

UK ECONOMY & HOTEL MARKET – HALF YEAR TO 31 DECEMBER 2010

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ECONOMY

The Current Position Being Taken By the Banks

Those banks that lent the most into the hotel sector at the height of the market are those less willing or able to lend into the sector at present. Those that took a more cautious view to hotel lending during the period between 2004 to 2007 are now seeing this as an opportunity to lend to the strongest hotels through attempting to expose any breakdown in a customer's current banking relationship. As a consequence some banks are simply closed for business, however others are prepared and in specific cases keen to increase lending in the hotel sector. There are still examples of bank funded deals based on a "loan to value" criteria however certain banks are using a revised formula of "a multiple of EBITDA" as a way of focussing on lending to hotels where current profit provides comfort on the serviceability of the loan.

In certain circumstances UK banks are running a policy of "amend and extend" where they feel they can, however as is the case in other property sectors there are cases whereby undertaking such practise is only delaying the issue. Although certain banks and their advisors are still of the opinion there is a weak market for hotel sales others are realising that this is not the case and there is an on-going latent demand from buyers who have become increasingly frustrated over the shortage of hotel stock in the current market.

As banks fear falling hotel values and face the challenges of the increasing costs of funding they are looking at ways of reducing the burden of debt including means of re pricing existing debt. This is leaving some banks with aggrieved customers who are being courted by other UK banks less exposed to the current issues together with emerging foreign banks identifying the rich pickings on offer of solid trading hotels.

NAMA Issues First Enforcement Proceedings

NAMA, Ireland's so-called "bad bank", began enforcement proceedings against developer Paddy Shovlin and two of the country's leading hoteliers. According to the Irish Independent, the National Asset Loan Management Limited (NALM), a 100% owned subsidiary of NAMA, sought the debt recovery. The case against Shovlin and hotelier brothers Anthony Fitzpatrick and Patrick Fitzpatrick is the first of several enforcement proceedings set to be lodged against developers. The action follows warnings from NAMA that it will instigate legal action against who it says are refusing to co-operate with it. Its planned actions include taking control of businesses and assets through the appointment of receivers.

**HOTEL STATS BRIEFING DATA
UK CHAIN HOTELS
PERFORMANCE REPORT
(12 MONTH PERIOD ENDING
DECEMBER 2010)**

The calendar year to December 2010			
	UK Total	London	Provincial
Occ %	74.2	82.2	69.5
ARR £	91.1	124.2	68.2
RevPar £	67.6	102.1	47.4
TrevPar £	110.7	142.8	92.0
Payroll %	28.3	24.3	31.9
GOP PAR £	42.9	68.3	28.2

The calendar year to December 2009			
	UK Total	London	Provincial
Occ %	72.5	80.3	67.9
ARR £	87.3	114.0	68.9
RevPar £	63.2	91.5	46.8
TrevPar £	106.5	131.3	92.1
Payroll %	28.5	25.2	31.3
GOP PAR £	40.1	60.0	28.6

Movement for the calendar year			
	UK Total	London	Provincial
Occ %	1.8	2.0	1.6
ARR £	4.3%	8.9%	-0.9%
RevPar £	6.9%	11.6%	1.5%
TrevPar £	3.9%	8.8%	-0.1%
Payroll %	0.2	0.9	-0.6
GOP PAR £	7.0%	13.9%	-1.4%

Source: TRI Hospitality Consulting

Lloyds Property Boss Warns On Secondary Assets

Secondary and regional property will continue to be a problem for lenders in spite of the recent market rebound, according to the head of Lloyds Banking Group. Richard Dakin, managing director and head of corporate real estate in Lloyds' business support unit confirmed that Lloyds was unlikely to increase the pace of sales from its £81bn loan book, and that large-scale solutions where loans or problem assets were parcelled up for sale would be difficult to achieve.

