



Valuation and sale price

March 2019

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RICS practice information

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RICS standards framework

RICS' standards setting is governed and overseen by the Standards and Regulation Board (SRB). The SRB's aims are to operate in the public interest, and to develop the technical and ethical competence of the profession and its ability to deliver ethical practice to high standards globally.

The RICS [Rules of Conduct](#) set high-level professional requirements for the global chartered surveying profession. These are supported by more detailed standards and information relating to professional conduct and technical competency.

The SRB focuses on the conduct and competence of RICS members, to set standards that are proportionate, in the public interest and based on risk. Its approach is to foster a supportive atmosphere that encourages a strong, diverse, inclusive, effective and sustainable surveying profession.

As well as developing its own standards, RICS works collaboratively with other bodies at a national and international level to develop documents relevant to professional practice, such as cross-sector guidance, codes and standards. The application of these collaborative documents by RICS members will be defined either within the document itself or in associated RICS-published documents.

Document definitions

Document type	Definition
RICS professional standards	Set requirements or expectations for RICS members and regulated firms about how they provide services or the outcomes of their actions. RICS professional standards are principles-based and focused on outcomes and good practice. Any requirements included set a baseline expectation for competent delivery or ethical behaviour. They include practices and behaviours intended to protect clients and other stakeholders, as well as ensuring their reasonable expectations of ethics, integrity, technical competence and diligence are met. Members must comply with an RICS professional standard. They may include: • mandatory requirements, which use the word 'must' and must be complied with, and/or • recommended best practice, which uses the word 'should'. It is recognised that there may be acceptable alternatives to best practice that achieve the same or a better outcome. In regulatory or disciplinary proceedings, RICS will take into account relevant professional standards when deciding whether an RICS member or regulated firm acted appropriately and with reasonable competence. It is also likely that during any legal proceedings a judge, adjudicator or equivalent will take RICS professional standards into account.
RICS practice information	Information to support the practice, knowledge and performance of RICS members and regulated firms, and the demand for professional services. Practice information includes definitions, processes, toolkits, checklists, insights, research and technical information or advice. It also includes documents that aim to provide common benchmarks or approaches across a sector to help build efficient and consistent practice. This information is not mandatory and does not set requirements for RICS members or make explicit recommendations.

Glossary

Term	Definition
Average absolute difference (weighted/unweighted)	The average difference between an asset's sale price and its preceding market-adjusted valuation regardless of whether the adjusted valuation is above or below the sale price.
Average difference (weighted/unweighted)	The difference between an asset's sale price and its preceding market-adjusted valuation.
Bps	Basis points.
Market value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.
Market-adjusted valuation (MAV)	The preceding valuation adjusted for capital growth and capital expenditure.
Price-valuation difference	Differences are analysed on both an unweighted and value-weighted basis with the latter assigning greater importance to more valuable assets.
Willing buyer	Someone who is motivated but not compelled to buy. The buyer is neither over-eager nor determined to buy at any price.
Willing seller	Neither an over-eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market.
Weighted value	Where the difference between sales price and last valuation is calculated on a capital value weighted basis.

Executive summary

The MSCI Real Estate Valuation and sale price study has been running for over 20 years. It was first undertaken as a collaborative study with RICS in 2003 in response to the Carsberg report recommendations. This report advised that the relationship between achieved sale prices and previous valuations should be monitored on an annual basis.

This study is an important measure for the investment valuation community and contributes to the transparency and integrity of the marketplace. Valuations are key to performance measurement and pricing in the property industry.

This report compares data from the 2017 MSCI UK Annual Property Index against the sale prices of UK commercial property. It analyses the performance of the valuation profession in the UK property market by tracking the difference between valuations of real estate against actual sales.

Since 2003, the commercial real estate market has experienced some dramatic highs and lows. The years 2004–2007 were characterised by unparalleled growth across the globe. However, this was followed by the credit crunch and the subsequent collapse of Lehman Brothers Holdings Inc. The disruption quickly spread to other economies around the world, most notably in Europe where events culminated in the European sovereign debt crisis.

The years since have tested the skills of property valuers worldwide, particularly relating to the speed that they have been able to reflect market conditions, and this has been evident in the results in these reports.

About MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on MSCI for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research.

[MSCI](#) products and services include indexes, analytical models, data, real estate benchmarks and ESG research. MSCI serves 99 of the top 100 largest money managers, according to the most recent P&I ranking.

1 Introduction

This report addresses two key questions in the UK market:

- 1 How much do sale prices differ from previous valuations?
- 2 Are differences random or were sale prices consistently above or below the latest valuation?

A detailed explanation of the methodology used can be found in section 2 and a brief look at the global view is in section 3. Findings are presented at the all property level in section 4.1, with analysis by property type and location in section 4.2. Raw data tables are in Appendix A.

1.1 What is market value?

The International Valuation Standards Council (IVSC) defines 'market value' as:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

(RICS Valuation – Global Standards)

How the words 'willing seller' and 'willing buyer' are interpreted is fundamental to the correct application of the basis of value. The [International Valuation Standards](#) makes it clear that:

'... a willing buyer refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist.'

'... a willing seller is neither an over-eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be.'

In other words, it does not matter that the actual owner of the property is not prepared or is unwilling to sell in the actual market, whether it is rising or falling. The factual circumstances of the owner are not part of any consideration because the willing seller is a hypothetical owner.

It is the nature of markets that values rise and fall over time. The real estate market is part of this cycle, as shown by the rise and fall of the UK property market during the last ten years.

Indeed, due to the drivers of supply and demand, the rise and fall of real estate is often greater than it is for other markets.

A common misconception is that there are no willing sellers in a falling market. It is no more correct than saying that there are no willing buyers in a rising market.

Those who question either rapidly rising or falling valuations must remember that it is the valuer's role to track the market as they see it, not how they would like it to be. Market value demands that the valuer marks to market, which does not make an allowance for longer-term value or 'worth' and can often result in large peaks and troughs in valuation. A longer-term value would allow for a smoother transition.

2 Methodology

The analysis is based on sale price and valuation records from MSCI's private real estate asset database. There are three stages in producing the results.

Firstly, each sale is carefully considered for inclusion. A number of sales are excluded from each year's analysis where the sale or valuation is identified as unrepresentative. Sale observations are excluded if they are:

- sales of assets under development
- sales where the sale price is below £11,103 or above £888,240,000
- properties that experience an exceptional event between the last valuation and sale date
- properties that record capital expenditure of more than 45% of the capital value between the last valuation and sale date
- properties that are bought and sold in the same year or
- properties that are sold as part of a portfolio.

Secondly, the first preceding valuation is selected from MSCI's private real estate records, as long as it does not occur within three months of the sale date. Valuations made in the three months before the sale date are excluded on the grounds that the valuer could have become aware of the progress of the impending sale and may have considered this when assessing the market value. This period has in the past been called the 'influence window', implying that a comparison of the last preceding valuation and sale price would be misleading in such cases (see Figure 1).

Although this analysis uses a three-month window, a survey conducted by Paul McNamara, [Liquidity in Commercial Property Markets](#) (1998), suggested that the period can vary by market segment and by country. McNamara's research suggested that the last prior valuation not to be influenced by the sale process might have occurred anywhere between four and 15 months before sale.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008		Purch	Val 1						Val 2			
2009			Val 3						Val 4			
2010			Val 5						Val 6		Sale	

Last uninfluenced valuation
Influence window

Figure 1: Understanding valuation selection (source: MSCI Real Estate)

Thirdly, the last uninfluenced valuation is adjusted for market value movements so that the results reflect the change in capital values in the marketplace after the valuation.

The valuations are adjusted for market movements, as measured by the MSCI Real Estate capital growth rates at the segment level for each country. This adjustment is based on the broad property type and region/location for each individual asset. These segments vary between countries and are based on the standard benchmarking segmentation used in each country.

The market movement/capital growth adjustment is applied up to the third month before sale, rather than right up to the sale month. This assumes that the sale price would have been agreed around three months before completion. Finally, any capital expenditure between the last uninfluenced valuation month and the sale month is added to the updated valuation.

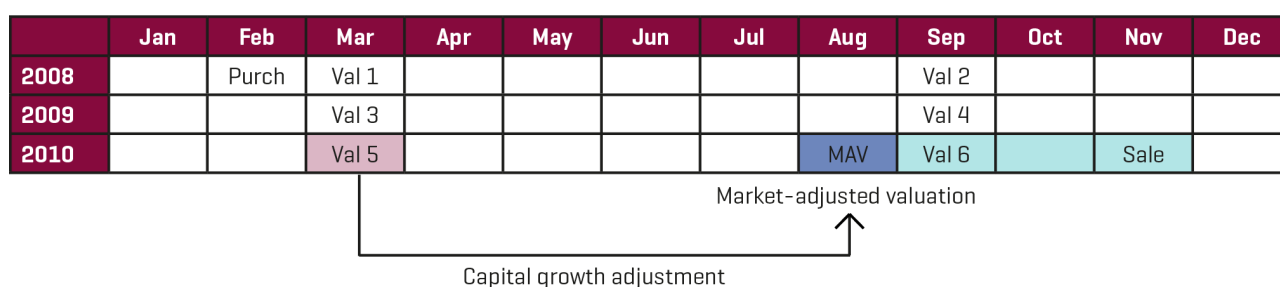


Figure 2: Understanding market-adjusted valuation (source: MSCI Real Estate)

Figure 2 shows an example of the application of market capital growth from the last uninfluenced valuation to the sale agreement month.

The sale price can now be compared to the market-adjusted valuation (MAV) to calculate the price-valuation difference.

2.1 Indicators used in this report

The price tracking capability of an index is the net result of three factors:

- 1 the sizes of the differences between valuations and subsequent prices
- 2 any bias in the direction of those differences and
- 3 the frequency of valuations.

This report aims to analyse these factors using three indicators: two measures of average price-valuation differences (average difference and average absolute difference) and one indicator measuring the potential impact of frequency on price-valuation differences (average number of months adjustment).

At the individual asset level, the price-valuation difference is calculated in each period as:

$$\frac{\text{sale price} - \text{MAV}}{\text{sale price}}$$

where the MAV is the asset's most recent uninfluenced valuation, adjusted for total market movements between the asset's valuation and sale. These adjustments are made using country and sector-specific capital value growth rates, in effect adjusting the valuation to assume that it took place three months before the recorded transaction date. This is because sale prices may have been agreed several months before the actual transaction date.

The adjustment of an individual asset's capital value using market average capital value movements is an estimate. As such, the adjusted capital value may be significantly different from the valuation that would have been obtained, had the appraisal been done at the date of the transaction. The longer the adjustment period, the greater the potential estimation error. This method tends to penalise results for annual valuation regimes, as the period of adjustment is longer than for higher frequency regimes.

