

MARCH 2010

## INDUSTRIAL PROPERTY INVESTMENT FUND

## FUND CHARACTERISTICS

- Highly diversified low-medium risk property fund
- Strong ungeared outperformance track record over 1, 3, 5 and 10 years
- Invests in multilet industrial property, mainly in the south east
- Low gearing 27.1%
- Highly management intensive - a dedicated and experienced management team

## KEY FEATURES

Profile English Limited Partnership  
Fund life June 2017  
Launch date September 1997

Gross asset value, £m 728.2  
Net asset value, £m 517.5  
Cash, £m 13.0  
Debt £m 197.0  
Gearing ratio LTV, % 27.1

Void (%ERV) 12.1  
Net initial yield, % 7.0  
Equivalent yield, % 8.2  
True Equivalent yield, % 8.6  
Ave un-expired lease, years 4.7  
Average lot size, £m 6.6  
Number of properties 111  
Tenancies c.1400

## INVESTMENT OBJECTIVE

To outperform the IPD Annual Industrial Index on a rolling 3 year basis



INDUSTRIAL PROPERTY  
INVESTMENT FUND

## Sector Review and Outlook

Following on from the very strong returns recorded in Q4 2009, there was an easing of momentum in the commercial property market in the first quarter of 2010. Nevertheless, the total return for property of 5.7% in Q1 was strong by historical standards. With investors looking to the 'growth' submarkets of Central London and Shopping Centres, the Industrial sector took a backseat in Q1, experiencing comparatively less yield compression in the quarter and delivering a total return of 4.1%.

According to the CBI, overseas demand for UK-made goods is continuing to recover with export order books the least depressed since August 2008. But overall demand remains subdued, reflecting the continued weakness of domestic economy and muted growth expectations. This is likely to limit occupier demand and coupled with prevailing high levels of spare capacity in the industrial property market will continue to weigh on near term rental growth prospects.

The slowing of the broader investment market was apparent in the industrial sector as activity slowed dramatically in Q1 2010, with only £359.3m transacted. This was over 60% down on the Q4 2009 figure and almost 20% below the level recorded in Q1 2009. Property companies continued to be net sellers; and institutions acquisitive, including Aviva's purchase of City Park, Watchmead in Welwyn Garden City at 7.65% yield. The limited stock available to purchase continues to be challenging for investors looking for buying opportunities.

## Fund Activity

No purchases or sales were undertaken in Q1, although the Fund considered a number of potential purchases and has identified some potential sales for Q2.

The Fund has continued to bring to fruition added value transactions and the Fund had a strong quarter with over £1.95m of transactions completed, including a lease regear at Bridgend (£0.5m added value), and a head lease regear at West Wilts (£0.6m).

The vacancy rate for the Fund increased slightly over the quarter from 12.0% to 12.1% of total Fund ERV. The letting market remains challenging, but according to PMA data, demand has proved to be more resilient for units under 10,000 sq ft. £0.5m of new lettings were achieved in Q1 at 6.6% above ERV, with £1.4m of new lettings are currently in solicitors hands.

The ongoing trend of settlements of rent reviews and lease renewals above ERV has continued. Despite this the Fund still recorded above ERV rent review settlements of 5.9%. However the lease renewals were marginally above ERV of 1.0% albeit Fund ERV decreased by 0.9% over the quarter.

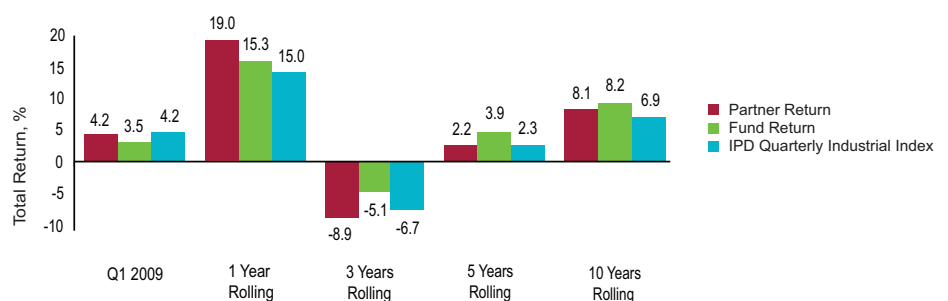
## Performance

The Partner return for Q1 2010 was 4.2%.

