

RED FLAG REPORT

23/25 Rue du Pont-Neuf, 75001 Paris, France

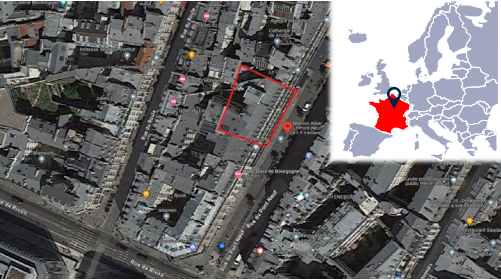


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SUMMARY OF PROPERTY

General information:

Property address: 23/25 Rue du Pont Neuf, 75001 Paris, FRANCE
Purpose of TDD: Red Flag TDD Report
Site visit date: 16 November 2023
Version - Report issue date: 01.12.2023



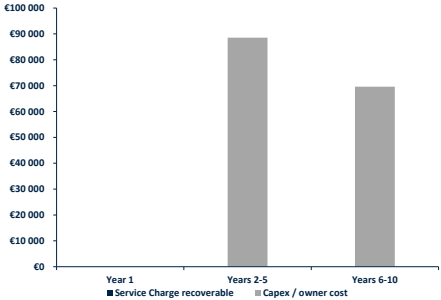
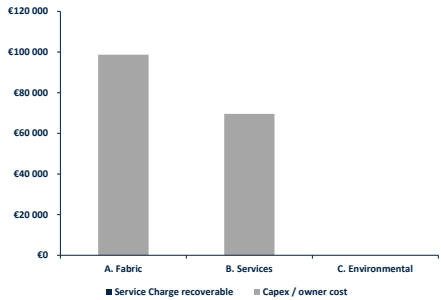
Property information:

Year of construction: Original construction around 1850-1914 (according to the BatParis website). Last renovation November 2016.
To be verified
Total surface area (m²): 2 basement levels, ground floor and 6 upper levels.
Number of levels: 60
Number of Keys: 2.8 m in reception, 2.42 m to corridors, 2.17-2.40 m to guestrooms and 2.23 m in spa / gym.
Storey height: 0.3 - 0.4 m (on-site measurement).
Ceiling void: Not assessed by Savills.
Floor loading: Reception hall, restaurant and courtyard at ground floor level and with spa and gym / fitness room in basement 1.
Front of house: Kitchen and offices at ground floor level, housekeeping office on each floor, laundry room and staff room at basement level
Back of house: Solid load-bearing masonry and steel with concrete floors reinforced with steel beams.
Structure: Pitched roof with zinc covering overthermal insulation; technical roof with built-up felt. Secure access to HVAC equipment on level 6 technical room with fixed ladder.
Roof: Typical Paris Haussmanian façades with ashlar stone masonry and painted wrought iron balconies.
Façades: Timber framed with double glazing.
Windows and external doors: Mechanical & Electrical services required for a hotel building including Heating, Cooling, Ventilation, and Sanitary & Storm drainage, electrical lighting & power, and low voltage systems.
MEP installations: Cold water supply from a main metered connection to the city utility water supply network.
Domestic water services: Dry risers with two outlet valves at each level, fire extinguishers throughout, automatic addressable fire alarm system with smoke detection and manual call stations next to fire exits, natural smoke extraction to staircases and mechanical smoke extraction systems in the spa / gym.
Fire protection systems:

Tenure / extent of demise

Centaurus (formaly Paris Inn) is the operator and owner of the hotel.
The hotel is operated under the Maison Albar brand, a 5-star luxury hotel brand.

