

PRESS RELEASE

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HERMES – PRIVATE RENTED SECTOR SHOWS STRONG UK-WIDE RETURNS

Hermes Investment Management, the £30.1 billion manager focused on delivering superior, sustainable, risk adjustment returns to its clients – responsibly, has today released a report showing UK private rented sector (PRS) investment is a viable asset class across the UK, with cities outside London offering the highest potential for rental growth.

Areas such as Birmingham, Manchester, Leeds and Liverpool have all been enjoying improving economic conditions, rising populations, higher employment rates and rising salaries which, combined, all point to a period of sustained rental growth. In fact, the number of private rented homes in these cities has increased by at least a quarter since 2001¹.

The report comes just weeks after Hermes Investment Management and Countrywide announced the launch of 'Vista' – a UK residential property fund that aims to be the pre-eminent investment vehicle of its type for institutional investors. The fund will cap its Greater London exposure to a third of the overall portfolio with £95 million of commitments from cornerstone investors. It has already invested in three assets in Manchester, Birmingham and Nottingham, with a combined value of £13 million.

Chris Taylor, Head of Private Markets, Hermes Investment Management, said: "This research demonstrates how widespread the growth in the PRS sector has become, not just in London but in major conurbations throughout the country. We believe, those cities with a strong University, technology hub or financial sector offer some of the best opportunities for investors. This includes cities with a London connection, such as Birmingham, Reading or Slough, as well as northern cities, including Leeds and Manchester, which are poised for rental growth on the back of relatively strong increases in incomes."

Now a major part of the housing market, PRS is one of the most prevalent tenures in the country. The reports suggests there are several reasons underpinning this success:

- **Strong, uncorrelated returns** – with increased demand for rental homes across UK cities and an increased creation of purpose-built PRS stock, the opportunity becomes more attractive.
- **UK PRS fundamentals** – Strong urban population growth and the high cost of home ownership are key factors driving demand. Furthermore, the longer term demographic changes we are witnessing; with younger people in particular seeking accessible rental living accommodation in locations where infrastructure, public realm, cultural and other amenities are readily available are also fuelling the market.
- **Cross-party support for UK PRS** – there have been several initiatives and reforms over the past few years from the government in support of PRS in the UK. Schemes such as the Build to Rent Fund and developments such as the National Planning Policy Framework serve to prove the political appetite behind it.

Chris Taylor continued: "What we are seeing here is a market that continues to be underpinned by solid fundamentals; the high cost of home ownership, increasing number of households and declining rate of dwelling completion have, in turn, created a long-term supply and demand imbalance – ensuring PRS is poised to be a viable and solid allocation for institutional investors."

¹ "Where are the next Rental Hotspots" A Residential Rental Market report published by CBRE

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Notes to Editors:

Hermes Investment Management

Hermes is focused on delivering superior, sustainable, risk adjusted returns for our clients – responsibly.

Hermes manages assets on behalf of more than 200 clients* across equities, fixed income, alternatives and real estate, with £30.1 billion* assets under management. In Hermes EOS, we have the industry's leading engagement resource, advising on more than £124.3 billion* of assets.

We believe in **Excellence, Responsibility** and **Innovation**

- **Excellence:** We aspire to excellence in everything we do. This manifests itself most visibly in our investment performance. We will only offer products to our clients where we believe there is a strong investment thesis and where we can deliver sustainable alpha.
- **Responsibility:** We believe it is our responsibility to lead discussion and debate about the fiduciary responsibilities of fund managers to our clients, their stakeholders and, ultimately, society at large. We have always sought positive engagement with the firms in which we invest.
- **Innovation:** We have the entrepreneurial culture to identify forward-looking products that meet those needs, along with the resources and speed-to-market mentality to develop them rapidly.

Our structure gives clients globally the benefit of access to a broad range of specialist, high conviction investment teams operating within an established and robust operating platform.

Hermes' investment solutions include:

- **Equities:** Global, Emerging Markets, Small & Mid Cap, Europe, Asia Ex Japan, Greater China
- **Fixed Income:** Inflation-Linked, Government Bonds, Investment Grade, High Yield
- **Real Estate:** Segregated, Unitised, Debt, UK, US Residential, European, UK PRS
- **Alternatives:** Multi Asset, Infrastructure, Private Equity

*Please note the total AuM figure includes £3.5bn of assets managed or under an advisory agreement by Hermes GPE LLP ("HGPE"), a joint venture between Hermes Fund Managers Limited ("HFM") and GPE Partner Limited. HGPE is an independent entity and not part of the Hermes group. £0.5bn of total group AuM figure represents HFM mandates under advice. Source: Hermes as at 31 March 2015.