Real Estate Finance - Term Project

STRUCTURING A HOTEL TRANSACTION FOR A REAL ESTATE INVESTMENT VEHICLE

The Corner London City – PEREF

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1. Executive Summary

This report evaluates the acquisition of The Corner London City as a potential investment for a Private Equity Real Estate Fund (PEREF). PEREFs typically seek higher risk-adjusted returns by targeting assets that offer value-add or opportunistic upside through operational improvement, financial structuring, and repositioning. Although The Corner London City benefits from an attractive London location and strong market fundamentals, its current operational structure and stabilised income profile ultimately limit its ability to meet PEREF-level return requirements.

Located in the Whitechapel/Clerkenwell/Shoreditch submarket, one of London's most dynamic and diversified hospitality clusters, the asset benefits from robust corporate and leisure demand, strong transport connectivity, and a strong upper-midscale competitive landscape. Its independent branding, eco-oriented concept, and management agreement with RBH Hospitality Management offer strategic flexibility in pricing, distribution, and potential product repositioning, all key levers within a value-add strategy. Collectively, these elements initially position the asset as a potentially suitable opportunity for a PEREF-driven investment strategy.

A 10-year Discounted Cash Flow (DCF) valuation was performed using detailed assumptions benchmarked against STR profitability data, CoStar market reports, and historical performance of London upper-midscale hotels. The underwriting reflects an ADR of £190.24, occupancy of 86.5%, and ADR growth rates of 1.84% (2026–2027) and 1.74% (2028–2036), incorporating expected inflation, real depreciation, and submarket performance. After accounting for departmental and undistributed operating expenses, management fees, non-operating items, including a significant rent charge, and a 4.9% replacement reserve, we applied a PBTCF-based going-in cap rate of 3.94% and a property discount rate of 5.69%. This resulted in a market value of £43'200'000.

Assuming a 10% acquisition discount, the purchase price is £38'880'000, generating an unlevered IRR of 6.21%. Three financing scenarios were modelled at 50%, 60%, and 70% LTV, with borrowing rates ranging from 6.50% to 7.00%. In all cases, the levered IRR before tax remains below the PEREF's minimum required return of 10%, with increasing leverage reducing rather than enhancing equity returns due to interest costs exceeding the asset's unlevered yield.

Although The Corner London City offers operational stability, strong market positioning, and limited downside risk, its risk–return profile does not align with PEREF targets unless the asset can be acquired at a significantly lower price or through an alternative structure. As such, despite its strategic location and repositioning potential, we do not recommend proceeding with the acquisition at current pricing. A more substantial discount would be required to transform this opportunity into a PEREF-compatible value-add investment.

2. Market Valuation

2.1 Market Overview

The Corner London City is an Upper Midscale hotel located in the Whitechapel district, within the East area of London close to the city center. Despite not being directly situated in the City of London's core, the hotel benefits from excellent connectivity, as it is located within walking distance of Whitechapel Station, which provides access to the Elizabeth Line, the London Overground and the District and Hammersmith & City underground lines. This strategic location allows guests to reach Liverpool Street in 20 minutes and Heathrow Airport in approximately 90 minutes on the London Underground. The hotel offers a total of 183 rooms across four categories (Snug, Comfy, ComfyPlus and Plush). Operated under an independent brand by RBH Hospitality Management, it provides essential facilities including a restaurant & bar, co-working areas, 24-hour reception service, high-speed internet access and eco-conscious room features. The property does not include amenities such as a gym or extensive F&B outlets, which is typical of efficient Upper Midscale hotels in London. While the independant brand benefits from operational flexibility it has a lower brand recognition in comparison to global chains.

London's hospitality market continues to demonstrate strong momentum, supported by international tourism, business travel, and steady domestic demand. According to STR Trend Report London Upper Midscale, in 2023–2024, RevPAR reached record levels across most London submarkets, driven by high occupancy rates and significant ADR growth. The Whitechapel area in particular has benefited from substantial regeneration, the development of new office clusters, and improved transportation infrastructure following the opening of the Elizabeth Line. While these trends offer important growth opportunities, the market is also becoming more competitive. Several new lifestyle and design-focused hotels such as Hampton by Hilton London City have entered the submarket, adding high-quality supply that may intensify competitive pressure. Therefore, although demand fundamentals remain strong, the growing presence of modern lifestyle brands presents a challenge for The Corner London City as competition is growing.

