

An aerial photograph of Newcastle-under-Lyme, showing a dense urban area with a mix of residential and commercial buildings. A major road, likely the A50, runs through the center, with a roundabout visible. The town is surrounded by green spaces and trees. The text is overlaid on the top left and top right of the image.

Newcastle-under-Lyme Feasibility Study

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AVISON
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Executive Summary

A positive opportunity

Avison Young are positive towards the development of a new hotel as part of the Ryecroft master-plan in Newcastle-under-Lyme. Although the town has a limited commercial and leisure tourism profile, it is well located and positioned to access many of the major local and regional demand drivers.

However, careful consideration must be given to the optimal product for the proposed hotel given the existing market profile and recent brand entrants. A full description of our recommendations of scale and positioning can be found overleaf.

Key market observations include:

- The proposed hotel will form part of the Ryecroft mixed-use development in central Newcastle-under-Lyme, creating a new destination within the town which will be highly visible and identifiable. The site will be easily accessible by road, with quick connections to the M6 and motorway network. This will lend itself well to the local market, where demand is largely transient;
- Newcastle-under-Lyme has a limited commercial and leisure tourism profile, however it benefits from excellent accessibility to Stoke-on-Trent and North Staffordshire which have a good mix of corporate activity and leisure attractions, and has seen strong economic growth over ten years to 2019;
- There are a number of proposals to support the development of the town further with projects such as York Place. Not only will these support additional 'placemaking' of the town which would benefit the new hotel (new food and beverage offerings and car parking), they will offer new demand drivers, raising the town's profile;
- There is a declining trend in tourism to Newcastle-under-Lyme compared with Staffordshire, which has remained relatively stable over the five years to 2019. This may be linked to the lack of quality hotel offering in the area prior to the openings of the Courtyard by Marriott and Hilton Garden Inn;
- Until recently, supply was dominated by limited-service and three-star hotels, although there has been an uplift in quality with the new openings and repositioning of the four-star DoubleTree by Hilton. It is important to offer something different at Ryecroft so as not to go head to head against these strong multinational brands;
- There are only two new hotel proposals in the market area, with neither of the projects under construction and no brands confirmed for the schemes;
- Prior to the Covid-19 pandemic, Newcastle-under-Lyme hotels showed positive levels of performance with occupancy at 79.7% in 2019, above the Regional UK average. Average daily rate (ADR) also experienced strong growth of 11.1% over the period 2015-19, higher growth than the Regional UK average, albeit from a lower base;
- Market recovery in 2022 has been strong with October year to date (YTD) revenue per available room (RevPAR) slightly above the same period of 2019. This is primarily due to average daily rate (ADR) being 20.7% higher than in 2019, aided by the increase in quality hotels in the market area;
- Whilst there is evidence of price-sensitivity and a rate ceiling in the market (ADR 25.6% below the Regional UK average in 2019), the new hotels have demonstrated that higher rates can be achieved to an extent, albeit the uplift in 2022 ADR over 2019 is only marginally higher than the Regional UK average. A domestic leisure boom in 2021 and 2022 has resulted in higher rates achieved by hotels across the country.

Strengths

- The hotel site is well located with good access and visibility from the A52 and quick connections to the M6 and motorway network
- Performance of the hotel market pre-Covid was strong, with good recovery in 2022 given two new hotels opened in 2021
- There is a lack of good quality hotel stock in Newcastle-under-Lyme which may be limiting demand
- The hotel site will form part of the Ryecroft development, transforming the northern area of the town; this will be supported by additional investment in York Place
- North Staffordshire has a good corporate and tourism profile with strong economic growth seen over the last ten years
- There are a number of additional demand drivers in the local area including Keele University, University of Stoke Hospital and Bet365 Stadium
- There is a limited pipeline of new hotel projects in the market area which are not likely to come through in the short to medium term

Weaknesses

- There is a lack of public transport directly into Newcastle-under-Lyme - *onsite car parking is essential*
- Newcastle-under-Lyme has a limited number of commercial and leisure demand drivers - *wider local and regional area has a strong mix*
- The existing brands present in the market limits the options available - *however brand gap analysis indicates options are still available*
- The STR set suggests a degree of price sensitivity in the market - *OTA Insights indicates this is driven by the high volume of Premier Inns and Travelodges*

Source: Avison Young

Executive Summary

Brand and Facility Mix

Avison Young have undertaken a review of the hotel brands present in the market area in order to identify any brand gaps for the Ryecroft site. A well selected and considered brand will be important to drive both corporate and transient leisure demand to the hotel.



Upper Tier Limited Service



120-135 Bedrooms



Streamlined F&B



Small number of meeting rooms

Brand and Positioning

Given the transient profile and price sensitivity of demand, along with the recent additions of the more upscale Courtyard by Marriott and Hilton Garden Inn, we recommend an internationally recognised upper tier limited service brand. This would offer a high quality of product which can compete with the newest hotels in the market but due to a streamlined staffing structure can also flex rates downwards during quieter periods without impacting profitability. Suitable brands within this space (whose parent brand is not already present in the market area) include:

- Ibis Styles
- Caption by Hyatt
- Prizeotel by Radisson

Other upper-tier limited service brands that would be appropriate for this location include Moxy or Fairfield by Marriott and Hampton by Hilton, however we do not recommend these brands due to the proximity and recent development of Marriott and Hilton branded hotels nearby.

Given the higher positioning of those new hotels, along with the DoubleTree by Hilton, an upper tier economy hotel will be very well-placed to drive additional demand to the area for a good value hotel product.

We believe Ibis Styles to be the optimal brand for this location. Caption is new to the UK market, as is Prizeotel which also has a younger demographic. Whilst they should not be completely ruled out at this stage, the Ibis Styles brand is well known in the UK market and the hotel would benefit from brand profile that does not currently exist with Caption or Prizeotel.

Scaling

The average size of hotels in the market area is 84 bedrooms with the key competitors averaging 135 bedrooms, ranging from 118 to 150. The largest hotels are the Courtyard (150 bedrooms), DoubleTree by Hilton (147) and Hilton Garden Inn (140) which are also some of the newest properties to have opened. Occupancy pre-pandemic was strong at just below 80%, and day of the week analysis indicates a good mix of midweek corporate and weekend leisure demand in the area.

We recommend a hotel of between 120 and 135 bedrooms.; any larger would likely result in the hotel having to reduce rates during quieter months (and shoulder nights) to compete for price sensitive business. Any smaller than 120 bedrooms would be less operationally efficient, as it would still carry a similar level of fixed costs (e.g. staffing), but with reduced rooms revenue. We have modelled 135 bedrooms.

Meeting and Conferencing Facilities

We do not believe there is sufficient demand for large scale conference and events facilities, particularly given the presence of the DoubleTree by Hilton which is established as a popular local venue. We recommend one small meeting room with a capacity for up to 20 delegates, which is standard for most upper tier limited service brands.

Food and Beverage

We do not recommend a full service bar and restaurant in this location given it's proximity to Newcastle-under-Lyme's High Street and the proposed regeneration of York Place shopping centre into new food and beverage outlets. As such, the food and beverage offering should be in line with brand standards, which would comprise a café/bar space offering cooked breakfast, as well as light pre-prepared meals and drinks throughout the day for residents.

Car Parking

We expect that most visitors to the hotel will arrive by car, therefore parking is an important consideration. The majority of competitor hotels including the Travelodge Newcastle-under-Lyme offer free parking and the Ryecroft hotel will need to be aligned in order to compete. With the proposed development of a new multi-storey car park adjacent to the hotel, provision could be made within this to offer access to guests using the hotel.

Executive Summary

Performance and Pricing

Operation

We recommend that third party management of the hotel (alongside brand franchise) would be the most appropriate operational structure for the hotel.

The “viability gap” means the project will likely have to be funded by the local authority (rather than a commercial developer or owner operator) who will then retain ownership of the hotel at least until stable trading (year three). It is highly unlikely that an operating lease could be secured for the optimum product, and therefore management agreement is the optimum operating platform available.

We recommend management by a third party rather than the brand franchisor. A third party management company will act as asset manager on behalf of the owner and hold the brand to account for delivery of business. Additionally, third party management offers a greater degree of flexibility with a shorter term and the opportunity to switch management if the hotel is under performing, or upon disposal.

An overview of the main hotel operational structures can be found in Appendix D of this report.

Financial Projections:

Based on our market research and product recommendations, we have projected the performance of the 135 bedrooms upper tier limited-service hotel, with facilities as described on the previous page at the Ryecroft development for the first five years of operation:

- Our projections assume that the hotel will be in operation from 1st January 2025;
- Revenues and expenditures have been developed based upon the assumptions prepared in Section 7 and Appendix C, inflated at 2.0% from 2022;
- Terms used are as defined in the Uniform System of Accounts for the Lodging Industry, 11th Edition;
- Demand growth will slow in 2023 with the economy in recession and the cost-of-living crisis impacting domestic leisure demand, but with overall demand returning to 2019 levels in 2024;
- We have modelled limited food and beverage in line with our recommendation and consideration of the options available locally including at the redeveloped York Place;
- We have assumed the hotel will be branded (we have modelled indicative franchise fees) and operated by a third-party management company under management agreement (we have modelled indicative management fees);
- The projections are presented excluding VAT.

Projected Financial Estimates – 135 Bedrooms Upper Tier Limited Service Hotel, Newcastle-under-Lyme

	2025	2026	2027	2028	2029
Occupancy	68.0%	73.7%	79.4%	78.8%	80.7%
Average Daily Rate	£70.34	£74.01	£77.03	£78.57	£80.14
Yield	£47.82	£54.51	£61.17	£61.88	£64.65
Total revenues	£2,968,081	£3,360,104	£3,753,853	£3,797,141	£3,966,658
Total costs	£2,109,194	£2,369,385	£2,597,351	£2,633,361	£2,732,939
EBITDA	£858,888	£990,718	£1,156,503	£1,163,780	£1,233,719
F.F.E Reserve	£29,681	£67,202	£112,616	£151,886	£158,666
EBITDA less Replacement Reserves	£829,207	£923,516	£1,043,887	£1,011,894	£1,075,052

Source: Avison Young

Pricing Opinion

Newcastle-under-Lyme is something of an emerging hotel market and the lack of historic core brand hotel stock has meant that there is no transactional evidence to benchmark demand against. Likewise, the operational market is also somewhat nascent, having historically been dominated by three-star and unbranded limited-service hotels.

The proposed hotel is to be located in an untested albeit prominent location within the town centre. The site will be easily accessible by road, with quick connections to the M6 and motorway network.

Despite the prominent site, we believe some investors will be concerned over the local market’s future performance following the recent openings of the Courtyard by Marriott and Hilton Garden Inn hotels. The ability to absorb the new supply without further diluting market performance will be of paramount importance to any buyer of the subject site, who will clearly be very focussed on how the subject property is integrated into the market.

Whilst it appears the improvement in hotel product has allowed the market to develop further, this needs to be viewed against the price-sensitivity nature of the market means. As such, any purchaser will look very closely at the ultimate operator as this will clearly impact the future profitability and success of the proposed hotel and it is vital to offer a slightly different product in order to avoid a head to head fight against the existing brands. As such, we consider it vital the proposed hotel product is at both a different price point and offer to that currently available.

We would expect to realise a sale price of around £10.4 million at day one, although would recommend an asking price of £11.8m on the basis that the income could be made up to its stabilised level. There is no evidence to benchmark this asset against, however this level of pricing compares favourably with other hotels in the wider area.

Executive Summary

Positive Economic and Social Impact

Whilst there is likely to be a significant viability gap for the development as outlined on the previous page, it is important to also consider the economic and social impact the new hotel can create for Newcastle-under-Lyme, both through job creation and increased footfall / visitors to the town centre.

A good quality hotel will add considerable value to the overall place-making of the town centre, making it a more rounded destination and attractive place to visit, stay and do business; we believe that an upper tier limited service hotel offers an appropriate product to meet the market opportunity and achieve the place-making objectives.

Outline Economic Impact Estimates:

	135 Bedrooms Upper Tier Limited Service Hotel
Direct full time equivalent (FTE) jobs created at the hotel	33.0
Total FTE jobs created in Staffordshire (including supply chain) once operational	41.1
Total FTE jobs created in Newcastle-under-Lyme (included in the Staffordshire total)	22.3
Gross Value Added (GVA) impact to Newcastle-under-Lyme	£1.066m
Estimated additional tourism spend per annum in 2019 values	£5.5m

Source: Avison Young

- We have projected 33.0 FTE jobs created directly by the hotel, including outsourced housekeeping;
- We estimate that the development would have a positive impact on the local economy both in terms of jobs created and additional GVA;
- The estimates include supply chain jobs during the operational phase;
- Total direct payroll per employee in year three is projected at £27,332;
- We have projected minimal displacement of demand from other hotels in Newcastle-under-Lyme and the immediate area, with market occupancy maintained in the mid to high 70% range. The projected additional overnight visitors to the hotel is 57,474 in year three;
- These visitors will provide significant additional spend in the shops, bars and restaurants in Newcastle-under-Lyme town centre, and at the visitor attractions in the wider region; based on Staffordshire tourism data provided by Newcastle-under-Lyme Borough Council we estimate that these additional visitors could provide about £5.5m additional tourism spend per annum in 2019 values;
- Additional business rates income is projected as £129,734 in year three for the hotel.

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We are pleased to present our report assessing the hotel market and the potential for developing a hotel at the Rycroft mixed-use development in Newcastle-under-Lyme.

The scope of our work is detailed in our proposal 4537 001 dated 21st October 2022 and accepted by you via email on 27th October 2022. Our report does not examine the impact of energy shortages and the legal and regulatory requirements applicable to this project. We do not determine the effect of any future legislation of any environmental or ecological matters that may affect your project.

We do not guarantee the fulfilment of any estimates contained within this report, although they have been conscientiously prepared based on our research and information made available to us at the time of our study. As is customary with market studies, our findings should be regarded as valid for a limited period of time and subject to re-examination at regular intervals. We have no responsibility to update our report for events or circumstances which change after the date of this report.

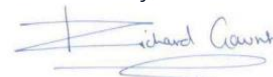
We are uncertain about the impact on the hotel sector following the Covid-19 pandemic and the UK's departure from the EU. The mid-term impact is extremely difficult to gauge dividing economic forecasters. As a prudent response we have adopted a cautious approach to economic growth in this report.

This report has been prepared for the information of Genr8 Kajima Regeneration Limited (the Client). It may not be published, reproduced or quoted in part or in whole, nor may it be used as the basis for any contract, prospectus, agreement or other document without our prior consent, which will not be unreasonably withheld. Any responsibility of Avison Young is limited to the Client and any use by third parties shall be solely at the risk of the Client and / or third parties.

Our conclusions, recommendations and project performance are based upon the supply of competitor hotels (defined in Section 4), our knowledge of their performance and an overview of the local economy in terms of economic indicators, tourism and regeneration. We have not undertaken any market, technical, planning or other research except as noted in the scope of work.

