



Research
Programme
2011-2015

Investment Property Forum Survey of Independent Financial Advisors

February 2013

This research was commissioned by the IPF Research Programme 2011–2015



This research was funded and commissioned through the IPF Research Programme 2011–2015.

This Programme supports the IPF's wider goals of enhancing the understanding and efficiency of property as an investment. The initiative provides the UK property investment market with the ability to deliver substantial, objective and high-quality analysis on a structured basis. It encourages the whole industry to engage with other financial markets, the wider business community and government on a range of complementary issues.

The Programme is funded by a cross-section of 22 businesses, representing key market participants. The IPF gratefully acknowledges the support of these contributing organisations:



IPF Survey of IFAs February 2013

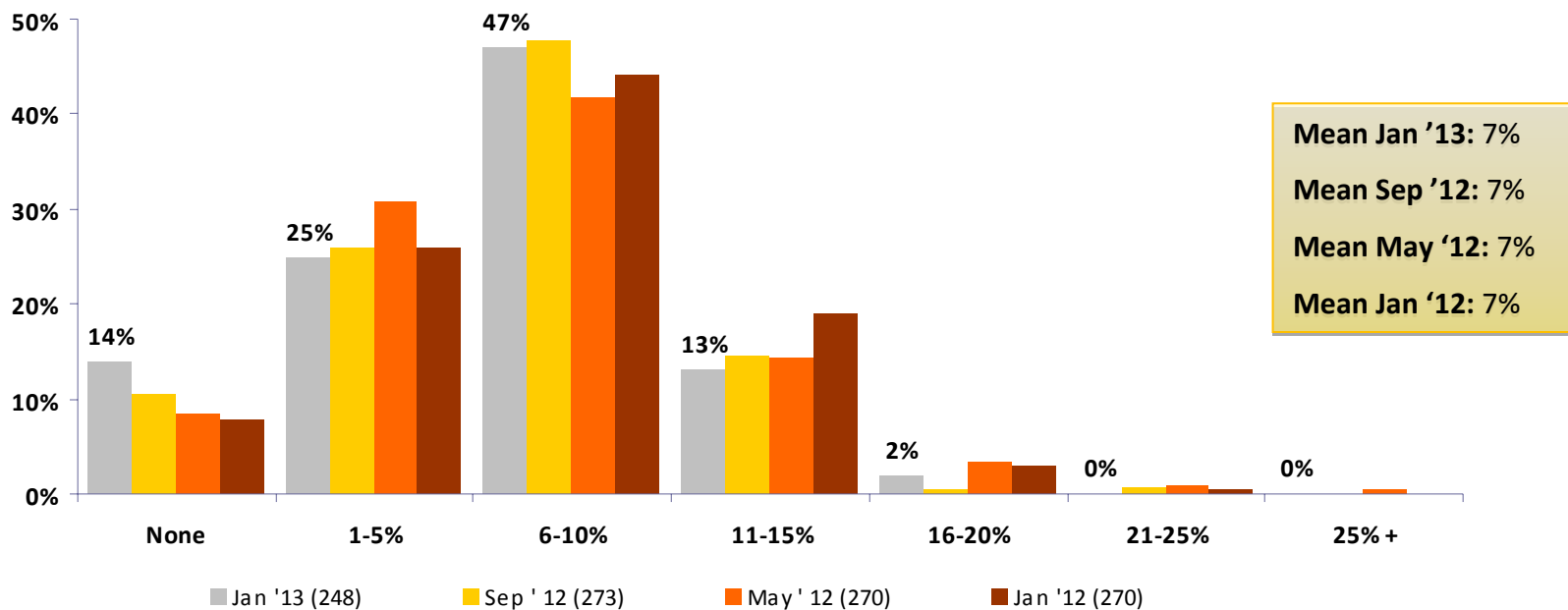
- The IPF Census is the largest regular survey of IFAs, providing a unique insight into the attitudes and behaviours of intermediaries towards real estate investment;
- The results shown in this report are based on 248 advisers who generate 25% or more of their income from savings, investments or pensions;
- Fieldwork was undertaken between 10 and 22 January 2013;
- This research commenced in May 2008 and results have been tracked regularly; the comparisons referred to in this report relate to varying time periods.

Summary

- From a peak in 2010, the proportion of advisors recommending an increase in property investment has declined, although this trend was arrested in 2012. The average recommended allocation has remained stable, at around 7% of total assets, over recent surveys;
- Average expected returns from property have remained relatively constant for the last year across all three time-frames measured;
- There has been little change in the required return over the risk-free rate for property and equities, the latter c. 1% higher than property;
- UK collective property funds remain the most popular investment vehicle, followed by pension and life funds;
- The UK remains the most preferred location for investment although Asia has seen the greatest increase in interest since the last survey;
- Anticipated demand for residential investments has resumed this survey with offices and healthcare sectors remaining popular.

Recommended % of portfolios allocated to property investments

The average recommended allocation to property has remained broadly consistent over the last four waves, with the majority of IFAs advising under 10%.

