

WELCOME

LONDON CHAPTER OF LAMBDA ALPHA INTERNATIONAL



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LAMBDA ALPHA INTERNATIONAL

- Miles Gibson, Head of Research, CBRE
- Robert Maguire, Executive Director, Robert Maguire Consulting
- Richard Yorke, Director, CoStar Group
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ABOUT LAI

CONNECTING PROFESSIONALS. SHARING KNOWLEDGE. ADVANCING BEST PRACTICES.



THE HONORARY
SOCIETY FOR
LAND
ECONOMICS
PROFESSIONALS

- Founded in 1930 by Richard T. Ely
- Membership is honorary and selective
- Over 2,500 members worldwide
- Chapters around the globe

LAI CHAPTERS

CHAPTERS WORLDWIDE

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<p>ALOHA Hawaii</p> <p>ATLANTA</p> <p>AUM (M.S.) India</p> <p>BALTIMORE</p>		<p>GLOBAL CHAPTER</p> <p>GOLDEN GATE San Francisco</p> <p>LONDON</p> <p>LOS ANGELES</p>		<p>OTTAWA</p> <p>PHILADELPHIA</p> <p>PHOENIX</p> <p>SACRAMENTO</p> <p>SAN DIEGO</p>	

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CONNECTING PROFESSIONALS. SHARING KNOWLEDGE. ADVANCING BEST PRACTICES.



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CONNECTING
PROFESSIONALS

- LAI is the global network for distinguished professionals in all fields related to the use and development of land
- Members make meaningful connections locally and with peers worldwide

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SHARING KNOWLEDGE

- LAI provides a forum for the exchange of ideas in the fast-paced world of land use and development
- Members come from a wide variety of fields

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ADVANCING BEST PRACTICES

- LAI is committed to highest ethical standards
- Members are among the best in their fields
- LAI recognizes excellence through the presentation of grants and awards

LAI MEMBERSHIP

HONORARY

Membership in LAI is by invitation only

SELECTIVE

Nominated by active members and vetted by local chapters

EXPERIENCE

Members must have at least 10 years of professional experience

CONTRIBUTION

Members have made a significant contribution to the field of land economics

PUBLIC SERVICE

Members are distinguished in their communities through public service

ETHICS

Members are committed to high ethical standards

Members include Academics, Architects, Appraisers, Planners, Developers, Lawyers, Bankers, Government Officials, Engineers, Economists, Environmental Scientists, Market Researchers, and Real Estate Brokers, among other land use professionals.