2.2 Cash Flow projection

To estimate the market valuation of The Corner London City, we will use a **10-year discounted cash flow (DCF)** analysis. The valuation process begins by forecasting the property's cash flows over the 10-year period. The valuation date used in this analysis is **1st January 2026**.

2.2.1 ADR review

The estimation of the hotel's future cash flows is based on the **ADR** derived from current room rates available online in 2025-2026. The Corner London City has a total of 183 rooms divided into four room categories: Snug, Comfy, ComfyPlus and Plush. As the detailed breakdown by category is not publicly disclosed, an estimated room mix was applied in order to calculate a weighted average ADR (Figure 1).

Room rates were collected directly from the hotel's official website. For each month, one weekday and one weekend night were selected for all room categories to capture seasonal price variations. Monthly weighted ADRs were then calculated and averaged to derive an annual ADR (Figure 2). Since prices were sourced from the hotel's direct booking platform, they already reflect effective transaction rates rather than gross rack rates subject to OTA commissions. For this reason, the standard 15% downward adjustment typically applied to rack rates was not applied in this analysis.

Finally, Value Added Tax (VAT) was deducted from all collected prices, as it does not represent revenue retained by the hotel. With a VAT rate of 20% in the UK, all room rates were divided by 1.20 to obtain net values. The **ADR** retained for the valuation amounts to £**190.24.**

2.2.2 ADR Growth Rate review

For the **ADR growth rate**, we will use the **four-factor formula :**

To estimate the **historical growth of ADR (I)**, we focused on the **Upper Midscale hotel segment in London**, which best reflects the market positioning of The Corner London City. Using STR Trend Report data over the longest available period in order to capture several economic cycles, the compounded annual growth rate (CAGR) of ADR for Upper Midscale hotels between **2000 and 2024** was calculated at **2.74%** (Figure 3). This long-term average is considered a reliable indicator of historical pricing dynamics in the London hotel market.

The **real depreciation rate (II)** was estimated using two complementary approaches based on a London Upper Midscale compset (Figure 4 and Appendix – Real Depreciation Excel). First, a **linear regression** was performed between hotel age and current ADR, resulting in a positive depreciation estimate of **0.78%** (Figure 5). Second, a **CAGR**-based method was applied by separating the compset into new and old hotels, yielding a real depreciation rate of **0.75%** (Figure 6). Since real depreciation represents physical ageing and functional obsolescence, a positive rate is not economically meaningful. The positive results obtained are explained by strong location and demand effects in the London market, as well as statistical bias due to the limited size of the compset. In line with lecture guidelines and industry practice, the lower end of the range **-0.5%** was therefore retained.

The **historical inflation rate (III)** was derived using national inflation data for the United Kingdom over a long-term period consistent with the ADR growth analysis. Inflation was measured through the Consumer Price Index (CPI) and taking data covering the period 2000 to 2024, the compounded annual inflation rate amounts to **2.50%** (Figure 7). This long-term average captures several economic cycles and provides a stable benchmark for the historical inflation component of the ADR growth model.

The expected future inflation (IV) were based on recent UK macroeconomic forecasts published by official institutions and compiled by Statista. (Figure 8) A short-term inflation rate of **2.10%** was applied for the period **2026–2027**. For the stabilised phase of the projection, inflation was assumed at **2.00%** from **2028 to 2036**, in line with the long-term target level of the UK economy. Using two inflation phases ensures a more realistic representation of both short-term economic adjustment and long-term price stability in the ADR forecast.

