

FTSE UK COMMERCIAL PROPERTY INDEX SERIES



UK MARKET COMMENTARY FROM MSS REAL ESTATE

As depicted in the graph below, FTSE All UK Property Index Returns have been largely steady for the last 12 months. Following a sharp increase after the bottom of the market in 2009, returns since June 2010 have been far more stable with small levels of capital growth supported by the ever present income returns; total FTSE All UK Property Total Return Index (NAV) for the 12 months is 10.22%. Breaking it down by sector, UK offices continue to be the star performer in comparison to UK Retail and UK Industrial, outperforming the other sectors on a 1 month, 3 month, 1 year and 3 year basis. The 12 month returns for the FTSE UK Office Property Index (NAV) was 14.56%, compared to 8.20% and 7.39% for retail and industrial respectively.

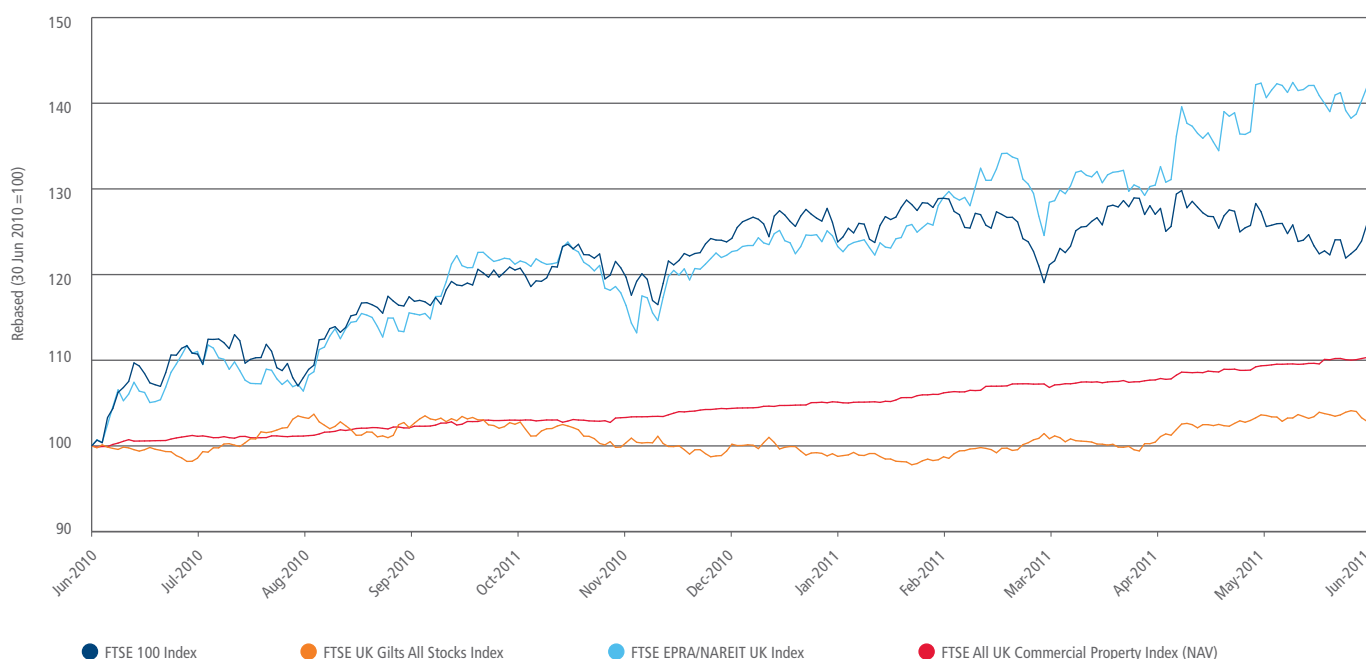
Since coming out of a 6 quarter recession in Q4 2009, the UK economy along with the majority of the major global economies has made a stuttered recovery. The consequences of the debt laden society that was built up in the first decade of the 21st century are still being felt and many economies are struggling to adapt to the reduced spending and lending scenario that is playing out. The Eurozone is under a lot of pressure with some of its weakest countries such as Greece and Portugal requiring bailouts due to their structural deficits and their high levels of borrowing; the theory behind a central currency with de-centralised policy control is being thoroughly tested. In the UK, the high street continues to suffer with a steady stream of traders falling into administration as consumers continue to cut back on spending and the strength of the UK recovery very much remains in the balance with the possibility of stagflation on the horizon.