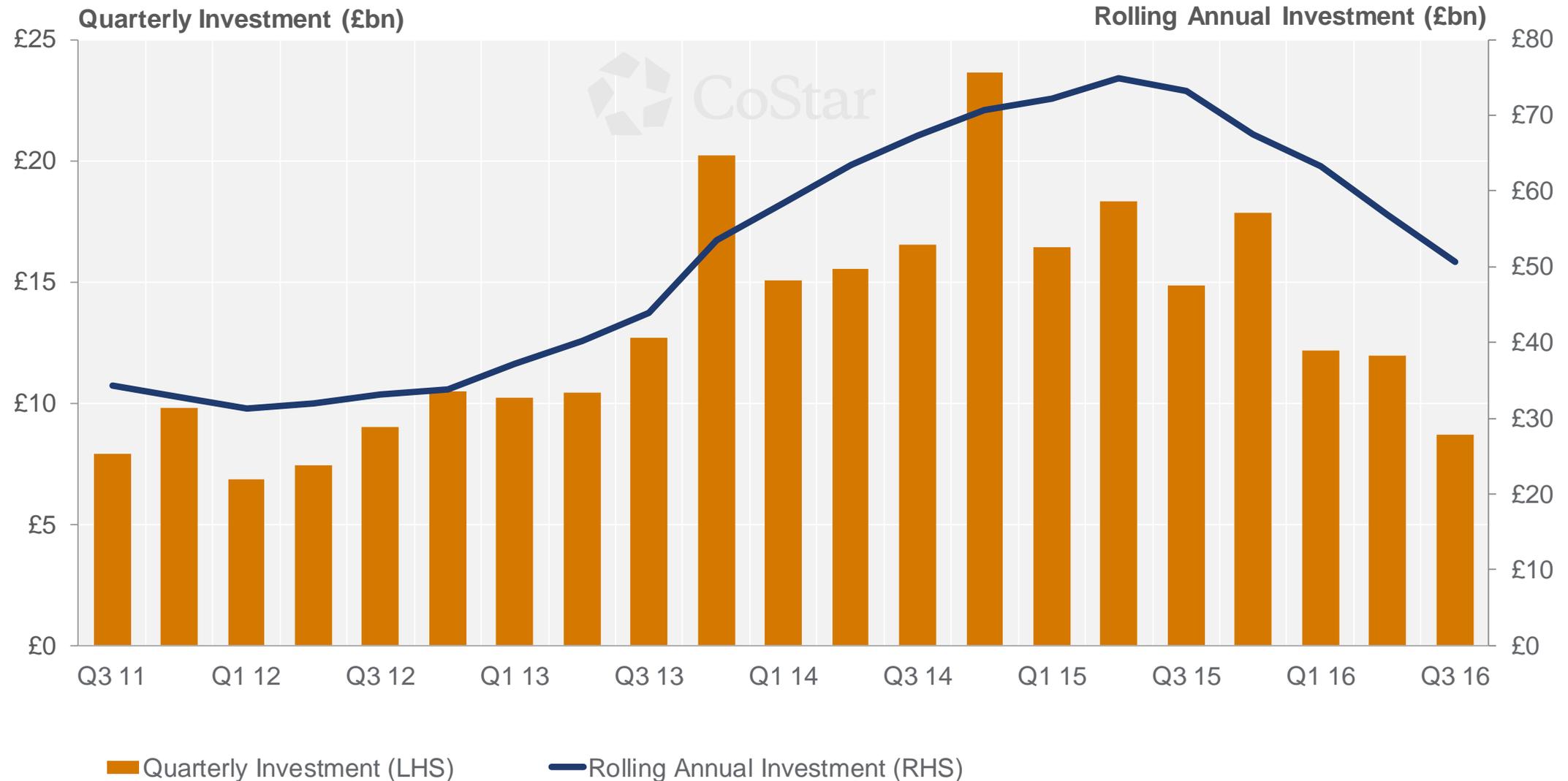


Brexiting The Stage? The State of UK CRE

Richard Yorke,
Director

4th November 2016

UK CRE Investment, Quarterly & Rolling Annual



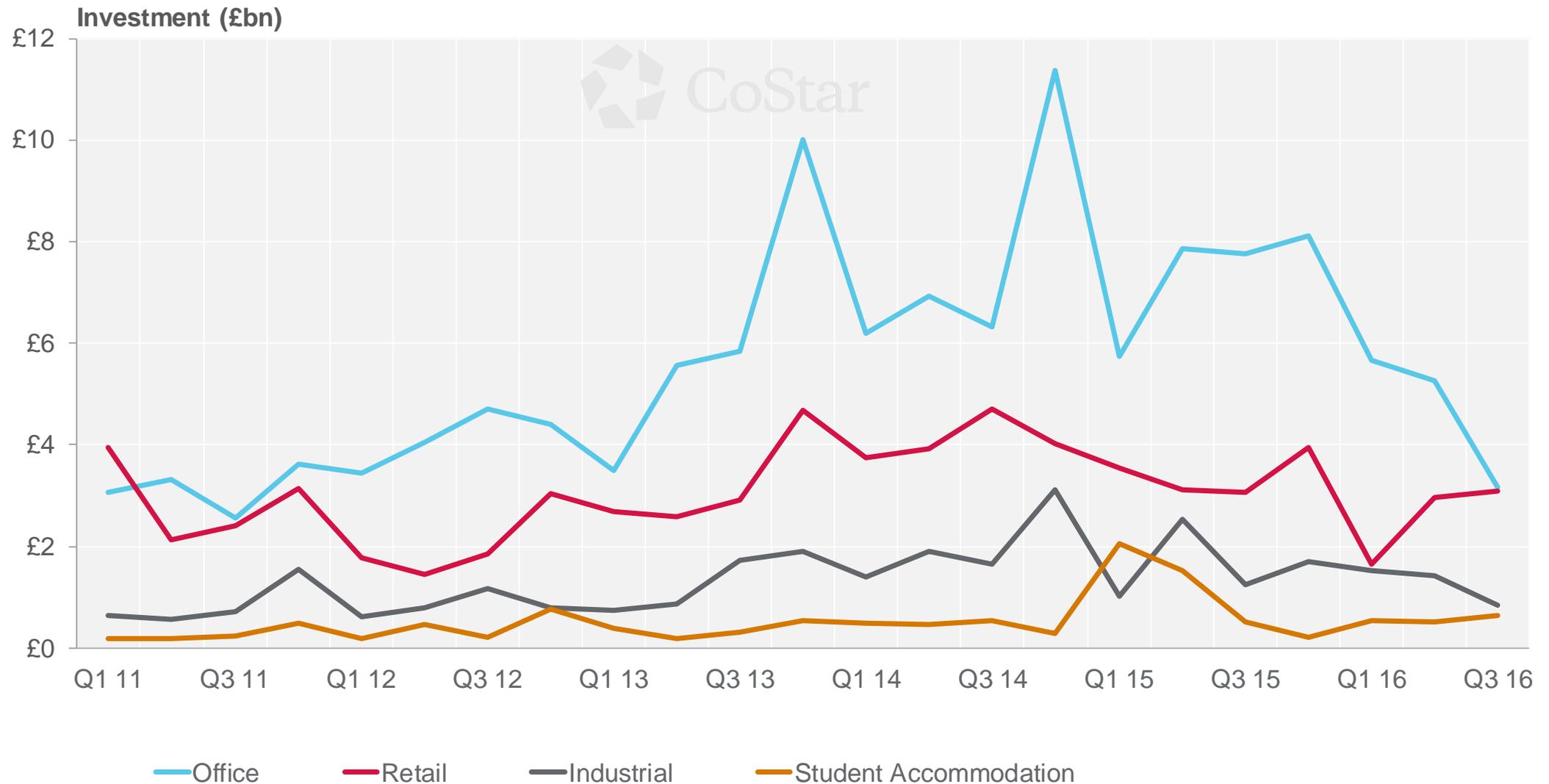
Investors Have Moved Away from London in Recent Quarters

UK CRE Investment by Region



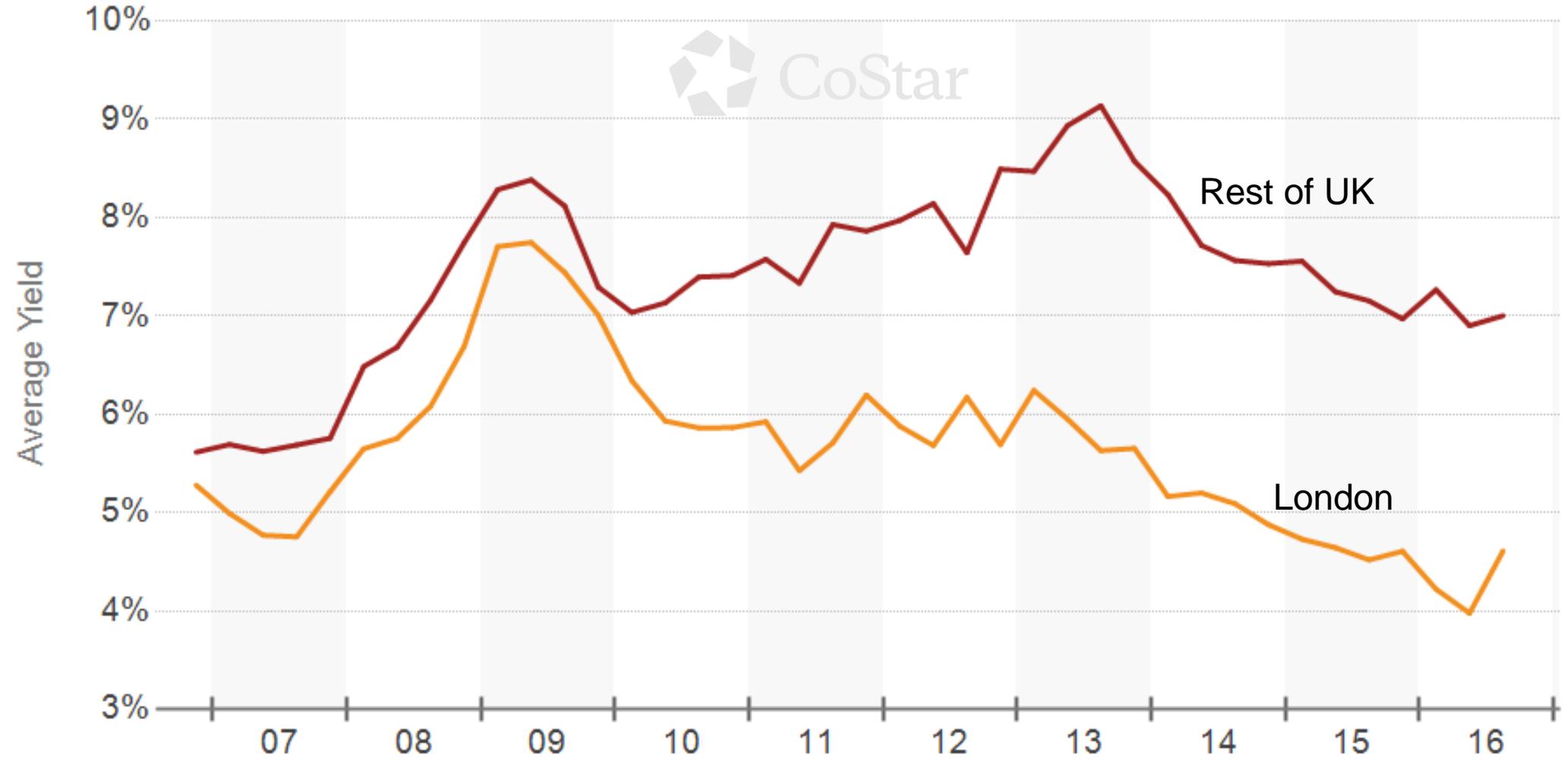
Office Investment Slumps, But Retail Holds Firm

