



July 2006

FTSE EPRA/NAREIT Global Real Estate Index

The FTSE EPRA/NAREIT Global Real Estate Index responded well (+3.8%) for the second consecutive month in July. Subsequently, year to date the index remains ahead 8.7%. In July, the Global Equity market advanced 100bps and Global Bonds added 90bps. All three real estate regions gained ground during the month. Europe added a very strong 6.4%, North America pushed forward 3.7%, and Asia completed the positive picture (+2.2%). 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 12.7% annually, Global Equities fell 10bps in comparison, and Global Bonds added 4.6%. As a result, over the total five-year period, Global Real Estate returned 82%, Global Equities dropped 60bps, and Global Bonds added 25%.

Asset Classes (EUR)	Jul-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Global Real Estate	3.8	8.7	82.1	12.7
Global Equities	1.0	-0.5	-0.6	-0.1
Global Bonds	0.9	-1.1	25.0	4.6
Europe Real Estate	6.4	20.4	148.0	19.9
N. America Real Estate	3.7	8.5	79.0	12.3
Asia Real Estate	2.2	2.1	62.9	10.3

Source: EPRA/FTSE/JP Morgan

Asia / Pacific

In the Asia/Pacific region, the performance of the countries was mixed. Performance ranged from -1.7% for EPRA/NAREIT Japan (JPY), to a more robust 3.7% for EPRA/NAREIT Hong Kong (HKD). EPRA/NAREIT Australia (AUD) gained 2.4%, EPRA/NAREIT New Zealand (NZD) ended the month up 2.3% and EPRA/NAREIT Singapore (SGD) lost 1.6%. Asia/Pacific 36 months rolling volatility is 15%.

Country	Jul-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Asia (EUR)	2.2	2.1	62.9	10.3
Australia (AUD)	2.4	8.7	105.0	15.4
Hong Kong (HKD)	3.7	17.3	89.0	13.6
Japan (JPY)	-1.7	-0.4	112.2	16.2
Singapore (SGD)	-1.6	13.1	99.6	14.8
New Zealand (NZD)	2.3	14.4	-NA-	-NA-

Source: EPRA

Singapore headed Asia-Pacific performers in July. CapitaCommercial Trust (+16%) topped the list, followed by Hong Kong based Kowloon Development and Hang Lung Properties who added 11% and 10% respectively. Australian developer Multiplex gained 9% during the month.

CapitaCommercial Trust said that assets in China and Malaysia will comprise 30 percent of its targeted US\$3.8 billion portfolio by 2009. David Tan, the trust's CEO said, "the trust will focus on buildings that have the highest rents in their markets to help sustain growth and will also enter markets where there are no property trusts, using its acquisitions as an avenue for landlords to divest their assets." CapitaCommercial is pursuing more acquisitions such as its joint SG\$2.2 billion purchase of Raffles City with CapitaMall Trust. CapitaCommercial raised its second quarter dividend 9.6% from the same period in 2005 to 1.77 Singapore cents. The trust was raised to 'outperform' by Macquarie research in July.

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CapitalLand said it plans to buy more shopping malls in China this year as the company taps higher consumer spending in the world's most populous country. Pua Seck Guan, head of CapitalLand's retail division, said that there were enough malls on offer in China for the company to buy five a month. This situation is very different compared against Singapore where you can expect to buy two sites per year. The company plans to manage, or own, more than 100 malls in China with four million square metres of space by 2010. CapitalLand fell 9% in July.

Fraser & Neave, Singapore's largest beverage maker, raised SG\$270 million in a trust that contains three Singapore shopping malls. The trust, named Frasers Centerpoint Trust was priced at SG\$1.03 per share. Based on this price, the trust offers a yield of 5.7% for the year starting 1 October 2006. The shares ended the month at SG\$1.06, or 3% higher than its debut price. Frasers Centerpoint aims to double its assets of US\$579 million in the next three years using some of its parent's assets. The trust did not qualify for the 'fast track' rule of the FTSE EPRA/NAREIT Global Real Estate Index.

