

FORUM *view*

MAGAZINE OF THE INVESTMENT PROPERTY FORUM – ISSUE No8 – JUNE 2002

FUTURE FORUM

WHERE DID THE TIME GO?

Although at the time of writing, I have another month before my term in the chair ends, the last eleven have flashed by. I hope you will agree that we, the Management Board, have at least partly fulfilled my theme for the year of "increasing the profile and relationships with other related bodies to achieve the Forum's objectives". I remain of the view that if the status of property as an investment is going to continue to grow, we have to keep pushing the boundaries and knowledge of those outside the narrow focus of our day to day activities.

I am delighted that honorary membership of the Forum has been accepted by John Rogers, Chief Executive – UK Society of Investment Professionals, Digby Jones, Director General – Confederation of British Industry, Jenny Rosser, Acting Director General – National Association of Pension Funds (membership will transfer to Christine Farnish when she takes up her position as new NAPF Chief Executive in July 2002), Liz Peace, Director General – British Property Federation and Klaus Schreiner – Association of Property Bankers.

In addition, several joint events have taken place with organisations including UKSIP and APB with plans for others, for example, with NAPF and the Institute of Actuaries later in 2002.

SO WHAT OF THE FUTURE?

We are a members' organisation and your input and views are important. The Management Board has set up a 'Vision Committee' to critically review the next stages of the Forum's development. Committee composition is as follows:

- **David Hutton**
Lend Lease Europe,
Vision Committee Chairman
- **Paul McNamara**
Prudential Portfolio Investment Managers,
Education Chairman
- **John Gellatly**
Credit Suisse First Boston,
Research Chairman
- **Andy Martin**
Strutt & Parker,
Honorary Treasurer

- **Martin Moore**
Prudential Property Investment Managers, *Past Chairman*
- **Steven Fogel**
Dechert,
Chairman elect
- **Rob Bould**
GVA Grimley,
Chairman
- **Amanda Keane**
Executive Director

If you have a view on our direction please let us or any member of the Management Board know.

With the breadth and nature of our membership, it is often difficult to arrive at a consensus view, however, my perception from the Management Board meetings and feedback from members, is that we wish to remain a non-lobbying, not for profit members' group, providing education, unbiased quality research and the opportunity for networking.

Although non-lobbying, we should not be afraid to "crusade" on major issues consistent with our objectives that will affect the operation of the property market. For example, the 'Case for property' or modernising Stamp Duty.

I think we are exceptionally well placed to be regarded as the "thought leaders" of the property investment market and this position can only be reinforced as we proactively develop our research programme under the research committee's chairmanship of John Gellatly.

Thanks to our Executive Director, Amanda Keane's efforts and hard work, our education "offer" is well advanced. However, we have a lot more to do on the research side. Stephen Palmer, our temporary Research Consultant, has provided an excellent start, but we must now move forward with the Educational Trust to properly resource this aspect of the Forum's work for the benefit of the members and wider property industry – aspirational visions of "thought leaders" is all well and good, but it has to be supported by quality facts and unquestionable logic.

I am very pleased that Steven Fogel has agreed to succeed me as Chairman of the Forum and that he will be joined by Ian Marcus as Vice Chairman. Both of these highly respected individuals will continue to lead us forward.

I am well aware that the term "networking" is not universally liked, but I believe we can do more to encourage the social interaction and debate between our own members and those outside the Forum – more joint events are high on our agenda.

In 2002, we hope to expand our membership and member services in our current locations, London, Birmingham and Scotland, as well as establishing a new group in the North of England. We are also at the early stages of considering expansion into Ireland.

I am often asked about our relationship with the RICS, which has been very supportive of the Forum. Its philosophy of working with and supporting industry groups like the IPF is warmly welcomed and the financial support from the Valuation and Commercial Property Facilities is greatly appreciated.

We are fortunate as a Forum to have an excellent Management Board. The composition of the Board following the AGM is shown in the table below.

I was particularly delighted that Alastair's contribution to the industry was recognised at this year's Property Week Awards – congratulations and keep up the EG articles!

Finally, I might have the visible role as Chairman, however, our success is really thanks to the commitment of volunteers who sit on all the working



groups that make the Forum such a success. To those committee members, thank you for all your hard work and enthusiasm.

Most important of all, none of this would be possible without the support provided by the Forum's Executive Team led by Amanda Keane, Executive Director and Vivienne Wooten, Assistant Director.

I have immensely enjoyed by time as Chairman and I am sure Steven will enjoy the experience just as much – good luck.

Rob Bould
Chairman

IPF MANAGEMENT BOARD 2002/3

ALASTAIR ROSS GOOBEY, President

Steven Fogel , Chairman	Dechert
Ian Marcus , Vice Chairman	Credit Suisse First Boston (Europe) Ltd.
Robert Bould , immediate past Chairman	GVA Grimley
Andy Martin , Honorary Treasurer	Strutt & Parker
Ed Luker	Insignia Richard Ellis
John Gellatly , Research Chairman	Credit Suisse First Boston (Europe) Ltd.
Paul McNamara , Education Chairman	Prudential Property Investment Managers
Fiona Morton , IPF Scotland	Ryden
Ian Womack	Morley Fund Management
Karen Sieracki , CPD Chairman	KASPAR Associates
David Wright	Nabarro Nathanson
Rupert Clarke , Membership Chairman	Jones Lang LaSalle
Martin Moore	Prudential Property Investment Managers
Nicholas Ritblat	The British Land Company Plc.
Michael Brown	Helical Bar Plc.
Hapri Sehmi , IPF Midlands	GVA Grimley
David Hutton , Vision Chairman	Lend Lease Europe
Peter Freeman	Argent Group Plc.

IN THIS ISSUE

02 PRIVATE INVESTORS 04 EDUCATION 06 FORECASTS 08 RESEARCH
09 GIPS 10 FORUM 11 PEOPLE 12 INDUSTRY UPDATES



Private Investors – A New Force in

Mark Cooper, journalist with Estates Gazette and n

Property dealing has always been seen as the province of the heavyweight investor – public property companies, the institutions and the super-rich private investor. Now there is a new player in town, the man or woman in the street and everyone in the industry sees an opportunity to get a slice of the action.

Fed up with the erratic performance of the stock market in recent years, encouraged by the recent performance of their main existing property asset (annualised house price rises hit 15% again this year) and seeing the stability of property returns, private investors have been clamouring to get into the market.

In 2000, the UK Treasury stymied the property industry's attempts to create a securitised property vehicle, along the line of a US REIT (it claimed such vehicles would cause it to lose out on tax). Since then the industry has been forced to look at new ways and re-examine old ways to bring commercial property to a wider ownership.

The recent IPF lecture, *Private Investors: A New Force In The Property Investment Market*, brought together some of the leading players attempting to increase the options for the private property investor. The speakers at the lecture included William Hill, Schroder Property Investment Management; David Mitchell, Scottish Widows; Ian Blake, Matrix Securities; Robin Christie, PrimePitch and Nigel Bennett, Deutsche Asset Management (Chairman).

Speakers outlined four of the main options open to the private investor, targeted at people with anything from a full year's ISA allowance of £7,000 to £250,000 to put in to the market, and gave their thoughts on how the market might develop.

William Hill, managing director of Schroders Property Investment Management, said that lack of liquidity and barriers to entry made it difficult for the private investor to invest in direct property.

"Because of the limited funds available to most private investors, they cannot get a piece of the best property assets," he said. "And this is at a time when prime property lot sizes are getting bigger, even beyond the range of smaller institutions."

"The direct market is also illiquid and transaction costs are high – for a private investor, transaction costs can be as much as 16% of his equity depending on the level of gearing."

Hill and Schroders are promoting Property Unit Trusts (PUTs) as one way of getting round these obstacles for the more sophisticated private investor. They have been around for 30 years for pension funds but a new offshore version opens them up to high net worth individuals. These funds are becoming a significant part of the indirect market.

There are a variety of PUT and PUT-type products open to private investors, said Hill. All of these have advantages over direct property in terms of transaction costs, regular performance measurement and ease of access to the

property market.

However, Hill admitted that "the secondary market in units, whilst established for the pension fund PUTs, is still in its infancy for the new offshore funds. However, the first raft of transactions are now taking place and a momentum is building as investors appreciate the significantly lower transaction costs over direct property."