Investment by Type



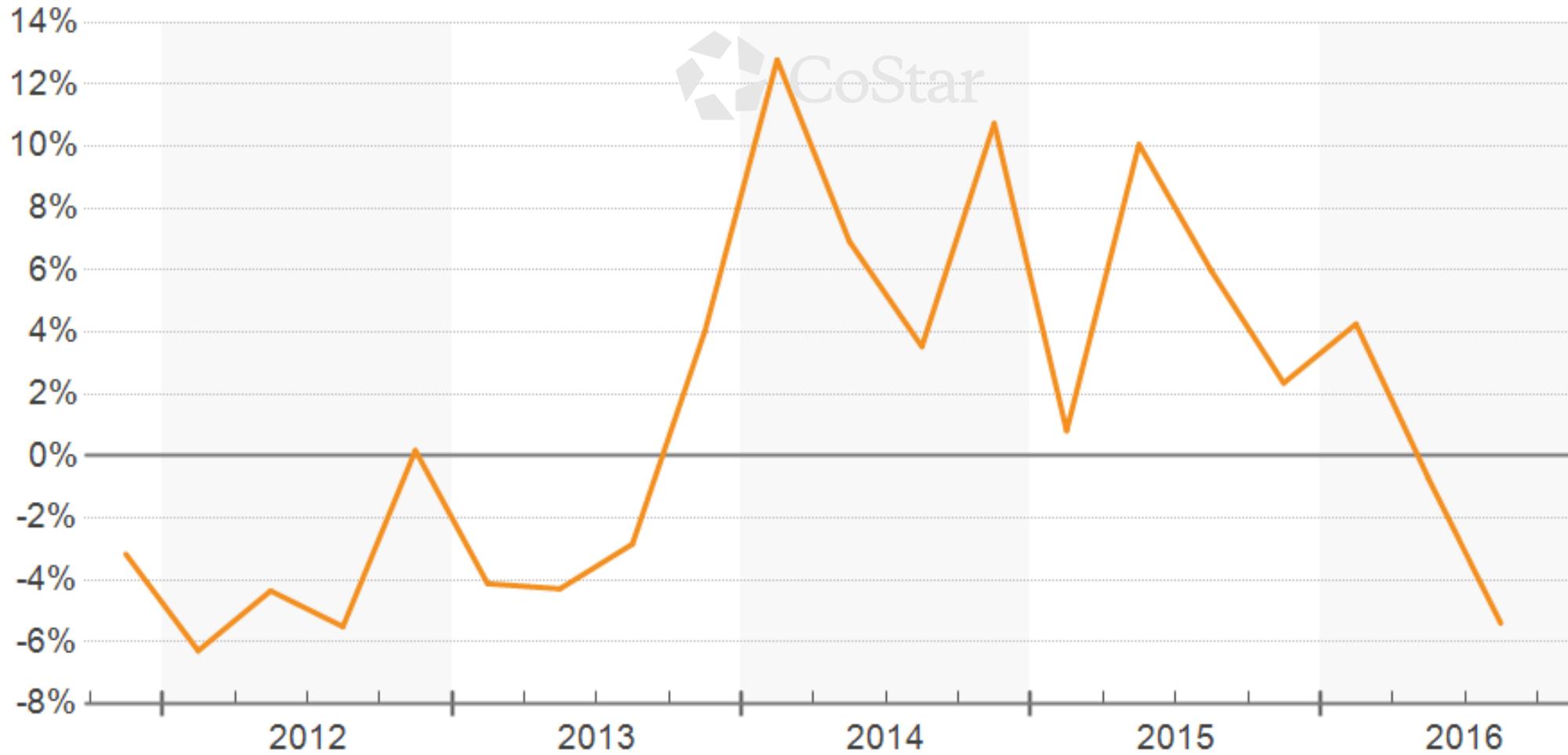
Average Yields Increased Sharply in London

