Welcome
to Aspects of Leisure Spring 2014

It is refreshing to look through the articles written by contributors to Aspects of Leisure and to see a continuation of the positive indicators noted in our Autumn 2013 edition. Most asset classes we discuss in this issue are both trading and selling well.

The leisure market is, however, extremely diverse and we are still seeing what we hope is the tail end of some painful business crises, most recently evidenced by the proposed CVA by LA Fitness. The good news is that there is some new appetite from lenders into the leisure sector, although loan to value ratios and other criteria remain stringent, which in many cases results in cash backed investors remaining the primary drivers in transactions.

Our year at Savills Leisure started with an exciting development, as we were joined by the highly respected holiday park and home park experts of Charles F Jones & Son LLP. Based in Chester, they have advised the caravan park industry across the UK for over 80 years on valuations, sales, rating and planning matters. More recently they have advised on other leisure assets including holiday cottage complexes, marinas and golf courses. Combining the Charles F Jones team with our existing Oxford based trading leisure department significantly enhances our expertise in the caravan park sector. Taken with our hotels and licensed leisure departments in London and the regions, Savills has the largest team of specialist advisers across the whole spectrum of leisure properties. Combining our experts in golf courses, health and fitness, hotels, licensed property, marinas, garden centres, holiday and mobile home parks with our network of UK and international offices enables us to offer an unrivalled depth of knowledge to our clients.

We look forward to working with you in the much more positive trading business environment that we are starting to experience.

Alan Plumb
Director, Head of Leisure & Trade-related Department
01865 269 020
aplumb@savills.com

Contents

03
The Caravan Park Market

05
Business Rates Opportunities

06
Holiday Cottage Complex Market

08
The Pubs Market

10
Planning for Holiday Parks

12
Golf - Time to redesign?

14
The Hotels Market
The Caravan Park Market

A feeling of optimism

Despite continued difficulties in the wider economy the caravan park sector is again becoming more widely recognised as a good area for investment which has shown a strong cash-flow particularly during the early part of the year, on privately owned parks.

It is evident that more reliance is now being placed by the banks on how the value has been arrived at. Whilst value per pitch provides a cross-check, it is no longer seen as a reliable primary methodology for calculating value for secured lending purposes. We have always maintained that trade-related properties must be valued having regard to the achieved EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and the potential Fair Maintainable Operating Profit (FMOP).

Whilst it is a requirement that we include comparable evidence within our valuations, the valuation must also be supported by an assessment of the level of the asset’s ability to make a profit in order to meet debt repayments and provide a prudent return on investment. This has led to more transactions taking place at realistic values and greater confidence in the marketplace.

How is this affecting the value of caravan parks?

In most cases the core value of holiday caravan parks, touring caravan parks, camping parks and residential park home estates has not suffered in the same way that other sectors of the market have over the past 5 years. Whilst we are not seeing many premium prices being paid, where the income stream has continued to rise, then so have the core values.

Demand

Demand for static holiday parks has seen a steady increase over the past 12 months, in particular for parks over 50 pitches with good trading accounts. Demand for parks in excess of 150 pitches is particularly strong and in most cases finance is readily available, although dependent on the purchaser’s ability to raise the deposit.

We have seen a strong increase in demand for park home estates over the past 12 months. From 2007 the value of park home estates followed the down-turn in the residential property market as pitch fee income and park home sales income declined. This impacted directly on the levels of return that an operator could rely upon against the high values that had been witnessed during the peak of the market. The recovery of the residential market is being reflected in higher returns, and therefore values, for park home estates.

It is not clear whether there will be any effect on value as a result of the Mobile Homes Act 2013 which increased certain rights of residents against owner malpractice, but early indications are that it seems unlikely.
Where are the values today?

The value of these businesses is determined by a number of factors: location, planning permissions, site licence, standard of development, quality of stock and on-site facilities to mention a few examples, but most important of all is EBITDA, which reflects these influences.

For static holiday caravan parks, the multiple applied to the annual Fair Maintainable Operating Profit (FMOP) that an experienced operator should achieve will vary from 6 Years Purchase (YP) to 10YP, or more in certain cases. The YP will vary to reflect the strength of the business, quality of the development, location, tenure, size of the business and future trading potential.

