



July 2007

FTSE EPRA/NAREIT Global Real Estate Index

The FTSE EPRA/NAREIT Global Real Estate Index performance had another poor month in July. The index fell 6.2%. Global equity markets (-2.8%) fell back, while the bond market added 1.4%. The three real estate regions were all down during the month. Europe (-7.3%) and North America (-9.0%) were the continued focus of a sellers attention. Asia-Pacific fared better, but still ended the month 2.6% lighter. Year to date the Asia-Pacific region remains 6.3% ahead. Both North American (-15.3%) and European (-17%) stocks are behind in 2007. 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 16.1% annually, Global equities advanced 9.9% in comparison, and Global bonds added 3.8%. As a result, over the total five-year period, Global real estate returned 111%, Global equities gained 60% and Global bonds advanced 20%.

Asset Classes (EUR)	Jul-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Global Real Estate	-6.2	-8.4	111.2	16.1
Global Equities	-2.8	4.8	60.0	9.9
Global Bonds	1.4	0.9	20.4	3.8
Europe Real Estate	-7.3	-17.0	153.9	20.5
N. America Real Estate	-9.0	-15.3	72.4	11.5
Asia Real Estate	-2.6	6.3	152.2	20.3

Source: EPRA/FTSE/JP Morgan

Asia / Pacific

In the Asia/Pacific region, the performance of the countries was largely negative during the month. Performance ranged from an impressive push of 9.2% for EPRA/NAREIT Hong Kong (HK\$), to reversals for the remaining countries. EPRA/NAREIT Japan (JPY) was the heaviest hit, down 9.2%, EPRA/NAREIT New Zealand (NZ\$) fell 8.5%, EPRA/NAREIT Singapore (SG\$) ended 6% down and EPRA/NAREIT Australia (AUD) finished 4.5% in the red. Asia-Pacific 36 months rolling volatility is 12%, the lowest of the three regions.

Country	Jul-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Asia (EUR)	-2.6	6.3	152.2	20.3
Australia (AUD)	-4.5	-4.3	128.0	17.9
Hong Kong (HKD)	9.2	25.9	224.5	26.5
Japan (JPY)	-9.2	3.0	234.9	27.3
Singapore (SGD)	-6.0	23.5	296.7	31.7
New Zealand (NZD)	-8.5	0.6	-NA-	-NA-

Source: EPRA

Not surprisingly, Hong Kong heads up the top performers. Fifteen of the top 20 performers in Asia-Pacific were Hong Kong stocks. On top of the Global and Asian performers in July was residential developer China Overseas Land (+38%). The company plans to spend US\$2.6 billion on a residential and commercial project on the grounds of the Daminggong Palace ruins in Xian. The company also announced a proposed bonus issue of warrants on a ratio of 1 for 12 shares held. Agile Property jumped 36% (up 18% last month) and residential developer Hopson Development added 29%. New World China Land and China Resources added 25% and 22% respectively. China Resources shareholders agreed to acquire certain construction and related businesses from the parent company in July. Propping up the Asian performers was Premier Investment (-25%) of Japan. Major shareholder Nomura sold down 5,911 shares in July taking its stake down to 5.8%.

There is quite a bit of activity in the Australian market at the moment. Developer Multiplex received a takeover offer by Canadian based Brookfield Asset Management at A\$5.05 per

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share in June. The Multiplex board recommended the offer in July, with only a limited chance of a superior offer emerging. According to an independent expert, Grant Samuel, the valuation of Multiplex lies between A\$4.62 and A\$5.26, making the offer fair and reasonable.

Morgan Stanley agreed to buy Investa Property Group, the largest owner of offices in Australia for A\$4.7 billion (US\$3.9 billion) in May. The deal values shares at A\$3.08 each. The board of Investa unanimously recommended the deal. KPMG Corporate Finance (Australia), values the stapled units between A\$2.85 and A\$3.15, stating that the offer was at a premium of between 13 and 28 percent over the Investa market price based on the volume-weighted average price in the 12 months prior to the takeover announcement. Investa finished the month up 34 bps at A\$2.93.

Australian developer, Valad Property Group, completed a rights issue in July to buy Scarborough Group Holdings for A\$2 billion. Scarborough holds 89 properties in the UK, France, Germany, Denmark, Norway, and in central Europe. The deal sees Valad's European portfolio increase sevenfold. So far in 2007, Australian trusts have announced more than US\$2.6 billion of European property transactions fuelled by the shortage in opportunities in Australia. Valad fell 6.8% in July.

