

Travelodge ABERDEEN

‘JUSTICE MILL LANE’

21/23 JUSTICE MILL LANE, ABERDEEN, AB11 6AQ



SECURE LONG TERM INVESTMENT IN ABERDEEN





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ABERDEEN

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INVESTMENT SUMMARY

- ▶ Aberdeen is a city known for its prowess in the energy industry and therefore has a truly international population.
- ▶ Aberdeen enjoys a strong demand base for hotels from a mix of business and leisure customers.
- ▶ Located in the heart of the city centre, the property is ideally situated to take advantage of city centre attractions and transport links.
- ▶ 128-bedroom hotel built for Travelodge in November 2010, with a large reception, restaurant and onsite parking.
- ▶ Let to Travelodge Hotels Ltd (D&B 5A1) for a remaining term of 21.2 years (inclusive of the landlord's option to extend).
- ▶ Upward only rent reviews every 5 years linked to uncapped RPI, the next in November 2020.
- ▶ Current passing rent of £589,947 per annum, and forecast to rise to £683,141 per annum in November 2020*.
- ▶ The current passing rent reflects a room rate of £4,609 pa, and forecast to rise to £5,337 in November 2020.
- ▶ Heritable interest (Scottish Equivalent of English Freehold).

We are seeking offers in excess of £9,500,000 (Nine Million Five Hundred Thousand Pounds Sterling), exclusive of VAT, for our client's heritable interest in the property. This reflects a net initial yield of 5.85%, rising to 6.77% in November 2020, allowing for purchaser's costs of 6.20%.

**Forecast rent rise based on RPI index to date, followed by ONS RPI forecast until November 2021*



ABERDEEN ROYAL INFIRMARY

UNIVERSITY OF ABERDEEN

WEST END

NORTH EAST SCOTLAND COLLEGE

CHAPEL STREET CAR PARK

HIS MAJESTY'S THEATRE

UNION PLAZA
(ABERDEEN STANDARD, BARCLAYS, DELOITTE)

UNION TERRACE GARDENS

THE CAPITOL (PwC)

UNION STREET

NUFFIELD HEALTH GYM

IQ (CENTRICA, WOOD GROUP)

TRINITY CENTRE

THE PROPERTY

BON ACCORD TERRACE GARDENS

UNION SQUARE
SHOPPING CENTRE

ABERDEEN RAILWAY
& BUS STATION

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LOCATION

Aberdeen is located in the north east of Scotland and is the country's third largest city. It has a population of circa 222,800 (Source: 2011 Census) and a regional catchment of approximately 500,000 people. It is anticipated in the next 25 years that the city's population will increase by approximately 21%, rising to circa 270,000 (Source: Aberdeen City Council).



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SITUATION

Justice Mill Lane is located in the heart of Aberdeen city centre so is therefore the perfect location to take advantage of the nearby shopping destinations, restaurants, bars and cultural attractions. The city centre also serves as an excellent base for exploring further afield into Aberdeenshire which has a number of key tourist attractions.

Additional demand drivers include:

- Union Square Shopping Centre.** A key shopping destination located next to Aberdeen Railway Station and Bus Station. The shopping centre is an attraction in itself, with over 70 shops, restaurants and a cinema. The centre extends to over 555,000 sq ft has an annual footfall of £15.3 million shoppers.

- University of Aberdeen.** Located 2.6 miles away (12 minute drive). Scotland's 3rd oldest University, with a total of 14,000 students.
- Aberdeen Royal Infirmary.** Located 1.7 miles away (11 minute drive). A 900 bed hospital which is the largest hospital in the Grampian region.
- Maritime Museum.** The museum recently benefited from a multi-million pound expansion and refurbishment and attracts over 70,000 visitors per year. The museum is located a 10 minute walk away from the property.
- Energy related conferences.** Aberdeen is the energy capital of the UK and mid-week high occupancy rates are driven by the corporate sector.
- New Aberdeen Exhibition and Conference Centre (AECC).** Aberdeen City Council has recently approved the £330m development of a 12,500 capacity Aberdeen Exhibition and Conference Centre (AECC). The development could generate more than 3,000 jobs and bring millions of pounds into the city and is planned to open in 2018.
- World class golf courses.** Including the Championship courses of Royal Aberdeen Golf Club, Murcar Links Golf Club and Trump International Golf Links.



