Economic overview
Economic growth reached 1.7% in 2002.

Property overview
Total returns are forecast to drop to 6.5% in 2003, with a recovery in subsequent years.

Office
The sector will under perform over the next 2 years.

Retail
Retail is forecast to produce a total return of 8.0% in 2003.

Industrial
Industrial is forecast to produce the highest total return in 2003.

Leisure
We provide an update on recent sale and leaseback deals.

Property Investment Market

Winter 2002/3

invbrief

“We forecast 3-year annualised total returns for property will be 8.2%”

Summary

Property

Property outperformed the other main asset classes for the third year in succession in 2002.

The disjunction between occupier and investment markets is now less evident as capital growth falls.

UK institutional funds are holding back on property investment as other assets are perceived to offer better value in the short term. However, debt-financed investors remain acquisitive as attractive arbitrage opportunities between finance rates and yields continue to exist.

We forecast total returns of 6.5% for property in 2003.

Office

Markets in London and the South East continue to see a deterioration in performance.

Rental growth will be marginal at best over the next three years. We forecast a total return of 3.0% for offices in 2003.

A double-digit total return is forecast for 2005 as the financial sector recovers and supply becomes more constrained.

Retail

Retail was the top-performing sector in 2002.

A slowdown in consumer spending and intense pricing competition amongst retailers is expected to slow rental growth to 1.7% in 2003.

We forecast total returns of 8.0% in 2003.

Industrial

We believe an increased portfolio weighting in the industrial sector is an effective means of boosting risk-adjusted total returns for investors.

The industrial sector is forecast to be the top performer in 2003 with total returns of 8.9%. It also has the highest forecast total return on a 3-year basis.

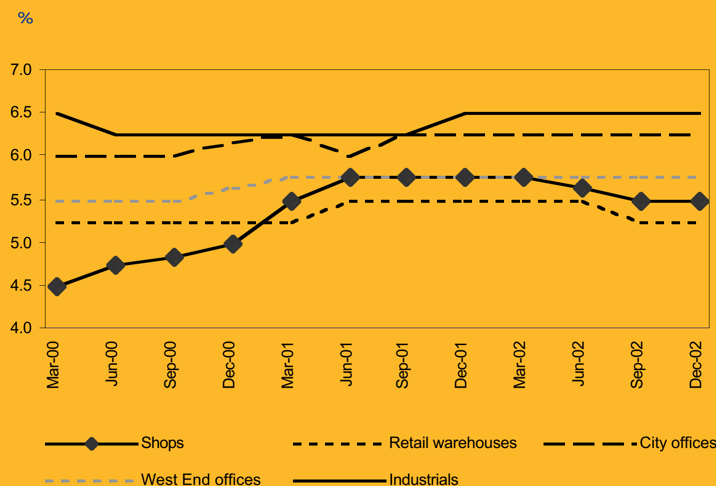
Leisure

Prime yields outside central London stand at around 6.5% to 7.5%.

Investor demand should increase by the summer

Prime property yields

Source: Gerald Eve



Economy

Outlook for growth

The economy grew by 1.7% in 2002, which is the slowest rate since 1992. Fourth quarter growth was broadly in line with economists' expectations, at 0.4%.

The latest Treasury survey forecasts growth of 2.2% in 2003. The lack of any sustained recovery in the global economy has dragged forecast levels for year-end 2003 down from 2.8% in the summer.

The end of the 'two-speed' nature of economic growth shows little signs of appearing. As in every year since 1998, consumption growth outpaced overall economic growth, whilst a manufacturing recovery is now unlikely to occur before the year-end, as output and survey evidence continue to disappoint.

Data from the consumer sector had been providing evidence of a slowdown around Christmas until the release of sales volume data. It showed twelve-month growth of 6.4%, although economists cautioned that the underlying details were weaker than headline figures implied. The British Retail Consortium reported that sales grew in December by just 1.7%.

The corporate sector of the economy shows few signs of recovery. Indeed, business investment now represents a lower share of GDP than in the recessions of the early eighties and nineties. Companies are more focused on repairing balance sheets than undertaking capital expenditure. In the context of the labour market, this is exemplified by a recent CBI poll of finance companies, which showed the highest net balance since the mid-nineties of firms expecting to fire staff over the next 3 months.

The international environment is also failing to provide the anticipated demand. Recent disappointing data from the US led economists from ING Baring to speculate that if the recent drop in US confidence translates into lower spending then the Federal Reserve will be considering a further rate cut, from its present rate of 1.25%.

Implications for interest rates

Against such a backdrop, the bank base rate is unlikely to shift upwards until the final quarter of 2003 at the earliest. Indeed, economists have been raising the possibility that the next move will be downwards. The futures market is currently pricing in a quarter-point cut by the summer.

