INTRODUCTION

Jones Lang LaSalle Hotels & Hospitality Group has been instructed by Edinburgh Airport Limited to source a leasehold investor and operator for an exceptional hotel development opportunity in an unrivalled location at Edinburgh Airport.

KEY INVESTMENT HIGHLIGHTS

- A unique opportunity to develop the most accessible and visible hotel at Edinburgh Airport, within the airport boundary.
- An existing planning consent has been granted for a 350 bedroom hotel. It is felt that this consent does not meet current demand for the area. The new proposal is to develop a 175 bedroom mid-market hotel with on-site car parking within the consented scheme.
- The proposed hotel will adopt a prominent position on the main access road into Edinburgh Airport, approximately a four minute walk from the main terminal building.
- The hotel will be within easy reach of the Edinburgh Airport Tram station, connecting the airport to the city centre in less than 30 minutes. This service will commence operation in May 2014.
- Edinburgh Airport is one of the most rapidly evolving transport hubs in the UK, with active investment and marketing fuelling impressive growth in passenger numbers.
THE OPPORTUNITY

The site currently comprises several low-rise disused commercial buildings with ancillary car parking and an airport administrative headquarters. It is bordered by Jubilee Road to the north, the primary entrance to Edinburgh Airport, providing the proposed hotel with excellent prominence. The prime location of the site, approximately 250 metres south of the terminal building, presents an unmatched opportunity for an operator to establish brand presence at this expanding transport hub.

Planning Permission

Planning consent for a 350 bedroom hotel was granted on the 17th April 2012, planning application number: 10/01392/FUL. It is felt that this current consent of 350 bedrooms is too large to meet demand for the area. Therefore the proposal is to demolish the existing buildings and develop a new purpose built 175 bedroom mid-market hotel with on-site car parking. The hotel will be developed as Phase 1 of the development of this site, which also includes a restaurant opportunity. There is initial strong interest in the opportunity from a number of national food operators. Phase 2 of the site will be developed for commercial uses at a later stage.

Architects Sasanboll have been appointed to prepare an outline plan to demonstrate a potential site layout which includes the proposed hotel along with the restaurant. These proposals are for guidance purposes only but provide a view of how the site could be best utilised.

Planning Application

As part of the process Edinburgh Airport Limited will apply jointly with the preferred party for a new planning consent for the development of a smaller hotel within the consented hotel scheme.
LOCATION

Edinburgh Airport is located approximately 13km west of Edinburgh city centre. The A8, which runs directly to the south of the airport, provides easy access into the city centre (approximately 20 minutes drive). Both the M9 and M8 are within 5 minutes drive of the airport offering direct access to northern Scotland and Glasgow. At present, public transport is provided by The Airlink bus service which runs 24 hours a day connecting the airport to the city centre in 30 minutes.

Work is nearing completion on the Edinburgh Tram network which will run from the airport through the western suburbs of Edinburgh, along Princes Street in the city centre to York Place. The service will depart from a dedicated station adjacent to the terminal building, a short walk from the proposed hotel, and will commence operation in May 2014.

The proposed hotel is to be located approximately 250m south of the main terminal building at the main entrance to the airport. Directly to the south of the site lies the Royal Highland Centre which hosts over 200 events per annum, attracting in excess of 1m visitors. Gogarburn, the global headquarters of RBS is located on the A8, 2.5km south east of the proposed hotel.

The RBS headquarters reportedly provides in the region of 35,000 hotel room-nights a year across the city, many of which are captured by existing airport hotels'
Edinburgh Airport is the busiest airport in Scotland and the fifth busiest in the UK, handling over 9 million passengers per annum. Over 40 airlines operate out of the airport serving a wealth of domestic and international destinations including London, Paris, Dublin, Frankfurt and New York. In addition to this, it has been confirmed that new long haul routes to Qatar, Chicago and Philadelphia will be operational from 2014. Airlines with regular services from the airport include British Airways, United Airlines, Easyjet, Ryanair, Air France and Virgin.

Since 2002, the airport has experienced substantial growth in passenger numbers of approximately 42%. Both the domestic and international markets have been boosted by the entrance of low cost airlines alongside active marketing by Edinburgh Airport Limited.

