

Rising Rents Drive Property Forward

The UK Real Estate Market Set for Further Growth in 2015

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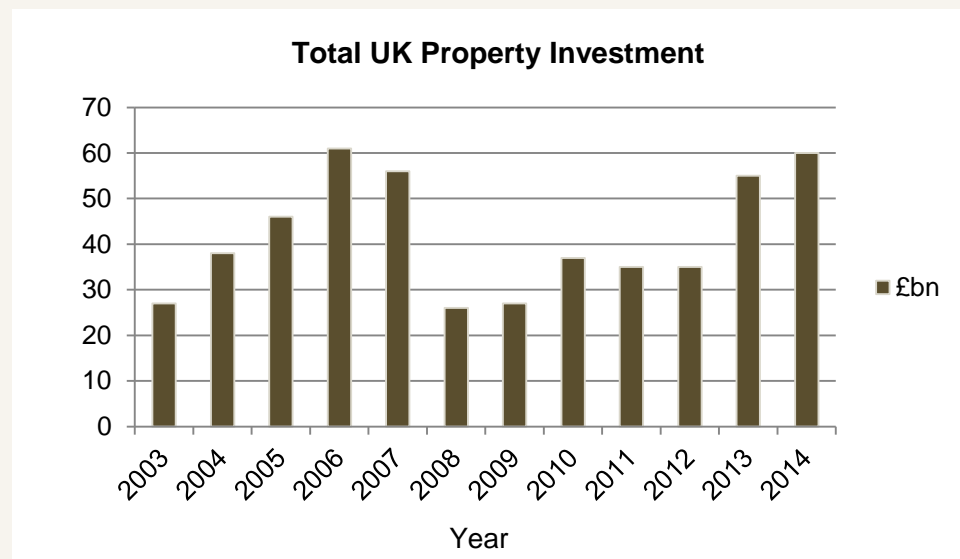
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2014 was another good year for UK commercial property. The economic background remains supportive for property investment in the UK, which is expected to continue to perform well through 2015.

Whilst we will take a closer look at the events of 2014 in our year-end review, here are some of the key points from last year:

- The UK commercial property sector experienced a strong finish to the year, generating a total return of 1.6% in December and 19.7% for the 12 months as a whole, according to the Investment Property Databank (IPD). Capital values grew by 12.9% during 2014.
- 2014 saw UK property investment volumes of £62.14bn (according to Property Archive), the second highest recorded after £65.62bn in 2006.



- The 2014 UK property investment volumes represented an increase of 9.8% over the 2013 investment volumes of £56.57bn.
- The huge weight of money flowing into the London real estate investment market from the UK and abroad looks set to continue in 2015 with the level of demand far outstripping the available supply; this will put further pressure on yields.

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- Momentum is set to continue into 2015 and returns from the asset class could well exceed 10% for a third consecutive year.
- The year ahead will not, however, be without volatility. With most commentators predicting that the general election in May will produce another hung parliament, it may undermine UK business confidence in the short to medium term.
- The prospect of strong capital growth will remain, though rental growth will become the dominant driver of future growth rather than the yield compression that contributed to the strong returns experienced in 2014.

Here at Riverside Capital we continue to see a number of opportunities coming our way and are extremely positive on the year ahead. With rental value growth expected to take over as the driver of returns our focus is likely to be on income, highlighting the importance of tenant quality, lease lengths and low void rates.

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