

Additional Appraisal Evidence - Hotel

This document contains the following: -

1. Hotel Appraisal A April 2014. This is to respond to assertions made in *CIL_MIQ15 – Travelodge* and provides an appraisal of a Travelodge scheme and according market information to consider the viability position of Travelodge in the full context of the market. Please refer to paragraph 13.4 above.
2. Hotel Appraisal B April 2014. This is to respond to assertions made in *CIL_MIQ15 – Travelodge* and provides an appraisal of a Premier Inn to demonstrate that the rates are reasonable in the context of the budget hotel sector. According market information is also included.
3. Supporting market evidence in the form of market transaction evidence from EGi (Estates Gazette Interactive) and Focus, development costs from a Travelodge scheme, and brochures from market transaction of Travelodge schemes.

COMMUNITY INFRASTRUCTURE LEVY
Commercial Development

Use class:	Hotel (A)
Location:	Tower Hamlets April '14

	£s per sqft	Yield	Rent free
Appraisal 1	£23.50	5.50%	
Appraisal 2	£24.50	5.50%	
Appraisal 3	£25.50	5.50%	
Appraisal 4	£26.86	5.75%	
Appraisal 5 (base)	£26.86	5.50%	
Appraisal 6	£26.86	5.25%	
Appraisal 7	£27.50	5.50%	
Appraisal 8	£28.50	5.50%	
Appraisal 9	£29.50	5.50%	
Appraisal 10	£30.50	5.50%	

Existing floorspace as % of new	30%
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Travelodge - Corriander Ave, London, E14 2AA (Egi/Focus and marketing Particulars)

Net off existing floorspace from CIL calculation: n

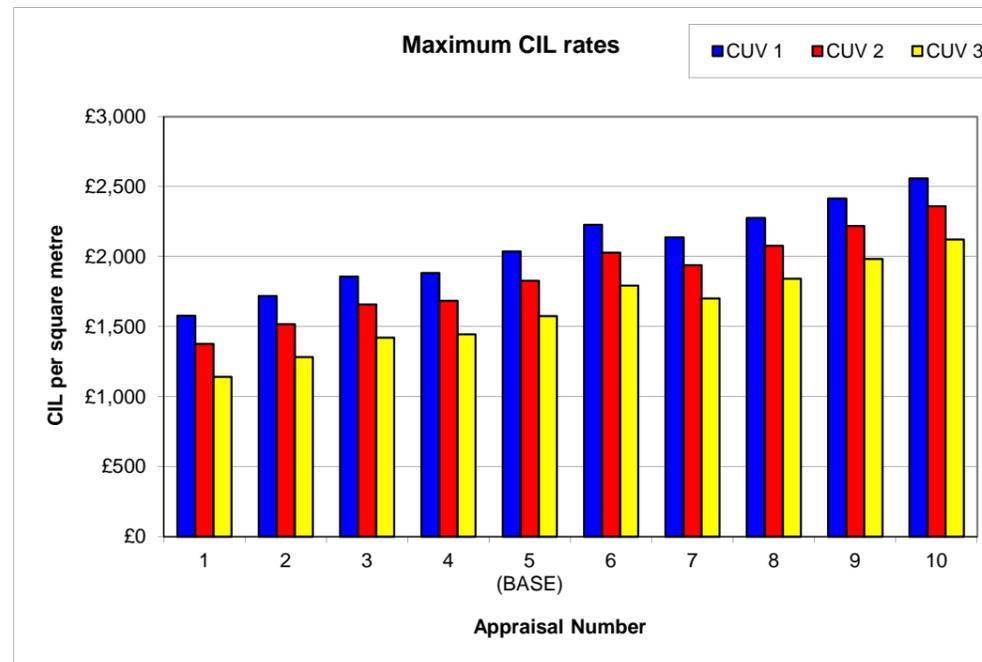
Number of Rooms	232
Annual rent	£2,264,421
GIA of hotel in sq ft	84,315
Gross Rent per sq ft	£26.86

Ctrl + y to goal seek max CIL

	£s per sqft	Yield	Rent free	Premium
Current use value 1	£10.00	7.00%	3.00 years	20.00%
Current use value 2	£15.00	7.00%	3.00 years	20.00%
Current use value 3	£20.00	6.75%	3.00 years	20.00%

Results - Maximum CIL rates per square metre

	Change in rent from base	CUV 1	CUV 2	CUV 3
Appraisal 1	-14%	£1,579	£1,377	£1,143
Appraisal 2	-10%	£1,719	£1,518	£1,283
Appraisal 3	-5%	£1,859	£1,659	£1,423
Appraisal 4	0%	£1,885	£1,685	£1,445
Appraisal 5 (base)	-	£2,038	£1,828	£1,576
Appraisal 6	0%	£2,229	£2,030	£1,793
Appraisal 7	2%	£2,139	£1,939	£1,702
Appraisal 8	6%	£2,278	£2,079	£1,843
Appraisal 9	9%	£2,417	£2,220	£1,984
Appraisal 10	12%	£2,560	£2,360	£2,124



CURRENT USE VALUE
Commercial Development

Use class:	Hotel (A)
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	Common assumptions	CUV 1		CUV 2		CUV 3	
Current use value							
Existing space as percentage of new	30%	25,295					
Rent per sq ft		£10 psf		£15 psf		£20 psf	
Rental income per annum		£252,945		£379,418		£505,890	
Rent free/voids (years)		3.0	0.8163	3.0	0.8163	3.0	0.8220
Total revenue, capitalised (including all costs)		7.00%		7.00%		6.75%	
Refurbishment costs	£50 psf	£1,264,725		£1,264,725		£1,264,725	
Fees	7%	£88,531		£88,531		£88,531	
Capitalised rent, net of refurb and fees			£1,596,437		£3,071,283		£4,807,708
Purchaser's costs	5.75%						
Current use value			£1,596,437		£3,071,283		£4,807,708
CUV including Landowner premium		20%	£1,915,724	20.00%	£3,685,539	20.00%	£5,769,250

**COMMUNITY INFRASTRUCTURE LEVY
Commercial Development**

Use class:	Hotel (B)
Location:	Tower Hamlets April '14

	£s per sqft	Yield	Rent free
Appraisal 1	£19.50	5.50%	
Appraisal 2	£20.50	5.50%	
Appraisal 3	£21.50	5.50%	
Appraisal 4	£22.66	5.75%	
Appraisal 5 (base)	£22.66	5.50%	
Appraisal 6	£22.66	5.25%	
Appraisal 7	£23.50	5.50%	
Appraisal 8	£24.50	5.50%	
Appraisal 9	£25.50	5.50%	
Appraisal 10	£26.50	5.50%	

Existing floorspace as % of new	30%
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Net off existing floorspace from CIL calculation: n

Ctrl + y to goal seek max CIL

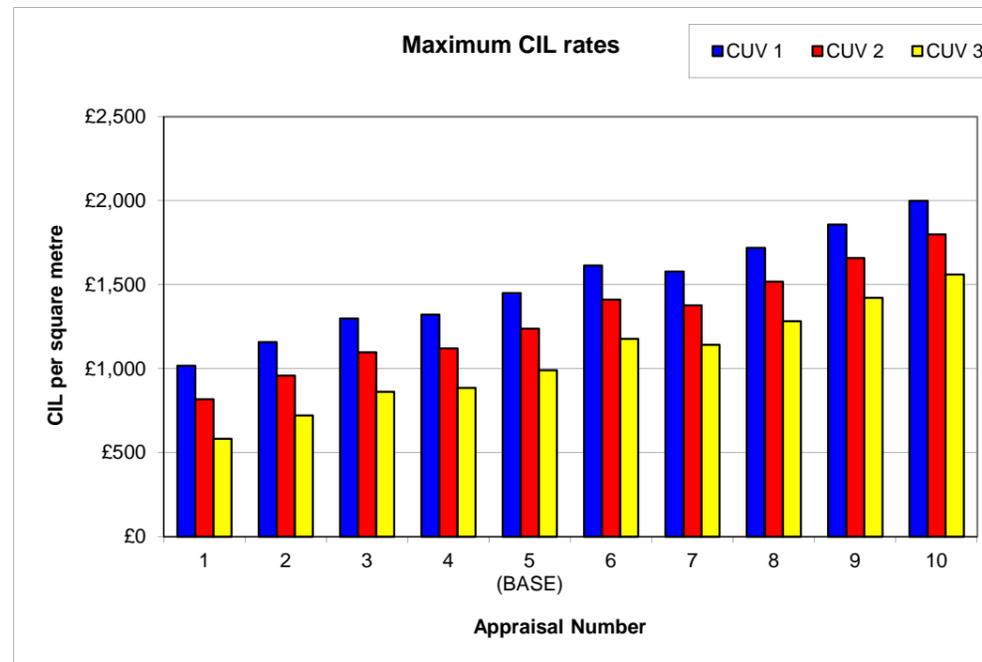
Premier Inn - Goodmans Fields, London, E1 8EY (Egi and Focus)

