



**FOR SALE: 72 Bed Hotel Investment Let to Travelodge Hotels Ltd  
New Hall Lane, Preston, Lancashire PR1 5NQ**

# FOR SALE ~ 72 BED HOTEL INVESTMENT

**New Hall Lane, Preston PR1 5NQ**

**Let to Travelodge Hotels Ltd**

## Investment Summary

- Prominent Freehold Investment Opportunity.
- Let to Travelodge Hotels Ltd on 25 Year Term, Expiring 2031 (with option to renew for a further 25 years at the expiry of the term).
- Passing Rent £203,000 pa exclusive. (approximately £2,819 per bedroom).
- 5 Yearly Rent Reviews to Greater of RPI (uncapped), or OMV.
- 72 Ensuite Rooms plus Cafe/Bar Area and Two Floors of Covered Garage Parking (46 spaces).
- Offers in the Region £2,550,000 (two million, five hundred and fifty thousand pounds), Subject to Contract and Exclusive of VAT. (£35,417 per bedroom).
- Purchase at this Level Reflects an Attractive Net Initial Yield of approximately 7.5% (taking into account purchaser's costs of approximately 6.34%).



## Location

Preston sits at the heart of the County of Lancashire, offering a strong cultural, economic and retail base. The city is well positioned for transport links, lying adjacent to the M6 motorway, and also linked via the West Coast Mainline between London Euston and Glasgow.

Preston has an approximate population of 140,542 (2014) and lies 27 miles north west of Manchester, 26 miles north east of Liverpool and 15 miles east of Blackpool.

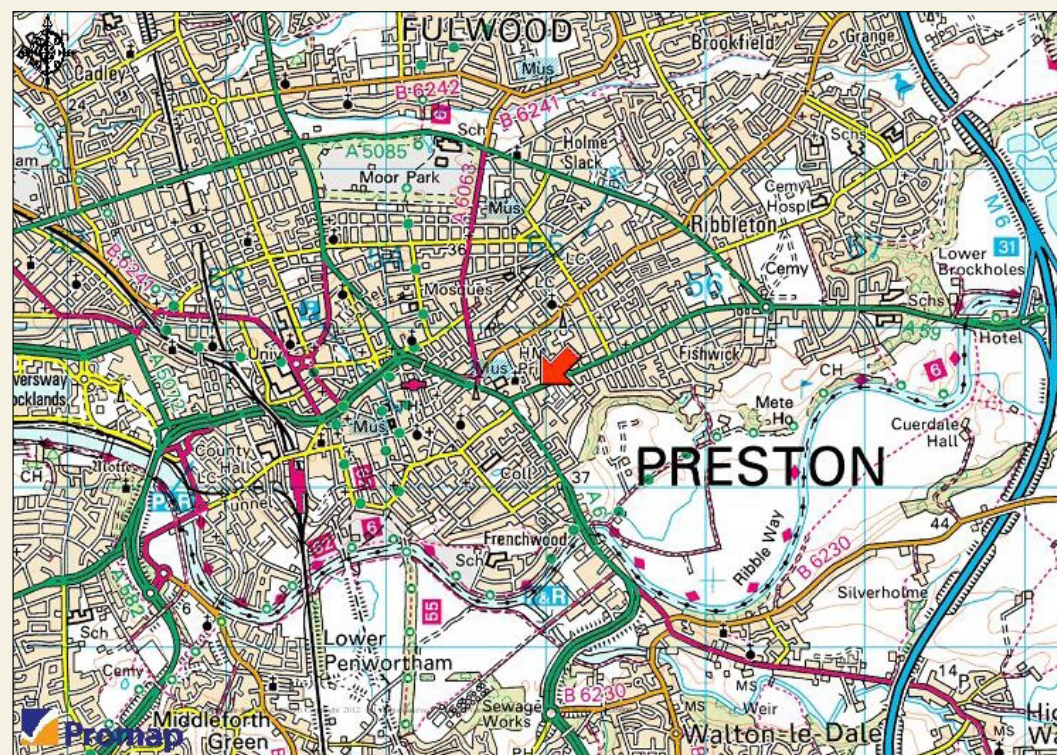
## Situation

The property occupies a prominent location fronting the main A59 arterial route from the M6 to the east of Preston city centre. The property benefits from a strong passing traffic flow with New Hall Lane being one of the busiest routes into the city centre. The city centre lies within walking distance, approximately quarter of a mile to the west of the Hotel.

The property is situated immediately adjacent to Centenary Mills, a substantial new development of apartments built out during 2006. The Gateway Park Retail and Leisure Park is directly opposite, which incorporates a Lidl Supermarket, 96 residential apartments and a Bingo Hall.



