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Stephen Allen

senior investment manager, Architas

STUDENT ACCOMMODATION

One area of property to consider at the moment is the specialist area of student accommodation. The arguments for the asset class seem to make sense right now as the UK's higher education system is well regarded and seeing increasing student numbers, many from overseas. These students are looking for quality, modern, purpose-built student accommodation which remains in short supply, particularly in London.

There are early signs of increasing rents in this sector for the next academic year, and the overall market dynamics of strong demand, high occupancy and a potentially attractive yield ought to offer some further potential capital appreciation and income growth in our view.

We are currently invested in this area via closed-ended investment trusts such as GCP Student Living. This niche asset class lends itself to a closed-ended capital structure where it is not subject to the liquidity demands that can force similar open-ended funds to hold larger cash allocations, which ultimately drag on returns in a rising market.

"The arguments for the asset class seem to make sense right now as the UK's higher education system is well regarded and seeing increasing student numbers, many from overseas"

Anne Breen

head of real estate research and strategy, Standard Life Investments

GLOBAL OFFICE MARKETS

Prime assets in the best locations are becoming fully priced in the context of the moderate growth outlook. Core-style funds will continue to source opportunities in these locations, but we believe there is better value in assets requiring a certain level of asset management to return them to an investment grade standard. Opportunities in this corner of the market are more abundant, with many assets having been underfunded during the last six years and underlying economies expected to grow during 2015 and into 2016.

Geographically, risk-adjusted returns will remain attractive in the UK and continental Europe in the context of low bond yields. We expect the largest and most liquid global office markets, including New York, Los Angeles, Sydney and Tokyo to return between 9% and 10% on average over the next three years. Closer to home, prime major city high street shops in the UK are expected to perform well, driven by yield compression and more buoyant consumers.

"We expect the largest and most liquid global office markets, including New York, Los Angeles, Sydney and Tokyo to return between 9% and 10% on average over the next three years"

Dominic Field

chief executive officer, Temple Field Property

BATTERSEA & NINE ELMS

When an asset class has experienced a significant run up in value there will invariably be a concern what value remains for newer investors. London residential property is a case in point; some London boroughs having seen capital values rise by more than half in just five years. We would contend, for three specific reasons, that there remains value.

Firstly there is, and will remain, a chronic imbalance between supply and demand. In addition, the massive investment in infrastructure, and in planning, means London will continue to attract international businesses – which can access workforce from further afield. Finally, London's increasing prosperity is feeding through into wage growth; that is increasing rents, which in a low interest rate environment is attracting investors, and that will push up prices.

We see locations proximate to major redevelopment growing most in value in the medium and longer term, high yielding ex local authority property in the Battersea/Nine Elms region is a good example.

"The massive investment in infrastructure, and in planning, means London will continue to attract international businesses - which can access workforce from further afield"

Simon Cooke

founder, APAM

SECONDARY STOCK

A considerable amount of regional secondary stock has been poorly managed over the last eight years as borrowers defaulted on loans and lenders had to firefight in a weakening market. Many of these assets have been traded wholesale to large private equity investors and as tenant demand begins to emerge, kick-starting a return of rental growth, adding value at the asset level is the real opportunity rather than simply waiting for further yield compression.

Generally high street retail has been overdone by valuers and should see a positive correction over the next few years, as the consumer returns to the high street and confidence grows.

Avoiding assets where yield shift is the only driver of performance has always been the soundest investment strategy. Identifying pockets of rental growth, neglected and undermanaged assets in areas where tenant demand is strengthening or implementing change of use will prevail when looking at current pricing. While investors and experienced operating partners can identify these assets, value will continue to be found.

"Adding value at the asset level is the real opportunity, rather than simply waiting for further yield compression"