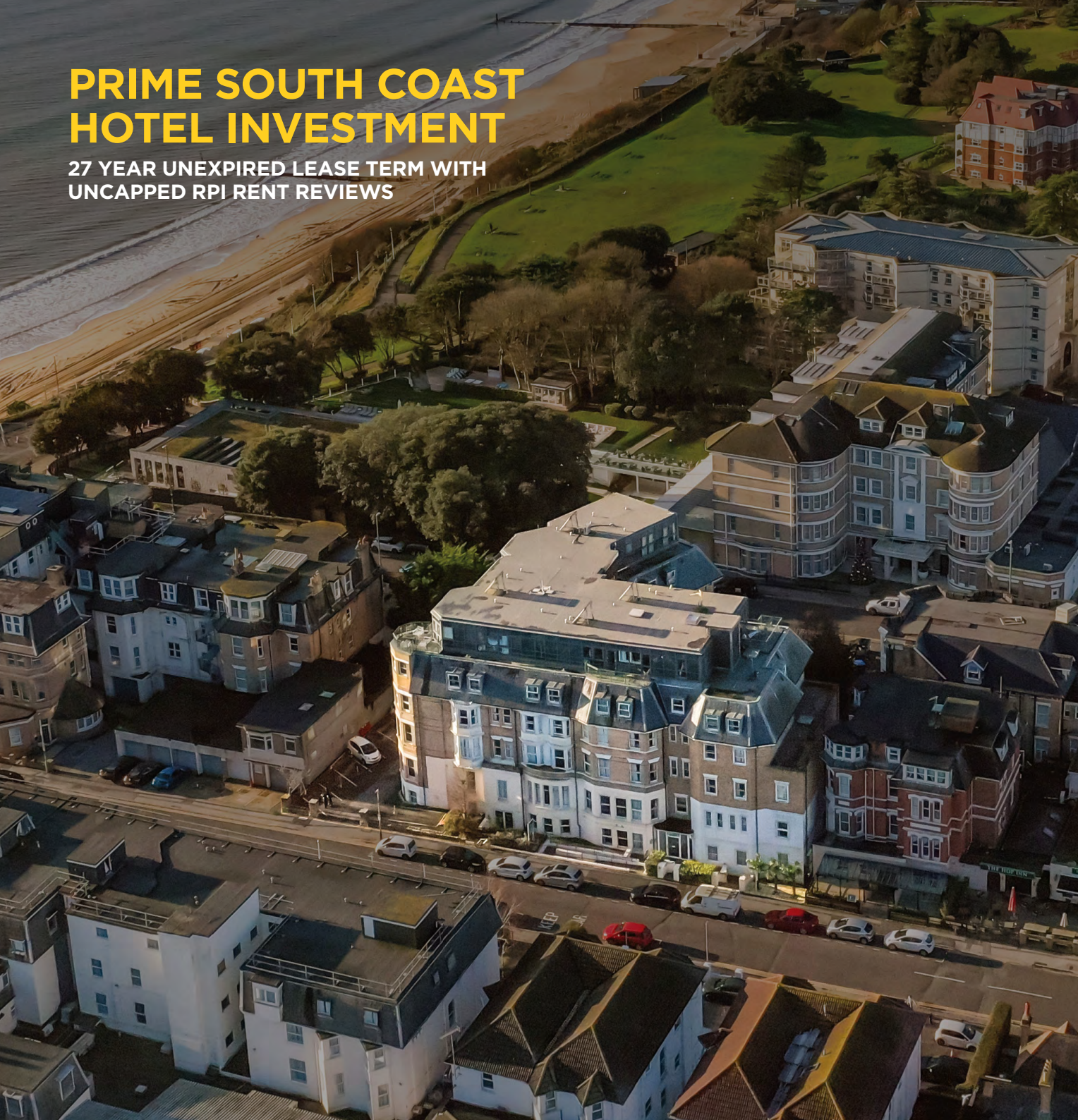


# PRIME SOUTH COAST HOTEL INVESTMENT

27 YEAR UNEXPIRED LEASE TERM WITH  
UNCAPPED RPI RENT REVIEWS



Travelodge

## TRAVELODGE SEAFRONT BOURNEMOUTH

West Hill Road | BH2 5EG

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LEWIS ELLIS

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## INVESTMENT SUMMARY

- Prominent hotel located in the coastal resort town of Bournemouth, a **key UK tourist destination** with over **9 million day visitors** and **1 million overnight visitors** annually.
- Situated in a **prime position**, with views of the sea and just a two minute walk from **Bournemouth beach** and the **Bournemouth International Centre**.
- **110-bedroom hotel** arranged over ground and four upper floors with on site car parking provision.
- Comprehensive internal **refurbishment in November 2024** to the new Travelodge specification.
- Let to Travelodge Hotels Ltd on FRI terms at a **passing rent of £818,172 per annum (£7,438 per key)**.
- Unexpired lease term of approximately **27 years**.
- 5 yearly upwards only **uncapped RPI rent reviews** – next rent review 19th October 2029.
- **Strong trading performance** with excellent hotel occupancy.
- Travelodge saw record performance during 2023 which continued through 2024.
- **High vacant possession value** as a hotel and strong alternative use value.
- **Freehold**.
- Low capital value of **£289 per sq ft**.

## PROPOSAL

Offers are sought in excess of **£11,360,000 (Eleven Million Three Hundred and Sixty Thousand Pounds)** subject to contract and exclusive of VAT. A purchase at this level would reflect:

- **Net Initial Yield - 6.75%**
- **2029 Running Yield - 7.71%**

The above yield profile assumes purchasers costs of 6.71% and RPI forecast of 2.75% per annum.

