



May 2006

FTSE EPRA/NAREIT Global Real Estate Index

The FTSE EPRA/NAREIT Global Real Estate Index fell 5.3% in May; year to date the index remains ahead 60bps. In May, the Global Equity market weakened 5.7% and Global Bonds gained 20bps. All three real estate regions lost ground during the month. Europe lost 3.7%, North America fell back (-4.2%), and Asia pulled back considerably 7.8%. 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 10.4% annually, Global Equities were behind 2.1% in comparison, and Global Bonds added 4.8%. As a result, over the total five-year period, Global Real Estate returned 64%, Global Equities dropped 9.9%, and Global Bonds added 26.6%.

Asset Classes (EUR)	May-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Global Real Estate	-5.3	0.6	64.0	10.4
Global Equities	-5.7	-2.1	-9.9	-2.1
Global Bonds	0.2	-1.8	26.6	4.8
Europe Real Estate	-3.7	10.8	121.7	17.3
N. America Real Estate	-4.2	-0.8	64.8	10.5
Asia Real Estate	-7.8	-3.2	45.2	7.7

Source: EPRA/FTSE/JP Morgan

Asia / Pacific

In the Asia/Pacific region, the performance of the countries was, on the whole, poor. Performance ranged from negative 10.3% for EPRA/NAREIT Singapore (SGD) to positive 4.1% for EPRA/NAREIT New Zealand (NZD). EPRA/NAREIT Hong Kong (HKD) lost 8.8%, EPRA/NAREIT Japan (JPY) ended the month down 8.6% and EPRA/NAREIT Australia (AUD) fell back 1.4%. Asia/Pacific volatility rose slightly to 15%.

Country	May-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Asia (EUR)	-7.8	-3.2	45.2	7.7
Australia (AUD)	-1.4	0.0	99.0	14.7
Hong Kong (HKD)	-8.8	13.0	69.8	11.2
Japan (JPY)	-8.6	-3.5	115.8	16.6
Singapore (SGD)	-10.3	13.7	110.2	16.0
New Zealand (NZD)	4.1	5.1	-NA-	-NA-

Source: EPRA

Japan headed Asia-Pacific performers in May. Goldcrest (+ 8.5%), and Nippon Building Fund (+ 6.5%) performed impressively. Macquarie Goodman added 7.5% in May. The company raised US\$ 266 million to buy warehouse developer Eurinpro. Hong Kong residential developer Hopson Development added 6%, followed by Kiwi Income Property Trust (+ 5%). China Resources propped up the Asia-Pacific and Global fallers table in May. The company lost 22% during the month.

Sun Hung Kai Properties, the largest property developer in Hong Kong, plans to raise as much as US\$ 1 billion in equity to fund expansion in the Chinese market. The company plans to sell 89 million shares at between HK\$ 88.30 and HK\$ 90.10 per share. The company can sell an additional 22 million shares if there is demand, boosting the issue to over US\$ 1.25 billion. Sun Hung Kai Properties has been slow to invest in cities in China, missing out on property prices that have tripled in the past six years. The company plans to develop an international finance centre in Shanghai and has bought a 1.7 million square foot waterfront project in the city, according to a report by CLSA in April. The purchase boosts the

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company's land reserves to 17.4 million square feet in China. Sun Hung Kai shares fell 9% in May.

Staying in Hong Kong, Hang Lung Properties has bought in eleven banks to arrange a US\$ 774 million five year loan to replace the same amount of debt taken in 2004. The loan ranks as the lowest rate ever offered to a Hong Kong developer. The rate is 23bps above the benchmark Hong Kong inter-bank offered rate. Terry Ng, Hang Lung's executive director said, that "trimming financing costs will free more cash to expand in Hong Kong and China. We are continuing our two-pronged strategy to grow development properties in Hong Kong and investment properties in China." Hang Lung lost 12% during the month.

Champion REIT, Hong Kong's first prime office property trust, dropped 16% on its first day of trading on 24 May. The trust entered the FTSE EPRA/NAREIT Global Real Estate Index the following day under the 'fast track' rule. Champion REIT entered the index with a 50% free float weighting. Champion REIT will use the proceeds of its IPO to buy Hong Kong's Citibank Plaza from Great Eagle Holdings. The REIT which will only hold the prime office complex is betting on a 40% rental growth for 'Grade A' office space in Central this year that would boost income.