The initial yield for the Fund moved inward by 30bps, which reflected continued investor demand, particularly for SE multi-let investments albeit the rate of inward yield movement decreased. The equivalent yield and true equivalent yield moved inwards by 20bps respectively.

As a result of falling yields, capital values increased by 1.8% over the quarter, the third consecutive quarter of positive capital value growth.

## Performance to Q1 2010



## Key Valuation Changes

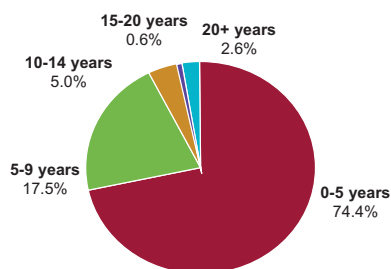
		%change
Portfolio Value (excluding cash), £m	728.2	+1.8
Rental Value, £m	67.7	-0.9
Initial yield, (deemed), %	7.0	-3.6
Equivalent yield (NEY), %	8.2	-2.3
Equivalent yield (TEY), %	8.6	-3.0
Average lot size, £m	6.6	+0.9
Debt drawn, £m	197.0	0.0
% LTV	27.1	-1.5

## Distribution

	Q4 2009	Q1 2010
Total Distributed, (% of NAV)	2.0	1.7
Distribution, YTD (% of NAV)	7.7	1.7
NAV, £m	504.8	517.5
% change in NAV	11.7	2.5
% change in GAV	9.3	1.8

## Fund Holdings Data

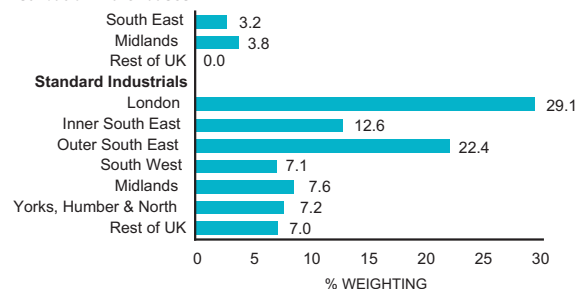
### Income Expiry Profile



Rent by unexpired lease term (calculated to first break), directly held properties

### Geographical weightings

#### Distribution Warehouses



### Top Ten Holdings

	£m	%Change
West Wilts Trading Estate, Westbury	26	4.7
Barton Park & Deacon Industrial Estate, Eastleigh	26	1.4
Clock Tower Industrial Estate, Isleworth	26	3.1
Central Park Estate (Phases 1,2 & 3), Manchester	19	-0.8
High Street & Oakfield Road, Penge	19	2.2
Cobbett Park, Guildford	19	0.5
Bermondsey Trading Estate, Bermondsey	18	2.3
Centrapark, Welwyn Garden City	17	0.0
The Fort Industrial Park, Birmingham	15	-0.3
London Industrial Park, Beckton	14	0.7
<b>Total as % of Gross Asset Value</b>		<b>27.3%</b>

### Top Ten Tenants

	% Rent Passing
Gefco UK Limited	2.5
Grace Foods UK Limited	1.7
Argos Limited	1.7
Polestar Taylowe Limited	1.5
Trueform Engineering Limited	1.4
Scottish & Newcastle plc	1.4
Ugc Limited	1.2
NYK Logistics (UK) Limited	1.2
Homebase Limited	0.9
Howden Joinery Properties Ltd	0.8
<b>Total</b>	<b>14.4</b>

## Investment Strategy

Investment in good quality, higher yielding, predominantly multi-let industrial estates. The Fund also maintains a rolling development and refurbishment programme. The acquisition strategy focuses on London and the South East, and in particular, in inner urban areas where there is a higher probability of achieving change of use. We seek to retain high yielding assets and to dispose of properties which are vulnerable to voids or tenant default, and where few added value opportunities exist.

## Advisors & Partners

### General Partner

Legal & General Property Partners (Industrial Fund) Ltd

### Investment Manager

Legal & General Property Partners (Operator) Limited

### Property Advisor

Legal & General Property Ltd

### Property Manager

King Sturge

## For more Information

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### Important Information:

All investors enter the fund via the Industrial Property Investment Fund Feeder Unit Trust (Jersey). Unit holders are advised by Mourant & Co. Trustees Ltd. The Partnership is a collective investment scheme as defined in the Financial Services and Markets Act 2000. It is not authorised or otherwise approved by the Financial Services Authority, and as an unregulated scheme it is not marketable in the UK to the general public.

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