



Denmore Industrial Portfolio

DENMORE INDUSTRIAL ESTATE, BRIDGE OF DON, ABERDEEN
WELL LOCATED INDUSTRIAL PORTFOLIO INVESTMENT OPPORTUNITY

CBRE

Investment Summary

- ▶ Aberdeen is the energy capital of Europe and has seen demonstrable performance in the industrial occupational and investment markets.
- ▶ Aberdeen's industrial market continues to outperform Scotland and the UK, with further rental growth predicted.
- ▶ Asset management opportunities
- ▶ Much sought after large yards attached to each industrial unit
- ▶ Average weighted unexpired lease term of 4.64 years to the lease break and 9.64 years to lease expiry.
- ▶ Total gross income of £739,500 per annum and net income of £589,396 per annum
- ▶ Opportunity to acquire portfolio or individual lots
- ▶ Offers in excess of **£5,520,000** are invited exclusive of VAT, equating to an attractive net initial yield of **10.10%** after allowing for purchasers costs of 5.8%.

Location

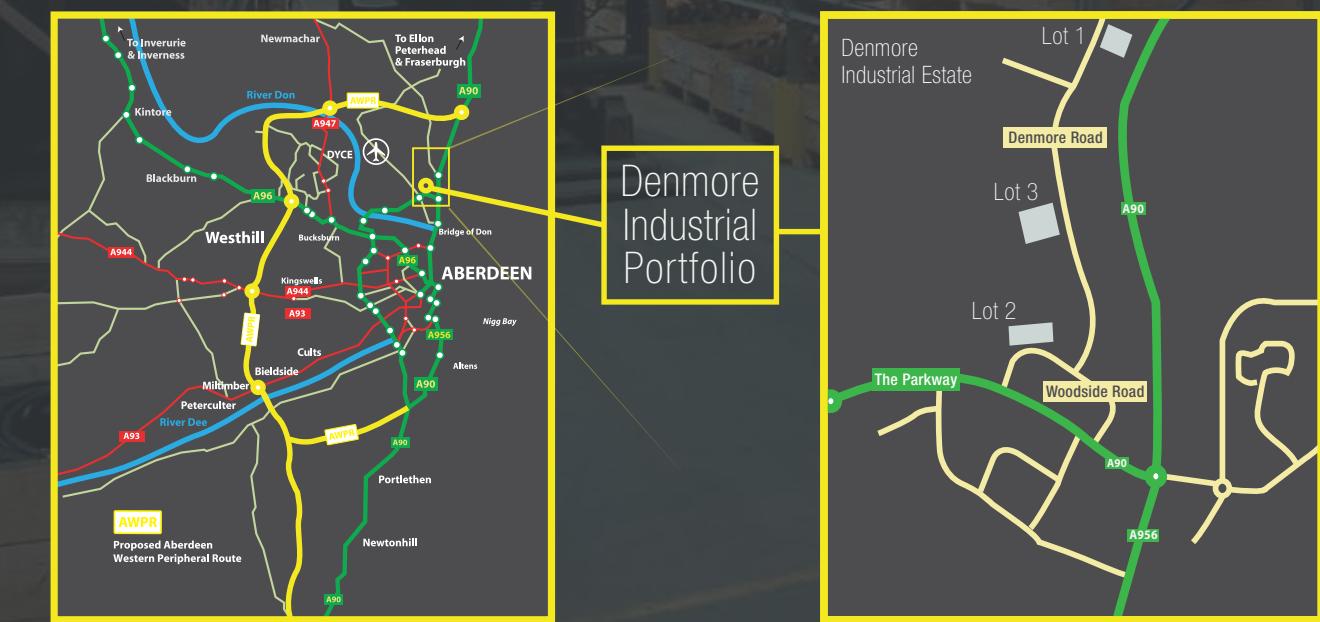
Aberdeen is Scotland's third largest city with a population of approximately 215,000 and a regional catchment population of over 500,000. It is the dominant commercial and administrative centre of the north east of Scotland. The city is also regarded as the energy capital of Europe and one of the world's leading centres for oil and gas activity, knowledge and research, extending far beyond north sea operations globally. The city is home to two universities and two further education colleges, with world renowned research and development establishments specialising in medicine, agriculture, food and fisheries.

