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# Standard Life Investments

PMA

Property Managers Association

**Standard Life**  
**Investments**

**Lorcan Mooney**

Fund Manager

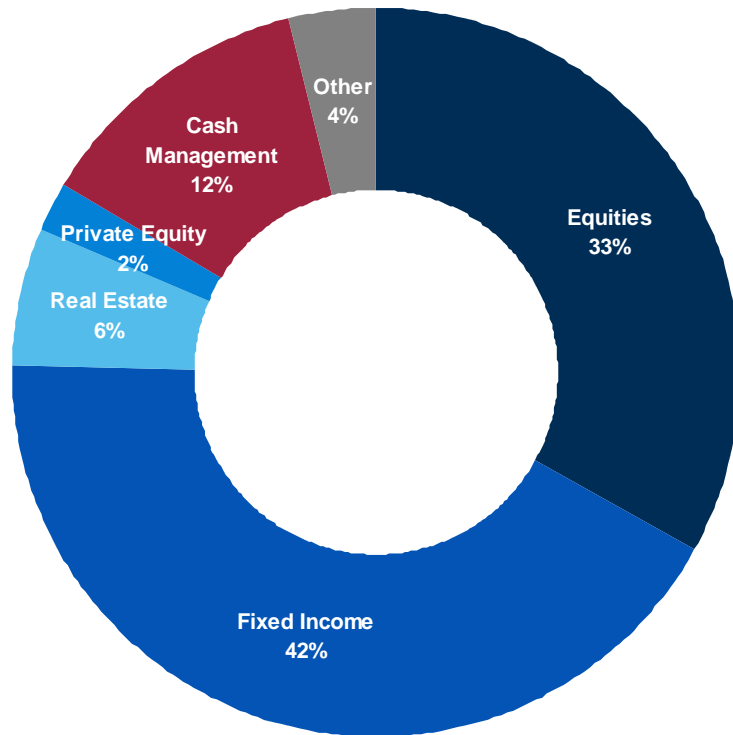
May 2011

# Agenda

- Standard Life Investments
- Investment Philosophy
- Landlord/Retailer Challenges
- Working with Retailers

# Standard Life Investments

## Significant market presence



Total assets £157.1bn †

### By investor type:

- £102.8bn Institutional
- £54.3bn Retail

### By asset class:

- £51.7bn Equities
- £66.5bn Fixed Income
- £9.8bn Real Estate
- £3.5bn Private Equity
- £19.5bn Cash Management
- £6.2bn Other (Mortgages & Loans)

† Includes strategies managed across a range of asset classes:

- £10.3bn LDI Strategies
- £10.4bn Absolute Return Strategies

# Standard Life Investments Manager Capability



Boulevard de la Plaine,  
Brussels, Belgium

42 Wigmore St., London



Wroclaw,  
Poland



Parkway, Newbury



Avenue Hoche, Paris

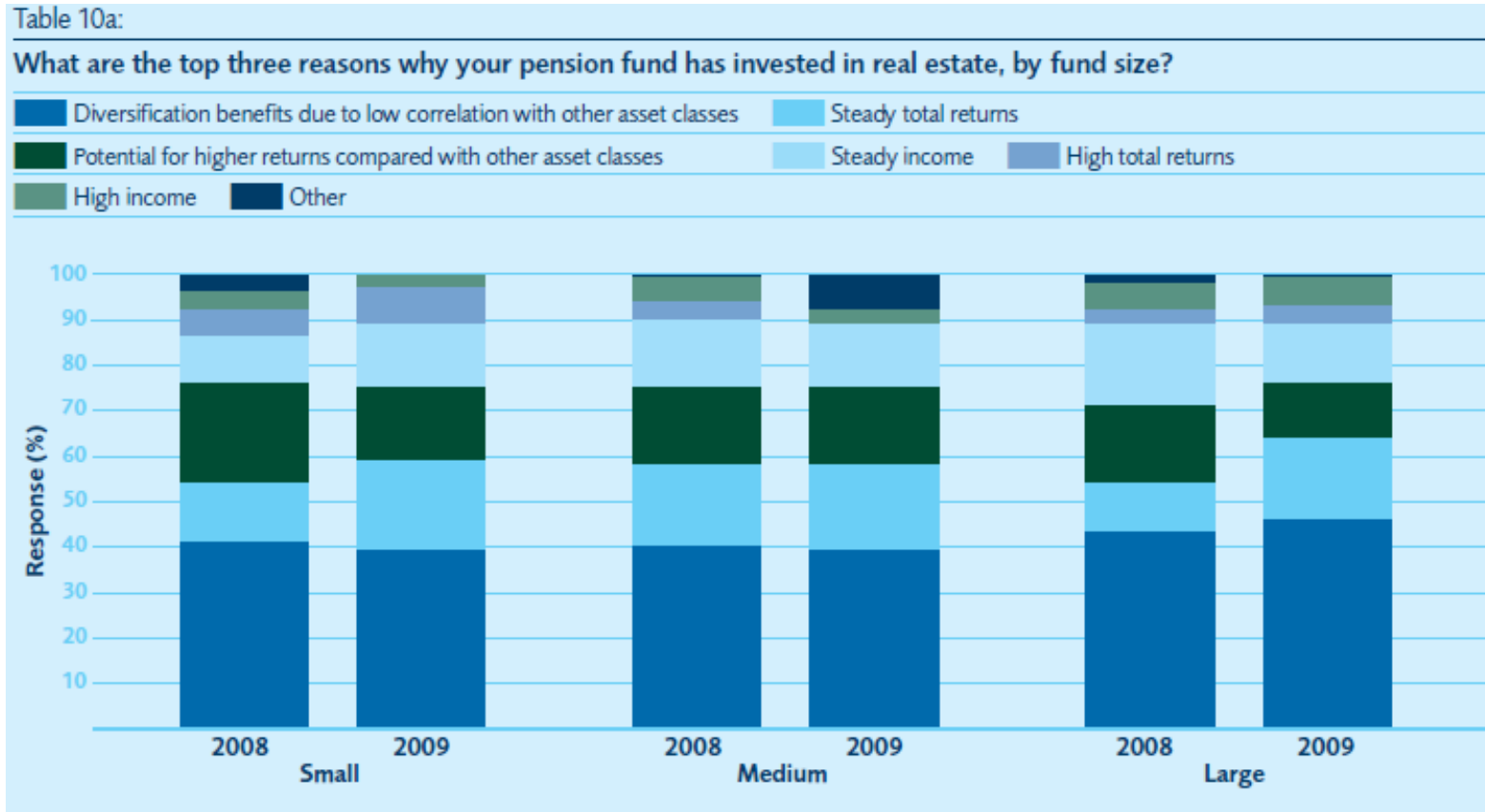
- One of Europe's premier investment houses and stable FTSE100 parent company
- £157.1bn of assets under management\*
- £9.8bn of real estate under management\*
- Dedicated real estate team of 117 provides depth and breadth of coverage and skill sets
  - Investment team average of 9 years experience
  - Management team average of 20 years experience
- Specialist in-house resources add value, including research, development, tax, credit management and treasury
- Over 450 buildings under management in 14 countries
- Strong active management track record