## TRAVELODGE BOURNEMOUTH SEAFRONT



# TRAVELODGE BOURNEMOUTH SEAFRONT

 BOURNEMOUTH STATION

BH2 LEISURE COMPLEX

BOURNEMOUTH INTERNATIONAL CENTRE

  
THE NICL

  
Hilton

TOWN CENTRE

ROYAL EXETER HOTEL

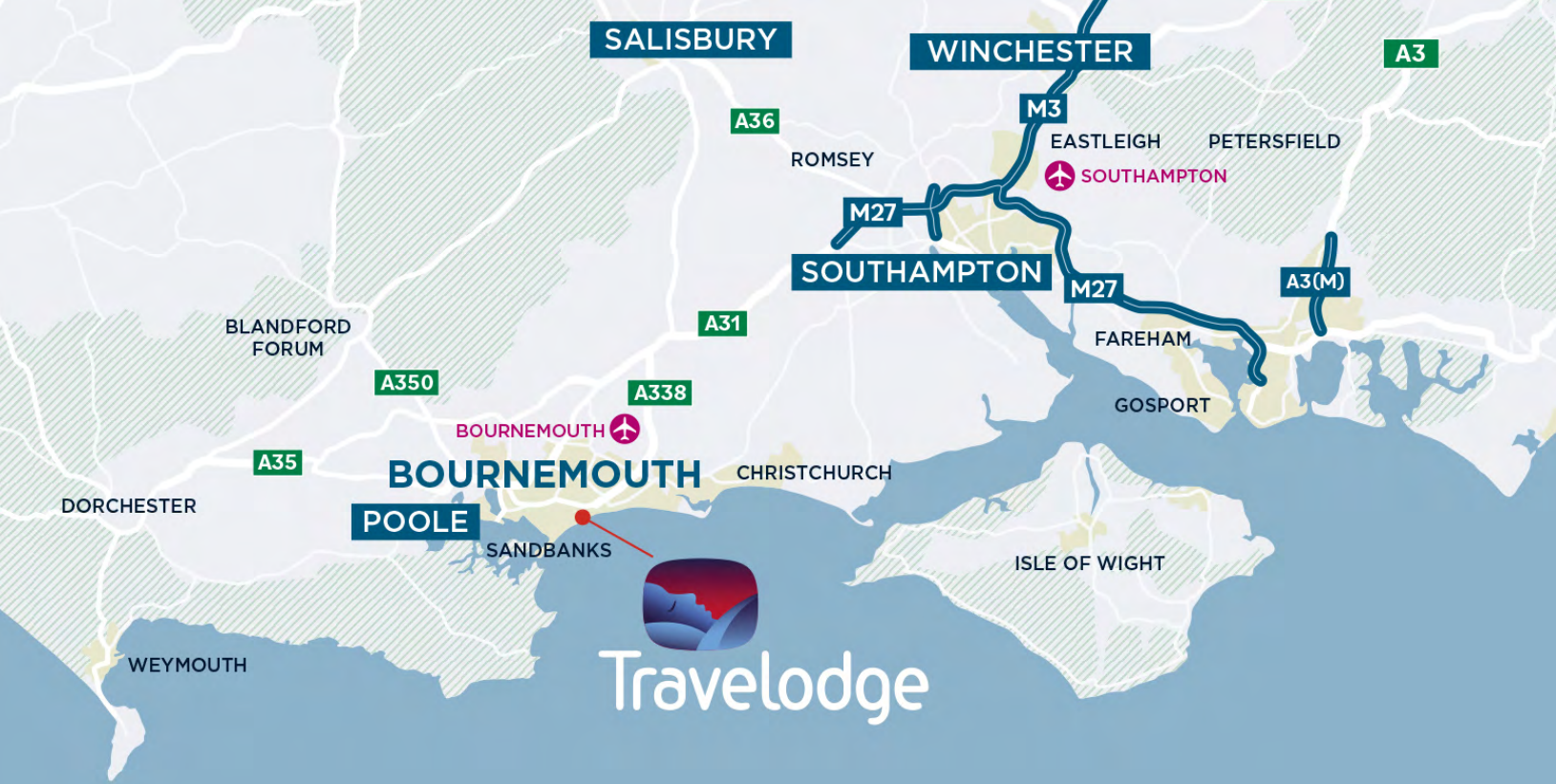
  
Marriott  
HOTELS & RESORTS

  
Travelodge

BOURNEMOUTH PIER

WEST CLIFF PROMENADE





## LOCATION

Bournemouth is a bustling coastal town located adjacent to Poole and the affluent neighbourhood of Sandbanks, in the county of Dorset. Bournemouth is located 30 miles (48 km) south west of Southampton and 36 miles (58 km) east of Weymouth. The town has a population of approximately 195,000 people, making it the largest town in Dorset.

The town benefits from a strong student population of approximately 19,000 students across two universities, with many choosing to live in the town centre and remain in the town after graduating. Bournemouth's 15 miles of seafront also make it a popular tourist town with approximately 9 million day visitors and over 1 million overnight visitors annually.



**Bournemouth is the largest town in Dorset** with a diverse population of approximately 195,000 people including a thriving student population



**Bournemouth is Dorset's tourism hotspot**, with the town hosting over 500 events and festivals every year



Visitors to Bournemouth generate a combined **leisure spend of approximately £600 million annually**



**The town is a major conference centre** and also plays an important role as a back office location for a number of international firms including JP Morgan Chase and Allianz

## CONNECTIVITY



Bournemouth is highly accessible by road, being serviced predominantly by the A338 which later merges with the A31 and provides access to both the M27 and M3 to the north west.



The town benefits from having an airport located just 5.8 miles to the north of the town centre, which over 1 million passengers used in 2024. The airport provides services to 35 destinations across the UK and Europe.



Bournemouth train station is situated 1.4 miles to the north west and provides regular, direct services to major cities across England including Southampton, Oxford and London Waterloo with journey times of 33 minutes, 1 hour 55 minutes and 2 hours respectively.



## SITUATION

The property is very well situated on St Michael's Road in Bournemouth's key tourism and leisure district, being two minutes walk from Bournemouth beach and West Cliff Promenade.