It should also be noted that the lead time on some real estate transactions, while long, can vary considerably. Differences in transaction lead times can therefore also impact the MAV and the perceived accuracy of valuations.

While the measured price-valuation differences are seen as indicators of valuation accuracy, they should not be confused with the relative accuracy (or success) of the appraisers themselves. In addition to appraisers' accuracy, the differences also result from the constraints under which appraisers work:

- market transparency (availability of detailed and reliable transaction information)
- market volatility
- market liquidity and
- the frequency of the assessment.

The difference could also arise from asset-specific events that may have happened between the date of the previous valuation and the sale date, such as the signing of new leases or the bankruptcy of tenants.

2.2 Average absolute difference

This measure records the absolute difference between the MAV and the sale price, regardless of whether the adjusted valuation is above or below the sale price. In other words, it ignores whether the difference between the two values is positive or negative.

At a country level, this measure shows the overall proximity of MAVs to transaction prices. A lower average absolute difference indicates that valuations were on average closer to actual transaction prices, but it does not show if there was a positive or negative bias in the valuations.

2.3 Average difference

This measure records the difference between the MAV and the sale price. It shows the net effect of whether the MAV is above or below the sale price, and allows positive and negative figures to cancel each other out. If the average difference is positive, it indicates that a premium over valuation is typically achieved when selling properties. A negative average difference would suggest that assets have typically been sold for less than their MAV.

On a capital value-weighted basis, this measure represents the net impact of price-valuation differences at the index level.

Table 1 provides a simplified comparison of average absolute difference and average difference.

2.4 Average number of months between valuation and sale

This measure records the average number of months between the valuations and sales. It is also used to compute the market adjustment factor applied to the preceding valuation. In countries where valuations take place less frequently, this indicator is expected to be higher, as is the anticipated margin of error between the valuation and sale price.

	Sale price [m]	Market-adjusted valuation	Difference
Property 1	1,000,000	500,000	50%
Property 2	1,000,000	1,500,000	-50%
Average absolute difference			50%
Average difference			0%

Table 1: Absolute and average difference compared (source: MSCI Real Estate)

3 Global view

This section takes a brief look at the weighted sales price to valuation differences across 12 individual markets covered by MSCI Real Estate. The analysis considers sales in 2017 as well as a longer-term analysis of the preceding ten-year period.

In 2017, South Africa recorded the lowest weighted average absolute difference of the 12 individually analysed markets at 4.4%. After South Africa, the USA and Sweden were the countries that recorded the next lowest levels of weighted average absolute difference (see Figure 3).

Switzerland, Germany and Australia recorded the highest weighted average absolute average differences in 2017.

South Africa recorded the lowest weighted average difference in 2017 at 1.4%. Sweden, USA and the Netherlands also recorded weighted average differences at or below 4%.

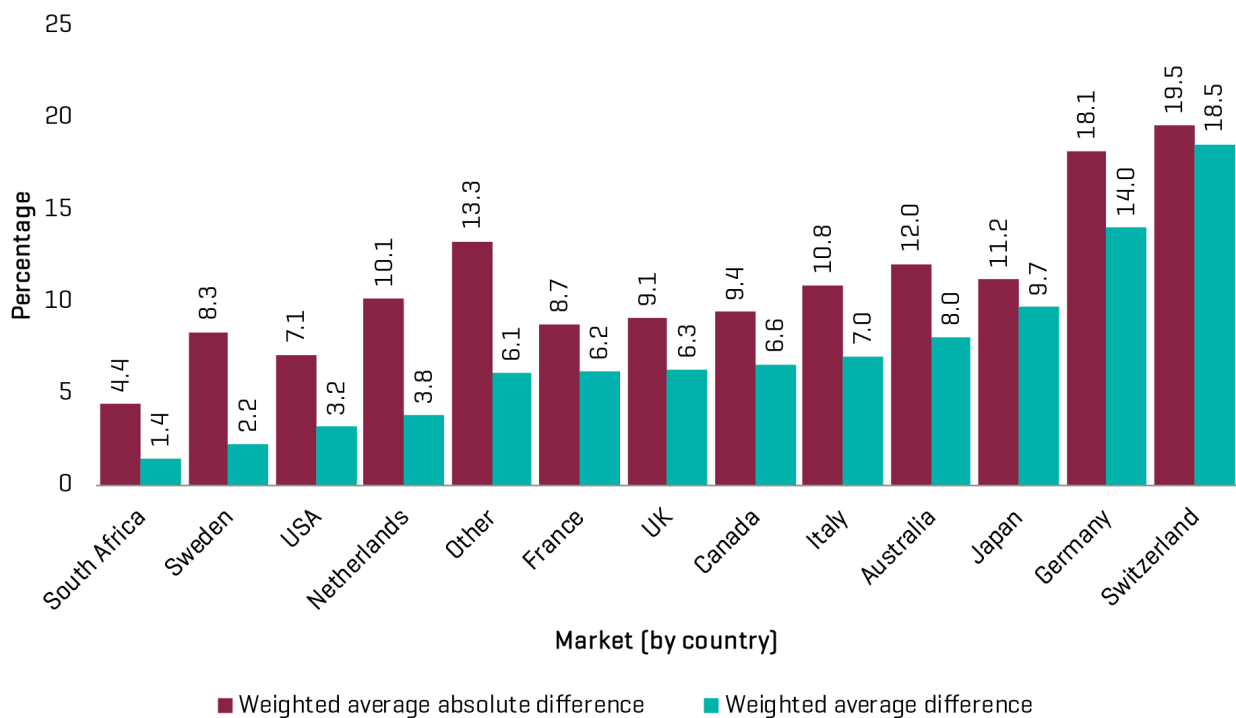


Figure 3: Weighted differences by country, 2017 (source: MSCI Real Estate)

A ten-year analysis reveals a different picture from the 2017 snapshot, emphasising country level variability through time. See Figure 4 overleaf.

At a global level, the 2017 results were close to the ten-year average. However, for each country, the results for 2017 differed substantially from their ten-year averages. For a few countries, this has resulted in a reshuffling of their position in the hierarchy.

Sweden, for example, registered a substantially lower 2017 result than its ten-year average, moving from ninth (in 2016) to second (in 2017) in the rankings. Meanwhile Australia, which ranked second on a ten-year average, fell to third position in 2017.

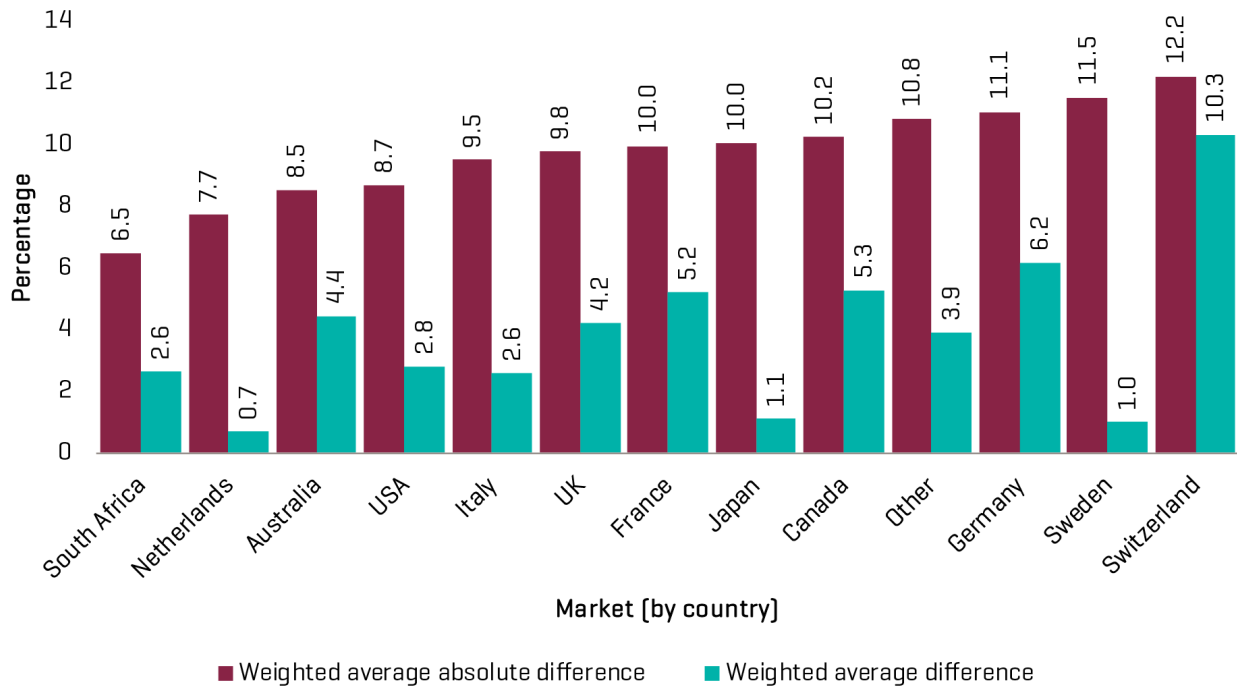


Figure 4: Weighted differences by country, 2008–2017 (source: MSCI Real Estate)

4 Analysis and results

4.1 All property

MSCI Inc. recorded 737 sales in the UK during 2017, which is the lowest transaction volume on record. Total recorded sales declined by 420 (36%) from 2016. Average sales transaction levels decreased to 61 sales per month during 2017, and quarterly sales transactions levels were highest in both the first and fourth quarters of 2017, 27% and 29% respectively of total annual sales (Figure 5).

