

6 August 2009

EUROPEAN PROPERTY CAPITAL FALLS EXPECTED TO SLOW, SAYS INVISTA

**– ATTRACTIVE INVESTMENT OPPORTUNITIES EXPECTED TO EMERGE IN EUROPE’S
LARGEST, MOST MATURE PROPERTY MARKETS, PARTICULARLY THE UK, AS BALANCE
SHEETS ARE REPAIRED AND PORTFOLIOS RESTRUCTURED –**

According to the latest research report produced by Invista Real Estate Investment Management (“Invista” / the “Company”), property values are expected to fall at a slower rate as the emphasis shifts from a capital to a leasing correction and parts of the European economy start to stabilise.

The first six months of 2009 saw confirmation of the weakest economic conditions across the Eurozone since its inception. However, interestingly, some forward looking indicators have now begun to stabilise or improve, albeit from very low levels. According to the ECB, European banks became less negative in their future lending intentions and, perhaps more significantly, the cost of finance in the Eurozone has fallen sharply from the peak levels of Q4 2008.

The divergence between falling bond yields and rising property yields could potentially increase the long-term attractiveness of property. The supply and cost of credit is likely to be a major determinant of the shape, strength and sustainability of Europe’s economic recovery. These are potentially positive signs that can be interpreted with cautious optimism. However, due to the scale and severity of the downturn in Europe’s economy, activity in the property leasing market is likely to remain subdued until economic growth becomes more firmly established in 2010-2011.

In the short term, given the depth of the current economic downturn, we can expect property leasing activity to fall further, potentially bottoming out in H1 2010. Property price falls to date have been more influenced by the credit market than by the leasing market, however Invista expects that this balance will switch in the short-term, with the rate of value decline slowing as the effect of lower rents filters through to property values more gradually.

According to Invista’s analysis, the UK is currently the only European country where market prices are considered to represent fair value. It points out that this is mainly due to the earlier and more substantial outward movement of property yields in the UK, compared to Continental Europe where the least developed and riskiest markets remain substantially below fair value.

Tim Francis, Director, Continental European Strategy & Research at Invista, commented:

“With improved visibility on bottom-of-the-cycle valuations, we are in a better position to judge market pricing against fair value. This will assist in identifying attractive investment opportunities across these markets, some of which are experiencing distressed selling.”



“The UK is currently the only market we consider to be around fair value, with France, Germany and the Netherlands still some 6-9 months behind. However, this is entirely dependent on the quality of stock being traded. We expect deal flow to improve during H2 2009 as the other mature continental European markets catch up.”

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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. The Group manages both commercial and residential property across the UK and continental Europe, and has a total of £5.4 billion of assets under management as at 30 June 2009. Invista Real Estate manages a total of 23 funds as at 30 June 2009, 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 and open ended funds such as Invista Foundation Property Trust and Invista European Real Estate Trust which are listed on the main market of the London Stock Exchange as well as the fund of specialist funds, the Invista Property Portfolio Fund. Invista Real Estate has offices in London, Paris, Guernsey and Hong Kong and operations in Luxembourg and Singapore.

For more information on Invista Real Estate or the funds it manages visit www.invistarealestate.com.

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