Bournemouth Pier is located within 0.5 miles and continues to be a popular part of Bournemouth's tourism offering, particularly since the attraction has recently been awarded £19.9 million by BCP council as part of the Government's Levelling Up Fund. The micro-location is extremely strong, with the major events venue Bournemouth International Centre (300,000 visitors annually) and other premier hotels including Bournemouth Marriott Highcliff Hotel and The Nici all located in close proximity.

Bournemouth town centre and Bournemouth train station are located to the north west and are within walking distance of the property.

# BOURNEMOUTH MARKET DEMAND DRIVERS



## BEACHES:

Benefitting from 7 miles of sandy beaches and its own microclimate with some of the warmest seas in the UK



## CULTURE:

Bournemouth Pier, Russell-Cotes Art Gallery & Museum and three grade I listed churches



## NIGHTLIFE:

Numerous theatres, Bournemouth International Centre and Nightclubs



## LARGE STUDENT POOL:

A highly skilled talent pool with two universities totalling over 19,000 students



## BOURNEMOUTH FOOTBALL CLUB:

Bournemouth FC are a premier league football club with the stadium also being used as an event space throughout the year



## BIC:

Bournemouth International Centre hosts 300,000 visitors a year as a conference, events and entertainment venue



# BOURNEMOUTH HOTEL MARKET



75 hotels and serviced apartments with 4,573 bedrooms (inclusive of Travelodge Seafront), within a 1-mile radius.



Only four budget hotels within a 1-mile radius, highlighting the limited supply in Bournemouth.



There is only one ongoing planning application to provide new build hotel accommodation within a mile of Travelodge Seafront.



Stock has generally decreased over recent years as the rates of demolition and conversion have outpaced new construction, providing a good environment for ADR growth.



Bournemouth has consistently outperformed the UK average for KPI's including occupancy rates, ADR and RevPar, highlighting the strong trading environment for operators.

## DESCRIPTION

The property comprises an attractive 110 bedroom hotel arranged over ground and four upper floors and totals approximately 39,187 sq ft (3,641 sq m) GIA. The property is predominantly of traditional brick construction and was built in the early 1900's albeit extended in 2008/2009. The hotel was comprehensively refurbished in November 2024 to include upgrades to the latest Travelodge design, new carpets, flooring, bar and restaurant fit out as well as general improvements of the interior.

