EPRA NEWS
EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION
ISSUE 33
JANUARY/FEBRUARY 2010

GUEST EDITOR
Martin Hurst

Fiduciary responsibility

Green Buildings - just a façade?

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- Univ. of Western Sydney, Property Research Centre
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- Befimmo
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BRAZIL
- Iguatemi Empresa De Shopping Center

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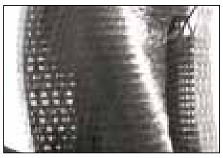

COVER IMAGE:
Phare Tower, Paris (2010-2014)
Thom Mayne, Morphosis Architects, California

GUEST EDITOR
Martin Hurst
Editor IPE Magazine

FIDUCIARY RESPONSIBILITY:
TOOLS OF THE TRADE

The downturn and resulting turmoil in financial markets worldwide has been a difficult experience for all investors. But as most markets have now seen the worst, it is a good time to reflect on what we can all learn at the dawn of the new decade.

Before we consider some of these lessons it is worth reminding ourselves of the good news that has prevailed throughout the darkest depths of the crisis: that investors are keeping faith with real estate. Confidence has been shaken but surveys show that allocations are, for the most part, stable or trending upwards.

Through thick and thin, investors' primary fiduciary responsibility is to ensure that funds are put to work as effectively as possible, and with this in mind one of the key challenges for a large number of investors will be the need to look at real estate investment in broader terms than they have done to date. For example, many focus purely on the non-listed market; they say that listed real estate is a poor proxy for the physical asset because it is influenced more by the stock market than by the underlying real estate.

However research published in the current issue of *IPE Real Estate* confirms what the proponents of listed have argued for many years, namely that, over the long term, listed follows the same trajectory as unlisted real estate. *IPE Real Estate* has also published research from Cohen & Steers that shows the daily pricing of listed real estate markets offers investors a useful indicator of the future performance of the time-lagged performance of direct and unlisted markets. As a result of this, investors can also play the listed and unlisted markets against each other, harvesting gains in one to seize opportunities in the other.

Listed is an important tactical allocation tool and, as the importance of tactical allocation as a partner to strategic allocation has become increasingly clear during the recent market volatility, so investors who dismiss listed real estate without carefully considering its potential merits are, arguably, in breach of their fiduciary responsibility.

It comes as no surprise that the current crisis and the terrible performance of some investment portfolios has placed pressure on the investor manager relationship. Managers have been criticised for poor governance and poor, reactive client service. In this buyers market the pressure is certainly on the service providers to raise their game. But the onus is also on investors to make sure they are equipped to deal with the challenges ahead. When things are going well and markets are booming few questions are asked, but the market downturn should direct the spotlight on investor capabilities as much as it does on manager expertise.

At the recent annual plan sponsor meeting of the US-based Pension Real Estate Association in Beverly Hills, one manager was scathing of pension fund governance. "Many investors do not even have a real estate background," he said; "some of the state funds have staffing issues. There is a lack of accumulated experience on the LP side. They need to ask much more difficult questions of GPs; this is an important part of fiduciary responsibility. LPs must be prepared to dig down and discuss with managers how they got to where they are today and see what they can do to help out."

It is clearly in the interest of service providers to educate investors and develop their real estate investment capabilities. The more sophisticated investors become, the better clients they will be for more potential providers. EPRA's recent decision to introduce a new category of membership for qualifying pension funds is an important step in that direction. The association's sister body in Asia, APREA, has recently taken the same step, following in the footsteps of its partner organisation in the US - NAREIT - that has had an investor outreach programme in place for some time. EPRA research director Fraser Hughes' remark that its new Pension Fund investor membership category has been driven largely by investor demand is very good news.

However for the most part, investors face growing pressures and have very limited time at their disposal to spare additional days for training programmes. They also have limited funds to spare for new association membership. That said, education has always been one of the central planks of fiduciary responsibility.

So while investor governance plays catch-up on what is required by the increasing weight of fiduciary responsibility, the challenge is on for EPRA to create an outreach programme that is both creative and efficient. A programme that addresses concerns and misapprehensions that closely partners investors seeking to broaden their investment horizons, and that one might also collaborate with other trade bodies to create broad-based investment training to show how a review of the full investment toolbox - including listed real estate, and not forgetting property derivatives - could deliver considerable performance gains.

Investors who dismiss listed real estate without carefully considering its potential merits are, arguably, in breach of their fiduciary responsibility.

Martin Hurst
Editor IPE Magazine

Martin Hurst took over as editor of IPE Real Estate in 2006 after two and a half years with sister title Investment & Pensions Europe where he was responsible for covering pension fund investment across all asset classes. He began his professional life as an accountant in Frankfurt and was seconded to Budapest where he spent six years. He moved into journalism in 2000 and in 2005 he won the award for best fund management trade journalist at the State Street Institutional Press Awards. He speaks fluent French, German and Hungarian.

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UPDATE FROM PHILIP CHARLS

Philip Charls, EPRA CEO

This, the first EPRA newsletter of the year, finds the industry in a considerably better state of health than it did this time last year. The measures taken by Central Banks and Governments alike appear to have, for now, carried the wider economy through the worst. But we remain cautious about that wider economic revival, and underlying movements clearly affect listed real estate.

One thing is clear, despite its difficult environment the listed real estate sector passed a major stress test in 2009 - with equity raised topping EUR 8.1 billion in Europe in the last year; year-on-year FTSE EPRA/NAREIT index gain of 40% and with trough-to-peak of 90%. We see a relatively well capitalised listed real estate sector positioned to grasp opportunities that may arise in 2010. Look out for increased activity this year - with cash chasing quality assets and a distinct return to core business.

I hope to see a greater appreciation and broader acceptance for listed Real Estate in the course of this year. In reporting terms, the sector is solid in its drive towards transparency, leading by example. Those members active on the EPRA Reporting and Accounting Committee are fundamental to this. In sustainability terms we are an important catalyst to the greening of what is widely acknowledged to be a business that contributes a significant amount of global carbon emissions. EPRA's newly formed Sustainability Reporting Committee will combine the expertise and practical approach of those property companies who are the cutting edge of Europe's 'green' property momentum and lead this initiative for EPRA. We look into this challenge within the pages of this newsletter issue.

This year we will continue to improve and develop our research and promotional activities; expanding our fundamental research linked to the index and extending our European representation vis-à-vis regulators including, of course, the EU. The encouragement of consistent performance and sustainability reporting will further elevate listed property as a stable and transparent a investor vehicle. We will expand our investor outreach role on behalf of the listed sector via newly appointed national 'ambassadors', and increase our presence across the globe through presentations, finance groups and EPRA forums such as the widely attended Loyens & Loeff and Nabarro events.

The most pressing issue today is the economy - but we believe the best managed listed real estate companies are well positioned in light of what's recently happened. We strongly believe that they will figure strongly in the upturn - certainly compared against other forms of real estate investment vehicle.

Whether its responding to the increasing number of hastily conceived and often poorly thought through Directives emerging from the European Commission, reducing taxation barriers to cross-border investment within Europe, or influencing the development of a sensible reporting framework for real estate, EPRA will continue to build on its many successes in cultivating and preserving an optimal regulatory environment for the real estate sector. Our recent success in persuading the IASB to exclude property lessors from a proposed new leasing model, is testament to both the significant efforts of our members to present a unified and coherent voice on behalf of the industry and the power of the EPRA constitution itself - a partnership between property companies and investors,

We will continue to preach the listed real estate story to a broad range of investors - we believe listed real estate plays an important role in investors' wider real estate strategy. Our visit to see investors in China and Japan in December is an example of this effort.

We believe in presenting one voice for European listed real estate, and to that end we will work on better cooperation between national property associations. We will convene 'round table' discussions both at Mipim and the EPRA Annual Conference. Make a date in your calendar for that Annual Conference - to be held in Amsterdam this year. The analysis, forecasts and meeting of minds from the people driving European property and finance - on September 02-03 - should be fascinating given the pivotal months approaching.

IN THE NEWS

EPRA RESEARCH MOVES TO CLOSE 'PROPERTY OR STOCKS' DEBATE

An IREBS study commissioned by EPRA provides conclusive answer to the fundamental question about the nature of real estate equities - do they behave like direct property or equities?

Despite being affected by developments in short-term equity markets, the underlying direct property market is the key long-term driver of the performance of listed real estate. This conclusion is the result of new EPRA commissioned research by the IREBS on the fundamental nature of RE equities.

"The question of whether listed real estate is more affected by developments in general equities markets or in direct property markets has important implications for investment and portfolio diversification decisions," says EPRA Director of Research Fraser Hughes. The study, carried out by the International Real Estate Business School (IREBS) at the University of Regensburg in Germany, employed a new and alternative analytical approach. Professor Steffen Sebastian explains:

"For the first time, general macroeconomic conditions have been taken into account in research which is usually purely focused on the three financial market indices - real estate equities, direct real estate and general equities. We considered the effects resulting from the interdependencies between the macro economy and these three asset classes. Other studies haven't done that."

The study confirms that listed real estate is a good substitute over the medium to long term, but we can now say how good a substitute it is over various terms. Professor Sebastian concludes: "The results support the classification of real estate equities as an alternative investment. And in terms of asset allocation, if you have a medium to long-term investment horizon, listed real estate captures the benefits of investing in direct property."

The report can be downloaded from the EPRA website: www.epra.com

PROPERTY LESSORS' NARROW ESCAPE FROM ACCOUNTING UPHEAVAL

Proposed changes to accountancy rules that would have seen property values and rental income figures removed from the balance sheets of property companies are close to being thrown out by the International Accountancy Standards Board (IASB).

At an IASB Board meeting held in London on January 20, a "tentative" decision was taken to exclude landlords of investment property from the proposed reforms - a change which would have sent shockwaves through the industry.

EPRA, in cooperation with other organisations like NAREIT in the US and REESA, have been lobbying hard to persuade the IASB, and its US equivalent FASB, to exclude lessors or investment properties. We urged the regulatory bodies to take into account the fact that the proposed new leasing model would not provide useful information to investors and adversely affect the ability of investors to assess the performance of property and real estate companies.

The direction taken by the IASB validates the huge amount of time and effort taken by EPRA to present a global view on behalf of the industry that was also the view of investors in property. This message was difficult for the regulators to ignore, and it will hopefully result in a more transparent and useful accounting framework for investment property than would otherwise have been the case. For an overview of other EPRA accounting and regulation activities, jump to page 17.

Gareth Lewis, Director of Finance at EPRA said: "We are very encouraged by the decision taken this week. It shows that the IASB recognises that the European real estate sector already has an accounting standard (IAS 40) that is well supported across the world."

TRANSACTIONS

We've recently established a new monthly service to EPRA members - supplying an overview of all property transactions covered by Real Capital Analytics of the FTSE EPRA/NAREIT Developed Global Real Estate Index Series constituent companies.

This RCA collaboration has been well received, allowing the monitoring and analyses of transaction activity and volumes corresponding with these indices. One user, Charlie Huang of Henderson Global Investors sums up: "To us, the detail of the transaction information is critical to gauge the real market condition during this uncertain period." There's more on Transactions on page 50.

SWISS OUTREACH

We've invited our German, Swiss and Austrian contacts to a Swiss property seminar in which Fraser Hughes will talk about the global listed real estate market. The event will be held on Friday, February 19 at the Avireal Business Centre 'Balsberg' Kloten. A broad range of speakers are on the programme to talk about the whole spectrum of property investment opportunities.

ALPS CHALLENGE

EPRA Finance Director Gareth Lewis is taking on the Alps in a 686km 'cross-continent' ride for charity on February 12. He will raise money for Sport Relief and the Dallaglio Foundation, and Gareth would appreciate your support. JustGiving sends your donation straight to Sport Relief; and automatically reclaims Gift Aid if you're a UK taxpayer, so your donation goes further. Go to: www.justgiving. com/GDLewis

CHARITABLE EFFORTS WELL RECEIVED

For those who attended the 2005 EPRA Annual Conference in Paris, you may remember that the sponsor of the best performer award, Dutch merchant bank Kempen & Co and award-winner Quintain Estates kindly sponsored a project to build a school for deprived children in Peru. Five years on and the project is complete; the children now have a school to attend.

This is a meaningful initiative by EPRA members coming to fruition. For more information on the project, go to: www.stichtinghope.org.

POISED FOR RECOVERY?

ThomsonReuters held its annual Global Property Outlook seminar in December - a time when Tim Bellman of ING Real Estate Management termed Europe us “poised for recovery”. Real Estate debt levels remain a risk, with a background of “weak & fragile growth”. He saw an overweight to industrial and retail, and overweight to the Americas with a resurgence of liquidity chasing the prime UK properties.

With growth statistics suddenly relevant, speakers reinforced the point that the ‘level’ of activity, not its ‘growth’, determines building occupancy. The UK, for example, is primed for a jobless recovery. Fewer jobs were lost than in US proportionally, but it will take far longer to recover to pre-recession level of employment; resulting in a subdued UK demand for commercial real estate. As for the US rebound, by the end of 2011 its economy will be larger than start of 2009; the UK smaller. “Due to scarcity of product and weight of capital - there’ll be a euphoric six to nine months,” said Kiran Patel, AXA REIM, “...but 2011 will be tough”.