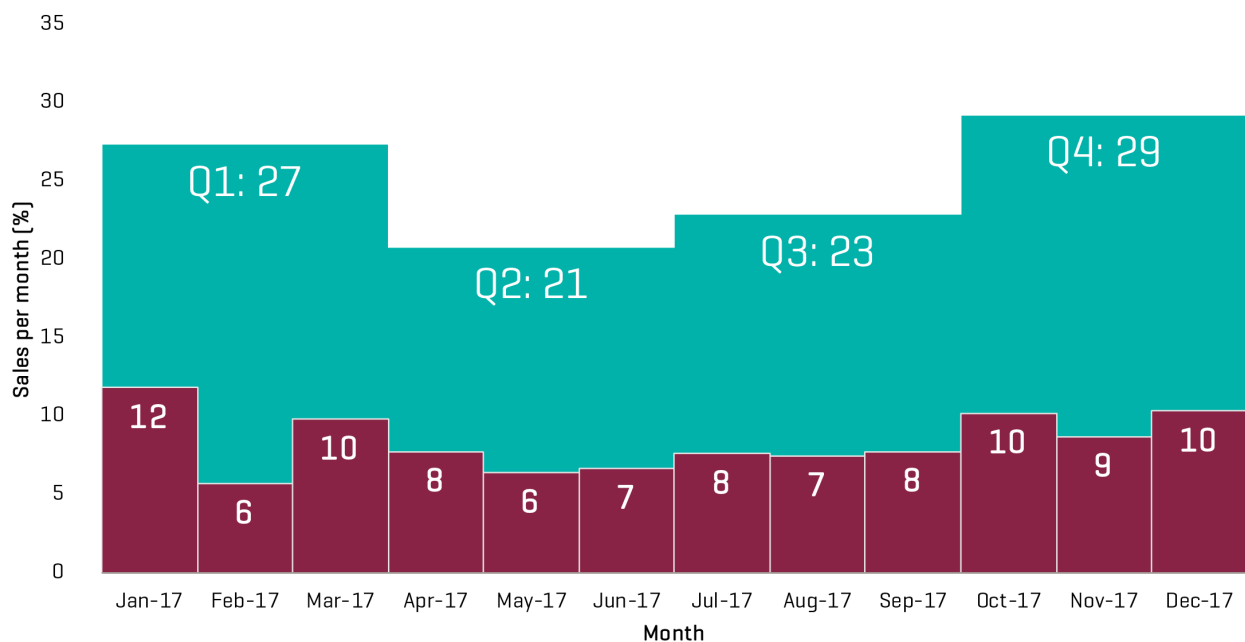


Figure 5: Distribution of total sales recorded in 2017 by month and quarter (source: MSCI Real Estate)

However, in 2017 the UK property market experienced a significant rebound in returns from the drop in 2016; both the weighted and unweighted average differences increased in 2017. The increase in the weighted average difference reverted to 2015 levels (Figure 6).

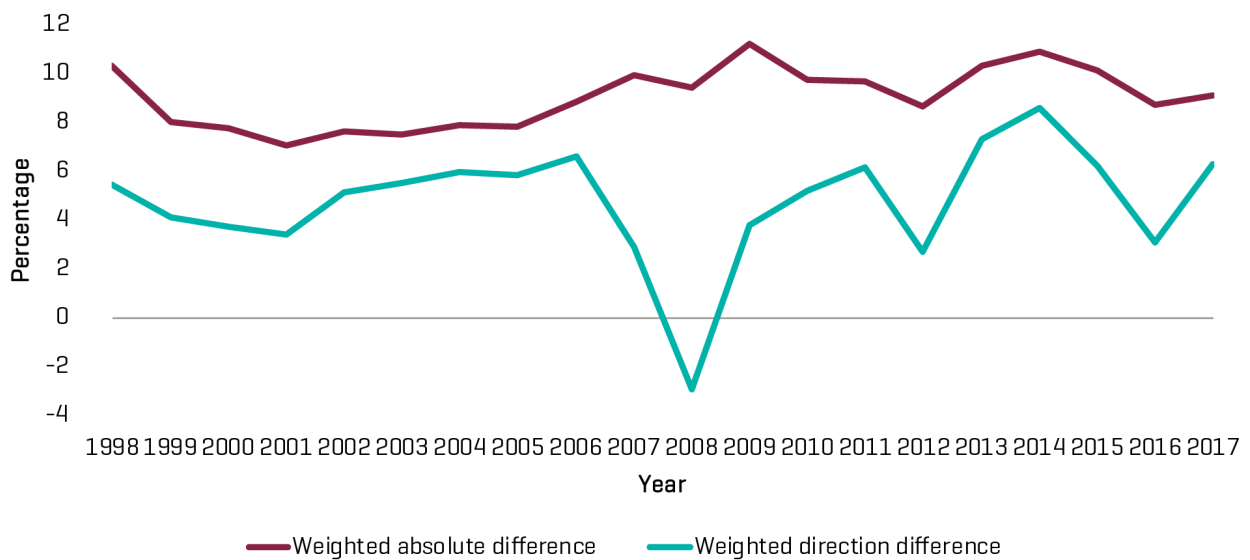


Figure 6: Weighted average and direction difference trends, UK, annual 1998–2017 (source: MSCI Real Estate)

The likely cause of the 2017 rebound is the impact of the Brexit referendum compressing 2016 results. Figure 7 shows the quarterly trend in the weighted and unweighted difference series along with the all property capital growth since 2012. The quarterly series highlights the impact of Brexit on the weighted difference of sales prices to previous valuation, as well as this series' close correlation to capital growth.

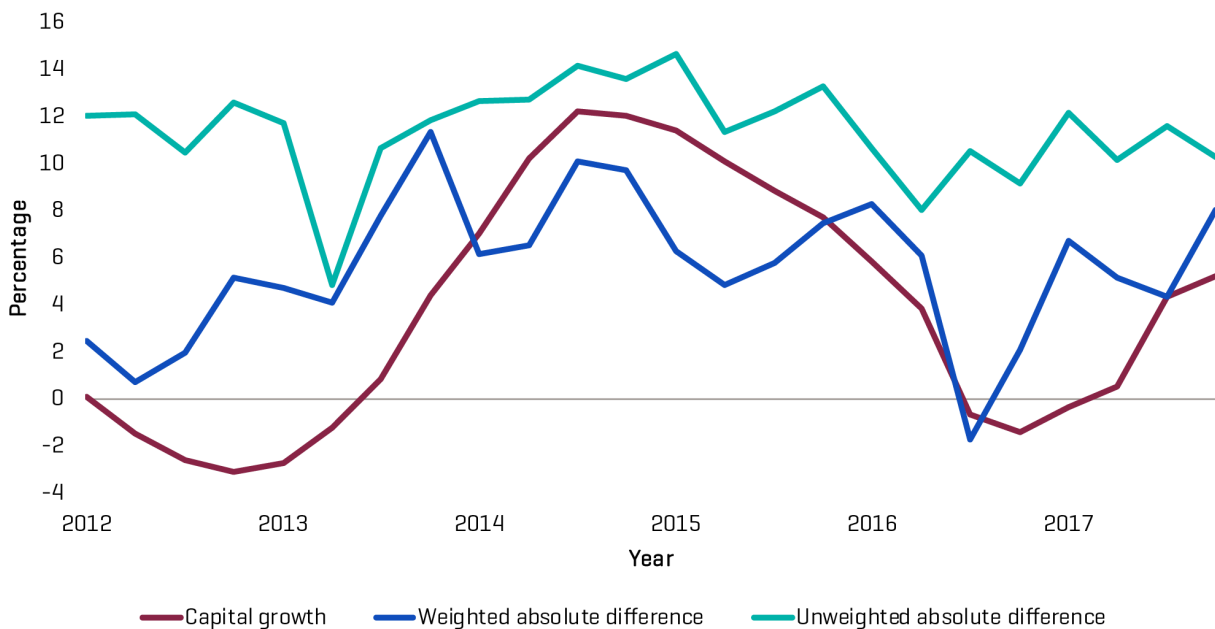


Figure 7: Weighted average and direction difference trends, UK, quarterly 2012–2017 (source: MSCI Real Estate)

At a sector level, MSCI Inc. recorded sales in 2017 were overall lower and varied compared to 2016. All sectors experienced sales declines in 2017 from 2016 with the biggest decline observed in the office sector (a 111 sale decline to 174) followed by retail (a 95 sale decline to 278). The drop in industrial was less pronounced with 178 sales in 2017 – 40 sales down on the 218 sales in 2016 (see Figure 8).

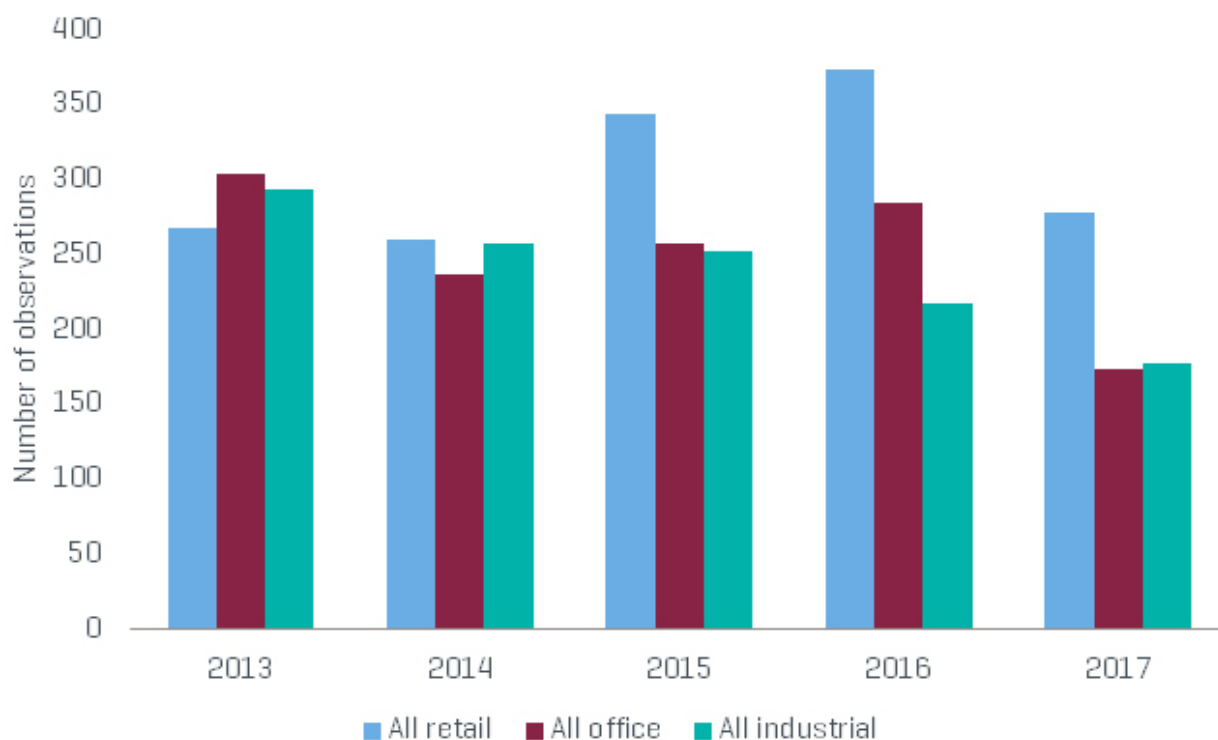


Figure 8: Distribution of total sales recorded in 2017 by sector (source: MSCI Real Estate)

Capital growth for 2017 increased by 550 basis points (bps) off the level of -0.8% recorded in 2016, but was still below capital growth levels seen in 2014 and 2015. The uptick in capital growth is reflected in the proportion of properties being sold at a price above the MAV (the preceding valuation adjusted for capital growth and capital expenditure). While the proportion of properties sold in the 0–10% bracket decreased by 7% to 34%, there was an increase in the upper brackets. The 10–20% bracket contained 19% of sales – up from 14% in 2016 – while a further 16% of properties transacted for a premium more than 20% to its last valuation – up from 10% in 2016 (see Figure 9).

