



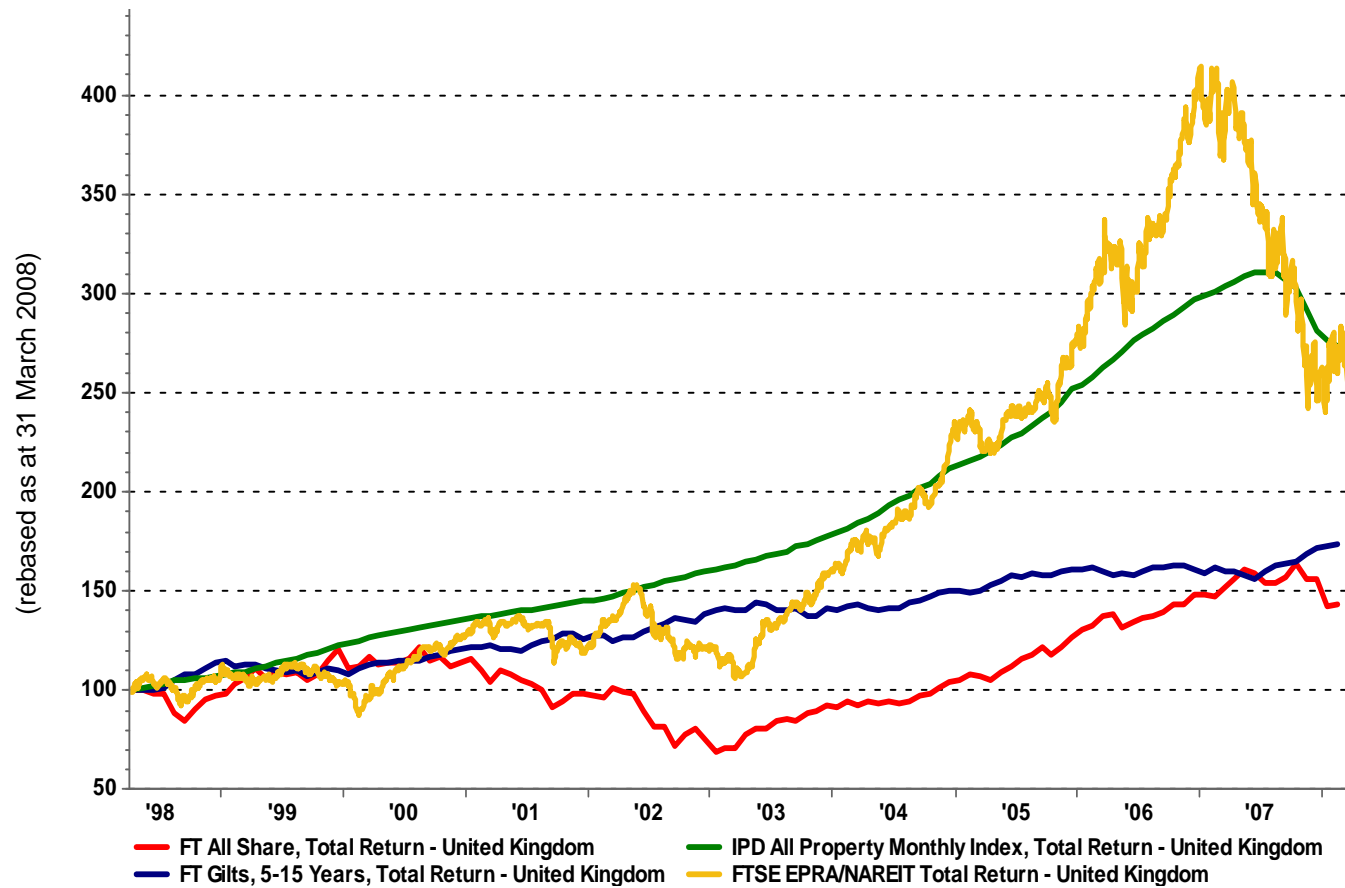
Cambridge University Land Society

**“The UK Commercial Property
Investment Market – Where Now?”**

