

Investment Objective

The UK Commercial Property Trust is a Guernsey registered investment company which aims to provide an attractive level of income together with the potential for capital and income growth by investing in a diversified portfolio of UK commercial property.



Key Statistics as at 31st March 2017

Launch date	20 Sep 2006
Total assets	£1.4bn
Share price (per closing LSE price)	86.0 p
NAV	87.4 p
Premium/(Discount) to NAV*	(1.6%)
Void levels	4.1%
Average lease length	8.4 years
Gearing	18.0% (Net Gearing 10.1%)
Gross dividend yield	4.3%
Management fees	0.65% on total assets
Stock code	UKCM
Dividend pay dates	May, Aug, Nov, Feb

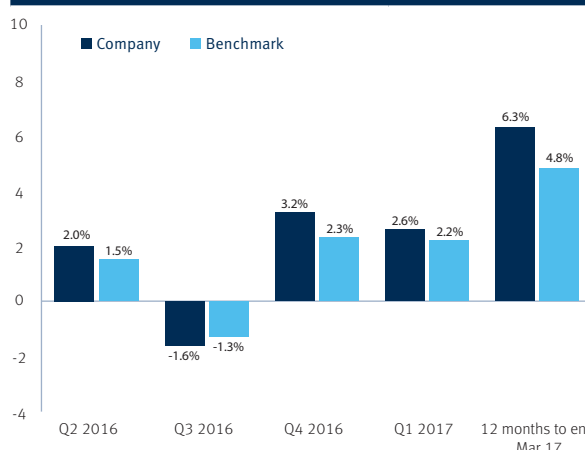
* Gross borrowing less cash divided by total assets (excluding cash) less current liabilities

Corporate Performance – % growth

	Q1 2017	1 yr	3 yrs	5 yrs
NAV Total Return	2.5	6.1	33.5	55.9
Share Price Total Return	2.9	7.9	21.7	57.0
IPD Benchmark	2.2	4.8	35.5	57.8

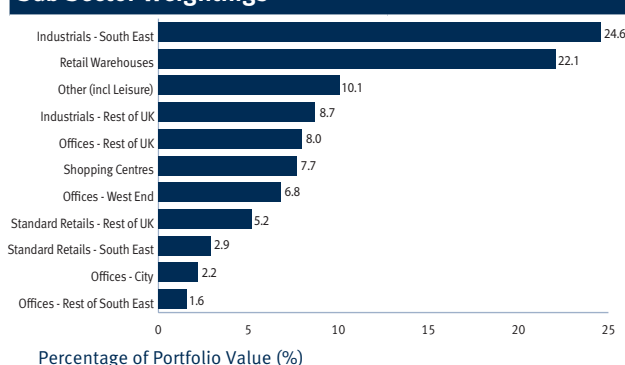
Source: Internal as at 31/03/17. IPD Quarterly Benchmark Report to end Mar 2017. Past performance is not a guide to future performance. The value of investments and any income generated can fall as well as rise and is not guaranteed.

Portfolio Total Returns



Source: IPD Balanced Monthly and Quarterly Funds to end Mar 2017. Past performance is not a guide to future performance. The value of investments and any income generated can fall as well as rise and is not guaranteed.

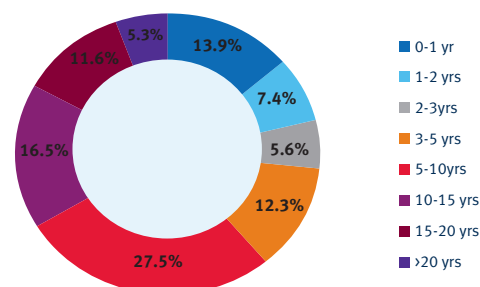
Sub Sector Weightings



Top 10 holdings	Location	Value Band
Ventura Industrial Park, Radlett	North M25	£70-£100m
Junction 27 Retail Park	Leeds	£50-£70m
Great Lodge Retail Park	Tunbridge Wells	£50-£70m
The Rotunda	Kingston upon Thames	£50-£70m
15 Great Marlborough Street	London	£50-£70m
Hatfield Business Park	Hatfield	£50-£70m
Kew Retail Park	London	£50-£70m
The Parade	Swindon	£50-£70m
Dolphin Ind Est, Sunbury-on-Thames	London	£30-£50m
St. George's Retail Park	Leicester	£30-£50m

Source: Internal as at 31/03/17

Lease expiry profile (% of Portfolio Income)



Source: Internal as at 31/03/17



Will Fulton
Lead Manager

UK Real Estate Market

The UK economy has demonstrated resilience following the EU referendum with Q4 2016 GDP being revised up to 0.7%. However, the economic data currently available for Q1 2017 has been mixed - although manufacturing and production indicators remain strong, tentative evidence of the rapid squeeze on consumers' spending power has appeared lately as a result of rising inflation. Whilst retail sales data have been volatile due to seasonal factors, the 3-month average growth rate has slowed. Some retailers are becoming more cautious around the outlook for spending including Next, Tesco and John Lewis.

UK real estate performance has stabilised with the MSCI IPD Balanced Monthly & Quarterly Index delivering a total return of 2.2% for Q1 2017, driven by a stable income return of 1.2%. Performance has been nuanced with the industrial sector generating the strongest returns from the date of the vote. This industrial sector continues to benefit from the transition to online shopping and the reconfiguration of supply chains to meet the needs of the changing nature of consumers' buying preferences. Rental growth continues to be polarised with the industrial sector recording strong upward rental momentum on the back of attractive fundamentals, particularly in the land constrained South East market. Occupier demand remains muted in the office sector. The asset class, however, continues to provide an elevated yield and the margin over government bonds is close to record levels.

UK investment activity remains buoyant and above average in Q1 2017 with overseas investors, at 55% of the quarterly total, remaining the largest net investors. The investment figures were fuelled by major transactions and London offices took a 40% share of the total, its highest level since 2012, boosted by CC Land's £1.15bn purchase of the Leadenhall Building in London.

At a sector level the industrial sector has continued to outperform retail and office with a total return of 3.8% and underlying capital growth of 2.4% for Q1 2017. Retail and Office total returns were equal at 1.7% with capital growth of 0.3% and 0.6% respectively. South East Industrials recorded 3.1% capital growth in the quarter, contributing to a 4.3% total return, and shopping Centres lagged with virtually flat capital gain and a total return of 1.3%. City and West End office capital returns were at 0.8% and 0.7% for the quarter reflecting the uncertainties associated with the Central London market.

UKCPT Q1 Highlights:

- ▶ NAV total return of 2.5%.
- ▶ Like-for-like portfolio capital value increased by 1.6% comparing favourably with 1.0% for the market as measured by the Company's MSCI IPD benchmark (its Balanced Monthly & Quarterly index).
- ▶ Void rate of 4.1%, well below the MSCI IPD benchmark figure of 6.8%.
- ▶ £1.3 million of annual rental income, in line with ERV, secured from eleven new leases and nine lease renewals / rent reviews including the completion of a new 10 year lease at 81 George Street, Edinburgh, securing a headline rent of £30 per square foot per annum global power generation company InterGen following refurbishment of the property, and three further lettings at Gatwick Gate, Crawley, securing over £600,000 per annum, improving capital value and increasing unexpired lease length.
- ▶ Contracts exchanged with Laura Ashley on the remaining 5,000 sq.ft. unit of the new 25,000 sq.ft. development to be built on St George's Retail Park, Leicester. On completion Laura Ashley, Tapi Carpets and Wren Living, will be secured on new 10 year leases generating over £500,000 per annum of additional rent with an expected yield on cost of 8.0%.
- ▶ 13 Great Marlborough Street, Soho, London West End, sold to the owner of the adjoining property in early January 2017; its lease to Sony had less than two years remaining, the sale removing short term letting risk and the need for potentially significant capital expenditure. The disposal price of £30.5m was ahead of the year end valuation and equated to a yield of 3.3%.

