Travelodge Heathrow T5
Calder Way, Horton Road, Colnbrook, SL3 0AT

Prime
Freehold
Long Let
Hotel Investment
Purpose built 297 bedroom hotel arranged over ground and five upper floors together with substantial on-site parking for 151 vehicles.

Let to Travelodge Hotels Limited on an FRI lease for a remaining term of 20 years (including an option for the landlord to extend).

Current rent of £2,148,400 pa, reflecting £7,234 per key, with no adjustment for the car parking spaces.

5 yearly upwards only rent reviews linked to the higher of RPI (uncapped) or market rent.

Prominently located adjacent to Junction 14 of the M25 London Orbital Motorway and 1.5 miles from Heathrow Terminal 5.

Heathrow is the busiest airport in Europe and the anticipated ‘Third Runway’ is expected to significantly increase hotel demand with capacity increasing from 85 million passengers to 130 million.

This section of the M25 motorway carries over 220,000 vehicles every day.

Freehold.

Offers are invited in excess of £40,250,000 (Forty Million, Two Hundred and Fifty Thousand Pounds), subject to contract and exclusive of VAT. A purchase at this level would equate to a net initial yield of 5.0%.
Of particular note and benefit to the hotel is its accessible and convenient location, appealing to a wide range of customers including airport users and contractors, M25 users and tourists visiting local attractions and London. The hotel stands at the gateway to London, only 12 miles (19 km) to the west, the M4 corridor and the Thames Valley and is a convenient base for much of the South East.

There are a large number of major UK visitor attractions and international sporting venues within 15 to 30 minutes’ drive, including:

1. Windsor Castle
2. Lego Land
3. Ascot Race Course
4. Sunningdale and Wentworth Golf Courses
5. Runnymede
6. Thorpe Park
7. Twickenham Stadium
8. Hampton Court
9. Chessington World of Adventures
Travelodge ‘Heathrow T5’ is strategically located at Junction 14 of the M25 Motorway at the gateway to Heathrow Airport’s Terminal 5.

- Heathrow is Europe’s busiest airport handling in excess of 77 million passengers (to August 2017).
- The M25 London Orbital Motorway distributes traffic to and from London, around the South East and provides 33 junctions and direct access to a total of 10 motorways. The section of motorway between Junctions 14 and 15 is the busiest with over 220,000 vehicles passing every day.
CONNECTIVITY

Road
Heathrow Airport sits adjacent to the M25 London Orbital Motorway, and the M4 Motorway providing excellent access to the UK’s national motorway network, the South East and London.

Rail
Heathrow Airport has its own dedicated train service ‘Heathrow Express’ which offers direct services from London Paddington every 15 minutes with a journey time of 15 minutes. The London Underground Piccadilly line also serves the airport from Central London. From December 2019, Crossrail services will provide a new link directly connecting the West End, City and Canary Wharf to the Heathrow Airport Terminals with significantly reduced journey times. For example, Crossrail will provide a direct service from Terminal 5 to Bond Street in just 27 minutes and Canary Wharf in 40 minutes.

Air
Heathrow Airport provides direct flights to almost 200 destinations worldwide.

SITUATION

Travelodge “Heathrow T5” is situated in a highly prominent position overlooking Junction 14 of the M25, less than 1.5 miles (2.4 km) from Heathrow Terminal 5. Junction 4 of the M4 motorway is approximately 1.9 miles (3 km) to the north at Junction 15 of the M25.

Access to the hotel is provided via Calder Way and Horton Road, whilst Terminal 5 is accessed via the A3113 and the airport perimeter road. There is a dedicated Heathrow Hoppa bus service which runs between the hotel and Terminal 5.
The property comprises a purpose build hotel with 297 bedrooms together with ancillary bar and restaurant and an onsite multi-storey car park.

The hotel was completed in 2007 and is arranged over ground and five upper floors. The ground floor accommodation includes a reception area, a 120 cover restaurant offering breakfast and dinner together with associated kitchen, a bar/café, and management offices. There are two 13 person passenger lifts providing access to all upper floors.

The hotel provides 207 double bedrooms, 75 family rooms and 15 ‘accessible’ rooms for disabled users. The hotel rooms each benefit from air conditioning via a VRV system and offer generous room sizes, with over 65% of the rooms measuring 20 sqm or more, and have been fitted to Travelodge’s corporate specifications.