CapitaLand and Keppel Land both lost out on their bid for the license of Singapore's first casino-resort. The license was won by Las Vegas Sands Corp. Alan Richardson at Baring Asset Management in Hong Kong said, "It's the worst case scenario – investors will be disappointed". Analysts estimated that the project would boost the winning party's earnings and draw investment and high-rollers to the city-state. CapitaLand paid a special dividend of SG\$ 0.12 on 9 May. CapitaLand fell 13% and Keppel Land dropped 14% during the month.

City Developments (not an FTSE EPRA/NAREIT Global Real Estate Index constituent) announced that it had sold an apartment at the downtown St.Regis Residences for more than US\$ 1,900 per square foot, a record. Chairman Kwek Leng Beng said, "This development marks a new benchmark." Singapore's housing market prices have risen for eight straight quarters to the first quarter of 2006.

The Bank of Japan reported that average land prices rose for the first time in 15 years. Land prices rose 1.4 percent in 2005. 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.

Aeon Co, Japan's second largest retailer, bought 27% of Diamond City to take its total stake to just over 60%. The tender offer was completed on 11 May. The deal makes Aeon Co the largest mall developer in sales in Japan. Annual leasing revenue of Aeon Mall and Diamond City would exceed that of Mitsui Fudosan, currently Japan's largest developer. In total, the two companies will own around 50 shopping malls. Aeon had said that if the tender offer proved successful it would consider a merger between the two groups. Diamond City and Aeon Mall dropped 18% and 12% respectively in May.

Not much news from the Australian market. CFS Gandel Retail Trust changed its name to CFS Retail Property Trust on 16 May.

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Europe

In May, the EPRA/NAREIT Europe Index reversed 3.7%. Major countries in Europe were all behind. EPRA/NAREIT UK (GBP) weakened 2.8%, the second consecutive month that UK stocks have fallen. EPRA/NAREIT France was harder hit, with a loss of 6.6% and EPRA/NAREIT Netherlands (-8.4%) harder still. EPRA/NAREIT Sweden (-9.4%) experienced the largest withdrawal of the European majors for the second consecutive month. Broad European volatility stands at approximately 10%, the lowest of the three regions.

Country	May-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Europe (EUR)	-3.7	10.8	121.7	17.3
UK (GBP)	-2.8	9.4	125.4	17.6
Netherlands (EUR)	-8.4	7.6	130.5	18.2
France (EUR)	-6.6	13.2	187.8	23.5
Sweden (SEK)	-9.4	-2.8	166.4	21.6

Source: EPRA

Heading the European performers in May was Danish developer Nordicom (+12%). Wilhborgs of Sweden added 8%, followed by IVG Immobilien (Germany) (+7%). Great Portland Estates (UK) and McKay Securities (UK) both strengthened 5% in May. At the bottom end, Hufvudstaden was hardest hit of the European stocks - 14% down.

Fonciere des Regions and Bail Investissement, two French real estate companies agreed to merge to create France's fourth largest real estate company. The merged company will have a market value of €3 billion. Bail Investissement shareholders will receive one new Fonciere des Regions share for every two shares held. Fonciere des Regions will pay its shareholders an extraordinary dividend of € 2 per share. Fonciere des Regions lost 5% and Bail Investissement added 1% in May. Fonciere des Regions is currently a constituent of the FTSE EPRA/NAREIT Global Real Estate Index; Bail Investissement is not.

Metrovacesa Chairman Joaquin Rivero and Bautista Soler are bidding approximately € 2.1 billion for a 26% stake in Metrovacesa to counter-bid the Grupo Sacresa offer. Rivero and Soler, who already jointly own around 12% of Metrovacesa will offer € 80 per share. In a statement, the holding companies of Rivero and Soler said, "The bidders propose to increase their current shareholding to create a stable core that will be able to sufficiently support Metrovacesa's present management team, without reaching control." Grupo Sacresa, the Barcelona based developer, offered €78.10 per share for a 20% stake in Metrovacesa. The additional stake would have taken Sacresa's total holding up to 44%. Metrovacesa ended May up + 1%.

Immofinanz Immobilien raised € 923 million in a share sale to finance the purchase of a stake in its property unit and expansion in Europe. Immofinanz sold 111.9 million shares at € 8.25. The company will use some of the proceeds to maintain its 51% stake in its Immoeast unit, which operates in Eastern Europe. The company is selling 333.5 million shares in a separate deal. The remaining proceeds will be used to buy property in Germany and Austria. Immofinanz dropped 1.5% in May.

Quintain Estates became the first major UK company to rule out becoming a REIT. Adrian Wyatt, Quintain's CEO, said, "The REIT model isn't conducive for companies that want to reinvest the cash thrown off by their activities. The trading model is embedded into our model." Conversely, both Land Securities and British Land, Europe's two largest property companies have said they intend to convert to REITs. Quintain Estates lost 6% in May. Land Securities fell 2% and British Land added 1% over the month.

