



June 2007

FTSE EPRA/NAREIT Global Real Estate Index

The FTSE EPRA/NAREIT Global Real Estate Index had a poor month in June. The index fell 7.7%. Global equity markets (-60 bps) fell back slightly, while the bond market eased off 50bps. The three real estate regions were all down during the month. Europe (-9.2%) and North America (-9.3%) were the focus of a sellers attention. Asia-Pacific fared a little better, but still ended the month 4.9% lighter. Year to date the Asia-Pacific region remains 9.1% ahead. Both North American (-7%) and European (-10.4%) 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 16.6% annually, Global equities advanced 8.7% in comparison, and Global bonds added 3.8%. As a result, over the total five-year period, Global real estate returned 115%, Global equities gained 52% and Global bonds advanced 21%.

Asset Classes (EUR)	Jun-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Global Real Estate	-7.7	-2.4	115.3	16.6
Global Equities	-0.6	7.7	52.0	8.7
Global Bonds	-0.5	-0.5	20.5	3.8
Europe Real Estate	-9.2	-10.4	168.6	21.8
N. America Real Estate	-9.3	-7.0	79.1	12.4
Asia Real Estate	-4.9	9.1	148.1	19.9

Source: EPRA/FTSE/JP Morgan

Asia / Pacific

In the Asia/Pacific region, the performance of the countries was mixed over the month. Performance ranged from a push of 5.8% for EPRA/NAREIT New Zealand (NZD), to a reversal of 11.1% for EPRA/NAREIT Japan (JPY). EPRA/NAREIT Hong Kong (HKD) and EPRA/NAREIT Singapore (SGD) added 3.1% and 2% respectively. EPRA/NAREIT Australia (AUD) ended the month down 4.9%. Asia-Pacific 36 months rolling volatility is 12%.

Country	Jun-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Asia (EUR)	-4.9	9.1	148.1	19.9
Australia (AUD)	-4.9	0.2	134.0	18.5
Hong Kong (HKD)	3.1	15.3	179.6	22.8
Japan (JPY)	-11.1	13.5	251.1	28.6
Singapore (SGD)	2.0	31.3	322.5	33.4
New Zealand (NZD)	5.8	9.9	-NA-	-NA-

Source: EPRA

On top of the Global and Asian performers in June was Hong Kong listed Shenzhen Investment (+25.7%). The company announced in June that it plans to purchase 1 million square metres of land for development projects. Staying in Hong Kong, Agile Property jumped 18.9% and residential developer China Resources added 15.7%. From Singapore, Allgreen Properties and Wing Tai both pushed forward 16%. Citigroup Global Markets reported that they expect Singapore home prices to rise as much as 25% in 2007. Propping up the Asian performers was Tokyu REIT (-19%) of Japan.

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\$50.5 per share in June. The Roberts family, the founders of the company and 26% stakeholders have accepted the offer. 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. Morgan Stanley has splashed out approximately US\$12.5 billion in the past

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few months on real estate investments. The purchase of Investa's office portfolio in Australia will add to offices bought in Berlin, Dallas and Las Vegas.

Macquarie Prologis Trust (MPT) announced in April that US real estate group Prologis offered to pay A\$1.43 for its shares. The deal values Macquarie Prologis at A\$1.5 billion. Geoff Lovell, the trust's CEO said that the deal had been on the cards since Prologis established the Prologis North American Industrial Fund in early 2006. Shareholders approved the plan on 27 June. MPT was up 35bps on the month. The trust will be 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 on 21 August in order to expand into China and other overseas markets. Aeon Mall fell 14% in June.

TOC is currently the subject of a newly tabled JPY1308 per share unsolicited bid by Japan's largest private real estate fund – KK DaVinci Advisors. The bid topped an offer of JPY800 per share by Toc president Takuo Ohtani, and KK's original bid of JPY1100. KK DaVinci will not purchase TOC if it fails to gain over 50% of the shares by 18 July according to a TSX announcement. TOC gained 14.3% in June.

Nomura Real Estate Holdings plans to build 20 office buildings in the Tokyo and Osaka regions after vacancies in the capital city fell to a 15 year low. The company plans to invest US\$404 million to develop a series of medium size buildings. The strategy is to sell the developments to investment type vehicles such as J-REITs.

Westfield Group plans to raise GBP530 million by selling stakes in four UK based shopping centres. According to a statement from the company, two investors agreed to buy 67 percent of a fund that will buy the stakes, with the remaining being sold to a wider group. The cash raised will be used to pursue development projects offering higher returns. The new fund, to be named the Westfield UK Shopping Center Fund, will have stakes in shopping centres worth just over GBP2 billion.

Quarterly review changes became effective on 18 June with Daikyo of Japan being deleted from the FTSE EPRA/NAREIT Global Real Estate Index as the company failed the minimum size criteria. Rounding up the corporate actions for the Asia-Pacific region in June, Shoen exercised an 11 for 10 stock-split and Westfield raised A\$2.25 billion through an entitlement issue at A\$19.50 - ex date 18 June.

