COMMERCIAL PROPERTY
THE MARKET PERSPECTIVE

by

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His principal activities are retail development and investment in both the in-town and out-of-town retail sectors acting for public and private companies, institutional investors, retailers and local authorities. As well as operating within the market place, he acts as an Expert Witness at Public Inquiries, The High Court, the Lands Tribunal and receives a number of appointments as an Independent Expert and Arbitrator on rent review and service charge disputes on retail and leisure property.

He is a Past President of the General Practice Division of the RICS and the current Chairman of the RICS Commercial Property Faculty. He was a member of the Property Advisory Group (PAG) of the ODPM for 4 years until it was disbanded in 2003, and was also the RICS Representative to the Bank of England Commercial Property Forum between 2001 and 2004.

He currently represents the RICS on HM Treasury Modernising Stamp Duty Group, The Empty Property Review Committee of the ODPM, the Code of Practice for Commercial Leases and also contributes to the RICS representations to both HM Treasury and the ODPM on REITS/PIFS.

He is a member of the Court of the Worshipful Company of Chartered Surveyors, is a Director of the CPD Foundation, Director of PAMADA the property marketing awards and a Governor of Mill Hill School.

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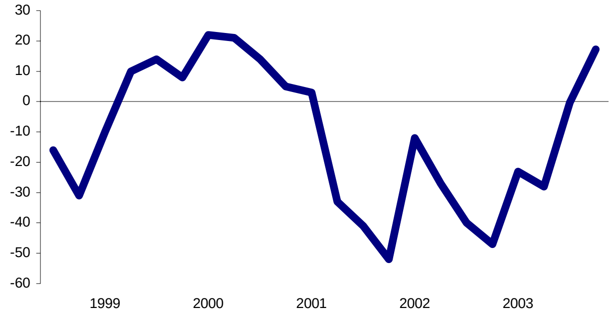
RICS COMMERCIAL MARKET SURVEY FOURTH QUARTER 2003

1. Offices – Demand

Change in sales and lettings of space to occupiers

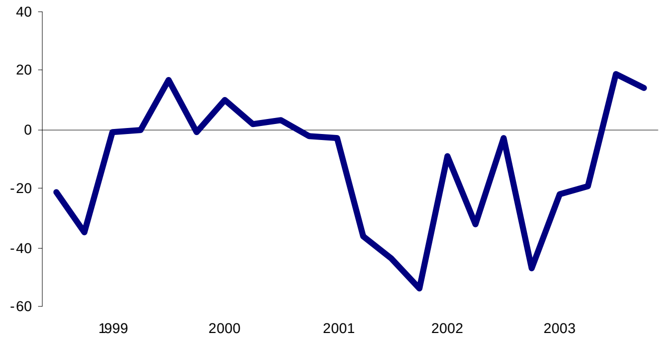
- Demand shows first increase in almost 3 years
- Helped by recovery in London market
- Rising stock market
- Improved confidence in business services sector



2. Offices – Confidence

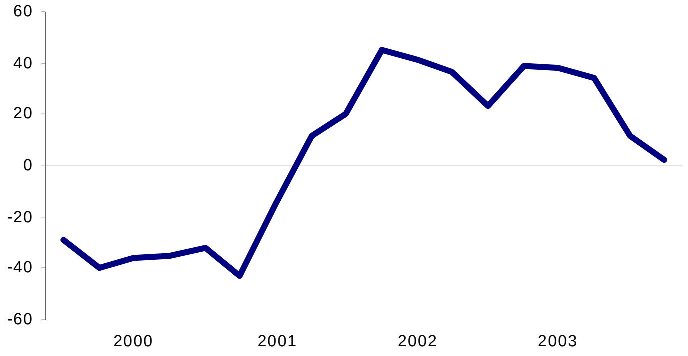
Surveyor confidence in sales and lettings to occupiers for the next quarter

- Although confidence slipped back from previous quarter underlying confidence improving
- Confidence particularly strong in Central London
- Confidence turned negative in East and West Midlands