\* Source: Standard Life Investments, 31 March 2011. The real estate figure includes an element of commitments which may not yet be invested. The properties above are all held in the European real estate Growth Fund

real estate professionals of exceptional experience

# Investment Philosophy

## Rationale for investing in property

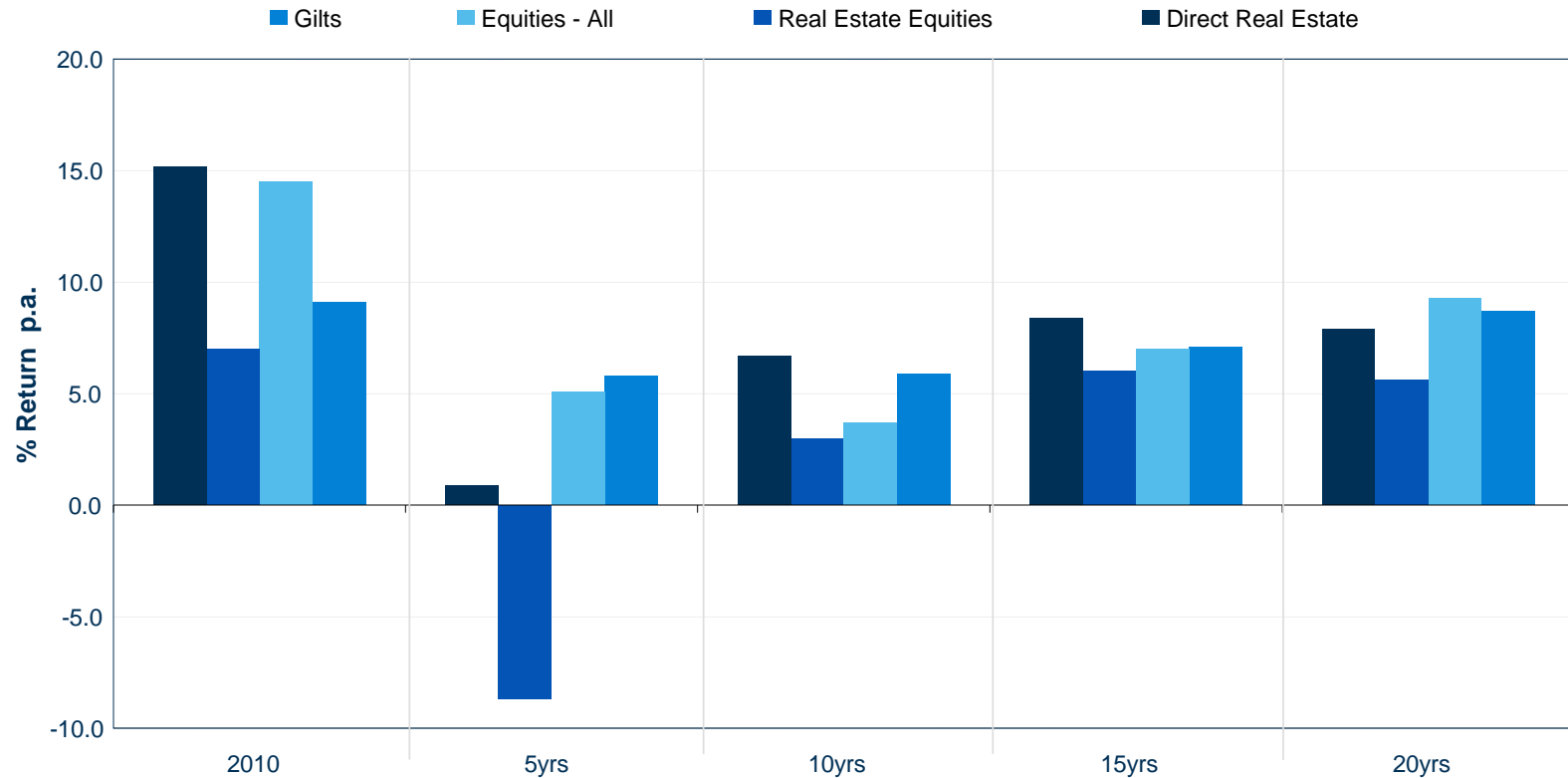


Source: PRUPIM/PMI, "What's on the Horizon 2009?"