Opinions on the future base rate movements have diverged recently as the international environment is expected to play a larger part in determining UK monetary policy in 2003 than last year. The Monetary Policy Committee will require further sustained evidence of a slowdown before any cut is made.

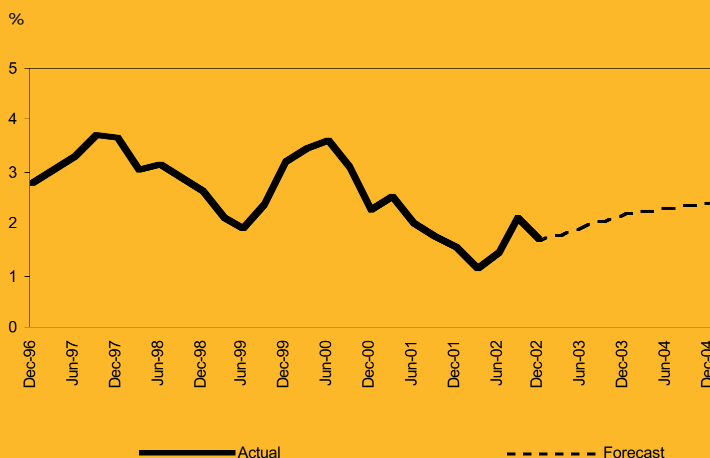
> "The chances of a short-term increase in the bank base rate are diminishing"

Gilt issuance

Government spending will be an increasingly important driver of economic growth over the next year. Associated with the increased government spending, the UK's rising budget deficit is likely to result in higher levels of gilt issuance in 2003/4, with predictions of up to £50bn, double the level seen in 2002. However, any subsequent upward pressure on yields is likely to be moderate as pension funds re-weight their portfolios away from equities to gilts.

Twelve-month GDP growth

Source: National Statistics, HM Treasury Survey of Forecasts



Property

Property produces double-digit growth

Property produced 12-month returns of 10.5% in December, marginally out-performing gilts (10.3%), whilst equities lagged behind, at -22.7%, according to the IPD Monthly Index. This is the third consecutive year that property has out-performed the other main asset classes.

Property's total return was comprised of 2.6% capital growth and an income return of 7.9%. Over the last quarter of 2002, property's annualised total return was a solid 10.0%.

The initial property/gilt yield gap stood at 2.5 percentage points in December. Property's pricing advantage in relation to other assets means it is comfortably positioned in the current low-growth environment.

"Property outperforms other assets but growth is set to decline in 2003"

Whilst the illiquidity of property means it is not a good method of reducing risk at times of geo-political uncertainty, it is defensive in offering a substantial income return and also in terms of the prior charge status of rents.

Occupier/investor disjunction

In terms of rental growth, the three-month annualised rate dropped to -2.3% in December, its lowest level since May 1994. Throughout 2003 and 2004, rental growth prospects remain at best marginal.

This weakening is causing investors to act more conservatively in pricing stock. The three-month capital growth rate annualised stood at 2.2% in December, down from a peak of 4.8% in August, according to IPD. Whilst equivalent yields fell by 25 basis points in 2002, this trend is unlikely to continue this year. As such, the disjunction between occupier and investment markets identified earlier in the year is subsiding.

As clearer signs emerged that the capital growth cycle had peaked, many investors took advantage of strong demand from geared investors by bringing stock to the market. Hence, the increased supply of secondary stock was especially noticeable in the final quarter of 2002, which is pressuring yields upwards.

Net investment

Latest available data from National Statistics reported net UK institutional investment of £3.6bn in the third quarter, which is the highest figure since records began in 1983. This follows two quarters of net disinvestment. However, there has been much comment on the issue of whether these trends accurately reflect market activity. We believe Property Data provides a more accurate representation over the first three quarters of 2002 with net investment throughout. In the final quarter of 2002, net UK institutional disinvestment amounted to £590m, whilst private individuals and overseas investors were net investors with inflows of £761m and £756m respectively.