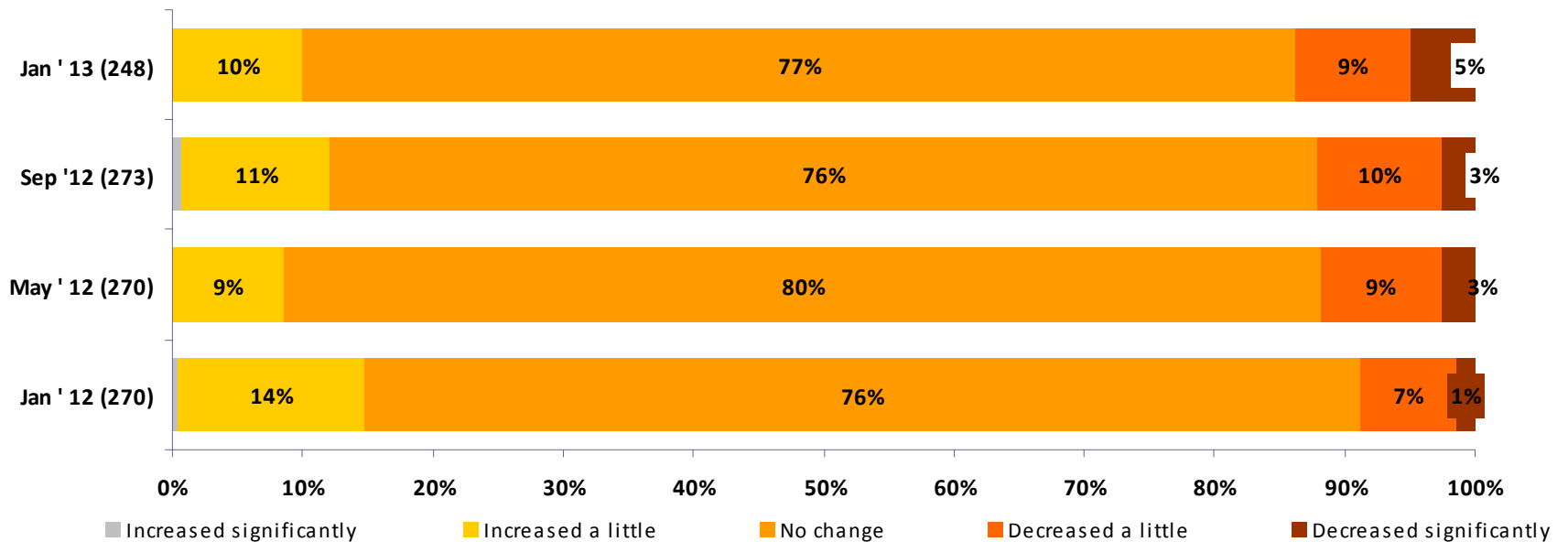


Base: All Respondents: See chart

What percentage of a client's portfolio would you typically recommend being allocated to property investments (either directly invested in real estate or via an investment vehicle)?

Changes in recommendations to invest in property

Differences between advisor recommendations and clients' actual levels of investment in property continue to be fairly consistent with recent waves.

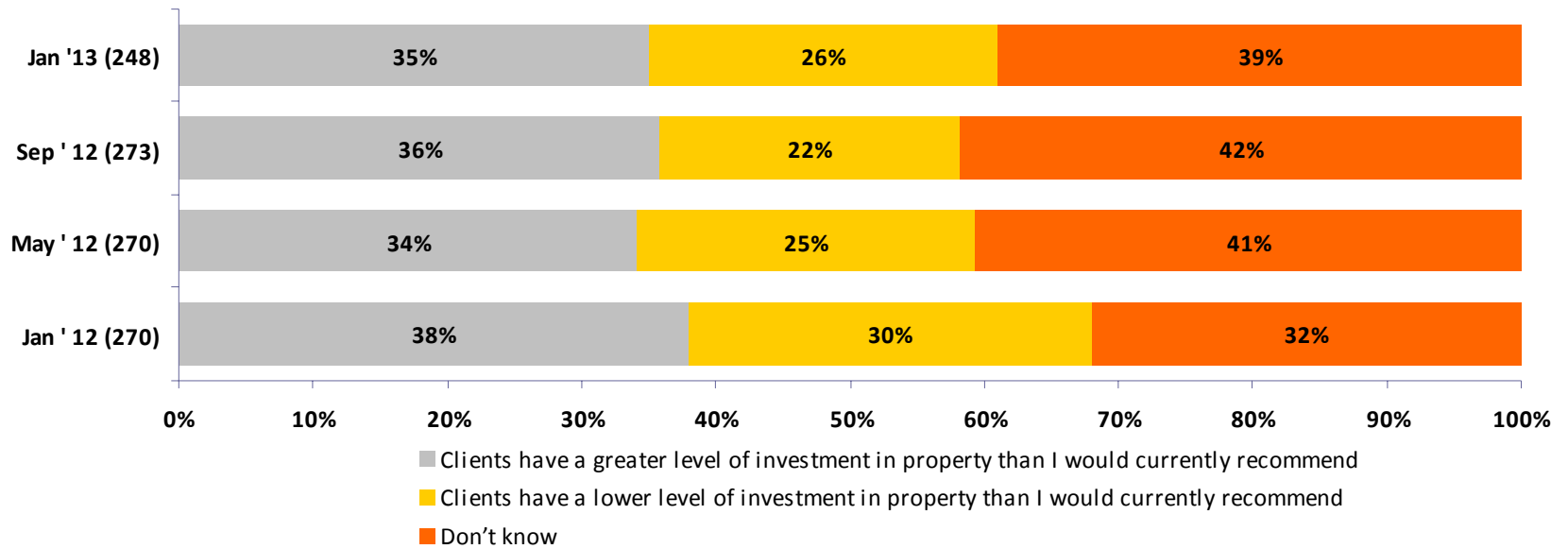


Base: All Respondents: See chart

How have your recommendations to invest in property (directly or via an investment vehicle) changed over the past 3 months?

Clients' level of property investment

Differences between advisor recommendations and clients' actual levels of property investment also remain similar to the last wave.