2.3 Assumptions

2.3.1 Occupancy

Market **occupancy** for London Upper Midscale hotels averaged **84.2%** in 2024 (STR) and was used as the reference level. Given the hotel's strong micro-location in the Whitechapel submarket, its mixed corporate and leisure demand, and its competitive positioning relative to nearby properties such as Holiday Inn London Whitechapel, Mama Shelter Shoreditch and Hampton by Hilton London City, occupancy was adjusted upward by 2.3% to a stabilised level of **86.5%**. This assumption is consistent with the CoStar submarket average of 87.1% (p.24), confirming the area's structural outperformance. As long-term occupancy growth in the London Upper Midscale segment is close to zero (around 0.01% per year), annual growth was conservatively set at **0.01%,** with stabilisation assumed after Year 5 to avoid double counting.

2.3.2 Revenue

Operating revenue assumptions are based on the STR P&L Upper Midscale 2023 benchmark. **Food and Beverage revenue** (F&B), which represents **13.6%** of total operating revenue at market level, was adjusted to **14.0%** for the subject property. Despite a limited F&B footprint and no room service, The Corner London City benefits from a consolidated bar-restaurant and moderate local walk-in demand. A qualitative compset analysis supports this adjustment, Mama Shelter Shoreditch represents a high F&B revenue model driven by strong lifestyle positioning, while Hampton by Hilton London City follows a more limited, guest-focused F&B concept. The Corner London City is expected to perform between these two models, which supports a slight upward adjustment from the market average.

For **Other Operated Departments** (OOD), the STR benchmark of **3.0%** of total revenue was adjusted down to **2.8%** (-0.2%) to reflect the hotel's limited meeting facilities and the absence of major ancillary services typically associated with conference or event-oriented properties. Compared to its competitive set, which includes hotels with more developed common areas and secondary services, The Corner London City is expected to generate a lower contribution from OOD.

Miscellaneous Income was adjusted upward from the STR market average of **0.10%** to **0.15%** (+0.05%). This reflects the presence of an eco-boutique concept, merchandise sales, and recurring collaborations with local brands, which provide small but stable supplementary income streams that exceed the typical market average.

2.3.3 Expenses

Rooms expenses were increased from **29.3%** to **30.0%** (+70 BPS) due to higher labour intensity and limited economies of scale associated with an independent property. **F&B expenses** were adjusted upward from **74.9%** to **75.3%** (+40 BPS), reflecting benchmarking against local competitors and the hotel's single-outlet. **Other Operated Departments expenses** were slightly reduced from **14.8%** to **14.6%** (-20 BPS) due to the limited complexity of ancillary operations. **Undistributed Operating Expenses** were selectively adjusted. **A&G** increased from **6.5%** to **6.8%** (+30 BPS) due to higher administrative labour costs. **I&T** rose from **0.9%** to **1.0%** (+10 BPS) to reflect independent systems and guest technology tools. **Marketing** increased from **2.8%** to **3.0%** (+20 BPS) to support local promotion and targeted digital campaigns. **Utilities** decreased from **4.7%** to **4.3%** (-40 BPS) following the use of energy-efficient systems and the limited F&B footprint. **POM** declined slightly from **3.1%** to **3.0%** (-10 BPS) due to recent refurbishment and preventive maintenance measures.

Management fees were set based on HVS benchmarks for independent management contracts. (Figure 11-12) The base management fee was increased from **2.1%** to **3.0%** (+90 BPS) in line with Upper Midscale industry standards. **Incentive fees** were set at **1.0%**, consistent with a projected RevPAR Index of 93%. (Figure 13). **Non-operating income** follows the STR benchmark at **0.0%**, as the hotel does not generate external rental income. **Rent** was reduced from **27.0%** to **12.15%** to isolate the actual building rent component typical for Upper Midscale hotels in East London, while **Property Taxes** and **Insurance** remain at STR benchmarks (**3.4%** and **6.6%**).

