

## Croydon Park Hotel Option Analysis

Following the surrender of the lease by the administrators KPMG the Council undertook some soft market testing and asked for expressions of interest from a variety of organisations who had been in contact with the Council. This was not a full marketing exercise but there were sufficient interested parties to give a good indication as to the likely viability /desirability of the main alternatives being considered. Expressions of interest were received from 10 parties and in addition 9 student accommodation providers were contacted to assess interest from this sector.

The Council have also undertaken a detailed analysis as to the suitability of retaining the asset for temporary housing use.

This has subsequently been supported by discussions with specialist hotel consultants at KPMG and two of the main property consultancies (Savills and CBRE) together with a number of specialist asset management companies to fully understand the current and predicted short to medium term market view.

The table below summarises the outcome of these expressions of interest and advice obtained

Option	Details
Disposal As a Hotel	Two offers were received within this sector but only one from a credible operator from a medium sized chain. The proposal required a long term commitment (25 years) with no income received for an initial 2-3 year period dependant on maintenance works required following the hotel shut down. The rental level offered was at a significantly lower level due to the subdued market demand. This would have the effect of reducing the capital value significantly as well as not providing any income in the short term.
Student Accommodation	Over 15 student accommodation providers in and around London were contacted but there was very limited interest with most either not responding or stating that they were not looking to increase supply. One major London University was interested in taking on the asset but following inspection and a high level costing exercise required a 5 year rent free period plus similar period for rates relief and there after offered a much lower rental. The only other party to respond positively was only interested in taking one initial floor.
Housing	Several of the more speculative offers looked at short term housing options. The only viable option was linked to a letting to the Home Office for use for asylum seekers. This was again at a much lower rental level and it was felt that such a use was likely to bring significant additional financial and social demands on the Council. This connected with the lower rental offer made this an unattractive option. Other residential offers only required part occupation.

	<p>The Council looked at the possibility of retaining the building for use as short term temporary accommodation and considerable work was undertaken to assess the required alterations and suitability. Whilst initially thought to offer a feasible and quick option, following these investigations it was apparent that considerable adaptation work was required to make the accommodation suitable (provision of kitchens, laundry, additional fire protection works, sprinklers and some internal separation work) which was estimated at over £1m and unlikely to make the accommodation available for 12 months. There were also some doubts regarding the ability to manage the facility from existing resources and, to be viable required a high level of occupancy at all times. Due to the cost, risks and operational issues this option was not progressed</p>
Speculative Offers	<p>The majority of offers centred around potential short term management of the space as basic hostel type accommodation/budget hotel rooms, in most cases for a management fee without guaranteed levels of income with a longer term requirement to become a development partner with the Council to redevelop the asset. Although this might provide some short term income, the selection of a development partner on this basis is unlikely to secure the best option in the longer term and therefore a more focused marketing approach using specialist agents would be more likely to maximise value</p>
Specialist Advice	<p>The two specialist consultancy firms approach have both reported that they consider that despite the current economic situation, the asset should attract interest from a broad range of capital sources including hoteliers, residential developers, High Net Worth individuals (both from the UK and abroad), private equity and institutional investors. These buyers will be motivated by the scale of the asset, the fact it is to be sold with Vacant Possession and the residential development factor that is rare in this area of Croydon.</p> <p>The recovery of demand (occupancy) and room rates will take a number of years to recover to pre-pandemic levels. While the cashflows that can be derived from hotels are going to be suppressed for a prolonged period, it is an attractive time to consider alternative uses.</p> <p>Given the location of the hotel, it clearly presents a significant opportunity for intensification of the large 1.54 acre site. Immediately surrounding schemes such as Altitude 25 and Pocket Living's Addiscombe Road scheme are developed to in excess of 20 storeys.</p>