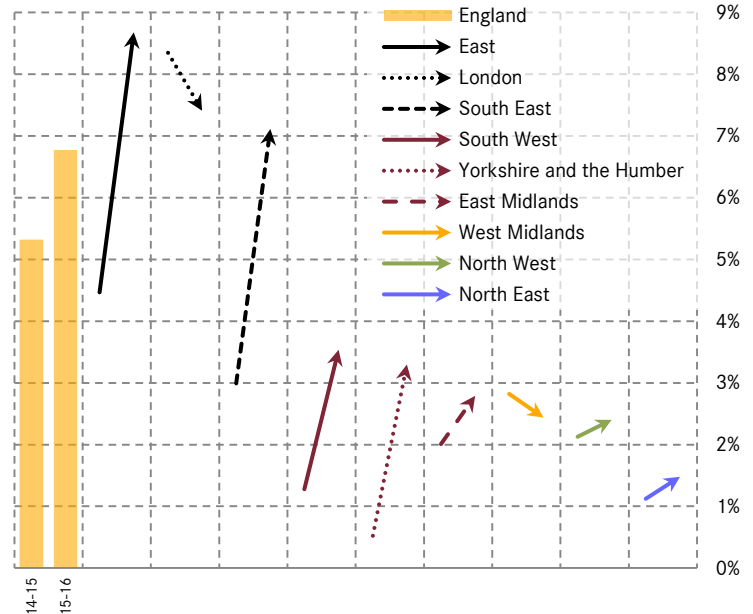


RENTAL GROWTH PERSISTS IN THE UK

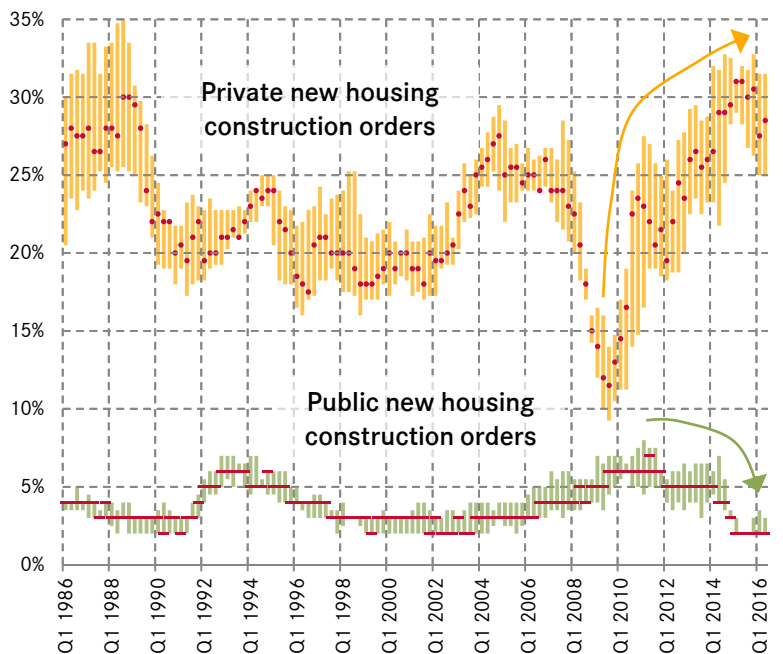
The UK residential fundamentals for PRS remain strong. Latest rental figures indicate that the UK has experienced 6.8% rental growth in 2015-16. Urbanisation of UK cities and rising demographics have been two distinct drivers for rental growth and with projections indicating steeper population growth by 2020 (eg. Camden 9%), it is estimated that residential rental growth rate should in theory persist over the mid to long-term.

- ◆ Over the past two years, ONS data shows a strong rise of rents in the PRS sector. On average, private rents in England have increased by 6.8% year on year. The southern regions (London, South East and East) experienced the highest growth rate ranging from 7% to 8.5%.
- ◆ Despite some regional discrepancies in rental growth there has been resilient growth across all regions pointing to favourable conditions in the regional PRS markets.
- ◆ There is a strong consensus that the UK currently suffers from a significant imbalance in housing supply and demand. This imbalance is expected to be intensified in the years to come due to a continuous increase in demographic demand.
- ◆ According to the ONS new construction in the private sector has seen a sharp increase since 2010 while public sector construction started to decline over the same period. Currently, private development accounts for 30% of all new construction in the UK, while new public housing construction accounts for less than 4% of total construction orders.
- ◆ Current housing construction orders suggest that both new private and public housing starts have returned to their long term average. This confirms the importance ascribed to the private sector in counteracting the lack of housing and making up for the new housing construction order gap.
- ◆ Despite increasing supply, rents are still expected to continue increasing strongly over the next years, as the current imbalance of demand and supply is so severe that even a higher supply cannot tackle the housing undersupply immediately.

