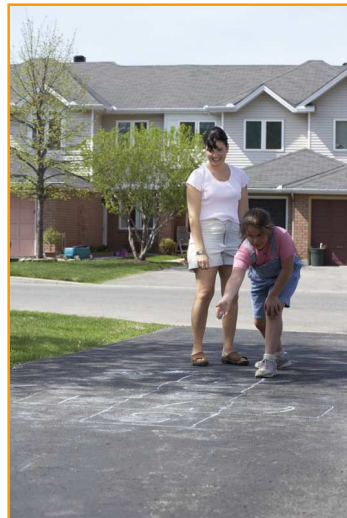

Commercial vs. residential property

What is in each area?

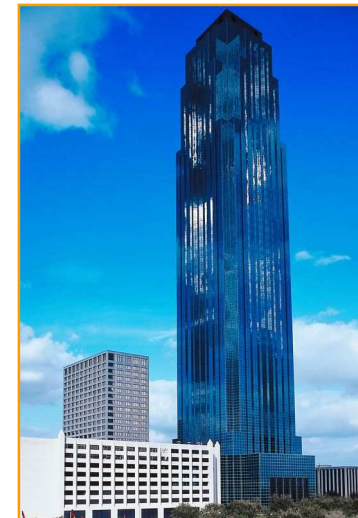
Residential

- Owner-occupier
- Buy-to-let
- Holiday homes



Commercial

- Office space
- Retail (shops)
- Industrial



Key characteristics - residential

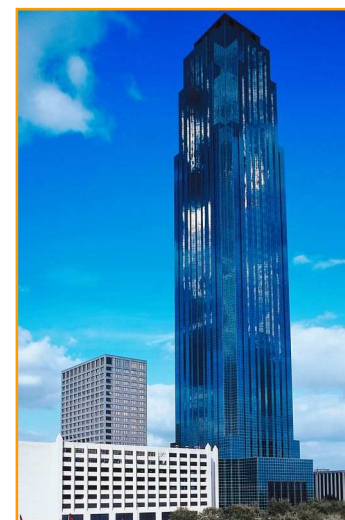
- Tend to have short leases
 - six months to a year
- Tenant reliability varies widely
- Notice periods usually just one month
- Prices driven by affordability (cost of borrowing and personal earnings), desirability and fashion



Residential prices can become irrationally inflated or deflated

Key characteristics - commercial

- Much longer leases
 - five to ten years
- Corporate tenants more consistent
- Long notice periods
- Prices driven by regularity and security of income stream



Corporate investors (and tenants) are very rational in their valuations

Commercial vs residential

- There is space for both in portfolios
- Most investors already own residential property
 - the family home
- Historically commercial property returns have been more stable than residential property...
- ...and offers diversification when mixed with equities and bonds
- BUT, commercial property has a cost of entry

For liquidity and diversification – consider property funds