

Travelodge

PEMBROKE DOCK • DYFED • SA72 6TR

LONG LET, INDEX LINKED INVESTMENT
SOUTHWEST COAST OF WALES



Kimmre



Investment Summary

- The property comprises a 51-bed hotel arranged over 2 floors.
- There are 42 car parking spaces reserved for hotel guests.
- The property is prominently located on the Pembroke dock between Pembroke station and the coastline.
- Positioned on Pier Road, this hotel offers easy access to the town's key attractions and amenities.
- The hotel is let to Travelodge Hotels Limited on FRI basis providing 11.5 years to expiry. The passing rent on the hotel is £200,616 pa., reflecting a low rent of £3,933 per key. The vendor will top-up the rent to November 2025 review which is forecast to be £255,200 pa, reflecting circa £5,000 per key.
- The hotel lease benefits from upwards only, 5 yearly rent reviews based on CPI uncapped uplifts
- Pembroke is known for its historic Pembroke Castle, the birthplace of Henry VII, and its charming medieval town.
- In 2023, Pembrokeshire welcomed approximately 6.3 million visitors, contributing £604 million to the local economy. Notably, 1 million of these visitors stayed overnight, underscoring the region's appeal as a destination for extended stays.
- Over the past five years, the economy hotel market in South Wales has demonstrated robust performance. The 12-month rolling average RevPAR increased from £47.62 in January 2020 to £60.57 in January 2025, representing an average annual growth rate of 5.43% against CPI growth of 4.95% over the same period.
- Occupancy levels for economy hotels in Pembroke average at 79.2% over the last 12 months. With limited new supply and only 18 rooms under construction at present, the occupancy levels are expected to remain relatively stable, alongside anticipated ADR growth.
- The hotel benefits from strong VP Value with a high VP coverage ratio.



Offers are sought in excess of **£3,000,000** subject to contract and exclusive of VAT. This reflects a **net initial yield of 8.00%***, based on the topped-up rent. Assumed actual purchasers' costs of 6.44%.

* The topped rent calculation is based on actual CPI data to date and a forecast 2.60% assumption for the remainder of the year until rent review date.





LOCATION

The subject property is located in the town of Pembroke Dock, situated in Pembrokeshire, Wales. Its location on Pier Road, which is around 0.4 miles from the centre of Pembroke Dock, makes it easily accessible for visitors. This location offers a convenient position for both locals and travellers.

The hotel offers great transport connectivity. The hotel is located near the A477, which connects to A40 and M4, providing easy access to nearby towns like Tenby, Swansea, and Cardiff by car. The Pembroke Dock train station is just a short walk from the subject property and offers regular services to major cities such as Swansea and Cardiff. Local bus services also operate throughout the town.

Additionally, the hotel is within walking distance of the ferry terminal, offering sea connections to Ireland, making it easily accessible by road, rail, bus, and ferry. Furthermore, it is approximately an hour's drive from Cardiff Airport.

In 2023, Pembrokeshire experienced approximately 6.3 million visits, adding £604 million to the local economy. This sector accounted for about 22.9% of local employment, marking an increase from previous years. Although, visitor numbers show a decline from 7 million annual visits in 2019, per person spend has increased by c13.75% since 2019. Tourism remains a vital component of Pembrokeshire's economy, supporting local businesses and employment.



SITUATION

The hotel is directly opposite the Lidl store, and provides quick access to other major retailers such as b&m, Asda, KFC, and farmfoods with all located within walking distance from the subject property.

Within a short walking distance from the hotel, guests can find a variety of dining options, including local pubs and restaurants such as The Welshmans Arms, Seven Spice, and Y Cerrig Glas.

Tourist attractions include Pembroke Castle, Carew Castle, and the Pembrokeshire Coast National Park are all within 20-min drive (A477) from the property.





DESCRIPTION

HOTEL

The hotel comprises 51 bedrooms arranged over two floors in an ‘L-shaped’ layout. There is no lift in the hotel, so accessible rooms are situated on the ground floor of the hotel.

