The Property Ticker

St Modwen 1H14 results; Luxury brands need upgrading discount stores; More Great Rotation; Dutch offices...and more!

European Property

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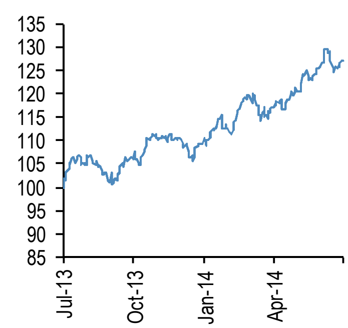
In today's ticker: St Modwen 1H14 results (+6% NAV growth - we believe there is more to go). Luxury brands need to upgrade discount stores, and Scottish Independence referendum is weighing on market activity. *The Great Rotation* continues with Benson Elliot and Stanhope to develop 210,000 sq ft office tower in Reading, Cordea Savills redevelops in Bracknell, and LaSalle to acquire a mall in Warrington for £141m. Also, M&G buys a £47m business park in Maidenhead. SEGRO completes the €472m SELP acquisition, and Hibernia buys the Observatory Building in Dublin. Furthermore, Lone Star reportedly has bid for a €250-300m Dutch office portfolio from CBRE GI at ~12% yield, and Hansteen acquires a €106m Dutch logistics portfolio. Furthermore, don't miss comments on Dutch Q2 office take-up, Paris, RICS, and much more!

- **Thought for the day: (1)** St Modwen is gearing further into the regional recovery with 1m sq ft of projects underway. **(2)** The Dutch housing market bouncing up; all 41 newly developed studios (24-49sqm) in the "The Waldo" apartment block in the Hague sold off in just two hours last Saturday.

- **St Modwen – 1H-14 Results – Stepping On The Gas – More to Go:** St Modwen reported strong 1H-14 results: EPRA NAV grew (+6% to 314p) and profit before all tax was up 32% to £51.3m (JPMe FY: £102m). However, we believe there is more to go. The group is gearing (further) into the regional commercial development recovery with 1m sq ft of projects underway while progressing their flagship scheme – New Covent Garden Market (on-site in 1H-15), seeing *"excellent sales rates"* in their residential projects, selling land ahead of book value, and taking (some) yield compression on the income producing portfolio. In our recent note, We buy the dips…and this is a dip, we stress tested St Modwen to the downside and see these results as (very) supportive of our OW stance. Please click here to read on.

- **Luxury Brands Need to Upgrade Discount Stores says Scott Malkin:** According to Bloomberg, the Chairman of Value Retail Plc – Scott Malkin believes luxury goods companies are wrong to treat discount

Figure 1: EPRA Europe (total return)



Source: Bloomberg

Table 1: Valuation metrics (weighted averages)

	Upside	NAV Premium			Dividend yield		
		2012A	2013E	2014E	2012A	2013E	2014E
All	3.5%	19.0%	10.9%	4.3%	3.2%	3.3%	3.6%
UK	9.8%	21.0%	7.7%	-2.2%	2.7%	2.8%	2.9%
Continent	-3.0%	16.9%	14.3%	11.1%	3.8%	3.9%	4.3%

Source: J.P. Morgan estimates

outlets as *"dumping grounds"* for surplus stock and the practice risks alienating shoppers. Mr Malkin added that luxury brands should provide a shopping experience in outlets that is comparable to their full-price stores… *"the notion of what's acceptable as an experience is shifting…we've reached a tipping point."* The shift comes as brands like Kering SA –owned Gucci prioritize refurbishing their full price stores amid slowing sales whereas sales in discounted (aka off-price sales) have surged 26% over the last year. Mr Malkin went further saying *"The brands don't treat the outlet stores with respect…many of them say just sell it and charge us as little as possible and send us the money."* Customers that are attracted to the likes of Bicester Village – Value Retail's outlet near Oxford are price insensitive (as exemplified by the number of expensive chauffer driven cars that can be seen at the centre)…*"you want the right relationship with those people."* Mr Malkin added that Value Retail will be able to keep growing *"in a meaningful way"* in Europe. (Source: Bloomberg)

