



December 2005

## FTSE EPRA/NAREIT Global Real Estate Index

The FTSE EPRA/NAREIT Global Real Estate Index added 4.1% in December. Over the course of 2005, the global index (+32.9%) finished firmly ahead. In December, Global Bonds added 60 bps and the Global Equity market gained 2.7%. All three real estate regions moved forward in December. Asia added an impressive 11%, Europe gained 3.9%, and North America firmed 40bps. 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 12.1% annually, Global Equities declined 1.1% in comparison, and Global Bonds added 5.6%. As a result, over the total five-year period, Global Real Estate returned 77.4%, Global Equities lost 5.3%, and Global Bonds added 31.5%.

	Dec-05	2005	Rolling 5 Yrs	Average Annual
Asset Classes (EUR)	Return %	Return %	Return %	Return %
Global Real Estate	4.1	32.9	77.4	12.1
Global Equities	2.7	29.0	-5.3	-1.1
Global Bonds	0.6	3.8	31.5	5.6
Europe Real Estate	3.9	26.1	119.9	17.1
N. America Real Estate	0.4	30.5	94.5	14.2
Asia Real Estate	11.0	42.2	50.5	8.5

Source: EPRA/FTSE/JP Morgan

### Asia / Pacific

In the Asia/Pacific region, the performance of the countries largely fell on positive ground. Performance ranged from -90bps for EPRA/NAREIT New Zealand (NZD) to an incredible 23.9% for EPRA/NAREIT Japan (JPY). EPRA/NAREIT Singapore (SGD) added +1%, EPRA/NAREIT Hong Kong (HKD) gained 3.9% and EPRA/NAREIT Australia (AUD) recorded a strong + 5.3%. Asia/Pacific volatility remains stable and currently stands at 14%.

	Dec-05	2005	Rolling 5 Yrs	Average Annual
Country	Return %	Return %	Return %	Return %
Asia (EUR)	11.0	42.2	50.5	8.5
Australia (AUD)	5.3	15.5	89.7	13.7
Hong Kong (HKD)	3.9	9.9	37.0	6.5
Japan (JPY)	23.9	76.5	122.7	17.4
Singapore (SGD)	1.0	34.2	33.0	5.9
New Zealand (NZD)	-0.9	21.7	-NA-	-NA-

Source: EPRA/FTSE/JP Morgan

As Japan's economy expands, office vacancies are falling. The office vacancies in Tokyo fell to their lowest point (4.4%) since January 2002. In addition, rents increased for a third consecutive months according to Miki Shoji Co, the real estate broker. The report was distributed through the Ministry of Land, Infrastructure and Transportation and covered Tokyo's five main business districts – Chiyoda, Chuo, Minato, Shinjuku and Shibuya. The report also stated that the demand for space in large office buildings is 'strong'. UBS analyst Toshihiko Okino wrote in a note that the real estate sector is starting to enter a new stage in which it will discount the potential for rents to rise. A-class buildings in central Tokyo are nearly at full occupancy and as a result, tenants are forced to accept rent hikes. Tokyo is the world's most expensive city after London.

Not surprisingly, from the top 20 global performers, ten came from Japan. In the Asian region, the figure was 13 out of top 20. Mitsubishi Estate headed the list with an outstanding return of 39.4% in December. Shares in the Japanese office developer surged following a

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Schiphol Boulevard 283, 1118 BH Schiphol Airport The Netherlands  
 T +31 (0)20 405 3830 F +31 (0)20 405 3840 E [info@epra.com](mailto:info@epra.com)  
 W [www.epra.com](http://www.epra.com)



report that American International Group may buy property next to Tokyo's main train station. Mitsubishi Estate owns more than 30 properties around the station. Goldcrest jumped 37%, Daibiru Corp leapt 36%, Tokyu Land added 34% and Heiwa Real Estate gained 33%.

