

Kensington Forum

QUEENSGATE
INVESTMENTS

Rockwell

Kensington Forum Hotel – London

HOTEL MARKET OVERVIEW REPORT | JUNE 2018

Holiday Inn London – Kensington Forum Hotel Redevelopment

HOTEL MARKET OVERVIEW – EVALUATING DEMAND
1 JUNE 2018

PREPARED FOR
Queensgate Investments

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1 INTRODUCTION

1.1 BACKGROUND

We understand that Queensgate Investments intend to redevelop the current 4* 906-key Kensington Forum Hotel into a 749-key 4+* hotel with 340 serviced residences and considerable conferencing capacity (c. 2,500 square metres).

Rockwell Property, the development partners of Queensgate Investments, have indicated the need for a Hotel Market Overview outlining the current and future capacity for the redeveloped hotel in the local market.

1.2 PURPOSE & TERMS OF ENGAGEMENT

The purpose of this study is to undertake a high level assessment of the demand and market opportunity for the project. We have evaluated supply and demand for hotel accommodation in the local area as well as the current conferencing and events market across London.

Our overview is based upon the concept and capacity as supplied by Rockwell Property. We present the proposed facility mix in the table below.

Exhibit 1: Proposed Hotel- Facility Mix

Hotel Options A & B	Standard	Superior	Deluxe	Suite	Penthouse	Total
Hotel A	434	156	122	35	2	749
Average Unit Area (m2)	22.83	26.22	35.06	48.97	235.81	
Total (m2)	9,910.24	4,090.64	4,276.77	1,714.11	471.62	20,463.38
Hotel B	432	184	104	40	2	762
Average Unit Area (m2)	22.02	23.97	34	43.01	255.48	
Total (m2)	9,511.71	4,410.26	3,536.23	1,720.55	510.96	19,689.71

Serviced Residences	Studio	One Bed	Two Bed	Penthouse	Total
Total	70	201	67	2	340
Average Unit Area (m2)	25.07	34.91	54.86	178.86	
Total (m2)	1,755.15	7,016.54	3,675.31	357.71	12,804.71

Ancillary Facilities	GIA (m2)
F&B	1,820.61
Syndicate	1,422.48
Conference	2,489.51
Gym	866.40

Source: SimpsonHaugh and Partners Master Schedule

2 ECONOMIC AND TOURISM PROFILE

We provide an overview of the local area in terms of its economic and tourism profile, which will provide a brief context to help our assessment of future growth assumptions for the market.

2.1 ECONOMIC PROFILE

The Royal Borough of Kensington and Chelsea, in which the Holiday Inn Kensington Forum sits, is one of London's primary retail and tourism areas as well as having a significant business services sector. It is home to several businesses, supporting c. 20,000 business services employees, c.20,000 wholesale and retail employees and c.20,000 hospitality employees (Local Economic Evidence Report – Royal Borough of Kensington and Chelsea). Employers in the area include the Daily Mail, Sony, Warner Music, the Natural History Museum and the Victoria & Albert Museum.

UK Economic Outlook and Inflation Prospects

UK economic growth slowed in 2017 as inflation rose sharply, squeezing household spending power.

We believe that the slow growth in consumer spending and the drag on business investment from ongoing political and economic uncertainty relating to the Brexit negotiations will negatively impact UK GDP growth in 2018 and 2019.

On the other hand, the weaker pound may boost net exports, which arguably should offer some support for overall GDP growth. Service sector growth will slow but remain positive in 2018. Some manufacturing exporters will benefit from the weaker pound but businesses serving domestic consumers may likely see some slowdown in growth.

The Bank of England could raise interest rates once or twice this year, though the pace of increase will remain limited and gradual.

Our view on growth for 2018 is in line with many city economists and the latest independent forecasts produced by the OBR which shows 1.5% GDP growth in 2018. We summarise our economic growth and inflation prospects below.

2.2 TOURISM PROFILE

- In 2016, London welcomed 19.06 million overseas and domestic visits (2.57% up from 2015), generating approximately £11.87 billion in expenditure.
- These visits generated a total of 111.87 million overnight stays with an average length of stay of 5.83 nights and an average spend per visit of £623;
- 2017 quarterly visitation data shows 15.11 million visitors in Q1-3 generating approximately £10.36 billion in expenditure and a total of 86.61 million overnight stays. (*VisitBritain*);
- Visitors to London in 2025 are projected to grow by 30% compared to 2016, with 40.4 million international and domestic visits and £22 billion in expenditure. (*London and Partners*).
- The RBKC area is one of the most popular visitor destination in London, holding a strong appeal to both domestic and international tourists due to its excellent retail and cultural offerings. It is home to London's 'Museum Quarter'.
- We present key demand generators in the local area in the table below.

DEMAND GENERATORS, RBKC

The Royal Borough of Kensington and Chelsea, of which the Kensington Forum sits at the heart, is one of the most densely populated boroughs in terms of domestically and internationally-renowned attractions.

Key attractions of London's 'Museum Quarter' are the Victoria and Albert Museum, Natural History Museum and the Science Museum. Other world-renowned cultural attractions include the Royal Albert Hall, Kensington Palace, the Royal College of Arts, the Royal College of Music and the Design Museum.

The data shows clearly that there is a strong retail and medical presence in the borough with the top employees being Harrods and Peter Jones (department stores), the Brompton Hospital and the Royal Borough of Kensington and Chelsea.

The borough's three strongest sectors (*RBKC – Local Economic Evidence*) are Business Services, Wholesale & Retail and Hospitality, respectively.

There are 18,000 businesses in the Royal Borough which attract some of the most highly qualified populace in the country from across London and the South East employed across Business Services, Retail, Hospitality, Real Estate, Medical and Personal Services.

Approximately half of all visitor spend in RBKC is in retail with many shopping destinations such as the King's Road, Portobello and Knightsbridge.

<i>Business Demand Generators</i>	<i>Leisure Demand Generators</i>
Companies located in the area, include RBKC, National Heart & Chest Hospitals, Warner Music, Sony Publishing and Perenco Oil & Gas.	Events such as the Chelsea Flower Show, London Fashion Week, Notting Hill Carnival, Opera Holland Park, British Summertime, Winter Wonderland.
Ease of access to London Heathrow Airport as well as Central London	Iconic retail such as Harrods, Peter Jones, Sloane Street, Kings Road, Portobello Market.
Excellent transport serviceability with 12 underground stations serviced by the Circle, District, Central, Piccadilly and Hammersmith and City.	The 'Museum Quarter': cultural and historical attractions such as Royal Albert Hall, Natural History Museum, Victoria and Albert Museum, Kensington Palace, the Design Museum.

3 CONFERENCING AND EVENTS

3.1 EXISTING CONFERENCE AND EVENTS MARKET

Despite any political and economic concerns, the conferencing industry in London appears to remain robust within the context of global, national and local data. According to the ICCA (International Congress and Convention Association) London has ranked 5th in both 2016 and 2017 for International Association meetings (with 171 and 177 meetings respectively).

