



March 2007

## FTSE EPRA/NAREIT Global Real Estate Index

The FTSE EPRA/NAREIT Global Real Estate Index fell back (14bps) for the second consecutive month March, whereas the Global Equity markets and Global Bonds were stable. The three real estate regions were mixed over the second month of the new year. North America propped up the group down 3.2%. On the other hand, Europe gained 3% and Asia-Pacific added 1.7% in March. Year to date Asia-Pacific is ahead 10.17%, with North America and Europe dragging their heels in comparison with 3.0% and 1.97% respectively. 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 17.7% annually, Global Equities advanced 3.4% in comparison, and Global Bonds added 4.3%. As a result, over the total five-year period, Global Real Estate returned 126.2%, Global Equities gained 18% and Global Bonds advanced 23.5%.

Asset Classes (EUR)	Mar-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Global Real Estate	-0.1	5.2	116.4	16.7
Global Equities	0.0	0.2	13.9	2.6
Global Bonds	0.0	-0.2	24.8	4.5
Europe Real Estate	3.0	2.0	200.8	24.6
N. America Real Estate	-3.2	3.0	82.1	12.7
Asia Real Estate	1.7	10.2	131.9	18.3

Source: EPRA/FTSE/JP Morgan

### Asia / Pacific

In the Asia/Pacific region, the performance of the countries, on aggregate, was positive. Performance ranged from a strong push for the second consecutive month of 9.2% for EPRA/NAREIT Singapore (SGD), to a pull back of 3.9% for EPRA/NAREIT Australia (AUD). EPRA/NAREIT Japan (JPY) and EPRA/NAREIT Hong Kong (HKD) both added approximately 3.5% and EPRA/NAREIT New Zealand (NZD) ended the month up almost 6%. Asia-Pacific 36 months rolling volatility is 12%.

Country	Mar-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Asia (EUR)	1.7	10.2	131.9	18.3
Australia (AUD)	-3.9	-2.1	130.9	18.2
Hong Kong (HKD)	3.2	5.6	154.4	20.5
Japan (JPY)	3.7	22.6	285.9	31.0
Singapore (SGD)	9.2	21.7	253.2	28.7
New Zealand (NZD)	5.8	7.1	-NA-	-NA-

Source: EPRA

Hong Kong dominated Asia-Pacific top performers in March, although the diversified Singapore Real Estate company Guocoland topped the Global and Asia-Pacific performers with a gain of 44%. However, three Hong Kong-based companies, Agile Property Holdings, China Overseas and Shimao Property jumped an impressive 23-25%. The best-performing Japanese stock was Nippon Building Fund which posted a gain of 13.5%. Australian companies were primarily to be found at the bottom of the performance list, with Galileo Shopping America, Centro Properties and Sunland posting losses of 10-12%.

Regal Hotels International debuted on the Hong Kong exchange on 23 March. Regal REIT, Hong Kong's first hotel REIT, raised HK\$ 2.3 billion (\$298 million) in the sale. The REIT sold a 28% stake at HK\$2.68 per share. The Regal REIT will initially hold five hotels under the Regal brand in Hong Kong. The REIT may also acquire additional hotels in Greater China it said in the offer document. The REIT is too small to be included under the fast track rule of the FTSE EPRA/NAREIT Global Real Estate Index.

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Country Garden plans to raise a maximum of HK\$10 billion in its proposed IPO, likely to become the second largest China property company listed in the main board in terms of market capitalisation. Country Garden targets developing mid-to-high end residential property in Shunde in Guangdong Province, with an average selling price of HK\$5,000-6,000psm. The company may list in April.

Bloomberg reported that Australian property investors are likely to continue to broaden their interest in Europe in 2007. The report noted that there is strong competition for investment in Germany, although the weight of capital is causing strong demand while the supply of underlying property is limited. A number of Australian companies such as Westfield Group already own assets in the European market. In addition, Australian investors are well experienced in the United States market, Centro Properties \$3.7 billion cash purchase of New Plan being the latest example.

Land prices in Japan rose for the first time in 16 years as overseas and domestic investors competed to acquire properties in the country three biggest cities. Average commercial land prices rose 8.9% and residential 2.8% in 2006 according to the Ministry of Land. Land values are still recovering from the collapse of the asset bubble at the start of the 1990s and the ensuing decade of declines. Overseas investors continue to pour money into Japanese real estate, attracted by low interest rates, economic growth and new securities deals.

