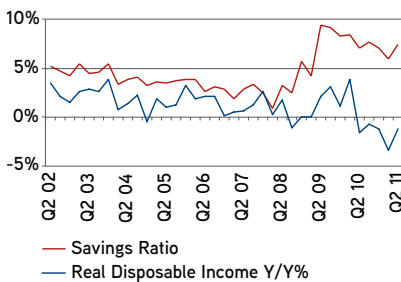




RESEARCH & FORECASTING UK

SPECIALIST PROPERTY SNAPSHOT

HOUSEHOLD SAVING AND INCOME GROWTH



Source: ONS

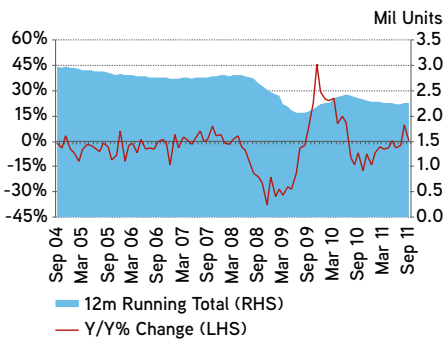
“Nevertheless, retail sales are up slightly in Q3 11 over the previous quarter, even as September CPI rose to 5.2%.”

Economy walter.boettcher@colliers.com – 020 7344 6581

- Real household disposable income for Q2 increased 1.2% q/q, but is still down 1.2% on Q2 10. Deterioration in the eurozone economy (the UK’s largest export market) has amplified the uncertainty with respect to UK economic performance and employment expectations. Households are spending cautiously, pushing the savings ratio higher to 7.4%, as consumer confidence remains low. Nevertheless, retail sales are up slightly in Q3 11 over the previous quarter, even as September CPI rose to 5.2%.
- The Q3 GDP figures came in slightly above expectations but are still weak in terms of overall growth. The eurozone’s debt crisis continues to stoke volatile markets, which is stimulating job security concerns as businesses are cautious in their investments. Government spending cuts continue to have an effect as the private sector hiring has yet to offset the public sector redundancies.

Colliers’ view: The specialist sectors continue to feel the impact of cautionary discretionary spend, although numerous companies are beginning to see positive results from restructurings and refocusing on ‘core’ businesses.

MONTHLY NEW VEHICLE REGISTRATIONS



Source: SMMT

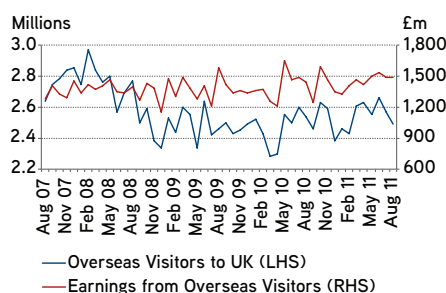
“Car sales, an indicator of consumer confidence, are down 5% for the first nine months of the year...”

Automotive & Roadside david.chittenden@colliers.com – 0121 265 7518

- The sector continues to struggle from weak sales volumes, with September 2011 down 0.8% y/y. Car sales, an indicator of consumer confidence, are down 5% for the first nine months of the year as households continue to worry about government cutbacks in the economy.
- Despite weak trading, bank finance continues to be available for the right balance sheets and attractive franchises. Investor appetite for non-prime areas and lower selling brands is limited as yields continue to move out in the secondary and tertiary segments of roadside.

Colliers’ view: There is a three-tiered roadside sector with the greatest values attributed to manufacturer tenants with strong covenants. Secure income streams with limited investment to tick dealer standards boxes remain in demand, while non-prime property continues to languish.

MONTHLY OVERSEAS VISITORS TO UK



Source: ONS

Recreational john.rushby@colliers.com – 0113 200 6915

- Deals in the market are still limited, with heavy emphasis being placed upon the quality of trading accounts and due diligence. As a consequence, sales periods are protracted and uncertainties are leading to many deals failing to complete. There is demand for caravan parks and, to a lesser extent, lodge parks, but funding is still difficult to source. Corporate purchasers are adopting long term strategies in order to improve profit levels, undertake investment and achieve capital growth.
- The holiday parks industry has had a good year, although the poor summer is likely to have affected those sites with limited facilities. It is arguable that there has been an oversupply in certain areas as lodge and holiday home owners have placed units onto the letting market to support mortgage repayments. The marina market is limited by stock availability, though demand, for what has been a robust sector, remains high.
- The marina market is limited by stock availability, although demand for what has been a robust sector remains high. Banks have also shown a willingness to provide funding for better run facilities with proven management.

Colliers’ view: 2011 has seen increased interest from mainstream and boutique funds in parks, marinas and leisure facilities in order to diversify investment portfolios and acquire alternative assets. The private market remains slow, being heavily reliant upon house sale equity and bank funding.

Healthcare jeremy.tasker@colliers.com – 020 7487 1991

- Local authority fee cuts are meeting resistance and, in some cases, legal challenges. Average nominal fees across all elderly care home segments in the UK increased marginally by 0.3% between FY 10/11 and 11/12, according to Community Care Market News. In real terms this equates to a 4%+ decline given high levels of inflation. The sector remains under pressure. There have been few large scale investment deals, but limited evidence suggests that nominal initial yields have moved out from around 6.5% at the end of 2010 to 7%+ for good quality stock. Prime assets are achieving around 6%. Healthcare funds are seeking to raise new capital, but progress is slow.
- The Southern Cross debacle is taking a rational turn; good quality assets are being acquired by other care home operators, although many marginal assets are understood to be under offer under management contracts. The specific details of the management contracts are uncertain, but are thought to include options to acquire the lease subject to satisfactory trading.