Capex costs



Element	Service Charge recoverable	Capex / owner cost	Total
A. Fabric	€ 0	€ 98 670	€ 98 670
B. Services	€ 0	€ 69 575	€ 69 575
C. Environmental	€ 0	€ 0	€ 0
Total	€ 0	€ 168 245	

Year	Service Charge recoverable	Capex / owner cost	Total
Year 1	€ 0	€ 0	€ 0
Years 2-5	€ 0	€ 88 550	€ 88 550
Years 6-10	€ 0	€ 69 575	€ 69 575
Total	€ 0	€ 158 125	

CONCLUSIONS AND RECOMMENDATIONS

General condition

Overall the hotel is in satisfactory condition, typical with the age of construction. Full renovation was undertaken in 2016 to the building interiors and to the external envelope of the hotel.

The finishes fittings and services installations are in good condition.

The maintenance programme by the operator is appropriate. Limited capex costs were identified by the Savills team.

The mechanical and electrical services were all replaced in 2016 and remain in good condition. We do not anticipate any major owner life cycle capital expenditure pertaining to the mechanical & electrical installations for the next ten years.

Recommendations

From a TDD perspective, we see no reason why the proposed loan facility should not proceed. Key points to consider are:-

- The requirement to undertake façade painting and cleaning before 2026 as per the city of Paris regulation
- Investigate and fix the source of the water ingress in the spa
- Investigate and repair the cause of the mosaic tiles lifting in the swimming pool
- Implementation of BMS for BACS decree compliance

Overall risk rating

SUMMARY OF KEY OBSERVATIONS

Element	Key Consideration	Savills Comment	Risk Rating
A. Building Fabric			
General	Generally the hotel is in a good condition and interior presents well throughout, reflecting a good quality renovation in 2016. The quality and the condition of the components and materials correspond to what is expected of a 5-star hotel.	No risk to lender.	
Structure	The structure of the building is in good condition and no visible displacement, failure or damage was noted.	No risk to lender.	
Roof	The roof zinc covering is in good condition (renovated in 2016). We saw no evidence of leaks and water damage.	No risk to lender.	
Façades	The façades to the building (front and courtyard) appear in good condition. No major damage was noted.	Considering that the French Building and Housing Code "Code de la Construction et de l'Habitation" (CCH) in articles L. 126-2 and L. 126-3 requires façades of building in Paris are renovated every 10 years, we have allocated a cost for façade cleaning in the medium term.	
Façades - Flammability Risk	The hotel façades are made of solid masonry with internal thermal insulation so there is a low risk of flame spread as indicated in the Tristan Façade Fire Safety Risk Matrix.	No risk to lender.	
External Areas	The courtyard terrace with garden is well maintained and in a good condition.	No risk to lender.	
Internal Areas - Guestrooms	The finishes and fittings of the guestrooms are in a satisfactory condition. The interior is well maintained.	No risk to lender.	
Internal Areas - Amenities	The finishes and fittings of the hotel amenities are in a satisfactory condition. However, the following minor defects have been noted:- - The mosaic tiles in the swimming pool are lifting (re-occurring issue). There might be an issue with the compatibility with the waterproofing membrane. - Water ingress is visible on the skylight above the pool. The waterproofing needs to be checked.	We have included an allowance for conducting an investigation to locate the source of the tile issue and water ingress and undertake necessary repairs.	