**Yearly growth of rents in the private rental market
2014-2015 and 2015-2016⁽¹⁾**



**Share of new housing construction orders as % of total
Great Britain⁽²⁾**

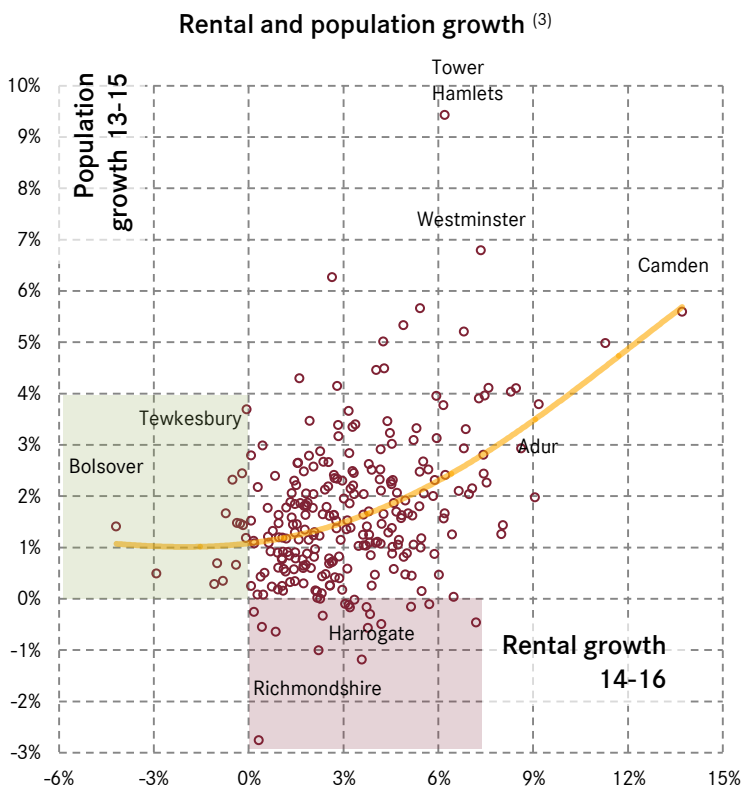


Sources: (1): PATRIZIA own calculations based on ONS from 1st April 2013 until 31 March 2016; (2): PATRIZIA own calculations based on the value of new construction from the ONS via Reuters Eikon

UK REGIONAL RENTAL & POPULATION GROWTH

- ◆ Continuous urbanisation of UK cities, lead by strong population growth within high density centres, has resulted in above average rental growth over 2014/16.
- ◆ The London Boroughs of Camden, Westminster and Tower Hamlets have lead the way with rental growth ranging from 13.7% to 6.5% respectively.
- ◆ In contrast, smaller towns in northern England have noticeably suffered from urbanisation and experienced a slowdown in rents of up to 4%.
- ◆ ONS data show four clear trends:

- 1) Rental growth, as captured by the CAGR, took place across practically all areas in England (94%) during the last three years
- 2) Rental growth is highly correlated (40%) with demographic development between 2013 and 2015. This results from the fact that real estate markets react with a certain time lag to undersupply due to construction time.
- 3) While this correlation is strong, further local market characteristics are essential when explaining rental growth due to geographical locations and infrastructure.
- 4) Two groups of ‘alternative’ cities arise showing either a rental contraction with demographic growth or vice versa, pointing to some atypical developments. Camden and Cambridge, for example, show an annualized rental growth of more than 10% and a demographic expansion of ca. 5%. In contrast, Bolsover had a rental contraction of c.4% despite some demographic growth.



Area	Population Absolute 2013	Population Growth to 2013		Rental CAGR 14-16
		2015	2020	
Top 5				
Camden	228'300	5,6%	8,9%	13,7%
Cambridge	124'700	5,0%	1,4%	11,3%
Dartford	100'100	3,8%	9,0%	9,2%
Adur	62'200	2,0%	4,8%	9,1%
East Hertfordshire	140'600	2,9%	7,3%	8,6%
Bottom 5				
Pendle	89'800	0,3%	2,2%	-0,8%
Rotherham	259'000	0,7%	2,5%	-1,0%
Hyndburn	80'000	0,3%	-0,1%	-1,1%
Chesterfield	103'900	0,5%	1,8%	-2,9%
Bolsover	76'700	1,4%	3,0%	-4,2%

Sources: (3) PATRIZIA own calculations based on ONS from 1st April 2013 until 31 March 2016. CAGR = compound annual growth rate

Update of PRS / BTR Projects – Secured Pipeline of 1,200 Units

FIRST STREET, MANCHESTER

- ◆ Planning permission obtained in 2016 for the development of 624 ‘Build to Rent’ units
- ◆ Stage 4 of detailed design now completed
- ◆ Projected start on site January 2017
- ◆ Largest privately owned green/open space in Manchester city ward
- ◆ Purposely designed for renting, including amenity space, gym and central management office
- ◆ Complementary ground floor retail/restaurant/café
- ◆ Secure car parking spaces and ample cycle storage



TROCOLL HOUSE, LONDON

- ◆ 198 units ‘Build to Rent’ tower with views across London
- ◆ Stage 3 of detailed design now completed
- ◆ Projected start on site in January 2017
- ◆ Ground floor retail use
- ◆ Communal amenity space / two roof top terraces



EDGBASTON, BIRMINGHAM

- ◆ Subject to planning ‘Build to Rent’ lead mixed use site for 377 units with ground floor retail.
- ◆ Adjacent to Edgbaston cricket ground
- ◆ 222 car parking spaces
- ◆ Under offer with PATRIZIA



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