Jones Lang LaSalle

Real value in a changing world

National *Investment*

4 Liongate, Ladymead

Guildford, GU1 1AT

December 2013

Executive Summary

4 Liongate

Location

The property benefits from excellent communication links including rail links to London Waterloo with a journey time of circa 37 minutes. It is situated on the A25, approximately one mile north of Guildford town centre and Guildford Rail Station and within close proximity to the A3 via the A320.

Description

The property comprises a 43,297 sq ft Grade A office building, purpose built in 1989 to provide open plan office space over part basement, ground and two upper floors. The building is of steel frame construction with brick elevations and a pitched roof. Current specification comprises two 12- person 900k passenger lifts, male and female WCs on all floors, raised floors and suspended ceilings, incorporating recessed fluorescent lighting and recessed air-conditioning units. Furthermore, the property benefits from double glazing to all external elevations, which provides good quality natural light and effective noise insulation from the dual carriageway. There are 170 ground level car parking spaces to the front and rear of the property, secured by a barrier. The tenant is undertaking a full refurbishment of the property at an approximate cost of £1,250,000.

Tenure

The property is held freehold.

Tenancy

The property is currently let to UOP Limited expiring in 28 September 2014. Heads of Terms have been agreed for a Full Repairing and Insuring reversionary lease for the entire property for a term of 10 years commencing 29 September 2014, with a tenant's option to break on 28 September 2019.

Total Rent Reserved

The current rent contractually receivable is £1,300,000 per annum, equating to £30.55 psf. The reversionary lease has been agreed at £980,000 per annum, equating to £22.82 psf (assuming 50% is applied to the reception area).

Covenant

UOP Ltd have a D&B rating of 5A 1, representing a minimum risk of business failure. The company's recent financial results appear as follows:

	31/12/2012	31/12/2011	31/12/2010
Turnover	£94,406,000	£85,081,000	£98,285,000
Pre-Tax Profit (Loss)	£10,938,000	£18,587,000	£23,720,000
Net Worth	£135,809,000	£128,764,000	111,228,000
Net Current Assets (Liabilities)	£125,731,000	£118,922,000	£99,783,000

Investment Considerations

Positive

- Strong location in a well-established south east office market.
- Let to UOP limited who have occupied the property for 24 years
- Secured to a tenant with a 5A1 covenant
- The tenant has recently regeared the lease to provide guaranteed income until September 2019
- The property is rack rented
- With the improving occupational market in the South East the location will benefit from good rental growth in the future.
- Extensive refurbishment to be undertaken by the teant
- Overall strong property fundamentals which would appeal to a range of investors ensuring a relatively high level of liquidity and facilitate borrowing at commercial rates against the property.

Negative

- Micro location
- Binary asset management opportunities
- Lack of on-site amenities

The UK property investment market remains competitive for prime, well-let assets and values for this type of asset have recovered significantly from the property market low in 2009. We anticipate in the short/medium term, good performance.

Open Market Value as at November 2013	**£13,000,000**
Initial Yield:	9.45%
Equivalent Yield:	7.30%
Reversionary Yield:	7.13%

30 Warwick Street, London W1B 5NH
tel +44 (0) 20 7493 4933

www.joneslanglasalle.co.uk

Edward Willis
Guildford Borough Council
Millmead House
Millead
Guildford
Surrey
GU2 4BP

Our ref	SV/MW/4Liongate
Direct line	020 7087 5393
Direct fax	020 7399 5299
Mark.wilson@eu.jll.com	

13th December 2013

Dear Sir

Terms of Reference

Addressee: Guildford Borough Council

Millmead House
Millmead
Guildford
Surrey
GU2 4BP

For the attention of Edward Willis.

Property Address: 4 Liongate
Ladymead
Guildford
GU1 1AT

Tenure: Freehold

Valuation Date: 13th December 2013

Instruction Date: 15th November 2013

Instruction and Purpose of Valuation In accordance with your instructions in November 2013 we are instructed to provide you with a report and valuation in connection with your purchase of the above property for acquisition due diligence purposes.

Basis of Valuation: Our valuation has been prepared in accordance with the RICS Valuation – Professional Standards March 2012 published by the Royal Institution of Chartered Surveyors on the basis of Market Value as defined in Appendix 1.

The report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports which are attached in Appendix 1.

No allowance has been made of any expenses of realisation, or for taxation (including VAT) which might arise in the event of a disposal and the property has been considered free and clear of all mortgages or other charges which may be secured thereon.

Inspection: The property was inspected on 22nd November by Simon Verrall. All significant parts of the property were inspected.

The weather conditions were fine and clear.

Personnel: The valuation has been prepared by Simon Verrall MRICS under the direction of Mark Wilson MRICS, Director.

We confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation Standards.

Status: In preparing this valuation we have acted as External Valuers, subject to any disclosures made to you.

Disclosure: We have previously disclosed to you any recent involvement in this property.

Assumptions: We have made no special assumptions

Sources of Information: We have inspected the premises and carried out all the necessary enquiries with regard to rental and investment value, Rateable Value, planning issues and investment considerations.

We have been provided with the following reports, which we have relied upon:

- Measured Survey prepared by CBRE
- M&E Survey prepared by David Miles and Partners
- Environmental Desk Study prepared by CBRE

We have also been supplied with and relied upon, a draft Report on Title, and other correspondence by your solicitors, Davitt Jones Bould.

Valuation: £13,000,000

(THIRTEEN MILLION)

Purchaser's Costs: 5.80%, including Stamp Duty at 4.00 %

Contents

Appendices

1 Confirmation of Instruction

The report for the acquisition of the freehold interest of 4 Liongate, Ladymead, Guildford, for £13,000,000 (Thirteen Million Pounds) to be purchased by Guildford Borough Council from The Glanmore Property Fund Limited and Subsidiaries.

2 Location

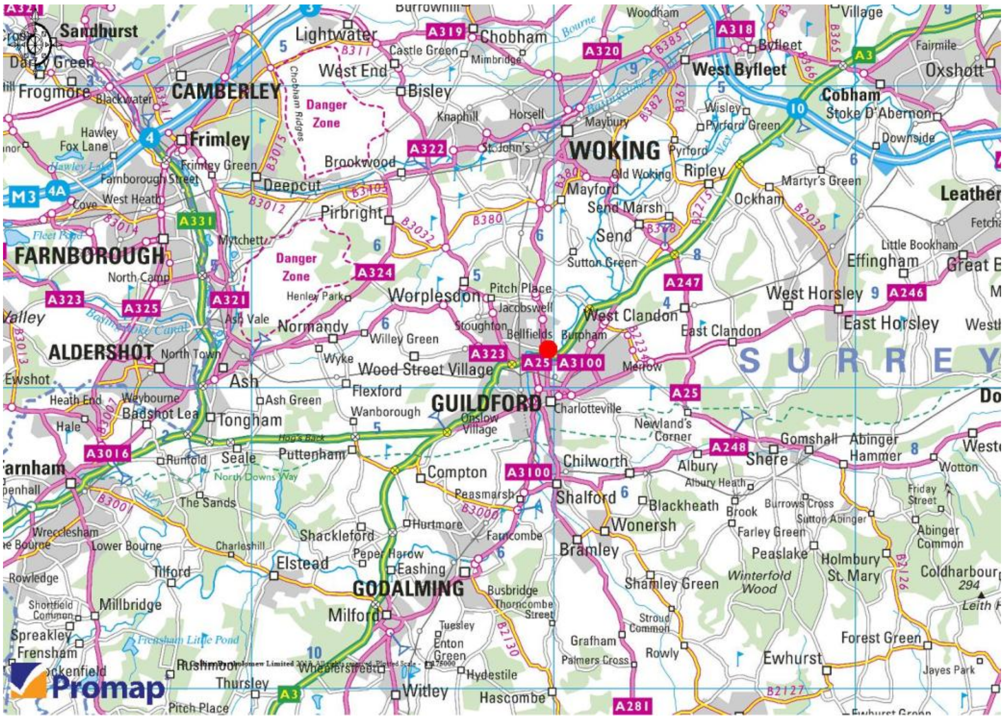
2.1 Location

Guildford is the County Town of Surrey and an important office location in the south east. An affluent and thriving employment centre, Guildford is also a strong commuter base providing a wealth of shopping and leisure amenities. The town lies 30 miles south west of Central London and 7 miles south of Woking. Situated just off the A3, Guildford is also at the junction of the A25, A281, A31 and A322. The M25 is approximately 8 miles to the north east (Junction 10) and Junction 3 of the M3 is a similar distance to the north west.

Guildford provides excellent rail services from its two railway stations, Guildford Station and London Road (Guildford). Guildford Station located in the city centre provides a direct service to Central London with a fastest journey time of approximately 37 minutes to London Waterloo.

A recently formed Joint Venture between Network Rail and Kier is also in place to implement £500 million to upgrade of several South East railway stations and development of their surrounding areas. Three projects are currently underway and a project focussed on and around Guildford Railway Station is to follow in the near future.

Both Heathrow and Gatwick airports are easily accessible by car being 26 miles north east and 33 miles south east of the town respectively. Gatwick airport is also reachable by public transport with the Woking RailAir Link.



2.2 Local Economy

Guildford has a small office centre with approximately 72,000 employees at 2011. Of particular note for the office economy and office demand, the 'Financial & Business Services' Sector (F&BS) accounted for 26.7% of jobs in Guildford as at 2011.

In terms of jobs, employment in F&BS in Guildford stood at 19,200. The largest F&BS subsector in Guildford is Professional & Business Services accounting for 17.8% of total employment or 12,800 jobs. Guildford has a below average share of employment in Professional & Business Services and Computing, R&D & Telecoms, however has a similar share in Finance to the M25 West average.

Whilst F&BS employment is an important driver of office demand within Guildford, Public Services makes up the largest share of total employment at 34.4% emphasising Guildford's administrative role as the county town of Surrey.

Although official employment data at the local level is currently only available up to 2011, the latest data to September 2013 suggests that unemployment stands at 1.2%, a 50 basis point decrease since September 2012. The particularly low unemployment rate is a notable feature of Guildford.

Over the period 2000 – 2011, Guildford saw above average growth in both total and F&BS employment. The best performing sub-sector in Guildford during this time was Professional & Business Services at 1.7% per annum growth, resulting in an additional 2,210 jobs. This compares to the market average of 0.1% per annum growth for that sub-sector. For Guildford, over the period 2011 to 2017 as a whole, the total number of employees is forecast to rise by 0.1% per annum. This is broadly in line with the Office PROMIS average of 0.2% per annum.

Prospects in Guildford for F&BS employment are expected to be more volatile, however, over the forecast period as a whole growth of 1% per annum is expected. This compares with growth of 0.9% per annum a for the Office PROMIS average. This ranks Guildford 27 of the 67 Office PROMIS centres in terms of growth.

2.3 Demographic

The 2011 census data shows that Guildford has a resident population of 137,183 people as a whole. The 2011 census suggest that there are 102,054 people (74.2%) aged 16-74 years within the Guildford, of which 73,649 people (72.2%) are economically active.

The dominant proportion of the working population is accounted for by Professional (24.5%) and Associate Professional & Technical (16.0%) which is ahead of the national average of 17.4% and 12.7%. Managers, directors and senior officials are also well represented accounting for 13.6% ahead of the national average of 10.8%.

Property ownership in Guildford is also ahead of the national average with 68.9% of residences owned and only 12.1% social rented this is compared with 65% and 16.4% respectively across England and Wales.

2.4 Situation

The property is located on Ladymead (A25) approximately one mile north of Guildford Town Centre . Access to the A3 is readily accessible via the Woking Road (A320), adjacent to the east of the property.

Guildford Railway Station is situated approximately 1 mile south west of the property and provides fast, direct access to Central London in a fastest journey time of approximately 37 minutes. Additionally, London Road

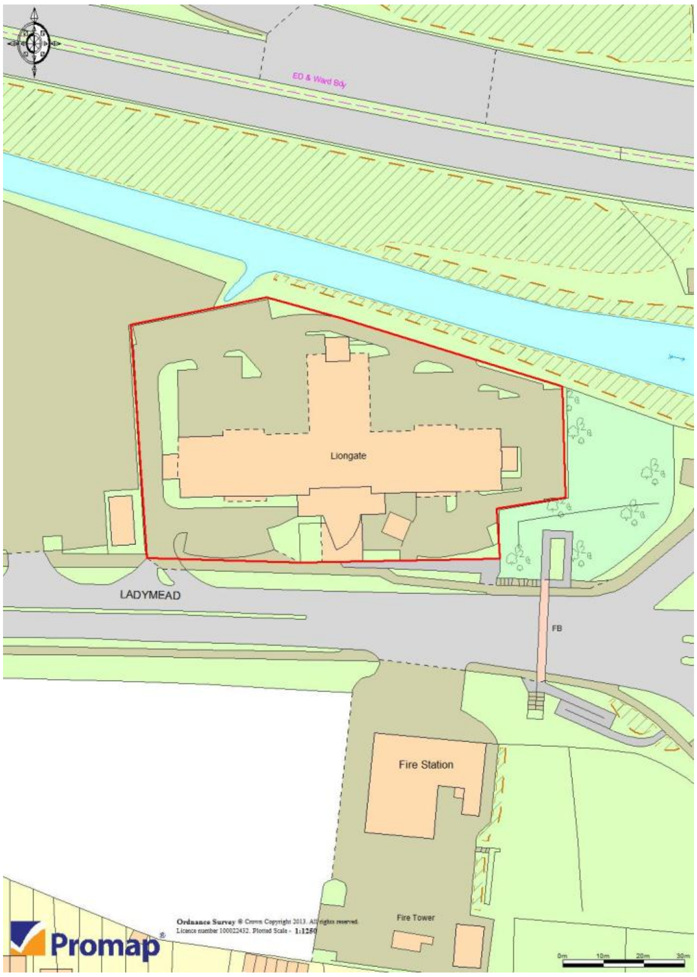
(Guildford) Railway station 1 mile south east of the property providing services to London Waterloo with an a journey time of approximately 1 hour.

The property is located in a mixed use commercial and residential area. The immediate surrounding area is home to a number of high profile occupiers such as Allianz Insurance, Premier Inn, Magent and Land Rover. Other occupiers in Guildford include Guildford Borough Council, Syngenta, Sanofi-aventis, BDO Stoy Hayward and Philips.

3 Description

3.1 Site

The plan below identifies the entire site subject to purchase.



The southern boundary runs parallel with Ladymead (A25). The western boundary is adjacent to the car parking for Allianz Insurance UK Headquarters. There is a cleared site directly opposite the property which is going to house a new fire station. To the north and east is an area of open tree land beyond which lies Wokingham road to the east and the River Wey and A3 to the north.

A copy of the location maps and plans can be found in Appendix 2.

3.2 Description and Construction

4 Liongate was constructed in 1989 as a purpose built office and provides a total of 43,297 sq ft of high quality office accommodation arranged over part basement, ground and two upper floors. The block layout is in a T shaped formation with each wing in near identical layouts. The North wing being smaller that the East and West wings.

