

Lothbury Property Trust

**Supporting statement for the planning application for
The Clarendon Centre, Oxford**

January 2021

Introduction

The following statement is to introduce Lothbury Property Trust (Lothbury) and explain the role it has played and the role it will play in the future of the Clarendon Centre. It will then go on to discuss the headwinds the Clarendon Centre has faced over recent years and why the asset in its current form as a retail led shopping centre is unsustainable. The statement then goes onto talk about the vision for the centre which we hope is clear from all the accompanying application documents. The planning submission is the result of two and half years' worth of tireless work by the project team with input from a multitude of local stakeholders. The culmination of all of this is the opportunity for the creation of a fantastic mixed use scheme to be enjoyed by all in Oxford and to continue the city's incredible growth into the years ahead.

Lothbury Property Trust

- A property Unit Trust with a UK property portfolio worth over £1.6bn as at December 2020
- An institutional investor base of over 100 investors comprising mainly of pension funds and then other investors such as charities, private banks and local authorities
- The portfolio comprises of 52 properties with over 500 individual tenants
- No gearing/debt within the fund
- A long term investor which only undertakes development to create new assets to be held within the fund
- Owner of the Clarendon Centre since its development in 1984
- Managed by Lothbury Investment Management (LIM), a specialist property fund manager with over 20 years' of experience
- LIM has a dedicated in house development team with a proven track record of delivering high quality large scale developments

The Clarendon Centre is held in a fund called The Clarendon Unit Trust which is a wholly owned sub fund of Lothbury. LIM are specialist property fund managers and manage the entire Lothbury property portfolio. As well as being the asset manager, LIM are the sole provider of development and project management services to the fund. LIM will be the development and project manager for the redevelopment of the Clarendon Centre and have a proven track record of delivering large complex city centre projects.

Lothbury's website provides further details and can be found at www.lothburyim.com

The Evolution of the Clarendon Centre

The Clarendon Centre was developed by Arrowcroft in 1984 and funded by Pensman Nominees, a predecessor to Lothbury. Pensman acquired the freehold of Clarendon House in 1996 from Littlewoods, as well as St Michael's Hall to the rear of the scheme. As such the management control of the centre has been within Lothbury for over 35 years.

The initial leasing plan was for 25 years, through to 2009, but as the retail market has shifted over the years the original tenants have been replaced by new retailers on alternative lease structures. As such, as prudent owners of the centre, Lothbury have undertaken numerous active management initiatives to ensure that the accommodation offered within the scheme has been to current retailer requirements at the relevant time, including the major refurbishment in 1999/2000.

There have been further adjoining acquisitions and numerous reconfiguration works to the scheme since being developed. The largest of these was the construction of the H&M store in the centre of the scheme in 2014. The above shows Lothbury's long term commitment to the Clarendon Centre and Oxford.

Current Headwinds faced at the Clarendon Centre

The redevelopment plans for the Westgate Centre by various owners has meant that for many years the Clarendon Centre has been exposed to a larger shopping centre being developed within the City. LandSec and The Crown Estate finally commenced construction in March 2015 and opened to the public in October 2017. The completion of the development coincided with the collapse in the retail market meaning the Clarendon Centre has faced a real struggle to maintain a full line up of high quality shops as retailers nationally have looked to reduce their physical store presence. Those tenants with expiries post the opening of Westgate did not generally renew and those who did, as well as new retailers, were on commercially very poor terms for the owner of the scheme.

The following table shows some of the tenants which have been lost post the opening of the Westgate Centre and where applicable replaced, in some cases numerous times. As you will see apart from Zara and H Samuel many of the retail units remain vacant or let to temporary (Temp) tenants who only want short tenancies and pay little or no rent.

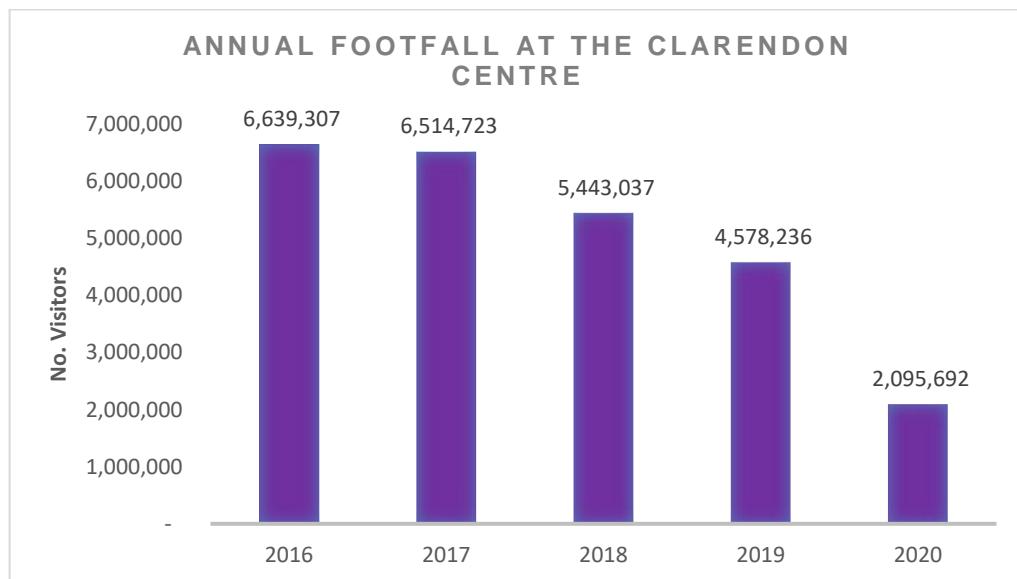
Lost	Replacement
Zara	TK Maxx
Three	Card Factory
Office	Luggage Solutions (Temp)
Ernest Jones	Vacant
Vodafone	My Telephone (Temp)
Ann Summers	Vacant
Boost Juice	Vacant
Currys	Menkind (Temp)
H Samuel	Tortilla
French Connection	The Works
Perfume Shop	Vacant
Smooy	Vacant
Goldsmiths	Vacant
Kiko	Vacant
H&M	Vacant
Bodyshop	To be vacant
Thorntons	To be vacant

