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# PROPOSED HOTEL INDIGO BARBICAN, LONDON

16 September 2016

HOTELS

CBRE



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16 September 2016

To whom it may concern.

## **PROPOSED HOTEL INDIGO, LAMBS PASSAGE, LONDON**

This report has been prepared on behalf of London City Shopping Centre Ltd and Lamb's Passage Real Estate Ltd, to consider concerns raised by members of the Planning Committee over the extent to which there is an over concentration of serviced accommodation within a 500 metre radius of the proposed hotel development and what the potential impact of this on residential amenity in the area.

Our involvement is as an expert consultant to the hotel, tourism and leisure industries with specific knowledge of the United Kingdom and in particular London's serviced accommodation market.

CBRE Hotels is a full service hotel advisory business with the following core services being, RICS Hotel Valuation Services, Hotel Asset Management and Brokerage Services as well as Hotel Consultancy Advisory services.

CBRE is the world's largest real estate firm, with over 44,000 professionals across the globe and 140 dedicated hotel professionals. This allows CBRE Hotels to provide advice and support throughout the life cycle of a hotel project and asset from project conception or acquisition, valuation, asset management and disposal.

This report is set out under the following headings:

1. Concentration of Accommodation Uses
2. Demand and Supply
3. CBRE's Conclusion
4. Appendices

# 1. CONCENTRATION OF SERVICED ACCOMMODATION USES

## Introduction

To assess the concentration of serviced accommodation uses and conclude whether there is an over concentration within 500 metres of the proposed Hotel Indigo site, we have considered the most recent available supply and pipeline of accommodation according to the type; split into hotels, serviced apartments, hostels, student accommodation and B&B premises.

We have utilised a number of sources in compiling this information, including:

SOURCES OF INFO	
AM:PM Hotels <sup>1</sup>	CBRE Research
Islington's planning portal	The AA - <a href="http://www.theaa.com/bed-and-breakfast-and-hotel">http://www.theaa.com/bed-and-breakfast-and-hotel</a>
Google Maps/Google Search	Hotels in Islington report Jan 2016 by Ramidus
Lambert Smith Hampton Feasibility Report	3 <sup>rd</sup> Party Comments on the Proposed Scheme

AM:PM Hotels has formed the starting block for our assessment. Through the analysis of this database we have been able to consider serviced accommodation supply and pipeline within a specified radius from a specific postcode. As the database only permits the defined radius to be in miles we used a radius of 0.31 miles (499m). Subsequently we utilised Google, the AA, as well as Islington's planning portal to confirm the sites identified and to ensure any outliers have been captured in our appraisal.

## Current Concentration

Data on the current and future concentration of serviced accommodation within 500 metres of the proposed Hotel Indigo are presented in Appendix 1 on a map illustrating the locations of each identified site and in Appendix 2 a detailed overview of each site highlighting the market position, size, address and other details available to us.

Based on our research we have found there to be four hotels (799 keys), three serviced apartments (143 apartments) and five student accommodation blocks (1,850 rooms) currently operating within a 500 metre radius of the proposed Hotel Indigo. There are four hotels (477 keys) and one Hostel (146 rooms) currently in the pipeline with planning (excluding the proposed hotel Indigo). Of the identified buildings Pure City Living and the Tune Hotel Shoreditch both arguably could be counted as sitting outside of the 500 metre radius, but have been included due to their proximity. Additionally the 4 unit serviced apartments at Glasshouse Yard could also form part of the Therese House block identified within the Student Accommodation section, however we were unable to confirm this. Our research has not found any B&B's operating within the 500 metre radius. We would like to highlight that there are a number of individual apartments that we understand are currently sold as extended stay apartments; these have not been illustrated in the map or the totals described here due to the fact that these are not official but rather individual units within private residential blocks.

We have been asked to consider if there has been a change in the concentration within this radius between January 2015 and the date of this letter report. We note that the only change identified has been the closure of the Errol Street YMCA Hostel which we understand is undergoing refurbishment and is reflected within our pipeline. Additionally we understand that a proposed extension to the EasyHotel at Old Street has been denied planning permission.

