

TRAVELODGE LONDON BERMONDSEY HOTEL INVESTMENT



Travelodge



EXECUTIVE SUMMARY

A brand new freehold opportunity located within the London Borough of Southwark.

- The building size is **22,241 sq. ft. NIA** and the site area extends to approximately **4,951 sq. ft.** (0.046 hectares). It is offered pre-let to Travelodge Hotels Ltd on a new 25-year lease with upward only rent reviews every 5 years
- The development is a 9-storey plus basement building that will provide a 73-bedroom hotel with a restaurant at ground floor level and associated cycle parking, refuse and recycling stores, and plant planning ref: 19/AP/0865.
- Travelodge's latest statement reported a record performance with revenue and profits significantly ahead of 2022 levels: total underlying revenue up 16.7% to £782.0 million (2022: £669.9m); EBITDA (adjusted) profit up 22.4% to £201.2 million (2022: £164.4m)
- An annual Rent of £839,500 or £11,500 per room, which commences on practical completion.
- The site offers a rare and unique investment opportunity with a strong covenant in a sought-after location.
- The site is well-served by public transport (Zone 1). London Bridge (0.7 miles), Bermondsey (0.7 miles) and Borough (0.8 miles).

Offers are invited for the freehold interest, subject to contract and exclusive of VAT.



AERIAL



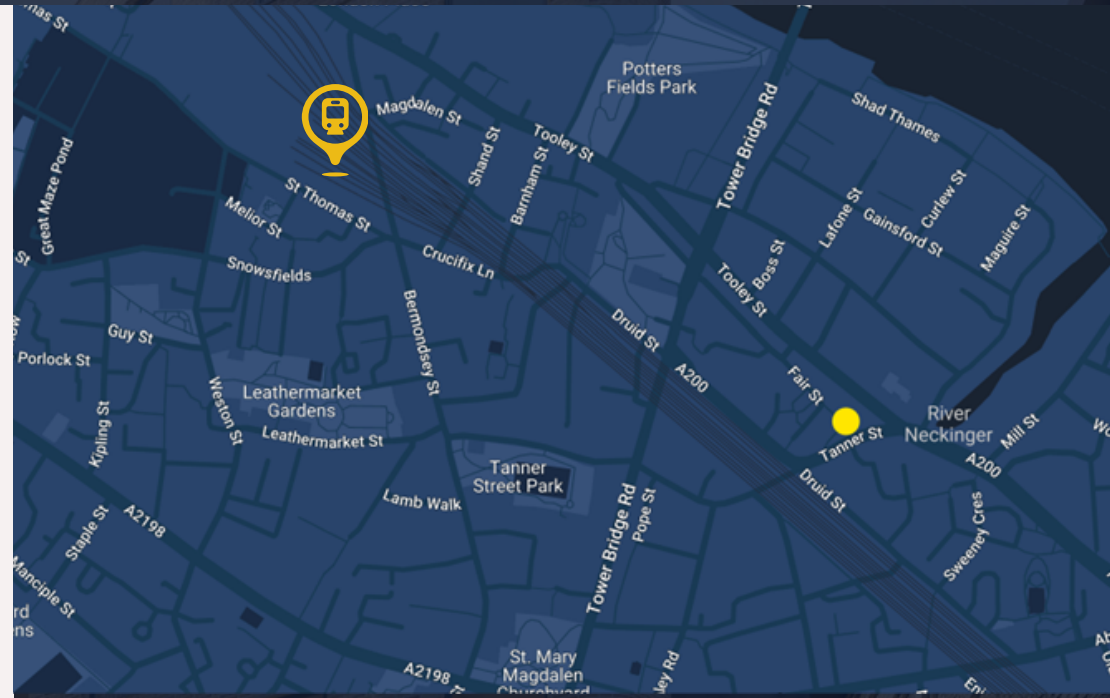
TRAVELODGE LONDON BERMONDSEY

Location and Situation

Travelodge London Bermondsey is a well-positioned opportunity to capture the longstanding and growing demand in this location for a budget hotel. Many will have seen the successes of surrounding new luxury hotels and this new budget offering is a well-needed addition to the continual increase and attraction to this part of London Bridge.

The hotel is situated in a prime Zone 1 location, with London Bridge and Bermondsey just a 0.7-mile walk away. This strategic positioning connects guests to some of London's most visited landmarks, including Borough Market, Tower Bridge, and Tate Modern, among others. Additionally, its location appeals to business travellers seeking convenient access to the City.

