



EPRA/NAREIT Global Real Estate Index

Global Overview – Real Estate Continues to Impress

Global Real Estate put in another impressive performance in 2003. The EPRA/NAREIT Global Real Estate Index posted a gain of 17.1% over the course of the year. In comparison, the Global Equity market increased 11.3% and Global Bonds added 2.9%. All three regions drove the EPRA/NAREIT Global Real Estate Index forward. North America and Europe added 14.6% and 20.4% respectively. Asia was the star performer, just piping Europe to the post, with a strong increase of 20.5%. All returns are expressed in EUR.

Global Real Estate has outperformed Global Equities in four of the last five years, and has outperformed Global bonds in three of the last five years. As a result, over the total five years period, Global Real Estate returned 66%, Global Equities lost 9% and Global Bonds added 28%

Asia / Pacific

In Asia, Hong Kong led the way at a country level. The EPRA/NAREIT Hong Kong Index (HKD) moved ahead 48.5%, heading the performance rankings in Asia. The first half of the year proved tough for the Hong Kong stocks with almost 8% stripped off its value. Hong Kong's property market has sagged through two economic recessions since 1997, when a financial crisis roiled Asia and plunged the city into a deflationary spiral that cut apartment values, prices in shops, and wages. The SARS epidemic, which killed 229 people in the city, saw home sales at crawling pace between March and June 2003, and dampened customer spending. Since June, sales recovered and re-born optimism lifted the market. The EPRA/NAREIT Hong Kong Index bounced back 61% in the second half of 2003. At a stock level, office investor Hysan Developments more than doubled its value in 2003 (+113%), topping the Asian and Hong Kong performers list. On the office development side, China Overseas Land jumped 99%. Diversified developers all scored highly. Kerry Properties (+ 89%), Sino Land (+ 79%) and New World Development (+ 62%) all forged ahead. The largest stock in Hong Kong by market capitalisation Sun Hung Kai Properties added 43%.

Of the Asian countries, Australia was least spectacular, however the Listed Property Trust (LPT) market continued to add to the consistent growth of previous years. The EPRA/NAREIT Australia Index (AUD) recorded + 8.8%, with a dividend return of 6.7%. Of the Australian stocks, diversified developer Australand (+ 29%) led the field in 2003. In sub-sector performance, industrial stocks led the way. Macquarie Goodman Industrial Trust added 24%, with its industrial peers Deutsche Industrial and ING Industrial both recording +15%. Finally Stockland Trust moved ahead 15% to secure its place in the Australian top 5 performers. 2003 proved busy in terms of M&A activity in Australia. AMP Shopping Centre Trust, AMP Diversified Property Trust, Principal Office Fund and AMP Industrial Trust were all taken over during the year.

EPRA/NAREIT Japan (JPY) jumped 25.2% during 2003. Japanese developers headed the best performers. Sumitomo Realty & Development fell just short of a triple digit return at 97%. Office developer Heiwa Real Estate, hit 49% leaving some distance between third placed diversified stock Mitsui Fudosan (+ 27%). The three J-REITs in the benchmark all recorded attractive results. Japan Retail advanced 26%, and office investors Japan Real Estate and Nippon Building both added 15%. Rounding up the Japanese stocks was Mitsubishi Estate at + 13%

Keppel Land, Capitaland and Allgreen Properties all scored well in 2003, driving the EPRA/NAREIT Singapore Index (SGD) forward 47.8%. Keppel Land added 65%, followed by Capitaland at 44% and Allgreen with 21%. At the EPRA/NAREIT committee meetings held on 28 November, it was agreed that four new Singapore stocks met the criteria for the EPRA/NAREIT Global Real Estate Index. Guocoland and Singapore Land, both former constituents, re-entered the index as at 2 January 2004. Two of the recently formed

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Singapore REITS, or S-REITs, entered on the same date. CapitaMall, the first S-REIT to be listed, has risen approximately 50% since its IPO in July 2002. Ascendas, which was first listed in November 2002, has gained approximately 30% in 13 months.

Volatility in Hong Kong, Japan and Singapore stands in the 29-35% range. Australia is 7.8%. All returns are quoted in local currency.

Europe

The EPRA Europe Index (EUR) gained in 2003, with an impressive climb of 20.4%. Similar to Asia, European stocks were slow out of the starting blocks in 2003, adding 2.9% in H1, but strengthened significantly in the second half (+ 16.9%). Of the larger countries, Europe's advance was led by the EPRA Sweden Index (SEK) (+ 32.5%). The EPRA UK Index (GBP) climbed 30.8%, just behind Sweden. The UK Treasury announced the possible introduction of a UK-REIT vehicle in December, however the type and structure of the vehicle is still unclear. Overall, the market viewed the news positively. The EPRA Spain Index (EUR) (+ 29.9%), EPRA Netherlands Index (EUR) (+ 20.9%) and EPRA France Index (EUR) (+ 17.8%) also responded positively over the year. The EPRA EuroZone Index (EUR) added 19% over the course of 2003. Broad European volatility is approximately 14%.

The UK topped the list of best stock performers in 2003. UK residential investor Grainger Trust added 65% to head the list. Pandox of Sweden came in second place with + 54% on the back of the current takeover bid by Eiendomsspar and Sundt. Pandox shares rose nearly 50% in H2. Town Centre Securities (UK) headed the UK retail investors with + 52% and office investor London Merchant jumped 51%. The Dutch residential developer, AM, climbed 50% in 2003.