We can therefore conclude that there has been no material change in concentration of accommodation supply and pipeline within the identified 500 metre radius.

<sup>1</sup> AM:PM Hotels is the most comprehensive third party database of hotels for the UK and Ireland – [www.ampmhotels.com](http://www.ampmhotels.com).

## Is there an Over-Concentration?

In terms of identifying whether there is an over concentration of serviced accommodation in the 500 metre radius around the proposed Hotel Indigo we have compared this radius to its surrounding area. In Appendix 3 we present a map illustrating current supply and pipeline of Hotels, Hostels and Serviced Apartments within one mile of the proposed hotel, identifying also the area under consideration.

The map clearly illustrates the lower concentration of serviced accommodation within the 500 metre radius, with the wider radius showing (including areas of Islington) significantly more concentration of hotel, serviced apartment and hostel supply without even having to consider student accommodation or B&B's.

We have also considered a list of accommodation facilities within 500 metres of the proposed hotel presented to LBI by the Whitbread Centre Tenants' and Residents' Association (Appendix 4). Whilst we would agree with the majority of their assessment we believe that they have included two assets (one hotel and one student accommodation block) that sit outside of the 500 metre area under consideration. These assets are the Thistle City Barbican Hotel and the Willen House Student accommodation block. Additionally we note that the London City Suites are town houses operated by Montcalm but are included within the bedroom stock for the Montcalm the Brewery meaning that counting this would be double counting –the listed 235 bedrooms includes all rooms in the hotel and these town houses.

Furthermore, if we were to look at a recent hotel opening in Islington and consider the density of only hotel accommodation within a 500 metre radius we can see that the site and radius under question is by no means over-concentrated. In Appendix 5 we present the hotel supply and pipeline for 500 metres around the Z Shoreditch, which opened in 2015. As we can see there are 11 hotels alone either open or in the pipeline in its 500 metre radius. These 11 hotels provide 2,443 bedrooms and this is before considering the potential supply of B&Bs, hostels and student accommodation. When compared with the 500 metres around the proposed Hotel Indigo there are only 9 hotels equivalent to 1,337 (including the proposed hotel) either open or in the pipeline. If we included all uses identified we increase the number of rooms to 3,476; however this does include the Pure City student accommodation block which sits at the very boarder of the radius under examination and alone contributes 805 rooms to the total as well as the Tune Hotel Shoreditch also just on the boundary (181 rooms).

It should be noted that this level of density of uses is not unusual for central London and if we were to consider Westminster or similar areas we would likely uncover significantly greater levels of concentration.

## 2. DEMAND AND SUPPLY

### Lambert Smith Hampton Market and Viability Study

CBRE Hotels has reviewed the market and viability assessment conducted by Lambert Smith and Hampton (LSH) in May 2016. We have summarised their key findings below:

- The hotel site characteristics at Barbican present as a clear opportunity for a Hotel Indigo. The proposed Hotel Indigo will benefit from prominent positioning to key demand generators in the immediate vicinity and excellent accessibility from/to The City, central London and surrounding areas.
- Hotels in the local market of relevance accommodate high-yielding transient corporate demand during weekdays and price-sensitive leisure demand at weekends. Whilst midweek demand appears robust, area surrounding the Barbican market remains a secondary leisure location relative to central London, reflected in the lower rates commanded during the weekend period.
- As a full service Boutique hotel brand, Hotel Indigo represents a distinctive four star product that reflects a strong design led hotel offer, with the emphasis on each Indigo hotel being individual, with the design incorporating a "neighbourhood" theme reflecting the heritage of its location. Allied to the hotel, the Indigo brand has developed around a strong food & beverage offer and restaurant, with a focus on locally sourced and seasonal ingredients. The utilisation of the vaults will provide a unique dining experience that will help to create a dining destination for both hotel guests and local residents.