Mitsubishi-UBS filed for an application for approval of changes in "The Method of Business" to operate multiple REITs. The company plans to launch its second REIT following in the footsteps of its Japan Retail Fund. The second REIT will focus on the non-retail sector and the launch is planned in Q3. The application is similar to one submitted by Noruma Real Estate Asset Management, which operates the Nomura Office Fund and the Nomura Residential Fund.

The first quarter 2007 review became effective on 19 March. In the Asia-Pacific region, there was one addition, Shimao Property which entered the index with a 40% free float. A total of eleven companies were deleted following the implementation of the new minimum size rule. ING Real Estate Community Living, Rubicon America Trust, Rubicon Europe Trust, Far East Consortium, GZI Real Estate Investment Trust, HKR International, Pacific Century Premium Developments, Prosperity REIT, Shanghai Real Estate, Allco Commercial Real Estate and Fortune REIT all dropped out of the index.

Rounding up the corporate actions for the Asia-Pacific region in march, ING Office Fund paid a special dividend of A\$0.01.

**Europe**

In March, the EPRA/NAREIT Europe Index regained some of the ground it lost in January and February, with Sweden and the UK showing good positive returns, and the Year to date-figures are also back in the green except for the UK. Broad European volatility stands at approximately 11%, the lowest of the three regions.

Country	Mar-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
Europe (EUR)	3.0	2.0	200.8	24.6
UK (GBP)	4.3	-3.8	189.3	23.7
Netherlands (EUR)	1.7	6.7	199.4	24.5
France (EUR)	1.9	11.6	376.6	36.7
Sweden (SEK)	6.2	11.5	283.5	30.8

Source: EPRA

Heading the European performers in March was Austrian Sparkassen Immobilien with a gain of 23%. UK's Marylebone Warwick Balfour and Freeport added almost 20%. German companies had a difficult month, with major players like Gagfah (-6%), Deutsche Wohnen (-14.7%) and Patrizia Immobilien (-20.65%) posting losses.

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There was quite some activity in the largest capitalization companies in Europe during March. In France Unibail and Whitehall funds have agreed to sell Coeur Defense in Paris to Lehman Brothers Real Estate and Atemi for €2.1 billion. Over the channel, British Land and Tesco announced that they had formed a joint venture which will own a portfolio of 21 Tesco superstores across the UK with a total investment value of GBP 650 million, which offers a net yield of 4.5%.

Metrovacesa and Gecina will split the companies' assets and both controlling shareholders into two vehicles to resolve the struggle for control. As a result, Gecina will once again become an independent company, while the French asset base of Metrovacesa will be significantly reduced. It is expected that the Sanahuja family, owner of 39.6 percent of Metrovacesa will get Gecina assets worth €1.8 billion in addition to raising its holdings in Metrovacesa. On the other hand, Rivero and Soler will receive control of Gecina and €269 million worth of Metrovacesa's Spanish assets. The split was approved by the Spanish stock market regulator in March. Gecina crept up 15bps, while Metrovacesa (+1%) ended on positive in March.

Alstria Office, a German investor in office property, is planning to sell shares in an IPO before the summer. The company which is based in Hamburg plans to invest between €500 and €750 million in property over the next two years. Alstria, which owns 71 properties valued at €1.6 billion said the IPO would make it easier for the company to eventually convert into a G-REIT in the future.

The German lower house of parliament has passed the German REIT Act (G-REIT), and the legislation is expected to be ratified by the upper house on 30 March. The basic structure of the bill tabled in January 2007 remains unaltered with residential assets being excluded from the legislation.

In Europe, the quarterly review meant that both Plaza Centers and UK Commercial Property Trust of the UK were added with a 40% and 30% free float weighting respectively. Three UK companies were deleted from the index: McKay Securities, Town Centre Securities and Warner Estates, along with Norgani Hotels from Norway. Renta Corporacion of Spain increased its free float from 30% to 40%.

Rounding up the corporate actions in Europe were two capital repayments. Hufvudstaden (Sweden) repaid SEK 10 to shareholders, while French company Acanthe Development repaid €0.16.