Aberdeen is located on the east coast of Scotland approximately 125 miles north of Edinburgh and 150 miles north east of Glasgow. The nearest cities to Aberdeen are Dundee (66 miles) to the south and Inverness (105 miles) to the north west. The city has excellent road communication links with the rest of Scotland. The A90 trunk road links Aberdeen with the national motorway network, making Edinburgh and Glasgow accessible in just over 2.5 hours. The city is connected to major

towns and cities throughout the UK with regular trains to Edinburgh and Glasgow linking into the national rail network.

Aberdeen International Airport is a busy international gateway to the north east of Scotland, linking the region to businesses and leisure destinations across the UK, Europe and beyond. Aberdeen International Airport is located in Dyce approximately 5 miles west from the subjects and 7 miles north west from the city centre. It is home to Europe's busiest commercial heliport and is currently the fastest growing airport in the UK.

Aberdeen Harbour is another major economic engine of the city and one of the most modern ports in Europe. It is the largest marine centre in Europe for the offshore oil and gas industry. It handles a wide range of general and specialist shipments, it has regular roll on/roll off ferry and cargo vessel services. These strengths are important factors for companies wishing to locate in the surrounding industrial areas.





Aberdeen Economy

Aberdeen is one of the UK's success stories and is recognised internationally as a global centre of excellence in the energy industry.

It is one of the most prosperous cities in the UK and the world's leading energy companies have representation in Aberdeen. **BP, Shell, Apache, Total, Chevron, Conoco Philips, Marathon, Talisman, Nexen, Centrica, CNR, Taqa** and **British Gas** all have major HQ's in the city. They are supported by a network of international service companies such as **Halliburton, Schlumberger, Baker Hughes, Transocean, Petrofac, Aker, Wood Group PSN, Technip, Amec** and **Subsea 7**. It is estimated that UK continental shelf counts for 50% of the energy activity managed from Aberdeen, with 50% relating to global exports.

This is a very exciting time for Aberdeen as oil and gas operators, from the established super majors to the smaller

independents, confirm their long term confidence in the north sea oil and gas industry which has been exacerbated by government tax incentives.

The diversity of the city's economy includes global HQ's for Aberdeen Asset Management and First Group, together with a service sector including HSBC, Barclays, RBS, Lloyds Banking Group, Deloitte, KPMG, PWC, Ernst & Young, Simmons & Co, Dundas & Wilson, Maclay Murray and Spens, Brodies and Pinsent Masons.

The recent announcement of the commencement of the Aberdeen West End Peripheral Route (AWPR) will be a huge boost for the city.

Situation

The properties are situated in Denmore Industrial Estate within the Bridge of Don area of Aberdeen, which lies 3 miles north of the city centre. Bridge of Don is one of the largest suburbs in Scotland with a residential population of 25,500.

Denmore Industrial Estate is one of the dominant industrial estates in Aberdeen and a number of leading oil service companies including GE Oil & Gas, Baker Hughes, Sparrows, Fugro Surveys and Rollstud are located here.

Access to the estate is via the Parkway (A90 trunk road).



Lot 1 - 16 Denmore Road

DESCRIPTION

This property is located on Denmore Road and comprises an industrial facility incorporating a large workshop with associated yard and good quality office accommodation located to the front of the unit.

The workshop is of steel portal frame construction with blockwork walls to dado height and profiled metal sheeting above. There are 4 metal roller shutter doors providing access to the workshop from the yard and a crane is situated within the building, with a 5 tonne lifting capacity. The roof comprises metal sheeting and incorporates translucent panels. Internally, lighting is provided by way of high bay

sodium lights and fluorescent strip lighting. Heating is provided by way of 4 ceiling mounted gas fired warm air blowers. There is ancillary accommodation with a locker room, canteen and storage space. A mezzanine storage area has been formed above.

A two storey office block is attached to the workshop and fronts Denmore Road. It offers office accommodation finished to a good standard and is carpeted throughout, with category 2 lighting integrated within the suspended tile ceiling. A designated area for car parking for approximately 20 cars is located adjacent to the office building.



ACCOMMODATION

The property extends to the following approximate gross internal floor areas:

Workshop	2,027.8 sq m	(21,827 sq ft)
Mezzanine	230.2 sq m	(2,478 sq ft)
Workshop Offices & Ancillary	133.5 sq m	(1,437 sq ft)
Offices	672.3 sq m	(7,237 sq ft)
TOTAL	3,063.8 sq m	(32,978 sq ft)
Useable Surface Yard	2,800 sq m	(3,350 sq yards)

TENURE

The property is held on a long leasehold from The Prudential Insurance Company Limited until 10 November 2109. The current head rent is £61,730 per annum with reviews on a 5 yearly basis. The rent is next due for review on 11 November 2014.

