

UK COMMERCIAL PROPERTY INDEX SERIES



MARKET COMMENTARY

The FTSE UK Commercial Property Total Return Index fell 0.8% (TR GAV) in May 2008, returning a total of -9% for the last 12 months. The FTSE UK Commercial Property Capital Index experienced net return of -1.2% in May and -12.9% for the last 12 months. Although the rate of decline is decreasing there remains significant downside risks in the occupational market, particularly in central London office and some sub-sectors of the retail market.

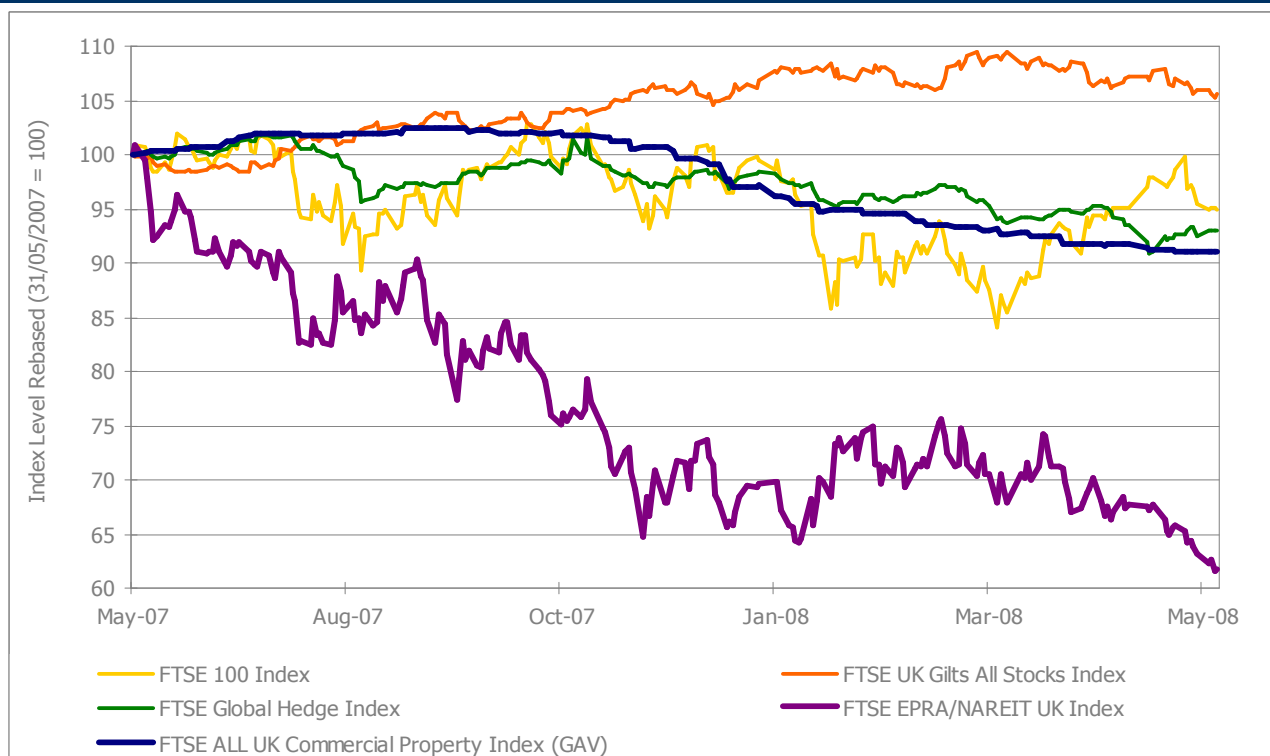
Little changed in broad economic terms over the month of May. The second release of 2008/Q1 GDP data confirmed that the UK economy is slowing against the backdrop of the credit crunch, heightened inflation prospects and a weaker housing market. Nationwide house price inflation fell for the seventh consecutive month by 2.5m/m in May. Surprisingly, data for 2008/Q1 spending growth was robust at 3%y/y, however, the influence from house price falls is somewhat lagged and increasing unemployment is placing downward pressure on consumer confidence and spending. (source: Thomson Reuters)

UK large-cap equities (FTSE 100 Index) held levels driven by the oil company surge last month, delivering a total return of -0.2% and bringing the 12-month performance to -5.1%. FTSE EPRA/NAREIT UK Index returned -8.9% for the month, Gilts -1.4% and hedge funds -0.6% (indicative).

