

10 YOUNG STREET
EDINBURGH EH2 4JB



PRIME SERVICED APARTMENT BLOCK IN EDINBURGH CITY CENTRE



KEY

- 1 Usher Hall
- 2 Edinburgh Bus Station
- 3 St James Quarter
- 4 Edinburgh Castle
- 5 Princes Street Gardens
- 6 Edinburgh Waverley
- 7 St Andrew Square
- 8 Charlotte Square



INVESTMENT SUMMARY

A rare opportunity to acquire a prime serviced apartment block in Edinburgh City Centre.

10 Young Street is situated in the heart of Edinburgh City Centre within a minute's walk of George Street and Princes Street.

31 luxury apartments and 10 secure car parking spaces.

Operated by Fountain Court via a Partnership Agreement on behalf of GSS Developments expiring on 31 May 2019.

The GSS Share of EBITDA for the last 3 years is as follows:

31 May 2015 – £494,564 per annum
 31 May 2016 – £494,281 per annum
 31 May 2017 – £564,836 per annum

3 Year average GSS Share of EBITDA is £517,894 per annum.

3 options exist on purchase:

- Enter into a new agreement at lease expiry with Fountain Court
- Appoint an alternative operator when the current partnership agreement expires on 31 May 2019
- Obtain vacant possession from date of purchase

Heritable Interest (Scottish equivalent of Freehold).

Offers in excess of £7,400,000 for our client's heritable interest. Assuming the 3 year average GSS Share of EBITDA of £517,894 per annum, a purchase price would reflect a net initial yield of 6.60% after assuming purchase costs of 6.17%.

EDINBURGH

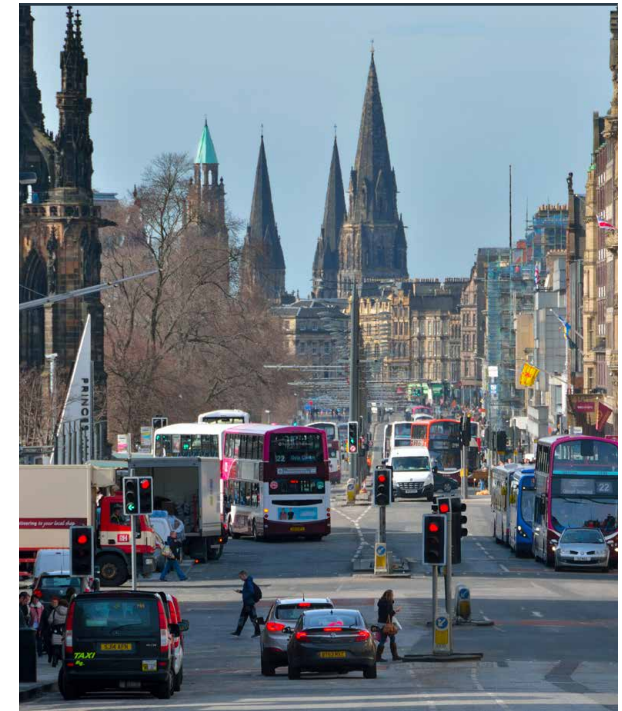
Edinburgh's financial and business centre is extremely diverse, home to more FTSE 100 companies than any other city in the UK outside of London. The city weathered the financial uncertainties of recent years well, with a number of new entrants including FanDuel, Sainsbury's Bank, Virgin Money, Tesco Bank, Amazon, Avaloq and the Green Investment Bank. Others, such as BlackRock, Brewin Dolphin, Rockstar North and Baillie Gifford have been expanding.

Financial services continue to be a major facet of the Scottish economy and account for up to one in ten of Scottish jobs. Edinburgh also has a world-class reputation for enterprise in areas such as information technology and software development, biotechnology and life sciences.

Edinburgh has a population of 495,000 within the city, increasing to 1.6m within the Lothian catchment area. It is the most prosperous regional city in the UK and its workforce is one of the most highly educated in Britain. The city has an exceptional transport and communications network that includes direct flights from Edinburgh Airport to over 120 destinations.

