

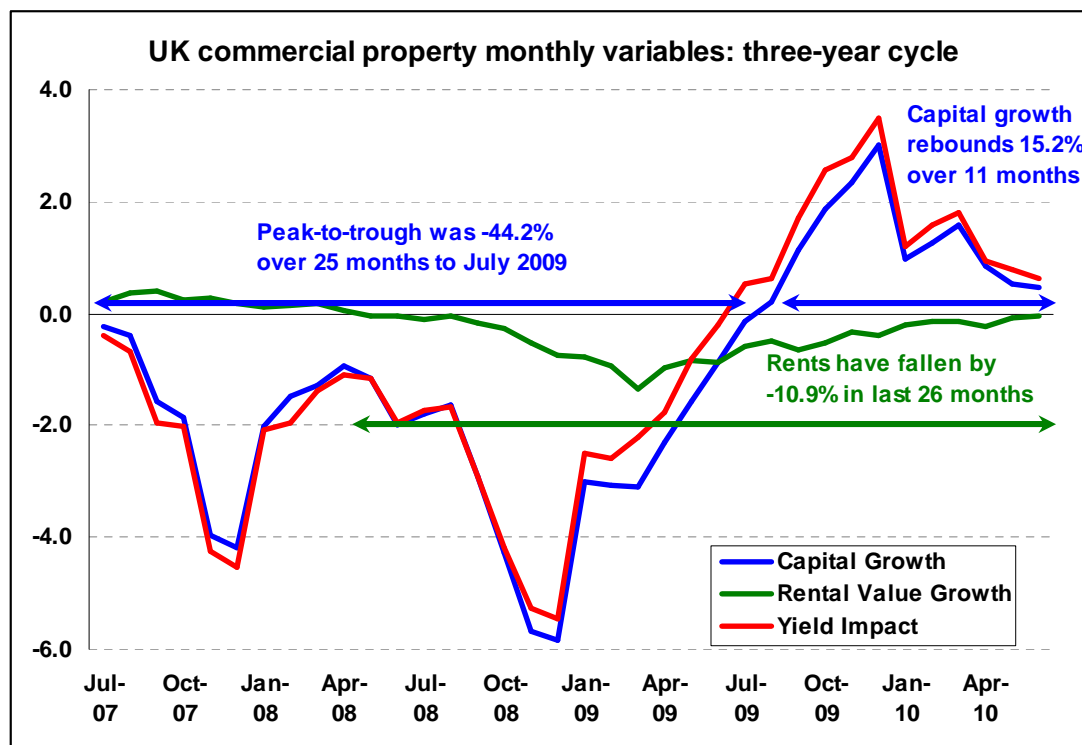
### Property rebound tops 15% three years on from peak, says IPD

**London, 14<sup>th</sup> July 2010:** UK commercial property capital appreciation has eased to its slowest quarterly growth since Q3 last year when the rebound manifested last August, at 1.9% over the second quarter, according to June's **IPD UK Monthly Index**.

In June, the monthly capital growth was 0.5% – level with May's figure – which, together with 0.6% income return delivered a 1.0% total return.

#### Three-year property cycle

The latest IPD monthly numbers pass the third anniversary of the UK market's peak in June 2007. UK commercial property's subsequent rapid -44.2% re-pricing cycle over 25 months to July 2009, gave way to a sharp rebound in which values rose by 15.2% over the 11 months to June 2010. Commercial property values are now back to December 2008 levels – with the re-pricing from the first 18 months of the correction still unreversed.

