

BRIDGES
Fund Management

Bridges Healthcare (Richmond) Limited



RICHMOND INN

Visitor Accommodation Need Assessment
PKF

Visitor Accommodation Need Assessment (Health Tourism)



Richmond Inn Hotel
50-56 Sheen Road, TW9 1UG

April 2022

Report – A.20643

PKF hotelexperts Ltd
T: +44 20 7516 2471 E: london@pkfhotels.com

www.pkfhotels.com

managing directors: Michael Widmann; Adam Maclennan | Company number 09167018

PKF hotelexperts Ltd is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

◉ executive summary

- i. PKF hotelexperts (PKF), an international hotel consultancy firm with a recognised history of expertise in the sector, was engaged in August 2021 to provide an assessment of the need for visitor accommodation in the London Borough of Richmond upon Thames (LBRuT). The goal of the assignment was to assess the impact of converting the Richmond Inn from C1 into an alternative visitor accommodation proposition to serve the emerging healthcare tourism market. This report was updated in April 2022 to accompany the full planning application at the Site and provide further evidence as requested by the Council during pre-application discussions.
- ii. The study analyses the supply and demand for visitor accommodation in London and the LBRuT, assesses the characteristics of the site and borough and evaluates the potential future supply and demand. Additionally, analysis from healthcare consultants L.E.K. has been included to provide further insight on the local need for the proposed inpatient rehabilitation facility, alongside commentary from local medical groups.
- iii. The LBRuT is home to several of London's most popular tourist destinations including Hampton Court Palace, Kew Gardens and Twickenham Stadium. Due to the varied demand generators in the LBRuT and the proximity to Heathrow and central London, there are several broad groups of visitors to the area. This includes leisure, business, and MICE (meetings, incentives, conference and events). The unique and innovative rehabilitation visitor accommodation proposition will induce its own demand to the borough, attracting guests who would have otherwise not visited and benefit local residents. This is in line with LBRuT Local Plan Policy LP43 which seeks to provide a range of visitor accommodation to cater to a variety of tourist segments.
- iv. Inpatient, physiotherapy-led, rehabilitation for musculoskeletal (MSK) patients has several benefits, including quicker recovery, reduction of long-term care needs and disability prevention. Healthcare consultants L.E.K. have provided detailed analysis on the need for inpatient rehabilitation services after MSK surgery, namely joint replacements. This analysis is based on survey data from 155 joint replacement patients, expert interviews and publicly available databases. The analysis considered local demographic information, alongside drive-time, income and wealth analysis, among other factors.
- v. From this, it was determined that of the approximately 240,000 joint replacement patients in the UK (excl. Scotland) the proposed project would have about 1,600 addressable patients annually within a 40-minute drive of the Richmond Inn. The analysis also shows a need for an additional 300 inpatient rehabilitation beds in the South East, including London. Several other patient groups may also be accommodated in the facility including those suffering from Multiple Sclerosis or Parkinson's, showing that the addressable patients in the borough and its surrounds may be much higher.
- vi. According to the AM:PM database, there are currently 159,871 rooms in 1,657 accommodation facilities (including hostels) in London and Heathrow. The 2017 visitor accommodation working paper suggested a gross need for 2,981 new rooms


per year to meet the expected increase in demand until 2050. The actual gross room supply has grown at an annualised rate of about 4,138 rooms per year. The pipeline for new rooms in London remains robust despite the COVID 19 downturn, and the active pipeline in final planning or already under construction (according to AMPM hotels) represents an additional 301 projects with more than 33,711 rooms. These if completed would represent more than eleven years of gross bedroom stock requirements according to the 2017 Working Paper projections.


- vii. The LBRuT accounts for a total of about 1,575 hotel and serviced apartment bedrooms in 39 accommodation facilities. Between 2012 and 2021, the number of rooms in hotels in the LBRuT increased by 2.1 %. Comparatively, room supply in London and Heathrow has increased by approximately 24 % in the same period.
- viii. In order to assess visitor accommodation demand, key performance data from STR Global was analysed. A total of 15 hotels and serviced apartments with 1,164 rooms report their data in the LBRuT, representing 73 % of the total hotel stock in the LBRuT. In 2019, one of the best performing years for tourism in history, hotels achieved above 90 % occupancy (theoretical fill night) for only 5 % of the nights in the year. This is a very small number of fill nights when compared with other areas in London, known to have occupancies above 90 % for more than 50 % of nights in the year. Through scenario analysis, it was determined that the market could absorb the demand that would have been accommodated at the Richmond Inn while maintaining the average annual occupancy of the market below 80 %. For comparison the average occupancy of hotels in London in 2019 was about 82 %.
- ix. The proposed scheme is expected to create employment opportunities for up to 61 people, at the Richmond Inn. There are also additional benefits of the scheme to the local community, including enabling rehabilitation patients to recover more quickly, resume employment and potentially reduce the number of people claiming disability and other related benefits.
- x. In our opinion as hotel real estate consultants, there will be little to no negative impact on the LBRuT visitor economy by granting the change of use. If the change of use is not granted, we would expect a reduction in the property value, and there is a high risk that the hotel would remain closed for some time until market conditions improve, or a change of use is granted.
- xi. Considering the above, the proposed scheme has several advantages with regards to maintaining a broad availability of visitor accommodation, and catering to the health care needs of the local community. The scheme is expected to provide visitor accommodation to an alternative tourist segment, induce new demand and visitors to the area and provide further socio-economic benefits to the guests, their families and the wider community.



table of contents

chapter	heading	page
1	Introduction	6
1.1	Project	6
1.2	Assignment	6
2	Proposed project	8
3	Visitor Economy Overview	9
3.1	London	9
3.2	London Borough of Richmond upon Thames	10
3.3	Conclusion	13
4	Health Tourism Overview	14
4.1	Overview	14
4.2	Need for residential rehabilitation in the UK	15
4.3	Need for residential rehabilitation in LBRuT	19
4.4	Local stakeholder support for residential rehabilitation in LBRuT	22
4.5	Suitability of Richmond as a location for rehabilitation	23
5	Visitor Accommodation Supply and Demand 2021	25
5.1	Introduction	25
5.2	Hotel Supply	25
5.3	Hotel Demand	32
5.4	Conclusion	38
6	Socio-Economic Benefits	39
6.1	Introduction	39
6.2	Economic Benefits of Rehabilitation	39
6.3	Employment	40
6.4	Further Benefits to the Local Economy	41

 charts/illustrations		
#	title	page
Chart 1	development of passengers and aircraft movements in London airports	10
Chart 2	major demand generators	11
Chart 3	joint procedures in England, Wales and Northern Ireland	17
Chart 4	post discharge location and discomfort	18
Chart 5	importance of distance from home	19
Chart 6	joint replacements at hospitals in the 40-minute catchment in 2019	20
Chart 7	estimated uptake of each of the areas considered	21
Chart 8	transport links	24
Chart 9	development of supply of hotels in London and Heathrow	26
Chart 10	development of supply of hotels in the LBRuT.	28
Chart 11	hotel supply of the LBRuT in August 2021	29
Chart 12	pipeline of hotel accommodation in the LBRuT as of August 2021	30
Chart 13	historic performance of selected hotels – accommodated demand & supply	33
Chart 14	day of the week analysis	34
Chart 15	glossary	35
Chart 16	impact of change of use on market occupancy	36
Chart 17	estimated employment	40

 Annexes	
#	title
1	L.E.K. Research Methodology
2	Terms and Conditions

1 Introduction

1.1 Project

- i. *Bridges Fund Management*, London, plan to develop a visitor accommodation facility offering health and rehabilitation services in the London Borough of Richmond upon Thames (LBRuT).
- ii. The project site is the Richmond Inn, a four-star hotel with 44 rooms located at 50-56 Sheen Road, Richmond upon Thames. The hotel has been closed since March 2020.

1.2 Assignment

- iii. PKF was engaged in July 2021 to review the supply and demand of visitor accommodation in the borough and to discuss the potential impact on the hotel sector arising from a change of use of the Richmond Inn from C1 (hotel) to C2 (visitor accommodation providing care and rehabilitation).
- iv. In the response to the pre-application letter (21/P0195/PREAPP) from November 2021 and the additional pre-application advice dated 28th March 2022, the LBRuT planners expressed two primary concerns regarding the change of use request. The first is that the request would be contrary to planning policies LP43 and E10 and result in a loss of visitor accommodation. The second is that the proposed use would need to provide for an identified local need.
- v. The key planning policies relating to visitor accommodation include:

LBRuT Local Plan Policy LP43.B

- “1. proposals which result in the loss of bedspaces will be resisted;*
- 2. proposals which increase the number of bedspaces will be supported subject to other Local Plan policies;*
- 3. proposals will be supported which contribute towards providing a range of visitor accommodation, including small independent hotels and bed and breakfast accommodation, subject to other Local Plan policies.”*

London Plan Policy E10:

- “A. London’s visitor economy and associated employment should be strengthened by enhancing and extending its attractions, inclusive access, legibility, visitor experience and management and supporting infrastructure, particularly to parts of outer London well-connected by public transport, taking into account the needs of business as well as leisure visitors.*
- B. The special characteristics of major clusters of visitor attractions and heritage assets and the diversity of cultural infrastructure in all parts of London should be conserved, enhanced and promoted.*

C. A sufficient supply and range of serviced accommodation should be maintained.”

- vi. The report discusses the current and expected supply and demand for hotel and visitor accommodation in London prior to the COVID-19 pandemic and the expected short- and long-term changes which have occurred as a result of the pandemic. We reflect on the current and future need for hotel and other visitor accommodation stock in LBRuT and discuss the segments of visitor demand which have typically been accommodated in the borough. We have reviewed other factors relating to both the Covid pandemic and the local environment which will result in more challenges for successful hotel operation in the future, and we assess the potential impact on the visitor economy that a change of use of the 44-unit hotel from C1 to C2 might have.
- vii. As part of this study, we have relied on data from STR, AM:PM Global, the London Development Database and various economic and tourism reports, and primary interviews with some local hoteliers.
- viii. We also reviewed the research and conclusions presented in GLA Economics Working paper 88: Projections of Demand and Supply for Visitor accommodation in London to 2050 published in April 2017. Furthermore, we reviewed the relevant local and regional government policies relating to this application including the London Plan 2021, the LBRuT Local Plan 2018 and the LBRuT Hotel Study from 2012 prepared by Roger Tym. It should be noted that the LBRuT Local Plan relied upon data from the 2012 Hotel Study. As almost ten years have passed since the initial study, the information and analysis no longer offer a realistic view of the supply of and demand for visitor accommodation in the LBRuT.
- ix. With regard to the need for rehabilitation services in the UK and LBRuT, we have included data and analysis provided by healthcare consultants L.E.K. Additional information on this sector has been provided by the client and found through publicly available sources. They have also engaged with local medical groups as part of their consultation process to get additional feedback on the proposals from a local perspective. This is used to highlight some of the additional benefits of the proposed development for the visitor economy and local residents.
- x. We have prepared our analysis based on the General Terms and Conditions of Doing Business (see Annex 2). When preparing the study, we have acted in our position as a neutral expert to the best of our knowledge. However, we cannot guarantee the actual occurrence of any forecasted results.
- xi. The study was exclusively prepared for the client’s use in connection with their planning process. If it is forwarded to any third party, the above-mentioned General Terms and Conditions of Doing Business shall also apply vis-à-vis this third party. The report (or parts of it) may only be published after the consultant’s prior written approval.

London, 29 April 2021



Adam Maclennan
PKF hotelexperts Ltd

2 Proposed project

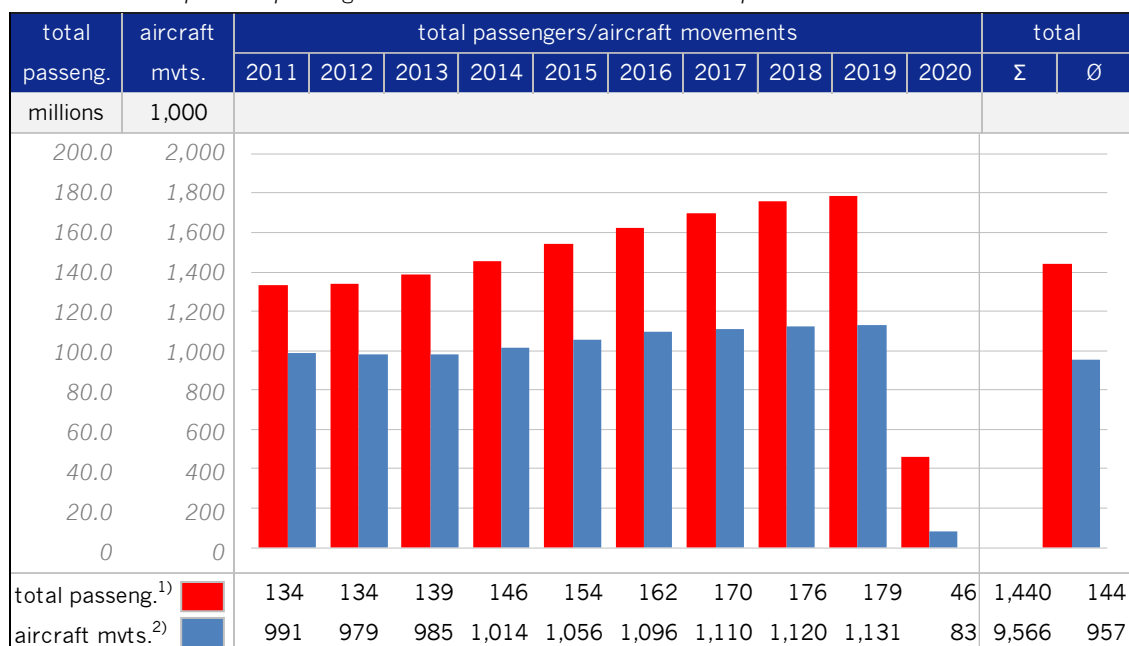
- i. Bridges Fund Management plans to acquire the Richmond Inn, a four-star hotel with 44 rooms near Richmond station. The client seeks to change the use of the building from a hotel (C1) to an alternative type of visitor accommodation which falls within C2 use to provide inpatient rehabilitation services e.g. to people requiring musculoskeletal rehabilitation after joint replacement and other patient groups requiring intensive physical therapy. The client also seeks to increase the number of rooms to 57 bed spaces, through both the refurbishment and redevelopment of the existing buildings.
- ii. The facilities currently foreseen are similar to those of a four-star hotel with the addition of best-in-class rehabilitation facilities:
 - Private accessible en-suite bedrooms, set up to enable a comfortable stay for the visitor regardless of their needs
 - Full-service dining facilities offering an a la carte menu and bar options, alongside in room catering and room service for guests and their visitors
 - Communal lounge space to allow for socialising and to provide a space for the visitors to rest outside of their private bedrooms
 - Physiotherapy consultation rooms alongside facilities for spa and wellness treatments
 - Outdoor terrace and gardens to enable visitors to dine or exercise outdoors
 - Hydrotherapy pool(s)
 - Other equipment may include; alter g treadmills (zero gravity treadmills, limited within London and UK), Lyra Gait and a Biodex Balance System
- iii. The current plans foresee the provision 57 rooms, a 30 % increase in the number of guestrooms at the location.

3 Visitor Economy Overview

3.1 London

- i. Hotel performance is influenced by the micro location, and by broader political, social, environmental, economic, technological and legal factors in the wider market.
- ii. London has benefitted in recent years from very strong growth of the visitor economy. Budget airlines have improved accessibility for international leisure travellers from new feeder markets attracted to London's multiple leisure and tourist attractions. London's position as a global financial centre, as well as economic growth fuelled by new technologies and businesses have resulted in the addition of new office space around central London and increased business travel. Large investments and improved infrastructure in transport, stadiums, and other events facilities prior to and following the 2012 Olympic games have also increased the numbers of people visiting London each year and the expansion of the visitor economy outside of its traditional central London strongholds.
- iii. In 2019, London was the 3rd most visited city in the world according to Euromonitor, attracting about 21.7 million international visitors. This represents an increase of about 16.9 % in international arrivals as compared to 2015 (about 18.6 million visitors). Domestic tourism is also an important contributor the tourism economy of London with the city attracting about 11.9 million domestic visitors in 2018 (latest available data), representing about 38.4 % of total number of visits to London in that year.
- iv. The drivers of this demand growth are diverse and extensive, they include increasing business activity and office provision across London, major infrastructure projects (e.g. Crossrail) and the regeneration of several boroughs.