Macquarie Prologis Trust (MPT) announced in April that US industrial player Prologis offered to pay A\$1.43 for its shares, valuing the trust at A\$1.5 billion. Shareholders approved the plan on 27 June. The trust was deleted from the FTSE EPRA/NAREIT Global Real Estate Index effective 9 July.

Diamond City and Aeon Mall signed an agreement in March to merge in August in order to expand into China and other overseas markets. It is expected that Diamond City will delist from the exchange on 18 August. Diamond City dropped 4.3% and Aeon Mall fell 5.5% in July.

KK DaVinci Advisors dropped its hostile takeover of TOC after shareholders led by TOC Chairman Kazuhiko Otani rejected its offer. DaVinci's President Osamu Kaneko said, "Japan is a market where a 1,308 yen offer was beaten by a 800 yen offer – we were too optimistic" following his inability to secure the 45% stake he was seeking. TOC dropped 14% in July.

Rounding up the corporate actions for the Asia-Pacific region in July, Guocoland of Singapore had a 1 for 3 rights issue at SG\$2.50, Macquarie Goodman Group changed its name to Goodman Group and Westfield completed the final tranche of its A\$3 billion capital increase .

Europe

In July, the EPRA/NAREIT Europe Index continued to slide back (-7.3%). The heavily weighted UK market dropped 6.8%, but losses in Continental Europe pushed the aggregate return down further. The Netherlands (-9.3%) being the heaviest hit. All European countries now lie on negative territory year to date. The UK (-23%) is most affected, followed by the Netherlands (-10.1%), Sweden (-9.5%), and France (-8.4%). At a composite level, EPRA/NAREIT Europe Index is down 17%. Broad European volatility stands at approximately 14%.

Country	Jul-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Europe (EUR)	-7.3	-17.0	153.9	20.5
UK (GBP)	-6.8	-23.0	141.3	19.3
Netherlands (EUR)	-9.3	-10.1	156.5	20.7
France (EUR)	-6.0	-8.4	267.9	29.8
Sweden (SEK)	-2.5	-9.5	221.2	26.3

Source: EPRA

Heading the European performers in July was diversified developer Quintain Estates (+15%) of the UK. Four other UK companies complete the top five. Retail investor Freeport (+12.5%), UK Balanced Property Trust (+7.5%), UK Commercial Property Trust (+7%) and

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the ISIS Property Trust (+6%) all achieved good results in another difficult month for European stocks. Deutsche Wohnen ended the month at the bottom of the European performers, down 22%.

The UK Takeover Panel was busy in July. HBOS Plc has been given six weeks to decide whether to bid for this month's European top performer Quintain Estates. Quintain asked the Panel to set a deadline for Quill Securities, the HBOS unit considering the offer, to make up its mind to avoid a protracted period of uncertainty. Quill acquired 12 percent of Quintain on 12 July and stated on 16 July that it was considering an offer for the company.

The Panel also stated that Carlyle Group, a DC based private equity firm must pursue its £155 million offer for Freeport. In addition, the Panel said that Carlyle must send shareholders the offer document by 10 August if it did not appeal. Carlyle asked the Panel in April for permission not to proceed with the offer for Freeport. Carlyle had the support of 49% of investors.

The UK Balanced Property Trust signed an agreement in July to sell its property portfolio to GE Real Estate for £417.5 million. The deal follows a two months battle between the board of the trust and major shareholder Scottish Windows. The offer values the trust at a 3.7% premium to its holdings as at 12 June.

Unibail completed the merger of Rodamco Europe shares in July. Rodamco Europe shareholders tendered 71.4 million shares during the first round of the exchange deal. Rodamco shareholders received shares in Unibail on a 0.5223 for 1 basis. The second round of the exchange offer ran until 10 July when Unibail announced that it had obtained 96% of the shares. Unibail ended the month 8% down. Rodamco Europe was deleted from the FTSE EPRA/NAREIT Global Real Estate Index as at 16 July, with shares in Unibail increased to 81.3 million.

Beni Stabili is in the process of being acquired by Fonciere Des Regions (FDR). FDR CEO Christophe Kullmann said in June that "it (Beni Stabili) will immediately be a source of profit". Beni Stabili will convert into an Italian REIT structure and will remain on the Milan exchange with a free float of at least 35 percent according to Kullmann. Beni Stabili free float was changed to 40% in the index.

Danish Company, Keops, recommended that shareholders accept the bid by Icelandic competitor Fasteignafelagid Stodir. The deal values Keops at approximately US\$800 million, or DKK24 per share. The offer for the company started on 27 July and will run until 31 August. Keops finished the month unchanged at DKK23.70.