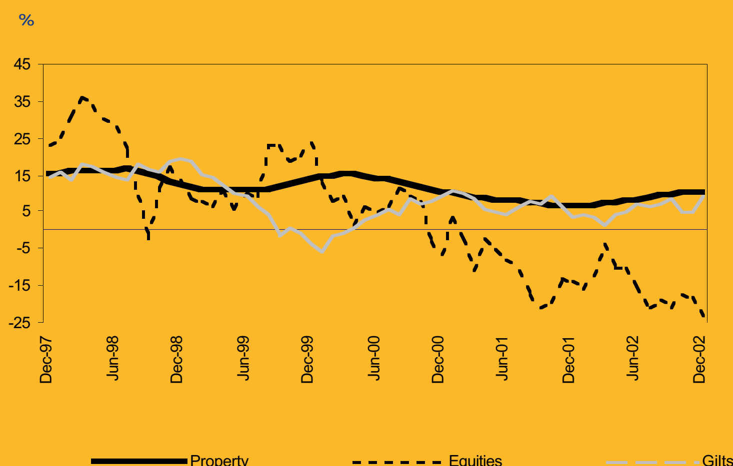
This change in acquisition strategy by institutional funds may reflect their attraction to the equity market, which is increasingly perceived to have reached fair value. Gilts also offer a safe haven for funds facing an ever-increasing amount of asset-liability matching risk. HSBC forecast 10-year gilt total returns of 7% in 2003. Equity market forecasts have been so unreliable in recent years that we are not prepared to speculate on levels at the current year-end. However, the recent drop in the FTSE 100 index has once again raised fears that insurance companies could be forced to sell to maintain solvency ratios.

Debt finance

The five-year swap rate stood at 4.5% in mid-January, which continues to be a substantial discount to the property yield. This has stimulated intense private investor syndicate activity, including the £185m acquisition of 151

Twelve-month total returns

Source: IPD



Buckingham Palace Road, SW1. We expect geared investor demand to remain strong in 2003 with little sign of a significant increase in finance rates.

Despite this benign environment, lenders have been tightening terms. In our discussions with lenders, the average loan-to-value ratio currently stands at 75%, with 90% deals now virtually unheard of. Nevertheless, lenders face stiff competition in terms of margins, which is inhibiting the introduction of stricter terms. Moreover, most lenders are planning to increase their property loan books in 2003. However, loan finance will become more targeted in response to rising void and depreciation risks. The desire to diversify risk is prompting more lender caution in terms of single-tenanted offices in some areas of the South East, whilst mixed commercial portfolios are the targets of increased lender activity as they offer diversification. Lending terms will continue to be an important determinant of yield levels in many areas of the market.

Overseas players

Investment from private Irish investors has been particularly strong recently and this is expected to continue. In December, Irish stamp duty was raised from 6% to 9%. Whilst the Irish concentrated upon acquiring high street retail stock in 2002, evidence is emerging of interest in the office sector.

German liberalisation of investment criteria in July has allowed their open-ended funds a freer hand in acquiring property in the UK. In the City office market, several German funds competed for 100 Leadenhall Street, EC3, which was eventually acquired by CGI for £88m, reflecting a net initial yield of 6.75%.

Indirect vehicles outperform

Limited partnerships outperformed direct property in the year to June 2002, for the first time since records began in 1999, according to recent research conducted by IPD and ABN Ambro. The indirect vehicles produced total returns of 10.1%, compared to a figure for direct property of 8.6%.

The study sampled 32 limited partnerships, with a value of £5.2bn. The indirect vehicles' performance has been enhanced by their high weightings in retail and low exposure to south eastern office markets. The environment of low finance rates has also meant that gearing provided a performance boost. In the first half of 2002, 17 new limited partnerships were set up with a combined gross value of £2.2bn, which exceeds the figure for the whole of 2001 (£2bn).

All Property twelve-month forecasts

Rental Growth	
2003	-0.5%
2004	0.6%
2005	1.3%
3-year annualised	0.5%
Total Return	
2003	6.5%
2004	7.9%
2005	10.1%
3-year annualised	8.2%

Source: Gerald Eve Research

The increased uncertainty in terms of economic growth has led us to adopt a cautious position in terms of rental growth forecasts.

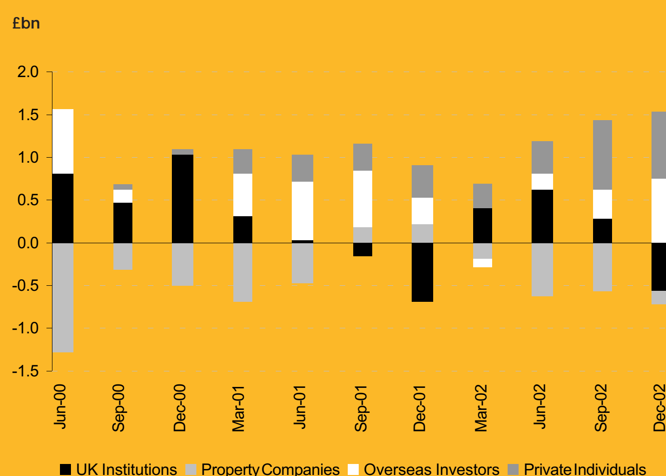
With diminishing prospects of noteworthy capital growth, we believe that double-digit total returns will not be achieved until 2005.