Goldman Sachs expects Singapore to outpace Hong Kong as the largest property trust market in Asia, excluding Japan and Australia, in the next four years, boosted by its regulations and tax benefits. Goldman expects the REIT market to grow to over 100 trusts, with a market value of US\$60 billion by 2010. Singapore will forgo taxes for REIT payouts to individuals and cut taxes on dividends for overseas investors to boost the industry. Michael Smith, head of Asian real estate banking at Goldman said, "Singapore has the most liberal tax environment in the world and there is nowhere else in the world where you can invest in a REIT as an individual and not pay tax."

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. Tokyo office vacancies fell in May to the lowest levels since February 2001, as demand for space remained strong, according to Miki Shoji Co. The vacancy currently stands at 3.2%.

Europe

In July, the EPRA/NAREIT Europe Index (+6.4%) recorded its second strongest month for two years. Major countries in Europe were all ahead. EPRA/NAREIT UK (GBP) strengthened 7.1%, EPRA/NAREIT France completed a bullish month 6.6% up, and EPRA/NAREIT Netherlands (+7.4%) led the way. EPRA/NAREIT Sweden (+2.8%) continued to move ahead after disappointing figures in Q2. Broad European volatility stands at approximately 10%, the lowest of the three regions.

Country	Jul-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Europe (EUR)	6.4	20.4	148.0	19.9
UK (GBP)	7.1	19.8	152.0	20.3
Netherlands (EUR)	7.4	18.5	159.0	21.0
France (EUR)	6.6	26.6	217.3	26.0
Sweden (SEK)	2.8	8.5	202.3	24.8

Source: EPRA

Heading the European performers in July was Warehouses De Pauw. The Belgian industrial player jumped 16% in July. In the Netherlands, Eurocommercial Properties jumped 11%, closely followed by Silic (+10%) of France. Europe's largest listed real estate company in market capitalisation terms, Land Securities completed an impressive month in July, 10% up. British Land, the largest company in Europe in property asset terms ended July 9% ahead.

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Spain features heavily in the European headlines in July. Grupo Inmocaral is offering €3.76 billion in cash for competitor Inmobiliaria Colonial. The bid equates to €63 per share. La Caxia, Colonial's largest shareholder said it would back the deal and tender its 39.4% stake in the company. Colonial's H1 profit dropped 77% as the company sold fewer assets compared against the same period last year. Net asset value was €47.83 per share on 30 June, 34% higher compared to 12 months ago. Colonial closed the month at €62.75, or 1.1% ahead for the month.

Metrovacesa Chairman Joaquin Rivero and Bautista Soler had their €2.1 billion for a 26% stake in Metrovacesa approved by the Spanish regulator in July. Rivero and Soler, who already jointly own around 12% of Metrovacesa are offering €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 take Sacresa's total holding up to 44%. Spanish market regulators blocked Grupo Sacresa's plan to improve its offer in June, however the regulator said improved offers can now be tabled on 7 August. Metrovacesa ended July up 1.3%.

Staying in Spain, Construcciones Reyal, a closely-held Spanish builder, made a €3.3 billion, or €26 per share, takeover bid for Inmobiliaria Urbis, the Spanish real estate developer. Santander Central Hispano who holds 50.3% of the company agreed to tender its shares, potentially achieving a €1.2 billion gain. Urbis is not a member of the FTSE EPRA/NAREIT Global Real Estate Index. Urbis finished July at €25.67, or 33 cents short of the offer price.

Gecina, the French unit of Metrovacesa plans to sell a minority stake in its residential assets later this year through an IPO. The company plans to transfer properties into the French equivalent of a REIT structure (SIIC). Gecina plans to maintain control following the offer. Gecina fell 1.3% in July.

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 added 6.4% and Bail Investissement rose 5.8% in July. Fonciere des Regions is currently a constituent of the FTSE EPRA/NAREIT Global Real Estate Index; Bail Investissement is not.

British Land announced that Sir John Ritblat will step down as chairman of the company with effect from 31 December 2006 after 35 years with the company. Ritblat's replacement will be the London Stock Exchange chairman Chris Gibson-Smith.