LEASE

The property is let to ATR Equipment Solutions Ltd (guaranteed by ATR Holdings Ltd) on Full Repairing and Insuring terms for a period of 15 years from 2 May 2008 until 1 May 2023, with a tenant break option on 1 May 2018. The current gross rent is £250,000 per annum. The rent is subject to review on a 5 yearly upwards only, open market basis, with the next review being due on 2 May 2013.

SITE AREA

The site extends to approximately 2.57 acres



Lot 2 - Unit 5,6 & 7 Woodside Road

DESCRIPTION

The asset comprises three adjacent industrial units, prominently located on Woodside Road.

Unit 5, Woodside Road comprises a site extending to approximately 1.01 acres, including a large surfaced site and a small industrial warehouse, located close to the Southern boundary of the site.

Unit 6, Woodside Road comprises a site extending to approximately 1.17 acres. It also benefits from a significant surfaced yard area with a large, centrally positioned 1970's industrial warehouse of steel portal frame construction. To the south of the building there is designated car parking for 22 cars.

Unit 7 Woodside Road comprises a site extending to approximately 1.02 acres and benefits from a warehouse with detached stores and office accommodation, located on the western edge of the site. There is also a detached brick built garage/store building on the southern edge of the site. To the east of the main building, there is a large concrete surfaced yard.



ACCOMMODATION

Unit 5

Workshop & Ancillary	220.1 sq m (2,407 sq ft)
TOTAL	220.1 sq m (2,407 sq ft)
Useable Surfaced Yard	2,835 sq m (3,390 sq yds)

Unit 6

Warehouse & Ancillary	1,234.9 sq m (13,292 sq ft)
TOTAL	1,234.9 sq m (13,292 sq ft)
Useable Surfaced Yard	1,430 sq m (1,710 sq yds)

Unit 7

Warehouse, Ancillary & Office	478.3 sq m (5,147 sq ft)
TOTAL	478.3 sq m (5,147 sq ft)
Useable Surfaced Yard	1,928 sq m (2,306 sq yds)

SITE AREA

The total combined site area extends to approximately 3.2 acres.

TENURE

Unit 5 is held on a long leasehold from Prudential Pensions Limited until 21 June 2084 with an option in favour of the tenant to extend for a further period of 26 years until 21 June 2110. The current ground rent is £22,500 per annum with reviews on a 5 yearly basis. The next rent review is due on 22 June 2015.

Unit 6 & Unit 7 are both held on a heritable basis (the Scottish equivalent of English freehold).

LEASE

Units 5 & 6 are let on a single lease to Cosalt Offshore (UK) Limited from 12 October 2007, expiring 11 October 2022 subject to a tenant's break option on 11 October 2017. The current gross rent is £142,000 per annum. The rent is subject to review on a 5 yearly upwards only, open market basis with the next review due on 12 October 2017.

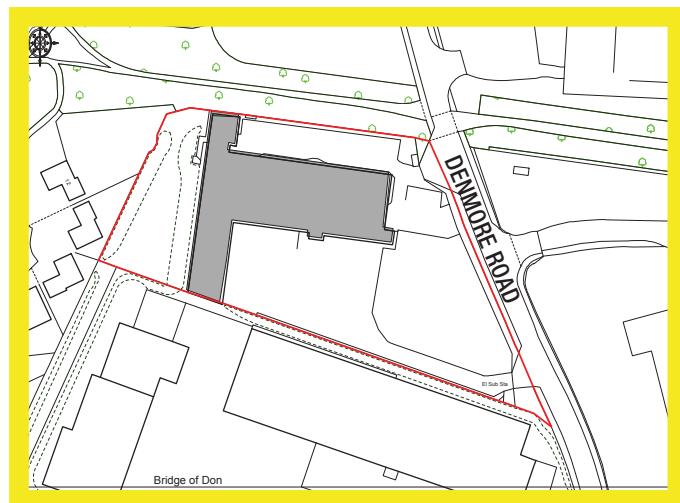
Unit 7 is also let to Cosalt Offshore (UK) Limited from 8 May 2009 to 11 October 2022 subject to a tenant's break option on 11 October 2017. The current passing rent is £56,000 per annum with an upwards only, open market rent review due on 11 October 2017.

