

Fixed Lease Hotel Transactions

UK | Capital Markets | Specialist Property Investment

H1 2016

A collection of fixed lease hotel transactions which the SPI team has been involved with over recent months:

Forward Funding, Premier Inn Wembley

Available H1 2016



Tenure	Freehold
No of Beds	312
Tenant	Whitbread Group PLC
Unexpired Term	25 years from completion
Rent	£1,870,000 pa
Rent Review	5 yearly reviews linked to CPI (0% and 4% collar/cap)
Vendor	Wembley Park Ltd
Sale Price	£42,580,000
Net Initial Yield	4.30%

Forward Funding, Premier Inn, Ilfracombe

Available H1 2016



Tenure	Freehold
No of Beds	65
Tenant	Premier Inn Hotels Ltd
Unexpired Term	20 years from completion
Rent	£299,000 pa
Rent Review	5 yearly reviews linked to CPI (0% and 4% collar/cap)
Vendor	The British Israel World Federation
Sale Price	£5,850,000
Net Initial Yield	5.00%

Manhattan Loft Gardens, Stratford

Under Offer H1 2016



Tenure	Ground Lease
No of Beds	145
Tenant	Manhattan Loft Gardens Hotel Ltd
Unexpired Term	150 years
Rent	£550,000 pa
Rent Review	Annual reviews linked to RPI (1% and 4% collar/cap)
Vendor	Manhattan Loft Gardens
Purchaser	Confidential
Sale Price	In excess of quoting (£18m)

Travelodge Ryde Isle of Wight

Sold May 2016



Tenure	Freehold
No of Beds	41
Tenant	Travelodge Hotels Ltd
Unexpired Term	25 years
Rent	£143,500 pa
Rent Review	5 yearly reviews linked to RPI (4% cap)
Vendor	C.H.G Holdings Ltd
Purchaser	Confidential
Sale Price	c.£2,338,000
Net Initial Yield	5.76%

Premier Inn Royal Arsenal Riverside, London

Acquired March 2016



Tenure	Virtual Freehold
No of Beds	128
Tenant	Whitbread Group Plc
Unexpired Term	35 years
Rent	£923,000 pa (£7,211 per bed)
Rent Review	5 yearly reviews linked to CPI (1% & 5%)
Vendor	Berkeley Group
Purchaser	LaSalle Investment Management
Sale Price	£21,200,000
Net Initial Yield	4.1%

Travelodge Canterbury Central

Acquired March 2016



Tenure	Freehold
No of Beds	59
Tenant	Travelodge Hotels Ltd
Unexpired Term	33 years
Rent	£317,923 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	Private Investor
Purchaser	The Drapers Company
Sale Price	£6,460,000
Net Initial Yield	4.65%

Travelodge Sheffield, Meadowhall

Acquired January 2016



Tenure	Freehold
No of Beds	103
Tenant	Travelodge Hotels Ltd
Unexpired Term	28.5 years
Rent	£403,664.44 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	Cable Construction Limited
Purchaser	Confidential
Sale Price	£6,500,000
Net Initial Yield	5.85%

Crowne Plaza, Newcastle Upon Tyne

Sold December 2015



Tenure	Ground Lease
No of Beds	251
Tenant	Crowne Plaza
Unexpired Term	150 years
Rent	£580,000 pa
Rent Review	Annual reviews linked to RPI (1% and 4% collar/cap)
Vendor	Clouston Group Limited
Purchaser	CBRE Global Investors
Sale Price	£18,565,000
Net Initial Yield	2.95%

Travelodge Chatham Maritime, Western Avenue

Sold October 2015



Tenure	Long Leasehold
No of Beds	90
Tenant	Travelodge Hotels Ltd
Unexpired Term	25 years
Rent	£364,500 pa
Rent Review	5 yearly reviews linked to RPI (1% and 5% collar/cap)
Vendor	Trittax LLP
Purchaser	Property Company (Forward Commitment)
Sale Price	£5,745,000
Net Initial Yield	5.99%

