IPF Investment Property Forum

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INVESTMENT PROPERTY FOCUS

How big is the UK stock of investment property?

In this Issue:

IPF Investment Property Forum

Challenges for the Future

Second Annual IPF Investment Property
Half-day Conference in Scotland

Thursday 8 September
Caledonian Hilton, Edinburgh

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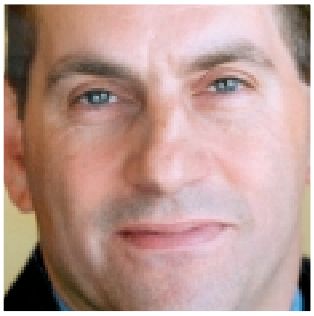
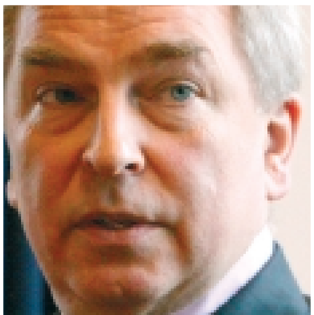
sustainability

property derivatives



REITs



bank lending

From the editor

Investment Property Focus replaces Forum View as the principal regular IPF publication, updating members on wide-ranging issues and the emerging trends in the property industry and also providing details of the many educational and social events being organised by Forum. The format and substance of this new publication underlines not only how far the Forum has travelled since it was set up in 1988 but also how the perception of property as major asset class has changed over the same period.

Change is the common theme that runs through all the papers presented in this edition, starting with an outline of the Forum's aims over the coming year by the new Chairman, Paul McNamara, the first incumbant to be drawn from a research background. This is complemented by the reflections of the retiring President, Alastair Ross Goobey, on the transformation of the Forum, and the investment industry generally, during his tenure. He refers to development of the Forum's educational role, resulting most recently in high quality research being produced under the auspices of the IPF Educational Trust and IPF Joint Research Programme.

The key findings of two such research projects commissioned under the Programme are presented here. Tony Key and Vicki Law of Cass Business School address the key question, "How big is the UK stock of investment property?" by quantifying the stock value by sector and investor type, before considering the scope for adding additional stock from the corporate-owned sector. The second project, led by the University of Reading Business School, examined the impact of lease regime change, in particular proposals to ban upward only rent review provisions, on the performance of investment property between 1981 and 2004 and looking forward 20 years from 2005. The findings make interesting reading and emphasise how the market itself has changed since the early 1980s.

The May 2005 edition of IPF Consensus Forecasts, included separate shopping centre and Central London office forecasts for the first time. Included here is a summary of the forecasts for rental and capital growth, together with total returns, by leading researchers and participants in the investment market. The full survey is available on www.ipf.org.uk.

Location has always been a major determinant of investment property performance. This is underlined by the pilot Regeneration Index, which compares property returns from the most deprived wards in England with the UK market as a whole. Phil Clark of Morley Fund Management explains the rationale behind the Index and how it will be developed in the future.

A recent IPF lecture considered property returns by location at the country level. Tim Horsey provides a summary of the arguments advanced by Sue Foxley of Jones Lang LaSalle for investors to maintain a strong UK focus, albeit combined with a wider European strategy, while Peter Hobbs of Deutsche Bank took the view that Continental Europe offers opportunities for less risk adverse investors.

There are major developments in the indirect property market as well. John Galletly of Merril Lynch Investment Managers provides an update of the substantial progress that has been made towards securing UK-REITS, despite the tax issues still to be addressed. Hans J Vrensen explores the dramatic growth in the European commercial mortgage-backed securities (CMBS) market, the number of transactions having increased from less than 5,000 in 1997 to approaching 25,000 in 2004.

Taking a wider perspective, Angus McIntosh of King Sturge summarises a paper on the future economic sustainability of London that he co-presented with Neil Blake of Experian and Dominic Walley of CEBR at a recent IPF lecture. They outline major issues to be addressed if London is be economically sustainable but are optimistic for the city's long term future – welcome news for property investors!

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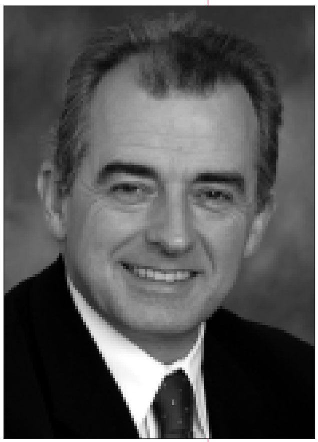
Chairman's View



Paul McNamara, Prudential Property Investment Managers

Awaiting a new head of any industry body always feels a bit like waiting for the next manifestation of Dr Who – what sort of character will he or she have and what new specialities will be brought to the fore?

Joking aside, it is testimony to the strength of the Forum that, over its history, we have seen chairmen from both advisory firms and principals. Such is the pedigree of past incumbents, it fills me with pride to be permitted to take the tiller for a period.

In taking the tiller, it seems clear that the waters around us are running fast. We face a property market in steady and rapid transition. The property industry is becoming increasingly complex as its nature and form develops and matures. In this regard, I've been most closely associated personally with the re-emergence and reinvigoration of property derivatives as an investment instrument, but this is just one strand of the ongoing evolution of our market. The other major developments affecting the landscape include the increasingly likely emergence of REITs, other forms of indirect investment, the increasing internationalisation of property investment, the burgeoning impact of environmental issues on our activities, the changing structure of property ownership, and the growing need to understand how, when and where our activities are currently and in the future going to be touched by investment regulation.

Continuing the current work of the Forum in understanding these emergent themes, and ensuring our members are well prepared for them, will be central strands of my Chairmanship.

In preparing for my year in office, I have been greatly assisted by the hard work of our Vision Committee, ably led by former Chairman Steven Fogel. The committee clarified a number of crucial issues and so, going forward the Forum will:

- seek to grow membership whilst maintaining its current high standards for entry;
- develop specialist interest groups within the Forum to help to contribute and react more fully to the debates of the day;
- be liberated to argue for developments that improve the efficiency of our market and campaign against those that hinder it;
- develop appropriate relationships with other industry bodies;
- maintain and develop further our links to Government; and
- explore further the potential for working with those from other industries or with other forms of expertise that might help Forum members develop their thinking in relevant areas (current examples would include the Property Derivatives Interest Group, led by Iain Reid of Protego and the joint 'work stream' we are running with the Institutional Investors Group on Climate Change, looking at sustainability issues and their implications for property investment).

The Forum will also look at what it can do to promote an atmosphere of responsible investment practice in the property market. This is in the medium term interests of the property industry in general and necessary for ensuring that the short term interest of new and inexperienced investors in property are not prejudiced.

The intention must be to continue to supply our members with top quality educational events and ground breaking research output, as well as providing ample opportunity for members to forge links and network with market contacts.

Clearly, these are high ambitions and they do not come without a lot of hard work and resource backing. To maintain our currently excellent services whilst pushing forward onto new horizons will require us to ensure that the Forum is supported by a sound financial base. This is something that will be looked into over the course of the coming year.

So, as the grip on the tiller is handed over, I would like to give my sincere thanks to Andy Martin for his keeping the Forum in such fine and dynamic form over the past year. He has worked tirelessly and with great flair throughout his term in office. Through his efforts, the Forum is now a natural port of call for Government wishing to get an objective view on the operation of the commercial property market.

Similarly, I would like to thank Amanda Keane and her team for their continuing hard work on behalf of us all. With such competent and dedicated people around me, I am going to be in safe hands.

I am greatly looking forward to working with the Forum's Management Board. I cannot overstate the quality of thinking to be found around your Board table working on your behalf. Sadly, this year we will be losing the services of Rupert Clarke, David Wright and Hapri Yorke-Brooks from the Management Board, all of whom have given immense support to the Forum. I am pleased to report that we will be replacing this loss of skills with top quality new Board members. They are Phil Clark (Morley Fund Management), Amanda Howard (Nabarro Nathanson) and Neil Turner (Alecta Investment Management).

I would also like to thank the substantial number of volunteer committee members who support the Executive in developing our research, education and membership initiatives.

No list of IPF thanks would be complete without thanking our retiring President, Alastair Ross Goobey CBE. As a mentor, a guide, an inspiration and a key source of information and contacts for past management boards and chairmen, Alastair has given great service to the Forum over the past 10 years. As we give him our thanks and allow him to focus on his other activities, be assured that the Board is hard at work identifying a suitable successor.

Finally, may I to say how much I am looking forward to working on your behalf. I hope that I can count on your support over the coming year.

UK REITs: the story so far

John Gellatly, Merril Lynch Investment Managers

In May, the pan-industry group comprising BPF, IPF and RICS submitted its most recent response to the Government's discussion paper on UK Real Estate Investment Trusts (REITs) published with the Budget 2005.

The response reflects the views of the pan-industry group and also incorporates the work carried out by a group of industry technical experts who have been considering the specific tax questions posed in the paper.

The full response, comprising a summary overview of the industry's stance and response together with a series of technical appendices can be downloaded from the IPF website. The culmination of this work has been preceded by significant consultation and analysis and special thanks should be given to the five IPF members of the technical working group which comprised: Phil Nicklin (Deloitte & Touche); Ros Rowe (PWC); Simon Clark (Linklaters); Lucinda Bell (British Land); and John Gellatly (Merrill Lynch Investment Managers). The other two members of the Group were: Liz Peace (BPF) and Steve Edge (Slaughter & May).

The current REIT initiative goes back to the Budget 2003, in which the Government announced that it "would explore with the industry evidence for the effectiveness of further measures to improve the efficiency and flexibility of commercial property." Subsequent to that announcement, the IPF in conjunction with the BPF and RICS, worked closely with the Treasury to highlight the macro-economic arguments for the introduction of a new unitised, tax transparent real estate investment vehicle within the UK. To this end, the IPF prepared a detailed, strategic report on the topic which was presented to the Treasury in the Autumn of 2003.

The arguments put forward in the report bore fruit as in the Pre-Budget Report of December 2003, the Government concluded that ''a tax transparent property vehicle would improve liquidity, transparency, and scrutiny, provide access to property for long term savings and could expand the private rented sector.'' A consultation document, Promoting more flexible investment in property, seeking views on a new property investment fund for the UK was subsequently issued alongside Budget 2004.

Members of the IPF were encouraged to respond to the consultation document and were given access to the draft joint industry response complied by the IPF together with the BPF and RICS, some weeks in advance of the deadline.

This industry response fell broadly into two parts. The first part contained a summary of the preferred, generic structure and characteristics that a UK REIT, should ideally exhibit. The second part contained detailed answers to the 19 specific questions raised in the consultation document.

On 16 March 2005, the Government responded to this consultation exercise by publishing alongside Budget 2005 its latest document on the subject entitled UK Real Estate Investment Trusts: a discussion paper, along with a summary of responses to the Budget 2004 consultation. This paper by the Treasury indicated that the Government is committed in principle to reforming the taxation of property investment and that the consultation, with which the IPF had been intimately involved has enabled the Government to better define the key features of a potential UK-REIT model that allows for market flexibility.