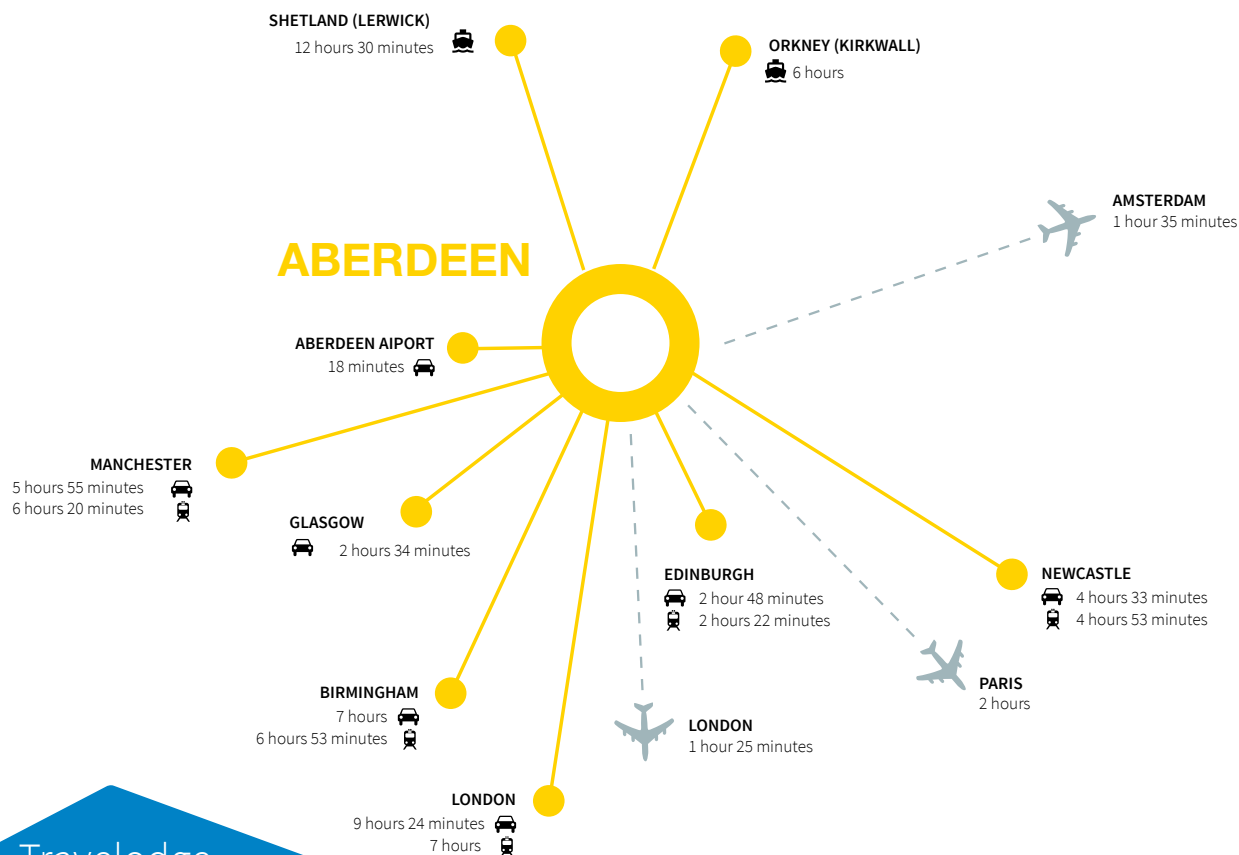
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COMMUNICATIONS

Justice Mill Lane is ideally located in Aberdeen city centre and benefits from excellent transport links.



BY CAR

The motorway network provides access to both the north and south of Scotland. The A96 runs North West to Inverness and the A90 south to Dundee, Perth (which connects to the M90), Edinburgh and Glasgow.

BY BUS

The main bus station in Aberdeen is located adjacent to Union Square Shopping Centre and is approximately a 10 minute walk away from the property. There are regular services to Inverness, Dundee, Glasgow, Edinburgh and other major UK cities including London. Furthermore, there is a bus stop on Union Street less than a 3 minute walk away with regular services to the east of the centre, Westhill, Westburn, Scatterburn and Woodend.

