
330 Grays Inn Road Report



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1) INTRODUCTION AND MARKET BACKGROUND

1.1 Introduction

330 Grays Inn Road Limited are undertaking an extensive redevelopment of a 57,250 sq.ft site located at 330 Grays Inn Road, Kings Cross (the 'Site'). The redeveloped scheme is large enough to accommodate approximately 350,000 sq.ft. GIA of mixed-use buildings and comprise the following uses:

- 182 bedroom upscale Hotel or Aparthotel with associated food and beverage and amenity space across 101,468 sq.ft GIA;
- Office;
- Residential (Affordable and Private).

At the time of publishing this report the final plans for the re-development have not been confirmed.

330 Grays Inn Road Limited have engaged Savills UK Ltd to undertake a viability study for the hotel component for the site to include the scale and positioning of a potential hotel for the project, and provide a review of suitable hotel brand options along with insight into the operating contract terms and conditions likely to be provided by the market.

This report contains our conclusions and recommendations. These are market driven and rely on identifying the operational viability of the proposed hotel. The analysis that follows assumes hotel operations will commence in early 2023 and that the development will largely include all/most of the concepts and components listed above.

1.2 Kings Cross Market Background

1.2.1 Location & Access

The site at 330 Grays Inn Road is situated at the northerly end of Grays Inn Road in the London Borough of Camden. Kings Cross and Grays Inn Road is known to connect the 'West End', Holborn/'Mid Town', East London and the City of London.

Camden has a resident population of 249,300 people and is the most creative borough according to CBRE's creative London ranking, with 42,000 people employed in the sector (11% of the borough's workforce).

Camden has 39 conservation areas which cover half the borough, including several parks such as Regent's Park, Primrose Hill and Hampstead Heath. The borough is home to London Zoo, the world's oldest scientific zoo which opened in 1828.

The redevelopment of Kings Cross, which began in 2008 is one of the largest and most exciting redevelopment master plans in London and continues to transform and rejuvenate the area. Originally a 67-acre area of underused industrial wasteland has been transformed into a vibrant new quarter of London delivering 50 new buildings, 1,900 homes, shops, offices galleries, bars, restaurants, schools, a university and 26 acres of public open space.

Kings Cross Business Park brings to the community:

- Annual footfall projected to be 20 million people,
- 3.4 million sq.ft of office space,
- 500,000 square foot area is home to shops, retailers, and businesses of varying industries,

- Estimated that over 30,000 people will be working in Kings Cross by the end of 2020,
- Headquarters of Google, Facebook, YouTube, Louis Vuitton, Havas, Universal Music, The London Borough of Camden, PRS for Music, AutoTrader, New Day, CSC, The Office Group and many more.

Air

London has exceptional connectivity with six airports to over 396 international and 14 domestic destinations, handling over 177 million passengers in 2018. London Heathrow is ranked in the top ten for busiest airports globally for international traffic. London Heathrow is set to expand further with a proposed new runway, increasing capacity to 130 million passengers per year (up from 80 million in 2019).

Rail

Kings Cross Station and the directly linked St Pancras International Station is the Eurostar Terminal making it a key transit point for travellers travelling between the UK and Europe.

Euston Station is a 10 minute walk west of Kings Cross and will be the London terminus of the new High Speed Two (HS2) rail line.

These three central London rail termini, which combined, handle over 100 million passengers annually, are conveniently located within walking distance of the Site and offer six different underground lines with direct access to the West End, City of London and Canary Wharf.

Road

Road connections include the A501 (Euston Road) leading to the A40 and A1, however utility is limited due to general city centre congestion, parking limitations and the London congestion charge (charged at £11.50 per day for most vehicles) which spans the majority of the City of London with the exception of some areas on the eastern boundary.

1.2.2 Economy

Aside of the key occupiers located within the Kings Cross estate, there are a plethora of businesses and industries surrounding Grays Inn Road.

