



EPRA/NAREIT Global Real Estate Index

Global Overview – Global Real Estate bounces back

Global Real Estate returned to winning ways following a disappointing month in April. The EPRA/NAREIT Global Real Estate Index posted a gain of 3.3% during the course of May. In comparison, the Global Equity market decreased 87bps and Global Bonds fell 13bps. Both North America and Europe gained during the month. North America bounced back 5.3% and Europe added 2.7%. Asia fell 38bps. All returns are expressed in EUR.

Using annualised returns, over a five years period, Global Real Estate outperformed Global Equities and Global Bonds significantly. On average, Global Real Estate returned 10.3% annually, Global Equities declined 3.6% in comparison, and Global Bonds added 5.1% per annum. As a result, over the total five years period, Global Real Estate returned 51.3%, Global Equities lost 18% and Global Bonds added 25.3%.

Asia / Pacific

In Asia/Pacific, the least volatile country in the region, Australia, proved the star in May, with a gain of 5.9%. Volatility in Australia is currently at the 8% mark, reflecting the stable and mature nature of the LPT structure.

The big news continues to be dominated by the merger of Westfield Holdings, Westfield Trust and Westfield America Trust, which will create the world's largest, listed retail property group. The new entity, to be known as Westfield Group, will be internally managed and based in Australia. The proposal will create a group with approximately AUD 34 billion of property assets and interests in 123 shopping centres with 19,500 retailers in Australia, New Zealand, the United States and the United Kingdom. Westfield chairman, Frank Lowy said at the announcement, "The rationale for the proposal is all about growth – to create a global operating and financial structure to match global opportunities". Westfield Trust finished on positive ground in May, with a jump of 5.2%. Westfield Trust has forged ahead over 17% since the announcement on 22 April. The expected completion date of the merger is 2 July.

In a reaction to the Westfield proposal, Lend Lease Corporation and General Property Trust announced a merger proposal on 24 May. The major terms of the proposal are: for every Lend Lease share, investors receive 3.8 GPT shares. General Property Trust leapt forward 16.7% in May, and proved Asian headline performer.

Two Deutsche trusts slotted into second and third place in the Australian performers list. Office investor Deutsche Office Trust had 9.1% added to its value, and the Deutsche Diversified Trust, strengthened 8.8%. At the other end of the performance scale, Australand Property Group ended the month 1.2% down, losing the most ground of the Australian stocks.

EPRA/NAREIT Japan (JPY) fell 31bps during May, the second worst country performance in Asia. ORIX JREIT headed the Japanese performers (+ 2.6%) following the announcement of its half year unconsolidated earnings results for the period ended 29 February. Residential developer Goldcrest added 2%, closely followed by Mitsubishi Estate (+ 1.9%). On a less positive note, Daikyo and Heiwa Real Estate propped up the Japanese, and the rest of the Asian stocks, in performance terms. Biggest loser was Daikyo for the second month running. The residential developer fell 13.4% following reports that UFJ Holdings, the top shareholder in the company, may face a net loss for the year. Heiwa Real Estate weakened 10.3%.

Of the Asian countries, developer dominated Hong Kong headed furthest south for the second month running. The EPRA/NAREIT Hong Kong Index (HKD) fell 1.9% in May. At a stock level, only three of the ten Hong Kong stocks ended the month higher. Diversified developer Kerry Properties (+ 12.8%) was head and shoulders the best Hong Kong stock.

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Bankers involved in a loan transaction, state the company, controlled by the family of Malaysian tycoon Robert Kuok, is to appoint more than 10 banks to raise a HKD 5 billion credit. Renee Lam, an associate director with Standard & Poors ratings services stated, "there is an anticipation among the developers that interest rates will go up later this year, so they want to lock in low costs of funding." Standard & Poors rates Kerrys Properties' long-term credit at BBB.

S-REIT, CapitaMall Trust (+ 11.8%) scored strongly in May, ensuring the EPRA/NAREIT Singapore Index (SGD) ended the month with its head just above water (+ 20 bps). CapitaMall Trust announced on 28 May that it was added to the MSCI Standard Index series. Industrial focused Ascendas REIT added 7.5% and office developer Singapore Land gained 4.4%. At the other end of the scale, Capitaland lost 7.8%. Capitaland spun off REIT CapitaCommercial Trust on 11 May. CapitaCommercial Trust was included in the EPRA/NAREIT Singapore Index with immediate effect. On a broader note, Singapore is projecting its strongest economic expansion in four years, with the government predicting the \$94 billion economy expanding as much as 5.5% in 2004.

Volatility in Hong Kong, Japan and Singapore stands in the 29-32% range. Australia is 8%. All returns are quoted in local currency.