Capital value	£38,815,000
Number of Rooms	250
Cap value per room	£155,260
Floor area in sq ft	100,000
Cap value per sq ft	£388.15
Goal seek cap value per sq ft	£388.15

	£s per sqft	Yield	Rent free	Premium
Current use value 1	£10.00	7.00%	3.00 years	20.00%
Current use value 2	£15.00	7.00%	3.00 years	20.00%
Current use value 3	£20.00	6.75%	3.00 years	20.00%

Results - Maximum CIL rates per square metre

	Change in rent from base	CUV 1	CUV 2	CUV 3
Appraisal 1	-16%	£1,017	£818	£583
Appraisal 2	-11%	£1,159	£958	£722
Appraisal 3	-5%	£1,299	£1,098	£862
Appraisal 4	0%	£1,322	£1,122	£886
Appraisal 5 (base)	-	£1,450	£1,239	£991
Appraisal 6	0%	£1,614	£1,412	£1,177
Appraisal 7	4%	£1,579	£1,377	£1,143
Appraisal 8	7%	£1,719	£1,518	£1,283
Appraisal 9	11%	£1,859	£1,659	£1,423
Appraisal 10	14%	£1,999	£1,799	£1,561



CURRENT USE VALUE
Commercial Development

Use class: **Hotel (B)**

	Common assumptions	CUV 1		CUV 2		CUV 3	
Current use value							
Existing space as percentage of new	30%	30,000					
Rent per sq ft		£10 psf		£15 psf		£20 psf	
Rental income per annum		£300,000		£450,000		£600,000	
Rent free/voids (years)		3.0	0.8163	3.0	0.8163	3.0	0.8220
Total revenue, capitalised (including all costs)		7.00%		7.00%		6.75%	
Refurbishment costs	£50 psf	£1,500,000		£1,500,000		£1,500,000	
Fees	7%	£105,000		£105,000		£105,000	
Capitalised rent, net of refurb and fees			£1,893,419		£3,642,629		£5,702,079
Purchaser's costs	5.75%						
Current use value			£1,893,419		£3,642,629		£5,702,079
CUV including Landowner premium		20%	£2,272,103	20.00%	£4,371,155	20.00%	£6,842,495

Focus Deals 28 April 2014

Building	Street No.	Street	Estate Park	Locality	Town	County/UA	Postcode	Event Date	Days on market	Use Code	Grade	Deal Type	Size SqFt	Size SqM	Sale Price (£)	Yield Achieved(%)	Lease End	LandLord	Agent	Purchaser	Vendor	Notes	Auction Lease Details
Granada Travelodge		Coriander Avenue			London	LONDON	E14 2AA	02/06/2013	129	HOTEL	Second Hand	Freehold Investment Sold	84,315	7,833	2,900,000	4.6	n/a	n/a	Deloitte Real Estate, Knight Frank LLP	Not disclosed	London Borough of Tower Hamlets	Epic UK Ltd has purchased the freehold interest in 122,565 sq ft (11,387 sqm) of office space at Quatermile One from Aviva Investors Global Services Ltd for £39m as an investment, reflecting a net initial yield of 6.6%. The Norman Foster designed office building comprises 105,000 sq ft of office accommodation with a lower ground floor gym of 16,500 sq ft and 21 underground car parking spaces. The office space is over 90% let to Investec Wealth & Investment Ltd, Maclay Murray & Spens LLP, Mercer Ltd and Skycanner Ltd. The gym is let to Pure Gym Ltd. GVA acted on behalf of Aviva Investors Global Services Ltd. Epic UK Ltd was represented by Knight Frank.	n/a
Premier Inn		Leman Street	Goodmans Fields		London	LONDON	E1 8EY	19/04/2013	Not disclosed	HOTEL	Not disclosed	Freehold Investment Sold	100,000	9,290	38,815,000	5.5	n/a	n/a	Colliers International, JLL	Standard Life Investments Ltd	The Berkeley Group Holdings plc	Standard Life Investments Ltd has purchased for investment the freehold interest in a 250-bedroom hotel from The Berkeley Group Holdings plc for a figure in excess of £38m, which reflects a net initial yield of 5.5%. The property is let to Premier Inn for 30 years and is scheduled to open once construction works complete in Spring 2015. The scheme will also include a 617 bedroom student block, 120,000 sq ft of shops and leisure, and 923 flats. Jones Lang LaSalle and Allsops represented Standard Life Investments Ltd. Colliers International acted on behalf of The Berkeley Group Holdings plc. (CoStar Research 03/05/2013)	n/a

EGi -- Comparable Deals/Auctions Data - Exported 28/04/2014

Transaction		Deal/Auction					Total space			Rental income		Purchaser/Lessee					Vendor/Lessor's		Contact	Auction				
type	Address	Street	Town	Postcode	date	Use type	Size	UoM	Size(sq ft)	Price	Yield %	per annum	Start date	Expiry date	Notes	Purchaser/Lessee	Purchaser/Lessee agent	Purchaser/Lessee agent telephone	Vendor/Lessor's agent	Vendor/Lessor's agent telephone	Contact	telephone	description	EGi deal id
Investment Sale	Travelodge - East India Dock Road, East India Dock Road, Poplar, London, Inner London, E14 0	East India Dock Road	London	E14 0	08/08/2013	Hotel				Not quoted		Not quoted	Undisclosed	Undisclosed		R and D LLC	Colliers International	020 7935 4499			Richard Servidei, Colliers International, George Street, London, W1U 7DY	020 7487 1726		30155752
Investment Sale	Goodmans Fields - New Build, 74 Alie Street, Leman Street, London, E1 8FF	Alie Street	London	E1 8FF	01/04/2013	Hotel	250	Beds	n/a	£38,000,000	5.50	Not quoted	Undisclosed	01/04/2030		Standard Life Investment Funds Limited	Colliers International	020 7935 4499	Berkeley Group Plc (The)	JLL	020 3147 6040			30142467
Lease	Entire Proposed Building, Challenger House, 42 Adler Street, London, E1 1EE	Adler Street	London	E1 1EE	01/04/2013	Hotel	5,215	Net sq m	56,133	Not quoted		Not quoted	01/04/2013	Undisclosed	This is a hotel deal (EGi Research 06/2013).	Qbic Hotels				Paul Belchak & Company	020 7033 6793			30126221
Investment Sale	Goodman'S Fields, 89 Mansell Street, London, E1 8AL	Mansell Street	London	E1 8AL	01/04/2013	Hotel				£38,000,000	5.50	Not quoted	Undisclosed	Undisclosed		Standard Life Investments Limited	JLL	020 7493 4933	Berkeley Group Plc (The)		Martin Le Grice, JLL, The Curve, Warwick Street, London, W1B 5SS			30158955
Investment Sale	Apex Hotel, 1 Seething Lane, London, EC3N 4AX	Seething Lane	London	EC3N 4AX	01/03/2013	Hotel	130	Rooms	n/a	£18,650,000		Not quoted	Undisclosed	Undisclosed	Long-leasehold sale	Standard Life Investments Property Income Trust	Allsop	020 7588 4433	Apex Hotels Limited	BNP Paribas Real Estate	020 7338 4000			30119561
Pre-Let	Goodmans Fields - Goodmans Fields - Refurb, 75 Leman Street, London, Inner London, E1 8FF	Leman Street	London	E1 8FF	28/12/2012	Hotel				Not quoted		Not quoted	28/12/2012	Undisclosed		Whitbread Group Plc	JLL Hotels	020 7493 6040	Berkley Homes (Southern) Limited					30114377
Sale	Proposed Premier Inn, 28 Great Tower Street, London, EC3R 5AT	Great Tower Street	London	EC3R 5AT	31/10/2012	Hotel				£6,100,000		Not quoted	Undisclosed	Undisclosed		Whitbread Plc	JLL	020 3147 6040	City Corporation (The)					30107932
Sale	The Hoxton Hotel, 81 Great Eastern Street, London, EC2A 3HU	Great Eastern Street	London	EC2A 3HU	29/05/2012	Hotel	208	Beds	n/a	£65,000,000		Not quoted	Undisclosed	Undisclosed	The sale was of the 150-year ground lease from 2003 on a turnover rent.	Ennismore Capital			Bridges Ventures Limited	Knight Frank	020 7629 8171			30081348
Investment Sale	Crowne Plaza, 106 Shoreditch High Street, London, E1 6JN	Shoreditch High Street	London	E1 6JN	26/04/2012	Hotel	196	Rooms	n/a	Not quoted		Not quoted	Undisclosed	Undisclosed		Private			Grant Thornton LLP	Colliers International	020 7935 4499			30107303
Sale	Radisson Edwardian New Providence, 5 Fairmont Avenue, London, E14 9PQ	Fairmont Avenue	London	E14 9PQ	29/11/2011	Hotel	169	Beds	n/a	£37,500,000		Not quoted	Undisclosed	Undisclosed		Edwardian Hotels Limited			Ballymore Properties Limited	CBRE Hotels Limited	020 7491 0404	Daniel Woodcock, CBRE Hotels Limited, St Martins Court, Paternoster Row, London, EC4M 7HP	020 7182 3948	30060447
Investment Sale	New Providence Wharf - Ontario Tower, Blackwall Way, London, E14 9QZ	Blackwall Way	London	E14 9QZ	29/11/2011	Hotel	169	Rooms	n/a	£37,500,000		Not quoted	Undisclosed	Undisclosed		Edwardian Hotels Limited			Ballymore Properties Limited	CBRE Hotels Limited	020 7491 0404			30073980
Investment Sale	Granada Travelodge, Coriander Avenue, East India Dock, South Bromley, London, Inner London, E14 2AA	Coriander Avenue	London	E14 2AA	15/10/2011	Hotel	131	Rooms	n/a	£11,000,000		Not quoted	Undisclosed	Undisclosed					JLL		020 3147 6040			30072582