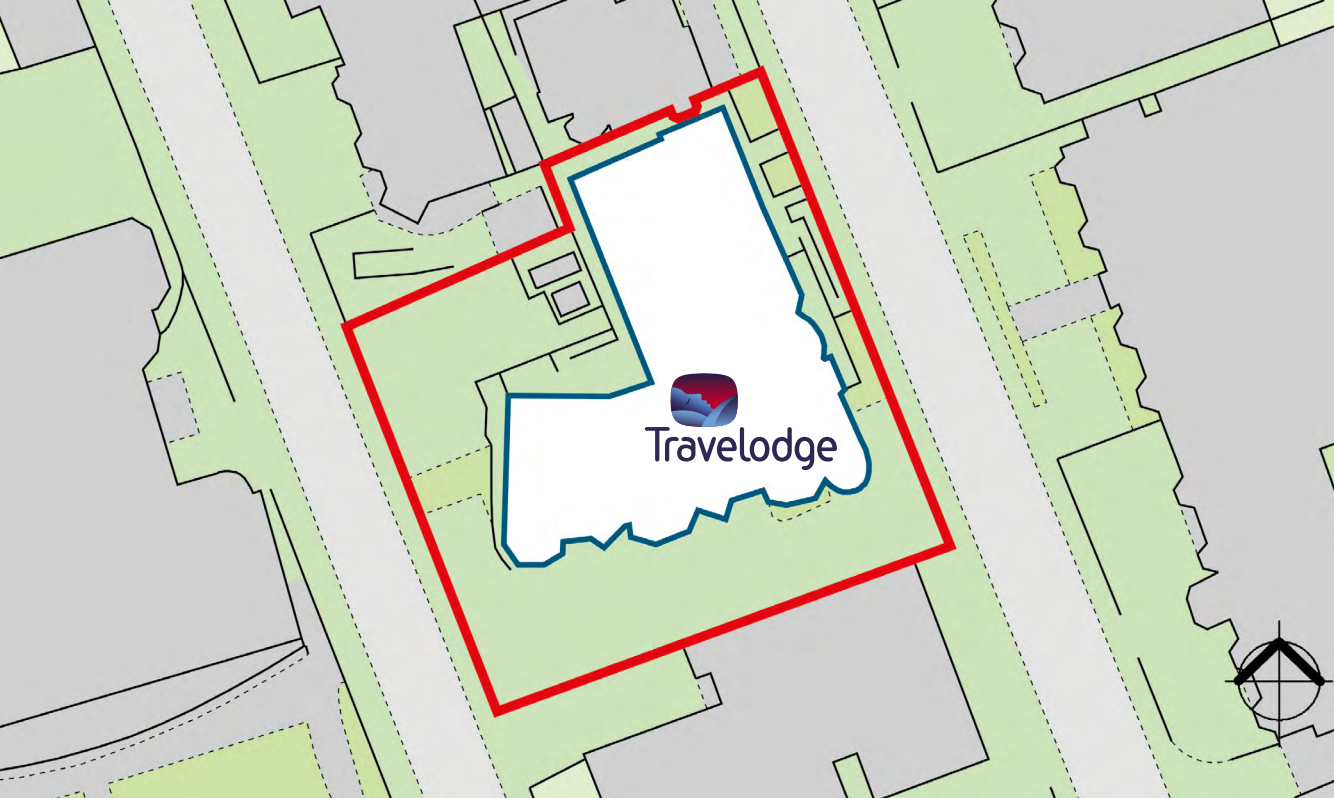
The building is fitted out internally in the Travelodge corporate style and the guest rooms are all en-suite. The hotel benefits from a ground floor restaurant and bar and a car park with 25 surface level car parking spaces. There is a lift servicing all floors.

The site extends to 0.48 acres.

There is an additional penthouse floor incorporating self contained residential apartments, with a separate entrance, that has been sold off on a long leasehold basis.



# TRAVELODGE BOURNEMOUTH SEAFRONT



## TENANCY

The hotel is let to Travelodge Hotels Ltd on the following terms:

<b>Lease Start</b>	19th October 2009
<b>Lease Expiry</b>	17th December 2051*
<b>Repairs</b>	Full Repairing and Insuring
<b>Passing Rent</b>	£818,172 per annum
<b>Rent Per Key</b>	£7,438 per key
<b>Rent Reviews</b>	Next review 19th October 2029. 5 yearly upwards only to uncapped RPI.

\*The original lease was a 35 year term from 19th October 2009 and expiring 18th October 2044. Under an option dated 17th December 2013 and a further Deed of Variation dated 5th October 2020, the Landlord can request the Tenant to take a reversionary lease resulting in a Lease expiry date of 17th December 2051. This is on the basis that the Landlord gives Travelodge notice within the period starting on the 18th April 2043 and ending 17th October 2043.

## TENURE

### Freehold.

There are four apartments on the top floor with a separate access which are held long leasehold to Tralee Penthouse Apartments Limited, on assignment from Tralee Bournemouth Limited. This is for a term of 125 years plus 3 days from 1st April 2010 at a peppercorn rent.

# TRAVELODGE BOURNEMOUTH SEAFRONT

## COVENANT

Travelodge is the second largest hotel brand in the UK with over 600 hotels and 47,000 rooms, serving 21 million guests per annum. 2023 saw record performance with revenue and profits significantly ahead of 2022 levels.

For the year ended 31st December 2023, underlying revenue was up 13.4% to £1,016.5m (2022 £896.1m) and EBITDA (adjusted) was £239.9m (2022 £164.4m).

Travelodge's financial results for the Q3 YTD 2024 delivered a 0.5% increase in revenue to £786.1 million (2023: £782.0 million), which was supported by resilient customer demand.