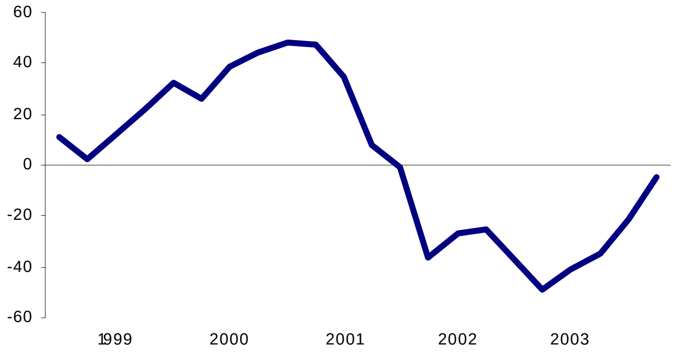
3. Offices – Floorspace availability

- Rising vacancy rates halted after 2½ years
- Fewer rent arrears and distress



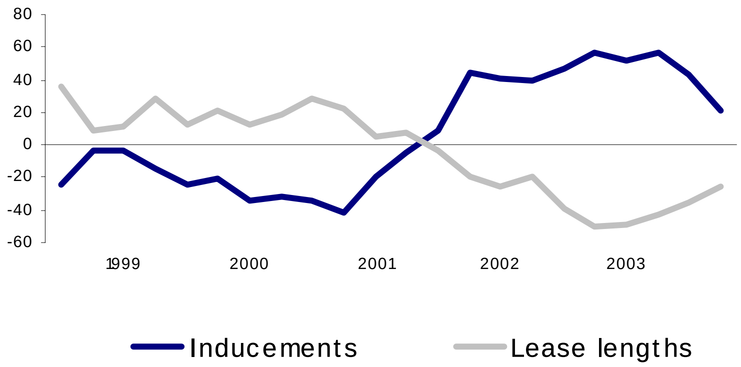
4. Offices – Expected rents

- Rental growth still negative reflecting oversupply
- Rental falls bottoming out
- Upturn in enquiries
- Regional variations with falls in London, South East, East & West Midlands but rises in North and Wales



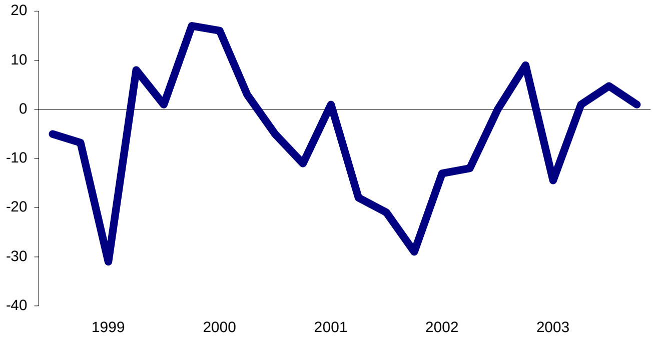
5. Offices – Lease lengths/inducements

- Incentives still increasing but pace slowing
- Lease length continuing to fall in most regions, largest drop in West Midlands
- Pace of lease length decline slowing in London
- Tenants retain the initiative



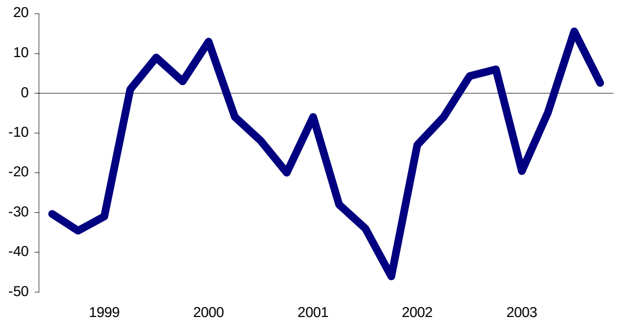
6. Retail – Demand

- Demand remains positive but little increase over previous quarter
- Fears of credit squeeze and consumer spending slowdown
- Lack of supply hampering activity
- Uptake of new space strongest in North West, weakest in London