Internal Areas - Reception Lobby	The finishes and fittings of the reception lobby are in a satisfactory condition. The interior is well maintained.	No risk to lender.	
Back of House Areas	The finishes of the back of house are in a satisfactory condition. However, we have noted that the epoxy coating to the floor is lifting in several areas.	We have added a cost to reapply an epoxy coating to the affected areas.	
B. Services Installations			
Cooling production	The district cooling substation was installed in 2016 as part of the building overall renovation project. The system remains in good condition.	No capex anticipated in the next 10 years.	
Heating Production	The district heating substation was installed in 2016 as part of the hotel renovation project. The infrastructure remains in good condition.	No capex anticipated in the next 10 years.	
Heating Production	During the Savills site visit, there was a leak in one of the duct of the district heating substation.	The leak in the hot water pipework should be repaired in the short term. Cost falls under the maintenance Opex budget. No capex is anticipated.	
Terminal treatment	The guest rooms and common areas terminal treatment (FCU's and AHU's) was installed in 2016 as part of the building overall renovation project. Installations are in good order.	No capex anticipated in the next 10 years.	
Plumbing services	The plumbing services including the guest rooms water supply and drainage installations were installed in 2016 as part of the hotel renovation project.	The building plumbing services are in good condition. No Capital expenditure is anticipated in the long term.	
Electrical lighting & Power	The building is fully provided with LED lighting. The electrical power distribution was installed in 2016 as part of the hotel renovation project. Systems present well.	No capex anticipated in the next 10 years.	
Low voltage systems	The electrical low voltage systems including access control, CCTV, intruder and telecommunication systems were installed in 2016 as part of the hotel renovation project. Systems present well in 2023.	No capex anticipated in the next 10 years.	
BMS	A Daikin control system was installed in 2016 as part of the building overall renovation project, providing control and monitoring of the VRF system (guest rooms temperature set-points & operation, and room lighting control). The system is in good order.	No capex anticipated in the next 10 years.	
BMS - BACS Decree	The asset is not equipped with a building management system (BMS). We recommend that a BMS is installed to comply with the Building Automation & Control Systems (BACS) decree.	Capex is provided in the long term for the installation of a BMS workstation, cabling and controls as the asset will be subject to this decree by January 1, 2027, given the nominal capacity of its HVAC systems.	
Life Safety	The life safety systems including fire protection, fire alarm, and smoke extraction were installed in 2016 as part of the building overall renovation project. The systems present well.	No capex anticipated in the next 10 years.	
Lifts	The lift machinery and tracking system were replaced in 2016 as part of the hotel renovation project.	No capex anticipated in the next 10 years.	

