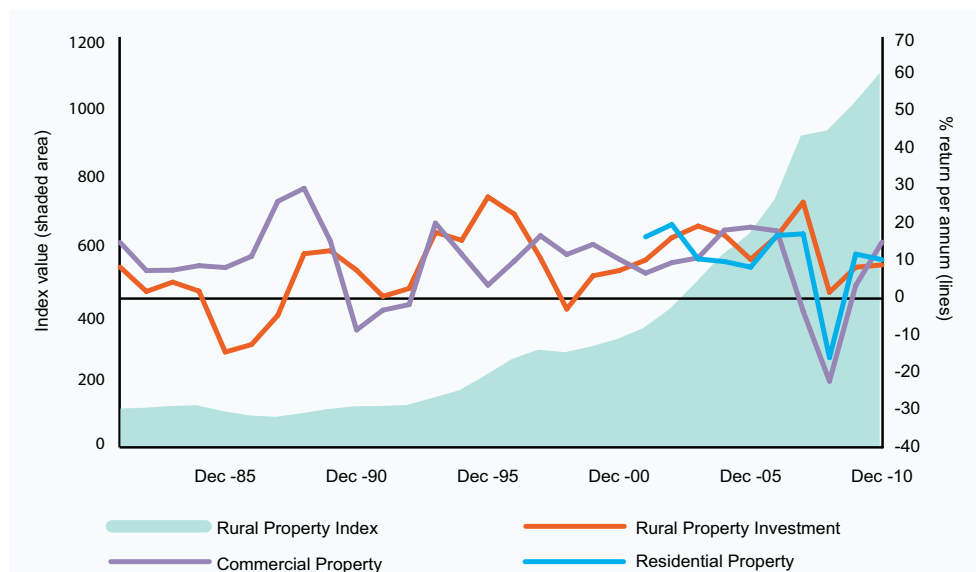


IPD UK Rural Property Investment Index

Results for the year to 31st December 2010



The IPD UK Rural Property Investment Index measures ungeared total returns to direct investment in a sample of tenanted farm land. At December 2010 the sample consisted of 541,492 known acres of land on 488 estates with a total capital value of just over £2.2bn and the total return was **9.0%**

IPD UK Rural Property Investment Index

	Total return index Dec-2009	Total return index Dec-2010	Total return %	Income return %	Capital growth %	Annualised total returns %		
	Dec 1980 = 100	Dec 1980 = 100	1 yr	1 yr	1 yr	3yrs	5yrs	30yrs
Rural Property Investment	989.0	1077.5	9.0	1.6	7.2	6.3	12.0	8.2
Commercial Property	1219.4	1403.4	15.1	6.4	8.3	-2.5	1.1	9.2
Residential Property*	237.4	262.2	10.4	2.8	7.4	1.3	7.4	-

*Index based at December 2000. Data sources: IPD UK Annual Property Index, IPD UK Residential Property Investment Index.

Comparative Data

	Total return index Dec-2009	Total return index Dec-2010	Total return %	Income return %	Capital growth %	Annualised total returns %		
	Dec 1980 = 100	Dec 1980 = 100	1 yr	1 yr	1 yr	3yrs	5yrs	30yrs
Equities	2925.9	3350.5	14.5	-	-	1.4	5.1	12.4
Bonds	1636.3	1784.6	9.1	-	-	7.7	5.9	10.1

Data sources: FTSE All-Share Index, FTSE UK Gilts Index 5-15 yrs.

Sponsors

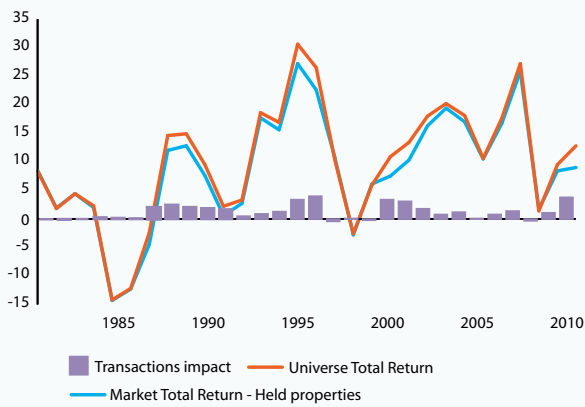


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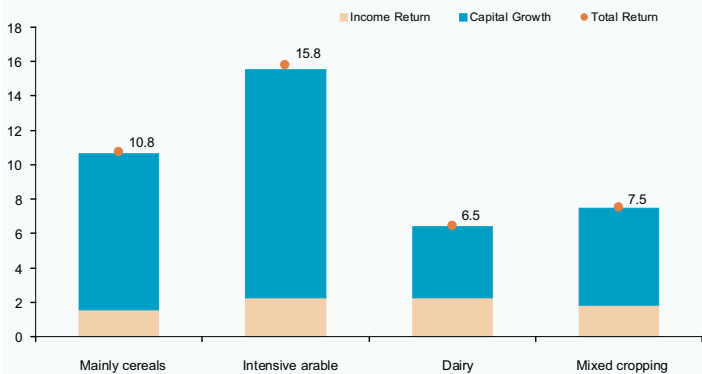
UK Market Total Return % pa, showing effect of transactions



