

PRESS INFORMATION

14 May 2009

Mind the Gap in the HCA's Private Rented Sector Plans

Property Portfolio Manager, Young Group, warns that a lack of robust residential asset management expertise is set to hamper efforts to boost the scale of institutional investment in the Private Rented Sector (PRS).

Whilst welcoming the Homes and Communities Agency's (HCA) Private Rented Sector Initiative (PRSI) to facilitate greater institutional investment and applauding the steps proposed to support greater entry into the market, Neil Young, Young Group's CEO, is concerned that there is a lack of appropriate expertise in managing portfolios of residential property assets.

"Arguably, the UK has one of the world's most highly developed asset management markets. However, almost all of that experience is skewed towards the commercial sector." points out Young.

"A commercial asset management approach cannot simply be applied to residential property; they are completely different asset classes. One of the greatest hurdles to growing institutional involvement in the PRS is in managing the large portfolios of residential assets appropriately."

As an asset class, residential property is management intensive and the sector has traditionally focused upon delivering property management to individual owners or landlords with small fragmented portfolios.

Young maintains, *"Our proven experience in providing residential asset management as an integral part of Young Group's portfolio consultancy has taken years to cultivate and remains scarce in the industry."*

"A new wave of asset managers is required that understands the commerciality of residential property, can actively drive income generation and operate at a larger scale, generating economies that can be factored into asset management costs and returns."

For residential investment to be an attractive proposition to institutions, residential asset managers must step up and offer a robust and cost effective service. The onus is upon them to provide a coherent strategy to support institutions in acquiring, holding and ultimately disposing of residential property and in driving income generation from assets that are held.

Residential Property is Management Intensive in Nature:

- Increased uncertainty of income compared to commercial leases from shorter tenancies and softer covenants.
- Commonly let on assured shorthold tenancies which limit tenants obligations to repair and insure the assets, whereas commercial lets are full repairing and insuring leases.

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- Increased tax burden. There's an inability to claim VAT on the cost of repairs and purchases are liable to Stamp Duty Land Tax (SDLT).
- Residential holdings tend to be fragmented. Tenants can be spread across numerous developments and locations.
- Average lot size of residential property is a fraction of that for commercial making economies of scale harder to generate.
- Fund Manager experience is focused upon commercial property rather than residential. Outsourcing tends to be to managing agents providing reactive property management rather than to asset managers who can drive income generation and maximisation.

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About Young Group (www.younggroup.co.uk)

Young Group specialises in providing Property Portfolio Management services to private and institutional investors, offering asset management, acquisition and disposal of residential property investments.

At a Glance:

- **255:** The number of apartments that Young Group clients have successfully completed on in 2008
- **67%:** The percentage of new business generated through referral and by repeat investors
- **£700 million:** The value of property that Young Group has transacted since it formed in 2003
- **1,700:** The number of apartments that Young Group has transacted since 2003
- **15:** The number of developments offered to Young Group's client base of global private investors
- **300:** The number of assets currently under management by Young London - our lettings business
- **£35 million:** The value of mortgages written by Young Finance in 2008
- **272:** The number of tenants who will sleep soundly in beds provided by Young Furnishing
- **99%:** The proportion of investors who will hold their property assets for at least the next 12 months.

Young Group manages the entire investment process from sourcing opportunities through to financing (**Young Finance:** www.youngfinance.co.uk), furnishing (**Young Furnishing:** www.youngfurnishing.co.uk) and letting (**Young London:** www.younglondon.co.uk). Young Group is the principal in the majority of transactions and also retains a number of units for its own portfolio. As the principal, Young Group does not realise any profits until completion and has transacted in excess of 1,700 apartments, with a retail value of more than £700 million. The majority of our units are bought by clients for their private portfolios. The Group's portfolio managers liaise with the Young London estate agency team in advance of completion to let investors' apartments to quality tenants, often through corporate lets.

Young Group clients have access to all available finance products via Young Group's FSA regulated mortgage desk, Young Finance. Young Finance is an appointed representative of Thinc Assured Network, one of the UK's largest financial advisory firms and is not tied to any group of lenders, nor does it charge commission or transaction fees.

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- Young Group's iconic Canary Wharf development, **The Landmark** (www.TheLandmarkE14.com), has been awarded two **Daily Mail Property Awards** in the categories of *best high rise development* and *best high rise architecture*. The Landmark East Tower rises to a height of 459 ft, making it one of the tallest residential properties in Europe.
- Young Group's COO, Sylvana Young, has been named Bradford and Bingley's **Property Woman of the Year**, 2008 for London.
- **Young London** (www.younglondon.co.uk) is a finalist in the national Estate Agent and Letting Agent Awards, 2009.

Young Group supports NORWOOD and CHILDREN with LEUKAEMIA, two charities particularly close to our heart, donating £50 per property exchange and providing additional support throughout the year. Visit www.younggroup.co.uk to learn more.

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