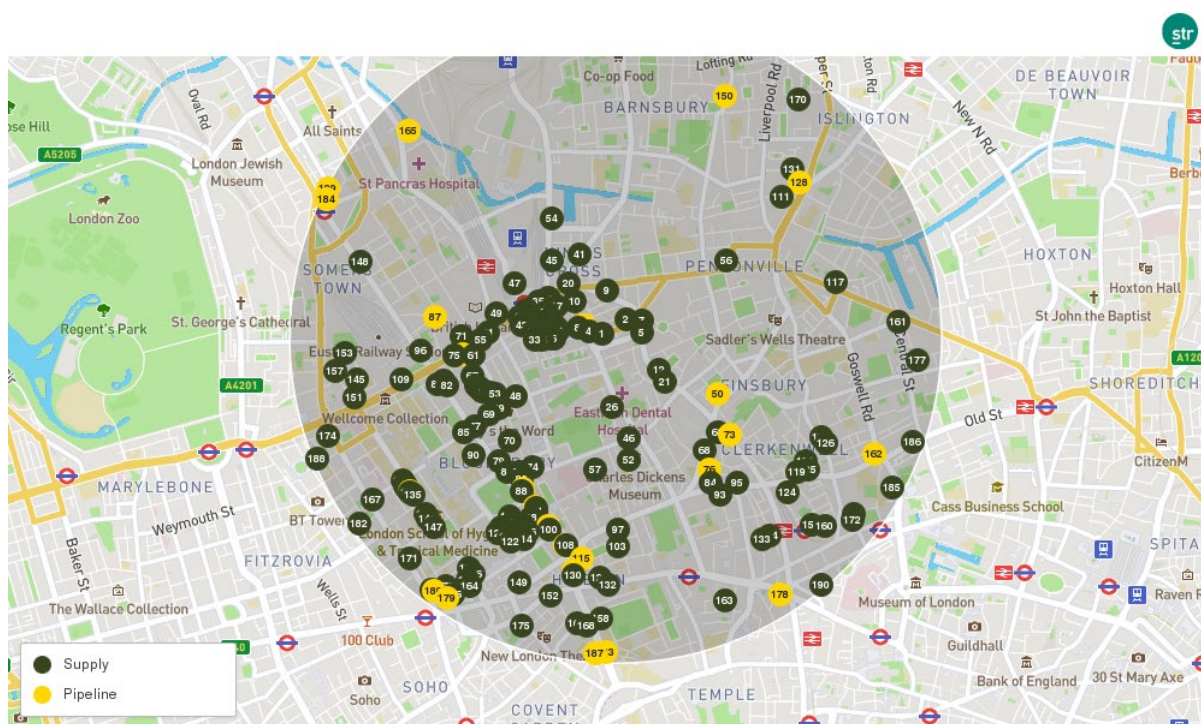
The emerging Knowledge Quarter centred around Kings Cross is a major driver for domestic and international corporate occupiers and accounts for 70,000+ people in over 100 academic, cultural, research, scientific and media organisations within one mile of Kings Cross station. These occupiers attract a large number of corporate and leisure visitors to the area.

2) THE LOCAL LODGING MARKET OVERVIEW

In this section we provide a brief overview of the hotel Supply and Pipeline in proximity to 330 Grays Inn Road (the 'Site') and also with Kings Cross and Camden. In Section 3, we identify and review the hotel supply considered to be most competitive with the proposed project under study, including volumes of demand and average room rate levels. It is the competitive supply presented in Section 3 that is the basis for the market penetration analysis and serves as the foundation for our estimates of occupancy and room rate for the proposed hotel.

2.1 Local Lodging Supply and Pipeline

The highlighted area in the map below details the supply (green markers) and pipeline (yellow markers) within a one mile radius of the Site. There are 165 existing hotels and 25 in the pipeline, which equates to 18,571 guest bedrooms supplied and 2,473 potential new bedrooms. By number of hotels, this area principally provides 2-star hotels (28%), followed by 4-star (25%) and aparthotels (13%), while 13% of the hotel supply is 3-star and 6% hostels. 4-star and 3-star hotels dominate the city's pipeline, with 32% and 28% of the pipeline respectively.



Source: AMPM

Supply

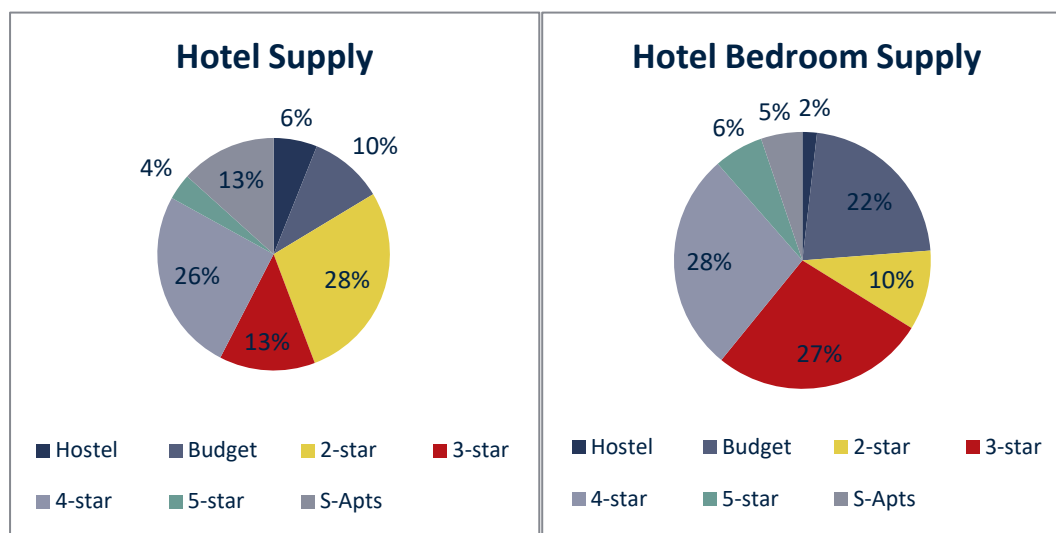
Notably, there are a limited number of 5-star hotels immediately surrounding the Site, reflective of the lack of demand requirements for this type of product in this location.