There are a total of 170 car parking spaces at the property equating to a ratio of 1:255 sq ft. This includes 15 designated for visitor parking at the front of the building. The remainder of the spaces are situated at undercroft level to the rear secured by a barrier. We understand 14 of these spaces are currently in use by Allianz the neighbouring occupier, 3 for bin storage and 3 are designated disabled parking spaces.

The property is of steel frame construction with brick external elevations. The brickwork is generally in good condition.

The roof is pitched with timer rafters and trusses covered in natural slates. The roof is generally in good condition except for a few areas where lichen growth has started to appear. There has been localised slate replacement over the past few years. There is a flat roof area behind the plant room which is used to house the main air conditioning unit for the building.

The property benefits from powdered coated aluminium double glazed windows on all elevations providing natural light and also noise insulation from the A3 dual-carriageway. At second floor level to all elevations is a balcony area with limited access points. All windows and openers to the building were noted to be in good working order with no defects reported.

3.2.1 Internal

The property provides a central main entrance with steel frame and aluminium double glazing leading to the main reception area. This main foyer area houses two lifts serving all floors. Internally, the orientation of the offices on each floor is split into three separate wings. These are all accessible from the central stair landing/lift core from the main reception area.

The layout of all three wings is similar with the exception of the ground floor on the North wing which contains the staff canteen. In general, each floor provides individual offices on the outer sides of the floor with a central area used for reception desks, meeting rooms and purpose building filing and storage cupboards. Both male and female toilet facilities are located at each floor level outside the entrance to each floor in the main foyer area.

The current specification includes:

- Raised floors
- Suspended ceilings
- Metal framed double glazed windows
- Painted walls
- Recessed fluorescent lighting
- Recessed air conditioning units
- Two 12-person 900kg Otis passenger lifts
- Male and female WCs on each floor
- Two shower facilities on the ground floor
- Staff canteen in the basement

The tenant has demonstrated continued commitment to the building having made constant improvement works to the building. These include replacing the inverter for supply in November 2013, the extract inverter fans two years ago and the replacing the chillers circa four years ago.

The Building Survey notes that the building is well maintained and there are no areas that would require any maintenance.

Further to this, the tenant is to undertake a full refurbishment of the property beginning in April 2014 and due to complete September - October 2014. The total cost will £1,250,000, of which £800,000 will be contributed by the landlord.

The works include:

Reception

- New 2 person laminate faced reception desk with DDA signing in shelf and chairs.
- New ceiling LED lighting.
- Re-spray factory finished glazing mullions.
- New window blinds.
- Decorate all plaster and metalwork.
- Strip out existing floor covering, repair screed and install new porcelain affect ceramic tiles.
- Provide new furniture- 2no sofas and coffee table.
- New glass panel signage.
- Remove existing doors and install new glass entrance box in existing aperture, with double doors and single leaf passenger door adjacent.
- Install 2no Access controlled speed lanes/barriers.
- CCTV modifications.
- New Entrance Matt- Jaymart or similar.

WCs including Disabled

- Strip-out of existing sanitarywear, cubicles and finishes.
- New sanitary wear (approx 25no WC back to wall pans) Ideal Standard or similar.
- New semi counter top wash hand basins (approx 19no).
- New single leaver pillar mixer taps.
- New ceramic tile flooring with skirting.
- New laminate vanity units, cubicle systems and back panelling- Armitage Vanesta or similar.
- New spot lighting within ceiling
- Decorations- plaster and timber work.
- 6no Hand- dryers and sundry items such as mirrors loo roll holders etc.
- Replacement of domestic Hot & Cold water services pipework.
- Allowance for splash back wall tiling
- Allowance for new 600 x600 grid ceiling.
- Allowance for ventilation ductwork modification and overhaul of system.
- Allowance for small power modifications
- Allowance for replacement/modification of existing soil waste pipework.

Boilers

- Allow to replace 12no existing boilers with boilers of a similar or better quality.

Lifts

- Major overhaul of 2no lifts, including the car finishes.

Miscellaneous

- Provisional allowance to improve building insulation by removing existing shiplap boarding to carpark undercroft and install insulation batts, including re-routing services as required and reinstate shiplap. Out of hours work.
- Allowance for stripout of ceilings and installation of new grid and tile system as required.
- Allowance for fan coil unit renewals, alterations and installation of new light fittings as required.
- Allowance to install new carpet to areas as required.

The list contains the improvement works in the Pre-Approved Works list above covers improvement works. Works not currently on the Pre-Approved Works list above, which the Tenant may apply to the Landlord to carry out, in substitution for, or in addition to those works listed above, may be undertaken and the tenant may draw on the £800,000 capital contribution.

Landlord approval for such Other Works is required, but not to be unreasonably withheld or delayed.

The Tenant shall provide a detailed scope and specification for the proposed 'Other Works' as part of its application to undertake such works.

3.3 Accommodation

The property has been measured in accordance with the Royal Institution of Chartered Surveyors' (RICS) Code of Measuring Practice (6th Edition) and provides the following net internal floor areas:

Floor	Use	Area (sq m)	Area (sq ft)
Second	Office	1,195	12,859
First	Office	1,373	14,777
Ground	Office	1,388	14,938
Ground	Reception	67	706
Total		**4,022**	**43,297**

Jones Lang LaSalle measured areas are within 0.06% tolerance of the areas supplied by the vendor on a like for like basis. The vendor does not appear to have measured the Ground Floor Reception. We calculate this area to be 723 sq ft. Including our measured area for the reception the difference is 1.76%.

3.4 Occupational Commentary

The building is fully occupied by UOP Limited (a Honeywell company) who have occupied the entire building for 24 years. In addition, a number of subsidiaries occupy space within the building. These include

- UOP International Holdings Ltd
- UOP Services Ltd
- UOP International Services Ltd
- UOP International Technology Ltd
- Envergent Technologies Ltd

3.5 Conclusion

The Building Survey concludes that based upon the inspection and subsequent points identified, the property is in good condition with no major defects however, due to the age of construction, some modernisation is needed throughout.

We have attached additional photographs in Appendix 3.

4 Legal

Below we consider the key legal considerations, lease terms under the existing tenancy and finally an overview of the relevant historical events and considerations that may affect value.

4.1 Report on Title

We have been provided with a Report on Title by your solicitors David Jones Bould. We note the following key points below.

4.1.1 Key Contract Terms

Your solicitors note that the following points should be brought to your attention regarding the Contract.

VAT

It is intended that the purchase of the Property will be a transfer of a business as a going concern and it will be necessary for you to make an option to tax in respect of the Property to take effect no later than completion of the purchase. You will need to supply the Seller with a copy of the Option to Tax and evidence of its acceptance by HM Revenue and Customs.

Insurance

The Seller must insure the Property in accordance with the Seller's obligations as landlord under the Lease until completion. Thereafter it will be for you to arrange insurance in accordance with the provisions of the Lease. No damage or destruction of, or deterioration in, the property will entitle you to a reduction in the purchase price or to refuse to complete or delay completion. However, in that event, the Seller is to make a claim under the insurance policy and hold the proceeds in trust for you.

Rent under the Lease

The Contract provides for the apportionment of the rent payable under the Lease so that you will receive any rent paid in advance in respect of the period beginning halfway through the completion date up to (but excluding) the next rent payment date.

Capital Allowances

You may obtain the benefit of any capital allowances that may be available. The Capital Contribution Deed referred to below provides for the landlord, and its successors in title to the reversion, to retain the benefit of any capital allowances in relation to the works to be carried out, and the tenant is to supply such information as is necessary to enable the landlord to make a capital allowances claim. The Seller's solicitors have advised that no capital allowances were available to the seller as far as they are aware when they acquired the Property and none have been claimed so far by them; and they are not aware of any significant spend on the building to date that could have qualified for capital allowances.

Rent free top-up

The rent free 'top-up' is to be deducted from the sale price.

Capital Contribution Deed/Escrow Agreement

The Seller has agreed to contribute a maximum of £800,000 + VAT (if applicable) to the cost of the works to be carried out by the tenant of the Property. This is to be paid in stages on the issue of interim payment certificates by the Jones Lang LaSalle. This contribution has been paid into an escrow account which is currently administered by the Seller's solicitors, Thomas Eggar LLP.

The landlord is to be given the opportunity to attend inspections and make representations during the defects liability period and preparatory to the issue of interim payment certificates.

The Capital Contribution Deed contains a provision for the tenant to co-operate in the novation of the Deed on the transfer of the freehold reversion.

The tenant is to procure that Jones Lang LaSalle enters into a Letter of Reliance in favour of the landlord in the form set out in Schedule 4 to the Capital Contribution Deed to establish a duty of care in favour of the landlord. We understand that this letter of Reliance has not yet been issued.

The contract provides for the Capital Contribution Deed and the Escrow Agreement to be novated to you on completion, if this can be achieved, although the tenant will also need to be a party to the novation. If completion of the deeds of novation cannot be achieved within 6 months of completion, the benefit of the Capital Contribution Deed and Escrow Agreement are to be assigned to you; the tenant would not need to be a party to an assignment.

The Seller will remain bound by the provisions of the Capital Contribution Deed and Escrow Agreement until they are novated, and if this does not occur on completion the contract provides for the Seller to use reasonable endeavours to procure that the other parties perform their obligations under these documents.

It is envisaged that, on completion of the Deeds of Novation, the escrow sum will be transferred to us to administer in accordance with the terms of the Escrow Agreement.

Measured Survey and Environmental Assessment

You will be issued with a letter of reliance from CBRE with regard to the Measured Survey and Environmental Assessment. You will be able to rely on the reports in the same way as if they had been prepared for your benefit initially.

4.1.2 The Property

Title

The Property is the freehold land and buildings known as 4 Liongate, Ladymead, Guildford, Surrey GU1 1AT.

The Property is registered at the Land Registry under title numbers SY158643 and SY555652. The class of title is absolute freehold title. Absolute title is the best class of title available.

The registered owner of the Property is Bedell Corporate Trustees and Atrium Trustees Limited (both companies being incorporated in Jersey).

Please check the plans carefully to ensure that they accurately reflect the extent of the land that you believe you are buying. The plan may not show the exact location of the boundaries of the Property. You should inspect the Property and let us know if there are any discrepancies between the plan and the site inspection.

The charges referred to in entries 7-17 inclusive of the Charges Register of title number SY158643 and in entries 4-14 inclusive of the Charges Register of title number SY555652 are to be discharged on completion.

Lease

There is a lease of the entirety of the Property in favour of UOP Limited in subsistence until 28th September 2014. The Seller has completed a reversionary lease in favour of UOP Limited which will run from the expiry of the current lease until 28th September 2024.

UOP Limited has granted an Underlease of 13 parking spaces at the Property to Allianz Management Services Limited. The term granted by the Underlease has now expired, but it is proposed that it will be renewed until 26th September 2014.

In addition, there is a lease of a substation site within the Property for a term of 99 years commencing on 18th November 1988 which grants rights affecting other land within the Property.

Matters benefitting the Property

The land comprised in title number SY158643 is stated to have the benefit of a right of way over the land tinted brown on the title plan. The majority of this land is now comprised in title number SY555652.

Matters adverse to the Property

Title Number SY158643

a. Entry number 1 of the Charges Register refers to the restrictive covenants contained in a Deed dated 18 November 1881, which relate to the land tinted blue on the title plan. These covenants envisaged that the land was going to be developed for residential purposes, and they will be of limited relevance. There is a covenant that no part of the land is to be used for any purpose which may be a nuisance or annoyance to the vendor or the neighbourhood.

b. Entry number 2 of the Charges Register refers to the restrictive covenants contained in, and the easements reserved by, a Conveyance dated 16 January 1935, which relate to the land tinted blue on the title plan.

   This Conveyance, by Surrey County Council, reserved a right of support over a bank supporting part of the Guildford-Godalming Bypass, a right for the passage of surface water (which does not appear to affect the land in this title) and rights of entry for inspection and maintenance purposes. There are a number of covenants restrictive of building works (the land affected forms a small part of the Property which does not appear to have been built on), preventing the construction of a petrol station and preventing the carrying on of any offensive trade or business.

   There is also a covenant preventing the construction of a vehicular access except at a defined point, which does not form part of the land in this title. There appears to be an access onto Ladymead from the land tinted blue on the title plan, which would appear to constitute a breach of this covenant. A restrictive covenant indemnity policy with Royal & Sun Alliance insuring against the consequences of a claim for breach of this covenant was taken out in May 2007. The limit of indemnity is £20,450,000, and the insured use is the continued use of the Property as offices including access and car park. The “insured” is stated to include successors in title.

Title Number SY555652

This was originally a possessory title, since no title was shown to the land at the time of registration in February 1986. The title has now been upgraded to absolute, but since the earlier title is unknown the land is stated to be subject to such restrictive covenants as may have been imposed thereon before 6th February 1986 and are still subsisting and capable of being enforced. A defective title and restrictive covenant indemnity policy with Sun Alliance insuring against the consequences of any claim for breach of covenant was taken out in November 1993. The limit of indemnity is £1,000,000, and the insured use is the continued use of the land as part car parking/part landscaping in conjunction with the use of Liongate as offices. The “insured” is stated to include successors in title.

4.1.3 Search Results

Local Authority Search

A search of the local land charges register shows matters such as compulsory purchase orders, tree preservation orders, planning enforcement notices and financial charges registered against a property. You should note that the search result provides a snapshot of the register on the date of the search. Local land charges registered after the date of the search will still bind a property.

The local authority search was provided by Guildford Borough Council on 25th November 2013. The result of the search revealed that:-

a. Planning permission was granted in 1986 for the demolition of the previous building on the site and the erection of a new office building and car park. An appeal against the occupancy condition (condition 2) was allowed in November 1986.

b. A number of other planning consents are registered as local land charges, but since they relate to the previous building, were temporary in duration or relate to illuminated signs, they appear to be historic or of more relevance to the occupier.

c. Ladymead is an adopted highway. We are making further enquiries as to the status of the two access points shown coloured brown on the search plan.

Drainage and water enquiries

The replies to drainage and water enquiries show whether a property is connected to the mains water supply and mains drainage. The replies may also show the location of public sewers within the boundary of a property and other such matters that may restrict development.

The Seller’s solicitors have supplied a copy of a search certificate provided by Thames Water Utilities Ltd on 24th October 2013. The replies revealed the following information:

a. The Property is connected to the mains water supply on a metered basis.

b. Foul and surface water from the Property drain to a public sewer. There is no surface water drainage charge payable.

c. There are no water mains or public sewers within the boundaries of the Property.

d. The Property passed the most recent water quality analysis.

e. The water supply and sewerage services are billed by Thames Water Utilities Limited.

Environmental search

If a local authority determines that land is contaminated, and the party who caused the contamination cannot be found, the current owner or occupier of the land may be required to remedy the contamination. This can be an expensive process, so it is important to assess the risk of land being contaminated before committing to buy a property.

