



SUMMARY VALUATION REPORT

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# Mr&Mrs White Paros Hotel

AG. GEORGIOS, NAOUSSA  
PAROS, GREECE



**SUBMITTED TO:**

Anna Apostolidou  
CEO  
BriQ Properties REIC  
25 Al. Pantou Street  
17671 Kallithea  
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**PREPARED BY:**

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1 July 2019

Anna Apostolidou  
CEO  
BriQ Properties REIC  
25 Al. Pantou Street  
17671 Kallithea  
Greece

Dear Ms Apostolidou

**Re: Mr&Mrs White Paros Hotel, Paros, Greece**

In accordance with your request, we herewith submit our Summary Valuation Report pertaining to the above property. We have inspected the site and the facilities and have analyzed hotel market conditions on the island of Paros. HVS has valued the property acting as an independent valuer and our report has been prepared in accordance with the Royal Institution of Chartered Surveyors' (RICS) *RICS Valuation – Professional Standards*, July 2017.

Based on the available data, together with our analysis and experience in the hotel industry, it is our opinion that the Market Value of the freehold interest in the property described in this report, as at 30 June 2019, is:

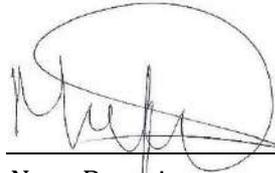
€4,100,000

FOUR MILLION ONE HUNDRED THOUSAND EURO

We hereby certify that we have no undisclosed interest in the property, and that our employment and compensation are not contingent upon our findings and valuation.

This opinion of value and the entire report are subject to the comments made throughout and to all assumptions and limiting conditions set out herein.

Yours sincerely  
HVS – ATHENS OFFICE



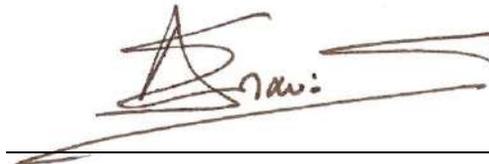
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Nana Boussia  
Senior Associate



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Pavlos Papadimitriou, MRICS  
Director



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Demetrios Spanos  
Managing Director

NB:PP:DS

HVS No: 2019360041

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# 1. Executive Summary

Property:	Mr&Mrs White Paros Hotel
Address:	Ag. Georgios, Naoussa Paros 84401
Date of Inspection:	19 June 2019
Interest Valued:	Freehold
Date of Value:	30 June 2019
Management:	HotelBrain

## PROPERTY DESCRIPTION

Site Area:	4,468 m <sup>2</sup>
Age:	Constructed in three different phases during 1990s and 2000s
Property Type:	Four-star
Guest Rooms:	49
Food and Beverage Facilities:	A restaurant, a lounge and a bar
Meeting Facilities:	One meeting room (90 m <sup>2</sup> )
Amenities:	Two outdoor pools, a gift shop, a guest laundry room
Car Parking:	Approximately 21 spaces (outdoor)

## ESTIMATES OF VALUE

Income Capitalisation Approach:	€4,300,000 (80% weight)
Sales Comparison Approach:	€3,400,000 (20% weight)
Market Value Conclusion as at 30 June 2019:	€4,100,000
Market Value Conclusion per Room:	€84,000

## 2. Nature of the Assignment

### Subject of the Summary Valuation Report

The subject of the Summary Valuation Report is the freehold interest in the Mr&Mrs White Paros Hotel located at Ag. Georgios, Naoussa, Paros 84401, Greece ('the Hotel'). The Hotel has 49 guest rooms and was constructed in three different phases during 1990 and 2000s. In addition to guest rooms, the Hotel has a restaurant, a lounge and a bar, 90 m<sup>2</sup> of meeting space, two outdoor pools, a gift shop, a guest laundry room and other facilities typically found in a four-star hotel.

### Purpose of the Summary Valuation Report

This Summary Valuation Report has been prepared for BriQ Properties REIC for asset evaluation purposes, in accordance with the Royal Institution of Chartered Surveyors' (RICS) *RICS Valuation – Professional Standards*, July 2017, and the International Valuation Standards (IVS).

### Basis of the Valuation

The objective of the Summary Valuation Report is to evaluate the supply and demand factors affecting the market for transient accommodation in the Paros area through the generation of hotel cash flow for the purpose of estimating the Market Value of the freehold interest in the Hotel.

Market Value is defined as:

*“The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”<sup>1</sup>*

### Property Rights Valued

The property rights valued are the freehold interest in the land and the premises, including the furniture, fixtures and equipment (FF&E).

### Pertinent Dates

The effective date of value is 30 June 2019. The Hotel was inspected by Pavlos Papadimitriou on 19 June 2019, and our analysis was performed shortly thereafter.

### Recipient of the Summary Valuation Report

This Summary Valuation Report has been prepared for BriQ Properties REIC for asset evaluation purposes. The information presented in this report should not be disseminated to the public or third parties without the express written consent of HVS.

### Scope of the Valuation Report

All information was collected and analysed by the staff of HVS. Information such as historical operating statements, site plans, description of the facilities, and so forth was supplied by the client and the management of the subject Hotel. We have assumed that this information is accurate and we have therefore relied upon it without undertaking any independent verification. We have investigated

<sup>1</sup> Royal Institution of Chartered Surveyors' (2017) *RICS Valuation – Professional Standards*

comparable hotels in the market area and have spoken with buyers, sellers, hoteliers, property developers and industry experts. Our value conclusion has been based on this investigation and analysis.

#### **Valuer Credentials**

Pavlos Papadimitriou, MRICS oversaw this valuation. Nana Boussia, and Pavlos Papadimitriou undertook the due diligence enquiries and carried out the detailed analysis. This collection of individuals has the required skills and experience necessary to carry out a valuation of this nature.

#### **Conflict of Interest**

We hereby certify that we have no undisclosed interest in the property, and that our employment and compensation are not contingent upon our findings and valuation. We have no previous involvement with this property that the client is not aware of.

#### **Premise of the Forecast**

The forecast of income and expense included in this report is intended to reflect the valuers' subjective estimate of how a typical hotel investor would project the subject property's operating results to which appropriate valuation parameters have been applied.

#### **Acknowledgement of Service**

This report and valuation contains various assumptions, some of a general nature and some of a specific nature. Our valuation is based upon information supplied to us and other information previously available to us.

We recommend that you consider and are assured of the validity and relevance of each assumption and any data presented herein in the context of our valuation, either by independent verification or your own judgement. Any queries or points of concern should be raised with the valuers at the earliest opportunity.

#### **Ownership, Management History and Structure**

The Hotel is currently owned by BriQ Properties REIC that bought the property in October 2018 for a reported price of €3.5 million. HotelBrain Capital S.A. owned the property until then after purchasing it in 2017 from its previous owners followed by a renovation that took place prior to the 2017 tourist season. Prior to the renovation, the Hotel was running as a three-star property known as AKS Chroma Hotel. No other transfers of the property have reportedly occurred within the last three years.

Following the Hotel's acquisition BriQ Properties REIC leased the property back to its previous owners, namely HotelBrain Capital S.A.

The property is now under a (long) lease dated October 2018 for a term of 15 years; the lease expires on 31 December 2033. A minimum guaranteed lease is set at €265,000 adjusted annually for one percentage point above inflation. We have assumed that the operation of the premises will comply with the terms of the lease and that there will be no current breaches of the covenants contained therein. A summary of the pertinent terms of the lease is included in Section 8, *Valuation* together with the assessment of the viability of the subject lease.

The Hotel has been valued assuming that, as at the expiration of the lease agreement, it would be available free and clear of any specific management or operating leases. For the purposes of this valuation, we have assumed that following the lease agreement expiration a competent and experienced operator will manage the Hotel. We have therefore assumed a base management fee of 3.0% of total revenue and an incentive fee of 8.0% of an adjusted gross operating profit (i.e. GOP after deducting property taxes, insurance, and reserve for replacement).

#### Planning

The Hotel seems to have been constructed in accordance with local planning restrictions, building codes and other applicable regulations. However, we are not legal experts and recommend that you lawyers verify that all licences and approvals have been secured.

#### Other Statutory Consents

We have assumed that the Hotel has a valid fire certificate, complies with environmental health legislation and holds all other necessary licences for the purposes of its operation. Furthermore, we have assumed that there are no outstanding issues in respect of such consents and licences.

We have not inspected any of the licences, approvals, consents, permits or certificates relating to the property and we recommend that your lawyers verify their existence.

#### Marketing and Exposure Period

The marketing and exposure period, referring to the amount of time necessary for the Hotel to have been exposed retrospectively, prior to our date of value, is estimated to be less than or equal to 12 months.

#### Currency

All financial data, projections and opinions of value are expressed in euro. All projections are expressed in inflated euro, and the value estimate represents 2018 euro.

#### Special Assumptions

No special assumptions have been adopted for this valuation exercise.

#### Method of Study

The methodology used to develop this Summary Valuation Report has been based on the market research and valuation techniques set out in the textbooks written by HVS for the American Institute of Real Estate Appraisers and the Appraisal Institute, and entitled *The Valuation of Hotels and Motels*,<sup>2</sup> *Hotels, Motels and Restaurants: Valuations and Market Studies*,<sup>3</sup> *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,<sup>4</sup> *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,<sup>5</sup> *Hotels &*

<sup>2</sup> Stephen Rushmore (1978) *The Valuation of Hotels and Motels*, American Institute of Real Estate Appraisers, Chicago.

