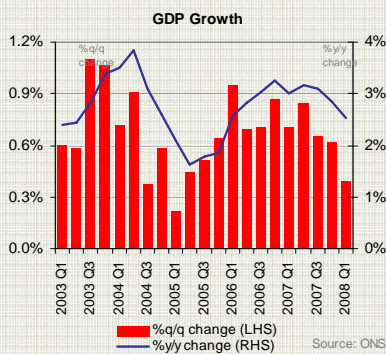




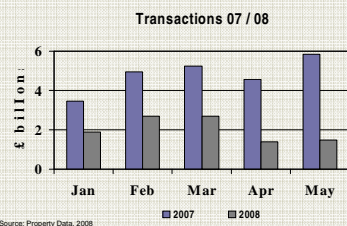
Property Snapshot

UK ECONOMY & PROPERTY MARKET
COLLIERS CRE MONTHLY HOUSE VIEW | JUNE 2008

May MPC minutes stress importance of limiting inflation expectations.



Benign bank lending regime unlikely to return in 2008.



Number of investment transactions down month-on-month in May. Banks reviewing loan portfolios, but forced sales not yet a feature of the market.

Retail sales fell for second consecutive month by -0.1% m/m. Central London proving resilient.

Economy

- Consensus GDP forecasts 1.7% for 2008. Recent revisions have pushed 2009 forecasts down to 1.5%. Eurostat sector confidence surveys all remained negative in May.
- April CPI inflation 3.0%; RPI 4.2%. MPC held rates at 5.0% in June. May minutes stress importance of limiting inflation expectations. Five-year swaps rose to 5.75% in late May. Commodity prices showing signs of peaking. Wage inflation still limited.
- Employment market appears to be reaching a turning point. Claimant count rose for the third consecutive month in April reflecting a 3-month rise of 11,400, but signals are mixed with total employment rising by 117,000. City financial services employment contraction still relatively modest although expectations are increasingly negative.
- Bank lending still difficult. LTVs and interest cover restrictive, lending margins still high and based on Libor. Typical cost of money 7+%. Banks syndicating less, but 'clubbing' together on bigger loans. Three month LIBOR remains high at 5.85% compared to 5.0% base rate, unlikely to fall by more than 10-20 bps by year-end.
- De Montfort University survey shows significant rise in loan defaults in 2007. Recent Investec survey found almost 90% of property professionals expect further rises in 2008.
- *CCRE view: Benign bank lending conditions unlikely to return for another 8-12 months. Clear signs of slowing growth. UK economy now facing significant downside risks. Strong inflation will constrain potential for cutting interest rates this year.*

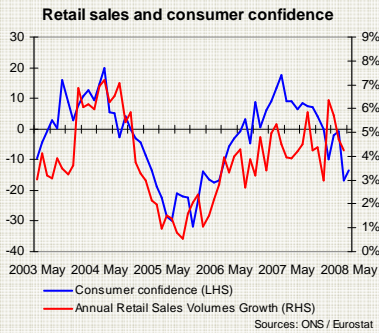
Property Market

Investment Overview

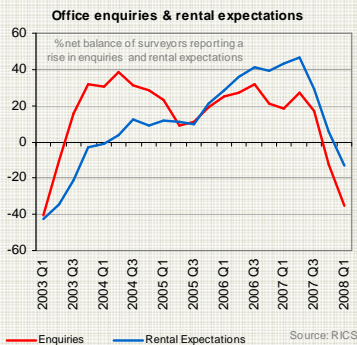
- Property Data reports investment transactions in May 08 £1.47bn up slightly from £1.41bn Apr 08. Numbers of transactions also down m/m. IPD valuation-based indices failing to capture full market capital value falls.
- City office investors unwilling to rely on reversionary rental growth beyond one year. In West End, reversions are discounted less, but perceptions slipping. Central London office market still buoyed up by overseas investors. Continuing funding problems and with pricing evidence still thin, any correction is slowed.
- Some high street and retail warehouse movement. Prime high street yields at 5.25-5.50%; secondary to 7%. Yield differential between prime and secondary re-established and widening. Fixed income streams and RPI uplifts in strong demand. Shopping centre transactions non-existent. Industrial sector stalled.
- *CCRE view: Lending constraints remain main impediment to market recovery. Increasing discussion of possible 'double dip' in capital values as valuers move yields out further in response to new evidence and weakening occupational demand. Banks increasingly reviewing loan portfolios for breaches of LTV cover, but forced sales are not yet a feature of the market.*

Retail

- Retail sales volumes fell for second consecutive month in April, down -0.1% m/m. Food stores only sub-sector displaying positive price inflation. In other sectors, discounting and sales events continues to underpin sales volumes. Central London retail proving resilient with consumer spending steady. CCRE London high street survey shows that the number of vacant shop units remains constant, but vacant floor space has decreased.

