The Barn Hotel, West End Road, Ruislip HA4 6JB

Viability Study

Prepared for Chase New Homes Ltd

07/03/2023

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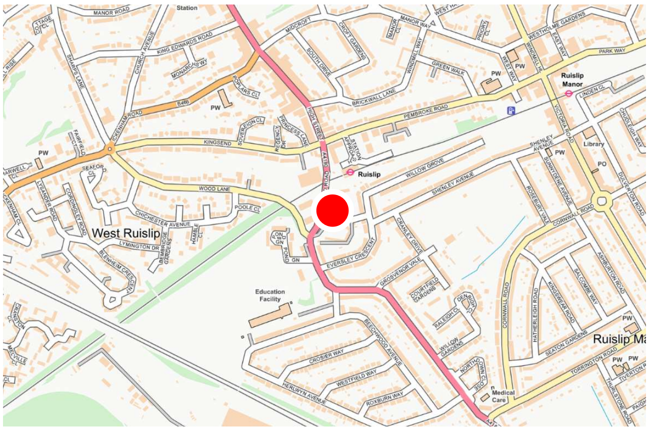
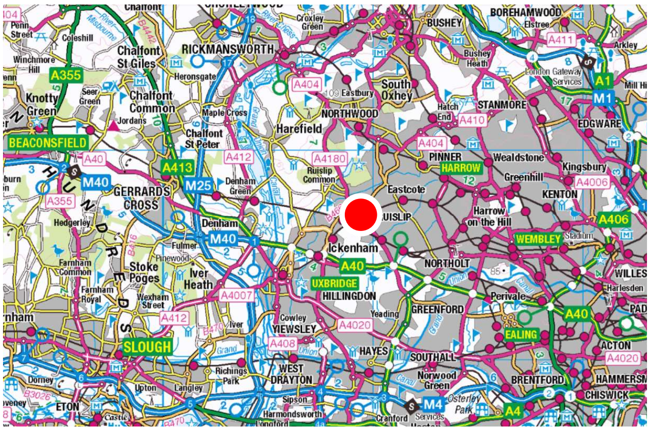
Contents

Executive Summary

Front Elevation



Situation



Location

1. Instructions and Terms of Reference

1.1. Client

Chase New Homes Ltd

1.2. Property

The Barn Hotel, West End Road, Ruislip HA4 6JB

1.3. Instructions

In accordance with the instructions contained in your email to us dated 9 February 2023, as confirmed in our letter to you dated 14 February 2023, we have inspected the property and made such enquiries as are sufficient to provide you with our opinion on the long term viability of the Property as a Hotel. Our terms of engagement letter is enclosed at **Appendix 1**.

This report has been independently compiled by Ben Packard MRICS of Savills UK Ltd. I am a RICS registered chartered surveyor specialising in Hotel Valuations. I have frequently advised on the future viability of hotels and where investments is planned by the owner or operator, the feasibility of such properties.

1.4. Background

Pantheon Hotels & Leisure Ltd was incorporated in 1981 and is a family owned concern. The subject property was purchased in 1998 and formed part of a large portfolio of hotels with most properties located in or outside London.

The subject property has most recently operated as a 68 bedroom hotel. Under plans to redevelop the property to residential units we have been instructed to provide a financial viability appraisal. We will focus on the following:

- Inspection of the current property and review of operations of the hotel;
- Appraise the current operation and provide an opinion of the long term viability of the Property as a Hotel;
- An objective evaluation of business viability and whether there would be sufficient business for an operator to maintain the Property;
- Opinion of Existing Use Value of the subject hotel.

Our works have included:

- Identifying any relevant cost issues related to maintaining the building for hotel use;
- Interviewing the current hotel owner to discuss trading patterns at the hotel;
- Reviewing trading data of The Barn's operating performance;
- Reviewing relevant available benchmarking information;
- Carrying out desk research into the local hotel market and its planning history;

1.5. Extent of Due Diligence Enquiries and Information Sources

At the date of my inspection and subsequent interview held with Mr Jegeswaran, Finance Director at Pantheon Hotels, much of the verbal information provided forms the basis of this report. Where possible in the time available, we have verified and supplemented information given to us; however, if further information becomes available of which we are not currently aware, we reserve the right to amend our conclusions accordingly to take this into account.

1.6. Date of Report

07/03/2023

2. The Property, Statutory and Legal Aspects

2.1. Location

2.1.1. General

The Barn Ruislip is located in north west London in the London Borough of Hillingdon. The Hotel is approximately 14 miles north west of Central London.

The Property occupies a central position within Ruislip on West End Road, adjacent to Ruislip Underground Station. It benefits from a reasonable access via public transport with the Ruislip Underground Station (Piccadilly and Metropolitan lines) less than 100 metres north, giving direct access to Piccadilly Circus (55 minutes) and King's Cross (64 minutes).

Historically, the hotel relied upon strong corporate contracts within a close proximity to the subject property however considerable decline over the course of the last 10 years has resulted in a shift in guest segmentation. US Navy Intelligence based at West Ruislip were a main corporate client when Pantheon Hotels acquired the asset in 1998. This business accounted for 50% of their occupancy before the US Navy vacated in 2006. Further corporate contracts have either moved or closed with a significant level of business now generated through Online Travel Agencies (OTAs) which comes with associated high commissions.

2.1.2. Situation

The Hotel is situated on the eastern side of West End Road, occupying a prominent position and is 100 meters south of Ruislip Underground Station. The Property is bounded by underground tracks to the north, residential houses to the west and south and by West End Road to the west. The primary access to the Property is from West End Road connecting to The Barn Hotel drive and car park.

2.2. Property Description

2.2.1. Property Overview

The main building of the Property is a Grade II listed building located in the heart of Ruislip. The Hotel was initially purchased in 1998 and has been subject to several extensions and refurbishments since then. The property comprises of a 68 bedroom 3-star hotel with a restaurant, a bar, 3 conference rooms and 50 car parking spaces.

The hotel is configured across 4 different blocks all situated over ground floor and first floor. Shirley's Farm is a Grade II listed building with 6 bedrooms. The Back Block was added in the 1970's and comprises 44 bedrooms. Deans Lodge was constructed in 2007 and provides 18 bedrooms of high standard. There are a number of operational challenges that arise due to the arrangement of the hotel over 4 separate properties, making it difficult to manage various aspects efficiently.

