

Q3

Lothbury Property Trust

Blackwater Shopping Park,
Farnborough



Lothbury Property Trust

Fund Description

Lothbury is an offshore Trust investing in UK real estate. Regulated by the Central Bank of Ireland, it is capable of receiving investments from pension funds, charities, insurance and other companies and high net worth private individuals 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 2014

	Lothbury Property Trust	UK QPFI All Balanced Property Fund Index (IPD)
3 months	3.8%	4.0%
12 months	15.1%	16.8%
3 year annualised	8.7%	7.4%
5 year annualised	11.3%	9.6%
10 year annualised	6.1%	4.2%

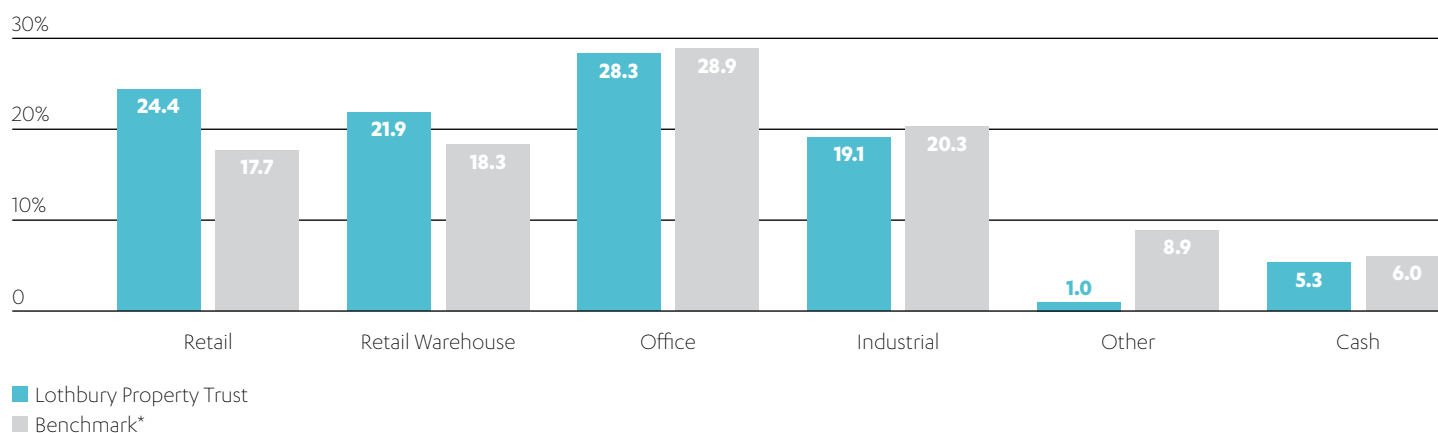
Fund Data

as at 30 September 2014

Net Asset Value	£1,150.9m
Number of Assets	55
Indicative Subscription Price	£1,678.22
Net Asset Value per Unit	£1,594.50
Indicative Redemption Price	£1,564.41
Distribution per Unit	£15.43

Property Sector Weightings

as at 30 September 2014



* AREF/IPD UK Quarterly Property Fund Indices, All Balanced Property Fund Index





During the quarter Lothbury Property Trust successfully completed the off market purchase of Blackwater Shopping Park in Farnborough for £78.2m. This satisfied a long standing requirement to invest in a dominant out of town shopping park with a flexible Open A1 planning consent.



Farnborough is an affluent south east town situated immediately adjacent to the M3 and located 37 miles south west of London. The town has a district population of approximately 95,000, rising to a catchment population of 766,000 within 20 km. Blackwater Shopping Park has limited competition in the immediate area and other parks in the town trade under bulky goods planning consents.

subject to planning permission will enable the park to be extended in the future to meet retailer demand. This will be investigated by the Fund's active team. With approximately 609 car parking spaces on site the car parking ratio of 1:180 sq ft is considered good.

The freehold property comprises a 110,000 sq ft modern purpose built retail park which is prominently located at the junction of the A325/A331 arterial routes, approximately 2 miles to the north of Farnborough town centre. Located on a site of approximately 10 acres the land has a low environmental risk rating and low flood rating from both rivers and surface flooding. The park includes 9 retail units, a stand alone drive thru McDonalds and a Costa Coffee Pod unit. Other tenants include Next, Boots, Outfit, Halfords, Currys and TK Maxx.

The park is fully let to national multiple retailers with an average unexpired lease term of just under 7 years. The annual rent roll of £3.52m per annum reflects an average rent of £31 psf and provides a good base for future rental growth in a location where rents in excess of £40 psf have been achieved.

Unit sizes vary from 4,600 sq ft to 22,000 sq ft which would appeal to a wide range of occupiers. Also a number of units are capable of sub-division providing future unit size flexibility to meet retailers changing size requirements. The unit's eaves height are sufficient to accommodate mezzanines which have been installed in 7 of the 9 retail units. The configuration of the park provides the ability to develop additional retail space which,

The purchase of the property increases the fund's sector weightings to 21.9% (30 Sept 2014) and exposes the fund to the performance benefits of a dominant retail park with the potential to capture the increased retailer spending associated with the economic recovery. With the flexible planning consent, prominent location and range of unit sizes, the asset management team will endeavour to maximise opportunities to increase rents received and explore opportunities to introduce fashionable retailers to maintain the park's dominant position.





Covent Garden, London

UK Economy

The Office for National Statistics (ONS) estimated that UK GDP increased by 0.7% in the third quarter of 2014. Although, the figure was weaker than the 0.9% expansion recorded for the second quarter, growth saw a 3.0% rise compared with the same quarter 12 months ago. Output increased in all four main industrial groupings within the UK economy in Q3 2014. These increases were 0.7% in services, 0.5% in production, 0.8% in construction and 0.3% in agriculture. Growth in each of the main services aggregates was lower than in Q2 2014 with the exception of government & other services which grew by 0.3 percent in each quarter. In Q3 2014 output from services was 7.2 percent above its pre-economic downturn peak in Q1 2008.