“The countdown to recover is underway at various speeds - not without risk should the unwinding of real estate debt prove disorderly. By and large, prospect in years ahead offer investment an attractive entry point to the asset class,” said Bellman. In emerging markets, the fundamentals are supported by demographic trends and supply.

“On a macro level, real estate is more firmly entrenched among institution portfolios than I can remember,” said Dr Robin Goodchild of Lasalle Investment Management. “In terms of pension funds, I can't see any who want to exit or reduce exposure. But there's no doubt institutional investors now are more reluctant to commit to private unlisted funds in all their forms.”

REAL ESTATE ENCAMPS IN CANNES

As usual, MIPIM is firmly in our schedules for mid-March. If you wish to meet us, please drop Dominic Turnbull a line at: d.turnbull@epra.com. In addition to one-on-one meetings, we will host the EPRA Executive Board meeting on Thursday during the week. EPRA members are still able to take advantage of MIPIM’s offer.

Further details are highlighted in the ‘EPRA offers’ section of the newsletter, page 64.

EPRA STRENGTHENS ITS ROOTS AMONG SWEDES

On January 13, new EPRA chair Guillaume Poitrinal, Peter van Rossum, Gareth Lewis and Fraser Hughes held a dinner to attract a broader EPRA representation in Sweden. Rather disappointingly, Klovern, Castellum and Aberdeen are Sweden’s only EPRA members.

Sweden comprises 5% of the European total by market cap. The market, which has good levels of transparency and sustainability, has yet to roll out a REIT structure. Greater Swedish involvement is important because the country needs to be well represented in issues such as Best Practices, investor outreach, sustainability, Solvency II, valuation consistency around Europe and AIFM.

EPRA AWARD FOR GRADUATE

Lodewijk Buijs from Utrecht has won EPRAs cash award for the best post-graduate paper, presented by Dominic Turnbull. Entitled *Capital Structure Determinants of US REITs*, Buijs' dissertation was part of the MSc Real Estate Finance and Investments track at the University of Reading, Henley Business School.

CLEAR ROAD AHEAD?

Anatole Kaletsky

Anatole Kaletsky puts today's macroeconomic malaise into perspective. While Europe avoided skidding into oblivion as many had forecast, the wounds inflicted by the 2008-2009 crash remain dangerous and insidious – poisoned by festering peripheral economies, long-term inflation risks and a sense that the wreck is back on the road again.

Given that it is clear the world did not come to an end in the autumn of 2008, as so many economists and analysts were predicting, five main questions will dominate the outlook for the European economy and property markets in the year ahead:

- Will the economic and financial recovery that started in the middle of 2009 continue?
- Will economic policies sustain or abort the recovery?
- What permanent damage has been done by the crisis?
- How will governments, businesses and investors try to contain this damage in the next year or so?
- And what might these actions imply for the longer term?

The first question, about the sustainability of the recovery, can be positively answered with reasonable confidence. This recession, despite all the apocalyptic prophecies that became so fashionable in early 2009, has turned out to be fairly similar to previous business downturns. While the declines in GDP from peak to trough – 5.1% in the euro-zone, 6% in Britain and 6.7% in Germany – were much deeper than previous post-war downturns, employment, retail sales volumes and even to business confidence have suffered less than in previous cycles.

Although unemployment will almost certainly continue rising across Europe at least until the middle of 2010, jobless figures are unlikely to climb to previous peak levels, except in Spain, Portugal and Greece. The employment picture looks particularly favourable in Britain, Italy, France and smaller Northern European economies such as the Netherlands and Scandinavia. And even in Germany, where government subsidies which have kept over a million workers artificially in employment are gradually expiring, the growth of exports to emerging markets will probably allow the jobless total to stabilise below the record level of 4.6 million reached in 2005.

Assuming that unemployment does stabilise, and the very low levels of inflation, the 2007-09 crisis will in the end feel much less horrible to most European citizens and businesses than the stagflation of the 1970s and early 1980s.

If governments have the courage to make big deficits reductions, they will expect low interest rates as a quid pro quo from the Bank of England and the ECB.

The financial picture, too, now looks much less alarming than it did in the depth of the crisis. Predictions of widespread bank insolvencies made by leading economists as recently as mid-2009 now look bizarre with banks all over the world reporting some of the highest profits on record and repaying government funding ahead of time. As for the enormous losses to taxpayers resulting from the crisis, estimated at over USD 1.5 trillion by the IMF in the depth of the crisis, were recalculated at around USD 10 billion by last September - and it now looks as if governments will make a profit on their financial interventions in many European countries, as well as in the US.

There is precedence

Because neither households nor banks have suffered the unprecedented catastrophes so widely predicted a year ago, the experience of previous recessions now seems more relevant in preparing for the future than most people imagined when the panic was at its height. The main lesson from this experience is that economic recoveries, once they gain some momentum, almost always continue unless and until some negative external force suddenly interferes.

The threat of 'double-dip' recession, so popular in financial headlines, is largely a figment of the analysts' imaginations. In fact, there has never been a case of economic recovery spontaneously aborting through lack of consumer demand in the US, Britain, France or the EU as a whole. On the rare occasions when recoveries have aborted, the reason was quite clear: interest rates were drastically increased, either to ward off inflation, to 'defend' currency pegs or to cope with some other form of financial crisis. This leads to the next question: What macroeconomic policies will Europe see in 2010?

On the monetary side, central bankers all over the world have made their intentions unusually clear. Interest rates will be kept much lower than ever before for longer than ever before. The aim of the central bankers has been stated explicitly by Mervyn King of the Bank of England. It is not just to create conditions for a return to decent growth, but to keep this growth going long enough to achieve a significant narrowing of the enormous 'output gap' now seen across Europe.

The 'output gap' is a measure of the spare capacity and unemployment - and therefore of potential deflationary pressures - now favoured by most central banks, including both the BoE and the European Central Bank. In all European economies, this gauge suggests that there will be no serious risks of inflation for several years. On present forecasts output gaps would hardly narrow at all in 2011, even if most European economies returned to their long-term trend growth rates of around 2% from mid-2010 onwards. The focus of central bank interest rate decisions will not be on the rate of growth, but the absolute level of total output and the amount of spare productive capacity in the economy. As King said to a newspaper reporter who asked him whether inflationary pressures would emerge once growth rates returned to normal, recalling a famous phrase of Bill Clinton's "It's not the rate of growth you should care about - it's the level, stupid!"

The upshot is that central banks are likely to feel quite relaxed about keeping interest rates in the 0.5% to 1% range, not just throughout this year but well into 2011 and perhaps beyond. Indeed, it is quite possible that short-term interest rates in all the main OECD economies, including the euro-zone and UK, will remain at Japanese-style levels below 2% until 2015 or even later. It is not just the huge amount of spare capacity that points to the probability of extremely low interest rates across Europe. An even more important reason is, paradoxically, the terrible state of government finances.

Core damage is governmental

The main permanent damage done by the crisis has been the destruction of government finances. And while many analysts argue that unprecedented budget deficits will push interest rates higher, it is more likely that they will have the opposite effect. As in Japan since the early 1990s, the need to reduce large budget deficits or at least to prevent them from going even higher will encourage central banks to keep interest rates at rock-bottom levels much longer than most investors, *The employment picture looks particularly favourable in Britain, Italy, France and smaller Northern European economies.*

businesses and homeowners generally expect.

With public borrowing in 2010 running at over 12% of GDP in Britain, 9% in France and Spain, 5% in Germany and Italy and 7% in the euro zone as a whole, fiscal policy will have to be tightened aggressively all over Europe from 2011 onwards. But if governments have the courage to make big deficits reductions, they will expect low interest rates as a quid pro quo from the Bank of England and the ECB. And the central bankers will be happy to oblige, since their own internal models suggest no risk of inflation and a clear need for monetary stimulus to offset the deflationary effects of large budget cuts.

Moreover, such is the size of the hole in government finances, that many years of fiscal retrenchment will be required. Therefore, a combination of ever-tighter fiscal policy with surprisingly low interest rates will dominate macroeconomic policy all over Europe until at least the middle of the new decade.

However, the imperative of long-term fiscal retrenchment, raises the final, and most interesting, question about economic prospects: Will politicians actually be able to implement the fiscal tightening required to stabilise public debts at reasonable levels?

Attack on public deficit gearing up

Nobody serious expects the Stability Pact requirement of deficits below 3% of GDP to be observed in the foreseeable future, but the political prospects for deficit reductions of the order of 1% to 2% of GDP annually appear quite good. The need for fiscal consolidation is now accepted, at least in principle, by public opinion in most European nations. Where this principle is accepted, achieving a gradually reduction in deficits should be possible, provided central banks keep interest rates extremely low.

Most of the budget cuts will have to be achieved by reducing public spending, rather than raising taxes because tax rates in many countries have reached levels at which further increases might well be counterproductive. But the sort of cutbacks required in public spending are now fairly well understood. The two most important measures will be to reduce pension costs, mainly by increasing retirement ages, and cutting the cost of the public services by freezing the incomes of government employees.

After three or four years during which the private sector has suffered severe cutbacks, while government salaries, pensions and payrolls have generally been protected, the politics of tighter spending controls in the main European countries, including Germany, France, Britain and Italy, could prove less controversial than widely believed.

On the periphery of Europe there may, however, be some troublesome exceptions to this generally benign outlook for fiscal policy and thus also for interest rates. Greece, with its fraudulent public accounts and militant trade unions, has attracted a lot of attention, but the economic pressures in several other countries on the periphery of Europe - Ireland, Hungary, Romania, the Baltics, Portugal and perhaps even Spain - could be almost as bad.

The problem is that, since the creation of the euro, all these peripheral countries have become accustomed to a huge inflow of excess savings from the core European countries, especially Germany and the Netherlands. As a result, Greece, Spain, Portugal and some other peripheral EU countries have been persistently running trade deficits of 10% of GDP or higher - more than double the more widely-publicised deficits in the US and UK.

Until 2007, most of the investment flow from Germany into the peripheral countries was going into commercial and residential property markets. But this came to a standstill in 2007 and had to be replaced by indirect funding from

The possibility of long-term inflation may well be a genuine worry for investors, but property investors have less reason to worry than anyone else.

the ECB. Unless the flow of German investment into the peripheral property markets revives in the year or two ahead, which seems unlikely, these countries will run into serious financial problems unless their trade accounts dramatically improve. But improvement in trade figures will be very difficult because of the loss of competitiveness these countries have suffered since the creation of the euro by allowing their workers much more rapid wage increases than German workers.

The result of all these contradictions is that the focus of global financial troubles in the year ahead could shift from the US and Britain to the periphery of Europe. In fact, a fiscal or currency crisis of some involving the high-deficit euro-zone economies is now a much greater threat to sustainable economic recovery and financial stability than the much-discussed risk of a double-dip recession or fiscal crisis in the US or Britain.

The chances are, however, that the worst will be avoided since the German government, the ECB and the EU Council of Ministers would, in the end, prefer to compromise their fiscal principles than allow the euro to suffer any kind of existential crisis.

The long-term inflation shadow

Which leads to the last question - about longer-term risks. While inflation is unlikely to be a threat anywhere in the next year or two, the outlook for the second half of the decade may be less benign. The experience of stagflation in the 1970s showed that it is possible for inflation to accelerate even in conditions of mass unemployment, when output gaps are extremely wide. Something similar could happen again, especially if governments which refuse to undertake fiscal consolidation have to be bailed out by taxpayers in other countries.

Having said this, however, the threat of stagflation needs to be put into perspective, If inflation accelerated from the present 1% to 3% or 4%, this would hardly constitute a crisis comparable to the double-digit inflation rates of the 1970s and early 1980s. And the risk of such modestly higher inflation is one that central banks, including the ECB, will probably be forced to accept. And if, inflation does accelerate, which is possible though still by no means certain, there is a big consolation for property investors.

Property, in fact, is probably the best hedge there is against long-term inflation. Property prices almost always rise before inflation accelerates, especially if central banks are forced by fiscal and political conditions to keep interest rates unusually low. Although property then falls back as monetary policy is tightened, the net result is that in an inflationary environment property produces total returns considerably higher than other asset classes. The possibility of long-term inflation may well be a genuine worry for investors, but property investors have less reason to worry than anyone else.

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Kaletsky was a full-time journalist for The Times, Financial Times and The Economist from 1976 until 2002 and received many awards and distinctions, including Commentator of the Year, Specialist Writer of the Year, Financial Journalist of the Year and European Journalist of the Year. In addition to his involvement with GaveKal, He is a director of several investment companies, including the JP Morgan Emerging Markets Investment Trust.

Kaletsky was educated at Cambridge University, where he graduated with a first class honours degree in Mathematics and at Harvard University, where he was a Kennedy Scholar and gained an MA in Economics. He has an honorary Doctorate of Science in Economics from the University of Buckingham.

