



Executive summary

Key points

- Quarterly property returns over Q3 2015 were 3.4%, bringing the total return over the past 12 months to 15.4%
- A combination of yield compression and rising rents led to a 2% increase in capital values over the quarter
- The office sector showed the strongest performance over the quarter, returning 4.6%. The industrial and retail sectors returned 4% and 2.4% respectively
- Rental values rose by 1.25% over Q3 as all sectors saw rental increases, the highest quarterly value since Q3 2007
- Secondary properties outperformed prime properties, with high yielding 'value' properties returning 3.7% and low yielding 'growth' properties returning 3.4%
- Looking at other asset classes, gilts saw the strongest returns over the quarter at 4.3%, with property at 3.4% and equities at -5.7%
- London continued to outperform the rest of the country, returning 4.3% compared with just 3.2% for the rest of the UK, although the gap between the two continued to narrow

Property index

Property performance (%)

	All property	Total returns	Capital value growth	ERV growth	Net income
Second quarter 2015		3.6%	2.1%	1.1%	1.5%
Third quarter 2015		3.4%	2.0%	1.25%	1.4%
Annual to September 2015		15.4%	8.8%	4.2%	6.0%

Total return (%)

	All property vs. other asset classes	All property	15 year gilts	FTSE all share
Second quarter 2015		3.6%	-4.6%	-1.6%
Third quarter 2015		3.4%	4.3%	-5.7%
Annual to September 2015		15.4%	10.7%	-2.3%

Yields (%)

	All property vs. other asset classes	All property income yield	15 year gilts gross redemption yield	FTSE all share dividend yield
Second quarter 2015		6.1%	2.4%	3.5%
Third quarter 2015		6.0%	2.1%	3.7%

Components of total return (income return vs. yield impact vs. rental growth)



Performance by sector

Total returns by sector (%)

	Office	Retail	Industrial
Second quarter 2015	4.9%	2.1%	4.3%
Third quarter 2015	4.6%	2.4%	4.0%
Annual to September 2015	21.3%	9.1%	20.1%

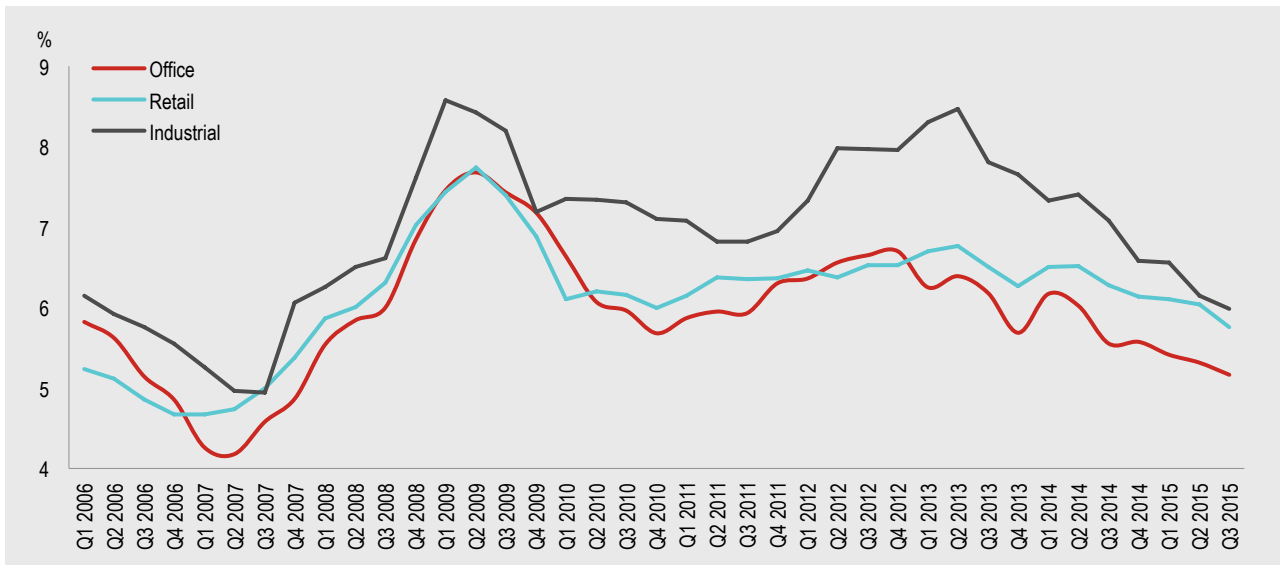
Capital growth by sector (%)