Marginal move from higher returns to income focus

# Investment Philosophy

## Relative Property Returns



Source: Standard Life Investments. Data is to end December 2010

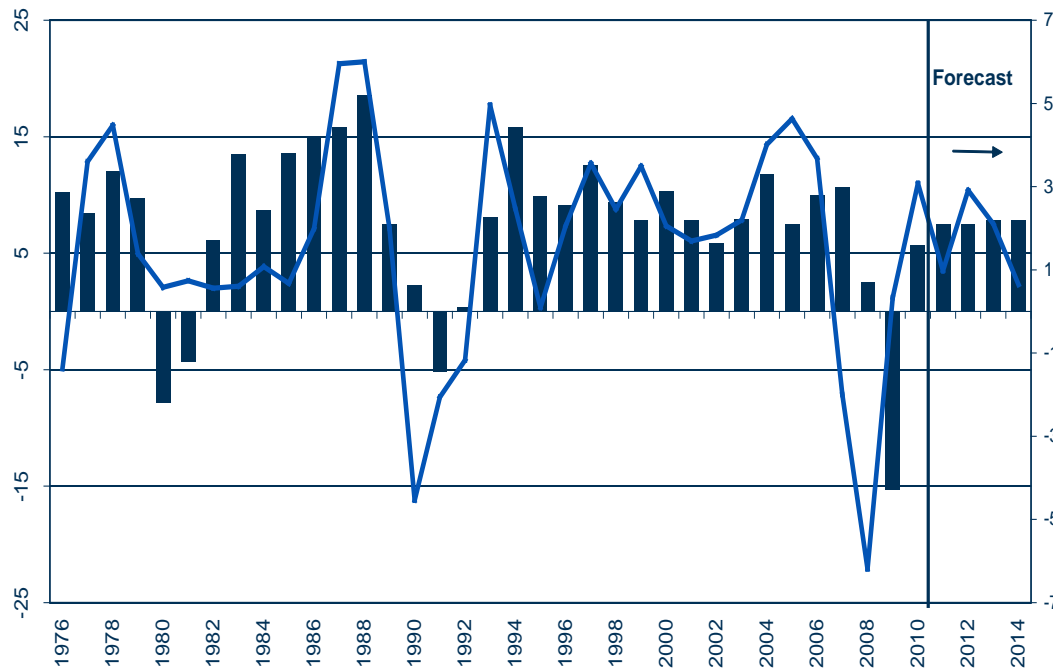
Respectable relative performance over long term

# Investment Philosophy

## The Correction

### UK GDP v Real Property Returns

Calendar Year Forecasts



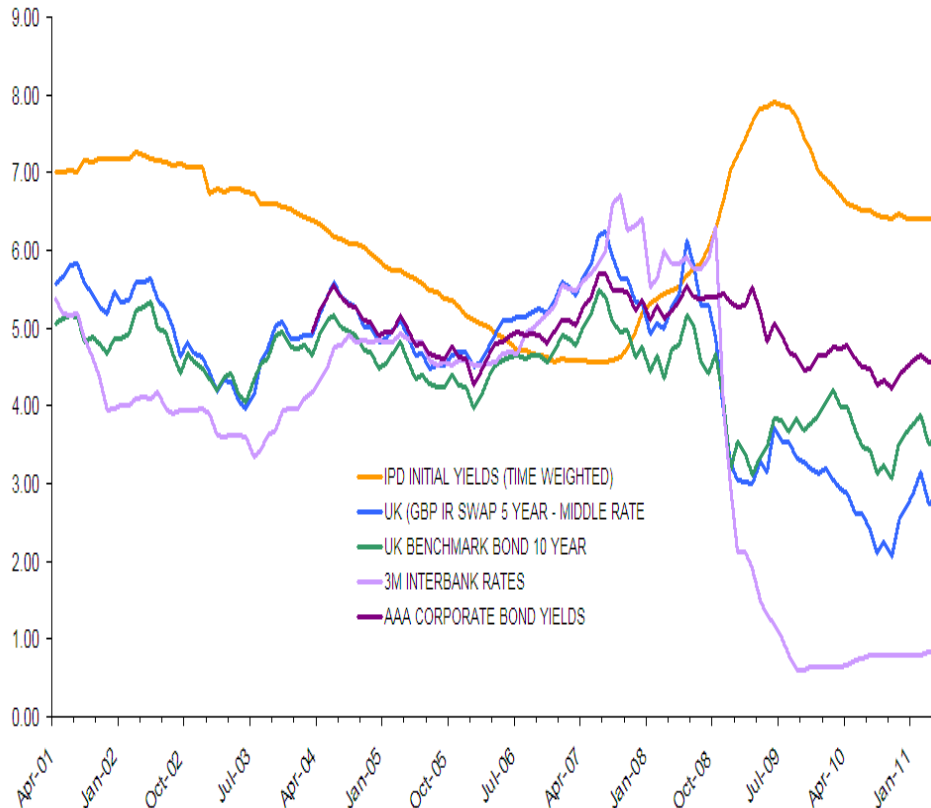
- Largest & fastest output decline
- Globally most synchronised recession
- + a banking crisis!