Chart 1 development of passengers and aircraft movements in London airports



notes 1) in millions

© PKF hotelexperts; sources: CAA, PKF hotelexperts

2) in thousands

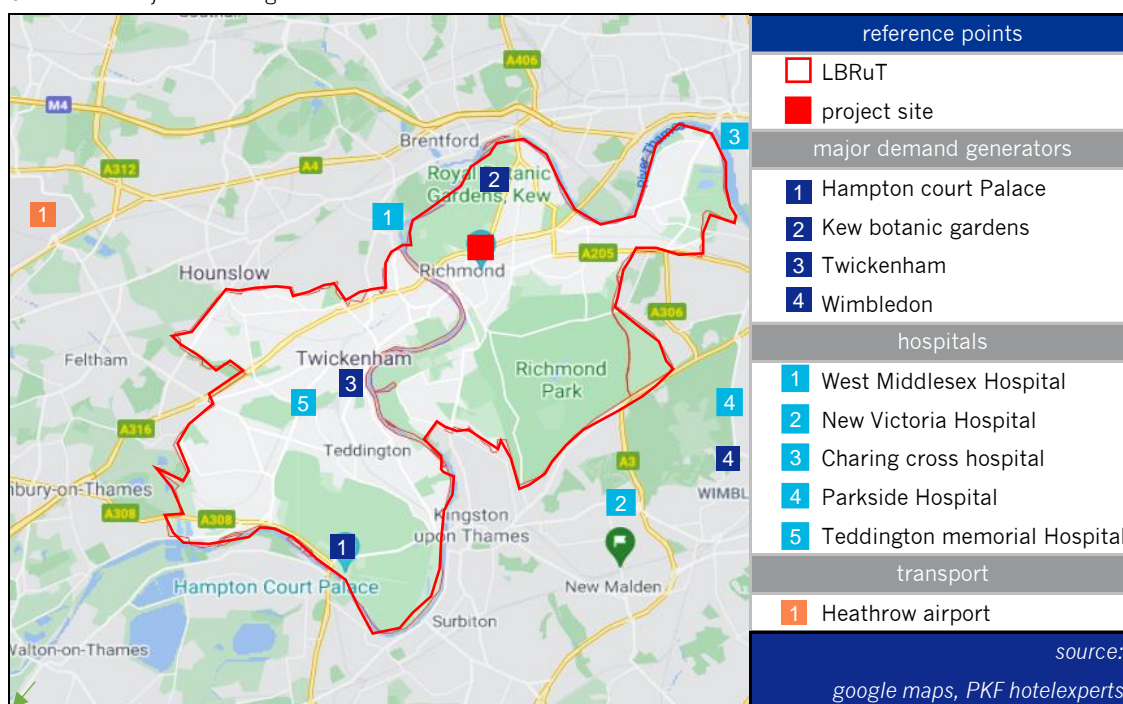
- v. Between 2011 and 2019, passengers at all London airports (excluding Southend) increased by 34.6 % as shown in the table above. The data also highlights the severe impact of COVID-19 on London’s visitor economy with passenger numbers declining from 179 million in 2019, to only 46 million in 2020.
- vi. Due to COVID-19, 2020 and 2021 have been two of the most challenging years for global tourism and the London hotel industry in history. With government support for businesses coming to an end, and continued uncertainty around travel safety, the viability of smaller hotel businesses in less central areas of London is becoming more questionable. Staff costs and the recent increases in business rates are two factors further threatening the survival of many hotels across the UK, but particularly in major cities.

3.2 London Borough of Richmond upon Thames

- i. The LBRuT attracted an average of about 351,000 visitors, who spent 845,000 nights in the borough annually between 2017 and 2019 according to Kantar’s 2019 annual Great Britain Tourism Survey (GBTS). Based on the data provided by STR, hotels in the LBRuT experienced an increase of 7.6 % in demand while supply increased at about the same rate between 2014 and 2019.
- ii. Due to the varied demand generators in the LBRuT and the proximity to Heathrow and central London, there are several broad groups of visitors to the area. This includes leisure, business, and MICE (meetings, incentives, conference and events), among others. The following map shows the major demand generators in or near the LBRuT including Hampton Court Palace, Kew Gardens, Twickenham Stadium and Wimbledon. Prior to COVID-19 it is likely that some demand was also generated from the overflow of travellers visiting other areas such as central

London or Heathrow who may have chosen to stay in Richmond due to the transport links or lower relative cost of accommodation.

Chart 2 major demand generators



iii. Leisure: The LBRuT boasts several world-class tourist attractions and entertainment venues including Hampton Court Palace and Twickenham Rugby Stadium. While the leisure attractions are open year-round, visitation typically peaks from June to September and on weekends. This coincides with the peak demand period in London and the surrounding area which also occurs during the summer months. The following section gives further detail on the type and scale of demand generated by key attractions in or close to the LBRuT:

- **The Kew Botanic Gardens** was the 2nd most visited paid attraction in London in 2019, attracting about 2.3 million visitors. In 2020, as the gardens were able to open more quickly than other tourist attractions, 1.2 million people were able to visit, representing a decrease of 48 % compared to 2019, a smaller decrease than many other London attractions. As gardens are outdoor attractions are perceived as safer environments in relation to COVID-19, there are expected to return to pre-COVID demand levels faster than other visitor attractions.
- **Hampton Court Palace** was the 15th most visited paid tourist attraction in London with 1,072,823 visitors in 2019. COVID-19 has a significant impact on visitation to the palace which recorded only 227,000 visitors in 2020, a 79 % decrease when compared to 2019. The visitor figures for 2021 are also likely to be significantly lower than pre-COVID as the Historic Royal Palaces were largely closed from 2nd November 2020 until 19th July 2021.
- With a capacity of 82,000 seats, **Twickenham rugby stadium** is the second largest stadium in the UK and is considered to be the home of England rugby.

The stadium also holds many other sports events and concerts. After the pandemic, Twickenham stadium received the “Good to Know” UK industry mark in July 2020. Although the stadium wasn’t part of the ERP pilot events program, Twickenham is now one of the top 3 largest host for physically distanced events in the UK. Twickenham is currently operating with a capacity restriction of 10,000 people and hosted the ECPR finals in May 2021. Based on the success of other ERP pilots like the Wimbledon tennis Championships, large scale leisure events are expected to resume, albeit on a smaller scale than prior to COVID. However, it could be expected that capacity restrictions will be removed once the risks of COVID-19 are reduced further.

- **Ham House and garden**, is one of the top 20 most visited paid attractions in the Borough. The site has cancelled all events due to COVID until further notice and is still not open to the public without booking in advance as of August 2021. However, just like Kew Gardens, the outdoor space is expected to recover and reach its usual demand level quickly.
- iv. In addition to the major attractions, hotels and other accommodation facilities in the borough serve those visiting smaller demand drivers such as the Richmond Theatre and the Royal Mid Surrey Golf Club. Furthermore, hotels in the borough accommodate demand for other events such as the Wimbledon Tennis championship.
- v. Business: these guests are visiting the area to conduct their work. Typically demand for business guests is high during the week and outside the traditional holiday periods (late December, July, August, Easter). The office market in the LBRuT has a variety of managed workspace and larger offices clustered in Richmond and Twickenham. 93 % of the almost 14,000 business in the LBRuT are registered as small businesses employing 10 employees or less. Major employers in the surroundings are BP (located in Sunberry) and the sales and marketing office of William Grant & sons in Richmond. Notonthehighstreet is also based in Richmond and employs over 160 staff.
- vi. As stated by the Local plan of the borough a need for additional office floorspace was identified by the Borough’s local plan in 2018. However, the change in working patterns, brought about by the pandemic may have an impact on the ongoing need for office space in the borough. This is also evident from the previously mentioned increase in vacancy rates seen across London in the past 18 months. From interviews with local hoteliers, it is evident that corporate demand for rooms and meeting space declined drastically during the pandemic and have yet to recover, although some interest has returned in future trips and events. It also appears that some office space has been converted to residential use in recent years resulting in a net loss of space overall.
- vii. MICE: The LBRuT benefits from conference facilities with the capacity to host meetings and events (Hampton Court Palace, Twickenham Training Centre, Richmond Theatre, the Landmark Arts Centre, the Old Deer Park and the Castlenau Centre, etc.) as well as larger venues (Twickenham Stadium). Several hotels have space for smaller events.
- viii. While limited data is available on the impact of COVID-19 on tourism in Richmond specifically, the pandemic has had a significant impact, as with the majority of hotel markets globally. In the United Kingdom, the number of inbound tourist

arrivals decreased by 73 % (from 41 million to 11 million). Many hotels were closed for all or part of the government mandated lockdowns unless they were able to operate as quarantine facilities, NHS employee accommodation or temporary accommodation for the homeless population. Hotel occupancy in London in 2020 was just over 30 % compared with 2019 where hotels achieved almost 85 % occupancy. Similarly, the impact of COVID-19 is further demonstrated by CBRE, looking at the increasing levels of office vacancy rate in central London, increasing from 5.5 % in December 2019 to 9.6 % in November 2020.

- ix. In line with changing government policy, the recovery has been non-linear. Regional UK markets showed relatively strong leisure demand during the 2020 summer season when the lockdown was temporarily lifted however the recovery quickly regressed when further lockdowns were instated toward the end of the year. Many hotels in the UK were closed, or partially closed between November 2020 and July 2021 and although many are now open, the potential pace of recovery is still uncertain. Similarly, tourism demand drivers such as stadiums, theatres and other tourist attractions were closed to visitors and events such as conferences and fairs were cancelled or postponed, depressing the demand further.

3.3 Conclusion

- i. The borough is home to some of London's most important visitor attractions, but has limited corporate demand drivers. The long-term impact of COVID-19 on visitor demand remains uncertain. While several countries, including the UK, have removed many of the travel restrictions that were imposed to contain the virus, visitors in all segments are generally more reluctant to travel than they were prior to 2020. A slow recovery of the visitor economy should be expected in the long term, but some segments of demand may not return to their pre pandemic levels in the foreseeable future and hotel operators are increasingly looking for solutions to generate new segments of demand to replace business travel, and the drop in international visitation from countries in Asia, Europe and North America. This may result in a shift in the types of demand that will be accommodated in London hotels, and in the types of amenities that the hotels will have to provide for their guests.
- ii. Operating and labour costs for hotel operators are also expected to continue to increase rendering their business models less viable. This will be compounded by new competition from hotels in central London and surrounding boroughs (see *Chapter 5.2 Hotel Supply*), and increased availability of short term bedroom supply through AirBnB and other rental programs. As such alternative visitor accommodation which can accommodate new types of visitor demand should be encouraged and is very much in line with policy LP43 to provide a range of visitor accommodation.

4 Health Tourism Overview

4.1 Overview

- i. Health and wellness tourism has a long history in continental Europe with alpine and seaside resorts having offered packages to help people recuperate from illness, particularly respiratory illnesses such as tuberculosis for hundreds of years. There is however a clear distinction between wellness tourism, which takes a holistic and alternative-medicine based approach, and medical tourism, which is more clinical and firmly rooted in Western medicine. Countries such as Germany and Switzerland are leaders in medical-based health tourism with several clinics such as Lanserhof and Clinique La Prairie that offer a wide range of specialist services including Orthopaedics, Urology, Neurology and Cardiology, among others. However, there are also specialist inpatient rehabilitation centres, such as Median Kliniken which manages 18,500 beds and treatment spaces across Germany.
- ii. According to a study from the World Health Organisation (WHO) “Disability limits the autonomy of older people, introduces dependence, reduces the quality of life and increases the risk of nursing home admission and premature death.” The study continues by saying that “There is an urgent need for effective intervention programmes for disability prevention, which has become an important public health concern.”
- iii. Rehabilitation is a process of assessment, treatment and management by which the patient is supported to achieve their maximum potential for physical, mental, social and psychological function. It aims to enable people to participate in society and enjoy their usual day-to-day quality of life.
- iv. In the UK, the current physiotherapy led rehabilitation offering (physical rehabilitation) is limited and we fall behind many other nations in helping injured people regain their former lives. The NHS provides a limited amount of inpatient rehabilitation (typically 1-2 days) during a hospital stay or post surgery with a focus on enabling discharge from hospital, whilst longer-term more intensive rehabilitation is more often associated with trauma and neurological conditions.
- v. Despite this, a much wider range of patients would benefit from residential rehabilitation and currently there is no effective system in place to return people to their former levels of fitness and ability. Intensive, residential rehabilitation will likely reduce the prevalence of subsequent injury or re-injury when returning to their own home, and will help moderate the pain and discomfort that patients experience post surgery or illness. Additionally, research from the UK (MS patients) and Ireland (brain injury patients) shows that specialist inpatient rehabilitation can reduce the need for ongoing care with the overall cost savings being the greatest for the most severe/dependent cases.
- vi. The mental health burden of disabilities should also be considered. Quicker recovery or delayed onset of certain conditions will have a significant positive

impact on the mental health of patients. The adverse impact of disabilities on mental health has been evidenced in several studies globally, where it was noted that not only can physical disabilities cause mental health issues, but also that mental health issues can worsen physical disabilities (sources: Mental Health Foundation UK, CDC, UCL).

- vii. Typically, tourism demand is broadly categorized into three segments, leisure, business and MICE. However, as the market evolves, there are several guest segments which do not fall into one of these categories, including health tourism. The United Kingdom is not yet a known health tourism destination and most inpatient rehabilitation services are provided for neurorehabilitation, with a very limited offering for those seeking this level of care for musculoskeletal issues. As the population ages, the prevalence of patients requiring this type of rehabilitation is expected to increase. According to survey data from the Visit Britain report on inbound visitors to the UK with a health condition or impairment, 11,300 visits to the UK in 2018 were for medical treatments. While this is a relatively small number, it should be noted that the inbound visits from all people with a health condition or impairment had increased by 16 % in the previous eight years.
- viii. The following chapter evaluates the need for inpatient rehabilitation in the UK and the LBRuT and its direct surrounds. Much of the data and analysis was provided by market leading healthcare consultants, L.E.K.

4.2 Need for residential rehabilitation in the UK

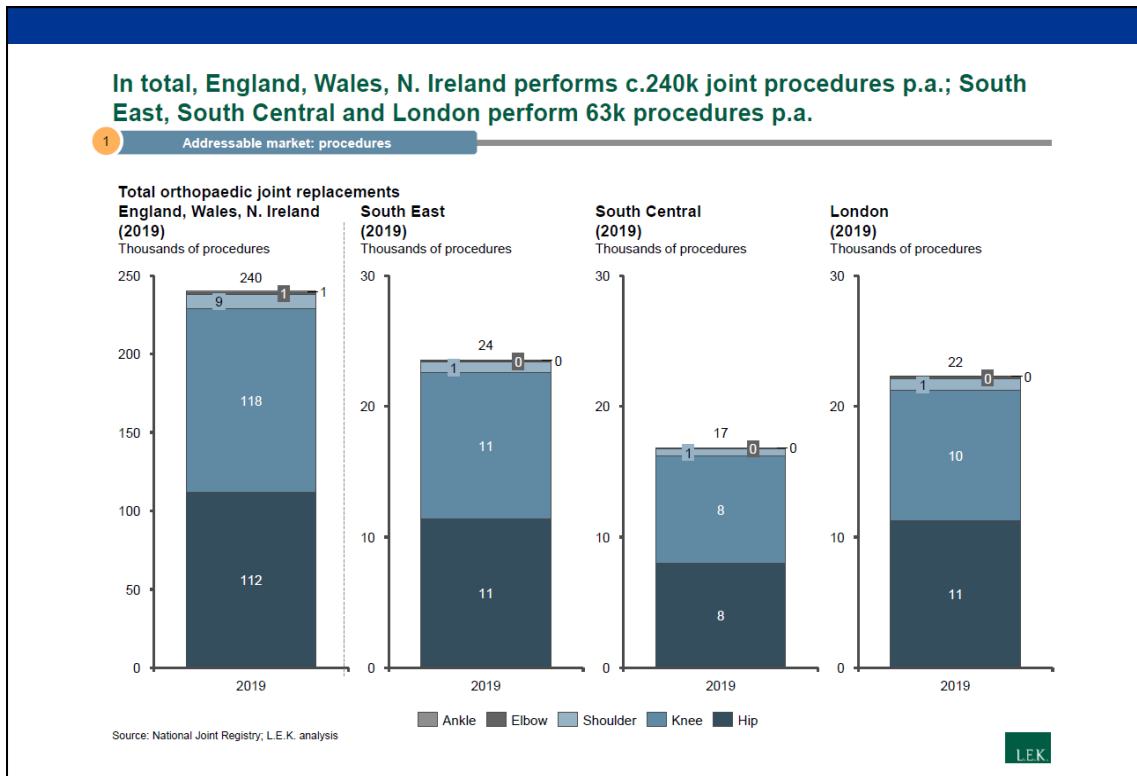
- i. As previously mentioned, there is very limited supply of inpatient rehabilitation facilities in the UK outside of that provided by the NHS which primarily provides neurorehabilitation services. These facilities include the Clavadel Guildford (32 inpatient beds), The Circle Birmingham (120 inpatient beds), Lynden Hill Reading (28 inpatient beds) and the rehabilitation programme at the London Bridge Hospital (inpatient beds unknown).
- ii. The Clavadel in Guildford operates at full capacity and we understand that there is a three-month waiting list in order to stay at the centre. The Clavadel is known to local physio groups and local residents, according to many of the responses during the consultation period, with local residents having stayed at the centre and local physios regularly treat patients who have previously stayed at the Clavadel. This provides additional support that the proposal for this type of visitor accommodation at the Richmond Inn would fill a local need, as well as attract demand from a wider community across the southeast who would benefit from the proposed facilities and accommodation at the Richmond Inn.
- iii. Meanwhile the Circle Birmingham is more akin to hospital step-down care, whilst Lynden Hill is more akin to a care home, so these facilities are perhaps less comparable.
- iv. As part of our research we interviewed the owner of a specialist catering firm the Pure Package who deliver meals to private clients with specific dietary requirements and get referrals from many private hospitals and clinics across

London. Given the lack of specialist facilities in London, our source suggested that many patients chose to stay in hotels or private rental accommodation near the private clinics in Central London rather than return to their homes which might not have suitable facilities.

- v. Given the lack of publicly available data and due to the small market size in the UK, healthcare consultants L.E.K. were engaged by the client to review the orthopaedic joint replacement market, with a focus on understanding and quantifying the need and the demand for physiotherapy-led rehabilitation in a hotel setting, following an orthopaedic joint replacement.
- vi. To better understand the need for rehabilitation services in the UK, L.E.K. relied on targeted survey data from 155 joint replacement patients, expert interviews and a variety of secondary sources and public databases. From this it was determined that there is a need for 750 additional inpatient rehabilitation beds across the UK, of which, about 300 beds would be required in the Southeast of England (including London). More information on the methodology used is provided in Annex 1. The need for residential musculoskeletal rehabilitation was also raised during the planning for the National Rehabilitation Centre (NRC). The report stated that *“across the NHS in England, there is a significant shortfall of rehabilitation beds against the standard set. In the East Midlands (population 4.6 million) there are only 79 rehabilitation beds against the standard of 253.”*
- vii. Other key findings include:
 - There are about 240,000 joint replacements performed in England, Wales and Northern Ireland annually, a figure that has grown 2 % annually since 2014.

South East, South Central and London accounts for about 63,000 procedures per year.

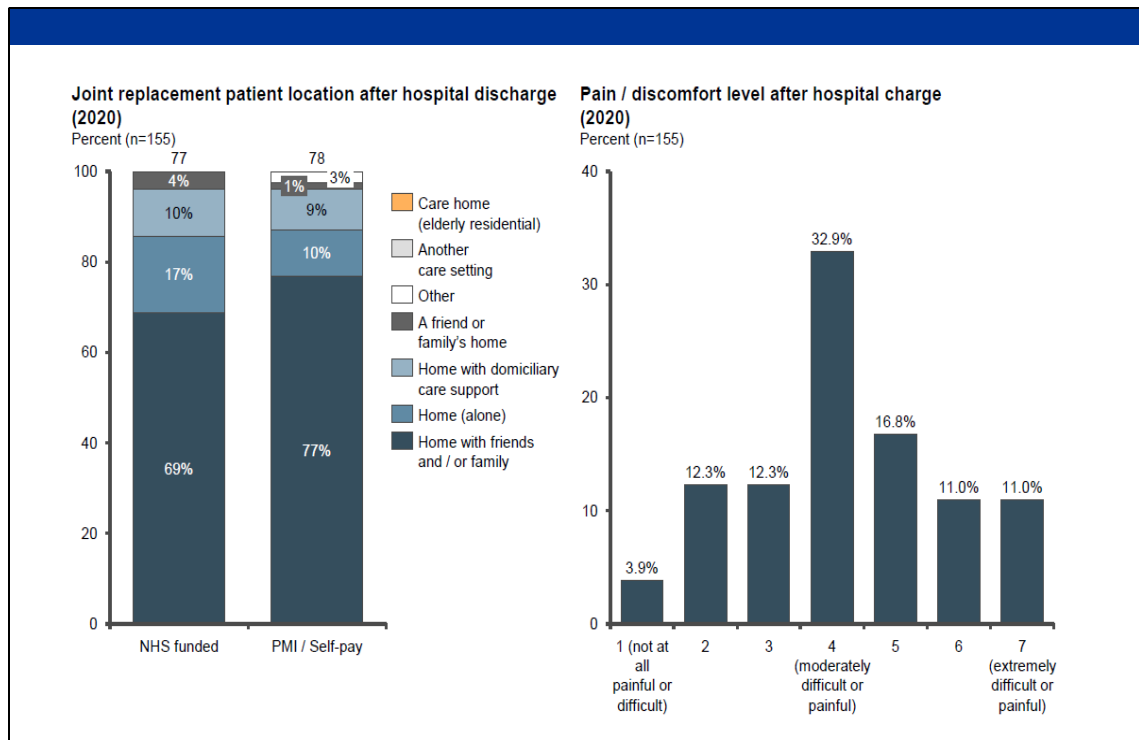
Chart 3 joint procedures in England, Wales and Northern Ireland



source: L.E.K.

- 96 % of the joint replacement patients surveyed returned home after being discharged from hospital, with 40 % experiencing a high level of pain and discomfort.

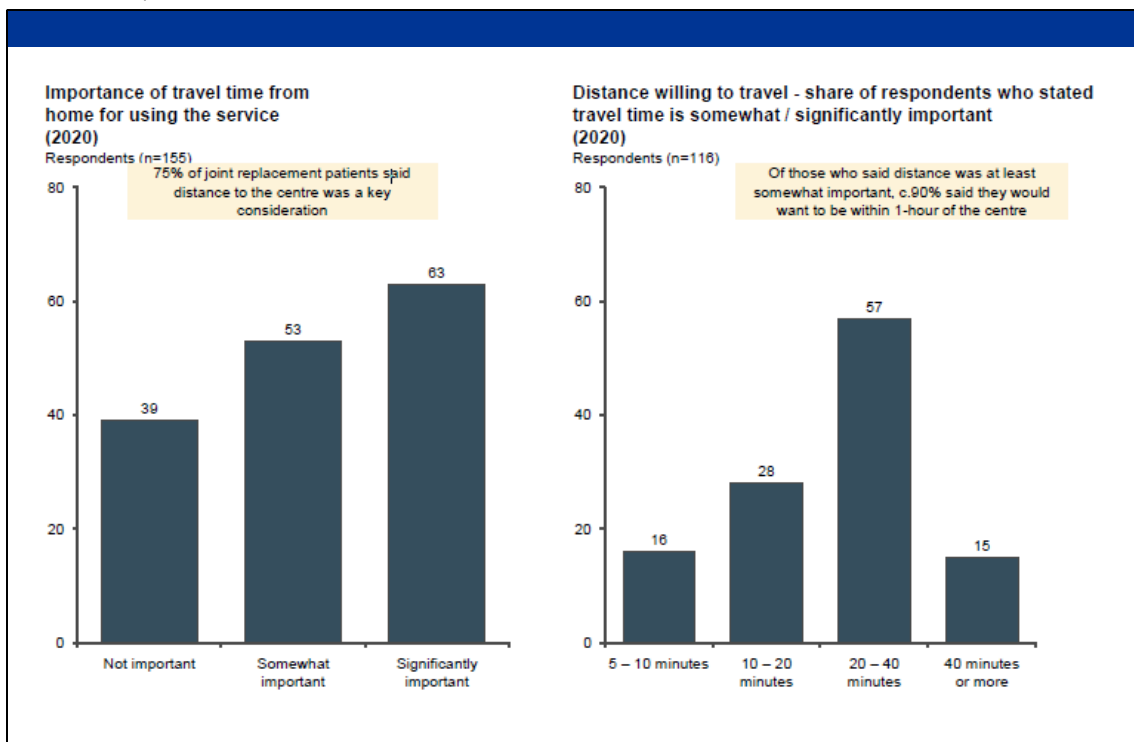
Chart 4 post discharge location and discomfort



source: L.E.K.

- 75 % of potential patients said distance from the centre to their home was important and, of those, 90 % stated they would want to be within 40 minutes of their home.

Chart 5 importance of distance from home

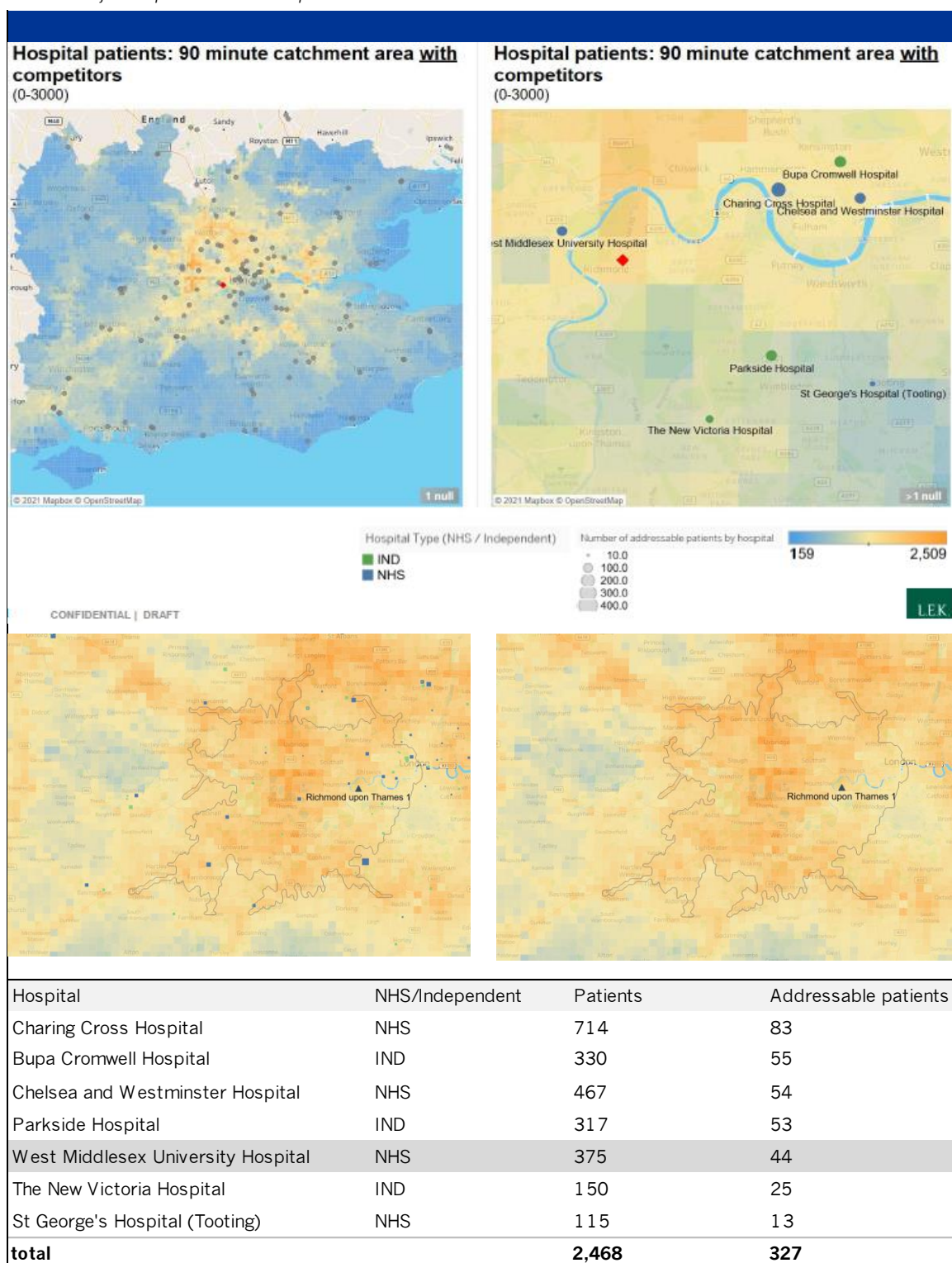


source: L.E.K.

4.3 Need for residential rehabilitation in LBRuT

- Within the LBRuT, 490 residents had an orthopaedic joint replacement in 2019. Only one hospital in the borough offers joint replacement surgery, West Middlesex University Hospital, which conducted about 375 surgeries in 2019. Within the wider 40-minute catchment, there are an estimated 9,500 joint replacement surgeries per year, as shown in chart 7 below:

Chart 6 joint replacements at hospitals in the 40-minute catchment in 2019



source: L. E. K.

- ii. Through analysis of local demographic information, alongside drive-time, income and wealth analysis, it was determined that there are over 1,600 people per year who would benefit from the service offering in Richmond. Due to the

demographics of the catchment, the proposed location in Richmond has an estimated uptake of the services of 17.1%; this is greater than the estimated uptake for Greater London (16.2%), the London, South East and South central catchment (15.3%) and the UK average (14.4%), thus supporting the strength of the proposition in Richmond.

Chart 7 estimated uptake of each of the areas considered

Region	Number of patients/surgeries	Number of addressable patients	Percentage uptake
UK (exc. Scotland)	c. 240,000	c.34,560	14.40%
Addressable area and surrounding region (90 mins drive)*	110,472	15,157	13.70%
Addressable area	52,897	8,085	15.30%
Greater London	17,795	2,876	16.20%
Richmond 90 minute catchment	18,488	3,016	16.30%
Richmond 40 minute catchment	9,508	1,625	17.10%
Borough of Richmond	490	94	19.10%

source: L.E.K.

- iii. In order to assess the anticipated demand, L.E.K. have reviewed a number of factors including: (i) the number of hospitals with an orthopaedic surgery department and number of surgeries undertaken; (ii) the incidence level of joint replacement surgery within London and the borough; and (iii) the age and demographics of the population within the catchment area.
- iv. We anticipate that the majority of guests will have recently undergone elective orthopaedic surgery such as a knee or hip replacement; this is the market that the L.E.K. data covers. We also anticipate that the centre will be able to cater for demand from a wider range of guests including those who have suffered from sporting or ligament injuries, or those who have undergone treatment or experienced an event which has reduced their mobility and confidence. Any guest who would benefit from a relaxing environment focused on physiotherapy-led recovery would be welcomed and care will be provided to all guests to meet their needs.
- v. The property will not cater for guests who require drugs, addiction and alcohol rehabilitation, neurological rehabilitation, or guests who require long term care needs.
- vi. When an accommodation facility generates its own demand, this is typically referred to as induced demand, whereby building the facility attracts additional people who would not have otherwise visited the area. The key market for the proposed development is residents of the LBRuT and surrounding boroughs, however due to the general lack of similar accommodation facilities and market leading nature of the planned development, it is expected to attract demand from further afield.
- vii. It is likely that the demand would still be largely domestic, as the UK is not yet a known health tourism destination, however in the future some demand may come

from international guests. These additional source markets are more likely to bring family with them who could be expected to spend money in the borough, outside of the rehabilitation centre.

- viii. Based on the supply and demand analysis above, it is estimated that the visitor accommodation providing care and rehabilitation would likely achieve approximately 82.5 % occupancy in a stabilised year (after two or three years of operations). This would represent about 13,250 visitor nights at the property; significantly more than the estimated 10,280 to 10,980 visitor nights that were accommodated when the property was operated as a hotel according to the current owners. Health and rehabilitative tourism is typically less seasonal, both by month and day of week, than other tourism demand such as business or leisure. Guests often stay for several weeks meaning that rooms are occupied on typically low demand nights such as Sunday and months such as January.

4.4 Local stakeholder support for residential rehabilitation in LBRuT

- i. As part of the assessment of demand and to substantiate the need in the borough, local residents and local medical groups were engaged with. The medical groups consisted of local GP's and Richmond based physiotherapists and the conversations supported the need for the centre in the local area.
- ii. Feedback from Richmond Physio – 7 Hill Street, Richmond
 - It was cited that the proposed centre was something that their local patients would look to use and it was noted that the concept was of interest.
 - The lack of hydrotherapy facilities in the borough was noted; the clinic relies on Parkside Hospital in Wimbledon for their patients who require hydrotherapy treatment and therefore additional hydrotherapy facilities in the borough would be welcomed.
 - It was noted that the proposition should appeal to the demographic of the local area; the clinic has a base at the Hurlingham Club in Fulham and it was noted that a number of patients there have used The Clavadel in Guildford for their post operative recovery; a centre closer to home would likely be favoured.
- iii. Feedback from The Forge Clinic – 37 Red Lion Street, Richmond
 - The proposed concept was well received.
 - The view was held that the proposed centre would be beneficial to Richmond, with benefits to local residents and it was also acknowledged that visitors would be attracted to the centre from outside of the Borough due to the limited supply of similar facilities in the area.
 - It was acknowledged that there would be a demand for this kind of service from their current patients; they frequently have clients ask for home visits post operatively and the ability of the Forge Clinic to provide this service is

limited, particularly where their care needs are more significant. They also treat a lot of patients who have stayed at the Clavadel (Guildford) but live closer to Richmond

- The concept of providing short term stays for guests who have had non surgical intervention, such as a slip or falls, was also discussed; this is an area we would hope to cater for alongside the orthopaedic joint replacement guests
 - The more acute need for this service for people who can't care for themselves or who live independently was also noted
 - Concerns were raised about the staffing of the centre, noting that there are significant recruitment challenges in the physiotherapy sector at present.
- iv. Feedback from The Richmond Doctor – 3 Cedar Terrace, Richmond
- It was stated that the proposed concept was a good idea with the concept providing a much-needed solution where postoperative care is required.
- v. Feedback from local residents in support of residential rehabilitation
- “[It] is backed by high quality operators and has a good societal purpose in terms of hospital bed unlocking, health and rehabilitation – bringing something new and positive to the area.”
 - “The proposal for a well-planned rehabilitation facility is one I can support.”
 - “The proposal seems a good business proposition in theory, taking the pressure off hospital beds post surgery (for private patients and hopefully NHS ones too).”

4.5 Suitability of Richmond as a location for rehabilitation

- vi. Overall, the primary benefit of having a rehabilitation facility in Richmond is proximity to thousands of potential patients. During longer-term or very challenging rehabilitation processes, the ability to be close to home (friends or family) is important for patients as it allows them to have visitors more easily, which is key to maintaining good mental health during the process. This is particularly important for children and the elderly, who are more likely to suffer from prolonged separation from family and friends.
- vii. Located in the centre of Richmond, the site has excellent links to public transport. The site indeed has a PTAL of 6a (excellent), being a four-minute walk from the entrance of Richmond Station and in proximity to bus stops on Sheen Road and Church Road.
- viii. Richmond station is a six-minute walk to the North, giving access to the overground and South-Western Railway trains and district line underground line. The site is also served by several bus stops on Sheen Road. Among those, the

Church Road bus stop is located about one minute away from the site and gives access to bus lines 33, 337, 493, 969 and N33. Meadows hall bus stop is located one minute by foot away from the site giving access to bus line 371. In addition, the Quadrant bus stop is located five minutes walking distance from the site, giving access to bus lines 65,110, 190, 419, 490, H37, N22, N65, R68 and R70.

Chart 8 transport links



- ix. In addition to having excellent public transport links, Richmond is also a particularly green and quiet residential area. The LBRuT is one of the greenest boroughs in London with 128 public green spaces including the 966-hectare Richmond Park. This creates an ideal setting for rehabilitation and recuperation, as more mobile guests and their families may be able to enjoy the outdoors, which is not possible in all of London’s boroughs.

5 Visitor Accommodation Supply and Demand 2021

5.1 Introduction

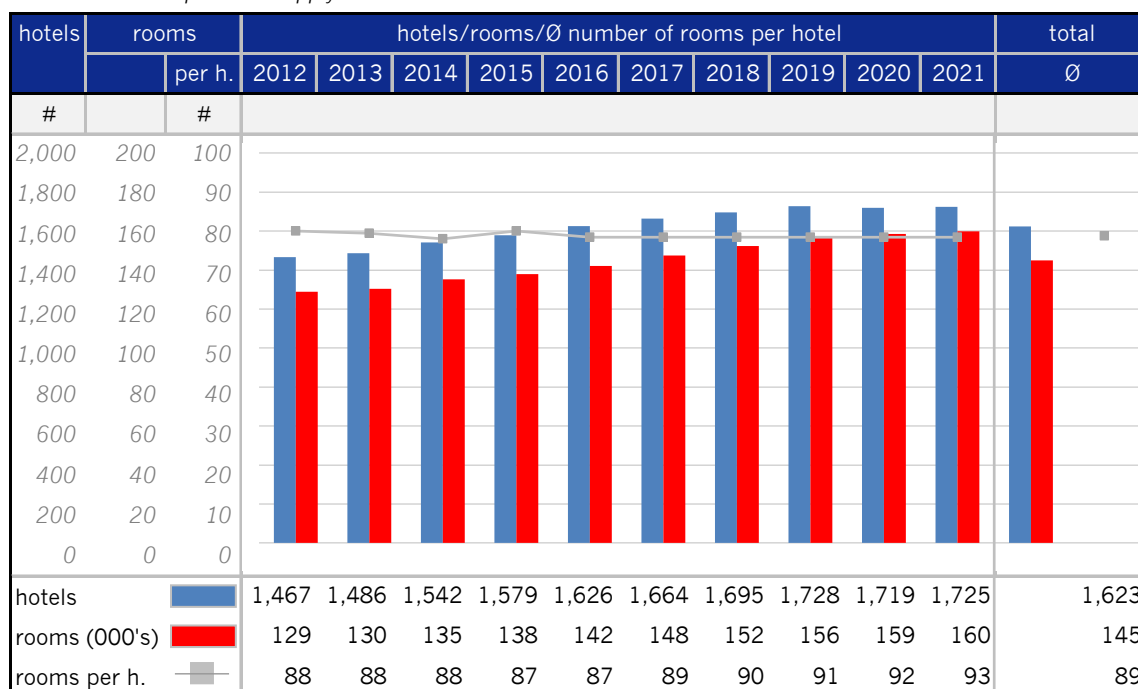
- i. To evaluate the potential impact on the availability of visitor accommodation that a change of use of the Richmond Inn, the current hotel supply and pipeline projects, as well as historic, current and likely future demand have been analysed. The analysis in this chapter refers primarily to the LBRuT with supplementary data considering both the London hotel market and the direct surrounds of the borough to provide more context.
- ii. The AM:PM database owned by STR and CoStar is one of the most reliable sources of accommodation supply data in the United Kingdom. Recently the database has undergone several changes due to the integration with CoStar and the data shows minor differences from that shown in the Working Paper 88, Projections of demand and supply for visitor accommodation in London to 2050 (2017).
- iii. For the purpose of this study, serviced apartments have been included while hostels have been excluded as they fall under the Sui Generis use-class. The AM:PM database does not include B&B's which are also considered under the C1 use class and contribute to the provision of visitor accommodation.

5.2 Hotel Supply

5.2.1 London Hotel Supply

- i. According to the AM:PM database, there are currently 159,871 rooms in 1,657 accommodation facilities (including hostels) London and Heathrow.

Chart 9 development of supply of hotels in London and Heathrow



© PKF hotelexperts; sources: AM:PM, PKF hotelexperts

- ii. The visitor accommodation and lodging market in London has expanded significantly since April 2017 when the GLA Economics Working Paper 88 set out their recommendations which have influenced planning policy in the London Boroughs, and the new London Plan 2021. The supply of good quality new hotel, serviced apartment and hostel rooms has increased at a rapid pace, in particular in the Central Activity Zone and in the boroughs on the periphery of major employment and entertainment areas. Notably neighbourhoods such as Kings Cross, Lambeth, Southwark, Shoreditch, Tower Hill, around Heathrow, and Stratford have expanded their purpose built visitor accommodation stock, and contributed to 124 properties with 18,276 new rooms being opened across London and Heathrow between April 2017 and August 2021.
- iii. The 2017 working paper suggested a gross need for 2,981 new rooms per year to meet the expected increase in demand until 2050. The actual gross room supply has grown at an annualised rate of about 4,138 rooms per year. This is significantly more than projected requirements, but warranted given the fast pace of demand growth since the global financial crisis and the Olympic Games.
- iv. The pipeline for new rooms in London remains robust despite the COVID 19 downturn, and the active pipeline in final planning or already under construction (according to AMPM hotels) represents an additional 301 projects with more than 33,711 rooms. These if completed would represent more than eleven years of gross bedroom stock requirements according to the 2017 Working Paper projections.
- v. In addition to the above, it should be noted that a significant number of bed nights are added to the market by room, apartment and home rental services such as AirBnB who effectively flex the available supply of visitor accommodation during high demand periods and provide opportunities for homeowners to generate

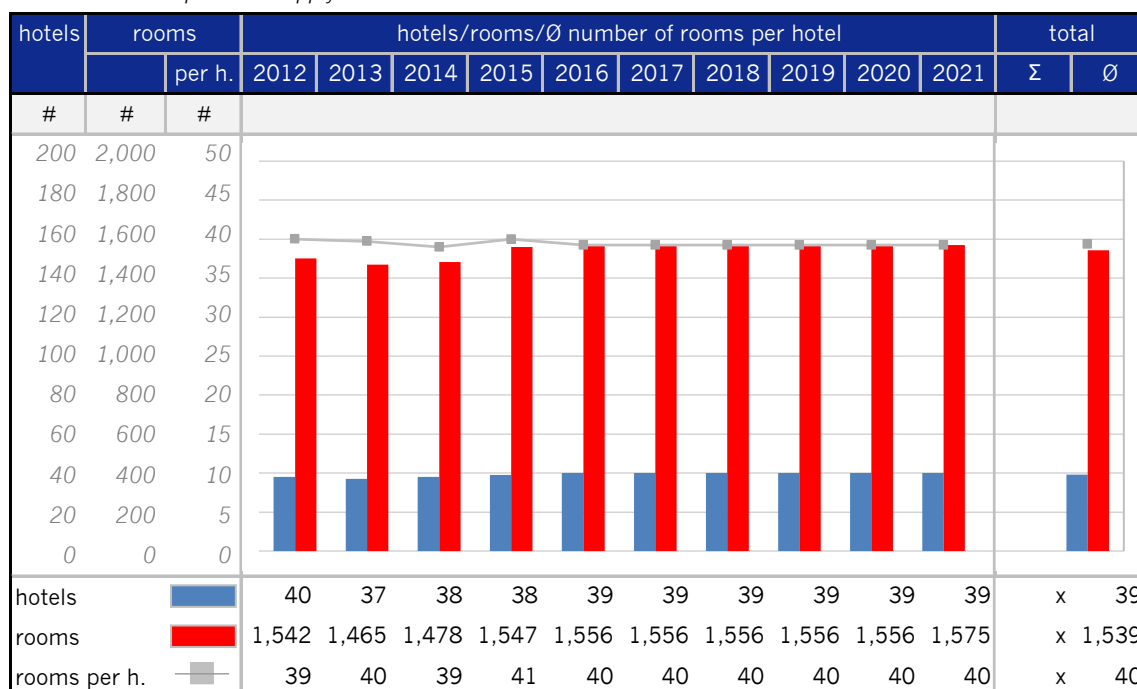
additional income from their properties for up to three months each year. From a consumer perspective, this additional choice of accommodation is a clear benefit, and is quite popular. However, this expansion of available visitor accommodation represents an additional challenge for owners and operators of smaller purpose built visitor accommodation. It increases competition and limits the capacity for hotel operators to increase prices in peak demand months, and could impact their financial viability during the expected recovery period following COVID 19.

- vi. According to data from AirDNA, an aggregator of AirBnB and VRBO data, in 2019 London had an average of about 45,600 rooms or homes (units) available for short term rentals on a given day. LBRuT had an average of about 550 units/day in 2019. This ranged from about 440 units/day in February, the lowest month, to about 660 units per day in July, the peak month. The average occupancy of these available units in 2019 in LBRuT was 60.5% compared to 63.8% for London overall. In July, one of the peak months for visitor accommodation, when hotels might be reaching capacity (discussed later in the report) there were, on average, approximately 220 units/night which remained vacant in 2019. This data suggests that even during the peak months for visitor accommodation demand, during one of the busiest years ever for tourism in London, the supply of available overnight accommodation was more than enough to meet the demand in the LBRuT.

5.2.2 Local Hotel Supply

- i. The LBRuT, accounts for a total of about 1,575 hotel and serviced apartment bedrooms in 39 accommodation facilities (status: 5th August). Due to the COVID-19 pandemic, the database contains some hotels which are known to be closed, however it is not always clear if this is temporary or permanent. It should be noted that the abovementioned supply figure includes the Richmond Inn and the recently completed 19-room extension to the Richmond Harbour Hotel & Spa (18/2282/FUL).
- ii. In the period from 2012 to 2021, accommodation supply in the borough developed as follows:

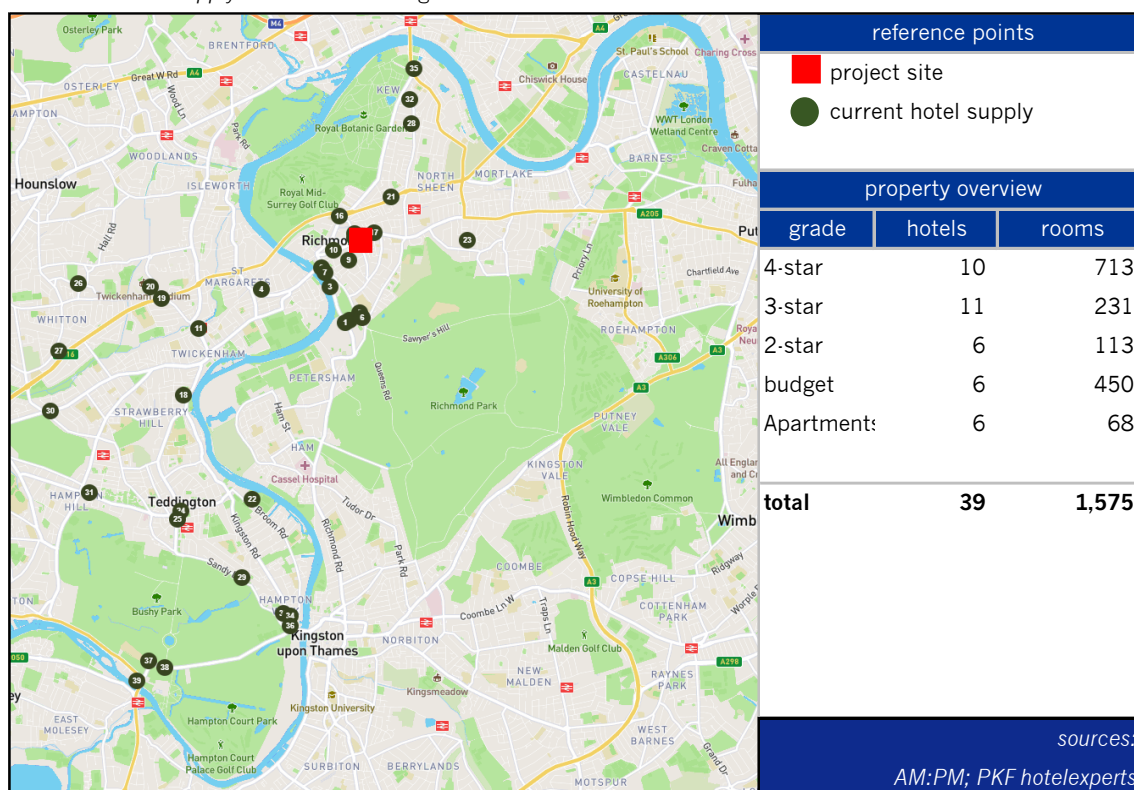
Chart 10 development of supply of hotels in the LBRuT.



© PKF hotelexperts; sources: AM:PM, PKF hotelexperts

- iii. The supply of accommodation facilities over the past ten years can be summarised as follows:
 - number of hotels: decreased by 2.5 % (CAGR -0.3 %)
 - number of rooms: increased by 2.1 % (CAGR 0.3 %)
 - average number of rooms per hotel: increased by 4.8 %
- iv. Comparatively, room supply in London and Heathrow has increased by approximately 24 % in the same period.
- v. The Visitor Accommodation Working Paper 88 stated that supply in the LBRuT in 2015 was 1,546 rooms according to AM:PM and the report estimated that the total room stock was 1,719 rooms when including additional properties listed on Tripadvisor that were not included in the AM:PM database. This report stated that the borough would have a need an additional 143 rooms until 2041. This would be a net increase of about 5.7 rooms per year over the period. In the five preceding years, the number of rooms in the LBRuT have increased by 29, an average of 5.8 rooms per year. This study assumes that 0.4 % of stock is closed each year and thus the figures still show a net growth.
- vi. The current accommodation supply of the LBRuT in August 2021 by type is shown in the following chart:

Chart 11 hotel supply of the LBRuT in August 2021



- vii. Many of the hotels in the borough are clustered within the centre of Richmond with eight hotels with 231 rooms located within a 500-metre radius of the site (including the Richmond Inn). It should be noted that according to AM:PM the Richmond Inn is classified as a three-star property. The greatest supply of hotel rooms is in the four-star category with 713 rooms (excluding the Richmond Inn).
- viii. As mentioned above, the database does not include B&B's, and based on the 2012 hotel study, there was a significant amount of this accommodation in the borough, adding additional supply to the area, that is not accounted for in the analysis above.

5.2.3 Future Supply

- i. The following hotel projects have been identified as potential future supply in the borough by the data collection company AM:PM. They are in various stages of the planning and development process and some of these projects may not come forward for construction, but have been included for completeness, while others not yet identified are likely to come to fruition. This data is based on AM:PM database, the publicly available planning documents and interviews with the below properties. It should be noted that all projects listed below are extensions, rather than new hotels.

Chart 12 pipeline of hotel accommodation in the LBRuT as of August 2021

hotel		assumed key information					
		dist.	grade	rooms	phase	open.	reference
name	km ¹⁾	stars	#		year		
White Hart Inn	4.8	2	2	final plan.	2023	19/2459/FUL	extension Feb. 2023
The Park Hotel	5.6	3	1	final plan.	n.a.	18/2602/FUL	plan. exp. Nov. 2021
Premier Inn London Twickenhar	5.8	budget	15	final plan.	n.a.	19/3202/FUL	extension Dec 2022
Jolly Coopers	7.8	3	4	constr.	2023	17/2301/FUL	plan. exp. May 2021
total	Σ	x	22	x	x	x	
	∅	x	6	x	x	x	

note 1) non-linear distances to the Richmond Inn

source: AM:PM hotels, PKF hotelexperts

- ii. Two of the hotels with planning permission in final planning or under construction within 8 km of the Richmond Inn are of particular interest (distances are non-linear):
- 1) the 17-room Premier Inn London Twickenham East, located 5.8 km to the South West of the site, has applied from planning permission to extend the property by an additional 15 rooms.
 - 2) Jolly Coopers, located about 7.8 km to the South West of the site, planning on opening the extension of its pub with four rooms. The project is currently under construction and is expected to open in 2023.
- iii. The Visitor Accommodation Working Paper 88 forecasted the need for an additional 143 rooms until 2041. Considering only those projects in the LBRuT which have final planning or are under construction, the current pipeline is 22 rooms that could be expected to open by 2024. With the removal of the Richmond Inn from the hotel stock would result in a net decrease of 22 rooms in traditional C1 hotel use. This is a relatively small number that could easily be replaced if the need is demonstrated for transient hotel accommodation following a full recovery from COVID-19 and the ensuing economic disruption. As the pandemic was not foreseen, it could not be accounted for in the Visitor Accommodation Working Paper 88. Generally, pre-COVID demand is expected to return however the timeline for the recovery is very unclear, and it is likely that the need for hotels will be reduced in the short to medium term and that the projected needs until 2041 may be overstated.

- iv. Overall, the change in supply in the LBRuT will likely depend on the existing hotels' ability to recover from the aftermath of COVID-19, which has had a significant impact on demand and profitability. The Visitor Accommodation Working Paper 88 was published in 2017 and could not account for the COVID-19 pandemic. This also applies to the analysis and forecasts provided in the 2012 Richmond Hotel Study, which is considerably out of date.
- v. There have been some requests for change of use of C1 accommodation to other use classes, namely C3 residential. One example of this would be Bushy Park Lodge (20/3031/FUL). As part of this application, local real estate agents, Milestone Commercial, have provided a report stating that the current owners are willing to sell at 30 % below the original asking price set in 2017, which is almost what they purchased the property for in 2009. While there are numerous factors influencing this, one of the key points made is the increase in competition in the hotel and serviced accommodation market in the borough, particularly as internationally branded operators such as Travelodge and Premier Inn expand. As a result, the report states that occupancy and rates have decreased, resulting in a 30 % decline in turnover.
- vi. This analysis has focused principally on hotel supply in the LBRuT, but it is also important to consider the overall growth in hotel stock in London and the surrounding boroughs. Visitors typically choose accommodation based on price, location, accessibility and convenience to their place of interest (work, leisure, or other event). Our demand analysis in the next section which was supplemented by interviews with local hoteliers suggests that the hotels in the LBRuT accommodate quite a lot of demand that is generated in other parts of London but is displaced due to lack of availability or because of pricing constraints in more central locations. It is reasonable to assume that some of the lost transient hotel room nights from the Richmond Inn, would easily be absorbed by existing and pipeline hotels across London and in neighbouring boroughs.
- vii. The areas surrounding the LBRuT which share some of the same demand generators, including Twickenham stadium, Hampton Court Palace and Wimbledon have several important visitor accommodation projects in the pipeline. In a 5 km radius of Hounslow station there are eleven accommodation projects planned with a total of 650 rooms, outside of the LBRuT. Furthermore, there are four pipeline properties within a 5 km radius of Molesey that fall outside of the LBRuT with a total of 128 rooms. In a 5 km radius of Wimbledon train station, there are eleven pipeline projects with a total of 948 rooms. Additionally, there are several hotel projects north of Kew Gardens but outside of the borough, including the 219 room Hudson Square project and the 113 room Travelodge Chiswick.
- viii. If all the above-mentioned projects are completed there would be an increase of 2,058 rooms in the direct vicinity of the largest demand generators in or near the LBRuT. These hotels will likely absorb some of the demand from the existing hotels in the borough as they are more conveniently located in relation to the key demand drivers, regardless of whether the Richmond Inn operates under the C1 or C2 use class.

5.3 Hotel Demand

5.3.1 London Hotel Demand

- i. Prior to COVID-19, London was one of the world's most popular tourist destinations having attracted almost than 22 million international visitors in 2019.
- ii. The London-wide market has experienced strong growth in tourism demand up to the COVID 19 pandemic, with average hotel occupancies being consistently between 82 % and 85 % despite significant supply growth. From 2016, demand was stimulated by the devaluation of the Pound Sterling after the Brexit vote, which resulted in the destination becoming more affordable for travellers from the EU and most other major currencies.
- iii. As with all major cities and tourist destinations, London was heavily impacted by the COVID-19 pandemic, with hotel occupancies declining from above 82 % in 2019 to about 30 % in 2020. Supply of rooms was also heavily impacted as hotels were forced to close for extended periods, with some closing permanently due to cashflow constraints, so the decline in visitor overnights in London was even more pronounced than the occupancy decline suggests.
- iv. Generally, demand in major cities is expected to take longer to recover than in regional destinations for the following reasons:
 - need for social distancing and perceived safety and health risks
 - decline in international travel because of ongoing travel restrictions to and from key international feeder markets
 - the shift in working habits including working from home and reduction of in-person meetings and events
- v. This decrease in demand may be compounded by Brexit which was finalised on the 31st December 2020. While the full impact of this is difficult to isolate from that of COVID-19. Many economists have projected that leaving the EU will result in less robust GDP growth than was previously predicted, this would also be expected to have an impact on corporate demand as employees are relocated to the EU (e.g. financial services).
- vi. While the demand profile of the LBRuT differs from that of central London, an extended decrease in demand across London will invariably have an impact on the hotels in the borough. From information received during interviews, the hotels in LBRuT have historically benefitted from periods of strong demand in Central Activity Zone, with some overflow demand being accommodated in LBRuT. This is particularly important during large events or high-season when there are very few rooms left in central London, and travellers consider hotels which are further away due to lack of availability or affordability.

5.3.2 Local Hotel Demand

- i. To better understand the performance of the hotel market within the relevant area surrounding the project site, we relied on two leading sources of benchmark data, STR Global, and AM:PM.
- ii. A total of 15 hotels and serviced apartments in the LBRuT report their key performance data to STR Global, accounting for 1,164 rooms. The 19-room extension of the Richmond Harbour Hotel & Spa is however not included in the key performance data provided as they have only recently opened. Therefore, the data below is based on a room count of 1,145. This represents approximately 73 % of the hotel rooms and serviced apartment supply in the borough, prior to the addition of the 19 rooms, and is therefore considered very representative of the performance of the LBRuT hotel market.
- iii. The below chart summarises the development of supply and accommodated demand of the sample over the past five years, please note that due to temporary hotel closures in 2020 no annual data is available for 2020:

Chart 13 historic performance of selected hotels – accommodated demand & supply

	supply		demand		occupancy	
	roomnights	change	overnights	change	current	change
year	'000s	in % ¹⁾	'000s	in % ¹⁾	%	in %-pts ¹⁾
2015	391		286		73.1	
2016	415	↑ 6.06	314	↑ 9.84	75.7	↑ 2.60
2017	414	→ -0.16	325	↑ 3.57	78.5	↑ 2.83
2018	416	↑ 0.51	312	↓ -4.01	75.0	↓ -3.53
2019	418	↑ 0.40	324	↑ 3.75	77.5	↑ 2.50
∅ / cagr ²⁾	411	↑ 1.67	312	↑ 3.17	75.9	↑ 1.47
June YTD 2019 ³⁾	207		156		75.2	
June YTD 2021	135	↓ -34.64	56	↓ -64.00	41.4	↓ -33.79
∅	171	-	106	-	58.3	-

notes 1) refers to change to previous year

sources: STR Global; PKF hotelexperts

2) compound annual growth rate

3) no annual or June YTD data for 2020 due to COVID-19

- iv. As can be seen in the chart above, hotel room nights supply increased from about 391,000 room nights in 2015 to about 418,000 room nights in 2019, representing an annual growth rate of approximately 1.67 %. At the same time, overnight demand increased from about 286,000 nights in 2015 to about 324,000 nights in 2019, an annual grow rate of approx. 3.17 %. The resulting occupancy was about 78 % in 2019, about 5 percentage-points lower than that of the overall London market.
- v. COVID-19 had a considerable impact on the travel and tourism industry globally. Many hotels across the United Kingdom were closed between March and July 2020, unless they were providing services such as hotel quarantine, NHS staff accommodation, or temporary accommodation for the homeless population.

- vi. The impact of COVID-19 is evident in the data above. Comparing June YTD figures for 2019 and 2021, supply decreased by 71,787 room nights due to temporary or permanent hotel closures, while demand decreased by almost 100,000 overnights, resulting in an occupancy decrease of approximately 34 percentage-points.
- vii. Many analysts believe that there will be a full recovery from the pandemic and visitor numbers will return to previous peak levels in due course. It remains unclear, but as planning decisions are made for the long term, we have analysed below data from one of the best years on record 2019, to evaluate whether there might be a need to preserve all the existing hotel stock, or whether the change of use would actually stimulate a more robust recovery for the remaining hotels.
- viii. The following analysis shows the occupancy levels of all sample hotels according to the day of the week, by month, between January 2019 and December 2019. It should be noted that these are averages for the same day of week in each month. This allows us to evaluate whether removing the existing 44 rooms in the subject hotel would result in unsatisfied and displaced demand. A *fill-night* refers to nights where market-level occupancy is in excess of 90%. At these high levels of occupancy usually lead to unsatisfied and displaced demand, as a particular class of hotel might not be available, the price for the last few rooms might be too high, or there is insufficient space to allocate to a group of guests.
- ix. The following chart shows the pre-COVID-19 demand in the LBRuT by day of week and month:

Chart 14 day of the week analysis

occupancy (%)		day							total
month		Sun	Mon	Tue	Wed	Thu	Fri	Sat	total Month
Jan 2019		42.6	74.2	75.6	71.0	64.4	54.3	61.5	64.1
Feb 2019		60.4	75.4	84.7	82.9	70.9	61.8	75.2	73.0
Mar 2019		52.1	82.8	88.3	88.2	82.3	73.4	87.8	78.5
Apr 2019		53.5	69.2	80.7	82.1	73.7	77.6	84.4	74.5
May 2019		61.6	64.4	85.4	86.5	77.5	78.5	85.1	77.4
Jun 2019		65.4	82.9	93.0	93.0	87.2	80.4	88.6	83.9
Jul 2019		69.5	86.9	89.8	89.8	86.6	82.0	87.9	85.1
Aug 2019		74.1	75.3	85.5	83.6	77.3	80.5	90.7	81.2
Sep 2019		63.4	80.5	88.7	91.2	82.7	82.5	89.7	81.9
Oct 2019		58.9	81.7	86.5	85.2	75.8	77.2	83.3	78.8
Nov 2019		50.4	77.3	87.5	84.7	76.5	76.0	81.8	76.5
Dec 2019		56.0	66.9	80.7	82.1	78.7	78.4	84.2	74.6
total	Σ	59.0	76.4	85.3	84.9	77.5	75.4	83.7	77.5

notes 1) ■ occupancy below 80%
■ occupancy between 80% and 90%
■ occupancy above 90%

sources: STR; PKF hotelexperts

- x. As illustrated in the chart above, approximately 5% of room nights achieve occupancies of over 90% on average, and approx. 54% register above 80%. Generally, there are very few fill nights among the selected hotels in LBRuT. This is a very small number when compared to the data we collected for a similar study

in the borough of Southwark in 2019, where the much larger hotel set filled more than 50 % of the time and thereby displaced demand to other markets.

- xi. The day of week analysis shows that prior to COVID-19, LBRuT likely attracted a mix of business and leisure travellers, with Tuesdays, Wednesdays and Saturday nights showing the strongest occupancies. From information received in interviews, business travellers account for about 40 % of pre-COVID demand, while 60 % was leisure driven. Comparatively, the segmentation at the Richmond Inn was approximately 60 % business and 40 % leisure. As previously mentioned, the business segment is expected to recover more slowly due to several factors including health concerns regarding in-person meetings and work from home policies.
- xii. Overall, the summer months show the highest occupancy and January has the lowest demand. This is likely due to several large events which take place annually in June such as the Hampton Court Palace Festival. While the market shows relatively steady, strong performance, the limited number of fill nights indicates that prior to COVID-19, the supply in the borough was meeting the demand.
- xiii. Based on the pre-COVID-19 supply and demand data, we can model the impact of removing the Richmond Inn from the hotel stock. This analysis assumes that demand would recover to pre-COVID levels by the time the subject property opens. The following glossary defines the terms used in the analysis:

Chart 15 glossary

glossary	definition
STR Supply	number of room nights available in the STR competitive set hotels including the recently added 19-room extension to the Richmond Harbour Hotel
STR Demand	actual number of room nights sold at the STR competitive set hotels in 2019
STR Occupancy	occupancy rate of the STR competitive set hotels in 2019
Whole Market Supply	number of room nights available in all hotels in the LBRuT excluding the 44 rooms at the Richmond Inn
Whole Market Demand	theoretical number of room nights demanded in all hotels in the LBRuT assuming they achieve the 2019 STR occupancy levels excluding the 44 rooms at the Richmond Inn
Displaced Richmond Inn Demand	number of room nights that would have been accommodated at the Richmond Inn hotel, assuming a given occupancy percentage
Total Theoretical Demand	whole market demand (or STR demand) plus the displaced Richmond Inn demand
Unoccupied Room Nights	number of room nights supplied less the number of room nights demanded
Resulting occupancy	room nights demanded divided by room nights supplied

PKF hotelexperts

- xiv. Four alternative scenarios were used to assess the impact of the change of use on the hotel market in the LBRuT:
 - a) Scenario one: based on STR supply and STR demand. This scenario assumes that monthly room night demand would be the same as 2019 levels. This shows whether the 15 hotels in the STR set would be able to accommodate the displaced room nights from the Richmond Inn.
 - b) Scenario two: based on the whole market supply of 1,575 less the 44 rooms of the Richmond Inn. Demand is calculated based on the whole market

supply of 1,575 multiplied by the 2019 occupancy percentages. Displaced Richmond Inn demand assumes that the subject property would have achieved market level occupancy of approximately 77.46 %, had it been operating as a hotel. This shows whether the 39 hotels in LBRuT would be able to accommodate the displaced room nights from the Richmond Inn.

- c) Scenarios three and four: consider the actual occupancy of the subject hotel prior to its closure which was between 64 % and 68 %. Demand is calculated based on the whole market supply of 1,575 multiplied by the 2019 occupancy percentages. The displaced Richmond Inn demand assumes that the Richmond Inn would have achieved between 64 % and 68 % occupancy. This shows whether the 39 hotels in LBRuT would be able to accommodate the displaced room nights from the Richmond Inn.

Chart 16 impact of change of use on market occupancy

	annual room nights	annual occupancy %
Scenario 1: STR Set with Richmond Inn achieving market level occupancy of 77.46 %		
STR supply	425,045	
STR demand	323,874	
displaced Richmond Inn demand	12,440	
total theoretical demand	336,314	
unoccupied room nights	88,731	
resulting occupancy		79.1%
Scenario 2: Whole Market with Richmond Inn achieving market level occupancy of 77.46 %		
whole market supply	558,815	
whole market demand	432,852	
displaced Richmond Inn demand	12,440	
total theoretical demand	445,292	
unoccupied room nights	113,523	
resulting occupancy		79.7%
Scenario 3: Whole Market with Richmond Inn achieving occupancy of 64 %		
whole market supply	558,815	
whole market demand	432,866	
displaced Richmond Inn demand	10,278	
total theoretical demand	443,144	
unoccupied room nights	115,671	
resulting occupancy		79.3%
Scenario 4: Whole Market with Richmond Inn achieving occupancy of 68 %		
whole market supply	558,815	
whole market demand	432,866	
displaced Richmond Inn demand	10,921	
total theoretical demand	443,787	
unoccupied room nights	115,028	
resulting occupancy		79.4%

sources: STR; PKF hotelexperts

- xv. As shown above, on an annual basis, none of the scenarios result in an increase in occupancy above 80 %. In 2019, the average occupancy for London was

approximately 82 % while hotels in key tourism areas had occupancies between 85 %- and 90 %.

- xvi. When the analysis is applied on a monthly basis, scenarios one and two show peak monthly occupancies of 86 % and 88 % respectively, in the month of July. It was not possible to run monthly analysis on scenarios three and four as the actual monthly occupancy for the Richmond Inn was not available. It was also not possible to run the analysis by day of week as the data provided by STR is not granular enough, however, it could be assumed that days which previously had occupancies of 88 % or higher, would likely exceed 90 % once the Richmond Inn rooms are removed. This would impact Tuesdays and Wednesdays in March and July, as well as Tuesdays in September and Saturdays in June and September. Assuming a full recovery to 2019 levels across London, this would bring the potential fill nights to 13 %. For comparison, other strong tourism areas in London often have fill nights for more than 50 % of the year.
- xvii. Hotel demand is also reflected in the average daily rates (ADR) in an area. As the demand increases, hoteliers typically raise prices to optimise revenues. The hotels in the LBRuT STR set achieved an average ADR in 2019 of £ 86.99 which is significantly lower than that of London as a whole, which typically in the range of about £ 180. The ADR of the LBRuT hotels has also shown almost no growth since 2013 when hotels achieved an ADR of £ 86.71 while London hotels' ADR grew from about £ 140 in 2013.

5.3.3 Future Hotel Demand

- i. When compared with London, the LBRuT has seen less growth in demand in recent years and limited supply growth. As with any free-market industry, the growth in supply can be directly linked with that of demand as investors, developers and operators seek out growth where they anticipate strong future demand.
- ii. COVID-19 is expected to have an impact on the hotel industry for the next three to five years depending on the market specifics. Richmond is more heavily reliant on the leisure market than London as a whole, and could therefore be expected to rebound more quickly. However, the reliance of the borough on international tourism, and overflow from London's more central hotels during peak seasons, Saturdays, and for mid-week business suggests that the coming years will be challenging for hoteliers. The severity of this impact will also depend on government support, not only in the UK, but also its key feeder markets as this will influence travellers spending power, and the subsidies and support hoteliers may receive.
- iii. The subdued demand may be further exacerbated by Brexit which is expected to impact corporate demand in particular, as businesses move some of their employees to EU countries. The climate crisis may also stifle demand as business and individual visitors more carefully count the environmental cost of their trips. While the impact of this has yet to be tested, it is clear that the extreme weather that is being experienced across the world, including flash floods in London have increased the awareness of this important topic.

- iv. Overall, while demand is expected to recover and to gradually increase once the health crisis has been overcome. Corporate demand and meeting and event demand may be slower to get back to the levels of 2019 and beyond. Several hotels may close, particularly those of a lower quality, due to lack of demand and a challenging operating environment. Adapting a small number of hotel rooms into a more focussed specialised visitor accommodation use, is likely to have a positive impact on the remaining hotels, and the actual overnight visitor numbers to the LBRuT.

5.4 Conclusion

- i. The supply data for London and for the LBRuT show that there is ample existing visitor accommodation built since 2017 and in the pipeline in London and in the areas in and around LBRuT to satisfy the requirements outlined in Working Paper 88 from July 2017. This robust increase in room supply is expected to continue for some years to come.
- ii. These new properties should easily meet the demand levels that will be generated post COVID 19, regardless of whether the change of use class is granted for the Richmond Inn.
- iii. Demand in London, while historically strong, has been heavily impacted by COVID 19 and the resulting decline in room demand will affect the viability of the existing hotel stock, in particular as newer more efficient properties come to fruition.
- iv. The day of week and seasonality analysis and our local interviews shows that properties in Richmond already underperform hotels in more central locations, and there is little evidence that new developments in the LBRuT will generate new demand in the borough which would warrant the need for additional hotel rooms.
- v. The Richmond Inn was reportedly running at occupancies significantly lower than the bigger branded hotels which we were able to get data for (64 %-68 % compared to about 77.46 %) and according to the client about 60 % of guests were from the business segment. Many probably chose this hotel as a reliable alternative to the more expensive hotels in central London.
- vi. In our opinion as hotel real estate consultants, there will be little to no negative impact on the LBRuT visitor economy by granting the change of use. If the change of use is not granted, we would expect a reduction in the property value, and there is a high risk that the hotel would remain closed for some time until market conditions improve, or a change of use is granted. This would result in a permanent loss of visitor accommodation and employment.
- vii. Considering the above, the proposed scheme has several advantages with regards to maintaining a broad availability of visitor accommodation, and catering to the health care needs of the local community. The scheme will provide visitor accommodation to an alternative tourist segment, induce new demand and visitors to the area and provide further socio-economic benefits to the guests, their families and the wider community. Additional detail on these benefits are given in the following section.

6 Socio-Economic Benefits

6.1 Introduction

- i. The report has demonstrated a clear disruption to the visitor economy which is likely to take some time to recover from the COVID 19 pandemic. The aftermath of the pandemic and the increased focus on the sustainability are likely to cause some medium- and long-term changes to the way people travel, their frequency of travel, and the viability of smaller traditional hotels as wage levels increase, and profit margins decline.

6.2 Economic Benefits of Rehabilitation

- i. The principal planning benefit of visitor accommodation is the contribution it makes to the local economy. According to the report titled *Ealing Joint Strategic Needs Assessment Musculoskeletal Health in Ealing 2017* there are significant benefits of providing adequate and prompt rehabilitation for musculoskeletal conditions in the community. The proposed facility should help local residents who use the services to return to work more quickly and lower the risk of reinjury.
- ii. lost working days

While the population is ageing the retirement age is also expected to rise, making older people a larger contributor to the workforce and economy. According to data from the Office of National Statistics (ONS), about 30.8 million working days were lost to musculoskeletal problems in 2016 (about 22 % of the total lost working days due to illness), including many issues that are known to worsen with age, such as osteoporosis.

- iii. cost to community

While lost working days accounts for those people who are employed yet unable to work for any amount of time, there are also significant groups of people who are unable to work, or are unable to work full-time due to their ailment. Many people who fall within this group claim incapacity benefits, severe disablement allowance or employment and support allowance. Furthermore, they and their carers may be eligible to claim other benefits such as carers allowance or housing benefits. If even a small number of people were able to remain in work or return to work more quickly, this would have a significant impact on the cost of social care for the wider community.

Additionally, as the NHS is publicly funded, any reduction in long- or short-term disability would reduce the cost of ongoing care and ease pressure on community health facilities.

6.3 Employment

- i. Various forms of employment are expected to be facilitated by the proposed scheme, with an estimated 46 FTEs generated by the hotel and health care elements.
- ii. The hotel was recognised as a four-star property, however provided only breakfast and no full-service restaurant. According to the previous owners the hotel employed between 15 and 16 FTEs. While the proposed development may not have a traditional restaurant, it would need to provide all meals required by patients, likely necessitating a higher number of food and beverage staff than the hotel.

Chart 17 estimated employment

	employment densities	floorspace	FTE jobs
	per bedroom	bedrooms	
hotel staff ¹⁾	1 per 2 bedrooms (four-star, full service hotel)	57	29
care staff ²⁾	0.5 per occupied bed		24
rehabilitation staff ²⁾	assuming two treatments per guest per day, on average		8
total			61

notes: 1) based on HCA Employment Density Guide for an upscale hotel

2) assuming an annual occupancy rate of 82.5%

sources: client estimates; PKF hotelexperts

- iii. The estimate above has been based on the HCA Employment Density Guide which states that upscale hotels typically employ one staff member for every two bedrooms. Additionally, the care staff level has been estimated at 0.5 employees per occupied bed, assuming an occupancy rate of approximately 82.5%. Physiotherapy staff numbers have been estimated assuming that all residents require physiotherapy and have two appointments per day, on average.
- iv. This shows that the proposed development is expected to generate almost three times the number of jobs as the Richmond Inn when it operated previously.
- v. A large proportion of the estimated employees can be expected to be local residents within the LBRuT and surrounding areas. It is anticipated that some of this employment would be accounted for by apprenticeships or local NEETs (“Not in Education, Employment or Training”) individuals, providing professional development and stable income for the residents of the LBRuT. Furthermore, employment within hotels can often be part-time and flexible and therefore, although 46 FTEs are estimated, the total number of employees is likely to be higher than this.
- vi. We consider that the proposed scheme will positively contribute and supplement the range of other employment opportunities in the borough, not only compensating for lost employment from the hotel but exceeding this level due to the provision of healthcare services. While this is modelled based on the development having 44 rooms, any increase to this number or extension of services would lead to an additional increase in capacity and staff requirement.

- vii. Additionally, the model above does not account for the jobs which would be created during the renovation and construction, which is likely to be more extensive for the proposed project than it would be if the client chose to continue to operate the property as a hotel.

6.4 Further Benefits to the Local Economy

- i. The suggested use is expected to generate a significantly higher occupancy and a longer length of stay for patients and other users of the facilities. As the rehabilitation progresses the inpatients and their families would have the opportunity to visit local shops, cafes and restaurants with family members or a designated carer, providing extra income for local businesses. Other planning benefits of the visitor accommodation are listed below:
 - the proposed development would result in a greater number of jobs when compared to both a ‘typical’ hotel and the existing Richmond Inn. This includes additional jobs in the construction sector as a result of the proposed design amendments and refurbishment works;
 - the jobs created by the proposed development will include higher skilled and higher paid jobs than compared to the jobs associated with a ‘typical’ hotel and the existing Richmond Inn;
 - there will also be additional training opportunities associated with the proposed development for the specialist care and physiotherapist jobs;
 - whilst the number of visitor nights for the proposed development are likely to be comparable to a ‘typical’ hotel, the proposals seek to create additional visitor accommodation bedspaces, alongside a unique offering, which will lead to an increased occupancy;
 - the occupancy of the proposed development is likely to be more consistent than a ‘typical’ hotel, therefore leading to benefits to the local economy year-round rather than seasonally;
 - the proposed development will have the additional benefit of increasing occupancy rates of other existing visitor accommodation in the borough, resulting in more viable businesses; and
 - the proposed development would continue to generate spend in the local area including by visitors of guests staying at the accommodation, by staff who will work at the visitor accommodation, as a knock on result of the generation of local wages and increased demand for local suppliers. This represents a benefit over and above the existing Richmond Inn which is currently closed and therefore not generating any spend in the local area.
- ii. The proposed development will have the additional benefit of creating state-of-the-art facilities, over and above what you would expect to find in a ‘typical’ hotel. The proposed development will deliver a substantial number of economic benefits to the borough, including in terms of job creation, training, consistency of occupation and local spend. The economic benefits of the proposed development are over and above those generated by typical visitor accommodation and would

also result in knock on benefits for existing visitor accommodation in the borough. This is in addition to the significant health and social benefits the proposed development will generate for the borough.

Appendix 1: L.E.K. Research Methodology

Context and background

- Bridges Fund Management is considering an opportunity create a new provider of residential, specialist, post-operative care and rehabilitation facility in the UK (focusing in particular, in the first instance, on areas in and immediately around, Greater London)
- L.E.K. conducted a Phase I commercial due diligence over a 4 week period from 14th September to 9th October 2020
- This presentation represents a summary of our Phase I commercial due diligence work
- The focus of this phase was to assess the opportunity for residential post-operative care in the UK, the wider M25 area, and South Eastern England. In addition, this report assesses key patient characteristics, as well as the exit potential of an asset were Bridges to invest
- This draft report does not focus on specific potential new locations, non-orthopaedic joint replacement patients or ancillary services, which could, in due course, also form part of the business

As part of this work, L.E.K. conducted 6 interviews, one consumer surveys and a thorough review of available secondary sources and public databases

Primary sources

Expert interviews (6)

- *Deputy Chief Medical Office, AXA*
- *Medical Director, Provider Management, Bupa*
- *Orthopaedic Surgeon, Sheffield Teaching Hospital NHS*
- *Head of Contracting (Non-Acute), NHS South West London CCG*
- *Sales Consultant, Lynden Hill*
- *Sales Consultant, Circle Rehabilitation (Birmingham)*

Consumer surveys (1)

- *Potential user survey – UK-wide (n = 155)*

Secondary sources

Market data sources and reports

- *National Joint Registry*
- *Office for National Statistics (ONS)*
- *Laing & Buisson*

Other secondary sources

- *Company websites (e.g. Spire Healthcare, Nuffield Health)*

The post-operative joint replacement rehabilitation market is estimated at £75-110m p.a., of which c.£20-30m is located in the South East and London

		<u>Source</u>	England, Wales, N. Ireland	S. East	S. Central	London
1	Number joint replacements in England, Wales, N. Ireland per year	National Joint Registry	Number of procedures (hip, knee, ankle, shoulder, elbow)			
			240k	23.6k	16.8k	22.3k
	Stated interest <u>when price is known</u> in the proposition by income band	Survey	Stated interest (when price is known)			
			25.0%	28.2%	28.2%	28.7%
	Optimism discount factor*	L.E.K. experience	Optimism discount factor			
			c.35 - 50% average (20% - 75%, depending on level of interest stated)			
2	Expected interest in the proposition (after discounting for respondent optimism) <u>by income band</u>	Calculation	Those who earn c.£40k or less are further discounted by 25%			
	Number of addressable patient procedures per year	Calculation	Addressable patient procedures			
			21k – 30k	2k – 3k	c.2k	2k – 3k
3	Average number of bed days	Market data	Average bed days			
			9 – 10 days			
4	Average cost per day	Market data	Average cost per day			
			£400			
	Total addressable market	Calculation	Total addressable market			
			£77m - £108m	£9m - £12m	£6m - £8m	£8m - £12m
			Core regions: £23m - £32m			

Note: * Survey respondents tend to be overly optimistic in their future intentions Therefore, stated intentions are “discounted” to account for this optimism

Source: L.E.K. analysis

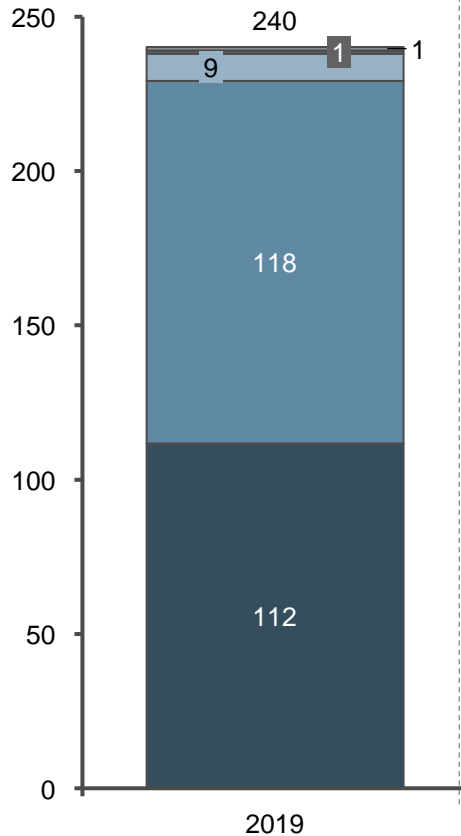
In total, England, Wales, N. Ireland performs c.240k joint procedures p.a.; South East, South Central and London perform 63k procedures p.a.