After reviewing LSH's report and with our previous experience in the area we agree with the findings and recommendations put forward by LSH. The Hotel Indigo brand is a boutique style, four star hotel brand with a

focus on intimate and personal service not on high volume business. The brand has a strong focus on delivering high quality ancillary facilities, which in this case represent the restaurant and bar, to be situated in the refurbished vaults. The location of the F&B outlets coupled with the access to the hotel and servicing arrangements being located on eastern part of the site fronting as well as the envisaged guest profile we believe that the impact of noise and traffic will be negligible.

The proposed Hotel Indigo represents the smallest branded hotel within the pipeline for Islington and as illustrated above; its addition would not fundamentally alter the concentration of accommodation in this area.

Additionally, previous work in this area has indicated a shortage of high quality hotel accommodation with hotels achieving occupancy levels in excess of 80 per cent on an annual basis. With the presence of companies such as Slaughter and May, Addleshaw Goddard LLP, Bloomberg LP and Cass Business School all being located within 500 metres of the proposed hotel as well as the Barbican centre and the significant demand generated by the City of London to the south, the proposed Hotel is perfectly situated to support these business to accommodate and provide amenity to their staff and visitors.


### 3. CBRE'S CONCLUSION

Based on our analysis, the proposed Hotel Indigo's bedroom addition would not materially alter the concentration of serviced accommodation within a 500 metre radius of the site; nor is the 500 metres surrounding the site currently over-concentrated with various service accommodation uses, especially when compared to other areas surrounding the City of London and Central London in general.

The proposed hotel simply does not have the capacity to support large groups. The Hotel Indigo brand is focused on providing intimate, personal service and therefore will be targeting individual business demand from local companies as well as couples/individuals attending events at the Barbican centre as well as other venues in proximity to the proposed hotel.

In our opinion the proposed Hotel Indigo will be a positive addition to the local area and to the residents, workers and visitors to this area of Islington.

Yours sincerely



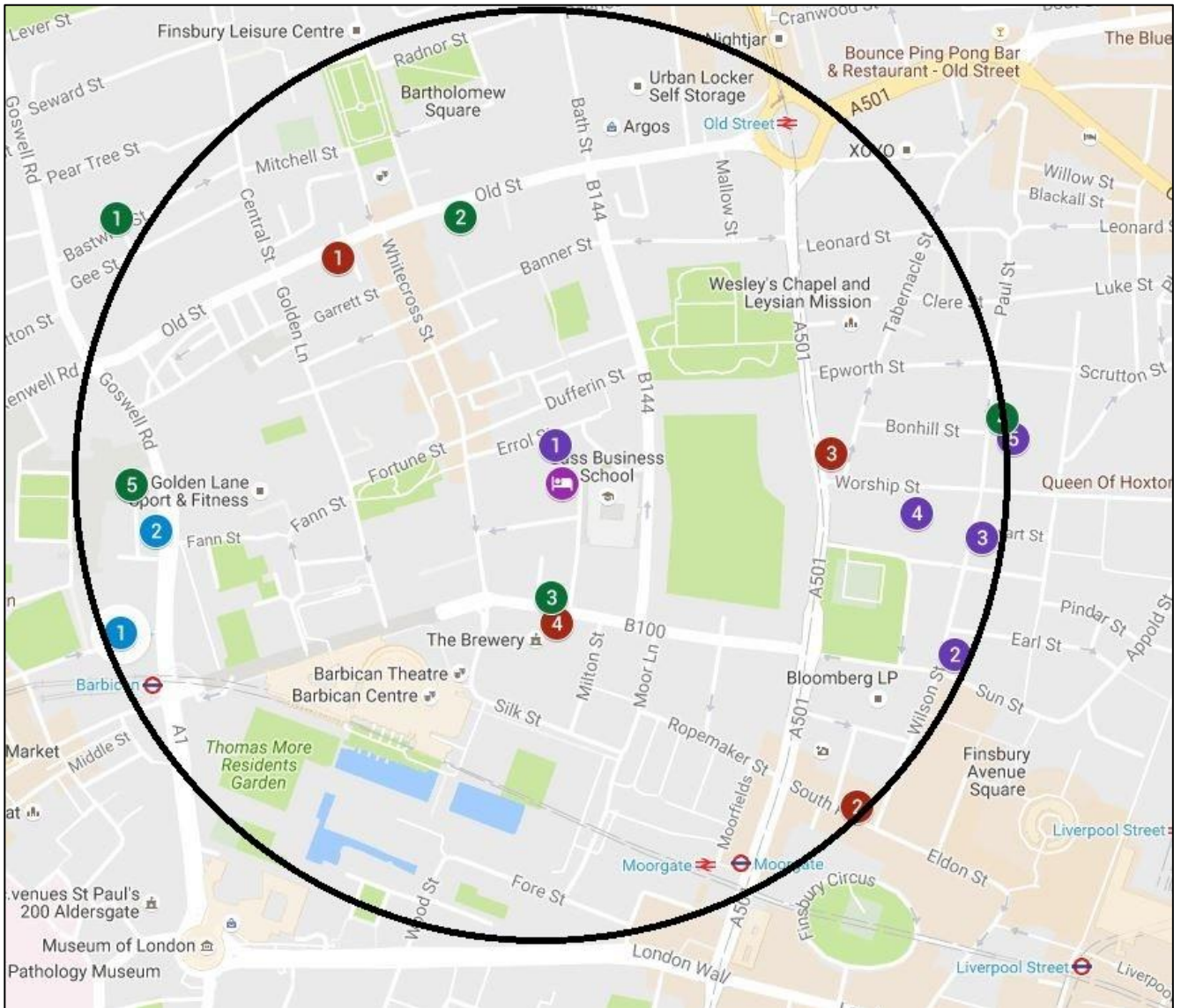
David Bailey  
Senior Director  
Head of EMEA Consultancy Services



