



GERALDEVE



Stag Brewery, Mortlake

Hotel Need Assessment

For Reselton Properties

February 2018



GERALDEVE

**Hotel Needs
Assessment:** **The Former Stag Brewery**
 Lower Richmond Road
 Mortlake
 London Borough of Richmond Upon Thames

On behalf of: **Reselton Properties**

Date: **15 December 2017**



GERALDEVE

72 Welbeck Street London W1G 0AY
Tel: 020 7493 3338
www.geraldeve.com

Reselton Properties Ltd
28 - 30 The Parade
St Helier
Jersey
JE1 1EQ

15th December 2017

Our Reference: M4070

Dear Sirs

Property: The Former Stag Brewery, Mortlake, London, SW14

Terms of Engagement

In accordance with your instruction, and our acceptance thereof, we have pleasure in reporting as follows.

Scope of Instruction

We have inspected and completed our investigations into the site and have pleasure in providing this Hotel Needs Assessment Report. We understand that this Hotel Needs Assessment Report is required in connection with the proposal to develop a 16 key pub-hotel as part of a larger mixed-use scheme comprising residential units, offices, leisure, and retail.

Limitation

Our analysis is totally dependent on the accuracy of the information which has been supplied to us and upon the assumptions set out therein. If they prove to be incorrect or inadequate, the accuracy of the analysis may be affected.

In accordance with the recommendations of the RICS we require that neither the whole nor any part of our report nor any reference thereto be included in any published document, circular or statement, nor published in any way without our prior written approval of the form or context in which it is to appear.


The report is provided for the stated purpose and solely for your use, and your professional advisers, and neither the undersigned nor Gerald Eve LLP accept any responsibility whatsoever to any other person. This Hotels Needs Assessment Report is not subject to Freedom of Information.

Investigations

We inspected the subject property on 25 October 2017 to assess its suitability for hotel-pub use, accessibility and location in relation to potential demand generators, both corporate and leisure. In addition we have conducted research into the potential future hotel supply threat in the locality as well as the local hotel market performance. We have also, as instructed, reviewed the impact that the new hotel accommodation will have on existing hotels in the locality.

We trust that this report is satisfactory for your current requirements, but, if we can be of further assistance, please do not hesitate to contact us

Yours faithfully



Laura Tooke MRICS, RICS Registered Valuer
Associate

For and on behalf of Gerald Eve LLP

020 7333 6209

07584 516 597

ltooke@geraldeve.com



William Kirkpatrick MRICS, RICS Registered Valuer
Partner

For and on behalf of Gerald Eve LLP

0207 333 6228

07836 287 983

wkirkpatrick@geraldeve.com

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Contents

Section	Page
Executive Summary	4
1. Introduction	6
2. Proposed Hotel	9
3. Location & Site Analysis	12
4. Demand Generators	17
5. Hotel Market	24
6. Hotel Supply & Pipeline	28
7. SWOT Analysis	39
8. Requirement for Accommodation	40

Executive Summary

HOTEL NEEDS ASSESSMENT REPORT

Date: 15 December 2017

The Former Stag Brewery, Mortlake, London SW14



Overview

Mortlake is strategically located in the London Borough of Richmond. The Site is located within the former Stag Brewery, Mortlake on the southern banks of the river Thames. The London hotel market has shown resilience despite economic uncertainty caused by Brexit. The site for the proposed accommodation has excellent visibility and will form part of a wider mixed-use scheme.

Description

The Site is 21.2 acre (8.57 hectare) and comprises the following elements:

- (a) The former Stag Brewery which sits between Lower Richmond Road and the river Thames, to the north of Mortlake Green; and
- (b) Land at Chalkers Corner.

Development area 1, the land to the east of Ship Lane included in Application A sets out plans for a pub-hotel comprising 16 keys. The pub-hotel will be situated within a larger mixed-use scheme to be redeveloped. As such, it is important to consider that the pub-hotel will not exist in isolation but will be part of a larger, residential led scheme, with retail and other commercial units within which all uses will be complementary.

The location benefits from proximity to a number of attractions, both corporate and leisure, and is served well by frequent transport links to both Richmond and London Waterloo train stations. In addition, the mixed use development within which the pub-hotel sits, should fuel further demand for accommodation in the area thus making the pub-hotel self-sustaining.

We believe that the location and characteristics of the site lend themselves well to the proposed pub-hotel.

Key Issues

Strengths / Opportunities

- Good transport communication links to both London Waterloo and Richmond.
- The pub-hotel will support Richmond Borough Council's objectives of sustainable growth to the visitor economy, by increasing the number of keys in the area.
- Other components of the scheme (residential and commercial) will create demand generators for the new pub-hotel.
- The current pub accommodation stock in the locality is relatively limited and dated.
- The pub-hotel will create a range of multi-level jobs.
- The development will be sustainable and built to a good standard.
- Evidence shows minimal impact to hotel supply in East Sheen.
- Thriving office investment levels along the Western Corridor will generate corporate demand for accommodation.
- Good accessibility to Heathrow Airport.
- Located in a prominent position on the south bank of the River Thames, and easily visible from Mortlake High Street (A3003).
- Enhancement of the Mortlake Conservation Area.
- London Borough of Richmond not widely known for its accommodation. Offering keys will help to increase the profile of accommodation in Richmond.
- Close proximity to three of London's top 20 paid for attractions, Kew Gardens, Hampton Court Palace and Ham House.
- Close to Richmond Park.
- Close proximity to Twickenham Stadium.

Weaknesses / Threats

- Political uncertainty caused by the vote to leave the European Union.

Project Evaluation

The location and proposed specification of the pub-hotel should enable it to bridge the gap in the market, which indicates a relatively subdued pub-hotel supply. We predict demand from both the leisure market, due to the surrounding attractions, and the corporate market, due to the number of major companies in the locality.

The London hotel market is robust and Mortlake is in proximity to both central London and other more local key demand generators including:

- M4 Western Corridor
- Kew Gardens
- Ham House
- Hampton Court Palace
- Twickenham Stadium
- Syon House
- Heathrow Airport
- Richmond Town Centre
- Richmond Park

The proposed pub-hotel will have just 16 keys and given the demand fundamentals in the area it should be capable of performing well with very limited impact on surrounding accommodation establishments.

INTRODUCTION

1. Introduction

This Hotel Needs Assessment Report has been prepared by Gerald Eve LLP on behalf of Reselton Properties Limited ('the Applicant') in support of three linked planning applications for the comprehensive redevelopment of the former Stag Brewery Site in Mortlake ('the Site') within the London Borough of Richmond Upon Thames ('LBRuT').

The former Stag Brewery, Mortlake is bounded by Lower Richmond Road to the south, the river Thames and the Thames Bank to the north, Williams Lane to the east and Bulls Alley (off Mortlake High Street) to the west. The Site is bisected by Ship Lane. The Site currently comprises a mixture of large scale industrial brewing structures, large areas of hardstanding and playing fields.

The redevelopment will provide homes (including affordable homes), a Care Village for an older population, complementary commercial uses, community facilities, a new secondary school alongside new open and green spaces throughout. Associated highway improvements are also proposed, which include works at Chalkers Corner junction.

The three planning applications are as follows:

- Application A – hybrid planning application for comprehensive mixed use redevelopment of the former Stag Brewery site consisting of:
 - i. Land to the east of Ship Lane applied for in detail (referred to as 'Development Area 1' throughout); and
 - ii. Land to the west of Ship Lane (excluding the school) applied for in outline detail (referred to as 'Development Area 2' throughout).
- Application B – detailed planning application for the school (on land to the west of Ship Lane).
- Application C – detailed planning application for highways and landscape works at Chalkers Corner.

Full details and scope of all three planning applications are described in the submitted Planning Statement, prepared by Gerald Eve LLP.

This report is to determine the current and future demand and supply dynamics in the area, relating this specifically to the local hotel market. We will review any likely impact of the deliverability the proposed 16 key pub-hotel on the local market.

This report will address the following topics:

- Site appraisal and locational analysis;
- Overview of the local hotel market;
- Review of key demand generators – leisure and corporate;
- Analysis of the impact of the proposed pub-hotel on other accommodation establishments in the locality.

Policy Overview

London Plan Policy 4.5 states that the Mayor will “support London’s visitor economy” partly through the provision of 40,000 net additional hotel bedrooms by 2036, of which at least 10% should be wheelchair accessible. In terms of location for new hotels, the Policy directs development to appropriate areas i.e. within the CAZ, in town centres and opportunity and intensification areas, where there is good public transport access to central London and international and national transport termini. In some circumstances hotels will be encouraged outside of these locations, where they are related to major visitor attractions of sub-regional or greater significance.

At a local level, LBRuT Core Strategy Policy CP 20 directs hotels to the Borough’s town centres and other areas highly accessible by public transport. The Stag Brewery site is within the Mortlake Area of Mixed Use, which is not within the town centre hierarchy. However, emerging Local Plan Policy 25 (Part C) notes that appropriate uses in the Mortlake Area of Mixed Use could include those which “attract visitors and develop cultural opportunities”. A hotel would fit with this definition.

Emerging Policy LP 43 encourages an increase in hotel bedspaces, subject to other Local Plan considerations (including location in accordance with emerging Policy LP 25). A range of visitor accommodation will be encouraged and local Policy also seeks for new accommodation to be accessible for all. Both Core Strategy Policy CP 20 and emerging Local Plan Policy 43 stress the importance of proposals for visitor accommodation being considered in respect of impact on amenity, living conditions, parking, servicing and transport.

The SBPB and the emerging Site Allocation do not specifically lend policy support for hotel development, but do encourage a range of “employment generating uses” which will contribute to “creating an inviting and vibrant new centre”.

Paragraph 10.4.2 of the LBRuT’s emerging Local Plan refers to the Hotel Study (2012), prepared by Roger Tym PBA. This study identified a need for the delivery of 900 hotel bedrooms in the LBRuT by 2026. According to the Annual Monitoring Report (2012-2013), between April 2009 to April 2012 113 hotel bedrooms were delivered in the borough. If this rate of delivery is applied from 2012 (the preparation of the Hotel Study) to present day (2017) then a maximum of 188 bedrooms out of the 900 required may have been delivered. Therefore it is considered that a demand for the delivery of at least 712 hotel bedrooms in the borough remains. The proposals will contribute 16 bedrooms to this deficit in the LBRuT’s existing hotel bedroom stock. While our searches on hotel databases show that a higher number of bedrooms have since been delivered, there remains scope for further development.

