

13 December 2018

Orchard Street completes £38 million acquisition of two hotels in Newcastle

Orchard Street Investment Management ('Orchard Street'), the specialist commercial property investment manager, has completed the acquisition of two hotel investments in Newcastle City Centre from Union Property Development Ltd. for a total price of £38 million. The transaction, made on behalf of St James's Place UK Plc, comprises the acquisition of the Travelodge Quayside hotel and the forward funding of a Melia hotel development. The combined purchase price reflects a net initial yield of 4.50%.

The Melia development is due for completion in the summer of 2020 and will comprise a modern purpose-built hotel with 161 rooms across seven floors. The hotel will also contain a restaurant, bar, fitness suite and conference facilities. The asset, to be operated by Melia's contemporary INNSIDE brand, has been pre-let for a term of 25 years and will be subject to 5-yearly inflation-linked rent reviews.

The adjacent Travelodge Quayside hotel opened in November 2017 and comprises a 120-room hotel across five floors, a restaurant and bar. Travelodge pre-let the entire building for a term of 25 years, with 5-yearly inflation-linked rent reviews. There are 43 underground car spaces that will be shared with the Melia hotel.

The two freehold properties occupy a prominent position fronting Newcastle's Quayside, close to the Tyne Bridge and with views across the River Tyne towards Gateshead. The surrounding area has benefited from significant investment in recent years, with the nearby Stephenson Quarter undergoing a £200m mixed-use regeneration scheme and the Quayside providing a strong mix of leisure and commercial amenities. The hotels are exceptionally well-connected to the city's main attractions, while Newcastle Central Station is within a five-minute walk and Newcastle's renowned nightlife hub, 'The Bigg Market', within a 15-minute walk.

Harry Buxton, Acquisitions Manager at Orchard Street, commented: "Newcastle's appeal as a business and tourist destination continues to strengthen. Its hosting of the Great Exhibition of the North this past summer, the largest event in England and one which attracted over four million visitors, reinforces its position as a leading UK city. These acquisitions provide a strong foothold in Newcastle's hotel market and, with the hotels benefiting from high-quality covenants and long lease terms with minimum rental uplifts, the assets will provide stable income returns for our client."

Raj Sehgal, Managing Director of Union Property Development Ltd., commented: "We are thrilled to have completed these transactions with Orchard Street and are proud to be able to bring high-quality developments such as the new Travelodge and Melia INNSIDE hotels to Newcastle; which in turn will create jobs and bring this prime area of the city to life."

Orchard Street was advised on the transaction by Whitmarsh Holt Young whilst the seller was advised by Lambert Smith Hampton.

-Ends-

For more information:

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Notes to Editors:

Orchard Street Investment Management

Established in 2004, Orchard Street Investment Management LLP is a leading specialist commercial property investment manager focused on the UK market, with assets under management in excess of £4 billion. It acts on behalf of institutional clients world-wide to advise on investing in and the active management of property assets, including industrial, retail warehouses, offices and shopping centres.