<sup>3</sup> Stephen Rushmore (1983) *Hotels, Motels and Restaurants: Valuations and Market Studies*, American Institute of Real Estate Appraisers, Chicago.

<sup>4</sup> Stephen Rushmore (1990) *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*, American Institute of Real Estate Appraisers, Chicago.

<sup>5</sup> Stephen Rushmore (1992) *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*, Appraisal Institute, Chicago.

*Motels: Valuations and Market Studies,<sup>6</sup> and Hotel Market Analysis and Valuation: International Issues and Software Applications.<sup>7</sup>*

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<sup>6</sup> Stephen Rushmore and Erich Baum (2001) *Hotels & Motels: Valuations and Market Studies*, Appraisal Institute, Chicago

<sup>7</sup> Stephen Rushmore, John O'Neill and Stephen Rushmore, Jr (2012) *Hotel Market Analysis and Valuation: International Issues and Software Applications*, Appraisal Institute, Chicago

### 3. Market Area Analysis

#### REGION OVERVIEW - CYCLADES

Cyclades Islands are one of the island complexes that constitute the Aegean Archipelago. The group consists of some 220 islands of which many of the smaller ones remain uninhabited. The entire complex is an administrative prefecture of Greece whereas the major islands are: Amorgos, Andros, Ios, Kea, Kimolos, Kithnos, Milos, Mykonos, Naxos, Paros, Folegandros, Serifos, Sifnos, Sikinos, Siros, Tinos, and Santorini.

The islands are peaks of submerged mountainous terrain, with the exception of two volcanic islands, Milos and Santorini. Excluding Naxos, the soil in the Cycladic islands is not very fertile. Agricultural production includes wine, fruit, wheat, olive oil, and tobacco. The climate is generally dry and mild. Cooler temperatures are recorded in higher elevations and Cyclades generally do not receive heavy winters. All roads in the island complex are secondary or provincial

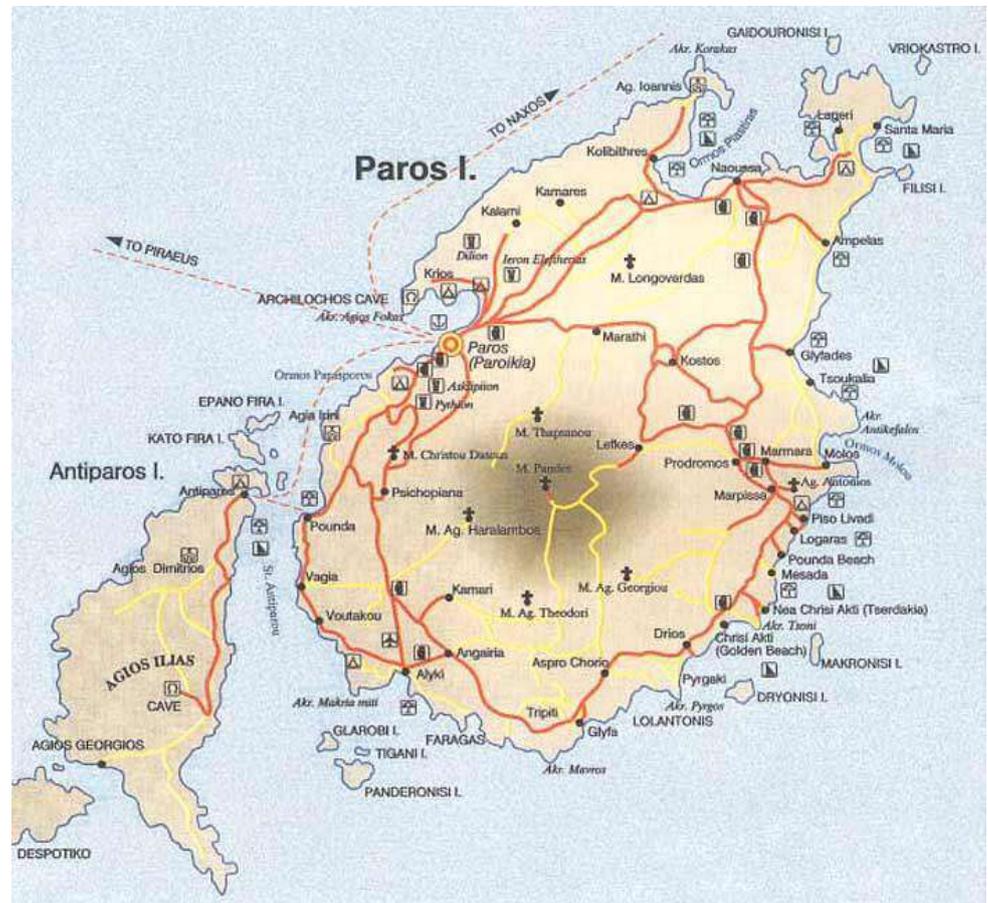
The Cyclades Islands enjoy worldwide recognition as a tourism destination. Located very close to Athens, it is rather easy to reach any of the Cyclades islands by ferry or airplane. The entire complex is particularly renowned for its pristine beaches washed by the Mediterranean Sea which can be either cosmopolitan or secluded and they constitute the main attraction of the islands. Recently the European Environment Agency announced that the country was positioned third worldwide in terms of Blue Flag certification, with 430 beaches and nine marinas for 2016, out of which 21 are located in Cyclades. Other reasons that put Cyclades Islands high on the list of places to visit by international travelers are: (1) the villages of the Cyclades which mostly distinguish for the unique architecture characterized by whitewashed houses, blue windows and doors, white churches with blue domes and traditional windmills; (2) the tasty Mediterranean cuisine which varies on each island depending on the local products; (3) the proximity of the islands as most of them form a sort of neighborhood and someone can travel easily from one to the other ('island hopping'); (4) the new hotel establishments which are mainly upscale boutique hotels that fit perfectly into the surrounding area; (5) the people who are simple, hospitable and smiling.

#### ISLAND OVERVIEW - PAROS

Paros is the third largest island in the Cyclades Complex located opposite the west side of Naxos, from which it is separated by a channel about eight kilometers wide. It lies approximately 144 kilometers south-east of Piraeus. The island is an area of 194.46 km<sup>2</sup> and the coastline is 118.50 kilometers long. The key location of Paros in the central Aegean, the crossroads of maritime routes connecting the mainland of Greece, with the islands of the Archipelago, the Turkish coastline and the wider area of the Mediterranean Sea, was the historical basis for the development of the island. Most of the coastline, forms beautiful sandy beaches (especially on the east side), or beaches that appear steep and rocky, and other natural ports most of which are spread in the north side. The

great bay of Naoussa is formed there, one of the most picturesque fishing harbors in the Aegean.

### INDICATIVE MAP OF PAROS ISLAND



Paros is an island with a rolling landscape. There is a central mountain range Profitis Ilias (776 meters high), which leads down to hillsides which in turn lead down to a beautiful shoreline and plains, which are ideal for farming. This variety of scenery is one of the charms of Parian landscape. Paros is one of the most fertile islands of the Cyclades. Amongst its produce is its wine (famous since ancient times) olive oil, cereals and fruit. Production of Parian wine, which is gaining increasing recognition, is growing from local vineyards and emerging modern bottling factories. Apart from farming, Parians also make their living from fishing and from animal farming. Paros has a pleasant climate. The winters are mild with not too much rain and the main characteristic of the summer months is the “Meltemi”, a north wind which blows every year (especially in July and August).

#### Demand Generators

Tourism is an important element of the island’s economy. The overall tourism season is limited to only five months (May to September) with peak visitation occurring in August. Notwithstanding the ideal geographical position of the

island, the size of it and the plethora of beaches and attractions it offers, Paros has still long way to go before it reaches the fame and popularity, especially in the high-end market, of the other two Cycladic islands that prevail the Cycladic market (namely Mykonos and Santorini). One of the reasons for that is the limited infrastructure development that the island features compared to other mature Greek destinations; the current situation is expected to steadily improve given the new airport that inaugurated its operations in 2016. Moreover, Paros was among the 50 best places in the world for holidays in 2017, according to Travel+Leisure magazine.

Some of Paros' mayor attractions are the following:

- Paroikia is built in the centre of the western shore of Paros, around a wide, sheltered, natural bay. It is the capital city of Paros, governmental and commercial centre, hosting the island's merchant and passenger port. The city's name derives from the Byzantium and literally means "colony" or community in the sense that the residents "belonged to" and worked for Ekatontapyliani, something like share-croppers. As more "paroikoi" settled in the old town the name changed from Paros to "Paroikia";
- Naoussa, one of the most picturesque small harbours in the Aegean, is built in a sheltered natural bay in the northern region of Paros. Naoussa has enjoyed development as a tourist destination and characteristic night life. The heart of Naoussa beats in its small and sheltered harbour, among the many fishing boats;
- The Archaeological Museum of Paros is located in Paroikia, with exhibits from ancient years till the roman era. The medieval castle in the centre of Paroikia in which there are traditional Cycladic houses and churches, the most prominent of which is Saint Constantine. There is also the Venetian castle of Naoussa. Some significant archaeological sites of the island are the Asclepion, the old Christian church and the ancient cemetery. Apart from the countless little churches that you meet at every step you take, there are also many monasteries. Nowadays only five are still operating, while in the past there were tens of them. The most important is the one of Saint Arsenios (the patron saint of Paros) as well as Logovarda;
- The Holy Virgin of Ekantondapyliani. An outstanding Byzantine church, one of the oldest of Christianity.