We have been advised by the management that there has been limited capital expenditure in the last 5 years over and above what would ordinarily be categorised as Repairs and Maintenance.

Photographs of the property taken on the date of our inspection are provided overleaf.

Driveway and Car Parking

Restaurant

Reception

Conference Room

Deane's Lodge Side Elevation

Shirley's Farm Bedroom

2.2.2. Accommodation

The bedroom accommodation across the property varies significantly in shape, size and style due to the nature of the different buildings. The Shirley's Farm building is located to the left hand side of the main building and offers six 3-star bedrooms of a regular size presenting in a traditional style. The 44 bedrooms of the Back Block date from the 1970's and are much smaller in size than the Shirley's Farm rooms. The most recent block is the Deane's Lodge which was constructed in 2007 and offers 18 oversized bedrooms of a 4-star standard.

We understand from management that the Deane's Lodge rooms are the only bedrooms equipped with air conditioning. The Property also benefits from 3 staff rooms which are located in the Back Block.

The significant disparity in bedroom product results in challenges when managing repeat guest expectations. This has resulted in poor guest feedback, with a current 3.5 TripAdvisor rating. With the loss of corporate contracts and now a significant reliance on OTAs, poor visitor guest feedback is significantly impacting online visibility.

Photographs of the accommodation supply taken on the date of our inspection are provided below.

Back Block Bedroom

Back Block Bedroom

Shirley's Farm Bedroom

Shirley's Farm Bathroom

Kyoto Suite (Deane's Lodge)

Kyoto Suite (Deane's Lodge)

2.2.3. Food & Beverage Facilities

The Hotel has two Food & Beverage outlets:

- The Restaurant has a total capacity of 38 covers, is accessed through the Lobby and is also used as the breakfast area for the Hotel guests. Upon acquisition of the property in 1998, the hotel benefited from strong levels of external guest demand. However, with increased levels of competition in central Ruislip, external walk in business is now almost none existent.
- A further bar is situated adjacent to the Restaurant and has a total capacity of 31 covers.

Restaurant

Bar

2.2.4. Conference Facilities

The Hotel has 3 conference facilities including 2 conference rooms and one syndicate room. The main conference room is a self-contained facility with a 90 people capacity standing and 70 people in banquet layout while the smaller one (Oak Room) can host up to 50 people seated.

2.2.5. Capital Expenditure

We understand the Property has benefitted from limited capital expenditure during the past 5 years. We observed the construction of a temporary covered area to the rear of the main building which aimed to create a F&B offer during the pandemic.

Building Survey

We have been provided with a Schedule of Condition Report dated 13 October 2022 prepared by Stace LLP.

We summarise the main issues of the report below:

Shirley's Farm – External	
Roof	The roof presents in poor condition with moss, partially replaced ridge tiles, exposed timber with rot setting in and timber splitting/crackling.
Rainwater Goods	Overall, they are rusty, gutter are blocked by vegetation and there is overflowing in certain areas.
Walls	Decorations have started to fail and there is visible crackling. Overall, brickwork at low level appear to be in poor condition due to salt presence and some poor quality repairs starting to crackle. Around the double timber casement, window cracks are noted below and above the window and soe timber frames are

	missing.
Services	Many electrical cables have not been securely clipped to building and extractor fans are not working.
Floor	Brickwork worn and matt is in but in poor condition.
Windows	Overall in poor condition, rotting is evident to windows, some joints have opened and timber has split to some casements.
Door	Impact damaged are noted to frame and timber door decorations have started to fail at low level. Most doors are poorly fitted, joints are starting to open and the bottoms are rotten.
Shirley's Farm – Internal	
Floors	Floor in the common areas is uneven and the carpets are stained in common areas and rooms. Some rooms present with roof tiles cracked and loose. The bedroom 2 has flooded, the carpet grippers remained but they were damped and screed was still drying out.
Walls	Walls are naturally uneven with marks noted chips to internal corners of walls in fair condition with minor hairline cracking noted within infill panels. Some walls present with dirty grout and isolated areas of loose grout between junctions of walls/door frames and there is missing grout above the windows. The Window and radiator walls are in poor condition due to damp patches and salt presence. Finishes are generally uneven and painting is failing.
Ceilings	Uneven ceiling and inconsistent in finishes. Some cracklings are noted with some damp patches starting to fail. Plasterboards in the bathrooms are loose and mould is present in shower areas. Salt is also apparent in some areas.
Sanitaryware	Showers are in poor condition, tray is worn with limescale and the mastic is mouldy. Sinks have build-up of limescale around plug. Bath jets are heavily limescale, their mastic is also mouldy and starting to come away.
Door	Door Frames are in poor condition and suffered from minor impacts damage. They have been poorly repaired. Some doors are poorly installed with large gaps all around and most of them have unsuitable ironmongery.
Oak Room – External	
Roof	The roof appeared to be in poor conditions being uneven and having moss all around. A numerous amount of tiles were missing and some have dropped towards the gutters. Rot has set in the timbers.
Walls	Gable wall facing north has general cracking and the timber frame is completely rotten with evidence of insect infestation.
Door	Most hinges have rusted and frames are in poor condition. Some doors and frames are heavily damaged, scratched and paint finished has failed.
Windows	They present in poor conditions, putty has deteriorated and rot is evident to window cills. Some joint have opened and timber has split to some casements. In general, ironmongery has been poorly fitted.
Oak Room – Internal	
Ceiling	Ceilings present in fair condition with minor hairline cracks and some staining are noted. The junction between the roof and walls have ben cracked and some water stains were noted above windows.
Walls	The walls leading up the staircase have been poorly repaired, some cracked are noted to the junctions