BREEAM Information Required for Man 9 – Publication of Building Information

Basic description of the project and building

Demolition of the existing Old Bull Public House, and construction of a 96 no. bedroom Travelodge hotel, incorporating a Bar/Café and associated external works, together with a Halfords retail outlet and a shared car park.

BREEAM rating and score

A BREEAM rating of "Very Good" is to be achieved; the score currently targeted is 58.79

Basic building cost - £/m²	£823
Services costs - £/m²	£209
External works cost - £/m²	£165
Gross floor area – m²	3572 m ²
Total area of site – hectares	0.23 hectares
Function areas and size – m²	
Retail	825 m ²
Reception / Bar-cafe	80 m ²
Kitchen	30 m ²
Staff/Offices	16 m ²
Bedrooms	1685 m ²
Area of circulation – m²	580 m ²
Area of storage/Plant rooms – m²	356 m ²
Predicted electricity consumption – kWh/m²	
Travelodge	341055 kWh/m ²
Halfords	89045 kWh/m ²
Predicted fossil fuel consumption – kWh/m²	
Travelodge	323 kWh/m ²
Halfords	N/A
Predicted water use – m³ / person / year	
Travelodge	21 m ³ / person / year
Halfords	14 m ³ / person / year

BREEAM Information Required for Man 9 – Publication of Building Information (Cont'd)

Steps taken during the construction process to reduce environmental impacts, i.e. innovative construction management techniques

Considerate Constructors
Reduced working hours
Retained Church & School access
Regular meetings with Church & School
Regular updates of public information on Hoarding
Flyers giving information to all neighbours
Viewing windows introduced into the hoarding for public use

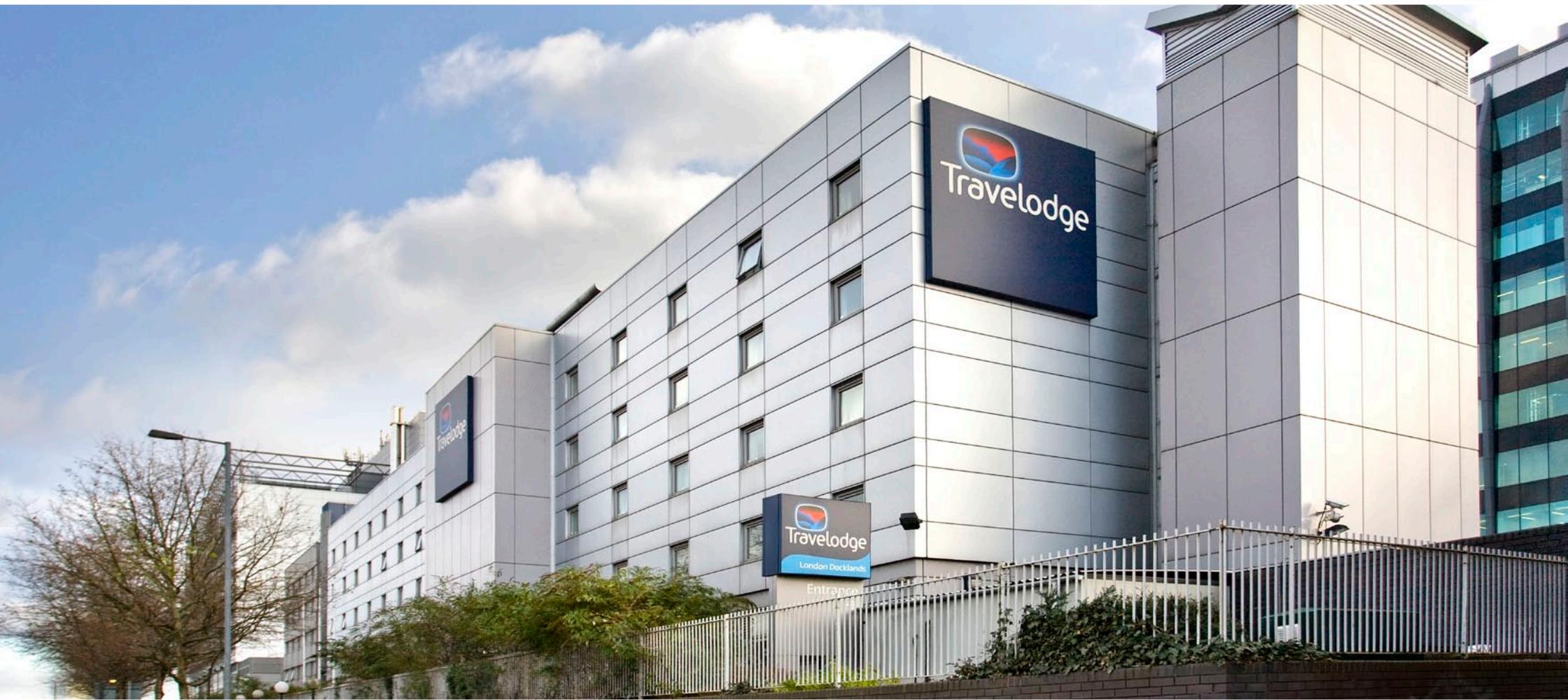
List of social or economically sustainable measures achieved

Improved access for the Church and School
Hotel guests = increase in revenue for local businesses
Introduction of planted areas
BREEAM

Travelodge London Docklands

Freehold Ground Rent Investment

Coriander Avenue, London E14 2AA



Deloitte.

Real Estate

Investment Summary

- Freehold Ground Rent investment opportunity.
- Prominent hotel location in the heart of London's Docklands benefitting from its close proximity to the ExCeL Centre and the O2.
- Let to TLLC Bridgeco4 Limited with c185 years unexpired.
- Sub-let to Travelodge Hotels Ltd on a 35 year lease from 2007 which is in the process of being extended to create a new 35 year term to September 2047.
- 232 double/family ensuite rooms with a bar/restaurant on the ground floor and an excellent car parking provision of 100 spaces.
- Current rent passing of **£133,523.88** pa.
- Offers sought in excess of **£2.4 million** subject to contract and exclusive of VAT. A purchase at this level would produce a Net Initial Yield of **5.25%** after allowing for purchaser's costs of **5.8%**.