Source: IPD, Datastream, Consensus Forecasts (GDP), May 2011

All pointing to a slow and protracted recovery

# Real estate drivers: Pricing

Initial yields vs government bonds & interest rates



Source: Thomson Datastream

- Valuation initial yields at 6.4%
- Yield gap in valuations +280bps

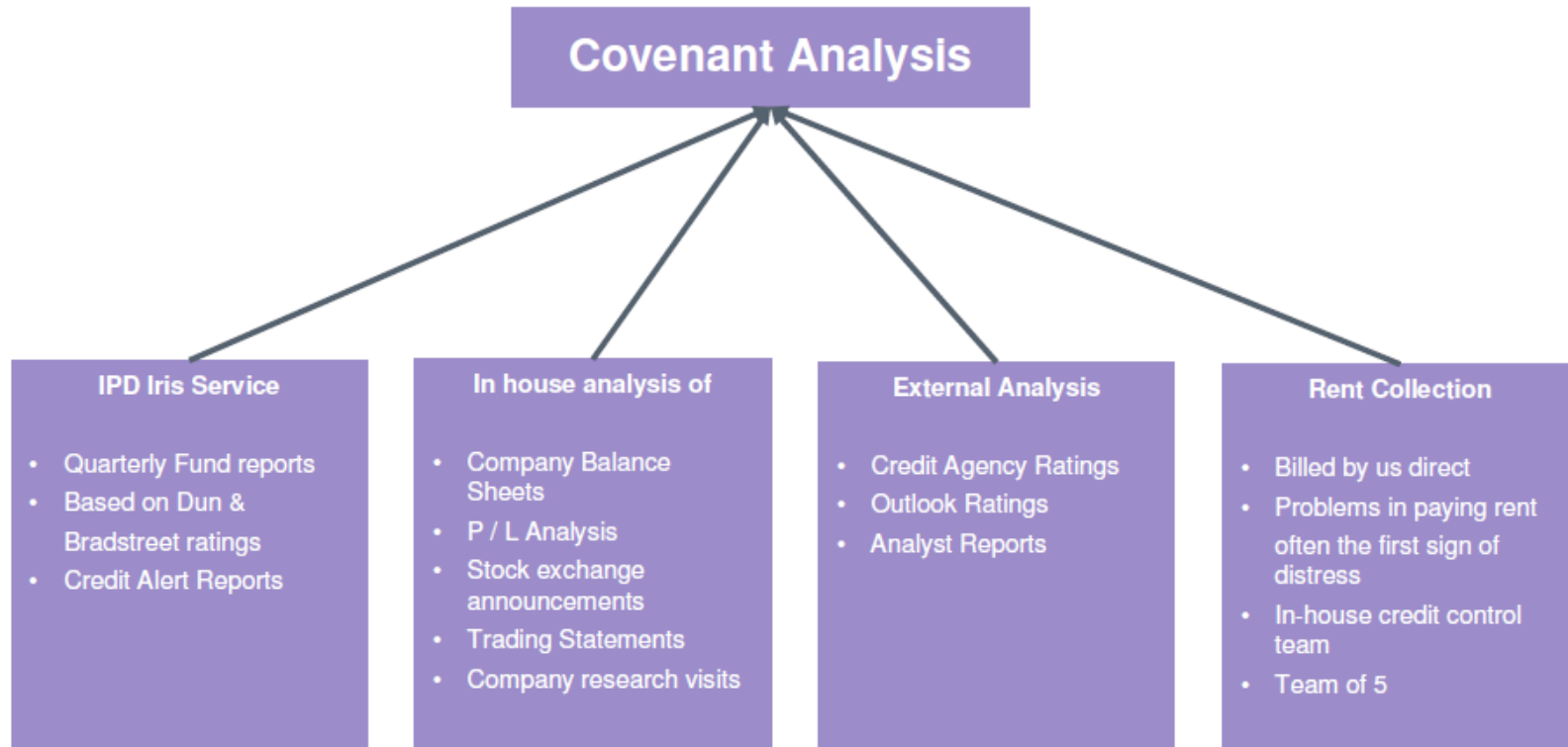
	IPD (IY)
<b>Current yield</b>	6.4
<b>'Risk free'</b>	-3.6
<b>Depreciation</b>	-0.8
<b>Income Growth</b>	0.1
<b>Margin</b>	2.1