- **Scottish Independence raises red flag for real estate investors:** According to Bloomberg, Scotland's lagging commercial property market (behind London) has developed another obstacle for investors – a potential breakup from the UK. Brokers and Investment managers are seeing the scheduled referendum weighing on the market… *"clients are holding off on key decisions,"* said Simon Light of EC Harris… *"the element of uncertainty exists quite strongly and so people are just waiting."* Independence has *"definitely come up on the radar screen of institutional investors…the consequence of it would be quite negative potentially for pricing in the Scottish market,"* said Ben Stirling – Managing Director at Aviva. The best office buildings in Glasgow and Edinburgh are yielding c. 5.75%, unchanged over the last 5 years whereas in London yields have compressed to 3.75% in prime West End. According to Bloomberg, Derwent London and British Land both cited Scottish independence as risks for the market in recent Annual reports, whereas ICG-Longbow said UK commercial property funds are mostly limited to investing in their home country, independence may lead to them having to sell Scottish property holdings.(Source: Bloomberg).

- **Pushing Button – 210,000sq ft Speculative Reading Office Tower:** In a sign supporting St Modwen's increasingly positive view on more regional UK, Benson Elliot and Stanhope are to speculative develop a 210,000sq ft Reading office tower at its £500m Station Hill scheme in Reading. Construction has been committed to in Jun-15 should a pre-let have not emerged. Strutt & Parker and Savills will be advising on the offices and will be seeking rents in the mid £30's/sq ft. The building will be made up of 16 upper floors with typical floorplates of 14,000sq ft whereas the site also has consent for a further three major office buildings between 82,000sq ft and 300,000sq ft. Commenting, Savills said *"occupier wise there is already a great and diverse tenant base in Reading, but we will also be targeting fringe London and West End tenants looking for scale and quality with great connectivity and benefit from cost savings. Reading's position as a major hub with great* *connectively will also appeal to tenants from Birmingham through to Bristol and Cardiff as well as the South Coast."* (Source: CoStar).

- **Bracknell office refurbishment sale in another sign of growing confidence:** According to CoStar, Cordea Savills has acquired Greenwood House in Bracknell for a major office refurbishment. The vacant 70,451sq ft building was sold for £6.2m after being brought to the market earlier this yield with a price tag of >£4m. The asset will now undergo major refurbishment to Grade A quality and will be ready for occupation in 1Q-15. Interestingly, there had been expectations for the asset to be sold and converted to residential. (Source: CoStar).
- **Hibernia to buy Dublin's Observatory Building:** The Irish REIT Hibernia has exchanged contracts to acquire the Observatory Building in Dublin for €52.25m. The property is on the riverfront at Sir John Rogerson's Quay in the South Docks area of Dublin and is immediately in front of the Hanover Building and Windmill Lane site, which Hibernia also recently bought.
- *The Observatory Building was built in 2006* and comprises 86,213 sq ft of office space arranged over six floors. There are also eight partially-completed two bedroom apartment units of around 1,400 sq ft each and two vacant retail units totalling 2,059 sq ft.
- *The office space is more than 95% let to a range of tenants*, including Riot Games and Publicis, at low average rents of €26/sq ft, with a weighted average period to break of four years and an average unexpired lease term of 11 years. More than 44% of the current rent roll has rent reviews during or before 2018 with 56% subject to review in 2019.
- Once the rent free periods expire, the building will generate a net yield of 4.1%. The purchase price reflects a capital value of €586/sq ft for the office space.
- *Following the completion of this transaction*, Hibernia will have concluded eight acquisitions since listing, committing €307m, over 82% of the net proceeds raised in December 2013. (Source: PropertyWeek)
- **SEGRO completes €472m SELP acquisition:** This morning, SEGRO confirmed it had completed the remaining €185m of the €472m portfolio acquisition within SEGRO SELP further to announcements dated 11-Feb and 30-May. As a result, the current contracted annualized net rental income associated with the assets completed is €11.6m taking the total to €31.6m. (Source: Company Press Release).
- **Brooke-Smith to be named first female RICS president:** According to PropertyEU, Louise Brooke-Smith has been named as the first female president of RICS – the Royal Institution of Chartered Surveyors – its first in its 146 year history. (Source: PropertyEU).