UK unemployment rates decreased further to 6.0% for the months June to August 2014, the lowest since late 2008. UK retail sale volumes were down 0.3% in September, however year on year sales were up by 2.7%. The underlying pattern continues to show growth with the rolling three-month on three-month growth rate increasing by 0.3%. This was the slowest growth seen in this measure throughout 2014. The ONS said clothing and footwear sales fell by 7.8% in September from August and retailers have suggested the fall was a result of unseasonably warm weather meaning consumers have delayed purchases of autumn and winter clothing. Spending in the non-specialised food stores category, which is dominated by supermarkets, has gone up by more than 40% in the last decade, but has stopped rising in the past year, with spending now about the same as it was in August last year.

The Bank of England maintained the base rate at 0.5% over the third quarter of 2014 and held the target size of the quantitative easing programme at £375bn. Inflation (CPI) was 1.2% in September 2014, down from 1.5% a month earlier. RPI inflation was also down slightly, from 2.4% to 2.3% for the same period.



The Paragon, Bristol

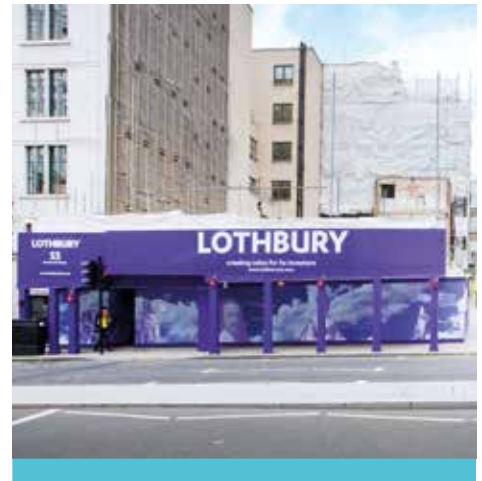
Property Investment Markets

LSH reported the UK property investment activity for Q3 2014 as £16.3bn. This figure reflects the highest level of investment since Q4 2013 and is up 37% on Q2 activity. In the UK, activity continued to be driven by investment outside of Central London in Q3 2014. Indeed, for the first time since Q1 2011, investment in regional property outstripped cash spent on London real estate.

According to the IPD UK Monthly Property Index, commercial property in the UK returned 4.7% in Q3 2014 and 1.7% during September, which saw a further rise on the 1.4% growth seen in August. The September capital value growth of 1.2% was the second highest monthly increase in 2014, after June. Over 17 months of consecutive growth, Capital values have now increased by 14.1%, although they are still 29% below the peak levels of 2007. UK commercial real estate income return remained stable at 1.5% over the quarter. Commercial property returns over the quarter compared favourably to other asset classes, with Equities returning -0.9% and Bonds returning 2.9% over the quarter.

According to the IPD UK Monthly Property Index, offices and industrials recorded three month total returns of 5.4% and 5.6% respectively. The retail sector, remaining influenced by low occupier demand, returned 3.9%. Capital values in the retail sector increased by 2.4% over Q3 whilst rental growth was 0.3%. Comparatively, capital values for offices rose by 4.0% and for industrial units by 3.9%, with rental growth increasing in both sectors by 1.4% and 0.6% respectively. The IPD All Property Equivalent Yield decreased from 6.79% in June 2014 to 6.60% in September 2014 and the IPD All Property Initial Yield decreased from 5.71% in June 2014 to 5.57% in September 2014.

Strong returns are also benefitting from an increasingly healthy rental market, with market rental values rising by 0.8% for all property for the three months to September. For the market as a whole, rental values have now risen in 14 successive months.



55 St. James's Street, London

Fund Activity

The Fund acquired one new property during Q3 2014, purchasing Blackwater Shopping park for £78.2m. The 110,000 sq ft Retail Warehouse Park is located in Farnborough, a wealthy Hampshire commuter town with a strong demographic profile. The asset consists of 11 units, fully let to tenants including Boots, TK Maxx, Next and McDonald's. This property purchase sees LPT increase its weightings in the Retail Warehouse sector and satisfies the strategic target to acquire a dominant park with flexible option A1 planning consent.

Lothbury's asset management team completed a key letting in Q3 2014, for a unit at the Poyle industrial estate, located near Heathrow. The main industrial estate was purchased in August 2013, with the newly leased unit adjacent to the site being bought in December 2013. The letting agreed is for a 7 year term with Glasszone Limited, a high end and bespoke glass maker. The terms agreed are for £5.25 per sq ft, which is above the asset's ERV.

The flagship office development at St. James's, Mayfair has seen the completion of the lift shafts, enabling the steel framework to commence, with completion due to occur in November 2014. The early handover of part of the building to Spirit Taverns is due to occur in January 2015, with the team advancing pre-let interest in a further section of the property. The development to install a Costa Coffee 'drive thru' at Broadland Business Park, Norwich, is due to complete on 14 November 2014, although an earlier handover may be achievable to allow Costa Coffee to open for trade in time for Christmas.

Planning for work on 25/26 James Street and 7 Floral Street, Covent Garden, is under way, with notice being served on the occupational tenants to obtain vacant possession of the site in Q2 2015. Plans are close to being finalized to convert the upper floors to residential use and for the reconfiguration of the lower floors for retail use.

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Data

All fund data as at 30 September 2014, 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.

Lothbury Investment Management

155 Bishopsgate
London EC2M 3TQ

Tel: 020 3551 4900

Fax: 020 3551 4920

www.lothburyim.com
jo.bond@lothburyim.com