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PRESS RELEASE

REITA QUARTERLY PROPERTY INVESTMENT PERSPECTIVE:

HALF OF EXPERTS NO LONGER SEE DETERIORATION IN SENTIMENT AS PROPERTY INVESTMENT SECTOR SHOWS 'SIGNS OF LIFE'

Reita (www.reita.org), the education and awareness campaign for property investment and REITs, today released its quarterly '**Property Investment Perspective**', showing 50% of property experts did not see any deterioration in investor sentiment in the past three months. In the previous (Nov 08) quarterly survey, less than 20% of experts were positive with more than 80% having seen deterioration in the previous quarter.

Further optimism was also evident from the latest research with over 58% of the Reita Expert Panel agreeing investors should be encouraged by the success of new equity raising in the sector.

Patrick Sumner, chair of Reita and leading the quarterly review, explains:

"The pessimism of the autumn – with the fall of Lehmans fresh in the memory and stockmarkets crashing everywhere – has abated somewhat. The property investment market is now showing signs of life. True, the big ticket deals are few and far between, the biggest being the c£550m acquisition of 50% of the Meadowhall shopping centre in Sheffield by London & Stamford from British Land.

"By contrast, however, the auction rooms are full and there is evidence that prices are rising in 2009. This is probably due to a combination of the better quality of lots and the increasingly attractive yield. Allsops reports a fall in the average yield from 8.25% in the second half of 2008 to 7% in 2009 - although the average size of a lot is £3m."

AXA Real Estate IM	FIL Investments International Ltd	ING Real Estate IM	Rugby Estates Inv. Trust PLC
British Land Co. PLC	Grainger plc	Investment Property Forum	SEGRO
British Property Federation	Green Street Advisors	Land Securities Group plc	SNL Financial
Brixton plc	Hammerson plc	London Stock Exchange	Standard Life Investments
Derwent London PLC	Henderson Global Investors	NAREIT	TAP Income Trust
EPRA	Highcroft	Primary Health Properties PLC	Warner Estate

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.

New Equity Raising For Listed Property And REITs Very Encouraging

More than 58% of the panel agreed investors should be ‘encouraged’ by recent equity raising activity, with a quarter saying they were ‘very encouraged’.

There have been five rights issues by REITs in 2009: first, a small issue by Workspace; then, in quick succession, Hammerson, British Land, Land Securities and Segro. These have raised c.£2.65 billion, net of fees - considerably more than the market expected.

Sumner explains:

“These issues were fully underwritten, and the response from general investors was broadly positive. The discount offered provided an interesting entry point, with a juicy yield and a reasonable cushion against further value erosion. But there remains a question mark over those companies that have yet to raise new money. The rights issue opportunity has probably passed, and the only route is now asset sales, but at what price?

“The assumptions on which the rights issues were based were that the companies should protect themselves against a peak-to-trough fall in property values of 60%. The IPD index has fallen 40% so far and is expected to fall further. All eyes will be on the March number, in the hope that the rate of fall suggests a levelling off. REIT managers can do little to influence market pricing, but they can work closely with tenants to maintain, or limit falls in, rental income. Anticipating cash flow difficulties and providing assistance, especially in certain retail instances, is par for the course.”

Growing Institutional Investor Interest In Residential Property As An Asset Class

With residential property values continuing to fall and residential rental yields improving, 67% of the Reita Expert Panel agreed institutional investors should now be 'very' (17%) or 'slightly' (50%) interested in residential property as an asset class.

The Panel did however agree that there should be some notes of caution and clarification: the focus on yield and management has to be absolutely right and therefore some qualification of this result is sensible.

Peter Cosmetatos, operating director of Reita, explains:

“Residential property investment has generally tended to offer a modest income yield, with total returns brought up to attractive levels by capital appreciation. Falling capital values improve the income yield, but investors should probably be thinking of capital appreciation as a bonus and not as an essential component of the return from residential property. In recent years, the residential investment market has been dominated by individual and small scale buy to let investors, many of whom may have tended to rely too much on capital appreciation; it would certainly be a good thing for the private rented sector to see greater institutional involvement.”

79% of Experts Agree Residential REITs Would Enhance Investment Interest

A quarter of the expert panel believed the emergence of residential REITs, as a result of legislative changes, would 'significantly' increase investor interest in residential property as an asset class, with a further 54% seeing some increase.

Peter Cosmetatos explains:

“The BPF has long been pressing the case for greater institutional investment in residential property and a more professionally managed privately rented sector. In the last year or so, the Property Industry Alliance (BPF, RICS, IPF and BCO) has been making the case for REITs as the ideal vehicle for that. REITs enjoy tax exemption for property investment income and have been very effective in many countries at attracting all kinds of investors – retail and institutional, domestic and overseas.

Cosmetatos continues:

“In general, REITs are high distributing, property income generating vehicles offering flexible and diversified exposure to real estate. Over the medium to long term, they are a good proxy for direct investment in property.

“When UK REITs were in the design stage, Government had been very aware of their potential as a vehicle for residential investment. In the event, however, they evolved in a way that suits the commercial property investment model much better than the residential business model, and very little residential property is held by any of the UK’s 20 REITs. The PIA has been urging Government to consider changes to the UK REIT regime to facilitate the emergence of new REITs, including residential REITs in particular. While that dialogue has been overtaken by more pressing downturn related issues in recent months, it is expected to be revived after the Budget.”

Since our last review...

There has been little change in views on the **availability of bank funding**:

- 62% of the Panel said there had been ‘no real change’ in the past quarter
- Although only 21% now said funding had ‘deteriorated significantly’, compared to 39% in the November research

Patrick Sumner explains:

“There is no new bank funding available. Investors may have committed but undrawn facilities, but there are reports of banks unilaterally cancelling these. Borrowers facing refinancing need to satisfy their bankers that the interest is well covered, even if there is a danger of breaching loan-to-value covenants. Lenders tend to prefer to extend agreements, albeit on amended and more costly terms, rather than take possession.”

Looking at a more **international perspective**, the Reita Expert Panel believes that:

- the UK is ahead of other developed European markets in value adjustments - although certain markets, such as Spain, Ireland and Central & Eastern Europe, are in worse shape

- investment values in France, Germany, the Netherlands and Sweden are falling, but from less dizzy heights and, with the exception of Sweden, less leverage
- just as in the UK, averages are misleading
- the recession and lack of bank debt will cripple some, but leave others barely affected, and the range of outcomes will be very wide
- by and large, the market already knows who the casualties are, even if the war is still being waged and further damage might still be inflicted.

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

ENDS

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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).

References:

BPF - British Property Federation

RICS - Royal Institution of Chartered Surveyors

IPF - Investment Property Forum

BCO - British Council for Offices

1. The current members of Reita are:

<p>UK REITs The British Land Co. PLC Brixton plc Derwent London Hammerson plc Land Securities plc Primary Health Properties PLC Rugby Estates Investment Trust PLC SEGRO Warner Estate</p> <p>Quoted property companies Grainger plc The Advantage Property Income Trust Ltd Highcroft investments Land Securities Group plc</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 Green Street Advisors</p>	<p>Industry bodies British Property Federation (BPF) Investment Property Forum (IPF) NAREIT EPRA 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
- Andrew Wallace, Main Market & REITS Product Manager, London Stock Exchange
- Edmund Craston
- Nick Ritblat
- 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