However, the Treasury paper also raised some challenging issues in designing the tax treatment for a model that meets both the needs of the UK property investment market and the Government's objectives for a UK-REIT of ensuring no net loss of tax to the Exchequer through their introduction. Subject to finding a workable solution to the three key complex tax and associated issues, identified in the discussion paper (outlined below), the Government aimed to legislate for a UK-REIT in the Finance Bill 2006.

To address these issues, and to help identify potential solutions, the Treasury / Inland Revenue established the small technical working group post the publication of their latest policy document. The IPF has played a key role in this ongoing consultation between the UK real estate industry and the Government, extending beyond its integral role as part of the wider industry representative body, by contributing in a substantive and technical role with five out of the seven members of the working group being drawn from the IPF membership.

Identification of the solutions to these issues, so as to achieve neutrality in the net tax take, is a pre-requisite for the Government to consider moving forward to the next stage of the process, which will entail the commencement of drafting of UK REIT legislation later in the year.

The full industry response can be downloaded from the IPF website: www.ipf.org.uk

The nature of the tax issues that need to be addressed can be summarised as:

1. The treatment of non-UK residents and withholding tax – this is an issue for all tax transparent vehicles and we know that the German REIT initiative likewise is struggling with similar issues from their domestic perspective;

2. Borrowing levels – specifically "the Government is interested to ensure that allowing reasonable levels of borrowing within a UK REIT would not reduce the tax collected from investors or result in specific manipulation for tax avoidance purposes." While not foregoing the concern to ensure adequate investor protection, this question again focuses in on the issue of tax protection; and

3. The treatment of UK REITs in the context of group structures where, for example, a company may be suitable for REIT status but may not be the ultimate parent. In turn, consideration of this question focuses on the key area of the ability of group structures to convert and the charge payable for so doing. The document was silent on the calculation of any conversion charge but, in a sense, had to be as it effectively represents the 'residual' balancing item to ensure that there is no overall cost to the Exchequer having answered the first two questions. In addition, any charge will need to be calculated so as, in the documents words: "to meet the objective of ensuring that a fair share of tax continues to be paid by the owners of and investors in UK property."

update

European CMBS: A market overview

Hans J. Vrensen, Director of CMBS Research, CFA

Hans Vresen expands on his recent Technical Briefing given to the IPF exploring some of the basic characteristics of the European commercial mortgage backed securities (CMBS) market and recent European CMBS conduit transactions.

Historical issuance

We expect a new record European CMBS issuance of €30bn for 2005, after strong Q1 05 and healthy pipeline

The European CMBS market has seen more than €77bn of issuance from 124 transactions since 1997. See Figure 1 for a historical overview of annual issuance. In 2004, issuance reached an annual record of €19.4bn from 33 transactions. In Q1 05, nine European CMBS transactions closed, with issuance in excess of €7bn. Based on the first quarter actual issuance and the currently known European CMBS pipeline of €13.5bn, we estimate full-year issuance will reach a new record of €30bn. However, some of the transactions in the pipeline are very large Italian Government sponsored deals that have traditionally exhibited high execution risks, causing possible delays.

Please note that the Barclays Capital CMBS universe includes securitisations with collateral consisting of European commercial mortgages or properties. The Barclays Capital CMBS universe excludes housing associations and property-related whole business securitisations.

Strong investor demand and an increasing acceptance of CMBS as a finance alternative by borrowers

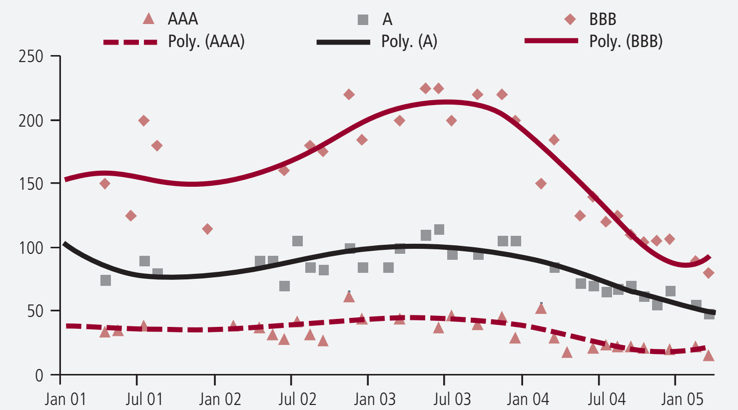
Growth in issuance has been driven by two factors: firstly demand from investors and, secondly supply from arrangers. Demand for CMBS from investors is strong, due to the historically higher spreads available for CMBS compared to other alternative assets, such as government and/or corporate bonds. Supply of CMBS has been sound as borrowers have found CMBS an attractive alternative source of debt finance, and are increasingly becoming comfortable with the CMBS process.

Spreads

Spreads have tightened by approximately 60% in the past three quarters

As can be seen from Figure 2, primary spreads have tightened significantly over the past six months. In July 2004 the market saw AAA spreads at around 40 bp, with two recent first quarter 2005 transactions closing at 17 bp for the AAA classes. This implies a 57.5% tightening in AAA over the last three quarters. Furthermore, the BBB class saw spreads at 200 bp in July 2004 and in the first quarter of 2005 it came in at around 75 bp. This implies a 62.5% tightening at BBB over the last three quarters. As a result, the difference between AAA and BBB spreads narrowed from 160 bp to only 58 bp; a 64% reduction. Obviously, lower spreads mean that bond investors are not being compensated as much as they were and for similar risks. On the other hand, it also means that costs of funds for originators and borrowers are lower, making CMBS even more attractive as a financing source.

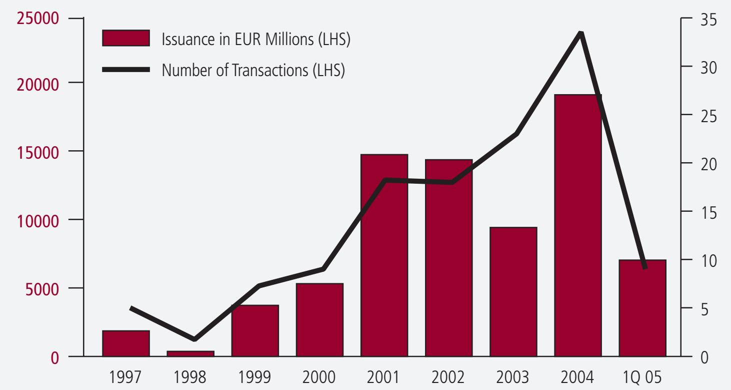
Figure 2: Primary European CMBS spreads per rating category



Rating stability should isolate CMBS from possible widening in the corporate bond sector

Obviously, developments in the wider corporate bond market can have an impact on CMBS investors' spread requirements. Recent bad news on General Motors forced corporate bond spreads wider, causing CMBS spreads to also widen. The extent of widening is limited, as investors take into account the relative rating stability of the overall European asset backed securities (ABS) market (including CMBS). According to a recent S&P report, European CMBS showed the best upgrade performance in 2004 of any major European ABS sector, with 7.6% of ratings being upgraded. This compares with an average upgrade in European

Figure 1: Historical European CMBS issuance



education

ABS of 4.5%. The 2004 CMBS downgrade-to-upgrade ratio was 0.4, just behind residential mortgage backed securities (RMBS) and consumer ABS, both of which saw no downgrades in 2004. A majority of downgrades were triggered by corporate downgrades in credit-tenant-linked CMBS transactions. Upgrades were due to the high level of loan prepayments and collateral performance. Both CMBS upgrades and downgrades were at 2.3 notches in 2004 for S&P.

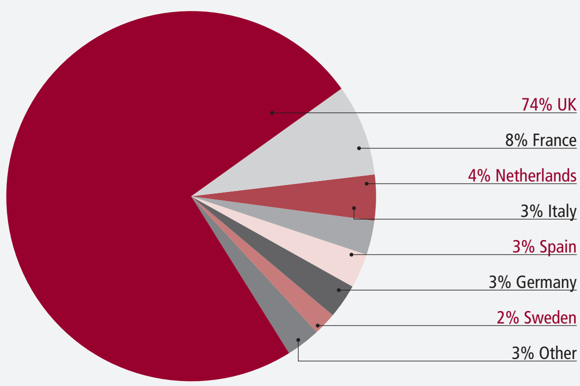
CMBS showed the most upgrades of any European ABS asset sector in 2004

Moody's European CMBS upgrades (at 6.8%) outweigh their downgrades (at 4.8%) for the first time in 2004. CMBS was the asset class with the highest percentage of Moody's upgrades in 2004. Historically, CMBS has been behind RMBS, ABS and ABCP, but ahead of CDOs and whole business securitisations in regard to Moody's downgrade-to-upgrade ratio.

Jurisdiction

UK has been the dominant jurisdiction in European CMBS issuance to date

Figure 3: European CMBS issuance by jurisdiction



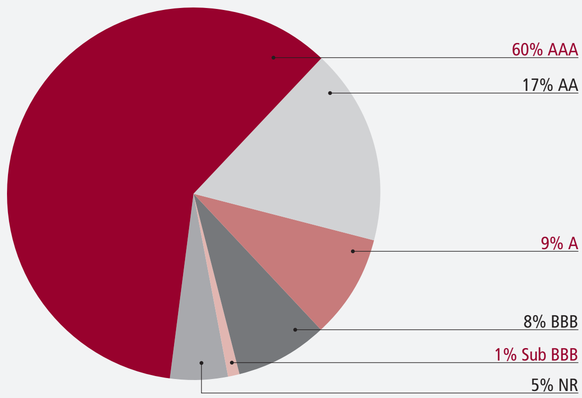
As can be seen from Figure 3, the UK has been the dominant jurisdiction in European CMBS by far. Jurisdiction is determined by the dominant country of collateral, which disregards jurisdictions that make small portions of larger asset pools. Therefore, the 74% probably overstates the exact UK collateral percentage, however, we believe it is still indicative.

Rating category

60% of European CMBS issuance has been rated AAA to date

European CMBS issuance has been largely in the AAA rating category with 60% of the total, as highlighted in Figure 4. The dominance of higher rated classes has limited the non-investment grade CMBS investment universe to only €4.5bn to date (including non-rated tranches).