Rounding up the corporate actions for Europe, French company Affine exercised a 3 for 1 stock split.

North America

Over the Atlantic, US real estate stocks ended down 8% in USD terms in July, and EPRA/NAREIT Canada (CAD) lost 4.7%. At an aggregate level, the EPRA/NAREIT North America Index (USD) ended 7.7% in the red over the month. Seven months into 2007, North America is 12.1% down. 36 months rolling volatility in North America remains the highest of the three regions at 16%.

Country	Jul-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
North America (USD)	-7.7	-12.1	140.8	19.2
United States (USD)	-8.0	-13.3	135.5	18.7
Canada (CAD)	-4.7	-5.6	125.8	17.7

Source: EPRA

The United States dominated the North American performers list in July. Republic Property topped the list with a jump of 14.5%. Republic Property will be acquired by

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Liberty Property Trust for an estimated US\$850 million. The deal values Republic shares at US\$14.70. Legacy Hotels of Canada added 4%. Spirit Finance, National Healthcare and AMB Property all gained 1% in July to complete the top five. Mixed use office player, PS Business Parks, fell 19% to prop up the July movers.

Tishman Speyer Properties and Lehman Brothers Holdings agreed to buy residential player Archstone-Smith in May. The deal is worth \$60.75 per share with a total transaction value of \$22.2 billion including debt. Archstone has scheduled a special shareholders meeting on 21 August to vote on the offer. Archstone finished the month 2.9% down at US\$57.41.

Equity Inns agreed to be purchased by Whitehall for US\$23 per share. The total estimated size of the deal is US\$2.2 billion and is expected to be completed in the fourth quarter of 2007. Equity Inns was off 18bps in July at US\$22.36.

Crescent Real Estate entered into a definitive buyout agreement with Morgan Stanley at the end of May. Morgan Stanley Real Estate will purchase Crescent shares at US\$22.80 per share. Crescent shareholders will vote on the offer at a special meeting scheduled for 1 August. Crescent added 60bps in July, ending the month at US\$22.58.

Dundee REIT announced the potential sale of C\$2.4 billion worth of office and industrial assets to General Electric's real estate arm in June. GE also wants to purchase 18% of Dundee. Dundee has scheduled a special shareholder meeting on 15 August to vote on the sale.

Highland Hospitality was bought by JE Roberts for US\$19.50 per share. The all-cash transaction valued Highland at approximately \$2.0 billion, including the assumption by JER of approximately \$260 million of Highland's existing debt. Highland was deleted from the FTSE EPRA/NAREIT Global Real Estate Index on 20 July.

Innkeepers USA merger with Grand Prix was approved on 26 June by shareholders. Grand Prix paid US\$17.75 per share in cash and will assume Innkeepers debt. Innkeepers was deleted from the FTSE EPRA/NAREIT Global Real Estate Index effective 2 July.

Winston Hotels was the target of rival bids by Inland American Real Estate and Wilbur Acquisition Holding. Wilbur offered \$14.10 per share in April but this was topped by an unsolicited \$457.5 million bid (\$15 per share) from Inland American. Winston Hotels' shareholders approved the merger into Inland Acquisition in a special shareholder meeting on 21 June. Winston Hotels was deleted from the FTSE EPRA/NAREIT Global Real Estate Index effective 2 July.

Spirit Finance will be deleted from the FTSE EPRA/NAREIT Global Real Estate Index effective 1 August. The company was target of a takeover bid by Redford Merger Co. The deal valued Spirit at US\$14.50 per share.

Rounding up the corporate actions for the region, Corrections Corporate of America has a 2 for 1 stock split.

