



March 2006

FTSE EPRA/NAREIT Global Real Estate Index

The FTSE EPRA/NAREIT Global Real Estate Index added 3% in March, year to date the index is up 11.1%. In March, Global Bonds fell 1.1% and the Global Equity market weakened 60bps. All three real estate regions moved forward for the third consecutive month. Europe added an impressive 4.1%, North America gained 3.4%, and Asia firmed 1.5%. 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 14.2% annually, Global Equities tip-toed ahead 1.3% in comparison, and Global Bonds added 4.8%. As a result, over the total five-year period, Global Real Estate returned 94.4%, Global Equities added 6.9%, and Global Bonds added 26.6%.

Asset Classes (EUR)	Mar-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Global Real Estate	3.0	11.1	94.4	14.2
Global Equities	-0.6	4.6	6.9	1.3
Global Bonds	-1.1	-1.4	26.6	4.8
Europe Real Estate	4.1	17.8	148.8	20.0
N. America Real Estate	3.4	11.4	104.5	15.4
Asia Real Estate	1.5	6.6	67.7	10.9

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 negative 60bps for EPRA/NAREIT Australia (AUD) to a very strong 10.8% for EPRA/NAREIT Japan (JPY). EPRA/NAREIT Singapore (SGD) jumped 9.5%, EPRA/NAREIT Hong Kong (HKD) added 3.5%, and EPRA/NAREIT New Zealand (NZD) ended the month up 1.5%. Asia/Pacific volatility remains stable and currently stands at 14%.

Country	Mar-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Asia (EUR)	1.5	6.6	67.7	10.9
Australia (AUD)	-0.6	1.7	104.4	15.4
Hong Kong (HKD)	3.5	16.4	72.8	11.6
Japan (JPY)	10.8	12.2	146.1	19.7
Singapore (SGD)	9.5	25.1	143.6	19.5
New Zealand (NZD)	1.5	1.5	-NA-	-NA-

Source: EPRA

Hong Kong developers headed the Asia-Pacific and Global performers in March. China Resources Land jumped 38% in March, on the back of stunning results. The company reported a jump of 1700% in net revenue in the financial year 2005. Core earnings jumped 99%. Kowloon Development was not too far behind, with a strong advance of 32%. Kowloon also added 19% in February! Office developer China Overseas Land produced strong figures for FY 2005. The company's profit rose 43% on the back of higher sales. The share price gained 25% in March.

Henderson Land, the Hong Kong based residential developer, is looking to borrow approximately US\$515 million to buy real estate for a new REIT. A Hong Kong REIT is allowed to borrow up to 45% of its total asset value. Henderson Land added 3.5% in March. UBS estimate that the REIT market in Asia will grow to US\$100 billion in the next four years, led by developers in Hong Kong and Singapore raising funds for projects.

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Singapore's home prices rose for the eighth consecutive quarter in Q1 2006. The rises are a knock on effect of an expanding economy and an ease on restrictions for buyers. The Singapore economy is projected to grow as much as 6% in 2006, following last years 6.4% gain. In addition, last year the Singapore government cut the minimum deposit on homes from 20% to 10%. Prices are now at their highest levels since September 2001. Singapore residential developer Wing Tai Holdings added 27% during the month. The latest anecdotal evidence shows robust demand in the luxury residential market. In addition, residential developers Capitaland (+15%) and Allgreen Properties (+14%) both scored well in March. As reported last month, Capitaland predicts that home prices will rise by as much as 10% in 2006.

Office vacancies in Tokyo fell to their lowest point (3.7%) since October 2001. In addition, rents increased for a fourth consecutive month according to Miki Shoji Co, the real estate broker. The report covered Tokyo's five main business districts – Chiyoda, Chuo, Minato, Shinjuku and Shibuya. The report also stated that, "The market for large new office buildings is brisk, and there are many buildings with full or high occupancy. We expect to see an improvement in rent negotiations for high quality large office buildings." Tokyo is the world's most expensive city after London. Fitch Ratings stated that broad improvements in the Japanese real estate market and the completion of wide-reaching restructuring have boosted the earnings of major Japanese property firms. In addition, they said that the combination of positive sector trends and financial restructuring have made the capital structure of these companies far more conservative than before, increasing the likelihood that major Japanese real estate firms will post improvements in their operating results this year. At a stock level, Japan's big performer in March was Goldcrest (+ 26%). Sumitomo Realty and Diamond City added 20% and 18% respectively.

