

The impact of Covid-19 on hotel valuations

Questions/Answers

- Qu. 1** **What is your view on valuation of B&Bs? Is it now not looking optimistic now that staycations are the in thing?**
Russell Kett *staycation market, then it should succeed in the current environment*
Bob Silk *performance goes up/valuation goes up and vice versa*
- Qu. 2** **What has been the effect on valuations of London hotels for statutory accounts/audit purposes?**
Russell Kett *See slide in RK presentation which shows the valuations conducted in 2020 compared with the same hotels in 2019*
Bob Silk *That said some measure of impairment "feels right". But then again there have been little/no transactions and so*
- Qu. 3** **What is the impact on london hotel yield post pandemic?**
Russell Kett *likely to have been affected*
Bob Silk *Agree with RK*
- Qu. 4** **have built up over the last 12 or so months which will put pressure on cash.**
Russell Kett *Correct*
Bob Silk *Confirmed*
- Qu. 5** **this current climate?**
Bob Silk *any revaluations since the beginning of Covid. These invariably a requirement to revalue every three years and this is a regulatory requirment becasue much longer than this and a valuation is deemed to have become "stale" and risks*
- Qu. 6** **Sorry - question therefore is: how is this reflected in the Bank views on cash and therefore vialibility going forward?**
Bob Silk *time and provided a hotel is well located, well operated and well invested, one would hope that cashgeneration will*
- Qu. 7** **able to pay?**
Bob Silk *is a virtue!*
- Qu. 8** **non market slary rates for owners who may be overpaid or even underpaid is using a dividend tax efficient remuneration**
Russell Kett *Your future cash flow estimates should be based on the most realistic envisaged cash position*
- Qu. 9** **if your depreciation rate is fiction, then your accountant has his depreciation rate wrong!**

Russell Kett

depreciation rates. Within reason, you can set your own levels

Qu. 10

Russell Kett
Bob Silk

luxury segment in large city markets?

average, and those whose performance will be worse. Many city centre luxury hotels will find it hard to see a return to economy is heavily dependent on inbound US & UAE visitors. Once they come back, I think that London luxury hotels'

Qu. 11

Russell Kett

centre hotels have spare capacity, they will fill first as rates will be competitive to gain occupancy. Secondary and tertiary locations to city centres must surely therefore suffer as the city centres won't push demand out.

locations - especially given that much of the demand is leisure based

Qu. 12

Russell Kett
Bob Silk

the structural impact on ADR? Or it will still not be enough?

emanate from structural changes to the way hotels are operated post-Covid view mirror.

Qu. 13

Russell Kett

into account in future valuations?

These are inherently factored into the discount rates which valuers use

Qu. 14

Russell Kett
Bob Silk

What types of multiples do you see where values are performed on an EBITDA basis

hotel in question

ine size fits all. Rather than best one can do it to consider the range of multiple, peak to trough for comparable hotels.

Qu. 15

Russell Kett
Bob Silk

business plan forecast of the operator?

may not - agree with that of the operator performance.

Qu. 16

Russell Kett

hotel businesses?

during the webinar

Bob Silk

whether it can be debt funded is a function of freecashflow; There are of course lots of moving parts here, but when you get down to brass tacks, ... Question 1: How much average freecash flow p.a. did the hotel generate across the last cycle, Question 2: how much debt is the hotel carrying (i.e. bank debt + accumulated "Covid arrears"? Question 3: Is the answer

Qu. 17

Bob Silk

loans secured by hotels? i.e. due to uncertainty in valuations for eventual loan recovery and/or the projected

I'm afraid that I don't have access to that data.

- Qu. 18**
Russell Kett **Or do you believe cap rates / multiples have changed? If so, by how much is your feeling discount rates**
- Qu. 19**
Russell Kett **Any forecast on resort hotels on the Med?**
The more accessible ones should be in great demand but this is a rather sweeping question...
- Qu. 20**
Russell Kett **how to deal with the financial consequences of the pandemic?**
where possible rather than escalating this to a dispute - so far...
Bob Silk *Management Agreement; gave 12 months' notice and going forward intends to operate the hotel independently of a*
- Qu. 21**
Russell Kett **streams given the pandemic?**
Valuers are free to adjust projections which they consider to be unrealistic
- Qu. 22**
Russell Kett **term?**
Bob Silk *looking to replace this with other types of business not wringing their hands and decrease any prior dependency on this source of income.*
- Qu. 23**
Russell Kett **you see that this will affect room rates? Will hoteliers stay remain cool or will they undercut rates?....**
Bob Silk *gradual reopening and staffing should occur, bringing staff back in line with demand returning. Cutting rates isn't I have not seen any evidence of rate discounting, yet. That doesn't mean it won't happen though; we'll see.*
- Qu. 24**
Russell Kett **term?**
Bob Silk *the traditional senior debt sources vs the relatively urgency of the funding requirement.*
- Qu. 25**
Russell Kett **What about other cities in Europe such as Paris or Brussels**
have the advantage of being more accessible to international visitors than, say, London