Liquidity is less of a problem for Scottish Widows UK Balanced Property Fund, a listed fund designed primarily for the small investor. As well as being available as part of an ISA, shares can be bought on the open market.

Since its launch in March, the fund has been widely traded – more than 2m shares were traded on one day in April, although the average is around 500,000.

"We've been trying to come up with a good property product for some time," said Scottish Widows' head of property, Tom Laidlaw. "It's a plain vanilla, nice sensible equity structure and a very tax-efficient vehicle."

Scottish Widows has been successful in attracting the small investor and other institutions, such as Threadneedle, Standard Life, AXA, Aberdeen Property Investors and Prudential are all looking at devising property investment formats for ordinary investors.

Matrix Securities and PrimePitch both give the private investor a way in to the property market. However, both are aimed at investors with a fair amount of cash. "We are not targeting the man with £5,000 – our investors put in around

£75,000 of equity apiece, and property will be just one part of their portfolio," said Ian Blake of Matrix.

Matrix sets up highly-leveraged investment syndicates which then go on to buy only long-let prime buildings and big lot sizes (recent deals have seen Matrix syndicates buy buildings for more than £100m). This gives investors a direct stake in the most prime of prime property, said Blake.

"Most of our investors are pretty sophisticated and are investing for capital growth rather than the income return (in contrast to Scottish Widows' product)".

However, he admits that, once an investor is in, he or she is in for the life of the syndicate, and that it would be difficult, in practice, to trade a stake in a syndicate (although ownerships have been changed – mainly due to death or divorce).

Similarly, PrimePitch offers an easier way for the fairly knowledgeable property investor (and with £200,000 - £5m to spend, including debt) or his agent to see what's available in the slightly less prime end of market and to enable deals to be carried out quicker.

Investors who use the PrimePitch online service can view details on a variety of secondary properties and are able to make buying decisions a lot more quickly than was possible in the traditional market. PrimePitch founder Robin Christie is pleased that deals have been done within a day using the service.

Again, however, a property bought through PrimePitch is still subject to the same

n The Property Investment Market

ew contributor to Forum View, reviews recent lecture

charges and taxes as any other direct property deal. Christie is also keen to stress that “we do not want to dis-intermediate the agent from the buying and selling process – they are essential to what we do.”

It could be argued, however, that with enough information available on PrimePitch

and if it can develop the transactional side of its service, principal to principal transactions could be carried out without the need for agents.

Two things were made clear by the seminar discussion: one - that none of these products provide a “one-stop-shop” for the private property investor

and two – that it’s highly unlikely to ever happen.

For the future, William Hill hopes we will be able to trade units in his trusts on-screen as quickly as shares. Robin Christie will offer more properties to more investors and make it easier for them to buy and Matrix Securities is looking at bigger properties and

bigger arenas (it is starting to look for deals on the continent).

And by the end of this year, there will be a lot more vehicles like the UK Balanced Property Fund open to investors with just a few thousand or even a few hundred pounds to put in to property.

Scottish Widows UK Balanced Property Trust

Scottish Widows launched the trust in March this year, issuing 150m shares, raising £151m of equity and £69m of debt. It is a closed-ended Guernsey-registered fund listed on the London and Channel Island stock exchanges. Management fees are 1% pa.

It offers a gross dividend yield of 7% pa, paid quarterly. This is more than the yield normally available from other equities or bonds with a similar risk profile and compares favourably with property shares.

The trust was launched with a portfolio of 60-75 properties, bought from Scottish Widows’ main Life Fund. The initial sectoral split was 56% retail, 34% offices and 10% industrial, with a broad regional spread.

Since launch the fund has spent £60.9m on a portfolio from Schroders.

Matrix Securities

Matrix was set up in 1985 as a finance house providing tax shelter products (such as BES and EIS schemes) for high net worth individuals. It is FSA regulated and has 80 staff, 12

of whom work on property projects.

It has access to more than 7,000 affluent investors, (i.e. not those looking to invest their ISA allowance somewhere different) through the IFA network and has invested more than £1.2bn in property. Matrix plans to grow its portfolio to £10bn over the next five years.

Investments are all structured as property syndicates. Investors put in an average of around £75,000, which is geared up to £500,000. Matrix only invests in prime buildings with long leases.

Matrix takes a fee up front and the deals are structured so that rental income pays off the highly-leveraged debt. Investors will make money on capital value increases when the partnership is wound up.

Matrix started small in property, with the £8m purchase of the Amoco building in Glasgow for £8m. The lot size has grown appreciably since and in March this year it bought Cazenove’s EC2 headquarters from MEPC for £95m.

Unlisted collective property investment schemes

There are several types of schemes: *authorised property unit trusts*, such as Morley’s Norwich Property Trust, which is open to retail investors; *unauthorised property unit trusts* – which are only accessible to retail investors through SIPPS; *offshore unit trusts* – open to retail investors, but only the wealthy (minimum subscriptions of around £250,000 for some although around £25,000 for the open ended funds) and *life managed property pension funds*, the insurance company equivalent of a PUT – unit linked funds open to retail investors.

There is secondary trading of units in PUTs. It has grown significantly over the last few years but volume is of course limited to the actual number of buyers and sellers in the market.

These transactions are done on a matched bargain basis, with the fund operators and HSBC and CSFB active. Transactions can be booked on the day of initiation with settlement normally 3 to 5 days thereafter.

PrimePitch

Launched in June 2000, the online marketing and listing service is aimed at private investors looking to spend between £250,000 and £5m on a commercial property.

PrimePitch can act simply as a listing service, allowing investors or agents to get in touch with vendors and their agents, but it can also arrange property finance and aims to provide a full legal package for property transactions in the future.

Initially aimed as a complimentary service for agents (and does not attempt to “disintermediate” them) but is developing the transaction side. There are 6,500 investors registered with the service and 3,500 agents.

PrimePitch currently has around 75 properties listed and Christie reckons it could turn over £400m of deals a year.

Most of the deals are small (sub-£1m) but the site has helped speed up the selling process – on the sale of a restaurant in Chiswick contracts were exchanged within one day.

Third Birthday Celebrations for the Advanced Education Programme



Amanda Keane

Find it hard to believe that the IPF's Advanced Education Programme has just celebrated its third birthday. In the time, the programme has run four times – 220 students have participated in one or more of the modules and over 30 people have been awarded the full Investment Property Forum Diploma, which is now becoming a recognised qualification in the property finance and investment field.

Since its inception, the programme has always sought to respond to student feedback and at the end of each module, an open session is held where students have the opportunity to put forward suggestions as to how the course might be refined. In addition, the Forum holds regular feedback lunches with students and their employers. Earlier in the year, we also undertook a postal survey of past students to learn more about their motivations for undertaking the Programme.

In response, two major developments have featured this year. The first – **elearning**. An important enhancement for the programme, each module now has a range of web-based resources to support pre and post

course learning in addition to the handbook material. The technology is also now in place to provide opportunities for interactivity among participants and the programme tutors too.

The Forum also plans to launch a new Advanced Education Programme **Faculty Board** later this year. The Board will provide a supporting infrastructure for the current course team and broaden access to specialist topics and speakers. The Board will be drawn from well-qualified and experienced practitioners, academics and researchers in investment fields. The purpose of the scheme is to establish a substantial pool of qualified members, many of whom will contribute directly or indirectly to the taught elements of the modules. This new resource will be of considerable benefit in delivering practical and applied elements of the AEP and will ensure the module content is always up to date and topical.

And finally, one further development worthy of note. 2002 has also been a significant year for the AEP's Academic Committee Chairman – John Story of Unilever. He completed his first AEP module – Advanced Property Investment Appraisal and

already plans to take one or two more. You can read his reflections on the opposite page.

Amanda Keane
IPF Executive Director

SO WHY DO PROFESSIONALS TAKE THE AEP?

Research recently carried out by the IPF, looked at people's motivations for undertaking the IPF Advanced Education Programme. A sample of past students were contacted and asked to complete a detailed questionnaire.

The response level was around 45% which is extremely high given the qualitative nature of the questions.

