INVESTMENT SALE

Centrica Plc – Scottish Gas Headquarters
1 Waterfront Avenue, Edinburgh, EH5 1SG
The document outlines the following key points:

- A landmark office investment fully occupied by British Gas as their operational headquarters in Scotland.
- An award-winning, Foster & Partners-designed Grade A office extending to 91,784 sq ft.
- A high-quality specification and environmental credentials, achieving BREEAM "Excellent" certification.
- Located in Edinburgh, Scotland's capital city and one of the UK's Big 6 regional office markets.
- Fully let to GB Gas Holdings Ltd (5A1 Dun & Bradstreet rating) on a full repairing and insuring lease expiring 14th September 2020.
- Guaranteed by Centrica Plc, a member of the FTSE 100 index with a market capitalisation of £11.25 billion.
- Current passing rent of £1,658,268 per annum (£18.16 per sq ft) with 5 yearly upward only rent reviews.
- Absolute Ownership (Scottish equivalent of English Freehold).
- Offers in excess of £16,875,000 (Sixteen Million, Eight Hundred and Seventy Five Thousand Pounds Sterling), subject to contract and exclusive of VAT are invited for the Absolute Ownership in the property.
- A purchase at this level would represent a net initial yield of 9.25% after allowing for purchaser's costs based on LBTT and a capital value of £183.86 per sq ft.

Investment Summary
Edinburgh

Edinburgh, Scotland’s capital city, sits at the heart of a diverse regional economy that provides the seat of Scotland’s government, is the home to the nation’s legal system and is a globally recognised financial centre.

Edinburgh is one of the UK’s Big Six office markets. It is Scotland’s capital city, with a population of nearly 487,500 and a wider regional catchment of approximately 1.6 million.

The city is one of the most prosperous in the UK, with the highest Gross Value Added after London, at an average of £34,178 per resident. Despite being home to only 9.1% of Scotland’s population, Edinburgh still accounts for 15.2% of the nation’s productivity. 12.0% of employee jobs, 10.3% of registered enterprises and 18.3% of research and development expenditure.

Edinburgh is widely regarded for its highly skilled workforce. The city is home to four universities and over 100,000 students. Many graduates choose to stay, or move to, the city. This is reflected in the fact that 53.9% of the population hold a degree or professional level qualification.

It is unsurprising that Edinburgh is popular amongst occupiers from a wide range of sectors. As the home of the Scottish Parliament, the public sector is one of the major employers in the city, as is the financial sector. Edinburgh is also notable however for its growing importance to companies in the fields of technology, life science and renewable energy.

Firms that have recently been attracted to Edinburgh include FanDuel and Skyscanner, while Blackrock, Baillie Gifford and Rockstar North are amongst those who have expanded.

Edinburgh has seen major investment in its infrastructure and attractions over recent years, and these ongoing improvement works have seen the city win several major awards. These include the award for Best Foreign Direct Investment Strategy (Financial Times fDi Magazine, 2014), and Fas unsus UK City (The Guardian/Observer) received in 13 consecutive years.
Location

The property is situated within Granton, 3.3 miles north of Edinburgh city centre, at the shores of the Firth of Forth. The subject property is located on the former site of Scotland’s largest gasworks and now forms part of the award winning Edinburgh Waterfront regeneration.

CONNECTIVITY

The following transport links provide connections across and outwith Edinburgh from the property:

ROAD

Granton lies just north of Ferry Road, a main arterial route into Edinburgh city centre, and therefore allows easy access to both the A90 and the M8. The A90 is accessible within 15 minutes and the M8 within 25 minutes. Edinburgh city centre can be reached in 15 minutes.

BUS

Lothian Buses operate seven routes which service Granton. One route runs directly to/ from 1 Waterfront Avenue, while others have stops along West Granton Road and at Granton Square.

TRAM

Under the original proposals for Edinburgh’s tram network, the line originally extended through Leith and along to Granton Waterfront. A transport interchange would have been located within the public square that fronts onto the subject property. Financial constraints limited the line to York Place in the city centre, however the city council is reportedly now considering options to extend the network in accordance with the original plans.