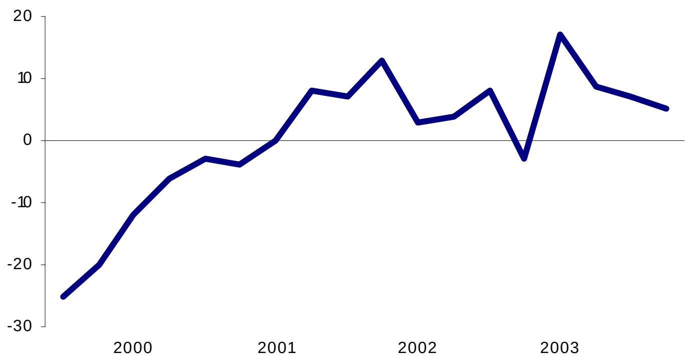
7. Retail – Confidence

- Confidence slipped back following last quarters best level for 5½ years
- 6 regions now reversed to negative confidence
- Weakest regions are East Midlands and London
- Strongest profile is North West and North East



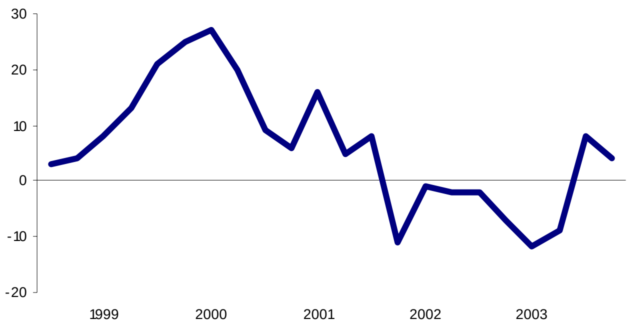
8. Retail – Floorspace availability

- Slight rise in supply
- National position distorted by London where vacancy rates have increased
- Prime space relatively static, secondary is rising
- Declines in vacancies noted in North West and Easter regions



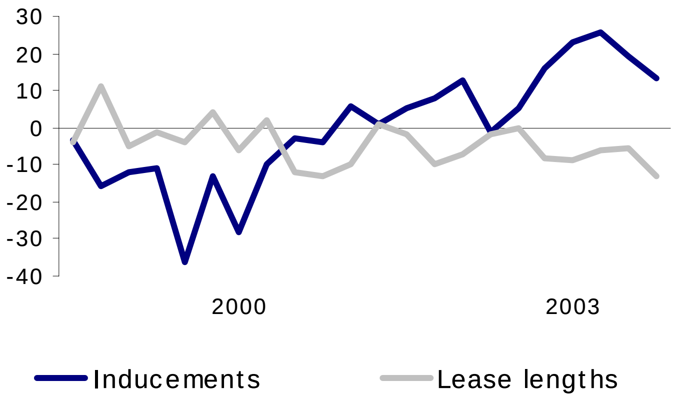
9. Retail – Expected Rents

- Last quarter saw first positive expectations for rents rise in 2 years
- This quarter confirms the trend although sentiment slipped
- Retail warehouses see slight decline



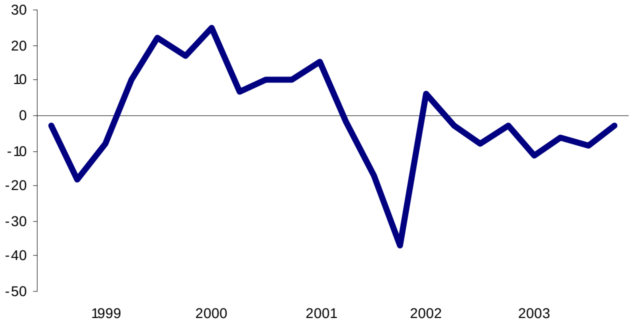
10. Retail – Lease lengths/Inducements

- Inducements increase but at reduced rate
- Inducements in London still rising
- Lease lengths reducing at an accelerating pace particularly in Central London