London Merchant Securities announced that it will spin-off its investment based arm - Leo Capital on AIM on 12 June. London Merchant CEO Robert Rayne will be Leo Capital's temporary CEO until a suitable replacement is found. London Merchant ended the month down 7%.

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In Sweden, Kungsleden had a 3 for 1 stock split effective 9 May, and Wihlborgs Fastigheter completed a 2 for 1 split on 23 May.

North America

Over the Atlantic, US real estate stocks fell 2.4% in USD terms in May. EPRA/NAREIT Canada (CAD) also hit a negative note in May, losing 3.1%. At an aggregate level, the EPRA/NAREIT North America Index (USD) was down 2.3% during the month. Volatility in North America is 15%.

Country	May-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
North America (USD)	-2.3	8.1	140.3	19.2
United States (USD)	-2.4	8.2	137.4	18.9
Canada (CAD)	-3.1	0.0	123.3	17.4

Source: EPRA

US stocks headed up the Global and North American top performers list in May. Affordable Residential jumped 15% during the month, followed by Corrections Corp of US (+14%) and Medical Properties (+13%). National Health Properties added 11% and Canadian residential player Boardwalk gained 10%. Big loser in North America was Retirement Residences (-17%).

Mills Corp said that it had signed confidentiality agreements with 30 prospective buyers and investors. The REIT said that it will continue to seek buyers until 13 June. Mills also completed US\$ 1.91 billion of US\$ 2.23 billion in previously announced loans from Goldman Sachs to repay debt. The company is expected to complete the remaining loans over the next few months. The additional capital will be used for general purposes. Mills ended 3% down in May.

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. The deal is expected to be completed by 30 June 2006. CarrAmerica closed the month -1%.

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 was deleted from the FTSE EPRA/NAREIT Global Real Estate Index on 3 May.

Continuing the M&A activity, GE Real Estate completed its deal for office investor Arden Realty for \$3.2 billion in cash. GE Real Estate paid \$45.25 a share for Arden Realty. In addition, GE Real Estate assumed \$1.6 billion of debt. Trizec Properties will buy a part of Arden assets for \$1.63 billion. Arden was deleted from the FTSE EPRA/NAREIT Global Real Estate Index as at 3 May 2006.

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.' The deal is expected to be completed on 30 June. Shurgard and Public Storage both lost 7% in May.

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LBA Realty completed its deal for Bedford Property in May. The offer valued Bedford Property at \$435 million. Closely held LBA Realty paid \$27 a share for Bedford. Bedford Property was deleted from the FTSE EPRA/NAREIT Global Real Estate Index effective 4 May.

Starwood Hotels completed the sale of 28 hotels to Host Marriott. Host Marriott issued 133.5 million shares to finance the deal. In addition, Host Marriott changed its name to Host Hotels and Resorts on 1 May 2006. The sale of the 28 hotels means Starwood Hotels & Resorts will be deleted from the FTSE EPRA/NAREIT Global Real Estate Index as at 19 June 2006, in accordance with rule 1.7(g). Starwood added 6% in May. Host Hotels dropped 5%.

Boykin Lodging said it had agreed to be acquired by Westmont Hospitality Group and Cadim, for US\$ 11 per share. The deal values Boykin at US\$ 416 million. The deal maybe completed in the third quarter of 2006 providing it is approved by Boykin shareholders. Boykin shares jumped 8% during the month.

Meristar Hospitality was deleted from the FTSE EPRA/NAREIT Global Real Estate Index on 3 May 2006. Meristar shareholders approved the merger with Alcor Acquisition, an affiliate of the Blackstone Group on 27 April. Blackstone bought Meristar for approximately \$2.6 billion. Blackstone will borrow \$1.93 billion to help finance the deal.

Commercial Net Lease Realty changed its name to National Retail Properties on 1 May 2006.

The next round of FTSE EPRA/NAREIT Global Real Estate Index quarterly reviews will be held on Wednesday 7th June. The reviews take the form of three separate regional committee meetings.

