



## FTSE EPRA/NAREIT Global Real Estate Index

### North America holds back Global Real Estate

The FTSE EPRA/NAREIT Global Real Estate Index posted a drop of 2.2% in August. It is the first time in twelve months that the index has fallen more than 50bps on a monthly basis. Year to date, the global index (+19%) remains on firm ground. In August, Global Bonds added 90 bps, but the Global Equity market reversed 50bps. On a real estate regional basis, results were mixed. Asia added 40bps, Europe climbed 1.4%, however, North America lost 4.7%. 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 9.5% annually, Global Equities declined 6.3% in comparison, and Global Bonds added 6.5%. As a result, over the total five-year period, Global Real Estate returned 58%, Global Equities lost 28%, and Global Bonds added 37%.

Asset Classes (EUR)	Aug-05 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Global Real Estate	-2.2	19.3	57.7	9.5
Global Equities	-0.5	15.9	-27.9	-6.3
Global Bonds	0.9	4.2	37.3	6.5
Europe Real Estate	1.4	18.0	105.9	15.5
N. America Real Estate	-4.7	21.3	86.0	13.2
Asia Real Estate	0.4	16.8	17.6	3.3

Source: EPRA/FTSE/JP Morgan

### Asia / Pacific

In the Asia/Pacific region, the countries were split in performance terms over the month. On the positive side, EPRA/NAREIT Japan jumped almost 6% to head up the Asia/Pacific region. EPRA/NAREIT New Zealand (NZD) advanced 3.6% and EPRA/NAREIT Australia (AUD) scored +1.9%. On the reverse side, EPRA/NAREIT Singapore (SGD) finished down 1.6%, and Hong Kong (HKD) ended in the month 1% lighter. Asia/Pacific volatility continues to decrease and currently stands at 14%.

Country	Aug-05 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Asia (EUR)	0.4	16.8	17.6	3.3
Australia (AUD)	1.9	7.8	81.3	12.6
Hong Kong (HKD)	-1.0	7.5	35.9	6.3
Japan (JPY)	5.6	11.9	51.8	8.7
Singapore (SGD)	-1.6	30.0	31.2	5.6
New Zealand (NZD)	3.6	7.9	-NA-	-NA-

Source: EPRA

K Wah International Holdings headed the Asia/Pacific and Global rankings in August with a gain of 27.8%. Daikyo Inc of Japan was not too far behind with a gain of 25.7%. Since the rehabilitation of the troubled Japanese condominium developer by Orix Corporation earlier this year, Daikyo had an excellent run. Since the start of June, Daikyo jumped 91%. Australian developer FKP Property also returned (+23.5%) very strongly over the month, after announcing an excellent set of annual results. The company's profits grew 50% over the last fiscal year.

In an announcement on 10 August, the Japanese government stated that the Japanese economic recovery is driven by corporate profits and higher consumer spending. As the nation's economy expands, office vacancies are falling. The office vacancies in Tokyo fell to their lowest point in three and a half years as companies expand and seek addition space.

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Following the announcement, Japanese companies reacted positively. Sumitomo Realty & Development surged 6.8%, the biggest one-day gain since 13 May 2004. Mitsui Fudosan rose to a 16-month high and Mitsubishi Estates climbed to its highest peak in more than four months. The same three companies reported a combined 17 percent sales increase in the first quarter ended 30 June, signalling the rise in land prices in Tokyo is set to continue. Sumitomo Realty & Development (+13.8%), Mitsui Fudosan (+10.9%) and Mitsubishi Estates (+5.6%) all ended August well ahead.

After a great month in July, when the Singapore government announced a cut in the minimum deposit required for homebuyers from 20 to 10 percent; Singapore companies fell back significantly in August. Singapore Land (-7.8%), CapitaMall Trust (-7%), CapitaCommercial Trust (-6.9%) and Ascendas REIT (-5.1%) all lost ground. According to UBS, prices have fallen partly due to the number of forthcoming new REIT issues. For example, the IPO of Prime REIT in September is the seventh property trust to list in Singapore since July 2002. Prime REIT fails to meet the 'fast track' rule of the FTSE EPRA/NAREIT Global Real Estate Index.

