

A Science Park Index?

February 2011, UKSPA

On the pulse of
the property world





Agenda

Speakers

IPD Overview

Malcolm Frodsham

**UK Real Estate Market
Update**

Malcolm Frodsham

**Portfolio Analysis Service
and the Benefits**

Malcolm Frodsham

How to join?

Eleanor Gilry

IPD Overview



Global leader in real estate performance analysis and risk services

Established in 1985	Covering more than 25 markets worldwide	Employing over 300 professionals
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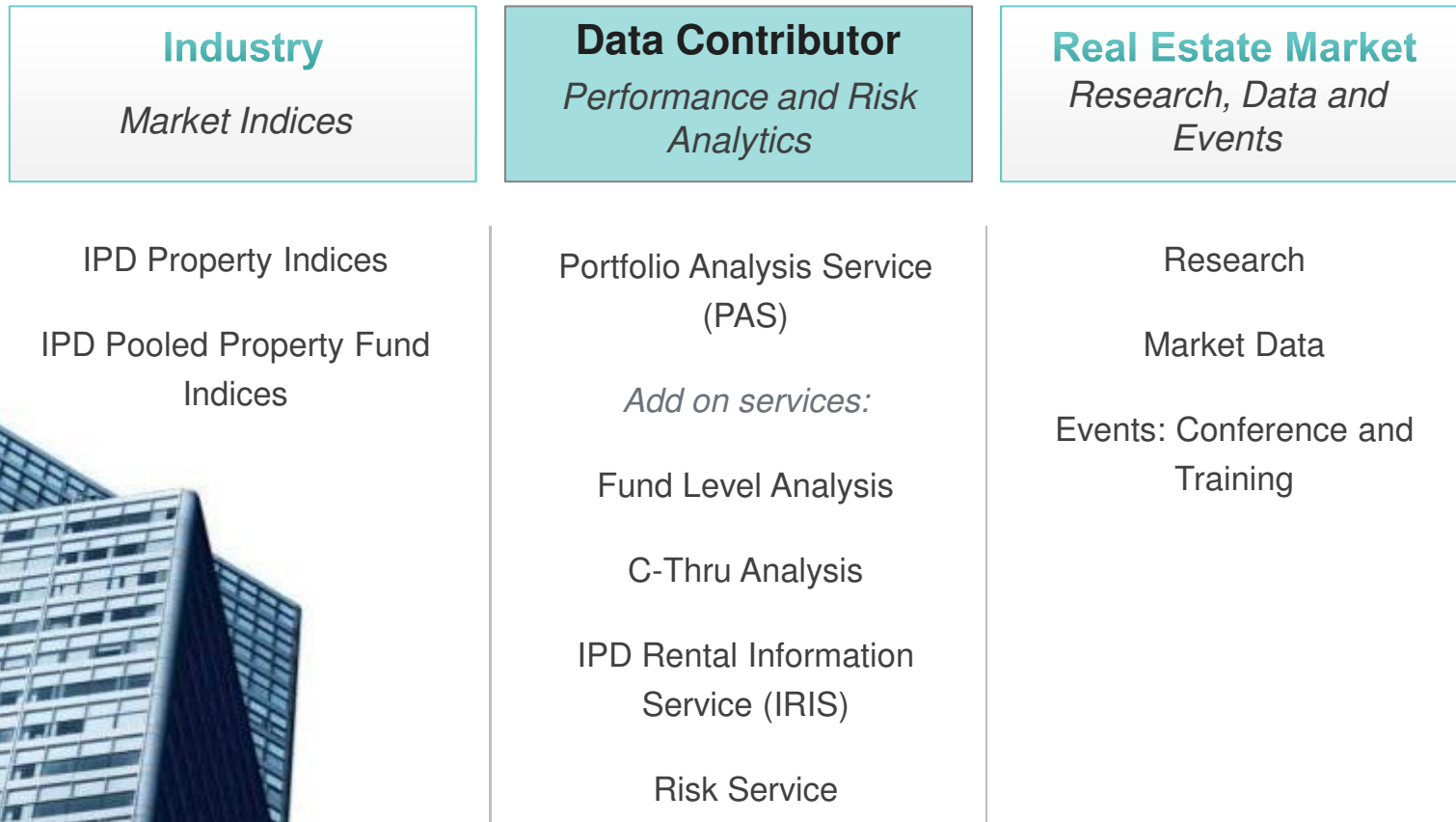
“IPD’s mission is to increase real estate market transparency through independent and comparable performance analysis with investors, managers, consultants and occupiers globally.”



