Spelthorne Borough Council

Extraordinary Council Meeting

Monday, 1 August 2022

20 July 2022

Please reply to:
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To the Councillors of Spelthorne Borough Council

I hereby summon you to attend a meeting of the Council to be held at The Council's Offices, Knowle Green, Staines-upon-Thames on **Monday, 1 August 2022** commencing at **7.00 pm** for the transaction of the following business.

Daniel Mouawad
Chief Executive

Councillors are encouraged to wear their badge of past office at the Council meeting.

For those Councillors wishing to participate, prayers will be said in the Mayor's office, starting at 6.45pm. Please email mayor@spelthorne.gov.uk if you wish to attend.

Councillors are reminded to notify Committee Services of any Gifts and Hospitality offered to you since the last Council meeting so that these may be entered in the Gifts and Hospitality Declaration book.

AGENDA

Development Sub-Committee 25 July 2022

Development Sub-Committee Extraordinary Meeting 26 July 2022

Council Meeting 01 August 2022

25 July 2022

Title	Variation to the Waterfront Development Agreement
Purpose of the report	To make a decision
Report Author	Richard Mortimer – Development Advisor Petra der Man – Group Head of Corporate Governance
Ward(s) Affected	Staines South Staines
Exempt	No
Exemption Reason	N/A
Corporate Priority	Affordable housing Recovery Service delivery
Recommendations	**The Development Sub-Committee is asked to:** 1. Refer the decision for the Waterfront Development to Council In accordance with Standing Order 32.4, referral to parent body. Full Council are asked to: 1. Approve the request for a design variation to the Development Agreement between the Council and Arora Hotels Group Ltd from a 354-bed upscale 4* luxury hotel led scheme up to a 205-bed upscale luxury 4* hotel led regeneration scheme (as presented to Council on 9 February 2022 by Arora). Full scheme analysis can be seen at Appendix 1 (Cushman's Market Report).

	2. Approve the request for an extension of the Planning Condition Long Stop Date and the VP Condition Long Stop Date in the Development Agreement to 31 December 2023. 3. Confirm the Amended Planning and Vacant Possession Long Stop dates that will be applicable to the amended scheme. 4. Delegate authority to the Deputy Chief Executive and Group Head of Corporate Governance in conjunction with the Chair of the Corporate Policy & Resources Committee to enter into a Deed of Variation to the Development Agreement to give effect.
Reason for Recommendation	1. The original scheme for a denser and taller 354 bed hotel led development was unanimously approved by Cabinet in April 2020. However, with the passage of time, sentiment has shifted against the scale of this scheme. The Development Agreement permits Arora to suggest amendments to the scheme. Proposed amendments have no effect unless approved by the Council. Arora have suggested changes to more closely align with Council's aspirations to reduce the scale of the scheme. 2. In accordance with the Constitution, the Council's consent is required to confirm acceptance of the requested amendments to the Development Agreement. 3. Arora have been undertaking design development of the compliant scheme (354 beds) since May 2020 and have spent around **£1.2m** on design related fees to date. In good faith, they have put their proposals in abeyance since **February 2022** pending Council's consideration of the proposed amendments which include a new 205 bed hotel led design proposals which more closely align with political and public aspirations. **A reduced scheme for 205 beds was presented to Councillors by Arora on 9 February 2022** that was generally supported. If the variations are not agreed and the DA is terminated in August, then Arora are at risk of significant financial loss due to abortive design costs despite their willingness to address the changes being sought by Council. If they so wish, Arora may begin legal proceedings to challenge the decision of the Council not to proceed with the scheme**. The Council would not be acting in good faith and risks serious reputational damage if the variations are not approved**. This is also likely to result in other investors being highly cautious about investing in the Borough if Council cannot be consistent in their decision making. **4.** Notwithstanding the changes to the scheme, the financial metrics have not materially changed given the significant

	reduction in the overall massing of the revised proposals. **The way the Development Agreement is structured has insulated the Council against changes in increased build and fuel/operating costs as it derives its proportion of the income as a percentage of turnover not profit. Also, if the apartments are sold, the council receives a percentage of sales rather than profit. In fact, the financial cashflow returns from a smaller scheme are not that materially different to the larger scheme due to a shift in Arora's business plan strategy which is less reliant on airport business and more on higher rated tourism and local business-related stays. Therefore, the economic balance of these changes has not adversely affected the council's position despite the impacts of increased build costs for Arora.** 5. Arora is a well-funded private owner operator in the luxury hotel sector and has continued to be acquisitive even throughout the pandemic. They are cash rich with significant equity available to undertake transactions unlike many of their competitors. Recent developments undertaken by them include the new Fairmont Windsor which opened in Spring 2022 and others in Luton and Dublin. Given the unsuccessful bidders were more highly leveraged and reliant on debt which is more limited in the current market, it is unlikely that such an attractive bid could be procured if the Council went back to market. Also, due to build cost volatility and the impacts of the pandemic on the sector, many hotel investors have either withdrawn from the market or become highly selective in where they invest.

1. Summary Of the Report

1.1 This report requests the Development Sub-Committee to refer to Council the decision to approve variations to the Development Agreement to ensure the borough receives all the direct and indirect benefits which support the Council's key Corporate Priorities of **Recovery, Affordable Housing and Service Delivery.**

2. Key Issues

Background – Regeneration Objectives

2.1 The objective of the Development Agreement has been to facilitate the delivery of a much-needed high quality upscale 4* luxury hotel led regeneration of a council owned under-utilised prime development site. It is currently under-delivering in terms of revenue and makes a negative contribution to the street scene.

Spelthorne has a supply of budget hotels but higher quality alternatives do not exist to support our internationally renowned business community. **Such a scheme would provide an important strategic asset for the town centre that would also act as a catalyst for increasing inward investment in the form of tourism, job creation, significant secondary spend in local shops, restaurants and leisure/recreational facilities**. This is supported by the BID. Furthermore, this is likely to pump prime confidence amongst investors and act as a catalyst in bringing forward wider regeneration in Staines-upon-Thames. This is much needed and would make it a more attractive destination for businesses looking to expand or relocate into the borough. It will also help in improving the long-term economic sustainability of the town which has suffered from under-investment, reduced footfall and consequently offers limited competition to surrounding higher quality retail centres.

2.2 By partnering with Arora, a specialist hotel developer/investor, the Council can deliver a mixed-use scheme that will provide these high-quality facilities that businesses and residents can only access by travelling and spending outside of the borough. This results in a net outflow of funds that would ordinarily be captured by local businesses thereby creating local jobs and more widely distributing prosperity across the borough. Creating a diverse local economy is a cornerstone of the infrastructure that local authorities such as Spelthorne need to be prioritising in order for the borough to improve its economic competitiveness and remain sustainable in the long term.

3. History Of The Development Agreement & Progress To Date

3.1 From June 2019 to April 2020, the Council undertook a Public Contracts Regulations compliant Competitive Dialogue tender process. Bids were evaluated in March 2020 and Officers recommended the appointment of Arora's bid as being the most economically advantageous tender. **This was unanimously supported by Cabinet on 8 April 2020 and a binding Development Agreement was entered in on 30 April 2020.**

3.2 The scheme that was unanimously approved by Cabinet comprised 342 hotel beds, 26 aparthotel units, spa, wellbeing centre, restaurant, conference, banqueting facilities and 214 residential apartments. This scheme comprises buildings up to 12 storeys and a total area of 637,837 square feet.

3.3 When the Development Agreement was entered in April 2020, the full ramifications and longer-term impacts of the pandemic were not yet apparent. With hindsight, the uncertainty and staffing impact of Covid-19 infections on the Arora team (and to a smaller extent, on the Council) inevitably led to slippage in the design and planning timetable. Due to these unforeseeable delays, Arora's contract was extended in January 2021 from April 22 to 31 August 22. However, in late Spring 2021, it became apparent that there was emerging local opposition to their proposals based on height and it later transpired that this was also being supported by local politicians. Therefore, after further consultation with the LPA, Arora took the decision in **Autumn 2021** to enquire whether the Prohibited Variation clause in the DA could be varied in order to reduce the bulk, massing and room numbers in order to more closely align with local sentiment and the shift in political opinion.

3.4 An alternative scheme was presented to Councillors on 9 February 2022 comprising a 205 bed hotel led regeneration scheme with 30 aparthotel units, 6 meeting rooms, restaurants, bars, gym/spa and 235 residential apartments. The total gross internal area of this scheme is approximately 387,400 square feet which compares against the original scheme of 638,000sqft. **This represents a substantial 40% reduction in the scale and massing of the revised scheme** and would need full Council approval to vary the Development Agreement ("DA") to accommodate this change. Following this presentation, a formal request was made by Arora on 11 March 2022 for changes to the Long Stop Planning Date to **31 August 2023** and the Prohibited Variation to permit the proposed design changes. If this is approved by Council, then Arora will write off costs associated with the original scheme and start preparing revised scheme proposals for planning submission next summer. As stated, **Arora has acted in good faith** and has sought to engage with the Council at the earliest opportunity in order to find a viable solution to address both political and public concerns.

3.5 Following unanimous Cabinet support for the original scheme and the subsequent signing of a legally binding DA, Arora have proceeded in good faith to invest approximately **£1.2m** in progressing a compliant design for the originally approved scheme **(see Appendix 2).** As it stands, their investment to date is at risk pending Council approval of their revised proposals.

3.6 Arora have also been sensitive to the Moratorium which the Council imposed preferring to not court controversy by submitting a compliant planning application during this period. A more commercially motivated developer, rather than one with an eye on the longer-term relationship would have progressed this with the objective of taking this to appeal if rejected at local level. It is very likely this would have been approved given it is similar in scale to the previously consented Bellway scheme. Also, as the scheme includes housing, their proposals would have benefited from the "presumption in favour of sustainable development" given the borough's inability to meet their own Housing Delivery Targets. They have also had some engagement with the Riverside Residents Staines group and are aware of their assertions despite not having formally presented any plans in the public domain.

Council will also be aware that by Arora delaying their application during the Moratorium they have incurred **significant financial uplifts in build costs** due to market volatility in the same way that the Council's own schemes have. It would not have been a surprise if Arora had decided to either withdraw or seek to renegotiate the financial terms of the DA given these circumstances. At present, they are prepared to stand by the terms originally agreed in their bid.

Variations Requested By Arora

3.7 Arora's correspondence of 11 March 2022 requires the Council to determine:

(a) firstly, whether to agree to a variation in the design of the proposed building(s), and

(b) Secondly, whether to grant an extension of time to satisfy the Planning Condition. Members are advised that an extension of time requires an extension to the Planning Long Stop date by which Arora is required to submit a planning application as well as an extension of the Vacant Possession Long Stop date by which the Council is required to achieve vacant possession of the site.

Both of the decisions set out above will result in a variation to the Development Agreement.

3.8 The Planning Longstop date is currently 30 August 2022. Arora are seeking Council's permission for this to be extended to 30 August 2023 in order to allow them to submit a revised planning application for the 205 bed hotel led scheme. Our view is that this should be extended to 1 Jan 2024 as the original request was made in March 2022 and there has been a delay of 4 months in getting this to DSC and then Council.

3.9 Approaching the request practically, the variation to the design of the scheme and the extension of the planning long stop date are one indivisible proposal. It would make little practical sense to approve one request without the other being also approved as the proposed amended development cannot be delivered unless both dates are varied.

3.10 The amended scheme proposed by Arora remains consistent with the minimum requirements of the tender process which concluded in 2020. However, some aspects of the amended scheme could be regarded as "Prohibited Variations" under the DA. Members are advised that the DA includes allowance of variation of terms including the definition of "prohibited Variation". Subject to the amended scheme remains consistent with tender requirements and Public Contract Regulations 2015, the Council is empowered to approve the proposed amendment and vary the DA to give effect to its decision. In this instance, a minor variation to the definition of "Prohibited Variation" is required to enable the amended scheme to proceed.

3.11 Officers advise that, with reference to the report by Cushman and Wakefield, the variations proposed by Arora are unlikely to change the economic balance between the parties and are thus permissible under procurement legislation. **The variation of the DA as set out above is therefore permitted under the Public Contract Regulations 2015.**

3.12 Whilst it remains open to the Council to specify additional/alternative variations to those proposed by Arora. Members are advised that any such additional/alternative amendment must be compliant with the requirements of procurement legislation in order to be tabled to Arora. It remains the position that any proposal, whether proposed by the Council or Arora – needs to be consistent with the Public Regulations 2015 in order to be capable of lawful acceptance.

3.13 Members will note that the DA requires the Council to deliver vacant possession of the site to Arora within timescales that have since passed. Arora have not raised any challenge to the failure to deliver vacant possession of the site.

3.14 Thames Brewery are due to vacate the former Sea Cadets building on the main site on 31 July 2022 and Living Guardians remain in situ at Hanover House. Due process will dictate timescales for delivering vacant possession of Hanover House and the main site. Members are therefore advised to additionally extend the Vacant Possession Long Stop date so that vacant possession is obtained in due course.

Risk Of Legal Action Against Decision Made

3.15 As with any contract there is a real and significant potential for litigation arising from the variation of the development scheme and/or variation (or failure to vary) the Development Agreement. All litigation carries likely substantial costs for both bringing and defending court proceedings. The losing party inevitably has to pay its own costs, those of the winning party and in most cases, substantial financial compensation by way of damages.

3.16 Whilst the amended scheme was requested on 11 March 2022, the final details of the amended scheme were confirmed in May 2022. Arora has not progressed its planning and development work since March 2022 as they have co-operated with the Council during the Council's due diligence and financial review of the amended scheme.

3.17 The position now is that there is limited time for Arora to comply with Planning Long Stop Date. A refusal to extend the Planning Long Stop Date – even if for a shorter period than that requested – may unfairly prejudice the Scheme and raise the risk of litigation. The impact of this is an increased likelihood of litigation that may divert key Council resources away from resident focussed services.

4. Options analysis and proposal

4.1 **Approve Arora Contract Changes (Recommended) -**

Arora's original bid was unanimously supported by Cabinet. Notwithstanding, the shift in political sentiment towards a smaller scheme, **Arora remains committed to delivering a revised high-quality scheme that reduces the overall massing by approximately 40% which is a significant change**. Furthermore, they have not sought to change the financial metrics which make it align with their original bid and importantly compliant with the Public Contract Regulations. **Also, the financial returns to the Council have not materially changed as a result of the scheme reduction**. This is due to the change in strategy from airport related custom to tourism and local/business activities where higher rates are attainable.

The partnership with Arora will enable a much-needed high quality 4* upscale hotel led regeneration to be delivered without the council needing to provide any additional capital apart from the site. Not only will this help encourage further third-party regeneration in Staines and the wider borough, it will also bring greater inward investment and spend which contributes towards making the town more financially sustainable and more attractive to businesses looking to relocate. The income returns anticipated from the hotel once income has stabilised will significantly exceed that currently derived from Hannover House and the existing car park thereby making greater contributions to the council's wider service delivery. **The asset value will**

also be significantly enhanced and significant capital receipts are forecast from the residential sales.

4.2 **Reject the Proposed Contract Changes -** This goes against the Council's own priorities of delivering affordable housing, economic recovery and protecting service delivery that are supported by all political parties. **Presently, this prime riverside site is failing to deliver a meaningful income and makes a negligible financial contribution to the wider service delivery requirements of the Council.** With rising costs, this provides an opportunity for the Council to derive a passive income without additional investment or borrowing. Rejecting this request without a better alternative not only frustrates the Council's ability to derive optimal income from the site without the need to raise further debt investment, it also opens the council up to potential legal action.

There is also the inevitable reputational damage to the Council in not supporting an investor that is willing to respond to changing political and community sentiment, and in doing so has had to incur delay and increase their exposure to financial loss.

Apart from the procurement considerations detailed above in this report, **the Council is required at common law to engage with Arora on a fair and reasonable basis and consider all proposed amendments accordingly.** It is reasonably possible that a summary rejection of the proposed amendment will result in litigation by Arora which will drain manpower and resources away from essential services. The financial burden arising from such litigation may not be consistent with the Council's Best Value Duties

4.2 **Do Nothing –** Council could decide to do nothing and allow the Development Agreement to lapse on 30 August 2022. This has many of the same implications as rejecting Arora's requests given there is only circa one month left before the DA expires.

4.3 **Develop The Site Ourselves** –

The site is a prime riverside site and could be developed for housing or a range of other uses. Developing it for housing would of course help take pressure off our growing Housing Register, however this does not contribute to the regeneration of the town centre in the same way as a high quality 4* hotel led proposition that would attract inward investment, tourism and increased footfall. This is vital for the long-term economic sustainability of the town's retail centre.

