

# UK COMMERCIAL PROPERTY INDEX SERIES



## MARKET COMMENTARY

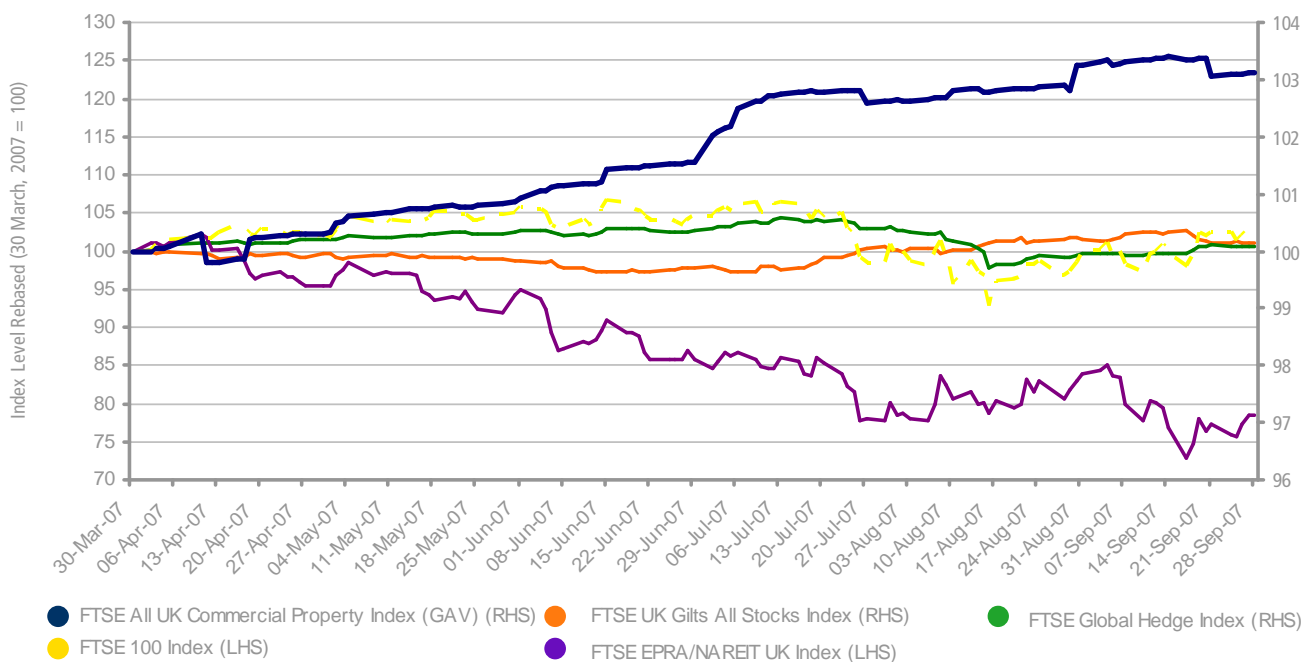
UK commercial property delivered a total return of 1.55% in the third quarter, showing a marked cooling from previous months (3.06% Q107), as demonstrated by the performance of the FTSE All UK Commercial Property Index.

The FTSE All UK Commercial Property Index is the first formal measurement of the industry's returns to be published for Q307 and gives an accurate picture of how the market is actually performing. The six months ending 30<sup>th</sup> September 2007 shows the All Property total return of 3.12% this compares to the second half of 2006 when the comparable performance was 7.8%.

Over the 12-month period ending 30<sup>th</sup> September, commercial property remains the best performing asset class, delivering a total return of 10.72% compared to FTSE EPRA/NAREIT UK, which returned -10.42%, FTSE 100 8.45%, FTSE Hedge 4.55% and FTSE UK Gilts All Stocks 0.16%.

The FTSE UK Commercial Property Index Series includes the FTSE UK All Property Index, the FTSE UK Retail Property Index, FTSE UK Office Property Index, and the FTSE UK Industrial Property Index. These indices are designed to allow a new generation of investment products, enabling institutional and private investors access to this alternative asset class.

