

UK Office Market Summary

Due to prevailing global political and economic conditions, the UK property market and broader economy have experienced a period of volatility and contraction. These developments can be attributed to the upward pressure on inflation, resulting in increases in the base rate set by the Bank of England, as well as rising construction costs. The depreciation of secondary and tertiary office values has been further compounded by the capital risk associated with meeting Environmental, Social, and Governance (ESG) requirements.

Despite a period of inflationary growth, the annual Consumer Price Index (CPI) rate fell from a peak of 11.10% in September 2022 to 7.90% in as most recently recorded in June 2023 – it's lowest level since March 2022. It is projected to continue its downward trend throughout the year, reaching 3.3% by Q4 2023, which may mean the BoE can start to consider curtailing continued interest rate hikes. In the meantime, with inflation remaining stubbornly high, the BoE only recently raised interest rates for a 12th consecutive time; from 5.00% to 5.25%. In their attempt to bring this down further, some economists suggest there could be one or two more rises ahead.

Recent bank runs coinciding with evidence of sticky core inflation has caused uncertainty in the financial markets on the direction of interest rates, leading to volatility in the swap market. The two-year SONIA swap rate has risen from 2.72% (August 2022) to it's current level of 5.43%. Whilst the five-year swap rate has increased, from 2.35% in August 2022 to its prevailing 4.78%. This is impacting the cost and availability of secured debt, and in turn property values, notably for assets requiring significant capital expenditure, further driving the polarisation between best-in-class and secondary offices.

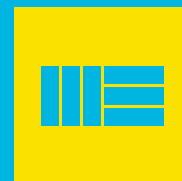
Despite these challenges, there is still investor appetite for the right opportunities. However, the realisation of deals has slowed due to significant discrepancies between buyer and seller expectations, whilst pricing adjusts. Investment volumes across the Big Nine regional office markets in Q1 2023 totalled £99.3m, reflecting a 35% decrease on Q4 2022 and an 84% decrease on the 10 year quarterly average. Within the southeast markets, Q1 2023 transactions levels fell to a 12 month low, of £568m across 28 transactions, 25% below the 10-year quarterly average. However, appetite for quality space from occupiers remains elevated, with Grade A space accounting for 70% of space leased across the region.

Prime regional office yields continue to move out, with the South East region experiencing a significant impact with prime yields now at circa 6.50% for single-let, 15 year income transactions. Overseas investors were the most acquisitive in 2022, however recent buyers have been dominated by funds, property companies and UK privates, with reduced activity from private equity owing to the increased cost of debt and very negative sentiment in the office sector from US investors. Secondary yields have moved out to a greater extent due to the aforementioned factors, now standing at 10.00%+. This demonstrates investor and tenant appetite for best-in-class offices in prime locations, opposed to poorer quality offices that are either transacting at significantly discounted prices, or being rendered economically unviable in their existing use.

Looking forward, we expect to see the following trends over the next 6-12 months:

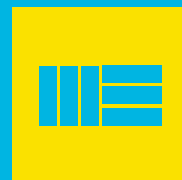
- Yields to begin to stabilise as inflation slows and interest rates moderate.
- Experienced cash buyers buying from forced sales at significantly discounted prices.
- UK assets more appealing to overseas buyers due to weaker Sterling.
- Continued demand for assets that deliver on the ESG agenda from both occupiers and investors – this will drive rental growth and pricing resilience in best-in-class buildings.
- Continued need for AUV underpin and repurposing where required.

NORTHFLEET OFFICE MARKET REVIEW



UK Office Yield Movement

OFFICES (SOURCE: KNIGHT FRANK)	JUL-22	MAR-23	JUL-23
Major Regional Cities (Single let, 15 years)	4.50% - 5.00%	5.75%	5.75%+
Major Regional Cities (Multi let, 5 year WAULT)	5.00%+	7.00%	6.50%-7.00%
South East Towns (Single let, 15 years)	5.00%+	6.50%	6.00%-6.50%
South East Towns (Multi-let, 5 year WAULT)	6.50%+	7.50%	7.50%+
South East Business Parks (Single let, 15 years)	5.50%+	7.00%	7.00%+
South East Business Parks (Multi-let, 5 year WAULT)	6.75%+	8.50%+	9.00%+



Northfleet Overview

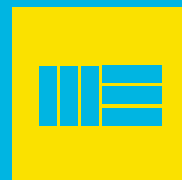
Whilst the Northfleet office market is relatively unestablished, as evidenced by limited take-up and leasing transactions, it should be noted that this is also a symptom of restricted supply in the submarket. In this respect, the 5 year average annual take up figures account for over half of the areas current supply, whilst current office requirements exceed total availability.