Colliers' view: Falling fees, slower referral rates and increasing acuity of care is undermining operator performance. Corporate operators are beginning to look again at cost cutting measures in order to maintain profitability and generate sufficient capital to reinvest into the business.

Hotels david.hossack@colliers.com – 0161 831 3332

- Trading conditions in London are trending upwards. Real room RevPar, on a 12-month rolling average basis, is up 10.7% since its lowest level during the financial crisis. Provincial occupancy and room rates have held steady at just under 70% and £70 respectively. Profitability remains challenging as corporate travel expenditures have yet to recover to pre-recession levels. Nevertheless, RevPar in the provinces is up 5.0% y/y in August.
- Banks still favour prime locations and high quality assets with strong occupiers (i.e. chains). The collapse of Von Essen group will continue to keep banks disciplined in their lending criteria. 18 of the Von Essen hotels are under offer.
- Travelodge added eight hotels to its London portfolio, while Premier Inn plans to add 20 locations within the M25 over the next two years. Malmaison hotels in Birmingham, Newcastle upon Tyne, Manchester and Aberdeen were subject of sale and leaseback deals this summer to Legal & General and Aviva. RBS sold Glasgow City Hilton and Hilton Glasgow to Grosvenor in September – the last two hotels remaining from the portfolio of Hiltons purchased by the bank in 2001.

Colliers' view: London hotels have recovered from the recession, while the provinces improve slowly. Well-financed budget chains continue to grab more market share as independents dwindle. Investor appetite remains strong.

Licensed & Leisure colin.siebert@colliers.com – 0161 831 3313

- On-trade beer volumes continue to fall, although the decline is slowing, down 4.3% in Q3 11 y/y (45 million fewer pints sold). Off-trade 12-month running total sales were up 2.2% q/q as consumers continue to rein in their spending.
- The pub sector continues to face higher taxation, rising inflation and soaring utility costs coupled with rising unemployment levels. The tenanted pubs sector's income per pub is down year on year and pubco's continue to dispose of non-core assets. Punch Taverns plans to dispose of another 2,053 pubs. RBS continues to review options for its 900 strong Galaxy portfolio.
- The managed pub sector is seeing consolidation: Stonegate Pub Co merged with Town & City Pub Co and Greene King strengthened its representation in the London market through the acquisition of Capital Pub Co; smaller package deals are also occurring. J D Wetherspoon opened 50 units in the financial year to July 2011. Demand for freehold Central London premises remains highly competitive due to limited supply; the recent acquisition of The Warrington by Faucett Inns for £5.5m is evidence of this.
- Luminar is in administration after banks withdrew finance. The late night sector has been hit hardest due to high unemployment in the target market, the 18-24 age group. The high street casual dining sector is generally stable. A number of established operators are expanding nationally with new brands or concepts.

Colliers' view: The licensed and leisure industry is performing well in certain sectors, particularly in Central London. Investors remain interested in the sector but are still cautious, reflected by the marginal outward shift in yields, even for stronger covenants in prime locations, although demand for well-let leisure schemes remains good.

For further information, please contact:



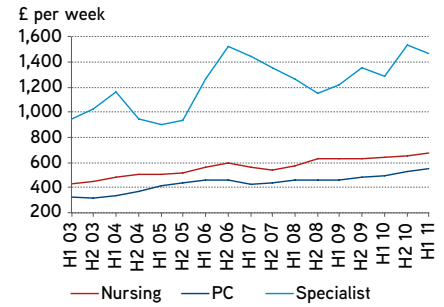
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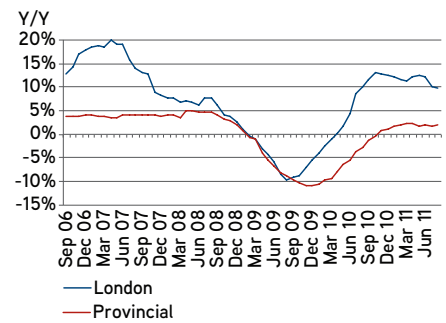
AVERAGE FEES



Source: Colliers International

“Falling fees, slower referral rates and increasing acuity of care is undermining operator performance.”

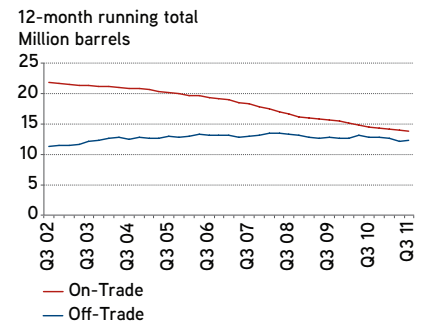
MONTHLY HOTEL REVPAR Y/Y% CHANGE



Source: TRI Hospitality

“Profitability remains challenging as corporate travel expenditures have yet to recover to pre-recession levels.”

BEER SALES BY VOLUME



Source: British Beer & Pub Association

“The tenanted pubs sector's income per pub is down year on year and pubco's continue to dispose of non-core assets.”



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