For a touring and/or camping park, the income relies more on the weather and in most cases is regarded as being less secure, so the YP is reduced accordingly. Where touring parks have been developed to accommodate seasonal touring caravans, which remain on site all season, the income is generally regarded as being more secure and this will be reflected in a higher YP being adopted. Typically the capitalisation will vary from 4 YP to as much as 8 YP in certain cases.

On park home estates (mobile home parks), pitch fee income is regarded as being secure and operational expenditure relatively stable, so a higher YP multiple will be adopted whilst having regard to the potential for park home sales and commissions.

Whilst caravan parks cannot be valued on an average basis for a number of reasons, it is interesting to see how they have been responding to changing market conditions and the economic climate.

The three graphs below illustrate how parks have performed over the past 18 months against the values achieved in 2011.

Robert Gale-Hasleham
Director, Chester
01244 328 141
rgalehasleham@savills.com
The Government have recently announced that they are reviewing the Business Rates administration and that the proposed implementation date is 1 October 2014. This will have a big impact on the way in which an appeal is lodged, making it more difficult to appeal and much more onerous on the rate payer to supply information to which they may not even have access, for example comparable evidence.

If you have not already appealed, it may be worth reviewing your case with an experienced rating surveyor. From Charles F Jones & Son LLP, now merged with Savills, we have gained some of the leading rating surveyors in the holiday park and leisure sector. Their work was instrumental in establishing the current method of valuing caravan parks for business rates, as a result of negotiations over numerous caravan park rating appeals with the London office of the Valuation Office Agency.

David and Cindy Gale-Hasleham, now based at Savills Chester office, have over 50 years combined experience in the valuation of caravan parks for rating purposes. No other professional rating practice acts for more parks and leisure centres than Savills (incorporating Charles F Jones & Son LLP).

There are two reasons why you should consider having your rating assessment checked:

1. If you are thinking of re-developing all or part of your business asset and your assessment is too high now, it may become even more excessively rated after works are completed.
2. If you have not made any alterations over the years to buildings or pitches and the assessment is high, then you may be entitled to a refund dating back to 1 April 2010.

We therefore recommend that you have your assessment reviewed before 30 September 2014 if you have not already done so. An initial discussion with us will cost you nothing and could result in a substantial refund if a successful appeal can be submitted. Appeals after this date will become more onerous, so business operators should not miss the current opportunity.

Cindy Gale-Hasleham
Rating, Chester
01244 328 141
cgalehasleham@savills.com

David Gale-Hasleham
Director, Chester
01244 328 141
dgalehasleham@savills.com
Holiday Cottage Complex Market

Buyer sentiment has improved

For the first time in two and a half years, annual growth of 0.8% was recorded across the prime regional residential market over the year to September 2013, and this has passed through to the market for cottage complexes. Drilling down into the different geographical zones, growth occurred across all regions apart from Scotland, where values fell very slightly by just 0.1%.

Whilst sentiment amongst buyers has undoubtedly already improved, this should not detract from the fact that, at the current point in the recovery, sellers need to remain realistic on pricing. Buyers will be aware that the small increases recorded for the prime regional markets are below those currently being reported for the mainstream market. Deals are being done and sales are completing, but the transactions taking place have relied on competitive pricing and the market remains extremely price sensitive.

Traditionally purchasers for this style of trading business are aspirational. Lifestyle, where the style of property, owner’s accommodation and location, is often more important than a detailed examination of the rate of return on their capital investment. That said, in today’s market most purchasers will be interested in the level of trade and profitability and their ability to service any debt. Part of the increased demand is coming from buyers in London and the surrounding area who finally seem to be taking advantage of the price gap and making the move out of the capital into the regions. For the first time since the credit crunch we have seen an increase in London buyers across all of the prime regions.

The main issues are still the lack of available funding and a general reluctance by some lending institutions to look at financing leisure businesses. Where financing can be secured, it is sometimes split between the owner’s accommodation (on a residential basis), with some commercial debt on the business element, although title and planning issues can restrict this structure in some cases. Loan to value ratios remain low for new lending, although we are seeing non-high street lenders with an appetite for leisure businesses enter the market. Following the trend in residential property, cottage complex values are in some cases still probably 20% below the peak of the market in 2007.