PROPOSED HOTEL

2. Proposed Hotel

Overview

At the time of the inspection a number of buildings associated with the brewing process occupied the site.

The redevelopment seeks to convert a prominent section of river Thames frontage into a new village in the centre of Mortlake. The scheme will deliver the following:

Application A: Mixed Use

Hybrid application to include the demolition of existing buildings (to allow for the comprehensive phased redevelopment of the site:

Planning permission is sought in detail for works to the east side of Ship Lane which comprise:

- Demolition of existing buildings (except The Maltings and the façade of the Bottling Plant and former Hotel), walls, associated structures, site clearance and groundworks;
- Alterations and extensions to existing buildings and erection of 12 buildings.
- Residential apartments.
- Flexible commercial and community floorspace to include:
 - i. Retail, financial and professional services, café/restaurant and drinking establishment uses
 - ii. Offices
 - iii. Community use
 - iv. Boathouse
- Hotel / pub with rooms
- Cinema
- Gym
- Offices
- New pedestrian, vehicle and cycle accesses and internal routes, and associated highway works.
- Provision of on-site cycle, vehicle and service parking at surface and basement level:
- Provision of public open space, amenity and play space and landscaping.
- Flood defence and towpath works.
- Installation of plant and energy centres.

Planning permission is sought in outline with all matters reserved for works to the west of Ship Lane which comprise:

- a) The erection of a single storey basement and nine buildings varying in height
- b) Residential development.
- c) Care Village comprising nursing and care home and flexible residential / assisted living apartments.
- d) Provision of on-site cycle, vehicle and service parking.
- e) Provision of public open space, amenity and play space and landscaping.
- f) New pedestrian, vehicle and cycle accesses and internal routes, and associated highway works.

Application B: School

- a) The erection of a three storey building to provide a new secondary school with sixth form;
- b) Sports pitch, MUGA and play space; and
- c) External works including, floodlighting, landscaping, car and cycle parking, new access routes and associated works.

Application C: Chalkers Corner

The reconfiguration of Chalkers Corner traffic junction, to include existing public highway and existing landscaped and informal parking area associated to Chertsey Court, to facilitate alterations to lane configuration, a new cycle lane, works to existing pedestrian and cycle crossing, soft landscaping and replacement boundary treatment to Chertsey Court.

Pub Hotel Element

This Hotel Needs Assessment Report is concerned with only the pub-hotel element of the scheme but assumes that the components of the redevelopment are completed in accordance with the plans. The implementation of a 16 key pub-hotel is to be a part of the wider mixed-use redevelopment at the former Stag Brewery Site. The development is required to be inclusive, respect the local character, contribute positively to its surroundings based on a thorough understanding of the site and its context.

We understand from the drawings provided that the proposal is to construct a 16 bed pub-hotel to the east of the Ship Lane. The location for the proposed pub with rooms will front Mortlake High Street (A3003), close to its junction with lower Richmond Road (B351). This is a highly visible and prominent section of the street, benefitting from a return frontage, also visible from A3003 Lower Richmond Road close to its junction with Williams Lane and Ship Lane.

The development site is immersed in history and culture, with the brewery existing since the 15th century. The Maltings building identified as a building of Townscape Merit will be retained in its entirety. The proposed scheme will utilise its historical context to influence the design and ensure the appearance of the development is in keeping with the prevailing character of its surroundings.

Significant consideration has been undertaken to ensure that demand generated by the pub-hotel and other commercial uses allow flexibility. Proposed highways works in Application C (Chalkers Corner application) detail the planning application for the highways and landscape works at Chalkers Corner.

The site is expansive, encompassing both sides Ship Lane. The drawings provided show that the pub-hotel will be of rectangular shape, and positioned on a prominent section of Mortlake High Street. The proposed pub-hotel site is within the former Stag Brewery, Mortlake redevelopment site. We stress the importance of the wider mixed-use aspects of the site acting as a key year round demand generator for the Site.

LOCATION & SITE ANALYSIS

3. Location & Site Analysis

Approach to Analysis

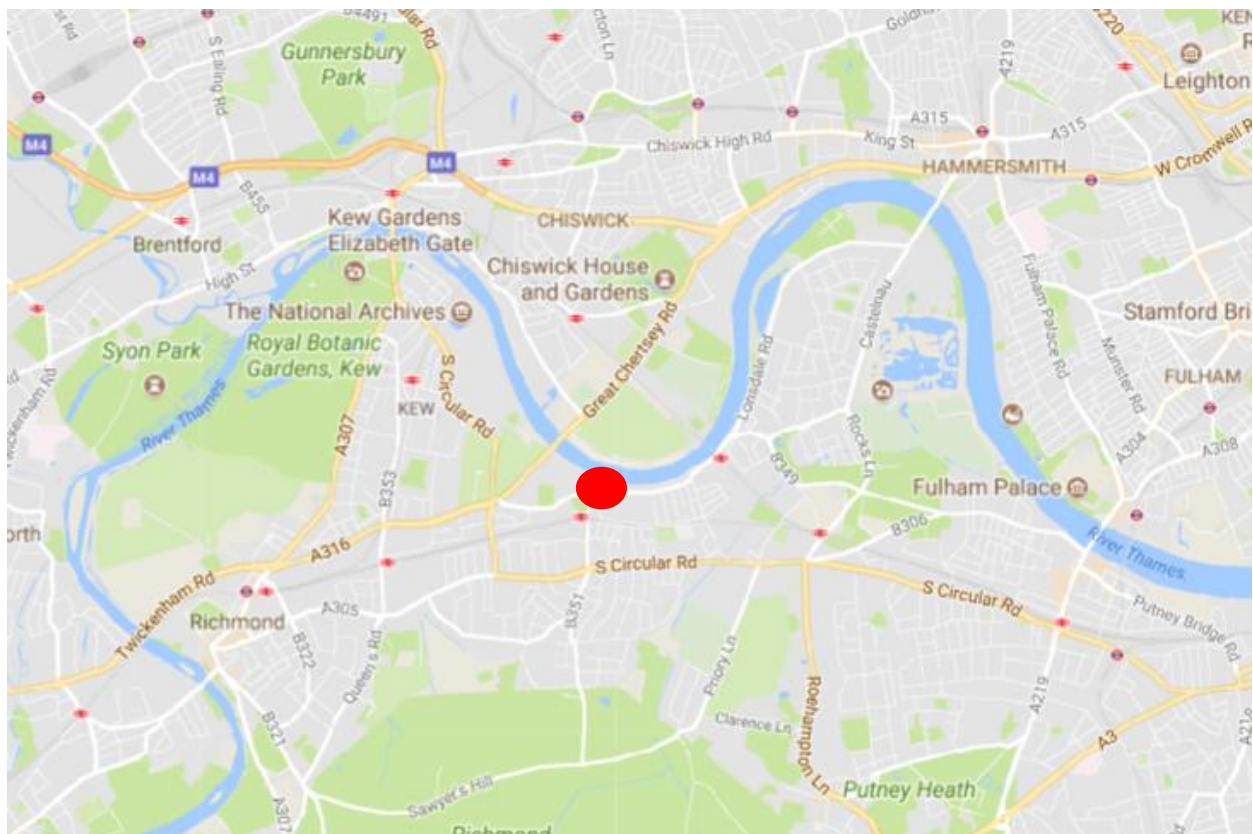
This section gives an overview of the property and provides details on the location, accessibility and proximity to demand generators.

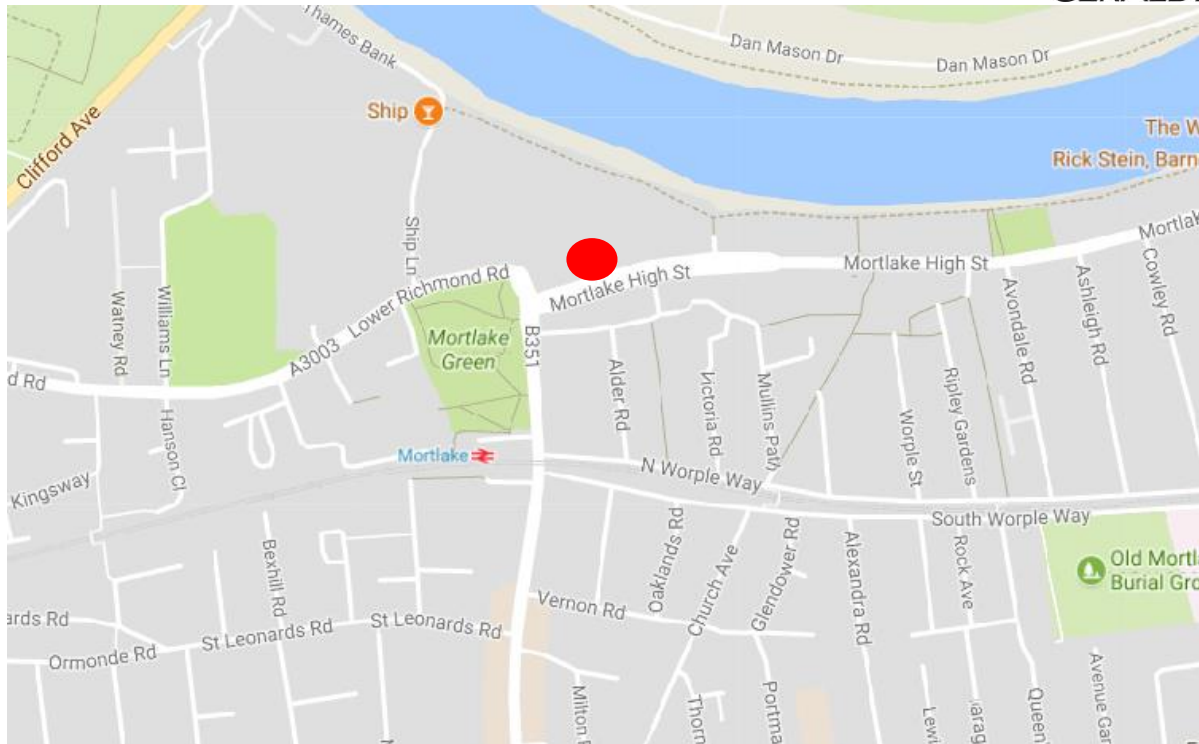
Area Overview

The Site is located in Mortlake which is a district found in the London Borough of Richmond upon Thames. Though the main town in the borough is Richmond, other surrounding district centres include Twickenham, Teddington, Whitton and East Sheen, with the latter being the closest district centre to the Site. In 2015, the population of Richmond upon Thames was c.197,000 with a catchment population of 1.3 million.

