



UK commercial property capital value decline slows, says IPD

London, 5th May 2009: UK commercial property capital values fell by a further 8.7% in the first quarter of 2009. The decline has slowed noticeably since the record 14.3% fall recorded in Q4 2008, according to the IPD UK Quarterly Property Index published today. Income return also edged up to 1.7%, from 1.5% last quarter, largely as a product of the continuing falls in asset values.

The All Property total return was -7.1% over the quarter, which still just exceeded that of equities (at -9.1%), but lagged well behind bonds which returned 2.2%.

In contrast the decline in rental values gathered pace, from the -1.5% fall recorded in Q4 2008 to -3.0% in Q1 2009.

The Industrial sector marginally outperformed the other main asset types, with a capital value decline of 7.6%, compared with the -9.0% write down suffered by both the Retail and Office sectors.

All Property equivalent yields rose to 8.9% in the first quarter of 2009, from 8.2% last quarter.

The IPD UK Quarterly Property Index is the UK's most comprehensive quarterly measure of property investment market movements in values and returns, reflecting the performance of a databank of more than £80bn.

Malcolm Frodsham, IPD Research Director said: "Real estate has endured a rapid fall in capital values in response to a wave of selling from both retail and institutional funds. These funds may be emerging from the pressure of forced sales designed to shore up balance sheets and meet redemptions, but the impacts of an economic recession are now being felt, and rents are falling rapidly across a broad spectrum of assets."

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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 offer a full range of services including research, reporting, benchmarking, conferences and indices. The company operates in over 20 countries including most of Europe, the US, Canada, Australia, New Zealand and Japan. Its 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

The IPD UK Quarterly Property Index measures returns to direct investment in UK commercial property. It shows total return on capital employed in market standing investments (i.e. properties held from one monthly valuation to the next) but excludes any properties bought, sold, under development, or subject to major refurbishment in the course of the month.

The IPD UK Quarterly Property Index is compiled from valuation and management records for individual buildings in complete portfolios, collected direct from investors by IPD. All valuations used in the IPD UK Quarterly Index are conducted by qualified valuers, independent of the property owners or managers, working to RICS guidelines. The quarterly results are chain-linked into a continuous, time-weighted, index series.

The IPD Quarterly Index began in Q1 2001 and now has a history of 33 quarters. The sample at the end of Q1 2009 was £80 billion — nearly three times that of the IPD Monthly Index.

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