Top ten reasons for taking the AEP:

- 1 Broadens knowledge base
- 2 Gives students the ability to interact with professionals outside of property
- 3 Is a well-structured and enjoyable programme
- 4 Provides excellent fast-track learning
- 5 Helps to gain a wider understanding of other principle asset classes
- 6 Better able to advise clients on potential acquisitions and purchases
- 7 Modular format is flexible and not overly time-consuming
- 8 The intensive 3-day learning provides good value for money
- 9 Central London location enabling visits to the office before and after studies
- 10 Wanted to move into investment appraisal and the course was recommended



WANT TO SPEAK THE LANGUAGE OF THE OTHER INVESTMENT MARKETS?

Apply for the IPF's Advanced Education Programme

'As the real estate investment market attains parity with the other asset classes as a mature and transparent investment option, those able to grasp the issues will be at a distinct advantage to their peers. This programme equips them for the challenge ahead.'

Hugo Llewelyn, Hawkpoint Partners

The Forum is widely recognised as an organisation at the forefront of the property investment market. The Forum's modular course is aimed at busy professionals wanting flexible education in property investment and finance. Since its launch in 1999, over 220 individuals have participated from a variety of organisations. This programme is structured into a series of 3-4 day modules that can be taken individually or collectively leading to the IPF Diploma.

Modules include:

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

Provided by Cambridge International Land Institute and City University

For further details Log on to www.ipf.org.uk
or contact the IPF Programme Office
Tel: 01223 477150 Fax: 01223 477152
email cili@fitz.cam.ac.uk

AEP Dates for 2002-2003

*Precise dates tbc.

Property as an Asset Class	14-16 October 2002
Accounting and Taxation for Property Investors	20-22 November 2002
Introduction to Investment Valuation and Portfolio Theory	January 2003*
Financial Instruments & Investment Markets	February 2003*
Advanced Property Investment Appraisal	April 2003*
Advanced Property Finance & Funding	June 2003*
Advanced Portfolio Management	September 2003*



Celebrating Success



AEP Diploma Holders 2001

In 2001 prizes for outstanding performance on the Advanced Education Programme were awarded to:

Keith Burman, Jones Lang LaSalle, received the IPF Educational Trust John Whalley Prize for performance in the Diploma.

Morgan Angus, Aberdeen Property Asset Managers, received the IPF Educational Trust Module Prize for performance in a Module.

The Diploma prize was renamed the John Whalley Prize, marking the contribution to the Forum and Educational Trust made by John Whalley over the years.

John, who was Chairman of the IPF in 1994/95, sadly passed away last year.

IPF Diplomas in 2001 were awarded to:

- Morgan Angus, Aberdeen Property Asset Managers Ltd
- Keith Burman, Jones Lang LaSalle
- Ciaran Carvalho, Dechert
- Christopher Edwards, Dechert
- Andrew Hann, F & C Property Investments
- Max Johnson, USS
- Adrian Little, Clerical Medical
- John Miles, Chase & Partners
- Kate Murley, Legal & General Investment Management

- Darren Rawcliffe, Grosvenor
- Adam Sadler, British Airways Pension Fund
- Agata Sekula, Jones Lang LaSalle Corporate Finance Poland
- Simon Taylor, Workspace Group Plc
- Tomasz Trzostko, Jones Lang LaSalle Corporate Finance Poland



Rob Bould, Fae Whalley & Morgan Angus

Reflections on Module 5

It was with some trepidation that I walked into the Edinburgh Room at the RICS at the beginning of the IPF Advanced Property Investment Appraisal module. Three days of tuition lay ahead, and the prospect of being "found out" as I subjected myself to the Assessment (a multiple choice examination) and undertook the Assignment (a post course task based on the subjects covered). I had, though, spent considerable time going through the Course material and exploring Cambridge International Land Institute's website during the two weeks prior. I, thus, felt reasonably up to speed.

A number of people, including one or two incredulous lecturers, have asked why did I do it? The answers are – partly out of curiosity and partly out of a desire to learn.

The curiosity was spurred on by a wish to discover, at first hand, what the course was like and to find out whether or not it fulfils the IPF's ambition in terms of raising levels of skill within the investment property community. I have been involved with the programme since its conception five years ago and still have a responsibility, through the Academic Committee, for its direction. The other aspect, though, was equally important which was to brush up on the subject and to learn something as well.

So, having completed the Module, did it live up to expectations, and did I get something out of it? The answer is affirmative on both counts. The course was well presented and the standard of lecturing was high (our lecturers are leading academics in the field). The opportu-

nities we were given to work through examples in small groups helped to bring the subject to life. I much enjoyed the challenge of thinking round ideas and contributing to the debate. I very much enjoyed meeting up with my fellow students. One aspect that surprised me was the standard of the facilities within the RICS – they are excellent, and the food in the restaurant is very good indeed.

I have been asked for my comments about the Assessment and the Assignment. Did I find them challenging and did I enjoy taking them on? The answer is both yes and no. I must say that I found the multiple choice examination quite tough because we were under a tight time constraint and many of the choices seemed equally plausible. I am, however, pleased that it

was tough because it had been an area of concern to myself and to other members of the Academic Committee (much too easy, thought I – wrong!). The Assessment, on the other hand, was a real challenge of number and of words involving spreadsheets, valuation packages, explanations and narrative.

There is no doubt in my mind that this Module is interesting, informative, challenging and tough. I am more than ever convinced that the Module, and the Advanced Education Programme is fulfilling a need and providing an excellent opportunity to learn.

*John Story
Unilever Pension Fund
Academic Committee Chairman*

Survey of Independent Forecasts UK Property Investment

January 2002

The Forum produces quarterly surveys of property investment market forecasts. The surveys include approximately 30 companies including fund managers, property advisers and equity brokers. The surveys cover commercial property markets performance expectations. The full reports can be downloaded from [www.investmentpropertyforum.com](#)

Introduction

The October 2001 survey was conducted in the immediate aftermath of the terrorist attacks on the US, in a climate of great uncertainty. Perhaps inevitably, this resulted in a significant downgrading of performance expectations for the UK property market, reflected in a markedly more cautious outlook for economic growth.

At that time, economists were highlighting two key risks: firstly, that consumer confidence might enter a downward spiral reinforced by rising unemployment, and secondly that instability in the Gulf region might cause an oil price hike, triggering a full global recession.

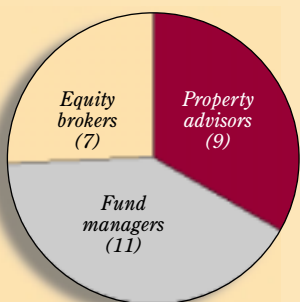
In the event, neither of these fears were realised, although the risks undoubtedly remain. Successive interest rate reductions have helped to sustain consumer spending growth at levels reminiscent of the late 1980s boom, fuelled, as then, by equity withdrawal from the housing market. Weakening demand suppressed oil prices. The contrast between the strength of the consumer sector and an industrial sector in recession has become more pronounced.

For 2002, the consensus expects the UK to experience the strongest growth of any G7 economy, following a similar performance last year. Although property forecasters have downgraded their expectations a little further over the past three months, the dispersion of views has narrowed somewhat. Although rental growth is expected to stall in the short term, capital values are set to stabilise, which will underpin returns. Returns will also continue to be supported by portfolio income growth as rent reviews fall due after the healthy rental growth of recent years.

On balance, the 'all property' total return is expected to end the year marginally higher than the expected out-turn for 2001.

Survey contributors

The current survey is based on the views of 27 contributors, polled during January 2002. Contributors included property advisers, fund managers and equity analysts specialising in the property sector.



Key Points

- UK property has comfortably out-performed equities and gilts for a second successive year.
- The consensus estimates that the IPD Annual Index will show a total return of 6.8% for 2001 when the results are released shortly.
- For 2002, opinion is divided between those who expect a modest decline in rental values and those anticipating a small improvement.
- On balance the 27 forecasters in the current survey expect no rental growth this year.
- Across the market capital values are expected to stabilise in 2002, with growth resuming in 2003.
- The consensus forecast of total return for 2002 is now 7% (essentially an income return only), down from 7.8% three months ago.
- The different groups of forecasters have contrasting views of 2002 returns: property advisers see a modest pick-up compared with 2001, fund managers see little change, and equity brokers expect a deterioration.
- All groups of forecasters expect a performance upturn in 2003, with the total return recovering to 9.4%.
- The range of return expectations between the highest and lowest forecast remains wide for both 2002 and 2003 at 6.4% and 7.7% points respectively.
- This confirms that property is not immune from the uncertainty currently seen across all financial markets.
- IPD Annual Index: 'all property', standing investments only.

