TR Property Investment Trust

Interims

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THAMES RIVER CAPITAL
PERFORMANCE FOCUSED ASSET MANAGEMENT

TR
Property Investment Trust
Interims

(Thames River Capital Ltd)

Managed by Chris Turner and Marcus Phayre-Mudge

Contents

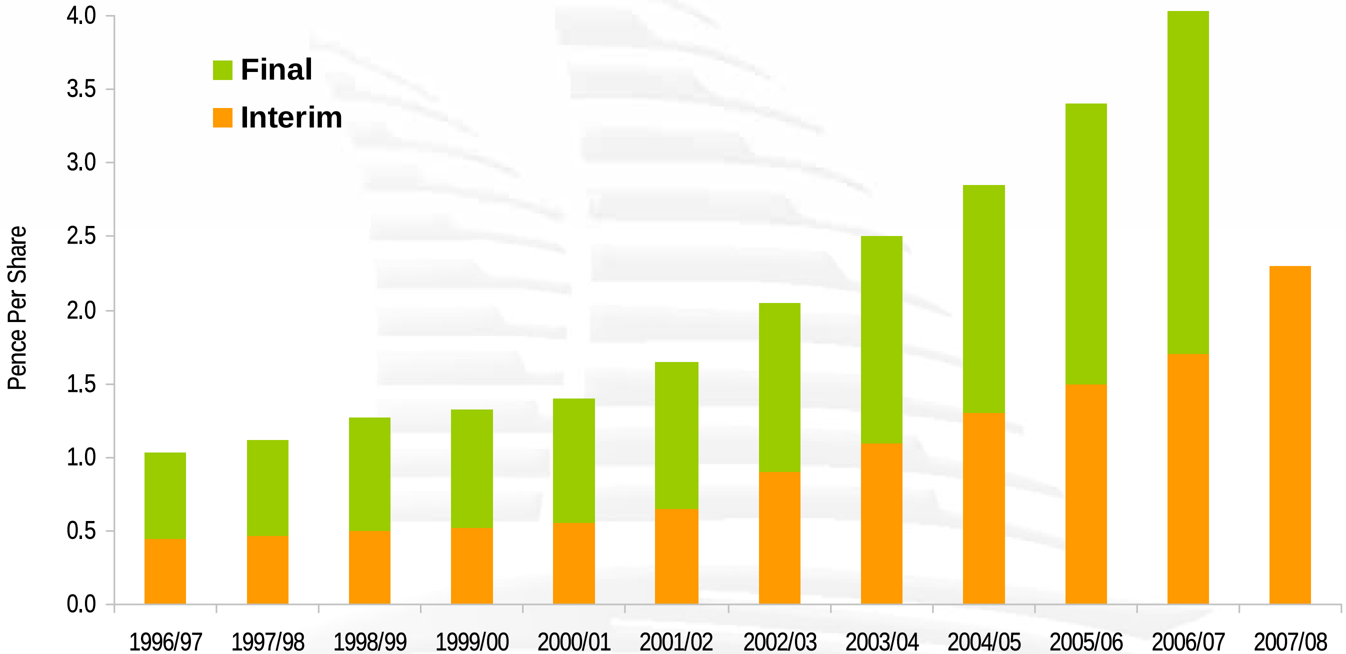
Ordinary Shares - Recent Results – (H1 to end September 2007)

- Share price total return of -20.0%
- NAV total return of -18.8% (Benchmark -19.1%)
- Revenue earnings rose 38.7%
- Interim Dividend increase of 35.3%
- Outperformed benchmark for the 9th year in a row
- 10 year share price appreciation +377%*
- 10 year Benchmark appreciation +144%*

Source: Datastream, Bloomberg. No TR available for benchmark pre 1999

Ordinary Share Dividends

Five year historic growth 19.97% pa (Bloomberg)



