

# Valuation Report

## ***Hotel Development Site***

### ***Bute Street, Cardiff***

May 2018

Prepared on the instruction of Proplend Security Limited  
Reference: CR172247

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Existing Site

# Section 1

## Instructions

# Instructions

## Instructing Source

Proplend Security Limited, 20-22 Wenlock Road, London, N1 7GU (the "Client" or the "Bank").

The report can be viewed by lending members of Proplend Security Limited on the understanding that only Proplend Security Ltd may rely on the report for mortgage purposes.

## Property Details

Hotel Development Site (Land between the Darling Buds Nursery and the former immigration building (55-56 Bute Street), Cardiff, CF10 5AH (the "Property").

## Tenure

Freehold

## Currency

The Valuations are expressed in Pound Sterling (GB £).

## Inspection, Information & Other Activities

The Property was inspected on 11 May 2018. Dimitri and Kyriacos Asprou, representing Merchant Estates Limited (the "Bank's Customer") have provided us with the following information in relation to the planned hotel development on the site:

- A copy of the planning consent and Section 106 Agreement for hotel use on the site
- Architectural plans of the proposed development
- Proposed hotel projections and build costs

- Business plan

In addition, we have carried out our normal research and enquiries

## Limitations

We have undertaken the valuation and investigations with the following limitations:

- We have not been provided with a report on title with which to confirm tenure information
- As confirmed with you prior to accepting instructions, we have not valued the Property in existing use without the benefit of planning permission for a 216 bed hotel

## Valuation Date

The Valuation Date is 11 May 2018

## Responsible Valuer

This Valuation Report (the "Report") has been undertaken by Mr T Holt-Wilson MRICS Christie & Co, who is a RICS Registered Valuer and who has the appropriate local and national knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently.

## Conflicts of Interest

We confirm that we have no prior involvement with either the Property or the Bank's Customer except that we valued the same site for a different lender (same Bank Customer) in a valuation dated 1 September 2016.

We are not aware of any conflict of interest that prevents us from undertaking this instruction. We also confirm that, in preparing this report, we act in the capacity of External Valuers.

# Instructions

## Reporting Requirements

The Report has been produced in accordance with the RICS Valuation - Global Standards published in June 2017 (the “Red Book”), incorporating the International Valuation Standards 2017 (“IVS”).

This instruction has been undertaken in conjunction with your letter of instruction dated 8 May 2018, confirmed in our letter dated 11 May 2018, both of which are contained within Appendix 1. This Report should be read in conjunction with the Conditions & Assumptions of Valuation which are contained within Appendix 2. This contains various general and special terms, and assumptions of the valuation.

We confirm that we hold appropriate Professional Indemnity Insurance in respect of this Instruction and that our fees generated from the Bank represent less than 5% of our prior financial year’s income.

## Purpose of Valuation

Loan security in respect of an application by the Bank’s Customer.

## Complaints

Any complaints or issues arising out of the Valuation will be in accordance with Christie & Co’s complaints handling procedure, a copy being available on request. The Valuation may be subject to monitoring under RICS’ conduct and disciplinary regulations.

## Basis of Valuation

This Report has been produced in accordance with the Red Book. The basis of valuation is Market Value, which is defined by the Red Book as:

*“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after*

*proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

The definition of Market Value should be interpreted in the context of the 2017 International Valuation Standards Framework (paragraphs 30.1 to 30.7 of IVS104), which includes the conceptual framework – this is reproduced within Appendix 3.

## Market Value

**MV** Market Value

In accordance with your instructions, this is the Market Valuation for loan security purposes of the Property in its current condition at the date of our inspection, subject to any current tenancies in place and sold as a going concern.

There are no current tenancies in place and the Property is sold in highest and best use as a hotel site, not with reference to its current trading as a car park. The Market Value provided therefore equates to the value of the Property on the assumption that the Property was being sold without the benefit of a going concern.

## Market Rent

Market Rent is defined as:

*“the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

As a hotel development site, the Market Rent will be a ground rent or peppercorn rent only with long lease terms.

# Section 2

## Executive Summary

# Executive Summary

## Key Valuation Considerations

This Valuation Summary is to be read in conjunction with the Report and Appendices.

### Situation and Location

- Located on Bute Street in the Cardiff Bay area of Cardiff, one mile south of the city centre
- The site is bounded by The Darling Buds nursery to the north, the former immigration building to the south (Custom House), Bute Street itself to the west and Docks Lane to the east
- Close to Cardiff Bay railway station and within walking distance of the key demand generators of Cardiff Bay

### Description and Accommodation

- The Property is currently a car park with approximately 60 spaces and an area of 1,327 square metres (14,000 square foot) or 0.32 acres. The site is level and tarmacadam covered.
- There is planning for a 216 en suite guest room midscale hotel with a specification likely to equate to a Hampton by Hilton; a hotel of this nature would offer open plan ground floor public areas including bar, breakfast room and work zones with upper floor guest rooms

### Condition & Capital Expenditure

- The site is a level rectangular site in average condition for use as a car park

### Tenure

- Freehold
- We have not been provided with a report on title. We suggest that we review a report on title and comment on any impact it may have on our opinion of value.

### Statutory Enquiries

- The Property was granted planning permission for a 216 guest room hotel with consent dated 9 December 2016 under reference 10/02361/DCI. The development permitted shall be begun before the expiration of 30 months from the date of this planning permission and it therefore expires in June 2019.
- Our opinion of Market Value will be detrimentally impacted if planning permission expires without renewal or without permission for an alternative use being secured (which alternative use results in the same or higher residual land value).

### Brexit and Market Volatility

- Britain's decision to leave the EU was announced on 24 June 2016. This has resulted in political and economic uncertainty, the full effect of which has not yet emerged. This report is written in this context and it thus has a reduced period of time for reliance.

### Valuation Commentary

- We have relied on a land residual method in arriving at our opinion of value of the Property combined with comparable evidence of the sale of other hotel sites nationwide and development land values in Cardiff.
- We have not provided for reliance our opinion of value of a completed hotel.

## Valuation

In our opinion the Market Value of the freehold interest in the Property site as at the Valuation Date is:

Market Value

**£2,200,000**

(Two million two hundred thousand pounds)

# Section 3

## The Property

# The Property

## Key Observations

- Good secondary city centre hotel location
- Within walking distance of the key demand drivers of Cardiff Bay

## Situation & Location

### Cardiff

Cardiff is the capital city of Wales and the primary commercial centre of the region. After going into decline in the 1970's and 1980's Cardiff's docks and city centre have since been regenerated. Cardiff Bay is now a thriving waterside development comprising the seat of the Welsh Assembly Government and the Millennium Centre opera house. The Millennium Stadium and Cardiff International Arena are the two major city centre leisure venues and these compliment the most recent retail led generation St David's 2. Cardiff Bay is still developing, with recent plans proposed including the refurbishment of Mermaid Quay and Tacoma Square, both on the waterfront. Finally the location of a new 15,000 seat arena has been proposed which is a thirty acre site at Atlantic Wharf. In terms of GVA per Capita, Cardiff and the Vale of Glamorgan is Wales' top performing region, which is not unexpected due to its capital, commercial and political status.

The city has good transport links. The M4 junctions 29 – 33 link the city with Bristol (44 miles) and London (150 miles) by car. There are regular direct train services to London (2 hours) and an international airport. Approximately 13 airlines operate from Cardiff with scheduled and charter flights across 50 direct routes. Air traffic has fallen from a high of just 2.1m passengers in 2007 to 1.024m today.

## The Property

The Property is located in Cardiff Bay which is one mile south of the city centre. The Property site is secondary relative to city centre hotels but within Cardiff Bay the site is prime.

The site is bounded by The Darling Buds nursery to the north, the former immigration building (Custom House) to the south, Bute St to the west and Docks Lane to the east.

Within walking distance are the majority of demand generators of the Cardiff Bay development area. Leisure demand is derived from attractions and facilities such as the Wales Millennium Centre, Mermaid Quay (restaurants and bars), Techniquet, Cardiff International White Water centre, Ice Arena Wales, a BBC Doctor Who experience, the barrage across the bay and the bay itself. The Property is close to the Red Dragon Centre which comprises a Travelodge, Chiquito Restaurant, Odeon Cinema and Hollywood Bowl. Other demand generators in Cardiff Bay include the Welsh Assembly, Cardiff Council as well as businesses such as KPMG and the BBC.

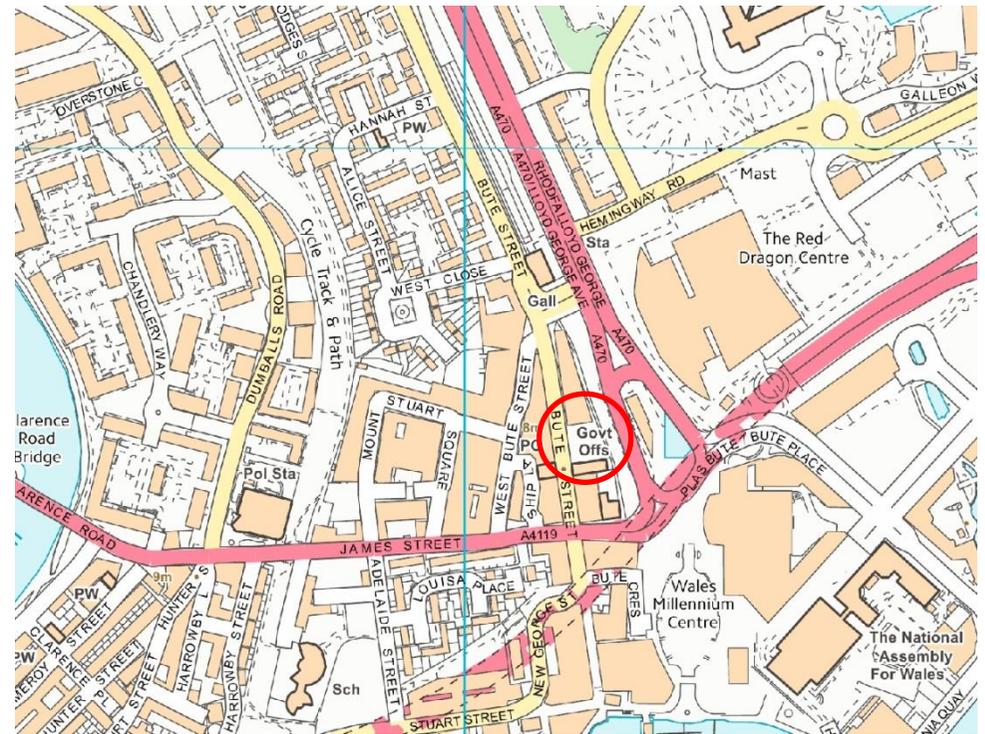
The Property is close to Cardiff Bay railway station which serves Cardiff Queen Street station where there are connecting services to Cardiff Central (10 minute journey time). A taxi to the city centre is £5 and the walking time is approximately 15 minutes. The Property will have up to twelve car parking spaces but within 200m there are a further 2,118 spaces.

We have included on page 13 a location map of the Property on which the boundaries, as advised to us, are outlined in red.

## Location Maps



Location Map

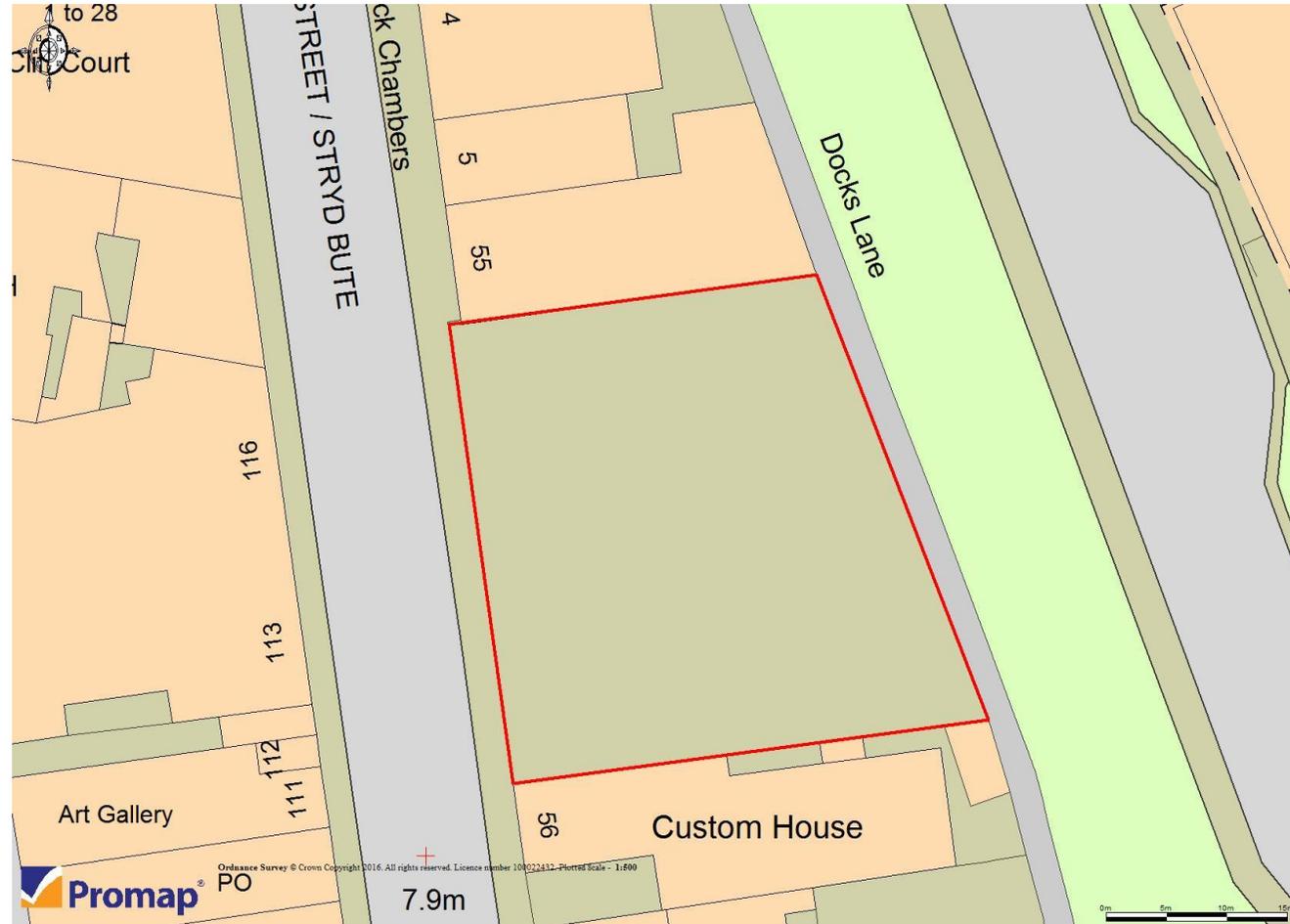


Street Map

## Site Plan

The site area shown adjacent equates to 1,327 square metres (0.13 hectares) or 0.33 acres.

Freehold title number is given as WA436701.



For illustration purposes only

## Site Description

### Existing

The Property is currently in use as a car park with approximately 60 spaces and is a rectangular level plot with tarmacadam surface. The area is 1,327 square metres. The site is enclosed with iron railings to east and west.

There is access to the site from the Dock's Lane footpath.

### Proposed

The Property is proposed to be a 216 guest room purpose built hotel constructed over seven floors.

A copy of the plans of the proposed development are provided as an appendix.

The Gross Internal Area of the hotel building on the site is given by the Bank's Customer as 7,648 metres squared which equates to 35 square metres per room which is sufficient for a midscale limited service hotel.



Source: Plans submitted for application number 10/02361

## Proposed Accommodation

We summarise the principle proposed accommodation in the table adjacent.

The proposed accommodation is to be in line with a Hampton by Hilton or similar midscale international brand standard. It will offer high quality en suite guest room accommodation with limited ancillary services.

The public areas will be zoned for reception, restaurant, bar and work space but there is to be limited formal restaurant and other food & beverage provision.

There is proposed a small dedicated meeting room on the ground and first floor but no other event space.

Guest rooms are located to the upper floors one to eight.

The service areas appear appropriately located. The main kitchen is on the ground floor with access to the breakfast area directly as well as back of house and the bar servery. A service corridor runs the length of the building on the ground floor linking the kitchen, bin store and housekeeping / linen room together and providing access to Bute Street.

Summary of Proposed Facilities					
Guest Rooms		Total	Event Rooms		Max Capacity
Double / Twin Rooms		216	Meeting Room (Gnd Fl)		10 Boardroom
			Meeting Room (First Fl)		10 Boardroom
Food & Beverage Outlets		Covers	Leisure and Other Facilities		
Bar and Restaurant		140	Gym		
Lounge		40	Work Zone		
			Car Parking		10-12

Source: Plans submitted for application number 10/02361

## Condition and Capital Expenditure

The development site is currently in good condition.

It is assumed the proposed Property will be completed to a high standard with accommodation and service areas suitable for a midscale international hotel brand (e.g. Hampton by Hilton, Jurys Inn, Courtyard by Marriott, Moxy or Motel One).

We have reviewed the build costs provided by the Bank's Customer and summarise these adjacent together with the adjustments we have made for the benefit of the valuation.

Typical build costs for midscale hotels are upwards of £70,000 per room including professional fees and FF&E but excluding utility connections, land costs, pre-opening expenses and finance during construction (source: Gleeds Q1 2014). As a result we are of the opinion that the costs provided are within an expected range for the construction of a Hampton

Cost Category		Bank Customer Estimates	Per Room	Christie & Co / Market Adjustments	Per Room
Sub Total after External works		£10,536,214	£48,779	£10,536,214	£48,779
Preliminaries	12.5%	£1,317,027	£6,097	12.5%	£1,317,027
Contingencies	4.0%	£474,130	£2,195	4.0%	£474,130
Overheads & Profit	4.0%	£493,095	£2,283	4.0%	£493,095
Construction Cost		£12,820,466	£59,354	£12,820,466	£59,354
Professional Fees	6.0%	£769,228		7.0%	£895,588
Construction Cost incl Prof.fees		£13,589,694	£62,915	£13,716,054	£63,500
Clients Operating Costs (Pre-Opening)		£350,000	£1,620	£100,000	£463
Total Construction Cost		£13,939,694	£64,536	£13,816,054	£63,963
Bedroom fixed items		£1,371,600	£6,350	£1,371,600	£6,350
Bedroom loose FF&E		£734,400	£3,400	£734,400	£3,400
Total Construction Cost incl FF&E		£16,045,694	£74,286	£15,922,054	£73,713
<b>Other Costs</b>					
Legal and Project Management Fees		£300,000		£0	
Section 106 Agreement		£108,920		£108,920	
3rd Party Fees		£45,000		£45,000	
Brand Signage		£60,000		£60,000	
Finance Costs (6% on land and building)		£0		£789,864	
Developer's Profit (10% Profit on Cost)		£0		£1,692,580	
Grand Total		£16,559,614	£76,665	£18,618,418	£86,196

Source: Bank's Customer and Christie & Co

by Hilton or similar branded hotel.

Our own build cost assessment for the benefit of arriving at an opinion of Market Value of the Property site are similar but with the following differences:

- We have reduced the Legal and Project Management Fees which the Bank's Customer indicates are personal to them and which we believe are normally covered by Professional Fees in general
- We have increased the Professional Fees (applying 7% to Construction Cost)
- We have reduced the Pre-Opening costs but have included a developer's profit of 10% of total construction cost
- We have included a cost of finance (6% of the build cost and 6% of the land residual)

A summary is provided in the Assessment of Market Value section. Construction companies quoting for the project will be Tier One building companies. The hotel construction is estimated to be completed within 15 months. We would expect a number of construction companies to bid for the work on a fixed-price contract ahead of finalising the construction costs.

