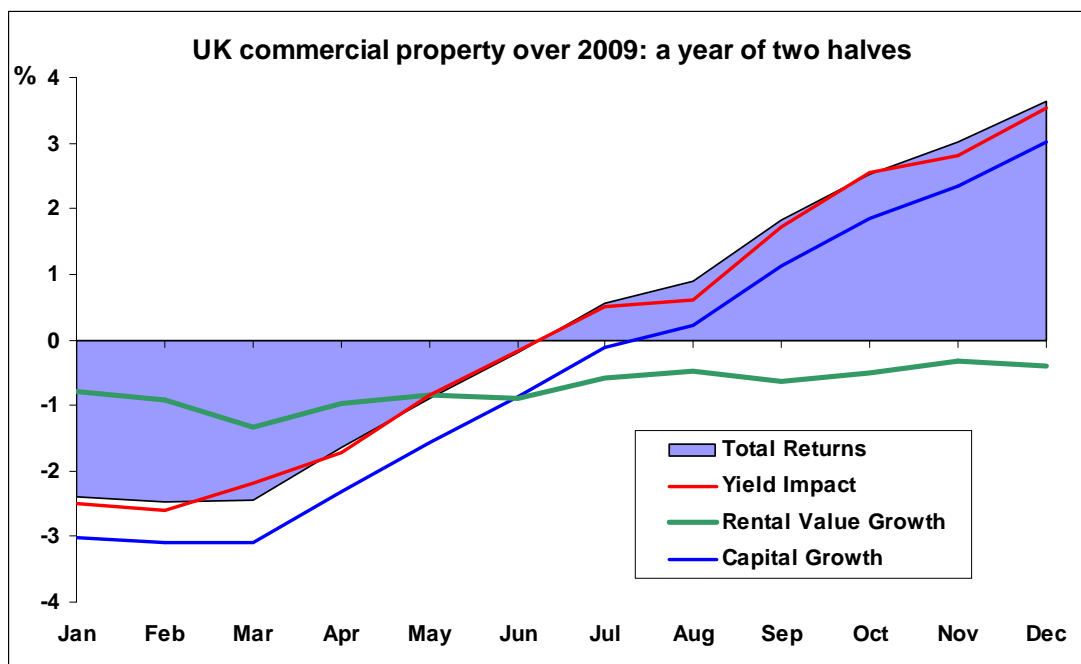


### Record monthly capital growth lifts returns positive, says IPD

**London, 15<sup>th</sup> January 2010:** The final month of last year delivered the largest monthly capital growth in IPD's 23-year history, at 3.0%, according to December's [IPD UK Monthly Index](#). The figure beats the 2.9% delivered exactly 16 years earlier in December 1993, at the end of the last major property recession.

The fifth-consecutive monthly gain, which amounted to a compounded growth of 8.8%, was sufficient to lift returns on UK commercial property into positive territory for the calendar year. In the first IPD indication of the year, UK commercial property annual total returns for 2009 were 2.2%, while capital growth was -5.6%.



Source: IPD UK Monthly Index

#### **2009: a year of two halves**

As the chart above illustrates, over the first six months of last year initial yields across all three sectors continued to expand, albeit at a slower pace, which together with a recession-led weakening in rental levels caused capital growth to continue to fall. Incrementally over the first half of last year yield pressure softened as rental growth weakened.

At the start of the second half of 2009, the key driver of capital growth flipped with yield impact, which measures the influence yield movements have on capital values, turning positive. A subsequent easing in rental pressure was sufficient to produce the first positive monthly capital growth figure in August – at a modest 0.2%. The month-on-month yield compression then led to a rapid turnaround in fortunes, although December’s rental value growth was marginally weaker than the previous month, at -0.4%.

### **Headline sector analysis**

At the sector level, the most recession-sensitive sector, Offices, began its recovery latest. After a capital growth decline of -14.0% over the first eight months of the year, the Office sector staged a recovery from September to the end of year, at 6.4% to end 2009 at -8.4%. In the Retail sector, over the first six months of 2009 capital growth fell by an identical amount, at -14.0%, but returned to positive capital growth in July delivering 11.3% to December to end the year at -4.3%. The Industrial sector’s initial capital depreciation last year was the shallowest, at -11.0% over the seven months to July, before a compounded 7.3% capital growth over the final five months to end the year at -4.5%, marginally worse than the Retail sector.

### **Longer term picture**

From the start of the early decade property market rally in January 2002, unbroken monthly capital growth over five and a half years to July 2007 saw values rise by 52.9%, followed by a 25-month peak-to-trough to July 2009 in which markets fell by 44.2%. At the tail-end of the decade, the reversal of market fortunes was such that quarterly capital growth over the three months to December 2009 was the largest on the Monthly Index records, at 7.4%.

Over the decade, compounded nominal total returns were 81.5%, driven entirely by income returns of 90.5% while capital growth decline by -4.8%. On an annualised basis total returns, capital growth and income returns were 6.1%, -0.5% and 6.7%, respectively.

UK commercial property annual investment returns, at 2.2%, outperformed the bond markets<sup>1</sup>, which fell by -0.3% but significantly underperformed against the recovery in wider equity markets<sup>2</sup>, which delivered 30.1%.

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**Notes to editors:**

A more detailed sector and segment analysis of the UK property market will be delivered at the [IPD UK 2009 Results Launch](#), follow the link to the online booking form.

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)

The IPD UK Monthly Property Index is based on a sample of 3,368 properties covering £27.7bn at the end of December 2009.

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<sup>1</sup> Source: FT Gilts 5 - 15 Years Index

<sup>2</sup> Source: FT All-Share Index