



IPD UK Rural Property Investment Index

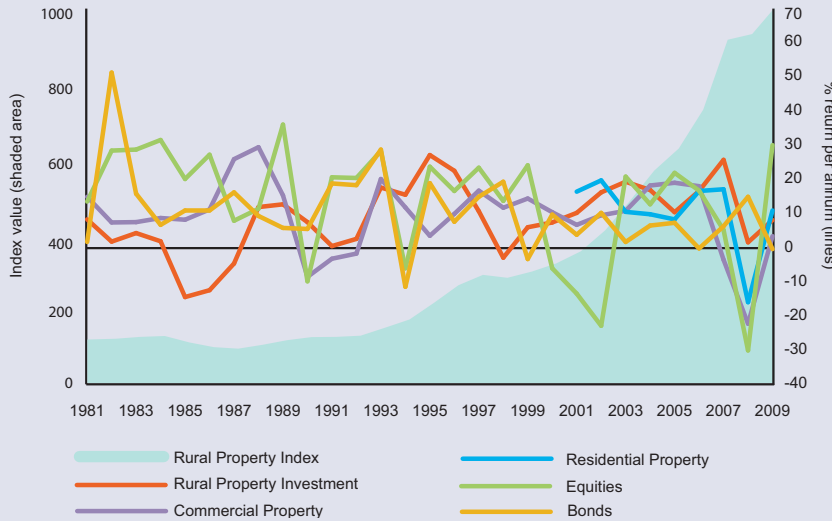


Results for the year to 31st December 2009

On the pulse of the property world



Historical performance



The IPD UK Rural Investment Property Index measures ungeared total returns to direct investment in a sample of tenanted farm land. At December 2009 the sample consisted of 515,355 acres of land on 223 estates with a total capital value of just under £2.0bn and the total return was **8.2%**.

IPD UK Rural Property Investment Index returns

	Total return Dec 1980 =100	Total return % 1 yr	Income return % 1 yr	Capital growth % 1 yr	Annualised total return %		
					3 yrs	5 yrs	28 yrs
Rural Property Investment	986.5	8.2	1.8	6.3	11.4	12.3	8.2
Commercial Property	1219.4	3.5	7.4	-3.6	-8.0	1.8	9.0
Residential Property*	235.2	11.0	2.7	8.1	3.1	6.8	~

*Series start Dec 2000 = 100

Comparative Data

Equities	2248.6	-29.9	~	~	-4.8	3.5	11.8
Bonds	1641.2	15.0	~	~	6.9	6.9	10.5

Data sources: FTSE All-Share Index, FTSE UK Gilts Index 5-15 yrs, IPD UK Annual Property Index, IPD UK Residential Investment Index

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The Property People



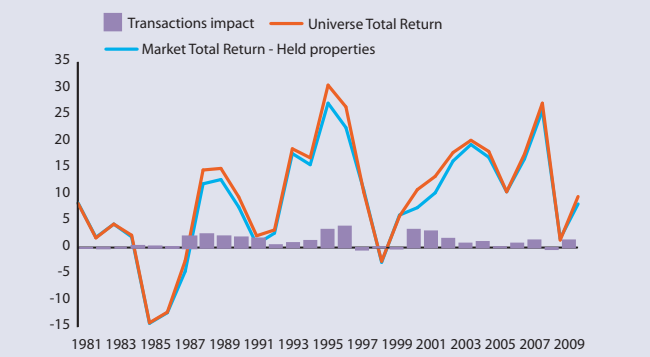
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Rural Property Investment Performance

UK Market Total Return % pa, showing effect of transactions



Headline results

- In the twelve months to December 2009, the IPD Rural Property Investment Index showed a considerable lift in performance with total return up from the ten-year low of 1.7% pa in 2008 to 8.2% pa in 2009.
- This improvement was driven by capital growth which pulled back from negative growth in 2008 to 6.3% pa in 2009. This was coupled with a 1.8% pa income return and although only twenty basis points lower than the three-year average, this was the lowest income return ever recorded by the Index.
- 2009 saw the effect of transaction activity return to have a strong positive effect on performance. Overall, transactions added 1.4% pa to take the total return for all rural property including transactions to 9.6% pa.
- There continued to be net disinvestment from tenanted farmland in 2009. Slightly down on 2008, this stood at 1.3% of year end capital value. Only three areas in the UK saw positive investment levels: the South East, West Midlands and North West and North East.

Investment performance by asset class, % pa



Other asset classes

- The Rural Property Investment Index continued to outperform the IPD commercial property index. However, the strong return was not enough to reach the IPD residential returns of 11.0% pa in 2009. Over the 3, 5 and 10-year periods, rural property investment has consistently outperformed these indexes as well as UK equities (all share) and gilts.
- Following historically low levels in 2008, in the twelve months to December 2009 inflation has returned to a longer term average. As a result, after adjusting for inflation the index real return was 5.6% pa.

Total return and the income & capital components, held property 2009 %



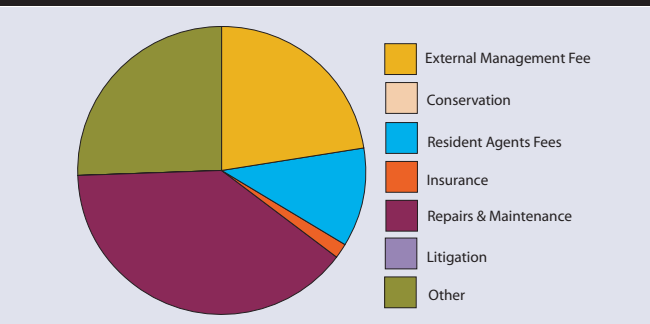
Regional trends

- All regions saw positive total returns in 2009. The strongest performer was the South East where strong capital growth and steady income return saw it return 14.0% pa in 2009, up from 2.7% pa in 2008.
- The biggest year-on-year improvement was in the North West & North East which in 2008 saw -5.0% pa, the lowest total return recorded by any region since 1990. Performance bounced back in 2009, on the back of strong capital growth, to return 7.3% pa.
- The West Midlands saw the strongest income return, 60 basis points above the all UK average, at 2.4% pa.
- Despite a strong performance in 2009, returning 11.0% pa and second only to the South East, Yorks & Humberside saw the highest volume of net disinvestment in the UK, at 5.7% of year end capital value.

Operating costs

- Costs allocated to repairs and maintenance continued to take the largest proportion of income at 39.1%, only 20 basis points down on 2008. Taken with external management fees, at 22.6%, these two categories account for the majority of the irrecoverable costs.

Cost breakdown on held properties %



Regional Variations (Annualised)

Total return	1 yr	3yr	5yr
South East	14.0	12.2	14.7
Eastern	3.4	7.4	9.9
East Midlands	5.0	11.2	11.3
West Midlands	8.3	13.1	12.0
Yorks & Humberside	11.0	14.8	13.5
North West & North East	7.3	5.9	8.2
Other	10.5	15.1	15.2
All UK	8.2	11.4	12.3

Income Return	1 yr	3yr	5yr
South East	1.8	1.8	2.0
Eastern	1.9	1.9	2.0
East Midlands	2.0	2.1	2.1
West Midlands	2.4	2.5	2.8
Yorks & Humberside	1.7	2.1	2.1
North West & North East	1.5	2.3	2.2
Other	1.5	1.7	1.8
All UK	1.8	2.0	2.1

Capital Growth	1 yr	3yr	5yr
South East	12.1	10.2	12.5
Eastern	1.5	5.4	7.8
East Midlands	2.9	8.9	8.9
West Midlands	5.8	10.4	9.0
Yorks & Humberside	9.2	12.5	11.1
North West & North East	5.7	3.5	5.9
Other	8.9	13.2	13.2
All UK	6.3	9.3	10.0

Market Commentary

The strength of rural property as an asset class has been demonstrated by its performance over the last three years compared with commercial and residential property, equities and gilts. It performs well during recessions and has different drivers to the other assets.

Capital value growth was again the main driver of total return performance although 6.3% growth is below the 10-year average.

Income return continues its long-term reduction as, despite agricultural and residential rent reviews producing useful increases in rental income, as shown by the 6.8% gross income growth, it has not kept up with the growth in capital values.

Looking forward to 2010 and beyond

We continue to expect capital values to rise, in both the rural investment and vacant possession markets.

Demand is increasing from all types of buyer – farmers, investors and non-farmers looking for attractive places to live. Due to the few opportunities to buy agricultural land with Agricultural Holdings Act tenancies, which is what investors have looked for due to the potential for capital value uplift when the tenancy ends, more investors are considering buying land with vacant possession and arranging for it to be farmed. The threat to some of the new farm investment funds from changes to Inheritance Tax reliefs has receded with a Conservative-Liberal Democrat Government, which wants to support farming.

The annual average supply of land for sale remains constricted and is likely to remain at low levels compared with the 1980s and 1990s. The early part of 2010 continued this trend although more recently there have been a greater number of farms coming to the market, particularly of equipped holdings.

Income should also continue to grow in 2010 as more farm rents are reviewed and as residential rents have started to rise again. Alternative income sources such as renewable energy production offer some income prospects. The announcement of Feed-In Tariffs and the new Government's support for on-farm energy generation may result in diversification opportunities for some.

Market commentary supplied by:



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	Rural Property Investment including Transactions				Rural Property Investment Held Properties only				
	Total return %	Income return %	Capital value growth %	Rural Property Investment Index Total Return	Total return %	Income return %	Capital value growth %	Gross Rent passing growth %	Initial yield %
2005	10.5	2.3	8.0	797.6	10.5	2.3	8.0	0.6	2.8
2006	17.6	2.1	15.2	937.6	16.7	2.1	14.4	1.5	2.6
2007	27.2	2.0	24.8	1192.9	25.8	2.1	23.3	-3.6	2.2
2008	1.4	2.0	-0.6	1209.7	1.7	2.1	-0.4	7.0	2.2
2009	9.6	1.7	7.7	1325.4	8.2	1.8	6.3	6.8	2.1
Annualised return over the last:									
3 years	12.2	1.9	10.2		11.4	2.0	9.3	3.3	
5 years	12.9	2.0	10.7		12.3	2.1	10.0	2.4	
10 years	14.5	2.7	11.5		13.1	2.7	10.1	0.4	
20 years	13.1	3.7	9.0		11.8	3.7	7.8	1.0	
29 years	9.3	3.9	5.2		8.2	3.9	4.1	1.9	

Index composition – 2009 overview

Index construction

The IPD UK Rural Investment Property Index measures ungeared total returns to direct investment in a sample of tenanted farm land. It is compiled from valuation and management records for individual farms and estates held by institutional and private investors. Data is collected from investors and managing agents and audited by IPD. All year-end valuations used in the index are conducted by qualified valuers working to RICS guidelines. Confidential tenant names are not disclosed to IPD. At December 2009 the sample consisted of approximately 515,355 acres of land on 223 estates with a total capital value of just under £2.0bn

The Index shows total returns on those properties that have been held throughout the year without any part purchases or sales. This basis is the most appropriate for comparison with the index results for other asset classes. However the realisation of profits from reversions to vacant possession and active management, which frequently involve part sales or purchases of small parcels of land or buildings, are both integral aspects of the rural investment market. Further analysis on the total market performance is available from IPD.

The Index shows annual time weighted total returns calculated by chain linking monthly returns to capital employed. In any month:

- Total return is the sum of capital and income return on capital employed.
- Income return is income receivable net of property management and other irrecoverable revenue expenditure as a percentage of capital employed in that month.
- Capital growth is the change in capital value from one month to the next, net of any capital expenses, as a percentage of capital employed.
- Capital employed is the capital value at the start of the month plus the gross purchase price of any whole or part purchases and any on-going capital expenditure.

The monthly returns are the basic building block for returns over all other periods. Annual returns are calculated by chain linking 12 monthly values. Annual time-weighted returns calculated in this way require details of monthly cashflows and monthly capital values. Where monthly valuations are not available, IPD computes estimated values by interpolation between successive quarterly or annual actual valuations.

- Initial yield is current net rent passing divided by year-end gross capital value.
- Net Investment is the sum of gross purchase costs, development expenditure, and costs of all capital improvements, less net sales receipts and all other capital receipts summed over the period.
- Turnover is the sum of gross purchase costs, net sale receipts and all other capital expenditure and receipts summed over the period.

The historical figures are unfrozen, thus any new funds or changes to current funds are reflected in the index.

	Total value (£m)	Number of acres	Number of Assets
1981	487	512,161	370
2000	861	516,986	267
2001	902	502,831	276
2002	986	600,215	270
2003	1,087	579,208	258
2004	1,608	569,989	284
2005	1,660	708,233	254
2006	1,766	697,023	246
2007	2,249	676,038	275
2008	2,097	586,764	241
2009	1,979	515,355	223

Weight by predominant Tenancy Type, % rent passing

AHA - FRI*	24.7
AHA - Traditional Lease*	61.8
Farm Business Tenancy**	2.9
Grazing Licence	0.6
Annual Agri Tenancy	0.0
Non-agricultural & Vacant	10.0

Regional breakdown

At end 2009	Weight by region (% of cap val)	Capital value (£ per acre)	No of Assets
South East	13.5	4,449	56
Eastern	18.5	2,256	49
East Midlands	15.3	3,747	24
West Midlands	7.2	4,349	12
Yorkshire & Humberside	7.9	3,855	17
Northern England	7.7	4,367	30
Other***	29.9	3,351	35

* AHA: The Agricultural Holdings Act 1986 provides up to three generations of security of tenure for tenants. Numerous and complex provisions govern most tenancy matters. The majority of agricultural holdings fall under this Act.

** FBT: Farm Business Tenancies; created under the Agricultural Tenancies Act 1995, allow freedom of contract between landlord and tenant in England and Wales with relatively low levels of statutory control.

*** The 'Other' region includes South West England, Wales and Scotland

Contacts

General enquiries:	Emily Leader	emily.leader@ipd.com	+44 (0)20 7336 9296
	Amelia Murray	enquiries@ipd.com	+44 (0)20 7336 4755

IPD Head Office

1 St. John's Lane
 London EC1M 4BL UK
 T: +44 (0)20 7336 9200
 F: +44 (0)20 7336 9399
 www.ipd.com

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