## Statutory Enquiries

A summary of the outcomes of our Statutory Enquiries is provided below, with further general information and regulatory context set out in Appendix 5.

### Fire Safety and Equality Act

We assume that following completion the Property will comply with statutory fire regulations and the Equality Act as it will be constructed in accordance with building regulations.

### Regulated Mortgages

From 31 October 2004 mortgage applications by private individuals relating to commercial property, where more than 40% of the area of a property is used for residential purposes, are treated as Services Regulated Mortgage Contracts by the Financial Services Authority.

It is our opinion that none of the Property is or will be private living accommodation.

### Non Domestic Business Rates

These will be assessed on completion of the Property given by the VOA as Adj 56 (car park), Bute Street, Cardiff, CF10 5AW. The rateable value is currently £20,000 (Car Park and Premises) in the 2017 list.

### Planning Enquiries

We accessed the online content of the Planning Department of Cardiff City Council on 16 May 2018 and as a result confirm as follows:

- The Property is not located within a conservation area and is not listed.
- The Property has hotel planning use consent within Class C1 of the Use Classes Order 1987 as part of the Town & Country Planning Act 1990. Permission was granted 9 December 2016 under planning reference 10/02361/DCI.

The development permitted shall be begun before the expiration of 30 months from the date of this planning permission and it therefore expires in June 2019, less than a year from now.

***The value of the Property will be detrimentally and materially impacted if planning consent expires without renewal or without alternative consent***

***being secured (where the alternative consent results in the same or higher residual land value).***

In starting development to secure the planning permission, careful consideration will need to be given by the Bank's Customer, their construction managers and their planning advisors to the conditions of the planning consent, particularly those that need to be satisfied **prior to commencement** of the development, as follows:

- The external walls and roofs of any building shall be constructed and finished in accordance with a schedule of materials and finishes which shall be submitted to and approved by the Local Planning Authority prior to the commencement of development
- No development shall take place until samples of the external finishing materials have been submitted to and approved by the Local Planning Authority
- Prior to the commencement of development a scheme showing the architectural detailing of the building to include details of all entrances, windows, glazing systems, parapets and eaves details shall be submitted to and approved in writing by the Local Planning Authority
- The development shall be provided with a scheme of hard and soft landscaping in accordance with a scheme of detail and timetable of implementation which shall first have been submitted to and approved in writing by the local planning authority
- No development shall take place until a scheme for the drainage of the site and any connection to the existing drainage system has been submitted to and approved in writing by the Local Planning Authority

- No part of the development hereby permitted shall be commenced until a scheme detailing the measures necessary for the purpose of monitoring gases generated on the site or land adjoining thereto and for any measures necessary to protect the development has been submitted to and approved in writing by the Local Planning Authority
- No development shall take place until details showing the provision of cycle parking spaces have been submitted to and approved in writing by the local planning authority
- Prior to commencement of development a scheme of construction management shall be submitted to and approved by the Local Planning Authority, to include details of site hoardings, site access and wheel washing facilities

In starting the development the Bank's Customer should be certain that the plans have been approved by the operator (if different from the Bank's Customer) and in conjunction with the proposed brand, when selected.

- We are not aware of any planning enforcement actions or proceedings.

### Highways

We believe that the Property is accessed directly off an adopted highway which is maintained at the public's expense, and have valued on this assumption. A solicitor should provide separate confirmation that this is correct.

### Licensing

We have assumed that the completed Property will benefit from a Premises Licence.

### Asbestos

We did not see any asbestos containing material at the site on inspection and assume that there is none.

## Other Enquiries

### Services

We believe that the Property is connected to all the mains services.

### Site and Ground Conditions

Whilst we have not undertaken any ground or site investigations, no initial site or ground condition concerns came to light during our inspection or were revealed by the owner. As the Property has continued in a similar use for many years, we have valued on the reasonable assumption that the site is free from any such adverse ground conditions. However, any information to the contrary, particularly any issues raised by a building survey or investigation during the course of any repair or refurbishment programme, should be referred back to us for comment as this may affect our opinions and advice.

### Environmental Issues

During our inspection we saw no evidence of contamination and whilst we cannot say that no contamination exists, we believe the probability to be low in view of the Property's current and past uses.

We accessed the Environment Agency's website on 15 May 2018 and as a result confirm that the Property is located in an area at risk of flooding. We do not believe that this has an impact on the value of the Property site but consideration should be given to flood risk protection upon the commencement of development.

### Invasive plants

During our inspection we did not notice nor were we made aware of the presence of any invasive plants.

### Tenure

We are advised that the Property is owned freehold. It is our understanding that it is not affected by any adverse restrictions or conditions, and that the boundaries of the Property as indicated in red on the plan contained within this report are correct. We recommend that a solicitor provide separate confirmation that all of these assumptions and understandings are correct. In the event that they are not, we reserve the right to revisit our valuation.

The Bank's Customer has previously had heads of terms signed with Hilton Hotels for a Hampton by Hilton franchise the key terms of which were a 22 year term and a 4% of gross rooms revenue royalty and program fee (4% each). The previous agreement has expired and we have valued the Property on the basis that Hampton by Hilton would renew their franchise or that another national or international brand would assume similar terms, which we believe is the case.

It would be prudent of the Bank's Customer to ensure that the plans for the hotel are appropriate for the target brand ahead of commencement of development.

### Occupational Leases

We are not aware of any occupational leases or other agreements, and have valued the Property on the assumption that vacant possession exists throughout.

# Section 4

## Market Commentary

# Market Commentary

## Key Observations

- Investment in UK hotels remains strong, but caution is on the rise over operational costs.
- In June 2016 the UK voted to leave the EU starting a period of political and economic uncertainty
- UK Regional RevPAR growth stable in 2016 and 2017 at 3.2% and 3.8% respectively
- Increasing development activity and new supply will impact some UK markets more than others

## Overview

Over the last 12 months, the hotel market enjoyed a stellar period as one of the few sectors to fully benefit from Brexit. While we see challenges ahead, we remain optimistic about the market's ability to deal with them innovatively.

The decline in sterling boosted leisure travel from Europe, the US and China; according to VisitBritain 39.9 million visitors to the UK spent more than £25bn in 2017 up 6.2% and 11.6% on 2016 respectively. A weaker pound also lifted staycations which drove up occupancy and RevPAR in London and the regions.

Brexit uncertainty has increased pressure on finding and retaining talent. Rising costs in general have become an even greater challenge. Staff costs, business rates, pensions, utility and food bills are all escalating, a trend that is likely to persist for the next couple of years.

While we expect continued RevPAR growth driven by visitor numbers over the next 12 months, it has recently been driven by tourists rather than business travellers (down 2.8%) and any further currency movement could impact 2018. Combined with increased stock (19,000 rooms in the UK in 2017 and 2018, source AM:PM) and greater competition from providers such as serviced apartments, hostels and apart-hotels, the effect will be to place pressure on existing, under-invested hotels.

PwC analysis for 2018 forecasts RevPAR growth of 2.4% for London and 2.3% in the regions, both principally driven by rate.

In 2017 much of our work was focused on regional, single-asset hotels valued at £5m to £25m, and portfolios up to £300m, and in these areas the market has been active. Likewise, the transactional market for sub-£5m hotels has also been buoyant.

The aggregate value of UK hotel sales reached £5.5bn in 2017 which was 18% up on 2016, but still down significantly on 2015. Sales in 2018 are expected to show a slight decline, to around £5bn, but will remain in line with the longer-term average.

A good proportion of buyers of single-asset hotels have an overseas connection, with most equity coming from the Far East. Typically, they invest in properties across the UK, often outside London, and want their money placed in stable economic and legal environments while generating good returns.

These are practical, long-term investors, with no interest in vanity deals. Markets such as Stratford upon Avon, Blackpool, Scarborough and Torquay have delivered great returns and double-digit growth.

There is plenty of liquidity in the UK lending market, supported by banks, financial institutions, peer-to-peer lending and crowdfunding. Regionally, affluent individuals and families, and hotel funds are the most active buyers.

The market has traditionally been viewed by investors as alternative, but is now becoming more mainstream for long-term investors such as L&G, which this year acquired the Hampton Inn Stansted Airport. Life funds are now entering the market, looking for variable income, and we see a large appetite for lease income from institutions who see hotel investments as increasingly mainstream with higher yields than many other property investment options but which may still offer future yield compression.

### Innovation

Technology and how customers interact with hotels is undergoing a seismic shift. Aside from keyless entry via phone, and service automation (letting you check in and out independently), hotels are ramping up connectivity. More apps, better bandwidth and seamless connectivity are all here to stay. We expect innovation, too, in food and beverage as customer demands evolve. Pop-up cafés, renowned chefs and DJs, specialist food and delivery are all ways of enlivening that income stream.

### Transaction highlights

The biggest and last portfolio transaction of 2017 was the £800m sale of the Jurys Inn portfolio announced in December. This comprised 36 hotels and was acquired by Israeli-based Fattal Hotels Group and Swedish hotel investment company Pandox. 2017 was a year notable for other big transactions. In September, the £525m sale of QHotels took place; in August Hilton's London and Birmingham Metropolises were sold to Henderson Park for around £500m and in March Generator Hostels was purchased by Queensgate Investments for approximately £400m.

Other individual transactions included Grosvenor House for £600m, the Lowry in Manchester for £53m and the Holiday Inn in Manchester for £53m.

Christie & Co is one of the UK's biggest hotels agents: in 2017 we sold more than 150. These included sales for Starwood Capital, Lone Star Funds / Hudson including a

portfolio of MGallery's, a portfolio of assets under Project Newlands and single-asset sales such as the Crown Spa Scarborough, Broome Park Estate in Canterbury and a number of Mercure-branded hotels.

### Operational Performance - A mature growth environment continued

RevPAR continued to climb in the UK in 2017 with year to date November analysis showing occupancy up 0.6% to 78.1% and average daily rate up 3.8% to £92.47 (source: STR Global) giving an overall increase in RevPAR of 4.4%. This increase was shared between the regions and London with the former up 3.9% and the latter up 5.0%. In both cases ADR accounted for the largest increases, with occupancy remaining relatively flat.

### National Living Wage and Other Cost Concerns

The National Living Wage (NLW) was launched in April 2016 and supplements the National Minimum Wage (NMW) system. The NLW is now £7.83 per hour for the over 25s (effective from 1 April 2018), an increase of 4.4% compared to previous rate of £7.50 per hour payable from 1 April 2017.

When the NLW was launched, the government advised that the NLW would rise in a phased manner to £9 per hour by 2020; but unless the next two years herald very big increases (compared to inflation), that target looks set to be missed.

The National Minimum Wage (NMW) system remains in place for those aged below 25. 21 to 24 year olds must be paid a minimum of £7.38 per hour, and 18 to 20 year olds £5.90 (effective from 1 April 2018). Separate rates apply for under 18 year olds and apprentices.

In most parts of the UK, a reasonable proportion of general hotel staff are paid around the NLW. Some net profit squeeze may result from the rise in wage costs, unless prices can be adjusted. Future forecasting should reflect these aspects.

With the Government looking to introduce further increases to the National Living Wage, some operators have no choice but to absorb at least some of these additional payroll costs. Uncertainty over the UK's EU exit could undermine security in the sector and threaten investment, particularly if restrictions on foreign labour are introduced.

Under the Pensions Act 2008, every employer in the UK must put their qualifying employees into a pension scheme and, where appropriate, pay contributions. This is called "automatic enrolment" into what is commonly referred to as a "workplace pension".

Qualifying employees means all staff who:

- are aged between 22 and the State Pension age
- earn at least £10,000 a year
- normally work in the UK

The minimum contributions are as follows:

From	Minimum the employer pays	Minimum the employee pays	Total minimum contribution
April 2017	1%	1%	2%
April 2018	2%	3%	5%
April 2019	3%	5%	8%

Source: [www.gov.uk/workplace-pensions](http://www.gov.uk/workplace-pensions) as at 3.4.2018

From April 2018, the cost burden of employers' workplace pension contributions will rise, and most employees will also have less money in their pay packets.

Both minimum wage levels and the workplace pension changes have put further pressure on net profit margins.

On 1 April 2017 the business rate revaluation came into force in England and Wales which considerably increased the rates bill payable by some businesses. Furthermore the Apprenticeship Levy was introduced on 6 April 2017 which is payable by employers whose wage bill exceeds £3.0m per annum. Both initiations may negatively impact profit margins.

Our valuation reflects current market sentiment and our assessment of trade (including wages) takes into account the NLW/NMW and workplace pension.

#### Brexit and Market Uncertainty

The market for hotel properties has not so far been impacted by the Brexit decision, and transactional activity has continued un-affected. Our stated opinions of value accurately reflect current market sentiment. This includes having reference to the tone of market activity and bids as at the Valuation Date.

We consider the potential positive impact upon the UK hotel market to be:

- Further investment opportunities post-Brexit due to cheaper exchange rate/currency
- Increased international visitation (USA notably)
- Decline in UK outbound travel will translate into 'staycations'
- Opportunistic investors now starting to look at the UK
- Provincial markets may be less impacted (local investors /domestic institutions)
- At the current time buyers and sellers have adopted a "business as usual" approach therefore limiting the drop in volume of transactions
- Market-wide there have been numerous transactions since the referendum result, indicating a functioning hotel market

However, the following are seen as the potential negative impacts:

- Uncertainty remains – political and economic stability is perceived as relatively weak particularly following the results of the general election in May 2017
- Political and economic uncertainty may impact consumer confidence and potential spend on travel. Signs of a slowdown in growth in consumer spending became evident toward the end of 2017
- The terms of Britain's exit and subsequent relationship with the EU are to be agreed by negotiation, with as yet unknown consequences
- Impact on staffing in hospitality within the UK
- 'Wait and see' approach by some well-capitalised owners
- Reduced supply/transactional activity

#### Movement in Hotel Prices

Christie & Co's hotel price index, which uses average price information derived from hotel transactions brokered by the company, shows that hotel property prices increased by a smaller amount in 2017 at 5.8% than in 2016 (+6.0%). This is depicted overleaf:



#### Outlook

- We expect transaction levels to remain relatively flat in 2018 with continued single asset transactions resulting from 'normal' activity as well as a churn of single assets and small groups from larger portfolios purchased over the last few years
- Whilst private equity investors remain interested in the European markets there remains overseas and domestic appetite for hotel investment in the UK which we expect to increase in 2018
- RevPAR in the regional and London markets is likely to continue to grow at low rates although differences will become accentuated where there are strong supply pipelines
- The positive and negative impacts of Brexit on the hotel investment and operational market will continue to be finely balanced as the UK continues negotiations to leave the European Union. The Dollar weakening against Sterling (as of January 2018) will logically reduce American investor and customer demand for hotels in the UK

- Potential cost impact from National Living Wage, increasing utility costs and online travel agent commissions

## Provincial UK Hotel Trading Environment

### Market Characteristics

Provincial UK hotels, excluding London, are influenced by national, rather than global, economic variables.

The table adjacent shows occupancy, ARR and RevPAR over the last five years and the year to date. Post recession in the UK, regional hotel RevPAR has performed relatively well, growing from a low base by 5.5% in 2013 and by 10.4% in 2014. Growth rates slowed in 2015 and 2016 to 6.0% and 3.1% respectively. Over these last two periods occupancy reached a fairly stable level, just under 76% whilst rates continued to move forward on the strength of continued economic recovery in the UK represented by steady growth in GDP and continued increase in UK visitor numbers which rose 6.2% in 2017 on the prior year to 39.9m according to VisitBritain.

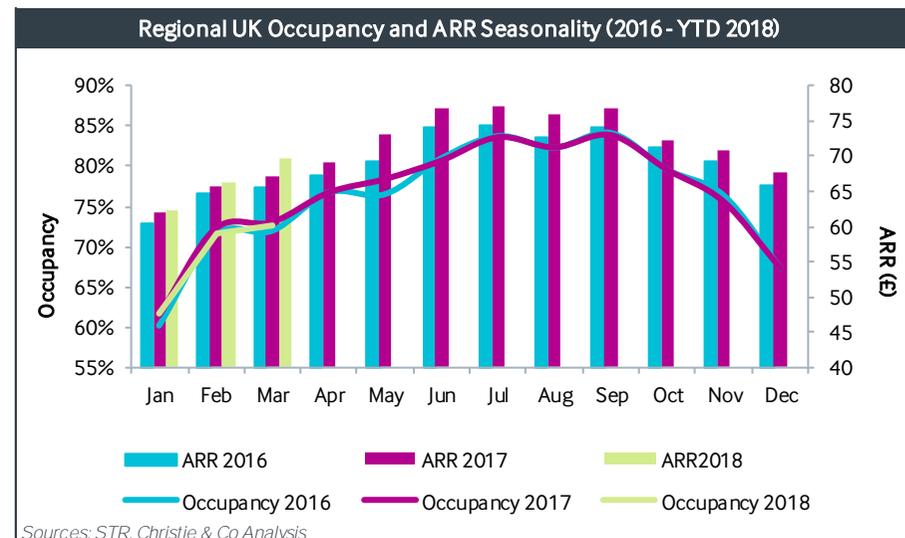
During 2017 there was a robust RevPAR performance growth of 3.8%, driven by a small increase in occupancy and average room rate on the prior year. Stable growth in the regions has resulted in continued interest in regional hotel transaction activity from domestic purchasers and growing interest from overseas buyers seeking stable economic and legal environments while generating good returns.

In the year to date occupancy has remained flat and average rate has increased slightly leading to a 2.0% increase in RevPAR.

Different markets have performed in different ways however. In 2017, for example, Belfast, Edinburgh and Plymouth returned the highest growths in RevPAR at 16.9%.

Regional UK Hotels – Historical and YTD Performance Trends							
	2013	2014	2015	2016	2017	YTD (March)	
						2017	2018
Occupancy	72.7%	75.4%	76.0%	75.9%	76.1%	68.4%	68.6%
Average Room Rate (ARR £)	60.1	64.0	67.3	69.5	71.9	65.2	66.3
RevPAR (£)	43.7	48.3	51.2	52.7	54.7	44.6	45.5
YoY Change in RevPAR	5.5%	10.5%	6.1%	2.9%	3.8%		2.0%

*Sources: STR, Christie & Co Analysis*



12.4% and 10.0% respectively. Aberdeen on the other hand suffered from a decline of 6.2%. In this market there was a significant supply increase combined with a continued fall in demand related in part to low oil prices.

Generally, inflation-adjusted hotel RevPAR has not yet returned to the levels seen at the peak in 2007 and 2008.

### Seasonality

As illustrated in the graph opposite, demand for provincial UK hotels is strongest during the months of May through October, periods typically associated with the corporate and conference markets, as well as leisure trade driven by summer tourism. During these months, average hotel occupancy has been greater than 75% in recent years.

Demand is at its weakest during in January, with average occupancy levels of around 60% witnessed. The remaining months make up the shoulder seasons with occupancies typically ranging between 65% and 70%.