CAR PARKING

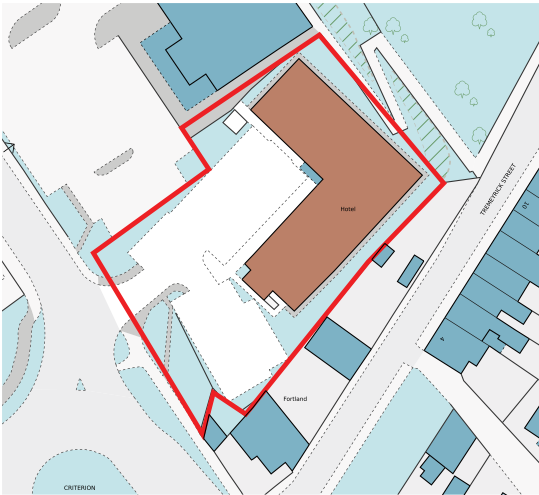
The property also benefits from 42 car parking spaces in total. These spaces are operated on a first come first served basis, but guests can pay £3 for 24 hours parking at the Tesco Pembroke Dock which is just a 6-minute walk from the property.

SITE AREA

The total site comprises 0.77 acres (0.31 hectares)

TENURE

Freehold (title number CYM272706)



TENANCY SCHEDULE

| Address | Tenant | Keys | Lease Start | Lease Expiry | Next Review Date | Rent Pa. | Comments |
|--|-----------------------|------|-------------|--------------|------------------|----------|---|
| Travelodge Pembroke Dock Dyfed, SA72 6TR | Travelodge Hotels Ltd | 51 | 30/11/05 | 30/11/36 | 30/11/25 | £200,616 | 5-yearly CPI Uncapped. Rent is anticipated to reach c£255,200 pa. at the next review. |



COVENANT INFORMATION

TRAVELODGE HOTELS LIMITED

As of Q1 2025, Travelodge remains the second-largest hotel brand in the UK by the number of hotels and rooms. The company operates 607 hotels across the UK, Spain, and Ireland, with a total of 47,500 rooms. Travelodge experienced a modest decline in revenue in 2024, reporting £1,008 million compared to £1,016.5 million in the previous year. Despite this, overall occupancy improved by 0.5 percentage points year-over-year. However, Average Daily Rates (ADRs) decreased by approximately 2.9%, in line with expectations.

Year 2023 marked a particularly strong performance for Travelodge, with ADRs rising by 9.5% and occupancy increasing by 2.1 percentage points. Given the exceptional growth in 2023, a deceleration in performance was anticipated, and the 2024 results reflect this expected normalisation. Considering the fact that demand is still on the rise, the room rates are more likely to increase again.

The company has been actively expanding and enhancing its portfolio. In 2022, Travelodge launched a budget-luxe hotel upgrade programme, aiming to refurbish 50% of its room estate by the end of 2024. By the end of 2023, 25% of the estate had been completed, with plans to invest an additional £120 million in the refit programme in 2024. Furthermore, Travelodge expanded its footprint in Spain, increasing its presence to 12 hotels. In addition, the company acquired 66 Travelodge-branded hotels from LXi REIT in 2023 for £210 million, further solidifying its asset base.

In terms of financial flexibility, Travelodge reported a cash balance of £195.7 million as of December 31, 2023. The company also established a new £50 million Revolving Credit Facility (RCF), which remains undrawn, and a £30 million Letter of Credit facility, with £29 million issued but not yet called upon.

Travelodge opened six new hotels in 2024, as part of its ongoing expansion strategy. In August 2024, the company announced plans for two additional hotels, aiming to open them by Summer 2025.



The company has the following financial highlights:
(Millions)

| Travelodge Hotels Ltd | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|------------------------------------|---------|---------|----------|----------|
| Sales Turnover | £713.2 | £680.2 | £1,016.5 | £1,008.0 |
| Adjusted EBITDA | £83.1 | £209.7 | £239.9 | £190.9 |
| Statutory Profit/(Loss) before tax | (£33.8) | £71.5 | £147.2 | £96.9 |
| Total Equity | (£12.6) | £63.9 | £275.0 | £372.1 |





SOUTH WALES REGIONAL MARKET

ECONOMY HOTELS

Travelodge Pembroke is prominently located in the South-West of the Wales South regional submarket, which comprises 440 hotel properties, providing around 10,000 rooms. Budget hotels make over 29% of the total room supply with 2,937 rooms. Within the budget hotel category, there is a notable presence of small and independent hotels which is skewing the standard market benchmark significantly. In terms of branded hotels, Premier Inn and Travelodge are the dominating chains, holding a combined circa 55% market share.