The following table details historic passenger numbers and aircraft movements at Edinburgh Airport over the last five years.

### Edinburgh Airport Passenger Numbers and Aircraft Movements (000's)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Terminal Passengers</strong></td>
<td>9,047</td>
<td>8,597</td>
<td>9,385</td>
<td>9,194</td>
<td>9,785</td>
</tr>
<tr>
<td><strong>Domestic</strong></td>
<td>4,910</td>
<td>4,434</td>
<td>4,657</td>
<td>4,521</td>
<td>4,687</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td>4,137</td>
<td>4,163</td>
<td>4,728</td>
<td>4,673</td>
<td>5,098</td>
</tr>
<tr>
<td><strong>Aircraft Movements</strong></td>
<td>107.1</td>
<td>101.3</td>
<td>105.8</td>
<td>102.8</td>
<td>103.7</td>
</tr>
</tbody>
</table>

Source: Edinburgh Airport Ltd
HOTEL MARKET

There are six hotels located within a 4 km radius of Edinburgh Airport totalling approximately 791 bedrooms. The table below provides a breakdown of the hotel supply and the market share of each hotel category in the Edinburgh Airport area, based on information compiled from AM:PM hotels.

Edinburgh Airport Accommodation Profile

<table>
<thead>
<tr>
<th>Standard</th>
<th>Number of Properties</th>
<th>Rooms</th>
<th>Percentage of Overall Supply (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-Star</td>
<td>3</td>
<td>478</td>
<td>60%</td>
</tr>
<tr>
<td>Budget</td>
<td>3</td>
<td>313</td>
<td>40%</td>
</tr>
<tr>
<td>Total Supply</td>
<td>6</td>
<td>791</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: AM:PM Hotels

Research carried out previously has shown that Edinburgh Airport was one of the most undersupplied airport hotel markets in the UK with a total number of hotel bedrooms per 10,000 passengers of only 0.5 (2010), compared to a UK average of 1.3. Given the lack of development in the Edinburgh Airport hotel market since 2010, combined with the growth in passenger numbers, the market continues to show characteristics of undersupply.

Mid to upmarket hotels in the Edinburgh Airport area have experienced robust trading performance over the past 5 years with growth in RevPAR of approximately 16%. The year to November 2013 was a particularly strong period for the local market with RevPAR up 6% on the same period in 2012. The unrivalled location of the proposed hotel will allow it to penetrate the local market successfully and achieve performance in excess of the market average.

Demand for the proposed hotel is likely to be dominated by the corporate sector. This will include both transient corporate, generated by the highly accessible location, and contracts with large local corporates such as RBS at Gogarburn and Fujitsu, HSBC and Diageo at Edinburgh Park. A new purpose built high quality hotel on the subject site will also attract significant leisure demand from guests requiring easy access to the airport terminal. The conference and groups sectors will provide additional essential demand driven by the excellent strategic location and strong fundamentals of Edinburgh as a business and leisure destination.

Edinburgh Airport Hotel Market Operating Performance

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>73.4%</td>
<td>74.1%</td>
<td>79.2%</td>
<td>80.9%</td>
<td>82.5%</td>
<td>84.1%</td>
</tr>
<tr>
<td>Average Room Rate</td>
<td>£69.14</td>
<td>£66.36</td>
<td>£66.72</td>
<td>£68.40</td>
<td>£65.37</td>
<td>£70.05</td>
</tr>
<tr>
<td>RevPAR</td>
<td>£50.78</td>
<td>£49.19</td>
<td>£52.81</td>
<td>£55.35</td>
<td>£53.91</td>
<td>£58.93</td>
</tr>
</tbody>
</table>

Source: STR Global
PROPOSAL

Edinburgh Airport Limited is seeking a leasehold investor or operator for the site. It is proposed that Edinburgh Airport Limited will lease the hotel to a selected operator or investor on a long leasehold basis of 150 years with a minimum ground rent per annum plus a turnover related element addition. The operator will finance the conversion of the site into a hotel.

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