



**The UK Commercial
Investment Market**

**.....and the question mark
over real estate lending**

November 2011

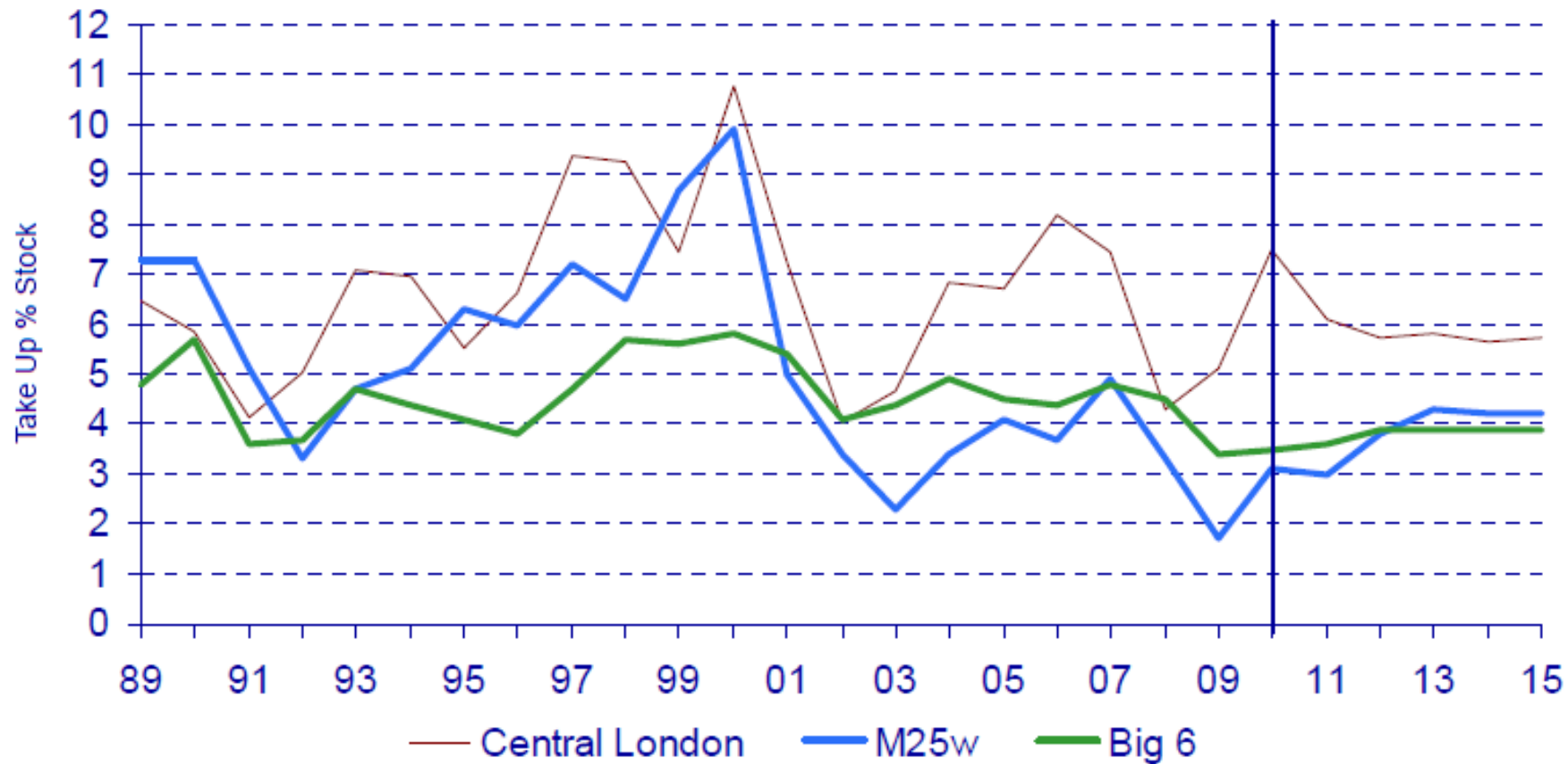
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1. Occupier trends: Office

- Little sign of recovery in provincial markets
- Central London: City weak; West End solid