The market supply breaks down as follows:

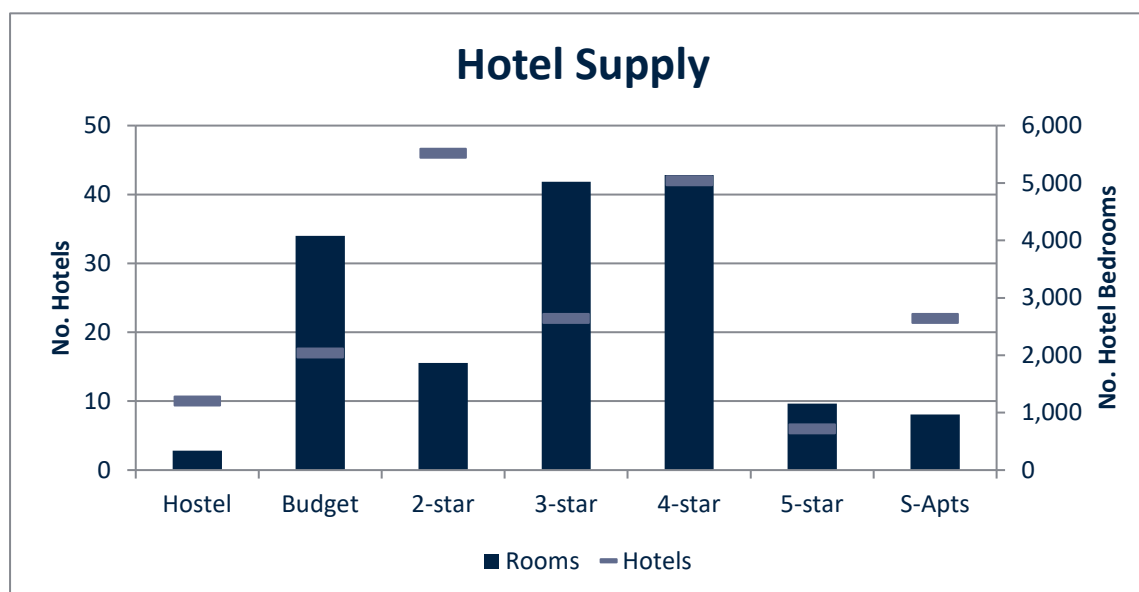
Type	No. Hotels	Share (%)	No. Bedrooms	Share (%)
Hostel	10	6%	339	2%
Budget	17	10%	4,077	22%

2-star	46	28%	1,867	10%
3-star	22	13%	5,021	27%
4-star	42	25%	5,140	28%
5-star	6	4%	1,159	6%
S-Apts	22	13%	968	5%
	165	100%	18,571	100%

Source: AMPM



Source: AMPM



Source: AMPM

Grange are the most prevalent brand in the Local market by number of hotels, with seven hotels and 255 rooms (equating to 4% of current hotel supply and 1% of current room supply). Travelodge are the second largest brand in the market with five hotels and 1,558 rooms (equating to 3% of current hotel supply and 9% of current room supply), with Premier Inn being the third largest brand with five hotels and 1,066 rooms (equating to 3% of current hotel supply and 6% of current room supply).

