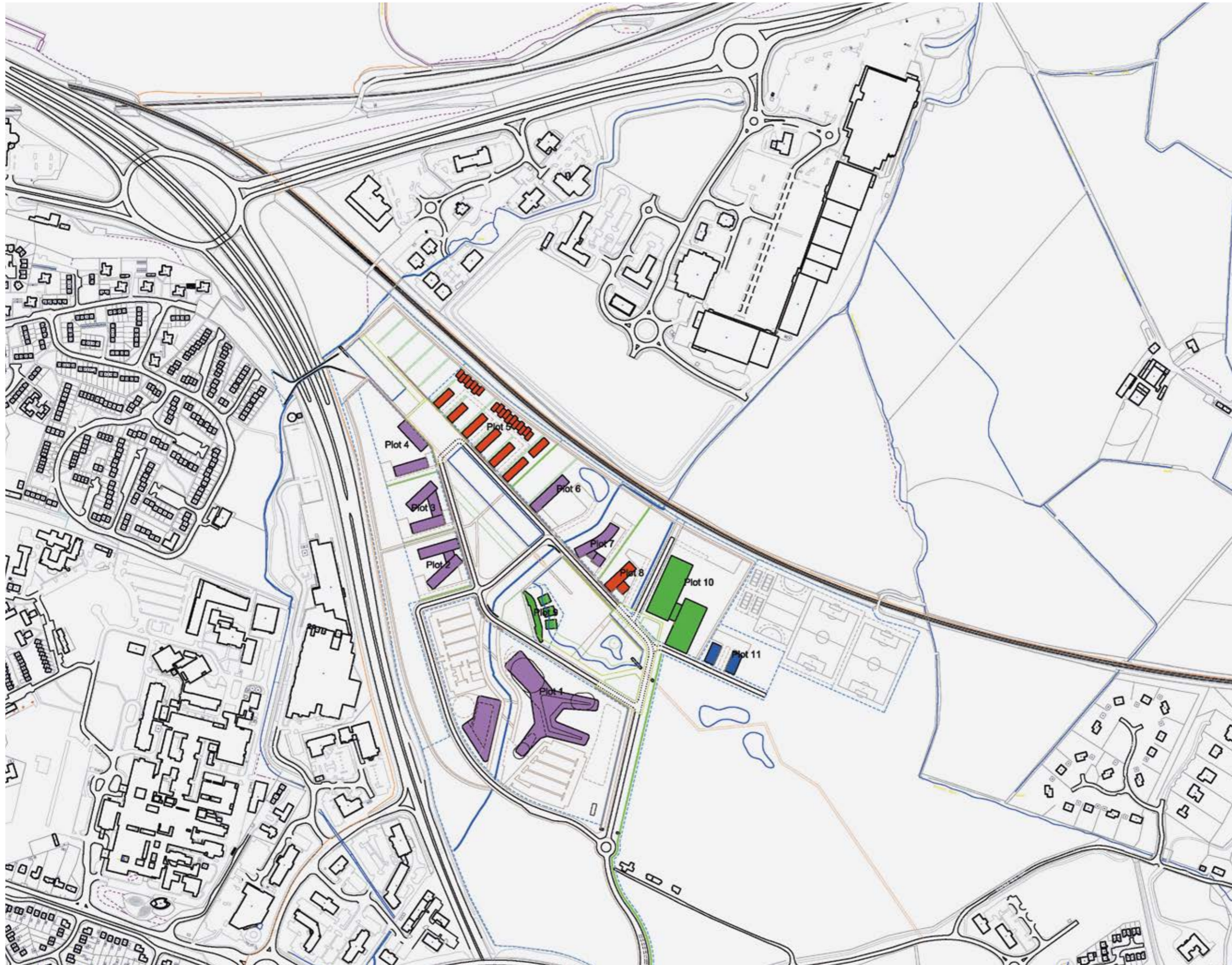


8.1 PRESENT & FUTURE: Campus Phase 1 (plan taken from HIE planning statement dated December 2009)



JMcB/KE

28 November 2012

Inverness Estates Ltd
c/o 360 Architecture
Third Floor
Moray House
16-18 Bank Street
INVERNESS
IV1 1QY

Dear Sirs,

OFFICE SECTOR OVERVIEW: FOCUS ON INVERNESS

The following letter seeks to summarise the Inverness office market within the current economic climate. It has been prepared to provide a view of the office market sector and highlight current trends. To do this we have focused on the fundamentals of the supply of accommodation and demand from potential occupiers. This in turn has been set against a review of the general office sector for Scotland which includes a brief overview of the economic climate and summarises national trends. Inverness is compared against this background to show the impact of a smaller regional market.