The holiday cottage market can be very rewarding, but before embarking on a new investment or acquisition it is important to ensure that everything is what it seems. As an example, towards the end of 2013 instructions were received from a bank to value a small holiday cottage complex with some holiday caravans for loan security purposes. The bank’s customer had previously agreed a purchase price with the vendor.

Having inspected the property a number of anomalies came to light, principally:-

- The owner’s accommodation had been incorrectly described as having double the number of bedrooms than there were in reality.
- The planning permission for half of the cottages not only had an occupational restriction, but also a condition stating that “none of the holiday units on the associated land forming the planning application should be sold, leased or disposed of separately” The occupational restriction was subsequently amended to restrict occupation for a period of four weeks in any twelve week period.
• The residential use of the main house was covered by a Section 106 Agreement, controlling use of the house.

• No site licence had been issued by the Environmental Health Office for occupation of the caravans.

• The property was only achieving 60% occupancy and would have benefited from being closed over the three month winter period.

• The declared gross profit was prior to the deduction of a very high booking agency fee.

As a result of the report prepared for the bank, its customer was able to renegotiate the agreed price to reflect these discrepancies, which resulted in a reduction of 34% from the previous figure.

Several lessons are highlighted by this story for both buyers and sellers:

(1) Ensure that all information upon which a sale price is agreed is factually correct.

(2) Check the planning permission for the site, as it may not be what it seems.

(3) Consider the underlying asset value in alternative use, as this will highlight the importance of trading performance.

(4) Finally, if in doubt give us a call and we can help.

David Gale-Hasleham
Director, Chester
01244 328 141
dgalehasleham@savills.com

Martin Rogers
Director, Exeter
01392 455 749
mrogers@savills.com
The Pubs Market

Trading strongly

Following the strong summer 2013 trading, seen as the sector benefitted from the magnificent weather conditions, pubs have experienced an equally strong winter 2013/2014. This appears to be the result of a mid week Christmas and New Year’s Eve which gave many in the UK a two week holiday, and better weather than January 2013, a month badly affected by snow.

The majority of pub and restaurant companies recorded an increase in like for like sales for the most recent half year. Greene King recorded retail like for like sales up 3.8%, helped by a strong festive period, with like for like sales in the last six weeks of 2013 up 5.0%, and in the two weeks over Christmas and New Year up 6.3% on the year before. On the back of this strong retail performance, Greene King retail added a net 28 sites to their retail estate showing their appetite to expand their brand further. Success was felt across the whole brand, with EBITDA per pub in Pub Partners up 5.6%.

Enterprise Inns published annual results for the year ending 30 September 2013 showing a like for like net income down 2.9% on the previous year, a result of its disposal programme and cessation of trading of Waverley, the company’s wine and spirit distributor that badly affected supply. Recent results for the first 18 weeks of the financial year up to 18 February 2014 show a slightly healthier picture with like for like net income across the whole of the estate up 1% on the previous year.

Marston’s also benefitted from increased revenue, up 8.8% to £782.9m for year end 5 October 2013, with underlying profit up 6.6% to £168.3m. Growth was in part explained by the hot 2013 summer and also the low profit in the previous year as a result of the poor weather, high disposals and a more ‘subdued’ market. This was followed by the pub company agreeing to dispose of 202 sites for £90m in 2014 and 2015 in a deal with New River Retail Limited. The deal sees Marston’s selling 58 community pubs from Marston’s Taverns estate and 44 leased pubs. Under the agreement, Marston’s will manage the pubs for five years in return for a management fee. Marston’s will look to use the income to target investment growth in higher turnover pub-restaurants, improve the quality of their estate and reduce exposure to smaller wet-led pubs.

Spirit Pub Company plc has continued to see growth in revenue, with like for like net sales up 4.3% in the 20 weeks to 4 January 2014 in their managed pubs and turnover up 2.2% in their leased pubs during the same period, reporting excellent trading during the festive period. This was on the back of profits for the year up to August 2013 of £54 million. Spirit are looking to reinvest the majority of this profit back into the company, with pub acquisitions, brand evolution and infrastructure maintenance all on the target list for capital expenditure.
Mitchell and Butler also recorded strong results for the year up to 28 September 2013 with total revenue up 2.2% to £1,895 billion with a like for like sales growth of 0.4%. They also recorded like for like sales up 0.1% in October and November compared to the same period in 2012.