There are four universities in Edinburgh with over 100,000 students studying in the city. There are also four colleges of further education. The University of Edinburgh was ranked 27th in the World University Rankings by The Times in 2015/16.

There has also been recent significant investment in city amenities and visitor attractions. This includes the £47m refurbishment of the National Museum of Scotland, which in 2014 became the most visited attraction outside London; the £37m refurbishment of the Commonwealth pool, which reopened in Spring 2012 and was a host venue for the 2014 Commonwealth games; the £295m upgrade of Waverley Train Station; the £25m Haymarket Station Interchange and the recent £60m extension of the Edinburgh International Conference Centre.





KEY – CORPORATE OCCUPIERS

- | | | | | | |
|---|---------------------------------------|----|--------------------------|----|----------------------|
| 1 | Aberdeen Standard Investments | 6 | CBRE | 11 | Lloyds Banking Group |
| 2 | RBS | 7 | KPMG | | |
| 3 | First State Investments / Virgin Bank | 8 | Cornelian Asset Managers | | |
| 4 | Adam & Company | 9 | Handelsbanken | | |
| 5 | Clydesdale Bank | 10 | Dickson Minto | | |

ECONOMIC HIGHLIGHTS

Edinburgh is consistently ranked as one of the UK's most competitive large cities, based on factors such as skills, productivity and qualifications. (Source: The Centre for International Competitiveness).



The seat of the Scottish Government and legal system and an important global business centre, Edinburgh is the UK's second largest and Europe's fourth largest financial centre, by the equity assets under management. (Source: www.sfe.org.uk, www.scottish-enterprise.com) www.edinburgh-inspiringcapital.com



In the past five years, more than 80 spin-out companies have come from the University of Edinburgh, with 95% of them still active and 250 patents have been filed. (Source: City of Edinburgh Council).



Edinburgh boasts a highly qualified workforce with 54% holding a degree or degree equivalent level qualification. Over 35% of workers in Edinburgh are managers or professionals, compared to 28.50% of UK workers as a whole.

Major employers within Edinburgh include BlackRock, Skyscanner, Royal Bank of Scotland, Lloyds Banking Group, Standard Life, AEGON, Rockstar North and State Street.



The city's diverse economic base is internationally recognised, being voted both the Best Large European City for foreign direct investment 2012/2013 and Best Large City for FDI Strategy 2012/2013 (Source: Financial Times).



Edinburgh has the second highest gross value added per resident of any of the 133 'NUTS3' regions of the UK, with GVA per resident 64% above the UK average. (Source: Office of National Statistics).



Edinburgh is highly regarded for providing an excellent quality of life, being voted the UK's favourite city for 12 years running in the Guardian Observer travel awards.

EDINBURGH TOURIST MARKET

Edinburgh is a UNESCO World Heritage Site and a major tourist destination, attracting around 3.45 million visitors a year and generating £1.46 billion for the local economy. It is the most visited tourist destination in the UK after London.



Edinburgh is the home of the world's largest arts festival and the oldest continually running film festival. The festival economy was recently valued at £245 million per annum. 42% of overseas visitors come to Edinburgh during the summer period (July to September) and 2017 Festival Fringe and the International Festival tickets rose by 9% on the previous year.



The City's Festival drives Hotel trading to a peak in August each year achieving some of the highest RevPAR performance in Europe during that month. The city enjoys the second highest hotel occupancy rate in Europe and this sector is now worth over £1.15 billion to the city.



Overseas visitors stay in Edinburgh for an average of 4.5 nights, with UK resident visitors averaging 3 nights. Total visitor bed nights are around 13.6 million annually.