Figure 4: European CMBS issuance per broad rating category

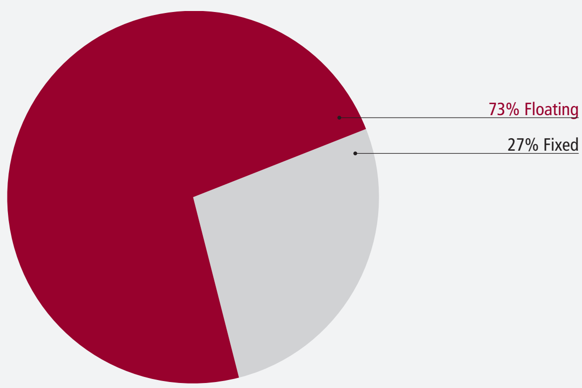


Interest rate type

73% of European CMBS issuance to date, has been floating rate

The majority of European CMBS issuance to date has been in floating interest rate issuance, with 73% of the total. See Figure 5 for this breakdown. The fixed rate issuance has been mostly long-term sterling issuance.

Figure 5: European CMBS issuance per interest rate type

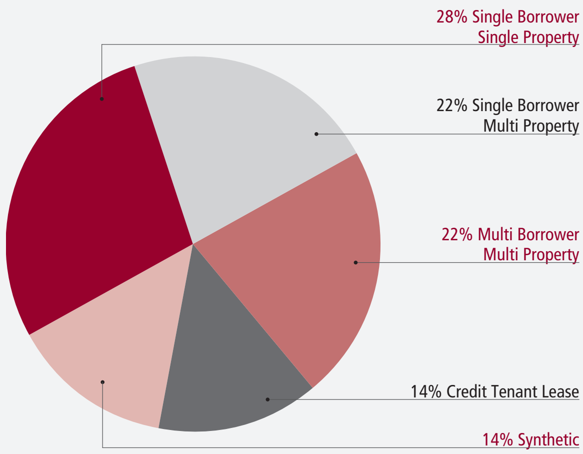


Transaction type

Single-borrower transactions at 50% of European CMBS issuance to date

When we consider the different CMBS transaction types, as illustrated in Figure 6, we note that no single transaction type makes up the majority of issuance. The lack of a dominant transaction type has also resulted in a wide range of legal structures to accommodate each of the transaction types. However, the single largest transaction type is the single-borrower single-property transaction with 28% of the total

Figure 6: European CMBS issuance by transaction type



issuance to date. Together with the single-borrower multi-property category, the broader single borrower deals make up 50% of issuance to date.

CMBS conduits

European CMBS conduit programmes are different from the US, as they have also issued single-borrower transactions

The large proportion of single-borrower transactions is worth noting, as a lot of attention has been given to the emergence of European CMBS conduit programmes, which are generally assumed to be multi-borrower multi-property type transactions. In the US market, CMBS conduit transactions have traditionally been in the multi-borrower multi-property category. However, this has not always been the case in Europe, where a number of CMBS conduit programmes (like RBS's Epic programme, Deutsche Bank's Deco programme and Eurohypo's Opera programme) have issued single-borrower transactions. Even the long standing Morgan Stanley's ELoC programme and Lehman's Windermere programme have seen single loan transactions.

There are a number of conduit programmes that have only issued multi-borrower transactions to date, such as Rothschild's Real Estate Capital programme, Merrill Lynch's Taurus programme, Societe Generale's White Tower programme, CSFB's Titan Europe programme and the recently launched Barclays Capital Eclipse programme. The term conduit programme in the European context implies the set-up of a separate organisational infrastructure for commercial mortgage lending, with the intent of securitising the loan(s) once originated.

Increasing number of European CMBS conduit programmes bodes well for future issuance growth

As the term conduit does not have the same meaning in the European market as it does in the US market, we plan to continue categorising European CMBS transaction as in Figure 6. Of course, the large number of banks that have announced or set up a conduit programme is a positive sign for the European CMBS market. Each of these programmes will be looking to issue CMBS securities in the coming years. Apart from the banks mentioned above, others that have announced CMBS conduit programmes, include HVB, West Bromwich Building Society, UBS, JP Morgan and ABN Amro.

Lack of consistent legal structure has not restricted growth, so far

The lack of a dominant deal type has resulted in a wide range of legal structures. However, even within a particular deal type, there have been wide differences in the various legal structures. This inconsistency in legal structures for European CMBS transactions has not restricted the rapid growth of the market so far. But it could force marginal investors out in a more challenging credit environment. In our opinion, investors would favour consistent and simple legal structures, such as those available in other ABS asset sectors, like RMBS. We believe issuers that are able to meet the widest range of investors by offering consistent and simple structures are likely to be more successful in the long term.

We favour diversity in CMBS transactions on ALL levels, including the number of borrowers

We favour diversity in CMBS transactions on ALL levels, including the number of borrowers, properties, tenants, locations and property types. We recognise that a single high quality borrower might be preferable over a large number of low quality borrowers. But investors should realise that rating stability for a single-borrower transaction is likely to be lower than for a multi-borrower transaction, similar to the more volatile ratings seen for credit tenant lease transactions.

CMBS market conclusions

We expect a new annual issuance record at €30bn for 2005. Spread tightening over the past three quarters might be with the market for a while, as rating stability might protect CMBS from overall corporate spread widening. Due to the lack of a dominant transaction type in European CMBS, there are many areas of structural differences between individual transactions, which require extra investor attention. These structural complexities have not yet restricted strong issuance growth. However, we favour simple and consistent legal structures as well as diversity in CMBS transactions on all levels, including the number of borrowers

London in 2020: The Sustainable City

Dr Angus McIntosh summarises the papers delivered at an IPF lecture in June presented by himself, Neil Blake of Experian and Dominic Walley of Centre for Economics and Business Research (CEBR).

Economic Background

The economic background to London suggests that it has a favourable mix of industries and will be the UK's third fastest growing region. Its financial and business services are driven by world trade trends (not world GDP) as well as domestic demand.

However, its economy tends to be more volatile than the UK generally, which is demonstrated by the fact that although financial and business service sector employment has grown dramatically since 1992, since 2001 it has been falling.

But there is no doubt that London is a 'mega city' and accounts for over 17% of the UK's output. Its 700,000 jobs are due to an internationally competitive business cluster. But, the net migration of commuters into London is over half a million – this is a major challenge for the future of its infrastructure.

There is some evidence that, although employment fell after 2000, last year employment started to rise again, and that London, due to its unique value added characteristics, will be able to see off the trend towards off-shore jobs as companies outsource certain types of employment to other areas of the world. But does this economic background make London sustainable?

Economic Sustainability – a workplace

The survey by King Sturge, Office Buildings – The Human Impact, suggests that the availability and cost of skilled staff will be critical to the location of offices in the future, and the quality of office environments may be even more important in terms of recruiting and retaining staff.

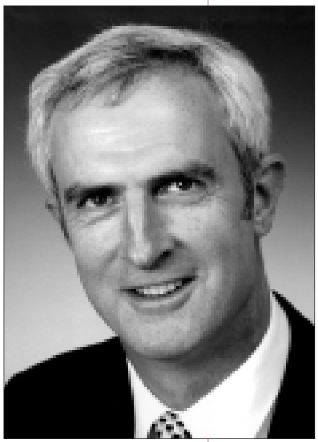
With unemployment at exceptionally low levels in the UK, including in London, there is a real challenge. At the present time with around 15% of the City of London standing empty, it is likely that some of these building will never be used again!

Both in the West End and the City of London availability has fallen from its peak of 2002-03 and take-up of space has begun to improve. In both markets over the next 5-10 years, steady but not speculator, rental growth can be expected. All the signs are that by 2020 the London economy, and its office property market, will be economically sustainable.

Social Sustainability – a living city

But what about the living sustainability of London? The most worrying aspect is deflation. In the clothing and footwear sectors retail sales volumes have been increasing faster than value. In other words, retailers have to sell even more goods to get the same profit. This means that the discount retailers such as Asda-Walmart and Tesco will continue to grow and dominate the retail scene.

Meanwhile, as identified by the recent King Sturge report, Retail – The Three Great Divides, a number of destination retailers with clear brands, will continue to command respect and retail expenditure. These include John Lewis, Debenhams, GAP, Top Shop, Waterstones and Ottakars.



Dr Angus McIntosh, Partner & Head of Research, King Sturge LLP

However, there a number of retailers in London who could be in very different shape, or perhaps not exist at all, in London 2020. These include WH Smith, Boots, HMV, Marks and Spencer and Woolworths.

Is London a liveable city? The challenge is that we have stopped building affordable housing and are hoping that the private sector can make up the shortfall. Charting applications for residential development, and there have been many with a bias towards central or east London particularly in the old Docklands area, there is very little new development in west or south west London.

The problem is that applications for new developments have been running at 25,000 housing units or more per year for some time, but the number of actual houses built is below 5,000. For a city, which lost 1.5m residents between 1945 and 1980, but since has gained another half a million, this is surprising. What's more, the London plan suggests that, by 2020, there may be another three quarters a million residents. London is clearly not building enough houses to sustain such a growth in its population.

There are examples of former office buildings being converted into housing, but there are also major debates over mixed-use housing development and the imposition of affordable housing.

The planning regime is often not realistic; there are limits to how much the private sector can be taxed by the imposition of section 106 agreements forcing them to provide affordable housing as part of new residential or commercial developments. In many cases, it would be far more efficient to make a commuted payment rather than force social residential development to be tacked on to new residential or commercial schemes. Social sustainability is a real challenge for London between now and 2020.

Environmental Sustainability – will we survive?

Global warming is a reality and the sea level is rising. London is one of a number of global cities, including Venice, Tokyo, Bangkok, Abu Dhabi, Dubai and Amsterdam, which could suffer a serious flood risk by 2020. But there is a silver lining; insurance claims for flooding are likely to come through London's insurance market further boosting its financial and business services sector!

But at a street level smog and car fumes are a real challenge. Nationally, nearly 80% of all commuters use their car at some point travelling to work. Research by MORI, instigated by King Sturge and Accessible Retail, shows that 106bn car miles are travelled per year travelling to and from work.

Whilst London is fortunate in having a very good public transport system, and the recently introduced congestion charge has swung the pendulum towards greater public transport usage, car-created pollution is a real challenge for London.

My book entitled Building Sustainability in the Balance sets out a structure for deciding planning applications. The Building Sustainability Assessment Tool suggests that planning applications should take into account economic, social and environmental issues, and that a number of old buildings could easily be converted. Embodied energy is important; why knock down a building and waste energy putting up a new building when such energy could be saved and the environment protected?

A good example of a re-used building in London is the Travel Inn in Euston Road. This was a former office building constructed in the 1960s but with a restricted covenant for social housing use on its upper floors. It now trades very successfully as a Travel Inn adjacent to one of London's mainline railway stations.

King Sturge suggests that London in 2020 will be successful if town planners recognise the role of London's transport accessible business parks. Whilst there is a major question mark over Stockley Park which remains 40% unlet, more successful business parks, either built or to be built, include: Chiswick Park, Paddington, Cardinal Place, Kings Cross, Broadgate, More London and Canary Wharf.

The King Sturge Connectivity Survey also recently identified that 60% of interviewees have their own personal computer and more than 50% regularly work from home. The work place of the future, if it is to be sustainable, will involve a mixture of working from home and an office location.

