

# UK COMMERCIAL PROPERTY INDEX SERIES



## MARKET COMMENTARY

The FTSE UK Commercial Property Total Return Index fell 0.80% (TR GAV) in April 2008, returning a total of -7.7% for the last 12 months. The FTSE UK Commercial Property Capital Index experienced a net return of -1.17% in April and -11.65% for the last 12 months. Although UK commercial property has been exhibiting negative returns in 2008, property derivative prices are implying that there is another seven to nine percent decline in property capital values yet to come.

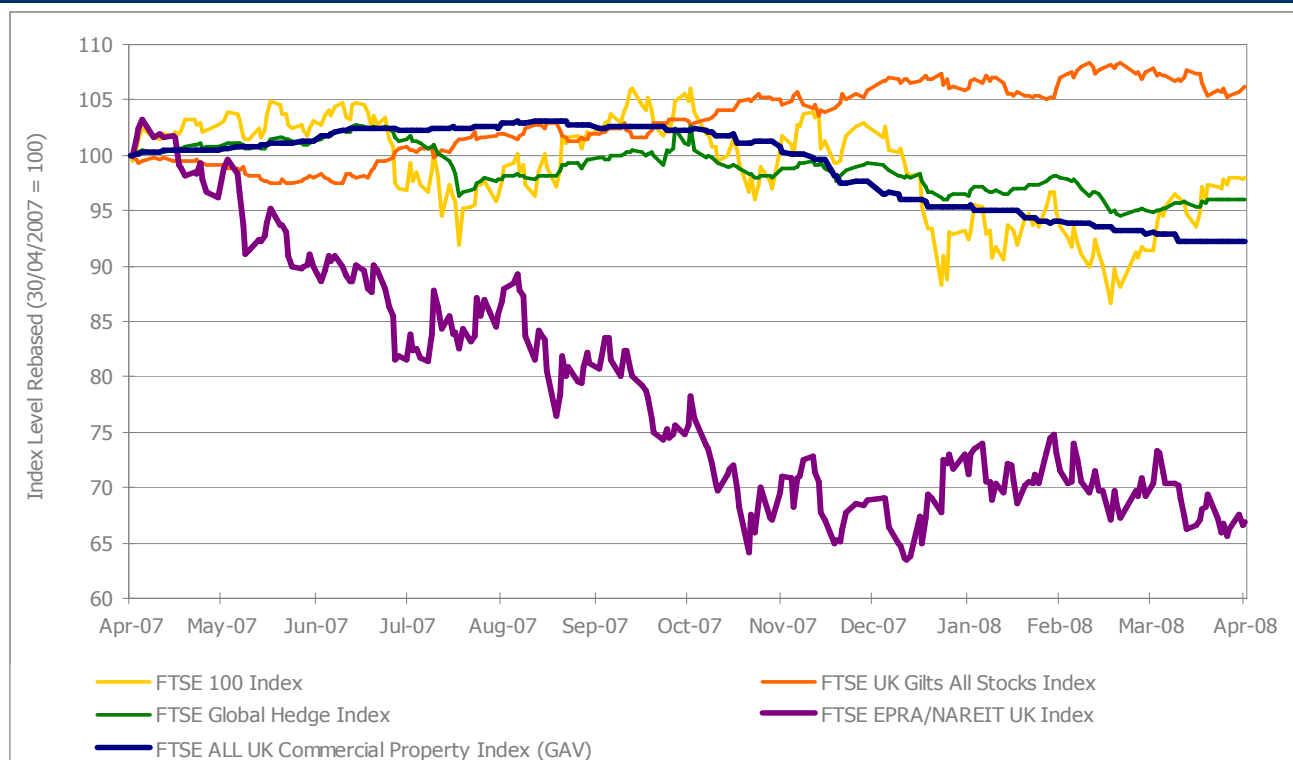
The UK economy is slowing down with GDP quarter-on-quarter growth of 0.4% for Q1 2008 (the slowest quarterly growth in three years) and some property forecasters argue that, should such economic conditions continue, commercial property rental values are likely to decline due to lower business demand.

Despite economic concerns, UK large-cap equities (FTSE 100 Index) showed impressive total return of 7.1% for the month of April, mainly driven by oil companies' performance. This compares with +0.5% and -2.2% month-on-month for February and March 2008, respectively. The FTSE EPRA/NAREIT UK Index returned -4.8% for the month, Gilts -1.5% and hedge funds +1.1% (indicative).

Over the 12-month period ending 30 April 2008, Gilts continued to outperform other asset classes in the UK, delivering 6.2%, versus commercial property -7.7%, property shares -33.0% and FTSE 100 Index equities -2.1%.

