of Westminster	LONDON
Population (2017)	000s	179.4	157.7	8,787.9
Gross Weekly Pay by Residence (2017)	£	746.10	809.80	654.60
Unemployment (12 months to June 2017)	%	5.2	5.8	5.5
Non-Qualified Population (2016)	%	7.0	4.8	6.6
Population Qualified to Degree Level or Higher (2015)	%	58.7	61.3	51.9

Source: NOMIS, 2017

Comment

- Camden is an affluent borough, with an average gross weekly pay of £746.10, which is compared to an average of £654.60 for London and £552.70 for the UK. The City of Westminster is also an affluent borough, with an even higher average weekly pay by place of residence of £809.80.
- A high proportion of residents of the Borough of Camden (14 per cent) and Westminster (15.4 per cent) Boroughs occupy positions as ‘Managers, Directors and Senior Officials’ (Soc 2010 Major Group 1), compared to London (12.2 per cent).
- Those people who are employed in ‘Professional Occupations’ and ‘Associate Professional and Technical’ positions in Camden (61.1 per cent) and Westminster (56.7 per cent) of jobs, is also significantly above the Greater London average at 43.0 per cent.

Market Environment

- Whilst the proportion of the population who were unemployed in Camden (5.2 per cent) in the 12 months to June 2017 is below London (5.5 per cent), the proportion of the population educated to degree level or higher in Camden (58.7 per cent) is well above London at 51.9 per cent. Westminster by comparison has unemployment at 5.8 per cent (higher than the London average) and an even higher proportion of people educated to degree level or above (61.3 per cent).

3.3 Employment Profile

The table below illustrates the employment structure in Camden and Westminster by industry compared to London averages for 2016 (latest available data).

Surrounding Area Employment Profile (2016)

	CAMDEN (000S)	CAMDEN (%)	WESTMINSTER (%)	LONDON (%)
GENERAL				
Total jobs (000s)	358,000	-	-	-
Full-time	275,000	76.8	78.5	73.8
Part-time	83,000	23.2	21.6	26.2
BY INDUSTRY SECTOR				
Mining and Quarrying	225	0.1	0.2	0.1
Manufacturing	3,500	1.0	0.6	2.2
Electricity, Gas, Steam & A/C Supply	1,250	0.3	0.2	0.2
Water Supply, Sewerage, Waste Mgmt	50	0.0	0.0	0.3
Construction	8,000	2.2	2.3	3.6
Wholesale and Retail Trade	25,000	7.0	9.9	11.4
Transportation and Storage	10,000	2.8	1.8	4.6
Accommodation and Food Services	29,000	8.1	12.6	8.0
Information and Communication	38,000	10.6	10.5	8.0
Financial and Insurance	11,000	3.1	6.8	7.5
Real Estate Activities	7,000	2.0	4.1	2.3
Professional, Scientific and Technical	86,000	24.0	19.2	14.8
Administrative and Support	31,000	8.7	7.8	10.5
Public Administration & Defence	12,000	3.4	8.2	4.2
Education	33,000	9.2	4.7	7.3
Human Health & Social Work	41,000	11.5	4.2	9.8
Arts, Entertainment & Recreation	11,000	3.1	3.5	2.6
Other Service Activities	11,000	3.1	3.5	2.6

Source: NOMIS, 2017

Market Environment

Comment

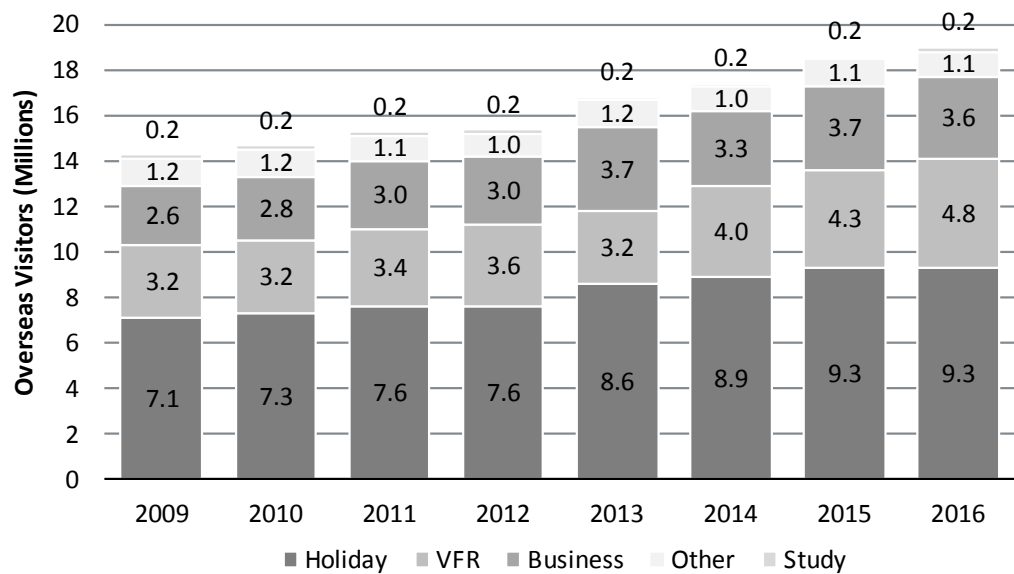
- The number of employee jobs in Camden has increased by approximately five per cent in the last year, to 358,000 in 2016 from 341,000 in 2015. Westminster has also seen an increase, albeit one of only one per cent, from 699,000 in 2015 to 707,000 in 2016.
- One of the biggest growth sectors has been ‘Professional, Scientific and Technical Activities’ which increased by 12.8 per cent to 86,000 employee jobs in 2016 and is now the largest segment in the borough, representing 24.0 per cent of all jobs (legal and accounting activities; activities of head offices; management consultancy activities). Significant professional organisations include: The Architectural Association, Lincoln’s Inn and the Wellcome Trust.
- 11.5 per cent of workers are employed within the ‘Human Health and Social Work Activities’ segment, which is unsurprising with around 20 hospitals in the Borough, including University College, Great Ormond Street, National Hospital for Neurology and Neurosurgery and the Royal National Ear, Nose and Throat Hospital, as well as several of the Royal Medical and Veterinary Colleges.
- Other major employers located within Camden include Birkbeck, SOAS, UCL and London universities, as well as Goodenough College, the Royal Academy for Dramatic Arts, Central School for Speech and Drama, the Francis Crick Institute, the National Union of Students, Slade School of Fine Art and the Trades Union Congress. Other significant employers are the mainline railway stations (and related facilities) of Kings Cross St Pancras and Euston. Santander and Atlantic Books also have their headquarters in the borough, along with Yahoo (that employ around 700 across the UK and is next door to the development site) and Google, that employs around 2,000 people at their 15,000 sqm offices, three minutes away from this project, at St. Giles High St. In 2008, Yahoo was reportedly considering a plan to relocate to Geneva, however the Financial Times suggests that this has been limited to around 50 members of staff. Google is to develop a “Groundscraper” to accommodate some 5,000 employees at Kings Cross, however, it is reported that it is their intention to maintain their offices at St. Giles. Furthermore, Facebook has recently opened its 23,000 sqm UK headquarters less than half a mile away at Rathbone Place. Facebook employs 2,300 staff in London alone, is also building its incubator hub for start-ups (LDN_LAB) in this location.

Market Environment

3.4 Tourism Profile – London

Tourism is a key part of the London economy, valued at approximately £15 billion per annum, supported by 31.5 million visitors to the capital in 2016 (latest available data). In line with other global cities, London experienced a recessionary downturn between 2008 and 2012. Since then the market has recovered strongly, with the added impetus of hosting the Olympic Games in 2012.

Overseas Visitors to London by Purpose of Visit
2009 to 2016



Source: Visit Britain, 2017

Comment

- According to Forbes, London was the second most visited city in the world in 2016, behind only Bangkok.
- The value of London’s overseas visitor economy (measured in receipts) has increased by almost £4 billion in the period between 2008 and 2015, from £8.1 billion to £11.9 billion, equating to approximately a 47 per cent increase.
- The number of nights spent in London by overseas visitors rose to 111 million in 2016, a year-on-year increase of 2.5 per cent, with the average length of stay remaining stable at approximately 5.8 nights.
- The growth has continued into 2017 and been spurred by the low value of the Pound, which VisitBritain suggests has had a favourable impact on intent to travel to the UK from a range of countries.

Market Environment

- The number of visits from North America in Q1 2017 grew by 30 per cent on the same period last year to 569,000, with visitors spending £464 million (up 25 per cent). Strong growth was also seen from countries other than the US and Europe, with 813,000 visits, up 28 per cent on the first quarter of last year and spend up 32 per cent to £942 million.
- VisitBritain has been cautious in its forecast for 2017, estimating an increase in visitor numbers of +4.0 per cent to 38.7 million and an increase of eight per cent in visitor spending to £24.1 billion.
- While business visitors make up a lower proportion of London arrivals than either holiday visitors or those visiting friends and relatives (VFR), they are the second most valuable segment after overseas holidaymakers, with an average spend per visit almost double that of a leisure visitor. VFR visitors tend to have a lower spend because they are usually not paying for hotel accommodation.
- Europe accounts for around two-thirds of international visitors but less than 50 per cent of total visitor spend. On its own, the US is the most important source market, although France and Germany coming in second and third places have seen stronger growth rates over the past five years.
- Outside Europe, growth has come from South America (especially Brazil and Argentina), Hong Kong and China which have become increasingly important source markets. Simplification of visa requirements for Chinese visitors to the UK is expected to support further growth in the coming years. London & Partners estimates growth in visitors by a further 18 per cent over the next two years from Asia Pacific countries and by up to 34 per cent from Latin America.

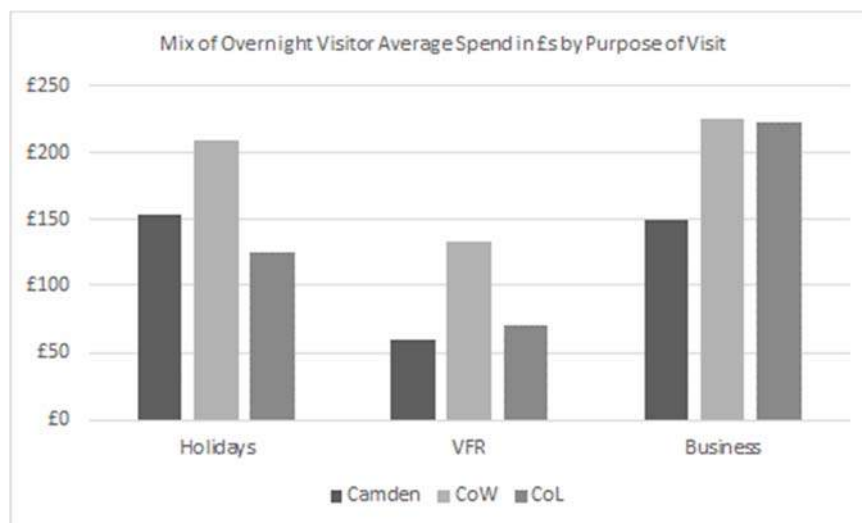
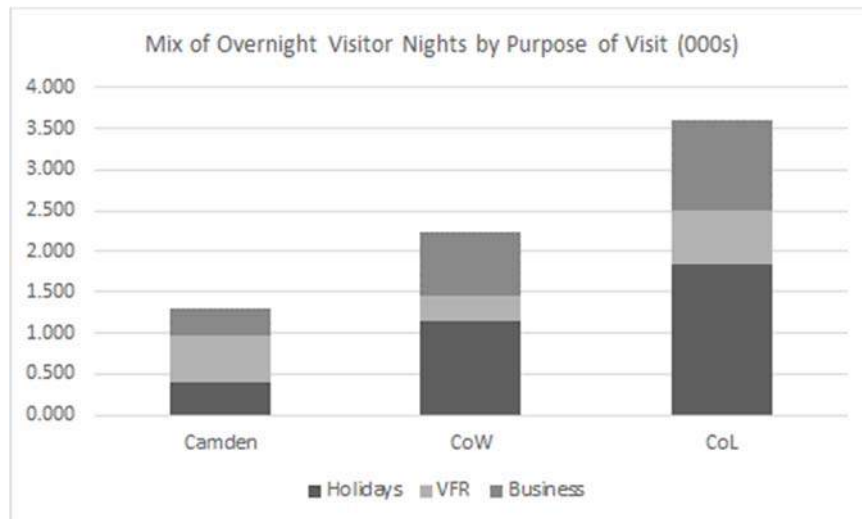
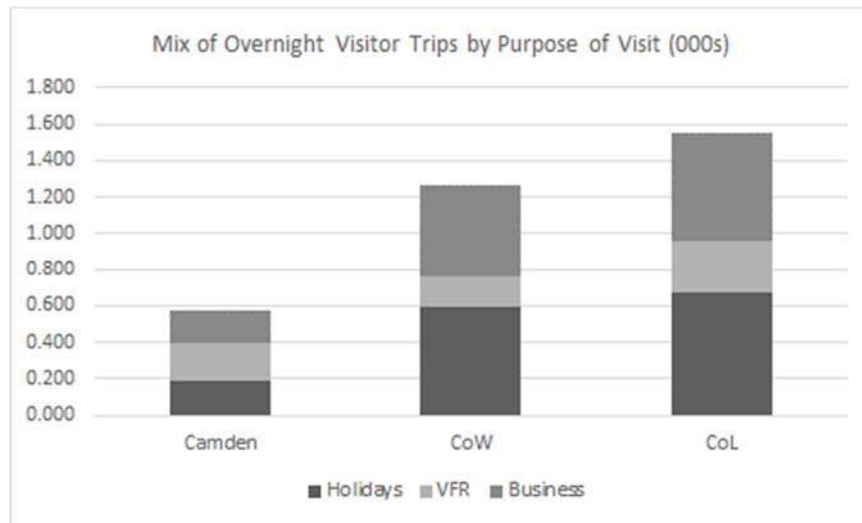
3.5 Tourism Profile – Borough of Camden, City of Westminster and City of London

Using three-year averages, the Borough of Camden saw a total of 13.41 million day-visitors, who spent a total of £569 million. This compares to the boroughs of the City of Westminster (CoW) and the City of London (CoL), who saw 24.03 million visitors (spending £1.185 billion) and 43.13 million visitors (spending £2.912 billion). The total number of visitors for all three boroughs was 80.58 million, spending £4.666 billion.

Camden had 600,000 overnight visitors, who spent £152 million over 1.335 million nights, compared to CoW 1.31 million overnight visitors (spending £468 million over 2.32 million nights) and CoL 3.49 million overnight visitors (spending £1.15 billion over 7.29 million nights). The average spend per night for Camden was therefore £113.89, compared to £201.58 for CoW and £144.77 for CoL.

Market Environment

Overnight visitor numbers, nights and average spends by purpose of visit



Source: VisitBritain 2017



Market Environment

Tourism has historically been an important component for hotels located in the surrounding area. The proximity to a number of the most visited museums in London, as well as connectivity to key centrally-located attractions in the capital, renowned retail hubs and event venues, generates significant tourist demand. The following points illustrate the strength of the local offering to leisure visitors.

In the following table we present the approximate travel time to key London visitor attractions.

Top Visitor Attractions in London by membership of the Association of Large Visitor Attractions (ALVA) and Proximity to Proposed Hotel

Visits made in 2016 to visitor attractions					
Rank	Site	Total visits	Charge/free	% +/-	Walking Time from Proposed Hotel
1	British Museum	6,420,395	F	-5.90%	9 mins
2	National Gallery	6,262,839	F	6%	7 mins
3	Tate Modern	5,839,197	F	23.91%	32 mins
4	Natural History Museum (South Kensington)	4,624,113	F/C	-12%	51 mins
5	Southbank Centre	3,909,376	F/C	-23%	21 mins
6	Somerset House	3,443,220	F/C	6.40%	13 mins
7	Science Museum	3,245,750	F	-3.20%	52 mins
8	Victoria and Albert Museum (South Kensington)	3,022,086	F/C	-12%	48 mins
9	Tower of London	2,741,126	C	-2%	54 mins
10	Royal Museums Greenwich	2,451,023	F/C	-0.20%	130 mins
11	National Portrait Gallery	1,949,330	F/C	-9.00%	8 mins

Source: ALVA 2017, Google 2017 & THMC Research, 2017

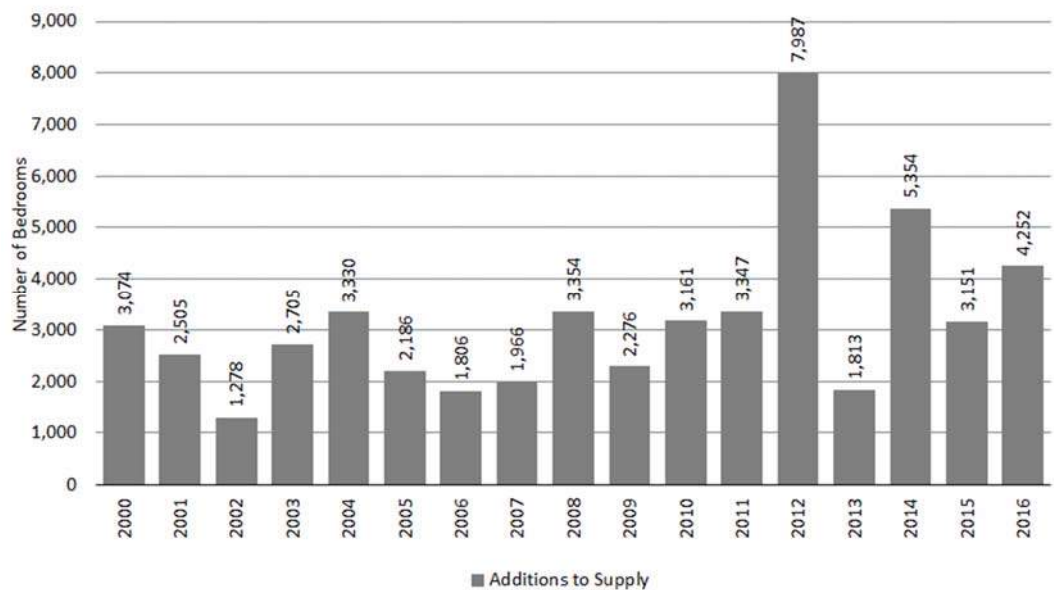
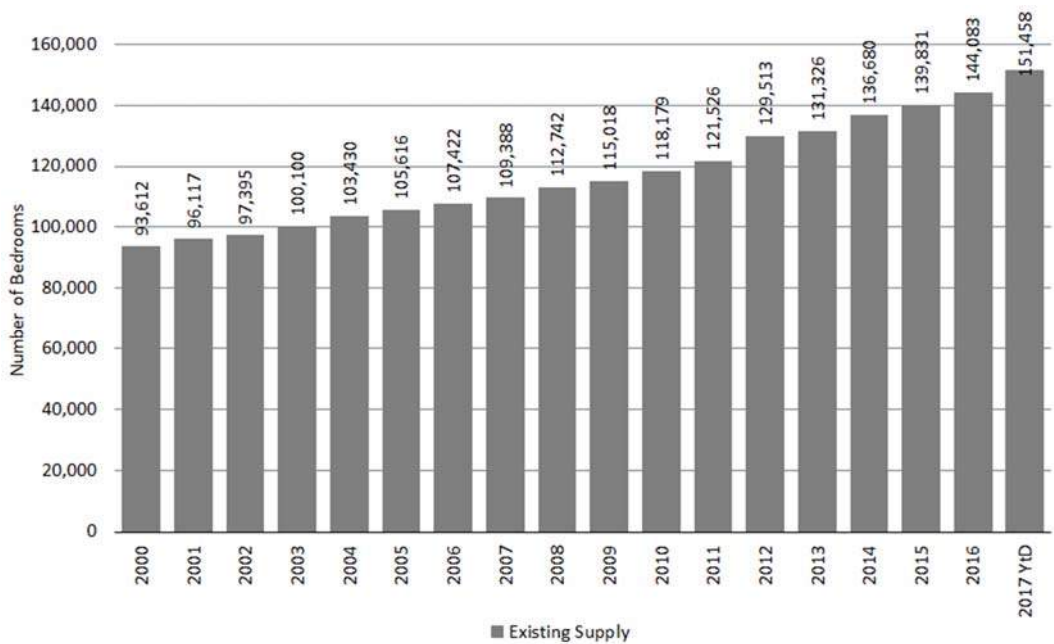
Hotel Market Analysis

4 HOTEL MARKET ANALYSIS

In this section we examine the markets of relevance to the proposed hotel on Shaftesbury Avenue, London WC2 in terms of current supply of, and demand for, accommodation as well as incoming supply additions. We also examine the performance of hotels considered to be of relevance, detailing seasonality of demand and historic trends in the local and wider London hotel market, supported by data from AM:PM Hotels and STR Global.

4.1 London Hotel Supply Evolution

The following graphs illustrate the growth in hotel supply in Greater London in the period from 2000 to year-to-date 2017.



Source: AM:PM Hotels, 2017



Hotel Market Analysis

Comment

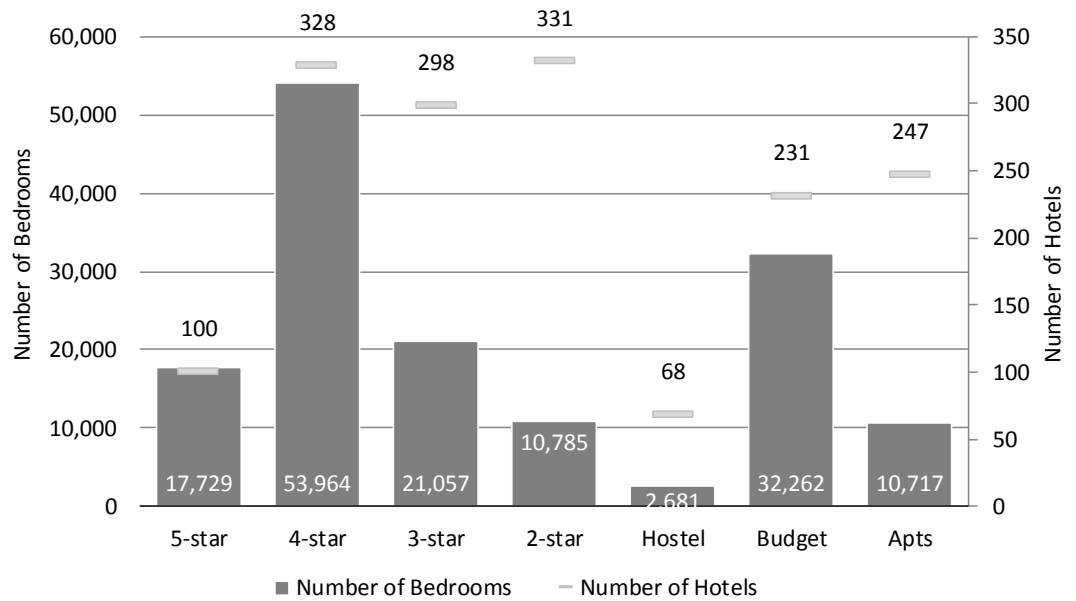
- In total, London's bedroom supply has grown from 93,612 bedrooms in 2000 to 151,458 bedrooms year-to-date 2017, equivalent to an increase of approximately 66.2 per cent. This is equivalent to a Compound Annual Growth Rate (CAGR) of 3.1 per cent per annum.
- The biggest growth in supply over the last 17 years has been in the budget segment, which has increased to 32,262 bedrooms in 2017 YTD from 7,262 bedrooms in 2000. This is equivalent to an increase of approximately 444 per cent.
- Supply in the serviced apartment sector has increased to 10,717 apartments from just 5,633 in 2000. This is equivalent to an increase of approximately 90 per cent, or a CAGR of 4.1 per cent per annum since 2000, and reflective of the growing appetite for the serviced apartment product in London over the last 17 years.
- The peak in supply growth over the last 17 years was unsurprisingly in 2012, in line with London hosting the Olympic Games, with a 6.6 per cent year-on-year increase in supply recorded across the capital, equivalent to an addition of 7,987 bedrooms.
- Despite significant growth in supply over the last 17 years, the lowest year-on-year increase was recorded in 2002 at +1.3 per cent, equivalent to an addition of 1,228 bedrooms, which was due to the appetite for development stalling as a result of a downturn in headline performance at London hotels further to the 11 September 2001 attacks in New York, which significantly impacted US travel patterns, a major source of demand for hotels in the capital.
- Low year-on-year growth was also recorded in 2013 at +1.4 per cent, equivalent to an addition of 1,517 bedrooms, which was to be expected after the significant additions to supply in 2012.
- Of the 58,635 additional bedrooms, the greatest number of branded bedrooms added to the London market over the last 17 years have included Premier Inn and hub by Premier Inn (+10,107 bedrooms), Travelodge (+6,706 bedrooms), Park Plaza (+3,040 bedrooms), Holiday Inn Express (+2,090 bedrooms), Novotel (+1,931 bedrooms), DoubleTree by Hilton (+1,971 bedrooms), Grange Hotels (+1,338 bedrooms) and Hilton (+1,374 bedrooms).
- It is noteworthy that 9,169 bedrooms have exited the London hotel market over the last 17 years, some 179 hotels. Approximately 18 per cent of these properties were apartments, with the most notable exit being in 2016 when the 11-strong portfolio of City Marque Apartments entered administration.

Hotel Market Analysis

4.2 Supply Profile in Greater London

The following graphs provide an overview of key characteristics of hotel supply in Greater London. There are currently 1,603 hotels equivalent to 149,195 bedrooms in Greater London.

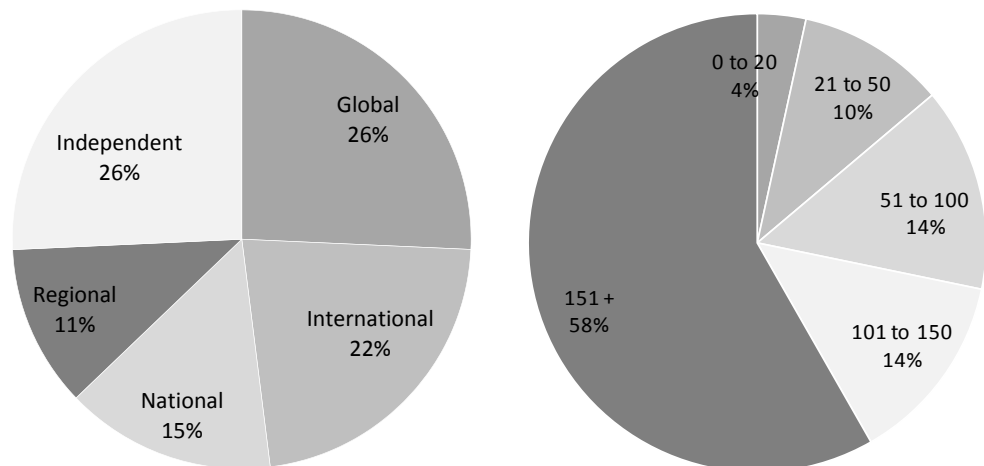
Hotel and Bedroom Supply by Category in Greater London (2017)



Source: AM:PM Hotels, 2017

The pie charts below provide an overview of the distribution of hotel/bedroom supply within Greater London.

Bedroom Supply by Brand and Hotel Supply by Number of Rooms (2017) AM:PM definitions are presented in the appendix



Source: AM:PM Hotels, 2017



Hotel Market Analysis

Comment

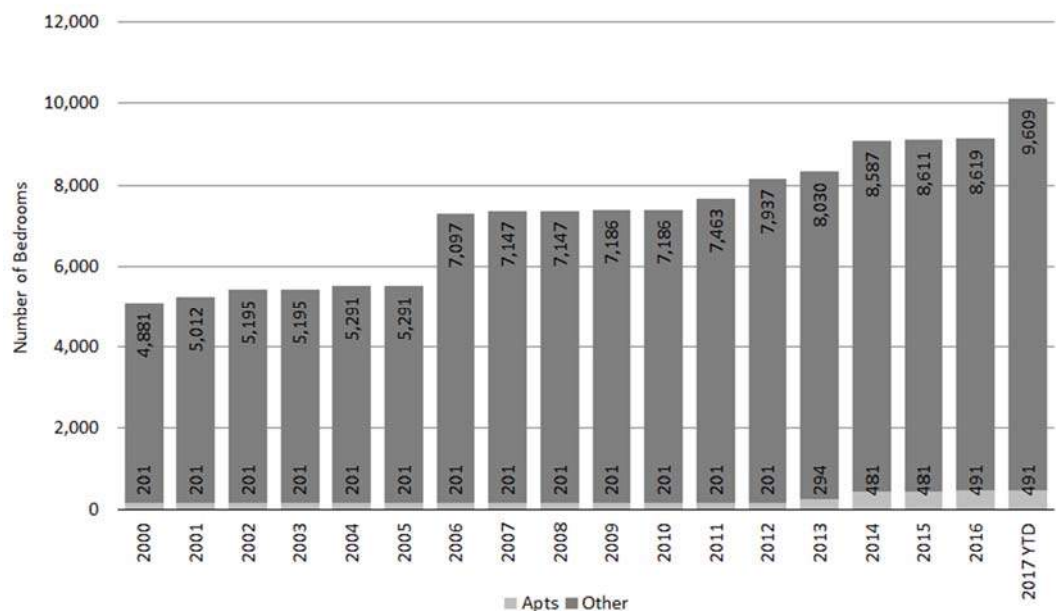
- The Greater London hotel market is dominated by four-star hotel supply, which comprises 36.2 per cent of all hotel bedroom supply.
- Despite the significant number of closures in recent years, the proportion of bedroom supply operating in the two and three-star segments remains high at 21.3 per cent of the total. Furthermore, the number of bedrooms operating independent of a brand remains high at 25 per cent.
- As a result of the significant growth over the last 17 years, budget bedrooms now comprise 21.6 per cent of all supply in Greater London with serviced apartments comprising 7.2 per cent.
- Whilst the average hotel size in Greater London is 93 bedrooms, approximately 58 per cent of all bedrooms are within hotels of 150 bedrooms or more.

4.3 Local Hotel Market Supply

As part of our analysis, we have examined the current hotel accommodation supply in the local competitive market. We have defined the market of relevance as properties located within a half a mile radius of the proposed hotel on Shaftesbury Avenue, WC2.

4.4 Supply Evolution in the Local Competitive Hotel Market

The following graph illustrates the growth in hotel supply in the local market of competitive relevance in the period from 2000 to year-to-date 2017.



Source: AM:PM Hotels, 2017

Hotel Market Analysis

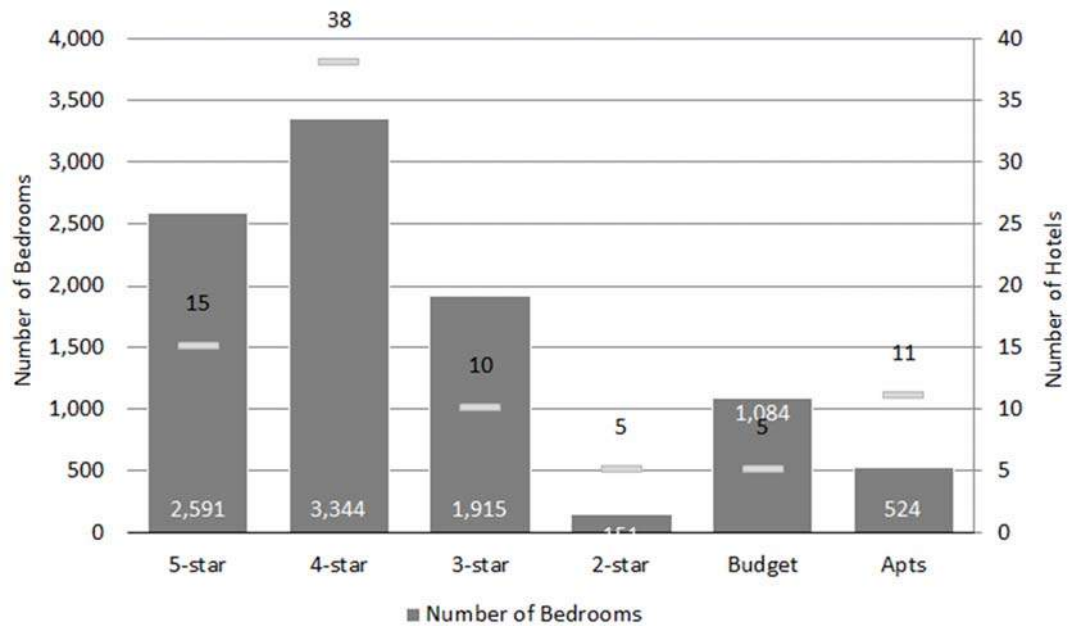
Comment

- Growth in hotel supply in the local market has been significant over the past 17 years, recording a CAGR increase of 5.5 per cent per annum, with supply increasing by 4,615 bedrooms to 9,609 bedrooms in 2017 from 4,994 bedrooms in 2000.
- As a result of the additions to supply over the last 17 years, bedroom stock in the local hotel market has increased by approximately 93 per cent since 2000.
- There have been significant peaks in additions to supply, most notably in 2006 just a year before the beginnings of the credit crunch.
- Notable recent additions (or re-additions) to supply have included the 306-key Rosewood, 183-key Sofitel St. James’s, 192-key W Hotel, 157-key ME and 157-key Club Quarters, 160-key Café Royal, 163-key hub by Premier Inn, 174-key Hoxton Hotel, the 187-key Citadines Trafalgar Square, and the 86-key Victory House M Gallery by Sofitel.

4.5 Supply Profile in the Local Competitive Hotel Market

The following graphs provide an overview of key characteristics of supply. There are currently 84 hotels equivalent to 9,609 bedrooms within a half-mile radius of the proposed hotel at Shaftesbury Avenue, WC2.

Competitive Hotel and Bedroom Supply of Relevance by Category (2017)

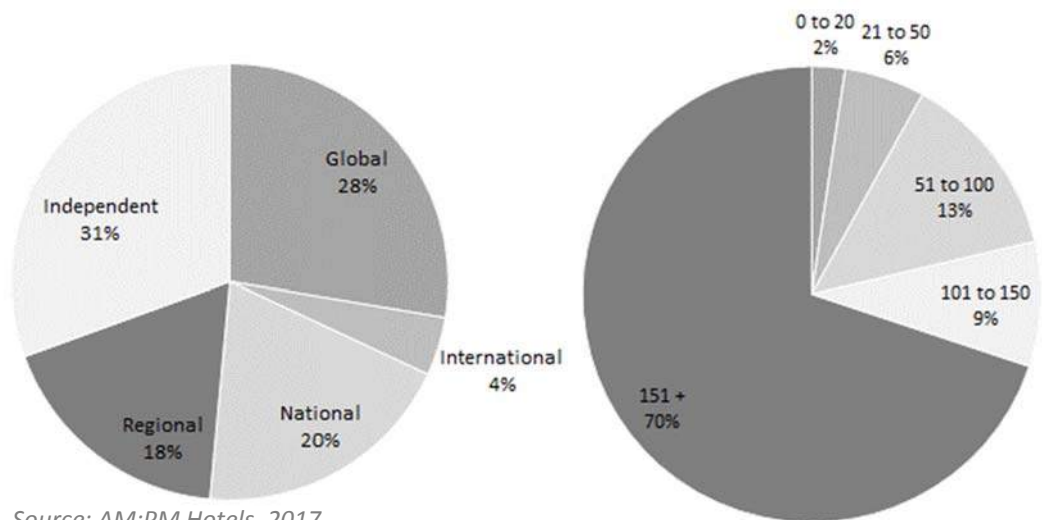


Source: AM:PM Hotels, 2017

Hotel Market Analysis

The pie charts below provide an overview of the distribution of hotel/bedroom supply located within the market of competitive relevance to the proposed hotel development.

Bedroom Supply by Brand and Hotel Supply by Number of Rooms (2017)



Source: AM:PM Hotels, 2017

Comment

- In line with Greater London, four-star hotel supply has a significant presence in the local hotel market, comprising 34.8 per cent of all hotel bedroom supply.
- In addition, following significant growth in recent years, budget hotel supply now comprises 11.3 per cent of bedroom supply, equivalent to five hotels comprising 1,084 bedrooms.
- The local hotel market is dominated by branded supply, which accounts for 69 per cent of all stock, with Grange Hotels the best represented offering 456 bedrooms across its eight properties. Global and international brands comprise 32 per cent of all supply in the local market, with Radisson Edwardian Hotels the best represented offering 624 bedrooms across its four properties.
- Independent hotel supply comprises 33 hotels offering 2,939 bedrooms, the most relevant being the 785-bedroom Strand Palace Hotel, located on the Strand.
- The average hotel size in the local market of relevance is 114 bedrooms; however, the average size for branded stock is slightly higher at 131 bedrooms.
- A significant proportion (70 per cent) of the hotels in the identified market of relevance offer 151 bedrooms or more. These hotels are primarily comprised of branded properties.

AM:PM Hotels' definitions of hotel brand characteristics are provided as Appendix 2.