Mortlake is well located on the south bank of the River Thames. It is positioned between Kew and Barnes, approximately 3km to the east of Richmond. The area benefits from a village atmosphere with a number of riverside cafes, pubs and local shops.

The following maps provide a location view of the location of the Site.





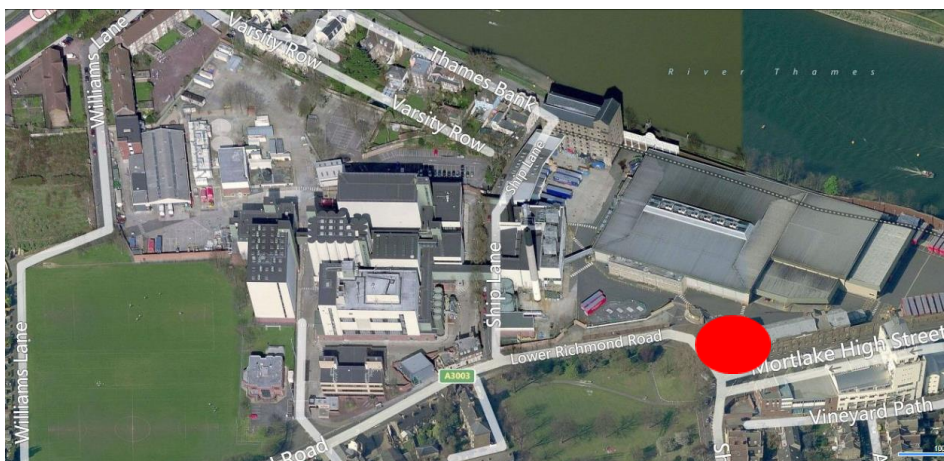
Site Analysis

The proposed development will front Mortlake High Street (A3003), close to its junction with Lower Richmond Road (B351). The pub-hotel will reside directly opposite Mortlake Business Centre.

The Site has good communication links and is situated within close proximity to local bus routes, which serve the local area. Mortlake railway station is located approximately 200 m to the south of the Site, (or three minutes' walk away). Barnes Bridge railway station is situated approximately 600m to the north-east or 12 minutes' walk away. Both stations offer services to London Waterloo and Richmond. The fastest journey time to London Waterloo is 22 minutes, and on the average weekday, frequent trains travel from London Waterloo to Mortlake. The journey time to Richmond from Mortlake railway station is approximately four minutes.

The London Borough of Richmond upon Thames benefits from a thriving visitor economy. Mortlake is within close proximity to popular attractions such as Richmond Park, Barnes Common, Ham House, Hampton Court Palace and The Royal Botanic Gardens at Kew. In addition, the area is well known for accommodating the finish line for the Oxford and Cambridge Universities boat race, and benefits from rugby related attractions in the locality such as Twickenham Stadium.

The aerial photograph below denotes the location for the proposed pub-hotel by a red marker.



We present below photographs of the Site



Accessibility

As abovementioned, the Site is served by good communication and transport links, as well as being located within walking distance of a number of tourist attractions including Richmond Park (approximately 1.4 km away). The development is situated in a prominent position on Mortlake High Street. It has the advantage of good visibility from passing footfall, and can be easily accessed via a range of different modes of transport, including frequent rail services, major roadways, and bus routes. This good accessibility is very positive for the development of additional accommodation stock.

Bus

A daily bus network serves Mortlake High Street with routes including the 419 (Richmond to Hammersmith), 969 (Roehampton Vale to Whitton) and N22 (Fulwell to Piccadilly Circus). Services provide not only easy access to Hammersmith and Richmond, but also to the surrounding areas.

Road

The Site benefits from excellent road transport links. The Western M4 Corridor connects to the motorway network via the M25, as well as Reading, Swindon and Bristol. The M4 is approximately 3.4 km to the north of the Site. The M3 is located to the west and is accessed via the A316, which merges directly with Lower Richmond Road.

Air

London Heliport in Battersea is the nearest helipad. It can be reached by vehicle in approximately 20 minutes. Alternatively, the nearest international airports are as follows: Heathrow Airport, located 20 km to the west and Gatwick Airport, is approximately 59 km to the southeast of the Site.

DEMAND GENERATORS

4. Demand Generators

Overview

The location of the proposed development is strong. It is located within close proximity to a number of corporate and leisure demand generators. Further potential demand generators are the wider mixed-use aspects of the former Stag Brewery, Mortlake redevelopment Site.

Though the London Borough of Richmond upon Thames benefits from a plethora of attractions, both corporate and leisure, the 2009 Visitor Survey (last survey published) identified a key opportunity for additional bedrooms in the Borough. The study indicated that many of the visitors to these attractions are travelling from home or are staying elsewhere in London. The 2009 Visitor Survey indicated that 40% of the visitors to the region were staying with friends or relatives and 29% stayed in hotel accommodation. The vast majority of visitors from overseas stayed within London, with 17% staying within the London Borough of Richmond upon Thames. The study noted that the Borough is not commonly known for its accommodation. Therefore, there is a demand to increase the Borough's profile as a destination to visit not only for the day, but to also stay overnight. This reveals a gap in the market to increase the number of keys and increase occupancy. We have also taken into consideration the Local Plan Publication issued by LBruT, which notes a requirement for additional accommodation to increase the area's profile as a tourist destination.

According to a 2012 Hotel Study commissioned by LBruT, the visitor expenditure in the Borough in 2009 was £146m, and is ranked 13th London wide. The Borough's visitor expenditure was 5% of Westminster's £2,676m (ranked 1st) and 17% of Kensington & Chelsea's £882m (ranked 2nd).

We are of the opinion that any additional keys to the Borough would encourage visitors to stay within the Borough, spend and boost the local economy. In order to support an increased number of people visiting the area, the London Borough of Richmond upon Thames aims to continue to work with partners including public transport operators and event organisers to promote sustainable travel choices and minimise disruption to residents and local businesses where possible.

We summarise some of the key demand generators below:

Corporate Demand Generators

Heathrow Airport

The proposed development is located c.20 km to the east to Heathrow Airport, which is a major demand generator. The airport generates demand from both leisure and corporate sectors with a heavy focus on corporate business during the week switching to leisure demand at the weekend.

Passenger numbers reached 75.7 million in 2016 making Heathrow one of the world's busiest airports. Heathrow Airport currently has two runways and five passenger terminals served by c.90 airlines. The airport is set to receive investment of £650 million, over the course of 2019, enabling the expansion of Terminal 2, which will continue to draw significant passenger traffic to the airport. The World Tourism Organisation predicts that international tourism to the UK is set to grow by 80 per cent and estimates tourism levels will reach 1.8bn by 2030. As reported in BHA Trends and Development in 2011, growth is expected to increase incrementally by 3.3 per cent each year.

According to a 2012 Hotel Study commissioned by LBruT, the estimated demand for commercial accommodation in the London Borough of Richmond upon Thames stood at 0.6 million bed nights per annum in 2012. The study also indicates that, at the time of publication, many of these keys were yet to be fulfilled. Given the limited number of new hotel openings in the area in recent years, we would consider that demand continues to outpace supply in the Borough. The strong demand for keys in the Borough is partly attributable to growth fuelled by the increasing numbers of visitors from overseas, many of whom will be arriving via Heathrow Airport.

Employment Structure

In addition to Heathrow Airport, Uxbridge (within the London Borough of Hillingdon) and the neighbouring Boroughs are major corporate markets in west London. We summarise below some of the key corporate markets statistics for these areas.

Uxbridge benefits from 220,000 employees with the largest sectors of employment being finance, business services, ICT and administration. Unemployment stood at 1.1 per cent in June 2017, a 10 basis point decrease on the previous year.

The table below illustrates Heathrow and Uxbridge's office employment structure

<u>Sector</u>	<u>Employees</u>
Office Services	39,000
- Finance	1,700
- Professional & Business Services	22,200
- Information & Communication	7,800
- Administration & Support Services	25,400
Other Services	106,700
Public Services	24,100
Education	14,200
Manufacturing	8,000
Primary, Utilities & Construction	9,800
Total	220,000

The presence of the airport means that there are many airport related offices within the locality. Some of the more notable operators include British Airways, BAA, Virgin and Atlantic, all of which are easily accessed from the M4 motorway. The region will also see office development from airport technology group Amadeus, which has agreed an 85,000 sq ft pre let in the World Business estate in Heathrow, which is set to undergo expansion.

Outside of the aviation industry, Heathrow provides an attractive destination for other multi-national firms. Other key employers include Cisco, IBM, Canon and Rackspace. The latter committed to expand its workforce in Hyde Park Hayes by 30% per annum between 2013 and 2017. Alongside this expansion, sports-media firm IMG worldwide moved 400 staff to Stockley Business Park in 2013.

These markets can be accessed from Mortlake via the Western Corridor within a journey time of approximately 20-25 minutes and therefore any overspill from these markets will fuel accommodation demand in surrounding areas such as Mortlake.

Major Office Occupiers

The table below denotes the major office occupiers in the Heathrow and Uxbridge locality.

Name	Sector	Number
BAA	Services	2000-4999
British Airways	Services	2000-4999
Cisco Systems	Financial & Business Services	2000-4999
GlaxoSmithKline	Manufacturing	2000-4999
Hillingdon Borough Council	Services	2000-4999
Hounslow Borough Council	Services	2000-4999
Virgin Atlantic Airways	Services	2000-4999
Xerox	Manufacturing	2000-4999
BP	Manufacturing	1000-1999
IBM	Manufacturing	1000-1999
Rackspace	Financial & Business Services	1000-1999

Amadeus	Services	500-999
Canon	Manufacturing	500-999
Coca-Cola	Manufacturing	500-999
Gilead Pharmaceuticals	Manufacturing	500-999
Marks & Spencer	Services	500-999
SAP UK	Financial & Business Services	500-999
Amgen	Manufacturing	250-499
Apple Computer UK	Manufacturing	250-499
Birds Eye Walls	Manufacturing	250-499
BMI British Midlands	Services	250-499
General Mills	Manufacturing	250-499
Hasbro	Manufacturing	250-499
Hertz	Services	250-499
HJ Heinz	Manufacturing	250-499
IMG Worldwide	Financial & Business Services	250-499
Kraft Foods	Manufacturing	250-499
Kuehne & Nagel (UK)	Services	250-499
Parexel Intl	Manufacturing	250-499
PwC	Financial & Business Services	250-499
United Biscuits (UK)	Manufacturing	250-499

The following table identifies the major retailers who are set to change or expand their offices.