Both of the leases above are held on Full Repairing and Insuring terms, subject to Schedules of Condition

N.B There is a management charge agreement specific to the landlord and Cosalt Offshore (UK) Limited which stipulates that whilst Cosalt remain as a tenant, they will be liable for an annual management charge of £29,000. The management charge covers all three properties, however, it is levied only on unit 7. The charge is based on 16.57% of the total combined rent of units 5, 6 & 7 Woodside Road. The management charge will increase at review in 2017 by the same percentage as the rent review.



Lot 3 - 51 Denmore Road



DESCRIPTION

51 Denmore Road comprises a warehouse and office complex arranged in a T-shape. The complex has a main single storey warehouse plus smaller ancillary stores and significant office accommodation over 2 floors. Part of the site provides a large concrete surfaced storage yard.

The main warehouse area is of double pitched steel portal frame construction to a wall height of 6.2m. External walls are formed by concrete block to dado level with insulated profiled metal sheeting above. The roofs are formed by profile metal sheets. The warehouse benefits from electric lighting and is heated by gas fired warm air blowers. Vehicular access is via 3 electrically operated steel roller shutter doors in the south facing elevation.

The west-most part of the double span warehouse is internally fitted out as 2 storeys of office and staff welfare accommodation. To the south of the offices is a double span building of similar construction to the main warehouse, but internally includes a storage area with some offices arranged over 2 storeys. The 2 storey buildings contains administrative offices at ground and first floor levels and staff welfare areas at ground floor level.



ACCOMMODATION

Workshop	1,755.4 sq m	(18,895 sq ft)
Offices & Ancillary	867.9 sq m	(9,342 sq ft)
TOTAL	2,623.3 sq m	(28,237 sq ft)
Useable Surface Yard	2,500 sq m	(3,000 sq yds)

TENURE

The property is held on a long leasehold from Prudential Pensions Limited until 1 July 2120. The current ground rent is £65,875 per annum with reviews on a 5 yearly basis, the next review being due on 2 July 2014. At the time of the previous review, part of the premises were sub-let which attracted a premium of 12.5% to the ground rent. This will revert back to normal at the next review assuming the premises are not sub-let again.

LEASE

The property is let to Cosalt Offshore (UK) Limited on Full Repairing and Insuring terms for a period of 15 years from 12 October 2007, expiring 11 October 2022, with a tenant's break option at 11 October 2017. The lease is subject to a Schedule of Condition. The passing rent is £262,500 per annum with the next upwards only, open market review due on 12 October 2017.

SITE AREA

The total site area extends to approximately 2.44 acres
(2 acres for purposes of ground rent)

Covenant

51 Denmore Road and the units at 38-39 Woodside Road are let to Cosalt Offshore (UK) Limited. In February 2013, NBGI Private Equity, investor in Aberdeen-based ATR Group, acquired the Aberdeen and Norway operations of Cosalt Offshore, which included the subject properties.

This acquisition has brought together Cosalt's technical leadership in offshore lifting, combined with its comprehensive offshore inspection, testing and safety service with ATR's highly complementary global equipment rental service offering to the offshore maintenance sector.

Cosalt and ATR will be pooling their significant resources and technical expertise to deliver a broad, integrated service offering to the oil and gas industry.

The deal will bolster ATR's growth by opening up the Norwegian sector and improving its operational capacity through access to Cosalt's skilled engineers, technicians and inspectors and its substantial equipment hire fleet.

Cosalt has an excellent technical and operational reputation and is an integral part of the supply chain of many of the energy sector's leading oil service companies and operators. Cosalt Offshore provides offshore and marine safety equipment, lifting and rigging gear, wire rope and related tools as well as offshore inspection and compliance services.

ATR have become recognised as an important and integrated supply chain partner to over 1,200 Companies, delivering the rental and sale of High Quality plant, tools, lifting equipment and consumables to the offshore oil and gas industry maintenance market. Further information can be found at: www.atrgroup.co.uk

Between them, ATR and Cosalt will employ about 400 people and have combined revenue of £55 million. NBGI hopes to grow the group to in excess of £100m in annual revenue.