IR: SAFE AT THE HELM

Patrick Kiss

A crisis is exactly the time for fact and consistency, when the Investor Relations can steady the ship.

The current state of the capital markets is presenting wholly new experiences for many communications professionals in the listed real estate sector. The entire global economy has been in a pronounced tailspin for nearly two years. Many investor relations managers did not come into this, still young, profession until after the 2003 stock market slump, and a lot of the real estate companies now listed on stock exchanges entered the capital market spotlight during the market euphoria that reigned between 2005 and 2007.

In rising markets, investor relations (IR) is a job that brings pleasure each and every day. Since real estate share prices across Europe peaked in early 2007, however, most IR officers have had a tough battle on their hands. Whereas during the earlier period of euphoria investors took only a peripheral interest in results, they are now demanding evidence that companies are making money or will do so in the very near future.

It is no longer sufficient to simply provide coherent visions based on good strategies; these must be accompanied by a clear and concise equity story founded on realistic long-term assumptions. This story must demonstrate how future promises will be honoured and profitability achieved over the long term in order to justify investor confidence.

Investor's dream: solid financing and stable cash flows

The key topics at present are therefore refinancing, valuation, sustainable cash flow and tenant credit quality. Investors are asking for detailed information on loan maturities, financing banks, covenants, market yields, tenancy agreements and rent defaults in order to conduct their own stress tests to develop scenarios regarding the future security and associated valuation of the business model in question.

Regardless of whether a crisis emanates from the capital markets (external), as currently, or from within the company itself (internal) - and a combination of the two is also possible - the process is always similar. A crisis frequently announces itself at an early stage, and with appropriate awareness can rapidly be identified as such. There is no panacea for crisis management. However, deliberately ignoring a crisis or even attempting to cover it up is never the right

Once a problem has been uncovered, situation should be analysed and presented as transparently and as quickly as possible in order not to pour oil on troubled waters.

option. The capital markets come down twice as hard and for much longer on a lack of responsiveness and an overly hesitant information policy. Once a problem has been uncovered, therefore, the situation should be analysed and presented as transparently and as quickly as possible in order not to pour oil on troubled waters.

This calls for descriptions of market structure and market position, as well as the range of products and services on offer. Together with the notes to the balance sheet and income statement, other key figures and background information on current trends, these elaborations serve to present the company's past and present status. Based on this information, the next step is to explain the causes of the crisis and set out the measures for overcoming it together with the relevant (interim) objectives. In such situations, the ideal is close involvement from a management team that conveys reliability, conviction and vision: crisis communications is a management matter.

It is no longer sufficient to simply provide coherent visions based on good strategies.

In the listed real estate sector, two important key figures have now established themselves internationally as particularly significant for analysts and investors: net asset value (NAV, the value of assets less liabilities - in the case of shares the NAV represents the intrinsic value) and funds from operations (FFO, the cash inflow from operating activities). The only disadvantage is that binding standards for calculating these two key figures have yet to emerge. However, the industry is working on harmonising them in order to improve comparability.

At the same time, the loan-to-value ratio (LTV, the ratio of interest-bearing loans to the market value of the real estate portfolio) which during the property boom years was meant to be as high and as rapidly flexible as possible in order to drive up equity capital yields through leveraged financing, is enjoying a real resurgence in its popularity as a key figure. See page 43. The perception of what constitutes an optimum LTV ratio has, however, been totally reversed.

Learning from the crisis

Even while the crisis is still going on, measures and control instruments should be defined that will help to prevent future problems or identify them at an early stage. The first steps of any realignment can be implemented; these will help maintain investor confidence during the initial phase of crisis management.

The following principles should be observed for all IR measures, both as a general rule and in times of crisis:

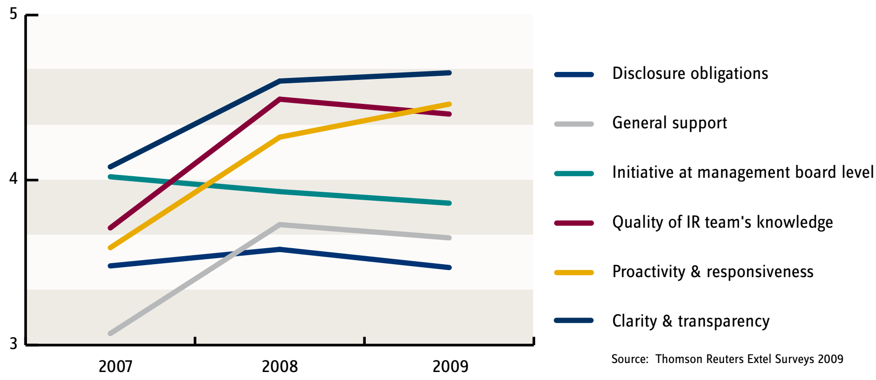
Regularity and consistency - In return for their capital, investors expect regular information of consistent quantity and quality, even in times of crisis. At these times in particular, the key is not to damage the investor confidence that has been built up but to foster it.

Materiality - Only information relating to a company's activities or results should be published. Market data can also be helpful, as this makes it easier for investors and analysts to compare the company against its competitors.

Completeness - Investors expect to be provided with factually correct, complete and fair information enabling them to carry out an independent and unbiased assessment of the company. This does not mean the full disclosure of all corporate data, as every company is entitled to keep certain things secret. The mantra is: "You don't have to write about everything, but you should be able to talk about anything."

Focus on the future - In addition to accounts of past activities, investors are first and foremost interested in their consequences for future business success.

Honesty and credibility - Two old proverbs express the IR balancing act perfectly: "He who pays the piper calls the tune" and "A liar will not be believed even when he speaks the truth". All information communicated should be truthful and presented fully, openly and without exaggeration. If news flow is formulated in supposedly protective and roundabout terms, bad news such as profit warnings has a stronger and longer-lasting impact on the share price.



Best Practice in Investor Relations

Changes in relative criteria weightings in the period 2007-2009
1 = unimportant,
5 = very important

Equality of treatment - All recipients of information should be treated equally in terms of the timing and content of the information provided, above all to avoid any conflict with the ban on the use and forwarding of insider information as laid down in securities law (fair disclosure).

Target group focus - The information relevant to investors is different to that required by other groups, such as tenants. They are interested not in the design of a new building, but in the rental income that it can be expected to generate. The information prepared should therefore be simple, understandable and geared specifically to the capital markets.

Timeliness of information - Investors are only interested in up-to-date information from first-hand sources. The faster companies report new findings, the better their shares perform. Once again, this is equally true in both good times and bad. If a company misses the opportunity to comment promptly on new information from within its own four walls, then others will do so - but only after it has been filtered and rarely in the way the company would want. With this in mind, it appears to make sense for IR managers to be contactable at all times - much to the delight of Apple and BlackBerry backers.

Cost-effectiveness - It is in the interests of both the company and its investors for communications costs to be kept to a minimum and geared to cost/benefit considerations.

One company, one voice - Company representatives should always co-ordinate financial and corporate communications to ensure that the overall communications strategy remains coherent and the company projects a uniform image.

According to the recent Excellence in Investor Relations study conducted by Thomson Reuters Extel Surveys, investors and analysts set great store by additional 'soft' factors, as illustrated in the chart above.

'Clarity and transparency' have always been of fundamental importance, and indeed have become even more relevant during the crisis. The second most important criterion, 'proactivity and responsiveness', clearly demonstrates that investors do not look kindly on companies that simply hunker down when the going gets tough. Capital market participants want vision and proactive communication. By contrast, the other criteria have declined in relative importance.

IR managers who plan strategically and for the long term take these principles and best practice recommendations on board and have a communications policy that is prepared for a downturn. Technical (address databases, registers of service providers) and formal (to-do lists, defined coordination processes) precautions pave the way for the most important element of investor relations: content.

IR is about managing expectations

The target groups served by IR professionals expect consistency in every respect. In addition to the straightforward duty to provide information, managing expectations is also about pursuing a clear line in investor relations. Investors would not appreciate it if on top of bad results they also had to deal with a breakdown in their communication-information relationship with the company. Rebuilding lost confidence is an extremely long and laborious process. By contrast, the increased risk premium triggered by results that are significantly at odds with analysts' expectations can be ironed out over the medium term. Investors do not so much resent the crisis itself as the lack of consistency. Expectation management should therefore focus on controlling the formal and content-related demands of financial communications.

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ALL IN THE NUMBERS

An update on current EPRA issues relating to reporting and regulation. Summarising EPRA's continued efforts to raise the standards of transparency for the sector, improve and protect the efficient operating of the listed sector.

Lease accounting - tentative decision by boards welcomed by EPRA - business as usual for IAS 40 asset held at fair value.

The IASB recently met in London to discuss the scope of the lease accounting project. To recap, a new model for all lease contracts was proposed which would reclassify investment property as a financial asset. A "tentative" decision was taken by the IASB at their Board meeting on January 20; to exclude lessors of investment property from the scope of the new model provided they adopt the fair value option under IAS 40.

Although not a final decision, this is very encouraging news indeed and validates the approach taken by EPRA to proactively engage with our members, the broader investment community and our global partner in the REESA alliance, to present a united view. The development of a new leasing model for all other leases still within scope will of course continue - and this includes the tenants of investment properties.

AIFM Directive - not appropriate for the listed property sector. EPRA has recently responded to the latest draft of the Alternative Investment Fund Managers (AIFM) Directive on which we focus on the need to exclude listed property companies and REITs. As well as setting out why it is not appropriate for the listed real estate sector to be the target of regulations aimed at investments that pose a systemic risk, EPRA also gave suggestions on how this might be achieved.

In support of this position, we argued that compared with the unlisted alternative fund sector, the listed property sector is a distinct sector that is widely covered by the analyst community and already subject to adequate regulation.

Solvency II - The Solvency II Directive potentially affects listed property companies and REITs because it could impact the allocations that insurance companies can make within their portfolios to listed real estate. Very broadly, the Directive treats REITs as 'equity' holdings and consequently applies some relatively harsh 'stress tests' to these holdings (in comparison to direct property holding and bonds for example). This makes it more difficult for insurance companies to hold REITs because it makes it harder to stay the within the limits imposed by the stress test.

EPRA has responded to the Directive and challenged the methodology that is applied to REITs (which arise from assumptions about correlations that REITs have to direct property and interest). We argue that while in the short term REITs correlate to equities, over the medium to longer term they correlate to direct property. Accordingly, the current equity classification results in an unrealistic treatment of REITs and listed property companies.

Derivatives - negative implications for the property sector? Proposed new European legislation due to be introduced towards the end of 2010, is part of the package of European Commission financial services proposals aimed at removing systemic risk from OTC derivatives by promoting standardisation, strengthening bilateral management for non-central counterparties, enhancing the use of central depositaries and moving clearing of standardised OTC derivatives to CCP (exchanges) - daily margin calls.

Trades that are non-standard and therefore not cleared centrally would be subject to increased capital charges to "reflect the higher risk that such contracts pose to the financial system". In general, the proposals seem to load penal risk weightings onto OTC deals or force corporations to provide collateral or margining on all standardised contracts.

The main concerns for EPRA member are likely to be around margin calls should the swaps widely used in our industry be treated as standard and on-exchange. Companies will need to look at their hedging techniques as it adds risk to a risk management tool.

For further details, please contact Gareth Lewis on: +32 2739 1015 or gareth.lewis@epra.com.

GREEN BUILDINGS - JUST A FAÇADE?

Reg Green

The public real estate sector understands the importance of the long-term view. Buildings have a long life-span and require constant maintenance throughout. All the signs are that companies in the public real estate sector are also going to have to pay increasing attention to what might be called the long-term 'sustainability dimension' of their businesses.

The following 30 EPRA constituents (30% of the global index market cap) are included within the FTSE4GOOD index.

Constituent Name	Country Code
Westfield Group	AUS
Unibail - Rodamco	FRA
Mitsubishi Estate	JAP
Mitsui Fudosan Co.	JA
Public Storage	USA
Boston Property	US
Stockland	AU
Land Securities Group	UK
Prologis	US
British Land Co	UK
City Developments	SINGAPORE
Corio	NETH
Liberty International	UK
GPT Group	AU
Brookfield Properties Corp	CAN
Hammerson	UK
Segro	UK
Mirvac Group	AU
Dexus Property Group	AU
CFS Retail Property Trust	AU
CapitaMall Trust	SI
Hysan Development	HK
Gecina	FRA
Aeon Mall Co ltd	JA
CapitaCommercial Trust	SI
Commonwealth Property Office Fund	AU
Tokyu Land	JA
Macquarie Office	AU
NTT Urban Development	JA
Kiwi Income Property Trust	NZ

The term 'sustainability' is used regularly and in many contexts. It is often assumed that its meaning is self-evident and that there is general agreement as to its importance. In fact, the degree of consensus may be far less than is imagined and we should not be too surprised about this. The concept of sustainability is both framed and understood differently according to the interests of the user, the contexts of its use and the time-frame involved; but there is a generally emerging consensus that so far as business is concerned the term 'sustainability' embodies important social, environmental, ethical and governance considerations.