Twice received the Queen’s Award for international trade in 2005 & 2010

IPD Products and Services

IPD offers a wide range of products and services to the real estate market



IPD UK Quarterly Index

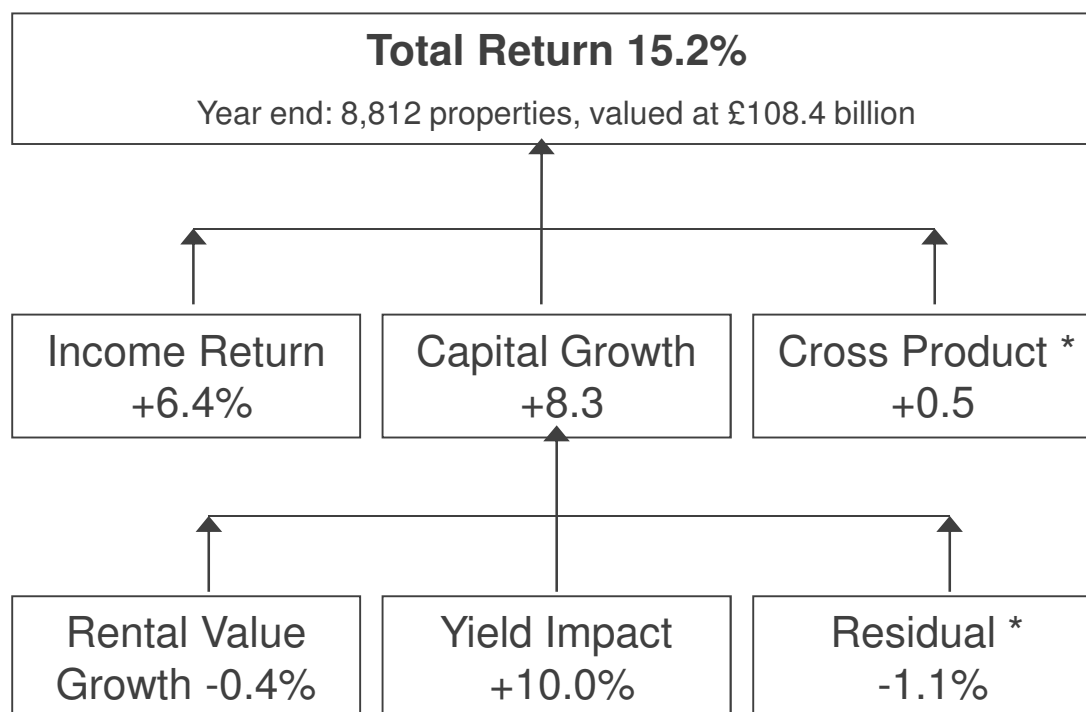
The 2010 results

Malcolm Frodsham, IPD

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For the record



* Cross product: capital gain / loss in reinvested income

* Residual: impact of delays in income stream, mainly effect of over-renting

On the stats: expect a return of better than 15.2% about 1 year in 3, and in double figures 1 year in 2.

A continued “disconnect”: the 8th biggest fall in rental values since 1981 with the 5th biggest fall in yield.

We had the same disconnect in the recoveries of the early 1990s & 2000s. “Disconnect” in 2009/10 not quite up to the standard of the 1993/94 recovery when rental values fell -8% while yields added +22% to capital values.

The 2010 headlines

The result:

Strong total returns but with soft rents and hardening yields

Trends:

Yields recover half of their losses – but start to slip again in patches
Rents move ahead in London but struggle to stop the rot elsewhere

Markets:

Shopping Centres recover from terrible 2009 to take top retail spot

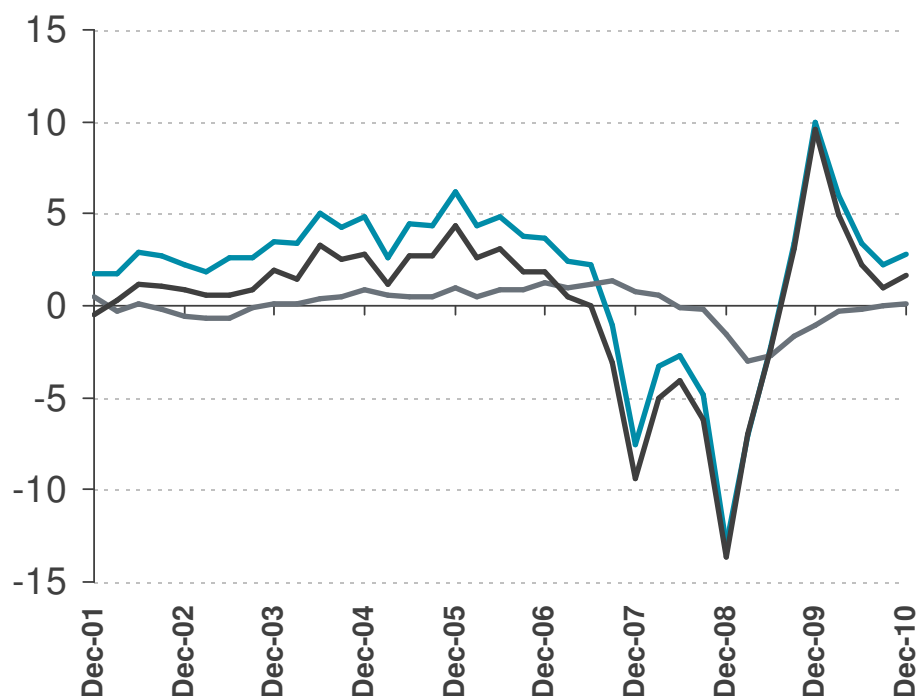
Context:

Gilt yields begin to rise and eat into the property risk premium

Money:

Continued 'normal' levels of domestic investment

Trend – Soft rents but hard yields



Quarterly results in the last 3 quarters running at a respectable rate of +8.7% pa.