Awards include:

- Edinburgh is ranked first in the 2016/17 FDI strategy category for Global Cities of the Future
- Event and Festival Destination of the year (Luxury Travel Guide Awards 2017)
- Edinburgh was voted the fourth most beautiful city in the world by readers of Rough Guide, behind only Paris, Florence and Rome (2016)
- Edinburgh has come first in the Telegraph's 'Britain's Best 20 Cities' award, for the third time in a row (2016)
- Edinburgh is the 'Greenest City in the UK' with 49.1% of the city being green space (The Guardian 2017)
- Edinburgh is named second top UK destination in Trip Advisor Travellers' Choice 2017



TRANSPORT CONNECTIONS

AIR

Edinburgh Airport is the fifth largest international airport in the United Kingdom and is located 8 miles west of the city centre.

With over 50 airlines operating from Edinburgh, the terminal offers both business and leisure travellers a choice of some 120 destinations across 28 countries throughout Europe, and services further afield to North America and the Middle East.

Edinburgh Airport was sold to Global Infrastructure Partners for £800m in April 2012. The new owners have secured deals with airlines including Virgin Atlantic, American Airlines, Etihad Airways and Qatar Airways, to increase the number of destinations served from Edinburgh and increase the number of flights to existing destinations. Edinburgh Airport handled 13.43 million passengers in 2017.



ROAD

Edinburgh benefits from excellent road communications with direct access to the national motorway network. The city is served by the M8 from the west (Glasgow and Livingston), the M90/A9 from the north (Aberdeen and Inverness) and the A1 and A7 from the south/south east (the Borders, East Lothian and Newcastle).

RAIL

Edinburgh's two main rail stations, Waverley and Haymarket, are located in the city centre. The stations provide direct train services to and from London on the east coast network and are easily reached from other main English towns and cities, as well as providing Scottish services to all major centres. Both rail stations have seen multimillion pound refurbishments and upgrading programmes to cope with the increased demand in passenger numbers.