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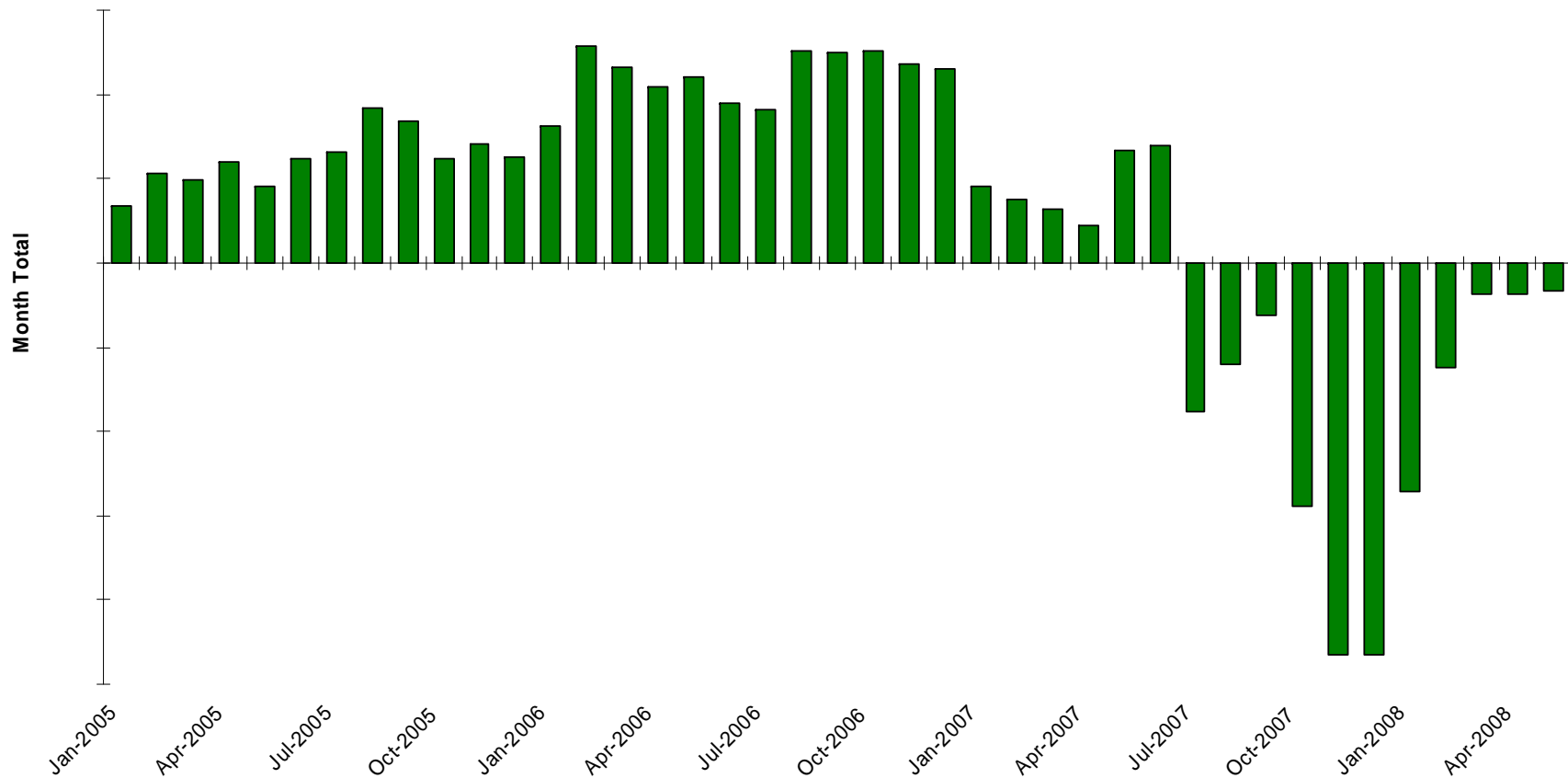
UK commercial property market background