Exhibit 2: ICCA 2017 City Rankings

ICCA City Rankings: 2017 International Association Meetings

Rank	City	Number of Meetings
1	Barcelona	195
2	Paris	190
3	Vienna	190
4	Berlin	185
5	London	177
6	Singapore	160
7	Madrid	153
8	Prague	151
9	Lisbon	149
10	Seoul	142

Source: ICCA

We have identified some of the largest conference hotels across London and summarised their facilities in the table below. The average total capacity across these 13 hotels is approximately 2,000 delegates, with a single reception capacity average of 919 delegates and square meterage of 1,253.

Exhibit 3: London Conference Hotels

Hotel Name	Meeting Rooms	Capacity - Reception	Total Capacity	Max SqM
Novotel London West	33	1443	6448	1726
InterContinental London The O2	17	3018	6073	3013
Hilton London Metropole Hotel	42	1061	4050	1062
Park Plaza Westminster Bridge London	32	1200	2450	1167
Hilton London On Park Lane Hotel	13	936	2409	937
Grange Hotel St Paul's	14	557	2329	1858
Marriott London Hotel Grosvenor Square	16	763	2084	763
Park Inn by Radisson Hotel & Conference Centre London Heathrow	41	445	2000	1940
Hilton London Olympia Hotel	10	350	1706	612
Hilton London Paddington Hotel	18	433	1544	282
InterContinental London Park Lane	15	837	1335	841
JW Marriott Grosvenor House	26	585	1235	1779
Amba Hotel Marble Arch	12	314	1158	313

Source AM:PM/Colliers International

Significant, non-hotel, venues in London and their capacity are listed below:

Exhibit 4: London Venues

Venues	Meeting Rooms	Capacity - Reception	Total Capacity	Max Sqm
ExCel London	72	10000	20000	100000
The O2	7	3000	2200	3402
Wembley Stadium	25	3250	1100	3480
Tobacco Dock	40	10000	1200	1178

The current Holiday Inn Kensington Forum has a total capacity of 1,083 and reception capacity of 300. The proposed redevelopment of this site indicates a total conferencing square meterage 2,489.51.

A general rule of thumb for size versus capacity can be seen in the table below. We can, therefore, assume that the redeveloped Kensington Forum hotel will offer a considerable conference and events facility, on a par with the top conferencing hotels in London, such as the Hilton London Metropole which, in 2016, recorded a total Conference and Events revenue of over £10 million (*Hilton Metropole*).

Exhibit 5: Capacity vs Square Meter

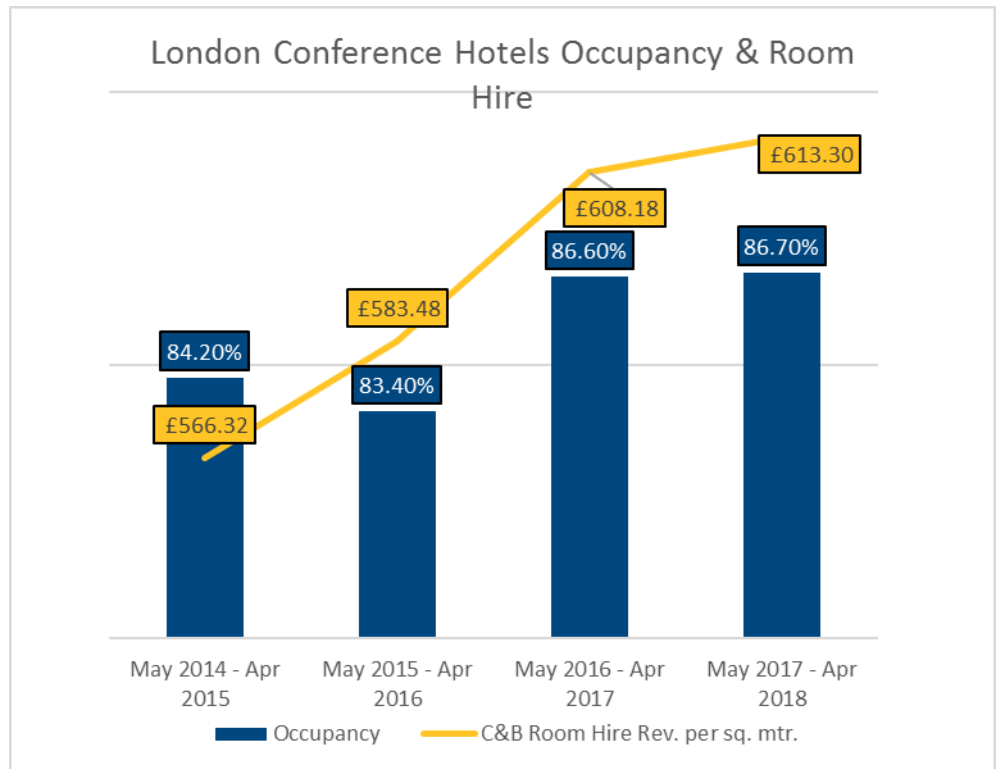
		Pax	SqM per Pax
Ballroom	<i>Small</i>	100 - 150	1.45 - 1.3
	<i>Medium</i>	150 - 350	1.35 - 1.25
	<i>Large</i>	350+	1.3 - 1.15
Meeting Room	<i>Small</i>	30 - 80	1.7 - 1.5
	<i>Medium</i>	80 - 180	1.6 - 1.3
	<i>Large</i>	180 - 300	1.45 - 1.25
Boardroom	<i>Small</i>	Oct-15	2.2 - 1.7
	<i>Medium</i>	15 - 25	1.9 - 1.5
	<i>Large</i>	25 - 50	1.8 - 1.4

Source: Colliers International

3.2 LONDON CONFERENCE HOTELS PERFORMANCE

The consolidated occupancy and room hire from May 2014 to April 2018 of five London conference hotels (Hilton London Kensington, Hilton London Wembley, Novotel London West, Park Plaza Victoria London, Pullman London St Pancras) as recorded by HotStats is summarised in the graph below. There was a slight drop in occupancy in 2015 – 2016 likely due to a combination of new supply (the Intercontinental O2) and an increase in ADR (from £113.02 to £115.44). However, room hire prices per square meter continued at a steady growth rate (average of approximately £15 per year) despite a seemingly flat occupancy growth between 2016 and 2017 which suggests continued demand for the conference and events market in London.

