

# FTSE UK COMMERCIAL PROPERTY INDEX SERIES



## MARKET COMMENTARY

The first quarter of 2010 carried on where 2009 left off with strong positive returns across all sectors of the FTSE All UK Property Index. The total return (GAV) of the index for the three months to 31st March 2010 was 7.61%; UK Offices outperformed the rest of the market for the second quarter running with returns of 8.35% (GAV) while UK Industrial Property lagged behind with 5.33% (GAV), UK Retail property grew by 7.37% (GAV) for the same period. Despite this, over the course of the year UK Industrial Property has been the strongest performer with returns of 8.91% (GAV) compared to the All Property return 7.58% (GAV).

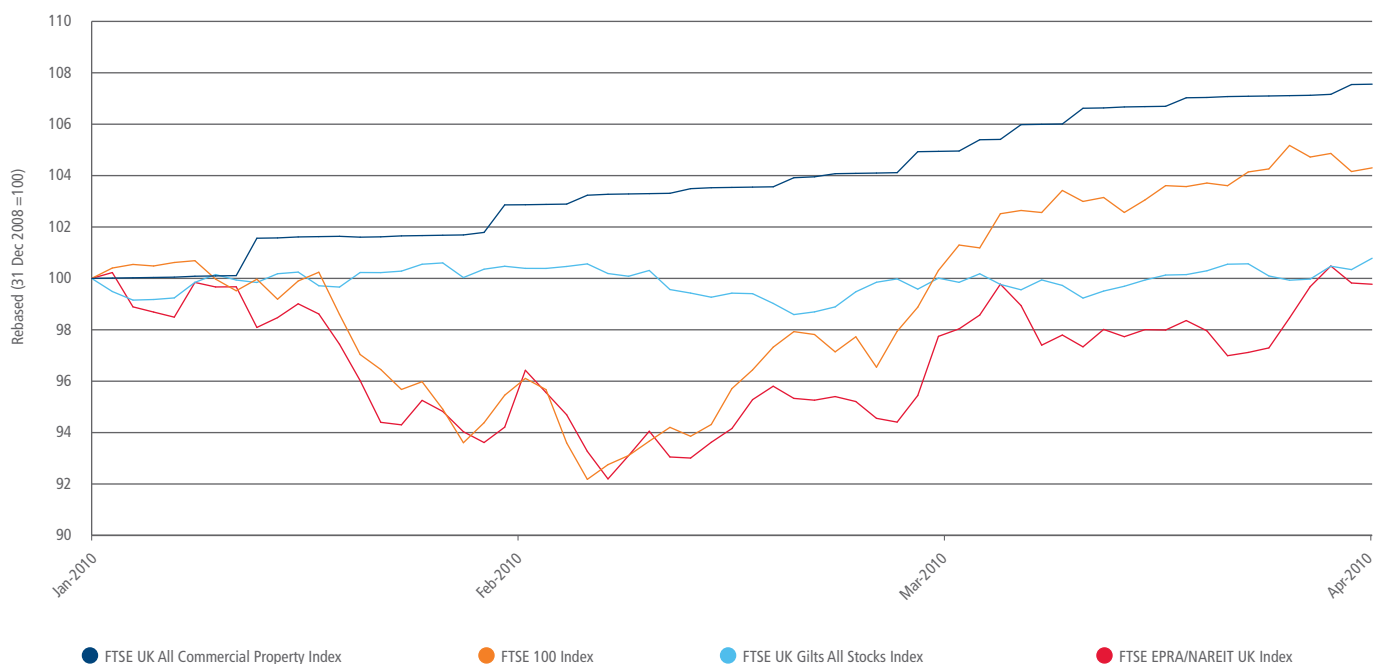
It has been officially announced that the UK economy has exited the recession with positive growth recorded in the final quarter of 2009, yet many remain cautious about the path ahead. The looming general election set for the 6th May puts the UK economy into limbo with both domestic and overseas investors unsure as to which fiscal policies will be employed come the summer and the threat of a hung parliament as potentially the least favoured outcome. The resilience of unemployment through the downturn has ensured the dip was shallower than in previous recessions but now means that there is less room for recovery and a large bounce is very unlikely; the latest Budget forecast estimates UK GDP growth for 2010 at 3.1%.

The recovery in the UK commercial property market appears to have slowed to a more manageable rate following the unsustainable rally seen at the end of 2009. Many UK property funds have been inundated with subscriptions to the extent that January saw the highest net inflow of sales out of all the IMA sectors, equally foreign investors have been looking to take advantage of the weak pound. The additional surplus capital puts the onus on the investment manager's to spend it wisely with the majority of transactions taking place toward the prime end of the scale. Prime yields, however, are beginning to approach their long-term average and so investors will soon be forced to look further down the property spectrum.

Elsewhere, the FTSE 100 TR outperformed the other headline indices with a 5.99% return over the quarter, while the FTSE EPRA/NAREIT UK TR fell marginally by 0.9% over the quarter. For the twelve months to 31st March 2010 the FTSE 100 TR and the FTSE EPRA/NAREIT TR both recorded figures in excess of 50%, this however is more indicative of how relatively low the two were based on a year ago. FTSE UK Gilts All Stocks performed steadily for the twelve months with a return of 0.77%.

Source: FTSE, HM Treasury.

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



Source: FTSE Group, data as at 31st March 2010

## 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)	3977.83	3.17	7.23	7.23	5.99	-29.02	-10.78	5.03	-2.15
FTSE ALL UK PROPERTY INDEX (GAV)	4210.11	3.31	7.61	7.61	7.58	-25.74	-9.43	5.03	-1.88
FTSE UK RETAIL PROPERTY INDEX (NAV)	3701.90	4.02	6.99	6.99	4.74	-33.23	-12.58	7.36	-1.71
FTSE UK RETAIL PROPERTY INDEX (GAV)	3917.73	4.16	7.37	7.37	6.30	-30.16	-11.26	6.48	-1.74
FTSE UK OFFICE PROPERTY INDEX (NAV)	4246.86	2.19	7.43	7.43	5.88	-24.63	-8.98	6.32	-1.43
FTSE UK OFFICE PROPERTY INDEX (GAV)	4496.84	2.32	7.82	7.82	7.51	-21.12	-7.59	6.32	-1.21
FTSE UK INDUSTRIAL PROPERTY INDEX (NAV)	4034.22	1.83	4.99	4.99	7.39	-31.61	-11.87	8.40	-1.42
FTSE UK INDUSTRIAL PROPERTY INDEX (GAV)	4267.16	1.99	5.33	5.33	8.91	-28.50	-10.56	8.40	-1.26

SOURCE: FTSE Group, data as at 31st March 2010

## 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)	3.31	7.61	12.28	7.58	-9.43	2.33	5.04	-1.88	1.00
FTSE EPRA/NAREIT UK £ TR	5.68	-0.90	2.96	61.94	-25.87	-6.81	38.42	-0.78	-0.02
FTSE 100 TR	6.50	5.99	12.51	50.42	0.42	7.12	27.38	-0.13	0.07
FTSE UK Gilts All Stocks	0.80	1.14	-0.92	0.77	6.14	4.97	7.24	0.29	-0.03

Source: FTSE Group data as at 31st March 2010

1 Performance inclusive of backcast history

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