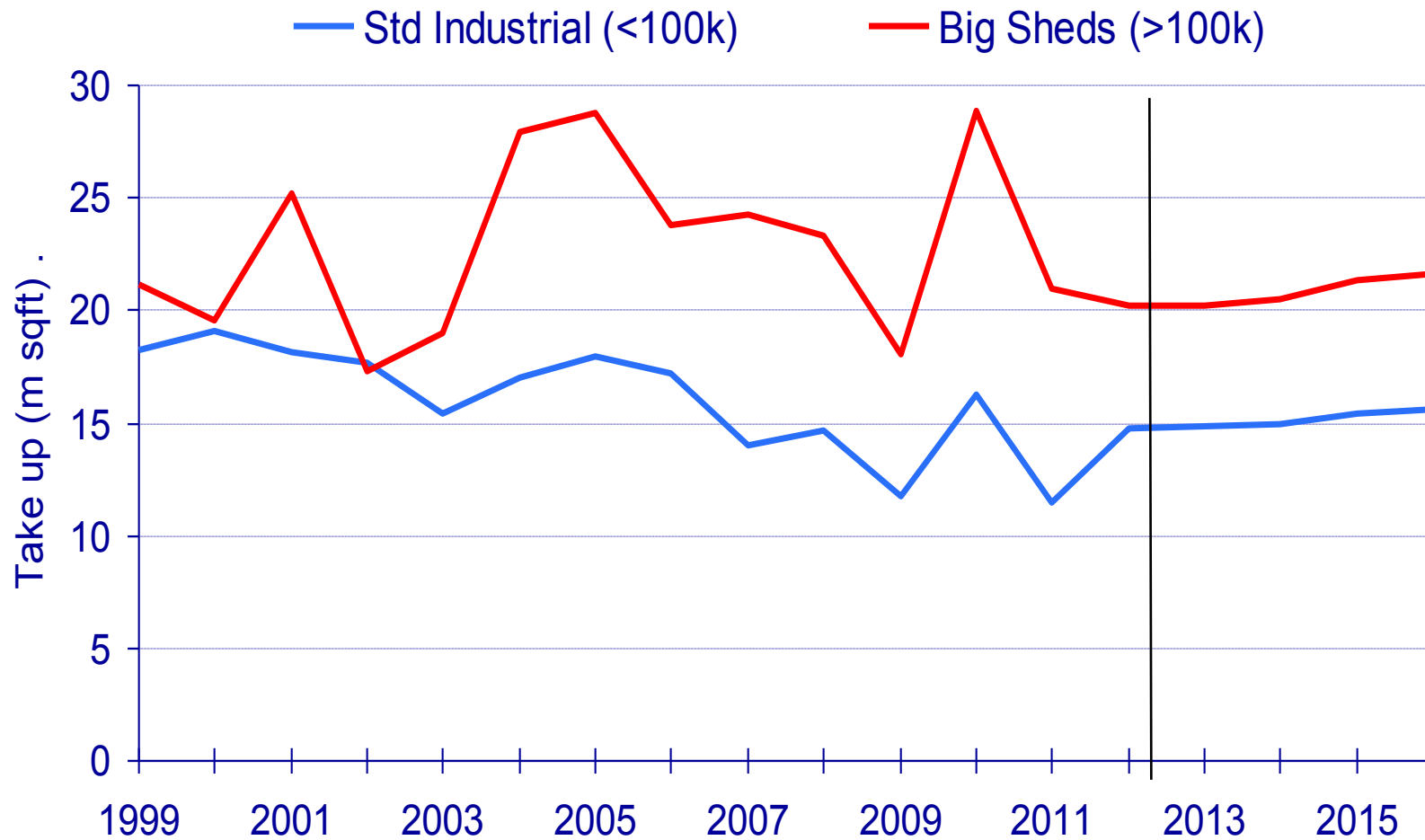
Source: PMA Summer 2011

1. Occupier trends: Office

- Key Drivers
 - Global – London
 - Efficient use of offices
 - Government
 - Sustainability
 - Affordability