Travelodge's key credit ratios have been improving significantly, with net third party debt reducing to 1.73x in Sept 2024 and because of a strengthening liquidity position, Moody's and S&P have recently upgraded their credit ratings to B3 and B respectively, reflecting the group's strong financial performance and positive trading outlook. The company is maintaining a focus on strong cost control and management of widespread inflationary pressures, whilst finding ways to continually increase headline revenue, such as their recent £12m advertising campaign investment.



Travelodge's network expands across the UK, Spain and Ireland and they have been proactively reinvesting in their estate to enhance assets and customer experiences.

A current refit programme is well progressed with circa 50% of its rooms refitted by the end of 2024. Travelodge is owned by Golden Tree Asset Management who purchased £210m of Travelodge assets in 2023 from LXi REIT demonstrating their belief in Travelodge as a business as it continues to bounce back from the Covid-19 pandemic.

	FY 2023	FY 2022	FY 2019*
Revenue	<b>£1,016.5m</b>	<b>£896.1m</b>	<b>£713.2m</b>
Profit (Loss) Before Tax	<b>£147.2m</b>	<b>£71.5m</b>	<b>(£4.9m)</b>
Net Assets / (Liabilities)	<b>£275.0m</b>	<b>£63.9m</b>	<b>£192.8m</b>

\* Pre COVID-19

The below headline KPI's highlight the strengthening of the business since before the Covid pandemic:



**RevPAR**  
up **36.90%**  
to **£58.69**  
vs 2019



**Occupancy**  
up **2.20%**  
to **86.6%**  
vs 2019



**ADR**  
up **36.50%**  
to **£77.52**  
vs 2019



**Moody's  
Rating  
B3**



**S&P  
Rating  
B (stable)**





## INVESTMENT MARKET

UK hotel investment transactions are estimated to have reached £5.75 billion in 2024, more than double the volume recorded in 2023. This marks the highest level of activity in the sector since 2018 as investors are becoming more attracted to long income streams with index linked review mechanisms. H1 2024 reflected the strongest levels of activity in the sector since H1 2015 and outperformed office, retail, industrial, residential and PBSA transaction volumes.

Hotels with strong fundamentals in prime positions and with good underlying vacant possession/alternative use values (such as Travelodge Bournemouth Seafront) will continue to be attractive to investors.

# TRAVELODGE BOURNEMOUTH SEAFRONT

## UK HOTEL MARKET

The UK hotel sector has witnessed a strong bounce back post the Covid-19 pandemic with significant pent-up leisure demand and structural changes to work and leisure patterns. Budget hotel RevPAR has outperformed inflation over recent years, which is forecast to continue for years to come protecting indexed linked rents particularly those that are considered rack rented today.

Hotel pipeline has been significantly reduced as build costs and higher interest rates have slowed development. New openings are being confined to a select number of UK cities where high rental levels can be achieved to support build cost inflation and consequently, new openings in regional markets remained subdued in 2024, making standing stock ever more valuable to operators.

Inbound UK tourism saw continued growth throughout 2024, which is being bolstered by strong demand for domestic leisure in the UK regions as it is considered more affordable than traveling abroad - both of these factors will keep pressure on future room rates.

### Recent Comparable Transactions Include:

Date	Property	Rooms	Unexpired Term	Rent Reviews	Rent per Key	Price	NIY	Price per Key
Under Offer (ahead of quote)	Travelodge, Excel London	131	22.2	5 yearly CPIH (1% & 4%)	£6,957	Q. £14,230,000	Q. 6.00%	Q. £108,626
Dec-24	Travelodge, Rose St Edinburgh	43	20	5 yearly RPI (uncapped)	£9,267	£6,930,000	6.20%	£161,163
Jul-24	Travelodge, Queen St Edinburgh	85	23	5 yearly RPI (uncapped)	£8,346	£11,300,000	5.88%	£132,941
Mar-24	Travelodge, Portsmouth	152	21.7	5 yearly CPI (1% & 4%)	£6,683	£14,000,000	6.80%	£92,763
Feb-24	Travelodge, Watford	93	18	5 yearly RPI (uncapped)	£6,677	£8,950,000	6.50%	£96,237
Jan-24	Travelodge, Meadowhall Sheffield	103	22	5 yearly RPI	£4,450	£7,000,000	6.14%	£67,961
Sep-23	Travelodge, Blackpool	79	15.8	5 yearly RPI (uncapped)	£5,264	£6,950,000	5.61%	£87,975
Sep-23	Travelodge, Taunton	64	35 (19)	5 yearly (102.5% of the uncapped increase in RPI)	£4,140	£3,900,000	6.38%	£60,938