EDINBURGH WATERFRONT

The subject property lies within the Edinburgh Waterfront, a length of coastline running from Granton Harbour to the Leith Docks, which has been earmarked for significant regeneration.

Plans for regeneration originated in 2000, when Llewelyn-Davies was commissioned to provide a Masterplan for the mixed use development of the Waterfront area. The Masterplan was subsequently approved by Edinburgh’s planning committee, and has been incorporated into Area Development Frameworks and proposed Local Development Plans.

Under the Llewelyn-Davies plan the Granton Waterfront would be split into four quarters, with the subject site located within the district owned by the National Grid, known as the Forthquarter.

A 2003 Masterplan for the Forthquarter by Foster & Partners further expanded on this, suggesting 2,000 housing units, 8,900 sq m of retail space and 9,015 sq m of business space be provided, as well as open space, leisure and educational facilities.

Since this Masterplan was approved, the Forthquarter has seen the construction of the subject property, a public square, a Morrisons supermarket, a Pure Gym, an Edinburgh College campus and 768 residential units. The site was an RICS International Regeneration Award winner in 2004. The next steps for the quarter are expected to include the demolition of the remaining gas holder; the redevelopment of the former Granton rail station; the delivery of a primary school; and a revised requirement for lower density housing.

Proposals for the wider Granton Waterfront area include 1,980 residential units; a mixed use development with marina and hotel at Granton Harbour; and further leisure space.
Laid out over ground and three upper floors, the subject property was completed in 2003 as the flagship office HQ and operational call centre for Scottish Gas. The property provides flexible, open plan Grade A office accommodation arranged around an impressive full height atrium.

The building set a new standard for call centre accommodation and has received several design awards including the Awards Scottish Design Award for Commercial Interior and the British Council for Offices National and Regional Awards for Commercial Workplace.

Each elevation of the building is fully glazed, providing spectacular views across the Firth of Forth at the rear. A silver anodised “Brise soleil” surrounds the building, delivering a striking external appearance, and combined with high performance glazing helps achieve an ideal balance between natural light penetration and solar protection.

Description

AWARD WINNING HEADQUARTERS SPECIFICATION

Internally, the building benefits from the following features:

- Full height atrium with open balconies at each floor and staggered walkways.
- Fully accessible raised access floors with minimum clear void of 350mm.
- Large, open plan, u-shaped floorplates of approximately 22,000 sq ft.
- Finished floor to ceiling height of 2.8m.
- Highly efficient cooling system via a combination of displacement ventilation with passive chilled beams.
- High occupational density of 1 person per 6 sq m.
- Exposed mass concrete coffered soffit with ceiling rafts carrying chilled beams and LG3 compliant lighting.
- BREEAM ‘Excellent’ certification
- 3 x KONE 17 person passenger lifts serving all floors and 1 x 17 person goods lift.
- Male, female and disabled toilets on each floor.
- High quality catering and wellbeing facilities on ground floor.
- Shower facilities on ground floor.

The building exploits the natural slope of the land it sits on, creating a concealed external car park, which together with a secure undercroft car park provides 198 spaces (1464 sq ft) and provision for bicycle and motorcycle storage.
Accommodation

The property has been measured on a net internal area basis in accordance with the RICS Code of Measuring Practice (Sixth Edition) and provides the following approximate areas:

<table>
<thead>
<tr>
<th>Floor</th>
<th>Description</th>
<th>NIA Sq M</th>
<th>NIA Sq Ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third</td>
<td>Office</td>
<td>2086.08</td>
<td>22,454</td>
</tr>
<tr>
<td>Second</td>
<td>Office</td>
<td>2089.96</td>
<td>22,496</td>
</tr>
<tr>
<td>First</td>
<td>Office</td>
<td>2104.44</td>
<td>22,652</td>
</tr>
<tr>
<td>Ground</td>
<td>Office</td>
<td>2015.33</td>
<td>22,080</td>
</tr>
<tr>
<td>Ground</td>
<td>Atrium</td>
<td>111.85</td>
<td>1204</td>
</tr>
<tr>
<td>Ground</td>
<td>Reception</td>
<td>83.39</td>
<td>908</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>8,527.04</td>
<td>91,784</td>
</tr>
</tbody>
</table>

Refurbishment due 2015

Tenant

Tenancy

Absolute Ownership (Scottish equivalent of English Freehold).