But London will have to face the wave of legislation, which is increasingly aimed at environmental sustainability. Of these, the soon to be introduced Energy Performance Certificates may cause some investors to re-think their strategy in the London office market.

Property Investment

There is no doubt that the world is awash with investment monies with a number of countries in Europe and across Asia saving between 15 and 25% of their incomes. In addition, there are a large number of mature pension funds seeking income-generating investments.

Property is very much in vogue and, looking across Europe, London in recent years has been on of the most favoured destinations for international investment monies. This is likely to continue to 2020, however there are risks!

Scenarios for the future and London's role

The King Sturge report, European Real Estate Scenarios, sets out four pictures of Europe in 2020. All are plausible although it is unlikely that any one of them will come to pass. Perhaps a mixture of two or three of the following scenarios will shape London, a European city:

- **Empyrean** – this is the rise of the super state (another Roman empire?) where Big Brother is alive and well and Brussels controls us with technology.

- **Titans of Avarice** – suggests market forces dominate. In other words, large retail, manufacturing and financial businesses, as well as software companies dominate the agenda. Europe is one large market place at the expense of environmental sustainability but there is a backlash in terms of crime from the underclass.

- **Belshazzar's Feast** – this suggests that we have lived beyond our means and there is about to be a terrible backlash against our profligacy. As a result there is a growing rest and environmental problems. Across Europe, crime, corruption and chaos become rife as we retreat back into our national fiefdoms.

- **Principia Ethica** – this is the moral imperative where further integration of geography, economics and politics is a great success. There is legal certainty and market transparency and unparalleled economic growth; Europe leads the world. The European Dream has arrived, and corruption has been eliminated.

But, whatever the challenges from across the world in the age of the internet and the information revolution, as long as it is quick on its feet, London will survive and prosper.

European Real Estate Investment

Freelance journalist Tim Horsey, pulls together the highlights from a recent IPF lecture held in London and Scotland.

Sue Foxley, Head of UK Research at Jones Lang LaSalle, who presented the first of two visions of Europe at the IPF lecture, sees the UK continuing to play a core role in the Pan-European property scene. The UK accounted for a quarter of European property investments and more than half cross-border transactions in 2004.

She believes that this dominance means investors will retain a strong UK focus albeit increasingly combining this with a wider European strategy.

This is due in large part to the undoubted strength of the UK market. Liquidity is high: the UK saw 104 out of 140 European shopping centre transactions in 2004. The UK holds the premier position on the JLL Transparency Index, which assesses issues including availability of information and data, regulation and legal environment, security of title, property rights and governance; its only serious rival is the Netherlands, primarily due to its public market transparency. However most other European countries are starting to catch up with the UK's strong information tradition, which allows researchers to do more historical analysis than elsewhere.

The UK benefits from relatively long leases compared to the Continent, even given the changes of recent years – trends which look set to continue, with or without legislation. Currency risk affects UK investors going abroad, though in practice this is a major consideration because of the scope for hedging and borrowing in local currencies. Investment in the UK may also have advantages for matching investors' liabilities, with FRSA 17 reinforcing the desirability of long-term secure cash flows. However, cross-border mergers of financial institutions mean that liabilities themselves are becoming increasingly international.

Performance prospects for the UK market at present look weaker than in recent years, with yields having less room for further compression than in many parts of Europe. As many of the structural strengths of the UK market diminish on a relative basis with the ongoing maturation of the wider European market, investors will inevitably continue to look further afield to capture the benefits of both short-term performance and structural change in less mature markets. It is essential that projected returns reflect all components of the accompanying risk. Investors should not however turn their back on the continually evolving opportunities emerging in the UK, facilitated by the depth and sophistication of the market.

Peter Hobbs, Head of European Property Research at Deutsche Bank, who replied to Sue Foxley at the IPF meeting, believes that Europe offers different things to different investors. Most UK investors tend to demand relatively low risk/low return investments with little gearing, contrasting with US investors' more opportunistic approach. Continental Europe's greatest potential currently lies at the value-add/opportunistic end of the spectrum.

Core investors are likely to favour more mature national markets such as the UK against, for example, Eastern Europe, even with its stronger economic prospects. Continental Europe does however offer UK investors a wide range of mature property markets with high levels of capitalisation and sophistication.

Growth prospects for the core European markets of France, Germany and Italy are limited by structural and cyclical problems. Spain, Ireland and Finland are growing much more strongly, but are causing difficulties for Eurozone interest rate policy because inflation is significantly higher at around 3% in these countries. Central and Eastern European countries are meanwhile growing at more than 5% per annum, though they still produce a small share of European GDP. They do however have large populations, within which the middle classes are growing rapidly, with big implications for retail and residential property.

The core Eurozone's economic weakness provides opportunities for investors with the movement towards outsourcing government property. This is generating opportunistic rather than core investments, but the bulk of European real estate is still owner-occupied; shifting the balance towards investment ownership will create many possibilities.

Continental markets also offer opportunities for risk-taking investors because of limited transparency relative to the UK, often leading to mis-pricing.

Amongst European property sectors offices behave most cyclically: the UK, Madrid and Stockholm markets are now bouncing back, but markets like the Netherlands, Germany and those in CEE are lagging. Recovery is not likely to be as strong as in the late 1990s, though pricing remains attractive, even after the yield compression seen over the last three years, since bond rates have continued to fall.

Most of the benefits from European markets are therefore dependent on restructuring, and likely to spawn value-add and opportunistic investments. The UK market has had very favourable risk-return characteristics over the last 15 years, and the main benefit from investing on the Continent would have been some further reduction in volatility rather than heightened performance. Gaining access to foreign markets has become easier in recent years with the growth of unlisted funds, which are now increasingly sector specialised. Investing in real estate stocks is an alternative which gives greater liquidity, often with strong local focus and operating expertise; interest in this route has led to a reduction in discounts to NAV over recent years.

Pilot Regeneration Index

Phil Clark reviews the publication of the UK's first Regeneration Index.

Regeneration is now mainstream

How things change. When we launched the Igloo Regeneration Fund in 2002 most people thought we were a bunch of 'tree huggers' investing money for ethical rather than good investment reasons. Reading the property press today you might be forgiven for wondering if there are any developments that aren't 'regeneration' projects!

Perhaps the key message this conveys is that regeneration is now considered a 'mainstream' investment sector rather than a quirky alternative. But historically, the perception of regeneration projects has often been that they were risky with low or negative returns. Frankly, investing in regeneration was likely to have a career shortening impact on any fund manager brave enough to invest! But the Regeneration Index tells a different story.

Dearth of Information

Historically it has been difficult to research the business case for the regeneration sector given the dearth of empirical research. As a result, in 2002 Morley and English Partnerships commissioned IPD to produce research in this area. We asked IPD what the returns were from investing in the 20% most deprived wards in England.

The results were that commercial property returns in deprived areas were better than those in more prosperous areas (1980 to 2001). If in 1980 you had invested £10m in a fund focusing on the 10% most deprived electoral wards in the UK then 20 years later it would be worth £80.6m compared to £76m if it had been invested in the more prosperous areas.

Using different methodology, Ulster University also showed similar results in its report 'Benchmarking'. The case for institutional investors to invest in regeneration was compelling.

In 2004, we set up a working group to see if we could create a regeneration index – measuring investment returns from property developments and investments in regeneration areas. After considerable work by Mark Callendar at IPD and other members of the working group, we successfully launched a pilot Regeneration Index based on the IPD data series.

The Regeneration Index

The Index 'starts' in 1995 to capture a full property cycle. It shows that up to 2003, property returns from properties in regeneration areas performed broadly in line with the wider market (11.2% and 11.4% respectively). Total returns including developments showed a similar pattern.

In the short term, (2000 to 2003) total returns from investing in regeneration areas were even more compelling – 11.02% compared to 9.1% for the UK market as a whole. The poorer

Launch of the Index at MIPIM

performance of the latter was, in part, a reflection of the depressed London office market.

The key message emerging is that early involvement by investors in well-designed, mixed-use brownfield sites can provide good returns. The information the Index will provide will be valuable to the wider property sector and it will therefore be published annually with the support of private sponsors. In particular, this will serve the growing number of specialist regeneration funds in the market and the growing investment interest in this sector.

Later this year, the Index will be updated to include the 2004 IPD results and a committee is being set up to manage the Index going forward.

Anyone who is interested to contribute to the Index Committee should call Phil Clark at Morley Fund Management (020 7809 6873). The index is published on the Igloo, English Partnerships and IPD websites.

The Regeneration Index Committee was chaired by Phil Clark of Morley Fund Management and comprised Paul McNamara of Prudential Property Investment Managers, Guy Morrell of HSBC, Steve Carr of English Partnerships, David Shevill of Office of the Deputy Prime Minister, Yolande Barnes of Savills, Professor Alistair Adair of Ulster University and Stephen Brown of the RICS Foundation. Mark Callendar led the IPD research team.

Phil Clark is chairing the project steering group of the IPF research project and Institutional Investment in Regeneration: Necessary Conditions for Effective Funding. This project, being undertaken by the University of Ulster and Aberdeen University, will be reporting towards the end of 2005. `The project is funded under the Joint Research Preogramme with contributions from the BPF, English Partnerships and the British Urban Regeneration Association.

Size and Structure of the UK Commercial Property Market

Tony Key and Vicki Law of Cass Business School outline the key findings of recent research on behalf of the IPF.

Ask a property fund manager "how big is the UK stock of investment property?", and you might well be told "not big enough." A wall of money, a shortage of stock is, many would say, pushing yields down to dangerously low levels. It is therefore especially timely to look for serious answers to questions like: how much is the UK commercial property stock worth?; how much of it is already held by investors?; and how much more could they get their hands on?

The answers are, perhaps surprisingly, hard to come by. At the top level, the most-used source for the total value of the UK property stock is a few lines in the Office for National Statistics (ONS) 'Blue Book'. They do not the classify stock into useful categories like retail-office-industrial, and are rather opaque in method of construction. While there are quite good sources of information on some types of investor – like UK institutions and property companies – there is much less on the overseas and private investors who have recently been driving the market.

The IPF's Size and Structure of the UK Commercial Property Market study, done by Cass Business School with DTZ and IPD, has aimed to fill in those gaps. The study gives the most detailed figures to date on the total value of the stock and the investment market and, also new, splits investment across the main market segments and types of investor. The work draws on a wide range of statistics from government, from the property industry, and from other sources such as Companies House. At many points, the results are best estimates or best guesses, based on assumptions made clear in the full report. All the estimates are for end-2003, the last date available across all the sources used in the analysis.

Taking it from the top, for 2003 the ONS put the total market value of "UK commercial, industrial and other buildings" at £611bn. That figure was produced by applying capitalisation rates last updated in 1992 to the Valuation Office Agency's (VOA) figures for total rateable value. We have re-worked the calculations with more current rental values and yields, and added a more useful classification into retail, office, industrial and other commercial. VOA rental value figures for the four property types in each region were uprated from March 1998 values to end-2003 by applying rates of rental value growth taken from IPD. The end-2003 rental values were converted to capital values applying IPD reversionary yields adjusted upward (by a factor of 1.1 for retail and office, 1.2 for industrial) to reflect the lower average quality of the stock outside the investment market.