2.3.4 Replacement Reserve and Sales Transaction Costs

The STR benchmark for **Replacement Reserve (–0.8%)** significantly understates real capex requirements. Based on the ISHC CapEx 2018 study (Figure 14-15), urban hotels aged 11–15 years typically require capex levels around 6.0% of total revenue (The Corner 2013), while the Urban Select-Service benchmark is 3.8%. We averaged these two benchmarks. (3.8%+6%)/2 Consequently, we adopted a final Replacement Reserve assumption of **4.9%**, which provides a realistic estimate of future capex needs. And for the assumptions for **sales transaction** costs **6.8%** (Figure 16).

2.4 Cap Rate

The **Cap Rate** was estimated using both the **Risk Premium Approach** and the **Cap Rate Approach**. The **risk-free rate** was derived from the UK 10-year gilt at **4.47%**. A **sector premium** of **1.70%** was added based on the yield spread between hotel prime lease and HMA (management contrat) hotels in London (CBRE Figure 9). **No city or country premium** was applied, as London is considered a core, low-risk investment market. A **property-specific premium** of **0.70%** was added to reflect the hotel's age (+0.35%) and its independent distribution structure (+0.35%). This results in a **discount rate** of **6.87%.** (Figure 17)

Using the Cap Rate Approach, the stabilised income **growth rate** of **1.76%** was deducted from the discount rate, producing an **initial cap rate** of **5.11%**. Slightly above the Whitechapel 5% average Cap rate (Figure 10). As the valuation is based on PBTCF rather than NOI, a **PBTCF-to-NOI ratio** of **77%** was applied, leading to a final **adjusted cap rate** of **3.94%.**

2.5 Property Discount Rate

The **property discount rate** was derived to reflect the return required by investors given the hotel's risk profile and growth prospects. Based on the previously calculated going-in cap rate of 3.94% and the projected stabilised income growth rate of 1.76%, the resulting property discount rate is **5.69%**.

3. Investment Analysis

3.1 PEREF findings

Private Equity Real Estate Funds (PEREFs) primarily pursue investments that exhibit elevated risk levels in exchange for superior return potential. Their strategies are typically centred on opportunistic and value-added assets within selected real estate segments. As non-listed investment vehicles, PEREFs operate with a fixed investment horizon, most commonly ranging from 8 to 15 years, after which assets are exited.

Owing to their return-driven strategy, PEREFs rely heavily on financial leverage to enhance equity performance. In practice, **Loan-to-Value** (LTV) ratios generally range between **50% and 70%.** Leverage beyond this threshold is usually avoided in order to preserve adequate risk control and protect investor capital during adverse market conditions.

Consistent with their exposure to higher operational and financial risk, PEREFs typically seek target total returns between **10% and 20%.** These return expectations serve as the benchmark for assessing the attractiveness of the proposed hotel acquisition.

3.2 Leveraged Investment Analysis Before Taxes

Given the characteristics of the selected investment vehicle, the acquisition of **The Corner London City** is analysed under high-leverage scenarios. As discussed in Section 3.1, increasing the LTV ratio leads to a higher cost of debt but also raises the expected equity return. The leveraged cash flow model incorporates the following elements: **PBTCF over the 10-year holding period, the terminal net sales proceeds at exit, annual interest payments on the mortgage loan, and the final balloon repayment at maturity**.

For each financing structure, the investment performance was evaluated using three standard **before-tax equity performance indicators**:

- Leveraged **Internal Rate of Return (IRR) before Taxes**
- **Net Present Value (NPV)**
- **Modified Internal Rate of Return (M-IRR)**

Three alternative transaction structures were examined, differentiated exclusively by their LTV ratios. In accordance with the characteristics and risk tolerance of a PEREF investment vehicle, the LTV was constrained to a range between 50% and 70%. These scenarios allow for an assessment of the impact of financial leverage on equity returns and overall investment risk.