### Accessibility

Since Paros is one of the most popular tourist destinations in Greece, it is fairly easy to travel to Paros from Athens, other Greek islands or from abroad. There are ferries connecting Paros with Piraeus and Rafina, the two largest ports of Athens. These ferries also connect Paros with other islands, such as Santorini, Naxos, Mykonos, Syros, and Crete. Flights to Paros are daily from Athens, while many direct charter and scheduled flights from Athens and Thessaloniki arrive on a daily basis during summer season.

## Airport and Seaport Statistics

Paros International Airport is the airport serving the island of Paros, Greece, in the Cyclades islands region. The airport is located in the southwestern part of the island, about ten kilometres from the port of Paroikia. It replaced the Old Paros National Airport in July 2016.

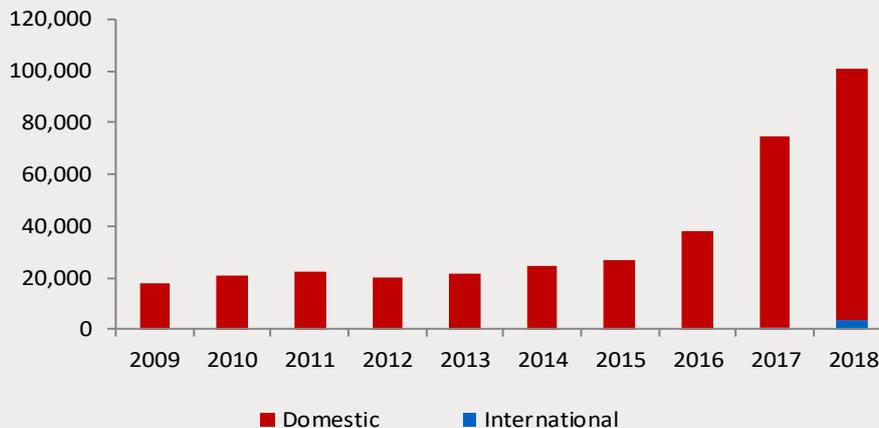
The old airport of Paros, which was situated a few kilometers to the south, was operational since 1982. Its 710-meter runway was sufficient for its time, but over years, passenger numbers grew making the use of larger aircraft necessary. Although these aircraft could serve various Greek airports, Paros airport was not one of them. The reason was that it had a short runway. It was finally decided that there should be a new airport for the Island.

The new airport opened in 2016 taking over all operations of the old airport. It has a wider, runway and larger aircraft can use it. Construction started in April 2016, and the terminal was completed by the end of July. The current runway has a length of 1,400 meters and can handle 300 arrivals per day while plans are to extend it to 2,000 meters in the future to be able to receive larger aircrafts.

Table 3-1 summarizes the total passenger arrivals at the aforementioned airport for the past nine years.

**TABLE 3-1 TOTAL PASSENGER ARRIVALS AT PAROS AIRPORT 2009-18**

Year	Total	% Change	International	% Change	Domestic	% Change	International % Share	Domestic % Share
2009	17,959	—	0	— %	17,959	—	—	100.0 %
2010	20,532	14.3 %	0	—	20,532	14.3 %	—	100.0
2011	22,205	8.1	0	—	22,205	8.1	—	100.0
2012	20,417	(8.1)	0	—	20,417	(8.1)	—	100.0
2013	21,475	5.2	0	—	21,475	5.2	—	100.0
2014	24,259	13.0	0	—	24,259	13.0	—	100.0
2015	27,218	12.2	0	—	27,218	12.2	—	100.0
2016	37,872	39.1	0	—	37,872	39.1	—	100.0
2017	75,047	98.2	876	—	74,171	95.8	1.2 %	98.8
2018	100,545	34.0	3,330	280.1	97,215	31.1	3.3	96.7
<b>Year-to-April</b>								
2018	10,589	—	0	—	10,589	—	—	100.0 %
2019	12,152	14.8 %	0	—	12,152	14.8 %	—	100.0



**Compound Annual Growth Rate 2009-17**

<b>Total</b>	<b>21.1 %</b>
<b>International</b>	<b>— %</b>
<b>Domestic</b>	<b>20.6 %</b>

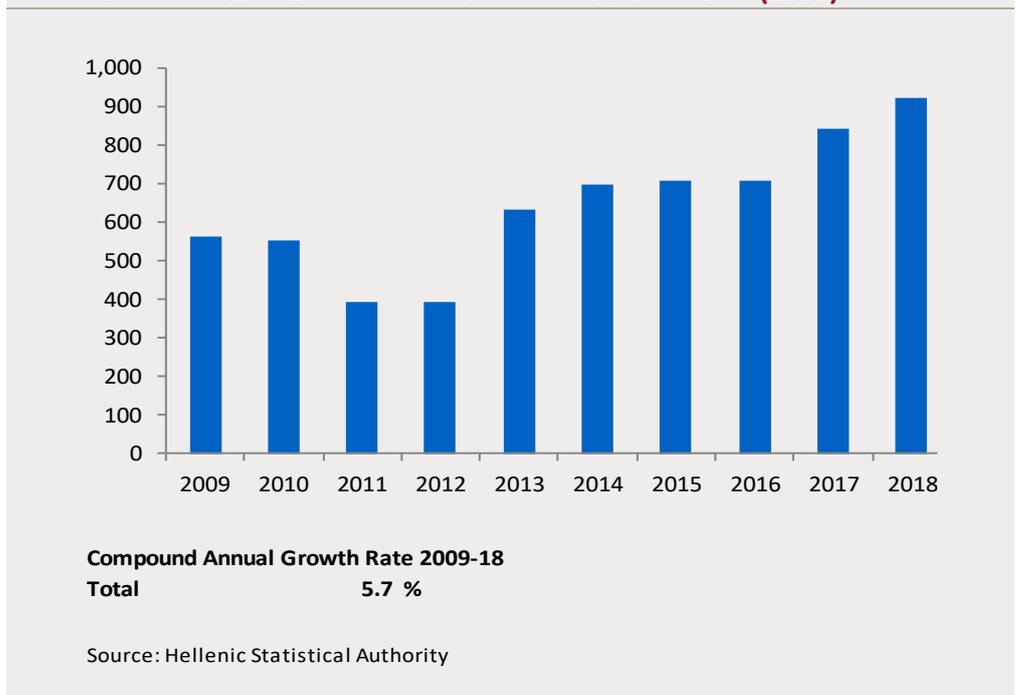
Source: Hellenic Civil Aviation Authority

Until 2016 Paros National Airport had been handling only domestic flights. The number of passengers landing on the island via a domestic flight has been gradually growing over the examined period, as part of the increasing fame of the island, with the exemption of 2012 when domestic income was affected by the economic crisis. Between 2009 and 2016 the number of passengers in the island doubled while in absolute numbers it remained low compared to other Cycladic destinations. 2017 was the first year that the new airport received international flights and showed the tremendous impact that the upgraded

facility had on the growth of visitation in the island since within only two years the number of visitors almost tripled.

The port of Paros or Paroikia is the main port of the island that connects Paros with the ports of Piraeus, Lavrio, Cyclades and Crete. The harbors of Naoussa and Piso Livadi connect Paros with other Cycladic islands, mainly in summer, through tourist passenger boats, and the port of Pounta connects the island with the neighboring Antiparos by ferry boats throughout the year.

**TABLE 3-2 PASSENGER ARRIVALS AT PAROS SEAPORT (000s)**



Total arrivals by sea in Paros grew at a healthy CAGR of 5.7% during the past ten years. During the period 2009-18 arrivals with scheduled ferries grew by 65%, despite the recent increase of air arrivals. This could be partly attributed to the convenient connectivity of the island with frequent scheduled ferries and its relatively close proximity to the main port of Piraeus in relation with other more isolated Cycladic islands. Cruise arrivals fluctuate between 3,500 and 8,000 each year.

**Tourism and Visitation**

Visitation, in terms of hotel accommodated bednights, in Paros during the period 2007-17 is presented in the following table.