The schedule for the German REIT structure (G-REIT) was set in July. Currently the schedule looks like the following:

- 20 Sept German cabinet to pass the draft bill for the G-REIT
- 19 Oct First reading in the German Parliament
- 29 Nov Consultations on G-REITs by the Finance Committee
- 15 Dec Ratification of the law by the Bundesrat
- 1 Jan 2007 REIT act effective

North America

Over the Atlantic, US real estate stocks gained 3.6% in USD terms in July. EPRA/NAREIT Canada (CAD) also hit a positive during the month, adding 3.8%. At an aggregate level, the EPRA/NAREIT North America Index (USD) was up 3.5% during the month. 36 months rolling volatility in North America is the highest of the three regions, currently standing at 16%.

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Country	Jul-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
North America (USD)	3.5	17.4	151.0	20.2
United States (USD)	3.6	17.8	148.8	20.0
Canada (CAD)	3.8	8.0	126.4	17.8

Source: EPRA

US stock American Financial Realty (+20%) topped Global and North America performers list in July. The company was raised to 'outperform' at Friedman, Billings, Ramsey & Co during the month. The company announced the signing of a multi-year agreement to work with Sandler O'Neill Mortgage Finance to deliver sale-leaseback opportunities to middle market financial institutions holding assets between US\$500 million and US\$40 billion. Canadian listed IPC US REIT, which has ownership interests in 36 office buildings, jumped 12.5% in July. The trust announced on 26 July that contrary to a report in a real estate industry newsletter, the REIT was not in negotiations with a potential purchaser.

Kimco Realty, the largest owner of US community shopping centres, agreed to buy Pan Pacific Retail Properties for US\$2.9 billion. The deal means Kimco can expand on the west coast of the US. New York based Kimco will pay US\$70 per share for San-Diego based Pan-Pacific. Kimco moved up 8.4% and Pan-Pacific lost 39bps in July.

Centro Watt, a joint venture between Centro Properties of Australia and Watt Commercial Properties of the United States, announced in July that it has entered into an agreement to purchase Heritage Property Investment Trust for US\$36.15 per share in cash. Heritage has retail assets valued at over US\$3 billion. The shopping centres are located in 27 states. The deal will result in Centro Watt owning 255 neighbourhood and community shopping centres in 32 states, making it the ninth largest retail property owner/manager in the United States. Heritage added 3.4% in July.

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 completion date is still pending. Shurgard (+5.4%) and Public Storage (+5.7%) both advanced in July.

Brookfield Properties and buyout firm Blackstone Group agreed to acquire Trizec Properties for \$8.9 billion including debt. The deal is the second largest takeover of a REIT. The purchase will triple Brookfield's US properties, especially in New York, Washington and Los Angeles. Brookfield is based in New York however half of its properties are located in Canada. The joint venture will pay \$29.01 a share for Trizec and \$30.97 for its Canadian subsidiary. Trizec was deleted from the FTSE EPRA/NAREIT Global Real Estate Index at the June quarterly review after failing the investibility rule. Brookfield added 3.6% in July.

CarrAmerica Realty shareholders approved the merger with and into Nantucket Acquisition Inc, an affiliate of The Blackstone Group on 11 July. The deal was worth US\$44.75 per share to CarrAmerica shareholders. CarrAmerica was deleted from the FTSE EPRA/NAREIT Global Real Estate Index with effect from 13 July. Blackstone has raised approximately US\$30 billion in the past 12 months including US\$7.2 billion to invest in real estate. The company started out in 1985 with co-founders Peter Peterson and Stephen Schwarzman, two assistants and US\$400,000. The 45 companies in the Blackstone portfolio currently have an annual revenue of US\$72 billion and employ around 350,000 people.

The next round of FTSE EPRA/NAREIT Global Real Estate Index quarterly reviews will be held on Tuesday 5th September. The reviews take the form of three separate regional committee meetings.

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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 July, there were a total of 320 stocks in the index.