Benjamin White  
Associate Director  
EMEA Advisory Services

## 4. APPENDICES

### Appendix 1: Current Concentration of supply



Source: Google Maps, CBRE Research, AMPM Hotels

#### SUBJECT HOTEL

- Proposed Hotel Indigo – 61 keys – 4 Star

#### EXISTING HOTELS

- 1 EasyHotel London Old Street – 92 keys - Budget
- 2 South Place Hotel – 80 keys – 5 Star
- 3 Travelodge London Central City Road – 392 keys - Budget
- 4 The Montcalm the Brewery – 235 keys – 4 Star

#### SERVICED APARTMENTS

- 1 Carthusian House – 10 Apts
- 2 Citadines Barbican London – 129 Apts
- 3 Glasshouse – 4 Apts

## STUDENT ACCOMMODATION

- 1 Pure City – Pure Student Living – 805 rooms
- 3 Sundial Court – 176 rooms
- 5 Therese House – 169 Studios & 78 Flats

## PIPELINE

- 1 Hostel – Errol St YMCA – 146 keys
- 3 Hotel – One Crown Place Boutique – 32 Keys – 4 Star
- 5 Tune Hotel Shoreditch – 181 keys - Budget

- 2 Canto Court Student Accommodation – 164 rooms
- 4 Victoria Hall Paul St. East – 458 rooms

