

UK Forestry Investment Continues to Flourish in 2016

London – June 8, 2017 –MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, announced this week that it has recorded an unleveraged return to UK Forestry real estate investments of 10.7% in 2016, according to the IPD UK Annual Forestry Index.

This healthy return was driven by impressive capital growth of 10.9%, offsetting the normal negative income return that results from the sector's lack of regular cash flows. Growth did however fall back somewhat from the heady levels of 2014 and 2015, which stood at 19.0% and 11.5% respectively. Capital growth in 2016 was partly underpinned by timber sales, at 4.7% by weight of index value.

In 2016 Wales was the UK region with the highest total return of 14.2%, closely followed by North England (14.1%), although the latter recorded stronger capital growth (15.3%). Scotland as a whole achieved weaker returns in 2016, but double digit capital growth was still seen for the North Scotland region.

The decade to the end of 2016 has witnessed continuous stellar performance by UK forestry investment, with annualised total returns of 13.3%, 14.7% and 17.4% over 3, 5 and 10 years respectively. Returns have been positive in each year during this period. This level of performance compares very favourably with UK commercial property and other major asset classes.

Not only have UK forestry returns been highly impressive over recent years, they have also provided substantial diversification benefits against other types of assets. Forestry has generally exhibited a negative correlation with other UK property sectors, and has shown excellent hedging characteristics against the market downturns that have affected more volatile assets.

By nature forestry investment represents a long term capital play, with no source of significant regular income unless holdings are leased for renewable energy production. However, part of the capital return is achieved by harvesting timber once trees reach maturity, meaning investors receive irregular but substantial sales receipts which complement long term growth in the underlying value of land. In 2016 capital receipts from timber sales were equivalent to 4.7% of the total value of the index, above the 13-year average of 3.7% and third highest since 2004.

The IPD UK Annual Forestry Index is calculated from a sample of private sector coniferous plantations of predominantly Sitka spruce in mainland Britain. By the end of 2016 the 142 forestry holdings in the index had a total capital value of GBP 342m.

Over 50% of the index is concentrated in South Scotland, with an average value per hectare of GBP 7,927. 18% of the index is situated in Wales and the remainder in North England, Mid Scotland and North Scotland, the latter with the lowest average value per hectare of GBP 6,190.

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Media Inquiries

Monique de Bruin monique.debruin@msci.com / +31 88 328 2237

Maud Kerlan maud.kerlan@msci.com / +33 1 56 79 07 42

MSCI Global Client Service

EMEA Client Service + 44 20 7618.2222

Americas Client Service 1 888 588 4567 (toll free)

Asia Pacific Client Service + 852 2844 9333

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