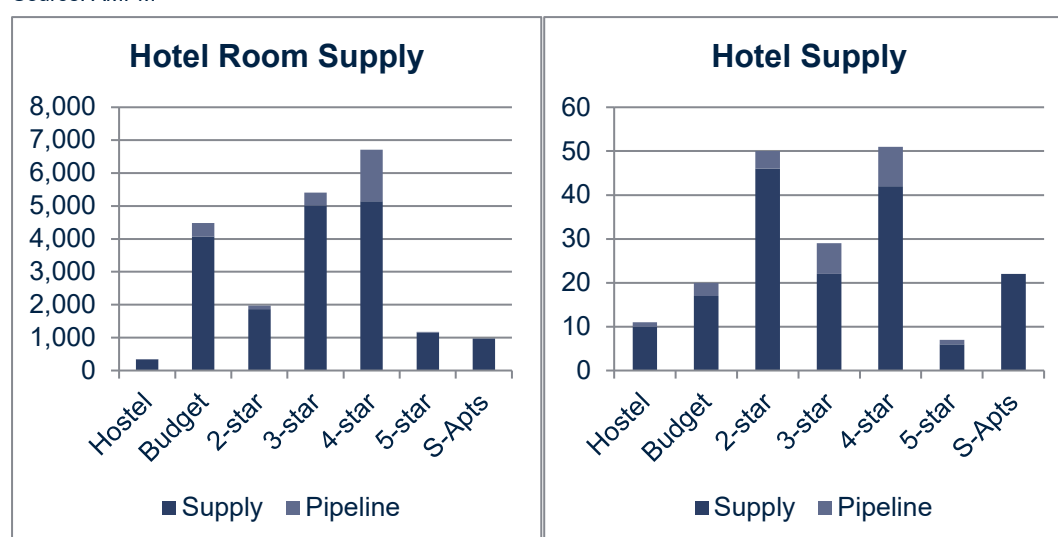
Pipeline

As noted above, there are 25 hotels identified in The Local supply pipeline, equating to 2,473 potential new bedrooms.

Below we outline the breakdown by grade of the proposed hotels:

Type	No. Hotels	Share (%)	No. Bedrooms	Share (%)
Hostel	1	4%	5	0%
Budget	3	12%	403	16%
2-star	4	16%	101	4%
3-star	7	28%	383	15%
4-star	9	36%	1,569	63%
5-star	1	4%	12	0%
S-Apts	0	0%	0	0%
	25	100%	2,473	100%

Source: AMPM



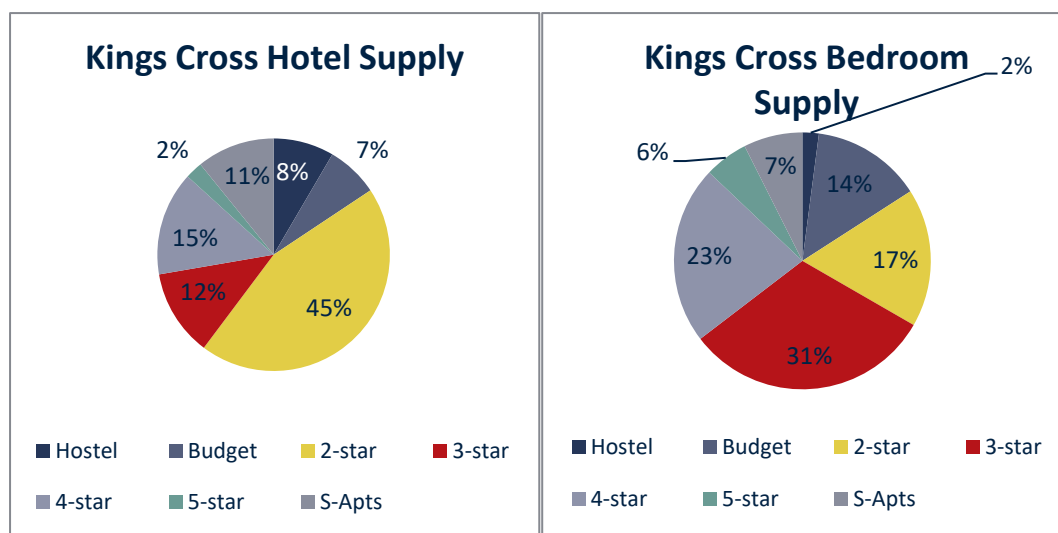
Source: AMPM

At present, 14 pipeline hotels are in the final planning or planning stage and six pipeline hotels under construction.

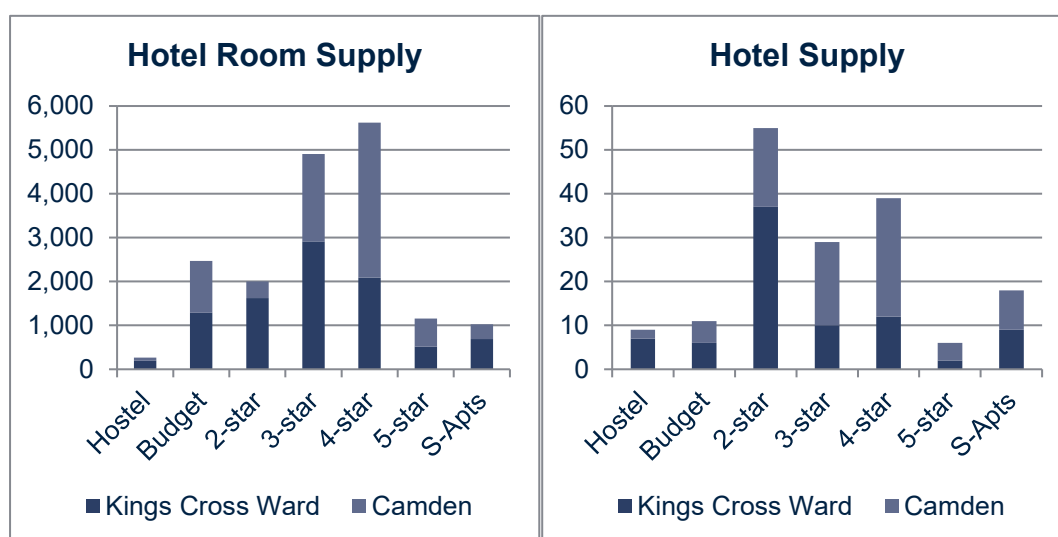
2.2 Camden and Kings Cross Ward Lodging Supply and Pipeline