Travelodge London Docklands

Coriander Avenue, London E14 2AA

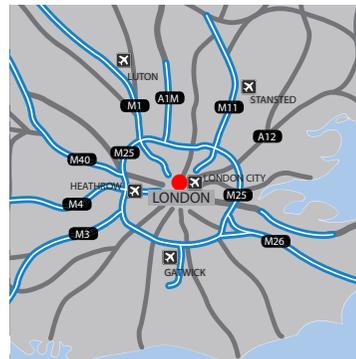
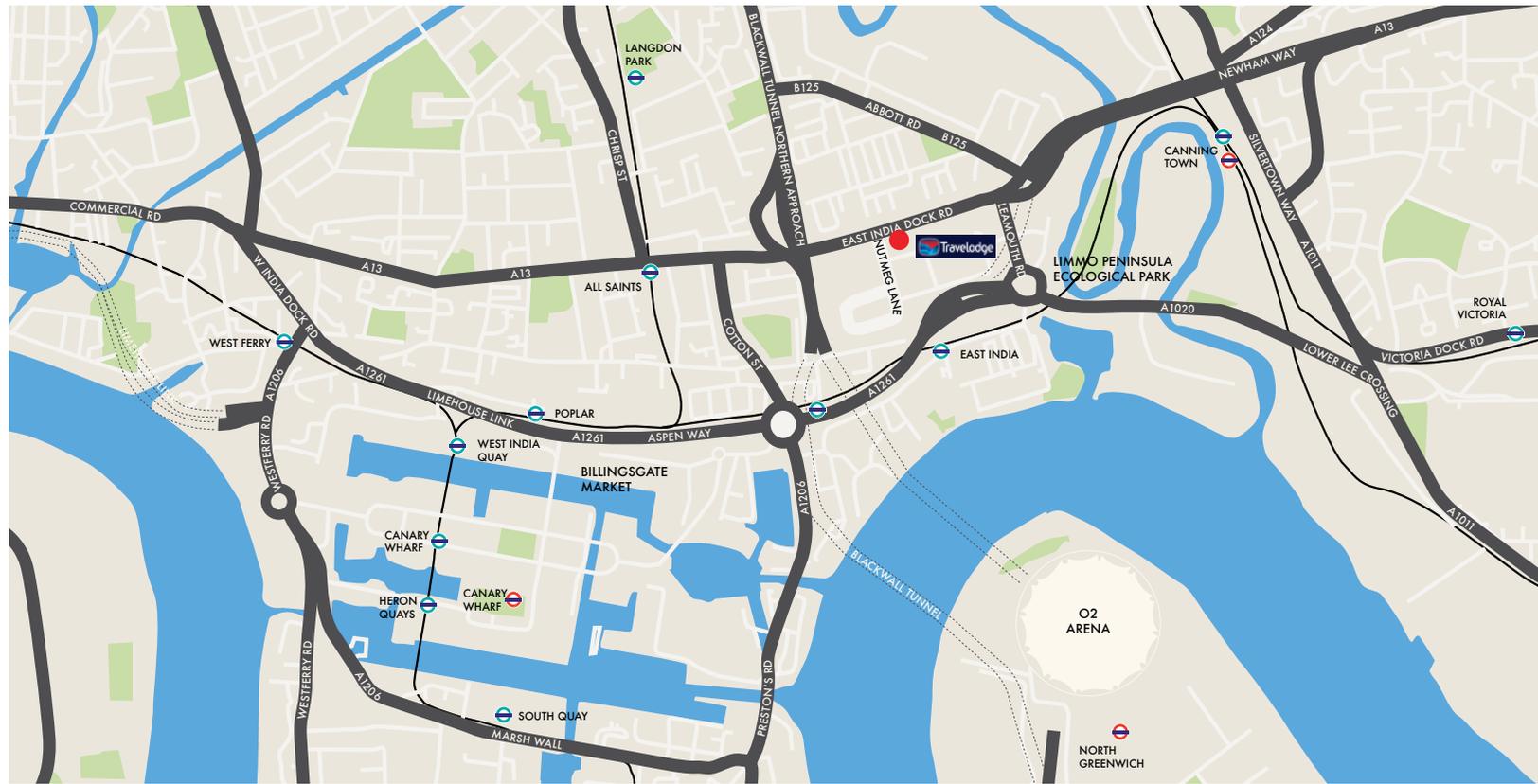
Location

The property is located in Docklands, a substantial district of East London. Docklands lies on the north bank of the River Thames within the Borough of Tower Hamlets, Newham and Southwark.

The location benefits from good transport links, with East India DLR Station being a short walk to the south, which in turn provides access to Canary Wharf, the City of London, Stratford and London City Airport.

Docklands has been one of the fastest growing office centres since the millennium and it is now established as the second major financial centre for London with over 90,000 people working within the district.

The property fronts the A13, East India Dock Road, which is a major three lane highway and is one of the main arterial routes into Central London.



Travelodge London Docklands

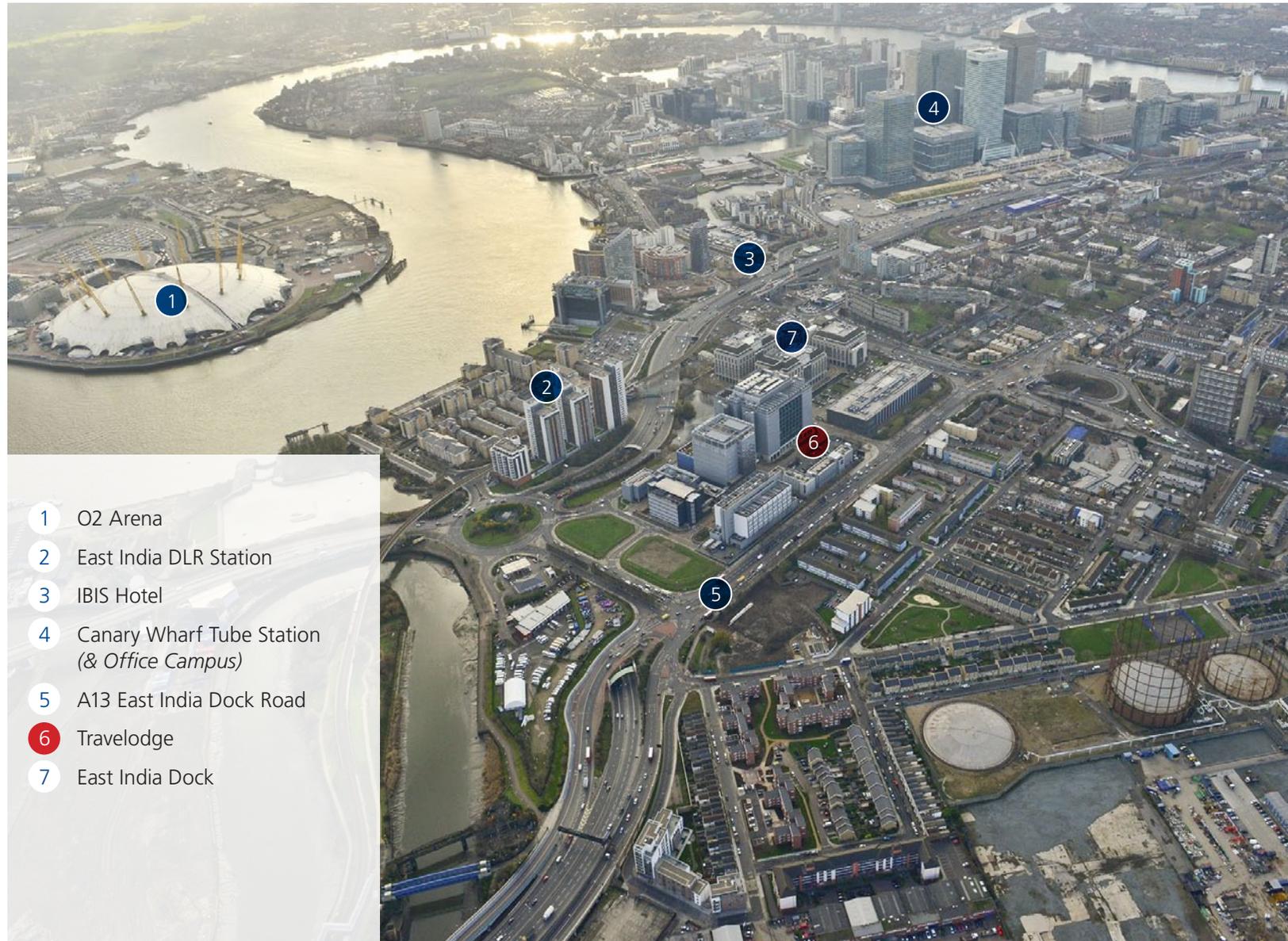
Coriander Avenue, London E14 2AA

Situation

The property forms part of a larger rectangular site, bounded by East India Dock Road (A13) to the north and the DLR/Aspen Way (A1261) to the south.

Global Switch has a substantial data centre provision within a number of buildings to the west.