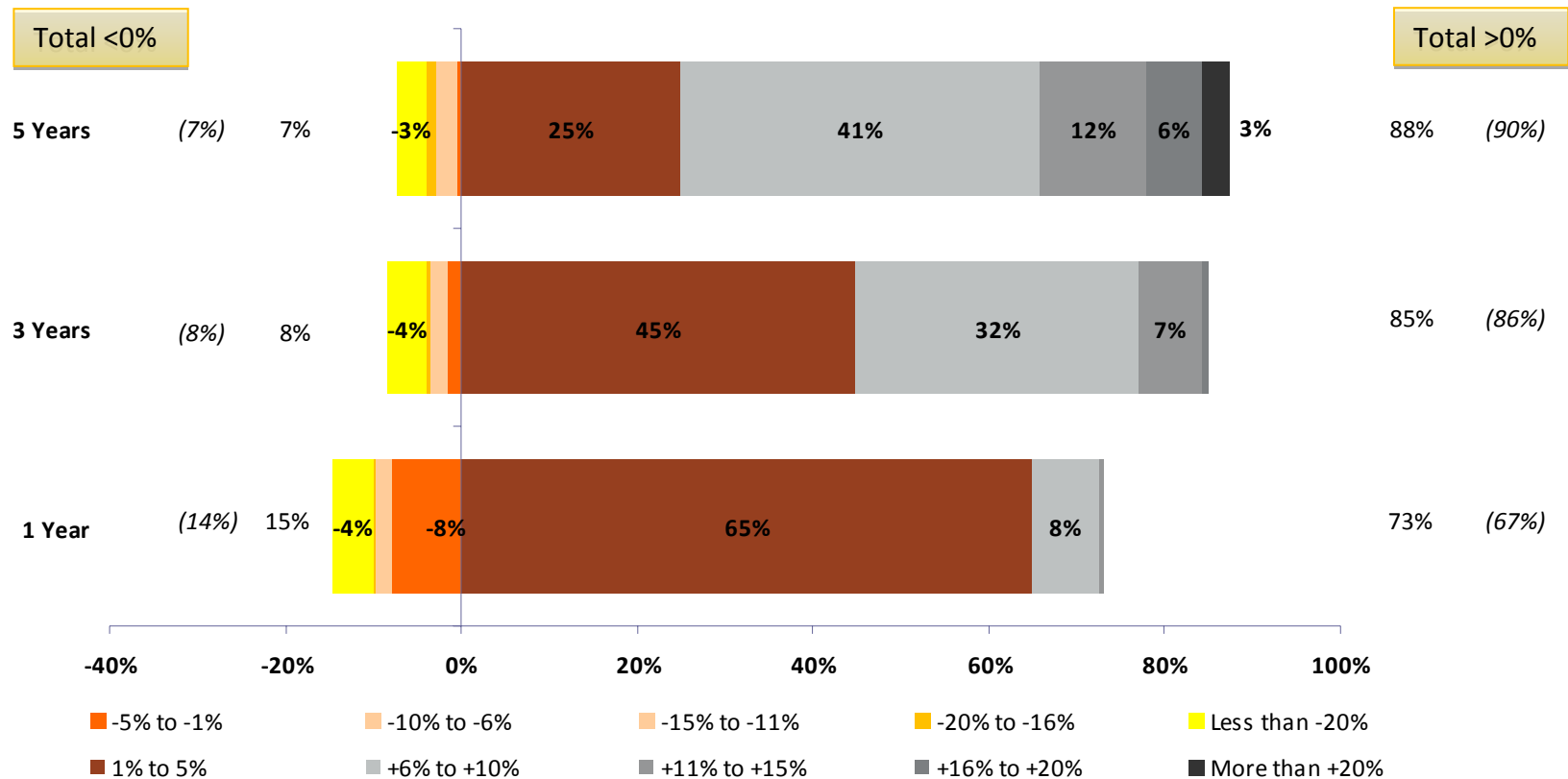


Base: All Respondents: See chart

How does your current recommended level of investment in property (directly or via an investment vehicle) compare to your clients' typical current level of holdings?

Expected average annual returns

The majority of advisors anticipate future total returns from property to remain positive; the level of expected positive returns after one year has returned to previous levels.

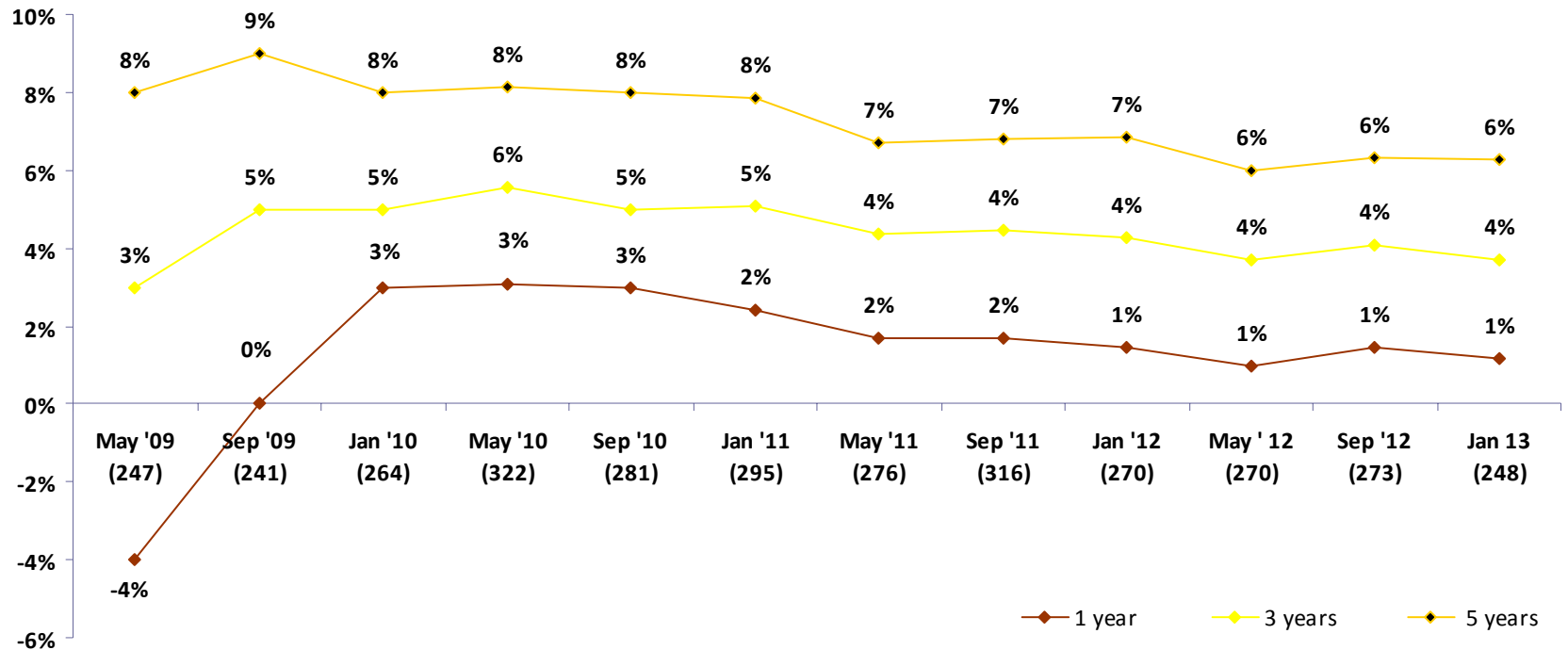


Base: All respondents: Jan '13 (248), Sep '12 (273) (FIGURES IN BRACKETS = May '12)

What are your expected average annual returns from property investments over each of the following periods?

Average expected annual returns from property investments

Average expected returns for one-, three- and five-year time frames have remained steady for over a year.