The Central Bank of Singapore said in an e-mail statement that Singapore will raise the debt limit for REITs to 60% of their assets from 35 percent in a bid to boost the industry. Shane Tregillis, deputy managing director at the Monetary Authority of Singapore, stated "A robust regulatory regime that safeguards investors' interests while providing adequate flexibility to facilitate commercial transactions will support long-term development of the Singapore REIT market". The increased debt limit would help REITs as they evaluate plans to invest in overseas markets such as China. CapitaLand said in September that it plans to set up a REIT that invests in property throughout Asia.

Keppel Land announced that it plans to set up a real estate investment trust with four downtown office buildings in the city state valued at US\$373 million. The trust is scheduled for a Q1 2006 sale. The trust, planned to be named K-REIT Asia, will hold Keppel Towers, GE Tower, Bugis Junction Towers and the company's 44% holding in Prudential Tower in the portfolio. Approximately 60% of the trust will be distributed to current Keppel shareholders on a 1 for 5 basis, with the remaining 40% being offered to the public. Keppel Land was down 3.7% in December.

In Hong Kong, the Securities and Futures Commission lowered the threshold at which shareholders are required to disclose holdings in a real estate investment trust from ten to five percent.

New World Development, the Hong Kong developer, raised \$415 million in a share sale in December. The sale took place to at least six investors at HK\$11.50 per share. New World plans to use almost half of the capital to repay debt, with the remainder earmarked for working capital. The company added 3.9% in December.

Cheung Kong's Prosperity REIT started trading on 16 December. The market capitalisation of the trust is approximately US\$ 395 million. The trust jumped 20% on its first day of trading. GZI Real Estate Investment Trust, owned by the Hong Kong investment arm of the Guangzhou municipal government, raised US\$ 230 million in its IPO on 21 December. GZI surged 14% on its first day. At these market capitalisation levels, both trusts fell short of the FTSE EPRA/NAREIT Global Real Estate Index 'fast track' rule.

Things go from bad to worse for Multiplex Group, the Australian developer. The company announced that mounting losses from the 90,000 seat Wembley stadium project will cut earnings by two-thirds this year. The company has had to lower its profit forecast five times this year. The stadium will cost £757 million, five times the initial forecast. There is also some doubt that the stadium will be ready for the English FA Cup Final in May. The company fell 2.1% in December to end 2005 at the bottom of the global and Asian stocks (-38%).

To round up the region, new additions following the quarterly review of the FTSE EPRA/NAREIT Global Real Estate Index entered the index on 19 December. Babcock & Brown Japan Property Trust from Australia and Tokyu REIT from Japan were added, with Fortune REIT of Singapore making up the numbers. Shoen Co of Japan paid a special dividend of JPY10.

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## Europe

In December, the EPRA/NAREIT Europe Index moved forward 3.9% to finish the year 26.1% up. Major countries in Europe were all ahead. EPRA/NAREIT UK (GBP) produced a second consecutive month of impressive gains (+6.4%), following another month of great performance from UK companies. In fact, from the top 20 European performers, nine come from the UK. EPRA/NAREIT France added 3.8% in December, followed by EPRA/NAREIT Netherlands (3%), reversing the losses of November. EPRA/NAREIT Sweden moved on 2.4%. Broad European volatility stands at approximately 11%, the lowest of the three regions.

	<b>Dec-05</b>	<b>2005</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)	3.9	26.1	119.9	17.1
UK (GBP)	6.4	19.3	118.5	16.9
Netherlands (EUR)	3.0	18.6	140.3	19.2
France (EUR)	3.8	28.1	176.0	22.5
Sweden (SEK)	2.4	40.2	179.3	22.8

Source: EPRA/FTSE/JP Morgan

After the FTSE EPRA/NAREIT Global Real Estate Index quarterly review effective 19 December, Globe Trade Centre (Poland), Keops (Denmark), Lamda Development (Greece) and Sparkassen Immo Invest (Austria) entered the FTSE EPRA/NAREIT Global Real Estate Indices. All new additions had a good run in December. Keops topped the European performers list with a gain of 28.7% followed by Globe Trade Centre (+21%). Lamda Development and Sparkassen Immo also posted positive returns of 6.3% and 21bps respectively. As at the end of December, the European section of the FTSE EPRA/NAREIT Indices consisted of 91 constituents and had a free float market capitalisation of €102 billion. The pool investors can fish from has grown considerably in 2005. A net total of 22 constituents were added in 2005, with free float market capitalisation increasing by €27 billion.

