

PRESS RELEASE

Matrix expands into Commercial Property Debt

11 November 2010:

Matrix Group, the privately owned UK financial services business, expands into the commercial property debt market with the launch of the Matrix Commercial Mortgage Fund, focused exclusively on UK commercial investment property.

The Matrix Commercial Mortgage Fund is a key strategic initiative for Matrix, alongside the recent hiring of their Real Estate equity investment banking team. The Fund has been set up to exploit the funding gap in the 50-75% loan-to-value (LTV) range through the provision of new subordinated secured junior debt. This will be facilitated using the team's close relationships with selective but active senior lenders to provide all-in debt packages to borrowers in the UK.

The Matrix Property team has a long track record in both UK and European real estate, having bought and sold over 200 properties and arranged or syndicated over £2.5 billion of commercial property.

Patrick Bushnell, former Director of European Property and European Property Investment at Henderson Global Investors from 2002 to 2008, is joining the team as Chairman of the Fund's Board.

Rick Gambetta, Fund Manager of the Matrix Commercial Mortgage Fund, says:

"The European commercial property industry continues to face significant funding obstacles and the recent market volatility and concerns regarding sovereign risk have not made these any easier to overcome. The availability of bank finance remains restricted, and more costly, and will continue to remain so as those commercial banks that lent most heavily and aggressively against commercial property at the height of the market, now set about repairing their balance sheets.

Those banks that are still able and willing to lend are doing so on more conservative terms. This is partly due to capital adequacy constraints and partly due to a general awareness that the bank lending practices of the past were too lax and pricing was too low for the risk incurred. There is also an increasing demand for debt finance from borrowers who need to protect their position and refinance their existing borrowings, together with investors looking to acquire commercial property.

This situation has created a compelling investment opportunity for new and alternative sources of capital to provide the debt finance that the commercial property industry needs to meet its own refinancing and ongoing funding requirements."

Three years on from the start of the 'Credit Crisis', the availability of bank debt to buy or refinance UK commercial property remains highly constrained, impacting transaction volumes and capital values for all but prime Central London office properties.

Where there is debt available, it is primarily provided by German banks who are able to fund their loans via an established wholesale funding market ("Pfandbrief"). These banks are, however, required to limit the loan-to-value ("LTV") ratio to 50-55% to make their loans eligible for their Pfandbrief programmes.

With nearly half of the £244 billion* of outstanding debt against UK commercial property needing to be repaid over the next two years, and with all banks facing tighter regulatory capital constraints, Matrix believes that the severe imbalance between the supply and demand of debt will continue to provide an opportunity for, not only, borrowers to find much needed debt terms but also for investors to earn consistent, high income returns from secured junior debt.”

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NOTES FOR EDITORS

** Source: Bank of England, October 2010*

Matrix Group is one of the largest privately owned financial services businesses in the UK with around £4 billion of assets under management and more than 240 professionals employed across three divisions: Asset Management, Investment banking and Property. Since inception in 1987, Matrix has raised over £14 billion of assets for investments across these business areas.