If the council were to develop the site, the Council would need to extend its borrowing to cover the costs of its own development. **The Council could consider building a hotel themselves but in reality it does not have the expertise or resources available to operate it** in the same way as a highly experienced owner operator such as Arora. Therefore, this option is not recommended.

4.4 **Sell The Site –**

The council could opt to sell the site. This would deliver a capital receipt however this would be suppressed in the current market due to increased construction costs which are reducing the residual value of land. Also, due to

Spelthorne's failure to deliver Housing Delivery Targets and the level of refusals, residential developers will factor in appeal costs and delays into bids which could further reduce values. **Selling the site would also go against the Council's own objective of delivering more affordable housing** for rent as a private developer would seek market sales to maximise revenue.

The current deal structure with Arora is highly favourable insofar that it is based on a fixed ground rent and a turnover based rental income. Therefore, it is not affected by increases in build costs or higher fuel costs and overheads for the operating hotel asset. The current deal also offers a percentage of residential sales revenue and would not be adversely impacted by increased build costs. The current deal structure also does not require Spelthorne to invest any of their own funds apart from the land.

4.5 **Retender The Hotel Led Regeneration Proposition –** This is not recommended as most specialist hotel developers are debt led and the market for funding has become much more cautious towards whom they lend to and which projects they finance. This would lead to a more limited pool of parties prepared to compete in a tender process and arguably higher returns being sought on capital deployed. Therefore, it is unlikely to yield better financial returns. The impact of higher build costs and greater economic uncertainty would inevitably be factored into any bids (unlike Arora's) that were received. Also, the pandemic has severely impacted the hospitality sector although it is forecast to fully recover in the next 2 years – another reason why those lenders and investors are currently seeking higher risk/reward ratios on their capital.

4.6 **Further Negotiation -** Members may instruct officers to further negotiate amendments to the Scheme. This will allow the Council and Arora to work together to address concerns related to the scheme and permit the development to progress. This option is preferable to rejecting a scheme because it allows both parties to work collaboratively together to deliver a development unanimously approved by Cabinet. However, it would need to comply with the original brief to remain compliant under the Public Contracts Regulations.

5. Legal Considerations

5.1 The Risks and impacts of the proposed variations and consequential amendments have been substantially set out and detailed within the report at paragraph 3.9-3.17. It is advisable for Members to balance these risks against the benefits of the Scheme in order to reach a determination that is compliant with the Council's Best Value duties.

5.2 It is open to Members to accept or reject the amended scheme proposed by Arora. Members may also determine to take no action. For reasons stated above in paragraph 4.3, this will be akin to doing nothing.

5.3 In the event that Members are minded to accept the proposed variation, Members are advised that the determination should also include a specific date for the achievement of the Planning Long Stop and Vacant Possession requirements.

5.4 If the option set out in 4.5 is Members' preferred course of action, Members would have to instruct officers on aspects of the proposed amended Scheme that are:

(a) Accepted; and

(b) Subject to further negotiation and reporting back to the Council; and

(c) If applicable, rejected.

5.5 If Members are minded to act in accordance with 4.1 or 4.5 above, it is recommended that the Planning Long Stop Date and Vacant Possession Date are extended for a reasonable period of at least 6 months to enable negotiations to be conducted and concluded without Arora defaulting on its DA commitments.

5.6 With a real and potential costly risk of litigation, in the event that Members are minded to reject the request submitted by Arora, it is advisable that Members clearly set out the reasons for rejecting the proposed variation to the scheme.

6. Financial Implications

6.1 The table below compares the range of facilities in the original scheme and the revised proposal -

PREVIOUS SCHEME		REVISED SCHEME	
HOTEL	RESIDENTIAL	HOTEL	RESIDENTIAL
• 342 rooms • 26 Service Apartments • 6 meeting tooms • Restaurant • Bar • Gym • Spa • Car Park	• 214 residential units	• 205 rooms • 30 Apart hotel units • 6 meeting rooms • Restaurant • Bar • Gym • Spa • Car park	• 235 residential units
Approx. GIA = 637,837 sqft (59,257 sqm)		Approx. GIA = 387,393 sqft (35,989 sqm)	

6.2 In terms of financial performance, the table below confirms the metrics that were agreed as part of the winning bid that are to be applied to the gross revenue streams arising from the DA compliant scheme and the revised scheme proposals. Notwithstanding significant increases in build costs, market uncertainty and operating costs, these percentages of revenue share have remained the same -

COMMERCIAL OFFER	PREVIOUS SCHEME	REVISED SCHEME
Fixed Ground Rent	£115,000 per annum	£115,000 per annum
Turnover Ground Rent *(% Revenue)*	Year 1 = 2.00% Year 2 & 3 = 3.00% Year 4 onward = 4.00%	Year 1 = 2.00% Year 2 & 3 = 3.00% Year 4 onward = 4.00%
Residential Contribution	8.00%	8.00%

6.3 The forecast income from the compliant scheme and the revised scheme are set out below -

Income Type	Compliant Scheme	Revised Scheme

Minimum Ground Rent	£115,000pa	£115,000pa
Turnover Ground Rent	£683,000pa	£639,000pa
MGR Value	£4.18m	£4.2m
TGR Value	£11.88m	£11.1m
Total Ground Rent Value	£16.06m	£15.3m
Top Up Deduction	£1.116m	£1m
Acquisition Costs	£728,000	£686,000
Value	**£14.16m**	**£13.6m**

6.4 In addition to the above long term income stream, the Council is entitled to receive 8% of the capital receipts generated from the residential sales. Such Capital receipts can be used to reduce the need for future borrowing to support other elements of the Council's longer term Capital Programme. Therefore, the table below compares these forecast receipts for the compliant scheme and the revised scheme –

Residential	Compliant Scheme (214 apartments)	Revised Scheme (235 apartments)
Size (Area)	199,000sqft	194,267sqft
Sales Rate (psf)	£575 per square foot	£575 per square foot
% Payable To SBC	8%	8%
Capital Payment To SBC	**£9.154m**	**£8.94m**

6.5 The table below shows the total forecast value of the ground rents and the residential sales receipts for each scheme proposal –

Sector	Compliant Scheme	Revised Scheme
Total Ground Rents	£14.16m	£13.6m
Residential	£9.154m	£8.94m
Total Value	**£23.3m**	**£22.5m**

Given that Arora have reduced the scale and massing by 40% when compared to the compliant scheme, this has had a de minimis impact on the overall forecast financial returns to the council. In the longer term, the greater number of rooms in the compliant scheme would have benefited from room rate inflation enabling the percentage of income to the Council to increase at a greater rate. However, Arora have sought to retain a balance between reducing the size of the scheme to align with political aspirations, retaining the high-quality aspects whilst ensuring the financial viability of the development. Therefore, the revised scheme seems to offer the Council the reduction in scale being sought without any significant adverse impacts on their financial returns.

6.6 If the Long Stop Date in the Development Agreement is extended to 31 December, then the Council could anticipate receiving revenue from mid-2026 as the construction period is approximately 2 years. It should be noted that if Council decided not to extend the Development Agreement and retender the proposition, not only is there likely to be less interest, this would also defer the point at where the Council starts receiving any income towards 2028.

7. Other considerations

7.1 **Regeneration –** Staines has suffered from a lack of inward investment and continues to fall behind competing centres. The quality of shops and the town centre environment has gradually been declining. New challenges such as covid, online shopping and the decline in footfall have combined to make the centre less desirable. Local people will often travel to other centres such as Kingston, Richmond, Guildford and even Reading seeking a greater experience and range of good quality shops/restaurants. These towns have all benefited from investment over the last decade and seen improved public realm which enhances visitor experience and dwell time.

Also, despite Staines's close proximity to Heathrow it **has failed to attract its share of airport related business.** Whilst having the River Thames running through it which should be a major attraction/USP, the town only offers lower quality budget hotel accommodation and **lacks the high quality town centre riverside hotel** option which could offer a different experience and compete with hotels located adjacent the airport. This type of offer would also allow **Staines to build a higher quality "brand" and more strongly capitalise on its "Upon Thames" relationship.** Arora, as a well- established and experienced airport operator recognises the synergies that their Group can bring to the local economy.

Whilst the proposed Staines Development Framework is a step in the right strategic direction, it will only be backed up by investment where development and improvements can be financially viable and sustainable in the long term. This will also require council and its leadership to demonstrate it is willing and able to work constructively with major landowners, investors and developers, otherwise, like many planning led frameworks, it won't progress beyond the drawing board **and Staines will further decline**. This project provides the opportunity for the council to demonstrate it's commitment to working collaboratively with Arora on the regeneration of the Waterfront site. Furthermore, it will go some way to creating landowner and investor confidence in attracting the right investment to regenerate and improve the borough. **Given Arora have gone through an unprecedented period since signing the Development Agreement and remain committed to the project, there remains a strong argument for the council to continue supporting them**.

7.2 **Planning –** should Council agree to extend the terms of the Development Agreement with Arora, the revised scheme proposals for the site will be subject to them obtaining planning permission. **All costs associated with obtaining such consent will be at Arora's risk.**

7.3 **Corporate Objectives –** the Council's own priorities of recovery, affordable housing and service provision have all been compromised as a result of political directives in how its own development assets are delivered for providing benefits to the wider community. This includes delays to the Council's own development programme (ie- moratorium) which has resulted in it incurring increased holding and significant build cost inflation resulting in poorer financial performance of these assets. Importantly, therse delays have deferred much needed affordable housing for local people. Furthermore, many schemes have resulted in dwelling numbers being reduced (despite LPA support) and the borough failing for several years to meet its own Housing Delivery Targets. Consequently, our Housing Register has grown from 1900 applicants to over 3400 in the last 2 years. The delivery of affordable housing for local people is a cornerstone of this Council's primary objectives and also provides a long term sustainable revenue stream. **Similarly, not only does the Waterfront scheme offer significant regeneration benefits, it also provides an important income stream and capital that contributes to the wider service provision and housing delivery of the borough**.

8. Equality and Diversity

8.1 The development is being undertaken directly by Arora who will have their own policies in terms of equality and diversity. They will also need to comply with new Part L Building Regulations that came into force last month which cover accessibility requirements. There are also Spelthorne's own planning requirements.

9. Sustainability/Climate Change Implications

9.1 As a minimum, Arora's scheme proposals will need to comply with the new energy efficiency requirements in Part L of the Building Regulations that came into force in June 2022. This will ensure the scheme minimises its carbon footprint and adopts current best practice in terms of air tightness and thermal efficiency. As an owner operator, Arora are incentivised to reduce their own energy costs particularly in the current volatile fuel markets.

10. Indicative Timetable for implementation

10.1 Development Sub Committee Decision – 26 July 2022.

Council Decision – 1 August 2022.

Contract Amendments – September 2022.

Design Development (Stages 1&2) – October 2022 -February 2023

Public Consultation(s) – Late Q1-Q2/2023.

Planning Submission – July 2023.

Planning Consent – November 2023.

Start on Site – Q2/2024

Background papers: There are none*.*

<u>Appendices:</u>

Appendix 1 – Arora Extension Of Time/Prohibited Variation Request – March 2021.

Appendix 2 – Cushmans Market Report June 2022 (Includes Early Feasibility Stage Artists Impressions at Appendix 6 -from page 45).

Arora Waterfront Limited
World Business Centre 3, Newall Road, London
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FAO Richard Mortimer
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Council Offices
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TW18 1XB

By email only: R.Mortimer@spelthorne.gov.uk

11 March 2022

Dear Richard

Waterside Development Site, Staines Upon Thames

Development Agreement dated 30 April 2020 between (i) Spelthorne Borough Council and (ii) Arora Waterfront Limited ("Arora") and (iii) Arora Hotels Limited (as amended) (the "Development Agreement")

Unless defined in this letter all defined terms shall have the same meanings as those set out in the Development Agreement.

We refer to the Development Agreement and write to advise you of potential delays in achieving satisfactory planning consent to the Development which have primarily been caused by the following:

1. **Planning Delays**

The impact of the COVID-19 pandemic has obviously caused major disruption to all businesses and organisations, not just in the UK, but globally.

In terms of the Arora Group, as you might expect, our business was severely disrupted by Government restrictions and issues such as staff having to home school children, remote working and furloughing. Sadly, the business was also directly touched by the pandemic with many of my key senior team members (and myself) becoming infected with COVID-19 towards the end 2020. In fact, our Head of Developments ended up becoming very unwell and was admitted to hospital for a period of time. This led to delays we could never have foreseen affecting projects such as the Waterside Development.

With regard to the Waterside Development itself, we were not able to engage with the Council's Planning Department for significant amounts of time over the last 20 months. The Local Planning Authority Department (the **"LPA"**) was shut down from March to September 2020 due to the pandemic and then effectively shut down again between June to September 2021 owing to the COVID-19 related illness of the relevant Planning Officer dealing with our case.

These 'shut downs' amount to about around 9 months that Arora was unable, through no fault of its own, to make meaningful progress with planning. In fact, we had forecasted that planning approval would have been obtained by January 2021 but we were not actually able to hold our first meaningful meeting with the LPA until December 2020.

In addition to the time that the LPA was not able to deal with our case, the pandemic has caused significant delays to our pre-planning engagement with the Council and other key local stakeholders. As we made very clear during the tendering stage, this phase in the planning is always a crucial step in our, but also any, developments. However, owing to the pandemic our opportunities to hold full and transparent consultations with those key local stakeholders, particularly the public, were both severely restricted and delayed.

2. Revising the Scheme Design

As the parties to the Development Agreement are aware, our original Scheme Design, whilst both compliant with the Council's own tender process for the Development and the Development Agreement itself, has faced challenges from the LPA, certain members of the Council and also members of the public. As we mention above, engaging with local stakeholders, particularly the public, is critical to us, so we have taken time to listen carefully to those challenges and concerns.

As a consequence we have radically revised our design in terms of reducing both the scale and massing of the Development. The revised scheme more positively aligns with what we understand the Council and the public wish to see in terms of a reduction in scale and potential impact on the riverside. However the revised design is now so different to the Original Scheme that it would, if submitted, amount to a Prohibited Variation under the Development Agreement and so would need the consent of the Council. Whilst Arora can proceed with the Original Scheme that was approved in the Development Agreement, we see ourselves as long term investors in the communities in which we operate and would prefer to demonstrate we have positively responded to the feedback we have received (as much as is commercially viable).

Arora spent 8 months working on the Original Scheme (compliant with the Development Agreement, with a potentially abortive cost of circa. £1.2m. It only became apparent during May 2021, and some 13 months after the signing of the Development Agreement, that there was a strong (and growing) public and also now political opposition to the size and scale of that scheme. Further, and regrettably, our ability to make consequential changes in response to that opposition was then hampered by the above referred to COVID-19 related delays at the LPA from June to September 2021.

In short, this process has cost Arora not only a significant sum of (potentially unrecoverable) money but has lost us up to 17 months under the Development Agreement in preparing an acceptable planning submission. Furthermore, following recent 'pre-app' planning discussions with the LPA, it was agreed that Arora should proceed with stakeholder engagement (Councillors and then wider public) and then share the feedback with the LPA in order to agree the final shape of the scheme. Arora has of course done this but in doing so has lost further, and potentially unrecoverable, time.

Our position

You will note that in accordance with the Development Agreement, there is a 30 August 2022 deadline for us to obtain satisfactory planning permission for the Development. As things stand, given we have not formally varied the Development Agreement - to extend the relevant planning dates and also to permit us to proceed with the revised design - in order to avoid breaching that agreement we shall need to submit our plans in the coming weeks (if not days) and in our original Scheme Design. We appreciate that this will likely be very unpopular with both members of the Council and the general public.

However, as an alternative, we consider that a more equitable solution for all sides, and particularly given all the delays that we describe above, would be for Arora to apply for a consent to a Prohibited Variation under the Development Agreement to allow us to make the changes to the Scheme Design which more closely align with political and public sentiment. In addition, we would seek an extended timetable to allow for further consultation and the design changes for a 200 bedroom hotel, which is more likely to be supported than the original 350 bedroom design.

By this letter we are making these requests.

Based on the above, and the amount of time lost to date, we intend to seek an extension to the Long Stop Date through to 30 August 2023. This represents a 12 months' extension which we consider is reasonable particularly given the 17 months that was lost to date due to proceeding with our original Development Agreement compliant scheme.

Family, community and long term relationships are at the heart of everything the Arora Group does. That is why, and as we mention above, we place so much importance on working with the community we are investing in, to ensure as much as we can, that our investments are welcomed and our projects supported. Further, unlike many other developers who build out their schemes, sell and exit, we place great stock in remaining in our investments and building strong relationships over the years with the local businesses and the wider community.