Accordingly, a growing number of companies are beginning to adopt a modified business paradigm; one that focuses on creating a better balance between social, environmental, economic and governance factors. Increasingly businesses are adopting 'sustainability-related' values, principles, strategies and practices.

The concept of sustainability will undoubtedly be refined over time, but we can be sure that it is not simply a passing fad. Whatever the nature of the discussions still to be had about causes, effects and implications, there is increasing understanding and acceptance of the vital links between the way we do business and the way we treat the planet and its citizens.

Public concerns about sustainability issues, often focused by active and influential NGOs, are being increasingly translated into public policy and regulatory measures. Sustainability-related issues have been on the agendas of numerous UN agencies, the OECD, the European Commission and Parliament and national governments for some time now. Business has responded in a variety of ways and to differing degrees. Global associations such as the Business Council for Sustainable Development have been established and there is a growing number of trade associations that have sustainability as an important part of their standing remit. Leading companies now regularly reference sustainability issues in their public relations and in their reporting.

Green finance

The finance and investment community has also responded to increasing sustainability concerns through the development of mechanisms such as the FTSE4Good index which, using sophisticated benchmarking of leading companies, aims to provide businesses with additional incentives to take seriously their social, ethical, environmental and governance responsibilities. There is a number of real estate companies already incorporated in broader sustainable indices due to their elevated environmental status, attracting 'green' investment support

The UN Global Compact, to take another example, seeks to achieve similar goals by somewhat different means. There has also been a dramatic increase in the development of socially and ethically responsible investment. Indeed, what started out as a niche product is increasingly influencing investment analysts and fund managers in the broader, more traditional, investment community.

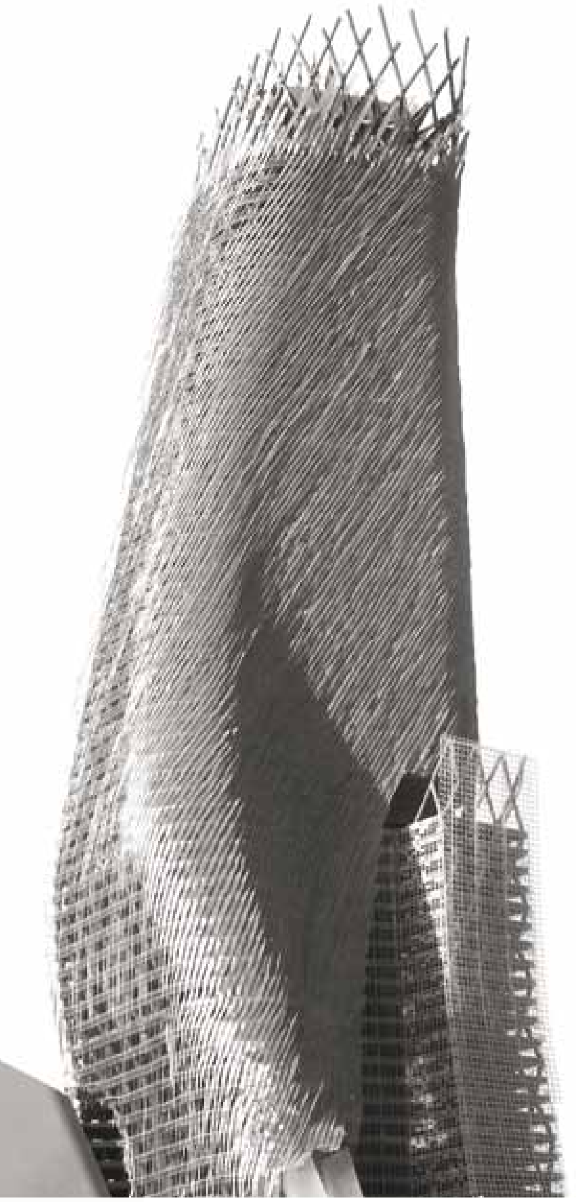
The long-term nature of their obligations means that pension funds are often among the most knowledgeable and demanding when it comes to the sustainability profiles of the companies in which they are invested.

Investors are also driving the process. For example, the long-term nature of their obligations means that pension funds are often among the most knowledgeable and demanding when it comes to the sustainability profiles of the companies in which they are invested.

EPRA represents companies with over EUR 250 billion of investments in the real estate sector. The sector faces its own sustainability challenges which are set to become more important in the future. These challenges are related both to the structure of the public real estate sector and to its intrinsic social, environmental and ethical impacts and links. Some of the challenges may be best met through the market mechanism, but some will be less susceptible to this solution.

There might have been a time when some business sectors could afford to take a relaxed view of their sustainability impacts and responsibilities, but that is no longer the case. Those who are not adequately prepared may be in for unpleasant surprises.

A good example is climate change which is clearly going to remain a major issue - despite the widespread criticism and disappointment of the climate change negotiations in Copenhagen at the end of 2009. Indeed, the failure of the Copenhagen negotiations has if anything served to highlight the extent of public expectations. Given the scientific predictions of the impact of global warming, even at their less pessimistic range, it is clear that governments are not going to be able to address the issue alone. Public and private housing



If managing real estate sustainably enhances returns, investment managers have a fiduciary responsibility to do so as well.

has been targeted by a number of EU initiatives.

Sustainability and related issues were often the responsibility of a middle-ranking manager - who may or may not have been a specialist on sustainability issues and who took these issues on board as part of a broader remit, often in public relations. Today, there is a growing expectation on companies to demonstrate that sustainability is at the centre of their business models. This means that the successful company of the future will need to have both an understanding of the ethical, social and governance (ESG) challenges and opportunities it faces - and be able to demonstrate that it has effective structures and strategies for managing them. Companies will increasingly be expected to provide credible reports on their ESG management as part of their annual reports. It is also clear that the pressure coming from a broad group of stakeholders including investors, shareholders, regulators, NGOs and the general public is, increasingly, for such reports to be comparable within a company over time as well as between companies in a sector. This means that the effective management of a company's ethical, social and governance impacts need to be understood and taken seriously up to and including the level of the CEO and the company board, not simply as a desirable extra but as a material concern. That is perhaps more the case today than it has ever been, given widespread public criticism of companies in the wake of the financial crisis.

EPRA is already recognised for its annual Best Practices Recommendations (BPR), developed since about 2003 by its Reporting & Accounting Committee. These recommendations focus on industry consistency in its financial reporting, and the reporting of non-financial key performance indicators is considered to be important by those from the investment community who are involved in the committee. While much of the focus in the last couple of years has been on consistency in the reporting of portfolio performance (vacancy, reversions, yields etc) and over time, it would seem to be a logical and efficient for the recommendations to be extended to cover sustainability aspects given the increasingly attention being paid to this area by investors.

Of course companies have to be profitable to survive, but given the scrutiny which they face today, none can afford to think solely in terms of profitability. There is a growing expectation on companies to demonstrate that they are working to achieve the best possible balance between the ethical and the profitable. As the relationship between these two aspects of business is a dynamic one, it follows that the company must ensure that it is continuously abreast of development and expectations. For this reason, a key future role for EPRA will be to help increase confidence in reported sustainability performance of listed real estate companies (financial and non-financial) through developing, together with investors, industry best practice and promoting consistency and clarity in how European companies report.

Company boards and senior executives will inevitably have to tailor their ESG management to their own particular circumstances, but EPRA could play an important coordinating role by facilitating meetings and seminars on the various aspects of ESG and sustainability, to promote understanding, share experiences and facilitate some of the necessary research and information on developments and sector specific challenges and opportunities.

Real Estate in the glare

The global focus and debate on climate change is expected to have profound implications for the public real estate sector. In an article published in July 2007 entitled 'Sustainability and Real Estate' Paul McNamara, director of Research at PRUPIM, a UK-based company looked at some of the challenges facing the real estate sector. He noted that while there are great achievements in construction, new

"We're probably approaching the point where half of the world's carbon dioxide emissions are linked to buildings."

MIT alumnus Marc Rosenbaum,
founder of Energysmiths

construction typically adds only 2% per year to the building stock. This, he said, indicated that greening new development is the "slow lane" to solving carbon-related issues in the built environment. However, he went on to say that those with the knowledge have no power, and those with the power have no knowledge, pointing out that architects and engineers are far ahead of the real estate industry on sustainability, but that investment managers who hold the purse strings and conscious of their fiduciary responsibilities, remain skeptical of the financial benefits of taking action.

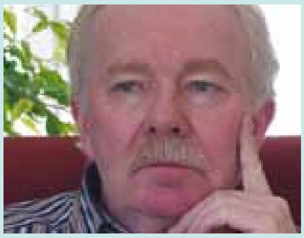
McNamara nevertheless believed that it was possible to demonstrate to investment managers how the responsible management of their existing properties can benefit their clients in the (financial) language they understand best.McNamara went on to say that through regulatory and policy developments, sustainability is changing the context for real estate investment decision-making. In the UK alone between 2005 and 2007, he identified over 20 sustainability-related policy and finance initiatives that had affected real estate investment in some way. Investors, tenants, suppliers, and others are, he asserted, "increasingly reviewing each others' sustainability credentials. These changes will affect the way properties are priced in the future, and, financial theory tells us, they should be influencing prices today, albeit at a discounted level."

If companies are becoming more concerned about environmental issues and their corporate images as McNamara believed, then a building's green characteristics are set to become increasingly desirable for tenants. In this case, non-green properties will attract lower rents and take longer to lease. Put another way, non-green properties will depreciate more quickly and carry higher risks than their green counterparts. Furthermore, landlords will also find it harder to raise rents in energy-inefficient properties where tenants are already paying higher energy costs.

Similar factors may make non-green properties less desirable to other investors, increasing the buildings' illiquidity risk premium and reducing their exchange price. The inescapable conclusion is that the more investors and tenants care about sustainability - and the evidence suggests they will come to care a lot - the greater the impact will be on the values of non-green properties.

In their clients' interests, investment managers have a clear duty to understand the materiality of these issues and their effect on property values. To protect their investments in the medium to long term from increased risk and depreciation, they must implement cost-effective measures to green their existing assets. In short, if managing real estate sustainably enhances returns, investment managers have a fiduciary responsibility to do so as well. Unless it demonstrably harms performance, it will become increasingly difficult to deny that they also have a moral duty to do so.

Phare Tower - *Paris (2010-2014)*
Technologies integrated into the Phare Tower capture the sun and wind for the production of energy; and selectively minimise solar gain while maximising glare-free daylight. Its high-performance skin transforms with changes in light, becoming opaque, translucent, or transparent from different angles and vantage points.
Architect - *Thom Mayne, Morphosis Architects, California*
Client - *Unibail-Rodamco*



Reg Green
Consultant on Sustainability, Social Responsibility and Good Governance

Independent consultant on sustainability, social responsibility and good governance. Nearly 20 years previous experience at international level (including a number of UN organisations and the OECD). Remunerated positions within the social responsibility and ethical investment field: Henderson Global Investors (2002 - 2006) and FTSE4Good (2004 - date).

ALL PRICE NO VALUE?

Bo Nordlund

New valuation standard under development within the IASB - how can this affect the real estate appraisal process?

The International Accounting Standards Board (IASB) published its draft new valuation standard - Exposure Draft Fair Value Measurement, below referred to as ED, shortly before summer 2009. The idea is that this standard should be applied across all the IFRS accounting rules that require or permit assets or liabilities to be measured at fair value (market value). In the article below, Bo Nordlund from KPMG develops the ideas from an asset-/property valuation perspective.

The ED, which is expected to be a new standard in the third quarter of 2010, contains proposals for new rules likely to affect real estate appraisers in different ways. It may also be noted that this standard over time will become law if adopted. Other valuation standards as real estate appraisers often refer to, for example, RICS Red Book or the International Valuation Standards are to be seen as recommendations without 'enforcement power' which gives a certain difference in significance between the coming IFRS and the other measurement standards.

The definition of fair value

The ED now shows that the fair value is an '*exit price*', i.e. what you could sell the asset for on the market. It also clarifies that there is a conceptual distinction

EPRA Comment:

The fact that the IASB is venturing further into the valuation arena, gives rise to some interesting questions around what happens when the work of the professional valuation community meets the accounting regulators. Valuation standards like those developed by the IVSC, provide generally accepted principles and concepts to guide the work of the valuer whereas IFRS provides the principal driver for valuation. However, where the IFRS requirements stop and the valuer starts is a difficult and perhaps controversial discussion.

This is further complicated by the obvious differences in various region's familiarity with the valuation concepts and the maturity of the valuation profession. In countries such as UK and Australia, where there is a long tradition of valuation in financial statements (and appraiser's liaising with national accounting standard setters), there is naturally some concern that the IFRS are moving too far into the valuer's domain.

between what a company buys an asset for, the '*entry price*', and what you can sell the asset for, the 'exit price'. Certainly in many situations the 'exit price' and 'entry price' are likely to be quite similar to the amount, but it is quite clear that the standard focuses on the fair value to be seen as an 'exit price'. This also leads to the conclusion that it is likely to be more difficult to argue that what is paid for an asset, such as a building, will also serve well as an approximation of the asset's fair value after the time when the asset is initially recognised in the purchasing company's accounts. Especially in inactive markets with hardly any observable market prices this issue could be highly significant.