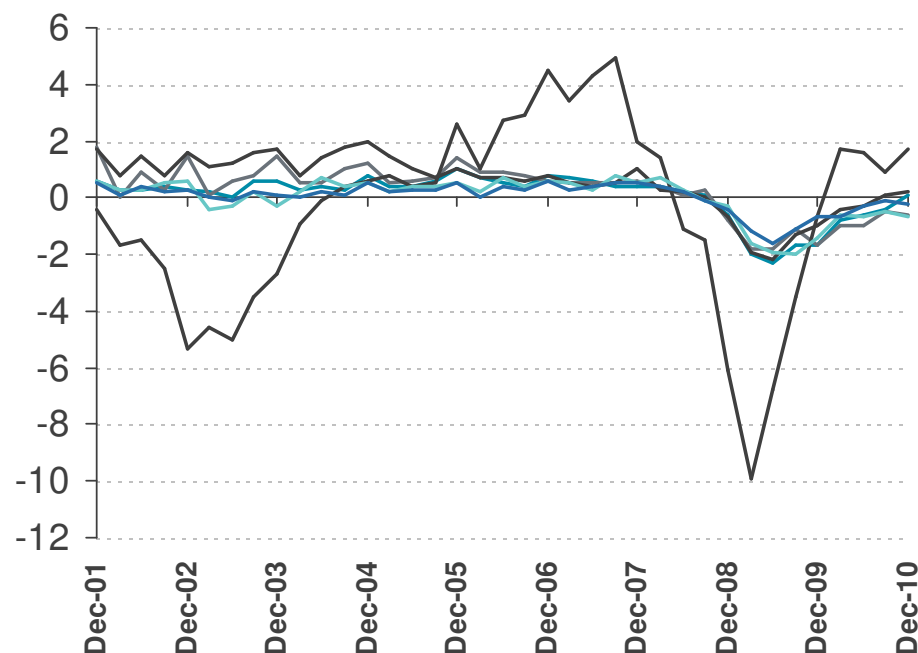
Yields have fallen 177 basis points since Q2 2009 – less than half of the 374 bps rise after Q2 2007.

Rental values have trended gently into positive territory from falls of >-3% in Q1 2009 and >-1% in Q4 2009.

Quarterly performance:

— Total Return — Rental Value Growth — Yield Impact

Trend – Slow progress outside London



Quarterly rental value growth:

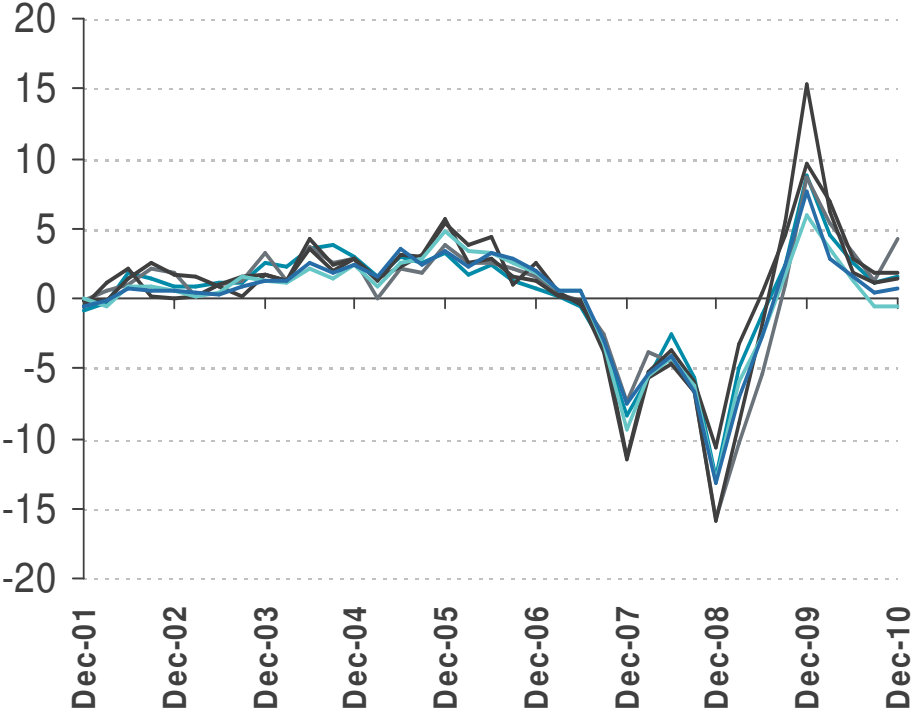
- Standard Shops
- Retail Warehouses
- Rest of UK Offices
- Shopping Centres
- Central London Offices
- Industrial

Breakthrough into positive rental value movements reached in the Central London office sector in Q1 2010 and by retail warehouses in Q3 2010.

Elsewhere progress is slow and focussed on London: Unit shop rents almost flat but rising by nearly 5% pa in the West End in H2 2010.

Shopping centre and regional office rents still falling by >2% pa.

