

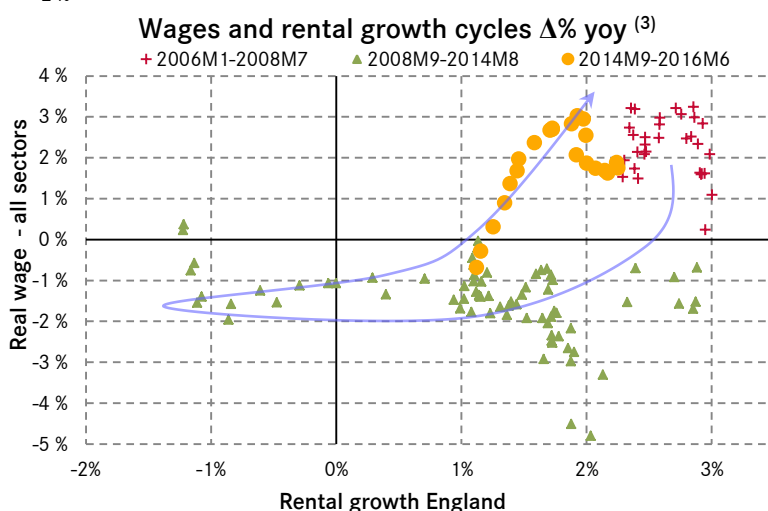
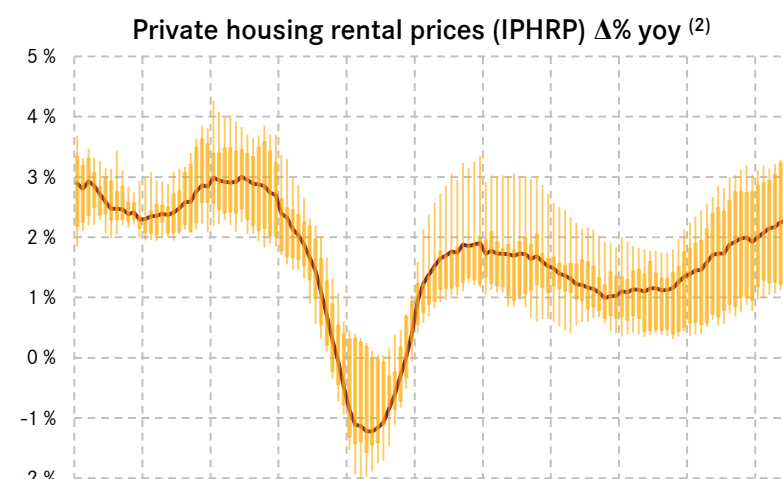
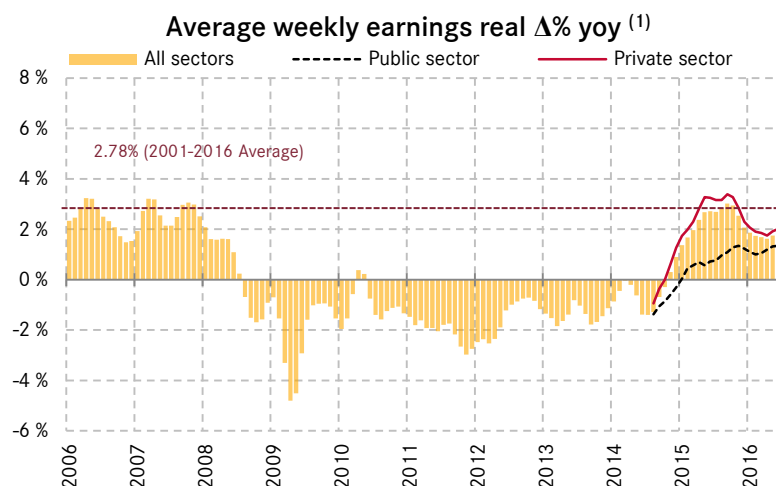
UK REAL EARNING GROWTH BACK TO PRE-CRISIS LEVELS

UK residential rents are entering a golden age. The chronic undersupply of housing coupled with real earning growth will propel residential rental growth back or beyond the UK's pre-financial crises levels of 2% to 3% rental growth per annum. Major conurbations such as London, Manchester and Birmingham, should - via ongoing urbanisation - outperform UK average rental growth levels.