Average All-Property Yield



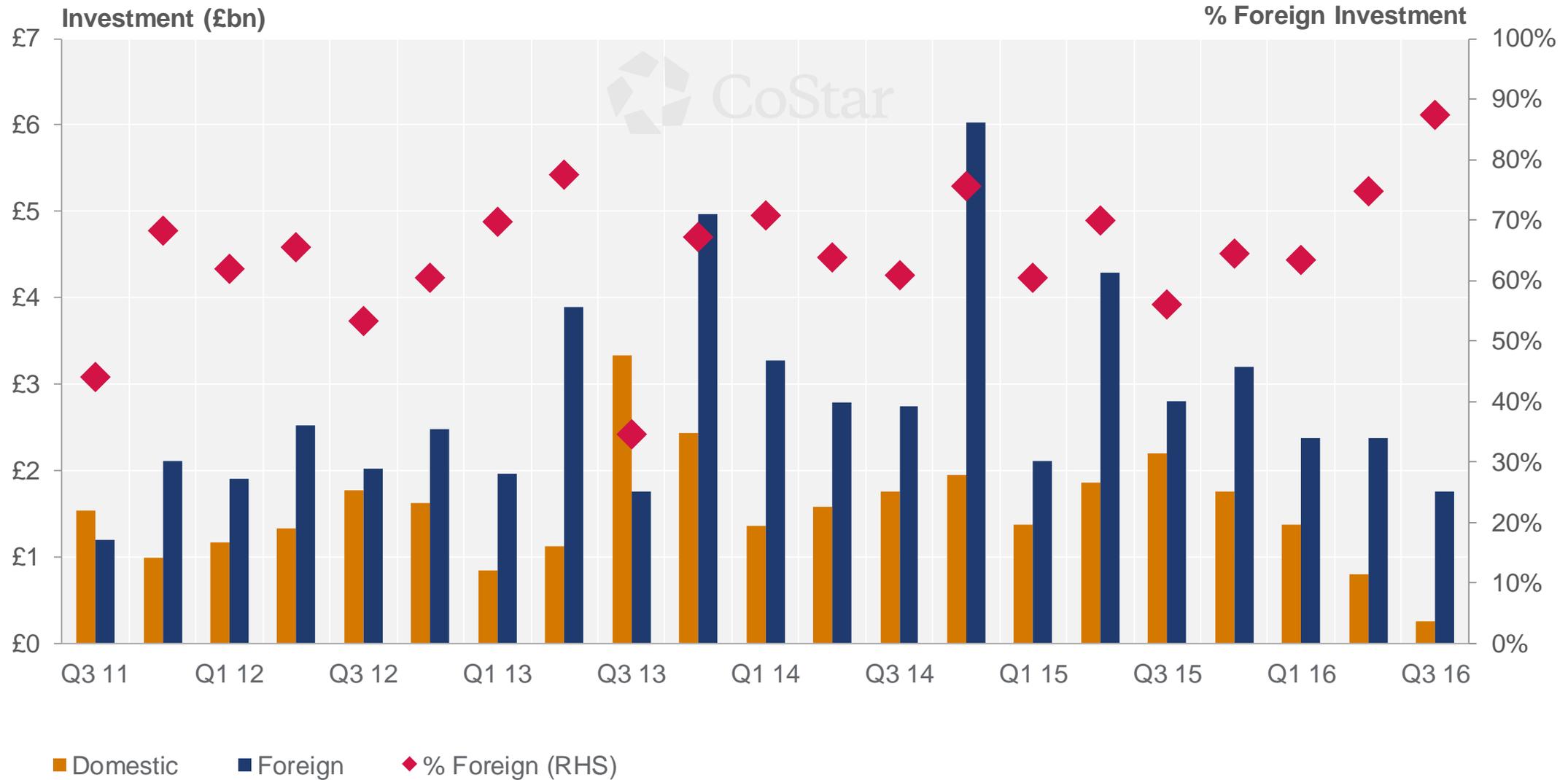
Deals Have Been Repriced

Sale to Asking Price Differential



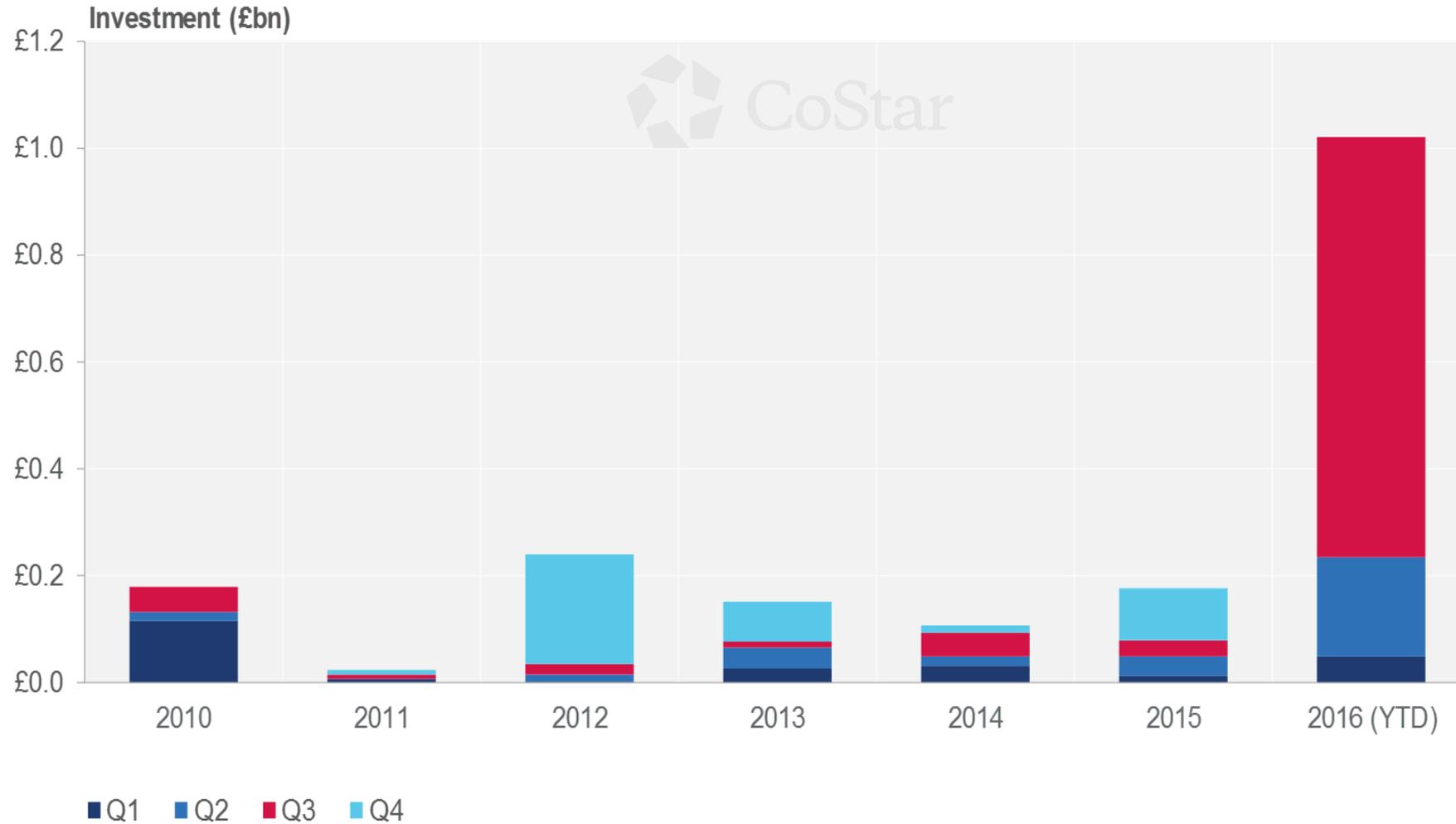
Foreign Capital Exploiting GBP Weakness While Domestic Investors Retreat

Central London All Property Investment by Origin (£bn)



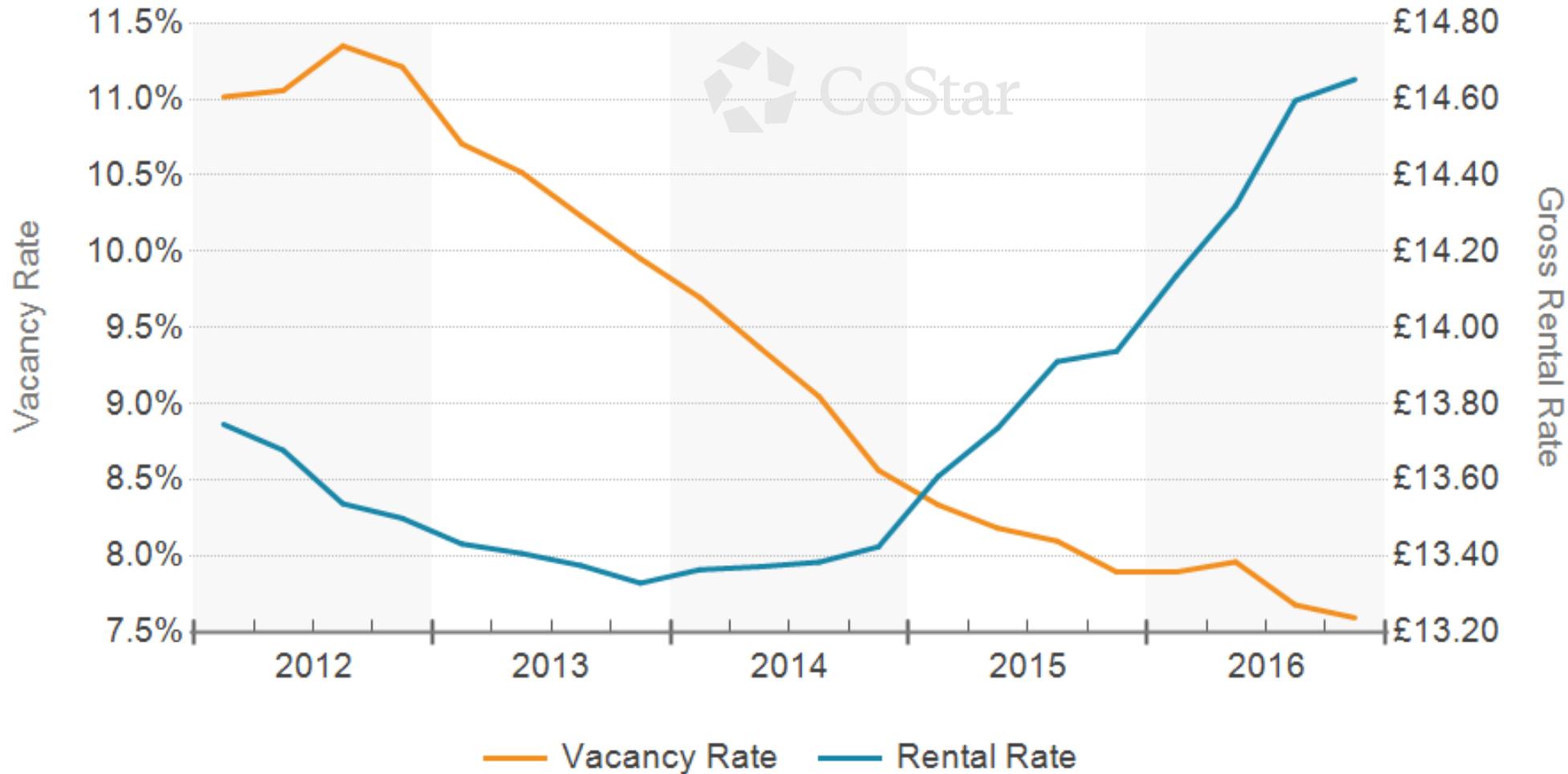
Local & Unitary Authorities Have Spent Record Amounts on UK CRE

All Property Investment Volume (£ millions)



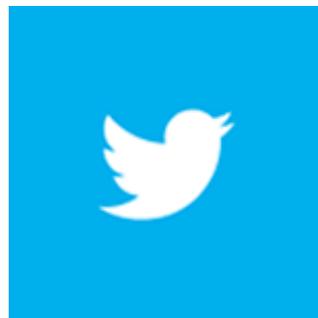
Office Occupier Markets Outside London Remain Robust

Office Fundamentals for UK Excluding London (Million SF and %)





Thank You
& Questions



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Real Estate Financing: Trends Post Brexit Referendum results

Lisa Williams
Managing Director,
Head of Servicing
Situs Asset Management

Key Trends /Observations: Post Brexit - Real Estate Finance

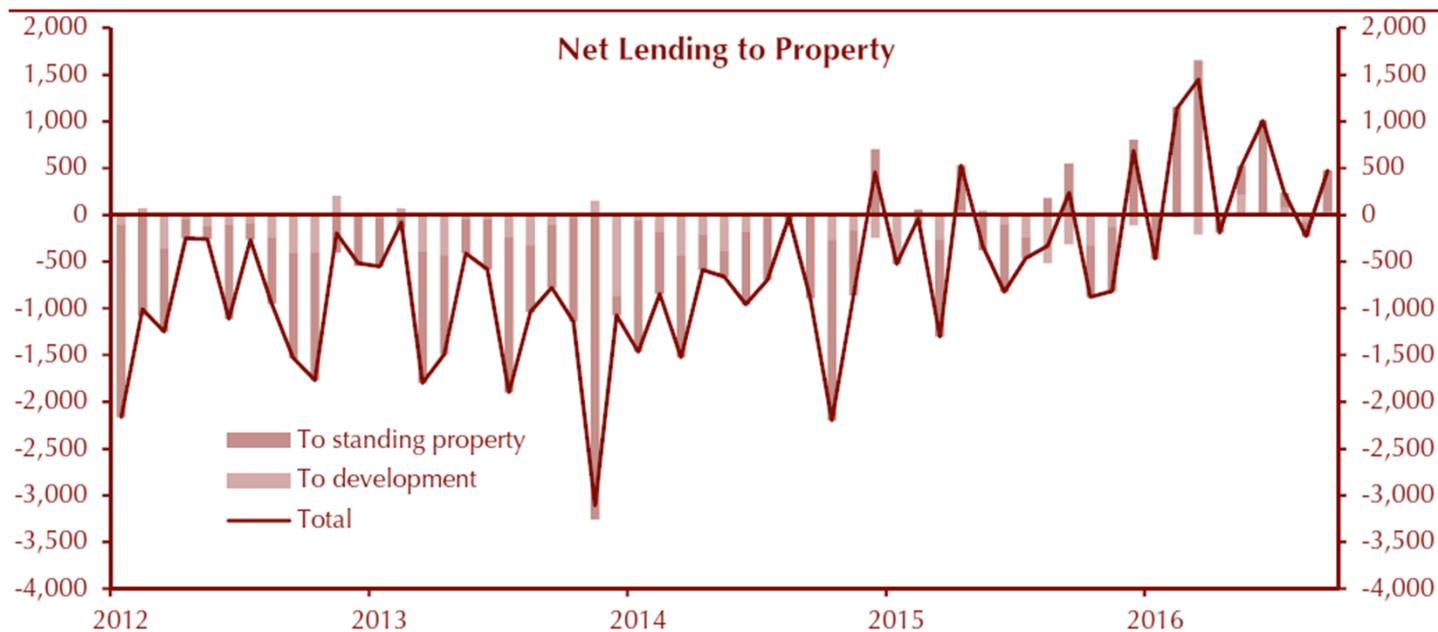
- **Lending Appetite:**
 - Banks and non Banks are active lenders
 - Non Banks continue to be more active in the finance space
 - No major lenders has exited CRE lending post brexit, some have been cautious on deal selection

- **LTVs:**
 - Past 12-15 months, senior LTVs have been in low 60%^s
 - Have seen some recent deals with slightly higher LTVs (65%)

- **Margins:**
 - Senior margins have increased by circa 50 – 75 bps

- **Lending trends:**
 - Lenders are more interested in lending to Operating companies (student housing, PRS schemes) with long term income.
 - No major CMBS transactions in the pipeline for the year.

- **Any specific Post Brexit clauses:**
 - No specific post Brexit clauses in loan documentation noted



LENDING TO COMMERCIAL PROPERTY												
	Oct-15	Nov	Dec	Jan-16	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Outstanding debt to property (£bn)	150.1	149.2	149.8	149.3	149.6	151.3	150.4	150.4	151.3	151.3	150.8	150.8
- to standing property (£bn)	133.8	133.0	133.8	133.3	132.8	136.3	135.5	135.6	136.5	136.4	136.0	135.6
- to new development (£bn)	16.3	16.1	16.0	16.0	16.7	15.0	14.9	14.8	14.8	14.9	14.8	15.2
Net lending to property (£m)	-877	-817	690	-468	1136	1449	-191	521	1009	236	-226	476
- to standing property (£m)	-554	-679	803	-472	1158	1655	-143	294	996	150	-157	440
- to new development (£m)	-323	-138	-113	4	-22	-206	-48	227	13	86	-69	36
Property as a % of outstanding debt	7.6	7.6	7.6	7.5	7.5	7.5	7.5	7.5	7.4	7.4	7.4	7.3

Source: Capital Economics

UK : Real Estate Transactions: Post Brexit Referendum

Asset type	Transaction Month	Property	Buyer	Seller	Y Sale Price (million GBP)	
Retail Shops	Jun-16	Royal Parade (Plymouth)	British Land	M&G	6.50%	70.0
Shopping Centres	Jun-16	Whitefriars Quarter	Canterbury City Council	-	-	79.0
Retail Warehouses	Jun-16	Thurrock Shopping Park	TH Real Estate	Hammerson	5.30%	93.0
Supermarkets	Jun-16	Willow Brook Centre	Arax Properties	Tesco and BP Pension Fund	5.90%	89.0
Regional	Jun-16	The Regent office (Manchester)	BUPA	-	6.25%	50.0
Regional	Jun-16	Newcastle Business School (Newcastle)	Aviva's Lime Property Fund	-	-	50.0
Industrial	Jun-16	ESN portfolio	ARGO	-	5.70%	46.6
Central London Offices	Jun-16	33 King William Street	Wells Fargo	HB Reavis	-	300.0
Retail Shops	Jul-16	Debenhams flagship store on Oxford Street	Stefan Persson	-	2.60%	400.0
Retail Warehouses	Jul-16	Clyde RP (Glasgow)	Valad Europe	-	7.30%	19.8
Retail Warehouses	Jul-16	Snowhill RP (Wakefield)	BP Pension	-	6.25%	13.7
Supermarkets	Jul-16	Aldi Supermarket (Rochdale)	-	-	-	3.7
Central London Offices	Jul-16	7-17 Jewry Street	-	-	-	27.8
Central London Offices	Jul-16	7 Curzon Street	-	-	4.60%	21.0
Regional	Jul-16	Home Office Building, 6 Millsands (Sheffield)	Trinova	-	-	30.0
Industrial	Jul-16	Four Ashes distribution park (Wolverhaption)	Tritax	-	5.14%	56.3
Industrial	Jul-16	Industrial Estate (Swanley)	UBS Triton	-	5.50%	30.0
Regional	Aug-16	1 St Peters Square (Manchester)	DEKA	-	5.25%	164.0
Retail Shops	Aug-16	9-19 St Mary Street (Cardiff)	-	-	6.25%	37.0
Retail Shops	Aug-16	EOS portfolio	-	-	5.70%	28.0
Shopping Centres	Aug-16	Gowan Cross (Glasgow)	-	-	-	5.0
Shopping Centres	Aug-16	Red Rose (Sutton Coldfield)	-	-	7.40%	10.4
Retail Warehouses	Aug-16	Greyhound Retail Park (Chester)	-	-	-	36.0
Retail Warehouses	Aug-16	Brimstone portfolio	Kames Capital & Oxygen AM	-	7.20%	19.8
Supermarkets	Aug-16	Tesco Superstore (Nailsea)	Tesco	-	4.90%	23.6
Central London Offices	Aug-16	43 Tower Hill	China Minsheng Jiaye	Societe Generale	6.70%	84.5
Central London Offices	Aug-16	33 Gracechurch St	Westminster Real Estate	-	-	75.0
Regional	Aug-16	2-4 Waterloo Place (Edinburgh)	TRIUVA	-	5.50%	62.0
Industrial	Aug-16	Amazon distribution park (Tilbury)	Legal & General	-	5.25%	150.0
Industrial	Aug-16	Heston Industrial Estate (Heathrow)	Capital Industrial	-	5.10%	79.5
Regional	Aug-16	NCP 88 car parks units	Davidson Kempner Capital	Blackstone	-	500.0
Regional	Aug-16	55 Travelodge hotel units	Secure Income	-	7.00%	196.0
Retail Shops	Sep-16	76 Mark & Spencer retail units	Fortress Investment	-	6.60%	450.0
Regional	Sep-16	Threesixty portfolio	GSA & GIC	Oaktree	-	430.0
Retail Shops	Sep-16	6-8 Maddox St. (West End London)	Crown Estate	-	3.35%	8.4
Retail Warehouses	Sep-16	Jura Portfolio	BMO	British Land	6.25%	191.0
Supermarkets	Sep-16	Sainsbury's supermarket (Chisquick)	Sainsbury	-	-	71.4
Central London Offices	Sep-16	120 Holborn	UOL Group & UIC Overseas Investment	-	-	230.0
Regional	Sep-16	BP business park (Sunbury-on-Thames)	Spelthorne Borough Council	-	-	360.0
Industrial	Sep-16	Birch Coppice Business Park (Tamworth)	Tritax Big Box	-	5.04%	80.0

Source: Situs Research, Colliers, CBRE, JLL



Some Macro-economic Harbingers for UK Property Markets

Robert Maguire

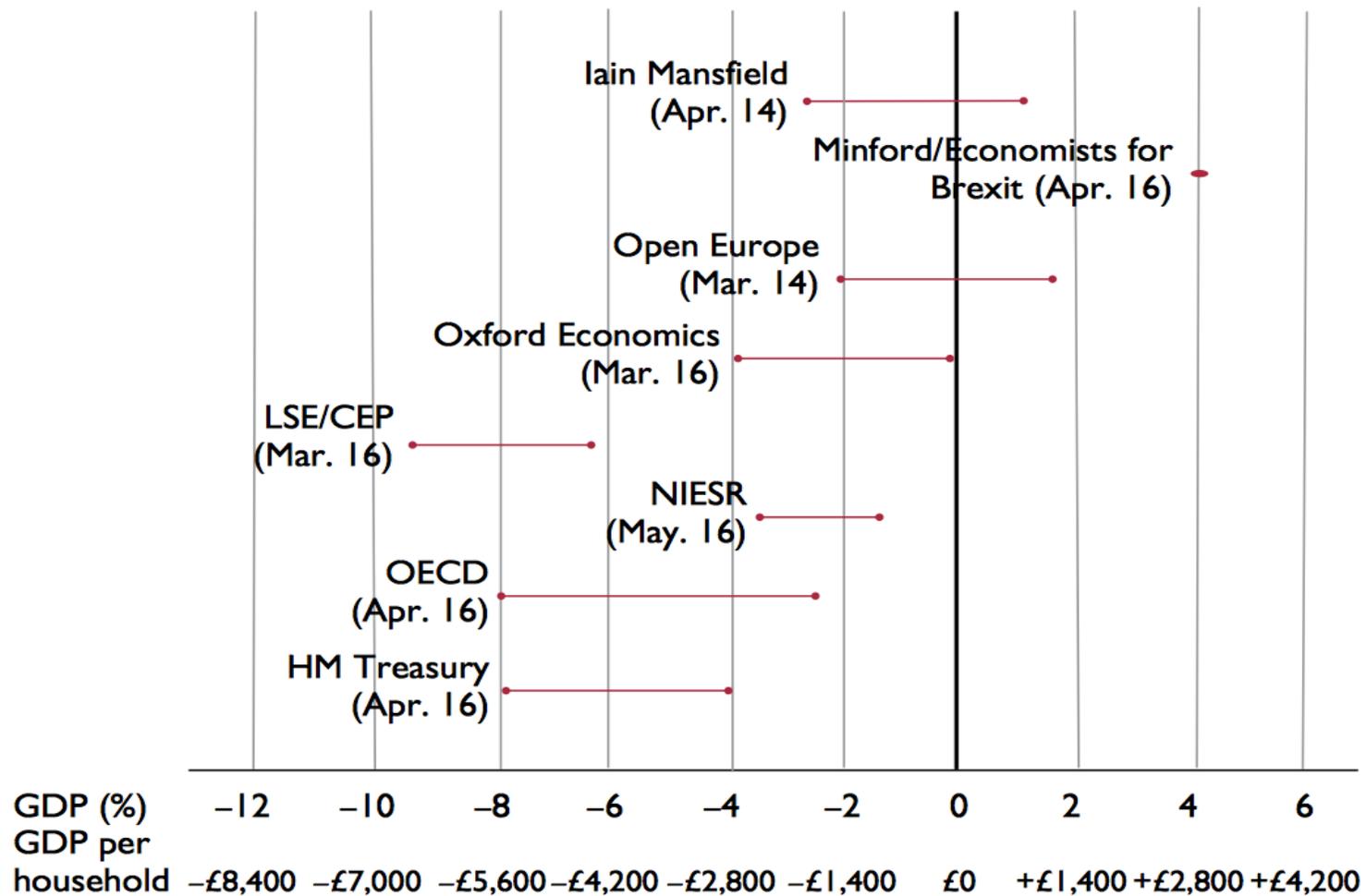
LAI London Chapter
Breakfast Meeting – 4/11/2016

Status Quo & Brexit Options

	Free Movement Goods & Services	Free Movement People	Customs & Border Checks	Export Tariffs	Tariffs – Fish & Agriculture	EU Budget Contribute	Conform EU Regulations	Influence EU Regulations	Separate Trade Deals
EU	✓	✓	X	X	X	✓	✓	✓	X
EEA	✓	✓	✓	X	✓	✓	✓	X	X
EU-UK FTA	X	X	✓	X	✓	X	X ✓	X	✓
WTO	X	X	✓	✓	✓	X	X ✓	X	✓
Unilateral FTA	X	X	✓	✓	✓	X	X ✓	X	✓

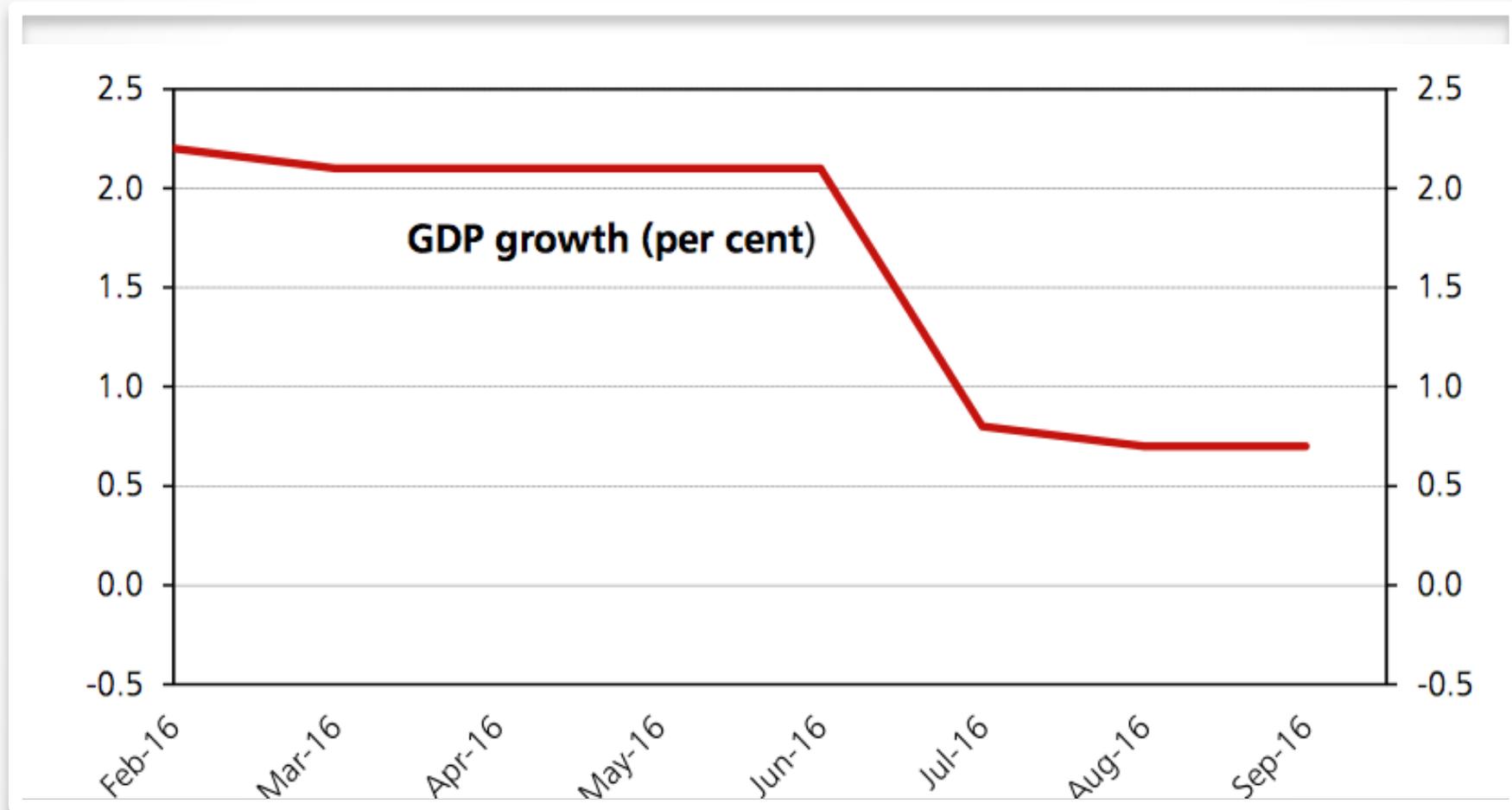
Estimates of Impact of Leaving EU on GDP