Cosalt Offshore (UK) Limited is currently rated by Experian as "Maximum Risk" and with a Delphi score of 15 out of 100. Given the recent company acquisition by NBGI Private Equity,

we expect the covenant to significantly improve however their last three accounts are summarised as follows:

Cosalt Offshore (UK) Limited (SC122818)	PERIOD ENDED 31 DEC 2011 £'s	PERIOD ENDED 31 DEC 2010 £'s	PERIOD ENDED 31 DEC 2009 £'s
Sales Turnover	33,727,178	30,313,867	36,543,092
Profit/(Loss) Before Taxes	(5,905,364)	(4,182,414)	3,590,012
Net Worth	(9,820,010)	(6,965,811)	(£5,274,100)
Total Current Assets (Liabilities)	9,527,049	11,270,130	19,413,750

ATR Equipment Solutions Limited is rated by Experian as "Very Low Risk" and with a Delphi score of 100 out of 100. Their last three accounts are summarised as follows:

ATR EQUIPMENT SOLUTIONS LTD (SC 153427)	PERIOD ENDED 31 OCT 2011 £'s	PERIOD ENDED 31 OCT 2010 £'s	PERIOD ENDED 31 OCT 2009 £'s
Sales Turnover	6,240,857	5,883,784	-
Profit/(Loss) Before Taxes	(18,495)	411,148	-
Net Worth	4,714,549	4,761,212	4,516,808
Total Current Assets (Liabilities)	6,274,878	5,437,678	5,187,639

The ATR Equipment Solutions Limited lease is guaranteed by ATR Holdings Limited (SC305588) who is rated by Experian as "Above Average Risk" and with a Delphi score of 30 out of 100. They have total current assets of £9.6 million.

VAT

The properties have been elected for VAT which will therefore be applicable on the purchase price.

INVESTMENT PROPOSAL

We are seeking offers in excess of £5,520,000 for our clients' interest in the subjects. A purchase at this level would reflect a net initial yield of 10.10% assuming purchasers cost of 5.8%:

It is anticipated that the purchaser will pay an additional "top-up" on the uplift in rent, resulting from 2 May 2012 rent review. Any uplift in rent is to be capitalised at the purchase yield.

Offers will be considered for individual lots although it is our clients preference to sell the portfolio as a whole.

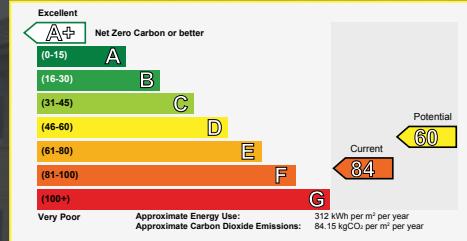
ASSET MANAGEMENT INITIATIVES

- ▶ Substantial reversion anticipated from the 16 Denmore Road rent review scheduled for 2 May 2013.
- ▶ Negotiate the removal of the tenant break options.
- ▶ Cosalt Offshore (UK) Ltd covenant should be substantially enhanced following recent company acquisition from NBGI Private Equity.
- ▶ Redevelop Lot 2 sites at lease expiries.

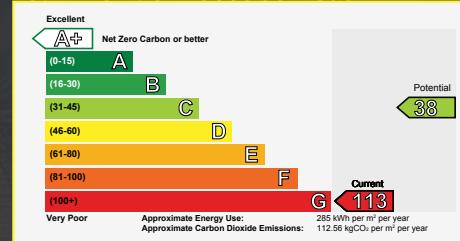
EPC

The subjects have their EPC ratings assessed as follows:

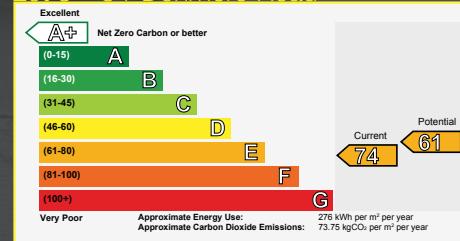
Lot 1 - 16 Denmore Road



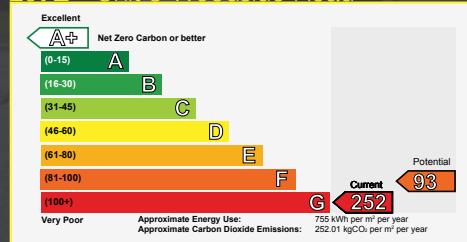
Lot 2 - Unit 6 Woodside Road



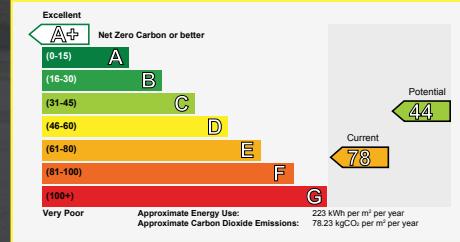
Lot 3 - 51 Denmore Road



Lot 2 - Unit 5 Woodside Road



Lot 2 - Unit 7 Woodside Road



FURTHER INFORMATION

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An EPC report has been commissioned and will be available upon request

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