

FTSE UK COMMERCIAL PROPERTY INDEX SERIES



UK MARKET COMMENTARY FROM MSS REAL ESTATE

The FTSE All UK Property NAV (TR) returns in the first quarter of 2011 showed sustained growth following the recovery in 2010 with a 2.61% return for Q1, outperforming the previous quarter (2.26%). UK offices continued to be the predominant driving force with the FTSE UK Office Property NAV (TR) returning 4.03% this quarter compared to only 2.02% and 1.33% by the FTSE UK Retail Property Index NAV (TR) and FTSE UK Industrial Property Index NAV (TR) respectively.

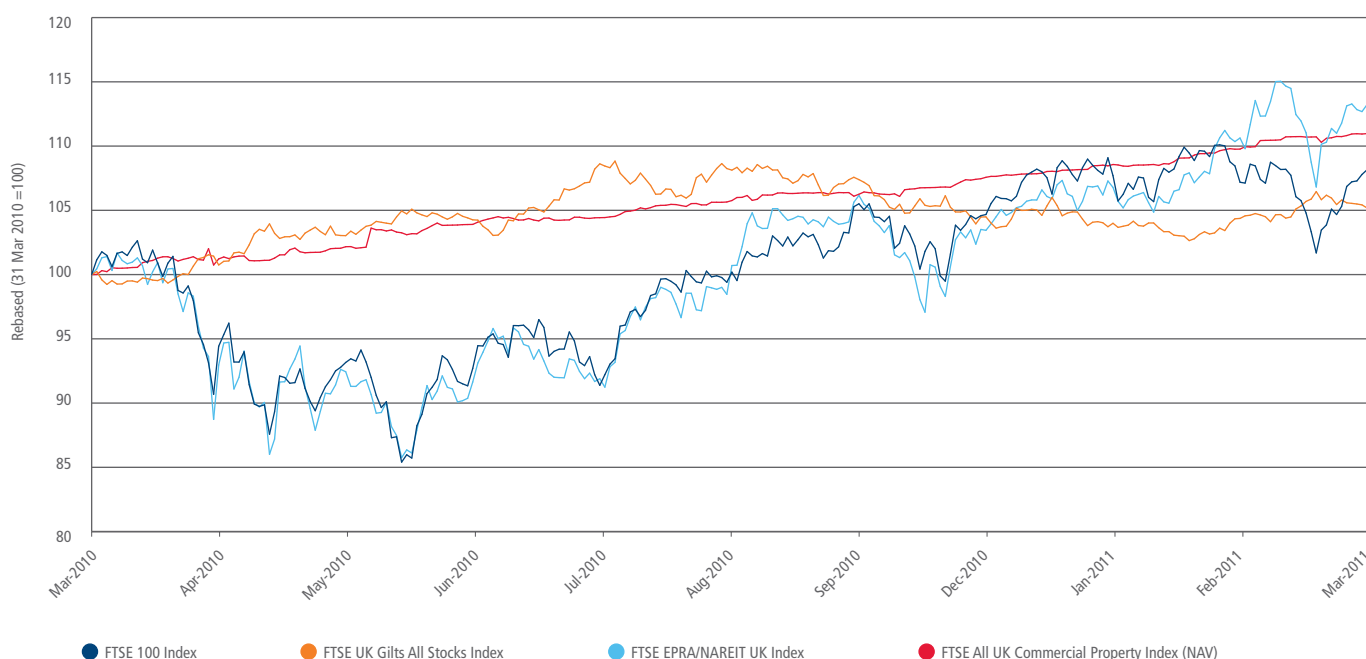
UK unemployment has risen to 2.53 million people (8% of workforce) in the last quarter, the highest since 1996, and interest rates still remain at an all-time low of 0.5%; with CPI inflation at 4.4% high there is an unclear future for the UK economy. Commercial rents across the UK appear to still be in decline, with the exception of Central London offices where demand continues to exceed supply and there are few new completions on the horizon. The recovery in Europe and America has been much slower than many Eastern and developing countries with the Western economies needing to restructure their national debt to provide a more stable future.

With the Comprehensive Spending Review announcing the intention to cut UK government spending by £81 billion over the next four years, it is clear that the coalition government remains committed to removing the UK's structural budget deficit within this parliamentary term. This is a long term strategy for growth and stability but may place unnecessary stress on the UK economy in the short term.

The FTSE UK AP NAV (TR) delivered 10.86% over 12 months while still maintaining a low volatility of only 5.00%. The FTSE EPRA/NAREIT UK outperformed the FTSE UK AP index for the first time in the past 12 months suggesting an increased confidence in REITS, this delivered the highest 12 month return of the leading indices of 12.09%. The FTSE UK AP TR outperformed the FTSE 100 TR by 1.5% and FTSE UK Gilts by 3.4% over the past quarter.

Source: FTSE, HM Treasury, MSS

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



SOURCE: FTSE Group and MSS Real Estate, data as at 31st March 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)	4409.71	0.82	2.61	2.61	10.86	-14.36	-5.04	5.02	-1.01
FTSE UK All Property Index (GAV)	4734.89	0.95	2.97	2.97	12.46	-10.47	-3.62	5.02	-0.73
FTSE UK Retail Property Index (NAV)	4013.82	0.74	2.02	2.02	8.43	-18.92	-6.75	7.16	-0.95
FTSE UK Retail Property Index (GAV)	4310.37	0.87	2.38	2.38	10.02	-15.23	-5.36	6.28	-0.86
FTSE UK Office Property Index (NAV)	4905.79	0.96	4.03	4.03	15.52	-10.10	-3.49	6.21	-0.57
FTSE UK Office Property Index (GAV)	5270.64	1.08	4.41	4.41	17.21	-5.96	-2.03	6.21	-0.33
FTSE UK Industrial Property Index (NAV)	4361.6	0.76	1.33	1.33	8.12	-18.62	-6.64	7.93	-0.84
FTSE UK Industrial Property Index (GAV)	4676.57	0.88	1.68	1.68	9.59	-15.05	-5.29	7.92	-0.67

SOURCE: FTSE Group and MSS Real Estate, data as at 31st March 2011

¹ Sharpe-ratio as historic [(3-year annualised return – risk free at 4.04%) / 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)	0.82	2.61	4.93	10.86	-5.04	-1.20	5.00	-1.02	1.00
FTSE EPRA/NAREIT UK Index	-1.28	5.85	13.85	12.09	-12.09	-7.91	35.61	-0.45	-0.01
FTSE 100 Index	-0.94	1.10	8.09	7.44	5.10	4.76	26.37	0.04	0.06
FTSE Actuaries UK Conventional Gilts All Stocks Index	0.39	-0.79	-2.85	5.16	5.35	4.45	7.31	0.18	-0.03

SOURCE: FTSE Group and MSS Real Estate data as at 31st March 2011

¹ Performance inclusive of backcast history

² Sharpe-ratio as historic [(3-year annualised return – risk free at 4.04%) / 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	Reuters	Thomson
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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