Using compounded returns over a period of five years, UK property shares experienced an annualised total return of 17.6%, outperforming FTSE 100 Index equities (13.0%), Gilts (4.2%) and direct commercial property investments (12.9%). The return discrepancy between the direct and indirect investment sectors of the UK commercial property market may indicate that property shares are still not "cheap" and there is still some scope for downward correction.

## 12-MONTH PERFORMANCE CHART (TR/GBP/%) TO 30 APRIL 2008



Source: FTSE Group, data as at 30 April 2008

## INDEX VALUES

Index Name	TRI	1M (%)	3M (%)	YTD (%)	12M (%)	3Y (%)	3Y (%pa)	12M volatility* (%)	Sharpe-Ratio**
FTSE ALL UK PROPERTY INDEX (NAV)	5101.49	-0.93	-3.71	-5.45	-9.13	31.68	9.60	2.92	1.85
FTSE ALL UK PROPERTY INDEX (GAV)	5246.30	-0.80	-3.35	-4.97	-7.75	37.72	11.25	2.91	2.42
FTSE UK RETAIL PROPERTY INDEX (NAV)	4958.26	0.16	-2.61	-5.04	-11.27	25.04	7.73	3.29	1.07
FTSE UK RETAIL PROPERTY INDEX (GAV)	5099.00	0.28	-2.25	-4.57	-9.93	30.78	9.35	3.28	1.57
FTSE UK OFFICE PROPERTY INDEX (NAV)	5326.82	-2.38	-4.87	-5.42	-5.42	40.76	12.06	5.49	1.43
FTSE UK OFFICE PROPERTY INDEX (GAV)	5478.02	-2.26	-4.52	-4.95	-3.48	47.21	13.74	5.47	1.75
FTSE UK INDUSTRIAL PROPERTY INDEX (NAV)	5351.42	-0.15	-4.65	-6.92	-9.46	41.23	12.18	6.09	1.31
FTSE UK INDUSTRIAL PROPERTY INDEX (GAV)	5503.31	-0.03	-4.30	-6.46	-8.09	47.71	13.87	6.09	1.59

SOURCE: FTSE Group, data as at 30 April 2008

\* Volatility calculated daily from 22/06/2006, using sqrt(250)

\*\* Sharpe-ratio as historic 3 year annualised return - risk free at 4.2% divided by volatility of 12 monthly on daily basis

## DERIVATIVES PRICING

All Property					All Office				
	3y	5y	7y	10y		3y	5y	7y	10y
Swap Price	83	56	44	36	Swap Price	172	111	85	65
Forward Price Cash Settled	1.20	1.33	1.47	1.71	Forward Price Cash Settled	1.21	1.34	1.48	1.72
Property EAR (%)	6.26	5.87	5.65	5.51	Property EAR (%)	6.56	6.03	5.76	5.57
ATM European Call Options (%)	19.52	24.27	27.49	30.65					

Source: Santander Global Banking and Markets, data as at 30 April 2008

Source: Santander Global Banking and Markets, data as at 30 April 2008

## COMPARATIVE PERFORMANCE (TOTAL RETURNS, GBP)

	1M (%)	3M (%)	6M (%)	12M (%)	3Y (%pa) <sup>1</sup>	5Y (%pa) <sup>1</sup>	Volatility <sup>2</sup> (12M/%)	Sharpe-Ratio <sup>3</sup>	Correlation with FTSE UK CP
FTSE All UK Commercial Property Index (GAV)	-0.80	-3.35	-9.86	-7.75	11.25	12.94	2.97	2.94	1.00
FTSE EPRA/NAREIT UK Index	-4.79	-8.29	-14.48	-33.03	4.50	17.60	26.84	0.50	0.08
FTSE Hedge	1.09	-0.89	-6.38	-4.02	3.10	5.15	4.88	0.20	0.04
FTSE 100 Index	7.05	5.19	-7.59	-2.06	12.02	12.96	18.02	0.49	0.07
FTSE UK Gilts All Stocks	-1.53	-0.51	3.34	6.24	4.05	4.22	4.78	0.00	-0.11

Source: FTSE Group

<sup>1</sup> Performance inclusive of backcast history

<sup>2</sup> Volatility calculated daily from 22/06/2006, using sqrt(250)

<sup>3</sup> Sharpe-ratio as historic 5 year annualised return - risk free at 4.2% divided by volatility on daily basis p.a.

## VENDOR CODES

Index	Bloomberg	Reuters	Thomson
FTSE All UK Property Index	FTMSAGTR	.TFTP100S	FTUPALG
FTSE UK Retail Property Index	FTMSRGTR	.TFTP111S	FTUPRTG
FTSE UK Office Property Index	FTMSOGTR	.TFTP121S	FTUPOFG
FTSE UK Industrial Property Index	FTMSIGTR	.TFTP131S	FTUPIDG
All Index Values	ALLXFTMS		

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