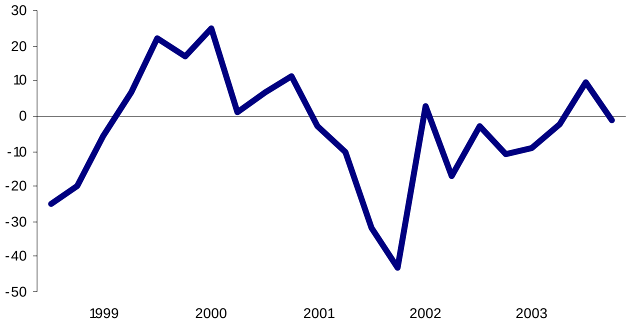
11. Industrial - Demand

- Little change over previous quarter
- Weaknesses more modest
- Improvement in manufacturing businesses
- Strongest region was North West
- South East and South West static



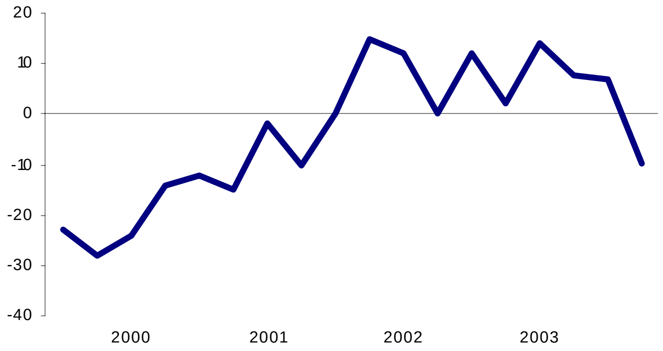
12. Industrial - Confidence

- Confidence fell back to neutral level against last quarter
- Sentiment stronger than 12 months ago
- Activity expected to fall in Midlands and North East
- Activity expected to increase in South East and Wales



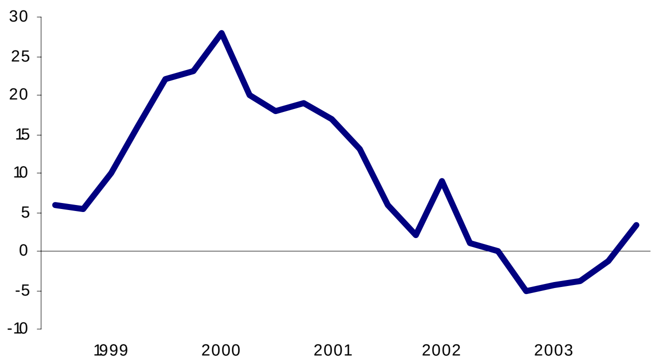
13. Industrial – Floorspace Availability

- Vacancy rates fell in Q4. First fall in 2½ years
- Underlying trend is a reduction in available space
- Strongest regions East Midlands and North West
- Decline in available floorspace in all sectors both prime and secondary



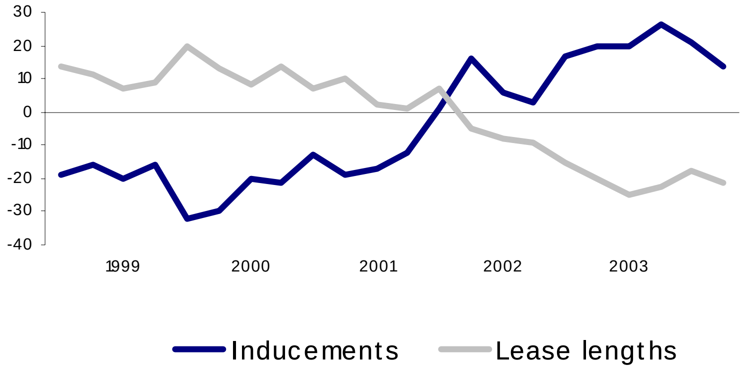
14. Industrial – Expected Rents

- Rental levels turned positive for first time in 1½ years
- Maintains improving position since end of 2002
- Most positive regions are Wales, North East and North West



