# PRESS CUTTING

CLIENT Longcross Property Investment Fund
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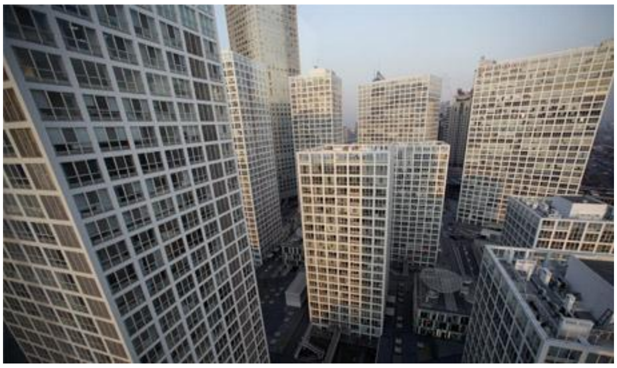
**FT Adviser**

## Manager warns about prime residential property

*Fund manager sees "worrying indicators" in very prime residential property stock but sees value in secondary commercial property.*

Donia O'Loughlin | 02 April 2012



Value for commercial property lies in the secondary markets and investors should take advantage of the "mis-pricing" of much A grade secondary stock, Longcross Property Investment fund has said.

Michael Hardman, fund asset manager of Longcross Property Investment fund, said: "We believe that the value for commercial property lies in the secondary markets, where anything which is not prime gets placed into the secondary category, meaning there is a huge scope of property on offer.

"Essentially, all non-prime is viewed as secondary, but some are considered more secondary than others."

The firm considers prime property to cost £1,000 to £1,500 per sq ft and super prime would cost north of £2,000 to £2,500 per sq ft, such as One Hyde Park.

He pointed out although it was "hard" to get funding for residential property, "very strong tenant demand creates exceptional yields against depressed prices".

Mr Hardman also said there was little value in "very prime" central London commercial property, claiming yields were "unlikely" to compress further so there is no increase in value to be seen.

He said: "Rents are not increasing strongly and more supply is coming to the market, so we cannot see any value increase through that route either."

However, Mr Hardman believes very prime residential stock has seen "remarkable price growth".

He said: "To a degree this has been driven by relative scarcity of stock and the cachet this brings.

"There is a great deal of super-prime stock coming through the development pipeline and some schemes being marketed as super-prime, but with some question as to where it really is. Both of these are worrying indicators to me.

"In addition, the increase in stamp duty land tax on high value residential properties bought into a corporate envelope and a clamp-down on stamp duty avoidance, as outlined in the recent Budget, is hardly going to help the London super-prime market.

"In short, it is the same old story – you will not find value in the sectors where there is and has been strong demand and growth. You need to roll your sleeves up, be brave and take advantage of the mis-pricing of much A grade secondary stock."