Matrix European Real Estate Investment Trust Limited ("the Company")

19 January 2009

Property Valuation, Business Update and Dividend Announcement

The Board of Matrix European Real Estate Investment Trust Limited announces the valuation of the Company's property portfolio as at 31 December 2008 and the Company's dividend policy.

In light of the very difficult market conditions and the terms of the Company's financing and hedging facilities, the Company is taking steps designed to safeguard its financial position. It is marketing properties for sale, suspending the payment of dividends and is in discussion with its bankers about the possible refinancing of its loans, and amendments to loan and foreign exchange hedging covenants. The Company also announces the notarisation of the sale of the York Centre, Münster for €27.75 million.

Market Background

The Board believes that economic conditions throughout Europe will deteriorate further during 2009, with some of the largest economies seeing low or negative growth.

The Company's view is that finance markets remain tight and that those banks prepared to lend are taking a far more cautious approach, and are seeking to charge much higher margins and fees than hitherto.

The property market has seen greatly reduced transactional activity during 2008 and the Manager believes that this is unlikely to change until the availability of debt improves. The expectation of the Board and the Manager is for further declines in property values over the coming year due to continuing weak market sentiment, the difficulties in the financing markets and the effects of recession impacting on occupier demand and rental growth.

Whilst the Company's portfolio will not be immune to adverse market movement, the portfolio currently remains in good shape benefiting, predominantly, from relatively long term rental income (when compared to typical European lease lengths) which is subject to indexation. The income is secured on a broad range of tenants in good quality buildings that are located in established commercial areas. Vacancy levels within the portfolio are also very low, standing at less than 1% overall.

31 December 2008 Property Valuation

The value of the property portfolio as at 31 December 2008 was €728 million (30 September 2008: €765 million), representing a like-for-like fall of 5.5% for the quarter.

The valuations have been performed by the independent Valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards. With the exception of the IZD Tower in Vienna ("Vienna"), which assumes a corporate sale (in accordance with previous practice), the valuations show the "Market Value" assuming an asset sale of each property.

The Valuers note that the level of activity in the European property investment market has been at a low level since the middle of 2007, primarily because of the reduced availability of credit and, where credit is available, the increased cost of borrowing. The lack of comparable market transactions has resulted in a greater than normal level of reliance being placed upon professional judgement in arriving at valuations. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short-term.

Further detail on the portfolio is provided at Appendix I.

Indebtedness

At 31 December 2008 the Company had approximately €490 million of loans outstanding. The average maturity date of the Company's loans is in May 2011, and the maturity profile is:

Maturity Period	Amount
Up to December 2009	76,515,954
Up to December 2010	53,579,442
Up to December 2011	302,216,228
Up to December 2012	57,714,565
Total	**490,026,189**

The Company uses financial derivatives to hedge its exposure to movements in interest rates and exchange rates. As at 31 December 2008 the value of the interest-rate derivatives was a liability of €8.8 million, representing a fall in value of €17.8 million since 30 September 2008, which reflects the downward movement in the Euribor interest-yield curve over the same period.

The value of the Company's foreign-exchange hedging contract, which exchanges €150.0 million for £101.3 million in June 2014 and €5.0 million to £3.7 million on a quarterly basis until June 2014, is a contingent liability of €59.4 million (comprising €36.8m for the capital hedge and €22.6m for the income hedge) compared with a liability of €28.2 million as at 30 September 2008.

Loan-to-Value Covenants

As a consequence of the reduction in property values the Company's gearing as at 31 December 2008 had risen to a loan to value ("LTV") ratio of 67.4%. The Company's LTV covenants can be summarised as follows:

- The loan for Vienna has a maximum LTV of 67.5% and is subject to a cash sweep at 65% LTV. Where the latter applies any surplus income is used to reduce the debt level. The current LTV is 63.9% based on the value of the property and assuming a sale of the owning company (which assumes sale costs of 1% as opposed to 6.4% for an asset sale) and is 67.3% based on the value of the property assuming a sale of the asset.
- The Bank of Scotland ("BoS") debt on the remainder of the portfolio, excluding Montpellier (which is ungeared), has an average LTV limit of 78.6%. LTV limits vary by property and range from 72% to 85%. Current average gearing for these properties is 71.6%. Some loans are also subject to cash sweeps above certain LTV levels.

As at 31 December 2008, the Company had approximately €33m of cash. Some of this cash is available to defend its LTV covenants and more cash will be released upon the sale of the Company's property in Münster, as discussed below.