Exhibit 6: London Conference Hotels Occupancy and Room Hire per Meter Squared



Source: HotStats

4 THE HOTEL MARKET OF RELEVANCE

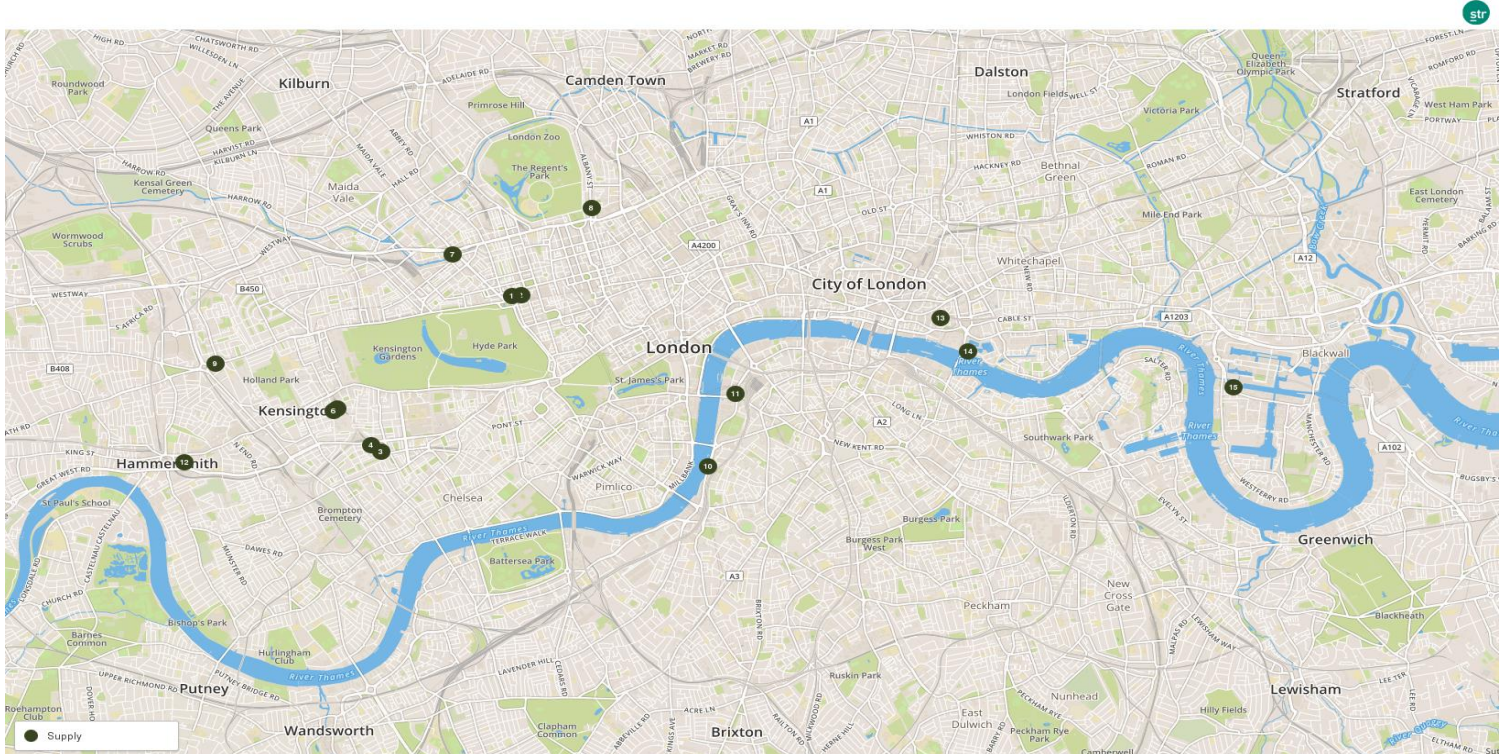
4.1 EXISTING HOTEL MARKET

We have identified the relevant Kensington Forum hotel market as including all 4-5* hotels above 500 bedrooms, within Greater London. Currently, there are 15 **properties** providing 11,176 bedrooms. The average conference delegate capacity of these hotels is 1,548.

There have been no new hotel openings within these parameters. The most recent opening was the Park Plaza Westminster Bridge London in 2010 (N.B. the Intercontinental London The O2 opened in 2015 with 453 bedrooms).

Exhibit 7: Existing Hotel Market

Marker	Title	Class	Rooms	Brand	Owner	Operator	DelROOM	DelMAX	DelCAP	Restaurant	Pool	Gym	Spa
1	Guoman The Cumberland Hotel	4	1019	Guoman	Pike Investment Trust (London & Regional Properties / Starwood Capital)	GLH Hotels Management (0)	26	158	696	Y	N	Y	N
2	Amba Hotel Marble Arch	4	692	Independent	GLH Hotels Ltd	GLH Hotels Management	12	314	1158	Y	N	Y	N
3	Millennium Gloucester London Kensington	4	610	Millennium	City Developments Ltd (Singapore)	Millennium & Copthorne	25	250	708	Y	N	Y	N
4	Holiday Inn London Kensington Forum	4	906	Holiday Inn	Queensgate Investments		14	900	1083	Y	N	Y	N
5	Copthorne Tara London Kensington	4	833	Copthorne	City Developments Ltd (Singapore)	Millennium & Copthorne	2	260	947	Y	N	Y	N
6	Holiday Inn London Kensington High St	4	706	Holiday Inn	Cola Holdings Ltd (Bakir Cola)	Cola Holdings	12	157	421	Y	Y	Y	Y
7	Hilton London Metropole Hotel	4	1059	Hilton	IDB Holding / Henderson Park Capital Partners UK L	Hilton Managed	42	1061	4050	Y	Y	Y	N
8	Melia White House	4	580	Melia	Lomondo Ltd (Melia Hotels International)	Sol Melia Management	9	139	139	Y	N	Y	N
9	Hilton London Kensington Hotel	4	601	Hilton	Consensus Business Group (Vincent Tchenguiz / Farnsworth)	Hilton Managed	12	528	1174	Y	N	Y	Y
10	Park Plaza London Riverbank	4	608	Park Plaza	Riverbank Holding BV (PPHE Hotel Group)	Park Plaza Hotels & Resorts	11	644	1419	Y	N	Y	N
11	Park Plaza Westminster Bridge London	4	1019	Park Plaza	Malbray / Euro Sea / Private Investors	Park Plaza Hotels & Resorts (PPHE Hotel Group)	32	1200	2450	Y	Y	Y	Y
12	Novotel London West	4	630	Novotel	Land Securities (Hotels) Ltd	Accor (Accor HotelServices)	33	1443	6448	Y	N	Y	N
13	Doubletree London Tower Of London	4	582	DoubleTree	Bhatia Ltd (Gulshan Bhatia)	Hilton Managed	11	126	578	Y	N	Y	N
14	Guoman The Tower	4	801	Guoman	GLH Hotels Ltd	GLH Hotels Management (0)	21	292	789	Y	N	Y	N
15	Britannia International	4	530	Britannia	Britannia Hotels Ltd (Alex Langsam)	Britannia Hotels Management	15	603	1161	Y	N	Y	N



Source: AM:PM Hotels/STR

4.2 LOCAL COMPETITIVE ENVIRONMENT

We have identified **6 hotels** collectively providing 4,286 bedrooms (average number of bedrooms per hotel 714 bedrooms), which we consider will be of competitive relevance to the proposed hotel. We have based this on key factors including location and proximity to the site of the proposed redevelopment, grading and market positioning. These hotels have an average delegate capacity of 1,796.

