



# THE GOODSYARD

## Hotel Needs Assessment

September 2019



ballymore.



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# THE GOODSYARD



# **1.0 INTRODUCTION**

## Preface

This is a Hotel Needs Assessment report prepared by CBRE Hotels.

It is submitted in relation to amendments ("Proposed Amendments") that are being made to the planning applications and applications for listed building consent (the "Applications") for the redevelopment of Bishopsgate Goodsyards. The Applications as amended by the Proposed Amendments form the "Revised Scheme".

On 21st July 2014 Bishopsgate Goodsyards Regeneration Limited (the "Applicant") submitted the Applications to the London Borough of Hackney and the London Borough of Tower Hamlets (the "Boroughs").

On 23rd September 2015 the then Mayor of London directed that he would act as local planning authority for the purposes of determining the Applications.

On 12th April 2016 the then Mayor deferred the determination of the Applications to allow the Applicant to address the issues raised in the Stage III Report.

The Applicant has carefully reviewed the issues raised in the Stage III Report and has liaised closely with the Mayor of London, the Boroughs and other stakeholders and consultees and is now submitting amendments to the Applications to address their feedback.

In broad terms, the Applicant is making the following Proposed Amendments to the Applications:

### Plot 1 (Formerly Plots A and B)

The Proposed Amendments maintain the height of the building and the type of uses, as currently proposed and retains the bridging over the East London Line box. The building massing is proposed to be revised to include setbacks at the upper levels as a result of feedback from the GLA and the Boroughs to address the relationship with adjacent buildings.

### Plot 2 (Formerly Plots F and G)

The Proposed Amendments replace the two tallest residential buildings with a commercial building with retail at the ground floor. The building would extend up to 17 - 29 storeys and would be the tallest building proposed. This building is being submitted with all matters in detail.

The reduction in height of Plot 2 means that no part of the scheme is now visible in views from the South Bastion of Tower Bridge.

### Plot 3 (Formerly Plot K)

The Proposed Amendments maintain the height and footprint of the building and the type of uses, as currently proposed. The Proposed Amendments address design comments in respect of the treatment to Phoenix Street and the listed Oriel Wall along Commercial Street.

### Plot 4 (Formerly Plot C)

The Proposed Amendments maintain the uses within this building and comprise retail at ground floor with residential above. The height of the building is proposed to be reduced to 19 storeys.

### Plot 5 (Formerly Plot D)

The Proposed Amendments maintain the uses within this building and comprise retail at ground floor with residential above. The height of the building is proposed to be reduced to between 6 - 13 storeys.

### Plot 6 (Formerly Plot E)

The Proposed Amendments change the use of this building to a cultural type use with retail use. The height of the building is proposed to be reduced to up to 5 storeys in order to address comments raised by the GLA in respect of daylight and sunlight impacts along Sclater Street and the massing in the north-east part of the site.



## Plots 7, (Formerly Plots H, I, J), 8A, 8B, 8C, 10 and 11 (the Pavillion)

The Proposed Amendments maintain the mix of retail uses within the Oriel as well as the potential for Class D1/D2 uses within the Braithwaite arches with public open space above, as currently proposed (Plot 7). Plot 8 introduces hotel and residential uses with access at ground floor level within a 25 storey building to the west of Braithwaite Street, plus 4 storey pavilion buildings on top of the existing arches. The Proposed Amendments introduce residential within Plot 10 with retail at ground floor. The Proposed Amendments introduce retail use within a single storey building in Plot 11.

### Public Open Space

The overall amount of public space as part of the Proposed Amendments would increase at platform level, including an area of consolidated open space at the eastern end of the platform.

The Proposed Amendments, and the rationale for them, are explained fully in the Planning Statement prepared by DP9 Ltd.

The Proposed Amendments to the Applications have required some changes to be made to the Hotel Needs Assessment study and other documentation originally submitted with the Applications.

Rather than issuing tracked changed documents, the Applicant has issued this revised Hotel Needs Assessment study which replaces in its entirety that submitted previously.

## Introduction

The applicant is proposing a hotel ('Proposed Hotel', 'the Hotel') within a mixed-use development scheme at Bishopsgate Goodsyrd in Shoreditch, London. The proposed Hotel sits within the London boroughs of Tower Hamlets and Hackney.

CBRE Hotels have been commissioned to prepare an independent hotel needs assessment study to assess the competitive landscape, current and future pipeline, an overview of the visitor profile and high-level demand analysis.

## Method of Approach

During the course of this study, CBRE Hotels have visited the site and conducted desk-based research into the existing supply of, and demand for, hotel accommodation in the market. We assessed the site's accessibility and connectivity, in relation to the major corporate and leisure demand generators in the local and the wider area. During and after our desk-based research, we:

- obtained current and historical market and operational data on the hotel, leisure and other relevant commercial sectors;
- determined the existing and future characteristics of markets which we consider to be of relevance to this project;
- determined the present supply of facilities serving the markets which we consider to be of relevance and obtained further data from authoritative sources on planned developments; and
- obtained other pertinent information relating to the economy, communications infrastructure and general economic development of the Shoreditch area, as well as the surrounding areas.

In light of this primary and secondary research, we have assessed the current commercial and economic position of the local area and the likely future market environment.

## **2.0 EXECUTIVE SUMMARY**

## Executive Summary

## Requirement for Hotel Accommodation in London

- In the 12 months to January 2019, London hotel occupancy averaged 82.8 per cent (please refer to page 28). It is higher than almost all other major European capital cities, and has been consistently above 80 per cent since 2009. This would suggest that many hotels in London are sold-out on multiple nights of the week. As a result, some travel demand is being displaced to other locations and competing European destinations. Unless addressed, this ultimately represents a threat to London's economic development, tourism strategy and its appeal to both leisure and business travellers.
- London's hotel supply is currently disproportionally distributed, with the London Borough of Kensington and Chelsea, and the City of Westminster accounting for a large share of London's bedroom supply. In contrast, the London boroughs of Tower Hamlets and Hackney, where the proposed Hotel is located, have a low share of bedrooms relative to their size and extent of corporate activity. Please refer to page 28 for further analysis.

## Requirement for Hotel Accommodation within the Market of Relevance

- According to the draft New London Plan, London will require approximately 58,000 bedrooms of serviced accommodation by 2041, with an average number of 2,230 bedrooms per annum. This is based on the analysis by Greater London Authority (GLA), prepared in 2015 and updated in 2017 (please refer to the report 'Projection of demand and supply for visitor accommodation in London to 2050'). GLA projects that over the 2016-2041 period, the boroughs of Tower Hamlets and Hackney will require additional 5,158 bedrooms and 3,382 bedrooms respectively. Since the study was conducted in 2015, approximately 1,823 bedrooms (TH) and 844 bedrooms (Hackney) have been already constructed; and there are additional 1,871 bedrooms (TH) and 741 bedrooms (Hackney) under construction. That said, by 2041 there will be a further requirement for 1,464 bedrooms and 1,797 bedrooms in TH and Hackney, respectively. In our view, this presents a strong case for the continued hotel development in both boroughs.
- Looking more specifically at hotel stock within the market of relevance (0.6-mile radius of the site), we note that there is a higher density of hotels to the south (Aldgate East) and to the north (Great Eastern Street) of the proposed hotel development. In contrast, there is clear shortage of quality guest accommodation surrounding Shoreditch High Street station and to the east of the proposed Hotel, which remains mainly residential, with relatively low corporate and leisure footfall.
- There has been comparatively high hotel development activity in the local market of relevance. Since 2010, the bedroom supply within a 0.6-mile radius of the site has increased by 110 per cent to 5,549 bedrooms. The local hotel market has witnessed the opening of design-led concepts, such as The Curtain and Nobu Hotel Shoreditch, which have further raised the area's profile and attracted more affluent travellers.
- Despite robust growth in bedroom supply (circa 3,363 new bedrooms), demand for hotels in the area has also continued to grow. The local hotel market of relevance has not only benefitted from high level of accommodation demand, but also registered sustained growth in ADR between the YE2013 and 2019 (CAGR of 3.9 per cent). Similar to the wider London trends, the market registered high occupancy levels, averaging approximately 83.5 per cent over the 2013-2019 period. This provides a clear evidence of an undersupplied hotel market and that the new hotels have been effectively absorbed. For instance, in the 12 months to January 2019, occupancy levels exceeded 80 per cent across 10 months of the year, peaking at around 90 percent in July and October. Please refer to page 35 for further analysis.
- Although there are 10 hotels under construction (equivalent to 1,392) within a 0.6-mile radius of the site, the majority of these schemes are again concentrated in the northern and southern parts of the local hotel market of relevance. The 280-bedroom Hub by Premier Inn Shoreditch is the closest hotel development to the site, however we anticipate that this will cater for rate-sensitive demand given its limited-service offer and price point
- We project hotel demand to increase amid the current and planned office developments in the local area, coupled with the arrival of the Elizabeth Line (Crossrail) in December 2019, which will link the area with Canary Wharf and Heathrow Airport. Please refer to pages 20-22 for further analysis.



## Executive Summary

	<ul style="list-style-type: none"> <li>There is also an acute shortage of bedroom supply in the City of London, where hotels operate at occupancy levels around 80 per cent. Based on our analysis of hotel supply trends in the Inner London boroughs of relevance, the City of London has a low ratio of bedrooms per 1,000 square feet of office space, notwithstanding new major office developments, such as 52 Lime Street. However, hotel development in the City is constrained due to the high barriers to entry principally resulting from high land values, scarcity of land, competing real estate classes and planning restrictions. Therefore, a lot of unsatisfied overnight demand from the City of London will seek accommodation in the surrounding areas of Shoreditch, Whitechapel and Aldgate East, making a strong case for continued hotel development in these areas</li> </ul>
Accommodation Demand Sources	<ul style="list-style-type: none"> <li>Demand for hotel accommodation in the area is equally driven by both corporate and leisure travellers. There is a strong presence of international and national media, tech and creative firms, as well as major financial institutions. These companies generate material accommodation demand for hotels in the area. We project a further increase in corporate overnight demand, as more companies and organisations relocate to the area, particularly after Amazon, with circa 5,000 employees, moved to a new office at Principal Place. It is likely that agglomeration in the logistics and e-commerce space will follow. We note that local quality hotel accommodation is a key consideration in business location decision-making and can also markedly increase the appeal of residential property.</li> <li>In terms of leisure demand generators, local hotels benefit from strong weekend demand, owing to the area excellent transport links which provide quick and easy access to the city's major attractions. However, this demand is largely accommodated at a relative discount compared to the premium rates achieved during the midweek period. This is due to the fact that Shoreditch is not yet considered an established destination for more affluent leisure travellers and therefore rate becomes a considerable decision factor for bookings. Although this dynamic does seem to be changing as the area's leisure offer increases.</li> </ul>
Proposed Development	<ul style="list-style-type: none"> <li>The opportunity for the proposed Hotel underlies the market opportunity for this project. The proposed Hotel will be an integral part of the Bishopsgate Goodsyards mixed-use scheme, and will make the area a 24/7 destination. The Hotel will not only attract more overnight visitors, but will also be an amenity for the local community. Overall, the proposed Hotel will complement the scheme's residential and office offerings, whilst supporting Shoreditch's growing appeal as a popular corporate and leisure destination. In light of this and based on the ongoing and planned major development schemes, there will be a further need for more accommodation facilities in the local area.</li> <li>The proposed Hotel will benefit from good visibility and strong connectivity, owing to its proximity to Shoreditch High Street Overground station, the A10, and London Liverpool Street mainline train station. As such, the Hotel will be well-connected with the City of London, as well as London's key leisure attractions. The new Elizabeth Line will also link site with Canary Wharf and London Heathrow Airport. Whilst the proposed Hotel will not provide any parking facilities, we do not consider it to be detrimental to its market appeal. We note that the majority of full-service hotels in the Shoreditch area, such as The Curtain, Nobu Shoreditch and Hoxton Shoreditch, do not offer parking facilities.</li> <li>With circa 150 bedrooms, the proposed Hotel will be well positioned to attract both corporate and leisure travel segments. We understand the Hotel is likely to be operated under a renowned international or national hotel brand, benefiting from a strong distribution platform and extensive loyalty programme. This should allow the Hotel to attract more international travellers to the area.</li> <li>The proposed Hotel will not only improve the area's profile, but will also deliver direct and indirect economic benefits. Not only will the Hotel deliver jobs directly, but will also source locally and thus support local food and beverage producers and suppliers.</li> <li>Given the general level of hotel demand for London and unsatisfied hotel demand in the local market, in our professional opinion there is a demonstrable need for the proposed Hotel, which would achieve an occupancy in line with, or in excess of, the London average.</li> </ul>





## Hotel Market Demand Highlights

# 19.8m

### "Major Tourist Destination"

London is the world's fourth largest tourist destination for international visitors, having attracted over 19.83 million of international visitors in 2017 and 14.21 million for the first three quarters of 2018 (latest available data). Inbound tourism to the UK, and London in particular, continues to thrive, despite ongoing political uncertainty.



### "Spend & Growth"

In 2017, international visitors spent £13.50 billion, a circa 15.0 per cent increase on the previous year and £9.18 billion in the first three quarters of 2018. The 2017 growth was primarily driven by stronger demand from North America, with visitors spending £2.23 billion (up by 12.6 per cent).



### "Key Attractions"

There is a strong supply of key leisure attractions in proximity to the site, the majority of which are directly accessible by public transport.



### "Key Corporate Occupiers"

London's 'Square Mile', in the City of London, is one of the world's leading international financial and business centres and a key driver of the UK economy. Some of the largest employers in the area include UBS, Deutsche Bank and RBS. The proposed Hotel is strategically located in the north east fringes of the 'Square Mile', and in proximity to East London Tech City which is home to international companies such as Amazon, Adobe and TransferWise as well as a large number of start-ups.

### "Key Source Markets (2017 data) "

London generates considerable tourism demand from the US (circa 12.0 per cent of all visits) as well as key European markets such as France (10.0 per cent) and Germany (8.0 per cent).



Source: CBRE Hotels, 2019

## Competitive Hotel Market Highlights

# 84.5%\*

Despite strong supply additions, occupancy performance has remained strong, reaching 84.5 per cent in the twelve months to January 2019.

# 1,392 bedrooms

We have identified 10 confirmed hotel developments (1,392 bedrooms) within a 0.6-mile radius of the proposed Hotel. The majority of these developments (8) are scheduled for completion in 2019, which will increase the bedroom supply by 25.0 per cent.

*\*Based on a selection of 21 hotels within 0.6-mile radius of the site*

## Hotel Market Highlights – STR Market of Relevance \*

### 12 Months to January 2019

Occupancy %	↑ 84.5%
ADR £	↑ 133.73
Annual Supply (000s)	↑ 1,558
Annual Demand (000s)	↑ 1,316

## 3.0 SWOT



- With up to 150 bedrooms, the proposed Hotel will be well-positioned to target both corporate and leisure travel segments.
- Strategic location in proximity to a wide range of corporate demand generators, which are envisaged to underpin the majority of demand for the proposed Hotel.
- The proposed Hotel will benefit from excellent transport links and is in proximity to a number of London Underground and mainline railway stations. Therefore, the Hotel's guests will benefit from rapid transport links to key business districts and leisure attractions in London, as well as airports and the national railway network.
- Based on the performance hotel data obtained from STR, the local hotel market of competitive relevance has enjoyed robust levels of room occupancy in recent years, illustrating the resilience and strength of the local accommodation market.



