

# UK Property Returns Driven by Strength of Industrial Sector in 2016

**London – February 8, 2017** – MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, announced today that the U.K. property market delivered a total return of 2.2% in the last quarter of 2016, as recorded by the [IPD UK Quarterly Property Index](#). This takes the 12-month total return to December 2016 to 3.5%, a low not seen since March 2013.

The three-month total return to December 2016 was the highest quarterly return recorded in the U.K. in 2016. Uncertainties in the first half of the year, followed by a market adjustment after the outcome of the EU Referendum, led to a market slowdown with returns oscillating between +1.4% and -1.2% in the first three quarters.

The annual return was driven by a 1.3% fall in capital values, which in turn was driven by a yield impact of -2.1%. Rental growth has been holding relatively well, moderating to 2.1% from a peak at 4.0% in September 2015, December 2015 and March 2016. Income return remained unchanged at 4.9% year-on-year in each of the four quarters of 2016.

Performance across segments showed significant variances. The Residential and Hotel sectors were the best performers, both posting a 12-month return of 8.3%, although they each represent only 2% of the total sample. Out of the three main sectors, Industrial posted the strongest return at 7.3%, far ahead of Offices (+2.0%) and Retail (+1.7%). The Retail sector varied across segments: South East Standard Retails held well at 5.7%, while Shopping Centres and Retail Warehouses were the weakest segments (0.6% and 0.1% respectively).

Compared with other asset classes, over the last three months the U.K. property market underperformed equities (4.2%) but outperformed property equities (0.1%) and bonds (-2.9%).

**Will Robson, Executive Director, MSCI**, commented: “The last quarter of 2016 showed a rebound after the negative adjustment in the third quarter following the EU Referendum. However the broader trend is one of a general moderation of returns after the long period of double-digit growth from December 2013 to March 2016”.

The [IPD UK Quarterly Property Index](#) tracks the performance of 9,058 property investments, with a total value capital value of just under GBP 150 billion at the end of December 2016.

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