

# Guaranteed Minimum 9.3% Reversionary Yield Uncapped RPI Increasing Income



Travelodge Bradford Central Hotel | 2 Valley Road | Bradford | BD1 4AA

£2,975,000

subject to contract

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Q: Why is this so important?

A: The ultimate in trust, accountability and transparency from the commencement of marketing to conclusion of a sale.

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## SUMMARY

- Purpose-built 69-bedroom hotel
- Let to Travelodge Hotels Limited
- 13.75 years unexpired lease term, without breaks, plus landlord's option to extend by 4 years
- Tenant option to renew at lease expiry
- Travelodge has reported record financial results for 2022 with EBITDA increasing to £164.4m (2019: £102.2m)
- Uncapped RPIX rent reviews
- Well located, opposite Bradford Forster Square train station
- £2,975,000, subject to contract
- 7.8% Net Initial Yield
- 9.3% Guaranteed Minimum Net Reversionary Yield based on current RPI



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## LOCATION

Bradford is a major city in West Yorkshire, located approximately 16 km (10 miles) west of Leeds, 24 km (15 miles) north-west of Wakefield and 61 km (38 miles) north-east of Manchester.

The city benefits from good road communications being served by the M606 which links with the M1, A1 and M6 via the M62 Motorway. The A629 also connects with Skipton to the north-west.

The city is connected to the national railway network and is served by two central train stations; Bradford Interchange and Bradford Forster Square which connect with intercity services to London (2 hours 50 minutes), Manchester (55 minutes) and further afield.

In addition, Leeds Bradford Airport is approximately 13 km (8 miles) north-east of the city and serves various destinations across the UK and Europe.

Bradford has been named as the winner of the hotly contested UK City of Culture 2025 competition. It is also a UNESCO City of Film and UNSECO World Heritage Site.



## SITUATION

The subject property is situated on the edge of Bradford City Centre and occupies a prominent position fronting Valley Road, less than 200 metres from Bradford Forster Square train station.

The British Land owned Forster Square Shopping Park is less than 500 yards from the hotel. Retailers on the park include TK Maxx, McDonald's, Boots, JD Sports, Next, Pets at Home, SportsDirect and Greggs.

The Broadway Shopping Centre is immediately to the south. The dominant retail and leisure scheme in the city with an annual footfall of 12 million, it comprises approximately 52,955 sq m (570,000 sq ft) of retail and leisure units along with 1,300 car parking spaces. The centre is anchored by M&S, Next, H&M, River Island, JD Sports and Boots, as well as a six-screen, 400-seat cinema.

Valley Parade, home to Bradford City Football Club, is approximately 1.6 km (1 mile) to the north-west.

The Kirkgate Shopping Centre is five minutes' walk from the hotel and is set to be replaced by "City Village", a scheme including 1,000 homes and the creation of green space. This forms part of Bradford Council's regeneration plans to transform the city centre.

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## DESCRIPTION

The subject property comprises a 69-bedroom Travelodge hotel arranged over part ground, first, second, third and fourth floors. The hotel is designed to the Travelodge brand specification.

The hotel benefits from 28 on site car parking spaces.

There is a retail unit on the ground floor which has been 'sold off' on a long lease.

## ACCOMMODATION

The property has been measured by BKR Floor Plans and provides the following accommodation:

Floor	Sq M	Sq Ft
Ground Floor	88.63 sq m	954 sq ft
Ground Floor Half Landing	25.92 sq m	279 sq ft
First Floor	507.70 sq m	5,465 sq ft
Second Floor	507.70 sq m	5,465 sq ft
Third Floor	507.70 sq m	5,465 sq ft
Fourth Floor	507.70 sq m	5,465 sq ft
Fifth Floor (Plant Room)	111.29 sq m	1,198 sq ft
<b>Total Gross Internal Area</b>	<b>2,256.63 sq m</b>	<b>24,291 sq ft</b>

69 Bedrooms

A set of floor plans is available to download and the measured survey report will be re-addressed to a purchaser at a cost of £1,090 + VAT.



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## TENURE

Long leasehold for a term of 250 years from 25th April 2012 (in excess of 239 years unexpired). The current ground rent is £60,171.84 per annum and is reviewed annually to RPI with a 2% collar.

The ground floor retail unit has been underlet for a term of 250 years (less 3 days) from 25th April 2012 at a peppercorn rent.