Figure 1: UK Total Commercial Stock	£bn
Retail	202
Office	159
Industrial	127
Other Commercial	122
Total	611

This gives a ballpark figure for the total value of the UK commercial stock of £611bn (i.e. matching the ONS estimate), split one-third retail, a quarter office, one fifth industrial, and one fifth other commercial. The other commercial sector spans the gamut of other property types. Some of them are close to the core investment markets – pubs, bars and restaurants, garages and petrol stations, hotels, cinemas, theatres and other leisure facilities – which account for roughly £40bn of the £122bn other commercial total. The next biggest chunk, around £25bn, is in infrastructure like railways and utilities; followed by £13bn in public and private sector schools, colleges and universities; and £6bn in medical facilities.

The next question is: how much of the total stock is already in the investment market? It can be answered rather laboriously, by compiling figures from different sources for each major type of investor. Some, like UK insurance and pension funds, are fairly well covered by official statistics and sources like IPD. Estimates for private property companies, overseas and private investors are much more speculative. The results of trawling many sources suggest that the total value of investment in retail, office and industrial property totalled £254bn at end-2003. Just over 60% of the total retail and office stock by value is already in the investment market, but only 24% of the industrial stock.

Figures on the size of the stock and the size of the investment market illuminate the role of property in the economy as a store of wealth. Set against the national stock of tangible assets, the £611bn stock of commercial property accounts for 12% of the £5,000bn national total. Commercial property is worth more than either the total for infrastructure, or plant and machinery, but all categories are dwarfed by the £3,000bn value of the residential stock.

Figure 2: Total value of stock, investment market and investors £bn end-2003

	Retail	Office	Industrial	All Core Commercial
Total Value of Stock	202	159	127	489
Value of Invested Stock	124	100	30	254
Of which:				
UK Institutions	36	24	12	75
Overseas Investors	7	27	2	37
UK Listed Property Companies	20	14	1	37
UK Unlisted Property Companies	21	15	1	39
Insurance Managed Linked / Pooled Funds	11	5	4	20
Limited Partnerships	12	2	4	19
Traditional Estates / Charities	6	5	2	14
UK Private Investors	2	5	1	8
Other Investors	8	1	3	12

Against financial assets, the value of total commercial property investment at £265bn compares with a total market capitalisation of UK equities market at £1,400bn, and of fixed income investments of £540bn. On that basis a market weighted portfolio would include 12% property on a gross asset value basis, but just under 10% adjusted for debt financing of the investment stock.

UK insurance and pension funds direct portfolios are still the biggest chunk of the property investment market, but only make up 30% of the total. They are followed by overseas investors, listed and private property companies each with close to 15%, then PUTs and other pooled funds, limited partnerships, traditional estates and charities each chipping in 5% to 10%.

The mix of investors varies enormously across markets. UK institutions, for example, are the dominant investors in industrials, with 40% of total investment, but in the offices market they are pipped by overseas investors who already hold over a over a quarter of total investment in the sector. Similarly, different types of investor have very different portfolio weightings. Overseas investors hold more than 70% of their portfolios in offices, against only 28% among UK institutions. Two types of more recent entrants to the market have made even more widely separated choices: private investors have less than 10% of their portfolios in shopping centres and retail warehouses, against 60% for limited partnerships. In short, what is meant by 'UK property investment' is far from the same thing for different types of investor, who have radically different market and risk exposures.

With too much money chasing too little stock, the multi-billion pound question for the industry is how much the core market can be expanded. We estimate that at end-2003 owner-occupiers still held £97bn of industrial property, followed by £78bn of retail and £60bn of offices. Cross-referencing between VOA and IPD figures shows that the owner-occupied stock is, overall, far lower in quality. Average rental values for owner-occupied retail and office stock are around one-third of those for the investment market, and yields 1.25 times those in the investment market for retail, and 1.16 times higher for offices. Because owner-occupied values per square metre are so much lower, the investment market covers less than one-third of retail and office floorspace, far below its 60%+ share of capital value.

There is a long tail of owner-occupied stock in all existing sectors of the market which would be conventionally judged as sub-investment grade in terms of quality of building and of tenant. To dig into the stock in the hands of owner occupiers, we searched the Companies House records (accessed through the FAME on-line database) to pick up the balance sheet values of land and buildings owned all corporates. From that source – and subject to many qualifications as to how up to date the recorded valuations are – it is possible to identify the largest blocks of commercial property held by the largest corporates. This may be assumed in terms of quality of building and quality of occupier, and potential size of sale and leaseback deal, to be the most readily transferable into the investment market.

Corporate owners in the industrial sectors most likely to occupy investment-grade stock – light industrial, distribution, retailing, financial & business services, hotels and catering – the company searches picked out 800 companies which collectively own property worth £160bn – or about two-thirds of the total owner-occupied stock. In many industries, that ownership is very highly concentrated. In the retail sector, eight supermarket and retail chains with property holdings over £1bn had nearly £30bn accounted for in property. Similarly, four owners with over £1bn holdings accounted for nearly £6bn of £17bn financial services total; and in the hotels sector, nine hotel and pub chains with over £1bn holdings account for 60% of the £34bn total. It remains, in short, fairly easy to identify a short list of major corporate occupiers which, between them, could add close to £50bn or nearly 25% to the value of the investment market – if, of course, they can be persuaded of the advantages of selling.

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Capital & Regional, Donaldsons, Grosvenor, GVA Grimley, Investment Property Databank, KPMG, La Salle Investment Management, Land Securities, Lovells, Morley Fund Management, Nabarro Nathanson, Prudential Property Investment Managers, Quintain Estates & Development, Scottish Widows Investment Partnership, SJ Berwin and Strutt & Parker.

research

Simulating Lease Reform:

Models of Past and Future Property Investment Performance

Neil Turner (Alecta Investment Management), Ian Cullen (IPD), and Charles Ward and Patrick McAllister (The University of Reading Business School)

The Investment Property Forum Joint Research Programme has published its research report on the impact of lease regime change on UK investment property performance. It concludes that had the Government intervened to ban upward–only rent reviews in the early 1980s, total returns to investment property would generally have been reduced and their volatility increased. But the research also suggests that the impacts of the most likely options for lease reform legislation would have been marginal. And perhaps most strikingly, the report finds that in the future such controls on UK lease conditions would be unlikely to have much effect on the returns obtained by property investors.

The report was commissioned by the IPF Joint Research Programme as a definitive research contribution to the debate on the need for government intervention on leases. The debate has seen codes of practice emerge for commercial leases, paralleled by market-led changes to lease terms. It has also thrown up the need for a better understanding of the implications of lease contracts with different lengths and conditions, in terms of their effect on investment performance.

A key consequence of moving towards more flexible leases should be a much greater range of cash flow patterns from property assets. The majority of potential flows are likely to follow a lower path than the income produced by a long (20 or 25 year) upward-only rent review structure – particularly if there is any downturn in occupier markets. And while the absence of the upward-only condition may result in falling income, shorter-term leases also create a plethora of new risks for investors, with increased potential for voids and changes in covenant strength.

The report, which simulates property investment performance at a portfolio level, investigates the impact of changing lease structures looking both backward and forward. It reflects property types and locations right across the UK real estate spectrum, encompassing a multitude of different yield, income and market rental assumptions. The implications of the report for any individual properties would need to be considered in the light of the particular lease and market circumstances applying to them.

The historical analysis covers the period from 1981 to 2004, while the future projection goes forward 20 years from 2005. The report not only examines the effects of leases on returns, but also at the potential impacts of lease changes on the allocation to property within a multi-asset portfolio.

The historical part of the report aims to answer the question "How would the introduction of a new leasing regime have affected investment performance if the new regime had been introduced in the past?" This backward-looking approach involves the adjustment of past performance figures to measure the implications of alternative lease structures. The forward-looking scenario asks the question "How will the introduction of a new leasing regime affect investment performance if it is introduced in the future?" and requires assumptions to be made about the reactions of market participants to lease reform.

The research generated sets of hypothetical historic and future cash flows from an artificial portfolio of commercial property assets, for the various lease regime scenarios set out in the Office of the Deputy Prime Minister's Consultation Document. A crucial aim of the historical analysis was to ensure that the artificial portfolio tracked the historic performance of actual IPD market segments.

The cash flows produced by the model were then capitalised in order to create a series of capital values, which were in turn combined with the incomes to generate total return series for each of the lease options in question.

The research examined the implications of four different lease reform scenarios:

1. Banning upward-only rent reviews

2. Banning upward-only rent reviews, subject to a floor of the initial rent

3. Giving the tenant the right to break if the property is over-rented at rent review

4. Limiting the length of lease to five years

On a historical basis, the first three options had some negative impact on overall market performance, mostly in terms of higher volatility, rather than lower returns. The model also found that portfolio allocations to property would have been maintained at similar levels to those which actually occurred. However, the fourth option of limiting the length of lease to five years reduced investment returns much more dramatically, and also implied that the share of property in the portfolio would have been lower. Limiting the lease length to five years means that rents are marked to market at least as frequently as under any of the other scenarios, while the likelihood of termination is greater.

The historical income to investors was lower for each of the lease reform scenarios. For the options banning upward only reviews income fell by around 5% over the period, but the assumption of five-year leases led to a reduction of more than 20%. However when capitalised in conjunction with the market rents prevailing at the time, the effect was to dilute the impact on investors' overall total returns.

The research capitalised income on two different yield assumptions – either that yields remained unchanged from their actual levels, or that they were adjusted upwards to reflect the greater risk implied by alternative lease forms. The first three lease reform options had similar small effects on performance for both constant and adjusted yield scenarios, while the short lease option registered a bigger impact on either yield assumption.

It should however be stressed that although the historical effects of lease reform simulation may have been muted overall, the impacts on some sectors of the market would have been far greater. The performance of more volatile market segments, such as Central London offices, was harshly affected under any of the lease scenarios considered. These markets reaped especially strong benefits from the existing lease structure, which had the effect of cementing the income uplifts of the late 1980s before the markets crashed in the early 1990s. And on a risk-adjusted basis, any of the lease reform scenarios would have had an adverse effect on performance, for the whole market as well as specific parts of it.

One would expect changes in performance over this period to have affected allocations to property within multi-asset portfolios. When fed into an asset and liability model (ALM), the short lease scenario suggests a very unfavourable outcome for the weighting of property as an asset class, compared to the other lease scenarios – although actual property allocations through this period were in any case much lower than ALM models implied.