Trend – Shopping centres benefit



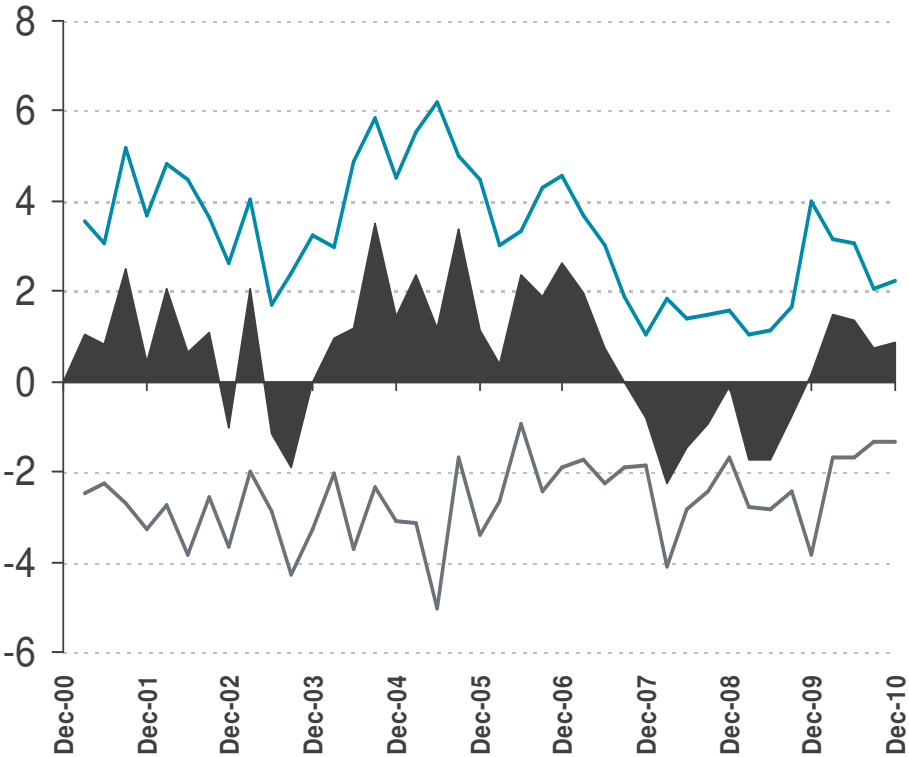
Yields are now rising once more on standard offices outside of Central London

Shopping centres way out in the lead in Q4: the yield fall added 4.2% to values.

Quarterly yield impact on capital values:

- Standard Shops
- Retail Warehouses
- Rest of UK Offices
- Shopping Centres
- Central London Offices
- Industrial

Money: investment flows



2010 net investment rate 4.3% of capital value.

Development spending similar to 2009 at record lows of 0.5% of capital value.

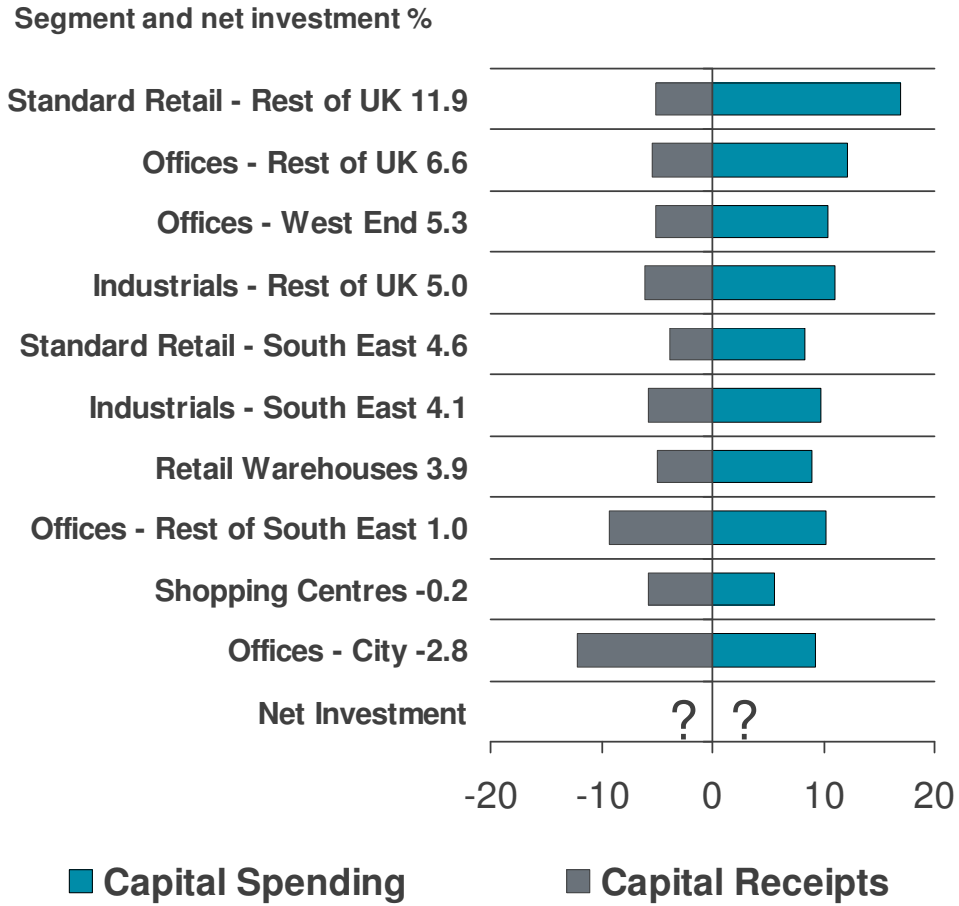
Net investment well below levels from 2004-06 but slightly above the long-term average.