We have included the existing Kensington Forum hotel in this competitive market as it provides evidence of the current market in the specific location of the proposed hotel, but, as a Holiday Inn, offers a distinct proposition. The existing Kensington Forum Hotel is classified, according to AM:PM, as a 4* property but in its current offering and condition, presents itself as a 3* product.

The local 4* hotels, as according to AM:PM, and listed in Exhibit 8 below, are the Holiday Inn London Kensington High Street, Copthorne Tara London Kensington, Holiday Inn London Kensington Forum, Millennium Gloucester London Kensington, Hilton London Kensington Hotel, London Novotel West. The data suggests that these hotels were all opened in, or before, 1973. This, combined with our knowledge and experience of these hotels, suggests that the existing 4* market, offers a dated product and sits below recent Greater London 4* and upper upscale offerings.

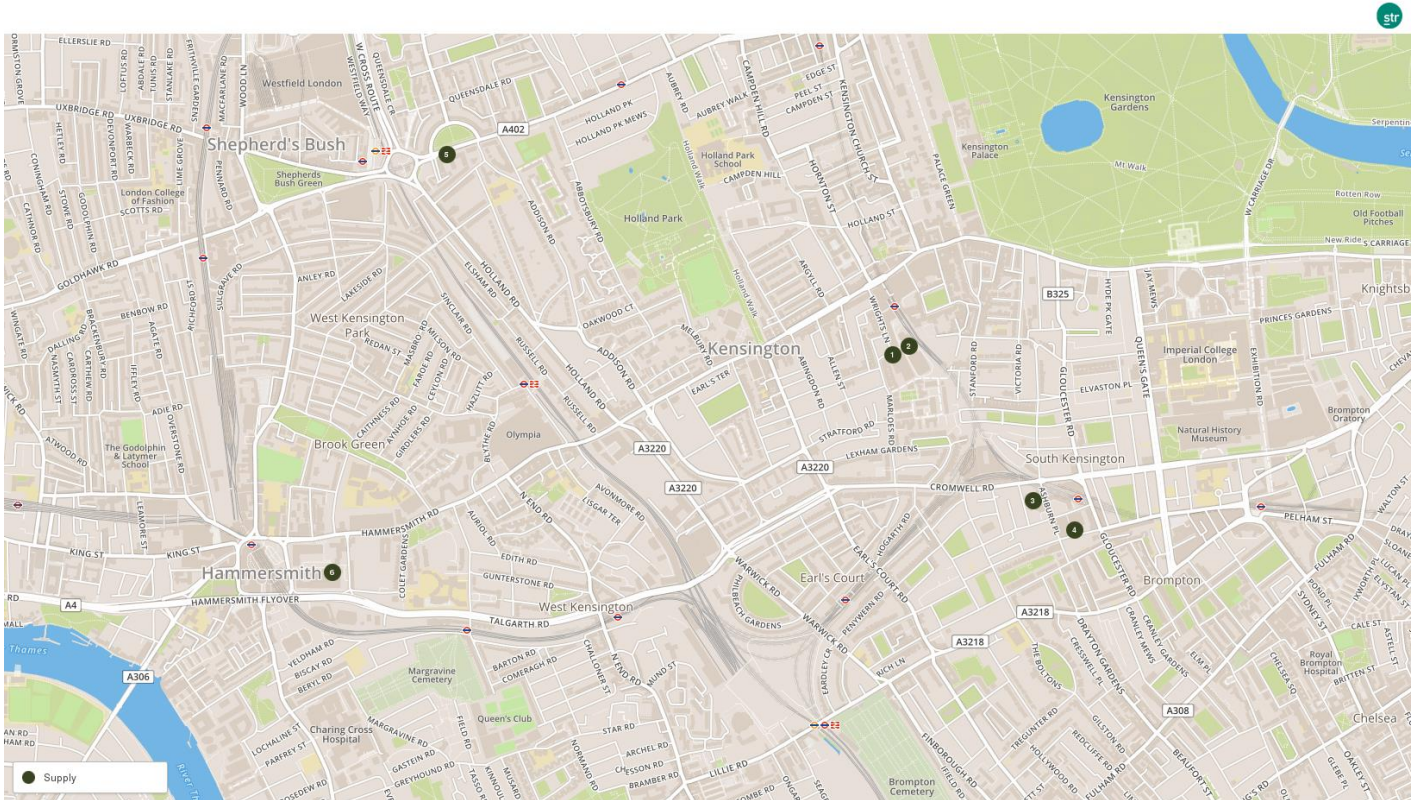
There appears to be a gap in supply for a genuine upper upscale/4 * plus hotel product in the local market.

We outline the location of these in the map below.

Exhibit 8: Competitive Set

Marker Title	Class	Rooms	Opened	Brand	Owner	Operator	DelROOM	DelMAX	DelCAP	Restaurant	Pool	Gym	Spa	
1	Holiday Inn London Kensington High St	4	706	1960	Holiday Inn	Cola Holdings Ltd (Bakir Cola)	Cola Holdings	12	157	421	Y	Y	Y	Y
2	Cophorne Tara London Kensington	4	833	1973	Cophorne	City Developments Ltd (Singapore)	Millennium & Cophorne	2	260	947	Y	N	Y	N
3	Holiday Inn London Kensington Forum	4	906	1973	Holiday Inn	Queensgate Investments	Millennium & Cophorne	14	300	1083	Y	N	Y	N
4	Millennium Gloucester London Kensington	4	610	1973	Millennium	City Developments Ltd (Singapore)	Millennium & Cophorne	25	250	708	Y	N	Y	N
5	Hilton London Kensington Hotel	4	601	1973	Hilton	Consensus Business Group (Vincent Tchenguiz / Farnsworth)	Hilton Managed	12	528	1174	Y	N	Y	Y
6	Novotel London West	4	630	1973	Novotel	Land Securities (Hotels) Ltd	Accor (Accor HotelServices)	33	1443	6448	Y	N	Y	N