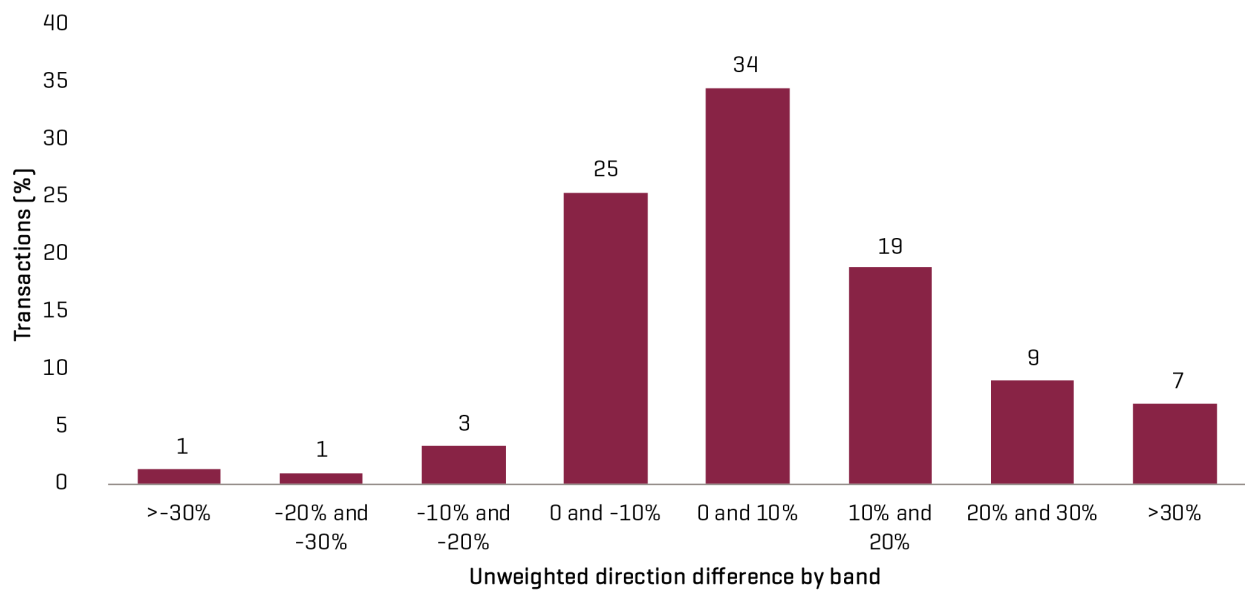


Figure 9: Unweighted direction difference by band, 2017 (source: MSCI Real Estate)

The proportion of properties sold above 10% difference from their preceding MAV increased to 35%, compared to 24% in 2016. The impact of a weaker domestic currency can increase the proportion of transactions with price premiums. US dollar and Chinese yuan investors in particular have seen stronger investment returns due to a favourable currency impact.

Figure 10 illustrates the quarterly trend in the weighted absolute difference with the MSCI UK quarterly property total return in various major currencies.

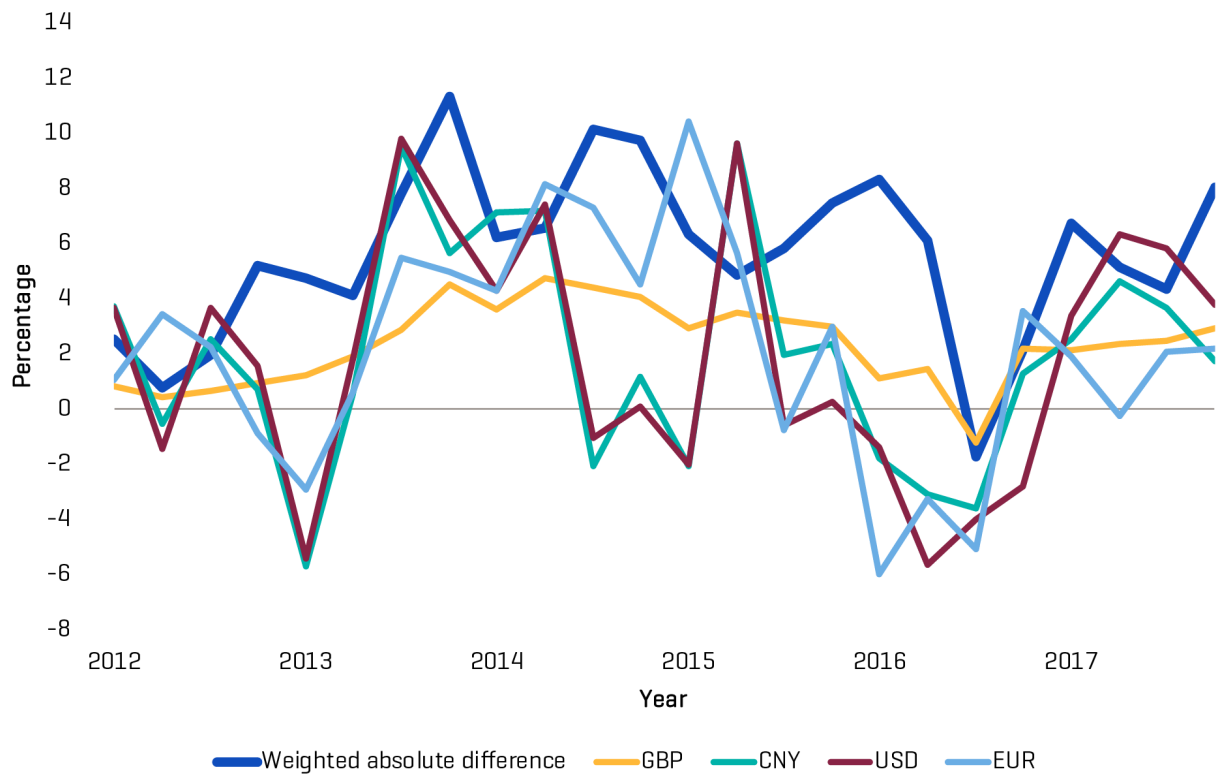


Figure 10: Weighted absolute difference and UK quarterly total return (source: MSCI Real Estate)

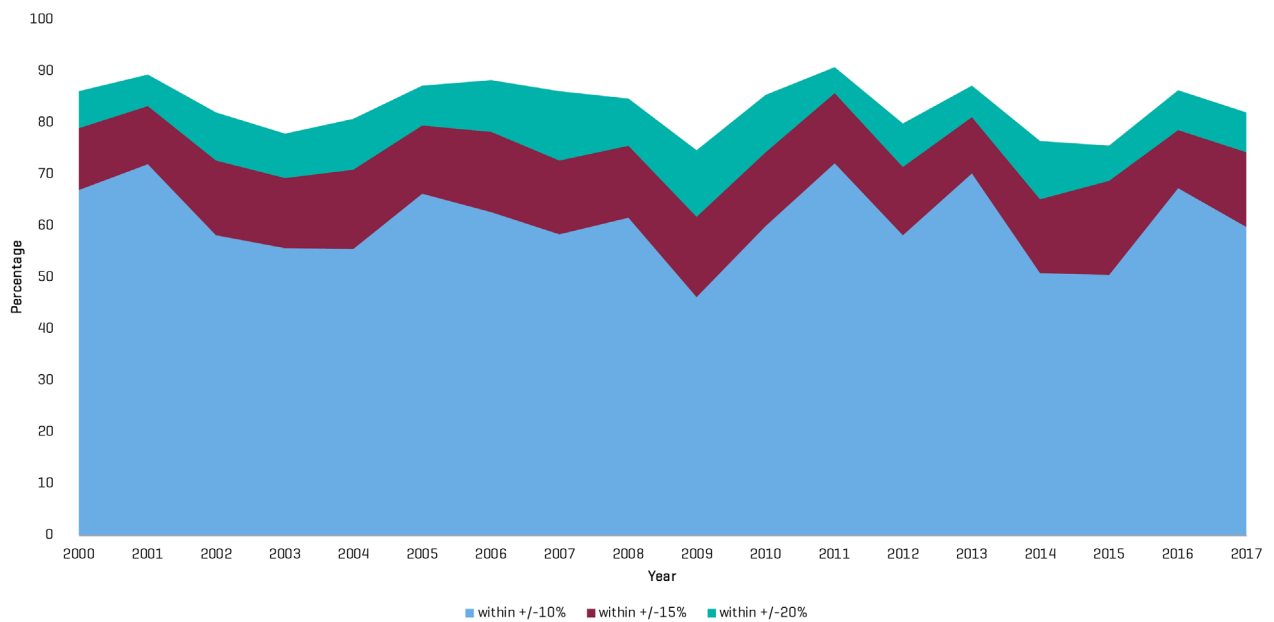


Figure 11: Proportion of transactions within 20%, 15% and 20% bands, 2017 (source: MSCI Real Estate)

In 2017, the average absolute difference between sale price and MAV increased on both a weighted and an unweighted basis. The more valuable assets continued to be sold at a price relatively closer to their preceding valuation, which is illustrated by a higher unweighted than weighted average absolute difference of 11.1% and 9.1%, respectively.

The weighted average absolute difference modestly increased from 8.7% in 2016 to 9.1% in 2017. In the past, an increase in average absolute differences have corresponded to fast-moving markets and 2017 saw an increase in capital value growth compared to 2016 (Figure 12).

In comparison to 2016, 2017 saw a divergence between the weighted and unweighted average absolute difference, implying that higher-value assets were sold at a price closer to their preceding valuation. The gap between weighted and unweighted absolute difference widened to 2% in 2017, compared to a gap of 0.7% and 2.8% in 2016 and 2015, respectively.

