

# Mercure Perth Hotel & Mercure Livingston Hotel, Scotland

Investment Opportunity

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## THE OPPORTUNITY

Savills is pleased to present for sale the Mercure Perth Hotel and Mercure Livingston Hotel in Scotland available on a joint basis. These mid-scale hotels are for sale with the benefit of RPI-linked leases to Jupiter Hotels Limited and provide a fantastic opportunity to acquire two well established hotels in popular Scottish locations.

## INVESTMENT HIGHLIGHTS

### Mercure Perth Hotel

West Mill Street, Perth, PH1 5QP

- Full service 3 star hotel and former 15th century watermill, comprising 76 en-suite bedrooms, spacious restaurant and bar, conference facilities and ample car parking provision for 50 cars on a site of 1.01 acres
- City centre location, within close proximity to key transport links providing an excellent base for access to Perthshire
- Further trading upside opportunity from completion of Mill Quarter leisure and residential development
- Let to Jupiter Hotels Limited for a term of 34 years from 24th August 1999 with an unexpired term of 15.75 years
- A passing rent of £412,097\* equating to £5,422 per room per annum, subject to annual RPI-linked rent reviews with a collar of 1%
- Additional revenue share rent of 20% of total revenue if, on a quarterly basis, 20% of turnover for the quarter is greater than 25% of the base rent plus head rent
- Held long leasehold for a term of 99 years, with an unexpired term of 51 years to Perth & Kinross Council at a rent of £70,000 per annum, which is fully refundable from the tenant

### Mercure Livingston Hotel

Almondview, Edinburgh, EH54 6QB

- Large, full service 3 star hotel comprising 120 en-suite bedrooms, bar, restaurant, extensive conference facilities, fitness centre with pool and spa and car parking for 100 cars
- Under-developed site of 4.32 acres
- Located in close proximity to key demand generators by the Centre, Livingston Designer Outlet and Almondvale Retail Park
- Let to Jupiter Hotels Limited for a term of 34 years from 24th August 1999 with an unexpired term of 15.75 years
- A passing rent of £678,192\* equating to £5,652 per room per annum, subject to annual RPI-linked rent reviews with a collar of 1%
- Additional revenue share rent of 21% of total revenue if, on a quarterly basis, 21% of turnover for the quarter is greater than 25% of the base rent
- Heritable [Freehold]

**\*24 August 2017 Rent Review memorandum awaiting signature**



Mercure Perth Hotel



Mercure Livingston Leisure Facilities



Mercure Perth Bar and Lounge

# MERCURE PERTH HOTEL

West Mill Street, Perth, PH1 5QP

## Location

The Mercure Perth Hotel benefits from a prominent location on the north west quarter of Perth city centre, within close proximity to key demand drivers and transport links. Perth railway station is approximately 0.5 miles south of the hotel and provides direct services to Glasgow, Edinburgh and Aberdeen.

Set by the River Tay, the historic city of Perth was awarded Scotland's newest City status city in 2012 and is home to a number of well-recognised education and research institutions and major companies including Highland Spring, Stagecoach, SSE and Aviva. Perth is one of the fastest growing cities in Scotland with a population growth forecast of 11,000 over the next 15 years and also benefits from 90% of Scotland's population being located within 90 minutes drive.

Perth is an established tourist destination and provides one of Scotland's strongest events portfolios with award-winning eateries alongside independent and flagship retailers including H&M, River Island and Primark. Nearby attractions include Perth Concert Hall located within a 300 metre walk from the Hotel, the Scone Palace, the coronation site of Scottish kings, the botanical gardens of Branklyn Gardens and Perth's popular racecourse.

Further growth in the city is expected with approximately £500 million being invested in strategic infrastructure investment as part of the Tay Cities Deal and Perth City Plan. Other developments include the proposed Mill Quarter, a vibrant, cultural quarter which will deliver a 9-screen cinema, gym, bars and restaurants and housing. The scheme is on the doorstep of the Mercure Perth Hotel and is estimated to attract a further 300,000 visitors a year from completion in 2019.