- **Warrington Mall sells for £141m reflecting a 6.75% yield:** According to CoStar, LaSalle has acquired Golden Square Shopping Centre in Warrington for £141m in a deal reflecting a yield of 6.75%. The 712,500sq ft scheme has 133 units and is anchored by the likes of Debenhams, Primark, Bhd and Boots. The centre benefits from footfall in excess of 12m p.a. and boasts a 1,700 space car park. (Source: CoStar).

- **M&G makes leap for £46.7m Quantum business park:** M&G Real Estate has bought Quantum Business Park in Maidenhead from Urban & Civic for £46.7m. The off-market deal, which completed for a net initial yield of 6.7%, was made on behalf of the M&G Property Portfolio.

- *Quantum Business Park comprises two grade A office buildings* totalling 123,217 sq ft, multi-let to six tenants at a rent of £3.3m per annum. Occupiers include Biogen, Abbott Laboratories, Compuware and Seagate Technology. The scheme on Norden Road was completed by Terrace Hill in 2009.

- *This deal is the first since the completion of the Urban & Civic's reverse takeover of Terrace Hill*, which developed Quantum in 2008. Terrace Hill own a 26% share of the JV, and will receive net cash of £3.7m after repayment of bank debt in the JV. The remaining 74% is owned by a Middle Eastern fund management by Marick Real Estate. Terrace Hill had previously fully marked down its investment in the JV. The deal should be seen in light of a significant increase in business activity in the South East, as well as the completion of Crossrail in 2018/2019.

- Rob Lane, Development Director of Terrace Hill, said: *"The proceeds will allow further opportunity for our recently enlarged business to focus on new development-led opportunities in clearly identified sectors. The transaction is in line with our twin focus on commercial development and trading opportunities across Central London and the UK's regions, combined with creating large-scale residential-led sites that benefit from strong transport links as well as robust local economies, and we look forward to announcing further transactions in due course."* (Source: CoStar).

- **Dutch office take-up stable in Q2, but vacancy also up:** Take-up in the Dutch office market has reached 243,249 sq m in Q2, which constitutes an increase of 16% (33,000 sq m) yoy. The increase can mainly be attributed to ING Bank using up half of its recently acquired 46,500 Cisco office in Amsterdam South-East. The current available stock (excluding grey space) currently stands at 7.2m sq m. The available stock has increased 2% versus 3 months ago. (Source: Dynamis Real Estate Consultants and Agents, Vastgoedmarkt).

- **Lone Star reported to bid for €250-300m Dutch office portfolio:** US private equity firm Lone Star reportedly is in talks with CBRE Gobal Investors on the acquisition of a sizeable Dutch office portfolio.

- *The portfolio would consist of 29 office assets*, valued at around €250-300m. Lone Star would have put in a bid reflecting 8x annual rent (gross yield 12.5%). The Dutch Office Fund of CBRE GI has €2bn of offices for sale. Last year, the fund sold €165m worth of offices to Blackstone. In September 2013, a €120m portfolio was sold to a JV consisting of OVG and Goldman Sachs. (Source: Vastgoedmarkt).

- **Hansteen acquires €106m Dutch logistics portfolio:** The Dutch logistics market continues to do well. Internos Global Investors has sold the HBI-portfolio to Hansteen Holdings. The transaction amount was €106m. The portfolio consists of 41 logistic assets with a combined surface of 370,000 sq m. The portfolio will be managed from Hansteen's existing office and Amsterdam and a newly opened office at Smart Business Park in Utrecht, one of the properties in the portfolio. The assets generate gross rental income of €15.4m, and the current vacancy rate is around 20%, which *"provides a significant opportunity to add value"*. Ian Watson, joint Chief Executive, said that the board is *"confident we will see a large uplift at the next valuation"*. (Source: Vastgoedmarkt, Company press release).

- **Pramerica acquired 49/51 avenue George V in Paris:** Pramerica Real Estate Investors has acquired a mixed used building consisting of 5,265 sqm of office and retail space situated on 49/51 avenue George V. The building has 8 storeys, was fully renovated in 2007, and offers flexible spaces.

- Jocelyn Verdelon, head of France, Spain and Portugal at Pramerica, said: *"The 49/51 avenue George V combines quality commercial premises and spaces of modern and efficient office overlooking the Champs-Elysées. We believe that prime assets benefiting from prime locations have a high potential for reversion and provide, therefore, an attractive risk-return profile"* (Source: Business Immo).

- **Recent note: Property: We buy the dips... and this is a dip. Pick up Land Secs, British Land, St Modwen & Quintain**. The recent sell-off in the EPRA UK index presents an opportunity in our view and we would pick up Land Securities (19% upside), British Land (17% upside), St Modwen (25% upside) and Quintain (51% upside) at current levels. We flex our models and find we have to factor in very bearish assumptions to see downside from here (British Land: c.0% capital growth for '14 and '15) while underlying property fundamentals remain strong (IPD since Mar-14: +1.9%) and our DCFs point to more capital growth (up to 19% over the next 12 months). We recommended buying the dips...this is a dip. To continue reading, please click here.

- **Recent note: German Residential: Still our preferred play on the Continent: We buy ANN & LEG ahead of probable ECB rate cut on 5-June**. We continue to prefer German residential on the Continent and following a strong results period we upgrade PTs by 7-13% and reiterate

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our preference for Deutsche Annington and LEG. We would buy ahead of a probable ECB rate cut on 5-June (JPMe: 15bps) as we find German residential outperformed property peers (8.0%) and MSCI Europe (6.2%) around the time of the last 14 ECB rate cuts. We also point to the strong correlation between German residential outperformance and the 10-YR bund (-82%), which our strategists now expect to be 1.85% in Mar-15 (2.25%). To continue reading, please click here.

- **Recent note: Intu Properties: Deep dive intu the issues: Downgrade to UW.** Intu has a good shopping centre portfolio, an ambitious £1.2bn development pipeline, and the potential to boost further/create real destinations (e.g. branding and increasing F&B exposure, though this is yet to be proven). However, given (1) the uncertainty around funding and timing of the pipeline, (2) expected negative LFL rental growth in 2014/15 (increased vacancy & lease expiries), and (3) limited near term catalysts to drive a turnaround, we downgrade to UW (from N). We also cut our May-15 EVM-based PT to 305p (from 340p, -10%), having updated our model for FY13 results and the £500m rights issue. To continue reading, please click here.

- **Recent note: Good things come in SMid packages...** Following an active few months in the UK SMid property space, we update numbers and reiterate our preference for Quintain and St Modwen. In addition, we think there is more to come from Songbird (upgrade to OW) following strong FY results and we increase LondonMetric's PT to 155p staying OW. We also update Derwent's development pipeline and Great Portland NAVs due to higher capital growth but stay Neutral. Workspace continues to be our preferred London play and we upgrade our PT to 630p. We find it increasingly difficult to find value in the West End, with mild yield expansion in 16 & 17 negating front loading in 14 & 15. To continue reading, please click here.

- **Recent initiation: Grand City: Take me down to the Paradise City where the upside is high as the units are empty:** We initiated coverage of Grand City Properties, with an OW rating and 20% potential upside to our €9.75 price target. Grand City focuses on the acquisition and turning around of distressed portfolios with high vacancy (c30%) and poor cost control. The resulting rental income created drives FFO ps 4-yr CAGR of 12.8% and NAV ps 4-yr CAGR of 14.6%, while the stock currently trades on a 2015e P/FFO of 13x and P/NAV of 0.87x. Valuation looks compelling on these metrics and we see five reasons to buy. For more please click here.

- **Recent note: British Land: Upgrading to OW... but care needed... property yields move out before rents peak.** We think the strong IPD capital growth since end-Sept (All Property +5.4% to Mar-14) raises the prospect of full-year NAV surprises in the UK. We increase capital growth for British Land to 5.7% (2.9%) taking our PT to 740p (680p, +9%) offering 13% total return and upgrade to OW. Our new Mar-14E NAV is 668p (638p, +5%) although we see potential for up to 692p. We think the UK sector will remain supported given an improving rental outlook and capital flows although care is needed: in the 90's and 00's property yields moved out 15 & 11 months before rents peaked and rental growth didn't save the sector. To continue reading, please click here.

- **Recent note: Wereldhave: Investor day takeaways, active asset management continues**. Wereldhave hosted an investor day in Amsterdam, which included management presentations and visits to three shopping centres. Our takeaways: (1) Management has active plans across all the Dutch centres (€80m capex at 5.9% yield), including re-tenanting, re-routing/unit amalgamation, upgrading, and adding Food & Leisure, (2) the Dutch retail environment remains tough, but there are some small signs of improvement (we remain cautious), (3) Recent acquisition Vier Meren in Hoofdorp (from Unibail) is a good asset in our view, (4) It will be tricky to find further attractive acquisition opportunities. Overall, we see the company as being one to watch, but we remain Neutral for now, relative upside and limited near-term catalysts. To continue reading, please click here.

- **Recent note: Property: Dining out on European Retail.** European retail property companies are responding to demand for an enhanced Leisure experience in shopping centres. Compared to the newest malls being opened, where c. 20-25% of space is Food & Leisure, listed portfolios are generally undersupplied (average: 10%), but this is being addressed in the development pipelines. The current leaders are Land Secs (14% of portfolio) and Unibail (15-20%), while Intu and Hammerson are adding the most F&L space (+80% increase in F&L space). We find adding F&L space can boost footfall, dwell times and retail spend, and we expect this trend to continue. To continue reading, please click here.

- **Recent note: UK Property: Feeling Gilty... but fall in bond yields not enough to upgrade outlook**. In our view, the trend for UK rates is upwards, despite the YTD move. We flex our models, pricing in the current Gilt (270bps) and find the UK offers 'just' 11% upside to valuations in this scenario. The risk-return profile for the UK appears to be deteriorating given: 1) expectations for the 10-yr Gilt to reach 370bps by Dec-14 (+100bps over 9 months); 2) lacklustre share price reactions to stellar results; and 3) the correlation of the current recovery with that in the 90's, which points to a correction. Although momentum is to the upside, we wouldn't be aggressively buying the sector here, waiting for a pull back while we continue to prefer SMIDs – Quintain & St Modwen – which we note offer more upside & outperform large caps in a rising yield environment. To continue reading, please click here.

- **Recent note: Quintain Estates & Development: Last chance to get your ticket to Wembley.** We revisit our original analysis on the potential selling price of Wembley based on 1) local borough average flat prices; and 2) the average premium of new build over existing flats around London. We find that the average asking price in Wembley's surrounding postcodes has increased by 12.2% since January 2013; however, the *premium of new over existing stock* has increased from 28% to 44%. Conservatively taking the previous premium for new builds with the new postcode average, we come to a selling price today of £535 psf. We also see an opportunity for Private Rented Sector development that could be worth 5p ps by 2015. We upgrade our NAV profile and January 2015 price target from 110p to 130, giving 25% potential upside. To continue reading, please click here.

- **Recent note: European Property: 2014 Conference takeaways: Running with the bulls.** We hosted two property tours in London and our (biggest ever) annual conference. We noted that optimism is no longer confined to core markets, and across Europe both occupational and investor sentiment is the most bullish for years. This note summarises our conference highlights including: 1) total return expectations from CEOs and investors seem optimistic to us; 2) however, a wave of capital is bearing down on European property in 2014; and 3) London offices are in delivery phase, next comes de-risking. A sense of bullishness was in the air; however, so was caution. Our favourite quote? "Who is going to buy from you so you can realise your 15% IRR?" To continue reading, please click here.

- **Recent note: Total returns to slow in 2014 but still plenty to go for.** We continue the Great Rotation theme in 2014, with UK prime property facing rising bond yields while UK secondary and the continent appear set to benefit from improving GDP growth. We upgrade price targets by an average of 8%, largely due to increased rental growth forecasts, for 7% sector upside potential and note a deteriorating risk/return profile in 2014. We remain constructive, however, and see reasons to be positive including: 1) Top Picks offer 13% upside potential, 2) good secondary UK entering the sweet spot, 3) the yield spread remains supportive, 4) UK GDP growth being revised upwards, 5) we would buy the dips to improve IRR, and 6) the sector we see poised for greatest improvement in 2014 – UK retail.