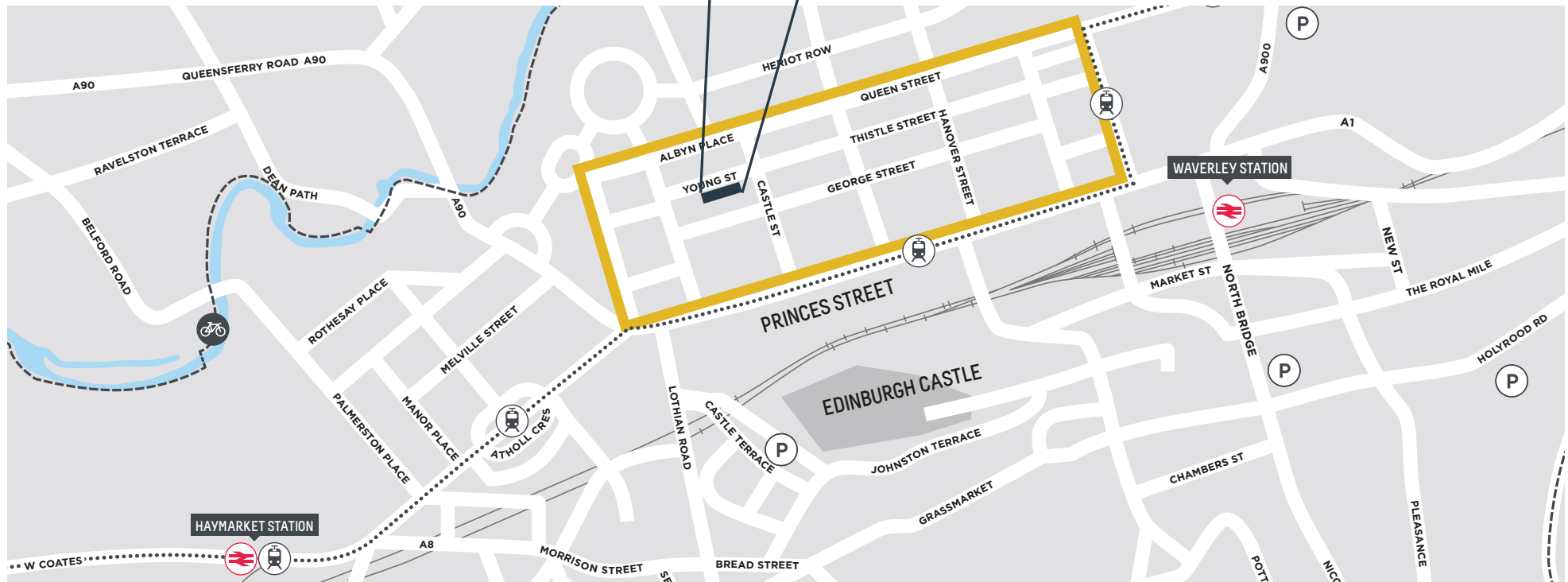
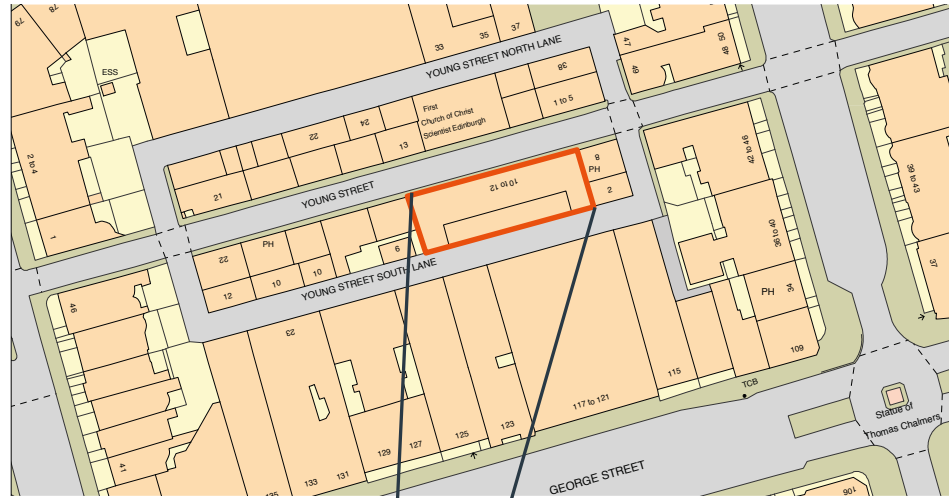
TRAM

The city's new tram system commenced operations in May 2014. Edinburgh Airport is now connected with Edinburgh Park, Haymarket Station, Princes Street and St Andrew Square with services terminating at York Place.

SITUATION

The subject property is located on Young Street in the heart of Edinburgh's core city centre, linking North Castle Street and North Charlotte Street, running parallel to George Street. The area is known as the Golden Rectangle – Edinburgh's traditional and long established commercial centre.

We have measured the site area using Promap and estimate the total site area to be extended to 0.061 hectare (0.152 acres).



LOCAL AMENITIES

The building is ideally placed to take advantage of the following amenities within the immediate vicinity:

TRANSPORT

The property is equidistant to both Haymarket and Waverley stations and a short walk to the nearest tram stop (a 30 minute journey to Edinburgh Airport). The Edinburgh Bus Station is located in close proximity.

LEISURE

As a leading European leisure destination, Edinburgh offers a wealth of attractions, restaurants and shopping destination. All within a short walk from the property.

RETAIL

The property is close to various department stores including both Jenners and Harvey Nichols as well as a fine selection of boutique retail on Multrees Walk, which includes leading fashion brands such as Mulberry, Louis Vuitton and Michael Kors. Princes Street and George Street are home to leading national brands.

The property is located close to one of the UK's largest and most significant regeneration projects, Edinburgh St James, which is due for completion in 2020 and will provide the city with 850,000 sqft of retail space, a luxury hotel, 30 restaurants, 150 new homes and a multi-screen cinema.

CORPORATE

The affluent area of Edinburgh New Town is home to a wide range of corporate occupiers including Royal Bank of Scotland, Royal London and Standard Aberdeen. The Edinburgh International Conference Centre (EICC) is also within easy walking distance from the apartments.