3.2.1 Investment scenarios

Three leveraged transaction scenarios were analysed in line with the PEREF financing framework, using Loan-to-Value (**LTV**) ratios ranging from **50% to 70%.** The acquisition is based on a market value of **GBP 43'200'000** and a negotiated purchase price of **GBP 38'880'000 (-10%).**

Scenario 1

Under a **50% LTV** structure and an interest rate of **6.50%** the maximum loan amount reaches GBP **21'600’000** leading to an annual interest payment of GBP **1’404’000.** With the Return on Equity **3.21% (Re)** used as the discount rate for the leveraged analysis, this structure yields a leveraged IRR before taxes of **5.93%** a before-tax NPV of GBP **5'087'506.09** and an **M-IRR of 5.58%.**

Scenario 2

At a **60% LTV** and a borrowing rate of **6.75%** the mortgage loan increases to **GBP 25'920’000**, generating annual interest expenses of **GBP 1'749’600**.
This scenario produces a leveraged IRR before taxes of **5.43%** a before-tax NPV of **GBP 5'486'914.65**, **M-IRR of 5.13%** and **Re of 2.01%.**

Scenario 3

With a **70% LTV** and a higher interest rate of **7.00%** the debt amount rises to **GBP 30'240’000** with yearly interest payments of **GBP 2'116’800.**The associated performance indicators are a leveraged IRR before taxes of **4.44%,** a before-tax NPV of **GBP 6'349'510.80**, **M-IRR of 4.40%** and **Re of -0.15%** (Figure 18).

3.2.2 Scenarios Analysis

The comparison of the three financing structures clearly illustrates the negative leverage effect arising when the cost of debt exceeds the unlevered return of the asset. While all scenarios display positive NPVs, this result is largely driven by the relatively low equity discount rate applied rather than by strong leveraged performance. As the leverage increase across the three scenarios, the equity return decrease to an extreme negative return in scenario 3. Highlithing the destruction of return induced by the cost of debut being higher than the unlevered yield.

As leverage increases from 50% to 70%, both the leveraged IRR and the M-IRR consistently decline, indicating that additional debt does not enhance equity returns. Instead, the rising interest burden progressively erodes profitability. The implied Return on Equity deteriorates as leverage increases, confirming that leverage destroys value rather than amplifying it in this case.

From a PEREF investment perspective, which typically targets minimum total returns of 10%, none of the three scenarios meet the required return threshold. For leverage to be beneficial, the leveraged IRR should exceed the Return on Equity; however, this condition is not satisfied under any of the proposed structures. The same conclusion applies to the M-IRR, which remains well below the fund’s required return level across all scenarios.

Consequently, despite the presence of positive NPVs at the asset level, (ie. Unlevered NPV of 4’400’146 GBP for a corresponding unlevered discount rate of 4.85% and an unlevered IRR of 6.21%) the investment does not generate sufficient risk-adjusted returns for a Private Equity Real Estate Fund, and the transaction cannot be considered financially attractive under the analysed leverage conditions.

3.2.3 Final Recommendation

Based on the risk–return targets of a Private Equity Real Estate Fund, the acquisition of **The Corner London City** does not satisfy the fund's minimum performance requirements under any of the leverage scenarios analysed. Although all three structures produce **positive NPVs at the asset level**, the resulting **leveraged IRR before Taxes (4.44%–5.93%)** and **M-IRR (4.40%–5.58%)** remain significantly below the **10% return threshold** typically required by PEREF investors.

The analysis further indicates that **higher leverage does not enhance equity performance**. On the contrary, as borrowing costs rise from **6.50% to 7.00%**, they exceed the unlevered return of the asset, leading to a progressive deterioration of both the **Return on Equity and the leveraged IRR**. This confirms the presence of **negative leverage**, whereby the debt burden outweighs the incremental return generated by the property and erodes shareholder value.

While the hotel exhibits a **stable and defensible cash-flow profile**, its return potential is insufficient to compensate for the financial and operational risk expected in a **value-add or opportunistic PEREF strategy**. Consequently, the acquisition of The Corner London City is **not recommended for a PEREF-type investor**. Instead, the asset would be more appropriately positioned for a **core or core-plus investor** seeking stable income and mid-single-digit returns with lower exposure to leverage-driven risk.