Name	Sector	Number	Comments	Date
Rackspace	Financial & Business	4,999	Expansion, Hyde Park	2013-2017
Gilead Amadeus	Services	Unknown	Park	2017

As illustrated in the tables above Heathrow and Uxbridge are favourable Headquarters office locations with a number of companies selecting West London as a base for their employees due to the area's excellent accessibility largely afforded by the proximity of Heathrow Airport and the M4 Motorway.

M4 Motorway/Western Corridor

As abovementioned, a further key corporate demand generator for the proposed development is the M4 motorway. This motorway (also known as the 'Western Corridor' at its section closest to the Site) is part of both the English and Welsh road network, connecting London to South Wales. Major destinations directly accessible from the M4 junctions include Heathrow Airport, Reading, Swindon, Bristol, Newport, Cardiff and Swansea.

In addition to the office supply detailed in the section above, there are a number of offices located along this corridor, with an increasing amount from the Technology Media & Telecommunications (TMT) sector. Encouraging levels of occupier demand along the Western Corridor indicate a positive outlook for hoteliers, with potential for an increased demand for accommodation and meeting spaces. Given that the M4 motorway is easily accessed to the north of the proposed development, additional accommodation would be likely to benefit from the corporate demand generated by the Western Corridor, Heathrow Airport and offices in the surrounding area.

The M4 connects the national motorway network via the M25, and is located approximately 3.5 km to the north of the Site. There are many large office developments, along London's western corridor, providing a buoyant market for the hotel industry. Kew Bridge (St George PLC) currently have planning permission for a mixed use development to contain 308 residential units and 3,752 sqm of commercial floor space with parking, to be located along the western corridor.

The office investment market along the western corridor is currently thriving. The area continues to attract global companies from the Technology Media & Telecommunications (TMT) sector. Sizeable transactions

include Aviva's acquisition of a 127,000 sq ft Ealing Gateway office and Frasers CenterPoint's acquisition of a number of Oaktree Business Parks. Overall, in H1 of 2017 the figures for the western corridor were £632m, with recent transactions taking this over £1.75bn in the start of Q3. We expect that the upward trend of the office investment market along the western corridor will continue to rise, with predicted outputs expected to surpass last year's figure of £2.6bn. This indicates strong potential for the local hotel market.

Leisure Demand Generators

The LBRuT recognises the benefits of the leisure tourist attractions in their 'Visitor Economy' local plan publication. The Borough encourages proposals and will support developments, which contribute towards providing a range of visitor accommodation, small independent hotels and bed and breakfast accommodation, promoting the Borough as a tourist destination.

The Visitor Survey 2009 (latest available data) indicated that visitor spend in the Borough totalled c. £146m. The thriving tourism economy in the Borough creates opportunities for additional hotel rooms to support demand created by attractions in the region. This is further supported by Richmond's 'Local Plan Publication', which seeks to support proposals, which enhance the Borough's existing tourist attractions. One key objectives of the publication is increase the number of the visitors staying the area and contributing to the tourism economy.

The proposed development Site is located within close proximity to three of London's top 20 paid for attractions; Kew Gardens, Hampton Court Palace and Ham House. The former two attractions are also included within the top 10 paid for attractions in London. The Site is located close to Richmond Park, Barnes Common, Syon House and Twickenham Stadium.

We provide an overview of some of the key leisure attractions below:

The Royal Botanic Gardens, Kew is approximately nine minutes' drive, 3.2 km, to the northwest of the development. The botanic gardens stretch over 300 acres and are inscribed on the list of World Heritage Sites by UNESCO. The gardens are recognised as an internationally important botanical research and education institution and are in the top 10 most visited paid for attractions in London, attracting circa 1.3 million visitors annually.

Ham House is situated to the south west of the development approximately 6.5 km away. It comprises a Grade I listed historic house and gardens, designated on the National Heritage List. The grand interiors have been used as locations for films including the 2012 version of 'Anna Karenina' with Keira Knightley, 'Never Let Me Go' and 'The Young Victoria'. It is within the top 20 most visited paid for attractions in London.

Hampton Court Palace is located approximately 15 km to the south of the Site. It offers 60 acres of formal gardens and a maze. It can be accessed by riverboat from Richmond. According to the 'Richmond Visitor Market' study, this attraction was the main purpose of the visit to the region for 37% of UK visitors and 50% of visitors from abroad. It also has capacity for conference events.

Syon Park is a 200-acre park, situated 8.3 km west of the development. The Park is the former home of the Duke of Northumberland. It offers a number of attractions, such as walking and bike trails around the estate, fly-fishing on the six-acre lake and afternoon tea in the club house.

Syon Park is home to Hilton's Astoria Syon Park Hotel. This five star rated hotel provides a Marco Pierre White Steak House Bar and Grill, cocktail bar, and a range of spa and beauty facilities. Syon House is often used as a wedding venue, or for private hire, with maximum capacity of 450 people.

Richmond Park has 2,500 acres of parkland with roaming deer, and is the largest Royal Park in Europe. It offers woodland gardens, horse riding, golf and bike hire for off road cycling. It is situated to the south of the development and can be accessed by car with a journey time of approximately seven minutes (1.4 km away).

Richmond Town Centre is an attractive river town on the banks of the Thames, popular with tourists. It has a good upmarket retail offering, boats on the river and number of restaurants, bars and a theatre.

Barnes Common located approximately 2.5 km east of the development, covers 120 acres and is designated as a Local Nature Reserve and site of Nature Conservation Interest. The common is popular with joggers and dog walkers.

Twickenham Stadium is located 5.9 km to the north of the development and is accessible via South Western Railway directly from Mortlake to Twickenham. It is the largest stadium in the world devoted solely to the sport of Rugby Union. In 2006 it had its capacity increased to 82,000 and since then has undergone numerous improvements such as new LED strips inside the mid-tier, which were installed in 2012. In 2016, Rugby Football Union confirmed its plans to invest £54m to extend the stadium's east stand. The proposals are set to add six levels of corporate hospitality facilities including bars restaurants and conference areas for events. The redevelopment will add around 220,000 sq ft of available space to the east stand, but not affect the existing bowl infrastructure and seating of the stadium.

This redevelopment will increase the stadium's ability to also take larger conferences. This is a significant benefit to the hotel market, and it creates a key demand for more keys to accommodate influxes associated with key events. During major events, the closest hotels to the stadium are likely to be at capacity resulting in overspill to neighbouring areas, including Mortlake. Local hotels will be able to adopt event based pricing, thereby increasing rates considerably in a market where demand outstrips supply.

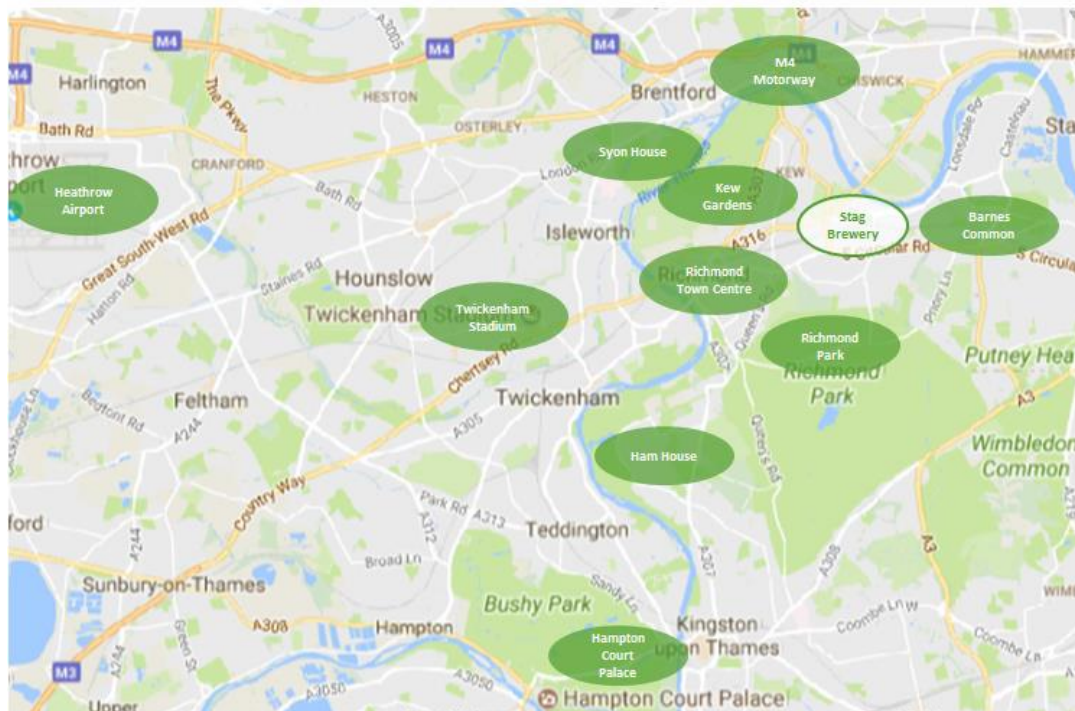
Site Based Demand

Aside from the plethora of demand from both corporate and leisure generators in the locality, the fact that the pub-hotel will form part of a wider development scheme presents further potential for demand for accommodation. The 'Master Plan Proposals' set out a new village heart for Mortlake, with significant public benefit. It includes residential apartments, a 'Care Village' comprising a nursing home, extra care apartments, a public health centre, a secondary school for 1,200 students and the provision of external play areas.

Leisure elements of the Site include 4.48 hectares of new amenity space including a new green link from Mortlake to the river, a community park, new high street with a range of retail uses such as a restaurant, bars a cinema, a gym, community spaces and c.700 car parking spaces. Given the number of uses proposed for the entire development, the Site has the potential to generate its own visitors.

The subject pub-hotel has the ability to attract a destination-style of business drawing business from visitors using the leisure elements of the Site such as the restaurants and cinema. Further demand will be generated from those visiting friends and family who live in either the residential units or the care-home. Notwithstanding the demand that will be generated from the pub elements itself, the proposed development will provide year round demand for accommodation and therefore the accommodation provision should to a certain extent, be self-sustaining.

The most notable demand generators are detailed on the map below, in relation to the subject Site.



Conclusion

Our assessment of the proposed 16 key pub-hotel upon our analysis of the corporate, leisure and wider site demand generators indicates a positive outlook for the required demand for accommodation within the locality.