In 2016 / 2017, 73% of the property's turnover came from corporate occupiers.



DISHOOM



HARVEY NICHOLS



GUSTO

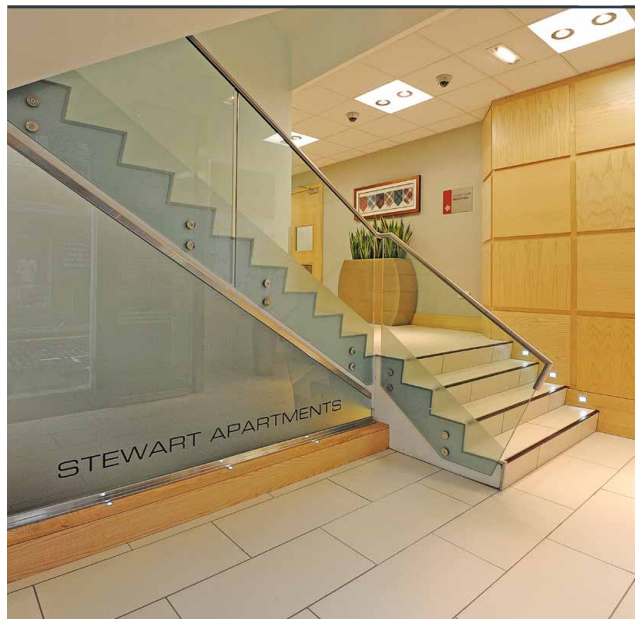
DESCRIPTION

The subject property is arranged over lower ground, ground and two upper floors.

It was comprehensively redeveloped in 2011 to provide a selection of luxury serviced apartments. This high quality serviced apartment block provides 31 well-proportioned modern one bedroom and two bedroom apartments, a dedicated reception and 10 resident car parking spaces. There is a customer shower room on the first floor.

The car parking spaces are available at lower ground level and accessible via a private car lift to the rear of the property.

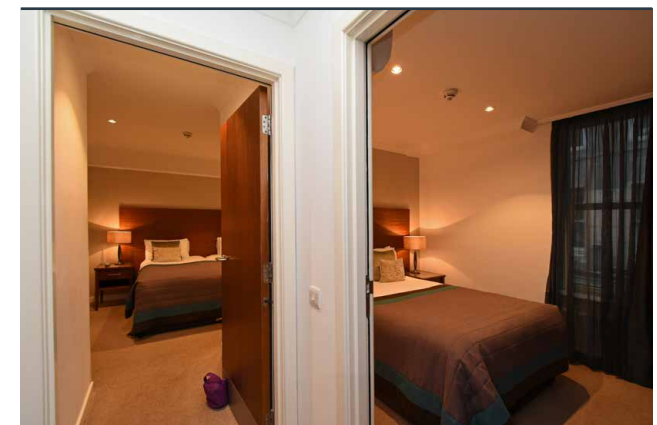
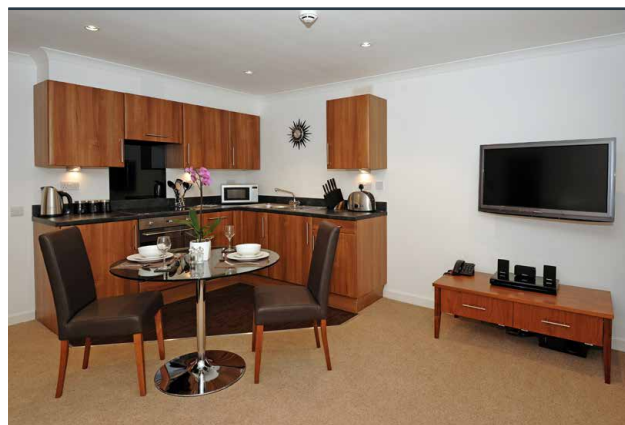
The property has been designed to operate with a central boiling system which is in line with hotelier requirements.



