

Q3

Lothbury Property Trust

55 St. James's Street
Completion



Lothbury Property Trust

Fund Description

Lothbury Property Trust is an offshore Trust investing in UK real estate. Regulated by the Central Bank of Ireland, it is capable of receiving investments from professional investors from within the UK or abroad.

Fund Objectives

- To provide an attractive investment opportunity for investors requiring indirect property exposure and to achieve competitive performance through a combination of good stock selection and active management initiatives.
- To manage portfolio risk by being advantageously positioned across the principal property sectors and regions and by maintaining a proportion of property investments which are readily saleable in the open market.

Fund Returns

as at 30 September 2015

	Lothbury Property Trust	UK QPFI All Balanced Property Fund Index (IPD)
3 months	4.3%	3.0%
12 months	16.6%	14.4%
3 year annualised	12.5%	11.7%
5 year annualised	10.2%	8.8%
10 year annualised	5.9%	4.0%

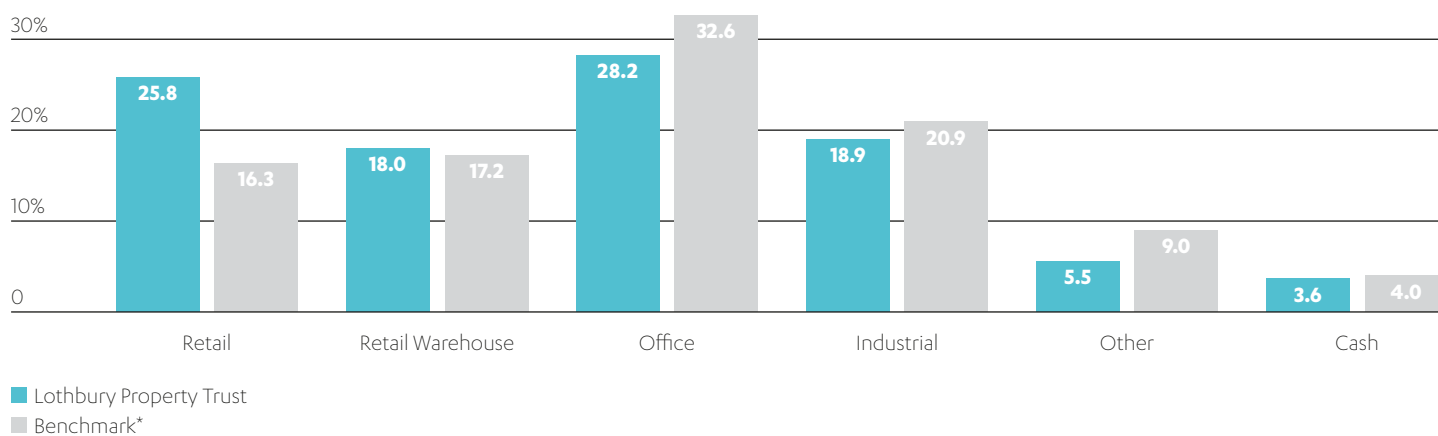
Fund Data

as at 30 September 2015

Net Asset Value	£1,399.22m
Number of Assets	60
Indicative Subscription Price	£1,892.34
Net Asset Value per Unit	£1,797.95
Indicative Redemption Price	£1,763.74
Distribution per Unit	£15.21

Property Sector Weightings

as at 30 September 2015



* AREF/IPD UK Quarterly Property Fund Indices, All Balanced Property Fund Index.
Total percentages may be slightly higher or lower than 100% due to rounding.





Lothbury Property Trust launched its flagship office scheme at 55 St. James's Street, London SW1 to the market in Q3 2015.

The speculative development, which commenced in Q1 2013, offers c. 21,000 sq ft of Grade A office space over five floors, a prestige reception area and five exclusive apartments on the sixth floor. The scheme also includes a high quality art gallery and public house at ground and lower ground floor levels, providing an attractive and complimentary use.