The biggest news from Australia in March fell at the feet of Multiplex. Once again the company announced delays to the Wembley Stadium project – which will be the world's most expensive sports ground (\$1.3 billion). The company estimates that the project will be 'substantially complete' by the end of June. The stadium had to be evacuated in March due to a problem with steel on the roof. Multiplex had to cut its profit forecast five times last year because of escalating costs and delays. Multiplex lost 3% in March.

GPT Group bought a 50% stake in Melbourne's Highpoint Shopping Center, Australia's third biggest mall by annual sales for A\$621 million. The mall was wholly owned by 81 year old billionaire Marc Besen, who retains a 50% stake in the mall. The Australian billionaire, Lang Walker, is planning to sell off his large property empire. According to the Australian Financial Review, Walker plans to sell up to A\$1.5 billion of diversified real estate assets. It is rumoured that groups such as Stockland, Lend Lease, Mirvac, GPT, Macquarie Bank and Babcock & Brown may be interested.

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Europe

In March, the EPRA/NAREIT Europe Index moved forward 4.1%. Major countries in Europe were all ahead strongly. EPRA/NAREIT UK (GBP) produced a fifth consecutive month of impressive gains (+ 4.8%), following the positive announcement about UK-REITs in the budget. EPRA/NAREIT France was the best performing major European country for the third consecutive month. France added 6.8% in March, followed by EPRA/NAREIT Sweden (+4.9%), and EPRA/NAREIT Netherlands (+3.4%). Broad European volatility stands at approximately 9%, the lowest of the three regions.

Country	Mar-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Europe (EUR)	4.1	17.8	148.8	20.0
UK (GBP)	4.8	16.3	147.8	19.9
Netherlands (EUR)	3.4	17.1	163.3	21.4
France (EUR)	6.8	28.1	243.1	28.0
Sweden (SEK)	4.9	18.7	243.6	28.0

Source: EPRA

The big news in Europe came from the UK in March. Chancellor of the Exchequer, Gordon Brown, announced that the UK would have a REIT structure in play on 1 January 2007. The format of the structure was viewed positively by the industry. The main criteria for the UK-REIT are:

- 90% of taxable profit distributed to investors
- 2% of gross value of investment properties conversion charge
- Rental income at least 1.25 times interest costs
- 10% limit on total dividend payout, or share capital, or voting rights

The government expects to receive an additional GBP 320 million in revenue in the three years to March 2009 in the form of the conversion charge. For example, should Slough Estates decide to convert, based on the company's latest gross value of its investment properties (GBP 4.4 million), the company would be subject to a GBP 88 million conversion charge. The company could opt to pay the charge in one go, or stagger over four years – at a slightly increased cost. Slough Estates added 9% in March. Tim Wheeler, CEO of Brixton, the UK's sixth largest property company said, "On the basis of what we have seen, it would seem very likely Brixton would convert to a REIT. The latest proposals are a massive step forward." Brixton added in 6% March. The Daily Telegraph reported that Tesco Plc may place its \$21 billion freehold property portfolio into a UK-REIT in order to boost investor returns. The reported cited Tesco's Finance Director Andrew Higginson who said the company was 'obviously interested' in creating a REIT.

Heading the European performers in March was Italian developer Risanamento (+26%). Dutch Merchant Bank Kempen & Co rated the company a 'strong buy' on 13 March. Nordicom, the Danish office developer added an impressive 16% during the month, closely followed by another Italian company IGD (+14%). IVG Immobilien (Germany) advanced 14%, a return mirrored by Mapeley which entered the FTSE EPRA/NAREIT Global Real Estate Index in March.

Polish diversified developer Globe Trade Centre continued to do well since joining the FTSE EPRA/NAREIT Global Real Estate Index. The company added 10% in March. Globe Trade has added an incredible 67% since it joined the index on 19 December 2005. The company said it may invest \$1 billion by the end of 2008 to expand operations in Central Europe. The company started operating in Slovakia in March and wants to start developing construction projects in Bulgaria and Ukraine by June.

