

# UK COMMERCIAL PROPERTY INDEX SERIES



## MARKET COMMENTARY

In the final quarter of 2009, all the components of the FTSE All UK Property Index recorded positive growth for the first time in over three years. The FTSE All UK Property Index (TR GAV) grew by 4.34% in the three months to December, finishing the year down by 10.43%. UK Offices have delivered the strongest figures for the three months with a return of 5.46% (GAV), while UK Industrial performed the best over the course of the year falling by only 10.10% (GAV). The much improved final quarter was highlighted by the shift in the FTSE UK All Property GAV 12 month return compared to September's figures which moved from -23.66% to -10.43%.

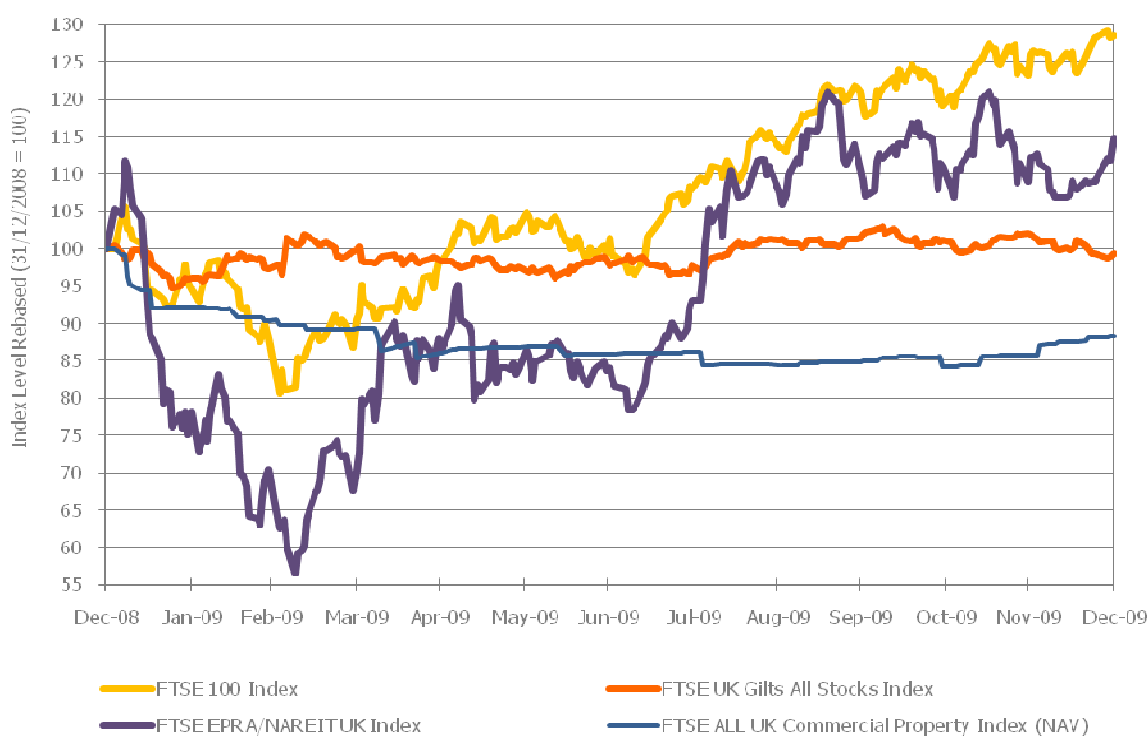
As 2010 begins, the UK is one of the few developed economies yet to officially declare that the recession is over and that positive GDP growth has returned. Interest rates remain unchanged since March 2009 at 0.5% and many investors remain cautious looking forward given the uncertainty over where interest rates will be in a year from now. There is no doubt that a degree of confidence is returning to the global markets, but this remains very fragile and further stability will be required before normality is resumed. The latest HM Treasury forecasts predict GDP growth for 2010 to be circa 1.4%.

