

# FTSE UK COMMERCIAL PROPERTY INDEX SERIES



## UK MARKET COMMENTARY FROM MSS REAL ESTATE

The last three months have seen the FTSE All UK Property Index returns flattening out and starting to show signs of small declines. The steady increase in returns since September 2009 appears to have come to an end and small falls in capital value across the sectors are offsetting any income benefits. The FTSE All UK Property Index (NAV) has fallen 0.53% in the last three months, largely due to a 0.88% decrease in the FTSE UK Retail Property Index (NAV) but with smaller decreases nonetheless in both the Office and Industrial Indices. Over the twelve month period the FTSE All UK Property Index (NAV) has returned 7.21%, with the FTSE UK Office Property Index (NAV) outperforming the other sectors with a return of 11.75% for the same period.

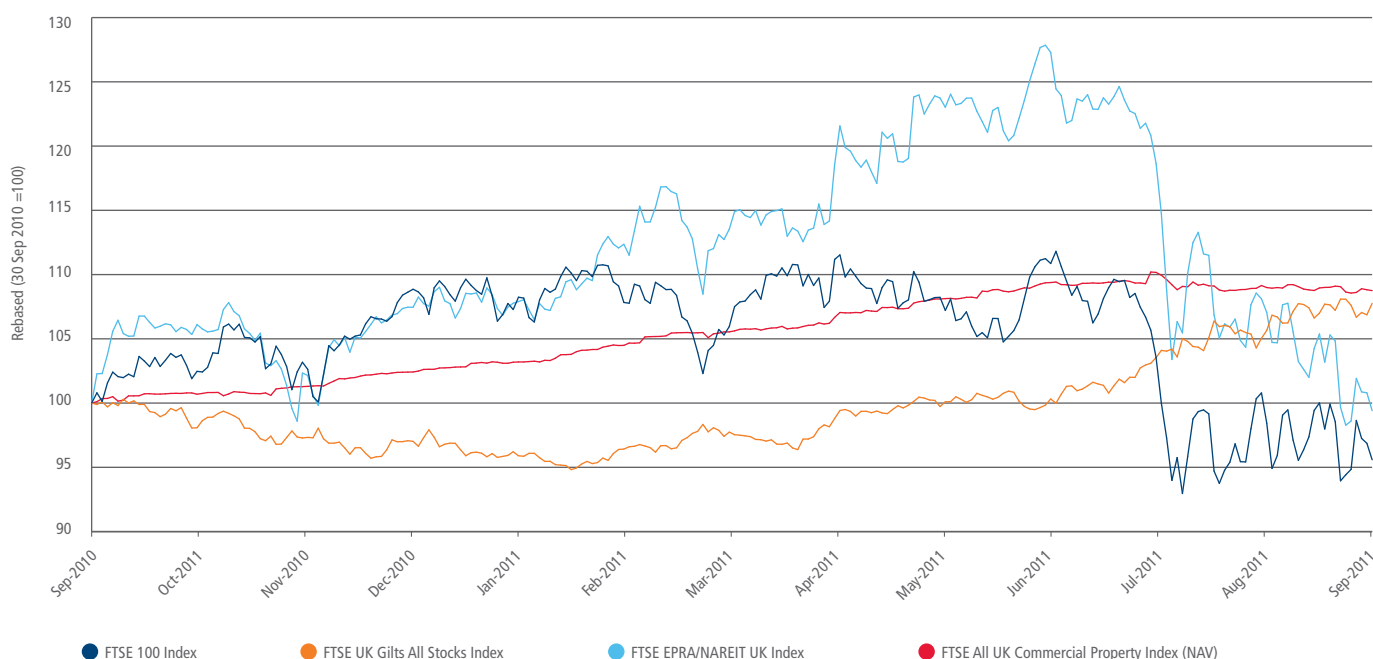
Fears over the economic stability of a number of European countries coupled with weak global economic data have caused much unrest in the last few months. Although the UK is better placed than many given its absence from the Eurozone, it is certainly not immune to any European crisis and the latest GDP figures show a 0.1% increase for the UK in Q2 2011. Manufacturing is one area that has produced surprisingly positive results in the last quarter, but with ongoing austerity measures from the government it is not clear where any economic stimulus will arise from unless further quantitative easing is approved of with the potential risk of further inflation well above the national target.

With ongoing economic uncertainty, security of income remains crucial in the UK commercial property market. The statistics for rental levels suggest that these remain broadly flat across the UK although large incentives are regularly offered by landlords to attract the best tenants with long leases. Bank funding remains hard to come by for many investors and cash buyers are viewed with considerable favour over those requiring debt financing. For the first time since the downturn, capital values are showing small but sustained decreases in various pockets of the market, particularly in regional and secondary stock. Despite the strong yield offered by property and the relative security of owning bricks and mortar, investors are yet to view this asset class as a safe haven in uncertain times.

The last twelve months have seen two conflicting stories from the various headline indices; the exceptional performance of equities for 9 months was wiped out in the last three months with large falls across the stock market. Both the FTSE EPRA/NAREIT UK TR and FTSE 100 TR fell by 12.93% and 20.52% respectively in the three months to the end of September and are now showing negative returns for the last twelve months. The two other headline indices however, have been much more consistent over the same period; FTSE UK Gilts All Stocks and the FTSE All UK Property Index (NAV) have returned 7.76% and 7.21% in the last twelve months with far lower volatility than displayed in the two equity indices.

Source: FTSE, HM Treasury. MSS Real Estate

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



## 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 <sup>1</sup>
FTSE UK All Property Index (NAV)	4505.38	-0.28	-0.53	4.84	7.21	-5.08	-1.72	5.08	-0.34
FTSE UK All Property Index (GAV)	4872.48	-0.16	-0.17	5.96	8.75	-0.80	-0.27	5.08	-0.06
FTSE UK Retail Property Index (NAV)	4069.41	-0.33	-0.88	3.44	4.80	-12.69	-4.42	7.26	-0.61
FTSE UK Retail Property Index (GAV)	4401.52	-0.22	-0.52	4.55	6.32	-8.74	-3.00	6.36	-0.48
FTSE UK Office Property Index (NAV)	5080.59	-0.29	-0.13	7.73	11.75	5.09	1.67	5.97	0.28
FTSE UK Office Property Index (GAV)	5497.30	-0.18	0.23	8.90	13.37	9.88	3.19	5.97	0.53
FTSE UK Industrial Property Index (NAV)	4438.54	-0.08	-0.33	3.12	5.13	-8.15	-2.80	7.63	-0.37
FTSE UK Industrial Property Index (GAV)	4794.03	0.04	0.04	4.24	6.65	-4.14	-1.40	7.62	-0.19

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

<sup>1</sup> Sharpe-ratio as historic (3-year annualised return - risk free at 2.30%) / volatility calculated by MSS Real Estate

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

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 All Property Index (GAV) <sup>3</sup>
FTSE UK All Property Index (GAV)	-0.28	-0.53	2.17	7.21	-1.72	-1.97	5.08	-0.34	1.00
FTSE EPRA/NAREIT UK Index	-8.43	-20.52	-12.68	-0.59	-9.85	-12.16	34.23	-0.36	0.29
FTSE 100 Index	-4.74	-12.93	-11.56	-4.41	5.40	1.24	26.00	0.12	0.19
FTSE Actuaries UK Conventional Gilts All Stocks Index	3.33	8.26	10.93	7.76	8.73	6.89	7.31	0.88	0.29

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

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

<sup>2</sup> Sharpe-ratio as historic (3-year annualised return - risk free at 2.30%) / volatility calculated by MSS Real Estate

<sup>3</sup> 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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