The original site was acquired with planning permission in February 2011 for £23.3m and consisted of a five storey office building with two top floor apartments and dated public house. Upon purchase, the active team successfully secured an improved planning permission, increasing the net area of the building as a whole and enhancing the scheme to ensure the asset was befitting of the location and could be held long-term. This included expanding the size and scope of the reception area to create a statement entranceway for the building and ensuring that throughout the office space a high specification and finish was achieved for each facet of the build. The team commissioned the artists Sarah Kay and Martin Donlin to design two bespoke entrance doors for the office and residential components of the building and feature glass paneling, taking reference from the local area's characteristics and history, to create a dramatic impression upon entering the building's reception. Additionally, the changes made to the layout and design of the apartments has resulted in the creation of five spacious one bedroom apartments finished to the highest quality, providing a fully furnished living space targeted at the high-end residential market.

The active team also endeavoured to improve the scheme's design to meet the sustainability credentials that LIM requires for all development projects. Following the design changes, the project is now on course to achieve a BREEAM Sustainability rating of 'Excellent'.

The development project has achieved a phased launch, with 'the Blue Posts' public house opening for trading on the corner of Arlington Street and Bennett Street in June this year, following a high quality fit out. Furthermore, the ground and lower ground floors were also pre-let during the course of construction to Portland Gallery, an established Mayfair art dealer. Opening of the art gallery is scheduled for November 2015. The Practical Completion of the main building was achieved in October 2015, with a formal marketing launch of the office and residential space taking place in September 2015 as the building neared completion.

The timing of the launch coincides with strong demand for well located, premium office space, reflecting a lack of supply in the West End of London. This demand has seen strong interest in all floors, with a deal for the fifth floor of the office building exchanging in advance of the formal marketing launch. Discussions are advanced with a high quality occupier for another floor, which will mean only three office floors remain to be let. The rents that are being negotiated are in advance of those projected within the development appraisal and vindicate the improvements to the scheme.

The high specification, furnished apartments were targeted at senior business executives. Indeed, four of the five apartments have now been let, also achieving rents well in excess of the development appraisal.

The deals already achieved at the property and the performance to date of the asset, have provided the Fund with profit on cost significantly ahead of what was assumed in the underwriting of the acquisition. This supports the strategic position taken by the Fund to begin an ambitious project in 2011 to focus on office and residential space within the West End market and reaffirms LIM's aim to deliver prime, high quality properties to the market through its active development pipeline.





Southampton Road Retail Park, Salisbury

UK Economy

The Office for National Statistics (ONS) estimated that UK GDP increased by 0.5% in Q3 2015, compared with growth of 0.7% in Q2 2015. GDP was 2.3% higher in Q3 2015 compared with the same quarter a year ago. Output increased in three of the main industrial groupings within the economy, services increased by 0.7%, production increased by 0.3% and agriculture increased by 0.5%. In contrast, construction decreased by 2.2%.

The proportion of the economically active population who were unemployed in the three months to August 2015 fell to 5.4% according to figures released by the ONS, down from 5.6% for the three months to May 2015. This shows a decrease from 6.0% one year earlier. UK retail sales showed year-on-year growth for the 29th consecutive month in September 2015, increasing by 6.5% compared with September 2014. The amount spent in the retail industry increased by 2.7% in September 2015 compared with one year earlier. Average store prices fell by 3.6% in September 2015 compared with one year prior. This is the 15th consecutive month of year-on-year price falls.

The Bank of England maintained the base rate at 0.5% for the third quarter of 2015. Its Monetary Policy Committee has maintained the quantitative easing programme at £375bn. Inflation (CPI) fell by 0.1% in the year to September 2015, compared to no change in the year to August 2015. A smaller than usual rise in clothing prices and falling motor fuel prices were the main contributors to the fall in the rate.



52 Bedford Row, London

Property Investment Markets

UK property investment activity was reported by Lambert Smith Hampton (LSH) to be £12.8bn in Q3 2015, which is a 23% decrease on Q2 2015's level, however it was up 10% on the five-year quarterly average. The average lot size of deals was £24m in Q3, down from the record £35m in Q2, while the number of transactions increased by 8% over the previous quarter. For the first quarter in three years, UK institutions marginally disinvested more than they purchased in Q3. Investment from overseas decreased by 43%, however they remained the largest net purchaser of UK property.