While luxury hotels near London Bridge target a specific market, Travelodge Tanner Street strategically captures the rapidly expanding segment of budget-conscious travellers. This segment is projected to grow over 25% year-on-year, offering a significant market opportunity for Travelodge. Luxury hotel options in the vicinity, dominated by brands like Hilton and Marriott, lack an affordable and modern choice tailored to this dynamic and growing market segment.



SOURCES:

- TRAVELODGE UK MARKET RESEARCH DATA (2023)
- LONDON BOROUGH OF SOUTHWARK TRAVEL AND VISITOR ECONOMY STRATEGY (2022)
- COLLIERS INTERNATIONAL UK HOTEL MARKET REPORT (2023)



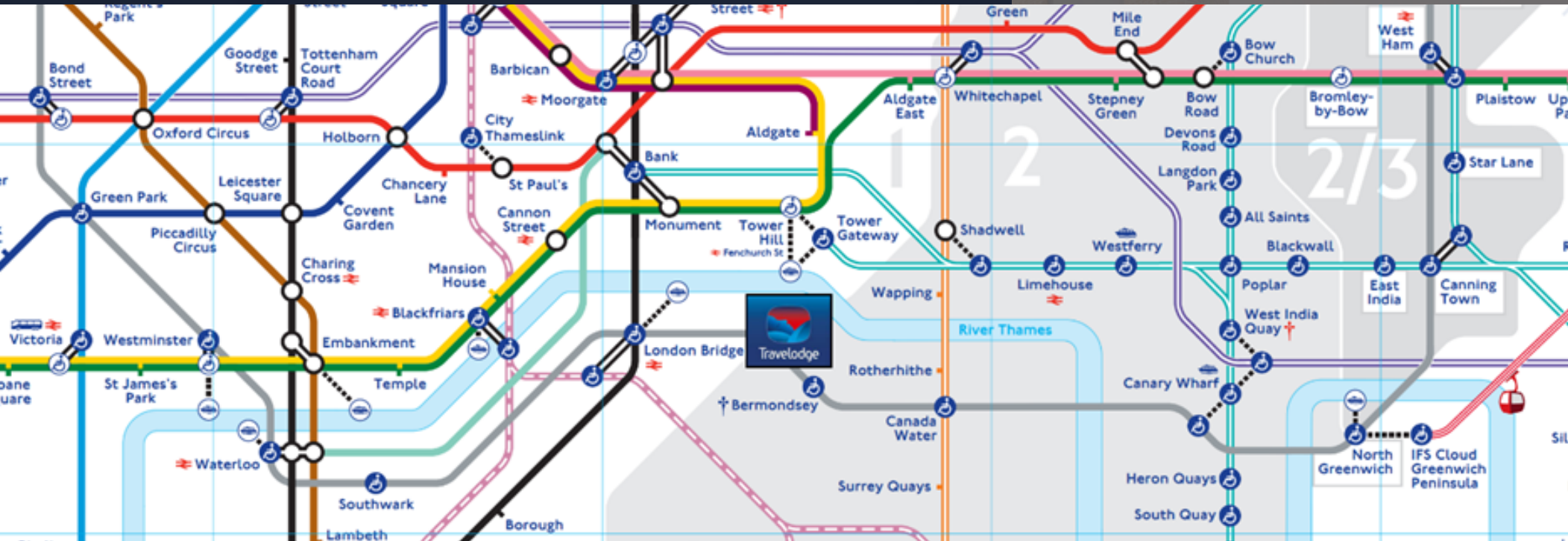
Travelodge



"Borough Market bounty to bankable bookings: London Bridge hotels cashing in on insatiable foodie and cultural appetites."

- Financial Times

CONNECTIVITY



Taxi / Bus Times

London Bridge	5 minutes
Bermondsey	8 Minutes
Borough	7 Minutes
Tower Hill	9 Minutes

Walking Times

London Bridge	10 Minutes
Bermondsey	14 Minutes
Borough	18 Minutes
Tower Hill	20 Minutes

PLANNING AND DESCRIPTION

The site was granted planning permission for the development of a nine-storey, 73-bedroom hotel with a restaurant at ground floor level planning ref: 19/AP/0865

The hotel consists of a nine-storey, 73-bedroom purpose-built Travelodge branded hotel. The bedrooms are all en-suite and provide a range of double, family, twin, and accessible rooms. There is also a restaurant on the ground floor which given the surrounding foodie attractions has great potential to act as an additional pull for the hotel.