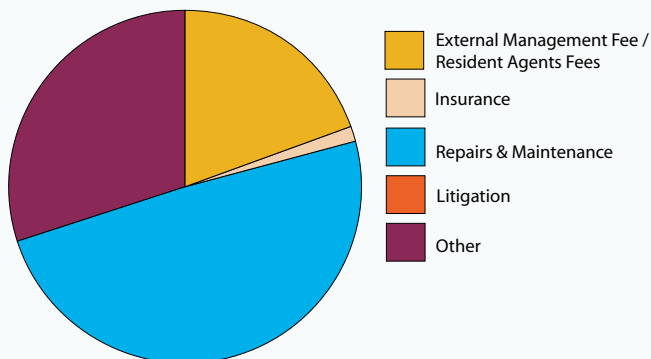
Investment performance by asset class, % pa



Total return and the income & capital components, held property 2010 %



Cost breakdown on held properties %



Headline results

- In the twelve months to December 2010 the IPD Rural investment index returned 9.0%, an improvement on the 8.4% recorded in 2009.
- Capital growth, at 7.2%, drove the returns, while income return, at 1.6%, declined slightly from 2009, and is now at its lowest point in the index's thirty year history.
- Transaction activity continued to have a strong effect on performance, driving total returns up to 12.8%, and capital growth to 11.0%.
- There was a continuing net disinvestment from tenanted farmland in 2010, this now stands at -4.3%.

Other asset classes

- While the Rural index underperformed the commercial property market in 2010, this needs to be taken in context. Unlike all other UK markets, rural property did not experience negative returns during the downturn, meaning less value decline to re-coup as investor sentiment returns to the market.
- On a three, five and ten year basis, farmland remains the top performing asset class in UK property, with returns of 6.3%, 12.0% and 13.3% respectively. Commercial property only managed to deliver -2.5%, 1.1% and 6.8% over the same periods.
- Against equities and gilts, commercial farmland compares well, outperforming both on a five and ten year basis, though underperforming gilts over three years.

Trends

- All regions delivered positive total returns and capital growth in 2010. The South East continued to perform well, delivering 10.2%, but both the East Midlands and the North West & North East of England delivered the highest returns of 10.4% and 11.0% respectively.
- Land used for intensive arable and cereal farming delivered the highest returns in 2010, of 15.8% and 10.8% respectively. Their outperformance of the other land use types comes off the back of improving investor sentiment - both uses performed poorly in 2009, and thus saw increasing capital growth this year as their values bounced back.
- Mixed cropping and dairy, which both delivered double digit returns in 2009, saw a more subdued performance last year, returning 7.5% and 6.5% respectively. While both saw comparatively strong income returns, of 1.8% and 2.2%, the mixed cropping return was bolstered by slightly higher capital growth, of 5.6%.

Operating costs

- Costs allocated to repairs and maintenance increased in 2010 and continued to take the largest proportion of income at 49.0%. Taken with resident agents' fees and external management fees at 19.6%, these two categories account for the majority of the irrecoverable costs.

Regional Variations (Annualised)			
Total Return	1yr	3yr	5yr
South East	10.2	8.9	14.2
Eastern	9.5	3.7	9.8
East Midlands	10.4	3.8	11.9
West Midlands	4.5	6.4	10.6
Yorkshire & Humberside	8.5	9.8	13.2
Northern England	11.0	5.0	9.5
Other	3.2	6.9	13.1
All UK	9.0	6.3	12.0

Income Return	1yr	3yr	5yr
South East	1.5	1.7	1.8
Eastern	1.9	1.9	1.9
East Midlands	1.7	1.9	2.0
West Midlands	1.7	2.2	2.4
Yorkshire & Humberside	1.6	1.9	2.0
Northern England	1.5	1.9	2.1
Other	1.4	1.5	1.7
All UK	1.6	1.8	1.9

Capital Growth	1yr	3yr	5yr
South East	8.6	7.1	12.2
Eastern	7.5	1.8	7.7
East Midlands	8.6	1.8	9.6
West Midlands	2.7	4.1	8.0
Yorkshire & Humberside	6.8	7.8	11.0
Northern England	9.4	3.0	7.3
Other	1.8	5.3	11.3
All UK	7.2	4.4	9.9

Market Commentary

The continued strength of rural property as an asset class has once again been shown when compared to commercial and residential properties, equities and gilts. Whilst other property classes have outperformed commercial property returns for 2010, a comparison over a twenty year period shows rural property to be the leading asset.