Europe

The EPRA Europe Index (EUR) added 2.7% in May. EPRA Sweden, one of the largest countries in Europe, led the advance (+ 4.5%). EPRA France (+ 4%) also responded well. The largest country/index by market capitalisation, the EPRA UK Index (GBP) provided robust results, pushing forward 3.7% in May. Of the larger countries, EPRA Netherlands stepped back 1.4%, during May. EPRA Switzerland (+ 3.5%), its neighbour EPRA Germany (+2.6%), and EPRA Spain (+ 2.6%) all added. Broad European volatility stands at approximately 14%.

Swedish diversified investor Tornet (+ 11.4%) topped the European performers list. In second place was Klepierre, the French retail investor, with a gain of 10.2%. New addition to the EPRA Europe Index in April, Babis Vovos from Greece, added an impressive 7.3%. From the UK, Land Securities and NHP both gained 6.8%. The large stocks in the EPRA Europe Index, in general, advanced. Land Securities (+ 6.8%) and British Land (+3.2%), the two UK heavy weights, both added value during the month. Hammerson pushed on 1.1%. On the European mainland, retail investor Rodamco Europe fell 4.4% and Unibail added 2.8%.

A diversified mix of country stocks comprised the bottom of the performance ranking during the month. UK stocks Daejan Holdings (-9.8%), Unite Group (-8.9%) and St. Modwen Properties (-7.1%) propped up the European performers. Citycon, the Finnish retail investor, fell 6.7% and Swedish residential developer JM weakened 4.4%.

Corporate activity in Europe continues. GE Real Estate owns 88.8% of the capital and 96.8% of the voting rights of Sophia (France). Office investor Sophia added 51bps% in May. Sophia will be deleted from the EPRA Europe Index with effect from 1 July.

The Independent Committee of Canary Wharf Group announced on 21 May that the recommended offer by Songbird Acquisition Ltd was declared unconditional in all respects. The offer remains open to acceptances until 4 June. Canary Wharf is expected to be delisted from the LSE with effect from 22 June 2004. The stock will be deleted from the EPRA Europe Index with effect from 4 June.

Diversified investor, Tornet of Sweden, is currently under offer by LRT Acquisition AB, a company 60% controlled by Lehman and 40% by Stockholm based Ratos AB. LRT currently hold approximately 82% of Tornet shares. Directors Mr. Lerheden and Goran Collert

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informed the Chairman of Tornet, Mark Newman, of their resignations on 30 April. A new board will be proposed at the AGM scheduled for 28 June.

Shareholders agreed on 10 May that Switzerland's largest real estate company PSP Swiss Property acquire REG Real Estate Group to create a company with properties valued at CHF 5 billion. PSP gained 2.1% in May. The merged stock started trading on 13th May.

On 30 April, GE Real Estate increased its offer for Benchmark Group CULS to GBP 105. The offer will lapse if a third party bids 308p, or higher, for the ordinary shares, or in excess of GBP 105 for the CULS. At the Benchmark EGM held on 24 May, shareholders voted in favour of the scheme.

North America

Over the Atlantic, US real estate stocks responded well to last month's disappointment. The US Index added 7.1% in USD terms, during the course of the month. EPRA/NAREIT Canada (CAD) also hit back positively, with a rise of 4.1%. The EPRA/NAREIT North America Index (USD) added 7%.

Saul Centers finished in top spot in May. The Washington based retail investor jumped 18.2% during the month. Keystone Properties leapt 17.6% in May, following Prologis' announcement to acquire the company for a total of USD 1.6 billion. The price tag includes assumption of Keystone's debt, plus USD 23.80 per share for the company's stock. Keystone shares closed at USD 23.92 as at 31 May. Hotel investor, Innkeepers USA Trust was just behind at + 17.3%.

The Canadian residential and US office sectors saw the heaviest selling during the month. Canadian residential investors, Retirement Residences and Residential Equities REIT lost 7.3% and 3.4% respectively. On the office side, American Financial Realty Trust (- 3.8%) and Alexandria Real Estate (- 3.3%) both lost ground. Forest City Enterprises, the diversified investor, declined 3.5%.

Canadian Apartment Properties REIT agreed to buy Residential Equities REIT (ResREIT) for as much as CAD 511 million in cash and stock. The deal would almost double Canadian Apartment Properties rental units. Canadian Apartment will gain properties in Edmonton and Vancouver for the first time and boost the number of its residential units by 81% to 24,328. CEO Thomas Schwartz said, "I believe we're the only Canadian company where you can see both oceans from our apartment buildings". ResREIT unitholders approved the deal on 26 May. Canadian Apartment Properties REIT fell 3.4% in May and Residential Equities REIT fared slightly better (-46bps) during the same period.