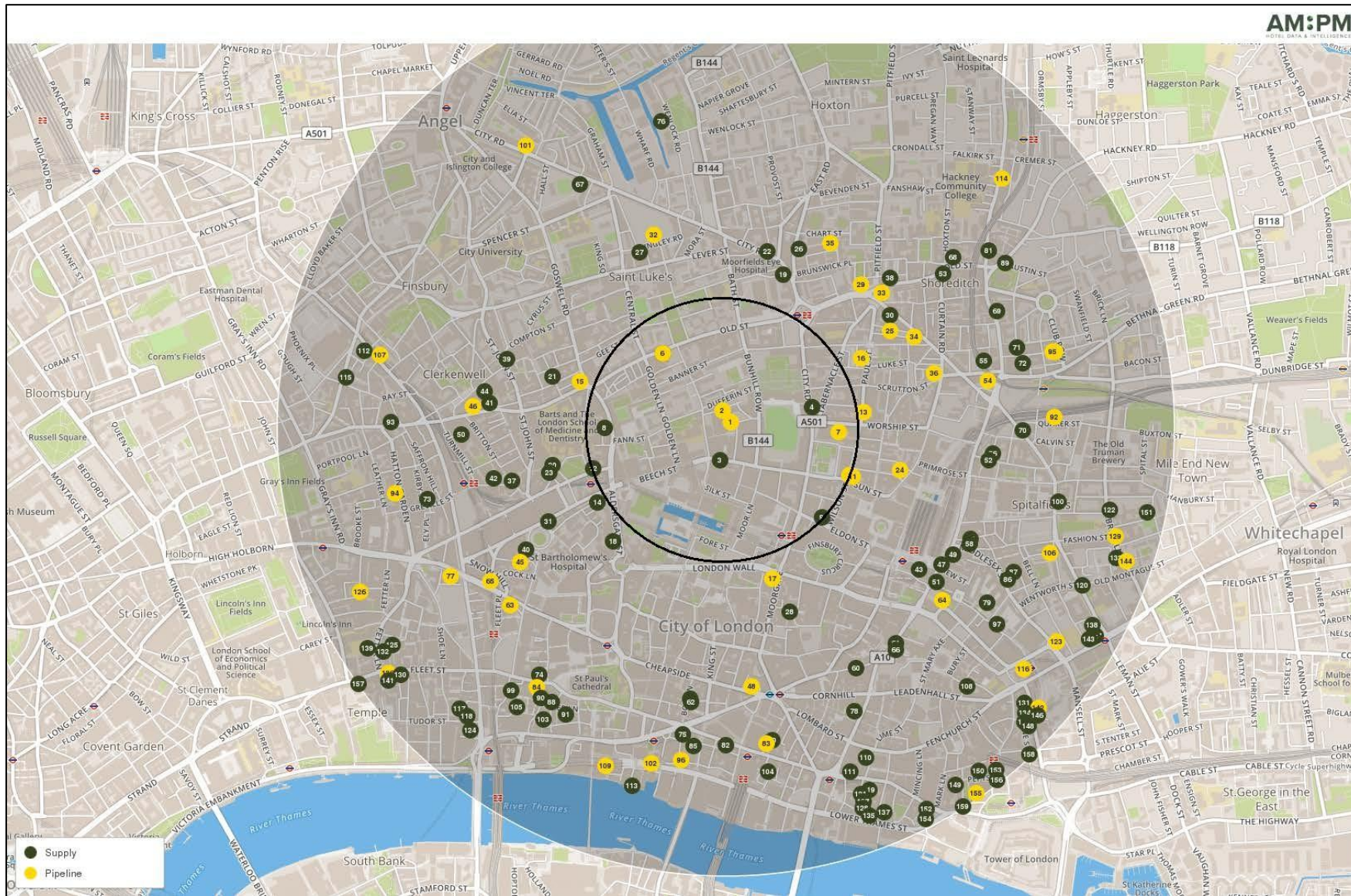
- 2 Hotel – Flying Hotel – 8 keys – 3 Star
  - 4 Hotel – Royal London House Montcalm – 256 keys – 5 Star
-