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



Index Description	Curr	Close Value 31-Jul	Div		Total Rtn (%) Jul-06 YTD	Total Rtn (%) YTD	36 Mths Vlty (%)
			Yld (%) 31-Jul	Total Rtn (%) QTD			
Total Return							
Global	EUR	2,420.90	3.48	- 2.13	3.79	8.74	12.13
Asia	EUR	1,690.68	3.27	- 4.22	2.23	2.06	14.85
Europe	EUR	3,108.39	2.43	2.27	6.38	20.43	10.27
North America	EUR	2,933.89	4.09	- 2.59	3.66	8.51	15.19
Global Ex-Asia	EUR	2,940.68	3.57	- 1.17	4.50	11.79	12.89
Global Ex-Europe	EUR	2,239.93	3.76	- 3.25	3.10	6.02	13.45
Global Ex-North America	EUR	2,220.17	2.92	- 1.65	3.90	8.95	11.23
Asia	EUR	1,690.68	3.27	- 4.22	2.23	2.06	14.85
Pure Asia	EUR	1,734.66	2.77	- 5.86	1.35	2.37	15.30
Japan	JPY	2,963.00	1.10	- 11.28	- 1.69	- 0.44	24.61
Australia	AUD	2,431.64	6.15	6.97	2.40	8.74	8.48
Pure Australia	AUD	2,517.99	1.10	8.08	0.91	12.03	8.99
Hong Kong	HKD	1,618.27	2.30	0.74	3.68	17.29	23.65
Singapore	SGD	1,293.36	3.20	- 9.56	- 1.58	13.12	16.50
New Zealand	NZD	1,392.82	5.88	12.70	2.31	14.41	-NA-
Europe	EUR	3,108.39	2.43	2.27	6.38	20.43	10.27
Europe Net Index	EUR	1,952.59	1.82	2.00	6.36	20.06	-NA-
Euro Zone	EUR	3,266.42	2.82	0.48	5.05	21.93	10.56
Euro Zone Net Index	EUR	1,974.16	2.12	- 0.01	5.02	21.25	-NA-
Europe Ex UK	EUR	3,373.26	2.79	- 0.43	4.68	20.31	10.49
Europe Ex UK Net Index	EUR	3,320.68	2.09	- 0.94	4.64	19.58	10.57
Europe Liquid 40	EUR	3,057.51	2.39	3.11	7.13	21.64	10.91
Europe Liquid 40 Net Index	EUR	3,008.37	1.79	2.85	7.11	21.28	-NA-
Europe Liquid 40 Ex UK	EUR	3,525.06	2.83	0.14	5.14	21.40	11.03
Europe Liquid 40 Ex UK Net Index	EUR	3,417.49	2.12	- 0.40	5.11	20.66	-NA-
UK	EUR	2,907.79	2.03	5.20	8.29	20.47	12.55
UK Net Index	EUR	1,923.95	1.52	5.20	8.29	20.47	-NA-
Netherlands	EUR	3,052.67	4.76	1.25	7.41	18.54	11.87
France	EUR	3,772.49	2.74	- 1.15	6.58	26.64	14.97
Austria	EUR	1,720.33	0.11	3.33	4.23	8.35	4.88
Spain	EUR	7,075.92	1.70	5.14	1.18	39.40	17.56
Sweden	EUR	3,960.60	4.06	- 6.42	2.78	10.57	20.50
Germany	EUR	1,497.83	2.23	- 2.20	2.90	31.28	18.82
Switzerland	EUR	1,797.95	1.52	1.17	1.57	12.38	10.56
Belgium	EUR	2,025.44	5.62	3.10	5.20	7.20	7.38
Italy	EUR	3,933.95	2.49	- 7.59	0.06	13.84	16.21
Denmark	EUR	652.46	0.75	- 15.13	0.97	3.44	51.52
Finland	EUR	4,101.00	4.23	- 4.94	5.60	22.31	18.80
Poland	EUR	1,421.29	-	0.36	13.59	64.05	-NA-
UK	GBP	3,211.63	2.03	3.06	7.06	19.84	12.81
UK Net Index	GBP	1,683.83	1.52	3.06	7.06	19.84	-NA-
Switzerland	CHF	1,770.24	1.52	0.54	1.91	13.60	10.69
Sweden	SEK	4,285.55	4.06	- 8.58	2.82	8.53	20.93
Denmark	DKK	655.25	0.75	- 15.14	1.01	3.49	51.54
Poland	PLN	1,732.14	-	0.52	9.81	68.21	-NA-
Nth America	USD	3,573.60	4.09	2.72	3.46	17.39	15.19
United States	USD	3,554.48	4.00	2.71	3.56	17.79	15.48
Canada	USD	4,147.55	5.25	2.78	2.16	11.62	13.66

Source: EPRA

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