- ▶ Returns from the major asset classes over a ten-year period



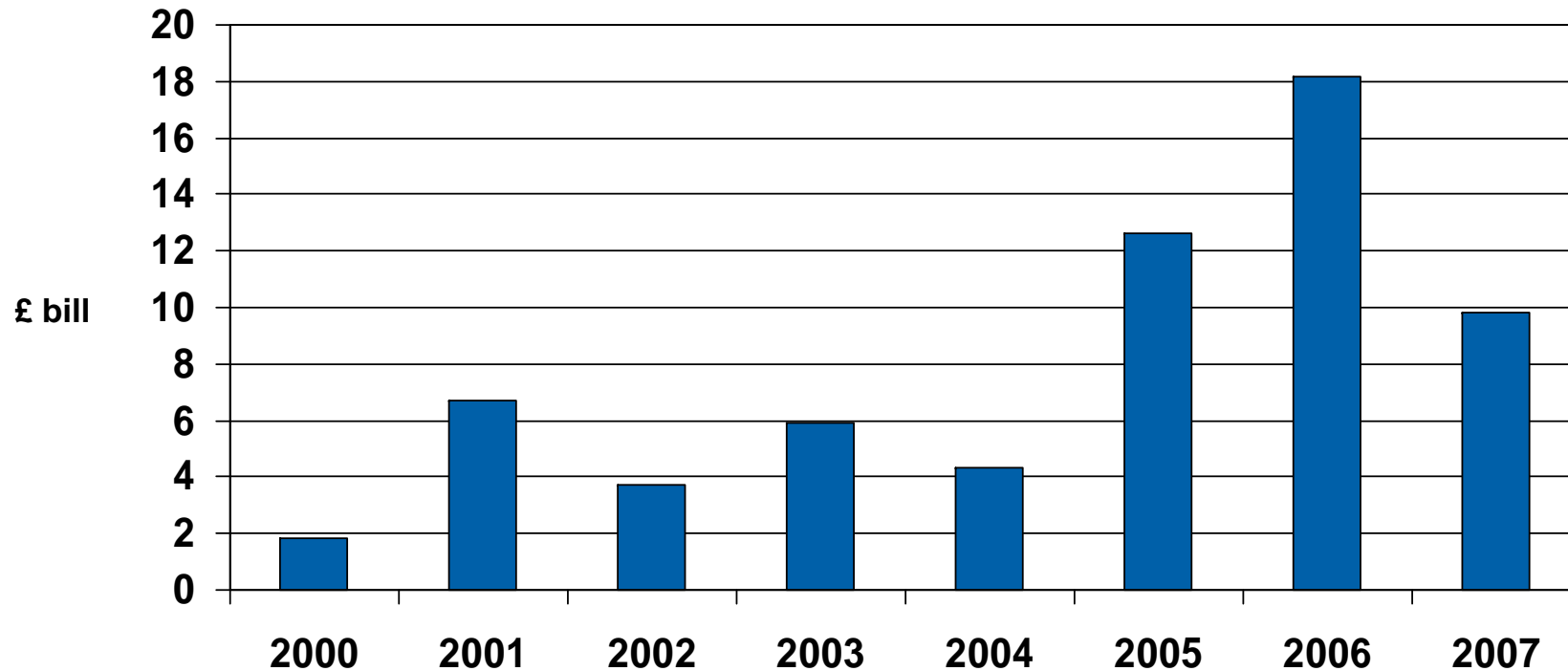
A difficult time for open-ended property funds

▶ Monthly net inflows/outflows



The CMBS market

- ▶ Value of annual CMBS issuance backing UK commercial property:

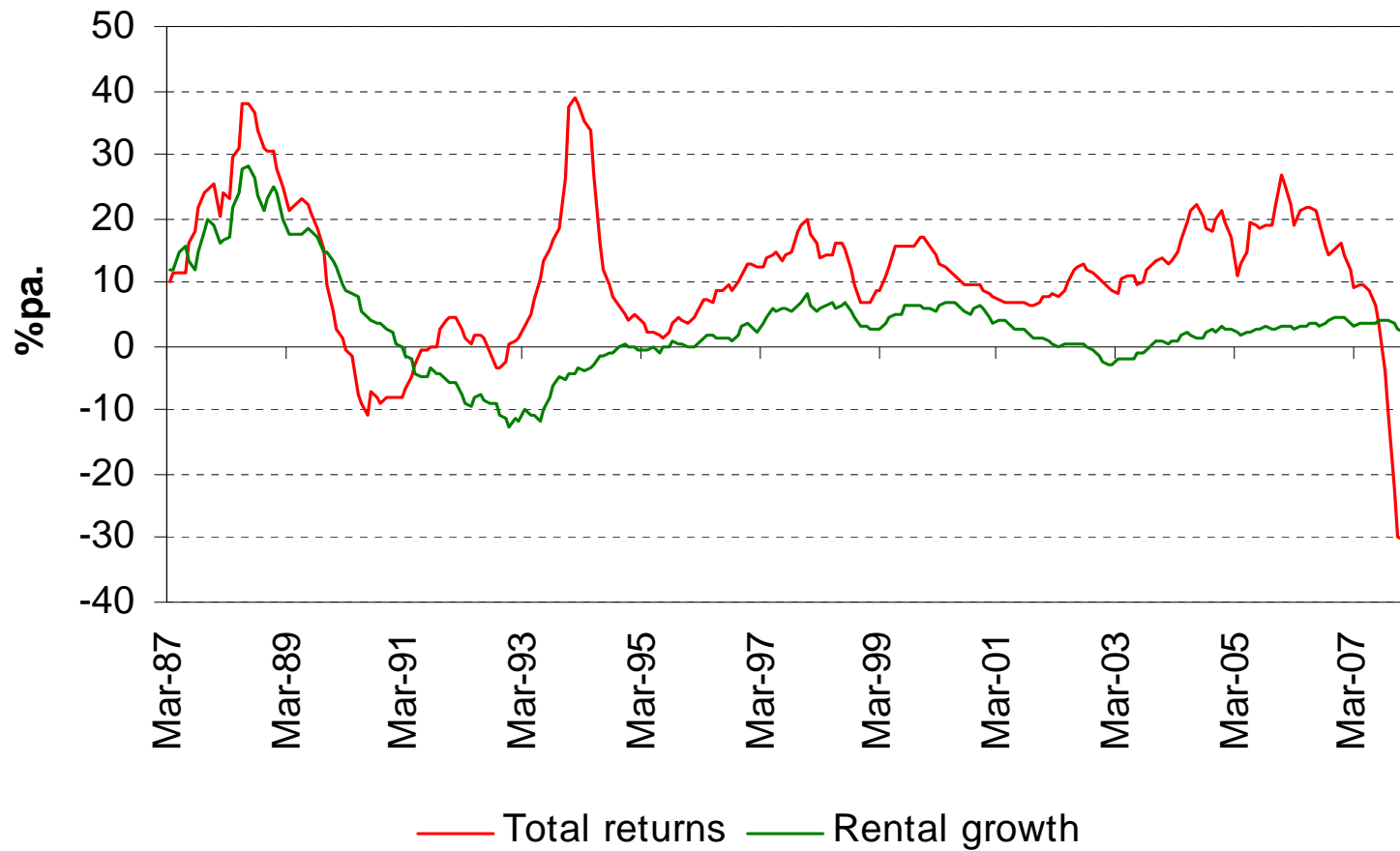


Past performance is not a guide to the future.

Source: De Montfort University as at 31st December 2007.