- Despite its growing reputation, Shoreditch is still considered secondary by international leisure visitors to London, with many preferring the West End and west central London locations. Local hotels therefore apply discounting strategies over weekend periods and traditional holiday seasons.
- Despite a significant level of regeneration in the last 20 years, the area to the east of the site remains unappealing to most visitors



- The arrival of the Elizabeth Line is projected to increase corporate and leisure footfall in proximity to the site.
- Despite growing demand for quality accommodation in Shoreditch and the neighbouring areas, the area currently remains relatively under-supplied with quality hotel stock, presenting a strong market opportunity for the proposed Hotel.
- Shoreditch has benefited from considerable investment, resulting in an increasing number of corporate and leisure activities, which will further improve the overall profile of the area.
- Bishopsgate Goodsyrd and other major development schemes in proximity to the site will deliver new residential, office, and commercial spaces. This is likely to result in increased corporate and leisure travel demand.
  - In the longer-term, it is likely that the investment will continue spreading to other parts of East London and thus increase the tourism demand generators within walking distance of the proposed Hotel.



- The hotel market within a 0.6-mile radius is projected to register a notable increase in bedroom supply.
- The volatility of the Pound and its subsequent impact on inflation and international inbound tourism demand remains a threat to the future hotel operating performance.
- A tight labour market, falling net immigration and a reliance on foreign-born labour threatens to further increase hotel payroll costs.
- A 'disorderly Brexit and its subsequent impact on corporate and leisure demand.
- Risk that Hotel's performance will be negatively impacted if the other elements of Bishopsgate Goodsyrd are delayed or do not materialise.

## **4.0 PROJECT & SITE ANALYSIS**

## Proposed Hotel Development

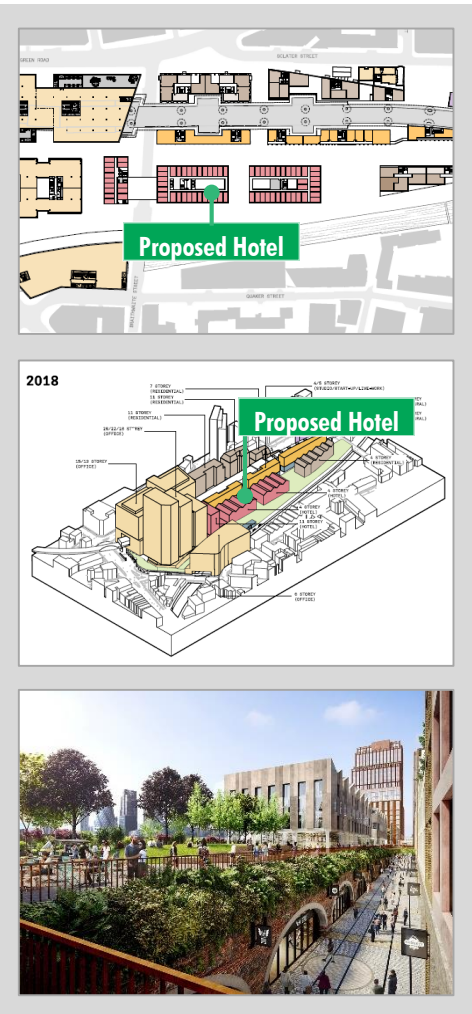
Based on the information and preliminary design plans, the proposed Hotel will feature up to 150 bedrooms, of up to 11,013 square metres (GIA). The hotel will also provide sufficient dining and captivating public spaces to become a destination and amenity, for guests, locals and London’s wider population.

### Development Proposal

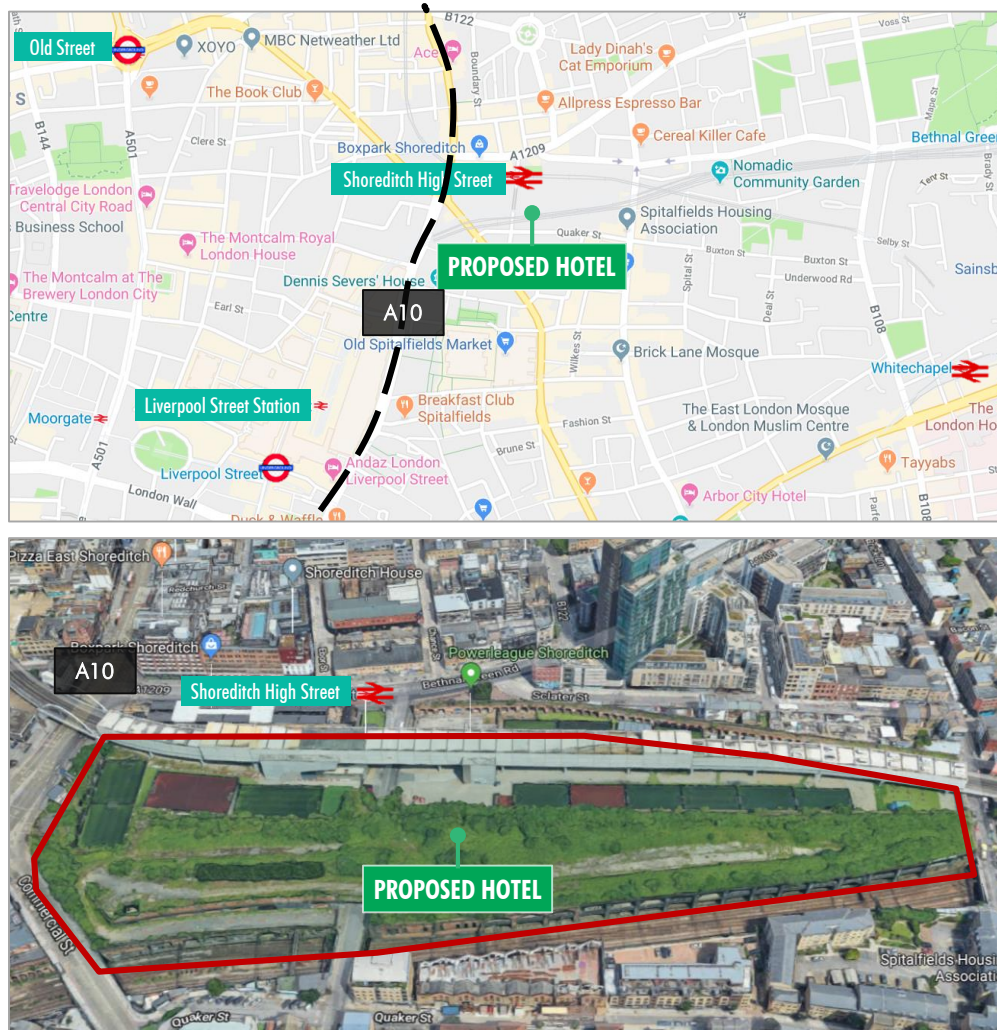
Component	Characteristics		
Market Position	To be confirmed		
Brand	International or national hotel brand		
Operator Agreement	To be confirmed		
Bedrooms	Room Type	No. of Bedrooms	Average Size
	Standard Rooms/Suites	130	From 20 sqm
	Premium	20	
	<b>TOTAL / AVERAGE</b>	<b>SUM 150</b>	
Food and Beverage	All-day dining and a bar		
Conference Facilities	To be confirmed		
Leisure Facilities	A gym/spa		

Source: Ballymore, 2019

- The proposed Hotel will be an integral part of the wider Bishopsgate Goodsyrd mixed-use development scheme with a total area of 4.4ha. The mixed-use scheme comprises up to 500 residential units, open space, retail space and open space.
- The Hotel will support in making the area a 24/7 destination, by attracting local office occupiers, residents and overnight visitors to the scheme.
- The Hotel’s bedroom will allow it to attract both transient and group segments, deliver a more personalised service and to achieve the required operational efficiencies.
- Whilst the plans for the Hotel’s ancillary facilities are yet to be finalised, we understand the property will provide a high-quality food and beverage offering, with a focus on creating an environment where the Hotel’s guests and local residents/employees can meet, work and relax. There are a number of examples where well-thought-out food and beverage concepts have become destinations in their own right, such as Berners Tavern at the London Edition Hotel.
- Furthermore, the Hotel may offer dry and wet leisure facilities, which will allow the Hotel to attract more affluent leisure travellers and minimise the Hotel’s reliance on the business travel segment.



With up to 150 bedrooms and the envisaged facilities, the proposed Hotel will complement and support other elements of the Bishopsgate Goodsyrd scheme. The property’s food and beverage offering will be an amenity to non-hotel residents including local residents and corporates. The Hotel’s leisure facilities will allow it to attract more leisure visitors. As a result, the Hotel is well-positioned to attract both corporate and leisure travel segments.



Source: Google Maps, 2019



Over the last 20 years, Shoreditch has been transformed from a previously industrial area into a lively, trendy location. In addition to the development of a strong night-time economy, the area has become a hub of technological and digital innovation. As a result, there is high leisure and corporate footfall throughout the week.

In the context of the local area, the site presents a good opportunity for a hotel development. It will benefit from good rail and road links, which will further improve following the opening of the Elizabeth Line.

## Site and Location Analysis

The adjacent map shows the location of the proposed hotel development in relation to the local and wider areas.

- The site for the proposed hotel development is in the district of Shoreditch, within the London boroughs of Tower Hamlets and Hackney. Shoreditch is one of London's most vibrant and fashionable districts, with a high concentration of trendy and hip bars, restaurants and nightclubs, as well as independent shops and art galleries. Therefore, the area benefits from a high footfall, particularly in the evenings and on the weekends.
- The site is currently vacant, except for a number of football pitches operated by Powerleague Shoreditch. The proposed Hotel will benefit from good visibility from the nearby A10, providing access to The City of London and London Bridge. The hotel will also be in proximity to East London Tech City, also known as 'Silicon Roundabout', the third largest technology start-up cluster in the world.
- Shoreditch High Street is the nearest train station, served by London Overground. As a result, there is good connectivity between the site and South London (e.g. Clapham Junction) and North London (e.g. Highbury & Islington).
- London's third busiest mainline railway station, Liverpool Street, is within a 10-minute walk and is served by a number of London Underground lines. From December 2019, the new Elizabeth Line will start operating from the station, linking the area with London Heathrow Airport and Canary Wharf, and reducing the journey times to Central London.



### City of London

Major Employment hub with a total of circa 3,000 finance and insurance companies



### East London Tech City

A technology cluster of high-tech companies, home to the offices of Amazon and TransferWise



### Spitalfields

Popular tourist attraction, home to a number of markets, art exhibitions, restaurants and bars.



### Crossrail

A new railway line will ease congestion and improve journey times across London





## Communication Links



### Rail

**Shoreditch High Street** station is directly opposite to the site and is served by London Overground. There are direct links from the station to Highbury & Islington to the north and Clapham Junction to the south.

**London Liverpool Street** station, the nearest major railway terminus to the Hotel, is within a 10-minute walk. The station is served by Greater Anglia, TfL Rail and London Overground.

There are regular train services to London Stansted Airport, whilst Crossrail services are due to start in December 2019. In 2018, the station had a total footfall of circa 66 million people, making it the UK's third busiest station.



### London Underground

London Liverpool Street is served by three underground lines (Central, Hammersmith & City and Metropolitan) providing direct access to the city's major attractions and landmarks.



### Road/Bus

Road links include the nearby A10 and the A1209 (Bethnal Green Road), which provide access to The City of London and East London, respectively. There is a good bus network, providing direct links to Central London.



### Air

London City Airport is the nearest airport to the hotel. Between 2012 and 2017, the airport registered a strong increase in annual passenger numbers, growing by 40 per cent to 4.5 million. The UK's largest airport, London Heathrow Airport, is approximately an hour and 20 minutes by car.

## Drive Distances and Times from/to Proposed Development Site

KEY LOCATIONS	DISTANCE (MILE)	APPROXIMATE DRIVE TIME (MINUTES)	APPROXIMATE DIRECT TRAIN TIME (MINUTES)
Bank of England	1.1	10	13
London Waterloo Station	2.7	22	23
Oxford Street	3.1	28	25
Canary Wharf	3.1	22	19
Stratford	3.9	25	24
Victoria	4.1	27	27
Knightsbridge	4.5	30	38
London Paddington Station	4.8	36	38
London City Airport	6.3	29	30
London Heathrow Airport	18.5	79	85



The site benefits from strong communication links. It is well-connected by road and London Overground, whilst London Liverpool Station is within walking distance. London's major financial centre, the City of London, is also within walking distance, whilst there are rapid transport links to the city's key leisure attractions and landmarks. One of Europe's major infrastructure projects, Crossrail, is due to start in December 2019 and will connect the area with London Heathrow Airport and Canary Wharf.

Source: Google Maps, National Rail, UK CAA, 2019



## **5.0 MARKET ENVIRONMENT**



## Economic Profile

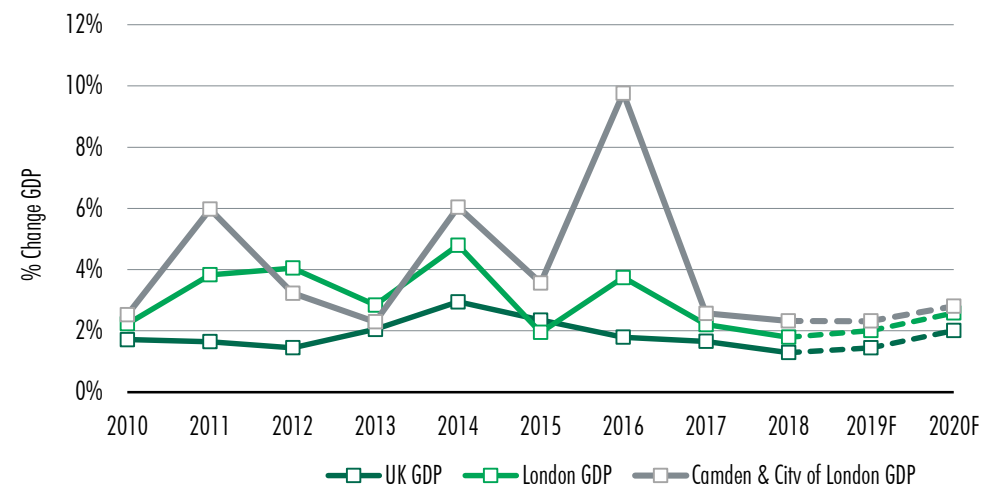
The site of the proposed Hotel is located the Borough of Tower Hamlets, on the north eastern fringes of the City of London. As such, the proposed Hotel is well placed to benefit from hotel demand originating from the City of London and East London Tech City.

As a result of the location in proximity to the significant corporate demand generators in the City of London, we will examine on the following pages the economic profile of this borough.