Hospitality Industry to Champion Economic Recovery

At the seventh Annual Hotel Conference (AHC) in Manchester, key note speakers set out the importance of the hospitality sector in creating jobs and of being a priority on the Government's agenda to foster the UK's economic growth. Sir Howard Bernstein, Chief Executive of Manchester City Council, highlighted the significance of conferences such as The AHC to act as a forum to debate the priority the role of tourism should play on the government agenda. He also called on both the private and public sector to champion the subject of hospitality and tourism and get it firmly onto the government agenda. Ufi Ibrahim, Chief Executive of the British Hospitality Association, called for the UK to adopt an approach to tourism as seen in China where tourism is acknowledged as "the job creator" and where there is a phenomenal level of investment and development to reflect this. Ms Ibrahim also announced the target of the UK hospitality industry, as laid out in the proposition document recently submitted to the UK government, to provide 236,000 new and additional jobs by 2015. The clear call to action was for cross-departmental collaboration and the need for both public and private sector companies to set the agenda for tourism and drive initiatives rather than waiting for the government to act. 286 delegates attended the seventh successive AHC representing independent hotel owners and operators, lawyers, architects, banks and financial institutions, consultants as well as many other stakeholders from across the hospitality industry.

In addition to the key note speeches, morning and afternoon breakout sessions offered a broad choice for delegates including funding options, marketing trends and patterns and options for independent hotel owners and operators in the current environment when considering whether to buy, sell or hold assets. Panels were moderated by Julian Troup and Chris Moore Directors of Colliers International whilst a session on UK valuations was conducted by David Hossack, Director and Head of Hotel Valuations at Colliers - TRI Hospitality Consulting/Hammonds Solicitors/Colliers International said: "We are proud to be patrons of the Annual Hotel Conference and particularly delighted that such high profile speakers underlined the key role of hospitality in the UK's economy. We look forward to welcoming yet more delegates to the eighth AHC in 2011".

THE HOTEL MARKET

General Overview of the Current Market

Contrary to what is generally being reported by the media the market is not awash with the availability of failed hotels at knock down prices. There are still examples of trophy or quality assets commanding fair value and even premium prices.

FOR SALE

BRIERY WOOD, WINDERMERE



A lovely 23 bedroom hotel with extensive public rooms and separate bungalow set in around 6 acres of delightful landscaped grounds, with planning permission for 38 spacious new bedrooms a new 11 bedroom staff lodge and additional car parking.

VALUATION

CORINTHIA HOTEL, LONDON



Hot on the heels of the much publicised re-opening of the Savoy Colliers International hotels team has been working closely with Corinthia Hotels, carrying out valuation work for what will be London's newest grand hotel. The five star deluxe Corinthia Hotel is due to open with 294 rooms and suites in April after an investment of more than £250 million and expects to give the Savoy a good run for its money.

Transactional Activity

Similar to the housing market in recent years the shortage of hotel stock has helped to maintain values due to the effects of demand and supply. The reduction in bank support is resulting in many deals being done outside the traditional model of outright purchase supported by 60/70% bank borrowing and although outright disposals continue to lead the way in certain cases enforced measures are resulting in greater creativity in the type of deals that are being concluded.

Sales are still taking place with traditional funding mechanisms however volume has reduced from the boom period. There are now many more Cash/Private equity funded purchases where buyers see the opportunity to hold and improve and arrange bank funding at a future date. Such creativity includes vendor loans with deferred payments, part disposal through joint ventures, option agreements, shared ownership with parties buying into businesses to help reduce bank debt and bank supported deals which see new credit but in real terms a "debt transfer" on reduced borrowings.

Activity and disposals principally falling into two categories: Distress - for sale through administrator/receiver or where banks are leaning on the vendors then examples of cheaper prices being achieved, however based on demand and supply examples where cash buyers fight it out between themselves resulting in higher bids. Trophy and High Quality Assets - At the other end of the scale high quality assets continuing to hold their value, combination of buyers prepared to pay a premium for trophies but also this type of hotel more likely to attract bank funding. Hotels Sitting Between Distress and Trophy - Reduction in the number coming to the market being a combination of banks supporting owners of under trading hotels whilst conversely better trading businesses where owners are reluctant to go to the market.

The alternatives to selling include franchises, management contracts, leases, leases with a purchase option, marketing initiatives with corporate concerns.

Julian Troup of Colliers International said "With less confidence many vendors are preferring the agent to go quietly to the market. We are convinced there will be a backlog of hotel owners who would sell if they were given the comfort feeling that they could achieve fair value. It is likely that transactional activity will be driven in the next few years on the back of covert marketing using only experienced and recognised UK hotel brokers who have a proven record of selling in the current climate".