SCOTTISH PROPERTY REVIEW:

Scottish quarterly all property returns experienced a modest recovery in Q3 2012 after Q2 saw the first negative return for 3 years. At 0.3%, quarterly all property total returns reached their highest point of the year to date. Scotland continues to underperform compared to the United Kingdom in general, where total returns were 0.7%. On an annual basis, total returns in Scotland were 0.8% whereas the UK saw total returns of 3.3%.

The continued strength of the central London office market remains the cause of the large disparity between Scottish and UK office performance. On an annual basis, total returns for UK offices were 4.4% but Scottish offices saw a return of -0.7%, the first negative annual total return figures seen in any sector for 3 years.

The office sector entered into negative territory in Q3 2012 (-0.2%) after returns of 0.3% in Q2 this is primarily driven by a deterioration in capital growth expectations with values falling by 1.8% in Q3 from -1.3% in Q2, rental values remain under pressure after nine consecutive quarters of decline. In Q3 2012 Scottish offices values fell below the level seen at the notional "bottom" of the market in June 2009.

GLASGOW OFFICE MARKET OVERVIEW:

- Overall supply increased 7% in Q3 2012 as space which had been vacated gradually reverted onto the market.
- Take up was subdued down 30% compared to the equivalent period in 2011.
- Investors showed continued interest in the Glasgow office market with volumes totalling £66.2m of sales in Q3.



**Graham
+ Silbald**

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- JD Robb MRICS
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To: Inverness Estates Ltd
Re: Office Sector Overview: Focus on Inverness

28 November 2012



EDINBURGH OFFICE MARKET OVERVIEW:

- Take up totalled 157,600sqft in Q3 with just two deals over 10,000sqft.
- Overall supply increased whilst Grade A availability within the city centre remains constrained.
- Prime rentals are stable at £27 per sqft but this may grow in the short term driven by a lack of Grade A supply.

As can be seen from the simple market overview and summaries of the Glasgow and Edinburgh markets the office sector in Scotland remains under pressure. Fundamentally there is an oversupply of office accommodation and a lack of confidence by businesses who are postponing decisions to grow or expand in light of the lack of confidence in the economy. Rental levels are under pressure and there is little committed new development with the current situation anticipated to last another 12-24 months.

OFFICE SECTOR OVERVIEW INVERNESS:

The office market in Inverness can be split into two sectors. The traditional city centre where office accommodation is provided above retail space or alternatively in buildings developed in the 1950's to 1970's. Buildings that typify this sector are located above retail units on Church Street, Queensgate or alternatively within The Telephone Exchange at Friars Lane or at Upper Bridge Street, Inverness. Often accommodation in this sector does not meet the needs of the modern occupier. It does not offer the profile, flexibility or specification to meet the needs of the modern office occupier. The buildings were simply not designed to accommodate the IT requirements necessary to facilitate a modern office occupier. With no new development in the city centre of Inverness the market has addressed these issues through the provision of Class 4 accommodation within business park environments.

The second sector of the Inverness office market is therefore the Class 4 business park such as Stoneyfield, Cradlehall, Fairways and Beechwood. All of these locations offer flexible modern accommodation that has been developed to meet the needs of a modern office occupier. Peculiar to Inverness in our view is the fact that traditional city centre occupiers such as Accountants and Solicitors have chosen to relocate from the established city centre to these Class 4 locations.

INVERNESS OFFICE MARKET: SUPPLY:

Within Inverness city centre there is potentially 75-85,000sqft of office accommodation available to let. This is in a range of sizes and styles. It includes individual rooms on upper floors to larger floor plates of up to 6,000sqft. Some notable examples include:-

- 4 & 6 Castle Wynd, Bridge Street, Inverness 8,850sqft
- 33 Academy Street, Inverness 2,300sqft
- 2 Ardross Street, Inverness 1,445sqft

Within the second sector the Class 4 office pavilions there has also been a recent increase in supply with individual buildings or suites becoming available. We estimate that within the Class 4 business parks that there is approximately 55-60,000sqft of office accommodation available. Typically these are in suites of 1,000sqft to 10,000sqft and examples include:-

- Torridon House, Beechwood, Inverness 10,268sqft
- Castle House, Fairways, Inverness 1,947sqft
- Darach House, Stoneyfield, Inverness 2,598sqft

9.0 OFFICE SECTOR OVERVIEW: Graham & Sibbald

To: Inverness Estates Ltd
Re: Office Sector Overview: Focus on Inverness

28 November 2012



In summary there is a significant availability of office accommodation within Inverness. The accommodation on offer can cater for a wide range of occupiers from small start up businesses to professional companies or alternatively the cost conscious back office functions. The availability of space in our view is only likely to increase in the short term as companies contract and the government seeks to make budgetary savings and run its property portfolio more efficiently. This we believe will lead to the release of additional office accommodation into the local market.