The fair value in accordance with the ED is also to be assessed on the basis of an assumption on the asset's "highest and best use". In other words, if there would be a real option associated with the property, such as a construction right, and it is likely that this option has value to the market, the value of this option shall be included in the estimated fair value.

As with IAS 40, the fair value is assessed based on how hypothetical actors behave when pricing an asset on the market. That is, the current holder of a particular property may well argue that the property is worth more than what is possible to get paid on the market in a given situation. In such a situation what the current owner thinks the value should be is ignored. The exit price is primarily not from the seller point-of-view. Furthermore, the fair value shall not be adjusted for transaction costs.

Valuation methods

The ED states that different types of valuation methods can be applied. Those are based on 'market approach' (such as comparable sales method), 'income approach' (such as discounted cash flow method) or the 'cost approach' to assess the fair value. So far, nothing is new. A novelty in relation to *IAS 40 - Investment property*, however, is that the *ED does not give preference for any particular valuation method*, but instead focuses on the type of inputs you have access to as inputs in the selected valuation model.

Inputs in the valuation models and the fair value hierarchy

IAS 40 contains a fair value hierarchy which, in brief, indicates that the comparable sales method is the best way to assess the fair value of an investment property. The proposal in the ED, however, is that the sections of IAS 40 containing guidance on how the property valuation should be done, are now deleted from IAS 40 and instead, a reference to the new standard - *Fair Value Measurement* is added in IAS 40.

Regarding the fair value hierarchy, the ED turns to the basis of the inputs you have access to in the valuation models. These inputs will be divided into different levels which are dependent on the quality of inputs. In other words, the ED gives no preference for certain methods over others. It also clarifies that the inputs can be divided into observable and unobservable inputs; and that a company is to *maximise the relevant observable inputs* in the valuation and *minimise unobservable inputs*.

As with IAS 40, the fair value is assessed based on how hypothetical actors behave when pricing an asset on the market.

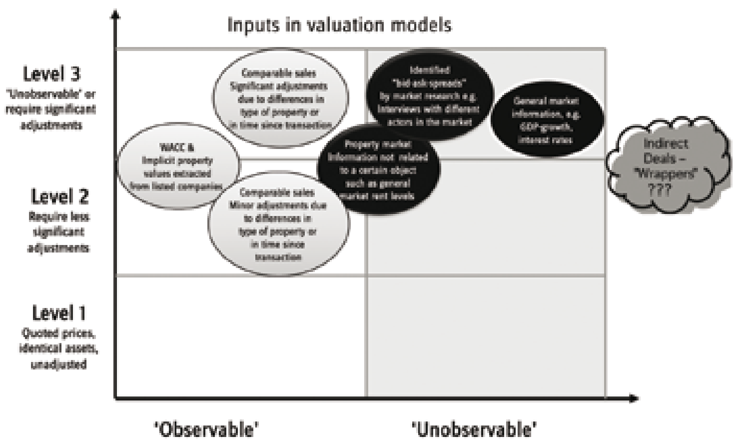
The new hierarchy is summarised below:

Level 1 = Inputs require no adjustments (for example, if the valuation object is a share in the listed company, it can be monitored on the stock exchange. It can be observed what exactly the same instrument is worth on the market).

Level 2 = Inputs which are directly or indirectly observable from the market and require different degrees of adjustments (e.g. comparable objects sold in the property market, close in time in relation to the value date and sold objects whose other characteristics[1] are not significantly different from the valuation object).

Level 3 = Unobservable inputs. This group may also include input from the market that requires significant adjustments. Examples of the latter might be comparable

1 For instance, site, rental income level, vacancy level, technical condition etc.



'Fair value hierarchy' in a property valuation context. Example of principle-based reasoning (may be different from time-to-time

objects sold on the property market which occurred further back in time or when the sold objects' other characteristics differ significantly from the valuation object.

Level 2 and level 3 should be the dominant levels from which to retrieve input in a property valuation context under normal market conditions. In high liquidity property market conditions, level 2 may be the dominant source of information. In the market conditions today, likely level 3 inputs will be dominant. In this context it is interesting to note that the ED under the heading "Level 2 inputs" for example addresses that inputs in this hierarchy-level can be information derived in different ways from observable market data. For instance, maybe a relationship can be demonstrated by a correlation.

In the past year, it has been discussed whether, in real estate valuation, one may (or even should) draw conclusions on the underlying real estate values from the fact that the share prices of listed property companies had fallen considerably in the last two years. As many studies show a sizeable positive correlation[2] between the value of listed property shares and underlying real estate assets in the longer term, this indicates that one cannot just ignore such observable inputs for the benefit of unobservable input in property valuation. If this is done, it may have to be justified. Such unobservable inputs (level 3) may include the negotiated price levels in transactions that never happened. Of course, important in this context, the valuer also needs to estimate the time lag between pricing listed real estate shares on the stock exchange and pricing regarding the underlying assets in the direct real estate market.

The graphic above contains an attempt to illustrate various possible sources of information that can provide input in a valuation model for properties based on the above reasoning, where it can also be found that the so-called Level 1 inputs are normally lacking in these types of valuations:

As illustrated above, an interesting question is where to place indirect deals ('wrappers') in this fair value hierarchy. Maybe some of these deals could be classified as observable in level 2, if publicly known. Otherwise, those transactions should probably be classified as level 3 inputs. To be classified a level 2 input, the seller and buyer will probably need to be willing to allow transparency connected to the transaction, such as underlying real estate values, net rental income levels, estimated deferred tax value in the traded company holding the real estate etc.

Disclosure requirements on the valuation in the financial statements

The ED states (like IAS 40) that the company preparing the financial statements should, for instance, provide information on the valuation methods and inputs used in the assessment of fair values. Further, the ED also states that the company should disclose the information used to develop these inputs.

In my opinion, it is not sufficient to write, for instance, that "for some time there have been few real estate transactions; buyers and sellers are often far apart in negotiations", and then round off with the assessment that the yield-demand in the market increased by 0.5%. What is interesting here is to finalise the discussion and inform on how, despite the scant information on the transaction market for real estate, the company came to the conclusion of 0.5%.

From where was the information gathered leading to this percentage level? For instance, the valuer may have performed extended market research e.g. interviews including bankers, sellers, buyers and transaction firms to find a bid-ask-spread. In turn a hypothetical transaction may have been judged to take place within such a spread. If this is the case, it may be necessary to disclose information connected to such research.

Companies must also disclose where in the valuation hierarchy inputs - levels 1, 2 and 3 - to the valuations have been taken. The supplement to the ED with 'illustrative examples' also gives the impression that you should detail how amounts of assessed values are based on Level 2 inputs and amounts based on level 3 inputs. For the items valued with Level 3 inputs, extra disclosures are required such as a sensitivity analysis.

Another interesting observation from the review of the ED indicates that companies should disclose information on the situation when the "highest and best use" differs from the current use of an asset. In such cases, the requirement is to disclose the value generated by the current use and the amount that distinguishes this value from the value resulting from a "highest and best use". It is also proposed that the company, in such cases, should disclose the reasons why they use the asset in a different way than "highest and best use".

The supplement with an 'illustrative example' attached to the ED also gives the impression that real estate appraisers are expected to split the total fair value of a property between land and buildings.

Concluding remarks

The discussion above suggests that the proposed new accounting rules relating to fair value may very well affect the real estate appraiser's work in different ways. Examples of impacts are the balance between observable and unobservable inputs in valuation models, and also the proposal on disclosure requirements. In the case of disclosure requirements, I am among other things, referring to the disclosure requirement on how different inputs to valuation models are gathered; also to the division of fair values between buildings and land, and if there are differences between the fair value of the "highest and best use" and the value generated in current use.

The ED is now under re-deliberation and it cannot be excluded that there will be changes from the current wording in a final version, which will then be adopted as a standard. However, one should keep in mind that the US has already adopted a standard, SFAS 157 - Fair Value Measurement, which largely contains the same basic approach that appears in this ED. A not too daring guess is that one should not expect too many revolutionary changes in the final standard relating to Fair Value Measurement adopted by the IASB.

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2: See for instance Morgan Stanley research presented in EPRA News - March 2009 and Deutsche Bank report RREEF Research - Global Real Estate Securities - January 2007, Cohen&Steers research presented in EPRA Press release April 20 2009. Furthermore, an EPRA study by Schätz, A and Sebastian, S, presented in IPE Magazine - December 2009, concludes that the real estate equity markets are predominantly driven by the progress of the underlying properties.

EPRA Comment:
EPRA supports the Board's effort in trying to establish a framework for measuring and disclosing fair value on a consistent basis to all assets, liabilities and equity instruments. The ED establishes a single definition for fair value as well as a single source of generic guidance for fair value measurement which we believe should form the basis for fair value guidance throughout IFRS and will shine light on some of the issues that have been troubling valuers and auditors. However, we have some concerns with moving to a single source of generic guidance as being proposed by the ED.

Our primary concern is that the fair value measurement framework should not necessarily eliminate fair value guidance currently within IAS 40 that may continue to be relevant and useful while remaining consistent with the principles of the framework. In the decade since IAS 40 has been put in place, preparers, valuers, auditors and users have found that the guidance in IAS 40, combined with IVS guidance (followed by the vast majority of valuation professionals) has worked well. Removing this in favour of the more generic guidance contained in the ED could create further uncertainty.

WHAT THIS YEAR HOLDS - EPRA AMSTERDAM

Prof. Dirk Brounen

A panel discussion, hosted by EPRA and Loyens & Loeff in Amsterdam in late 2009, brought together 100 real estate professional to share expectations for the market for the coming 12 months.

The past 24 months have been very turbulent, with public real estate returns all over the place. Since March 2009, the fierce fall in stock prices (both common stock and real estate) have been replaced by more favourable dynamics. Will it stick and is more of this coming our way? This was one of the hot issues on which EPRA invited the panel to contemplate out loud.

First on the list, was the issue of 'lessons learned'. According to the panel the best and perhaps hardest lesson was on leverage. The credit crisis has changed the overall perspective on debt. Risk is at the front, hence interest rates have increased and positive leverage is no longer a given fact. "Debt levels of 30% among REITs should be challenged," said John Lutzius "especially as there's no tax advantage to the REIT. We haven't found a correlation between debt and total returns over ten years." Dick Boer countered that debt will be a strong foundation for any highly leveraged REIT entering a period of property value increases.

Debt levels of 30% among REITs should be challenged - especially as there's no tax advantage to the REIT.

Second on the list was sustainability. According to some, this Green trend is hype, which will fade as soon as the economy recovered. None of the panelists, however, had any doubts about the long-term importance of Sustainability in the real estate arena. The need for Sustainability was widely accepted. "This will be a major issue in 2010 - there's no escaping this fact," said Hans Op't Veld, pointing out that 40% of CO^2 emissions originate from buildings and it is not taxed, yet.

"In the green debate, property is an obvious easy target; you can't miss a building, nor its revenue derived." Tenants would prefer green buildings if given the choice

"In the green debate, property is an obvious easy target; you can't miss a building, nor its revenue derived."

he claimed, therefore un-green buildings would, inevitably, hold less value in price and perception. "Green solutions are logical and rational - for tenants too," said Peter van Rossum. "We're all part of society and it's a reality. Besides, it's easier to employ and retain staff if we have a green strategy."

Finally, the panel shared expectations for this year. In his own words, "2010 would be a Year of Opportunity" and the natural selection among tenants should not be viewed purely negatively. While the UK and US have turned the corner, continental Europe will experience this as well in 2010," van Rossum concluded. Dick Boer termed 2010 as the 'Year of Acquisition'; a slow recovery triggering a buying frenzy of assets at healthy yields. In contrast, Hans Op 't Veld viewed 2010 as the eye of the storm, before the harsh payback period of 2011: "Are we just postponing the pain?"

Panelists: Peter van Rossum - CFO of Unibail-Rodamco, John Lutzius - Managing Director of Green Street Advisors, Hans Op't Veld - Head of Listed Real Estate at PGGM Investment, Dick Boer - Director of Property Research at Kempen & Co. The session was moderated by Prof. Dirk Brounen - Professor of Finance and Real Estate, Erasmus University Rotterdam.

Photography: Dominic Turnbull

EPRA LONDON – THE CEO's PERSPECTIVE

Dominic Turnbull

The latest EPRA/Nabarro event kicked off on January 21 to consider the outlook for the UK commercial property market for 2010. Moderated by Quentin Freeman of UBS, the panel brought together the UK's largest property company CEOs.
The event attracted over 200 property professionals from the UK market.

REITs received a vote of confidence by Grigg, fairing remarkably well against other investment vehicles through the recent troubled times. The packed Grand Connaught Rooms heard of a recovery in London office market with rental moving ahead well - in double-digits according to Salway. Coull said that only pre-let development had continued during the recession, but in his view speculative development would pick up soon.