Supply

More specifically within the Kings Cross Ward, where the Site is located, 60% of the total hotel supply is hostel, budget and 2-star, compared to within the wider Borough of Camden, where these categories account for 45% of hotels. As can be seen in the below charts, Kings Cross accounts for a much larger proportion of lower-class hotels compared to the Borough of Camden overall



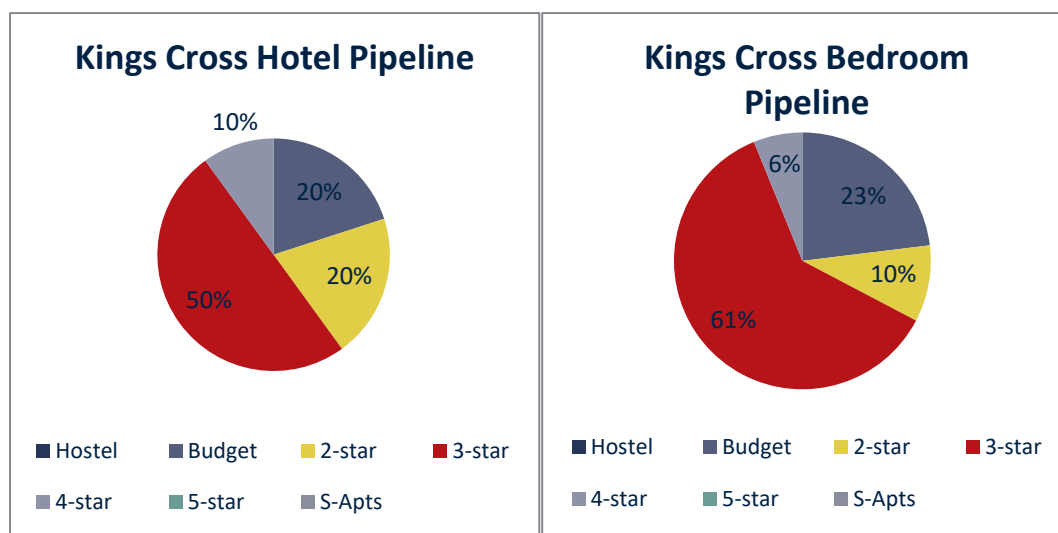
Source: AMPM



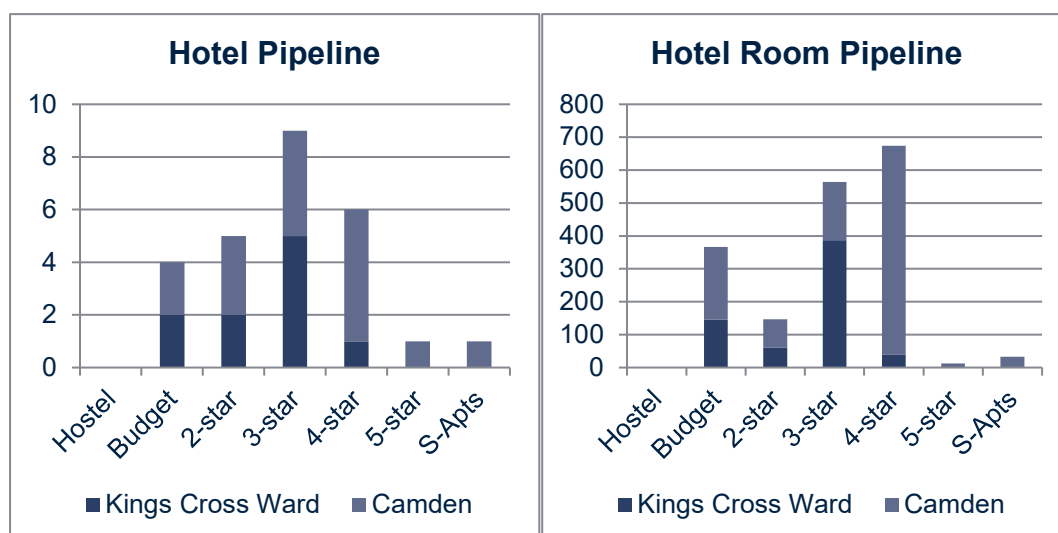
Source: AMPM

Pipeline

In the Kings Cross Ward planning pipeline, the majority of hotels and bedrooms are in the 3-star and lower categories, which account for 90% of the hotels and 94% of the bedroom stock in the pipeline. However, in the wider Borough of Camden, there is a much larger proportion of 4-star hotel rooms in the pipeline, as well as a small number of 5-star hotels and serviced apartments, which are not prevalent in Kings Cross.