Survey results (forecasts in brackets are October 2001 comparisons)

Property Advisors (9 participants)									
	Rental value growth			Capital growth (%)			Total return (%)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
Maximum	3.0 (3.9)	2.1 (3.5)	4.3 (5.0)	1.0 (0.5)	2.0 (3.2)	4.7 (4.9)	7.3 (7.5)	9.2 (10.4)	11.9 (12.0)
Minimum	2.0 (2.0)	-2.0 (-2.0)	0.0 (0.0)	-1.1 (-1.0)	-2.0 (-2.5)	0.0 (0.0)	6.0 (6.0)	5.0 (5.0)	7.5 (8.0)
Range	1.0 (1.9)	4.1 (5.5)	4.3 (5.0)	2.1 (1.5)	4.0 (5.7)	4.7 (4.9)	1.3 (1.5)	4.2 (5.4)	4.4 (4.0)
Median	2.5 (3.0)	0.6 (2.4)	2.0 (3.2)	-0.2 (-0.3)	0.0 (1.5)	1.9 (3.0)	6.6 (6.8)	7.4 (8.5)	9.1 (10.1)
Average	2.6 (2.9)	0.5 (1.7)	2.1 (2.7)	-0.1 (-0.2)	0.5 (1.1)	1.8 (2.4)	6.6 (6.8)	7.6 (8.2)	9.3 (9.8)

Fund Managers (11 participants)									
	Rental value growth			Capital growth (%)			Total return (%)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
Maximum	3.5 (4.0)	1.5 (2.5)	3.8 (4.6)	0.2 (0.3)	1.0 (3.3)	6.0 (6.0)	7.3 (7.5)	7.8 (10.5)	13.0 (13.0)
Minimum	1.5 (1.0)	-2.0 (0.0)	0.5 (0.9)	-0.8 (-1.5)	-3.0 (-4.0)	0.0 (0.0)	6.6 (6.0)	5.0 (3.5)	5.3 (6.7)
Range	2.0 (3.0)	3.5 (2.5)	3.3 (3.7)	1.0 (1.8)	4.0 (7.3)	6.0 (6.0)	0.7 (1.5)	2.8 (4.2)	7.7 (6.3)
Median	2.5 (3.0)	0.5 (1.6)	2.0 (2.5)	0.0 (-0.7)	0.1 (1.0)	2.5 (2.4)	7.0 (6.5)	7.0 (7.8)	9.9 (9.5)
Average	2.6 (2.9)	0.3 (1.5)	2.0 (2.6)	-0.2 (-0.7)	-0.1 (0.9)	2.4 (2.7)	7.0 (6.5)	6.8 (8.0)	9.7 (10.0)

Equity Brokers (7 participants)									
	Rental value growth			Capital growth (%)			Total return (%)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
Maximum	7.1 (4.0)	1.3 (2.0)	2.8 (3.0)	0.0 (2.0)	2.4 (2.0)	3.9 (4.0)	7.5 (9.0)	9.4 (9.2)	11.0 (11.0)
Minimum	0.0 (1.0)	-2.0 (-2.0)	-1.0 (0.0)	-1.0 (-0.9)	-4.0 (-3.0)	-1.0 (0.0)	6.0 (5.5)	3.0 (4.0)	6.0 (7.5)
Range	7.1 (3.0)	3.3 (4.0)	3.8 (3.0)	1.0 (2.9)	6.4 (5.0)	4.9 (4.0)	1.5 (3.5)	6.4 (5.2)	5.0 (3.5)
Median	2.0 (2.6)	-2.0 (1.1)	2.0 (2.0)	-0.4 (0.4)	0.0 (0.7)	2.9 (2.2)	7.0 (7.7)	6.5 (7.5)	9.0 (9.5)
Average	2.5 (2.8)	-1.2 (0.4)	1.5 (1.5)	-0.5 (0.6)	-0.2 (0.0)	2.0 (2.4)	6.9 (7.6)	6.4 (7.0)	8.9 (9.5)

All Forecasters (27 participants)									
	Rental value growth			Capital growth (%)			Total return (%)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
Maximum	7.1 (4.0)	2.1 (3.5)	4.3 (5.0)	1.0 (2.0)	2.4 (3.3)	6.0 (6.0)	7.5 (9.0)	9.4 (10.5)	13.0 (13.0)
Minimum	0.0 (1.0)	-2.0 (-2.0)	-1.0 (0.0)	-1.1 (-1.5)	-4.0 (-4.0)	-1.0 (0.0)	6.0 (5.5)	3.0 (3.5)	5.3 (6.7)
Range	7.1 (3.0)	4.1 (5.5)	5.3 (5.0)	2.1 (3.5)	6.4 (7.3)	7.0 (6.0)	1.5 (3.5)	6.4 (7.0)	7.7 (6.3)
Std deviation	1.3 (0.7)	1.3 (1.6)	1.1 (1.4)	0.5 (0.9)	1.6 (2.0)	1.4 (1.5)	0.4 (0.9)	1.5 (2.0)	1.5 (1.6)
Median	2.5 (2.6)	0.1 (1.6)	2.5 (2.4)	-0.2 (-0.5)	0.0 (1.0)	2.5 (2.4)	7.0 (6.5)	7.0 (8.0)	10.0 (9.5)
Average	2.6 (2.8)	0.0 (1.3)	1.9 (2.4)	-0.3 (-0.2)	0.0 (0.7)	2.1 (2.5)	6.8 (6.8)	7.0 (7.8)	9.4 (9.8)

Notes

- Figures are subject to rounding, and are forecasts of 'all property'. 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.
- To qualify, all forecasts were produced no more than three months prior to the survey.
- Maximum - The strongest growth or return forecast in the survey under each heading.
- Minimum - The weakest growth or return forecast in the survey under each heading.
- Range - The difference between the maximum and minimum figures in the survey.
- 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.
- Average - The arithmetic mean of all forecasts in the survey under each heading. All views carry equal weight.
- Standard deviation - A statistical measure of the spread of forecasts around the mean. Calculated at the 'all forecasters' level only.

Acknowledgements

The Investment Property Forum wishes to thank the following organisations for contributing to the survey:
Property advisers (includes research consultancies): Cluttons; Colliers; Conrad Ritblat Erdman; Fletcher King; GVA Grimley; Healey & Baker; Insignia Richard Ellis; Knight Frank; Property Market Analysis; Real Estate Forecasting Limited
Fund managers: Aberdeen Property Investors; Baring Houston & Saunders; Deutsche Asset Management; Henderson Global Investors; LaSalle Investment Management; Legal & General; Morley Fund Management; Prudential Property Investment Managers; Savills Fund Management; Schroder Property Investment Management; Standard Life Investments
Equity brokers: Credit Lyonnais Laing; Deutsche Bank; HSBC; ING Barings; Merrill Lynch; UBS Warburg; Credit Suisse First Boston

Survey of Independent Forecasts UK Property Investment

May 2002

offer an insight into the range of forecasts of future property performance gathered from. The surveys, which were first produced in 1998, have become key indicators of the UK com- in the IPF website.

Introduction

The UK economy has continued its 'two speed' growth path over the last few months. A booming consumer sector, fuelled by equity withdrawal from the housing market and by the low savings ratio, has contrasted sharply with recessionary conditions in the manufacturing sector. Nevertheless, recent survey evidence suggests a broadly based improvement in business confidence. This has been helped by the aggressive monetary policy response to last September's terrorist attacks, which reduced the cost of borrowing to a 40 year low.

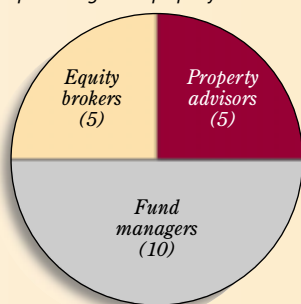
IPD's Annual Index results for 2001 confirmed property was the top performing UK asset class for the second consecutive year, despite the lowest calendar year return since 1995, at 6.7%. As this survey suggests, 2001 is likely to have marked the low point of the current return cycle.