Francis Salway, Research Director: Quentin Freeman, Chris Grigg, and Ian Coull, the chief executives of Land Securities, UBS, British Land, and SEGRO, respectively.

Key themes of the evening were:

- UK property investment market remains strong but scope for an increase in asset supply and a slight reduction in demand;
- Rental markets are improving for London offices, but things remain tough for almost everything else - retail is bumping along the bottom and industrial typically lags the recovery of the other sectors anyway;
- More scope for several smaller follow-on equity offerings to finance acquisitions;
- Following REIT introduction, dividend and earnings growth will gain more importance going forward but NAV will remain the main focus of property company valuation in short to medium term;
- The sector has undergone a 'stress test' and has fared remarkably well compared against other forms of property investment vehicle.

The panel agreed that several dampening factors should be taken into consideration. Salway pointed towards the risk that may arise as the Quantitative Easing tap is closed off and gilt yields start to rise. In addition, foreign Investors are now considering three or four possible investment locations (including UK), whereas in previous months the UK has been the only magnet. Ian Coull mentioned that Continental Europe is recovering quicker than expected and the pound is strengthening versus other currencies.

“NAV will continue to as the headline valuation metric for listed property companies in the short-medium term.”

Francis Salway
(statement supported by Chris Grigg)

Grigg pointed to the uncertainties of a hung Parliament from the upcoming UK election in May, and that the subsequent ministerial reshuffles will lead to Governmental inactivity - no one Party able to take the “brave” decisions necessary to tackle the broader economic challenges. Conversely, the other notable force, while currently subdued, is the banks. There have been few asset sales so far he said, but 2010 may see a demand rise that sparks the banks into selling.

Photography: Dominic Turnbull

Dominic Turnbull
Dominic joined EPRA in March 2008. Previously he enjoyed a journalistic career at Reed Elsevier before balancing his time between London and Budapest working in the architectural field. He moved to Amsterdam working in Communications at Nike - before leaving with EPRA to Brussels. He holds a BA degree from Warwick University.

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A 2010 ROLLERCOASTER

Bart Gysens

The direct UK property market is now experiencing a bounce; but with the twists and dips to come, when should you raise your hands?

During the last couple of months, there has been a significant change in sentiment towards UK commercial property; the buyers' strike during the correction has rapidly changed into what is effectively a sellers' strike. Investment yields are hardening rapidly, particularly for good quality well-located assets, let to good tenants on long leases. Several institutional investors are increasing allocations to commercial property driven by inflation concerns, the asset class' yield, and significant cash reserves. It almost looks as though at least some of these institutions are quasi-forced buyers, and that as a result this squeeze is spilling over into secondary quality assets.

What will be the size of the bounce?

The Morgan Stanley property research team assumes that yields compress around 100 basis points on average in the UK (say, from around 7% to around 6% on average) between the July 2009 low in property values and the end of 1Q10. We estimate that such a sharp hardening of property investment yields would push up property values by around 14% when allowing for some negative rental growth. We are assuming capital values are to grow 10% on average by year-end, with the remainder coming through during 1Q10.

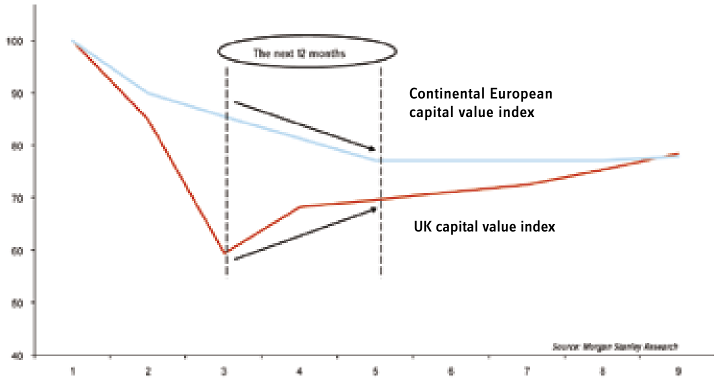
In the 1970s property values rebounded by 16% in real terms, and in the 1990s property values bounced up 11%. In both cases, this short rally accounted for just over a quarter of the previous correction in real terms. Our 14% assumed bounce is therefore broadly in line with what happened in previous cycles. For what it is worth as an indication of market consensus, at the time of writing, IPD derivatives are pricing in a 6% bounce in capital values from the July lows to December 2009, which we think is too bearish.

What to expect when the bounce ends?

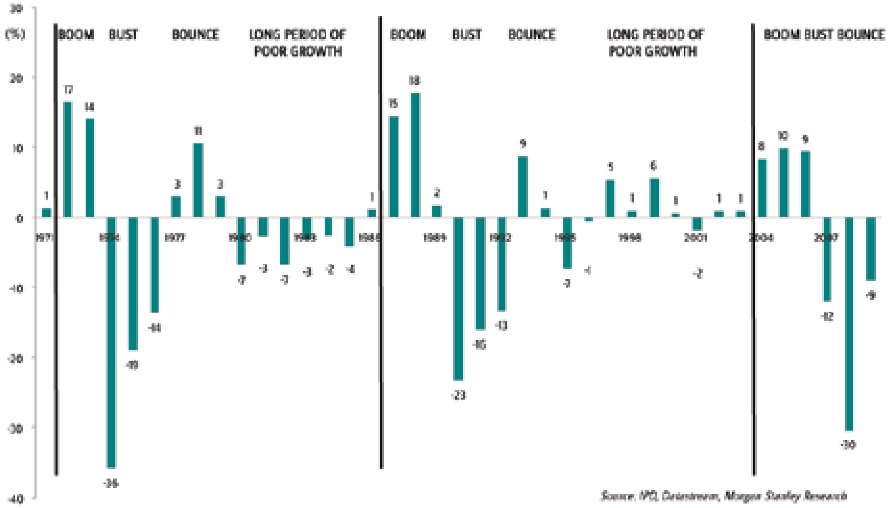
In previous cycles, property values remained broadly flat for a protracted period subsequent to such a bounce. In the 1970s, UK property values actually fell for several years in real terms (admittedly they were up in nominal terms) while UK property values went up only 6% in total in real terms during the ten years after the bounce in the early 1990s. This is very similar to what IPD total return swaps are pricing in, with no capital growth for the next five years.

We think that if the current squeeze in UK property prices persists and property values rise substantially more than expected, there is a significant risk for a second leg down. The market turned on a sixpence not so long ago; this

Theoretical illustration of how we think capital values behave during and after a correction



Annual UK Capital Growth in Real Terms



could happen again when stimulus ends and owners start selling into strength.

Earlier and stronger than expected rental growth may underpin lower yields. We think there is significant scope for a positive surprise on office rents, as London office vacancy rates are not that high in an historical context, there is less grey space compared to previous cycles and supply will be relatively constrained medium term. However, we remain to be convinced whether shopping centre and shop rents have room to grow as long as retail sales do not rise substantially.

We do not expect too much capital growth once values stabilise, as we think the gradual deleveraging of bank lending and CMBS combined with rising interest rates will reduce the scope for property values to rise.

We are less optimistic on the prospects for continental Europe

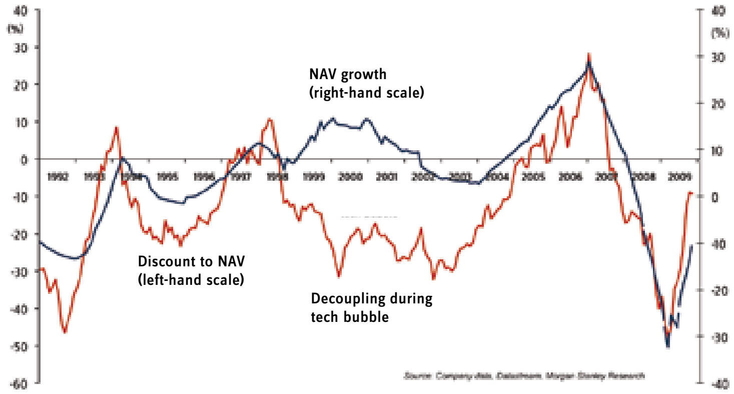
We think that continental Europe will underperform the UK on property capital value growth between now and the end of 2010. In the UK, there tends to be a true mark-to-market of property values with the marginal transaction determining the price, even in times of distress. While this causes overshooting, it also provides the UK more scope for rebounding after a correction. In our view, continental European property companies' valuations are very different as they tend to gradually revert to the mean from a position of overvaluation instead, with property values growing back into their valuations, which remain broadly flat for a long time.

In addition, we believe that most of the continental property companies will fail to deliver meaningful earnings growth. Medium-term indexation is not what it used to be, earnings-accretive debt-funded acquisitions are more difficult to execute when asset values are not rising, and market rents are yet to fall in a meaningful way. Furthermore, continental European property companies have shorter-dated debt than their UK counterparts. Many continentals have benefited from lower interest costs in recent times, but we think this will reverse when the stimulus comes off and interest rates start rising. Arguably, it is unlikely that this will have a meaningful effect in 2010, but we think investors will start focusing on this next year.

Up and down the 2010 rollercoaster for property shares

UK property shares look relatively fairly valued as they are trading at or around estimated NAVs after yields have compressed around 100 basis points. With limited medium-term scope for significant capital growth after that, it is difficult to make a strong case to buy these shares in our view.

The next couple of months could be a period of spectacular NAV growth with lots of good news-flow and first signs of rental recovery.



Pan-European NAV valuation and NAV growth

Then again, in previous cycles, the quoted pan-European property sector proved less forward looking than generally perceived; it traded up to peak valuations near the peak, and down to trough valuations near the trough of the UK direct property market. There tends to be a strong correlation between NAV growth and NAV valuation.

Therefore, we think UK property stocks will most likely do well in the next couple of months, which could be a period of spectacular NAV growth (we estimate around 25% to 30% on average) with lots of good news-flow such as development starts, transactions at relatively low yields, and first signs of a rental recovery.

We think this will most likely be followed by a correction in share prices once capital values, hence NAVs, stabilise and the realisation comes that property stocks' valuations are demanding relative to their NAV and earnings growth potential. In addition, we think that the scope for such an 'up-and-down' scenario increases if the current squeeze in UK property values is stronger and goes on for longer than expected, as that would only increase the likelihood and magnitude of what could well be a very painful hangover.

We think continental European shares are to underperform their UK peers, mainly because many shares also appear to be pricing in a quick recovery in direct markets, without the growth potential.

Bart Gysens
Executive Director
Morgan Stanley, Pan European

Bart Gysens is an Executive Director in charge of Morgan Stanley's pan-European property research team. Bart has been a property analyst since 2002 when he first joined Morgan Stanley. Bart also worked at Lehman Brothers and PwC. He has an MA in Applied Economics from K.U.Leuven, Belgium and is a CFA charterholder.

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LOOKING FOR THE NEXT GROWTH INITIATIVES

Boudewijn Schoon

The first half of 2009 was characterised by substantial highly-discounted rescue rights issues in the UK, at a time when the EPRA Europe index was close to its bottom. From May onwards we saw some smaller scale de-levering on the continent, partly by way of stock dividends or by smaller equity issues.

The first companies to raise opportunistic equity were the UK midcaps, but apart from Helical Bar and Big Yellow this was still at a firm discount. Since the summer, we have seen divergence between equity issues being done to finance new investments (as indicated by respective management) at a limited discount (ECP, Liberty, IVG) and delayed balance sheet repair still being done at high discounts (Songbird, Deutsche Wohnen). In the graph 1 the size of the bubbles corresponds to the size of the equity issues and the gap between the bubble and the EPRA Europe index reflects the discount at which the issues were done. Given that many companies have addressed their balance sheet risks, we believe that in 2010 the focus will switch to the asset side of the balance sheet.

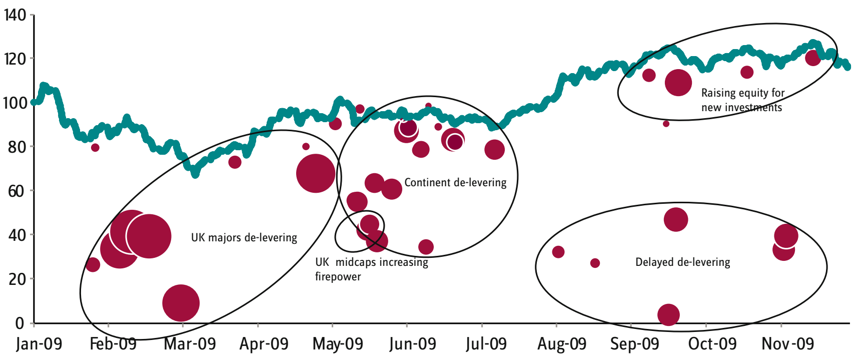
Increased focus on the asset side of the business

We expect the performance of property stocks to be increasingly determined by property fundamentals in 2010, whereas performance in 2008 and 2009 was mainly determined by the perception of financing risks. There is however limited upside on the standing portfolios. Direct property markets have bottomed out with a downward correction being seen for prime yields in the UK and some markets on the continent. However the recovery of valuations for prime appears already to be reflected in most continental property stocks, whereas the valuation of the UK property sector already implies marked valuation gains.