C. Environmental Considerations			
Energy Consumption Reduction	<p>The Décret Tertiaire is a legal text outlining essential measures for reducing energy consumption in tertiary sector buildings. The objective of the Décret Tertiaire is to reduce energy consumption in three stages:-</p> <ul style="list-style-type: none"> - A 40% reduction by 2030; - A further 50% reduction by 2040; - A final 60% reduction by 2050. <p>This Decree specifically relates to buildings that fall into one of the following three categories:-</p> <ul style="list-style-type: none"> - Tertiary activities located within a building with an area equal to or greater than 1,000 m²; - Tertiary sector building with an area equal to or greater than 1,000 m²; - Tertiary sector buildings of less than 1,000 m² located on a single site, with a total combined area equal to or greater than 1,000 m². 	<p>The owner of the hotel should have declared the energy consumption reference year on the OPERAT platform before 30 September 2022 (being 12 consecutive months of energy consumption between 2010 to 2019 when the hotel was in occupation), although a tolerance has been given until 31 December 2022. The annual consumption for 2020 and 2021 should have also been declared on the OPERAT platform before 30 September 2022.</p> <p>We have not been provided with the Energy Performance Certificate or the Declaration issued through the Operat Platform. The cost would need to be covered by the current owner. Typical solutions that will help reduce energy consumption and contribute to reaching the objective set by the Décret Tertiaire include reducing temperature of hot water, implementing a BMS system for the HVAC and lighting (to comply with BACS regulation, implementing fans coupled with the AC units (if free cooling is not available), implementing a complete metering strategy for power, heating, cooling and water, implementing an Energy Management System coupled with the BMS and adding or improving thermal wall and roof insulation.</p> <p>Specialist environmental engineers will need to be appointed by the Owner in order to conduct a more detailed and precise Décret Tertiaire assessment.</p>	
D. Legal Considerations			
Missing Documents	<p>The following documents are important to review for our report (these may be held by the owner):-</p> <ul style="list-style-type: none"> - Public Access Opening Certificate - Last Security Commission certificate 	Documents awaited for review.	
Missing Documents	<p>The following documents would be useful to review for information but not essential for our report (these may be held by the owner):-</p> <ul style="list-style-type: none"> - Cadastral Plan and Title - Energy Performance Certificate - Building Permits - Building Permits application file including Security Notice and Accessibility Notice - Geometre measurement survey 	Documents awaited for review.	
Missing Documents	<p>The owner should confirm that they hold the following documents for maintenance reasons (the DIUO being a legal requirement for building works since 1994):-</p> <ul style="list-style-type: none"> - The Building Maintenance Instructions (DIUO) - As-built file (DOE) 	Documents awaited for review.	
Verification Reports	<p>This is a list of verification reports not yet seen which should be reviewed for completeness:-</p> <ul style="list-style-type: none"> - Electrical installations - Gas installations - Dry risers - Fire Extinguishers - Smoke venting systems - Fire alarm and fire safety panel and components - Emergency lighting 	<p>We have looked at the Security Register on site. The following verifications are up to date:-</p> <ul style="list-style-type: none"> - Fire alarm panel: last verification on 28 January 2022 - Electrical installations: last verification in April 2023 and March 2023 (Public Access) - Gas installations: last verification in June 2022 (every 2 years) - Lifts: last verification on 17 January 2022 (every 5 years) - Fire doors: last verification in September 2023 <p>However, Savills need to review the reports to verify the observations that have been made.</p>	
Q&A	Savills has sent Q&A to the owner. We are waiting for responses.	Responses from Owner awaited.	
Decennial Insurance	The last works date from 2016 and there should be a residual decennial insurance on the property until 2026.	Please provide the Decennial Insurance contract and the list of claims.	
E. Compliance			
Asbestos	No asbestos was seen on the site visit but the building is of some age.	Owner to provide the Asbestos Report on the hotel for completeness	
ERP regulation	<p>The last Security Commission has a favourable opinion and was undertaken on 15 June 2022 (consulted on site). The hotel is classified as an ERP (Establishment Open to the Public) 4th category type O (Hotel) with activities of type N (Restaurant) and X (Sport/Wellness) with a public occupancy of 148 persons for the hotel, 94 persons for the restaurant, 31 staff. The certificate had observations (we did not see the full list). One of the observations is a strict limit of 30 persons in occupation of basement 1 level.</p>	Owner to provide the Public Access Opening certificate and the last Security Commission certificate for completeness.	
Fire safety	According to the Security Commission report read on site, the emergency lighting is not functioning properly.	Owner to provide latest report.	
Accessibility	There are 3 accessible guestrooms (#101, #307 and #407).	Owner to provide the Accessibility Notice included in the last building permit application file for completeness.	