We remain very much excited by, and committed to, this project and look forward to working closely with both the Council and the public to finalising a design which we anticipate will be widely supported and will lead to the delivery of a fantastic development.

We look forward to hearing from you.

Our position is reserved under the Development Agreement and generally.

Yours sincerely

Surinder Arora
Director

For and on behalf of
Arora Waterfront Limited

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WATERFRONT SITE
STAINES-UPON-THAMES

Hotel Development Advisory Report

Prepared for

Spelthorne Borough Council

29/06/2022

SPELTHORNE BOROUGH COUNCIL

CUSHMAN & WAKEFIELD

CONTENTS

01

INTRODUCTION

INTRODUCTION

WATERFRONT SITE

- Cushman & Wakefield (C&W) has been instructed by Spelthorne Borough Council to review of the revised interest from Arora Hotels for the Waterfront Site and comment on the evolution of the scheme and in doing so re-run the commercial assessment of the hotel and residential scheme
- The table summarises the previous and revised schemes for the Waterfront Site:

PREVIOUS SCHEME		REVISED SCHEME	
HOTEL	RESIDENTIAL	HOTEL	RESIDENTIAL
• 342 rooms • 26 Service Apartments • 6 meeting tooms • Restaurant • Bar • Gym • Spa • Car Park	• 214 residential units	• 205 rooms • 30 Apart hotel units • 6 meeting rooms • Restaurant • Bar • Gym • Spa • Car park	• 235 residential units
Approx. GIA = 637,837 sqft (59,257 sqm)		**Approx. GIA = 387,393 sqft (35,989 sqm)**	

- Despite the total Key count and GIA decreasing from the previous to the revised scheme, the core facilities have remained unchanged. This includes an identical double basement as the previous bid, containing the parking, leisure & spa spaces, restaurants & bars, conference facilities and back of house.
- The revised scheme (Total - 387,393 sqft) provides for 119,921 sqft of hotel room space, 194,267 sqft of residential, and 73,195 sqft of plant.

INTRODUCTION

HOTEL AREA SCHEDULE

- The adjacent table presents an approximative area schedule for the revised hotel scheme (235 rooms). The public facilities are broadly based on the same provision included in the previous scheme and based the update bid document (issued March 2020).
- The suite mix is approximate based on the same 5% suite mix ratio included in the previous scheme.
- The revised scheme includes the same restaurant, meeting, leisure and parking facilities that was incorporated in the previous scheme.
- We note that whilst the facility areas are as included in the previous scheme, the capacities in each function has been assessed by C&W in order to assist in understanding the size of each area of the hotel.

FACILITIES	CAPACITY	SQFT
ROOMS		
Standard Rooms	194 rooms	-
Suites	11 suites	-
Apart hotel units	30 units	
TOTAL	**235**	**-**
RESTAURANT FACILITIES		
Principal Restaurant	270 seats	5,800
Speciality Dining	284 seats	6,100
Main Bar	120 seats	2,500
1st Floor Bar	130 seats	2,800
TOTAL	**804**	**17,200**
MEETING FACILITIES		
Conference Space	-	12,100
Meeting Rooms	6 Rooms	3,300
LEISURE FACILITIES		
Spa	-	20,000
Retail	-	3,150
PARKING		
Parking (B2/B1)	290 car spaces	119,200

02

REVIEW OF HOTEL MARKET

HOTEL MARKET

SUPPLY

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- There are currently a total of 10 hotels (769 rooms) in a 2 mile radius from the subject property. The majority of the current supply is associated with the lower end of the market (70% of the room supply branded 3-Star or below).
- The Staines-Upon-Thames hotel market is balanced between branded and independent hotels (Branded supply equates to 52% of rooms supply). Main brands present in the town are Economy / Midscake UK brands (ie. Premier Inn, Travelodge, Mercure).
- At present the best quality hotels are the Great Fosters Hotel and The Runnymede with 43 and 180 rooms respectively being apprx. 1-mile from the property.

SCALE	Rooms	%	Hotels	%
Budget	390	51%	4	40%
3 Star	148	19%	3	30%
4 Star	223	29%	2	20%
Apts	8	1%	1	10%
Total	769	100%	10	100%

BRANDED	Rooms	%	Hotels	%
Branded	403	52%	5	50%
Independent	366	48%	5	50%
Total	769	100%	10	100%

Source: AM:PM, Cushman & Wakefield

Branded Supply

Mercure HOTELS

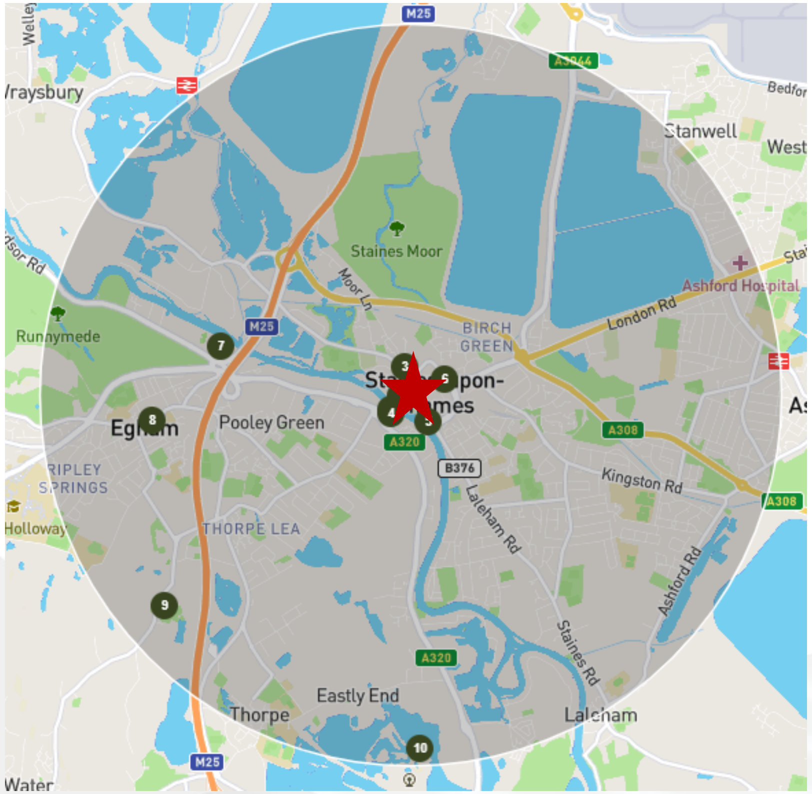
Premier Inn

Travelodge

HOTEL MARKET

SUPPLY MAP

- The below supply map displays the hotels within a 2 miles radius of the Waterfront scheme.
- Many of the hotels within the comp set are dated and are not necessarily regarded as the best examples of particular brands. The mid market 3 star hotels are generally small and basic with the upscale 4 star hotels requiring some upgrading. Therefore there does seem to be a great opportunity for a new high quality to enter the market.



Marker	Title	Grade	Rooms	Trading Status / Closed	Brand
1	Serviced Apartments	Apts	8	Trading	Independent
3	The Swan Hotel	3 Star	15	Trading	Beautiful Bedrooms
4	Travelodge Staines Hotel	Budget	65	Trading	Travelodge UK
5	The Anne Boleyn Hotel	3 Star	45	Trading	Independent
6	Mercure London Staines-Upon-Thames Hotel	3 Star	88	Trading	Mercure
7	Premier Inn Staines	Budget	155	Trading	Premier Inn
9	The Runnymede on Thames	4 Star	180	Trading	Independent
10	Travelodge Egham	Budget	80	Trading	Travelodge UK
12	Great Fosters Hotel	4 Star	43	Trading	Independent
14	Thorpe Shark	Budget	90	Trading	Independent
10			769		

Source: AM:PM, Cushman & Wakefield

HOTEL MARKET

PIPELINE

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- AMPN registers 4 projects in the pipeline within the Staines-Upon-Thames market. This includes, the Waterfront site scheme and a 6 bedroom extension which we can disregard as future competition.

- The two additional projects are of note although both are unlikely to proceed in the near term. Indeed one is deferred suggesting that the scheme has been withdrawn. These are highlighted below:
  - A 160 bedrooms AC hotel which remains unconfirmed
  - A 132 Independent hotel registered as deferred

- A rise in rooms supply within the Staines-Upon-Thames hotel market is therefore unlikely to occur in the near future highlighting the relative importance of the subject site in increasing supply but improving the quality of hotel provision.

SCALE	Rooms	%	Hotels	%
3 Star	132	22%	1	25%
4 Star	466	78%	3	75%
Total	598	100%	4	100%

DELIVERY	ROOMS	%	HOTELS	%
Final Planning	6	1%	1	25%
Unconfirmed	460	77%	2	50%
Deferred	132	22%	1	25%
Total	598	100%	4	100%

BRANDED	ROOMS	%	HOTELS	%
Branded	160	27%	1	25%
Independent	438	73%	3	75%
Total	598	100%	4	100%

Source: AM:PM, Cushman & Wakefield

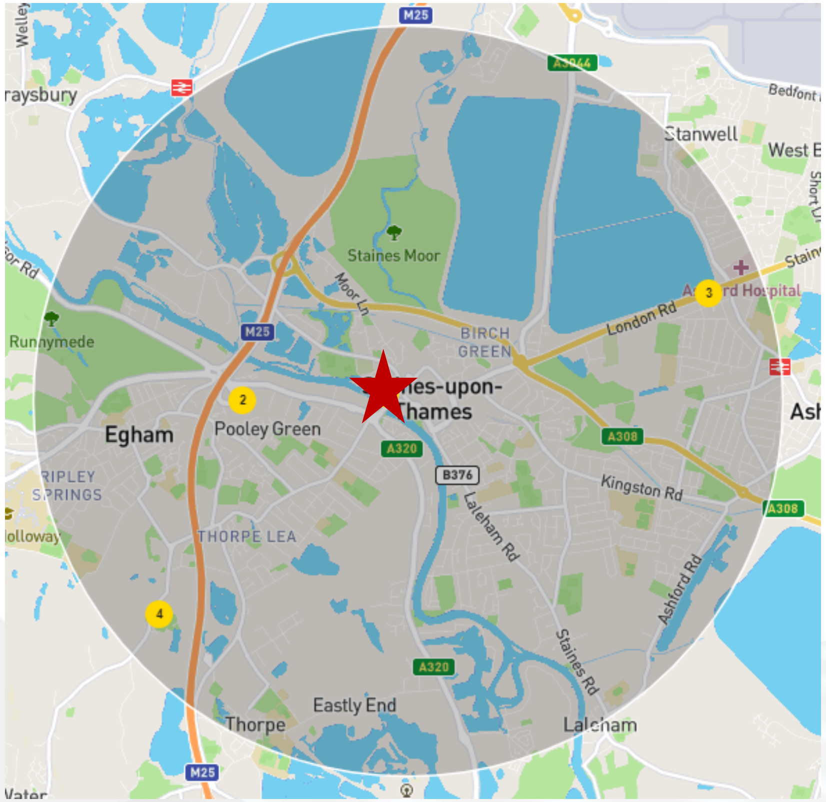
Branded Pipeline

AC HOTELS MARRIOTT

HOTEL MARKET

PIPELINE MAP

- The below pipeline map displays the hotels within a 2 miles radius of the Waterfront scheme.
- As can be identified in the table above, there are limited hotel projects being considered at this stage. Indeed, the impact of Covid on the commerciality of new hotel schemes has been acute meaning that funding for new schemes is very challenging resulting in many delayed and cancelled schemes. Additionally, international demand generated by Heathrow airport remains slow to recover to pre pandemic levels.



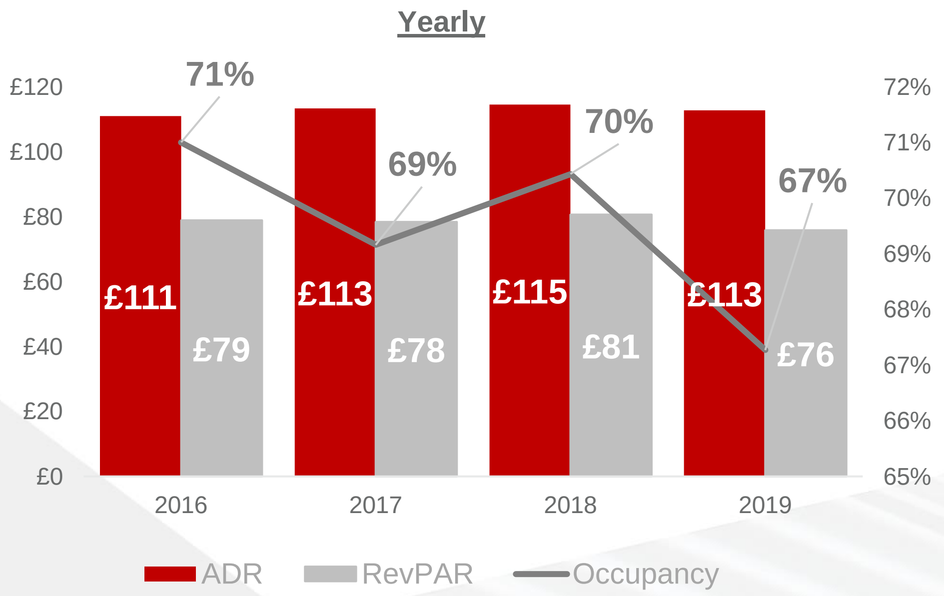
Marker	Title	Grade	Rooms	Brand
1	Arora Staines-upon-Thames	4 Star	300	Independent
2	AC Hotels by Marriott Staines	4 Star	160	AC Hotels
3	Great Fosters Hotel Extension	4 Star	6	Independent
4	London Road	3 Star	132	Independent
4			**598**	

Source: AM:PM, Cushman & Wakefield

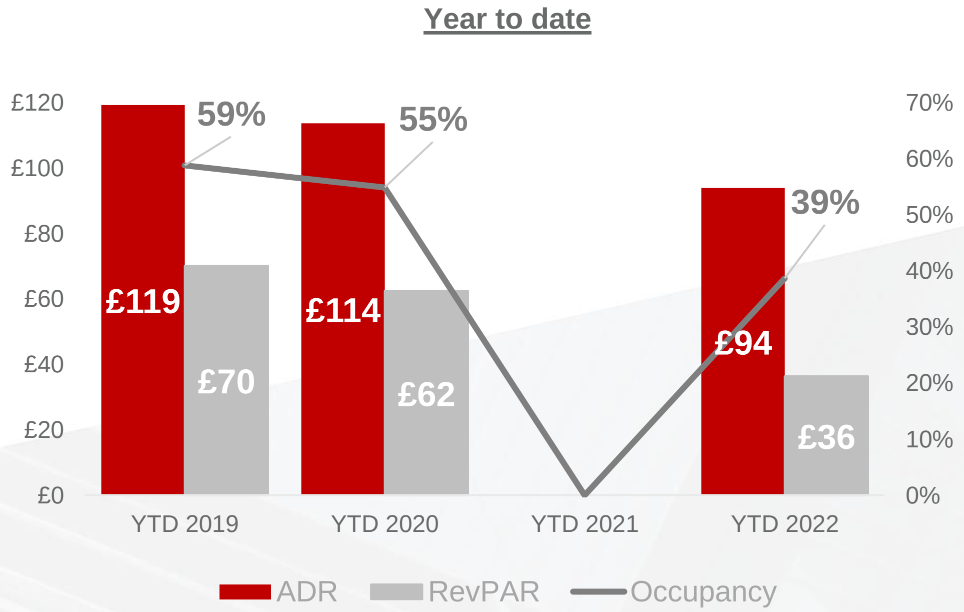
HOTEL MARKET

STR COMP SET OVERVIEW

- The following graph displays the Staines-Upon-Thames STR Comp Set (Appendix 4) performance indicators from 2016 until today. Due to the Covid pandemic and closure of hotels we do not have full data for 2020 and 2021 (April 2020 until September 2021). We have therefore only presented YTD for 2019, 2020 and 2022.
- Despite the visible performance drop due to the crisis, the market outlook is positive as performance continues to recover. We will be able to see improving month on month performance as the year progresses. This sentiment has also been confirmed by the Operator Beat survey undertaken by Cushman and Wakefield and broader evidence of improving market performance and the appeal of secondary hotel markets. These markets have strong domestic demand which is recovering quickly and operators further confirmed their view that these markets could recover, to 2019 levels of performance, by 2023/2024.