ACCOMMODATION

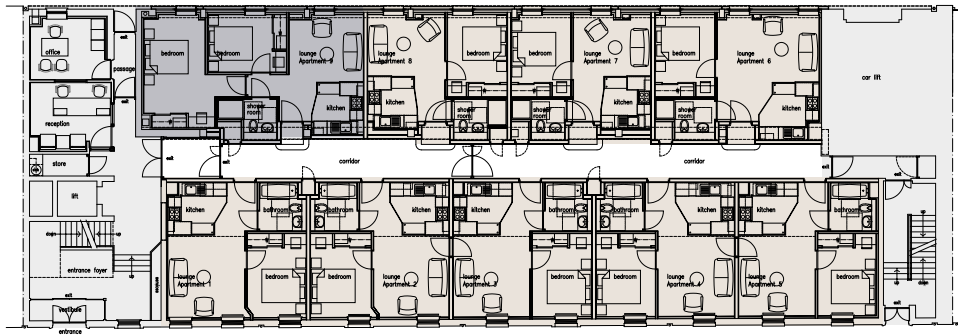
Outline below is a summary of the accommodation:

Address	Number of Units	1 Beds	2 Beds	Average Unit Size (Ft ²)	Average Unit Size (M ²)	Parking Spaces
10 Young Street	31	30	1	409	38	10

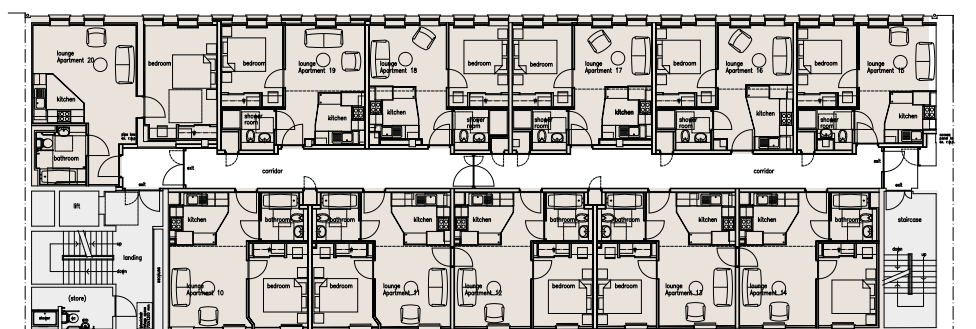
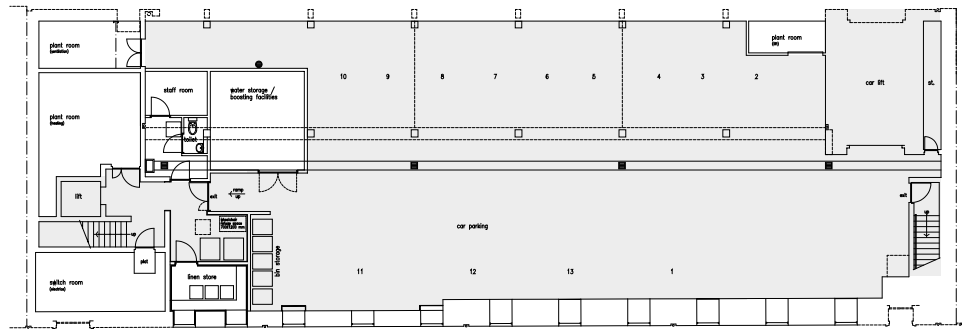
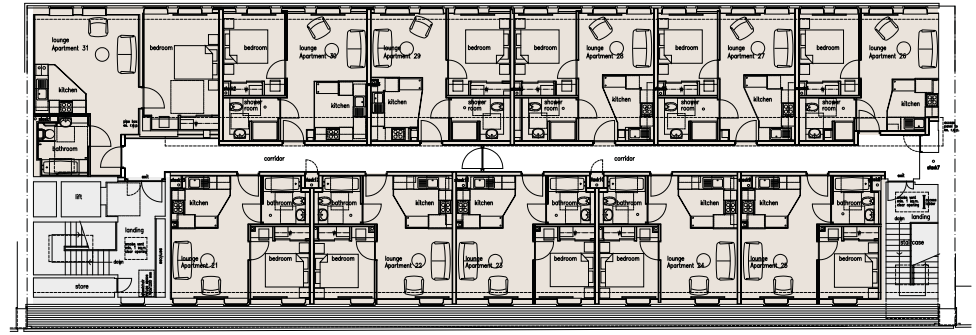