## STRONG UNDERLYING VACANT POSSESSION AND ALTERNATIVE USE VALUE



## TRAVELODGE BOURNEMOUTH SEAFRONT



### HOTEL

The property benefits from a strong vacant possession value as continued use as hotel given its excellent location and due to construction costs for new build hotels likely well in excess of the quoting terms of £289 per sq ft capital value.



### RESIDENTIAL

Prime residential values for new build, high quality apartments within proximity are currently in the region of £850 psf. The residential rental market is also very strong in the area, with prime quoting rents for apartments exceeding £4,000 pcm. ONS data confirms that average rents in the Bournemouth, Christchurch and Poole constituencies have increased by 9.2% from 2023 to 2024, which exceeds the South-West average.



### SENIOR LIVING/CARE

The property is very well suited to senior living/care home use, being in close proximity to the seafront and the town centre. Regular bus services from West Hill Road provide access to the town centre with journey times of less than 5 minutes. Existing operators in the region include Bupa, Avery Healthcare, McCarthy Stone and Stonewater.



### STUDENT

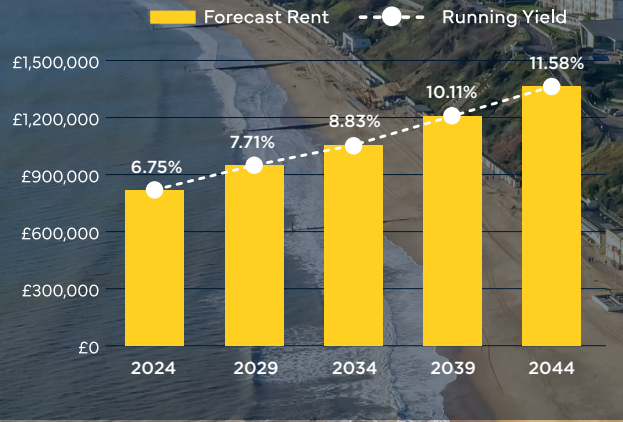
Bournemouth's two universities attract a large student population to the town and fuels demand for student accommodation. Well-located student accommodation blocks which offer modern amenities and convenience are often the preferred option for students when comparing with second-hand housing stock. The property could offer a suitable conversion opportunity in the future.

# PROPOSAL

Offers are sought in excess of **£11,360,000 (Eleven Million Three Hundred and Sixty Thousand Pounds)** subject to contract and exclusive of VAT. A purchase at this level would reflect:

- **Net Initial Yield - 6.75%**
- **2029 Running Yield - 7.71%**

The above yield profile assumes purchasers costs of 6.71% and RPI forecast of 2.75% per annum.



## EPC VAT

B (38). The property has been elected for VAT and will be treated as a transfer of a going concern (TOGC).

Lewis Ellis LLP for themselves or nominees or lessors of this property whose agents they give notice that: (1) the particulars are set out as a general outline only for the guidance of the intending purchasers or lessees, and do not constitute part of an offer or contract; (2) all descriptions, dimensions, references to condition and necessary permissions for use and occupation, and other details are given in good faith and are believed to be correct, but any intending purchasers or tenants should not rely on them as statements or representations of fact but satisfy themselves by inspection or otherwise as to the correctness of each of them; (3) no person in the employment of Lewis Ellis LLP has any authority to make or give any representation or warranty whatever in relation to the property. Designed and Produced by Creativeworld. Tel: 01282 858200. February 2025.

## DATA ROOM

Access to the data room is available on request.

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