As highlighted in the Town Centre Retail Assessment the wider ownership comprises 33 retail stores of which 10 have direct access onto the prime retailing streets of Cornmarket Street and Queen Street. At present 10 of the retail units within the shopping centre are vacant. By the end of January 2021 this will have increased to 13.

Of the occupied units, 6 are occupied by temporary tenants who are paying little or no rent and can terminate their lease on short notice. Therefore of the 33 units at the centre only 17 retail units (52%) are let to long term tenants. Of these tenants, 10 are situated in units fronting Cornmarket and Queen Street meaning very few long term tenants are located within the centre itself which has created a vitality problem within the centre.

The structural change to the retail market, the opening of the Westgate Centre and more recently the coronavirus has meant there has been a sharp decrease in retail rental values. If you compare the total rent received at the Clarendon Centre in 2016 pre Westgate opening to the rent receivable in 2020, rents receivable have reduced by 60%. As a commercial investment which needs to provide a return to our institutional investors the current situation is unsustainable.

The opening of the Westgate has drawn many of the national retailers to it and with the quality of the tenant line up reducing at the Clarendon Centre this of course has affected the amount of footfall through it. The table below shows that since Westgate opened in October 2017 the Clarendon Centre saw a 16% reduction in footfall in 2018 compared to 2017. There was an even sharper drop in 2019 when the Clarendon Centre saw a 30% reduction in footfall compared to 2017. The downward trend is only being exacerbated by the Coronavirus pandemic as people purchase more goods online and use physical retail stores less.



*Source: ShopperTrak RCT

The Vision for the Clarendon Centre

It is clear the way we use city centres is changing, in a pre COVID world the focus was much more on creating shared experiences and socialising rather than just shopping in the traditional sense. The wider experience you now have in city centres is what keeps you coming back, not just a strong retailer line up. There is greater demand for city centres to provide a greater variety of uses. The digital transformation has meant a significant proportion of people now do the majority of their shopping online, particularly in the younger, more affluent demographic groups which were the target demographic for much of the high street. However, shopping online doesn't fill the need for human interaction.

The consumerist shopping habits that fuelled the boom in high street retailing have changed. Consumers across all demographic groups are now more discerning and want to know more about the provenance of products they are buying and want to know more about a company's sustainability credentials. These changes to people's habits are requiring retailers in city centres to react and adapt and change their offering.

Currently in Oxford City Centre there is a severe lack of suitable alternative facilities for other uses. The proposed redevelopment of the Clarendon Centre has been designed to address these problems. Throughout the design process the design team has consulted with local stakeholders to better understand how a new development at this key site in the centre of Oxford can be a success for everyone.

By providing R&D Laboratory accommodation it will help cater for the phenomenal growth in spin out companies coming out of the Universities each year. It will provide much needed lab space which is in short supply and will help to retain talent in Oxford city centre rather than losing them to the suburbs and other urban centres because of a lack of supply. Similarly a greater offering of high quality office accommodation will bring in a larger, more diverse employment base into the city centre. At present office workers are pushed to the business parks on the outskirts of the city. These people will in turn support a wider array of retail, leisure and other businesses to the benefit of the entire City Centre

The active frontages at street level facing Cornmarket Street, Queen Street, Shoe Lane, and the new Square will increase vitality and encourage people into the development. The connection to Frewin Court will increase the permeability and encourage people to come and explore and take a break in the new square. A large proportion of the accommodation surrounding the square will be geared towards food and beverage which will increase people's dwell time and also add to the night time economy. The centre will not close in the evening and will be open for all to enjoy. The scheme will also provide student accommodation for one of the University colleges thereby freeing up private accommodation and helping the attractiveness of the college and university and keep Oxford the number one university city. These additional student residents will further help support the local businesses in the city centre.

Great care has been taken to reflect the characteristics of Oxford's world famous city centre and it is sympathetic to nearby historic and listed buildings. The building is no longer one large block, it has been designed to be open, permeable and the green oasis at the heart of the development will create a new focal point for all of Oxford to enjoy.

Conclusion

What is happening in Oxford is happening in every town and city in the country at the current time. However the opportunity proposed and the vision for the site is only achievable because of Lothbury's long term investment strategy and its understanding of the locations in which it invests. This has enabled Lothbury to quickly react to the shifts in the market and to bring forward a scheme which meets the dynamics of Oxford. No property asset should ever stand still but the stability in ownership and Lothbury's undoubted financial strength and expertise ensures that the scheme can be delivered in a timely manner with a desire to commence works as soon as planning consent can be obtained.

Oxford is fortunate to have the spread and commercial depth in its economic base that it will emerge from the current shift in trends with a stronger, more attractive and diverse city centre and Lothbury hopes that the redeveloped Clarendon Centre can be at the very heart of this movement.