Fullers’ results for the 26 weeks up to 28 September 2013 showed revenue up 6% from the same period the year before to £146.3 million with adjusted profit before tax up 8% to £18.1 million. During the period the company acquired one pub and disposed of one non-core pub and sold 10 tenanted pubs that no longer met its criteria. The company saw the realisation of its recent focus on fresh food with food sales up 11.8%, and average food spend per cover up 5% to £10.84.

2013 was an important year for the pub sector, with the Association of Licensed Multiple Retailers (ALMR) reporting that for the first time since the recession, all pub trading styles on average reported positive like for like sales helped by the summer weather and a strong festive period. However the worry for 2014 is that although there is much to look forward to with the World Cup and Commonwealth Games, unsustainable costs could hamper the pub sector’s growth. The cost of running a pub, as a percentage of turnover, increased by 1.5% to 48% in 2013 with operating costs alone increasing by 6% in 2013 driven by cost of compliance. For the positive trend to continue throughout 2014, it is imperative that sales growth continues to outperform the increase in costs. It is yet to be seen whether the recent bad weather and flooding may hamper this growth, but 2013 also had a poor start and the sector can take comfort from the recovery made after that.

Tom Cunningham
Associate Director
Licensed Leisure, Manchester
0161 244 7709
tcunningham@savills.com
Planning permission on holiday parks can be difficult to obtain with the majority of sites being located in sensitive coastal and countryside locations.

The National Planning Policy Framework (NPPF) has helped the tourism industry to date with its pro-business approach to planning via the recognised development plan-led system. To this effect, the NPPF has already influenced positive planning decisions and successful appeals for additional pitches and the expansion of existing holiday parks.

An example of where this has been achieved is our successful appeal at Abbey Farm Holiday Park in Lancashire which is located in an open rural area and within a wider Green Belt designation where all forms of development are strictly controlled.

Against this background, Abbey Farm is a very popular holiday park experiencing high levels of demand for new pitches, but has struggled to meet this demand over the years because of its Green Belt designation and the stringent planning policies that apply.

A planning application was submitted to extend the existing site onto adjoining land to provide for additional high quality holiday lodges. Whilst the development was well related to the existing site it was nevertheless refused on the perceived ‘harm’ the development would have on the Green Belt.

Our advice was that an appeal should be lodged against this decision in having regard to (1) the positive characteristics and screening of the site and (2) the economic sustainability of the development which would help to support, sustain and improve an existing rural business.

The economic sustainability aspect was key to the success of the appeal. During the appeal we provided firsthand evidence over the precise operation of the holiday park and highlighted the importance of Abbey Farm as a rural trading business in terms of direct and indirect tourism spend. Furthermore, it was demonstrated that the sales income from the additional pitches would be directly reinvested into the day to day operation of the holiday park.

These economic submissions were crucial to the success of our appeal. The NPPF recognises the economic benefits of development and supports “the sustainable growth and expansion of all types of businesses and enterprises in rural areas”. The NPPF also advocates “rural tourism and leisure developments that benefit businesses in rural areas, communities and visitors and which respects the character of the countryside”.

The Inspector in allowing the appeal directly cited this section of the NPPF in his reasoning and justification for allowing the appeal and our economic benefits amounted to ‘very special circumstances’ to outweigh any perceived harm.

The success of the appeal at Abbey Farm Holiday Park is of fundamental importance to the tourism sector as it is the first successful appeal anywhere in England and Wales for additional static holiday caravans (lodges) within the Green Belt; particularly since the inception of the NPPF. The appeal decision has since been published within the Journal of Planning Law (JPL).

Similar success can be found at Allhallows Holiday Park (Haven Leisure) in Kent for the up-grade and extension of the existing holiday park to provide for 300 additional static holiday caravans, with environmental improvements. Planning permission has now been secured on this basis and it is expected to follow a 10-15 year phased redevelopment process.
Quay West Holiday Park (Haven Leisure) is another example of an expansion to an existing site to improve overall density and the quality of holiday accommodation. Whilst the NPPF does not apply in Wales, Planning Policy Wales (PPW) still recognises the economic contribution and importance of holiday parks, such as Quay West, and their benefit in terms of direct and indirect tourism spend.

The outlook for 2014 for the holiday park sector is therefore positive and the planning framework is now in place to encourage holiday park operators to undertake improvements and/or extensions to their site to create additional income for the business and benefit the wider community.

