



Covid-19's impact on hotel valuations, a lender's view

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Fundamentals that never really change

Lenders' reaction to Covid

Where does value lie today?

The value of a valuation to a lender

Funding hotels today



Fundamentals that don't change - hotels

Product

People

Place



Fundamentals that don't change – lending to hotels

Value is derived from trading performance

Trading performance maps to cashflow

Cashflow pays bills & free cashflow services debt, not the “V” in LTV

So, although hotel lending is asset backed it's still a “cashflow lend”

See the previous slide, ...



Lenders' reaction to Covid

Have NOT

- Panicked
- Reached for security
- Sought revaluations
- Forced sell

Have

- Time
- Space
- Funding



Financial distress widespread

And yet little distressed selling

Wall of capital seeking a home

Frustrated buyers



So, what's a hotel worth today?

Very few comps so it's hard to say

1990's recession values roughly halved

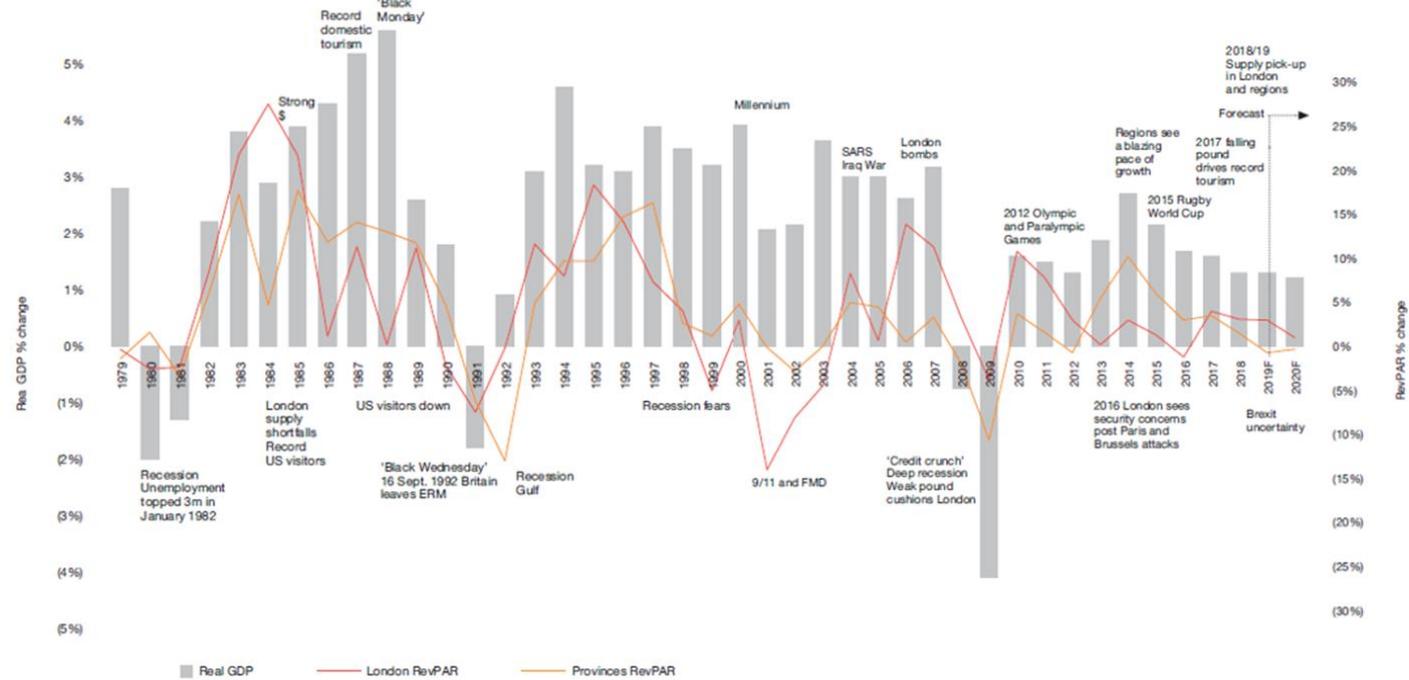
"GFC", up to -40% in Provinces but London stable/ increased

Today – may be -15/ 20% in Provinces; London ???