Equity markets have failed to sustain gains made at the start of the year. Accordingly, many multi-asset investors have found that property weightings in their portfolios are at the top end of their permitted ranges. Nevertheless, with property continuing to offer attractive returns there has been no general move to sell. In fact, there is increasing evidence that investors are more positive towards property than they have been for many years, with some funds actively looking to raise their exposure.

This has re-kindled the debate over whether the weight of money will be sufficient to close the substantial yield gap between UK commercial property and bonds. The evidence from this survey suggests that there will be a measured response from investors. Whilst capital growth is expected to resume this year after stalling in 2001, weak rental growth prospects in the short term appear to count against a sharp downward re-rating of property yields.

Survey contributors

The current survey is based on the views of 20 contributors, polled during April 2002. Contributors include property advisors, fund managers and equity analysts specialising in the property sector.



Key Points

- The publication of IPD's market performance results for 2001 showed a total return of 6.7% for the year, and rental value growth of 3.6%¹
- Whilst the market return was in line with the forecast consensus (broadly steady since October 2001), the rental growth out-turn was a little ahead of expectations.
- Survey contributors expect 2002 to mark the trough in the current rental growth cycle, with a steady pick-up in performance through 2003 and 2004, by which time rental growth will once again be running ahead of inflation.
- Despite rental growth of just 0.4% across the market this year, with confidence returning to the investment market, total returns are expected to rise to 8.1%.
- Equity brokers remain more bearish than fund managers and property advisors about the short term rental growth outlook.
- Fund managers are most optimistic about return prospects for 2002.
- Stronger rental growth and a rise in capital values are expected to lift returns to 9.5% and 10.3% in 2003 and 2004 respectively.

¹ IPD Annual Index: 'all property', standing investments only

Survey results (forecasts in brackets are January 2002 comparisons)

Property Advisors (5 participants)									
	Rental value growth			Capital growth (%)			Total return (%)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Maximum	2.2 (2.1)	3.1 (4.3)	3.4 (3.6)	2.7 (2.0)	2.8 (4.7)	4.0 (4.0)	9.4 (9.2)	9.8 (11.9)	11.0 (11.2)
Minimum	-1.0 (-2.0)	0.0 (0.0)	2.0 (2.0)	-1.0 (-2.0)	1.0 (0.0)	2.8 (2.0)	6.0 (5.0)	9.0 (7.5)	9.7 (9.0)
Range	3.2 (4.1)	3.1 (4.3)	1.4 (1.6)	3.7 (4.0)	1.8 (4.7)	1.2 (2.0)	3.4 (4.2)	0.8 (4.4)	1.3 (2.2)
Median	0.6 (0.6)	1.7 (2.0)	2.7 (3.0)	0.5 (0.0)	2.3 (1.9)	4.0 (2.4)	7.2 (7.4)	9.0 (9.1)	10.7 (10.1)
Average	0.5 (0.5)	1.7 (2.1)	2.7 (2.8)	0.8 (0.5)	1.9 (1.8)	3.7 (2.8)	7.6 (7.6)	9.2 (9.3)	10.5 (10.2)

Fund Managers (10 participants)									
	Rental value growth			Capital growth (%)			Total return (%)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Maximum	1.75 (1.5)	3.2 (3.8)	3.5 (4.0)	3.0 (1.0)	5.0 (6.0)	4.1 (4.2)	10.0 (7.8)	12.5 (13.0)	11.9 (12.1)
Minimum	-0.1 (-2.0)	1.3 (0.5)	2.1 (0.8)	-0.9 (-3.0)	0.3 (0.0)	0.0 (0.0)	7.4 (5.0)	7.4 (5.3)	7.8 (5.5)
Range	1.8 (3.5)	1.9 (3.3)	1.4 (3.2)	3.9 (4.0)	4.7 (6.0)	4.1 (4.2)	2.6 (2.8)	5.1 (7.7)	4.1 (6.6)
Median	1.0 (0.5)	2.0 (2.0)	2.9 (3.0)	1.4 (0.1)	2.0 (2.5)	2.6 (2.8)	8.4 (7.0)	9.5 (9.9)	10.0 (10.7)
Average	0.7 (0.3)	2.2 (2.0)	2.8 (2.9)	1.3 (-0.1)	2.2 (2.4)	2.6 (2.9)	8.5 (6.8)	9.6 (9.7)	10.1 (10.2)

Equity Brokers (5 participants)									
	Rental value growth			Capital growth (%)			Total return (%)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Maximum	1.3 (1.3)	2.5 (2.8)	4.0 (4.0)	2.7 (2.4)	4.0 (3.9)	5.0 (4.1)	9.0 (9.4)	11.0 (11.0)	12.0 (11.0)
Minimum	-4.0 (-2.0)	0.0 (-1.0)	2.0 (2.0)	-1.0 (-4.0)	2.0 (-1.0)	2.0 (2.0)	6.0 (3.0)	9.0 (6.0)	9.0 (9.0)
Range	5.3 (3.3)	2.5 (3.8)	2.0 (2.0)	3.7 (6.4)	2.0 (4.9)	3.0 (2.1)	3.0 (6.4)	2.0 (5.0)	3.0 (2.0)
Median	0.0 (-2.0)	2.0 (2.0)	2.8 (3.0)	1.9 (0.0)	2.6 (2.9)	3.5 (3.5)	8.9 (6.5)	9.9 (9.0)	10.5 (10.0)
Average	-0.6 (-1.2)	1.5 (1.5)	2.8 (2.8)	1.1 (-0.2)	2.7 (2.0)	3.6 (3.3)	8.0 (6.4)	9.8 (8.9)	10.6 (10.1)

All Forecasters (20 participants)									
	Rental value growth			Capital growth (%)			Total return (%)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Maximum	2.2 (2.1)	3.2 (4.3)	4.0 (4.0)	3.0 (2.4)	5.0 (6.0)	5.0 (4.2)	10.0 (9.4)	12.5 (13.0)	12.0 (12.1)
Minimum	-4.0 (-2.0)	0.0 (-1.0)	2.0 (0.8)	-1.0 (-4.0)	0.3 (-1.0)	0.0 (0.0)	6.0 (3.0)	7.4 (5.3)	7.8 (5.5)
Range	6.2 (4.1)	3.2 (5.3)	2.0 (3.2)	4.0 (6.4)	4.7 (7.0)	5.0 (4.2)	4.0 (6.4)	5.1 (7.7)	4.2 (6.6)
Std deviation	1.3 (1.3)	0.9 (1.1)	0.6 (1.2)	1.3 (1.6)	1.0 (1.4)	1.2 (1.2)	1.1 (1.5)	1.0 (1.5)	1.2 (1.6)
Median	0.7 (0.1)	2.0 (2.5)	2.8 (2.8)	1.4 (0.0)	2.2 (2.5)	3.0 (3.0)	8.3 (7.0)	9.4 (10.0)	10.3 (10.1)
Average	0.4 (0.0)	1.9 (1.9)	2.8 (2.8)	1.1 (0.0)	2.2 (2.1)	3.1 (3.0)	8.1 (7.0)	9.5 (9.4)	10.3 (10.2)

Notes

- Figures are subject to rounding, and are forecasts of 'all property' 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.
- To qualify, all forecasts were produced no more than three months prior to the survey.
- Maximum - The strongest growth or return forecast in the survey under each heading
- Minimum - The weakest growth or return forecast in the survey under each heading
- Range - The difference between the maximum and minimum figures in the survey
- 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.
- Average - The arithmetic mean of all forecasts in the survey under each heading. All views carry equal weight.
- Standard deviation - A statistical measure of the spread of forecasts around the mean. Calculated at the 'all forecasters' level only.