Completion Timeline

Completion due - March/April '24

Travelodge Occupation Commence - April/May '24

AREA SCHEDULE

GIA FLOOR AREAS	AREA (SQM)
Basement	190.96
Ground Floor	292.32
First Floor	184.63
Second Floor	298.73
Third Floor	298.73
Fourth Floor	298.73
Fifth Floor	268.93
Sixth Floor	269.19
Seventh Floor	263.47
Eighth Floor	249.88
Roof	25.26
Total	2640.83

NIA ROOM AREAS	AREA (SQM)
1st Floor	
101	14.38
102	13.86
103	13.86
104	19.1
Total	61.2
2nd Floor	
201	14.36
202	13.86
203	13.86
204	19.1
205	15.44
206	24.02
207	15.33
208	15.4
209	14.55
210	19.22
211	16.21
Total	181.35

NIA ROOM AREAS	AREA (SQM)
3rd Floor	
301	14.36
302	13.86
303	13.86
304	19.1
305	15.48
306	24.28
307	15.28
308	15.44
309	14.29
310	19.22
311	16.21
Total	181.38
4th Floor	
401	14.36
402	13.86
403	13.86
404	19.1
405	15.44
406	24.02
407	15.33
408	15.4
409	14.55
410	19.22
411	16.21
Total	181.35

NIA ROOM AREAS	AREA (SQM)
5th Floor	
501	14.36
502	13.86
503	13.86
504	19.1
505	30.79
506	15.44
507	14.29
508	19.22
509	16.21
Total	157.13
6th Floor	
601	14.36
602	13.86
603	13.86
604	19.1
605	31.1
606	15.4
607	14.55
608	19.22
609	16.21
Total	157.66

NIA ROOM AREAS	AREA (SQM)
7th Floor	
701	14.36
702	13.86
703	13.86
704	19.1
705	25.59
706	15.44
707	14.29
708	19.22
709	16.21
Total	151.93
8th Floor	
801	14.36
802	13.86
803	13.86
804	19.1
805	14.29
806	20.16
807	14.3
808	19.22
809	16.21
Total	145.36

Total NIA: 1217.36 (SQ M)

SAMPLE FLOOR PLANS

SECOND FLOOR



EIGHTH FLOOR



ESG

INVEST IN THE FUTURE: A TRAVELODGE BUILT FOR SUSTAINABLE RETURNS

For those that are interested in long-term income producing assets that are aligned with current market trends, then the overall ESG of the investment is increasingly important.

Travelodge are committed to ESG excellence with their 'Better Future' 2023 Sustainability Plan that has a stated aim to reduce energy consumption. By 2030 Travelodge expects to be using 35% less energy than in 2017, and by 2050 to be a net zero carbon organisation.



ESG-driven Performance:

- Growing Demand for Sustainable Investments: ESG assets have outperformed traditional benchmarks in recent years, with studies like NYU Stern's 2021 research indicating a positive correlation between strong ESG scores and improved operational metrics.

Financial Stability & Competitive Advantage:

- Reduced Operational Costs: Energy-efficient technology like LED lighting, smart controls, and solar panels translate to lower long-term expenses, strengthening the property's financial stability and boosting your potential returns.
- Enhanced Brand Appeal: Travelodge's sustainability initiatives cater to an expanding segment of eco-conscious travellers, driving consistent occupancy and mitigating vacancy risk.
- Resilience Against Rising Energy Costs: Invest in a property equipped to navigate future volatility in energy markets, mitigating risk and safeguarding your investment

This building represents not just a solid income producing investment in a prime location; it's a strategic opportunity to capitalise on the intersection of ESG trends and long-term financial growth.

TRAVELODGE FINANCIAL UPDATE



GROUP OVERVIEW



A Strong Market Presence:

Travelodge is the UK's second-largest hotel chain by number of hotels and rooms, operating at an impressive 80-90% occupancy rate, boasting a network of 595 hotels and approx. 46,000 rooms across the UK, Spain, and Ireland (as of December 31, 2022). This impressive reach makes Travelodge a major player in the midscale and economy ("MS&E") sector of the hotel market.

Focused on Value:

Travelodge caters to budget-conscious travelers by offering standardized, modern guest rooms at competitive prices. Their focus on affordability, while maintaining quality and comfortable stays, attracts both business and leisure customers seeking value for their travel needs.

Unwavering Success:

Travelodge is synonymous with affordable travel in the UK. The brand's long-standing presence, extensive geographic network, and effective marketing initiatives have positioned it as the top performer in the country's booming budget hotel market. This success story is further fueled by their commitment to customer satisfaction, evidenced by their impressive average TripAdvisor score of four out of five for UK hotels as of December 2022.

Diverse Operations:

While primarily operating on a leasehold model in the UK, representing over 98% of total revenue, Travelodge also diversifies its portfolio through management contracts, additional leasehold hotels in Spain, and franchises in Ireland and Northern Ireland.

Financial Strength:

2022 marked a record-breaking year for Travelodge. They achieved total underlying revenue of £910 million (compared to £728 million in 2019) and an EBITDA profit of £212.9 million (compared to £129.1 million in 2019). This remarkable performance further solidifies their position as a leader in the affordable hospitality sector.

Looking Ahead:

With a proven track record of success, Travelodge is poised for continued growth and innovation. Their commitment to offering exceptional value, coupled with their strategic approach to operations and marketing, ensures their place as a top choice for budget-conscious travelers across the UK and beyond.

Reaching Millions:

Travelodge's appeal resonates with a wide audience. In 2022, they attracted an estimated 21 million customers, nearing pre-pandemic levels of over 19 million in 2019. Notably, 90% of their bookings came through direct channels, showcasing the strength of their brand loyalty and online presence.

Investing in People:

Travelodge employs over 12,000 people across its hotels and support offices, primarily hourly-paid staff working in hotels. This significant workforce contributes to the brand's operational success and local communities.

TRAVELODGE COMPARABLE LONDON TRACKER

Transaction Date	Location	Beds	Lease Term	Review Basis	Capital Value	NIY	Transaction Type
Dec 2021	London - Battersea	121	27.5 yrs	RPI	£36.5M	4.25%	Standing investment
Oct 2022	London - Hackney	80	17 yrs	RPI	£12.2M	6% on THL element	Standing investment
Nov 2022	London - Chiswick	113	35 yrs	CPIH (1% & 4%)	£19.4M	4.75%	Forward funding
Feb 2023	London - Whetstone	96	12 yrs	RPI	TBC	6.25% blended. TL element @ 5.75%	Standing investment
Apr 2023	Gatwick Central	400	27 yrs	RPI	£47.84M	6.7%	Standing investment
August 2023	London - Ilford Gants Hill	32	16 yrs	RPI	£3.8M	8%	Standing investment

THE UK HOTEL MARKET

The aftermath of COVID-19 cast a long shadow over the global hotel industry, and the UK was no exception. Yet, as restrictions lifted, the UK hotel market emerged as a beacon of recovery, spearheading the hospitality sector's resurgence across Europe.

Throughout the second half of 2021, hotel fundamentals saw a steady upward climb, fuelled by a surge in domestic leisure travel. Tourist hotspots and leisure destinations witnessed exceptional revenue, even surpassing the pre-pandemic peaks of 2019. Notably, the regional UK hotel market outperformed expectations during this period, with the Derbyshire sub-market boasting an impressive occupancy rate of 53.0% despite five months of stringent restrictions.

While the short-stay and affordable leisure segments are expected to remain at the forefront of the national hotel recovery, a true full-fledged rebound hinges on the return of traditional demand drivers, particularly corporate travel and events business. Budget and select-service hotels, with their value-driven offerings, are projected to continue leading the occupancy charge.

The UK hotel investment market mirrored this optimism, with transaction volumes in 2021 witnessing an impressive 84.3% increase over 2020, reaching a staggering £4 billion. Bolstered by improving trading performance and a faster-than-anticipated recovery, the outlook for 2022 and beyond remains robust and actively promising.

Interestingly, the budget hotel sector, traditionally the mainstay of fixed lease investments, saw its regional UK transaction volume dip to just 10% in 2021. However, the first quarter of 2022 has shown a resurgence in this segment, offering valuable portfolio diversification against other asset classes. With a slowing development pipeline, the fixed lease market may encounter stock constraints, further boosting the liquidity of existing assets, particularly those with strong performance records.

In conclusion, despite the lingering effects of the pandemic, the UK hotel market stands poised for sustained growth. Domestic leisure will continue to be a key driver, but the return of corporate and event business holds the potential for a full-fledged comeback. Meanwhile, the investment landscape appears bright, with both transactional activity and investor sentiment on the rise. As the development pipeline remains constrained, existing assets, particularly those within the budget and select service segments, are likely to see increased liquidity and investor interest.



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Tenure

The site is to be sold with a full 25 year lease with Travelodge.

VAT

The site is elected for VAT

Terms

We are inviting unconditional offers price on application

Viewings

The site can be viewed externally from Tanner Street. Should a purchaser wish to arrange an internal inspection then please contact KALMARs

Further Information

Detailed information on the site is available via a dedicated data room

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