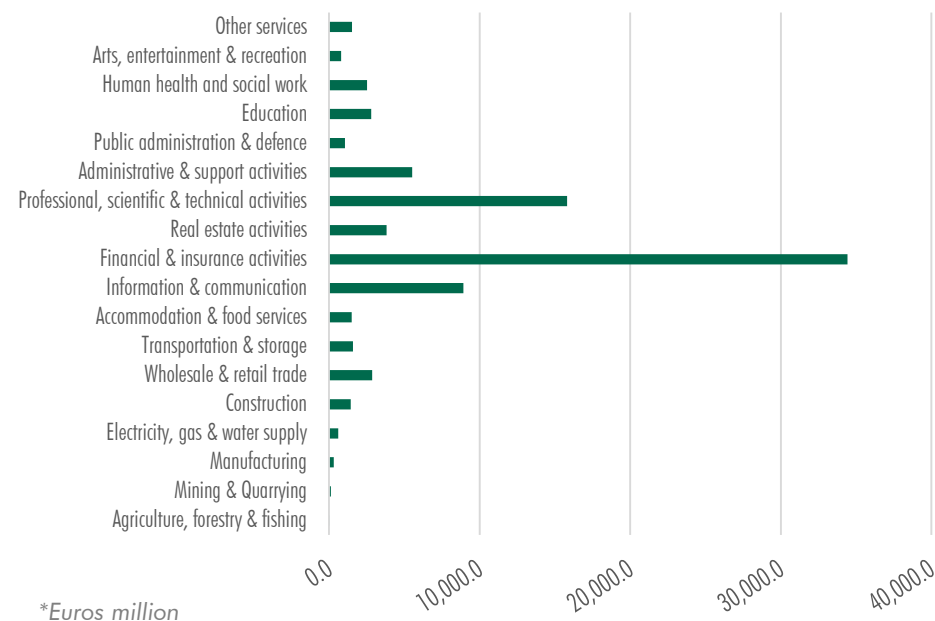
### City of London

- London's 'Square Mile', the City of London, is the world's leading international financial and business centre, and a key driver of the UK economy. It dominates global foreign exchange and features international bond and fund management operations and more banks than any other financial city in the world.
- With a residential population of only 9,400, some 483,000 people commute to the 'Square Mile. The City of London Corporation refers to the 'Square Mile' as 'a global powerhouse' at the heart of the UK's financial services industry.
- The City of London has, due to its position as a global financial centre, a high proportion of employment within the financial services sector. In 2017, the City of London accounted for 27.0 per cent of the UK's financial services output. This can be attributed to the presence and significant operations of international investment banks such as Credit Suisse, Deutsche Bank, Lloyds and Goldman Sachs.
- Although Finance and Insurance firms remain the largest employers in the City of London, the Information and Communication sector (ICT) has recorded significant growth over recent years. Employment within this sector doubled between 2010 and 2016 from 19,700 to 40,700. At the metropolitan scale, the Mayor of London anticipates that ICT is set to increase to 668,000 jobs by 2050.
- According to Nomis, the job density in the City of London increased by circa 73.0 per cent between 2000 and 2017, from 361,000 to 628,000 jobs.

### Evolution of GDP London and United Kingdom



### GVA per Industry Sector 2017 (Camden & City of London)\*



\*Euros million

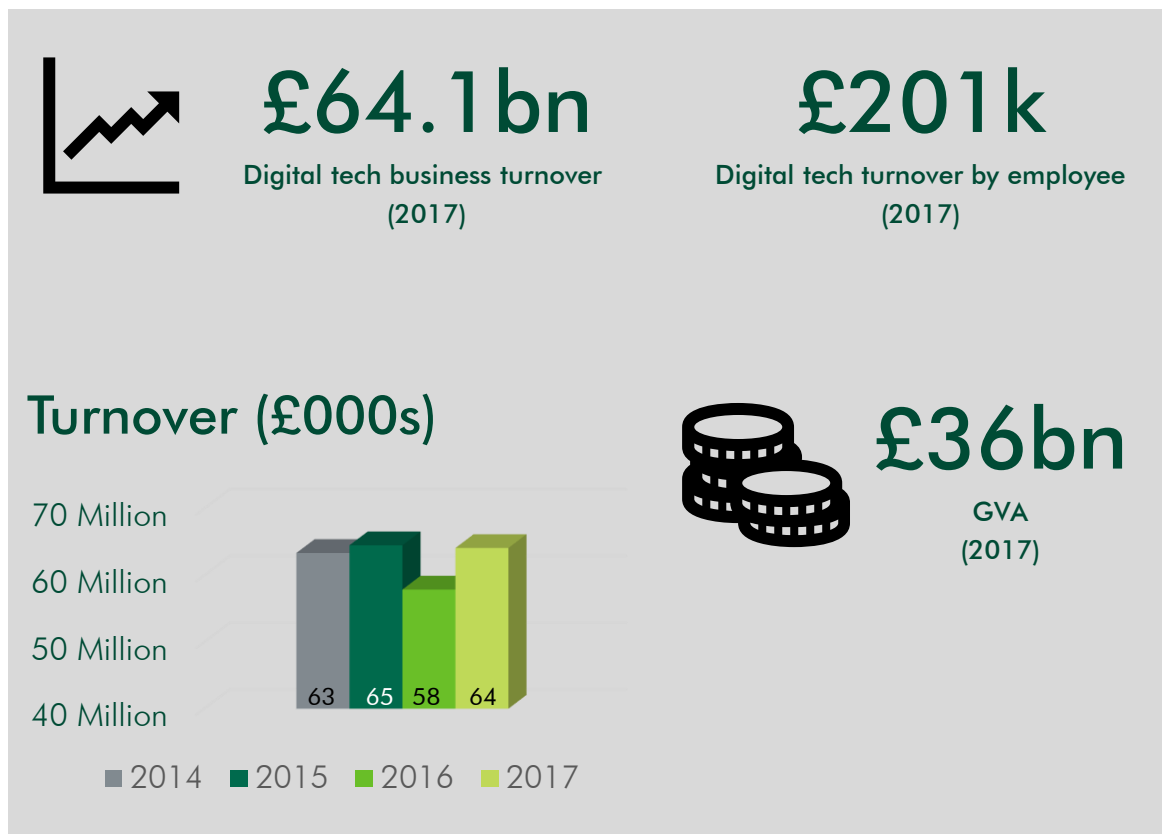
Source: Oxford Economics, 2019

## Economic Profile - Hackney

In the last 20 years Hackney and the surrounding area of East London has developed a reputation for being a hub for creative industries, based around Old Street. With a range of art galleries and media businesses, the area is very much at the cutting edge of London contemporary life.

- Since the late 1990s, a vibrant high-tech scene developed in Inner East London, with the Old Street roundabout – ‘The Silicon Roundabout’- at its heart. Supported by the government’s ‘Tech City’ initiative and £15 million in government funding, the area was redeveloped and transformed into what is today the third-largest tech start-up cluster in the world.
- In addition to start-ups, Shoreditch and neighbouring Hoxton have seen an influx of established businesses relocating to the area, including companies of international significance such as Amazon, Microsoft and Adobe. Tech City is also home to the Google Campus, a place where entrepreneurs can come together to network, share ideas and engage in inspirational talks.
- The City Fringe area around Shoreditch and Old Street is now considered a thriving corner of East London and is the largest sub-economy in Hackney, home to approximately 43.0 per cent of employment in the borough.
- The growing importance of the UK tech sector can be illustrated by the fact that this sector is growing more than two-and-a-half times faster than the overall economy. According to the Tech Nation Report 2018, the UK digital tech sector is worth approximately £184 billion to the economy, an increase from £170 billion in 2016.
- Overall, there is a strong presence of corporate demand generators in the locality, particularly in the tech sector. We project a further increase in the number of office occupiers, attracted by the area’s excellent connectivity and ongoing regeneration.

## Infographic London Tech Cluster



Source: Tech Nation, 2019



The Hotel’s strategic location will enable the proposed Hotel to attract corporate demand from companies located in the City as well as from Tech City. International technology companies in proximity to the Hotel include Adobe Systems Europe and Amazon.

As detailed on page 21 to 22, future development projects in the immediate area of the site are expected to result in additional corporate demand for the accommodation market and will benefit the proposed Hotel.

## Economic Profile - Tower Hamlets

Tower of Hamlets lies in the heart of East London, bordering the City of London on its west side and the river curling around its southern peninsula. With an area of just 20 square kilometres, it is one of London's smallest boroughs, but ranks fifth in terms of population. In the last decade its population has grown faster than anywhere else in the country and this is set to continue with a projected 22.0 per cent increase in population (67,000 persons), between 2016 and 2026. This is likely to deliver wider economic benefits, including increased consumer spending, from which the local hotel sector is likely to benefit.

- Tower of Hamlets is a borough of many contrasts, with deprived neighbourhoods and wealthy gentrified locations. Historically, it has been one of the more disadvantaged areas in London, but now the borough is rapidly changing amid a number of major regeneration projects in the borough. In fact, it has the highest levels of residential development activity across London and is home to Canary Wharf, its biggest driver of economic output.
- The economy of Tower of Hamlets is driven by two employment hubs, City Fringe (location of proposed Hotel) and the Docklands, accounting for circa 21.0 of total employment, and Canary Wharf with 55.0 per cent. Combined they account for circa three quarters of the total employment in the borough. In both locations, employment is strongly concentrated in finance, professional services, information and communication, and business support services. In the rest of the borough employment is focused on health and education.
- Between 1996 and 2005, Canary Wharf experienced an influx of investors and occupiers with significant development in the rapidly growing business centre. The surge resulted in ten of the 13 tallest skyscrapers in Canary Wharf built between 1999 and 2005, all of which are mainly used for office space. This giant office hub employs over 105,000 people – a workforce that has quadrupled in the last decade and is now one of the largest concentrations of employment in the country. As result, hotels in the area operate at high occupancy levels, in line with the wider London average of 80 per cent.
- The proposed Hotel will be strategically positioned to benefit from displaced corporate demand from Canary Wharf, owing to improved transport links, following the opening of the Elizabeth Line.

## Infographic Tower Hamlets



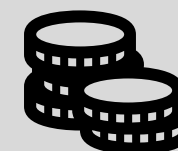
**16,800**  
Local enterprises (2017)



**26%**  
of total jobs in the Financial  
and Insurance sector



**55%**  
of total jobs concentrated  
in Canary Wharf



**£29 bn**  
GVA  
(2015)

Source: Tower Hamlets Borough Profile, 2018, CBRE Research, 2019



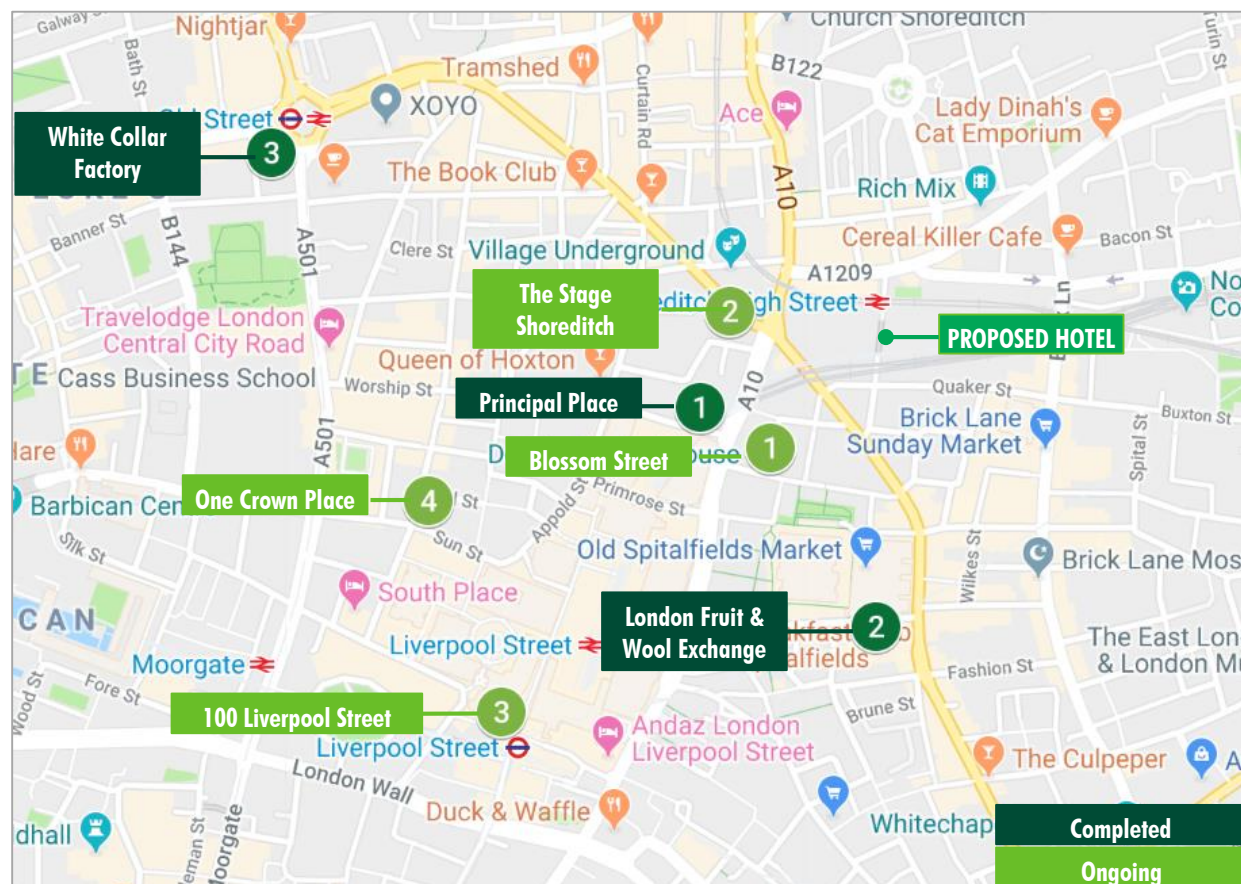
The Hotel's strategic location will enable the proposed Hotel to attract corporate demand from companies located in the City as well as from the Docklands. As detailed on page 23 to 24, future development projects in the immediate area of the site are anticipated to result in additional corporate demand for the accommodation market and will benefit the proposed Hotel.

## Regeneration and Development Projects

### Shoreditch and the Wider Area

In the following section, we provide an overview of the major completed, ongoing and planned development schemes in Shoreditch and the wider area.

- Over the last 20 years, Shoreditch has been transformed from a previously deprived area to a centre of creativity, with a lively nightlife scene and strong retail offering.
- The area's derelict industrial buildings paved the way for new offices, swanky bars, and high-end shops. Shoreditch has also become popular with media, technology, and creative industries, which are mainly concentrated in East London Tech City.
- There have been a number of notable investment projects, including **Principal Place**, where Amazon is a major occupier of 600,000 square feet of office space, and **London Fruit and Wool Exchange**, which is one the city's largest development projects. As a result, there has been a notable increase in the area corporate footfall, with approximately 5,000 Amazon employees relocating to the area, for example.
- There are a number of ongoing mixed-use developments, such as **Once Crown Place** and **100 Liverpool Street**, which will include a number of office developments, residential and commercial schemes. These and other schemes should support further growth in the midweek accommodation demand, whilst also improve the area's appeal to more affluent residents and travellers.



Source: Google Maps, 2019



Shoreditch remains one of London's most attractive areas for real estate developers and investors, partly given the lack of opportunities in the West End. With continued investment in commercial, cultural and residential schemes, we project hotel market fundamentals to remain strong. Whilst the lion's share of investment was in Shoreditch's northern and western areas, we project investment to spread to the east of the proposed Hotel.



## Major Development & Regeneration Schemes

### Completed Schemes



**Principal Place**  
0.3 miles (from site)

- The development comprises a 15-storey building with 600,000 sq. ft. of office space, which is occupied by Amazon with approximately 5,000 staff and therefore generating strong corporate overnight demand in the area.
- A 50 storey residential building, the Principal Tower is currently still under construction and is due for completion in 2019.