4.6 Current Market of Relevance

The table and map on the following pages identify 14 hotels, equivalent to 2,274 bedrooms, which we consider to be of prime competitive relevance to the proposed hotel on Shaftesbury Avenue, WC2 based on location, market positioning, branding, scale and facility mix.

Hotel Market Analysis

HOTELS	GRADE	NUMBER OF BEDROOMS	BEST AVAILABLE RATE ONLINE ¹		NUMBER OF CONFERENCE ROOMS	CAPACITY OF LARGEST ROOM (THEATRE-STYLE)	NUMBER OF RESTAURANTS	NUMBER OF BARS	LEISURE FACILITIES	PARKING FACILITIES	TRIPADVISOR.COM RATING (%) ²
			Weekday Average (£)	Weekend Average (£)							
HOTELS OF COMPETITIVE RELEVANCE											
Firmdale Ham Yard	5-star	98	366	446	1	163	1	2	Yes	No	96
Firmdale The Soho Hotel	5-star	96	513	378	3	163	1	1	Yes	No	96
Hilton The Waldorf London	5-star	298	274	182	5	490	1	1	Yes	Yes	73
Le Meridien Piccadilly	5-star	283	310	230	7	291	1	2	Yes	Yes	63
One Aldwych Hotel	5-star	105	409	322	5	27	1	1	Yes	No	94
Radisson Blu Edwardian Bloomsbury	4-star	174	200	160	9	22	1	1	Yes	No	84
Radisson Blu Edwardian Hampshire	5-star	127	262	203	6	56	1	1	Yes	No	86
Radisson Blu Edwardian Kenilworth	4-star	186	367	155	8	6	1	1	Yes	No	73
Radisson Blu Edwardian Mercer St	4-star	137	301	199	6	10	1	1	No	Yes	91
Sanderson Hotel	5-star	150	403	225	1	157	2	3	Yes	No	90
Sofitel London St James	5-star	183	457	288	9	100	1	1	No	No	95
The London Edition	5-star	173	500	284	3	27	1	2	Yes	No	92
The Nadler Soho	5-star	78	256	229	-	-	-	-	Yes	No	96
The Trafalgar Curio by Hilton	4-star	131	280	248	2	13	1	2	Yes	No	93
W Hotel London Leicester Square	5-star	192	306	267	3	84	1	1	No	No	72
Victory House, M Gallery by Sofitel	4-star	86	258	180	-	-	1	1	No	No	62
ME London (Sol Melia)	5-star	157	331	226	7	417	3	2	No	Yes	91
Total		2,654									

¹ All rates are quoted online room only rates (inclusive of VAT) and do not reflect corporate discounts or any other offers. Hotels prices were polled in December 2017 for bookings in February and March 2018.

² TripAdvisor rating is calculated by adding the 'Excellent' and 'Very Good' reviews and dividing as a proportion of all reviews


Source: THMC Ltd, 2017



Hotel Market Analysis

Hotels of Competitive Relevance

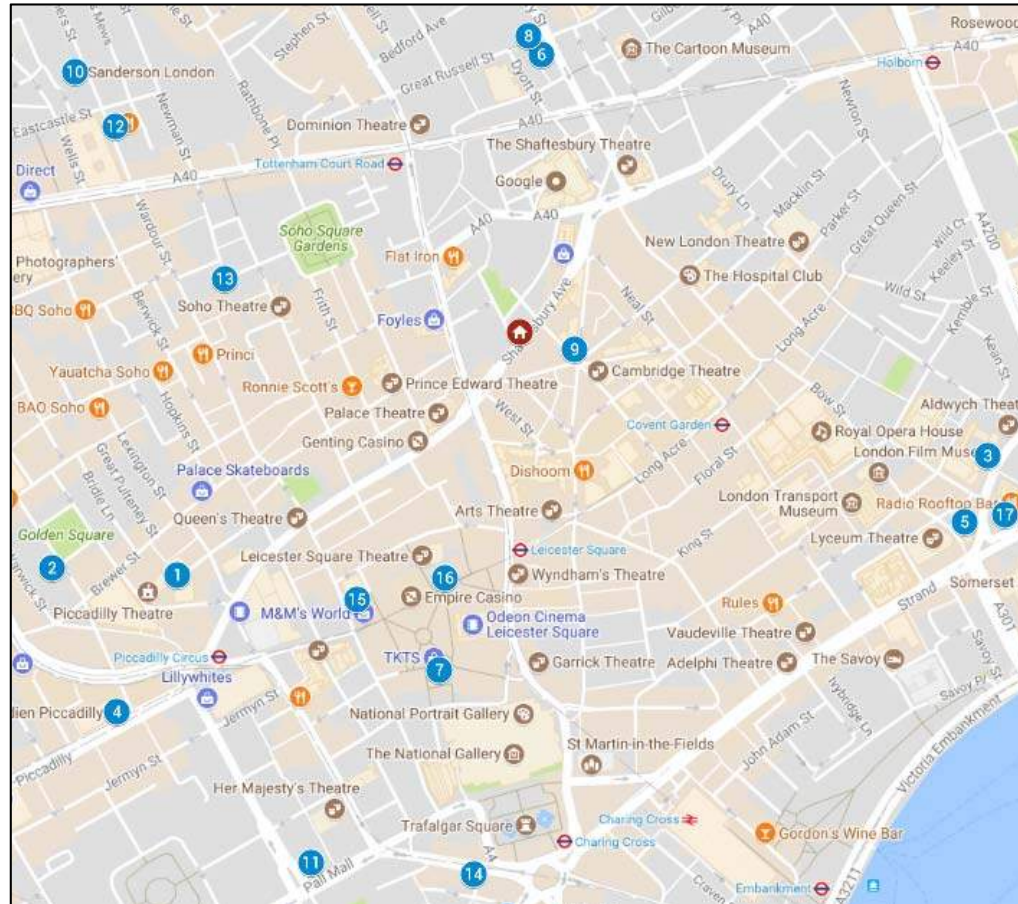
Legend

 Proposed Hotel

Hotels of Competitive Relevance

- 1 Firmedale Ham Yard
- 2 Firmedale The Soho Hotel
- 3 Hilton The Waldorf London
- 4 Le Meridien Piccadilly
- 5 One Aldwych Hotel
- 6 Radisson Blu Edwardian Bloomsbury
- 7 Radisson Blu Edwardian Hampshire
- 8 Radisson Blu Edwardian Kenilworth
- 9 Radisson Blu Edwardian Mercer Street
- 10 Sanderson Hotel
- 11 Sofitel London St James
- 12 The London Edition
- 13 The Nadler Soho
- 14 The Trafalgar Curio by Hilton
- 15 W Hotel London Leicester Square
- 16 Victory House M Gallery by Sofitel
- 17 ME London

Source: Google Maps, 2017



Hotel Market Analysis

4.7 Market Performance Analysis

4.7.1 Introduction

In this section, we examine the current and historic trading dynamics of the local hotel market of relevance to the proposed hotel on Shaftesbury Avenue, WC2. In order to illustrate the operating characteristics of the competitive market, we have procured STR Global hotel performance benchmark samples for the localised market.

4.7.2 Local Upscale and Luxury Hotel Market

To illustrate the performance of the local hotel market, the following table presents room occupancy, average room rate and RevPAR for the 48 months to October 2017.

The STR Global performance benchmark sample includes the following properties:

- Firmdale Ham Yard 98 rooms
- Firmdale The Soho Hotel 96 rooms
- Hilton The Waldorf London 298 rooms
- Le Meridien Piccadilly 283 rooms
- One Aldwych Hotel 105 rooms
- Radisson Blu Edwardian Bloomsbury 174 rooms
- Radisson Blu Edwardian Hampshire 127 rooms
- Radisson Blu Edwardian Kenilworth 186 rooms
- Sanderson Hotel 150 rooms
- Sofitel London St James 183 rooms
- The London Edition 173 rooms
- The Nadler Soho 78 rooms
- The Trafalgar Curio by Hilton 131 rooms
- W Hotel London Leicester Square 192 rooms

The list above varies from the “Hotels of Competitive Relevance” table due to a lack of complete data for all properties over the period.

Hotel Market Operating Performance

Local Hotel Market (48 months to October 2017)

12 MONTHS						VARIANCE
TO OCTOBER		2014	2015	2016	2017	2016/2017
KEY PERFORMANCE INDICATORS						
Occupancy	%	84.3	86.0	85.5	84.6	-1.0
Average Room Rate	£	225.07	237.48	237.25	256.40	8.1
RevPAR	£	189.74	204.12	202.79	217.03	7.0
OTHER PERFORMANCE INDICATORS						
Annual Room Supply	000s	673	689	691	691	0.1
Annual Rooms Sold	000s	568	592	590	585	-0.9
Actual Rooms Revenue	£000s	127,743	140,705	140,031	149,963	7.1

Source: STR Global, 2017



Hotel Market Analysis

Comment

- In line with the trend in the Greater London hotel market, the local hotel market has recorded a slight drop in room occupancy to 84.6 per cent in the 12 months to October 2017 from 85.5 per cent. However, this has been more than compensated for with an increase of 8.1 per cent in achieved average room rate, to £256.40 during the same period.
- As a result of the movement in room occupancy and achieved average room rate, RevPAR at hotels in the local market has increased by seven per cent in the 12 months to August 2017, to £217.03.
- Despite recent additions to hotel stock, performance in the local market has remained strong.
- In addition to recording an average room occupancy of 85 per cent over the past seven years, local hotels have achieved a £31.30 increase in average room rate over the last four years, fuelling a £27.30 increase in RevPAR.
- Furthermore, taking into consideration additions to stock of 2.6 per cent in the last four years, hotels in the local market have recorded a three per cent increase in accommodated roomnights, which has driven a 17.4 per cent increase in Rooms Revenue, to £150 million.

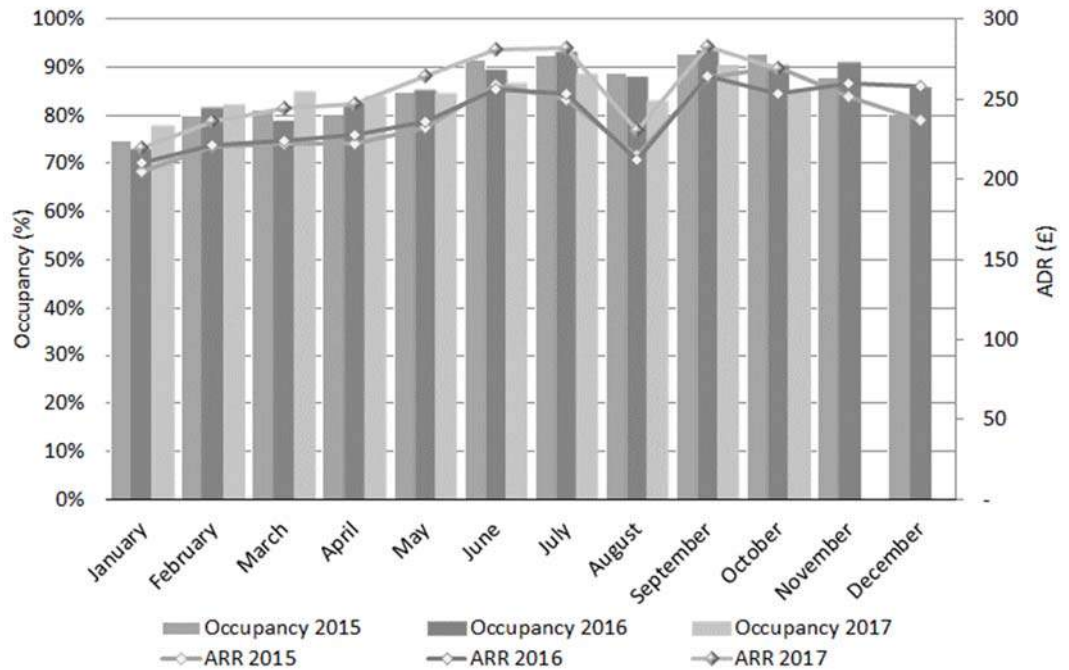
4.7.3 Seasonality Profile

The following graph illustrates the seasonality patterns of occupancy and average room rate performance achieved by hotels in the local hotel market for the 12 months to December 2015, 2016 and year-to-date October 2017.

Hotel Market Analysis

Hotel Market Seasonality

Local Hotel Market (12 Months to December 2015 & 2016 and YTD 2017)



Source: STR Global, 2017

Comment

- In line with the Greater London market, hotels in the local market of relevance tend to achieve robust room occupancy levels throughout the year.
- Overall, there has been a broadening of the months during which hotels in the local market achieve premium room occupancy levels. The broadening of seasonality has supported the robust room occupancy levels in the 12 months to October 2017.
- The highest occupancy peaked in July 2016 at 92.9 per cent. The lowest level of occupancy at these hotels over the last five years and ten months was 71.8 per cent achieved in January 2014.
- The peak months of rate performance at local hotels over the last three years have been achieved in September of this year when the average room rate was £282.44, which is due to the strength of both commercial and leisure demand in the local area.
- Generally, the data demonstrates that with a good balance of corporate and leisure demand in the local area there has been limited monthly seasonality.

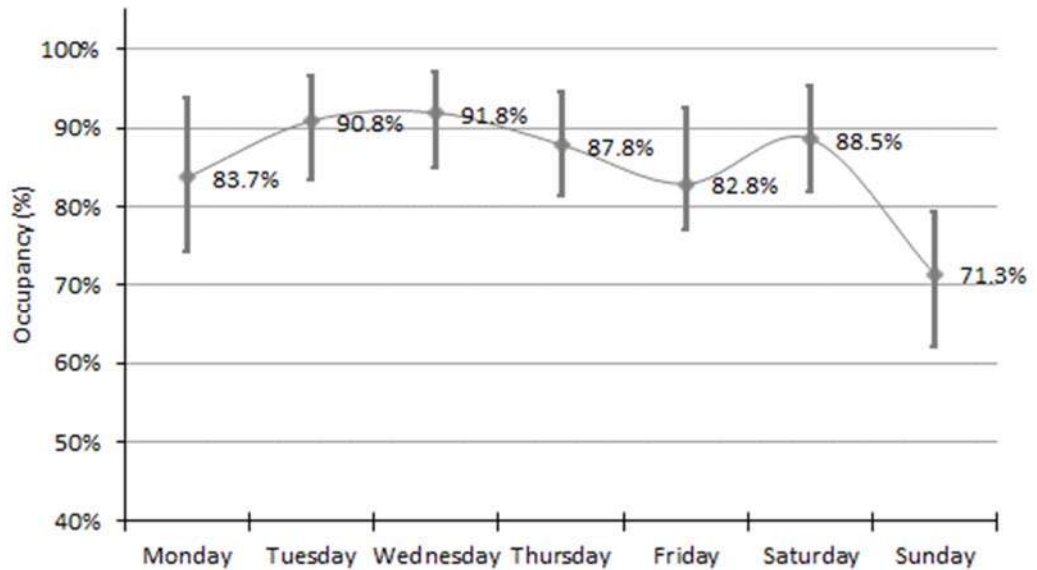
Hotel Market Analysis

4.7.4 Daily Market Trends

In addition to the performance data above, we have used data from STR Global to analyse daily performance trends in the local hotel market. 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 in the 12 months to October 2017.

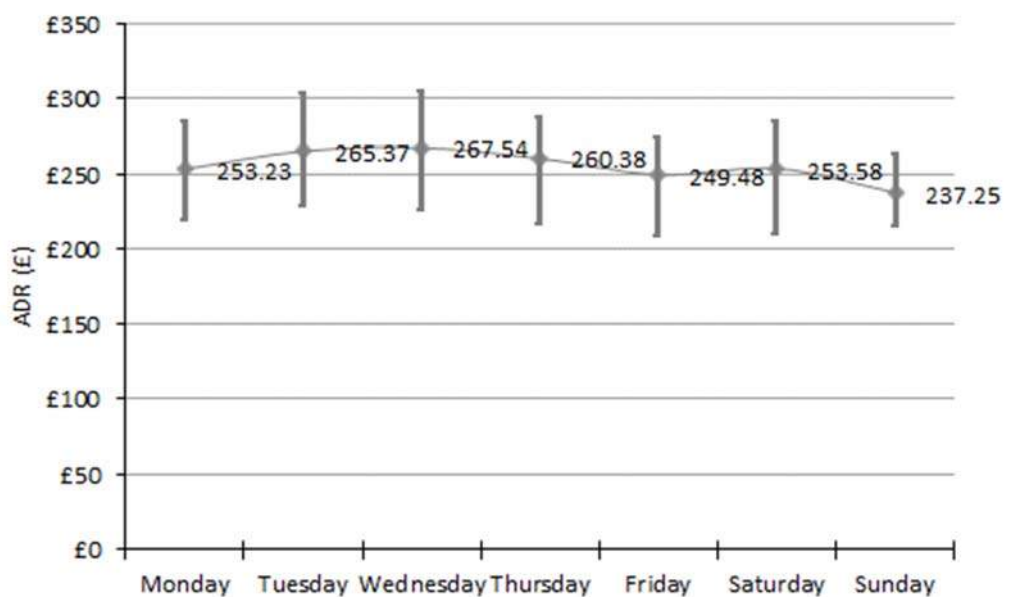
Spread of Occupancy Per Day

Local Hotel Market (12 Months to October 2017)



Spread of Average Rate Per Day

Local Hotel Market (12 Months to October 2017)



Source: STR Global, 2017



Hotel Market Analysis

Comment

- The local hotel market exhibits strong room occupancy levels throughout the week but peaked on Tuesday (96.8 per cent), Wednesday (97.4 per cent) and Saturday (95.6 per cent) nights in the 12 months to October 2017. Sunday was the only night on which room occupancy fell to below approximately 75 per cent, suggesting the local market benefits from robust demand.
- In line with the weekly room occupancy pattern, peak average room rate levels are achieved on Tuesday (£265.48) and Wednesday (£267.84) nights in the local market.
- However, achieved average room rate on Saturday nights (£255.09) was below the midweek peaks, suggesting that demand in the local market is dominated by the commercial segment, with commercial demand sourced from local companies and the transient corporate segment.
- Despite being below the midweek peaks, the average rate range (lowest to highest) on a Saturday night for hotels in the local market is £74.96, above the range for Tuesday (£74.08), but below that for Wednesday (£78.79) nights, suggesting hotels are effectively yielding demand to drive revenue throughout the week.
- Shoulder nights, such as Fridays and Sundays being slightly more challenging operationally, with average RevPAR on a Sunday night recorded down at £169.24 in the 12 months to October 2017, 31 per cent of £76.44 lower than the average Wednesday high.

Hotel Market Analysis

4.7.5 Future Hotel Supply

In the following table we provide an overview of anticipated and potential future additions to accommodation supply in the local area, which we consider to be of relevance to the proposed hotel.

Future Hotel Supply

Local Hotel Market of Competitive Relevance

HOTEL NAME	GRADE	BEDROOMS	LOCATION	PLANNING STATUS
UNDER CONSTRUCTION – DUE 2018				
Doubletree London West End	4	39	92 Southampton Row	2015/7269/P
Hotel Indigo London - 1 Leicester Square	4	95	1 Leicester Square	15/11645/FULL
Kettner's Townhouse Hotel	4	33	29 Romilly Street	15/04634/FULL
L'Oscar Hotel	5	40	2-6 Southampton Row	2014/5970/L
Princes House	Apts	48	37-39 Kingsway	16/12195/FULL
Wilde by Staycity Aparthotels The Strand	Apts	106	11 Adam Street	14/04180/FULL
Bow Street Magistrates Court	5	99	28 Bow Street	14/06785/FULL
Nadler Covent Garden	Apts	56	418-422 Strand	16/09925/FULL
SUBTOTAL		516		
WITH PLANNING OR FINAL PLANNING – DUE 2019 OR LATER				
Amba Hotel Charing Cross	4	11	The Strand	14/12165/FULL
Carlisle House	4	120	8-10 Southampton Row	2017/2914/P
Club Quarters London Lincoln's Inn Fields	4	10	61 Lincoln's Inn Fields	2015/2655/P
DoubleTree by Hilton Hotel London - West-End (extension 2)	4	4	92 Southampton Row	2017/0992/P
Hoxton Holborn	4	46	199-206 High Holborn	2017/0200/P
One Aldwych London	5	22	1 Aldwych	15/06948/FULL
Poland Street	4	118	47-48 & 50 Poland Street	17/10057/FULL
Radisson Blu Edwardian LSQ	4	360	Leicester Square	16/07684/FULL
St Martin's Place	4	136	7-8 St Martin's Place	16/07659/FULL
Strand Palace Hotel		785	372 Strand	
Waldorf Astoria London Admiralty Arch	5	96	The Mall	14/05315/FULL
SUBTOTAL		1,791		
ON HOLD OR DEFERRED				
Kingsway Hall Hotel (extension 1)	4	20	66 Great Queen Street	2014/2792/P
Kingsway Hall Hotel (extension 2)	4	19	66 Great Queen Street	2015/0670/P
SUBTOTAL		39		
TOTAL		2,346		

Source: AM:PM Hotels, 2017

Hotel Market Analysis

Comment

- There are eight projects comprising 516 bedrooms (approximately 8.6 per cent of the total number of 4-5-star hotels in the area) have been identified by AM:PM Hotels within the local area of the proposed hotel on Shaftesbury Avenue, WC2 that are under construction and expected to open in 2018. The volume of potential supply additions is reflective of the significance of the appeal of London to hotel operators and developers, due to the strength of demand for hotels and to some extent in expectation of the regeneration associated with the forthcoming opening of Crossrail.
- Whilst there are a couple of projects that have been deferred, there are another 1,791 bedrooms with full or provisional planning consent (equivalent to 30 per cent of the existing total supply in the 4-5-star market). As new entrants come into the market it remains to be seen whether all of these consented schemes will be built and if so what impact their arrival will have. The opening of Crossrail could have a distinct effect on overnight visitor numbers, as could Brexit.
- There are several significant openings that could, because of their proximity to this project and style of offering, potentially impact the proposed hotel. These include the Indigo Leicester Square and the Radisson Blu Edwardian LSQ, which together will add 455 bedrooms at around the same quality level, same size or larger and with international branding. The Waldorf Astoria Admiralty Arch (96 bedrooms) will also potential be of a competitive nature to this hotel development.

SWOT Analysis

5 SWOT ANALYSIS

The following SWOT analysis highlights the strengths and weaknesses of, opportunities for and threats to the proposed hotel on Shaftesbury Avenue, WC2.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ■ Excellent visibility on Shaftesbury Avenue with significant footfall and in proximity to an excellent provision of urban lifestyle amenities, including retail, food and beverage, and entertainment. ■ A highly developed commercial market in the local area with several corporate HQs in the immediate vicinity. ■ The proposed hotel is in proximity to a number of London Underground and mainline railway stations, including the new Crossrail station at Tottenham Court Road. These stations provide very good access to key business districts and leisure attractions in and across London, as well as airports and the national railway network. ■ Excellent road connectivity throughout London as well as to the UK motorway network and to key international hubs (i.e. St Pancras International and Heathrow Airport). ■ The local hotel market has enjoyed robust levels of room occupancy and average room rates in recent years, clearly illustrating the strength of the local accommodation market. ■ Proximity to key corporate demand generators in the Borough of Camden, City of Westminster and the City of London. ■ Proximity to a range of leisure demand generators, including primary tourist attractions in London (e.g. the British Museum, National Gallery, etc.) and Covent Garden, Seven Dials and Soho. ■ Proximity to a large number of theatres and entertainment attractions. ■ The project will benefit from its new build product in an interesting building, as well as having the cinema on site. ■ International branding, a quality offering, and professional management. 	<ul style="list-style-type: none"> ■ Currently, the immediate surroundings of the site are congested with traffic to the south and are somewhat dilapidated to the north with a homeless population sleeping rough on the side streets. This will undoubtedly improve as the area is regenerated, and the congestion is being addressed both on Shaftesbury Avenue and south into the Seven Dials area to make it more appealing for visitors arriving on foot. ■ The listed façade of the building does not necessarily lend itself to hotel development, with large blank walls that require lightwells to allow natural light into certain areas. ■ The proposed bedroom sizes are adequate for an upscale offering, but are small for a more luxury standard offering. Developing fewer, but larger rooms could address this, however this would also reduce the room count and make it less appealing to international franchise brands – but it is going to be owner operated?



SWOT Analysis

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ■ To capture demand away from local competitors, in a strong market. ■ To capture frustrated demand displaced from competitive hotels due to consistently high demand levels. ■ The realisation of the Crossrail scheme at Tottenham Court Road Station, as well as the longer-term opening of Crossrail 2 which will also pass through Tottenham Court Road Station. ■ A “good” Brexit deal that means there are continued healthy trading relations with the EU and the UK’s other trading partners. ■ A continuing weaker pound that makes London more attractive and more affordable. ■ Continued growth of the digital, tech and media industries in the immediate local area of Soho, as well as across London and the south-east. 	<ul style="list-style-type: none"> ■ Whilst the local hotel market achieves consistently strong headline performance, additions to supply are likely to dilute existing demand levels. ■ Investment in, and potential repositioning of hotels of direct competitive relevance. ■ Increasing appeal of other London boroughs for leisure-related demand due to development of new room stock and effective price positioning (i.e. City of London, Newham, Tower Hamlets). ■ A “bad” Brexit deal that impacts negatively on demand in London. ■ An increase in the strength of sterling that makes London seem more expensive to overseas visitors and that makes overseas destinations seem more affordable to domestic travellers. ■ A significant or prolonged series of terrorist attacks.

Comment

- The site benefits from an excellent location in the very centre of London where the Boroughs of Camden, Westminster and the City meet, with an excellent locality and connectivity to major generators of commercial and leisure demand in the boroughs and across central London.
- Whilst some elements of the immediate surroundings of the site could be seen as somewhat less desirable and uninviting due to the prevalence of traffic and run down back streets, this should not detract from the project overall as the area will be subject to regeneration in line with the realisation of the Borough of Camden’s Masterplan for improvement of the public realm.
- Furthermore, hotels in the local market achieve robust top line performance and have done so now for several years, and the volume of demand is likely to remain strong going forward.

Assessment of Development Proposal

6 ASSESSMENT OF DEVELOPMENT PROPOSAL

6.1 Introduction

In the following section we provide our assessment of the proposed hotel development on Shaftesbury Avenue, as well as an overview of the envisaged demand (by market sector) that the proposed hotel is likely to attract.

6.2 Proposed Hotel Development

The following table summarises the assumed facilities at the proposed hotel, based on drawings produced by Jestico + Whiles. We have based our opinion on the scale, range and type of facilities for the proposed hotel on information provided to us, as well as our assessment of demand for hotel facilities in the local area.

PROPOSED HOTEL FACILITIES	
Market Product	<ul style="list-style-type: none"> Upscale, Upper upscale or Luxury hotel
Bedrooms (on all floors)	<ul style="list-style-type: none"> 94 bedrooms Standard room at c.24 sqm to 34-38 sqm for suites 16 bedrooms per floor 1-4 + BoH (approx. 10 sqm) 15 bedrooms per floor 5 & 6 + BoH (approx. 10 sqm)
Ground Floor	<ul style="list-style-type: none"> Large Entrance Lobby & pop-up food and beverage offer (319 sqm) Restaurant (174 sqm) Kitchen (39 sqm) Area for dedicated check-in Lightwell Back of House (9 sqm)
Lower Ground Floor/ Basement	<ul style="list-style-type: none"> Cinema (4 screens for a total of up to 240 pax) (305 sqm) Cinema Lobby and food and drink sales (123 sqm) Cinema toilets (30 sqm) Back of house (50 sqm) Plant (35 sqm)
Sub-Basement	<ul style="list-style-type: none"> Limited Spa (tbc sqm) Mechanical and Electrical, and other plant (tbc sqm)
Other Facilities	<ul style="list-style-type: none"> Large rooftop bar (276 sqm) Two guest lifts

In the following paragraphs we assess each of the proposed components.



Assessment of Development Proposal

6.3 Number and Size of Letting Units

Whilst we understand that the proposed hotel is to be operated under the M Gallery by Sofitel brand (or equivalent), the bedroom count is in line with the brand standards of a number of potential operators and the proposed count enables reasonable economies of scale to be achieved across the operation. However, the location suggests a higher bedroom count could be absorbed into the market.

The standard rooms at the proposed hotel are appropriately sized for an upper upscale brand, but are somewhat small for a luxury offering.

Although we understand these are indicative drawings of the scheme and primarily for reference purposes only, the development of a greater number of larger rooms within the proposed hotel should be considered, subject to planning restrictions, in order to increase the standard of the offering, as well as the proposed room count.

We do not envisage the development of hotel bedrooms on the basement and sub-basement floors would be viable or acceptable for guests of the hotel at this quality level. Whilst a number of budget brands offer window-less rooms, including Yotel and easyHotel, we do not believe they are appropriate for a higher quality offering, even with the benefit of natural daylight from the development of light wells.

6.4 Ancillary Facilities

The proposed ancillary facilities are in part in line with our expectations of a new build hotel operating at an upscale market positioning within a central London location. However, the cinema offering is unusual, although we understand that this will have a trendy, boutique feel that will make it more in keeping with the rest of the hotel. The flow of residential guests, cinema goers and people drinking or dining at the hotel will have to be planned and managed carefully, as will security arrangements to ensure the safety of all guests, but particularly those staying overnight.

A roof top bar could be a very interesting second offering for residents and passing trade alike, providing respite from the street level bustle of the location. The ground floor food and beverage offerings should also benefit from high levels of passing trade from theatre goers to people working in local offices.

A spa has become a necessity for many better-quality brands, who use it as one of the attributes promoted in marketing materials, and we concur with its inclusion in the development.

The cinema, whilst primarily for non-residents, should also provide an attractive additional benefit to potential residential guests, as well as providing an additional revenue stream.

Whilst the proposed back of house space is limited, we believe it is just sufficient for a property of the scale and market positioning proposed.

Assessment of Development Proposal

6.5 Opening Date

We have assumed that the proposed hotel development will commence trading in 2022.

6.6 Marketing and Management

In order for the proposed hotel to successfully position itself in the competitive local hotel market and achieve a sustainable market position, a comprehensive marketing programme will be required to successfully penetrate all potential sources of demand.

Cognisant of the scale and location of the proposed hotel, we consider it essential that a skilled and professional management team capable of running the hotel to a high standard are engaged to effectively market and manage the property.

Regardless of whether the hotel is operated under a brand or independently, the knowledge, enthusiasm and experience of the management team will be critical to the development's success. The success of the proposed hotel will largely depend on the strength of the management team in aligning the product offering, concept, service and guest experience.

6.7 Envisaged Demand Profile

6.7.1 Introduction

Our assessment of demand for the proposed hotel is based upon our research comprising interviews with a cross-section of individuals and organisations connected with the hotel, commercial and tourism industries in the competitive market.

We have also drawn on data from STR Global and HotStats hotel performance databases which track the performance of branded hotels across the UK and Europe and have taken account of the current and anticipated future profile of demand for hotel accommodation and ancillary facilities in the wider area.

In the following sections, we discuss the main market sectors which we envisage will generate demand for the proposed hotel development.

6.7.2 Envisaged Midweek Demand

For the proposed hotel development on Shaftesbury Avenue, midweek demand (Monday to Thursday) will primarily be comprised of commercial demand which is predominantly driven by businesses located in the local area, but will also constitute transient demand from visiting corporate employees and those conducting business in the area. We envisage a proportion of midweek demand will be derived from the leisure sector during the summer and holiday months.

According to our research, midweek accommodation demand at hotels of competitive relevance typically accounts for approximately 55 per cent of the business mix.

Based on our knowledge of the sector, the key characteristics of corporate demand in the area are summarised below.

- Business and corporate demand exhibits a traditional seasonality pattern, peaking during midweek (Monday to Thursday) periods, with severely reduced levels of

Assessment of Development Proposal

demand at weekends, mainly Fridays and Saturdays, and during the traditional holiday periods of August, Christmas, New Year, Easter and bank holidays.

- At present corporate-related demand for hotels located in the borough is a combination of construction-related demand, transient/displaced corporate demand and local corporate demand.

6.7.3 Envisaged Weekend Demand

Weekend demand (Friday to Sunday night) is an important market segment for hotels in London. The sector is predominantly comprised of leisure travellers utilising hotels as a base from which to visit local attractions and destinations, visiting friends and relatives and attending local events. The average room occupancy of almost 90 per cent on Saturday nights in the 12 months to October 2017 is an illustration of the strength of leisure demand to the local area.

We understand that approximately 45 per cent of demand is leisure-related. The growth in the number of visitors to London continues, The West End and Mid-Town remain the preferred location for tourists to central London, due to the proximity to top visitor attractions, such as Trafalgar Square, National Gallery, British Museum and Southbank Centre, as well as renowned retail hubs (e.g. Oxford Street, Tottenham Court Road, etc) and the bars, theatres and restaurants of Soho and Covent Garden.

Whilst the immediate surround of the site could be seen as somewhat dilapidated in parts and uninviting due to traffic congestion, the realisation of the Borough of Camden's Public realm improvement masterplan will increase the appeal of the area to leisure tourists.

Financial Projections

7 FINANCIAL PROJECTIONS

7.1 Financial Projections

This section presents our financial projections for the proposed upscale hotel development at Shaftesbury Avenue, London WC2.

Our projections are based on an assumed opening date in 2022. Given the current dynamics of the market and performance of hotels of competitive relevance, we consider that the proposed hotel should be able to maximise and stabilise trading patterns by the third year of operation.

The bases are presented in 2017 values (i.e. without future cost or revenue inflation).

In order to benchmark our financial projections for the proposed hotel against the current performance of identified hotels of competitive relevance, we have utilised our STR Global sample of hotels in the local area and Greater London.

The terms and classification of hotel-related revenues and expenses are based upon the Uniform System of Accounts for Hotels. All our revenue summaries and average spends are, unless otherwise stated, shown exclusive of VAT (assumed at 20 per cent).

7.2 An Explanation of the Fair Share Model

The projections for the proposed hotel are based on a fair share analysis. This is an industry-specific model which has the following inputs:

- The existing supply of hotels (number of rooms) which cater for those markets which the subject property will seek to penetrate is quantified.
- The demand which those hotels accommodate, and the market mix of that demand is also quantified, to which is added any demand displaced from those hotels (i.e. that demand which cannot be accommodated there due to capacity constraints or for other reasons).
- The hotels likely to enter the market, which are deemed to be potential competitors, are identified, and their opening dates established.
- Future demand is quantified, based on current levels of demand and assumed growth rates.

From those inputs the average market occupancy (fair share) is derived. Thereafter, the occupancy for the subject property is calculated, based on various factors which determine the market advantages or disadvantages which it will experience.

On an equitable basis, each hotel in the market of relevance, including the subject property, would achieve a share of roomnight demand in proportion to the number of bedrooms available, and therefore all hotels would achieve the same occupancy.

Financial Projections

For example, in a “perfect” market with demand for 150 rooms per night, and a supply of 300 rooms, split between Hotel A with 200 rooms (two thirds of the supply) and Hotel B with 100 rooms (one third of the supply), Hotel A would sell 100 rooms (two thirds of the demand) and Hotel B would sell 50 rooms (one third of the demand) and both hotels would achieve an occupancy of 50 per cent.

However, due to a variety of factors including management and marketing, differences in concept, location, facilities, price, brand loyalty and the differing quality, age and style of hotels, a fair share situation is rarely if ever achieved. It is therefore necessary to assess the level at which a proposed new hotel will compete with other existing and upcoming hotels in the market of relevance and the envisaged penetration of that market (e.g. above or below fair share) resulting from an assessment of the above factors.

7.3 Average Annual Room Occupancy

We have adopted a fair share approach in our financial projections of accommodation demand for the proposed upscale hotel development, taking into account demand trends of the market, historic and current market-mix information, price positioning and relative attributes of competitive hotels.