4 Figures

Room Category	# of rooms
Snug room (windowless)	51
Comfy room	68
ComfyPlus room	37
Plush room	27
TOTAL	183

Figure 1 – Number of rooms by room category – The Corner London City

	ADR (Rack rate) with taxes
	The Corner
January	174.13
February	214.13
March	214.46
April	220.18
May	227.32
June	217.32
July	241.31
August	212.92
September	251.27
October	251.27
November	256.18
December	259.02
AVERAGE	228.29
Rack Rate w/o TVA	190.24

Figure 2 – Monthly ADR in GBP

Average ADR Upper Midscale hotels	
Year	Upper Midscale
2000	67.65
2001	66.05
2002	62.72
2003	61.64
2004	63.43
2005	65.61
2006	68.18
2007	74.41
2008	79.12
2009	76.04
2010	81.15
2011	89.05
2012	92.44
2013	91.61
2014	94.68
2015	96.07
2016	95.15
2017	99.90
2018	101.36
2019	104.55
2020	74.52
2021	82.00
2022	119.56
2023	132.39
2024	129.35
RRI	2.74%

Figure 3 – Upper Midscale hotels ADR Growth Rate London

PROPERTY NAME	Open Year	AGE	Type	Average ADR (£)
Holiday Inn London Regents Park	1972	53	OLD	£ 215.86
Holiday Inn London Bloomsbury	1973	52	OLD	£ 197.07
Hampton by Hilton London City	1997	28	OLD	£ 161.50
Mercure London Bridge Hotel	2000	25	OLD	£ 162.19
Holiday Inn Express London Limehouse	2003	22	NEW	£ 166.07
Mama Shelter Shoreditch	2008	17	NEW	£ 133.25
Holiday Inn London Whitechapel	2012	13	NEW	£ 149.43
New Road Hotel	2018	7	NEW	£ 164.14

Figure 4 – STR Compset for Real Depreciation

(1) Regression

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.857843784
R Square	0.735895957
Adjusted R Square	0.691878617
Standard Error	14.50327332
Observations	8

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	3516.613847	3516.613847	16.71831942	0.00643793
Residual	6	1262.069623	210.3449371		
Total	7	4778.683469			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	132.9604713	10.1316024	13.12334083	1.20776E-05	108.1693334	157.7516093	108.1693334	157.7516093
AGE	1.317191313	0.322145856	4.088804155	0.00643793	0.528928801	2.105453825	0.528928801	2.105453825

Figure 5 – Real Depreciation (Linear Regression)

(1) Regression

Real Depreciation	**0.78%**

(2) Real Depreciation using the CAGR formula

	Average Age	Average ADR
Old Hotels	39.50	£ 184.16
New Hotels	14.75	£ 153.22

CAGR	**0.75%**

Real depreciation >0 : we considered the lower end of the range (-0.5%)

Figure 6 – Real Depreciation using the CAGR formula

Year	UK - CPI
2000	81.47
2001	82.72
2002	83.97
2003	85.13
2004	86.31
2005	88.12
2006	90.28
2007	92.44
2008	95.69
2009	97.57
2010	100.00
2011	103.86
2012	106.53
2013	108.97
2014	110.55
2015	110.96
2016	112.08
2017	114.94
2018	117.58
2019	119.62
2020	120.81
2021	123.85
2022	133.66
2023	142.74
2024	147.41

Historical Inflation	2.50%

Figure 7 – CPI : Inflation Rate (2000-2024)

