

Hansteen Limited

Unit 6 Bankside, The Watermark, Gateshead, Tyne & Wear, NE11 9SY.

Telephone No. 0191 4159415 Fax No. 0191 4605919

Chris McGough
Mcgough Planning Consultants Ltd
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Dear Chris,

Sovereign Park Brenda Road/Seaton Lane, Hartlepool, TS25 1NN

I write further to your request for a marketing overview of the above estate.

Sovereign Park is made up of 110,360 sqft over 6 units and 32 acres of development land. The schedule below gives a breakdown of the units and current tenants. I've also attached the latest sales particulars for the land element.

Location	Tenant	Total
Unit B2	Tees Esk & Wear Valley NHS Tr.	5,660
Unit A	PD Port Services Ltd	52,362
Unit B1 & B2	Card Trix (Greetings) Ltd	28,410
Unit D	London Hot Tubs Manufacturing	20,000
Unit E	Cambian Childcare	3,928
Unit M	W Calvert, S Maurice & M Byrne	0
Total		110,360

As you know, we bought Sovereign Park as part of the acquisition of the Spencer Group portfolio in 2012 - 88 properties totaling 4.1 million sq. ft. of predominantly industrial property located across the UK.

At the time, Units B1 & B2 (28,410 soft) were vacant, but the rest of the estate was let. Unfortunately, that did not last long. It is fair to say the estate has had mixed fortunes over the years.

In mid-2014, Hartlepool Council enquired about purchasing the vacant Unit M (25,000 sqft) and a further 2 acre plot for a parking/ servicing area for the Council's fleet on the land adjacent to Unit M. They were very keen for a time, even saying the deal had to be done before the end of the year. We really tried to get this over the line,

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but the Council's investigation of the land part of the deal showed that the cost of developing it for car parking/ service yard area was too expensive. They withdrew their interest in late 2014. I understand they ended up purchasing a site on Tofts Farm industrial estate, also on Brenda Road. Fortunately, we were able to agree a sale of just unit M to Calvert, Maurice and Byrne eight months later, in August 2015.

In 2015, the tenant of unit A (Respondez) went into liquidation, which left us with a further 52,362 sqft void. By November 2016, the void had risen to 100,722 sq ft over units A, B1 & B2, D, mostly arising from tenants deciding not to renew and handing back the units. That's a 91.26% void rate.

Since that low, I am glad to say we have managed to turn the estate around. Currently only unit D is vacant, but it will be occupied by London Hot Tubs Manufacturing Ltd from 1st October (which is why I have shown it as let on the schedule above). This will result in the estate being fully let for the first time since we bought it.

The success we have had marketing and letting the units on the estate is not reflected in our attempts to sell the development land for employment purposes. We have marketed it in the same rigorous fashion to our marketing of the units on the estate, using on site boards, mailshots and liaising with local agents and Hartlepool Council in order to generate interest, but with a complete lack of success.

In a nutshell, we have had the land on the market since 2012. I understand it has been on the market even longer than that as Spencer Group were trying to sell it for employment use before we took over. In all that time, the only real interest we have had was the from Hartlepool Council that I mentioned earlier. Other than that, we have had a single enquiry for a few acres earlier this year, but that didn't come to much more than sending them the particulars.

We know the local employment land market is poor, which is why we have been looking at alternative uses for the land. We are concerned about Hartlepool Council's mixed signals on this. On the one hand, their property team have accepted there is no market for Sovereign Park as employment land - a position which they have backed up by confirming they would not buy the 2 acres because it was too expensive to develop for employment purposes. They have also been talking to us about bringing forward a residential development on our joint land holdings, and allowing us to gain access from Seaton Lane across their land. All this whilst their planning colleagues maintain that it should be allocated for employment use, ostensibly because of a flood plain issue. This confusion has acted against any promotion of the site for residential development by way of planning application. Our enquiries show this has dulled interest from potential residential developers.

We now have a good idea of the additional costs of development that arise from the condition of the site – associated with the site geotechnical issues and the contamination (abnormal costs) that have to be dealt with. Also, we recently commissioned flood consultants to accurately model the flood plain because we know this was troubling the local planners in relation to residential development on the land. Our flood modelling shows the flood plain currently shown on the EA flood maps is

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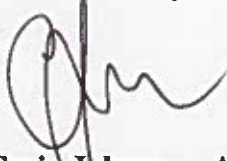
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wrong – it is actually mostly not in a flood plain. We would like you to share this report with the planners and the EA as soon as possible and continue your discussions about bringing forward residential development on the land.

In the light our experience, we feel that the employment land allocation makes no sense. There is no market for employment use on the site. If the employment allocation is removed, we would stand a better chance of bringing development forward on our land, most likely residential use in conjunction with Hartlepool Council's land on Seaton Lane.

Yours sincerely



Craig Johnson - Asset Manager
Hansteen Group of Companies