The corporate demand for accommodation in the West London area is largely generated by the Site's close proximity to Heathrow Airport and the M4 Motorway / Western Corridor. The desire for companies to locate their office Headquarters in the locality indicates the strength of local corporate demand generators.

The extra keys delivered by the proposed development would contribute towards satisfying the corporate demand of mid-week workforces travelling to and from offices located along the Western Corridor, Heathrow Airport and surrounding areas. It would also support the weekend shift from corporate to leisure visitors traveling and arriving from Heathrow Airport, and visiting the number of tourist attractions in the London Borough of Richmond upon Thames.

Whilst there is considerable demand for accommodation generated from the corporate sector there is also significant demand from the leisure sector. The Site is surrounded by a plethora of key tourist attractions, including Richmond Park, which is well known for attracting visitors for its deer population, Syon House, Kew Gardens, Hampton Court Palace and Ham House. The Site is also located close to Twickenham Stadium, which has the capacity to seat 82,000 spectators and the ability to host larger conferences. The existence of these tourist attractions means that large influxes of visitors travel to The London Borough of Richmond upon Thames. Whilst many of these visitors stay elsewhere in London, as expressed in The 2009 Visitor Study, there is a clear gap in the market to encourage more visitors to stay in the Borough when visiting these key attractions. This is supported by Richmond Borough Council's Local Plan, which supports proposals to provide accommodation which consequentially support and enhance the Borough's existing tourist attractions.

It is evident that the requirement for additional accommodation in the London Borough of Richmond upon Thames is strong, and the additional pub-hotel accommodation will contribute to LBRuT's emerging Local Plan requirement for additional keys in the Borough.

HOTEL MARKET

5. Hotel Market

Overview

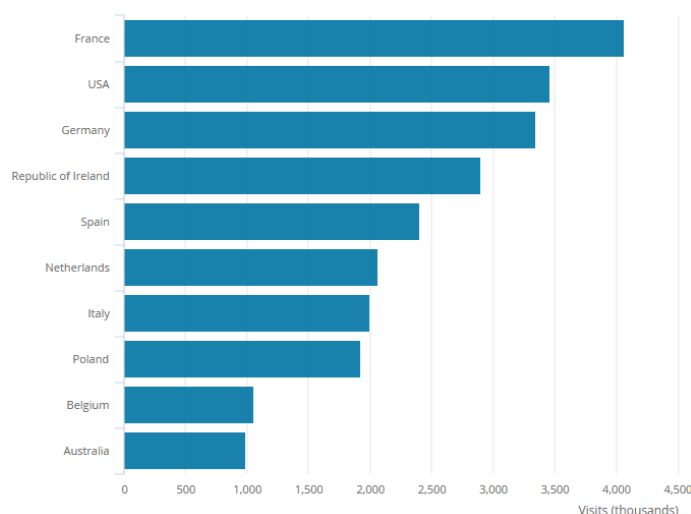
UK economic growth has proven more robust than expected in the aftermath of the UK's decision to leave the European Union. The resilience and resulting success of the London hotel market is part attributable to strong demand from the domestic market within both the corporate and leisure segments. London has the greatest number of tourist visitors within the UK and, with a number of tourist attractions located within the Borough of Richmond upon Thames, the local area benefits from thriving tourist economy. Despite positive levels of domestic visitors the market is also supplemented by strong levels of visitors from overseas.

The Economy

The UK economy has undergone and more notable slowdown in Q2. According to figures from the Office for National Statistics (ONS), Gross Domestic Product (GDP) in quarter two grew by merely 0.3% (April to June 2017), a marginal increase from the 0.2 % growth seen the in the first quarter (Jan to March 2017). The annual growth in Q2 was 1.7%. Evidence that GDP growth got off to a slow start to the years as household incomes continued to be squeezed; in which real incomes will continue to weigh on consumption.

When compared to Eurozone, the UK economy grew at half the rate in the second quarter of 2017. This is a result of a surge of inflation in the Pound against the Euro, Dollar and other currencies, which have damped UK consumer spending. However, the depressed Pound can be viewed as a positive for the UK hotel market, with overseas holiday makers taking advantage of the depreciated Pound. This is indicated by an increase in overseas visitor numbers in first quarter, when compared to the previous year. According to STR Global, the overseas surge is likely to have continued through quarter two, and mitigate impact on London hoteliers.

This is trend supported by the International Passenger Survey published by the Office for National Statistics. Included below is a graph of the top 10 countries for overseas visits to the UK in 2016.



Source: ONS

The top 10 list has not changed its order when compared to 2015. London attracted 19.1 million overnight visits in 2016, far more than any other town or city in the UK with more than half of visits to the UK including a trip to London. ONS reports that nearly half of London's visits (49%) were for holidays. The average length of visits to the UK has remained consistent over the 5 years from 2012 to 2016 of between seven and eight nights. Residents of "Other Countries" (countries outside Europe and North America) stayed the longest at 13.7 nights on average in 2016, as might be expected since the journey distance is greater. European residents stayed the shortest time on average, of 5.9 nights since the distance travelled is shorter and there are a relatively large number of business trips from this region. Business trips were the shortest type of visit, on average, at 4.0 nights.

Consumer Price Index (CPI) is the most commonly used measure of inflation in the UK. CPI increased in August 2017 to 2.7% up from 2.6% the previous month. Though this is below the four-year peak in May 2017, this is remains above the Bank of England's Target of 2.0%. Going forward the ONS predict a peak of 3.0% percent in October 2017 as the past depreciation of sterling continues to pass through to consumer prices. An upward trend is expected to continue throughout the first two quarters of 2018. Following a vote by the Bank of England's Monetary Policy Committee (MPC) to maintain Bank rate at 0.25%, inflation is predicted to remain above the MPC's target throughout the forecast period.

In addition to the above a more mixed picture is being reflected by economic indicators. Between February to April 2017 and May to July 2017, the number of people in work increased to 4.3%, with an additional 379,000 people in work when compared to the previous year. Likewise retail sales increase in August 2017 by 1.3% on a like-for-like basis from August 2016. However, growth on dominant service industries will continue to be constrained and inflation exerts pressure on real consumers' real incomes.

Taking into account the long term effect of the recent UK terrorist attacks, the impact on the London hotel market has been less significant than expected. Despite a 12% decrease in flight bookings from overseas to London in the immediate week after the London Bridge terrorist attacks in June 2017, the following week the deficit had dropped to 5%. RevPAR showed strong signs of recovery, up by 2% on the same week the previous year. When compared to terrorist attacks in other European regions such as Paris and Brussels, who sustained notable declines in RevPAR as much as -23 in April 2016 in Paris, the UK hotel market has proven resilient.

The London Hotel Market

London: Hotel Trading Performance

	Competitive Set Performance		
	Occupancy (%)	ADR (GBP)	RevPAR (GBP)
2011	82.1	133.8	109.8
2012	80.6	138.9	111.9
2013	82.5	137.2	113.2
2014	83.0	140.9	117.0
2015	82.1	143.4	117.7
2016	81.3	143.4	116.7
YTD 2016	79.6	138.8	110.5
YTD 2017	81.1	146.4	118.7

Source: STR Global

Between 2011 and 2015, strong corporate travel demand and a healthy tourism market allowed for six consecutive years of Revenue per Available Room (RevPAR) growth. With occupancy levels already strong, London hoteliers largely focussed on growing Average Daily Rate (ADR). This strategy is evidenced within the above key performance indicators, with RevPAR increasing most notably, by 6.2% in 2011 and 3.3% in 2014 despite occupancy levels remaining stable at around 82%.

Average occupancy levels did, however, decline in 2012 due to the impact of the London Olympic and Paralympic Games which provided London hoteliers with unique trading conditions. An increase in ADR during this period was reported which was achieved by hoteliers increasing rates to capitalise on Olympic demand. Countering this, those without Olympic tickets avoided London causing occupancy levels to fall. The decline in demand was not, however, experienced within the corporate sectors as initially expected but rather within the leisure and group tour sectors. Nevertheless, the strong ADR reported ensured positive RevPAR growth.

The London Hotel Market Year-to-Date (YTD)

	August 2016 YTD	August 2017 YTD
Occupancy	79.6%	81.1%
ADR (£)	£ 138.32	£ 146.41
RevPAR (£)	£ 110.13	£ 118.73

Source: STR Global

The table above illustrates the performance of the London hotel market year-to-date August 2017

Occupancy, Average Daily Rate (ADR) and RevPAR (Revenue Per Available Room) are the three key performance indicators of the health of a hotel business.

Occupancy

The table shows that occupancy levels have increased from 79.6% in August 2016 to 81.1% in August 2017. Despite the terrorist attack that occurred in London on the 3 June 2017, occupancy levels have remained buoyant through Q2 2017. This indicates that the effect of the terrorist attacks on the London hotel market has been transient. Consequently, consumer confidence has remained high, which is reflective of rising levels of occupancy.

Average Daily Rate (ADR)

The data indicates that ADR levels also increased year-to-date August 2016. Growth of 5.8% shows that hoteliers managed to sustain hotel rates in the capital, while also maintain strong occupancy levels. STR Global notes that the devaluation of the Pound continues to drive inbound travel and stronger domestic tourism in the UK with August marking London's 10th consecutive month of ADR growth.

Revenue Per Available Room (RevPAR)

Increases are also replicated by rising RevPAR figures, moving from £110.13 in August 2016 to £118.73 in August 2017. RevPAR has remained relatively strong. When compared to other regions, London year-to-date has outperformed other major regions such as Birmingham and Liverpool, which have increased by 4% and 5%. Overall, this indicates a positive outlook for the London hotel market.

Given the lack of pub-hotels in the vicinity of the subject Site, it has not been possible to gather data relating directly to hotels in Mortlake and the surrounding area. Heathrow is the largest hotel market in proximity, although its performance is unique and not necessarily representative of the wider area. We would expect a hotel in this locality to achieve strongest demand mid-week due to the proximity of corporate occupiers. Nevertheless, occupancy dilution should be minimal of Saturday nights, particularly during the summer months, given the attractiveness of the area and its good accessibility to key leisure attractions. The size of the proposed accommodation should enable it to achieve relatively high occupancy although yield management will be crucial to ensure that RevPAR (which is a product of Occupancy and ADR) can be maintained throughout the week and during quieter periods of demand.

HOTEL SUPPLY & PIPELINE

6. Hotel Supply & Pipeline

Overview

The hotel inventory in the London Borough of Richmond upon Thames can be examined in the following sub sectors: hotels, pub-hotels, guesthouses, apartments and other limited service hotel accommodation. The *London Plan Policy* is a statutory spatial development strategy for London that was written by the Mayor of London and published by the Greater London Authority. The Plan includes a target of 40,000 net additional hotel keys by 2036 in London.