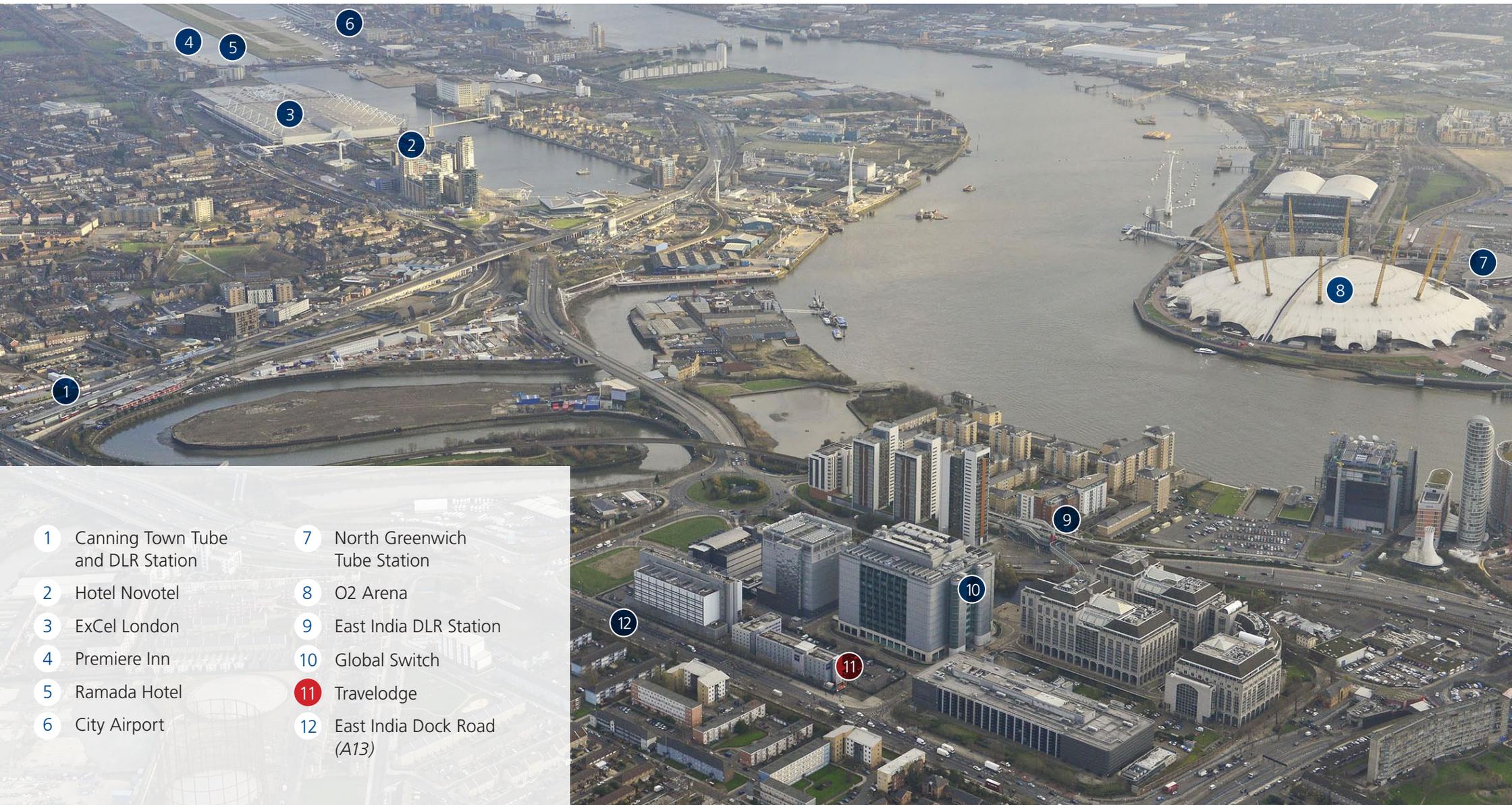
East India Dock comprises circa 590,000 sq ft of modern Grade A office accommodation together with ancillary retail, restaurant and leisure facilities.



- 1 O2 Arena
- 2 East India DLR Station
- 3 IBIS Hotel
- 4 Canary Wharf Tube Station (& Office Campus)
- 5 A13 East India Dock Road
- 6 Travelodge
- 7 East India Dock

Travelodge London Docklands

Coriander Avenue, London E14 2AA



- 1 Canning Town Tube and DLR Station
- 2 Hotel Novotel
- 3 ExCel London
- 4 Premiere Inn
- 5 Ramada Hotel
- 6 City Airport
- 7 North Greenwich Tube Station
- 8 O2 Arena
- 9 East India DLR Station
- 10 Global Switch
- 11 Travelodge
- 12 East India Dock Road (A13)

Travelodge London Docklands

Coriander Avenue, London E14 2AA

Description

The property comprises a modern 232 bed, purpose built Travelodge Hotel over ground and four upper floors. The building was constructed in 2003 and is of steel frame modular construction with composite panel curtain wall cladding to external walls and glazed curtain walling to the entrance.

There is a dedicated ground floor restaurant/bar situated off the reception area which also provides lift and stair access to the upper floors.

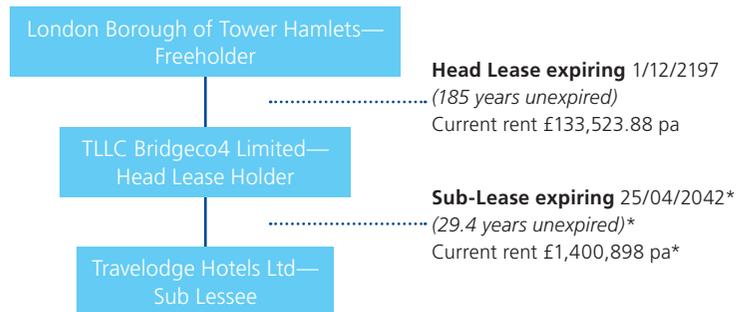
The accommodation incorporates ensuite family and double rooms over each floor with 36 rooms on the ground floor and 49 rooms on each of the upper floors.

The property benefits from an excellent car parking provision of 100 surface spaces.



Tenure

The property is offered for sale freehold subject to Head Leasehold interest.



*The Sub-Lease is currently in the process of being extended to provide a new 35 year unexpired term at an initial rent of £2,264,421 pa (See Tenancy overleaf)



Travelodge London Docklands

Coriander Avenue, London E14 2AA

Tenancy

The property is let to TLLC Bridgeco4 Limited on a 200 year full repairing and insuring lease expiring on 1 December 2197 (185 years unexpired).

The annual rent payable is the higher of;

- **Base Rent** — this element is currently £62,193.83 pa and is subject to five yearly reviews, the next being on 30 September 2013. The rent is calculated in line with the Retail Price Index published by the Central Statistic Office of the Department of the Environment contained in the monthly digest of statistics.
- **Turnover Rent** — this is 3% of Gross Turnover and is currently £133,523.88 pa. This is for a period commencing on 1 October and expiring on 30 September. This can rise and fall in line with the hotel's turnover.

As the turnover rent is higher, this is currently payable. The turnover rent history is available on request.

The rent can also be reviewed on the basis of the 'Change of Use Rent'. This means 20% of the open market rental value of the property, however this only becomes applicable once the current hotel use has changed.

Sub-Lease

The property is sub-let in its entirety to Travelodge Hotels Ltd on a 35 year lease on FRI terms from 26 April 2007. The passing rent is £1,400,898 pa which equates to £6,038 per room.

The lease also provides that the tenant shall be liable for the rent payable under the head lease.

As part of Travelodge's CVA a deed of variation is being agreed that will provide for an extended lease term of 35 years to September 2047. The rent is also set to increase from £1,400,898 pa to £2,264,421 pa. The head rent will not be affected and Travelodge continue to covenant to pay this through their sub-lease.



Travelodge London Docklands

Coriander Avenue, London E14 2AA

Covenant

TLLC Bridgeco4 Limited

TLLC Bridgeco4 Limited (registered no 04589577) is owned by Prestbury Hotel Holdings Limited and its main activity is in property investment.

D&B give TLLC Bridgeco4 Ltd a rating of 4A2 representing a lower than average risk of business failure.

A summary of their financial performance over the three years to March 2011 is as follows:

	31/03/2011 £	31/03/2010 £	31/03/2009 £
Sales turnover	22,935,204	2,816,371	2,893,193
Profit/(Loss) before taxes	1,223,460	896,666	679,243
Tangible net worth	21,620,337	18,960,877	14,272,211
Net current Assets (Liabilities)	(47,443)	(45,261)	(45,138)

Travelodge Hotels Limited

Travelodge was the first budget hotel brand to launch in the UK in 1985 and now operates over 500 hotels across the UK, Ireland and Spain employing over 6,000 people.

The hotel operator announced that it will open 41 hotels in 2012 and create 1,000 new jobs across the UK. The company has a target to expand to 1,100 hotels and 100,000 rooms by 2025.

Travelodge Hotels Ltd is now owned by Goldentree Asset Management, Avenue Capital and Goldman Sachs following a transfer of ownership in October 2012 from its previous owners Dubai International Capital and a restructuring of the company's debt.

Part of this process required Travelodge to enter into a Company Voluntary Agreement (CVA), part of which involved a rent reduction across 109 hotels with a further 49 hotels which are no longer viable going back to the landlords.

The subject property is one of 352 Category 1 hotels which will not be affected by the transfer of ownership and CVA process.

The debt holders have provided £75m of unsecured loan notes of which £55m is to be used for a major refurbishment programme across the existing portfolio from early 2013.

D&B give Travelodge Hotels Ltd a rating of 5A1 representing a minimum risk of business failure.

The company have not reported any financial information since the CVA, but have previously reported the following financial information :

	31/03/2010 £	31/03/2009 £	31/03/2008 £
Sales turnover	331,700,000	294,400,000	287,000,000
Profit/(Loss) before taxes	14,600,000	66,500,000	8,700,000
Tangible net worth	882,500,000	861,400,000	799,000,000
Net current Assets (Liabilities)	377,300,000	334,500,000	274,900,000

Travelodge London Docklands

Coriander Avenue, London E14 2AA

London Docklands

Docklands is one of the fastest growing destinations in London thanks to a wealth of attractions and amenities that make the area such a well-suited and popular hotel location.