	and to the repairs. Paint has started to peel adjacent the wall mounted air conditioning unit and has worn directly above the joinery in general. Plaster has chipped to the corner of the prier adjacent emergency exit door. On the first floor, wall cracking was noted to junction of ceiling and wall on the west elevation. Timber frame is in poor condition with gaps around infills and loose sections where day light can be seen. Various infill panels showing signs of water ingress and staining to internal face.
Floors	The carpet in the Lobby area is In poor condition and worn to the edges. Flooring as well as nosing are heavily scratched and finish is worn.
Doors	Oak Room door is scratched internally.
Leaning Barn – External	
Roof	Clay tiles have delaminated and moss built up. Roof is very uneven and numerous tiles are missing or have collapsed.
Walls	Decorations have failed and the timber appears to be cracking with some rot noted to the surface. On the west elevation, timber frame is heavily rotten, missing in sections with loose sections of brick infills.
Windows	The decorations and the frame of the windows are in poor conditions.
Doors	Frame and edges of doors are damaged with paint chips to both side of doors.
Leaning Barn – Internal	
Walls	Some cracklings were noted to the original elevation and the walls were generally scuffed and marked. On the west elevation of the leaning barn room, panel and timbers present in very poor condition due to rot and water infill. The south elevation has a cracked hairline some brick infills are completely loose.
Fireplace	The corners are chipped and scuffed at low level. Some render to the rear of the fireplace is missing.
Floors	Carpet is in poor condition, generally stained by kitchen door and seems that it has started to open threshold into lounge.
Doors	The kitchen door frame is rotten to the right hand side and does not fully shut, door at low level is damaged from impact and paint work is chipped.

2.3. Site

The site of the property is roughly rectangular in shape and is bounded by railway tracks, residential houses and West End Road. By reference to the site plan below, we calculate that the site has an area of 2.38 acres. This area and the precise site boundaries should be confirmed by your legal advisers.

2.4. The Business

We have been provided with management accounts for the business for the years 2017 to 2022. These are summarised in the table below.

	2017	2018	2019	2020	2021	2022
Occupancy (%)	62.1%	60.0%	59.9%	58.5%	39.7%	54.3%
ADR (£)	£81.04	£79.38	£80.31	£70.14	£70.32	£75.39
RevPAR (£)	£50.34	£47.62	£48.09	£41.03	£27.92	£40.97
Total Revenue (£'s)	**£2,433,043**	**£2,215,321**	**£2,256,241**	**£1,845,601**	**£941,302**	**£1,663,551**
Gross Profit excl. Payroll (£'s)	£1,978,484	£1,789,583	£1,796,002	£1,463,637	£848,344	£1,382,702
Payroll (£'s)	£1,083,487	£1,000,990	£1,011,006	£995,537	£453,358	£769,543
Administrative & General (£'s)	£158,499	£164,264	£160,514	£181,382	£104,663	£161,879
Sales & Marketing (£'s)	£7,629	£7,612	£5,640	£6,805	£950	£299
Property Operations & Maintenance (POM) (£'s)	£146,548	£144,540	£168,465	£109,004	£136,829	£190,256
Utilities (£'s)	£112,187	£117,380	£122,187	£127,641	£95,012	£121,999
Other (£'s)	£85,853	£79,081	£78,319	£70,862	£52,558	£72,820
Insurance (£'s)	£22,600	£21,800	£21,600	£23,099	£22,800	£21,500
Property Tax (£'s)	£60,910	£75,933	£98,432	£101,979	£0	£31,291
Net Profit* (£'s)	**£300,771**	**£177,983**	**£129,839**	**-£152,672**	**-£17,826**	**£13,115**
Net Profit* (% of Total Revenue)	12.4%	8.0%	5.8%	-8.3%	-1.9%	0.8%

Room Revenue

When Pantheon Hotels acquired the property in 1998 we understand the majority of revenue was driven from the hotel's immediate catchment area. This included a thriving local corporate market with over 75% of mid-week bookings driven by local companies. With a number of large international operations situated nearby this corporate demand also spilled into the weekend, providing a strong base upon which management could leverage leisure demand. Whilst Ruislip isn't a traditional leisure destination, leisure business was generated through inhouse functions (wedding, private functions) alongside local events Wembley and Brunel University. As we will touch upon later in this report, significant changes in the local corporate and leisure events market has resulted in a significant pivot in guest segmentation.

When management acquired the hotel, approximately 50% of occupied bedrooms were derived from one client, the US Navy Intelligence, situated at bases in West Ruislip and Eastcote. In 2006 the US Navy announced that they would be relocating operations having significant consequences for the hotel. Further local corporate accounts have also relocated away from Ruislip and the surrounding area, a detail schedule of which we have been provided by hotel management and is summarised below.

Corporate Account	Date Moved / Closed
British Airways (Odyssey Park)	Moved 2004
Express Diaries (S. Ruislip)	Closed 2005
US Navy (W. Ruislip and Eastcote)	Closed 2006
Taylor Woodrow (Northolt)	Closed 2006
Electron Tubes (Northolt)	Moved 2009
Cadbury's (Uxbridge)	Closed 2010
Scherring Plough Veterinary (Harefield)	Closed 2011
Georgia Pacific (Ruislip)	Moved 2012
Fanuc (Ruislip)	Moved 2017
Auden Mckensie (Ruislip)	Moved 2017

The hotel had direct relations with all of the above corporate accounts and as a result avoided agency commissions. Upon closure of key local drivers above, management took the decision to target large multi-nationals and head offices clustered in Uxbridge (including Uxbridge Town Centre, surrounding industrial estates and Stockly Park). A key part of this was developing Deanes Lodge aimed at a low number of high paying corporate clientele. This business hasn't materialised and the bedrooms are very much over specified for the local market; which experiences a ceiling on the rates corporate and leisure guests are prepared to pay.

Rooms Revenue for the 3 years prior to the onset of COVID experienced declines between 2017 and 2018, remaining static in 2019. Occupancy at approximately 60% is significantly below the average for the wider London market (80%+) and is reflective of the challenges faced by management to attract business to hotel. As experienced across all hotels, COVID has had a significant impact on the operation of the hotel with occupancy falling to a low of 39.7%. For the full year of 2022, RevPAR at £40.97 is still considerably back on 2019 performance, which ended the year at £48.09. What is not reflected in the aforementioned numbers, is a further shift in guest booking patterns towards OTAs which comes with the associated commissions of 15%-20%. So whilst RevPAR is back 6.1%, operating profit per bedroom has experienced a greater decline.