Source: AM:PM Hotels

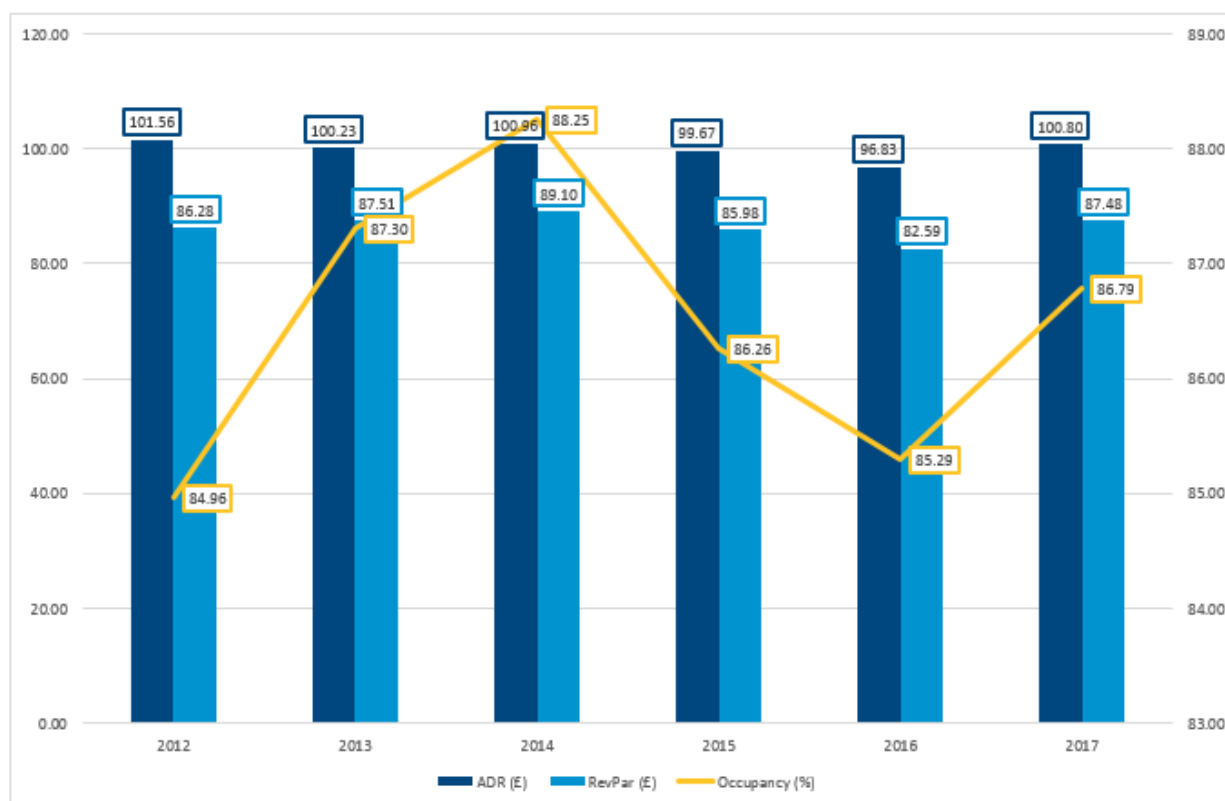


Source: AM:PM Hotels/STR

4.3 COMPETITIVE MARKET PERFORMANCE

We have commissioned an updated hotel performance data report from STR for the same sample set namely the Holiday Inn London Kensington High St, Cophorne Tara London Kensington, Holiday Inn London Kensington Forum, Millennium Gloucester London Kensington, Hilton London Kensington and Novotel London West. We present the historic and current performance of the competitive set below.

Exhibit 9: Occupancy, ADR and RevPAR Trends, 2012-2017



Source: STR Report, May 2018

- Competitor hotels have experienced some growth in occupancy levels between 2012 and 2017, with considerable fluctuation between 2014 and 2016 likely due to a number of new hotel openings in London in 2015 and 2016 (19 hotels in the 4* - 5* category, accounting for 3,052 new bedrooms in supply) as well as some commercial impact of the Brexit vote in June 2018. Performance for 2017 indicates an improvement in the occupancy, increasing by 1.5% on the previous period, and reaching 86.79% which is above 2015 and only 1.46% behind the 2014 peak. This is positive considering there has been an increase in the hotel supply in 2017 of 11 hotels (1,620 bedrooms).
- In general, the competitive set has seen fairly stable year-on-year ADR performance over the past five years, again with a slight decline in 2015 and 2016 but showing strong recovery in 2017 back to almost 2014 levels (£100.80 and £100.96 respectively).
- In general, steady ADR with a fluctuating occupancy has resulted in a steady a constant RevPAR suggesting, despite external influences and concerns, the competitive market continues to be stable.

4.4 FUTURE SUPPLY OF RELEVANCE

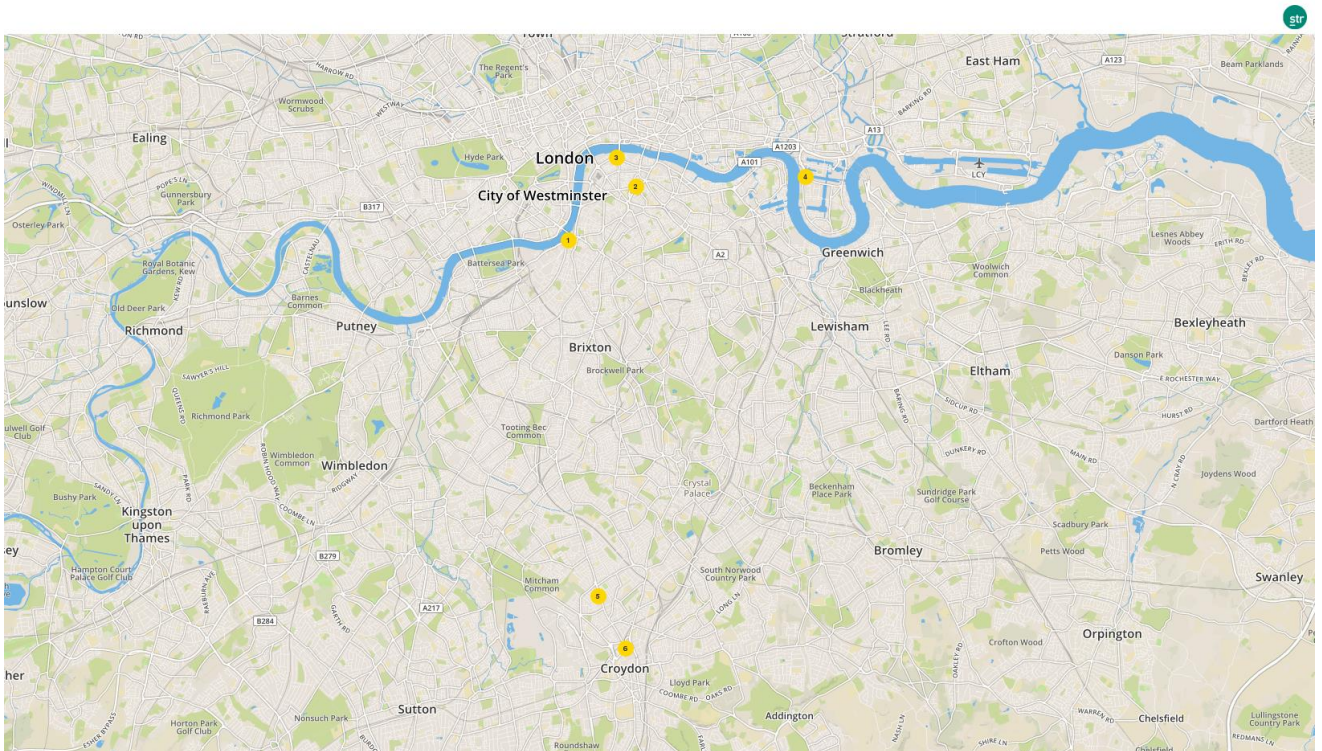
According to the AM:PM database, there are **6 hotels** in the development pipeline which are of 400 or more bedrooms and between 3-5* grade, representing a

potential increase of **3,181 bedrooms** in the market area. The majority of these hotels are in the planning stage with one hotel unconfirmed, therefore, we can assume that a number of these hotels will not be developed in the next 3-5 years.