SAVILLS TECHNICAL DUE DILIGENCE RED FLAG AND CAPEX APPRAISAL

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GENERAL INFORMATION

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CAPEX ASSESSMENT

Element	Key Consideration	Savills Comment	Total	Short Term Year 1	Medium Term Year 2-5	Long Term Year 6-10	Service charge recoverable / tenant cost	Capex / Owner cost	Risk Rating
A. Building Fabric									
A.1. Structure									
1	No defect identified.	No capex allowance required for the next ten years.	€ -	€ -	€ -	€ -	€ -	€ -	
A.2. Roofs									
Sub-total			€ -	€ -	€ -	€ -	€ -	€ -	
1	No defect identified.	No capex allowance required for the next ten years.	€ -				€ -	€ -	
A.3. Facades									
Sub-total			€ 50 000	€ -	€ 50 000	€ -	€ -	€ 50 000	
1	The facades to the building appear to be in good condition with no major defects. In accordance with the regulation, the cleaning of the facades is required every 10 years. As the last renovation was done in 2016, the cleaning of the facade would be required before 2026. No defects seen to courtyard façades.	We include a small capex for the future cleaning and repainting of the main facades in the medium term.	€ 50 000		€ 50 000		€ -	€ 50 000	
A.4. External Areas									
Sub-total			€ -	€ -	€ -	€ -	€ -	€ -	
1	No defect identified.	No capex allowance required for the next ten years.	€ -				€ -	€ -	
A.5. Internal Areas									
Sub-total			€ 28 000	€ -	€ 20 000	€ -	€ -	€ 28 000	
1	The mosaic tiles in the pool are lifting (reccurent issue). There might be an issue with the compatibility with the waterproofing membrane.	We allowed for the appointment of a pool wpecialist to identify the issue with the lifting tiles and undertake the necessary repairs.	€ 10 000		€ 10 000		€ -	€ 10 000	
2	Water ingress is visible on the skylight above the pool. The waterproofing needs to be checked.	We allowed for the appointment of a waterproofing specialist to identify the location of the water ingress and undertake the necessary repairs to the waterproofing.	€ 10 000		€ 10 000		€ -	€ 10 000	
3	The epoxy coating applied on the floor of the back of house areas is lifting.	We include an allowance to reapply the epoxy coating to the affected areas.	€ 8 000				€ -	€ 8 000	
B. Services Installations									
B.1. Heating, Ventilation and Cooling (HVAC)									
Sub-total			€ -	€ -	€ -	€ -	€ -	€ -	
1	No defect identified.	No capex allowance required for the next ten years.	€ -				€ -	€ -	
B.2. Electrical Installations									
Sub-total			€ 55 000	€ -	€ -	€ 55 000	€ -	€ 55 000	
1	We recommended that a BMS is installed to comply with the Building Automation & Control Systems (BACS) decree.	Capex is provided in the long term for the installation of a BMS workstation, cabling and controls as the asset will be subject to this decree by January 1, 2027, given the nominal capacity of its HVAC systems.	€ 55 000			€ 55 000	€ -	€ 55 000	
B.3. Domestic Water Services									
Sub-total			€ -	€ -	€ -	€ -	€ -	€ -	
1	No defect identified.	No capex allowance required for the next ten years.	€ -				€ -	€ -	

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B.4. Fire Protection Systems			Sub-total	€	-	€	-	€	-	€	-	€	-	€	-	€	-	€	-	
1	No defect identified.	No capex allowance required for the next ten years.		€	-							€	-	€	-					
B.5. Public Health Systems			Sub-total	€	-	€	-	€	-	€	-	€	-	€	-	€	-	€	-	
1	No defect identified.	No capex allowance required for the next ten years.		€	-							€	-	€	-					
B.6. Lifts			Sub-total	€	-	€	-	€	-	€	-	€	-	€	-	€	-	€	-	
1	No defect identified.	No capex allowance required for the next ten years.		€	-			€	-			€	-	€	-					
C. Environmental and ICPE Considerations																				
C.1. Environmental Considerations			Sub-total	€	-		-	€	-		-	€	-		-	€	-		-	
1	No defect identified.	No capex allowance required for the next ten years.		€	-							€	-		€	-		€	-	
Contingency and Fees																				
		Sub-total (all works)		€	133 000	€	-	€	70 000	€	55 000	€	-	€	133 000					
		Contingency sum at 10%		€	13 300	€	-	€	7 000	€	5 500	€	-	€	13 300					
		Fees at 15%		€	21 945	€	-	€	11 550	€	9 075	€	-	€	21 945					
		Contingency and Fees Sub Total		€	35 245	€	-	€	18 550	€	14 575	€	-	€	35 245					
		TOTAL		€	168 245	€	-	€	88 550	€	69 575	€	-	€	168 245					

Risk Rating Key

High
Medium
Low

Significant issue where an urgent remedy is required prior to the proposed property transaction or a serious defect requiring attention.

Key issue to be clarified and/or fully considered in relation to the proposed property transaction or repairs having a significant cost implication.

A minor issue which is not considered to constitute a material issue in the short term.

The Capex budget does not include minor repairs and a threshold of €5,000 is used for this report. Cost items below this threshold have not been included in the Capex.

Our Capex does not include routine maintenance, cyclical decoration or cleaning, except where these works are required to address defects or compliance issues.

PHOTOS



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