- **Recent note: Property: 2014: The Great Rotation gathers pace, clear winners in the sector.** The UK has been the star performer in the European property sector year-to-date with a total return of +22% versus the continent +1%. However, we find the listed sector well bid with an expected better entry point over the next 18 months, and see 2014 annual returns for the sector lower vs. 2013. In November, when we had c.5% upside for the sector, we saw the sector as increasingly unattractive, and we welcome the pull back into the year end. Our sector upside is c. 10% today, and, while this could rise further if bond yields remain at current levels, we are starting to push boundaries. However, there will still be clear winners: in the UK, we remain Overweight higher yielding good secondary retail and industrial property, and peripheral London over prime West End, and focus on specialists, like LondonMetric, Big

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Yellow, St. Modwen, Workspace, etc. So, what will 2014 look like? Below we look back on 2013 in a light-hearted way and give you our current thoughts. We hope you enjoy our year-end note.

- **Recent note: Property: Survey indicates Rotation theme gaining traction – More to come.** The Rotation theme is gaining traction, as our survey of 149 property players shows that the majority (65%) see secondary outperforming prime in the UK (a major shift from this time last year), 50% expect the West End to perform in-line at best, and participants see UK industrial & secondary UK retail outperforming. In addition, UK capital growth expectations have significantly improved vs. last year, the Netherlands now have the worst prospects (prev. Spain), the current (UK) results should be positive (so far so good), appetite for risk has increased (we also move slightly up the risk curve), and IPOs/M&A remain on the cards (we agree).

- **Recent note: Out-of-the-box research: 3D Printing – A trend to watch.** Since our futuristic Beam me up, Property! note in March, several other reports on this topic have been written (e.g. JLL). We investigated 3D printing (3DP) further: we visited an exhibition "The Future is Here", met with 3DP entrepreneur Sylvain Preumont and went to his 3DP shop iMakr, and conclude: 3DP is a trend to watch. Near term, the impact is limited (maybe even over-hyped), but mall operators should lure 3DP store tenants and focus even more on leisure/experience, as 3DP may lead to a high street revival. It will also be positive for London office take-up (TMT), but challenging for logistics (LT).

- **2013 PROPERTY HANDBOOK! The Great Rotation**. We are pleased to present our 7th handbook. Since Mar-09, the EPRA Europe has returned 163% (UK 187%). We see 15% potential upside after the recent retreat, but expect underlying momentum to slow. Investment themes have been: prime vs. secondary, sell Spain and continental retail vs. UK. It is time to rotate to the other side of the trade. We like exposure to infrastructure projects, industrial and Spanish and Dublin offices, but expect the West End magic to fade in 12m. Over-renting remains an issue and corporate governance matters.

- **Don't have time to read all 460 pages of our European Property Handbook?** Sit back and listen to our 5 minute audio-visual presentation: **http://jpmorgan-eu.adobeconnect.com/thegreatrotation/**

- **Quote of the day:** "And that's the way it is." (Walter Cronkite)