**TABLE 3-3 VISITATION AND ACCOMMODATED BEDNIGHTS – PAROS 2007-17**

Year	Total Visitors	% Change	International		Domestic		International Share	Domestic Share
			Visitors	% Change	Visitors	% Change		
2007	203,598	—	102,826	—	100,772	—	50.5 %	49.5 %
2008	273,419	34.3 %	134,308	30.6 %	139,111	38.0 %	49.1	50.9
2009	309,536	13.2	149,772	11.5	159,764	14.8	48.4	51.6
2010	315,488	1.9	172,724	15.3	142,764	(10.6)	54.7	45.3
2011	298,043	(5.5)	176,581	2.2	121,462	(14.9)	59.2	40.8
2012	224,628	(24.6)	147,217	(16.6)	77,411	(36.3)	65.5	34.5
2013	259,761	15.6	179,892	22.2	79,869	3.2	69.3	30.7
2014	324,431	24.9	227,458	26.4	96,973	21.4	70.1	29.9
2015	305,650	(5.8)	247,094	8.6	58,556	(39.6)	80.8	19.2
2016	300,994	(1.5)	220,797	(10.6)	80,197	37.0	73.4	26.6
2017	368,864	22.5	287,024	30.0	81,840	2.0	77.8	22.2
<b>Compound Annual Growth Rate 2007-17</b>		<b>6.1 %</b>		<b>10.8 %</b>		<b>(2.1) %</b>		

Source: Hellenic Statistical Authority

Before 2011, visitation at hotels in Paros was split between domestic and international visitors; following the economic crisis that severely affected the income of domestic visitors and the recent growth of fame of Paros abroad, the international segment prevailed in the island.

In general, the international segment has demonstrated increased resilience over the last ten years, reaching a peak in 2011, decreasing thereafter, owing to a mix of the global economic uncertainty together with the negative publicity Greece received over the 2010-12 period, and vigorously recovering in 2013-14, a period during which visitation in hotels experienced new record-breaking levels. Domestic tourism recorded significant shrinkage between the period 2011-12 while from 2012 onwards it went through a period of intense fluctuations. The recorded increase in international airport arrivals in 2017 was also reflected in the tremendous growth by 30% of international accommodated bednights. Although there have not been any official data published for 2018, we have been told by hospitality executives that growth continued, and tourism witnessed another record-breaking year.

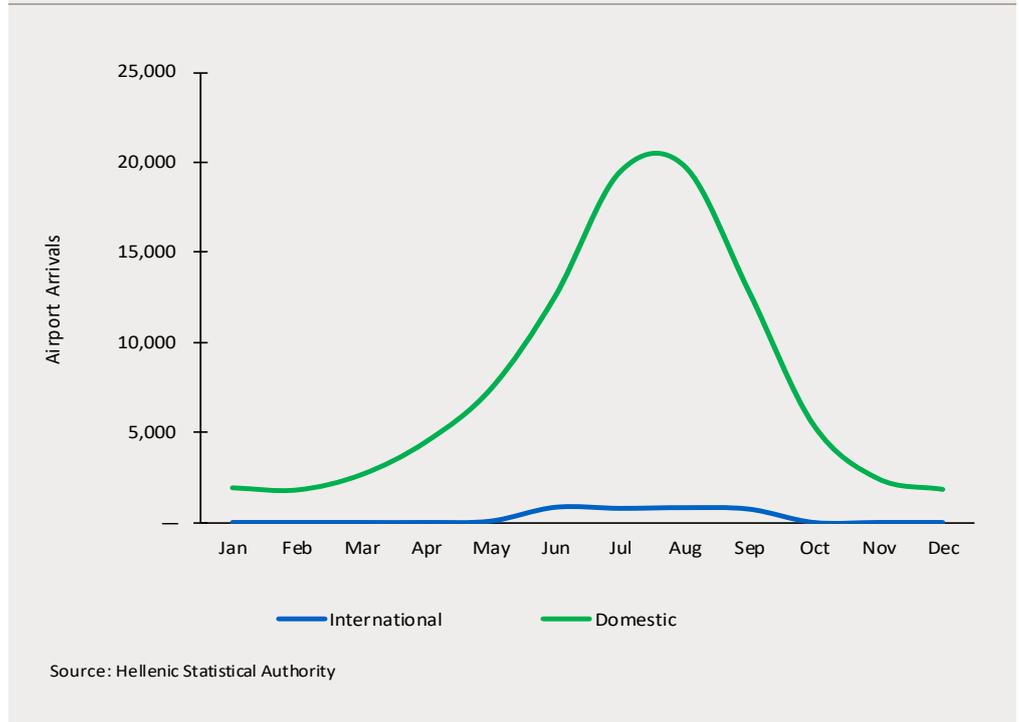
Pre-bookings for 2019 indicate that after six years of consecutive growth (on a national level), this trend may end in 2019, although there is still positive outlook about the robustness of the sector. Tourism traffic and revenues are expected to stay the same next year as in 2018, while they may even record a mild decline, according to the head of the Greek Tourism Confederation (SETE). Turkey's rapid recovery as a destination and the UK's planned departure from the European Union is expected to have an impact on Greek tourism.

The average length of stay remained relatively unaffected throughout these years ranging between 3.8 and 4.9 days for both segments.

### Seasonality

Seasonality in Paros, in terms of airport arrivals for 2018, is presented in the following table.

**TABLE 3-4 SEASONALITY – PAROS 2018**



As in most leisure tourism destinations in Greece, the highest arrival figures in both islands occur in July and August with numbers reaching or sometimes exceeding 90%.

Depending on the region, Paros offers two quite different type of holidays. One part of the island is known for its intense nightlife and clubbing attracting young low-to-mid-budget travelers while another part of the island is offered for family-type holidays.

**Basic Visitation Factors**

The following table shows basic visitation factors like average length of stay and seasonal bed occupancy for the island of Paros.

**TABLE 3-5 BASIC VISITATION FACTORS – PAROS 2007-17**

Year	Arrivals at Hotels (000s)	Accommodated Bednights (000s)	Average Length of Stay (Days)	Bed Occupancy
2007	48	204	4.2	44.6 %
2008	61	273	4.5	45.9
2009	72	310	4.3	46.3
2010	79	315	4.0	39.3
2011	73	298	4.1	36.8
2012	54	225	4.1	26.8
2013	61	260	4.3	30.4
2014	74	324	4.4	37.1
2015	76	306	4.0	33.7
2016	75	301	4.0	33.1
2017	92	369	4.0	38.4

Source: Hellenic Statistical Authority

The average length of stay remained relatively unaffected throughout these years ranging between 4.0 and 4.5 days while seasonal bed occupancy went through more intense fluctuations recording a maximum of 45.9% and a minimum of 26.8%. The minimum rate for bed occupancy was recorded in 2012 as a result of the financial crisis that affected leisure travel, but it rebounded in 2013 in much higher levels and after that it picked up steadily to reach 37.1% in 2014. The decreased occupancy in 2015-16 could be merely attributed to the increase in supply as it is illustrated in the following section. The tremendous growth in accommodated bednights in 2017 had a positive impact on bed occupancy figures which in 2017 recorded the highest number after the financial crisis.

## Hotel Supply

The following table illustrates hotel supply in Paros over the past nine years.

**TABLE 3-6 HOTEL SUPPLY – PAROS 2010-18**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Compound Annual Growth Rate 2010-18
<b>Number of Hotels</b>										
Five-Star	2	2	2	2	2	2	3	3	4	9.1 %
Four-Star	14	15	15	15	16	18	18	19	19	4.5
Three-Star	20	20	18	20	22	29	30	32	37	9.2
Other	101	101	101	99	98	89	87	84	85	(2.4)
<b>Total</b>	<b>137</b>	<b>138</b>	<b>136</b>	<b>136</b>	<b>138</b>	<b>138</b>	<b>138</b>	<b>138</b>	<b>145</b>	<b>0.1 %</b>
<b>Room Capacity</b>										
Five-Star	96	96	96	96	96	96	154	154	211	10.3 %
Four-Star	714	717	709	611	635	832	825	865	848	2.2
Three-Star	656	656	602	650	707	877	903	959	1,074	6.4
Other	1,979	1,979	1,991	1,948	1,924	1,720	1,658	1,570	1,560	(2.9)
<b>Total</b>	<b>3,445</b>	<b>3,448</b>	<b>3,398</b>	<b>3,305</b>	<b>3,362</b>	<b>3,525</b>	<b>3,540</b>	<b>3,548</b>	<b>3,693</b>	<b>0.4 %</b>
<b>Bed Capacity</b>										
Five-Star	180	180	180	180	180	180	312	312	411	10.9 %
Four-Star	1,331	1,338	1,325	1,152	1,192	1,533	1,501	1,580	1,603	2.4
Three-Star	1,229	1,229	1,140	1,215	1,318	1,560	1,714	1,843	2,109	7.0
Other	3,810	3,810	3,836	3,759	3,713	3,327	3,208	3,033	3,025	(2.8)
<b>Total</b>	<b>6,550</b>	<b>6,557</b>	<b>6,481</b>	<b>6,306</b>	<b>6,403</b>	<b>6,600</b>	<b>6,735</b>	<b>6,768</b>	<b>7,148</b>	<b>0.5 %</b>

Source: Hellenic Statistical Authority

The majority of hotels are classified as one- and two-star, while the stagnation of five-star units is quite evident. Paros features a low number of five-star properties and it is considered as less developed in terms of high-end tourism product since the destination is only now developing due to the inauguration of the new airport. Almost all properties are small units with low room count owned and operated by local hoteliers with only some limited exceptions that are operated by local or national hotel operators with presence in the broader region of Cyclades.