Food & Beverage Revenue

Upon acquisition of the hotel in 1998, management identified a gap in the local market for gourmet / fine dining with little local competition. To capitalise on this opportunity, the public areas of hotel were redeveloped in May 2003, with Hatrey's Restaurant opening at same time. Within 12 months the restaurant had obtained 2 AA Rosettes and benefited from a strong customer base.

Since the restaurants peak in 2006/07, management have experienced a steady deterioration in performance. Business lunches have declined since 2008/09, with midweek covers now only being generated in the evening from residents of the hotel. According to management. Spend per head since 2008 has declined by 30% per cover whilst operating and input costs have substantially increased.

Recently competition in the local area has become fierce. Increased competition from Gastro Pubs including Marco Pierre White branded White Horse opened in 2018, Arens Bar & Grill, Coach and Horses, Home Bar & Grill. Consumer tastes have also changed over the same period with a trend towards casual dining. Ruislip High Street offers multiple outlets all within a couple of minute walk from the Hotel (Zaza, Miller & Carter, Melisi, Kho Kho).

Due to the off pitch location, the restaurant is marketed as a destination restaurant. Whilst management spend several thousands of pounds on advertising (Optima Magazine, Uxbridge and Harrow Times) alongside social media, this has done limited amounts to drive external guests.

One area where management have had successes in recent years is offering Afternoon Teas through extensive advertising and marketing. However increased competition from local tea shops (Honey Bees, Randall's Dept Store, Red Onion) and chains such as Miller & Carter, is challenging the longevity of this type of business.

Bar clientele tend to be exclusively hotel residents. Management commented that beer, wine and spirits have been profitable but downwards decline in Bar spend due to increasing competition, consumer belt tightening is threatening F&B gross operating profit. A trend seen across the wider licensed leisure market.

The hotel benefits from 3 conference rooms which have historically generated significant events business. Between 1998 and 2008 the hotel averaged approximately 25 weddings a year and various private functions most weekends. As a result, conferencing accounted for 25% of F&B revenue and 90% of room hire. However by the end of 2008/9 this had declined to 15% of total F&B revenue. The hotel hosted just 10 weddings in 2022, a particularly strong year for the UK wedding market as a result of pent up demand following COVID. Management expect a further decline in 2023. Competition has increased in the local market and demand for the subject property is hindered by the size of the functions rooms with a capacity for weddings of approximately 70/80 people. Historically competition was from Golf Clubs, Council Halls and Hotels. New venues have opened over last 10 years including The Cavendish, Ramada's Crown Centre, the Hall School and Great Barn, all of which can cater for larger events.

Likewise for conferences, management have experienced a change in booking patterns with companies now opting to outsource events to Travel Management Companies. Most of these TMCs have agreements with large groups and brands and as such the hotel misses out key local business. Any TMC business the hotel is able to win is commissionable, again impacting GOP. With downwards trends in conferencing revenue, management haven't been able to invest in the facilities which now appear dated and lack modern equipment essential for most corporate events.

For the 3 years prior to COVID, total food revenue declined from £781,308 to £718,206 in 2019 as a consequence of the numerous points outlined above. Likewise liquor revenue experienced declines from a high of £309,550 in 2017 to £263,933 in 2019. Whilst rooms revenue for 2022 is back 6.8%, total food and beverage revenue is back 38% demonstrating the challenges faced by management.

<u>Costs</u>

As alluded to earlier within this report, management have had to increase reliance on OTA business to drive bedroom revenue which in turn comes with associated commission costs of between 15% and 25%. Key booking platforms and generators of bedroom nights include Booking.com. Laterooms.com and Lastminute.com. Management believe this movement towards guests opting to book through OTAs has resulted in a loss guest loyalty. This is compounded by the fact that most OTAs are now offering loyalty schemes, further weakening the hotels ability to drive direct business.

Some branded operations, particularly Premier Inn, have been able to operate without turning to OTAs however the pure scale of the Premier Inn / Whitbread business drives domestic brand awareness something unbranded hotels simply can't compete with.

Payroll is one of the highest fixed costs for a hotel's operation. Efficient use of staff and well planned design and layouts of facilities help to create the efficiencies required and reduce day to day costs to improve margins. Operating a Grade II listed property split across 4 buildings presents significant operational challenges. Whilst the operator has reduced the number of employees, like the rest of the UK hospitality industry they are likely to face significant payroll inflation. Over the past 36 months there has been a steady decline in the number of staff available to the hospitality sector with the trade body that represents the industry estimating there is a shortage of over 188,000 workers. The sharp decline in supply of hospitality employees in the UK can be attributed to both COVID-19 and Brexit. Brexit has forced many able workers to leave the country as the freedom of movement of EU citizens came to an end. The current situation has also seen a large decrease in immigrant workers from the EU as they return to their native countries. Furthermore, as the pandemic persisted, employees became more uncertain about the sustainability of their jobs, many of whom chose to re-train in a new field, or harness their transferrable skills to take on a new role in a new sector. Reports have demonstrated that individuals who have left the industry for a new profession have found it to be more accommodating in terms of time, money and flexibility, a profession of note includes Amazon Fulfilment Centres with one warehouse alone doubling its capacity since the beginning of the pandemic. The global recruitment firm Broadbean Technology discovered that in April 2021, vacancies in hospitality reached 77%. The increasing number of vacancies in the UK Hospitality sector has led to many hotels and businesses increasing employee wages to generate more demand. This will inevitability result in above inflationary growth in payroll for the subject property going forwards.

Due to the period nature of the listed property (Grade II), Repairs and Maintenance (R&M) costs equated to approximately 7.4% of total revenue in 2019, increasing to 11.4% in 2022. These costs are significantly ahead of market norms. For a purpose built budget hotel, for example the nearby Premier Inn, we would expect R&M costs to equate to between 2.5%-3.5% demonstrating the challenges management are facing with the nature of the period property.

Unlike most hotel operations, management had the intuition to fix utility costs for an extended period of time. As such within the accounts provided utility costs for 2022 were broadly aligned with 2019 performance (£121,999 in 2022 verses £122,187 in 2019). However, this contract has now expired and utility costs for 2023 are expected to increase by over 120% in line with wholesale market prices for gas and electricity. Costs equating to nearly 11.4% of 2022 revenue reflect the challenging nature of the hotels, split across 4 buildings with historic and outdate plant equipment.