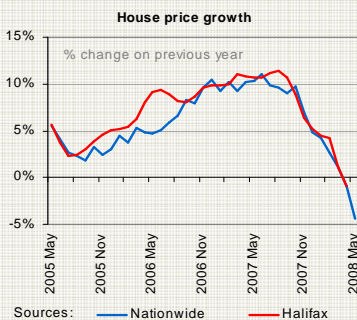


*Supermarkets bucking the trend,
market fundamentals strong.*



*Regional offices faring better than
London at present.*

*Short-term shed developer-traders
are pulling out of the market.*



Contact details:

Walter Boettcher: 020 7344 6581
walter.boettcher@collierscre.co.uk

Kiran Raichura: 020 7487 1691
kiran.raichura@collierscre.co.uk



www.collierscre.com

- Shopping centre developments delayed. Liverpool One opening shows softening of lease terms to attract tenants. Secondary centres faring worse as occupiers become selective. 'Turnover only' and 'base plus turnover' deals more common, masking rental decreases.
- Supermarkets bucking the trend and taking business from retail parks. Market fundamentals strong. Restrictive planning regime will continue to limit supply.
- Out of town: floorspace being released by 'rightsizing' large stores. Retailers releasing space slowly to avoid oversupply.
- *CCRE view: High-end and budget retailers squeezing out middle market operators. London out-performing rest of UK. Limited rental uplifts this year aside from supermarkets.*

Offices

- City: demand remains uncertain, mid market steady. Large requirements taking longer. Incentive periods doubled in past nine months. Bank contractions will release serviced office space first. Only 21% of space under construction and due to complete by 2010 is pre-let. Where building contracts have not been issued, pace of development slowed.
- West End: top rents not being achieved. Rental declines possible. Occupiers expecting one month rent-free per year of lease. A few occupiers releasing space; landlords not taking it back speculatively. Profitable companies exploiting weaker market perceptions.
- Regional offices: mid market holding up, take-up slowing; some occupiers delaying requirements, lack of quality space preventing expansion in some markets. Vacancy rates rising in Leeds and Manchester, but falling in Birmingham. Scotland seeing steady professional services take-up. Regions faring better than London at present.
- *CCRE view: Central London take-up stuttering. Large amounts of speculative supply set to come to market presents significant downside risk. Regional offices holding up, with churn driving take-up. Little expansionary demand. Yet to feel full effects in the regions.*

Logistics and Industrial

- Rents remaining stable. Incentives continue to increase as developers endeavor to secure tenants and avoid empty rates. Short term developer-traders are pulling out of the market. Development pipeline slowing with supply outstripping demand and an increase in secondary take up.
- Third party logistic operators, especially smaller firms, feeling the pressure of rising costs. Retail demand stable as retailers continue to rationalise distribution strategies.
- Vendors' expectations of land values are yet to fully adjust. Values in the Midlands and the North down 10-20%. Values falling faster in London and the South East, down 25%. Ripple effect likely to cause the Midlands and the North to follow suit.
- *CCRE view: Significant levels of available space. Steady demand and increasing incentives keeping rents flat. Land prices likely to fall further this year.*

Residential

- May m/m house price growth: Nationwide -2.5%, Halifax -2.4%. Nationwide prices have now been falling for seven consecutive months. Nationwide annual price growth fell to -4.4%. Halifax annual growth fell to -3.8%.
- Bank of England mortgage approvals for new mortgages dropped to 58,000 in April; the lowest level since records began in 1993 and half that of April 2007. Nationwide joined other lenders in raising two of their fixed mortgage rates.
- Residential auctioneers continue to report rising levels of repossessions on their books. Many of these are investment properties, in line with Bradford & Bingley's fears over their outstanding buy-to-let loans.
- *Colliers CRE view: Mortgage finance remains expensive and difficult to obtain. Further falls in approvals are plausible. Prices are set to fall nationally this year by c.10%.*

Disclaimer: This bulletin gives information based primarily on published data which may be helpful in anticipating trends in the property market. No warranty is given as to the accuracy of, and no liability for negligence is accepted in relation to the forecasts, figures or conclusions contained in it and they must not be relied on for investment purposes. This bulletin does not constitute and must not be treated as investment advice or an offer to buy or sell property. 08067/June 2008 ©.