



Ryden

10/11

Annual Review

Our awards and accolades for 2010/2011:

Estates Gazette

Property Adviser of the Year (Scotland) - shortlisted
Property Adviser of the Year (Yorkshire and North East) - shortlisted

EGi

Most Active Agent in Scotland
Most Active Agent in Edinburgh
Most Active Agent in Glasgow
Most Active Agent in East Scotland
Most Active Agent in West Scotland & Highlands



CoStar SPN

No 1 Scotland Industrial Agent by Number of Instructions
No 1 Scotland Industrial Agent by Number of Disposals
No 1 Scotland Industrial Agent by Floorspace Available





I am pleased to report strong performance for the financial year ended 30 April 2011 despite a challenging economic environment. Our turnover of £10.34 million is only 2% down on the previous year, and we have managed to reduce costs by 1% and maintain a strong balance sheet and cash position.

As time goes on it has become clear that the UK economy continues to struggle to recover from recession and the contraction of the capital and debt markets across the world is likely to be prolonged.

Our success in maintaining our fee income levels broadly in line with last year, in such a difficult environment, is down to our focus on clients' needs and the hard work of our people.

Ryden has a strong tradition of providing market leading advice and services to our clients. As the market's needs have changed in the last few years, our people have proactively applied their expertise and skills to assist clients in achieving their new business objectives.

We remain very active and have been pleased to see our market share rising, particularly in the office and industrial sectors in Scotland. For the tenth time, Estates Gazette Interactive named us the Most Active Agent in Scotland across all sectors. We handled around a quarter (23%) of all deals done, which is 11% more than our closest competitor and 4% growth on our own market share last year. Sectorally, we handled an impressive 31% of all Scottish office deals and 40% of the industrial transactions.

Perhaps our greatest strength is our stability. Many people working in Ryden have been with the business for a long time. Our shared sense of purpose and long term view undoubtedly provide clients with teams who work well together and are clear in their aims.

During the downturn we worked hard to keep our teams intact and we had to accept lower earnings to reflect the reduced capacity of our market. We were able this year to reintroduce modest pay rises and once again to reward financial contributions through bonus payments.

I'm pleased to report the promotion of Eddie Fiddes, Iain Taylor, Mandy Watson and Sue Wharton to Associate in recognition of their growing contribution to the business. I am also particularly pleased that we have been able to employ new graduate trainees. We currently have 16 talented and enthusiastic individuals across our offices at various stages of their professional training.

Once again this year we benefited from a strong contribution from our pre-eminent Aberdeen office. Whilst not immune from pressures from the financial markets, Aberdeen's property sector continues to benefit from strong occupier demand arising from the relative strength of the local economy, and the oil and gas sector in particular. Key transactional successes this year include the high profile lettings at Hazeldene's iQ development, one of which set a rental record in Scotland. We also advised on the £50.1 million investment sale.

Our Glasgow office has shown the greatest regional growth this

year at 11% as our new contract as property manager for City Property LLP adds additional fee income.

Our work on asset recovery also continues to grow as our teams assist banks and insolvency practitioners in restructuring and asset realisation. It is pleasing to see that our 'all-service' offer is delivering tangible value to this growing body of clients as we work with them to maximise income and prepare assets for disposal to secure the optimum outcome for creditors.

The public sector environment is also changing fast and we are well positioned to assist clients in addressing issues, including the more efficient management of assets. Our Consulting team is at the forefront of the introduction of innovative funding mechanisms such as TIFs to enable important infrastructure projects to progress and providing much needed economic stimulus. Our live projects include Ravenscraig and Falkirk/Grangemouth.

Whilst it is vital to manage our business prudently in the current environment it is also important to have some fun. We have managed to provide opportunities for our teams to get together for social and sporting activities over the year, at which we also fundraise for our charity partner.

Our four year partnership with Maggie's ended during this year. We raised over £55,000 to help them in their work supporting cancer sufferers and their families. Following a staff vote, we have recently signed up as a corporate partner with Macmillan Cancer Support.

We look forward to raising money and contributing our time and skills for this fresh cause.

As I write this the Eurozone crisis is creating further economic and political uncertainty as these countries struggle with the impacts of the necessary deleveraging of debt and the resultant austerity measures.

Low economic growth and uncertainty are not good for property markets but we feel our business is well placed to maintain a stable position and to respond to the opportunities that will arise as the economy, property markets and surveying sector continue to adjust to evolving market conditions.