Source: STR, Cushman & Wakefield



Source: STR, Cushman & Wakefield

HOTEL MARKET

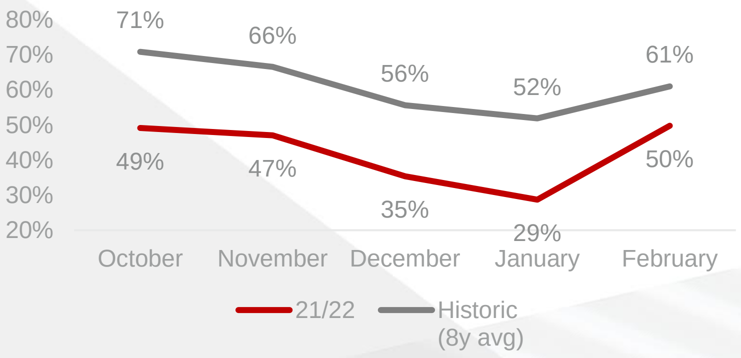
KEY PERFORMANCE INDICATORS

- Occupancy has generally been slower to recover based on hotels focusing on holding or driving rate levels. Demand continues to increase (recover) and there are signs of reducing variance between historic averages and current performance.
- ADR's trend is closer to historical averages which is a very positive trend given the comp sets proximity to Heathrow and its international demand, thus presenting a strong sign of market recovery.
- The Staines-Upon-Thames market shows encouraging recovery signs as RevPar continues to converge with historic average.

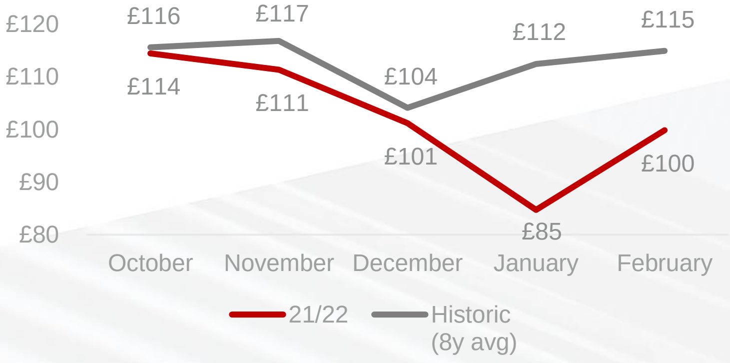
Staines-Upon-Thames		2021			2022	
		October	November	December	January	February
Occ	21/22	49%	47%	35%	29%	50%
	Historic (8y avg)	71%	66%	56%	52%	61%
	Variation	22%	19%	20%	23%	11%
ADR	21/22	£ 114	£ 111	£ 101	£ 85	£ 100
	Historic (8y avg)	£ 116	£ 117	£ 104	£ 112	£ 115
	Variation	£ -1	£ -5	£ -3	£ -28	£ -15
RevPAR	21/22	£ 56	£ 52	£ 36	£ 24	£ 50
	Historic (8y avg)	£ 82	£ 78	£ 58	£ 58	£ 70
	Variation	£ -26	£ -25	£ -22	£ -34	£ -20

Source: STR, Cushman & Wakefield

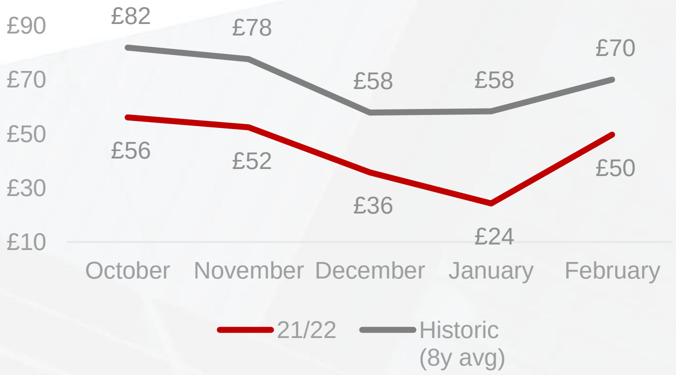
Occupancy



ADR



RevPAR



HOTEL MARKET

INVESTMENT ACTIVITY

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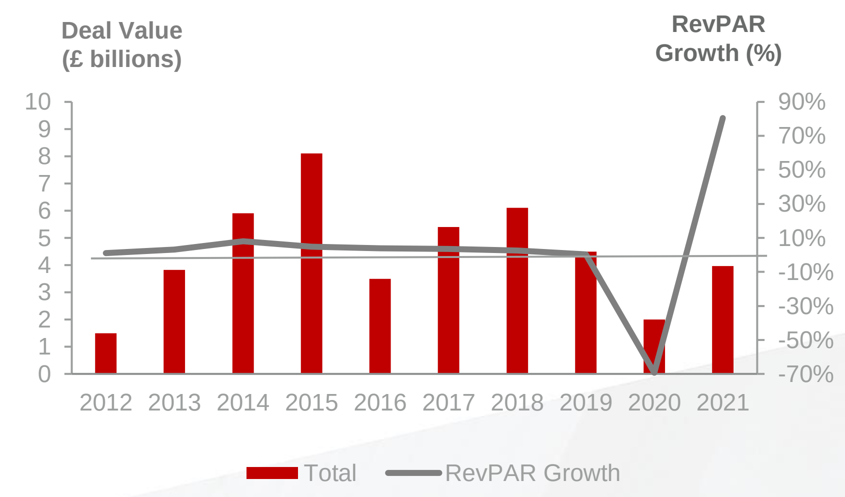
- Following a year where transactional activity stalled due to the COVID-19 pandemic, investment volumes recovered in 2021 to around £4 billion an increase of approximately 100% on 2020 levels.
- Transactional activity has been evenly split between London and the regions. The lower end of the market has been dominated by domestic purchasers whereas at the higher end the market has seen the return of private equity investors, particularly from the US.
- The sales that have occurred to date have not shown any material movement in yields for good quality assets.
- However, the weaker earnings that are currently being delivered will have impacted values in some instances although the level of decline will depend on fundamentals such as location, quality of asset and a hotels recovery prospect.
- One of the biggest challenges in the market has been a lack of debt available for transactions with many lenders unsurprisingly concentrating their efforts on their existing loan books. Where debt is available it is more expensive, which will impact the amount a purchaser requiring debt is able to pay.
- There does however remain a large amount of capital available for acquisitions and there continues to be a limited amount of stock being brought to market particularly in prime locations. As a result, this has resulted in competitive bidding processes and a reduction in the pricing expectations between buyers and sellers.
- We anticipate that there will be increased activity in the sector in 2022 with more stock coming to market on the back of a recovery in trading performance. Whilst there has been less distress sales than many anticipated at the start of the pandemic, there is likely to be more consensual sales during the years as banks look to reduce their exposure.

Hotel investment volumes (£bn) and RevPAR growth (%)



Source: Cushman & Wakefield

HOTEL MARKET

COMPARABLE TRANSACTIONS

- The below displays all hotel transactions that have taken place over the past 4 years within a 5 miles radius of the subject Waterfront site.

Transaction Date	Distance to Waterfront Site	Property Name	City	Class	Tenure	Units	Price(£)	£/Unit	Cap Rate
Mar-22	0.9	Runnymede on Thames	Egham	Upper Upscale	Freehold	180	£50,000,000	£277,777	
Nov-21	4.8	Best Western Heathrow Ariel	Hillingdon	Midscale		184	£11,244,819	£61,113	
Jun-19	2.7	De Vere Beaumont Estate	Windsor	Upscale	Leasehold	429	£40,000,000	£96,618	3.20%
Apr-19	2.1	The Stanwell Hotel	Staines	Upper Midscale	Freehold	53	£5,500,000	£103,777	
Nov-18	1.7	Great Fosters Hotel	Egham	Upper Upscale		41	£17,401,047	£424,416	
Jul-18	2.4	Travelodge Heathrow T5	Slough	Economy	Lease - Fixed	296	£39,628,154	£133,879	5.00%
Apr-18	3.4	The Bridge Hotel	Chertsey	Upscale	Freehold	51	£5,876,935	£115,234	
Apr-18	4.8	Crowne Plaza Heathrow	Hillingdon	Upscale	Freehold	4,827	£146,954,521	£30,444	7.30%
Apr-18	4.8	Holiday Inn London Heathrow Ariel	Hillingdon	Upper Midscale	Freehold	184	£75,663,603	£411,215	5.80%
Apr-18	4.9	Holiday Inn London Heathrow M4	Hillingdon	Upper Midscale	Freehold	617	£34,574,038	£56,036	7.30%
Mar-18	0.3	Mercure Thames Lodge Staines	Staines	Upscale	Freehold	78	£11,663,668	£149,534	

Source: RCA – Cushman & Wakefield

RESIDENTIAL MARKET

RESIDENTIAL INTELLIGENCE

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- As previously mentioned, the residential scheme has increased by a total of 21 apartments to 235 units. This represents a total decrease of approx. 4,402 sqft from the previous scheme.
- We have reviewed residential transactions within a 0.5 miles radius of the subject development site. Please note that there was limited recent new build transactional evidence. The adjacent tables presents 2021 transactions which principally come from the London Square scheme. We can observe that the residential prices have significantly increased compared to our last report with an average price per sqft averaging approx. £575.
- The above trend continues with strong pricing quoted for The Berkeley Scheme at Eden Grove which is currently quoting asking prices between £550 to £750 per sqft.
- The above supports our commercial assessment assumption of residential value for the subject site at £575 per sqft.

Waterfront Site – Revised Residential Scheme	Sqm	Sqft
GIA	18,048	194,267

2021 Transactional Evidence (0.5 miles)	Sold Price	Floor Area (Sqft)	Price per Sqft
Highest Price per Sqft	£332,000	538	£617
Lowest Price per Sqft	£453,600	882	£514
AVERAGE	**£389,600**	**676**	**£575**

Source: RCA – Cushman & Wakefield

03

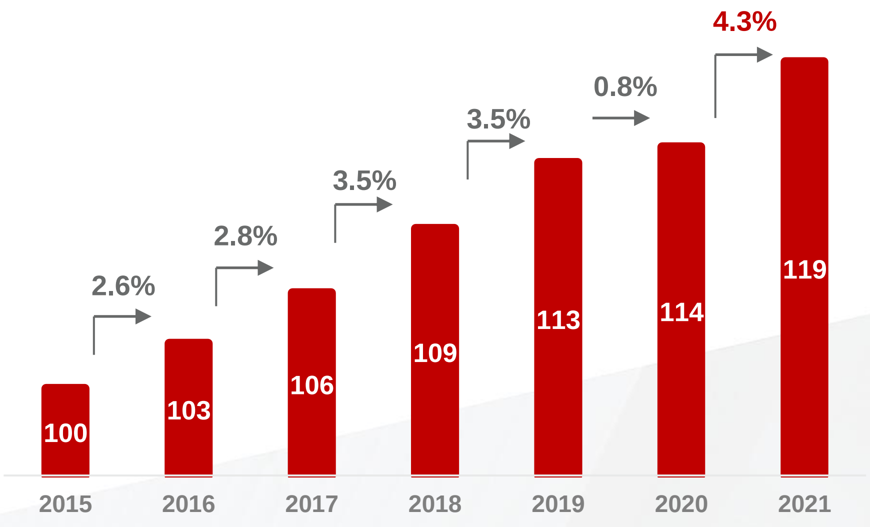
BUILD COST ENVIRONMENT

BUILD COST ENVIRONMENT

THE IMPACT OF COVID-19 ON HOTEL CONSTRUCTION COSTS

- Construction costs in the UK across all real estate uses has suffered from inflationary pressures in the past few years and has most recently been further impacted by the COVID-19 crisis.
- The Office of National Statistics is one of the few organisation tracking this data through the Construction Output Price Indices (OPIs). The adjacent graph presents the New Works Construction Index across the UK. Overall costs have increased by a total of 19 points over 6 years representing a compound annual growth rate (CAGR) of 2.9%. It should be highlighted that the highest increase is being featured in 2021 (+4.3%) which reinforce the impact of COVID-19 on new works construction prices.
- The latest EMEA Hotels Monitor published by hospitality advisor and cost consultant (Hotstats, RLB, White Bridge) in February 2022 further confirm this trend in the hotel sector. The aforementioned report analyses the European construction costs of hotels and sustain that the rebound in construction demand, combined with supply challenges is contributing to overall tender price inflation.

New Works Construction Output Prices (Index 2015 = 100)



Source: Office of National Statistics - Cushman & Wakefield

BUILD COST ENVIRONMENT

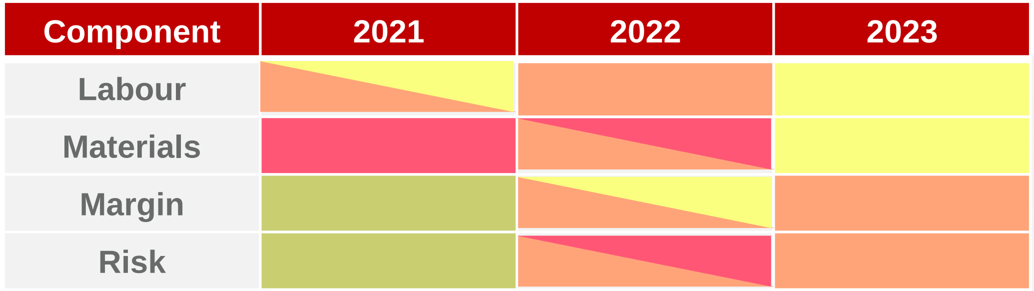
INFLATIONARY COMPONENTS & RECOVERY OUTLOOK

- The recent report (The Great disruption – Q1 2022) published by Alinea Knowledge, highlights the inflationary components driving increases in construction costs.
- The past year has demonstrated steep increases in build costs due to the succession of macroeconomic factors and disruptions (COVID-19, Inflation, the surge in prices of electricity and oil and the escalating political tensions in Eastern Europe).
- The Alinea and BCIS forecasts estimate tender price inflation (TPI) in 2022 and 2023 to reach 3.5% and 3.9% respectively. This represents an approx. 2% increase over their previous forecasts due to the increasing cost of materials and labour.
- It should also be noted that Alinea forecast has not reflected “considerable future price volatility, or extraordinary risk premiums attached to fixed price contracts” which are under short term pressures. This has led to many project costs increasing substantially, in some cases over by over 10%.
- The increase in construction costs evidenced over the last 2 years has significantly impacted the delivery of real estate developments as margins have been eroded and in the case of hotel schemes the additional trading risks associated from Covid recovery have meant that many developers have delayed or even cancelled schemes.
- The fact that the Arora Group remain interested in delivering the scheme should be taken a positive reflection of their ability to manage short term construction challenges.

New Tender Price Inflation per annum: London and the South East)

	2021	2022	2023
Alinea Forecast	4.00%	3.50%	3.50%
BCIS Forecast	4.90%	4.40%	3.90%

Expected components of inflation for Q1 2022



Downward pressure on pricing

Upward pressure

Benign influence

Significant upward pressure

Source: Market Report (Q1 2022) Alinea Knowledge

04

REVISED SCHEME

REVISED SCHEME

SMALLER HOTEL & RESIDENTIAL COMPONENTS

- In keeping to the previous procurement focus and brief of delivering a high quality hotel with more than 200 keys with extensive restaurant & bar, meeting & conference spaces and leisure facilities open to the public, as well as residential apartments, Arora have revised their scheme following guidance from Spelthorne Borough Council that their previous proposed scheme was deemed too large. It's worth noting that the procurement process followed by Spelthorne Borough Council sought to deliver both quantitative and qualitative aspects which were met by the Arora proposal. Indeed, the process didn't seek to limit the scale of the scheme but encouraged a significant development that would not only meet the council's minimum requirements but maximise financial return.
- In order to follow the guidance of the previous process but align with Spelthorne's wish to see a smaller scheme, Arora have proposed a revised, smaller scheme with a hotel of 235 keys and a residential element which has been increased to 235 units albeit the area is approx. the same. The total Gross Internal Area (GIA) reducing by 40% (refer to slide 4 for full comparison).
- Importantly, the qualitative aspects remain as before as do the extent of public facilities including restaurants & bars, meeting & conference areas and leisure spaces.
- The basis of the financial offer also remains unchanged meaning that the Fixed Ground Rent component of £115,000 pa is the same, as is the percentage of additional Turnover Ground Rent (2% rising to 4% in the forth year). The residential contribution percentage has also remained the same as before at 8% of market value.