Retail investor Shaftesbury, jumped 9.8% on 7 December, when the company announced its full-year net asset value rose 29 percent. "Our success is closely linked to the fortunes of London," CEO Jonathan Lane said in a statement. "In spite of July bombings it remains a world-class city with an unrivalled choice of entertainment activities". Shaftesbury is selling offices to focus on retail and leisure properties. Shops and restaurant account for 71 percent of the value of its assets. Shaftesbury was up 15.5% in December.

Workspace announced at 20 December that takeover talks ended without an agreement. An unidentified party, which approached Workspace last month, "has now confirmed that it does not wish to proceed," the company said in a RNS statement. Workspace ended December slightly higher with a gain of +5.1%.

On 10 November, BAM Groep announced that it would make a public bid for AM of €10.15 per share and € 2.30 per outstanding warrant, through its bidding vehicle Terra Amstel BV. The offer values Dutch residential developer AM at €952 million. The offer period runs from 23 December to 20 January. AM finished December 1% ahead.

Fabege, the Swedish investor announced that it was buying a majority stake in Tornet for \$390 million. The deal will give Fabege a 82.4% stake in Tornet. Fabege will buy the 21.3 million shares held by LRT Acquisition AB, a Swedish private equity company. Fabege finished December 11% ahead.

## North America

Over the Atlantic, US real estate stocks gained 20bps in USD terms in December and completed the year with a strong result of + 12.4%. EPRA/NAREIT Canada (CAD) also hit a positive note, adding 3.1% to finish 2005 + 24.1% ahead. At an aggregate level, the EPRA/NAREIT North America Index (USD) was up 40bps during the month and + 13.2% for the year. Volatility in North America is 15%, the highest of the three regions.

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	<b>Dec-05</b>	<b>2005</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>
North America (USD)	0.4	13.2	134.4	18.6
United States (USD)	0.2	12.4	131.3	18.3
Canada (CAD)	3.1	24.1	141.5	19.3

Source: EPRA/FTSE/JP Morgan

Residential investor Town & Country Trust agreed to be acquired by a joint venture of Morgan Stanley and Onex Corporation for approximately US\$ 1.3 billion in cash. Onex Real Estate and Morgan Stanley Real Estate will pay US\$ 33.90 a share. The sale needs to be approved by two-thirds of Town & Country's common shareholders. Not surprisingly, Town & Country headed the North American performers in December with a jump of 16.6% to head up the North American performers for December.

Hotel stocks performed well in December. Strategic Hotel added 13%, Lasalle Hotels moved up 9%, and Starwood and Host Marriot both gained 7%. According to Smith Travel Research, US room occupancy rose 7% in 2005 and revenue per room climbed 15%. Average daily rate per room moved from \$76.50 to \$81.93, a 7.1% increase over the 12 months.

Continuing the M&A activity, GE Real Estate agreed to buy office investor Arden Realty for US\$ 3.2 billion in cash. GE Real Estate said in a statement that they will pay US\$ 45.25 a share for Arden Realty. In addition, GE Real Estate will also assume US\$ 1.6 billion of debt. Trizec Properties will buy some of Arden properties for US\$ 1.63 billion. Arden's shares fell 32bps in December but had climbed 10% in Q4 as investors anticipated a buyout. Shares of Trizec Properties were up 2.8% in December.