OFFICE MARKET DEMAND:

Demand for office accommodation within Inverness is limited and often triggered by lease events (expiries/break options) rather than expansions or new entrants to the market. As we have highlighted there is a significant oversupply of office accommodation within Inverness and therefore the strength in terms of negotiation lies with the tenant/occupier. This is applying pressure on rental levels, increasing the ability to secure lease flexibility and larger incentive packages being offered to conclude transactions. Whilst this increased competition from landlords to conclude deals is a positive for the tenant or potential purchaser it has a significant negative impact on the landlord and market headline rental rates. This is important because these factors form assumptions used to analyse development appraisal options. Against this background it is unlikely that there will be any significant office development in our view within either the established city centre or Class 4 locations as they simply not demonstrate a positive land value or reward the risk resulting from development.

Demand for office accommodation tends to come from two sectors:-

- Small new start companies seeking their first commercial office. Typically these occupiers will focus on rooms available within larger office suites traditionally within the established city centre.
- Existing occupiers looking to maximise on current market conditions to secure a lower rental or purchase price. They are opportunistic in nature and seek to "trade up" in quality of accommodating maximising market conditions in their favour.

Demand as we have mentioned is not strong and we anticipate that for 2012 to date the total office take up within Inverness across both sectors will be approximately 30,000sqft.

LAND SUPPLY FOR OFFICE DEVELOPMENT:

Not only does Inverness have a significant oversupply of built office accommodation there is a significant land bank with historic planning consent or support from the Local Authority to cater for this sector going forward. This includes the Inverness Airport Business Park, Inverness Campus and Fresson Business Park as examples. These locations offer sufficient land to accommodate the potential requirements for the Inverness office sector for a considerable time. In summary the development pipeline for potential office accommodation is not limited and present occupiers with choice.

In our view it is unlikely that there will be any speculative development of any of these schemes within Inverness unless a major pre-let can be secured. Whilst there has been a number of potential enquiries of this nature in the renewable/industrial sector we are not aware of any new entrants to the market considering such an office deal. If an inward investor did come forward as a significant office occupier the requirement could be accommodated within existing stock. Demand for the office sector as at today's date is largely dependent upon local companies.

To: Inverness Estates Ltd
Re: Office Sector Overview: Focus on Inverness

28 November 2012



INVERNESS RETAIL, BUSINESS & LEISURE PARK, INVERNESS

Against the background of the Inverness office market as summarised in this letter I think it is unlikely that there will be market demand for office occupiers at a significant level that would be supportive of a commercial development appraisal. I understand that the land at Inverness Retail, Business and Leisure Park site has been promoted for office and business use for a significant time period in both strong and weak markets yet it has not secured a significant office occupier.

We do not see this changing in the foreseeable future due to the current economic uncertainty.

In summary the office sector within Scotland is continuing to experience difficulties with pressure on rental levels and on oversupply of accommodation. This situation applies to Inverness where the level of demand is limited due to the lack of market confidence and general economic climate. Against this background development of office accommodation simply does not generate a sufficient return to commercial developers.

With the oversupply of office accommodation and lack of deals completing it will take some time to erode the current existing stock and therefore we believe the situation in relation to office development going forward will remain the position for the short to medium term. The Inverness market has however a sufficient type and volume of office accommodation available within the city centre and Class 4 markets for this not to have an impact on the economic development of the city as and when the market returns. There is choice and availability of space that can meet occupier needs whether they be existing businesses expanding or contracting or alternatively new entrants to the market.

Yours faithfully

John MacBean, BSc MRICS
For and on behalf of
Graham + Sibbald, Chartered Surveyors

10.0 COMPLEMENTING THE EXISTING USES

Application site

Inverness Estates has investigated numerous uses that will complement the existing Business, Leisure and Retail uses, and the emerging campus uses.

Business use

Despite extensive marketing over 15 years there has been no market interest in developing the application site for business development. It is Inverness Estates opinion that it is time to move on and deliver development for which there is demand.