COMMERCIAL OFFER	PREVIOUS SCHEME	REVISED SCHEME
Fixed Ground Rent	£115,000 per annum	£115,000 per annum
Turnover Ground Rent *(% Revenue)*	Year 1 = 2.00% Year 2 & 3 = 3.00% Year 4 onward = 4.00%	Year 1 = 2.00% Year 2 & 3 = 3.00% Year 4 onward = 4.00%
Residential Contribution	8.00%	8.00%

REVISED SCHEME

HOTEL P&L FORECAST REVIEW

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- We have assessed the P&L forecast for the revised scheme which has been driven through a desire by the council to reduce the scale and massing of the development. A key component of the scheme that has reduced in size is the hotel which has seen a reduction of 107 keys. Whilst the residential area has not materially changed the number of residential units has increased by 21 apartments.
- The table displays the performance of the hotel in a stabilised year comparison (year 4) between the revised and previous schemes. Revised scheme values have been discounted by 3 years to compare on a like for like basis.
- The revised scheme stabilised occupancy of 88% is reasonable and is 10% points higher than the previous scheme's expected performance. The smaller nature of the revised scheme hotel will inherently drive higher occupancy as the level of market demand has not reduced materially.
- The revised scheme stabilised ADR performance of £147 (£139 adjusted) represents an 11% premium over the previous scheme. The reduced size of the hotel will also allow it to alter its business mix strategy and chase higher rate demand. The hotel will therefore have less reliance on airport related demand as well as lower value corporate demand in favour of higher value leisure business. Additionally, factors such as the pace of recovery from COVID-19, which is now expected in 2023, and current inflation both fuel ADR rate growth.
- Overall RevPAR stabilisation in the revised scheme is expected at a 25% premium compared to the previous scheme.

FV - Year 4 (STABILISED)	PREVIOUS SCHEME (342 rooms)	ADJUSTED REVISED SCHEME (235 rooms)	REVISED SCHEME (235 rooms)	% DIFFERENCE (Adjusted/previous)
Occupancy	78.00%	88.00%	88.00%	▲ +10.00%
ADR	£125	£139	£147	▲ +10.86%
RevPAR	£98	£122	£129	▲ +25.07%

REVISED SCHEME

HOTEL P&L FORECAST REVIEW

- The table below compares key P&L metrics between the previous and revised hotel schemes. We present the latest revised scheme in actual values as well as adjusted values (discounted by three years) to provide a like for like comparison between both P&Ls.
- We understand that Arora will maintain the same scale of F&B and other facilities within the revised scheme. The impact of reducing the key count will therefore result in total revenues reducing slightly whilst revenue per occupied room will actually increase. F&B revenue reduces by 9% but revenue POR actually increases by 17%.
- Due to the increased room efficiency and the more efficient revenue POR delivery in all other departments, the relative Gross Operating Income has increased by a POR of £24 (+18% based on a smaller more efficient hotel). This result in a GOP percentage increase of 1.2% points.
- The revised scheme shows an NOI (after deducting FF&E) of approx. £6.27m at a margin of 33.3% which is at a slightly lower margin that was observed in the previous scheme (34.7%).
- In the following slide we present the C&W assessment of the revised scheme cashflow which has been based on the previous cashflow forecasts presented by Arora but for a 205 key scheme (Appendix 3). The cashflow has been amended on a pro-rata basis.

FV - Year 4 (STABILISED)	PREVIOUS SCHEME (342 rooms)	PREVIOUS SCHEME (342 rooms)	ADJUSTED REVISED SCHEME (235 rooms)	ADJUSTED REVISED SCHEME (235 rooms)	REVISED SCHEME (235 rooms)	REVISED SCHEME (235 rooms)
	Total	% of Total Rev	Total in GBP	% of Total Rev	Total	% of Total Rev
Gross Operating Income	£13,680,580	68.6%	£12,385,350	69.8%	£13,143,433	69.8%
Gross Operating Profit	£9,564,784	48.0%	£8,548,208	48.0%	£9,071,427	48.1%
NOI (Less FF&E & Rent)	**£6,915,321**	**34.7%**	**£5,910,248**	**33.3%**	**£6,272,004**	**33.3%**

REVISED SCHEME

HOTEL & APART HOTEL P&L FORECAST – 235 KEYS

C&W Projections Actual Year Values in GBP

	Projected Year 1	% %	Projected Year 2	% %	Projected Year 3	% %	Projected Year 4	% %	Projected Year 5	% %	Projected Year 6	% %	Projected Year 7	% %	Projected Year 8	% %	Projected Year 9	% %	Projected Year 10	% %
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rooms	235		235		235		235		235		235		235		235		235		235	
Occupancy	67.0%		77.0%		84.0%		88.0%		88.0%		88.0%		88.0%		88.0%		88.0%		88.0%	
Days	365		365		365		365		365		365		365		365		365		365	
Rooms Sold	57,469		66,047		72,051		75,482		75,482		75,482		75,482		75,482		75,482		75,482	
ADR	130.00		140.00		144.20		147.08		150.03		153.03		156.09		159.21		162.39		165.64	
RevPAR	87.10		107.80		121.13		129.43		132.02		134.66		137.36		140.10		142.91		145.76	
Revenue																				
Rooms	7,471,003	59.7%	9,246,545	59.5%	10,389,754	58.6%	11,102,194	58.9%	11,324,238	58.9%	11,550,723	58.9%	11,781,738	58.9%	12,017,372	58.9%	12,257,720	58.9%	12,502,874	58.9%
Food and Beverage	3,438,770	27.5%	4,237,787	27.2%	4,874,081	27.5%	5,157,225	27.4%	5,260,370	27.4%	5,365,577	27.4%	5,472,888	27.4%	5,582,346	27.4%	5,693,993	27.4%	5,807,873	27.4%
MOD	287,346	2.3%	340,141	2.2%	382,080	2.2%	412,283	2.2%	420,529	2.2%	428,939	2.2%	437,518	2.2%	446,268	2.2%	455,194	2.2%	464,298	2.2%
Spa & Gym	286,585	2.3%	386,775	2.5%	483,468	2.7%	497,972	2.6%	507,931	2.6%	518,090	2.6%	528,452	2.6%	539,021	2.6%	549,801	2.6%	560,797	2.6%
Conference Room Hire	1,031,707	8.2%	1,340,820	8.6%	1,608,984	9.1%	1,673,343	8.9%	1,706,810	8.9%	1,740,946	8.9%	1,775,765	8.9%	1,811,280	8.9%	1,847,506	8.9%	1,884,456	8.9%
Total Revenue	**12,515,411**	**100.0%**	**15,552,068**	**100.0%**	**17,738,367**	**100.0%**	**18,843,017**	**100.0%**	**19,219,878**	**100.0%**	**19,604,275**	**100.0%**	**19,996,361**	**100.0%**	**20,396,288**	**100.0%**	**20,804,214**	**100.0%**	**21,220,298**	**100.0%**
Departmental Expenses																				
Rooms	1,322,367	17.7%	1,553,420	16.8%	1,724,699	16.6%	1,842,964	16.6%	1,879,824	16.6%	1,917,420	16.6%	1,955,768	16.6%	1,994,884	16.6%	2,034,781	16.6%	2,075,477	16.6%
Food and Beverage	2,132,037	62.0%	2,309,594	54.5%	2,778,226	57.0%	2,939,618	57.0%	2,998,411	57.0%	3,058,379	57.0%	3,119,546	57.0%	3,181,937	57.0%	3,245,576	57.0%	3,310,488	57.0%
Telephone	0		0		0		0		0		0		0		0		0		0	
MOD	71,837	25.0%	85,035	25.0%	95,520	25.0%	103,071	25.0%	105,132	25.0%	107,235	25.0%	109,380	25.0%	111,567	25.0%	113,798	25.0%	116,074	25.0%
Spa & Gym	197,744	69.0%	263,007	68.0%	323,924	67.0%	328,662	66.0%	335,235	66.0%	341,939	66.0%	348,778	66.0%	355,754	66.0%	362,869	66.0%	370,126	66.0%
Conference Room Hire	309,512	30.0%	388,838	29.0%	466,605	29.0%	485,269	29.0%	494,975	29.0%	504,874	29.0%	514,972	29.0%	525,271	29.0%	535,777	29.0%	546,492	29.0%
Total Departmental Expenses	**4,033,497**	**32.2%**	**4,599,894**	**29.6%**	**5,388,974**	**30.4%**	**5,699,584**	**30.2%**	**5,813,576**	**30.2%**	**5,929,847**	**30.2%**	**6,048,444**	**30.2%**	**6,169,413**	**30.2%**	**6,292,802**	**30.2%**	**6,418,658**	**30.2%**
Departmental Income																				
Rooms	6,148,635	82.3%	7,693,125	83.2%	8,665,055	83.4%	9,259,230	83.4%	9,444,415	83.4%	9,633,303	83.4%	9,825,969	83.4%	10,022,489	83.4%	10,222,938	83.4%	10,427,397	83.4%
Food and Beverage	1,306,733	38.0%	1,928,193	45.5%	2,095,855	43.0%	2,217,607	43.0%	2,261,959	43.0%	2,307,198	43.0%	2,353,342	43.0%	2,400,409	43.0%	2,448,417	43.0%	2,497,385	43.0%
MOD	215,510	75.0%	255,106	75.0%	286,560	75.0%	309,212	75.0%	315,396	75.0%	321,704	75.0%	328,139	75.0%	334,701	75.0%	341,395	75.0%	348,223	75.0%
Spa & Gym	88,841	31.0%	123,768	32.0%	159,544	33.0%	169,310	34.0%	172,697	34.0%	176,151	34.0%	179,674	34.0%	183,267	34.0%	186,932	34.0%	190,671	34.0%
Conference Room Hire	722,195	70.0%	951,982	71.0%	1,142,379	71.0%	1,188,074	71.0%	1,211,835	71.0%	1,236,072	71.0%	1,260,793	71.0%	1,286,009	71.0%	1,311,729	71.0%	1,337,964	71.0%
Total Departmental Income	**8,481,913**	**67.8%**	**10,952,174**	**70.4%**	**12,349,393**	**69.6%**	**13,143,433**	**69.8%**	**13,406,302**	**69.8%**	**13,674,428**	**69.8%**	**13,947,916**	**69.8%**	**14,226,875**	**69.8%**	**14,511,412**	**69.8%**	**14,801,641**	**69.8%**
GROSS OPERATING INCOME	**8,481,913**	**67.8%**	**10,952,174**	**70.4%**	**12,349,393**	**69.6%**	**13,143,433**	**69.8%**	**13,406,302**	**69.8%**	**13,674,428**	**69.8%**	**13,947,916**	**69.8%**	**14,226,875**	**69.8%**	**14,511,412**	**69.8%**	**14,801,641**	**69.8%**
Undistributed Operating Expenses																				
Administrative & General	626,088	5.0%	777,629	5.0%	709,622	4.0%	753,814	4.0%	768,890	4.0%	784,268	4.0%	799,953	4.0%	815,952	4.0%	832,271	4.0%	848,916	4.0%
Sales & Marketing	751,305	6.0%	622,081	4.0%	532,217	3.0%	542,861	2.9%	553,718	2.9%	564,792	2.9%	576,088	2.9%	587,610	2.9%	599,362	2.9%	611,350	2.9%
Franchise Fees	448,260	3.6%	647,258	4.2%	831,180	4.7%	888,175	4.7%	905,939	4.7%	924,057	4.7%	942,538	4.7%	961,389	4.7%	980,617	4.7%	1,000,229	4.7%
Other Brand Fees	187,826	1.5%	233,289	1.5%	266,108	1.5%	282,680	1.5%	288,333	1.5%	294,100	1.5%	299,982	1.5%	305,982	1.5%	312,101	1.5%	318,343	1.5%
Energy Costs	747,101	6.0%	875,780	5.6%	974,504	5.5%	1,041,327	5.5%	1,062,154	5.5%	1,083,397	5.5%	1,105,065	5.5%	1,127,166	5.5%	1,149,710	5.5%	1,172,704	5.5%
Repairs & Maintenance	344,816	2.8%	404,206	2.6%	449,772	2.5%	563,149	3.0%	574,412	3.0%	585,901	3.0%	597,619	3.0%	609,571	3.0%	621,762	3.0%	634,198	3.0%
Total Undistributed Expenses	**3,105,395**	**24.8%**	**3,560,241**	**22.9%**	**3,763,402**	**21.2%**	**4,072,006**	**21.6%**	**4,153,446**	**21.6%**	**4,236,515**	**21.6%**	**4,321,245**	**21.6%**	**4,407,670**	**21.6%**	**4,495,824**	**21.6%**	**4,585,740**	**21.6%**
GROSS OPERATING PROFIT	**5,376,518**	**43.0%**	**7,391,934**	**47.5%**	**8,585,991**	**48.4%**	**9,071,427**	**48.1%**	**9,252,856**	**48.1%**	**9,437,913**	**48.1%**	**9,626,671**	**48.1%**	**9,819,205**	**48.1%**	**10,015,589**	**48.1%**	**10,215,900**	**48.1%**
Management Fees																				
Base Management Fees	523,566	4.2%	679,536	4.4%	790,600	4.5%	840,284	4.5%	857,090	4.5%	874,232	4.5%	891,716	4.5%	909,551	4.5%	927,742	4.5%	946,297	4.5%
Total Management Fees	**523,566**	**4.2%**	**679,536**	**4.4%**	**790,600**	**4.5%**	**840,284**	**4.5%**	**857,090**	**4.5%**	**874,232**	**4.5%**	**891,716**	**4.5%**	**909,551**	**4.5%**	**927,742**	**4.5%**	**946,297**	**4.5%**
INCOME BEFORE FIXED CHARGES	**4,852,952**	**38.8%**	**6,712,397**	**43.2%**	**7,795,391**	**43.9%**	**8,231,143**	**43.7%**	**8,395,766**	**43.7%**	**8,563,681**	**43.7%**	**8,734,955**	**43.7%**	**8,909,654**	**43.7%**	**9,087,847**	**43.7%**	**9,269,604**	**43.7%**
Fixed Charges																				
Property Taxes	800,986	6.4%	995,332	6.4%	1,135,256	6.4%	1,205,953	6.4%	1,230,072	6.4%	1,254,674	6.4%	1,279,767	6.4%	1,305,362	6.4%	1,331,470	6.4%	1,358,099	6.4%
Insurance	171,951	1.4%	177,110	1.1%	182,423	1.0%	187,896	1.0%	191,654	1.0%	195,487	1.0%	199,396	1.0%	203,384	1.0%	207,452	1.0%	211,601	1.0%
FF&E Reserve	375,462	3.0%	466,562	3.0%	532,151	3.0%	565,291	3.0%	576,596	3.0%	588,128	3.0%	599,891	3.0%	611,889	3.0%	624,126	3.0%	636,609	3.0%
Total Fixed Charges	**1,348,400**	**10.8%**	**1,639,004**	**10.5%**	**1,849,830**	**10.4%**	**1,959,139**	**10.4%**	**1,998,322**	**10.4%**	**2,038,289**	**10.4%**	**2,079,054**	**10.4%**	**2,120,635**	**10.4%**	**2,163,048**	**10.4%**	**2,206,309**	**10.4%**
NET OPERATING INCOME	**3,504,552**	**28.0%**	**5,073,393**	**32.6%**	**5,945,561**	**33.5%**	**6,272,004**	**33.3%**	**6,397,444**	**33.3%**	**6,525,392**	**33.3%**	**6,655,900**	**33.3%**	**6,789,018**	**33.3%**	**6,924,799**	**33.3%**	**7,063,295**	**33.3%**

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REVISED SCHEME - COMMERCIAL OFFER ASSESSMENT

REVISED SCHEME
COMMERCIAL OFFER ASSESSMENT

REVISED SCHEME (HOTEL - 235 ROOMS)

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- The adjacent table summarises the assumptions presented by Arora for the revised scheme. They have been inputted into the same commercial offer assessment model (see Appendix 1) used to assess the previous scheme and is based on the **235** bedroom hotel in the revised scheme.
- The core basis of the ground lease proposal is the same as was made by them in the previous scheme:
  - Annual Base Ground Rent (MGR) - **£115,000**
  - Turnover Surplus of 2% in year 1, 3% in years 2&3 and 4% thereafter
- We have appraised both elements of the Ground Rent proposal at the same yields as used in our original assessment:
  - We have appraised the value of the MGR at a yield of 2.75% resulting in a value of approx. **£4.2M.**
  - We have additionally estimated the value of Ground Rent – Turnover Surplus (TGR) on the basis of the proposed percentages which results in a Year 4 TGR of **£639,000** to which we have applied a yield of 5.75% resulting in a value of approx. **£11.1M** (before top up ground rent deductions for the first three years of **£1M**).
- Value of the Adjusted Ground Rent post top up deduction and acquisition costs is estimated at approx. **£13.6M.**