Local attractions include the ExCeL Centre — 1.5 miles east, O2 Arena — 0.7 miles south, Canary Wharf — 0.8 miles west and The Olympic Park — 2 miles north of the property.

The ExCeL exhibition centre features 100,000m² of venue space and won four international awards including 'Exhibition Venue of the Year' in 2012. The centre attracted 4.7 million visitors this year, boosted by hosting a significant part of the Olympic Games and is set to host 350 events during 2013.

The O2 centre also attracts a significant number of visitors to the area, with a significant proportion requiring overnight accommodation. The arena has a capacity of 20,000 and is now the world's busiest in terms of visitor numbers per year and is one of the most popular London attractions.

The area surrounding the property is a popular hotel destination and there are a number of hotels operating nearby. The Ibis is located 0.1 miles south west, with Novotel, Premier Inn, Ramada and Aloft London Excel being located adjacent to the ExCeL Centre.

London Hotel Market

The London Hotel Market is regarded as one of the most sought after owing to its resilience through the economic downturn and the prospect of a sustained economic recovery. This is illustrated by the fact that Revenue Per Available Room (RevPAR) dipped by 5% in 2009, but has now rebounded by 25% to reach a record high of £114.71.

During the course of 2011 leisure visits to Britain rose to 12 million, a 2.4% year-on-year increase, whilst business visits rose 6.1% to 7.2 million.

Demand for hotels is being driven by a mix of sporting, cultural and political events for which the Docklands Travelodge is well placed to attract overnight visitors, being located within close proximity to London's top event venues.

During the three months leading up to the Olympic Games the Average Daily Rate (ADR) increased by 1.67% whilst the RevPAR saw a 0.24% year-on-year increase.

Going forward the London hotel property market is set to remain resilient despite economic pressures and should out-perform the rest of the UK and other European capitals.

Ground Lease Investment Market

Due to the uncertain and volatile economic and financial conditions certain investors are turning to low risk assets in order to protect wealth. Historically low interest rates mean traditional asset classes and bank deposits are offering low returns and therefore, well let property investments and in particular ground leases are experiencing growing demand.

Given vendors reluctance to sell these types of investments transactional activity has been limited however we are aware of the following:

Date	Address	Tenant	Rent	Lease Length	Review	Price	Yield	Comments
Aug 2012	3-8 Whitehall Place London	Whitehall Property Partnership	£618,580	117 years unexpired	5 yearly to 15% of OMRV	£20m	2.95%	Very good interest received
July 2012	The Shirley Centre, Shirley High Street Southampton	Fairgate International Ltd	£266,642	243 years unexpired	Annual 21% of rents receivable	£5.18m	4.86%	Minimum rent of £225,000
Dec 2011	Travelodge Harlow	Axa	£70,829	990 years unexpired	5 yearly to RPI	£1.875m	3.57%	25 yearly reviews after 2038

Travelodge London Docklands

Coriander Avenue, London E14 2AA

VAT

We understand that the property has been elected for VAT which will therefore be payable on the purchase price.

Proposal

We are instructed to seek offers in excess of **£2.4 million** subject to contract and exclusive of VAT. We calculate that a purchase at this level would show a Net Initial Yield of **5.25%** after allowing for purchaser's costs of 5.8%.

Format of Offers

London Borough of Tower Hamlets will require a bidder to submit an offer and to be able to exchange contracts within 28 days of the offer being accepted. Completion will be required to take place no more than 28 days after exchange of contracts.

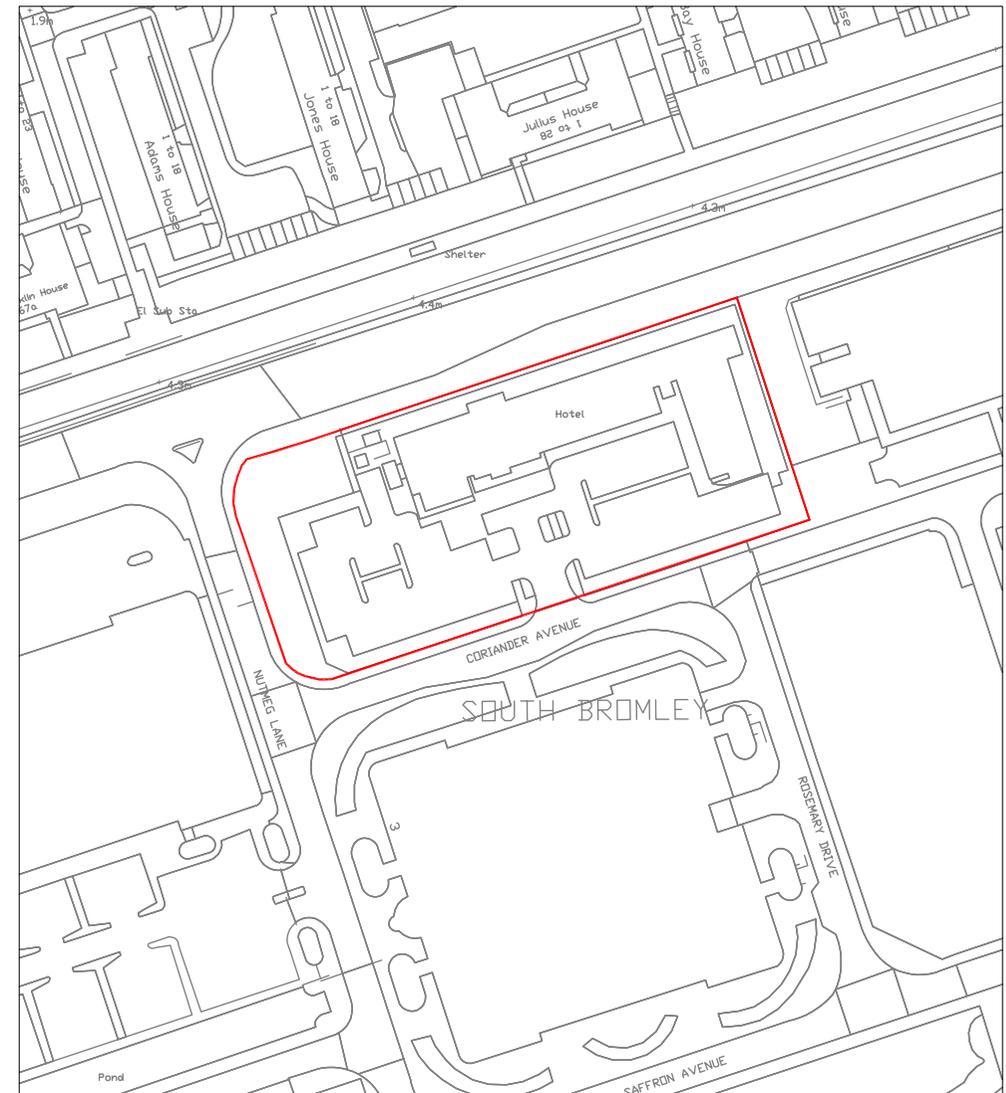
Each offer should be submitted using the Tender Offer Document provided which is available from Deloitte Real Estate. Parties must ensure that responses are provided to all of the questions in full and also provide the requested supporting information as appropriate.

Offers are to be made in an envelope marked 'Private and Confidential' with the name of the property in the bottom corner addressed to:

Attention of Service Head

Asset Management
London Borough of Tower Hamlets
Town Hall
Mulberry Place
London E14 2BG

*All offers must be received no later than 5pm on Friday 22nd February 2013.
Bidders are welcome to submit offers in advance of this date should they wish to.*



Reproduced from the 2002 Ordnance Survey map

Travelodge London Docklands

Coriander Avenue, London E14 2AA

Rationale

- Low risk ground rent investment opportunity.
- 185 years unexpired term.
- Fully sub-let as a Category 1 Travelodge hotel.
- Ideal hotel location within the heart of London's Docklands benefitting from its close proximity to the ExCeL Centre and the O2.
- Strong tenant covenant with a turnover of £3.3bn per year.
- Sub-lease in the process of being extended to create a 35 year unexpired term.