There is unlikely to be any improvement at all in the marketing prospects of the site for business development. There is currently numerous business uses across Inverness:

Town Centre: The town centre office provision has started to improve and be extremely competitive attracting businesses back to the city centre - Metropolitan House is a good example of this.

Inverness Airport Business Park: Inverness Airport Business Park is being promoted as the prime location for new Class 4 development within the Inverness to Nairn Corridor. Roxhill Developments has signed a seven-year agreement with Inverness Airport Business Park (IABP) to develop over 400,000 sq ft of the business park at Inverness Airport.

Inverness Campus: The new university/college campus at Beechwood with it's Enterprise status will be the primary focus for Class 4 uses which specialise in research and development.

Following this page there are letters from Montagu Evans and Graham & Sibbald, with their analysis of demand in Inverness, the site and uses that the site could accommodate.

Leisure / Restaurant use

The cinema, leisure centre, restaurants and cafes make IRBLP a leisure destination. There is considerable market interest for class 3 restaurants, and these are ready to progress to legals. Letters from interested operators will be supplied in support of this statement. The interest on the site is generated by the presence of the cinema, strong retail presence and the easy access to the site.



10.1 COMPLEMENTING EXISTING USES: Letter from Montagu Evans

- London
- Edinburgh
- Manchester

Our ref: SMcL/LJ

22 November 2012

Inverness Estates Limited
c/o Threesixty Architecture
Third Floor
Moray House
16-18 Bank Street
Inverness
IV1 1QY

Dear Sirs

INVERNESS RETAIL BUSINESS & LEISURE PARK, INVERNESS

The following letter is provided to give a context to the market for business space in Inverness specifically in relation to Inverness Retail Business and Leisure Park (IRBLP).

Montagu Evans has been the letting agent for the business space element of this park for over 15 years and we have also been involved in other developments in the city such as Cradlehall Business Park.

We estimate availability of office space in the city to be around 170,000 sq ft in a mixture of in town and out of town locations. We would also point to a number of sites where new developments are planned such as Inverness Airport Business Park which has consent for 400,000 sq ft of business space on 30 acres, The Inverness Campus development which will cater for life sciences and general business uses on a 12 acre site and finally a number of established in town and business park locations such as Stoneyfield Business Park and Cradlehall Business Park.

In terms of take up the city has seen 66,000 sq ft of deals since 2008. 24,000 sq ft of space has been taken up in 2012. Much of the demand has come from public sector organisations or charities and in our experience demand is generally driven by lease expiries rather than significant inward investment.

Demand for business space at Inverness Retail and Business Park

Through our previous and ongoing involvement, it has become apparent that there is no demand for speculative or bespoke office accommodation within this location.

As noted above, demand for the town is limited and over the past decade, other locations have emerged to provide either a critical mass of occupiers or, in the case of the proposed development at Inverness Airport Business Park, a clear master plan which provides for a critical mass of business space next to major transport infrastructure. Inverness Campus also has plans to target the life sciences and renewables market with a science campus development. This development is one of four new enterprise areas in Scotland and the designation will allow the park to offer various incentives to occupiers.

IRBLP is regarded as a retail and leisure destination and this has been confirmed by the passage of time without a genuine requirement for offices. It is hard to envisage occupiers choosing to locate to the park when they have the opportunity to locate to a number of alternatives which can offer the amenities or infrastructure more associated with an established business environment.



CHARTERED SURVEYORS

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Page 2
Inverness Estates Limited
22 November 2012

Demand at Inverness Retail, Business & Leisure Park

It is clear that IRBLP is a multiuse park with Business, Retail and Leisure uses all complementing each other. As we have established there is no demand for business use at the park and retail market is going through dramatic changes not just because of the economic downturn, but also because of customer's shopping habits and online shopping. The existing Pizza Hut and Burger King trade very well and there is a clear demand for additional class 3 operators, the main reasons for this being the proximity to the cinema. Throughout the country usually national class 3 restaurants preference is to be located close to a cinema or large leisure facility. The new university campus which is linked to the site will undoubtedly increase demand significantly on the leisure aspects of the park.

Class 3 Restaurants Complementing the Existing Uses

Class 3 restaurants will reinforce and support the existing retail and leisure units and also provide for the business community particularly with the proposed linking of IRBLP to Stoneyfield Business Park creating a Leisure Hub. With regards to its clientele, the Inverness Cinema is unusual as it attracts from a large catchment area with people travelling up to 2 hours to watch a film, meaning that they will often have the requirement for food, currently there is little choice.