Proposed Hotel Development, Shaftesbury Avenue

Average Room Occupancy

(Year)	AVERAGE ANNUAL ROOM OCCUPANCY (%)
Year 1	75.5
Year 2	80.6
Year 3 and Ongoing	83.5

Comment

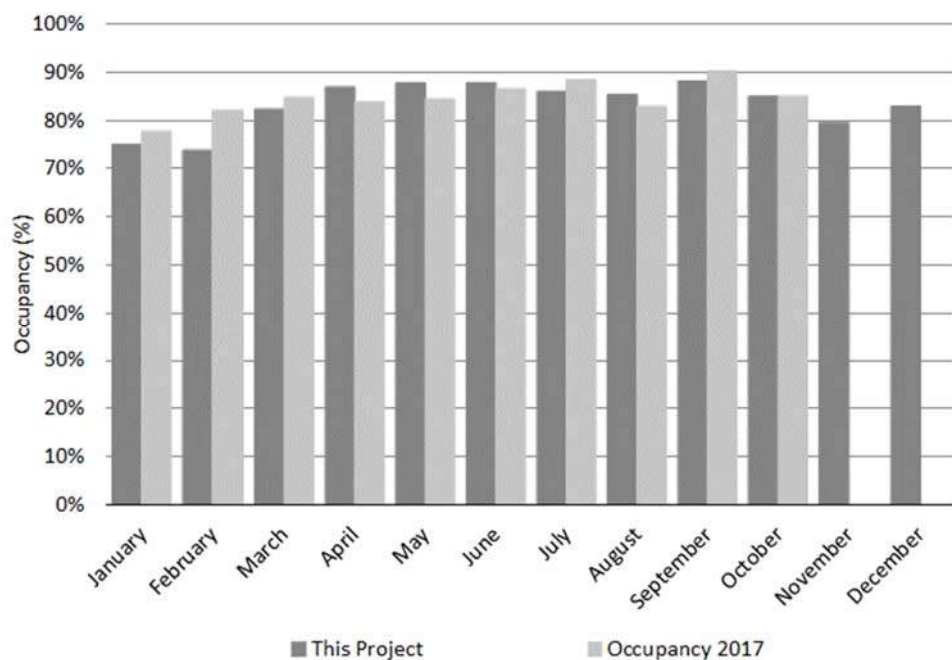
- In the first year of operation, we envisage the proposed hotel will achieve an average annual room occupancy of 75.5 per cent, which by the third and stabilised year of operation, will increase to 83.5 per cent.
- We envisage the growth of eight percentage points between Year 1 and Year 3 to be achievable as we envisage the demand for upscale hotel accommodation will remain strong in the local area going forward. According to STR Global, occupancy in the local hotel market has averaged 84.9 per cent in the period from 2011 to 2016.
- Our projection of average annual room occupancy by the third and stabilised year of operation positions the proposed hotel development slightly below our STR Global current sample of local hotels at 83.5 per cent. This is because of the inclusion of the new hotels currently in planning or under construction, such as the Indigo Hotel Leicester Square, the Radisson Blu Edwardian LSQ and the Waldorf Astoria Admiralty Arch, which are likely to dilute the wider market and make the environment that much more competitive. However, we consider that the impact on the proposed hotel on Shaftesbury Avenue will be less than the wider market, with the hotel marginally outperforming its competitive set on occupancy, due to its branding, professional management, location, its proximity to demand generators, the range of facilities proposed and price competition.

Financial Projections

- Our projections take into account the existing and future characteristics of the local competitive hotel markets and the future growth potential of each identified market sector and anticipate that market occupancy levels will remain broadly in line with current levels by the year of stabilisation.

The following graph details the monthly seasonality of the local competitive hotel market over the operating period for YTD 2017 (source: STR Global).

Proposed Hotel Development, Shaftesbury Avenue
 Monthly Room Occupancy and Local STR Sample Comparison



Comment

- As can be seen, with occupancies at consistently high levels, seasonality has become less of an issue in the local market, although we do anticipate that there will be some minor seasonality variations, as leisure guests tend to visit during the traditional holiday periods while corporate guests tend to stay during the non-holiday periods.
- Based on our research, we would not assume any major future fluctuations in seasonality in the local hotel market. Therefore, the seasonality pattern of the proposed hotel at Shaftesbury Avenue, Covent Garden has been projected to follow the historic trending of the local hotel market.
- The projected monthly room occupancy levels are based on seasonality patterns evident in the local hotel market derived from STR Global as well as information gathered during the course of our research. The monthly room occupancy levels provide an illustration of the potential stabilised seasonality patterns the proposed hotel could achieve.

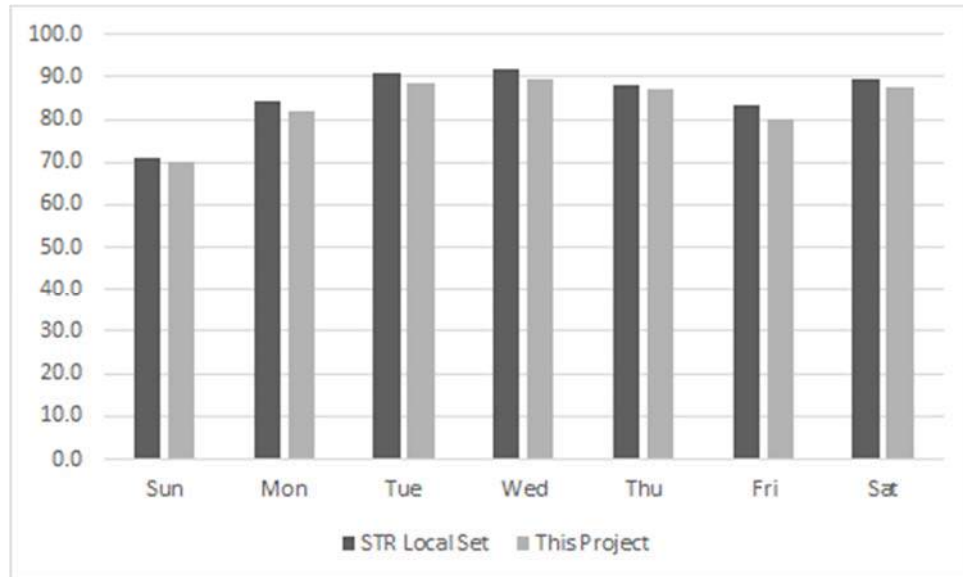


Financial Projections

The following graph details our room occupancy projections by day of the week by the third and stabilised year of operation.

Proposed Hotel Development, Shaftesbury Avenue

Daily Room Occupancy Projections



Comment

- Due to the envisaged market mix at the proposed hotel development and its strong location in proximity to a number of key commercial hubs, we envisage room occupancy levels will be very strong on characteristic ‘corporate nights’ including Tuesdays and Wednesdays.
- Due to the strength of the visitor profile in London and excellent location of the proposed hotel development in proximity to key visitor attractions, as well as retail hubs in the capital, we envisage room occupancy will be at its highest on Saturday nights.
- The scale of the proposed hotel, at just 94 bedrooms, will ensure that strong room occupancies are achieved for most of the week, with a decline to approximately 70 per cent on Sundays, which is in line with market performance.

Financial Projections

7.4 Market Mix and Double Occupancy

The following table details our projections of accommodation demand for the potential hotel at Shaftesbury Avenue, WC2, including projected roomnight demand, market mix and double occupancy factors.

Proposed Hotel Development, Shaftesbury Avenue

Projected Roomnight Demand by Market Sector

MARKET SECTOR	Year 1 (000s)	Year 2 (000s)	Year 3 and Ongoing (000s)	Year 3 and Ongoing (%)
Business	8,908	9,386	9,639	33.7
Individual Tourists	8,092	8,719	9,069	31.7
Group Tourists	2,158	2,325	2,418	8.4
VFR (visiting friends and relatives)	5,289	5,699	5,927	20.7
Study	245	259	266	0.9
MICE *	1,213	1,278	1,313	4.6
Total Demand	25,905	27,666	28,632	-
Room Occupancy	75.5	80.6	83.5	100.0

* meetings incentives conferences and events

Proposed Hotel Development, Shaftesbury Avenue

Double Occupancy

MARKET SECTOR (Year 3 and Ongoing)	DOUBLE OCCUPANCY FACTOR
Business	1.1
Individual Tourists	1.8
Group Tourists	1.5
VFR (visiting friends and relatives)	1.8
Study	1.5
MICE (meetings incentives conferences and events)	1.0
Overall Double Occupancy	1.5

Comment

- We project that by the third and stabilised year of operation, the majority of demand at the proposed hotel will comprise midweek demand (57.7 per cent of total demand). This is in line with the proportion of midweek demand attracted to branded hotels of competitive relevance.
- In a branded scenario, with the proposed product and location, we envisage an opportunity will exist to develop relationships to secure contracted roomnights throughout the year. We envisage a proportion of midweek demand will be derived from the leisure sector during the summer months.
- We envisage that weekend demand will account for 42.3 per cent of overall occupancy by the third and stabilised year of operation. Weekend demand will primarily be comprised of demand from the leisure sector.

Financial Projections

7.5 Achieved Average Room Rate

The following achieved average room rate projections are made in light of performance benchmark information gathered by us on the competitive hotel market of relevance from STR Global, as well as in light of the assumed market positioning of the proposed hotel.

In assessing an appropriate average sector rate structure for the proposed hotel, we have taken into account the assumed standard of services and facilities of the hotel, the envisaged demand markets, and the location of the project.

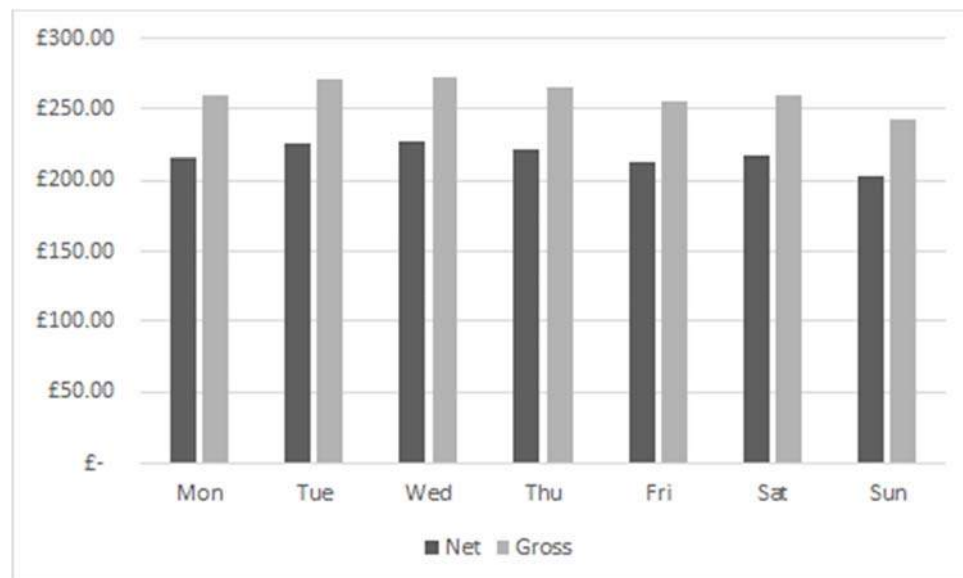
We anticipate that the hotel will achieve the following average annual room rates in 2017 values.

Proposed Hotel Development, Shaftesbury Avenue
Rate Projections (exclusive of VAT) (2017 Values)

MARKET SECTOR (Year commencing 1 January)	YEAR 1 (£)	YEAR 2 (£)	YEAR 3 (£)
Overall Average Room Rate	231.81	236.85	238.53

The following graph details our projected achieved average room rates by day of the week for the proposed hotel (2017 values).

Proposed Hotel Development, Shaftesbury Avenue



Comment

- In the build-up to our stabilised average sector room rate projections, we have assumed that greater levels of discounting will be applied to all market sectors in the first two years of operation as the hotel penetrates relevant markets in order to establish its position in the local hotel market.
- We project that by the third and stabilised year of operation, the proposed hotel development will achieve an average room rate of £238.53 (at 2017 values), which is below the hotels in our STR Global sample of local hotels (£256.80) in the 12 months

Financial Projections

to October 2017, primarily due to the considerable anticipated additions to supply envisaged and the subsequent likely price competition.

7.6 Rooms Revenue

The table below summarises the illustrative projected rooms revenue for the proposed hotel at 2017 values, for the first three and subsequent years of operation.

Proposed Hotel Development, Shaftesbury Avenue

Projected Rooms Revenue (2017 values)

YEAR	ROOMS REVENUE (£000S)
Year 1	6,005.1
Year 2	6,552.7
Year 3 and Ongoing	6,829.6

Comment

- Based on our assumptions relating to projected sector rates, seasonality as well as benchmarked performance of other hotels in the competitive market, we project that by the third and stabilised year of operation, the proposed hotel development will generate total rooms revenue of approximately £6.8 million (2017 values), equivalent to £199.17 per available room.

7.7 Other Revenue

We have not projected any Food and Beverage Revenues for the Proposed Hotel Development at Shaftesbury Avenue. All Food and Beverage projections have been prepared by specialist Ford Consultancy Group Ltd. We have reviewed the projections from a hotel consultancy perspective and consider them to be reasonable.

We have used a ratio-driven approach to project other revenues for the proposed hotel, based on our rooms revenue projections, our extensive experience of working on hotels of a similar market positioning in the UK and HotStats data for hotels operating in London.

The following table summarises our revenue projections by the third and stabilised year of operation at 2017 values.

Proposed Hotel Development, Shaftesbury Avenue

Projected Other Revenue Summary – Year 3 and Ongoing (2017 Values)

REVENUE	(£000S)	%
Rooms Revenue	6,829.6	89.3
Minor Operated Departments incl. Spa	559.8	7.3
Rental & Other Income	257.5	3.4
Total Revenue	7,646.9	100.0

Comment

- The proposed hotel development will be driven by a mix of income, although the weighting will come from rooms.

Financial Projections

- Minor Operated Departments includes the revenue derived from the spa, sale of in-house movies, internet, telephone, newspapers, etc and is projected at approximately £560,000 by the third and stabilised year of operation.
- Rental and Other Income includes the revenue derived from commissions, concessions and room hire at approximately £258,000 by the third and stabilised year of operation.
- We project that the proposed hotel at Shaftesbury Avenue, will generate a total revenue of approximately £7.65 million by the third and stabilised year of operation, at 2017 values.

7.8 Cost of Sales and Departmental Expenses

We have based the cost of sales and departmental expenses projections for the third and stabilised year of operation on research conducted by us into the hotel market of competitive relevance. The following table summarises our cost of sales and departmental expenses projections.

Proposed Hotel Development, Shaftesbury Avenue

Assumed Cost of Sales and Departmental Expenses (Year 3 and Ongoing)

COST OF SALES	PERCENTAGE OF DEPARTMENTAL REVENUE
Minor Operated Departments	4.3
DEPARTMENTAL EXPENSES	PERCENTAGE OF DEPARTMENTAL REVENUE
Rooms	11.0
Minor Operated Departments	35.0
NON-OPERATED DEPARTMENTAL EXPENSES	PERCENTAGE OF TOTAL REVENUE
Administrative and General	4.6
Marketing	5.8
Energy	2.5
Property Operations	2.2

Comment

- We project a total of 2.5 per cent of total revenue for **local** sales and marketing expenses, equivalent to approximately £191,000 by the third and stabilised year of operation.
- In addition, separate central marketing expenses of 1.5 per cent would also be paid to the brand and, equivalent to approximately £115,000 by the third and stabilised year of operation. The remaining £137,600 is assumed to cover the remaining participation and related franchise fees detail in section 7.10 of this report.

Financial Projections

7.9 Payroll and Related Expenses

The following table details our payroll and related expenses assumptions by the third and stabilised year of operation (Year 3 and ongoing). The payroll percentage for operated departments has been based on departmental revenue (i.e. rooms, food and beverage), whereas the remaining payroll expenses are based on total revenue.

Proposed Hotel Development, Shaftesbury Avenue
Departmental Payroll (Year 3 and Ongoing) (2017 Values)

DEPARTMENT	DEPARTMENTAL PAYROLL (£000s)	PERCENTAGE OF REVENUE (%)
Rooms	867.4	12.7
Minor Operated Departments	98.0	17.5
Total Operated Departments	965.3	12.6
Administrative and General	367.1	4.8
Marketing	183.5	2.4
Property Operations	107.1	1.4
Total Other Departments	657.6	8.6
Total	1,623.0	21.2

Comment

- By the third and stabilised year, payroll and related expenses are projected at approximately 21.2 per cent of total revenue, which we consider to be appropriate for the Rooms, Minor Operated Departments and Undistributed Payroll positions of a hotel of this scale, type and market positioning.

7.10 Fixed Costs

The following bullet points detail the assumed deductions from Gross Operating Profit to determine the net operating income available for debt service (EBITDA).

- **Management Base Fee** – We have assumed a base management fee of two per cent of total revenue, payable to a white label management company or the sponsors management company.
- **Management Incentive Fee** – We have assumed a management incentive fee of five per cent of adjusted GOP, payable to a white label management company or the sponsors management company.
- **Franchise Fee & Other Brand Fees** – As per the heads of terms agreement, we have assumed a franchise/program fee of 3.0 per cent in year 1, 4.0 per cent and 5.0 per cent in year 3 of rooms revenue for sales and marketing and system costs. 0.2 per cent of rooms revenue for Accortel fees, in addition to 1.5 per cent of total revenue for central marketing, as well as 3.1 per cent of revenue generated for Accor's own OTA system, 2.0 per cent + €5 for GDS/IDS (global distribution), 2.0 per cent + €6 for call centres, and 12.5 per cent of revenue generated for paid meta search. These fees are shown within the total amount for sales and marketing expenses.

Financial Projections

- **Property Taxes** – Based on our knowledge and experience of the UK hotel industry, we have assumed Property Taxes at two per cent of Total Revenue per annum.
- **Building Insurance** – Based on industry benchmarks, we have projected building insurance costs of 1.5 per cent of Total Revenue per annum.
- **Replacement Reserve for Fixtures, Fittings and Equipment** – we have assumed a replacement reserve for FF&E of two per cent of total revenue in year one and increasing every year thereafter by one per cent and stabilising at four per cent in year three.

7.11 Summary Statements of Estimated Profit and Loss

Based on the information and assumptions detailed in the previous sections, the following tables summarise our profit and loss projections for the Proposed Hotel Development on Shaftesbury Avenue. The full profit and loss statement for the first five years is presented as Exhibit 1 (at 2017 values).

Proposed Hotel Development, Shaftesbury Avenue
Summary of Estimated Profit and Loss (2017 Values)

OPERATING PERIOD (Ending 31 December)		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Rooms Available		94	94	94	94	94
Average Annual Room Occupancy	%	75.5	80.6	83.5	83.5	83.5
Average Room Rate	£	231.81	236.85	238.53	238.53	238.53
Total Revenue	£000s	6,584.7	7,259.7	7,646.9	7,646.9	7,646.9
Gross Operating Profit	£000s	3,172.7	3,620.2	3,898.0	3,898.0	3,898.0
Gross Operating Profit as a Percentage of Total Revenue	%	48.2	49.9	51.0	51.0	51.0
EBITDA (post FF&E)	£000s	2,586.1	2,894.7	2,976.7	2,976.7	2,976.7
EBITDA (post FF&E) as a Percentage of Total Revenue	%	38.3	38.9	38.9	38.9	38.9

- Based on our research, we project the Gross Operating Profit per Room for the Proposed Upscale Hotel Development in the third and stabilised year of operation to be approximately £41,500. We project the EBITDA per available room to be approximately £31,670 by the third and stabilised year of operation.

EXHIBIT

Proposed Hotel Development - ODEON, Shaftesbury Avenue
Statement of Estimated Profit and Loss

2017 Values	94 Letting Units									
	2020		2021		2022		2023		2024	
Average Room Occupancy %	75.5		80.6		83.5		83.5		83.5	
Average Room Rate £	231.81		236.85		238.53		238.53		238.53	
	£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
REVENUES										
Rooms	6,005.1	91.2	6,552.7	90.3	6,829.6	89.3	6,829.6	89.3	6,829.6	89.3
Minor Op Depts	427.6	6.5	495.9	6.8	559.8	7.3	559.8	7.3	559.8	7.3
Rental & Other Income	152.0	2.3	211.0	2.9	257.5	3.4	257.5	3.4	257.5	3.4
Total	6,584.7	100.0	7,259.7	100.0	7,646.9	100.0	7,646.9	100.0	7,646.9	100.0
COST OF SALES										
Minor Op Depts	21.4	5.0	22.3	4.5	24.1	4.3	24.1	4.3	24.1	4.3
Total	21.4	0.3	22.3	0.3	24.1	0.3	24.1	0.3	24.1	0.3
DIRECT PAYROLL										
Rooms	798.7	13.3	851.9	13.0	867.4	12.7	867.4	12.7	867.4	12.7
Minor Op Depts	78.2	18.3	88.8	17.9	98.0	17.5	98.0	17.5	98.0	17.5
Total	876.9	13.3	940.6	13.0	965.3	12.6	965.3	12.6	965.3	12.6
OTHER EXPENSES										
Rooms	672.6	11.2	727.3	11.1	751.3	11.0	751.3	11.0	751.3	11.0
Minor Op Depts	149.7	35.0	173.6	35.0	195.9	35.0	195.9	35.0	195.9	35.0
Total	822.2	12.5	900.9	12.4	947.2	12.4	947.2	12.4	947.2	12.4
DEPARTMENTAL OPERATING PROFITS										
Rooms	4,533.9	75.5	4,973.5	75.9	5,211.0	76.3	5,211.0	76.3	5,211.0	76.3
Minor Op Depts	178.3	41.7	211.3	42.6	241.8	43.2	241.8	43.2	241.8	43.2
Rental & Other Income	152.0	100.0	211.0	100.0	257.5	100.0	257.5	100.0	257.5	100.0
Total	4,864.2	73.9	5,395.8	74.3	5,710.3	74.7	5,710.3	74.7	5,710.3	74.7
UNDISTRIBUTED OPERATING EXPENSES										
Payroll & Related										
Admin & General	367.1	5.6	367.1	5.1	367.1	4.8	367.1	4.8	367.1	4.8
Marketing	183.5	2.8	183.5	2.5	183.5	2.4	183.5	2.4	183.5	2.4
Property Ops.	107.1	1.6	107.1	1.5	107.1	1.4	107.1	1.4	107.1	1.4
Sub Total	657.6	10.0	657.6	9.1	657.6	8.6	657.6	8.6	657.6	8.6
Other Expenses										
Admin & General	329.2	5.0	348.5	4.8	351.8	4.6	351.8	4.6	351.8	4.6
Marketing	408.3	6.2	435.6	6.0	443.5	5.8	443.5	5.8	443.5	5.8
Energy Costs	164.6	2.5	181.5	2.5	191.2	2.5	191.2	2.5	191.2	2.5
Property Ops.	131.7	2.0	152.5	2.1	168.2	2.2	168.2	2.2	168.2	2.2
Sub Total	1,033.8	15.7	1,118.0	15.4	1,154.7	15.1	1,154.7	15.1	1,154.7	15.1
Total	1,691.4	25.7	1,775.6	24.5	1,812.3	23.7	1,812.3	23.7	1,812.3	23.7
GROSS OPERATING PROFIT	3,172.7	48.2	3,620.2	49.9	3,898.0	51.0	3,898.0	51.0	3,898.0	51.0
Management Fee	131.7	2.0	145.2	2.0	152.9	2.0	152.9	2.0	152.9	2.0
Replacement of FF&E	131.7	2.0	217.8	3.0	305.9	4.0	305.9	4.0	305.9	4.0
Mgmt Incentive Fee	158.6	2.4	181.0	2.5	194.9	2.5	194.9	2.5	194.9	2.5
Buildings Insurance	98.8	1.5	108.9	1.5	114.7	1.5	114.7	1.5	114.7	1.5
Property Taxes	131.7	2.0	145.2	2.0	152.9	2.0	152.9	2.0	152.9	2.0
Sub Total	652.5	9.9	798.1	11.0	921.4	12.0	921.4	12.0	921.4	12.0
SURPLUS (DEFICIT) BEFORE DEBT SERVICE AND TAXATION	2,520.3	38.3	2,822.1	38.9	2,976.7	38.9	2,976.7	38.9	2,976.7	38.9

NOTE: The comments and assumptions contained in the foregoing report form an integral part of this projected statement.

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.

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: AM:PM Definitions

Regional Brands

Examples of Regional Brands include Firmdale Hotels, Grange Hotels, Apex Hotels and ABode, where representation is not geographically confined to one area, yet their profile is not that of a national brand. There may be regional groups of reasonable scale, however inconsistent branding and marketing across the chain leads to an Independent Hotel category.

National Brands

A national brand is typically recognised where the number of hotels and geographic coverage is not confined to one or a small number of regions. This would include brands such as Britannia, De Vere, Macdonald and Jurys Inn. Assessing their brand maps of the UK would illustrate a noticeably wider spread and denser penetration than that of a Regional brand.

Additionally, brands such as Premier Inn and Travelodge are regarded as National, despite their limited presence outside the UK. In relation to a portfolio of approximately 600 or more hotels, having 5-10 outside the UK doesn't translate into International or Global brand recognition in those countries where the brand rollout is in its infancy.

International Brands

An International brand would be distinguished from others where it has representation in a significant number of countries that would not be seen as National yet does not have truly global coverage. Examples include Andaz, Barcelo, Campanille, Copthorne, Danubius and Kempinski. This also includes brands such as easyHotel, which are far smaller than Premier Inn or Travelodge in the limited service category, but country coverage is wider and also in proportional terms to its overall size (ie no one single country dominates supply across the brand). Further examples include Hotel Indigo or Staybridge Suites, where they are part of a globally recognised brand, but individually have not reached global recognition or awareness.

Global Brands

Global brands are all controlled by a relatively small number of large groups, such as Accor, Blackstone, Carlson/Rezidor, Choice, IHG, and Wyndham. The distinction between International and Global depends on scale of individual country coverage and penetration within these countries. For example, having 30 hotels in 30 different countries would not represent Global branding, although 1,500 hotels in 80 countries would. Global brands include Hilton, Holiday Inn, Radisson, Ramada, Comfort Inn, Ibis and Novotel.



Ford Consultancy Group Ltd



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Introduction

This report has been prepared to assess the likely performance of the Food & Beverage offers within a proposed new hotel and entertainment venue at 135-129 Shaftesbury Avenue, currently trading as the Odeon Cinema Covent Garden.

We have received an outline brief on the types of Food & Beverage that the venue is proposing to offer, and have validated our trading assumptions with the respective cinema and hotel consultants for the project.

The Food & Beverage provision is made up of the following elements:

Hotel Breakfast	06:30 – 11:00hrs
Hotel Restaurant	12:00 – 23:00hrs
Hotel Room Service	06:30 – 23:00hrs
Rooftop Bar	12:00 – 01:00hrs
Cinema In-Screen Dining	12:00 – 23:00hrs

Number of seats/covers has been based on 94 bedrooms and the floor plans from project architects Jestico & Whiles, (incorporating kitchen, back of house storage, and service areas for ground floor and lower ground floor) with minor adjustments for operational practicalities.



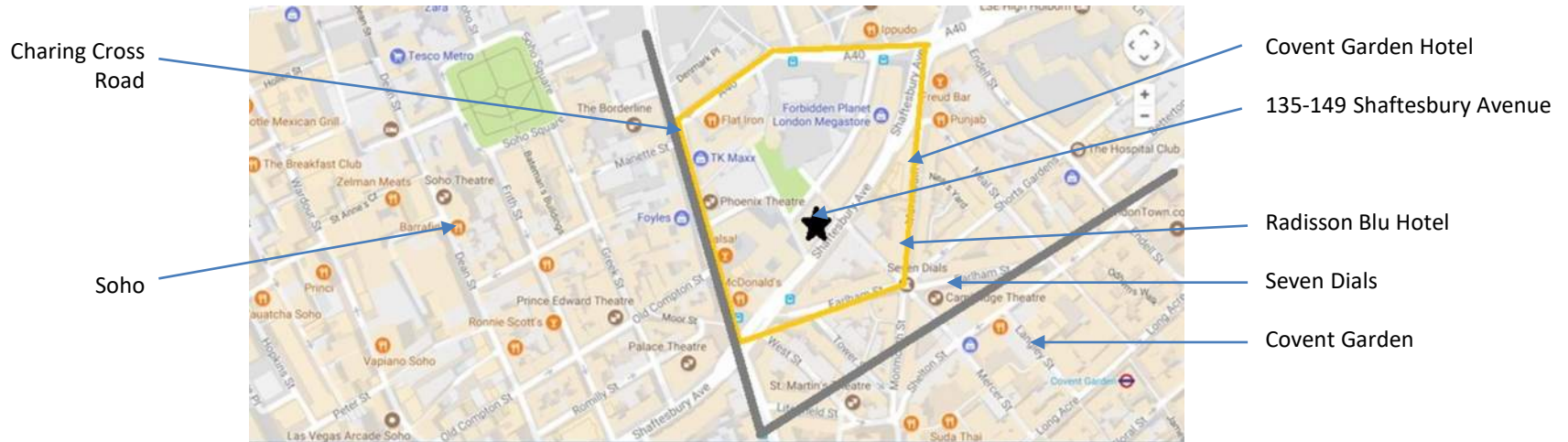
Location

Overview

The property benefits from a large frontage onto Shaftesbury Avenue, albeit at the quieter end of this main thoroughfare, and is surrounded by a high proportion of daytime retail outlets and commercial properties.

This particular section of Shaftesbury Avenue does not benefit from the high passing footfall of the area to the west of Charing Cross Road as it sits between the two main underground stations of Covent Garden and Tottenham Court Road and is not an obvious pedestrian route to any of the local amenities.

The orange highlighted area on the map denotes the property location and shows the physical boundaries of Charing Cross Road to the west and Seven Dials to the east beyond which lay Soho and Covent Garden respectively.



There is a lack of quality cafes and restaurants in the immediate vicinity, with the notable exceptions of Flat Iron steak house, Thai Square, and the in-house restaurants of the Covent Garden Hotel (Brasserie Max) and Radisson Blu Edwardian.

A much higher concentration and diversity of F&B operators is evident in both Soho and Covent Garden areas, attracting more destination traffic and natural footfall.



Location

Accessibility

The property has street level, public access to the front and services access to the rear. There are no ground floor windows to the side or rear elevations and restrictions on adding additional further glazing to the front.

Access is directly from the pavement and there is limited parking along the street outside, as well as taxi drop off points and nearby bus stops.

Both Tottenham Court Road and Covent Garden underground stations are around 5 minutes walk from the property, giving good access to and from the greater London area.

As the site sits between a run of commercial and retail properties, it does not benefit from a natural passing footfall in the evenings so requires 'destination' customers travelling specifically to the location. The property does not sit on a direct route to any of the local theatres either so fails to benefit from the overall draw of 'theatreland' enjoyed by operators in Covent Garden and Soho.

There are anti-social behaviour issues evidenced in the immediate vicinity, particularly in the area to the rear of the property known as Phoenix Garden and these may deter evening foot traffic from the area.

Physical Properties

The lack of ground floor entrances and windows means that any F&B offer will not benefit from a street-facing presence as a means of attracting and capturing passing trade. This lack of visibility will result in higher marketing costs to promote the venue and a greater reliance on the entertainment elements and hotel residents to populate the F&B spaces.

Marketing of F&B offers within the hotel would normally fall under the overall business strategy and overhead, but we have assumed independent PR activity to create specific awareness and drive footfall to the bar and restaurant at an additional cost of £25,000 per annum (PR agency contract) plus sundry costs associated with promotional activities.

This is more in line with the level of cost associated with a concession or licensed F&B offer operating independently within a hotel property.



Peer Business References

Cafes & Coffee Shops

All of the major coffee chains and several independents are represented within a 5 minutes walk of the property, although with the exception of the (members only) WeWork co-working offices, there is a lack of quality lounge spaces offering free wi-fi and good quality drinks and snacks so an opportunity exists for an accessible public space during the day.

High Street Restaurants

As highlighted above, the immediate vicinity is not as well served as the busier districts either side of it and the lack of suitable A3 properties on this section of Shaftesbury Avenue suggests that the profile is unlikely to change in the foreseeable future.

A lack of choice and variety in places to eat and drink prevents the locality becoming a true leisure destination as the business is driven from specific user groups i.e. cinema goers, hotel residents, local workers rather than benefitting from a wider catchment of leisure tourists and general public.

The upside of the somewhat isolated location is the enhanced opportunity to retain and capture the F&B business from hotel residents who may appreciate the convenience of a good quality, in-house offer rather than venturing out further afield.

Hotel Restaurants

Both the Covent Garden Hotel (58 rooms) and the Radisson Edwardian Blu (137 rooms) have substantial, high quality F&B offers that attract both resident and non-resident business.

The restaurants at these hotels, whilst owner-operated are given independent identities to increase their appeal to non-residents and provide disassociation from the bedrooms business.

As both a marketing tool and an opportunity to create independent selling devices, the benefits of a 'stand alone' F&B proposition would be highly recommended for the new site development.



F&B Proposition

Hotel Restaurant

Breakfast offers the greatest opportunity for capturing F&B spend from hotel residents (£16-24 local average pricing) as they are already in situ, and unlikely to leave the building without some form of sustenance.

Conversion rates from similar businesses are around 50-60% of sleepers.

The restaurant space needs to easily transition from breakfast through to lunch and evening trade, with the kitchen equipped and capable of delivering a suitably compelling offer with broad appeal.

The concept, pricing and service proposition should be in keeping with the quality of the bedrooms.

Room Service

Offering derivatives of the core restaurant menu and lobby bar menu, the room service proposition must provide the same quality of dining experience as the restaurant.

This provides an excellent opportunity to capture business guests, solo diners, early/late arrivals who may have travelled from abroad.

Rooftop Bar

Offering excellent views across theatreland and the West End, this venue could prove to be a valuable source of destination trade for the business as a whole. Servicing the needs of hotel residents, pre and post cinema-goers as well as leisure visitors, the bar has the capacity to trade strongly throughout the day and evening. We have included a limited food offer within the revenue calculations, assuming an all bar snack menu with premium snacks and light dining in the evening.

Cinema In-Screen Dining

The cinema will not have the ability to screen new releases in keeping with the larger cinemas in the area so will instead focus on lower-priced seats, quality of environment, and service to attract locals and higher than average occupancy rates.

Whilst the F&B offer for cinema-goers will be more convenience driven, the quality should reflect that of the rest of the F&B within the hotel and provide a step-up from mainstream cinema offers.

All food will be prepared from the main restaurant kitchen.



Assumptions

Hotel Occupancy & Sleeper Density

We have aligned with the hotel consultants for projected hotel occupancy rates and sleeper density across mid-week and weekends. This has been factored with the average breakfast uptake for similar hotels in the area of 55% to inform the restaurant and room service revenue in the mornings.

The Daytime and Evening covers is based on a mix of destination traffic, local business and hotel residents.

Average Spends

Restaurant ASPH has been benchmarked against similar styles of operation including; Hotel Indigo, Apex and M Gallery. Similar 4 star London hotel pricing: Breakfast £20.00 (excl. B&B), Lunch £27.50, Supper £33.00

Cinema

The cinema F&B spends have been provided to the team by an external cinema consultant and based on current trends in cinema-going audiences for a premium environment experience.