Meanwhile, the extent of further valuation surpluses from the current levels seen in the market remains uncertain, as we expect future rental growth (which should be the main

Graph 1: European equity issues in 2009 vs the EPRA Europe index

Source: Kempen & Co property research



driver of valuations) to remain subdued. We favour modestly financed balance sheets given cautiousness about further valuation increases and the risk of potential corrections which still exists. Furthermore, these companies still have room to finance potential external growth and in certain cases have access to alternative financing markets (bond market) due to a more favourable credit risk profile.

Increased risk differentiation

In the short term, economic growth in the peripheral regions in Europe (southern and CEE countries) should remain weak and be subject to a higher deflation risk than in the more stable western European countries. We expect the Nordic region to see more resilient economic growth in both the short and longer term. We expect government, financial sector and household delevering to impact economic growth in the next ten, five and three years respectively.

We believe that the low interest-rate environment will underpin the recent decline in prime yields in the medium term.

The pace of inflation and economic growth is therefore expected to increase only very gradually. Inflation itself should largely be driven by commodity price inflation, in our view limiting the potential for broad-based rental growth. We believe that the low interest-rate environment will underpin the recent decline in prime yields in the medium term. However as indicated above we believe that the potential for further valuation gains will mainly come from rental growth re-asserting itself, which is still a few years away assuming that the broader economic recovery continues.

We believe the divergence between prime and secondary assets will re-establish itself as we believe the risk perception of secondary assets will increase. Similarly spreads for high and low investment grade bonds are currently wider than those of pre-Lehman periods, indicating increased risk perception. Moreover, we expect depreciation on secondary assets to play an increasing part in the valuation of these assets as an increasing level of maintenance will be required to keep the assets competitive in the tough letting markets.

Ready, willing and able...

Given the relatively modest upside expected on standing portfolios, we believe that future relative performance will predominantly be determined by companies' ability to realise value-accretive growth on top of current portfolio returns. We therefore believe investor focus should be on which companies are:

- in a position to realise growth (which are ready) as a result of balance sheet strength for example;
- most motivated (willing) based on expected CFPS (declines) and management incentive packages;
- which management teams or portfolios are best able to realise this growth given their track-record or opportunities for creating value within the portfolio (i.e. through development).

Threat of earnings erosion might trigger acquisitions

We expect that the threat of earnings erosion might trigger companies into 'compensation-buying', particularly if management is incentivised based on earnings or dividend growth, or simply based on portfolio growth. We consider the main causes for earnings or dividend dilution to be increasing financing costs as well as like-for-like rental declines as a consequence of pressure on rental values (on the continent), a dilutive impact of rent incentives and potential vacancies. Although acquisitions might initially look beneficial to shareholders if they compensate for such dilution, the question whether such growth really is value accretive will only be answered in the longer run, principally when existing lease contracts expire. Ideally, management interests should therefore be aligned with longer-term NAV growth, instead of short-term earnings growth.

Looking for growth

Several companies have indicated their intention to grow their portfolio. However the track records of the individual management teams reflect a very mixed picture with some successful companies of the early phase of the cycle ending up over-levered at the time of the downturn. We would favour local expansion strategies given management's knowledge of the local markets and would prefer the stability offered by the western European markets.

Relative valuations European property companies

Source: Kempen & Co property research

We believe the ability to realise growth within the standing portfolio through asset management or development should be seen as a marked advantage. We expect smaller scale shopping centre extensions or retail projects to remain viable on the continent. In our view, larger office developments should be timed beyond 2012 to limit letting risks. We believe the potential to add value through acquisitions of standing assets might be limited. We thereby believe Western European investment markets are currently too crowded to provide for marked value-adding acquisitions of standing assets. Meanwhile we believe peripheral markets are still subject to a questionable risk return profile.

Growth potential largely dependent on access to capital

As indicated above we believe the potential to realise growth largely depends on access to debt and equity capital. Although some companies have substantial undrawn credit facilities, these often have to be refinanced within a few years. As such, it is still the overall LTV which determines the ability to attract additional debt. Moreover, with banks expected to gradually decrease their property loan books over the coming years, we expect the bond market will become a more important source of financing going forward. This would further underline the importance of credit profile often linked to a conservative LTV.

The number of companies able to raise equity for new investments without diluting cash flow or NAV appears to be limited. It is mainly the largest listed property companies in Europe which are trading at premiums to NNAV and at a below-average cash flow yield. The accretive effect of smaller acquisitions for the large caps is however limited given their portfolio size, which should put smaller specialized companies in a better position to realize accretive growth.

Listed sector to maintain its position in equity markets

We believe the focus will shift to residual re-pricing potential, security in income and increasingly to the ability of companies to realise future growth. The year 2009 could be described as a year of balance sheet restructuring and a re-assessment of risk. We believe that 2010 will see a move 'back to portfolio fundamentals', while we believe those companies ready to benefit from the gradual recovery of the markets with value-adding strategies have the potential to outperform on a three to five-year basis.

With consensus indicating a gradual increase in the cost of capital, we believe a value-added growth strategy should enable the listed property sector to maintain its relative position within the broader equity markets.

Boudewijn Schoon
Director property research at Kempen & Co

Boudewijn Schoon holds the position of director and has been working with Kempen since May 2000 as a property analyst. His current focus is the French listed property sector and he has been a two-time winner of the Starmine award in 2006 and 2008. Following his degree in Industrial Management, Construction, he finalised his MSc in European Property Development and Planning in 1999 at the Bartlett University in London, UCL.

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A SMALL STEP FOR GIANT GAIN

The case for fast non-IFRS improvements

Rogier Quirijns

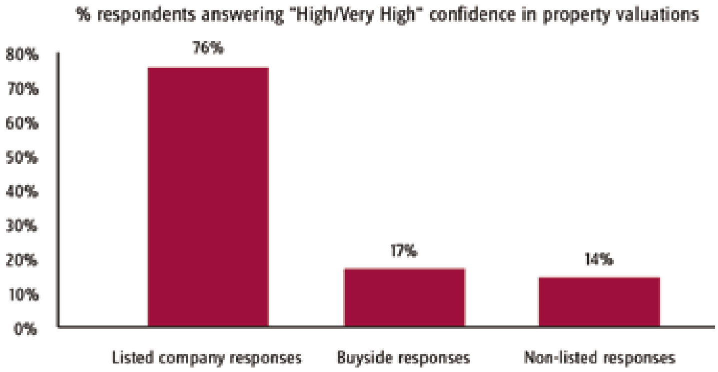
It has been a rocky year, marked by the collapse of storied financial institutions whose businesses, it turned out, were opaque to regulators, stockholders and (arguably, perhaps) to senior managements and boards of directors. Never has the case for transparency and disclosure been so eloquent, or so urgent.

While massive recapitalisation has brought stability to our business, we now need to focus on the best way to position European REITs for their next growth phase. In our view, that begins with improved disclosure.

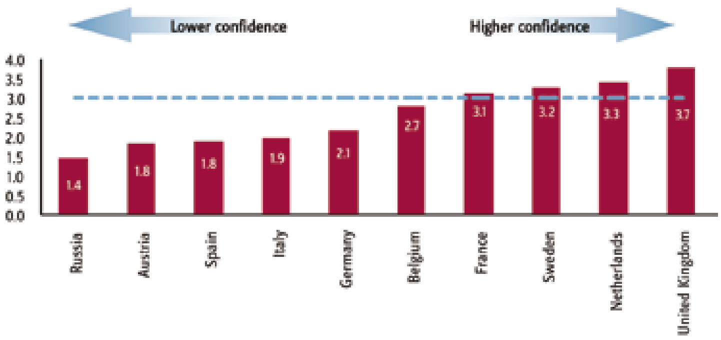
Via its Best Practice Recommendations (BPR), EPRA has helped advance the quality of European reporting based largely on compliance with International Financial Reporting Standards (IFRS). And now that Europe is more comfortable with IFRS, the time has come to switch the focus to non-IFRS measures - particularly disclosure and standardisation of property valuation metrics.

The need is urgent. The European market currently lacks transparency and comparability with respect to the most important non-IFRS measures: key performance indicators (KPIs), which include net initial yield, lease expiries, occupancy data, rent passing and market rents (ERVs). KPIs, in turn, are the main contributors

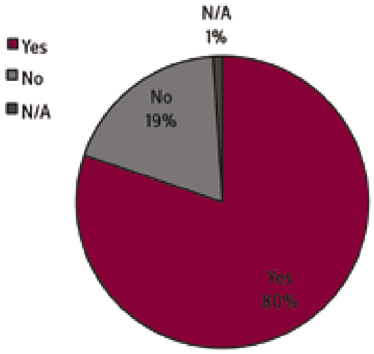
Investor confidence in valuations



Confidence in property valuations by country



Would better comparability would affect investment decisions



to Europe's underlying real estate valuations.

To provide support for needed improvements, JP Morgan initiated a survey (in cooperation with Cohen & Steers) on property valuations among both REIT investors and REIT management teams. Chief among the conclusions:

- Only 17% of investors have 'high' or 'very high' confidence in property valuations, in sharp contrast to 76% of management teams.
- Within Europe, valuations in the UK, the Netherlands and Sweden command the highest confidence. Russia, Austria, Germany, Italy and Spain trail behind.
- 80% believe that greater comparability in valuation practices would make a significant difference in their investment decisions. To that end, disclosure of the principle KPIs should be standardised.

The low level of confidence in property valuations stems from the information gap between investors and management. Improved KPI disclosure will allow investors to better understand - and have confidence in - appraisers' assumptions. With this knowledge, they can form their own estimates of what the 'true' market value should be, using their own assumptions.

Cohen & Steers strongly supports the IAS40 IFRS regulation; we believe that fair market value accounting is very helpful. From a global perspective, Europe has already taken a clear lead in this, compared with the US and Asia. However, if REITs do not disclose the information in a harmonious way, the value added is limited.

Greater disclosure will improve access to capital

Today's credit crisis can be compared to the US commercial real estate crisis of the early 1990s. Then, as now, companies were struggling, lenders weren't lending, and the public markets became the only source of capital. As a result, commercial real estate companies went public, and the modern REIT era was born.

We are seeing a similarly strong recapitalisation effort today. There is a great deal of real estate debt coming due in the next few years, and banks - many of which still need to de-lever - will not be able to roll them all over without significant equity injections. And there are still large amounts of CMBS coming due in 2011 and 2012. In this environment, the equity market is probably the most efficient place to raise capital. However, the US and Europe differ on the best means of doing so, and generally disagree on how much disclosure a capital raise should include.

Improved KPI disclosure will allow investors to better understand - and have confidence in - appraisers' assumptions.

Cohen & Steers played an active role this year in the recapitalisation

If we want to move to the more efficient capital-raising structure used in the US, standardised disclosure is a must; the speed of execution means there is no time to publish extra details.

of the US REIT sector. Recognising that high leverage would sabotage a recovery, we approached top-tier companies and encouraged them to raise equity to retire near-term debt. Without proper disclosure, this would not have been possible.

Most US companies provide that disclosure through a supplemental package that holds the data that go into KPIs. With this, we could determine how much capital we believed each company needed to survive the crisis. As companies raised debt and equity capital, the market recognised that solvency risk was greatly reduced; the recapitalised REITs were now in a position not just to survive, but to grow.

Cohen & Steers also approached European listed real estate companies, with mixed results. The capital raising structure here is less flexible than in the US, and some companies' disclosure was insufficient for our standard research. We believe that because of this, European CFOs have spent a tremendous amount of time explaining the details of their yield definitions, development obligations and debt structures to investors. With proper disclosure on their KPIs, this would not have been necessary.

We believe the US model of capital raising - secondary stock offerings - is faster, more efficient and better preserves shareholder value than the European pre-emptive rights model. Secondary offerings also tend to carry a lower cost of capital, which gives US companies a competitive advantage. Given the substantial capital raised in Europe in 2009, it may be time for shareholders and EPRA to press companies, governments and financial institutions to further evaluate the impact of the rights issue model on the European real estate sector.

The UK market has, in fact, already made progress. 'Firm placings' and 'open offers' have become more accepted, and their discounts have been materially narrower than those of recent rights offerings. (The secondary offerings have carried an average 7% discount, while the rights issues have been executed at an average 40% discount to TERP.)

If we want to move to the more efficient capital-raising structure used in the US, standardised disclosure is a must; the speed of execution means there is no time to publish extra details.

How can we improve non-IFRS disclosure/harmonisation in the short term?

