

M&G REAL ESTATE'S ALEX GREAVES: LATEST DATA ON UK REAL ESTATE A STRONG ENDORSEMENT FOR INVESTMENT INTO PRIVATE RENTED SECTOR

- *PRS has reached 4 million households in England – the second biggest type of tenure and the only growing one*
- *Sector returns totalled 14.7% in 2013 according to the IPD Residential Index published this week*
 - *Outer London and South East England are best performing regions*

LONDON, 6 March 2014 – For Alex Greaves, residential fund manager at M&G Real Estate, the recent news that the size of the UK private rented sector has outgrown the social rented housing sector for the first time is a further justification of why the residential sector is such a viable space to invest in for institutional investors.

According to the data on the UK real estate market released by the English Housing Survey over the past week, some 4 million people in England now live in private rented accommodation, in comparison with those in social rented housing (3.7 million) – a record high and twice as many as in 2000. And this shift towards private renting looks set to continue.

“Aside from the simple fact that we aren’t building anywhere near enough houses in the UK, rising house prices and tougher financing requirements mean that people are renting for much longer before being able to buy their own houses,” says Alex.

“For institutional investors like ourselves this sea change represents an opportunity to tap into a growing market, capitalise on the experience of managing commercial property, as we have done for the past 150 years, and to invest in a sector with a history of strong returns. The figures from the IPD UK Residential Index released on Tuesday speak for themselves.”

According to the IPD UK Residential Index, total returns on the sector were 14.7% last year and over the past 13 years it has given an annualised return of 10.5%, far outstripping ‘All Property’ (6.9%), gilts (5.6%) and equities (4.3%), and RPI inflation (3.0%). It also concludes that for income-seeking investors, some of the best opportunities are to be found in outer London and South East England, which saw income returns of 4.0% and 4.6% in 2013, backed by growing rents.

Alex concludes: “The majority of landlords are still private individuals so there’s a natural place here for institutional investors to add value in a fragmented sector. Economies of scale will enable more and better facilities, higher levels of onsite services, energy efficiencies and lower utility bills. All these things are attractive to renters and will ultimately encourage them to rent for longer, resulting in a stable income stream and reduced operating costs for the investor.”

M&G as a group committed over £300 million in residential investment in 2013, including the following:

- acquisition of a landmark residential development on the edge of the Olympic Park
- acquisition of a 534 home portfolio acquired from Berkeley Homes
- funded the development of 233 residential units at Aberfeldy New Village, East London
- acquisition of three prime student accommodation blocks in Bournemouth.

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Notes to Editors:

About Alex Greaves

Alex is a residential property specialist with over 15 years’ experience. Alex ran the Schrodgers ResPUT fund, the Grainger Geninvest joint and set up and led Grainger’s Innovative partnership with Lloyds Banking Group. Alex is a member of the BPF residential committee, a member of the IPF and is MRICS qualified, specialising in residential. He started his career as a letting agent and understands all aspects of residential, having worked his way up through to fund management.

About M&G Real Estate

M&G Real Estate is the real estate fund management arm of M&G and is one of the top 25 real estate fund managers in the world by assets under management, with over £17 billion invested in a broad spread of properties across Europe, North America and the Asia Pacific region (as of 30 September 2013). M&G is the investment arm of Prudential Plc in the UK and Europe. For more information please visit www.mandg.com/realestate

About M&G

M&G is an international active asset manager, investing on behalf of individuals and institutions for over 80 years. At 30 June 2013 the firm manages over £234 billion of assets through a wide range of investment strategies across equities, bonds, property and multi asset.

Headquartered in London, M&G employs over 1,500 people worldwide operating from offices across Europe and Asia. M&G’s history is a story of investment firsts, from the UK’s first mutual fund in 1931 to the Inflation Linked Corporate Bond Fund in 2010.

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