An environmental data search can be used to establish the risk of land being contaminated, by collating information from regulatory bodies, floodplain data and a review of current and historic land uses. This type of search is also known as a "desktop search". An environmental data search does not include a site visit or testing of soil or groundwater samples.

The environmental data search was provided by Argyll Environmental on 20th November 2013. The result of the search showed that the Property is unlikely to be classed as contaminated land and that the level of risk is unlikely to have an adverse effect on the value of the Property.

It is noted that the Property is within an area of subsidence hazard potential and an area of floodplain.

Gas Utility Search

The Seller's solicitors have supplied a copy of a search result provided by Southern Gas Networks on 28th October 2013 showing the location of the gas apparatus in the vicinity.

National Grid

The Seller's solicitors have supplied a copy of a letter from National Grid dated 24th October 2013 advising that there is no National Grid Transmission infrastructure in the vicinity.

Coal and Brine Search

The Seller's solicitors have supplied a copy of a search result provided by The Coal Authority dated 24th October 2013 which indicates that the Property is not in a likely area of mineworking or in a Brine Compensation District.

4.1.4 Replies to Pre-Contract Enquiries

You have been provided with a copy of the Enquiries and replies thereto in Forms CPSE.1 and CPSE.2, together with the documents referred to therein. The reply to enquiries 8 and 15 of the CPSE.1 state that no warranty is given as to the state of repair or condition of the Property, or as to the position in respect of environmental matters.

4.1.5 Conclusion

Subject to the matters referred to in this report, your solicitors are of the opinion that upon completion of the purchase of the Property and registration at the Land Registry you will obtain a good and marketable title to the Property.

4.2 Occupational Leases

The property was originally let on a 25 year lease commencing 29 September 1989 and expiring 28 September 2014. Heads of Terms for a Full Repairing and Insuring reversionary lease for the entire property for a term of 10 years commencing 29 September 2014, with a tenant's option to break on 28 September 2019.

Below we note the key points from both the current lease and the reversionary lease.

4.3 Current Lease

4.3.1 Tenancy

Premises

Liongate, Ladymead, Guildford

Landlord

Western Central Second Properties Limited (Company Number 804001)

Tenant

UOP Processes International Inc

Surety/Guarantor

UOP Limited (Company Number 521570)

Term

Term of 25 years from and including 29th September 1989.

Rent

The initial rent is £1,300,000 per annum.

Rent Reviews

Rent reviews will occur at five yearly intervals and the revised rent shall be the greater of the current rent or the market rent of the premises on the basis of a 15 year term.

Break Options

None

Use

Not to use the Premises otherwise than as offices within Class B1 of the Town and Country Planning (Use Classes) Order 1987.

Repair

The Tenant covenants to keep the Premises in good and substantial repair.

The Tenant will paint in a workmanlike manner the outside of the Premises in every third year of the term and the inside every fifth year of the term.

The Tenant will use its reasonable endeavours to repair and make good all defects and wants of repair for which the tenant is liable under the lease within two months after notice of the Landlord.

Alterations

The Tenant may not to make any structural alterations or additions to the Premises without prior consent of the Landlord (such consent not to be unreasonably withheld or delayed).

The Tenant may not make any non-structural alteration or addition to the electrical wiring system or the heating apparatus or the air conditioning apparatus and similar plant and equipment within the Premises without the Landlords' consent (not to be unreasonably withheld or delayed).

The Tenant may install erect, alter and remove demountable internal partitioning without Landlord permission subject to the same being removed at the expiration or sooner determination of the term.

Alienation

Assignment

The Tenant may assign the whole Premises with prior consent of the Landlord if:

- The intended assignee covenants with the Landlord to pay the rents reserves by and observe and perform the Tenant's covenants and the conditions in the lease; and
- No more than two persons or corporations act as guarantors for such assignee in such form as the Landlord may reasonably require.

Underletting

The Tenant may underlet the whole or part of the premises with prior consent of the Landlord if:

- The intended underlessee covenants with the Landlord to observe and perform the Tenant's covenants and the conditions in the lease (excluding the covenant to pay rent)
- The intended underlessee does not underlet, part with possession or occupation or the part of the property to be underlet.
- The intended underlessee is not be granted a premium nor at a rent less than the market rent for the property at the time of the underletting
- At any one time there are no more than 5 sublettings of the Premises or part
- Any underlease must contain an agreement authorised by the Court to exclude the provisions of Sections 24-28 of the Landlord and Tenant Act 1954.

Group Sharing

The Tenant may share occupation of the Premises or part with a group company if approved by the Landlord (not to be unreasonably withheld) provided that no tenancy is thereby created and the Landlord is notified of the identity of all sharing occupier and such sharing ceases immediately when the relationship with the Tenant ceases.

Yielding Up

The tenant must (unless the Landlord otherwise requires) remove all alterations or additions made to the Premises during the term and remove all tenant's fixtures and fittings unless the Tenant in tends to leave them and the Landlord agrees. In each case to make good and reinstate the Premises to the Landlords' reasonable satisfaction.

4.4 Reversionary Lease

Premises

4 Liongate, Ladymead, Guildford, GU1 1AT

Title Numbers

SY555652

SY158643

Landlord

Bedell Corporate Trustees Limited and Atrium Trustees Limited as trustees of the Liongate Unit Trust.

Tenant

UOP Limited (Company Number 00521570)

Surety/Guarantor

None

Term

Term of 10 years from and including 29 September 2014.

Current Rent

The initial rent is £980,000 per annum.

The rent commencement date is 29 November 2015 (14 months rent free).

A further7 months rent free will be grated at the beginning of the 6th year if the break is not exercised.

Additional Rent

The tenant will pay a fair proportion of reasonable market costs associated with maintaining the estate.

The estate charge will be capped at £0.25 per sq ft, adjusted in line with RPI.

Rent Reviews

29 September 2019.

The revised rent will be the greater of the current rent or open market rent on the basis of a 10 year term and the Landlord funded works (pre-approved and other) having been completed.

Break Options

Tenant only break after 5 years subject to at least 6 months prior written notice.

Use

Not to use the Premises otherwise that as offices within Class B1 of the Town and Country Planning (Use Classes) Order 1987.

Repair

Alterations

No external or structural alterations or additions or any opining in any boundary structure of the Property is to be made without the consent of the Landlord (not to be unreasonably withheld or delayed).

The Tenant may make internal non structural alterations to the Property without the consent of the Landlord provided that full details of the alterations are provided to the Landlord within 28 days of completion of such alterations.

No alterations may be carried out that would or may reasonably be expected to have an adverse effect on the Energy Performance Rating of the Property without the consent of the Landlord (not to be unreasonably withheld or delayed).

Repair

The Tenant shall keep and put the Property into clean and tidy and in a good state of repair and condition.

The Tenant shall decorate the outside and inside of the Property as often as is reasonably necessary and also in the last three months before the end of the Term.

Alienation

Assignment

The Tenant shall not assign the whole of the lease without prior consent of the Landlord (not to be unreasonably withheld or delayed). The Tenant may not assign part of the lease. Upon any assignment, there shall be a simultaneous assignment of the Existing Lease.

Underletting

The Tenant may underlet the Property or part providing they have provided the Landlord with

- A certified copy of the notice served on the undertenant as required by section 38A(3)(a) applying to the tenancy to be created by the underlease; and
- A certified copy of the declaration or statutory declaration made by the undertenant in accordance with the requirements of section 38A(3)(b) or the Landlord and Tenant Act 1954.

Any subletting must not be less then open market rent.

Group Sharing

The Tenant shall have the right, without the need for Landlord's consent, to share occupation with, or sublease to, group companies and associated organisations

Yielding Up

At the end of the term, the Tenant shall remove items it has fixed to the Property, remove any alterations it has made to the Property (including any works carried out during the term of the existing lease) and make good any damage caused to the Property by the removal.

4.5 Underlease of the Parking Spaces

13 parking spaces are currently in use by Allianz by way of an underlease. The key points are summarised below.

Premises

13 car parking spaces within te Property

Term

17 September 2012 – 16 September 2014.

The term has expired however it is anticipated that the underlease will be renewed on similar terms for a term expiring on 16 September 2013. You have been provided with a copy of thedraft lease renewal.

Rent

£20,000 per annum

Termination

By either party on not less than 30 days' notice

Use

Parking of 13 motor vehicles.

Rent review

None

Repair

Undertenant covenants to keep in existing condition

Alteration

Prohibited

Alienation

Prohibited

New Lease

Yes

Out of the Landlord and Tenant 1954 Act

Yes

4.6 Lease of the Substation Site

Premises

Shown coloured pink on plan (numbered 1 in blue on title plan for title number SY158643).

Term

99 years commencing 18 November 1988.

Rent

£1 per annum (if demanded).

Rights granted to the tenant

a. Vehicular right of way over land coloured blue and brown on lease plan

b. Right to open gates and doors outwards over land coloured blue and brown

c. Right to lay and maintain electric lines under the land coloured brown and yellow on lease plan and right of entry onto adjoining land for this purpose.

Landlord's covenants

a. Not to interfere with or damage any electric line

b. Not to alter the existing level or cover the surface of the land coloured yellow and brown on the lease plan

c. Not to erect any building or structure or carry out any planting on or within a distance of 1.5 metres of the yellow and brown land.

Out of the Landlord and Tenant 1954 Act

No

4.7 Mechanical and Electrical Survey

We have been provided with a copy of the Mechanical and Electrical Survey prepared by your specialist advisors David Miles & Partners. The report is heavily focused on the indicative life expectancy of the services therefore we note the key conclusions and recommendations below.

The survey concludes that with regards to the mechanical aspects of the building, they recommend the use of condensing boilers as replacements to the existing boilers due to their high efficiency and maximum energy conservation resulting in cost savings. Condensing boilers can be installed and used in the existing flues and flue chimney can be connected to the existing pressurization unit for cold water supply to the boiler.

They recommend that all existing heating plant, pipework and fittings are removed and replaced within the plant room in the next 5 to 10 years. Recommendations include:

- Condensing boilers - To achieve maximum energy conservation the use of condensing gas fired boilers should be considered. This type of boiler is used extensively in new and refurbishment projects, however when used in refurbishment / replacement projects careful consideration to the age and condition of the distribution pipework should be made and the condition of the water.

- Atmospheric/Pressure Jet Boilers - These types of boiler are not as efficient as a condensing boiler but are more tolerant to the debris that is circulated around a system. It is also more likely that they can use the existing chimney (although this will need verifying). The boilers have a tried and tested life and maintenance back up.

- Circulation Pumps - To achieve an energy consumption that complies with current regulations it is recommended that the pumps installed are inverter driven pumps. These pumps vary the electrical consumption in line with system requirements. They can be quite tolerant to various system conditions and debris in the system and will reduce running costs.

- Hot water system - It is recommended from available information and age of the installation all the existing hot water plant and system within the plant room are removed and replaced.

- Distribution Pipework - It is recommended from a review of existing installations that consideration to the replacement of distribution pipework should be made. It is understood that within the flats this is extremely difficult and would be a highly contentious issue, the recommendation in this case is that a full survey of the building is undertaken identifying the pipework routes and locations so that should a problem occur, pipework and isolation valves locations are known.

- Chiller System - Based on information provided the chiller plant was replaced within last 2 years, but we have no information on the Fan coil units existing status. If the Fan coils were not replaced with the chiller then their economic life expectancy is coming to an end and we would recommend replacement of the fan coils units.

The survey concludes with regards to the electrical aspects of the building, that the electrical installations appear to being good condition for its age and if maintained should last another 5 years plus. As the systems age, they may require further maintenance and replacement parts on an ad hoc basis.

They recommend that the majority of the electrical installation should be replaced in the next 5 years including:

- Lighting - To achieve further energy conservation, the use of LED lighting should be considered when replacing the lighting system.
- Power - If not already provided Dado trunking would be of an advantage for future flexibility within office areas.
- Fire Alarm - The Fire Alarm system will need to be maintained in accordance with BS 5839-1 and if not already provided an Analogue addressable system be installed when replaced.
- CCTV - The system could be maintained and any associated defective parts replaced on an ad hoc basis or replaced within the times indicated within this report.
- Lifts - It is mentioned in the information provided that the 2 No. lifts are being replaced within the next 12 months.

4.8 Planning

4.8.1 General

The property lies in an area administered by Guildford Borough Council. From our enquiries we understand that the Guildford Borough Local Plan was adopted in January 2003. The council plan to introduce their new Local Plan which will provide a framework for the future development of the borough up to 2031 in September 2015. This will be introduced in two stages: 1) Preparation of Local Plan Strategy and Sites Developments Plan Document and 2) Development Control Policies DPD.

The property does not lie within a conservation area.

4.9 Rating Assessment

Business rates are a form of property tax, usually paid by the occupier of property, and related to property rental value (known as Rateable Value). The level of rates paid is generally revised annually to reflect inflationary increases. The Rateable Value may be revised every five years to reflect changes in the value of the premises.

The property is assessed for rating purposes as follows:

Demise	Description	Rateable Value	Rates Liability
Lower Ground	Mess/Staff Room	£1,322	£623
Ground Floor	Refuse Store	£207	£97
Ground Floor	Reception/Entrance	£7,030	£3,311
Ground Floor	Office	£253,265	£119,288
Ground Floor	Kitchen	£250	£118

First Floor	Office	£253,265	£119,288
First Floor	Kitchen	£250	£118
Second Floor	Office	£221,445	£104,301
Second Floor	Kitchen	£250	£118
Other	Bike Shed	£226	£106
Total		**£737,510**	**£347,368**
Access/Out of Centre Discount		**- £36,875**	
Total Value		**£700,635**	**£329,999**
Rateable Value		**£700,000**	**£329,700**

The annual amount of rates payable is arrived at by applying a multiplier known as the Uniform Business Rate (UBR) to the rateable value. The UBR for 2013/2014 is 47.1 pence in the (£) pound.

4.10 Statutory and Tax Matters

4.10.1 Value Added Tax

We understand the property is elected for VAT and is chargeable on the sale price. We anticipate the sale of the property will be treated as a Transfer of Going Concern.

4.10.2 Stamp Duty

Stamp Duty at the rate of 4% would be chargeable on a purchase of the property. If the transaction on this property is seeking to take advantage of an avoidance scheme, you should be aware that the government is trying to close avoidance loopholes. We would therefore recommend to seek advice on any avoidance schemes in place of this property.

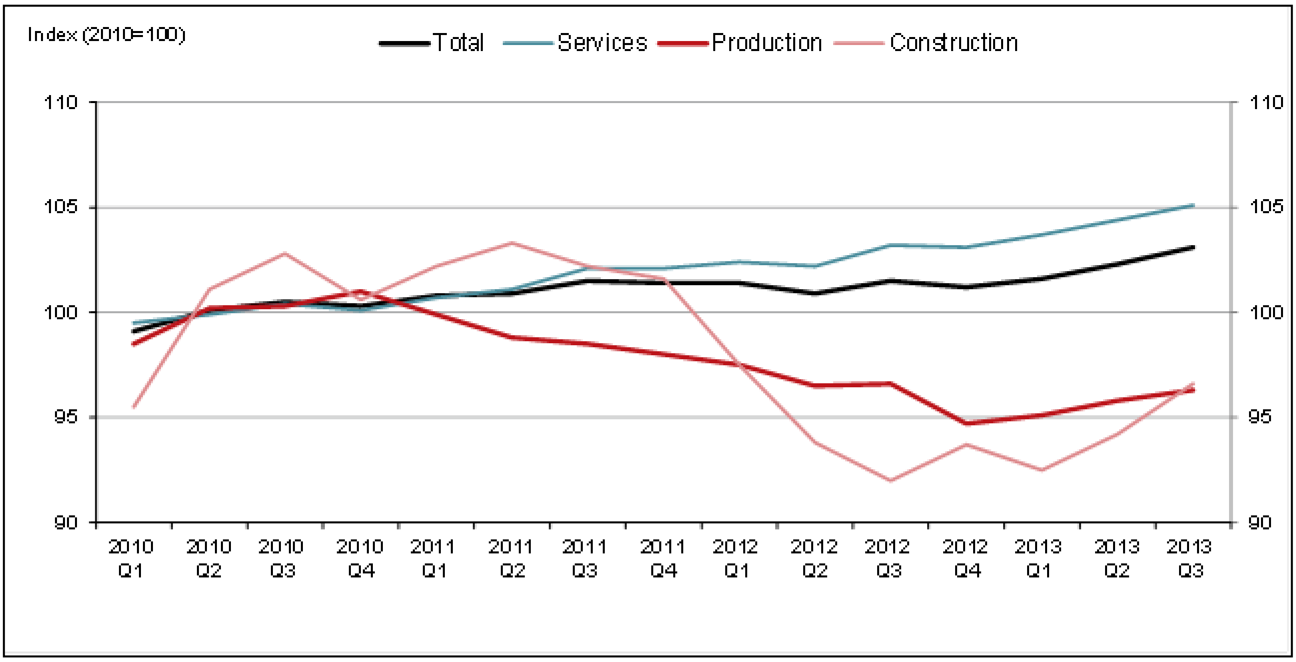
5 Market Commentary

5.1 UK Economy (October 2013)

GDP grew by 0.8% in third quarter

UK GDP increased by 0.8% in Q3, after registering 0.7% growth in the previous quarter. This was the strongest quarterly performance since 2010. Growth was broadly based, with increases recorded in all of the four main sectors. The largest contribution to the increase came from services (0.7% growth), while output also grew in production (0.5%), construction (2.5%) and agriculture (1.4%). Despite the encouraging data, strong headwinds remain, particularly given the still tight credit conditions, challenging labour market and Eurozone sluggishness. The latest forecasts from Oxford Economics indicate the recovery will remain slow in the short term, with GDP growth in 2013 at 1.4%, gaining momentum to reach 2.2% in 2014.

GDP and main components, Q3 2013



Source: Office for National Statistics

Retail sales show a resilient picture

UK retail sales volumes grew by 0.6% in September compared with the previous month, following an unexpected fall in August. The most significant driver was furniture sales, partly supported by the improving housing market. Household goods, clothing, footwear and textile retailers also showed robust sales volumes. Consequently, retail sales volumes expanded by 1.5% in the third quarter, which is the strongest growth since Q1 2008. This solid performance is in part reflected in stronger Q3 GDP growth compared with Q2.

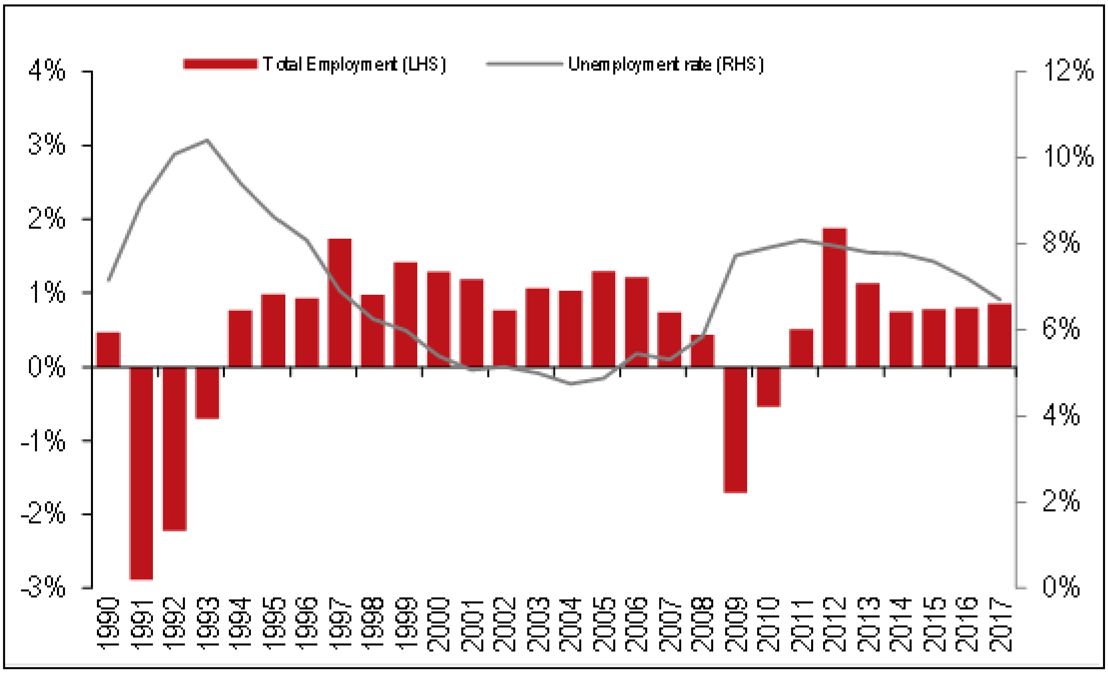
Inflation remains unchanged

UK consumer price inflation remained stable at 2.7% in September, which was slightly disappointing as a further fall was expected. Petrol and diesel prices fell further, although this effect was offset by higher air fares. Meanwhile, RPI inflation fell marginally to 3.2% from 3.3% in August. As average wages grew by just 1.1% over the same period, consumer purchasing power continues to be eroded. Inflation is expected to trend lower over the next few months, with the latest forecasts suggesting inflation will fall to around 2.5%. This is partly due to favourable base effects as the impact of the October 2012 jump in university fees will drop out of the index. The inflation forecast is not expected to affect the outlook for monetary policy, with the Bank of England likely to keep interest rates at their current low level of 0.50% through at least 2014, possibly longer.

UK labour market sees further improvement

The latest UK labour market data showed further resilience, a reflection of improved business confidence and stronger economic activity. The number of unemployed fell by 18,000 to 2.49 million in the three months to August, the lowest level since May 2011. Meanwhile, the unemployment rate dropped to 7.7%, down from 7.8% in the previous quarter. Unemployment is expected to continue trending gradually downwards over the next few months, though is not expected to fall below the Bank of England's crucial 7.0% trigger rate until 2016.

Gradual recovery in UK labour market anticipated



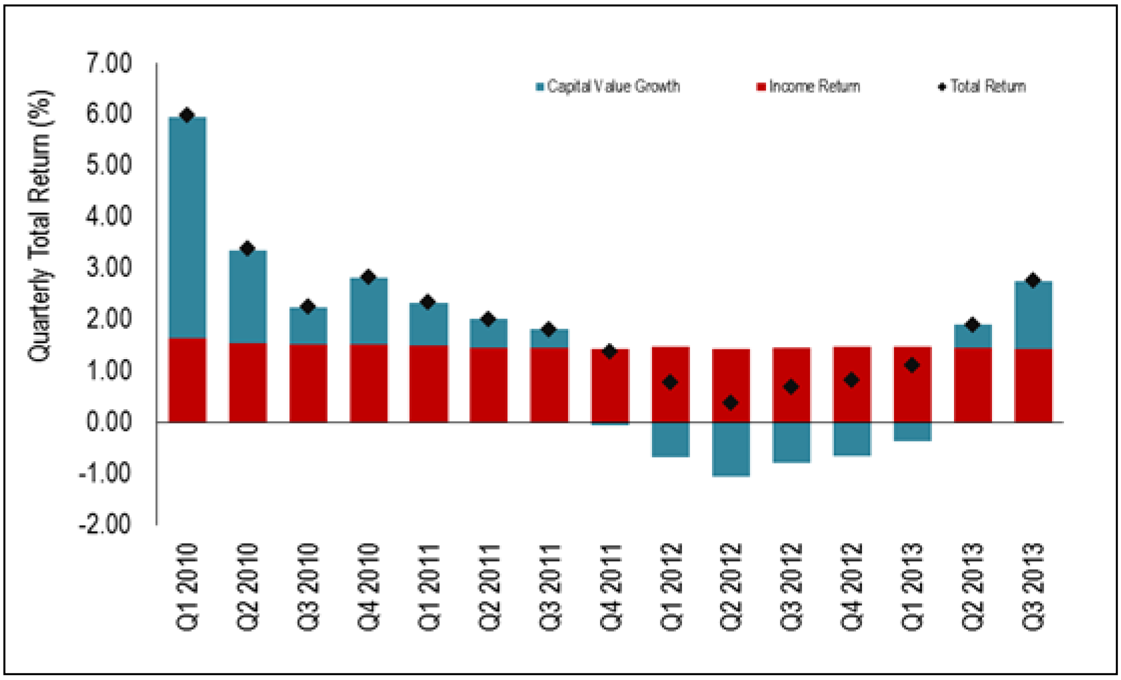
Source: Oxford Economics

5.2 Property Market Overview (October 2013)

Capital values drive All-Property returns to highest level in almost three years

UK Property performance continued to improve into Q3 with UK All-Property total returns reaching 2.8%, up from 1.9% in Q2. Capital value growth accounted for a significant part of this, with a 1.3% increase, accelerating from 0.4% in the previous quarter. This growth was mostly driven by yield compression, as rental values remained relatively stable at just 0.1% growth. The recovery in capital values brings the UK All-Property total returns up to 6.7% in the year to September, up from 3.3% over the same period a year ago. Total returns improved across all major sectors, helping the index achieve its highest quarterly returns since Q4 2010. This was also the first quarter since Q2 2010 where all sectors and subsectors showed positive capital growth.

All Property total returns hit highest level since Q4 2010



Source: IPD Quarterly Digest

Capital value growth returns to the UK office market as a whole

Offices recorded a strong performance in Q3 13 with total returns increasing significantly to 3.5% from 2.3% in Q2. While performance continued to be driven by South East and Central London offices, it is worth noting that non-London offices in the South East actually outperformed those in Central London, returning 4.3% compared with 3.7%, the first time this has happened since Q2 2009. This may be indicative of an increase in demand from investors for properties outside of prime markets. Offices outside the South East trailed behind, returning just 1.9%, although, this represented the highest quarterly total return in this segment since Q2 10. Substantial capital value growth in central London drove total returns, with values increasing 2.1% and 2.8% in the City and Midtown & West End respectively, resulting in total returns of 3.3% and 3.7%. While the City showed the greater rental growth at 1.0% compared with 0.8% for Midtown & West End, the outperformance in the latter was due to yield compression. Demand remains very strong for prime assets across central London but stock availability is declining and this is maintaining pressure on prime yields.

The divide between South East offices and the rest of the UK grew further pronounced over the third quarter. Capital values in the South East increased by 2.5% driven by yield compression. In contrast, capital values across the rest of the UK increased by just 0.2%. However, this is the first time capital values across the Rest of the UK have shown positive growth since Q2 10. The improving performance in the office sector outside London mirrors increasing activity in the investment market in the South East and top regional centres. Demand is coming from a broad range of investors, targeting long term secure income and this is driving yields down for prime space. Although secondary stock in fundamentally good locations or with good asset management prospects are seeing growing interest, this has yet to impact pricing and outside the core locations conditions remain challenging.

Q3 Capital growth turns positive for offices throughout the UK

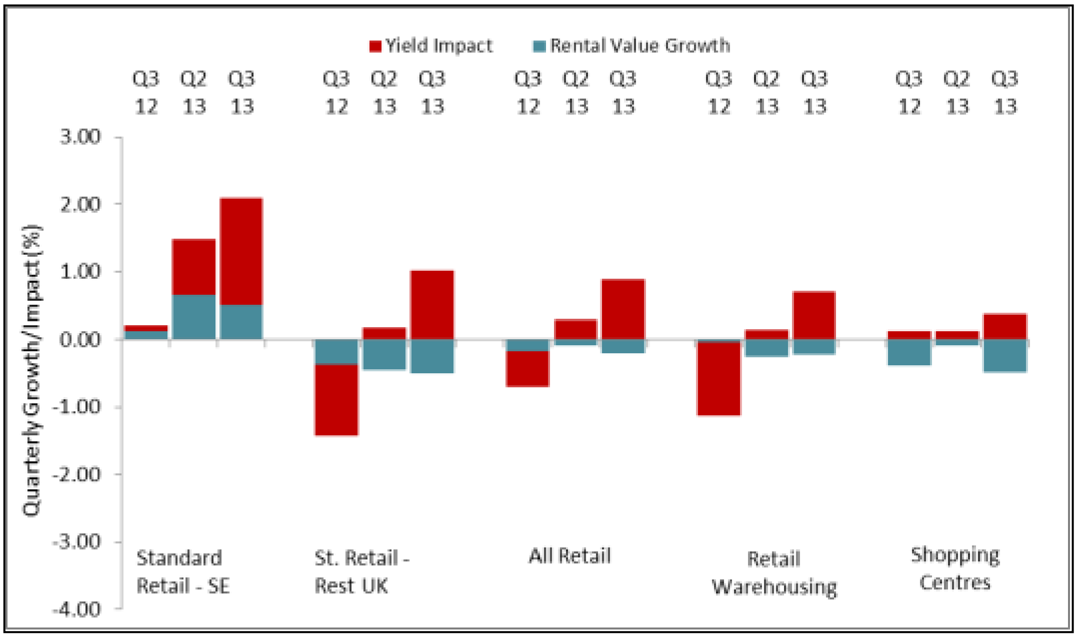
Source: IPD Quarterly Digest

Retails remains the weakest performing sector

All retail total returns increased from 1.5% in Q2 13 to 2.2% in the third quarter but, despite this, remained the weakest performing of the three major sectors. Pricing across the sector has been positive with capital values, driven by yield compression, rising by 0.7% over the quarter. However, the weakened occupier market has yet to recover in the same way and rental falls of 0.2% account for the overall underperformance. These declines were by no means universal across the sector, as rental growth in the South East (High Street) reached 0.5%, although this was offset by declines of 0.5% in the rest of the UK. However, despite falling rents in certain parts of the UK, capital values remained universally positive with the Rest of the UK values growing by 0.5% compared to 2.1% in the South East. There remains an abundance of institutional and private investors targeting large prime opportunities, which has had a downward influence on yields. However, appetite for non-prime assets continues to be patchy and selective, meaning that growth in non-core markets will not be as rapid.

Retail warehousing recorded a performance that is broadly in line with the retail average. Despite rents slipping downwards by 0.2% over the quarter, tightening yields drove capital growth up by 0.5%. Shopping centre total returns reached 1.6% in Q3 13, up from 1.2% in the previous three months. Although rents continued to fall by 0.5%, a capital growth of 0.2% helped ensure that returns remained positive. At the prime end of the sector there remains a considerable weight of money from REITs, overseas funds and sovereign wealth funds seeking prime, defensive assets in the regional centres, London or the South East. However, the secondary market has also started to stabilise with a number of investors, including institutional and opportunity funds, seeking value add assets in this markets.

Capital Value Growth driven by yield compression as rental growth remains weak

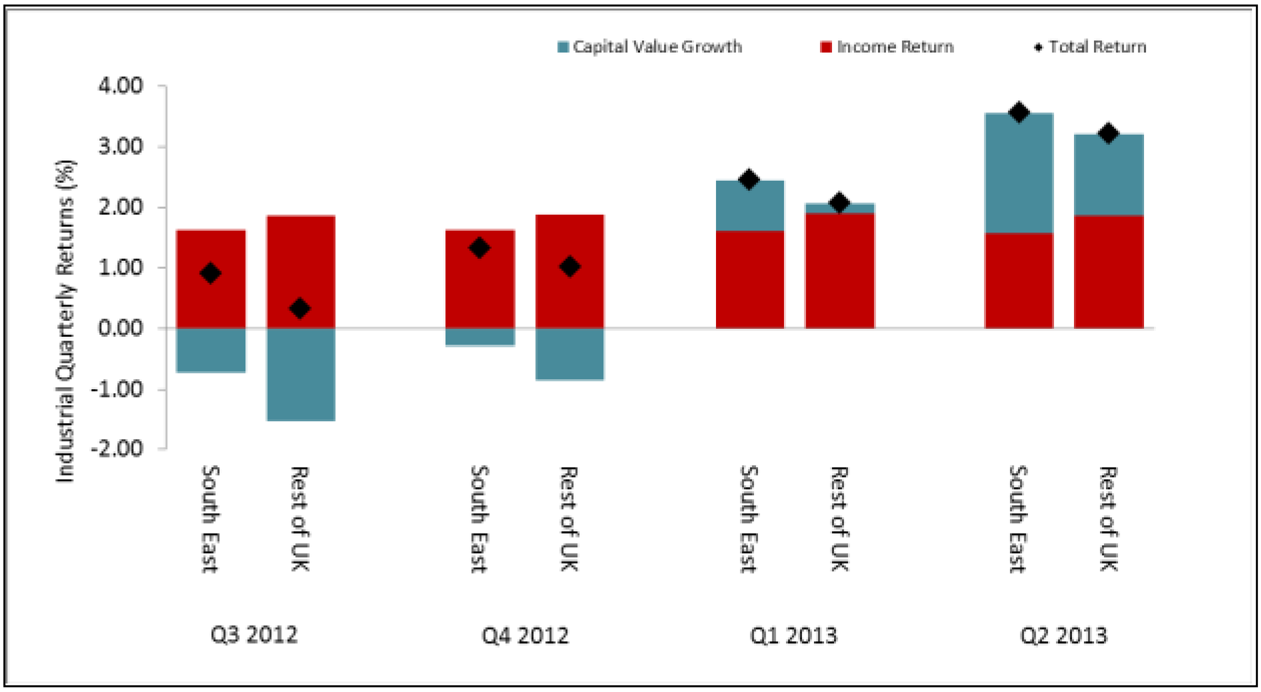


Source: IPD Quarterly Digest

Industrial: Capital growth continues across the whole of the UK

Industrial performance remains robust, with total returns of 3.4% over the quarter, up from 2.3% in Q2. The gap between South East and the rest of the UK has widened slightly over the quarter, however the disparity is not too severe with returns of 3.6% in the South East compared with 3.2% across the rest of the UK. This divergence can be explained by differences in capital growth; values in the South East were up 2.0%, accelerating much faster than those of the Rest of the UK at 1.3%. The majority of the growth can be attributed to yield compression as rental growth remained fairly modest across the UK at 0.4% for the South East and 0.1% for the Rest of the UK.

Returns gap between South East and Rest of UK continues to widen



Source: IPD Quarterly Digest

5.3 South East Office Market Overview

Take Up

2013 has so far been a vintage year in terms of occupier activity for the Western Corridor with take-up for the first 3 quarters of the year at almost 2.3 million sq ft. Take up has been buoyed by a number of large deals with around 30% of space taken involving units greater than 50,000 sq ft. BP acquired 135,000 sq ft at Building 2, New Square, Bedfont Lakes; Reading Borough Council also purchased Plaza West, Reading (85,000 sq ft) and Cameron Oil acquired 57,000 sq ft of new Grade A space at Building 5, The Heights, Weybridge. With another quarter of take up still to go, take up is already above both the five and ten year average levels (2.1 million sq ft and 2.2 million sq ft respectively) and we anticipate take up of around 2.5 million sq ft for 2013 as a whole.

The Thames Valley accounted for over half of total take up (54%) over H1 2013 with Reading accounting for the greatest share of take up at town level (19%). However, West London has seen the greatest share of Grade A take up (59%) with Heathrow seeing the most activity (22%) boosted by the BP deal outlined above. Grade A take-up accounted for 48% of total take up during H1, down on the 5-year annual average of 54%. However, this is more a reflection of the lack of Grade A supply rather than demand.

Activity has been dominated by the core sectors: Manufacturing and Services; and this has carried through to the active requirements. During H1 2013 the Manufacturing sector accounted for 35% of total take up and the Service sector for 32%, consistent with the respective 5 year averages. Within these sectors Pharmaceuticals, Oil & Gas and TMT remain the key subsectors driving demand for office space.

Moving into H2 2013 there has been a further surge in occupier activity, with the market expected to well exceed the 5-year annual average take-up figure of 2.1 million sq ft. The following deals (not reflected in the mid-year data) demonstrate the marked return of pre-letting activity.

- BMW purchased the former Nokia office campus in Farnborough (300,000 sq ft) for the phased consolidation of its 1,000 staff based offices in Bracknell and Hook;
- Rackspace has committed to developing a 300,000 sq ft office campus at Hyde Park, Hayes, by pre-letting HPH5 (125,000 sq ft) as well as additional existing space.
- Dunhumby agreed a pre-let (115,000 sq ft) at the former For Motors warehouse at 184 Shepherds Bush Road, Hammersmith.

The key points affecting the favoured locations and influencing corporate occupier decisions over the next 3-5 years are:

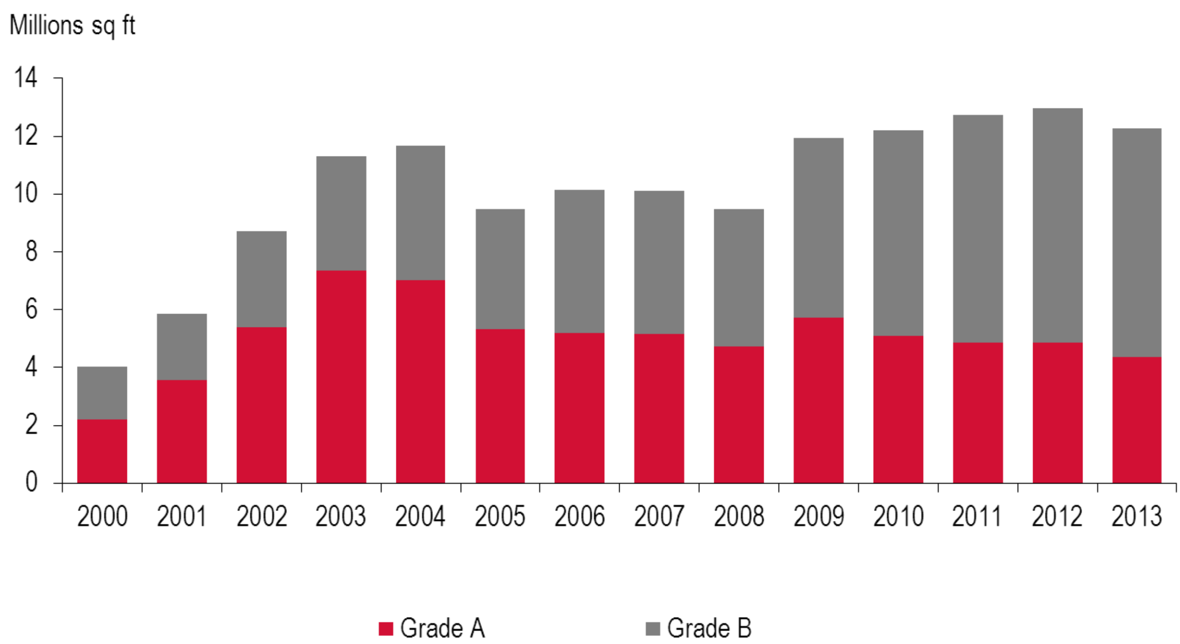
- Obsolescence – 90% of stock is >10 years old. This is an even higher percentage in the town centre locations
- The Energy Act means that the lease re-gear trend is abating. There is pressure to upgrade accommodation occupied and the hard deadline of the Energy Act looming in 2018, is now within range of 5 year lease re-gears.
- Named demand remains stable and is likely to grow as occupiers realise that that the options for alternative accommodation are dwindling and the pressing issues of obsolescence and Energy Act loom.
- Standing stock – there is a limited number of existing vacant buildings in the core locations available which are either new or substantially refurbished in the Thames Valley. Even with the current development pipeline this will constrain supply over the next 3-4 years.
- Development pipeline will only provide 450,000 sq ft this year a replacement rate of < 0.5% of the total market.
- Rental levels – there is clear evidence of headline rents in the key locations rising.

Supply

Western Corridor Grade A office supply is at its lowest level in 12 years. Total supply in the Western Corridor / South East market is down by approximately 5% year-on-year with 12.2 million sq ft of space immediately available for occupation, equating to a vacancy rate of 13.8%. The volume of available space is broadly in line with 5-year average rental levels. Grade A supply is severely constrained with just 4.6 million sq ft of Grade A space available (5.2%), 9% below the 5-year average and 17% lower than the 10-year average. The lack of Grade A supply combined with the anticipated growth in demand will fuel rental growth into 2014 and beyond. During the forecast period 2014-2017 we are predicting average prime rental growth of 4.2% per annum across the Western Corridor

The West London market is facing the greatest shortage with the Grade A vacancy rate standing at just 3.0% compared to 7.6% in the Thames Valley. This is a direct reflection of the take-up seen in the Western Corridor during Q1, the focus by occupiers on Grade A accommodation and the lack of development pipeline feeding into the supply profile.

<u>Existing Supply by Grade</u>

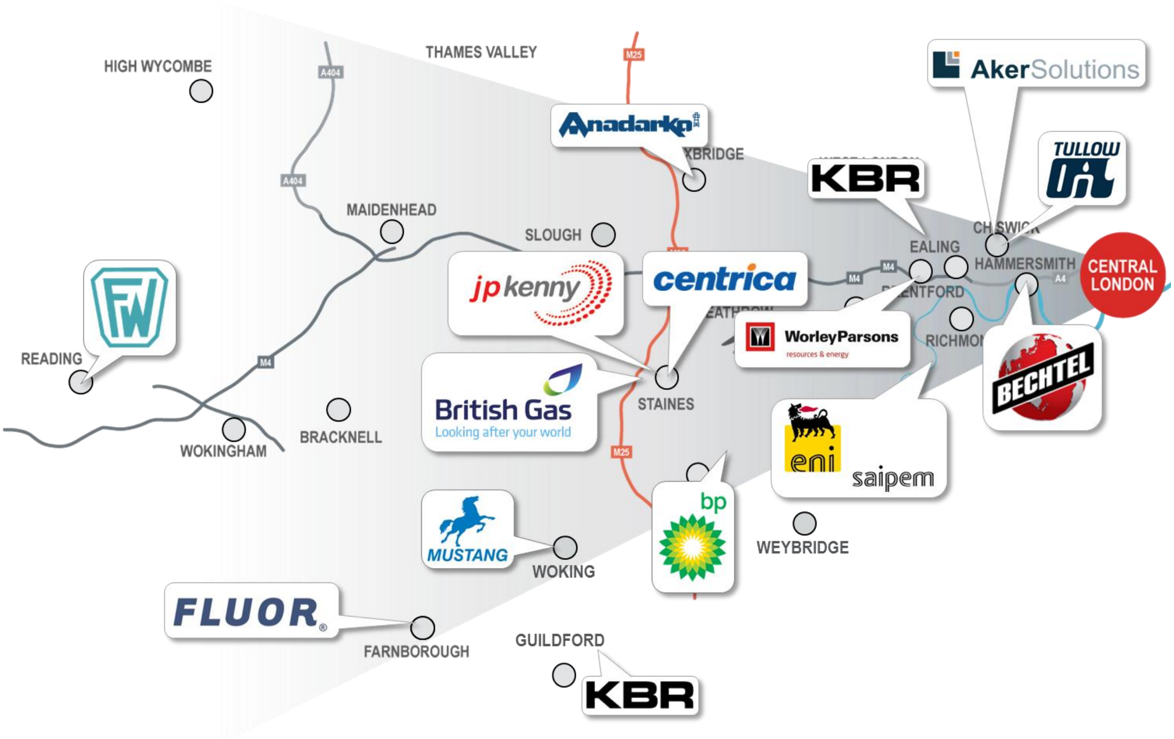


Occupier Profile

At the end of Q3 2013, there was over 4.4 million sq ft of active demand across the Western Corridor. While some of this increase is a result of the market becoming more transparent, this is still double the five-year average of 2.2 million sq ft.

The market is dominated by three key occupier sectors – Oil & Gas, Pharmaceutical and TMT. A lot of the businesses have their UK and European HQ's in the locality. Set out below are three maps indicating where the key occupiers in these sectors are located in the South East.

Oil & Gas



The Oil & Gas sector has been the most active over the last 12-18 months. In a majority of cases this has been net expansion.