Low levels of receipts for four successive quarters – 3 of the lowest number of sales in the last 40 quarters recorded in the last 4 quarters.

Quarterly flows at annual rate:

■ Net Investment — Spending — Receipts

Money:



Very significant supermarket net investment. Supermarkets assets now 4.3% of the databank by value.

As a percentage of index weight the most significant net investment is in regional office and shops.

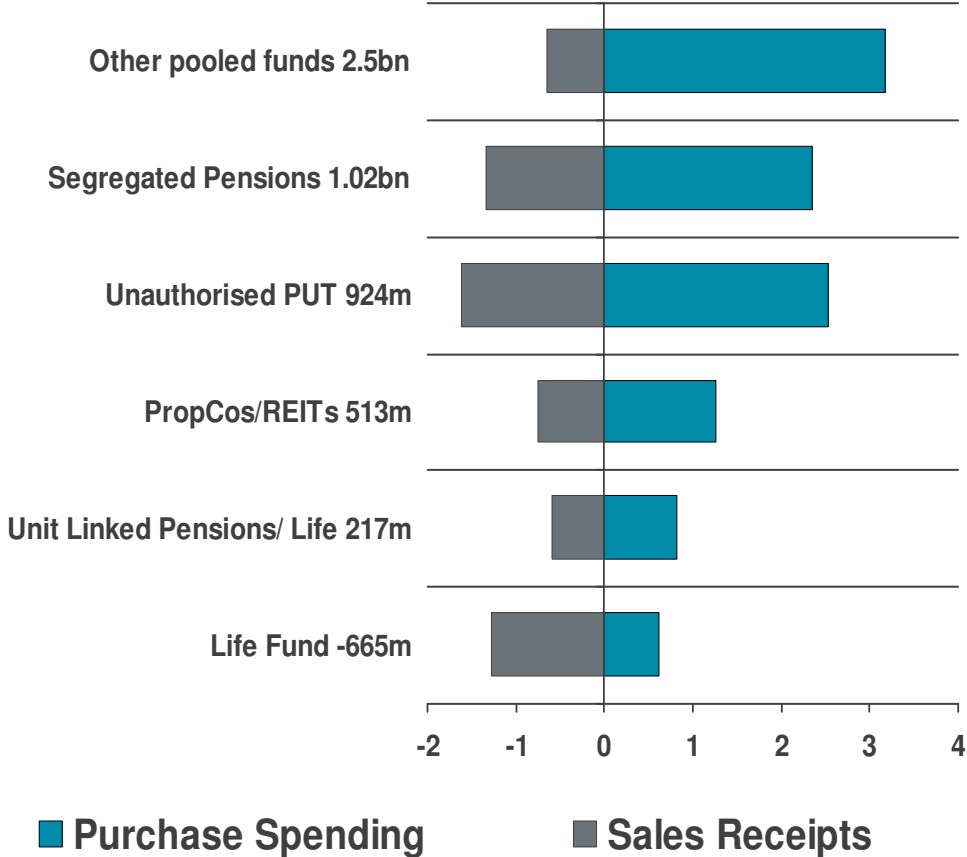
City office holdings sold once more (weight unchanged in the index this year).

Shopping centre sell off reversed in the last quarter.