Source: IPD, Standard Life Investments

UK real estate is fairly valued

# Investment Philosophy

## Analysing covenants



## Maintaining credit quality

# Landlord/Retailer Challenges



# Landlord/Retailer Challenges

## Recent Store Closures and Rationalisations



Suits You

Oddbins



HPJ JEWELLERS

- Store rationalisation announced for HMV, Game, O2, Arcadia, Barclays, Boots, Stead & Simpson among others

Marked increase in vacancies following spate of failures

# Landlord/Retailer Challenges

## Retail Closures Out of Town



Substantial release of retail warehouse units following administrations

# Landlord/Retailer Challenges

## Consumer Spend Forecast

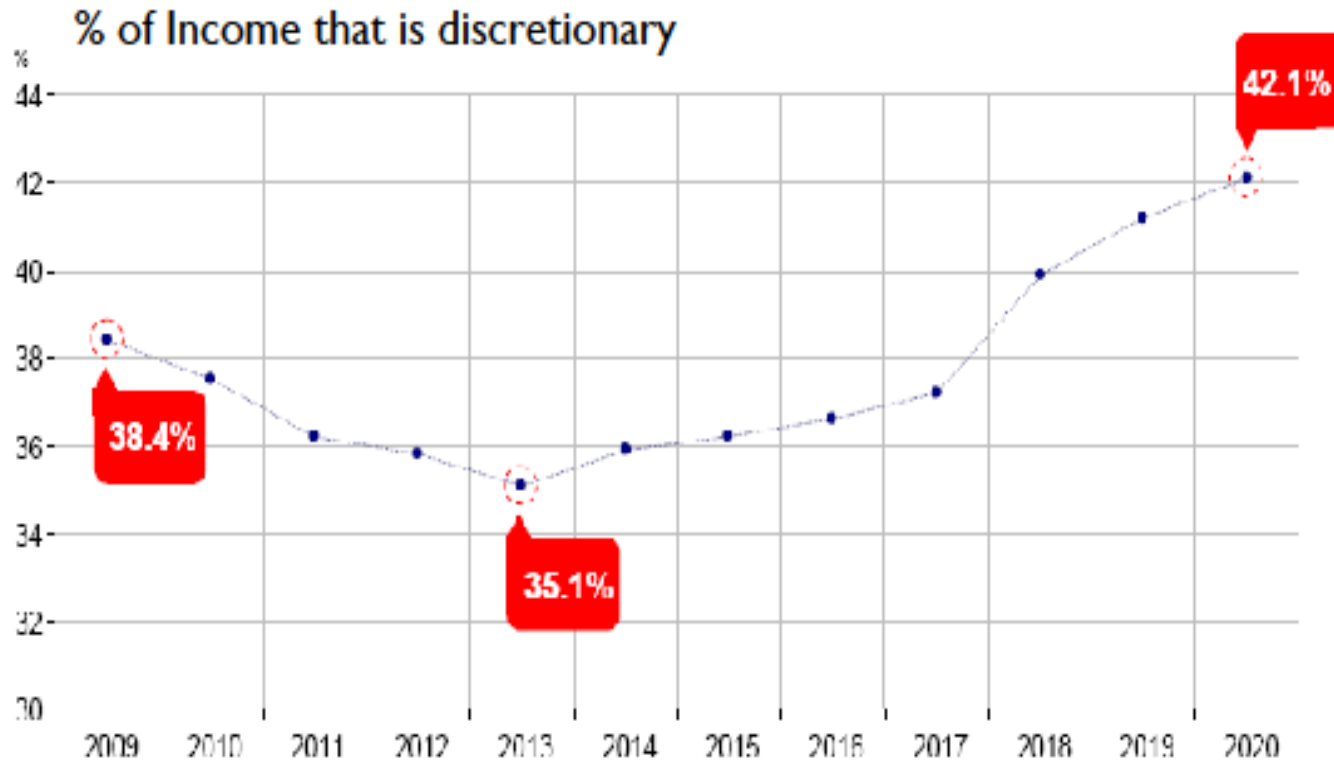


Source: Verdict Research

Slower spending

# Landlord/Retailer Challenges

## Consumer Disposal Income Forecast



Source: Verdict Research

Less disposable income