INDICATIVE FLOORPLANS

GROUND FLOOR



SECOND FLOOR



BASEMENT

FIRST FLOOR

KEY

- 1 bed
- 2 bed
- Common areas

PLANNING CONSENT

Planning permission was granted on 12th August 2010 for the change of use to form serviced apartments (31 apartments) at 10 – 12 Young Street, Edinburgh, EH2 4JB.

TENANCY

The property is operated by Fountain Court via a partnership agreement on behalf of GSS Developments which is due to expire on the 31 May 2019.

3 Year Average GSS Share of EBITDA is £517,894 per annum.

The management accounts are summarised as follows:

TRADING ACCOUNTS	31 May 2015	31 May 2016	31 May 2017
Occupancy Rate (%)	78.90	82.00	85.00
Average Room Rate	103.05	108.05	112.94
RevPAR	81.33	88.60	96.00
RevPAR Growth (%)	-	8.90	8.30
Turnover	£962,001	£1,017,914	£1,111,315
GSS share of EBITDA	£494,564	£494,281	£564,836

Fountain Court's 15% share of profit. Further details are available in the data room

ASSET MANAGEMENT INITIATIVES

3 options exist on purchase:

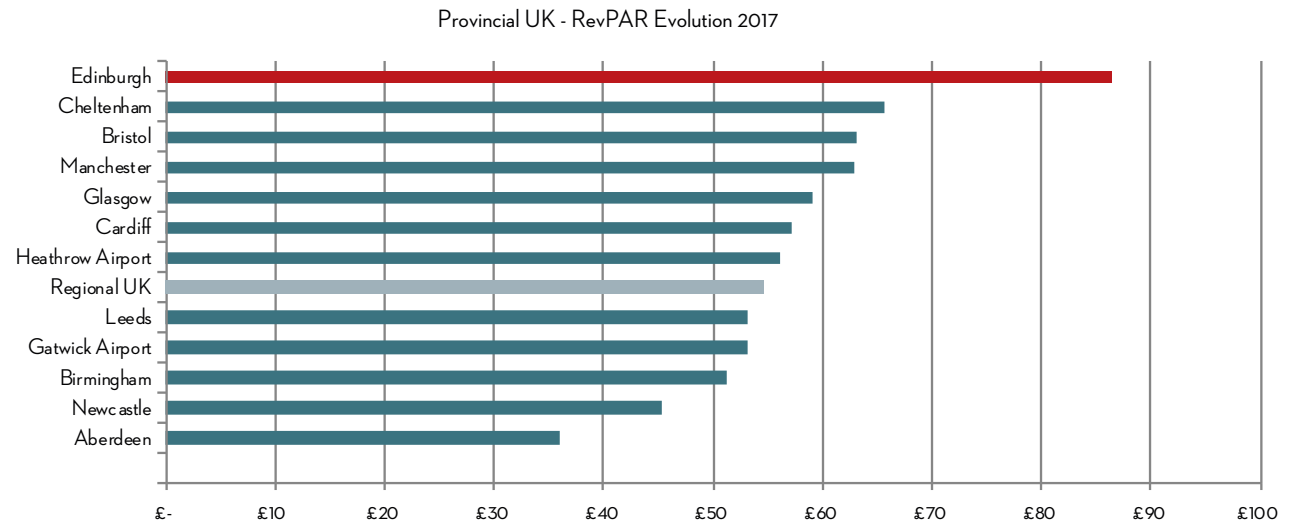
- Enter into a new agreement at lease expiry with Fountain Court
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- Obtain vacant possession from date of purchase