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## MERCURE PERTH HOTEL

### Property Description

The Mercure Perth Hotel is a historic 15th century converted watermill comprising 76 en-suite bedrooms, restaurant, bar and conferencing facilities with views of the City Lade in the heart of the city. The transformed hotel with thick stone walls, solid oak beams boasts a Highlands backdrop and is a popular venue for weddings, meetings and leisure breaks.

### Bedroom Accommodation

The Hotel offers 76 spacious and contemporary bedrooms all of which include complimentary WiFi, tea and coffee making facilities and a HD flatscreen TV. The upgraded 'Privilege' rooms also offer a Nespresso coffee machine, newspaper, and robe and slippers.

A breakdown of the room types:

Room Type	Number
Classic Double	24
Classic Twin	24
Double with King-sized Bed	21
Single	2
Privilege	3
Executive Suite	2
<b>Total</b>	<b>76</b>

### Perth Hotel Supply & Pipeline

The Perth hotel market comprises 18 existing hotels equating to 830 guest bedrooms and principally provides mid-scale accommodation within independent hotels and branded budget hotels accounting for 97% of total room supply.

The Mercure Perth Hotel therefore benefits from its international brand within a relatively unbranded mid-scale hotel market in addition to a constrained pipeline limited to a proposed 32 bed, 5-star hotel at Perth City Hall which is on hold.

### Connectivity

At the hub of the motorway network, Perth is situated at the junction of the M90 leading to Edinburgh and the A9/M9 from Inverness to Glasgow. The hotel is well placed to capture both business and leisure guests with 10 million vehicles per annum passing along the A9 on the west side of the city. £140 million is also being spent to further enhance the city's strong connectivity within region.

The hotel offers an excellent location for tourists exploring popular attractions across Perthshire from the lush farmland south to the rocky rivers and mountains of Highland Perthshire.

#### Train:

- Glasgow (1 hour)
- Edinburgh (1 hour 20 minutes)
- Aberdeen (1 hour 38 minutes)

#### Airports:

- Edinburgh Airport (46 miles / 55 minutes drive time)
- Glasgow Airport (63 miles / 1 hour 20 minutes drive time)

#### Nearby:

- Perth Museum (0.5 miles/0.8km)
- Regimental Museum (0.5 miles/0.8km)
- Branklyn Gardens (1.4 miles/2.3km)
- Scone Palace (2.5 miles/4km)
- Noah's Ark (3.4 miles/5.5km)



Mercure Perth Bar



Mercure Perth Restaurant

## MERCURE PERTH HOTEL

### Conferencing and Meeting Facilities

The Hotel provides flexible conferencing and meeting facilities across the large Kinnoull Suite boasting original medieval oak beams, period features and a private balcony and three functional suites. All suites provide WiFi, AV equipment, LCD projectors and coffee and tea facilities.

A breakdown of the facility layouts and capacities below:

Layout	Theatre	Classroom	U-Shape	Boardroom	Cabaret	Banquet	Reception	Dinner/Dance	Wedding Breakfast	Civil Ceremony
Kinnoull Suite	120	50	36	40	60	120	120	120	100	-
Summit Suite	40	20	16	25	20	25	30	-	-	40
Tay Suite	40	12	12	18	-	30	30	-	-	-
Miller Suite	40	12	12	18	-	18	-	-	-	-

### Car Parking

The Hotel site area spans 1.01 acres and provides ample car parking for 50 cars.

### Planning and Use

The property is category A listed. The building was converted to hotel use in the 1970s and retained parts of the original mill features internally. The survival of the timber king post roof in the main function suite is particularly noteworthy.

The property is designated Class 7 for hotels and hostels use in the Town and Country Planning [Use Classes] [Scotland] Order 1997.

### Lease Summary

The Hotel is let to Jupiter Hotels Limited for a term of 34 years from 24th August 1999 with an unexpired term of 15.75 years. The passing rent is £412,097 equating to £5,422 per room per annum and is subject to annual RPI-linked rent reviews with a collar of 1%. The 24 August 2017 rent review memorandum is awaiting signature and the next rent review is on the 24th August 2018.

