

UK COMMERCIAL PROPERTY INDEX SERIES



MARKET COMMENTARY

The FTSE UK Commercial Property Total Return Index fell 7.73% (TR GAV) in January 2009, sending the three-month performance to -15.96 and the 12-month performance to -25.75% as the widely anticipated reductions in the 2008 'year-end' property valuations fed through to the indices.

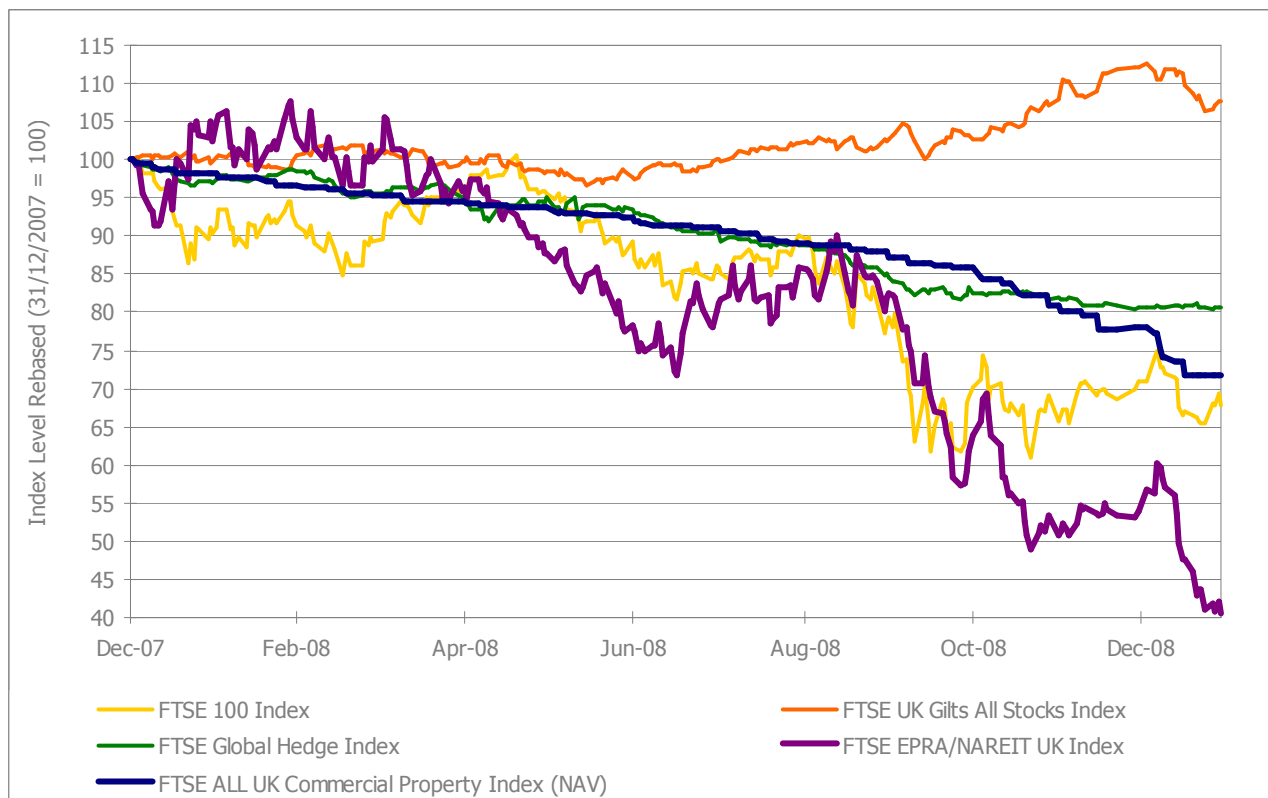
Unemployment has risen to near 2 million people or 6.1% in Britain in the September-November quarter, which compares with 5.2% a year ago. In the retail sector large administrations such as Woolworths, Zavvi, Whittard and MFI to name a few, point to margins being squeezed to uneconomical levels and leaving the visual impact of the high street's "missing teeth". This is expected to feed through into falling rental values, as landlords compete to attract or retain occupiers.