The 2012 Hotel Study commissioned by LBRuT, supported this requirement for additional accommodation in the Borough. Specifically, of the 40,000 keys identified by the London Plan Policy, 900 keys are required in the London Borough of Richmond upon Thames by 2026. According to the Annual Monitoring Report (2012-2013), between April 2009 to April 2012, 113 hotel bedrooms were delivered in the borough. If this rate of delivery is applied from 2012 (the preparation of the Hotel Study) to present day (2017) then c. 188 bedrooms out of the 900 required may have been delivered. While our searches show that a higher number of bedrooms have since been delivered, there remains scope for further development.

On a local level, the LBRuT Core Strategy Policy CP 20 identifies the requirement for hotels in the Borough's town centres and other areas highly accessible by public transport. The Site is within the Mortlake Area of Mixed Use, which we reiterate is not within the town centre hierarchy. Nonetheless, Part C of the emerging Local Plan Policy (25) notes that appropriate uses in the Mortlake Area of Mixed Use could include those that "attract visitors and develop cultural opportunities". Extra keys generated by the proposed development in Mortlake would fall within this definition, and add to the limited pub-hotel inventory in the region.

The London Borough of Richmond upon Thames has a current supply of 10 hotels comprising 494 keys, one guesthouse with 18 keys, seven pub-hotels totalling 129 keys and two apartment blocks totalling 16 keys. Together these accommodation classes total 639 keys for Borough. The London Borough of Richmond upon Thames has five limited service purpose built hotels, which have been excluded from the tables below. They comprise purpose built accommodation with significantly a larger number of keys than the 16 key proposed pub-hotel development. These include three Premier Inn hotels, two Travelodge hotels, and one Marriott, which add an additional 506 keys to the inventory. They will be discussed within the 'Limited Service Hotels' section of this supply review.

Supply

The London Borough of Richmond upon Thames Hotel Supply

<u>Hotel Name</u>	<u>Grade</u>	<u>Keys</u>	<u>Brand</u>	<u>Owner</u>
Bingham Hotel	4-star	15	Independent	Bingham Hotel & Restaurant Ltd
Clarion Collection Hotel Richmond Gate	4-star	68	Clarion Hotel	HHP Nominee Ltd
Petersham Hotel	4-star	58	Independent	Petersham Hotel Ltd
Quinns Hotel London	2-star	38	Independent	Savdeep Dhillon
Richmond Inn	3-star	44	Independent	Richmond Inn Hotels Ltd
Richmond Park Hotel	2-star	22	Independent	J C Management Ltd
Rose of York	3-star	12	Independent	Samuel Smith Old Brewery
Park Hotel	3-star	43	Independent	Racing Holdings Ltd (BVI)
Lensbury (The)	4-star	171	Classic British Hotels	Lensbury Ltd
Shandon House Hotel	2-star	23	Independent	Independent

The hotel inventory in the London Borough of Richmond upon Thames represent a wide range of brands across the sector from limited service to 4-star. The hotel supply comprises 43% of the total accommodation supply in the London Borough of Richmond upon Thames. A proportion of these hotels will provide purpose built hotel accommodation with a significantly greater number of keys than the proposed development. The largest hotel in the set is the Lensbury Hotel, comprising a four-star 171 key operation. We stress that the aforementioned hotel is located in Teddington and is approximately 8.6km, 20 minutes' drive away from the subject development. Only four hotels offer a smaller number of keys than the proposed pub-hotel, these being the Rose of York Hotel (12 keys), and the Bingham Hotel (15 keys), marginally above 16 key proposed pub-hotel are the Park Inn Richmond (22 keys) and Shandon House Hotel (23 keys). Given that the proposed pub-hotel will deliver a small scale pub-hotel of 16 keys, the development will have little impact on the existing hotel inventory in the London Borough of Richmond upon Thames, and will therefore complement the existing supply.

Given the close proximity of three of the top visitor paid attractions in London, the proposed development will support the demand, which is likely to ensue from local attractions, the wider development, and the pub.

The London Borough of Richmond upon Thames Pub-Hotel Supply

<u>Hotel Name</u>	<u>Grade</u>	<u>Keys</u>	<u>Brand</u>	<u>Owner</u>
Victoria Hotel	4-star	7	Independent	Jolly Fine Pub Group
Kew Gardens Hotel	4-star	20	Independent	Greene King plc
Coach & Horses	4-star	31	Young's Hotels	Young & Co Brewery plc
Red Cow Pub	3-star	15	Young's Hotels	Young & Co Brewery plc
Duke's Head Inn	3-star	11	Independent	The Dukes Head Ltd
Orange Tree (The)	4-star	13	Young's Hotels	Young & Co Brewery plc
Alexander Pope	4-star	32	Young's Hotels	Young & Co Brewery plc

The Victoria Hotel, Kew Gardens, Coach & Horses and Red Cow Pub are all pub-hotels located within the London Borough of Richmond upon Thames.

These pub-hotels are small to mid-sized operations ranging from between seven and 32 keys. All of the above pub-hotels are within the three and four star segment, and total 129 keys, which represents 11.3% of the London Borough of Richmond upon Thames hotel inventory. Therefore based on the use, specification, and number of keys we identify the above pub-hotels as those which would compete most directly with the subject based on location, keys, star rating, and pub offering. The pub-hotel inventory within the London Borough of Richmond upon Thames is relatively subdued currently standing at seven properties. We reiterate that the addition of a 16 key pub-hotel is likely to support the demand for accommodation as a result of the number of local leisure and business attractions.

The London Borough of Richmond Serviced Apartment Supply

<u>Hotel Name</u>	<u>Grade</u>	<u>Keys</u>	<u>Brand</u>	<u>Owner</u>
Riverside Apartment Hotel	Apts	7	Independent	Mr & Mrs Monti
Flying Butler Richmond	Apts	9	Independent	Bentley Management Ltd

We also note that there are two serviced apartments; Riverside Apartment Hotel and the Flying Butler Richmond Apartments within the locality. The Riverside Apartment Hotel has seven keys and the Flying Butler has nine keys. Both of the aforementioned apartments offer self-catering accommodation, with fully equipped kitchens. We stress that though these apartments should be taken into consideration, their facilities suit those wishing to self-cater their stay and mean that the proposed 16 key pub-hotel is unlikely to cause an impact.

The London Borough of Richmond upon Thames Guest House Supply

<u>Hotel Name</u>	<u>Grade</u>	<u>Keys</u>	<u>Brand</u>	<u>Owner</u>
Twickenham Guesthouse	2-star	18	Independent	Independent

The Twickenham Guesthouse is the only Guesthouse located within the London Borough of Richmond upon Thames. With only keys, it comprises 1.5% of the total hotel supply within the London Borough of Richmond upon Thames. It is a two-star Independent property located 5.5km away or 16 minutes' drive away from the proposed development.

The London Borough of Richmond upon Thames Limited Service Hotel Supply

It must be noted that also located within the London Borough of Richmond upon Thames there are three Premier Inn hotels; Premier Inn Richmond (92 keys), Premier Inn Twickenham Stadium (39 keys) and Twickenham East (17 keys). Within the Borough, there are also two Travelodge hotels and a Marriott hotel: Travelodge London Teddington (113 keys), Travelodge London Richmond Central (78 keys), and Travelodge London Twickenham (111 keys) and London Marriot Twickenham Hotel (156 keys). The aforementioned hotels provide limited service accommodation and have been excluded from the above tables. We are of the opinion that given the number of both leisure and corporate demand, there is likely to be little impact to surrounding limited service operators caused by the proposed 16 key development.

Branded limited service hotels, Premier Inn and Travelodge, have expanded rapidly across the UK and are an exceptionally popular accommodation choice for both corporate and leisure travellers given their relatively low pricing specification and standardisation. They represent 55.8% of the total supply in the London Borough of Richmond upon Thames. In all locations, it has become apparent that these two brands compete with all sectors of accommodation, although we stress that many of these limited service hotels are some distance from the proposed pub-hotel. None of the aforementioned limited service hotels are located in Mortlake. Four of the limited service hotels are situated in Twickenham, c.6 km away from the proposed Site. The closest limited service competitors are Premier Inn London Richmond and Travelodge London Richmond Central, the former located 1.7km and the latter located 3.5km west of the proposed development Site. We reiterate that the presence of such renowned operators, particularly of Premier Inn, is very encouraging and is indicative of the strength of the local market. We are advised all achieve high levels of occupancy.

Pub-Hotels of Most Comparable Significance

We list below a summary of the breakdown of pub accommodation which we consider to have the most significant relevance to the proposed pub-hotel. Account has been taken of the number of keys and the quality of the accommodation to provide an overview of pubs offering accommodation within the London Borough of Richmond upon Thames.

Within a one-mile radius of the subject development Site, there are two comparable pub-hotels of great significance; the Victoria Hotel and Kew Gardens Hotel.

Kew Gardens Hotel is a 16 key hotel also located within a close proximity to the proposed development. It has a mid-week to weekend rate ranging from £167.00 to £192.50. The Victoria Hotel comprises seven keys and offers four-star accommodation in East Sheen. It opened in 1855, and offers a mid-week to weekend rate of approximately £115.00. We understand that this is the only other pub offering accommodation within the East Sheen area. East Sheen is a suburb of the London Borough of Richmond upon Thames, and comprises an area of approximately 5.84 sq km and is located c. 0.8 km west of the proposed development Site. Given the lack of pub accommodation supply within in the East Sheen region, it can be concluded that the impact of the new proposed hotel would be minimal.

We must also note the Premier Inn Richmond, offers 92 keys and is located 1.7 km away from the proposed development and c.7 minutes' walk from North Sheen Station. We reiterate, though closely located to North Sheen, it is c. 2.2km away from East Sheen and its presence is a positive indicator of the strength of the market.

Competitive Set

Based on our inspection of the subject hotel and discussions with hotel management, we have identified the following hotels as those which compete most directly with the subject hotel based on location, positioning, product and pricing attributes. We summarise the hotels of competitive relevance below.

Rates quoted are room only rates based on two adults sharing a double bedroom.

The Victoria



The Victoria is located in Sheen and is within 15 minutes' walk of Richmond Park and Sheen Station. The hotel has seven keys, a restaurant, pub, garden, and is a Grade II Listed building constructed in 1888.