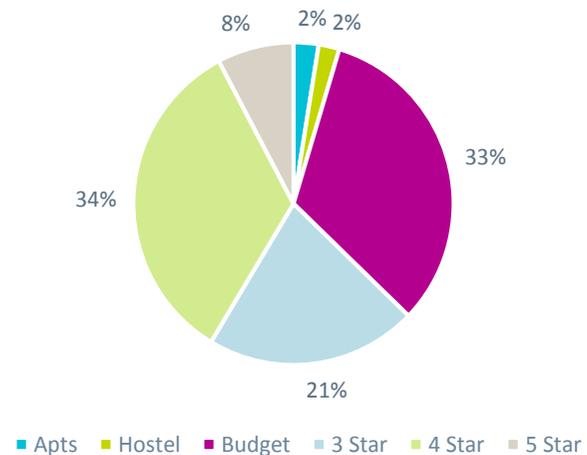
## Cardiff Hotel Market

The Cardiff hotel market has a good supply of hotels, with 68% branded and 32% independent. There is also a strong pipeline.

Our research using AM:PM indicates that there are 36 hotels and 4388 hotel rooms in Cardiff (we have counted only those hotels with above 50 rooms). The budget and four star hotels are the largest category by number of hotel bedrooms (see chart adjacent) with the midscale three star segment a little under represented.

The most recent hotel supply of relevance in Cardiff was the 122 bed Indigo (an IHG brand) which opened in 2017 on Queen Street in the centre of the city. Prior to that was the 96 bed Travelodge Central (Queen Street) and the 216 bed Clayton Hotel St Marys

### Number of Hotel Rooms by Sector in Cardiff



Source: AM:PM; Cardiff hotels above 50 beds

### Cardiff Hotel Demand

	2014	2015	2016	2017	YTD March 2017	YTD March 2018
Occupancy %	75.8	78.2	79.2	80.4	73.2	72.1
ADR £	61.9	68.5	66.8	71.1	66.1	71.1
RevPAR £	46.9	53.6	52.9	57.2	48.4	51.3
RevPAR Growth %		14.1%	-1.2%	8.0%		5.9%

Source: STR Global; Cardiff

Street both of which opened in 2011. This demonstrates a relatively low historic supply profile.

There is good demand for hotels in Cardiff currently as the STR statistics above indicate. Growth in RevPAR was 5.9% in the year to date March 2018 which compares favourably to the UK growth of just 2.0%. In prior years the city has performed equally strongly. The increase in RevPAR of 14.1% in 2015 (and the dip in growth in 2016) was the result of the Rugby World Cup, with many games hosted at the Principality Stadium.

Cardiff's strong performance and low historic supply has attracted the attention of developers. In early 2016 Cardiff topped the Colliers list of "most promising UK location for hotel development."

There is now a definitive pipeline of hotels for Cardiff as shown adjacent.

Of these there are two in construction (Premier Inn) and one likely to open next year (EasyHotel) which may compete with a midscale hotel in Cardiff Bay. Beyond these, Cardiff has a long pipeline of mixed uses many of which include hotels which

Title	Class	Rooms	Trading Status / Closed	Brand	Notes
Prem. Inn Cardiff Custom House	Budget	248	In Construction	Premier Inn	Estimated opening: 2020
Premier Inn Cardiff Bay	Budget	210	In Construction	Premier Inn	Estimated opening: 2020
EasyHotel Cardiff	Budget	120	Planning	EasyHotel	Estimated opening: 2019 Fitzalan Place, near Queen St Station
Cardiff Central	4	150	Planning	Independent	Rightacres mixed use development opposite the central station. No operator announced yet.
2 John Street	3	212	Planning	Independent	No operator announced yet
International Sports Village - budget	Budget	115	Deferred	Independent	Located in Cardiff Bay
International Sports Village - luxury	5	60	Deferred	Independent	Located in Cardiff Bay
Westgate Plaza	4	100	Unconfirmed	Independent	Located at the entrance to the Principality Stadium
Central Quay	Budget	200	Unconfirmed	Independent	A residential led mixed use development on the city centre site of the old Brains Brewery
Moxy Cardiff	Budget	100	Unconfirmed	MOXY	A Vastint hotel development on the site of the Syntner BMW dealership in central city centre.
Box City	Budget	56	Unconfirmed	Independent	Container unit style mixed use development.

Source: AM:PM

are likely to come to fruition. Counting only the 'In Construction' and in 'Planning' hotel rooms, there is a 17.6% increase in the number of hotel rooms planned for Cardiff. To put this figure in context, Dublin has a 34% pipeline, Manchester 27.5% and Birmingham 16.5%.

# Section 5

## The Valuation

# The Valuation

## Methodology

In order to arrive at our opinion of Market Value we have adopted a land residual approach where the costs of development including developer's profit and finance costs are deducted from our opinion of the value of the completed development. We have cross-checked the land residual with our knowledge of land developments in Cardiff and hotel development sites generally.

As a result of using the residual methodology, we have had to arrive at an opinion of value of the completed Property on day one of opening. In doing so, we have had regard to Valuation Practice Guidance – Application 4 (“VPGA 4”), valuation of individual trade related properties. Certain trade related properties are valued using the profits method of valuation. This Valuation Practice Guidance – Application sets out the principles of this method of valuation. Trade related properties are normally bought and sold on the basis of their trading potential. The essential characteristic of this type of property is that it has been designed or adapted for a specific use, and the resulting lack of flexibility usually means that the value of the property is intrinsically linked to the returns that an owner can generate from that use.

The day one value of the completed development reflects the trading potential of the Property and we have therefore estimated the fair maintainable turnover (FMT) and operating profit (FMOP) that a Reasonably Efficient Operator (REO) would expect to achieve on the assumption that the completed Property is open, properly equipped, repaired, maintained and decorated.

We have relied on the information supplied as being correct and comprehensive.

## Assessment of Market Value

Based on the information provided to us and our own due diligence, we have calculated as follows:

	£	£ Per Room
<b>Gross Development Value</b>	<b>21,000,000</b>	<b>97,222</b>
Total Construction Costs (1)	15,976,000	73,963
Finance Costs (2)	790,000	
Pre-Opening and Brand Signage	160,000	
<b>Development Costs</b>	<b>16,926,000</b>	<b>78,361</b>
Developer's Profit (3)	1,693,000	
<b>Total Development Costs Plus Developer's Profit</b>	<b>18,619,000</b>	<b>86,199</b>
Land Residual	2,381,000	
<b>Property Market Value (after transaction costs) (rounded)</b>	<b>2,200,000</b>	<b>10,185</b>

Source: Christie & Co

Notes:

- (1) Includes Construction Cost, Contingencies, Preliminaries, FF&E, Professional Fees, Section 106 Agreement and 3rd Party Fees
- (2) Based on a 15 month build period, 6% of Construction Costs (over half the time assuming phased drawdown) and 6% of land residual costs
- (3) 10% profit on cost

Our assessment of the Market Value of the site of £2,200,000 equates to £10,185 per room or £157 psf (based on the site area of 14,000 sq ft).

### Site Comparables

Hotel site comparables are rare and the usual methodology is therefore to adopt a land value residual which has been our primary method. We are aware however of the following hotel site sales.

- In October 2017, easyHotel exchanged (subject to planning) contract to purchase an office building on Fitzalan Place. The office block will be demolished to make way for the new, purpose built super-budget hotel, which is expected to open in 2019. The total forecast cost of acquisition and construction will be approximately £8 million or £66,666 per room for 120 rooms. The rooms could be as small as 12 square metres.
- Basing View: A site sold in 2017 for development of a 153 Village Hotel in Basingstoke. Sale conditional upon planning and enabling works. Equated to just under £18,000 per room. This is a strong price, reflective of a good south east location but also the full complement of services offered by Village hotel (which inflates the price per room when compared with a limited service hotel)
- 2017 sale of a hotel site on Duke Street in Liverpool for £500,000 or £31,250 per room (16 rooms). Empty grade II listed building, previously residential / retail. Higher value per room due good location in prime UK city.
- In early 2017 Silvercoin acquired the closed Tunbridge Wells County Court for hotel redevelopment at a price of £18,545 per room. Higher value per room on account of prime location in a secondary south east town and more limited conversion costs.
- In December 2016 Vastint acquired a site in Cardiff for development of Moxy Hotel. The site, currently a BMW Dealership was purchased from Sytner Group who will

continue to occupy the premises until the construction of their relocation premises are complete. The site is almost 7,000m<sup>2</sup>, big enough for a 200 room Moxy hotel and significant river-front residential development. The price is unknown, nevertheless analysis for hotel comparable purposes would be difficult because it is a mixed use site.

- 2016 sale of a site on Freer Street in Edinburgh at £20,000 expected to achieve planning permission for 300 guest rooms. The site was also purchased by Vastint and a Moxy Hotel is planned.
- 2015 Southampton Park Hotel was sold to Premier Inn for demolition and re-build into a 157 bed hotel equating therefore to £20,701 per room.
- 2014 an upscale Bath city centre hotel site sold to Apex Hotels for £57,900 per room for a 177 bed full service hotel. Bath is one of the prime locations for hotels in the UK outside central London and a substantial premium attaches to sites as a result of this.
- 2014 sale of a serviced apartment site on Paragon Street in York sold for £11,000 per room.

The Property site is valued at a discount to many of these sales on account of Cardiff being considered secondary to the prime cities given (with the exception of Tunbridge Wells which is a good southeast secondary location) and the specific location in Cardiff being secondary in Cardiff Bay (rather than Cardiff city centre).

## Valuation Summary

In our opinion the Market Value of the freehold interest in the Property site as at the Valuation Date is:

Market Value

**£2,200,000**

(Two million two hundred thousand pounds)

## Other Valuation Considerations

### Development Issues

Site valuations undertaken using the land residual method of valuation are by their nature sensitive to the inputs adopted, which is the reason the comparable site values are useful benchmarks. In order to demonstrate the sensitivity we have undertaken a sensitivity analysis using the Gross Development Value and the build costs of the current scheme. The impact of a 5% increase / decrease in the inputs on the site value are shown in the table adjacent.

The downside risks of developments include an increase in supply, reduction in demand and an increase in build cost inflation.

### Sensitivity Analysis - Impact on Site Value

		GDV (£)		
		20,000,000	21,000,000	22,050,000
	16,774,800	300,000	1,300,000	2,400,000
<b>Construction</b>	<b>15,976,000</b>	1,200,000	<b>2,200,000</b>	3,300,000
<b>Costs (£)</b>	15,215,238	2,100,000	3,100,000	4,100,000

		GDV / Per Room (£)		
		92,593	97,222	102,083
	77,661	1,389	6,019	11,111
<b>Construction</b>	<b>73,963</b>	5,556	<b>10,185</b>	15,278
<b>Costs (£)</b>	70,441	9,722	14,352	18,981

Source: Christie & Co Analysis

## Summary

### Security for Loan

The Property is a development site on Bute Street in Cardiff. It is currently utilised as a car park but has planning permission for the development of a 216 bedroom hotel, likely to be a branded limited service / midscale hotel.

As outlined in the Planning Section of the report, the Property has hotel planning use consent within Class C1 of the Use Classes Order 1987 as part of the Town & Country Planning Act 1990. Permission was granted 9 December 2016 under planning reference 10/02361/DCI for the development of a 216 bedroom hotel. Conditions of development state that the development permitted shall be begun before the expiration of 30 months from the date of this planning permission and it therefore expires in June 2019, less than a year from now.

***The value of the Property will be detrimentally and materially impacted if planning consent expires without renewal or without alternative consent being secured (where the alternative consent results in the same or higher residual land value).***

In starting development to secure the planning permission, careful consideration will need to be given by the Bank's Customer, their construction managers and their planning advisors to the conditions of the planning consent, particularly those that need to be satisfied **prior to commencement** of the development.

We have not been advised of the loan amount in this instance but we are of the opinion that the Property offers sufficient security for loan security purposes, the amount of which must be a matter for your own judgement but that we assume will not exceed a proportion of our valuation, in accordance with normal commercial lending practice for

developments. Furthermore, we have assumed that the Property is free and clear of all legal mortgages and/or other charges that may be secured thereon.

**Restrictions & Confidentiality**

This report is provided solely for the purpose stated above. It is confidential to and for the use only of the party to whom it is addressed only, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

**Tom Holt-Wilson MRICS**

Director  
RICS Registered Valuer

18 May 2018

**On behalf of:**

Christie & Co  
Whitefriars House  
6 Carmelite Street  
London  
EC4Y 0BS

# Section 6

## Appendices

# Appendix 1: Instructions

Ref: Merchant Estates Limited (Jersey)

Attn Tom Holt-Wilson,  
Christie & Co,  
Whitefriars House,  
6 Carmelite Street,  
London,  
EC4Y 0BS.

Dear Sirs,

Please accept this letter as our formal instruction to your firm to carry out a valuation, for mortgage purposes, on the addresses indicated below upon which we, Proplend Security Limited shall rely. The valuation may be shown to any third parties in connection with the financing of the property albeit it cannot be relied on by those parties directly. Please notify us if there will be any delay. **Please advise us immediately if you are unable to give prompt attention to this matter.**

Borrower:	Merchant Estates Limited (Jersey)
Properties:	Land between the Darling Buds Nursery and the former Immigration Building (55-56) Bute Street, Cardiff, CF10 5AH
Tenure:	Freehold
Use:	Land with Planning, currently used as a car park.
Tenancies:	n/a
Access:	via Dimitri Asprou, dma@europeancapitalcorp.com

### Instruction

The report should be addressed to Proplend Security Limited which must clearly state that it can be relied upon for lending purposes by the parties named herein. Please ensure that the report accords with the current RICS Appraisal and Valuation Manual.

Please indicate in your report if the valuer or your firm have had any previous involvement with the property forming the subject of the valuation. If so, please indicate the nature and extent of that involvement and confirm specifically that you consider there is no conflict of interest on the part of the valuer or your firm.

The report must be signed by a partner or director of the firm who is a member of the Royal Institute of Chartered Surveyors.

Whilst your report will be addressed to Proplend Security Ltd, it will need to be viewed by its Lending members on the understanding that only Proplend Security Ltd may rely on the report for mortgage purposes. Can you please confirm within your report that this is understood and accepted?

### Valuation and Report

The Market Valuation referred to below should be based on current values and should reflect market conditions prevailing at the date of the report, and changes in market conditions that you are able to predict, and should include:

1. The Market Valuation for loan security purposes of the Property in its current condition at the date of your inspection, subject to any current tenancies in place and sold as a going concern. Please indicate the period of marketing you have assumed in arriving at your valuation.
2. A valuation of the Property on the assumption that the Property was being sold without the benefit of a going concern.
3. Please provide comparable evidence to support your assumptions on values.
4. Please provide an estimated rental value for the Subject Properties.
5. Please provide commentary on continued likely market demand for properties of this size and nature, in this location, for sale and to let.
6. Please provide an estimated reinstatement cost of the buildings for insurance purposes.

7. Please provide a full description of the Property to include its accommodation, its size, its construction, location and general state of repair. These details should be supported with photos of the Properties. Whilst you are not instructed to carry out a structural survey on each Property, please comment of any noticeable defects that might warrant further investigation and which might affect the marketability of the Property.
8. Please certify that the Property is acceptable for secured lending purposes.

**Report on Title**

A copy of the solicitors Report on Title will be sent to you so that you can cross check your assumptions with the facts contained within the said report and comment on specific items which may affect your valuation.

**Fees**

You have quoted and the Borrower has agreed to pay a fee of £ tbc + VAT for this undertaking. Whilst a receipted invoice for this service should be supplied with your report, and addressed to this company, we ask that you seek settlement of your fee from the proposed Borrowers whose contact details are supplied above. Proplend Security Limited cannot accept any responsibility for non-payment of your fees in this regard.

**Contact Details**

Please contact Philip Gould on 0203 397 8290 if you have any queries regarding this instruction.

Please send the Valuation Report to [borrower@proplend.com](mailto:borrower@proplend.com), with hard copy to 15 Little Green, Richmond TW9 1QH. Draft reports are not acceptable. Following provision of the Valuation Report, you should be prepared to discuss its contents with the Lender.

Yours Sincerely,

*Stewart Bruce*

Proplend Security Ltd

# Signature Certificate

Document Ref.: LXVUY-G5OSY-CONYE-AIGHF

Document signed by:

	<p><b>Stewart Bruce</b> Verified E-mail: sbruce@proplend.com</p> <p>IP: 194.74.179.100      Date: 08 May 2018 10:07:03 UTC</p>	<p><i>Stewart Bruce</i></p> 
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Document completed by all parties on:  
08 May 2018 10:07:03 UTC

Page 1 of 1



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The Directors  
Proplend Security Limited  
20-22 Wenlock Road  
London  
N1 7GU

11 May 2018

Dear Mr Bruce

***Valuation - Land between the Darling Buds Nursery and the former Immigration Building (55-56) Bute Street, Cardiff, CF10 5AH***

We write to confirm your instructions for us to undertake a Valuation of the Property referred to above.

Set out below is our understanding of the main elements of the instruction and our principal terms in acting for you; if your understanding differs please let us know as soon as possible.

- The client to whom the Report will be addressed is Proplend Security Limited (the “Bank” and / or the “Client”)
- The purpose of the Valuation is secured lending purposes.
- The Valuation will be undertaken in accordance with the RICS Valuation - Global Standards published in June 2017 (the “Red Book”), including VPGA 4 (Valuation of individual trade related properties) and VPS 3 (Valuation reports), and the International Valuation Standards 2017 (“IVS”).
- The interest to be valued is freehold.
- Our understanding is that the Property is trading as a car park but that it has planning permission for change of use to hotel.
- The basis of value is to Market Value with special assumptions included as per your instructions.
- The date of Valuation is the date of inspection which is 11 May 2018.
- In respect of the Property and Merchant Estates Limited (the “Borrower”), we confirm as follows:
  - We valued the Property in 2016 for another lender
  - We are independent, and
  - We do not have any conflicts of interest.
- We have sufficient professional indemnity insurance on a per claim basis in respect of the instructions.
- We confirm that we shall be acting in the capacity of external valuers.
- The currency adopted in all calculations and Valuations is £ sterling.
- The extent of our inspection and investigations is as set out in VPS 2 of the Red Book.

Whitefriars House  
6 Carmelite Street  
London EC4Y 0BS

T: +44 (0) 20 7227 0700  
F: +44 (0) 20 7227 0701  
E: [enquiries@christie.com](mailto:enquiries@christie.com)



- The sources of information are to be the client and any third party directed by the client. We shall rely on the information supplied as being accurate.
- The Report is limited to the addressee, and professional advisors only without reference back to us for consent to permit disclosure to other parties.
- The Valuation Report will be undertaken by Tom Holt-Wilson MRCIS of Christie & Co who has the appropriate local and national knowledge of the particular market and the skills and understanding necessary, to undertake the valuation competently.
- The fee for undertaking this commission is £5,000 plus VAT (at the rate that is current) which you have confirmed is to be payable by the Borrower.
- Any complaints or issues arising out of the Valuation will be in accordance with Christie & Co's complaints handling procedure, a copy being available on request.
- The Valuation may be subject to monitoring under RICS' conduct and disciplinary regulations.

For clarity we confirm our understanding that you wish us to provide the following opinions:

We attach our terms and conditions of engagement.

Thank you once again for this instruction.