As a consequence of falling revenue and increases in various operational costs, Hotel profit has fallen from a high of £300,771 in 2017 to £13,115 in 2022. We are of the opinion that improvements in revenue driven by an improvement in occupancy following the recovery of the London market from COVID, will be offset by increases in operation costs. We provide our forecasts for the subject property within section 2.6 later in this report.

2.5. Local Market Overview

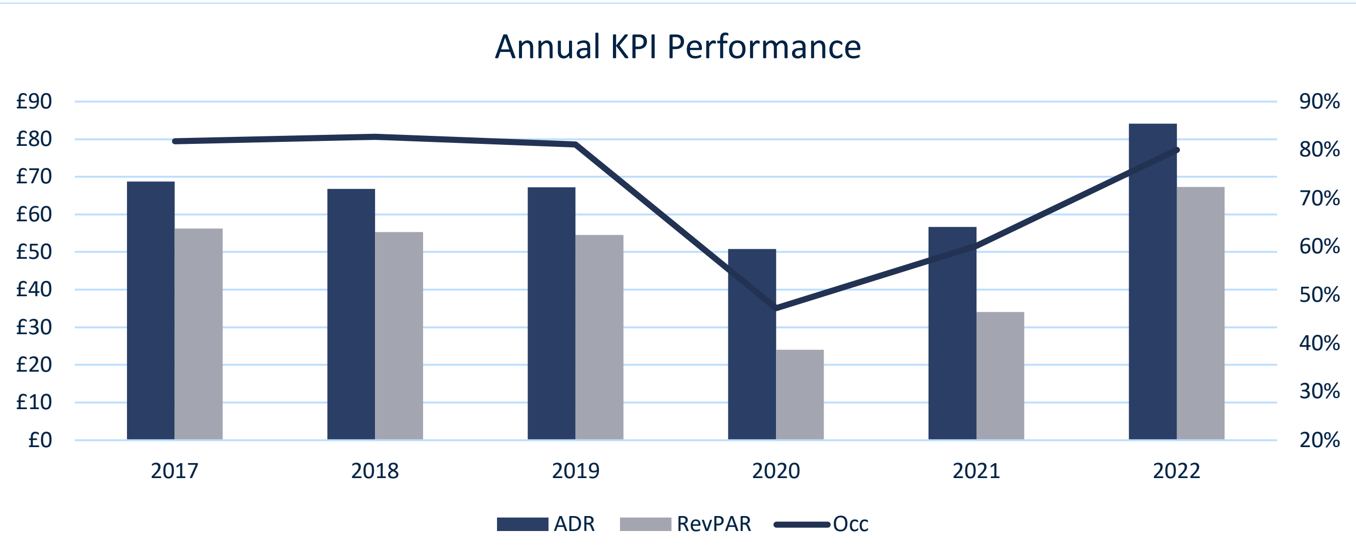
The hotel is located in the London Surrounding North Submarket, which contains a total of 6,825 bedroom across 98 properties. The average hotel in the submarket has 70 bedrooms. The majority of bedroom supply is Budget. The tables below summarise the existing supply by class and the Key Performance Indicators for the Submarket.

Category	Hotels	%	Beds	%
Hostel	5	5%	217	3%
Budget	26	27%	3,084	45%
2 Star	24	24%	554	8%
3 Star	23	23%	1,293	19%
4 Star	10	10%	1,373	20%
Apts	10	10%	304	4%
Total	**98**	**100%**	**6,825**	**100%**

Source: AM:PM

	2017	2018	2019	2020	2021	2022
Occ	81.8%	82.8%	81.1%	47.3%	60.2%	80.0%
% Change		*1.2%*	*-2.0%*	*-41.7%*	*27.3%*	*33.0%*
ADR	£68.74	£66.81	£67.23	£50.77	£56.64	£84.14
% Change		*-2.8%*	*0.6%*	*-24.5%*	*11.5%*	*48.6%*
RevPAR	£56.23	£55.30	£54.54	£24.01	£34.08	£67.32
% Change		*-1.7%*	*-1.4%*	*-56.0%*	*42.0%*	*97.5%*

Source: CoStar



As evidenced by the data above, the introduction of the lockdown measures and social distancing restrictions in 2020 to combat the COVID-19 outbreak, have materially impacted hotel performance. In 2020, occupancy declined from 81.1% the previous year to 47.3%, a fall equivalent to 41.7%. As at 2021, the occupancy started the pandemic recovery with regular increases to 60.2% in 2021 and 80.0% in 2022, however, we note that occupancy has not yet reached pre-pandemic performances.

The fall in Average Daily Rate (ADR) has been less pronounced given the small number of hotels that remained open during quarantine to service key workers and other groups. In 2020, the ADR was £50.77 compared to £67.23 the previous year, a drop of 24.5%. Similarly to the occupancy, the ADR has started to recover in 2021 with a £56.64 ADR and a £84.14 ADR in 2022.

2.5.1. Existing Supply

According to AM:PM as at February 2023, there are 24 hotels within a 4 miles radius of the subject Property, totalling 1,017 bedrooms. The majority of bedroom supply is comprised of 3-star and budget hotels, followed by 2-star hotels and service apartments.

A summary of the hotel primary competition is highlighted below. Some of this information has been provided by third parties and we cannot guarantee its accuracy.