REVISED SCHEME (235 rooms)	
Inflation	2.00%
Capitalisation Rate (MGR)	2.75%
Capitalisation Rate (TGR)	5.75%
Blended Cap. Rate (MGR & TGR)	4.93%
Acquisition Costs	6.80%
Minimum Ground Rent (MGR)	£115,000
Turnover Ground Rent (TGR)	£639,000
MGR Value	£4,200,000
TGR Value	£11,100,000
Total Ground Rent Value (MGR + TGR)	£15,300,000
Top-Up Deduction	£1,000,000
Acquisition Costs	£686,000
Total Ground Rent Value	**£13,600,000**

REVISED SCHEME
COMMERCIAL OFFER ASSESSMENT

REVISED SCHEME (RESIDENTIAL – 235 APARTMENTS)

- The adjacent table presents the calculation for the revised scheme with **235** residential units.
- The revised scheme provides a residential area of 194,267 of GIA
- We have estimated residential values for the revised scheme to be approx. £575 per sqft, in line with recent evidence. We suggest reviewing this again when we have more detailed drawings and information on the scheme.
- We have confirmed with Arora the Percentage of value payable to the authority will remain the same as before namely **8%.** As a result, the value payable to the authority will be **£8.9M** or approx. **£46 per sqft.**
- Total value of the revised scheme after standard purchaser's costs and top-up deduction is approx. **£22.5M.**

REVISED SCHEME (RESIDENTIAL)	
Net GIA (sqft)	194,267
Residential Price (per sqft)	£575
% of value payable to the Authority	8.00%
Amount Payable to the Authority (per sqft)	£46
Total Residential Payment to the Authority	**£8,900,000**
Total Ground Rent Value	**£13,600,000**
Total Value	**£22,500,000**

PREVIOUS COMMERCIAL OFFER ASSESSMENT

FORMER SCHEME (342 ROOMS + 214 APARTMENTS)

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- As can be seen in Appendix 2 we valued the minimum rent guarantee (MGR) at approx. **£4.2M.**
- We valued the turnover surplus ground rent (TGR) at approx. **£11.8M.**
- We valued the Total Ground Rent post top up deduction and acquisition costs at approx. **£14.2M.**
- The net GIA of the former residential scheme presented 199,000 sqft.
- Total payment to the authority in respect to the residential portion of the revised scheme totalled **£6M.**
- Total value of the revised scheme after standard purchaser's costs and top-up deduction is approx. **£20.2M.**

FORMER SCHEME (342 rooms)	
Capitalisation Rate (MG)	2.75%
Capitalisation Rate (TGR)	5.75%
Minimum Ground Rent (MGR)	£115,000
Turnover Ground Rent (TGR)	£683,000
MGR Value	£4,182,000
TGR Value	£11,875,000
Total Ground Rent Value (MGR + TGR)	£16,057,000
Top-Up Deduction	£1,116,000
Acquisition Costs	£728,000
Adjusted Total Ground Rent Value	**£14,163,000**
FORMER SCHEME (RESIDENTIAL)	
Net GIA (sqft)	199,000
Residential Price (per sqft)	£382
% of value payable to the Authority	8.00%
Amount Payable to the Authority (per sqft)	£30.56
Total Payment to the Authority	**£6,071,000**
Total Value	**£20,234,000**

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ECONOMIC BALANCE

ECONOMIC BALANCE

SUMMARY

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▲ Positive Impact on Value

HOTEL

- The reduction of hotel room inventory results in stronger occupancy levels (+10%).
- The reduced size of the hotel will also allow it to alter its business mix strategy and chase higher rate demand (ie. less reliance on airport and lower value corporate business).
- The strong pace of recovery from COVID-19 (expected 2023) and current inflation both fuel performance growth.

RESIDENTIAL

- The residential scheme has increased by a total of 21 apartments to 235 units (+ 4,402 sqft).
- Residential prices have significantly increased since the time of the previous commercial assessment. Residential values are now based on approx. £575 per sqft (+ 50.5%).

▼ Negative Impact on Value

HOTEL

- The reduced size of the hotel and consequential loss of rooms (137 bedrooms) impacts total profit generated by the hotel.
- The revised hotel scheme negatively impacts economy of scale (ie. NOI as a % of Total Revenue reduces by 1.4 basis points)

RESIDENTIAL

- No negative impact on residential value has been observed.

ECONOMIC BALANCE

PREVIOUS VS. REVISED SCHEME

Structural Changes:

	PREVIOUS SCHEME	REVISED SCHEME
HOTEL		
Rooms	342	205
Serviced Apartments	26	30
Hotel Facilities	Identical	Identical
RESIDENTIAL		
Unit Count	214	235
SCHEME GIA (Sqft)		
Total Area	637,837	387,393

Commercial Changes:

	PREVIOUS SCHEME	REVISED SCHEME
HOTEL		
Occupancy	78.00%	88.00%
ADR	£125	£139
RevPAR	£98	£122
NOI	£6,915,321	£5,910,248
NOI (%)	34.7%	33.3%
RESIDENTIAL		
Price (Per Sqft)	£382	£575

** Please note that hotel values for the revised scheme are based on adjusted present values (PV) to allow like for like comparison with the KPIs of the previous scheme.*

Value Changes:

	PREVIOUS SCHEME	REVISED SCHEME
COMMERCIAL OFFER		
Commercial Terms	Identical	Identical
HOTEL VALUE		
TGR Value	£11,900,000	£11,100,000
RESIDENTIAL VALUE		
TGR Value	£6,100,000	£8,900,000
Per Sqft	*£30.6*	*£46.00*
TOTAL VALUE		
Total Value	£20,200,000	£22,500,000

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CONCLUSION

CONCLUSION

PREVIOUS VS. REVISED SCHEME

- The decision of Spelthorne Borough Council to seek a smaller scheme has naturally resulted in a smaller hotel development. This has in turn reduced the revenues that can be generated by the hotel and hence the ground rent bid has reduced in absolute terms albeit the basis of the commercial offer to the Council has remained the same.

- In summary the 235 key hotel's total ground rent has reduced which results in a value of the **TGR of £11.1M,** a value reduction of approx. **£0.8M** against the previous scheme.

- The residential component remains almost the same in area but increases in unit count to 235 apartments. The intervening passage of time has also seen significant price growth (assumed value today of £575 per sqft). In summary the value of the residential contribution component has increased to **£8.9M,** an increase of approx. **£2.8M** against the previous scheme.

- The total value of the revised scheme presents a total contribution of **£22.5M** which is a increase of approx. **£2.3M** in absolute terms against the previous scheme.

- The revised mixed-use scheme will also benefit the broader local economy. The proposal still seeks to deliver a high quality hotel with facilities and amenities that are open to the public and seeks to deliver Staines-Upon-Thames a hotel facility which it lacks. The upscale / 4 star nature of the hotel will attract both tourist and business demand that will benefit local commerce.

- We understand that the Arora Group remain committed to the scheme and are clearly very capable in comprehensively developing the site. Their recent investments in the newly opened Fairmont Hotel in Windsor and Luton Hoo offer clear evidence of their ability to deliver significant high value developments. The alternative interest secured through the previous tender process was neither to the same high quality nor delivering the same financially.

	PREVIOUS SCHEME (342 rooms)	REVISED SCHEME (235 rooms)
Hotel TGR Value	£11,900,000	£11,100,000
Residential TGR Value	£6,100,000	£8,900,000
Per Sqft	*£30.6*	*£46.00*
TOTAL VALUE	**£20,200,000**	**£22,500,000**

CONCLUSION

ARORA GROUP - BACKGROUND

- The Arora Group is a UK group of companies involved in hotel operations, hotel management, property construction and property portfolio asset management. The group is divided into 3 business divisions: Arora Property, Arora Hotels and Grove Developments.
- The Hotel division owns and operates 12 hotels. The Property division currently manages a portfolio valued at over £1.5 billion and the Construction division focuses on residential and hospitality projects having overseen over 50 projects.
- The Arora group has tended to focus on assets located at London’s main airports.

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Operated *- Hilton Garden Inn - Heathrow, London*

Managed *- Radisson Blu - Stansted, London*

Constructed *- Intercontinental - The O2, London*

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APPENDICES

APPENDIX 1 – REVISED SCHEME (235 HOTEL ROOMS + RESIDENTIAL

HOTEL

P&L Summary	Construction Phase				Operational Phase									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Anticipated Annual Revenue					£12,515,411	£15,552,068	£17,738,367	£18,843,017	£19,219,878	£19,604,275	£19,996,361	£20,396,288	£20,804,214	£21,220,298
Annual Base Ground Rent (MGR)	£100	£100	£100	£100	£115,000	£115,000	£115,000	£115,000	£115,000	£126,969	£126,969	£126,969	£126,969	£126,969
Ground Rent - Turnover Surplus (TGR)	£0	£0	£0	£0	£135,308	£351,562	£417,151	£638,721	£653,795	£657,202	£672,885	£688,882	£705,199	£721,843
% Revenue					*2.0%*	*3.0%*	*3.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*
Total Ground Rent Offer					**£250,308**	**£466,562**	**£532,151**	**£753,721**	**£768,795**	**£784,171**	**£799,854**	**£815,852**	**£832,169**	**£848,812**
NOI (before rent payment)					**£3,505,480**	**£4,990,569**	**£5,945,561**	**£6,249,505**	**£6,374,495**	**£6,501,985**	**£6,632,025**	**£6,764,665**	**£6,899,958**	**£7,037,957**
Ground Rent as % of NOI (before rent payment)					**7.1%**	**9.3%**	**9.0%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**

Inflation	**2.00%**
Capitalisation Rate (MGR)	**2.75%**
Capitalisation Rate (TGR)	**5.75%**
Blended Cap. Rate (MGR & TGR)	**4.93%**
Acquisition Costs	**6.80%**

Minimum Ground Rent (MGR)	**£115,000**
Turnover Ground Rent (TGR)	**£638,721**
MGR Value	**£4,181,818**
TGR Value	**£11,108,186**
Total Ground Rent Value (MGR + TGR)	**£15,290,004**
Top-up Deduction	**£1,012,141**
Acquisition Costs	**£686,531**

Adjusted Total Ground Rent Value	**£13,591,000**

RESIDENTIAL

Net GIA (sqft)	**194267**
Residential Price (per sqft)	**£575.00**
% of value payable to the Authority	**8.00%**
Amount Payable to the Authority (per sqft)	**£46.00**

Total Payment to the Authority	**£8,936,000**

HOTEL + RESIDENTIAL

Total Value	**£22,527,000**

APPENDIX 2 – PREVIOUS SCHEME (342 HOTEL ROOMS + RESIDENTIAL)

HOTEL

P&L Summary	Construction Phase				Operational Phase									
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Anticipated Annual Revenue					£10,838,168	£15,433,618	£18,248,619	£19,945,588	£20,384,991	£21,936,126	£22,594,209	£23,272,036	£23,970,197	£24,689,303
Annual Base Ground Rent (MGR)	£100	£100	£100	£100	£115,000	£115,000	£115,000	£115,000	£115,000	£126,969	£126,969	£126,969	£126,969	£126,969
Ground Rent - Turnover Surplus (TGR)	£0	£0	£0	£0	£101,763	£348,009	£432,459	£682,824	£700,400	£750,476	£776,799	£803,912	£831,839	£860,603
% Revenue					*2.0%*	*3.0%*	*3.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*
Total Ground Rent Offer					**£216,763**	**£463,009**	**£547,459**	**£797,824**	**£815,400**	**£877,445**	**£903,768**	**£930,881**	**£958,808**	**£987,572**
NOI (before rent payment)					**£3,225,589**	**£5,240,459**	**£6,483,166**	**£7,214,229**	**£7,371,794**	**£7,519,230**	**£7,669,615**	**£7,823,007**	**£7,979,467**	**£8,139,057**
Ground Rent as % of NOI (before rent payment)					**6.7%**	**8.8%**	**8.4%**	**11.1%**	**11.1%**	**11.7%**	**11.8%**	**11.9%**	**12.0%**	**12.1%**

Inflation	**2.00%**
Capitalisation Rate (MGR)	**2.75%**
Capitalisation Rate (TGR)	**5.75%**
Blended Cap. Rate (MGR & TGR)	**4.97%**
Acquisition Costs	**6.80%**

Minimum Ground Rent (MGR)	**£115,000**
Turnover Ground Rent (TGR)	**£682,824**
MGR Value	**£4,181,818**
TGR Value	**£11,875,192**
Total Ground Rent Value (MGR + TGR)	**£16,057,010**
Top-up Deduction	**£1,166,240**
Acquisition Costs	**£728,209**

Adjusted Total Ground Rent Value	**£14,163,000**

RESIDENTIAL

Net GIA (sqft)	**198,671**
Residential Price (per sqft)	**£382**
% of value payable to the Authority	**8.00%**
Amount Payable to the Authority (per sqft)	**£30.56**

Total Payment to the Authority	**£6,071,000**

HOTEL + RESIDENTIAL

Total Value	**£20,234,000**

APPENDIX 3 - “PREVIOUS” REVISED SCHEME CASHFLOW

HOTEL P&L FORECAST – 10 YRS

Staines Hotel

Year:	1		2		3		4		5	
Number of Rooms:	206		206		206		206		206	
Occupied Rooms:	50,133		57,616		62,853		65,848		65,848	
Occupancy:	67.00		77.00		84.00		88.00		88.00	
Average Rate:	130.00	% of	140.00	% of	144.20	% of	147.08	% of	150.03	% of
RevPar	87.10	Gross	107.80	Gross	121.13	Gross	129.43	Gross	132.02	Gross
REVENUE										
Rooms	6,517,258	59.7 %	8,066,135	59.5 %	9,063,403	58.6 %	9,684,893	58.9 %	9,878,591	58.8 %
Outlet F&B Revenue	2,005,310	18.4	2,396,794	17.7	2,693,125	17.4	2,877,797	17.5	2,935,353	17.5
M&E F&B Revenue	1,000,000	9.2	1,300,000	9.6	1,560,000	10.1	1,622,400	9.9	1,671,072	9.9
Conference Room Hire & Other	900,000	8.2	1,170,000	8.6	1,404,000	9.1	1,460,160	8.9	1,503,965	8.9
Spa & Gym Revenue	250,000	2.3	337,500	2.5	421,875	2.7	434,531	2.6	447,567	2.7
Miscellaneous Income	250,664	2.3	296,719	2.2	333,404	2.2	359,759	2.2	370,551	2.2
Total	10,923,231	100.0	13,567,148	100.0	15,475,807	100.0	16,439,540	100.0	16,807,099	100.0
DEPARTMENTAL EXPENSES										
Rooms	1,153,053	17.7	1,351,654	16.8	1,504,022	16.6	1,607,155	16.6	1,639,298	16.6
Outlet F&B	1,303,452	65.0	1,462,045	61.0	1,615,875	60.0	1,726,678	60.0	1,761,212	60.0
M&E F&B	550,000	55.0	650,000	50.0	780,000	50.0	811,200	50.0	835,536	50.0
Conference Room Hire & Other	270,000	30.0	339,300	29.0	407,160	29.0	423,446	29.0	436,150	29.0
Spa	172,500	69.0	229,500	68.0	282,656	67.0	286,791	66.0	295,394	66.0
Miscellaneous Income	62,666	25.0	74,180	25.0	83,351	25.0	89,940	25.0	92,638	25.0
Total	3,449,005	31.6	4,032,498	29.7	4,589,713	29.7	4,855,270	29.5	4,967,590	29.6
DEPARTMENTAL INCOME	7,474,227	68.4	9,534,650	70.3	10,886,093	70.3	11,584,270	70.5	11,839,509	70.4
OPERATING EXPENSES										
Administrative & General	546,162	5.0	678,357	5.0	619,032	4.0	657,582	4.0	672,284	4.0
Sales & Marketing	655,394	6.0	542,686	4.0	464,274	3.0	493,186	3.0	504,213	3.0
Franchise related royalty and marketing fees	391,035	6.0	564,629	7.0	725,072	8.0	774,791	8.0	790,287	8.0
Brand Loyalty fees	163,848	1.5	203,507	1.5	232,137	1.5	246,593	1.5	252,106	1.5
Property Operations & Maintenance	300,797	2.8	352,605	2.6	392,354	2.5	419,258	2.6	427,643	2.5
Energy	651,726	6.0	763,978	5.6	850,099	5.5	908,392	5.5	926,560	5.5
Total	2,708,962	24.8	3,105,764	22.9	3,282,969	21.2	3,499,802	21.3	3,573,093	21.3
GROSS OPERATING PROFIT	4,765,265	43.6	6,428,886	47.4	7,603,124	49.1	8,084,468	49.2	8,266,416	49.2
FIXED EXPENSES										
Property Taxes	695,810	6.4	864,227	6.4	985,809	6.4	1,047,199	6.4	1,070,612	6.4
Building Insurance	150,000	1.4	154,500	1.1	159,135	1.0	163,909	1.0	168,826	1.0
Management Fees - Variable	456,728	4.2	592,787	5.4	689,672	6.3	733,014	6.7	749,463	6.9
Reserve for Replacement	195,518	3.0	241,984	3.0	271,902	3.0	290,547	3.0	296,358	3.0
Total	1,498,055	13.7	1,853,499	13.7	2,106,518	13.6	2,234,669	13.6	2,285,259	13.6
NET INCOME	3,267,209	29.9 %	4,575,387	33.7 %	5,496,606	35.5 %	5,849,799	35.6 %	5,981,157	35.6 %
EBITDAR (exc management fees)	3,723,937		5,168,175		6,186,279		6,582,813		6,730,619	
Rent										
Rent Turnover	218,465	2	407,014	3	464,274	3	657,582	4	672,284	4
subject to										
Minimum Guaranteed Rent (MGR)	115,000		115,000		115,000		115,000		115,000	
Actual Rent	218,465		407,014		464,274		657,582		672,284	
EBITDA (exc management fees)	3,505,473		4,761,160		5,722,004		5,925,231		6,058,335	