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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 May, there were a total of 311 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-May	Div		Total		Total		36 Mths Vity (%)
			Yld (%) 31-May	QTD	Rtn (%)	May-06	Rtn (%) YTD		
Total Return									
Global	EUR	2,240.69	3.63	-	9.42	-	5.26	0.64	12.34
Asia	EUR	1,603.83	3.32	-	9.14	-	7.84	-	14.99
Europe	EUR	2,858.78	2.62	-	5.94	-	3.68	10.76	10.06
North America	EUR	2,683.04	4.27	-	10.92	-	4.20	-	15.48
Global Ex-Asia	EUR	2,692.04	3.78	-	9.52	-	4.05	2.33	13.06
Global Ex-Europe	EUR	2,077.56	3.90	-	10.27	-	5.65	-	13.75
Global Ex-North America	EUR	2,079.63	3.04	-	7.88	-	6.22	2.05	11.29
Asia	EUR	1,603.83	3.32	-	9.14	-	7.84	-	14.99
Pure Asia	EUR	1,664.22	2.77	-	9.68	-	8.09	-	15.42
Japan	JPY	2,870.73	1.09	-	14.04	-	8.64	-	24.79
Australia	AUD	2,236.42	6.41	-	1.62	-	1.36	0.01	8.42
Pure Australia	AUD	2,345.81	1.09	-	0.69	-	0.24	4.37	8.95
Hong Kong	HKD	1,558.84	2.24	-	2.96	-	8.81	12.98	24.26
Singapore	SGD	1,300.07	3.14	-	9.10	-	10.28	13.70	17.48
New Zealand	NZD	1,279.74	6.26	-	3.55	-	4.12	5.12	-NA-
Europe	EUR	2,858.78	2.62	-	5.94	-	3.68	10.76	10.06
Europe Net Index	EUR	1,796.34	1.97	-	6.16	-	3.74	10.45	-NA-
Euro Zone	EUR	3,027.57	3.17	-	6.87	-	5.10	13.02	10.52
Euro Zone Net Index	EUR	1,830.63	2.38	-	7.28	-	5.24	12.43	-NA-
Europe Ex UK	EUR	3,135.91	3.06	-	7.43	-	5.35	11.84	10.43
Europe Ex UK Net Index	EUR	3,088.81	2.30	-	7.85	-	5.47	11.23	10.51
Europe Liquid 40	EUR	2,787.59	2.64	-	5.99	-	3.65	10.90	10.60
Europe Liquid 40 Net Index	EUR	2,743.18	1.98	-	6.22	-	3.71	10.59	-NA-
Europe Liquid 40 Ex UK	EUR	3,246.49	3.17	-	7.77	-	5.55	11.81	10.93
Europe Liquid 40 Ex UK Net Index	EUR	3,148.32	2.38	-	8.24	-	5.67	11.16	-NA-
UK	EUR	2,643.49	2.17	-	4.36	-	1.90	9.52	12.28
UK Net Index	EUR	1,749.13	1.63	-	4.36	-	1.90	9.52	-NA-
Netherlands	EUR	2,771.59	5.24	-	8.07	-	8.45	7.62	11.61
France	EUR	3,372.66	3.12	-	11.62	-	6.61	13.22	14.76
Austria	EUR	1,650.91	0.14	-	0.84	-	1.10	3.98	4.48
Spain	EUR	6,748.01	1.78	-	0.27	-	0.65	32.94	18.14
Sweden	EUR	3,526.96	4.53	-	16.67	-	9.09	-	1.53
Germany	EUR	1,460.84	2.54	-	4.61	-	0.71	28.03	19.47
Switzerland	EUR	1,714.89	0.47	-	3.50	-	4.48	7.18	10.57
Italy	EUR	3,774.72	2.21	-	11.33	-	9.18	9.23	16.20
Belgium	EUR	1,880.32	6.06	-	4.29	-	2.81	-	0.48
Denmark	EUR	813.13	1.33	-	5.76	-	0.82	28.92	50.73
Finland	EUR	3,765.02	4.61	-	12.73	-	7.29	12.29	18.73
Poland	EUR	1,217.02	-	-	14.06	-	7.94	40.47	-NA-
UK	GBP	2,932.14	2.17	-	5.91	-	2.83	9.41	12.58
UK Net Index	GBP	1,537.27	1.63	-	5.91	-	2.83	9.41	-NA-
Switzerland	CHF	1,676.72	0.47	-	4.78	-	4.85	7.60	10.73
Sweden	SEK	3,838.84	4.53	-	18.11	-	9.44	-	2.78
Denmark	DKK	816.15	1.33	-	5.70	-	0.85	28.90	50.75
Poland	PLN	1,482.14	-	-	13.99	-	6.39	43.93	-NA-
Nth America	USD	3,289.38	4.27	-	5.45	-	2.31	8.06	15.21
United States	USD	3,264.44	4.17	-	5.67	-	2.37	8.18	15.51
Canada	USD	3,944.71	5.66	-	2.25	-	1.39	6.16	13.66

Source: EPRA

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