Source: AMPM



Source: AMPM

3) COMPETITIVE SUPPLY

3.1 Overview of Competitive Supply

In presenting the competitive hotel market data that follows, we note that the existing supply of competitive hotels have been developed for, and trade within, a demand base that exists today, created by the existing local commercial infrastructure and supported by the larger London area leisure market. It experiences relatively strong demand (above the greater London average, which is reflected in the supply's ability to drive pricing. The quality and location of the stock provides the basis of the supply to drive prices.

We anticipate demand patterns will remain largely unchanged, similar to what is currently experienced in the Kings Cross market, with Monday to Saturday demand to remain exceptionally high due to both corporate and leisure demand generators.

In this section we review the hotel supply presumed most competitive/relevant to the lodging components under study. The demand trends of this supply serve as the basis for our estimates of future demand patterns.

The competing hotel room supply was selected based on:

- Location
- Quality
- Number of rooms
- Branding
- Pricing
- Target markets attracted to the hotels.

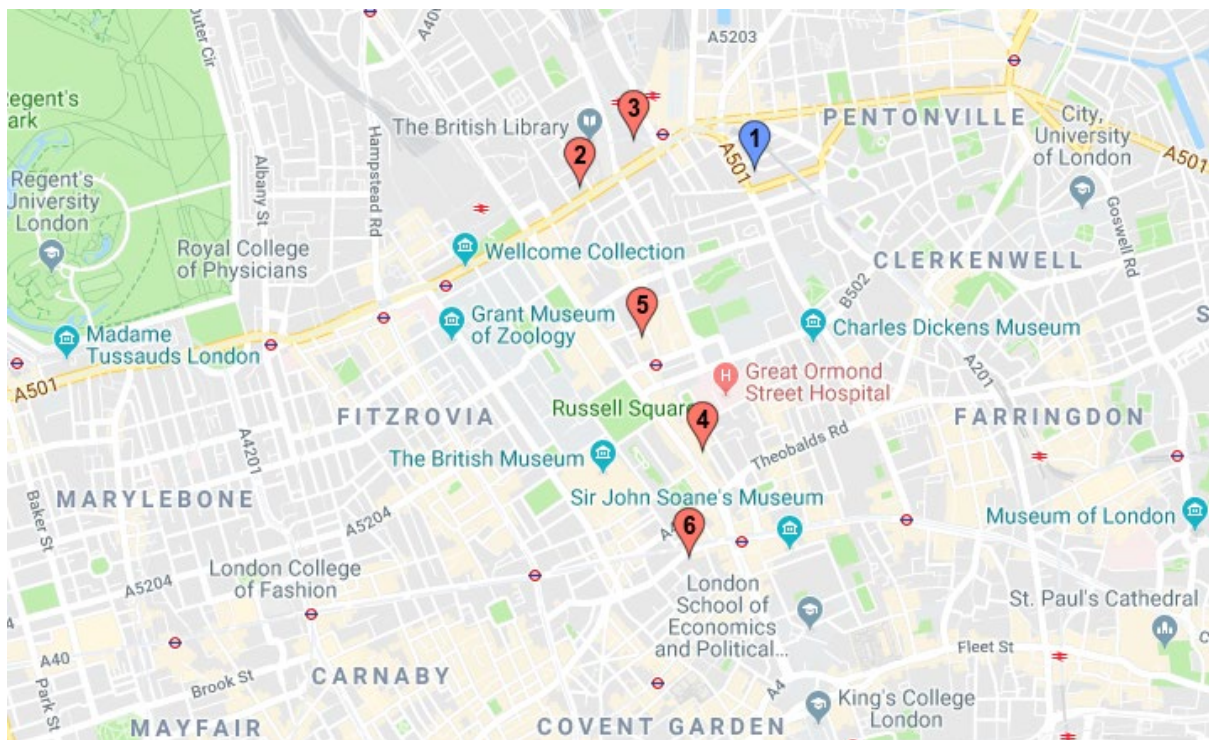
The competitive set varies slightly between that for a proposed Hotel or a proposed extended stay hotel. The competitive set is comprised of hotels which are anticipated to compete most directly with the proposed Hotel and includes five hotels with a combined offering of 1,354 bedrooms. Each of the hotels which make up the competitive set are hotels which provide trading data to STR and have consistently provided data over a full trading year.

The competitive market for a proposed extended stay facility is slightly larger as it incorporates apart-hotels in the market which will provide a limited level of competitive supply. These extended stay competing properties are generally small and not of a quality standing which would make them fully competitive.

