

# UK COMMERCIAL PROPERTY INDEX SERIES



## MARKET COMMENTARY

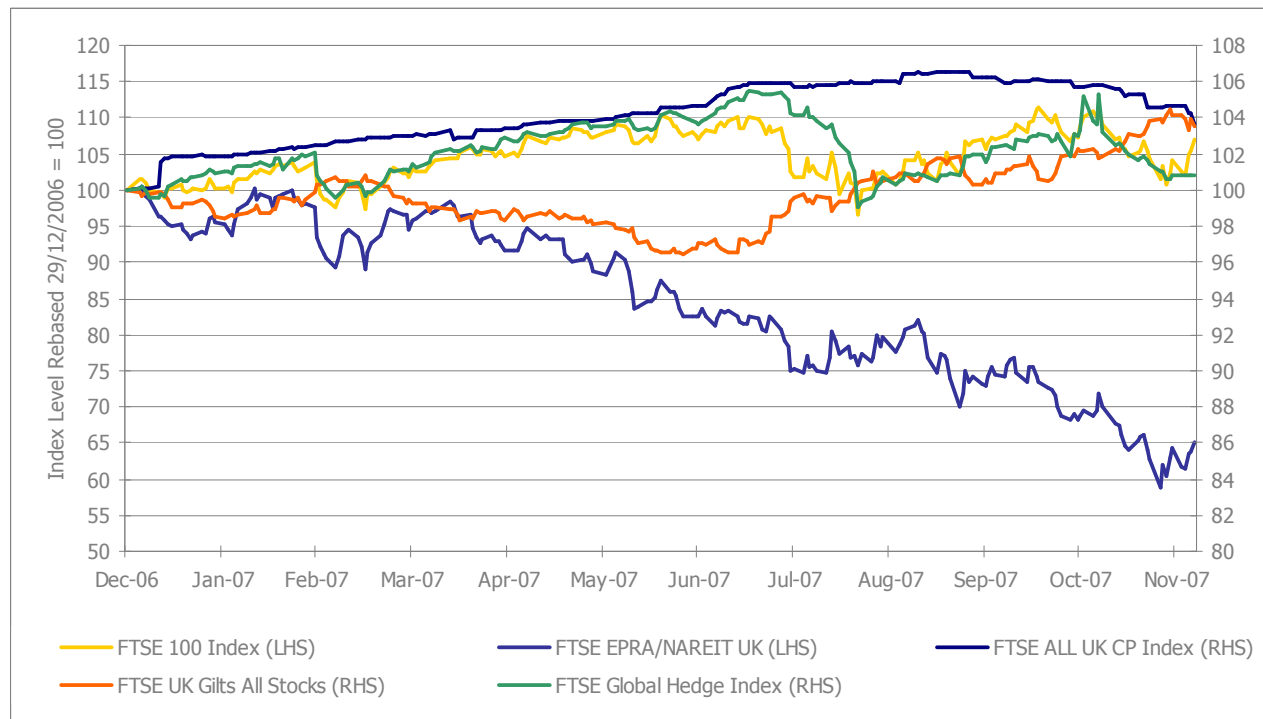
All Property returned gross  $-2.1\%$  for the month ending November 2007 bringing the YTD performance to  $3.6\%$ , reflecting the general price correction in the UK commercial property market. Although many commentators have predicted a slowing down in the property market, the credit crunch has certainly augmented the downward pressure. Back in July 2007, All Property returned  $1.1\%$  for that month and YTD performance was at  $5.8\%$  which, compared with this month's figures, highlight an abrupt market downturn over the last four months.

Ultimately properties recent performance has been driven by falling capital values. With yields continuing to increase throughout all sectors, All Property Capital Index fell  $-2.4\%$  in the month, eroding the capital gains achieved in the beginning of the year.

UK Gilts was the best asset performer in November with month-on-month total return of  $1.7\%$ , reflecting the general market perception that investors are flying to quality in an attempt to avoid the high volatility in the capital markets. In the same period FTSE 100 returned  $-4.0\%$ , FTSE All-Share  $-4.7\%$  and FTSE EPRA/NAREIT UK  $-9.4\%$ .

