

**Real Estate Challenges, Opportunities and Disclosures
European Viewpoint**

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Abstract

Across European property markets there are large variations in transparency even within Western European countries. The increasing flow of capital and cross border investment into the European countries highlights the quest for greater transparency in performance measures as demonstrated in the search for enhanced returns at acceptable levels of risk, expanded markets and new investment products.

The impact of globalization has resulted in increasing convergence across the European real estate markets particularly in terms of innovative financial products. Regeneration is one example of an emerging/expanding market with the potential to offer new investment products.

The paper addresses performance measurement in regeneration markets and the challenges facing regeneration in broadening the appeal as an investment opportunity. It also considers issues facing practitioners and educators in accommodating the expanding opportunities for regeneration investment. The role of property research in enhancing transparency and facilitating market development is also considered.

Keywords

Europe, regeneration markets, performance measurement, market transparency, risk-return profiles.

1.0 Introduction

The European real estate market is one of the most significant yet diverse global markets encompassing advanced Western European economies through transitional and emerging Central and Eastern European states. Almost all of these diverse markets are experiencing common trends of yield compression driven by increased cross border investment and expansionary pressures created by the development of innovative products such as indirect investment vehicles and the search for new investment vehicles.

Across European property markets there are large variations in transparency even within Western European countries. The ever increasing flow of capital and cross border investment into the European countries highlights the quest for greater transparency as demonstrated in the search for enhanced returns at acceptable levels of risk, expanded markets and new investment products.

The impact of globalization has resulted in increasing convergence across the European real estate markets particularly in terms of innovative financial products. Regeneration is one example of an emerging/expanding market with the potential to offer new investment products. The industrial legacy of many European cities offers significant regeneration development and investment opportunities which are now being exploited by increasingly sophisticated investors.

The paper addresses the challenges facing regeneration markets in broadening their appeal as an investment opportunity. It also considers issues facing practitioners and

educators in accommodating the expanding opportunities for cross border investment.

The paper draws upon the recently published IPD Regeneration Index plus work undertaken by the Universities of Ulster and Aberdeen into enhanced investment opportunities in regeneration. The next section of the paper addresses the search for enhanced transparency in property markets and regeneration markets in particular. Following sections include an overview of the methodology employed (section 3.0), the results of the IPD Regeneration Index (section 4.0), the challenges facing regeneration as an investment opportunity (section 5.0) and conclusions (section 6).

2.0 Search for Transparency in Property Markets

It is widely recognised that property markets that are transparent in terms of providing reliable measures of performance are attractive to inward investment (Sieracki, 1999). In order to assist investment decision-making at a global level Jones Lang LaSalle (2004) benchmarked property market data transparency to assist the classification and strategic analysis of risk in national, regional and international markets. The Global Real Estate Transparency Index provides the results of a detailed analysis of legal factors, regulations, availability of information regarding market fundamentals, listed vehicle disclosure and governance and the availability of investment performance indices which together comprise a quantified opinion regarding the state of development in a country's private and public real estate markets.

The 2004 Index points to two European countries which stand out as beacons of high transparency, namely the UK and the Netherlands, two of the first countries in Europe to have rigorous measurement of commercial property performance based upon transparent valuation evidence.

The quality and transparency of property market information is one of the principal attributes of economic competitiveness and the attraction of inward investment. Begg (2002) considered economic competitiveness in a wider context of investability which he defines as making the locality attractive to potential investors and combating the factors that act as a deterrent to investment. Key issues identified as influencing investment decisions include the availability and quality of property, characteristics of the labour market, social factors including security, transport/accessibility, and regulatory/planning considerations. Work undertaken in the US on the concept of economic clusters (Porter, 1998) considers key elements as being: the location of primary sources of knowledge and information, access to sophisticated risk and venture capital, innovative trading position that is conferred by connectivity with wider markets, infrastructure which enables the full range of knowledge to be interchanged and the environment in which decision takers will choose to work and live. The messages from these studies are wide-ranging but they do highlight the important role of information, quality of the environment and quality of property.

The theoretical framework for greater market transparency builds upon the competitive market paradigm and the challenges faced by cities resulting from structural changes driven by globalisation, economic restructuring, technological change, institutional restructuring and urban competition (Parkinson, 1999). Central to competitiveness is the importance of receptive land and property markets that are sufficiently geared towards investment and business activity (Gibb et al, 2001). The main triggers and attractions to business are public sector assembly of land, location, image, creation of new opportunity, infrastructure links to key nodes, and economic

and labour market criteria, factors which all underpin the concept of building competitive locations.

