

## Press release



### **Home and away – should investors go global with their property investments or are there opportunities closer to home?**

02 May 2007

The benefits of investing in commercial real estate remain compelling. For example, by the end of March 2007 UK commercial property provided higher returns than UK equities and fixed interest over a one, three and ten year period (Source: FTSE All Share index, FTA 5-15 year gilt index, UK IPD Annual index). Commercial real estate also tends to perform differently to equities and fixed interest so can help to diversify a portfolio. The strong stable returns that commercial property can offer are particularly attractive to investors with a medium to long term horizon.

Many investors with UK portfolios have considered the benefits of geographical diversification. The global markets move in different cycles and at different speeds and present opportunities for moving in and out of these cycles in order to balance risk and maximize returns. Investors who are looking to invest overseas should however consider the transparency and liquidity of the property markets they wish to invest in – this can make the difference between capitalizing and missing the opportunities the market cycles present.

#### **Commenting on the need to diversify, Mark Long, Head of Research and Strategy at Invista Real Estate, said:**

“Returns on UK commercial property may well have peaked at 18% in 2006 but rather than turn negative, they are far more likely to revert to more sustainable levels over the next few years with returns in the range of 6-9%. Looking ahead performance in the UK property market is underpinned by rental growth, particularly in Central London offices, and it is rental growth which is expected to be the key differentiator of performance going forward. In the short term the Central London office market continues to benefit from strong service sector growth, in particular finance and business services, which along with supply-side constraints is driving rents higher. Overall returns from UK commercial may be lower over the next few years, but they remain attractive and the potential remains for asset managers to significantly enhance returns through strategic asset allocation and active asset management.”

“Continental Europe demonstrates many of the same characteristics as the UK did three years ago – property yields experiencing further compression yet still with financial “carry” as a result of yields being in excess of debt financing rates. Whilst less mature than the UK market, opportunities on the continent remain attractive with relatively high levels of income return and the potential for capital appreciation through rental growth and further yield compression. “

“Savvy investors should hold a balanced portfolio with exposure to both UK and European property in order to maximize the benefits of diversification”

#### **Tony Smedley, Head of European Funds at Invista Real Estate added:**



“There are also diversification benefits of investing across a number of different European countries, each with their own economic cycle and property market characteristics. Each European country represents a different proposition and managers should look to combine top-down strategic country and market selection with detailed knowledge and experience of local markets. Although rapidly maturing, the investment market in Continental Europe remains fragmented. This presents opportunities and thus favours active managers such as Invista with a structured, strategic approach that can assess the relative merits of different property investments across a range of jurisdictions – plus the essential ingredient of local knowledge to deliver on deploying capital and generating strong returns.

“Performance is characterised by diverse economic and real estate market cycles – value managers such as Invista can exploit these market cycles with appropriate timing of market entry and exit. Currently the timing is right for Continental Europe both from pricing and cyclical performance perspectives although managers need to select carefully. Yield compression across Continental Europe has changed the dynamics of the real estate investment markets to the extent that Invista now favours the more established markets – underpinned by the larger economies such as France and Germany. We are wary of parts of Central and Eastern Europe where prime yields are now close to those in the West – in our view these yields no longer reflect the additional market risk of investing there. “

### **Investing home and away**

Increasingly investors are looking to broaden their real estate investment portfolios beyond their home markets but they should remain cautious when deciding where to allocate their funds. Whilst currency risk can be mitigated it should not be ignored as anyone who had unhedged investments in the US over the last few years would know to their cost. The UK market is one of the most transparent and liquid property markets in world - when going overseas investors should look at the liquidity and transparency offered in those markets. Invista Real Estate offers tax efficient, liquid vehicles that are already fully invested in excellent quality assets in both the UK and Europe. The UK fund - Invista Foundation Property Trust - and the European fund - Invista European Real Estate Trust - both listed on London’s main Stock Exchange enable investors diversified and liquid access real estate performance in the UK and Continental European.

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### **About Invista Real Estate Investment Management**

Invista Real Estate Investment Management is the largest UK listed real estate fund management group and was voted Property Fund Manager of the Year at the Property Awards in April 2007. The Group manages both commercial and residential property across the UK and continental Europe, and has a total of £9.4 billion of assets under management as at the 31 March 2007. Invista Real Estate currently manages a total of 17 funds, some of which are for the largest UK providers of savings and investment products such as Clerical Medical, Halifax and St. James’s Place. Invista Real Estate also manages a number of collective investor funds including real estate investment trusts such as [Invista Foundation Property Trust](#) and [Invista European Real Estate Trust](#) which are listed on the main market of the London Stock Exchange and open ended funds such as the Invista Property Portfolio Fund, a fund of specialist funds. Invista Real Estate has over 90 employees and in 2006 transacted over £3.5billion of real estate assets.



For more information on Invista Real Estate or the funds it manages visit [www.invistarealestate.com](http://www.invistarealestate.com).

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