

UK residential property delivers higher investment return than commercial sector for third year in a row

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Residential property investment in the UK delivered a much higher return than commercial real estate for a third year in a row.

New figures show that investment grade market let residential property delivered 11.0% annual total returns last year, representing a three fold outperformance of the commercial property market.

According to the Investment Property Databank (IPD), the property industry's metric, The double digit 2009 UK residential total return is the third consecutive year in which the market has outperformed the broader commercial sector. The IPD UK 2009 Residential Index comprised of an 8.1% capital growth and a 2.7% income return.

London and the South East have led the investment recovery where prime property has benefited from continued demand both buyers and occupiers and also the weak pound. However, the North and Scotland delivering negative returns for a second successive year which Scotland performance worsened year on year.

On an annualised inflation adjusted total returns basis, the residential sector outperformed the commercial market over three, five and nine years going back to the launch of the index in 2001.

According to Curzon Investment Property, a bespoke, London based buying agent who acquire property for investors, before refurbishing, managing and renting it on an on-going basis, there are some good possibilities ahead.

'These figures show that through careful residential investment, buyers can get the same returns they would from commercial property from just the capital increase in housing. This means the income return is wholly additional,' said James Moss, director at Curzon Investment Property.

He points out that location is vital. 'Clearly there is still a massive polarization between prime areas of the country like Kensington and Chelsea and deprived areas of the North East, but the fundamentals of what makes a good investment apply right across the board,' he explained.

'Historically our clients have achieved outstanding returns on their investments which are generally held over a five to 10 year period. Since 1969 prime Central London residential property prices have doubled every seven years on average,' said Moss.

'Our tailored strategy for investment identifies the opportunities arising from each individual property and investment portfolio. We assist our clients in finding the right balance to reflect each investor's requirements and overall investment goals,' he added.



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