

PENSION FUND APPETITE FOR LONG-INCOME REAL ESTATE ASSETS CONTINUES TO GROW, SAYS M&G

- *Market leading long lease fund reaches £2 billion in size*

London, 27 May 2014 – In an uncertain world, pension funds continue to hunt in the real estate market for attractive long term cash flows and protection against inflation, says **Ben Jones, manager of the M&G Secured Property Income Fund at M&G Investments.**

“Institutional investors are attracted to the bond-like qualities a well-diversified long lease fund offers, particularly given the yield premium to index-linked gilts. We’ve seen increasing demand from pension fund clients with liability matching requirements who also like the capital growth that can be generated by the underlying real estate over the long term.”

The £2 billion M&G Secured Property Income Fund recently acquired a £68m Sainsbury’s superstore in East Dulwich, London, with 25 years remaining on the 30-year lease. **Jones** says: “This is a highly attractive asset in an affluent London suburb that was comprehensively refurbished in 2009. What’s unique about it in the current market is the strength of the lease, which offers annual RPI rental uplifts with a valuable collar of 1.5-5%. The long term value of a site can also be measured by its future development potential, which is particularly strong in this case, given its location in a desirable residential area of London.

“This deal is testament to the strength of our combined fixed income/credit and real estate analysis, which is paramount to successful long lease property investment. Along with our flexibility, scale and resources, this allows us to consistently identify and exploit pockets of value across the entire long lease property market.”

The M&G Secured Property Income Fund is advised by M&G Real Estate which has sourced and invested over £4 billion of long lease real estate since 2000. **Kris McPhail, Investment Director, M&G Real Estate**, says: “The long lease market has evolved over the past 14 years and the investible universe now spans all sectors of commercial real estate. Our initial investments tended to be offices leased to either corporates or government bodies, but this changed in 2005, when supermarkets ignited the development of the market through their extensive sale and leaseback programmes.

“Now long lease funds provide institutional investors with a secure way to access a wider array of real estate investment opportunities than ever before. We are currently finding excellent value in larger opportunities and innovative transactions, particularly in operational assets and development finance, where we continue investing clients’ capital for secure long-term income streams that are linked to inflation.”

The M&G Secured Property Income Fund has now undertaken transactions valued at around £900m in the past 18 months. Notable deals include:

- Acquisition of 401 private rented units leased to Genesis Housing Association for £125m
- Acquisition of 39 health clubs in a £92m sale and ground lease back deal with The Bannatyne Group
- Acquisition of 50 per cent of a £240m portfolio of 18 car auction sites let to market leader British Car Auctions
- Provided £113m of development finance for Scottish Power’s headquarters in Glasgow.

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The £2 billion M&G Secured Property Income Fund invests in and develops a wide range of UK commercial real estate, such as supermarkets, hotels, offices, student accommodation and residential. At 31 March 2014, the portfolio had 100 properties leased to tenants over the long-term, with a weighted average lease maturity of over 29 years.

- The fund has provided £370m in development finance commitments
- Over the 5 years to 31 March 2014, the fund’s pension fund clients have benefited from returns of 8.3% per annum above inflation.

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Notes to Editors

About M&G

M&G is an international active asset manager, investing on behalf of individuals and institutions for over 80 years. At 31 March 2014 the firm manages over £248 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.

M&G is the investment arm of Prudential Plc in the UK and Europe.

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 £18.4 billion invested in a broad spread of properties across Europe, North America and the Asia Pacific region (as of 31 March 2014). For more information please visit www.mandg.com/realestate

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