**Principal Place: completed in 2017**  
**Principal Tower: due to completion in 2019**



**London Fruit & Wool Exchange**  
0.3 miles (from site)

- One of the largest development projects in London, the regeneration of the former London Fruit and Wool Exchange has created 320,000 sq. ft. of new grade A space including 260,000 sq. ft. of office and 40,000 sq. ft. of retail, restaurant, café and community space.
- According to the developer, Exemplar Properties, the office space has been fully let to Ashurst, the UK's 11<sup>th</sup> largest law firm by revenue.

**Completed: 2018**



**The White Collar Factory**  
0.6 miles (from site)

- Completed in 2017, the White Collar Factory is a mixed-use development offering 237,000 sq. ft. office space and 55,000 sq. ft. of retail and residential units.
- The scheme is now fully let and tenants include Adobe, the Office Group and a number of fintech companies.

**Completed: 2017**

Source: newlondondevelopment, CBRE Hotels Research, 2019

## Major Development & Regeneration Schemes

### Ongoing Schemes



**Blossom Street**  
0.1 miles (from site)

- In direct proximity to the proposed Hotel, this mixed-used development is currently in construction.
- In addition to residential, the scheme will include over 350,000 sq. ft. of office space and 40,000 sq. ft. of retail space which will improve the public realm in direct proximity to the proposed Hotel as well as generate more demand in the area.

**Completion: 2019**



**The Stage Shoreditch**  
0.3 miles (from site)

- The Stage Shoreditch is a 1,013,755 sq. ft. mixed-use development incorporating a 37-storey residential tower, two office buildings, a start-up office building, a refurbished viaduct building, retail space and a visitor centre associated with the archaeological remains of the Elizabethan Curtain Theatre.
- WeWork has been confirmed as one of the major office tenants.
- We project this scheme to improve midweek corporate demand.

**Completion: Q4 2019**



**One Crown Place**  
0.4 mile (from site)

- One Crown Place is a 571,434 sq. ft. mixed-use development incorporating 112,500 sq. ft. of office space, two new residential towers and retail space at ground level.
- The development also includes a 41-bedroom boutique hotel and a members club.

**Completion: 2021**



**100 Liverpool Street**  
0.7 miles (from site)

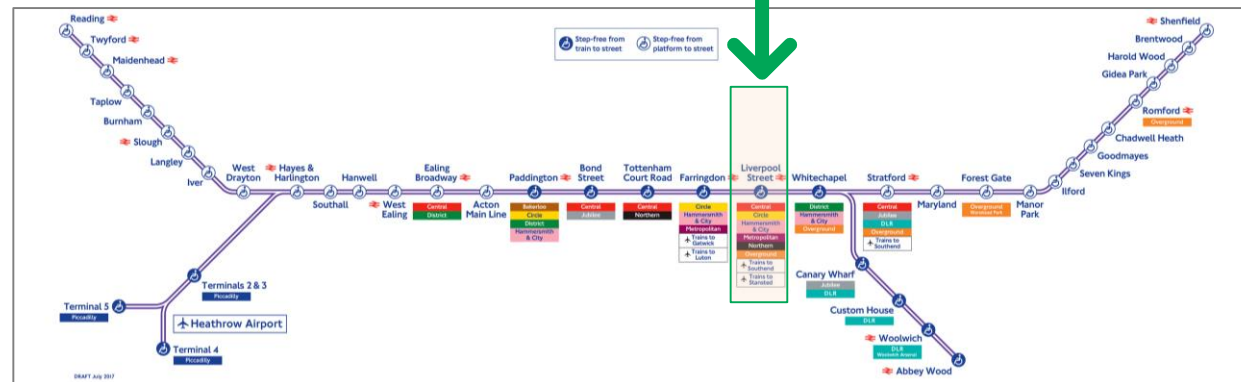
- The redevelopment of 100 Liverpool Street for British Land comprises the linking of two buildings and the addition of four extra floors to the existing structure. Upon completion in Q4 2019, the scheme is anticipated to provide 425,000 sq. ft. of office space and 90,000 sq. ft. for retail, cafes and bars.
- The European arm of Sumitomo Mitsui, a Japanese multinational banking and financial services company, is confirmed to take the first three floors of the building.

**Completion: Q4 2019**

Source: newlondondevelopment, CBRE Hotels Research, 2018

## Major Development & Regeneration Schemes

### Elisabeth Line Route Map



Source: Crossrail.co.uk, 2019

- Positioned in the City of London and approximately 0.5 miles from the proposed Hotel, London Liverpool Street station is one of the busiest train stations in the UK, having recorded approximately 67 million passenger entries and exits in 2017/18. The station is currently undergoing significant redevelopment to accommodate the arrival of the Elizabeth Line in December 2019.
- The Elizabeth Line service from London Liverpool Street station will provide a train every two and a half minutes at peak time to Paddington, Heathrow or Reading in the west and Shenfield or Abbey Wood in the east. This will further increase the accessibility of the local area and ease congestion on other lines which are currently operating at maximum capacity during peak demand periods.

### Liverpool Street Station



Recent and future development projects in the wider local area, are anticipated to strengthen Shoreditch's position as an attractive destination to work and live. This takes into account the continued popularity of the area for tech-focused companies, evidenced by Amazon's move to Principal place in 2017, LinkedIn's announcement to take-up of several floors of the Ray, Farringdon, as well sustained office development activity in the City of London.

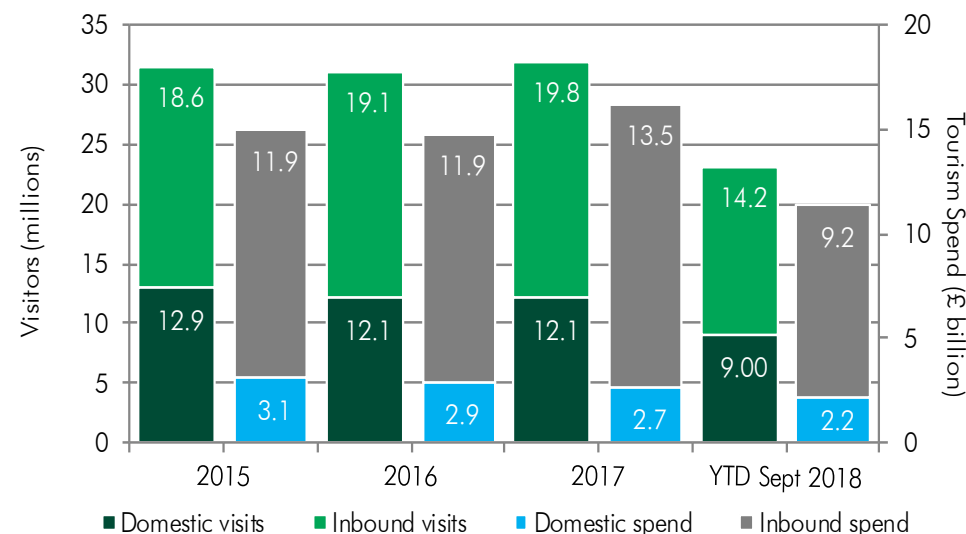
Despite the uncertainties surrounding Brexit, office uptake in the City of London remains robust with take-up at 1.4 million square feet or around 22.0 per cent above the ten-year average in 2017. According to CBRE Research, office-based employment growth in the City in 2018 is likely to have outpaced the previous year, despite ongoing political uncertainty. The proposed Hotel development is therefore expected to commence operations in a favourable market environment upon projected completion in 2023, benefitting from strong demand generators in direct proximity to the site as well as improved communication links to the wider London area and beyond.

## UK and London Tourism Market

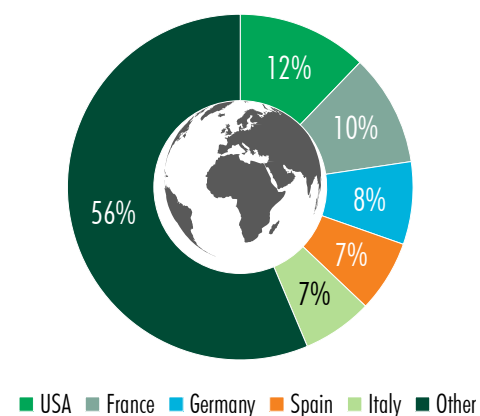
### Overview

- Tourism is an important driver of the economy, contributing an estimated 10.5 per cent of UK GDP in 2017, which is forecast to rise by 2.0 per cent per annum to 10.8 per cent of GDP by 2028. According to the United Nations World Tourism Barometer, the UK is currently the sixth most popular country for overseas tourism in the world, measured by the number of arrivals.
- London is the world's fourth largest tourism destination for international visitors, with over 19.8 million international visitors (2017).
- London relies heavily on international tourism and is therefore relatively exposed to on the economic climate in the rest of Europe, the US and Asia Pacific regions. The Euro Area and EU economies are both estimated to have grown by 2.3 per cent in 2018 driven by resilient private consumption, stronger global growth and falling unemployment. The robust performance is set to continue in 2019.
- Inbound tourism to the UK had been spurred by the low value of the Pound in 2017, however, 2018 has experienced a correction with inbound visitor numbers falling by 5.3 per cent in YTD-September 2018 compared to the same period in the previous year. Inbound visitor spend has also fallen from £19.3 billion YTD September 2017 to £17.5 billion YTD September 2018 (-9.3 per cent).
- London inbound visitor numbers have fallen 6.7 per cent over the same period, down from 15.24m to 14.20m, and visitors are taking shorter trips and spending less as well. Inbound visitor nights are down from 88.0m YTD September 2017 to 81.7m for the same period last year (-7.1 per cent) and spend is down from £10.5 billion to £9.2 billion (-7.9 per cent).
- In contrast to the decline in inbound visitors, the number of domestic visitors grew by 1.1 per cent for the 9 months to September 2018, with average spend increasing by an impressive 6.9 per cent over the same period.
- Question marks remain over Brexit and the impact on tourism in the short-term. However, we believe that the UK's tourism fundamentals will ensure that the country remains a competitive tourism market in the long-term.

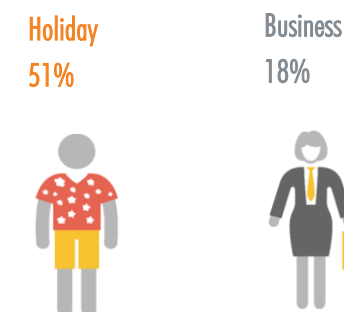
### London Domestic and Inbound Tourism Visits and Spend (2015 to Q3 2018)



### Source Markets London (2017)



### Purpose of Visit London (2017)



Source: International Passenger Survey, Great Britain Tourism Survey, 2019



## Tourism Demand Generators

The following table presents key nearby visitor attractions and are shown on the map overleaf.

ATTRACTION	CATEGORY	NUMBER OF VISITORS	% CHANGE	DISTANCE TO SITE (MILES)
Old Spitalfields Market	Market	N/A	-	0.3
Brick Lane Market	Food Market	N/A	-	0.3
Whitechapel Gallery	Museum & Art Galleries	N/A	-	0.7
Jack the Ripper Museum	Museum & Art Galleries	N/A	-	1.0
Guildhall Art Gallery	Museum & Art Galleries	93,012	-7%	1.1
Museum of Childhood at Bethnal Green	Museum & Art Galleries	406,101	-7%	1.1
Museum of London	Museum & Art Galleries	688,966	-20%	1.2
Monument to the Great Fire	Historic Properties	269,733	48%	1.3
St Paul's Cathedral	Places of Worship	1,571,197	3%	1.5
Tower Bridge Exhibition	Historic Properties	812,196	-2%	1.5
Doctor Johnson's House	Museum & Art Galleries	24,939	15%	1.8
Tower of London	Historic Properties	2,842,970	4%	1.8
Tate Modern	Museum & Art Galleries	5,656,004	-3%	1.9
HMS Belfast	Historic Properties	227,911	-4%	1.9
Imperial War Museum London	Museum & Art Galleries	992,690	-2%	2.8
Museum of London Docklands	Museum & Art Galleries	334,448	21%	2.9
Queen Elizabeth Olympic Park	Public Park	N/A	-	3.1
Billingsgate Market	Food Market	N/A	0%	4.0
The O2 Arena	Entertainment Venue	N/A	-	7.1

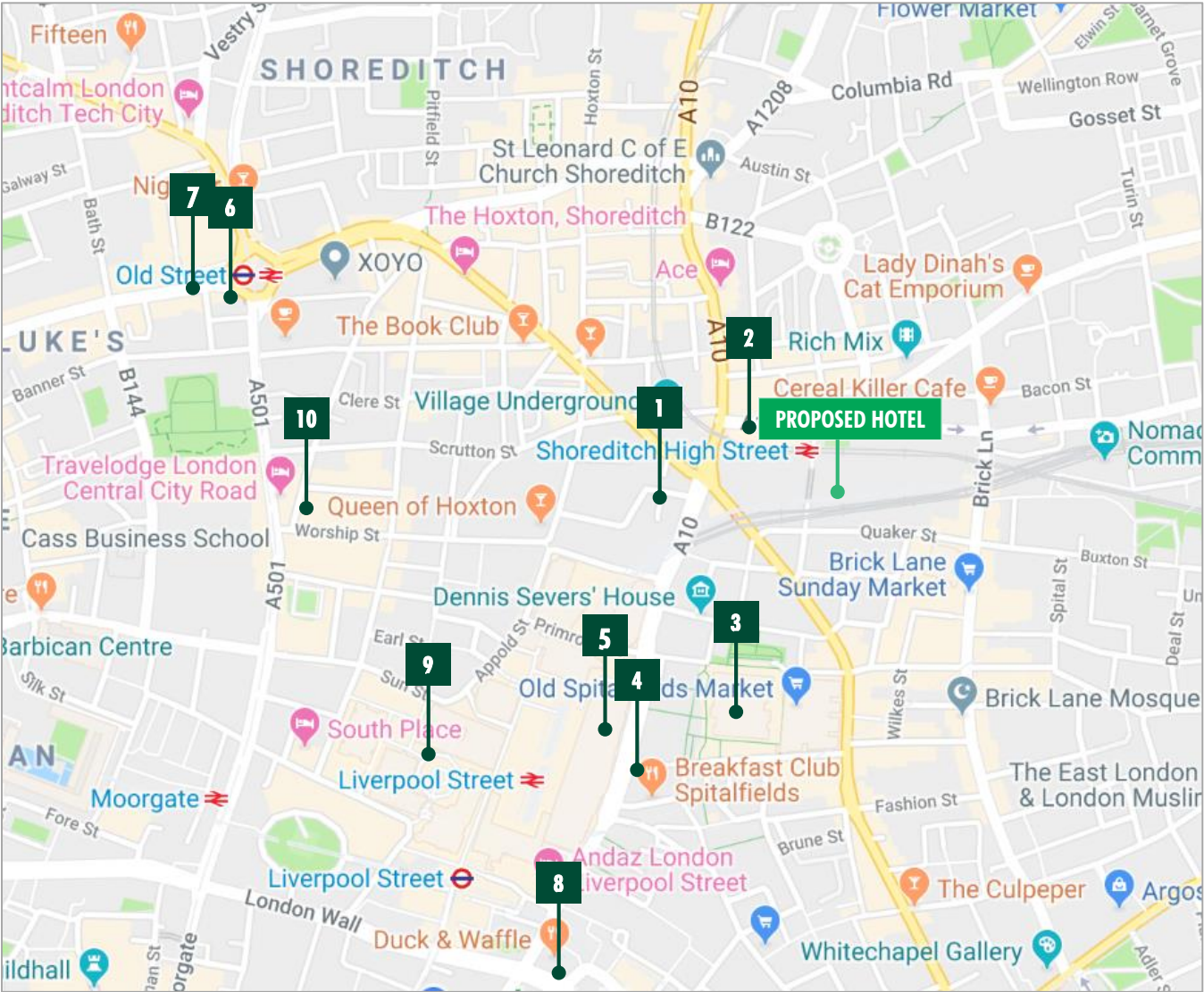
- The local area in vicinity of the proposed Hotel has a good supply of leisure attractions, supporting weekend demand for local hotels. According to the Association of Leading Visitor Attractions, two of the UK's top 10 visitor attractions (Tower of London and Tate Modern) are located within a two-mile radius of the proposed Hotel.
- Other notable leisure demand generators include the nearby Brick Lane and Old Spitalfields markets, offering a vibrant food and art scene. These attractions, coupled with Shoreditch's vibrant nightlife scene, generate overnight demand in the local market of relevance.
- Overall, London's main leisure demand generators as well as high-end retail and dining amenities are largely concentrated in the West End.
- Please refer to Appendix 3, for a map showing the location of the above attractions relative to the proposed Hotel.