Adair et al (2003) have highlighted the potential barriers arising from poor levels of market information for disadvantaged areas. They argued that this has acted as a deterrent to investors. More specifically, their analysis has shown that a lack of market transparency has resulted in potentially incorrect perceptions regarding the investment returns from urban regeneration and led to a mispricing of opportunities. Such perceptions have been detrimental to inner city locations and indeed have deterred investors and businesses from entering into disadvantaged locations. The inference is that strong markets and locations invariably have the best levels of information and business advice whereas weaker locations may lack the same level and number of business advisors. According to Bennett and Smith (2002), the absence of business advisors from disadvantaged areas means that such locations are less likely to be considered in locational decisions.

Frequently disadvantaged areas have failed to capture investment and subsequent business activity due to the perception of negative land values or negative rents (Adair et al, 2003). Under such pricing policies, regeneration areas may be particularly disadvantaged. Indeed, the way in which investors perceive markets, make decisions and construct investment strategies clearly affects their actions within property markets (Guy et al, 2003). The raising of value is central to the regeneration of locations, with the perception of weak markets a deterrent to private sector investment and business. Potter (2005) has argued that local policy makers involved in the design and delivery of entrepreneurship strategies, programmes and projects need to address such issues by adopting a commercial approach to service provision, ensuring the availability of business premises offering affordable and flexible rents and minimising the burden on enterprises.

Adams et al (2001) have discussed how landowners relate to the importance of local conditions and understanding of the dynamics of local property markets and the planning system. Until relatively recently there has been little hard evidence regarding how property investment markets perform in regeneration areas with the commonly held perception that risks were high and returns low. However work by Adair et al (2003) and subsequent analysis by English Partnerships and IPD has indicated that performance in regeneration areas can exceed benchmarks, both national and local, and therefore challenge the perception of weak markets and negative returns.

Across Europe property markets are characterised by yield compression increasingly driven by the large amounts of cross border capital seeking investment opportunities. DTZ estimate that investment into Europe has increased from €110bn in 2004 to €130bn in 2005, with the UK market increasing from £30bn to £50bn over the same period. IPD annual returns for 2005 emphasise this trend with the All Property Total Return recording 19.1% for 2005, the biggest gain since 1993. At the sector level offices saw returns of 20.4%, which outpaced retail and industrial for the first time since 2001. The All Property Yield for 2005 at 6% was the lowest level recorded by IPD and just under 2% higher than that of 15 year gilt yields (Estates Gazette, 2006).

The gap between property yields and the cost of borrowing, which reflects the "fundability" of property, has been a key driver of pricing in many Western European markets. In the UK the influence of fundability on pricing has weakened, with rental growth and the relative returns having no effect on pricing in the past five to six years. The absence of fundamentals driving the market implies that alternative

factors are affecting pricing. Increasing market transparency, information and market knowledge add to the "sophistication" of the investment decision-making process. It is recognized that these developments justify a downward adjustment to risk premiums fuelling yield compression (Foxley, 2006).

Evidence of expansion in European property markets is demonstrated by the widening investment opportunities as investors react to the shortage of conventional real estate offerings (ULI/PWC, 2005):

1. Development of the IPD Pan-European Property index released in July 2004 measuring the combined performance of 10,811 real estate investments, totalling €148.9 billion, held in eleven countries across Europe (Freeman, 2004). The Pan-European Index is based on the IPD indices for Denmark, Norway, Sweden, France, Germany, Netherlands, Portugal, Spain, Ireland and the UK, and the KTI index for Finland.

2. Spectacular growth in the European non-listed real estate funds market over the last ten years (Hill, 2004). According to the European Association for Investors in Non-listed Real Estate Vehicles (INREV), the gross asset value (GAV) of the market has quadrupled from around 88 vehicles in 1995 to 427 in 2005. The GAV of funds in the INREV database stood at €135bn in October 2004, bringing the total with the German open-ended public funds (GOE) to almost €250bn. (Hill, 2004). The INREV database contained 460 private property vehicles with a combined GAV of €297bn at February 2006.

INREV has a conservative approach to including funds in its database, which lists some 360. Funds need to be 'collective investment schemes' beyond simple joint ventures, and be for institutional investors. The market is a significant one when compared with the market capitalisation of the EPRA European Index of quoted real estate companies standing at €68bn in October 2004 (implying a GAV of c.€140bn), while the total value of direct investment property measured by Investment Property Databank is approximately €900bn (Hill, 2004).

Increasing transparency is also evident in the search for new investment opportunities offered by the large regeneration projects that are improving European cities as governments, investors and developers tackle some of industrialisation's ugly legacies. As schemes have multiplied so have the skills at tackling the difficulties that once blocked progress. As skills have risen so has financial performance, to the point where investors are now seeking out regeneration as a source of future returns.

Whereas it is estimated that there are 450,000 brownfield sites in the USA it is much more difficult to measure the scale of the challenge at the European level (Economist, 2005). English Partnerships, a national regeneration agency, estimates there is a total of 66,000 hectares of brownfield land. About one quarter of the total, of the order of 2000 sites, located in Northern England have been vacant or derelict for more than a decade. The problems of environmental contamination cost and planning difficulties have prevented the regeneration of these sites.

Urban regeneration across Europe is being driven by various combinations of political will and business opportunity. Traditionally it has depended heavily on public money and has often been thwarted by political uncertainty. The Economist (2005) notes that there are signs of change as experience has helped developers to tackle bureaucratic obstacles. In addition the emergence of increasingly sophisticated investors attracted to regeneration projects has reduced the dependence upon public funding.

Over £9 billion has been invested in London's Docklands between 1981 and 1998 to regenerate 2,150 hectares of the city's run down docks. Under £1.9 billion of the total came from the public purse about half of which was spent on transport infrastructure. Public money for roads and railways helped to unlock private investment. Olympia and York the developer of Canary Warf went into administration in May 1992, caused by over reliance on debt finance. The granting of the Olympic Games to London in 2012 will give a further boost to regeneration and it is likely that there will be a major influx of institutional investment capital into the Thames Gateway (Economist, 2005).

Today regeneration activity is witnessing an increasing mixing of public and private investment. Whereas there was a perception that regeneration projects will not yield returns other than in the long term it is now becoming increasingly evident that regeneration projects provide advantages of scale, the sharing of equity risk and the spreading of sector risk. Evidence on the performance of commercial property in regeneration areas is overturning the myth that regeneration returns are weaker than those in prime markets (Adair et al, 2005; McGreal et al, 2006).

As the myth of low returns has been challenged other investors have become increasingly interested in regeneration areas. The Heinz European Development Fund (HEDF) has attracted money from a number of global institutional investment funds including the California Public Employees Retirement System and General Motors Pension Fund. HEDF is providing all the equity finance in the initial phase of the Garibaldi-Repubblica in Milan. Investors are expecting an internal rate of return of between 15% - 20% over the life of the project (Economist, 2005).

However research evidence based upon returns information for specifically identified properties in regeneration areas indicates that perceptions of weak market performance may be incorrect. The results show that investment returns are no weaker than the industry benchmarks and in many cases exceed these. Indeed, analysis on a sector basis highlights the strong performance of property in regeneration locations (Adair et al, 2005).

Likewise, there is evidence that risk associated with investment performance in regeneration areas is not significantly different from prime markets. Indeed it has been shown that investment property in regeneration/urban renewal areas can equal or outperform national and local benchmarks. Over the long-term, regeneration/urban renewal properties offer significant investment opportunities, findings which challenge preconceived notions and suggest that opinions of low investment returns in such areas are incorrect. Hence, there is a need to reconsider strategies regarding the investment potential of real estate within regeneration/urban renewal areas (McGreal et al, 2006).

3.0 Methodology

The methodology employed in the paper comprises two strands namely, the analysis of regeneration property performance and the determination of risk/return profiles of regeneration investment.

The first is an analysis of regeneration performance based on the Urban Regeneration Index (IPD et al, 2006) and covers all locations where there is a current urban regeneration programme supported by the public sector. The research includes all the Urban Regeneration Company areas in England and Wales, former

coalfield area projects and several major area initiatives in metropolitan areas including Bristol, Cardiff, London, Manchester and Newcastle-upon-Tyne.

The analysis encompasses all commercial properties in these areas where IPD has a record in order to capture the wider impact of regeneration initiatives. In total 741 properties are included in the dataset with a capital value of £4.4 billion compared with the IPD universe which contains 10, 986 properties valued at £120.8 billion. The sectoral composition, on the basis of capital value, is 67.3% retail, 9.3% offices and 21.2% industrial.

The second strand is the determination of risk/return profiles in urban regeneration investment based upon an analysis of institutional investor behaviour, undertaken by the universities of Ulster and Aberdeen over 2004 and 2005. The research adopted a cross-asset class examination involving key institutional investors to determine the components of a model to encourage institutional investment into regeneration. The views of over forty chief investment officers, investment managers and their representatives were gathered in London, Edinburgh, Cardiff and Dublin from evidence presented at structured interviews and workshops capturing public and private sector perspectives (Adair et al, 2006).

The results from each of these analyses are presented in the following sections.

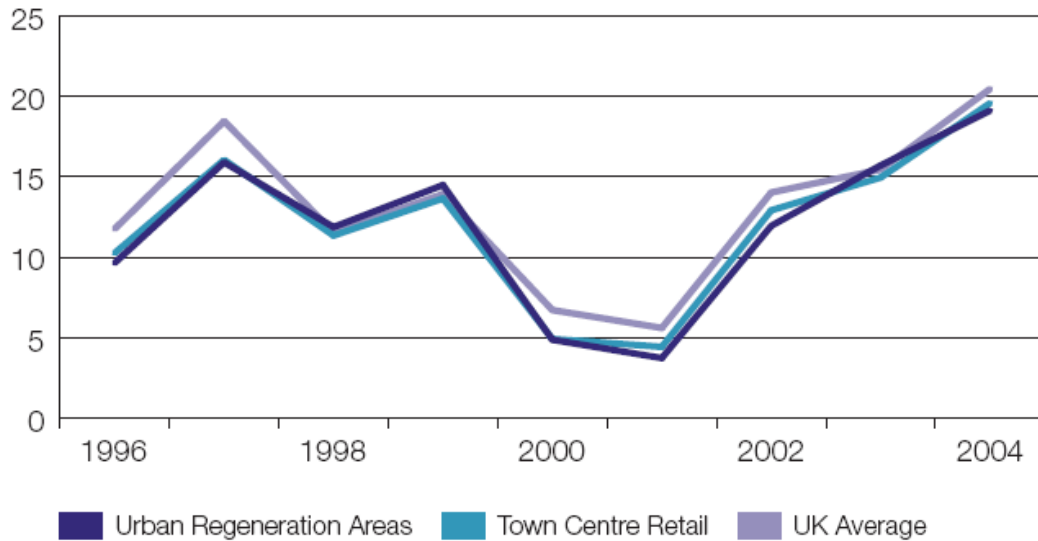
4.0 IPD Regeneration Index Results

The principal findings of the IPD UK Regeneration Index (IPD, 2006) are:

- Urban regeneration areas have tended to outperform adjacent areas in the office and industrial sectors.
- Commercial property in urban regeneration areas has delivered significant returns over the longer term and in the three main sectors.
- Regeneration areas have witnessed significant compression in yields and in the office market this trend has been consistent with faster rental growth.
- There is no evidence that regeneration property markets are inherently more volatile or cyclical than the UK market as a whole.
- Retail in regeneration areas has generally tracked the performance of the town centre retail market. Without regeneration retail performance may have been weaker.

Retail accounts for two-thirds of the investment property in urban regeneration areas, by value. Total returns on retail in urban regeneration areas over both the short-term (2001-2004) and long run (1995-2004) periods at 15.6% and 11.8% respectively, have been virtually indistinguishable from those in town centre retail (15.8% and 11.9% respectively) Figure 1. Higher yields in regeneration areas have ensured that the income return has offset slightly weaker rental growth.