## TENANCY

The property is let to **Travelodge Hotels Limited** on a full repairing and insuring lease for a term of 25 years from 19th March 2012 expiring on 18th March 2037, without breaks. Hence, an attractive **13.75 years unexpired lease term**. However, under the terms of an Option Agreement the landlord can require the term to be extended by a **further four years and 1 month**.

The tenant has an option to renew the lease from 19th March 2037. Please refer to the legal pack for further information.

The lease is subject to rent reviews based upon the Retail Price Index excluding Mortgage Interest Payments (RPIX) **without any caps**. The last rent review was 19th March 2022 at which time the rent increased from £255,664 per annum to the current passing rent of **£306,391.14 per annum**. The next rent review is on 19th March 2027 and five yearly thereafter.

Therefore, after deduction of the head rent an investor will benefit from a net income of **£246,219.30 per annum**.

## REVERSIONARY INCOME

Increases in the Travelodge income and the head rent are determined in accordance with the Retail Price Index excluding Mortgage Interest Payments (RPIX). (see [here](#)).

The Travelodge rent review is determined by reference to the RPIX figure last to be published before the rent review date of March 2027.

RPI will continue to increase between now and March 2027. Based on the June 2023 figure the income will rise to a **MINIMUM OF £356,441.37 per annum**.

The head rent increase in April 2024 is also based upon RPI. Were a review to occur today, based upon the June 2023 figure the head rent will increase to **£61,679.41 per annum**.

Therefore, the net income available to a purchaser (based upon the above comments) will increase to **AT LEAST £294,761.96 per annum**.

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## COVENANT

On 27th January 2023 Travelodge announced its trading update for the period ending 30th September 2022. **The company reported record financial results, significantly ahead of its previous best year in 2019.**

- Total underlying revenue up 22.7% to £669.9m (2019: £546.1m, 2021: £374.7m)
- Occupancy up 0.7pts to 81.5% (2019: 80.8%, 2021: 58.2%)
- Average room rate up 19.8% at £63.59 (2019: £53.08, 2021: £51.15)
- Revenue Per Available Room (RevPAR) up 20.8% to £51.80 (2019: £42.86, 2021: £29.76)
- RevPAR performance 10.8pts ahead of the competitive segment vs 2019
- EBITDA (adjusted) of £164.4m (2019: £102.2m, 2021: £43.7m)
- Cash of £221.6m at 30 September 2022
- 5 new hotels opened to date, including one Irish franchise
- Total network now 595 hotels and 45,624 rooms as at 30 September 2022

This performance reflected the strength and resilience of the UK budget hotel market which performed well in 2022, driven by strong levels of domestic leisure demand and a rapid recovery in 'blue collar' business demand, with a more gradual recovery in 'white collar' corporate demand.

The company's Chief Executive, Jo Boydell, announced:

"Travelodge has delivered a record set of financial results, significantly ahead of 2019, driven by strong demand for our great value hotels as customers return to both business and leisure travel. Our purpose is to provide affordable travel for everyone and amid the growing cost of living pressures, we have seen that more customers are choosing to stay with us.

We have continued to outperform against the competitive segment, for the eighth consecutive year, and it's particularly pleasing to see these trends continue in the first weeks of the fourth quarter. Our cash position remains strong, and we have continued to invest in the business whilst also further de-leveraging, with the term loan repaid in full on 26 October.

Looking ahead, we are very mindful of the cost-of-living crisis and are doing all we can to navigate the cost pressures on our business...the budget end of the hotel segment is the most resilient, with budget brands historically performing strongest in tough economic times. Travelodge, with its strong brand, diversified network of hotels and value proposition, remains well placed to deliver for customers and we are excited about the growth opportunities ahead."

**Travelodge Hotels Limited** (Co. No. 0769170) has reported the following figures:

	31 <sup>st</sup> December 2021	31 <sup>st</sup> December 2020
Revenue	£560.5 million	£280.4 million
Pre-Tax Profits (Loss)*	(£33.8 million)	(£161.2 million)
Total Assets	£2,657.7 million	£2,622.0 million

\*The company was significantly impacted by the Covid-19 pandemic, with the majority of hotels closed for large periods since March 2020. As a result, the company proposed a Company Voluntary Arrangement (CVA) which was approved on 19th June 2020. The CVA formed part of Travelodge's recovery plan, which included steps taken to (i) re-open its hotels once the UK Government restrictions are lifted, (ii) reduce operating and capital costs, (iii) raise additional funds and (iv) temporarily reduce rents paid to landlords.