Despite a growing reputation, the Shoreditch area is still considered secondary by leisure travellers. Due to the presence and activities of major international companies, corporate demand is strong during the midweek period. Additionally, hotels in the City of London and Shoreditch area primarily attract leisure guests during the weekend period by offering lower rates than the West End hotels.

## Corporate Occupiers

### Locational Overview



Source: Google Maps, 2019

According to ONS, the London Borough of Hackney has approximately 19,900 enterprises, including 35 that are considered large with more than 250 employees. We note that between 2010 and 2018, the total number of businesses in the borough has increased by almost 113 per cent, above the city's average of 52 per cent. A large share of the new enterprises were in the Information and Communication sector, with more tech occupiers relocating to Shoreditch.

Tower of Hamlets has approximately 16,925 businesses, with a total job count of 318,000 employees. The borough has also registered a strong increase in the number of jobs, growing by 77 per cent over the 2010-2018 period.

In the local market of relevance, there is a strong presence of large international companies, including major financial institution and a number of leading tech firms, such as Salesforce and Google.

Some of the major employers in proximity to the site are presented below:

1. Amazon
2. TransferWise
3. Deutsche Bank
4. RBS
5. European Bank for Reconstruction and Development
6. Comparethemarket.com
7. Adobe Systems Europe
8. Salesforce
9. UBS Headquarters
10. Google for Startups Campus

## **6.0 HOTEL MARKET**

## Selected Inner London Boroughs

### Hotel Market Analysis

In assessing the market opportunity for the proposed Hotel, we examined the current and future supply of, and demand for, hotel accommodation in London, as well as in proximity to the site.

#### Inner London Boroughs – Hotel Supply relative to Size

- London has a total supply of 156,282 bedrooms across 1,731 hotels. Inner London, including the City of London, still has the greatest concentration of stock being home to 113,927 bedrooms across 1,260 hotels. However, the majority of these bedrooms are in Central and West London, largely concentrated in the City of Westminster and the London Borough of Kensington & Chelsea.
- According to STR, with 2,181 bedrooms and 8,489 bedrooms, the London boroughs of Hackney and Tower of Hamlets account for 1.4 per cent and 5.4 per cent of total London bedroom supply, respectively.
- Based on a bedroom supply per square mile approach, both Tower Hamlets and Hackney, in particular, rank low relative to other inner London boroughs, as demonstrated in the adjacent table. We understand that the geographical size of a borough does not fully correlate with the extent of accommodation demand for hotels within it. As a result, we have taken this analysis further comparing hotel room supply relative to office space which we believe is a strong proxy for corporate accommodation demand (see below).

#### Inner London Boroughs – Hotel Supply relative to Office Floorspace

- We have also analysed office space supply and employment trends in some of the key Inner London boroughs.
- Based on a number of hotel bedrooms per 1,000 square metres of office space, both Tower Hamlets and Hackney do not have enough bedroom stocks relative to their office stocks. As a result, corporate travellers have to seek alternative accommodation options in the other boroughs, such as Camden.
- We also note that the City of London has the lowest ratio of bedrooms relative to its office space. Hotel development in this borough is constrained amid the high barriers to entry resulting from high land values, scarcity of land and strict planning restrictions. As a result, there is a strong opportunity to capitalise on the displaced demand from the City of London, where office developments have a priority over other real estate classes. Additionally, the City of London arguably has a high share of international travellers, who are more likely to stay at hotels during the midweek periods.

#### Inner London Boroughs: Hotel Bedroom Supply, Bedroom Supply Per Square Mile

LONDON BOROUGH	AREA (SQM)	POPULATION	HOTEL BEDROOM SUPPLY	BEDROOM SUPPLY PER SQUARE MILE
City of London	1.12	7,700	7,800	6,964.3
Westminster	8.29	244,800	38,617	4,658.3
Kensington & Chelsea	4.68	155,700	14,865	3,176.3
Camden	8.40	253,400	16,849	2,005.8
<b>Tower Hamlets</b>	<b>7.63</b>	<b>308,000</b>	<b>8,489</b>	<b>1,112.6</b>
Islington	5.74	215,667	4,833	842.0
Hammersmith & Fulham	6.33	183,000	4,515	713.3
<b>Hackney</b>	<b>7.36</b>	<b>198,100</b>	<b>2,181</b>	<b>296.3</b>

Source: Visit England, NOMIS, CBRE Research; \*Three year average, nights spent by British travellers

#### Inner London Boroughs: Office Space Availability and Hotel Bedroom Supply

LONDON BOROUGH	OFFICE FLOORSPACE 2015-16 (SQM)*	NUMBER OF BEDROOMS PER 1,000 SQM OF OFFICE SPACE	JOB DENSITY (2017)	JOB DENSITY (2010)	CHANGE 2017/10
Kensington & Chelsea	473,000	31.4	165,000	129,000	27.9%
Camden	2,268,000	7.4	398,000	307,000	29.6%
Westminster	5,376,000	7.2	759,000	644,000	17.9%
Islington	1,458,000	3.3	247,000	197,000	25.4%
Hammersmith & Fulham	746,000	6.1	156,000	139,000	12.2%
<b>Tower Hamlets</b>	<b>2,467,000</b>	<b>3.4</b>	<b>318,000</b>	<b>223,000</b>	<b>42.6%</b>
<b>Hackney</b>	<b>520,000</b>	<b>4.2</b>	<b>138,000</b>	<b>101,000</b>	<b>36.6%</b>
City of London	5,226,000	1.5	628,000	388,000	61.9%

Source: Valuation Office Agency, NOMIS, CBRE Research, 2019; \* latest available data



## London Hotel Market Analysis

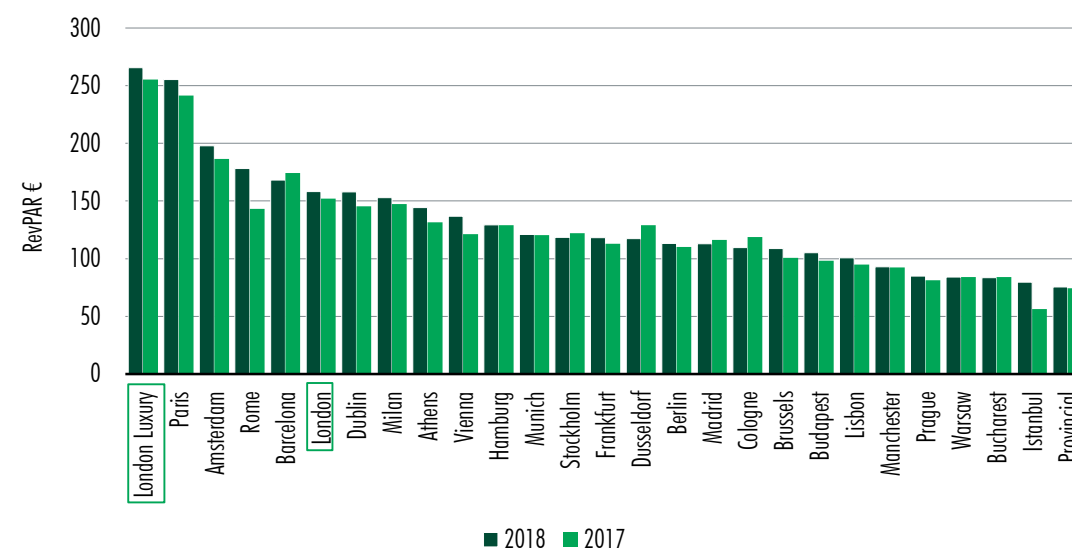
- Since 2014, the London Hotel market has witnessed six years of sustained RevPAR growth, expanding at an average rate of 3.8 per cent per annum, to £145.23, in the 12 months to January 2019.
- After a challenging start to 2018, with RevPAR declining by 0.8 per cent in the first half of the year, London hotels experienced particularly strong growth in July, August and October, resulting in a RevPAR increase of 5.6 per cent in the 12 months to January 2019, supporting TrevPAR growth of 5.1 per cent over the same period.
- Consistent annual occupancy levels in excess of 80 per cent illustrate that London hotels benefit from equally strong corporate and leisure demand, with minimal seasonal fluctuations. Additionally, there are multiple nights when demand is displaced out of the market area. At this level of occupancy, allowing for typical seasonality patterns, a market can generally be considered supply constrained.
- According to the adjacent chart, London continues to be one of the best performing European hotel markets. However, at the current occupancy levels, some travel demand is being displaced to other locations and competing European destinations. Unless addressed, this ultimately represents a threat to London's economic development, tourism strategy and its appeal to both leisure and business travellers.

## London Hotels – Hotel Performance: 12 Months to January 2014-2019

12 MONTHS TO JANUARY		2014	2015	2016	2017	2018	2019	VARIANCE 19/18	CAGR 19/14
<b>KEY PERFORMANCE INDICATORS</b>									
Occupancy	%	82.6%	83.1%	81.2%	81.1%	80.8%	82.8%	2.0pp	0.0pp
Average Daily Rate	£	146.12	148.17	153.36	158.66	170.14	175.40	3.1%	3.7%
RevPAR	£	120.70	123.13	124.53	128.67	137.47	145.23	5.6%	3.8%
RevPAR Variance	%		2.0%	1.1%	3.3%	6.8%	5.6%		
<b>OTHER PERFORMANCE INDICATORS</b>									
TrevPAR	£	166.81	171.72	175.42	180.53	191.88	201.70	5.1%	3.9%
DOP PAR	£	110.34	113.12	115.47	116.87	123.92	130.50	5.3%	3.4%
GOP PAR	£	78.85	80.22	80.57	80.59	85.22	89.50	5.0%	2.6%

Source: HotStats, 2019

## European Key Cities - RevPAR



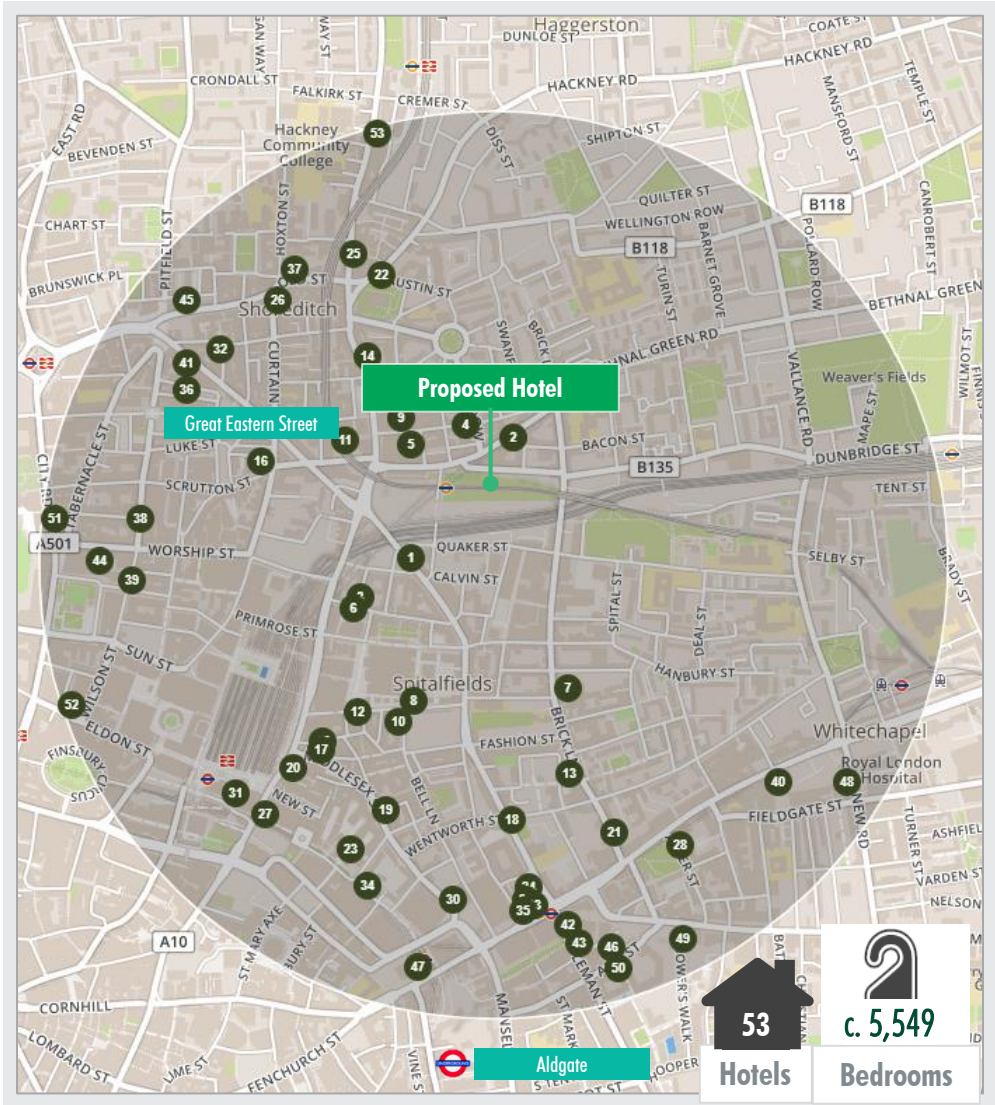
Source: HotStats, 2019





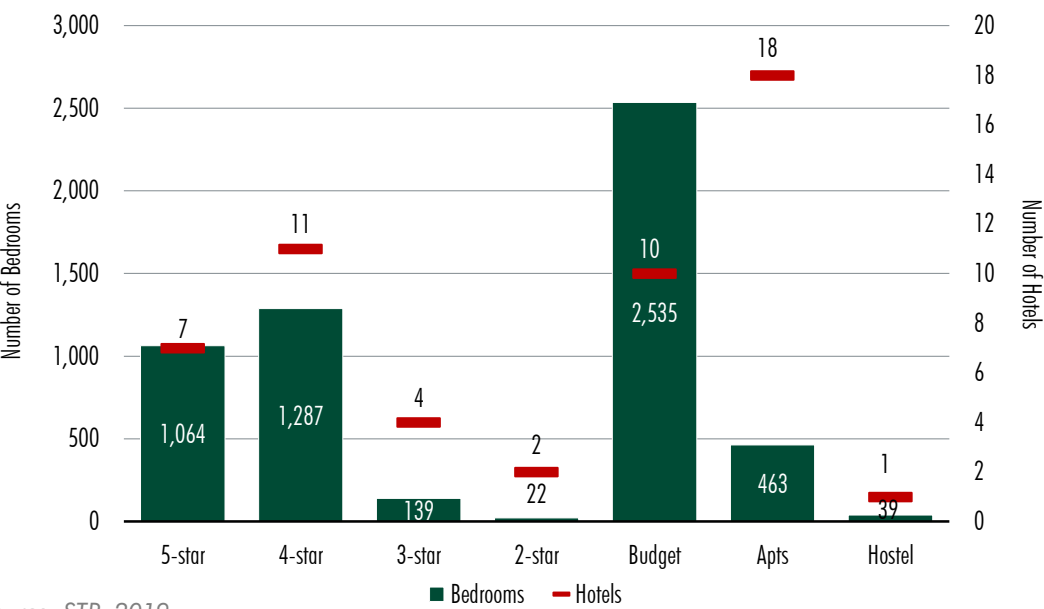
Current Hotel Supply

Hotel Supply within a 0.6 mile Radius of the Proposed Hotel



Source: STR, 2019; numbers represent bedroom clusters

Hotel Supply within a 0.6 mile Radius of the Proposed Hotel

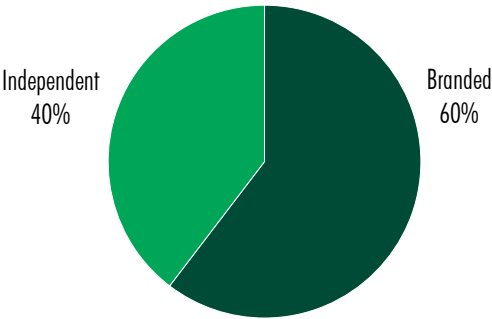


Source: STR, 2019

- The hotel market within a 0.6 mile radius of the proposed Hotel comprises 53 properties, equating to 5,549 bedrooms, with an average size of 105 bedrooms per property. The highest density of hotels is concentrated to the south of the site, near Aldgate station, as well as to the west, near Great Eastern Street. There is a clear shortage of hotels surrounding Shoreditch High Street station and to the east of the site, which largely remains residential. This creates a strong market opportunity for the proposed Hotel.
- Based on the number of properties, the local hotel landscape is dominated by the serviced apartment segment, accounting for 34.0 per cent of all properties and primarily targeting long-stay corporate demand. However, in bedroom terms, the budget segment is dominant, mainly due to the presence of two Travelodge hotels with circa 400 bedrooms each. There is also a strong presence of four-star hotels, including design-led properties such as the Ace Hotel London Shoreditch (258 rooms) and Hoxton Shoreditch (210 rooms).
- Additionally, the local market of relevance has seen increased development activity within the five-star sector, which now accounts for 19.2 per cent of total bedroom supply. Recent openings include the Nobu Hotel Shoreditch (148 rooms) and the Curtain (120 rooms), which both opened in 2017.

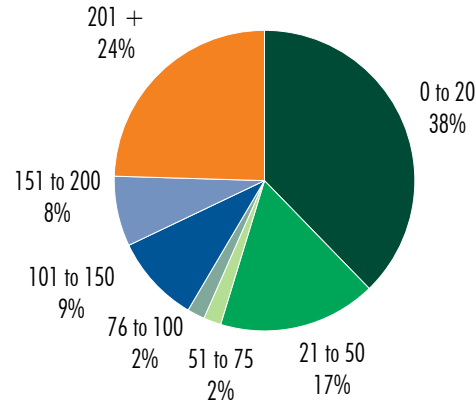
### Current Hotel Supply (0.6-mile Radius of the Proposed Hotel)

Hotel Supply by Brand (2019)



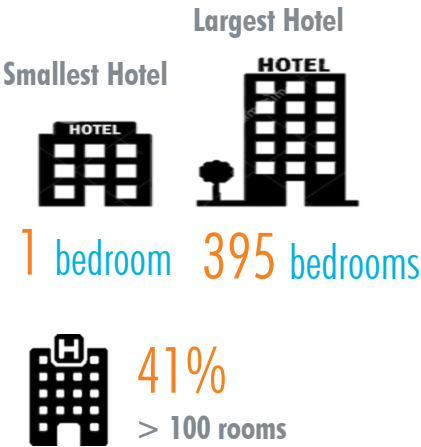
Source: STR, 2019

Distribution of Hotels by Size (2019)



Source: STR, 2019

- The local area attracts a high number of international corporate and leisure travellers, and therefore has a strong presence of branded hotels (60 per cent of total). This is above the wider London-trend, where only 44 per cent of all hotels are branded.
- Branded hotel supply in proximity to the site includes the Hoxton Shoreditch, Nobu Hotel Shoreditch, citizenM London Shoreditch and Ace Hotel London Shoreditch. The majority of these hotels have opened over the past three years in response to the gentrification of the local area and the growing demand for quality hotel supply from local residents and workers. Driven by the demographic profile of the local area, including artists, designers and creative professionals, hotel development has been focused on lifestyle and design-led concepts.
- Some of the renowned and established hotel groups, such as Marriott and Hilton, have no presence in the identified market of relevance. This may be attributed to the fact that corporate brands have not aligned with the type of demand that exists in the area. That said, over the last decade, all major hotel groups have launched or acquired boutique and lifestyle brands, such as EDITION (Marriott), Canopy by Hilton and Kimpton Hotels and Restaurants (IHG), which in our view may be the right additions to the local hotel market, given the increasing number of corporate occupiers moving to the area.
- Please refer to the following page for an overview of the current and future brand supply in the market of relevance.

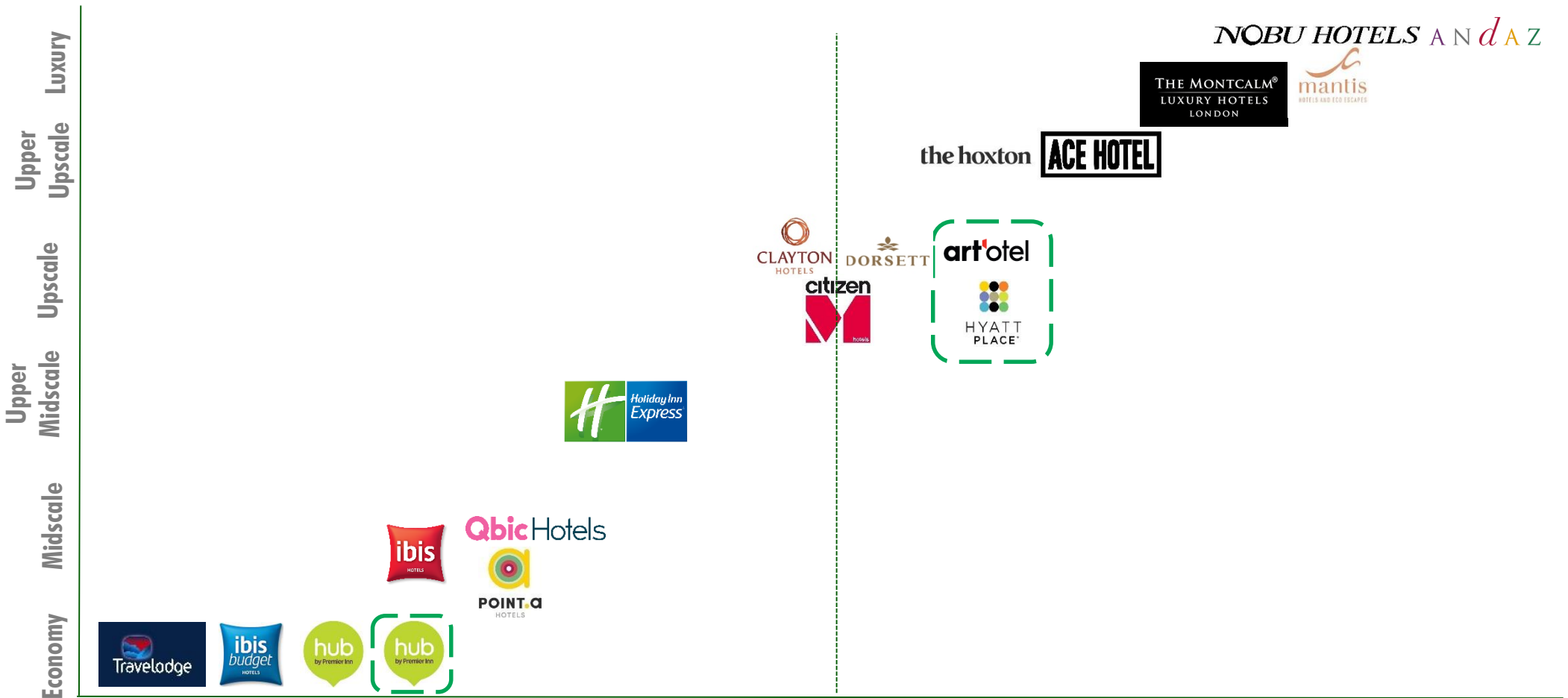


Although brands account for 60 per cent of all hotels, some of the major and established hotel groups have no presence in the market of relevance, including Marriott International and Hilton Worldwide. This potentially limits the area's potential to attract more overseas travellers, owing to the strong distribution platforms and global loyalty programmes of the global hotel companies.

Since 2010, some of London's most innovative and design-led hotel concepts and brands, such as Curtain and Nobu, opened in the area, raising its profile and attracting more affluent travellers.

### Current Hotel Supply: Brand Presence

The following chart provides an overview of the current and future hotel brands (circled in green) that are present in the area. Whilst traditional hotel brands may not currently form part of the upscale market proposition, there is a range of new and existing lifestyle/design-led hotel concepts which established hotel companies would be keen to bring to the market. This would allow to attract more visitors to the area, given that global hotel companies offer strong distribution platforms and extensive loyalty schemes, such as Marriott Rewards (110 million members).

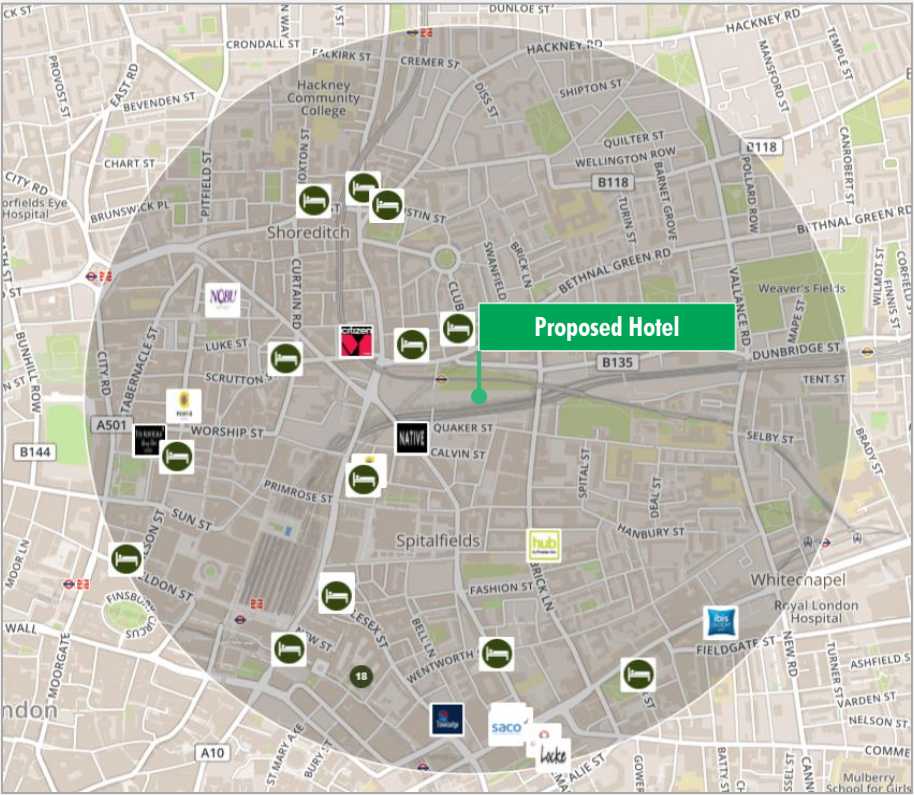


Source: CBRE Hotels, 2019



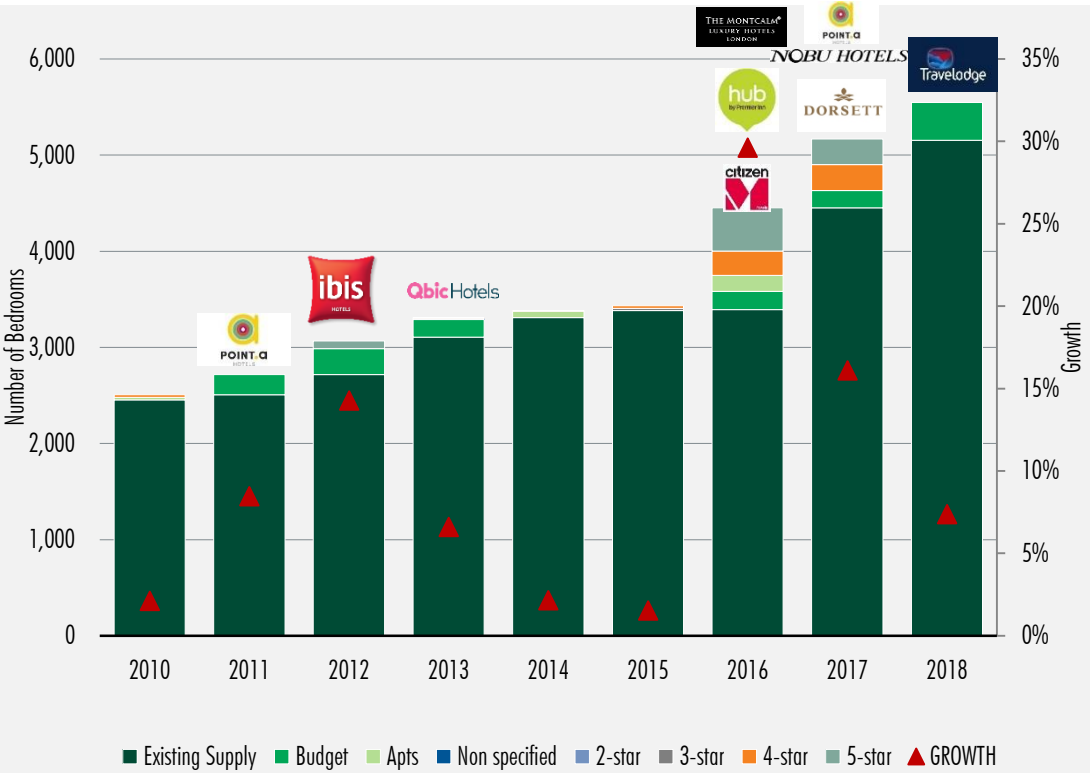
# Supply Evolution

## Location of the Hotel Openings since 2010



Source: STR, 2019

## Bedroom Supply Evolution within a 0.6 mile Radius of the Proposed Hotel



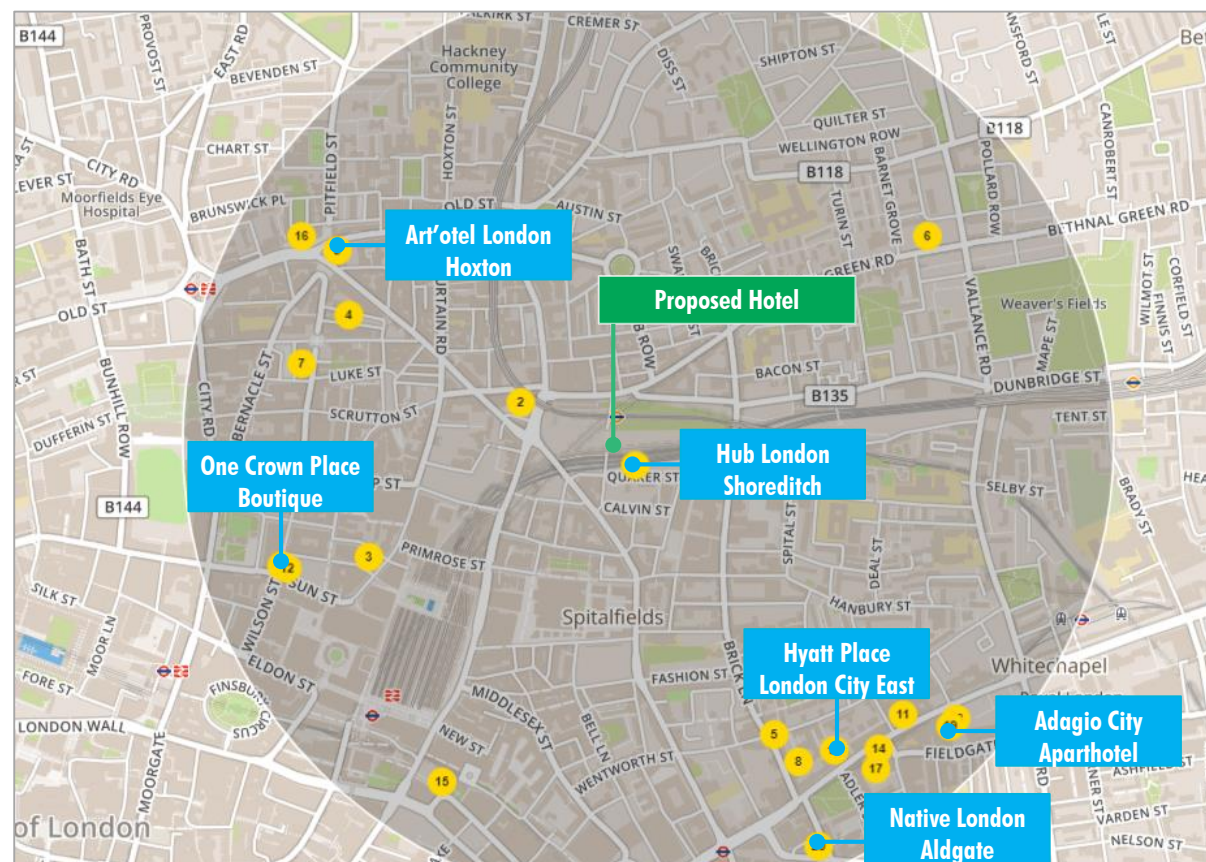
Between 2010 and 2019, hotel supply within a 0.6-mile radius from the proposed Hotel has grown at a compounded annual growth rate of approximately 9.0 per cent. The Shoreditch area has lagged behind the rest of London in the number of hotel beds available and has witnessed increased hotel development activity over the past four years. This was triggered by the regeneration of the local area, coupled with building availability and lower land costs compared to more central locations, which transformed Shoreditch into a popular hotspot for media, tech and creative industries.

## Hotel Pipeline

- According to the draft New London Plan, London will require approximately 58,000 bedrooms of serviced accommodation by 2041, with an average number of 2,230 bedrooms per annum. This is based on the analysis by Greater London Authority (GLA), prepared in 2015 and updated in 2017 (please refer to the report 'Projection of demand and supply for visitor accommodation in London to 2050'). GLA projects that over the 2016-2041 period, the boroughs of Tower Hamlets and Hackney will require additional 5,158 bedrooms and 3,382 bedrooms respectively. Since the study was conducted in 2015, approximately 1,823 bedrooms (TH) and 844 bedrooms (Hackney) have been already constructed; and there are additional 1,871 bedrooms (TH) and 741 bedrooms (Hackney) under construction. That said, by 2041 there will be a further requirement for 1,464 bedrooms and 1,797 bedrooms in TH and Hackney, respectively. In our view, this presents a strong case for the continued hotel development in both boroughs.
- We have identified a total of 10 hotel development projects currently under construction, equivalent to 1,392 bedrooms within a 0.6-mile radius of the proposed Hotel. The majority (8) of these developments are scheduled for completion in 2019. If successfully delivered these hotels would increase bedroom supply by approximately 25.0 per cent (this excludes the proposed Hotel). We also note that Nobu Shoreditch will increase its bedroom count by 13 bedrooms, suggesting that it is experiencing material accommodation demand in the area.
- A further 10 hotel projects with a total of 1,477 bedrooms are currently in planning. If all these developments were to come to fruition, it would increase hotel supply by another 27.0 per cent. Please refer to Appendix 4 for the detailed overview of confirmed and speculative projects.
- Hotel projects of relevance for the proposed Hotel in the Shoreditch area include:
  - art'otel Hoxton (0.5 mile from Hotel):** For its first hotel developments in the UK, art'otel has chosen Shoreditch and Battersea Park. Construction on the Shoreditch site has just started with an estimated completion in 2022 which will deliver 346 bedrooms and extensive leisure facilities in a new 25-storey building.
  - Hyatt Place London City East (0.7 miles from Hotel):** Currently under construction and anticipated to be completed by April 2022, it will become Hyatt's second hotel within a 0.6-mile radius of the site. The property will be managed by Cymas Hospitality, the current operator of eleven hotels and serviced apartments in Europe. Due to its location on Whitechapel High Street, we do not consider this hotel of primary competitive relevance. However, it is likely to compete for somewhat rate-sensitive leisure demand on a weekend.
  - Hub London Shoreditch (0.2 miles from Hotel):** The Premier Inn brand offering compact and ultra-connected rooms is opening an hotel in direct proximity to the proposed Hotel. However, due to its brand positioning and price point, we do not consider it to be of primary competitive relevance.

## Location of Potential Future Hotel Bedroom Supply

### 0.6 mile Radius of the Proposed Hotel



Source: STR, 2019; key hotel projects under construction are highlighted in blue



Similar to the current hotel supply trends, the future hotel pipeline is largely concentrated to the south and west of the site. There is a shortage of hotels schemes to the east of Shoreditch High Street, creating a good market opportunity for the proposed Hotel.

## Shoreditch: Hotel Market Operating Performance

12 Months to January 2019 vs 2018

- To illustrate the operating characteristics of the Shoreditch hotel market of relevance, we have obtained an STR benchmarking sample, comprising all 21 participating hotels within a 0.6-mile radius of the proposed Hotel.

Hotel	No. of Bedrooms	Opening Date
ibis London City-Shoreditch	348	Jun 2005
Point A Hotel London Liverpool Street	212	Jan 2011
Ace Hotel London Shoreditch	258	Jan 2004
hub by Premier Inn London Spitalfields Brick Lane	189	Feb 2016
Arbor City Hotel	115	Jan 1997
Travelodge London Liverpool Street Hotel	142	Jan 2001
Travelodge London City	395	Jul 2018
Courthouse Hotel Shoreditch	128	May 2016
Holiday Inn Express London City	224	Nov 1998
Travelodge London Central City Road	392	Jan 2007
Montcalm Royal London House City Of London	253	Oct 2016
citizenM London Shoreditch	216	Sep 2016
Hoxton Shoreditch	210	Sep 2006
The Curtain	120	May 2017
Nobu Hotel Shoreditch	148	Jun 2017
Point A Hotel Shoreditch	181	Feb 2017
South Place Hotel	80	Sep 2012
Devonshire Club Mantis Collection	68	Jan 2016
Andaz Liverpool Street London	267	
Dorsett London City	267	Jul 2017
Premier Inn London City Old Street	251	Nov 2011

### 12 Months to Jan 2019 vs 2018

Occupancy	84.5%	+5.1 ppts
ADR	£133.73	+2.5%
RevPAR	£112.97	+9.1%
Room Supply	1,557,865	+10.8%
Room Demand	1,315,972	+18.0%

Source: STR, 2019



The STR sample of relevance is a good representation of the current hotel supply trends within a 0.6-mile radius of the site. The set mainly comprises branded full-service and limited-service properties, 13 of which were added to the market between 2010 and 2019.



## Hotel Market Operating Performance

- Over the period under review (2014-2019), the hotel market of relevance has registered robust RevPAR growth, which increased at a compound annual growth rate (CAGR) of 4.2 per cent. Whilst occupancy levels were consistently close to or above 80 per cent, there was a notable growth in the achieved average daily rate (ADR), which increased by 21.2 per cent over the period.
- Local hotels have benefitted from robust accommodation demand, particularly during the midweek periods, as more companies relocated to the area, including Amazon and Adobe. This has allowed hotel operators to charge higher rates, whilst the opening of upscale and luxury hotels, such as Nobu Hotel Shoreditch and The Curtain, has attracted more affluent travellers to the area. The weakening of the pound following the EU referendum in June 2016 was also one of the major factors which led to an increased number of overseas travellers.
- The set strong trading performance has been achieved despite a substantial increase in bedroom supply, which increased by 76 per cent between 2014 and 2019. Except for 2017 and 2018, when five new hotels were added to the market, demand for hotel accommodation has outpaced supply, increasing at a CAGR of 12.3 per cent. We note that following an occupancy decline of 1.8 percentage points in the 12 months to January 2017, the set's occupancy levels rebounded by 5.1 per cent, illustrating that the new bedroom supply was effectively absorbed.
- In terms of monthly seasonality, in the 12 months to January 2019, average occupancy levels were above 75 per cent across eleven months of the year, with January being the only 'shoulder' month.
- In terms of ADR, local hotels charge the highest rates in June and between September and November, with the market benefiting from both strong corporate and leisure demand. In contrast, the lowest ADR is achieved in August, highlighting that local hotels still rely on somewhat rate-sensitive leisure demand.



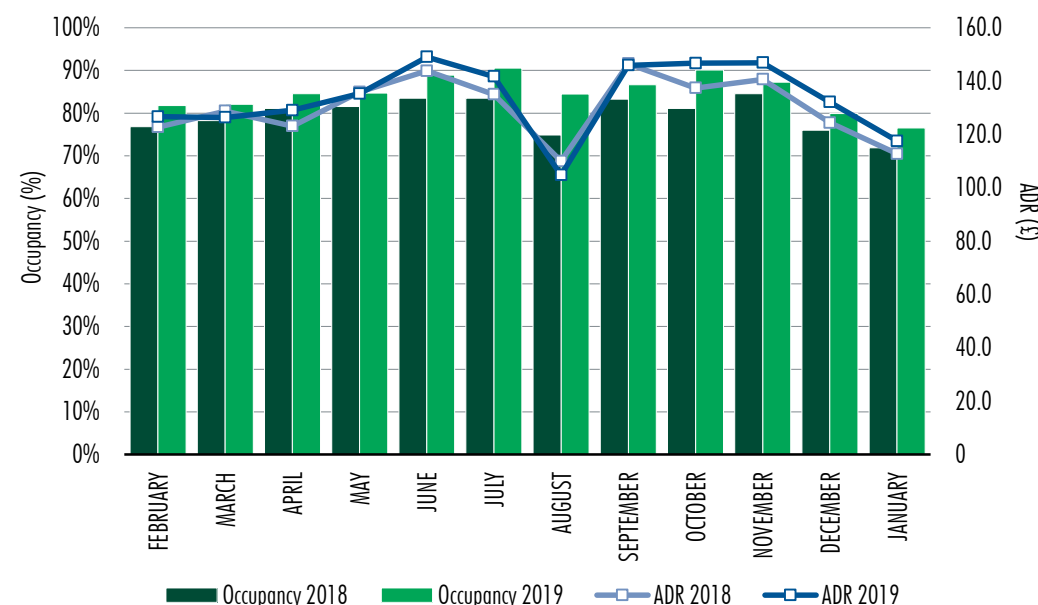
The local hotel market benefits from an equally strong corporate and leisure demand, resulting in minimum seasonal fluctuations. With occupancy levels consistently above 80 per cent since 2014, many hotels in the area are sold-out during peak periods throughout the year. As a result, travel demand is being displaced to other locations.

## Hotel Market of Relevance

12 MONTHS TO JANUARY		2014	2015	2016	2017	2018	2019	VARIANCE 19/18	CAGR 19/14
KEY PERFORMANCE INDICATORS									
Occupancy	%	83.6%	85.7%	85.8%	81.5%	79.7%	84.8%	5.1pp	0.2pp
Average Room Rate	£	110.45	120.17	124.65	123.39	130.60	133.87	2.5%	3.9%
RevPAR	£	92.29	102.98	106.91	100.55	104.04	113.50	9.1%	4.2%
RevPAR Variance	%		11.6%	3.8%	-6.0%	3.5%	9.1%		
OTHER PERFORMANCE INDICATORS									
Annual room supply	000s	893.91	901.00	903.48	1,101.96	1,416.70	1,570.11	10.8%	11.9%
Annual rooms sold	000s	746.97	772.15	774.94	898.01	1,128.60	1,331.22	18.0%	12.3%
Actual rooms revenue	£000s	82,499.22	92,785.69	96,594.00	110,801.31	147,398.90	178,214.99	20.9%	16.7%

Source: STR, 2019

## Monthly Occupancy and Rate Comparison (12 Months to January 2018 vs 2019)

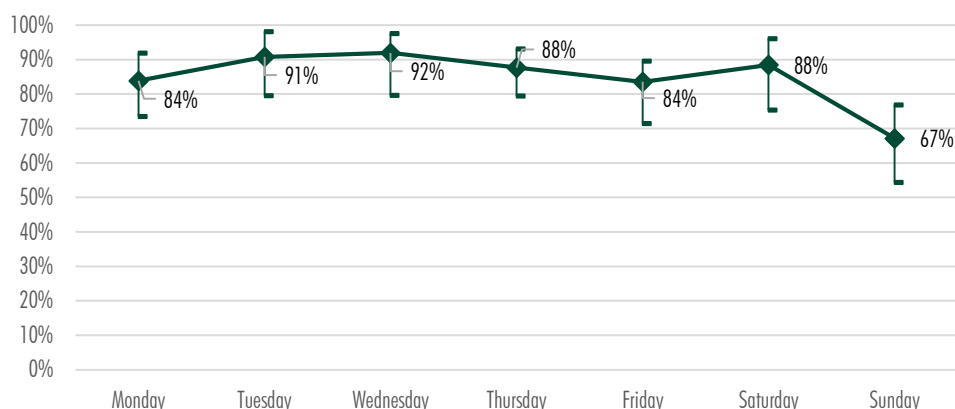


Source: STR, 2019

## Daily Market Trends

The graphs below present the spread of average daily occupancy and rate (ADR) for the selected STR market sample, illustrating the highest, lowest as well as average daily levels achieved in the 12 months to January 2019.