BY TRAIN

Aberdeen Railway Station is situated in the city centre, adjacent to Union Square Shopping Centre, and is served by the main east coast rail network with connections to all the main UK destinations. The station is approximately a 10 minute walk away from the subject property.

BY AIR

Aberdeen Airport is located approximately 7 miles north west of the city centre with flights to a variety of domestic and international destinations including frequent daily services to principal UK cities and direct flights to Europe including Frankfurt, Amsterdam, Paris and Barcelona.

The airport is currently undergoing improvement works to accommodate the increase in passenger numbers and separately it accommodates the world's busiest commercial heliport. The terminal will increase by around 50%, the £20 million works are expected to be complete by 2019.

DESCRIPTION

The hotel comprises a seven storey building with 128 bedrooms and restaurant completed in November 2010. The ground floor was previously split between the hotel entrance and a retail/leisure unit, which was converted in 2014 to provide an additional 9 bedrooms, reflecting the demand experienced by the hotel. The hotel benefits from 21 secure on-site car spaces.

The hotel benefits from a Trip Advisor Rating of 3.5/5, with some key comments:

“Great price for a Saturday night’s stay. Room was very clean and bed comfortable. Close proximity to the city centre. Will definitely stay again for a weekend stay!”

“I stay at this Travelodge on a regular basis whilst I’m in Aberdeen on business. The hotel is always clean and the service is excellent. The staff couldn’t be more helpful. I can’t recommend the Travelodge on Justice Mill Lane highly enough.”



“Well located hotel with great access to bars and restaurants and also the bus and rail station. Right in the heart of the city.”

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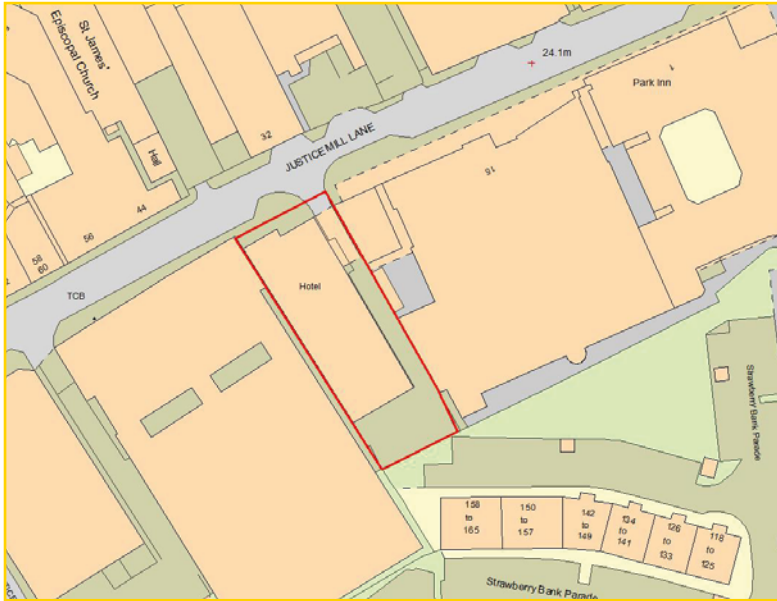
TENANCY

The property is fully let to Travelodge Hotels Limited as follows:

The current lease is drawn on full repairing and insuring terms for a period of 25 years from 10th November 2010, expiring on 9th November 2035. In addition, the landlord has an option to extend the lease until 3rd April 2039, effectively providing a total unexpired lease term of 21.2 years.

The current passing rent is £589,947 per annum, equating to £4,609 per room.

The rent is to be reviewed 5 yearly, upwards only, linked to the Retail Prices Index (RPI) and uncapped. The next review is due on 10th November 2020, with the appropriate RPI to be published in September 2020. We have based our assumptions on the actual September 2017 RPI index (275.1) and adopted the ONS Forecast for RPI from 2017 to 2020 of 3% pa, to project the index to 300.6. Accordingly, we have estimated the rent in December 2020 to be £683,141 per annum, reflecting £5,337 per room.



TENURE

Heritable tenure (Scottish equivalent of English Freehold).

SITE

The site extends to approximately 0.3 acres (0.12 Hectares), measured from Promap. The site boundary can be seen from the OS extract.