## PERFORMANCE CHART (TR/GBP/%)



Source: FTSE Group, data as at 28 September, 2007

LHS = Left Hand Scale, RHS = Right Hand Scale

## INDEX VALUES

Index Name	TRI	3M (%)	YTD (%)	12M (%)	3Y (%)	3Y (%pa)	12M volatility* (%)	Sharpe-Ratio**
FTSE All UK Property Index (NAV)	5735.85	1.17	5.09	9.07	60.13	16.99	2.48	4.42
FTSE All UK Property Index (GAV)	5846.77	1.55	6.28	10.72	67.15	18.68	2.48	5.10
FTSE UK Retail Property Index (NAV)	5620.08	0.29	2.37	6.57	55.13	15.76	2.21	4.43
FTSE UK Retail Property Index (GAV)	5728.76	0.96	3.52	8.18	61.94	17.43	2.20	5.19
FTSE UK Office Property Index (NAV)	5993.15	3.71	11.77	13.86	67.45	18.75	5.09	2.50
FTSE UK Office Property Index (GAV)	6109.05	5.94	13.03	15.58	74.79	20.46	5.09	2.84
FTSE UK Industrial Property Index (NAV)	5875.18	0.78	7.62	16.35	74.56	20.40	5.99	2.41
FTSE UK Industrial Property Index (GAV)	6090.72	1.62	8.83	18.11	82.20	22.41	5.97	2.70

SOURCE: FTSE Group, data as at 28 September, 2007 \* Volatility calculated daily from 22/06/2006, using sqrt(250), per annum \*\*Sharpe-ratio as historic 3 year annualised return - risk free at 6% divided by volatility of 15 monthly on daily basis

## DERIVATIVES PRICING

All Property	Dec07 Dec08 3y 5y 7y 10y						All Office	Dec07 Dec08 3y 5y 7y 10y					
	Swap Price	-550	-600	137	89	69		54	Swap Price	-75	-125	174	113
Forward Price Cash Settled			1.24	1.40	1.56	1.82	Forward Price Cash Settled			1.25	1.41	1.57	1.83
Property EAR (%)			7.43	6.96	6.56	6.17	Property EAR (%)			7.72	7.11	6.66	6.23
ATM European Call Options (%)			14.9	18.4	20.6	22.7							

Source: Abbey, data as 28 September, 2007

Source: Abbey, data as at 28 September, 2007

## COMPARATIVE PERFORMANCE (TOTAL RETURNS, GBP)

	3M (%)	6M (%)	12M (%)	3Y (%pa) <sup>1</sup>	5Y (%pa) <sup>1</sup>	Volatility <sup>2</sup> (12M/%)	Sharpe-Ratio <sup>3</sup>	Correlation with FTSE UK CP
FTSE All UK Property Index (GAV)	1.55	3.12	10.72	18.72	16.65	2.16	4.92	1.00
FTSE Global Hedge Index	-1.96	0.70	4.55	4.98	7.01	3.74	0.27	-0.04
FTSE EPRA/NAREIT UK Index	-8.68	-21.61	-10.42	16.55	21.83	18.89	0.84	0.11
FTSE 100 Index	-2.17	2.48	8.45	12.27	11.68	14.55	0.39	0.06
FTSE UK Gilts All Stocks Index	3.59	1.16	0.16	3.97	3.66	3.88	-0.60	-0.02

Source: FTSE Group data as at 28 September, 2007

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

<sup>2</sup> Volatility calculated on daily relative change starting 26/06/2006 and closing 28/09/2007

<sup>3</sup> Sharpe-Ratio calculated as [(5 year pa return - Rf of 6.0%)/volatility 12 months as above]

## VENDOR CODES

Index	Bloomberg	Reuters	Thomson
FTSE All UK Property Index	FTMSAGTR	.FTP100S	FTUPALG
FTSE UK Retail Property Index	FTMSRGTR	.FTP111S	FTUPRTG
FTSE UK Office Property Index	FTMSOGTR	.FTP121S	FTUPOFG
FTSE UK Industrial Property Index	FTMSIGTR	.FTP131S	FTUPIDG
All Index Values	ALLXFTMS		

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