An additional turnover rent of 20% of total revenue is payable where 20% of turnover for the Quarter is greater than 25% of the base rent in addition to the head rent. This review occurs on a quarterly basis.

### Tenure

Held long leasehold for a term of 99 years at a current ground rent of £70,000 per annum, which is fully recoverable by the tenant. The ground rent may be reviewed on a 15 yearly upwards only basis; the next rent review is 27 May 2022. The Head Landlord has the option of offering the Head Tenant an extension of the long lease for a term of no less than 20 years. Alternatively, at lease expiry in 2069, the Head Landlord may acquire the buildings exclusive of goodwill and other considerations. The Head Tenant has a repairing liability to keep the buildings in a good state of repair.

# MERCURE LIVINGSTON HOTEL

Almondview, Edinburgh, EH54 6QB

## Location

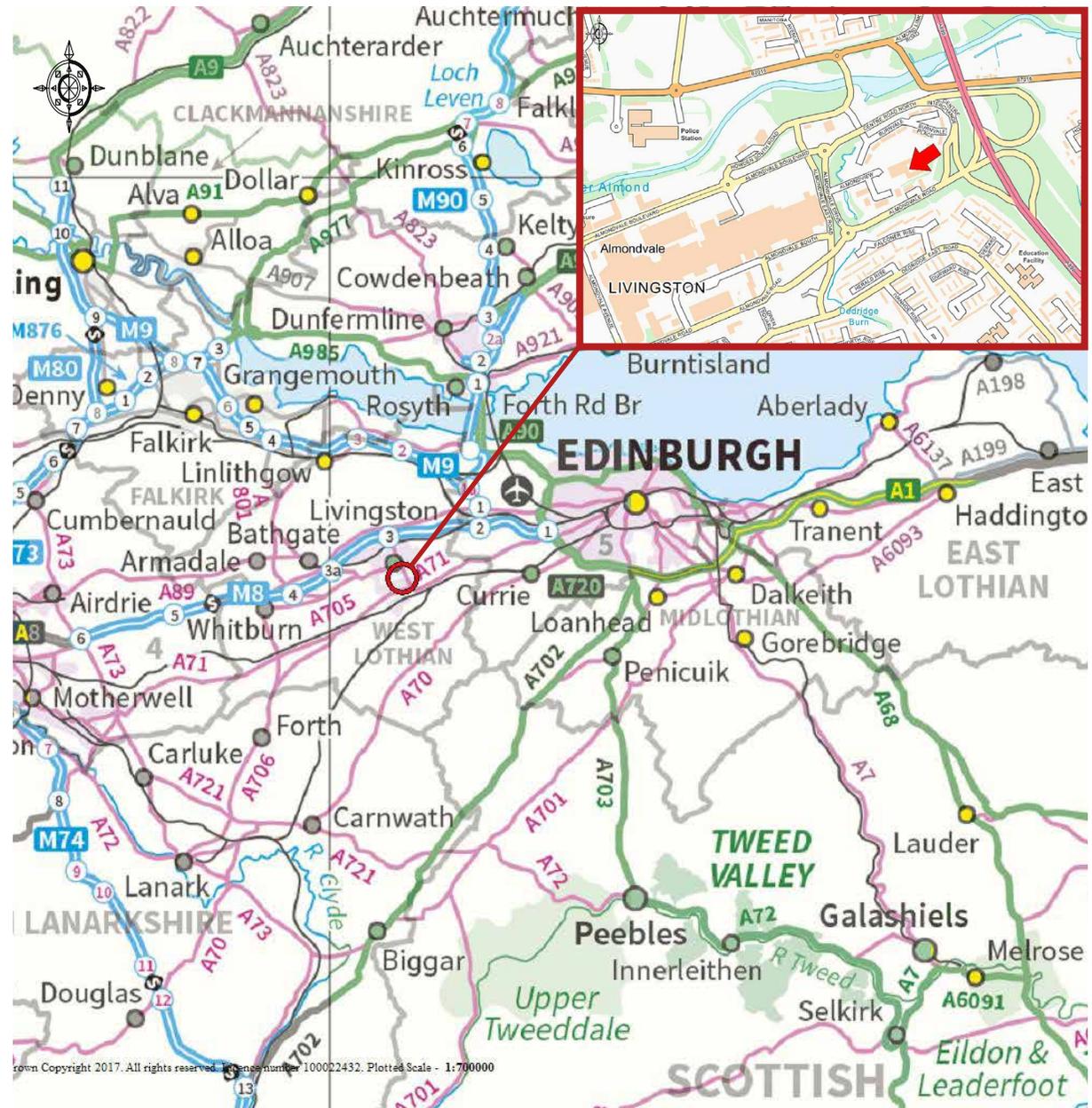
The Mercure Livingston is situated in the north east quarter of Livingston town centre. Livingston is one of Scotland's new towns, formed in the early 1960's and is the largest town in West Lothian, with an immediate population of 56,269 [Source: 2011 Census]. Strategically positioned within the heart of Scotland's Central Belt and the Almond Valley, Livingston is highly accessible lying between Edinburgh and Glasgow and serves as the administrative capital of the West Lothian Region. Key occupiers includes Sky UK as the largest employer in West Lothian and the NHS, Q Squared Solutions and Quintiles IMS.