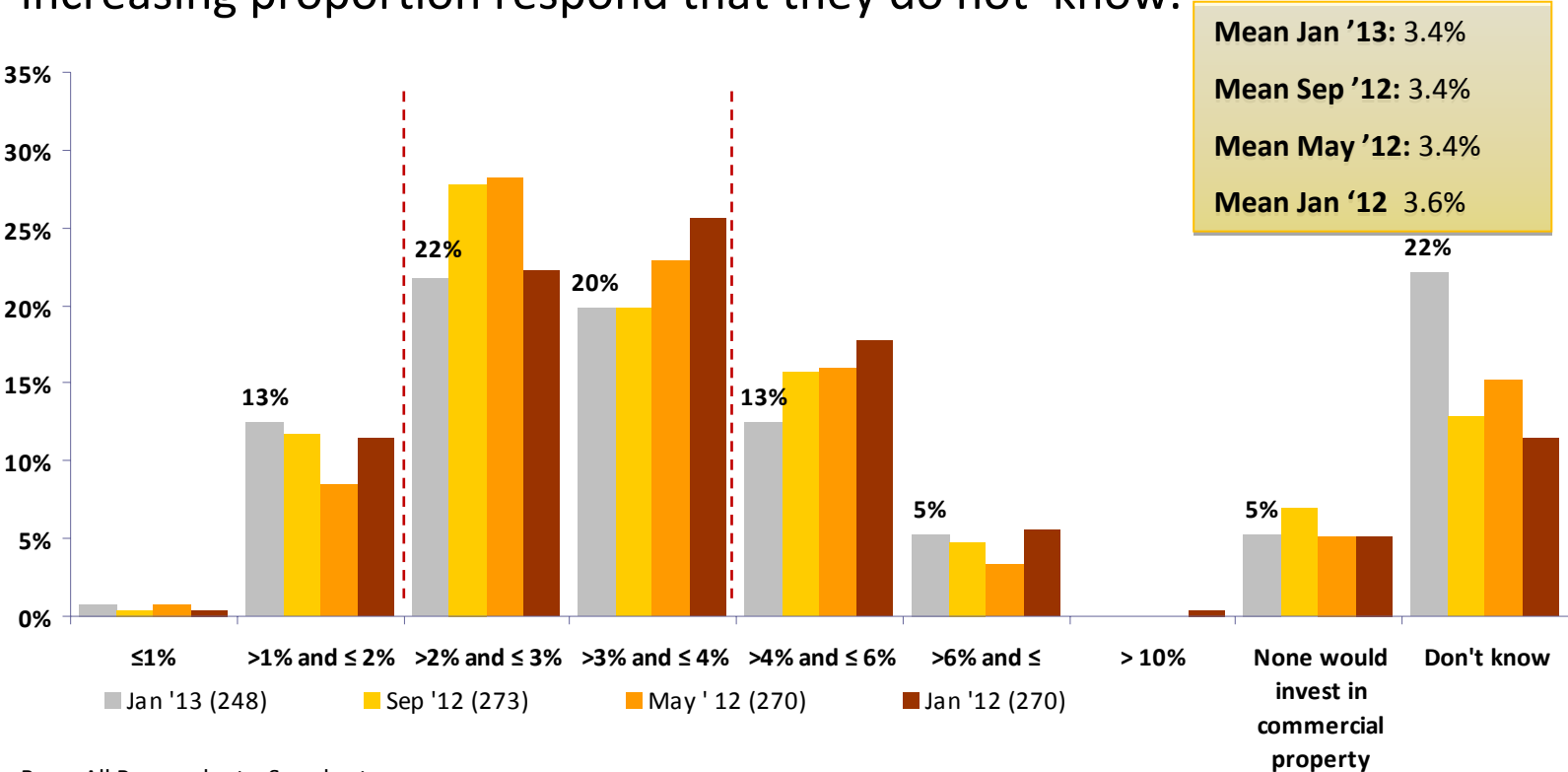


Base: All Respondents: See chart

What are your expected average annual returns from property investments over each of the following periods?

Minimum threshold rate of return for commercial property

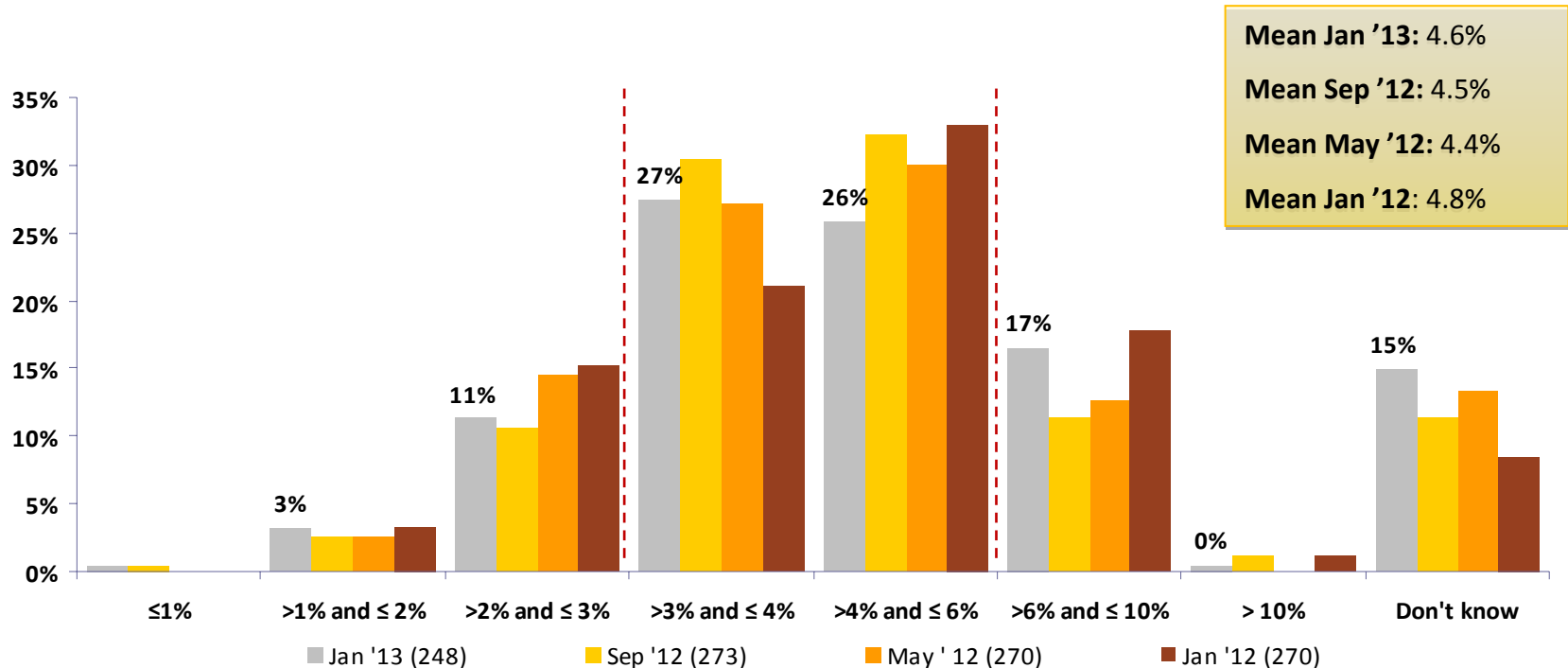
The majority of IFAs believe their clients seek a minimum threshold rate of return from their commercial property investments of between 2% and 4% above the risk free rate, although an increasing proportion respond that they do not know.