With market rents at circa £27psf, the area represents good value for occupiers relative to Central London which can be reached in just 18 minutes from Ebbsfleet International, running frequent services into St Pancras. This is especially pertinent for international corporates seeking UK HQ office space in the context of rationalising portfolios, whilst also demanding best-in-class buildings that meet an ever-evolving ESG agenda. In this respect, we detail below a schedule depicting corporate relocations to lesser established office markets to evidence the fact that where developers have delivered a good office product, there is occupier demand.

Further, it is anticipated that the Applicant's commercial enterprise will occupy a significant element of the proposed office floorspace. In addition, it is noted that interest has been expressed by two major multi-national corporations, although details remain confidential at this stage.

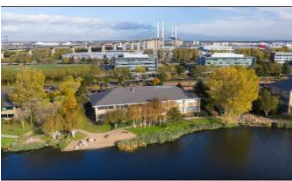
Current Office Requirements

Date Circulated	Agent	Size	Sector	Location	Comments
Jul-23	Cluttons	3,000 - 5,000	Other	Bromley (+ 1 miles), Croydon (+ 1 miles), Orpington (+ 1 miles), Sidcup (+ 1 miles), Cobham (+ 1 miles), Epsom (+ 1 miles), Wimbledon (+ 1 miles)	Looking for 3,000 to 5,000 sq ft of D1 space.
Jul-23	Cushman & Wakefield	60,000 - 100,000	Other	South East	Preferred out-of-town locations e.g. business parks.
Nov-22	COREP	7,500 -20,000	Other	Dartford, Sevenoaks, Maidstone	Minimum standalone office size of 7,500 sq ft.
Oct-22	GL Hearn	2,000 - 3,000	Other	Swanley, Sidcup, Orpington, Bexley	Looking for fitted offices, with generous parking.
Oct-22	CBRE	2,500 - 3,000	Other	Barking (+ 1.5 miles), Dagenham (+ 1.5 miles), Stratford (+ 1.5 miles), Romford (+1.5 miles), Tilbury (+1.5 miles)	Quality – Grade A and Grade B+.
Sep-22	SHB Real Estate	7,000 - 10,000	Other	SW London, SE London, NW London, including Orpington, Palmers Green, Sidcup.	Educational client.
Total		138,000 sq ft			

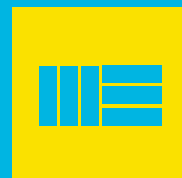


Competing Availability

There is a dearth of available office stock within the Northfleet market. Accordingly, we have included evidence of availability within neighbouring markets. This includes Dartford and Grays:

Property	Photo	Area (sq ft)	Quoting Rent psf	Comments
Riverbridge House, Crossways Business Park, Dartford, DA2 6QH		3,652 - 25,956	£27.50	• Four storey office building • Comprehensively refurbished reception area • Car Parking Ratio 1:185 sq ft • Manned reception • LED lighting
9 Waterside Court, Galleon Boulevard, Crossways Business Park, Dartford, DA2 6NX		2,581	£26.15	• Refurbished, modern office suite • New carpet • Suspended ceiling with LG7 lighting • Shower room • EV charging point
Perisimmon House, Anchor Boulevard, Crossways Business Park, Dartford, DA2 6NX		2,514 - 7,557	£28.00	• Detached modern office building • To be refurbished • Targeting EPC A and BREEAM Excellent • LED lighting • Shower room
Lakeview West, Crossways Business Park, Dartford, DA2 6QE		9,437 – 19,324	ROA	• Detached modern office • LED lighting • Passenger lift • Air Conditioning • Parking ratio of 1:241 sq. ft
Radius, Crossways Business Park, Dartford, DA2 6QH		3,812	£26.50	• Recently refurbished • Air Conditioning • Led lighting • EPC rating A • 66 car spaces • New suspended ceilings
Flagship House, Victory Way, Crossways Business Park, Dartford, DA2 6QD		8,705	ROA	• Cat B office • Air Conditioning • Passenger Lifts • Manned reception • 24 hour access • Car Parking & EV Charging

