



DEUCE HOTEL DEAL DIARY

BACKGROUND OF THE PURCHASE



We were offered this Property through a commercial agent.

It was originally off market with a receiver who had instructed our agent to sell it.

Titles were an ABSOLUTE mess. So much so that the solicitors advised us not to complete at one point.

Tenant was in circa £25,000 in arrears.

At the time they were asking for £800,000

We started at £500,000

Agreed £550,000

VAT nearly cost us the deal at the very last minute (TOGC) - vendor had fallen out with EVERYONE including the receiver, and they were refusing to register a TOGC.



Timelines



 **Danny Inman**
23 July 2016 · 🌐

- Agreed November 2015
- Completed 23rd July 2016
- Planning application - August 2018
- Planning Approved - March 2020 (something happened here)
- Pre commencement Planning conditions Released - May 2021
- Building Flooded- September 2021 and Refinance 1
- Build Started November 2021
- Completion Imminent - almost 7 years later

Get rich quick....

THE STRATEGY.....

- In 2017 we had a pretty in depth thought process with this deal.

“ITS BIG, ITS IN THE BEST PART OF TOWN, ITS A LOVELY BUILDING, IT SEEMS CHEAP.”

Next door has the highest prices in the town for Apartments and has consistently.

Basically it was bought without a definitive plan, and probably a little bit of ego.



3, Knightsbridge Court, Palmyra Square North, Warrington WA1 1TA		
Flat		
£178,000	9 Feb 2017	Leasehold
£179,950	4 Jul 2005	Leasehold
£145,275	28 Nov 2002 (New Build)	Leasehold
No other historical records		
1, Knightsbridge Court, Palmyra Square North, Warrington WA1 1TA		
Flat		
£145,000	25 Nov 2016	Leasehold
£124,800	28 Nov 2002 (New Build)	Leasehold
No other historical records		
9, Knightsbridge Court, Palmyra Square North, Warrington WA1 1TA		
Flat		
£122,500	22 Mar 2016	Leasehold
£118,000	8 Jan 2003 (New Build)	Leasehold
No other historical records		

FINANCING PT 1



At the point of buying it, we completely winged the finance.

We took an owner occupier commercial mortgage with RBS - 70% LTV. WHY DID WE DO THIS?

ImmediLet “occupied” the Upper Floors and combined with the Ground Floor rent from the Bar we got a Term Loan with RBS

£2140 a month Interest and Capital Payment

Buildings Insurance was around £500pcm

Rent was £2500pcm + Service Fees

It basically covered itself, but we were paying down capital.

No utility costs, no business rates etc.

Expenses	Amount	Date	Paid by
Old Post Office - Valuation for Sanderson Weatherall	£1,680.00	11/13/15	ImmediLet Ltd
Jefferies - money on account	£500.00	1/11/16	ImmediLet Ltd
Deposit	£165,000.00	7/13/16	ImmediLet Ltd
Stamp Duty	£17000.00	7/13/16	ImmediLet Ltd
Jefferies Legals	£1832.86	7/13/16	ImmediLet Ltd
Subsiduries	£1795.00	7/13/16	ImmediLet Ltd
Ascot Mortgages	£2887.50	7/13/16	ImmediLet Ltd
Sourcing Fee - R bates	£1500.00	7/13/16	ImmediLet Ltd

PROBLEM ONE - TENANT

Liquidator left us with a tenant in £25,000 worth of arrears.

They also left us with a legal obligation to pay over any arrears to cover anything prior to our negotiation.

Our solicitor missed it, and they landed it on us at the point of completion.

(Basically they wanted to add the arrears on the completion price, and we refused) **VERY COMMON BE CAREFUL**

Just as we completed loads of press about a relaunch of the bar in memory of Viola Beach.....

Only issue was they owed £25k in rent, and still weren't paying.....

Less than a month into owning it we had to barge in and threaten with eviction.....we would have been popular.