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EMEA Coverage Statistics

		Price cob 30-Jun-14	Price Target JP Morgan Est	Potential Upside to TP	NNAV t+1	Value Creation Spread	Discount/Premium to Adj NNAV t+1 On Daily price
Big Yellow (p)	OW	496.0	535	7.9%	461.7	3.0%	7.4%
British Land (p)	OW	702.5	790	12.5%	0.0	0.7%	#DIV/0!
Capital & Counties (p)	N	325.7	365	12.1%	271.6	5.9%	19.9%
Capital & Regional (p)	OW	46.0	49	6.5%	59.1	-2.0%	-22.2%
Intu Properties (p)	UW	311.6	305	-2.1%	374.7	-1.3%	-16.8%
Derwent London (p)	N	2,679.0	2,950	10.1%	2,349.1	3.1%	14.0%
Development Secs (p)	N	213.5	280	31.1%	280.0	1.3%	-23.8%
Grainger (p)	OW	210.2	235	11.8%	241.7	0.0%	-13.0%
Great Portland (p)	N	644.0	680	5.6%	640.7	1.2%	0.5%
Hammerson (p)	OW	580.0	570	-1.7%	587.1	-0.4%	-1.2%
Helical Bar (p)	N	350.0	365	4.3%	343.2	2.6%	2.0%
Land Securities (p)	OW	1,036.0	1,200	15.8%	1,143.2	1.4%	-9.4%
LXB (p)	N	125.0	130	4.0%	129.7	2.4%	-3.7%
LondonMetric (p)	OW	135.1	155	14.7%	172.2	-0.4%	-21.5%
Quintain (p)	OW	88.5	130	46.9%	140.0	-1.1%	-36.8%
SEGRO (p)	OW	345.2	370	7.2%	337.8	1.3%	2.2%
Shaftesbury (p)	N	656.0	670	2.1%	548.1	3.3%	19.7%
Songbird Estates (p)	OW	251.8	270	7.2%	273.1	-0.4%	-7.8%
St. Modwen Properties (p)	OW	358.6	425	18.5%	301.6	4.1%	18.9%
Unite Group (p)	N	394.0	450	14.2%	422.3	1.0%	-6.7%
Workspace Group (p)	OW	570.0	630	10.5%	630.3	4.2%	-9.6%
alstria (€)	OW	9.6	11	12.1%	10.9	-0.2%	-11.9%
Beni Stabili (€)	OW	0.7	1	-10.4%	0.8	-3.7%	-18.3%
Cofinimmo (€)	UW	91.0	93	2.2%	93.7	-0.2%	-2.9%
conwert (€)	UW	8.7	10	12.4%	15.8	-5.7%	-45.1%
Corio (€)	N	37.3	35	-7.5%	39.6	-2.0%	-5.8%
Deutsche Annington (€)	OW	21.5	24	9.4%	21.3	1.0%	1.1%
Deutsche EuroShop	OW	36.1	36	-1.7%	29.5	2.0%	22.2%
Deutsche Wohnen (€)	N	15.8	17	7.9%	14.5	2.0%	8.5%
Eurocommercial Pr (€)	N	36.0	32	-11.2%	32.8	0.1%	9.7%
Fonciere des Regions (€)	UW	79.2	65	-17.9%	71.1	-1.7%	11.3%
GAGFAH (€)	N	13.2	12	-13.0%	12.9	-0.7%	2.8%
Grand City	OW	9.2	10	6.2%	7.6	5.0%	20.5%
IGD (€)	UW	1.3	1	-29.5%	1.4	-6.6%	-8.5%
IVG (€)	UW	0.0	0	66.7%	1.8	-5.5%	-99.7%
Klepierre (€)	N	37.2	35	-6.0%	32.8	0.9%	13.4%
LEG Immobilien (€)	OW	49.2	54	9.8%	45.8	1.1%	7.5%
PATRIZIA (€)	UW	9.7	8	-22.5%	6.3	10.6%	53.7%
PSP Swiss (SF)	UW	83.5	87	4.2%	92.4	-0.7%	-9.6%
REALIA (€)	UW	1.5	1	-58.8%	1.5	-0.5%	2.8%
Unibail-Rodamco (€)	OW	212.5	205	-3.5%	169.3	3.2%	25.5%
VastNed Retail (€)	N	37.2	35	-7.2%	41.9	-2.2%	-11.2%
Wereldhave	N	67.9	64	-5.7%	62.9	-0.1%	8.0%

Source: Datastream, Company Data, J.P. Morgan estimates

Companies Discussed in This Report (all prices in this report as of market close on 30 June 2014)
SEGRO (SGRO.L/345p/Overweight), St. Modwen Pr (SMP.L/359p/Overweight)

