



Lowest ever recorded quarterly return to UK pooled property funds

The IPD UK Pooled Property Fund Indices (PPFI), sponsored by HSBC and AREF, delivered a -9.1% total return in the three months to December 2007 - the worst result recorded since the series began in 1990. The all pooled funds composite outperformed the FTSE Real Estate Index (-15.1% return) but fell well short of UK long dated gilts and equities, which came in at 4.7% and -0.3% respectively.

The calendar year return to all pooled funds was also negative, at -6.7%, and a record 12-month low since Q3 1991. Again the FTSE long gilts and All-Share Indices performed much better over the period, reporting 6.4% and 5.3%, and real estate equities much worse, returning a massive -36.7%. The All Balanced Funds Index (which measures only funds diversified across sectors and location) fared slightly better for the year, but also came in at -5.2%.

Returns from the Pooled Funds Indices remain consistently in line with direct property performance as measured by the IPD UK monthly index. In current market circumstances, with debt both more expensive and difficult to arrange, this is perhaps surprising given that pooled funds returns are reported after taking into account the effects both of gearing and management fees. However, over a ten-year period pooled property funds have fared much better against their counterparts, returning on average 12.4% p.a. compared with gilts (6.1%), equities (6.2%) and real estate equities (8.2%).

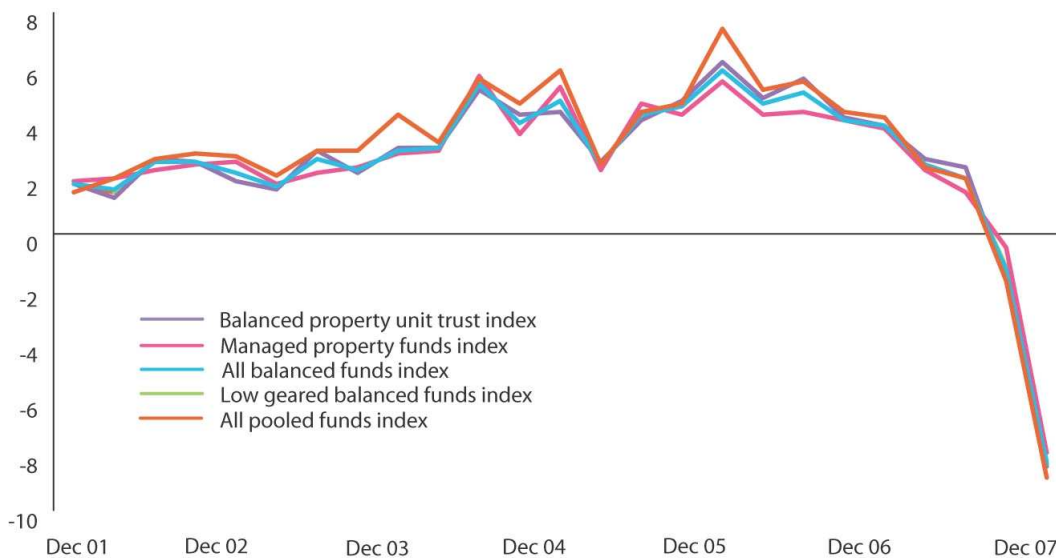
Performance across sectors did not point to any clear winners. Both Balanced and Specialist funds recorded largely negative returns. Only two specialist funds recorded a positive return in the three months to December 2007. Over the full 12-month period however, specialist funds came out on top with ten funds reporting a positive return compared with just one in the balanced funds group. Specialist funds had both the best and worst performer, and the spread between their extremes was a massive 53.9%. Predictably, the highly geared specialist funds sustained some of the most painful hits.



Funds targeting the Residential sector, especially those focusing on student accommodation, which were among the best performers last quarter continued to outperform all other sectors. Of the top five specialist funds in 2007, three were residential focused. Office sector funds, especially those in the West End and Mid Town, fared much better than both Retail and Industrial sector funds.

Cameron McVean, Head of Fund Services at IPD, said: 'The 2007 year end figures for the IPD UK Pooled Property Fund Indices clearly show that property funds have experienced a serious down turn in the last six months. However, the ten-year results do demonstrate a key strategic role for this asset class within the longer term asset allocation plans of institutional investors'.

Historic performance – 3 months total returns %



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