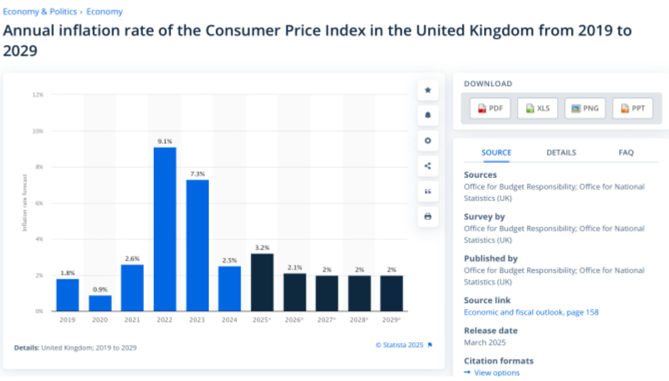

Figure 8 – Annual inflation rate UK from 2019 to 2029

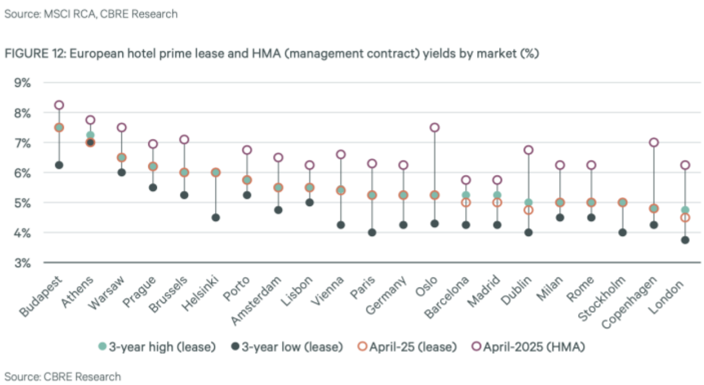

Figure 9 – CBRE European hotel figures

Submarket Sales Trends

London Centre South Hospitality

SUBMARKET SALES TRANSACTIONS PAST 12 MONTHS

Submarket Name	Sales Volume	Transactions	Transacted Rooms	Avg Rooms	Mkt Cap Rate	Mkt Sale Price/Room
London Centre South	**$366,540,899**	**2**	**433**	**216**	**5.0%**	**$725,876**
London Centre North	$357,463,877	3	816	272	5.3%	$583,833
Clerkenwell/Shoreditch/Whitec…	$165,694,970	3	498	166	5.0%	$498,794
Chelsea/Earls Court/Kensington	$92,090,151	2	254	127	5.1%	$694,077
London Surrounding South	$44,900,132	5	466	93	5.5%	$278,435
London Surrounding West	$40,578,360	1	137	137	5.6%	$258,931
Bloomsbury/Covent Garden/Soho	$29,757,464	1	30	30	4.9%	$802,835
Bayswater/Notting Hill/Paddingt…	$27,999,068	2	69	34	5.1%	$585,772
London Surrounding East	$19,680,504	2	137	68	5.5%	$291,652

Figure 10 – Submarket Sales Trends Costar Report

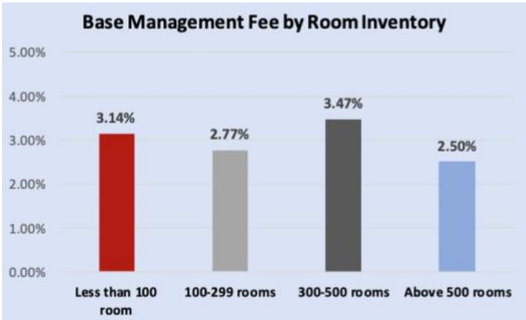

Figure 11 - Base Management Fee by Room Inventory

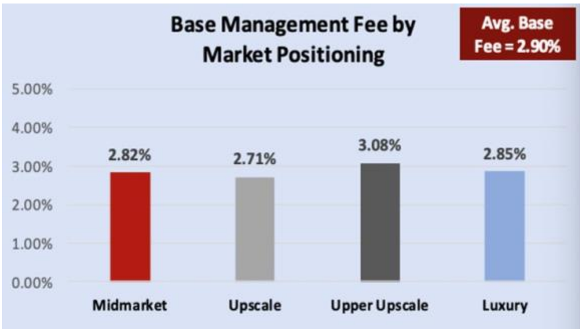

Figure 12 - Base Management Fee by Market Positioning

Example Incentive Fee Compensation Scale Based on RevPAR Penetration Index

RevPAR Penetration Index	Incentive Management Fee Earned
< 90%	None
90%–94%	1% of Adjusted Gross Operating Profit
95%–99%	2% of Adjusted Gross Operating Profit
100%–104%	2% of Adjusted Gross Operating Profit
105%–110%	3% of Adjusted Gross Operating Profit
> 110%	3% of Adjusted Gross Operating Profit

