



## EPRA/NAREIT Global Real Estate Index

### Global Overview – Global Real Estate slips back

Global Real Estate recorded its first negative this month since April. The EPRA/NAREIT Global Real Estate Index posted a loss of 1.1% in September. In comparison, the Global Equity market fell 27 bps and Global Bonds added 54bps. The three regions were mixed. Asia fell 1.1% and Europe gained 1.4%. North America slid back 1.9%. 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 11.9% annually, Global Equities declined 4.2% in comparison, and Global Bonds added 6.1% per annum. As a result, over the total five-year period, Global Real Estate returned 75.4%, Global Equities lost 19.3% and Global Bonds added 34.6%.

### Asia / Pacific

In the Asia/Pacific region, the EPRA/NAREIT Singapore Index (SGD) ended the month (+4.9%) strongly ahead. Residential developer Capitaland finished ahead of the rest of its country peers. The company leapt forward 12.6% in September. CEO, Liew Mun Leong said that the company plans to raise over USD 60 m for a fund that invests in Chinese shopping malls next year. Liew estimates that properties in Asia make up 2% of global funds that invest in real estate, and this amount should increase to 15% as the economies in the region expand. He also stated that the company, which has two of Singapore four REITs, could decide to set up similar REITs in China, Japan, Malaysia and Thailand. The two Capitaland REITs were mixed over the month, office investor CapitaCommercial added 6.4%, on the other hand, retailer CapitalMall fell 2.4%.

The EPRA/NAREIT Australia (AUD) added 2.4% in September. Merger and acquisition fever continues to take hold of the Australian market. Office investor Ronin Property Group topped the Asian and Australian performers list with an impressive +13.8% following the announcement of Multiplex Group's offer of AUD 1.3 Bn (USD 930 m). The deal would make Multiplex Australia's fourth largest property trust. The bid values Ronin at AUD 1.33 per share. Ronin's rental income from its office activities would reduce Multiplex's reliance on earnings for new developments. Multiplex CEO, Andrew Roberts said, "It's a very strategic transaction for us and will significantly scale up the size of the business".

On 27 September, shareholders approved the AUD 3.3bn (USD 2.4bn) merger of the three Deutsche LPTs. Deutsche Office, Industrial and Diversified will combine to form DB RREEF Trust. The combined group will purchase 80% of a US based Industrial portfolio from RREEF, a Chicago-based unit of Deutsche Bank, the company announced. Deutsche Diversified finished neutral for the month, and Deutsche Industrial and Deutsche Office lost 1.6% and 1.7% respectively.

The merger of Prime Retail Group and Centro Properties will be implemented on 8 October, with the merged entities shares trade commencing on 13 October. Both Prime Retail and Centro ceased trading as at 28 September.

Lend Lease raised its offer for General Property Trust by 3.5% to AUD 7.2 billion in August, reaching an agreement to create the Australia's second biggest real estate company. The bid values General Property at AUD 3.58 a share, up from the initial offer of AUD 3.46, Lend Lease said. General Property was up 3.9% during the month.

Shares of Principal Office Trust will suspended from quotation as at 11 October, following the receipt of the notice of compulsory acquisition from Macquarie Office Trust.

EPRA/NAREIT Hong Kong (HKD) moved up 1.5% during the month. Diversified investor Silver Grant (+10.6%) headed the Hong Kong stocks for the second consecutive month, closely followed by office developer China Overseas Land (+10.3%).

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In the Asia/Pacific region, Japan was the worst performing country, for the second month running. EPRA/NAREIT Japan (JPY) dropped 2.7% during the month. It was the Japanese development companies that drove the index down again this month. Residential developer Daikyo (- 16.2%) was heaviest hit, with residential competitor Goldcrest faring slightly better (- 9.5%). Heavy weight Mitsubishi Estates (- 6.3%) also lost ground. Continuing the bad news, Daikyo Inc, asked the Japanese government bailout agency and creditors led by UFJ Holding Inc for USD 1.6bn in aid, as part of it second revival attempt in two years.

Conversely, all J-REITs in the index turned in a positive performance during the month. Premier Investment Co added 5.8% followed by Nippon Building and Japan Real Estate both at + 5.7%. Average volatility in the J-REITs is approximately 14% compared against over 35% for the Japanese developers.

## Europe

The EPRA Europe Index (EUR) added 1.4% in September. EPRA Sweden (EUR) led the advance (+ 9.9%). EPRA France (+ 1.9%) and EPRA Netherlands (+ 1.2%) also responded well. The EPRA UK Index, the largest country in Europe, added another stable month, pushing forward 0.5% in September. Of the smaller countries, EPRA Spain recorded a gain of 3.7%. Broad European volatility stands at approximately 14%.

Diversified developer Marylebone Warwick Balfour ended the month topping global and European stocks, with a leap of 18.3% following a disappointing loss of 13.5% in August. At the other end of the European scale, Babis Vovos dropped almost 13%. In a statement issued 29 September, the Babis Vovos plans to sell 20% of its shares.

Leonardo Del Vecchio offered EUR 723m for the stock he doesn't already own in Italy's second largest real estate company, Beni Stabili. Del Vecchio bought 3.5% of the office developer for EUR 41.8m. This took his stake to 33% and triggered a mandatory bid for the stock under Italian rules. Beni Stabili shares lightened 77 bps in September.

UK stock NHP said in a statement issued on 15 September, that the company had received an approach that may lead to an offer for what will comprise the whole business. The company stated that the potential acquirer has indicated a value for the company at a slight premium to the current share price. NHP ended the month 12.3% up.

The Financial Time reported that Minerva could receive bids from as many as 20 interested parties. It is rumoured that Tishman Speyer Properties and Blackstone may be among the bidders. Lehman Brothers and HSBC Holdings are advising Minerva. The company plans to build the city of London's tallest office tower, towering 712 ft, or 50 floors. Minerva fell back 4.9% in September.

Sweden continues to consolidate. The Bostads Drott was deleted from the EPRA/NAREIT Global Real Estate Index as at 6 September. Wahlborgs completed its EUR takeover of office company Fabege. Fabege was deleted from the EPRA/NAREIT Global Real Estate Index effective 27 September. Tornet shares will be de-listed from Stockholm stock exchange as at the close of business 29 October on the basis that the company no longer meets the listing requirements. The company will be deleted from the EPRA/NAREIT Global Real Estate Index with effective from the close of business 29 October.

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## North America

Over the Atlantic, US real estate stocks were neutral in USD terms. EPRA/NAREIT Canada (CAD) hit a positive note, with a gain of 59bps. The EPRA/NAREIT North America Index (USD) improved 24bps.

General Growth Properties agreed to buy retail investor Rouse Co for about USD 7.2 billion in cash. Shareholders will receive USD 67.50 a share. The company will also assume about USD 5.4 billion of debt, in what will be the largest purchase ever of a real estate investment trust. "We are making five years worth of acquisitions in one fell swoop" said John Bucksbaum, Chief Executive at General Growth Property. CSFB, Lehman Brothers, Wachovia Corp and Bank of America are arranging a USD 6.2bn loan for General Growth Properties. Rouse added 1.6% in September. General Growth Properties added 2.8%.

Blackstone Group agreed to purchase Prime Hospitality for more than USD 790 million in stock and debt. Blackstone Group said it will pay USD 12.25 for each share of Prime Hospitality. Blackstone Group's planned acquisition faces opposition from a shareholder who claims in a lawsuit that the buyout firm's USD 790 million offer is inadequate. Shareholder Garco Investments accused company executives of violating their duty to investors by accepting Blackstone's offer without first checking Prime Hospitality's value in the market and inviting other potential buyers to bid. The suit is seeking to block the purchase. Garco Investments also accused executives of failing to make an informed decision about the acquisition by agreeing to pay Blackstone a termination fee of USD 23 million if they cancel the deal. Prime Hospitality climbed 1.3% in September.

Simon Property Group and Chelsea Property Group shareholders will meet on 13 October to vote on their merger proposal.

Hotel stocks responded well in September, with Innkeepers heading the list (+ 8.3%). Winston hotels added 6.3%, and Host Marriott, Starwood Hotels and Equity Inns all achieved close to 5% during the month.

