Well Let Premier Inn Hotel Investment
Premier Inn, Castlegate Business & Leisure Park, Castlegate Way, Dudley DY1 4TA
INVESTMENT SUMMARY

- Located on an established leisure and office park adjacent to the A461 dual carriageway, 2 miles to the west of Junction 2 of the M5 motorway
- Situated in a highly prominent location at the entrance to the park
- Modern 63 bed Premier Inn hotel completed in 2013
- Freehold
- Let to Premier Inn Hotels Ltd for 22 years (tenant break option in June 2033)
- Rent £239,400 per annum (low rent of £3,800 per room)
- Lease is subject to 5 yearly upward only reviews to compounded CPI capped at 5% per annum
- Offers are sought in excess of £4,280,000
- Net initial yield 5.25%, assuming costs of purchase of 6.56%

LOCATION

The property is located at the entrance to Castlegate Business Park, one of the Black Country’s premier office and leisure destinations. The park is situated on the north-eastern edge of Dudley town centre, on the A461 and A4123, two of the main arterial routes through the area. Birmingham city centre is 10 miles to the east and Wolverhampton city centre is 6 miles to the north.

The park is very accessible, with excellent road links. Junction 2 of the M5 is 2 miles to the east. The M5 links to the M42 to the south and the M6 to the north forming the orbital motorway network around Birmingham. Dudley Port Railway Station is within walking distance to the north, which provides regular services to Wolverhampton (10 minutes) and Birmingham New Street (15 minutes).

Dudley’s excellent accessibility means that four million people are able to reach the area in less than 40 minutes and five million in less than an hour.

The Borough of Dudley is located on the western side of the West Midlands and forms part of the Black Country conurbation, an important cultural and economic region. The Borough has a population of over 300,000, making it the 25th largest Authority by population in the country.

With over 10,500 businesses and 120,000 people employed in the region, the Borough plays an important role in the economy of the West Midlands.
SITUATION
The property is prominently situated on the A461 dual carriageway at the entrance to Castlegate Business and Leisure Park. The property is accessed off Castlegate Way and is adjacent to a new development under construction which will comprise a new Greene King public house (t/a Hungry Horse), a Costa Coffee Drive Thru and a KFC Drive Thru.

Other leisure occupiers on the park include Showcase Cinemas, Nandos, Frankie and Bennys, Bella Italia, Chiquitos, McDonalds Drive Thru, Pizza Hut, the Boston Fittle Public House, Bowlplex and a 124 bed Village hotel and health & fitness club. Office occupiers on the park include Footman James, Civica, Iconics, Rentokil, Hawkins Hatton, West Midlands Probation Service and nGeneration. A Tesco Extra supermarket is situated adjacent to the park.

DESCRIPTION
The property comprises a 2013 built 63 bed Premier Inn hotel set out over three floors. The ground floor contains a 65 cover restaurant and bar area alongside the main hotel reception.

Externally there is a 63 space car park to the front of the building with access off Castlegate Way.

SITE AREA
The site extends to 0.36 hectares (0.88 acres).

TENURE
The property is held freehold.
**TENANCY**

The property is let to Premier Inn Hotels Ltd for a term of 25 years from 26 June 2013. The lease is held on a full repairing and insuring basis subject to five yearly upward only rent reviews to compounded CPI, capped at 5% per annum. The first rent review is 26 June 2018.

The current rent is £239,400 per annum which equates to £3,800 per room.

Taking into account published CPI growth since the commencement of the lease and Oxford Economics’ forecasted growth for CPI from 2016 to the review date in June 2018 the estimated rent at review will be £255,000 per annum.

The tenant has an option to break the lease on 26 June 2033, subject to 12 months prior written notice.

**COVENANT**

Premier Inn Hotels Ltd is one of the largest and most successful budget hotel operators in the UK. The company has over 700 hotels in the UK and 59,000 rooms. The company is a wholly owned subsidiary of Whitbread PLC which is a FTSE 100 company. The subject property is a strong performer for the company with high occupancy levels.

Premier Inn Hotels Ltd has a Dun & Bradstreet rating of 5A1 and a summary of the company’s accounts is set out below.

<table>
<thead>
<tr>
<th>Premier Inn Hotels Ltd</th>
<th>25/02/2015 £,000s</th>
<th>28/02/2013 £,000s</th>
<th>01/03/2012 £,000s</th>
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</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>374,540</td>
<td>288,681</td>
<td>201,014</td>
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<tr>
<td>Pre-tax Profit</td>
<td>148,523</td>
<td>75,494</td>
<td>44,568</td>
</tr>
<tr>
<td>Shareholder’s funds</td>
<td>751,872</td>
<td>636,984</td>
<td>578,080</td>
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</table>
## PREMIER INN HOTEL INVESTMENT TRANSACTIONS

<table>
<thead>
<tr>
<th>Address</th>
<th>Rooms</th>
<th>Term Certain</th>
<th>Transaction Date</th>
<th>Price £</th>
<th>Yield %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exeter</td>
<td>120</td>
<td>Pre-let 20 years</td>
<td>Sold Feb 2016</td>
<td>£11,700,000</td>
<td>4.75</td>
</tr>
<tr>
<td>Slough</td>
<td>131</td>
<td>Pre-let 20 years</td>
<td>Sold Jan 2016</td>
<td>£13,000,000</td>
<td>4.50</td>
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<tr>
<td>Sunbury on Thames</td>
<td>109</td>
<td>15 years</td>
<td>Sold Sep 2015</td>
<td>£11,650,000</td>
<td>4.85</td>
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<tr>
<td>Hitchin</td>
<td>60</td>
<td>20 years</td>
<td>Sold Sep 2015</td>
<td>£4,960,000</td>
<td>4.80</td>
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<tr>
<td>Swansea</td>
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<td>20 years</td>
<td>Sold Jul 2015</td>
<td>£13,200,000</td>
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<tr>
<td>Basingstoke</td>
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<td>Pre-let 20 years</td>
<td>Sold Jun 2015</td>
<td>£7,660,000</td>
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<td>Northampton</td>
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<td>Pre-let 20 years</td>
<td>Sold Nov 2014</td>
<td>£8,150,000</td>
<td>5.31</td>
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</table>
EPC
The property has an EPC rating of B 29. A copy of the report is available on request.

VAT
The property is elected for VAT and therefore VAT will be payable on the purchase price. It is anticipated that the sale will be dealt with as a TOGC.

PROPOSAL
We are instructed to seek offers for the freehold interest in excess of £4,280,000 (Four Million Two Hundred and Eighty Thousand Pounds) subject to contract and exclusive of VAT.

A purchase at this level would reflect a net initial yield of 5.25% and a reversionary yield at review in 2018 of 5.6% based on forecasted CPI growth (assuming costs of purchase of 6.56%).

CONTACTS
For further information or if you wish to arrange a viewing, please contact:

BEN BLACKWALL
0121 513 0893
ben.blackwall@fspproperty.co.uk

ANDREW PRICE
0121 513 0892
andrew.price@fspproperty.co.uk

Franck Steier Price Ltd
Third Floor, Victoria House
114-116 Colmore Row, Birmingham, B3 3BD

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