Four-star and three-star properties hold a considerable share of the market. The average size of five-star properties for 2018 is 52 rooms and 103 beds a size somewhat higher compared with the average size in 2010 (48 rooms and 90 beds) but indicative of the small units in Cyclades due to various limitations such as building coefficient, and architectural restrictions. The average size of four-star properties has remained almost the same over the last three years featuring 44 rooms which correspond to 84 beds unit supply. Supply for other categories experienced a significant increase in three-star properties trading off the decrease in other categories. This investment activity is indicative of the prevailing status of tourism on the island where the destination is only at its developing stage with many locals or Greeks coming from other parts of the country stepping into the market that it is in need of additional hotel room supply.

**CONCLUSION**

Apart from the main tourist destinations within the island complex of Cyclades that feature the highest levels of performance (i.e. Mykonos and Santorini), Paros, according to our research, is an upcoming destination within the same islandic complex that enjoys high levels of international awareness in specific markets such as France and Italy. Paros, famous mainly among domestic travelers, which although featuring similar physical characteristics with Mykonos and Santorini, it has not managed to follow the same growth pattern in terms of tourism development and visitation. The hotels in Paros, as in all other Cycladic islands, are of small size due to various limitations and barriers to entry; however, their achieved performance in terms of profitability margins is healthy due to the increased levels of room charges. The island was one of the many destinations within Greece that were deeply affected by the unfortunate results of the economic crisis as visitation and expenditures of domestic tourists, that were traditionally contributing approximately 45% of the island's visitation until 2012, shrunk to significantly low levels. It is believed that the recent upgrade of the local airport and additional suggested development plans will induce new demand and result in the much-desired tourism growth which is already evident as international travelers seek alternative affordable destinations within Greece.

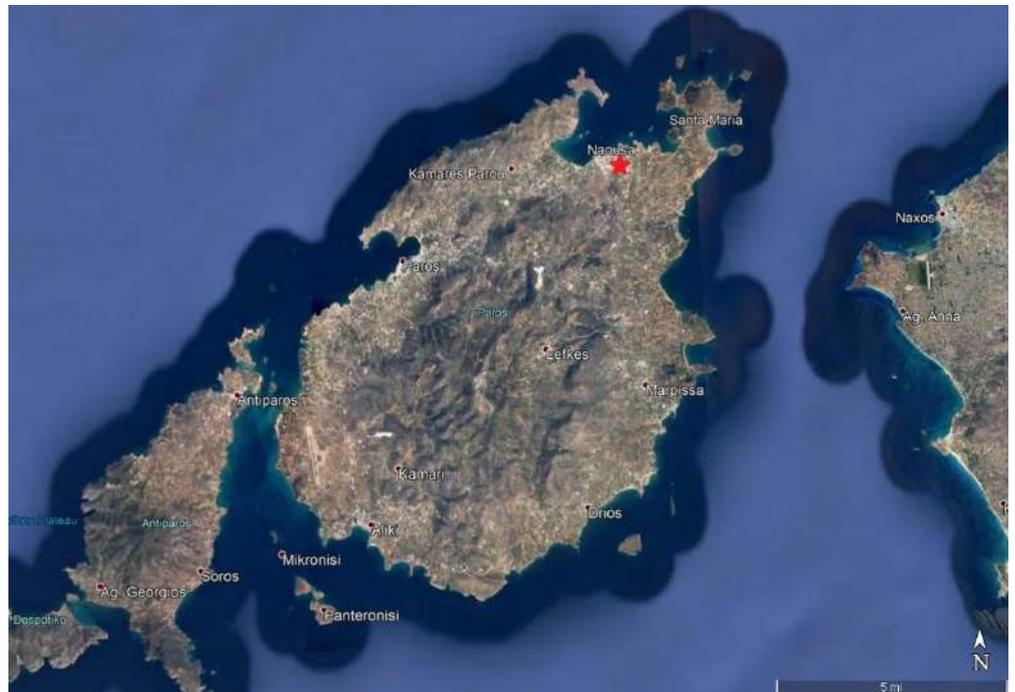
## 4. Description of the Facilities

### LOCATION

A hotel's site and its location within a specific neighbourhood can have a direct impact upon the hotel's performance relative to a competitive market. The following paragraphs describe the location of the subject Hotel in relation to its immediate surroundings and its market area, as described in Section 3. Following this site and location analysis, the subject Hotel's physical facilities are described in detail.

The subject property is located at the north side of the island of Paros in Agios Georgios, just outside the settlement of Naoussa, the main town of the island.

### LOCATION OF THE SITE



### Size and Topography of the Site

According to the client, the subject Hotel is developed in three independent land plots two of which are adjacent to each other while a local road is officially trespassing parcels "1" and "2". According to our inspection, the local road trespassing these two parcels has been converted to outdoor area of the Hotel featuring also the Hotel's sewage pumping station in the underground. We have been informed that this local road is not allowed to be occupied since it could potentially provide access to an adjacent land plot once and if this is included in the town planning of the region. In any case, we see no effect in the value of the property apart from the expenses that should occur in the future in order to

restore the road. However, you should seek legal advice as to whether this situation affects the transaction of the Hotel.

Parcel "1" measures in total 1,052.03 m<sup>2</sup>, parcel "2" measures 1,903.63 m<sup>2</sup> while parcel "3" has a surface of 1,512.61 m<sup>2</sup>. Thus the entire Hotel sits on 4,468.27 m<sup>2</sup> of land.

The topography of all three parcels is generally flat and smoothly sloping towards the east; suitable though for the development of a hotel. Due to this elevation difference, some rooms provide unobstructed views towards the sea to the north or to the surroundings.

### AERIAL PHOTO OF THE SITE



**VIEW FROM THE SITE TO THE EAST**

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**VIEW FROM THE SITE TO THE NORTH**

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**Environmental Issues**

No detrimental environmental factors were reported by the property's management. Following our enquiries, we understand that the Hotel's site has been used for hotel purposes for a sufficient period of time so as to be considered low risk in terms of site contamination. However, we are not qualified to provide further advice on this issue and we recommend that you seek the advice of suitably qualified environmental consultants.

**Neighbourhood and Surrounding Land Use**

The neighbourhood surrounding the site of the subject development is called Agios Gergios. It is located just outside the settlement of Naoussa that is the main point of reference on the island during the summer season. In general, this neighbourhood is in the growth stage of its lifecycle, with some moderate growth occurring in the hotel and residential sector. Within the immediate proximity of the site, land use is primarily touristic in nature including some hotels of lower classification. The broader neighbourhood is characterized by residences, restaurants, and small-sized hotels.

**Access and Visibility**

Regional access to the property is provided through the main local road that connects the town of Paroikia on the west with the town of Naoussa (Paroikia – naoussa road) on the north of Paros and continuous to the east side of the island, where other villages are located (Naoussa – Marpissa road). The port is lying approximately ten kilometers west of the site, whereas the centre of Naoussa town is located just one kilometer to the north of the site.

Air transportation to Paros is provided through Paros National Airport which is situated some 21 kilometres southwest of the subject site and access is provided by the main road that connects Punta with Paroikia and Naoussa further to the north.

Vehicular local access is provided by a local road that connects the property with the Naoussa – Marpissa road passing by some 200 meters to the southwest of the subject property.

The subject property is not visible due to its secluded position, but adequate signage is placed on the main local road leading to the Hotel.

**Conclusion – Location**

We have analyzed the issues of size, topography, access, and visibility. In general, the site is well-suited for a resort- type hotel use, located in one of the upcoming areas in Cyclades, lagging of good views towards the sea, but with convenient access to Naoussa, the surrounding beaches, and generally featuring very good regional and local access to the demand generators of the island.

**HOTEL FACILITIES**

The quality of a hotel's physical facilities has a direct influence on its marketability and attainable occupancy and average rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. The following paragraphs describe the Hotel's physical premises and facilities in an effort to determine how they contribute to its total value.

**Property Overview**

The Hotel is a four-star property with 49 guest rooms, a restaurant, a lounge and a bar, 90 m<sup>2</sup> of meeting space, two outdoor pools, a gift shop, a guest laundry

## Summary of the Facilities

room and appropriate back-of-the-house facilities. The Hotel is affiliated with Small Luxury Hotels of the World.

According to the client, the Hotel comprises of three different wings, each one sitting on one of the three sites described above.

From our inspection and based on information provided by the client and the management of the subject Hotel, the following table summarises the facilities available at the Hotel.

**TABLE 4-1 SUMMARY OF THE FACILITIES – MR&MRS WHITE PAROS HOTEL**

<b>Guest Room Configuration</b>	<b>Number of Units</b>	<b>Approximate Area (m<sup>2</sup>)</b>		
Double with Garden View	18	16		
Superior Double with Garden View	4	22		
Premium Double with Patio	8	19		
Deluxe with Sea View	6	16		
Suite with Sea View	3	28		
Residence	4	35		
Two-Floor Residence	5	70		
Junior Suite Pool Front with Patio	1	26		
<b>Total/Average</b>	<b>49</b>	<b>25</b>		
<b>Food and Beverage Facilities</b>		<b>Location/Floor</b>	<b>Seating Capacity</b>	
All-Day-Dining		Building 2/Ground Floor	100	
Main Bar		Building 2/Ground Floor	120	
<b>Total</b>			<b>220</b>	
<b>Meeting and Banqueting Facilities</b>		<b>Location/Floor</b>	<b>Maximum Capacity (Persons)</b>	<b>Approximate Area (m<sup>2</sup>)</b>
Multifunction room		Basement	60	90
<b>Total</b>			<b>60</b>	<b>90</b>
<b>Amenities</b>				
Two Outdoor Swimming Pools		Gift Shop by the Reception		
Guest Laundry Facility				
<b>Infrastructure</b>				
Parking Spaces:		21 Outdoor		
<b>Address</b>				
Ag. Georgios, Naoussa 84401 Paros Greece				

## Capital Expenditure

For the purposes of this report, we have assumed that the Hotel will be maintained in a competitive condition over its economic life. Furthermore, we have assumed that the related, necessary capital expenditure will be funded by a reserve for replacement. An amount equal to 4.0% of annual gross revenue will

be deducted from our forecast of income and expense in recognition of the ongoing cost of maintaining the facilities.