On 18 August, Multiplex Group announced that earnings this fiscal year will fall short of earlier forecasts. CEO Andrew Roberts said Multiplex booked an AUD 8.6 million provision for London's 90,000-seat Wembley stadium, in addition to an AUD 41 million net loss it had already reported. In February this year, the company made public the fact that it may not make a profit on the Wembley stadium because of a subcontractor dispute causing rising costs and delays. Investors seem to have anticipated the bad news as the share price rose 10.5% in August. Year to date performance is -36%.

HKR International announced that the company may have to pay more than the HK\$1.3 billion (USD 167 million) previously budgeted for land in Shanghai. Clearing of the site in the city's Jingnan district of current residents, done by the local government, will cost more than originally estimated. China's property prices rose on average 10.1% in H1 2005. China has introduced measures to slow real estate investment and stem home price rises, and these measures delayed clearance of the Jingnan site, HKR said in its latest annual report. Shares of HKR were down 6.8% in August.

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."

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## Europe

In August, the EPRA/NAREIT Europe Index crept forward 1.4% to continue the good work year to date (+18%). Of the major countries in Europe, EPRA/NAREIT UK (GBP) led the way with an increase of 2.5% in August. The UK seems to be steadying itself on positive ground year to date (+4.7%). EPRA/NAREIT France added 2%. EPRA/NAREIT Netherlands lagged behind its neighbours, softening 70bps during the month. EPRA/NAREIT Sweden (SEK) experienced a heavy bout of sale activity, wiping almost 18% off the value of Swedish property shares. Broad European volatility stands at approximately 12%, the lowest of the three regions.

	<b>Jul-05</b>	<b>YTD</b>	<b>Rolling 5 Yrs</b>	<b>Average Annual</b>
<b>Country</b>	<b>Return %</b>	<b>Return %</b>	<b>Return %</b>	<b>Return %</b>
Europe (EUR)	1.4	18.0	105.9	15.5
UK (GBP)	2.5	4.7	100.2	14.9
Netherlands (EUR)	-0.7	17.9	129.8	18.1
France (EUR)	2.0	31.1	180.8	22.9
Sweden (SEK)	-17.8	25.9	195.5	24.2

Source: EPRA

UK office developer Development Securities headed the European stocks in August. The company leapt ahead 15.5%. Italian investor Aedes was not too far behind at +14.2%. Office focused Belgian company Leasinvest Real Estate jumped 11.8% following its results.

On the news front, Europe has been quiet this month. A couple of personnel changes are worth noting however. Land Securities, Europe's largest property company named Martin Greenslade as new group finance director to succeed Andrew Macfarlane. Greenslade joins the company on 1 September. He was previously finance director of Alvis Plc in the UK. Land Securities finished the month +1.9%.

On 1 August, British Land announced that Nick Ritblat, son of Chairman John Ritblat would leave the board of British Land. The statement added that Ritblat would act as a consultant for the next 12 months advising British Land on alternative strategies for residential assets totalling £292 million. He will also take an advisory role in the UK Government's proposals to introduce a REIT structure. On 24 August, the Financial Times reported that the company may sell CityPoint which was inherited in the Pillar Property deal in May. Without naming a source, the FT stated that the sale would be in excess of £500 million. British Land ended the month 5.3% up.

