



December 2006

FTSE EPRA/NAREIT Global Real Estate Index

The FTSE EPRA/NAREIT Global Real Estate Index performed strongly (+3.3%) for the sixth consecutive month in December. Global real estate finished the year well ahead +27.3%. In December, the Global Equity market pushed forward 2.9% and Global Bonds lost 80bps. The three real estate regions were mixed over the final month of the year. Europe led the group (+8.8%) to end 2006 an incredible 49.4% ahead. Asia-Pacific added 6.1% in December, to complete an impressive year (+22.1%); and North America fell 1.1% on the month, but ended the year 21.9% up. 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 17% annually, Global Equities advanced 3.1% in comparison, and Global Bonds added 4.5%. As a result, over the total five-year period, Global Real Estate returned 120%, Global Equities gained 16.7% and Global Bonds both advanced 25%.

Asset Classes (EUR)	Dec-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Global Real Estate	3.3	27.3	119.5	17.0
Global Equities	2.9	9.3	16.7	3.1
Global Bonds	-0.8	1.0	24.8	4.5
Europe Real Estate	8.8	49.4	229.0	26.9
N. America Real Estate	-1.1	21.9	94.5	14.2
Asia Real Estate	6.1	22.1	107.3	15.7

Source: EPRA/FTSE/JP Morgan

Asia / Pacific

In the Asia/Pacific region, the performance of the countries was positive across the board. Performance ranged from 4.8% for EPRA/NAREIT Singapore (SGD), to a very strong 13.7% for EPRA/NAREIT New Zealand (NZD). EPRA/NAREIT Hong Kong (HKD) added 6.3%, EPRA/NAREIT Australia (AUD) gained 7.1% and EPRA/NAREIT Japan (JPY) ended the month up 6.8%. Asia/Pacific 36 months rolling volatility is 15%.

Country	Dec-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Asia (EUR)	6.1	22.1	107.3	15.7
Australia (AUD)	7.1	33.2	133.4	18.5
Hong Kong (HKD)	6.3	39.2	121.9	17.3
Japan (JPY)	6.8	25.8	225.8	26.6
Singapore (SGD)	4.8	63.8	181.6	23.0
New Zealand (NZD)	13.7	28.4	-NA-	-NA-

Source: EPRA

Hong Kong headed Asia-Pacific performers in December. Sino Land (+24%) topped the list, followed by China Overseas Land (+23%), China Resources Land (+18%) and Kerry Properties (16%). Mapletree Logistics Trust (Singapore) filled fifth slot with a gain of 16%. Kowloon Development (Hong Kong) held up the Asia-Pacific region with a loss of 10%.

Sino Land won a bid for a downtown waterfront site in Singapore. Sino Land plans to build a luxury boutique hotel with restaurants, shops and entertainment outlets the Government said in a statement. Sino Land said in a statement that the new development would complement what it already has in the area, and envisages a "Fisherman's Wharf" type project to draw tourists. Singapore sold the site as an attraction to help its target of doubling the number of overseas visitors to 17 million by 2015.

CapitaRetail China Trust (CRCT) jumped 59% on its first day of trading in December. The trust is the first pure-play China retail REIT listed in Singapore. The initial portfolio consists of seven retail malls which are strategically located in five cities across China. The portfolio is

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valued at SG\$690 million. CapitaLand sold 218 million shares at SG\$1.13 which was the top end of the pricing range. Investors applied for 167 times the available number of shares. The Trust did not meet the first track rule of the FTSE EPRA/NAREIT Global Real Estate Index.

CapitaLand will create a US\$630 million fund to invest in a waterfront development in Manama, Bahrain's capital city. The Shariah-compliant real estate fund, which will be called the Raffles City Bahrain Fund, would be the largest of its kind in the gulf region and Asia, Capitaland said in a statement. Capitaland plans to hold between 20 and 30 percent of the fund and sell the remaining shares to institutional investors and wealthy individuals. The company expects to close the fundraising in the first quarter of 2007.

Babcock & Brown called off its listing on Euronext Amsterdam of its European Retail Real Estate Fund. The fund consisted of a €1.5 billion portfolio of mainly supermarkets managed by Lidl in Germany and Switzerland.