### **Conclusion – Hotel Facilities**

We have analyzed the site, and the existing facilities and amenities and note the following advantages and disadvantages.

Following its renovation, the subject Hotel was notably upgraded in terms of physical product and service, comparable only to a few other similar four-star hotels in Paros. The Hotel is also one of the few professionally managed lodging facilities in Paros whereas it is the only internationally affiliated property in the immediate region of the island. As such, it benefits from the operator's distribution channels, revenue management practices and global brand awareness.

Compared to the other hotels of the immediate neighborhood, the subject Hotel, upon its stabilisation, would be one of the best choices in the region of Naoussa which is the very first place whose hotels fills out when upon the commencement of the tourist season. The neighborhood might be relatively congested with other properties and distant from the sea, but the Hotel compensates its guests with well-designed rooms and facilities.

The dynamics of Greek tourism as a developed destination, and Paros in particular, the affiliation with a prominent international hotel marketing consortium, as well as the proximity of the site to Naoussa adds a significant competitive edge to the subject Hotel which is already positioned as a primary choice for accommodation amongst the area's visitors.

## 5. Supply and Demand

Under the economic principle of supply and demand, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. In the hotel industry, supply is measured by the number of guest rooms available, and demand by the number of guest rooms occupied; the net effect of supply and demand towards equilibrium results in a prevailing price, or average rate. The purpose of this section is to investigate current supply and demand trends as indicated by the current competitive market, and set out a basis for the projection of future supply and demand growth.

### SUPPLY

An integral component of a market area's supply and demand relationship that has a direct impact on performance is the current and anticipated supply of competitive hotel facilities. To evaluate an area's competitive environment, the following steps should be taken.

- Identify the area's hotel facilities and determine which will become directly and indirectly competitive with the subject Hotel;
- Determine whether additional hotel rooms (net of attrition) will enter the market in the foreseeable future;
- Quantify the number of existing and proposed hotel rooms available in the market;
- Review the rate structure, occupancy, market orientation, facilities and amenities of each competitor.

### Definition of the Subject Hotel's Market

From an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation and quality of the area's hotels, we have identified several properties that could be considered as directly comparable with the subject Hotel. Some of the hotels included in our sample are secondarily comparable. Although the facilities, rate structures or market orientations of these hotels prevent their inclusion among the supply of direct comparables, their performance can provide a benchmark as to the projected occupancy and average rate levels of the subject Hotel.

### Conclusion

The evaluation of the market orientation, chain affiliation, location, facilities, amenities, reputation, and quality of the area's hotels result in the following conclusions:

- The current lack of nationally or internationally branded upscale properties in the region;
- The majority of the existing properties rely heavily on the management efficiency of their owners (usually local families) and most of them are of a good condition;

- There are limited examples in Paros, of hotel properties that succeed in differentiating themselves and being positioned on the higher spectrum of the market by implementing modern revenue management techniques and dynamic pricing tactics;
- The Individual Leisure business is anticipated to remain the main market segment for the area of Paros; the positioning of the subject Hotel should be differentiated to the highest possible level aiming at attracting more affluent clientele that seek for accommodation close to the settlement of Naoussa with its vivid nightlife. The reason that we compare the subject Hotel not only with properties of Naoussa but also with other upscale properties of the island that manage to achieve high average room charges is that we would like to reflect the dynamics of the market;

## DEMAND

For the purpose of the demand analysis, the overall market is divided into individual segments based on the nature of travel. Although a market may have various segments, the three primary classifications occurring in most areas are commercial, meeting and group, and leisure.

The segmentation of a market is a useful procedure because individual classifications often exhibit unique characteristics in terms of growth potential, seasonality of demand, average length of stay, double occupancy, facility requirements, price sensitivity, and so forth. By quantifying the room night demand by market segment and analysing the characteristics of each segment, the demand for transient accommodation can be projected. Hotel demand in the Paros area is generated primarily by the following two market segments.

Segment 1	Individual Leisure
Segment 2	Contract

## Conclusion

The purpose of segmenting hotel demand is to define each major type of demand, identify customer characteristics and estimate future growth trends. Starting with an analysis of the local area, two segments were defined as being representative of the competitive market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect future changes in hotel demand.

## Accommodated Demand and Marketwide Occupancy

From a review of the market dynamics in the Hotel's competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined marketwide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.

We consider that the stabilised marketwide annualised occupancy for Paros is approximately 29% (or 75% calculated on approximately 140 operating days depending on the size of the Hotel and its market positioning), and, from our knowledge of the projected market fluctuations in supply and demand, we expect that the market will reach this level of occupancy in 2021. This stabilised occupancy is intended to reflect the anticipated results of the market excluding from consideration any abnormal relationship between supply and demand and

non-recurring conditions that may result in unusually high or low occupancies. Although the marketwide occupancy may rise above this stabilised level, we consider it equally possible for new competition and temporary economic downturns to force occupancy below this selected point of stability.

## 6. Projection of Occupancy and Average Rate

### PROJECTIONS OF OCCUPANCY AND RATE

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance. Most of a hotel's other revenue sources (such as food, beverages, and telephone income) are driven by the number of guests; many expenses also vary with occupancy.

To a certain degree, the occupancy achieved can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximise occupancy. Our forecasts reflect an operating strategy that we consider would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

Our methodology for establishing the demand for accommodation at the subject Hotel was based on the following points:

- We determined the anticipated percentage breakdown between weekday and weekend demand by market segment;
- We classified the seasonality of the demand by month and by market segment;
- An estimated average length of stay in days was determined based on the expected seasonality by month for each market segment;
- These parameters resulted in calculating the anticipated occupancy by weekday and weekend, the average monthly occupancy, and the total weighted-average occupancy for each year.

We have chosen to use a stabilised seasonal occupancy of 79%. The stabilised occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given any and all changes in the life cycle of the Hotel. Thus, the stabilised occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any non-recurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilised level, we consider it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

### FORECAST OF AVERAGE RATE

One of the most important considerations in the operation of a lodging facility is a supportable forecast of its attainable average rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. The projected average rate and the anticipated occupancy percentage are used to forecast rooms revenue, which in turn, provides the basis for estimating most other income and expense categories.

## Competitive Positioning

The subject Hotel's average room rate will be projected using a competitive positioning method. Previously, we indicated the average rates achieved by the examined competitive set. These rates establish a range that reflects certain characteristics of the specific market, such as price sensitivity, demand orientation, and occupancy. The subject property's average rate is then positioned to those of the hotels to which it will be most similar in terms of size, quality, facilities, amenities, market orientation, location, management, image, and affiliation. Adjustments are made to reflect any relevant differences.

The average room rate was determined by taking into consideration the Hotel's historical results and by establishing a currently-anticipated average room rate based on the historical performance of similar hotels in Naoussa but also the broader geographic region of Paros

## CONCLUSION – HOTEL OCCUPANCY AND AVERAGE RATE

From the preceding analysis, the subject Hotel's occupancy and average rate have been estimated. Since the Hotel will be valued as at 30 June 2019 we need to convert the projected performance indicators from calendar into fiscal format. These projections reflect years beginning in 2019/20 and stabilizing in 2021/22, corresponding to the first and third respectively fiscal projection year for the subject Hotel's forecast of income and expense.

The subject property's overall occupancy falls within range of the competitive set and closer to that of the best performing hotels in Paros. The subject property's overall positioned average rate falls within the upper part of the range of the competitive set. Based upon our research and analysis as well as our experience in the market, we would expect a positive trend for average rate growth in the future for the competitive market since hotels targeting upscale market segments are better able to command higher prices let alone in the case of luxurious lodging facilities that generally attract price insensitive clientele.

The subject property's appealing physical product, and the presumable operations management by an efficient hotel operator is assumed to establish it as a high-quality lodging facility against its competitors in the region while it is anticipated to charge a premium on the price of most of the competing hotels but always follow the most expensive hotels of the competitive set by virtue of its non-beachfront location.

## 7. Projection of Income and Expense

Using our preceding projection of occupancy and average rate, and our knowledge of comparable hotels' financial operating profiles, we have developed a ten-year forecast of income and expense starting on 2018. We have selected an annual inflation rate of 1.5%, based on estimates made by the Economist Intelligence Unit.

The forecast of income and expense is expressed in inflated euro as of the date of each projection year. The stabilised year is intended to reflect the anticipated operating results of the Hotel over its remaining economic life, given any or all applicable stages of build-up, plateau and decline in the life cycle of the Hotel. Thus, income and expense estimates from the stabilised year forward exclude from consideration any abnormal relationship between supply and demand, as well as any non-recurring conditions that may result in unusual revenues or expenses.