Over the past five years, the economy hotel market in South Wales has demonstrated robust performance. The 12-month rolling average RevPAR increased from £47.62 in January 2020 to £60.57 in January 2025, representing an average annual growth rate of 5.43%.

The CPI index shows a 4.95% p.a. growth over the same period, indicating that budget hotels have been able to fully pass on inflationary costs to end consumers over the past 5 years.

Currently, there are only 18 rooms under construction in the entire South Wales regional submarket, and over the past 12 months roughly 190 rooms have been delivered across 3 hotels. Occupancy levels for economy hotels in the submarket have averaged at 79.2% over the last 12 months. With limited new supply these high occupancy levels are expected to remain relatively stable, alongside anticipated ADR growth.

The economy hotel market surrounding Travelodge Pembroke has minimal competitors in terms of similar size or branded hotels, in the area the only other hotels are small and independent. The area mainly comprises small independent hotels for a considerable distance. Travelodge Pembroke benefits from its coastal location and therefore is expected to outperform the standard market benchmark.



PEMBROKE MARKET DEMAND DRIVERS

- **Event Venues** – Pembroke Castle, The Regency Hall, Folly Farm Adventure Park and Zoo.
- **Parkland and Nature Reserves**
Pembroke Castle Grounds, Pembroke Dock Memorial Park, Lamphey Park, Pembrokeshire Coast National Park, Bosherton Lily Ponds, Marloes Peninsula, Carew Castle and Tidal Mill Nature Reserve, Castlemartin Range.
- **Golf Clubs**
Pembroke Golf Club, South Pembrokeshire Golf Club, Tenby Golf Club, all of which offer stunning views.
- **Excellent Connectivity**
Pembroke has good connectivity, with road links via the A477 to major towns like Haverfordwest and the M4 corridor, a nearby railway station with direct routes to Swansea and Cardiff, and proximity to Pembroke Dock for ferry services to Ireland.
- **Extensive Regeneration**
Regeneration in Pembroke focuses on enhancing its town centre, boosting tourism through improvements to Pembroke Castle, and revitalizing the Pembroke Dock area with the Pembroke Dock Marine Project to foster economic growth and create new jobs.



PEMBROKE DOCK-LOCAL MARKET ANALYSIS

HOTEL MARKET SHARE

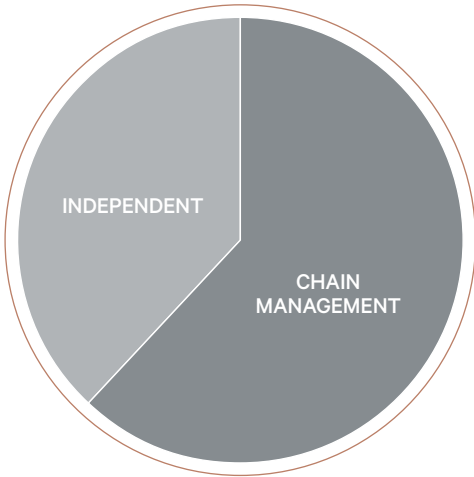
Travelodge is the only branded hotel within a 3-mile radius, setting itself apart in a region that includes eight hotels. Most of these are small, independently operated establishments, creating a local market where room supply is predominantly centred around smaller properties.

The closest alternative branded hotel, Premier Inn, is located 11.2 miles away in Tenby. Travelodge holds clear market dominance, consistently attracting contract workers from industries such as construction, infrastructure, and dock operations—demand that seldom extends to smaller independent hotels.

In addition to its strong corporate appeal, Travelodge benefits from thriving leisure trade, thanks to its prime location in a popular holiday destination, making it the preferred choice for both business and leisure travellers alike.



MARKET SHARE BY OPERATION TYPE (ROOMS)



The subject hotel accounts for 37.5% of the total room stock in the area. This clearly positions Travelodge as the dominant hotel in the local market, underscoring its ability to capture a disproportionate share of demand. As such, it is expected to continue delivering strong RevPAR performance. Furthermore, should the hotel be repositioned under a new brand - via a VP strategy - there is significant upside potential. This is supported by high STR-reported daily rates and NOI benchmarks, indicating that a rebranding could unlock enhanced performance and greater long-term value.