Thank you for your instruction. We would be pleased to discuss this report with you once you have reviewed it.

Yours sincerely,



Richard Gaunt
Principal
Hospitality | Tourism | Leisure
For and on behalf of Avison Young (UK) Limited/ TA Avison Young

1. Introduction

In this section

- Background
- Scope of Work

Introduction

Project Background and Purpose

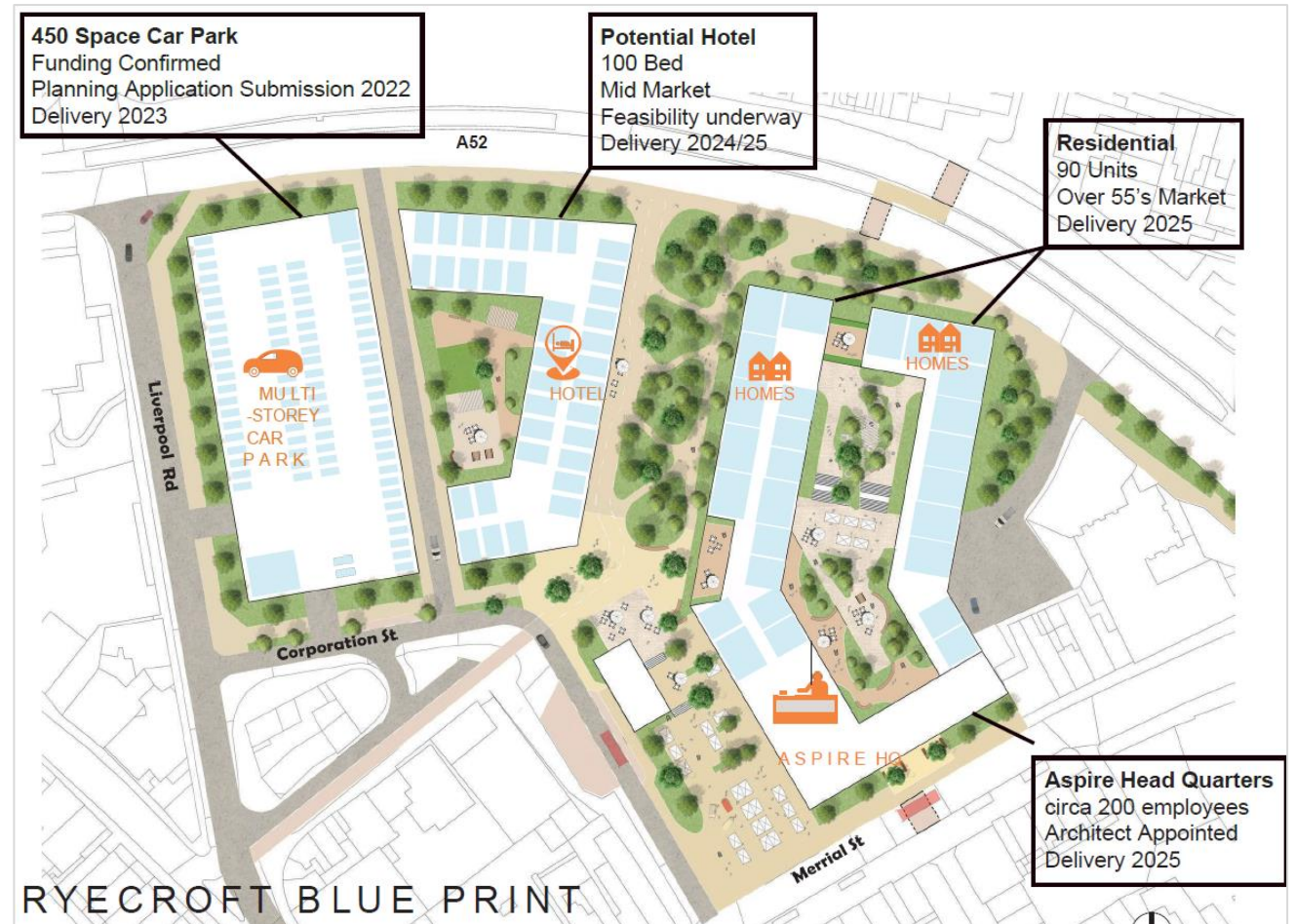
Newcastle-under-Lyme Borough Council is exploring the viability of developing a hotel as part of a mixed-use development site at Ryecroft in Newcastle-under-Lyme. Genr8 Kajima Regeneration Limited (GKRL, a joint venture between Genr8 Developments and Kajima Partnerships Ltd) has been selected by Newcastle-under-Lyme Borough Council to assist them in the delivery of the proposed hotel.

The Ryecroft mixed-use masterplan will see the redevelopment of a strategic brownfield site in the centre of Newcastle-under-Lyme. In addition to the hotel, Ryecroft is proposed include a new multi-storey car park (450 spaces) on the west of the site, 90 over 55's residential units to be developed by Aspire Housing to the east, alongside a new office for the group for c.200 employees. The development is planned to be delivered in phases between 2023 and 2025.

Initial considerations for the hotel element of the scheme indicate that there may be an opportunity for the development of a branded focused service hotel offering such as an Ibis Styles or similar product. The Ryecroft Blueprint refers to a '100 bed hotel' as part of the development, however this is indicative only and needs to be fully assessed.

GKRL requires a Feasibility Study to inform a business case for the hotel development, examining the optimum product to meet the market opportunity, achieving the right balance between viability, place-making, wider social and economic impact. Our study will determine if there is demand for a new hotel in Newcastle-under-Lyme and the viability of the proposed development. We will also recommend the appropriate scale and facility mix for the hotel based on the market opportunity.

Ryecroft Mixed-use Development Proposals



Source: Genr8 Kajima Regeneration Ltd

Introduction

Scope of Work

In undertaking this assignment, Avison Young has:

- Assessed Newcastle-under-Lyme in terms of key demographic and economic trends, tourism and regeneration initiatives; in order to place the proposed development within a context and to help identify the core demand drivers;
- Examined the supply of hotels in Newcastle-under-Lyme, and viewed the relevant market supply within the local market area, i.e., within eight miles of Newcastle-under-Lyme;
- Analysed future hotel developments and identified any material increases in supply that are likely to affect the performance of the project hotel;
- Commissioned an STR data report for the key competitors in order to analyse trends in room occupancy, average daily rate (ADR) and revenue per available room (RevPAR). We have considered this against the performance of the wider Regional UK hotel market;
- Visited and audited the site in terms of its location, accessibility, visibility and proximity to key demand generators in order to assess its overall suitability for hotel development;
- Provided our recommendations on the optimum product positioning, facility mix, scale and suitable brands for the proposed hotel to meet the future market opportunity;
- Prepared a project performance model for the recommended hotel to calculate the occupancy, ADR and RevPAR for the first five years of operation;
- Produced full financial projections for the first five years of operation to EBITDA with detailed assumptions. We have also completed sensitivity scenario analysis (upside and downside) on agreed assumptions with GKRL;
- Completed an illustrative desktop development appraisal, based on our performance projections and broadly assumed development costs (agreed with GKRL). This includes a broker's opinion on pricing but does not constitute a formal "Red Book" valuation;
- Provided commentary on the hotel operational platforms available, outlining the advantages and disadvantages of each model;
- Produced statements of economic and social impact for the proposed hotel option.

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1st December 2022



2. Site Overview

In this section

- Access and Visibility
- Conclusion

Site Overview

Access and Visibility

Looking west across Ryecroft Site



Looking north across Ryecroft Car Park



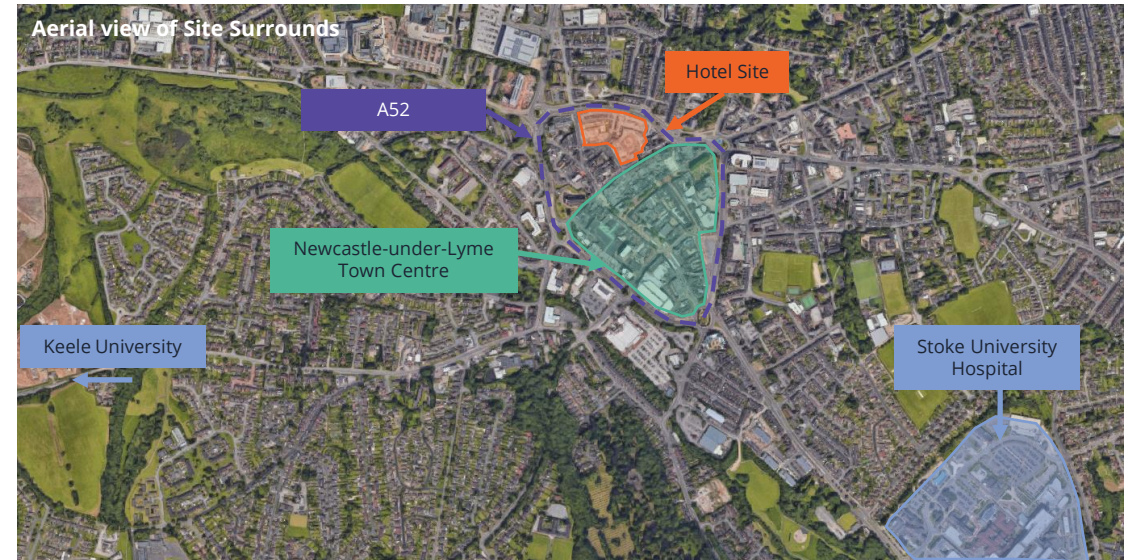
Looking west across Ryecroft Site from A52



Looking west across Ryecroft Site from Liverpool Rd



Demand Generator	Distance	Type
Newcastle-under-Lyme Town Centre	100 yards	Retail
New Vic Theatre	0.7 miles	Entertainment
Stoke University Hospital	1.2 miles	Education
Keele University	1.9 miles	Education
Stoke-on-Trent Railway Station	2.5 miles	Transportation
M6	3.1 miles	Transportation
Bet365 Stadium	4.7 miles	Events



Source: Google Maps/ Avison Young

Site Overview

Well located and easily accessible

Criteria	Comments	Rating (5.0 weighting)
Location Overview	<ul style="list-style-type: none"> – Newcastle-under-Lyme is centrally located in the UK and benefits from its proximity to major cities including Birmingham and Manchester; – The proposed hotel will form part of the Ryecroft mixed-use development in central Newcastle-under-Lyme, creating a new hub within the town. 	4.0
Accessibility	<ul style="list-style-type: none"> – The hotel site is easily accessible from the A52 which connects to the M6 and the UK motorway network in nine minutes. The proposals for the mixed-use development include a new multistorey car park which will meet the parking needs of the hotel; – Stoke-on-Trent Station is ten minutes' drive from the site (2.5 miles) and is on the West Coast mainline with direct services to major cities including London, Birmingham and Manchester; – The hotel site is within a short walk of Newcastle-under-Lyme's town centre making it highly accessible to local amenities. 	4.0
Visibility	<ul style="list-style-type: none"> – The Ryecroft development will see the regeneration of the immediate area and include new public realm, creating a highly visible and prominent location within the town; – The hotel's location adjacent to the A52 will make it highly visible on approach from east and west. Appropriate signage will be important to further highlight the hotel within the wider development. 	4.5
Business Demand	<ul style="list-style-type: none"> – Newcastle-under-Lyme has a limited commercial profile which is centered around logistics and distribution based outside town centre; – Nearby Stoke-on-Trent is the main commercial centre and home to major employers including Bet365 and Vodaphone. North Staffordshire is a world centre for fine ceramics and has a strong manufacturing base in the local area. 	3.5
Leisure Demand	<ul style="list-style-type: none"> – Newcastle-under-Lyme is not a major tourist destination but does benefit from a number of local attractions including the New Vic Theatre, Stoke-on-Trent's leading pottery museums and Stoke City's match day demand; – North Staffordshire is home to a number of popular attractions including Alton Towers and Trentham Gardens. The Peak District National Park, one of the most visited in the UK, is highly accessible from the town. 	4.0
Regeneration	<ul style="list-style-type: none"> – The hotel site forms part of the new Ryecroft development, which will be a prominent new mixed-use development, transforming the north of Newcastle-under-Lyme's town centre. This will further benefit from the investment in the nearby York Place; – Within the wider region there is a good mix of investment across the other neighboring city and town centres with new mixed-use schemes proposed. Additionally, further investment in nearby Keele University continues to support its growth as a leading UK institution; – Proposals for HS2 to connect to nearby Stoke-on-Trent Station will offer increased connectivity to the region which will likely support future investment in the area. 	4.0
Total Score	We consider a score of 24.0 to represent a positive opportunity.	24.0/30.0

3. Newcastle-under-Lyme Market Background

In this section

- Economic Profile
- Tourism Profile
- New Developments and Regeneration Activities
- Transport Links

Newcastle-under-Lyme Market Background

Economy – strengths in manufacturing

Location

Newcastle-under-Lyme is a market town and the administrative centre of the Borough of Newcastle-under-Lyme in Staffordshire. The town is less than four miles from Stoke-on-Trent city centre and about 17 miles north of Stafford. It is within easy reach of the M6 motorway, the major cities of Manchester and Birmingham and the Peak District National Park.

Demographics

- According to the Office for National Statistics (ONS), Newcastle-under-Lyme has a population of 129,600 (2020). The town has seen population growth of 4.6% since 2011, below the regional average of 6.3%;
- Newcastle-under-Lyme has a higher proportion of population at working age than both the regional and UK averages, with rates of economic activity also above these averages. Unemployment is 3.9%, below the West Midlands at 4.9% and marginally above the UK average of 3.8%;
- Newcastle-under-Lyme has a lower skilled workforce with the proportion of residents holding NVQ Level 4 or above qualifications below regional and UK averages. This has resulted in a significantly lower proportion of professional workers in the region (Soc 2010 Major Group1-3) and gross weekly pay below the UK (7.9%) and West Midlands averages (2.9%).