Equity Office Properties dropped 1.1% in December after it announced it will cut dividend by 34% because it expects fewer gains from property sales. The largest owner of US office buildings will lower its payout to 33 cents a share from 50 cents starting in the first quarter, the first reduction since it went public in 1997. "The reduction in the dividend was a decision clearly not taken lightly", chairman Sam Zell said during a conference call. With lower property sales planned for next year, "reducing the dividends is the right thing to do at the time". After two years of declining earnings, Equity Office was paying out more in dividends than it was earning and it used property sales to make up the difference.

Blackstone Group, which is raising the world's largest buyout fund, agreed to buy hotel operator La Quinta Corp, and its La Quinta Properties unit for about US\$ 3.4 billion including debt. Blackstone will pay US\$ 11.25 per share. La Quinta owns and operates 360 hotels and franchises more than 240 hotels in 39 states. Blackstone, founded 20 years ago by Stephen Schwarzman and Pete Peterson, has raised six real estate funds with more than US \$8 billion in equity. The firm received US\$ 12.5 billion in commitments from investors in 2005 to create the world's largest buyout fund.

Morgan Stanley's Prime Property Fund agreed to buy AMLI Residential Properties Trust for US\$ 2.1 billion, adding more than 28,300 apartments to its portfolio of office, retail, industrial and residential properties. AMLI's investors and members of its operating partnership will receive US\$ 37.75 a share in cash. The purchase, which has been approved by AMLI's board, also must be approved by the company's shareholders. The transaction likely will be completed in the first quarter of next year, the companies said.

Brandywine Realty Trust agreed to buy Prentiss Properties Trust for US\$ 1.99 billion in cash and stock to more than double its office and commercial space. Prentiss shareholders will receive US\$ 21.50 a share in cash and 0.69 share of Brandywine stock. Shareholders of both Brandywine and Prentiss approved the merger proposals in December. Brandywine and Prentiss expect to complete the acquisition on 5 January.

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DRA Advisors paid US\$ 38.75 a share for Capital Automotive valuing the transaction at US\$ 3.4 billion including debt and preferred shares. Capital Automotive was deleted from the FTSE EPRA/NAREIT Global Real Estate Index as at 21 December 2005.

Following the quarterly review of the FTSE EPRA/NAREIT Global Real Estate Index, Allied Properties and IPC US REIT were added from Canada, and DiamondRock Hospitality, Global Signal and Windrose Medical representing the US. A number of trusts paid special dividends in December: Vornado Realty (\$0.77), Bedford Property (\$1.64), CBL & Associates Properties (\$0.09), Brandywine Realty (\$0.02) and Prentiss Properties (\$0.02). Correctional Properties changed its name to CentraCore Properties Trust on 21 December.

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

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 30 December, there were a total of 307 stocks in the index.

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

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Schiphol Boulevard 283, 1118 BH Schiphol Airport The Netherlands  
T +31 (0)20 405 3830 F +31 (0)20 405 3840 E [info@epra.com](mailto:info@epra.com)  
W [www.epra.com](http://www.epra.com)



