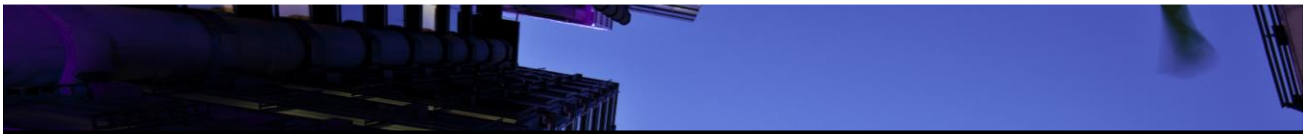
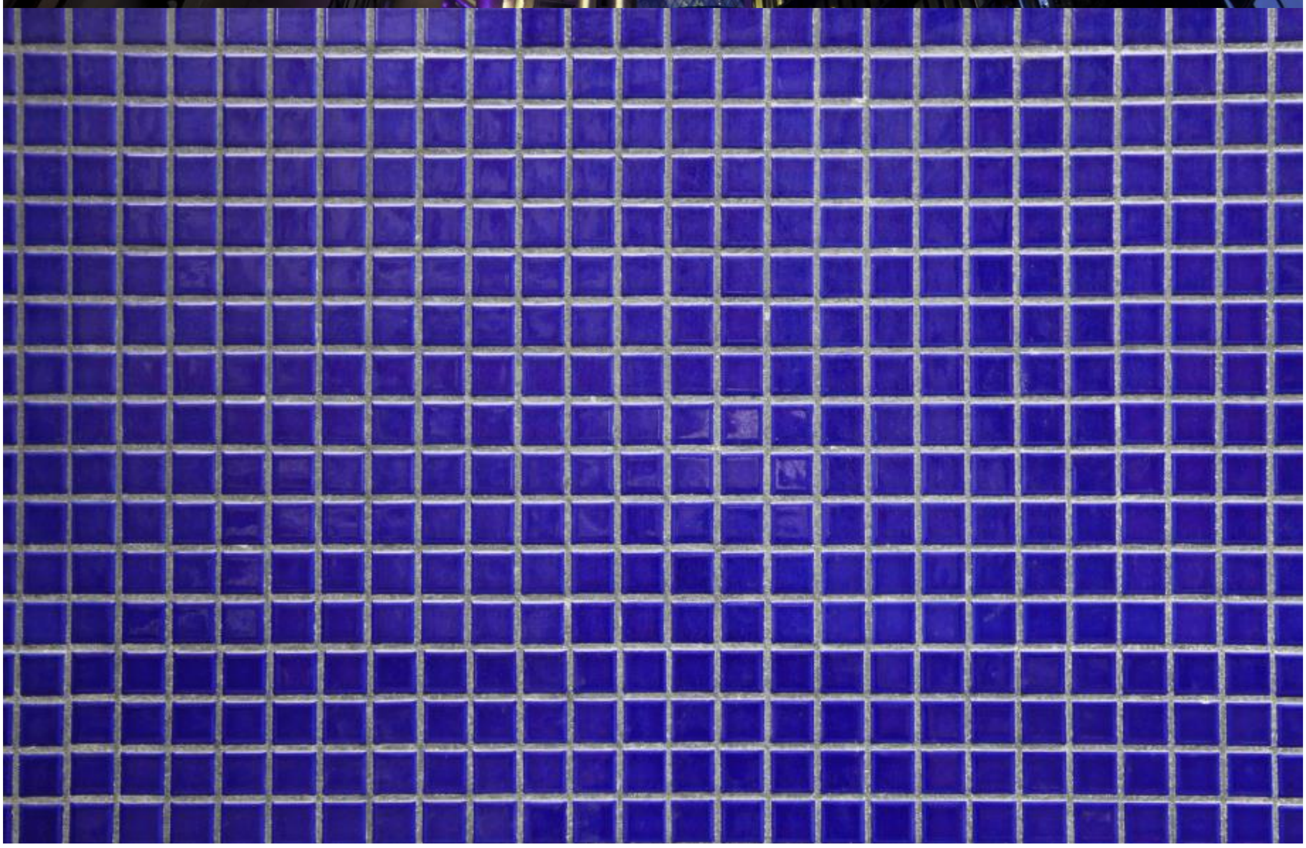


Summary Review: 2013

What a Difference a Year Makes

Riverside CAPITAL

THE PROPERTY INVESTMENT PEOPLE



Summary Review: 2013

What a Difference a Year Makes

As we entered 2013, fears of a "double dip" recession in the UK, a plummet from the "fiscal cliff" in the US and the crisis in the Eurozone weighed heavily on the minds of investors. Against this backdrop it was very difficult to be optimistic about the year ahead. 12 months on, however, and the stage is set for a period of strong performance from UK commercial property. With the market having picked up significant momentum towards the end of 2013, overall sentiment is considerably more positive than that of the past several years.

This turnaround in the UK market is perhaps best summarised by the 12-month total return high of 2.1% in December (according to data from IPD), reflecting a 1.5% growth in property values; the highest level we have seen since March 2010. A strong December also meant that the annual return for UK commercial real estate was 10.9%, again reflecting the best performance we have seen since 2010.

According to a strong consensus of commentators and those involved in the property sector, commercial property will go on to deliver strong returns in 2014.

The latest IPF Consensus Forecast, published in November, predicted that UK commercial property will make an average total return figure of 9.3% in 2014 (the highest return since in 2006). However, some commentators argue that the sector could achieve returns in excess of that prediction.

Summary Review: 2013

What a Difference a Year Makes

Ignis Asset Management forecasts an 11.5% total return for UK commercial property next year, while predicting an annualised total return of 8.7% over the coming three years, stating; “The majority of capital growth is expected to be generated by yield compression. This in part reflects the intensive competition for the limited number of quality assets available, as an increasing number of investors seek exposure to the asset class.”

Deloitte Real Estate’s predictions are in agreement with this, proclaiming that the UK commercial property market is set for strong performance in 2014 as a widening pool of investors become increasingly willing to move further up the risk curve. Concurrently, Deloitte expect to see capital values rise sharply over the next six months.

Numbers and predictions are once again strongly skewed towards, and applicable to, real estate performance in London. 2014, however, is likely to see a greater level of investment finding its way to the regions.

Jones Lang LaSalle highlights the dearth of supply in London as a key reason for rising rents and prices, which according to Jon Neale, head of UK research at JLL “will force occupiers into new districts of London – and the regional cities, especially Bristol and Manchester, could also benefit. Lack of prime product – and falling returns – will push investors to move up the risk curve, to secondary stock and non-core locations.”

It is our opinion at Riverside Capital that the medium term (next 12-18 months) will likely see the strongest levels of capital growth and, thereafter, income growth will once again preside as we begin to see an improvement in the broader economy. Stock picking will still be a key factor in achieving the best possible returns that outperform the overall market.

It is our aim to acquire a number of assets over the course of 2014 with strong income streams and let to high quality tenants in order to allow investors to take advantage of the opportunities that present themselves.

For further information please contact:

Sarah White
Head of Marketing
+44 (0)20 7297 4480
sw@rivercap.co.uk

Jaspal Phull
Head of Research
+44 (0)20 7297 4480
jp@rivercap.co.uk