	Newcastle-under-Lyme	West Midlands	UK
Working Age	63.1%	61.7%	62.4%
Economically Active	81.1%	77.4%	78.6%
Unemployment Rate	3.9%	4.9%	3.8%
Soc 2010 Major Group 1-3	36.9%	47.8%	49.7%
NVQ4+	36.0%	38.9%	43.5%
Gross Weekly Pay	£564.90	£581.80	£613.10

Source: ONS 2022

Local Economy Overview

- In 2019, Gross Value Added (GVA) for Newcastle-under-Lyme was £2.2bn, up 28.5% over the last 10 years at a compound annual growth rate (CAGR) of 2.8%. This was below the West Midlands regional average which grew 41.1% at a CAGR of 3.9%. Neighboring Stoke-on-Trent's GVA was £6.1bn and saw growth of 43.5% at a CAGR of 4.1% which is positive for the surrounding economy;
- According to Irwin Mitchells latest economic overview, Stoke-on-Trent is projected to have the third highest jobs growth in the UK by the end of 2023, up 2.2% , with only Cambridge and Oxford surpassing it. Economic growth however will be more subdued with growth at 1.8%, with macroeconomic pressures in the national economy;
- The manufacturing of ceramics is a key sector, with North Staffordshire a world leading centre for its production and known as 'The Potteries'. The area is home to over 300 companies supporting over 7,000 jobs, including Wedgwood, Royal Doulton, Portmeirion and Royal Stafford;
- The area is also notably strong in manufacturing. With global companies based in Stoke-on-Trent and Staffordshire including Siemens, GE Power, Pirelli, Michelin and Sumitomo Electric Wiring Systems. They represent manufacturing activity ranging from R&D in power converter technologies to automotive components;
- The global headquarters for JCB is in Rochester, 22 miles from Newcastle-under-Lyme. JCB World Logistics centre which employs over 300 people is located 4.9 miles north of Newcastle-under-Lyme in Chatterley. The company employs over 12,000 worldwide;
- Other major employers in North Staffordshire include Bet365 (the largest private sector employer in Stoke-on-Trent with c.5,000 staff), Michelin (commercial head office, training centre and truck tyre facility), the Co-operative Pharmacy (warehousing) and Vodafone (call centre with 900 employees);
- Stoke-on-Trent is the main commercial centre in the region: however, Newcastle-under-Lyme is home to a number of logistics centres, including New Look, TK Maxx and FedEx. Most of these firms are just off the A34 to the north of the town;
- The main retail centre within the local area is in nearby Hanley. The Potteries is the largest shopping centre in Staffordshire and South Cheshire with 561,000sqft and over 90 units, including a range of high street chains. Retail options in Newcastle-under-Lyme are limited, but it is home to a number of popular market days throughout the week;
- Royal Stoke University Hospital, 1.3 miles south of Newcastle-under-Lyme, is a teaching and research hospital, and is a major local employer with over 6,000 staff. It is the main teaching hospital for Keele University School of Medicine;
- Keele University was ranked 32nd in the Guardian University Guide 2023, its highest ever ranking in the national league table. There are currently over 10,000 students of over 120 nationalities and more than 1,700 academic and administrative staff. The Keele University Science and Innovation Park is home to over 60 companies, employing more than 600 people. It has six innovation centres at present, with major international occupiers including Adecco, Cobra, Geminor and Siemens.

Newcastle-under-Lyme Market Background

Tourism – declining domestic tourism locally

We outline the volume and value of domestic and overseas tourism to Newcastle-under-Lyme and Staffordshire below (data from the onset of Covid-19 in early 2020 is not yet available from Visit England). Visit England provides domestic tourism data as three-year smoothed annual averages to minimise the variability caused by low sample sizes. Overseas tourism for Newcastle-under-Lyme is not shown as data is not available for international tourism at a local authority level.

Volume and Value of UK (Domestic) Tourism to Newcastle-under-Lyme

	2013/15	2014/16	2015/17	2016/18	2017/19	% Change 2013/15 - 2017/19
Total Visits (000s)	134	112	109	118	104	-22.1%
Total Nights (000s)	327	360	311	371	300	-8.3%
Total Spend (m)	£19.00	£20.33	£18.33	£19.00	£16.67	-12.3%

Volume and Value of Domestic and Overseas Tourism to Staffordshire

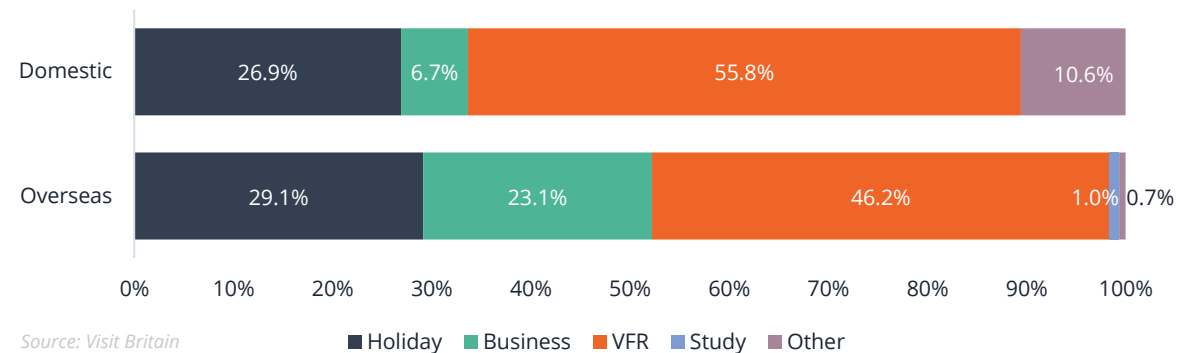
Domestic	2013/15	2014/16	2015/17	2016/18	2017/19	% Change 2013/15 - 2017/19
Total Visits (000s)	1,314	1,242	1,336	1,339	1,314	0.0%
Total Nights (000s)	2,780	2,866	3,265	3,492	3,361	20.9%
Total Spend (m)	£177.00	£175.67	£190.33	£185.00	£172.67	-2.4%

Overseas	2015	2016	2017	2018	2019	% Change 2015- 2019
Total Visits (000s)	155.4	182.6	189.6	148.2	164.3	5.7%
Total Nights (000s)	1,520	1,660	1,040	1,360	1,320	-13.2%
Total Spend (m)	£56.82	£77.99	£57.88	£75.55	£60.51	6.5%

Source: Visit England/GB Tourism Survey

- According to Visit Britain, approximately 11% of tourists to Staffordshire originate from overseas suggesting that the area is heavily reliant on domestic tourism;
- Domestic tourism to Newcastle-under-Lyme has decreased 22.1% over the period to 2017/19. This has resulted in both total nights and total spend also declining by 8.3% and 12.3% respectively. It should be noted that the total volume of domestic visits to Newcastle-under-Lyme is relatively low, at just over one hundred thousand in 2017/19;
- Conversely, domestic tourism to Staffordshire has remained relatively stable with flat overall total visits to the region. However, total nights has seen strong growth (20.9%), whilst there has been a marginal decline in total spend (2.4%);
- Overseas tourism to Staffordshire experienced strong growth to 2017 before declining to 2019, an increase of 5.7% over the review period. However, despite this growth, total nights in the region declined by 13.2%;
- The average length of stay for visitors to Newcastle-under-Lyme in 2017/19 was 2.88 nights, up 17.8% since 2013/15. Spend per night however fell over the same period to £55.56, a decline of 4.4%;
- The main purpose of travel for both sets of tourists is for visiting friends and relatives (VFR), with holiday the secondary reason. For overseas visitors there was a significant amount of business travel to Staffordshire, reflecting the strong mix of industries represented in the region.

Main Purpose of Trip to Newcastle-under-Lyme (Domestic) and Staffordshire (Overseas) (2019)



Newcastle-under-Lyme Market Background

Tourism – accessible to regional attractions

Although not a major tourism destination, Newcastle-under-Lyme sits within North Staffordshire which is home to a number of popular tourist attractions. The town is also well positioned to access the Peak District National Park, one of the most visited in the UK.



Potteries Museum & Art Gallery

One of the leading collections in the world of pottery and ceramics with over 650,000 objects in its collections.



World of Wedgwood - 100,000 visitors annually

Museum and visitor centre featuring over 80,000 works of ceramics and art from the historic manufacturer.



Trentham Estate – 3.2m visitors annually

A major regional attraction set in 725 acres featuring Italian Gardens, a shopping village and other visitor attractions.



Peak District National Park – 13m visitors annually

One of the UK's most visited national parks set in 555 square miles and offering a wide range of outdoor pursuits.

Key Attractions	Distance from Proposed hotel
New Vic Theatre	0.7 miles
Brampton Museum & Art Gallery	0.7 miles
The Potteries Museum & Art Gallery	2.5 miles
Regent Theatre	3.6 miles
Trentham Gardens	4.1 miles
Bet365 Stadium	4.7 miles
World of Wedgwood	6.0 miles
Alton Towers	18.5 miles
Peak District National Park	23.3 miles

Newcastle-under-Lyme Attractions

Newcastle-under-Lyme has a very limited tourism profile with a small number of visitor attractions. The New Vic Theatre is a 600-seat circular theatre that delivers a programme of theatre productions attracting around 150,000 visitors annually. The Brampton Museum and Art Gallery is a local history museum and event space which attracts 68,000 visitors annually.

Tourism in nearby Stoke is centred on the pottery industry, with several visitor centres, ceramic museums (including the £34 million World of Wedgwood visitor centre that opened in 2015), factory tours (including the Emma Bridgewater factory) and over 25 pottery shops.

The Cultural Quarter in the City Centre houses the Regent Theatre, a beautifully restored Art Deco theatre offering a high-quality programme of grand opera, national ballet, drama, and west end musicals. The Victoria Hall, an outstanding concert hall offering a wide-range of concerts, events, and stand-up comedians.

Other Attractions in wider area

Alton Towers is the most popular theme park in the UK (the eighth most visited in Europe), with 2.13m visitors in 2019. In addition to the theme park, the resort includes the Alton Towers Hotel, Splash Landings Hotel, Alton Towers Waterpark, Spa, Extraordinary Golf and Conference Centre.

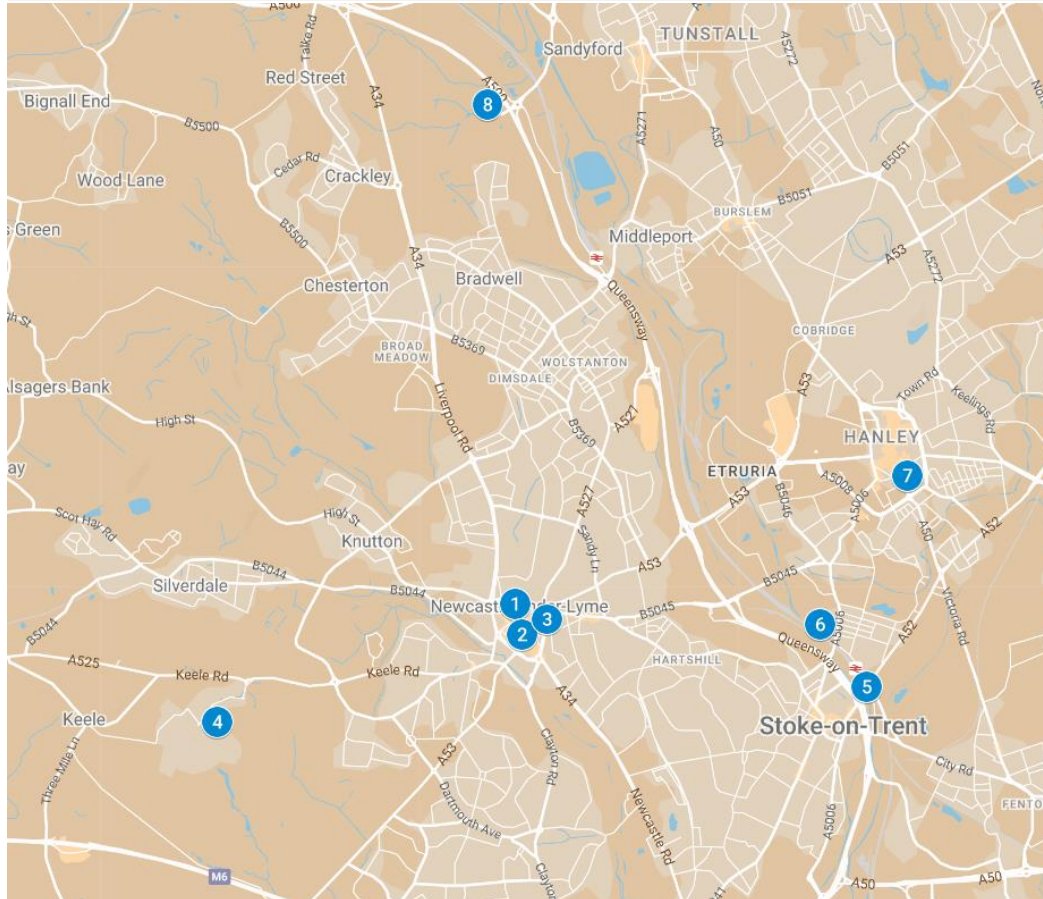
Sports

Stoke is home to two professional football clubs: Stoke City (EFL Championship) and Port Vale (EFL League One). The former plays at the Bet365 Stadium at Trentham Lakes (capacity 30,000) and the latter at Vale Park, Burslem (capacity 15,000).

Newcastle-under-Lyme Market Background

New Developments and Regeneration – good levels of regional investment

There are several large-scale development projects on-going and proposed in Newcastle-under-Lyme and surrounding areas. They comprise a variety of commercial, tourism and infrastructure projects. The development of HS2 in the region will help continue to improve connectivity and drive growth and enterprise in the region.



Source: Google Maps / Avison Young (Map Ref 1 represents project site)

Map Ref.	Development	Description	Status
1	Ryecroft	Mixed-use development new multi-storey car park, residential units (over 55's), office space and the proposed hotel site.	Masterplan development. Target delivery 2023 -2025
2	Newcastle-under-Lyme Town Centre	£35.5m funding from the Future High Streets Fund and Town Deal Fund to support development projects across the town centre. These include the redevelopment of York Place, which will see the redevelopment of the former shopping centre into new food & beverage outlets and offices.	Ongoing – Council purchased York Place in 2022
3	Philip Astley Circus School	Initial proposals for the development of a new circus training school in Newcastle-under-Lyme.	Initial Concept
4	Keele University	£70m investment masterplan to support ongoing growth of the university. Recently completed projects include a Smart Innovation Hub an Vet School, whilst the IC7 innovation centre is currently under construction.	Ongoing
5	Stoke Urban Quarter	£60m mixed-use regeneration project including new residential, workspace, leisure areas, food and beverage, and new 150 bedrooms hotel (part of phase 2).	Planning approved Mar 2022
6	Very Light Rail Network	Proposals for a new £415m very light railway (VLR) that will connect Stoke with the surrounding towns and major employment locations.	Outline Proposals announced Oct 2022
7	Etruscan Square (Unity Walk)	Longstanding proposals for the redevelopment of the East-West shopping precinct and bus station including 82,000 sqft of commercial space, multi-storey car park, 3,700 capacity indoor arena/conference venue, residential and new hotel.	Level Up Funding secured for Phase 1 (2021)
8	Chatterley Valley Enterprise Zone	Proposals for 1.2m sqft of logistics and industrial space to the north of Newcastle-under-Lyme, with the potential to create up to 1,700 new jobs.	Detailed planning consented 2022
	HS2	The development of HS2 will allow travel between Stoke and London Euston in 70 minutes through the development of a new junction at Handsacre offering connections on to the new main line.	Phase 1 under construction

Newcastle-under-Lyme Market Background

Transport links – strong motorway connections

The proposed hotel benefits from strong transport links, with excellent access to both the motorway network via the M6 and west coast mainline via Stoke-on-Trent Station. We highlight the drive times to key transport locations below.