Quarterly review additions effective 18 December were: ING Real Estate Community Living (Australia), Rubicon America Trust (Australia), Rubicon Europe Trust (Australia), Sunland Group (Australia), Shanghai Real Estate (Hong Kong), Nippon Commercial Investment (Japan), and Allco Commercial Real Estate (Singapore). AMP NZ Office Trust was deleted as it failed the traded volume rule for the second consecutive quarter.

Rounding up the corporate actions in the Asia-Pacific region, Allgreen Properties paid a special dividend (SG\$0.30) and issued rights on the terms 1 for 2 at SG\$0.60, Tokyo Tatemono Corp (Japan) paid a memorial dividend of JPY1 and NTT Urban Development Corp (Japan) completed a 5 for 1 stock split.

Europe

In December, the EPRA/NAREIT Europe Index continued to move in the right direction (+8.8%) after another strong month in December, to finish the year 49.4% higher. All major countries in Europe were well ahead. EPRA/NAREIT UK (GBP) leapt 9.6%, EPRA/NAREIT Netherlands forged ahead 9.1%, EPRA France continued its excellent run (+8.1%) and EPRA/NAREIT Sweden continued to bounce back (+8.4%) following poor results in the mid section of 2006. The table below shows extremely attractive returns for all European major countries in 2006. Broad European volatility stands at approximately 10%, the lowest of the three regions.

Country	Dec-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Europe (EUR)	8.8	49.4	229.0	26.9
UK (GBP)	9.6	48.0	238.4	27.6
Netherlands (EUR)	9.1	41.4	217.2	26.0
France (EUR)	8.1	67.4	351.3	35.2
Sweden (SEK)	8.4	35.8	287.8	31.1

Source: EPRA

Heading the European and Global performers in December was Babis Vovos. The Greek developer added 39% in December. Gecina (France) added 28%, followed by Risanamento (Italy) (+24%), Big Yellow (+23%) and Daejan Holdings (+21%). At the bottom, the Denmark propped up the European performers list with Keops pulling back 21%.

Derwent Valley agreed to buy London Merchant Securities for approximately £1 billion in November. The deal will create one of the largest office landlords in London's West End. Derwent Valley offered 298p per share in stock and cash. The total value of Derwent's bid is about £2 billion. Derwent Valley finished the month up 10% and London Merchant was just behind +9%.

Construcciones Reyal, a closely-held Spanish builder, completed its €3.3 billion, or €26 per share, takeover for Inmobiliaria Urbis, after the company announced that it held over 96% of the shares. Urbis was not a member if the FTSE EPRA/NAREIT Global Real Estate Index.

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Quarterly review additions effective 18 December were: Sparkassen Immobilien (Austria), Wereldhave Belgium, Patrizia Immobilien (Germany), Eurobank Properties (Greece) and Renta Corporation (Spain). Nordicom (Norway) was deleted. Daejan Holdings (UK) changed its free float to 30%.

According to Morgan Stanley, there are nine confirmed UK REITs as at 1 January 2007. Those confirmed are: British Land, Brixton, Great Portland Estates, Hammerson, Land Securities Group, Liberty International, Primary Health Properties, Slough Estates and Workspace Group.

In Germany, the Upper House Finance Committee presented two major comments on the draft G-REIT legislation. Firstly, they advised the Government to include residential real estate in the legislation, and secondly the committee wants to introduce a 3.5% transfer tax in addition to the reduced exit tax on capital gains of 20%. The 3.5% transfer tax is meant to compensate local authorities who would lose out under the current draft. The final legislation is expected in Q2 2007.

Italian REIT legislation looks set to move ahead in 2007. Italian budget law states that the Italian REIT will come into force on 30 June. Under the model for Società di Investimento Immobiliare Quotate (SIIQs), based on the French SIIC, there are no limits on gearing or external management. The main criteria are: exit tax of 20%, 85% distribution of income, largest shareholder may only hold 51% and 35% of the shares must be held by shareholders with a maximum stake of 1%. Although the fine details have yet to be worked out, the government has as yet placed no limitations on the incorporation of residential into the REIT structure.