Yours sincerely

Tom Holt-Wilson

Email: [tom.holt-wilson@christie.com](mailto:tom.holt-wilson@christie.com)

## **CHRISTIE & CO – TERMS & CONDITIONS OF ENGAGEMENT**

Christie & Co will undertake a valuation ("the Valuation") of the Property in accordance with the terms of their Instruction Letter annexed hereto ("the Instruction Letter") following best practice in accordance with the current edition of the RICS Valuation - Global Standards published in June 2017 by the Royal Institution of Chartered Surveyors ("the Red Book") and will provide a report ("the Valuation Report") upon the Terms & Conditions hereinafter set out. Where any term of the Instruction Letter shall be inconsistent with the general Terms & Conditions below, the former shall prevail. The Valuation Report shall be provided for the purpose solely stated in the Instruction Letter and shall be for the sole use of the client ("the Client") to whom the Instruction Letter is addressed. The Terms & Conditions are as follows:-

1. For the purposes of the Valuation Report and these Terms & Conditions, the following expressions shall have the following meanings:-

"Christie & Co"	means Christie Owen & Davies Limited whose registered office is at Whitefriars House, 6 Carmelite Street, London EC4Y 0BS
"use of singular and plural"	singular words may be applied in the plural and plural words may be applied in the singular
"Property"	shall mean the Property identified in the Instruction Letter and the business or proposed business indicated in the Instruction Letter where appropriate
"Market Value"	shall have the same meaning as defined in the Red Book, which is: <i>"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."</i>
"Market Rent"	shall have the same meaning as defined in the Red Book, which is: <i>"the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."</i>
"Special Assumptions"	shall have the same meaning as defined by the International Valuation Standards in the Red Book, which is: <i>"an assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date."</i> Certain Market Values subject to Special Assumptions ("MVSA") may be set out within the Instruction Letter.
"for existing use"	the addition of these words to "Market Value" make it necessary to presume that the Property can be used for the foreseeable future only for the existing use; and that vacant possession is provided on completion of the sale of all parts of the Property occupied by the business
"proposed use"	shall mean the proposed use notified by the Client in writing to Christie & Co at or before the date of the Instruction Letter as identified in the Instruction Letter
  
2. The value ascribed by Christie & Co shall be the "Market Value" (or MVSA) for the existing use or the projected use of the Property (as identified in the Instruction Letter) on the basis of the Property's present or projected condition and trading performance as a fully-equipped operational commercial unit at the date of valuation, or implementation of the projected use (as the case may be).
  
3. ***Unless otherwise stated in the Valuation Report, the following will not be taken into consideration:-***
  - (a) development potential (save as may be stated in writing in the Instruction Letter provided this is consistent with the Valuation Report)
  - (b) stock-in trade
  - (c) any motor vehicles used or projected for use in the business
  - (d) trade debtors and creditors or other assets or liabilities of the business
  - (e) contingent liabilities of the business or attaching to the Property

- (f) items with exceptional value beyond their current use; and
- (g) the cost of realising or acquiring the value of the Property on the open market, including professional fees, possible tax and VAT liabilities, redundancy and other compensation payments which may be triggered by the sale of the Property/business

4. **Unless previously advised by, or to, Christie & Co in writing**, Christie & Co shall be entitled to place full reliance upon the information provided by the Client or the Client's professional advisors and bankers (or the owner or owner's professional advisors and bankers where relevant) (and where reasonable to do so upon agents particulars which have been issued in respect of the Property). Where expressly stated in the Valuation Report that Christie & Co have been provided with various information from statutory authorities, whether verbally, through electronic search, in writing or otherwise, (for example, with regard to fire or planning or other statutory matters, etc) Christie & Co shall be entitled to place due reliance thereon. Notwithstanding the foregoing, Christie & Co can take no responsibility for any mis-statement, omission or misrepresentation made to it.

4.1 Where the Valuation is expressed to be subject to repair, refurbishment, extension or otherwise of the Property, any estimates and projections of cost provided for Christie & Co's use shall be assumed to be realistic.

4.2 Christie & Co will not make recommendations of how the Valuation may be enhanced by additional activity in the business or extension, development or conversion of the Property unless this is expressly within the projected use identified in the Instruction Letter.

5. Christie & Co will carry out such inspections and investigations which in their professional judgement are appropriate, taking into account any obvious or reported defects in the condition of the Property which in their opinion might have a substantial effect on the value or the security offered by the Property but for the avoidance of doubt Christie & Co will not:

5.1 carry out a structural survey of the Property and shall be entitled to assume that, if such a survey were undertaken, it would not reveal any inherent defect or defects which may materially affect the value of the Property. In particular, Christie & Co will not inspect woodwork, plaster or other material in, or other parts of, the Property which are covered, unexposed or inaccessible at the time of its valuation, nor the contents of any voids, pipes, ducts, tanks or systems upon, within or under the Property and such parts and internal volumes will be assumed to be in good repair and condition and free from any toxic or other moulds, bacteria, fungus, vermin, parasites or other infestation, chemicals or other contamination or pollution;

5.2 carry out a site investigation, or geographical, geophysical or environmental audit or survey or investigation of the Property or neighbouring land or test of air quality and shall be entitled to assume that, if the same were to be undertaken, they would not reveal any matter or matters which may materially affect the value of the Property;

5.3 investigate past or present land uses and (unless expressly stated in its Instruction Letter) shall assume that no harmful or hazardous material has been used in the construction of the Property or has since been incorporated or will be, that there is no contamination in or from the ground, that the ground has sufficient loadbearing strength to support the existing constructions or any other construction that may be erected upon it in the future, that it is not landfilled ground and that there is no fault, cause or disability underground which could or might affect the Property or any construction thereon;

5.4 carry out a survey to ascertain whether or not asbestos is present at the Property, nor have they made any assessment or judgement as to whether an asbestos survey is necessary;

5.5 carry out or commission any investigations or enquiry as to whether the Property and any buildings upon the Property are required to comply, or do in fact comply, with the Equality Act 2010;

**and the Valuation Report shall not be deemed to express any opinion about such matters or as to the viability of the business or of any projected use.**

6. **Unless otherwise stated in the Instruction Letter or the Valuation Report** (in the case of the latter as revealed at our inspection or established during our enquiries) Christie & Co shall be entitled to assume (and the Valuation Report shall not constitute any guarantee or warranty, express or implied) that:-

6.1 no high alumina cement or concrete, calcium or other chloride additive or any other deleterious or potentially deleterious material, or special material which is not freely available, was, or will be, used in the construction or adaptation of the Property, or has since been incorporated into the Property;

- 6.2 no contamination, pollution or infestation exists at the Property, and in particular that air volumes, surfaces and the air and liquid contents of all voids, ducts, pipes, tanks and systems are free from contamination, pollution or infestation;
- 6.3 no asbestos is present at the Property, or if such is not the case, that all persons having an interest in the Property, or who have a statutory duty to do so, have duly and fully carried out their respective obligations pursuant to regulations on control of asbestos and have maintained their continuing obligations thereunder so that no failure to manage asbestos has occurred.
- 6.4 the Property is, or will be, of sound design and construction and free from any inherent defect or defects, and that all normal services necessary for the business are in working order, and that such services are not shared by third parties;
- 6.5 all external cladding is fire retardant and capable of passing government or independent third party testing, and the integral design of the Property in respect of fire compartments complies with current fire safety legislation
- 6.6 (save as disclosed previously to Christie & Co in writing by the Client) the Property is not, nor will be, subject to any underlettings or other rights of occupation (for example, grazing, mineral, drainage rights, etc.);
- 6.7 (Christie & Co having not inspected the title deeds to the Property) the Property is, or will be, free from any unusual or onerous or contrary restrictions, encumbrances, outgoing or other third party rights, and that a good title can be shown to all parts of the Property, and that all covenants (including leasehold covenants, restrictions and stipulations) have been strictly complied with;
- 6.8 the trade furnishings, fixtures, fittings, plant and equipment ("the Trade Items") are, and will be, free from hire purchase, credit sale, leasing, rental, free loan, service agreements, or other third party rights, and the Trade Items are, or will be, in good working order, and have, or will have, all appropriate agreements and arrangements for maintenance;
- 6.9 the Property and the Trade Items and the value thereof are, and will be, unaffected by any matters which might be revealed by a Local Land Charges Search, Replies to Preliminary Enquiries or Statutory Notice; and that neither the Property nor its condition, use or projected use, is or will be in any way unlawful and that the Property and its owner holds and will continue to hold all licences required by law without the same being qualified;
- 6.10 the Property, and its use, complies and will comply in all respects with all statutory or other requirements (if any) (unless Christie & Co is expressly notified by the Client to the contrary in writing prior to the Instruction Letter);
- 6.11 the Property and Trade Items are free and clear of all mortgages and/or other charges which may or might be secured thereon;
- 6.12 unless otherwise advised to Christie & Co in writing prior to the Instruction Letter the Property constitutes, and will constitute, a single trading entity and does not, and will not, form part of a group or portfolio;
- 6.13 that all and any necessary computer systems are robust, secure and compatible with industry standards, including anti-virus protection and are able to deal with any necessary currency conversions, including the conversion of European currencies to Euros and vice versa;
- 6.14 that boundary and other plans supplied to Christie & Co are correct and that measurements thereon or therefrom are accurate;
- 6.15 in the case of Property which is to be subject to repair, refurbishment, redevelopment or other building works Christie & Co are entitled to assume that all works will be carried out in accordance with all plans and other documents and costings provided to it and that all such works will be to a good standard, meeting all relevant statutory and regulatory requirements and that all appropriate warranties, certificates, guarantees and approvals will be issued on completion of the works, and will be capable of assignment to future owners and occupiers of the Property;
- 6.16 that the Valuation Report is required by the Client for a business purpose and that the Client is consequently not a "consumer" for the purposes of consumer legislation;
- 6.17 that neither the Property nor the business are subject to any abnormal terrorist risk.

7. The Valuation Report shall be the copyright of Christie & Co and shall not be published or reproduced by the Client in any way without the express prior permission of Christie & Co.
8. The Client acknowledges the right of Christie & Co to hold details of the Property and the business upon its Group Database and acknowledges that all database rights (within the meaning of the Copyrights Designs and Patents Act 1988 and the Copyright and Rights in Databases Regulations 1997) are reserved to and owned by Christie & Co, who shall be entitled to use such data for any purpose provided that the identity of the Client and the Property remains confidential (unless the Client has agreed to his/its name being quoted by Christie & Co).
9. Christie & Co have a complaints handling procedure which is available upon request.
10. The Valuation Report will not take into account the effect of wholly unforeseen and catastrophic events upon the Property market.
11.
  - 11.1 The Client shall be responsible for, and shall hold insurance to cover risks to, the safety of Christie & Co personnel and their personal effects and equipment whilst upon the Property.
  - 11.2 All warranties, conditions and other terms implied by statute or common law are to the fullest extent permitted by law excluded from these Terms and Conditions
  - 11.3 Subject to clauses 11.4, 11.5 and 11.6:
    - 11.3.1 Christie & Co's total liability in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of its obligations in accordance with these Terms and Conditions shall be limited to the lower of the highest value ascribed by Christie & Co to the Property that is the subject of the Valuation Report and the sum of £30,000,000;
    - 11.3.2 Christie & Co shall not be liable to the Client for any loss of profit, loss of business, depletion of goodwill or otherwise, in each case whether direct, indirect or consequential, or any claims for consequential economic loss or other consequential loss or compensation whatsoever (howsoever caused) which arise out of or in connection with these Terms and Conditions;
  - 11.4 Subject to clause 11.5 the liability of Christie & Co for any loss or damage will be limited so as to be in proportion to the contribution by Christie & Co to the overall fault for such loss or damage after taking account of any negligence of any other party responsible to the Client and the involvement of Christie & Co relative to that of the other parties responsible to the Client and any contributory negligence of the Client, as agreed between the parties, or failing agreement, as determined by the English Courts.
  - 11.5 Nothing in these conditions excludes or limits Christie & Co's liability for:
    - 11.5.1 death or personal injury caused by Christie & Co's negligence; or
    - 11.5.2 any matter which it would be illegal for Christie & Co to exclude or attempt to exclude its liability; or
    - 11.5.3 for fraud or fraudulent misrepresentation.
  - 11.6 Christie & Co shall not be liable to the Client or be deemed to be in breach of these Terms and Conditions by reason of any delay in performing, or any failure to perform, any of its obligations in relation to these Terms and Conditions if the delay or failure was due to any cause beyond Christie & Co's reasonable control;
  - 11.7 The Client accepts that the limitations of liability contained in this clause 11 are reasonable in all the circumstances.
12. ***Unless agreed differently and confirmed in the Instruction Letter Christie & Co's fees for the Valuation Report will be due on the following basis:-***
  - 12.0.1 On completion of Property inspection(s) – 33% of the total agreed fee
  - 12.0.2 Upon completion of a draft Valuation Report – 66% of the total agreed fee
  - 12.0.3 Upon issue of the Final Valuation Report – 100% of the total agreed fee

We reserve the right to produce an interim invoice in accordance with the above.

- 12.1 In the event Christie & Co is unable to complete the Valuation Report within 13 weeks from instruction, then we reserve the right to invoice an Abortive Fee on a pro-rotta basis taking into account clause 12.0
- 12.2 Disbursements and out of pocket expenses will be charged at cost. Mileage will be charged at the current AA recommended rate per mile.
- 12.3 Value Added Tax ("VAT") at the current rate is payable on all fees, disbursements and mileage charges.
- 12.4 All fees, disbursements, out of pocket expenses, mileage charges and VAT thereon (together "all fees") are to be paid within 14 days from the date of invoice, and if not so paid, interest shall be payable thereon at 4% above Barclays Bank Plc Base Rate from time to time, both before and after judgment.
- 12.5 The payment of all fees shall be the responsibility of the person signing the Instruction Letter, the partners of any firm and the directors of any company on whose behalf the Valuation Report has been commissioned, and all or any of them, jointly and severally, and the person signing overleaf hereby warrants that he/she has the appropriate authority to bind the partners or directors as aforesaid (as the case may be). No reliance may be placed upon Christie & Co's Valuation Report until all fees due to Christie & Co have been paid in full.
- 12.6 If the Valuation Report shall be required to be used for the purpose of any Court proceedings, the express prior written consent of Christie & Co will be required (which will not be unreasonably withheld subject to such additional fee as Christie & Co may reasonably charge, and subject to Christie & Co's rights of copyright being acknowledged by the parties to those proceedings). If Christie & Co shall be called upon to give evidence in such proceedings, an appropriate fee calculated on the current hourly charge-out rate of the surveyor concerned shall be paid as an additional fee together with all disbursements, out-of-pocket expenses, mileage charges, waiting time together with VAT on the foregoing.
- 12.7 Christie & Co's hourly charge out rates (excluding VAT) are as follows:

	Valuer	Associate Director	Director
London	£150-200	£250-300	£350-400
UK Regions	£100-150	£200-250	£250-300

The UK Managing Director's hourly charge out rate is £1,000 (excluding VAT).

- 13.** This Agreement shall be governed by English Law and any dispute arising therefrom shall be adjudicated upon only by the English Courts.

# Appendix 2: Conditions and Assumptions of Valuation

## 1. DEFINITIONS

Unless the context requires otherwise the following terms have the meanings ascribed.

The "Client"	Means the person(s) or body identified within the Report from whom the instructions to prepare the Report have been received. Reference to the Client within the Report and shall all in cases by interpreted to mean only this person(s) or body.
The "Property"	Means all those freehold or leasehold premises, which are the subject of this Report, and in the case of development, schemes those that are proposed.
The "Business"	Means the business, trade or profession that is, or is intended to be, carried on at the Property.
"Christie & Co"	Means Christie Owen & Davies Limited whose registered office is at Whitefriars House, 6 Carmelite Street, London EC4Y 0BS
The "Report"	Means the contents of this Report including the Valuation Certificate and all appendices and addendums.

## 2. INSTRUCTIONS

This Report and the method of its preparation are governed by Christie & Co's terms and conditions of engagement and Instruction letter and shall be read in conjunction therewith.

## 3. PURPOSE OF THE REPORT

Christie & Co have prepared this Report for use only by the Client for the purpose stated within the introduction to this Report and for no other purpose whatsoever. No person or body other than the Client may rely on the Report and neither the whole nor any part of the Report nor any reference thereto is to be included in any published document, circular or statement nor published in any way without the written approval of Christie & Co as to the form and context in which it may appear.

## 4. INFORMATION

Christie & Co have been provided with various information for the purposes of preparing the Report and are entitled to rely upon such information provided by the Client, the Client's professional advisors and bankers (or the owner or owner's professional advisors and bankers where relevant) and, where relevant, upon agent's particulars which have been issued in respect of the Property. Christie & Co are also entitled to rely on information provided by statutory authorities. Notwithstanding the foregoing Christie & Co can take no responsibility for any mis-statement, omission or misrepresentation made to it.

## 5. PHYSICAL CONSIDERATIONS

The Report is not and should not be construed as any form of structural survey of the Property. Christie & Co did not inspect woodwork or other parts of the Property which were covered, unexposed or inaccessible at the time of the inspection and are entitled to assume that such parts are in good repair and condition and that such parts and all surfaces, air volumes, pipes, ducts, tanks and systems and their contents are free from toxic or other moulds, bacteria, fungus, vermin, parasites or other infestation, chemicals or other contamination or pollution. Christie & Co are entitled to assume that the Property is of sound design and construction and free from any inherent defect or defects. The Report does not express any opinion about or advise upon the condition of un-inspected parts nor does it in any way constitute or be construed as constituting any representation or warranty actual or implied regarding such parts.

Christie & Co have not carried out any investigations to determine whether or not high alumina cement or concrete, calcium or other chloride additive or any other deleterious or potentially deleterious material or special material which is not freely available was or will be used in the construction or adaptation of the Property or has since been incorporated in the Property and for the purposes of this Report have assumed that there is no such material in an adverse condition.

Where the Property is a new building or is to be subject to repair, refurbishment, redevelopment or other building works Christie & Co are entitled to assume that all works will be carried out in accordance with all plans and other documents and costings provided to it and that all such works will be to a good standard, meeting all relevant statutory and regulatory requirements and that all

customary warranties, certificates, guarantees and approvals will be issued on completion of the works, and will be capable of assignment to future owners and occupiers of the Property.

Christie & Co have not carried out or commissioned site investigations or geographical or geophysical surveys or environmental audits or surveys or investigations of the Property or of neighbouring land and therefore this Report can give no opinion or assurance or guarantee about the nature of the ground. Christie & Co are entitled to assume that the ground has sufficient load bearing strength to support the existing constructions or any other construction that may be erected upon it in the future and that it is not landfilled ground. Christie & Co can not give any opinion, assurance or guarantee that there are no underground mineral or other workings beneath the site or in its vicinity or that there is no fault, cause or disability underground which could or might affect the Property or any construction thereon.

Unless otherwise stated, Christie & Co have not been provided with any environmental audit or other environmental investigation or soil survey which may have been carried out on the Property and which may draw attention to any contamination or the possibility of any contamination. In undertaking the Report, Christie & Co have assumed that no contaminative or potentially contaminative uses have ever been carried out on the Property. No investigations have been carried out into past or present uses either of the Property or of any neighbouring land to establish whether there is any contamination or potential for contamination from these uses or sites and the Report therefore assumes that none exist. Should subsequent investigations reveal that contamination exists at the Property or on any neighbouring land, or that the Property has been or is being put to a contaminative use, this could reduce the value.

Christie & Co have not arranged for any services or installations to be tested and the Report does not express any opinion as to their adequacy or condition. Christie & Co value on the basis that the services and installations are in satisfactory condition and adequate for the business being undertaken at the time of inspection and in the foreseeable future and are not shared by third parties.

## **6. GENERAL ASSUMPTIONS**

The Report has been prepared in accordance with the current edition of the RICS Valuation - Professional Standards, Global and UK, January 2014 the 'Red Book', issued by the Royal Institution of Chartered Surveyors.

