



Prime Ground Lease For Sale
Index Linked

40-50

BLACKFRIARS STREET

EDINBURGH | EH1 1NE

Tourist Hostel
& Student Accommodation
Investment

hendersonherd
COMMERCIAL PROPERTY INVESTMENT



Investment Summary

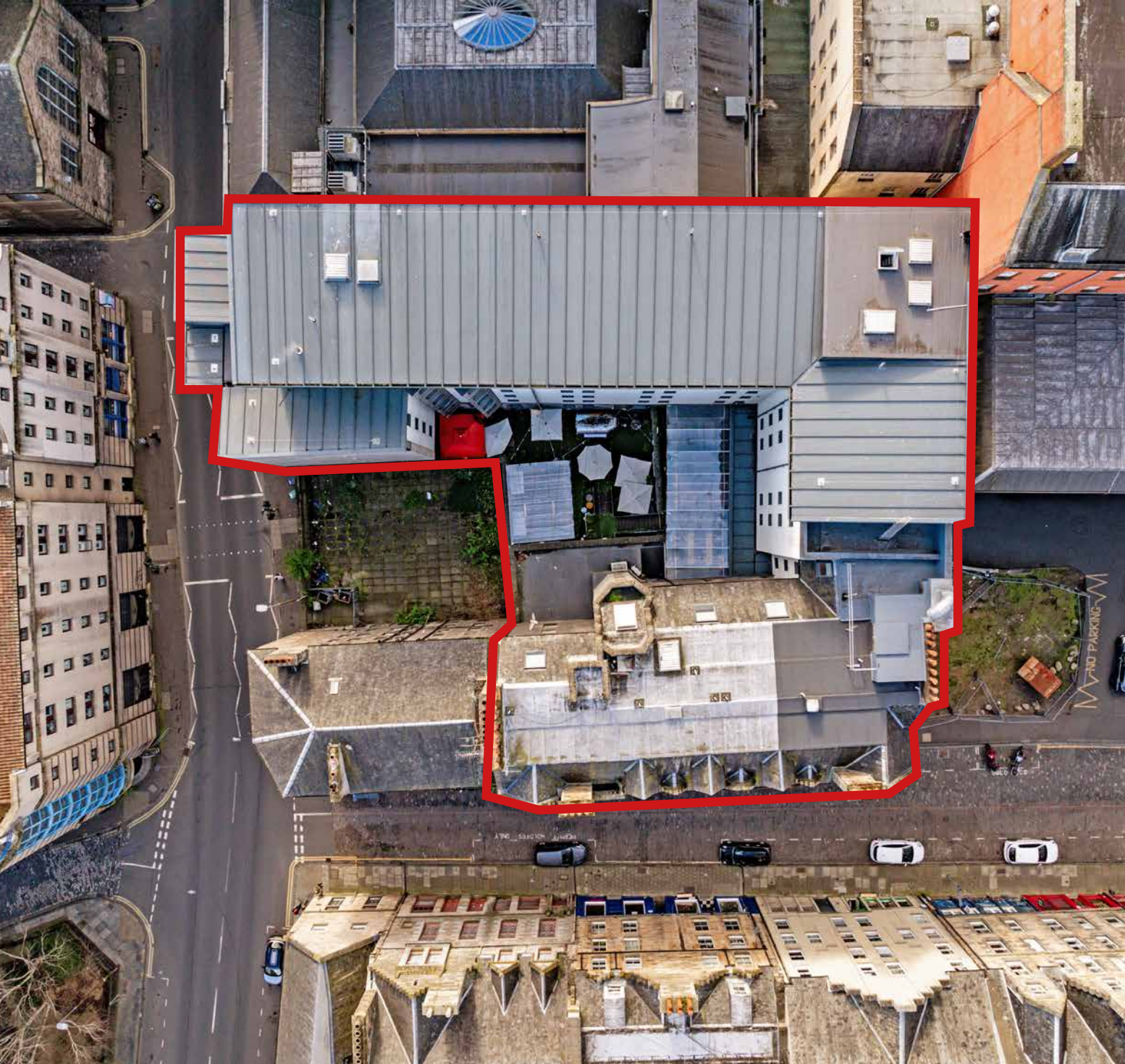
An exceptional opportunity to acquire a highly secure, index-linked ground lease to a prime, modern development in Edinburgh’s historic Old Town with over 142 years unexpired.