The 3-year annualised total return is forecast to be 8.2%, compared to 11.4% in the 10 years to 2002, according to the IPD Monthly Index .

> "We forecast a total return of 6.5% for property in 2003"

Net Investment

Source: Property Data



Office

Performance lags behind other sectors

Twelve-month returns in the office sector were just 5.9% in December 2002 according to the IPD Monthly Index. The office sector has seen the most pronounced drop in capital growth in the final quarter of 2002. In performance terms, markets in London and the surrounding area subsequently fell sharply in the final quarter of 2002, experiencing negative total returns, with the City suffering most acutely. This was in stark contrast to the provincial markets' steady performance over the same period, with double-digit growth.

> "Total returns in London and the South East fell further in the final quarter of 2002"

The public sector is expected to be one of the few areas of the economy which will drive occupier demand for space. Markets which will benefit from this include Victoria and the South Bank in London and the provincial centres. A recent deal exemplifying this trend involved the communications regulator, OfCom agreeing to take 160,000 sq ft of space at Riverside House, SE1.

West End

We expect the occupier market to see a recovery in 2004, a year before any such positive move in the City. Investors are reacting to improving medium-term rental growth prospects as levels of investment were strong in the second half of 2002.

The strength of private investor demand is exemplified by the purchase of 151 Buckingham Palace Road, SW1 for £185m (85% of which was debt-funded), reflecting an initial yield of 6.1%. This was the largest commercial property deal ever signed by a syndicate of private investors. The property is let to a government body until 2021 and has rent reviews with an annual uplift. This cashflow profile has proved to be particularly attractive to debt-driven investors. With a ready supply of equity and debt finance, it may not be long until the record is broken again.

The City

Three-month annualised rental growth dropped sharply in the final quarter of 2002 ending December at -14.2%, compared to -4.4% in September. The lettings market will deteriorate further as vacancy rates increase throughout 2003 from a current level of 10%. The CEBR estimated that 18,000 jobs (5.6% of the total) had been cut last year in the City and Docklands and that a further 10,000 would be lost in 2003.

The occupier market appeared to receive a boost from the letting of 97,000 sq ft at 1-8 Old Broad Street, EC2 at a headline rent of just over £50 per sq ft on a 15-year lease. However, the deal included a substantial tenant incentive package including a rent-free period of around 4 years, dragging the effective rent some way below current market levels. The low effective rent illustrates the extreme aversion to void risk amongst landlords in the City market.

The need for caution is heightened by the fact that six large speculative schemes complete in early 2003. However, the number of development starts dropped sharply in 2002 on levels seen in 2001, reflecting a tighter lending environment. This provides the basis for a more balanced situation in the medium term.

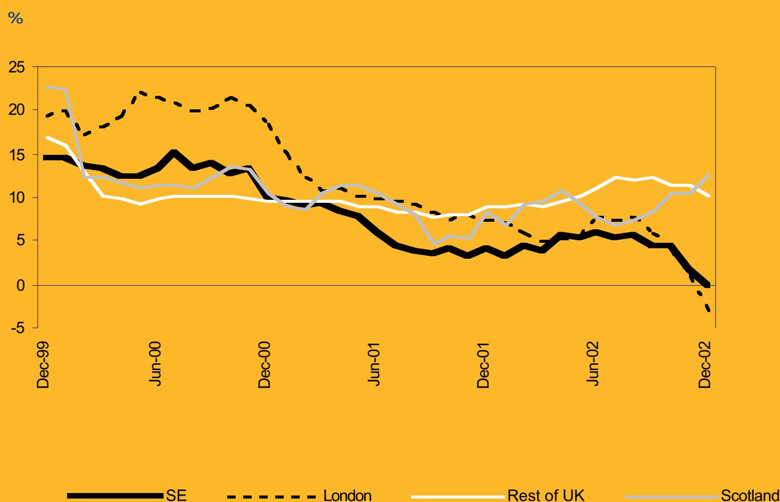
Our opinion of prime City office yields is unchanged at 6.25%. However, yields on stock with short-term income streams has seen an outward move of around 50 basis points to 7.5% in the last few months of 2002.

Thames Valley

As in the City, there has recently been a notable weakening of demand in the Thames Valley for investment stock offering short or medium term income streams. Yields moved out by 0.5-0.75

Three-month annualised office total returns

Source: IPD



percentage points to stand at 7.75-8% in the final quarter of 2002. This shift perhaps also reflects an increased realism amongst vendors.