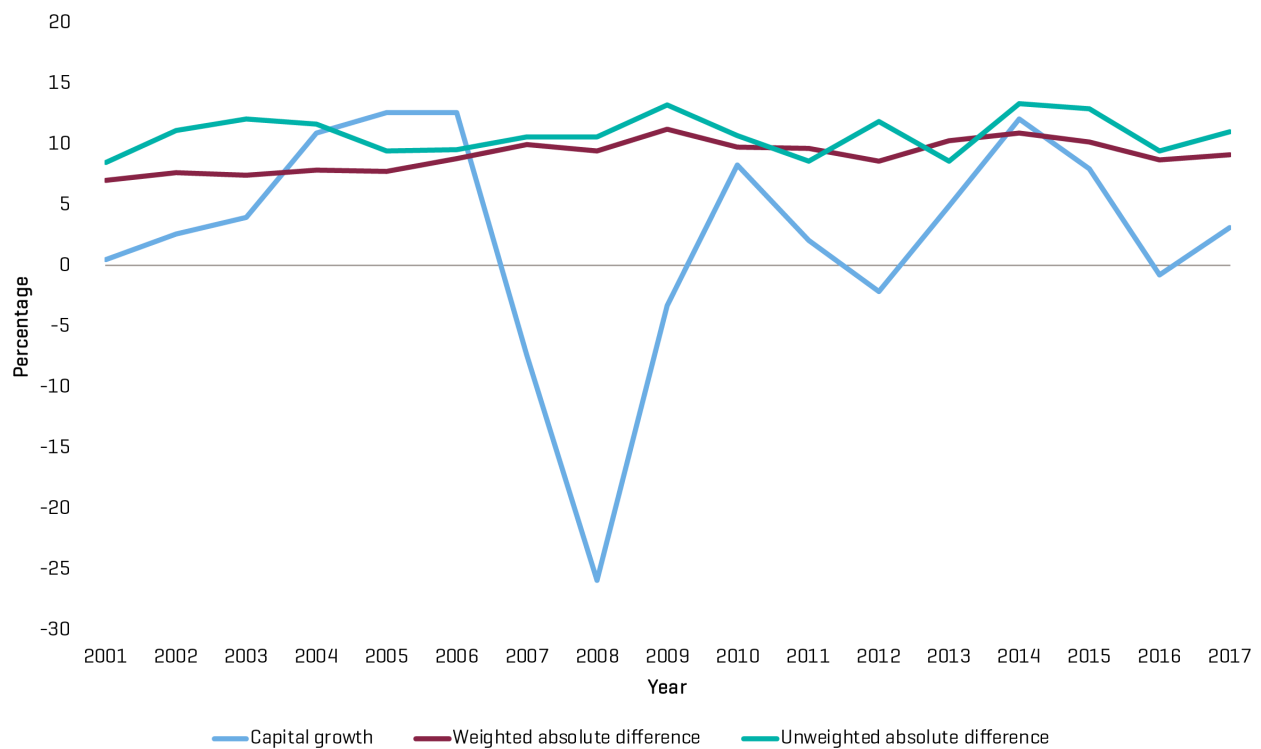


Figure 12: Average absolute difference and capital growth, 2017 (source: MSCI Real Estate)

The average gap between sale price and their preceding MAVs (average direction difference) remained negative in 2017, with the unweighted and weighted average direction difference at 7% and 6.3%, respectively. Both the unweighted and weighted direction difference rebounded significantly from 2016 (see Figure 13).

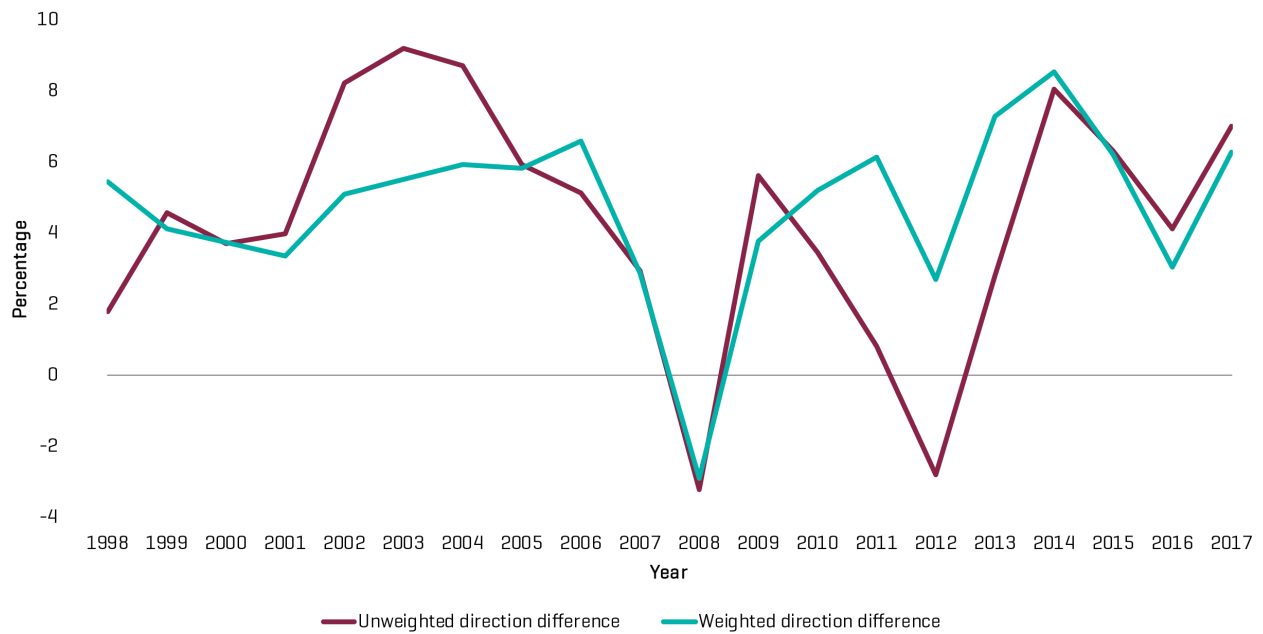


Figure 13: Average direction difference 2017 (source: MSCI Real Estate)

With a narrow variance between the unweighted and weighted direction difference, this suggests that both low and higher value assets traded at a similar premium to their MAV in 2017.

4.2 Property type and location

The results were broken down into segments according to property type and regional location:

- standard retail – South East
- standard retail – rest of UK
- shopping centres
- retail warehouses
- offices – city
- offices – West End and Mid-town
- offices – rest of South East
- offices – rest of UK
- industrial – South East
- industrial – rest of UK and
- other.

See Appendix A for the raw data tables relating to these segments. The range of unweighted average absolute difference across all segments was 5.6% to 14.4%, which compares to an all property average of 10.5%.

Analysis at a segment level in 2017 revealed that the West End and Mid-town offices' weighted average direction difference increased to 9.2% compared with 2.6% in 2016, and continued to be sold at prices above their preceding MAVs. The weighted average direction differences of City offices in 2016 was 3.2% and in 2017 increased to 9.2% as larger City offices saw an increase in the premiums achieved.

In 2017, when excluding Other, the industrial South East recorded the highest unweighted average absolute difference, having been sold at prices most different to their preceding MAVs. Larger industrial South East properties were sold at prices exceeding their preceding MAVs, as indicated by lower unweighted (13.1%) than weighted (13.6%) average absolute difference. Industrial properties in the rest of UK were sold at prices closer to preceding MAV compared to the industrial South East in 2017.

Offices in the City in 2017 were on average sold at prices above preceding MAVs compared to offices in other UK regions.

Most segments saw more valuable assets selling at prices closer to their preceding MAVs, apart from City offices and industrial property in the South East. This implies a continued demand among investors for higher-value assets in these segments.

	Unweighted average absolute difference	Weighted average absolute difference
Standard retail – South East	9.9	9.0
Industrial – rest of UK	10.9	8.9
Standard retail – rest of UK	9.7	6.8
Shopping centres	9.3	8.1
Retail warehouse	8.9	7.0
Offices – City	5.6	10.1
Offices – West End and Mid-Town	11.2	11.1
Offices – rest of South East	11.9	6.4
Offices – rest of UK	11.0	8.7
Industrial – South East	13.1	13.6
Other	14.4	10.2
All property	10.5	9.1

Table 2: Absolute valuation price differences by segment (ranked by unweighted average absolute difference) 2017, % (source: MSCI Real Estate)

The proportion of West End offices sold at prices 10% above their preceding MAV has averaged 42% over the last 20 years. In 2013, 57% of West End offices fell in this category, the highest since the global financial crisis. However, 2017 saw a fall to below the mean with 39% of properties falling in the 10% category. The zero to +10% bracket saw an opposite trend with 43% of properties falling in this category versus the historical trend of 33%.

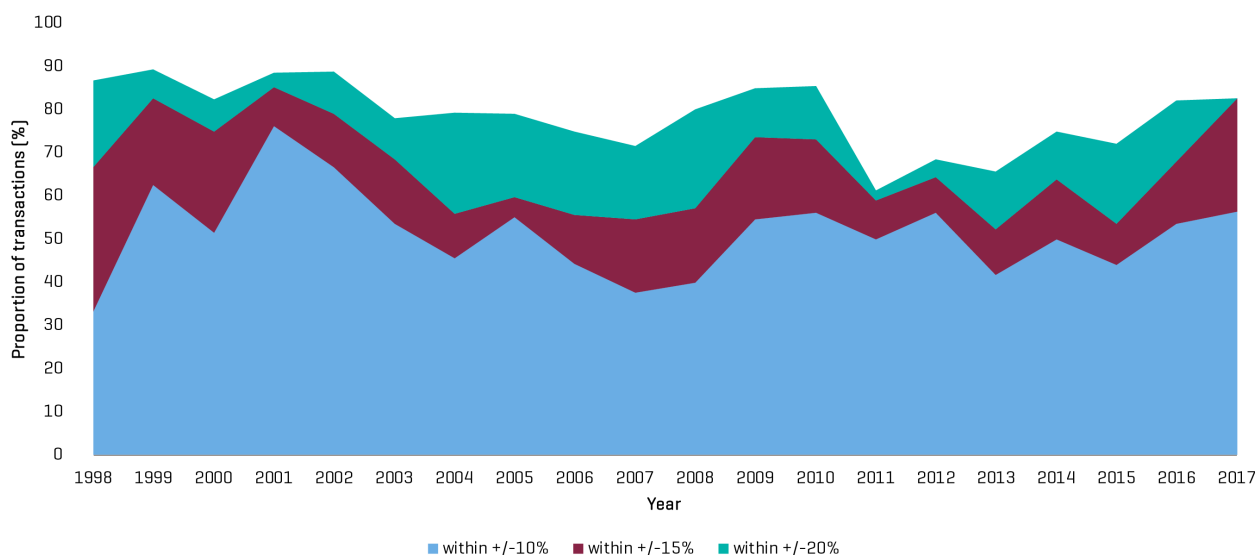


Figure 14: Proportion of West End office transactions within 10%, 15% and 20% bands, 2017 (source: MSCI Real Estate)

The proportion of retail warehouses sold at prices 10% above their preceding MAV increased to 24% in 2017, compared to 14% in 2016, extending the upward trajectory started in 2015. A further 10% of retail warehouses transacted at a 20%+ premium to previous valuation – up from 3% in 2016. The proportion of retail warehouses selling at a discount to its previous valuation has also decreased since it reached a peak of 75% in 2012.