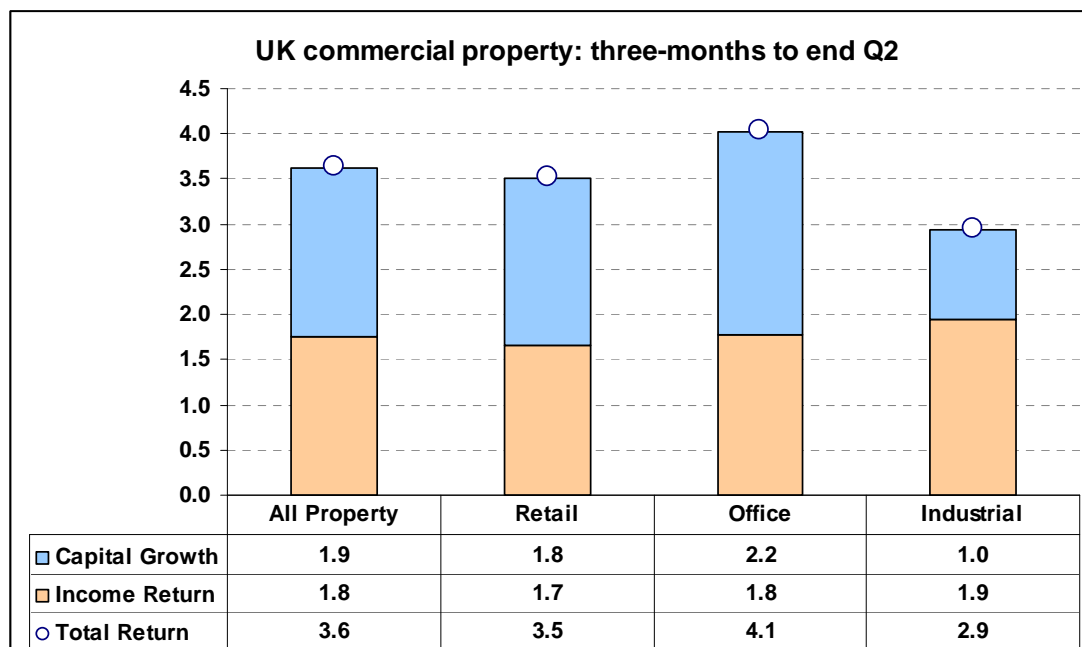


Source: IPD UK Monthly Index

This property cycle is also notable in the manner in which the two drivers of property values – yields and rents – have acted as counter influences on capital growth for the majority of the three-year period. Over the first 10 months from summer 2007, a substantial 115 basis points yield expansion was mitigated marginally by 2.2% rental growth.

Over the 15 months from May 2008, yields and rents both aligned to exert downward pressure on capital values until yield compression returned last July – over the subsequent 12 months yields came in by 175 basis points, with capital appreciation tempered by a -3.1% fall in rental values over this period.

**Phil Tily, newly-appointed UK and Ireland Managing Director at IPD, said:** “This property cycle brings into sharp focus the power of sentiment in driving the direction of commercial property values. Over the second quarter of this year, the influences of yield and rents have softened delivering much more temperate capital values movements in recent months.”



Source: IPD UK Monthly Index

Offices is the first sector to deliver positive quarterly rental growth in the recovery phase, albeit a modest 0.1%, which possibly reflects the speed and depth to which rental levels had fallen in the sector relative to the rest of the market.

From their respective peak levels, office rents have fallen by -16.8% (since March 2008), retail rents are down by -9.0% (since August 2008), while industrial rents have declined by -6.4% (since October 2008). All property rents have now fallen by – 10.9% since April 2008.

The strongest yield compression among the sectors is also in offices, which saw a quarterly yield impact of 2.8%, followed by retail at 2.4% and industrials with 1.6%.

**Tily added:** “After a volatile three years, the fundamentals driving property markets finally appearing to be moderating. Whether this proves to be the calm after a very long storm of course depends upon the course of the domestic economy and the impact that will have on both domestic and overseas investor confidence.

“Should capital growth reverse, the focus will turn to how to stimulate a long-term, sustainable rental recovery as income is the long-term driver of commercial property returns for investors.”

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**Notes to editors:**

IPD is a global information business, dedicated to the objective measurement of commercial real estate performance. As the world's number one provider of real estate performance analysis for funds, investors, managers and occupiers, IPD offers a full range of services including research, reporting, benchmarking, conferences and indices. IPD operates in more than 20 countries including most of Europe, the US, Canada, South Africa, Australia, New Zealand and Japan. IPD's indices are the basis for the developing commercial property derivatives market, and the most authoritative measures of real estate returns worldwide. For further information visit [www.ipd.com](http://www.ipd.com) and for IPD's News Centre visit [www.ipd.com/news](http://www.ipd.com/news)



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