Index Description	Curr	Close Value 30-Dec	Div Yld (%) 30-Dec	Total Rtn (%) QTD	Total Rtn (%) Dec-05	Total Rtn (%) YTD	36 Mths Vlty (%)
Global	EUR	2,226.41	3.78	6.97	4.10	32.92	11.67
Asia	EUR	1,656.59	3.32	13.95	11.02	42.15	14.53
Europe	EUR	2,581.00	2.75	2.57	3.88	26.10	10.62
North America	EUR	2,703.78	4.44	4.73	0.37	30.46	14.64
Global Ex-Asia	EUR	2,630.64	3.99	4.14	1.29	29.24	12.34
Global Ex-Europe	EUR	2,112.74	4.02	8.03	4.15	34.59	12.96
Global Ex-North America	EUR	2,037.83	3.10	9.37	8.23	35.65	11.22
Asia	EUR	1,656.59	3.32	13.95	11.02	42.15	14.53
Pure Asia	EUR	1,694.53	2.80	15.74	12.29	45.46	14.89
Japan	JPY	2,976.14	0.91	37.90	23.90	76.50	24.29
Australia	AUD	2,236.22	6.57	6.95	5.32	15.46	8.80
Pure Australia	AUD	2,247.64	0.91	7.09	5.29	14.57	9.58
Hong Kong	HKD	1,379.75	2.49	1.19	3.91	9.94	25.15
Singapore	SGD	1,143.39	3.34	- 0.87	0.98	34.22	18.89
New Zealand	NZD	1,217.36	5.78	13.80	- 0.85	21.74	-NA-
Europe	EUR	2,581.00	2.75	2.57	3.88	26.10	10.62
Europe Net Index	EUR	1,626.39	2.06	2.50	3.87	25.45	-NA-
Euro Zone	EUR	2,678.83	3.57	- 4.29	2.01	28.52	8.90
Euro Zone Net Index	EUR	1,628.19	2.68	- 4.43	1.98	27.28	-NA-
Europe Ex UK	EUR	2,803.88	3.29	- 3.24	2.35	29.70	8.84
Europe Ex UK Net Index	EUR	2,776.92	2.47	- 3.36	2.33	28.49	8.81
Europe Liquid 40	EUR	2,513.64	2.80	2.11	4.03	24.56	11.05
Europe Liquid 40 Net Index	EUR	2,480.58	2.10	2.05	4.03	23.96	-NA-
Europe Liquid 40 Ex UK	EUR	2,903.62	3.38	- 4.49	2.04	27.84	9.22
Europe Liquid 40 Ex UK Net Index	EUR	2,832.26	2.54	- 4.60	2.04	26.70	-NA-
UK	EUR	2,413.71	2.17	9.38	5.51	22.98	14.82
UK Net Index	EUR	1,597.10	1.63	9.38	5.51	22.89	-NA-
Netherlands	EUR	2,575.31	5.43	- 2.75	3.04	18.60	9.68
France	EUR	2,978.90	3.43	- 5.63	3.79	28.14	12.50
Spain	EUR	5,076.05	2.10	- 12.53	- 2.79	71.64	18.18
Austria	EUR	1,587.73	0.47	0.86	0.92	15.18	4.22
Sweden	EUR	3,581.87	3.26	4.98	3.88	34.89	18.78
Germany	EUR	1,140.98	3.14	2.52	5.42	44.50	21.01
Switzerland	EUR	1,599.94	0.47	- 7.21	1.53	16.35	10.10
Belgium	EUR	1,889.38	6.13	0.33	2.14	18.38	6.35
Italy	EUR	3,455.66	2.01	- 6.56	1.30	30.81	14.59
Finland	EUR	3,352.94	4.98	- 7.47	- 1.21	28.04	16.79
Denmark	EUR	630.74	1.09	25.68	13.50	229.20	66.15
Poland	EUR	866.40	-	-NA-	3.68	-NA-	-NA-
UK	GBP	2,679.99	2.17	10.26	6.40	19.34	15.12
UK Net Index	GBP	1,405.05	1.63	10.26	6.40	19.17	-NA-
Switzerland	CHF	1,558.27	0.47	- 7.19	1.84	17.03	9.86
Sweden	SEK	3,948.65	3.26	5.75	2.39	40.20	18.56
Denmark	DKK	633.17	1.09	25.61	13.58	230.12	66.15
Poland	PLN	1,029.76	-	-NA-	2.98	-NA-	-NA-
Nth America	USD	3,044.12	4.44	2.46	0.42	13.21	14.84
United States	USD	3,017.56	4.37	2.42	0.24	12.43	15.10
Canada	USD	3,715.94	5.46	3.15	3.11	27.25	13.76

Source: EPRA

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Schiphol Boulevard 283, 1118 BH Schiphol Airport The Netherlands  
 T +31 (0)20 405 3830 F +31 (0)20 405 3840 E [info@epra.com](mailto:info@epra.com)  
 W [www.epra.com](http://www.epra.com)