In stark contrast to the historical simulation exercise however, the report found that the impact of possible future government lease reform, were it to be enacted over coming months, would be negligible. This is explained by the fact that there has already been substantial lease structure reform in the market, so that by the end of 2003 the average length of new leases was less than seven years. Shortening lease lengths in this way has had the effect of removing upward only rent reviews from new leases, and implies that outlawing such reviews by statute would be irrelevant in the current market. The report does however acknowledge that this is uncharted territory for UK lease lengths, and that it is difficult to predict how terms will change going forward.

As for the historic analysis, there are larger impacts from changing future lease conditions at a market segment level, with the assumptions of yield adjustment reinforcing volatile markets' vulnerability to short lease contracts with frequent marking to market of income.

The forward-looking analysis also implies that the healthy weightings for real estate derived from a multi-asset portfolio modelling exercise should be maintained in any of the lease reform scenarios under consideration, since the differences in return outcomes under each are relatively limited.

One of the most notable features of the research, both in the forward looking and historic simulations, is the increased volatility and risk for real estate which emerges in scenarios with short lease lengths and frequent marking of rents to market. Historically, the unit of return per unit of risk for real estate has been as high as 1.21, a level significantly above that of the other two major asset classes, equities and fixed income. The forward-looking part of this research, which uses the latest lease contract information, suggests that this metric is likely to be no higher than 1 in future. Although still above the other two major asset classes, it is clearly likely to be affected by lease structure change.

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IPF Consensus Forecasts May 2005

The May 2005 edition of the IPF Consensus Forecasts marks the next stage of their development as they have been extended to include shopping centres and separate forecasts for Central London offices (West End and City) . The forecasts now include the five main sectors of the UK property market: offices, industrial, standard shops, shopping centres and retail warehouses. The IPF is extremely grateful for the continuing support of the contributors as this work is only possible thanks to the provision of the individual forecasts. This report contains only a small part of the full survey available on the IPF website (www.ipf.org.uk).

Figure 1: Sector forecast summary

	Rental Value Growth %				Capital Value Growth %				Total Return %			
	2005	2006	2007	2005-09	2005	2006	2007	2005-09	2005	2006	2007	2005-09
Office	1.7	3.5	4.7	3.8	4.6	2.8	2.9	3.0	11.5	9.4	9.4	9.6
Industrial	1.6	1.8	1.7	1.8	4.5	1.7	0.8	1.7	11.5	8.6	7.7	8.6
Standard Shops	1.9	1.5	1.7	1.9	4.9	1.3	0.7	1.7	10.7	7.1	6.5	7.5
Shopping Centres	2.6	2.1	2.0	2.2	5.8	2.1	1.2	2.0	11.6	7.8	6.9	7.7
Retail Warehouse	4.1	3.5	3.5	3.7	7.5	3.7	3.0	4.1	13.0	9.2	8.5	9.5
All Property	2.4	2.7	2.9	2.8	5.5	2.5	1.9	2.5	11.7	8.6	7.9	8.7
West End Offices	3.6	5.3	5.7	5.2	6.5	4.3	3.9	4.4	12.9	10.5	10.0	10.5
City Offices	0.7	3.9	5.9	4.4	4.1	3.3	4.0	3.8	10.9	9.8	10.6	10.2
Office (all)	1.7	3.5	4.7	3.8	4.6	2.8	2.9	3.0	11.5	9.4	9.4	9.6

Key Points

Total return forecast for 2005 increased, with the five-year outlook unchanged, for real returns from property.

- Average all property rental value growth of 2.8% pa for 2005-09 (inclusive).
- Forecasters have different expectations for property yields for 2006 and 2007.
- Average total return forecast of 8.7% pa for the next five years.
- Total return in 2005 is forecasted to be 11.7%.

Offices to be the top rental value growth sector over the next five years, with good growth in West End and City offices.

- For 2005, retail warehouses are forecasted to show inflation beating rental value growth of 4.1%. Shopping centre rental value growth is likely to match inflation in 2005. The other three sectors are forecasted to give sub-inflation rental value growth of between 1.6% and 1.9%.
- For 2006 and 2007 office rental value growth is forecasted to accelerate to be the strongest sector. Over those years some forecasters are relatively bearish about the prospects for standard shops and shopping centres.
- Over the 5-year period 2005-09 (inclusive), offices are forecasted to show strongest, and above likely inflation, rental value growth at 3.8% pa, followed closely by retail warehouse at 3.7% pa. Standard shops, shopping centres and industrial are lagging behind inflation on a five-year view.
- As previously noted this diversity of views is good news for the developing property derivatives market, and may add impetus to sector specific, rather than all property, derivative contracts. Investors may also exploit the range of sector views using sector specific indirect vehicles.
- For 2005-09, a rental value growth recovery is forecasted for West End offices with 5.2% pa average rental value growth and the City at 4.4% pa.
- Sector total return forecasts place retail warehouse as the top performer in 2005 before offices perform well for 2006 and 2007. On the five-year view, offices are tipped to be the best performing sector at an average total return of 9.6% pa.
- West End and City offices expected to outperform all five of the main sectors on the five-year view.
- The weakest sectors to be standard shops and shopping centres perhaps reflecting concerns about the strength of consumer expenditure. However all sectors will give real r eturns for 2005-09.

Clear diversity of views for the outlook for yields in 2006 and 2007.

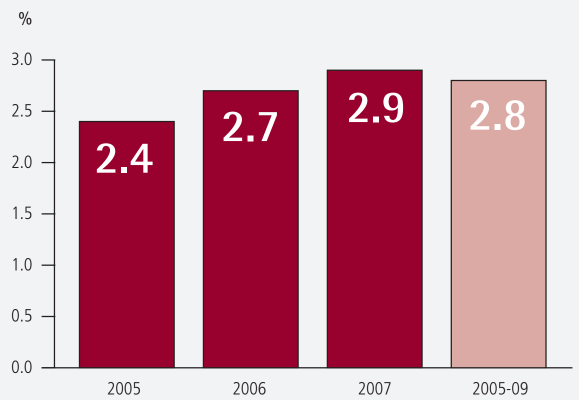
- The capital growth forecasts show some forecasters believe yields are structurally lower following the significant falls seen in 2003 and 2004. Some believe there will be further falls in yields generating capital growth. Other forecasters predict yield increases in 2006 and 2007 giving sustained capital values falls, however the income yield will offset any capital values falls to give positive returns.

- Over all periods, retail warehouses have the greatest range of views with some bearish forecasts of 2% pa capital value falls over five years, from yield shift.

All property rental value growth forecasts

The average expectation is for 2.4% rental value growth in 2005, a further modest improvement from the out-turn in 2004. The expectations support the optimism that rental value growth has returned to the UK property markets, although rental value growth is expected only to broadly match inflation.

Figure 2: Average rental growth



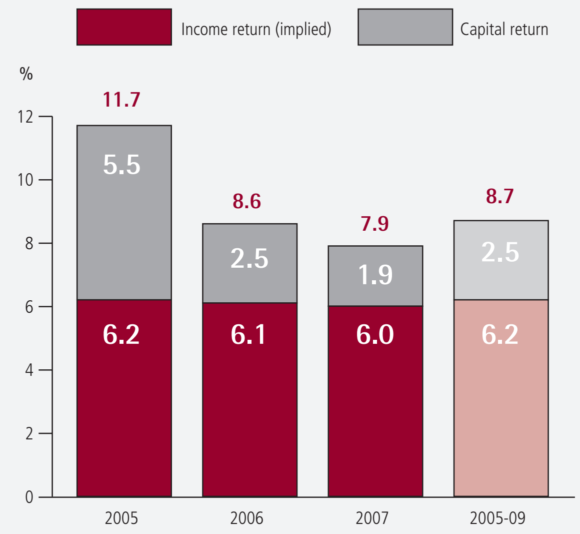
Thereafter, the consensus is for the improvement to continue with 2.7% rental value growth in 2006, followed by 2.9% in 2007. The annual average for the five years 2005-09 is 2.8% pa, a reduction from the 3.3% forecast last quarter. This implies that forecasters expect growth to be pretty stable and similar in 2008 and 2009.

All Property total return forecasts

Forecasters continue to see five good years for property, with unchanged average returns of 8.7% pa, over 2005-09. However for 2005 the forecast is now 11.7% total return up from 10.6% in the February survey. This increase is attributable to an increased capital growth forecast of 5.5%, implying a further reduction in property yields in 2005, as rental value growth is only 2.4%.

The average total return for 2006 is slightly up at 8.6% (from 8.4%), but this has weakened in 2007 to 7.9% from the previous 8.1% forecast. With the strength of 2005 this implies a weakening of views for 2008 and 2009.

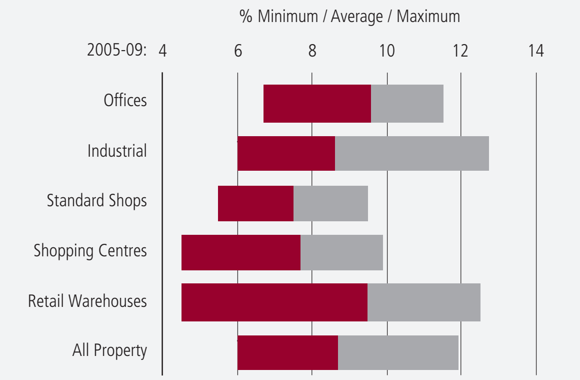
Figure 3: Average total returns



Sector total return forecasts

The five-year consensus view for 2005-09 remains that offices, with a return of 9.6% pa, will be the best sector, followed by retail warehouses at 9.5% pa. Shopping centres at 7.7% will be just ahead of standard shops at 7.5% pa. Industrials have an unchanged return of 8.6% pa.

Figure 4: Total returns by sector



There remains a wide range of views in all sectors, arising from differing beliefs about yields. Some forecasters see, on average, five year falls in capital values for industrial and the three retail sectors. Clearly they are forecasting a reversal of the steady fall in property yields experienced over the last two years. Others seem to believe that yields are structurally lower and indeed some further reduction in property yields will flow from the recovery in rental value growth.

Despite the range of views on yields, all forecasters are agreed that all the sectors will deliver returns ahead of inflation over the next five years, because of the high income yield.