# Landlord/Retailer Challenges

## Online Retailing



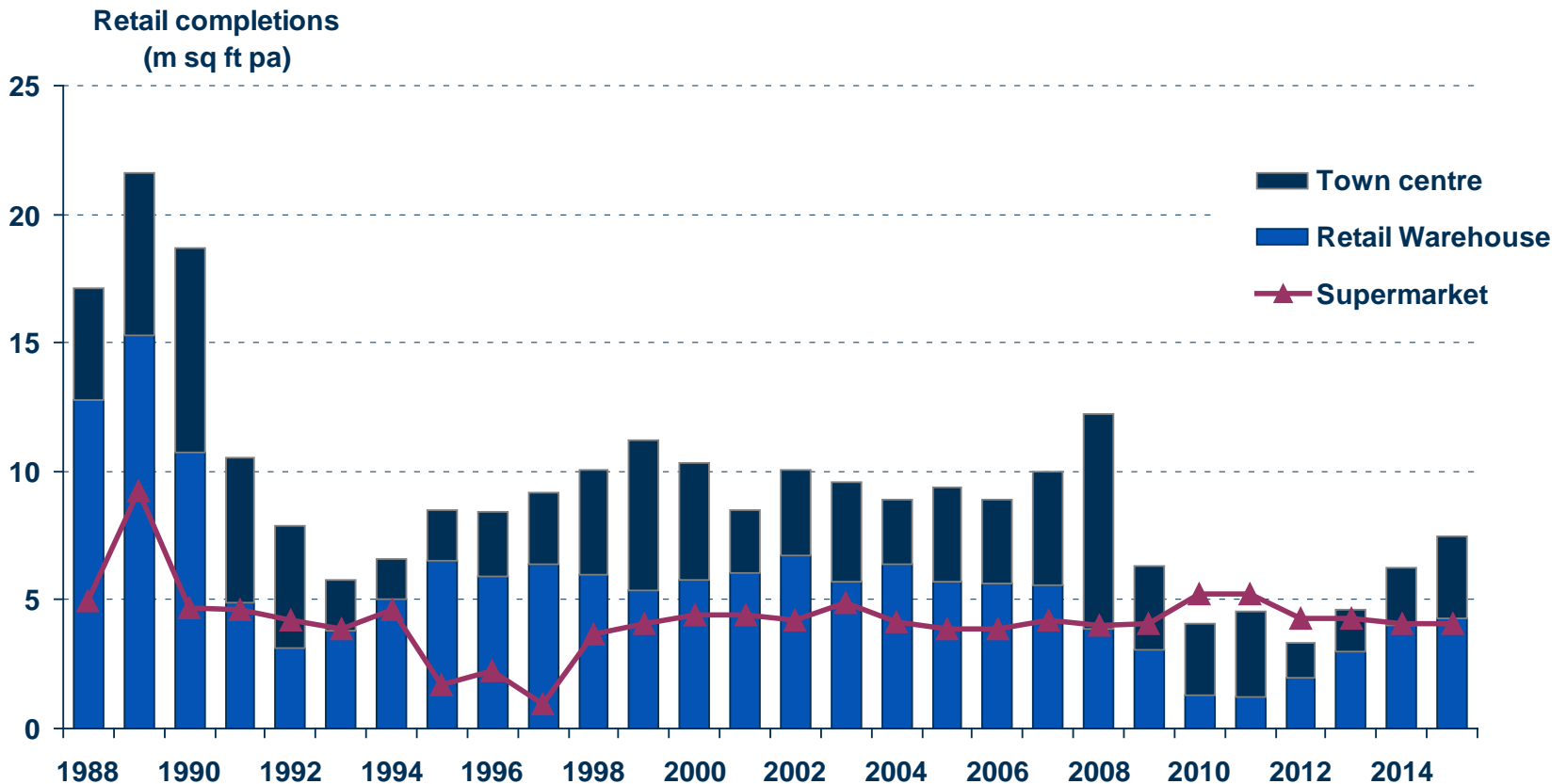
- In 2009 30.1m shoppers went online and spent £20.9bn
- In 2013 online expenditure is set to increase to £31.1bn

Source: Verdict Research

Retailing becoming a multi-channel journey

# Landlord/Retailer Challenges

The retail development tap has effectively been “turned off”



Source: PMA (history, spring 2011)

... but foodstore development continues and “virtual supply” takes a growing share of spend

# Landlord/Retailer Challenges

## Other Challenges



- Housing Market
- Government
- Credit Squeeze

# Working with Retailers

## Zara – Thistles Shopping Centre, Stirling



# Working with Retailers

## Zara – Thistles Shopping Centre, Stirling



# Working with Retailers

## Environmental



- Waste sent to landfill reduced
- Revenue generated:-

	2007	2010
Waste Recycled / All Waste (Tonnes / %)	232 tn / 39%	384 tn / 61%
Revenue	£6k	£26k
Landfill Tonnes / Cost per tonne	358 tn / £53 pt (£19k)	250 tn / £85 pt (£21.25k)

Source: SLI/DTZ

Much more needs to be done....

# Working with Retailers

## Top Shop - Brent Cross Shopping Centre London

Before...



- Under sized 10,000 sq ft
- Inefficient
- Over trading
- Need for modernization
- Need for continuity

# Working with Retailers

## Top Shop - Brent Cross Shopping Centre London

After...



- Landlord works included providing lift, escalators, planning and construction for 10,000 sq ft box – 4 months
- New 10 year lease
- 20,000 sq ft on 2 levels

# Conclusion

- Modest Recovery underway but headwinds persist
- The need for closer relations and creative solutions

"Ask not what landlords will do for you,  
but what together we can do for profit"

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