Our plan is to maintain and where possible grow our market share. We intend to sustain our strong financial position and remain debt free and independent so we can react quickly and seize opportunities to further strengthen our business when these arise.

I want to thank all of our people for the work they do each day to maintain our market leading position and for their positive approach in what continues to be a challenging environment.

I believe Ryden is a great business and look forward to many years ahead as a valued advisor to our property owner, funder and occupier clients.

Fiona Morton
Managing Partner

Financials



Simon Scott
Chief Operating Officer

As expected, the economic uncertainty continued throughout 2010/11. Despite this, we are pleased to report a set of results which compare very closely to the previous year. Overall turnover was down by 2%. Transactional fees fell by 12% whilst non-transactional fees rose by 5%. Regionally, both Aberdeen and Glasgow produced strong performances with fee levels in Glasgow growing by 11%. We continued to focus upon cost control with the cost base declining by a further 1%. This resulted in overall profitability being down marginally by 5%.

Our balance sheet remains strong with net assets of £3.88 million, no external debt and bank balances of £2.38 million at the year-end.

Going forward, conditions shall remain challenging with confidence levels in most sectors still low. We keep a tight control over costs and focus on our cash flow management to consolidate our position.



Expertise



iQ Building, Aberdeen Hazeldene

Advised on the design of the city's largest speculatively developed office, a six storey Grade A 11,660 sq m building. Secured lettings of 5,528 sq m to Centrica and the remaining 6,132 sq m to Wood Group, ensuring the building was fully occupied before advising on the onward sale of the investment to Aerium for £50.1 million (reflecting a net initial yield of 6.69%). The letting of the top three floors to Centrica set a Scottish record rental level of £31 per sq ft. Aerium retained us as property managers for the development.



One Waterloo Street, Glasgow Stockland

We originally advised on the purchase of the building, formerly known as Shaftsbury House, for Stockland in 2007. We subsequently advised Stockland on the redevelopment of the property to provide One Waterloo Street, a 5,476 sq m Grade A office scheme. Following a high profile marketing campaign the sixth floor was let to CBRE and the building was thereafter sold to Scottish and Southern Energy for owner-occupation.



Former Lexmark facility, Fife Soltice Property Ltd

Acquired the former 14,493 sq m Lexmark facility for Soltice Property Ltd. The company purchased the property intending to sub-divide it for leasing, however shortly after completing the purchase, Ryden entered negotiations on their behalf with Morpol, the world's largest salmon processing company and agreed the sale of the entire facility to them in March 2011. It is estimated that around 600 new jobs could be created for the area.



Tanfield, Edinburgh The Carlyle Group

Let 1,607 sq m on the ground floor of the building to FNZ, a leading IT software company which services the financial services sector. The company was looking for a suitable location to consolidate its two separate offices in Edinburgh into one single space allowing room for expansion.



The Basilica, Leeds Chapter Eight

The Basilica is a Grade A office in Leeds City Centre. We secured a 10 year lease of the 291 sq m 11th floor of the property, plus two parking spaces for the headquarters of specialist ecommerce agents Chapter Eight. The deal was agreed at a stepped rent rising to £17 per sq ft, plus £5,000 per annum for the parking.



41 St Paul's Street, Leeds Kirklevington Property Co Ltd

Purchased this investment from PPG Land. Our client paid £930,000 for the 577 sq m city centre office investment, reflecting a 10.15% yield. We also acted as letting agents and assisted in achieving 100% occupancy with tenants including PPG Land. The rent is £96,935 per annum.



Distribution depot, Bradford British Wool Marketing Board

Provided architectural design services and project management services for the construction of a warehouse extension with integral office facilities for British Wool. The project lasted 52 weeks and cost a total of £2.538 million. The new accommodation provides an additional 3,716 sq m of warehouse storage space, taking the total to over 11,148 sq m. The office facility provides 2,137 sq m of space to accommodate the new headquarters for British Wool.



Ravenscraig Regeneration Tax Incremental Financing North Lanarkshire Council

The Council's plans to fund a £73 million infrastructure at Ravenscraig was formally approved by the Scottish Government following Ryden's support for a business case for the TIF funding. We provided the Council with property market and economic analysis to support the progression of Phase 2 of this major regeneration. It is projected the project could unlock £425 million in private investment and create up to 4,500 jobs over the coming years.



Verity House, Edinburgh
Verity Trustees Ltd
c/o The Pensions Trust

Sold Verity House for £5.4 million to The Lime Property Fund c/o Aviva Investors following competitive bids. The price exceeded client expectations and reflected a net initial yield of 5.42% or thereabouts. The deal followed our letting of the 1,571 sq m office to COSLA. Our involvement with Verity House also includes its refurbishment in 2009 and ongoing property management.