PROFILE	40-50 Blackfriars Street is a modern development, providing 132 ensuite bedrooms, a restaurant and a public bar. 56 rooms are sublet to University of Edinburgh during the academic year.						
TENURE	Heritable (Scottish equivalent of English freehold).						
LEASE	150 years from 17 th May 2017 expiring on 16 th May 2167. Over 142 years unexpired. ^(Note 1)						
CURRENT RENT PA	£162,011 per annum (£1,227 per room).						
ACCRUED REVERSION (JANUARY 2025)	£182,765 per annum (£1,385 per room).						
NEXT RENT REVIEW	17 th May 2027 and five yearly, upwards only thereafter.						
RENT REVIEW BASIS	Retail Prices Index, subject to a minimum of 1% per annum and a maximum of 4% per annum.						
PROJECTED REVERSION (MAY 2027)	£192,528 per annum (£1,459 per room). ^(Note: 2)						
TENANT	PropCo 50 Blackfriars St. Ltd (Company Registration:10664889).						
PRICE	Offers are invited in excess £XX,XXX,XXX , exclusive of VAT. After deducting assumed purchaser’s costs of 6.80% , a purchase at this level would reflect the following: <table><tr><td>Equivalent Yield – Accrued Reversion to January 2025</td><td>x.xx%</td></tr><tr><td>Projected Reversion - May 2027</td><td>x.xx%</td></tr><tr><td>Capital Value per bedroom</td><td>£x.xx</td></tr></table>	Equivalent Yield – Accrued Reversion to January 2025	x.xx%	Projected Reversion - May 2027	x.xx%	Capital Value per bedroom	£x.xx
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Capital Value per bedroom	£x.xx						

Note 1: the tenant enjoys a right to purchase the freehold in 2042 and on lease expiry in 2167.
Note 2: assuming RPI of 3.00% until March 2027.







40-50 Blackfriars Street, Edinburgh Old Town

40-50 Blackfriars Street, Edinburgh Old Town was redeveloped in 2001. It comprises a listed period building to the front with a larger, purpose-built extension to the side and rear. It provides 132 bedrooms of ensuite accommodation with ancillary bar and restaurant, constructed over lower ground, ground and six upper levels.

The property is situated in the heart of Edinburgh's historic Old Town, approximately 50m south of the High Street ("The Royal Mile"). This is a prime tourist and student location with many prime tourist and leisure attractions within easy walking distance.

40-50 Blackfriars Street was designed and is operated with interchangeable use between hostel and student accommodation. Currently, 76 of the 132 rooms are operated as a tourist hostel all year round.

The remaining 56 bedrooms are sublet to University of Edinburgh as student accommodation during the academic year, but are used as additional hostel accommodation during the busy summer tourist season. Kitchen, lounge and laundry facilities are provided.

In hostel use, the total capacity is 615 bed spaces making it the largest in Edinburgh.

The development includes a busy public bar and restaurant with an extensive courtyard terrace. This trades as Bar 50 and is open to non-residents, benefitting from a separate entrance off Cowgate, a prime leisure pitch.

The hostel is operated by A&O Hostels, a European hostel and budget hotel business operating from 27 cities in Germany, Austria, Italy, Czech Republic, Poland, Hungary, The Netherlands, Belgium and the UK.



Edinburgh Castle

St Giles' Cathedral

Princes Street

Old College,
University of Edinburgh

Cowgate

The Royal Mile


Waverley

a&o

Location



Blackfriars Street is an historic thoroughfare situated in the heart of the Old Town of Edinburgh. It links the Royal Mile to the north with the Cowgate to the south.