Plan for Identification Purposes Only - Not to Scale



## Description

The property comprises a former office building occupying five floors which has been substantially reconfigured and converted for its current use as a 72 bed Hotel. The construction work was carried out in 2006 by Multibuild Ltd, with a pre-let to Travelodge Hotels Ltd, and fitted out to their own specification and detailing.

All 72 bedrooms have ensuite facilities and a number have disabled facilities. The bedroom accommodation occupies the second, third and fourth floors with undercroft secure car parking at ground and first floor levels for a total of 46 vehicles.

The Hotel incorporates a bar and restaurant café at second floor, and capability for installation of conferencing facilities in the central core area should the tenants wish to do so.

Level	Accommodation
Ground Floor	Garage Parking - 22 Spaces Entrance Lobby; Lift to Upper Floors
First Floor	Garage Parking - 24 Spaces
Second Floor	23 Ensuite Bedrooms (4 Disabled) Breakfast Cafe; Bar; Office; Storage
Third Floor	25 Ensuite Bedrooms
Fourth Floor	24 Ensuite Bedrooms





## Tenure

The property is offered for sale freehold subject to lease. The property is let to Travelodge Hotels Ltd on a full repairing and insuring lease for a term of 25 years from 20th March 2006, expiring 19th March 2031, without break. The tenant has a right to renew for a further 25 years at the expiry of the term.

The current contractual rent is £270,666 per annum, exclusive\*, less 25% in accordance with the terms of the 29th September 2012 CVA leading to a revised rent payable with effect from 20th March 2016 of £203,000 pa excl.(see below).

The lease incorporates upward only rent reviews at five yearly intervals. The next review is in March 2021. The rent reviews are based on the greater of RPI (uncapped) or Open Market Value.

\*[Travelodge Hotels Ltd was subject to the terms of a CVA effective 29th September 2012. Under the terms of the CVA, the subject property was classified as a Category 2 Property. This incorporated a Rent Concession Period, amounting to 75% of the Contractual Rent, which expired at the end of Q3 of 2015. At that point the CVA provided for the rent to be re-calculated, at all future Rent Reviews, to the same level of discount. The rent payable from the relevant review date will be 75% of the revised Contractual Rent.

The practical effect of this is:

- That the rent will continue to be reviewed on the dates specified in the lease;
- On each Rent Review, the revised contractual rent will be calculated as if the CVA had not occurred; and
- A 25% discount will be applied to the Contractual Rent so that the rent payable from the relevant review date will be 75% of the revised Contractual Rent.



## Tenant's Covenant

Travelodge was the first budget hotel brand to launch in the UK in 1985, and now operates some 520 hotels (over 38,500 rooms), mostly across the UK and Ireland, employing approximately 9,500 staff. The majority of the hotels are located in major city centres, towns and popular holiday locations. Travelodge has recently completed a £100m modernisation programme and continues to expand with further new hotels planned for 2016/2017.

The company has doubled its estate in the past six years and is now the UK's largest independent hotel brand.

In August 2012, Travelodge entered into a Company Voluntary Arrangement (CVA) to enable it to seek agreement from its creditors to restructure the business. The CVA included a change to the capital structure of the business and a drive to reduce operating costs.

The ownership of the business transferred from Dubia International Capital to three of the company's investors, Golden Tree Asset Management; Avenue Capital Group; and Goldman Sachs.

As part of the CVA, the business has significantly improved its balance sheet by reducing net debt from £1.11bn to £331m. A further £75m of equity was injected via the shareholders in 2012.

The Company accounts for year ending December 2015 report an increase in Revenue by 12.7% to £552.1m and a substantial increase in Operating Profit before tax and exceptional items at £65.9m.

Year End	Revenue	Operating Profit	EBITDA
31.12.15	552.1	64.1	259.1
31.12.14	489.9	32.4	212.1
All figures £m.			

## Proposal

We are instructed to seek offers in the region of £2,550,000 (two million, five hundred and fifty thousand pounds), subject to contract and exclusive of VAT.

A purchase at this level reflects an attractive Net Initial Yield of approx 7.5%, taking into account purchaser's costs of approx 6.34%.

## Legal Costs

Each party is responsible for their own legal costs incurred in this transaction.

## VAT

We understand that the property is elected for VAT, and therefore VAT will be due in addition to the purchase price. All offers submitted will be presumed to be exclusive of VAT.

## Easements, Wayleaves & Rights of Way

The property is offered subject to, and with the benefit of, all existing rights of way, wayleaves and easements, whether or not specifically referred to in these particulars.



## Energy Performance Certificate

The EPC Rating for the property is D85. The full report and recommendations are available on request.

Certificate Reference No. 9990-9965-0326-3450-9030.



Particulars Prepared: December 2016

### Important Notice

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## Further Information / Contact

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