Gateway House, Dundee
brightsolid

Conducted a rent review on c. 1,486 sq m of Grade A office accommodation at Dundee Technology Park. The landlord had proposed a 48% increase in rent and, following negotiation, we saved our client £45,000 per annum below what was proposed. We were subsequently instructed to act as their rating advisors and achieved a £15,000 reduction in rateable value.



Business Improvement Districts, Scotland
Scottish Government

Conducted a detailed market analysis and advised on existing best practice to produce a strategy to address the issue of vacant retail property. Our recommendations included advice on partnerships, agency, landlords, planning & development, funding opportunities and temporary measures. Each BID can then pick the best strategies most applicable to their local issues to create a bespoke plan.



Silverburn House, Aberdeen
Al Asshar Ltd

Acting jointly with Strutt & Parker, we sold Silverburn House to Highcross for £16.27 million, reflecting a net initial yield of 10.03%, rising to 11.08% in 2012. The property provides 11,427 sq m of offices and a 1,394 sq m leisure centre and is fully let to Vetco Gray on three separate leases.



Langlands House, Aberdeen
Transocean

Conducted a rating revaluation appeal for Transocean's 4,134 sq m headquarters offices in Aberdeen City Centre. Our successful appeal achieved a substantial reduction in rateable value from £775,000 to £670,000.



Cobalt Business Park, near Newcastle
Chancery private syndicate

Advised on the acquisition of Cobalt 9c, a 5,203 sq m office building on Cobalt Business Park. The business park is one of the UK's largest and home to a number of blue chip tenants such as GE Money, Orange and Trillium. The syndicate paid £27.9 million for the property with the benefit of enhanced capital allowances given the Enterprise Zone (EZ) status of the site. This was one of a handful of EZ deals completed in the final year of the scheme.



Lock Inn, Glasgow
BrewDog

This off-market acquisition from Punch Taverns forms part of BrewDog's expansion plans to create its own themed pubs in Scotland and across the UK. The 139 sq m refurbished pub is located close to Glasgow University and the Kelvin Hall, and sits directly opposite Kelvingrove Art Gallery. The total spent acquiring and refurbishing the property is in excess of £500,000.



Talisman House, Aberdeen
Danmerc Ltd

Purchased the 8,937 sq m Grade A office building for £26.55 million on behalf of Danish Fund Manager Danmerc, who were acting for Britannia A/S. The building is leased to Talisman Energy UK Ltd until 2025 at an annual rent of £2 million and is one of Aberdeen's most prominent offices. The deal represents a yield of 7.12%.

Expertise



The Point, Gourock Faulds Park Development Syndicate

Leased The Point in Gourock to James Walker Engineering. The 8,236 sq m building, developed on Enterprise Zone land, was designed for the electronics industry but failed to attract an occupier. We were appointed to instigate a sustained and innovative marketing effort which culminated in the identification of two serious interests and a successful letting. This was the largest industrial transaction in Inverclyde in a decade.



Aberdeen Business Park, Aberdeen Aviva Investors

After being appointed as the joint letting agent we went on to fully let all the office buildings within the development on Dyce Drive. Pavilion 1 was let to Schlumberger Oilfield (UK) Plc and Bond Offshore Helicopters. Pavilion 2, extending to 1,484 sq m, was let to Wild Well Control. These lettings total 2,792 sq m.



Omni Centre, Edinburgh Aviva Investors

Act as sole letting agents for this 20,067 sq m covered leisure centre in central Edinburgh. We most recently let 446 sq m to Frankie & Benny's and 446 sq m to The Filling Station Pub & Grill on new 25 year leases with five-yearly reviews.



Property Portfolio, Aberdeen Aberdeen City Council

Valued the Council's non-operational investment portfolio in March 2011 for the fourth year running. The portfolio includes 530 properties and the valuation is required for accounting purposes.



Transformational Regeneration Areas, Glasgow Glasgow Housing Association

Prepared a property market report for Glasgow's eight Transformational Regeneration Areas (TRAs). Our report informed and supported the preparation of a Business Plan and Financial Model for delivery of the TRAs. We reviewed the existing development studies, masterplans and associated documents for each TRA, investigated residential and commercial values and carried out soft market testing with carefully selected developers. We then identified property market gaps and opportunities, situations where development studies and masterplans needed to be amended, potential changes of use and the scale and mix of property each TRA could aim for.