#### North America

Over the Atlantic, US real estate stocks dropped off 2.2% in USD terms in March, and EPRA/NAREIT Canada (CAD) hit an ever more negative note during the month, dropping 6.1%. At an aggregate level, the EPRA/NAREIT North America Index (USD) ended down 2.4% during the month. North America is ahead 4.0% so far in 2007. 36 months rolling volatility in North America is the highest of the three regions, currently standing at 16%.

Country	Mar-07 Return %	YTD Return %	Rolling 5 Yrs Return %	Average Annual Return %
North America (USD)	-2.4	4.0	177.9	22.7
United States (USD)	-2.2	3.8	174.0	22.3
Canada (CAD)	-6.1	5.4	164.0	21.4

Source: EPRA

Brookfield Properties, an office investor, topped the list by adding an impressive 35% in March. Further, Lodging/Resorts companies dominated the list of top performers, with 10 of the top 15 companies being active in this sector. Last month's winner, Boardwalk REIT had a more difficult month, losing 11.8% and Chartwell Senior Housing at the bottom of the list with a loss of 12.71%.

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Mills Corp, the owner of 38 shopping malls was acquired by Simon Property and Farallon Capital Management for \$1.64 billion. Simon and Farallon paid \$25.25 a share in cash, or \$7.9 billion including debt and preferred stock, higher than its earlier bid of \$24 a share. Mills had lost more than a third of its market value in the last 12 months after becoming the subject of a SEC accounting probe and running out of money on its largest ever project - the 104-acre Meadowlands Xanadu shopping and entertainment complex in New Jersey. Mills Corp will be deleted from the FTSE EPRA/NAREIT Global Real Estate Index as at 2 April.

On 23 March, the Canadian court dismissed a move to reverse a ruling that forced Healthcare Property to remove a C\$1.4 billion takeover bid. Ventas had moved to block Healthcare Properties Investors (HCP) renewing its offer for Sunrise REIT. Ventas maintains that existing agreements prevent either bidder making new offers until May 2008. Ventas Inc, active in the healthcare sector, agreed to buy Sunrise Senior Living REIT for C\$1.14 billion in March to break into the seniors housing market in Canada. Sunrise operates 74 residences in Canada and the US. Ventas fell 8%, and HCP was down 1.8% during the month.

Centro Properties Group, Australia's second largest shopping centre owner, agreed to purchase New Plan Excel realty Trust for \$3.7 billion in cash. The deal will make Centro the fifth largest mall owner in the US. The deal will be Centro's sixth deal in the US since 2003. Centro has transformed from an operator of regional malls in Australia to an international shopping mall owner. New Plan fell 1% during the month and Centro dropped 11.4%.

Winston Hotels is the target of a \$430 million bid by Wilbur Acquisition Holding. Wilbur is offering \$14.10 per share. Winston is the owner of 53 hotel properties across the United States. Winston has also received an unsolicited \$457.5 million bid from Inland American Real Estate Trust. Winston climbed 7% in March.

The 1<sup>st</sup> of March saw both Columbia Equity Trust and BNP Residential deleted from the FTSE EPRA/NAREIT Global Real Estate Index following the completion of takeover offers by JP Morgan and Babcock & Brown respectively.

The quarterly review saw one addition and two deletions on 19 March. Extendicare REIT was included with a 100% free float. IPC US REIT failed on grounds of liquidity and National Health Investors was deleted as it failed the EBITDA rule.

To complete the corporate actions in March for the region, Brookfield Properties had a 3 for 2 stock-split and United Dominion Realty Trust changed its name to UDR.