- ◆ The current economic expansion in the UK is pushing real wages (inflation adjusted) back to long term trend (2.78%) across all sectors.
- ◆ Since 2008, wage growth has been eroded by inflation. Wage growth rate raised by 1.97% p.a. versus inflation rate of 2.41% p.a. In 2015, this trend reversed back to normal economic activity.

Period	Average annualised rates	
	Nominal wage	Inflation
2001-2016	2.87 %	2.11 %
2008-2016	1.97 %	2.41 %

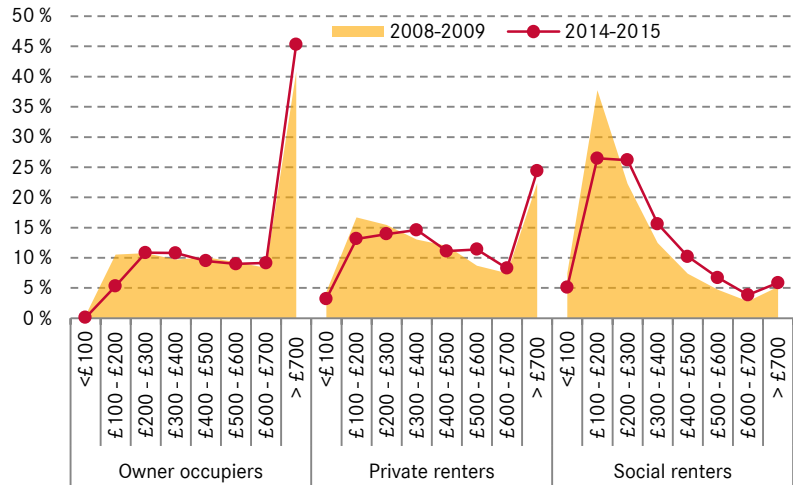
- ◆ The Index of Private Housing Rental Prices (IPHRP), which is evaluated and collected by the ONS across the UK, tracks the prices paid for renting property from private landlords.
- ◆ IPHRP is highly correlated to real wage growth (0.63 correlation factor - 2005-2016) and highlights two interesting aspects for residential rents:
 - (a) Low rental volatility in UK residential rents with a 1% fall after the global financial crisis (GFC).
 - (b) Rent growth has returned back to its 2% to 3% pre-GFC range.
- ◆ The UK's strong structural housing supply/demand imbalance, as portrayed in our 1st Edition, has supported rental levels even during a low economic period showing a continuous demand for rental dwellings.
- ◆ The IPHRP shows further a strong momentum since 2014 across all regions.
- ◆ Wages and rents are cyclically correlated as wage expansion phases are commonly associated with rising rents.
- ◆ Prior to the GFC, wages and rents showed a common growth pattern. The consequent economic contraction led to falling wages and lower rental income.
- ◆ With real wages rising continuously in several sectors since 2014, rents are expected to enter a new cycle characterized by solid growth, coupled with strong structural housing supply / demand imbalance.