The European market saw three deals completed 2003. Vallehermoso (Spain) was deleted from the EPRA Europe Index in April, following its merger with Sacyr. Metrovacesa (Spain) merged with Bami in November but remained in the EPRA Europe Index. In the UK, Compro Holdings was takeover by City and General Securities in July.

At the turn of 2003/04 there are still a number of corporate events outstanding. Sophia is currently under bid by GE Real Estate at EUR 41 per share. The offer expires on 20th January. In the UK, a group led by Chelsfield chairman Elliot Bernerd had a bid of 305p per share rejected in mid-December but he is expected to table a higher bid mid-January. AB received European Union approval to buy Torret AB of Sweden. The offer is being made through LRT Acquisition AB, a company 60% controlled by Lehman and 40% by Stockholm based Ratos AB. LRT currently hold approximately 82% of Torret shares.

North America

Over the Atlantic, US real estate stocks advanced 37% in USD terms. EPRA/NAREIT Canada added 24.2% in CAD. Three of the top five North American stocks were diversified in sub-sector terms. Ventas (+ 102%), Senior Housing Properties (+ 74%) and Corrections Corporation (+ 68%) all advanced strongly. Retail group Chelsea Property Trust gained 89% and office investor Trizec Properties moved up 82%. Volatility in US stocks is 12% and in Canada the figure stands at 10%.

The US index lost a number of constituents through takeover bids in 2003. IRT Property was taken over by Equity One in February; in October, Kimco Realty successfully bid for Mid-Atlantic Realty Trust, and Chateau Communities acquired by Hometown America. JDN Realty and Developers Diversified Realty Corporation merged in March, and RFS Hotel Investors merged with CNL Hospitality Properties in July. November saw Crown American Realty Trust merge with Pennsylvania REIT.

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

Index Description	Curr	Total		Total		36 Mths Vity (%)
		Div Yld (%)	Rtn (%)	Rtn (%)	Rtn (%)	
		31-Dec-03	H1	H2	2003	
Total Return						
Global	EUR	4.82	2.77	13.90	17.05	12.92
Asia	EUR	4.18	-0.50	21.09	20.48	17.97
Europe	EUR	3.72	2.93	16.94	20.36	13.66
North America	EUR	5.52	4.25	9.89	14.55	14.03
Global Ex-Asia	EUR	5.04	3.81	11.69	15.95	12.48
Global Ex-Europe	EUR	5.10	2.79	13.17	16.33	13.97
Global Ex-North America	EUR	3.98	1.00	19.19	20.38	15.68
Asia Return	EUR	4.18	-0.50	21.09	20.48	17.97
Australia	AUD	6.73	4.24	4.37	8.80	7.84
Hong Kong	HKD	2.54	-7.58	60.66	48.47	30.84
Japan	JPY	1.34	-1.66	27.34	25.22	28.58
Singapore	SGD	2.99	17.32	26.01	47.84	35.82
Europe	EUR	3.72	2.93	16.94	20.36	13.66
Euro Zone	EUR	4.75	8.08	10.09	18.99	12.47
Europe Ex UK	EUR	4.59	6.00	12.84	19.61	12.32
Europe Liquid 40	EUR	3.57	2.74	17.15	20.37	13.71
Europe Liquid 40 Ex UK	EUR	4.29	6.64	13.11	20.62	13.01
Netherlands	EUR	7.42	14.85	5.24	20.88	13.05
France	EUR	2.78	0.93	16.70	17.78	13.56
Spain	EUR	3.74	12.43	15.53	29.90	22.42
Austria	EUR	-	7.18	1.12	8.38	3.57
Germany	EUR	5.36	-7.30	5.22	-2.46	31.51
Belgium	EUR	6.38	10.52	4.97	16.01	6.92
Italy	EUR	3.40	5.49	13.18	19.39	19.28
Finland	EUR	4.54	13.86	27.12	44.74	20.34
UK	GBP	2.90	6.57	22.70	30.76	17.03
Switzerland	CHF	2.68	3.99	7.00	11.27	6.53
Sweden	SEK	4.59	2.15	29.71	32.49	18.93
Norway	NOK	-	16.67	20.00	40.00	22.62
Denmark	DKK	-	-36.86	-46.22	-66.04	64.17
Nth America	EUR	5.52	4.25	9.89	14.55	14.03
United States	USD	5.58	13.86	20.30	36.98	12.26
Canada	CAD	4.50	1.91	21.88	24.20	10.39
JP Morgan Global Bonds	EUR		3.50	-0.63	2.85	3.44
MSCI Global Equities	EUR	2.45	1.84	9.27	11.28	19.70
MSCI Asia Equities	EUR	2.19	-2.79	18.92	15.61	18.51
MSCI Europe Equities	EUR	3.62	1.59	13.92	15.73	20.71
MSCI North America Equities	EUR	1.96	2.93	5.21	8.30	21.45

Source: EPRAMSCI/JP Morgan

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Notes:

The 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 December, there were a total of 223 stocks in the index.

The EPRA/NAREIT Global RE Index is free float weighted. Full details of the free float weightings for each company are downloadable from the www.epra.com website. The ground rules are also available from the website.

Free downloads are available upon request to the members of the association on a daily basis. Downloads are sent via e-mail at the close of business. The information contained in downloads enables users to accurately benchmark/track against the EPRA/NAREIT Global RE Index series. Contact: info@epra.com.

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