

# Q2

## Lothbury Property Trust

Residential Sector  
Acquisitions



# 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 June 2015

	<b>Lothbury Property Trust</b>	UK QPFI All Balanced Property Fund Index (IPD)
3 months	<b>2.3%</b>	3.3%
12 months	<b>16.1%</b>	15.5%
3 year annualised	<b>11.3%</b>	10.6%
5 year annualised	<b>9.6%</b>	8.5%
10 year annualised	<b>6.0%</b>	4.2%

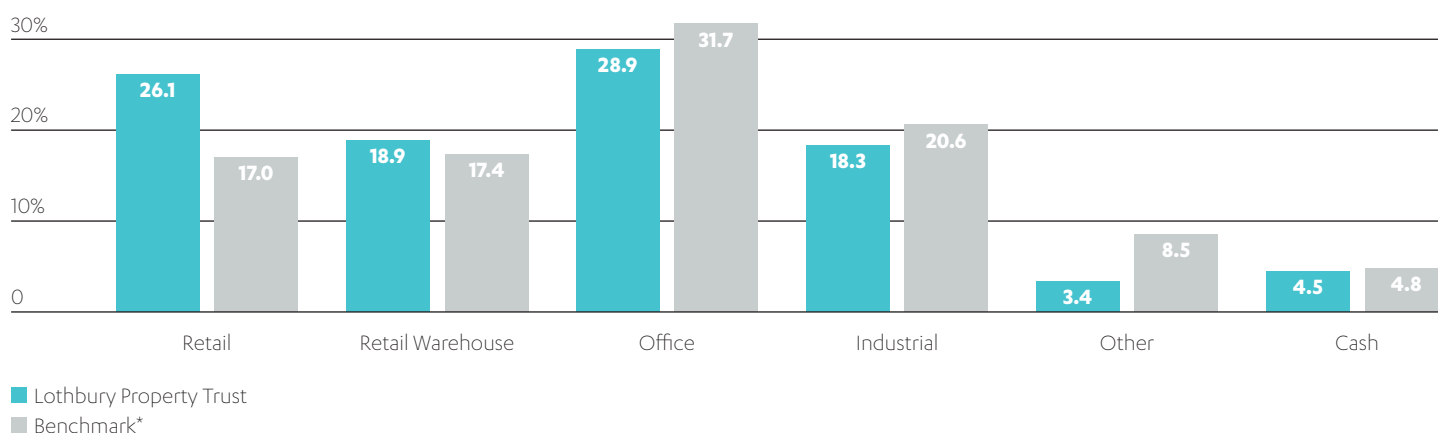
## Fund Data

as at 30 June 2015

Net Asset Value	£1,330.57m
Number of Assets	58
Indicative Subscription Price	£1,829.88
Net Asset Value per Unit	£1,738.60
Indicative Redemption Price	£1,705.49
Distribution per Unit	£13.97

## Property Sector Weightings

as at 30 June 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.





31 Peckham Road, Camberwell



31 Peckham Road, Camberwell



2 Powis Place, Aberdeen



2 Powis Place, Aberdeen



Central Studios, Ealing



## Increasing the Fund's exposure to assets in the Student Accommodation, Hotel and Private Rented Residential sectors forms a key part of the 2015 Lothbury Property Trust fund strategy.

**D**uring Q2, Lothbury Property Trust satisfied part of this target by committing approximately £58.5m for three assets in the student accommodation sector. The assets acquired by the Fund are located in; Ealing, (West London), Camberwell, (South London) and Aberdeen. Consideration is being given to contributing these assets to a separate sub-fund. The Camberwell and Aberdeen properties are currently under construction and due to complete in August 2016, in time for the 2016/2017 academic year. The Ealing property is already completed and operating as a student residence.

Ealing is an affluent and attractive west London suburb that benefits from excellent infrastructure, tube and rail facilities. These communications are set to improve further with the new Crossrail link opening in 2018. The property which has been purchased comprises 100 self contained studio rooms which will be let directly to students at rentals of between £250 and £330 per week.

The property in Camberwell is currently under construction and will provide 166 student bedrooms when completed, together with a small element of commercial space, which will operate as a café and artist studios. Lothbury has purchased the property by means of a forward funding, in that it has purchased the site and will pay the developer further instalments for the construction costs as the project progresses.

The property in Aberdeen, which is also under construction, will provide 196 student bedrooms when completed and is well located between the University and the City centre. Again, the Fund has bought this asset by way of a forward funding.

Lothbury is also set to boost its exposure to the private rented residential sector in Q3 this year when the Fund's flagship development project at 55 St James's Street completes. Five premium penthouse apartments have been constructed on the 6th floor of this building which should command rentals in the order of £900/£1,000 per week. In addition to these apartments, the Active Team will shortly be embarking on the creation of a further seven apartments at the Fund's James Street, Covent Garden property. Planning permission has been obtained to convert the upper floors of 25/26 James Street from office use to residential use, which will result in these flats being arranged over the first to third floors.