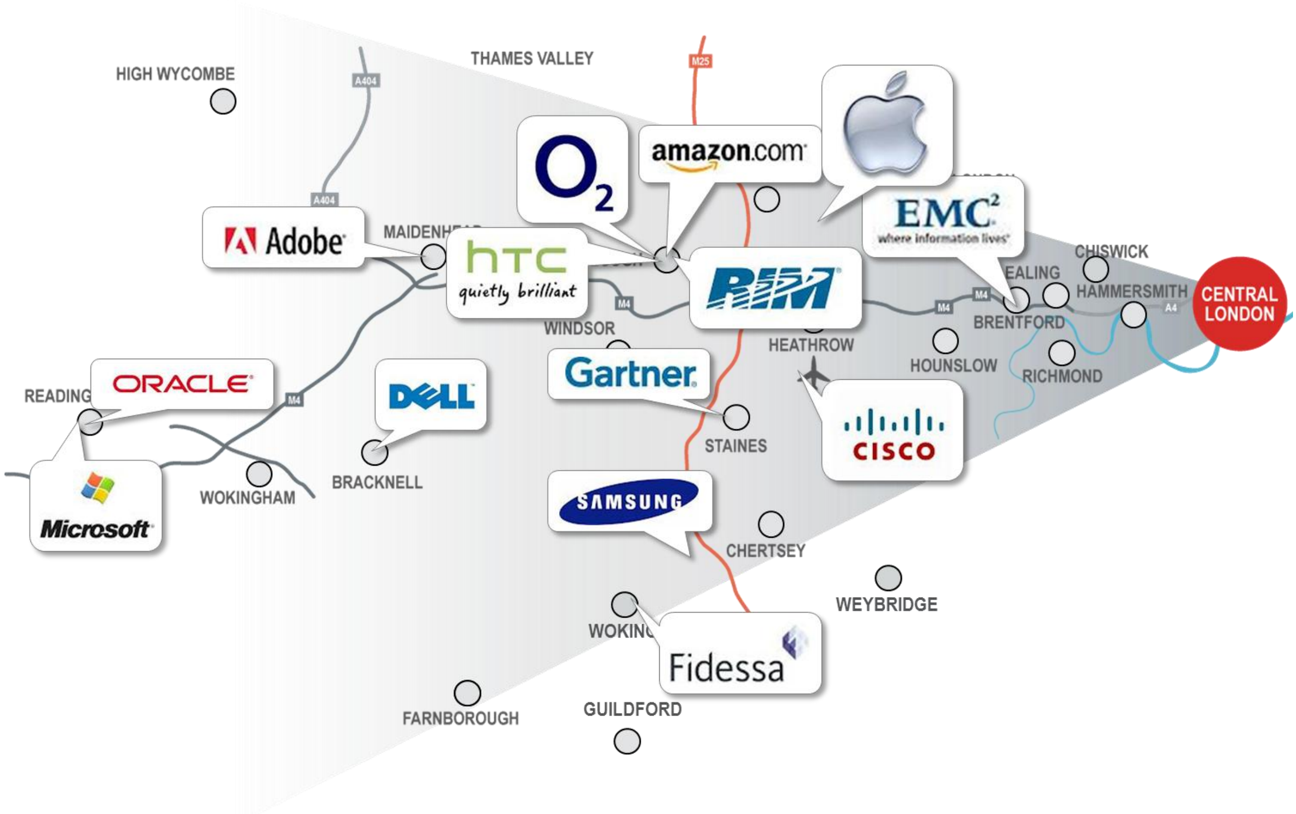
- Most recently, Nexen have taken 80,745 sq ft at Stanza, Uxbridge at £32 per sq ft having decided against a refurbishment option of their existing space in the town.
- JP Kenny have expanded in Staines from 25,000 sq ft to over 100,000 sq ft in the last three years. Their latest letting being at 1 London Road where they have recently taken 17,000 sq ft.
- Cameron Oil, albeit not in the immediate area have increased floorspace by 25% mainly in the Weybridge area.
- BP have taken 135,000 sq ft at Bedfont Lakes which was the consolidation out of two buildings at Stockley Park enabling them to be closer to their Sunbury HQ.
- Aker Solutions who originally occupied 25,000 sq ft at Chiswick Park took a pre-let of 215,000 sq ft on the Park in 2012.

- Centrica continue to expand in the locality and currently have a 100,000 sq ft requirement for a single building.

<u>Pharmaceuticals</u>

The pharmaceutical sector has been subject to consolidation into key facilities with research facilities closing. The most public of these being AstraZeneca's decision to move their HQ to Cambridge from Alderley Edge which will be over 500,000 sq ft. In the locality there is movement:

- GSK are reoccupying Stockley Park (Phase 3). They are currently refurbishing 70,000 sq ft space and taking a further 30,000 sq ft of expansion space in Brentford.
- Astellas Pharma are moving from 50,000 sq ft in Staines and buying the freehold of the ex-Electronic Arts HQ (100,000 sq ft) at Hillswood, Chertsey with the ability for a further 100,000 sq ft of development expansion.
- UCB have a requirement in the local market for a 180,000 sq ft UK HQ and lab facility



TMT

There has been significant press about the movement of the sector back towards central London. However there continues to be activity in the West London/Western Corridor area.

- Huawei moving from 40,000 sqft in Basingstoke to 135,000 sq ft at Green Park.
- Gartner Group requirement for a new building of 110,000 sq ft development in 2016.
- Viasat taking 70,000 sq ft at Chiswick Green.
- BMC Software relocating from Egham to IQ Winnersh and taking 40,000 sq ft.

Outside of these sectors there are multiple additional large requirements in the South East including:

- Centrica – 100,000 sq ft
- Close Brothers – 60,000 sq ft
- EMC – 80,000 sq ft
- Thales – 220,000 sq ft
- UCB – 180,000 sq ft
- Hyundai – 5,000 sq ft
- VM Wore – 75,000 sq ft

- Pepsi – 80,000 sq ft (Reading focused)
- Vodafone – 65,000 sq ft

In addition to enquiries already circulating in the market place, there is also up to 16 million sq ft of additional lease events over the period 2014-2018 which will further stimulate demand for office space.

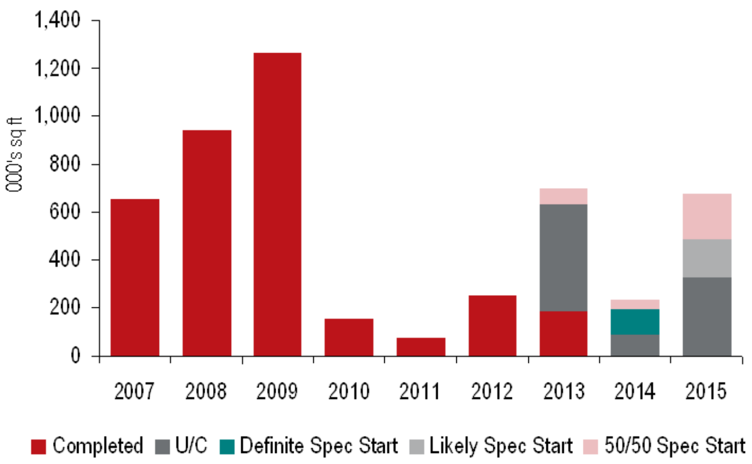
Development Pipeline

The entire development pipeline has been affected by the wider economic conditions and generally most developments were stopped or been shelved indefinitely resulting in little to no speculative development between 2004-2011. However, the South East has seen increasing numbers of developers take forward schemes over the past 12-18 months.

Securing funding remains a barrier to development but this is easing and more innovative funds and well-funded developers are leading the way in addressing the Grade A supply shortage. Developers who have taken the opportunity to build speculatively, have been rewarded with a number of speculative schemes let during construction (Aker Solutions, Chiswick Park) or soon after completion (Nexen, Stanza).

There is currently 860,000 sq ft of space under construction on a speculative basis, two thirds of which is in the West London market. There is approximately 450,000 sq ft scheduled to be delivered during 2013 which equates to a replacement rate of less than 1% in a market of 85 million sq ft. In a now recovering occupational market, this is exceptionally low and is creating a window of opportunity for oven ready sites in the best locations.

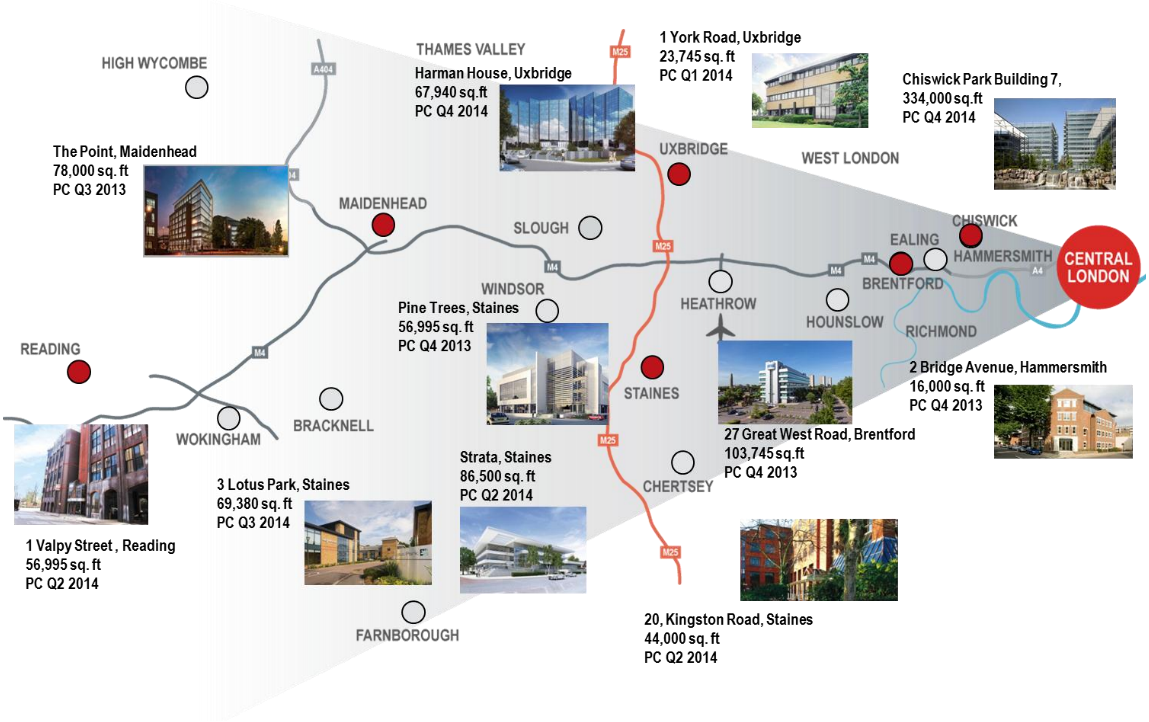
<u>Speculative Development Pipeline</u>



We set out below the current development pipeline of product that is either on site or very recently completed.

We have included the target or estimated dates for completion, along with approximate guiding rents for reference.

Development Pipeline – On site



Address	Size (sq ft)	Developer	Estimated PC	Est. Guiding rent (£sq.ft)
Under construction				
Point, Maidenhead	78,000	Kames	Q3 2013	£32.50+
Abbey Gardens, Reading	85,000	Hermes/Bell Hammer	Q3 2013	£30+
TOR, Maidenhead	66,000	Rreef/Rockspring	Q4 2013	£34+
Five Pinetrees, Staines	60,000	API	Q1 2014	£33/£34+
Flow, Staines	60,000 (2 buildings)	Rockspring/Exton	Q3 2013	£34+
Address	**Size (sq ft)**	**Developer**	**Earliest Delivery**	**Likely rent target**
Potential starts				
Kidwells Park Road, Maidenhead (S)	80,000	Hutley Holdings/TBC	Q1 2016	£30+
Charter Place, Uxbridge (R)	150,000*	Ignis (now planned for sale VP)	2015+	£30+

Reading Central Two &Three (S)	300,000	PRUPIM	2015 +	£32.50
‘Strata’ aka Ashby House, Staines (R)	86,000	LIM / Bell Hammer	Q3 2014	£33
Brunel Way, Slough	65,000	Hermes	Q4 2015	£30.00
Rivergate West, Staines	40,000	Boultbee Land	2015	£30

Rental Levels

Prime rents continue to increase with the average up 3.9% year on year to £28.96 per sq ft. Over the past 12 months, a number of key towns have recorded significant rental growth including Hammersmith (15.0%), Uxbridge (12.7%), Heathrow (9.3%), Staines (6.9%), Chiswick (3.3%) and Maidenhead (3.3%). Despite the relatively strong performance, headline rents continue to be supported by incentives, with up to 24 months rent free on a 10 year term in the South East and 12 months on a 5 year term certain.

It is well-documented that West London rents, Chiswick and Hammersmith, have now hit £45 per sqft. Both Chiswick and Hammersmith now stand at £47 per sq ft + whilst Richmond has Grade A space under offer at £42.50 per sq ft.

5.4 Guildford Property Market

Occupier Profile

Guildford has traditionally been an administrative centre for the region, home to a large number of public sector organisations with key occupiers including Guildford Borough Council and Job Centre Plus. Occupiers are attracted to Guildford due to its proximity to an excellent array of amenities and shopping; the train links to London and Reading; its location in the heart of an affluent commuter belt and its status as an established office centre.

The largest business sector employer in Guildford is Detica, part of BAE systems, who employ approximately 1,000 staff at Surrey Research Park. Insurance firms also have a significant presence with Allianz who have their UK Headquarters located to the north of the town centre (adjacent to the subject property) and employ 900 staff in the area and Enstar Group Ltd who are based at Cathedrill Hill. Well known professional firms include accountants Baker Tilly (13,400 sq ft) and Smith & Williamson, and solicitors Clyde & Co and Stevens & Bolton (40,000 sq ft).

R&D activity is also important to the Guildford economy. This was stimulated by the opening of the Surrey Research Park in 1984, which has links to Surrey University. Key occupiers include BOC Group and Surrey Satellite Technology, who moved approximately 200 employees to an 80,000 sq ft purpose-built premises at the park in 2006.

Manufacturing firms also provide an important source of office employment in the town. Key occupiers include pharmaceuticals firms Sanofi Aventis and Colgate Palmolive (40,000 sq ft), who both base their headquarter offices in the town, bus manufacturer Alexander Dennis and wine importer Constellation. In addition to manufacturing, the oil industry also has a notable office presence in Guildford, with UOP occupying 4 Lion Gate.

Other occupiers of note in the town include:

- EA Sports (70,000 sq ft)
- Ericssons (70,000 sq ft)
- Philips (50,000 sq ft)
- Microsoft (Lionhead) (30,000 sq ft)
- Charles Russell (70,000 sq ft)
- Surrey Satellite Technology (80,000 sq ft)

Occupiers that are currently outside Guildford and expressed a recent interest in moving to the town include Close Brothers, Marsh MMC and Yum Foods.

Supply

Guildford has an estimated stock of 3.4 million sq ft making it a small and concentrated office market.

No space was completed in Guildford in 2012 and the last construction peak was 91,000 sq ft in 2005. The impact of these trends (coupled with demolitions and changes of use) has meant that since 2007, the office stock in Guildford has remained largely unchanged.

The most recent office scheme constructed in Guildford in the last 15 years was 65 Woodbridge Road developed by Standard Life Investments. 65 Woodbridge Road is a Grade A building totalling 30,505 sq ft over ground and three upper floor developed in 2011.

It is estimated that availability in Guildford is to have fallen over the last 6 months with current availability standing 358,870 sq ft at mid-2013. This equates to a vacancy rate of 10.5% this is compared to a vacancy rate of 15.2% in the M25 West market area. The prime vacancy rate is, however, low at approximately 1.9% (circa 67,000 sq ft).