The economic benefit that holiday parks provide should not be underestimated and the role of holiday parks as ‘key sector businesses’ within rural areas is recognised by the NPPF.

At Savills we remain confident that the NPPF will provide future support for planning applications on holiday parks. Where local development plan policies are historically restrictive or even preclude additional development taking place, then the NPPF takes precedent. This is the ‘pro-business’ approach Local Authorities must now adopt in their consideration of proposals that seek to improve the economic sustainability of holiday parks and tourism development generally.

David Middleton
Director, Planning
01244 328 141
damiddleton@savills.com
What the industry needs is a revolution, to provide more 9-hole courses with state of the art practice facilities and full-length driving range, and to make golf safer by eradicating narrow fairways, insufficient safety margins, crossing holes, parallel holes, etc.

One answer is to reduce existing 18-hole courses in urban and suburban areas down to 9-holes and in the remaining space, to provide a high quality practice area, driving range and short game practice zone. There may also be opportunities for alternative uses.

Golfers will argue that a 9-hole course is not a full golf course and regard them as a limited challenge. However, if well designed with imaginative features and hazards, with two distinct tee-boxes per hole, there is the possibility of creating an interacting 18-hole course within a 9-hole course. It may even be possible to create two greens per hole or, at least, much larger greens with many more pin positions. There are advantages - if you play only 9-holes it takes less time to play (the length of time needed to play golf is an issue for today’s time-poor generation, and speeding up play is a big issue for the international governing golf authorities), it’s less tiring for children and older people, and less expensive for a green fee.

Many UK courses, be they private, proprietary or municipal, are in need of investment. With the seasonal weather we have now become used to – wetter, warmer summers and longer, wetter and sometimes colder winters - golf courses have become less attractive places to play. There are so many other outdoor sporting options for active people today and the golf industry needs to buck up its ideas to compete.

Golf operator, Troon Golf, has recently stated that they would like more 9-hole courses developed to make the game more attractive and less time-consuming. In 2012, HSBC produced a report entitled, Golf’s 2020 Vision - in which it stated the need for golf to be made more attractive for non-golfers, for families, women and schoolchildren and that 9-hole facilities are the future of golf - quicker rounds and more family-focused.

In the UK, there are hundreds of 18-hole courses built on sites that are only 40 hectares (100 acres) or less, with poor quality practice facilities, or none at all. Many of these courses are short by modern standards, at around 5,500 to 6,000 yards from the back tees, with narrow safety margins that would make an insurance consultant or health and safety officer cringe. Given recent claims for damages and compensation, this puts many UK clubs at great risk.

What the industry needs is a revolution, to provide more 9-hole courses with state of the art practice facilities and full-length driving range, and to make golf safer by eradicating narrow fairways, insufficient safety margins, crossing holes, parallel holes, etc.

One answer is to reduce existing 18-hole courses in urban and suburban areas down to 9-holes and in the remaining space, to provide a high quality practice area, driving range and short game practice zone. There may also be opportunities for alternative uses.

Golfers will argue that a 9-hole course is not a full golf course and regard them as a limited challenge. However, if well designed with imaginative features and hazards, with two distinct tee-boxes per hole, there is the possibility of creating an interacting 18-hole course within a 9-hole course. It may even be possible to create two greens per hole or, at least, much larger greens with many more pin positions. There are advantages - if you play only 9-holes it takes less time to play (the length of time needed to play golf is an issue for today’s time-poor generation, and speeding up play is a big issue for the international governing golf authorities), it’s less tiring for children and older people, and less expensive for a green fee.

Many UK courses, be they private, proprietary or municipal, are in need of investment. With the seasonal weather we have now become used to – wetter, warmer summers and longer, wetter and sometimes colder winters - golf courses have become less attractive places to play. There are so many other outdoor sporting options for active people today and the golf industry needs to buck up its ideas to compete.

Golf operator, Troon Golf, has recently stated that they would like more 9-hole courses developed to make the game more attractive and less time-consuming. In 2012, HSBC produced a report entitled, Golf’s 2020 Vision - in which it stated the need for golf to be made more attractive for non-golfers, for families, women and schoolchildren and that 9-hole facilities are the future of golf - quicker rounds and more family-focused.