All Property survey results by contributor type
(Forecasts in brackets are February 2005 comparisons)

Figure 5: Property advisors and research consultancies (12 contributors)

	Rental Value Growth %						Capital Value Growth %						Total Return %					
	2005		2006		2007		2005		2006		2007		2005		2006		2007	
Maximum	3.2	(3.5)	3.6	(4.4)	4.5	(5.1)	7.4	(6.6)	4.2	(4.8)	5.0	(5.3)	13.2	(13.2)	9.9	(10.7)	10.6	(11.1)
Minimum	2.0	(2.0)	2.1	(1.2)	2.2	(2.0)	3.5	(2.0)	1.0	(1.0)	1.2	(1.3)	10.3	(9.9)	7.1	(7.4)	7.0	(7.1)
Range	1.2	(1.5)	1.5	(3.2)	2.3	(3.1)	3.9	(4.6)	3.2	(3.8)	3.8	(4.0)	2.9	(3.3)	2.8	(3.3)	3.6	(4.0)
Median	2.6	(2.4)	3.1	(3.0)	3.2	(3.1)	4.8	(3.8)	2.2	(2.2)	2.3	(2.3)	11.4	(10.5)	8.5	(8.3)	8.6	(8.8)
Average	**2.5**	**(2.4)**	**2.9**	**(2.8)**	**3.3**	**(3.4)**	**5.1**	**(4.4)**	**2.4**	**(2.2)**	**2.5**	**(2.6)**	**11.5**	**(11.2)**	**8.5**	**(8.5)**	**8.7**	**(8.9)**

Figure 6: Fund managers (11 contributors)

	Rental Value Growth %						Capital Value Growth %						Total Return %					
	2005		2006		2007		2005		2006		2007		2005		2006		2007	
Maximum	3.0	(2.6)	2.9	(3.0)	3.5	(3.0)	8.5	(5.6)	6.4	(6.4)	4.1	(3.9)	15.7	(11.7)	12.3	(12.3)	9.2	(10.6)
Minimum	1.5	(0.9)	1.7	(1.7)	1.4	(1.9)	3.0	(1.2)	-1.0	(-2.5)	-1.5	(-2.5)	9.0	(7.8)	5.0	(4.0)	5.0	(4.0)
Range	1.5	(1.7)	1.2	(1.3)	2.1	(1.1)	5.5	(4.4)	7.4	(8.9)	5.6	(6.4)	6.7	(3.9)	7.3	(8.3)	4.2	(6.6)
Median	2.3	(2.0)	2.4	(2.4)	2.3	(2.4)	5.5	(3.9)	2.1	(1.5)	0.7	(0.9)	11.7	(10.1)	8.7	(8.1)	6.9	(7.1)
Average	**2.2**	**(1.9)**	**2.3**	**(2.3)**	**2.3**	**(2.4)**	**5.6**	**(3.5)**	**2.2**	**(1.6)**	**0.8**	**(0.9)**	**11.8**	**(10.0)**	**8.3**	**(7.9)**	**6.7**	**(7.1)**

Figure 7: Equity brokers (4 contributors)

	Rental Value Growth %						Capital Value Growth %						Total Return %					
	2005		2006		2007		2005		2006		2007		2005		2006		2007	
Maximum	4.0	(3.1)	4.0	(4.0)	3.6	(3.6)	10.0	(10.0)	5.0	(4.0)	4.0	(4.0)	14.0	(13.0)	10.5	(10.0)	10.0	(10.0)
Minimum	1.2	(1.2)	2.3	(2.3)	3.0	(3.0)	2.8	(2.8)	2.2	(2.2)	2.5	(2.5)	8.8	(8.8)	8.2	(8.2)	6.0	(9.0)
Range	2.8	(1.9)	1.7	(1.7)	0.6	(0.6)	7.2	(7.2)	2.8	(1.8)	1.5	(1.5)	5.2	(4.2)	2.3	(1.8)	4.0	(1.0)
Median	2.8	(2.0)	3.0	(3.0)	3.0	(3.0)	6.0	(6.2)	3.8	(3.5)	3.3	(3.3)	12.3	(11.8)	9.5	(9.4)	9.2	(9.4)
Average	**2.7**	**(2.3)**	**3.1**	**(3.0)**	**3.2**	**(3.2)**	**6.2**	**(6.2)**	**3.7**	**(3.3)**	**3.3**	**(3.3)**	**11.8**	**(11.4)**	**9.4**	**(9.2)**	**8.6**	**(9.4)**

Figure 8: All forecasters (27 Contributors)

	Rental Value Growth %						Capital Value Growth %						Total Return %					
	2005		2006		2007		2005		2006		2007		2005		2006		2007	
Maximum	4.0	(3.5)	4.0	(4.4)	4.5	(5.1)	10.0	(10.0)	6.4	(6.4)	5.0	(5.3)	15.7	(13.2)	12.3	(12.3)	10.6	(11.1)
Minimum	1.2	(0.9)	1.7	(1.2)	1.4	(1.9)	2.8	(1.2)	-1.0	(-2.5)	-1.5	(-2.5)	8.8	(7.8)	5.0	(4.0)	5.0	(4.0)
Range	2.8	(2.6)	2.3	(3.2)	3.1	(3.2)	7.2	(8.8)	7.4	(8.9)	6.5	(7.8)	6.9	(5.4)	7.3	(8.3)	5.6	(7.1)
Std. Dev.	0.6	(0.6)	0.5	(0.7)	0.8	(0.8)	1.7	(2.0)	1.6	(1.7)	1.6	(1.6)	1.5	(1.5)	1.6	(1.6)	1.5	(1.6)
Median	2.4	(2.0)	2.6	(2.5)	2.8	(2.8)	5.3	(4.0)	2.4	(2.2)	1.8	(1.9)	11.7	(10.5)	8.8	(8.3)	7.8	(8.7)
Average	**2.4**	**(2.2)**	**2.7**	**(2.6)**	**2.9**	**(2.9)**	**5.5**	**(4.3)**	**2.5**	**(2.1)**	**1.9**	**(2.0)**	**11.7**	**(10.6)**	**8.6**	**(8.4)**	**7.9**	**(8.1)**

Notes:

1. Figures are subject to rounding, and are forecasts of 'all Property' or relevant segment Annual Index measures published by the Investment Property Databank. These measures relate to standing investments only, meaning that the effects of transaction activity, developments and certain active management initiatives are specifically excluded.

2. To qualify, all forecasts were produced no more than three months prior to the survey.

3. Maximum – The strongest growth or return forecast in the survey under each heading.

4. Minimum – The weakest growth or return forecast in the survey under each heading.

5. Range – The difference between the maximum and minimum figures in the survey.

6. Median – The middle forecast when all observations are ranked in order. The average of the middle two forecasts is taken where there is an even number of observations.

7. Average – The arithmetic mean of all forecasts in the survey under each heading. All views carry equal weight.

8. Standard deviation – A statistical measure of the spread of forecasts around the mean. Calculated at the 'all forecasters' level only.

Forum Activities and Announcements

Education

In addition to the highly successful Advanced Education Programme, we ran in excess of 30 lectures, technical briefings, workshops and member only meetings over the last 12 months. Events were held in London, Scotland, the Midlands and the North. For the first time, a new format was introduced – Technical Briefings. These sessions are designed to go 'back to basics' in key investment topic areas.

In response to demand, a new one-day workshop was also launched: Introduction to Property Derivatives. It proved so popular that we had to re-run it four times to cope with demand. Over the summer we plan to roll this out further and will be expanding the range of derivates related courses we offer.

Research

The Joint Research Programme has been running for nearly two years now, and has a wide programme of projects. We have completed and published two projects and a further three are in the publication/release phase. Four projects, plus work on global investment performance standards, are in progress with a number of others in the pipeline. Members' ideas for further research projects are always very welcome.

The summary results of two projects are presented in this edition of Forum View: The Size and Structure of the UK Commercial Real Estate Investment Market and Investment Performance and Lease Structure Change in the UK. The full reports will be published shortly, together with the depreciation project.

We are undertaking a joint project Institutional Investment in Regeneration: necessary conditions for effective funding with the BPF, English Partnerships and British Urban Regeneration Association. In the past we have worked with the BPF and RICS on Opening the Door to Property. We are finalising details of a project with English Heritage and the RICS: The Investment Performance of Listed Office Buildings.

Work on extending the IPF's regular market reports continues. The IPF Consensus Forecasts has been greatly enhanced and extended, and is reported in this edition of Forum View. They now provide forecasts for the main segments of the market; office, standard shops, shopping centres, retail warehouse and industrial. Plus sub segment forecasts for West End and City offices. The time horizon is now extended to five years. The Transaction Report quarterly is programmed for launch in summer 2005, and the replacement Investment Intentions Survey should also be started in summer 2005.

Research output was used in submission to Government on REITS, upward only rent reviews and more recently the Treasury has been provided a preview of the work on the Size and Structure of the UK Commercial Real Estate Investment Market. It is widely acknowledged that the research is of high quality and independent, and for this we have to thank our research teams that undertake the work and the project steering group of IPF members that oversee each project. Most importantly we owe a large debt of gratitude to the 16 Donors who have funded the programme alongside the IPF Educational Trust and the IPF. We gratefully acknowledge the contributing organisations:

Capital & Regional	Donaldsons
Grosvenor	GVA Grimley
Investment Property Databank	KPMG
La Salle Investment Management	Land Securities
Lovells	Morley Fund Management
Nabarro Nathanson	Prudential Property Investment Managers
Quintain Estates & Development	Scottish Widows Investment Partnership
SJ Berwin	Strutt & Parker

Social events

As ever, aside from the education and research side of the Forum's activities, the 'networking/social events' undertaken by the Forum continue to thrive.

The year began with the IPF Annual Lunch, where IPF President Alastair Ross Goobey addressed the 1000-strong audience for what was his final IPF appearance as he announced that he would be stepping down from the role of President at the AGM in June after 10 years at the helm. He has been extremely supportive to the Executive and I am sure he will not be a stranger to the Forum in the future.

In May, over 150 members attended the Lunchtime Forum visits held at the Football Association headquarters in Soho Square. Held on consecutive Thursdays, members were given some insight into the Wembley stadium development and its financing. On both occasions, we were also fortunate enough to hear from Sir Geoff Hurst and Sir Trevor Brooking and, for some, a childhood dream was realised as they were given the opportunity to lift the FA Cup. We are very grateful to Rory Heron of Wembley National Stadium Ltd who facilitated the visit for us.

A number of activities have also taken place in the regions. The Midlands region held its annual Hot Property charity fundraiser at the Jam House in April and this was followed a month later with the Annual Midlands Lunch at the Hyatt Regency in Birmingham where Clive Dutton, Director of Planning and Regeneration at Birmingham City Council outlined his plans for the city's development over the coming years. The regional committee in Scotland also organised a successful visit to the new Scottish Parliament building.

Events coming up:

8 September 2005 – Half-day Conference
Caledonian Hilton, Edinburgh

Following last year's excellent conference, we are pleased to announce that this year's conference programme is being finalised with confirmed speakers including Paul McNamara of Prudential Property Investment Managers who will deliver a paper on sustainability, Ian Marcus of Credit Suisse First Boston who will provide an update on REITs and Iain Reid of Protego who will discuss property derivatives. For further details, contact Assistant Director, Sabrina Wisner, 020 7334 3799.

20 October 2005 – Midlands Region Annual Dinner
ICC, Birmingham

We are now taking bookings for the Midlands Region Annual Dinner, sponsored this year by Abstract Land and First Title, which takes place on 20 October at the ICC in Birmingham. This is a hugely popular event and the after dinner speaker will be former England Rugby play Brian Moore. The booking form is being sent out to all members and the purchase of tables will be restricted to IPF members as is the case at the Annual Lunch and Dinner in London. For further details, contact Membership and Marketing Director, Vivienne Wootten on 020 7695 1520.

10-11 November 2005 - IPD/IPF Property Investment Conference: The Grand Hotel, Brighton

The premier conference in the UK real estate calendar – with essential analysis, inspiring speakers, lively discussion and fantastic networking opportunities, the conference is entering its 14th year, and will be held once again at The Grand Hotel in Brighton. This two-day event attracts over 400 property professionals.

This year's conference focuses on three themes: a 'long wave' look at the market, a review of the latest information driven approaches to return delivery, and a look at management house challenges in executing their strategies.

Theme 1 Property markets: from cyclical to secular dynamics?
A broadly based opening to the conference, built around a provocative 'futurologist's' picture of the socio-economic environment for real estate investment over the next 10+ years

Theme 2 Driving performance and defining success
Leading edge research session on investment strategy formation and performance assessment methods.

Theme 3 Executing the strategy
The final step: a broad based strategy implementation session on assessing and exploiting the alternatives now available to a broad based management house for converting sophisticated real estate investment strategies into delivered performance.

For further information, please phone IPD Events:
+44 (0)20 7643 9340.

Advanced Education Programme

This begins again in October 2005, and the following modules are on offer:

Property as an Asset Class	10, 11, 12 October 2005
Accounting and Taxation for Property Investors	7, 8, 9 November 2005
Introduction to Investment Valuation & Portfolio Theory	23, 24, 25 January 2006
Financial Instruments & Investment Markets	20, 21, 22 February 2006
Advanced Portfolio Management	10, 11, 12 April 2006
Advanced Property Investment Appraisal	31 May, 1, 2 June 2006
Advanced Property Finance & Funding	17, 18, 19 July 2006

Property Derivatives Interest Group (PDIG)

The work of PDIG continues apace and the new website will soon be complete. PDIG will be formally launched in September, but members will be given access to the new web resources over the summer. More on this soon.

Staff Changes at the IPF

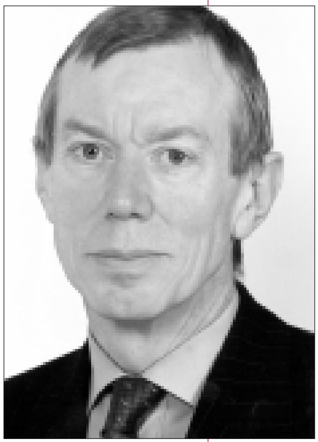
We would like to introduce to you the new Assistant Director, Sabrina Wisner, who joined the IPF team in mid June. Sabrina comes to us with a wealth of educational experience and will be involved predominantly in the Advanced Education Programme and developing the regional CPD programme.

Applications for PhD Studentship at the University of Sheffield

The IPF Educational Trust (IPFET) is supporting a PhD Studentship at the University of Sheffield, under the supervision of Professor John Henneberry. The study will build on the IPF Joint Research Programme research project Liquidity in the Commercial Property Markets by looking at the liquidity of the 'buy side' of the property investment market. The PhD studentship has attracted a CASE award from the ESRC and the IPFET is supplementing this CASE award with an additional bursary. The University and IPFET invite applications for the PhD studentship. Full details are available from J Henneberry (j.henneberry@sheffield.ac.uk) or C Follows (cfollows@ipf.org.uk).

Ten Years of the Investment Property Forum

This edition's spotlight falls on retiring IPF president Alastair Ross Goobey



Alastair Ross Goobey

The 10 years in which I have had the honour to be the President of the Investment Property Forum has seen a transformation in the size and scope of the organisation. With that has come a rise in the influence the Forum has on the development of investment techniques and government policy. The Forum has not been alone in this, but has brought in more senior non-surveyors into deliberations about investment property, and has been able to act closely with the RICS and the British Property Federation to bring a suitably professional approach to property questions in the UK.

However, introversion remains a problem among many property professionals, particularly the older generation. The major influence on property investment over the past 10 years has not generally been the domestic property professionals, but financiers of one sort or another – the investment banks and the finance driven investors. The circumstances for debt-driven investors has been uniquely favourable, with falling long and short-term interest rates and a steady economy leading to rental growth in some, if not all, areas. It is still a blemish on the face of the industry that few of those educated in the professional environment of the 1970s and 1980s have been able to lift their eyes to the opportunities created by the new environment. As John Ritblat, the Chairman of British Land, has said in his statement accompanying the preliminary results of his company for the year ending in March 2005, "half our business is simply about money." It is no good property investors concentrating wholly on the other, (very important half) the selection of the assets.

The educational programmes that were originally set up by Amanda Keane, our director, have been highly popular and influential in persuading a new generation that there is more to property investment than the bricks and mortar. The academic institutions too have changed their own courses to reflect this perception. In addition, the formation of the Educational Trust has meant that the Forum can be associated with high quality research into the major issues of the day, from upward only rent reviews to REITs. These serious pieces of research have had their influence on government thinking in these areas, and members of the IPF have been invited to join working and advisory groups by government departments.

We must also acknowledge that the Forum has turned into a wonderful opportunity for our members to meet and exchange views and gossip. The annual lunches and dinners are regularly over-subscribed, and we have had a plethora of entertaining and authoritative speakers to amuse and inform us on those occasions. The regional branches of the Forum have also grown dramatically over the past 10 years, thanks to the enthusiasm of leading members in those centres, and I hope this trend will continue.

I believe that we have all learned a lot about property investment over the decade. Techniques that were unusual, or rarely found, in the traditional investing institutions are now commonplace. We understand the difference between the market value of properties and their intrinsic value as financial instruments. Investors have learned to separate out the various risks they take when investing: location risk, tenant risk, interest rate risk and obsolescence risk.

Some of the old certainties have been challenged. Thirty years ago I recall one investor recommending an investment in Town & City Properties at the end of 1974 (the bottom of the worst bear market I have lived through) because its major asset was Berkeley Square House, in which British Leyland was the major tenant. O tempora, o mores. We observe how what appear to be the safest covenants can be transformed by corporate actions from within (the G3 auctions for the telecoms companies, or Marconi's spending spree in cash), or from without (a leveraged buy-out), to a rather weak occupier. We note the gradual, but relentless, reduction in average lease length. The rise of PFI/PPP and outsourcing has created another market in property-related transactions. Pooled funds have given property companies and institutions the opportunity of diversifying their own portfolios while creating a profit centre with a clear commercial stimulus to prove their worth as property portfolio managers. How many will be able to establish their credentials in this way is open to question, but, meanwhile, let a thousand flowers bloom. Such managers will come under much greater external scrutiny should we finally see the creation of UK-REITs next year.

The past 10 years have been a complete pleasure for me. The work done by successive members of your Board has been extraordinary. It is entirely voluntary, and quite time-consuming, especially for the current Chair. However, the Board has been driven by the recognition that the property industry needs to embrace change, and present a more rounded approach to its clients and the outside world. My admiration for them knows no bounds, and, on your behalf, I thank them profusely for having been able to be associated with the fruitful efforts made on our behalf by them.

The Forum is set to continue to flourish, and I certainly intend to offer my services to it whenever the Board think it useful, but I am a great believer in refreshment at the top, and 10 years is long enough for someone to serve as President.

Farewell.

IPF Investment Property Forum

Midlands Region Annual Dinner 2005

Thursday 20 October 2005

International Conference Centre, Birmingham

18:30 for 19:30
Black Tie

Ticket Price £76 (inclusive of VAT)
per person (excluding wine and liqueurs)

We are pleased to announce that we are now able to take bookings for the Investment Property Forum Midlands Region Annual Dinner 2005.

A highlight in the Midlands Property calendar, this hugely popular event is always sold out far in advance and so in order to avoid disappointment, IPF members may reserve tables for the dinner by calling Membership and Marketing Director, Vivienne Wootten on 020 7695 1520.

Tables will be for ten – all business associates and colleagues are welcome. Individual bookings can also be made and, in this case, please indicate if you wish to join a table with specific people.

Please note that wine orders, hosted bars and special dietary requirements must be arranged directly with the International Convention Centre. Contact details for the ICC will be supplied on confirmation of your booking together with guest invitations.

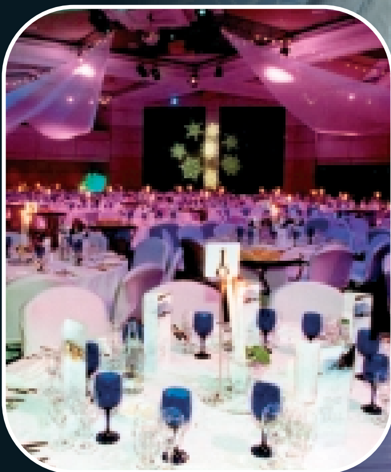
To book please contact
Vivienne Wootten on:

020 7695 1520

or email: vwootten@ipf.org.uk

Guest Speaker:
Brian Moore
FORMER ENGLAND RUGBY PLAYER

Brian played 64 times for England, and won five Lions caps in a career that ran from 1985 to 1997.



This event is being kindly sponsored by:

FirstTitle

ABSTRACT LAND

Investment Property Forum

The Chairman and Management Board of the Investment Property Forum congratulate the following professionals who have been awarded the

Investment Property Forum Diploma

in 2004 following the successful completion of the **IPF's Advanced Education Programme.**

Nigel Binmore
Knight Frank

John Danes
Arlington Property Investors

John Duxbury
Prudential Property Investment Managers

Naomi Green
Henderson Global Investors

Stan Lersh
Mutual Finance Ltd

Alasdair McGowan
Grosvenor

Julia Middleton
Cushman & Wakefield Healey & Baker

Nick Moore
Warner Estate Holdings

Michael Morris
ING Real Estate Investment Management

Cameron Murray
Scottish Widows Investment Partnership

Julian Norbury
Chase & Partners

Alex Price
Palmer Capital Partners

The IPF's Advanced Education Programme is designed to help qualified property professionals at all levels develop expertise in finance, investment and real estate. The course comprises a series of short modules, held in Central London, that can be taken individually or as a complete programme. Participants are given the choice to take assessed or non-assessed routes – the assessed route leads to the Investment Property Forum Diploma.

Modules:

- Property as an Asset Class
- Accounting and Taxation for Property Investors
- Introduction to Investment Valuation & Portfolio Theory
- Financial Instruments & Investment Markets
- Advanced Property Investment Appraisal
- Advanced Property Finance & Funding
- Advanced Portfolio Management
- International Property Investment

The IPF is a membership organisation at the forefront of the property investment market. Its mission is to improve the awareness, understanding and efficiency of property as an investment for its members and other interested parties by:

- undertaking research and special projects;
- providing education; and
- encouraging discussion and debate.

For more information about the IPF's Advanced Education Programme see www.ipf.org.uk or call the Programme Office on 01223 477150.