



Research



Research Newsletter

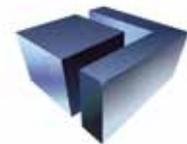
WINTER 2015



A summary of research commissioned by the IPF and other property industry bodies

The IPF Research 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 2015-2018 Programme is funded by a cross-section of businesses, representing key market participants. The IPF gratefully acknowledges the support of these contributing organisations:



CORNERSTONE



The IPF Research Programme is the largest property investment-focused research programme in the UK. The Programme is fundamental to the pursuit of the IPF objectives of improving the efficiency of the property investment markets and raising awareness and understanding of property as an asset class. It is one of the most important IPF activities, along with the education and CPD programmes.

This newsletter provides an update of the outputs of the IPF Research Programme since publication of the previous bulletin, together with advance notification of new projects in the pipeline.

In order to provide readers with as wide a view as possible of relevant research activity within the industry, the newsletter also summarises recently completed and current projects being undertaken by other members of the Property Industry Alliance (PIA), which comprises: Association of Real Estate Funds (AREF), British Council for Offices (BCO), British Council of Shopping Centres (BCSC), British Property Federation (BPF), Commercial Real Estate Finance Council Europe (CREFCE), Investment Association (IA), Royal Institution of Chartered Surveyors (RICS) and Urban Land Institute (ULI). Details of research undertaken by INREV, the European Association for Investors in Non-Listed Real Estate Vehicles, are also included in this newsletter.

The next update will be published in approximately six months' time.

Dissemination

The IPF is very keen that the outputs of its Research Programme are disseminated to as wide an audience as possible. Research reports are disseminated as:

- Summary reports, annual surveys and short papers, available to download from the IPF website free of charge to members and non-members alike.
- Full research reports, available to download for the first 12 months following publication only by Research Programme Sponsors and members, then freely available thereafter.

Non-members seeking access to these reports should contact Pam Craddock, IPF Research Director, at pcraddock@ipf.org.uk in the first instance.

The IPF Research Programme has developed as an important provider of high quality independent research, focused specifically on property investment. We can only continue to fulfil this role due to the support of our sponsoring organisations. We are very grateful to this group for their funding of the Programme.

Recently Published IPF Research

Major Research Projects

Individual Property Risk (July 2015)

This research examines the sensitivity of individual properties to market performance, the magnitude of specific risk and the factors that lead to variations in performance. It also seeks to determine whether high specific risk in individual properties is mainly associated with the approach to and realisation of a lease event and what other sources of high specific risk prevail. The extent to which assets exposed to lease events do/do not experience high specific risk is also considered.

Summary and Full reports are available to download from the **Resource Library**.

Short Papers Series

UK Development Finance Review 2015 (September 2015)

This report updates and expands the 2011 Outlook for Development Finance research. Based on interviews with over 60 lenders and developers, the research records the considerable increase in development finance advances over the last three years, in part reflecting the substantial growth in the number and types of lender now targeting the UK market. The study also reveals which lenders dominate the market for senior lending on pre-let and pre-sold development projects and who is providing much of what speculative funding now available.

Click to view document.

Emerging International Real Estate Markets (December 2015)

The range and types of market considered appropriate for institutional real estate investment activity are increasing, with globalisation and growing transparency driving this trend. This research examines and compares real estate investment in established and emerging markets over the last decade, including the relationship between emerging markets and key cities. Economic influences are found to be the most significant factors that drive development. With sustained economic and demographic growth, emerging markets will continue to flourish, although the increased risk of investment in emerging markets does not appear to be adequately offset by expected returns.

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IPF Work in Progress

Major Research Projects

Unravelling Liquidity in International Commercial Real Estate Markets

Liquidity is a key factor in private commercial real estate investment, affecting pricing and investment strategies, varying over time and between individual assets in the private real estate market. It also varies between different cities and countries, but, to date, research into such differences and the extent to which they are priced has been lacking. Through parallel qualitative and quantitative studies, this research has investigated across 26 countries and 36 city office markets, brokerage models, sales methods, average times to transact, transaction volumes and yields and turnover rates to illustrate the diversity of indicators that relate to market liquidity.