Foreign Exchange Covenants

The foreign-exchange derivative contract, which is secured on substantially all the assets of the Company, is subject to several financial covenants, which can be summarised as follows:

- The gross asset value of the Company's portfolio is to exceed €500 million.
- The Company is to have a net asset value in excess of £150 million.
- The portfolio LTV ratio is not to exceed 75% on a consolidated reporting basis.
- The portfolio interest cover ratio must exceed 140%.
- A cross default clause, such that covenants within the individual debt facilities of the Company's subsidiaries must not be in default.

On the basis of currently available unaudited information for the year end, the Company is in compliance with the above covenants.

If there were to be a breach of any of the above covenants, including the cross default, then BoS, the counter-indemnity party, could call for the FX contract to be settled in cash, which would trigger the payment of the FX liability noted above. The cost of this potential liability will vary as exchange rates change but as at 31 December 2008 it was €59.4 million.

Whilst the Company can use its cash resources to defend individual loans against breach of LTV covenants (and thus to defend against a breach of the cross default), these cash resources are not sufficient to remedy LTV covenant breaches if the decline in property values exceeds a certain level. As well as marketing properties for sale, the Company is presently in discussions with its bankers to consider the possible impact of declining values on its various covenants and is exploring the possibility of an early refinancing of its loans, particularly those that mature in December 2009.

Dividend
As market conditions remain challenging, and in anticipation of possible further falls in value during 2009, the Board considers it prudent to retain cash within the Company in order to bolster reserves and to reduce the level of debt in the portfolio. The Board has therefore decided to suspend the payment of dividends until further notice.

Disposals
The Board announces the notarisation of the sale of the York Centre in Münster (subject to normal contract conditions, warranties and retentions). The property, located to the north of Münster city centre, comprises a mixed-use retail and residential property of approximately 10,200 sqm which is anchored by Saturn and produces a rental income of circa €2.1 million per annum. The property is to be disposed of for a total consideration of €27.75 million, which is the 31 December valuation figure (30 September 2008 valuation: €30 million). The sale is, in total, expected to release equity of circa €5.5 million, excluding the effect of any interest rate swap cancellation, which will be used to pay down debt within the portfolio.

Certain other properties are presently being marketed for sale and updates on progress will be issued when appropriate.

Asset Management
With regard to ongoing active management of the portfolio, the Board is pleased to report that following the successful completion of the development of the second office building in Montpellier, which adjoins the Company's existing asset, 1,925 sqm has been let to Logica IT Services France. The lease is for a term expiring in December 2017, subject to a break option in December 2014. The remainder of the building (635 sqm) benefits from a rent guarantee that expires in January 2011.

Also, at the Company's Lyon property, planning permission has been granted, subject to an appeal period that expires in February, to extend the property by around 3,100 sqm. On completion of the extension, which is expected to be in June 2009 and will cost approximately €2.6 million, the existing tenant, La Poste, will enter into a lease which expires in June 2018 (the current lease expires in May 2013) at an increased rent of €1.8 million per annum (currently €1.5 million).

This announcement is not a preliminary statement of the Company's financial results. The financial information contained herein is not audited and is subject to change. The Company expects to publish its audited financial statements for the year ended 31 December 2008 in February 2009.

It should be noted that the prospect of devaluation across the European property market, the limited headroom under the Company's financial covenants, limited free cash reserves and the low volume of transactions in the investment market combine to raise uncertainty about prospects for the Company in the next twelve months.

For further information, please contact:

Ian Blake
Matrix Group 020 3206 7155

Will Rogers
Cenkos Securities 020 7397 8900

Appendix I

Portfolio Distribution

The individual property values fall in the following bands.

Country	Properties	Use	€0-50m	€50-100m	€100-200m	€200m+
Austria	Vienna	Office				■
France	St Etienne	Office		■		
	Nice	Office	■			
	Lyon	Industrial	■			
	Montpellier	Office	■			
Germany	Frankfurt	Industrial			■	
	Düren	Retail		■		
	Dusseldorf	Hotel	■			
	Munster	Retail	■			
	Kaiserslautern	Retail	■			
	Celle	Retail	■			
Netherlands	Leiden	Office	■			
Spain	Valladolid	Industrial	■			
	Madrid	Industrial	■			
	Cordoba	Industrial	■			
	Murcia	Industrial	■			
Total			**12**	**2**	**1**	**1**

The distribution of the portfolio is as follows: