



## FTSE EPRA/NAREIT Global Real Estate Index

### Global Real Estate jumps ahead

The FTSE EPRA/NAREIT Global Real Estate Index posted a strong gain of 4.6% in July. Year to date, the global index now stands firmly on positive ground (+22%). In July, the Global Equity market added 3.5% and Global Bonds dropped 76 bps. All three real estate regions ended the month ahead. Asia added 3.3%, Europe climbed 94 bps, and North America pushed forward strongly 6.6%. All returns are expressed in EUR.

Using compounded annual returns, over a five-year period, Global Real Estate outperformed Global Equities and Global Bonds significantly. On average, Global Real Estate returned 11.6% annually, Global Equities declined 4.7% in comparison, and Global Bonds added 6.4%. As a result, over the total five-year period, Global Real Estate returned 72.8%, Global Equities lost 21.3%, and Global Bonds added 36.4%.

| Asset Classes (EUR)    | July 2005 Return % | YTD Return % | Rolling 5 Yrs Return % | Average Annual Return % |
|------------------------|--------------------|--------------|------------------------|-------------------------|
| Global Real Estate     | + 6.4              | + 22.0       | + 72.8                 | + 11.6                  |
| Global Equities        | + 3.5              | + 16.5       | - 21.3                 | - 4.7                   |
| Global Bonds           | - 0.8              | + 3.2        | + 36.4                 | + 6.4                   |
| Europe Real Estate     | + 0.9              | + 16.3       | + 113.5                | + 16.4                  |
| N. America Real Estate | + 6.6              | + 27.3       | + 98.2                 | + 14.7                  |
| Asia Real Estate       | + 3.3              | + 16.3       | + 34.6                 | + 6.1                   |

Source: EPRA/FTSE/JP Morgan

### Asia / Pacific

In the Asia/Pacific region, all of the countries moved forward. The EPRA/NAREIT Singapore (SGD) finished up +12.8%, to head up the Asia/Pacific region. Hong Kong (HKD) ended in second place with a strong gain of 8.2%. EPRA/NAREIT Australia (AUD) scored +2.4%, just followed by EPRA/NAREIT Japan at +1.3%. Asia/Pacific volatility stands at just under 15%.

| Country         | July 2005 Return % | YTD Return % | Rolling 5 Yrs Return % | Average Annual Return % |
|-----------------|--------------------|--------------|------------------------|-------------------------|
| Asia (EUR)      | + 3.3              | + 16.3       | + 34.6                 | + 6.1                   |
| Australia (AUD) | + 2.4              | + 5.9        | + 77.9                 | + 12.2                  |
| Hong Kong (HKD) | + 8.2              | + 8.6        | + 57.6                 | + 9.5                   |
| Japan (JPY)     | + 1.3              | + 6.0        | + 46.4                 | + 7.9                   |
| Singapore (SGD) | + 12.8             | + 32.1       | + 50.3                 | + 8.5                   |

Source: EPRA

Keppel Land, the office developer from Singapore, headed the Asia/Pacific stocks in July. The company added 28.8% after the company said it had won an Urban Renewal Authority tender to build a residential project on a 40,000 square meter site in Hong Kong. The project will comprise two residential towers offering approximately 600 apartments. China Overseas Land added 25%, followed by residential developer Wing Tai (+19.6%). Japanese stocks dominated the bottom performers; retail investor Diamond City lost 8.7%, Aeon Mall was down 5.4% and Japan Prime Realty dropped 3.7%. Hong Kong K Wah International Holdings lost 7.2%.

Singapore stocks jumped in July following the Government announcement on 19 July that Singapore will cut the minimum deposit for homebuyers from 20 to 10 percent to allow purchasers to borrow more. National Development Minister Mah Bow Tan said, "With prudent decisions, the market will find a new equilibrium based on market fundamentals – the move to neither boost nor depress the property market." Singapore's home prices have been slow to pick up compared against other Asian markets. According to Jones Lang

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Lasalle, prices for prime areas have risen between one and two percent in the last twelve months, compared against 50 percent in Hong Kong.

Temasek's Holdings, CEO, Mr Ho, who raised S\$396 million last month by selling 29.5% of CapitaCommercial in June, commented on the current state of the Singapore REIT market at a conference on 28 July. Ho remarked that since the first launch of CapitaMall in July 2002 there had been 5 subsequent launches, the latest being Mapletree Logistics Trust valued at approximately \$300 million. He added that factors such as aging demographics and under-funded international pension liabilities in developed economies would fuel the demand for Asian REITs going forward.

Hong Kong stocks reacted positively after China ended the yuan's peg to the dollar during July. According to Spencer White of Merrill Lynch, real estate companies may be among the stocks that will benefit from the revaluation of the yuan. White reported, "The revaluation will probably boost growth for the existing pegged economy of Hong Kong – many companies have 'significant' yuan-denominated assets and the Hong Kong market will be more competitive compared with its regional rivals."

Staying in Hong Kong, the housing authority said it would offer shares in its real estate investment trust – the Link REIT, before the end of March 2006. Hong Kong's Court of Final Appeal dismissed a public housing tenant's case on 20 July. The original sale was scheduled for December 2004 and was valued at \$2.7 billion. The Link REIT, which offered a 6.65 percent dividend yield to investors at the IPO last year, will have to offer a higher yield now, according to investors. Peter Churchouse at Lim Advisors added, "Interest rates have risen and there have been a lot of REITs in the region since then, meaning institutions will have allocated funds elsewhere."

In July, four new J-REITs were listed, with a combined market capitalisation of \$1.1 billion. Joint REIT (\$275m) and Kenedix Realty (\$395m) have diversified portfolios and Japan Single Residence (\$153m) and Prospect Residential (\$296m) are residentially focused. All four do not meet the 'fast track' rule of the FTSE EPRA/NAREIT Global Real Estate Index. Since the introduction of REIT legislation in 2001, Japan now has 22 listed REITs with a total market capitalisation of approximately \$22 billion.

Centro Properties Group (CPG) announced on 20 June that it planned to launch a retail property trust. The Centro Retail Trust (CER) will comprise of 16 Australian shopping centres (48% by value) and 31 shopping centres in the United States (52% by value). The target gearing (debt to gross assets) range is 50% - 60% and the assumed yield is in the 7% to 8% range, representing a trading price between 50-57 cents per unit. Shareholders received the rights to CER on 12 July on a one for three basis. CER is expected to list in August this year. CPG will retain a 50% interest in CER according to the announcement. CER will not be eligible for the FTSE EPRA/NAREIT Pure Asia and Pure Australia indices because of the high proportion of US assets. CPG shares reacted positively to the news during the month (+ 4%).

To round up the corporate actions in July, Australian retail investor Galileo Shopping America Trust had a 5 for 8 entitlement offer at A\$1.12, effective 22 July.

### **Europe**

In July, the EPRA/NAREIT Europe Index crept forward 94 bps to add to the good work year to date (+ 16.3%). Of the major countries in Europe, EPRA/NAREIT France led the way with an increase of 5.3% in July. EPRA/NAREIT Sweden (SEK) added 4.7% and EPRA/NAREIT Netherlands added 1.7%. EPRA/NAREIT UK (GBP) lagged behind its neighbours, with a modest return of 0.3%. The UK advance moves property stocks further into the black (+2.1%) year to date. Broad European volatility stands at approximately 12%, the lowest of the three regions.

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| Country           | July 2005 Return % | YTD Return % | Rolling 5 Yrs Return % | Average Annual Return % |
|-------------------|--------------------|--------------|------------------------|-------------------------|
| Europe (EUR)      | + 0.9              | + 16.3       | + 113.5                | + 16.4                  |
| UK (GBP)          | + 0.3              | + 2.1        | + 104.9                | + 15.4                  |
| Netherlands (EUR) | + 1.7              | + 18.7       | + 128.7                | + 18.0                  |
| France (EUR)      | + 5.3              | + 28.4       | + 190.2                | + 22.8                  |
| Sweden (SEK)      | + 4.7              | + 53.3       | + 280.3                | + 30.6                  |

Source: EPRA

Marylebone Warwick Balfour (MWB) topped the performance rankings with a gain of 34.2%. Shares in MWB jumped over 9 percent on 26 July following news that the company had won £105 million in equity and debt from the Royal Bank of Scotland and HBOS to fund the expansion of its Malmaison and Hotel du Vin hotel chains. Hotel assets account for approximately three quarters of the group's assets. Chief Executive, Richard Balfour-Lynn said, "This tranche of funding gives us the firepower to extend that coverage of both brands across the UK."

Risanamento ended the top performers in second place with a gain of 18.3% followed by three Swedish companies; Klovern jumped 15.3%, office investor Kungsliden leapt 15.1% and Wihlborgs Fastigheter added 13.4%.

The UK and Europe's largest listed real estate company, Land Securities, has spent just under £600 million since May buying Tops Estates and Lxb Properties to add shopping malls, retail warehouses and supermarkets across England to its portfolio. Francis Salway, chief executive of the London-based company said, "We remain confident in the attraction of good quality retail assets protected by the tight planning controls found in the UK." Consumer spending in the UK barely rose in the first quarter of 2005, as the British economy experienced a slow down in growth compared against the twelve € based nations for the first time in more than four years. According to the British Retail Consortium, 'like-for-like' sales fell 2.4 percent in Q2. Land Securities added a modest 22 bps in July.

On 28 July, British Land announced that its acquisition of Pillar Property was effective. Pillar Property was deleted from the FTSE EPRA/NAREIT Global Real Estate Index effective 29 July. The company also boosted the size of a seven year revolving credit loan to £790 million after lenders offered more money than the company sought. Calyon, Lloyds TSB, Mizuho Financial Group and the Royal Bank of Scotland organised the deal which was originally set at £500 million. The loan replaces a 2001 loan on cheaper terms. British Land fell 2.8% in July.

Babis Vovos sold 12.8% of the company to institutional investors in the period 22 June to 1 July in a sale managed by Deutsche Bank. The shares came from the stake of founding chairman Charalampos Vovos, who following the sale still holds 51% of Greece's largest real estate developer. Effective 13 July, the free float weighting of the company was increased from 30% to 50% in the FTSE EPRA/NAREIT Global Real Estate Index. Babis Vovos ended the month 2.7% up.

Swiss Prime Site returned CHF 2.5 to shareholders effective 18 July.

### North America

Over the Atlantic, US real estate stocks posted another pleasing month (+ 7.1%) in USD terms, and are ahead (+ 13.8%) year to date, after a slow start. EPRA/NAREIT Canada (CAD) also hit a positive note, with a gain of 4.5%. The EPRA/NAREIT North America Index (USD) pushed on 6.9% during the month. Volatility in North America is 15%, the highest of the three regions.

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| Country             | July 2005 Return % | YTD Return % | Rolling 5 Yrs Return % | Average Annual Return % |
|---------------------|--------------------|--------------|------------------------|-------------------------|
| North America (USD) | + 6.9              | + 13.7       | + 149.0                | + 20.0                  |
| United States (USD) | + 7.1              | + 13.8       | + 147.5                | + 19.9                  |
| Canada (CAD)        | + 4.5              | + 17.2       | + 142.3                | + 19.4                  |

Source: EPRA

The top performers came from a mix of sub-sectors in July. Highland Hospitality jumped 15.8%, followed by office investor Corporate Office Properties (+14.3%) and diversified investor LTC Properties (13.6%).

Prologis and Catellus Development Corporation announced on 6 June that their boards had unanimously approved a definitive merger agreement. The combined company will offer the world's largest network of distribution facilities and services, with over 350 million square feet in over 2,250 facilities owned managed and under development in 75 markets in North America, Europe and Asia. On 13 July, Prologis announced that its CEO of North America, John W. Seiple, Jr. will resign effective 31 December 2005. Upon the completion of the Catellus merger, Ted Antenucci, currently president of Catellus Commercial Development will assume the majority of Mr. Seiple's responsibilities. Both Prologis and Catellus had a good month with gains of 13.2% and 9.4% respectively.