The next round of FTSE EPRA/NAREIT Global Real Estate Index quarterly reviews will be held on Wednesday 5th September. 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 31 July, there were a total of 310 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 31-Jul	Div		Total		Total		36 Mths Vlty (%)
			Yld (%) 31-Jul	Rtn (%) QTD	Rtn (%) Jul-07	Rtn (%) YTD			
Global	EUR	2,595.76	3.46	- 6.23	- 6.23	- 8.44	12.56		
Asia	EUR	2,148.98	2.85	- 2.60	- 2.60	6.26	12.02		
Europe	EUR	3,201.11	2.70	- 7.29	- 7.29	- 16.96	14.01		
North America	EUR	2,789.89	4.45	- 8.97	- 8.97	- 15.35	16.42		
Global Ex-Asia	EUR	2,869.82	3.84	- 8.40	- 8.40	- 15.82	14.42		
Global Ex-Europe	EUR	2,429.17	3.66	- 5.94	- 5.94	- 5.93	13.16		
Global Ex-North America	EUR	2,606.88	2.80	- 4.31	- 4.31	- 3.22	11.59		
Asia	EUR	2,148.98	2.85	- 2.60	- 2.60	6.26	12.02		
Pure Asia	EUR	2,231.38	2.39	- 2.32	- 2.32	7.18	12.68		
Japan	JPY	3,856.52	1.11	- 9.24	- 9.24	3.02	23.69		
Australia	AUD	2,850.22	5.66	- 4.55	- 4.55	- 4.31	10.25		
Pure Australia	AUD	3,027.43	5.57	- 4.96	- 4.96	- 4.55	10.84		
Hong Kong	HKD	2,417.45	1.87	9.16	9.16	25.87	16.62		
Singapore	SGD	2,313.45	2.12	- 5.95	- 5.95	23.52	17.03		
New Zealand	NZD	1,571.52	5.52	- 8.48	- 8.48	0.55	-NA-		
Europe	EUR	3,201.11	2.70	- 7.29	- 7.29	- 16.96	14.01		
Europe	EUR	2,002.78	2.03	- 7.33	- 7.33	- 17.24	14.04		
Euro Zone	EUR	3,536.36	2.98	- 8.13	- 8.13	- 11.99	14.42		
Euro Zone	EUR	2,122.18	2.24	- 8.20	- 8.20	- 12.47	14.47		
Europe Ex UK	EUR	3,679.99	3.10	- 7.64	- 7.64	- 11.12	14.38		
Europe Ex UK	EUR	3,595.69	2.33	- 7.71	- 7.71	- 11.65	14.43		
Europe Liquid 40	EUR	3,142.63	2.58	- 7.47	- 7.47	- 18.20	14.69		
Europe Liquid 40	EUR	3,080.87	1.94	- 7.51	- 7.51	- 18.45	14.72		
Europe Liquid 40 Ex UK	EUR	3,966.63	3.00	- 7.28	- 7.28	- 10.15	14.95		
Europe Liquid 40 Ex UK	EUR	3,816.55	2.25	- 7.36	- 7.36	- 10.72	15.02		
UK	EUR	2,803.89	2.22	- 6.85	- 6.85	- 23.01	15.98		
UK	EUR	1,855.18	1.67	- 6.85	- 6.85	- 23.01	15.98		
Netherlands	EUR	3,273.43	5.24	- 9.28	- 9.28	- 10.13	15.37		
France	EUR	4,567.22	3.07	- 5.98	- 5.98	- 8.41	18.15		
Austria	EUR	1,737.48	0.08	- 11.40	- 11.40	- 12.72	11.91		
Sweden	EUR	4,479.68	6.09	- 2.07	- 2.07	- 11.50	24.36		
Germany	EUR	1,336.10	2.92	- 9.68	- 9.68	- 23.72	21.47		
Switzerland	EUR	1,800.86	1.60	- 5.37	- 5.37	- 7.40	11.90		
Belgium	EUR	2,060.38	7.46	- 4.57	- 4.57	- 7.15	10.55		
Italy	EUR	4,114.06	2.06	- 12.29	- 12.29	- 26.64	22.58		
Denmark	EUR	968.83	0.16	4.35	4.35	47.14	39.54		
Finland	EUR	5,295.60	3.28	- 3.44	- 3.44	- 4.18	20.85		
Poland	EUR	1,978.13	-	- 20.76	- 20.76	- 2.08	-NA-		
UK	GBP	3,052.07	2.22	- 6.78	- 6.78	- 23.03	16.78		
UK	GBP	1,600.20	1.67	- 6.78	- 6.78	- 23.03	16.76		
Switzerland	CHF	1,858.71	1.60	- 5.83	- 5.83	- 5.24	12.71		
Sweden	SEK	4,851.88	6.09	- 2.47	- 2.47	- 9.55	24.64		
Denmark	DKK	970.23	0.16	4.34	4.34	46.87	39.60		
Poland	PLN	2,318.45	-	- 20.18	- 20.18	- 3.11	-NA-		
Nth America	USD	3,645.11	4.45	- 7.73	- 7.73	- 12.12	15.40		
United States	USD	3,575.17	4.39	- 7.98	- 7.98	- 13.35	15.87		
Canada	USD	4,954.27	4.98	- 5.08	- 5.08	2.89	12.05		

Source: EPRA

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