Tenancy

The property is fully let to GB Gas Holdings Ltd on a Full Repairing and Insuring lease for a term of 17 years from 15th September 2003, expiring on 14th September 2020. The lease is subject to 5 yearly, upward only rent reviews.

The current rent passing is £1,658,268 per annum excluding VAT (£18.16 per sq ft assuming the reception is rentalised at half rent).

There is a guarantee from Centrica Plc over the term of the lease.

Tenant Information

GB Gas Holdings Ltd provides energy and services to home and business customers across the UK through its British Gas subsidiaries. British Gas is the UK’s largest energy provider serving over 11 million homes and businesses in the UK. The company was incorporated in 1996 following the demerger of the British Gas Corporation, and is headquartered in Windsor, United Kingdom and operates under the Scottish Gas trading name in Scotland.

GB Gas Holdings is a subsidiary of Centrica Plc. Centrica Plc operates across the UK, Europe, North America and Trinidad and Tobago. It employs approximately 38,500 people and manages 27.9 million customer accounts globally. Centrica Plc is listed on the London Stock Exchange and is a constituent of the FTSE 100 index with a current market capitalisation of £11.25 billion.

GB Gas Holdings Ltd (Reg Number: 003186121) has a Dun & Bradstreet rating of 5A1, representing a minimum risk of business failure.

GB Gas Holdings Ltd (Reg Number: 003186121) has a Dun & Bradstreet rating of 5A1, representing a minimum risk of business failure.

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>31st December 2011 (000s)</th>
<th>31st December 2012 (000s)</th>
<th>31st December 2013 (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Tax profit</td>
<td>£2,293,077</td>
<td>£467,753</td>
<td>£4,333,687</td>
</tr>
<tr>
<td>Total Net Worth</td>
<td>£1,563,844</td>
<td>£2,239,577</td>
<td>£2,688,531</td>
</tr>
</tbody>
</table>

Centrica Plc (Reg Number: 003033654) has a Dun & Bradstreet rating of N1, representing a minimum risk of business failure.

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>31st December 2012 (000s)</th>
<th>31st December 2013 (000s)</th>
<th>31st December 2014 (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>£23,942,000</td>
<td>£26,571,000</td>
<td>£29,408,000</td>
</tr>
<tr>
<td>Pre-Tax profit</td>
<td>£2,442,000</td>
<td>£1,649,000</td>
<td>£1,403,000</td>
</tr>
<tr>
<td>Total Net Worth</td>
<td>£1,805,000</td>
<td>£468,000</td>
<td>£1,865,000</td>
</tr>
</tbody>
</table>

For further information refer to www.centrica.com

Ground Floor

Typical Upper Floor
Edinburgh Office Occupational Market

- Edinburgh has an existing office stock supply of approximately 22 million sq ft, and has been enjoying a resurgence in its occupational market in recent years.
- 2014 saw the highest Edinburgh wide take-up since 2001, at a total of 932,550 sq ft. 2015 looks set to continue the above average trend, with 587,000 sq ft of take-up reported to the end of Q3.
- A number of large requirements remain active including Amazon, EY and CMS. Further significant lease events are scheduled for 2016-2017, so it is likely that demand and take-up will continue to build momentum.
- Available accommodation has meanwhile been decreasing. Edinburgh-wide supply stood at 1.13 million sq ft at the end of Q3 2015, with city centre space at a 10 year low. Grade A space, the preferred option amongst key occupiers, is in short supply across city centre and out of town markets, with few buildings offering the large floorplates needed.

- Following significant prelets in the past 12 months, including Standard Life Investment’s 108,500 sq ft prelet at 3/8 St Andrew Square, and Fanduel’s 58,600 sq ft prelet at Quartermile 4, just 70,000 sq ft of space under construction in Edinburgh is available. There is no development activity in the out of town market. This further limits the options available to occupiers.
- These market conditions have contributed to rising rents in Edinburgh. Prime rents of £31.00 - £32.50 are achievable, and may continue to increase into 2016, while incentive packages are likely to reduce. Cushman & Wakefield research suggests that prime rents will continue to rise through to 2019 at approximately 2.5% per annum.
Investment Market

In the past 18 months there has been increased investment activity outside of London, as a result of higher relative yields in regional cities. Investors are seeking assets in improving locations with scope for rental growth. Offices have been the favourite asset class of local and overseas investors, as business confidence and the economic outlook continues to improve.

