Property fund lock-ins

July saw several major property funds suspend dealings.

One of the unexpected outcomes of the UK's vote to leave the European Union on 23 June has been that at least eight property funds have suspended dealings, meaning that investors cannot cash in their holdings. Some other funds have applied large discounts to prices for those wanting to realise their investment immediately.

Both moves make sense in terms of protecting the interests of *all* of the funds' investors, not just those who want a swift exit. Commercial property cannot be sold rapidly, unlike the shares and bonds that underlie most collective funds. After an event like the Brexit vote, even knowing what the value of a property is can be difficult. Market circumstances will have changed, but there will be virtually no sales data to show what the effect has been.

Property fund suspensions also occurred in 2008, in the wake of the financial crisis, so the situation is nothing new. The Financial Conduct Authority rules require suspensions to be reviewed at least every 28 days, but place no limit on how long a suspension can last.

UK commercial property still looks an attractive long term investment, if only because rental yields compare favourably with income returns available elsewhere. It is interesting to see that some 'predator' private equity funds are already being prepared to search for bargains from forced sellers. If you hold investments in property funds, do talk to us if you have concerns and certainly before taking any action.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.