Office property portfolio, Yorkshire & North West England Northern Britain Property Partners

Sold a £9 million portfolio of four regional office buildings located in Yorkshire and the North West to property fund manager and developer Highcross. The deals for the buildings in Hull, Leeds, Sheffield and Preston reflect a net initial yield of 12.53%. The portfolio totals 11,037 sq m and is let to 27 tenants including Hewlett-Packard, Lloyds Banking Group, Big Lottery Fund and Storeys SSP.



Merlin House, Alness Point Business Park, Alness Porex Technologies

In one of this year's largest transactions in the Highlands, we acquired Merlin House, a 2,149 sq m production and office facility in Alness for Porex Technologies from Highlands and Islands Enterprise for £775,000.



Kings Close, Aberdeen Dana Petroleum/Korea National Oil Corporation

Acquired the 2,989 sq m city centre office building for owner-occupation. We assigned the existing lease from Centrica and agreed terms for a lease re-gear and refurbishment with the landlord. The initial lease was for nine years at a rent of £17.74 per sq ft.



**Employment sites, Fife
Scottish Enterprise & Fife Council**

Appointed to determine the most appropriate land use strategies for four key employment sites in Fife including Calais Muir South, Dunfermline and Nairn Street, Kirkcaldy. We prepared a market assessment for a range of uses, including residential, employment, retail and student accommodation to determine which would maximise economic benefits for the area. This research formed the basis of each site's masterplan. We have also been instructed to dispose of the sites in order to maximise capital receipts.



**45-47 South Bridge, Edinburgh
Costcutter Supermarkets
Group Ltd**

On behalf of Costcutter Supermarkets Group Ltd, Ryden sub-let this 279 sq m supermarket to Yocoko Noodle Bar after securing a change of use.



**Inverkip Power Station,
Inverclyde
Scottish Power**

This former oil-fired power station is in the process of being decommissioned. Half of the 43 hectare site is developed and the remaining half is landscaped, subject to a tree preservation order. We were asked to provide an options appraisal for the site and calculate a variety of values, based on the potential different development scenarios, to assist with the decommissioning process.



**1 George Street, Edinburgh
Amarone**

Secured an assignment from the previous occupier of the 650 sq m restaurant premises and re-gearred the lease with the landlords to reflect more attractive terms for contemporary Italian restaurant Amarone.



**The Torwood Factory, Livingston
Trade Style Cabinets Limited
(In Receivership)**

Administrators KPMG appointed us to manage vacant premises in Livingston when the company went into receivership. Works to achieve full compliance with insurance requirements for vacant premises were tendered, instructed and supervised. We also arranged weekly inspections to preserve the 4,645 sq m building's condition and handled the eventual sale of the premises on behalf of the liquidators.



**Kingsway East Leisure Park,
Dundee
Valad Property Group**

Employed to market surplus leisure accommodation which had lain vacant for over 10 years. Secured a letting of 526 sq m to Forthside Leisure Ltd and have a further 1,486 sq m under offer.



**Port Dundas Business Park,
Glasgow
Port Dundas Properties
and Developments Ltd
(In Administration)**

Appointed by administrators Ernst and Young to re-instate the service charge regime and ensure health and safety compliance at this mixed use office and industrial scheme. We tendered the contractual maintenance, co-ordinated the health and safety inspections and supervised the works on site. We also arranged for the inspection and repair of vacant premises to ensure compliance with insurance requirements. Ryden also handles lettings and lease renewals and is currently selling the investment.



**Rowett Estate, Bucksburn
University of Aberdeen**

After reviewing the draft Aberdeen City and Shire Structure Plan we submitted representations which influenced the Finalised Structure Plan subsequently approved by Scottish Ministers. We prepared and submitted two development bids to Aberdeen City Council highlighting the suitability of 210 hectares of land for mixed use development and promoted both sites through the Aberdeen City Local Development Plan process. Indicative masterplans were prepared in support of the bids. We also prepared material for display at Aberdeen City Council's public consultation events and attended them. Both sites have been included in the proposed Local Development Plan and we are presently preparing a Development Framework for the sites.

Development funding in the age of austerity



The free flow of capital which funded new property development across our markets until 2007 has ended. Although we are now fully four years past this market peak, the great deleveraging is still underway. We expect it will continue for a number of years.

The De Montfort Survey records only £20 billion of new lending to UK commercial real estate in 2010. Around £115 billion of refinancing is required to 2013/14. In this context, bank debt to fund new commercial property development is extremely risk-averse and can only really support prime schemes with pre-lets.