Over the 12-month period ending 31 May 2008, Gilts continued to outperform other asset classes in the UK, delivering 5.7%, versus commercial property -9%, property shares -38.3% and FTSE 100 equities -5.1%.

Comparing compounded returns, over a period of five years; UK direct commercial property investments delivered an annualised total return of 12.8%, and UK-listed property shares experienced 12.7%, both marginally outperforming FTSE 100 equities at 12.2%. The 5-year outperformance of listed versus direct UK commercial property market reversed from 6.3% to -0.1% over the month. However, considering that EPRA/NAREIT's volatility sits at 26.6% versus direct properties 3.0%, this harmony may not last.

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



INDEX VALUES

Index Name	TRI	1M (%)	3M (%)	YTD (%)	12M (%)	3Y (%)	3Y (%pa)	12M volatility* (%)	Sharpe-Ratio**
FTSE ALL UK PROPERTY INDEX (NAV)	5054.36	-0.92	-3.01	-6.32	-10.34	30.46	9.26	2.92	1.98
FTSE ALL UK PROPERTY INDEX (GAV)	5204.24	-0.80	-2.65	-5.74	-8.99	36.61	10.95	2.88	2.59
FTSE UK RETAIL PROPERTY INDEX (NAV)	4891.58	-1.34	-2.23	-6.32	-12.56	23.36	7.24	3.29	1.14
FTSE UK RETAIL PROPERTY INDEX (GAV)	5036.63	-1.22	-1.86	-5.74	-11.24	29.18	8.90	3.28	1.65
FTSE UK OFFICE PROPERTY INDEX (NAV)	5222.92	-1.95	-5.54	-7.26	-7.26	38.02	11.33	5.49	1.43
FTSE UK OFFICE PROPERTY INDEX (GAV)	5377.80	-1.83	-5.18	-6.69	-6.74	44.52	13.05	5.47	1.75
FTSE UK INDUSTRIAL PROPERTY INDEX (NAV)	5306.24	-0.84	-1.96	-7.71	-10.20	40.04	11.87	6.09	1.38
FTSE UK INDUSTRIAL PROPERTY INDEX (GAV)	5463.59	-0.72	-1.59	-7.14	-8.85	46.64	13.60	6.09	1.66

SOURCE: FTSE Group, data as at 30 May 2008

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

** Sharpe-ratio as historic 3 year annualised return - risk free at 3.5% divided by volatility of 12 monthly on daily basis

DERIVATIVES PRICING

All Property	Dec08	3y	5y	7y	10y	All Office	3y	5y	7y	10y
	Swap Price	-1150/-950	137	89	69		54	Swap Price	174	113
Forward Price Cash Settled		1.23	1.38	1.52	1.77	Forward Price Cash Settled	1.25	1.39	1.54	1.79
Property EAR (%)		7.14	6.65	6.16	5.87	Property EAR (%)	7.72	6.80	6.36	5.99
ATM European Call Options (%)		18.22	21.81	23.84	25.32					

Source: Santander Global Banking and Markets, data as at 2 June 2008

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COMPARATIVE PERFORMANCE (TOTAL RETURNS, GBP)

	1M (%)	3M (%)	6M (%)	12M (%)	3Y (%pa) ¹	5Y (%pa) ¹	Volatility ² (12M/%)	Sharpe-Ratio ³	Correlation with FTSE UK CP
FTSE All UK Commercial Property Index (GAV)	-0.80	-2.64	-8.68	-8.99	10.95	12.76	2.95	3.14	1.00
FTSE EPRA/NAREIT UK	-8.91	-14.75	-14.04	-38.27	-0.79	12.73	26.57	0.35	0.08
FTSE Hedge	-0.58	-4.19	-5.08	-7.01	2.17	4.16	5.10	0.13	0.04
FTSE 100	-0.17	4.51	-3.91	-5.10	10.61	12.16	18.00	0.48	0.07
FTSE UK Gilts All Stocks	-1.44	-2.22	0.12	5.66	2.98	3.48	4.88	0.00	-0.11

Source: FTSE Group

¹ Performance inclusive of backcast history

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

³ Sharpe-ratio as historic 5 year annualised return - risk free at 3.5% 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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