RBS Seeks £200m for Last Batch of Hilton Hotels

Royal Bank of Scotland brought the remaining assets from its Hilton hotel portfolio to the market for around £200m. The portfolio comprises the 181 bedroom Hilton Warwick, the 334 bedroom Hilton Brighton Metropole, East Sussex, the 170 bedroom Hilton St Anne's Manor in Bracknell, Surrey, the 319 bedroom Hilton Glasgow, the 96 bedroom Hilton Glasgow Grosvenor and the 230 bedroom Hilton Manchester Airport. The marketing of the six properties follows RBS's recent sale of the 146 bedroom Hilton Maidstone hotel in Kent, the 215 bedroom Hilton Bracknell in Berkshire and the 139 bedroom Hilton Avisford Park in Arundel, West Sussex, to a high-net-worth investor for a reported £40m.

SOLD

MILL HOTEL, SUDBURY,
SUFFOLK



Formerly owned by Elizabeth Hotels
Colliers International sold the 3 star 55
bedroom hotel acting on behalf of KPMG

VALUATION

HILTON LONDON HYDE PARK
HOTEL



Valuation provided for loan security
purposes in connection with an
acquisition by the bank's customer

Barclays Bow Out Of Intercontinental Hotels

The Barclays brothers sold their entire 10% stake in InterContinental Hotels (IHG). Ellerman Corporation, a vehicle for Sir David and Sir Frederick Barclay, sold its £29.9m share stake in IHG by way of a placing through Barclays Capital at £11.20 a share. The Barclays, owners of the Telegraph group and the London Ritz hotel, are thought to have started buying IHG shares towards the end of 2006 and built their holding to about 10% in May 2007 to become the group's largest shareholder.

Savoy Reopened After Significant Refurbishment Programme

The Savoy, in London's West End, finally reopened in October: the reopening had been put off at least four times and the refurbishment cost of £220m was more than double the original £100m estimate. The grande dame of London hotels closed in December 2007 and it was expected to reopen in May 2009.

Swire Sets Up Chapter Hotels

Swire Hotels is setting up a new UK brand called Chapter Hotels. The first opening was in Cheltenham the former Hotel Kandinsky once owned by Alias hotels.

UK Leads the Way for Hotel Development

It was reported at the end of the period that the UK continues to be the country in Europe with the most hotel bedrooms under development, according to the STR Global Construction Pipeline Report. There are currently 28,734 rooms in the total active pipeline in the UK, with Germany reporting 16,672 rooms being developed, followed by Russia with 15,627 rooms. London is the busiest city for development, leading the way with 9,755 rooms, followed by Berlin (4,469) and Moscow (3,997). In total, there are 120,488 rooms throughout Europe in the pipeline, which will add to the existing supply of 3.8m.

Staycation - Holidaymaker Confidence at Two-Year High

Consumers are currently less likely to cut back on their holidays than at any other time over the past two years. A PwC survey found consumers are returning to their preferred holiday destinations, although still taking fewer breaks and spending less at the destination than before the recession. A report by the professional services firm said: "The bad news for the travel industry is that consumers are still taking fewer holidays than normal, with 30% of respondents saying they have not taken a holiday in the last 12 months. However, there is a silver lining, with the balance of respondents saying their spend on holidays has increased over the last 12 months". PwC polled 2,000 consumers in October and found that - excluding those who have not taken a break in the last 12 months - 15% of respondents have increased their holiday expenditure and 23% of the more regular holidaymakers have increased that spend further. Consumers are less likely to cut back on holidays than at the start of the recession, with only 9.6% of respondents saying they would cut back on their main holiday and 4.6% on short breaks or weekends away.

FOR SALE**CORUS SOLIHULL**

A 111 bedroom commercial hotel strategically well located and offering rebranding opportunity

SOLD**THE PARK, WICK, BATH**

Handled by Colliers International this handsome country house hotel in around 240 acres, including two 18 hole golf courses. There were 24 bedrooms and a further 18 part built, plus planning consent for a new clubhouse and function facility. Was sold off a £6m guide price.

FA Funding Deal Kicks Off £150m National Football Centre

Building work will soon begin on the £150m National Football Centre in Burton after the Football Association unanimously approved funding for the facility. The FA's Board formally endorsed the work schedule for St George's Park with construction work set to begin in January and completion expected in the summer of 2012. St George's Park will be home to a workforce of 1,400 FA coach educators, who in turn will train in the region of 250,000 coaches by 2018. Colliers International has been advising on the project which the FA will fund itself. FA board member and chairman of the National Football Centre board David Sheepshanks said: "St George's Park will be a world-class facility providing top-class education for future generations of English football coaches".