3.1.1 Competitive Supply

The table below summarises the hotel competitive set used in our analysis. The map identifies the location of the primary competitors.

COMPETITIVE SET	Competitive Rooms (Hotels)
Pullman London St Pancras	312
Renaissance St Pancras Hotel London	245
DoubleTree by Hilton Hotel London West End	261
Holiday Inn London Bloomsbury	316
Hoxton Holborn	220
TOTAL COMPETITION	1,354



Key	Comp Set	Hotel
1	Site	330 Grays Inn Road
2	Existing Supply	Pullman London St Pancras
3	Existing Supply	Renaissance St Pancras Hotel London
4	Existing Supply	DoubleTree by Hilton Hotel London West End
5	Existing Supply	Holiday Inn London Bloomsbury
6	Existing Supply	Hoxton Holborn

Key	Hotel	Keys	Category	Brand / Operator	Distance from Site	Facilities
2	Pullman London St Pancras	312	Upper Upscale	Pullman / Accor	0.5 miles	Meeting Rooms / Max. Capacity: 17 rooms / 446 theatre Restaurant / Bar: GA Bar Gym/Health Club: Fitness Centre / Sauna
3	Renaissance St Pancras Hotel London	245	Upper Upscale	Renaissance / Marriott	0.4 miles	Meeting Rooms / Max. Capacity: 12 rooms / 575 reception Restaurant / Bar: Booking Office Bar & Restaurant, MI + ME, The Gilbert Scott Restaurant, The Hansom, George's Bar, Roof Garden St. Pancras Gym/Health Club: Spa / Gym / Indoor Pool
4	DoubleTree by Hilton Hotel London West End	261	Upscale	DoubleTree / Hilton	0.9 miles	Meeting Rooms / Max. Capacity: 8 rooms / 100 reception Restaurant / Bar: Bar 92, Restaurant 92, The Level Restaurant Gym/Health Club: Fitness Centre
5	Holiday Inn London Bloomsbury	316	Upper Midscale	Holiday Inn / IHG	0.6 miles	Meeting Rooms / Max. Capacity: 15 rooms / 350 reception Restaurant / Bar: Junction Restaurant, Junction Bar & Lounge, Callaghan's Sports Bar & Restaurant Gym/Health Club: N/A
6	Hoxton Holborn	220	Upper Upscale	Hoxton / Hoxton	1.1 miles	Meeting Rooms / Max. Capacity: 6 rooms / 200 reception Restaurant / Bar: Hubbard & Bell, Chicken Shop, Lobby Bar, Coffee Bar Gym/Health Club: N/A

3.1.2 Future Competitive Supply

Of the 24 proposed projects (2,105 keys) in the pipeline, five hotels (864 keys) are currently under construction. Two of the new build hotels, Zedwell Tottenham Court Road and Ruby Stella sit within the 4-star category and the remainder within the midscale/budget categories.

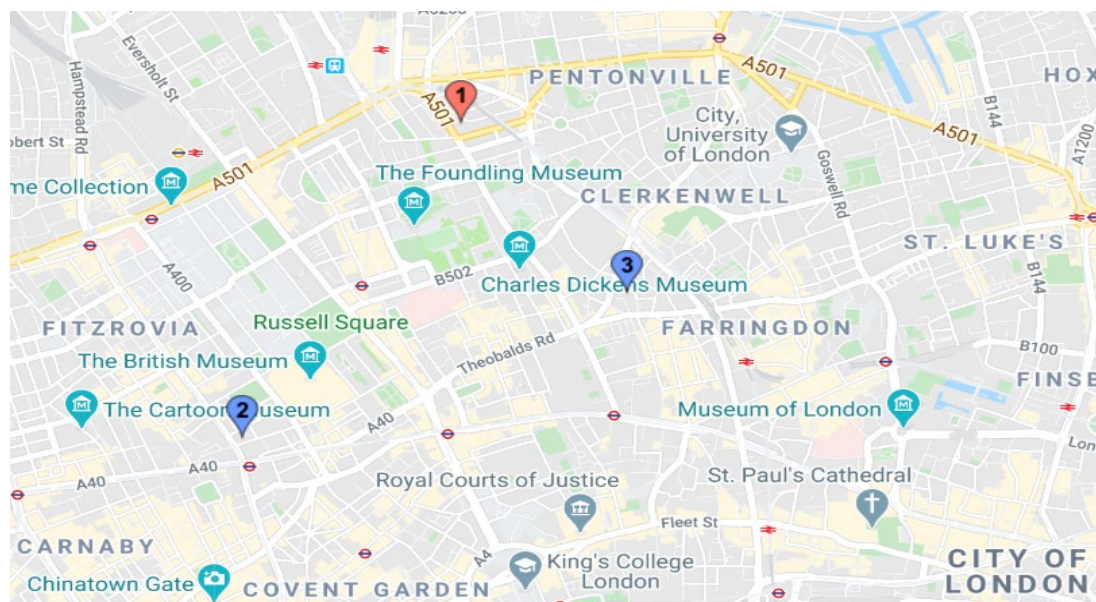
Other projects in the pipeline are either not considered competitive or are not yet mature enough to be considered as probable for development. However, given the lead time to the subject property's stabilised trading and the continual transformation of the Kings Cross area, it is not unrealistic to expect that other projects, currently not identified publicly, may come on-line during the analysis period.