Further Information & Contacts

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nbarnett@deloitte.co.uk

For Information—The Vendor's Solicitors Will Be

Legal Services

London Borough of Tower Hamlets
Mulberry Place
5 Clove Crescent
PO Box 55739
London E14 1BY



January 2013

Important notice

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Travelodge London Docklands

Coriander Avenue, London E14 2AA

Prime Freehold Hotel Investment

Travelodge Bethnal Green



231-237 Cambridge Heath Road, Bethnal Green, London, E2 0EL



Prime Freehold Hotel Investment

Travelodge Bethnal Green



INVESTMENT SUMMARY

- **Bethnal Green is strategically located** to the north east of central London, **2 stops away from the Olympic Park** at Stratford and **1 stop away from the heart of the city at Liverpool Street** – both located on the London Underground Central Line.
- The proposed development is situated on **Cambridge Heath Road (A107)** – a **major arterial route** linking Bethnal Green to Whitechapel and providing access on to the A11, A12, M11, M25 and wider UK motorway network.
- The **development is highly accessible to public transport services** with the nearest bus stop (Cambridge Heath Road) only 60m away, the underground (Bethnal Green Station) only 230m away and over ground services (Bethnal Green Station) 400m away.
- The **surrounding area comprises a mix of light commercial uses**, but also includes **newly built student accommodation** immediately to the north of Witan Street (UNITE) and to the south west on the corner of Herald Street and Three Colts Lane (Hive)
- The development will comprise a **new 131 bedroom hotel pre let to Travelodge Hotels Limited** arranged over part ground and six upper floors. The remaining ground floor area will be trading as a comedy club and be let to Sandy Dog Ltd.
- **Freehold**
- The hotel will be let on a **new 35 year lease** on full repairing and insuring terms with **5 yearly reviews to uncapped RPIX** at a commencing rent of **£655,000 per annum (£5,000 per room)**.
- Travelodge Hotels Ltd (Company No. 769170) has a **Dun & Bradstreet rating of 5A1**.
- **Total passing rent of £713,000 per annum**
- Offers in excess of **£10,750,000 subject to contract** which would represent an **attractive net initial yield of 6.25%**.



Paul Harvey, Travelodge managing director for development, said:

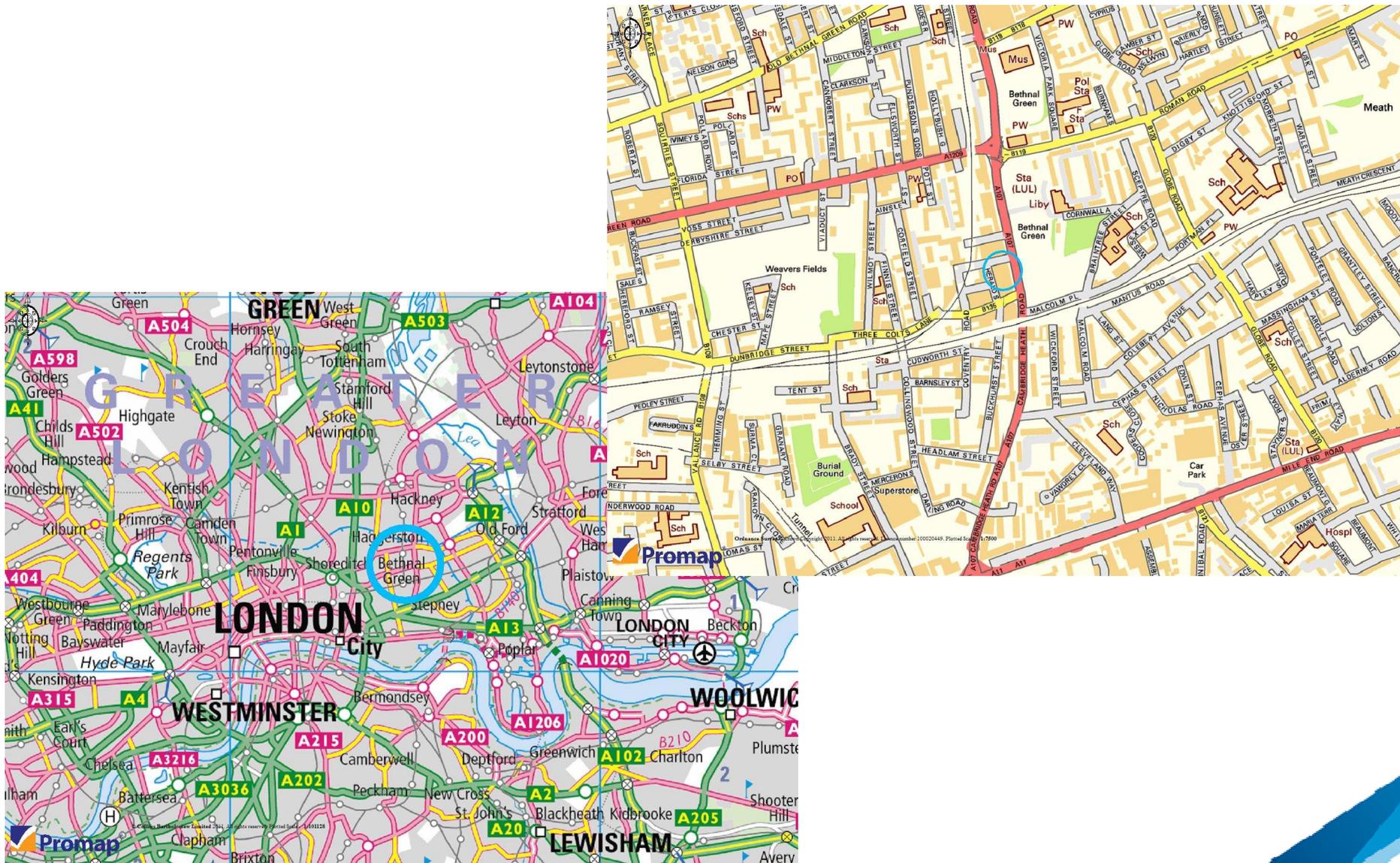
“Bethnal Green is only one tube stop from the City and just two from the Olympic site at Stratford. Given this, I fully expect this new hotel to quickly become one of our best performing in the country.”

231-237 Cambridge Heath Road, Bethnal Green, London, E2 0EL



Prime Freehold Hotel Investment

Travelodge Bethnal Green



231-237 Cambridge Heath Road, Bethnal Green, London, E2 0EL



Prime Freehold Hotel Investment

Travelodge Bethnal Green

LOCATION

The up and coming area of Bethnal Green is located to the north east of central London, approximately 2 miles (3 kms) from the city centre within the London Borough of Tower Hamlets. Bethnal Green is bounded by the fashionable areas of Shoreditch, Hoxton and Whitechapel with the popular attractions of London Fields and Victoria Park located 1 mile to the north. Bethnal Green has a population of 25,440 as of the 2001 census.

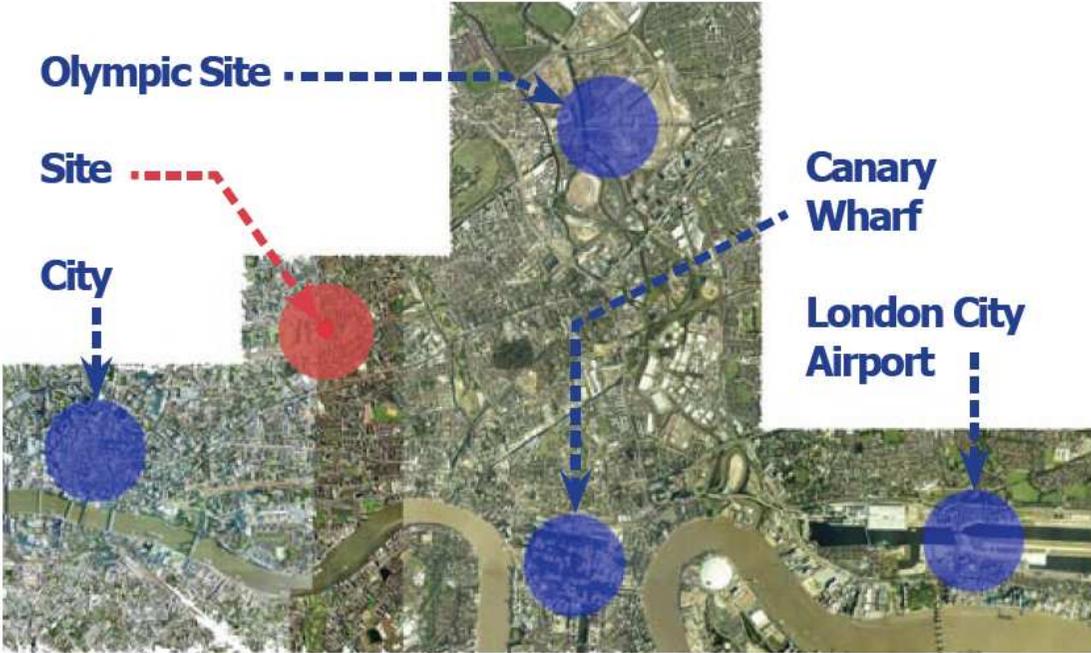
Bethnal Green London Underground Station is served by the Central Line providing access to the financial heart of the City at Liverpool Street within one stop, as well as the busy West End shopping areas of Oxford Street and Bond Street within 7 stops. In light of this, Bethnal Green Underground Station is particularly busy with an entry and exit level for 2010 in excess of 15 million passengers.