Source: HVS

Figure 13 - Example Based on RevPAR Penetration Index

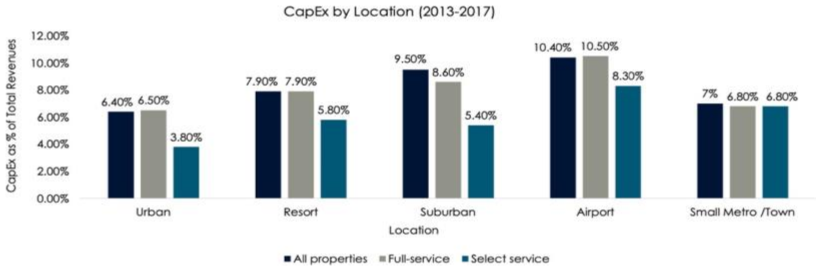

Figure 14 – CapEx by Location (2013-2017)

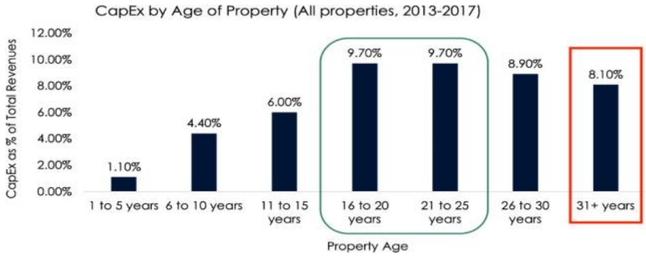

Figure 15 – CapEx by Age of Property (2013-2017)

Stamp Duty Land Tax (SDLT)	5.00%	
Agency and legal fees	1.80%	--> 1% agency + 0.5% legal + 20% VAT
TOTAL	6.80%	

Figure 16 – Assumptions for Sales Transaction Costs

+ Rf*	4.47%
+ Sector Premium**	1.70%
+ City/submarket Premium****	0.00%
+ Country Premium***	0.00%
+ Property Premium	0.70%
= Discount Rate	**6.87%**

+ Discount Rate	6.87%
- Growth Rate	1.76%
= Cap Rate	**5.11%**

Figure 17 – Discount Rate (Premium Risk Approach) and Cap Rate approach

Investment Analysis Criteria – Summary						
LTV		**50%**		**60%**		**70%**
Return on Equity (Re)		3.21%		2.01%		-0.15%
Leveraged IRR before Taxes		5.93%		5.43%		4.44%
NPV@ before-tax equity discount rate (£)	£	5'087'506.09	£	5'486'914.65	£	6'349'510.80
NPV@ before-tax equity discount rate (USD)	$	6'715'508.04	$	7'242'727.34	$	8'381'354.25
M-IRR		5.58%		5.13%		4.40%

Figure 18 – Investment Analysis, Scenarios comparison

Sales Past 12 Months

Clerkenwell/Shoreditch/Whitechapel Hospitality

RECENT SIGNIFICANT SALES

	Property Information				Sale Information		
Property Name/Address	**Class**	**Yr Built**	**Rooms**	**Brand**	**Sale Date**	**Price**	**Price/Room**
1 Ruby Stella London 15-28 Eyre Street Hl	Upscale	2024	153	Ruby	6/17/2025	$64,925,376	$424,349
2 The Corner London City 42 Adler St	Upper Midscale	1984	180	-	5/28/2025	$56,809,704	$315,609
3 Premier Inn London City Tower Hill 22-24 Prescot St	Economy	1988	165	Premier Inn	11/4/2024	$43,959,890	$266,424
4 Aethos London Shoreditch 10-50 Willow St	Luxury	2017	164	Aethos	2/20/2025	-	-

Figure 19 – Sale price Hotel the Corner London city Costar Report

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During the preparation of this project, we used ChatGPT (OpenAI) for the purpose of rewriting and synthesising parts of our written work. After using this tool, we reviewed, edited, and validated the content as necessary, and we assume full responsibility for the final content of this real estate group project.