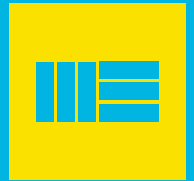
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1 Waterside Court, Galleon Boulevard, Crossways Business Park, Dartford, DA2 6NX		1,764	£24.09	• Modern office building • Constructed in 2009 • Overlooking business park lake • Self-contained office • Suspended ceiling with inset lighting
6, Lakeside Business Village, Fleming Road, Grays, RM16 6EW		1,982 – 7,743	ROA	• Newly refurbished • 2 terraced two storey offices • Suspended ceilings with LED lighting • Air Conditioning • 15 car parking spaces
Total		77,442 sq ft		

Letting Comparables

Date	Property	Tenant	Term Certain (Breaks)	Size (sq ft)	Rent (psf)	Comments
Aug-22	Riverbridge House, Crossways Business Park, Dartford	CMT Group	10 years	7,487	£25.00	Grade A 1:185 sq ft
Jul-22	Riverbridge House, Crossways Business Park, Dartford	TBC	10 years	5,947	£25.00	Grade A 1:185 sq ft
Jan-22	Rainham Road South, Dagenham	Sahin Tasyurdu	15 years	4,500	£25.00	Grade A 1:113 sq ft
Aug-21	Unit 3, Waterside Close, Dartford	TBC	TBC	1,027	£27.00	Grade A 1: 280 sq ft
Nov-20	15 Crossways Point, Victory Way, Dartford	Sureserve Group	10 years	17,957	£23.00	Grade A 1:207 sq ft

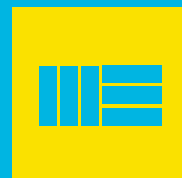


Take-Up Per Annum (including Northfleet, Dartford, Swanley, Gravesend, Tilbury)



Year	Take Up (Sq Ft)
2023 (YTD)	931
2022	22,878
2021	33,973
2020	41,995
2019	40,609
2018	88,383
2017	75,419

5 year average (2018-2022): **45,568 sq ft**



Development Pipeline

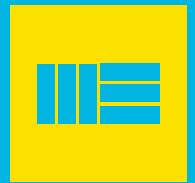
YEAR	Available (SQ FT)	Under Construction (SQ FT)	Construction Starts (SQ FT)	Deliveries (SQ FT)
2023 YTD	114,483	-	-	-
2022	118,337	0	-	-
2021	143,100	0	-	23,152
2020	119,683	23,152	23,152	
2019	104,715	0	-	
2018	99,012	0	-	
2017	155,307	0	-	36,489
2016	127,593	36,489	36,489	5,801
2015	169,525	5,801	5,801	-
2014	244,544	0	-	1,189
2013	235,252	1,189	3,159	13,192
2012	266,881	11,222	11,222	7,076

Multi-National Corporate Relocations

The schedule below details examples of corporates locating in non-core office markets, thereby demonstrating occupier demand for the right product outside of established locations. This is especially pertinent in an evolving office market, characterised by a clear 'flight to quality' and a focus on collaborative environments supporting flexible and agile working policies.

Address	Property	Date	Area (sq ft)	Tenant
Unilever, Lever House, Kingston Upon Thames London, KT1 2BA		Oct-22	102,000	Unilever
1 Thames Valley Park, Reading, RG6 1RB		Jul-22	33,965	Huawei
Battersea Power Station, London, SW8 5BN		May-22	467,000	Apple Europe Ltd

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Causeway Park 2 The Causeway Runnymede Staines, TW18 3BF		Mar-22	47,254	ADP
The Bower 4 Roundwood Ave Hillingdon Uxbridge, UB11 1EJ		Mar-22	151,074	Canon Europe
100 Hercules Way, Watford, WD25 7GR		Nov-21	67,451	Skanska
1 Windsor Dials, Windsor, SL4 1RS		Jun-21	57,407	InterContinental Hotels Group
Building 2, 450 Longwater Ave, Reading, RG2 6GB		Mar-21	119,292	Three UK
33 Genotin Road, Enfield, London, EN1 2AG		Feb-21	60,000	Metaswitch Ltd
One Embassy Gardens, 8 Viaduct Gardens, London, SW11 7BW		Oct-20	84,000	Penguin Random House
Ascent 1, Aerospace Blvd, Rushmoor, Farnborough, GU14 6YU		Aug-20	40,000	Philips Electronics