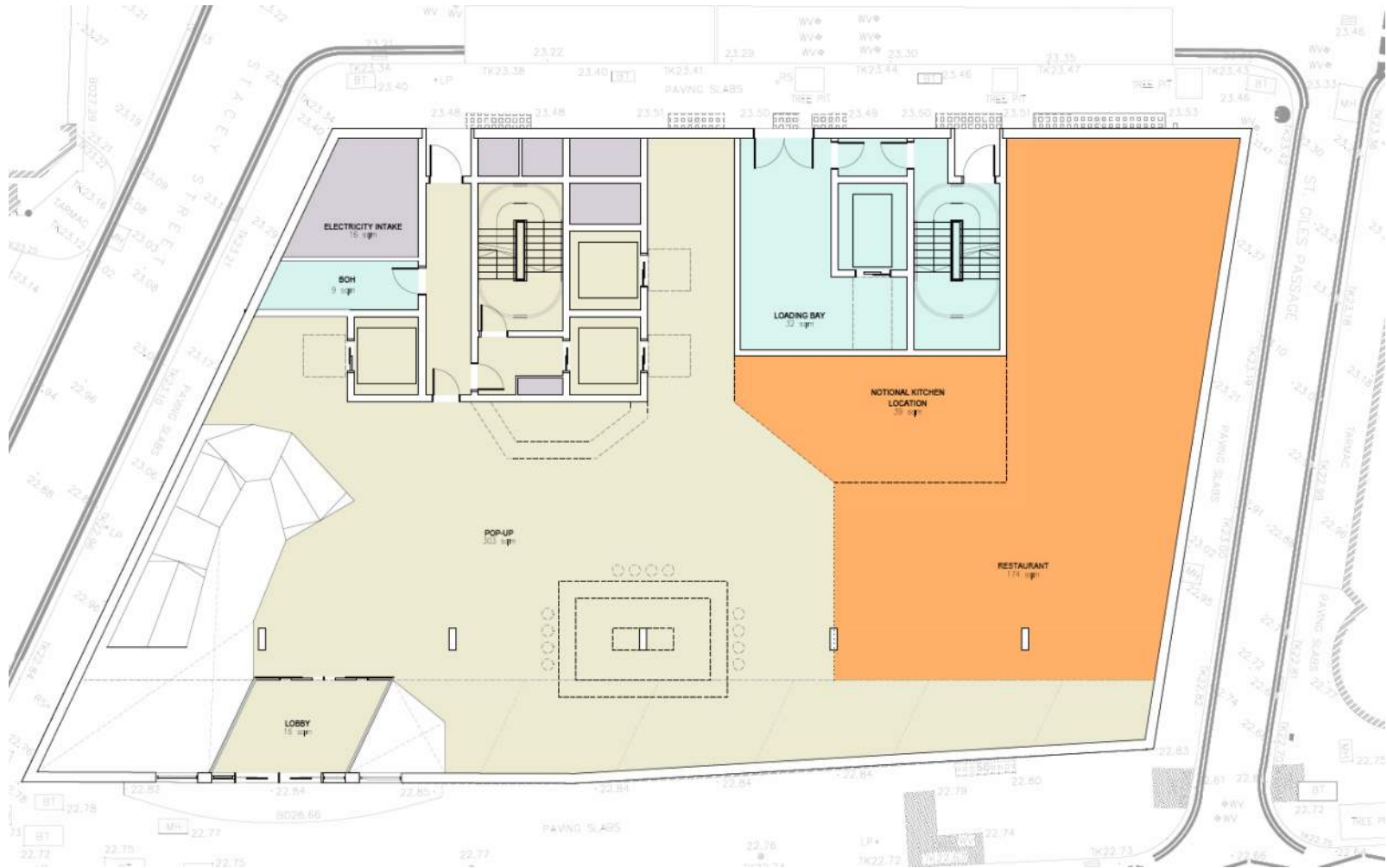
Capital Costs

The following sums should be considered as part of the Capital Expenditure relative to the F&B operations:

Uniforms	£7,500
EPOS	£15,000
Light Equipment & Tableware	£20,000

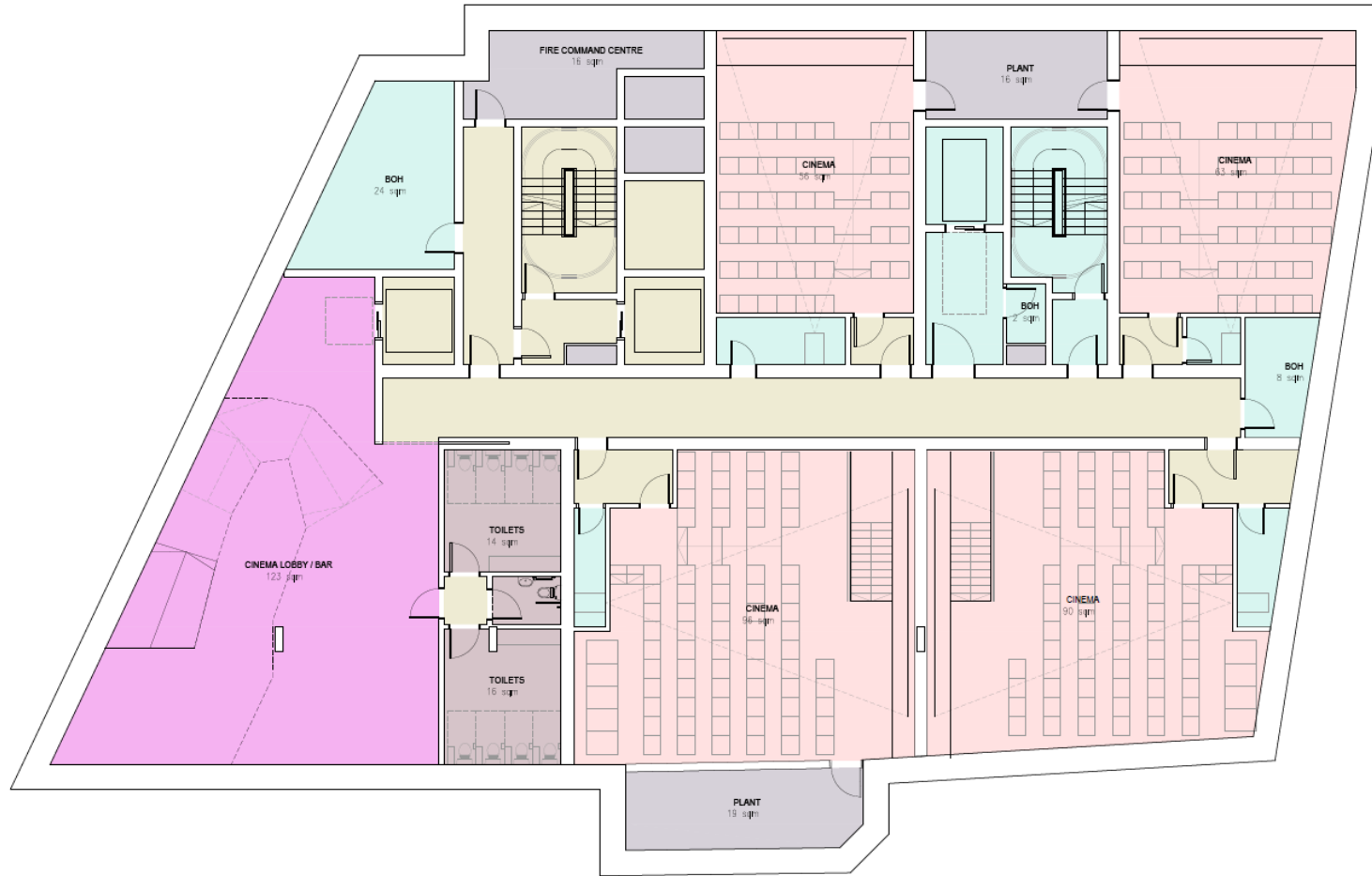


Ground Floor Plan



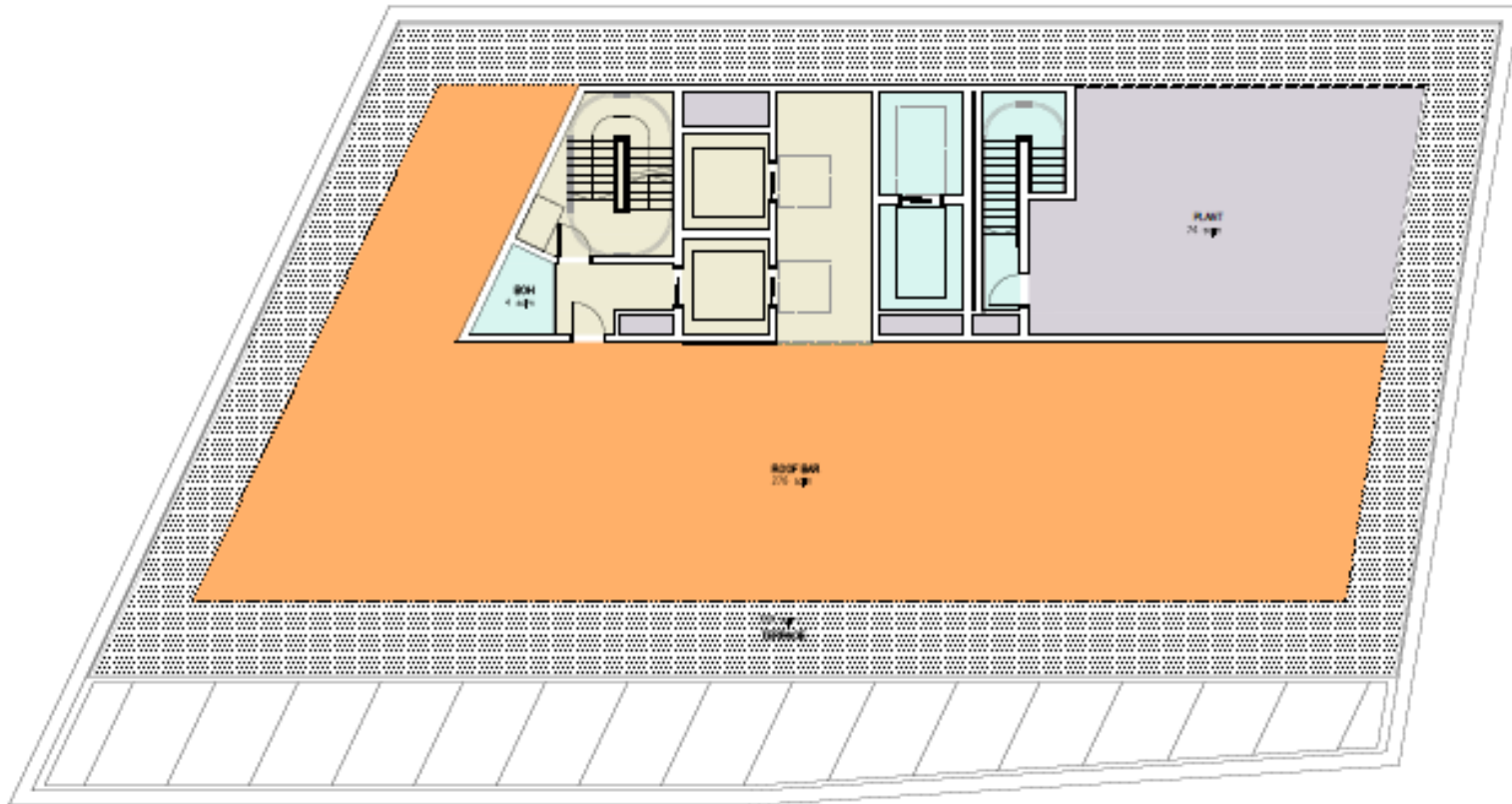


Lower Ground Floor Plan





Rooftop Floor Plan





F&B Revenue

135 Shaftesbury Avenue F&B				Revenue Breakdown		
Meal Period	Day	Dept		Yr 1	Yr 2	Yr 3 on
			net asph			
Breakfast	Mon-Fri	Restaurant	£ 16.50	£ 200,944	£ 214,518	£ 222,237
	Sat-Sun	Restaurant	£ 16.50	£ 124,220	£ 132,611	£ 137,383
Total Breakfast				£ 325,165	£ 347,129	£ 359,619
Lunch	Mon-Fri	Restaurant	£ 18.33	£ 255,650	£ 270,989	£ 289,958
		Bar	£ 11.00	£ 135,694	£ 143,836	£ 158,220
		Cinema	£ 4.16	£ 39,930	£ 52,708	£ 63,888
	Sat-Sun	Restaurant	£ 27.50	£ 183,091	£ 194,076	£ 207,662
		Bar	£ 13.75	£ 114,940	£ 121,836	£ 130,365
		Cinema	£ 4.16	£ 26,620	£ 35,138	£ 42,592
Total Lunch				£ 755,925	£ 818,583	£ 892,684
				£ -		
Afternoon	Mon-Fri	Restaurant	£ 18.33	£ 255,910	£ 271,264	£ 290,253
		Bar	£ 13.75	£ 90,994	£ 96,454	£ 106,099
		Cinema	£ 4.16	£ 19,965	£ 26,354	£ 31,944
	Sat-Sun	Restaurant	£ 18.33	£ 106,080	£ 112,445	£ 120,316
		Bar	£ 13.75	£ 57,470	£ 60,918	£ 65,791
		Cinema	£ 4.16	£ 13,310	£ 17,569	£ 21,296
Total Afternoon				£ 543,728	£ 585,003	£ 635,699
				£ -		
Supper	Mon-Fri	Restaurant	£ 27.50	£ 310,024	£ 328,625	£ 351,629
		Bar	£ 16.50	£ 503,665	£ 533,885	£ 587,274
		Cinema	£ 4.16	£ 139,755	£ 184,477	£ 223,608
	Sat-Sun	Restaurant	£ 32.08	£ 258,039	£ 273,522	£ 292,668
		Bar	£ 13.75	£ 126,915	£ 134,530	£ 161,436
		Cinema	£ 4.16	£ 93,170	£ 122,984	£ 149,072
Total Supper				£ 1,431,568	£ 1,578,023	£ 1,765,686
Total Restaurant				£ 1,693,958	£ 1,798,050	£ 1,912,104
Total Bar				£ 1,029,678	£ 1,091,459	£ 1,209,184
Total Cinema				£ 332,750	£ 439,230	£ 532,400
Total F&B				£ 3,056,386	£ 3,328,739	£ 3,653,688



P&L

135 Shaftesbury Avenue F&B		Annual Net Sales			
P&L		Yr 1	Yr 2	Yr 3 on	
Restaurant Sales	55.42%	£ 1,693,958	£ 1,798,050	£ 1,912,104	
Bar Sales	33.69%	£ 1,029,678	£ 1,091,459	£ 1,209,184	
Cinema F&B Sales	10.89%	£ 332,750	£ 439,230	£ 532,400	
Total Sales	100.00%	£ 3,056,386	£ 3,328,739	£ 3,653,688	
Direct Expenses					
Restaurant Cost of Sales	27.00%	£ 457,369	£ 485,474	£ 516,268	
Bar Cost of Sales	24.00%	£ 247,123	£ 261,950	£ 290,204	
Cinema F&B cost of Sales	27.00%	£ 89,843	£ 118,592	£ 143,748	
Total Cost of Sales	27.00%	£ 794,334	£ 866,016	£ 950,220	
Payroll					
Staff Salaries	38.40%	£ 1,173,652	£ 1,278,236	£ 1,403,016	
Operational Costs					
Staff Welfare and Training	1.00%	£ 30,564	£ 33,287	£ 36,537	
Staff Uniforms	0.20%	£ 6,113	£ 6,657	£ 7,307	
Recruitment	0.50%	£ 15,282	£ 16,644	£ 18,268	
Crockery, Flatware and Glassware Replacement	1.00%	£ 30,564	£ 33,287	£ 36,537	
Flowers and Plants		£ 10,000	£ 10,000	£ 10,000	
Laundry and Linen	1.00%	£ 30,564	£ 33,287	£ 36,537	
Repairs and Renewals	0.70%	£ 21,395	£ 23,301	£ 25,576	
Printing and Stationery	0.20%	£ 6,113	£ 6,657	£ 7,307	
Marketing and Promotion	1.00%	£ 30,564	£ 33,287	£ 36,537	
Website Maintenance / IT	0.20%	£ 6,113	£ 6,657	£ 7,307	
Total Operational Costs	6.13%	£ 187,270	£ 203,067	£ 221,914	
Fixed Costs					
Rent	12.00%	£ 366,766	£ 399,449	£ 438,443	
Business Rates	3.00%	£ 91,692	£ 99,862	£ 109,611	
Service Charge	1.00%	£ 30,564	£ 33,287	£ 36,537	
Refuse Charge	0.25%	£ 7,641	£ 8,322	£ 9,134	
Utilities	1.50%	£ 45,846	£ 49,931	£ 54,805	
Insurance	0.40%	£ 12,226	£ 13,315	£ 14,615	
Bank Charges	1.50%	£ 45,846	£ 49,931	£ 54,805	
Credit Card Charges	1.00%	£ 30,564	£ 33,287	£ 36,537	
Licences		£ 2,500	£ 2,500	£ 2,500	
Accountancy and Audit		£ 20,000	£ 20,000	£ 20,000	
Total Fixed Costs	21.39%	£ 653,644	£ 709,885	£ 776,987	
EBITDA		£ 247,486	£ 271,536	£ 301,551	
		8.10%	8.16%	8.25%	

Shaftesbury Avenue Cinema

ICO consultancy report

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Introduction

In October 2017, the Independent Cinema Office was commissioned by Iceni Projects on behalf of Capital Start Ltd to undertake an appraisal of the cinema business potential of The Saville Theatre at 135 Shaftesbury Avenue, London, which is currently used as a 4-screen commercial mainstream cinema operated by Odeon Cinemas.

In the context of Capital Start's proposal to redevelop the building to create a new hotel complex with a 4-screen cinema, this appraisal takes into account the following factors:

1. Whether the existing cinema building is in a suitable location for a cinema operator given the competing offer in the area – this will be a summary review of the suitability of the location for cinema in general as well as local competition;
2. The type of cinema operation(s) that would be likely to occupy the existing space (uses and mix of uses rather than named operators), either:
 - As an existing 'standard' cinema – e.g. a similar operation to the existing Odeon offer
 - As an alternative 'art house/specialist' offer along the lines of a Curzon, Picturehouse or Everyman offer, or
 - As part of a truly boutique offer per the Courthouse/Soho/Ham Yard Hotel.

A description of three possible types of cinema operation and how these three options differ operationally, economically and in terms of products, services and position in the market.

3. The facilities that the cinema operator would require for the three types of cinema operations – for:
 - Bar
 - Catering
 - Cinema sizing (number of seats as optimal/minimum) – including an assessment of seat raking to determine the auditorium heights required
 - Indicative revenue and profit account for the cinema operations (based on box office, retail and advertising)
4. Thoughts on cinema running costs in the preferred option
5. Potential rents that an operator might pay

The overall brief was subsequently revised following a meeting with the client and Iceni Projects in November 2017, to bring forward for consideration a fourth cinema type – a low-cost, high quality local 4-screen cinema which would operate within the building of a hotel.

UK Cinema Industry Background

Overview of UK cinema-going – the wider business context

The development of North American-style multiplex cinemas in the UK began in 1985 with The Point at Milton Keynes. In the ten years that followed, there were major edge-of-town multiplex developments in almost every city in the UK and notably, more than one new cinema complex in some locations.

Multiplexes were developed in the UK when cinema-going had declined to a post-war low of 54 million admissions in 1984. By this time many former cinemas, originally opened in the boom years of the 1930s and 1940s, had been converted into bingo halls or closed entirely.

Of those that remained in operation, many had been poorly converted from single screen to 3, 4 and 5-screen cinemas, offering greater choice but in most cases, a less distinctive big screen social experience (as is the case with the Odeon Covent Garden, previously the ABC Shaftesbury Avenue, which itself was a cinema conversion of the former Saville Theatre).

Against this backdrop, multiplexes arrived with a number of unique selling points that captured the imagination of the wider cinema-going public – they offered wide choice in content, state of the art sound and projection, and an authentic North American cultural experience at a time when US popular culture (TV, music, cinema, fast food) was a dominant attraction for the UK public; especially the age groups that have historically made up the main commercial cinema-going audience.

A quick assessment of annual cinema attendance – from the low point of 1985 to 1996, after the first wave of US style multiplex cinemas were established – indicates a 7-year period of growth in UK cinema admissions from 54 million to 123 million, or by 227%. At the same time, cinema screens in the UK increased from 1,311 in 1985 to 2,215 in 1996.

Since 2002, when annual admissions reached a recent peak, admissions have fluctuated between a high point of 172.5 million in 2012, to a low of 156.6 million in 2006. Broadly speaking, UK cinema admissions have levelled off between 160-170 million since 2002, roughly coinciding with the end of the first wave of multiplex development described above and the establishment of town centre midi-plexes (3-5 screen cinemas)

Small percentage fluctuations from year to year may be due to the individual films screening each year and to one-off major cinema developments; there is no notable prolonged or consistent pattern of decline or growth. From 2012, there was a modest downward trend with admissions of 165.5 million in 2013 and 157.5 million in 2014, decreases of 4 and 6% respectively. Admissions in 2015 showed a 7% increase, rising in total to 171.9 million; but the total declined again to 168.2 million in 2016.

The table opposite shows annual cinema admissions for each of the last 30 years. The pattern of admissions gives a broad indication of the movement of the cinema market over a period during which several key changes to the industry have stimulated audience growth.

UK Annual Cinema Admissions (in millions) since 1986

YEAR	ADMISSIONS (000,000S)	YEAR	ADMISSIONS (000,000S)	YEAR	ADMISSIONS (000,000S)
1987	78.5	1997	139.3	2007	162.4
1988	84.0	1998	135.5	2008	154.2
1989	94.5	1999	139.75	2009	173.5
1990	97.37	2000	142.50	2010	169.2
1991	100.29	2001	155.90	2011	171.6
1992	103.63	2002	175.90	2012	172.5
1993	114.36	2003	167.30	2013	165.5
1994	123.53	2004	171.30	2014	157.5
1995	114.56	2005	164.70	2015	171.9
1996	123.8	2006	156.6	2016	168.2

The table above shows the total no. of UK cinema admissions over the past 30 years.

After steady increases through the '80s and '90s (produced chiefly by the rapid development of multiplex cinemas in the UK through that decade) it can be seen that admissions reached a plateau in the years towards the end of the '90s, before a further surge (resulting from a 2nd wave of capital investment in the development of multi-plexes) around the turn of the century.

It is notable that cinema admissions have largely reached a further plateau since 2002; with, in the most recent 15 year period, a high mark of 175.9 million and a low of 154.2 million admissions.

The smaller year-to-year fluctuations can be explained simply by the presence (or absence) in certain years of as few as one or two high-performing blockbuster titles.

However, admissions in the UK have broadly flattened out over the past 15 years in spite of the increase in the number of films released each year in the UK (from around 300 in 2002 to over 800 in 2016).

In 2016, 168.2 million cinema admissions produced a gross box office of £1,228 billion (down from £1,236 billion in 2015), with an average UK gross ticket price of £7.30.

Trends in the UK cinema industry

The cinema industry has responded to this static market in a number of different ways, summarised below, in order to attain a level of sustainability.

Any single company/cinema may try to win a bigger share of the existing market by:

- Diversifying their core offer (choice of films and events) and engaging with a wider range of audiences than previous
- Increasing cinema ticket prices to build higher revenue levels from the same audience
- Developing new products to encourage higher spend from their existing audience (this might include a 're-booting' of the cinema experience itself, with enlarged seats, enhanced sound and image quality with the arrival of high definition digital cinema systems, and food and drink inside the cinema; or it might simply be the insertion of a cafe/bar operation in place of the cinema refreshments kiosk. The rise of the 'luxury' cinema is a good example of this)
- Driving higher sales through the non-film and higher profit margin aspects of their business
- Developing an enhanced environment to encourage audiences to linger and spend more
- Reducing operational costs and increasing profitability through the use of new technology in projection, ticketing etc
- Developing a more localised audience through the development of a local cinema with a community ethos. Many new independent cinemas have been developed in towns and cities where there were previously none, proving a local service for audiences who would otherwise have to travel.

A feature of these cinemas is that they are resourced at both capital and operational stages in a wide range of different ways – ranging from private development to local authority-supported social enterprise to individuals coming together to form a community cinema – but they share the same ethos: placing the cinema at the centre of their local communities alongside other entertainment, leisure and cultural facilities

Bearing in mind that most cinemas operate at below 30% occupancy rates (with owners accepting that they run with lots of spare capacity), many cinema operators have attempted to win a bigger share of the available audiences simply by changing their programmes. So, many traditional art-house cinemas started to show more commercial, mainstream films in an attempt to win the younger demographics which attend them; whilst many commercial cinemas started to show quality mainstream films (especially period/literary dramas) and high brow Event Cinema in order to engage with an older, more upmarket audience.

In addition, within the context of this static market, many cinema operators – both commercial 'circuits' and independents – have developed other parts of their businesses in order to build profitability and achieve sustainability.

During the past ten years, all UK cinemas have invested significant capital to transition their projection and sound technology from analogue to high-specification digital systems, enabling commercial cinema as a format to retain some audience benefits when compared with home entertainment or the growing number of film clubs and community cinemas.

The deployment of new technology, which is much more versatile than traditional cinema equipment and can be used as part of an integrated system across all cinema operations (including ticket and kiosk sales) has enabled cinemas to both develop new revenue streams (Event Cinema, private hires) and improve profitability in their core business areas (through increased automation and reduced staffing for cinema).

In addition to the opportunities created by the adoption of new technology across the industry, many (though not all) cinema operators have also looked to reinforce their business activities around primary and secondary income streams, given that the source of primary revenue – admissions – is largely at a standstill.

In the past five years, there has been a sharp (and much-reported in the cinema trade press) increase in ticket prices driven primarily by cinemas in London's West End, at a rate ahead of inflation, and lifted by similar increases in comparative forms of entertainment (theatre, music concerts, sports events). These cinemas have increased their ticket prices at the same time as investing further in what were previously their secondary business activities, thereby bringing their cafe/bar/restaurants to the fore alongside the cinema, which itself has been improved technologically.

So the increase in ticket price is supported by the all-round improvements offered to the customer; in the past five years the cinema 'offer' has become a much more rounded entertainment experience, and going to the cinema is no longer just about seeing a particular film.

Cinemas have been modified and designed to operate more efficiently, at higher rates of occupancy, partly enabled by digital technology and partly informed by wider consumer trends, with greater value added each cinema seat.

So, cinemas now tend to have more but smaller auditoria, bigger screens, more sound channels and bigger seats, a wider range of 'content' and a more integrated food and drink offer, which can be consumed within the auditorium.

Other technology-led improvements in cinema exhibition – such as the introduction of 3D, or Digital Cinema projection and sound – since around 2007 have improved cost efficiencies (and therefore profitability) in distribution and exhibition, but have not led to sustained increases in cinema attendance.

Where most London cinemas have used several of the above tactics in combination to form a new business strategy, it can be seen that very few of these, if any, apply to the Odeon Covent Garden.

The scale of the UK market

In 2013, the UK cinema market consisted of 3,867 screens at 756 different cinemas. During the year, these cinemas generated 165.5 million admissions, producing a financial return of £1.1 billion at the box office.

These admissions were generated by 698 new releases in 2013 at an average of 14 per week

Total UK admissions were down by 4% on the previous year; there were 50 more operating screens and over 50 more releases than in 2011. Box office receipts were close to the previous year's figure.

These statistics present a picture of a market in which demand and capacity have been slowly increasing, whilst supply – the total number of films introduced into the market – has been increasing substantially year on year over the past decade with an 9% increase from 2011-2012.

This increase in the total number of films released in any given year is also supported by the change from 35mm print to digital print distribution and exhibition. The technological transition in this part of the industry has ameliorated the physical supply of films to cinemas in terms of both timing and volume. Smaller full-time cinemas now, both in theory and practice, do not need to wait as long after release date to secure a film.

The cinema exhibition market is dominated by Odeon, Cineworld and Vue, the three companies operating over 2,500 screens between them. And in line with this, the box office is dominated by the top 100 (out of a total of 698) grossing films, which account for 93% of the total gross. The other 7% of the box office gross (£93 million) is spread between 540 films.

UK cinema revenues

- UK gross box office in 2016: £1,228,000,000
- UK gross secondary sales in 2016: £452,000,000
- Other cinema revenues: £202,000,000 (includes screen advertising, hires, sale of 3D glasses)
- Total UK admissions: 168,300,000
- Average admission paid: £7.30
- Average secondary spend: £2.69
- Average per screen other revenue: £48,674 (it is estimated that a region by region breakdown of this would indicate a higher skew in London and the South East, where private hire rates and screen advertising revenues will be higher)

Description of the central London cinema scene

To follow: the type of cinema operation(s) that would be likely to occupy the existing space (uses and mix of uses rather than named operators).

Option a)

Description

An existing 'standard' cinema – e.g. a similar operation to the existing Odeon.

Odeon Covent Garden

The UK has 4,150 cinema screens; of these Odeon Cinemas operates 887 screens in 111 separate sites. Based on the number of screens, Odeon is the second largest operator in the UK with 21.4% of total screens behind Cineworld with its 954 screens (+72 Picturehouse screens with Picturehouse now owned by Cineworld).

Odeon in the UK and Europe was acquired in 2016 for £921 million (including over £400 million of debt) by AMC, the US cinema chain owned by Dalian Wanda.

In terms of market share, Odeon achieved a total gross box office of £302,900,000 in 2016, which represents a 24.3% share of the market (the second biggest market share behind Cineworld, which has a 25.4% share/£316,600,000 gross box office).

Location

In a cinema industry context, the Odeon Covent Garden is located inside the West End London cinema zone – this includes the main West End group of cinemas in Leicester Square and the other cinemas on Shaftesbury Avenue, plus cinemas on Haymarket, Pantion Street, lower Regent Street and Tottenham Court Road, many of which have in recent years been substantially upgraded.

This part of the West End is also the busiest part of London for theatre-goers and has a large number of independent restaurants, private members' clubs and city centre hotels. The cinema is therefore centrally located amongst this cluster of culture, entertainment, tourism and food and drink.

In this location, the cinema primarily competes for audience with the Curzon Soho (3-screen) and Picturehouse Central (7-screen), both of which are located on the western section of Shaftesbury Avenue, five and ten minutes' walk away respectively. All three cinemas will often show the same films on release date. A little further away is the Odeon Tottenham Court Road to the north, or the various cinemas in Leicester Square to the south, all of which are larger, commercial multiplexes.

So in terms of film choice, the cinemas on Shaftesbury Avenue largely compete with each other, showing quality mainstream and 'crossover' films for audiences whose choices extend beyond the latest blockbuster.

In the case of Picturehouse Central and Curzon Soho, this idea of attracting a more discerning audience extends to the higher quality offer in their bars and other facilities. The Odeon Covent Garden is a more standard commercial cinema in both its layout and facilities, and so competes with these other cinemas through lower prices.

However, the Odeon is currently not perceived by many audiences as part of the London West End cinema cluster, with its location on the east side of Charing Cross Road physically separating it from its nearest competitors, Curzon Soho and Picturehouse Central on the west side of Shaftesbury Avenue, and the main commercial cinemas of Leicester Square.

This separation, with Charing Cross Road as a boundary between West End and non-West End cinemas, locates the Odeon in a kind of no-man's land between Covent Garden and Soho/Leicester Square. The stretch of Shaftesbury Avenue on which it is located has a disparate range of shops and restaurants and is presently used more as a thoroughfare than a destination high street. This dislocation from other venues means that the cinema – unlike these nearest competitors – does not presently gain any commercial benefit from being part of a cluster of similar entertainment facilities.

The relatively long-standing nature of these issues becomes clearer when considering the history of the Odeon Covent Garden. When Odeon first set up the cinema in 2001, it was presented as the company's art house/boutique cinema in the style of the then newly refurbished Curzon Soho. From the new name of the cinema through to its programme, audience facilities and operation, it was intended to be a venue with a stronger offer for older and more upmarket audiences than Odeon's other cinemas. However, the cinema's lack of success with art house films and low box office compared to Curzon Soho soon led to a withdrawal from the programming of foreign language films.

More recently, significant further investment in the two other cinemas on Shaftesbury Avenue, Curzon Soho and Picturehouse Central, has led them to reposition themselves in the marketplace as luxury cinemas with developed food and drink offers, reflected by their high admission prices. Similarly, the vast majority of other commercial cinemas in the West End have either improved their technology, breadth of programming, food and drink offer or all three.

These changes in the local market help to create an impression that the Odeon Covent Garden has been left behind as other cinemas have developed their business models in the context of static annual admissions.

In contrast to these cinemas, the Odeon Covent Garden offers a more compromised, less distinct programme in an older style venue with a more traditional food and drink offer.

A 4-screen West End cinema showing a range of new releases and with secondary confectionery sales through a foyer kiosk; in the context of the current central London cinema market it lacks a clear and distinct proposition for customers, with this perception reinforced by nature of the cinema's location.

The Odeon has occupied the site since 2001, when it was launched as the Odeon Covent Garden and intended to carry a more high quality mixed mainstream and art house programme to attract the more discerning cinema audience that was cultivated by the 3-screen Curzon Soho quickly after that cinema opened in 1998.

The programming and overall offer of the Odeon Covent Garden is today much more akin to that of a standard contemporary multiplex cinema (at time of writing, the cinema featured the top four films in the UK box office chart), than that of the Curzon Soho, which suggests the Odeon's attempt to turn the venue into an independent style cinema with specialised audiences has not completely worked in the longer term for any number of reasons.

The Odeon Covent Garden continues to attract high levels of admission for well-reviewed, quality crossover films, and frequently features in the top 25 UK sites for opening weekend grosses of key films.

However, it also often achieves far lower grosses than its nearest competitors when showing the same film, and its additional offers are not sufficiently developed to attract much over the average secondary spend with London weighting.

Odeon Covent Garden performance

Current capacity:

- Screen 1 153 seats,
- Screen 2 269 seats,
- Screen 3 167 seats,
- Screen 4 152 seats

Total capacity: 741 seats

- Annual gross box office (Sept 2016-Sept 2017): £1.66 million
- Estimated secondary sales: £610,000 – £640,000
- Estimated screen advertising and other revenue: max £98,000
- Ticket prices: for cinema £12, £8.75, £8.25 (w/c 13 Oct)
- OCG features lots of Event Cinema in its programme with higher minimum pricing.
- Average ticket gross yield £8.73 (£1.66 million / 190,000 admissions)
- Estimated annual admissions: 190,000 – 200,000
- Estimated annual performances: 5792
- Estimated total annual capacity: 1,078,896 seats
- Estimated occupancy rate: 18-19%

As a general rule, occupancy rates across the industry are in these ranges:

- Commercial multiplex 12-15%
- Commercial midiplex 15-18%
- 3-5 screen art-house cinema 20-26%
- 1-4 screen boutique cinema 30% + (higher if purpose built/newly reconfigured)

Opening times, no. of screenings per day/week: Most full time commercial and commercial independent cinemas will offer a standard 4 screenings per day in each screen, often with additional early matinees at the weekend or during school holiday periods. The cost of film hire from a distributor is calculated as a percentage of each week's box office rather than by screening; so it is in the cinema's interest to include as many screenings as possible, especially in the age of digitised film exhibition, when a cinema can be operated by a minimal number and non-specialised staff.

This explains the low occupancy rate for larger, commercial cinemas, which may achieve only a few admissions for midweek daytime shows but find they are nevertheless still worth doing as the cost per screening is minimal.

Ticket prices at this cinema are substantially lower than most West End cinema rates – tickets at the Curzon Soho and Picturehouse Central, both effectively on the same street as Odeon Covent Garden, range up to £15.00 and £16.50 respectively – a stark comparison which gives an indication of the very different business strategies at play across different cinemas here on the same street in central London. Also just off Shaftesbury Avenue, The Ham Yard Hotel's 190 seat cinema is open to the public with tickets costing £15.

Other nearby commercial cinemas include the Odeon Leicester Square (£14.25), Empire Leicester Square (£14.25-£18.70), Vue West End Leicester Square (£17.49) and Odeon Tottenham Court Road (up to £17.00, depending on the film and the split with the distributor).

The lowest ticket price at a commercial cinema in the West End is at the Odeon Panton Street (£7.25), which programmatically has become Odeon's art house and 2nd run site, with cinema screens that do not meet the scale of standard of contemporary cinemas.

The Odeon Covent Garden and all of the cinemas referred to here are considered within the industry to be West End, first run cinemas, showing new releases 'day and date'.

In any given year, the bulk of the Odeon Covent Garden's programme is comprised of new release quality mainstream and crossover films (typically in autumn 2017, *Star Wars: The Last Jedi*, *Blade Runner 2049*, *The Death of Stalin*) alongside a small number of arthouse films, primarily English language ones.

Commercial multiplexes aim to achieve high volume sales through a constant and high through-put of customers, through staggered screenings and the transfer of customers from ticket purchase to kiosk to cinema, typically within a short timeframe. The food and drink offer is typically fast food, or food and drink to be consumed inside the cinema.

By contrast, new luxury cinemas improve the food and drink offer, with full cafe/restaurant facilities to encourage much greater 'dwell' times within the cinema building.

In October 2017, Odeon announced that it would refurbish the Odeon Panton Street, turning it into the re-equipped and rebranded Odeon Luxe Haymarket.

Gross revenues for Odeon Covent Garden

In the case of the Odeon Covent Garden, there are no actual figures available for the breakdown of their different revenue streams; but it is possible to arrive at an estimate based on their actual annual gross box office and by using UK national figures for secondary sales (refreshments) and other generated income which would suggest that annually, the cinema generates:

- £1.66 million actual gross box office
- £540,000 estimated from secondary sales (based on UK national average)
- £610-640,000 estimated secondary sales (based on London uplift on UK national average)
- £98,000 estimated from other revenues
- Total estimated revenue: £2,338,000

Key costs for Odeon Covent Garden

- Film hire – at 50%
- Tax – VAT @ 20% of gross ticket sales
- PRS – @ 1% gross receipts
- Stock – with sales at 70% gross profit
- Staff – open 10am–11pm daily, 13 hours per day = 4,732 hours per year
- Building overheads
- Rent (10% of net box office)
- Business rates (Camden Borough Council – total rates payable for the building £48,379.

Option b]

Description

A 4-screen independent/art house cinema (500 seats total) with integrated cafe, bar, licensed auditoria

An art house cinema with a more developed all round offer, comprising high specification cinema presentation facilities (including Dolby Atmos), enhanced levels of audience comfort, and a more 'curated' food and drink offer by comparison with the standard cinema refreshments, served in a cafe/bar environment.

This higher quality product and service is matched by higher ticket prices, longer dwell times, a much higher secondary spend and a higher occupancy rate (25%) than at standard commercial mainstream multiplex cinemas.

- Estimated admissions: 178,500 admits per year
- Average ticket price: £12
- Estimated total gross box office: £2.1-2.2 million

Key features of this type of cinema:

- Conspicuous signage as a cinema
- Cafe/bar at street level as a shop window for the cinema
- First run new release films/'curated' upmarket programme

- Membership schemes with rewards and exclusivity which encourage loyalty, frequency and create a club atmosphere for some cinema-goers
- Much higher than UK average secondary spend – in the wider context of UK standstill in admissions, cinemas of this type have focussed on the non-film aspects of their business which are also more profitable than exhibiting films. Many cinemas of this type in London and across the UK can generate as much in secondary sales as at the cinema box office
- Screen advertising and hires income (screen advertising income is based on annual admissions, audience types and desirability of the screen as advertising space. Central London cinemas with high admissions and an 'upmarket' audience profile can receive high revenues from screen advertising)
- A mix of state-of-the-art cinema spaces; big screens and in-depth technical capabilities; comfortable auditoria; and more refined bar/cafe areas make these cinemas more attractive and more versatile as private hire venues, either within the industry (for previews, film festivals) or in the wider venue hires market than a standard multiplex cinema.