Figure 1: Retail Total Returns – per cent return

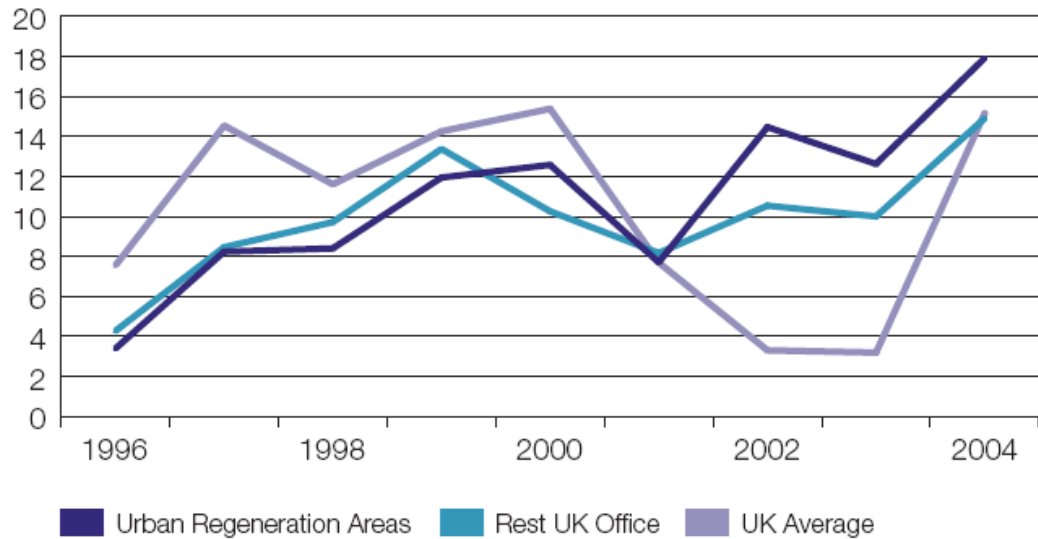


Over the long-term, 1995-2004, total returns on retail property in regeneration areas, 11.8%, (and in town centres) have fallen behind the UK retail average (13%), by 1 per cent per year. The gap reflects the absence from the regeneration sample of out-of town shopping centres and the limited presence of retail warehouses. Both types have seen superior rental growth over the long-term.

The level of risk, as measured by standard deviation, is broadly similar in regeneration areas (5.1%) over the period 1995-2004 compared to both town centre retail (5.0%) and the UK average (4.9%).

Over the long and short-term periods, total returns on offices in regeneration areas (10.7% and 15% respectively) have out-performed both adjacent locations (9.9% and 11.8% respectively) and the UK office average (10.2% and 7.1% respectively), by 0.5-0.8 per cent per year. The superior performance of urban regeneration offices is particularly marked over the short-term period, as identified in Figure 2.

Figure 2: Office Total Returns – per cent return

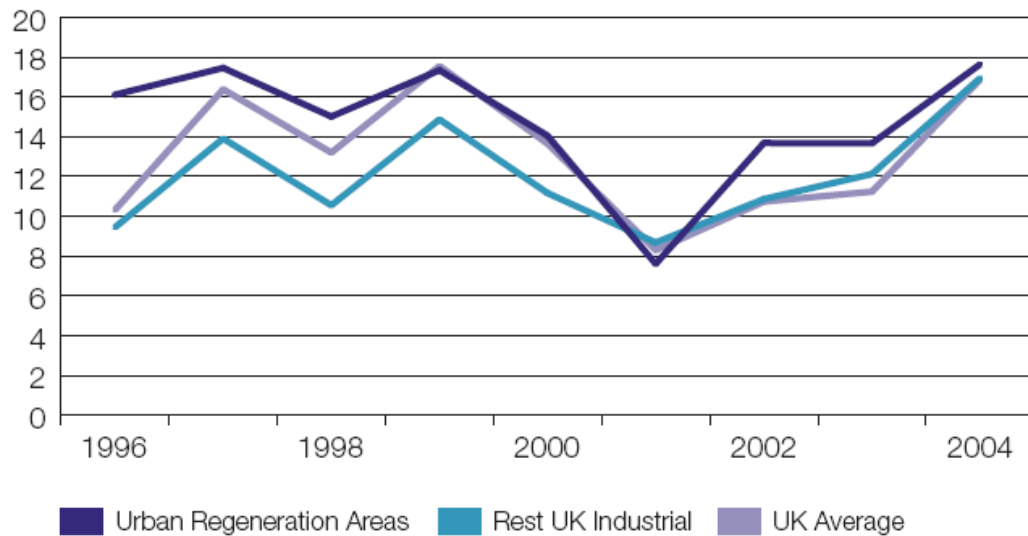


Rental growth in regeneration areas exceeded that in neighbouring locations by 1 per cent per year between 2001 and 2004 and consistent with that record, offices in regeneration areas also saw a larger fall in yields. Urban regeneration areas proved to be immune to the office downturn in London and the south east which depressed the UK average in 2001-2004.

Regeneration areas have been one of the best performing parts of the industrial market over the long-term (14.7%), Figure 3. Total returns have run ahead of the UK and Rest of the UK industrial averages by 1.6 per cent and 2.7 per cent per year, respectively. Over the short-term, urban regeneration returns (15.0%) have proved superior to both the Rest of the UK (13.3%) and the UK average (12.9%).