Provincial

In Birmingham, the prime rent level has reached £27.50 per sq ft exceeding levels seen in Edinburgh and Reading, which are more heavily reliant upon finance and IT sectors. Manchester is also seeing upward pressure on prime rents, which currently stand at £25 per sq ft.

By contrast, office park markets across the country are suffering high levels of new build availability and sub-letting by tenants. At Edinburgh Park, Convergys, a customer care services company, has taken space at a rent of £20 per sq ft, which is 25% below the original quoting rent. The scheme's landlords are recognising the need to offer lease flexibility by offering terms as short as 12 months.

In a sign that UK institutions may be more actively acquiring stock in the regional market, Standard Life paid £34m for Cornwall Court, Birmingham. This is the largest investment by a UK fund in the town in the last 12 months. Prime yields on regional office stock are currently around 6.5%.

Whilst bond-type stock on the London market is in short supply, in the provincial markets, the shortage is even more acute. Hence, some institutional investors are acquiring multi-let stock with active management opportunities. Manchester provides an example, where UBS Asset Management acquired Bridgwater House for £22m reflecting an initial yield of 7.5%. The building is secondary with rents varying between £8.50 and £12.50 per sq ft. This indicates that investors are seeing good rental growth prospects for sub-prime stock.

Investment in markets outside London and the South East made up 22% of total office investment in 2002, only marginally higher than the 2001 figure of 20%.

Yield outlook

Overall, we expect an increasingly polarised market in 2003, especially in the South East. Yields on stock offering longevity of income (15 years upwards) will face downward pressure, whilst the reverse applies to property which have income streams below 10 years, as they are not so readily fundable for geared investors. Market movements could well present buying opportunities for stock with shorter income streams later in the year for those who are prepared to take on manageable levels of void risk.

Office twelve-month forecasts

Rental Growth	
2003	-4.8%
2004	-1.8%
2005	0.4%
3-year annualised	-2.1%
Total Return	
2003	3.0%
2004	6.6%
2005	10.5%
3-year annualised	6.6%

Source: Gerald Eve Research

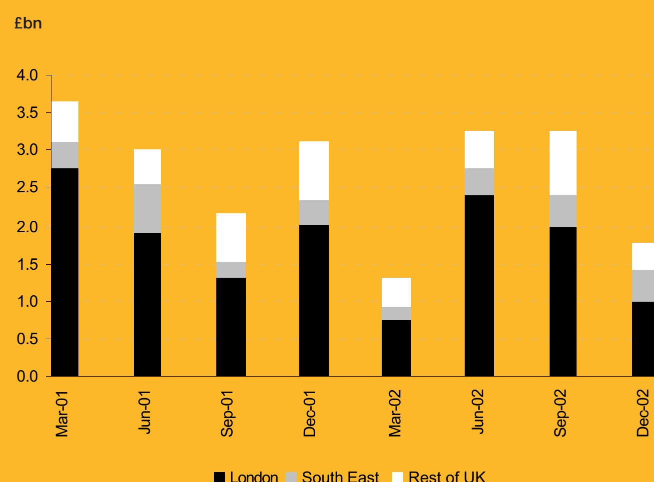
Looking forward in 2003, we expect that offices will remain bottom of the heap in terms of sectoral performance.

A recovery is forecast looking into the medium term thanks to a constrained development pipeline and fairly rapid recovery in tenant demand. This applies to those markets that are suffering a bout of sub-letting amongst occupiers in the finance sector. The outlook is not so bright for markets heavily reliant on IT sectors.

"The office sector faces a challenging period over the next 2 years"

Office investment

Source: Property Data, Gerald Eve



Retail

Top-performing sector

Retail twelve-month total returns in 2002 were 14.0%, according to the IPD Monthly Index, up from 5.7% in 2001. On a 3-month annualised basis, the growth rate was 15.2% in December 2002.

Quarterly trends reveal the recent slowdown in capital growth, as the annualised rate stood at 7.7% in December, down from 9.8% in August. The downward trend is especially pronounced amongst shops. The realignment of capital growth with subdued levels of rental growth, which stood at 2% on a 3-month annualised basis in December, is expected to be a feature of the market in 2003.

"Pricing pressure remains intense for high street occupiers"

Occupier update

The Christmas trading period has been described as satisfactory. Trading in early December was poor, but the post-Christmas sales season saw an improvement, reflecting consumers' increased caution. However, any recovery in volumes cannot hide the continued pressure on profit margins as sales value rose by only 1.2% in the 12 months to December. This bodes ill for shop rental growth which fell to 0.8% on a 12-month basis in December, from 1.6%, a year earlier.