EPC

The property has an EPC rating of E. The comparative rating under the England & Wales methodology is B.

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TENANT COVENANT

Travelodge was the first budget hotel brand to launch in the UK in 1985. It now operates over 543 hotels with over 40,800 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 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 in immediate improvements to total revenues, up 25% and profit up by 218% between 2012 and 2014. The company benefited from record customer numbers and further growth from new hotels in 2015. Similarly, between 2013 and 2016 RevPAR increased by 33% whilst the EBITDA of £101.9m in the 2015 accounts was the highest recorded in the company's 30-year history.

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, a trend that Travelodge will seek to continue to ensure sustainable cashflow.

Travelodge Hotels Ltd (Company No: 00769170) has a D & B Rating of 5A1, indicating 'minimum risk of business failure'. They have reported the following audited financial results for last year:

	31 Dec 2016
Sales Turnover	£587,700,000
EBITDA	£106,400,000
Pre-tax profits (loss)	£48,800,000
Shareholders' funds	£271,600,000

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HOTEL MARKET AND TOURISM IN ABERDEEN

Known locally as the Granite City and globally as the oil and gas capital of Europe, Aberdeen enjoyed an economic boom lasting several decades. The city has a strong economy with more than 400 internationally owned companies operating in the city and over 800 technology companies throughout the region.

Recent oil price instability has taken its toll on the city's hotels with a fall in RevPAR, as corporates implement cost savings. This comes off the back of many years of significant growth for the city, which in recent years, had surpassed Edinburgh to become the top regional UK city for RevPAR.

New leisure attractions such as the Trump International Golf Links, a rumored location for the Scottish Open, will help attract leisure tourism.

The Aberdeen Western Peripheral Route, a new bypass road currently under construction, will significantly improve travel in and around Aberdeen, which is scheduled to open in the Spring of 2018.

Aberdeen City Council has recently approved the £330m development of a 12,500 capacity Aberdeen Exhibition and Conference Centre (AECC). The development is projected to generate more than 3,000 jobs and bring millions of pounds into the city and is planned to open in 2018. The current AECC located at Bridge of Don will be redeveloped into a mixed-use scheme.

There are other very significant infrastructure investments planned for Aberdeen within a £500 million inward investment package including improved harbour capacity, new Bridge of Don crossing, expansion of the energy corridor and further investment into renewable technologies.

Hotel demand in Aberdeen continues to be driven by the corporate sector with high midweek occupancy. Energy related conferences continue to attract large numbers from many countries around the world. Aberdeen is Scotland's third largest city located on the North-East coast. Although Aberdeen has witnessed decreases in RevPAR between 2014 and 2017, most commentators are suggesting that the market has "bottomed out". Additionally, the market has witnessed steady rates of occupancy since 2015.

The recent recovery of oil prices has provided confidence in the long term prospects for the city with companies such as Faroe Petroleum planning to ramp up exploration activity in the North Sea is evidence of this.

INVESTMENT RATIONALE

Notable investment characteristics are as follows:

- ▶ Centrally located hotel with superb communication links being only a 20 minute drive away from the Airport and a 10 minute walk away from Aberdeen's main bus and railway stations.
- ▶ Situated in Aberdeen city centre, minutes away from the prime retail & leisure pitch.
- ▶ Strong tenant covenant and highly recognised hotel brand.
- ▶ Secure investment with a long unexpired lease term with rental uplifts linked to RPI.
- ▶ Rental reversion in December 2020.



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FURTHER INFORMATION

For further information or access to the dataroom, please contact:

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VAT

The property is elected for the purposes of VAT and as such we anticipate the transaction to be treated as a Transfer of Going Concern (TOGC).

PRICE

We are seeking offers in excess of **£9,500,000 (Nine Million Five Hundred Thousand Pounds Sterling)**, exclusive of VAT, for our client's heritable interest in the property. This reflects a **net initial yield of 5.85%**, rising to 6.77% in November 2020, allowing for purchaser's costs of 6.20%.

DATAROOM

Access to a dataroom containing Lease & Title documentation and an assignable Building survey is available to seriously interested parties.

ASSOCIATED SALES

The property is available to purchase in isolation or as part of a three property portfolio including Premier Inn, Huntly Street, Inverness and Travelodge, Braehead, Glasgow.



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