According to Boersen-Zeitung, and citing CEO Claus-Matthias Boege, German retail investor Deutsche Euroshop plans to ask investors for capital increases in the coming years to provide the funding for new investments. The company expects to spend approximately €150 million annually to purchase new properties, raising half of the capital in the form of equity increases and the other half with the help of bank financing,

EPRA issued a detailed European REIT update in August focusing on developments in the UK, the Netherlands and Germany. The full report is available from [www.epra.com](http://www.epra.com). Europe has a long way to go to catch up the established REIT markets in North America and the recent developments in the Asian markets. However, there are a number of positive signs, and if REIT legislation is passed in the UK and Germany in the next 24 months, we can expect to see increased levels of activity and growth in the European market. Given the latent potential of the European market, under the right conditions, estimates envisage an additional \$100 billion enter the listed market in the next five years. These developments will offer investors a broader universe in a proven asset class. In market capitalisation terms, the size of the European market could easily move in excess of \$200 billion, (driven by new issues alone), or approximately 30% of the global market. Given the expanding Asia/Pacific market, potential growth in Europe, and the increase in investor appetite in this increasingly global asset class, it would not be surprising to see the market capitalisation of the FTSE EPRA/NAREIT Global Real Estate Index step over the \$1 trillion mark in the next five years.

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## North America

Over the Atlantic, US real estate stocks posted a rather disappointing month (- 3.9%) in USD terms, however they remain well ahead (+ 9.3%) year to date. EPRA/NAREIT Canada (CAD) also hit a negative note, however to a lesser degree, softening 30bps. At an aggregate level, the EPRA/NAREIT North America Index (USD) was pushed down 3.5% during the month. Volatility in North America is 15%, the highest of the three regions.

	Jul-05	YTD	Rolling 5 Yrs	Average Annual
Country	Return %	Return %	Return %	Return %
North America (USD)	-3.5	9.7	147.9	19.9
United States (USD)	-3.9	9.3	146.1	19.7
Canada (CAD)	-0.3	16.9	139.5	19.1

Source: EPRA

Shurgard Storage topped the North America performers list with a very strong advance of 19.3% after an unsolicited bid by US rival, and largest operator of self storage facilities Public Storage. Public Storage offered stock worth \$2.39 billion in July for Shurgard, however the Shurgard rejected the proposal of 0.8 Public Storage share for each Shurgard share. Ronald L. Havner Jr, Public Storage's CEO said, "We are disappointed that Shurgard's board continues to refuse to sit down with us to explore the potential of a mutually beneficial transaction. It remains our preference to work cooperatively with Shurgard to effectuate this transaction." In relative terms, Public Storage reacted positively by adding 1.2% in August.

O&Y REIT announced on 20 August that it had entered into a support agreement with a consortium led by Brookfield Properties, whereby the Brookfield Consortium will make a takeover bid to acquire all limited voting units of O&Y REIT for \$16.25 per unit in cash. The current offer is structured as a cash takeover bid, whereas the previous \$15.50 per unit proposal was structured as an acquisition of all the assets, and assumption of all the liabilities of O&Y REIT followed by an immediate redemption of the O&Y REIT units. O&Y Properties owns 42% of the units of O&Y REIT, and has agreed to assist O&Y REIT to successfully complete the offer. O&Y REIT added 8.7% in August, second best performer in North America.

Summit Real Estate advanced 7% in August, achieving third slot in the performance list. Summit announced on 31 August that it had entered into an agreement to sell, to a syndicate of underwriters led by CIBC World Markets, 4.35 million units at a price of C\$23. The sale will realise proceeds of C\$100 million.

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 finished the month down 3.7% and 2% respectively.

At the bottom end, LTC Properties fell 13% after it announced results. Retail investors Pennsylvania Real Estate (-10.6%), Mills Corporation (-10%) and Glimcher Realty Trust (-9.9%) all lost ground.