Whilst the pressure on profit margins continues, retailers remain reluctant to sacrifice pitch for lower-rented locations. Acquisition strategies may have changed in relation to cutting back demand for units in secondary locations, but the need to acquire prime pitch locations has yet to be compromised. This is not necessarily translating into noticeable rental growth as occupiers are becoming more selective when committing themselves to space.

The strategy of increasing space facilitates buying efficiency and boosts volume in an environment of constrained pricing power. Another driver of expansion is the need to improve unit configuration. Next appear to be following this strategy as they are understood to have set a target floorspace growth rate of 21% in 2002 and a further 17% in 2003. Other retailers who have recently announced expansion plans include Clinton Cards, Jane Norman (female fashion), Signet (jewellery) and Black's Leisure (outdoor wear).

Operators in the convenience store sector also remain acquisitive. This will provide a badly-needed impetus for the secondary market.
As supermarkets diversify into new product ranges, an extra element of competition is introduced to the high street. For example, the outlook for discount fashion retailers darkened following the announcement by George at Asda of its intention to launch a series of product price cuts in the spring.

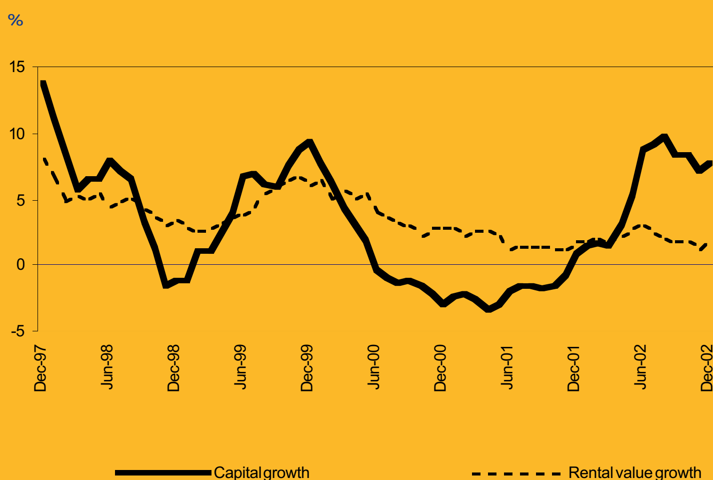
The Bullring in Birmingham and Centrale in Croydon are the only two large shopping centres opening in 2003. At the Bullring, only 65% of the scheme was reported to have been let, which is not particularly encouraging as it is due to open in September.

High street investment

Secondary shop yields are expected to weaken as rental growth is non-existent. Although yields on prime high street units are unchanged at 5.5%, evidence of deals below this level is becoming harder to find than in mid-2002. Nevertheless, Bond Street, London continues to see aggressively priced deals, as Irish investors and occupier purchases drive the market. Tiffany recently acquired the unit that they occupy on Old Bond Street, W1 for £27.4m, reflecting a yield of 4%.

In a reflection of the strength of demand for large lot sized units on the high

Retail three-month annualised growth
Source: IPD



street, a private overseas investor acquired 388-396 Oxford Street for £40m, reflecting a yield of 5.7%. The auction market continues to see aggressive bidding from private investors. One recent example was a unit on Earls Court Road, which sold for £1.6m, reflecting an initial yield of 4%.

Retail warehouses

The retail warehouse sub-sector produced twelve-month total returns of 15.4% in 2002, according to the IPD Monthly Index. This represents the strongest calendar year performance since 1997. Retail warehouse rental growth in 2002 reached 3.6%, some way ahead of the rate for shops.

In the occupier market, some bulky goods retailers are down-sizing space requirements. Following on from MFI, Courts continue to implement this strategy.

In one of the largest-ever property investment transactions, a consortium led by Pillar Property acquired a portfolio of retail parks and development sites for £695m from Chartwell Land. This price reflects a net initial yield of 4.7%.

Whilst there is an insatiable demand for prime retail warehouse stock, poorer quality stock appeared to be attracting less interest in the final quarter of 2002. It would appear that investors are increasingly differentiating schemes in terms of quality and tenant mix.

We believe that the potential for further inward retail warehouse yield movement is becoming more limited as it stood 1.1 percentage points below the figure for all commercial property, in December, according to the IPD Index. A slight re-balancing is set to occur as investors re-appraise growth assumptions in pricing.

Investment Levels

Overall retail investment increased by 13% in 2002, according to Property Data. Shopping centres accounted for the largest proportion of investment in the retail sector in 2002. The figure was £4.3bn, or 49% of the total. Investment in shop units slipped by 34% to £1.7bn, in 2002. Retail warehouse investment reached £2.7bn in 2002, up 10% on levels in 2001.