Money: who were the buyers & sellers



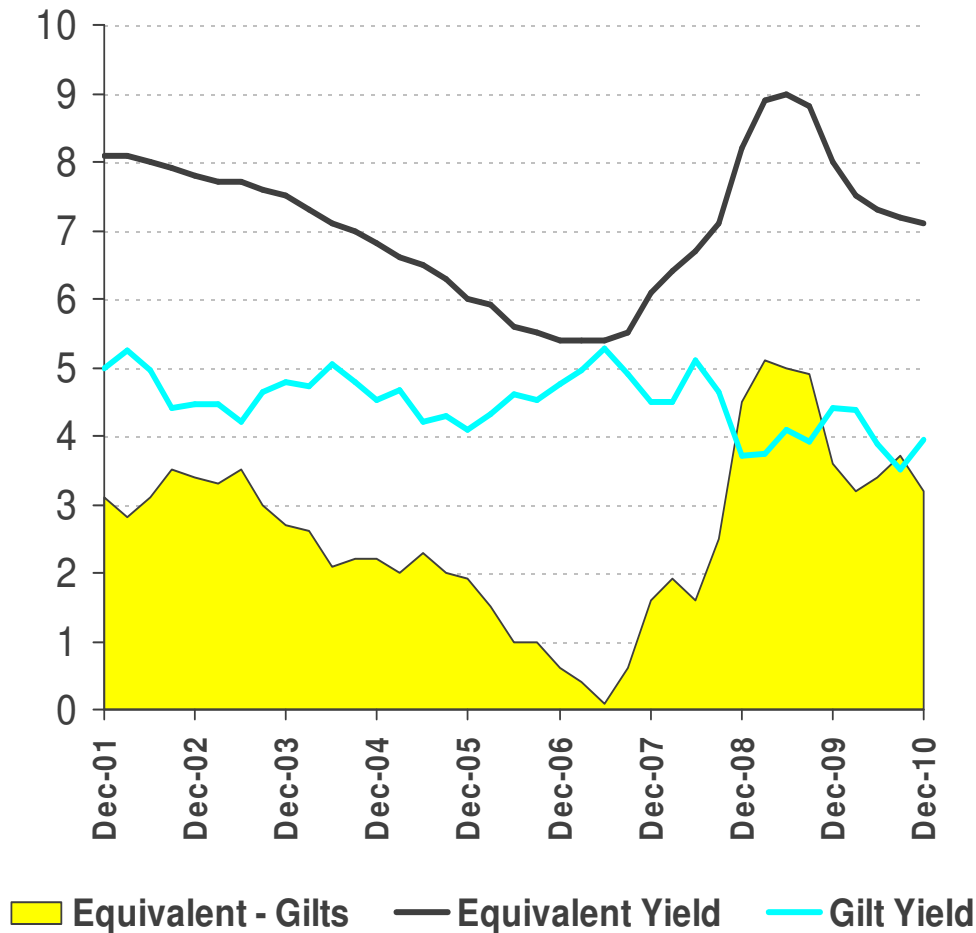
Segment and net investment £ billion



Fund buying and selling sorted by the volume of net investment through the whole year.

Insurance were the only net sellers.

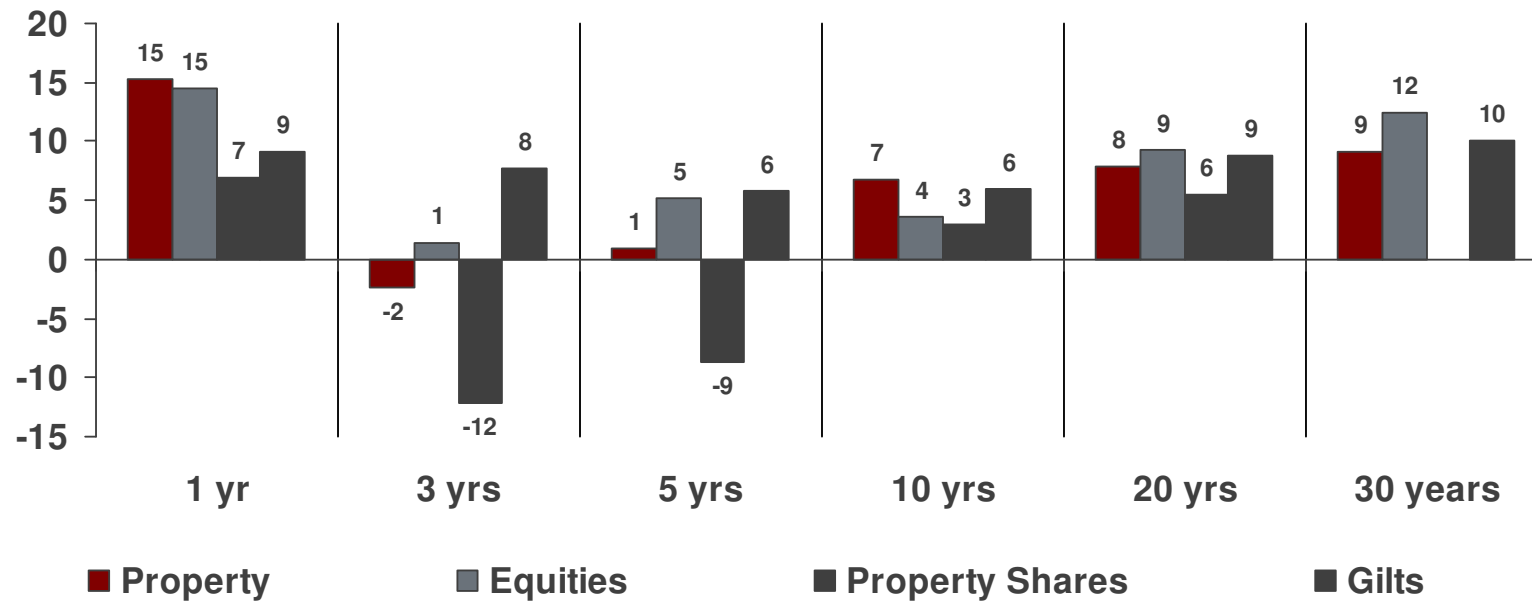
Context: Pricing



The all property equivalent yield fell by 9 bps over the final quarter whilst the Gilt yield rose by 45 bps.

The property risk premium therefore fell to 320 bps.

Context – Asset class performance



The IPD Quarterly Index is now 10 years long and the Annual Index 30 years
Property is now the “top asset” only over 10 years – what a switch from end-2006

The 2010 headlines

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Introduction to our Portfolio Analysis Service (PAS)



A definitive analysis and benchmarking service

Designed to review and analyse the strengths and weaknesses of your portfolio performance and risks

Flexibility to tailor the service to your needs

- | Standard or customised benchmark
- | From individual assets to portfolio level
- | A variety of report frequencies
- | Give the right access to the right people



IPD Measured Fund logo is a seal of quality that identifies you are associated with IPD and that your fund(s) are independently measured and evaluated by an external organisation