Christie & Co are acting as External Valuers and unless stated to the contrary in the Report have no other current or presently foreseeable fee earning relationship concerning the Property and / or business apart from fees associated with the preparation of this Report.

Any measurements are carried out in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors unless otherwise stated in the Report. Christie & Co's understanding of the boundaries is stated and Christie & Co is entitled to assume that such understanding shows the true extent of the Property and that there are no potential or existing boundary or other disputes or claims outstanding. Site areas are not derived from physical site surveys, are approximate unless otherwise indicated and are as advised by a third party.

Unless stated to the contrary in the Report, the valuation therein is based on the assumption that the trade furnishings, fixtures and fittings, plant and equipment (the "Trade Items") are free from hire purchase, credit sale, leasing, rental, free loan, service agreements or other third party rights. Furthermore no guarantees or warranties are given or can be implied that the Trade Items are in good working order. The valuation excludes any exceptional value beyond the current use value of Trade Items.

Unless indicated to the contrary, title deeds and / or lease documents have not been inspected and the Report assumes that the estate in the Property is as described to Christie & Co and as referred to in the Report. Christie & Co have assumed that there is good and marketable title to the estate or interest which has been valued and have assumed that all covenants (including leasehold covenants where relevant) stipulations and restrictions have been strictly complied with.

Unless indicated to the contrary, Christie & Co have assumed that the Property is not subject to any underlettings or other rights of occupation.

Other than as revealed by enquiries made by Christie & Co and set out in the Report, Christie & Co have assumed that the Property complies with all statutory and other requirements including (but without limitation) the requirements of the Fire Precautions Act 1971, the Food Safety Act 1990, Town and Country Planning Acts, Building Control Regulations, Licensing Acts, the Registered Homes Act, Environmental Health Act, the Care Standards Act 2000, the Control of Asbestos at Work Regulations 2002 and all other relevant legislation.

No local land charges searches or enquiries have been undertaken and Christie & Co have assumed that there are no onerous or adverse proposals affecting the Property. Furthermore, Christie & Co have assumed that neither the Property nor its construction or use is in any way unlawful and unless otherwise specified, the Report does not make any allowance for alternative use.

Christie & Co have not taken into account the value of stock in trade, motor vehicles, trade debtors or creditors, other assets or liabilities or contingent liabilities.

Christie & Co have relied upon the information supplied including (but without limitation) trading information, plans, projections, Reports on Title, licenses and permissions and have assumed that such information is correct and could be substantiated by independent audit if required.

Any future change in the trading potential or actual level of trade from that indicated by the information and assumptions made available to Christie & Co for the purposes of the valuation could cause the valuation to vary.

No allowance has been made for the cost of realising the asset value on the open market to include professional fees, possible tax liabilities and redundancy or any other compensation payments that could be incurred or for the effect of any election made, or which might be made, in connection with VAT.

The valuation does not take into account the effect of wholly unforeseen and catastrophic events upon the property market and assumes that neither the Property nor the business are subject to any abnormal terrorist risk.

Christie & Co have assumed that all and any necessary computer systems are robust, secure and compatible with current industry standards, including anti virus protection, and are able to deal with any necessary currency conversions, including the conversion of European currencies to Euros and vice versa.

Christie & Co have assumed that the Property and Trade Items are free and clear of all mortgages and / or other charges which might be secured thereon.

#### **7. BASIS OF VALUATION**

Unless otherwise stated the Report assumes that the Property constitutes, and will constitute, a single trading entity and does not, and will not, form part of a group or portfolio.

Unless stated to the contrary the valuations provided are made on the basis of Market Value (subject to Special Assumptions where appropriate) which is defined in the RICS Valuation - Professional Standards, Global and UK, January 2014, the 'Red Book', published by the Royal Institution of Chartered Surveyors as:

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

#### **8. CONFIDENTIALITY AND RELIANCE**

The Report is provided for the stated purposes and for the sole and exclusive use of the Client. It should not be published or reproduced in any way and is governed by English Law and any dispute arising therefrom shall be adjudicated on only by the English Courts. This Report is prepared in good faith on the basis of any enquiries made and the information supplied to Christie & Co who reserve the right to claim qualified privilege in respect of any part of this Report should the contents be subsequently challenged and any party claim to be aggrieved at anything stated herein. 21.1.2016

## Appendix 3: International Valuation Standards Framework paragraphs 29 to 34

29. Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
30. The definition of market value shall be applied in accordance with the following conceptual framework:
- a) "the estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value;
  - b) "an asset should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the valuation date;
  - c) "on the valuation date" requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the valuation date, not those at any other date;
  - d) "between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";
  - e) "and a willing seller" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;
  - f) "in an arm's length transaction" is one between parties who do not have a particular or special relationship, e.g. parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of special value. The market value transaction is presumed to be between unrelated parties, each acting independently;
  - g) "after proper marketing" means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the market value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the valuation date;
  - h) "where the parties had each acted knowledgeably, prudently" presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market

as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

- i) “and without compulsion” establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.
31. The concept of market value presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged (see paragraphs 15 to 19 of the IVSF).
32. The market value of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset’s existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.
33. The highest and best use of an asset valued on a stand-alone basis may be different from its highest and best use as part of a group, when its contribution to the overall value of the group must be considered.

34. The determination of the highest and best use involves consideration of the following:

- a) to establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,
- b) to reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, e.g. zoning designations, need to be taken into account,
- c) the requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use.

*(Source: the International Valuation Standards 2013 which are contained at the back of the Red Book).*

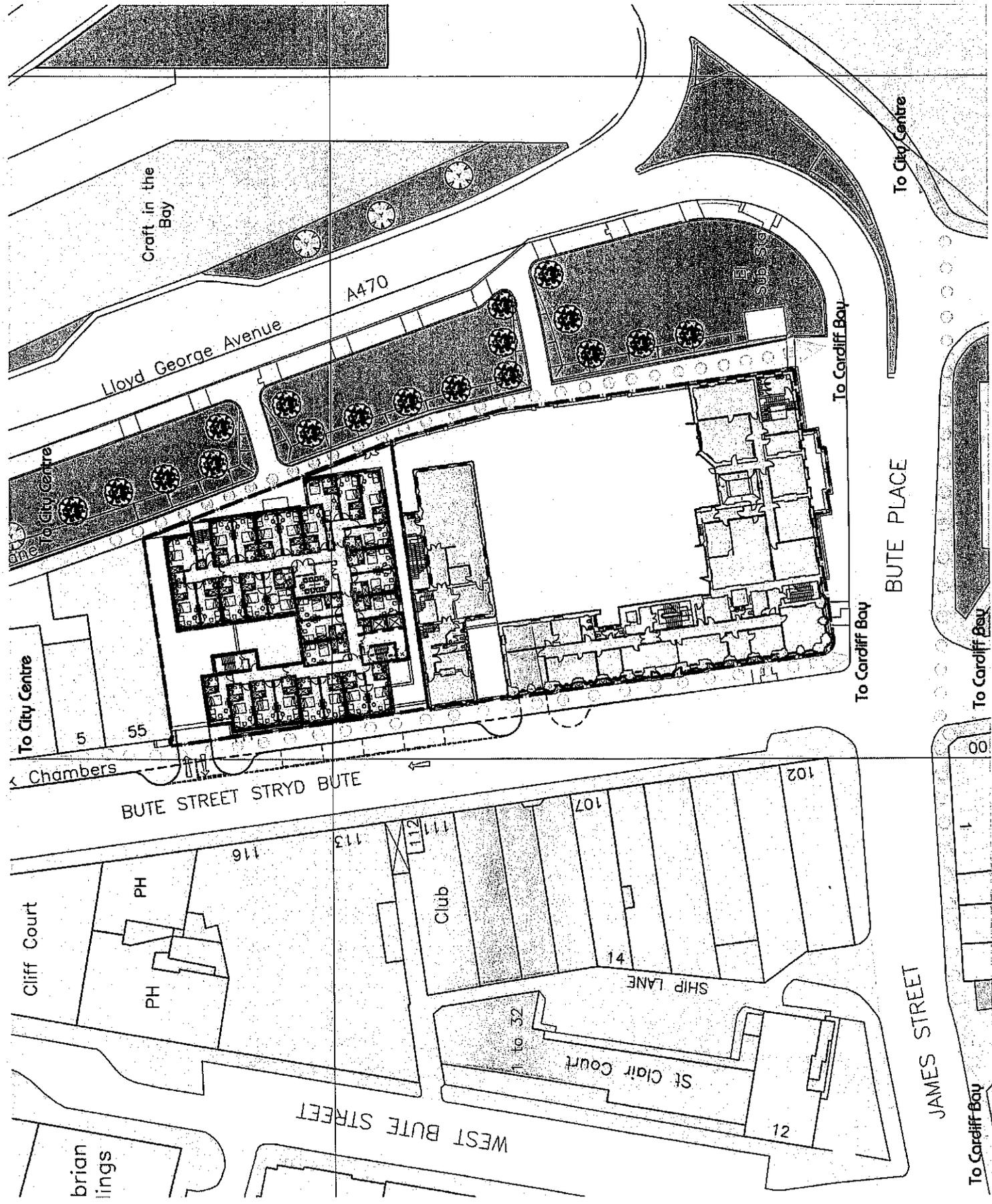
# Appendix 4: Site Plans

Application Site	Existing Buildings	Pedestrian Routes

Application Site  
 Existing Buildings  
 Pedestrian Routes

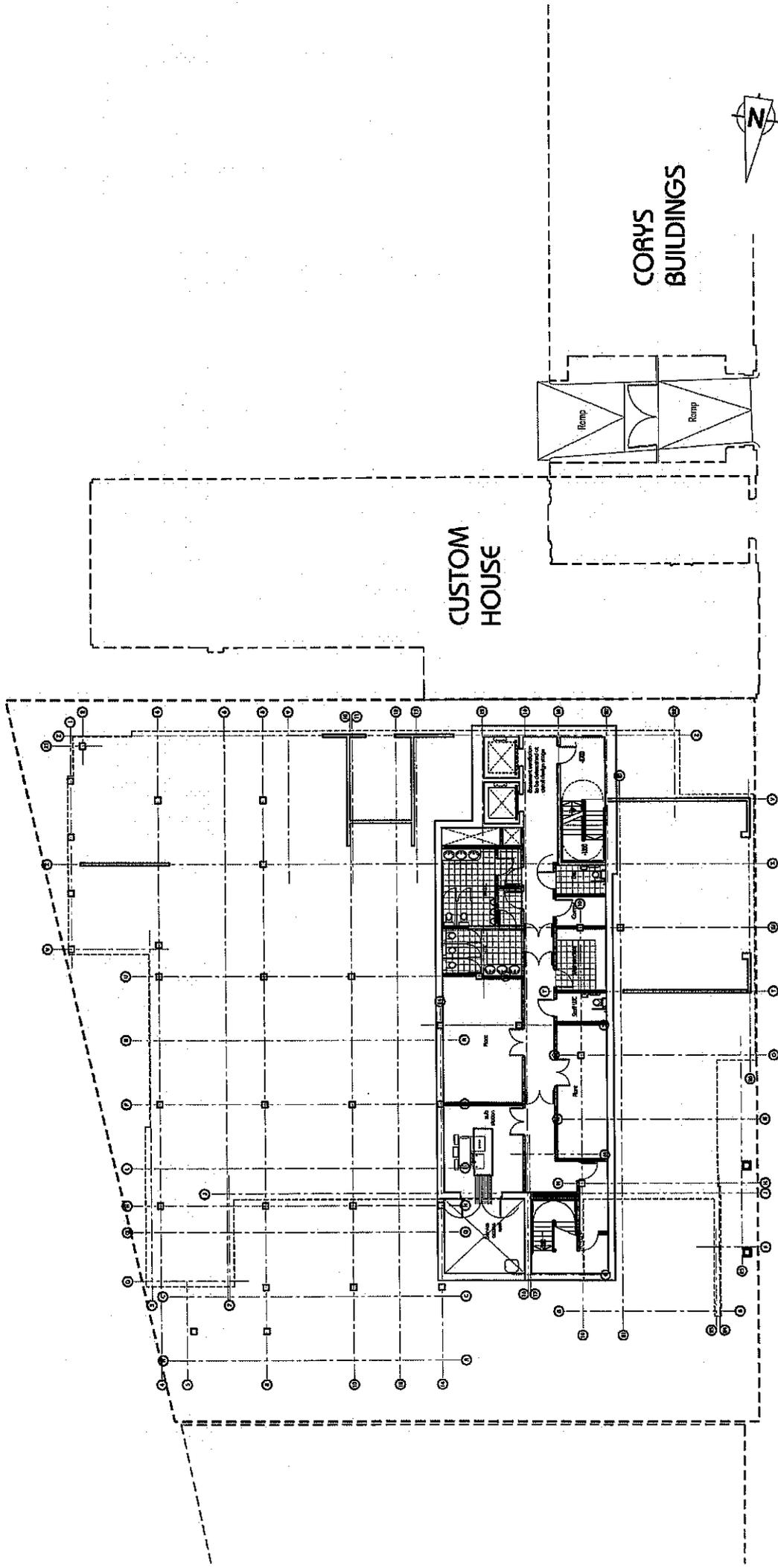


**morgan hayman**  
 Chartered Architects Surveyors Urban Designers  
 16 Coleraine Walk, Riverside, Cardiff, CF10 4BY  
 Tel: (0303) 8044 7588 Fax: (0303) 8046 1813  
 Proposed Hotel, Bute Street, Cardiff  
 Sturtevant Estates Ltd.  
 Proposed Site Plan  
 8995 PL104 A 1:500 December 2010

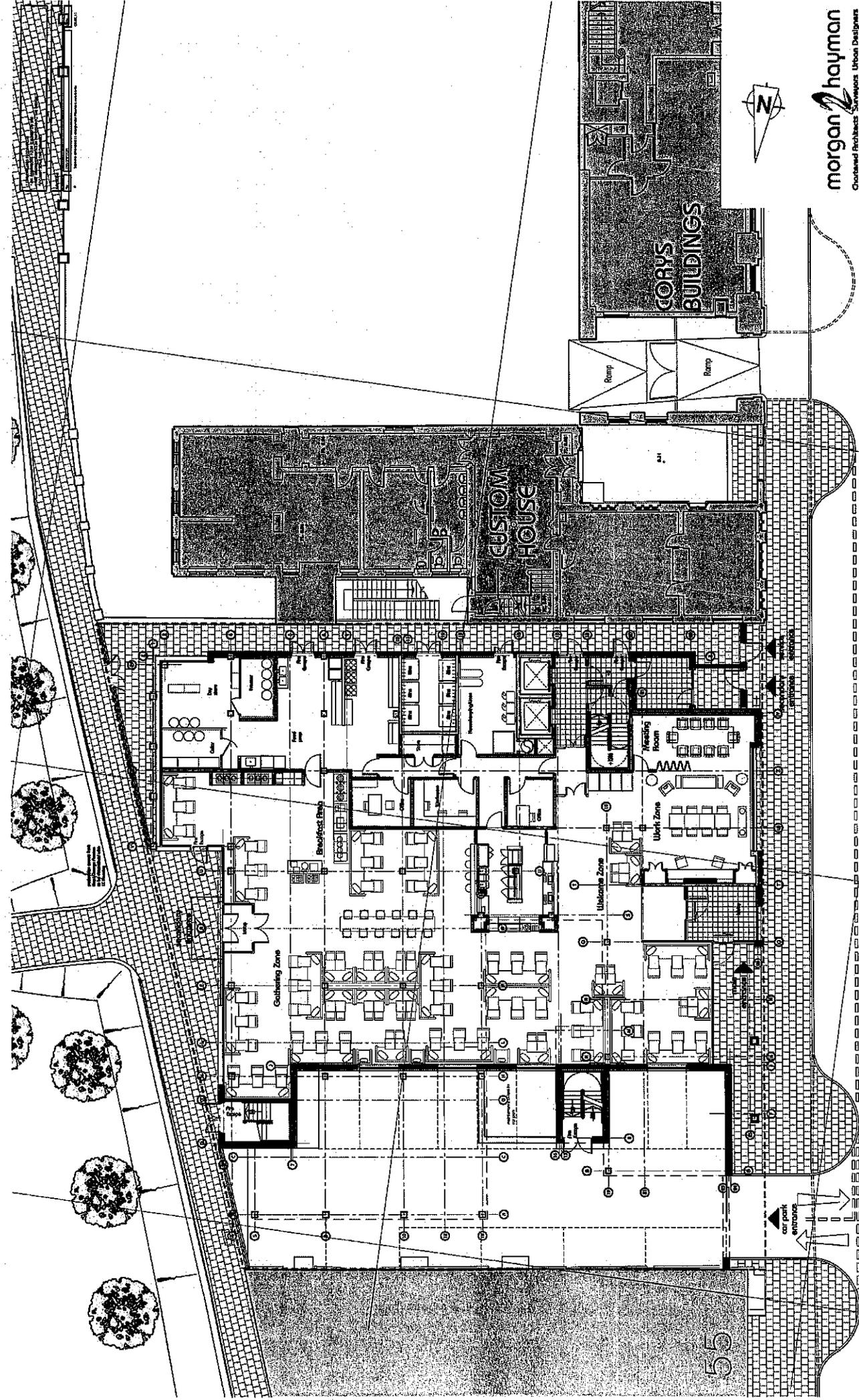




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DATE OF CLASSIFICATION	AUTHORITY
DATE OF DECLASSIFICATION	AUTHORITY
DATE OF REVIEW	AUTHORITY



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 Proposed Hotel, Race Street, Cardiff  
 Skanska Construction Ltd.  
 Proposed Basement Plan  
 2005 **FL000** 1:500 December 2010



**morgan hayman**

Chartered Architects Surveyors Urban Designers  
 14 Colchester Walk, Atlanta Liberty, Cardiff, CF10 4BY  
 Tel: (01493) 8044 7920 Fax: (01493) 2045 1813

Proposed Hotel, Bute Street, Cardiff  
 Sturtevant Estates Ltd.