Undoubtedly a reduction in value though



Recovery time #1

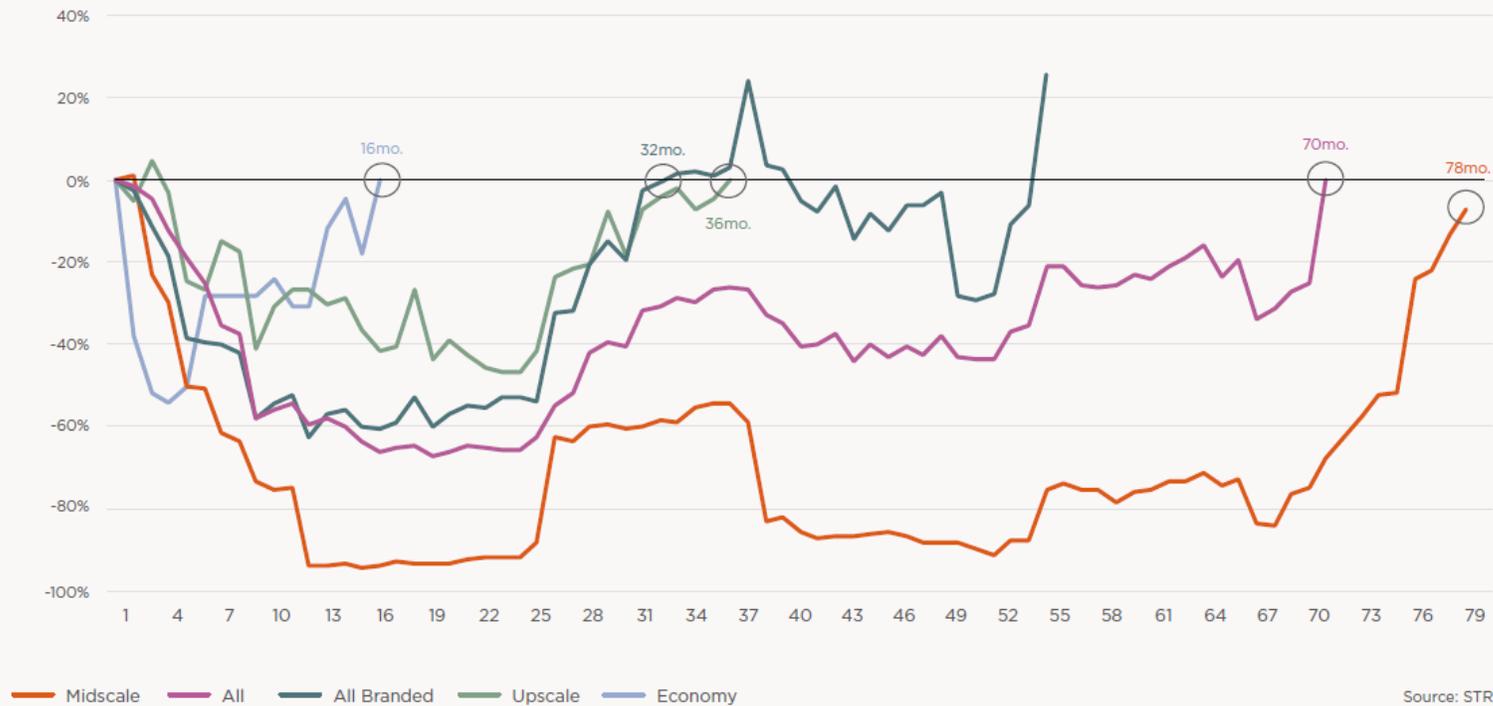


Source: Econometric forecasts: PwC July 2019
NB: Dual axis GDP on left and RevPAR on right
Macroeconomic data: National Statistics
Benchmarking data: Hot Stats STR Supply data STR July 2019



Recovery time #2

GFC PERFORMANCE RECOVERY TTM MONTHLY % CHANGE (EUROPE)



Source: STR



The value of a valuation to a lender

Worst case source of recovery

Regulatory capital

Due diligence re forecast cash generation



Funding hotels today – fundamentals don't change, ...

Management's ability to generate sufficient cashflow, across the cycle

Product

People

Place



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