With the British economy under pressure and interest rates at record lows the pound has plunged to its lowest level against the dollar since 1985. The fillip is the increased attractiveness of the UK market to foreign investors. This is already apparent in the Property Data transaction statistics where overseas buyers and private investors have been the net purchasers over 2008; this trend is expected to continue over 2009.

Property Data reports commercial property volumes in January 2009 are at 16% of the peaks in the same periods in 2006 and 2007, and only 25% of the same period in 2008. Even in these slim volumes overseas buyers show up as net accumulators however the data also show that private investors are beginning to return to the market and anecdotal evidence suggests that for certain assets, debt in small lot sizes is readily available.

In other markets 12-month performance ending January 2009 show that UK Gilts continue to outperform other assets classes, delivering 7.2%. The FTSE 100 Index experienced -25.6% over the same period, FTSE Hedge Index -17.4% and FTSE EPRA/NAREIT delivered -61.4%. Source: FTSE.

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



Source: FTSE Group, data as at 30 January 2009

INDEX VALUES

Index Name	TRI	1M (%)	3M (%)	YTD (%)	12M (%)	3Y (%)	3Y (%pa)	12M volatility (%)*	Sharpe-Ratio**
FTSE ALL UK PROPERTY INDEX (NAV)	3874.79	-7.86	-16.28	-7.86	-26.86	-17.53	-6.23	4.38	-2.45
FTSE ALL UK PROPERTY INDEX (GAV)	4030.40	-7.73	-15.96	-7.73	-25.75	-13.65	-4.78	4.38	-2.12
FTSE UK RETAIL PROPERTY INDEX (NAV)	3624.86	-10.60	-19.08	-10.60	-28.80	-22.83	-8.28	6.03	-2.12
FTSE UK RETAIL PROPERTY INDEX (GAV)	3770.73	-10.48	-18.77	-10.48	-27.71	-19.20	-6.86	3.30	-3.45
FTSE UK OFFICE PROPERTY INDEX (NAV)	4188.31	-3.76	-12.25	-3.76	-3.76	-10.78	-3.73	5.95	-1.38
FTSE UK OFFICE PROPERTY INDEX (GAV)	4356.28	-3.63	-11.92	-3.63	-24.07	-6.59	-2.25	5.21	-1.30
FTSE UK INDUSTRIAL PROPERTY INDEX (NAV)	3813.50	-12.10	-18.89	-12.10	-32.05	-18.80	-6.71	8.90	-1.26
FTSE UK INDUSTRIAL PROPERTY INDEX (GAV)	3967.27	-11.97	-18.57	-11.97	-31.01	-14.96	-5.26	6.28	-1.56

SOURCE: FTSE Group, data as at 30 January 2009

COMPARATIVE PERFORMANCE (TOTAL RETURNS, GBP)

Index Name	1M (%)	3M (%)	6M (%)	12M (%)	3Y (%pa) ¹	5Y (%pa) ¹	Volatility ² (12M/%)	Sharpe-Ratio ³	Correlation with FTSE UK CP ⁴
FTSE UK CP AP (GAV TR)	-7.7	-16.0	-20.6	-25.8	-4.8	5.0	4.38	-2.12	1.00
FTSE EPRA/NAREIT UK £ TR	-24.8	-34.3	-50.1	-61.4	-28.4	-7.7	32.26	-1.02	0.04
FTSE Hedge GBP	-0.2	-3.3	-10.6	-17.4	-5.0	-1.0	5.55	-1.72	0.05
FTSE 100 TR	-5.4	-1.5	-21.1	-25.6	-6.7	2.7	26.35	-0.43	0.01
FTSE Gilts All Stocks TR	-4.6	4.3	7.5	7.2	4.3	5.6	6.13	-0.04	-0.05

Source: FTSE Group data as at 30 January 2009

1 Performance inclusive of backcast history

2 Volatility calculated daily from 2/06/2006, using sqrt(250) to annualise

3 Sharpe-ratio as historic [(3-year annualised return - risk free at 4.5%) / volatility]

4 Correlation calculated based on daily returns from 2/06/2006

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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