

May 2016

Summary of Capital Expenditure Request for Development at 270 Cambridge Science Park, Cambridge

Request

- This request seeks permission for circa £14.0m capital expenditure including fees required to develop a new car park and 40,000 sq ft office.

Portfolio Rationale for the Development

- The Dorset portfolio currently has limited risk over the next few years.
- As a relative mandate, in order to continue outperforming the benchmark, some element of risk is required.
- We recommend the development at Cambridge as a number of the key risks associated with development have been mitigated and therefore we believe the risk adjusted profit from the development is acceptable given the risks (highlighted below).
- This project is anticipated to be a key driver of performance for the portfolio over the next two years.

Background to Cambridge Science Park Project

- Purchased in November 2013 for £8.8m (6.85%).
- The business plan has been executed with planning granted for a 40,000 sq ft office building, and a car park deck to broadly maintain car parking ratios.
- A pre-let has been agreed but not yet signed, with a tenant who will relocate on practical completion of the new build.
- A lease regear and land acquisition with the freeholder, has been agreed but not yet signed.
- The freeholder will grant a new 125 year lease has been agreed over the land required for the new building and carpark deck.
- The terms of the lease on the existing building will remain as they currently are.

Outcome

- All documentation which is now all in an agreed form would be signed and completed immediately, these include:
 - Agreement for lease and lease with the tenant
 - Headlease restructure with freeholder
 - Construction contract with the contractor
 - Professional team construction documents
- The development would commence in October 2016 for an approximate 15 month build program.
- Practical completion of the building is expected January 2018

- Options regarding holding or selling either or both office buildings can be made at this stage.
- **Expected returns:**
 - Considered acceptable for a project of this nature
- **Key Risks:**
 - **Build Cost** – if these increase this will reduce profits from the project
 - **Yield** – if this increases this will reduce profit from the proposed project.