Base: All Respondents: See chart
 What minimum threshold rate of return would your clients require above a risk free rate from their commercial property investments?

Minimum threshold return for equity investments

Advisers maintain their view that their clients require around a 1% higher minimum threshold return from their equity investments than for commercial property.

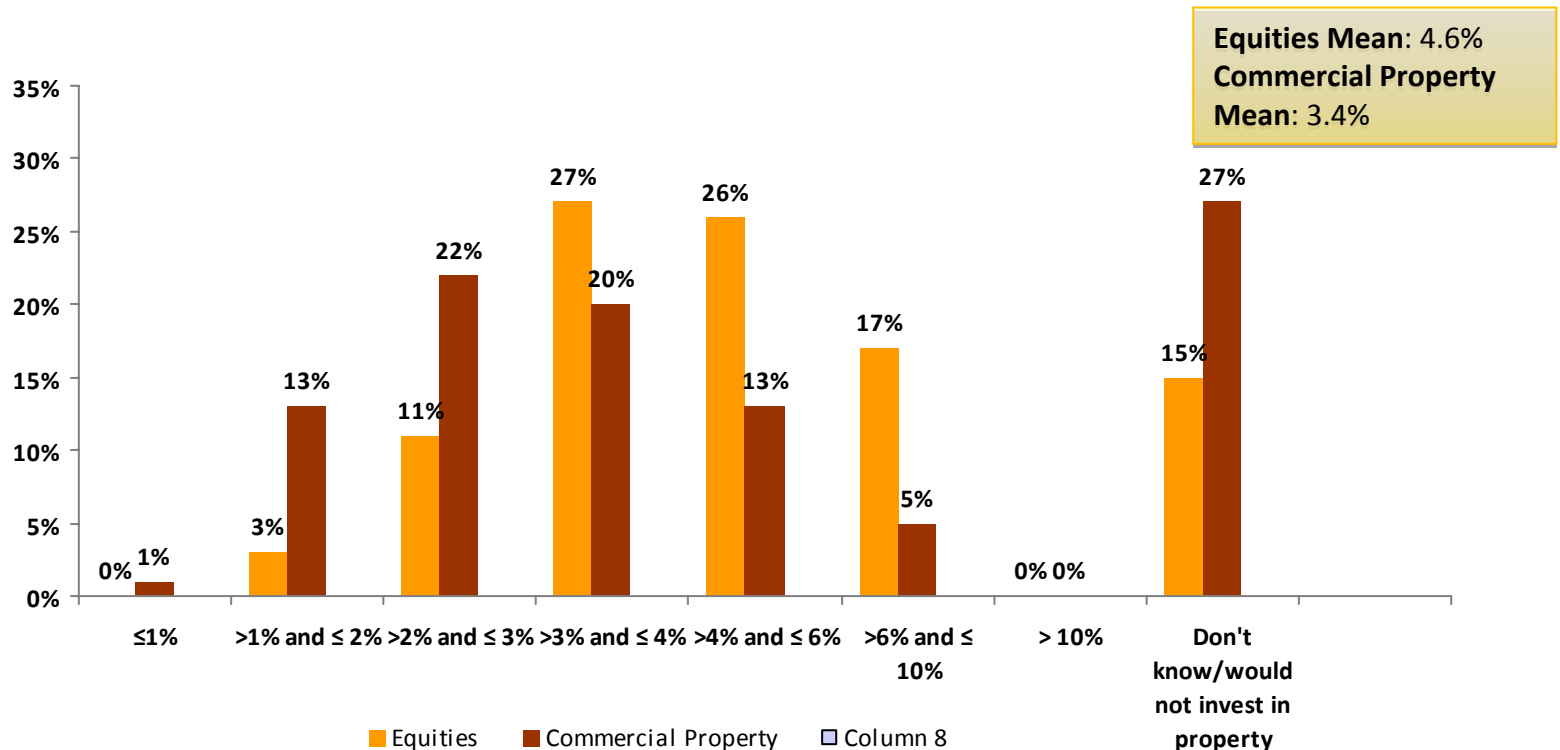


Base: All Respondents: See chart

What minimum threshold rate of return would your clients require above a risk free rate from their equities investments?

Minimum threshold rate of return for property vs. equity investments

The mean additional return required to compensate for the great risk of investing in equities over commercial property remains at c. 1%.

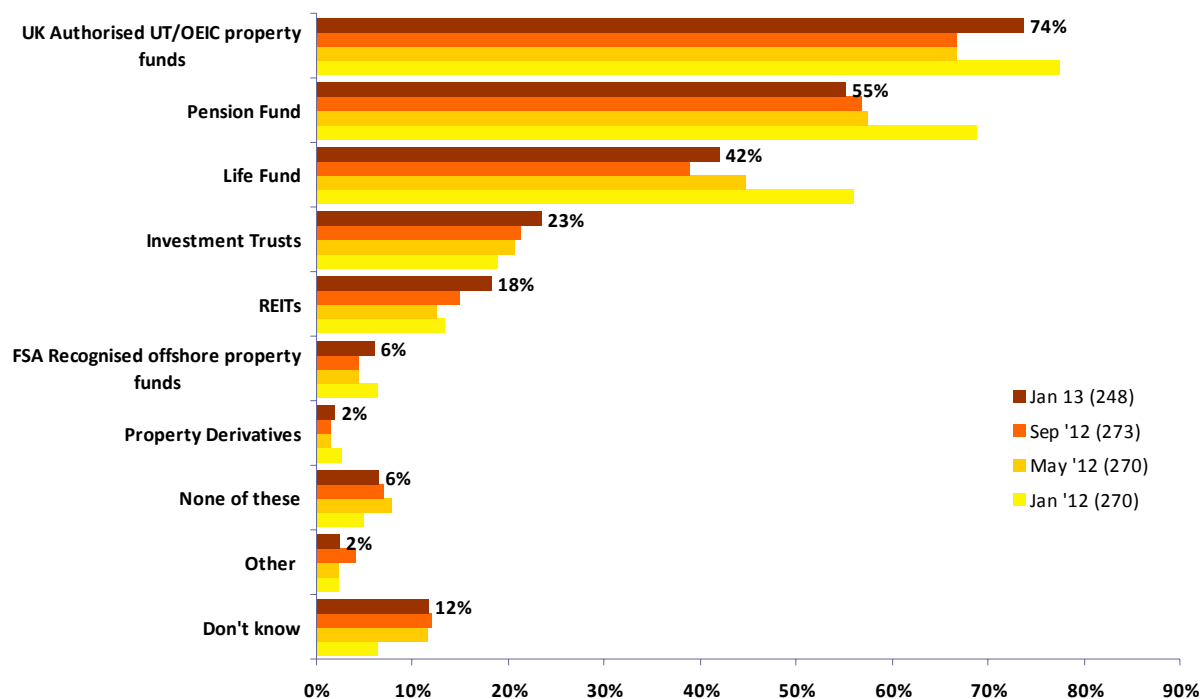


Base: All Respondents: See chart

What minimum threshold rate of return would your clients require above a risk free rate from their equities/ commercial property investments?