### Comparable Operating Statements

In forecasting the subject Hotel's operating performance, we have reviewed the income and expense statements from hotels that are considered to be comparable to the subject Hotel. We have analysed the statements individually, and have relied on the most comparable data in developing our forecast of income and expense for the subject Hotel.

### Premise of the Forecast

The forecast of income and expense is intended to reflect our subjective estimate of how a typical buyer would project the subject property's future operating results. Depending on the dynamics of the local market, a typical buyer's projection may be adjusted up or down. We have attempted to consider these factors in formulating this forecast.

### Analysis of Fixed and Variable Components

The model that HVS uses to project a hotel's revenue and expenses is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy or facility use. A projection can be made by taking a known level of revenue or expense and calculating the fixed and variable components. The fixed component is adjusted only for inflation, whereas the variable component is also adjusted for the percentage change between the projected occupancy and facility use that produced the known level of revenue or expense.

### FORECAST OF INCOME AND EXPENSES

The projection of income and expense is intended to reflect our judgement of how a typical upscale hotel management company would project the Hotel's operating results. Based on the analysis that has been detailed throughout this section, we have formulated a forecast of income and expense. The subject hotel's Gross Operating Profit is forecasted at about 46.4% of total revenue by the stabilized year whereas the Earnings before Interest, Taxes, Depreciation, and Amortisation are forecasted at approximately 35.8% of total revenue.

The operations of the hotel are assumed to be stabilised by the end of the third year of our projections (or else the fifth year after its repositioning that took place in 2017). The demand for accommodation is also expected to stabilise by that time. The forecasts pertain to fiscal years beginning on 2019/20 and are expressed in inflated Euros for each year. Both tables illustrate the Hotel's projected operating results on a seasonal basis, assuming approximately 140 days of operation.

## 8. Valuation

### APPROACHES TO VALUE

In evaluating property to assess its Market Value, the professional valuer has three approaches from which to select: income capitalisation, cost, and sales comparison. The most relevant of these three is the income capitalisation approach. However, the prudent valuer would also consider and have regard to the cost approach and the sales comparison approach. The former, in certain circumstances, indicates what the 'cost of entry' into the market would be, whereas the latter typically provides a range of values per room. Both approaches have some influence on operators' or investors' judgements.

### INCOME CAPITALISATION APPROACH

We have used a discounted cash flow in estimating the value of the Hotel by the income capitalisation approach taking into account the lease agreement that the property is subject to.

### LEASE AGREEMENT

We have been provided with a document highlighting the basic terms of the lease contract between the owning company of the subject Hotel (BriQ Properties REIC) and the lease company (HotelBrain Capital S.A.)

We have reviewed these lease terms to ensure that they are prepared in accordance with current market practices, as well as commenting on the annual lease payments and other key terms.

The lease agreement was signed on October 2018 while its expiration date is on 31<sup>st</sup> of December 2033. The Hotel has been valued assuming that, as at the expiration of the lease agreement, it would be available free and clear of any specific management or operating leases. For the purposes of this valuation, we have assumed that following the lease agreement expiration a competent and experienced operator will manage the Hotel. We have therefore assumed a base management fee of 3.0%% of total revenue and an incentive fee of 8.0% of an adjusted gross operating profit (i.e. GOP after deducting property taxes, insurance, and reserve for replacement).

### Lease Terms Summary

Term:	15 years starting on October 2018
Use:	Hotel
Minimum Guaranteed Lease:	€265,000 (minimum guaranteed) + VAT
Adjustment:	From the second year onwards, the minimum guaranteed rent is determined to change according to inflation rate as published by the Hellenic Statistical Authority plus 1%. In case of deflation, 1% change in applicable.
Deposit:	An amount equal to one annual lease.

Based on the terms stated in the lease agreement signed on October 2018 between BriQ Properties and Hotel Brain Capital S.A. and given the financial projections presented in Section 7, *Projection of Income and Expense* we have prepared a projection of the lease schedule illustrated in the following table. Inflation rate was assumed at 1.0% in 2019 and at 1.5% from 2020 thereafter. Especially for 2019 the proposed Minimum Guaranteed Rent has been adjusted based on the terms stated in the agreement. As mentioned before the lease agreement expires on 31<sup>st</sup> of December 2033, therefore only half year results have been taken into consideration for the 2033/34 period. We have based the terminal value of the property on a projected Net Operating Income between 1<sup>st</sup> of January 2034 and 30<sup>th</sup> of December 2034; thus, we added up half year results of the two operating periods; namely 2033/34 and 2034/35.

### Discounted Cash Flow Analysis

After running a 15-year discounted cash flow analysis for the rental income, using a total discount factor of 9.3% which is almost 1.5 lower than the discount factor we would apply if the hotel would operate under a management agreement (given the increased risk of operations).

Inherent in this valuation process is the assumption of a sale at the end of the lease agreement. The estimated reversionary sale price as of this date is calculated by capitalising the projected fifteenth year's EBITDA (after FF&E reserve) by an overall terminal capitalisation rate. From this sale price, a percentage is deducted for the seller's transaction costs and legal fees. The net proceeds to the equity interest are calculated by deducting the outstanding mortgage balance from the reversion.

We have used a terminal capitalisation rate of 8.3% and assumed that the seller's brokerage and legal fees would be 1.5% of the sale price.

### Capital Deduction

Using the variables summarised previously, we estimate the 'as is' Market Value of the Hotel, as determined by the income capitalisation approach, to be around €4,300,000 after capital deduction of €100,000. The term 'as improved' is used in order to describe the Hotel after the presumed refurbishment on which our projections are based. We have assumed that the areas of the Hotel to be renovated would be refurbished and completed before the tourism season of 2020. We note that if our estimate for the necessary work is materially different from the actual amount required, and/or if the time period assumed is inadequate or excessive, this could have a material impact on the value reported.

### SALES COMPARISON APPROACH

Based on our market research and on information provided to us by industry experts, we have considered several numerous hotel transactions in Greek leisure destinations segment that, in most cases, do not exhibit some measure of comparability with the Hotel as they pertain in most cases larger hotel properties. When possible, we gave priority to transactions occurring in the same state or region as the subject property. We also considered factors such as operational and physical similarities to the subject property, including brand affiliation and revenue-generating characteristics. All of the data have been verified by HVS or obtained from a verifying source.

Given the complex nature of hotel assets, as well as the many variables within a hotel's operations, it is quite difficult to derive a specific numeric adjustment for an individual characteristic, and any adjustments extracted from sales are often distorted. As such, we have to rely partly on broader sets of data and our own experience when deriving adjustments. Comparable hotel sales are typically transacted less often and are spread over a wider geographical area than other commercial sectors, adding to the complexity of making quantitative adjustments.

Prior to adjustments, the comparable sales transacted for amounts ranging from €35,000 to €676,000 per room. Following quantitative and qualitative adjustments, the selected sales indicate a range of €56,000 to €87,000 per room.

Based on our review of the adjusted sales, we have selected a per key value of €69,000, which equates to a concluded value via the sales comparison approach of €3,400,000 for the 49-room subject property.

## RECONCILIATION OF VALUE INDICATIONS

Reconciliation is the last step in the valuation process in which the final value is estimated from the various indications developed by the income capitalisation and sales comparison approaches. The relative significance, applicability and defensibility of each indicated value is analysed, with the greatest weight given to that approach deemed most appropriate for the property being valued. Based on the preceding data and analysis set out in this report, the following value indications were developed.

<u>Approach</u>	<u>Value Indication</u>
<i>Income Capitalisation</i>	€4,300,000
<i>Sales Comparison</i>	€3,400,000

## Conclusion

Our international experience with numerous hotel buyers and sellers indicates that the procedures used in estimating the value by the income capitalisation approach are comparable to those employed by the hotel investors who constitute the marketplace. For this reason, we consider that the income capitalisation approach produces the most supportable value estimate, and it is given the greatest weight (80%) in our final estimate of the Hotel's Market Value which provides with a final value of €4,120,000 rounded at €4,100,000.

Based on the preceding analysis and our specialist experience in valuing hotels, we have given primary weight to the income capitalisation approach. It is our opinion that the Market Value of the freehold interest in the Hotel described in this report, as at 30 June 2019, is:

€4,100,000

FOUR MILLION ONE HUNDRED THOUSAND EURO

This value equates to approximately €84,000 a room for the 49-room Hotel.

## Valuation Certainty

An opinion of value will always involve a degree of subjectivity and uncertainty that will affect the probability that the opinion of Market Value would be the same as the price achieved by an actual sale at the valuation date. As there is still less empirical transactional evidence on which to rely than there was before 2008, despite increased activity in the market, and given that some sales have been sold under administration and hence do not necessarily reflect improving market conditions, we consider it prudent to continue to comment on our level of confidence in the opinion of value reported herein.

The methodology employed in valuing a hotel depends on the accuracy of the historical trading results for the subject Hotel and the level and accuracy of information available in the marketplace in order to determine the current marketwide trading conditions, and to estimate the future trading potential of the subject Hotel.

We consider our projections of future income and expense to be appropriate when compared alongside those of similar properties, and therefore we consider the level of uncertainty attached to our opinion of value to be low.