The banks of the River Thames are c.20-minute walk away. The centre of Richmond and Kew Gardens are within 1.4 km of the hotel. The journey time to central London is approximately 30 minutes by Underground and train.

Midweek Rate October: £114.00

Weekend Rate October: £115.00

As the only pub offering accommodation in the East Sheen region, the Victoria will be of direct competitive relevance to the subject development. However when compared to the subject the Victoria is significantly smaller with only seven keys. The proposed pub accommodation will be larger and offer more modern accommodation.

Kew Gardens Hotel



Kew Gardens Hotel is 150 yards from Kew Gardens and 2 minutes' walk from Kew Underground railway station, with a journey time of c.30 minutes to Waterloo. It features boutique-style rooms, a gastro-pub and restaurant. The property is a Victorian hotel with en suite bathrooms, it was last refurbished in 2015. Room types are standard double, superior double twin, feature double or family room. It is within close proximity to Gunnersbury, Chiswick, Brentford and Richmond Business Parks.

In the Kew area of south-west London, The Kew Gardens Hotel is a 25-minute walk from Richmond-upon-Thames. The centre of London is a short underground journey away.

Midweek Rate October: £167.00

Weekend Rate October: £192.50

The Kew Gardens hotel offers 16 keys, which is a comparable number of rooms to the proposed development. It is located 2.2 km to the west of the former Stag Brewery, Mortlake. The hotel opened in 1855.

Coach & Horses



The hotel dates the 17th-Century and is located by Kew Green, across from the Royal Botanical Gardens.

The Coach & Horses Hotel has a traditional bar and restaurant, a large garden and en suite, air-conditioned keys. It is a short walk from the National Archives and Kew Steam Museum.

The hotel makes an ideal base for visiting Hampton Court Palace, Ham House and Richmond-upon-Thames. There is easy access to the M4, M25, M3 and South Circular. Heathrow Airport is a 20-minute drive away.

Midweek Rate October: £139.00

Weekend Rate October: £149.00

Offering 31 en suite keys, the pub with accommodation has been refurbished to a good standard. It is located approximately 2.4 km north of the proposed development, and is of primary competitive relevance.

The Red Cow



A few minutes' walk from Richmond town centre and rail/Underground stations The Red Cow is a restored inn offering a bar, restaurant and accommodation. Accommodation comprises 15 rooms, with a selection of twin, double and triple rooms with en suite facilities.

The Red Cow has a history that dates back to the early 19th century. Although recently refurbished, many of the original features, including original glassworks, have been retained.

Richmond Station has frequent rail services to Central London, and the Underground station is connected to the District Line and London Overground Line.

Midweek Rate October: £127.00

Weekend Rate October: £126.00

It occupies a strong location and is a 7-minute walk from Richmond railway station. Nevertheless, having opened in 1811, the rooms are dated without recent refurbishment.

Richmond Inn



The property is located 5 minutes' walk from Richmond Underground Station, and offers free private parking, and spacious rooms. Continental and cooked breakfasts are available at a surcharge. Located in Richmond town centre, shops, bars, and restaurants are within a five-minute walk of the Richmond Inn Hotel.

The Kew Royal Botanic Gardens are a 10-minute walk away and the banks of the River Thames are less than one mile from the Richmond. Twickenham Stadium is just over two miles away.

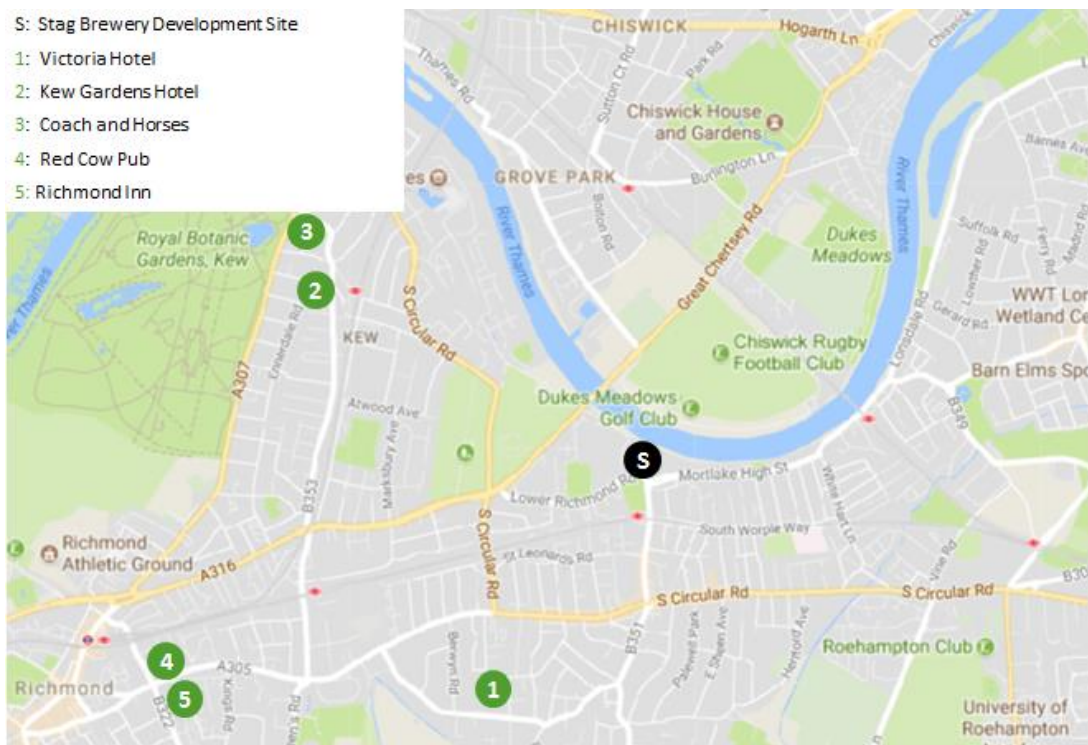
The M4 motorway is less than 10 minutes' drive from Richmond Inn and Heathrow Airport is a 20-minute drive away. Central London can be reached within a 40-minute underground journey.

Midweek Rate October: £123.50

Weekend Rate October: £166.25

The Richmond Inn is the largest comparable hotel located within a close proximity to the Mortlake area. However, the accommodation is of the more conventional hotel nature and is therefore not directly comparable to the proposed development's pub-accommodation offering.

Competitor Set Map



We are of the opinion that the small-scale pub-hotel development will complement existing supply and provide an alternative to larger scale limited service hotels such as the Premier Inn and Travelodge. The addition of a pub-hotel will further diversify current stock, and provide visitors to key attractions with more choice for accommodation. This is supported by the LBRuT Core Strategy Policy CP 20 to attract visitors and

develop cultural opportunities. According to the 2012 Hotel Study commissioned by LBRuT, the hotel accommodation stock in the Borough comprised approximately 1% of London's total hotel stock. Therefore, given the considerable number of attractions (both corporate and leisure) in the Borough there is a clear requirement for additional keys.

Pipeline

Aside from the former Stag Brewery, Mortlake development, there is limited hotel stock in the pipeline within a two mile (3.2 km) radius of the proposed development.

A potential hotel scheme within a 2 mile or 3.2 km radius of the proposed hotel development forms part of Brentford FC's proposed mixed use development. It is 1.6km to the west of the former Stag Brewery, Mortlake development in Brentford. The planning application proposes that a 3 to 4-star hotel will form part of the wider development of a new 20,000-capacity football stadium, 910 residential apartments and retail units at Lionel Road South (planning ref P/2017/1048). The facilities are set to generate hundreds of new jobs in the area, including over 40 full time positions within the retail units alone. Construction of the stadium is due to start in early 2018, with completion targeted for late 2019 or early 2020.

The selection of this region for a new Brentford FC 20,000 seat stadium with hotel and residential accommodation provides a positive outlook for the area. The desire of new investors to develop in the area is very encouraging and is indicative of the strength of the market. It should also be noted that the presence of a 20,000-seat stadium is likely to create further tourism to the area on match days, and the stadium will also have capacity to house larger conferences and events. This is likely to benefit not only the proposed Brentford FC hotel, but also other local hotels within the area.

The only other proposed development within a 2 mile or 3.2 km radius of the subject Site is the speculative Room 2 Aparthotel London Chiswick to deliver 78 keys. An existing building at 10 Windmill Road in Chiswick is set to be demolished in order to build a three-storey, plus lower-ground storey and a setback fourth storey apart-hotel. Though the significance of this development must not be overlooked, its kitchen function offer will attract business from those wishing to self-cater and therefore the proposed development is unlikely to affect this proposal.

Looking further afield within a two and a half mile radius of the proposed development, there are a limited number hotels within the planning pipeline. The speculative Alfa Laval development proposes a 124-bed hotel as a part of their mixed-use scheme, which includes private and affordable residential housing with a mix of one, two and three-bed apartments, three-bed duplex apartments and four-bed houses in Brentford. In addition, Landmark House proposes a speculative high quality hotel in Hammersmith. Given that this development will be built in Hammersmith, north of the river Thames, we are of the opinion that the proposed development is unlikely to impact the hotel pipeline within the locality.

We summarise the schemes in the table below.

Richmond Hotel Extension Pipeline

<u>Hotel Name</u>	<u>Opening</u>	<u>Increase in Keys</u>	<u>Planning Application</u>
Brentford FC (On Hold)	Jan 2020	140	P/2017/1048
Alfa Laval	Speculative	124	P/2016/5373
Landmark House	Speculative	288	2017/00172/FUL
Room 2 Aparthotel London Chiswick	Speculative	78	P/2016/3569

Pub Competitive Set

While this report seeks to focus on the hotel and accommodation element of the scheme, we have felt it prudent to also provide a brief description and analysis of the public houses in the vicinity.

The Jolly Gardeners



A traditional style public house located approximately 100 metres to the west fronting Lower Richmond Road. This detached building backs onto the subject development Site. The pub offers a traditional atmosphere with entertainment via Sky Sports and is run by a tenant under a tied lease from Youngs. The Jolly Gardeners serves a local community drinking trade.

The Tapestry



A neighbourhood bar/restaurant approximately 130 metres to the west offering a Mediterranean style menu. This detached building is situated opposite the subject development Site and fronts Lower Richmond Road.

The Ship



A traditional style public house situated approximately 250 metres to the north of the development Site. The Ship is accessed via Ship Lane, or along Thames Bank and the Thames footpath, and directly faces the river. The pub is tucked away and relies upon destination trade and its riverside location, with an outside seating area facing the river. The trade is understood to be seasonal, and the pub is operated by Greene King as a managed house.

