

NEWS RELEASE as announced at the Investment Property Forum Conference,
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Regeneration areas remain sound business investment says Urban Regeneration Index

Investing in urban regeneration areas makes good business sense according to research for the national regeneration agency English Partnerships and Morley Fund Management carried out by Investment Property Databank. The Urban Regeneration Index published today shows that urban regeneration areas have out-performed neighbouring locations in both the office and industrial property sectors. Retail property in regeneration areas has closely tracked the performance of the town centre retail market.

The Urban Regeneration Index demonstrates that from 2001 to 2004, office property in urban regeneration areas has produced total returns averaging 15 per cent, 3.2 per cent more than the rest of the UK. Over this same period industrial property also saw total returns averaging 15 per cent, 1.7 per cent more than the rest of the UK industrial average.

Steve Carr, Head of Policy and Economics for English Partnerships said, "This positive trend in the commercial performance of urban regeneration areas means that private and public investors have continued to remain confident in the returns produced by regeneration areas which in the past would have been considered too risky.

"It's a win-win situation – investors gain financially and in turn local communities benefit from increased job opportunities and better places to live created by this continuing inward investment trend."

The Urban Regeneration Index shows that urban regeneration areas were immune to the office down-turns experienced in London and the South East which depressed the UK average total returns between 2001 and 2004. Office rental growth in regeneration areas exceeded that of neighbouring locations by an average of one per cent per year between 2001 and 2004 and by 7.6 per cent when compared to the UK average.

Urban Regeneration Index/2

Phil Clark, Head of Specialist Property Funds for Morley Fund Management and Chairman of the Urban Regeneration Index Steering Group said, "The index continues to dispel the myth that investing in regeneration leads to underperformance and it is no surprise that 2004 and indeed 2005 saw an increase in the number of institutions investing in regeneration areas."

The Urban Regeneration Index indicates that returns in commercial property in 2004 clearly mirror an ongoing trend from previous years.

Mark Callender, Research Director for IPD Index said, "The research reveals that urban regeneration areas are no more cyclical or volatile than the rest of the commercial property investment market. The comparisons with adjacent areas provide strong circumstantial evidence that regeneration initiatives have a positive impact on investment performance, particularly in the office sector."

This research was issued at the Investment Property Forum Conference, 19 January 2006, ICC, Birmingham.

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Editors Notes:

Urban Regeneration Index, January 2006

The Urban Regeneration Index is available on www.englishpartnerships.co.uk/publications#research

The Urban Regeneration Index

This edition of the Urban Regeneration Index is an update on previous research by IPD for English Partnerships and Morley Fund Management issued in March 2005. The analysis is based upon a sample of 750 properties in regeneration areas, with a total value of £4.4 billion at the end of 2004.

This evidence complements other research by a team of academics led by Professor Alastair Adair of the University of Ulster for RICS and Investment Property Forum and British Property Federation. There has been a lot of interest in benchmarking returns in regeneration areas and we hope that this new edition of the Urban Regeneration Index will promote backing for a regular annual Urban Regeneration Index sponsored by the property investment sector.

Urban Regeneration Index/3

English Partnerships is the government's national regeneration agency delivering high quality, sustainable growth in England. We do this by developing our portfolio of strategic sites and acting as the government's advisor on brownfield land. We also ensure that surplus public sector assets are used to support wider government objectives, especially those contained in the Sustainable Communities Plan. English Partnerships helps create communities where people can afford to live and want to live. Information on projects and programmes can be found at www.englishpartnerships.co.uk

The Regeneration Index Steering Group

The steering group was chaired by Phil Clark of Morley Fund Management over the past year and comprised Paul McNamara of Prudential/IPF, Guy Morrell of HSBC, Steve Carr of English Partnerships, David Shevill of the Office of the Deputy Prime Minister, Yolande Barnes of FPD Savills, Professor Alastair Adair of Ulster University and Stephen Brown of the RICS Foundation. Mark Callender led the research team at IPD.

Morley Fund Management

Morley Fund Management is the UK based fund management arm of Aviva plc. It

is one of the UK's largest fund managers with £128bn under management invested across a wide range of assets. The property team at Morley manages over £15bn of UK and European property assets and are leaders in innovation in the property fund management sector. The team won the high profile Property Week Fund Manager of the Year Award in 2004. Morley's Igloo Fund, the UK's first regeneration fund, was launched in 2001 by Phil Clark and has grown to £25m as at 31.12.04. The fund is currently developing / investing in the following projects: Bermondsey Square, London; Marshalls Mill, Holbeck, Leeds; Islington Wharf, Manchester; Media Village and Technopark, Eastside, Birmingham; Brentford, London; Waterside, Nottingham; Canal Basin, Leeds; Yarn Street, Leeds; Port Dundas, Glasgow; Ilford Essex; Thurrock, Essex; Stourport, Worcestershire. www.morleyproperty.com and www.igloo.net.uk

IPD

IPD is an independent business headquartered in London with subsidiaries or associates in ten other countries. The international leader in its field, the company is dedicated to the objective measurement of property performance, and aims to expand the production of accurate and consistent information services to all major property markets. www.ipdindex.co.uk

Sample

The research covers all those areas where there is a current urban regeneration programme supported by the public sector and includes all the Urban Regeneration Company areas in England and Wales, former coalfield area projects and a number of major area initiatives in major cities including Bristol, Cardiff, London, Manchester and Newcastle. The analysis includes all the commercial properties in these areas where IPD has a record, not just new developments, in order to capture the wider impact of regeneration initiatives.

The sample is dominated by shops, in-town shopping centres and industrial properties, which together accounted for four fifths of total capital value at end-2004. There are no regional shopping centres, or major retail parks in the urban regeneration sample. Offices accounted for just 10% of the total value, reflecting the historic difficulties of regeneration areas in attracting financial and business services companies.

Definitions

The rest of the UK is all of the UK outside London, the South East and Eastern regions, as defined by ODPM.

All UK is England, Scotland, Wales and Northern Ireland.

UK average is the representation of the entire property investment market in the UK.