

Q2 2017 Irish Commercial Property Returns Improve on Previous Quarter

London – July 27, 2017 – MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, presented today on the latest results of the **SCSI/IPD Ireland Quarterly Property Index**.

According to the index, Irish commercial property returned 2.1% in the three months to June 2017. This was a moderate improvement on the 2.0% recorded in the first quarter of 2017, but still behind returns seen in 2016, which averaged around 3.0% per quarter. Year-on-year, the **SCSI/IPD Ireland Quarterly Property Index** returned 10.0% to end-June 2017.

In comparison, returns for UK commercial property, as measured by the IPD UK Monthly Property Index, stood at 2.5% in the three months to June 2017 and 5.1% for twelve months.

In terms of the components of the Irish total return, income return continues to be the main driver, unchanged at 1.2% for the quarter. Capital growth, however, was responsible for the improved overall return, ticking up by 10bps to 0.9%.

This result was underpinned by yield impact, a proxy for investor sentiment, which improved for both offices and retails. However, rental value growth moderated in both sectors, having been recovering since 2014. Meanwhile industrials displayed the opposite trend to offices and retails this quarter, with yield impact declining. Rental value growth in industrials, however, followed the same trend of moderation.

Malcolm Hunt, Executive Director, MSCI, said: “Irish commercial real estate returns have normalised since the recovery stage in the current cycle. Yields compressed again this quarter, in contrast to the slight expansion seen at the beginning of the year. Despite the capital value growth of 1.7% in H1, initial yields have stabilised around 4.6% as value appreciation has been supported by underlying rental and rent passing growth.”

Stephen McCarthy, Chair of the Commercial Agency Group, Society of Chartered Surveyors Ireland (SCSI), said: “It’s not surprising to see the office and retail sectors perform well, and increased job opportunities are clearly influencing this trend. Many of the new jobs in the Dublin area are in office sectors like Finance & Insurance, with Brexit continuing to be a factor driving relocation demand. The strong economic performance and jobs growth have also given retailers real cause for optimism in the past 12 months, creating demand and competition for good retail and logistics space.”

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