Friends club together to reopen The Lounge bar in Viola Beach's memory

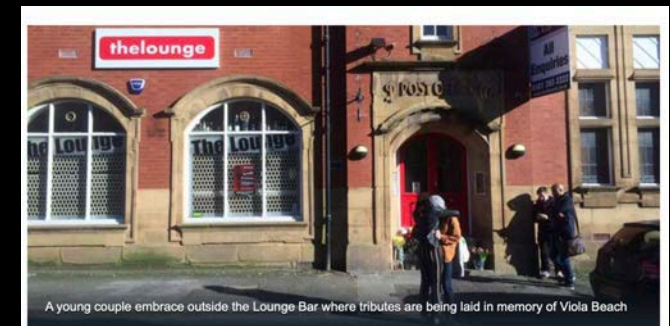
28th July 2016



Ashley Morris, Ian Walker, Adam Lawson, Josie Irving and Lisa Leonard with her daughter Charlotte

Sainsbury's
SmartShop
Shop | Scan | Go

Find out more



A young couple embrace outside the Lounge Bar where tributes are being laid in memory of Viola Beach

Fans pay tribute to Viola Beach as police investigation continues

BY GARY SKENTELBERY ON 15TH FEBRUARY 2016 2:46 PM

MUSIC NEWS

AS SWEDISH police investigations continue into the cause of the tragic car crash which claimed the lives of Warrington indie rock band Viola Beach and their manager, fans have been leaving tributes at the town centre venue where they made their name.

I'VE GOT 99 PROBLEMS AND THE JV IS ONE



Why the Gap between 2016-2018?

Initially there was 3 of us in this deal.

Me, Nathan, A. N Other

I found deal managed process, Nathan to build, AN to fund.

On the term loan I was best placed to get it with RBS (best accounts), so the plan was I would lead the purchase, and we could restructure after.

Money would need to come from me to RBS as a result.

Not long after completion funding partner said "I think I need a bigger return, I have been on an SA training and I don't think we will cashflow like you have said."

Erm, no. A legal "debate" followed. We came to an agreement. Funder exited.

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PLANNING - AHHH, PLANNING.



Planning must have been friends with AN.....

C1 vs C3 - which way to go?

Planning application and Listed Building Application at the same time.

Heritage officer = WOW. Renowned.

Nobody picked the app up for months, Warrington Council had a huge staffing issue (they effectively fired the whole department and didn't replace them), case officer kept changing, we had 10+ meetings where we threatened to go to appeal, they didn't know what conditions to set in the application as they had never dealt with an Aparthotel application before (90 day rule), and then tried to request illegal conditions (restricting our titles through planning)

2 weeks into lockdown.....

They then dragged feet painfully through covid for condition releases (a year)

Local Employment Plan - Old PO Building Development Ltd

Conversion of Upper floors of Old Post Office, 6 Springfield Street, Warrington, Cheshire WA1 1BB

Planning Application Number 2019/34703



The attached plan is in relation to the following pre-commencement condition of approval, and highlights the Local Employment Plan intended for this development.