1. Occupier trends: Industrial

- Size of unit is important



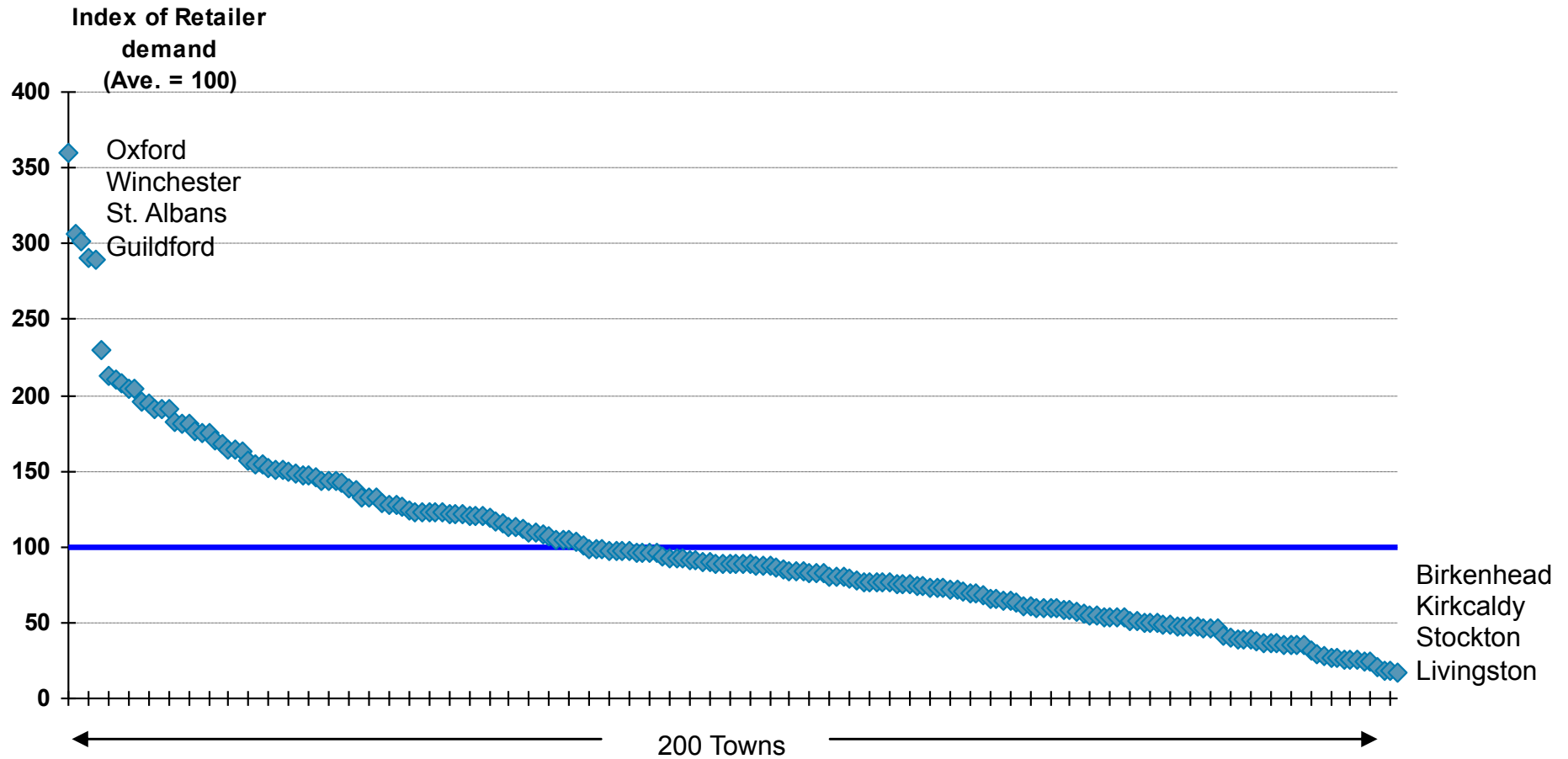
Source: PMA Autumn 2011

1. Occupier trends: Industrial

- Key Drivers
 - Basics to a good shed
 - Manufacturing up?
 - Pressure on SMEs' debt
 - Distribution strong
 - Asbestos and EPCs an issue

1. Occupier trends: Retail

➤ Demand favours the south



Source: EGi, PMA 2011

1. Occupier trends: Retail

- Key Drivers
 - Retail ERVs
 - Consumer demand to weaken
 - Impact of the 'Killer Malls'
 - Internet
 - High Street Vs Out-of-Town