In the UK, there are hundreds of 18-hole courses built on sites that are only 40 hectares (100 acres) or less, with poor quality practice facilities, or none at all. Many of these courses are short by modern standards, at around 5,500 to 6,000 yards from the back tees, with narrow safety margins that would make an insurance consultant or health and safety officer cringe. Given recent claims for damages and compensation, this puts many UK clubs at great risk.

What the industry needs is a revolution, to provide more 9-hole courses with state of the art practice facilities and full-length driving range, and to make golf safer by eradicating narrow fairways, insufficient safety margins, crossing holes, parallel holes, etc.

One answer is to reduce existing 18-hole courses in urban and suburban areas down to 9-holes and in the remaining space, to provide a high quality practice area, driving range and short game practice zone. There may also be opportunities for alternative uses.

Golfers will argue that a 9-hole course is not a full golf course and regard them as a limited challenge. However, if well designed with imaginative features and hazards, with two distinct tee-boxes per hole, there is the possibility of creating an interacting 18-hole course within a 9-hole course. It may even be possible to create two greens per hole or, at least, much larger greens with many more pin positions. There are advantages - if you play only 9-holes it takes less time to play (the length of time needed to play golf is an issue for today’s time-poor generation, and speeding up play is a big issue for the international governing golf authorities), it’s less tiring for children and older people, and less expensive for a green fee.
For the environment, less land is required, therefore less intensively maintained grass, less fertiliser, less water for irrigation - sustainably, it makes good economic and environmental sense to develop 9-hole courses.

Converting a 6,000 yards 18-hole course to a 9 hole is likely to reduce about 22 hectares (54 acres) of intensively maintained playing area to around 15 hectares (37 acres), plus 3 hectares (7.5 acres) for a driving range and practice area.

So, struggling 18-hole golf courses (they could be municipal, pay and play or private members clubs) in the UK in urban/suburban areas (on land that is not large or safe enough for 18-holes), should consider applying for planning consent to convert the facility to:

- 9-holes full length course (3000 metres/3300 yards length) with generous teeing complexes and greens;
- a high quality 300 metre length practice area/driving range;
- 3 or 6-hole pitch and putt course;
- practice chipping green;
- adventure golf course;
- car-parking for 150 cars;
- clubhouse for golfers and functions;
- small pro-shop/coffee shop.

All facilities should be open-access and family friendly at affordable prices, with no dress or mobile phone restrictions. This is not a simple project to develop without careful thought and planning but the local authority will see that there is a benefit to them in terms of securing an exciting sports facility within their borough/district, which is responding to potential demand and in keeping with governmental sporting initiatives.

Such a redevelopment will require significant capital and this could be sourced from inert soil importation and/or residential properties, away from main golf playing areas. The planning application would, therefore, need to be handled by experienced professionals.

Email: jonathan@gaunt-golf-design.com
Web: www.gaunt-golf-design.com
The Hotels Market

Increased confidence and more overseas buyers

Investors demonstrated their increased confidence in the UK hotel investment market in 2013, with GBP 3.9 bn of transactions during the year. This was 135% up on the amount transacted in 2012 and the highest level of liquidity seen since 2007.

The key drivers of this are:

- GBP 1.2bn of portfolio sales driven by banks
- Entrance of international players looking for and expanding an operating platform, currency exposure, safe haven.
- Growing consensus on price
- Redevelopment opportunities in London – residential underpinning value
- Institutional appetite for leased hotels

London’s ‘safe haven’ status proved to still have enormous significance to buyers as GBP 2.27 bn – 58% - of transactions occurred in the London market and 67% was by international investors.

**Sales**

Banks and administrator-led sales dominated the UK's 2013 sales, accounting for 74% of sale volume. This includes Lloyds selling the Project East portfolio and KPMG selling the Menzies Portfolio. Banks and administrators have now reached a new divestment of GBP1.62bn of London hotel assets and GBP2.1bn of regional hotel assets since 2008 and although there are several portfolios likely to sell in 2014, we expect to see this slow down in the medium term as the loan books are cleared.