IPD PAS benefits

Improved Investment Process



Cost Reduction

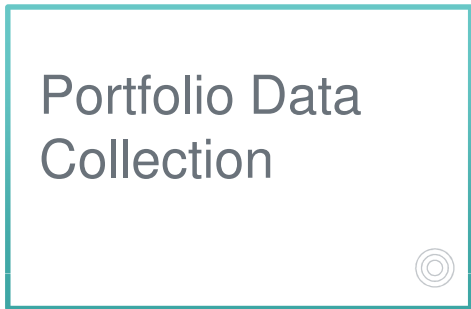


Increased Revenue



Our Process and Values

Confidentiality and Convenience

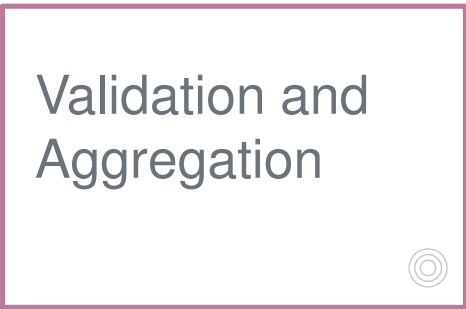


Strict confidentially
maintained

Our data is collected
from various sources
from the valuations,
property management,
fund management
and/or accounting
software