Scheduled for publication Q1 2016.

Short Papers Series

Defining Investment Quality

A definition of quality in a property investment context is increasingly sought after by the investment management and advisory communities. This research seeks to establish an accepted industry-wide definition of quality and to develop a framework to identify the influence of quality on performance generatio.

Scheduled for publication Q1 2016.

Research Proposals

We are pleased to consider unsolicited research proposals from academics and practitioners alike and, in terms of themes, specific areas of interest for the 2015-2018 Programme comprise:

- asset allocation;
- portfolio selection; and
- asset management.

Additionally, we seek to support a number of key industry issues identified by the IPF membership. Research proposals will be welcomed that seek to enhance the understanding of:

- how property is financed and funded;
- the impact of legislation and regulation;
- sustainability;
- internationalisation of real estate; and
- alternative property investment.

Proposals that clearly specify how the findings of such research are to be disseminated and, where applicable, how researchers will engage with industry practitioners to encourage the adoption of new approaches may be given greater consideration than those that do not include such information.

Guidance notes and an application form may be downloaded from the **IPF website**. If you would like to discuss a potential research proposal prior to submission, please contact Pam Craddock, IPF Research Director.

If you are in a position to provide data, contacts or any other type of support for new research projects, please contact Pam Craddock, IPF Research Director, at pcraddock@ipf.org.uk.

Regular Publications

Regular Reports & Surveys are all available on the IPF website.

The Size & Structure of the UK Property Investment Market: End 2014 Update (July 2015)

This research records the total value of invested and owner-occupied commercial property in the UK at the end of 2014. In addition to the published update, an excel file of tables and charts provides summary data in a readily accessible format.

The year-end 2015 update has been commissioned and is scheduled for publication in June 2016.

Click to view document.

UK Residential Property: Institutional Attitudes and Investment Survey 2015 (August 2015)

This annual survey monitors the level of investment and interest in UK residential property by institutional investors.

Click to view document.

UK Consensus Forecast

Published on a quarterly basis the IPF UK Consensus Forecast provides a consensus view of the likely performance of the UK commercial property markets annually over the next five years. Contributors to the consensus are drawn from the fund management, agency, research and equity broker communities. The latest version is posted on the IPF website with a summary report available for non-members. Full historic reports (published more than 12 months ago) and summaries are available free of charge to both members and non-members. The most recent survey results were published in November 2015.

Click to view document.

European Consensus Forecast of Prime Office Rents

Published on a six-monthly basis the European Consensus forecast provides a consensus view of prime office rents in 28 European cities for each of the next five years. The contributors to the European Consensus Forecast are drawn from the investor, agent and research communities across Europe. The results of this survey are published in May and November of each year.

Click to view document.

IPF Back Catalogue

The following projects have been funded and published through the IPF Research Programme 2011-2015. Full reports are available for download from the **Resource Library** of the IPF website for IPF members only in the first 12 months following publication.

- Individual Property Risk (July 2015)
- Liquidity Pricing of Illiquid Assets (February 2015)
- Estimating Liquidity in Real Estate Markets - Literature Review (February 2015)
- Prospects for Institutional Investment in Social Housing (February 2015)
- Time to Transact: Measurement and Drivers (September 2014)
- The Size and Structure of the UK Property Market 2013: A Decade of Change (March 2014)
- Returning to the Core: Rediscovering a Role for Real Estate in Defined Contribution Pension Schemes (October 2013)
- Modelling Causes of Rental Depreciation for UK Office and Industrial Properties (June 2013)
- The Role of Commercial Property in the UK Economy (March 2013)
- The Future of Property Forecasting (November 2012)
- Reassessing the Accuracy of UK Commercial Property Forecasts (November 2012)
- Costing Energy Efficiency Improvements in Existing Commercial Buildings (October 2012)

Projects funded and published through the IPF Research Programme 2006-2009:

- Real Estate's Role in the Mixed Asset Portfolio: A Re-examination:
 - Real Estate Returns and Financial Assets in Extreme Markets (May 2012)
 - Time Varying Influences on Real Estate Returns (April 2012)
 - Private Commercial Real Estate Returns and the Valuation Process (April 2012)
 - Real Estate Returns and Other Asset Classes: A Review of Literature (April 2012)
 - A Re-examination Summary Report (March 2012)
- Depreciation of Commercial Investment Property in the UK (November 2011)
- Property and Inflation (April 2011)
- Risk Web 2.0 An Investigation into the Causes of Portfolio Risk (March 2011)
- UK Institutional Investors: Property Allocations, Influences and Strategies (July 2010)
- Depreciation of Office Investment Property in Europe (March 2010)
- ISPI (UK): Creating a Sustainable Property Investment Index (October 2009)
- The Treatment of Covenant Strength by the UK Property Industry (August 2009)
- Urban Regeneration: Opportunities for Property Investment (August 2009)
- Greening Leases – The Landlord and Tenant Relationship as a Driver for Sustainability (August 2009)
- Demand for Sustainable Office Buildings in the UK (May 2009)

IPF Back Catalogue

- Real Estate Investment Trusts: The US Experience and Lessons for the UK (May 2009)
- Costing Energy Efficiency Improvements in Existing Commercial Buildings (January 2009)
- Implication for the Strategic Development of UK REITs from the Experience of LPTs in Australia (April 2008)
- Retail Investor Attitudes to Commercial Property Investment (May 2008)
- Alpha and Persistence in UK Property Fund Management (April 2008)
- Risk Management in UK Property Portfolios: A Survey of Current Practice (December 2007)
- Large-scale Investor Opportunities in Residential Property: An Overview (November 2007)
- The Energy Performance of Buildings Directive and Commercial Property Investment: A Situation Review (September 2007)
- The Use of Periodic Valuations in Indirect Property Investment (June 2007)

Short Paper Series – all reports are available to download free of charge from the **Resource Library**:

- Emerging International Real Estate Markets (December 2015)
- UK Development Finance Review 2015 (September 2015)
- Pricing Retail Space (June 2015)
- Implications of a UK Withdrawal from the EU: A Discussion Paper (April 2015)
- What is Fair Value? (April 2015)
- What Constitutes Property for Investment Purposes? A Review of Alternative Assets (February 2015)
- A Review of Interest Rate Hedging Strategies (January 2015)
- Residential Investment in International Markets (November 2014)
- Zombies and Beyond: A Further Update on UK Real Estate Debt (September 2014)
- Implications for Property Yields of Rising Bond Yields (June 2014)
- Constructing an Effective Rental Value Index (January 2013)
- A Decade of Fund Returns (July 2012)
- Implications of the Eurozone Crisis for the UK Real Estate Market and UK Investors (June 2012)
- Institutional Attitudes to Investment in UK Residential Property (June 2012)
- Outlook for Development Finance (November 2011)
- The Outlook for UK CMBS (November 2011)
- Property Banking Forum: Lending Intentions Survey 2011 (March 2011)
- A Review of the Current State of the UK CMBS Market (February 2011)
- Rent Reviews – Revolution or Evolution? (November 2010)
- Break Clauses – Who holds the Risk in your Rental Income? (November 2010)
- Prepack Administrations and Company Voluntary Arrangements (February 2011)
- Real Estate Debt: an update (January 2010)

IPF Back Catalogue

- The Evolution of the Market for Indirect Investments in Commercial Property (Feb. 2010)
- The Robustness of Property Income (November 2009)
- Repricing Property Risk (November 2009)
- Issues in Property Investment Valuation (October 2009)
- The IPF UK Consensus Forecast and the Returns Implied by Property Derivative Pricing: Evolution, Record & Influence (August 2009)
- UK Real Estate Debt: A Problem for the Borrowers *and* the Banks (July 2009)

In addition to the projects listed, the following research projects were funded through the IPF and IPF Educational Trust Joint Research Programme, some with additional partnership funding:

- Planning Policy and Retail Property Market Performance in English Towns and Cities (October 2008)
- Asset Allocation in the Modern World (July 2007)
- Index Smoothing and the Volatility of UK Commercial Property (March 2007)
- Risk Reduction and Diversification in Property Portfolios (February 2007)
- Property Stock Selection: Organisation, Incentives and Information (November 2006)
- The Sustainable Property Appraisal Project (November 2006)
- Pricing Property Derivatives: An Initial Review (September 2006)
- The Investment Performance of Listed Office Buildings† (May 2006)
- Institutional Investment in Regeneration: Necessary Conditions for Effective Funding† (May 2006)
- Disagreement and Uncertainty in UK Property Market Forecasts (January 2006)
- Depreciation in Commercial Property Markets (July 2005)
- Investment Performance and Lease Structure Change in the UK (July 2005)
- The Size and Structure of the UK Property Market (July 2005)
- Opening the Door to Property: Assessing the Needs of Small Investors in Property (September 2004)
- Liquidity in Commercial Property Markets (April 2004)

PDF copies of all these reports are available to download free of charge from the IPF website:

<http://www.ipf.org.uk/resourcelibrary.html>

If you have any questions about the IPF Research Programme or about any of the reports listed above, please contact Pam Craddock (pcraddock@ipf.org.uk).

Recent AREF Research

AREF Survey of Financial Advisers Report (November 2015)

An online survey of Financial Advisers is run four times a year to identify their attitude to property investment. This research provides interesting data on the recommendations advisers are making in regard to property allocations within an investment portfolio, the returns expected by their clients, preferred sectors, preferred investment vehicles and how their views of property change over time. Repetition of the survey every three months has enabled the development of longitudinal data, tracking advisers' attitudes to commercial property as an asset class.

[Click to view document.](#)

AREF/PFR Global Real Estate Funds Review for H1 2015 (August 2015)

This half-yearly survey covers a global universe of nearly 3,000 real estate funds. Amongst other measures, it identifies the total number and total estimated gross asset value (GAV) of funds launched during the period, recording 59 fund launches in the first half of 2015, compared with 51 in the same period 2014. The survey identifies existing funds by type (value added, core, opportunistic), legal structure, sector(s) and markets (global, Europe, UK, North America, Asia and Emerging) as well as providing an overview of the composition of the different universes.

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Recent BCO Research

Office to residential conversion: establishing the impacts of the prior approval regime (September 2015)

Has the change to the permitted development regime affected the office market? In May 2013, the Government made it easier to convert offices premises to new homes. This change meant that developers were permitted to notify local planning authorities of their intention to convert offices premises to new homes. Local authorities could either decide not to respond or to seek further details. If they decided not to respond then the developer was entitled to proceed with the development. This new regime was due to expire in May 2016.

The research looked at the London and Bristol markets in detail and found that it had a substantial impact on the office markets in these cities. It estimated that 3,800 and 11,400 homes have been created in 2014 as a result of the new right.

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DC Power in Offices (October 2015)

The use of Direct Current in contemporary office space offers potential environmental benefits and energy savings.

Electrical equipment in the modern office uses local power adapters to convert alternating current (AC) to direct current (DC). This is not efficient, it releases energy as heat into the workplace and the fluctuation of temperatures within the space adds to the energy cost of the workplace as more cooling is required. DC distribution systems offer offices the opportunity to reduce energy and minimise CO2 emissions. A possible £13 million electricity reduction can be made in London office market alone.

Click to view document.

Business Rates: Who pays and why it matters (December 2015)

A collaborative research report on business rates commissioned by the British Property Federation, British Council for Shopping Centres and the British Council for Offices found that over a period of two to three years that around three quarters of any increase in business rates is transferred to landlords as occupiers push for lower rents. The link between business rates and rents is stronger in London than in regional markets. The relationship between rental values and business rates is clearest in the retail sector but can also be seen with offices.

Click to view document.