Acknowledgements

The Investment Property Forum wishes to thank the following organisations for contributing to the survey:
Property advisors (includes research consultancies): Cluttons; Colliers Conrad Riblat Erdman; Fletcher King; GVA Grimley; Healey & Baker; Insignia Richard Ellis; Knight Frank; Property Market Analysis; Real Estate Forecasting Limited
Fund managers: Aberdeen Property Investors; Baring Houston & Saunders; Deutsche Asset Management; Henderson Global Investors; LaSalle Investment Management; Legal & General; Morley Fund Management; Prudential Property Investment Managers; Savills Fund Management; Schroder Property Investment Management; Standard Life Investments
Equity brokers: Credit Lyonnais Laing; Deutsche Bank; HSBC; ING Barings; Merrill Lynch; UBS Warburg; Credit Suisse First Boston



IPF Research: New Directions

Enhancing the knowledge, understanding and efficiency of property as an investment by undertaking research is a principal objective of the Investment Property Forum. The research activities of the IPF have been reviewed and we are about to see a step change in the way the Forum commissions, manages and disseminates research. Stephen Palmer, the IPF's Research Consultant explains the thinking behind the changes and takes a look ahead to see how we might be doing things in a year's time.

Over the past six years, working with the IPF Educational Trust, the IPF has produced and commissioned research projects covering a range of issues including: securitisation; streamlining commercial property transactions; risk analysis techniques; valuation behaviour; and most recently, indirect investment vehicles. These projects have been taken forward by a small number of dedicated members who have drawn up a brief, undertaken the project themselves and/or worked with consultants to undertake a study.

Despite these achievements, the research activities of the IPF have not kept pace with the highly successful education and events programmes. Considerable efforts are being made to address this through the development of a sustainable research strategy for the IPF. Many senior members have kindly made time to contribute to this work and a business plan is now in its final stages. The changes recommended will extend far beyond simply specifying a research agenda, to encompass the structures, processes, staff resources and funding required to realise the IPF's aspirations.

Research means many things to property investment professionals. Some like to get a feel for market data, others like to hear about capital flows and investment trends, and others still focus on performance projections. However, these areas of research are not the realms of the IPF. When asked about the research role of the IPF, the senior members consulted repeatedly reiterated the need for the IPF to deal with the 'big ticket' issues.

Hence, the role identified for the IPF is to deliver a structured programme of high quality, independent research projects exploring key industry issues. More specifically, the principal objective of the IPF's research programme will be to provide the platform to shape and lead debate at the highest levels, to increase capital flows into property and to improve the functioning and efficiency of the property investment market. In addition in order to position the IPF as 'thought leaders', a well planned programme which delivers a predictable

flow of research outputs will ensure that the IPF's representatives are better able to comment with authority on the issues of the day.

This all sounds very worthy, I hear you say, but what kinds of research project are we talking about? Well, if drawn up now, the IPF's research agenda might include: the impact of Stamp Duty on the functioning of the market; the valuation of limited partnerships; structural shifts in property ownership by corporates; the investment implications of the new lease code; changes in real estate investment arising from the switch to defined contribution pensions; and so on.

The three current projects would certainly fit the bill:

- **The management of property portfolio risk** – a project to build upon earlier work commissioned by the IPF which aims to provide members with a practical tool kit so that they can understand and begin to control risk in their property portfolios. The project has been tendered under the direction of an IPF Working Group, chaired by Dr Paul McNamara, Director and Head of Research at Prudential Property Investment Managers. The contract has been awarded to a strong team comprising: Philip Booth, Professor of Real Estate Finance and Investment at City University Business School; George Matysiak, an associate director at CB Hillier Parker and a Visiting Professor in the Faculty of Finance at City University Business School; and Paul Ormerod, former Director of Economics at the Henley Centre for Forecasting. It will be completed in October 2002. Funding was provided by the IPF Educational Trust.
- **Integrating social responsibility into property investment practice** – a project that aims to encourage the property investment community and property occupiers to include social responsibility as a significant criterion within property decision-making. This aim will be achieved by: development of an analytical tool that will allow sustainability criteria to be reflected in the valu-

ation of commercial buildings; through application of this analytical tool in the revaluation of a sample range of buildings; and development of a pilot property investment index. A range of organisations has been brought together under the leadership of Kingston University to pursue this project. The IPF's project partners include Drivers Jonas, University Superannuation Scheme, Investment Property Databank, Prudential Property Investment Managers and Boots Properties. Funding was provided by the IPF Educational Trust.

- **Tax and property performance** – a study to consider pre- and post-tax returns for different categories of investor with different tax liabilities and to promote a more efficient use of capital allowances. Subject to approval of the project brief, this research initiative will be endorsed by the IPF.

The success and stability of regular surveys undertaken by the IPF also provide a pointer for future activities. Despite considerable increases in data availability over the last decade, the property investment market continues to be poorly served in key areas. The IPF could help to fill some of these gaps. Examples might include floorspace statistics and bank lending.

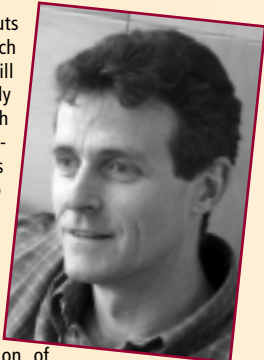
Looking ahead, raising awareness of the IPF's research programme and dissemination of findings will be achieved through implementation of marketing plans and associated promotional campaigns for each project. Initiatives are likely to include: maintaining a rolling programme of outputs to ensure continued press interest; publicising the appointment of consultants and the issues to be covered in each research project; and enhancing the presence of research on the IPF's web site.

Importantly, greater emphasis will be placed upon consultants and applicants for research funding to specify clearly how the findings of the research will be disseminated and, where applicable, how the researchers will engage with industry practitioners to encourage the adoption of new techniques and approaches.

The outputs from the research programme will also be closely integrated with the IPF's education and events programmes. To some extent this is happening already. For example, the IPF has encouraged the dissemination of portfolio risk concepts by way of evening seminars and the Advanced Education Programme, but there is still a requirement to provide more education and guidance in this area. The second phase risk project will meet this need and in doing so, provide the substance for a presentation at the IPD/IPF conference in November 2002, for further seminars and for refinement of the Advanced Education Programme.

Development of a sustainable research strategy hinges on the availability of both staff and funding resources. To date, projects have been funded on a project-by-project basis by industry sponsors, the IPF Educational Trust, and occasionally with the support of other industry bodies, such as the British Property Federation and the RICS. Although yet to be finalised and agreed, the aim is to move the IPF's research activity onto a more stable footing by securing funding for the whole programme, including the staff resources required to build and deliver it.

It is envisaged that the new programme will be developed in phases over a three year period, so by this time next year the initial phase of implementation will be well underway. We plan to keep you abreast of progress through these pages and with our email updates. To get the programme moving and pending the appointment of a Research Manager, the Management Board have asked me to continue as the IPF's Research Consultant until January next year, so I would welcome your comments on this article and your suggestions for research initiatives. I can be contacted by email at: stephen.ipf@rics.org.uk



Stephen Palmer

GIPS with everything

Global Investment Performance Standard: Ian Cullen reviews the impact on the property investment sector

Someone described the keynote session of last year's IPD/IPF Conference as "a defining moment for the property industry". On that occasion, and to an audience of over 350 senior property industry delegates, the speakers made a powerful and eloquent case for a single voice for property in the UK.

IPF's more recent briefing meeting on the addition of real estate provisions to the Global Investment Performance Standard (GIPS) was a far less grand affair. Forty members gathered on a cold, dark March evening to discuss the progress of this initiative, with **Iain Reid** (Chief Executive of Aberdeen Property Investors and Chair of the IPF's Property Performance Monitoring Panel), **John Stannard** (Chief Operating Officer Europe, Frank Russell Company and Chairman of the Global Investment Performance Council), **Ian Cullen** (IPD's Joint Managing Director and Member of the Real Estate GIPS Working Group) and **Alan Howie** (Senior Fund Manager at Aberdeen Property Investors and member of the Property Performance Code Monitoring Group) leading the discussion.

The two events were linked however in that the GIPS real estate consultation paper prompted a first cautious step along the "single voice" road – a combined response from the IPF and the Property Investment Committees of the ABI and the NAPF. It was this consultation exercise and its UK cross-industry response which were reported and discussed at the IPF briefing meeting in March.

The potential importance of real estate GIPS for the UK property investment sector can hardly be overstated. The

Global Standard was adopted by the Investment Performance Council of the AIMR over three years ago (April 1999). It quickly became established as the performance reporting bible for the investment management community – the product of perhaps the most intensive and single-minded attempt at worldwide self-regulation that the industry has ever seen. It takes only one Enron in a neighbouring industry to remind us of the paramount importance of transparent self-regulation in all aspects of financial and related services.