The Old Town is the historic heart of Edinburgh and is home to many of its principal tourist attractions, including Edinburgh Castle, St Giles' Cathedral, Holyrood Palace, the Museum of Scotland and the Festival Theatre. The University of Edinburgh is situated approximately 300m to the south and Waverley Station approximately 200m to the north.



The Cowgate and the adjacent Grassmarket are two of Edinburgh's most popular leisure destinations including numerous bars and restaurants.



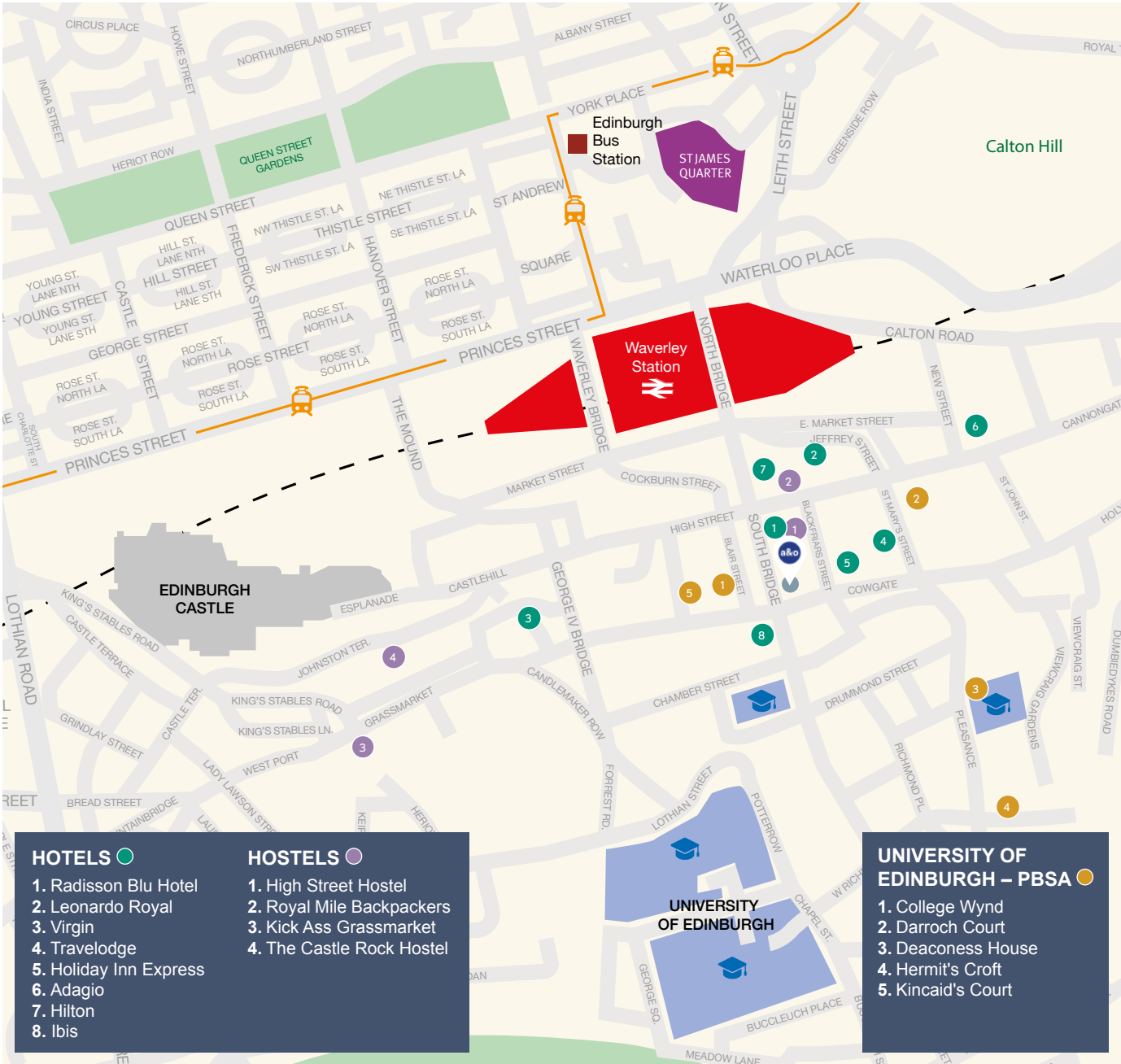
This is a prime tourist location with several large hotels in close proximity. The property lies adjacent to the 238 bed Radisson Blu Hotel with the Leonardo Royal, Virgin, Travelodge, Holiday Inn Express, Adagio, Hilton and Ibis hotels within 100m.



