

## UK Residential Sector Out-Performs in 2016, and over Longer Term

**London – March 09, 2017** – MSCI Inc. (NYSE: MSCI), a leading provider of investment decision support tools worldwide, announced a 5.6% total return in 2016 for the UK residential property investment sector as recorded by the [IPD UK Annual Residential Property Index](#).

This return includes all UK residential assets within the MSCI private real estate database - specialist residential portfolios as well as residential assets within the wider commercial portfolios.

The IPD UK Annual Residential Property Index incorporates properties let on modern residential leases, primarily assured short hold tenancies as well as non-market let assets such as student accommodation, ground rent, and regulated tenancies as well residential assets from the broader UK balanced funds sample. The index tracks the performance of 11,201 property investments, with a total capital value of GBP 12.1 bn as at December 2016 – a significant increase on measured investment in 2015.

The UK residential sector was the second best performing sector of the UK property investment market in 2016 (behind Industrials), outperforming Standard Retails Rest of UK, Central London Offices and Rest of UK Offices as well as Shopping Centres and Retail Warehouses.

Longer term, over 16 years, the residential index and the residential market lets have delivered the highest total return of the mainstream UK asset classes (bonds, equities and listed real estate) as well as other property types (retail, office and industrial), for the lowest rate of volatility.

The performance of residential market let assets was 2.8% for 2016, with capital values essentially flat at 0.1%. In comparison, the average capital values on all property declined by 0.8% for the same period.

Within the market lets' sample, Central London assets saw values falling on average in 2016 with a capital decline of 2.8%, rental values fell too by 1.5%. Elsewhere capital growth came in around the 4% mark with the exception of South West, Midlands and Wales, which had a capital growth of 1%.

Yields have compressed over this 16 year analysis period with a gross yield of 3.8% for 2016. The gross to net fall away has also narrowed over this period, now representing 32% of gross income.

**Mal Hunt, Executive Director, MSCI, commented:** “Residential was the second best performing sector of the UK property investment market in 2016, behind industrials but outperforming offices and most areas of the retail market. Within that, UK market let residential returns continued to decelerate but capital returns remained positive outside of central London. Over the longer term, residential continues to dominate the absolute and risk-adjusted performance and rental growth league tables.”

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

For more information, visit us at [www.msci.com](http://www.msci.com).

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