So GIPS has set the Global Standard. National standards for reporting equity and bond portfolio returns have rapidly fallen into line and adopted and/or refined GIPS. Working groups are exploring the implications of stretching the core model to the more complex asset classes of venture capital, derivatives and property.

The GIPS property working group was the first to publish a consultation draft (in Autumn 2001) of proposed real estate provisions, and a combined response from the IPF, ABI and NAPF was one of the most comprehensive of the many responses received. Like the vast majority of these responses, the UK opinion was solidly in favour of including real estate provisions in GIPS as soon as possible after the completion of the public comment period (Christmas 2001).

So, if GIPS is going to change our lives, it will probably do so quickly. How will this change come about, and who will it effect?

The "who" question is the easier of the two. End investors, their managers, valuers, advisers and consultants will all see changes if invest-

ment performance calculation and reporting for property portfolios is standardised. If that also means greater international consistency, completeness and transparency, then the adoption of real estate GIPS may ripple much further into the waters of cross-border capital flows and portfolio construction.

The "how" question is a trickier one, because it is not yet clear what the property standard will demand. However, the fundamental provisions of the 1999 general standard will not be compromised. Managers will thus be required to report time weighted total returns combined into house composites which reflect the value weighted performance of all discretionary current and lost mandates. They will also be required to offer a variety of further information including calculation methods, independent verification procedures, chosen benchmarks and performance spreads.

The consultation document, and the UK and other responses, concentrated upon some key problematic issues for property investment measurement and reporting. These included:

- 1 Scope of the provisions – the UK view was that all types of real estate portfolios should be covered, inclusive of their indirectly held assets and gearing, but ungeared returns should also be reported, and the exclusion of non-discretionary mandates should be tightly restricted.
- 2 Valuation rules – the UK response favoured a rather slower move (not before 2007 rather than by January 2005) to a required quarterly valuation and reporting regime, coupled



Ian Cullen

with annual outsourcing of valuations as mandatory by 2005.

- 3 Disclosure requirements – the UK response favoured greater transparency: on valuation and computation methods; on fund by fund performance reporting; on the components of returns; and in particular proposed the inclusion of a template for the presentation of a consistent and comprehensive house performance reports (along the lines of that included in the IPF Property Performance Record Code).

The position now is that the GIPS property working group is sifting through all the consultation responses with a view to preparing finalised proposals for a real estate GIPS over the coming months. You can keep in touch with progress through their website at www.aimr.org.

We should not perhaps hold our breath whilst waiting for a single voice for property to emerge in the UK, the Euro zone or further a field. In the meantime, equity and bond fund managers are espousing performance measurement and reporting standards nationally and internationally, and where they lead (as in the 1980s) property investors will follow. So, whilst there may not be a single voice, we should ignore the prospect of a single reporting standard at our peril.

Ian Cullen
Joint Managing Director,
IPD

ANNUAL LUNCH 2002

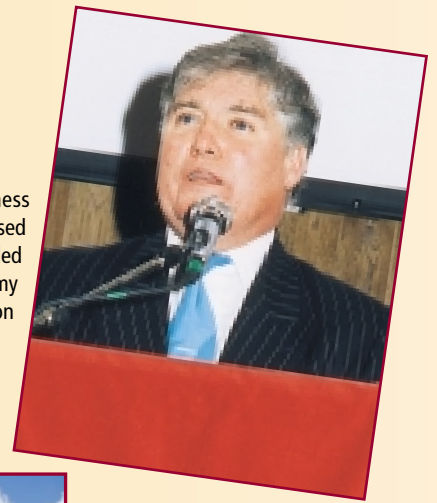
Over 1200 members and their guests attended the IPF Annual Lunch in January 2002. Two new Life members were announced at the lunch for their outstanding contribution: Stuart Beevor of

Grosvenor and former IPF Chairman and Andrew Graham of Colliers CRE and Chairman of the IPF Educational Trust.

The speaker at the lunch was Douglas McWilliams, Chief Executive, for the Centre for

Economics and Business Research. Douglas addressed the audience and provided his insight on the economy and its likely impact on property.

Douglas McWilliams



Lunchtime Forum visits

In February 2002, a return visit was made to the Docklands area of London, this time to Global Switch, one of Europe's largest purpose built Carrier-Neutral Colocation facilities. Following a talk by Andrew Ruhan, Chief Executive of Global Switch, members had the rare opportunity to look around this highly secure controlled environment.



Global Switch

Members' Receptions

In January 2002, a New Members' Reception was held at the offices of Jones Lang LaSalle. Over 60 members turned up on what turned out to be an extremely wet and windy winter's evening. Chairman, Rob Bould welcomed them to the Forum and outlined its past successes and future aspirations.

In March 2002, a Members' Reception was held jointly with the Chartered Surveyors Livery Company at Merchant Taylor's Hall in the City of London. Members were treated to an exceptional address by Dennis Turner, leading HSBC Economist, where a blend of wisdom and wit ensured that the evening was a huge success.

FORTHCOMING EVENT

Midlands Region Annual Dinner

Thursday 17 October 2002, 7.00pm for 7.45pm

International Convention Centre (ICC), Birmingham

Black tie – Guest speaker, Alastair Ross Goobey, President, IPF

Tables will be for ten and individuals should indicate if they wish to join a table with specific people. To reserve a table at the dinner, please download a booking form from the website (www.ipf.org.uk)

Volunteers Wanted!



Vivienne Wooten

The Forum relies on the involvement of its members to drive the Forum forward together with the Forum's executive team. Below, you will find a brief description of the various areas for which we are always looking for willing participants. If you feel that you or your company would be able to support any of these areas, please call Vivienne Wooten, Assistant Director on 020 7695 1520 or email: vivienne.ipf@rics.org.uk.

COMMITTEE PARTICIPATION

CPD: This working group is responsible for coming up with ideas for the Forum's successful evening lecture/workshop programme.

Research: The Forum is currently reviewing its research activity. A consultant has been appointed to develop a research plan. Each new project will need to be driven and monitored by a small working group. Potential topics in the pipeline include property risk, tax impacts and the new lease code.

Forum activities: This working group looks at the social side of the Forum's activities. Members of this group have organised Lunchtime visits to the British Library, Canary Wharf and Global Switch.

Website development: The IPF website continues to go from strength to strength and the number of hits increases month on month. This, together with the use of email for communication, will become our primary way of communicating with members. We are looking to develop a new working group to examine the strategic options and look how it can best be used to benefit members.

Forum View Editorial: Now produced bi-annually, Mark Cooper of Estates Gazette has now taken over the role of professional journalist contributor to Forum View. Mark will work with Vivienne Wooten who retains overall editorial control. Vivienne would now like to establish a small group to look at content for future editions.

EVENTS

For the majority of our evening lectures and other IPF events, venues are provided at no charge to the Forum by members who are able to 'donate' their boardroom or other suitable large room within their organisation which is able to hold at least 60-70 people. Light refreshments are also usually provided in the form of wine and nibbles by the hosts.

SPONSORSHIP OPPORTUNITIES

The Forum undertakes a number of activities for which it offers organisations various sponsorship opportunities. These include publications, research and surveys, dinners and lunches, conferences and lectures. Please let us know if you feel that your organisation could support the Forum in this way.

Steven Fogel to become IPF Chairman

Steven Fogel is to become the new chairman of the Investment Property Forum. This is the first time that a lawyer will head the IPF, a move which reflects the outward facing approach adopted by the IPF during our current chairman's stewardship.

Rob Bould, Head of Investment Management at GVA Grimley, and current chairman of the Forum said of this appointment "Steven will make an excellent Chairman. Membership of the Forum has become increasingly diverse over recent years with over two thirds of the membership coming from non traditional property backgrounds. Steven's appointment reflects the increasingly blurred

demarcation lines between surveyors, bankers, solicitors and accountants."

Steven will be joined at the helm by Ian Marcus, Managing Director of the European Real Estate Investment Banking Group at Credit Suisse First Boston, who takes on the role of Vice Chairman. Together with the Management Board, they will review the vision for the Forum for the next five years. Of this Steven said "As Chairman, I want to ensure that the Forum sets out an achievable mission and build on our values of independence, objectivity and intellectual rigour."