The Old Town is the main focus of the youth, backpacker and hostel tourism market in Edinburgh. Hostel operators nearby include Safestay, High Street Hostel, Royal Mile Backpackers, Kick Ass Grassmarket and The Castle Rock Hostel.



It is a highly popular location with students due to its proximity to the University of Edinburgh, the city centre and the primary leisure circuit. University of Edinburgh and a range of private operators provide both undergraduate and postgraduate student halls nearby.





Connectivity

Blackfriars Street is a prime city centre location and is easily accessible both by car and by public transport.



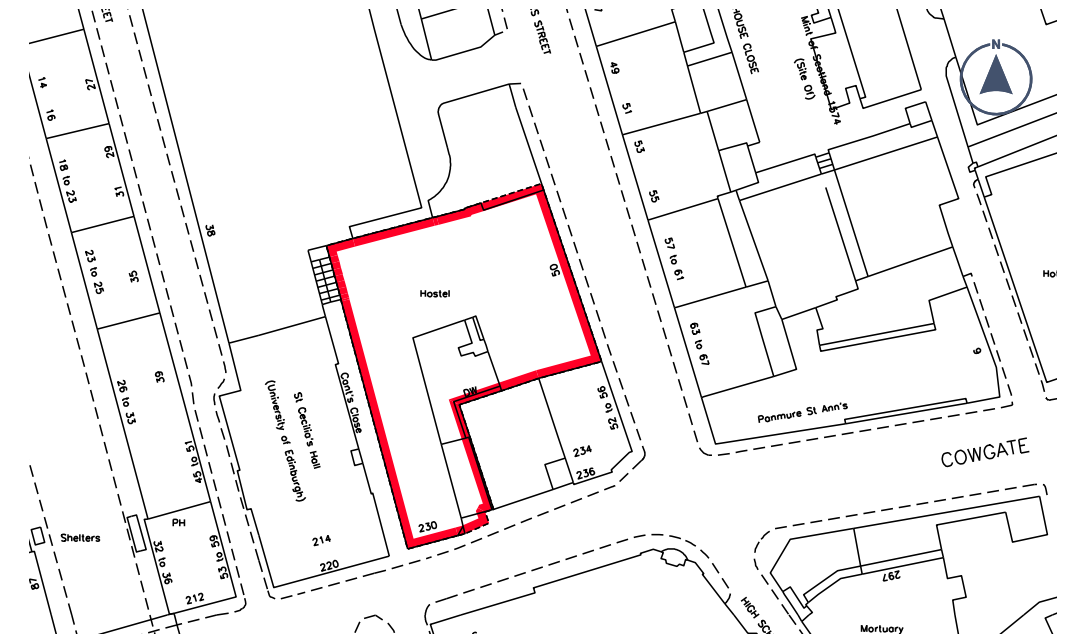
Edinburgh Waverley train station is situated approximately 200m to the north, providing mainline and local services across Scotland and the UK. Local bus services are provided on South Bridge, 50m to the west.



Edinburgh International Airport is situated approximately five miles west of the city centre. It is Scotland's busiest airport with 33 airlines flying 188 routes to 130 domestic, European and intercontinental destinations.