An Alternative to Hotel Accommodation

No longer the sole choice of budget backpackers, hostel accommodation is now the fastest growing global accommodation segment. Standards of accommodation and service have improved greatly in recent years, and they now appeal to an ever broadening range of travellers. UK-based hostel owners and managers views and opinions on future performance and confidence: Confidence in the sector - rising and strengthening - Occupancy and average bed rate - bed yields projected to improve - Finance and operations - gross operating profit expectations rise - Overall, there appears to be strong confidence in the future performance of the UK hostel sector.

Overseas Investors Dominate UK Hotel Market

Overseas investors dominated the UK hotel investment market in 2009 and 2010, accounting for 37% of all transactions. According to recently reported Property Data, UK institutions followed closely behind, taking 30% of UK hotel investment market share. Private property companies accounted for 9% and private individuals and quoted property companies both represented 7% of all hotel deals agreed over the past two years in the UK - the review also found that UK prime hotel equivalent yields have come in from around 6.25% at the beginning of 2010 to 6% last month.

revPAR up in 2010

Hotels in London ended 2010 with double-digit revenue per available room - or revPAR - growth up by 11.9% on the previous year to £112. Marvin Rust, hospitality managing partner at Deloitte, said of the results from hotel market research firm STR Global: "Average room rates have been the key driver of growth this year, with £12 being added compared to 2009 and now stand at £136." "Performance in the regions also ended the year on a high note, with revPAR up 3.9% to £46." STR Global believes the outlook for 2011 is more challenging, especially for London. It predicts a 2.2% rise in revPAR for London, while regional UK is expected to report stronger growth than the capital, up 4.4%. However, Deloitte is more optimistic on London and expects the capital's revPAR to post a healthier growth than predicted by STR Global. Nick van Marken, global head of advisory for tourism, hospitality and leisure at Deloitte, noted: "Against a backdrop of significant restructuring across the UK hotel industry, London has seen a spike in investment activity in 2010. This really underpins the city's inherent attraction to global investors, and demonstrates that even in difficult times, prime hotel property remains in demand."

SOLD**BEST WESTERN CUMBERLAND HOTEL, HARROW**

84 bedroom hotel – sold off an asking price of offers in excess of £5m and received multiple bids.

SOLD**BEDFORD LODGE, NEWMARKET**

Colliers International sold the 4 star boutique Bedford Lodge hotel in Newmarket, off an asking price of £12.5m to a Private Family Trust.

CORPORATE NEWS**Shearings Group Announce Strategic Moves**

In the summer the company announced their plans to expand its hotel portfolio by up to ten new properties over the next three years. The move following the acquisition of its 50th UK property, the 72 room Charlecote Pheasant Hotel in Stratford upon Avon will join Shearings' Coast & Country collection, which currently comprises 14 properties. Vince Flower, managing director of Shearings Hotels, said: "Our Coast & Country hotels are hugely popular with customers and provide agents with the opportunity to offer a quality UK hotel break to those who may not have previously considered a Shearings holiday". Shearings' latest investment follows a £10m refurbishment of its 49 strong UK portfolio last year, which helped lift the group's income from hotels by 8%.

French Hotel Group Sells UK Properties

All of the 17 Campanile hotels in Britain were put up for sale by their owner, the Louvre hotel chain. The locations include Cardiff, Glasgow, Birmingham, Liverpool and Manchester. Another hotel in the chain, Premiere Classe in Coventry, is included in the £70m asking price.

Sleeperz Signs Deal for Third Hotel on Network Rail Land

Budget hotel chain Sleeperz secured a deal to build its third hotel on Network Rail land. The group will build a 98 bedroom property in Newcastle upon Tyne city centre. Sleeperz is in talks with Network Rail to build hotels on a number of other sites across the UK that are owned by the not-for-profit rail operator. Private equity group Connection Capital has provided £1.2m to Sleeperz to enable the development of the £7m hotel. It is the first investment for the recently launched business.

Whitbread in £102m Debt Deal Leave Them Hungry to Expand

Hotel and Restaurant Company Whitbread raised £102m of debt to repay its existing shorter-dated bank facilities. The company said the move was in line with its strategy of diversifying its sources of funding and lengthening its debt maturities. The new cash takes the form of private placement notes with a variety of institutional investors. Whitbread plans to increase the number of its hotel rooms by 30% in the next three years at home and abroad. About 2,800 hotel rooms will open this financial year, up from 1,800 last year.