All research can be downloaded via the BCO website. <http://www.bco.org.uk/research/publications.aspx>

Recent BPF Research

Quality Buildings, Quality Care – (November 2015)

This research report examines the link between the quality of healthcare and the quality of the buildings within which this care is delivered. It further highlights the opportunity, presented by changing healthcare needs, to transform the quality of care provided across the country.

[Click to view document.](#)

Regional Magnetism: How to Attract Investment Into City Regions – (October 2015)

These six recommendations are designed to help local authorities unlock the economic potential of cities outside London and rebalance the economy.

[Click to view document.](#)

Build To Rent: Welcome to The UK's Newest Housing Sector – (October 2015)

Our manifesto for Build to Rent highlights how this vital sector delivers housing supply, improves renting for tenants, and support local and central government. The manifesto also sets out how Government can support this growing sector and unlock its huge investment potential.

[Click to view document.](#)

BPF Build to Rent Map of the UK – (October 2015)

Our Build to Rent map plots Build to Rent schemes across the UK aimed at the institutional investment market.

[Click to view document.](#)

Annual Planning Survey 2015 – (October 2015)

The fifth Annual Planning Survey was developed in partnership with GL Hearn, reviews key statistics on major planning applications in Greater London, Greater Manchester and Bristol and surrounding area during 2014-15, and compares the results with previous years.

[Click to view document.](#)

Investment in Care Homes – (August 2015)

This paper outlines the growing need for modern, fit-for-purpose care homes. It explains how an increased provision of care homes can provide benefits to patients and long-term savings to the NHS, and outlines the role the private sector can play in delivery.

[Click to view document.](#)

Recent INREV Research

Fund of Funds Study (October 2015)

This INREV Fund of Funds Study provides insights into trends and the changing landscape of the funds of funds industry as well as an analysis of the performance of fund of funds.

[Click to view document.](#)

Risk Factor Analysis of European Non-Listed Real Estate Funds (October 2015)

This research project aims to identify risk factors affecting the performance of non-listed real estate funds in Europe. In addition, it compares results obtained for this type of investment vehicle with results for listed real estate and direct real estate. This study uncovers several important relationships between risk factors related to macroeconomic, as well as market conditions, and fund returns. It also highlights the necessity to control for specific characteristics of funds and to understand the effects of such attributes in view of optimising fund performance.

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INREV Quarterly Index Release – Q3 2015 (November 2015)

The INREV Quarterly Index measures net asset value (NAV) based quarterly performance for non-listed real estate funds investing 90% or more in Europe. Returns are net of all fees and other costs and represent the aggregate investor return. The history of the Quarterly Index starts at Q1 2010. The Index is an unfrozen index.

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Real Estate to the Real Economy (November 2015)

This is an update to a report commissioned by INREV and EPRA that explores real estate's role in the European economy.

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INREV Vehicles Universe Quarterly Update – Q3 2015 (December 2015)

The INREV Vehicles Universe provides a quarterly overview of the key characteristics of non-listed real estate vehicles in Europe. The Universe sample is much wider than the Index sample.

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Forthcoming INREV Research Publications 2015 / 2016

Fund Termination Study (December 2015)

The INREV Fund Termination Study examines the options fund managers consider as the termination date of their funds approach, looking at trends in continuation and strategies on how current market conditions impact on the decision making process.

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Persistent Performance in European Non-Listed Real Estate Funds (December 2015)

The aim of this study is to explore persistent performance patterns in European non-listed real estate funds, and how it matters for a risk management framework or for investment strategies.

Global Real Estate Fund Index Quarterly Release – Q3 2015 (December 2015)

The Global Real Estate Fund Index (GREFI) is jointly produced by INREV, ANREV and NCREIF and measures the performance of non-listed real estate vehicles on a global scale.

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Contribution of Commercial Real Estate Debt to the Real Economy (January 2016)

This research project aims to explore and explain the role that the commercial real estate debt market plays in the wider European economy. The research will serve to further develop the transparency of the industry and to act as an educational tool that effectively communicates the structure of the industry, sources of debt capital, product range and associated risk profile and the importance of CRE debt to the real estate and wider economic cycle.

