

# Investor Prudence Felt in First Quarter US Property Index

## Historical high prices as competition for prime assets continued

**New York – May 12, 2016** - MSCI Inc. (NYSE: MSCI), a leading provider of investment decision support tools worldwide, including indexes, portfolio risk and performance analytics and ESG research, has recorded total return of 2.1% in the first quarter 2016 in the [IPD U.S. Quarterly Property Index](#).

The return of 2.1% in the first quarter is a slight decrease from the total return of 2.6% in the fourth quarter and 3.2% recorded in the first quarter in 2015. The income return remained steady compared to the previous quarter at 1.2%, while measurable capital value depreciation to 0.9% from 1.5% in the previous quarter accounted for the majority of the decrease in the performance.

All this contributed to the lowest total return recorded by the index since the first quarter of 2010, which stood at 1.1%.

As a result of lower investment activity, capital spent on acquisitions dipped to 2.1% relative to the total value of the index. The acquisition activity of 2.1% in the first quarter is a decrease from 3.8% in the fourth quarter and 2.5% in the same period last year.

At the same time, investors' desire to acquire prime real estate continued to be unabated.

**Simon Fairchild, Executive Director, MSCI, commented:** "The decline in acquisition activities may be a signal of investors' prudence -- that investors to some degree viewed capital values have risen beyond what is in line with market fundamentals.

"However, global investors continued to show eagerness to acquire prime real estate in choice markets. As a result, we also saw historical high prices even as the rate of growth slowed. And this had the effect of creating a widening gap between markets and within markets a widening gap between assets.

"To be sure, the US is a large and diverse market and different markets were impacted differently by economic fundamentals in each respective market. For instance, Houston was affected by falling energy prices; and San Francisco benefited from a rising technology sector and investors' increasing attention to this market."

**Fairchild continued:** "Despite a moderation in capital growth, real estate income yields remain comfortably above bonds and underpin the continuing attractiveness of the asset class to investors."

The [IPD U.S. Quarterly Property Index](#) measures ungeared total returns to directly held standing property investments from one open market valuation to the next. The index tracks performance of 4,945 property investments with a total capital value of \$290.2 billion as at March 2016. The market coverage is estimated to be around 5% - 10% with results dating back to 1998.

-Ends-

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Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 97 of the top 100 largest asset managers, based upon P&I data as of December 2014 and MSCI client data as of June 2015.

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