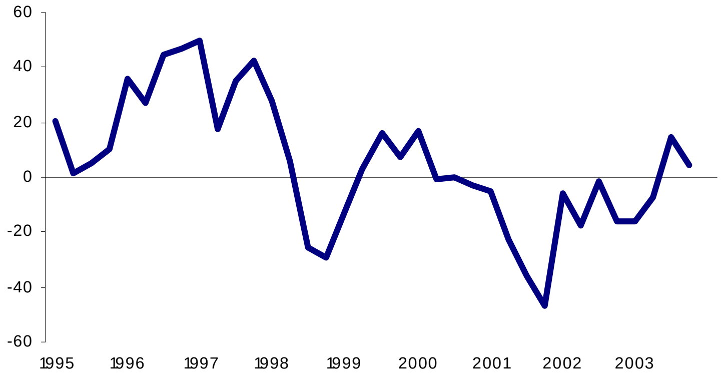
15. Industrial – Lease lengths/Inducements

- Incentives continue to rise but at a more modest pace
- Lease lengths continue to drop particularly in the West Midlands, London and South East



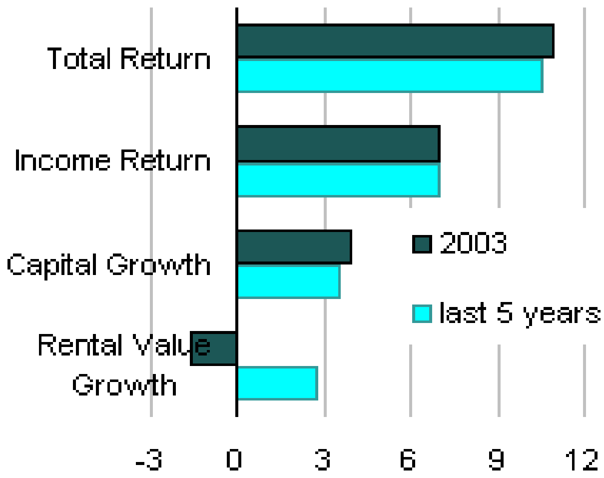
16. Conclusions on the Commercial Property Market in England and Wales

- Demand sees first rise in 11 quarters
- London office market returns to growth aided by stockmarket recovery
- Outlook for rental growth is generally flat reflecting vacancy rates
- North South divide with North more stable than South



IPD UK Annual Index – 2003

Total return summary - % per year				
	All property	Retail	Office	Industrial
1999	14.7	14.1	14.4	17.7
2000	10.5	6.6	15.5	13.8
2001	6.7	5.5	7.6	8.2
2002	9.7	14.1	3.3	10.8
2003	10.9	15.5	3.2	11.3
Annualised over the last:				
3 years	9.1	11.6	4.7	10.1
5 years	10.5	11.1	8.7	8.9
23 years	10.3	11.4	8.9	11.8



- 2003 saw another solid performance from the UK commercial property market, as total returns on standing investment properties improved to 10.9%, from 9.7% in 2002.
- Allowing for inflation, property has now delivered real total returns of at least 6% in nine of the last ten years, a run unprecedented since the start of the IPD record in 1970 and an impressive record for a supposedly cyclical asset

Source: IPD

Analysis of Bank Lending to UK Clients

Development, buying, selling, renting of real estate

Quarter	Total loans and advances £millions	Total facilities granted £millions
2002 Q4	86,754	109,960
2003 Q1	91,649	115,138
Q2	95,685	119,381
Q3	98,427	123,166
Q4	100,358	125,246

Source: Bank of England

17. Other factors likely to impact on the commercial property market place

- Stamp and Lease Duty
- Code of Practice for Commercial Leases
- International Accounting Standards
- New RICS Red Book and International Standards
- Analysis of incentives
- Securitisation/PIFs/REITS
- Money laundering
- Land Registration Act
- “Development Land Tax”
- Planning & Compensation Bill
- Use Classes Order