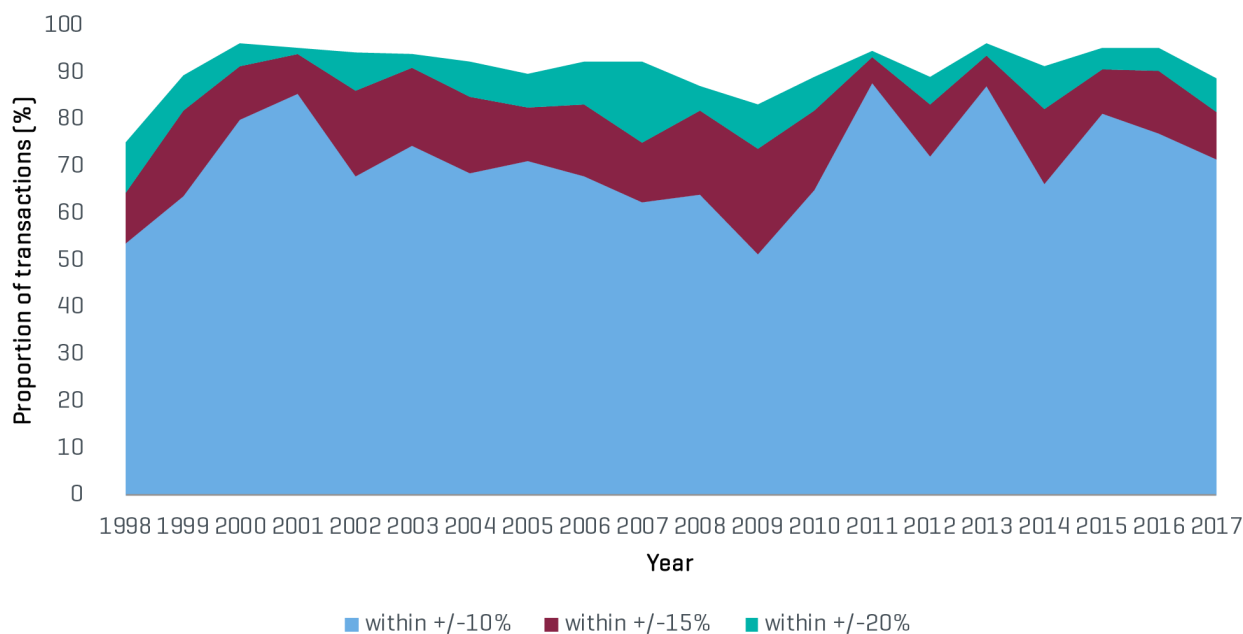


Figure 15: Proportion of rebuilt warehouse transactions within 10%, 15% and 20% bands, 2017 (source: MSCI Real Estate)

The biggest increase in the proportion of properties sold at prices 10% above their preceding MAV was in South East industrial with an increase to 46% in 2017, compared to 24% in 2016. This increase was the second highest on record for South East industrial since 1998. Conversely, the proportion of industrial property in the South East transacting at a discount to last valuation declined from 41% in 2016 to 25% in 2017 (Figure 16).

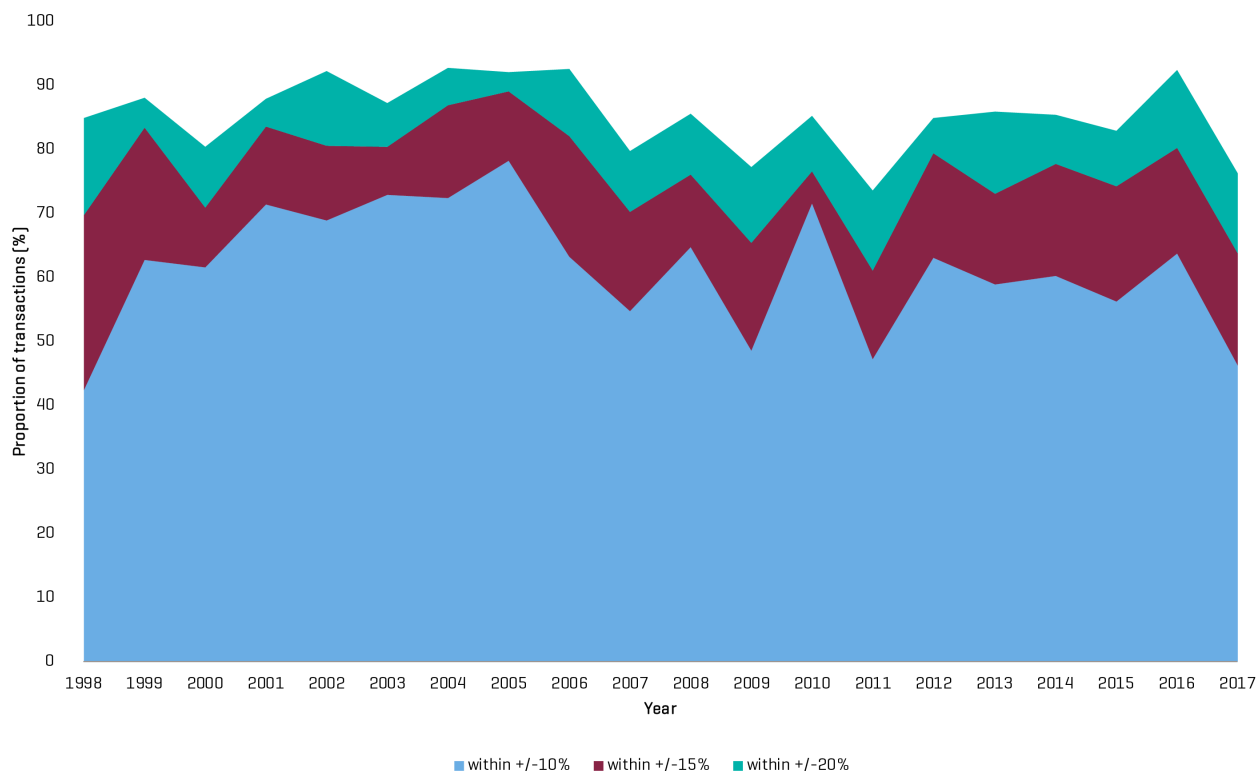


Figure 16: Proportion of South East industrial transactions within 10%, 15% and 20% bands, 2017 (source: MSCI Real Estate)

City offices saw a 130bps decline in its unweighted average absolute difference between sale price and preceding MAV from 6.9% in 2016 to 5.6% in 2017 (see Figure 17). However, on a weighted basis, there was an increase to 10.1% in 2017 from 5.7% in 2016 underlining the demand for higher value City office assets. Historically, the more valuable City offices have consistently been sold at prices closer to preceding valuations but 2017 was an exception with a lower unweighted (5.6%) than weighted (10.1%) average absolute difference.

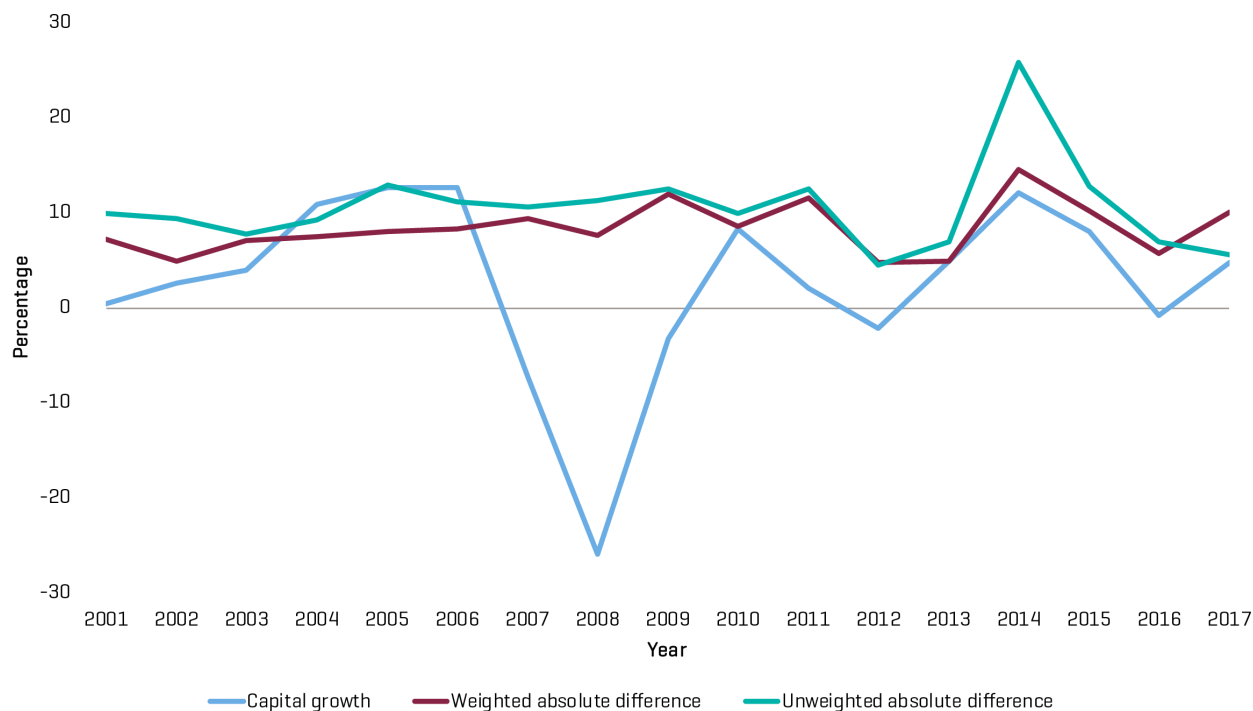


Figure 17: City offices average absolute differences and capital growth, 2017 (source: MSCI Real Estate)

Offices in the rest of the South East experienced a sharp fall in its weighted average absolute difference, from 11.5% in 2016 to 6.4% in 2017 (see Figure 18). A similar but less pronounced move was seen in the unweighted absolute difference, which decreased to 11.9% in 2017 from 13.1% in 2016. This suggests that higher value rest of South East Offices were sold at prices closer to their preceding MAV, while lower value assets attracted a larger premium.



Figure 18: Rest of South East offices average absolute differences and capital growth, 2017
(source: MSCI Real Estate)

The average direction differences show whether assets were sold for a premium or at a discount from their preceding MAV (see Figure 19). On an unweighted basis, shopping centres was the only segment to record a negative difference of sale to previous valuation at -1.8%. On a weighted basis, shopping centres transacted at a 90bps premium to last valuation implying a preference for higher value centres in the current economic environment. Offices and industrial property in the South East saw the highest unweighted average sales premium achieved to previous valuation at 8.8% and 8.4% respectively.

