ChatGPT

Londonist DMC – 2024/25 Debt Reduction & Payment Plan Request (Summary)

Financial Losses & Impact

- **Severe Losses (~£5 Million)**: Londonist incurred heavy losses in the past year and current year combined (approximately **£5 million** total). In the year ending Aug 2024 alone, the company saw a pre-tax loss of **£1.87 million** [1] (after a profit the prior year), and one major nomination contract (Dashwood) generated a **£496k** net loss for 2024–25 [2]. These losses reflect unsustainable market conditions.

Market Challenges & Provider Behavior Issues

- **Undercutting & Price Wars**: Some PBSA providers engaged in aggressive marketing and **undercut pricing**, offering discounted rates directly to students. This eroded Londonist's ability to rent at viable prices [3], forcing rates down and squeezing margins.
- **Short-Term Booking Disruptions**: Certain providers introduced **short-term letting and last-minute deals** this year, which created market confusion and diverted students away from Londonist's long-term bookings [4]. Londonist struggled to compete effectively when inventory was fragmented by these short-term offers.
- **Cashback Incentives "Race to the Bottom"**: The competitive use of **cashbacks and incentives** (e.g. providers or marketplaces giving gift cards or rent rebates to students) has further fueled a race to the bottom in pricing [5]. Such tactics attract students away from standard bookings, but at the cost of greatly reduced net revenues for intermediaries like Londonist.
- **Service & Operational Issues**: Persistent **operational problems** at some properties made it harder to retain students. Londonist faced issues with maintenance delays, cleanliness, and slow response to student complaints at certain residences [6]. These service lapses (outside Londonist's direct control) led to negative student feedback [7] and damaged Londonist's reputation, hindering renewals and referrals.

Londonist's Financial Exposure

- **Revenue Shortfall Example**: In one portfolio, Londonist **committed ~£5.4 million** in room fees to the PBSA provider (per contract obligations) but achieved only about **£4.8 million** in actual rental sales from students. This £600k revenue gap, combined with roughly **£600k** in operational overheads (marketing, staffing, student support), resulted in an estimated **£800k net loss** on that single contract. Londonist absorbed this entire loss (the provider still received full payment). This example is consistent with the Dashwood agreement outcome (100 rooms, £2.16M paid vs £2.12M sold + £406k costs = **£496k loss** [2]), illustrating the scale of exposure Londonist is bearing. In short, **Londonist paid providers in full, even when rooms went unsold, and shouldered all the associated costs**.

Requested Relief: Partial Debt Reduction & Payment Plan

- **Adjusted Financial Terms for 2024–25**: Londonist is **respectfully asking for a partial reduction of the outstanding fees** owed to the providers, coupled with a **structured payment plan** for the remaining balance. This is a **fair and necessary ask** to rebalance the partnership economics for this academic year. For example, in the Dashwood case an outstanding £470k would be adjusted by **waiving ~£248k** (a partial debt forgiveness of about half), with the **remaining ~£222k paid over 10 monthly installments** of ~£22.2k each [8]. This kind of relief – a **discount on the total bill and a phased payment schedule** – would significantly alleviate Londonist's cashflow pressure while still ensuring the provider receives the majority of the originally contracted revenue (albeit over time). The request is **clear and reasonable**: share a portion of the loss via a discount, and allow Londonist time to pay the rest.

Justification & Partnership Rationale

- **Londonist Has Fulfilled Obligations**: To date, Londonist has honored its contractual commitments – paying agreed room charges to providers and keeping units occupied as much as possible – even in loss-making conditions [2]. The company also managed all student-facing responsibilities (marketing the rooms, handling check-ins, addressing complaints) at its own expense. In essence, **Londonist absorbed all the downside risk** this year to uphold our partnership.
- **Fairness and Shared Burden**: Given these extraordinary market conditions, we are asking the providers to **share the burden fairly** by granting some concession. Londonist's proposal still ensures the provider is largely made whole (most of the fees paid, just on a revised timeline and with a partial reduction to reflect the unrealized demand). We believe this is a **balanced approach** – Londonist is not walking away from its obligations, but rather seeking a compromise solution to cover this shortfall together.
- **Focus on Long-Term Partnership**: Our intent is to **preserve a healthy long-term relationship** with each PBSA provider. The requested adjustment is a one-time measure for this difficult year, allowing both sides to stabilize and continue working together into the next academic cycles. Londonist greatly values its provider partnerships and has made this request in good faith to enable a sustainable path forward [9]. We have demonstrated commitment to our partners and fully **intend to continue delivering students and value** in future years if we can get past the current financial hurdle.