The out-performance of industrials in regeneration areas has been due to a larger fall in yields compared with the rest of the market. Rental growth has been similar to that in other locations. IPD note that despite a positive re-rating, yields on industrials in regeneration areas remain higher than elsewhere. This differential has helped maintain a higher rate of income return. In addition, the average void rate at 4.4 per cent of total ERV was below the UK industrial average of 8.2 per cent at the end of 2004. Further results from the IPD Regeneration Index are contained in Appendix 1.

Figure 3: Industrial Total Returns – per cent return



5.0 Challenges for Regeneration Markets

Regeneration is considered as a process consisting of three distinct but overlapping phases: remediation/infrastructure provision, development and investment (Table 1) (Adair et al, 2006). While the phases mirror the wider urban land development model, there is added complexity within regeneration arising from the location of sites, primarily in inner city areas, the secondary nature of sites from a property market perspective, the perceived adverse impacts of neighbouring land uses and associated social and environmental problems. These negative characteristics often result in higher costs compared to the development of greenfield sites and have (in contradiction to investment theory) fuelled the perception of lower achievable returns for higher levels of added risk.

The initial phase of the regeneration process comprises the assembly of the site, remediation of the land, if necessary, together with the provision of infrastructure to facilitate the proposed land use in accordance with the development plan. Each of these aspects involves considerable complexity. For example, the scale of multiple ownerships in inner city areas frequently complicates the land assembly process by extending the timescale for the transfer of ownership and may necessitate working with local authorities using CPO powers. Indeed, this type of cooperation highlights another underlying theme in regeneration namely the need for the private and public sectors to interact closely. While the remediation process has seen considerable technological innovation with the availability of tax credits for site cleanup the provision of infrastructure continues to raise major challenges in terms of financing. Often infrastructure is a critical component in releasing sites with development potential, but high initial upfront expenditure can deter private sector involvement. This phase of regeneration has attracted certain, though limited, institutional investment through bond issues.

The second phase involves the development of the property asset. The skills base for the management of this process lies within the development community, which is often identified as the short-term risk-taker within regeneration. This part of the process, in common with any development project, is traditionally debt-financed through banks and lending institutions with decisions made on the basis of finely-tuned appraisal models. Assuming viability of projects can be shown, the major hurdle at this stage of the process within the current market cycle has not been one of access to capital but rather obtaining planning permission to advance the scheme. This phase of regeneration is dominated by debt-lending through banks.

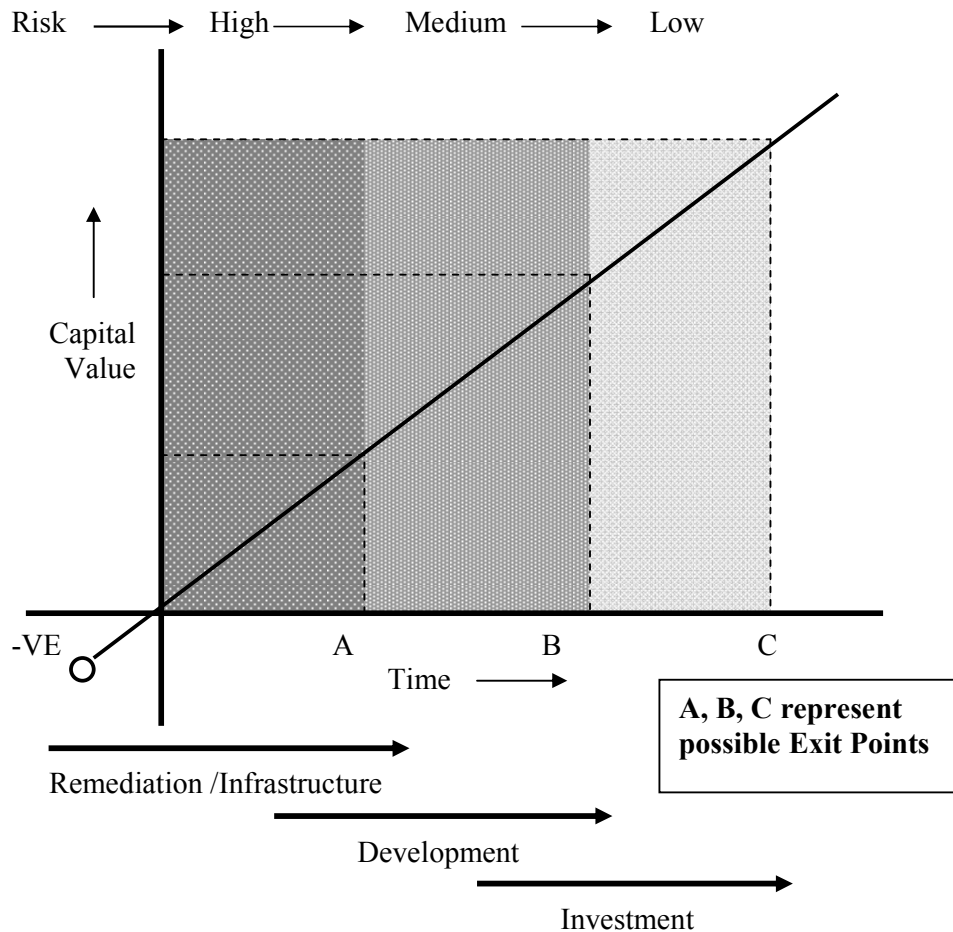
The third phase of the urban land development model concerns the sale of the asset to the investment community which can occur at differing times depending upon the strategy of the developer. Traditionally, this phase has been the point of entry for institutions holding property as an investment asset with added diversification benefits. For regeneration property, the extent of institutional involvement has been noticeably low due to their (potentially false) perceptions of risk and return. However, over the past five years there has been an increasing weight of institutional investment entering regeneration as part of the allocation of investment capital to capital property asset class.