Analysing the sales data on a weighted basis suggests that industrial assets in the South East remain in high demand. Properties in this segment transacted at a 9.1% premium to previous valuation, which was just below the 9.2% recorded for both City and West End offices. By contrast, offices in the rest of the South East achieved a lower premium to last valuation on a weighted basis than at the 8.8% unweighted average. This implies that there was a higher demand for smaller, lower value rest of South East offices and a lower demand for higher value offices in this geography.



Figure 19: Average direction differences by segment 2017 (source: MSCI Real Estate)

5 Conclusion

There was a significant decline in the number of sales analysed by MSCI in 2017 with a total of 737 across the different property sectors – in comparison to 1,157 in 2016. Of the UK properties analysed by MSCI during the year, capital growth improved to 4.7%, which was an improvement on the -0.8% of 2016 but did not reach the levels of 2014 and 2015.

Most sales took place in the first and fourth quarters of 2017. This was described in greater detail in section 4.1. Further statistics can be found at the [MSCI website](#).

All three major property sectors showed a decline in sales when compared to 2016. The largest decline in sales volumes could be seen in West End offices, which was down 59% on the year before. Meanwhile, City offices saw the lowest decline among the various segments with a 2017 volume roughly on par with 2016.

The lower sales volume observed in 2017 had a positive overall impact on the premium attained by sellers relative to the properties' previous valuation. The data also identified an improved trend in the average absolute differences in 2017, with the proportion of sales in the +/-10% band declining to 60.4% and the +/-20% band to 82%.

Appendix A: Data tables

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All property	1,683	1,430	1,717	2,964	2,835	1,872	2,097	1,509	1,541	1,356	1,673	822	1,087	1,510	2,097	942	1,254	1,157	737
Retail	835	709	988	1035	772	484	540	495	362	552	387	253	214	185	268	260	344	373	278
Offices	523	432	458	388	403	371	333	336	265	344	306	181	195	223	304	237	258	285	174
Industrial	266	226	208	251	353	300	316	264	209	315	257	163	146	166	294	258	252	218	178

Table 3: Sample sizes by sector

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Standard retail – South East	327	273	401	330	214	171	181	173	120	181	121	74	54	56	64	87	101	118	72
Standard retail – rest of UK	401	312	457	501	390	192	227	200	151	238	148	76	67	73	94	93	140	134	124
Shopping centres	41	20	47	51	36	29	35	31	25	33	11	20	20	20	33	12	17	17	12
Retail warehouses	66	104	83	153	132	92	97	90	64	100	107	83	73	36	77	68	86	104	70
Offices – City	47	49	44	40	44	52	24	26	34	59	35	21	30	24	19	23	13	24	23
Offices – West End	75	68	122	81	86	68	67	72	53	70	99	41	44	73	67	36	43	56	23
Offices – rest of South East	201	175	141	162	171	152	145	144	88	108	94	83	80	86	142	103	114	127	65
Offices – rest of UK	200	140	151	105	102	99	97	94	90	107	78	36	41	40	76	75	88	78	63
Industrial – south East	126	117	91	103	133	138	138	95	84	125	101	81	72	73	134	103	105	91	80
Industrial – rest of UK	140	109	117	148	220	162	178	169	125	190	156	82	74	93	160	155	147	127	98
Other	59	63	63	1290	1307	717	908	415	707	145	723	225	532	936	1231	187	400	281	107

Table 4: Sample sizes by segment

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All property	8.9	9.4	8.5	11.2	12.1	11.7	9.4	9.6	10.7	10.6	13.2	10.7	8.7	11.9	8.6	13.3	12.9	9.4	11.1
Standard retail – South East	9.2	10.1	9.2	9.5	8.7	9.1	9.2	8.9	9.0	11.7	12.4	9.9	8.5	9.1	8.8	10.6	10.9	9.4	9.9
Standard retail – Rest of UK	6.7	8.0	7.6	7.4	8.4	8.4	7.3	7.9	7.9	11.3	11.4	10.6	8.8	11.7	9.1	9.4	10.3	8.7	9.7
Shopping centres	6.8	4.5	5.7	6.6	6.3	9.0	3.9	10.2	6.4	7.3	6.5	7.2	9.3	7.8	11.5	10.1	11.8	9.6	9.3
Retail warehouses	8.4	6.4	5.0	7.6	7.0	7.5	7.9	8.3	9.4	10.0	11.4	9.7	6.2	9.8	6.0	8.7	5.9	6.6	8.9
Offices – City	15.1	11.6	9.8	9.3	7.7	9.2	12.8	11.1	10.6	11.2	12.5	10.0	12.5	4.5	6.9	25.9	12.7	6.9	5.6
Offices – West End	9.2	11.9	10.5	9.8	11.2	12.4	12.4	13.4	16.4	13.1	11.1	11.3	15.1	14.3	16.8	13.5	15.1	11.3	11.2
Offices – Rest of South East	9.5	8.5	9.1	9.2	9.1	9.7	8.5	7.8	12.6	12.0	11.5	11.4	11.4	12.8	11.9	14.5	12.6	13.1	11.9
Offices – Rest of UK	9.2	9.7	8.9	8.4	8.1	6.7	7.9	8.8	8.6	8.8	9.2	9.8	9.6	9.0	9.0	14.3	12.9	10.3	11.0
Industrial – South East	9.3	10.8	8.4	8.7	7.4	7.1	7.3	8.9	11.7	10.2	12.7	9.6	14.0	10.0	10.1	10.8	12.0	9.6	13.1
Industrial – Rest of UK	8.0	6.2	7.2	7.7	7.9	10.9	8.1	9.0	9.4	9.5	10.6	11.4	9.0	10.4	10.7	10.7	10.3	8.4	10.9
Other	16.7	21.0	12.0	14.9	16.5	16.1	10.9	11.4	11.5	10.0	15.7	11.6	7.0	12.6	7.4	19.4	17.0	9.1	14.4

Table 5: Unweighted average absolute differences 1999–2017, %

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All property	4.6	3.7	4.0	8.2	9.2	8.7	5.9	5.2	2.9	-3.2	5.6	3.5	0.8	-2.8	2.8	8.1	6.3	4.1	7.0
Standard retail – South East	5.5	4.3	3.7	7.1	7.3	7.3	7.1	5.6	1.2	-4.5	3.4	2.5	5.0	0.9	2.5	3.2	5.8	4.2	6.9
Standard retail – Rest of UK	3.1	-0.5	1.6	4.6	6.2	5.9	5.3	4.8	-0.6	-5.8	4.1	1.9	1.6	-5.2	-0.4	3.7	4.0	3.3	3.2
Shopping centres	0.6	1.7	2.0	4.1	-0.2	7.8	2.1	8.8	-2.0	-4.1	2.6	2.3	4.4	-6.1	-3.1	4.5	-1.8	-0.9	-1.8
Retail warehouses	4.7	1.2	2.9	4.9	5.9	5.5	5.6	4.0	1.1	-6.2	3.1	4.8	2.4	-4.1	0.9	3.4	0.7	1.1	4.8
Offices – City	11.1	6.4	5.7	8.5	3.4	5.7	11.5	9.1	5.3	-2.1	-3.2	8.4	10.8	1.4	5.8	25.3	10.4	4.2	4.2
Offices – West End	3.3	9.8	8.3	6.0	9.7	11.5	10.3	12.2	8.7	-4.1	5.1	9.0	13.3	12.7	15.3	12.9	13.1	5.2	7.8
Offices – Rest of South East	4.2	3.8	6.0	7.2	6.4	5.5	5.8	4.2	6.6	-4.2	4.4	1.8	1.7	-1.0	8.1	8.9	8.0	7.8	8.8
Offices – Rest of UK	4.0	3.3	5.8	5.7	7.1	5.1	5.6	4.7	3.3	-2.7	1.5	-4.2	-2.0	-0.9	4.7	7.2	6.7	1.2	7.7
Industrial – South East	5.5	6.9	4.2	6.2	5.6	4.3	3.5	6.0	4.4	-0.5	5.3	-0.7	8.4	3.0	2.6	6.4	5.8	3.1	8.4
Industrial – Rest of UK	4.2	1.0	2.8	3.9	4.6	8.1	6.6	4.6	0.9	-2.3	-1.3	3.4	3.0	-0.7	-1.4	8.0	6.4	3.7	8.2
Other	10.3	17.6	10.1	11.6	12.8	12.4	5.8	4.1	3.5	1.7	9.4	5.9	-2.9	-4.9	2.5	12.2	7.5	5.4	10.7

Table 6: Unweighted direction differences 1999–2017, %

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All property	8.0	7.8	7.1	7.6	7.5	7.9	7.8	8.9	9.9	9.4	11.2	9.7	9.6	8.7	10.3	10.9	10.1	8.7	9.1
Standard retail – South East	8.3	9.1	7.6	9.2	7.8	8.1	14.2	10.1	11.8	9.3	12.1	7.1	9.5	9.4	6.5	7.1	13.0	8.3	9.0
Standard retail – Rest of UK	7.1	7.9	6.9	7.1	7.3	7.0	6.5	6.6	7.6	7.3	11.3	7.9	7.8	9.6	5.9	7.3	8.9	7.8	6.8
Shopping centres	5.7	5.5	4.8	6.8	5.0	8.2	3.2	8.7	6.1	6.8	5.9	7.3	6.8	6.5	8.8	11.4	5.8	7.6	8.1
Retail warehouses	8.8	5.4	4.8	8.5	7.4	7.8	6.7	6.9	9.0	9.8	13.0	9.0	4.8	6.3	4.4	9.3	6.1	6.4	7.0
Offices – City	10.1	7.1	7.2	4.9	7.0	7.4	8.0	8.3	9.4	7.6	12.0	8.6	11.6	4.7	4.9	14.5	10.2	5.7	10.1
Offices – West End	8.3	10.4	9.3	7.8	9.5	9.9	13.8	14.4	12.8	11.8	11.9	11.4	13.8	10.6	15.2	9.5	12.1	8.6	11.1
Offices – Rest of South East	7.6	7.4	8.4	8.3	7.1	9.3	8.0	7.7	12.9	11.4	10.8	12.5	7.9	11.2	12.9	12.7	11.3	11.5	6.4
Offices – Rest of UK	7.5	8.5	7.3	7.7	6.5	4.4	6.9	8.6	7.9	8.6	7.9	6.5	8.4	4.8	7.7	14.4	11.9	9.6	8.7
Industrial – South East	9.8	11.0	7.5	7.9	7.7	5.7	8.6	8.0	13.7	13.7	11.4	8.4	12.0	6.8	9.0	10.9	10.9	8.5	13.6
Industrial – Rest of UK	6.3	5.4	7.7	6.8	6.4	9.9	6.4	8.4	8.0	9.8	8.5	10.9	8.3	8.9	10.6	11.2	9.2	8.2	8.9
Other	12.0	17.2	8.5	10.8	16.2	9.4	10.3	10.4	8.8	10.7	13.9	16.1	14.4	14.9	12.8	13.5	15.2	13.0	10.2

