Italian PPFI returns slip into the red over 2008, says IPD

London, 23rd March 2009: IPD today released the results for the second half 2008 IPD Italian Pooled Property Fund Indices (Italian PPFI). The Index revealed the first negative six monthly total returns since records began, with -1.8% in the six months to December 2008.

Despite this, the Index still posted positive returns over the full calendar year, at 0.6%, compared to 9.6% in 2007. The returns for the Italian unlisted fund universe are significantly milder than has been recorded in elsewhere in Europe, notably the UK, which returned -32.0% in 2008, owing to an overall milder trading environment.

Over the 12 months to December 2008, the all pooled funds composite outperformed Italian equities, which returned -46.1%, and property equities, which showed the weakest performance, delivering a -52.4% return. However, bonds outperformed the Italian PPFI, with 7.4% return.

The Italian PPFI fund universe, which comprises 16 blind and 15 seeded funds, saw blind funds return the greatest underperformance – over both H2 and the full calendar year – at -2.7% and -1.6%, respectively. By comparison, seeded funds outperformed both the six and 12 month benchmarks, returning -1.1% and 2.3%, respectively. By fund type, specialists outperformed balanced funds over six and 12 months with 0.8% and 0.2%, respectively, compared to -2.2% and 0.2% for the same periods.

Performance spread across blind and seeded funds varied considerably, with the lowest returns produced by balanced pooled funds with a high weighting in overseas real estate markets. At the other end of the returns spectrum, the best returns were delivered by a balanced seeded fund, at 22.3%. The median returns, however, across the all funds composite was 0.9%.

Davide Manstretta, Head of Fund Level Analysis at IPD – who will be presenting the findings at IPD's bi-annual Results Briefing in Milan on April 7th – said. "The decline in returns from the first to the second six month period of 2008 is somewhat less pronounced than many might have expected, given wider macro-economic conditions. This is, perhaps, explained by the fact that the vast majority of funds in the Italian PPFI universe are core, low risk funds with low gearing in an overall milder market with fewer development assets within fund portfolios.

“In addition, it is certainly true that the effects of the credit crunch are being felt throughout many parts of Continental Europe, including Italy, with delays, and finally that while the Italian property market is starting to see capital values fall, they are falling from a much lower base than those of, say, Ireland and the UK.”

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Notes to editors:

The Italian PPFI universe consists of 31 funds with a combined net asset value of €8.45bn. IPD thanks Assogestioni, Deloitte, the IPD Italian Consultative Committee and all fund constituents for the support provided in the development of this publication.

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For further information contact:

Davide Manstretta, Head of Fund Level Analysis
+44 (0)20 7336 9263, davide.manstretta@ipd.com

James Wallace, Global Press Officer
+44 (0)20 7336 4778, james.wallace@ipd.com