As is the case for the existing competitive supply, not all future hotel additions are assumed to be 100% competitive with the project under study. In cases where a new project is considered only partially competitive, only a percentage of its future supply is considered in our analysis.

Given the nature of the proposed hotel either being extended stay or a traditional hotel, the competitive supply varies for each. However, this variation is minimal as there is only a limited supply of extended stay hotels and therefore most of the competitive supply for both components largely comes from the same hotels. Future competitive supply has been assumed as follows:

Property Name	Comp. Level	Total Rooms Avail.	% Comp.	Comp. Rooms	Est. Year Opening
Yotel London Clerkenwell	Secondary	212	20%	42	2020
Citadines Islington London	Secondary	108	20%	22	2020
Zedwell Tottenham Court Road	Primary	220	100%	220	2020
Ruby Stella	Primary	153	100%	153	2021
Hub London Farringdon	Secondary	171	15%	26	2022
Total		864		463	

The map below represents the Primary Competition to the proposed Hotel:



Key	Pipeline
1	Site 330 Gray's Inn Road
2	Pipeline Zedwell Tottenham Court Road
3	Pipeline Ruby Stella

Once again Serviced apartment/aparthotel data is very difficult to come by and firms such as STR are unable to provide accurate and quantitative data to truly analyse the market in question.

Based on our market knowledge, database and AMPM, we understand that Princes House, on Kingsway in Holborn is the only new licenced serviced apartment/ aparthotel buildings in the pipeline for the surrounding areas of Kings Cross. Existing planning permission for Princes House is for 48 keys with limited space allocated to hotel operations thus, it is less likely to appeal to the branded international operators who will be interested in Grays Inn Road. The fact that there is no other known future supply of licenced aparthotels in the local vicinity is encouraging and also makes this opportunity highly desirable for the national and international operators.

3.1.3 Hotel Competitive Set Performance

The table that follows summarises the hotel competitive set's supply and estimated demand over the past five years from 2015 to 2019.

	2015	2016	2017	2018	2019	CAGR 2015-19
Rooms Supply	463,445	464,645	466,328	468,660	473,796	0.6%
% Change		0.3%	0.4%	0.5%	1.1%	
Room Nights Demand	396,738	405,125	425,093	419,166	418,663	1.4%
% Change		2.1%	4.9%	-1.4%	-0.1%	

During the five-year period 2015-19, competitive supply has increased at a compound annual rate of 0.6%, while demand has increased at a compound annual rate of 1.4%. The growth in demand is largely driven by the increase in supply which is reflected in years 2015 to 2017 where supply increased and demand followed or exceeded growth in supply. This however was not the case in 2018 and 2019 where although there was a moderate increase in supply, demand declined for the year.

The table that follows summarises the estimated occupancy and average room rate for the competitive set.

	2015	2016	2017	2018	2019	CAGR 2015-19
Occupancy	85.6%	87.2%	91.2%	89.4%	88.4%	0.8%
% Change		1.9%	4.6%	-1.9%	-1.2%	
ADR (£)	161.73	166.14	171.46	173.88	181.04	2.9%
% Change		2.7%	3.2%	1.4%	4.1%	
RevPAR (£)	138.44	144.86	156.30	155.52	159.98	3.7%
% Change		4.6%	7.9%	-0.5%	2.9%	

Occupancy showed substantial growth from 2015 to 2019 with annual occupancies exceeding 85% each year. Although occupancies were high in 2018 (89.4%) and 2019 (88.4%), there was a decline of 1.9% from 2017 and a decline of 1.2% from 2018 which is reflective of the decline in demand.

Room rates have, on average, increased at rates above inflation during the past five years. The strong demand over Monday to Saturday when the market is essentially near capacity has allowed the market to maximise room rates during the high demand periods.

3.1.4 2020 Hotel Performance

Hotel Performance in 2020 has been severely impacted by the Covid-19 pandemic with hotels forced to close, or only open for key workers at a severely reduced rate, for the majority of the year. As such, trading fundamentals for the year are incomparable to past years which is why they have not been included.

We do however expect the hotel market to recover as domestic and international travel restrictions are lifted, with industry forecasts predicting the London hotel market to recover to 2019 levels by 2023/2024.