Examples: Curzon Soho, Curzon Bloomsbury, Picturehouse Central

Food and drink

- Large, visible cafe/bar areas at front end of the cinema
- Open all day
- Typically, high end food and drink offer including alternatives to the classic cinema snacks of popcorn and soft drinks including coffee, craft beers, selected wines and street food menu
- Two cafe/bars with capacity for 250 total
- One of which, a members-only bar with smaller capacity of 80
- Licensed auditoria

The food and drink spend per customer achieved by Curzon, Everyman and Picturehouse independent cinemas of this type is broadly equivalent to the box office. Cinemas with developed food and drink offers, capacity and facilities will use their annual box office as a baseline target for food and drink sales.

A cinema operating in this model at the Shaftesbury Avenue premises would most likely start at a slightly lower level in the first year if the reopening follows several years of closure. The first year's food and drink sales could be estimated at:

- Low target: £1.4 million
- Medium target: £1.6 million
- High target: £1.8 million

It should be noted that food and drink performance in this model would be critically compromised if it is not possible, due to the restrictions on the building, to re-design the building to create the layout and features that this type of cinema requires – especially with regard to the positioning of a cafe/bar near the entrance and at street level with a high level of visibility from the street into the building.

The cafes/bars/restaurants in cinemas of this type become destinations in their own right. It is worth noting, for example, that new Everyman Cinemas are marketed as 'cinema + restaurant'; that both Curzon Soho and Picturehouse Central have cafe/bars at street level, and that customers have to pass through at least one further cafe/bar area before reaching the cinemas. If this level of visibility for a cafe/bar cannot be achieved, this model of cinema will not be operable in the building.

Both the Curzon and Picturehouse independent chains operate membership models around which they build into their marketing ideas of exclusivity, communities of interest and the high quality of their offer – ideas around the careful selection (or 'curation') of every aspect of the cinema's offer, from the films in the programme, to the drinks at the bar, to the seating in the cafe.

In practice, a membership model is a simple way of positioning the cinema further up-market than a more standard competitor; a way of highlighting the different features of the cinema and adding value above and beyond an admission ticket for a film; and of operating a ticket discount system which encourages repeat visits and brand loyalty.

Curzon membership costs around £45-60 per year; Picturehouse membership £85 per year. Members' benefits in both chain's schemes include (four) free tickets, ticket discounts, priority booking, discounts to on-demand VoD film services, access to preview screenings and discounts on food and drink.

In Curzon's case, members also receive a free copy of the Curzon film magazine; with Picturehouse, members gain access to the Picturehouse Central Members' Bar (c.f. Tate Modern, Design Museum etc) and discounts on a range of products offered by partner companies.

Case Study

Looking at the performance variances between Odeon Covent Garden (Option a) and the nearest competing art house cinemas (Option b) on the opening weekend of *The Death of Stalin*, 20-22 October 2017.

The film was released by Entertainment One into 'selected' cinemas (139 out of a possible 500+ that would normally constitute a 'saturation' release) across the UK on Friday 20 October 2017.

Of these 139 sites, 45 cinemas in Greater London opened the film including Odeon Covent Garden, Picturehouse Central and Curzon Soho. The first weekend results for the film at these sites were as follows:

ACTUAL BOX OFFICE	ESTIMATED ADMITS	TOP TICKET PRICE
Odeon Covent Garden	1,000-1,100	£12
Picturehouse Central	1,100-1,200	£16.50
Curzon Soho	1,300-1,400	£15

The three cinemas achieved similar admissions levels. This snapshot of a film's opening weekend performance at three cinemas located on the same London street suggests that:

- Higher ticket price is not a barrier for audiences visiting cinemas in these locations, and
- As such, higher admissions at the other two cinemas suggest that Odeon Covent Garden is not currently able to maximise revenues from ticket sales. It is in effect under-selling the same product

In addition, the other two cinemas offer audiences significantly more developed catering choices, from the cafe/bar at Curzon Soho to the cafe, bar and members' bar at Picturehouse Central. While the Odeon Covent Garden, with its traditional cinema kiosk, might be expected to generate the national average secondary spend of £2.69 per customer + 20% to reflect higher prices in central London (£3.22), the other cinemas have developed their catering offers to such an extent that the revenue generated through the bar and cafe is at least as much as that generated through the cinema box office.

From approximately 1,000 customers, the Odeon is estimated to have generated approximately £13,000 revenue; from approximately 1,100 and 1,300 customers, the other two cinemas are estimated to have generated £35- £40,000 revenues.

So this case demonstrates that of these three central London cinemas, the Odeon Covent Garden is the least well appointed to maximise revenues when presented with the same film as the other two cinemas.

Option c]

Description

- A local cinema in central London
- An accessible 4-screen cinema based inside a hotel with restaurants

A 4-screen professional cinema with DCI-compliant Digital Cinema projection and sound, a high level of audience comfort, and a high quality food and drink offer. The cinema will have substantially lower admission charges than other London West End cinemas, offering all audiences access to a contemporary, high standard cinema showing a wide range of theatrical film releases. There will be an additional concession for Camden residents to ensure that the cinema is as accessible as possible to local people.

Key features:

- A programme of just off-date* titles at universally accessible admission prices (compared to current West End rates)
- A high quality cinema experience with comfortable modern cinema seats, great sightlines, big screens and digital projection and sound
- Low ticket prices, making the cinema completely accessible to a wider range of audiences; where elsewhere access is available only at much higher ticket prices and/or via cinemas that operate membership schemes
- Second run titles – providing audiences with only opportunity in central London to catch up on films released 5-8 weeks previously; and providing distributors with a chance to extend the central London presence of their films after the initial play period is complete

A cinema ensuring access for a wide range of local people at much lower ticket prices; and that will also be one of the few remaining cinemas in central London providing the opportunity for audiences to catch up on recent released films following their initial theatrical run.

The cinema programme will feature new release titles, showing from between 2-6 weeks after their national cinema release dates. In any given week it is envisaged there will be as many as eight different films showing across the four screens. In summary, the cinema will offer audiences the choice they would find in a multiplex, together with standards of presentation, food and drink of a boutique venue, with the admission prices of a local cinema.

There will be no other cinema in central London offering this combination of low ticket prices and accessibility, high quality facilities and breadth of programming. As implied in the narrative above looking at the new business models for cinema, this cinema will buck the many industry trends which have made the majority of central London cinemas expensive, upmarket and exclusive. This cinema will instead be programmed and priced to enable the widest possible range of audiences to experience a high quality contemporary cinema.

*Notes on cinemas showing films 'off-date'

The combination of small auditoria and admission charges substantially lower than the West End standard will preclude the new cinema from securing day and date theatrical releases from most distributors, especially major US studios.

Most distributors will be reluctant to offer premium-rated product to a discount cinema as they will not be able to recoup their marketing costs from the site, even if charging a high rental. The new cinema will therefore screen films off-date and will be able to secure new release titles from between 2-6 weeks after national release, with variations from title to title.

Cinemas that offer to show films from the third week of release can generally secure the film for a reduced booking commitment of seven days (as opposed to 14 days to secure a film on release date), and on reduced film hire terms – for example, distributors that charge 60% for the first week of a blockbuster title will charge 50% in week three, and many distributors will charge 35% for non-blockbuster titles.

This plan assumes an average film hire charge of 38% across the year, which will be significantly less than the Odeon is currently paying for its mostly day and date programme.

The other side to this off-date form of operation (in contrast to first run cinemas) is that the cinema will receive less direct benefit from the distributors' national marketing campaigns, which are generally aimed at promoting and building the highest possible level of awareness of a film at the point of release, and will be entering the market for any specific film as its value is reduced. This is borne out by the fact that in general, films achieve their highest weekend grosses in the first weekend, with average reduction of 20-25% in the second weekend, and a further 40-50% over the third weekend. So in this case, by the time the new cinema is showing a new film, its overall theatrical box office value will already be substantially reduced.

The theatrical release period for commercial new releases is generally 16 weeks, before the film is made available in other formats for home entertainment. Some independently released films have shorter release windows, and cinemas can usually access these titles under less onerous terms and conditions in the opening theatrical period.

However, from week three of release onwards there remains between 20-45% of value (varying from film to film) in any title.

The new cinema will also be showing any given film in a less competitive marketplace, as at that point in the film's theatrical life there will be fewer cinemas in London's West End still showing the same film.

With the closure of the Odeon Pantom Street, there is now less competition for the second run market in central London. It is perhaps only the Prince Charles Cinema in Leicester Square which offers second run screenings alongside its repertory programme. Therefore, the new cinema will have the potential to create a very distinctive offer in the context of cinema-going in central London.

In the wider operational context, the cinema will provide screen space enabling distributors to extend the central London theatrical life of their key titles. As the theatrical 'shelf life' of new films becomes shorter and shorter due to the increased volume of films being released each week in the UK, any new cinema dedicated to extending this shelf-life, without compromising the improved standards found in central London cinemas, should be welcomed by the industry, even with the reduced ticket price.

In a marketing context, the low admission price will encourage audiences to spend more on other facilities and products at the cinema, increasing the secondary spend to a level significantly above the UK national average.

A local cinema for Camden

The new cinema will also have the profile of a *local* cinema for local audiences; in this case, those in Camden borough. As well as offering a ticket concession for Camden residents, the cinema will largely operate like a local, rather than a West End/central London cinema, with lower ticket prices, small and intimate auditoria, and a broader choice of films aimed at a wider range of audiences than might be found in a commercial cinema.

Examples: with regard to programme, building and audience access, comparable local cinemas are The Lexi Cinema (Kensal Rise), The Rex (Berkhamsted), The Odyssey (St. Albans), the Genesis Cinema (Mile End) and Peckhamplex (Peckham).

Option c) 4-screen cinema (220 seats total) with hotel, bar, cafe/restaurant licensed auditoria

- Operating at an average of 40% occupancy by Year 3
- 2nd run and repertory programming
- Low ticket price cinema with high quality cinemas, projection and sound, food and drink offer and overall environment
- No membership/universal access
- High occupancy rate (40%), + higher than UK average secondary spend with developed food and drink offer, and enabled by low cinema admission prices
- 127,776 annual admissions, average gross ticket price £6.25
- Total gross box office: £798,600
- Total secondary spend: £638,880 (@ £5 per head)

Examples: The Rex (Berkhamsted), The Odyssey (St. Albans), The Lexi Cinema (Kensal Rise) with higher than UK average secondary spend; other revenue from screen advertising and hires income.

Operational numbers

- Open seven days a week, 363 days per year.
- Full capacity of 220 seats (across four screens)
- Four shows per day in each screen in staggered pattern across the screens
- Approx show times: 1.00pm, 3.30pm, 6.15pm, 8.45pm
- Daily capacity 880 seats; annual capacity 319,440 seats.
- Staffing to cover 80 hours per week in four theatres/same floor level
- Requiring two full time Cinema Managers
- Eight additional full time cinema staff for ticket sales
- Target occupancy rate: 40%* by end of Year 3

****Notes on occupancy rates for cinemas**

Multiplex cinemas, offering 4-5 shows daily in each of their multiple screens, operate at between 15-20% occupancy rate across a full operating year.

Independent cinemas offering 3-4 screenings daily in each of their 3-5 screens will operate at 22-30% occupancy.

Single screen full and part time cinemas offering up to three shows daily can operate at between 22% and 45% occupancy across an operating year, and both commercial and independent cinemas purpose built during the Digital Cinema age – with multiple smaller screens, based on more flexible forms of programming – tend to attain an occupancy level towards the upper end of this range.

By these benchmarks, the estimated occupancy rate here is set relatively high. This is after considering other key factors about this cinema such as low ticket price, central London location, distinctive offer and lack of direct local competition for low cost cinema, all of which will contribute to bring audiences to the new venue.

Occupancy rates serve usefully as a general performance benchmark for cinema operators but should not be considered in isolation. There are numerous factors (programming, size of cinemas and whether purpose-designed, ticket pricing) which determine occupancy rate and in some cases, the average size of the audience in numbers is a better gauge of whether a cinema is successful.

We can use occupancy rate here as a performance metric as the cinemas are largely being designed to fit their purpose and anticipated usage – as a high standard, accessible professionally run local cinema.

- Target annual admissions: building to 127,776 by Year 3 of operation
- Ticket prices: £6.50 (£5.50 Camden residents)
- Estimated annual box office: £798,600
- 127,776 ticket sales at average gross ticket price £6.25

Programme

The principle behind the programming would be to provide opportunities for the widest range of local audiences to see a wide range of films at an accessible price level.

The programme would offer second run films, showing from week three to week 15 of their theatrical release period, to a central London audience. The majority of films are released in DVD and BluRay formats into the home entertainment market at around 16 weeks after their theatrical release; an increasing number of films are released simultaneously in theatres and on digital platforms, and it may be possible for the cinema to access these titles earlier in their theatrical life.

There are currently around 850 films released in the UK each year, ranging from US studio blockbusters released in 'saturation' release patterns, to art house films and documentaries in more limited release patterns.

It is envisaged that the Shaftesbury Avenue Cinema will screen a wide range of titles aiming for a broad range of audiences.

In any given week, the cinema would feature a mix of second run blockbuster titles (from week five of release), quality mainstream and crossover films (from week 3-5 of release), and some art house titles and documentaries closer to the release date (from week three of release).

It is estimated that the new cinema would show around eight different films per week across its four screens.

Like many local cinemas, the programme could feature family films at weekends and through school holiday periods, daytime screenings for older audiences, and parent and baby and controlled environment screenings for different sections of the local community.

Outline annual operating budgets - Option c]

Year 1

INCOME	£
Cinema box office (gross)	499,125
Cinema secondary sales (kiosk sales)	shown in F&B sales
Screen advertising	40,000
Private hire	30,000
Total income:	569,125
EXPENDITURE	£
Film hire @ 38% of (net) box office	158,056
PRS @ 1% of box office	4,159
VAT on ticket sales	83,188
Projection servicing costs/new lamps	8,000
Box office operating system licence	5,000
Heating and Lighting	14,400
Rates (estimate, apportioned to cinema)*	18,000
Insurance	6,000
Cinema Managers X 2 (FTE)	66,000
Cinema staff (X 5 FTE including Employer's NI)	116,688
Marketing and advertising	120,000
IT	10,000
Kiosk stock	shown in F&B costs
Film transport	3,000
Total expenditure	612,491
Total + / (-)	(43,366)

Notes on Year 1 operating budget

- Box office income in Year 1 is based on average occupancy rate of 25% – this is a relatively low level in relation to the size of the screens to reflect the challenges of reopening a cinema on this site after 3 years of inactivity
- Total Year 1 admissions – of 79,860 @ average gross ticket price of £6.25 – assumes 75% of tickets will be sold at £6.50; 25% of tickets sold at £5.50 concessionary rate for Camden residents
- Food and Beverage sales are incorporated into the central F&B operating budgets
- Screen advertising is reduced in Year 1 to reflect estimated lower admissions
- Film hire is calculated at an average of 38% of net box office. The cinema will be showing off date titles rather than on release date. Film hire rates for off date titles generally fall between 30-50%, with the majority of week 3-6 titles falling between 35-45%
- Food and Beverage stock costs are incorporated into the central F&B operating budgets
- Cinema Managers' responsibilities will include operating the projection systems
- Cinema staff calculates a roster of five full time equivalent staff at London Living Wage pay level, whose responsibilities will include front of house duties and ticket sales.
- Marketing – increased budget in Year 1 to indicate the resources required to launch and sustain the promotion of the new cinema after a period of three years' inactivity.

Year 2

INCOME	£
Cinema box office (gross)	658,844
Cinema secondary sales (kiosk sales)	shown in F&B sales
Screen advertising	40,000
Private hire	30,000
Total income:	728,844
EXPENDITURE	£
Film hire @ 38% of (net) box office	208,633
PRS @ 1% of box office	5,490
VAT on ticket sales	109,808
Projection servicing costs/new lamps	8,000
Box office operating system licence	5,000
Heating and Lighting	14,400
Rates (estimate, apportioned to cinema)*	18,000
Insurance	6,000
Cinema Managers X 2 (FTE)	66,000
Cinema staff (X 5 FTE including Employer's NI)	116,688
Marketing and advertising	96,000
IT	10,000
Kiosk stock	shown in F&B costs
Film transport	3,000
Total expenditure	667,019
Total + / (-)	61,825

Notes on Year 2 operating budget

- Box office income in Year 2 is based on an increasing average occupancy rate of 33% to reflect effective audience development after initial establishing year for the cinema on this site
- Total Year 2 admissions – of 105,415 @ average gross ticket price of £6.25 – assumes 75% of tickets will be sold at £6.50; 25% of tickets sold at £5.50 concessionary rate for Camden residents
- Food and Beverage sales are incorporated into the central F&B operating budgets
- Screen advertising is reduced in Year 1 to reflect lower admissions of Year 1 on which advertising royalties received are based
- Film hire is calculated at an average of 38% of net box office. The cinema will be showing off date titles rather than on release date. Film hire rates for off date titles generally fall between 30-50%, with the majority of week 3-6 titles falling between 35-45%
- Food and Beverage stock costs are incorporated into the central F&B operating budgets
- Cinema Managers' responsibilities will include operating the projection systems
- Cinema staff calculates a roster of five full time equivalent staff at London Living Wage pay level, whose responsibilities will include front of house duties and ticket sales.
- Marketing – the marketing budget in Year 2 is reduced following Year 1 launch costs. This still represents a healthy budget for a Central London cinema. With a programme of off date titles the cinema will receive less benefit from the distributors' national release campaigns for individual films; therefore the cinema itself will need to develop its own, specific marketing activities to attract audiences
- The restrictions on the use of the exterior of the building (for cinemas, typically cinema signage and illuminated poster sites) will also require more substantial resource to be allocated to off-site marketing

Year 3

INCOME	£
Cinema box office (gross)	798,600
Cinema secondary sales (kiosk sales)	shown in F&B Sales
Screen advertising	44,000
Private hire	30,000
Total income:	872,600
EXPENDITURE	£
Film hire @ 38% of (net) box office	252,890
PRS @ 1% of box office	6,655
VAT on ticket sales	133,100
Projection servicing costs/new lamps	8,000
Box office operating system licence	5,000
Heating and Lighting	15,000
Rates (estimate, apportioned to cinema)*	20,000
Insurance	10,000
Cinema Managers X 2 (FTE)	68,000
Cinema staff (X 5 FTE including Employer's NI)	120,188
Marketing and advertising	96,000
IT	10,000
Kiosk stock	shown in F&B costs
Film transport	3,000
Total expenditure	747,833
Total + / (-)	124,767

Notes on Year 3 operating budget

- Box office is calculated at an average occupancy rate of 40% across the cinemas producing 127,776 admissions with an average gross ticket yield of £6.25
- Assumes 75% of tickets will be sold at £6.50; 25% of tickets sold at £5.50 concessionary rate for Camden residents
- Screen advertising revenue reflect Year 2 increased admissions
- Private hire – this estimate is based on 120 hours hire at a daytime market rate of £250 per hour in any one of the 4 screens. The cinema could host industry previews as well as a range of individual and corporate private hire events
- Film hire is calculated at an annual average rate of 38%, assuming that the cinema will offer a programme mix of off-date of new releases, second runs and classics at rates ranging from 25-50% of net box office
 - Average hire rate for a premium blockbuster title in wk 4 of release – 50%
 - Average hire rate for a selected/saturation release title in wk 3 of release – 40%
 - Average rate for a standard/independent release in wk 3 – 35%
 - Average rate for a repertory/classic film booking – 35%
- The Performing Rights Society charges cinemas a standard 1% of net box office for use of music in the auditorium and public spaces
- Projection servicing costs – estimates are based on 2017 cinema engineer cost quotations for annual servicing of Digital Cinema projectors
- Staffing to cover 80 hours per week in 4 theatres/same floor level
- Requires two full time Cinema Managers, plus five additional full time equivalent cinema staff for ticket sales. It is envisaged that the majority of these staff will be contracted on a part time basis; this is calculated at 2017 London Living Wage rate + 3% with inflation increase
- Rates – a proportion of the total rates payable for the building £48,379

Conclusions of Options analysis

Option a)

The status quo option of use as a standard cinema is a known quantity and performs no more than adequately.

As currently configured, and in the wider context of the cinema market described above, it is unlikely that the cinema will function better, or serve more audiences, or generate higher revenues in the coming years.

Therefore this model clearly does not support any plans for the future sustainability of the building and will not generate sufficient additional revenues to contribute to any capital expenditure which may be required to maintain the building.

Option b)

The development of a boutique cinema style operation, with a more prominent and higher quality set of bar, cafe and restaurant facilities would be in keeping with the direction of new cinema developments within the wider industry, both in central London and elsewhere in the UK.

These new cinemas achieve much higher levels of secondary spend, with their improved overall package of services and facilities (from programming to seat comfort, to food and drink) and a higher per ticket yield as shown through the case study provided. Cinemas of this type have been created in both new build and conversions of existing cinema buildings.

On the face of it, this is a desirable option. However, as with all models of cinema, the successful operation of these cinemas depends on the design of the building, most critically enabling the creation a cafe/bar/restaurant at the front of the building which is highly visible at street level; and highly visible cinema signage on the exterior of the building.

New cinemas of this type have typically glazed wall exteriors at street level, and house several cafe, bar or restaurant spaces. If similar features are not possible in the Saville Theatre building, then this model of cinema will not be achievable.

It is interesting to note that when the Odeon Covent Garden was originally set up in 2002, it was perceived in the industry as the chain's attempt to emulate the success of the Curzon Soho, which had opened in 2000. Amongst a few key factors, the absence of an appealing, visible cafe/bar facility at street level, close to the entrance, critically held back the cinema from this aim and in recent years it has reverted back to become a standard commercial venue.

Option c)

Option c), a local, modern, high quality, low admission price cinema on this site, would appear to be the most desirable of the four options assessed.

This model offers some business growth potential in clearly filling a large gap in the current London cinema market – that there is no other accessible low ticket price cinema in Central London and the majority of cinema operators are currently moving in the opposite direction towards high ticket price cinemas.

This model would therefore provide range of benefits for audiences and have distinctiveness within the London cinema market.

Most importantly, it is possible to envisage how this model could operate as planned within the building, as it offers a contemporary cinema solution – perhaps the only cinema solution – that can work inside a building with such limitations that it cannot easily be transformed into any other form of contemporary cinema.

Appendix

Other models considered

Description

A 2 to 3-screen luxury cinema (220 seats) within a hotel, with adjoining bar and cafe/restaurant facilities; for use by hotel guests and the wider public. A luxury boutique cinema with an improved all round offer and higher ticket price.

These cinemas usually feature luxurious, idiosyncratic seating (such as period armchairs at Soho House, leather loungers at the Electric and cowskin armchairs at Soho Hotel); food and drink and supporting facilities of the standard that would be found in a 5-star hotel.

Other features:

- First run new release films/occasional pre-release previews/industry screenings
- High daytime and some evening industry and private hires use
- Use by the public can range from 40% + occupancy rates for public screenings, where the cinema has high street level visibility as a cinema, to low levels of public use where the cinema is located within a hotel, and there is little street level signage (e.g. The Ham Yard Hotel Theatre). Many hotel cinemas have yet to achieve a high level of use by the wider cinema-going public as they often have limited external signage indicating that they a) house a cinema and that b) it is open to the public. So the well established examples of hotel and private members' club cinemas rely chiefly on private hire revenue (from both within and outside the film industry).

- The notable exceptions are the well established Electric Cinema on Portobello Road, part of the Soho House group and a redevelopment of the Electric Cinema, one of London's oldest cinema buildings; and the recently opened Curzon Mondrian, programmed and operated by Curzon for the Mondrian Hotel
- Occupancy rate for public screenings is a wide range, as described above (10-50%) hire use – minimum of 50% of weekday, daytime hours occupied
- In this model of cinema, private hires would account for more than 50% of the overall income generated by the cinema
- Average hire rates – £260-400 per hour
- Membership
- Higher than UK average secondary spend from both public screenings and private hire users.

Examples: Curzon Mondrian, The Ham Yard Hotel Theatre, Electric Cinema, Portobello; Soho House

Conclusions

This model, with a luxury cinema inside a hotel or members' club is more difficult to assess due to the non-disclosure of financial figures relating specifically to the cinema operations in these larger businesses.

There are two markets in which these cinemas operate – the first is the primarily daytime industry preview and private hire market, and the second is the evening wider cinema market.

There is evidence to suggest that the daytime market for previews and private hires is extremely competitive, occupied by the Hollywood studios who run their own preview theatres, and the more established preview theatre operators like Dolby, Soho Screening Rooms, Soho House and The Hospital Club.

The larger hotel preview theatres, e.g the Soho Hotel, Charlotte Street Hotel, Mayfair Hotel – use their facilities for a combination of screenings for guests and external hires. It is estimated that external hires by the film industry are occasional, rather than a regular occurrence.

The market for industry hires is also extremely location sensitive. For many years, the vast majority of the regularly used preview theatres were found within Soho; if outside, they were housed at the London headquarters of one of the US film studios.

In recent years, The Hospital Club in Covent Garden has broken this geographic monopoly, on the strength of the wider use of The Hospital by film industry professionals. In spite of repeated attempts, it has proved extremely challenging for new preview theatres outside Soho to break into this market, and a Shaftesbury Avenue cinema would face the same challenge.

Furthermore, there are no hotel cinemas in London with more than 2 screens, so the cinema operations are in and of themselves relatively small businesses.

The deployment of cinemas inside hotels for public screenings is, to date, a largely undeveloped area of the cinema market. Curzon Cinemas currently operates public cinemas at the Ham Yard Hotel in Soho and Mondrian Hotel on the South Bank with mixed box office results.

All of this suggests that this option, with the cinema running as a discrete operation within a hotel, is not viable in this case.

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CONDITION REPORT

**ODEON COVENT GARDEN
135-149 SHAFTSBURY AVENUE
LONDON
WC2 8AH**



PREPARED FOR:	Rosemoorgate Ltd
PROJECT LOCATION:	The Odeon
PURPOSE OF THIS REPORT:	Prepare a condition report for the scheme
DATE:	7 th August 2017
PREPARED BY:	Andrew Hentschel Senior Building Surveyor
OUR REFERENCE:	HA1901

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INTRODUCTION

1. INSTRUCTIONS

We are instructed by Rosemoorgate Ltd to attend the site known as Odeon Covent Garden. 135-149 Shaftsbury Avenue. London. WC2 8AH to carry out a visual inspection and produce a pictorial and written condition report.

This report is based on a visual inspection only, no core drilling, testing or structural sampling has been carried out. The internal areas (offices/corridors/stairs), and external facades have been inspected.

- Our instructions are only to report on current defects to these structures which include settlement, cracking and any obvious areas of deterioration of render, brickwork and concrete and general condition of finishes.
- We have received no H&S or asset information in relation to the building. We were however provided with scaled drawings of the scheme.

2. COMMENTARY

The Saville Theatre is a former West End theatre and sits within the London borough of Camden.

The theatre opened in 1931, and became a music venue during the 1960s. In 1970 it became the two cinemas ABC1 Shaftesbury Avenue and ABC2 Shaftesbury Avenue, which in 2001 to the present day were converted to the four-screen cinema Odeon Covent Garden.

The subject property is a six storey detached building constructed using a steel frame clad in red-brown brick with artificial stone plinth and sculpted frieze to the front elevation.

The front has been constructed using a rusticated stone plinth with band supports frieze by Gilbert Bayes depicting Drama through the Ages above which a blind facade of rusticated brickwork interrupted only by 5 pairs of roundel plaques, and a giant arch over the entrance, framed by simple stone banding with a flat keystone. T

The arch originally with bronze metal glazing, since 1970 has been tiled over. Simpler brickwork has been used to the side elevations and rear.

INTERIOR: remodelled in 1970 and nothing of the 1930-1 work remains on view.

The building received Grade II listed building status on 1st July 1998 and no changes to the buildings status have been recorded. For the purposes of this Report the main front entrances are considered to face south east.

3. INSPECTION

The inspection was carried out on over two days these being 19th July and the 1st August 2017. The weather at the time was overcast and warm.

Photographs that have been included in this report were taken on the day of the inspections. Photographs have not been edited or doctored other than the addition of descriptive text boxes and arrows to highlight the nominated items for the attention of the reader.

3. Roof:

The roof coverings are mainly covered in mineral felt whilst other sections (the void and tank housing) are finished in asphalt.

The general conditions of the coverings are poor with evidence of numerous patch repairs which have been carried out on a piecemeal basis in the past. The parapets have also been treated using a variety of liquid waterproofing treatments.

The plant to the roof appears to be old but in the absence of any M&E reports we cannot comment on its efficiency.

The timber doors and paintwork to the tank housing rooms are beyond economical repair.

We found evidence of a major roof leak that has caused damage to the upper stories of staircase C which is situated to the right hand side of the building.

4. External elevations:

The brickwork is in generally fair condition. However, overflows have caused damage to the brickwork to the rear elevation at lower level.

There is also damage to the front right hand corner of the frieze. There is also evidence of piecemeal repairs to the front lower masonry sections.

The windows are single glazed metal with side hung casements. These windows are in generally poor condition throughout with cracked glazing and poorly fitting openers.

5. Internal areas:

The circulation areas that now form the cinema have been decorated and maintained to a reasonable standard.

The cloakrooms to these areas are dated but serviceable.

The walls to the actual cinemas have been covered using cloth and it was therefore not possible to inspect the condition of the walls/ceilings to these areas.

There are numerous offices that have fallen into disrepair which are situated to levels 9. The offices currently being occupied (levels 7-8) are in fair condition having been decorated.

However, it was noted that there are a limited amount of electrical sockets and lighting which would be required to bring these areas up to an acceptable standard for future use.

The staircases (A-C) require new floor coverings as these have generally fallen into disrepair.

We inspected the basement levels and noted flooding has occurred to the plant room.

Whilst carrying out our inspection we noted that there were numerous labels which indicated the presence of asbestos throughout the building. We have not seen sight of the asbestos register but in the most part understand that where asbestos has been discovered only containment has works have been carried out.

Asbestos is an extremely expensive material to remove and given the age of the building a management plan should be in place (if not already) on complete removal.

6 DEFECT SCHEDULE

Photographs and Descriptions	
EXTERNAL AREAS	
ROOF	
1.	
Sections of roof showing numerous patch repairs	

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Photographs and Descriptions

2.



Asphalt roof covering showing patch repairs using mineral felt to tank housing

Photographs and Descriptions

3.



Door leading from staircase A onto roof



Damage to stonework of frieze

Photographs and Descriptions

4.



Damage caused to brickwork of rear elevation by defective overflow.



General view of rear elevation showing metal windows.

Address

REP

Photographs and Descriptions

5.



Typical condition of level 9 washroom

Address

REP

Photographs and Descriptions

6.



Walls to staircase A



Wall to unused office affected by penetrating dampness

Address

REP

Photographs and Descriptions

7.



Staircase C damage caused by penetrating dampness

Address

REP

Photographs and Descriptions

8.



Flooring to staircase C

Address

REP

Photographs and Descriptions

9.



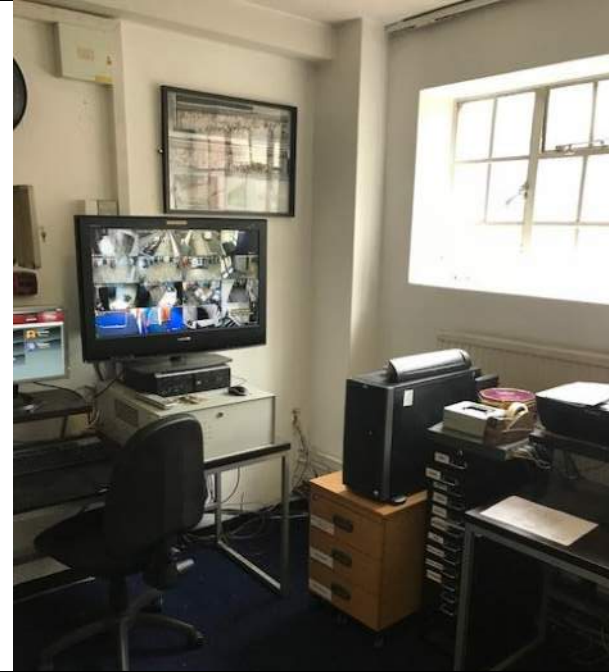
Office and kitchen areas currently being used

Address

REP

Photographs and Descriptions

10.



Offices showing additional electrical sockets

Address

REP

Photographs and Descriptions

11.



Disused bar area to lower level

Address

REP

Photographs and Descriptions

12.



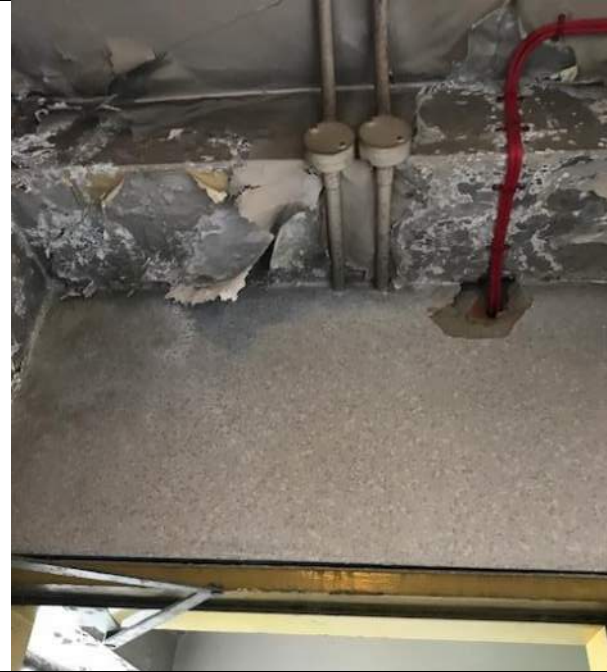
Roof void

Address

REP

Photographs and Descriptions

13.



General condition of upper and lower levels

Address

REP

Photographs and Descriptions

14.



Flooding to plant room at basement level

7. **Summary & Conclusions**

It is clear that the building has undergone several changes throughout its life cycle and these changes have not always been to the benefit of the building as a whole.

There are several areas of concern that would require addressing before the building could be considered fit for purpose and used to its full occupancy. These are mainly;

- Removal of all asbestos.
- Upgrading of electrical services including all lighting, and power sockets to current NIC EIC standards.
- Upgrading of plant.
- Refurbishment of areas that have fallen into disrepair.
- Renewal of main roof coverings.
- Renewal of windows.

We would estimate these costs to be in the region of £10,000,000. and would recommend that consideration is given to remodeling the scheme.