Scotland’s commercial property investment market impressed in 2014, with transaction volumes of £3.066bn, the highest level since 2007. Cushman & Wakefield estimate that £1.6 billion has been transacted in the three quarters ending September 2015, surpassing the ten year average for this time period.

In Edinburgh, prime city centre yields sit at 5.50%, showing a discount to other major UK cities such as Manchester and Birmingham.

Given the strength of the occupational market, the opportunity exists for investors to capitalize on the current market conditions and achieve strong returns and sustained performance.

Recent comparable city centre office investment transactions are highlighted in the table below:

<table>
<thead>
<tr>
<th>Address</th>
<th>Date</th>
<th>Purchaser</th>
<th>Price</th>
<th>Net Initial Yield</th>
<th>Capital Value Per Sq Ft</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sainsbury’s Bank HQ, 3 Lochside Avenue, Edinburgh</td>
<td>On market</td>
<td>N/A</td>
<td>£19.0m (quoting)</td>
<td>6.31% (quoting)</td>
<td>£225</td>
<td>Let to Sainsbury’s Bank until September 2023 with tenant break option in September 2024.</td>
</tr>
<tr>
<td>Ocean Point, 1 Ocean Drive, Edinburgh</td>
<td>Under offer</td>
<td>N/A</td>
<td>£14.25m</td>
<td>8.75%</td>
<td>£228</td>
<td>Let to AWG Group until February 2024.</td>
</tr>
<tr>
<td>Tanfield 1, Edinburgh</td>
<td>March 2015</td>
<td>Backspring</td>
<td>£15.0m</td>
<td>7.00%</td>
<td>£283</td>
<td>Multi-let with AWULT of 7.15 years.</td>
</tr>
<tr>
<td>Leonard &amp; Leven House, Lichard Place, Edinburgh</td>
<td>March 2015</td>
<td>CCLA</td>
<td>£16.0m</td>
<td>7.97%</td>
<td>£204</td>
<td>Multi-let with AWULT of 8.1 years.</td>
</tr>
<tr>
<td>7 Lochside View</td>
<td>March 2015</td>
<td>Kames Capital</td>
<td>£11.69m</td>
<td>7.66%</td>
<td>£182</td>
<td>Multi-let with AWULT of 3.5 years.</td>
</tr>
<tr>
<td>Elgin House, 29 Haymarket Yards, Edinburgh</td>
<td>April 2015</td>
<td>Kames Capital</td>
<td>£14.82m</td>
<td>6.14%</td>
<td>£257</td>
<td>Let to The Secretary of State for Communities and Local Government until December 2028 with tenant break option in December 2023.</td>
</tr>
<tr>
<td>1/5 Rutland Court, Edinburgh</td>
<td>December 2014</td>
<td>Private</td>
<td>£14.75m</td>
<td>5.50%</td>
<td>£381</td>
<td>Let to Anderson Strathern until December 2023.</td>
</tr>
</tbody>
</table>

Additional Information

VAT
The property has been elected for VAT and the sale is intended to be treated as a Transfer Of a Going Concern (TOGC).

EPC
The EPC is currently being updated and can be provided upon request.

Proposal

We are instructed to seek offers in excess of £16,875,000 (Sixteen Million, Eight Hundred and Seventy Five Thousand Pounds Sterling) subject to contract and exclusive of VAT for the Absolute Ownership in the property. A purchase at this level would represent a net initial yield of 9.25%, after allowing for purchaser’s costs based on Land & Buildings Transaction Tax.

CONTACTS

Steven Newlands
Tel: 0131 226 8756
Email: steven.newlands@cushwake.com

Calum Cowe
Tel: 0131 226 8759
Email: calum.cowe@cushwake.com

Natasha Ross
Tel: 0131 226 8735
Email: natasha.ross@cushwake.com