MSCI

PRESS RELEASE

Online retail boom spurs logistics property returns to 19.6%

London – October 22, 2015 – MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, has today released its latest IPD UK Logistics Investment Report for 2015.

Sponsored by BNP Paribas Real Estate, the report shows UK Logistics provided investors with a total return of 19.6% in the 12-months to June 2015, marginally below the 21.8% returned in the 12-months previous.

• UK Logistics property provided investors with a total return of 19.6% in the 12-months to the end of June 2015 outperforming the overall UK market return of 15.6%.

• Logistics assets have performed well in-line with the exponential growth of online retailing and booming demand by retailers for distribution hubs close to key transport nodes.

• BNP Paribas Real Estate reveals £2.6bn of investment in the sector in 2015, 87% up on the long term average, with average yields on £20m+ lot sizes plummeting 112 basis points to 5.38%.

• Rental values have grown by 4.6% over eight quarters in the Logistics sector as tenant demand grows and supply is constrained, with only 11 buildings greater than 300,000 sq ft available nationally.

Colm Lauder, Senior Associate at MSCI commented "The fallback in returns can largely be explained by the fact that this sector of the market was amongst the earliest to show signs of recovery with gains in capital value emerging earlier than in the broader property market. Subsequently the logistics sector has stablised in line with long-term trends. Overall, the UK property market provided investors with a total return of 15.6% between June 2014 and June 2015.

"With the expectation of all other industrials, total returns fell marginally for all investment property sectors compared to the 12-months between June 2013 and June 2014, as the rate of yield compression slows and the market stabilises after a tumultuous recovery."

In its analysis of occupational and investment markets BNP Paribas Real Estate found just over 18m sq ft of big box logistics (over 100,000 sq ft) had been transacted by the end of September, the strongest nine-month period behind 2008 and 2014, with the Midlands leading the way with 5m sq ft (29% of the total).

Design and build accounted for 55% of take up, and 83% of Grade-A space, reflecting the continuing lack of supply. The real estate advisor identified just 11 buildings greater than 300,000 sq ft, and one greater than 500,000 sq ft, available nationally.

The health of the occupier market has spurred rental growth of 4.6% since June 2013, with BNP Paribas Real Estate forecasting annual growth of 2.6% for the next five years.

Investment volumes reached £2.6bn by the end of the September, 87% up on the long-term average, and the average yield on lots sizes of £20m or greater plummeted 112 basis points to 5.38%, the global property advisor said.

The last year marked a significant turning point for the broader UK commercial property market, as sustained growth for both capital and rents spread nationwide. Total returns for the UK market hit their highest level since 2005 and rents grew for all key property sectors as occupational confidence returned. International investment into UK real estate has increased significantly in recent years, focused primarily on prime London assets. The UK's strong leasing structure and lack of trading barriers has helped the popularity of UK real estate in broad national terms.

Logistics has followed this trend, with the sector appealing to international investors. Broadly positive economic news further boosted sentiment towards investment real estate as the expectations of future rental value growth spur on investors to bid higher and on riskier income streams.

Robert Taylor, Associate Director at BNP Paribas Real Estate said: ""Big sheds continue to see strong demand, with over 44 million sq ft transacted since the start of 2014. While we have started to see a response from the developers to keep pace with demand, for larger requirements occupiers will have to continue down the design and build route.

"Moving forward, we are increasingly seeing industrial land being given over to higher value uses, particularly residential in London and the South East. If this trend continues, the fear is that the UK logistics industry could fail to keep up with future demand, harming the growth of the logistics industry and the wider UK economy."

Hugh White, Head of National Investment at BNP Paribas Real Estate, said: ""Investors continue to be attracted to UK logistics by its long-dated and stable income. Given investors' continued desire for yield in a low-income environment, we anticipate further new entrants appearing in this sector and challenging the established core of experienced pan-European logistics investors."

-Ends-

About MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research.

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 money managers, according to the most recent P&I ranking.

For more information, visit us at www.msci.com.

Media Inquiries

London

Sally Hooker, MSCI + 44 20 7618 2213/sally.hooker@msci.com

MSCI Global Client Service

EMEA Client Service	+ 44 20 7618.2222
Americas Client Service	1 888 588 4567 (toll free)
Asia Pacific Client Service	+ 852 2844 9333

PRESS RELEASE