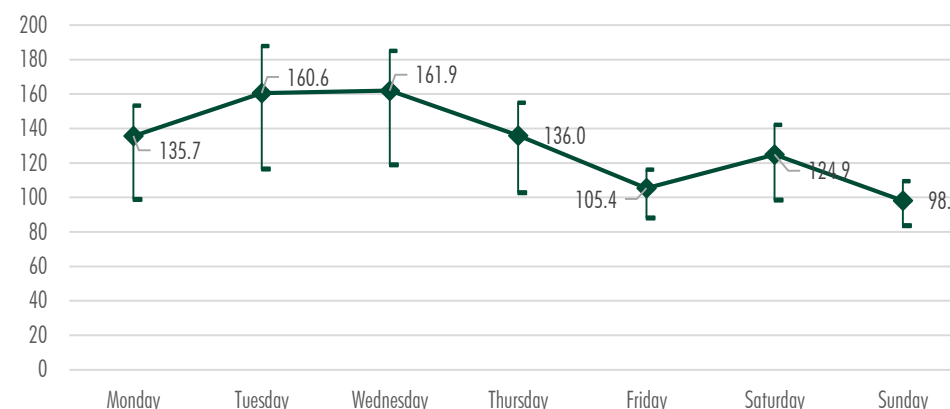
**Average Monthly Occupancy Spread by Day**  
12 Months to January 2019



Source: STR, 2019

- Over the period under review, the market has benefitted from strong accommodation demand. Average occupancy levels have been strong on almost all days of the week, except for Sunday.
- The market equally benefits from strong midweek demand, with occupancy rates reaching circa 92 per cent, as well as on Friday and Saturday, with leisure demand driven by sporting, cultural and other events in London.
- There is nearly no variance across the week, highlighting the strength of corporate and leisure demand.

**Average Monthly ADR Spread by Day**  
12 Months to January 2019



Source: STR, 2019

- In terms of the achieved average daily rates, local hotels have been able to yield manage effectively on Tuesday and Wednesday, which are also the busiest nights of the year for hotels in Central London.
- Despite similar occupancy levels, there is a notable variance between the rates achieved on the midweek and weekend periods. This may be attributed to the price sensitive nature of leisure travellers and perceived secondary location of the local area compared to the West End.



With average annual occupancy levels above 85.0 per cent, there are multiple days of the week when local hotels are displacing significant demand, which presents a clear need for more hotel accommodation in the area.

## **7.0 CONCLUSION**

## Proposed Hotel Development: Hotel Needs Assessment Conclusion

Following our examination of the Shoreditch hotel market, we consider there to be a demonstrable need for more hotel accommodation in the area, based on the following findings:

1. According to the draft New London Plan, London will require approximately 58,000 bedrooms of serviced accommodation by 2041, with an average number of 2,230 bedrooms per annum. This is based on the analysis by the Greater London Authority (GLA), prepared in 2015 and updated in 2017 (please refer to the report 'Projection of demand and supply for visitor accommodation in London to 2050').
2. GLA projects that over the 2016-2041 period, the boroughs of Tower Hamlets (TH) and Hackney will require additional 5,158 bedrooms and 3,382 bedrooms respectively. Since the study was conducted in 2015, approximately 1,823 bedrooms (TH) and 844 bedrooms (Hackney) have been already constructed; and there are additional 1,871 bedrooms (TH) and 741 bedrooms (Hackney) under construction. That said, by 2041 there will be a further requirement for 1,464 bedrooms and 1,797 bedrooms in TH and Hackney, respectively. In our view, this presents a strong case for the continued hotel development in both boroughs.
3. Looking more specifically at hotel stock within the market of relevance (0.6-mile radius of the site), we note that there is a clear shortage of quality guest accommodation surrounding Shoreditch High Street Station and to the east of the proposed Hotel.
4. Demand for hotels in the local market of relevance (0.6-mile radius of the site) remains robust, despite a notable growth in bedroom supply since 2010 (circa 3,363 new bedrooms). Historical and current average occupancy levels have been consistently close to 80 per cent. This provides a clear evidence of an undersupplied hotel market and that the new hotels have been effectively absorbed. For instance, in the 12 months to January 2019, occupancy levels exceeded 80 per cent across 10 months of the year, peaking at around 90 per cent in July and October.
5. We project hotel demand to increase amid the ongoing regeneration of the local area, coupled with the arrival of Elizabeth Line in December 2019. This includes a number of high-profile office development schemes, such as The Stage Shoreditch and 100 Liverpool Street, which are likely to drive corporate footfall in the area and underpin business travel demand.
6. The proposed Hotel will only improve the area's profile, but will also deliver direct and indirect economic benefits.



## **8.0 APPENDICES**



## Appendix 1: Glossary

### ARR – Average Room Rate

Defined as the average room rate charged per paid room occupied and is calculated by dividing total rooms revenues by the number of rooms sold.

### Bed nights

Quantifies the number of guests resident in the hotel.

### Cost of Sales

Expenses directly related to the sale of goods or services such as raw materials but excluding indirect expenses.

### Demand Build-Up

Demand build-up is a methodology used to project room night demand, and includes an assessment of seasonality, source of demand, and future trading potential of any given hotel.

### Direct Expenses

Direct expenses relates to direct variable costs incurred in the operation of each department and varies from property to property. Examples include satellite television subscription, laundry and dry cleaning, guest and cleaning supplies costs.

### DOP – Departmental Operating Profit

Total departmental revenue less cost of sales, payroll costs and direct operating expenses.

### Double Occupancy

Double occupancy describes a double or twin room that is occupied by two people as opposed to single occupancy in which case one person occupies a double or twin room.

### Double Occupancy Factor

A measurement to denote the incidence of two people occupying double or twin room. A double occupancy factor of 1.2 denotes that 20 per cent of the time, two people share the room, while a double occupancy factor of 2.0 denotes that two people share the room all of the time.

### Fair Share

Based on analysis of current accommodation demand and supply in any given hotel market. It includes an assessment of demand growth in the market, the impacts of future competitive supply and displaced and created demand. The term 'fair share' relates to each hotel achieving an equal proportion of demand in the specified market.

### GOP – Gross Operating Profit

Gross Operating Profit is defined as total revenue less all departmental and undistributed operating expenses, also referred to as IBFC (Income before Fixed Costs)

### Limited – Service Hotels

Originally defined as a hotel without restaurant or banquet facilities, the services and amenities offered to guests of limited-service hotels are typically simple. However, these services and amenities have expanded over the past decade, and in today's market a limited-service hotel's range of amenities might include a business centre, a fitness room, a guest laundry facility, a market pantry, an indoor and/or outdoor pool and whirlpool, and small meeting rooms. "Budget" limited-service hotels offer no-frills rooms at modest prices. More robust limited-service hotels offer many of the same high-quality amenities that guests would expect from full-service hotels, with one significant difference: limited-service hotels lack a dedicated, revenue-producing food and beverage component.

### Management Fees

Management Fees are fees charged by an organisation managing a property for management services and supervision of the property.

### MOD – Minor Operated Departments

Minor Operated Departments include equipment rental, telephone and business centre revenues.

### Rack Rate

The standard price of a hotel room before any discounting has taken place and is often a statement of position in the market.

### Room Yield

Calculated by dividing total room revenues by the number of rooms available for sale in the same period.

### Room Occupancy

Calculated by dividing the number of roomnights sold during a period by the total number of rooms available in the same period.

### Roomnights

Describes the number of rooms that are occupied in a hotel, regardless of the number of people staying in the room.

### Sales per Employee

Calculated by dividing total sales by the total number of full-time employees (i.e. part-time employees count as fewer than one).

### UOE – Undistributed Operating Expenses

This classification is used for administrative and general expenses, marketing expenses, energy costs, and property operation and maintenance expenses.

Appendix 2: CBRE Hotels Disclaimer



We do not guarantee the fulfilment of any estimates contained within this report, although they have been conscientiously prepared by us on the basis of our research and information made available to us at the time of our study. No allowance has been made for the effects of possible dislocation consequent upon subsequent changes in political or economic policies in the UK or elsewhere.

As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

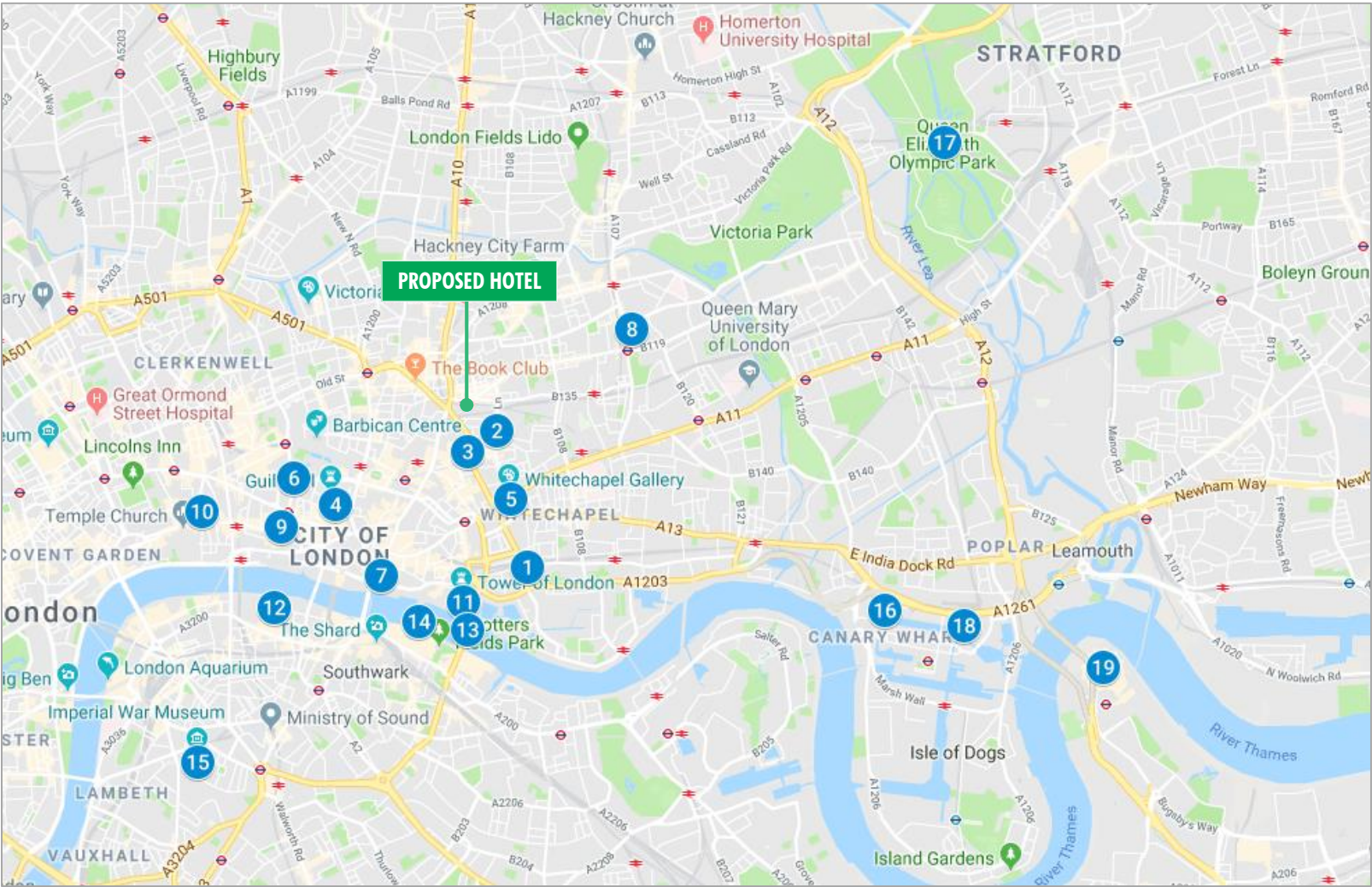
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# Appendix 3: Tourism Demand Generators | Micro Location

## Locational Overview



- 1 Jack The Ripper Museum
- 2 Brick Lane Market
- 3 Old Spitalfields Market
- 4 Guildhall Art Gallery
- 5 Whitechapel Gallery
- 6 Museum of London
- 7 Monument
- 8 Museum of Childhood
- 9 St. Paul's Cathedral
- 10 Dr Johnson's House
- 11 Tower of London
- 12 Tate Modern
- 13 Tower Bridge Exhibition
- 14 HMS Belfast
- 15 Imperial War Museum
- 16 Museum of London Docklands
- 17 Queen Elizabeth Olympic Park
- 18 Billingsgate Market
- 19 The O2

Source: Google Maps, 2019

## Appendix 4: Pipeline

### In Construction, Final Planning and in Planning (0.6-mile radius of the site)

HOTEL NAME	GRADE	ROOMS	BRAND	ADDRESS	POSTCODE	PLANNING REFERENCE
<b>DUE 2019</b>						
The Buxton	3	15	Nobu Hotels	42 Osborn Street	E1 6TD	PA/17/01796/A1
Nobu Hotel Shoreditch (Extension)	5	13	Independent	10-50 Willow Street	EC2A 4BH	2017/1550
One Crown Place Boutique	4	32	Aparthotel Adagio	1-17 Crown Place & 5-15 Sun Street & 54 Wilson Street	EC2A 2BT	2015/0877
Adagio City Aparthotel London Whitechapel	Apts	147	Native	100 Whitechapel Road	E1 1JQ	PA/15/03518/A1
Native London Aldgate	Apts	178	Independent	29-37 White Church Lane & 27 Commercial Road	E1 1LD	PA/15/00290
Blakes Shoreditch Hotel	5	87	hub by Premier Inn	17 Corsham Street	N1 6DR	2015/2199
hub London Shoreditch	Budget	260	Independent	Quaker Street	E1 6SN	PA/16/00392
Cityside House	Budget	34		42 Adler Street	E1 1EE	PA/15/00517
<b>SUBTOTAL</b>		<b>766</b>				
<b>DUE 2022</b>						
Hyatt Place London City East	4	280	Hyatt Place	45 Whitechapel Road	E1 8DU	PA/18/00947
art'otel London Hoxton	4	346	art'otel	84-86 Great Eastern Street	EC2A 3JL	2015/1834
<b>SUBTOTAL</b>		<b>626</b>				
<b>FINAL PLANNING</b>						
Adagio City Aparthotel London Whitechapel	Apts	147	Aparthotel Adagio	100 Whitechapel Road	E1 1JE	PA/15/03518/A1
Great St Helen Hotel	3	6	Independent	36 Great St Helen's	EC3A 6AP	17/01129/FULL
Paul Street	3	145	Independent	49-51 Paul Street	EC2A 4LJ	2018/2104
The Rex	3	145	Independent	281-285 Bethnal Green Road	E2 6AH	PA/17/00299/A1
<b>PLANNING</b>						
Aytans	3	167	Independent	107-113 Whitechapel Road	E1 1DT	PA/18/00108/A1
Buckle Locke	Apts	104	Locke	21-23 Buckle Street	E1 8NN	PA/16/03552
Club Quarters London Liverpool Street	4	392	Club Quarters	13-14 Appold Street	EC2A 2NB	2015/1685
Flying Horse	3	8	Independent	52 Wilson Street	EC2A 2ER	2016/1726
Pan Pacific London	4	255	Pan Pacific	128-150 Bishopsgate & Devonshire Row & Houndsditch	EC2N 4AU	14/01151/FULL
Whitechapel Bell Foundry	3	108	Independent	32 Whitechapel Road	E1 1EW	PA/19/00008/A1
<b>SUBTOTAL</b>		<b>1,034</b>				
<b>TOTAL</b>		<b>2,426</b>				

Source: STR, 2019



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