The next round of FTSE EPRA/NAREIT Global Real Estate Index quarterly reviews will be held on Wednesday 6<sup>th</sup> June. 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](http://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 March, there were a total of 316 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 30-Mar	Div Yld (%) 30-Mar	Total Rtn (%) QTD	Total Rtn (%) Mar-07	Total Rtn (%) YTD	36 Mths Vlty (%)
Global	EUR	2,983.12	2.92	5.22	- 0.14	5.22	11.82
Asia	EUR	2,228.06	2.65	10.17	1.74	10.17	12.09
Europe	EUR	3,931.17	1.97	1.97	3.04	1.97	10.79
North America	EUR	3,394.64	3.64	3.00	- 3.16	3.00	15.98
Global Ex-Asia	EUR	3,502.67	3.07	2.75	- 1.13	2.75	13.10
Global Ex-Europe	EUR	2,740.94	3.20	6.14	- 1.02	6.14	13.15
Global Ex-North America	EUR	2,877.78	2.39	6.83	2.24	6.83	10.34
Asia	EUR	2,228.06	2.65	10.17	1.74	10.17	12.09
Pure Asia	EUR	2,322.35	2.19	11.55	2.46	11.55	12.71
Japan	JPY	4,590.13	0.81	22.62	3.67	22.62	22.25
Australia	AUD	2,915.89	5.36	- 2.11	- 3.92	- 2.11	9.58
Pure Australia	AUD	3,058.23	0.81	- 3.58	- 3.37	- 3.58	10.09
Hong Kong	HKD	2,028.62	2.16	5.62	3.24	5.62	17.58
Singapore	SGD	2,279.68	2.07	21.72	9.23	21.72	16.73
New Zealand	NZD	1,674.55	5.12	7.14	5.77	7.14	-NA-
Europe	EUR	3,931.17	1.97	1.97	3.04	1.97	10.79
Europe Net Index	EUR	2,466.27	1.48	1.92	2.99	1.92	-NA-
Euro Zone	EUR	4,341.73	2.24	8.05	1.99	8.05	11.04
Euro Zone Net Index	EUR	2,618.08	1.68	7.99	1.96	7.99	-NA-
Europe Ex UK	EUR	4,480.34	2.21	8.21	2.61	8.21	11.03
Europe Ex UK Net Index	EUR	4,399.61	1.66	8.10	2.52	8.10	11.12
Europe Liquid 40	EUR	3,891.85	1.93	1.30	3.04	1.30	11.48
Europe Liquid 40 Net Index	EUR	3,825.00	1.45	1.24	2.99	1.24	-NA-
Europe Liquid 40 Ex UK	EUR	4,810.75	2.25	8.97	2.55	8.97	11.73
Europe Liquid 40 Ex UK Net Index	EUR	4,652.82	1.69	8.84	2.46	8.84	-NA-
UK	EUR	3,477.85	1.68	- 4.51	3.55	- 4.51	13.47
UK Net Index	EUR	2,301.10	1.26	- 4.51	3.55	- 4.51	-NA-
Netherlands	EUR	3,886.65	3.77	6.71	1.73	6.71	12.69
France	EUR	5,566.57	2.00	11.63	1.88	11.63	15.38
Austria	EUR	2,206.04	-	10.82	4.01	10.82	7.06
Sweden	EUR	5,452.38	3.20	7.72	5.34	7.72	21.39
Germany	EUR	1,715.43	1.82	- 2.06	- 0.52	- 2.06	18.90
Switzerland	EUR	2,040.61	1.27	4.93	5.24	4.93	10.70
Belgium	EUR	2,401.38	5.05	8.22	3.45	8.22	8.30
Italy	EUR	5,781.12	1.69	3.08	0.57	3.08	18.03
Denmark	EUR	815.51	0.18	23.85	12.67	23.85	39.67
Finland	EUR	6,455.03	2.83	16.80	6.62	16.80	19.34
Poland	EUR	2,567.37	-	27.09	11.17	27.09	-NA-
UK	GBP	3,814.19	1.68	- 3.81	4.26	- 3.81	14.11
UK Net Index	GBP	1,999.75	1.26	- 3.81	4.26	- 3.81	-NA-
Switzerland	CHF	2,077.80	1.27	5.93	6.01	5.93	11.50
Sweden	SEK	5,980.28	3.20	11.49	6.15	11.49	21.64
Denmark	DKK	817.84	0.18	23.80	12.66	23.80	39.72
Poland	PLN	3,065.48	-	28.11	9.69	28.11	-NA-
Nth America	USD	4,313.07	3.64	3.98	- 2.42	3.98	16.17
United States	USD	4,281.95	3.58	3.79	- 2.23	3.79	16.48
Canada	USD	5,118.03	4.36	6.29	- 4.59	6.29	14.25

Source: EPRA

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