Development Pipeline

Although there is currently no office space under construction in Guildford, there is 0.5 million sq ft in the development pipeline. Of this, the majority has planning permissions and only 22,000 sq ft is preliminary.

Of the space planned in Guildford, there is one scheme over 100,000 sq ft and one scheme between 50,000-100,000 sq ft. By location, 60% of the space planned is in the town centre and 40% is out of town.

First Urban Group, a local investor and developer, gained permission in 2013 to develop just over 100,000 sq ft of offices to the north side of Guildford station where two smaller 1980s office buildings are currently stood. It is rumoured that First Urban Group are considering a sale to a residential developer. Elsewhere, F&C REIT Asset Management have permission for two speculative headquarters buildings (known as Guildford Plaza), totalling 86,400 sq ft on Portsmouth Road, and are seeking pre-let opportunities at the site. It is likely that this will be built out as a residential or assisted living scheme. The local agents are of the opinion that quoting rents on brand new offices will be north of £32.50 per sq ft.

Several smaller town centre schemes also have permission, including a 33,200 sq ft redevelopment scheme on Walnut Tree Close and the refurbishment and extension of Beaufort House, Chertsey from 22,100 sq ft to 30,000 sq ft by Standard Life Investments which is likely to quote £31.50 per sq ft.

There are further plans for the redevelopment of Guildford station and the surrounding area. Solum Regeneration, a partnership between Network Rail and Kier Developments, are currently carrying out a public consultation on the planned development at the site, with a planning application expected to be submitted in due course. The scheme will redevelop the existing brownfield site, providing improved station services, retail, residential and office space.

Take Up

It is estimated that demand in Guildford fell by 22% in 2012 to 128,000 sq ft. However, this was still 19% above the 5 year average of 107,000 sq ft.

Although smaller transactions (under 25,000 sq ft) are more common in Guildford, the occasional large transactions have helped to boost the take up figures in the past few years. In 2012, Detica took 60,000 sq ft at 170 Priestly Road, Surrey Research Park (the largest deal since 2006). They additionally regeared their leases at four other properties totalling 52,000 sq ft at the same time. Baker Tilly also took 13,600 sq ft at the refurbished One London Square scheme.

More historically, TWM Solicitors acquired 11,000 sq ft at 65 Woodbridge Road in 2009. at £26.00 per sq ft following that, Tufton Ferraby Taylor took 5,400 sq ft at 65 Woodbridge Road in 2010 at £26.50 per sq ft. 65 Woodbridge Road was the last significant new build in Guildford.

Occupier demand has remained been subdued in 2013 with only a few key deals of note. In September Charles Russell taking 20,000 sq ft at £25 per sq ft for a 15 year lease with an 11 year break at One London Square. An incentive package of 12 month's rent free and 24 months at half rent was granted. One London Square is a Grade A refurbishment of a 1990's building.

UOP also regeared their lease at 4 Liongate where they have been in occupation for 24 years. We also understand that UL Laboratories are in discussions to renew their 24,000 sq ft at Guildway at £22-23 per sq ft. £26.00 psf is being achieved for poorer space at Ranger House (adjacent to the railway station).

It is likely that 2013 take up is likely to be lower than average, however, this is largely due to a lack of any speculative or new built stock coming to the market with only refurbishments to satisfy the potential demand.

Rents / Rental Growth

Current headline rents have remained broadly static over the past few years and current town centre headline rents lie at £26.00-£27.00 per sq ft. However, rents are expected to improve through the development of new stock. Quoting rents are expected to be north of £31.50 per sq ft for refurbished Grade A offices and north of £32 per sq ft for brand new space. Headline rents on existing stock are expected to accelerate given the limited pipeline of new stock.

JLL are predicting rental growth for the M4 corridor and West London market over the next five years. IPD is forecasting 4.0% per annum rental growth for Greater London office. As outlined below, JLL in house forecasts are 4.2% for the M4 corridor and 2.6% for Guildford.

	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016	Q4 2017	1988-2012 AVERAGE	2008-2012 AVERAGE	2010-2012 AVERAGE	2013-2015 AVERAGE	2013-2017 AVERAGE	2014-2017 AVERAGE
Prime Annual Rent (£ sq ft pa)												
UK Major Cities Average	**27.58**	**28.17**	**28.83**	**29.62**	**30.21**	**30.75**						
Birmingham	28.50	28.50	28.75	29.50	30.25	31.00						
Bristol	27.50	27.50	28.00	29.50	30.50	31.00						
Edinburgh	27.00	30.00	30.50	31.00	31.50	32.00						
Glasgow	27.50	28.00	29.00	30.00	30.50	31.00						
Leeds	25.00	25.00	26.00	26.50	26.50	27.00						
Manchester	30.00	30.00	30.75	31.25	32.00	32.50						
M4 Corridor Average (Town Centre)	**30.33**	**31.83**	**33.38**	**34.92**	**36.25**	**37.58**						
Bracknell	21.00	21.50	23.00	24.50	26.00	27.50						
Hammersmith	45.00	48.00	50.00	52.00	54.00	56.00						
Maidenhead	30.50	32.50	34.00	35.50	36.50	37.50						
Reading	30.50	31.00	32.50	34.00	35.00	36.00						
Slough	25.00	26.00	27.75	29.50	31.00	32.50						
Staines	30.00	32.00	33.00	34.00	35.00	36.00						
Annual Rental Growth (%)												
UK Major Cities Average	**-0.6**	**2.1**	**2.4**	**2.7**	**2.0**	**1.8**	**4.5**	**-0.8**	**0.8**	**2.4**	**2.2**	**2.2**
Birmingham	0.0	0.0	0.9	2.6	2.5	2.5	5.0	-2.6	1.2	1.2	1.7	2.1
Bristol	0.0	0.0	1.8	5.4	3.4	1.6	n.a.	0.0	1.9	2.4	2.4	3.0
Edinburgh	0.0	11.1	1.7	1.6	1.6	1.6	3.7	-1.1	-1.2	4.7	3.5	1.6
Glasgow	0.0	1.8	3.6	3.4	1.7	1.6	4.1	0.0	1.9	2.9	2.4	2.6
Leeds	-3.8	0.0	4.0	1.9	0.0	1.9	4.7	0.0	-1.3	2.0	1.6	1.9
Manchester	0.0	0.0	2.5	1.6	2.4	1.6	5.2	0.0	2.3	1.4	1.6	2.0
M4 Corridor Average (Town Centre)	**5.8**	**4.9**	**4.8**	**4.6**	**3.8**	**3.7**	**2.3**	**0.0**	**3.5**	**4.8**	**4.4**	**4.2**
Bracknell	0.0	2.4	7.0	6.5	6.1	5.8	1.4	-4.2	-4.4	5.3	5.5	6.3
Hammersmith	20.0	6.7	4.2	4.0	3.8	3.7	3.9	3.2	8.7	4.9	4.5	3.9
Maidenhead	1.7	6.6	4.6	4.4	2.8	2.7	2.1	-0.6	5.5	5.2	4.2	3.6
Reading	0.0	1.6	4.8	4.6	2.9	2.9	2.5	2.5	3.5	3.7	3.4	3.8
Slough	0.0	4.0	6.7	6.3	5.1	4.8	1.3	-2.2	0.0	5.7	5.4	5.7
Staines	7.1	6.7	3.1	3.0	2.9	2.9	2.1	-0.7	4.2	4.3	3.7	3.0

Source: Jones Lang LaSalle

6 Valuation Commentary

6.1 Rental Evidence and Estimated Rental Value

A reversionary lease has very recently been agreed on the property at £23.00 per sq ft therefore we would consider the property rack rented in its current condition today.

If the property were to undergo a refurbishment, we are of the opinion that rental levels could reach £24 – 25 per sq ft headline rent. This level is supported by the recent letting at One London Square, a Grade A refurbished 1990s building. Charles Russell recently took 20,000 sq ft at £25 per sq ft on a 15 year lease with an 11 year break. An incentive package of 12 month's rent free and 24 months at half rent was granted

6.2 Covenant Status

6.2.1 Background and Financial Information

UOP ltd is the leading international supplier and licensor for the petroleum refining, gas processing, petrochemical production and major manufacturing industries. More than 60% of the world's gasoline and 85% of biodegradable detergents are made using UOP technology.

UOP Ltd was founded in 1914 and remained a privately held firm until 1931. Most recently, in 2005, Honeywell took over 100% ownership and UOP Ltd is now part of Honeywell's Performance Materials and Technologies Business Group which over the past 90 years has been offering the best and most advanced processes, products and services around the world.

UOP Ltd have multiple office locations in Europe, Middle East, Asia, Canada and the Americas. They have one other location in Brimsdown, Enfield.

The table below sets out the key information in regard to covenant strength sourced from a Dun & Bradstreet credit check. Based on this information available to us, we have formed the following view with regard to the covenant status of the tenants. Although we reflect our general understanding of the tenant, we are not qualified to advise you on the financial standing of the tenant.

We consider that given the high rating of the financial performances and therefore low risk assessment, the property investment market would consider the covenant strength of the tenant to be very favourable.

UOP Ltd have a D&B rating of 5A 1, representing a minimum risk of business failure. The company's recent financial results appear as follows:

	31/12/2012	31/12/2011	31/12/2010
Turnover	£94,406,000	£85,081,000	£98,285,000
Pre-Tax Profit (Loss)	£10,938,000	£18,587,000	£23,720,000
Net Worth	£135,809,000	£128,764,000	111,228,000
Net Current Assets (Liabilities)	£125,731,000	£118,922,000	£99,783,000

6.2.2 Conclusion

The results of these credit checks have allowed us to form an opinion of the tenant, however although we reflect our general understanding of the status of the tenant, we are not qualified to advise you on the financial standing of the tenant.

Based upon information in the public domain, we have assumed that the property investment market, following their own inevitable inquiries, would consider that the cashflow is well secured against a large, well known and respected company. We would suggest that based on the low risk analysis that the investment market would consider very favourably the strength of the tenant covenant. On the basis that the market perception of the covenant is likely to be strong, the property would be well received by the market and therefore very liquid.

We have therefore valued the property on the basis that the tenant will continue to fulfil the financial obligations under their lease. We believe that the investment market would regard this investment as strong, secure income.

We have included for your

reference a D&B report in Appendix 4.

6.3 Investment Comparables and Considerations

The South East office investment market has seen a surge of interest and investment over the past 6 months which has caused pricing for the prime products to improve and harden. This has been the result of a number of points:

Lack of Prime Product

Due to the lack of new development product, the market has become starved of stock which has put further pressure on values, particularly at the prime end of the market. When this type of product is actively marketed, we have witnessed a depth of investor interest leading to competitive bidding and prices achieved ahead of asking for select core assets. Investors want well located, new build product preferably in town centres. Due to limited development that has occurred over the last decade in the south east, this is in short supply.

Occupational Market

Investor sentiment is very positive for the market which is on the back of very progressive occupational statistics. With a large number of requirements in the market, but little Grade A stock, there is real opportunity for rental growth in many of the key South East locations such as Guildford.

Overseas Investors

The focus for overseas investors has been Central London to date. With that market becoming extremely competitive and prime yields sharpening further, they are now prepared to look to the key regional markets but only for well-located and well-let product. In the main regional centre and key south east locations, sovereign wealth and high net worth investors are buying assets. This is coupled with the growing interest of the UK institutions as well.

Multi-let Town Centre Offices

UK funds are pursuing both well-let, longer leased produced and multi-let modern assets in town centre locations. To date, the yield differential has been 25-50 bps. Transactions in Guildford (Ranger House and 65 Woodbridge Road) and Reading (1 Forbury Square & Davidson House) have achieved between 6.25-7.00% IY over the last two years. In H2 2013 multi-let pricing achieved better than 6.00% IY as evidenced by the transaction at Capital Court, Uxbridge. There is a scarcity of stock, which means high levels of competition for the right town centre assets. Most recently, shorter income (circa 2 years unexpired) at Braywick Gate has transacted at 6.25% IY and Beaufort House, Uxbridge is under offer at better than 7.00% IY.

The result of this is that prime yields moved in by 25 basis points in mid-2013 to 6.00-6.25% for both West London and the South East and has since moved in a further 25-50 bps to 5.75% IY, which we expect to trend keener in the short term.

In arriving at our opinion of market Value in respect of this property, we have had regard to a range of investment transactions. We have detailed a selection below:

Guildford Comparables			
	**1-7 Stoke Road, Guildford** Town centre, self contained office property totalling 37,360 sq ft. Let to Clyde & Co LLP with circa 2.5 years unexpired at a rent of £19.21 psf. They have occupied the property since 1992. Car parking ratio 1:566 sq ft.	Date: Price: NIY: Cap Val:	Jun-13 £8.1M 8.36% £217 psf
	**170 Priestley Road, Guildford** High quality refrusbished Grad A office totalling 60,041 sq ft. Let to Detica Limited with 9.4 years unexpired at a rent of £23.50 psf.	Date: Price: NIY: Cap Val:	Jun-13 £14.43M 7.72% £240 psf
	**Ranger House, Guildford** Freehold modern office building totalling 42,098 sq ft and 999 year lease car park situated adjacent to Guildford Railway Station. Multi-let at a current passing rent of £1,041,048 pa (avergae rent of £25 psf). We understand that c.10% was vacant with a 9 month rental guarantee.	Date: Price: NIY: Cap Val:	Apr-13 £14.05M 7.00% £333 psf
	**Beaufort House, Guildford** Redevelopment opportunity comprising 22,468 sq ft. Planning consent to build out 30,000 sq ft. Shorter term income of £437,622 pa for circa 6 months.	Date: Price: NIY: Cap Val:	Mar-13 £3.75M N/A £166 psf
	**Bishops Wharf, Guildford** Two high quality office buildings completed in 2002, opposite Guildford Railway Station. Car parking ratio of 1:975 sq ft. Let to 1 Riding House Street Limited with a guaratee from Smith & Williamson Lrd for 6.25 years at a rent of £28.25 psf.	Date: Price: NIY: Cap Val:	Nov-12 £4.9M 8.50% £314
	**Hays House, Guildford** The property was constructed in early 1980s, arranged over ground and 2 upper floors totalling 17,938 sq ft. Located a short walk from Guildford Mainline Railway Station.	Date: Price: NIY: Cap Val:	Feb-12 £4.5M 7.20% £251 psf