Grupo Sacresa, the Barcelona based developer, controlled by the family of Metrovacesa board member Roman Sanahuja Pons, is bidding for a 20% stake in Metrovacesa. The additional stake would take Sacresa's total holding up to 44%. Sacresa is offering €78.10 per

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share according to a regulatory filing. Sacresa plans to strengthen its role as the biggest shareholder in Metrovacesa, which is increasing its rental portfolio as Spanish house price growth slows following a seven-year surge. Metrovacesa ended March + 12%.

North America

Over the Atlantic, US real estate stocks gained 5.2% in USD terms in March. EPRA/NAREIT Canada (CAD) also hit a positive note in March, adding 4.7%. At an aggregate level, the EPRA/NAREIT North America Index (USD) was up 5% during the month. Volatility in North America is 14%, the highest of the three regions.

Country	Mar-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
North America (USD)	5.0	14.3	169.9	22.0
United States (USD)	5.2	14.7	167.0	21.7
Canada (CAD)	4.7	8.5	155.5	20.6

Source: EPRA

Alexander's Inc headed the North American performers in March (+22%). The retail investor reported a nine year high in quarterly EBITDA for Q4 2005. Canadian office investor Brookfield Properties moved forward strongly (+19%) in March, closely followed by SL Green Realty (+17%).

CarrAmerica Realty announced that it had signed a definitive merger agreement to be acquired by an affiliate of the Blackstone Group in a transaction worth approximately \$5.6 billion. Under the agreement, Blackstone will acquire all of the outstanding common stock of CarrAmerica for \$44.75. CarrAmerica owns, develops and operates office properties in 12 markets throughout the United States. The company and its affiliates, own, directly or through joint ventures, interests in a portfolio of 285 operating office properties. CarrAmerica ended the month + 8%.

Residential investor Town & Country Trust was acquired by Magazine Acquisition for \$40.20 per share. The Magazine Acquisition is made up of Morgan Stanley, Onex Real Estate and Sawyer Realty Holdings. The bid was 19% more than their original bid made in December. In between that period, a bidding war evolved between Magazine Acquisition and Oriole. Oriole decided not to increase its last offer of \$40.15. Town & Country will be deleted from the FTSE EPRA/NAREIT Global Real Estate Index as at 3 April.

Continuing the M&A activity, GE Real Estate agreed to buy office investor Arden Realty for \$3.2 billion in cash. GE Real Estate said in a statement that they will pay \$45.25 a share for Arden Realty. In addition, GE Real Estate will also assume \$1.6 billion of debt. Trizec Properties will buy a part of Arden assets for \$1.63 billion. The deal was expected to be wrapped up late in the first quarter of 2006. Arden's shares firmed 61bps in March. Shares of Trizec Properties were up 7% in March.

Public Storage, the US' largest operator of self-storage facilities, agreed to buy rival Shurgard Storage Centers for \$3 billion. The takeover is set to become the largest in the sector ever. Shurgard shareholders will receive \$65.16 per share in stock. Public Storage CEO, Ronald Havner said, 'the transaction creates the largest self-storage company in the world.' Shurgard and Public Storage both added 5% in March.

Bedford Property gained 1.2% in March on the back of the offer by LBA Realty to buy the company. The offer values Bedford Property at \$435 million. Closely held LBA Realty will pay \$27.21 a share for Bedford.

At the bottom end, GMH Communities Trust fell 29% after the company disclosed that its audit committee is investigating accounting practices. GMH Communities' audit committee started its investigation after it got a letter from the chief financial officer alleging a 'tone at the top' problem with management. Undisclosed executives 'placed significant pressure on

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various aspects of the company's accounting function', the company said. The disclosure continued to say that the probe revealed 'material weaknesses' in internal financial controls

Mills Corporation also fell 29% during the month. The company announced that a SEC probe is now formal. On 20 March the SEC told Mills that it had started a formal investigation. Mills said in January that it would restate results for 2000 through 2005 because of accounting errors, the second time in a year it announced a restatement. Mills said that the areas now under review were 'revenue recognition, cost capitalisation, lease accounting, accounting for sales of real estate and purchase price allocations to acquire operating properties.'

The EPRA Monthly Statistical Bulletin is available for EPRA members from 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 31 March, there were a total of 313 stocks in the index.