Investment Intentions Survey (January 2016)

The Investment Intentions Survey explores global real estate allocations and provides insights into expected investment trends among investors, fund of funds managers and fund managers in the non-listed real estate industry across Europe, Asia Pacific and North America. The INREV report focuses on the investor outlook for Europe, including insights into strategies, most desirable investment destinations, and preferred fund styles, fund structures and sectors. This is a joint research project between INREV, ANREV and PREA.

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Property Industry Alliance Research

Property Data Report 2015 (October 2015)

Setting out key facts about the UK commercial property market.

The worth of the UK's stock of commercial property rose to £787 billion in 2014. The 15% increase over the year largely reflected a rise in property prices as the UK economy recovered and confidence returned. The stock of commercial property represents 10% of national net wealth. The commercial property industry contributes to the UK economy in many ways; in total, in 2014 these activities directly contributed about £63 billion to the economy – representing 3.9% of Gross Value Added. This is comparable to the combined size of the UK's telecommunications and transport industries.

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Recent ULI Research

Technology, Real Estate and the Innovation Economy (September 2015)

Mega disruptors are feeding the growth of this new economy. Big data, digitisation, the sharing economy, and the global war for talent, are all transforming how people and companies work and think. This disruption is driving more variety, volume, and quality, unsettling old business models, and forcing down barriers to entrepreneurship. Critically, they are also changing the patterns of demand for workplaces, buildings, urban districts, and even for cities themselves. This report explores and explains how all of this creates a new normal for real estate. The business cycles of innovation sectors mean they need flexible leases, operate under different revenue models, and need access to grow-on space. They also need fully customised workspaces, reliable utility systems, and often a lively mix of retail, performance and event space built in. These specific and bespoke demands mean that any 'one size fits all' approach is destined to fail. What is more, these new requirements are no longer solely the demands of innovators. The influence of innovation is stretching to traditional sectors and tenants, rapidly transforming the real estate landscape.

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The Density Dividend: Solutions for Growing and Shrinking Cities (October 2015)

Global megatrends are re-shaping the world economic order. From mass urbanisation, to the rise of the global middle classes, ageing populations, technological trends and the shift of economic power from the West to the emerging world, all pose major implications for the built environment and the long run demand for real estate. While megatrends in emerging Africa and Asia tend to lend themselves to the more eye-watering headlines, their more subtle impact on developed world cities, and Europe in particular can sometimes get overlooked. Understanding their impact is critical. Although the short term performance of real estate is determined by economic cycles, there may be potential risks to long term value as these trends play out, and ignoring long term structural trends in favour of short term gain could mean missed opportunities.

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Forthcoming publications

ULI Advisory Services Report for Frankfurt and Offenbach (January 2016)

A ULI Advisory Services Panel was convened on 3-8 May 2015 to determine how the cities of Frankfurt and Offenbach can better collaborate, better connect both economically and physically, and develop commercial and residential properties in ways that benefit both cities.

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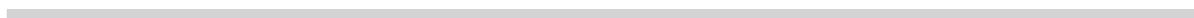
Lessons Learned from Multifamily Study Tours to the USA - 2013-2015 (February 2016)

Summary of the highlights and lessons learned from four separate study tours for ULI UK Residential Council members between 2013 and 2015, exploring multifamily housing in Chicago, Boston and Washington DC.

Edition 2: Build to Rent: A Best Practice Guide (March 2016)

Further to the successful launch of the first edition of ULI UK Build To Rent: A Best Practice Guide in April 2014, the ULI UK Residential Council is developing a second edition for publication in spring 2016. This second edition will build on the success of the first Guide in setting out the differentiating factors in the design, development and management of purpose-built residential stock for the UK. It will also offer significant new information, reflecting the pace of change in the UK marketplace. Brand new chapters include the Customer, Cost and Procurement and Viability and Planning. Existing chapters on the Opportunity, Management, Form & Layout, Fit-out and Sustainability and Engineering will be substantively updated. This new edition will also include a range of UK case studies setting out how the principles of the ULI Guide are being used in practice.

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