## Appendix 2: Current Concentration of supply

	BRAND	OPENED	ACQUIRED	GRADE	BEDROOMS	POSTCODE	ADDRESS		
<b>SERVICED APARTMENTS</b>									
Carthusian House	City Apartments	2014		Apts	10	EC1M 6EB	7 Carthusian Street		
Citadines Barbican London	Citadines		2004	Apts	129	EC1M7AH	7-21 Goswell Road		
10 Glasshouse Yard				Apts	4	EC1A 4JN	10 Glasshouse Yard		
					143				
<b>HOTELS</b>									
easyHotel London Old Street / Barbican	easyHotel	2012		Budget	92	EC1V 9AZ	80-86 Old Street		
Travelodge London Central City Road	Travelodge	2007		Budget	392	EC1Y 1AE	1-23 City Road		
Montcalm at The Brewery London City	Montcalm	2011		4-star	235	EC1Y 4SD	42-46 Chiswell Street		
South Place Hotel	Independent	2012		5-star	80	EC2M2AF	3-4 South Place, Finsbury Circus		
					799				
<b>STUDENT ACCOMMODATION</b>									
Pure City - Pure Student Living				Student	805	EC1V 3PE	11 Bastwick St, London		
Canto Court Student Accommodation				Student	164	EC1V 9BD	Canto Court, 122 Old St, London		
Sundial Court				Student	176	EC1Y 4SB	38-42 Chiswell St, London		
Victoria Hall Paul St East				Student	458	EC2A 4JH	18 Paul St, London		
Therese House				Student	247	EC1A 4JN	29-30 Glasshouse Yard		
					1,850				
<b>PIPELINE</b>							<b>PLANNING REF</b>	<b>TRADING STATUS</b>	
easyHotel London Old Street / Barbican	easyHotel	Speculative		Budget	66	EC1V 9AZ	80-86 Old Street	P2015/2680/FUL	Refused 2016
Errol St YMCA	Independent	On Hold		Hostel	146	EC1Y 8SE	8 Errol Street	P2012/0637/FUL	Full 2014
Flying Horse	Independent	Speculative		3-star	8	EC2A 2ER	52 Wilson Street	ref 2012/3731 dated 25/02/2013	Full 2016
Hotel Indigo London - Barbican	Hotel Indigo	Speculative		4-star	61	EC1Y 8TE	1 Lamb's Passage	P2016/0488/FUL	Awaiting Planning
One Crown Place Boutique	Independent	Speculative		4-star	32	EC2A 2BT	5-15 Sun Street / 54 Wilson Street	2015/0877	Full 2015
Royal London House by Montcalm Finsbury Square London City	Montcalm	Due 2016		5-star	256	EC2A 1DX	22-25 Finsbury Square	P122324	Due 04-Oct-16
Tune Hotel Shoreditch	Tune Hotels	Due 2016		Budget	181	EC2A 4JH	8-10 Paul Street	2013/1345 dated 14/11/2013	Due 31-Dec-16
					684				