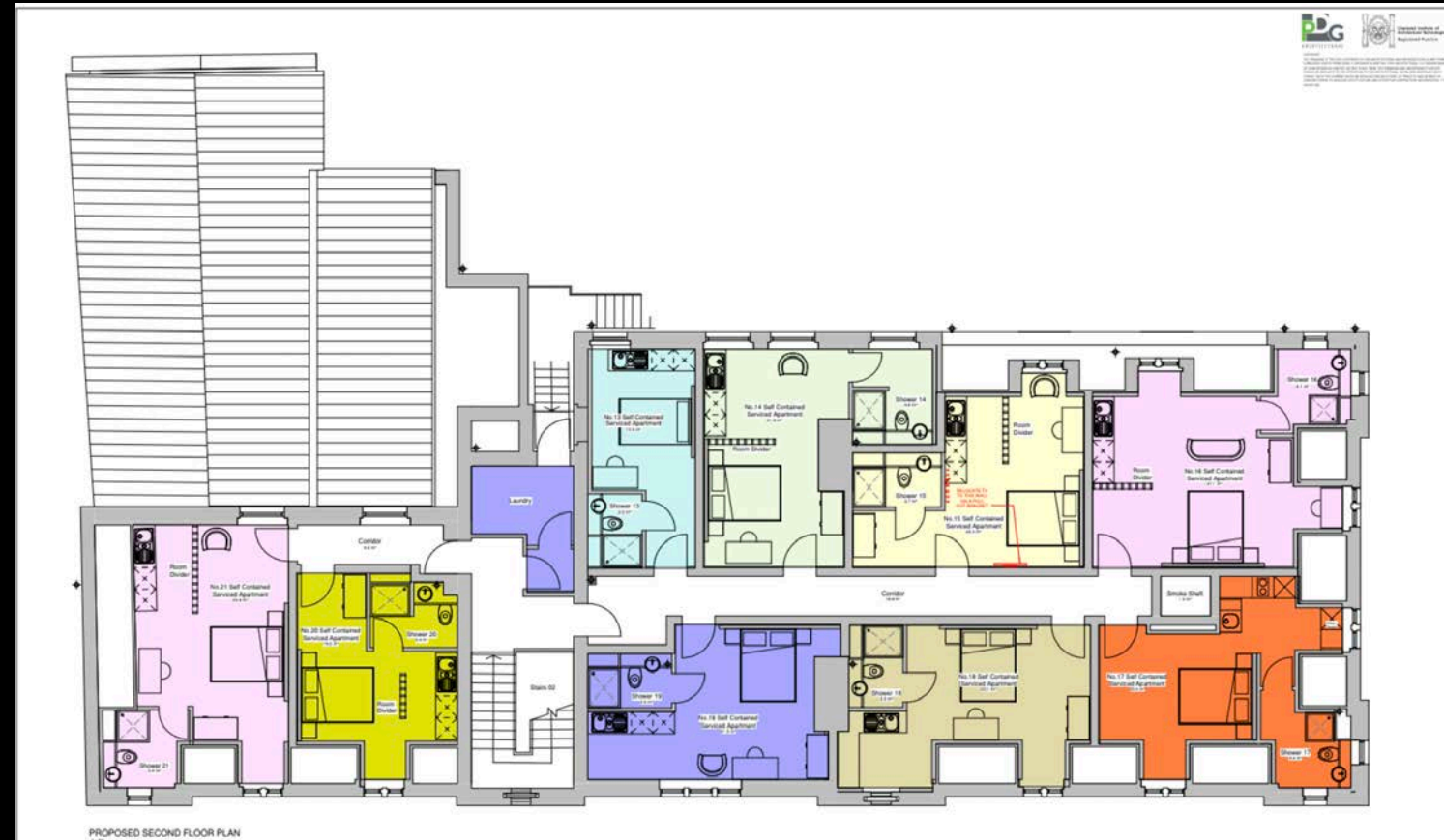
The development hereby permitted shall not commence until a local employment scheme has been submitted to and approved in writing by the Local Planning Authority. The scheme shall outline the means of maximising the local impact from the development in terms of contracting and supply chain opportunities for local businesses and job opportunities for the local community/residents. The approved employment scheme shall be fully implemented.

DRAWINGS

21 UNITS ON 1ST AND 2ND FLOOR



18 - 40M2
AVERAGE IS 28M2



FINANCE PART 2



Development Finance

RBS came to the End of the 5 year term (2021) and told us they weren't looking to extend.

Had paid down £50k plus in capital.

Timing was perfect as we had planning approved and was ready to go.

Bridge replaced the Term Loan with RBS - repayment was roughly the same but now interest only. (Still covered by rent at this point)

Development Finance to be released in arrears.

SWIMMING POOL.....

Just as we had instructed valuation.....

Used Aspray Loss Adjusters.

Claim paid out was roughly £36,000



NUMBERS



Purchase Price - £550,000

Development Costs - £1.6m (mainly Dev Finance, part SSAS pension angel)

Finance and other Costs - £250,000

GDV - £2.7m

Loan Offer = £2,025,000

Money Left in = £375,000

Cashflow Forecast = £281,000 per annum.

ROI = SHIT HOT.