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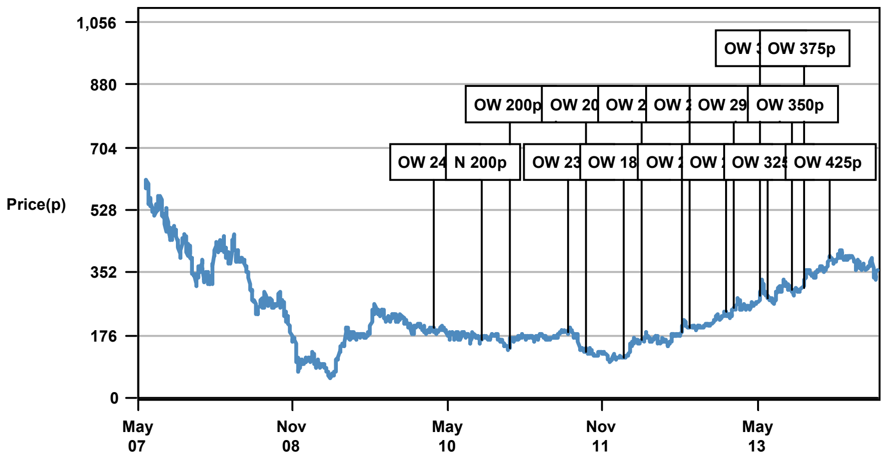
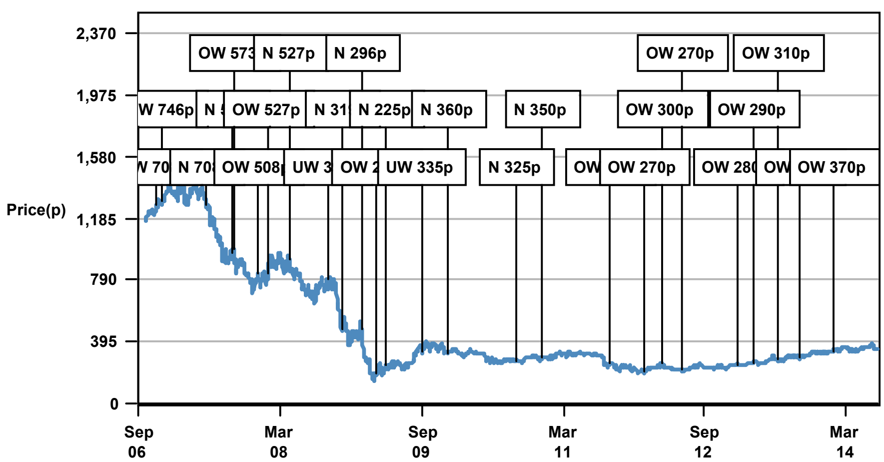
St. Modwen Pr (SMP.L, SMP LN) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 10, 2010.

Date	Rating	Share Price (p)	Price Target (p)
10-Mar-10	OW	197	240
01-Sep-10	N	166	200
07-Dec-10	OW	140	200
30-Jun-11	OW	185	230
30-Aug-11	OW	130	200
11-Jan-12	OW	112	180
15-Mar-12	OW	162	210
08-Aug-12	OW	188	220
04-Sep-12	OW	200	235
08-Jan-13	OW	241	260
08-Feb-13	OW	254	290
10-May-13	OW	286	320
07-Jun-13	OW	282	325
02-Sep-13	OW	304	350
08-Oct-13	OW	309	375
14-Jan-14	OW	393	425

SEGRO (SGRO.L, SGRO LN) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Nov 08, 2006.

Date	Rating	Share Price (p)	Price Target (p)
08-Nov-06	OW	1264	708
06-Dec-06	OW	1299	746
24-May-07	N	1269	708
31-Aug-07	N	960	573
03-Sep-07	OW	984	573
07-Dec-07	OW	835	508
15-Jan-08	OW	830	527
06-Apr-08	N	927	527
03-Sep-08	UW	788	392
30-Oct-08	N	470	319
12-Jan-09	N	478	296
11-Mar-09	OW	190	210
20-Apr-09	N	243	225
01-Sep-09	UW	339	335
09-Dec-09	N	322	360
01-Sep-10	N	269	325
07-Dec-10	N	291	350
30-Aug-11	OW	254	350
11-Jan-12	OW	200	270
15-Mar-12	OW	254	300
01-Jun-12	OW	213	270
08-Jan-13	OW	246	280
06-Mar-13	OW	256	290
07-Jun-13	OW	276	310
02-Sep-13	OW	298	340
14-Jan-14	OW	339	370

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J.P. Morgan Global Equity Research Coverage	45%	43%	11%
IB clients*	55%	49%	34%
JPMS Equity Research Coverage	46%	47%	7%
IB clients*	75%	66%	54%

*Percentage of investment banking clients in each rating category.
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