Treasury Committee 2016



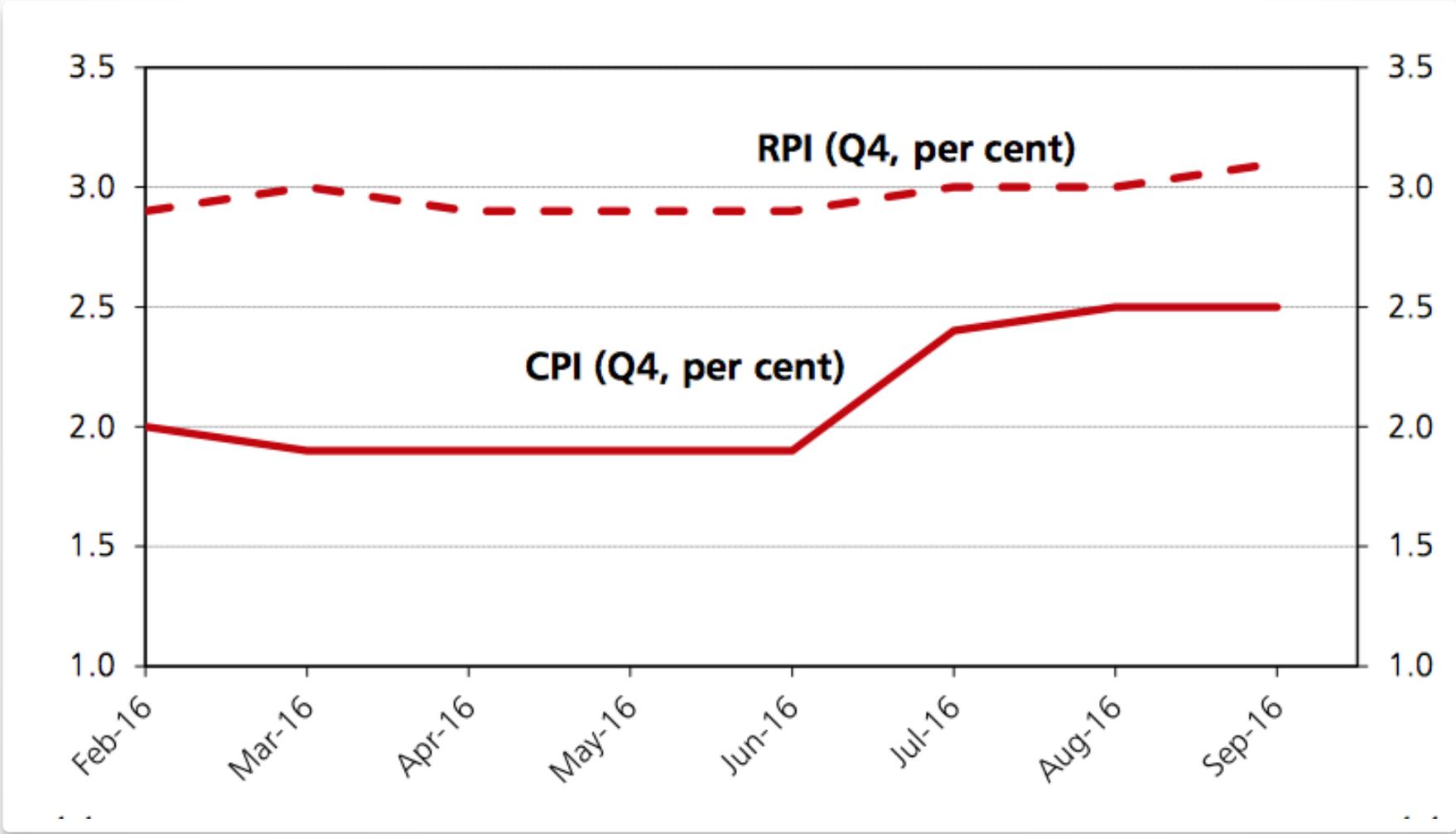
Average of Independent Forecasts GDP Growth 2017

HM Treasury – Sept 2016



Average of Independent Forecasts – CPI & RPI Q4 – 2016

HM Treasury 2016



UK Trade Values and shares, 2016

IFS 2016

	<i>Exports</i>		<i>Imports</i>	
	£ billion	Share	£ billion	Share
EU	222	44%	291	53%
US	100	20%	61	11%
Rest of the world	188	37%	197	36%
Total	510	100%	549	100%

	<i>Exports of services</i>		<i>Imports of services</i>	
	£ billion	Share	£ billion	Share
EU	89	39%	68	49%
US	53	24%	26	19%
Rest of the world	84	37%	44	32%
Total	225	100%	138	100%

Financial Service Exports and Destinations, 2014

	Insurance & Pensions	Banking & Investment	Total
Exports (£bn)	20.1	49.2	69.3
EU Share	12%	41%	33%
US Share	46%	25%	31%
Other Countries' Share	42%	34%	36%

Projected Reduction in GVA from Leaving the EU

1) Per cent	Share of UK Exports Total Value-added	EU Share of Exports	Reduction in GVA (median of estimates)	
			EEA	WTO
Goods	11.0%	49.1%	-1.7%	-3.3%
Services	13.6%	44.7%	-1.75%	-3.45%
Total	24.6%	46.8%	-3.45%	-6.8%

1) National Institute – Economic Review Aug 2016

Direction of Travel

Macro Indicators

- Unemployment by 2020 – 6.7% (4.9% today) – additional 598,000 unemployed
- Loss in GDP between 2.8 – 8.4% - up to 4 years trend growth
- Loss of GDP from Q1 2008 – Q2 2009 – 6.3%
- Loss income per HH between £2,200 - £8,400
- Loss of between £38 - £66 bn. in tax revenues per year by 2030
- Stock of Foreign Direct Investment expected to fall by £220 bn. (22%) by 2026

Recent Indicators

- GDP growth for 2017 range between .9% & .5% - half of previous est.
- City office markets softening (5-10% fall in combined take-up in 17/18)
- Construction activity down by 1.3% (3 month average)
- Sterling devaluation (18%) - higher inflation forecasts 2.7- 3.0% by 2020

Open Discussion

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