However, the following should be specifically noted.

- There is very little published data in respect of the current trading performance of the market in which the subject Hotel operates;
- Currently, Greece is going through a process of economic uncertainty but likely recovery. This situation is expected to have come to a possible end and we have assumed that the country will return to economic stability and growth within the next three to four years and we have based our projections of income and expense, as well as the specific valuation parameters, on these assumptions. If the recession becomes prolonged or investment sentiment does not improve as expected, this will materially change our assumptions and we reserve the right to amend them accordingly;
- The investment market for hotels in Paros is generally neither transparent nor liquid, and therefore there are no comparable transactions against which we have been able to benchmark our opinion of value. We have used hotels sales of comparable properties on similar Greek destinations.

## Addendum 1 – Statement of Assumptions and Limiting Conditions

1. This Summary Valuation Report has been prepared for BriQ Properties REIC for asset evaluation purposes. The information presented in this report should not be disseminated to the public or third parties without the express written consent of HVS.
2. The freehold interest in the Mr&Mrs White Paros Hotel has been valued as at 30 June 2019.
3. We have checked our records, and there are no conflicts of interest with regard to our preparing this Summary Valuation Report.
4. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed to be marketable and free of any deed restrictions and easements. The property is valued as though free and clear unless otherwise stated.
5. There are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for these conditions or any engineering that may be required to discover them.
6. No survey of the property has been made by the valuers and no responsibility is assumed in connection with such matters. Sketches, pictures, maps and other exhibits are included to assist the reader in visualising the property. It is assumed that the use of the land and premises is within the boundaries of the property described and that there is no encroachment or trespass unless noted.
7. This Valuation Report is not a structural survey and we therefore value on the assumption that the property is of sound design and construction, and free from any inherent defect. Aside from our routine enquiries, no detailed inspection or tests have been carried out by us on any of the services or items of equipment, therefore no warranty can be given with regard to their serviceability, efficiency, safety or adequacy for their purpose. We express no opinion or advice upon the condition of uninspected parts and our report should not be read as making any implied representation or statement about such parts. We have assumed that the property is in a good state of repair and condition and that there are no outstanding items of expenditure required.
8. All information (including financial operating statements, estimates, and opinions) obtained from parties not employed by HVS is assumed to be true and correct. No liability resulting from misinformation can be assumed by the valuers.

9. Unless noted, it is assumed that there are no encroachments or planning and building violations encumbering the Hotel.
10. It is assumed that the property is in full compliance with all applicable city, local and private codes, laws, consents, licences and regulations (including an alcohol licence where appropriate) and that all licences, permits, certificates, franchises and so forth can be freely renewed and/or transferred to a purchaser.
11. All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless specified otherwise.
12. This report may not be reproduced in whole or in part without the permission of the valuers, nor shall the report be distributed to the public through advertising, public relations, news, sales, or other media without the prior written consent of the valuers.
13. We are not required to give testimony or attendance in court by reason of this valuation without previous arrangements and only when our standard per diem fees and travel costs are paid prior to the appearance.
14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material contained in this report it is recommended that the reader contact the valuers.
15. The valuers take no responsibility for any events, conditions or circumstances affecting the property's Market Value that take place subsequent to either the date of value contained in this report or the date of our field inspection, whichever occurs first. Market Value is defined as *'The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'*
16. The quality of a hotel facility's on-site management has a direct effect on a property's economic viability and Market Value. The financial forecasts presented in this valuation assume both responsible ownership and competent management. Any variance from this assumption may have a significant impact on the forecast operating results and value estimate.
17. The estimated operating results presented in this report are based on an evaluation of the current overall economy of the area and neither take into account nor make provision for the effect of any sharp rise or decline in local or economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the property, it is expected that the prices of rooms, food, beverages and services will be adjusted to at least offset these advances. We do not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study and are intended to reflect the expectations of typical investors.
18. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based upon numbers carried out to three or more decimal places. In the interest of

simplicity most numbers presented in this report have been rounded to the nearest tenth. Thus, these figures may be subject to small rounding errors in some cases.

19. Valuing real estate is both a science and an art. Although this valuation employs various mathematical calculations to provide value indications, the final estimate of value is subjective and may be influenced by the valuers' experience and other factors not specifically set forth in this report.
20. The freehold title to the Hotel would be readily marketable without any undue restrictions, covenants or conditions except where otherwise noted.
21. The relationship between the euro and other major world currencies remains constant as of the date of our field work.
22. While the information contained herein is believed to be correct it is subject to change. Nothing contained herein is to be construed as a representation or warranty of any kind.
23. We have specifically excluded the value of any antiques or items of fine art.
24. We have made no allowance for the repayment of any grants, which might arise in the event of development or disposal, deemed or otherwise.
25. The valuation contained within this report has been undertaken in accordance with the standards set out by the Royal Institution of Chartered Surveyors. Compliance with these standards may be subject to monitoring under the institution's conduct and disciplinary regulations. This valuation has been overseen by Pavlos Papadimitriou, MRICS. Pavlos has been with HVS since 2007, specialising in the valuation of hotels and all forms of leisure properties
26. The fee for this assignment has been set at a fixed rate, as described in our Letter of Engagement. In the event that any type of action becomes necessary to enforce collection of any monies owed to us, you will be responsible for all collection costs, including but not limited to court costs and reasonable legal fees.
27. Throughout this report, 'HVS' refers to the trading name of SG&R Valuation Services Company LLC, a United States of America limited liability company formed under the laws of the state of Delaware, the members of which are SR London Corporation and HEI International Inc (both United States of America corporations formed under the laws of the state of Delaware). The operations of SG&R Valuation Services Company in Greece are managed by Hospitality Consulting Services S.A.

## Addendum 2 – Photos

### MAIN ENTRANCE

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### WELCOME LOUNGE

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**EXTERNAL VIEW OF BUILDING 1**



**LOBBY AND SHOPPING CORNER**



**RECEPTION**



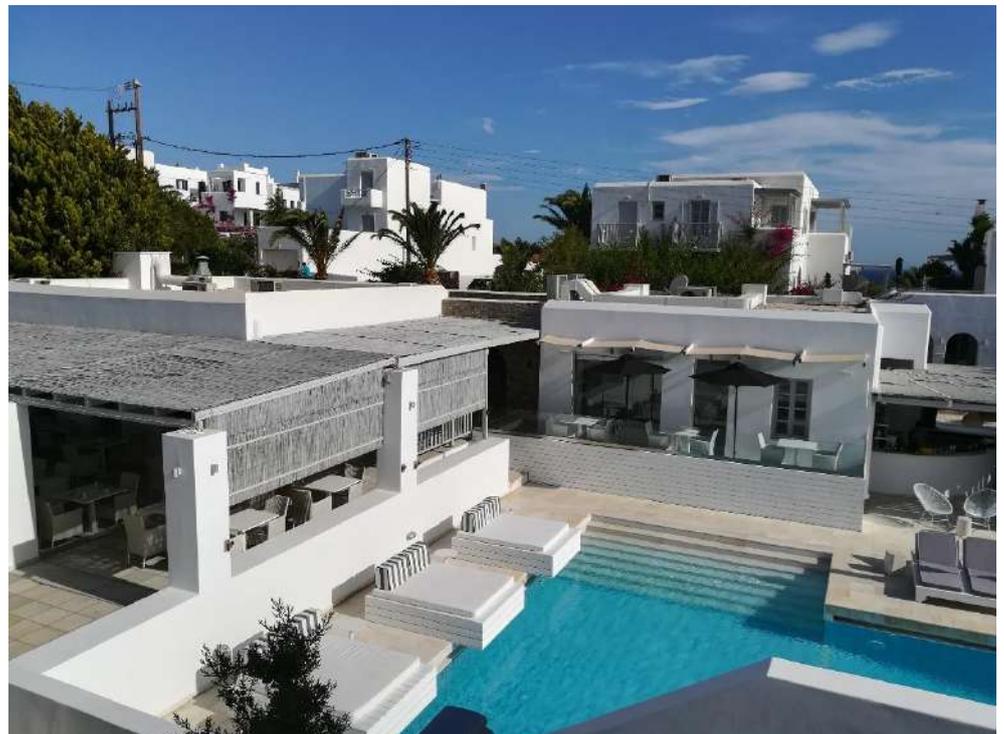
**MAIN BAR (INDOOR AREA)**



**ALL-DAY DINING (INDOOR AREA)**



**ALL-DAY DINING AND BAR (OUTDOOR AREA)**



**BAR (OUTDOOR AREA)**



**SWIMMING POOL 1**



SWIMMING POOL 2



SWIMMING POOL 2



**COMMON OUTDOOR AREAS**

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**COMMON OUTDOOR AREAS**

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TYPICAL ROOM



TYPICAL ROOM



**TYPICAL ROOM**



**RESIDENCE TYPE ROOMS**



**'NEW STYLE' BATHROOM**



**'OLD STYLE' BATHROOM**



**PARKING LOTS**



**BREAKFAST PREPARATION AREA**



**KITCHEN**



**STORAGE ROOM**



**LINEN STORAGE ROOM**



**MULTIFUNCTION ROOM (UTILISED MAINLY AS STORAGE ROOM)**