Products likely to be used for collective investments

UK Authorised collective funds remain the most popular vehicle for use over the next six months (up from 67% in September); life funds have seen a reversal of declines over the last three surveys .

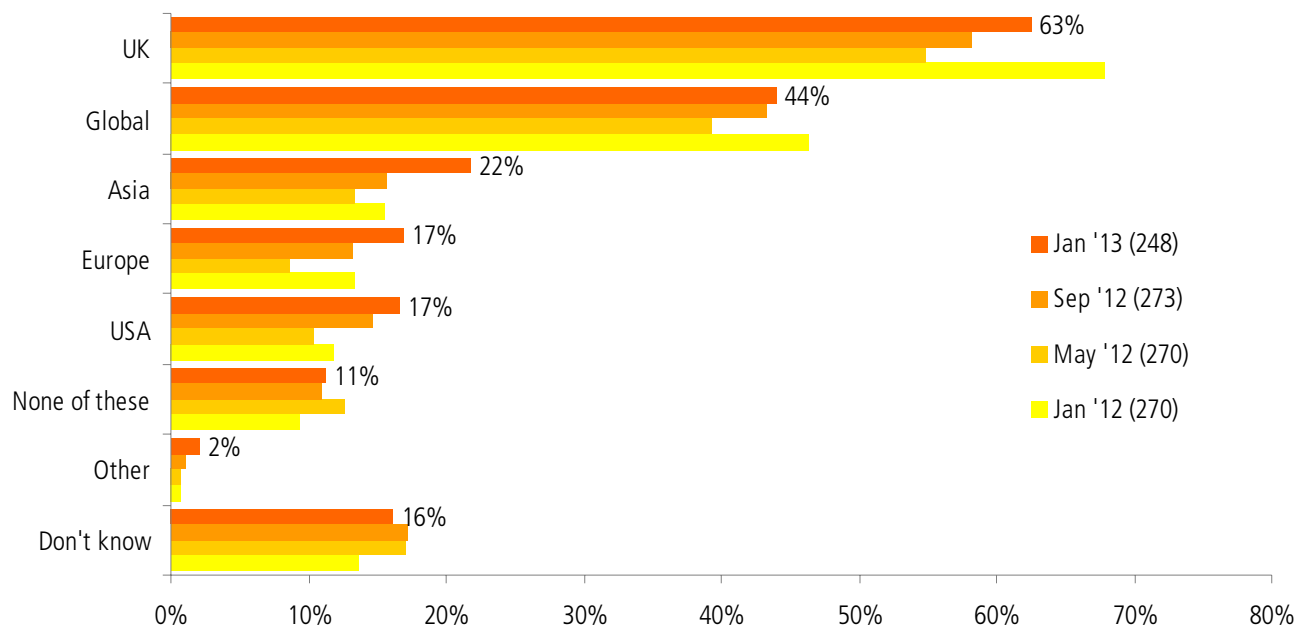


Base: All Respondents: See chart

Which of the following are you likely to use for collective investments over the next 6 months? Please tick all that apply.

Likely geographical areas for property investments

The UK remains the most likely destination for investment over the next six months; Asia has seen the largest increase since the last survey.