Proposed Ground Floor Plan

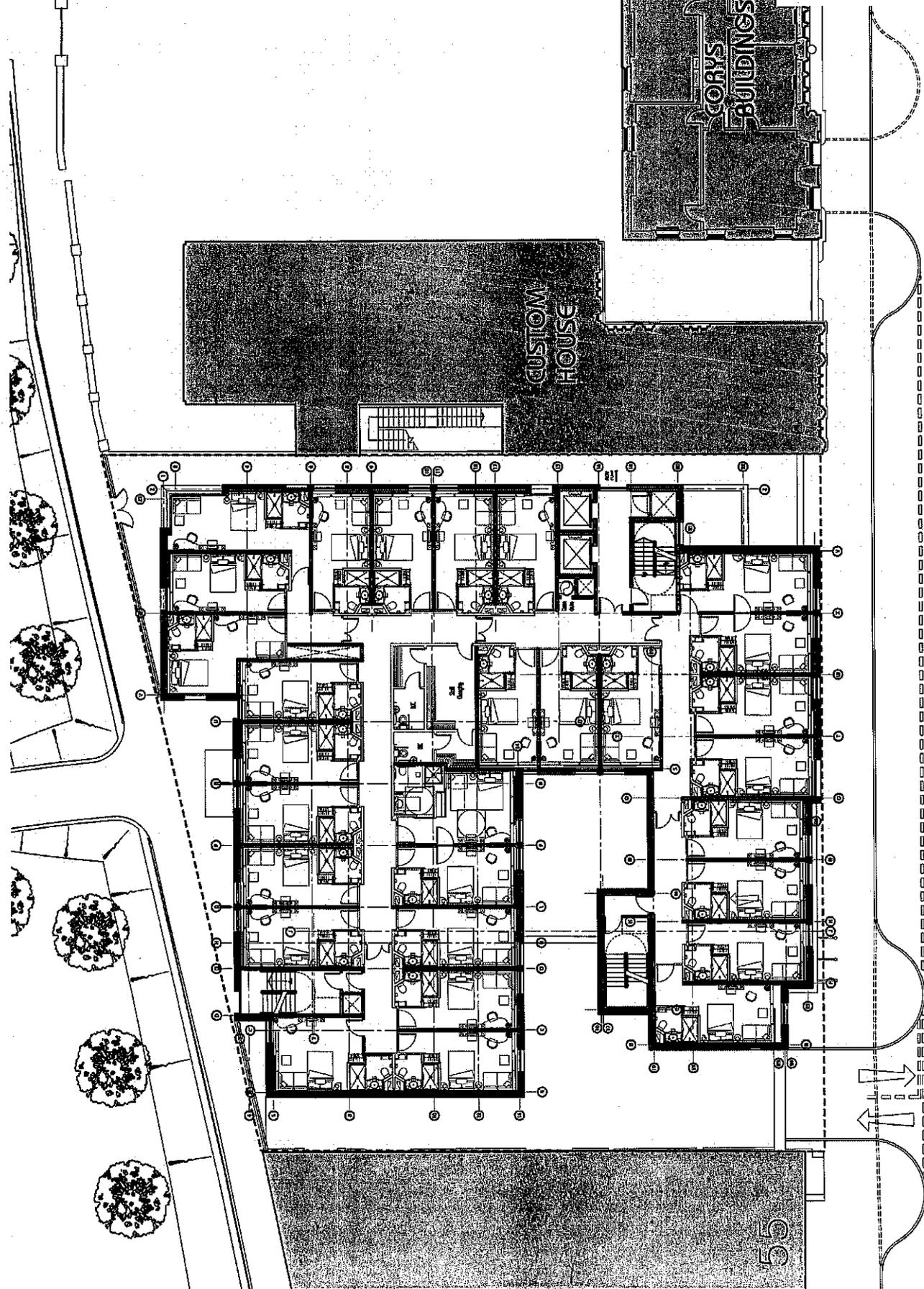
2895 PLS01 n 1:200 December 2010

BUTE STREET

55



1. ALL DIMENSIONS ARE IN METERS  
 2. ALL DIMENSIONS TO FACE UNLESS OTHERWISE SPECIFIED  
 3. ALL DIMENSIONS TO FACE UNLESS OTHERWISE SPECIFIED  
 4. ALL DIMENSIONS TO FACE UNLESS OTHERWISE SPECIFIED

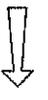


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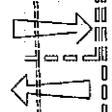
Proposed Hotel, Bute Street, Cardiff  
 Shandrew Estates Ltd.

Proposed Second Floor Plan

2005 | **PL03** | A | 1:100 | December 2010

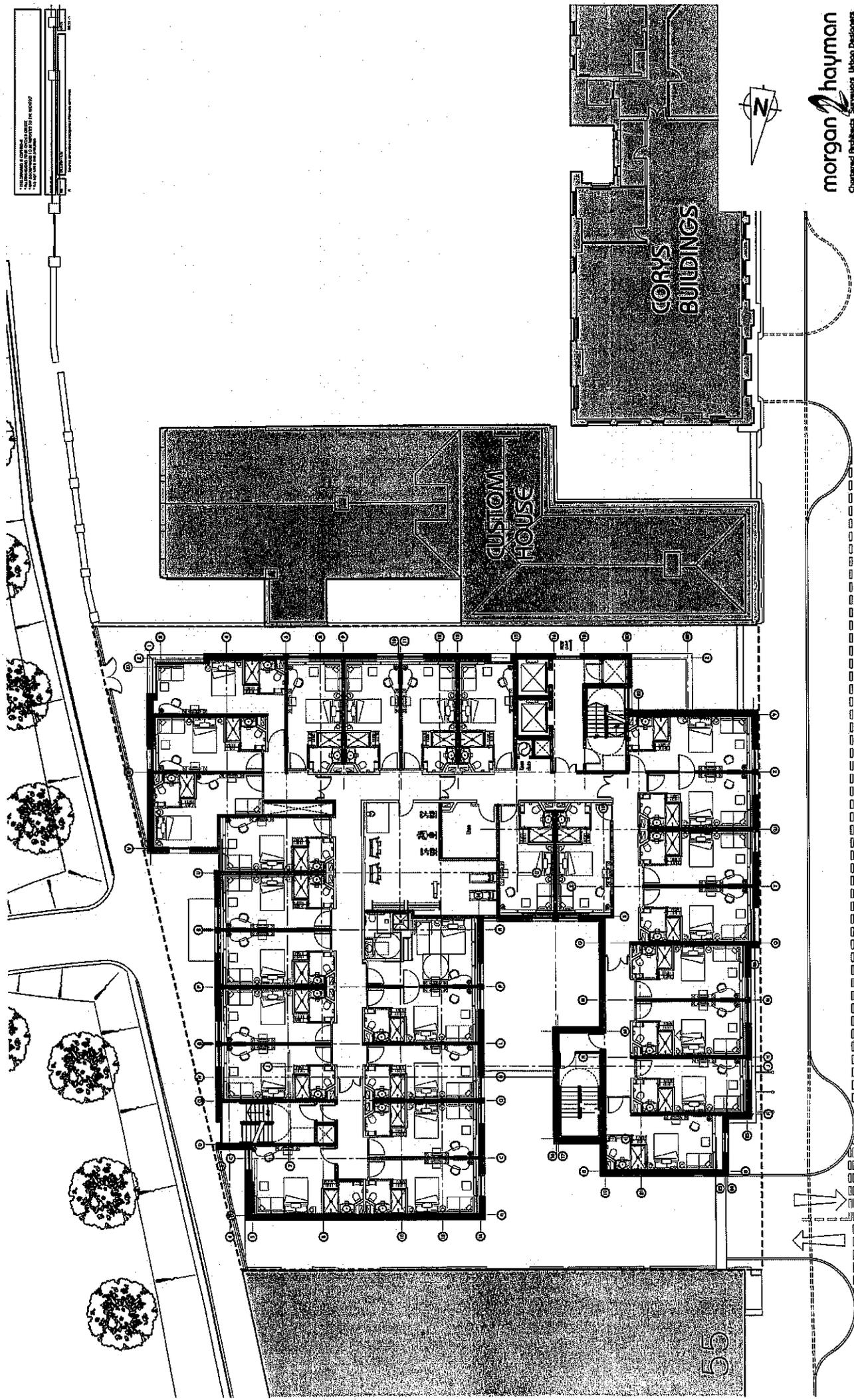


BUTE STREET



55

ALL WORKING DRAWINGS TO BE CHECKED BY THE ARCHITECT FOR ACCURACY AND TO BE REFERRED TO THE WORKING DRAWINGS FOR ALL DETAILS.



**morgan hayman**  
Chartered Architects Surveyors Urban Designers  
14 Colindale Walk, Rickens Walk, Colindale, London, N9 8HY  
Tel: (020) 8047 7500 Fax: (020) 8045 1815  
Proposed Hotel, Bute Street, Cardiff  
Shanklin Estates Ltd

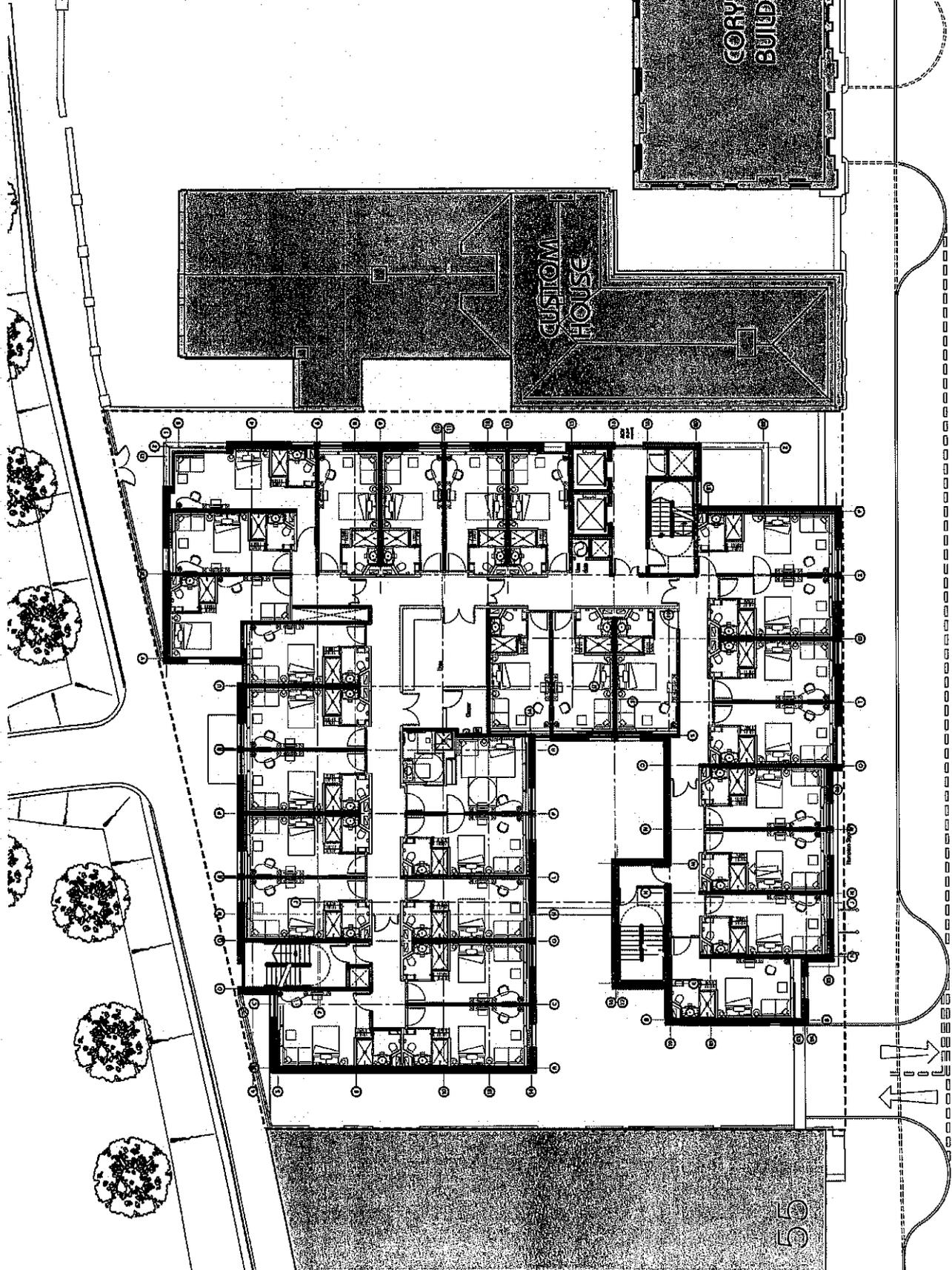
BUTE STREET



Proposed Third Floor Plan

2005 | **PLE04** | 1,200 | December 2010

THE UNIVERSITY OF CARDIFF  
SCHOOL OF ARCHITECTURE  
100, QUEEN'S BUILDINGS, QUEEN'S CAMPUS, CARDIFF, CF10 3AT  
TEL: (01495) 8344 7500 FAX: (01495) 8344 1813



**morgan hayman**

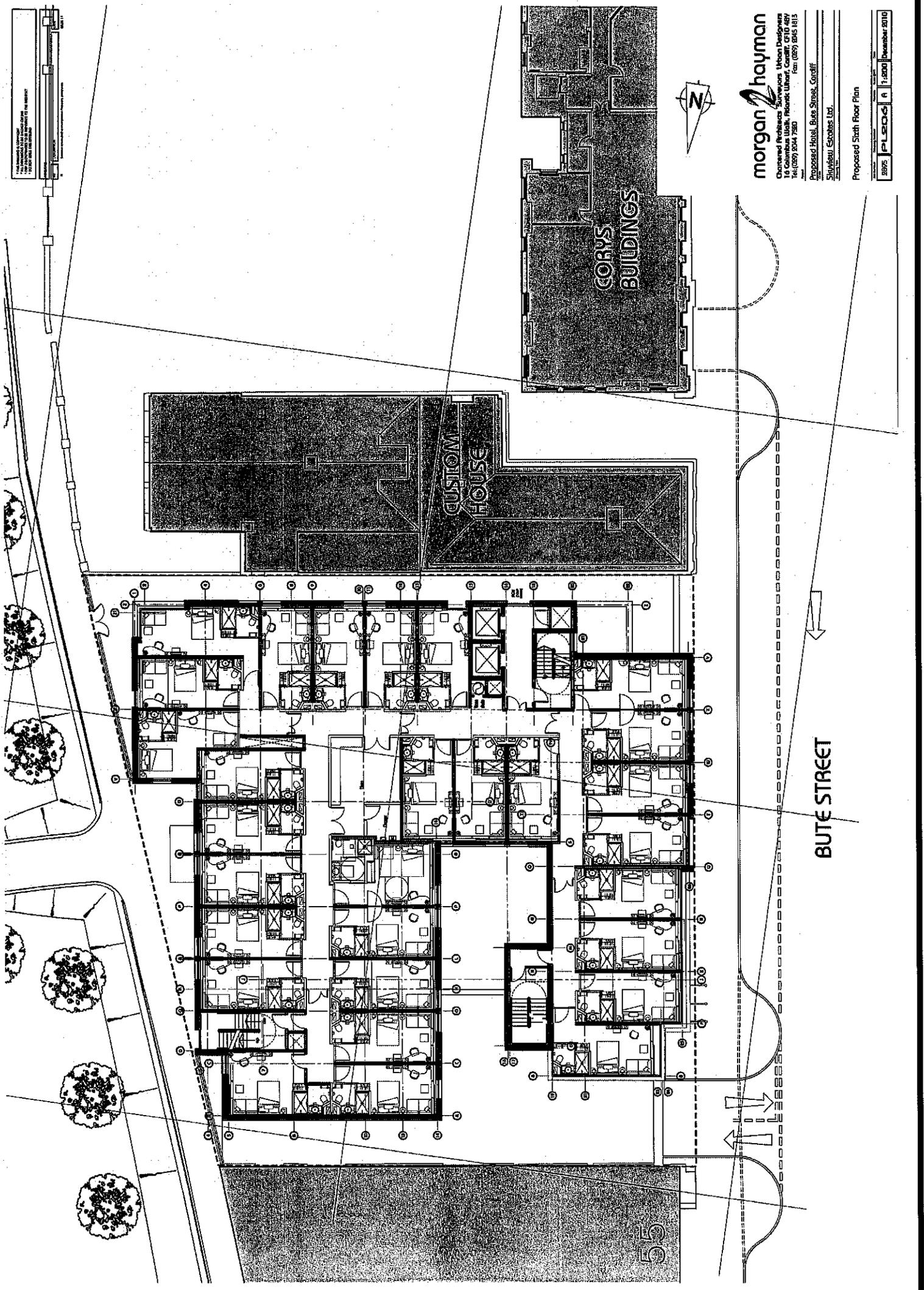
Chartered Architects, Surveyors, Urban Designers  
16 Colman Way, Rhondda Uthor, Cardiff, CF10 4BY  
Tel: (01495) 8344 7500 Fax: (01495) 8344 1813

Proposed Hotel, Bute Street, Cardiff  
Stowiseu Estabos, Ltd.

Proposed Fourth & Fifth Floor Plan

8895 | PLUS A | 1:200 | December 2010

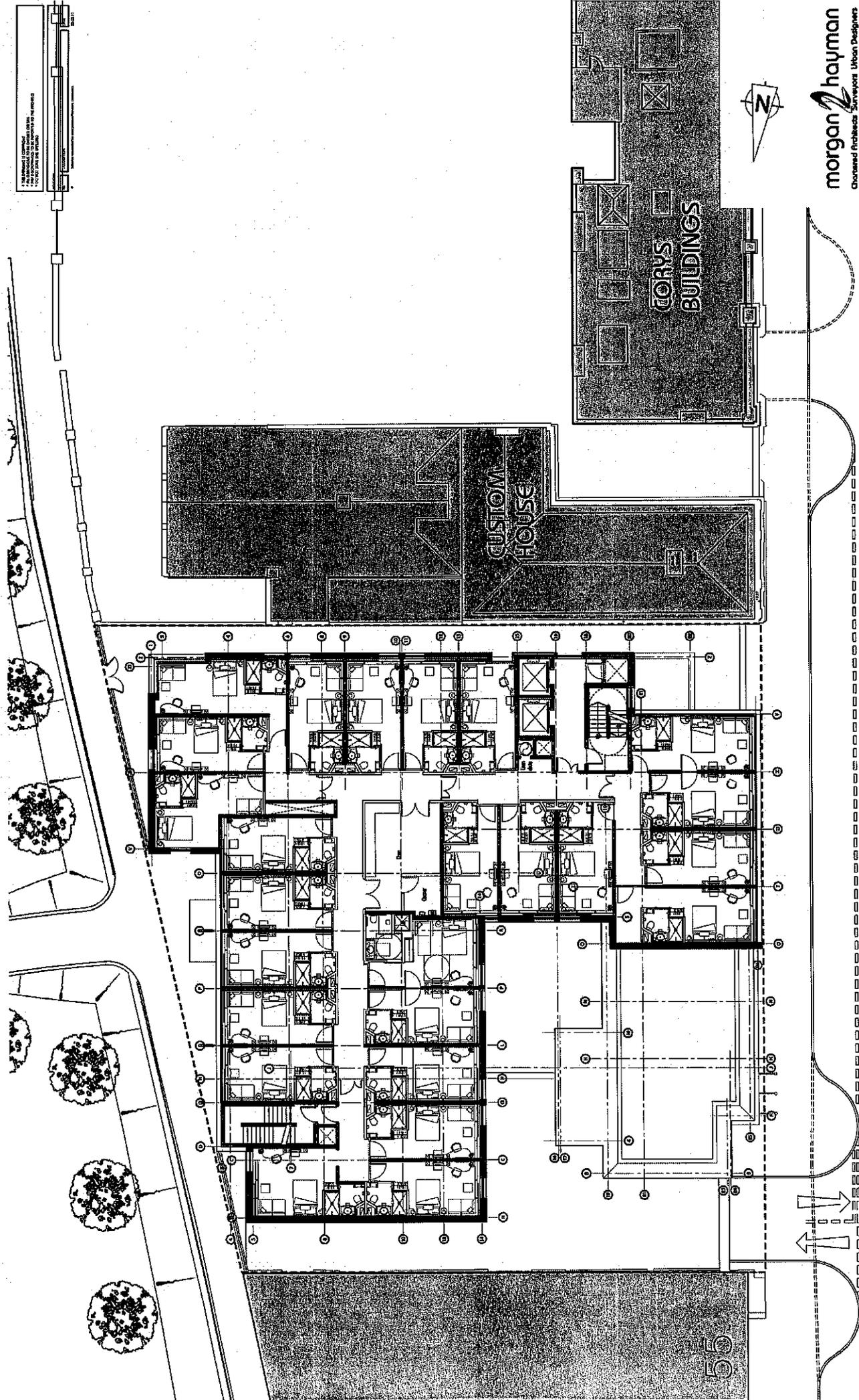
PROPOSED SIXTH FLOOR PLAN  
FOR THE PROPOSED SIXTH FLOOR OF THE HOTEL  
AT BUTE STREET, CARDIFF



BUTE STREET

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1. Proposed Commercial  
2. Proposed Residential  
3. Proposed Public Open Space  
4. Proposed Parking



**morgan hayman**

Chartered Architects Surveyors Urban Designers  
14 Columbia Walk, Riverside Quay, Cardiff, CF10 1AB  
Tel: 0300 304 7380 Fax: 0300 304 1913

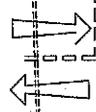
Proposed Hotel, Bute Street, Cardiff  
Skidmore Estates Ltd.