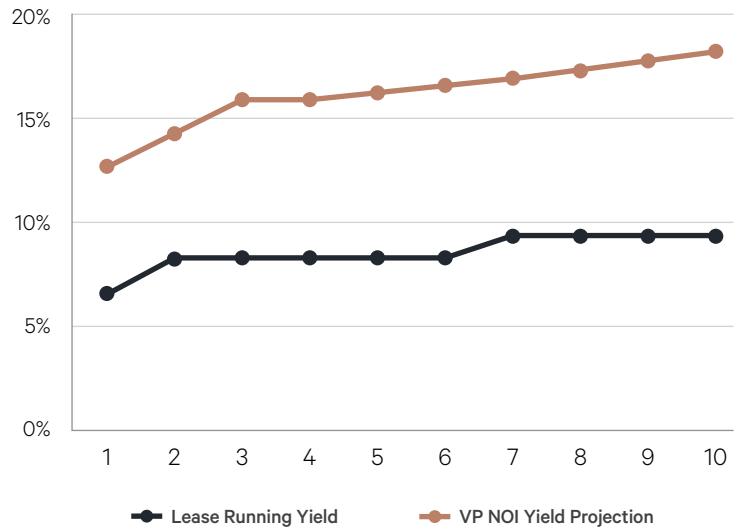
HOTEL PERFORMANCE

The blue line demonstrates the forecast running yield under the current lease to Travelodge, rising from 6.38% to 8.11% in November 2025 rising up to 9.18% in November 2030.

The bronze line demonstrates the NOI yield which could be achieved in the event of the property becoming vacant, commencing at 12.51% in year one rising to 15.60% in year 3 when the hotel reaches stabilisation.

This highlights the attractiveness and security that the investment offers, with a tenant default event producing a beneficial income yield that can be derived by directly operating the hotel under a franchise and white label management agreement.

LEASE RUNNING YIELD VS VACANT NOI YIELD





INVESTMENT MARKET

The UK hotel investment market has had a robust rebound throughout 2024, driven by a flurry of major portfolio deals. Portfolio deals have accounted for over 70% of total volumes up to the end of November. Some highlights have been Starwood Capital's acquisition of the freehold of 10 Radisson Edwardian hotels for approximately £800 million in January, representing the first major portfolio deal since 2022. Since then, deals of similar size have exchanged with Landsec's disposal of its 21-hotel portfolio for £400 million, Blackstone's acquisition of the Village Hotels portfolio for a reported £800 million, and finally, KKR and Baupost's acquisition of the ADIA portfolio for a reported £900 million, further underlining the return of private equity buyers.

Interest rates have begun to decline, which is expected to enhance investor confidence and could unlock some opportunities should they fall further. However, the possibility of debt costs remaining higher for longer may impede some deals from taking place in the short term until investors feel there is more certainty. Pockets of distress have surfaced in recent months, which might continue, mainly from independent operators, as financial pressures caused by increased costs could force owners to sell. Overall, market participants are cautiously optimistic about the investment outlook for the UK hotel sector, with activity expected to continue in a positive direction.

Travelodge has become a prime target for investment, despite earlier yield softening due to the impact of CVAs (Company Voluntary Arrangements). The post-pandemic trading rebound, coupled with the ongoing business expansion strategy from Travelodge, has attracted renewed investor interest, leading to a sharp uptick in demand. Compared to its competitor Premier Inn, Travelodge offers a compelling value proposition, with significant potential for yield enhancement due to its operational efficiency and brand repositioning.