### Appendix 3: Over-Concentration Analysis

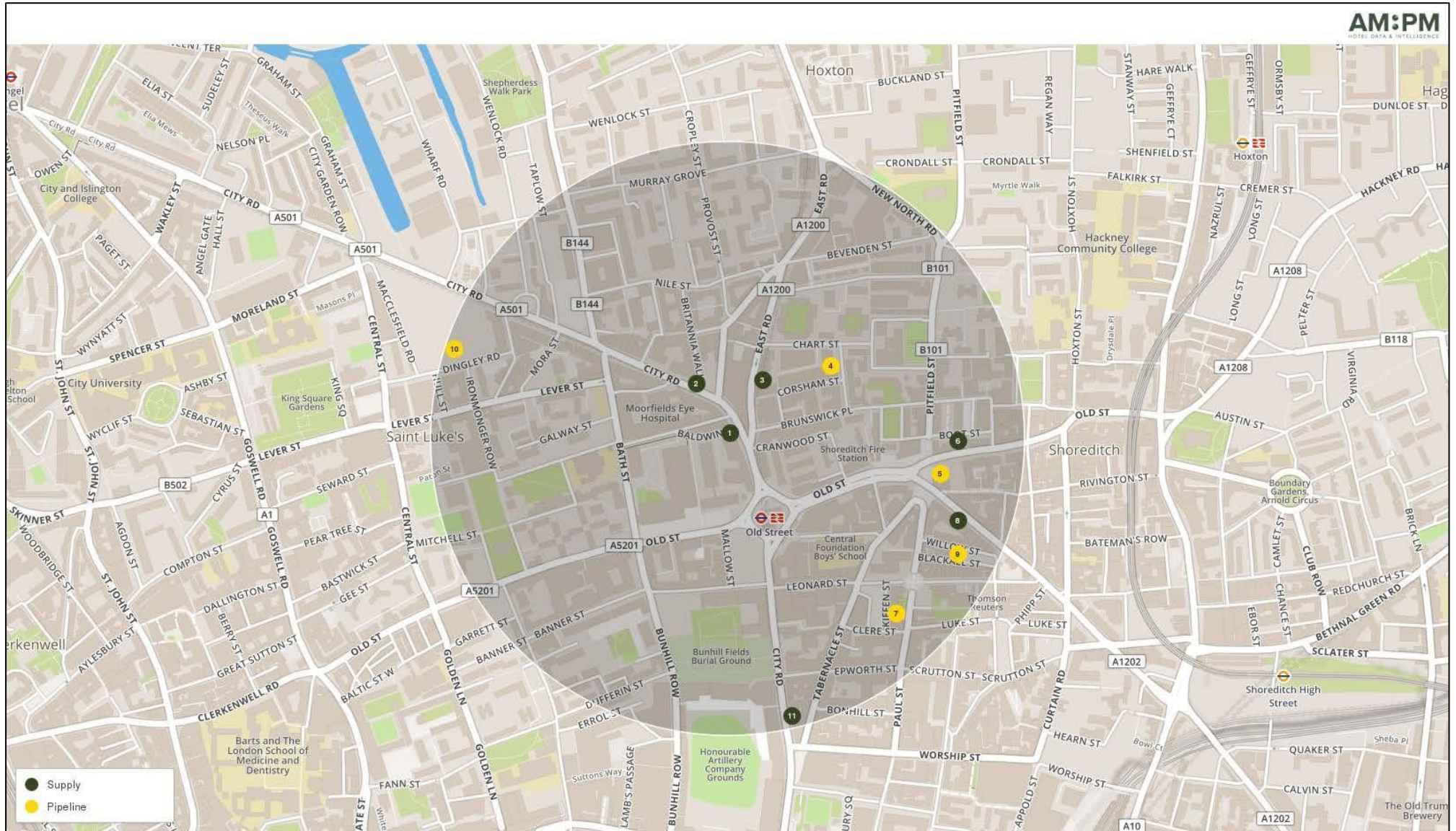


**Appendix 4: Whitbread Centre Tenants' and Residents' Association List of Accommodation Facilities within 500 metres of the proposed Hotel Indigo.**

	PROPERTY NAME	ADDRESS	POSTCODE	DISTANCE (M)
1	CITY YMCA	8 Errol Street, London	EC1Y 8SE	1
2	Guildhall School of Music and Drama	Sundial Court	EC1Y 4SB	50
3	The Montcalm at the Brewery	52 Chiswell Street	EC1Y 4SA	50
4	London City Suites	42-46 Chiswell Street	EC1Y 4SB	50
5	Travelodge Hotel	7-13 City Rd	EC1Y 1AG	250
6	EasyHotel Old Street	80 Old Street	EC1V 9AZ	300
7	Canto Court	122 Old Street	EC1V 9BD	300
8	Victoria Hall Paul St. East	18 Paul Street	EC2A 4JH	400
9	Citadines Barbican London	7 Goswell Road	EC1M 7AH	450
10	Therese House	29-30 Glasshouse Yard	EC1A 4JN	450
11	South Place Hotel	3 South Place	EC2M 2AF	500
12	Thistle City Barbican Hotel	Central Street	EC1V 8DS	500
13	Willen House	8-26 Bath Street	EC1V 9DX	500

*Source: 3<sup>rd</sup> Party Information provided to the London Borough of Islington*

