



Leonardo Hotel

London Heathrow Airport
Bath Road
West Drayton
London UB7 0DP
United Kingdom

Standard Life
Investments

NEWLY LET HOTEL INVESTMENT
London Heathrow

Leonardo Hotel

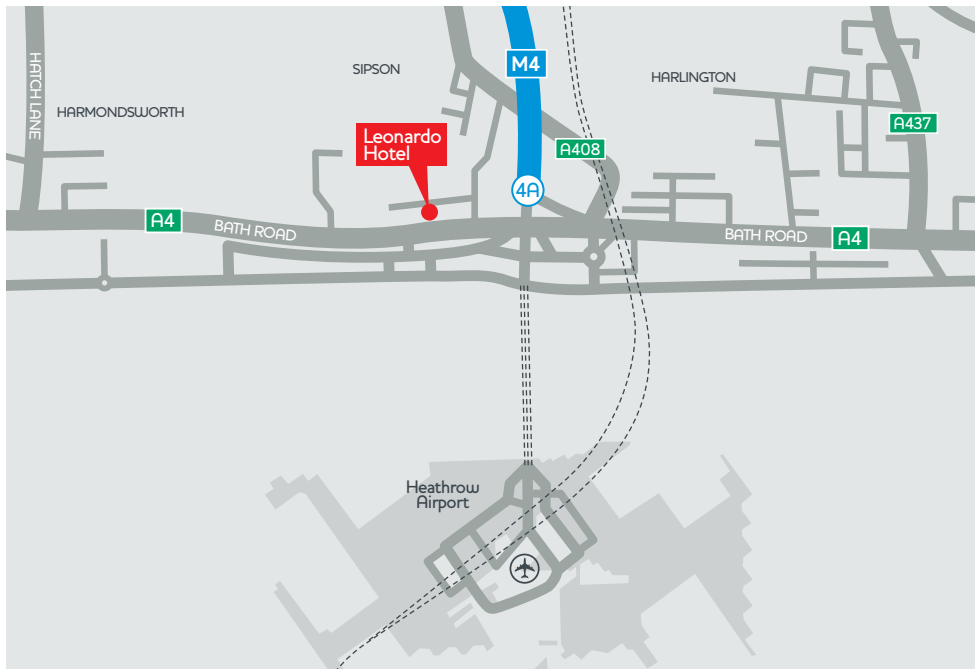
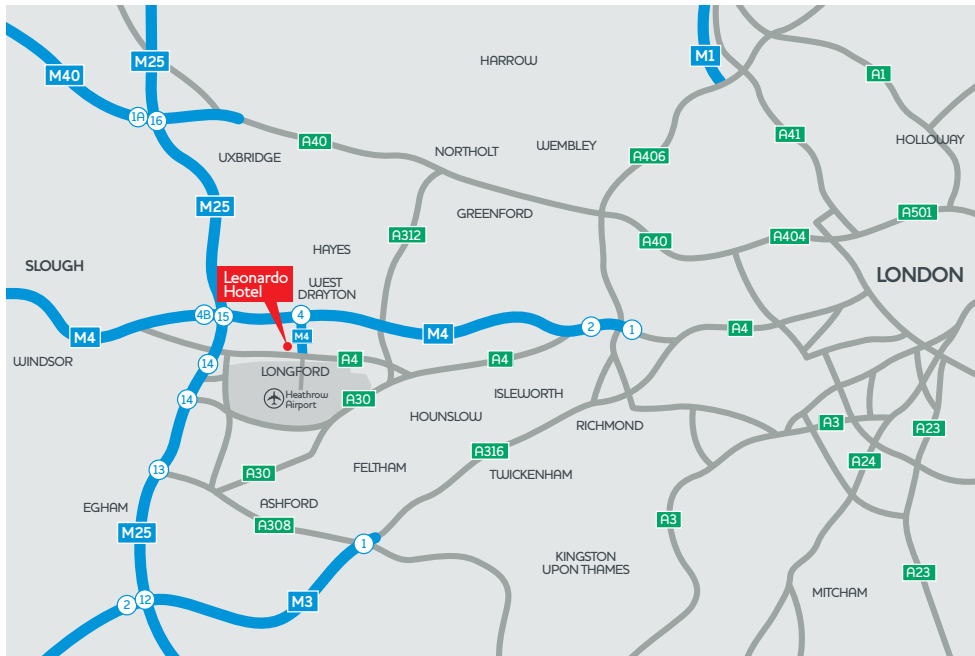
Investment Summary

An excellent opportunity to acquire a freehold property benefitting from a new 25 year indexed lease at the UK's busiest airport.

- Freehold, prominently located property in close proximity to Heathrow Airport.
- Purpose built hotel developed in 2000.
- Newly signed 25 year lease with 5 yearly RPI indexed uplifts (subject to a cap at 21% over the review period).
- Fully repairing and insuring terms.
- 230 room 4-star hotel with ancillary facilities.
- Recently re-branded and benefitting from a tenant funded repositioning programme.
- Strong market with significant growth opportunity.
- Parent company guarantee with a D&B credit rating of O2 indicating an overall good condition and strong covenant.
- £750,000 bank guarantee with the Landlord as beneficiary.

NEWLY LET HOTEL INVESTMENT – London Heathrow





Location/Transport Links

The Leonardo Hotel London Heathrow Airport sits on a prominent site on Bath Road (A4) just to the north of Heathrow Airport and in close proximity to Terminals 1, 2 and 3.

Transport Links:

- Located just off the A4, the hotel is accessible via the M25 Motorway and the M4 Motorway leading to Maidenhead and Reading.
- The airport operates a shuttle service, Hotel Hoppa Bus Service, that connects the Hotel to Terminals 1-5.
- There is a free bus service from the Heathrow Central Bus Station to a stop within short walking distance to the Hotel.
- Public transportation from the airport to Central London includes the Heathrow Express, which is a direct rail service to Central London in 15 minutes, and The London Underground via the Piccadilly Line.
- Crossrail, scheduled to complete in 2018, will provide a vital new link directly connecting the West End, City and Canary Wharf to the Heathrow Airport Terminals.



Heathrow Airport

Heathrow Airport is the largest of London's airports and third largest international airport in the world based on passenger numbers. Passenger numbers reached a new annual record of 73.4 million in 2014, up from the previous record in 2013 of 72.3 million. 82 airlines operate out of Heathrow flying to over 185 destinations worldwide.

Whilst the airport is continuing to improve its processes to become more efficient, it is running at 98% of its maximum capacity. Heathrow Airport Holding Limited has submitted two proposals to expand London's airport capacity by around 50 million passengers annually through the development of a third runway and associated facilities which would increase the airports capacity to 740,000 flights per year from the current limit of 480,000. The proposals involve either an extension to the north-west or to the south-west of the current runways. These proposals were shortlisted by the Airports Commission, along with a proposal for Gatwick, and we understand that a final report will be available this summer with a recommendation. The Heathrow expansion is estimated to cost approximately GBP 16 billion over the next 15 years.

PASSENGER TRENDS

Year	2011	2012	2013	2014
Passengers (000's)	69,391	69,985	72,333	73,400

Source: Heathrow Airport, 2015

Heathrow Airport Holding Limited, the owner of the airport, has made significant upgrades in the airport which have improved the passenger experience and expanded the terminal capacities. Over the past 10 years, improvements include Terminal 5 (2008), Terminal 4 renovation (2008), Terminal 2 redevelopment (2014).

Heathrow Airport Holding Limited has further medium-term plans to invest an additional GBP 2.6 billion up through 2018 to further improve the passenger experience as well as enhance baggage handling and screening facilities. With Terminal 1 being scheduled to close down permanently in October 2015, Heathrow Airport is approaching its long term plan of servicing two main passenger terminals, Heathrow West (Terminal 5) and Heathrow East (an extended Terminal 2) which are connected through an underground transit.



Description

The Leonardo Hotel London Heathrow Airport is a purpose built 4-star hotel located prominently on Bath Road just north of Heathrow Airport. The hotel, completed in 2000, is built over basement, ground floor and three upper floors. Benefitting from triple glazed windows, the close proximity to the airport does detract from the customer experience.

GUESTROOM SUMMARY BREAKDOWN:

ROOM TYPE	NUMBER OF ROOMS
Executive	36
Family	14
Superior	114
Superior Twin	59
Accessible	7
Total	230

All of the guestrooms are fully air-conditioned and WiFi is provided throughout the Hotel.

The hotel facilities include a restaurant and bar, a secured underground car park, a well-equipped fitness area and two spa treatment rooms. Given Heathrow's easily accessible location and its proximity to business centres of Uxbridge, Brentford, Slough and Central London, the hotel was developed with extensive conference space comprised of 11 fully equipped meeting rooms. The meeting room capacity can accommodate a wide range of delegates from 10 to 130 people.



Tenure

The property is held freehold and is defined on the site plan opposite.

Tenancy

The property is let to Leonardo Heathrow Limited on a newly negotiated 25 year lease.

Lease Summary

TENANT

Leonardo Heathrow Limited (Company Registration number 09355913, registered in the UK).

GUARANTOR

Fattal Hotels Ltd (Company Registration number 510678816, registered in Israel).

TERM

25 years from 16 March 2015.

RENT

£1,500,000 p.a. paid quarterly in advance on the usual quarter days (£6,522 per room p.a.).

RENT COMMENCEMENT DATE

16 March 2016. The vendor will top up the rent to the Rent Commencement Date.

RENT REVIEW

5 yearly, upwards only reviews (first review on 16 March 2020) to RPI subject to a cap of 21.665% (equivalent to 4% p.a. compounded annually).

INSURANCE

Landlord to insure and tenant to reimburse the cost. Insurance to cover full reinstatement cost and the loss of rent.

REPAIRS

Tenant to well and substantially repair the Premises and maintain and keep them in good and substantial repair and condition (Insured Damage and damage caused by Uninsured Risk excepted).

In the side letter dated 16 March 2015, the Landlord agreed that the repair covenant will not be formally enforced in relation to the Concession Items until 17 September 2020. The Concession Items includes Short-, Medium- and Long-Term defects listed in the condition survey dated 10 October 2014 but excludes the Air Conditioning Works, repair or maintenance relating to items which are not Concession Items, or repairs or maintenance for health & safety risks.

FF&E

FF&E at the date of the lease is owned by the Landlord. Any new FF&E purchased by the Tenant is property of the Tenant.

YIELDING UP

Vacate the Premises, reinstated and restored and made good in the state of repair and condition required to the Tenant's obligations of the lease. The Tenant shall have the right to remove any replacements of and/or substitutions for and/or additions to the FF&E made by the Tenant throughout the Term.

GUARANTEE

The Guarantor as a principal obligor agrees that if the Tenant does not comply with the obligations of the Lease, the Guarantor will comply with them and will indemnify the Landlord against any loss it suffers.

TRANSFER BY TENANT

Not to transfer without the Landlord's consent.

BANK GUARANTEE

There is a bank guarantee in place with an amount equal to one half year's rent (£750,000) with the Landlord as the beneficiary. Should the bank guarantee not be renewed by the Tenant, the monies will be deposited into a rent deposit account.



Leonardo Hotels

Leonardo Hotels is the European Division of Fattal Hotels and has been active in Europe since 2006. Today, Leonardo Hotels is involved in the ownership, management or leasing of 55 hotels, comprising 9,200 rooms, in city and airport locations in major European cities. Although the majority of the hotels are located in Germany, Leonardo Hotels has a presence in Switzerland, Austria, Hungary, Belgium and the United Kingdom.

Leonardo is planning a significant expansion to build a leading UK platform and further establish the brand throughout Europe. The brand's aim is to own and operate approximately 2,000 bedrooms in the UK within the next four years.

Fattal Hotels was founded in Israel by David Fattal in 1998 with management over one property, the Meridien Hotel in Eilat. Today, Fattal Hotels has grown to be Israel's largest hospitality organisation with 33 hotels and 7,700 rooms under management in Israel. Leonardo Heathrow Limited is a wholly owned subsidiary of Fattal Hotels Limited, the Guarantor. Fattal Hotels Limited has a D&B Rating of O2 indicating the overall condition is good. Further information on the Guarantor, including the 2014 Annual Report, will be made available to the prospective purchaser at a later date as Fattal Hotels Limited is a private company.



THIS PLAN IS FOR INDICATIVE PURPOSES ONLY.



NEWLY LET HOTEL INVESTMENT – London Heathrow

Leonardo Hotel

NEWLY LET
HOTEL INVESTMENT
London Heathrow



VAT

The property is elected for VAT.

EPC

Certificate Reference Number:
0080-9061-0368-79990-3054
Rating D.

Capital Allowances

The vendor is a tax exempt pooled pension fund and as such has not claimed capital allowances.

Proposal

Offers are sought in excess of **£25,700,000 (Twenty Five Million Seven Hundred Thousand Pounds Sterling)** subject to contract and exclusive of VAT. This equates to a capital value of **£112,000 per room**.

The quoting price reflects a net initial yield of **5.5%** and assumes purchaser's costs of 5.8%.

Contacts

Robert Seabrook
t: 020 7182 3867
e: robert.seabrook@cbrehotels.com

Brien Giuntini
t: 020 3289 1477
e: brien.giuntini@cbrehotels.com

Michael Marfurt
t: 020 7182 3953
e: michael.marfurt@cbrehotels.com