

Our Ref NT\gh

Chancery Place
Brown Street
Manchester M2 2JT

www.colliers.com/uk

DDI	+44 161 831 3337
MOBILE	+44 7920 258226
MAIN	+44 161 831 3300
FAX	+44 161 831 3399
EMAIL	neil.thomson@colliers.com



13 May 2016

PRIVATE AND CONFIDENTIAL

To whom it may concern

REPORT ON THE MARKETING AND VIABILITY OF THE CROSS LANES HOTEL, BANGOR ROAD, CROSS LANES, WREXHAM, WREXHAM, LL13 0TF

Colliers International has been asked to provide a marketing report for the Cross Lanes Hotel, Wrexham in support of potential change of use application to assess on-going viability of the hotel and restaurant.

OUR PEDIGREE

Colliers International is the leader in global real estate services and provide a full range of services for property owners, investors and occupiers on a local, national and international scale. We have a strong reputation in providing high quality and diligent valuation and agency services across the UK and have a proven track record within the North Wales Region. Colliers is a preferred partner for all banks and owners of small medium and large hotel portfolios which has provided us with an impressive in-depth knowledge of the UK hotel industry.

In 2015, our dedicated hotel agency team sold 125 hotels throughout the UK and since 2013 has sold or acquired hotel assets with a combined value in excess of £1bn.

Some of our clients include:

AIB	Arora International
Bank of Ireland	Interstate
Clydesdale Bank	Co-operative Bank
Grange Hotels	HSBC
Intercontinental Hotels Group	London and Regional
Macdonald Hotels	NAB Group
Natwest Plc	RBS Group
Splendid Hotels	Starwood Capital

The marketing process has been personally handled by Neil Thomson – Associate Director of Colliers with over 16 years' experience within the commercial hotel agency sector, covering the North West and North Wales regions. Our recent sales in North Wales include

Giler Arms, Betws y Coed	7 bed hotel and country pub set in around 5 acres
St Tudno Hotel, Llandudno	19 bed sea front hotel and restaurant
Hand Hotel, Llanarmon	13 bed country Inn in rural location
Plas Maenan Country House, Maenan	11 bed Country House and 5 star wedding venue
Grove House, Wrexham	14 bed guest House in town centre
Esplanade Hotel, Llandudno	59 bed commercial seaside resort hotel
Ye Olde Anchor, Ruthin	15 bed hotel and pub sold for alternative use for student accommodation
Milverton House, Llandudno	Seafront guest house
Baytree Hotel, Llandudno	45 bed seafront hotel and restaurant

MARKETING HISTORY

Colliers International was instructed to sell The Cross Lanes Country House Hotel, Wrexham on 21st June 2013 at an initial asking price of £975,000. The business was then introduced to our entire database of around 18,500 applicants via a marketing initiative and then specifically to our list of prospective purchasers (around 165 qualified applicants from a hotel, leisure background or investors) who are looking for this type of hotel opportunity.

The hotel was also advertised on our national database www.colliersproperty.co.uk which has over 22,000 registered users and other website including www.businessesforsale.com and www.rightmove.co.uk. It was also featured in numerous editions of "The Caterer and Hotelkeeper" publication, a specialised leisure and hospitality publication which is seen and read by owners and operators on the private and corporate leisure, hotel and food service led industries.

The initial tranche of marketing resulted in only two viewings resulting in the following:

Oct 13 - Mr G Kidd – After receiving accounts, decided the hotel operation was not suitable as it was losing money and required a significant level of capital expenditure to make it a viable operation

Oct 13 - Mr T Simmons- Did not proceed as it required too much work

After several months of marketing the owner Mr Kagan decided to reduce the asking price to £895,000 to try and stimulate fresh interest. Once again the business was re-introduced openly to the market at the revised figure and re mailed out to our entire database of buyers and was feature for a third time in the “Caterer and Hotel Keeper” publication. Through the remainder of 2013 and during 2014, we received numerous general enquires about Cross Lanes, however after potential buyers received accounting information, many decided that they did not wish to pursue their interest and decided not to view the property.

Formal viewings that took place were:

April 14 – Mr & Mrs Haigh - Offered on another business, quoting that Cross Lanes was not profitable and therefore not for him

June 14 - Mr Henson - Felt the business required too much work and expense

Sept 14 - Mr Regan – Decided wasn't for him as not enough bedrooms for a wedding venue.

During 2015, Colliers Hotel Agency Team observed a positive recovery in the market place aided by the fact that banks were keen once again to lend within the hospitality sector, albeit on profitable and sustainable businesses and to operators who had relevant trade experience. Furthermore we saw an influx of new buyers coming to the market with cash on the back of an improving housing market.

In the back end of 2015 two potential buyers came forward and made offers

Offer 1 - A local healthcare provider who wanted to explore the opportunity to convert the hotel into a drug and alcohol rehabilitation centre. An offer was submitted which was accepted in principle by the owners, however after further investigation it was decided that the hotel would require too much work to convert into their necessary use and withdrew their interest.

Offer 2 – A local property investor who made an offer to buy the hotel and adjoining residential property, also owned by Mr & Mrs Kagan. The offer was accepted, subject to her arranging finance. After 3 months of discussions with the lender, they decided to withdraw their support to fund the property on the basis that they had concerns over the viability of the business and the level of capital expenses that would be required to renovate the hotel to a high standard. The purchaser was unable to secure bank debt elsewhere and was forced to withdraw her interest.

CONCLUSION

The marketing of Cross Lanes Hotel has been a challenge due to a number of factors

- Struggling market for hotel businesses
- The hotel has been in a loss making position for five out of the past six years (see below), which has had a serious impact on the business and its saleability.

	2015	2014	2013	2012	2011	2010
Turnover	£587,301	£605,738	£638,530	£581,348	£633,515	£592,313
Operational cost	£651,841	£642,058	£675,650	£638,533	£619,093	£614,008
Net profit/Loss	(64,540)	(£36,320)	(£37,129)	(£57,185)	£14,422	(£21,695)

- The hotel has had a lack of investment due to its loss making position, and is now considered an asset in need of significant capital expenditure to renovate and modernise the hotel going forward.
- Trading losses are ongoing and are increasing, so if the operation continues without significant investment, we would project annual losses at the current level or higher.
- Banks are risk-adverse and it will be a struggle for a future operator to obtain debt funding to buy the hotel, let alone provide a facility to renovate the building.
- The long term viability of the hotel is in question, and the owners are now having to consider the closure of the hotel and boarding up the property until a cash purchaser can be sought, resulting in the loss of jobs.
- Any alternative purchaser with a viable long terms solution/project, albeit with alternative use should therefore be seriously considered.

** In accordance with our standard practice may we point out this email and any subsequent similar correspondence is provided as marketing advice and feedback only. It does not constitute a formal valuation or commentary and should not be relied upon as such. We cannot and do not accept any responsibility or liability to any third party in respect of the contents of this document.*

Kind regards



Neil Thomson
ASSOCIATE DIRECTOR