Europe

In June, the EPRA/NAREIT Europe Index slid back considerably (-9.2%). The heavily weighted UK market dropped 8.9%, but losses in Continental Europe pushed the aggregate return down further. Sweden (-17.2%) being the heaviest hit. The UK is in the red year to date (-17.4%). France (-2.6%), The Netherlands (-90bps) and Sweden (-7.3%) now stand on negative ground for 2007. Broad European volatility stands at approximately 11%, the lowest of the three regions.

Country	Jun-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Europe (EUR)	-9.2	-10.4	168.6	21.8
UK (GBP)	-8.9	-17.4	147.0	19.8
Netherlands (EUR)	-9.3	-0.9	178.6	22.7
France (EUR)	-11.4	-2.6	292.9	31.5
Sweden (SEK)	-17.2	-7.3	212.9	25.6

Source: EPRA

Heading the European performers in June was Danish company Keops (+11.8%) following a takeover bid by a privately held Icelandic company. The bid values Keops at US\$790 million. The two largest shareholders in Keops with a combined stake of 62% have accepted the bid. The bid must hit 90% acceptances before it can be completed. Plaza Centers moved up 3.9% in June following a 'buy2' rating by UBS on initiating new coverage. Helical Bar added 3.6% after the company announced a set of good results - ahead of market expectations.

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Standard Life Investment Property Trust advanced 1%. Holding up the list of European stocks was Sweden based Kungsleden after a fall of 22%.

The UK Balanced Property Trust fell 1.1% in June as the battle between the board of the trust and major shareholder Scottish Windows continues. The independent directors of the company recommended in a statement made in June that the shareholders "voted against the Scottish Widows resolutions". Investors will vote on the proposal on 31 July.

Unibail secured almost 80% of Rodamco Europe shares in June. 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 runs until 10 July. If Unibail obtains 95% or more of the Rodamco's shares it will delist the stock. The deal creates the largest real estate company in Europe by market capitalization. The combined group will own a pro-forma 2006 portfolio appraised at €21.7 billion with a net rental income of €974 million. Unibail ended the month 10.8% down, while Rodamco Europe finished -10.5%.

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.

The European quarterly review saw Vivacon added to the index on 18 June. The company has a free float of 100% for index purposes. As part of the Unibail-Rodamco deal, Rodamco Europe saw free float reduced to 30% on 25 June, while Unibail issued new shares. New number of Unibail shares is 73.8 million. PSP Swiss Property paid a special dividend of CHF2.2 to shareholders on 21 June.

North America

Over the Atlantic, US real estate stocks ended down 9.3% in USD terms in June, and EPRA/NAREIT Canada (CAD) lost 5%. At an aggregate level, the EPRA/NAREIT North America Index (USD) ended 8.9% in the red over the month. At the half way stage for the year, North America is currently 4.8% down. 36 months rolling volatility in North America is the highest of the three regions, currently standing at 15%.

Country	Jun-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
North America (USD)	-8.9	-4.8	145.3	19.7
United States (USD)	-9.3	-5.8	140.2	19.2
Canada (CAD)	-5.0	-0.9	137.9	18.9

Source: EPRA

Canada topped the North American performers list in June. Dundee REIT jumped 16.5% after it announced the sale of C\$2.4 billion worth of office and industrial assets to General Electric's real estate arm. GE will also purchase 18% of Dundee. US based Equity Inns surged 13% following an offer by Goldman's Whitehall group. Back in Canada, Boardwalk REIT added 9%, followed by Primaris Retail Trust (+3.1%) and Winthrop Realty Trust (+2.5%). At the bottom end, Kimco was hit hard, with a loss of 18%.

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. The deal would provide the bidders with 86,000 apartments stretching from the east to the west coast. According to the National Association of Realtors, rental demand is set to increase as house prices fall. The deal is expected to be completed by the end of Q3. Archstone finished the month 4.2% down at US\$59.11.

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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 jumped 36% in Q2 (13% in June).

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 36bps in June.

Highland Hospitality will be bought by JE Roberts for US\$19.50 per share. The all-cash transaction is valued at approximately \$2.0 billion, including the assumption by JER of approximately \$260 million of Highland's existing indebtedness. Highland moved down 36bps in June.

Innkeepers USA merger with Grand Prix was approved on 26 June by shareholders. Grand Prix will pay US\$17.75 per share in cash and will assume Innkeepers debt. Innkeepers will be deleted from the FTSE EPRA/NAREIT Global Real Estate Index effective 2 July. Innkeepers is the owner of 74 hotels.

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 will be deleted from the FTSE EPRA/NAREIT Global Real Estate Index effective 2 July. Winston is the owner of 53 hotel properties across the United States.

The results of the North American quarterly review held on 6 June saw DCT Industrial enter the FTSE EPRA/NAREIT Global Real Estate Index. The company was added on 18 June at 100% free float. Rounding up the corporate actions for the region, Colonial Properties paid a special dividend of US\$10.75 on 18 June.