Externally, there are a total of 151 car parking spaces which are predominately within a multi-storey car park over ground and two upper levels. The multi-storey car park has an 8 person passenger lift providing access to all upper floors. The car park is operated for Travelodge by APCOA, who charge customers to park by the hour or on a daily/overnight rate. Cars are limited to no more than 5 consecutive nights parking.

The property has an EPC rating of C (51).
The hotel is let in its entirety to Travelodge Hotels Limited on an FRI basis providing an unexpired term certain of approximately 20 years.

The lease is for a term of 25 years from the 10 December 2007 expiring on 9 December 2032. In addition, the landlord has an option to extend the lease until 5 February 2038 thereby effectively providing 20 years unexpired.

The rent is reviewed 5 yearly on an upwards only basis to the higher of RPI (uncapped) or market rent. The current passing rent is £2,148,400 pa, reflecting £7,234 per key. This excludes any allowance for the 151 car parking spaces, which generate a valuable income for Travelodge.
Travelodge was the first budget hotel brand to launch in the UK in 1985. It now operates over 551 hotels with over 41,523 rooms. The company is one of the UK’s largest and fastest growing independent hotel groups and is the second largest hotel brand in the UK with 30.4% of the UK budget hotel sector.

Travelodge Hotels Ltd has a D&B rating of 5A1 and is owned by Goldentree Asset Management, Avenue Capital and Goldman Sachs following a transfer of ownership in October 2012. The new owners have invested significantly in refurbishing their estate, embarking on a £100m modernisation programme. This resulted immediately with improvements to total revenues, up 25% and profit up by 218% between 2012 and 2014.

The following table sets out the year-on-year improvements to occupancy rates, average daily rates (ADR), Revenue per available room (RevPAR) and EBITDA over the last four years.

The brand offers a ‘value for money’ limited service hotel, which not only appeals to leisure users but also business customers with many large corporates, including FTSE-100 companies, using Travelodge. In 2016 business customers exceeded leisure users for the first time, providing a secure footing for consistent occupancy rates. In particular at Heathrow T5, British Airways crew use the hotel on a regular basis.

Unaudited 2017 H1 results for Travelodge Hotels Ltd provide the following snapshot:

- Total revenues increasing by 6.8% to £293.8m from the previous year
- EBITDA rising by £3.3m to £42.0m
- RevPAR up by 2.2% to £37.62
- ARR increasing by 2.3% to £51.08
- Occupancy stable at 73.6%
Heathrow Airport.

London Heathrow is the UK's premier international airport and the busiest airport in Europe (by passenger numbers). 81 global airlines use the airport travelling to almost 200 destinations. Passenger numbers have consistently grown for the last five years hitting a new record of 77.3 million for the year to August 2017.

Heathrow has four operational terminals (T2, T3, T4 and T5) and two parallel runways covering over 3,000 acres. The terminal capacity is currently estimated to be 85 million passengers per year. T5 is the newest terminal having opened in 2008 at a cost of £4.3 billion and is used exclusively by British Airways and its associated airlines. It is also the largest and busiest of the four terminals, handling 31.9 million in 2016 or 42% of all passengers.

Heathrow Expansion.

Aside from the prospects of a ‘Third Runway’, the capacity of Heathrow continues to grow. Heathrow Airport Holdings Ltd has invested £11 billion in the airport over the last decade, with a further £2.6bn investment planned.

Following the closure of Terminal 1, Heathrow is approaching its long term plan of servicing two main passenger terminals, Heathrow West (Terminal 5) and Heathrow East (an extended Terminal 2).

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HEATHROW AIRPORT

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HEATHROW’S THIRD RUNWAY

In June 2015 the Airports Commission recommended that a third runway be built at Heathrow Airport following a three year consultation process. The Prime Minister gave her support in October 2016, with the final decision falling to a Parliamentary vote likely in the first half of 2018, and where it is reported there is growing momentum in its favour.

Aside from the significant short term benefits to local businesses, including hotels, associated with the enormous construction project, the expansion of the airport will bring a substantial economic enhancement, which will significantly improve the prospects of local businesses and hotels, estimated as follows:

- £200bn boost to the UK economy.
- 180,000 new jobs locally and nationwide.
- 130 million passengers per year capacity (currently 85 million).
- 740,000 flight movements capacity (currently 473,000).
- 5 railway lines are expected to connect to the airport by 2032 as well as an easy connection to HS2 at Old Oak Common
- Infrastructure improvements to bring 70% of Britain’s population within three hours of the airport by 2030.

