

8th September 2011

PPR ESTATES' Q3 'DISTRESS INDEX' PREDICTS A BURSTING OF THE LONDON PROPERTY BUBBLE

PPR Estates, the UK-based property company, has today published the results of its 'Distress Index' for Quarter 3, 2011.

The Distress Index takes data from the latest PPR Estates' distressed seller enquiries in order to forecast future mortgage possessions, company liquidations and UK unemployment levels.

Key findings for Q3 2011 (full table and methodology below)

- Distressed seller enquiry numbers continue to climb, despite interest rates remaining at a record low. Increasing numbers of home owners are suffering negative equity.
- New possessions per quarter forecast to remain around 10,000 per quarter into 2012.
- Total company liquidations also predicted to rise as full impact of Government's 'austerity cuts' in public sector damages private sector firms.
- Unemployment expected to increase with the public sector shrinking, school leavers and graduates "signing-on" in September.

PPR Estates (PPR) has witnessed two very different property markets and price trends across the UK in the recent past. August enquiries indicate this may be about to change with the London "bubble" showing signs of collapsing.

Outside London, the firm receives hundreds of sales enquiries each week from distressed homeowners, landlords and businesses wanting to sell their properties. Increasingly sellers are trapped in negative equity. Currently, PPR cannot help over 90% of enquiring individuals as their properties are worth less than their assets. Despite, record low interest rates, this problem is getting worse for many struggling sellers as rising inflation, household income falls, high unemployment and the mortgage famine continue to bear down on house prices. In the same period last year PPR was able to help over 15% of sellers outside London.

The London property "bubble" has been pumped up this year as International sovereign debt worries and regional employment stability combined to drive up prices for the very limited supply of homes on sale. However, in the last month, PPR has started receiving enquiries from worried property owners in riot affected areas of London who are now seeing sales fall through and a collapse in buyer interest. This change in market sentiment may well prove to be the event that bursts the unsustainable London property bubble that's built up over the last year.

Nick Hopkinson, Director of PPR Estates, said:

“Two very different property markets have emerged in London and across the rest of the UK in the last year. London has been the one area of the UK to buck the downward house price trend. Prime London prices, limited supply and cash rich international buyers have masked the real state of the housing market by propping up nationally the statistics. PPR has had relatively few distressed enquiries from London sellers as a result of this unique dynamic.

“However, since the recent riots PPR have started receiving enquiries from worried owners in affected areas such as Lewisham, Croydon, Walthamstow and Tottenham who have seen buyers withdrawing their interest. After all, who wants to live in a riot “black spot”?

I am also aware of International buyers withdrawing from investment purchases as a result of a loss of confidence in the “safe haven” investing benefits of London. As we move into autumn I fear this may prove to have been the catalyst that bursts the London property bubble.

“Outside London, PPR Are getting 100's of distressed seller enquiries every week. Perhaps even more worrying for both the lending banks and the individuals involved; currently PPR are not able to help 90% of the distressed seller enquiries we receive as they are in serious negative equity. Detailed analysis of our enquiries indicates this trend is getting worse as the current economic slump “grinds on”. Many owners are trapped and it is difficult to see how they are going to escape as inflation and the cost of living continue to creep ahead of household income growth. I fear that generally bleak economic outlook for UK PLC means we are facing further house falls this autumn.”

Detailed Analysis

Date	PPR Enquiries ¹	New possessions in quarter ²	Total Company Liquidations ³	Unemployment (1,000s) ⁴
Q3: 2007	1,493	6,838	3,113	1,731
Q4: 2007	1,835	8,135	2,929	1,563
Q1: 2008	1,949	9,174	3,262	1,610
Q2: 2008	2,402	11,074	3,689	1,643
Q3: 2008	2,455	13,469	4,059	1,922
Q4: 2008	2,599	13,235	4,525	1,956
Q1: 2009	2,527	14,838	5,110	2,219
Q2: 2009	2,816	13,602	5,059	2,405
Q3: 2009	2,960	13,842	4,536	2,552
Q4: 2009	3,032	11,483	4,372	2,397
Q1: 2010	3,025	10,447	4,196	2,472
Q2: 2010	3,176	9,990	4,054	2,462
Q3: 2010	3,164	9,134	3,982	2,451
Q4: 2010	3,215	8,246	3,973	2,492
Q1: 2011	3,354	9,613	4,121	2,455
Q2: 2011	3,208	9,800	4,233	2,494
Q3: 2011	3,450	10,025	4,254	2,505
Q4: 2011	3,474	10,103	4,269	2,563
Q1: 2012	3,400	10,564	4,408	2,584

* Actual *Forecast based on actual PPR enquiry index *Forecast based on last quarter's trend

Notes on Recovery Index

PPR Estates' Recovery Index has been compiled using data from PPR Estates' enquiry levels between 2007 and 2011, currently running at a rate of over 3,000 per quarter. PPR enquiries are an accurate lead indicator of property repossessions one quarter on, company liquidations two quarters on and unemployment three quarters on.

¹**PPR Estates' enquiries** are based on the total number of individuals and companies per quarter contacting PPR Estates in order to sell property or portfolio of properties quickly.

²**Possession** and arrears figures are taken from the FSA and are based on new possessions per quarter, as reported in latest statistics on mortgage lending:

http://www.fsa.gov.uk/pages/Doing/Regulated>Returns/IRR/pdf/mlar2_%20stats_jun11.xls

³**Total Company Liquidations** are based on quarterly figures produced by The Insolvency Service, published on its website:

<http://www.insolvencydirect.bis.gov.uk/otherinformation/statistics/201108/index.htm>

⁴**Unemployment** figures are taken from the National Statistics Labour Market Statistics latest quarterly data (non-seasonally adjusted): <http://www.statistics.gov.uk>

PPR Estates own over 200 properties and manage over £40 million worth of property assets as landlords.

For further information on PPR Estates visit: www.pprestates.com

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NOTES TO EDITORS

- PPR Estates is a successful and expanding private property business with a substantial portfolio of commercial and residential properties. It currently owns over 200 properties and manages in excess of £40 million worth of property assets as landlords.
- PPR Estates' private status enables it to take a long-term strategic view and its flat business structure facilitates swift investment decisions.
- PPR Estates' strategic acquisition focus is on London and South East England. The business has a particular expertise in asset management and work with a large network of specialist partners to develop and enhance its portfolio. PPR Estates is also actively involved in numerous joint venture property development projects.
- The company has private funding in place to move fast and can commit to exchange contracts within 48 hours, subject to due diligence.

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