Tenure

The site is held Freehold and extends to 0.37 acres (0.15 ha).



The Edinburgh Tourism Market



Edinburgh is the capital city of Scotland and is its financial, political and cultural centre.



In 2023, Edinburgh was the UK's busiest visitor destination outside London, welcoming over 4 million visitors.



It was ranked as Expedia's top cultural capital for 2023, reflecting its wide variety of art and cultural events, including the Edinburgh International Festival and Fringe, The Edinburgh International Science Festival, The Edinburgh Book Festival and The Edinburgh International Film Festival.



Edinburgh is the largest hotel market in Scotland with 260 hotels and approximately 18,000 rooms.



In 2023, 12-month occupancy rates of 83.2% were the highest in the UK, increasing to over 90% in the summer (source CoStar). It is the top performing hotel market in the UK and has consistently returned annual occupancy rates in excess of 80%.



Barriers to entry in Edinburgh are high, reflecting the historic nature of the city centre, much of which is designated a World Heritage Site by Unesco. Rooms under construction account for approximately 5.7% of existing supply.





Tenancy

The property is held subject to a 150 year ground lease from 17th May 2017 until 16th May 2167.

The ground lease is subject to five yearly, upwards only rent reviews. The next rent review is on 17th May 2027.

Rent reviews are calculated by reference to the Retail Prices Index, subject to minimum growth of 1% per annum and maximum growth of 4% per annum. Rent reviews are calculated annually and compounded.

Tenant

The current tenant is PropCo 50 Blackfriars St. Ltd (Company Registration:10664889).

For the year ended 31st December 2023, the tenant reported Net Assets of £14.59m. The company has a Creditsafe Rating of 62 B, classified as Low Risk.

The facility is operated and managed by A&O Hostel and Hotel Edinburgh Limited. The parent company of both companies is Alpha Holdings S.a.r.l., based in Luxembourg.

The long leasehold business was acquired by A&O Hostels and Hotels in March 2021 for a reported price of £16.0m.

56 bedrooms are sublet to University of Edinburgh during the academic year. The List Price for the 2024/25 Academic Year is £7,155 per room for 39 weeks.

www.accom.ed.ac.uk/our-accommodation/blackfriars-street/

Tenant Option to Purchase

The tenant enjoys an option to purchase the freehold on the 17th May 2042. The option strike price is that sum which provides the freeholder with a Real (ie inflation adjusted) IRR of 4% above the 2017 base value of £5,320,000, adjusted for fees and other costs.

Indicative strike prices to exercise this option are estimated below, reflecting alternative rates of future annual RPI growth:

RPI 2025-2042	Option Strike Price
2.00% pa	£30.3m
3.00% pa	£45.2m
4.00% pa	£71.3m

The tenant enjoys a further right to purchase the freehold for £1 upon expiry of the lease in 2167. A 1974 Act Option is in place in respect of the residential (student) accommodation. Further details can be provided.

Rent

Current Rent	£162,011 per annum (£1,227 per room)
Accrued Reversion to July 2025	£182,765 per annum (£1,385 per room)
Projected Reversion (May 2027):	£192,528 per annum (£1,459 per room)*

*assuming future RPI of 3% per annum.

Price

Offers are invited in excess **£X,XXX,XXX**, exclusive of VAT.

After deducting assumed purchaser's costs of **6.80%**, a purchase at this level would reflect the following:

Equivalent Yield	X.XX%
Accrued Reversion to January 2025	
Projected Reversion - May 2027	X.XX%
Capital Value per bedroom	£X.XX

EPC

The property has an EPC of E.

VAT

The property has been elected for VAT purposes and will be treated as a Transfer of a Going Concern.

Anti-Money Laundering

Prior to exchange of contracts, all parties acknowledge and agree to fully co-operate to ensure Anti-Money Laundering Regulations are fully satisfied.



Contact

Further information can be obtained from the sole selling agents:

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