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 31 August, 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 31-Aug	Div Yld (%) 31-Aug	Total Rtn (%) QTD	Total Rtn (%) Aug-05	Total Rtn (%) YTD	36 Mths Vlty (%)
Global	EUR	1,998.59	3.80	2.28	- 2.22	19.32	12.47
Asia	EUR	1,360.64	3.21	3.74	0.42	16.76	14.33
Europe	EUR	2,414.41	2.95	2.37	1.42	17.96	11.71
North America	EUR	2,513.62	4.41	1.53	- 4.72	21.28	15.64
Global Ex-Asia	EUR	2,449.86	4.03	1.74	- 3.18	20.36	13.21
Global Ex-Europe	EUR	1,878.34	4.00	2.27	- 3.03	19.65	13.87
Global Ex-North America	EUR	1,761.51	3.10	3.17	0.82	17.26	11.40
Asia	EUR	1,360.64	3.21	3.74	0.42	16.76	14.33
Pure Asia	EUR	1,355.43	3.07	5.06	1.08	16.35	14.29
Japan	JPY	1,886.96	1.36	6.94	5.56	11.90	20.99
Australia	AUD	2,088.44	6.17	4.35	1.86	7.83	8.27
Pure Australia	AUD	2,058.08	1.36	7.17	3.52	4.91	9.09
Hong Kong	HKD	1,349.04	2.26	7.14	- 1.01	7.50	26.47
Singapore	SGD	1,107.26	3.07	11.00	- 1.60	29.98	23.90
New Zealand	NZD	1,078.99	6.05	5.45	3.57	7.90	-NA-
Europe	EUR	2,414.41	2.95	2.37	1.42	17.96	11.71
Europe Net Index	EUR	1,522.47	2.21	2.33	1.41	17.43	-NA-
Euro Zone	EUR	2,686.26	3.62	5.20	1.80	28.88	10.02
Euro Zone Net Index	EUR	1,635.23	2.72	5.10	1.77	27.83	-NA-
Europe Ex UK	EUR	2,768.47	3.41	3.12	- 0.33	28.07	10.04
Europe Ex UK Net Index	EUR	2,745.42	2.56	3.04	- 0.36	27.03	9.98
Europe Liquid 40	EUR	2,359.31	2.91	2.05	1.63	16.92	12.09
Europe Liquid 40 Net Index	EUR	2,329.71	2.18	2.00	1.61	16.42	-NA-
Europe Liquid 40 Ex UK	EUR	2,902.09	3.31	2.95	- 0.09	27.77	10.35
Europe Liquid 40 Ex UK Net Index	EUR	2,834.03	2.48	2.86	- 0.12	26.78	-NA-
UK	EUR	2,127.92	2.44	1.62	3.46	8.42	15.36
UK Net Index	EUR	1,408.00	1.83	1.62	3.46	8.34	-NA-
Netherlands	EUR	2,559.08	5.34	0.96	- 0.71	17.85	11.48
France	EUR	3,046.76	3.29	7.38	2.01	31.06	12.24
Spain	EUR	5,236.99	1.99	10.18	7.52	77.08	19.87
Sweden	EUR	3,233.26	3.58	- 12.93	- 17.11	21.76	20.58
Austria	EUR	1,542.87	-	3.49	3.20	11.92	4.41
Germany	EUR	1,125.09	3.16	10.44	1.43	42.49	28.82
Switzerland	EUR	1,590.36	0.50	2.88	0.39	15.65	7.52
Belgium	EUR	1,858.94	5.75	3.98	4.24	16.47	6.49
Italy	EUR	3,595.45	2.02	10.14	0.31	36.11	18.73
Finland	EUR	3,373.04	5.00	1.02	- 2.07	28.81	16.32
Denmark	EUR	433.58	1.94	8.21	5.92	126.29	66.13
Greece	EUR	824.38	3.15	- 6.68	- 9.22	0.50	-NA-
UK	GBP	2,351.37	2.44	2.89	2.54	4.71	15.43
UK Net Index	GBP	1,232.77	1.83	2.89	2.54	-NA-	-NA-
Switzerland	CHF	1,542.16	0.50	2.67	- 0.47	15.82	6.96
Sweden	SEK	3,546.12	3.58	- 13.99	- 17.85	25.91	20.49
Denmark	DKK	435.22	1.94	8.30	5.91	126.91	66.13
Nth America	USD	2,950.74	4.41	3.14	- 3.52	9.74	15.51
United States	USD	2,933.81	4.33	2.87	- 3.92	9.31	15.81
Canada	USD	3,442.21	5.54	7.46	2.89	17.87	13.27

Source: EPRA

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