PRESS RELEASE

Caution Stifles UK Rural Investment

London – May 26, 2016 - MSCI Inc. (NYSE: MSCI) has recorded a total return of 5.5% in 2015 in **IPD UK Annual Rural Property Index**.

The 2015 total return, which was a decline from the total return of 10.4% in 2014, is the most subdued return since 2008 and reflected a market cooling after several years of very robust returns in line with other investment classes. Sentiment was tempered by weakening commodity prices, and more recently by political discussions around Britain exiting the European Union.

This caution around future market uncertainty was most reflected in rural land capital growth, which slowed to 4.1% in 2015 from 8.9% in 2014. This marked the lowest growth since 2008 when values depreciated. The decrease in the rate of capital growth contributed the most to the decline in the total return.

The restraint in capital value growth was most pronounced in South East, where growth declined to 5.8% from 17.9% in 2014. There was also significant moderation in capital value growth across Eastern England, East Midlands, and Yorkshire and Humberside regions. Northern England and Scotland recorded the slowest value growth at 1.1%.

Rural Income return, however, held relatively steady at 1.3% compared to 1.4% in 2014.

Colm Lauder, Vice President, MSCI, commented: "The weakened investment performance suggests confidence in the land market is cooling down after years of great returns.

"Moreover, the uncertainty created by discussion over Brexit and the potential effect of such a move on agri-food exports hit the confidence of farmers to increase rental holdings or invest further."

Lauder explained: "Investors were concerned that it will be some time before there is a clear picture for the agricultural economy."

The **IPD UK Annual Rural Property Index** tracks the performance of 1,873 properties with a capital value of more than 3 billion pounds. The Index is sponsored by Carter Jonas and Savills.

MSCI also recorded a total return of 10.8% in 2015 in the **IPD UK Annual Forestry Index**, which marked a decline from a total return of 18.6% in 2014. The total return in 2015 was the most subdued return since 2008. The decline is despite healthy demand for timber and wood products. However, a strengthened pound sterling versus euro and Scandinavian currencies put British wood products at a disadvantage in export markets.

British timber is heavily dependent on the exchange rate value of the pound. The significant gap between euro- and Swedish Krona-denominated import prices and home grown prices denominated in the British pound narrowed significantly, which rendered Scandinavian exported sawn timber more competitive in 2015.

Consequently, imports from mainland Europe rose at the expense of UK timber growers, whose timber sale returns in turn declined due to weakening saw-log prices. Subsequently the medium term run of forestry property price returns were impacted as investors and analysts made the adjustment.

Lauder explained: "The total return from UK Forestry of almost 11% is comparatively strong in the context of other assets classes; and indeed compared to UK Rural Land, Forestry continues to be an effective land-based asset to provide an alternative home for cash deposits in times of low interest rates and a good mechanism to hedge against volatility and inflation.

"Additionally, in times of political and economic uncertainty, the hedging nature of rural and forestry is likely to pique interest in the sector."

The **IPD UK Annual Forest Index** tracked the performance of 123 properties across England, Scotland, and Wales. The Index is sponsored by FIM, Forestry Commission, Fountains, Highfield Forestry limited, Scottish Woodland, Stellar, and TilHill Forestry.

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For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research.

Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 97 of the top 100 largest asset managers, based upon P&I data as of December 2014 and MSCI client data as of June 2015.

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