Marker	Hotel Name	Bedrooms	Grade	Date Opened	Class	Brand
1	Barn Hotel	68	3 Star	Jan-1962	Upscale	Independent
2	Premier Inn London Ruislip	20	Budget	Jun-2010	Economy	Premier Inn
3	Bell Inn	8	2 Star	-	Upscale	Independent
5	Tudor Lodge Hotel	45	3 Star	Jan-1990	Upper Midscale	Independent
6	South Ruislip Hotel	78	3 Star	Jan-2004	Upper Midscale	Independent
9	Travelodge London Northolt	21	Budget	-	Economy	Travelodge UK
10	Euro Hotel	12	2 Star	-	Economy	Independent
11	Premier Inn London Uxbridge Town Centre	129	Budget	Aug-2008	Economy	Premier Inn
12	Beautiful Bedrooms by Fuller's Red Lion Hotel	55	3 Star	Jan-2004	Upscale	Beautiful Bedrooms by Fuller's
14	Eurotraveller Hotel Premier @ Harrow	44	3 Star	Jan-2010	Upper Midscale	Independent
15	Greenwood Hotel	12	3 Star	-	Economy	Wetherspoon
16	Lancaster Hotel & Spa	70	3 Star	-	Upper Midscale	Independent
18	Falcon Inn	4	4 Star	Jan-1753	Upper Upscale	Independent
19	Park House Apartments	25	Apts	-	Upscale	Independent
21	Old Etonian Hotel & Restaurant	9	3 Star	-	Upper Upscale	Independent
22	OYO Honeycroft Lodge	10	2 Star	-	Economy	OYO
23	Premier Inn London Uxbridge	80	Budget	Jan-2016	Economy	Premier Inn
24	Premier Inn London Hayes Heathrow	86	Budget	Jan-1990	Economy	Premier Inn
25	The Crescent Hotel	21	2 Star	Jan-1992	Midscale	Independent
26	Rising Sun Hotel	11	2 Star	-	Upscale	Independent
27	Flying Butler Harrow	5	Apts	-	Upscale	Flying Butler
28	The Hindes Hotel	29	2 Star	-	Upper Midscale	Independent
30	Travelodge London Harrow	102	Budget	Dec-2017	Economy	Travelodge UK
31	Bridge Hotel	68	3 Star	Jan-1990	Upscale	Young's Hotels

There has been significant new competition enter the local market over the course of the last 10 years, most of which benefits from an international recognised brand. Hotels of particular note include:

Ruislip
- Premier Inn (opened 2012)

Uxbridge
- Premier Inn (opened 2016)

Gerrards Cross
- The Bull (re-developed 2012)

Hangar Lane / Park Royal
- Radisson Park Plaza (opened 2018)
- Hampton by Hilton (opened 2022)

Wembley
- Hilton (opened 2012)
- Novotel (opened 2014)
- Ibis Hotel (opened 2016)
- Premier Inn (opened 2018

Of the 8 hotels above, 7 benefit from internationally recognised brands. This shift towards developing branded accommodation reflects consumer demands and the ‘value add’ a large global distribution system can have on revenue performance. We understand management have explored numerous options with regards to trying to secure an appropriate brand. As part of the process, significant time and resources were expended to determine a suitable franchise brand, including the full re-development of the site and exploring associated costs.

Due to the listed nature of the period building, the Barn Hotel is suitable only for conversion and not new build, significantly restricting the choice of potential brands. There are numerous reasons why a hard brand (DoubleTree by Hilton, Voco) would not be suitable for the subject property including inconsistency in bedroom product (very small bedrooms and extremely large bedrooms), access to all bedrooms without having to go outside and all bedrooms to have air-conditioning.

The new branded hotels in the Wembley market tend to absorb most of the demand for small to mid-sized leisure events at Wembley Stadium. As such, the peripheral outer London hotels now only benefit during the largest events. The new hotels at Hangar Lane are far superior to the subject property (even though the Hampton by Hilton is classified as budget) and absorb demand from the nearby Park Royal Business Park.

The nearby Premier Inn opened in 2012. Premier Inn's adoption of competitive pricing has typically lured cost-conscious consumers who would have otherwise stayed at Shirley's Farm or Back Block away from those accommodations. The Barn Hotel has observed that even its long-standing guests have shifted to the purpose-built Premier Inn, which effectively caters to the corporate clientele that the former has historically served.

2.5.2. New Supply

As set out within the previous section, the subject property already competes with a plethora of hotels within a similar location, some of which benefit from strong internationally recognised brands including Travelodge, Premier Inn and Hilton. Hotel groups such as these hold a competitive advantage benefitting from the likes of strong global distribution systems and preferential rates with Online Travel Agency’s such as Booking.com, making it difficult for independent hotel groups to compete effectively in terms of room rate.

The table overleaf outlines the potential increase to market-wide hotel supply in the short to medium term. These proposed hotels are at various stages within the development pipeline and some are more certain than others. We have endeavoured to provide the most up to date information available at the time of writing. Once again some of this information is taken from third parties and we cannot guarantee its accuracy.

According to AM:PM, as at February 2023, within a 4-mile radius, there are a total of 7 new hotels proposed providing a total of 602 bedrooms. Importantly to highlight there is a further 1 existing hotel with planning consent to extend providing a further 24 bedrooms. This takes the potential total number of bedrooms in the local market to 626 over the next 2-3 years or 61.5% of the existing supply.

A summary of relevant new supply is highlighted below.

Hotel Name	Rooms	Grade	Brand	Operator
New Hotels				
Travelodge London South Ruislip	79	Budget	Travelodge UK	The Runway Café, a prime location adjacent to South Ruislip Station had planning consent to demolish the current building and create a four-storey hotel including a restaurant/café/bar as well as car parking spaces. Furthermore, the property will benefit from pedestrian access to Odyssey Business Park (more than 140,000 sq ft of offices with companies like Yakult, BBC, Pioneer DJ, Selecta). However the current planning permission expired in March 2022.
Arens Bar & Grill @ The Six Bells – Ruislip	8	3-star	Independent	A successful Bar & Grill In South Ruislip has planning consent to expand the restaurant and add 8 guest rooms on the first floor to create a mixed-use property. The planning application has been approved and will expire in February 2024.
The White Hart	103	3-star	Independent	The planning application comprises the retention of a 19th Century property and a redevelopment to erect a 8-storey 103 bedrooms with flexible retail use and parking for cars and coaches. The development is awaiting the Legal Agreement to be released.
Premier Inn Harrow on the Hill	160	3-star	Premier Inn	Redevelopment to provide a 160 rooms Premier Inn hotel adjacent to the Harrow on the Hill train and underground Stations comprising restaurant, conference rooms and car parking. The planning application was made in August 2020 and is now awaiting Legal Agreement to be released.
Hayes Garden London Heathrow Hayes	174	Apts	Hyatt	Proposal to redevelop the previous Hyatt Place into a 15-storey apart-hotel (C1 use class) to provide 175 guest rooms under the Hyatt Brand. The property will comprise a rooftop as well as ancillary facilities.
Extension				
Eurotraveller Hotel Premier @ Harrow	24	3-star	Independent	The 44-bedroom 3-star property has planning consent to convert banqueting and kitchen facilities on the first floor to 17 additional rooms and extend the rear of the second floor to add 7 rooms. The planning consent has expired in January 2021.