	Office	Retail	Industrial
Second quarter 2015	3.6%	0.6%	2.7%
Third quarter 2015	3.2%	1.0%	2.4%
Annual to September 2015	15.0%	2.8%	12.8%

Rental growth by sector (%)

	Office	Retail	Industrial
Second quarter 2015	2.0%	0.3%	0.9%
Third quarter 2015	2.7%	0.3%	1.0%
Annual to September 2015	9.0%	0.6%	3.5%

Office, retail and industrial – income yield



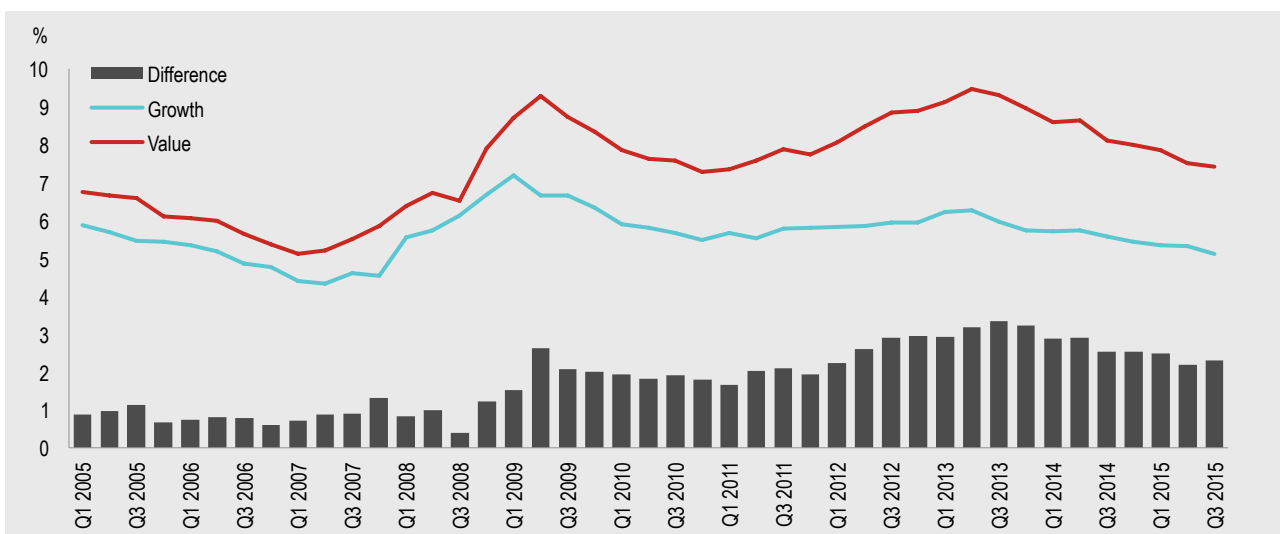
Style index

Property returns by investment style (%)

Prime (growth) properties	Total returns	Capital value growth
Second quarter 2015	3.2%	1.9%
Third quarter 2015	3.4%	2.1%
Annual to September 2015	15.0%	9.1%

Secondary (value) properties	Total returns	Capital value growth
Second quarter 2015	4.7%	2.7%
Third quarter 2015	3.7%	1.8%
Annual to September 2015	16.5%	8.0%

Investment style – income yield



Returns - London vs. rest of UK	London	London & South East	Rest of UK
Second quarter 2015	4.5%	4.1%	3.0%
Third quarter 2015	4.3%	3.7%	3.2%

London vs. London South East vs. rest of UK



Definitions

Based on existing practices in the equity market JLL constructed a style index to analyse the performance of two investment styles, prime (growth) and secondary (value) distinguished by income and defined by their yields as follows:

- a prime (growth) property is a low yielding property
- a secondary (value) property is characterised by high yields

Index does not include Capital Expenditure.

Contacts

Himanshu Wani
Associate Director
UK Research
30 Warwick Street
London
W1B 5NH
+44 (0)207 087 5142
himanshu.wani@eu.jll.com

Mike Penlington
Director
Valuation Advisory
30 Warwick St
London
W1B 5NH
+44 (0)20 7399 5833
mike.penlington@eu.jll.com

UK Property Index – Q3 2015

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