Date: 30 March 2015
On behalf of: First Property Group plc ("First Property", “the Company” or the "Group")

First Property Group plc

Statement calling upon policy makers to extend Permitted Development Rights for the conversion of offices to residential use

In last week’s Planning Update, published in a written statement to Parliament on 25 March 2015[1], no reference was made to an extension of Permitted Development Rights (“PDR”), for the conversion of offices to residential use, beyond May 2016, when it is due to expire. It would appear that the Government has shelved its intention to do this.

First Property Group plc (AIM: FPO), the property fund manager and investor, was one of the first property companies to appreciate the importance of the then new legislation for PDR in May 2013. Since then the Group has gained consent for the creation of some 665 flats with a value of some £100 million.

The introduction of PDR was a very significant step in the right direction towards addressing the UK’s housing shortage, without encroaching on green fields, reducing the glut of vacant obsolete office space developed over the last thirty years, as well as acting as a valuable engine for economic growth, and indeed the development of more modern office space.

The Group’s Chief Executive, Ben Habib, outlines the key reasons for extending the policy beyond 2016:

1. The key to solving the housing shortage and reducing the speed with which house prices rise is to increase the supply of new homes. The traditional planning route has become extremely turgid; it is bound in red tape and expensive to navigate. It needs a massive overhaul.

2. Since its inception two years ago PDR has enabled the creation of an estimated 15-20,000 residential units[2]; something which would have been unachievable in the same period via the traditional planning route.

3. Contrary to assertions made by certain commentators, PDR has not resulted in the loss of viable office buildings. For the legislation to be capable of being implemented buildings have to be largely/ entirely vacant at the time of purchase. Had they been viable as offices this would not have been the case. Of the 360,000 square feet of offices converted by First Property, 95 per cent were vacant at purchase. The UK’s working habits have changed irreversibly over the years and a great many of the offices developed in the 1970-90’s are no longer fit for purpose.

4. Many of these office buildings are physically ideal for conversion to residential use with much stronger foundations and supporting structures than would normally be required. Conversion works can be begun immediately and move quickly towards addressing the nation’s housing shortage, without the need to build on green field sites. Additional development can also be undertaken in the large car parks which usually accompany office buildings.

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[1] Source: Department for Communities and Local Government: https://www.gov.uk/government/speeches/planning-update-march-2015

[2] Source: Planning Resource

5. These office buildings are typically best converted into one and two bedroom flats, providing ideal homes for first time buyers, the same constituency at which "Help to Buy" is aimed.

6. It is incorrect to suggest that PDR prohibits the creation of affordable homes. First Property sold 30 per cent of its schemes to housing associations and the value of the other units it created ranged between an average of £190,000 for one bedroom flats and £250,000 for two bedroom flats. These are affordable homes.

7. The removal of redundant offices from the market creates the opportunity to renew the nation's office stock with the development of new office buildings better suited to modern technology and working practices. This development is good for business and good for the economy. First Property is now actively investing in the office market.

The development cycle is a long one and whilst the temporary PDR legislation enabled much progress to be made, it is not enough. With the three year window for conversions under PDR expiring in May 2016, insufficient time remains for developers to commence new schemes. We call upon policy makers to extend the period of the legislation so that the good work commenced in 2013 and 2014, to reduce the UK's housing shortage, can be continued.

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Notes to investors and editors:

First Property Group plc is a property fund manager and investor with operations in the United Kingdom and Central Europe. Its earnings are derived from:

- Fund management – via its FCA regulated and AIFMD approved subsidiary, First Property Asset Management Ltd (FPAM), which earns fees from investing for third parties in property in the UK and Central Europe (principally Poland);

- Group Properties – principal investments by the Group, currently comprising:
    - 6x directly owned properties in Poland and Romania;
    - 5x properties in Poland held by Fprop Opportunities plc (FOP), an FPAM managed fund in which the Group is a 76.2% shareholder;
    - Shares in 4x funds managed by FPAM.

The investment performance of the Group's funds under management in Poland and in Central Europe is ranked No.1 versus the Investment Property Databank (IPD) universe for Central & Eastern Europe (CEE) over the eight years to 31 December 2013, having previously ranked No.1 versus the IPD CEE universe over the three, four, five, six and seven years to 31 December 2008, 2009, 2010, 2011 and 2012 respectively.

First Property Asset Management Limited is authorised and regulated by the Financial Conduct Authority. Further information about the Company and its products can be found at: www.fprop.com.