



evolve... facilitating access to commercial property

Newsletters 2004

evolve Fund Services Ltd – October 2004

Founder Member
of



Europe's first
authorised trading
platform for
private property
vehicles

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Our view of the market

At a time when UK equities fidget sideways due to wars, red tape, oil prices, Brown's tax grabbing etc, and gilts are at risk to inflation (HCIP @ 2% vs school fees @ 10%), commercial property remains desirable to a sophisticated investor as one of those 'real' assets.

In our view, commercial property investment returns are faring well in 2004 and a 9-10% plus return for the year seems likely. They may not be 'spectacular' across all property types, but the attractiveness of the sector for a pension fund remains clear. Careful stock selection enhances the chance of better returns.

We expect rental growth to be positive across all sectors this year, with the City of London perhaps the most obvious potential party pooper.

We have also seen a hardening of yields in 2004, when many thought the opposite might happen due to rising interest rates. How can this happen? Three possible reasons... First, money rates for commercial mortgages have risen less than base rates or residential mortgage rates.

Secondly, the institutions have re-joined the acquisition party - for reasons such as actuaries re-assessing sector weightings.

Thirdly, there are declining levels of volatility in occupational markets.

Although reports in the media from the High Street are mixed (eg Sainsburys vs Next), we continue to favour property with a retail bent and are generally wary of the office and industrial distribution sectors. We remain disciples of the 'lack of land' religion.

And why do we always get asked about the residential market? Surely everyone is an expert in the resi market, and it has the square root of not a lot to do with the commercial property market! Perhaps because you might put your home or 'buy to let' into your pension fund after 2006?

The St. Nicholas Retail Park Fund

The St. Nicholas Retail Park in King's Lynn is due to be practically completed at the end of the month.

The developer is in detailed discussions with a tenant for the final unit in the terrace, but Wickes, Farm Foods and Choices are now fitting out their units. Works to start building the Netto supermarket will begin in October.

Pentewan Park, St. Austell

evolve has recently facilitated the pre-funding and acquisition of Pentewan Park, a substantially pre-let edge of town centre scheme to be carried by Life Property Ltd.

Tenants include Travelodge, Pizza Hut and Choices Video. The investment value is c£5.0 million.

For garden lovers needing a bed for the night, the scheme is within a few miles of The Eden Project and the Lost Gardens of Heligan.



evolve is a Founder Member of

evolve has become one of the founder members to PropertyBourse, Europe's first authorised trading platform for private property vehicles and syndicates.

Why was PropertyBourse created?

PropertyBourse has been set up to create a market place for private property vehicles. In addition to evolve, there are other businesses involved with the promotion of such vehicles that are profiled, and the number of members is expected to grow over the next year or so. Key characteristics of PropertyBourse are to:

- Bring together a selected group of experienced property managers and promoters;
- Give Investor Members exclusive access to an exciting range of investment opportunities;
- Help Investor Members gain knowledge of the property market and relative merits of individual investment vehicles; and
- Keep Investor Members informed, and ahead of market movements.

Does PropertyBourse provide a secondary market?

The provision of a secondary market for units in private property vehicles is a very important element of PropertyBourse's operation. The secondary trading of units is likely to develop in the future and evolve believes that the existence of an established, formal market place will benefit everyone involved including sophisticated investors, their advisers, and any pension fund trustees or managers.

...and what else will PropertyBourse do for me?

PropertyBourse also provides sophisticated private investors and their professional advisers with much useful information about the commercial property market. For example, there are sections entitled:

- Guide to commercial property;
- Market information, data and analysis;
- Property versus other assets; and
- Sector performance.

Can I join PropertyBourse? Am I a sophisticated investor?

Only sophisticated investors or advisers with the necessary FSMA qualifications may access PropertyBourse and benefit from the services. Investors interested in obtaining the appropriate sophisticated investor certificate can easily establish if they are sufficiently 'sophisticated' on-line and, assuming they pass, can obtain the certificate via PropertyBourse's website.

So please look at the  website www.propertybourse.com

Should you have any other questions, or would like to receive information on evolve's future opportunities or past newsletters, then please contact either Hugh Colville or Simon Hawley

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