- ▶ £23 million of these sale proceeds have been recycled into an investment that will produce an income yield of 5.8% through the forward funding of a 258,000 sqft, long-lease, pre-let, logistics warehouse development under construction in an established distribution location at Burton upon Trent. Palletforce Ltd has committed to a 15 year lease with RPI inflation linked rent increases of between 1%-3% per annum compounded and payable five yearly. Construction is expected to complete this summer.
- ▶ Significant financial resources of £71 million are currently available for investment - additional firepower from an undrawn £50 million revolving credit facility remains available.



**UK
Commercial
Property
Trust**

Investment Outlook

UK real estate continues to provide an elevated yield compared to other asset classes. Lending to the sector is at a lower level than in 2007/2008 and, unlike that Financial Crisis, liquidity remains reasonable. Development continues to be relatively constrained by historic standards and vacancy rates are below long term average. All of this, the fundamentals, should help maintain the positive returns the sector is currently recording. In this environment the steady secure income component generated by the asset class is likely to be the key driver of returns going forward. From a sector perspective, we continue to favour industrial and logistics property, although pricing on prime assets is likely to remain competitive as the income component and positive market fundamentals remain appealing. In retail, inflationary pressures may prove to be a significant headwind going forward with static wage growth despite a tight labour market. Further polarisation within the market is likely to be more pronounced. We continue to expect Central London offices to be the most impacted sector given their cross border trading linkages to European markets. Overall, investor appetite is expected to be sustained in a world of low numbers and location and asset quality will be crucial determinants of how markets respond to pressures in the year ahead.

Important Information

This information is for professional clients and investment professionals only and should not be relied upon by retail clients.

Past performance is not a guide to future performance. The value of units/shares in the fund and the income from them can go down as well as up and is not guaranteed. Property investments are relatively illiquid compared to bonds and equities and can take a significant length of time to sell and buy.

Information and opinions contained in this document have been compiled or arrived at by Standard Life Investments. Standard Life Investments accept no liability for any loss arising from the use hereof nor make any representation as to their accuracy or completeness. Any underlying research or analysis has been procured by Standard Life Investments for its own purposes and may have been acted on by Standard Life Investments or an associate for its or their own purposes.

Further Information
Web: www.ukcpt.co.uk
Web: www.standardlifeinvestments.com
Company secretary: Northern Trust, PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL
Corporate Brokers: JPM Cazenove, 25 Bank Street, Canary Wharf, London E15 5JP

*Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by Standard Life**. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, Standard Life** or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Past performance is no guarantee of future results. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

**Standard Life means the relevant member of the Standard Life group, being Standard Life plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

"FTSE®", "FT-SE®", "Footsie®", ["FTSE4Good®" and "techMARK] are trade marks jointly owned by the London Stock Exchange Plc and The Financial Times Limited and are used by FTSE International Limited ("FTSE") under licence. ["All-World®", "All-Share®" and "All-Small®" are trade marks of FTSE.]

The Fund is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ("FTSE"), by the London Stock Exchange Plc (the "Exchange"), Euronext N.V. ("Euronext"), The Financial Times Limited ("FT"), European Public Real Estate Association ("EPRA") or the National Association of Real Estate Investment Trusts ("NAREIT") (together the "Licensor Parties") and none of the Licensor Parties make any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE EPRA NAREIT Developed Index (the "Index") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. However, none of the Licensor Parties shall be liable (whether in negligence or otherwise) to any person for any error in the Index and none of the Licensor Parties shall be under any obligation to advise any person of any error therein.

"FTSE®" is a trade mark of the Exchange and the FT, "NAREIT®" is a trade mark of the National Association of Real Estate Investment Trusts and "EPRA®" is a trade mark of EPRA and all are used by FTSE under licence."

Standard Life Investments Limited is registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL.
Standard Life Investments Limited is authorised and regulated by the Financial Conduct Authority.

Calls may be monitored and/or recorded to protect both you and us and help with our training.

www.standardlifeinvestments.com © 2017 Standard Life, images reproduced under licence