Independence and Accuracy

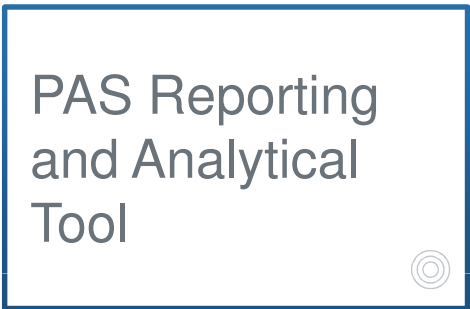


Audit, verification, client
sign off and aggregation

Analysis in market
standardised measures by
over 200 expert analysts



Flexibility and Customisation

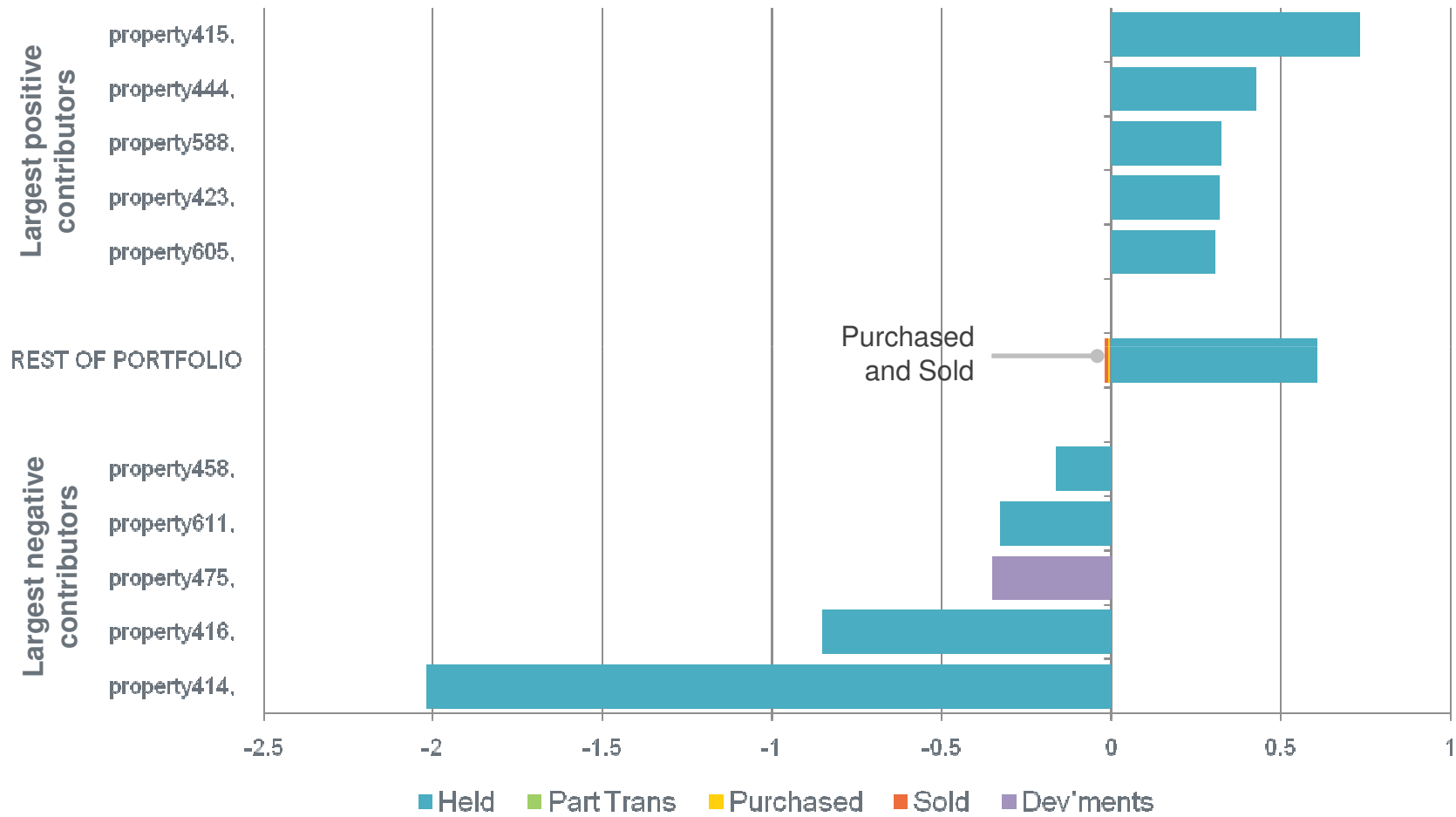


Sophisticated analysis

Online interactive
reporting tool

Assists you to
understand your
portfolio performance

Example: Weighted Contributions



[Forward to Conclusion](#) ▶

[Back to Summary Tree](#) ▶

Example: Performance Indicators

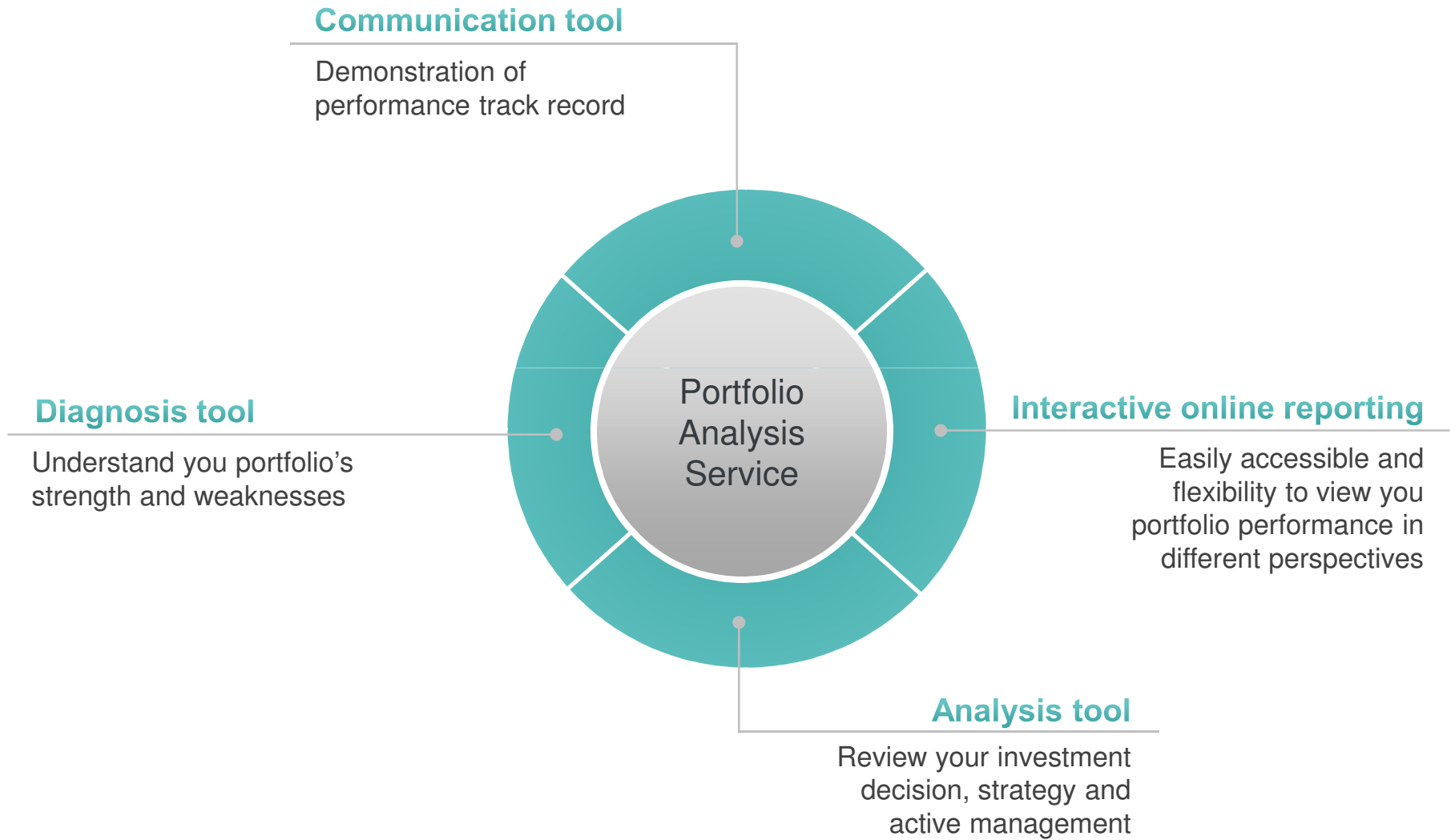


High quality income stream		
<i>Year ended 31 December 2010</i>	Portfolio	IPD
Occupancy rate	91.6%	91.1%
Average lease length to first break	12.6 yrs	9.8 yrs
Rent subject to break / expiry over next 3 yrs	7%	21%
Income return	6.6%	6.8%
Capital growth	15.2%	16.2%
Total property return	22.7%	24.0%

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Your benefits



Next steps



Data test and feasibility study

Requirements, proposal and contract

Allocate a dedicated IPD Account Manager

- | Data collection process: feasibility, timeline, data templates, training and in-house support if required
- | Select the level of analysis required
- | Choose the market segmentation and specification of the benchmark
- | Define the user group and type of usage from full analytical control to restricted reporting and access
- | Additional services if required

Any Questions?

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