Each phase of the regeneration process has distinct characteristics within the overall risk-return continuum (Figure 4), from the remediation/infrastructure phase, characterised by high levels of risk but with the opportunities for high returns, to the investment phase at the other end characterised by lower risk and corresponding lower levels of return, with secure revenue streams and more predictable capital values resulting from the occupied development entering the property market. Intermediate points include the potential risk of an unfinished building through to the completed building remaining unlet, lacking an income stream, having uncertain capital values and not being taken into the established investment market. In compensation for these risks, the developer expects higher returns. Over time the liquidity of the regeneration property asset increases (Figure 4) with exit points based on predetermined valuation dates or market driven.

Table 1: Institutional involvement in the three phases of regeneration

Regeneration Phase	Main activity	Characteristics	Institutional involvement	Funding Options
Remediation / Infrastructure (2 to 5 years)	<ul style="list-style-type: none"> • site assembly • site remediation • freeing-up development potential through infrastructure 	<ul style="list-style-type: none"> • high cost • high risk • potential for high return • major uncertainty over end value • low liquidity • low transparency • medium timeframe 	<ul style="list-style-type: none"> • some investment from direct/indirect allocations • some institutional activity through bond issues 	<ul style="list-style-type: none"> • Higher yielding 'protected' bonds • Indirect property investment • Private equity is a possibility, but long lead time, low liquidity, nil income and uncertain capital values may not match many investors' objectives. • Bank finance
Development (2 to 5 years per phase)	<ul style="list-style-type: none"> • construction of the property asset • letting of the property to tenants 	<ul style="list-style-type: none"> • debt-financed • high risks especially at early stage • potentially high return • lack of income stream • uncertain capital values • low liquidity • low transparency • short-medium timeframe 	<ul style="list-style-type: none"> • bank-lending dominant • limited institutional involvement although some investment from direct/indirect property allocations 	<ul style="list-style-type: none"> • Direct property investment • Indirect/direct property investment • Private equity • Bank finance • Bonds
Investment (2-5+ years until re-development of asset)	<ul style="list-style-type: none"> • sale of occupied property asset into the established investment market • holding of developed property 	<ul style="list-style-type: none"> • secure revenue streams • capital value growth • lower risk • returns above bonds • diversification benefits • liquidity dependent on vehicle structure • transparency dependent on structure • medium/long timeframe 	<ul style="list-style-type: none"> • main entry point for many institutions • under-weight in regeneration property 	<ul style="list-style-type: none"> • Quoted equity • Indirect/direct investment (incl. REITS) • Private equity

Figure 4: Regeneration phases and risk profiles



In relation to expanding investment opportunities in regeneration the structured interviews with institutional investment managers across each of the asset classes have identified a number of key messages:

- There is a lack of understanding of the business case for investing in the regeneration process.
- The range of risk, return and maturity profiles across the regeneration phases offers significant diversification opportunities.
- Attracting greater institutional investment into regeneration must build upon existing linkages between the property asset class and regeneration as demonstrated by existing institutional regeneration funding vehicles such as Igloo, English Cities Fund, and the Blueprint East Midlands Partnerships between Igloo, East Midlands Development Agency and English Partnerships.
- The need for more innovative approaches to securitising future income streams from prospective assets (whether publicly or privately held) to fund the early costs of upfront remediation and infrastructure.
- The role of opportunistic funds to become more active potential investors in regeneration and packaging of equity investment opportunities including the potential for REIT vehicles.