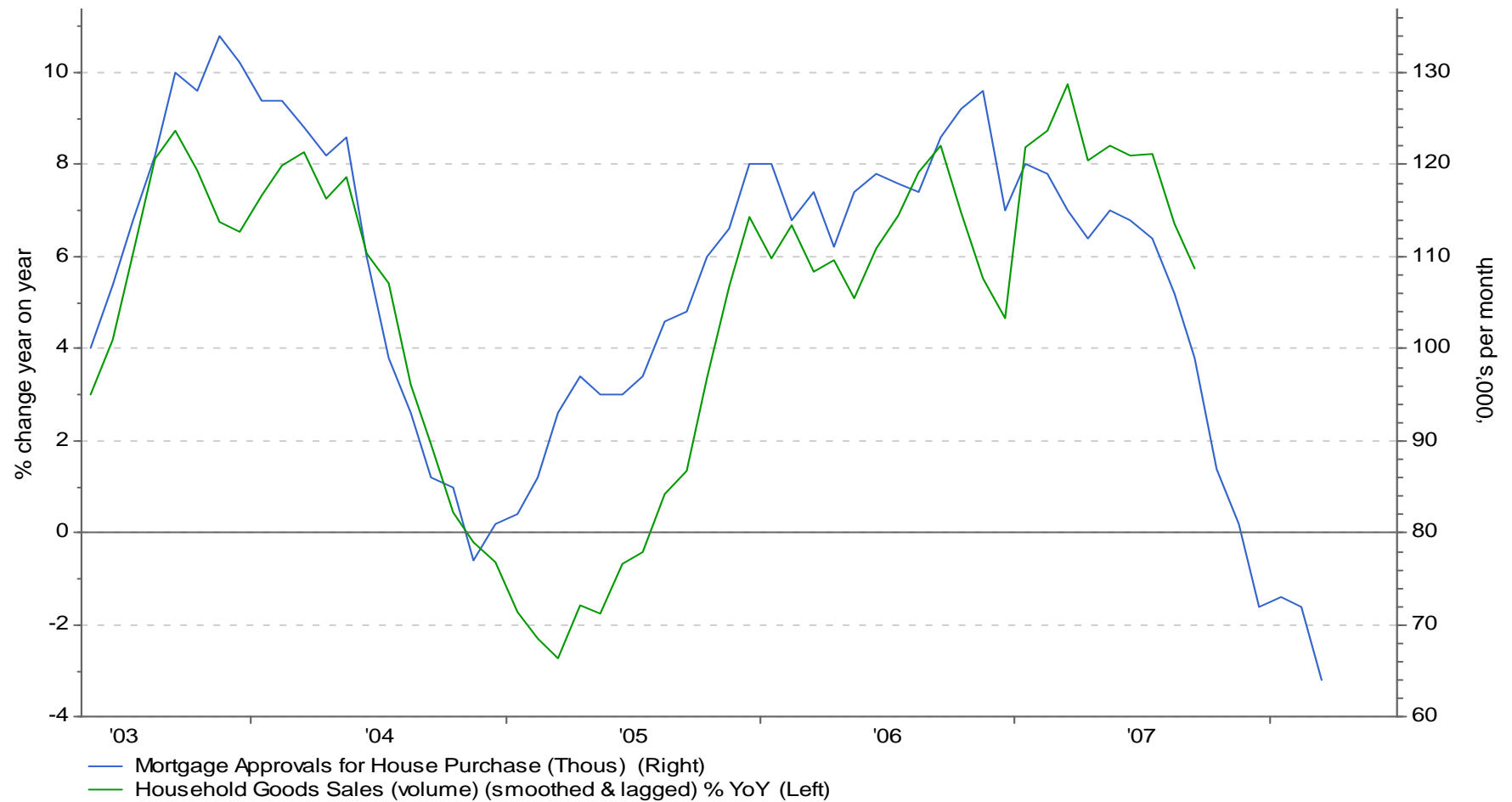
UK market – why are we here?

- ▶ UK All Property total returns & rental growth (3 mnths annualised):



UK occupier market prospects

► Mortgage approvals and household goods sales:



UK investment market prospects

UK property closing in on fair value

- ▶ IPD all property initial yields at circa 5.5%
- ▶ ...but IPD capital values expected to fall further from here
- ▶ Signs of stabilisation at the prime end

No shortage of capital on the sidelines but entry point uncertain

- ▶ Investors likely to buy through the downturn from H2

Weak returns this year, strong performance in second half of forecast horizon

- ▶ High Street shops, Prime retail parks and provincial office markets relatively defensive
- ▶ Possibility of distress for highly leveraged/secondary quality product
- ▶ Significant upside risks from position implied by securities and derivatives markets

Contribution of asset management initiatives more recognisable in a challenging return environment

Important notes

Where funds are invested in property, investors may not be able to switch or cash in their investment when they want because property in the fund may not always be readily saleable. If this is the case we may defer a request to switch or cash in units. It should also be borne in mind that the valuation of property is generally a matter of valuers' opinion rather than fact.

Unless stated otherwise any opinions expressed are those of Morley Fund Management Limited (Morley). They should not be viewed as indicating any guarantee of return from an investment managed by Morley nor as advice of any nature.

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