Year:	6		7		8		9		10	
Number of Rooms:	206		206		206		206		206	
Occupied Rooms:	65,848		65,848		65,848		65,848		65,848	
Occupancy:	88.00		88.00		88.00		88.00		88.00	
Average Rate:	153.03	% of	156.09	% of	159.21	% of	162.39	% of	165.64	% of
RevPar	134.66	Gross	137.36	Gross	140.10	Gross	142.91	Gross	145.76	Gross
REVENUE										
Rooms	10,076,163	58.6 %	10,277,686	58.5 %	10,483,240	58.4 %	10,692,905	58.2 %	10,906,763	58.1 %
Outlet F&B Revenue	2,994,060	17.4	3,053,941	17.4	3,115,020	17.3	3,177,320	17.3	3,240,867	17.3
M&E F&B Revenue	1,721,204	10.0	1,772,840	10.1	1,826,025	10.2	1,880,806	10.2	1,937,230	10.3
Conference Room Hire & Other	1,549,084	9.0	1,595,556	9.1	1,643,423	9.1	1,692,726	9.2	1,743,507	9.3
Spa & Gym Revenue	460,994	2.7	474,824	2.7	489,069	2.7	503,741	2.7	518,853	2.8
Miscellaneous Income	381,668	2.2	393,118	2.2	404,911	2.3	417,059	2.3	429,570	2.3
Total	17,183,172	100.0	17,567,965	100.0	17,961,688	100.0	18,364,556	100.0	18,776,791	100.0
DEPARTMENTAL EXPENSES										
Rooms	1,672,084	16.6	1,705,526	16.6	1,739,636	16.6	1,774,429	16.6	1,809,918	16.6
Outlet F&B	1,796,436	60.0	1,832,365	60.0	1,869,012	60.0	1,906,392	60.0	1,944,520	60.0
M&E F&B	860,602	50.0	886,420	50.0	913,013	50.0	940,403	50.0	968,615	50.0
Conference Room Hire & Other	449,234	29.0	462,711	29.0	476,593	29.0	490,890	29.0	505,617	29.0
Spa	304,256	66.0	313,384	66.0	322,785	66.0	332,469	66.0	342,443	66.0
Miscellaneous Income	95,417	25.0	98,279	25.0	101,228	25.0	104,265	25.0	107,393	25.0
Total	5,082,612	29.6	5,200,406	29.6	5,321,039	29.6	5,444,584	29.6	5,571,113	29.7
DEPARTMENTAL INCOME	12,100,560	70.4	12,367,560	70.4	12,640,649	70.4	12,919,973	70.4	13,205,678	70.3
OPERATING EXPENSES										
Administrative & General	687,327	4.0	702,719	4.0	718,468	4.0	734,582	4.0	751,072	4.0
Sales & Marketing	515,495	3.0	527,039	3.0	538,851	3.0	550,937	3.0	563,304	3.0
Franchise related royalty and marketing fees	806,093	8.0	822,215	8.0	838,659	8.0	855,432	8.0	872,541	8.0
Brand Loyalty fees	257,748	1.5	263,519	1.5	269,425	1.5	275,468	1.5	281,652	1.5
Property Operations & Maintenance	436,196	2.5	444,920	2.5	453,818	2.5	462,895	2.5	472,152	2.5
Energy	945,091	5.5	963,993	5.5	983,273	5.5	1,002,938	5.5	1,022,997	5.4
Total	3,647,949	21.2	3,724,404	21.2	3,802,493	21.2	3,882,252	21.1	3,963,717	21.1
GROSS OPERATING PROFIT	8,452,611	49.2	8,643,155	49.2	8,838,156	49.2	9,037,720	49.2	9,241,960	49.2
FIXED EXPENSES										
Property Taxes	1,094,568	6.4	1,119,079	6.4	1,144,160	6.4	1,169,822	6.4	1,196,082	6.4
Building Insurance	173,891	1.0	179,108	1.0	184,481	1.0	190,016	1.0	195,716	1.0
Management Fees - Variable	766,294	7.0	783,517	7.2	801,142	7.3	819,177	7.5	837,634	7.7
Reserve for Replacement	302,285	3.0	308,331	3.0	314,497	3.0	320,787	3.0	327,203	3.0
Total	2,337,038	13.6	2,390,035	13.6	2,444,279	13.6	2,499,802	13.6	2,556,634	13.6
NET INCOME	6,115,573	35.6 %	6,253,120	35.6 %	6,393,876	35.6 %	6,537,918	35.6 %	6,685,326	35.6 %
EBITDAR (exc management fees)	6,881,866		7,036,638		7,195,018		7,357,095		7,522,960	
Rent										
Rent Turnover	687,327	4	702,719	4	718,468	4	734,582	4	751,072	4
subject to										
Minimum Guaranteed Rent (MGR)	115,000		115,000		115,000		115,000		115,000	
Actual Rent	687,327		702,719		718,468		734,582		751,072	
EBITDA (exc management fees)	6,194,540		6,333,919		6,476,550		6,622,513		6,771,888	

Key Assumptions:

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APPENDIX 4 – STR TREND REPORT

Name of Establishment	City	Class	Rooms
Brooklands Hotel	Weybridge	Upper Upscale Class	131
Oatlands Park Hotel	Weybridge	Upscale Class	119
Hilton London Heathrow Airport Terminal 5	Slough	Upper Upscale Class	350
The Runnymede on Thames	Egham	Upper Upscale Class	180

Occupancy (%)

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2014	53.2	58.4	68.3	67.8	73.0	84.1	81.8	73.7	82.4	76.5	72.7	62.5	71.2	55.7
2015	60.0	64.7	69.5	63.5	73.7	83.5	83.1	74.7	84.7	80.3	71.1	60.8	72.5	62.2
2016	55.6	63.3	63.2	69.8	76.0	83.8	84.6	68.2	83.7	72.7	70.3	60.8	71.0	59.3
2017	53.8	64.7	66.6	63.5	75.9	80.5	79.7	65.6	79.1	73.9	70.3	56.3	69.2	59.0
2018	55.9	65.0	67.0	65.8	75.3	82.7	87.0	69.8	78.1	73.4	67.3	57.9	70.4	60.2
2019	55.2	62.9	59.4	56.3	75.0	81.7	82.5	67.2	76.9	69.0	66.3	54.6	67.3	58.9
2020	51.7	58.5	18.2											54.9
2021										49.1	47.0	35.4		
2022	28.7	49.8												38.7
Avg	51.8	61.0	58.9	64.5	74.8	82.7	83.1	69.9	80.8	70.8	66.5	55.6	70.3	56.2

ADR (GBP)

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2014	110.05	121.88	112.17	105.70	114.34	121.70	112.47	93.77	118.91	117.57	119.17	106.95	113.00	115.94
2015	112.59	110.46	113.46	113.32	110.59	118.69	106.30	90.94	119.85	113.15	114.31	98.79	110.37	111.54
2016	118.43	117.03	109.73	110.63	109.78	120.81	110.04	92.47	115.59	108.63	116.55	102.16	111.06	117.72
2017	114.82	120.17	120.17	105.54	112.35	121.00	110.20	95.98	116.35	117.01	119.84	104.34	113.37	117.61
2018	111.68	114.19	120.63	108.75	114.36	121.14	117.49	93.16	121.89	119.95	120.54	106.41	114.55	112.97
2019	118.14	120.40	112.61	109.80	109.04	120.70	109.33	92.89	119.83	118.15	113.92	107.93	112.76	119.29
2020	115.49	112.07	119.22											113.76
2021										114.43	111.34	101.18		
2022	84.73	99.83												93.95
Avg	112.45	114.91	115.06	108.94	111.73	120.67	111.02	93.16	118.71	115.58	116.80	104.08	112.50	113.72

RevPAR (GBP)

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2014	58.58	71.15	76.64	71.67	83.47	102.33	91.95	69.11	97.94	89.96	86.61	66.89	80.50	64.55
2015	67.59	71.45	78.88	71.97	81.54	99.06	88.39	67.89	101.55	90.87	81.23	60.10	80.04	69.42
2016	65.88	74.10	69.38	77.18	83.39	101.27	93.11	63.09	96.72	78.99	81.89	62.16	78.86	69.78
2017	61.73	77.80	80.03	67.07	85.27	97.46	87.82	62.99	92.05	86.49	84.19	58.80	78.41	69.35
2018	62.45	74.23	80.77	71.55	86.13	100.15	102.17	65.02	95.14	88.08	81.06	61.62	80.68	68.04
2019	65.20	75.74	66.94	61.87	81.83	98.65	90.17	62.44	92.14	81.58	75.56	58.92	75.86	70.20
2020	59.65	65.60	21.73											62.47
2021										56.15	52.38	35.77		
2022	24.31	49.67												36.34
Avg	58.29	70.04	67.75	70.22	83.60	99.81	92.27	65.08	95.92	81.83	77.65	57.83	79.05	63.87

APPENDIX 4 – STR TREND REPORT

Supply

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2014	24,614	22,232	24,614	23,820	24,614	23,820	24,614	24,614	23,820	24,614	23,820	24,614	289,810	46,846
2015	24,614	22,232	24,955	24,150	24,955	24,150	24,955	24,955	24,150	24,955	24,150	24,955	293,176	46,846
2016	24,955	22,540	24,955	24,150	24,955	24,150	24,955	24,955	24,150	24,955	24,150	24,955	293,825	47,495
2017	24,955	22,540	24,955	24,150	24,955	24,150	24,955	24,955	24,150	24,955	24,150	24,955	293,825	47,495
2018	24,955	22,540	24,955	24,150	24,955	24,150	24,955	24,955	24,150	24,955	24,150	24,955	293,825	47,495
2019	24,955	22,540	24,955	24,150	24,955	24,150	24,955	24,955	24,150	24,955	24,150	24,955	293,825	47,495
2020	24,955	22,540	24,955											47,495
2021										24,180	23,400	24,180		
2022	24,180	21,840												46,020
Avg	24,773	22,376	24,906	24,095	24,898	24,095	24,898	24,898	24,095	24,796	23,996	24,796	293,048	47,148

Demand

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2014	13,103	12,978	16,817	16,151	17,969	20,028	20,123	18,140	19,618	18,835	17,311	15,394	206,467	26,081
2015	14,775	14,380	17,348	15,338	18,398	20,156	20,750	18,630	20,462	20,042	17,160	15,183	212,622	29,155
2016	13,882	14,271	15,778	16,849	18,957	20,244	21,116	17,026	20,207	18,145	16,967	15,185	208,627	28,153
2017	13,415	14,593	16,619	15,347	18,940	19,451	19,887	16,378	19,106	18,446	16,966	14,062	203,210	28,008
2018	13,954	14,652	16,709	15,889	18,793	19,965	21,702	17,419	18,850	18,325	16,241	14,452	206,951	28,606
2019	13,771	14,180	14,835	13,608	18,728	19,738	20,581	16,776	18,570	17,231	16,018	13,623	197,659	27,951
2020	12,890	13,193	4,548											26,083
2021										11,864	11,008	8,548		
2022	6,936	10,867												17,803
Avg	12,841	13,639	14,665	15,530	18,631	19,930	20,693	17,395	19,469	17,555	15,953	13,778	205,923	26,480

Revenue (GBP)

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2014	1,441,981	1,581,740	1,886,386	1,707,175	2,054,561	2,437,426	2,263,283	1,701,003	2,332,851	2,214,390	2,062,955	1,646,431	23,330,182	3,023,721
2015	1,663,584	1,588,451	1,968,371	1,738,163	2,034,721	2,392,288	2,205,774	1,694,143	2,452,435	2,267,679	1,961,632	1,499,860	23,467,100	3,252,035
2016	1,644,068	1,670,156	1,731,319	1,863,956	2,081,042	2,445,723	2,323,563	1,574,454	2,335,778	1,971,124	1,977,528	1,551,231	23,169,942	3,314,225
2017	1,540,357	1,753,627	1,997,057	1,619,692	2,127,914	2,353,541	2,191,510	1,571,913	2,223,052	2,158,288	2,033,256	1,467,287	23,037,493	3,293,983
2018	1,558,403	1,673,153	2,015,668	1,727,967	2,149,253	2,418,611	2,549,757	1,622,678	2,297,623	2,198,092	1,957,639	1,537,846	23,706,690	3,231,556
2019	1,626,968	1,707,282	1,670,533	1,494,133	2,042,023	2,382,351	2,250,187	1,558,310	2,225,279	2,035,928	1,824,784	1,470,369	22,288,148	3,334,250
2020	1,488,685	1,478,550	542,233											2,967,235
2021										1,357,637	1,225,621	864,888		
2022	587,695	1,084,823												1,672,518
Avg	1,443,968	1,567,223	1,687,367	1,691,848	2,081,586	2,404,990	2,297,346	1,620,417	2,311,170	2,029,020	1,863,345	1,433,988	23,166,592	3,011,190

APPENDIX 4 – STR TREND REPORT

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Occupancy (%)

	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 21								
Apr - 21								
May - 21								
Jun - 21								
Jul - 21								
Aug - 21								
Sep - 21								
Oct - 21	38.4	39.4	45.8	54.7	49.7	52.3	61.8	49.1
Nov - 21	38.2	44.0	44.9	41.7	44.1	53.6	64.3	47.0
Dec - 21	34.5	29.2	26.8	34.6	30.6	41.3	50.3	35.4
Jan - 22	25.9	24.8	24.0	23.6	28.3	33.7	39.5	28.7
Feb - 22	44.8	45.9	47.0	45.5	40.2	54.8	70.0	49.8
Total Year								

Three Year Occupancy (%)

	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total Year
Mar 19 - Feb 20	67.7	80.2	78.9	63.0	57.9	71.2	47.7	66.6
Mar 20 - Feb 21								
Mar 21 - Feb 22								
Total 3 Yr								

ADR

	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 21								
Apr - 21								
May - 21								
Jun - 21								
Jul - 21								
Aug - 21								
Sep - 21								
Oct - 21	96.04	115.60	122.78	125.83	117.12	108.29	115.72	114.43
Nov - 21	95.07	115.55	114.53	116.66	109.88	106.78	115.98	111.34
Dec - 21	86.59	94.86	95.49	104.82	103.39	106.86	107.23	101.18
Jan - 22	71.21	80.70	80.95	83.23	87.07	84.75	97.33	84.73
Feb - 22	88.44	101.90	100.77	99.21	99.35	96.31	108.56	99.83
Total Year								

Three Year ADR

	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total Year
Mar 19 - Feb 20	119.68	125.72	126.66	122.25	91.96	92.97	93.62	111.96
Mar 20 - Feb 21								
Mar 21 - Feb 22								
Total 3 Yr								

RevPAR

	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 21								
Apr - 21								
May - 21								
Jun - 21								
Jul - 21								
Aug - 21								
Sep - 21								
Oct - 21	36.89	45.54	56.23	68.85	58.22	56.61	71.54	56.15
Nov - 21	36.34	50.80	51.37	48.61	48.41	57.22	74.52	52.38
Dec - 21	29.85	27.72	25.58	36.25	31.65	44.16	53.98	35.77
Jan - 22	18.42	20.01	19.43	19.66	24.67	28.55	38.41	24.31
Feb - 22	39.65	46.80	47.32	45.18	39.93	52.78	76.03	49.67
Total Year								

Three Year RevPAR

	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total Year
Mar 19 - Feb 20	80.98	100.82	99.90	77.02	53.22	66.24	44.64	74.61
Mar 20 - Feb 21								
Mar 21 - Feb 22								
Total 3 Yr								

APPENDIX 5 - GLOSSARY

Best Available Rate (BAR)	A base room rate used to price all other segments' rates and benchmark against competition.
Online Travel Agent (OTA)	Internet based hotel and reservation systems which sell hotel rooms in exchange of commissions.
Free Independent Travel (FIT)	Individual or group of less than 10 individuals travelling independently with self-booked itinerary.
Day Delegate Rate (DDR)	Fixed rate per delegate including most of the items required for a meeting or event. Typically, excludes room night(s).
24h Delegate Rate	Inclusive 24h fixed rate per delegate including room night(s) and meals for a meeting or event.
Occupancy (%)	The number of rooms sold divided by the total number of rooms available throughout a given period. Generally expressed as a percentage.
Average Room Rate (ARR) or Average Daily Rate (ADR)	The average price a room is sold for during a given period, calculated by dividing rooms revenue by the number of rooms sold over the period.
Revenue per Available Room (RevPAR)	Rooms revenue earned per room over a period calculated by dividing the rooms revenue by the number of rooms available in the given period.
Average Rate Index (ARI)	ADR performance metric. Average Rate Index measures the average room rate performance of one hotel against the average room rate set of the competitive hotels. It is calculated by dividing the average room rate of the hotel by the average room rate of the set hotels. If the ARI of a hotel is 1.05, it is performing 5% better than the average for the set of hotels.
Fair Market Share (FMS)	Fair Market Share is the number of rooms at a particular hotel divided by the total number of rooms in a set of competitive hotels.
Market Penetration index (MPI)	Occupancy performance metric. Measures the occupancy performance of a hotel against the average occupancy of the competitive hotels. It is calculated with the same method as for Average Index Rate.