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 30 June, there were a total of 314 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 29-Jun	Div		Total		Total		36 Mths Vlty (%)
			Yld (%) 29-Jun	Rtn (%) QTD	Rtn (%) Jun-07	Rtn (%) YTD			
Global	EUR	2,768.21	3.27	- 7.20	- 7.65	- 2.36	11.67		
Asia	EUR	2,206.25	2.82	- 0.98	- 4.86	9.09	11.71		
Europe	EUR	3,452.91	2.45	- 12.17	- 9.18	- 10.43	12.93		
North America	EUR	3,064.68	4.09	- 9.72	- 9.26	- 7.01	15.27		
Global Ex-Asia	EUR	3,132.95	3.53	- 10.56	- 9.23	- 8.10	13.20		
Global Ex-Europe	EUR	2,582.53	3.49	- 5.78	- 7.23	0.01	12.39		
Global Ex-North America	EUR	2,724.20	2.69	- 5.34	- 6.48	1.13	10.98		
Asia	EUR	2,206.25	2.82	- 0.98	- 4.86	9.09	11.71		
Pure Asia	EUR	2,284.34	2.34	- 1.64	- 5.04	9.73	12.41		
Japan	JPY	4,249.08	1.00	- 7.43	- 11.12	13.51	23.02		
Australia	AUD	2,986.03	5.56	2.41	- 4.89	0.24	9.90		
Pure Australia	AUD	3,185.58	5.29	4.16	- 4.27	0.44	10.36		
Hong Kong	HKD	2,214.67	2.05	9.17	3.15	15.31	16.33		
Singapore	SGD	2,459.88	1.97	7.90	2.03	31.34	16.25		
New Zealand	NZD	1,717.22	5.05	2.55	5.75	9.87	-NA-		
Europe	EUR	3,452.91	2.45	- 12.17	- 9.18	- 10.43	12.93		
Europe	EUR	2,161.23	1.84	- 12.37	- 9.20	- 10.69	12.96		
Euro Zone	EUR	3,849.31	2.65	- 11.34	- 10.00	- 4.21	13.11		
Euro Zone	EUR	2,311.64	1.99	- 11.70	- 10.04	- 4.65	13.16		
Europe Ex UK	EUR	3,984.47	2.78	- 11.07	- 10.12	- 3.76	13.19		
Europe Ex UK	EUR	3,896.17	2.09	- 11.44	- 10.15	- 4.27	13.24		
Europe Liquid 40	EUR	3,396.37	2.33	- 12.73	- 9.27	- 11.60	13.62		
Europe Liquid 40	EUR	3,330.90	1.75	- 12.92	- 9.28	- 11.83	13.66		
Europe Liquid 40 Ex UK	EUR	4,278.24	2.71	- 11.07	- 10.36	- 3.10	13.86		
Europe Liquid 40 Ex UK	EUR	4,119.55	2.03	- 11.46	- 10.38	- 3.63	13.94		
UK	EUR	3,009.97	2.03	- 13.45	- 7.97	- 17.36	15.21		
UK	EUR	1,991.53	1.52	- 13.45	- 7.97	- 17.36	15.21		
Netherlands	EUR	3,608.34	4.48	- 7.16	- 9.27	- 0.93	13.93		
France	EUR	4,857.77	2.59	- 12.73	- 11.38	- 2.58	17.42		
Austria	EUR	1,961.14	0.07	- 11.10	- 8.57	- 1.48	9.44		
Sweden	EUR	4,574.32	5.92	- 16.10	- 16.82	- 9.63	24.24		
Germany	EUR	1,479.33	2.51	- 13.76	- 8.74	- 15.54	20.48		
Switzerland	EUR	1,903.08	1.39	- 6.74	- 3.73	- 2.15	11.31		
Belgium	EUR	2,158.98	7.12	- 10.09	- 6.38	- 2.71	10.03		
Italy	EUR	4,690.51	2.35	- 18.87	- 15.80	- 16.36	20.97		
Denmark	EUR	928.40	0.17	13.84	- 3.75	41.00	39.75		
Finland	EUR	5,484.32	3.17	- 15.04	- 12.80	- 0.76	20.65		
Poland	EUR	2,496.44	-	- 2.76	0.40	23.58	-NA-		
UK	GBP	3,274.04	2.03	- 14.16	- 8.94	- 17.43	16.03		
UK	GBP	1,716.58	1.52	- 14.16	- 8.94	- 17.43	16.01		
Switzerland	CHF	1,973.70	1.39	- 5.01	- 3.37	0.62	12.01		
Sweden	SEK	4,974.69	5.92	- 16.82	- 17.18	- 7.26	24.47		
Denmark	DKK	929.88	0.17	13.70	- 3.84	40.76	39.80		
Poland	PLN	2,904.76	-	- 5.24	- 1.01	21.39	-NA-		
Nth America	USD	3,950.58	4.09	- 8.40	- 8.93	- 4.76	14.40		
United States	USD	3,885.30	4.03	- 9.26	- 9.32	- 5.83	14.85		
Canada	USD	5,219.41	4.73	1.98	- 4.50	8.40	11.26		

Source: EPRA

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