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

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Index Description	Curr	Close Value 31-May-04	Div	Total		Total		Total		Total	
			Yld (%) 31-May-04	Rtn (%) - 5 Yrs	Rtn (%) - 3 Yrs	Rtn (%) - 1 Yr	Rtn (%) - 6 Mths	Rtn (%) 31-May-04	Rtn (%) YTD	Rtn (%) 36 Mths Vlty (%)	
Global	EUR	1,437.91	4.58	10.26	1.75	30.94	9.48	3.32	9.91	14.57	
Asia	EUR	1,042.32	3.67	5.89	- 1.88	44.30	14.53	- 0.38	13.59	19.10	
Europe	EUR	1,648.65	3.75	12.80	9.29	38.80	16.81	2.73	14.16	14.11	
North America	EUR	1,788.85	5.28	12.63	3.30	22.98	4.90	5.26	6.94	16.04	
Global Ex-Asia	EUR	1,724.02	4.87	12.47	4.66	26.98	7.94	4.56	8.81	14.08	
Global Ex-Europe	EUR	1,369.04	4.79	9.28	0.83	29.04	7.72	3.48	8.87	16.04	
Global Ex-North America	EUR	1,284.06	3.70	9.47	3.56	41.67	15.43	1.02	13.75	16.17	
Asia	EUR	1,042.32	3.67	5.89	- 1.88	44.30	14.53	- 0.38	13.59	19.10	
Japan	JPY	1,620.22	1.37	5.89	7.26	77.13	30.80	- 0.31	26.08	28.94	
Hong Kong	HKD	959.96	2.42	6.03	1.51	68.75	9.85	- 1.87	3.42	31.28	
Australia	AUD	1,585.50	7.08	13.96	13.68	11.34	12.20	5.90	10.02	8.21	
Singapore	SGD	659.77	3.68	- 5.88	2.22	36.28	3.49	0.19	2.54	32.11	
Europe	EUR	1,648.65	3.75	12.80	9.29	38.80	16.81	2.73	14.16	14.11	
Euro Zone	EUR	1,665.08	4.99	14.24	13.79	22.67	11.53	1.11	10.20	12.27	
Europe Ex UK	EUR	1,723.65	4.69	15.33	13.40	26.42	11.59	1.71	9.98	12.17	
Europe Liquid 40	EUR	1,609.78	3.66	12.03	8.66	38.49	16.92	3.00	14.12	14.25	
Europe Liquid 40 Ex UK	EUR	1,776.62	4.48	14.61	16.22	26.64	11.69	1.56	9.93	12.77	
Netherlands	EUR	1,749.91	7.24	14.03	15.17	17.07	12.21	- 1.37	11.23	12.60	
France	EUR	1,711.03	3.72	18.11	15.33	31.61	10.89	4.01	10.27	13.97	
Spain	EUR	2,292.18	3.52	18.62	28.50	41.07	25.52	2.64	17.71	22.03	
Germany	EUR	668.63	5.31	- 5.07	- 12.07	2.23	1.49	2.63	3.86	30.68	
Austria	EUR	1,266.88	-	5.34	8.89	5.20	3.03	- 0.31	2.70	3.62	
Italy	EUR	2,095.48	3.70	25.16	11.63	32.50	21.19	1.12	17.32	19.64	
Belgium	EUR	1,430.68	6.56	6.80	15.54	11.43	6.27	0.03	4.10	6.25	
Finland	EUR	2,220.60	5.57	14.66	23.09	31.60	2.01	- 1.42	- 0.45	18.33	
Greece	EUR	1,051.15	1.46	1.02	1.71	5.12	5.12	7.31	5.12	4.28	
UK	GBP	1,717.39	2.86	10.78	10.67	40.95	16.43	2.08	11.65	17.30	
Switzerland	CHF	1,198.32	2.98	4.66	7.11	18.54	8.26	1.78	8.45	6.67	
Sweden	SEK	2,054.11	3.61	25.09	14.19	51.22	12.36	3.89	8.53	18.00	
Nth America	EUR	1,788.85	5.28	12.63	3.30	22.98	4.90	5.26	6.94	16.04	
Nth America	USD	2,080.71	5.28	16.67	17.34	27.42	6.64	7.00	3.31	15.85	
United States	USD	2,079.79	5.29	16.73	17.08	27.52	6.94	7.11	3.71	15.99	
Canada	CAD	2,079.29	5.13	13.91	18.19	25.14	6.58	4.12	2.02	12.63	

Source: EPRA

The EPRA Monthly Statistical Bulletin is available from www.epra.com.

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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 May, there were a total of 244 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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