Project Lenny – 5 Whitbread Hotels & Restaurants

Acquired August 2015



Tenure	Freehold
No of Beds	499
Tenant	Whitbread Group Plc
Unexpired Term	20 years
Rent	£2,505,585 pa
Rent Review	5 yearly reviews linked to RPI (0% and 5% collar/cap)
Vendor	M&G Real Estate Ltd
Purchaser	Orchard Street IM
Sale Price	£53,150,000
Net Initial Yield	4.46%

Travelodge Newport Isle of Wight, 41 Lugley Street

Sold August 2015



Tenure	Freehold
No of Beds	64
Tenant	Travelodge Hotels Ltd
Unexpired Term	22.5 years
Rent	£223,052 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	C.H.G Holdings Ltd
Purchaser	Private Israeli Investor
Sale Price	£3,615,000
Net Initial Yield	5.83%

Travelodge Manchester Sportcity, Birch Street

Sold July 2015

Fixed Lease Hotel Track Record

UK | Capital Markets | Specialist Property Investment



Tenure	Freehold
No of Beds	57
Tenant	Travelodge Hotels Ltd
Unexpired Term	22.5 years
Rent	£253,694 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	First House Developments Ltd
Purchaser	Private Investor
Sale Price	£3,050,000
Net Initial Yield	7.86%

Travelodge Doncaster Lakeside, Lakeside Boulevard

Acquired June 2015



Tenure	Long Leasehold
No of Beds	67
Tenants	Travelodge Hotels Ltd & Subway Realty Ltd
Unexpired Term	23 years & 5 years
Rent	£331,410 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	Kier Property Ltd
Purchaser	Mansfield Council Pension Fund
Purchase Price	£4,825,000
Net Initial Yield	6.49%

Compass Travelodge Portfolio - 4 secondary hotels UK wide

Sold June 2015



Tenure	Long Leasehold
No of Beds	172
Tenant	Travelodge Hotels Ltd
Unexpired Terms	23 years
Rent	£654,580 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	M&G
Purchaser	Private Investor
Sale Price	£8,750,000
Net Initial Yield	7.07%

Helmont House, Cardiff, Churchill Way

Sold June 2015



Tenure	Freehold
No of Beds	200 Bed Hotel & Offices
Tenants	Multi Let office & hotel let to Premier Inn Hotels Ltd
WAULT	12.31 years
Rent	£2,226,219 pa
Rent Review	5 yearly reviews linked to RPI (0% and 5% collar/cap) on hotel element
Vendor	Legal & General
Purchaser	Lancashire County Pension Fund (KFI)
Sale Price	£34,600,000
Net Initial Yield	6.08%

Travelodge Bristol Filton, Gloucester Road

Exchanged April 2015

Fixed Lease Hotel Track Record

UK | Capital Markets | Specialist Property Investment



Tenure	Freehold
No of Beds	90
Tenant	Travelodge Hotels Ltd
Unexpired Term	25 years
Rent	£516,475 pa
Rent Review	5 yearly reviews linked to RPI (4% cap)
Vendor	Private Developer
Purchaser	LaSalle IM (Forward Funding)
Sale Price	£7,914,208
Net Initial Yield	6.35%

Travelodge London Hounslow, Lampton Road

Sold March 2015



Tenure	Freehold
No of Beds	128
Tenant	Travelodge Hotels Ltd
Unexpired Term	33 years
Rent	£590,181 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	Private Overseas Investor
Purchaser	CBRE Global Investors
Sale Price	£11,869,000
Net Initial Yield	4.70%

Travelodges Scarborough Central & Perth Central

Sold December 2014



Tenure	Scarborough – Freehold, Perth – Long Leasehold
No of Beds	181
Tenant	Travelodge Hotels Ltd
Unexpired Terms	32 years & 23 years respectively
Rent	£896,339.50 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	M&G
Purchaser	Private & Confidential
Sale Price	c.£10,000,000
Net Initial Yield	8.47%

Travelodge Edinburgh Haymarket, Eglinton Crescent

Sold December 2014



Tenure	Freehold
No of Beds	73
Tenant	Travelodge Hotels Ltd
Unexpired Term	33.5 years
Rent	£409,273 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	Standard Life Investments
Purchaser	Overseas Investor
Sale Price	£6,475,000
Net Initial Yield	5.97%