**Buyer Types**

The 2013 UK hotel market saw changes in the buyer profile. Overseas investors were the largest group of buyers last year, buying 67% of volume, compared with the five year average of 42%. UK institutions began to re-emerge into the market, constituting 14% of transactions, predominately buying leased hotels operated by Whitbread, Travelodge, Accor and Rezidor. Of the overseas investors, the US provided the biggest flow of money, followed by the UAE and Qatar. Transactions include the UK Marriott Portfolio, purchased by the Abu Dhabi Investment Authority; the Intercontinental Park Lane, purchased by Qatar Holdings and Principal Hayley Hotels, purchased by US firm Starwood Capital. Nonetheless, UK-based demand

"Increase in activity drove a compression in yields"
for good quality assets is still apparent, as demonstrated by Savills sale of Hunstrete House, Bath for GBP204K per key to a UK buyer in Q2 and London & Regional’s purchase of the controlling interest in Radisson Blu Portman Hotel, London for GBP88m in Q4.

Investments

The increase in activity drove a compression in yields. The average yield in London hotel investments came down from c6.1% in 2012 to 5.5% in 2013, with sub-5% yields seen in transactions such as Premier Inn Monument at 4.75%, Travelodge London Docklands at 4.33% and Ibis Brighton at 4.6%.

Whilst the overall average yield across the regional hotel market showed little movement from last year, there was a gathering of good quality regional assets on turnover leases at around 8% such as the Park Inn York (8.0%), the Novotel Cardiff (6.9%) and the Ibis York (c.7%).

Investment transactions amounted to 27% of all transaction volume in 2013, compared to 16% in 2012 – 34% in London and 18% in the regional market – and we expect that investor demand for these hotels will continue for those assets with good covenants and indexed rent reviews.

Outlook for 2014

The regional hotel investment market is yet to see the full recovery that London has experienced, but we consider it to be wholly in remission. Prior to the downturn, the long term average of regional activity was 82% of total UK volume. In 2013, regional activity was still just 42% of the total UK volume. Nonetheless, the strident increase in liquidity looks set to continue across the whole UK, with increased investor confidence and more realistic pricing expectations for even higher transactional volumes in 2014.

With GBP318m sales already concluded and a strong pipeline of hotel portfolios we expect another busy year for hotel transactions, predicting the tally will reach at least GBP3bn before year end.

Michelle Webb
Director, Hotels Agency
020 7409 9919
mdwebb@savills.com
Savills Leisure

Sectors

GOLF
Courses
Driving ranges
Golf developments
Golf and country clubs

HOLIDAY PROPERTIES
Static & touring caravan parks
Holiday resorts and villages
Holiday cottage complexes
Lodge and chalet parks
Timeshare resorts and complexes

MOBILE HOME PARKS

SPORTS VENUES
Health and fitness clubs
Sports grounds
Motor sports venues
Shooting schools
Ski centres and resorts
Leisure centres

VISITOR ATTRACTIONS
Theme parks
Museums and heritage centres
Children’s activity centres
Wildlife parks

WATER-BASED LEISURE
Marinas and moorings
Piers
Sports and activity lakes
Fishing complexes

EQUESTRIAN
Racecourses
Studs and training establishments
Polo facilities
Hiring schools
Livery yards
Equine health centres

LICENSED PREMISES
Public houses
Restaurants
Bars

HOTELS
City centre
Country house
Resort
Business
Budget
Sites and schemes

URBAN LEISURE
Bowling centres
Cinemas
Theatres
Snooker clubs
Night clubs
Casinos
Bingo clubs

TRADE-RELATED PROPERTY
Ports and airports
Waste transfer and recycling centres
Abattoirs and food processing
Crematoria, graveyards and woodland burial sites
Churches
Nurseries and garden centres
Schools and colleges
Mineral extraction sites

RENEWABLE ENERGY
Photovoltaic
Wind turbines
Anaerobic digesters

Services

• Valuation
• Planning
• Rating
• Expert witness
• Sales
• Lettings
• Professional advice
• Acquisitions

Oxford
Wytham Court,
11 West Way,
Oxford, OX2 0QL
+44 (0) 1865 269 000

Chester
16 Grosvenor Court,
Foregate Street,
Chester, CH1 1HN
+44 (0) 1244 328 141

Exeter
The Forum,
Barnfield Road,
Exeter,
Devon, EX1 1QR
+44 (0) 1392 455 700

London
33 Margaret Street,
London,
W1G 0JD
+44 (0) 20 7499 8644

savills.co.uk/leisure