In the final quarter of 2002, there was an increased supply of secondary shopping centres, which will exert upward yield pressure. Prime units continue to be rarely available but evidence was provided by the Grosvenor Centre, Chester, which was acquired for £106m by the Mall Fund, a joint venture between Capital & Regional and Morley Fund Management. The price reflected an initial yield of 5.4%.

Retail twelve-month forecasts

Rental Growth	
2003	1.7%
2004	1.7%
2005	2.1%
3-year annualised	1.8%
Total Return	
2003	8.0%
2004	8.5%
2005	10.3%
3-year annualised	8.9%

Source: Gerald Eve Research

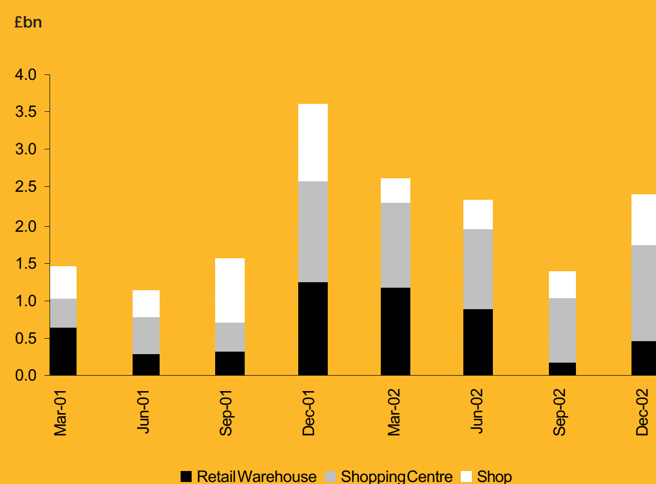
The slowdown in consumer spending is expected to produce modest rental growth throughout 2003 and 2004. However, the sector is forecast to be the best performer in rental growth terms over the next 3 years.

Retail is forecast to produce 3-year annualised total returns of 8.9%, marginally under-performing the industrial sector.

> "Secondary stock is expected to face upward pressure on yields"

Retail investment activity

Source: Property Data



Industrial

Steady as she goes

The industrial sector's twelve-month total return in 2002 was 11.0%, according to the IPD Monthly Index. When analysing performance data on a three-month annualised basis, the steadiness of the industrial sector is readily apparent and will stand it in good stead throughout what is set to be a difficult year for the corporate sector in 2003.

Lettings update

Occupiers facing an increasingly uncertain outlook remain reluctant to commit to long-term leases. In the face of a slowdown in tenant demand, periods before the first break option are becoming shorter for new space. Although availability of secondary stock continues to rise strongly, there is little new supply of higher quality stock.

"We advocate raising portfolio weightings in the industrial sector"

There has been no slowdown in demand for large distribution units. For example, Matalan, Consignia and Pearson all have requirements for 500,000 sq ft units in the Midlands. The requirement to rationalise logistics amongst retailers is driving this demand. Whilst consumer spending is forecast to slow in the short term, retailer demand for efficient distribution networks should remain relatively unaffected.

Investment

Evidence that the industrial sector is attracting a higher degree of investor interest continues to emerge. It accounted for a higher proportion of total investment in 2002 (11.1%) than in 2001 (6.8%), according to Property Data. This reflects a higher degree of institutional fund activity recently, especially in markets outside the South East. For example, the Prudential acquired a 629,000 sq ft distribution unit at Lea Green Road, St Helens for £37.6m, reflecting a yield of 7%

The investor interest in industrial stock is also reflected in the auctions market. Auctioned industrial yields dropped to 8.1%, which is 1.1 percentage points below the level in 2001. It represented the largest drop by sector in 2002, according to ARAS.

The industrial sector's weighting was 14% at year-end 2001, according to the IPD Annual portfolio. Given the sector's steady performance profile, we would advocate an increase in this weighting for institutional funds who wish to minimise risk.

Industrial twelve-month forecasts

Rental Growth	
2003	1.5%
2004	2.0%
2005	1.2%
3-year annualised	1.6%
Total Return	
2003	8.9%
2004	8.9%
2005	9.1%
3-year annualised	9.0%

Source: Gerald Eve Research

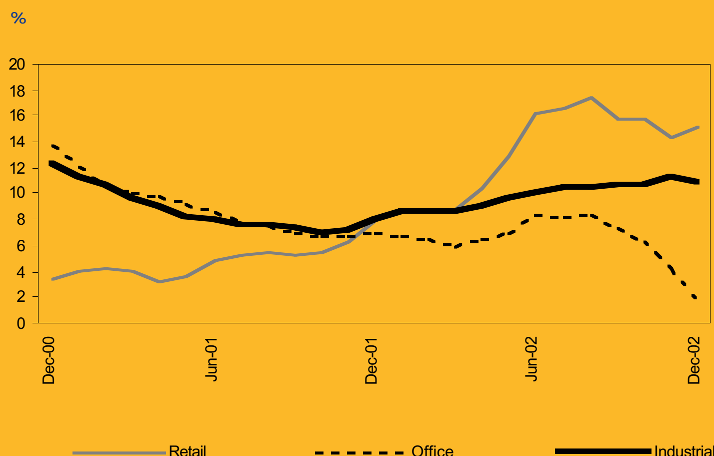
Rental growth prospects are subdued in the short term as signs of any recovery in the manufacturing sector remain uncertain. However, the sector's substantial income return will continue to drive performance.