According to the IPD Monthly Index for September 2015, commercial property provided a capital value increase of 2.1% and rental growth was 1.2% over Q3 2015. Industrials and offices outperformed the retail sector in terms of capital value and rental growth. Industrials and Offices both recorded capital value growth of 3.1% over Q3 2015, compared to 0.8% for the retail sector. Rental growth for the quarter was 1.4% for industrials, 2.3% for offices and 0.3% for retail.

Prime yields fell by an average of -6 bps over Q3 2015 to 5.4%, as reported by CBRE. So far this year, yield shift has been -23 bps. Shops fell by -7 bps to 5.10% over the quarter, whilst retail warehouses remained stable at 5.24%. Industrial yields fell by -6 bps to 6.04% and offices decreased by -2 bps to 5.26%.

Commercial property continues to outperform the other key investment markets over 12 months to the end of September 2015, with the IPD UK Monthly Property Index returning 15.3% compared to Equities returning -5.9% and Gilts 7.3%.



Rathbone Place, London

Fund Activity

The Fund committed to forward fund two developments during Q3 2015. The first was a speculative development project to deliver a 43,000 sq ft industrial unit at Poyle Central, Heathrow for a total end value of circa £9.5m. The site is adjacent to an existing industrial estate held within the Lothbury portfolio and should benefit from good occupational demand from airport related users. Construction will commence in Q4 2015, with completion due in Q4 2016. Additionally, the Fund agreed to fund a 418 bed student accommodation development scheme in Sheraton Park, Durham for a total end value of £37m.

One disposal completed during the quarter which was the sale of the vacant industrial property in Tongwell, Milton Keynes. The asset was secondary and in need of refurbishment and was no longer in line with the prime nature of the portfolio. The asset achieved a sale price of £4.5m and resulted in the Fund's core portfolio void rate decreasing to 1.11%, (down from 2.00% at the end of Q2).

During Q3 2015 a number of rent reviews were concluded. At the Shires Retail Park, Leamington Spa a rent review with DSG Retail Limited was completed that saw the rent passing increase by 3%. Additionally at Congleton Retail Park, Carphone Warehouse Limited agreed to a rent increase of 15%. Some key lease assignments also took place during Q3 2015; B&M Retail Limited acquired the lease from Homebase Limited for a unit at Stockbridge Retail Park, Linlithgow and Moneysupermarket increased its occupancy to three floors of 20 Rathbone Place, London, taking on the 6th floor lease from Havas UK Limited.

Work commenced on the extension to the Fund's Retail Park in Salisbury during Q3, with completion due in Q2 2016. This 55,000 sq. ft extension has been pre let to tenants including DFS, Harveys, Oak furnitureland and B & M. Lothbury's flagship development at 55 St. James's Street neared completion and was formally launched to the market in September and received strong interest for both the office and residential accommodation.

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Data

All fund data as at 30 September 2015, unless stated otherwise. These historic figures have been verified by Investment Property Databank.

The views expressed are those of Lothbury Investment Management Limited.

Unit Holder Information

Launch Date

2 February 2000.

Valuation Point

11.59pm on the last business day of each month.

Prospectus

Copies of the Prospectus and Application Form are available from Lothbury Investment Management Limited.

Subscriptions

Monthly. Applications to be received by the last business day of the month. Settlement to take place in the first week of the following month. Minimum investment is €100,000.

Redemptions

Quarterly. Notice to be served ten business days before the last business day in the quarter. The unit holder will be notified of the redemption price. Redemptions paid on the last business day of the following quarter.

Secondary Market Trading

No Stamp Duty is payable on the purchase of existing units.

Distributions

Quarterly. Paid gross of tax on the last business day of April, July, October and January. Charges Investment Management fee of 0.70% per annum.

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