Capital growth continued at 7.2%, a 60 basis point increase on 2009, and was the main component of the 9.0% total return in 2010. However it must be acknowledged that rural property has been on a bull run since 2002, with a decline of -0.4% in 2008 being the only hiccup.

Income return continued to fall, down to 1.6%, a 20 basis point reduction. Gross income growth now stands at 3.9%, which is down on the 6.9% seen in 2009, highlighting the surge in land values over the last four years, and in particular the last twelve months.

Looking forward to 2011 and beyond

Capital values have continued to rise off the back of the flight to 'safe assets' following the financial crisis of 2008. While land and gold have also benefitted, and though the income return of 1.6% was historically low, it compares favourably with returns paid on cash deposits.

Excess demand for rural property has fuelled the increasing prices, and even though the supply in 2011 is likely to be much higher, it has not been sufficient to peg back prices. Land supply is currently at a historically low level, far lower than the one million acres that were traded in the 1940s and 50s.

The market place is crowded with farmer buyers competing with institutions, investors and lifestyle/entrepreneurial buyers, all with cash or sufficient funds to represent a safe lending proposal. Furthermore, the opportunity to purchase a house with a large garden is underpinned by the tax advantages of owning rural property.

The oil crisis of 2007 had a far ranging effect on agriculture as it produced the first 'spike' in cereal prices. Though this quickly dissipated, it has now been replaced by a truer reflection as a food commodity for human and animal consumption. The other side of this coin is the effect on the livestock sector, which will need to catch up if it is to survive.

The review for AHA and FBTs will be eagerly anticipated, with substantial increases forecast on the back of current commodity prices. Income from cottages, commercial buildings and other sources, such as renewables/infrastructures, may show some modest growth, but this is dependent upon location and local demand.

Rural property has shown once again that it is a robust asset class, with the added benefit of being able to produce 'windfall' values to an investor who understands the complex nature of the asset class.

	Rural Property Investment including transactions				Rural Property Investment Held Properties only				
	Total return	Income return	Capital value growth	Index total return Dec 1980=100	Total return	Income return	Capital value growth	Gross rent passing growth %	Initial yield
2006	17.6	2.1	15.2	939.7	16.7	2.1	14.4	1.5	2.6
2007	27.2	2.0	24.8	1195.6	25.8	2.1	23.3	-3.6	2.2
2008	1.4	2.0	-0.6	1212.3	1.7	2.1	-0.4	7.0	2.2
2009	9.5	1.7	7.7	1327.6	8.4	1.8	6.6	6.9	2.1
2010	12.8	1.6	11.0	1497.3	9.0	1.6	7.2	3.9	1.8
Annualised return over the last:									
3 years	7.8	1.8	5.9		6.3	1.8	4.4	5.9	
5 years	13.4	1.9	11.3		12.0	1.9	9.9	3.1	
10 years	14.7	2.4	12.0		13.3	2.5	10.6	1.0	
20 years	13.2	3.5	9.4		11.8	3.5	8.1	1.4	
30 years	9.4	3.9	5.4		8.2	3.8	4.3	2.0	

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 2010 the sample consisted of 541,492 known acres of land on 488 estates with a total capital value of just over £2.2bn.

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
2001	902	502,831	276
2002	980	600,215	269
2003	1,084	579,208	257
2004	1,606	569,989	283
2005	1,657	708,233	253
2006	1,766	697,023	246
2007	2,249	676,027	275
2008	2,097	586,753	241
2009	2,096	516,412	494
2010	2,219	541,492	488

Type of lease	Number of tenants
AHA - FRI*	195
AHA - Traditional Lease*	270
Farm Business Tenancy**	311

Regional breakdown			
At end 2010	Weight by region (% of cap val)	Capital value (£ per acre)	No of Assets
South East	15.7	4,361	209
Eastern	17.4	2,302	59
East Midlands	15.6	4,116	47
West Midlands	7.6	4,987	28
Yorkshire & Humberside	6.9	3,815	17
Northern England	7.2	4,653	29
Other***	29.5	3,549	99

* 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

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