Rezidor to Open Radisson Blu Hotel at East Midlands Airport

The Rezidor Hotel Group has announced plans for a Radisson Blu Hotel at East Midlands Airport, scheduled to open in the first quarter of 2012. The new build property, which will feature 208 bedrooms and eight suites. Kurt Ritter, president and CEO of Rezidor, said: "This project is our fifth airport hotel in the UK and we continue to be Europe's leading airport hotel operator with 32 properties in operation and under development and a total of more than 8,000 rooms". Hotel investment firm and franchisee of the new hotel are Azure Property Group.

Gatwick Welcomes Shiva to North Terminal

Gatwick Airport has signed up hotel development and Management Company Shiva Hotels to operate a new 192 bedroom 'Hampton by Hilton' hotel in the North Terminal. Gatwick Airport and Shiva Hotels aim to submit a full planning application to Crawley borough council in December and the redevelopment work is expected to start in early 2011. The three star hotel will open in time for the 2012 London Olympic and Paralympic Games.

SOLD**CHANNINGS HOTEL, EDINBURGH**

Colliers International sold in December 2010 the 4 star, 41 bedroom Channings Hotel, Edinburgh – situated a short walk from Edinburgh's city centre Channings was sold from an asking price of Offers around £5.5 million.

Accor Targets Greater London

Accor announced plans to open three franchised hotels in Greater London. Two of them will be All Seasons, in Croydon and Leyton and the third will be a Mercure, in Bloomsbury. Colliers International Hotels acted for Accor in the matter.

Roadchef Re-Brand Their 15 Premier Inns To Days Inn

The motorway service operator Roadchef re-branded its 15 lodges under the Days Inn brand after its ten year deal with Premier Inn came to an end.

IHG Promises 37 New UK Hotels

InterContinental Hotels Group has committed to opening 37 properties in the UK in the coming years as part of a £500m investment. The openings will include one in Westminster, in December 2011, two in the Olympic Village the year after, and new properties in Newcastle Upon Tyne, Colchester, Birmingham, Glasgow and Manchester.

MWB Looks At Sale of Business Exchange Stake

MWB Group Holdings has admitted it will look at the sale of its controlling stake in MWB Business Exchange although not for "several years". It hopes to convert the St Andrews Golf Hotel into a Hotel du Vin in the first four months of next year. It is looking at further opportunities to roll out Malmaison in Europe and the US.

Macdonald Complete Refinancing

A revaluation that showed a surplus to net book value at Macdonald Hotels has helped Scotland's biggest hotel company complete a £340m refinancing. The owner of 44 hotels and seven resorts sold 24 properties for more than £400m to Moorfield at a book profit of £126m in January.

Travelodge Continue To Expand

Budget hotel operator Travelodge has signed an agreement to run the former Kent International Hotel in Ramsgate. The purpose-built, 57 bedroom hotel has closed until summer 2011 for a £2m refurbishment, which will include the conversion of the public areas into new bedrooms. Travelodge will then operate the hotel with 68 bedrooms and a bar-café. This is a further example of Travelodge looking to expand through the new build model together with the conversion route of existing hotels and other non-hotel properties.

Tune Hotels Due to Expand

The Tune Hotel in Westminster, London, has been chirping away solo since it opened in August this year. Soon, however, a sweet-sounding harmony will be heard drifting across the UK's capital as the expansion of the budget brand creates a choir of Tunes in the city. It was announced that a group of investors have got together to form Raag Hotels, which, starting with an initial equity capital of £38 million, plans to invest £100 million in developing 15 Tune hotels (1,500 rooms) in London over the next five to seven years; the consortium has exclusive rights to the Tune Hotels franchise in the city. Raag has engaged Queensway Hotels to manage its assets, and so far it has already acquired the Westminster hotel and secured a second site.

Radisson Blu Hotel on Portman Square Goes To the Market

The 272 bedroom Radisson Blu hotel on Portman Square, W1, was placed on the market seeking up to £120m. Gloucester Capital bought the building in 2006 for around £85m. It is currently operated by Belgium-based Rezidor Hotel Group.

ACQUIRED

HILTON



Three hotels leased to Hilton and acquired at a significant discount to asking price on behalf of a private client. The purchase included the Hilton Bracknell with 215 letting rooms, the Hilton Maidstone with 146 letting rooms and the Hilton Avisford Park with 139 letting rooms.