- The opportunities for bond investors in the infrastructure phase of regeneration, resulting in a cheaper overall cost of finance to the project.

6.0 Conclusions

Property markets that are transparent in terms of providing reliable measures of performance are attractive to inward investment. In contrast, potential barriers arising from poor levels of market information for disadvantaged areas act as a deterrent to investment. Frequently disadvantaged areas have failed to capture investment and subsequent business activity due to the perception of negative land values or negative rents. The raising of value is central to the regeneration of locations, with the perception of weak markets a deterrent to private sector investment and business.

Across Europe there is evidence of increasing transparency in property markets as demonstrated in the development of the IPD Pan-European Property Index, the growth of INREV or European non-listed real estate funds market. One of the principal drivers of greater transparency is the search for new investment opportunities in terms of under-priced markets.

Regeneration markets offer significant investment opportunities across Europe. In the UK the IPD Regeneration Index shows that urban regeneration areas have tended to outperform adjacent areas in the office and industrial sectors. Commercial property has delivered significant returns over the longer term and across the three main sectors. Like the prime market regeneration areas have witnessed significant compression in yields. There is no evidence that regeneration property markets are inherently more volatile or cyclical than the UK market as a whole

Despite such performance investment opportunities within the regeneration process are not widely recognized and there is a lack of understanding of the business case for investing in regeneration property. The range of risk, return and maturity profiles across the regeneration phases offers significant diversification opportunities. Attracting greater institutional investment into regeneration must build upon existing linkages between the property asset class and regeneration as demonstrated by existing institutional regeneration funding vehicles such as Igloo, English Cities Fund, and the Blueprint East Midlands Partnership.

In addition there is a need for more innovative approaches to securitising future income streams from prospective assets to fund the early costs of upfront remediation and infrastructure in particular opportunities for bond investors, resulting in a cheaper overall cost of finance to the project.

These findings have implications for educators, researchers and practitioners in ensuring that property advisers have the necessary skills to make a strong business case for widening institutional investment opportunities in regeneration.

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Appendix 1: IPD Urban Regeneration Index

Retail Performance – per cent per year

	Urban Regeneration Areas	Town Centre Retail	UK Average
2001-2004			
Total Returns	15.6	15.8	16.6
Income Return	6.4	6.3	6.0
Capital Growth	8.7	9.0	10.0
Rental Growth	1.9	2.6	3.8
Yield Impact	6.6	6.9	6.7
1995-2004			
Total Returns	11.8	11.9	13.0
Income Return	6.5	6.4	6.3
Capital Growth	5.0	5.2	6.4
Rental Growth	3.5	3.9	4.7
Yield Impact	2.1	2.3	2.7
Standard Deviation	5.1	5.0	4.9

Office Performance – per cent per year

	Urban Regeneration Areas	Rest UK Office	UK Average
2001-2004			
Total Returns	15.0	11.8	7.1
Income Return	7.7	7.4	7.2
Capital Growth	6.8	4.1	-0.2
Rental Growth	1.8	0.7	-5.8
Yield Impact	4.1	3.4	4.6
1995-2004			
Total Returns	10.7	9.9	10.2
Income Return	8.3	8.0	7.5
Capital Growth	2.3	1.8	2.5
Rental Growth	1.7	1.7	2.8
Yield Impact	0.2	0.8	1.3
Standard Deviation	4.3	3.0	5.0

Industrial Performance – per cent per year

	Urban Regeneration Areas	Rest UK Industrial	UK Average
2001-2004			
Total Returns	15.0	13.3	12.9
Income Return	7.9	7.8	7.6
Capital Growth	6.6	5.1	5.0
Rental Growth	0.9	1.1	1.2
Yield Impact	5.8	4.1	4.1
1995-2004			
Total Returns	14.7	12.0	13.1
Income Return	8.6	8.5	8.4
Capital Growth	5.7	3.2	4.3
Rental Growth	2.6	1.8	3.0
Yield Impact	4.4	2.2	2.8
Standard Deviation	3.1	2.7	3.3