



DTZ Tullett Prebon - Derivatives

Property Derivatives Market Overview – November 2007

IPD SWAPS

UK IPD Performance & Market Overview

Overview - IPD Monthly Index, October 2007

The IPD monthly Index total return for October 2007 came in at -1.47%, the second biggest fall in monthly returns ever with -1.76% in May 1989 being the biggest. This -1.47% comprised capital growth down -1.87%, offsetting the positive income return of +0.4%. This implies total returns to date are +1.91% having fallen from a peak of +4.61% in July. Between -1% and 0% is looking more realistic for 2007. In other assets, equities came in at +4.34% and was the best performer with gilts coming in at +0.92%.

Trading activity in the UK market has again focussed on the most liquid area - the IPD All Property Index, and once again we have seen significant falls all the way along the curve. The Dec 07 contract, with only 2 months remaining, has seen the biggest move and we now have a mid of L-22.5%. This volatility, together with concerns that the monthly estimate is not truly reflecting sentiment as yet, has hindered further trading in the Dec 07 with bid & offer spreads being very wide.

The table to the right shows our current mid markets and the price change from last months newsletter. The Dec 08, Dec 09 and Dec 10 contracts have seen the bulk of the trading, with all three contracts experiencing severe falls.

The curve has steepened, with Dec 08 falling further than Dec 09 / Dec 10 / Dec 11. Forward starting swaps, particularly the Cal 09 and Cal 10 have been well supported which confirms the market perception that by 2009 the recovery should be well under way.

Tenor	UK All Property Mids (21/11/07)	UK All Property Mids (18/10/07)
Dec-07	-2250	-1450
Dec-08	-1450	-925
Dec-09	-925	-775
Dec-10	-650	-450
Dec-11	-500	-350
Dec-12	-400	-275
Dec-16	-100	-50

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European Overview

The French office market has experienced further trading. The Dec 06 - Dec 09 contract was pushed lower initially as a result of the big moves in the UK. As more information emerged about the French Office market this year and that returns for 2007 have actually been very strong, the swap price has moved back up and although lower than this time last month, there is good support on the buy side.

The Dec 07- Dec 09 contract on the other hand has fallen further with the last trade at Euribor -275. Clearly the slowing world economy will have a significant impact on French Offices going forward.

Germany has continued to stagnate and concerns over the valuation methodology of the index remain.

Tenor	French All Office Mids	German All Property Mids
Dec 06 - Dec 09	100	130
Dec 07 - Dec 09	-275	N/A
Dec 06 - Dec 11	-25	125

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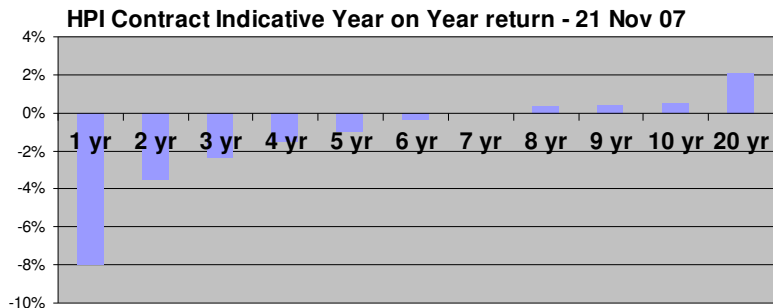
The UK Residential Market – HPI Index

In the UK residential derivatives market, we have seen continued interest, but limited trading due to most counterparties being the sellers. Market makers will show support on the buy side, but at levels which are some way from where people will sell. Very similar to the physical market. The 1y contract last traded at 93, implying a 7% fall in the index from Oct 07 - Oct 08. This contrasts with the opinion of many forecasters who feel falls are unlikely because of supply issues and that a period of stagnation, not falls, is imminent. Current pricing is as follows:

HPI	MID	Yr on Yr return
1y	92.0	-8.00%
2y	92	-3.50%
3y	93	-2.30%
5y	95.5	-1.00%
10y	105	0.49%
20y	155	2.15%

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21-Nov-2007



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Indicative pricing available at:

Bloomberg – TPPROP<GO>

Reuters – TPPROP



Click 'Indicative swap prices from Tullett Prebon information' on

www.propex.co.uk

DTZ Research produces a number of publications that cover the European markets in detail. For further information on any of the above please contact:

Michael Cutteridge

Tel: +44 20 7643 6350

Email: michael.cutteridge@dtz.com

James Berry

Tel: +44 20 7200 7059

Email: jberry@tullettprebon.com

Gary McNamara

Tel: +44 20 7643 6248

Email: gary.mcnamara@dtz.com

Rob Atkin

Tel: +44 20 7200 7059

Email: ratkin@tullettprebon.com

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