FEASIBILITY STUDY

WEST QUAY, SOUTHAMPTON



Colliers International consulting team has worked with Hammerson, the master developer of the West Quay development in Southampton providing a feasibility study for a full-service hotel as part of this 75,600 sqm mixed use project. Their work recommended the most appropriate size and market positioning for the hotel and is a valuable tool for securing operator interest to support the economic case.

Banks Look To Transfer Jarvis

A Royal Bank of Scotland led syndicate of banks was in talks to transfer hotel group Jarvis Hotels into one of the bank's asset holding companies. The transfer is one of a number of options that the bank and its syndicate partners, HSBC and Bank of Ireland, are understood to be exploring. The talks follow the 30 July expiry of a £130m loan the trio provided. Jarvis operates 46 hotels under the Ramada franchise. Jarvis, has been in talks with potential investors to buy all or some of the group's assets. Conversations are also known to have taken place to sell the entire trading business. According to its most recently filed accounts, Jarvis has been exploring a restructuring of its debt with its lenders, which would see part or all of the shareholders' equity diluted.

The Alternative Hotel Group Renamed As the De Vere Group

The Alternative Hotel Group is being renamed as the De Vere Group, reflecting the strength of its De Vere brands. "The rebranding recognises the strength of the De Vere brand, which reflects excellence, high quality customer experience and value for money," said De Vere Group's chief executive, Richard Balfour-Lynn. "We believe that the parent company name should reflect its principal brands and be recognisable as the owner of the UK's leading independent hotel and hospitality businesses. The emphasis of the De Vere name across these successful operating businesses will have significant resonance with our large and growing customer base." The De Vere Group is made up of three divisions - De Vere Hotels, De Venues and De Vere Village, which is being renamed from Village. De Vere Hotels' 11 properties will have sold more than 400,000 room nights by the end of 2010, with a total revenue of £97m from its hotels and £6m from its golf courses. De Vere Village operates 26 hotels, which are forecast to sell almost 800,000 room nights by the end of the year, having generated total revenue of £143m. Six new-build hotels are planned for 2012, each with a substantial leisure club with an average of 3,800 members. De Venues provides facilities for training sessions, meetings and conferences at 29 locations. The De Vere Group owns a total of 65 hotels and residential conference venues across the UK, as well as 15 Greens leisure clubs and G&J Greenalls distillery. It also has 16 golf courses at 11 of its hotels and venues.

TRANSACTIONAL MATTERS

M&B Nets £91m for Hotels and Pubs Sale

Mitchells & Butlers has sold the majority of its lodge business and eight pubs for £91m. The transaction incorporated the sale of approximately 2,000 rooms in 52 hotels, all of which are adjacent to Mitchells & Butlers' restaurants and pubs. The majority of the hotels have been bought by PRUPIM and all of them have been leased to budget chain Travelodge on 25 year agreements. Contracts were exchanged on 44 sites with PRUPIM and agreed heads of terms are in place with another property company for the remaining sites. Net proceeds will be used to reduce debt and to fund capital investment opportunities. Colliers International acted for M&B.

Le Meridien Piccadilly Sold to Host Hotels

An example of the on-going strength of the London hotel market was Host Hotels & Resorts has acquiring Le Meridien Piccadilly in central London from Starman Hotels for a reported £64m. Starman is controlled by Lehman Brothers and Starwood Capital.

SOLD**HOWARD HOTEL, EDINBURGH**

Colliers International sold in December 2010 The Howard Hotel. A 5 star, boutique hotel located in the "heart" of Edinburgh's New Town, The Howard, formed from 3 Georgian town houses, has 18 bedrooms/suites and consent to convert the Mews was marketed for sale at offers around £3.5 million.

Town House Company Sell Two Edinburgh Hotels

Colliers International sold the Channings Hotel and The Howard Hotel, in Edinburgh on behalf of the Town House Company Limited. The Howard, a quality 5 star boutique style hotel, has 18 luxurious bedrooms/suites. The Channings is located close to Edinburgh City Centre, and is a high quality town house hotel that has been converted from 5 adjoining terraced houses to create 41 bedrooms. Both hotels have been purchased by Europoint Holdings Ltd, a member of Palm Holdings who already own the Old Waverley Hotel on Princes Street and the Holyrood Aparthotel, Royal Mile in Edinburgh. The purchase prices of both hotels are undisclosed but the asking prices have been confirmed at £5.5m for Channings and £3.5m for The Howard. Julian Troup and Alistair Letham of Colliers International's Hotels team who handled the sale commented: "Our instructions were to handle the marketing in a confidential fashion and the results of the exercise highlighted the on-going demand for quality hotels with both domestic and international interest being expressed".

RBS Gets £470m for Grosvenor House

Royal Bank of Scotland (RBS) has sold Grosvenor House hotel to Sahara India Pariwar for £470m as part of the bank's attempts to scale back its commercial real estate exposure. The bank owned a long lease on the Mayfair hotel, in the West End of London, which Marriott International will continue to operate. The Candy brothers were initially interested but they were not involved in the final stages. The sale underlines the relatively strong market for ultra-premium London properties although the hotel did not fetch the £500m-plus that RBS was reputedly looking for.

Eton Group Hotels

Administrator KPMG were appointed to sell five properties owned by collapsed hotelier Eton Group for around £60m. The hotels include the 69 bedroom Threadneedles in the City, EC2; the 65 bedroom Glasshouse in Edinburgh ; the 49 bedroom Academy in Bloomsbury, WC1; the 49 bedroom Colonnade in Little Venice, W9; and the 45 bedroom Quebecs in Leeds. KPMG was appointed administrator in June 2010. Anglo provided £46m of debt on the five hotels. Eton Group founder Peter Tyrie sold the business to Saudi-based billionaire Mohamed Bin Issa Al-Jaber's JJW Hotels & Resorts for £70m in August 2007. Two other hotels that form part of the Eton Collection – 42 The Calls in Leeds and The Scotsman in Edinburgh – were outside the administration. Towards the end of the year the hotels were acquired by the US-based Westmont Hospitality Group, for a reported circa £55m. Westmont Hospitality owns more than 500 hotels in Europe, North America and Asia and is one of the largest franchisees of InterContinental and Hilton hotels worldwide. It also works with Starwood, Accor, Wyndham, Choice Hotels and Best Western.

Blakes Hotel Bought Out Of Administration

Meir Abutbul and Navid Mirtorabi bought out of administration the Blakes boutique hotel that used to be part of the failed GuestInvest buy-to-let chain. They want to expand the Kensington, West London, property into an international chain. They paid about £20m.

SOLD**THE GROSVENOR HOTEL,
TORQUAY**

The Grosvenor Hotel, sold by Colliers International Hotels, is a 46 bedroom hotel with indoor function and leisure facilities on the seafront at Torquay. Sold off an asking price of £1.5m.

SOLD**FORESTDALE HOTELS**

18 hotel UK Provincial hotel company sold by Colliers International Hotels to Akkeron Hotels - the entire share capital was disposed of with funding support from Lloyds Banking Group

St James's Hotel Bought By Mansha Family

The St James's Hotel and Club on Park Place, SW1, has been bought by the billionaire Pakistani Mansha family reported to be between £55m and £60m. The deal reflects a price of almost £1m per bedroom. It is thought to be the family's first hotel acquisition in the UK. The Landesberg and Rosenberg families' investment vehicle, Mountain Capital, put the 60 bedroom hotel on the market in May 2010.

Marriott Pays £60m for Berners Hotel

Marriott International paid administrators £60m for the Berners Hotel, in Central London, for conversion to its first UK Edition format in partnership with Ian Schragar. It bought the property from the administrator.

Administrator Sells Novotel Bristol Centre Hotel

Grant Thornton, administrator to the Pedersen hotel chain, sold the Novotel Bristol Centre hotel to Invista Real Estate Investment Management for £14.5m – a 7% net initial yield. The four star hotel is operated by hotel group Accor on a 19 year lease without tenant breaks. It is comprised of 131 bedrooms, restaurants and bars including the Elements restaurant, as well as leisure and conference facilities.

Von Essen Buys Welsh Country House Hotel

Luxury hotel group Von Essen Hotels bought Llangoed Hall Hotel in the Wye Valley, Wales, from the late Sir Bernard Ashley's estate. The four star country house hotel, which is set in around 15 acres of formal gardens and parkland, is comprised of 23 bedrooms, a drawing room, an award-winning restaurant and the Whistler private dining room. Von Essen Hotels owns and operates 30 luxury hotels in the UK and France.

Britannia Hotels Back On the Acquisition Trail

Britannia Hotels has bought Russ Hill Hotel, near Gatwick from administrator BDO off a £4.5m guide price.

Akkeron Hotels Buys Forestdale Hotels

Akkeron Hotels has more than tripled the size of its portfolio with the acquisition of privately owned hotel group Forestdale Hotels. The transaction will boost Akkeron's hotels from eight to 26. The confidential marketing was handled by Julian Troup of **Colliers International Hotels**. The acquisition has been funded with a mixture of equity, deferred consideration and a new £32m, 18 year credit facility provided by Lloyds Banking Group. Forestdale comprises 18 three star hotels spread across England and has an annual turnover of around £30m. The individual hotels range in size from 34 bedrooms to 145 bedrooms and are located in towns and cities, including Cambridge, Bristol, Southampton Winchester and Bath. Citibank's former global head of real estate, James Brent, launched Akkeron Hotels in December 2009 with the acquisition of eight Folio hotels.

Park Inn St Helens Sold To Balaji Hotels On Behalf Of Administrators

Ernst & Young, Joint Administrators for W G Mitchell (Guernsey) No.9 Limited, sold the freehold of the Park Inn St Helens, Linkway West, to Balaji Hotels, for an undisclosed sum, off an asking of £4 million. This 84 bedroom hotel comprises a 40 cover bar; 100 cover restaurant, five function rooms. The Park Inn St Helens is the third hotel acquired by Balaji Hotels since its launch in 2009.

SOLD

RAMADA, NOTTINGHAM



102 bedroom hotel – sold by Colliers International Hotels off an asking price of offers in the region of £2,750,000 to an expanding regional hotel concern

VALUATIONRUSHTON HALL,
NORTHAMPTONSHIRE

A 45 bedroom four star country house hotel valued for loan security purposes

VALUATION MATTERS

Over the last six months or so our experience remains that some valuers, particularly those who do not have an in depth knowledge of the sector, have continued to value hotels by simply multiplying existing EBITDA by what they consider to be a standard market yield. Without any interrogation to consider whether the result is correct or not and without any apparent justification or comparable evidence to support their case, this has given rise to valuations that are often some way below purchase prices that have been agreed in competitive bidding.

This is not a geographical issue, it is happening throughout the UK with the most extreme example that we have seen recently relating to the sale of a high quality hotel in Scotland where a valuation some 50% below the eventual purchase price was delivered. Although the valuer was questioned over his approach he remained unmoved, choosing a 'scientific route' without any regard to the 'art' that is valuation.

Though we appreciate that some valuers are more cautious now than they were perhaps four or five years ago, they are still required to provide good, accurate professional advice which is neither bullish, or cautious. A valuer must also be able to support his opinion with relevant commentary. Unfortunately, a valuer who does not have direct access to colleagues who are involved in the sale and acquisition of hotels on a day in day out basis will, often, be unable to provide this commentary and as such his reliance on hearsay evidence and second or third hand market sentiment can be flawed, resulting in an incorrect valuation.

The above comments aside, it is our view that we are now at a point where there are probably three main valuation figures that the market is willing to pay. The first one is based on a market value that involves a willing buyer and a willing seller, the second is one that reflects a forced sale and the third is one that reflects a fair value, or the amount a buyer will pay for an asset for sometimes personal reasons. Indeed, especially in London, we have seen many examples where a buyer is willing to pay a premium price in order to acquire a particular asset. Experience, knowledge and a clear understanding of the reasons why a hotel was sold, or is being sold, for a high, or low, figure is key to a valuer's ability to use what available evidence there is to value correctly in what is otherwise an uncertain market.

This section is not designed to crucify valuers, indeed it has been written by a valuer who appreciates first hand that hotel valuation is very difficult at the moment. However, the message we are trying to put across is that unless the right valuer is employed, i.e. an experienced and dedicated sector specialist, there will be a greater chance that the advice given will be incorrectly judged.

Berlin

The 14th International Hotel Investment Forum 2011 **will be** held at the InterContinental Hotel, Berlin on Monday, 7th March - Wednesday, 9th March. As in previous years the Colliers International Hotels Team will be present at the event and look forward to meeting with fellow delegates. To arrange meetings with any of the team please email:

julian.troup@colliers.com, david.hossack@colliers.com or chris.moore@colliers.com

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