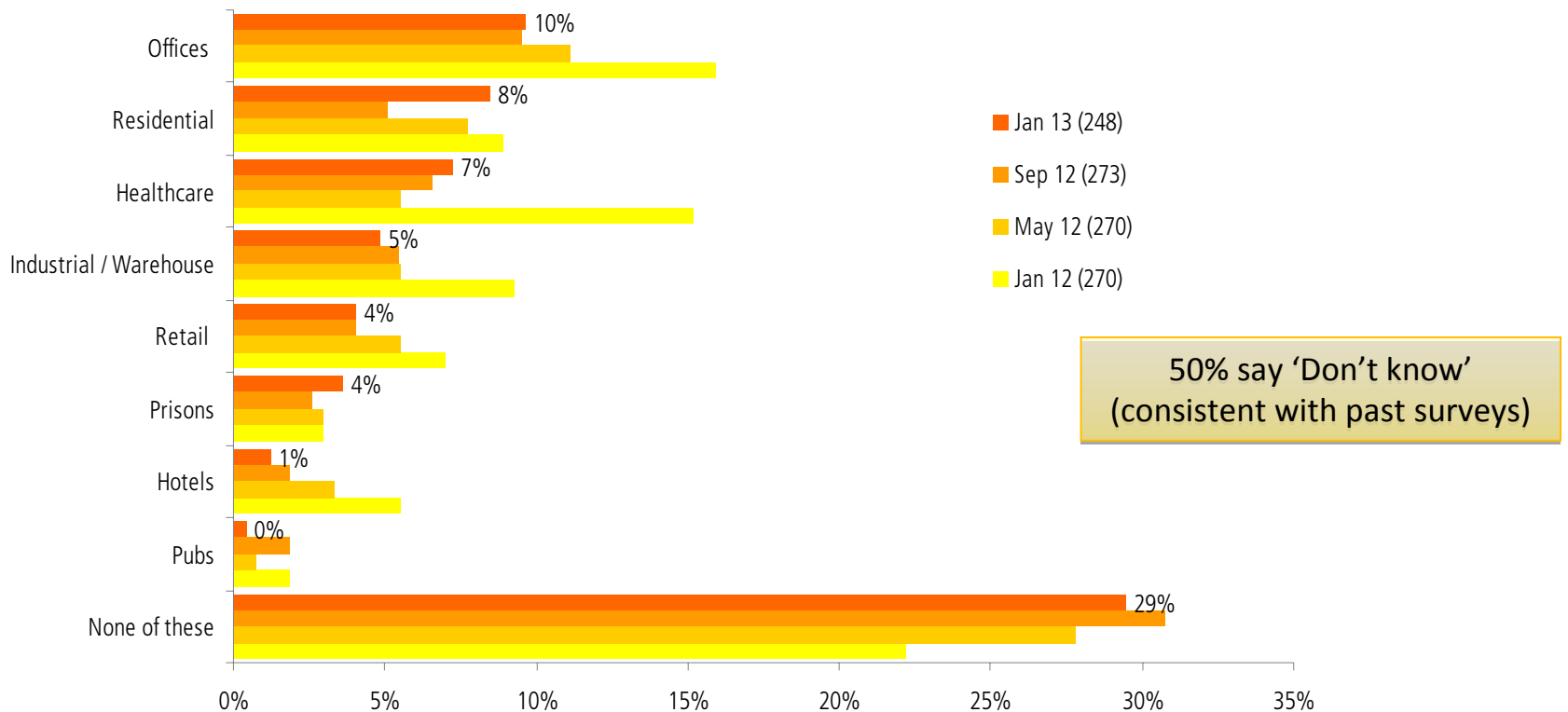


Base: All Respondents: See chart

Which geographical areas are you likely to recommend for property investments over the next 6 months? Please tick all that apply.

Anticipated demand for sectors over next six months

Anticipated demand for residential has resumed this wave, with offices and healthcare remaining popular.

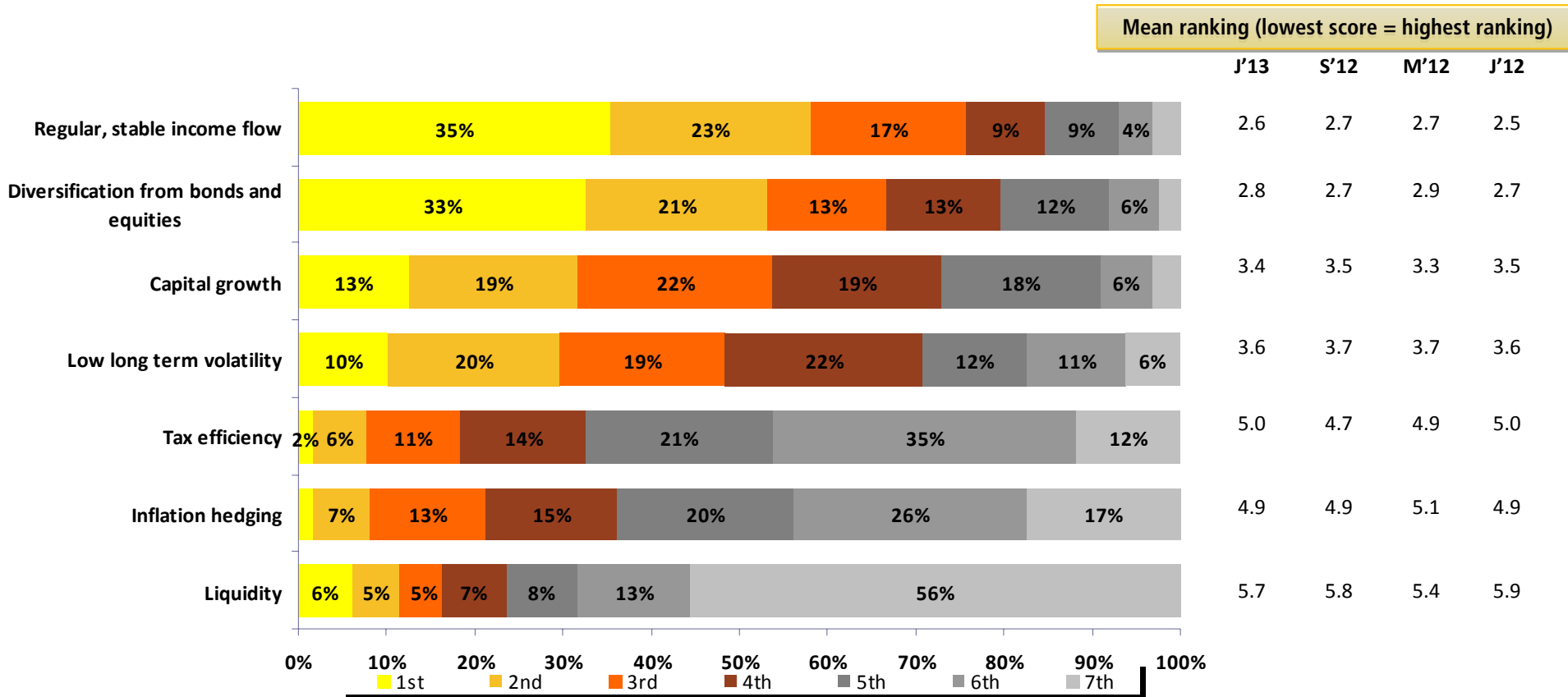


Base: All Respondents: See chart

Do you anticipate a demand for any of the following sector specific property investments over the next 6 months? Please tick all that apply.

Importance of features of property investments

‘Regular, stable income flow’ and ‘diversification’ remain the most important features, while ‘Liquidity’ is the least important.