This trend reflects a broader market shift, as an increasing weight of capital is targeting long-let hotel opportunities, particularly those with index-linked lease structures, which offer protection against inflationary pressures. The hotel sector remains one of the few asset classes to regularly provide such returns, making it an attractive option for investors looking to hedge against inflation while achieving long-term, stable cash flow. The demand for budget hotels in prime locations is expected to continue driving yields upward, supported by positive trading updates and strategic growth initiatives in the sector.

| | Date | Address | Rooms | Brand | Lease length (unexpired TC) | Rent Review Structure | Transaction Type | Rent per room | Rent Passing | Yield | Price | Price Per Key |
|------|--------|--|-------|------------|-----------------------------|-------------------------|------------------|---------------|--------------|-------|-------------|---------------|
| Sold | Feb-25 | Travelodge Landmark Place, Herschel St, Slough | 156 | Travelodge | 24.00 | 5 Yearly CPI, 1-4% | Investment | £4,076 | £636,010 | 6.20% | £9,614,082 | £61,629 |
| Sold | Dec-24 | Travelodge, 1 Speke Hall Avenue, Liverpool | 100 | Travelodge | 17.00 | 5 Yearly, Uncapped RPI | Investment | £4,940 | £494,000 | 7.60% | £6,500,000 | £65,000 |
| Sold | Nov-24 | Travelodge, 19-31 Piccadilly Gardens, Manchester | 157 | Travelodge | 13.00 | 5 Yearly, Uncapped RPIX | Investment | £10,300 | £1,617,154 | 6.32% | £24,000,000 | £152,866 |
| Sold | Oct-24 | Travelodge, Chester, 23 Little Saint John St | 60 | Travelodge | 16.90 | 5 Yearly, Uncapped RPI | Investment | £6,412 | £384,718 | 6.75% | £5,341,636 | £89,027 |
| Sold | Mar-24 | Travelodge, Bedford Hts | 51 | Travelodge | 18.00 | 5 yearly, Uncapped RPI | Investment | £4,750 | £242,258 | 6.65% | £3,414,224 | £66,946 |
| Sold | Mar-24 | Travelodge, 23-25 Market Rd, Watford | 93 | Travelodge | 19.00 | 5 Yearly, Uncapped RPI | Investment | £6,672 | £620,530 | 6.50% | £8,947,156 | £96,206 |
| Sold | Mar-24 | Travelodge Sheffield, 299 Barrow Road | 103 | Travelodge | 16.00 | 5 yearly, uncapped RPI | Investment | £4,687 | £482,748 | 6.75% | £6,702,739 | £65,075 |
| Sold | Mar-24 | Travelodge Northampton Wootton, London Rd | 51 | Travelodge | 11.40 | 5 yearly, uncapped RPI | Investment | £3,176 | £161,958 | 7.40% | £3,710,000 | £72,745 |



VACANT POSSESSION

The subject property would benefit from strong hotel operator demand largely due to the coastal location of Pembroke, nearby amenities, lack of competing supply and that the building is a purpose-built hotel. Prior to being a hotel, the building was used for industrial purposes for 15 years.

After reviewing the vacant possession value, Kimmre believes that the hotel holds a significantly higher VP value than its current price. (Figures are available upon request.) This assumes a refurb cost of £510k. As such, more than underpins the investment value.



ALTERNATIVE USE

Given the location of this asset, it could suit several alternative uses (subject to planning) should the tenant vacate this building:

MEDICAL

Could be used as a medical facility. Others nearby include, Pembroke Dock Health Centre, Pembrokeshire Hospital (Withybush General Hospital), The Surgery – Pembroke, Mumbles Medical Centre.

RETIREMENT LIVING

High level of green space, good connectivity and scenic views. With only 2 floors this building would work as a retirement home.

RESIDENTIAL

There would be potential for the hotel to be developed out into residential.



INVESTMENT RATIONALE



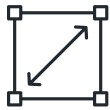
Excellent Connectivity

Well-connected to main roads and rail



Coastal Location

Located on the Southwest coast of Wales



Freehold

0.77 land acre site



Long Income

UXT for the hotel is 11.5 years



Strong Underpin

Offers a variety of alternative use options, creating strong opportunities for diverse VP plays



Improving Covenant

Travelodge have posted robust trading figures in recent years with strong growth





FURTHER INFORMATION

EPC

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VAT

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

For detailed financials please request hotel investor briefing pack.



PROPOSAL

Offers are sought in excess of **£3,000,000** subject to contract and exclusive of VAT.

This reflects a **net initial yield of 8.00%**, based on the topped-up rent.

Assumed actual purchasers' costs of 6.44%.



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