The recovery plan offered the best approach to address the short-term challenges facing the business as a result of the COVID-19 outbreak and to secure the future of its more than 10,000 employees.

Unlike most CVAs, there were no proposed hotel closures or permanent rent reductions. Prior to the outbreak of COVID-19, Travelodge entered 2020 with a record level of cash reserves and delivered five straight years of strong growth, outperforming the midscale and economy sector and its peers.

The CVA has now been fully implemented and is now formally at an end.

In 1985, Travelodge became Britain's first value hotel brand when it launched in the UK, opening its first hotel at Barton under Needwood in the heart of England. Travelodge is now the UK's largest independent hotel brand, with more than 590 hotels and 40,000 guest bedrooms across the UK, Ireland and Spain.

Travelodge hotels can be found in the centre of major cities, including London, Edinburgh, Cardiff, Manchester, Birmingham, Belfast, Dublin, Barcelona, and Madrid; in most of Britain's larger towns, as well as in the classic seaside locations and vital roadside stops (Source: [www.travelodge.co.uk](http://www.travelodge.co.uk)).

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## HOTEL MARKET SUMMARY

The hotel market has rebounded impressively since the challenges of the Pandemic, delivering a robust trading performance. The UK budget hotel market has performed strongly, with revenue as a percentage of 2019 levels ahead of the total hotel market, driven by the strong levels of domestic leisure demand and a good recovery in 'blue collar' business demand. In their "UK Hotel Market Update Q4 2022", BNP Paribas Real Estate report that "trading performance continued to hold up with Revenue Per Available Room (RevPAR) outperforming 2019 levels. This was predominantly underpinned by continued robust demand allowing hotel operators to increase average daily room rates to new highs. Additionally, occupancy also continued to improve over Q4 contributing to overall performance. Average daily rates were c.23% higher in December 2022 compared to December 2019 (source: [CoStar](#))".

"International demand is expected to continue to drive RevPAR in 2023, when it is expected that London could record RevPAR growth of 24.5% y/y. In the regions, where demand can be more sensitive to GDP growth, RevPAR growth is estimated at 5.1% y/y (Source: PwC U.K. Hotel Forecast Nov 22)."



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## VAT

The property has been registered for VAT. It is anticipated that the sale will be treated as a Transfer of a Going Concern (TOGC).

## PROPOSAL

We are instructed to seek a figure of **£2,975,000** (Two Million, Nine Hundred and Seventy-Five Thousand Pounds), subject to contract, reflecting a true net initial yield of **7.8%**, assuming standard purchaser's costs of 6.45%.

**The yield is already guaranteed to increase to no less than 9.3% at the rent review in March 2027, based on the current RPI figure.**

Please note that a purchaser will be re-charged the costs of the searches (£1,658.31) and measured survey (£895 + VAT) which are provided in the data room.

Please note that a purchase will be charged a Transaction Fee of £10,000 + VAT.

## INVESTMENT CONSIDERATIONS

1. An opportunity to acquire a purpose-built 69-bedroom Travelodge hotel;
2. Long unexpired lease term of 13.75 years, with a landlord option to extend by a further 4 years and 1 month;
3. Travelodge has reported record financial results for 2022 with EBITDA increasing to £164.4m (2019: £102.2m);
4. The lease benefits from uncapped RPI rent reviews;
5. The property is well located, opposite Bradford Forster Square train station;
6. A purchase at the asking price reflects an attractive net initial yield and reversionary yield.

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## CONTACT US

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## DATA ROOM AND CLICKTOPURCHASE®

Access to the data room and for the ability to purchase online with speed and ease, please click the clicktopurchase® “C” icon or the clicktopurchase® side bar. Purchasers will be able to access the complete legal package, clear verification and submit legally-binding offers to acquire the property.

Purchasers benefit from the trust, security and transparency provided by the platform. All activities, including the online contract execution, will form part of the electronic audit trail which is anchored in the clicktopurchase® Blockchain.

clicktopurchase® provides the opportunity for any investor, whether located UK or abroad, to uniquely purchase online with ease and certainty. To learn more about clicktopurchase®, [click here](#).

[UPDATE YOUR INVESTMENT REQUIREMENTS](#)

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