The crash originated in financial engineering of US consumer housing debt and went on to unravel the over-gearred commercial property sector. The subsequent risk-aversion is inevitable, pervasive and enduring. We are clearly in an era of credit-rationing to the property industry. Recent surveys of bank lending intentions simply re-affirm that this constrained position will continue as re-financing or disposals greatly outweigh any new lending.

Some UK investment institutions view this lack of bank debt as a market

opportunity. This is welcome, but may inevitably be restricted to the best opportunities in prime markets, as institutions such as pension fund and life assurance companies are among the most risk-averse of investors.

Speculative development in Scotland is currently limited to very few prime city centre office blocks, small industrial schemes in strategic locations, former Enterprise Zones (EZs) and single-block retail developments in prime city streets. These highly selective schemes and pre-let developments in the supermarket and hotel sectors do not make a development cycle.

The private sector is credit-rationed and risk-averse, but the property development industry remains capital-hungry. Can public funding help stabilise our development sector and position it for future growth?

The ongoing fiscal consolidation to reduce the UK's public sector debt provides a gloomy context. Capital budgets in Scotland are to fall by around 40% by 2014/15. However, there are some bright spots.

A new set of Enterprise Areas will be established in Scotland. Incentives will be targeted mainly at occupiers rather than property developers, and at areas and sectors with economic potential rather than simply those in decline. Our analysis suggests that the market opportunity will be to accommodate new and expanding companies rather

than to engage in rampant speculative development as with the EZs of the 1980s and 1990s.

JESSICA funding via the Scottish Government, European Investment Bank and private sector partners will aim to invest, then recycle money via economic development projects in qualifying areas. Our appraisals suggest that JESSICA will benefit some viable projects struggling to secure funding, but will prove too high a hurdle for many weaker projects.

Tax Incremental Financing (TIF) is expected to unlock development potential at a number of strategic projects, by borrowing against future non-domestic rates income to fund infrastructure. Our experience in advising clients in this sector confirms that there is need for market certainty around development potential in order for TIF to be viable. Larger projects awarded such as Ravenscraig, Leith Docks and Falkirk/Grangemouth, and strategic investments such as Fife Energy Park are likely to be typical of the emerging TIF market.

Other potential funding routes such as Local Asset-Backed Vehicles, Scottish Enterprise's priority projects and regeneration via cross-funding echo the same themes of development certainty and clear economic potential. There are fewer pure regeneration initiatives such as Urban Regeneration Companies and more highly-focused, near-commercial initiatives.

Our view is that this combination of flight to prime by the private sector, and public funding shifting more to opportunity rather than need, will create an increasingly hierarchical market.

The downside of this is that many Scottish towns which historically benefitted from blanket public support and a rising tide of investment are now likely to struggle to secure meaningful new commercial development. However, it must be good for Scotland to invest scarce public funds in our best opportunities. There will be far less chance of developing the wrong schemes in the wrong places. And, as private funding markets re-structure and recover, our prime markets will stand to benefit not only from new private investment and new forms of public funding, but also from opportunities created by the lack of development since 2008.

Dr. Mark Robertson, Partner and Head of Consulting

Contributing to our community



This year marks the end of a very successful four years with Maggie's Cancer Caring Centres - during which we raised around an amazing £55,000 - and the dawn of a new charity partnership with Macmillan Cancer Support.

Our staff chose Macmillan, the largest cancer care and support charity in the UK, at an exciting time as 2011 is their centenary year.

A number of fresh faces joined our Social Responsibility Committee, the team that leads our fundraising efforts. Based in our four main offices, our enthusiastic committee members have created local plans which they are working towards with the help of Macmillan representatives.

To get the ball rolling, we got right behind a well-established Macmillan fundraiser - the **World's Biggest Coffee Morning**. Ever keen to help a good cause, people across the firm donned their aprons to bake delicious treats for colleagues to buy and enjoy at coffee mornings held in our offices. The coffee mornings were a huge success and raised hundreds of pounds.

Working with a charity gives us a 'feel good factor' and has shown us how we can successfully apply different skills and talents to a common goal out-with the property sector.

We know that as treatments improve, more and more people are living with cancer in their daily lives. This means they need more than medical help; they also need practical, emotional and financial support. This is where Macmillan comes in. They make a huge difference to peoples' lives and we are proud to help them in their efforts.

**WE ARE
MACMILLAN.
CANCER SUPPORT**

www.ryden.co.uk

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