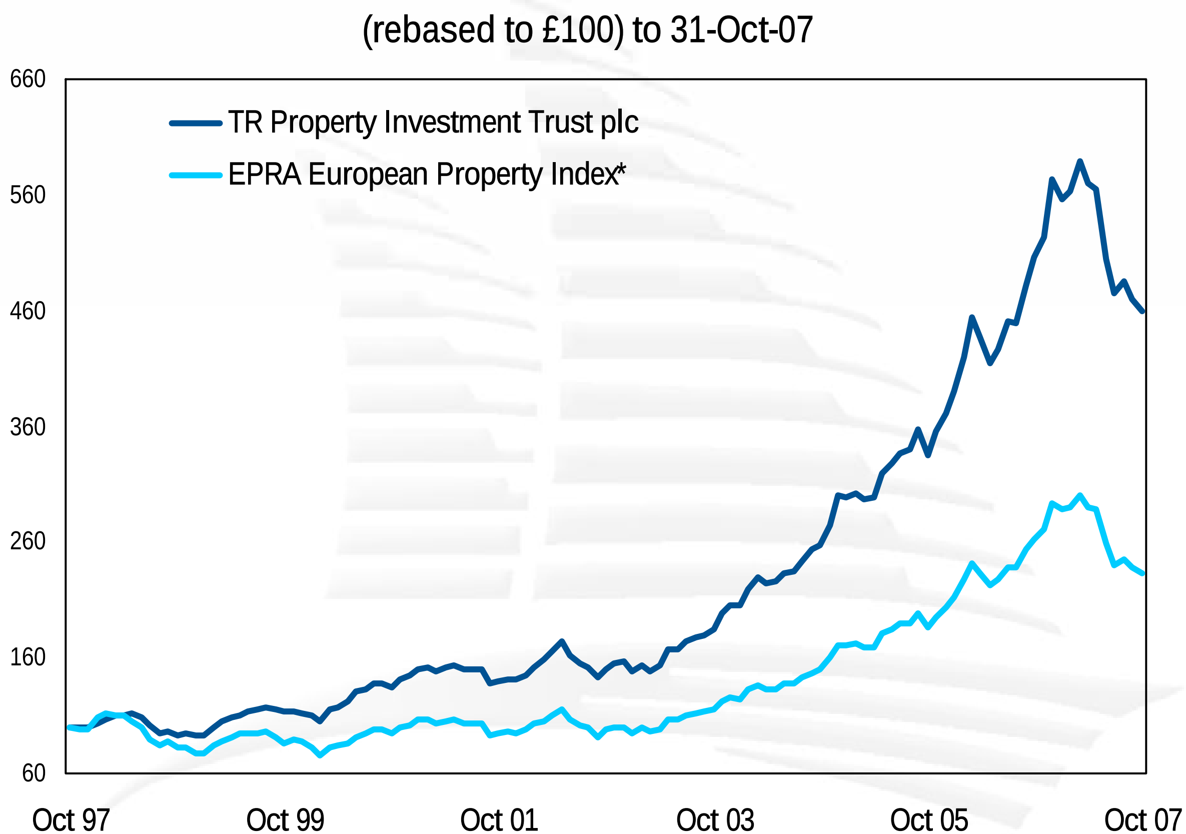
Source: TR Property Investment Trust plc
Note: Year end is March

Sigma Shares - Recent Results – (July 20 to end September 2007)

- Share price total return of -1.9%
- NAV total return of -7.1% (Benchmark -5.6%)
- Maiden revenue earnings of 0.06%
- Maiden Interim Dividend of 0.2p
- Special div of 1.1p paid in early October

Ordinary Shares TR Performance: NAV, Benchmark (£)