2. Investment market

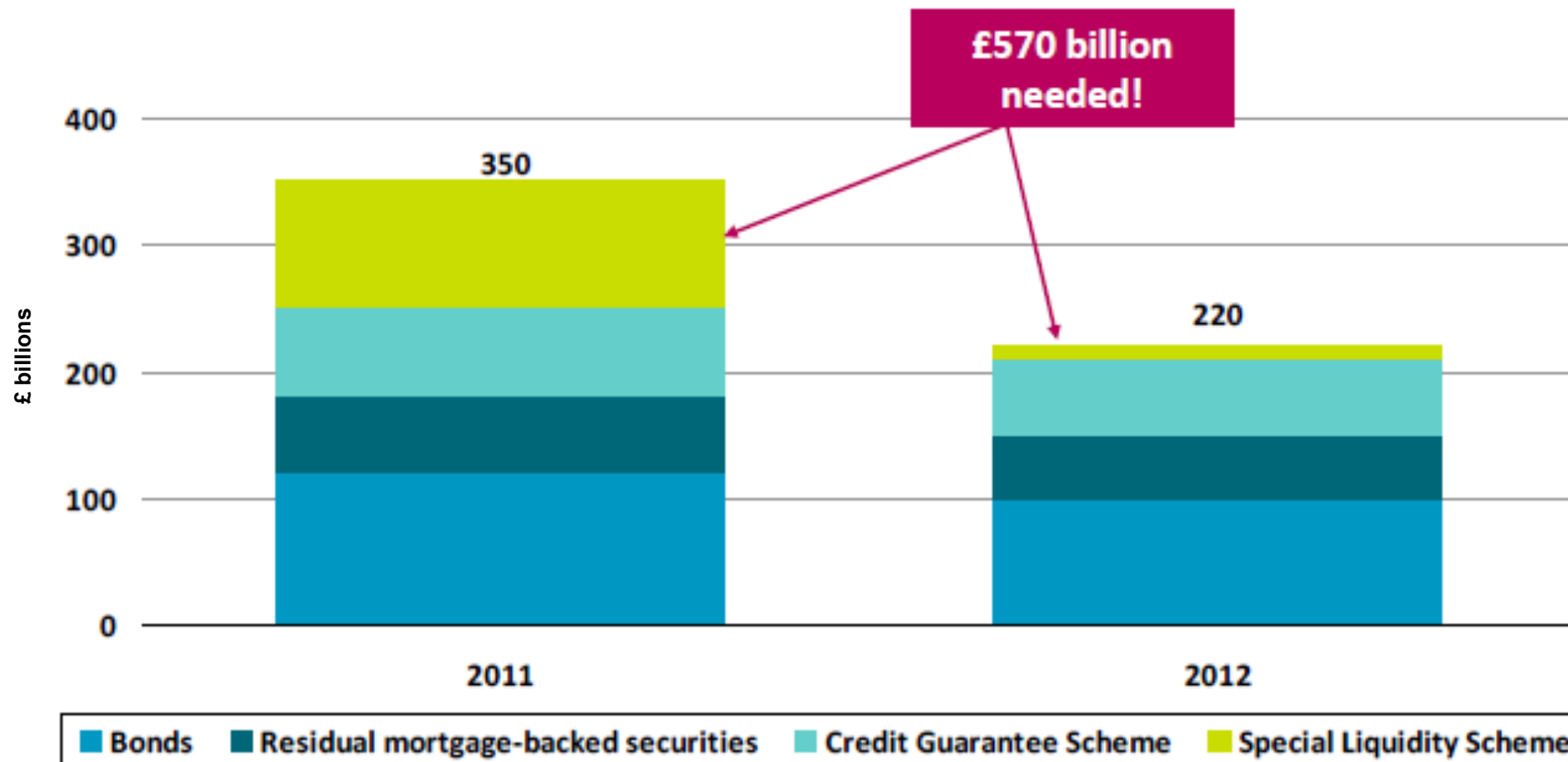
- Values declining over next 12 months, with few exceptions
- Two tier market
 - Core
 - Everything else
- Availability of debt, capex
- Sellers have to?

3. Capital markets

- Lender trends
- Refinance gap
- Equity trends

3. Capital markets

- Major UK Banks' maturing funding



Source: Capital Economics, Bank of England

4. What is the impact on real estate finance going forward?

- Expiring loans
- Workouts and non-performing loans
- New lending

5. Where will we fill the gap from?

- Who really knows????

6. Conclusion

- Asset values will decline across sectors in the UK
- Investors will remain cautious
- Debt availability will remain key to liquidity and pricing
- Expertise and flexibility will be key components of value recovery