West Lothian attracted 1.17 million visitors and 2.16 million day trips in 2016 equating to visitor spends of £171 million. Livingston is the third largest shopping venue in Scotland and offers a large retail offering which comprises The Centre, Livingston Designer Outlet (including Vue Cinemas) and Almondvale Retail Park. Other most visited attractions include the Five Sisters Zoo, Howden Park Centre and the Almond Valley.

The Hotel is prominently located opposite Almondvale Shopping Centre, which extends to circa 750,000 sq ft and has an annual footfall of 15.3 million people. With over 60% of Scotland's population within a 60 minute driving radius of the town, the shopping centre is currently undergoing a £1.8 million refurbishment programme to drive further footfall.



Mercure Livingston Hotel



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## MERCURE LIVINGSTON HOTEL



Mercure Livingston Gym



Mercure Livingston Bar & Restaurant

### Property Description

The Mercure Livingston Hotel is a purpose built hotel comprising 120 en-suite bedrooms, restaurant and bar, conference facilities and Health Club. The hotel is complimented by approximately 100 car parking spaces. This makes the hotel ideal for exploring West Lothian and central Scotland, for business meetings and conferences and for weddings.

### Livingston Hotel Supply & Pipeline

The Mercure Livingston Hotel serves as the only midscale branded hotel within the Livingston hotel market comprising six hotels equating to 326 bedrooms. In terms of number of bedrooms, the market is dominated by the budget and 3-star sector accounting for 51% and 49% respectively. In addition to a limited pipeline comprising two speculative hotels equating to 31 potential new rooms, the Hotel is well positioned in its immediate market.

### Bedroom Accommodation

The Hotel provides 120 en-suite bedrooms, including interconnecting family rooms. Each of the contemporary rooms include complimentary WiFi, tea and coffee making facilities and a HD flatscreen TV. The upgraded 'Privilege' rooms also offer a Nespresso coffee machine, newspaper, and robe and slippers.

A breakdown of the room types:

Room Type	Number
Double	48
Double with Single Bed	11
Double/Single Bed plus Companion Bed	6
Double Executive	5
Twin	49
Triple	1
<b>Total</b>	<b>120</b>

### Restaurant and Bar

The Brasserie and Lounge offering includes a range of menu options, including; the Brasserie Menu, Lounge Menu and Chef's Menu. The open plan restaurant provides 140 covers and is open throughout the day serving breakfast, lunch and evening meals.



Mercure Livingston Bedroom

## MERCURE LIVINGSTON HOTEL

### Connectivity

Livingston is well served by road, bound by a ring road with quick access to the M8, which forms the key motorway network between Edinburgh and Glasgow. The town is also well served by bus services which includes regular services to Glasgow, Edinburgh, Falkirk and most West Lothian towns and villages.

The Hotel offers an excellent location to benefit from Livingston's extensive retail offering, which includes Scotland's biggest designer outlet store within walking distance.