The above new supply has the potential to significantly impact the local hotel market should all hotels be constructed. The Travelodge, Premier Inn and Hyatt all benefit from internationally recognised brands and will likely focus on building relationships with the limited number of corporate accounts in the local market. With an inferior bedroom product, the only way the subject property will be able to compete will be to considerably under cut the competition on rate. Whilst we haven't explicitly modelled any fall in ADR within our forecasts, we would stress the potential downside risk that new competition could have on the subject property.

2.6. Trading Performance

We have considered the viability of The Barn Hotel by considering the likely sustainable trade which could now be generated and, thereafter, carrying out a hypothetical profit and loss exercise assuming average costs of running the business. The exercise involves assessing the level of trade that a Reasonably Efficient Operator (REO) would expect to achieve on the assumption that the Property is properly equipped, repaired, maintained and decorated. This trade is known as the Fair Maintainable Turnover (FMT). The purchase costs of the sales are deducted from the FMT to arrive at the gross profit and thereafter all the costs expected in running the business including wages, repairs, utility bills and rates are deducted to arrive at a Fair Maintainable Operating Profit (FMOP). We summarise our forecast cashflow below.

	2023	2024	2025	2026	2027	CAGR
Occ %	65.0%	65.0%	65.0%	65.0%	65.0%	0.0%
ARR £	80.00	82.00	84.05	86.15	88.31	2.5%
RevPAR £	52.00	53.30	54.63	56.00	57.40	2.5%
	£ 000's	**£ 000's**	**£ 000's**	**£ 000's**	**£ 000's**	
Total Revenue £	**2,225.2**	**2,280.9**	**2,337.9**	**2,396.3**	**2,456.3**	**2.5%**
Gross Operating Income (GOI)	**982.4**	**1,007.0**	**1,032.2**	**1,058.0**	**1,084.4**	2.5%
(% of Total Revenue)	44.2%	44.2%	44.2%	44.2%	44.2%	
Gross Operating Profit (GOP)	**337.1**	**391.2**	**400.9**	**411.0**	**421.2**	5.7%
(% of Total Revenue)	15.2%	17.2%	17.2%	17.2%	17.2%	
Income before Fixed Charges	**337.1**	**391.2**	**400.9**	**411.0**	**421.2**	5.7%
(% of Total Revenue)	15.2%	17.2%	17.2%	17.2%	17.2%	
EBITDA £	**204.3**	**219.3**	**216.4**	**221.8**	**227.4**	**2.7%**
(% of Total Revenue)	9.2%	9.6%	9.3%	9.3%	9.3%	
Debt Interest Servicing	**203.0**	**203.0**	**203.0**	**203.0**	**203.0**	**203.0**
Debt Amortisation	**116.0**	**116.0**	**116.0**	**116.0**	**116.0**	**116.0**
Free Cashflow	**-114.7**	**-99.7**	**-102.6**	**-97.2**	**-91.6**	**-5.5%**

Revenue

Rooms – Occupancy and Average Daily Rate

In our projections we have stabilised occupancy at 65% in year 1. As highlighted in section 2.4, the hotel achieved occupancy levels of approximately 60% historically however we believe that a hypothetically efficient operator may be able to implement minor revenue management strategies to actively grow occupancy. However, as a result of the various challenges set out in section 2.4, without significantly dropping ADR we would not expect the hotel to be able to achieve occupancy levels in line with the wider outer London market.

We have modelled an uplift in ADR from £75.39 to £80 in year 1, reflecting the part COVID disruption in the prior year. Whilst there is new competition expected to enter into the Ruislip market, be believe RevPAR growth will track broadly in line with long term inflation going forwards.

Food and Beverage

We have modelled other revenue to track broadly in line with historic performance, allowing for 39% of total revenue to be generated through the hotel's restaurant, bar and conference facilities. We have allowed for a further 1.0% of Room Hire Revenue and a further 1% for Minor Operating Department revenue.

Operational Costs

We project the following operational costs based on a hypothetical operator having regard to the profit and loss accounts provided by hotel management. Our forecasts have been prepared in the uniform system of accounts whereas management accounts are represented in a customised format and as such we make comparison where we can.

We have modelled bedroom costs at 40% of rooms revenue equating to £32 per occupied room. This reflects the relatively low ADR and limited direct business resulting in a high reliance on OTAs. Alongside this we have modelled food and beverage costs of 80% of F&B revenue. We have split out room hire revenue separately and allocated 25% of room hire revenue to reflect conference commissions alongside other costs.

Within section 2.4 of this report we highlighted the likely headwinds the entire hospitality industry is currently experiencing in terms of recruitment and increasing payroll costs. A&G costs, which include management salaries and various other costs, have been forecast to be in the region of £222,500 in year one. To reflect the unbranded nature of the property, we have adopted sales and marketing fees at 3% of total revenue.

Repairs and Maintenance (R&M) costs have fluctuated between £109,004 and £190,256 over the course of the last 5 years. We have adopted a stabilised R&M allowance of 6% of total revenue, or £133,500 in monetary terms. This is marginally below the long term average however reflective of the benefit of our assumed FF&E reserve at 4% of total revenue.

Across the hospitality sector, utility costs have increased between 100%-150%. For the subject property we have modelled an increase of 83%, reflecting the recent improvement in market wholesale prices. We have modelled a further reduction of 18% in year two of our forecast to reflect a further downwards trend in the wholesale gas market.

Profitability

The hotel will benefit from Business Rates government support and as such we have modelled increases in business rates from a low of £21,800 to £67,900 in year 3. We have modelled insurance costs in line with historic levels.

As is common practise in the UK hotel market, we have assumed an incoming purchaser would seek to obtain a debt facility to finance the acquisition of the subject property. We have modelled a modest assumption of 50% LTV against an EUV of approximately £4.06 million. We would stress that the market value of the subject property is likely to be considerably higher and the likely LTV sought also likely to be higher than the 50% assumed. As such, we consider our appraisal to be best case scenario, with significant downside risk likely. We have modelled a capital repayment assumption with a 25 year amortisation rate.