**WE HAVE ALSO COMMITTED
£100K TO SET UP**

**FURNITURE, WHITE GOODS, FITTINGS,
BUSINESS SET UP AND CONTRACTS**

OPERATION AND FORECASTS



YEAR 1 FIGURES AT 70%					3 YEAR PROJECTIONS				
					Year				
					Year 1	Year 2	Year 3		
Average 2 days stay per visit									
Serviced Accommodation									
Blocks of 21 Apartments									
Price Per Night	120	120	120	120	120.00	130.00	140.00		
Occupancy Rate	50%	60%	70%	80%	70%	75%	75%		
Booking Fees	15%	15%	15%	15%	15%	15%	15%		
Card Fees	2%	2%	2%	2%	2%	2%	2%		
VAT	20%	20%	20%	20%	20%	20%	20%		
Cleaning per stay	12	12	12	12	144	144	144		
Laundry per stay	8	8	8	8	96	96	96		
MOE	422.1	464.52	506.94	549.36	23,097	23,097	23,097		
Booking Fees	94.50	113.40	132.30	151.20	4,599	4,599	4,599		
Card Fees	12.60	15.12	17.64	20.16	613	613	613		
VAT	105.00	126.00	147.00	168.00	8,943	8,943	8,943		
Cleaning	126	126	126	126	5,366	5,366	5,366		
Laundry	84	84	84	84	3,577	3,577	3,577		
Income Per night	1,260	1,512	1,764	2,016	Income PCM	53,655	62,278	67,069	
Profit before Mortgage	837.9	1047.48	1257.06	1466.64	Monthly	30,558	39,181	43,972	
	66.5%	69.3%	71.3%	72.8%	Margin (%)	57.0%	62.9%	65.6%	
					MOE	TOTAL	277,166	312,130	327,296
					Booking Fees	Made up of	55,188	64,058	68,985
					Card Fees		7,358	8,541	9,198
					VAT		107,310	124,556	134,138
					Cleaning		64,386	68,985	68,985
					Laundry		42,924	45,990	45,990
					Gross Income - before MOE		643,860	747,338	804,825
					Profit before Mortgage and Salaries		366,694	435,208	477,530

£366k SA Income before Mortgage

+ £35k Commercial Rent

- £120k (£10kpcm Mortgage)

= £281k pa CF

PLUS COMMERCIAL RENT @ £35K PA

VALUATION + FINANCE 3



	LSH assessment of FMT	%
Gross Operating Revenue	£574,900	100.0
Departmental Expenses	£86,235	15.0
Undistributed Expenses	£143,725	25.0
Gross Operating Profit	£344,940	60.0
Overhead Expenses	£50,000	8.7
EBITDA	£294,940	51.3

* EBITDA is interest before earnings, tax, depreciation and amortisation.

For the purposes of our report and valuation, we have adopted EBITDA as our FMOP which is stated prior to deductions for finance costs, taxation, depreciation and amortisation.

Our valuation as at Day One is based on a capitalisation yield of 12% and a discount rate of 14% and in the stabilised year of operation (Year 3) our valuation is based on a capitalisation rate of 11% and a discount rate of 13%.

Our Day One valuation for the serviced apartments of £2,300,000 reflects an average of approximately £110,000 per serviced apartment. This is higher than expectation but reflects the high standard of fit out.

We have applied a gross yield of 7.5% to the Market Rent for the bar/music venue on the ground floor and basement which is let to a local operator with over 9 years remaining. This reflects a valuation for the investment of £400,000.

OUR EBITDA OF £366K @ 13% = £2.82M
COMMERCIAL RENT @ £35K = £467K

Year one they value it at 13% vs Ebitda = £2.3m

Year 3 - 12% of Ebitda = £2.45m

Plus commercial Valuation

£30,000 pa as 7.5% Yield = £400,000

We have prepared an additional valuation on the basis of **Market Value with Special Assumptions**: -

We are of the opinion that the current **Market Value with the Special Assumptions** all works to construct the proposed development have been completed to a high standard in accordance with the plans and specifications provided, the serviced apartments are fully equipped and as at Day One of operation assuming the serviced apartments are capable of trading in line with the assessment of trade, of the freehold interest of The Old Post Office, 6 Springfield Street, Warrington, Cheshire, WA1 1BB, as at the date of this letter, subject to the leases detailed herein, for secured lending purposes, subject to the limitations set out within this letter, is: -

£2,700,000
(Two Million Seven Hundred Thousand Pounds)

WHAT WILL THE FINAL SPEC LOOK LIKE?



WHAT NEXT....?



41 UNITS



23 UNITS



Tours in Groups



**Those that are waiting for the
tour**

**Talk about what you are unsure
of, or anything unclear?**

Back for Questions post tour



ANY QUESTIONS?