## Appendix 5: Comparative 500 Metre Radius – Z Hotel Shoreditch



HOTEL NAME	GRADE	ROOMS	OPENED/OPENING	TRADING STATUS/CLOSED	BRAND
<b>OPEN</b>					
Holiday Inn Express London - City	Budget	224	1999	Trading	Holiday Inn Express
Hoxton Shoreditch	4	210	2006	Trading	Hoxton Hotels
Travelodge London Central City Road	Budget	392	2007	Trading	Travelodge
Premier Inn London City (Old Street)	Budget	251	2011	Trading	Premier Inn
Z Shoreditch	Budget	111	2015	Trading	Z Hotels
M by Montcalm Shoreditch London Tech City	5	269	2015	Trading	Montcalm
<b>PIPELINE</b>					
Nobu Hotel Shoreditch	4	150	Due 2017	Due 31-Mar-17	Nobu
Nhow London	4	190	Due 2018	Full 2014	Nhow
Art'otel London Hoxton	4	346	Due 2019	Awaiting Planning	Art'otel
Pocket Hotel	Budget	213	On Hold	Full 2013	Independent
Blakes Shoreditch Hotel	5	87	Speculative	Awaiting Planning	Independent

## PROFESSIONAL PROFILE



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### BACKGROUND AND CURRENT ROLE AT CBRE

David heads up Hotel Consultancy Services within CBRE across EMEA. He joined CBRE in May 2013 following the acquisition of TRI Hospitality Consulting, a leading boutique hotel consultancy firm, in which he was Deputy Managing Director and co-owner.

David's consultancy career stretches back to 1988, having graduated from Boumemouth University in Hotel Management, trained in a leading London five-star hotel and spent time in sales and marketing with Sheraton. David is a Fellow of the Chartered Institute of Marketing and the Institute of Hospitality and is frequently invited to chair, address and participate in hotel industry conferences and is often quoted in the media.

David brings a great depth of industry knowledge and client advisory experience to CBRE. Having advised established multinational hotel brands, companies, entrepreneurs and new concept and brand builders, across all sectors of the market and across many regions, David leads the hotel consultancy team, overseeing projects, often taking a direct role and input to the full spectrum of consultancy projects undertaken.

An expert in market and financial appraisal and advising hotel owners on the most appropriate structures and operating agreements to strike, David is also called on to act as an expert witness on behalf of clients in relation to planning appeals and loss of profits claims.

### RECENT EXPERIENCE

Strategic advice relating to hotel development opportunities at Heathrow and market and financial appraisal and operator/occupier advice relating to a major hotel development opportunity at T4.

#### Major UK Retail Destination

Hotel market and event space appraisal and development advice to a major retail destination investor and operator in respect of the opportunity for hotel development.

#### Investment Fund

Due diligence advice relating to a potential major investment into an upscale hotel chain.

#### Leading London Five Star Hotel

A review of performance and strategy on behalf of investors.

# PROFESSIONAL PROFILE



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## BACKGROUND AND CURRENT ROLE AT CBRE

Ben is an Associate Director in the EMEA Hotel Investment Advisory team. Ben's experience includes feasibility and advisory studies, commercial due diligence exercises and strategic business reviews for a wide array of hotel projects across the EMEA region with specific specialisation in the Luxury segment.

He joined CBRE Hotels in 2013 after holding a number of management positions with Fairmont Hotels and Resorts at hotels such as The Savoy London, The Plaza New York and Fairmont Singapore.

Ben has a BSc Hospitality and Business Management from Hotelschool The Hague, The Netherlands, has a CSSGB in Quality Management from the American Society for Quality and has completed Cornell's Certificate Program in Hotel Real Estate Investments and Asset Management.

## RECENT EXPERIENCE

### Acquisition Advice for Prominent Private Equity Fund

Strategic assessment of market opportunities for hotel acquisition in the UK.

### Barclays – Trading Luxury Hotel, London

Strategic due diligence exercise providing an appraisal of the historic, current and projections of profit and loss.

### DEKA – Trading Luxury Hotel, London

Strategic review of the performance of the hotel, including an appraisal of the historic, current and projections of profit and loss.

### Cabot Square – Florence, Italy

Full hotel market due diligence as well as a full historical and future review of trading performance for an existing hotel asset.

### Market and Financial Appraisals – UK and Europe

Provision of market and financial due diligence for bank lending purposes on over 30 separate hotel opportunities.

### Garant – Asset Management, Azerbaijan

Operational Business Reviews, Asset Management on two luxury assets, one central Baku location and one resort location.

