

UK Property Values Decline in Quarter Post EU Referendum

First Quarterly Decline since June 2009

London – November 4, 2016 – MSCI Inc. (NYSE: MSCI) recorded that the UK property market delivered a total return of -1.2% in the third quarter of 2016, as indicated by the [IPD UK Quarterly Property Index](#). This takes the 12-month total return to September 2016 to 4.2%, a low not seen since March 2013.

This is the first quarterly decline recorded since June 2009, and follows the decision of the UK to leave the European Union. Although the EU Referendum result was announced on June 24, the Q2 results were unaffected by the vote as it was too close to quarter end for valuations to be impacted.

The quarterly decline was driven by a 2.4% fall in capital values, itself driven by a yield impact of -2.8%. Rental growth, on the other hand, was still positive at 0.3%, although moderating since the end of last year. Income return stayed the same at 1.2%.

Performance across segments showed interesting variances. The Office sector recorded the largest decline in total return (-2.4%). The Retail sector showed a more mixed pattern: Retail Warehouses and Shopping Centres both faced negative returns (-2.9% and -2.1%), whereas Central London Standard Retailers held well with a positive return of 1.3%. The best performing sector was Other with a total return of 1.2%, within which the Residential segment posted a strong 2.1% return, reflecting the growing appetite for this segment.

Compared with other asset classes, over the last three months the UK property market underperformed equities (7.0%) and property equities (5.5%) however outperformed bonds (1.9%).

Hélène Demay, Vice President, MSCI, commented: “The negative quarterly total return does not come as a surprise as external shocks are often followed by a market adjustment; what will be much more interesting to see is how the market behaves across the next few quarters”.

Demay continued: “The slowdown in the UK market had already started before the EU Referendum took place. The period of strong growth in 2014 and 2015, largely driven by yield compression, had already started to slow with rental values taking over from yield impact as the main engine for capital growth. What’s interesting to see is that rental value growth was still positive (+0.3%) in Q3, even if moderating from Q1 and Q2.”

The [IPD UK Quarterly Property Index](#) tracks the performance of 220 funds holding 9,400 assets, with a total value capital value of just under GBP 150 billion at the end of September 2016.

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