Limitations

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**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Capital Start Ltd

21 December 2017

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 34937
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

CONTROL ISSUE SHEET

Revision	Status	Prepared by	Authorised by
DRAFT	Stage 1	Theo Constantinides / Partner	Theo Constantinides / Partner
A	Stage 1	Theo Constantinides / Partner	Theo Constantinides / Partner
B	Stage 1	Theo Constantinides / Partner	Theo Constantinides / Partner
C	Stage 1	Theo Constantinides / Partner	Theo Constantinides / Partner
D	Stage 2	Harrison Smith-Malone / Greg Hart	Theo Constantinides / Partner
E	Stage 2	Harrison Smith-Malone / Greg Hart	Theo Constantinides / Partner
E1	Stage 2	Theo Constantinides / Greg Hart	Theo Constantinides / Partner
F (Planning)	Stage 2	Theo Constantinides / Greg Hart	Theo Constantinides / Partner

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 35006
Client : Capital Start Ltd

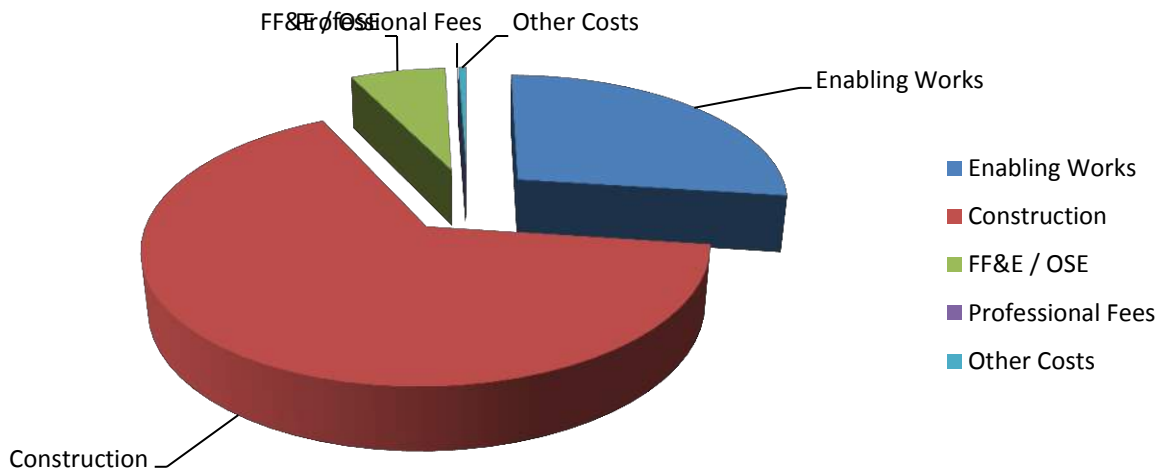
Issue Date : 21-Dec-17
Base Date : 4Q 17

DEVELOPMENT COST SUMMARY

KEY DATA

Gross Internal Area (m2)	7,749 m2
Gross Internal Area (ft2)	83,410 ft2
Total Number of Hotel Keys	94 keys
Total Number of Cinema Seats	220 seats
RIBA Design Stage	Stage 2

COST SUMMARY



	%	Total (£)	£/m ² (GIA)	£/key
1 Total Estimated Enabling Works Cost	27.1%	14,020,000	1,809	149,149
2 Total Estimated Construction Cost	65.6%	33,984,000	4,386	361,532
3 FF&E / OSE	6.7%	3,467,000	447	36,883
4 Project / Design Team Fees		excluded		
5 Other Development / Project Costs	0.6%	300,000	39	3,191
TOTAL ESTIMATED DEVELOPMENT COST	100%	51,771,000	6,681	550,755

PROGRAMME

TBC

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

CONTENTS

- 1 Development Cost Summary
- 2 Demolition Cost Summary
- 3 Construction Cost Summary
- 4 Notes and Assumptions
- 5 Exclusions
- 6 Schedule of Areas and Accommodation
- 7 Schedule of Design Information Used
- 8 Elemental Cost Summary
- 9 Details of Estimate

Appendices:

Appendix A: Cost Models

Appendix B: Value Engineering Opportunities (TO FOLLOW)

Appendix C: Standard Terms and Conditions

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

DEVELOPMENT COST SUMMARY

	Total (£)	£/m² (GIA)	£/ft² (GIA)
CLIENT / DEVELOPMENT COST			
1 Total Estimated Enabling Works Cost	14,020,000	1,809	168
2 Total Estimated Construction Cost	33,984,000	4,386	407
3 FF&E / OSE:			
FF&E to Hotel	2,350,000	303	28
OSE to Hotel	705,000	91	8
Gym Equipment	n/a		
Seating to Cinema	66,600	9	1
Cinema Projection Equipment	345,400	45	4
4 Project / Design Team Fees		excluded	
5 Other Development / Project Costs			
Prov Sum for Infrastructure Upgrades	300,000	39	4
CIL - London Borough of Camden (all uses)		excluded	
CIL - Mayoral (all uses)		excluded	
Model Room inc FF&E		excluded	
SubTotal (1)	51,771,000	6,681	621
6 Risk Allowances:			
Employer Change		excluded	
Employer Other		excluded	
7 Landlord and Lease Costs		excluded	
SubTotal (2)	51,771,000	6,681	621
8 VAT	20.0%	excluded	
TOTAL ESTIMATED DEVELOPMENT COST			
	51,771,000	6,681	621

550,755/key

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

ENABLING WORKS COST SUMMARY

		Total (£)	£/m² (GIA)	£/ft² (GIA)
ENABLING WORKS COST				
1	Enabling Works Nett Trade	9,360,000	1,208	112
	Building Works SubTotal	9,360,000	1,208	112
2	Enabling Works Contractor's Add-Ons			
	Preliminaries	18.0% 1,690,000	218	20
	OHP	15.0% 1,660,000	214	20
	Fixed Price / Risk		N/A	
	PCSA fee		N/A	
	Building Works Total	12,710,000	1,640	152
3	Inflation Allowance			
	Tender Inflation Estimate (<i>to start on site</i>)		excluded	
	Construction Inflation Estimate (<i>mid point</i>)		excluded	
	SubTotal	12,710,000	1,640	152
4	Contingency			
	Design Development Contingency	5.0% 640,000	83	8
	Construction Contingency	5.0% 670,000	86	8
TOTAL ESTIMATED CONSTRUCTION COST		14,020,000	1,809	168
		<i>149,149/key</i>		

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

CONSTRUCTION COST SUMMARY

		Total (£)	£/m² (GIA)	£/ft² (GIA)
CONSTRUCTION COST				
1	Shell and Core Nett Trade	13,808,000	1,782	166
2	Fit Out Nett Trade	11,136,000	1,437	134
	Building Works SubTotal	24,944,000	3,219	299
3	Main Contractor's Add-Ons			
	Preliminaries	16.5% 4,120,000	532	49
	OHP	6.0% 1,750,000	226	21
	Fixed Price / Risk		included	
	PCSA Fee		N/A	
	Building Works Total	30,814,000	3,977	369
4	Inflation Allowance			
	Tender Inflation Estimate (<i>to start on site</i>)		excluded	
	Construction Inflation Estimate (<i>mid point</i>)		excluded	
	SubTotal	30,814,000	3,977	369
5	Contingency			
	Design Development Contingency	5.0% 1,550,000	200	19
	Construction Contingency	5.0% 1,620,000	209	19
TOTAL ESTIMATED CONSTRUCTION COST		33,984,000	4,386	407

361,532/key

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
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NOTES AND ASSUMPTIONS

Assumptions - General

- 1 Existing building to be generally retained
- 2 New structure to be steel frame
- 3 The rates and allowances for the hotel fit out have been benchmarked against mid-market lifestyle hotel e.g. M Gallery or similar
- 4 Allowances for Community Infrastructure Levy (both local authority and mayoral) have been excluded as requested by Iceni Projects (DL, 18 December 2017)
- 5 Allowances for professional fees have been excluded as requested by Iceni Projects (DL, 18 December 2017)
- 6 An average allowance for FF&E to the hotel of £25k/key has been included. This will need to be confirmed by the operator in due course.
- 7 An average allowance for OSE/IT to the hotel of £7.5k/key has been included. This will need to be confirmed by the operator in due course.
- 8 An allowance for FF&E (specialist seating) to the cinema has been included assuming mi/upper range non-interactive seating. This will need to be confirmed by the operator in due course.
- 9 An allowance for cinema projection equipment including sound equipment has been included assuming digital (DCI) rated films will be shown. This will need to be confirmed by the operator in due course.

Assumptions - Procurement

- 1 We have assumed a competitive single stage traditional method of procurement for the demolition to be carried out in advance of the main contract works.
- 2 We have assumed a competitive single stage design and build method of procurement for the main contract works. We have made no allowance for two-stage tendering.

Assumptions - Programme

- 1 All costs are based at present day (Base Date as noted above) with no allowance for any increased costs due to inflation due to the unknown programme. Notwithstanding this we have noted below G&T's most recent TPI report forecasts which would need to be applied to assess potential inflation costs.
- 2 Tender Price Index as G&T 4th Quarter 2017 Forecast (Greater London):

TPI Forecast 2018	0.0%
TPI Forecast 2019	0.0%
TPI Forecast 2020	1.5%
TPI Forecast 2021	2.5%
- 3 No allowance has been included for any phased working or for any sectional completion
- 4 No provision has been included for out of hours or accelerated working

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
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Issue Date : 21-Dec-17
Base Date : 4Q 17

EXCLUSIONS

Exclusions

- 1 VAT.
- 2 Site acquisition.
- 3 Legal, purchase, marketing and financing costs.
- 4 Statutory changes.
- 5 Currency and exchange rate fluctuations.
- 6 Costs resulting from tariffs or other charges applied by foreign countries following the withdrawal of the UK from the European Union.
- 7 Project insurances.
- 8 Pre-opening or marketing costs.
- 9 Fees or costs associated with any potential rights of light agreement, party wall awards, oversailing agreements etc.
- 10 Cross Rail Tariff - if applicable, TBC by planning consultant.
- 11 Incoming services diversions - TBC by MEP consultant.
- 12 Enhancements for sustainability, renewable energy, government carbon contributions etc
- 13 Abnormal logistics constraints ie night time deliveries, flat packing plant, etc
- 14 Costs relating to archaeological discoveries on site.
- 15 Distributed Antennae System - survey only.
- 16 Gym equipment - not shown on plans
- 17 Professional fees and surveys (recommended allowance 12-15%)
- 18 Planning costs and fees including Community Infrastructure, S106 and S278 costs and charges

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
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Issue Date : 21-Dec-17
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SCHEDULE OF AREAS AND ACCOMMODATION

AREA SCHEDULE - TBC by Architect

Function	B3	B2	B1	Ground	1st Floor	2nd Floor	3rd Floor	4th Floor	5th Floor	6th Floor	7th Floor	TOTAL
Public Areas												
Lobby / Reception				12								12
Cinema		12	310									322
Cinema Lobby / Bar			145									145
Pop-up Space				278								278
Restaurant / Bar				190								190
Roof Bar											259	259
Spa	134											134
Guest WCs			36									36
Circulation / Cores	87	89	136	35	22	22	22	22	22	22	64	543
Back of House												
Kitchen				37								37
Staff Changing		51										51
Staff / Offices				13								13
Stores		42	25		5	5	5	5	5	5	5	102
Loading Bay				20								20
Plant / Equipment	111	519	37	21							96	784
Circulation / Cores	38	41	30	71	37	37	37	37	37	37	38	440

Cont'd

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
 Client : Capital Start Ltd

Issue Date : 21-Dec-17
 Base Date : 4Q 17

SCHEDULE OF AREAS AND ACCOMMODATION

AREA SCHEDULE - TBC by Architect

Function	B3	B2	B1	Ground	1st Floor	2nd Floor	3rd Floor	4th Floor	5th Floor	6th Floor	7th Floor		TOTAL
Guest Rooms / Suites													
Guest Rooms					426	426	426	426	438	438			2,580
Balcony					21	21	21	21	15	15			114
Corridors					86	86	86	86	82	82			508
Miscellaneous													
Voids / Risers	5	8	8	56	116	116	116	116	22	22	7		592
Wallis / Structure	11	26	61	55	75	75	75	75	57	57	22		589
Total Area	386	788	788	788	788	788	788	788	678	678	491		7,749

Roof Terrace												187	187
---------------------	--	--	--	--	--	--	--	--	--	--	--	------------	------------

Key Count					1st Floor	2nd Floor	3rd Floor	4th Floor	5th Floor	6th Floor			TOTAL
Standard Room, 24-26m2 or less					13	13	13	13	9	9			70
Standard Room, 27m2 or more					3	3	3	3	6	6			24
Total Key Count					16	16	16	16	15	15			94

ODEON SHAFTESBURY AVENUE

STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

SCHEDULE OF DESIGN INFORMATION

The compilation of this document is on the basis of the following design information:-

Architectural - JESTICO + WHILES

Description	Date Issued	Rev	Drawing No.
Site Location Plan	15/12/17	P01	2818-JW-001
Existing Site Plan	15/12/17	P01	2818-JW-002
Existing Level B2	15/12/17	P01	2818-JW-011
Existing Level B1	15/12/17	P01	2818-JW-012
Existing Level 00	15/12/17	P01	2818-JW-013
Existing Level 01	15/12/17	P01	2818-JW-014
Existing Level 02	15/12/17	P01	2818-JW-015
Existing Level 03	15/12/17	P01	2818-JW-016
Existing Level 04	15/12/17	P01	2818-JW-017
Existing Level 05	15/12/17	P01	2818-JW-018
Existing Roof Plan	15/12/17	P01	2818-JW-019
Demolition Level B2	15/12/17	P01	2818-JW-051
Demolition Level B1	15/12/17	P01	2818-JW-052
Demolition Level 00	15/12/17	P01	2818-JW-053
Demolition Level 01	15/12/17	P01	2818-JW-054
Demolition Level 02	15/12/17	P01	2818-JW-055
Demolition Level 03	15/12/17	P01	2818-JW-056
Demolition Level 04	15/12/17	P01	2818-JW-057
Demolition Level 05	15/12/17	P01	2818-JW-058
Demolition Roof Plan	15/12/17	P01	2818-JW-059
Proposed Site Plan	15/12/17	P01	2818-JW-102
Proposed Level B3	15/12/17	P01	2818-JW-110
Proposed Level B2	15/12/17	P01	2818-JW-111
Proposed Level B1	15/12/17	P01	2818-JW-112
Proposed Level 00	15/12/17	P01	2818-JW-113
Proposed Level 01	15/12/17	P01	2818-JW-114
Proposed Level 02	15/12/17	P01	2818-JW-115
Proposed Level 03	15/12/17	P01	2818-JW-116
Proposed Level 04	15/12/17	P01	2818-JW-117
Proposed Level 05	15/12/17	P01	2818-JW-118
Proposed Level 06	15/12/17	P01	2818-JW-119
Proposed Level 07	15/12/17	P01	2818-JW-120
Proposed Lift Over-Run Plan	15/12/17	P01	2818-JW-121
Proposed Roof Plan	15/12/17	P01	2818-JW-122
Existing Street Section AA & BB	15/12/17	P01	2818-JW-040
Existing Section AA Longitudinal Section	15/12/17	P01	2818-JW-041
Existing Section BB Cross Section	15/12/17	P01	2818-JW-042
Demolition Section AA Longitudinal Section	15/12/17	P01	2818-JW-091
Demolition Section BB Cross Section	15/12/17	P01	2818-JW-092
Proposed Street Section CC & DD	15/12/17	P01	2818-JW-140
Proposed Section CC Longitudinal Section	15/12/17	P01	2818-JW-141
Proposed Section DD Cross Section	15/12/17	P01	2818-JW-142

ODEON SHAFTESBURY AVENUE

STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

SCHEDULE OF DESIGN INFORMATION

Existing Street Elevations	15/12/17	P01	2818-JW-030
Existing South-East Elevation Shaftesbury Avenue	15/12/17	P01	2818-JW-031
Existing North-West Elevation New Compton Street	15/12/17	P01	2818-JW-032
Existing South-West Elevation Stacey Street	15/12/17	P01	2818-JW-033
Existing North-East Elevation St Giles Passage	15/12/17	P01	2818-JW-034
Demolition South-East Elevation Shaftesbury Avenue	15/12/17	P01	2818-JW-081
Demolition North-West Elevation New Compton Street	15/12/17	P01	2818-JW-082
Demolition South-West Elevation Stacey Street	15/12/17	P01	2818-JW-083
Demolition North-East Elevation St Giles Passage	15/12/17	P01	2818-JW-084
Proposed Street Elevations	15/12/17	P01	2818-JW-130
Proposed South-East Elevation Shaftesbury Avenue	15/12/17	P01	2818-JW-131
Proposed North-West Elevation New Compton Street	15/12/17	P01	2818-JW-132
Proposed South-West Elevation Stacey Street	15/12/17	P01	2818-JW-133
Proposed North-East Elevation St Giles Passage	15/12/17	P01	2818-JW-134
Proposed Detail Section & Elevation Front Façade	15/12/17	P01	2818-JW-143
Proposed Detail Section & Elevation Rear Façade	15/12/17	P01	2818-JW-144
Design and Access Statement	December 2017		

Structural - PRICE & MYERS

Description	Date Issued	Rev	Drawing No.
General Notes	18/12/17	P1	25916/01
Basement Level 3 General Arrangement	18/12/17	P1	25916/11
Basement Level 2 General Arrangement	18/12/17	P1	25916/12
Basement Level 1 General Arrangement	18/12/17	P1	25916/13
Ground Floor General Arrangement	18/12/17	P1	25916/14
First Floor General Arrangement	18/12/17	P1	25916/15
Second Floor General Arrangement	18/12/17	P1	25916/16
Third Floor General Arrangement	18/12/17	P1	25916/17
Fourth Floor General Arrangement	18/12/17	P1	25916/18
Fifth Floor General Arrangement	18/12/17	P1	25916/19
Sixth Floor General Arrangement	18/12/17	P1	25916/20
Seventh Floor General Arrangement	18/12/17	P1	25916/21
Eighth Floor General Arrangement	18/12/17	P1	25916/22
Long Sections Sheet 1	18/12/17	P1	25916/30
Long Sections Sheet 2	18/12/17	P1	25916/31
Long Sections Sheet 3	18/12/17	P1	25916/32

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

SCHEDULE OF DESIGN INFORMATION

MEP Services - DSA ENGINEERING

Description	Date Issued	Rev	Drawing No.
Electrical Schematics 1/2	06/09/17	/	E400
Electrical Schematics 2/2	06/09/17	/	E401
Main fire alarm and voice alarm Schematics 1/2	06/09/17	/	E402
Main fire alarm and voice alarm Schematics 2/2	06/09/17	/	E403
IT/Security Schematic 1/2	06/09/17	/	E404
IT/Security Schematic 2/2	06/09/17	/	E405
Mechanical Services B1	06/09/17	/	M097
Mechanical Services B0	06/09/17	/	M098
Mechanical Services B1	06/09/17	/	M099
Mechanical Services Ground	06/09/17	/	M100
Mechanical Services 1st to 7th Floors	06/09/17	/	M101
Mechanical Services 8th Floors	06/09/17	/	M108
Ventilation Schematic	06/09/17	/	M200
Chilled Water Schematic	06/09/17	/	M201
Heating Schematic	06/09/17	/	M202
Heat Pump Schematic	06/09/17	/	M210
Drainage Schematic 1/2	06/09/17	/	P200
Drainage Schematic 2/2	06/09/17	/	P201
Water Schematic	06/09/17	/	P210
Gas/Oil Schematic	06/09/17	/	P211
Sprinkler Schematic	06/09/17	/	P212

Other - THE INDEPENDENT CINEMA OFFICE

Description	Date Issued	Rev	Drawing No.
Summary of Capital Costs	18/12/17		

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
Client : Capital Start Ltd

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ELEMENTAL SUMMARY

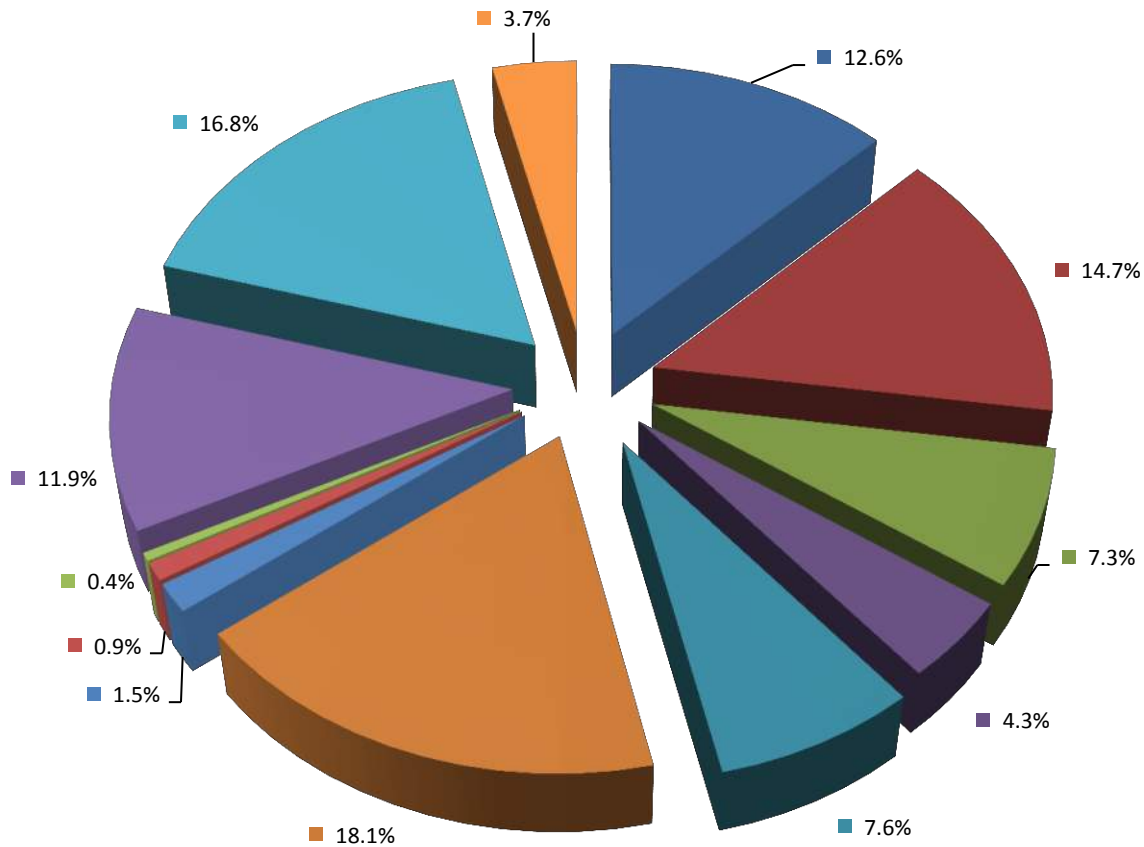
	Total (£)	£/m ² (GIA)	£/ft ² (GIA)
ENABLING WORKS NETT TRADE			
1 Demolition / Strip Out	4,326,000	558	52
2 Substructure	5,034,000	650	60
Total Estimated Nett Trade Enabling Works	9,360,000	1,208	112
SHELL AND CORE NETT TRADE			
3 Frame and Upper Floors	2,509,000	324	30
4 Roof	1,491,000	192	18
5 External Walls, Windows and Door	2,595,000	335	31
6 MEP Infrastructure - Shell & Core	6,210,000	801	74
7 Lift Installations	528,000	68	6
8 External Works	325,000	42	4
9 External Drainage	150,000	19	2
Total Estimated Nett Trade Shell and Core	13,808,000	1,782	166
FIT OUT NETT TRADE - HOTEL			
10 Public Areas	4,088,000	528	49
11 Guestrooms & Suites	5,767,000	744	69
12 Back of House	1,281,000	165	15
Total Estimated Nett Trade Fit Out - HOTEL	11,136,000	1,437	134

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 35006
Client : Capital Start Ltd

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ELEMENTAL SUMMARY



- Demolition / Strip Out
- Substructure
- Frame and Upper Floors
- Roof
- External Walls, Windows and Door
- MEP Infrastructure - Shell & Core
- Lift Installations
- External Works
- External Drainage
- Public Areas
- Guestrooms & Suites
- Back of House

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DEMOLITION / STRIP OUT

Item	Description	Quantity	Unit	Rate	Total
1.00	<u>STRIP OUT</u>				
1.01	Prov Sum for soft strip of existing building	1	PSUM	400,000	400,000
1.02	<u>DEMOLITION</u>				
1.03	Demolition of existing building	1	PSUM	1,200,000	1,200,000
1.04	Break out existing B2 slab	392	m2	500	196,000
1.05	<u>FAÇADE RETENTION</u>				
1.06	Façade retention system	2,040	m2	750	1,530,000
1.07	Prov Sum for temporary works including forming access through façade for demolition and excavation of new basement	1	PSUM	500,000	500,000
1.08	Remove / enlarge existing "ODEON" arch to Shaftesbury Avenue elevation	1	item	100,000	100,000
1.09	<u>GENERALLY</u>				
1.10	Prov Sum for asbestos removal	1	PSUM	200,000	200,000
1.11	Prov Sum for Vibration Monitoring	1	PSUM	200,000	200,000
				Carried to Elemental Summary:	£ 4,326,000

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SUBSTRUCTURE

Item	Description	Quantity	Unit	Rate	Total
2.00	<u>BASEMENT EXCAVATION</u>				
2.01	Excavate to reduced level	8,692	m3	25	217,300
2.02	Dispose material off site	8,692	m3	70	608,400
2.03	Levelling and compaction (B1 slab overall area)	788	m2	10	7,900
2.04	EO for removal of obstructions, say 5%	435	m3	50	21,800
2.05	EO for disposal of contaminated material, say 20%	1,738	m3	125	217,300
2.06	EO for forming lift pits	5	nr	5,000	25,000
2.07	Formation of temporary access ramps to facilitate access and plant movement				in Prelims
2.08	Prov Sum for dewatering	1	PSUM	50,000	50,000
2.09	<u>PILING FOUNDATIONS</u>				
2.10	Piling mat including removal	788	m2	100	78,800
2.11	Set up for piling rigs	1	item	15,000	15,000
2.12	Prov Sum for rig standing time	1	PSUM	7,500	7,500
2.13	Tension piling including excavation, disposal, cutting off tops etc... reinforced concrete piles	78	nr	4,000	312,000
2.14	Reinforced pile caps (assumed 600mm deep as EO slab)	65	m2	300	19,500
2.15	EO for formwork to the above	156	m2	60	9,400
2.16	<u>SECANT PILING</u>				
2.17	Secant wall piles 600mm dia including reinforced concrete capping beam	207	nr	7,500	1,552,500
2.18	Reinforced concrete guide walls	97	m	400	38,800

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SUBSTRUCTURE

Item	Description	Quantity	Unit	Rate	Total
2.19	<u>BASEMENT CONSTRUCTION</u>				
2.20	B3 - 450mm reinforced concrete slab	386	m2	225	86,900
2.21	EO B3 slab for anti heave void former	386	m2	80	30,900
2.22	B3 - B2 - Reinforced concrete liner walls to face of piles - 225mm th	660	m2	250	165,000
2.23	B2 & B1 - 350mm reinforced concrete slab	1,576	m2	200	315,200
2.24	EO B1 slab for steps in slabs	138	m	100	13,800
2.25	B2-00 - Mass reinforced concrete basement retaining walls - assumed 1.00m th	948	m2	500	474,000
2.26	GF - 350mm reinforced concrete slab	788	m2	200	157,600
2.27	EO for forming voids in slabs				included
2.28	<u>WATERPROOFING (assumed required to B3-00)</u>				
2.29	Cavity drain horizontally on slabs	788	m2	80	63,000
2.30	Cavity drain vertically on walls	1,523	m2	80	121,800
2.31	Allowance for pumps etc				included
2.32	<u>COLUMNS & BEAMS</u>				
2.33	C2 type columns - 350 x 350mm reinforced concrete columns				
	to B3	0	nr	950	0
	to B2	1	nr	650	700
	to B1	1	nr	750	800
	to Ground	1	nr	850	900
2.34	C3 type columns - 350 x 1000mm reinforced concrete columns				
	to B3	4	nr	2,500	10,000
	to B2	20	nr	1,500	30,000
	to B1	20	nr	2,000	40,000
	to Ground	14	nr	2,250	31,500

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SUBSTRUCTURE

Item	Description	Quantity	Unit	Rate	Total
2.35	<u>INTERNAL WALLS</u>				
2.36	B3-00 - 250mm reinforced concrete core walls	622	m2	500	311,000
Carried to Elemental Summary:					£ 5,034,300

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FRAME AND UPPER FLOORS

Item	Description	Quantity	Unit	Rate	Total
3.00	<u>FRAME</u>				
3.01	Ground floor (slab included in substructure):				
3.02	Columns				included
3.03	250mm reinforced concrete core walls	239	m2	300	71,700
3.04	First to Seventh floors:				
3.05	225mm reinforced concrete slabs	4,999	m2	185	924,800
3.06	C4 type columns - 200 x 1000mm reinforced concrete columns, 1st to 7th floors	15	nr	1,300	19,500
3.07	C2 type columns - 350 x 350mm reinforced concrete columns, 1st to 7th floors	49	nr	650	31,900
3.08	C1 type columns - 200 x 1000mm reinforced concrete columns, 1st to 7th floors	44	nr	1,300	57,200
3.09	B1 type beams - 350 x 650mm deep reinforced concrete beams (assumed 100kg/m3 reinforcement)	302	m	150	45,300
3.10	250mm reinforced concrete core walls	1,019	m2	300	305,700
3.11	EO for additional strengthening to plant rooms	784	m2	500	392,000
3.12	Supply and install 457x191 UB98 to existing pier locations	26	t	5,500	143,000
3.13	EO for connections	6	t	5,500	33,000
3.14	<u>STAIRS</u>				
3.15	PCC stairs to new stair core inc handrail and balustrade	22	flts	15,000	330,000
3.16	Prov Sum for feature stair case B2 to ground	1	PSUM	150,000	150,000
3.17	Roof access step ladder	1	nr	5,000	5,000
Carried to Elemental Summary:					£ 2,509,100

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ROOF

Item	Description	Quantity	Unit	Rate	Total
4.00	<u>ROOF</u>				
4.01	Insulation and finishes to reinforced concrete roofs (reinforced concrete roof included in frame)	788	m2	250	197,000
4.02	Prov Sum for glazed roof void at 4th floor	116	m2	2,000	232,000
4.03	Paving to roof terrace	187	m2	300	56,100
4.04	Glazed balustrade to roof terrace	113	m	1,200	135,600
4.05	Prov Sum for fixed glazed canopy to part roof terrace / bar	1	item	350,000	350,000
4.06	Decorative main hotel entrance canopy	1	item	50,000	50,000
4.07	<u>GENERALLY</u>				
4.08	Prov Sum for latchway and safety systems	1	item	100,000	100,000
4.09	Prov Sum for forming roof plant enclosures / screens including acoustic louvres	1	item	350,000	350,000
4.10	Prov Sum for forming lift overruns	1	item	20,000	20,000
4.11	BMU/window cleaning equipment				excluded
				Carried to Elemental Summary:	£ 1,490,700

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EXTERNAL WALLS, WINDOWS AND DOORS

Item	Description	Quantity	Unit	Rate	Total
5.00	<u>EXTERNAL WALLS / WINDOWS - RETAINED</u>				
5.01	Prov Sum for making good/minor repairs to retained façades	2,040	m2	250	510,000
5.02	Works to existing windows:				
	Re-glaze existing retained windows	85	nr	1,500	127,500
	Existing roundels repaired / cleaned	10	nr	1,500	15,000
	Re-open bricked aperture and install new window	9	nr	2,500	22,500
	Form new opening and install new window	14	nr	3,500	49,000
5.03	<u>EXTERNAL WALLS / WINDOWS - NEW BUILD</u>				
5.04	Good quality curtain walling system, 5th+6th floor	1,066	m2	1,350	1,439,100
5.05	Clear glass to arch Shaftesbury Avenue elevation	69	m2	2,000	138,000
5.06	<u>EXTERNAL DOORS</u>				
5.07	Hotel main entrance doors, two pairs automatic sliding doors with side access	1	nr	60,000	60,000
5.08	External doors to back of house / plant areas:				
	Single door including frame and ironmongery	3	nr	1,800	5,400
	Double door including frame and ironmongery	1	nr	3,000	3,000
5.09	Shutters to bike storage	1	item	10,000	10,000
5.10	<u>GENERALLY</u>				
5.11	Prov Sum for miscellaneous acoustic enhancements to existing buildings	1	PSUM	200,000	200,000
5.12	Prov Sum for restoration and lighting to retained post boxes	1	PSUM	15,000	15,000
		Carried to Elemental Summary:			£ 2,594,500

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MEP INFRASTRUCTURE - Shell and Core

Item	Description	Quantity	Unit	Rate	Total
6.00	<u>MEP INSTALLATIONS</u>				
6.01	<i>NOTE: MEP Infrastructure includes all central plant and distribution. Second fix services to rooms, public and back of house areas are included within respective sections</i>				
6.02	<u>ABOVE GROUND</u>				
6.03	<u>Disposal Installations</u>				
6.04	Rainwater mods only	5,787	m2	5	28,935
6.05	Soil Waste & Vent in Risers	5,787	m2	20	115,740
6.06	Condensate installation	5,787	m2	3	14,468
6.07	Extra -over for grey water collection and treatment	5,787	m2	10	57,870
6.08	<u>Water Installations</u>				
6.09	Cold water services; sectional storage tank, booster pump set, pipework risers, valves and insulation	5,787	m2	25	144,675
6.10	Hot water distribution system, including pipework, valves etc	5,787	m2	35	202,545
6.11	Extra -over for grey water distribution	5,787	m2	20	115,740
6.12	<u>Space Heating & Air Treatment</u>				
6.13	LTHW distribution system, pipework, valves etc	5,787	m2	35	202,545
6.14	CHW distribution system, pipework, valves etc	5,787	m2	40	231,480
6.15	Heat pumps; Chw & LTHW buffer vessels and primary pumps	5,787	m2	60	347,220
6.16	AHU-01: (rooms) 3.37m3/s supply only	1	nr	25,000	25,000
6.17	Supply Ductwork Distribution in risers and to guestrooms	5,787	m2	12	69,444
6.18	Lobby FCU	7	nr	6,000	42,000

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MEP INFRASTRUCTURE - Shell and Core

Item	Description	Quantity	Unit	Rate	Total
6.19	AHU-02: (BoH) 0.94m3/s supply & extract	1	nr	10,000	10,000
6.20	Ductwork Distribution to BOH areas	5,787	m2	6	34,722
6.21	<u>Ventilation</u>				
6.22	Fire fighting lobby vent, mechanically assisted Colt type system	11	stairs	10,000	110,000
6.23	Central Toilet Extract guestrooms Fans and dampers	1	nr	20,000	20,000
6.24	Ventilation ductwork serving Guestrooms	2,580	m2	10	25,800
6.25	Loading Bay extract system, incl fan and ducts	1	nr	10,000	10,000
6.26	Kitchen extract system: fan & fire-rated ductwork to roof	1	nr	35,000	35,000
6.27	<u>Electrical Installations</u>				
6.28	LV Distribution, incl boards, primary containment, bus bar and tap offs	5,787	m2	35	202,545
6.29	Standby Generation installation	200	kVA	350	70,000
6.30	Generator Flue to roof				
6.31	Small power to Landlord areas	9	levels	1,500	13,500
6.32	Power to mechanical services	5,787	m2	5	28,935
6.33	Power to Lifts	4	nr	3,500	14,000
6.34	Lighting Installation to BoH areas	1,447	m2	100	144,700
6.35	Emergency Lighting to BoH areas	1,447	m2	20	28,940
6.36	Roof Lighting	5,787	m2	1	5,787
6.37	Enhanced lighting to front of house	1	item	500,000	500,000
6.38	General Earth & Bonding	5,787	m2	2	11,574

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MEP INFRASTRUCTURE - Shell and Core

Item	Description	Quantity	Unit	Rate	Total
6.39	<u>Fuel Installations</u>				
6.40	Gas service to hot water generator and kitchen	5,787	m2	4	23,148
6.41	Oil distribution to generator and sprinkler jockey pumps	5,787	m2	4	23,148
6.42	<u>Protective Installations</u>				
6.43	Dry Riser Installation	11	stairs	2,500	27,500
6.44	Sprinkler Installation to BoH areas	1,447	m2	25	36,175
6.45	Sprinkler Installation distribution to apartments, incl riser pipework, tank and pumps	5,787	m2	20	115,740
6.46	Lightning and Surge Protection	5,787	m2	3	17,361
6.47	<u>Communications</u>				
6.48	Fire alarm system	5,787	m2	14	81,018
6.49	Extra over for voice alarm system	5,787	m2	10	57,870
6.50	Disabled Toilet Alarm	11	nr	1,500	16,500
6.51	Disabled Refuge Alarm	11	flrs	2,000	22,000
6.52	Telephone/Data/Satellite containment	5,787	m2	5	28,935
6.53	Telephone cabling to apartments	5,787	m2	5	28,935
6.54	Television/Data cabling (CAT 6)	94	rooms	750	70,500
6.55	Fibre Backbone	5,787	m2	25	144,675
6.56	Satellite Dishes	1	nr	15,000	15,000
6.57	Security System	5,787	m2	20	115,740
6.58	<u>Special Installations</u>				
6.59	Building Management System / Local controls	5,787	m2	30	173,610

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MEP INFRASTRUCTURE - Shell and Core

Item	Description	Quantity	Unit	Rate	Total
6.60	<u>BASEMENTS</u>				
6.61	<u>Water Installations</u>				
6.62	Cat 5 tank and pumps	1	item	10,000	10,000
6.63	<u>Space Heating & Air Treatment</u>				
6.64	Fan coil AC to basement Areas	4	item	6,000	24,000
6.65	<u>Ventilation</u>				
6.66	Plant room Ventilation	667	m2	75	50,025
6.67	Smoke Ventilation (Extract only)	1,962	m2	100	196,200
6.68	Extra Over for EN rating ductwork	1,962	m2	300	588,600
6.69	Extract ventilation to guest WCs	36	m2	100	3,600
6.70	<u>Electrical Installations (excludes Cinema, Spa)</u>				
6.71	Small power & Mechanical Power	1,361	m2	15	20,415
6.72	Lighting Installation incl controls	1,361	m2	50	68,050
6.73	Emergency Lighting	1,361	m2	5	6,805
6.74	<u>Protective Installations (excludes Cinema, Spa)</u>				
6.75	Sprinkler Installation	1,361	m2	30	40,830
6.76	<u>Communications</u>				
6.77	Fire alarm system	1,361	m2	12	16,332
6.78	PA/VA Installation	1,361	m2	8	10,888
6.79	CCTV	6	nr	4,000	24,000
6.80	Security access	1	item	50,000	50,000
6.81	<u>Special Installations</u>				
6.82	Basement controls	1,962	m2	20	39,240

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MEP INFRASTRUCTURE - Shell and Core

Item	Description	Quantity	Unit	Rate	Total
6.83	<u>SUBCONTRACTOR ADD-ONS</u>				
6.84	Prov Sum for testing and commissioning	2.0%	of	5,010,005	100,000
6.85	Prov Sum for BWIC with MEP infrastructure installations	3.0%	of	5,110,005	153,000
6.86	MEP SubContractor Prelims	18.0%	of	5,263,005	947,000
				Carried to Elemental Summary:	£ 6,210,005

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LIFT INSTALLATIONS

Item	Description	Quantity	Unit	Rate	Total
7.00	<u>PASSENGER LIFTS</u>				
7.01	Non-scenic passenger lifts, 11stops	2	nr	120,000	240,000
7.02	Non-scenic passenger lifts, 4stops	1	nr	70,000	70,000
7.03	EO for fire fighting	1	nr	20,000	20,000
7.04	<u>GOODS/SERVICE LIFTS</u>				
7.05	Non-scenic goods/service lifts, 11stops	1	nr	150,000	150,000
7.06	<u>BWIC</u>				
7.07	Prov Sum for BWIC with lift installations	10%	of	480,000	48,000
				Carried to Elemental Summary:	£ 528,000

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EXTERNAL WORKS

Item	Description	Quantity	Unit	Rate	Total
8.00	<u>LANDSCAPING</u>				
8.01	Prov Sum for miscellaneous soft landscaping to terraces / courtyard	1	PSUM	25,000	25,000
8.02	<u>EXTERNAL LIGHTING</u>				
8.03	Prov Sum for external lighting	1	PSUM	150,000	150,000
8.04	<u>TERRACE</u>				
8.05	Prov Sum for power and heating to terrace	1	PSUM	150,000	150,000
Carried to Elemental Summary:					£ 325,000

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EXTERNAL DRAINAGE

Item	Description	Quantity	Unit	Rate	Total
9.00	<u>GENERALLY</u>				
9.01	Prov Sum for repairs to underground drainage	1	PSUM	50,000	50,000
9.02	Prov Sum for new installations	1	PSUM	100,000	100,000
				Carried to Elemental Summary:	£ 150,000

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PUBLIC AREAS FIT OUT

Item	Description	Quantity	Unit	Rate	Total
10.00	<u>PUBLIC AREAS</u>				
10.01	<i>NOTE: Internal fit out to public areas; to include all floor, wall and ceiling finishes, built in joinery, fixtures and fittings and mechanical, electrical and public health services.</i>				
10.02	Lobby / Reception	12	m2	3,000	36,000
10.03	EO for reception desk	1	item	25,000	25,000
10.04	Cinema	322	m2	2,700	869,400
10.05	Cinema Lobby / Bar	145	m2	2,000	290,000
10.06	Pop-up Space				shell only
10.07	Restaurant / Bar	190	m2	3,500	665,000
10.08	Roof Bar	259	m2	3,500	906,500
10.09	Roof Terrace	188	m2	500	94,000
10.10	Spa	134	m2	4,000	536,000
10.11	Guest WCs	36	m2	2,500	90,000
10.12	Circulation / Cores	543	m2	950	515,850
10.13	Passenger lift cars	3	nr	20,000	60,000
				Carried to Elemental Summary:	£ 4,087,750

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GUEST ROOMS / SUITES FIT-OUT

Item	Description	Quantity	Unit	Rate	Total
11.00	<u>GUEST ROOMS / SUITES</u>				
11.01	<i>NOTE: Internal fit out to guestrooms; to include bathrooms, all floor, wall and ceiling finishes, built in joinery and mechanical, electrical and public health services.</i>				
11.02	<i>Refer to Appendix A for the Cost Model</i>				
11.03	Typical Standard Room, average 26m2 or less	70	nr	50,300	3,521,000
11.04	Typical Larger Room, average greater than 27m2	24	nr	72,100	1,730,400
11.05	EO DDA rooms, say 5%	5	nr	1,500	7,500
11.06	<u>CORRIDORS</u>				
11.07	Guest room corridors	508	m2	1,000	508,000
				Carried to Elemental Summary:	£ 5,766,900

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HOTEL BACK OF HOUSE FIT OUT

Item	Description	Quantity	Unit	Rate	Total
12.00	<u>BACK OF HOUSE</u>				
12.01	<i>NOTE: Internal fit out to back of house areas; to include all floor, wall and ceiling finishes, built in joinery, fixtures and fittings and mechanical, electrical and public health services.</i>				
12.02	Kitchen	37	m2	2,500	92,500
12.03	Prov Sum for kitchen equipment	1	PSUM	600,000	600,000
12.04	Staff Changing	51	m2	1,500	76,500
12.05	Staff / Offices	13	m2	1,000	13,000
12.06	Stores	102	m2	450	45,900
12.07	Plant / Equipment	784	m2	250	196,000
12.08	Loading Bay	1	item	15,000	15,000
12.09	Circulation / Cores	440	m2	550	242,000
				Carried to Elemental Summary:	£ 1,280,900

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APPENDIX A - GUEST ROOM COST MODEL

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Issue Date : 21-Dec-17
Base Date : 4Q 17

APPENDIX A - STANDARD ROOM COST MODEL (26m2 or less)

Description	Qty	Unit	Rate £	Total £
TYPICAL ROOM TOTAL (rounded)				50,300
BEDROOM - ARCHITECTURAL WORKS				15,705
<u>Doors</u>				
Entrance door inc frame, architrave and ironmongery	1	nr	1,450	1,450
Supply and install new door locking system to entrance door	1	nr	350	350
<u>Internal Partitioning</u>				
Stud work partition	29	m2	125	3,625
EO support for fixing artwork/mirrors	1	item	200	200
Fire stopping				in Shell & Core
<u>Windows</u>				
Paint to window frame				in Shell & Core
New window pelmet inc decoration				in Shell & Core
Supply and install secondary glazing				in Shell & Core
<u>Floor Finishes</u>				
Floor screed/latex				in Shell & Core
Stone threshold at main entrance	1	nr	90	90
Supply and install timber floor throughout	20	m2	100	2,000
Supply carpet to bed room				N/A
Lay only new carpet and underlay				N/A
<u>Wall Finishes</u>				
Skim coat plaster to all walls	57	m2	12	684
Wall coverings (PC sum £25/m2 supply rate)				N/A
Paint to walls	57	m2	8	456
EO special features to walls	1	item	500	500
<u>Ceiling Finishes</u>				
Plasterboard ceiling	20	m2	18	360
Skim coat plaster to all ceilings	20	m2	12	240
Paint to ceilings	20	m2	10	200
EO special feature to ceiling	1	item	600	600
Access panels	1	nr	250	250
EO for forming bulkheads/coffers	1	item	350	350
<u>Cornice</u>				
Timber cornice	20	m	25	500
Decoration to cornice	20	m	10	200
<u>Skirting</u>				
Timber skirting	20	m	15	300
Decoration to skirting	20	m	10	200
<u>Fixtures / Fittings</u>				
Prov Sum for fitted wardrobe	1	PSUM	2,000	2,000
Prov Sum for miscellaneous built-in joinery	1	PSUM	850	850
Prov Sum for assemble, fix, place loose FF&E	1	PSUM	300	300

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

APPENDIX A - STANDARD ROOM COST MODEL (26m2 or less)

Description	Qty	Unit	Rate £	Total £
BEDROOM - SERVICES INSTALLATIONS				11,670
<i>Mechanical</i>				
VRF system (heating and cooling)	1	item	2,750	2,750
Ductwork and grilles	1	item	600	600
BMS - Room controller & interface to Ving Card system	1	item	375	375
Sprinkler installations	3	nr	250	750
<i>Electrical</i>				
Supply & installation of luminaires	1	item	1,750	1,750
Lighting switching	1	item	240	240
Lighting control panels & dimming				excluded
Lighting containment & cabling	10	pts	100	1,000
Ving card reader & wiring	1	item	250	250
LV supply and consumer unit	1	nr	500	500
Emergency lighting (including battery pack)	1	nr	130	130
Combined power & telephony/IT wall mounted plate	1	nr	300	300
Small power TSSO & wiring	6	nr	85	510
Small power SSSO & wiring	6	nr	65	390
Containment	20	m2	8	160
Power for fan coil unit	1	item	75	75
Earthing and bonding	1	item	50	50
Doorbell including containment and wiring				excluded
<i>Communications</i>				
Fire alarm installation	1	nr	250	250
Voice evacuation speaker	1	nr	250	250
TV aerial installation inc CAT5e cabling	1	nr	250	250
Telephone/data points inc CAT5e cabling	3	nr	250	750
VOIP telephone equipment				in FF&E
I-phone docking station				in FF&E
"Do Not Disturb" and "Please Clean" button/signs				excluded
<i>BWIC with Services</i>				
Prov Sum for BWIC with services installations	3.0%	of	11,330	340

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
 Client : Capital Start Ltd

Issue Date : 21-Dec-17
 Base Date : 4Q 17

APPENDIX A - STANDARD ROOM COST MODEL (26m2 or less)

Description	Qty	Unit	Rate £	Total £
BATHROOM - ARCHITECTURAL WORKS				12,618
<u>Doors</u>				
Bathroom entrance doors inc ironmongery	1	nr	950	950
Framed glass door to shower	1	nr	850	850
<u>Internal Partitioning</u>				
Stud work partition	15	m2	125	1,875
EO for wet areas (Wedi board or similar)	15	m2	25	375
Fire stopping				in Shell & Core
<u>Floor Finishes</u>				
Floor screed/latex				in Shell & Core
Water proof membrane	4	m2	30	120
Ceramic/porcelain floor tiling inc skirting	4	m2	150	600
EO for ceramic shower tray	1	nr	600	600
<u>Wall Finishes</u>				
Skim coat plaster to all walls	30	m2	12	360
Ceramic/porcelain wall tiling	30	m2	150	4,500
EO feature to shower	1	item	250	250
<u>Ceiling Finishes</u>				
Moisture resistant plasterboard ceiling	4	m2	25	100
Skim coat plaster to all ceilings	4	m2	12	48
Paint to ceilings	4	m2	10	40
<u>Fixtures & Fittings</u>				
Vanity unit (including marble top)	1	item	850	850
Fixed mirror inc lighting	1	item	175	175
EO for de-mister pads to mirror	1	item	125	125
Miscellaneous boxing out to WC, etc.	1	item	500	500
Prov Sum for misc bathroom accessories	1	item	300	300
BATHROOM - SERVICES INSTALLATIONS				5,923
<u>Mechanical</u>				
Extract ventilation to WC	1	item	350	350
Shower drainage				included
<u>Electrical</u>				
Supply & installation of luminaires	1	item	650	650
Lighting containment & cabling	4	pts	100	400
Small power to mirror socket, demister & shaver socket	1	item	300	300
Underfloor heating	1	item	1,000	1,000
EWIC mechanical services				excluded
Earthing and bonding	1	item	50	50
Mirror TV				excluded
<u>Public Health</u>				
SWVP connection to stack from shower	1	item	450	450
Drainage soil waste and vent pipework connection	3	nr	350	1,050
Hot and cold water services pipework connection	5	nr	300	1,500
<u>BWIC with Services</u>				
Prov Sum for BWIC with services installations	3%	of	5,750	173

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

APPENDIX A - STANDARD ROOM COST MODEL (26m2 or less)

Description	Qty	Unit	Rate £	Total £
BATHROOM - SANITARY WARE				4,400
<i>Sanitary Ware</i>				
Brass ware to sanitary fittings	1	item	1,000	1,000
Supply and install heated towel rail	1	item	650	650
Supply and install WC	1	nr	450	450
Supply and install WHB (inset bowl)	1	nr	600	600
Supply and install shower inc mixer valve	1	item	1,500	1,500
Supply and install bath				excluded
EO for fixed shower over bath				excluded
Sealant to junctions and sanitary ware	1	item	200	200

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
 Client : Capital Start Ltd

Issue Date : 21-Dec-17
 Base Date : 4Q 17

APPENDIX A - STANDARD ROOM COST MODEL (27m2 or more)

Description	Qty	Unit	Rate £	Total £
TYPICAL ROOM TOTAL (rounded)				72,100
BEDROOM - ARCHITECTURAL WORKS				21,195
<u>Doors</u>				
Entrance door inc frame, architrave and ironmongery	1	nr	1,450	1,450
Supply and install new door locking system to entrance door	1	nr	350	350
<u>Internal Partitioning</u>				
Stud work partition	37	m2	125	4,625
EO support for fixing artwork/mirrors	1	item	300	300
Fire stopping				in Shell & Core
<u>Windows</u>				
Paint to window frame				in Shell & Core
New window pelmet inc decoration				in Shell & Core
Supply and install secondary glazing				in Shell & Core
<u>Floor Finishes</u>				
Floor screed/latex				in Shell & Core
Stone threshold at main entrance	1	nr	90	90
Supply and install timber floor throughout	27	m2	100	2,700
Supply carpet to bed room				N/A
Lay only new carpet and underlay				N/A
<u>Wall Finishes</u>				
Skim coat plaster to all walls	74	m2	12	888
Wall coverings (PC sum £25/m2 supply rate)				N/A
Paint to walls	74	m2	8	592
EO special features to walls	1	item	1,000	1,000
<u>Ceiling Finishes</u>				
Plasterboard ceiling	27	m2	18	486
Skim coat plaster to all ceilings	27	m2	12	324
Paint to ceilings	27	m2	10	270
EO special feature to ceiling	1	item	800	800
Access panels	2	nr	250	500
EO for forming bulkheads/coffers	1	item	700	700
<u>Cornice</u>				
Timber cornice	22	m	25	550
Decoration to cornice	22	m	10	220
<u>Skirting</u>				
Timber skirting	22	m	15	330
Decoration to skirting	22	m	10	220
<u>Fixtures / Fittings</u>				
Prov Sum for fitted wardrobe	1	PSUM	3,000	3,000
Prov Sum for miscellaneous built-in joinery	1	PSUM	1,250	1,250
Prov Sum for assemble, fix, place loose FF&E	1	PSUM	550	550

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

APPENDIX A - STANDARD ROOM COST MODEL (27m2 or more)

Description	Qty	Unit	Rate £	Total £
BEDROOM - SERVICES INSTALLATIONS				20,658
<i><u>Mechanical</u></i>				
VRF system (heating and cooling)	1	item	4,750	4,750
Ductwork and grilles	1	item	1,250	1,250
BMS - Room controller & interface to Ving Card system	1	item	750	750
Sprinkler installations	4	nr	250	1,000
<i><u>Electrical</u></i>				
Supply & installation of luminaires	1	item	3,500	3,500
Lighting switching	1	item	480	480
Lighting control panels & dimming				excluded
Lighting containment & cabling	10	pts	200	2,000
Ving card reader & wiring	1	item	250	250
LV supply and consumer unit	1	nr	500	500
Emergency lighting (including battery pack)	2	nr	130	260
Combined power & telephony/IT wall mounted plate	2	nr	300	600
Small power TSSO & wiring	10	nr	85	850
Small power SSSO & wiring	10	nr	65	650
Containment	27	m2	8	216
Power for fan coil unit	1	item	150	150
Earthing and bonding	1	item	100	100
Doorbell including containment and wiring				excluded
<i><u>Communications</u></i>				
Fire alarm installation	2	nr	250	500
Voice evacuation speaker	1	nr	250	250
TV aerial installation inc CAT5e cabling	2	nr	250	500
Telephone/data points inc CAT5e cabling	6	nr	250	1,500
VOIP telephone equipment				in FF&E
I-phone docking station				in FF&E
"Do Not Disturb" and "Please Clean" button/signs				excluded
<i><u>BWIC with Services</u></i>				
Prov Sum for BWIC with services installations	3.0%	of	20,056	602

ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)

Job No. : 35006
 Client : Capital Start Ltd

Issue Date : 21-Dec-17
 Base Date : 4Q 17

APPENDIX A - STANDARD ROOM COST MODEL (27m2 or more)

Description	Qty	Unit	Rate £	Total £
BATHROOM - ARCHITECTURAL WORKS				16,619
<u>Doors</u>				
Bathroom entrance doors inc ironmongery	2	nr	950	1,900
Framed glass door to shower	1	nr	850	850
<u>Internal Partitioning</u>				
Stud work partition	18	m2	125	2,250
EO for wet areas (Wedi board or similar)	18	m2	25	450
Fire stopping				in Shell & Core
<u>Floor Finishes</u>				
Floor screed/latex				in Shell & Core
Water proof membrane	6	m2	30	180
Ceramic/porcelain floor tiling inc skirting	6	m2	150	900
EO for ceramic shower tray	1	nr	600	600
<u>Wall Finishes</u>				
Skim coat plaster to all walls	36	m2	12	432
Ceramic/porcelain wall tiling	36	m2	150	5,400
EO feature to shower	1	item	500	500
<u>Ceiling Finishes</u>				
Moisture resistant plasterboard ceiling	6	m2	25	150
Skim coat plaster to all ceilings	6	m2	12	72
Paint to ceilings	6	m2	10	60
<u>Fixtures & Fittings</u>				
Vanity unit (including marble top)	1	item	1,250	1,250
Fixed mirror inc lighting	1	item	250	250
EO for de-mister pads to mirror	1	item	125	125
Miscellaneous boxing out to WC, etc.	1	item	750	750
Prov Sum for misc bathroom accessories	1	item	500	500
BATHROOM - SERVICES INSTALLATIONS				7,751
<u>Mechanical</u>				
Extract ventilation to WC	1	item	600	600
Shower drainage				included
<u>Electrical</u>				
Supply & installation of luminaires	1	item	1,000	1,000
Lighting containment & cabling	6	pts	100	600
Small power to mirror socket, demister & shaver socket	1	item	300	300
Underfloor heating	1	item	1,000	1,000
EWIC mechanical services				excluded
Earthing and bonding	1	item	75	75
Mirror TV				excluded
<u>Public Health</u>				
SWVP connection to stack from shower	1	item	450	450
Drainage soil waste and vent pipework connection	4	nr	350	1,400
Hot and cold water services pipework connection	7	nr	300	2,100
<u>BWIC with Services</u>				
Prov Sum for BWIC with services installations	3%	of	7,525	226

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

APPENDIX A - STANDARD ROOM COST MODEL (27m2 or more)

Description	Qty	Unit	Rate £	Total £
BATHROOM - SANITARY WARE				5,850
<i>Sanitary Ware</i>				
Brass ware to sanitary fittings	1	item	1,400	1,400
Supply and install heated towel rail	1	item	650	650
Supply and install WC	2	nr	450	900
Supply and install WHB (inset bowl)	2	nr	600	1,200
Supply and install shower inc mixer valve	1	item	1,500	1,500
Supply and install bath				excluded
EO for fixed shower over bath				excluded
Sealant to junctions and sanitary ware	1	item	200	200

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

APPENDIX B - VALUE ENGINEERING OPPORTUNITIES

TO FOLLOW

**ODEON SHAFTESBURY AVENUE
STAGE 2 COST PLAN Rev F (Planning Application)**

Job No. : 35006
Client : Capital Start Ltd

Issue Date : 21-Dec-17
Base Date : 4Q 17

APPENDIX C - STANDARD TERMS AND CONDITIONS

GARDINER & THEOBALD LLP**STANDARD TERMS AND CONDITIONS**

This document sets out the standard terms and conditions of Gardiner & Theobald LLP (hereinafter referred to as G&T) which is a limited liability partnership.

Registered Address 10 South Crescent, London, WC1E 7BD and VAT Number 832776212.

Any reference to "partner(s)" in this or any other document means member(s) of G&T.

1.0 The Offer

1.1 All offers and fee bids, etc, by G&T and all contracts concluded with a Client shall be subject to and shall incorporate these terms and conditions. No amendment or variation to these terms and conditions shall be binding on G&T unless in writing and signed by a partner of G&T and a duly authorised officer of the Client. These terms and conditions supersede all other oral and/or written communications, representations, agreements or undertakings and any such communications, representations, agreements and undertakings that are not expressly contained in these terms and conditions shall not be deemed incorporated herein. The Client and G&T agree that their respective rights, obligations and liabilities contained in these terms and conditions shall be exhaustive of all of the rights, obligations and liabilities of each of them to the other arising out of, under or in connection with these terms and conditions and/or the Services, whether such rights, obligations and liabilities arise in contract and/or tort (including, without limitation, negligence).

1.2 For the purposes of these terms and conditions, the services to be provided by G&T ("the Services") and the fees to be paid by the Client shall be as set out in the offer letter, fee bid or such other document supplied to the Client in connection with these terms and conditions. Fees and charges are in all cases quoted exclusive of Value Added Tax.

2.0 The Services

2.1 All liability that shall attach to G&T arising out of, under or in connection with these terms and conditions and/or the Services is limited to a total of £1,000,000 provided that nothing in these terms and conditions shall operate to exclude or limit the liability of G&T in respect of death or personal injury caused by the negligence of G&T.

2.2 No liability shall attach to G&T either in contract or in tort for loss, injury, damage sustained as a result of the act, omission or insolvency of any person other than G&T and G&T shall not be liable to the Client in respect of any claim made against the Client for any such loss, injury or damage.

2.3 G&T's liability shall be further limited to that proportion of any loss and/or damage suffered by the Client as it would be just and equitable for G&T to pay, having regard to the extent of G&T's responsibility for the same, on the assumption that; (i) all other persons responsible for the same loss and/or damage ("Other Parties") shall be deemed to have paid to the Client such proportion which it would be just and equitable for them to pay having regard to the extent of their responsibility for such loss and/or damage; and (ii) there are no exclusions of or limitations of liability, nor joint insurance or co-insurance provisions between the Client and the Other Parties; and (iii) any Other Party who is responsible to any extent for the loss and/or damage is liable to the Client for such loss and/or damage; and (iv) the Other Parties have entered into an agreement with the Client containing terms no less onerous than these terms and conditions.

2.4 The Client hereby acknowledges and agrees with G&T that G&T relies upon and intends to rely upon the information, designs, specifications, plans, design drawings and instructions provided to it by the Client and the other consultants ("the Advice"). G&T shall not be responsible for verifying the accuracy or completeness of such Advice, and shall not be deemed under any circumstances to have assumed responsibility for or to have warranted the accuracy or completeness of the same.

2.5 G&T shall have no liability or responsibility for the design of the project, the fitness for the purpose thereof, the specification or choice of materials used in the construction thereof, or the inspection, acceptance and approvals given or made in relation thereto.

2.6 G&T shall have no liability or responsibility for checking that building or professional indemnity insurances are in place or for providing any insurance advice.

2.7 G&T shall have no liability to the Client in respect of any claim for loss, damages or costs unless the Client shall have served written notice of the same upon G&T within 2 years of the date the Client first became aware of the circumstances giving rise to such claim or (if sooner) the date when the Client ought reasonably to have become so aware.

2.8 No action or proceedings for any breach of these terms and conditions shall be commenced against G&T after the expiry of 6 years from the date of completion of the Services or the termination of G&T's appointment, whichever is earlier.

2.9 G&T confirms that they follow and comply with the firm's own Anti-Bribery Policy.

3.0 No Claim Against Individual Partners/Employees

The Client accepts that G&T is a limited liability entity and agrees not to bring any claim personally against any individual partners or employees of G&T in respect of losses suffered directly or indirectly in connection with G&T's appointment by the Client. This provision will not limit or exclude the liability of G&T for the acts or omissions of its partners or employees.

4.0 Insurance

4.1 G&T shall have and keep such insurance in an amount not less than the limit of liability stated in clause 2.1 above so long as, and to the extent that, it is reasonably commercially available.

4.2 G&T shall on written request by the Client produce evidence by way of a broker's letter that the professional indemnity insurance referred to in clause 4.1 has been effected and remains in effect.

5.0 Fee & Payment of Invoices

The due date for payment of an invoice shall be the date of issue of such invoice (the "Due Date") and the final date for payment of an invoice shall be 21 days after the Due Date (the "Final Date"). Amounts that remain unpaid after the Final Date shall bear interest at 8% per annum above the Bank of England Base Rate. G&T reserve the right to suspend the performance of the Services should payment not be received by the Final Date.

6.0 Third Party Rights

Neither the Client nor G&T confers or purports to confer on any third party any benefit or any right to enforce any of these terms and conditions under the Contracts (Rights of Third Parties) Act 1999.

7.0 Governing Law

These terms and conditions and G&T's appointment with the Client are governed by English Law.

Gardiner & Theobald LLP is regulated by the RICS and one of the regulations is the requirement for a complaints handling process (CHP), a copy of which is available on request. The foregoing terms and conditions are the basis upon which Gardiner & Theobald LLP is providing Services until such time as a more detailed formal Appointment has been signed.

Form No: GTF3021 Issue No: 8 Date: 06/16



Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd
17-D003

Development Appraisal
Prepared by DvdL
Iceni Projects Ltd
16 January 2018

**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Detailed Cash flow Phase 1

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	TOTALS	001:Jan 2018	009:Sep 2018	021:Sep 2019	033:Sep 2020
Annual Sept Start B/F		(1,387,355)	(15,137,100)	(34,650,961)	(61,607,061)
Revenue					
Cap - Cinema	495,285	0	0	0	0
R Flow - Cinema Rent	320,200	0	0	0	0
Cap - Cinema Rent	1,479,000	0	0	0	0
Cap - Food and Beverage	3,170,001	0	0	0	0
Cap - Hotel & Spa	19,620,415	0	0	0	0
R Flow - Hotel Rent	6,697,500	0	0	0	0
Cap - Hotel Rent	31,333,333	0	0	0	0
R Flow - Restaurant Rent	1,989,853	0	0	0	0
Cap - Restaurant Rent	8,768,860	0	0	0	0
Total for Revenue	73,874,445	0	0	0	0
Operated Asset Rev/Exp.					
Hotel & Spa					
Hotel Income					
Room Revenue	33,068,826	0	0	0	0
Minor Department inc Spa	2,602,900	0	0	0	0
Rental & Other Income	1,133,700	0	0	0	0
Total for Hotel Income	36,805,426	0	0	0	0
Hotel Expenditure					
Cost of Sales (Spa)	(115,917)	0	0	0	0
Payroll Rooms	(4,255,452)	0	0	0	0
Pay Roll Spa	(460,694)	0	0	0	0
Department Expenses (Rooms)	(3,656,141)	0	0	0	0
Department Expenses (Spa)	(911,015)	0	0	0	0
Payroll Admin & General	(1,836,921)	0	0	0	0
Payroll Marketing	(918,460)	0	0	0	0
Payroll Prop ops	(536,236)	0	0	0	0
Admin & General	(1,724,735)	0	0	0	0
Marketing	(2,175,584)	0	0	0	0
Energy Costs	(920,136)	0	0	0	0
Property Ops	(789,285)	0	0	0	0
Management Fees	(736,109)	0	0	0	0
Replacement of FF&E	(1,267,870)	0	0	0	0
Mgmet Incentive Fee	(924,960)	0	0	0	0
Building Insurance	(552,081)	0	0	0	0
Property Taxes	(736,109)	0	0	0	0
Rent	(6,697,500)	0	0	0	0
Total for Hotel Expenditure	(29,215,204)	0	0	0	0
Total for Hotel & Spa	7,590,222	0	0	0	0
Cinema					
Cinema Income					
Cinema Box Office (Full)	2,773,562	0	0	0	0
Cinema Box Office (Concession)	782,287	0	0	0	0
Screen Advertising	211,992	0	0	0	0
Private Hire	150,000	0	0	0	0
Total for Cinema Income	3,917,840	0	0	0	0
Cinema Expenditure					
Film Hire	(1,126,137)	0	0	0	0
PRS	(31,314)	0	0	0	0
Vat on Cinema tickets	(592,760)	0	0	0	0
Projection servicing/lamps	(40,000)	0	0	0	0
Box Office Licencing	(25,000)	0	0	0	0
Heating and Lighting	(73,800)	0	0	0	0
Rates (apportionment)	(96,000)	0	0	0	0
Insurance	(42,000)	0	0	0	0
Cinema Managers	(336,000)	0	0	0	0
Cinema Staff	(593,940)	0	0	0	0

This Appraisal does not constitute a valuation for investment, borrowing, funding or trading purposes

The report must be read in conjunction with the Viability Report which it forms an appendix to.

No duty of care is offered to any third party other than the client named in this report

This appraisal represents one potential scenario from a range of potential scenarios which are determined by the assumptions used.

It must not be used for any purpose without the express written consent of the author of this report,

David van der Lande and IcenI Projects Ltd.

**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Detailed Cash flow Phase 1

Page B 1

	TOTALS	001:Jan 2018	009:Sep 2018	021:Sep 2019	033:Sep 2020
Annual Sept Start B/F		(1,387,355)	(15,137,100)	(34,650,961)	(61,607,061)
Marketing and Advertising	(504,000)	0	0	0	0
IT	(50,000)	0	0	0	0
Film Transport	(15,000)	0	0	0	0
Rent	(314,584)	0	0	0	0
Total for Cinema Expenditure	(3,840,535)	0	0	0	0
Total for Cinema	77,305	0	0	0	0
Food and Beverage					
F&B Revenue					
Restaurant Breakfast M-F	1,082,851	0	0	0	0
Restaurant Breakfast WE	669,355	0	0	0	0
Restaurant Lunch M-F	1,396,428	0	0	0	0
Restaurant Lunch WE	1,000,761	0	0	0	0
Bar Lunch M-F	754,601	0	0	0	0
Bar Lunch WE	628,213	0	0	0	0
Cinema F&B Early Mat M-F	286,273	0	0	0	0
Cinema F&B Early Mat WE	190,849	0	0	0	0
Restaurant Afternoon M-F	1,397,891	0	0	0	0
Restaurant Afternoon WE	579,482	0	0	0	0
Bar Afternoon M-F	505,996	0	0	0	0
Bar Afternoon WE	315,890	0	0	0	0
Cinema F&B Lat Mat M-F	143,136	0	0	0	0
Cinema F&B Late Mat WE	95,424	0	0	0	0
Restaurant Supper M-F	1,694,586	0	0	0	0
Restaurant Supper WE	1,409,846	0	0	0	0
Bar Supper M-F	2,800,919	0	0	0	0
Bar Supper WE	746,172	0	0	0	0
Cinema F&B Evening M-F	1,001,955	0	0	0	0
Cinema F&B Evening WE	667,970	0	0	0	0
Total for F&B Revenue	17,368,597	0	0	0	0
F&B Expenses					
Restaurant Direct Expenses	(2,492,424)	0	0	0	0
Bar Direct Expenses	(1,380,430)	0	0	0	0
Cinema Direct Expenses	(644,114)	0	0	0	0
Staff Salaries	(6,669,541)	0	0	0	0
Staff WellFare and Training	(173,686)	0	0	0	0
Staff Uniforms	(34,737)	0	0	0	0
Recruitment	(86,843)	0	0	0	0
Crockery Etc	(173,686)	0	0	0	0
Flowers and Plants	(50,000)	0	0	0	0
Laundry/Linen	(173,686)	0	0	0	0
Repairs Renewals	(121,580)	0	0	0	0
Printing Stnry	(34,737)	0	0	0	0
Marketing Promotioon	(173,686)	0	0	0	0
Website	(34,737)	0	0	0	0
Rent	(1,992,745)	0	0	0	0
Rates	(521,058)	0	0	0	0
Service Charge	(173,686)	0	0	0	0
Refuse	(43,421)	0	0	0	0
Utilities	(260,529)	0	0	0	0
Insurance	(69,474)	0	0	0	0
Bank Charges	(260,529)	0	0	0	0
Credit Card Charges	(173,686)	0	0	0	0
Licences	(12,500)	0	0	0	0
Accounting Audit	(100,000)	0	0	0	0
Total for F&B Expenses	(15,851,516)	0	0	0	0
Total for Food and Beverage	1,517,081	0	0	0	0
Total for Operated Asset Rev/Exp.	9,184,608	0	0	0	0

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**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Detailed Cash flow Phase 1

Page C 1

	TOTALS	001:Jan 2018	009:Sep 2018	021:Sep 2019	033:Sep 2020
Annual Sept Start B/F		(1,387,355)	(15,137,100)	(34,650,961)	(61,607,061)
Disposal Costs					
Purchaser's Costs	(4,397,975)	0	0	0	0
Sales Agent Fee	(907,034)	0	0	0	0
Sales Legal Fee	(302,345)	0	0	0	0
Total for Disposal Costs	(5,607,354)	0	0	0	0
Unit Information					
Total for	0	0	0	0	0
Total for Unit Information	0	0	0	0	0
Acquisition Costs					
Services Surveys	(22,500)	(22,500)	0	0	0
Structural Survey	(10,000)	(10,000)	0	0	0
Survey Listed Building	(10,000)	(10,000)	0	0	0
Town Planning Report	(15,000)	(15,000)	0	0	0
Total for Acquisition Costs	(57,500)	(57,500)	0	0	0
Construction Costs					
Camden CIL (A3/A4)	(5,852)	0	(5,852)	0	0
Camden CIL (C1)	(105,578)	0	(105,578)	0	0
Camden CIL (D2)	(19,974)	0	(19,974)	0	0
Camden Cil (SG)	(4,135)	0	(4,135)	0	0
Enabling Wks Design Dev Contingency	(635,076)	(115,468)	(519,608)	0	0
Enabling Wks Preliminaries	(1,684,800)	(306,327)	(1,378,473)	0	0
Enabling Works Nett Trade	(9,360,000)	(1,701,818)	(7,658,182)	0	0
Enabling Works OHIP	(1,656,720)	(301,222)	(1,355,498)	0	0
FFE/OSE Contingency	(173,350)	0	0	0	(173,350)
Main Const Design Dev Contingency	(1,657,667)	0	(7,780)	(828,476)	(821,412)
Main Contractor OHIP	(1,743,586)	0	(8,807)	(937,897)	(796,882)
Main Contractor Preliminaries	(4,115,760)	0	(20,790)	(2,213,920)	(1,881,051)
Mayoral CIL	(222,773)	0	(222,773)	0	0
Provisional Sum for Infrastructure	(300,000)	0	(300,000)	0	0
Hotel & Spa					
FF&E to Hotel, Spa and Rest - Hotel & Spa	(2,350,000)	0	0	0	(2,350,000)
OSE to Hotel, Spa & Rest - Hotel & Spa	(705,000)	0	0	0	(705,000)
Total for Hotel & Spa	(3,055,000)	0	0	0	(3,055,000)
Cinema					
Cinema Projection Equip - Cinema	(345,400)	0	0	0	(345,400)
Seating to Cinema - Cinema	(66,600)	0	0	0	(66,600)
Total for Cinema	(412,000)	0	0	0	(412,000)
Food and Beverage					
F&B OSE - Food and Beverage	(42,500)	0	0	0	(42,500)
Total for Food and Beverage	(42,500)	0	0	0	(42,500)
Construction Costs					
Fit Out Net Trade - Construction Costs	(11,136,000)	0	0	(4,295,693)	(6,840,307)
Shell and Core Nett Trade - Construction Costs	(13,808,000)	0	(125,998)	(9,122,001)	(4,560,001)
Total for Construction Costs	(24,944,000)	0	(125,998)	(13,417,694)	(11,400,308)
Total for Construction Costs	(50,138,771)	(2,424,836)	(11,733,447)	(17,397,986)	(18,582,502)
Professional Fees					
Air Quality	(37,771)	(1,702)	(7,784)	(13,418)	(14,867)
Architect Construction Drawings	(188,855)	(8,509)	(38,921)	(67,088)	(74,337)
Architect Design	(1,510,840)	(68,073)	(311,367)	(536,708)	(594,692)
C.D. Manager	(142,267)	0	(630)	(67,088)	(74,549)
Day Light/SunLight	(56,656)	(2,553)	(11,676)	(20,127)	(22,301)
Ecologist	(19,035)	(851)	(4,042)	(6,709)	(7,434)
Engagement and Consultation	(37,771)	(1,702)	(7,784)	(13,418)	(14,867)
Heritage Consultant	(38,071)	(1,702)	(8,084)	(13,418)	(14,867)
Interior Design	(94,427)	(4,255)	(19,460)	(33,544)	(37,168)
Mech./Elec.Engineer	(142,267)	0	(630)	(67,088)	(74,549)

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**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Detailed Cash flow Phase 1

Page D 1

	TOTALS	001:Jan 2018	009:Sep 2018	021:Sep 2019	033:Sep 2020
Annual Sept Start B/F		(1,387,355)	(15,137,100)	(34,650,961)	(61,607,061)
Planning	(188,855)	(8,509)	(38,921)	(67,088)	(74,337)
Planning Lawyers	(94,427)	(4,255)	(19,460)	(33,544)	(37,168)
Project Manager	(569,070)	0	(2,520)	(268,354)	(298,196)
Quantity Surveyor	(497,936)	0	(2,205)	(234,810)	(260,922)
Structural Engineer	(569,070)	0	(2,520)	(268,354)	(298,196)
Sustainability	(56,656)	(2,553)	(11,676)	(20,127)	(22,301)
Transport	(37,771)	(1,702)	(7,784)	(13,418)	(14,867)
Utilities	(56,656)	(2,553)	(11,676)	(20,127)	(22,301)
Viability	(37,771)	(1,702)	(7,784)	(13,418)	(14,867)
Total for Professional Fees	(4,376,176)	(110,618)	(514,927)	(1,777,844)	(1,972,787)
Miscellaneous Costs					
Enabling Wks Const Contingency	(666,830)	(121,242)	(545,588)	0	0
Main Const Const Contingency	(1,740,551)	0	(8,169)	(869,899)	(862,483)
Total for Miscellaneous Costs	(2,407,380)	(121,242)	(553,757)	(869,899)	(862,483)
Marketing/Letting					
Letting Legal Fee	(192,239)	0	0	0	0
Marketing Disposal	(81,500)	0	0	0	0
Marketing Launch	(500,000)	0	0	0	(500,000)
Total for Marketing/Letting	(773,739)	0	0	0	(500,000)
Net Cash Flow Before Finance	19,698,133	(2,714,196)	(12,802,130)	(20,045,730)	(21,917,772)
Debit Rate 6.250%		6.250%	6.250%	6.250%	6.250%
Credit Rate 0.000%		0.000%	0.000%	0.000%	0.000%
Finance Costs (All Sets)	(25,003,543)	(9,040)	(616,413)	(1,445,260)	(3,198,261)
Net Cash Flow After Finance	(5,305,410)	(2,723,235)	(13,418,543)	(21,490,990)	(25,116,032)
Cumulative Net Cash Flow Annual Sept Start	(5,305,410)	(2,723,235)	(16,141,779)	(37,632,768)	(62,748,801)

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**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Detailed Cash flow Phase 1

Page A 2

	045:Sep 2021	057:Sep 2022	069:Sep 2023	081:Sep 2024	093:Sep 2025
Annual Sept Start B/F	(63,112,857)	(63,530,506)	(63,651,258)	(63,766,198)	(63,888,493)
Revenue					
Cap - Cinema	0	0	0	0	0
R Flow - Cinema Rent	36,446	61,904	73,950	73,950	73,950
Cap - Cinema Rent	0	0	0	0	0
Cap - Food and Beverage	0	0	0	0	0
Cap - Hotel & Spa	0	0	0	0	0
R Flow - Hotel Rent	1,057,500	1,410,000	1,410,000	1,410,000	1,410,000
Cap - Hotel Rent	0	0	0	0	0
R Flow - Restaurant Rent	275,075	399,449	438,443	438,443	438,443
Cap - Restaurant Rent	0	0	0	0	0
Total for Revenue	1,369,020	1,871,353	1,922,393	1,922,393	1,922,393
Operated Asset Rev/Exp.					
Hotel & Spa					
Hotel Income					
Room Revenue	6,008,818	6,552,742	6,848,229	6,829,518	6,829,518
Minor Department inc Spa	427,600	495,900	559,800	559,800	559,800
Rental & Other Income	152,000	209,200	257,500	257,500	257,500
Total for Hotel Income	6,588,418	7,257,842	7,665,529	7,646,818	7,646,818
Hotel Expenditure					
Cost of Sales (Spa)	(21,337)	(22,365)	(24,071)	(24,071)	(24,071)
Payroll Rooms	(799,173)	(851,856)	(869,725)	(867,349)	(867,349)
Pay Roll Spa	(78,251)	(88,717)	(97,909)	(97,909)	(97,909)
Department Expenses (Rooms)	(672,988)	(727,354)	(753,305)	(751,247)	(751,247)
Department Expenses (Spa)	(149,660)	(173,565)	(195,930)	(195,930)	(195,930)
Payroll Admin & General	(367,634)	(367,247)	(367,945)	(367,047)	(367,047)
Payroll Marketing	(183,817)	(183,623)	(183,973)	(183,524)	(183,524)
Payroll Prop ops	(107,391)	(107,416)	(107,317)	(107,055)	(107,055)
Admin & General	(329,421)	(348,376)	(349,548)	(348,695)	(348,695)
Marketing	(408,482)	(435,471)	(444,601)	(443,515)	(443,515)
Energy Costs	(164,710)	(181,446)	(191,638)	(191,170)	(191,170)
Property Ops	(131,768)	(152,415)	(168,642)	(168,230)	(168,230)
Management Fees	(131,768)	(145,157)	(153,311)	(152,936)	(152,936)
Replacement of FF&E	(131,768)	(217,735)	(306,621)	(305,873)	(305,873)
Mgmt Incentive Fee	(158,781)	(180,720)	(195,471)	(194,994)	(194,994)
Building Insurance	(98,826)	(108,868)	(114,983)	(114,702)	(114,702)
Property Taxes	(131,768)	(145,157)	(153,311)	(152,936)	(152,936)
Rent	(1,057,500)	(1,410,000)	(1,410,000)	(1,410,000)	(1,410,000)
Total for Hotel Expenditure	(5,125,044)	(5,847,488)	(6,088,301)	(6,077,185)	(6,077,185)
Total for Hotel & Spa	1,463,374	1,410,354	1,577,228	1,569,633	1,569,633
Cinema					
Cinema Income					
Cinema Box Office (Full)	389,270	513,899	624,602	622,895	622,895
Cinema Box Office (Concession)	109,794	144,946	176,170	175,688	175,688
Screen Advertising	40,000	40,000	43,997	43,997	43,997
Private Hire	30,000	30,000	30,000	30,000	30,000
Total for Cinema Income	569,065	728,845	874,769	872,581	872,581
Cinema Expenditure					
Film Hire	(158,054)	(208,656)	(253,604)	(252,911)	(252,911)
PRS	(4,159)	(5,490)	(8,355)	(6,655)	(6,655)
Vat on Cinema tickets	(83,194)	(109,830)	(133,489)	(133,124)	(133,124)
Projection servicing/lamps	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)
Box Office Licencing	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Heating and Lighting	(14,400)	(14,400)	(15,000)	(15,000)	(15,000)
Rates (apportionment)	(18,000)	(18,000)	(20,000)	(20,000)	(20,000)
Insurance	(6,000)	(6,000)	(10,000)	(10,000)	(10,000)
Cinema Managers	(66,000)	(66,000)	(68,000)	(68,000)	(68,000)
Cinema Staff	(116,688)	(116,688)	(120,188)	(120,188)	(120,188)

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Annual Sept Start B/F	(63,112,857)	(63,530,506)	(63,651,258)	(63,766,198)	(63,888,493)
Marketing and Advertising	(120,000)	(96,000)	(96,000)	(96,000)	(96,000)
IT	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Film Transport	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Rent	(35,587)	(60,723)	(72,880)	(72,698)	(72,698)
Total for Cinema Expenditure	(648,081)	(727,786)	(823,516)	(820,576)	(820,576)
Total for Cinema	(79,016)	1,059	51,253	52,005	52,005
Food and Beverage					
F&B Revenue					
Restaurant Breakfast M-F	200,971	214,501	222,866	222,257	222,257
Restaurant Breakfast WE	124,206	132,584	137,773	137,396	137,396
Restaurant Lunch M-F	255,508	270,826	290,561	289,767	289,767
Restaurant Lunch WE	183,084	194,050	208,255	207,686	207,686
Bar Lunch M-F	135,691	143,844	158,645	158,211	158,211
Bar Lunch WE	114,952	121,865	130,703	130,346	130,346
Cinema F&B Early Mat M-F	40,182	53,040	64,468	64,291	64,291
Cinema F&B Early Mat WE	26,788	35,360	42,978	42,861	42,861
Restaurant Afternoon M-F	255,763	271,080	290,879	290,085	290,085
Restaurant Afternoon WE	106,017	112,373	120,584	120,254	120,254
Bar Afternoon M-F	90,936	96,423	106,406	106,115	106,115
Bar Afternoon WE	57,441	60,933	65,959	65,779	65,779
Cinema F&B Lat Mat M-F	20,091	26,520	32,234	32,146	32,146
Cinema F&B Late Mat WE	13,394	17,680	21,489	21,430	21,430
Restaurant Supper M-F	310,003	328,598	352,637	351,674	351,674
Restaurant Supper WE	257,960	273,422	293,356	292,554	292,554
Bar Supper M-F	503,624	533,898	588,871	587,262	587,262
Bar Supper WE	126,925	134,551	161,860	161,418	161,418
Cinema F&B Evening M-F	140,637	185,641	225,636	225,020	225,020
Cinema F&B Evening WE	93,758	123,761	150,424	150,013	150,013
Total for F&B Revenue	3,057,931	3,330,951	3,666,584	3,656,566	3,656,566
F&B Expenses					
Restaurant Direct Expenses	(457,248)	(485,307)	(517,566)	(516,152)	(516,152)
Bar Direct Expenses	(247,097)	(261,963)	(290,987)	(290,192)	(290,192)
Cinema Direct Expenses	(90,410)	(119,341)	(145,052)	(144,656)	(144,656)
Staff Salaries	(1,174,246)	(1,279,085)	(1,407,968)	(1,404,121)	(1,404,121)
Staff WellFare and Training	(30,579)	(33,310)	(36,666)	(36,566)	(36,566)
Staff Uniforms	(6,116)	(6,662)	(7,333)	(7,313)	(7,313)
Recruitment	(15,290)	(16,655)	(18,333)	(18,283)	(18,283)
Crockery Etc	(30,579)	(33,310)	(36,666)	(36,566)	(36,566)
Flowers and Plants	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Laundry/Linen	(30,579)	(33,310)	(36,666)	(36,566)	(36,566)
Repairs Renewals	(21,406)	(23,317)	(25,666)	(25,596)	(25,596)
Printing Strny	(6,116)	(6,662)	(7,333)	(7,313)	(7,313)
Marketing Promotioon	(30,579)	(33,310)	(36,666)	(36,566)	(36,566)
Website	(6,116)	(6,662)	(7,333)	(7,313)	(7,313)
Rent	(275,465)	(399,714)	(439,990)	(438,788)	(438,788)
Rates	(91,738)	(99,929)	(109,998)	(109,697)	(109,697)
Service Charge	(30,579)	(33,310)	(36,666)	(36,566)	(36,566)
Refuse	(7,645)	(8,327)	(9,166)	(9,141)	(9,141)
Utilities	(45,869)	(49,964)	(54,999)	(54,848)	(54,848)
Insurance	(12,232)	(13,324)	(14,666)	(14,626)	(14,626)
Bank Charges	(45,869)	(49,964)	(54,999)	(54,848)	(54,848)
Credit Card Charges	(30,579)	(33,310)	(36,666)	(36,566)	(36,566)
Licences	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Accounting Audit	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Total for F&B Expenses	(2,718,836)	(3,059,233)	(3,363,884)	(3,354,782)	(3,354,782)
Total for Food and Beverage	339,095	271,718	302,700	301,784	301,784
Total for Operated Asset Rev/Exp.	1,723,453	1,683,131	1,931,181	1,923,422	1,923,422

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Detailed Cash flow Phase 1

Page C 2

	045:Sep 2021 (63,112,857)	057:Sep 2022 (63,530,506)	069:Sep 2023 (63,651,258)	081:Sep 2024 (63,766,198)	093:Sep 2025 (63,888,493)
Annual Sept Start B/F					
Disposal Costs					
Purchaser's Costs	0	0	0	0	0
Sales Agent Fee	0	0	0	0	0
Sales Legal Fee	0	0	0	0	0
Total for Disposal Costs	0	0	0	0	0
Unit Information					
Total for	0	0	0	0	0
Total for Unit Information	0	0	0	0	0
Acquisition Costs					
Services Surveys	0	0	0	0	0
Structural Survey	0	0	0	0	0
Survey Listed Building	0	0	0	0	0
Town Planning Report	0	0	0	0	0
Total for Acquisition Costs	0	0	0	0	0
Construction Costs					
Camden CIL (A3/A4)	0	0	0	0	0
Camden CIL (C1)	0	0	0	0	0
Camden CIL (D2)	0	0	0	0	0
Camden Cil (SG)	0	0	0	0	0
Enabling Wks Design Dev Contingency	0	0	0	0	0
Enabling Wks Preliminaries	0	0	0	0	0
Enabling Works Nett Trade	0	0	0	0	0
Enabling Works OHIP	0	0	0	0	0
FFE/OSE Contingency	0	0	0	0	0
Main Const Design Dev Contingency	0	0	0	0	0
Main Contractor OHIP	0	0	0	0	0
Main Contractor Preliminaries	0	0	0	0	0
Mayoral CIL	0	0	0	0	0
Provisional Sum for Infrastructure	0	0	0	0	0
Hotel & Spa					
FF&E to Hotel, Spa and Rest - Hotel & Spa	0	0	0	0	0
OSE to Hotel, Spa & Rest - Hotel & Spa	0	0	0	0	0
Total for Hotel & Spa	0	0	0	0	0
Cinema					
Cinema Projection Equip - Cinema	0	0	0	0	0
Seating to Cinema - Cinema	0	0	0	0	0
Total for Cinema	0	0	0	0	0
Food and Beverage					
F&B OSE - Food and Beverage	0	0	0	0	0
Total for Food and Beverage	0	0	0	0	0
Construction Costs					
Fit Out Net Trade - Construction Costs	0	0	0	0	0
Shell and Core Nett Trade - Construction Costs	0	0	0	0	0
Total for Construction Costs	0	0	0	0	0
Total for Construction Costs	0	0	0	0	0
Professional Fees					
Air Quality	0	0	0	0	0
Architect Construction Drawings	0	0	0	0	0
Architect Design	0	0	0	0	0
C.D. Manager	0	0	0	0	0
Day Light/SunLight	0	0	0	0	0
Ecologist	0	0	0	0	0
Engagement and Consultation	0	0	0	0	0
Heritage Consultant	0	0	0	0	0
Interior Design	0	0	0	0	0
Mech./Elec.Engineer	0	0	0	0	0

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**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Detailed Cash flow Phase 1

Page D 2

	045:Sep 2021	057:Sep 2022	069:Sep 2023	081:Sep 2024	093:Sep 2025
Annual Sept Start B/F	(63,112,857)	(63,530,506)	(63,651,258)	(63,766,198)	(63,888,493)
Planning	0	0	0	0	0
Planning Lawyers	0	0	0	0	0
Project Manager	0	0	0	0	0
Quantity Surveyor	0	0	0	0	0
Structural Engineer	0	0	0	0	0
Sustainability	0	0	0	0	0
Transport	0	0	0	0	0
Utilities	0	0	0	0	0
Viability	0	0	0	0	0
Total for Professional Fees	0	0	0	0	0
Miscellaneous Costs					
Enabling Wks Const Contingency	0	0	0	0	0
Main Const Const Contingency	0	0	0	0	0
Total for Miscellaneous Costs	0	0	0	0	0
Marketing/Letting					
Letting Legal Fee	(96,120)	0	0	0	0
Marketing Disposal	0	0	0	0	0
Marketing Launch	0	0	0	0	0
Total for Marketing/Letting	(96,120)	0	0	0	0
Net Cash Flow Before Finance	2,996,353	3,554,484	3,853,574	3,845,815	3,845,815
Debit Rate 6.250%	6.250%	6.250%	6.250%	6.250%	6.250%
Credit Rate 0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Finance Costs (All Sets)	(3,906,999)	(3,941,025)	(3,955,210)	(3,961,953)	(3,969,383)
Net Cash Flow After Finance	(910,646)	(386,541)	(101,637)	(116,138)	(123,568)
Cumulative Net Cash Flow Annual Sept Start	(63,659,447)	(64,045,988)	(64,147,625)	(64,263,762)	(64,387,330)

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**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Detailed Cash flow Phase 1

Page A 3

Annual Sept Start B/F 105:Sep 2026
(63,722,689)

Revenue

Cap - Cinema	495,285
R Flow - Cinema Rent	0
Cap - Cinema Rent	1,479,000
Cap - Food and Beverage	3,170,001
Cap - Hotel & Spa	19,620,415
R Flow - Hotel Rent	0
Cap - Hotel Rent	31,333,333
R Flow - Restaurant Rent	0
Cap - Restaurant Rent	8,768,860
Total for Revenue	64,866,893

Operated Asset Rev/Exp.

Hotel & Spa

Hotel Income	
Room Revenue	0
Minor Department inc Spa	0
Rental & Other Income	0
Total for Hotel Income	0

Hotel Expenditure	
Cost of Sales (Spa)	0
Payroll Rooms	0
Pay Roll Spa	0
Department Expenses (Rooms)	0
Department Expenses (Spa)	0
Payroll Admin & General	0
Payroll Marketing	0
Payroll Prop ops	0
Admin & General	0
Marketing	0
Energy Costs	0
Property Ops	0
Management Fees	0
Replacement of FF&E	0
Mgmet Incentive Fee	0
Building Insurance	0
Property Taxes	0
Rent	0
Total for Hotel Expenditure	0

Total for Hotel & Spa 0

Cinema	
Cinema Income	
Cinema Box Office (Full)	0
Cinema Box Office (Concession)	0
Screen Advertising	0
Private Hire	0
Total for Cinema Income	0

Cinema Expenditure	
Film Hire	0
PRS	0
Vat on Cinema tickets	0
Projection servicing/lamps	0
Box Office Licencing	0
Heating and Lighting	0
Rates (apportionment)	0
Insurance	0
Cinema Managers	0
Cinema Staff	0

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**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Detailed Cash flow Phase 1

Page B 3

	105:Sep 2026 (63,722,689)
Annual Sept Start B/F	
Marketing and Advertising	0
IT	0
Film Transport	0
Rent	0
Total for Cinema Expenditure	0
Total for Cinema	0
Food and Beverage	
F&B Revenue	
Restaurant Breakfast M-F	0
Restaurant Breakfast WE	0
Restaurant Lunch M-F	0
Restaurant Lunch WE	0
Bar Lunch M-F	0
Bar Lunch WE	0
Cinema F&B Early Mat M-F	0
Cinema F&B Early Mat WE	0
Restaurant Afternoon M-F	0
Restaurant Afternoon WE	0
Bar Afternoon M-F	0
Bar Afternoon WE	0
Cinema F&B Lat Mat M-F	0
Cinema F&B Late Mat WE	0
Restaurant Supper M-F	0
Restaurant Supper WE	0
Bar Supper M-F	0
Bar Supper WE	0
Cinema F&B Evening M-F	0
Cinema F&B Evening WE	0
Total for F&B Revenue	0
F&B Expenses	
Restaurant Direct Expenses	0
Bar Direct Expenses	0
Cinema Direct Expenses	0
Staff Salaries	0
Staff WellFare and Training	0
Staff Uniforms	0
Recruitment	0
Crockery Etc	0
Flowers and Plants	0
Laundry/Linen	0
Repairs Renewals	0
Printing Stnry	0
Marketing Promotioon	0
Website	0
Rent	0
Rates	0
Service Charge	0
Refuse	0
Utilities	0
Insurance	0
Bank Charges	0
Credit Card Charges	0
Licences	0
Accounting Audit	0
Total for F&B Expenses	0
Total for Food and Beverage	0
Total for Operated Asset Rev/Exp.	0

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**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Detailed Cash flow Phase 1

Page C 3

Annual Sept Start B/F 105:Sep 2026
(63,722,689)

Disposal Costs	
Purchaser's Costs	(4,397,975)
Sales Agent Fee	(907,034)
Sales Legal Fee	(302,345)
Total for Disposal Costs	(5,607,354)

Unit Information

Total for	0
Total for Unit Information	0

Acquisition Costs

Services Surveys	0
Structural Survey	0
Survey Listed Building	0
Town Planning Report	0
Total for Acquisition Costs	0

Construction Costs

Camden CIL (A3/A4)	0
Camden CIL (C1)	0
Camden CIL (D2)	0
Camden Cil (SG)	0
Enabling Wks Design Dev Contingency	0
Enabling Wks Preliminaries	0
Enabling Works Nett Trade	0
Enabling Works OHIP	0
FFE/OSE Contingency	0
Main Const Design Dev Contingency	0
Main Contractor OHIP	0
Main Contractor Preliminaries	0
Mayoral CIL	0
Provisional Sum for Infrastructure	0

Hotel & Spa

FF&E to Hotel, Spa and Rest - Hotel & Spa	0
OSE to Hotel, Spa & Rest - Hotel & Spa	0
Total for Hotel & Spa	0

Cinema

Cinema Projection Equip - Cinema	0
Seating to Cinema - Cinema	0
Total for Cinema	0

Food and Beverage

F&B OSE - Food and Beverage	0
Total for Food and Beverage	0

Construction Costs

Fit Out Net Trade - Construction Costs	0
Shell and Core Nett Trade - Construction Costs	0
Total for Construction Costs	0

Total for Construction Costs

0

Professional Fees

Air Quality	0
Architect Construction Drawings	0
Architect Design	0
C.D. Manager	0
Day Light/SunLight	0
Ecologist	0
Engagement and Consultation	0
Heritage Consultant	0
Interior Design	0
Mech./Elec.Engineer	0

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**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Detailed Cash flow Phase 1

Page D 3

	105:Sep 2026
Annual Sept Start B/F	(63,722,689)
Planning	0
Planning Lawyers	0
Project Manager	0
Quantity Surveyor	0
Structural Engineer	0
Sustainability	0
Transport	0
Utilities	0
Viability	0
Total for Professional Fees	0
Miscellaneous Costs	
Enabling Wks Const Contingency	0
Main Const Const Contingency	0
Total for Miscellaneous Costs	0
Marketing/Letting	
Letting Legal Fee	(96,120)
Marketing Disposal	(81,500)
Marketing Launch	0
Total for Marketing/Letting	(177,620)
Net Cash Flow Before Finance	59,081,920
Debit Rate 6.250%	6.250%
Credit Rate 0.000%	0.000%
Finance Costs (All Sets)	0
Net Cash Flow After Finance	59,081,920
Cumulative Net Cash Flow Annual Sept Start	(5,305,410)

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**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary

	Units	m ²	Rent Rate m ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Construction Costs	1	3,995.00		0	0	
Hotel Rent	94			15,000	1,410,000	1,410,000
Restaurant Rent	1			438,443	438,443	438,443
Cinema Rent	1			73,950	73,950	73,950
Totals	97	3,995.00			1,922,393	1,922,393

Investment Valuation

Hotel & Spa

Hotel Income

Room Revenue	6,829,518	YP @	8.0000%	12.5000	85,368,978
Minor Department inc Spa	559,800	YP @	8.0000%	12.5000	6,997,500
Rental & Other Income	257,500	YP @	8.0000%	12.5000	3,218,750
					95,585,227

Hotel Expenditure

Cost of Sales (Spa)	(24,071)	YP @	8.0000%	12.5000	(300,893)
Payroll Rooms	(867,349)	YP @	8.0000%	12.5000	(10,841,860)
Pay Roll Spa	(97,909)	YP @	8.0000%	12.5000	(1,223,863)
Department Expenses (Rooms)	(751,247)	YP @	8.0000%	12.5000	(9,390,588)
Department Expenses (Spa)	(195,930)	YP @	8.0000%	12.5000	(2,449,125)
Payroll Admin & General	(367,047)	YP @	8.0000%	12.5000	(4,588,091)
Payroll Marketing	(183,524)	YP @	8.0000%	12.5000	(2,294,045)
Payroll Prop ops	(107,055)	YP @	8.0000%	12.5000	(1,338,193)
Admin & General	(348,695)	YP @	8.0000%	12.5000	(4,358,686)
Marketing	(443,515)	YP @	8.0000%	12.5000	(5,543,943)
Energy Costs	(191,170)	YP @	8.0000%	12.5000	(2,389,631)
Property Ops	(168,230)	YP @	8.0000%	12.5000	(2,102,875)
Management Fees	(152,936)	YP @	8.0000%	12.5000	(1,911,705)
Replacement of FF&E	(305,873)	YP @	8.0000%	12.5000	(3,823,409)
Mgmt Incentive Fee	(194,994)	YP @	8.0000%	12.5000	(2,437,423)
Building Insurance	(114,702)	YP @	8.0000%	12.5000	(1,433,778)
Property Taxes	(152,936)	YP @	8.0000%	12.5000	(1,911,705)
Rent	(1,410,000)	YP @	8.0000%	12.5000	(17,625,000)
					(75,964,813)
					19,620,415

Cinema

Cinema Income

Cinema Box Office (Full)	622,895	YP @	10.5000%	9.5238	5,932,335
Cinema Box Office (Concession)	175,688	YP @	10.5000%	9.5238	1,673,223
Screen Advertising	43,997	YP @	10.5000%	9.5238	419,022
Private Hire	30,000	YP @	10.5000%	9.5238	285,714
					8,310,294

Cinema Expenditure

Film Hire	(252,911)	YP @	10.5000%	9.5238	(2,408,680)
PRS	(6,655)	YP @	10.5000%	9.5238	(63,381)
Vat on Cinema tickets	(133,124)	YP @	10.5000%	9.5238	(1,267,846)
Projection servicing/lamps	(8,000)	YP @	10.5000%	9.5238	(76,191)
Box Office Licencing	(5,000)	YP @	10.5000%	9.5238	(47,619)
Heating and Lighting	(15,000)	YP @	10.5000%	9.5238	(142,857)
Rates (apportionment)	(20,000)	YP @	10.5000%	9.5238	(190,476)
Insurance	(10,000)	YP @	10.5000%	9.5238	(95,238)
Cinema Managers	(68,000)	YP @	10.5000%	9.5238	(647,619)
Cinema Staff	(120,188)	YP @	10.5000%	9.5238	(1,144,648)
Marketing and Advertising	(96,000)	YP @	10.5000%	9.5238	(914,286)
IT	(10,000)	YP @	10.5000%	9.5238	(95,238)

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**Shaftesbury Avenue
Planning Viability Appraisal
for Capitalstart Ltd**

Film Transport	(3,000)	YP @	10.5000%	9.5238	(28,571)
Rent	(72,698)	YP @	10.5000%	9.5238	(692,359)
					(7,815,009)
					<u>495,285</u>

Food and Beverage

F&B Revenue

Restaurant Breakfast M-F	222,257	YP @	9.5200%	10.5042	2,334,630
Restaurant Breakfast WE	137,396	YP @	9.5200%	10.5042	1,443,236
Restaurant Lunch M-F	289,767	YP @	9.5200%	10.5042	3,043,768
Restaurant Lunch WE	207,686	YP @	9.5200%	10.5042	2,181,575
Bar Lunch M-F	158,211	YP @	9.5200%	10.5042	1,661,881
Bar Lunch WE	130,346	YP @	9.5200%	10.5042	1,369,180
Cinema F&B Early Mat M-F	64,291	YP @	9.5200%	10.5042	675,330
Cinema F&B Early Mat WE	42,861	YP @	9.5200%	10.5042	450,220
Restaurant Afternoon M-F	290,085	YP @	9.5200%	10.5042	3,047,106
Restaurant Afternoon WE	120,254	YP @	9.5200%	10.5042	1,263,174
Bar Afternoon M-F	106,115	YP @	9.5200%	10.5042	1,114,658
Bar Afternoon WE	65,779	YP @	9.5200%	10.5042	690,953
Cinema F&B Lat Mat M-F	32,146	YP @	9.5200%	10.5042	337,665
Cinema F&B Late Mat WE	21,430	YP @	9.5200%	10.5042	225,110
Restaurant Supper M-F	351,674	YP @	9.5200%	10.5042	3,694,053
Restaurant Supper WE	292,554	YP @	9.5200%	10.5042	3,073,050
Bar Supper M-F	587,262	YP @	9.5200%	10.5042	6,168,723
Bar Supper WE	161,418	YP @	9.5200%	10.5042	1,695,568
Cinema F&B Evening M-F	225,020	YP @	9.5200%	10.5042	2,363,654
Cinema F&B Evening WE	150,013	YP @	9.5200%	10.5042	1,575,769
					38,409,304

F&B Expenses

Restaurant Direct Expenses	(516,152)	YP @	9.5200%	10.5042	(5,421,760)
Bar Direct Expenses	(290,192)	YP @	9.5200%	10.5042	(3,048,231)
Cinema Direct Expenses	(144,656)	YP @	9.5200%	10.5042	(1,519,492)
Staff Salaries	(1,404,121)	YP @	9.5200%	10.5042	(14,749,173)
Staff WellFare and Training	(36,566)	YP @	9.5200%	10.5042	(384,093)
Staff Uniforms	(7,313)	YP @	9.5200%	10.5042	(76,819)
Recruitment	(18,283)	YP @	9.5200%	10.5042	(192,047)
Crockery Etc	(36,566)	YP @	9.5200%	10.5042	(384,093)
Flowers and Plants	(10,000)	YP @	9.5200%	10.5042	(105,042)
Laundry/Linen	(36,566)	YP @	9.5200%	10.5042	(384,093)
Repairs Renewals	(25,596)	YP @	9.5200%	10.5042	(268,865)
Printing Strny	(7,313)	YP @	9.5200%	10.5042	(76,819)
Marketing Promotioon	(36,566)	YP @	9.5200%	10.5042	(384,093)
Website	(7,313)	YP @	9.5200%	10.5042	(76,819)
Rent	(438,788)	YP @	9.5200%	10.5042	(4,609,116)
Rates	(109,697)	YP @	9.5200%	10.5042	(1,152,279)
Service Charge	(36,566)	YP @	9.5200%	10.5042	(384,093)
Refuse	(9,141)	YP @	9.5200%	10.5042	(96,023)
Utilities	(54,848)	YP @	9.5200%	10.5042	(576,140)
Insurance	(14,626)	YP @	9.5200%	10.5042	(153,637)
Bank Charges	(54,848)	YP @	9.5200%	10.5042	(576,140)
Credit Card Charges	(36,566)	YP @	9.5200%	10.5042	(384,093)
Licences	(2,500)	YP @	9.5200%	10.5042	(26,260)
Accounting Audit	(20,000)	YP @	9.5200%	10.5042	(210,084)
					(35,239,303)
					<u>3,170,001</u>

Hotel Rent

Current Rent	1,410,000	YP @	4.5000%	22.2222	31,333,333
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Restaurant Rent

Current Rent	438,443	YP @	5.0000%	20.0000	8,768,860
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Cinema Rent

Current Rent	73,950	YP @	5.0000%	20.0000	1,479,000
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64,866,893

Operated Assets

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**Shaftesbury Avenue
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Hotel & Spa

Hotel Income

Room Revenue	33,068,826	
Minor Department inc Spa	2,602,900	
Rental & Other Income	1,133,700	
		36,805,426

Hotel Expenditure

Cost of Sales (Spa)	(115,917)	
Payroll Rooms	(4,255,452)	
Pay Roll Spa	(460,694)	
Department Expenses (Rooms)	(3,656,141)	
Department Expenses (Spa)	(911,015)	
Payroll Admin & General	(1,836,921)	
Payroll Marketing	(918,460)	
Payroll Prop ops	(536,236)	
Admin & General	(1,724,735)	
Marketing	(2,175,584)	
Energy Costs	(920,136)	
Property Ops	(789,285)	
Management Fees	(736,109)	
Replacement of FF&E	(1,267,870)	
Mgmet Incentive Fee	(924,960)	
Building Insurance	(552,081)	
Property Taxes	(736,109)	
Rent	(6,697,500)	
		(29,215,204)

7,590,222

Cinema

Cinema Income

Cinema Box Office (Full)	2,773,562	
Cinema Box Office (Concession)	782,287	
Screen Advertising	211,992	
Private Hire	150,000	
		3,917,840

Cinema Expenditure

Film Hire	(1,126,137)	
PRS	(31,314)	
Vat on Cinema tickets	(592,760)	
Projection servicing/lamps	(40,000)	
Box Office Licencing	(25,000)	
Heating and Lighting	(73,800)	
Rates (apportionment)	(96,000)	
Insurance	(42,000)	
Cinema Managers	(336,000)	
Cinema Staff	(593,940)	
Marketing and Advertising	(504,000)	
IT	(50,000)	
Film Transport	(15,000)	
Rent	(314,584)	
		(3,840,535)

77,305

Food and Beverage

F&B Revenue

Restaurant Breakfast M-F	1,082,851
Restaurant Breakfast WE	669,355
Restaurant Lunch M-F	1,396,428
Restaurant Lunch WE	1,000,761
Bar Lunch M-F	754,601
Bar Lunch WE	628,213
Cinema F&B Early Mat M-F	286,273
Cinema F&B Early Mat WE	190,849
Restaurant Afternoon M-F	1,397,891
Restaurant Afternoon WE	579,482

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**Shaftesbury Avenue
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Bar Afternoon M-F	505,996	
Bar Afternoon WE	315,890	
Cinema F&B Lat Mat M-F	143,136	
Cinema F&B Late Mat WE	95,424	
Restaurant Supper M-F	1,694,586	
Restaurant Supper WE	1,409,846	
Bar Supper M-F	2,800,919	
Bar Supper WE	746,172	
Cinema F&B Evening M-F	1,001,955	
Cinema F&B Eveing WE	667,970	
		17,368,597
F&B Expenses		
Restaurant Direct Expenses	(2,492,424)	
Bar Direct Expenses	(1,380,430)	
Cinema Direct Expenses	(644,114)	
Staff Salaries	(6,669,541)	
Staff WellFare and Training	(173,686)	
Staff Uniforms	(34,737)	
Recruitment	(86,843)	
Crockery Etc	(173,686)	
Flowers and Plants	(50,000)	
Laundry/Linen	(173,686)	
Repairs Renewals	(121,580)	
Printing Stnry	(34,737)	
Marketing Promotioon	(173,686)	
Website	(34,737)	
Rent	(1,992,745)	
Rates	(521,058)	
Service Charge	(173,686)	
Refuse	(43,421)	
Utilities	(260,529)	
Insurance	(69,474)	
Bank Charges	(260,529)	
Credit Card Charges	(173,686)	
Licences	(12,500)	
Accounting Audit	(100,000)	
		(15,851,516)
		1,517,081
GROSS DEVELOPMENT VALUE		64,866,893
Purchaser's Costs	(4,397,975)	
Effective Purchaser's Costs Rate	6.78%	(4,397,975)
NET DEVELOPMENT VALUE		60,468,918
Income from Tenants		
Hotel Rent	6,697,500	
Restaurant Rent	1,989,853	
Cinema Rent	320,200	
		9,007,552
NET REALISATION		78,661,078
OUTLAY		
ACQUISITION COSTS		
Town Planning Report	15,000	
Survey Listed Building	10,000	
Structural Survey	10,000	
Services Surveys	22,500	
		57,500
CONSTRUCTION COSTS		

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Construction	Units	Unit Amount	Cost
Hotel & Spa			
- FF&E to Hotel, Spa and Rest			2,350,000
- OSE to Hotel, Spa & Rest			705,000
			<u>3,055,000</u>
Cinema			
- Seating to Cinema			66,600
- Cinema Projection Equip			345,400
			<u>412,000</u>
Food and Beverage			
- F&B OSE			42,500
Totals			3,509,500
	m²	Build Rate m²	Cost
Construction Costs			
- Shell and Core Nett Trade			13,808,000
- Fit Out Net Trade			11,136,000
			<u>24,944,000</u>
			28,453,500
Enabling Wks Design Dev Contingency	5.00%		635,076
Main Const Design Dev Contingency	5.00%		1,657,667
FFE/OSE Contingency	5.00%		173,350
Enabling Wks Const Contingency	5.00%		666,830
Main Const Const Contingency	5.00%		1,740,551
Enabling Works Nett Trade			9,360,000
Provisional Sum for Infrastructure			300,000
Mayoral CIL			222,773
Camden CIL (C1)			105,578
Camden CIL (D2)			19,974
Camden CIL (A3/A4)			5,852
Camden Cil (SG)			4,135
			14,891,786
Other Construction			
Enabling Wks Preliminaries	18.00%		1,684,800
Enabling Works OHIP	15.00%		1,656,720
Main Contractor Preliminaries	16.50%		4,115,760
Main Contractor OHIP	6.00%		1,743,586
			9,200,866
PROFESSIONAL FEES			
Architect Design	4.00%		1,510,840
Heritage Consultant	0.10%		38,071
Ecologist	0.05%		19,035
Interior Design	0.25%		94,427
Day Light/SunLight	0.15%		56,656
Architect Construction Drawings	0.50%		188,855
Sustainability	0.15%		56,656
Quantity Surveyor	1.75%		497,936
Structural Engineer	2.00%		569,070
Mech./Elec.Engineer	0.50%		142,267
Project Manager	2.00%		569,070
C.D. Manager	0.50%		142,267
Planning	0.50%		188,855
Utilities	0.15%		56,656
Transport	0.10%		37,771
Viability	0.10%		37,771
Air Quality	0.10%		37,771
Engagement and Consultation	0.10%		37,771
Planning Lawyers	0.25%		94,427

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			4,376,176
MARKETING & LETTING			
Marketing Launch		500,000	
Marketing Disposal	0.35%	81,500	
Letting Legal Fee	5.00%	192,239	
			773,739
DISPOSAL FEES			
Sales Agent Fee	1.50%	907,034	
Sales Legal Fee	0.50%	302,345	
			1,209,378

FINANCE

Timescale	Duration	Commences
Purchase	1	Jan 2018
Pre-Construction	18	Feb 2018
Construction	24	Aug 2019
Post Development	1	Aug 2021
Income Flow	60	Sep 2021
Sale	1	Sep 2026
Total Duration	105	

Debit Rate 6.250%, Credit Rate 0.000% (Nominal)

Land		0
Construction		5,268,973
Other		19,734,570
Total Finance Cost		25,003,543

TOTAL COSTS

83,966,489

PROFIT

(5,305,410)

Performance Measures

Profit on Cost%	(6.32)%
Profit on GDV%	(8.18)%
 IRR	 5.15%
Profit Erosion (finance rate 6.250)	N/A

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