

St Bride's Managers

An introduction to investing in Spain - May 2011

St Bride's Managers - Who Are We?

St Bride's Managers is an independent regulated real estate investment manager that was established in 2010 by Robert Houston and Stephen Pyne, formerly Global CEO and CIO respectively at ING REIM. The global business is headquartered in London and there are currently two regional offices, one in Connecticut (USA) and the other in London (the headquarters of the European business). A branch office will be opened in Madrid during Summer 2011.

Our expertise is in the investment management of directly owned real estate and collective investment schemes in the UK, Europe and globally and our focus is on launching and successfully managing property investment clubs and funds.

We have a highly experienced and dedicated team of professionals located in both London and Madrid and have an excellent track record of developing retail centres in Spain and Portugal.

We are also seeking segregated mandates from pension funds, institutions, charities and other professional investors. We have managed private equity portfolios in both separate account and fund formats for more than 30 years and our expertise includes investment strategies across the risk/reward spectrum.

1. **Core portfolios** - low risk: substantially leased properties in established markets; diversified across the three major property types - office, retail and industrial; zero or low leverage; income typically generates about two thirds of total portfolio return.
2. **Core-plus/value-added portfolios** - moderate risk: properties may require repositioning, re-letting or enhancement; leverage might be used to enhance returns; total return over the holding period is generally divided equally between income and capital appreciation.
3. **Opportunistic portfolios** - higher risk investments with the potential to achieve higher levels of return over the holding period: new development, less traditional property sectors, properties with significant leasing risk; higher levels of leverage.

Why invest in Spain?

Across Europe, Spain is currently perceived as being one of the most risky places to buy commercial property, and it is not difficult to understand why. Unemployment levels in Spain are currently the highest in the European Union whilst elements of the Spanish banking system and construction sector remain weak. However despite this we believe that too much concentration has been focused on Spain's national situation at the expense of some very real opportunities that exist at the local level, particularly as the real estate crisis has not affected all the regions of Spain in the same manner.

We are aware of numerous commercial property opportunities that can be acquired at prices significantly below those seen at the peak of the market in 2007 and importantly where strong future performance is anticipated. This is evidenced by the table which provides an indication of how the market has moved from its peak in 2007 to current market levels.

The availability of these opportunities, coupled with the following factors, have convinced us that Spain is a country that should be targeted now by international property investors:

- the fiscal controls and labour reforms introduced by the Spanish Government;
- the corporate sector being in a far better shape than widely perceived; and
- the recently published improving GDP figures.

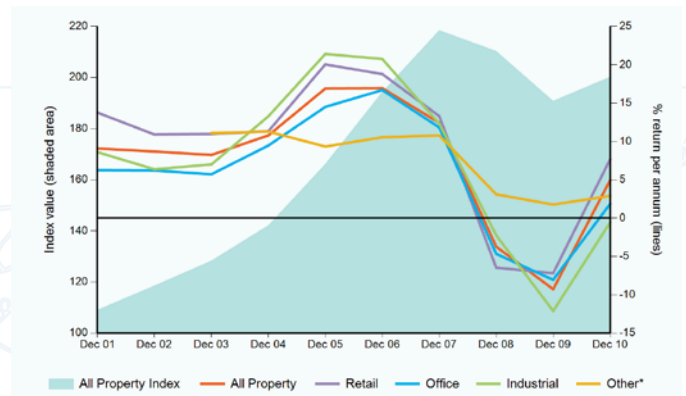
% DIFFERENCE 2007 TO MAY 2011

	Retail	Offices	Industrial
Rental Values	-5% to -10%	-28% to -33%	-25% to -35%
Building Costs	-13% to -17%	-	-
Site Purchase Costs	-40% to -50%	-	-
Investment Values	-20% to -25%	-40% to -45%	-20% to -25%

Spanish Property Market Overview

Spanish commercial property delivered a positive total return in 2010 of 4.9%, according to the IPD Spain Annual Property Index. The driving force behind this was improved income return, reflecting a 160 basis points improvement on 2009.

Retail was the top performing sector in 2010, delivering a total return of 7.7%, a substantial improvement on 2009. Offices lagged behind retail but still delivered positive returns at 1.9%. Industrial is the sector that has suffered most from the economic downturn and was the only sector to post a negative total return of -0.6% in 2010.



Source: IPD

St Bride's Managers Recommended Areas for Investor Focus in Spain

Investors interested in investing in Spain should be concentrating their attention on investing in both existing retail opportunities (shopping centres that require asset management or refurbishment/extension) and retail development opportunities for the following reasons:

Development / Asset Management

- Largest possible repricing;
- Timeline of projects will coincide with expected recovery of economy;
- Acquisition possible at or near cyclical low;
- Many distressed developers/owners needing to sell but few investors with capabilities/knowledge to carry out developments and therefore maximise opportunity; and
- Projects available with planning risks limited and manageable.

Retail

- Lack of new supply and supply to balance the existing offer;
- Low quality of existing stock;
- Stabilising of rents and yields; and
- Demand still exists from retailers.



EL BOULEVARD SHOPPING CENTRE, VITORIA, SPAIN

Why St Bride's Managers?

- A highly experienced, multi-disciplined team
- Detailed knowledge and experience of the Spanish market
- Access to both good quality existing assets as well as development opportunities
- Expertise in planning, licensing and construction issues
- A strong track record of developments of successful shopping centres in Spain
- Excellent political, financial and retailer contacts



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