

Key triggers for an improving environment – 25<sup>th</sup> August 2009

<i>Property Triggers</i>	<i>Trend</i>	<i>Score (1-negative ... 5-positive)</i>	<i>Change on last quarter</i>
Margin over gilts	Strong improvement	5	<b>Significant improvement</b> Due to rising initial yields coupled with falling bond yields margin over gilts now at highest level ever c410bps
Economic Fundamentals	Weak / Improving	1	<b>Slight improvement</b> Signs that things are not deteriorating at the same rate
Investment Volumes	Improving	2	<b>In-line</b> £1.7bn in June, £0.49bn in May, £0.6bn in April, compared to average £1.5bn/month from start of 2008. Significant value of transactions pending
Derivatives Pricing	Improving	4	<b>Strong improvement</b> Derivatives now pricing in capital values falling c46% peak to trough
REIT Pricing	Improving	4	<b>Strong improvement</b> Sector has rallied 40% since early March & UK REITs at marginal premium to bottom of cycle NAV
Weight of money	Improving	3	<b>Quite strong improvement</b> £4bn equity raised by UK REITs Substantial private capital raising underway
Lending	Weak	1-2	<b>Slight improvement</b> Some improvement in lending at lower LTV's

Sources: Property Data, Morgan Stanley, Cazenove, IMA, BoE

These triggers signal improvement on several fronts ....