Relationship with the City Centre

IRBLP and the city centre offer distinct and different experiences which cater for a wide spectrum of requirements. National class 3 operators tend to prefer out of town sites with parking. Their demographics and target markets tend not to conflict or be in direct competition with independent restaurants within the town centre.

Please do not hesitate to call me should you wish to discuss any of the above.

Yours faithfully

STEVEN MCLACHLAN

E-mail: steven.mclachlan@montagu-evans.co.uk



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

Our Ref: HIE2005/00983
Contact: Keith Bryers
Tel: 01349-868935
21 November 2012

Director of Planning & Development
The Highland Council
Glenurquhart Road
INVERNESS
IV3 5NX

Dear Sir

**Application for Planning Permission in principal.
4 no. Class 3 restaurants units at Inverness Retail Business and Leisure Park
combined with new links between Stoneyfield and Inverness Campus.
Applicant: Inverness Estates Limited.**

As you know, work on the Phase 1 infrastructure for the new Inverness Campus is due to complete by mid-2013. The first occupier will be Inverness College UHI, who expect to open by September 2015, accommodating the needs of some 8,000 HE and FE students and staff from its significant geographic catchment. Proposals for other academic and research buildings are also being considered by HIE with potential occupiers including a science-based centre, life sciences business units, a social enterprise hotel and an indoor sports facility suitable for campus users and the wider community.

A key part of the initial infrastructure work for the campus is to improve connectivity to and from the campus by walking, cycling and public transport. Planning Conditions 14 and 16 of HIE's Planning Permission (09/00887, March 2011) contain conditions in this regard. Namely, to provide pedestrian and cycle links from the campus to the retail and leisure facilities to the east by (a) a route across the existing railway bridge at Sreitan over HIE land to a burn crossing controlled by the applicants adjacent to the Retail Park and (b) in the longer term, providing a new railway bridge landing on a proposed alignment parallel to the rear boundary of Stoneyfield Business Park, also being land owned by the applicants.

HIE understands the applicant's above planning application will include proposals which will directly facilitate the creation of these links. HIE sees their proposals as being beneficial, not only enabling HIE to fulfil Planning Conditions 14 & 16, but also providing support services of a complimentary nature within the overall area.

In supporting this application, HIE acknowledges the fundamental shift which has occurred in the property development and investment market since the developers first embarked on implementation of the retail and business park project more than a decade ago. It is clear that speculative office development, of the type originally envisaged, is an unlikely prospect and will remain so for some considerable time to come. Therefore owners of development land who wish to remain in business have to address different markets from which there is established market demand.

We trust this background information will be helpful in your consideration of this application.

Yours sincerely

Forbes Duthie
Director of Finance and Corporate Services



11.0 WSP TRANSPORT ASSESSMENT: Summary

Summary

WSP was commissioned by Inverness Estates Limited to prepare a Transport Assessment in support of a planning application for a proposed development on land adjacent to Inverness Retail Business and Leisure Park, Inverness. The development is planned to include a drive through restaurant and three individual restaurant units which are intended to attract trips from the adjacent retail and business park.

The site is located in an accessible location with excellent opportunity for access on foot, by cycle and by bus in addition to private car. It is intended that the form and location of the development will attract trips which currently access the IRBLP. It is proposed to provide vehicular access into the development via two accesses. It is proposed to form a new priority junction on Eastfield Way with access also provided from the existing Highlander Way access.

A framework travel plan has been prepared and sets out a range of potential measures and incentives which could be adopted at the site to encourage access to the site by sustainable modes of travel. While the framework is primarily aimed at future employees, it is considered that the measures and incentives could also encourage a proportion of customers to access the site sustainably.

WSP has undertaken a thorough assessment of the proposed development and its potential impact on the sustainable travel and road network in the vicinity of the site. This Transport Assessment has demonstrated that the site is located in an accessible location.

Following the introduction of the proposed mitigation measures, specifically the increase of the size of the Eastfield Way / Tesco access roundabout, the proposed development is forecast to have a minimal impact on the operation of the local road network with the addition of development generated traffic.

It is therefore considered that the development site is suitable to accommodate a development of the form and scale which is being proposed.