TRPIT £ Monthly NAV per share Performance



Source: Bloomberg, S&P's

Note: Prior to September 2001 the benchmark index was FTSE Real Estate Index

Performance Comments

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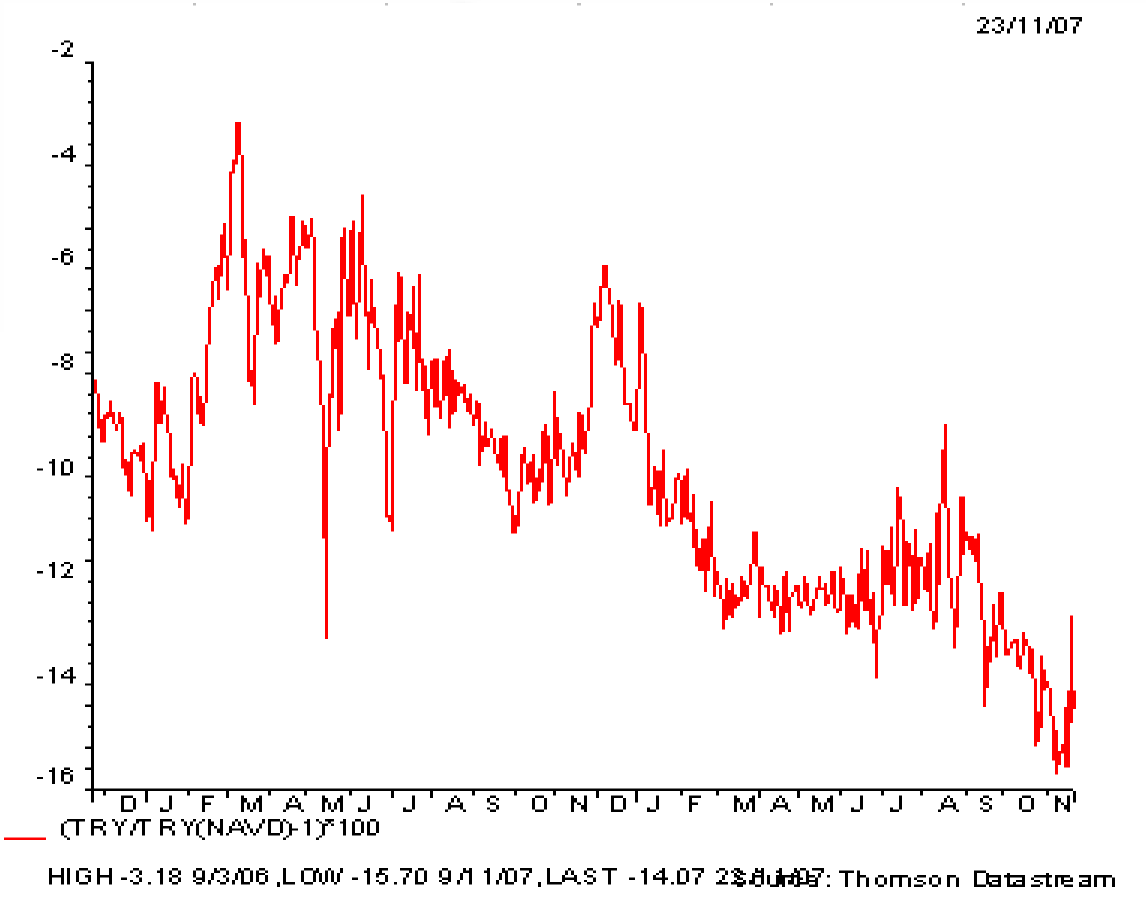
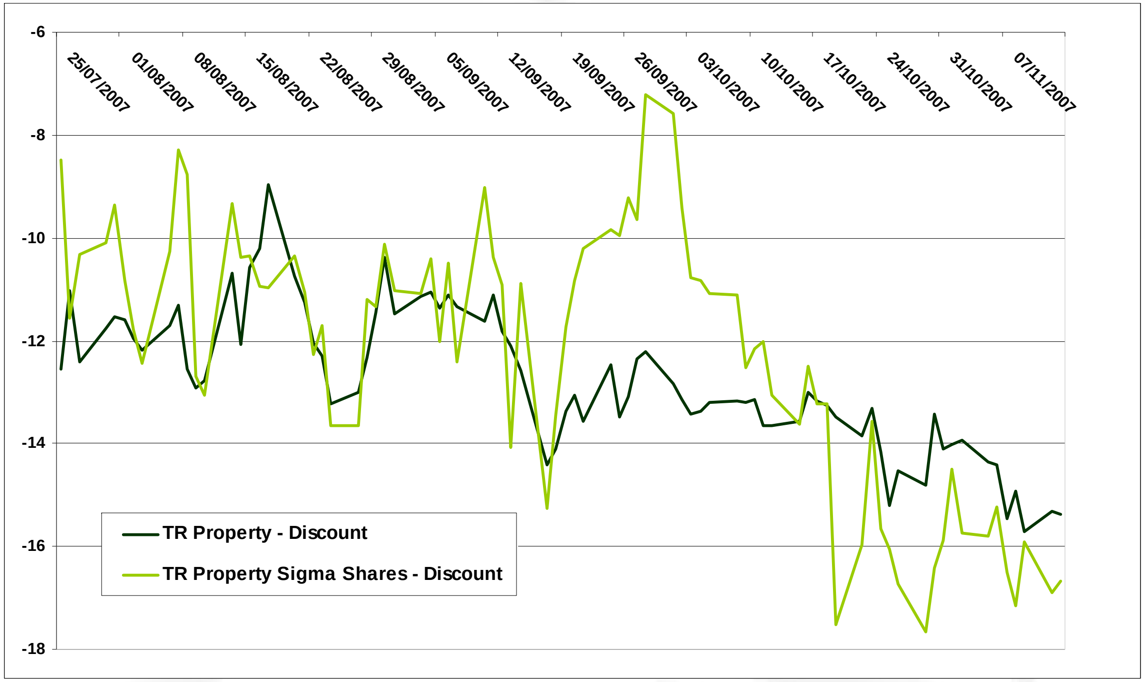
- Both share classes have suffered with the sector
- But both are ahead of the benchmark YTD
- As a dedicated long only investor -
  - we offer exposure to the ups and the downs
  - but we are now a discount on a discount again