1 Addressable market: procedures

Total orthopaedic joint replacements

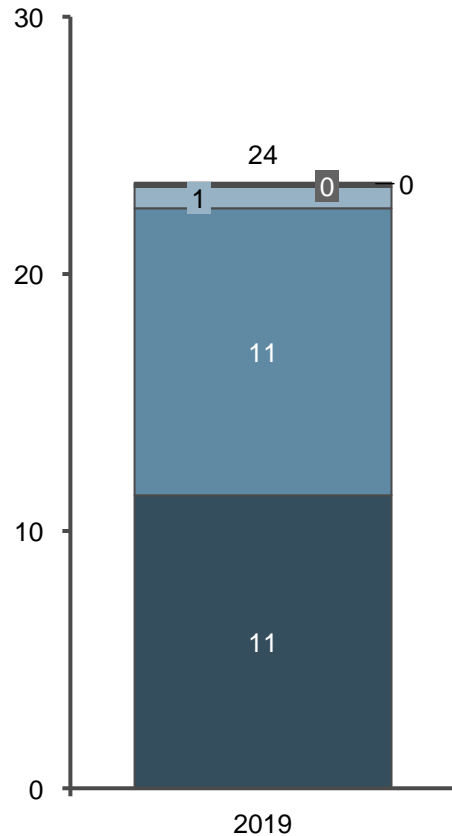
England, Wales, N. Ireland (2019)

Thousands of procedures



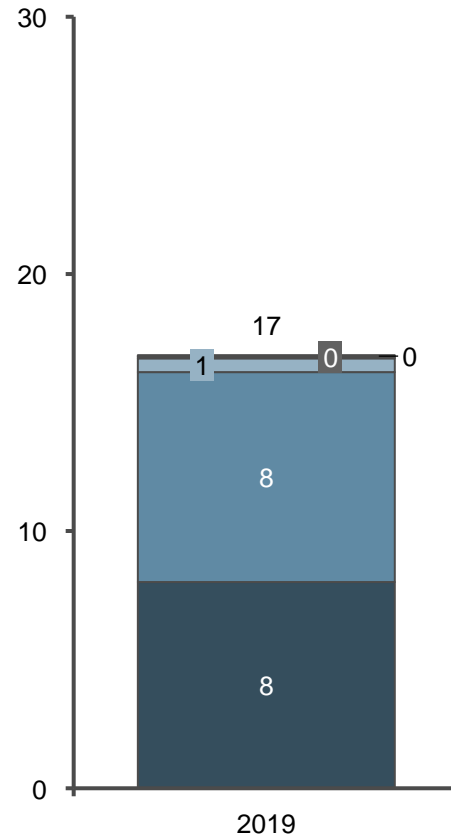
South East (2019)

Thousands of procedures



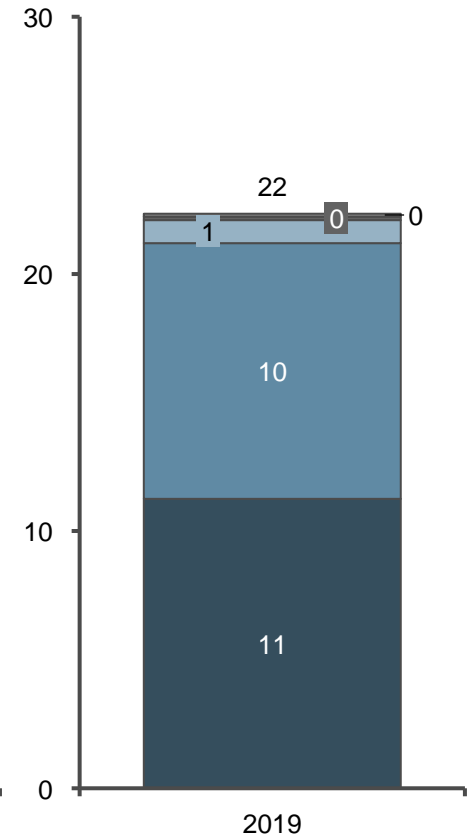
South Central (2019)

Thousands of procedures



London (2019)

Thousands of procedures



■ Ankle ■ Elbow ■ Shoulder ■ Knee ■ Hip

Source: National Joint Registry; L.E.K. analysis

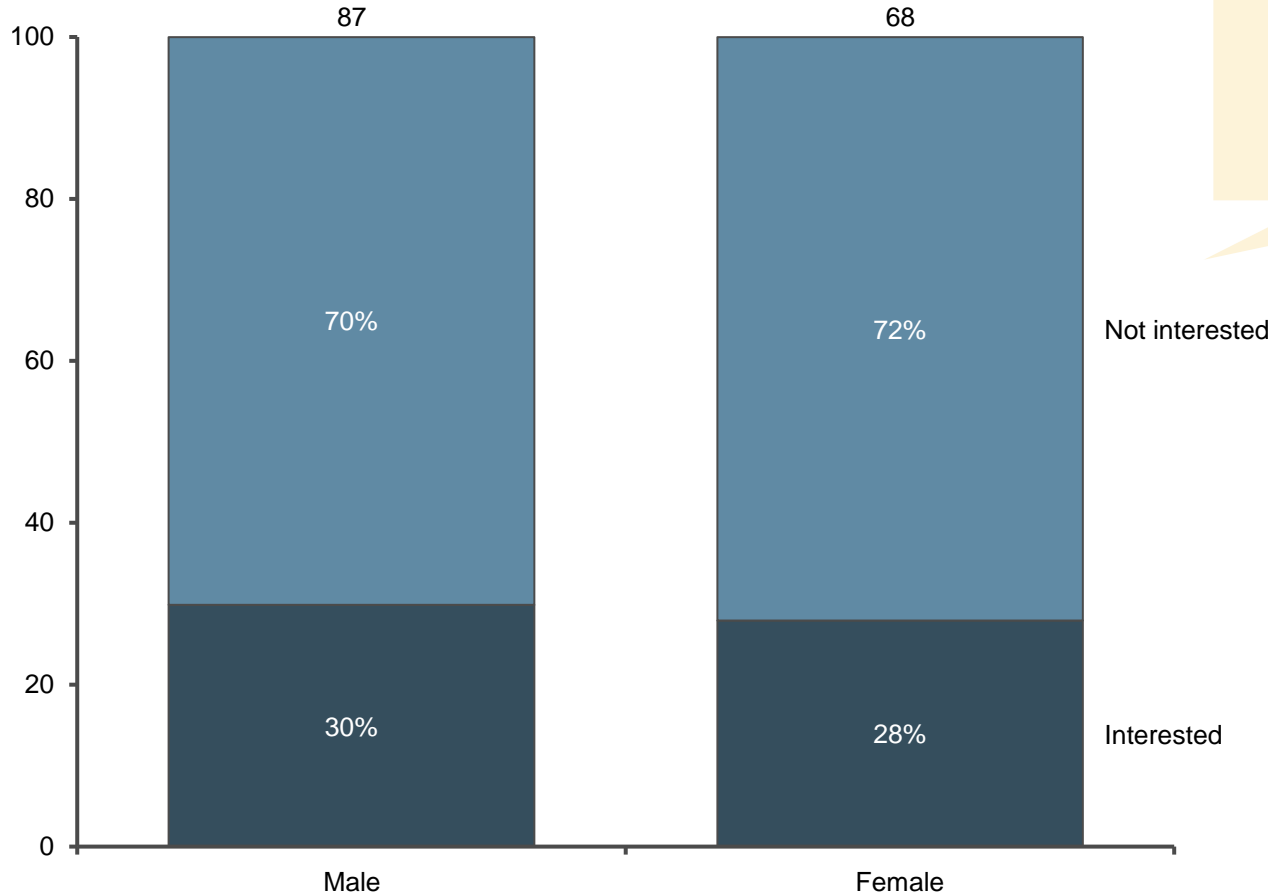
The overall interest of the proposition appears similar across genders

2

Expected interest in the proposition

Overall interest* in the residential rehabilitation proposition split by gender (2020)

Percent (n=155)



● Interview with one of the current providers supports the data that the mix of patient is c.50/50
“... Around half of our patients overall are men, but due to the high turnover of patients, it can vary a lot from week to week ...”
Lynden Hill, Sales consultant

Note: Q45 For your post-operative care for your joint replacement rehabilitation, were this service to charge between £350 and £450 per day, including physiotherapy and hydrotherapy, how interested would you be in this proposition? * The share of respondents who gave a score between 5 – 7

Source: L.E.K. consumer survey and interviews

Overall, an estimated c.9-15% of joint replacement patients could be interested in paying £350-450 per day for post-operative rehabilitation

2

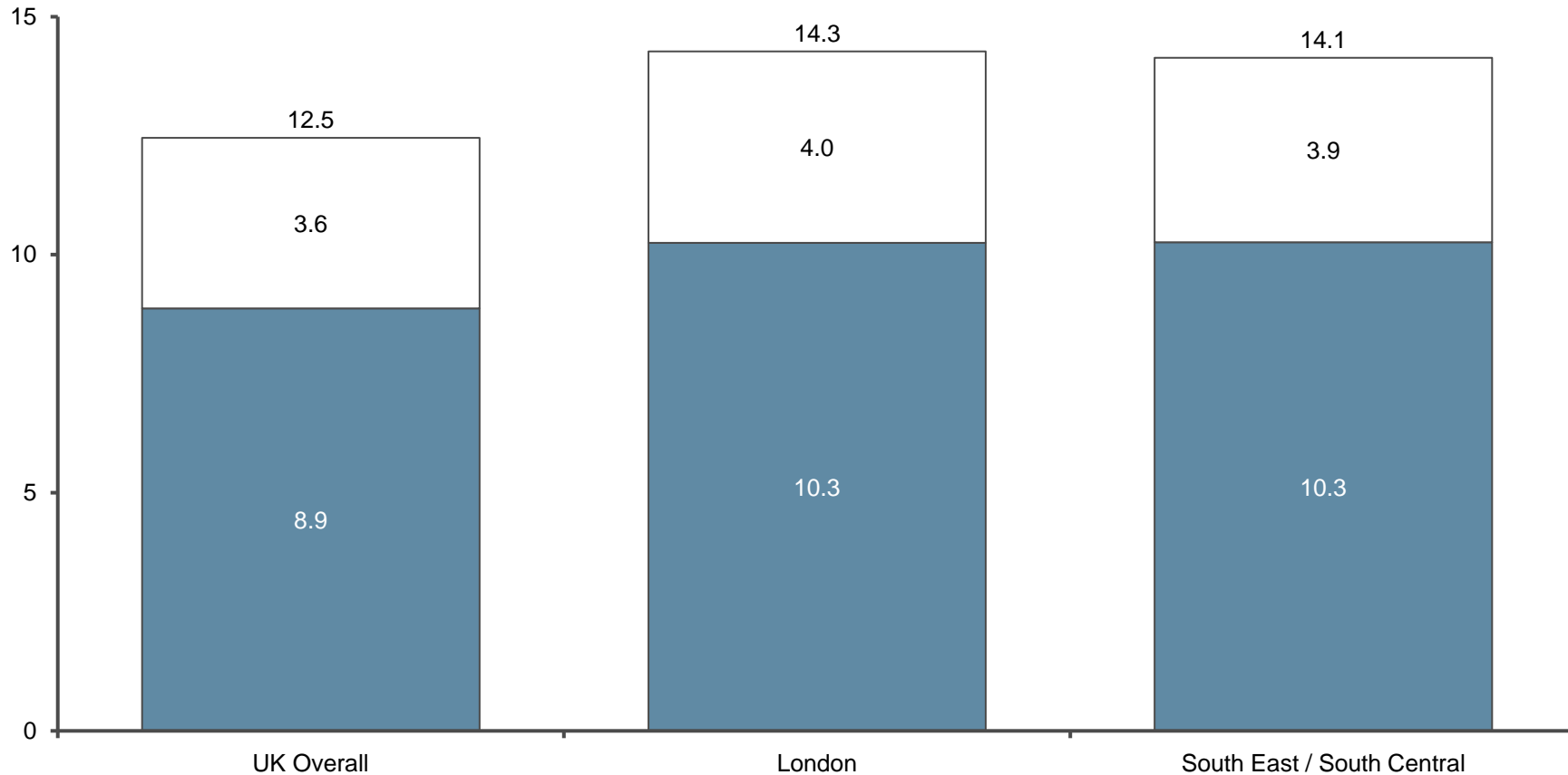
Expected interest in the proposition

Weighted average expected uptake* of the residential rehabilitation proposition

(2020)

Percent

□ Base case
■ Low case



Note: Q45 For your post-operative care for your joint replacement rehabilitation, were this service to charge between £350 and £450 per day, including physiotherapy and hydrotherapy, how interested would you be in this proposition? * Adjusted to account for consumer's overstatement of their purchase intentions and income level

Source: L.E.K. consumer survey

A typical stay at a rehabilitation facility costs c.£3.6k, which represents an additional 25-40% of the cost of a hip or knee joint replacement surgery

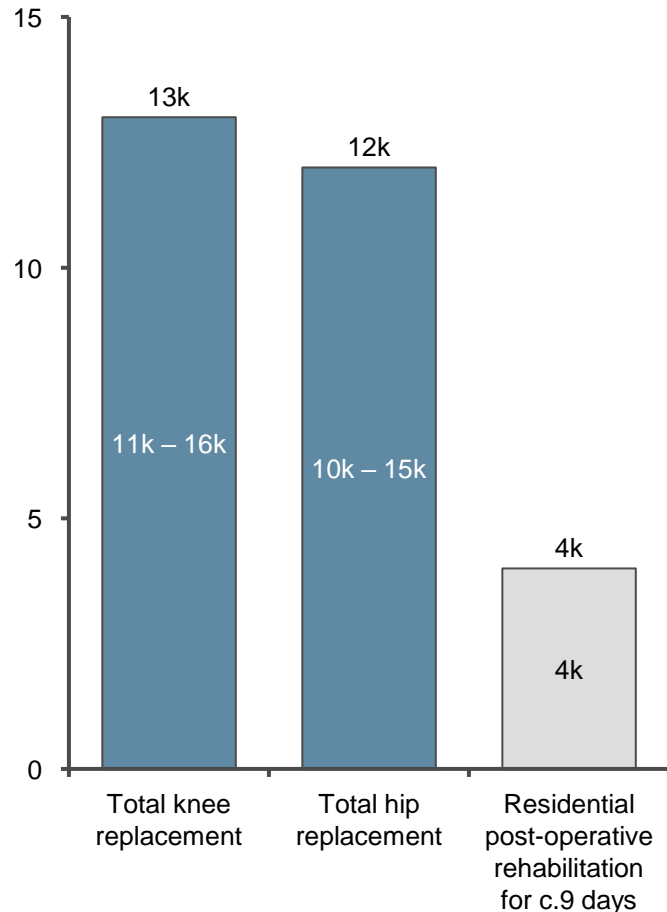
3

4

Average number of bed days

UK self-pay orthopaedic joint replacement cost (2020)