Conclusion

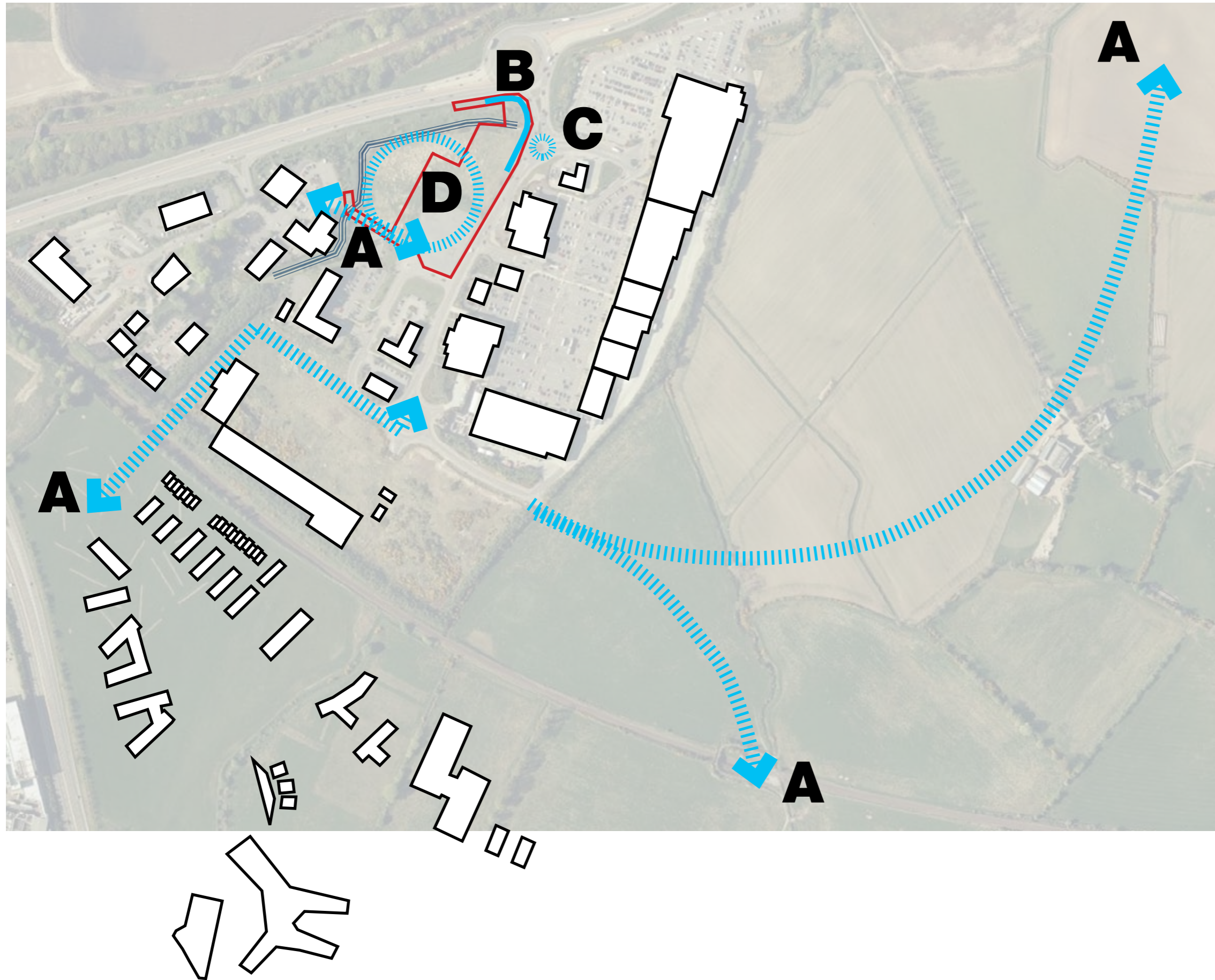
WSP has undertaken a thorough assessment of the proposed development and its potential impact on the sustainable travel and road network in the vicinity of the site. This Transport Assessment has demonstrated that the site is located in an accessible location.

The proposed development is forecast to have a minimal impact on the operation of the local road network which is forecast to continue to operate within capacity following the addition of development generated traffic. It is planned to increase the size of the Eastfield Way / Tesco access roundabout to accommodate the IRBP's expansion. It is not proposed to introduce any further measures to mitigate the development's impact.

It is therefore considered that the development site is suitable to accommodate a development of the form and scale which is being proposed.



12.0 STRATEGY & APPROACH



- A. Improve connectivity**
Improving connectivity and links to surrounding area
- B. Define Entrance**
Improving connectivity and links to surrounding area
- C. Improve roundabout**
Improve the existing entrance roundabout to the IRBLP
- D. Enhancing existing leisure hub**
Improving connectivity and links to surrounding area