Imperial Gate (Travelodge Cardiff Central), St Mary Street, Cardiff

Sold November 2014



Tenure	Freehold
Accommodation	100 bed hotel & 50,864 sq ft of A3 accommodation
Tenants	Travelodge Hotels Ltd (30%), Intertain (Bars) Ltd (35%) & Alderway Leisure Ltd (35%)
WAULT	22.5 years
Rent	£945,082 pa
Rent Review	RPI linked reviews on 69% of the income
Vendor	LaSalle IM
Purchaser	L&G
Sale Price	£12,000,000
Net Initial Yield	7.44%

Bermondsey Square Hotel, Bermondsey Street, London

Sold November 2014



Tenure	Freehold
No of Beds	80
Tenant	Bespoke Square Hotel Ltd
Unexpired Term	24.5 years
Rent	£955,060 pa
Rent Review	Annual reviews linked to RPI (1% and 4% collar/cap)
Vendor	Igloo
Purchaser	Bespoke Hotels in joint venture
Sale Price	£20,800,000
Net Initial Yield	4.34%

Travelodge Sheffield Central, Broad Street West

Sold August 2014



Tenure	Freehold
No of Beds	114
Tenant	Travelodge Hotels Ltd
Unexpired Term	18 years
Rent	£296,821.80 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	LPA Receivers
Purchaser	Local Council Pension Fund
Sale Price	£4,200,000
Net Initial Yield	6.65%

Premier Inn London Gatwick Manor Royal, Fleming Way

Acquired February 2014



Tenure	Freehold
No of Beds	204
Tenant	Premier Inn Hotels Ltd
Unexpired Term	31 years
Rent	£1,313,387 pa
Rent Review	Annual reviews linked to CPI (2% and 6% collar/cap)
Vendor	Aprirose
Purchaser	BlackRock
Purchase Price	£26,500,000
Net Initial Yield	4.68%

Premier Inn London Waterloo, York Road

Acquired December 2013



Tenure	Freehold
No of Beds	234
Tenant	Whitbread Plc
Unexpired Term	19.5 years
Rent	£2,211,300 pa
Rent Review	2.5% fixed reviews every 5 years (compounded annually)
Vendor	York Road LLP
Purchaser	Royal London Asset Management
Purchase Price	£48,000,000
Net Initial Yield	4.35%

Travelodge London Central Farringdon, Kings Cross Road

Acquired March 2013



Tenure	Freehold
No of Beds	219
Tenant	Travelodge Hotels Ltd
Unexpired Term	26 years with the option to extend
Rent	£1,411,977 pa
Rent Review	5 yearly reviews linked to RPI (uncapped)
Vendor	Private Danish Investor
Purchaser	CBRE Global Investors
Purchase Price	£25,200,000
Net Initial Yield	5.35% going to 6.05% in 2014

Fixed Lease Hotel Investment Market

There continues to be a large volume of equity looking for commercial investment property in the UK coming from a range of UK Institutions, Property Companies and Private Investors (both UK and Overseas). A large number of these buyers are in search of the long, secure income streams which Travelodge and Premier Inn investments provide. The strong level of interest has driven pricing back close to the levels seen at the peak of the market in 2007 and many investors are taking the opportunity to crystallise substantial profits.

Investor sentiment towards Travelodge properties in particular has strengthened significantly and in 2014 more than 30 Travelodge hotels were traded in the UK with over 20 traded during 2015. There is no doubt that the Travelodge covenant has been through a process of transition in terms of investor sentiment and we are now at a time when investors are again able to understand the business, its objectives and the improvements in quality across the portfolio.

Specialist Property Investment Team

The Knight Frank Specialist Property Investment team has extensive experience in advising a range of clients on their hotel investment ownerships or requirements. We have an excellent track record in both acquiring and disposing of fixed lease hotels, providing bespoke tailored advice for each client requirement, be that off-market strategic approaches or on-market sales campaigns leveraging off Knight Frank's global brand and international network.



Shaun Roy, Partner, Department Head
020 7861 1222
shaun.roy@knightfrank.com



Charles Fletcher, Associate
020 7861 1450
charles.fletcher@knightfrank.com



Sam Farquharson, Senior Surveyor
020 7861 1143
sam.farquharson@knightfrank.com



Joshua Rees, Surveyor
020 7861 1749
joshua.rees@knightfrank.com