Thousands of pounds



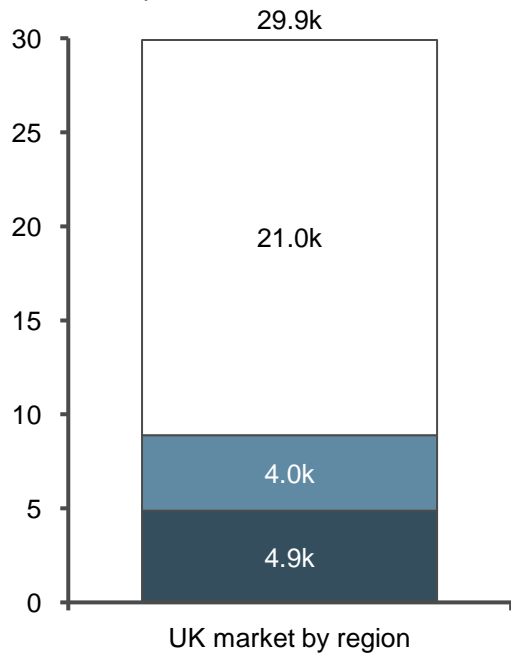
- The cost of surgery for a total knee replacement is comparable to the cost of surgery for a total hip replacement at £11-16k vs. £10-15k, respectively
 - the surgery cost includes initial consultation, treatment and aftercare
- Most of the facilities charge c.£400 per day. For joint replacement patients the length of stay is c.9 days on average, costing c.£3.6k
 - the cost includes accommodation, food and two physio sessions per day
 - the patients would also be supported by the on-site nursing team during their stay
- As a result a typical post-operative stay at a rehabilitation facility would represent c.25-40% of the total cost of treatment for a patient

Source: L.E.K. Research and interviews; Spire Healthcare website

England, Wales, and N. Ireland need an additional 750 beds to meet underlying demand of the market

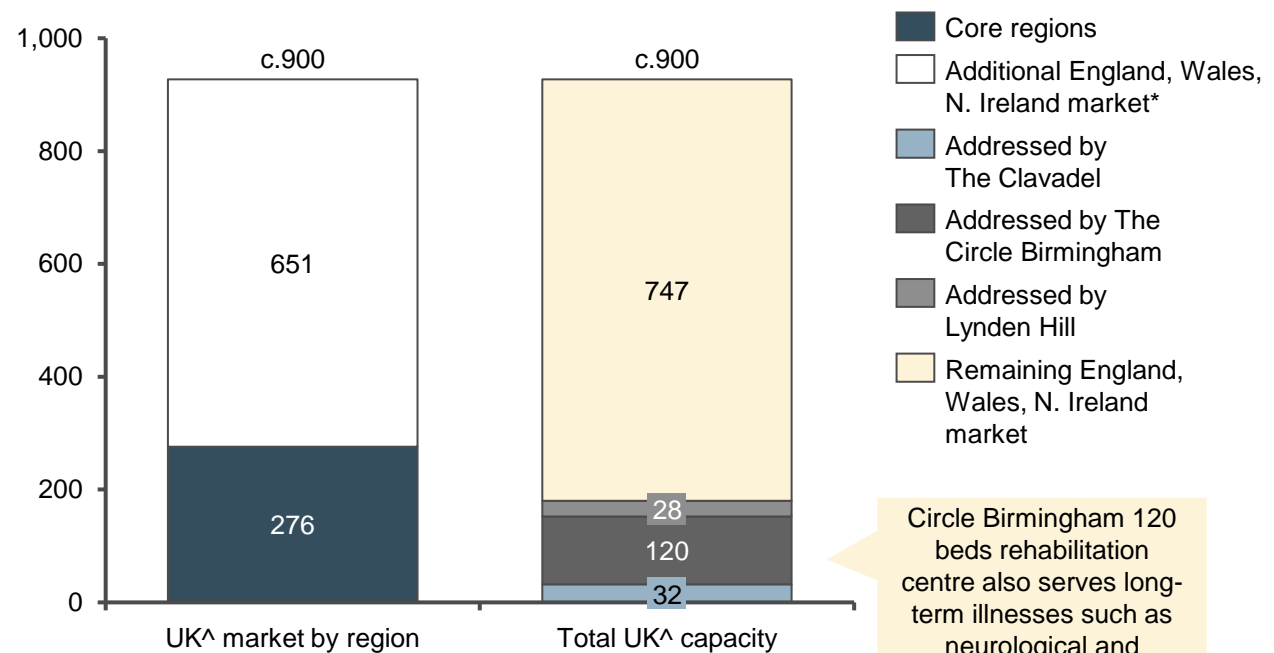
England, Wales, N. Ireland residential post-operative rehabilitation addressable market - Base case (2020)

Number of patients



England, Wales, N. Ireland residential post-operative rehabilitation capacity in patient bed terms - Base case (2020)**

Number of beds



Circle Birmingham 120 beds rehabilitation centre also serves long-term illnesses such as neurological and oncology patients

Note: * Outside the core region; ** estimated based on 9 days per patient and an 80% occupancy rate; Source: L.E.K. analysis

Agenda

- **Appendix – Methodology catchments**
- Appendix – Methodology calculations

Ranking of optimal locations was done through four main steps

a)



Local mapping

- We mapped on a local* area the number of relevant surgeries performed per year using local demographics data and national incidence level by age group

b)



Estimate addressable population per local area

- We estimated the uptake on a local* level of rehabilitation services using local household income data and wealth data together with survey results from phase I to figure out the addressable patient population per local area

c)



Drive time catchment

- We mapped drive times from over 10,000 locations and calculated how many addressable patients were within that drive time

d)



Identify attractive locations

- We then identified the most optimal locations from the drive time analysis and evaluated the locations

Note: *Local level refers to Middle Layer Output Area (MSOA) which is a region that contains between 5,000-15,000 people
Source: L.E.K. Analysis

Agenda

- Appendix – Methodology catchments
- **Appendix – Methodology calculations**

The number of addressable patients were calculated for each MSOA based on age distribution and corresponding likelihood of surgery

a - b

<u>Addressable patients</u>		<u>Source</u>	<u>Example calculations</u>	<u>E02000785 – Kew Gardens</u>			
1	Inhabitants per MSOA split into age intervals of 5 years	Census	Age span	60-64	65-69	70-74	75-79
×			# of inhabitants	541	424	380	235
2	Knee and hip surgery incidence level per 100k by age intervals of 5 years	NHS Digital Health	Knee and hip surgery incidence levels	0.74%	1.04%	1.33%	1.50%
=			Hip and knee surgeries in MSOA	26.6			
3	Hip and knee surgeries per MSOA per year	Calculation	Ankle, elbow and shoulder surgeries add-on	(1+0.04)			
×			Number of annual addressable patients	27.7			
4	Ankle, elbow, and shoulder share of surgery	National Joint Register					
=							
5	Number of annual addressable patients per MSOA	Calculations					
<hr/>							
1	Number of addressable patients	Calculations	<u>Example calculations</u>				
↓ ↓ ↓ ↓ ↓			<u>E02000785 – Kew Gardens</u>				
2	Weighted average uptake	Calculations	Number of annual addressable patients	27.7			
=			Weighted average uptake (income)	21%			
3	Addressable population	Calculations	Annual addressable population	5.7			

Source: L.E.K. Analysis

General Terms and Conditions for Management Consultants

§ 1 General Terms and Conditions/Scope

(1) All legal transactions between the Principal and the Agent (Management Consultant; MC) shall be subject to these General Terms and Conditions exclusively. The version valid at the time the Contract is concluded shall be applicable.

(2) These General Terms and Conditions shall also apply to any future contractual relationships even if these General Terms and Conditions are not expressly referred to in collateral contracts.

(3) Any conflicting General Terms and Conditions on the part of the Principal shall be invalid unless they have been explicitly accepted in writing by the Agent (MC).

(4) If any provision of these General Terms and Conditions is or becomes invalid, the other provisions and any contracts concluded pursuant to these provisions shall not be affected thereby. The invalid provision shall be replaced by a provision which best corresponds to the intention and economic purpose of the invalid provision.

§ 2 Scope of Consulting Assignments/Representation

(1) The scope of each particular consulting assignment shall be individually agreed by contract.

(2) The Agent (MC) shall be entitled to subcontract, in whole or in part, the services for which the Agent is responsible to third parties. Payment of said third parties shall be effected exclusively by the Agent (MC). No contractual relationship of any kind shall exist between the Principal and said third party.

(3) During the validity of this Contract and for a period of three years after termination thereof, the Principal shall agree not to enter into any kind of business transactions with persons or organisations the Agent (MC) employs to perform the Agent's contractual duties. In particular, the Principal shall not employ said persons or organisations to render consulting services the same or similar to those offered by the Agent (MC).

§ 3 Principal's Obligation to Provide Information/Declaration of Completeness

(1) The Principal shall ensure that during the performance of the consulting assignment, organisational conditions in the Principal's place of business allow the consulting process to proceed in a timely and undisturbed manner.

(2) The Principal shall also inform the Agent (MC) in detail about previously conducted and/or currently active consulting projects, including those in other areas of competency.

(3) The Principal shall, in a timely manner and without special request on the part of the Agent, provide the Agent (MC) with all documents necessary to fulfil and perform the consulting assignment and shall inform the Agent of all activities and conditions pertinent to the performance of the consulting assignment. This includes all documents, activities and conditions that become known or available during the performance of the consulting assignment.

(4) The Principal shall ensure that all employees as well as any employee representation (works council) provided by law, if established, are informed of the Agent's consulting activities prior to the commencement of the assignment.

§ 4 Maintenance of Independence

(1) The contracting parties shall be committed to mutual loyalty.

(2) The contracting parties shall be obligated to take all necessary measures to ensure that the independence of all persons working for the Agent (MC) and/or of any third

parties employed by the Agent is not jeopardized. This applies particularly to any employment offers made by the Principal or the acceptance of assignments on their own account.

§ 5 Reporting/Obligation to Report

(1) The Agent (MC) shall be obligated to report to the Principal on the progress of services performed by persons working for the Agent and/or any third parties employed by the Agent.

(2) The Agent (MC) shall deliver the final report in a timely manner, i.e. depending on the type of assignment, two to four weeks after completion of the assignment.

(3) The Agent (MC) shall not be bound by directives while performing the agreed service and shall be free to act at the Agent's discretion and under the Agent's own responsibility. The Agent shall not be required to work in a particular place or to keep particular working hours.

§ 6 Protection of Intellectual Property

(1) The Agent (MC) shall retain all copyrights to any work done by the Agent and/or by persons working for the Agent and/or by third parties employed by the Agent (including but not limited to tenders, reports, analyses, expert opinions, organization charts, programmes, performance descriptions, drafts, calculations, drawings, data media, etc.). During the contract period and after termination thereof, the Principal may use these materials exclusively for the purposes described under the Contract. Therefore, the Principal shall not be entitled to copy or distribute these materials without the explicit consent of the Agent (MC).

(2) Any violation of this provision by the Principal shall entitle the Agent (MC) to prematurely terminate the Contract and to enforce other legal claims, in particular for restraint and/or damages.

§ 7 Warranties

(1) The Agent (MC) shall be entitled and obligated, regardless of fault, to correct any errors and/or inaccuracies in the Agent's work which have become known subsequently. The Agent shall immediately inform the Principal thereof.

(2) This right of the Principal expires six months after completion of the respective service.

§ 8 Liability/Damages

(1) The Agent (MC) shall be liable to the Principal for damages - with the exception of personal injury - only to the extent that these are the result of serious fault (intention or gross negligence). Correspondingly, this also applies to damages resulting from third parties employed by the Agent.

(2) Any claim for damages on the part of the Principal may only be enforced by law within six months after those entitled to assert a claim have gained knowledge of the damage and the liable party, but not later than three years after the incident upon which the claim is based.

(3) The Principal shall furnish evidence of the Agent's fault.

(4) If the Agent (MC) performs the required services with the help of third parties, any warranty claims and claims for damages which arise against the third party shall be passed on to the Principal. In this case, the Principal shall primarily refer to the third party.

§ 9 Confidentiality/Data Protection

(1) The Agent (MC) shall be obligated to maintain complete confidentiality concerning all business matters made known to the Agent in the course of services performed, especially trade and company secrets and any other information concerning type and/or scope of business and/or practical activities of the Principal.

(2) Furthermore, the Agent (MC) shall be obligated to maintain complete confidentiality towards third parties concerning the content of the work completed, as well as any information and conditions that contributed to the completion of the work, particularly concerning data on the Principal's clients.

(3) The Agent (MC) shall not be obligated to maintain confidentiality towards any person working for the Agent or representatives of the Agent. The Agent is required to obligate such persons to maintain complete confidentiality and shall be liable for any violation of confidentiality on their part in the same way as if the Agent had breached confidentiality.

(4) The obligation to maintain confidentiality shall persist indefinitely even after termination of this Contract - with the exception of any duty to give evidence.

(5) The Agent (MC) shall be entitled to use any personal data entrusted to the Agent for the purposes of the services performed. The Agent (MC) shall guarantee the Principal that all necessary measures will be taken, especially those regarding data protection laws, e.g. that declarations of consent are obtained from the persons involved.

§ 10 Remuneration

(1) After completion of the services agreed upon, the Agent (MC) shall receive remuneration agreed upon in advance between the Agent (MC) and the Principal. The Agent (MC) shall be entitled to render intermediate accounts and to demand payment on account as required by the progress of the work. Remuneration shall be due and payable immediately after rendering accounts by the Agent.

(2) The Agent (MC) shall render accounts which entitle to deduct input tax and contain all elements required by law.

(3) Any cash expenditures, expenses, travel expenses, etc. shall be reimbursed to the Agent (MC) by the Principal separately, upon submission of the appropriate receipts.

(4) In the event that the work agreed upon is not completed due to reasons on the part of the Principal, or due to a premature termination of contract by the Agent (MC) for cause, the Agent (MC) shall be entitled to claim payment in full of the remuneration agreed upon in advance, less expenses not incurred. In the event that an hourly fee had been agreed upon, the Principal shall pay for the number of hours expected to be required for the entire contracted assignment, less expenses not incurred. Expenses not incurred shall be calculated as a lump sum consisting of 30 % of the fee required for those services that the Agent did not perform by the date of termination of the agreement.

(5) In the event that intermediate invoices are not paid, the Agent (MC) shall be released from the Agent's commitment to provide further services. This shall not apply to any further claims resulting from default of payment.

§ 11 Electronic Invoicing

(1) The Agent (MC) shall be entitled to transmit invoices electronically. The Principal agrees explicitly to accept invoices transmitted electronically by the Agent (MC).

§ 12 Duration of the Agreement

(1) This Contract terminates with the completion of the project.

(2) Apart from this, this Contract may be terminated for good cause by either party at any time without notice. Grounds for premature termination include the following:

- one party breaches major provisions of the Contract
- one party is in delay with the payments after the beginning of insolvency proceedings
- legitimate concerns exist regarding the Principal's credit standing, even though insolvency proceedings have not been opened, the Principal fails to make an advance payment or to furnish suitable security at the Agent's (MC's) request and the Agent (MC) didn't know about the Principal's bad financial situation when the contract was concluded.

§ 13 Final Provisions

(1) The contracting parties declare that all information contained herein is accurate and made in good conscience. They shall be mutually obligated to immediately inform the other party of any changes.

(2) Modifications of and amendments to this contract or these General Terms and Conditions shall be made in writing. This shall also apply to a waiver of this requirement in written form.

(3) This Contract is governed by the substantive law of the Republic of Austria excluding the conflict-of-law rules of international private law. Place of fulfilment is the registered business establishment of the Agent (MC). Jurisdiction in all disputes is the court in the place where the Agent (MC) is based.