The resulting free cashflow is -£114,700 in the first year of our cashflow, improving slightly in year two to £99,700 as a result of reducing utility costs, falling further to £102,700 in year 3 with all remaining government business rate support falling away. As alluded to, we believe there is revenue downside risk should any of the new competition come to fruition. Further assumptions including a fall in utility costs and R&M costs which are below the long term average, could be considered optimistic. Should these not materialise, we would highlight that loss making nature of the subject operation would fall even further.

3. Observations

The Property

- Since being acquired in 1998, the Property has been refurbished and extended to increase the total number of bedrooms to 68. Whilst the increase in bedrooms is likely to have improved economies of scale, the property is now split over 4 buildings and as such has resulted in operational challenges for management.

- The period nature of the Grade II listed building has resulted in ongoing Repairs and Maintenance costs and Utility costs which are well above the norm for 3-star hotels. This has created challenges when trying to compete against the new purpose built branded hotels (Premier Inn's, Travelodge etc) in the local and wider London market. We have also been provided with a building condition report prepared by Stace LLP which outlines the poor condition of the internal and external business structure. There is likely a requirement for significant ongoing capital expenditure to rectify the numerous issues outlined in section 2.2.5.

- The Grade II property has been extended over a number of years with each new component having a very different design and style to the rest of the hotel. The original portion of the hotel contains 6 reasonably sized bedrooms, albeit all are unique in layout due to the period nature of the building. The bedrooms within the Back Block are small with either single or queen bed. The most recent addition, Deane's Lodge, provides oversized bedrooms which when finished in 2007 were to a very high specification. With a vast range in bedroom types, inconsistencies for returning guests results in a negative guest experience.

- When management took over operation of the hotel in 1998, the hotel benefit from a thriving meetings and events business. In todays market, the events facilities would be considered small and are inferior to others in the local market. Declining meetings and events revenue has also resulted in a lack of investment, reducing corporate demand for the facilities.

- As set out in section 2, there has been a shift in consumer preference towards branded hotels within the London market, particularly for corporate travellers. The management team has considered various options to secure a suitable brand, including redeveloping the site and evaluating associated costs. However, due to the nature of the period building, the Barn Hotel can only be converted and not rebuilt, limiting the selection of potential brands. Certain hard conversion brands, such as Doubletree by Hilton or Voco, are not appropriate for the property due to inconsistencies in the bedroom product, lack of indoor access to all bedrooms, and absence of air-conditioning in all rooms.

Supply

- There are 24 hotels within a 4-mile radius of the subject Property, totalling 1,017 bedrooms. The majority of bedroom supply is comprised of 3-star (45%) and budget hotels (43%), providing direct competition to the subject Property. Of the 8 hotels to have opened over the course of the last 10 years, 7 benefit from internationally recognised brands. This shift towards developing branded accommodation reflects consumer demands and the 'value add' a large global distribution system can have on revenue performance.

- Historically, the hotel benefited from leisure business from the likes of Wembley and corporate business from Park Royal. Significant branded bedroom supply into both of these markets has absorbed most of local business, materially impacting operational performance at the subject property.

- Further branded supply entered the immediate micro market of the subject property, with the opening of the Premier Inn in 2012. Whilst the purpose built hotel is of a budget nature, the bedroom product would be considered superior to that of The Barn Hotel (excluding Deanes Lodge). Since opening Premier Inn have run a highly competitive pricing strategy resulting in a price war between hotels in the local area and ultimately pulling down ADRs for the subject property.

- There is considerable potential pipeline supply for the local market. Within a 4 mile radius, a total of 7 new hotels have gained planning consent providing a potential supply of 626 bedrooms or 61.5% of the existing supply. Whilst most are on hold, the new supply has the potential to significantly impact the local hotel market should all hotels be constructed. The Travelodge, Premier Inn and Hyatt all benefit from internationally recognised brands and will likely focus on winning the limited number of corporate accounts in the local market. With an inferior bedroom product, the hotel would be forced to drop ADR to maintain market share.

<u>The Business</u>

- Since Pantheon Hotels acquired the property approximately 25 years ago there has been a considerable shift in the consumer demand for the subject property. In 1998, over 50% of room nights were taken by one major corporate account, the US Navy, who vacated the area in 2006. The local market has experienced a steady exodus of large corporate occupiers and with it, an important source of business for the subject property.

- Management have subsequently had to pivot the operation away from the traditional corporate accounts and as such are heavily reliant upon Online Travel Agencies to drive bedroom sales. Alongside the significant associated commissions (15%-25%), the loss of a direct relationship with guests has resulted in reduced loyalty and with that a consumer purchasing profile which simply chooses to stay at the cheapest hotel. The mixed nature of the hotels bedroom accommodation has resulted in negative reviews and in turn made it more challenging to compete with nearby hotels.

- Significant increases in competition in the local food & beverage market have resulted in declining F&B revenue. Once a thriving destination restaurant, the current facilities tend to only be frequented by hotel guests with the exception of afternoon teas. Meetings & Events business has also experienced a steady deterioration. Historically a strong source of weekend demand, weddings have fallen 60% with just 10 held in 2022. Furthermore, with limited capital expenditure to invest in the equipment within the meeting rooms, conference business as moved to newer facilities, capable of providing the technology required.

- Operational costs have experienced year on year increases across the hotel industry and the subject hotel is no exception. Significant costs increases have been experienced in payroll costs and other operational departments. As a result of the listed nature of the subject property, Repairs and Maintenance (R&M) costs equated to approximately 7.4% of total revenue in 2019, meaningfully above the costs expected at a purpose built hotel (2.5%-4% of revenue). Whilst management fixed utility costs until recently, these are expected to increase 120% in the current year. The period and spread out nature of the subject property will again result in utility costs far in excess of market norms.

- After an allowance for debt servicing, we are of the opinion that the operations free cashflow will be in the region of negative £114,700 in year one and stabilising at approximately negative £102,600 in year 3.

<u>Conclusion</u>

From my examination of the Property, further investigation and analysis, including an objective assessment of business viability, I am of the opinion that the hotel is commercially unviable now and likely to continue to be so in the long term.

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