We summarise these proposals in the Exhibit below, and provide some commentary on the schemes we consider relevant to the proposed hotel.

Exhibit 10: Development Pipeline

Marker	Title	Class	Rooms	Trading Status	Brand	Owner	Operator	DelROOM	DelMAX	DelCAP	Restauran	Pool	Gym	Spa
1	Vauxhall Cross Island	5	618	Planning	Independent	VCI Property Holding Ltd	Tba	18	13	189	Y	Y	N	Y
2	King's Place	3	434	Planning	Independent	Southwark Homes Ltd	Tba	0	0	0	Y	N	N	Y
3	St Giles Blackfriars	3	548	Final Planning	St. Giles Hotel	Black Pearl Ltd (IGB Corporation / Verokay Sdn)	IGB Corporation	0	0	0	Y	N	N	N
4	Marsh Wall	4	650	Unconfirmed	Independent	Independent	Independent	1	92	92	Y	N	N	N
5	Euro Hotel Croydon	3	431	Final Planning	Independent	Euro Hotels Group (Gauhur & Meher Nawab)	Euro Hotels Group	0	0	0	Y	N	N	N
6	Whitgift Quarter	3	500	Final Planning	Independent	Hammerson / Westfield Shoppingtowns Ltd / London Borough of Croydon Council	Tba	0	0	0	Y	N	N	N



Source: AM:PM Hotels

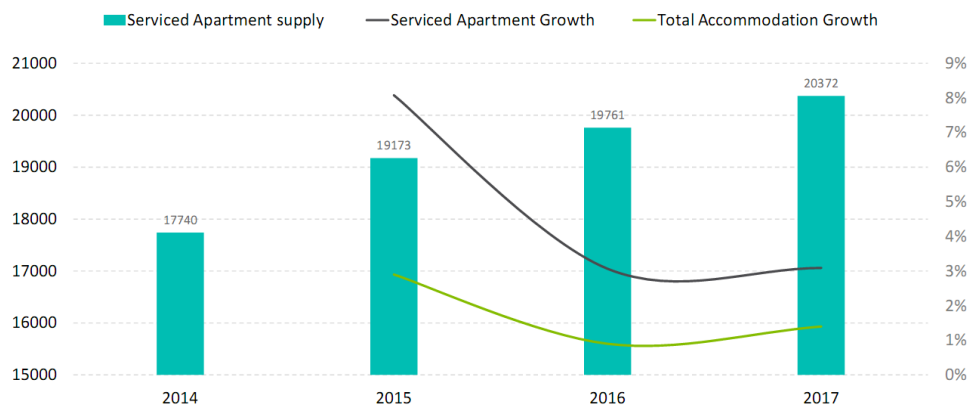
- The proposed 5*, 618-bedroom hotel at **Vauxhall Cross Island** by VCI Property Holding Ltd is part of a large mixed-use redevelopment scheme to include offices, retail, 257 residential units and associated public spaces. Planning has been submitted to Lambeth Council in November 2017 and is awaiting decision. The size and grade of this hotel is comparable with the proposed Kensington Forum, however, the location is significantly distinct to not be considered a direct competitor. The proposed conferencing offer is, similarly, non-competitive.
- The 548 bedroom St Giles Hotel at Blackfriars is part of a £800 million mixed use development from the St Giles Hotel Group, with residential and retail. This hotel is currently in the final planning stages so is likely to be a relevant additional room stock. However, the plans do not indicate any significant conferencing space.

5 SERVICED APARTMENT SECTOR

5.1 EXISTING SERVICED APARTMENT MARKET

Serviced apartments are a relatively new sector of the market in comparison to hotels and there has been rapid development of the sector in recent years. According to industry experts, the sector grew from just 2% of total hotel investment volumes in 2011 to 6% in 2016. The sector remains under-represented however when compared to some more established markets in the US, Europe and Australia, suggesting healthy future growth prospects. The graph below shows how serviced apartment supply growth has outpaced hotel growth, albeit from a much lower base supply level.

Exhibit 11 – UK Serviced Apartment Sector Growth – Total rooms & YoY growth



Source: STR

Factors such as the relative lack of supply, growing demand (particularly from the corporate market) and improving consumer awareness, continue to attract heightened developer and venture capital interest in the sector. This is largely stimulated by strong performance indicators and the efficiency of the serviced apartment model to generate healthy profit levels.

London accounts for roughly 55% of the UK's serviced apartment supply. AM:PM records that there are approximately 277 providers of serviced apartments in London as at May 2018, representing 10,912 rooms. Serviced apartments account for a market share of 15% of total accommodation supply in London in terms of providers and 7% of total room supply.

According to statistics from STR and ASAP (Association of Serviced Apartment Providers), during the first half of 2017, the sector recorded 81.5% occupancy, a 4.8% increase on the same period last year. ADR rose by a notable 10.3%, reaching £186. RevPAR showed an increase of 15.5%.

Overall, the performance of the sector is strong and expected to continue through the second half of the year. Figures for London are considered particularly positive, with a strong increase in leisure business within the demand growth experienced.

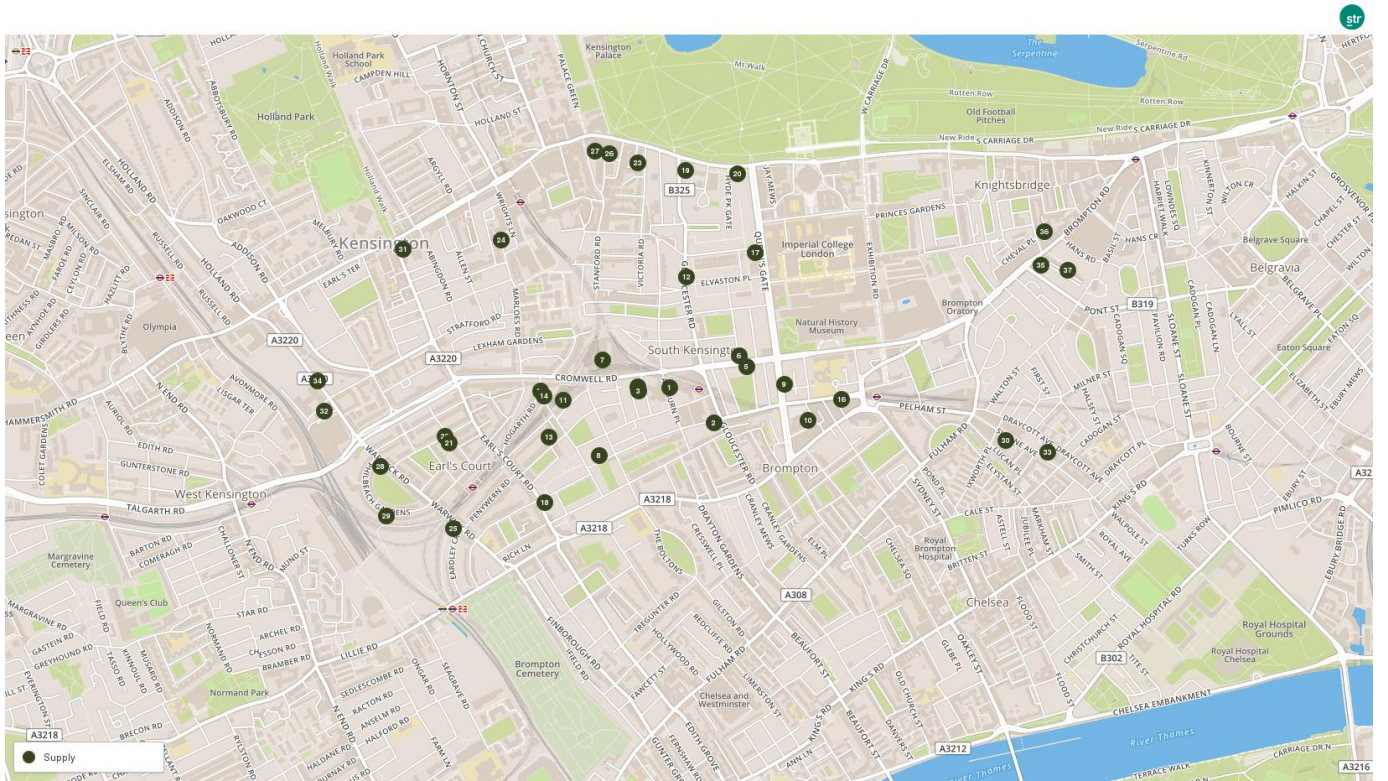
5.2 LOCAL COMPETITIVE ENVIRONMENT

Within a 1-mile radius of the site there are 37 serviced apartments listed, the majority of which are independent and below 50 keys. Eight of these properties range from 58 to 250 apartments and are split between branded and non-branded residences (Fraser Suites, Citadines and Cheval Residence Group).

The density of serviced apartment offerings in this location is comparatively high with many other locations in London, which indicates a supportable demand. There is, however, a lack of high quality (branded) product in the area.

Exhibit 12 – Serviced Apartments within 1 Mile Radius of Site

Marker	Title	Rooms	Brand	Owner	Operator
1	Cheval Residence Group Gloucester Park	0	Closed	Cheval Group	Cheval Residences
2	The Harrington Aparthotel	40	Independent	Fin-Ex Asset Management	Fin-Ex Asset Management
3	LAK Serviced Apartments	24	Independent	Crown Lawn Holdings Ltd (Angela Walker)	Crown Lawn Apartments
4	Ashburn Court Apartments	19	Independent		Maykenbel Properties
5	Fraser Suites Kensington London	69	Fraser Suites	Frasers Hospitality (Frasers Hospitality UK Holdings Ltd)	Frasers Hospitality
6	Fraser Suites Queens Gate London	105	Fraser Suites	Frasers Hospitality (Frasers Hospitality UK Holdings Ltd)	Frasers Hospitality
7	Point West	40	Independent	Crown Lawn Holdings Ltd (Angela Walker)	Crown Lawn Apartments
8	The Collingham Serviced Apartments	25	Independent	Carnarvon Hotels Ltd (Freda Harris family)	Carnarvon Hotels
9	130 Queensgate Apartments	50	Independent	Happy Visit Ltd (Salman Shahid)	Maykenbel Properties
10	Manson Place	14	Independent		Maykenbel Properties
11	Collingham Place Apartments	20	Independent		
12	Citadines South Kensington London	92	Citadines	The Ascott Group (The Ascott Ltd)	The Ascott Group
13	Presidential Kensington Apartments	58	Independent	Presidential Estates (Kensington) Ltd (Rashid Al-Kaabi)	Presidential Estates
14	Kensington Aparthotel	12	Independent	So Apartments Ltd	So Apartments
15	Knaresborough Serviced Apartments	21	Independent		
16	Cheval Harrington Court	33	Cheval Residence Group	Cheval Group	Cheval Residences
17	Queensgate Court	12	Independent		Maykenbel Properties
18	No 1 The Mansions By Mansley	23	Independent	Mansley Group Holdings Ltd	Mansley Serviced Apartments
19	Cheval Thorney Court	59	Cheval Residence Group	Cheval Group	Cheval Residences
20	Hyde Park Gate	16	Independent	Cheval Group	Cheval Residences
21	Supercity Templeton Place	33	Independent	Supercity Ltd (Alexis Burton / Marc Roger & Susan Walters)	Supercity Aparthotels
22	Nevern Place	3	Independent	Supercity Ltd (Alexis Burton / Marc Roger & Susan Walters)	Supercity Aparthotels
23	Fraser Residence Prince Of Wales Terrace London	18	Fraser Residence	Frasers Hospitality (Frasers Hospitality UK Holdings Ltd)	Frasers Hospitality
24	Oakwood Kensington	11	Oakwood Apartments		Oakwood UK Management
25	Earls Court Studios	15	Independent	Earls Court Studios Ltd (Jack French & Gregor MacRae)	Jack French & Gregor MacRae
26	Kensington Park Apartments	14	Independent		
27	Kensington Court Apartments	11	Independent	Homesdale Investments Ltd (BVI)	Homesdale Investments
28	Dylan Kensington	39	Independent	Dylan House Group	Dylan House Group
29	Dylan Earls Court	40	Independent	Dylan House Group	Dylan House Group
30	Chelsea Cloisters	250	Independent	Chesterlodge Ltd (Dr Christopher Moran)	Chelsea Cloisters Management
31	Monarch House	40	Independent	Belrun Ltd (Amerland Inc (Panama)	Belrun
32	Aparthotel 181-183 Warwick Road	206	Independent	Starwood Capital Group	Cycas Hospitality
33	Nell Gwynn House Apartments	220	Independent	Nell Gwynn House Apartments 2	Nell Gwynn House Apartments 2
34	Residence Inn London Kensington	0	Residence Inn	Starwood Capital Group	Cycas Hospitality
35	Beaufort House Apartments	21	Independent	Beaufort House Services Ltd (Wai Cho)	Wai Cho
36	Cheval Knightsbridge	33	Cheval Residence Group	Cheval Group	Cheval Residences
37	Claverley Court Apartments	18	Independent	Beauford Home Ltd (Hamze Shereif)	Maykenbel Properties



Source: AM:PM/STR

6 SITE EVALUATION

In this section, we appraise the project site in terms of its location, accessibility, visibility, proximity to key demand generators and its overall suitability for the proposed accommodation development. We make the following observations:

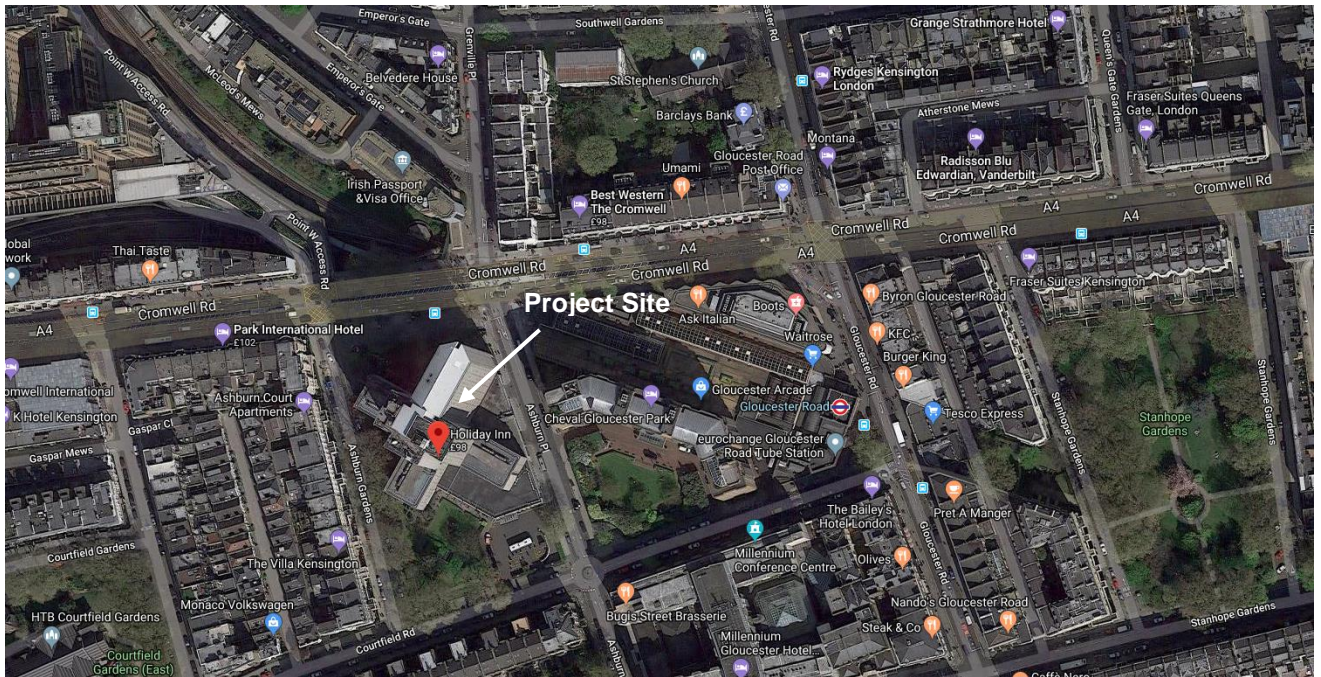
- The site occupies a strategic location, with direct access to Cromwell Road (A4) a key arterial route connecting to Central London and the M4 and M25 motorway with an estimated journey time of 29 minutes to Heathrow Airport by car.
- Gloucester Road underground station is adjacent to the site, approximately a 3-minute walk. Gloucester Road is serviced by the Piccadilly Line (44 minutes direct to Heathrow Airport), the Circle and District Lines with excellent access to Central and Greater London.
- The surrounding areas of the site are highly commercial with a broad range of retail, restaurants, tourist attractions and hotels. The area is also highly residential.
- The site is in a prime location to access all local attractions and events via bus or foot.

Exhibit 13: Average Journey Times from Site (minutes) to local attractions

	Bus	Foot
Museum Quarter	7	10
Royal Albert Hall	14	16
Harrods	15	24
Kensington Palace	12	14
Sloane Square	11	29
Design Museum	13	17
Royal Brompton Hospital	14	16

We present the project site location in the Exhibits below.

Exhibit 14: Project Site Location



Source: Google Maps

- Visibility of the project site is excellent on approach from the A4 (Cromwell Road).

We present pictures of the project site in the Exhibits below.

Exhibit 15: Project Site on Approach from Cromwell Road Westbound



Source: Colliers International

Exhibit 16: The Development Site on Approach from Cromwell Road Eastbound



Exhibit 17: The Development Site on Approach from Grenville Place



Source: Colliers International

CONCLUSION ON PROJECT SITE

The location of the project site is considered to be prime, benefitting from excellent transport links to Central London and London Heathrow Airport, and direct access to the A4 road network. The proposed hotel is also well located relative to both the main and leisure demand generators.

In view of this prime location, we consider the site to be well suited to the proposed development of a high quality upper 4* / lower 5* hotel with considerable F&B and conferencing offers. We believe this level of hotel would be well placed to accommodate future demand requirements and will be well received across all key user groups.

7 SUMMARY

Location

The site for the proposed hotel is in a prime West London location within excellent reach of a concentration of world-class leisure and business demand drivers. The site is extremely well placed in terms of accessibility with a variety of transport connections into the city and to Heathrow Airport.

Conference and Events

London conferencing remains at the top of the international market and is able to support a high number of venues and conference hotels with continually stable performance. The location of the site poses a unique opportunity to capture large scale, high quality conference and events in the West of London. The current conferencing hotel offering in the area is dated, with newer, high quality products entering, in recent years, in Central and Eastern London.

With the upward repositioning of the conferencing offer at the Holiday Inn Kensington Forum, the demand for the current proposition may be dispersed to the local conferencing hotels (such as the Millennium and alternative Kensington Holiday Inns). However, this would be subject to further analysis of booking source markets for the Holiday Inn Kensington Forum and other local conferencing hotels.

Competitive Set

The local competitive hotel set is comprised of hotels all opened in or before 1973, therefore, we can assume that much of the hotel infrastructure (including plant and machinery) is now dated. The proposed hotel will not be creating additional supply to the market, rather it will constrict the bedroom count by c. 144 – 157 keys and reposition upwards the remaining. We are of the view that the current competitive set ADR performance of £100.80 is subdued and, therefore, represents an area of opportunity for the new development to position itself above this.

The existing local 4* supply cannot be considered on a par with genuine 4* properties across Central and Greater London. We, therefore, believe that there is ample opportunity and a surplus in demand for a 4* plus/upper upscale property within the local market.

The reduction in approximately 157 keys (the current Kensington Forum hotel has 906 bedrooms; the proposed redeveloped hotel shall have circa 749 bedrooms) shall likely disperse the associated room nights across the existing competitive set once the redeveloped hotel opens in a different market positioning. We can, therefore, assume, that the current competitive set shall see a net benefit to their occupancy levels.

Future Supply

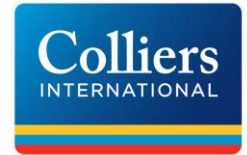
There is no future supply entering the market that we consider of any particular threat to the proposed hotel.

Serviced Apartments

A sector which is yet to mature, it is dominated by smaller independent offerings, in particular within the proposed hotel's local market. There appears to be room for a high quality branded product in London. The local business drivers, especially the medical sector, suggests there would be demand for an upscale offering in the area.

7.1 CONCLUSION

Taking into consideration the data and market analysis reviewed here, we believe there is sufficient demand and opportunity in the macro and micro markets which the proposed hotel is to enter.



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