The site is strategically located only 2 stops away from the London 2012 Olympic Park at Stratford. Once completed, the hotel development will form one of the most accessible budget hotels from the Olympic venues and therefore will provide an important base for any of London's 15 million annual tourists who intend to visit the games during the summer of 2012. As part of the Olympic development, the wider area of east London is set to receive investment totalling £2 billion in the lead up to 2012, part of which will be spent towards improving local transport infrastructure.

London City Airport is located 4 miles (6 kms) to the south east of Bethnal Green with 120,000 flight movements per annum to over 30 domestic and international locations and serving over 2.5 million passengers.

In November 2010 the Prime Minister announced plans for the wider area of Bethnal Green to be developed as a world renowned technology centre to rival the US, Silicon Valley as part of the Olympic Legacy Plans. The area of east London, from Shoreditch to the Olympic Park, will be developed to create hi-tech growth and innovation within the east London area. In support of this, a number of world renowned companies have announced investment commitments to the area including Google, Facebook and Intel.

Bethnal Green also benefits from excellent road links being located 1 mile from the A11 Mile End Road which leads north east from the site providing access to the M11 Motorway and onward to the M25. The A1 is also accessible within 1 mile providing access to the wider area of west London.



231-237 Cambridge Heath Road, Bethnal Green, London, E2 0EL



Prime Freehold Hotel Investment

Travelodge Bethnal Green



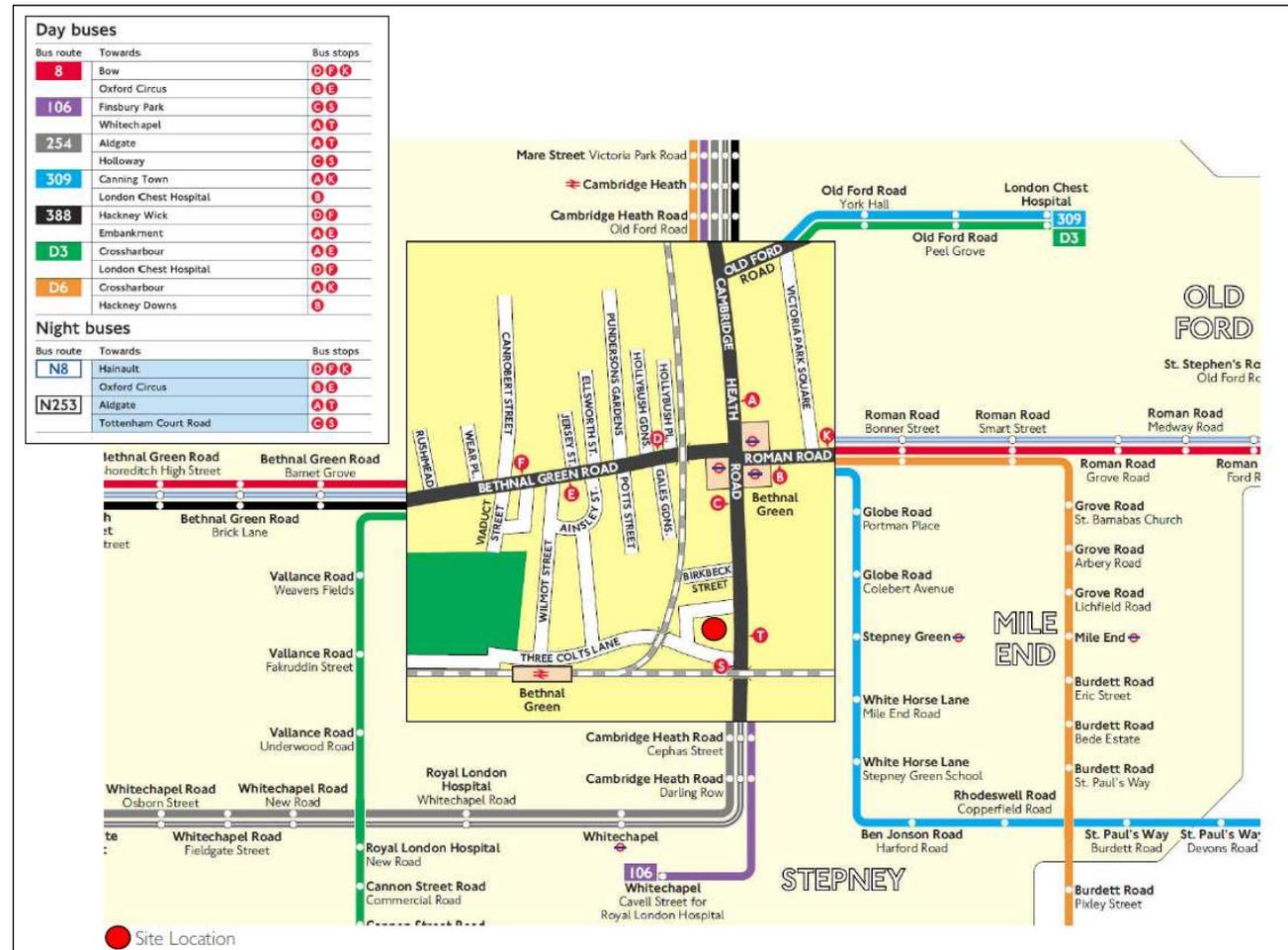
SITUATION

The site is strategically situated opposite is Bethnal Green Gardens and is bounded by Cambridge Heath Road to the East, Witan Street to the North, and Herald Street to the West. Cambridge Heath Road is a major arterial road (A107) linking Bethnal Green and Whitechapel.

The surrounding area comprises a mix of light commercial uses, but also includes newly built student accommodation immediately to the north of Witan Street (UNITE) and to the south west on the corner of Herald Street and Three Colts Lane (Hive). The hotel is within easy walking distance of Bethnal Green tube station to the North, local shops and services to the North and West, Bethnal Green Gardens to the East, and Bethnal Green railway station to the South West. There are excellent bus services within the locality and the site has a public transport accessibility level (PTAL) rating of 6a (the second highest level possible).

TRANSPORT LINKS

The property is highly accessible to public transport services with the nearest bus stop (Cambridge Heath Road) only 60m away, the underground (Bethnal Green Station) only 234m away and overground services (Bethnal Green Station) 400m away.



231-237 Cambridge Heath Road, Bethnal Green, London, E2 0EL

Prime Freehold Hotel Investment

Travelodge Bethnal Green



DESCRIPTION

The current building will be demolished and replaced with a prominent new build 7 storey building. The development will comprise a ground floor comedy club with 131 bedroom hotel arranged over 6 upper floors totalling 46,565 sq ft (4,326 sq m) with associated off site disabled parking spaces (No 2), vehicle servicing lay-by, cycle parking and landscaping

The ground floor will house a self-contained comedy club unit totalling 5,435 sq ft and incorporating an auditorium, lounge/bar/cafe area, toilets and other ancillary spaces.

The hotel will occupy floors 1-6. The 1st floor providing, hotel reception, café/bar and back of house, along with 16 guest bedrooms. There will be a flat roof to the café area with roof lights to the base of a light well.

Floors 2-5 will comprise 24 bedrooms each and floor 6 will have 19. The rooms will be a mixture of double, family and accessible – all fitted out to the comprehensive Travelodge design specification. Two passenger lifts will service all floors.

Plans available upon request.



LEASE TERMS

The hotel element will be let to the excellent covenant of Travelodge Hotels Ltd from practical completion on a new 35 year lease on full repairing and insuring terms. The commencing rent will be £655,000 per annum (£5,000 per room) and will be subject to 5 yearly upward only reviews geared to RPIX.

The retail element will be let to Sandy Dog Ltd from practical completion on a new 15 year lease on full repairing and insuring terms. The commencing rent will be £52,000 per annum (£9.57 per sq ft) and will be subject to 5 yearly upward only reviews. The lease provides uplift in the second year of the term to £58,000 which the vendor will be topping up to for disposal.

The total passing rent will be £713,000 per annum.

231-237 Cambridge Heath Road, Bethnal Green, London, E2 0EL



Prime Freehold Hotel Investment

Travelodge Bethnal Green



TENURE

The property is held freehold

COVENANT INFORMATION

Launched in 1985 Travelodge was the UK's first budget hotel brand and is now the UK's fastest growing hotel company operating 390 hotels (26,000 rooms) in UK, Ireland and Spain.

Travelodge Hotels Limited (Company Number: 769170) has a Dun & Bradstreet rating of 5A1, representing a minimum risk of business failure and has reported the following financial accounts over the last 3 years:

	Dec 2009	Dec 2008	Dec 2007
Turnover (000's)	£ 294,400	£ 287,000	£ 241,500
Pre-tax Profit (000's)	£66,500	£ 6,700	£ 16,600
Net Worth (000's)	£ 861,000	£ 799,000	£ 790,300

PROPOSAL

Our clients are looking for offers in excess of £10,750.000 subject to contract which would represent an attractive net initial yield of 6.25%, taking into account purchaser's costs at 5.8%.

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