

UK Commercial Property Funds Fall in Q3

London – 26 October, 2015 – MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, announced today the latest results of the **AREF/IPD UK Quarterly Property Fund Index**.

According to the index, unlisted real estate funds returned 2.9% in the three months to September 2015, compared with the 3.3% achieved in the second quarter of 2015.

In comparison, returns for bonds and equities for the 3-month period were 3.3% and -6.6%, respectively (JP Morgan 7-10 year/MSCI), while returns for direct commercial property, as measured by the IPD UK Monthly Property Index, stood at 3.4%.

At 13.1% year-on-year, funds in the **AREF/IPD UK Quarterly Property Fund Index** are trending below the IPD UK Monthly Property Index, which measured a total return of 15.3% in the year to September 2015.

Colm Lauder, Senior Associate, MSCI, commented, “The fund index saw a further moderation in total return performance in the third quarter of 2015 as the UK real estate market is seen stabilise. The focus for performance is now shifting to rental growth in stronger UK markets, with rental appreciation overtaking yield compression as the key driver of performance in 2015.

“Performance trends have remained consistent with previous quarters with specialist funds outperforming the market, and those with strong allocations to London, especially retail, have led the market.”

John Cartwright, Chief Executive, AREF, added, “Whilst fund returns continue to moderate, and we are seeing less divergence in returns across the Index, returns still remain strong both in a historic context and relative to other assets.

“If we are seeing increasing rental growth in some markets as a consequence of improving economic conditions then that, coupled with the relatively high income yields of UK commercial property in a low interest rate environment, is a far more sustainable driver of future performance than the yield compression we have experienced in the recent past.”

The **AREF/IPD UK Quarterly Property Fund Index**, sponsored by the Association of Real Estate Funds (AREF) and PropertyMatch, provides an independent view of current market performance and the performance of the funds active within it. The index is based on a sample of 46 funds with a total net asset value of GBP 42.5 billion as at September 2015.

-Ends-

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