



Note on hotel yields

- 1.1 During the hearing sessions, which took place on the 28 to 30 May 2014, the Examiner, Mr Malcolm Rivett, and the Council agreed that BNP Paribas Real Estate and the Council would provide Mr Rivett with further evidence on Hotel yields in London. We set out below to append to this note comparable investment transactions of Hotels in London.
- 1.2 In the appraisals submitted as part of the Revised Draft Charging Schedule Viability Study¹ and Appendices 1 and 2 of the Statement of Modifications² previously applied yields of 6.4% and 6.6% to the Ibis and Radisson transaction appraisals respectively. However, since these appraisals more recent evidence of hotel transactions in the Borough has become available that identify hotel rents to be lower. As identified in the additional hotel appraisal evidence submitted³ in response to the Examiner's questions, the freehold interest of the 250-bedroom Premier Inn at Goodmans Fields sold for a figure in excess of £38 million, which reflects a net initial yield of 5.5%. This level of yield was reflected in our appraisal submitted as part of the additional hotel appraisal evidence submitted.
- 1.3 Despite the Council producing evidence that budget hotels in Tower Hamlets transact for sub 6% yields, Travelodge's Agents, Smith Jenkins suggest that the Council should maintain a yield of above 6% or higher. BNP Paribas Real Estate is aware that Travelodge and their Agents have claimed in their representations that yields for their hotels should be increased to plus 6%, despite evidence of budget hotels transacting below 6%. We would highlight that throughout the consultation and examination process, Travelodge and their Agents have failed to provide any supporting evidence for their assertions.
- 1.4 Smith Jenkins claimed at the Examination that yields for outer London budget hotels would be higher than 5%, yet they provide no transactional evidence to support this claim. Transactions of hotels in outer London indicate that yields are at or just above 5%:
 - Premier Inn – Borehamwood – 5%
 - Premier Inn – Brentford – 5.45%
 - Travelodge – Blackwall – 4.6%
 - Premier Inn – Croydon – 5.48%
 - Premier Inn – Dalston – 5.65%

¹ ED2.2: Viability Study - Revised Draft Charging Schedule

² ED3.5: Statement of Modifications

³ ED5.14: Additional Appraisal Evidence – Hotel



Appendix 1 – Schedule of Hotel Transactions in Greater London

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