Steven has been involved with the Forum since 1992 and has played a key role in developing the IT strategy.



Ian Marcus, Steven Fogel and Rob Bould

William Roxburgh retires as Chairman, IPF Scotland

After 7 years at the helm of the IPF branch in Scotland, William Roxburgh is standing down as Chairman. At a recent event held in Edinburgh, William was presented with a small token of our appreciation and thanked wholeheartedly for the work which he has done to build up the branch. The baton has now been passed to Fiona Morton, Investment Partner and

Regional Managing Partner at Ryden.

Fiona has formed a Board which will work to continue to develop a diverse programme of events. IPF Scotland Board members include:

- Donald Shaw, Dundas & Wilson
- Graham Sanders, SandersCartwright
- Roddy Elliott, Royal Bank of Scotland
- Douglas Wilson, Kintyre
- Alan Howie, Aberdeen Property Investors
- Andrew Jackson, Standard Life
- Bryan MacGregor, Aberdeen University
- Andrew White, Kenmore Property Group.



Fiona Morton

New Honorary Treasurer

Bob Clarke, Cluttons, is also standing down as Honorary Treasurer, a position which is being taken up by Andrew Martin, Strutt & Parker. Thanks go to Bob for his extremely valuable contribution to the Forum over the years.

Staff Changes at the IPF

Jenny Hooper, who many will know as the main contact for the highly successful Lunch and Dinners, will be off on maternity leave from June 7th. Ceri Yates, as newly promoted Events Manager, will be the main contact for the Lunch and Dinners in Jenny's absence. Jenny assures us that she will return to work in January and we wish her well with the impending new arrival. We also have a new pair of hands to help us out in the office. Joanne Balaraj joined us on 13 May as Forum Secretary for a six month period.

The IPF Executive Team – who does what....

Amanda Keane Executive Director	<ul style="list-style-type: none"> ● Forum management ● Education ● Company Secretary
Vivienne Wootten Assistant Director	<ul style="list-style-type: none"> ● Membership liaison ● Marketing and Communications ● Website development ● Forum View ● Social Events and IPD/IPF Conference
Stephen Palmer Research Consultant	<ul style="list-style-type: none"> ● Research development and management
Ceri Yates Events Manager	<ul style="list-style-type: none"> ● CPD and other education events ● Annual Lunch and Dinners ● IPD/IPF conference
Pat Johnson Forum Administrator	<ul style="list-style-type: none"> ● Financial management ● Secretary to Management Board and IPF Educational Trust ● Secretary to Executive Director
Joanne Balaraj Forum Secretary	<ul style="list-style-type: none"> ● Membership database ● General enquiries and administration ● Secretary to Assistant Director

IPD/IPF CONFERENCE 2002

For the third year running, the joint IPD/IPF conference will be held in Brighton, 28th – 29 November 2002.

This year's conference has a lot to live up to following 2001's highly successful event where delegates heard from Peter Verwer, CEO of the Property Council of Australia who outlined the approach to lobbying which has successfully been adopted by his organisation. This was followed by addresses by the Rt. Hon. Peter Mandelson and David Kershaw of M&C Saatchi. A lively discussion, chaired by IPF President Alastair Ross Goobey included views on this important subject from panel members, Will McKee, Director General BPF and Louis Armstrong, Chief

Executive RICS.

This year's programme is still to be finalised but proposed themes include:

- A Voice for Property – one year on
- Presenting the Property Industry
- The Packaging of Property Investment
- The Measurement & Management of Risk

Full details, together with booking information, will be available shortly on the IPF website: www.ipf.org.uk

Courses

Real Estate as a Financial Asset

The University of Reading, 8th – 13th September 2002

The University of Reading has developed a course which will be of particular interest to those who want to gain a clearer understanding of the way in which corporate real estate fits into an organisation's financial strategy. Led by Professor Colin Lizieri and Professor Charles Ward, who are both well known to the IPF, the course will be examining current issues including:

- Purchase vs. leasing
- Real options
- The relationship between real estate and share price

The course will be interactive with the use of case studies to demonstrate the applications of the ideas. There will also be opportunities to develop the use of financial modelling techniques using spreadsheets. It examines the specific finan-

cial issues raised by organisations using, owning and occupying real estate; considers the linkages between the markets in which interests in real estate are traded and corporate real estate; explores how financial perspectives influence management investment decisions and considers the importance of understanding flexibility in evaluating project investments.

This course is part of the executive masters programme in Corporate Real Estate and Facilities Management at The University of Reading. It is supported by leading organisations including DTZ Pieda Consulting, DEGW, Johnson Controls, WORLDCOM, HQ Business Centres, and PACE.

If you would like to apply for this module, please contact Caroline McBride on tel: 0118 9316219, fax: 0118 9313856, email: creem@reading.ac.uk.

PISCES establishes a firm foundation for a new era in the property industry

From e-conveyancing to rating, new lease code to mapping: no one denies that the property industry is facing a period of unprecedented change. Chris Lees, recently elected chairman of PISCES, explains how the property focused electronic data exchange standard is rising to the challenge of a changing market.

In the last Forum View you may remember reading how PISCES, the not-for-profit organization formed to develop the property information electronic exchange standard of the same name, had embarked on a bold course to make the transition from a small club of enthusiasts to an industry body. Well, I'm pleased to say the progress is excellent.

Growing membership reflects industry support

The membership of PISCES is divided into Executives and Associates. Executives provide a greater degree of funding (£10,000 per year) and direct the company and the development of the standard. Associates demonstrate their support for the standard by contributing £2,500 per year and help to raise awareness and promote the standard within the industry.

Since the move to this membership model in November, PISCES has attracted no less than fourteen Executive Members from across the industry. These members represent some of the largest companies involved in institutional property investment management, independent asset management, professional services, legal services, software supply and consultancy services. Not forgetting the RICS, who are not only an Executive Member but also have one of the five board seats. A further twenty-one companies have taken Associate Membership and new members are joining every month.

A big thank you is therefore due to the IPF, its Management Board, staff and members for helping PISCES through this change.

Timing is everything

Fortunate timing has also helped PISCES success. The property industry is just beginning to feel the pressure of reform, perhaps even revolution. While we all watched the 'dot com' frenzy come and go with little impact, what is happening now is far more subtle and yet will have much more effect.

We all recognized the internal pressure to improve efficiency. The economic climate led to the need to control or cut costs. Some of the more technologically advanced companies saw the opportunities to invest in I.T. to bring long-term savings and the operational benefits of streamlined business processes.

However, hot on the heels of the economic changes comes the fundamental changes driven from the heart of government: the 'Electronic Government' project is starting to bite. We have seen the introduction and rapid adoption of the National Land Information Service (NLIS) channels. This is the first step towards an entirely electronic property transaction process.

HM Land Registry is about to start the consultation process leading to electronic conveyancing. Ordnance Survey are also standardising the description of land packets with HMLR, at last avoiding the metre or so left to interpretation under the felt-tipped red line around land registry maps.

The new lease code, launched just a few weeks ago, emphasizes the need for greater transparency and by implication better information management.

Finally, one of the dot coms that refused to go away, PROPEX, at last seems to be receiving support from both investors and agents.

What has all this got to do with PISCES? It is very simple: all of these initiatives are predicated by the ability to exchange property information electronically. Without this ability, none of them can succeed. What is more, PISCES can provide a single standard embracing all of these areas, leading to much wider adoption and, crucially, bringing the cost of participation in these initiatives down dramatically.

The PISCES Legal Working Group has already engaged a wide range of lawyers, one of the NLIS channels and the HM Land Registry to ensure the legal extensions meet everyone's needs. Contact has also been made with the Valuation Office and Ordnance Survey.

Peter Mandelson made the point at the 2001 IPD/IPF Conference, that the property industry has to speak with one voice; PISCES is at least ensuring that the industry speaks in one language.

For more information, contact Chris Lees on 01748 813901 or e-mail info@pisces.co.uk. Alternatively, you can visit the PISCES web site at www.pisces.co.uk.



The RICS Valuation and Commercial Property Faculties support the activities of the Investment Property Forum in recognition of the important and autonomous role it plays serving specialist operating in the investment market.