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

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Index Description	Curr	Close Value 31-Mar	Div Yld (%) 31-Mar	Total Rtn (%) QTD	Total Rtn (%) Mar-06	Total Rtn (%) YTD	36 Mths Vity (%)
Global	EUR	2,473.60	3.36	11.10	2.99	11.10	10.85
Asia	EUR	1,765.10	3.02	6.55	1.50	6.55	13.60
Europe	EUR	3,039.44	2.34	17.76	4.09	17.76	9.18
North America	EUR	3,011.99	3.97	11.40	3.43	11.40	14.12
Global Ex-Asia	EUR	2,975.41	3.51	13.11	3.61	13.11	11.66
Global Ex-Europe	EUR	2,315.24	3.61	9.58	2.73	9.58	12.32
Global Ex-North America	EUR	2,257.52	2.75	10.78	2.53	10.78	9.80
Asia	EUR	1,765.10	3.02	6.55	1.50	6.55	13.60
Pure Asia	EUR	1,842.64	2.51	8.74	2.98	8.74	13.94
Japan	JPY	3,339.78	0.88	12.22	10.77	12.22	23.34
Australia	AUD	2,273.30	6.41	1.66	0.56	1.66	8.33
Pure Australia	AUD	2,329.77	0.88	3.65	0.70	3.65	9.00
Hong Kong	HKD	1,606.35	2.17	16.42	3.48	16.42	23.49
Singapore	SGD	1,430.15	2.70	25.08	9.53	25.08	18.18
New Zealand	NZD	1,235.90	6.11	1.52	1.52	1.52	-NA-
Europe	EUR	3,039.44	2.34	17.76	4.09	17.76	9.18
Europe Net Index	EUR	1,914.36	1.76	17.71	4.06	17.71	-NA-
Euro Zone	EUR	3,250.95	2.89	21.36	5.96	21.36	9.35
Euro Zone Net Index	EUR	1,974.43	2.17	21.27	5.93	21.27	-NA-
Europe Ex UK	EUR	3,387.68	2.68	20.82	5.76	20.82	8.99
Europe Ex UK Net Index	EUR	3,352.05	2.01	20.71	5.70	20.71	9.01
Europe Liquid 40	EUR	2,965.15	2.37	17.96	3.91	17.96	9.78
Europe Liquid 40 Net Index	EUR	2,925.10	1.78	17.92	3.89	17.92	-NA-
Europe Liquid 40 Ex UK	EUR	3,520.18	2.79	21.23	5.57	21.23	9.48
Europe Liquid 40 Ex UK Net Index	EUR	3,431.15	2.09	21.15	5.54	21.15	-NA-
UK	EUR	2,764.04	1.97	14.51	2.28	14.51	12.17
UK Net Index	EUR	1,828.90	1.48	14.51	2.28	14.51	-NA-
Netherlands	EUR	3,014.95	4.45	17.07	3.39	17.07	10.36
France	EUR	3,816.24	2.72	28.11	6.82	28.11	12.81
Spain	EUR	6,729.80	1.71	32.58	10.61	32.58	19.06
Sweden	EUR	4,232.43	2.87	18.16	4.97	18.16	17.72
Austria	EUR	1,664.95	0.17	4.86	0.04	4.86	4.46
Germany	EUR	1,531.50	2.34	34.23	11.22	34.23	21.71
Switzerland	EUR	1,777.13	0.42	11.07	3.38	11.07	10.15
Italy	EUR	4,257.07	1.63	23.19	9.65	23.19	14.78
Belgium	EUR	1,964.59	5.89	3.98	4.80	3.98	6.51
Denmark	EUR	768.82	0.82	21.89	8.21	21.89	59.83
Finland	EUR	4,314.13	4.03	28.67	8.73	28.67	17.54
Poland	EUR	1,416.18	-	63.46	5.28	63.46	-NA-
UK	GBP	3,116.26	1.97	16.28	4.82	16.28	12.94
UK Net Index	GBP	1,633.79	1.48	16.28	4.82	16.28	-NA-
Switzerland	CHF	1,760.81	0.42	13.00	4.55	13.00	10.03
Sweden	SEK	4,687.69	2.87	18.72	4.87	18.72	18.00
Denmark	DKK	772.16	0.82	21.95	8.23	21.95	59.84
Poland	PLN	1,723.21	-	67.34	9.66	67.34	-NA-
Nth America	USD	3,479.03	3.97	14.29	4.98	14.29	14.84
United States	USD	3,460.70	3.89	14.69	5.18	14.69	15.11
Canada	USD	4,035.49	5.15	8.60	2.10	8.60	13.62

Source: EPRA

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