Air

Manchester Airport (via M6) – 45 mins (36.4 miles)

Birmingham Airport (via M6) – 1hr 5 mins (54.8 miles)



Public Transport

Stoke-on-Trent Station – 10 mins (2.5 miles)

Stoke-on-Trent Bus Station – 12 mins (3.3 miles)

Crewe Station – 25 mins (13 miles)



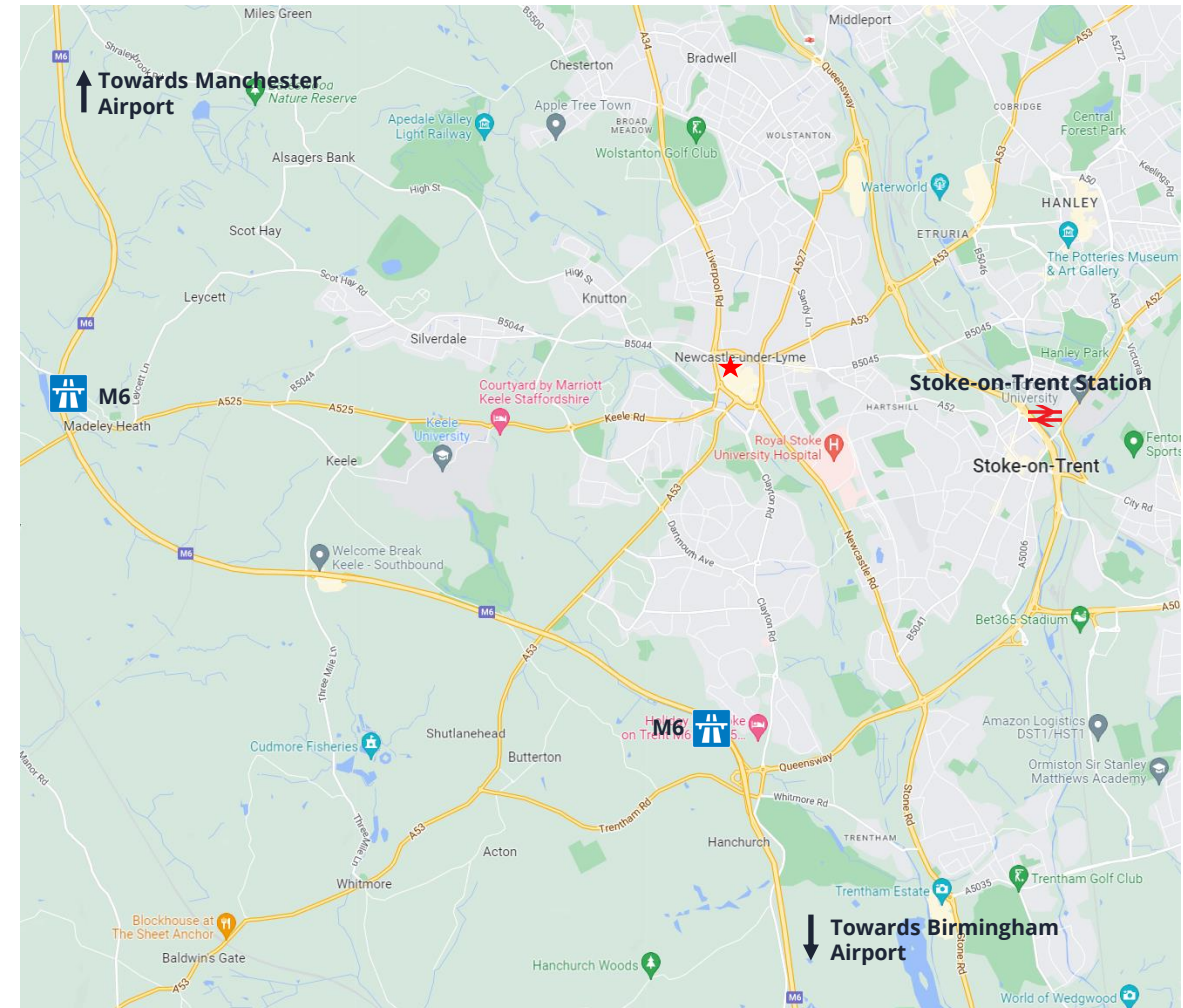
Road Network

A52 – Newcastle-under-Lyme ring road – 100 yards

M6 Motorway – Junction 15 of the M6 - 3.1 miles to the south (9 minutes' drive)

- Newcastle-under-Lyme has excellent motorway connections, with junction 15 of the M6 nine minutes' drive from the Rycroft site. The M6, the UK's longest motorway, running from the Midlands to Scotland, gives further connections to the M5 towards the south-west and the M40 towards London. The A50 (3.9 miles), offers routes to the east, connecting to the M1 which runs north to south between Leeds and London;
- The nearest railway stations are Stoke-on-Trent (2.5 miles, 10 minutes' drive) and Crewe (13 miles, 25 minutes' drive). Both offer direct services to major cities including London (from 1hr 30 mins), Manchester (39 mins) and Birmingham (51 mins), while the latter also provides connections to Liverpool, Glasgow and Edinburgh;
- Manchester Airport is the nearest international airport around 45 minutes' drive and was the third busiest in the UK in 2019 (29.4m passengers). The airport has ambitious plans to increase passenger traffic to 55m by 2050, although it is unclear how these forecasts will change in the wake of the Covid pandemic. Birmingham Airport is around a 1 hour 5 minutes' drive from Newcastle-under-Lyme via the M6. It was the seventh busiest airport in the UK in 2019 (12.6m passengers), offering flights to international destinations in Europe, the Middle East, the Indian subcontinent, North America, and the Caribbean.

Map of Key Transport Links



Source: Google Maps / Avison Young (red star denotes project site)

4. Newcastle-under-Lyme Market Supply

In this section

- Current Supply
- Key Competitors
- Future Supply
- Brand Gap Analysis

Newcastle-under-Lyme Hotel Supply

Current Supply – Eight miles from proposed hotel

Avison Young has defined the market set for the project as including all hotels over 20 bedrooms within eight miles of the site. Based on these criteria, we have identified 22 hotels with 1,848 bedrooms. An analysis of the structure of the market is presented below.



22 Hotels

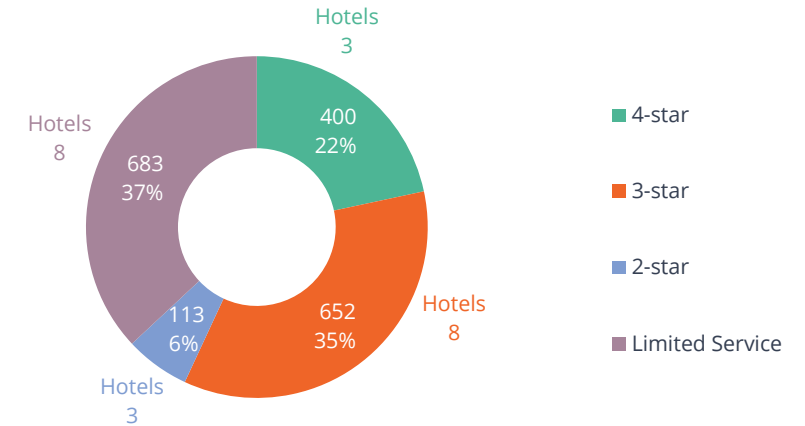


1,848 Bedrooms

Overview

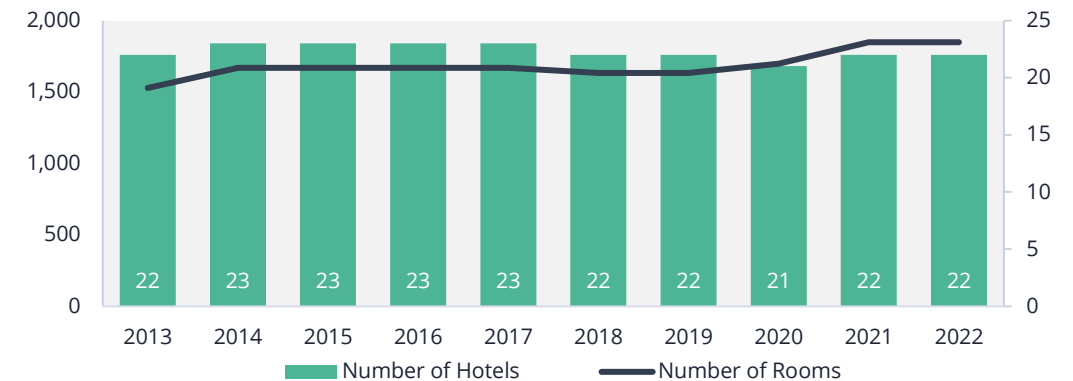
- There are 22 hotels in the market area, supplying 1,848 bedrooms;
- The limited service and three-star sectors dominate the market with 37% and 35% of total bedroom supply. This is followed by four-star hotels with 22% and a small number of two-star properties (6%);
- 68% of the hotels in the Newcastle-under-Lyme market are affiliated with national or international brands with the remainder being independently operated. Major brands represented include Travelodge (four hotels), Premier Inn (three hotels), Hilton (two hotels), IHG (two hotels), Marriott and Best Western. A full brand gap analysis is presented on page 28;
- As illustrated on the map overleaf, the supply of hotels is fairly evenly spread across the areas of Stoke-on-Trent, Newcastle-under-Lyme and on the principal transport routes. There are only two hotels in and around Newcastle-under-Lyme town centre including the Travelodge Newcastle-under-Lyme Central (limited service, 82 bedrooms) and The Borough Arms Hotel (two star, 40 bedrooms);
- Since 2013, there has been a 20.9% increase in room supply across the market area with three new hotel openings. This however has been offset by the closure of three hotels, including the 50 bedroom Ramada Clayton Lodge which closed in 2020 as a result of the pandemic;
- New hotel openings include the Courtyard by Marriott at Keele University (150 bedrooms) in 2021, Hilton Garden Inn Stoke (140 bedrooms) in 2020 and Premier Inn Stoke on Trent (140 bedrooms) in 2014.

Breakdown of Newcastle-under-Lyme Hotel Market (no. of bedrooms) within eight miles



Source: Avison Young / AM:PM Hotels Database 2022 – All hotels with over 20 bedrooms

Market Evolution

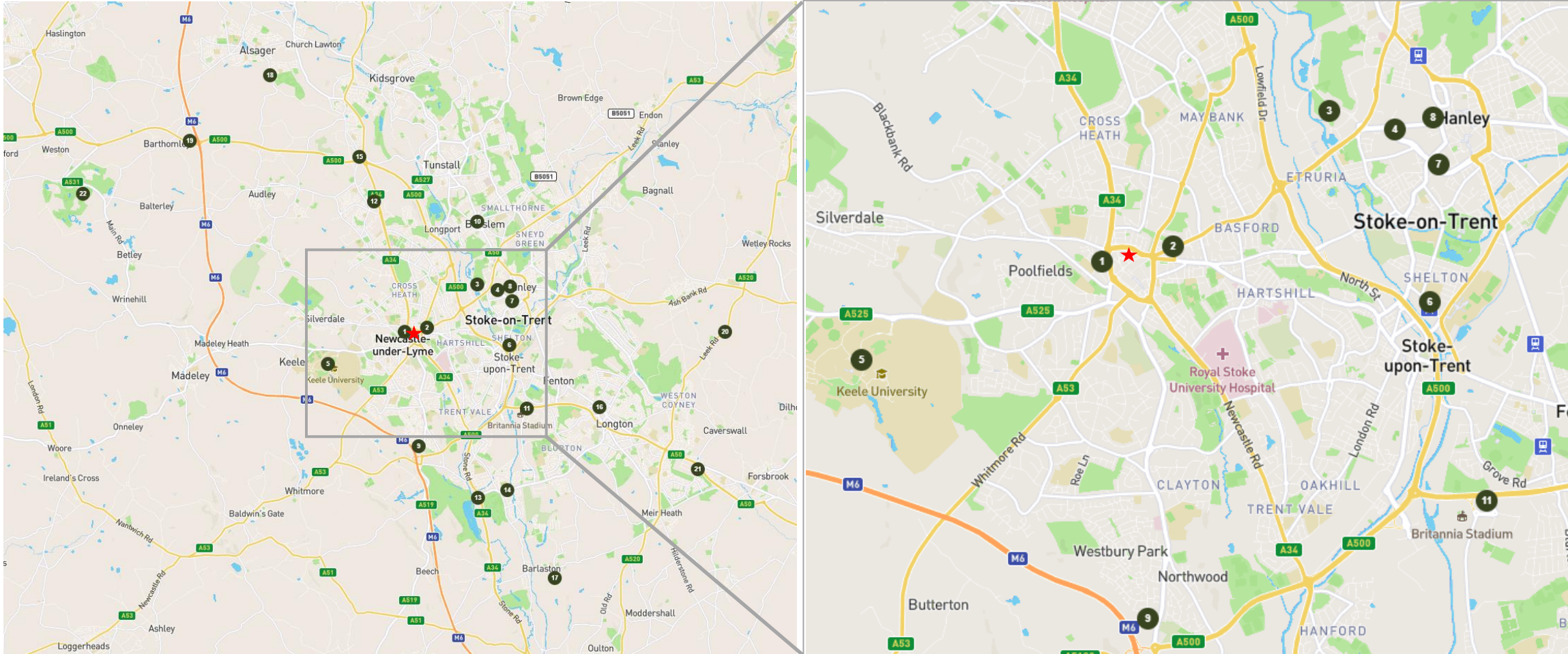


Source: AM:PM Hotels Database 2022

Newcastle-under-Lyme Hotel Supply

Geographical Distribution of Supply

Map of Hotel Supply – eight miles (full list of hotels in Appendix A)



Source: AM:PM Hotels Database (*Red star denotes site)

Newcastle-under-Lyme Hotel Supply

Key Competitors

In order to assess the competitive market, we provide an overview of the key competitors to the proposed hotel in the Newcastle-under-Lyme market, based on their location, product positioning and facility mix.

Key Competitor Hotels

Map Ref	Hotels	Grade (according to AM:PM)	Rooms
3	DoubleTree by Hilton Stoke-on-Trent	Four Star	147
5	Courtyard by Marriott Keele Staffordshire	Three Star	150
7	Hilton Garden Inn Stoke-on-Trent	Four Star	140
9	Holiday Inn Stoke-on-Trent M6 Jct 15	Three Star	118
11	Holiday Inn Express Stoke-on-Trent	Limited Service	123

DoubleTree by Hilton Stoke-on-Trent

Four Star (147 bedrooms)



- Located in Festival Park on the edge of Stoke-on-Trent town centre, 2.4 miles east of the project site;
- Formerly the Best Western Moat House, the hotel was rebranded in 2020 to Hilton and completed a £6.5m refurbishment;
- Facilities include three meeting and events spaces, including the Ballroom, with a maximum capacity of 370 (banquet). The hotel also features an indoor swimming pool and gym facilities;
- The hotel's restaurant, Josiah, offers a relaxed dining environment serving British cuisine. In addition, the hotel has a bar and lounge serving all day pub-style dishes;
- The hotel offers extensive free on-site parking;
- Overall assessment - The hotel is 15 minutes' walk from Hanley town centre, however its position on Festival Business Park makes it popular with businesses such as Bet365. The hotel's leisure and events facilities also make it a leading events destination in Stoke and popular with weddings.

Courtyard by Marriott Keele Staffordshire

Three Star (150 bedrooms)



- Located on the University of Keele Campus, 2.1 miles west of Newcastle-under-Lyme;
- Opened in February 2021, the Courtyard is the newest hotel in the market and offers the latest high quality brand standards from Marriott;
- Additional facilities include two small meeting and event spaces, with a maximum capacity of 30. There is also a small on-site residents' fitness centre;
- The hotel's Scholars Restaurant offers all day dining, whilst there is also the Campus Coffee House and small convenience store;
- The hotel offers extensive free on-site parking;
- Overall assessment - The newest in the market area, the Courtyard offers a high quality modern hotel that will appeal to leisure and corporate users. Visitors to the university will drive demand to the hotel given its excellent location on campus, however its isolated location may not appeal to wider visitors to the area looking for proximity to additional amenities.

Newcastle-under-Lyme Hotel Supply

Key Competitors

Hilton Garden Inn Stoke-on-Trent

Four Star (140 bedrooms)



- Located on the edge of Stoke city centre on the A5008, 2.9 miles east of the project site;
- The HGI opened in October 2020 and offers a high quality product, with modern public spaces and rooms;
- Additional facilities include three meeting and event spaces with capacity for up to 50 delegates. There is also a small fitness centre for guests;
- The hotel's Restaurant Six offers all day dining in a modern and open dining space;
- Parking is available off-site opposite the hotel and charged at £5 per day;
- Overall assessment - The Hilton Garden Inn is a high quality hotel in Stoke city centre, which is well placed to capture accommodation demand from the local companies and leisure visitors.

Holiday Inn Stoke-on-Trent M6 Jct 15

Three Star (118 bedrooms)



- Located 0.2 miles from Junction 15 of the M6, 2.9 miles south of the project site;
- The hotel underwent a refurbishment in 2016 and offers a bright, modern décor in the public spaces. The hotel has a mix of standard and executive rooms which are clean but slightly dated;
- Additional facilities include nine meeting and events spaces with a maximum capacity for up to 160 delegates. The hotel also has a health club with large gym and indoor swimming pool;
- The hotel has all day dining at the Traders Restaurant offering a limited menu of British classics. 24hr room service is also available;
- The hotel offers extensive free on-site parking;
- Overall assessment - The hotel benefits from an excellent location adjacent to the M6 motorway which will appeal to a good mix of transient commercial and leisure users. Despite its refurbishment, online consumer reviews for the hotel are low, highlighting a level of dissatisfaction with the hotel and that it is in need of some further modernisation.

Holiday Inn Express Stoke-on-Trent

Limited Service (123 bedrooms)



- Located adjacent to the Bet365 stadium on the A50, 4.7 miles south-east of the project site;
- The hotel's guest rooms are completed to brand standard however now look slightly dated;
- Additional facilities include one meeting room (for up to 30) and small fitness centre;
- The hotel's lounge offers breakfast and dinner and serves a bar menu of British classic dishes;
- The hotel offers extensive on-site parking which is charged at £5 per night;
- Overall assessment - The hotel's location on the A50 and next to the Bet365 stadium will attract a strong mix of leisure visitors and transient corporate visiting the wider area. The hotel is in need of some modernisation but this will unlikely impact demand given its location and price point.

Newcastle-under-Lyme Hotel Supply

Key Competitors – Booking.com

Booking.com

Online consumer reviews influence hotel choice and are worth noting for this project. Users of Booking.com appear to have reasonable levels of satisfaction with hotels in the market area.

Key Conclusions

- There is a mix of scores across the competitor hotels with the Courtyard by Marriott Keele and the Hilton Garden Inn scoring a very good 8.7 and 8.6/10.0 respectively, with high scores for 'Comfort' and 'Cleanliness'. This is unsurprising given the two hotels are the newest properties in the market and completed to the latest brand standards;
- Comparatively, the Holiday Inn scored the lowest of the competitors at 7.1, with low scores for 'Facilities' and 'Cleanliness'. Online reviews highlight issues around the quality of the facilities and rooms now being dated and tired;
- The three closest competitors to the project site (Courtyard, Hilton Garden Inn and DoubleTree) all scored well for 'Location' which is positive for the proposed new hotel, indicating the importance of this factor to visitors to the area;
- All hotels scored their lowest ratings for both 'Facilities' and 'Value for Money'. It is likely this results from reviewers feeling that the standard of accommodation and facilities does not warrant the room rates charged.

Relevant Hotel Rating on Booking.com*

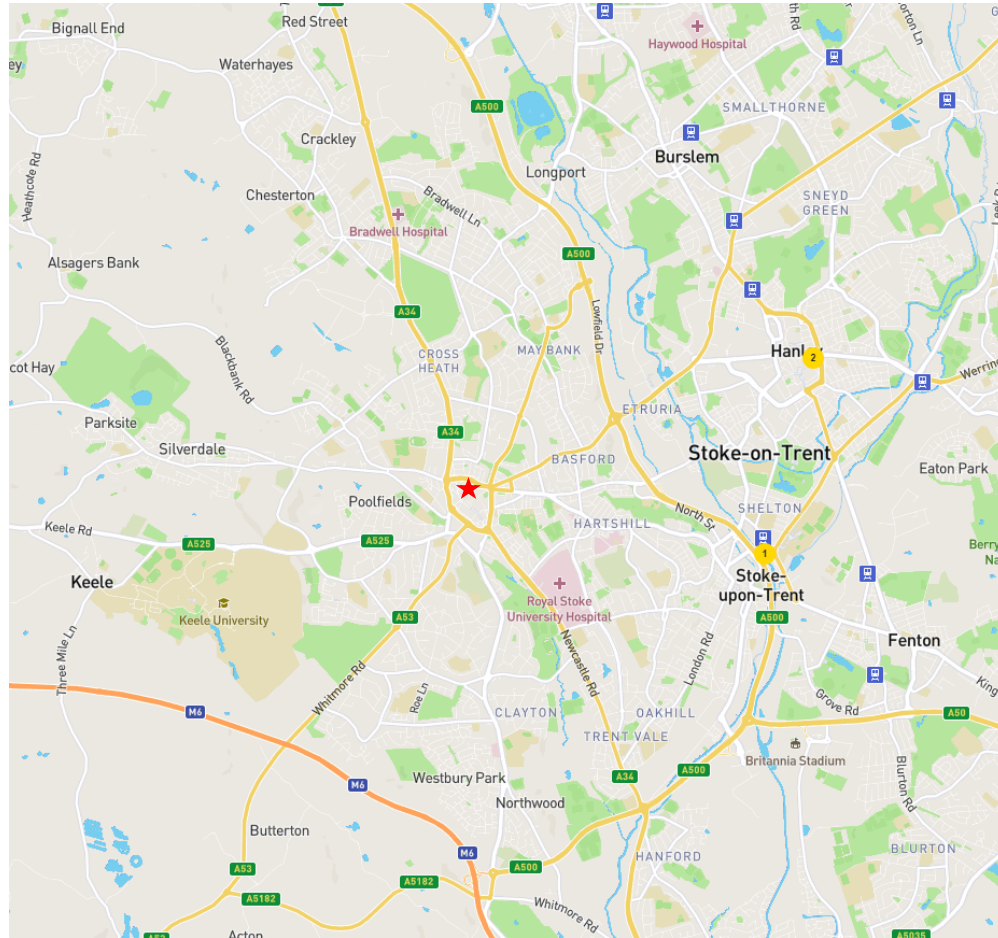
Hotels	Overall Rating	Comfort	Location	Facilities	Cleanliness	Value for Money
Courtyard Keele Staffordshire	8.7	9.3	8.7	9.0	9.3	8.4
Hilton Garden Inn Stoke-on-Trent	8.6	9.2	8.5	8.9	9.2	8.5
DoubleTree by Hilton Stoke-on-Trent	8.2	8.7	8.7	8.4	8.7	8.2
Holiday Inn Express Stoke-on-Trent	8.0	8.3	8.4	8.1	8.4	8.2
Holiday Inn Stoke-on-Trent M6 Jct 15	7.1	7.7	8.3	7.4	7.6	7.4

Source: Booking.com * Scores are based on a 1 (poor) to 10 (excellent) rating system, reviewed on 15.11.22

Newcastle-under-Lyme Hotel Supply

Future Supply Pipeline

Map of Hotel Future Supply – eight miles



Source: AM:PM Hotels Database. *Red star denotes site.

Information was supplied by Newcastle-under-Lyme, Stoke on Trent and South Cheshire Councils in order to identify any future hotel supply increase in the market area. These have been cross-checked against published sources including Estates Gazette Interactive (EGi) and the AM:PM Hotels Database.

We have identified two schemes in the planning pipeline; representing a potential increase of 288 bedrooms, excluding the proposed Rycroft hotel. None of the projects are under construction and we have factored the “probability” of them progressing in our project occupancy model. We summarise the two schemes below.


2 Hotels


288 Bedrooms

Map Ref	Development Name	Grade	No. new Rooms	Project Details	Status
1	Goods Yard	Limited Service	150	£60m mixed-use development creating a new urban quarter close to Stoke Station. Plans include the development of new residential, workspace and leisure venue, retail, public realm. A new hotel is planned as part of a second phase.	Main contractor appointed Sept 2022 for the first phase of development
2	Etruscan Square (Unity Walk)	Limited Service	138	Long-standing proposals for the redevelopment of the existing shopping centre in Hanley to create new commercial space, 3,500 capacity indoor arena, public realm and new hotel.	Council seeking private investment partners

Source: Newcastle-under-Lyme, Stoke on Trent and South Cheshire Councils, AM:PM Hotels Database, Estates Gazette Interactive (EGi)

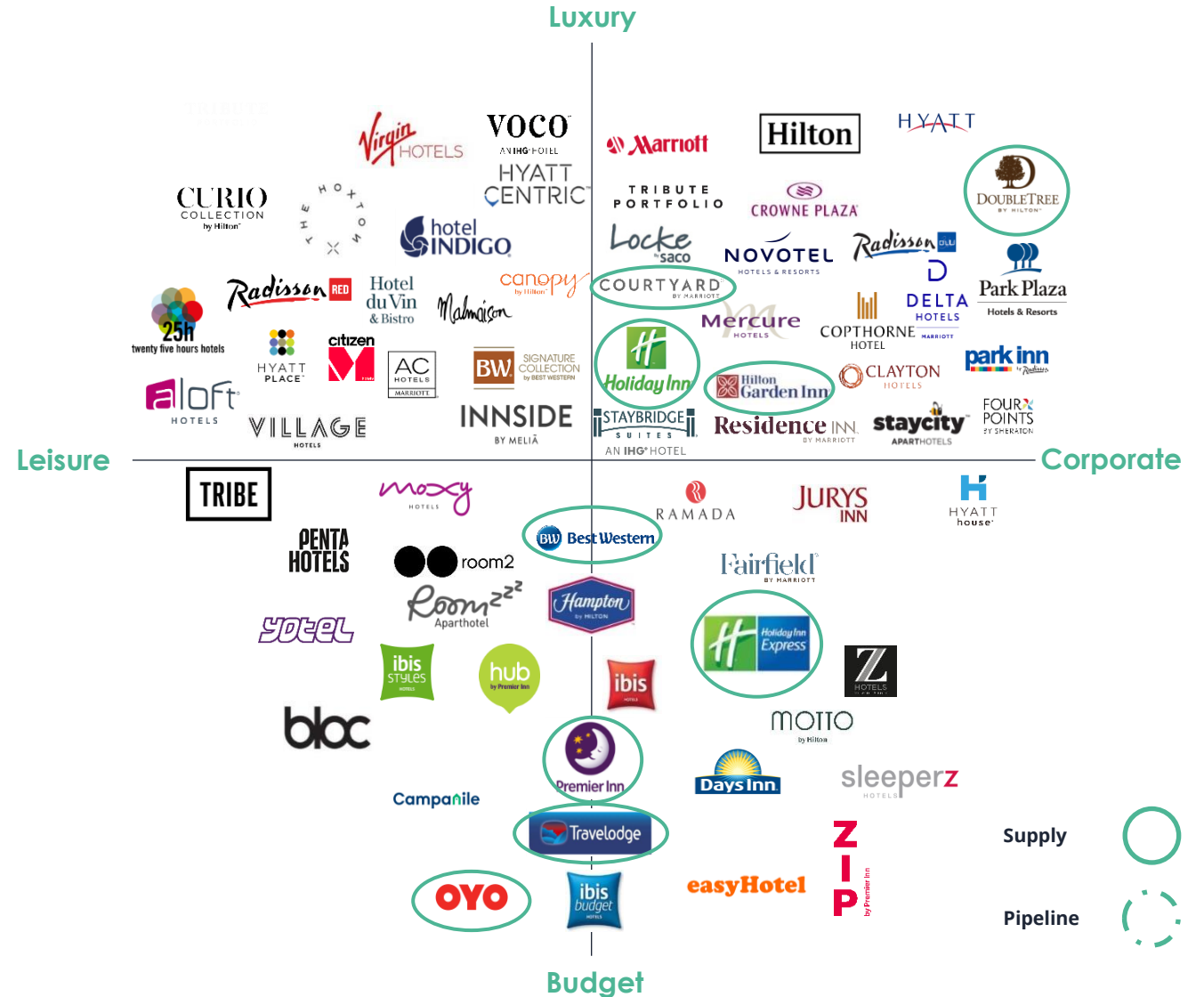
Newcastle-under-Lyme Hotel Supply

Brand Gap Analysis

Key Findings

Avison Young has undertaken a review of the hotel brands found in the market area. The majority of the hotels fall between budget, midscale and upper midscale brands, with very few upscale properties.

- Budget brands are well represented including Travelodge (four hotels), Premier Inn (three hotels) and OYO;
- Midscale and upper midscale brands include Holiday Inn, Holiday Inn Express and Best Western. These properties have a mix of locations but are principally near key transport routes into and around Stoke-on Trent;
- Upscale brands include the DoubleTree by Hilton, Hilton Garden Inn (opened 2020) and Courtyard by Marriott (2021);
- Neither of the hotels in the planning pipeline have a brand associated;
- IHG (Holiday Inn and Holiday Inn Express), Hilton (DoubleTree and Hilton Garden Inn) and Marriott (Courtyard) branded hotels are the most represented in the market, however this is still relatively limited. There are a number of hotel companies with no brands in the city including Accor, Hyatt and Radisson;
- There are also notable product gaps, with most hotels in the adjacent diagram sitting within the corporate-end of the scale; this highlights a lack of contemporary designed and lifestyle brands that would have strong appeal to leisure guests;
- Similarly, there are no branded apart-hotels in the city, although we note that these are largely (although not exclusively) located within larger cities. Additionally, this may be the result of the types of industry located in North Staffordshire and the wider area which do not support the need for this type of accommodation.



5. Newcastle-under-Lyme Hotel Market Performance

In this section

- Hotel Market KPIs
- OTA Insights Rate Analysis

Bespoke STR Set

Hotel	Grade	Bedrooms
Hilton Garden Inn Stoke on Trent	Upscale Class	140
DoubleTree by Hilton Stoke on Trent	Upscale Class	147
Holiday Inn Express Stoke On Trent	Upper Midscale Class	123
Travelodge Newcastle-under-Lyme Central	Economy Class	82
Holiday Inn Stoke On Trent M6 Jct 15	Upper Midscale Class	118
Courtyard Keele Staffordshire	Upscale Class	150
Premier Inn Newcastle-under-Lyme	Economy Class	83
Travelodge Stoke Talke Hotel	Economy Class	63

Term	Definition
Average Daily Rate (ADR)	Hotel rooms revenue divided by the number of rooms sold. Also referred to as Average Room Rate (ARR) or Achieved Room Rate (ARR)
Occupancy Rate	The percentage of all rooms occupied or sold in a given period to total available rooms in that period.
RevPAR	Revenue per available room. Calculated by multiplying the occupancy rate by the average daily room rate. Also known as Yield.

Newcastle-under-Lyme Market Performance

Occupancy, ADR and RevPAR

A bespoke set from STR Global was commissioned that includes performance data submitted by eight hotels of various grades in Newcastle-under-Lyme and Stoke (as listed on the previous page). This is compared to the Regional UK averages in the adjacent graphs and commentary below.

Occupancy

- Occupancy for the bespoke set exceeded the Regional UK average in 2016 and increased at a higher level until 2019, peaking at 79.7%;
- Market occupancy was not impacted as significantly in 2020 by the Covid Pandemic with a decline of 33.9% compared with the Regional UK average 44.9%;
- The Hilton Garden Inn Stoke opened in October 2020 which impacted the bespoke set occupancy in late 2020 and into 2021;
- 2021 saw occupancy fall below Regional UK with the further opening of the Courtyard Keele in February 2021;
- 2022 October year to date (YTD) has seen both markets recover well, although not to 2019 levels. Newcastle-under-Lyme remains marginally below Regional UK as the two new hotels continue to stabilise.

RevPAR

- Bespoke set revenue per available room (RevPAR) increased in line with the occupancy and ADR growth from 2015 to 2019;
- Due to the strength of the bespoke set occupancy in 2020 compared with Regional UK, RevPAR for both markets were very similar;
- Regional UK saw stronger growth in 2021 as the occupancy recovery faltered locally due to the new openings;
- October 2022 YTD has seen good recovery for both markets with RevPAR above the same period of 2019, despite occupancy remaining lower.

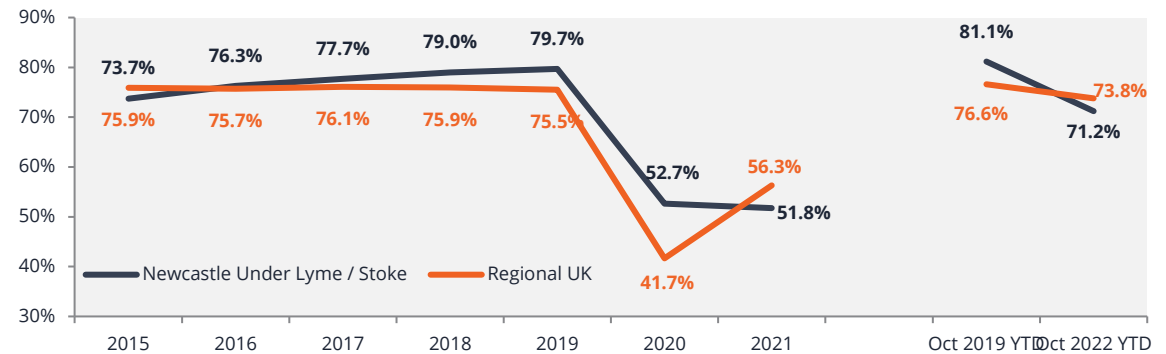
ADR

- Average daily rate (ADR) for the bespoke set grew consistently between 2015 and 2019 whilst Regional UK peaked in 2018 before seeing a small decline;
- Overall, the bespoke set growth was 11.1% between 2015 and 2019, almost double the Regional UK average (albeit from a lower base);
- The local impact from Covid-19 was more severe with ADR declining 17.2% in 2020 compared with the Regional UK average of 13.4%;
- Recovery in 2021 was strong due to the staycation boom in the UK with Regional UK average ADR increasing by 24.1%. The bespoke set saw significant growth of 42.6% likely due to the opening of two high quality hotels able to command higher rates;
- Bespoke set ADR for October YTD 2022 was 20.7% higher than the same period of 2019; in line with the Regional UK average, and a very positive indicator of market recovery.

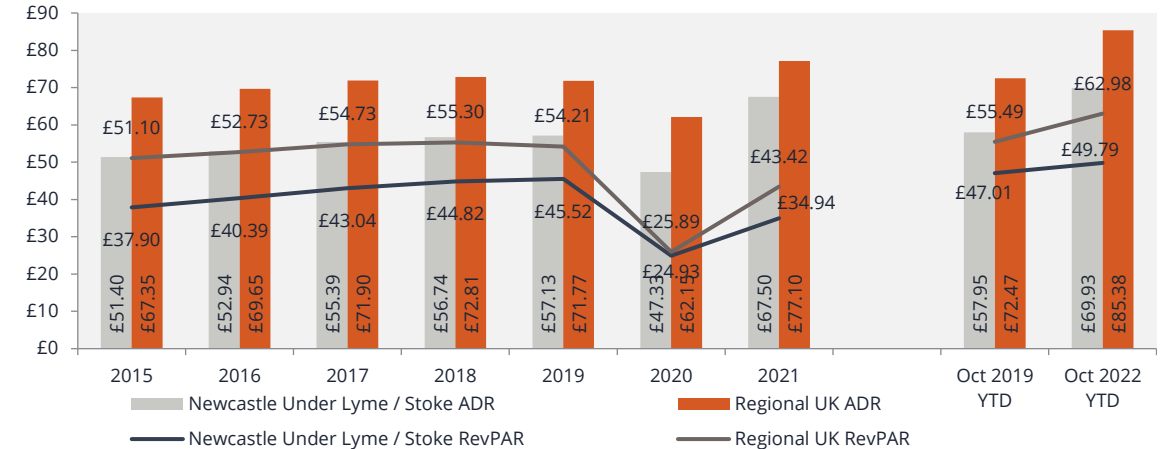
Day of the Week Analysis

- Occupancy is highest on Tuesday followed by Wednesday indicating strong corporate demand;
- Saturday has the third highest occupancy indicating there is also leisure demand in the market;
- ADR is highest on Saturday indicating that leisure demand is less price-sensitive and is likely connected to weekend domestic staycation demand.

Bespoke Set and Regional UK Occupancy 2015-2021 and YTD comparison



Bespoke Set and Regional UK ADR and RevPAR 2015-2021 and YTD comparison



Day of the Week Analysis

Nov-21 to Oct-22	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Average
Occupancy	52.8%	71.7%	77.4%	75.7%	70.0%	64.3%	73.9%	69.4%
ADR	£58.00	£65.92	£72.61	£70.84	£64.63	£68.55	£79.44	£69.10

Source: Avison Young / STR Global 2022

Newcastle-under-Lyme Hotel Supply

Key Comparable Hotels OTA Insights Rate Analysis

We have commissioned a rate check from OTA Insights for the STR set of hotels, albeit there is only limited data available for the two Travelodge hotels.

This analysis is of the best available "on the day" rates (BAR) including VAT quoted by each hotel on Booking.com for the last 12 months and next 90 days (brand.com for Premier Inn and Travelodge).

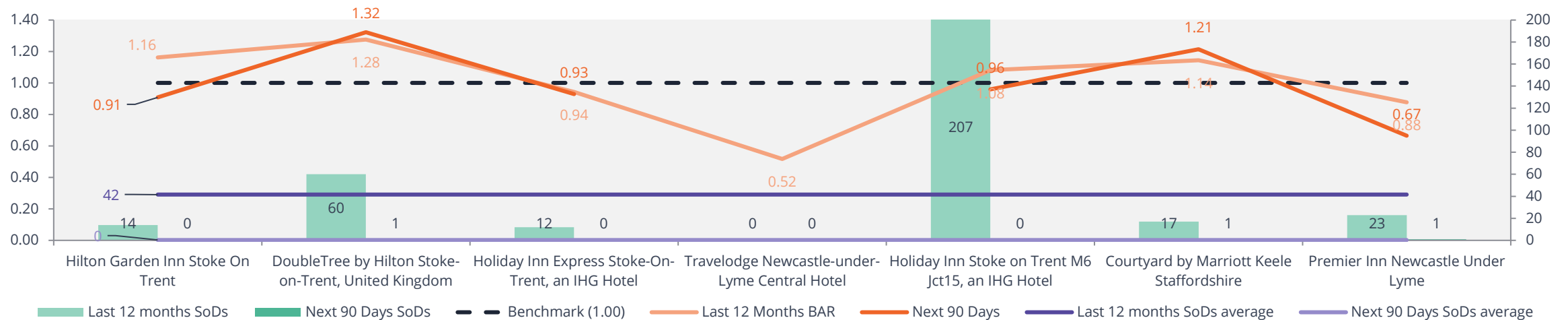
The graph below illustrates the BAR index of each hotel benchmarked to the average of the set. Through this we are able to analyse the pricing strategy each hotel employs. A BAR index greater than 1.00 means that the hotel quoted rates higher than the average.

The analysis also provides a solid indication of the number of sold-out dates across the period.

Key findings:

- The average quoted rate across the eight hotels over the last 12 months was £94.90 up 23.0% compared with 2019;
- DoubleTree by Hilton Stoke on Trent, an upscale hotel with a wide range of facilities quoted the highest rate on average over the last 12 months as well as across the next 90 days, while Travelodge Newcastle-under-Lyme was the laggard of the set;
- The Hilton Garden Inn and Courtyard quoted comparable rates on average over the last 12 months, however for the next 90 days the Courtyard is significantly higher and aligned more with the DoubleTree than the Garden Inn; this could be due to high levels of base business driven by the University allowing them to yield their rates upwards;
- Average sold out days was 42 days across the set with the Holiday Inn Stoke showing as sold out from November 2021 until June 2022, this is likely connected to a refurbishment rather than the hotel being sold out continuously over the period;
- Sold out days vary across the hotels with the DoubleTree showing the highest number; unsurprising due to the Garden Inn and Courtyard being new to the market and taking time to stabilise;
- Quoted rates vary quite significantly across the year with the highest average seen in April (£118.70), 79.8% higher than January (£66.01). These seasonal swings in quoted rates are more pronounced at the Premier Inn and Garden Inn.

Average Best Available Rates Index and Sold Out Days for Last 12 Months and the Next 90 Days



Source: Avison Young / OTA Insights

6. Research and Conclusions

In this section

- Research Summary

Research and Conclusions

Summary of Research

Avison Young are positive towards the development of a new hotel as part of the Ryecroft master-plan in Newcastle-under-Lyme town centre. The market area experienced strong levels of performance prior to the Covid-19 pandemic and despite the recent opening of new hotels, is seeing good levels of recovery in 2022. Although Newcastle-under-Lyme has a limited commercial and leisure profile, the wider region is supported by a strong mix of industry sectors and attractions which are easily reached from this highly accessible location.

Site Evaluation

- Newcastle-under-Lyme is centrally located in the UK and benefits from its proximity to major cities including Birmingham and Manchester;
- The proposed hotel will form part of the Ryecroft mixed-use development in central Newcastle-under-Lyme, creating a highly visible and identifiable area within the town centre;
- The hotel site is easily accessible from the A52 which connects to the M6 and the UK motorway network in nine minutes. The site is within a short walk of Newcastle-under-Lyme town centre and ten-minutes' drive to Stoke-on-Trent Station which is on the West Coast mainline.

How will it compete?

- There are 22 hotels within eight miles of the Ryecroft site, supplying 1,848 bedrooms. Limited service and three-star hotels comprise the majority of bedroom supply in the market area, accounting for 72%;
- There has been a modest overall increase in new supply within the market area, with three new hotels opening since 2013 and three smaller hotels closing. The Courtyard by Marriott Keele University (2021) and Hilton Garden Inn Stoke (2020) are the newest hotels and will compete with the project hotel at Ryecroft;
- Although almost three-quarters of the hotels in Newcastle-under-Lyme are affiliated with national or international brands, there remains a number of brand and positioning gaps with relatively few branded upper tier limited-service hotels, suggesting a positive opportunity in the market for this type of hotel;
- Online reviews of key comparable hotels highlights mixed perceptions of the quality of the existing stock, with low scores for 'Value for Money', further illustrating the opportunity for a modern value-added hotel in the local market.

What is coming into the market?

- We have identified two hotel schemes in the planning pipeline in the market area, representing a potential increase of 288 bedrooms. Neither of the projects is under construction and there are no brands confirmed for the schemes. Due to the continued impacts of both Covid-19 and cost inflation on the hotel development funding market, it is very possible that neither will come to fruition in the short to medium term;
- Both projects form part of mixed-use schemes within the neighbouring town centres of Stoke and Hanley. Although a main contractor has been appointed on the Goods Yard scheme in Stoke, the proposals have highlighted that the hotel would form part of a second phase with no timescales identified.

How is the market performing?

- Prior to the Covid-19 pandemic, Newcastle-under-Lyme and Stoke hotels showed positive levels of performance with occupancy at 79.7% in 2019, above the UK Regional average;
- Although the bespoke set ADR tracks below the Regional UK average, it increased by a much higher rate of 11.1% between 2015-2019, against 6.6% for Regional UK;
- The impact of Covid-19 locally was in-line with the Regional UK average, with large declines across all key performance indicators in 2020. However, recovery in 2021 occupancy was further impacted by the two new hotels opening and taking market share as demand recovered;
- October 2022 YTD occupancy for the bespoke set has seen good levels of growth, however it is still ten percentage points below the same period of 2019. ADR has seen very strong growth, exceeding 2019 and resulting in RevPAR growth against 2019, a very positive indicator of market recovery;
- Demand by day of the week highlights good performance midweek and on Saturdays suggesting a good blend of corporate and leisure demand. Despite leisure demand primarily being driven by one-night stays on Saturdays, ADR is highest indicating that leisure demand is less price-sensitive and connected to staycation demand (given the period the data covers).