The UK commercial property market showed signs of a strong recovery in the final quarter of 2009, but some feel that this recovery is only temporary and a second dip remains a realistic possibility. Despite this, the speed at which commercial property values have corrected since 2007 now puts yields above their long-term average despite the recent, albeit moderate, compression. Q4 2009 also saw a new record for Zone A retail rental values at £960 per sq ft for an outlet on New Bond St.

Elsewhere, the FTSE 100 TR outperformed the other headline indices with a 6.16% return over the quarter, while the FTSE EPRA/NAREIT UK TR could not match the huge rise seen in the previous quarter and marginally underperformed the FTSE All UK Property Index at 3.89% over the quarter. The positive annual returns in the EPRA/NAREIT index of 14.95% reflects our reversion towards par in terms of price to NAV relativity but is probably also dragged up by the 29.40% rise in the FTSE 100 TR for 2009.

Source: FTSE, HM Treasury.

## YEAR-TO-DATE PERFORMANCE CHART (TR/GBP/%)



## INDEX VALUES

Index Name	TRI	1M (%)	3M (%)	YTD (%)	12M (%)	3Y (%)	3Y (%pa)	3Y volatility (%)	Sharpe-Ratio <sup>2</sup>
FTSE ALL UK PROPERTY INDEX (NAV)	3703.46	2.77	3.82	-11.86	-11.86	-32.17	-12.11	4.91	-2.47
FTSE ALL UK PROPERTY INDEX (GAV)	3912.43	3.03	4.34	-10.43	-10.43	-28.34	-10.71	4.91	-2.19
FTSE UK RETAIL PROPERTY INDEX (NAV)	3460.20	3.08	2.68	-14.66	-14.66	-36.62	-14.23	7.22	-1.98
FTSE UK RETAIL PROPERTY INDEX (GAV)	3648.67	3.21	3.05	-13.37	-13.37	-33.17	-12.93	6.32	-2.05
FTSE UK OFFICE PROPERTY INDEX (NAV)	3953.23	3.18	5.54	-9.16	-9.16	-27.59	-9.64	6.38	-1.52
FTSE UK OFFICE PROPERTY INDEX (GAV)	4140.49	5.61	5.46	-11.44	-11.44	-24.16	-7.91	6.40	-1.24
FTSE UK INDUSTRIAL PROPERTY INDEX (NAV)	3842.43	1.24	2.60	-11.43	-11.43	-29.62	-11.52	8.68	-1.33
FTSE UK INDUSTRIAL PROPERTY INDEX (GAV)	4051.34	1.37	2.99	-10.10	-10.10	-25.80	-10.18	8.67	-1.18

SOURCE: FTSE Group, data as at 31<sup>st</sup> December 2009

## COMPARATIVE PERFORMANCE (TOTAL RETURNS, GBP)

Index Name	1M (%)	3M (%)	6M (%)	12M (%)	3Y (%pa) <sup>1</sup>	5Y (%pa) <sup>1</sup>	3Y Volatility (%)	Sharpe-Ratio <sup>2</sup>	Correlation with FTSE UK CP <sup>3</sup>
FTSE UK CP AP (GAV TR)	3.03	4.34	3.48	-10.44	-10.71	2.15	4.92	-218.41	1.00
FTSE EPRA/NAREIT UK £ TR	5.48	3.89	37.27	14.95	-26.58	-3.53	38.64	-79.19	-0.02
FTSE 100 TR	4.36	6.16	29.40	27.33	-0.68	7.10	27.37	-17.16	0.07
FTSE UK Gilts All Stocks	-2.63	-2.04	0.97	-1.16	5.47	5.33	7.16	20.26	-0.03

Source: FTSE Group data as at 31<sup>st</sup> December 2009

1 Performance inclusive of backcast history

2 Sharpe-ratio as historic [(3-year annualised return - risk free at 4.02%) / volatility]

3 Correlation calculated based on daily returns from 23/06/2006

## 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 Indices Values	ALLXFTMS		

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