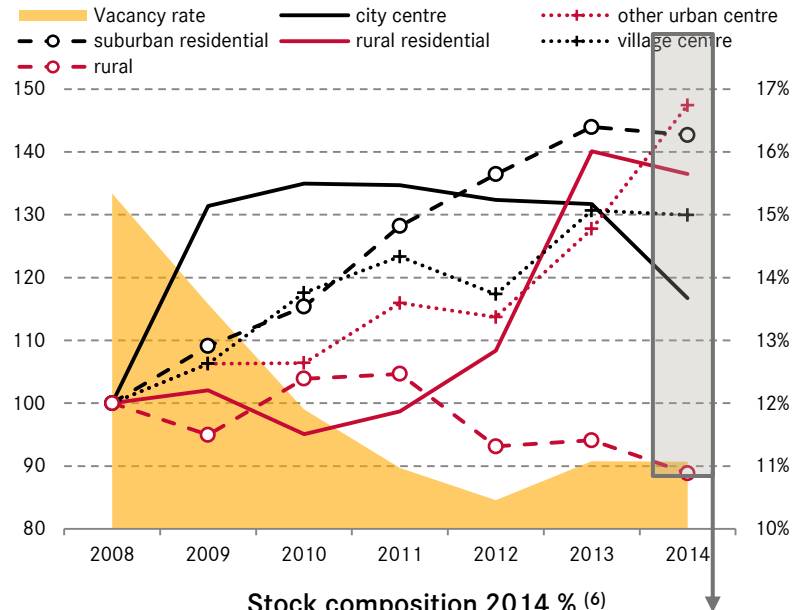
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- ◆ On the basis of the English Housing Panel Survey of the DCLG, households in the private rented sector concentrate in three main income groups.
- ◆ The first one, covering 40% of the sample, consists of households earning between £100 and £400 a week. The second group, which accounts for approx. 40% of the sample, consists of households with weekly income between £400 and £700 per week. The final group accounts for 20 % of the sample, has a weekly income higher than £700 a week pointing to a strong purchasing power.
- ◆ Since GFC, wages by housing tenure have experienced a number of changes. While the private owner occupier sector remained relatively constant over time, it has expanded with an increase in renters earning £300 to £700+ per week. Finally, the number of low income social renters (£100 to £200 per week) has fallen from 2008 to 2015.
- ◆ The changes in wages and housing tenure show a trend towards renting and social housing.
- ◆ The increase in demand for the private rented sector and rapidly falling vacancy levels since 2008, shows a significant expansion in virtually all regions excluding rural areas.
- ◆ Urban centres (urban areas swallowed up by a metropolis) and suburban residential (outer area of a town or city) regions (fridges) show a stock expansion of ca. 30 % in relation to 2008.
- ◆ Both urban centres and suburban residential regions account for 80% of the UK rental stock, which highlights the relationship between affordability vs. accessibility of renters.
- ◆ City centre regions, predominately home to wealthier owner occupiers, experienced a rapid expansion in rental take up post GFC followed by a subsequent fall in rental take up from 2013 / 2014 as renters substituted renting with buying.

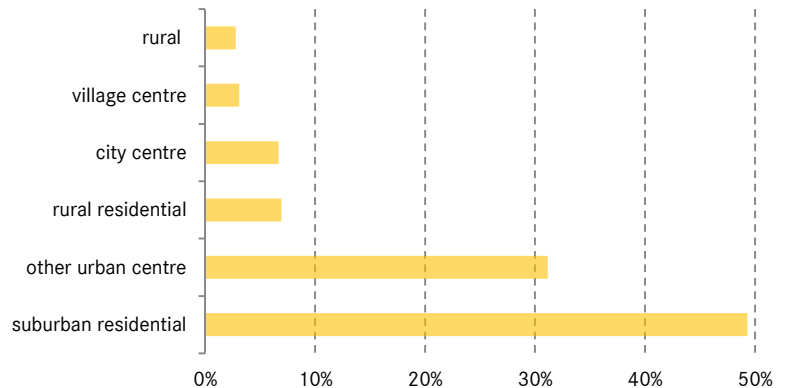
Household distribution by tenure and weekly income % (4)



Growth of private rented stock by region and vacancy rate (5)



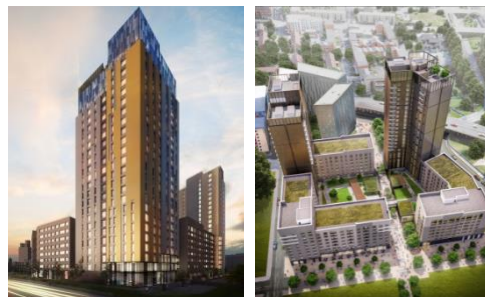
Stock composition 2014 % (6)



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 to PATRIZIA



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