Consequences if Not Resolved

- **Risks of Inaction**: If an amicable solution cannot be reached, the **partnership is at serious risk**. Londonist cannot continue absorbing multi-million-pound losses; in a worst-case scenario, we would be forced to **withdraw from the arrangement** or even face insolvency, which would **leave the provider with empty rooms and a large unrecoverable debt**. This outcome benefits no one. The debt in question might never be paid in full if Londonist's business is undermined. Moreover, the provider would lose a reliable booking partner for the future.
- **Mutual Interest in Resolution**: It's in **both parties' interest** to avoid a breakdown. By contrast, granting the requested relief will enable Londonist to remain a going concern and continue bringing in student tenants for the provider's properties. A cooperative resolution now will **safeguard the long-term revenue stream** and uphold the reputation of both the provider and Londonist in the student market. We urge our partners to see this request as a proactive step to ensure **our mutual success going forward**, rather than a loss – we are effectively sharing the short-term pain to enable long-term gain for all.

Negotiation Meeting Script – Key Talking Points (Strong but Collaborative Tone)

- **Opening & Partnership Emphasis**: "Thank you for meeting with us. First and foremost, I want to reiterate how much we **value our partnership** with [Provider]. We have a shared commitment to providing high-quality student accommodation, and that hasn't changed. We're here today in that spirit of partnership – to navigate the **exceptional challenges** we faced this year and find a solution together."
- **State the Issue with Facts**: "As you know, the **2024–25 year has been extremely difficult** for us financially. To be transparent: we **committed about £5.4 M** in room fees under our agreement, but we were able to generate only around **£4.8 M in student rentals**. We also incurred over **£600k in operating costs** to service the bookings. That means we're looking at roughly an **£800k loss on this contract** alone. We **honored all our commitments** and paid the agreed amounts to you, even though bookings fell short – effectively, Londonist has absorbed this loss in full. These numbers are not brought up to point fingers, but to illustrate the gravity of the situation and why we need to adjust the current terms."
- **Proposal (Ask) – Fair Relief**: "In light of this outcome, we are **respectfully requesting a relief package** to help both sides move forward. Specifically, we propose that **you forgive a portion of the remaining balance** we owe for this year, and allow us to **pay the rest in installments** over the coming months. For example, out of the roughly £470k outstanding, we're asking to **waive about half** of that. The **balance (around £220k)** would then be paid in **10 monthly installments**. This way, you ultimately receive a large share of the contracted revenue, and we gain a bit of breathing room to recover. We feel this is a **reasonable compromise** – we are not asking for a free pass, but a partial adjustment to **share the load** in an unusually tough year."
- **Highlight Fairness & Mutual Benefit**: "I want to stress that this ask is made in the **interest of fairness and sustaining our partnership**. Londonist has taken on all the risk this year – we've paid in full, kept the building occupied as much as possible, and handled all student services. We did all of that despite the financial hit. Now we're simply asking for the **provider's support** to absorb part of that hit. We truly believe meeting in the middle here will **position both of us for future success**. It keeps our partnership intact and signals to both our teams that we're in this together for the long run."
- **Consequences (Firm but Collaborative)**: "If we **cannot find a resolution**, the reality is that these losses are unsustainable for us. We might have no choice but to **step back from the agreement** to stop the bleeding. That scenario would unfortunately leave [Provider] with vacant rooms and a significant amount of unpaid fees that we'd struggle to ever settle. **Nobody wants that outcome**. It would damage both of our organizations and the trust we've built. On the other hand, **if we work out a deal now**, we can avoid those losses on your side and ensure Londonist stays healthy enough to continue delivering students to your properties. Our goal is absolutely to **continue working together** – just under terms that reflect this year's reality."
- **Close on Collaboration**: "We're hopeful that you see this request as we do: **a pragmatic step to protect our partnership**. We remain committed to being a top booking partner for you. With a bit of flexibility and understanding now, we're confident we can get back on track and continue growing the business for both of us in the coming years. Thank you for your consideration – we're ready to discuss the details and figure out a solution that **works for everyone**."

Sources: Londonist DMC internal financial summary and provider negotiation letter [1] [2] [6] [4] [5] [8].

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1 Londonist DMC - Draft accounts v2 YE31-8-2024.pdf
file://file-UZKoEjBbTXgzWs2Qiip7bQ

2 3 4 6 7 8 9 Request for Renegotiation of 2024–25 Nomination Agreement.pdf
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5 PBSA Insight: Student Accommodation Marketplaces – Student Housing Consultancy
https://studenthousingconsultancy.com/2021/12/10/student-accommodation-marketplaces/