The Pig & Whistle



A relatively modern refurbished public house approximately 500 metres to the south, along Sheen Lane and across the railway level crossing. The Pig & Whistle is within the main commercial area of Sheen, just off the Upper Richmond Road, and close to the main shopping facilities. The pub offers an extensive decked external trading area to the rear.

The Hare & Hounds



A refurbished public house approximately 650 metres to the south, on the busy South Circular Road, and in the commercial centre of Sheen, alongside mostly local retail units and services. The pub dates from the 18th century and provides a bar/restaurant extending into the large rear garden. The Hare & Hounds is operated by Youngs as a managed house.

Competitor Set Map



Conclusion

Analysis of the information above clearly demonstrates a strong demand to increase the pub-hotel supply within the London Borough of Richmond upon Thames. There is currently a limited supply of pubs offering accommodation within the borough of Richmond upon Thames. Given the encouraging levels of potential internal demand from within the Site, and external leisure and corporate demand generators, there is a demand for of accommodation within the surrounding area.

The properties we consider to be the most comparable are the Kew Gardens Hotel and The Victoria Hotel. The aforementioned pub-hotels were constructed in 1855 and 1888 and offer a small number of keys. The 'Master Plan Proposal' for the Site identifies that the proposed pub-hotel will be built to a good standard, bringing new and stock to the relatively subdued pub-hotel inventor. We reiterate the proposed development is likely to complement the existing stock in the London Borough of Richmond upon Thames. Due to the small amount of keys proposed, it is likely to cause only minimal impact on the already limited inventory in the surrounding area.

The proposal for a 16 key pub-hotel as part of a wider mixed-use development at the Stag Brewery will self-satisfy demand for accommodation from the wider Site. This is not a factor shared in common with the current pub-hotel supply. Not only would the proposed pub-hotel contribute to the limited supply of accommodation in the locality, but would also satisfy the potential requirement for accommodation generated by the wider uses of the Site. We are of the opinion that given the size of the proposal outlined in the 'Master Plan' for the redevelopment, the addition of the proposed pub-hotel will address the need for accommodation at the Site.

In addition, given that there will be a pub element to the proposed accommodation we summarise the following points in relation the identified comparable pubs:

- None of the above pub operations offer letting rooms.
- All serve a local clientele with the Ship using its riverside location as a particular draw, and the Pig & Whistle and Hare & Hounds relying more on local/passing trade within Sheen town centre.
- The Jolly Gardeners and Tapestry rely on a local regular customer base.
- The subject unit would attract a more destinational-style business, drawing upon trade from a wider area as well as from the residential units in the adjoining development scheme. It would also draw business internally from the on-site letting rooms, which would supplement the bar/restaurant business.

Finally, the addition of new accommodation to the pub-hotel inventory brings numerous benefits to the local and wider area. There are different ways in which a hotel can support the local economy – directly and indirectly. Examples of direct economic benefits include guest expenditure within the hotel and within its surrounding environment, such as shops, bars, restaurants, and museums. Indirect impacts include generating employment; creating numerous jobs at varying levels.

SWOT ANALYSIS

7. SWOT Analysis

We would summarise the strengths, weaknesses, opportunities and threats associated with the proposed property as follows:

Strengths

- Good proximity to Richmond which has a thriving tourist economy.
- Supports LBRuT's objective to increase the number of keys and support the sustainable growth of the visitor economy.
- Located in a prominent position on the banks of the River Thames.
- Close proximity to the M4 / Western Corridor.
- Good transport links and close proximity to Mortlake Railway Station.
- Mortlake is currently undersupplied with pub-hotel accommodation.
- Limited impact to the surrounding area of East Sheen.
- Relatively subdued development pipeline.
- Hotel will benefit from the wider high density mixed use scheme, creating new hotel demand.
- Provides jobs for the local community.
- Built to a high quality specification.
- Easily accessible from Heathrow Airport.
- Able to capture corporate demand, directly opposite Mortlake Business Centre.
- The pub-hotel will contribute to the wider visitor expenditure in the Borough.

Weaknesses

- The London Borough of Richmond upon Thames is under represented as a Borough for accommodation.

Opportunities

- Twickenham Rugby Stadium has plans to extend its east wing and conference facilities.
- Office investment from Technology Media & Telecommunications sector along the Western Corridor.
- Increase tourism into the local area.

Threats

- Political uncertainty caused by Brexit negotiations.

REQUIREMENT FOR ACCOMMODATION

8. Requirement for Pub-Hotel Accommodation

Based on the competitive analysis and related research into the London Borough of Richmond upon Thames hotel market we conclude that there is a strong requirement for additional keys, with minimal impact to East Sheen and the surrounding area. We present our findings and recommendations in this section. The proposed additional keys equate to 1.7% of the total supply, which contributes towards the 'London Plan Policy' target.

Market Positioning

We have reviewed the current hotel stock in the London Borough of Richmond upon Thames. We conclude that there is a limited supply of pub-hotel accommodation in the area, and a strong demand for additional accommodation of all categories.

The Site is strategically located along Mortlake High Street with good visibility from passing traffic and the surrounding area. We consider the site well suited to a pub-hotel development. Its strong location will enable it to capture demand from the existing corporate and leisure demand generators in the area, as well as from the demand generators within the wider Site development.

Existing hotel supply and pipeline within the Borough remains subdued. We are of the opinion that given the strong demand fundamentals and limited supply of pub-accommodation in particular, the development of the subject pub-hotel is likely to have minimal impact to the existing accommodation inventory in the local area.

Strong indicators of the strength of the market are shown by positive key performance indicators for the London hotel market, with ADR, RevPar and Occupancy levels all showing increases for August 2017 when compared to the previous year.

In our Hotels Needs Assessment we have considered the current and proposed pub-hotels, as well as the potential demand generators in the area. We would note that there is a lack of good quality, pub-hotel accommodation within Mortlake and the wider London Borough of Richmond upon Thames.

Requirement for Accommodation

Meeting the Tourism Requirement

London is one of the leading tourism destinations in the world. Central London and the London Borough of Richmond have increasingly been attracting visitors from overseas. According to ONS Statistics London attracted 19.1 million overnight visits in 2016. Tourism Towards 2030 predicts that visitor numbers will reach 1.8 billion by 2030, with a large demand from the emerging economies such as Brazil, China and India.

The *London Plan Policy 4.5* indicated a requirement of 40,000 net additional hotels keys by 2036 in London. The 2012 Hotel Study commissioned by Richmond Borough Council, estimates that of the 40,000 required approximately 900 keys will be required in the London Borough of Richmond by 2026. More specifically, The London Tourism Action Plan 2009-2013 categorises the requirement for rooms in the London Borough of Richmond to be 300 serviced rooms such as hotels, Bed & Breakfast and hostels, with an additional 100 rooms of non-serviced accommodation. We can see from the current hotel inventory in the Borough of Richmond upon Thames that this requirement has been partly been fulfilled, however there is scope additional keys. Therefore, we reiterate that the proposed 16 key accommodation will contribute to increasing the LBRuT's pub accommodation stock, as indicated by the *London Plan Policy*, albeit only marginally.

Meeting Richmond Borough Council's Accommodation Requirement

Richmond Borough Council's Emerging Local Plan Policy LP 43 aims to sustain and encourage projects of further growth to the economy. It outlines its support for projects that benefit the sustainable growth of the visitor economy in the area. Proposals that lead to increased visitors or tourists, appropriate to the scale and size of the centre, in accordance with the Council's transport policies will be supported. This includes proposals that enhance and support the existing historic and cultural attractions in the area, such as the Kew Royal Botanic Gardens, Ham House and Hampton Court Palace.

In relation to contributing to the visitor economy this can be achieved by an increase in the number of keys in the area, with a resistance against any proposals which result in the loss of keys. Proposals, which contribute towards providing a range of visitor accommodation, including that of small independent hotels and bed and breakfast accommodation, will be embraced. The development is expected to bring forward a 16 key hotel delivered as a pub with rooms, and contribute to the Council's target of an increase in keys to drive the local tourist economy.

Employment Benefits

We have also assessed the likely employment benefits of the implantation of a 16 key pub-hotel.

Another objective of Richmond Borough Council is to increase employment for residents in the area. Therefore, we have assessed the likely employment benefits of an additional 16 keys and a pub. The 2010 Employment Densities Guide indicates that a standard three star hotel can expect to generate one employee per two keys. Based on 16 keys the accommodation would generate approximately 10 employees, although it is possible that some staff will be shared with the pub operation. It should be noted that pub and hotels are one of the largest employers of NEET's (Not in Education Employment or Training), therefore this development will create jobs for those from disadvantaged backgrounds. The implementation of the hotel development will also provide employment during the construction and operational phase of the development. Whilst the pub accommodation itself will require modest staffing levels, the delivery of the wider proposed development brings a range of jobs and regenerations benefits, which must also be considered.

<u>Hotel Type</u>	<u>Operated</u>
Limited service Hotels	1 employee per 3 keys
General Hotels (3 star)	1 employee per 2 keys
4/5 Star Hotels	1 employee per 1.25 keys

Source: Employment Densities Study

Conclusion

Overall, we consider the proposed pub and accommodation development at the former Stag Brewery, Mortlake to represent a strong market opportunity. The strength of the Site is derived from excellent transports links, close proximity to three of London's top tourist attractions and a prime location situated within the wider regeneration of the Stag Brewery. Hence, the location is well suited for accommodation.

The proposed development envisages a 'new heart for Mortlake'; the addition of the 16 keys will work towards bridging the gap in the deficit of pub- accommodation in Richmond upon Thames. It will also satisfy the leisure and corporate demand, providing rooms for those traveling to visit local attractions, offices along the M4 Motorway, as well as serving any demand for meeting spaces. The pub-hotel accommodation as part of the wider plan will also create significant economic benefits for the local community, allowing visitors to stay longer and spend more and support the local economy.

We would be pleased to discuss any of the issues or recommendations raised in this Hotel Needs Assessment. Please do not hesitate to contact us if we can be of further assistance in this respect.

Gerald Eve LLP is a national firm of chartered surveyors and property consultants with a network of nine offices and more than 460 employees.

In addition to valuation our range of services includes occupational and investment agency, planning and development, every aspect of building consultancy, rent review and lease renewal instructions, compulsory purchase and compensation, business rates, property taxation and project services.

If we can assist you further with regard to the subject of this valuation or any other property related issue please do not hesitate to contact either of the signatories to this report.