In France, the SIIC 4 was approved in December. The new legislation addressed large holders of SIIC shares. Shareholders or shareholders acting in concert are not allowed to own more than 60% as from 1 January 2009 of existing SIIC structures. For new SIICs this is effective immediately. In addition, shareholders (non-SIIC or foreign equivalent) who own more than 10% of the share capital will be subject to 20% taxation on distributions as from July 2007.

North America

Over the Atlantic, US real estate stocks lost 1.7% in USD terms in December. Conversely, EPRA/NAREIT Canada (CAD) hit a positive note during the month, adding 1.5%. At an aggregate level, the EPRA/NAREIT North America Index (USD) ended down 1.6% during the month, however an impressive 36.3% for the year. 36 months rolling volatility in North America is the highest of the three regions, currently standing at 16%.

Country	Dec-06 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
North America (USD)	-1.6	36.3	190.5	23.8
United States (USD)	-1.7	36.7	187.3	23.5
Canada (CAD)	1.5	29.1	165.2	21.5

Source: EPRA

Canadian stocks headed up the North American performers. Alexis Nihon jumped 16% after it announced its takeover by Cominar REIT. Northern Property and Allied Properties both moved up 13%. From the United States, Senior Housing Properties added 12% and Orient Express Hotel added 11%. On the flip-side, GMH Communities Trust of Canada held up the North America list (-17%) for the second consecutive month.

Sam Zell's Equity Office will hold a shareholder vote on 5 February for its \$20 billion buyout offer from Blackstone Group. Blackstone Group offered \$48.50 per share. Chicago based Equity Office owns, or has interests in 580 offices, from New York and Washington to Los Angeles. The FT cited Zell as saying, "the decision to sell the

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company was the result of an unsolicited offer at a price that the board and I thought required the opportunity to endorse. He continued to add that, "the wave of public to private showed that the REIT market has matured and there is a market for control." Equity Office ended the month neutral.

Reckson Associates shareholders approved a sale worth US\$3.8 billion to SL Green Realty on 7 December. The bid comes after Reckson rejected an earlier higher bid by Icahn. CEO Scott Rechler won approval for the SL Green bid only after agreeing to give his US\$25 million severance to shareholders. Reckson finished December 6% down.

Global Signal and Crown Castle International announced a definitive merger agreement in October. Each Global Signal share can be exchanged for either 1.61 Crown Castle share or US\$55.95 in cash. The deal values Global Signal at US\$3.9 billion. The deal doubles the number of wireless towers owned by Crown Castle to 23,500. The deal is expected to be completed in the first quarter of 2007. Global Signal ended December 5% lower.

Health Care REIT (HCN) completed its acquisition of Windrose Medical Properties Trust for approximately \$877 million, including the assumption of outstanding debt, which totaled approximately \$426 million as of June 30, 2006. The deal was approved by Windrose shareholders in a special meeting held on 14 December. Under the terms of the agreement, each outstanding share of Windrose was exchanged for 0.4509 shares of Health Care REIT common stock. Windrose was deleted from the FTSE EPRA/NAREIT Global Real Estate Index as at 20 December.

The National Association of Realtors estimated that US commercial real estate investment hit new heights in 2006. More than \$236 billion in commercial real estate transactions were recorded up to the end of October, not including the Equity Office and Reckson deals. Office building transactions accounted for half of the total.

Quarterly review additions effective 18 December were: BNP Residential Properties, National Healthcare Corporation, Winthrop Realty Trust. Morguard (Canada) changed its free float to 75%.

A number of North American companies paid out special dividends in December: National Healthcare Corp (\$0.45), Lexington Corporate Properties (\$0.2325), Boston Properties (\$5.40), Winthrop Realty Trust (\$0.06), Host Hotels & Resorts (\$0.05), and Cominar REIT (Canada) (C\$0.01).

The next round of FTSE EPRA/NAREIT Global Real Estate Index quarterly reviews will be held on Wednesday 7th March. The reviews take the form of three separate regional committee meetings. Results are announced before the next days trading.

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 30 December, there were a total of 338 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 29-Dec	Div Yld (%) 29-Dec	Total Rtn (%) QTD	Total Rtn (%) Dec-06	Total Rtn (%) YTD	36 Mths Vlty (%)
Global	EUR	2,835.00	3.02	9.55	3.27	27.34	11.84
Asia	EUR	2,022.45	2.88	11.50	6.09	22.09	13.23
Europe	EUR	3,855.06	2.00	16.92	8.80	49.36	10.88
North America	EUR	3,295.71	3.64	4.93	- 1.12	21.89	15.09
Global Ex-Asia	EUR	3,409.05	3.10	8.63	1.96	29.59	12.73
Global Ex-Europe	EUR	2,582.37	3.32	7.59	1.78	22.23	13.06
Global Ex-North America	EUR	2,693.75	2.52	13.65	7.18	32.19	10.88
Asia	EUR	2,022.45	2.88	11.50	6.09	22.09	13.23
Pure Asia	EUR	2,081.87	2.41	11.41	5.94	22.86	13.77
Japan	JPY	3,743.45	0.96	13.25	6.76	25.78	23.28
Australia	AUD	2,978.75	5.15	13.76	7.15	33.20	8.95
Pure Australia	AUD	3,171.76	0.96	16.10	7.59	41.12	9.53
Hong Kong	HKD	1,920.65	2.20	13.77	6.28	39.20	20.26
Singapore	SGD	1,872.94	2.47	21.82	4.78	63.81	16.68
New Zealand	NZD	1,562.92	5.48	13.67	13.70	28.39	-NA-
Europe	EUR	3,855.06	2.00	16.92	8.80	49.36	10.88
Europe Net Index	EUR	2,419.88	1.50	16.86	8.79	48.79	-NA-
Euro Zone	EUR	4,018.29	2.38	13.55	8.38	50.00	11.15
Euro Zone Net Index	EUR	2,424.41	1.79	13.41	8.35	48.90	-NA-
Europe Ex UK	EUR	4,140.34	2.34	14.32	8.01	47.66	11.10
Europe Ex UK Net Index	EUR	4,070.00	1.76	14.20	7.99	46.57	11.19
Europe Liquid 40	EUR	3,841.99	1.96	17.97	9.64	52.85	11.60
Europe Liquid 40 Net Index	EUR	3,778.01	1.47	17.91	9.64	52.30	-NA-
Europe Liquid 40 Ex UK	EUR	4,414.91	2.43	14.84	9.12	52.05	11.84
Europe Liquid 40 Ex UK Net Index	EUR	4,274.73	1.82	14.72	9.12	50.93	-NA-
UK	EUR	3,642.07	1.65	19.58	9.61	50.89	13.13
UK Net Index	EUR	2,409.77	1.24	19.58	9.61	50.88	-NA-
Netherlands	EUR	3,642.34	3.94	10.53	9.10	41.43	12.94
France	EUR	4,986.56	2.19	16.49	8.06	67.40	15.22
Austria	EUR	1,990.64	0.09	10.29	5.67	25.38	5.69
Sweden	EUR	5,061.82	3.25	19.83	8.96	41.32	21.48
Germany	EUR	1,751.58	1.68	10.07	7.73	53.52	18.56
Switzerland	EUR	1,944.82	1.35	8.95	5.69	21.56	10.31
Belgium	EUR	2,219.05	5.46	2.01	3.52	17.45	8.45
Italy	EUR	5,608.23	1.74	33.57	13.61	62.29	18.31
Denmark	EUR	658.44	0.23	13.85	- 8.65	4.39	42.18
Finland	EUR	5,526.43	3.11	27.40	15.75	64.82	19.41
Poland	EUR	2,020.07	-	38.99	- 1.99	133.16	-NA-
UK	GBP	3,965.33	1.65	18.80	9.59	47.96	13.43
UK Net Index	GBP	2,078.99	1.24	18.80	9.59	47.97	-NA-
Switzerland	CHF	1,961.51	1.35	10.40	7.13	25.88	10.75
Sweden	SEK	5,363.93	3.25	16.47	8.42	35.84	21.71
Denmark	DKK	660.61	0.23	13.81	- 8.66	4.33	42.25
Poland	PLN	2,392.86	-	34.00	- 1.66	132.37	-NA-
Nth America	USD	4,148.05	3.64	9.23	- 1.64	36.26	15.53
United States	USD	4,125.78	3.57	9.44	- 1.73	36.73	15.85
Canada	USD	4,815.06	4.48	6.53	- 0.35	29.58	13.41

Source: EPRA

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