Economy and Demand Drivers

- Newcastle-under-Lyme has a limited corporate profile, which is principally linked to the logistics and distribution sector located outside of the town centre. However, the wider North Staffordshire region including Stoke-on-Trent are represented by a good mix of industry sectors which has seen strong economic growth over the last ten years;
- Although not a major tourism destination, Newcastle-under-Lyme sits within North Staffordshire which is home to a number of popular tourist attractions including The Potteries, Alton Towers and the Peak District National Park;
- The wider local area is home to a mix of other demand drivers including Keele University, University of Stoke Hospital and the Bet365 Stadium, home to Stoke City FC;
- There is a good level of investment planned for Newcastle-under-Lyme supported by government funding which will offer a mix of new leisure and commercial drivers into the town. There are a number of projects in the wider area which will also support demand growth regionally;
- Proposals for HS2 to connect to nearby Stoke-on-Trent Station will offer increased connectivity to the region which will likely support future investment in the area.

7. Financial Performance

In this section

- Project Performance Model
- Projected Operating Statement
- Pricing Exercise

Financial Performance

Project Performance Model

	Growth	Growth	Growth	Rooms sold per day						
	2023	2024	2025+	2023	2024	2025	2026	2027	2028	2029
Demand Growth	3.9%	4.9%	2.4%							
Frustrated Demand			5.5%	74	78	80	82	84	86	88
Market Room Sold				1,419	1,502	1,539	1,576	1,614	1,654	1,694
Rooms available				1,848	1,848	1,848	1,983	2,096	2,096	2,165
Project hotel no. of rooms						135				
Other additions				0	0	0	113	0	69	0
Total Room Supply				1,848	1,848	1,983	2,096	2,096	2,165	2,165
Project Hotel Market Penetration Factor						1.03	1.03	1.03	1.03	1.03
Project Occupancy % projected share						80.0%	77.5%	79.4%	78.8%	80.7%
Project Occupancy %						68.0%	73.7%	79.4%	78.8%	80.7%
Double Occupancy Factor			141.6%							
Number of guests						49,205	53,305	57,474	56,994	58,379

Notes:

1. Demand growth has been estimated by market segment. We have assumed that leisure demand growth will slow in 2023 due to the cost-of-living crisis, before accelerating to return demand to 2019 levels in 2024. Overall demand growth to average 2.4% per annum from 2025;
2. Frustrated demand of 5.5% representing 20 peak demand dates annually;
3. There are limited hotel proposals in the planning pipeline. We have modelled the "probability" of these coming to fruition in 2026 and 2028;
4. We have modelled a market penetration of 1.03 (3% above fair market share) reflecting the lack of hotels in Newcastle-under-Lyme, proposed product positioning and brand delivery platform;
5. To allow for market establishment we have discounted occupancy by 15% in year one and 5% in year two.

135 Bedrooms Upper Tier Limited Service Hotel – Demand, Growth and Pricing by Segment

	Midweek	Weekend	% Demand	Annual Growth from 2025
Corporate account	£86.40	£81.90	25.1%	2.2%
Transient commercial	£91.20	£86.45	22.6%	2.8%
Conference	£94.08	£89.18	5.3%	2.0%
Independent leisure	£86.40	£81.90	21.0%	2.6%
Shortbreak	£76.80	£72.80	15.8%	2.2%
Groups and tours	£67.20	£63.70	4.9%	2.2%
Other	£86.40	£81.90	5.4%	2.6%

ADR Calculation:

1. We have applied the suggested pricing by market segment shown in the table (including VAT) to the market mix;
2. The average daily rate (ADR), net of VAT in current values is £69.77, putting the hotel in line with the market average and a little below the new Courtyard and Hilton Garden Inns according to our OTA Insights quoted rate indexing;
3. To allow for market establishment we have discounted ADR by 5% in year one and 2% in year two.

Financial Performance

Projected Operating Statement

135 Bedrooms Upper Tier Limited Service Hotel, Newcastle-under-Lyme

Rooms available	135				
% occupancy	68.0%	73.7%	79.4%	78.8%	80.7%
Rooms sold	33,503	36,295	39,133	38,806	39,749
Average Daily Room Rate	£70.34	£74.01	£77.03	£78.57	£80.14
Yield	£47.82	£54.51	£61.17	£61.88	£64.65
	2025	2026	2027	2028	2029
OPERATING REVENUE					
Rooms	£2,356,433	£2,686,078	£3,014,347	£3,048,953	£3,185,526
Food and Beverage	£574,317	£632,775	£694,140	£702,301	£733,189
Other Operated Departments	£1,778	£1,964	£2,160	£2,185	£2,283
Miscellaneous income	£35,554	£39,287	£43,206	£43,702	£45,660
Total Operating Revenue	£2,968,081	£3,360,104	£3,753,853	£3,797,141	£3,966,658
DEPARTMENTAL EXPENSES					
Rooms	£790,834	£865,177	£941,211	£953,836	£991,161
Food and Beverage	£392,643	£423,829	£456,502	£462,790	£480,412
Other Operated Departments	£22,754	£25,143	£27,652	£27,969	£29,222
Total Department Expenses	£1,206,231	£1,314,150	£1,425,365	£1,444,596	£1,500,794
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	£179,022	£187,260	£195,577	£199,043	£204,334
Information + telecommunications	£31,836	£32,473	£33,122	£33,785	£34,461
Sales & Marketing	£210,164	£262,919	£322,177	£326,120	£340,003
Property Operation + Maintenance	£70,654	£125,795	£136,475	£138,410	£143,517
Utilities	£118,723	£134,404	£150,154	£151,886	£158,666
Undistributed Operating Expenses	£610,400	£742,851	£837,505	£849,243	£880,981
GROSS OPERATING PROFIT	£1,151,450	£1,303,103	£1,490,983	£1,503,303	£1,584,882
MANAGEMENT FEES	£124,887	£141,356	£160,031	£161,584	£169,666
INCOME BEFORE NON-OP INCOME + EXPS	£1,026,563	£1,161,747	£1,330,952	£1,341,718	£1,415,216
NON-OPERATING INCOME + EXPENSES					
Income	£0	£0	£0	£0	£0
Rent	£0	£0	£0	£0	£0
Property and other taxes	£124,696	£127,190	£129,734	£132,329	£134,975
Insurance	£42,979	£43,839	£44,715	£45,610	£46,522
Other	£0	£0	£0	£0	£0
Total Non-operating inc.+exps	£167,675	£171,029	£174,449	£177,938	£181,497
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION+ AMORTISATION	£858,888	£990,718	£1,156,503	£1,163,780	£1,233,719
REPLACEMENT RESERVES	£29,681	£67,202	£112,616	£151,886	£158,666
EBITDA LESS REPLACEMENT RESERVES	£829,207	£923,516	£1,043,887	£1,011,894	£1,075,052

Source: Avison Young

We present an Operating Statement for the 135 bedrooms hotel in future (inflated) values for the first five years of operation.

Our projections assume that the hotel will be in operation from 1st January 2025.

Revenues and expenditures have been developed based upon the assumptions prepared in Appendix C, inflated at 2.0% from 2022.

Terms used are as defined in the Uniform System of Accounts for the Lodging Industry, 11th Edition.

Key Assumptions:

- We have modelled a 135 bedrooms branded upper tier limited service hotel with bar and lounge serving breakfast and all-day light meals, and one small meeting room;
- The projections are presented excluding VAT;
- No change in competitive supply or market conditions other than those assumed;
- Rigorous effective pre and post opening marketing and promotion nationally and within the local market area;
- Continued successful development and marketing of the chosen brand within the UK, and internationally;
- Uninterrupted trading, maintaining all necessary licenses and permits;
- Competent and effective management by a third-party operator with access to the global distribution network.

Pricing Exercise

Market Summary

Covid-19 has negatively affected the investment market for hospitality property. The market was at its weakest in 2020, when it was unclear how the world would cope with the ongoing pandemic, with the resultant uncertainty leading to a long-term low in terms of investment volumes which fell to £1.8 billion, a 69% decrease from 2019. The number of transactions declined 44%, from 129 to 72. Operational hotels were more adversely affected, with transactional volumes reduced by nearly 60%.

2021 was markedly more positive with around £4bn of hotels transactions. There was and remains a multitude of investors seeking opportunities across the sector. Many of these parties were geared up to take advantage of the distress that was forecast, however this never really materialised due to ongoing support from banks and government.

2022 looked likely to see a continued recovery and UK hotel transaction volumes in the first four months of the year exceeded £1.5 billion, some 40% ahead of the total investment volume reached in the entire first half of 2021. However, the illegal invasion of Ukraine by Russia set in place a series of events that has reversed that sentiment.

As such, whilst investors continue to be positive on the longer-term outlook of the sector, we caution that market conditions are currently uncertain due to, inter alia, high levels of inflation resulting in well publicised cost of living challenges which has resulted in various strikes throughout the UK. Wage cost inflation, rising utilities and generally high cost of purchases has placed pressure on hotel profitability, albeit to date much of these costs has been passed on in the form of higher average room rates.

In an attempt to control the level of 'cost push inflation', the Bank of England have increased base rates, which together with very high inflation is likely to negatively impact on hotel trade in 2023. The higher bank base rate has increased the cost of borrowing for purchasers and furthermore some banks have now effectively withdrawn from the debt markets, which will ultimately impact on trade. All of the above are contributing to the UK's almost inevitable movement into a recession which many commentators believe could extend for a period of two years. As such, the level of tolerance applicable to our opinions is therefore greater than might normally be the case.

Key Pricing Issues

- Prominent location;
- The wider regeneration of the town should ultimately increase demand;
- Unproven nature of hotel trade against a backdrop of a highly price sensitive market
- Concern over rising operational costs, in particular uncertainty over utilities and threat of wage cost inflation;
- UK enters recession;
- There is limited comparable evidence available at this time.

In view of the above, we believe the market will view this opportunity with some caution and we have reflected this in our adopted exit yield of 8.5%.

Based on our cash flow, we would expect to realise a sale price of around £10.4 million at day one, although would recommend an asking price of £11.8m on the basis that the income could be made up to its stabilised level.

We again caution, there is no evidence to benchmark this asset against, however this level of pricing compares favourably with other hotels in the wider area.

Appendices

In this section

- Appendix A – Hotel Supply
- Appendix B – Daily Rate Model
- Appendix C – Financial Assumptions
- Appendix D – Operational Platforms
- Appendix E – Glossary of Terms

Appendix A

Hotel Supply

Map Ref	Hotels	Grade	Rooms
1	Travelodge Newcastle-under-Lyme Central	Limited Service	82
2	The Borough Arms Hotel	Two Star	40
3	DoubleTree by Hilton Stoke on Trent	Four Star	147
4	Premier Inn Stoke On Trent Hanley	Limited Service	140
5	Courtyard Keele Staffordshire	Three Star	150
6	North Stafford Hotel	Three Star	88
7	Hilton Garden Inn Stoke on Trent	Four Star	140
8	Best Western Stoke on Trent City Centre Hotel	Three Star	135
9	Holiday Inn Stoke On Trent M6 Jct 15	Three Star	118
10	OYO The George Hotel	Three Star	44
11	Holiday Inn Express Stoke On Trent	Limited Service	123
12	Premier Inn Newcastle-under-Lyme	Limited Service	83
13	Premier Inn Stoke Trentham Gardens Hotel	Limited Service	119
14	Travelodge Stoke On Trent Trentham Hotel	Limited Service	31
15	Travelodge Stoke Talke Hotel	Limited Service	63
16	Crown Hotel	Two Star	41
17	Upper House Hotel	Three Star	24
18	Stoke On Trent Alsager Manor House Hotel	Three Star	53
19	Travelodge Crewe Barthomley Hotel	Limited Service	42
20	Moorville Hall	Two Star	32
21	Weathervane Hotel	Three Star	40
22	Wychwood Park Hotel & Golf Club	Four Star	113

Source: AM:PM Hotels Database 2022

Appendix B

Daily Rate Model

	Business Mix	Rooms Sold (year 3)	Estimated Business Split		Average Discount		Net Total
			Weekday	Weekend	Weekday	Weekend	Revenue
Corporate account	25.1%	9,820	90%	10%	10%	10%	£703,374
Transient commercial	22.6%	8,838	85%	15%	5%	5%	£666,470
Conference	5.3%	2,058	90%	10%	2%	2%	£160,540
Independent leisure	21.0%	8,226	30%	70%	10%	10%	£570,697
Shortbreak & Packages	15.8%	6,174	20%	80%	20%	20%	£378,663
Groups & Tours	4.9%	1,898	50%	50%	30%	30%	£103,532
Other	5.4%	2,118	30%	70%	10%	10%	£146,911
Totals	100.0%	39,133	63%	37%			£2,730,187
Published Rate			Weekday			£96.00	
Published Rate			Weekend			£91.00	
Net ADR Standard Rooms						£69.77	

Source: Avison Young

Appendix C

Assumptions to Operating Projections

Revenues

Hotel Occupancy and Average Room Rates - year three yield of £61.17

Year	Annual Occupancy	Average Daily Rate	Yield
2025	68.0%	£70.34	£47.82
2026	73.7%	£74.01	£54.51
2027	79.4%	£77.03	£61.17
2028	78.8%	£78.57	£61.88
2029	80.7%	£80.14	£64.65

Food and Beverage Revenues - hotel guests only

	Pick-up Ratio / Guests	Spend per Cover
Residential Covers		
Cooked Breakfast	60%	£10.00
Lunch - Food	5%	£10.00
Lunch - Beverage	5%	£4.00
Dinner - Food	15%	£15.00
Dinner - Beverage	15%	£5.00
Beverage	50%	£5.00

Hotel Meeting Room Revenues

We have modelled one small meeting and assumed:

- 20% occupancy, average meeting size of 10;
- An average day delegate rate per person of £33.60 (incl. VAT).

Other Revenues - in 2022 values

We have computed other revenues as follows:

- Telephone £0.05 per occupied room
- Miscellaneous £1.00 per occupied room

Appendix C

Assumptions to Operating Projections

Direct Costs

Food and Beverage

Cooked Breakfast	35% of Sales
Hotel Food	30% of Sales
Hotel Beverage	28% of Sales
Overheads	3% of Sales

Other Revenues

- Telephone	80% of Sales
- Miscellaneous	60% of Sales

Payroll – 24.0% of revenues in year three

Payroll costs have been prepared based on the assumption that the operator will provide certain centralised management, procurement, marketing and financial services.