Proposed Seventh Floor Plan

2895 | PLB07 | R | 1:500 | December 2010

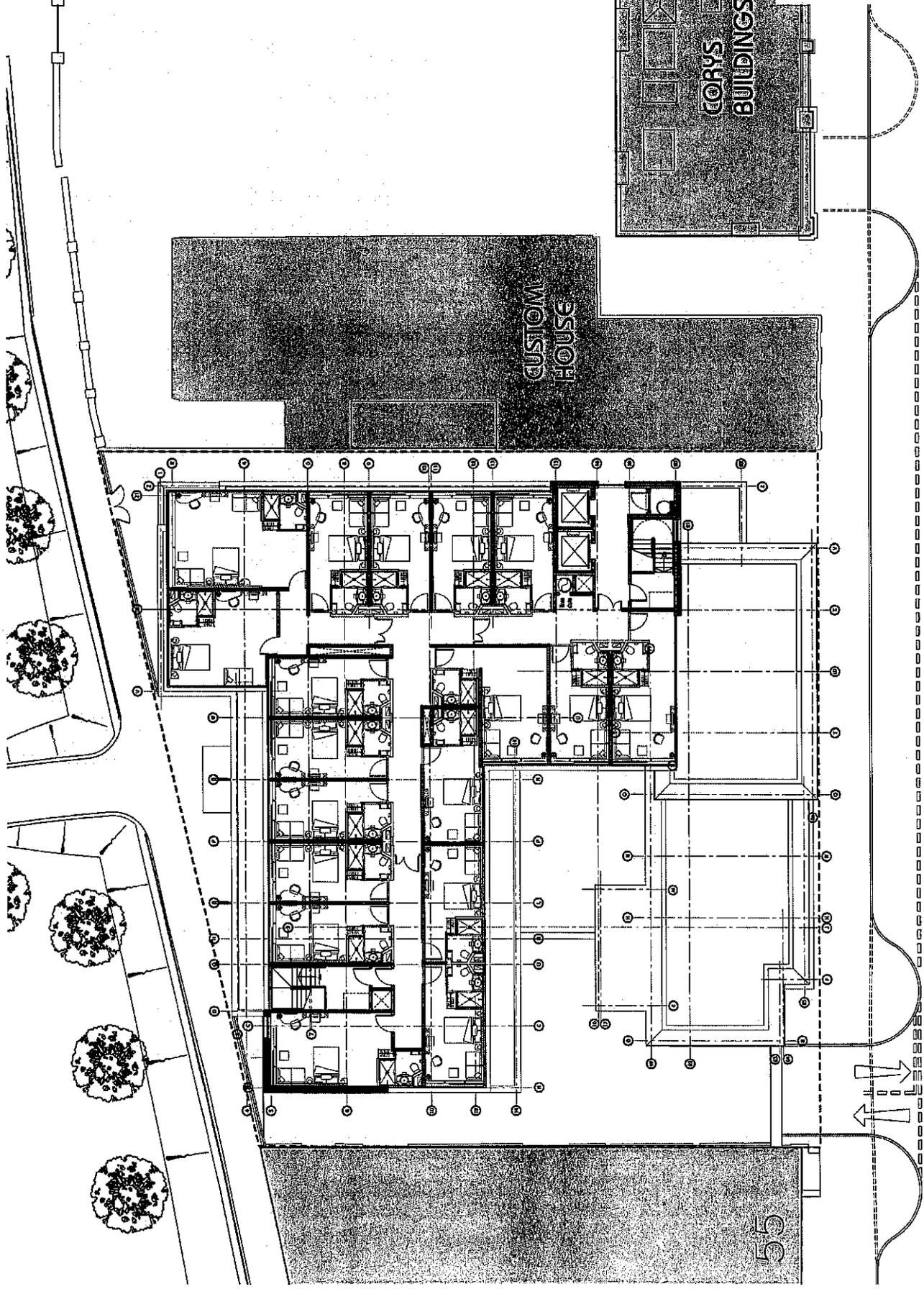


**BUTE STREET**



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Approved for construction by the City of Portland, Oregon, on 12/15/2010. This approval is subject to the conditions of the City of Portland, Oregon, and the City of Portland, Oregon, and the City of Portland, Oregon.



**morgan hayman**

Chartered Architects Surveyors Urban Designers  
16 Columbia Walk, Portland, Oregon, 97201-4917  
Tel: (503) 244-7360 Fax: (503) 243-1815

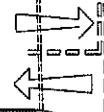
Proposed Hotel, 600 S. Street, Corvallis  
Stimuleau Estates Ltd.

Proposed Eighth Floor Plan

2010 11 18 11:00 AM 11/18/2010



**BUTE STREET**



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# Appendix 5: Planning Consent

Application No: **10/02361/DCI**

## **PERMISSION FOR DEVELOPMENT**

To:  
Mr. Brown  
Morgan 2 Hayman Architects  
Mr Gareth Brown  
16 Columbus Walk  
Atlantic Wharf  
CARDIFF  
CF10 4BY

**Town and Country Planning Act 1990 (As Amended)  
Town and Country Planning (Development Management Procedure) (Wales) Order  
2012**

---

WHEREAS you submitted an application for Full Planning Permission received on 29/12/2010 for: PROPOSED 'HAMPTON' BY HILTON HOTEL WITH ANCILLARY RESTAURANT, BUSINESS/CONFERENCE FACILITIES, CAR PARK AND EXTERNAL WORKS at Land between 55 & 56 Bute Street (hereinafter called "the development");

CARDIFF COUNTY COUNCIL, as the Local Planning Authority for the County of Cardiff, in pursuance of its powers under the above mentioned Act and Orders, hereby PERMITS the development to be carried out in accordance with the application and plans submitted therewith, subject to compliance with the conditions specified hereunder:

1. The development permitted shall be begun before the expiration of 30 months from the date of this planning permission.  
Reason: In accordance with the provisions of Section 91 of the Town and Country Planning Act 1990 and to ensure for the appropriate re-appraisal of the Scheme in the context of extant Development Plan policy should implementation of the Scheme not be expedited.
2. The consent relates to the application as amended by the revised plans received on 15 March 2011 attached to and forming part of this planning application.  
Reason: The plans amend and form part of the application.
3. The external walls and roofs of any building shall be constructed and finished in accordance with a schedule of materials and finishes which shall be submitted to and approved by the Local Planning Authority prior to the commencement of development. The finishing materials shall include for the use of natural stone to the ground floor elevations visible from Bute Street.  
Reason: To ensure that the finished appearance of the development is in

keeping with existing buildings in the area.

4. No development shall take place until samples of the external finishing materials have been submitted to and approved by the Local Planning Authority. The development shall be carried out in accordance with the approved details.  
Reason: To ensure that the finished appearance of the development is in keeping with the area.
5. Prior to the commencement of development a scheme showing the architectural detailing of the building to include details of all entrances, windows, glazing systems, parapets and eaves details shall be submitted to and approved in writing by the Local Planning Authority and the development shall not be put to beneficial use until the approved scheme is implemented in full.  
Reason: To ensure a satisfactory finished appearance to the development.
6. The development shall be provided with a scheme of hard and soft landscaping in accordance with a scheme of detail and timetable of implementation which shall first have been submitted to and approved in writing by the local planning authority; The scheme shall include details of all hard surfaces, soft landscaping, shrubs, trees, and other planting, and associated features including benches, bins, or other features.  
Reason: To maintain and improve the appearance of the area and in the interests of visual amenity.
7. Any shrubs or trees implemented as a requirement of condition 6 above which within a period of 5 years from the completion of the development die, or are removed or become seriously damaged or diseased shall be replaced in the next planting season with others of similar size and species, unless the local planning authority gives written consent to any variation.  
Reason: To maintain and improve the appearance of the area in the interests of visual amenity.
8. Notwithstanding any rights afforded by the General Permitted Development Order, no external plant/ machinery/equipment or satellite dishes shall be provided to the roofscape of the building until such time as details of the same have been submitted to and approved in writing by the Local Planning Authority.  
Reason: To protect the character and appearance of the Conservation Area and the setting of the Listed Buildings.
9. No development shall take place until a scheme for the drainage of the site and any connection to the existing drainage system has been submitted to and approved in writing by the Local Planning Authority. No part of the development shall be occupied until the scheme is carried out and completed as approved.  
Reason: To ensure an orderly form of development.
10. Prior to the beneficial use of the hotel hereby consented to, the building and

surrounds including the area of Docks Lane to the rear of the premises shall be provided with a scheme of security lighting in accordance with details that shall first have been submitted to and approved in writing by the Local Planning Authority.

Reason: To improve security of the building and of the public access to it

11. Prior to beneficial use, the hotel hereby permitted shall be provided with a secure and defensible means of enclosure in accordance with details which shall first have been submitted to and approved in writing by the local planning authority.

Reason: To establish public and private delineations of space and to encourage maintenance of both in the interests of security and visual amenity.

12. Prior to beneficial use, the hotel shall be provided with an access control and surveillance system (CCTV), providing monitoring of all entrances and exits and public areas in respect of both pedestrian and vehicular traffic in accordance with details which shall first have been submitted to and approved in writing by the Local Planning Authority.

Reason: To mitigate against unauthorised entry into the building and in the interests of crime prevention.

13. No part of the development hereby permitted shall be commenced until a scheme detailing the measures necessary for the purpose of monitoring gases generated on the site or land adjoining thereto and for any measures necessary to protect the development has been submitted to and approved in writing by the Local Planning Authority. Any such scheme shall provide details of measures that are required to ensure the safe and inoffensive dispersal or management of gases and to prevent lateral migration of gases into or from land surrounding the application site. Gases includes landfill gases, vapours from contaminated land sites, and naturally occurring methane and carbon dioxide, but does not include radon gas.

All measures specified in the above scheme shall (unless otherwise agreed in writing) be undertaken and completed prior to any development commencing or in accordance with a timetable as shall be previously agreed in writing with the Local Planning Authority and the measures shall be retained and maintained until such time as the Local Planning Authority agree in writing.

Reason: To ensure that the safety of future occupiers is not prejudiced.

14. Any aggregate (other than virgin quarry stone) or recycled aggregate material to be imported shall be assessed for chemical or other potential contaminants in accordance with a scheme of investigation to be submitted to and approved in writing by the Local Planning Authority in advance of its importation. Only material approved by the Local Planning Authority shall be imported. All measures specified in the approved scheme shall be undertaken in accordance with the relevant Code of Practice and Guidance

Notes.

Subject to approval of the above, verification sampling of the material received at the development site is required to verify that the imported aggregate is free from contamination and shall be undertaken in accordance with a scheme agreed with in writing by the Local Planning Authority.

Reason: To ensure that the safety of future occupiers is not prejudiced.

15. No development shall take place until details showing the provision of cycle parking spaces have been submitted to and approved in writing by the local planning authority. The approved details shall be implemented prior to the development being put into beneficial use. Thereafter the cycle parking spaces shall be maintained and shall not be used for any other purpose.

Reason: To ensure that adequate provision is made for the secure parking of cycles.

16. The car parking spaces shown on the approved plans shall be provided prior to the development being brought into beneficial use and thereafter shall be maintained and shall not be used for any purpose other than the parking of vehicles.

Reason: To ensure that the use of the proposed development does not interfere with the safety and free flow of traffic passing along the highway.

17. Prior to commencement of development a scheme of construction management shall be submitted to and approved by the Local Planning Authority, to include details of site hoardings, site access and wheel washing facilities. Construction of the development shall be managed strictly in accordance with the scheme so approved.

Reason: In the interests of highway safety, public amenity and access to the site.

19. This permission does not extend to any adaptation of the Listed railings bounding, or the provision of any new footway access to the development from Lloyd George Ave.

Reason: Such works have not been applied for and for the avoidance of doubt.

**All policies and proposals in the Development Plan which are relevant to this decision are listed in the report on the Application.**

**IT IS IMPORTANT THAT YOU SHOULD READ THOSE NOTES ON THE ATTACHED**

## **SHEET WHICH ARE RELEVANT TO THIS TYPE OF APPLICATION.**

Dated: 09/12/2016



**James Clemence**  
**HEAD OF PLANNING**  
**County Hall, Cardiff, CF10 4UW**

It should also be noted that:

1. That the agent be sent a copy of the observations received from South Wales Police and be encouraged to enter into dialogue with them regarding the development of the building design and fittings.
2. The contamination assessments and the affects of unstable land are considered on the basis of the best information available to the Planning Authority and are not necessarily exhaustive. The Authority takes due diligence when assessing these impacts, however you are minded that the responsibility for
  - (i) determining the extent and effects of such constraints;
  - (ii) ensuring that any imported materials (including, topsoils, subsoils, aggregates and recycled or manufactured aggregates/ soils) are chemically suitable for the proposed end use. Under no circumstances should controlled waste be imported. It is an offence under Section 33 of the Environmental Protection Act 1990 to deposit controlled waste on a site which does not benefit from an appropriate waste management license. The following must not be imported to a development site;
    - Unprocessed / unsorted demolition wastes.
    - Any materials originating from a site confirmed as being contaminated or potentially contaminated by chemical or radioactive substances.
    - Japanese Knotweed stems, leaves and rhizome infested soils. In addition to section 33 above, it is also an offence under the Wildlife and Countryside Act 1981 to spread this invasive weed; and
  - (iii) the safe development and secure occupancy of the site rests with the developer.

Proposals for areas of possible land instability should take due account of the physical and chemical constraints and may include action on land reclamation or other remedial action to enable beneficial use of unstable

land.

The Local Planning Authority has determined the application on the basis of the information available to it, but this does not mean that the land can be considered free from contamination.

3. To protect the amenities of occupiers of other premises in the vicinity attention is drawn to the provisions of Section 60 of the Control of Pollution Act 1974 in relation to the control of noise from demolition and construction activities. Further to this the applicant is advised that no noise audible outside the site boundary adjacent to the curtilage of residential property shall be created by construction activities in respect of the implementation of this consent outside the hours of 0800-1800 hours Mondays to Fridays and 0800 - 1300 hours on Saturdays or at any time on Sunday or public holidays. The applicant is also advised to seek approval for any proposed piling operations.
4. The agent/applicant should be advised that a commercial contract is required for the collection and disposal of all commercial waste.
5. That the applicant be advised that any highway works required by condition and any other works to existing or proposed adopted public highway are to be subject to an agreement under Section 38 and/or Section 278 Highways Act 1980 between the developer and Local Highway Authority.
6. That the applicant be encouraged to include sedum matting to the roofscape of the building to lessen surface water discharges to the sewerage system and to consider other methods on increasing the Building's sustainability or decreasing energy usage.

# Appendix 6: Customer Projections and Build Costs

Hampton by Hilton (Cardiff Bay)					
Detailed P&L					
	Year	Year	Year	Year	Year
216 Rooms	1	2	3	4	5
Rooms Sales	4,052,505	4,503,992	5,193,745	5,310,189	5,654,667
Food Sales	208,988	232,199	250,995	268,572	275,286
Liquor Sales	169,791	188,244	202,403	209,755	214,134
Catering Other Sales	73,900	75,378	80,963	84,767	87,310
Leisure Club (Excl F&B) Sales	0	0	0	0	0
Other Total Sales	64,515	71,233	78,772	81,498	83,916
<b>TOTAL SALES</b>	<b>4,569,699</b>	<b>5,071,045</b>	<b>5,806,877</b>	<b>5,954,782</b>	<b>6,315,314</b>
Food COS	62,696	69,660	75,298	80,572	82,586
Liquor COS	45,844	50,826	54,649	56,634	57,816
Catering Other COS	0	0	0	0	0
Leisure Club (Excl F&B) COS	0	0	0	0	0
Other COS	19,757	22,116	24,386	25,449	25,958
<b>TOTAL COS</b>	<b>128,297</b>	<b>142,602</b>	<b>154,333</b>	<b>162,655</b>	<b>166,360</b>
Rooms Payroll	422,547	447,928	475,441	548,837	584,498
Catering Payroll	133,079	146,949	158,937	166,691	171,648
LC Leisure Club Payroll	0	0	0	0	0
Other Payroll	0	0	0	0	0
<b>TOTAL DIRECT PAYROLL</b>	<b>555,627</b>	<b>594,877</b>	<b>634,378</b>	<b>715,528</b>	<b>756,146</b>
Rooms Direct Expenses	475,921	490,403	514,958	512,509	541,155
Catering Direct Expenses	21,198	22,783	24,102	25,183	25,782
Leisure Club Direct Expenses	0	0	0	0	0
Other Direct Expenses	0	0	0	0	0
<b>TOTAL DIRECT EXPENSES</b>	<b>497,119</b>	<b>513,185</b>	<b>539,061</b>	<b>537,692</b>	<b>566,937</b>
Rooms Departmental Profit	3,154,037	3,565,661	4,203,346	4,248,843	4,529,014
Catering Departmental Profit	189,862	205,603	221,374	234,015	238,899
Leisure Club Departmental Profit	0	0	0	0	0
Other Departmental Profit	44,757	49,116	54,386	56,049	57,958
<b>TOTAL DEPT'MENTAL PROFIT</b>	<b>3,388,656</b>	<b>3,820,381</b>	<b>4,479,105</b>	<b>4,538,907</b>	<b>4,825,871</b>
Admin Payroll	95,476	97,386	99,334	101,817	104,362
Sales Payroll	13,617	13,958	14,307	14,665	15,031
Maintenance Payroll	21,791	22,336	22,894	23,466	24,053
<b>Total Indirect Payroll</b>	<b>130,885</b>	<b>133,679</b>	<b>136,534</b>	<b>139,948</b>	<b>143,446</b>
Admin Expenses	134,637	144,734	155,780	159,704	166,025
S&M Expenses	93,151	100,135	110,713	113,289	119,149
Maintenance Expenses	86,900	88,204	89,968	92,217	94,522
Energy Expenses	186,283	196,611	214,681	222,953	237,439
<b>Total Indirect Expenses</b>	<b>500,971</b>	<b>529,683</b>	<b>571,141</b>	<b>588,163</b>	<b>617,136</b>
<b>GOP</b>	<b>2,756,801</b>	<b>3,157,019</b>	<b>3,771,429</b>	<b>3,810,796</b>	<b>4,065,289</b>
Fixed Expenses (Property)	236,562	246,018	265,519	266,373	283,568
Hilton Royalty and Programme Fee	283,675	360,319	467,437	477,917	508,920
<b>EBITDA before Mgt Charges</b>	<b>2,236,563</b>	<b>2,550,682</b>	<b>3,038,474</b>	<b>3,066,506</b>	<b>3,272,800</b>
Management Fee	50,000	50,000	50,000	50,000	50,000
Reserve for Replacement	45,697	101,421	116,138	178,643	189,459
<b>NOI</b>	<b>2,140,866</b>	<b>2,399,261</b>	<b>2,872,336</b>	<b>2,837,863</b>	<b>3,033,341</b>
EBITDA before Mgt charges %	48.9%	50.3%	52.3%	51.5%	51.8%
Rooms Sold	56,449	60,181	64,423	65,274	67,820
Rooms Available	78,840	78,840	78,840	78,840	78,840
Occupancy	71.6%	76.3%	81.7%	82.8%	86.0%
Average Room Rate	71.79	74.84	80.62	81.35	83.38
Yield	51.40	57.13	65.88	67.35	71.72