#### Train:

- Edinburgh (20 minutes)
- Glasgow (45 minutes)

#### Airports:

- Edinburgh Airport (10 miles/15 minutes drive time)
- Glasgow Airport (42 miles/45 minutes drive time)

#### Nearby:

- Livingston Designer Outlet (0.7 miles/3 minutes drive time)
- Almondell & Calderwood Country Park (2.8 miles/11 minutes drive time)
- Five Sisters Zoo (4.1 miles/9 minutes drive time)
- Howden Park Centre (1.6 miles/6 minutes drive time)
- Linlithgow Palace (9.3 miles/19 mins)



Mercure Livingston Garden



Mercure Livingston Rear



Mercure Livingston Courtyard

## MERCURE LIVINGSTON HOTEL

### Conferencing and Meeting Facilities

The Hotel provides flexible conferencing and meeting facilities across a number of meeting and conference rooms. All suites provide WiFi, AV equipment, LCD projectors and coffee and tea facilities.

A breakdown of the facility layouts and capacities below:

Layout	Theatre	Classroom	U-Shape	Boardroom	Cabaret	Banquet	Reception	Dinner/Dance	Wedding Breakfast	Civil Ceremony
Almond Suite	130	55	-	60	80	120	130	90	120	90
Burn Suite	50	20	20	25	25	40	50	30	70	40
Kirton & Pentland Suite (each)	25	10	14	20	15	25	30	-	25	30
Boardroom	25	8	10	12	10	15	15	-	15	25
Summit Suite	40	22	16	20	15	24	30	-	20	-
Summit Rooms 1,2,3	20	4	-	10	-	10	10	-	10	-

### Leisure

The Feel Good Health Club offers guests and members gym facilities, indoor heated swimming pool, pinewood sauna and poolside steam rooms.

### Car Parking

The Hotel provides car parking for 100 cars over a large site of 4.32 acres, which is largely under-developed.

### Planning & Use

The property is designated Class 7 for hotels and hostels use in the Town and Country Planning [Use Classes] [Scotland] Order 1997.

There are no outstanding planning applications at the property or any surrounding applications that are expected to impact on the property.

### Capital Expenditure

It was agreed as part of the Deed of Variation that the landlord would contribute towards a bedroom refurbishment project, up to a maximum of £500,000, subject to Construction Industry Scheme Verification from HM Revenue & Customs.

### Lease Summary

The Hotel is let to Jupiter Hotels Limited for a term of 34 years from 24th August 1999 with an unexpired term of 15.75 years. The passing rent is £678,192 equating to £5,652 per room per annum and is subject to annual RPI-linked rent reviews with a collar of 1%. The 24 August 2017 rent review memorandum is awaiting signature and the next rent review is on the 24th August 2018.

An additional turnover rent of 21% of total revenue is payable where 21% of turnover for the Quarter is greater than 25% of the base rent. This review occurs on a quarterly basis.

### Tenure

Heritable [Freehold]



Mercure Livingston Almond Suite



Mercure Perth Reception



Mercure Perth Restaurant



Mercure Livingston Restaurant



Mercure Perth Hotel



Mercure Livingston Courtyard



Mercure Perth Bedroom



Mercure Livingston

## BRAND & TENANT OVERVIEW

### Internationally recognised Mid-Scale Brand

Mercure is part of Accor Hotels, a French multinational group currently operating 4,200 hotels and 600,000 rooms across 95 countries offering an array of brands from Sofitel in the Luxury Market, Pullman in Upscale, Mercure in Midscale and Ibis in the Economy sector. Accor's highly rated 'Le Club' loyalty programme provides a wide range of benefits to its 27 million members.

Since the first Mercure hotel was established in 1973 in Saint-Witz, France, Mercure has become one of the world's leading hospitality brands, with over 754 Mercure branded hotels across 58 countries. The brand has a strong presence in the UK with over 8,600 rooms over 81 trading hotels including 10 hotels located in Scotland.

### The Tenant

The properties are let to Jupiter Hotels Limited who operate 29 hotels across the UK, 27 of which are franchised with Accor under the Mercure brand, and two Holiday Inns.