Position	Number	Cost	Salary
General Manager	1.0	£60,000	£60,000
Guest Service Manager 1	1.0	£25,000	£25,000
Reception & Reservations	5.6	£118,339	£21,132
Night Manager	1.0	£22,000	£22,000
Maintenance	1.5	£33,000	£22,000
Kitchen	1.9	£40,622	£21,132
F&B Supervisor	2.0	£46,000	£23,000
F&B Services	3.3	£68,852	£21,132
Administrator	1.0	£22,000	£22,000
Sales Coordinator	1.0	£22,000	£22,000
Total	19.3	£457,814	

Payroll costs have been increased by 17.0% to cover payroll taxes and employees benefits.

Rooms cleaning payroll has been calculated at £6.76 per room sold.

Conference variable payroll has been calculated at three hours per ten delegates at a rate of £10.42.

Appendix C

Assumptions to Operating Projections

Departmental Costs

Rooms – key costs include:

Laundry:	£2.60 per room sold
Indicative Reservations Fees:	2.0% of room revenues
Operating Supplies:	1.75% of room revenues
Other Operating:	1.5% of room revenues
Commissions:	18% commission on 30% of rooms sold

Undistributed Operating Expenses:

Administration:	2.4% of total revenues
Information and Telecoms:	£30,000 per annum
Marketing:	1.0% of total revenues for local marketing and 2.0% of room revenues for brand marketing Indicative brand royalty fee of 3.0% of room revenues in year one, 4.0% in year two and 5.0% thereafter We have also modelled indicative brand loyalty card fees of 1.5% of room revenues
Indicative Management Fees:	Base management fee at 2.0% of total revenues and incentive management fee at 6.0% of GOP less the base fee

Property Repairs and Maintenance:

1.0% of total revenue in year one and 2.5% thereafter

Energy Costs:

4.0% of total revenue

Insurance:

£40,500 per annum

Finance and Property Costs

Rates:

Computed at 51.2p/£ on a rateable value of £1,700 per guest room

The property is not yet completed and is therefore not assessed in the Rating List. We have prepared our own projections in terms of likely rates payable over the next five years based upon benchmarking other businesses which match as closely as possible to the proposed hotel. The Uniform Business Rate for the year commencing 1 April 2022 is 51.2p in the pound.

FF&E Replacement Reserve:

At 1.0% of sales in year one, 2.0% in year two, 3.0% in year three and 4.0% thereafter

Rent:

Nil

Depreciation:

Nil

Interest and Taxes:

Nil

Appendix D

Operating Platforms

Below we have tabulated a comparison of the main hotel operational structures below, highlighting the advantages and disadvantages of each from the perspective of an owner.

Platform	Description	Advantages	Disadvantages
1. Owner operated with brand franchise	The owner manages the hotel and enters into a franchise agreement with a hotel brand. The owner receives all profits from operations once franchise fees to the brand have been deducted.	<ul style="list-style-type: none"> - international affiliation - likely to appeal to both local business and leisure markets - likely to appeal more to funders than non-branded - maximum return less franchise fees 	<ul style="list-style-type: none"> - hotel brand standards may constrain flexibility - owner bears downside trading risk - requires management team with skill set - franchise fees (say 7% of turnover)
2. Management company operated with brand franchise	The owner enters into a management agreement with a third-party hotel operator to manage the operations of the hotel on their behalf. The owner separately enters into a franchise agreement with a hotel brand. The owner receives all profits from operations once franchise fees to the brand and management fees to the operator have been deducted.	<ul style="list-style-type: none"> - as 1. above - reduces in-house skills requirements - maximum return less franchise + management fees 	<ul style="list-style-type: none"> - less flexibility as per 1 - franchise and management fees (say 10% of turnover)
3. Operational lease	The owner enters into a leasehold agreement with a hotel operator who acts as the tenant. The operator retains all profits with the owner receiving a rent payment (which can be fixed or variable).	<ul style="list-style-type: none"> - no owner expertise required - can structure known level of return - appealing to institutional investors (where there is a strong tenant covenant) - lower downside risk than 4. 	<ul style="list-style-type: none"> - little flexibility - hotel leases currently difficult to deliver with few operators in the market and little appetite for this type of deal (particularly for hotels positioned above the budget level) - low control over brand values and customer experience - possible operator / occupier conflicts
4. Management company operated, unbranded	The owner enters into a management agreement with a third-party hotel operator to manage the operations of the hotel on their behalf. The owner receives all profits from operations once management fees to the operator have been deducted.	<ul style="list-style-type: none"> - Greater flexibility of design and customer experience than branded hotels - reduces in house skills requirements - maximum return less management fees 	<ul style="list-style-type: none"> - no affiliation or reservations systems, plus high commission costs - Lack of branding may deter funders - owner bears downside trading risk - management fees (say 6% of turnover)
5. Owner operated, unbranded	The hotel owner operates the hotel themselves which is unbranded.	<ul style="list-style-type: none"> - as 4. above - maximum return (no fees) 	<ul style="list-style-type: none"> - requires management team with skill set - Risks of non-branding as per 4.

Appendix E

Projected Operating Statement – Sensitivity Scenarios

135 Bedrooms Upper Tier Limited Service Hotel – scenario 1, 10% lower RevPAR

Rooms available	135				
% occupancy	68.0%	73.7%	79.4%	78.8%	80.7%
Rooms sold	33,503	36,295	39,133	38,806	39,749
Average Daily Room Rate	£63.30	£66.61	£69.33	£70.71	£72.13
Yield	£43.04	£49.06	£55.06	£55.69	£58.18
	2025	2026	2027	2028	2029
OPERATING REVENUE					
Rooms	£2,120,790	£2,417,470	£2,712,913	£2,744,058	£2,866,973
Food and Beverage	£574,317	£632,775	£694,140	£702,301	£733,189
Other Operated Departments	£1,778	£1,964	£2,160	£2,185	£2,283
Miscellaneous income	£35,554	£39,287	£43,206	£43,702	£45,660
Total Operating Revenue	£2,732,438	£3,091,496	£3,452,419	£3,492,246	£3,648,105
DEPARTMENTAL EXPENSES					
Rooms	£765,738	£836,570	£909,108	£921,365	£957,235
Food and Beverage	£392,643	£423,829	£456,502	£462,790	£480,412
Other Operated Departments	£22,754	£25,143	£27,652	£27,969	£29,222
Total Department Expenses	£1,181,135	£1,285,543	£1,393,262	£1,412,124	£1,466,869
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	£175,723	£183,499	£191,356	£194,775	£199,874
Information + telecommunications	£31,836	£32,473	£33,122	£33,785	£34,461
Sales & Marketing	£192,491	£240,087	£293,541	£297,155	£309,741
Property Operation + Maintenance	£68,298	£119,080	£128,939	£130,787	£135,553
Utilities	£109,298	£123,660	£138,097	£139,690	£145,924
Undistributed Operating Expenses	£577,646	£698,799	£785,055	£796,191	£825,553
GROSS OPERATING PROFIT	£973,657	£1,107,154	£1,274,101	£1,283,931	£1,355,683
MANAGEMENT FEES	£109,789	£124,549	£141,352	£142,690	£149,925
INCOME BEFORE NON-OP INCOME + EXPS	£863,868	£982,604	£1,132,749	£1,141,240	£1,205,758
NON-OPERATING INCOME + EXPENSES					
Income	£0	£0	£0	£0	£0
Rent	£0	£0	£0	£0	£0
Property and other taxes	£124,696	£127,190	£129,734	£132,329	£134,975
Insurance	£42,979	£43,839	£44,715	£45,610	£46,522
Other	£0	£0	£0	£0	£0
Total Non-operating inc.+exps	£167,675	£171,029	£174,449	£177,938	£181,497
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION+ AMORTISATION	£696,193	£811,576	£958,300	£963,302	£1,024,261
REPLACEMENT RESERVES	£27,324	£61,830	£103,573	£139,690	£145,924
EBITDA LESS REPLACEMENT RESERVES	£668,868	£749,746	£854,728	£823,612	£878,336

Source: Avison Young

We present an Operating Statement for the 135 bedrooms hotel in future (inflated) values for the first five years of operation.

Our projections assume that the hotel will be in operation from 1st January 2025.

Revenues and expenditures have been developed based upon the assumptions prepared in Appendix C, inflated at 2.0% from 2022.

Terms used are as defined in the Uniform System of Accounts for the Lodging Industry, 11th Edition.

Key Assumptions:

- We have modelled a 135 bedrooms branded upper tier limited service hotel with bar and lounge serving breakfast and all-day light meals, and one small meeting room;
- The projections are presented excluding VAT;
- No change in competitive supply or market conditions other than those assumed;
- Rigorous effective pre and post opening marketing and promotion nationally and within the local market area;
- Continued successful development and marketing of the chosen brand within the UK, and internationally;
- Uninterrupted trading, maintaining all necessary licenses and permits;
- Competent and effective management by a third-party operator with access to the global distribution network.
- This represents a 10% decline in RevPAR driven by ADR, occupancy levels have been maintained;
- Staffing structure remains the same;
- Some cost lines have been adjusted based on the drop in rooms revenue.

Appendix E

Projected Operating Statement – Sensitivity Scenarios

135 Bedrooms Upper Tier Limited Service Hotel – scenario 2, 10% higher RevPAR

Rooms available	135				
% occupancy	68.0%	73.7%	79.4%	78.8%	80.7%
Rooms sold	33,503	36,295	39,133	38,806	39,749
Average Daily Room Rate	£77.37	£81.41	£84.73	£86.43	£88.15
Yield	£52.60	£59.96	£67.29	£68.06	£71.11
	2025	2026	2027	2028	2029
OPERATING REVENUE					
Rooms	£2,592,077	£2,954,686	£3,315,782	£3,353,848	£3,504,079
Food and Beverage	£574,317	£632,775	£694,140	£702,301	£733,189
Other Operated Departments	£1,778	£1,964	£2,160	£2,185	£2,283
Miscellaneous income	£35,554	£39,287	£43,206	£43,702	£45,660
Total Operating Revenue	£3,203,725	£3,628,711	£4,055,288	£4,102,037	£4,285,210
DEPARTMENTAL EXPENSES					
Rooms	£815,930	£893,784	£973,314	£986,308	£1,025,086
Food and Beverage	£392,643	£423,829	£456,502	£462,790	£480,412
Other Operated Departments	£22,754	£25,143	£27,652	£27,969	£29,222
Total Department Expenses	£1,231,327	£1,342,756	£1,457,468	£1,477,067	£1,534,720
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	£182,321	£191,020	£199,797	£203,312	£208,794
Information + telecommunications	£31,836	£32,473	£33,122	£33,785	£34,461
Sales & Marketing	£227,838	£285,750	£350,813	£355,085	£370,266
Property Operation + Maintenance	£73,010	£132,510	£144,011	£146,032	£151,481
Utilities	£128,149	£145,148	£162,212	£164,081	£171,408
Undistributed Operating Expenses	£643,154	£786,903	£889,955	£902,295	£936,410
GROSS OPERATING PROFIT	£1,329,243	£1,499,053	£1,707,866	£1,722,675	£1,814,080
MANAGEMENT FEES	£139,985	£158,163	£178,711	£180,479	£189,407
INCOME BEFORE NON-OP INCOME + EXPS	£1,189,258	£1,340,890	£1,529,154	£1,542,196	£1,624,673
NON-OPERATING INCOME + EXPENSES					
Income	£0	£0	£0	£0	£0
Rent	£0	£0	£0	£0	£0
Property and other taxes	£124,696	£127,190	£129,734	£132,329	£134,975
Insurance	£42,979	£43,839	£44,715	£45,610	£46,522
Other	£0	£0	£0	£0	£0
Total Non-operating inc.+exps	£167,675	£171,029	£174,449	£177,938	£181,497
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION+ AMORTISATION	£1,021,583	£1,169,861	£1,354,705	£1,364,258	£1,443,176
REPLACEMENT RESERVES	£32,037	£72,574	£121,659	£164,081	£171,408
EBITDA LESS REPLACEMENT RESERVES	£989,546	£1,097,287	£1,233,046	£1,200,176	£1,271,768

Source: Avison Young

We present an Operating Statement for the 135 bedrooms hotel in future (inflated) values for the first five years of operation.

Our projections assume that the hotel will be in operation from 1st January 2025.

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Key Assumptions:

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- Continued successful development and marketing of the chosen brand within the UK, and internationally;
- Uninterrupted trading, maintaining all necessary licenses and permits;
- Competent and effective management by a third-party operator with access to the global distribution network.
- This represents a 10% increase in RevPAR driven by ADR, occupancy levels have been maintained;
- Staffing structure remains the same;
- Some cost lines have been adjusted based on the increase in rooms revenue.

Appendix F

Glossary of Terms

Term	Definition
24 Hour Delegate Rate	Conference rate offered at residential conference venues charged per person usually includes the same as a Day Delegate Rate (see below) as well as dinner, accommodation and breakfast.
Achieved Room Rate (ARR)	Hotel rooms revenue divided by the number of rooms sold. Also referred to as Average Room Rate (ARR) or Average Daily Rate (ADR).
Best Available Rate (BAR)	Best available rates are the lowest rates including VAT for any given date offered by hotel websites and online travel agents.
Day Delegate Rate	Conference rate charged per person usually for an eight-hour conference. Usually includes room hire, refreshments and lunch.
Double Occupancy %	The ratio by which the number of guests divided by the number of rooms occupied exceeds 100%.
EBITDA	Earnings before interest, taxes, depreciation and amortisation. Also known as Net Operating Income.
Non-operating Expenses	Costs which are mainly beyond the control of operational management, including: pre-opening expenses, rent, property taxes, and casualty and liability insurance costs.
Gross Operating Profit	The difference between revenue and costs before deducting management fees and fixed charges.
Gross Operating Profit Per Available Room (GOPPAR)	The Total Gross Operating Profit for the period divided by the total number of available rooms
Replacement Reserves	Amounts which are set aside for the renewal and replacement of fixed assets.
Market Penetration Factors (MPF)	The ratio of rooms demand secured from a particular market segment(s) above or below the proportionate share amongst a competitor set. Also known as Fair Market Share.
Occupancy Rate	The percentage of all rooms occupied or sold in a given period to total available rooms in that period.
Online Travel Agent (OTA)	Online travel agents such as Booking.com, Hotels.com and Expedia charge commissions on the value of the booking, usually in excess of 15%.
Rack Rate	The published full price for a hotel bedroom.
RevPAR	Revenue per available room. Calculated by multiplying the occupancy rate by the average daily room rate. Also known as Yield.
Total Revenue per Available Room (TrevPAR)	The sum total of net revenues from all operated departments, plus rentals and other income, divided by the total number of available rooms

Should you wish to discuss the findings of our research in greater detail please do not hesitate to contact:

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