

12 October 2009

P R E S S R E L E A S E

**REITA QUARTERLY PROPERTY INVESTMENT PERSPECTIVE:
REITA EXPERTS URGE INVESTOR CAUTION AS PROPERTY MARKET
RECOVERS: PROFESSIONAL ADVICE IS VITAL**

Reita (www.reita.org), the education and awareness campaign for property investment and REITs, today released its quarterly ‘**Property Investment Perspective**’ which showed over half (54%) of property experts have seen a ‘significant improvement’ in investor sentiment towards UK property investment conditions in the past quarter.

Rather than talking about ‘green shoots’, the Reita panel now agrees that the UK property sector is seeing ‘substantial growth’, but that given the complexity of the ongoing economic and liquidity issues, there is an overwhelming need for caution.

Peter Cosmetatos, operating director of Reita, explained:

“Whilst it is encouraging to see over 30 new property funds having come to market in the past few months and continuing, significant improvement in sentiment, caution is required. The newer the portfolios are, the less legacy risk that these should carry, but the market is very polarised at the moment between prime assets, which a lot of money is chasing, and secondary or tertiary assets, where few sellers seem prepared to accept the distressed prices offered by bargain hunters. With very little stock to meet rapidly rising demand, investors must take very careful advice before jumping into anything. The need for professional advice and detailed research has never been greater, with stock and fund selection absolutely key.”

The **Reita Expert Panel** includes representatives from 24 of the leading property and investment organisations, including some of the largest UK REITs, EPRA, NAREIT and the London Stock Exchange. The panel is surveyed on a quarterly basis about the key issues facing the property investment industry today.

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| AXA Real Estate IM | Grainger plc | J.P. Morgan Cazenove | Standard Life Investments |
| British Land Company PLC | Great Portland Estates | Land Securities | TAP Income Trust |
| British Property Federation | Green Street Advisors | Local Shopping REIT | Warner Estate |
| Deloitte | Hammerson | London Stock Exchange | |
| Derwent London | Henderson Global Investors | NAREIT | |
| EPRA | Highcroft Investments PLC | Primary Health Properties PLC | |
| FIL Investments International Ltd | ING Real Estate IM | SEGRO | |
| Goldman Sachs International | Investment Property Forum | SNL Financial | |

Further highlights of the September quarterly **Reita Expert Panel** research include:

Results

- Over 95% of respondents think that property market conditions have improved in the last three months and just over half (54%) say the improvement is 'significant' (compared to 14% in the June survey)
- Over two thirds (71%) think that secondary yields will begin to contract in 2010, closing the currently wide gap between prime and secondary property yields.
- Opinion is divided on the immediate future for (residential) house prices, with 42% thinking they will fall 'slightly' but a further third seeing a 'slight' improvement. The geographical picture is still very mixed.
- 58% think that the return on REITs and property securities will be better than direct returns on property over the next year. That figure compares with 68% in June, and the drop may be in response to the significant premiums to NAV at which UK property stocks have been trading in recent weeks, as share prices have rallied with the wider equity market but property values still reflect trough valuations.
- Nearly 80% expect the recovery of capital values to take longer than after the trough of May 1993, with over 45% expecting it to take much longer. The experts are far less clear about the likelihood that rental values will continue to fall for another 21 months, as they did after the 1993 trough (half expect a similar outcome).

Reita Expert Panel Views

Patrick Sumner, chair of Reita, comments on the latest results:

- “The **secondary market** will suffer most from rising unemployment, business failures and consequent vacancies. While prime yields are moving in, secondary yields are, on average, not. Prime City of London office yields have come in from around 7.75% to 6.5% this year, compared with 3.4% from ten year gilts and the FTSE All Share. This historically wide spread allows for further narrowing, but it will be very asset specific.”

- “After the last serious **recession**, rental values fell for nearly two years after capital values started to recover in mid-1993, However, the inflation and interest rate scenario was very different then, and we should prepare for a slower, more gradual recovery this time.”
- “The banks are only just beginning to get to grips with the problems in **their loan books**. The terms of the Asset Protection Scheme are unclear, and the organisational resources are not yet fully in place. We will see an increase in the volume of **recycled assets** and it will be interesting to see how much of this is offered to private investors – again, caution will be needed as quality will inevitably vary.”
- “Some property companies are talking to banks, but they almost all report slow progress. **This is going to be a long, drawn-out process of recuperation**, as the banks could not survive a fast-acting remedy.”
- “UK property shares are up c. 30% in the last three months, and 89% above their low on 9 March. However they are still 35% below their level of a year ago and 63% below their peak at the beginning of 2007.”
- “**Capital growth**, as indicated by the IPD index was (slightly) positive in August for the first time since June 2007 (the all property capital return registered +0.2%). It would be very surprising if the trend were not sustained in September”
- “**Capital value growth** is not universal. It is much more evident in prime and smaller lots. There is plenty of cash available for the right investment (e.g. long lease, good tenant, plenty of scope for active management to add value), but little supply.”

Further information on the latest Reita ‘PIP report’ can be found at www.reita.org

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Notes to Editors

About Reita

The **reita.org** portal provides expert knowledge, education and tools for professional financial advisers, other financial specialists and private investors, and represents the UK's first dedicated educational resource for information on REITs and quoted property investment. Its success has been recognised through various awards including 'Property Industry Innovation of the Year' (Property Week) and 'Best Online Educational Initiative for Financial Advisers' (IFA Online).

1. The current members of Reita are:

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| <p>UK REITs The British Land Company PLC Derwent London Great Portland Estates Hammerson Highcroft Investments PLC Land Securities Local Shopping REIT Primary Health Properties PLC Warner Estate SEGRO</p> <p>Quoted property companies Grainger plc The Advantage Property Income Trust Ltd</p> | <p>Fund managers AXA Real Estate Investment Managers FIL Investments International Ltd Henderson Global Investors ING Real Estate Investment Management Standard Life Investments</p> |
| <p>Investment banks/advisers Deloitte Green Street Advisors Goldman Sachs International J.P. Morgan Cazenove</p> | <p>Industry bodies British Property Federation (BPF) Investment Property Forum (IPF) NAREIT EPRA</p> <p>Other organisations London Stock Exchange SNL Financial</p> |

2. Reita executive committee members are:

- Patrick Sumner, Head of Property Equities, Henderson Global Investors (Chairman)
- Dave Butler, Director of Corporate Affairs, Grainger plc
- Peter Hicks, Head of IFA Affairs, Fidelity International
- Liz Peace, Chief Executive, British Property Federation

- Francis Salway, Group Chief Executive, Land Securities
- Sue Forster, Executive Director, IPF
- Edmund Craston, Corporate Finance Consultant
- Darko Hajdukovic, Product Manager, London Stock Exchange
- Nick Ritblat, consultant
- Steven Wechsler, President and CEO, National Association of Real Estate Investment Trusts (NAREIT)
- Philip Charls, CEO, European Public Real Estate Association (EPRA)
- Peter Cosmetatos, Operating Director (Reita) and Director of Policy (Finance), British Property Federation
- Phil Nicklin, Real Estate Tax Partner, Deloitte