	**65 Woodbridge Road, Guildford** 3-storey office built in 2011 comprising 30,505 sq ft. Multi-let to 4 tenants with an 18 month rental guarantee on the remaining 3,248 sq ft vacant space producing £800,781 pa (£26.25 psf).	Date: Price: NIY: Cap Val:	Dec-11 £12.07M 6.27% £395
Single Let Comparables			
	**Market House, Maidenhead** A 76,000 Grade A office building over ground and 3 upper floors. Let to Adobe for 10 years with a 10 rental guarantee on the remaining vacant space.	Date: Price: NIY: Cap Val:	Under Offer £36.5M c.5.75% £492
	**Heliting House, Staines** 2001 building comprising 20,765 sq ft, let to the Secretary of State for a further 4.5 years at a rent of £30.85 psf. 56 car parking spaces providing a ratio of 1:370 sq ft.	Date: Price: NIY: Cap Val:	Under Offer £7.66M c.7.9% £368
	**Crest House, Chertsey** Headquarters office located 100m from Chertsey railway station comprising 22,970 sq ft. The property is fully let to Crest Nicholson Plc with 9.6 years unexpired at a rent of £23.94 psf.	Date: Price: NIY: Cap Val:	Dec-13 £8.4M 6.19% £366 psf
	**Enterprises House, Uxbridge** Long leasehold (93.5 years). Fully refurbished Grade A office accommodation totalling 123,000 sq ft with BREEAM 'Excellent' rating. Let to Coca-Cola for 14 years at a rent of £26.50 psf.		Nov-13 £52M 5.75% £423 psf
	**Stanza Building, Uxbridge** 80,745 sq ft of Grade A office completed in 2012. Fully let to Nexen Petroleum on a new lease with 12 years unexpired at £32 psf.	Date: Price: NIY: Cap Val:	Sep-13 £43.075M 5.72% £533
	**Future House, Staines** Grade A office accommodation located in a prime position adjacent to the M25. Let to Future Electronics for 4.5 years at £27.63 psf. Good car parking ratio of 1:209 sq ft.	Date: Price: NIY: Cap Val:	Sep-13 £23.55M 7.57% £345 psf
	**6 Roundwood Avenue, Stockley Park** 47,089 sq tf office let to Canon Europe Ltd (Guaranteed by Canon UK Ltd) for a further 4.5 years at a rent of £26.53 psf overall. Excellent car parking ratio of 1:271 sq ft.	Date: Price: NIY: Cap Val:	Aug-13 £14.225M 8.3% £302 psf

	**Syward Place, Chertsey** 50,815 sq ft HQ office building. Let to Automatic Data Processing Ltd for 6.8 years at £16.14 psf with fixed increase in 2015. Car parking ratio of 1:212 sq ft.	Date: Price: NIY: Cap Val:	Jul-13 £12.4M 6.97% £244 psf
	**British Gas HQ, Oxford Business Park, Oxford** 81,470 sq ft sustainable Grade A office with BREEAM 'Excellent'. Let to GB Gas Holdings for 14.5 years at a rent of £22.50 psf.	Date: Price: NIY: Cap Val:	May-13 £29.1M 5.95% £357 psf
Multi-Let Comparables			
	**Vision Park, Cambridge** Four freehold properties located on Cambridge office park totalling 89,889 sq ft. The properties are 81% let to tenants including Santander, Lloyds Bank, and Spore Healthcare with an AWULT of 7.45 years. Low average rent of £20.31 psf.	Date: Price: NIY: Cap Val:	U/O significantly better than quoting terms £28M 6.16% £311 psf
	**Beaufort House, Uxbridge** 43,438 sq ft arranged over ground and four upper floors located in a prime location, 300m from Uxbridge Station. The property is let to four tenants with AWULT of 2.62 years to break with a low average passing rent of £23.29 psf.	Date: Price: NIY: Cap Val:	U/O at better than quoting terms Q: £13.73 Q: 7.00% £316
	**Avalon House, Richmond** The property comprises 28,331 sq ft and 33 car parking spaces. Let to Novell Holdings Ltd with 11.5 years remaining. The tenant is not in occupation and the property is sub-let to five tenants at rents ranging from £20.50 psf - £31.24 psf	Date: Price: NIY: Cap Val:	U/O at better than quoting terms Q:£12.94 Q: 6.50% £457 psf
	**One Gloucester Place, Brighton** 37,712 sq ft Grade A office accommodation refurbished in 2012. Arranged over ground and five upper floors with 15 basement car parking spaces. Let to 4 tenants with approximately 3.8 years unexpired to break and an average rent of £20.60 psf.	Date: Price: NIY: Cap Val:	Nov-13 £11.27M 6.66% £292
	**Braywick Gate, Maidenhead** 39,609 sq ft building constructed in 2002/3 situated in a prime location opposite Maidenhead Railway station. Multi let to three tenants with AWULT 2.8 years to expiry and 1.7 years to break at an average rent of £28.77 psf.	Date: Price: NIY: Cap Val:	Nov-13 £16.9 6.35% £425 psf
	**Mount Pleasant House, Cambridge** 41,614 sq ft arranged over four storeys across two wings. The property is fully let to 9 tenants providing a current rent of £18 psf overall. Excellent car parking ratio of 1:287 sq ft.	Date: Price: NIY: Cap Val:	Sep-13 £10.5M 6.25% £252 psf

	**Capital Court, Uxbridge** Grade A office totalling 58,853 sq ft including a ground floor restaurant. Multi-let to 3 tenants including Manpower, Illiffes Booth Bennett and Strongzone Ltd with an AWULT of 8.8 years at a rent of £23.68 psf.	Date: Price: NIY: Cap Val:	Aug-13 £21.24 5.95% £361 psf
	**Oriel House, Richmond** A 1980s office comprising 24,574 sq ft with ground floor retail held long leasehold. Retail units (Barnard Marcus & RBS) expiring 2014-2015. Offices let to Serco with a break in 2018 at £29.93 psf.	Date: Price: NIY: Cap Val:	Aug 2013 £8.725m + Sub 7% £355 psf
	**80 Hammersmith Road** 40,897 sq ft refurbished office accommodation. External 1980s cladding as existing construction. AWULT of circa 5 years.	Date: Price: NIY: Cap Val:	May-13 £20.81M 6.72% £509 psf
	**One Eton Street, Richmond** 48,528 sq ft of new prime office and retail. The retail is let to Fresh & Wild (t/a Wholefoods) for 20 years at £34.74 psf. Offices are currently vacant with a 2 year rent (£38 psf), rates and service charge guarantee.	Date: Price: NIY: Cap Val:	Apr-13 £28.63M 5.80% £590 psf

6.3.1 Commentary

In considering the capitalisation rate for the valuation we have had regard to the comparable evidence above.

Since the start of this year, there has been a growing realisation amongst investors that the availability of Grade A well-let stock in the core South East locations is swiftly dwindling. Opportunities are becoming thinner and there is no obvious point in time that can be pointed to as to when this will improve.

The demand for both multi let and single let Grade A assets has grown as 2013 has progressed. In Q1, for single lets, the 'green' British Gas HQ, Oxford achieved 5.95% in competitive bidding, whilst 3 Longwalk, Stockley Park (Marks and Spencer) received bids close to 6.00% for what is an older product. Single let, mid-term income streams also witnessed hardening in pricing during the course of the summer period with Future House, Staines and 6 Roundwood Avenue, Stockley Park transacting at £23.55M; 7.57% IY (£345 cv psf) and £14.225M; 8.3% (£302 cv psf) respectively. Heliting House, Staines has recently gone under offer at £7.66M; circa 7.9% IY (£368 cv psf) for 4.5 year income.

Pricing for multi-let assets has also improved with the sales of Ranger House, Guildford transacting at circa 7%IY and One Eton Street, Richmond achieving 5.8% IY (50% of the income from retail) in April 2013. In May 2013, 80 Hammersmith Road, a 1980s building but comprehensively refurbished with 5 years AWULT achieved 6.72% IY. Capital Court, Uxbridge achieved 5.95% IY over the summaer in competitive bidding amongst the UK funds. We understand that Braywick Gate, Maidenhead with 2/3 years AWULT has recently transacted at £16.9M; 6.35% IY (£425 cv psf) and Beaufort House, Uxbridge is under offer at £13.73M; 7.00% IY (£316 cv psf).

The information above demonstrates the growing demand for quality South East product and the increasing pressure amongst UK institutions especially, to focus their buying strategy on this market.

Based on the evidence above, we are of the opinion that the subject property would be competitively sought in the open market by both UK and overseas parties. It is an attractive lot size and there is a demand premium for well-secured, well-located assets offering long income.

6.4 Analysis

6.4.1 Valuation Approach

The valuation process may involve a number of different valuation methods depending on the relevance of each approach to the subject property, market conditions at a particular point in time, the quantity and quality of available data and the motivations of vendors and purchasers in the market place.

In this instance we have adopted principally the investment valuation approach which reflects the income producing nature of the asset. We have had regard to comparable investment sales transactions evidence where possible and our own understanding of the commercial investment market as at December 2013. We consider that this is the method that the majority of investors would adopt in valuing this property. We have also had regard to the capital value per square foot as means of verifying our conclusions.

Our traditional valuation is based on the tenancy schedule detailed in the appendices of this report.

6.4.2 All Risk Yield Approach

We have adopted the traditional investment method of valuation, undertaking the valuation using the all risks yield method through capitalising the current rental income stream at an appropriate, market derived rate of return, the "all risks yield" which reflects the qualities and risks associated with the property. We believe that this is the most appropriate way of arriving at the Market Value of the property. We have therefore valued the building reflecting the current income and lease strengths.

As previously discussed in the report we are of the opinion that the property is rack rented based on the rent agreed within the reversionary lease. Therefore based on the income of £980,000 an unexpired term of approximately 5 years years and in light of the comparables we have adopted an equivalent capitalisation rate of 7.30% which we have applied from the date of valuation.

This produces a capital value of £13,000,000 which reflects a capital value of £300 per sq ft, and the following yield profile:

Initial Yield:	9.45 %
Equivalent Yield:	7.30 %
Reversionary Yield:	7.13%

6.5 DCF

In appraising the property, we have modelled the overall return or IRR based on the following two scenarios.

Scenario 1: Base Case

UOP do not exercise their break date on 29th September 2019

Assumptions:

- Entry price: £13.0M, 9.45% NIY
- Total current passing rent:
  - £1,300,000 pa
- UOP renew in 2019 in return for 7 months' rent free as specified in the reversionary lease
- Rent free calculated as 7 months of rent at review of £1,141,458pa = £665,850
- ERV today
  - £23 per sq ft on the office space
  - Reception – 50%
  - Basement storage - £N/a
- Rental Growth - 2.5% pa from day 1.
- Rent at Exit - £1,141,458 pa (£26.70 psf)
- Exit yield at 7.00% NIY.
- Exit value: £15,300,000 (after deducting purchasers costs at 5.8% and vendors fees of 1.00%)

This produces an overall ungeared IRR over 6 years – 8.80%

Scenario 2: Refurbish & Re-let

Refurbish and re-let on the break date

- Entry price: £13.0M, 9.45% NIY
- Total current passing rent:
  - £1,300,000 pa
- Capital expenditure of £40 per sq ft (£50 per sq ft (gross assuming £10 psf received back in dilapidations) on lease expiry over a 6 month period.
- Additional letting void – 6 months
- Total letting void / refurbishment period – 12 months.
- Rent free of 9 months topped up at exit point in September 2020 (£961,500 pa)
- Total void – 21 months.
- Full rates costs on lease expiry (delayed 6 months for refurbishment) at £7.75 per sq ft
- Letting fees (10% of ERV).
- ERV for refurbished building
  - £25 per sq ft on the office space
  - Reception – 50%
  - Basement storage - £N/A
- Rental Growth - 2.5% pa from day 1.
- Exit yield at 6.75% NIY.
- Rent at exit:
  - £1,282,927 pa (£29.88 psf)
- Exit value: £17.8M (after deducting purchasers costs at 5.8% and vendors fees of 1.0%)

Overall ungeared IRR over 7 years – 7.78%

The IRR that any individual purchaser will accept is highly variable and will be dependent on their own benchmarks, investment criteria, level of debt, market view and risk tolerance. Moreover, investor's target IRRs are not generally publicised. However, we believe that institutional purchasers for asset such as this would have a target IRR in the region of about circa 7%-8% In this case, all our DCF appraisals are in excess of 7%, we believe that in the current market these levels of IRR would be acceptable.

6.6 Investment Considerations

6.6.1 Finance

We understand the proposed transaction of the subject property is to be a 100% equity purchase and not subject to any third party debt.

For general reference it should be noted that although bank lending remains fairly subdued as a result of the global financial crises and recent recession, it has been reported that the number of banks lending is steadily increasing and that their loan terms are starting to improve. Although it is difficult to find finance for large lot sizes, conditions are improving and as such the conditions for securing credit against robust cashflows and those with strong banking relationships are positive. Syndicated deals are now more common but only for well let properties on long leases to recognised covenants.

- The current Bank of England Base Rate is 0.50% whilst 5 year Swap Rates are at 1.85%

- The 3 month LIBOR stands at 0.52%

- More banks are starting to lend although only on low risk properties and at lower loan to value ratios.

6.6.2 Liquidity (Saleability)

A key attribute and primary investor requirement is secure against the excellent tenant covenant strength offered by the property off a rack rent which the subject property offers.

In addition, the property is located in a strong South East office market and would therefore appeal to a range of investors. This investment profile reflects the key criteria sought by UK Institutions and well-funded property companies. In the current market investors are aggressively chasing such assets and as such pricing has become competitive.

Due to the factors mentioned above, we are of the opinion that the property benefits from a relatively high level of liquidity in the current market, which has been demonstrated by the strength of interest shown by investors during the marketing of the asset.

6.7 Summary

In considering the purchase of this property, we would draw your attention to the following characteristics and issues.

6.7.1 Positive

- Strong location in a well-established south east office market.

- Let to UOP limited who have occupied the property for 24 years

- Secured to a tenant with a 5A1 covenant

- The tenant has recently re-geared the lease to provide guaranteed income until September 2019

- The property is rack rented

- With the improving occupational market in the South East the location will benefit from good rental growth in the future.

- Extensive refurbishment to be undertaken by the tenant

- Overall strong property fundamentals which would appeal to a range of investors ensuring a relatively high level of liquidity and facilitate borrowing at commercial rates against the property.

6.7.2 Negative

- Micro location

- Binary asset management opportunities

- Lack of on-site amenities

6.7.3 Purchase Rationale

The purchase of 4 Liongate, Guildford represents an opportunity to invest in a core South East location. It is let to an excellent tenant with of 5.9 years. The property is rack rented with good potential for rental growth given the re-based rental level and improving occupational marketed. The location will benefit from this perceived sustainable demand.

The UK property investment market remains competitive for prime, well-let assets and values for this type of asset have recovered significantly from the property market low in 2009. We anticipate in the short/medium term, good performance.

7 Summary

7.1 Recommendation

Given the content of this report and that you consider your solicitor's report on title to be acceptable we are of the opinion that the open market valuation for the purchase of the freehold interest in 4 Liongate, Ladymead, Guildford is **£13,000,000 (Thirteen Million Pounds).**

7.2 Confidentiality and Publication

Finally, and in accordance with our normal practice we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Yours faithfully

Mark Wilson MRICS

Director

For and on behalf of
Jones Lang LaSalle Limited

Yours faithfully

Simon Verrall MRICS

Associate Director

For and on behalf of
Jones Lang LaSalle Limited