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

Index Description	Curr	Div	Total	Total	Total	Total	Total	Total	36 Mths
		Yld (%)	Rtn (%)	Rtn (%)	Rtn (%)	Rtn (%)	Rtn (%)	Rtn (%)	
		30-Sep	5 Yrs	- 3 Yrs	- 1 Yr	- 6 Mths	30-Sep YTD	Vlty (%)	
Global	EUR	4.36	11.89	9.84	22.76	2.05	- 1.09	18.88	12.90
Asia	EUR	3.46	6.92	8.15	21.52	- 2.63	- 1.14	18.94	16.20
Europe	EUR	3.74	12.25	17.01	38.71	9.84	1.41	24.68	12.63
North America	EUR	4.93	15.72	9.10	18.16	1.41	- 1.91	16.87	15.15
Global Ex-Asia	EUR	4.63	14.24	11.11	23.24	3.60	- 1.08	18.91	13.02
Global Ex-Europe	EUR	4.51	11.61	8.83	19.13	0.16	- 1.69	17.44	14.30
Global Ex-North America	EUR	3.59	9.86	13.53	28.72	2.82	0.03	21.42	13.27
Asia	EUR	3.46	6.92	8.15	21.52	- 2.63	- 1.14	18.94	16.20
Japan	JPY	1.43	6.67	1.78	21.35	- 10.18	- 2.67	21.50	28.00
Australia	AUD	7.27	12.96	12.30	29.69	14.62	2.36	21.98	8.05
Hong Kong	HKD	2.16	8.80	19.28	24.97	4.92	1.47	18.61	29.13
Singapore	SGD	3.30	- 3.20	19.04	26.54	13.38	4.86	20.17	27.49
Europe	EUR	3.74	12.25	17.01	38.71	9.84	1.41	24.68	12.63
Europe Net Index	EUR	2.80	-NA-	-NA-	-NA-	-NA-	1.40	-NA-	-NA-
Euro Zone	EUR	4.78	12.76	20.75	32.52	9.65	1.48	23.15	11.01
Euro Zone Net Index	EUR	3.58	-NA-	-NA-	-NA-	-NA-	1.48	-NA-	-NA-
Europe Ex UK	EUR	4.66	14.25	20.91	33.75	10.77	2.34	22.99	10.57
Europe Liquid 40	EUR	3.67	11.79	16.73	39.71	10.37	1.27	25.07	12.80
Europe Liquid 40 Net	EUR	2.75	-NA-	-NA-	-NA-	-NA-	1.26	-NA-	-NA-
Europe Liquid 40 Ex UK	EUR	4.45	13.84	24.13	35.65	11.67	2.41	24.55	11.02
Europe Liquid 40 Ex UK Net	EUR	3.34	-NA-	-NA-	-NA-	-NA-	2.41	-NA-	-NA-
UK	EUR	2.83	10.11	13.78	43.56	8.86	0.53	26.16	16.01
Netherlands	EUR	6.48	14.83	20.36	30.20	6.93	1.23	22.87	12.17
France	EUR	4.16	14.60	24.09	40.68	15.10	1.91	28.90	12.80
Sweden	EUR	4.28	20.74	28.15	47.01	19.64	9.86	26.34	17.41
Switzerland	EUR	3.74	4.92	7.05	23.31	10.53	0.75	17.38	6.99
Spain	EUR	3.07	18.01	39.95	66.31	19.16	3.66	42.69	20.42
Germany	EUR	4.99	- 7.67	- 9.27	7.25	5.90	2.40	6.01	29.96
Austria	EUR	-	5.52	8.39	7.40	2.93	0.30	6.03	3.77
Belgium	EUR	6.27	8.04	14.43	15.80	4.45	0.82	10.95	5.68
Italy	EUR	1.98	17.79	18.20	47.19	10.70	- 0.98	32.33	18.98
Finland	EUR	5.11	17.90	28.10	34.03	1.71	2.27	8.49	17.50
Denmark	EUR	3.97	- 31.66	- 50.61	- 40.74	- 0.40	3.80	26.68	62.10
Greece	EUR	2.07	- 1.89	- 3.12	- 9.08	- 9.08	- 9.22	- 9.08	7.58
UK	GBP	2.83	11.48	17.76	40.57	11.74	2.13	22.89	15.92
UK Net	GBP	2.13	-NA-	-NA-	-NA-	-NA-	0.50	-NA-	-NA-
Switzerland	CHF	3.74	4.34	8.92	24.36	10.12	1.39	16.70	6.48
Sweden	SEK	4.28	21.71	25.10	47.56	16.73	8.80	25.87	16.53
Nth America	USD	4.93	18.29	19.36	26.01	2.49	0.24	15.07	14.80
United States	USD	4.91	18.29	19.24	25.74	2.42	- 0.01	15.30	14.97
Canada	CAD	5.26	15.42	14.69	23.27	- 0.25	0.59	8.81	11.86

Source: EPRA

The EPRA Monthly Statistical Bulletin is available from [www.epra.com](http://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 30 September, 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](http://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](mailto:info@epra.com).

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