Table 7: Weighted average absolute differences 1999–2017, %

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All property	4.1	3.8	3.4	5.1	5.5	6.0	5.8	6.6	2.9	-2.9	3.8	5.2	6.2	2.7	7.3	8.6	6.2	3.1	6.3
Standard retail – South East	4.6	5.9	2.8	7.3	6.3	5.8	13.3	7.7	6.0	-3.3	2.8	1.6	7.0	4.7	4.4	3.4	10.3	4.7	6.6
Standard retail – Rest of UK	3.7	0.3	1.2	4.7	5.5	4.6	4.9	3.6	0.0	-3.9	3.2	1.0	3.9	-3.7	2.5	4.5	6.0	3.0	4.3
Shopping centres	1.4	3.1	0.7	1.7	0.5	6.9	1.5	8.2	-3.6	-4.1	4.1	4.8	0.3	-5.9	4.0	6.9	-1.6	-0.2	0.9
Retail warehouses	3.6	0.6	2.1	5.9	6.5	6.7	3.0	3.1	0.1	-6.5	2.8	5.4	1.3	-4.3	1.1	7.4	-0.6	-1.1	3.0
Offices – City	8.6	3.3	0.8	4.1	5.3	5.5	7.1	8.0	0.4	-2.8	-1.5	8.1	11.1	2.2	3.6	12.9	9.5	3.2	9.2
Offices – West End	2.4	8.5	7.4	6.7	8.6	8.8	11.8	12.9	4.5	-5.6	6.9	9.9	10.8	9.2	14.4	8.6	10.1	2.6	9.2
Offices – Rest of South East	3.9	3.4	6.6	6.7	5.0	6.4	6.9	5.1	8.7	1.3	5.6	6.1	3.3	1.1	11.0	9.8	8.4	3.1	3.6
Offices – Rest of UK	3.3	2.6	5.1	6.0	5.4	3.0	3.9	4.7	3.5	-2.5	2.5	-3.4	2.0	0.6	5.2	11.4	9.4	4.7	6.9
Industrial – South East	6.8	8.7	4.1	5.6	4.8	3.2	5.7	5.0	8.2	3.7	5.5	0.4	9.1	1.9	5.2	8.8	6.3	3.7	9.1
Industrial – Rest of UK	3.2	0.8	4.3	2.8	4.3	7.8	5.2	5.2	-1.0	-3.2	0.8	5.6	2.0	-0.2	3.0	9.7	6.9	1.9	7.2
Other	8.9	15.9	6.4	9.6	13.8	6.0	8.3	7.6	7.0	1.3	7.9	11.8	11.2	9.6	8.0	10.5	9.5	10.2	7.7

Table 8: Weighted direction differences 1999–2017, %

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All property	68.6	66.9	72.0	58.5	55.9	55.6	66.3	63.1	58.5	61.7	46.3	60.7	72.3	58.3	70.4	50.8	50.6	67.6	60.4
Standard retail – South East	67.0	64.8	63.6	63.3	64.5	66.1	64.1	70.5	65.0	58.0	47.1	62.2	59.3	62.5	62.5	58.6	62.4	67.8	61.1
Standard retail – rest of UK	79.6	72.1	75.3	75.6	68.2	66.7	73.1	76.0	74.2	62.2	54.7	56.6	70.1	54.8	71.3	68.8	64.3	66.4	64.5
Shopping centres	80.5	85.0	83.0	68.6	77.8	65.5	91.4	51.6	84.0	78.8	81.8	70.0	65.0	70.0	66.7	66.7	58.8	64.7	58.3
Retail warehouses	63.6	79.8	85.5	68.0	74.2	68.5	71.1	67.8	62.5	64.0	51.4	65.1	87.7	72.2	87.0	66.2	81.4	76.9	71.4
Offices – City	44.7	61.2	65.9	70.0	77.3	73.1	45.8	50.0	67.6	61.0	45.7	71.4	46.7	79.2	73.7	21.7	46.2	66.7	82.6
Offices – West End	62.7	51.5	76.2	66.7	53.5	45.6	55.2	44.4	37.7	40.0	54.5	56.1	50.0	56.2	41.8	50.0	44.2	53.6	56.5
Offices – rest of South East	67.7	69.7	68.8	63.0	67.8	63.8	66.2	70.8	53.4	54.6	54.3	54.2	56.3	54.7	57.0	39.8	50.0	55.1	61.5
Offices – rest of UK	67.0	60.0	70.9	66.7	74.5	77.8	71.1	67.0	64.4	61.7	66.7	63.9	65.9	70.0	61.8	50.7	50.0	61.5	58.7
Industrial – south East	62.7	61.5	71.4	68.9	72.9	72.5	78.3	63.2	54.8	64.8	48.5	71.6	47.2	63.0	59.0	60.2	56.2	63.7	46.3
Industrial – rest of UK	72.1	81.7	74.4	70.9	74.5	56.8	69.7	63.9	60.8	65.8	58.3	54.9	66.2	63.4	59.4	58.1	61.9	70.9	60.2
Other	35.6	34.9	74.6	43.8	39.5	39.2	61.6	52.0	53.5	66.2	35.7	56.4	82.0	55.9	75.7	29.9	31.0	73.7	51.4

Table 9: Average absolute proportion within +/-10%, 1999–2017, %

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All property	81.3	78.9	83.3	72.6	69.2	70.9	79.4	78.1	72.6	75.5	61.7	74.2	85.7	71.3	81.0	65.2	68.7	78.7	74.2
Standard retail – South East	79.8	76.2	78.6	78.5	82.2	78.9	76.8	82.7	86.7	72.9	66.9	75.7	87.0	78.6	79.7	74.7	72.3	81.4	79.2
Standard retail – rest of UK	88.5	83.0	84.7	87.2	81.8	84.4	85.9	88.0	84.1	73.9	68.2	72.4	83.6	67.1	78.7	81.7	75.0	80.6	79.8
Shopping centres	87.8	90.0	89.4	94.1	94.4	72.4	100.0	74.2	92.0	84.8	90.9	100.0	80.0	85.0	81.8	75.0	70.6	82.4	91.7
Retail warehouses	81.8	91.3	94.0	86.3	90.9	84.8	82.5	83.3	75.0	82.0	73.8	81.9	93.2	83.3	93.5	82.4	90.7	90.4	81.4
Offices – City	61.7	69.4	81.8	85.0	86.4	78.8	62.5	69.2	76.5	72.9	60.0	81.0	56.7	95.8	84.2	21.7	76.9	91.7	91.3
Offices – West End	82.7	75.0	85.2	79.0	68.6	55.9	59.7	55.6	54.7	57.1	73.7	73.2	59.1	64.4	52.2	63.9	53.5	67.9	82.6
Offices – rest of South East	80.6	82.9	81.6	79.0	81.3	75.0	83.4	85.4	68.2	71.3	68.1	68.7	70.0	69.8	68.3	52.4	66.7	65.4	67.7
Offices – rest of UK	78.0	75.7	82.8	83.8	87.3	85.9	83.5	86.2	81.1	84.1	78.2	77.8	85.4	80.0	81.6	60.0	69.3	73.1	77.8
Industrial – south East	83.3	70.9	83.5	80.6	80.5	87.0	89.1	82.1	70.2	76.0	65.3	76.5	61.1	79.5	73.1	77.7	74.3	80.2	63.8
Industrial – rest of UK	83.6	92.7	88.0	86.5	87.3	75.9	84.8	79.3	77.6	76.8	76.9	67.1	81.1	79.6	76.3	71.6	77.6	81.9	74.5
Other	52.5	44.4	77.8	58.3	52.6	57.3	75.6	69.4	66.9	79.3	49.4	72.0	95.3	68.7	84.9	48.1	57.8	78.6	61.7

Table 10: Average absolute proportion within +/- 15%, 1999–2017, %

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All property	88.5	86.0	89.3	82.1	77.9	80.7	87.2	88.1	86.0	84.7	74.6	85.3	90.7	79.8	87.2	76.4	75.6	86.3	82.0
Standard retail – South East	89.3	84.2	88.3	86.7	89.3	88.3	84.0	88.4	93.3	80.7	83.5	87.8	94.4	83.9	87.5	83.9	82.2	89.0	87.5
Standard retail – rest of UK	93.8	90.1	89.9	92.6	89.5	87.5	95.2	92.5	92.7	82.4	82.4	84.2	88.1	80.8	87.2	88.2	82.1	91.8	87.1
Shopping centres	92.7	100.0	97.9	94.1	94.4	96.6	100.0	93.5	96.0	90.9	100.0	100.0	90.0	100.0	84.8	91.7	82.4	88.2	91.7
Retail warehouses	89.4	96.2	95.2	94.1	93.9	92.4	89.7	92.2	92.2	87.0	83.2	89.2	94.5	88.9	96.1	91.2	95.3	95.2	88.6
Offices – City	66.0	73.5	88.6	90.0	93.2	90.4	79.2	88.5	82.4	78.0	80.0	81.0	73.3	95.8	94.7	30.4	84.6	95.8	95.7
Offices – West End	89.3	82.4	88.5	88.9	77.9	79.4	79.1	75.0	71.7	80.0	84.8	85.4	61.4	68.5	65.7	75.0	72.1	82.1	82.6
Offices – rest of South East	87.1	89.1	88.7	88.3	90.1	86.8	92.4	93.8	76.1	84.3	87.2	86.7	81.3	76.7	82.4	68.0	75.4	72.4	75.4
Offices – rest of UK	85.5	86.4	86.8	89.5	91.2	90.9	92.8	89.4	90.0	91.6	88.5	88.9	90.2	87.5	89.5	70.7	76.1	84.6	82.5
Industrial – south East	88.1	80.3	87.9	92.2	87.2	92.8	92.0	92.6	79.8	85.6	77.2	85.2	73.6	84.9	85.8	85.4	82.9	92.3	76.3
Industrial – rest of UK	90.7	95.4	92.3	91.9	92.3	83.3	92.1	92.3	92.0	87.4	85.3	81.7	86.5	82.8	86.3	88.4	83.7	88.2	82.7
Other	71.2	50.8	82.5	70.9	64.0	68.6	82.7	81.9	84.2	86.2	62.4	82.7	97.9	78.4	88.5	58.8	62.3	82.9	71.0

Table 11: Average absolute proportion within +/-20%, 1999–2011, %

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