There is less risk in mis-timing the capital growth cycle in the industrial sector. Nevertheless, investors must pay particular attention to covenant strength as export-oriented manufacturers continue to suffer a lack of demand for their products.

We forecast that this sector will be the top-performer in 2003 and 2004, with twelve-month total returns of 8.9% in each year. It is also forecast to produce the highest total returns on a 3-year annualised basis at 9.0%.

Three-month total returns annualised

Source: IPD



Leisure

Corporate occupier activity

The leisure market news over the winter months has been dominated by a combination of profit warnings, takeovers and mergers and de-mergers.

As discussed in the previous issue, one of the most active areas in this side of the leisure market is health & fitness. Current market rumours are concentrating on the possible £370m acquisition of Fitness First by Cinven, which involved acquiring the company for £230m and taking on the £140m of outstanding debt. The other operator in the news is Holmes Place which is now the subject of a second bid from a venture capital company, believed to be Bridgepoint Capital.

Investment

The trend of sale and leasebacks seems to be continuing unabated with various deals getting underway or being completed over the last few months. One of the most prominent is the £150m Jarvis Hotel deal, comprising nine of their properties located throughout the country. The portfolio was reportedly acquired by an Irish consortium of private investors, advised by Lioncourt Capital and the properties are leased back on the mixed lease / management contract style agreement currently in favour. It was reported that the deal will allow Jarvis to return around £85m to shareholders.

The second deal is the sale by Laurel Pubs of 280 of its properties to London & Regional Properties at a price of circa £320m. We understand that Laurel took back standard institutional type leases as opposed to management contracts and that the money raised is to be used to reduce debt and fund further acquisitions in preparation for either a trade sale or flotation.

The third major leisure sale and leaseback deal in the news is the acquisition of the property assets of holiday operator Center Parcs by Hugh Osmond. The deal is reportedly worth around £480m for Sun Capital Partners and Deutsche Bank. As with corporate acquisitions, we expect more of these deals to come to fruition in 2003, especially in the A3 market.

Market outlook

As discussed above, recent months have been fairly quiet on the individual investment brokerage front. Major corporate activity, such as the acquisition and subsequent part disposal of 13 leisure centres by Heron from British Land and Rank for £107m far outweighed the smaller individual transactions.

We expect to see activity in 2003 centred around further consolidation in the A3 and health and fitness markets and the hotel market approaching the levels achieved pre-September 11th. As a result, further tranches of sale and leasebacks in the A3 and hotel sectors are expected with the emphasis this year being on joint venture deals with the operators retaining an interest in the freeholds and/or a movement towards more standard management contracts.

> "Investment activity will focus on A3 and health & fitness markets"

With regard to yields, with so few individual leisure deals being done on the open market and interest rates not moving we are of the opinion that prime yields outside of central London currently stand between 6.5% and 7.0%. With the uncertainty of the occupier market in the office sector continuing, demand for good quality deals on existing properties or forward funding opportunities should increase in the spring and summer.

Leisure investment deals since October 2002

Source: Gerald Eve, Property Data

Unit details	Tenant	Price (£m)	Initial Yield (%)
Laurel Portfolio	Laurel	318	7.1
Chalon Way, St Helens Leisure Park	Cine UK/Luminar/Yates/Pizza Hut	7.6	7.7
Quality Royal Hotel, Hull	CHE Group PLC	7.0	8.1
Derrys Cross, Plymouth	n/a	5.4	7.5
Archer Rd, Sheffield	Esporta	4.8	6.5
Church St, Reigate	Café Rouge Ltd	1.3	7.2
Clapham High St, London	Signature Restaurants Ltd	1.3	7.1

Gerald Eve's UK office network

Gerald Eve is an independent firm of chartered surveyors and property consultants, employing 300 staff across the UK.

We provide a comprehensive range of services to our private and public sector clients covering consultancy, asset management and transaction advice.

Our philosophy is to serve clients by identifying opportunities and solving problems relating to property through the provision of high quality, thoroughly researched, cost effective advice.

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