EDINBURGH HOTEL MARKET PERFORMANCE

The graph illustrates:

- Edinburgh's strength compared to other UK regional hotel markets
- During 2017 Edinburgh has proven, yet again, to be the best performing regional UK hotel market
- Edinburgh generated a RevPAR of £86.41 compared to a national average of £54.73 for the 2017 calendar year

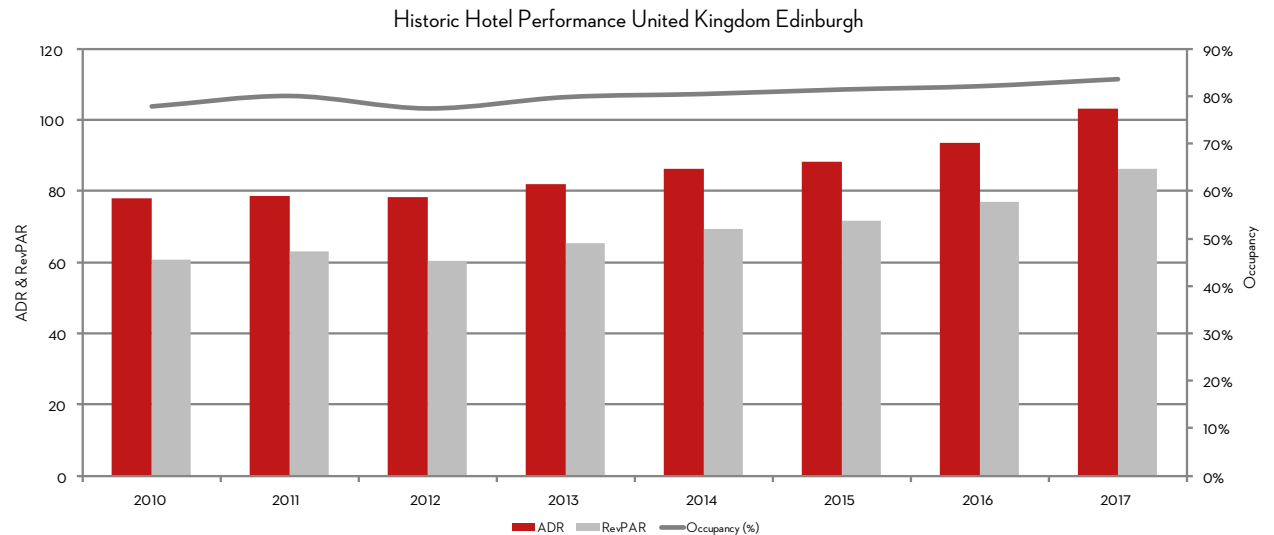


Source STR Global - Full year 2017

EDINBURGH TRADING PERFORMANCE

The graph illustrates:

- Edinburgh's performance over the last seven years
- Edinburgh is a stable and mature market
- The Edinburgh hotel market has performed well in recent years, absorbing new supply, and taking full advantage of the strong trading fundamentals enjoyed by the city.



Source: JLL Hotels & Hospitality; Local currency

VAT

The property is elected for VAT purposes.

TENURE

Heritable Interest (Scottish equivalent of English Freehold).

EPC RATING

EPC Rating of C.

DATA ROOM

Full documentation including management accounts are available within the data room. Access is available upon request.

PROPOSAL

We are instructed to seek offers in excess of £7,400,000 (Seven Million and Four Hundred Thousand Pounds Sterling) for our client's heritable interest subject to contract and exclusive of VAT.

Assuming the 3 Year Average GSS Share of EBITDA of £517,894 per annum, a purchase price at this level would reflect a net initial yield of 6.60% after assuming purchase costs of 6.17%.

FURTHER INFORMATION

For further information or to arrange an inspection, please contact:

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