Brookfield Properties announced that it intended to buy the Reichmann family's publicly traded real estate companies in Canada for C\$ 2 billion in June. The deals would have made it the country's second largest manager of office buildings, after CDP Capital Real Estate Group. However, one part of the deal fell through after O&Y REIT unitholders rejected the bid. Investors in O&Y REIT turned down appeals by O&Y CEO Philip Reichmann to support the offer (C\$ 15.50 per share), which was considered too low by six institutional investors. Brookfield's acquisition of the O&Y companies was expected to be completed in July. On 18 July O&Y Properties announced that Brookfield had asked for a one-month extension to decide whether to go ahead with the takeover of the O&Y Properties (without the REIT). Brookfield offered to pay C\$ 13 per share for O&Y Properties in June. The deadline for the deal is now 29 August. Brookfield finished July 2.1% stronger, O&Y REIT lost 6 bps.

ING Clarion Partners announced plans to acquire Gables Residential Trust for \$ 1.6 billion in June. Gables Residential Trust is a manager of luxury apartments in the US. Gables said that the transaction is the largest public to private deal involving a REIT specialising in apartments. Signs show that more people are unwilling to pay soaring prices for homes and are prepared to rent. The median price of an existing home topped \$ 200,000 for the first time in April. Gables finished 93 bps up in July.

The EPRA Monthly Statistical Bulletin is available for EPRA members from [www.epra.com](http://www.epra.com).

**Notes:**

The FTSE EPRA/NAREIT Global Real Estate Index consists of the largest and most heavily traded real estate stocks in Asia, Europe and North America. As at 29 July, there were a total of 285 stocks in the index.

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The following table highlights the performance of regions and countries over a number of time periods:

| Index Description                | Curr | Close Value<br>29-Jul | Div               |                | Total             |                         | 36 Mths<br>Vlty (%) |
|----------------------------------|------|-----------------------|-------------------|----------------|-------------------|-------------------------|---------------------|
|                                  |      |                       | Yld (%)<br>29-Jul | Rtn (%)<br>QTD | Rtn (%)<br>Jul-05 | Total<br>Rtn (%)<br>YTD |                     |
| Global                           | EUR  | 2,043.89              | 3.73              | 4.60           | 4.60              | 22.03                   | 12.40               |
| Asia                             | EUR  | 1,354.89              | 3.26              | 3.30           | 3.30              | 16.26                   | 14.64               |
| Europe                           | EUR  | 2,380.54              | 2.95              | 0.94           | 0.94              | 16.30                   | 12.06               |
| North America                    | EUR  | 2,638.13              | 4.22              | 6.56           | 6.56              | 27.29                   | 15.24               |
| Global Ex-Asia                   | EUR  | 2,530.38              | 3.90              | 5.08           | 5.08              | 24.32                   | 12.98               |
| Global Ex-Europe                 | EUR  | 1,937.04              | 3.90              | 5.47           | 5.47              | 23.39                   | 13.70               |
| Global Ex-North America          | EUR  | 1,747.13              | 3.13              | 2.33           | 2.33              | 16.30                   | 11.76               |
| Asia                             | EUR  | 1,354.89              | 3.26              | 3.30           | 3.30              | 16.26                   | 14.64               |
| Pure Asia                        | EUR  | 1,340.91              | 3.14              | 3.94           | 3.94              | 15.10                   | 14.61               |
| Japan                            | JPY  | 1,787.64              | 1.40              | 1.31           | 1.31              | 6.01                    | 21.34               |
| Australia                        | AUD  | 2,050.23              | 6.31              | 2.44           | 2.44              | 5.85                    | 8.28                |
| Pure Australia                   | AUD  | 1,988.07              | 1.40              | 3.53           | 3.53              | 1.34                    | 9.01                |
| Hong Kong                        | HKD  | 1,362.77              | 2.23              | 8.23           | 8.23              | 8.59                    | 27.26               |
| Singapore                        | SGD  | 1,125.31              | 3.04              | 12.81          | 12.81             | 32.10                   | 23.89               |
| New Zealand                      | NZD  | 1,041.78              | 6.27              | 1.82           | 1.82              | 4.18                    | -NA-                |
| Europe                           | EUR  | 2,380.54              | 2.95              | 0.94           | 0.94              | 16.30                   | 12.06               |
| Europe Net Index                 | EUR  | 1,501.35              | 2.21              | 0.91           | 0.91              | 15.80                   | -NA-                |
| Euro Zone                        | EUR  | 2,638.69              | 3.63              | 3.34           | 3.34              | 26.59                   | 10.14               |
| Euro Zone Net Index              | EUR  | 1,606.86              | 2.72              | 3.28           | 3.28              | 25.61                   | -NA-                |
| Europe Ex UK                     | EUR  | 2,777.69              | 3.35              | 3.46           | 3.46              | 28.49                   | 10.15               |
| Europe Ex UK Net Index           | EUR  | 2,755.39              | 2.51              | 3.41           | 3.41              | 27.49                   | 10.08               |
| Europe Liquid 40                 | EUR  | 2,321.49              | 2.91              | 0.41           | 0.41              | 15.04                   | 12.48               |
| Europe Liquid 40 Net Index       | EUR  | 2,292.72              | 2.18              | 0.38           | 0.38              | 14.57                   | -NA-                |
| Europe Liquid 40 Ex UK           | EUR  | 2,904.79              | 3.26              | 3.05           | 3.05              | 27.89                   | 10.50               |
| Europe Liquid 40 Ex UK Net Index | EUR  | 2,837.48              | 2.45              | 2.99           | 2.99              | 26.94                   | -NA-                |
| UK                               | EUR  | 2,056.78              | 2.48              | - 1.77         | - 1.77            | 4.79                    | 15.72               |
| UK Net Index                     | EUR  | 1,360.92              | 1.86              | - 1.77         | - 1.77            | 4.72                    | -NA-                |
| Netherlands                      | EUR  | 2,577.43              | 5.16              | 1.68           | 1.68              | 18.70                   | 11.42               |
| France                           | EUR  | 2,986.73              | 3.36              | 5.26           | 5.26              | 28.48                   | 12.50               |
| Spain                            | EUR  | 4,870.85              | 2.14              | 2.47           | 2.47              | 64.70                   | 20.13               |
| Sweden                           | EUR  | 3,900.81              | 2.94              | 5.04           | 5.04              | 46.90                   | 17.65               |
| Germany                          | EUR  | 1,109.20              | 3.17              | 8.88           | 8.88              | 40.48                   | 28.82               |
| Austria                          | EUR  | 1,495.08              | -                 | 0.28           | 0.28              | 8.46                    | 4.20                |
| Switzerland                      | EUR  | 1,584.25              | 0.50              | 2.48           | 2.48              | 15.21                   | 7.58                |
| Belgium                          | EUR  | 1,783.25              | 6.00              | - 0.26         | - 0.26            | 11.73                   | 6.27                |
| Italy                            | EUR  | 3,584.46              | 2.03              | 9.80           | 9.80              | 35.69                   | 18.70               |
| Finland                          | EUR  | 3,444.33              | 4.89              | 3.16           | 3.16              | 31.53                   | 16.17               |
| Denmark                          | EUR  | 409.34                | 2.05              | 2.16           | 2.16              | 113.64                  | 66.08               |
| Greece                           | EUR  | 908.12                | 2.86              | 2.80           | 2.80              | 10.71                   | -NA-                |
| UK                               | GBP  | 2,293.05              | 2.48              | 0.33           | 0.33              | 2.11                    | 15.73               |
| UK Net Index                     | GBP  | 1,202.19              | 1.86              | 0.33           | 0.33              | -NA-                    | -NA-                |
| Switzerland                      | CHF  | 1,549.40              | 0.50              | 3.15           | 3.15              | 16.37                   | 6.91                |
| Sweden                           | SEK  | 4,316.62              | 2.94              | 4.70           | 4.70              | 53.27                   | 17.47               |
| Denmark                          | DKK  | 410.95                | 2.05              | 2.26           | 2.26              | 114.26                  | 66.07               |
| North America                    | USD  | 3,058.54              | 4.22              | 6.91           | 6.91              | 13.75                   | 15.21               |
| United States                    | USD  | 3,053.53              | 4.14              | 7.07           | 7.07              | 13.77                   | 15.46               |
| Canada                           | USD  | 3,345.63              | 5.46              | 4.44           | 4.44              | 14.56                   | 13.28               |

Source: EPRA

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