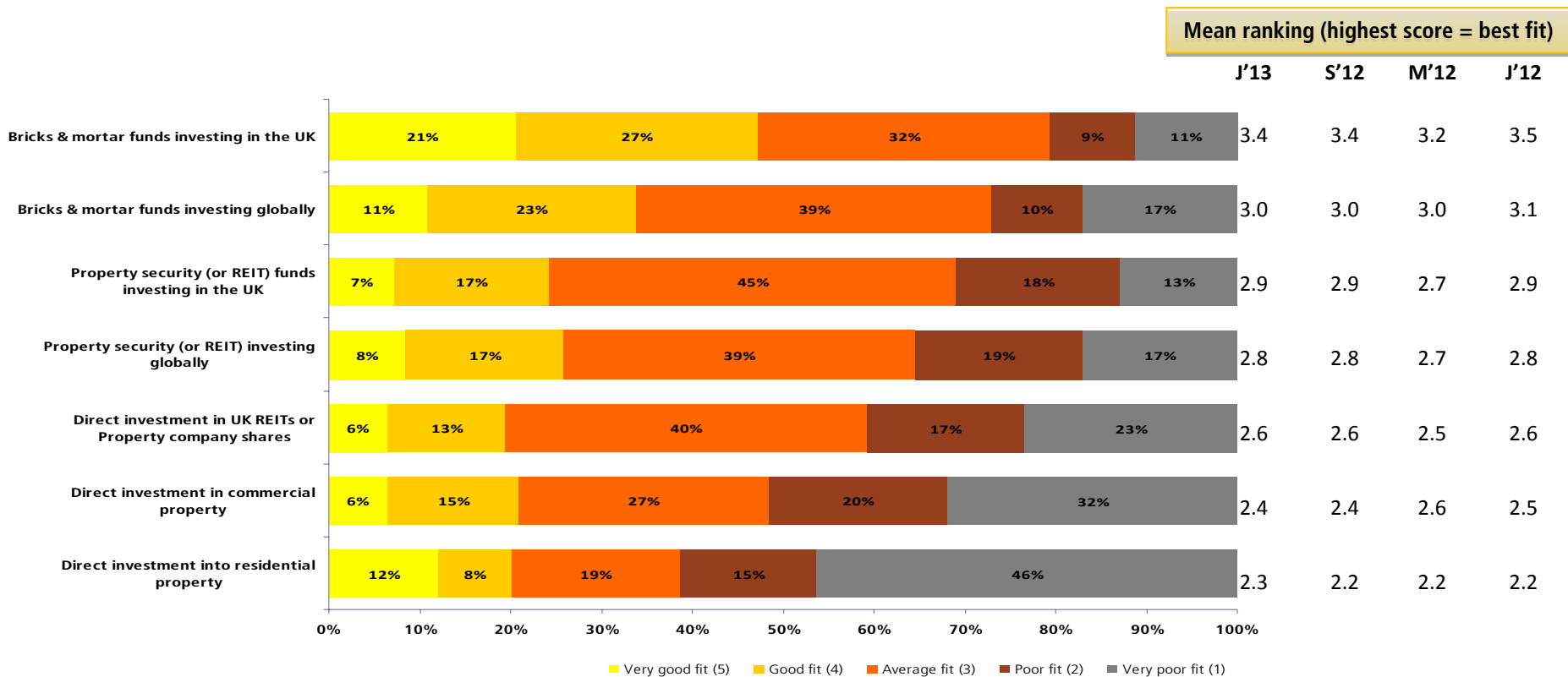


Base: All Respondents: Sep '12 (273), May '12 (270), Jan '12 (270), Sep '11 (316)

Please rank the following features of property investment in terms of importance to you (1 = most important, 7 = least important).

Vehicles fit with property investment requirements

UK Bricks & mortar funds are again highly ranked by advisers, whilst the ranking of direct investment in commercial property has fallen.

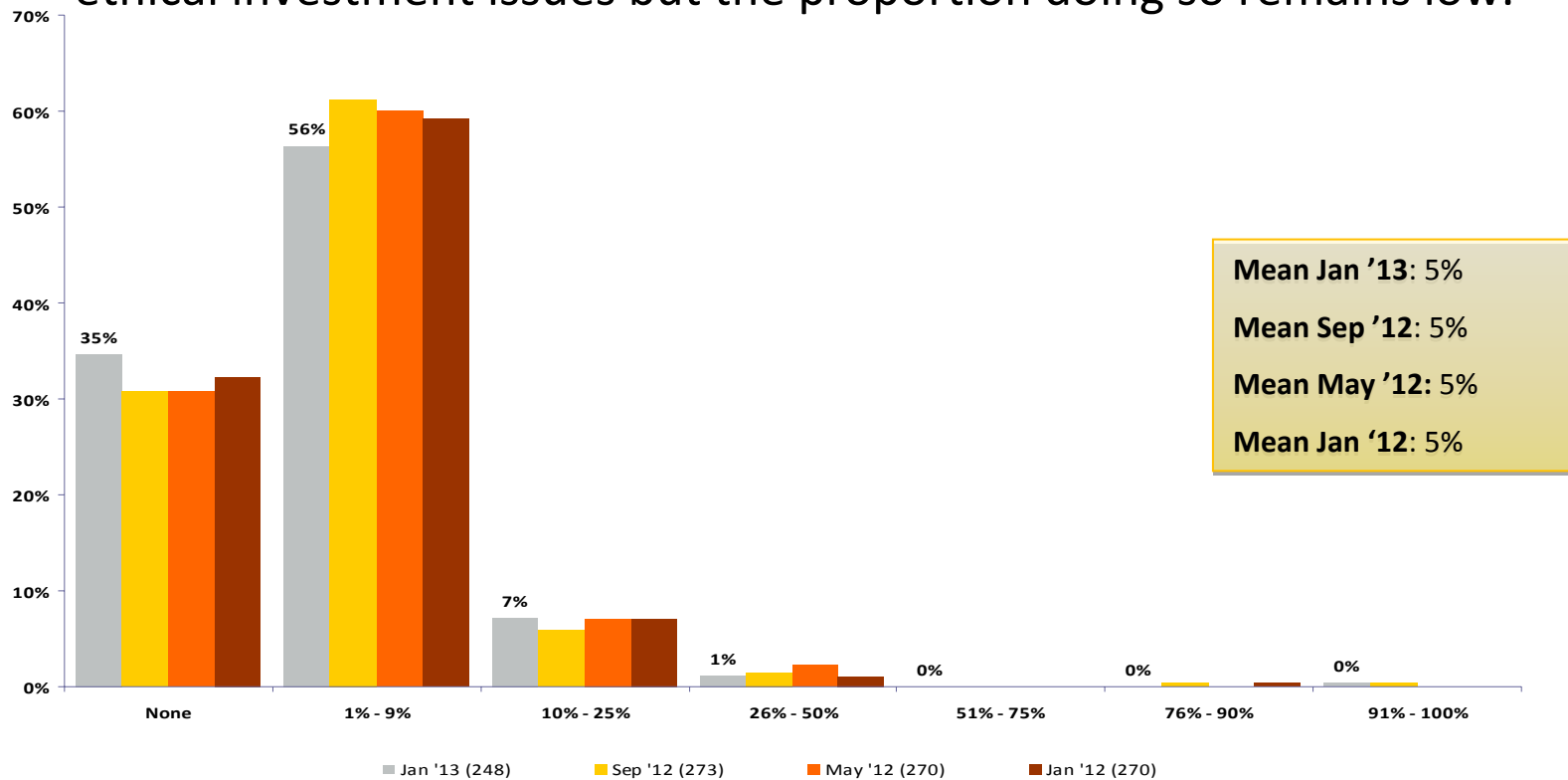


Base: All Respondents: Sep '12 (273) May '12 (270), Jan '12 (270), Sep '11 (316)

Please rank the following vehicles for their fit with your property investment requirements.

Clients raising socially responsible or ethical investments

Most advisors have some clients who raise socially responsible or ethical investment issues but the proportion doing so remains low.



Base: All Respondents: See chart legend

What percentage of your clients raise socially responsible investment or ethical investment issues with you?



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