Over the 12-month period ending 30th November, equities continued to outperform other UK assets delivering a year-on-year return of  $10.0\%$ , compared with commercial property which delivered a total return of  $5.8\%$ , real estate equities  $-28.6\%$ , Hedge  $2.2\%$  and UK Gilts  $2.3\%$ .

## PERFORMANCE CHART (TR/GBP/%)



Source: FTSE Group, data as at 30 November 2007

## INDEX VALUES

Index Name	TRI	1M (%)	3M (%)	YTD (%)	12M (%)	3Y (%)	3Y (%pa)	12M volatility* (%)	Sharpe-Ratio**
FTSE ALL UK PROPERTY INDEX (NAV)	5576.54	-2.20	-3.01	2.17	4.19	55.68	15.90	2.48	4.55
FTSE ALL UK PROPERTY INDEX (GAV)	5699.11	-2.08	-2.64	3.59	5.77	62.93	17.67	2.57	5.09
FTSE UK RETAIL PROPERTY INDEX (NAV)	5320.33	-4.45	-5.61	-3.09	-1.85	46.86	13.67	2.21	4.11
FTSE UK RETAIL PROPERTY INDEX (GAV)	5437.27	-4.33	-4.18	-1.74	-0.36	53.70	15.41	2.20	4.90
FTSE UK OFFICE PROPERTY INDEX (NAV)	5928.75	-1.12	-0.74	10.57	10.57	65.65	18.32	5.09	2.69
FTSE UK OFFICE PROPERTY INDEX (GAV)	6059.07	-0.99	5.07	12.11	14.40	73.36	20.13	5.09	3.05
FTSE UK INDUSTRIAL PROPERTY INDEX (NAV)	5909.76	0.23	-0.86	6.44	7.25	72.64	19.96	5.97	2.57
FTSE UK INDUSTRIAL PROPERTY INDEX (GAV)	6039.66	0.35	0.76	7.92	8.87	80.67	21.80	5.97	2.88

SOURCE: FTSE Group, data as at 30 November 2007

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

\*\* Sharpe-ratio as historic 3 year annualised return - risk free at 4.6% divided by volatility of 12 monthly on daily basis

## DERIVATIVES PRICING

All Property	Dec08	3y	5y	7y	10y	All Office	Dec08	3y	5y	7y	10y
Swap Price	-1575/ -1250	136	89	68	53	Swap Price	-650	173	112	86	66
Forward Price Cash Settled		1.22	1.35	1.49	1.73	Forward Price Cash Settled		1.23	1.36	1.50	1.74
Property EAR (%)		6.85	6.18	5.86	5.63	Property EAR (%)		7.72	7.11	6.66	6.23
ATM European Call Options (%)		16.6	20.4	22.8	25.0						

Source: Santander Global Banking and Markets, data as at 3 December 2007

Source: Santander Global Banking and Markets, data as at 3 December 2007

## COMPARATIVE PERFORMANCE (TOTAL RETURNS)

	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)	-2.08	-2.65	-0.33	5.77	17.67	16.03	2.52	4.54	1.00
FTSE Hedge GBP	-4.28	-0.08	-2.75	2.25	3.97	6.60	4.85	0.41	0.04
FTSE EPRA/NAREIT UK £	-9.38	-19.38	-28.19	-28.64	8.24	16.84	23.61	0.52	0.06
FTSE 100	-4.00	2.72	-1.24	9.99	14.82	12.88	15.22	0.54	0.04
FTSE UK Gilts All Stocks	1.73	2.60	5.53	2.31	4.25	4.60	4.02	0.00	-0.04

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 4.6% divided by volatility on daily basis p.a.

## VENDOR CODES

Index	Bloomberg	Reuters	Thomson
FTSE All UK Property Index	FTMSAGTR	.FTP100S	FTUPALG
FTSE UK Retail Property Index	FTMSRGTR	.FTP111S	FTUPRTG
FTSE UK Office Property Index	FTMSOGTR	.FTP121S	FTUPOFG
FTSE UK Industrial Property Index	FTMSIGTR	.FTP131S	FTUPIDG
All Index Values	ALLXFTMS		

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