UK commercial property remains polarised with prime properties attracting yields close to pre-crisis levels. Secondary properties, on the other hand, find themselves stuck in limbo with purchasers and lenders unwilling to take the risk at the yield levels which vendors refuse to move from. As many loans made in the early 2000's mature over the next few years, vendors will lose their control over the pricing of these assets and some momentum will return to the market.

The 12 month period saw exceptional returns for the equity elements of the headline indices, both the FTSE EPRA/NAREIT UK TR and FTSE 100 TR recorded returns of 40.78% and 24.90% respectively compared to 10.22% for the FTSE All UK Property Total Return (NAV) and 3.13% for FTSE UK Gilts All Stocks. These returns do need to be considered carefully however and the low starting base for equities 1 year ago explains much of this movement. Over 5 years, FTSE UK Gilts All Stocks remain the best performer of the 4 with annualised returns of 5.06%.

Source: FTSE, HM Treasury.

FTSE UK COMMERCIAL PROPERTY INDICES – 12 MONTH PERFORMANCE CHART (TR/GBP/%)



SOURCE: FTSE Group and MSS Real Estate, data as at 30th June 2011

FTSE UK COMMERCIAL PROPERTY INDICES – VALUES AND PERFORMANCE (GBP TOTAL RETURN)

Index Name	Index Value	1M (%)	3M (%)	YTD (%)	12M (%)	3Y (%)	3Y (%pa)	3Y volatility (%)	Sharpe-Ratio ¹
FTSE UK All Property Index (NAV)	4529.59	0.96	2.72	5.40	10.22	-9.28	-3.20	5.09	-0.63
FTSE UK All Property Index (GAV)	4880.93	1.08	3.08	6.15	11.82	-5.18	-1.76	5.10	-0.35
FTSE UK Retail Property Index (NAV)	4105.51	0.72	2.28	4.36	8.20	-15.27	-5.37	7.26	-0.74
FTSE UK Retail Property Index (GAV)	4424.58	0.84	2.65	5.10	9.76	-11.43	-3.96	6.36	-0.63
FTSE UK Office Property Index (NAV)	5087.14	1.52	3.70	7.87	14.56	-0.47	-0.16	6.14	-0.03
FTSE UK Office Property Index (GAV)	5484.88	1.64	4.06	8.65	16.22	4.09	1.35	6.14	0.21
FTSE UK Industrial Property Index (NAV)	4453.44	0.57	2.11	3.47	7.39	-15.43	-5.43	8.02	-0.68
FTSE UK Industrial Property Index (GAV)	4792.05	0.69	2.47	4.19	8.93	-11.73	-4.07	8.02	-0.51

SOURCE: FTSE Group and MSS Real Estate, data as at 30th June 2011

¹ Sharpe-ratio as historic (3-year annualised return - risk free at 3.25%) / volatility calculated by MSS Real Estate

FTSE UK COMMERCIAL PROPERTY INDICES – COMPARATIVE PERFORMANCE (GBP TOTAL RETURN)

Index Name	1M (%)	3M (%)	6M (%)	12M (%)	3Y (%pa) ¹	5Y (%pa) ¹	3Y Volatility (%)	Sharpe-Ratio ²	Correlation with FTSE UK All Property Index (GAV) ³
FTSE UK All Property Index (GAV)	0.96	2.72	5.40	10.22	-3.20	-1.53	5.09	-0.63	1.00
FTSE EPRA/NAREIT UK Index	1.01	9.86	16.29	40.78	-1.19	-8.90	35.41	-0.13	0.29
FTSE 100 Index	-0.40	1.58	2.70	24.90	5.78	3.67	26.38	0.10	0.19
FTSE Actuaries UK Conventional Gilts All Stocks Index	-0.59	2.47	1.65	3.13	7.51	5.06	7.17	0.59	0.30

SOURCE: FTSE Group and MSS Real Estate data as at 30th June 2011

¹ Performance inclusive of backcast history

² Sharpe-ratio as historic (3-year annualised return - risk free at 3.25%) / volatility calculated by MSS Real Estate

³ Correlation calculated based on daily returns from 23rd June 2006 by MSS Real Estate

FTSE UK COMMERCIAL PROPERTY INDICES – VENDOR CODES

Index	Bloomberg	Thomson Reuters RIC	Thomson Reuters One
FTSE UK All 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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