To reflect the different skill sets and expertise required to manage residential assets and directly let student rooms, Lothbury Investment Management has recently recruited Tim Phillips, an expert in this field who has extensive management and residential development experience. Tim will oversee a team dedicated to ensuring the assets are stringently and efficiently managed in order to attain their full rental potential.



Sainsbury's, Manchester

### UK Economy

The Office for National Statistics (ONS) estimated that UK GDP increased by 0.7% in Q2 2015, compared with growth of 0.4% in Q1 2015. GDP was 2.6% higher in Q2 2015 compared with the same quarter a year ago. Output increased in two of the main industrial groupings within the economy, services increased by 0.7% and production increased by 1.0%. Construction growth was flat for the period, whilst agriculture decreased by 0.7%.

The proportion of the economically active population who were unemployed in the three months to May 2015 was 5.6% according to figures released by the ONS, stable when compared with the three months to February 2015. This shows a decrease from 6.5% one year earlier. UK retail sales continued to show a sustained period of year-on-year growth, the ONS estimated that the volume of retail sales increased by 4.6% in May 2015 compared to May 2014. On the month, the quantity bought in the retail industry increased by 0.2% compared with April 2015. There was growth predominantly in food stores, other non-food stores, household goods stores and petrol stations. Average store prices fell by 2.7% in May 2015 compared with one year prior. The largest contributor to this fall came from petrol stations which fell by 10.2%.

The Bank of England maintained the base rate at 0.5% for the second quarter of 2015. Its Monetary Policy Committee has maintained the quantitative easing programme at £375bn. Inflation (CPI) was unchanged in the year to June 2015, remaining at 0.0%.



1&2 Stanhope Gate

### Property Investment Markets

UK property investment activity was reported by Lambert Smith Hampton (LSH) to be £16.8bn in Q2 2015, which is a 33% increase on Q2 2014, however it was down 12% on Q1 2015. This investment activity was driven by large deals, as the average lot size of transactions reached a record £35m in Q2, while the number of transactions slipped 25% from the previous quarter. Overseas investors accounted for more than 50% of the purchases made during the quarter.

According to the IPD Monthly Index commercial property provided a capital value increase of 4.1% for H1 2015, rental growth increased by 1.7% over the period. Offices recorded the largest capital value growth at 6.6% over H1 2015, with industrials capital value increasing by 5.4% and retails by 1.7%. Rental growth for H1 was 3.8% for offices, 2.0% for industrial and 0.3% for retail.

The average prime yield fell by -6 bps over the quarter to 5.4%, as reported by CBRE. The decline was more widespread than in Q1, with 30% of UK locations reporting falling yields compared to 21% in Q1 2015. Despite this, the average fall was much smaller over the period. Office yields fell by an average of -10 bps to average prime yield of 5.3%. In Q2 2015, high street shops prime yield remained unchanged at 5.2% for the quarter and the industrial sector recorded an average yield of 6.1%, down -8 bps from Q1 2015.

Commercial Property continues to outperform the other key investment markets over 12 months to the end of June 2015, with the IPD UK Monthly Property Index returning 17.3% compared to Equities returning 2.6% and Gilts 9.8%.



Vantage Point, Manchester

### Fund Activity

During the quarter several rent reviews were settled, moving the rental tone on at Blackwater Retail Park and at the Milton, Cambridge supermarket store. Furthermore, new leases were signed at Vantage Point, Manchester for a 10 year lease at £30 psf, at Chester, where a row level shop was leased to Chester Clock Tailors for 5 years, and at the portfolio's Newcastle retail unit, where TSB Bank plc agreed a 10 year lease at £135 Zone A. Despite these deals, the Fund's void rate has increased slightly to 2.0% over the quarter, up from 1.37% quarter-on-quarter. This is mainly due to the newly vacant Tongwell, Milton Keynes industrial site which is due to exchange for sale in Q3 2015.

The development of a flagship office building at 55 St. James's Street, London is due to complete in Q3 2015 with marketing of the space on a floor by floor basis also due to begin. The penthouse residential units are due to complete during Q3 2015. The pub run by Spirit Pub Co. opened for trading during the quarter. Additionally, the ground floor and lower ground floor unit has now been handed over to an art gallery to fit-out for opening.

Detailed planning permission has been applied for at the proposed extension to Southampton Road Retail Park, Salisbury, with work anticipated to begin in Q3 2015 and practical completion due in Q2 2016. A Starbucks coffee shop has now opened for trade on site, further boosting the appeal of the Retail Park. Furthermore, the Fund has secured vacancy in the lower floors at 25/26 James Street, Covent Garden with the upper floor office space due to become vacant in Q3 2015. Work is anticipated to commence on site in January 2016, with a targeted completion date of June 2016.

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### Data

All fund data as at 30 June 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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