APPENDIX 5 - GLOSSARY

Revenue Generation Index (RGI)	The product of the ARI and MPI. Measures the Revenue per Available Room (RevPAR) performance of a hotel against the competitive hotels. It can also be calculated with the same method used for ARI and MPI using RevPAR performance.
Rooms Revenue	The total sales generated through the rental of accommodation to guests and includes revenue through cancellations and no shows but deducts any payments for compensation.
Transient Rooms Revenue	Revenue derived from rental of rooms/suites by individuals and groups occupying fewer than 10 rooms per night. It also includes permanent residence, with or without a contract.
Group Rooms Revenue	Revenue derived from renting blocks of rooms/suites to a group (10 or more rooms per night sold pursuant to a contract). Group rooms revenue is generally segregated by market segments and include corporate, association/convention, government, tour/wholesalers and SMERF (Social, Military, Educational, Religious, Fraternal).
Contract Rooms Revenue	Revenue derived from a contract with another entity for a consistent block of rooms for an extended period over 30 days. Examples include domiciled airline crews, ongoing corporate training seminars, incentive-based benefit programs.
Other Rooms Revenue	Miscellaneous revenue associated with guestrooms and included in the ADR calculation. Items include no-shows, day use, early departure fees, late check-out fees, rental of rollaway beds, service charge, etc.
Food & Beverage (F&B) Revenue	The total revenue derived from the sale of food and beverages for consumption to customers.
Room Hire Revenue	The total sales generated from the hire of meeting room accommodation as well as equipment and cover charges.
Minor Operated Departments Revenue (MOD)	The total sales generated from laundry, spa, business centre, limousine, and other miscellaneous services provided by the hotel.
Departmental Expenses	There are three categories of departmental expenses (Rooms, Food & Beverage, MOD), each of which relates to an operated department revenue category. Departmental expenses are generally expressed as a percentage of the corresponding revenue dollar amount.
Total Revenue	The total sales generated from a business from all operating departments net of sales tax.

APPENDIX 5 - GLOSSARY

Gross Operating Income (GOI)	Total Revenue less Total Departmental Expenses.
Undistributed Expenses	Undistributed Expenses are those expenses that are considered applicable to the entire property and are not able to be appropriately split between the operating departments. Undistributed expenses comprise Administrative & General, Systems Costs, Sales & Marketing, Heat, Light & Power and Repairs & Maintenance.
Administrative & General	Costs associated with management, accounting, human resources, security, purchasing and receiving as well as the payroll associated with administrative and general employees.
Sales & Marketing	Costs associated with advertising, centralised and brand advertising costs and payroll for sales and marketing employees.
Repairs & Maintenance	Repairs & Maintenance expenses include the costs associated with the payroll, materials and third-party costs associated with maintaining the property and contents at an operational standard.
Heat, Light & Power	Costs associated with the purchase of electricity, gas, oil, steam, water, other fuels and utility taxes.
Gross Operating Profit (GOP)	Total Departmental Income less Undistributed Expenses.
Fixed Charges	Fixed charges include Property Tax, Insurance, Management Fees, Other non-operating expenses, FF&E Reserve and Rent.
Property Tax	Property Tax is all taxes assessed against the real property by the government.
Insurance	Insurance is the cost of insuring the property’s building and contents, liability insurance and business interruption premiums.
Management Fees	The costs incurred in appointing a management company to operate the property as a whole. The fees are typically split between a base fee calculated by reference to revenue and an incentive fee calculated by reference to Gross Operating Profit (GOP) or Adjusted Gross Operating Profit (AGOP).

APPENDIX 5 - GLOSSARY

Adjusted Gross Operating Profit (AGOP)	Gross operating profit of a hotel after the deduction of the base management fee.
Systems Costs	Fees levied by the brand or management to connect the property to the wider distribution network.
Furniture, Fixtures & Equipment (FF&E) Reserve	A sinking fund set aside for cyclical refurbishment to the hotels and replacement of fixture fittings and equipment.
Net Operating Profit (NOP)	Net Operating Profit is calculated as the Gross Operating Profit less Fixed Charges.
Per Occupied Room (POR)	A metric indicating the amount of a revenue or expense per each occupied room
Per Available Room (PAR)	A metric indicating the amount of a revenue or expense per each available room

APPENDIX 6 – EXTRACT FROM ARORA REVISED SCHEME

ARTISTS IMPRESSIONS

APPENDIX 6 – EXTRACT FROM ARORA REVISED SCHEME

ARTISTS IMPRESSIONS

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APPENDIX 6 – EXTRACT FROM ARORA REVISED SCHEME

ARTISTS IMPRESSIONS

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ARTISTS IMPRESSIONS

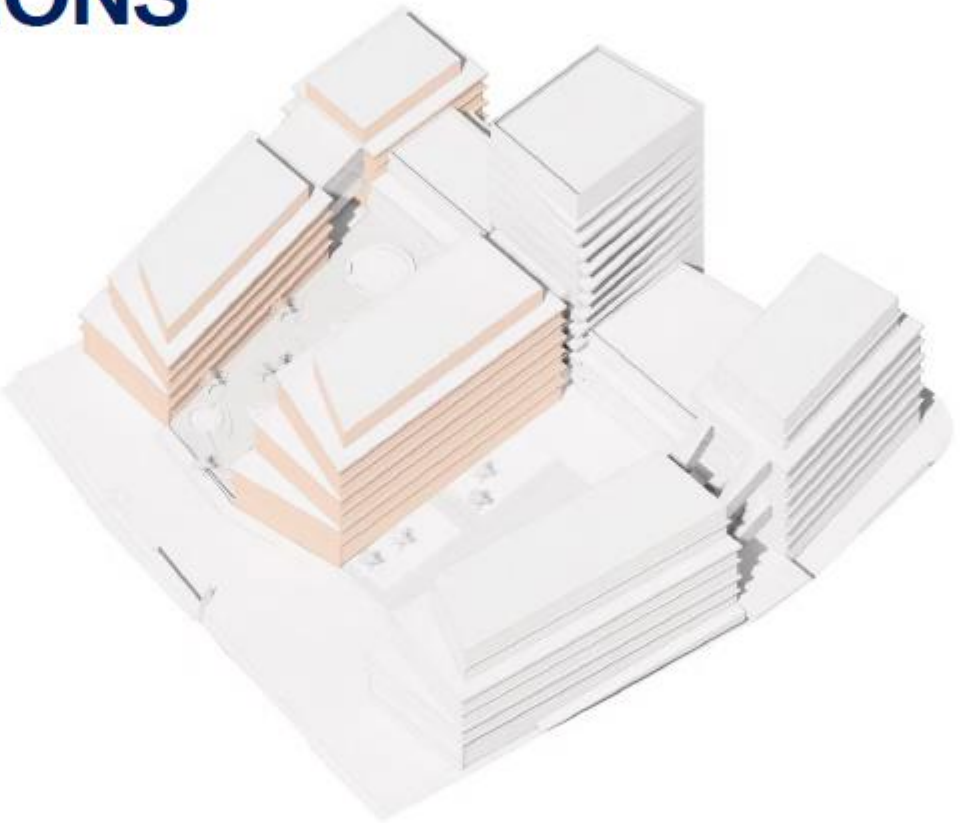
APPENDIX 6 – EXTRACT FROM ARORA REVISED SCHEME

MATERIALITY

FAÇADE CONDITIONS

Condition 01

- Residential appearance
- Terraced balconies
- Glass upper storey



APPENDIX 6 – EXTRACT FROM ARORA REVISED SCHEME

MATERIALITY

FAÇADE CONDITIONS

Condition 02

- Residential appearance
- Terraced balconies

APPENDIX 6 – EXTRACT FROM ARORA REVISED SCHEME

MATERIALITY

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APPENDIX 6 – EXTRACT FROM ARORA REVISED SCHEME

MATERIALITY

APPENDIX 6 – EXTRACT FROM ARORA REVISED SCHEME

SUSTAINABILITY

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SUSTAINABILITY

SCOTT BROWNRIGG HAVE TAKEN THE RIBA'S GUIDANCE TO ACHIEVE THEIR 2030 CARBON GOALS AND DEVELOPED 7 KEY PRINCIPLES TO ASSESS AT ALL STAGES OF THE DESIGN PROCESS

ENERGY STRATEGY AND PERFORMANCE

- Fabric first strategy targeting low u-values and air permeability;
- Electric heating strategy, air source heat pumps with no on site combustion; Individual Exhaust air heat pumps (EAHP) per unit, minimum operational energy at 1.3KW per unit.
- Roof based photovoltaic arrays;
- Low energy light fittings, high levels of internal temperature control and low water consumption fittings;
- Target 35% reduction on Part L on site;

EMBODIED CARBON

- Target responsible sourcing certification and local procurement of materials;
- Reducing demand for high carbon embodied materials with alternatives;
- Focus on lean design strategy to reduce material quantities;
- Embodied carbon analysis and whole life carbon appraisal;

ECOLOGY

- Protection and enhancement of biodiversity;;
- Landscaping - target net gain in biodiversity, providing mix of native species;
- Biodiverse green roofs;

CIRCULAR ECONOMY

- Considering building in layers, allows not only for future demolition, but also repairs;
- Open plan layouts to improve flexibility of changes to future living standards;
- Centralised dwelling level waste storage for recyclable and non-recyclable waste;
- Site waste management plan to be developed;
- Over 80% of construction waste to be diverted from landfill;

TRANSPORT

- Electrical charging points provided for 10% of parking spaces, with the possibility to transform standard bays in the future.
- Cycle parking is provided with ground floor access;
- Cargo cycle bays are provided to add flexibility for larger bicycle types;

ADAPTABILITY AND RESILIENCE

- Sizing windows to maximise the heat gain in winter and minimise solar gain in summer, while providing for good levels of internal daylight.
- Mechanical ventilation with heat recovery to improve energy performance;
- Priority to be given to passive control measures to reduce overheating risk, such as recessed windows, external shading, balcony overhangs;
- Consideration will be given to the use of rainwater and grey water recycling;

HEALTH AND WELLBEING

- Communal amenity provided for residents and access to nature to provide health and wellbeing benefits;
- Accessibility is considered through the design of the masterplan in the landscaping, parking and residential dwellings.
- 10% of dwellings to be wheelchair user dwellings in line with planning policy;
- Ensuring adequate provisions for natural daylight and ventilation;
- Outdoor natural children's playspace;
- Deliver spaces that are thermally and acoustically comfortable;

APPENDIX 6 – EXTRACT FROM ARORA REVISED SCHEME

SUSTAINABILITY

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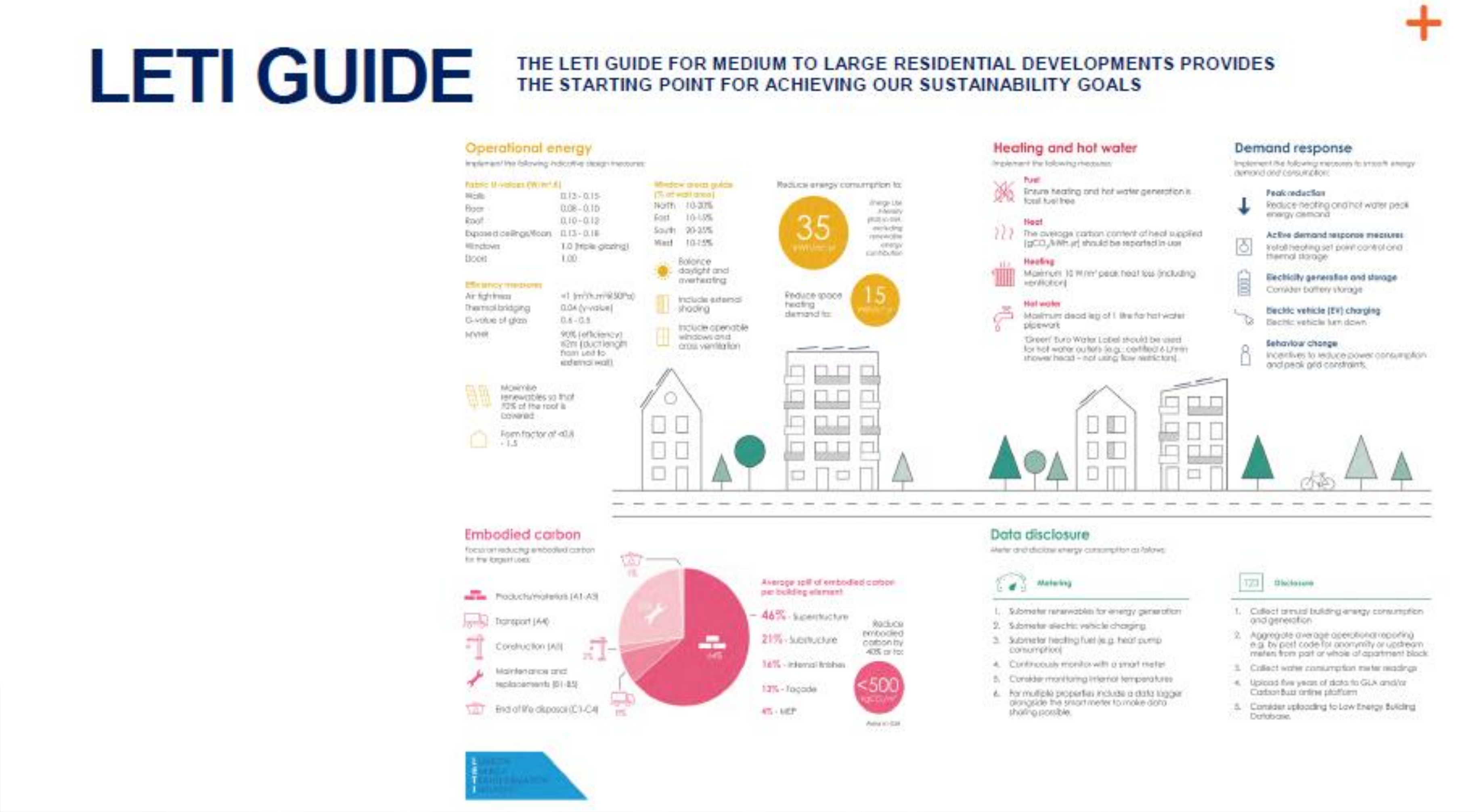

DISCLAIMER

Please note that this is an indicative overview provided for guidance only and no financial decision should be based upon it. It is not intended to be and must not be relied upon as a substitute for the valuation conclusions that would be reached by C&W following a valuation commissioned and carried out on C&W's standard terms and conditions. Such conclusions may well be materially different.

We have not undertaken full verification or research. The opinions detailed above are totally dependent on the adequacy and accuracy of the information supplied and the assumptions made. It should be noted that should these prove to be incorrect, the accuracy of this opinion will be affected.

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If any circumstances surrounding this property change between the issue of this report and the completion of the development, we must be advised of such a change as soon as possible so we can reconsider our opinion.

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SPELTHORNE BOROUGH COUNCIL

CUSHMAN & WAKEFIELD