Hotel Supply - There are approximately 37 trading hotels totalling 11,937 bedrooms ranging from the budget sector to the luxury segment. The 'Budget' sector accounts for approx. 24% of the total or 2,917 bedrooms. The majority of hotels are situated on the Bath Road, to the north and east of the airport.

Demand - Hotels serving Heathrow airport continue to report strong occupancy levels at consistent levels well over 70%. Such levels are particularly attractive to operators despite average daily rates often being lower than their city centre counterparts. Relatively robust operational performance and increasing demand caused by rising passenger numbers at Heathrow, even without extra runway capacity, continue to attract hotel operators.

Meanwhile the “Third Runway” (see below) offers the prospect of a significant spike in demand during construction and the subsequent increase in passenger numbers. Research has suggested a need for another 4,000 bedrooms once the runway is opened.

Hotel Investment

Prime | Freehold | Long Let | Hotel Investment
The plan shows the approximate area affected by the preferred 3rd runway “north west” option.

In the event that the preferred North West Runway scheme is approved, five major hotels and a total of 1,492 bedrooms, are likely to fall within the development zone, and will be subject to CPO and subsequent demolition. Amongst these and of particular note in the budget sector is the Premier Inn Terminal 5, comprising 400 bedrooms.

Other hotels close to Travelodge T5.
A. Hilton Hotel (350 Keys)
B. Holiday Inn Express (119 Keys)
C. Sofitel (605 Keys)

1. Hyatt Place Heathrow (350 Keys)
2. Sheraton Heathrow (426 Keys)
3. Premier Inn Terminal 5 (400 Keys)
4. Thistle (264 Keys)
5. Heathrow Lodge (52 Keys)
MARKET TRANSACTIONS

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<tr>
<th>DATE</th>
<th>PROPERTY</th>
<th>KEYS</th>
<th>UNEXPired TERM (YRS)</th>
<th>REVIEWS</th>
<th>PRICE</th>
<th>NIY</th>
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<tr>
<td>DEC 17</td>
<td>Premier Inn, St Enoch Sq, Glasgow – forward funding</td>
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<td>25</td>
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<td>£31.2m</td>
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<td>5 yearly (RPI)</td>
<td>£54.70m</td>
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<td>4 Premier Inn hotels: Gravesend, Welwyn, Liverpool &amp; Norwich</td>
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<td>20.5</td>
<td>5 yrl (CPI capped)</td>
<td>£37.45m</td>
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<td>£20.50m</td>
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<td>Travelodge Maidenhead</td>
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FURTHER INFORMATION

VAT
The property is elected for VAT and as such we anticipate the transaction will be treated as a TOGC.

Capital Allowances
Full unclaimed Capital Allowances are available.

Trading Information
Trading information is available subject to completion of a confidentiality agreement, provided on request.

Data Room
Access to the data room can be provided upon request.
PROPOSAL

Our client is seeking offers in excess of £40,250,000 (Forty Million, Two Hundred and Fifty Thousand Pounds), subject to contract and exclusive of VAT. A purchase at this level, assuming purchaser’s costs of 6.77%, would equate to an initial yield of 5.0%.

INVESTMENT RATIONALE

- Highly strategic location for a hotel situated at the junction of two premier UK transport infrastructures, the M25 Motorway (Junction 14) and London Heathrow Airport (Terminal 5).
- At least nine leading UK tourist, leisure and international sporting venues within 15 to 30 minutes’ drive of the hotel.
- Freehold hotel investment with a long unexpired term (20 years) and rising cashflow secured against a 5A1 (D&B) covenant and leading hotel brand.
- Inflation hedged investment with 5 yearly rental increases linked to uncapped RPI as well as offering the opportunity to benefit at rent review from rising open market rentals.
- Consistently high occupancy levels in the hotel, approaching 80%.
- Substantial car park generating valuable additional hotel revenue.
- Modern hotel with generous room sizes and air-conditioning in all bedrooms.
- Potential for significant revenue growth with the Third Runway, including the intermediate construction period, expected to strengthen hotel demand further with passenger capacity increasing by almost 60%.

JOINER CUMMINGS

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& PROPERTY INVESTMENT

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