## HAMPTON BY HILTON COST

		MEL EST.	
		MEL	£
	Sub Total after External works		10,536,214
<b>9.0</b>	Preliminaries	12.5%	1,317,027
<b>10.0</b>	Contingencies	4%	474,130
<b>11.0</b>	Overheads & Profit	4%	493,095
<b>12.0</b>	Construction Cost		12,820,465
<b>13.0</b>	Professional Fees	6%	769,228
<b>14.0</b>	Construction Cost incl Prof.fees		13,589,693
<b>15.0</b>	Clients Operating Costs		350,000
<b>16.0</b>	Total Construction Cost		13,939,693
<b>17.0</b>	Bedroom FF&E		
<b>17.1</b>	Bedroom fixed items		1,371,600
<b>17.2</b>	Bedroom loose FF&E		734,400
<b>18.0</b>	Total Construction Cost incl FF&E		16,045,693

### Other Costs

	<b>£</b>
Other fees such as legal and pm fees	300,000
s106	170000
3rd party fees	45000
hilton signange	60000
Grand Total	<b>16,620,693</b>

rooms 216                      **£**  
Per Key **76,948**

North Site Floor Plan

**HbH Hotel, Cardiff Bay GIA AREAS**

<b>Basement</b> .....	216m <sup>2</sup> .....	2,325ft <sup>2</sup>
<b>Ground Floor</b> .....	767m <sup>2</sup> (766.7m <sup>2</sup> )....	8,256ft <sup>2</sup>
<b>First Floor</b> .....	882m <sup>2</sup> (881.9m <sup>2</sup> )....	9,494ft <sup>2</sup>
<b>Second Floor</b> .....	882m <sup>2</sup> (881.9m <sup>2</sup> )....	9,494ft <sup>2</sup>
<b>Third Floor</b> .....	882m <sup>2</sup> (881.9m <sup>2</sup> )....	9,494ft <sup>2</sup>
<b>Fourth Floor</b> .....	882m <sup>2</sup> (881.9m <sup>2</sup> )....	9,494ft <sup>2</sup>
<b>Fifth Floor</b> .....	882m <sup>2</sup> (881.9m <sup>2</sup> )....	9,494ft <sup>2</sup>
<b>Sixth Floor</b> .....	882m <sup>2</sup> (881.9m <sup>2</sup> )....	9,494ft <sup>2</sup>
<b>Seventh Floor</b> .....	757m <sup>2</sup> .....	8,148ft <sup>2</sup>
<b>Eighth Floor</b> .....	616m <sup>2</sup> .....	6,630ft <sup>2</sup>
<b>Total</b> .....	<u>7,648m<sup>2</sup></u> .....	<u>82,322ft<sup>2</sup></u>

# Appendix 7: Historic Business Plan

# Merchant Estates Ltd

2016



## **Hampton by Hilton Hotel Development, Cardiff Bay**

### **Location**

The proposed hotel development is situated in the heart of Cardiff Bay, approximately 100 meters from the Welsh Millennium Centre (Opera House), 200 meters from The Senedd, (the National Assembly for Wales), approximately 200 meters from Mermaid Quay (waterfront shopping and leisure district), and 200 meters from Cardiff Bay Railway Station. (See Appendix One).

### **The Development**

The Development Site in Cardiff Bay is divided into 2 parts. All parcels of land were acquired following the sale of the Aspro Travel Group to provide for future development opportunities as a part of the Cardiff Bay Regeneration Project.

The proposed hotel forms part of the North Site whilst the listed buildings comprising of Customs House, Cory Buildings and 3 Bute Place comprise, the South Site. The North and South Sites will form a mixed-use development of hotel, offices and A3 use. (See Appendix Two).

Skyview Estates owns the South Site and Merchant Estates Limited, ("MEL"), owns the North Site. The purpose for this separation is so that Merchant Estates is defined as the developing and asset holding company for the hotel project.

The North Site (0.34 acres) has planning consent for a 216-bedroom Hampton by Hilton hotel overlooking Lloyd George Avenue and Bute Street, and is currently in use as a car park. It is proposed to build a 216-bedroom Hampton by Hilton hotel with possible meeting/conference facilities on the top floor. The Hampton by Hilton will be operated under a franchise agreement with Hilton Hotels and Resorts.

### **Merchant Estates Limited**

The legal owner is MEL with the transaction sponsored by former owners of the Aspro Travel Group, which was the 4<sup>th</sup> largest Travel Group in the UK. The Aspro Travel Group was a vertically integrated business of tour operation, airline and retail.

The former owners have extensive experience over 35 years of being involved in the development and running of hotels and aparthotels across Europe. The sponsors have acquired the freehold on the site and have obtained all necessary planning consents.

### **Hampton by Hilton**

Hampton Inn is a Hilton International brand, which was launched in 1984 in the USA. In order to maximise the brand recognition benefits, the Hampton Inn brand in the UK will be operated as Hampton by Hilton.

The Hampton by Hilton brand is positioned at the top end of the limited-service hotel market in the UK with a number of specifications intended to capture demand from both the budget and mid-market sectors including an on-site fitness facility, complimentary internet access, complimentary hot or 'grab-and-go' breakfast, 24-hour

free coffee in the lobby, free local phone calls and the “100 per cent Hampton Guarantee”, which offers a full refund of the room charges if a guest is dissatisfied.

### **Construction Company**

Construction companies quoting for the project will be Tier One building companies. The hotel construction is estimated to be completed within 15 months.

### **The Project Team**

At Merchant Place, Merchant Estates has brought together a dynamic team in order to transform Merchant Place into a symbolic and prestigious landmark befitting the location.

The team includes:

- Architects – Morgan 2 Hayman (previously known as Wigley Fox)
- Hotel Management Team – Asprou Family
- Hotel Consultants – Jack Nicholas & Paul Edwards
- Hotel Franchise – Hilton Group
- Independent Hotel Assessors – CBRE

The above team has worked consistently together for several years on the development of the proposed Hotel project.

### **Summary**

- Project Build Cost – circa £16.5m
- Company is debt free
- MEL is looking to start construction four months after finance approval
- The proposed Hampton by Hilton will be operated under a Franchise agreement for a period of 22years with two 10 year options to extend

## **Appendix One**

Red Dragon Centre  
100m

Wales Millennium Centre  
100m

Senedd

BBC Studios  
650m

Dr Who Experience  
650m

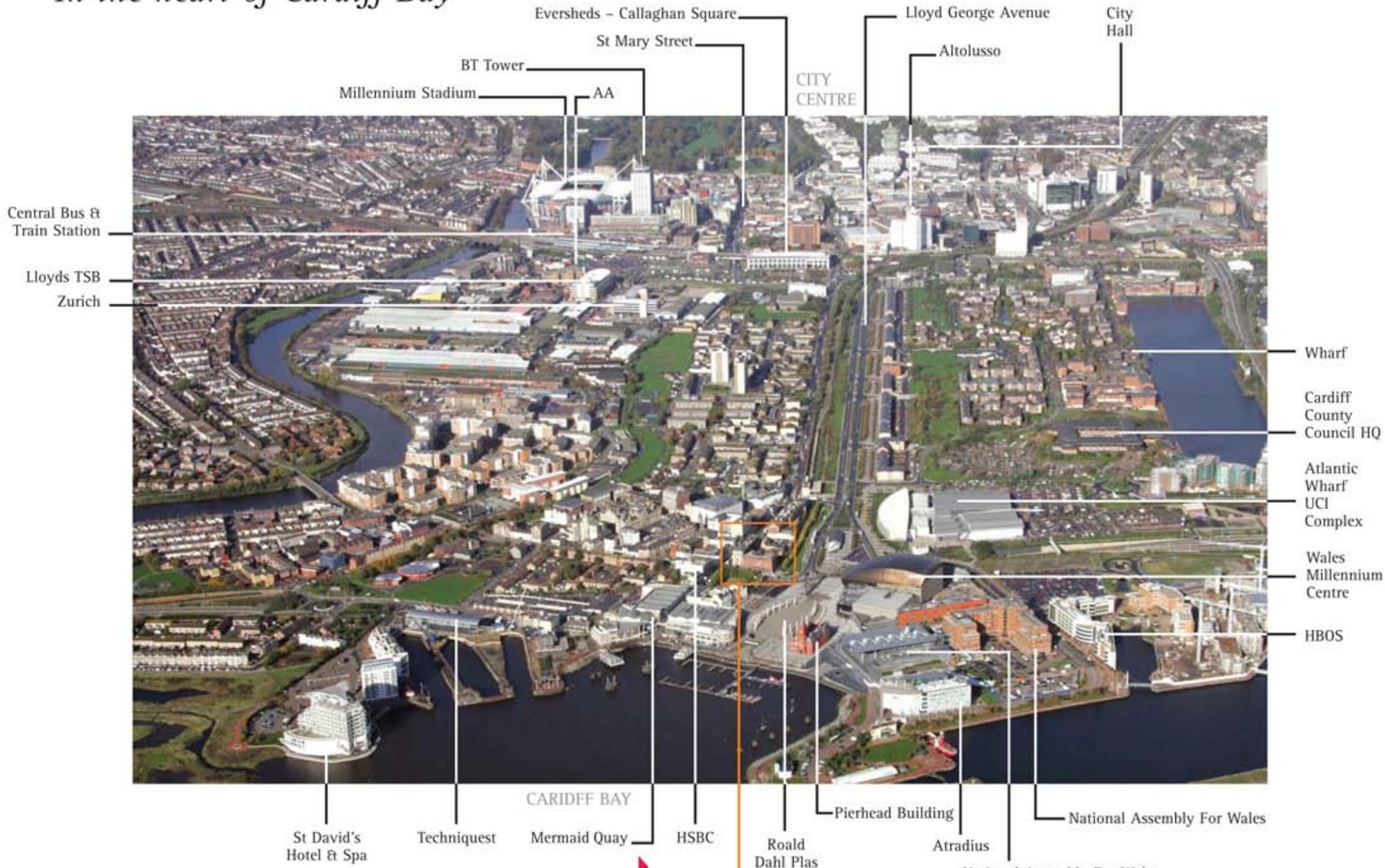
Merchant Place

Mermaid Quay  
80m

© 2013 Google



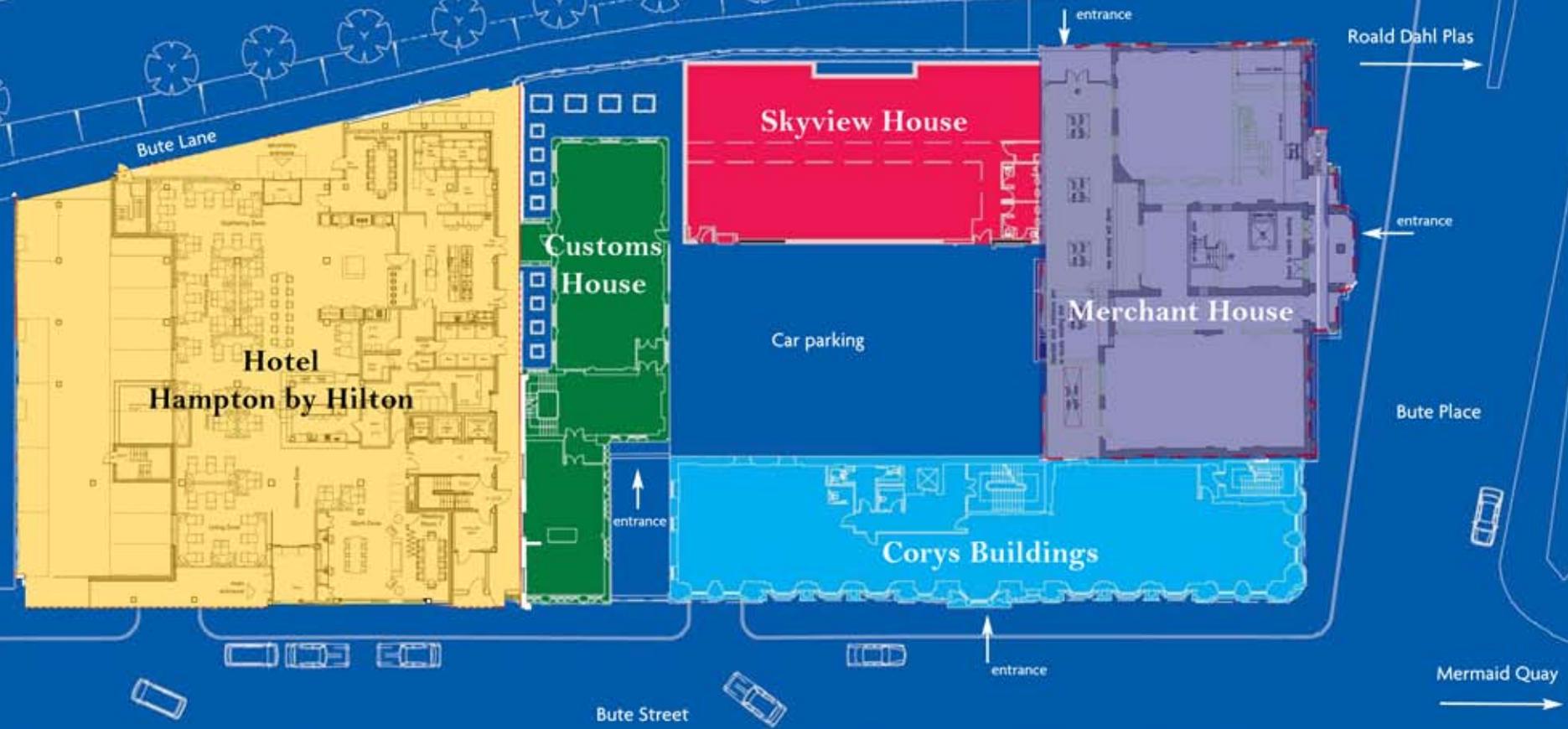
# In the heart of Cardiff Bay



## Appendix Two

# The Vision

*Merchant Place - a new business hub in the heart of Cardiff Bay*



# Appendix 8: Statutory Enquiries

## Fire Safety

The Regulatory Reform (Fire Safety) Order 2005 came into force on 1st October 2006 across England and Wales. This Order replaces and consolidates past fire legislation (including the Fire Precautions Act 1971, Fire Precautions (Workplace) Regulations 1997/99 and the Management of Health & Safety in the Workplace Regulations 1999).

The system of issuing Fire Certificates has been ended by the Order and is replaced with a requirement for a Fire Risk Assessment and a Fire Management Plan to be completed. Property and business owners are now solely responsible for fire safety within their workplaces. The Order does not apply to domestic dwellings and a small number of very specialist property types.

In Scotland, fire safety is legislated by Part 3 of the Fire (Scotland) Act 2005, supported by the Fire Safety (Scotland) Regulations 2006. These laws came into force on 1<sup>st</sup> October 2006, and impose the following requirements on property and business owners: the completion of a Fire Safety Risk Assessment, identifying and implementing necessary fire safety measures, using risk reduction principles, ongoing control and review of such measures, complying additionally with the specific requirements of the Fire Safety regulations, keeping the Fire Safety Risk Assessment and outcome under review, and record keeping.

## Licensing

The Licensing Act 2003 was the biggest single reform of liquor licensing in the UK for many years. The responsibility for licensing moved from the Magistrates Court to the Local Authorities and the Act brought together the number of different aspects of licensing including liquor and Public Entertainment licensing. The system incorporates two types of licence – a Personal Licence for a qualified individual and a Premises Licence for the building or venue.

A Personal Licence is not linked to specific premises and runs for a ten year period. It identifies that a person is suitably qualified to run any type of premises where alcohol is sold or supplied.

A Premises Licence is granted to a named individual or company and sets out the way in which particular premises must be operated. A Premises Licence specifies the permitted hours of operation and type of entertainment which may be provided etc. A Premises Licence lasts until it is revoked or surrendered.

## The Equality Act 2010

The Equality Act 2010 brings together; harmonises and in some respects extends the current equality law. It aims to make it more consistent, clearer and easier to follow in order to make society fairer. The law merged several different pieces of legislation into one place which cover race, sex, sexual orientation, age, religion or belief and disability. Detailed guidance on the new legislation is located at [www.equalities.gov.uk](http://www.equalities.gov.uk).

The Equality Act replaced the Disability Discrimination Acts 1995 and 2005 (DDA) and includes new provisions on direct discrimination, discrimination arising from disability, harassment and indirect discrimination. Service providers are required to make changes, where needed, to improve service for disabled customers or potential customers. There is a legal requirement to make reasonable changes to the built environment, such as making changes to the structure of a building to improve access. What is reasonable will depend on all the circumstances, including the cost of an adjustment, the potential benefits it might bring to other customers (ramps and automatic doors benefit customers with small children or heavy luggage, for example), the resources an organisation has and how practical the changes are.

The Equality Act 2010 requires that service providers must think ahead and take steps to address barriers that impede disabled people. In doing this, it is a good idea to consider the range of disabilities that actual or potential service users might have. You should not

wait until a disabled person experiences difficulties using a service, as this may make it too late to make the necessary adjustment.

Previously, adjustments to premises and to policies, practices and procedures had to be made by service providers only where it would otherwise be 'impossible or unreasonably difficult' for a disabled person to use the service. Now, under the new Equality Act, adjustments must be made where disabled people experience a 'substantial disadvantage'. This means that service providers may have to make more adjustments. Also, it was previously possible for a service provider to legally justify failing to provide a reasonable adjustment in certain circumstances. Now, the only reasonable question is whether the adjustment is a reasonable one to make.

Failure to comply with the Equality Act could result in civil proceedings. Christie & Co has not carried out or commissioned any investigations to determine whether or not the Property complies with the requirements of the Equality Act, nor have they made any allowance for the cost of compliance works.

### Asbestos

From 21 May 2004 new legislation requires property owners, occupiers and managers to identify and control Asbestos Containing Material ("ACM") in their property. If potential ACM is in good condition and undisturbed the Health & Safety Executive ("HSE") recommends that the ACM is identified and a management plan formulated as follows:

- Identify its position
- Inspect its condition regularly
- Take a precautionary approach to maintenance and minimising disturbance that could cause fibre release

HSE sees removal as a last resort unless the material is in poor condition or at risk of damage.

### Energy Performance Certificates

From 4th January 2009 all sellers and landlords are now required by law to provide an Energy Performance Certificate (EPC) for all buildings or parts of buildings when they are sold or rented. Those carrying out the construction of a building will be required to provide an EPC to the owner. An Energy Performance Certificate gives prospective buyers or tenants information on the energy efficiency and carbon emissions of a building. The certificate provides energy efficiency A-G ratings and recommendations for improvement. EPCs were first introduced for the marketed sale of domestic homes, as part of the Home Information Pack, although from April 2008 this was extended to newly built homes and large commercial properties. The ratings - similar to those found on products such as fridges - are standard so the energy efficiency of one building can easily be compared with another building of a similar type. The seller or landlord is responsible for ensuring that an EPC is available to a prospective purchaser or tenant at the earliest opportunity and no later than when a viewing is conducted or when written marketing information is provided about the building, or in any event before entering into a contract to sell or let. EPC's are produced by accredited energy assessors and for commercial properties are valid for a period of 10 years, or until a newer EPC is prepared.

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