Ordinary Shares – Discount to NAV - 2001 to date

TRPIT £ Monthly NAV per share Performance
Rolling Ten Year 31 May 1996 to 31 May 2006



Sigma Shares – Discount



Discount Comments

- Ord. Discount has widened since the end of 2006
- Reflecting investor sentiment towards property
- And our holdings in direct property
- Bought back 12m shares (4.5%) since April 2007
- Cost met from sales of assets
- Buybacks made an eye to the March 08 value of direct prop
- Sigma also buying back shares

Ordinary Shares – Current position

- Gross and net assets £540m
- Debenture debt £32m, cash on deposit £32m
- UK quoted 47%, Continental quoted 39%, direct property 14%
- Top ten unchanged
- Major deal has been sale of Slough property at book. (£18.5m 5.5% yield, proceeds on deposit)

Sigma Shares – slower pace of evolution

- Top 10 still similar to Ords
- £27.4m of sales but only £10.6m of purchases
- 'nibbling' at small caps:
- Argan, Fonc des Murs & FPF (Fr.)
- IFM, DIC & Hahn (Gr.)
- Local Shopping REIT (UK)

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View of the Markets

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Property Markets Summary

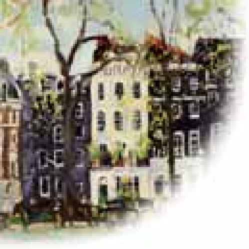
- It’s a pricing issue not a fundamental issue
- The banks control pricing
- In that sense property is the victim not the cause
- There is little distress but a lot of worry
- The market is very quiet
- Tenant demand is modest but generally stable
- Sentiment from residential may deteriorate

Currently – bit of a “non” market

- Very quiet. Transaction volumes down 75%+
- Lot of property for sale (mostly rather quietly)
- Much, but not all, of this “secondary”
- Forced sellers are open-enders, debt renewers, odd PLCs
- Bidders are cash rich, or have long term debt in place
- Asking off 5% to 10% from June (peak) valuations
- Bidders offering 15% to 20% off

Immediate Outlook – Very quiet

- Unforced sellers will not sell much below valuation
- LTV problems but cash flow positive
- Valuers are being urged to mark down
- But this is easier to ask than to implement
- Sentiment says 10% off since September but indices and valuations may not get there by Xmas
- However 10% off doesn't get us to normal open market conditions

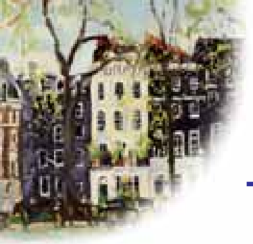


Market in early 2008

- Key will credit availability (ie big banks balance sheets)
- Lack of fresh credit creates more forced sellers
- ...and restricts buyers capacity
- Open ended – more problems ? (M&G, SEPUT)
- Big PLC’s have only limited fire power
- Overseas investors on the sidelines. Sovereign funds?
- Market likely to remain very quiet

Looking into mid 2008.
Wake up time?

- A “non” market cannot exist for too long
- Buyers and sellers will meet but where?
- Depends again on bank credit conditions
- But also on the economy. Tenant Demand (City?)
- Sentiment from the housing market
- The level of interest rates
- The attractiveness of other asset classes



Tenant Demand

- Last twelve months rental growth – Offices +8.5%, retail +2.2%, industrial +1.5%. Last 3 months annualised are very similar
- Offices boosted by West End and City. City outlook has worsened with the credit crunch
- Retail very patchy and incentives increasing
- Industrial very quiet with vacancy rates gently rising
- Unemployment low and needs to stay that way

Possible yield levels in mid 2008

- Current IPD Monthly levels at 4.7% initial and 5.7% equivalent
- Average this decade (in generally benign credit conditions) have been 5.8% and 6.9%
- A fall to decade average is about -18%
- Is that enough or too much?
- Overshoot on the downside or huge demand?
- Our best guess is to take an average of 20% off
- From here for September 2008 valuations

Prime versus Secondary etc

- Market assumes that prime will not decline much and secondary will bear the pain
- Looks logical as the spreads have narrowed and should be expected to widen again
- Bear case is that the only prime assets that don’t look that vulnerable are prime retail (Liberty) and prime West End (Portlands and Derwent)
- Prime industrial at 5% probably ought to be 6%
- Prime retail warehouse is very hard to sell right now
- Prime City yields depend on City employment

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