The company has a D&B rating of 5A1 and has experienced year-on-year growth in profitability. For the year ending December 2016, the company reported a turnover in excess of £79.7 million, profit before tax of £11.7 million and a net worth in excess of £45.6 million as follows:

	Fiscal Non consolidated GBP		
	31 Dec 2016 (000's)	31 Dec 2015 (000's)	31 Dec 2014 (000's)
Sales Turnover	79,755	75,763	72,216
Profit/[Loss] Before Taxes	11,743	3,824	3,625
Tangible Net Worth	45,623	34,297	30,701

Source: D&B



## SCOTLAND HOTEL MARKET

Scotland's reputation for its spectacular open landscapes and unspoilt coastlines, combined with beautiful historic castles, towns and cities continues to draw millions of visitors a year. According to Visit Scotland, in 2016, Scotland recorded 14.3 million overnight visits [domestic and overseas visitors] and over 142 million day visits, totalling some 156.3 million day and overnight visits representing a 12.7% increase year-on-year. This positive momentum has continued into the first half of 2017, with 72.6 million day trips recorded and a spend of £3.095 million, equating to a 9.3% and 48.6% year-on-year increase respectively.

The strength of Scotland's tourism and corporate markets has underpinned the success and resilience of Scotland's hotel market to wider geopolitical headwinds. High visitor demand for both corporate and leisure focussed hotels is reflected in a 15.8% year-on-year increase on Gross Operating Profit Per Available Room [GOPPAR] in September 2017 [Source: HotStats]. Year-on-year growth in Rooms

Revenue has also been supported by growth in Food and Beverage [+1.9%], Conferencing and Banqueting [+3.8%] and Leisure [+5.3%].

Scotland remains one of the most sought after hotel markets in the UK, with investment volumes buoyant at approximately £118 million in the first half of 2017 and forecasted to exceed 2016 transaction volumes of £120 million. The devaluation of Sterling and improved operational performance across wider Scottish regional markets has attracted strong overseas interest and presented opportunities for both occupiers and investors keen to increase their presence by virtue of size, brands and new concepts.

- 14.3 million overnight visits in 2016 (domestic and overseas)
- 156.3 million total visits (day and overnight)
- £9.6 billion tourist spending in 2016
- 17% rise in overseas visitors from 2005 to 2016.
- 48.6% year on year increase in tourist day trip spending



## GENERAL INFORMATION

### Data Room

Further information on this property and details of the hotel's trading performance are available in a confidential dataroom upon acceptance of the non-disclosure agreement.

### EPC

Energy Performance Certificates are available in the dataroom.

## TRANSACTION STRUCTURE

### Proposal

The hotels are available to prospective purchasers subject to the occupational lease to Jupiter Hotels Limited.

Mercure Perth: Offers invited in excess of £2,750,000 [Two Million Seven Hundred and Fifty Thousand pounds], reflecting an attractive net initial yield of 14.06% after allowing for assumed standard purchaser's costs of 5.90%.

Mercure Livingston: Offers invited in excess of £5,500,000 [Five Million and Five Hundred Thousand pounds], reflecting an attractive net initial yield of 11.20% after allowing for assumed standard purchaser's costs of 6.10%.

All offers are subject to contract and exclusive of VAT.

### VAT

The properties are elected for VAT and should qualify as a Transfer of a Going Concern [TOGC].

### Viewings

Viewing is strictly by prior appointment and no direct contact should be had with the Operator, its employees or its affiliated businesses in conjunction with this sale process.

# Mercure Perth Hotel & Mercure Livingston Hotel, Scotland

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## CONTACT DETAILS

For further information of the sale please contact:

### Steven Fyfe

+44 [0]141 222 4159  
+44 [0]7818 002 617  
steven.fyfe@savills.com

### Tom Cunningham

+44 [0]16 1244 7709  
+44 [0]7894 341 564  
tcunningham@savills.com

### Richard Dawes

+44 [0]20 7409 8106  
+44 [0]7580 789 978  
rdawes@savills.com

### Frankie Wood

+44 [0]20 7877 4778  
+44 [0]7976 743 759  
fwood@savills.com

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November 2017



Mercure Perth Hotel