



Foreign investors flock to UK property market

- Attractive valuations entice investors
- Transparency, market dynamics make UK first port of call

Over the past quarter, money has flooded back into the UK commercial property market with investors from as far afield as Japan, Korea and Kuwait. North American buyers continue to be active on the back of attractive valuations.

As the UK property market fell the furthest in Europe, 45% peak to trough, it currently boasts a greater wealth of investment opportunities than the Continent. Sterling's devaluation against the US Dollar, Euro and Yen adds to the appeal of UK property. Year to date, out of £16.5 billion commercial property transactions (buying and selling) overseas investors have accounted for around 38%. The UK is one of the most transparent and liquid property markets in the world. The prime property market in particular has seen a recent upsurge in liquidity. The UK convention of leasing out properties for 10 years or more, with upward only rent reviews, marks the UK as a unique investment opportunity – especially in an uncertain economic environment where cash flow is paramount. Property's equivalent yield is standing at 8.78% according to the Investment Property Databank Index's October figures, which is 500 basis points over the gross redemption yield on 10-year benchmark gilts.

Mayfair Capital's Director, James Thornton, commented, "With values having only recovered 3.2% in capital terms since June 2009, we believe the correction has further to run despite the weakness in occupational markets where rents remain under pressure. The resurgence in demand for good quality assets is likely to continue.

"Our buying strategy favours properties let on long leases to secure tenants, preferably with minimum fixed increases or inflation linked increases. As an example, we have recently purchased a retail unit in Barnes let to J Sainsbury which meets these strict investment criteria."

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Mayfair Capital Investment Management

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Mayfair Capital was founded in June 2002 by Guy Brogden and James Thornton as an independent property fund management business designed to serve charities, private investors and pension funds. It currently manages £150 million in four pooled funds with a further £50 million of advisory mandates.

Mayfair Capital's Property Income Trust For Charities (PITCH) was the best performing Fund in the Investment Property Databank (IPD) UK Balanced Pooled Property Fund Indices in 2009, returning 9.1% vs. the Index at -1.8%. PITCH is the first exempt, unauthorised unit trust open to charities to invest in commercial property.