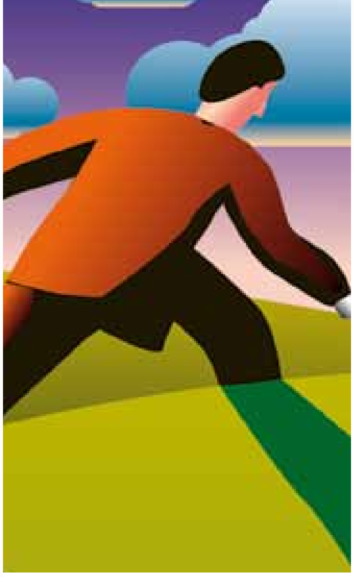
The EPRA Reporting & Accounting Committee has already made an important distinction between BPRs (IFRS-related) and Key Performance Indicators (non-IFRS-related). This clearly opens the discussion within EPRA as to whether European companies should also start to publish a supplemental package, which is one way US REITs solve the harmonisation/disclosure problem.

What is definition of yield?

Company	Initial Yield	Topped-up initial yield	Equivalent yield
alstria	Net running IFRS rent, ETD		
Beni Stabili	Gross running rent, ETD		
British Land	Gross running cash rent excl. rent frees, ITD	Gross running rent incl. rent frees and contracted future uplifts, ITD	Nominal, rents paid annually in arrears, ETD
Castellum	Normalized +12m net operating income at 95% occupancy, ETD		
Cofinimmo	Gross theoretical yield at 100% occupancy, ETD		
Corio	Net theoretical +12m net rent and ERV on vacancy, ETD		
Hammerson	Gross running cash rent excl. rent frees, ITD		True, rents paid quarterly in advance ITD
Klépierre	Net theoretical rent with ERV and non-occupancy forecast for vacancy, ITD		
Land Securities	Gross running cash rent excl. rent frees, ITD	Gross running rent incl. rent frees, ITD	Nominal, rents paid annually in arrears, ETD
PSP	Implied gross and net yield based on annualized gross and net rent, ETD		
Segro	Gross running cash rent excl. rent frees, ETD	Gross running rent incl. rent frees, ETD	True, rents paid quarterly in advance, ETD
Sponda	Net running IFRS rent, ETD		
Unibail-Rodamco	Net theoretical +12m rent and ERV on vacancy, ETD		

What is the definition of rent?
- Gross / net of operating costs
- Backward / running / forward
 Incl. / excl. indexation
 Incl. / excl. rent frees
 Incl. / excl. vacancy
 Incl. / excl. reversionary

What is the definition of value?
- ITD = including transfer duties
- ETD = excluding transfer duties
- Incl. / excl. developments & land



Timing is important, too. Investors tend to form opinions once a company issues a press release with its financial results - long before it publishes its annual report. As such, we strongly support publishing KPI data in a consistent and detailed manner with the initial publication of the figures, and not wait for the annual report.

Below left is an example of a few yield definitions used by some European REITs which show that we are far from a harmonisation, or standardisation.

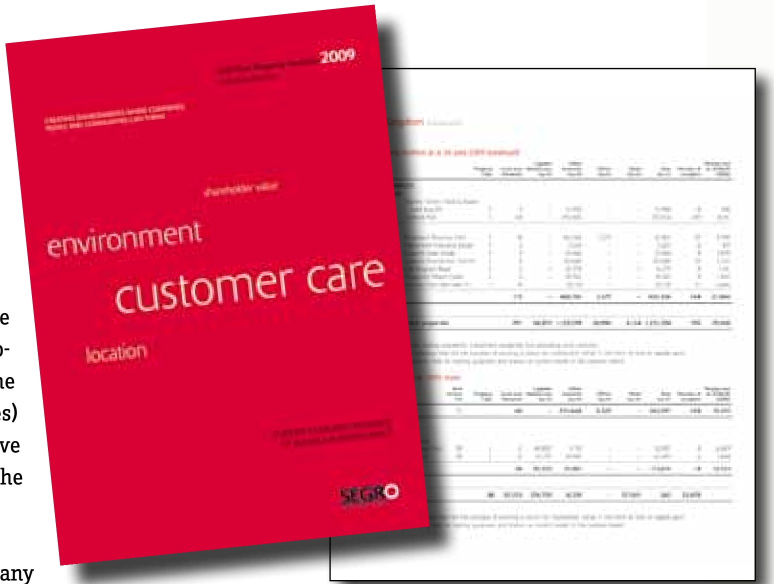
If the European REITs can improve on this, we believe they will have the most transparent data package available of all global markets. In the medium term, this could allow them to enjoy a lower cost of capital, as it would give them more flexibility in their capital raising options, and would likely result in lower volatility. It should also further enable the public market to recapitalise part of the private real estate market, where recapitalisation has been very limited so far.

This is a small step to take for large gains; with this information and stronger balance sheets, European REITs are likely to gain more market share, trade with lower volatility, and perform more in line with the underlying asset class. Isn't that what we all want?

How do we create a supplemental package?

The European supplemental package should focus on the valuation report, debt and financial disclosure.

As a consequence, we believe European appraisers (along with the companies themselves) should play an active role in creating the package.



There is one company in Europe that we would like to highlight: The UK listed industrial owner SEGRO publishes a separate property valuation book next to their annual accounts which, from an investor/analyst point-of-view, is comparable to a European supplemental valuation package. It shows most property KPIs on both investment and development portfolios. Above is a copy of its summary page. We strongly recommend that all listed companies review the whole document, which is much more detailed and includes the development pipeline. It can be downloaded from www.segro.com.

Influence from disclosure on the stocks

Cohen & Steers has a Global Corporate Governance framework in which we rank companies based on their disclosure. The results of JP Morgan's research and rankings are in line with ours. We back-test the bottom and top 15 companies in our European disclosure universe for their relative performance compared to EPRA (for one, three and five years) as well as the volatility of their stocks over 36 months. Long term, the bottom names have clearly underperformed the top names. But in 2009 we saw the rapid recovery of high beta names, which often have limited disclosure and high volatility. We believe REIT sector volatility will subside, as it does not reflect the economic fundamentals of the underlying asset class.

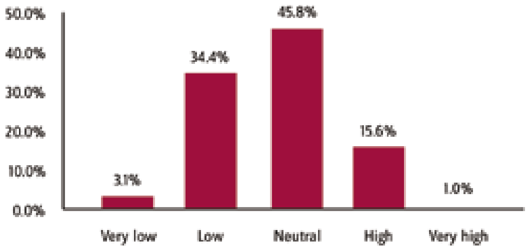
	Total Return (%) 5 Years	Total Return (%) 3 Years	Total Return (%) 1 Year	Volatility (%) 36 Months
Top 15 Names	4.52%	-12.05%	40.84%	36.18
Bottom 15 Names	1.42%	-20.50%	100.91%	74.83
EPRA Europe Index	-2.08%	-21.09%	26.76%	26.68

Conclusion

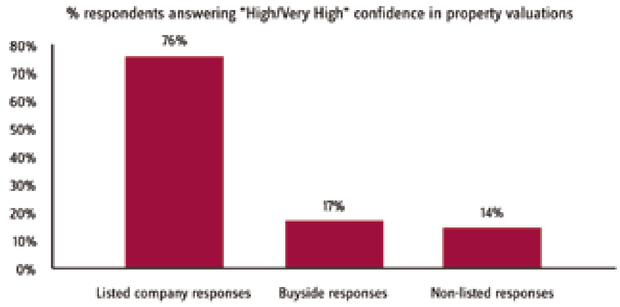
To date, EPRA has done a great job implementing the EPRA BPRs to improve the quality of European reporting. However, historically, the focus has been on providing guidance based on IFRS-compliance. Now that Europe is more comfortable with IFRS and EPRA BPR, we believe it is the right time to shift the focus to non-IFRS measures. We are confident that improved and consistent disclosure will improve access to capital and reduce volatility.

Wider adoption of the BPR by European REITs and property companies should also be an ongoing goal. A number of options are being considered, such as publishing a full list of companies and their BPR ranking, rather than just the top three companies.

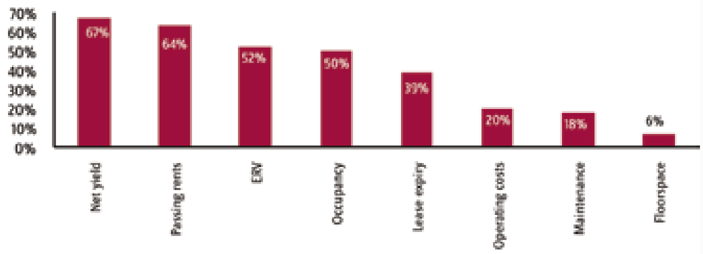
How high is your confidence in property valuations



How high is your confidence in property valuations



How high is your confidence in property valuations



If we want to move to the more efficient capital-raising structure used in the US, standardised disclosure is a must.

To that end, ideally we would like to see the EPRA Reporting and Accounting Committee for 2010 take the following actions:

- Start the dialogue with appraisers on how to harmonise, or standardise, European valuations. See if they can play a more active role advising companies on better disclosure (i.e. a European supplemental package).

- Define the five non-IFRS property-linked KPIs that we believe are a minimum standard for the REITs sector.

Rogier Quirijns
Head of European Research

Rogier Quirijns, vice president, is the head of the European research and investment process, covering listed real estate companies in the United Kingdom and France, and overseeing the research of the industrial sector in Europe. He has ten years of investment experience. Prior to joining the firm in 2008, Quirijns was a senior real estate equity analyst with ABN AMRO in Amsterdam, where his coverage included France, Scandinavia and the Benelux region. Previously, he was a direct real estate portfolio manager with Equity Estate and an analyst within the real estate corporate finance team at Arthur Anderson. Quirijns has a degree in business economics from the University of Amsterdam. He is based in London.

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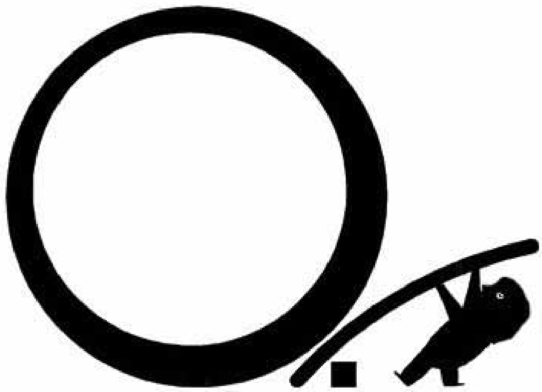
OPTIMUM LEVERAGE

Ali Zaidi



Loan-to-Value (LTV) ratio is not only incorporated in the lending agreements by the suppliers in the debt market, but it is used by investors to determine the extent to which a company can withstand a fall in property values.

Property sector companies finance their assets and activities through the combination of debt and equity - similar to other businesses. 'Acceptable' leverage ratios, however, differ significantly among business sectors depending on how capital-intensive a market is. In addition to the many metrics investors use when analysing a company, the use of LTV determines the extent to which a company can withstand periods of property value declines - and has been much quoted in the press in the last 12 months.

Depending on many factors such as credit rating, banking relationships, the quality of company management, and current levels of indebtedness companies have the ability to borrow debt finance at rates which can have beneficial effects on a firm's weighted average cost of capital. Interestingly, a recent report by Eurohypo indicated that the cost of debt starts to increase at a loan-to-value of 45% using its 'options theory' model. At the same time real estate companies have been able to leverage higher than other industries due to the acceptance of property as collateral by the lenders.

Prior to the Lehman debacle, commercial property was perceived as one of the most stable asset classes - the volatility of property values movements was relatively low, historically. This enabled many property companies to take on debt financing at attractive rates in a historically low interest rate environment. In addition, it is important to note that lenders' portfolios were significantly larger and more liquid than present.

In the event of property value decline, highly leveraged property companies come under pressure compared against their moderately leveraged counterparts. They operate closer to their LTV covenant limits, in addition to the interest burden of more costly debt obligations. Subsequently, investors expect companies to offer higher returns to compensate for additional risk. Given certain market situations, lower leveraged companies are better positioned to take advantage of opportunities in a downturn.

Given the advantage of financial fire-power on one side and the potential misery of over-leveraging on the other, it is clear that previously accepted levels of leverage may no longer be acceptable. There is focus on comparing company LTV to the industry averages in order to assess acceptability. The recent Eurohypo report shows that beyond 70% loan-to-value, increasing leverage does not create any additional value and, in fact, begins to destroy value.

Figure 1: Total Debt - EPRA Europe (USD bln)

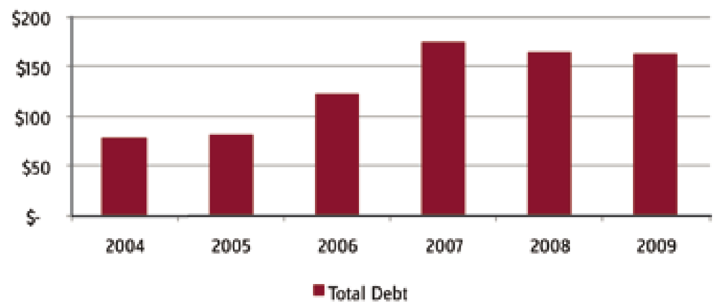


Figure 2:
LTV Levels

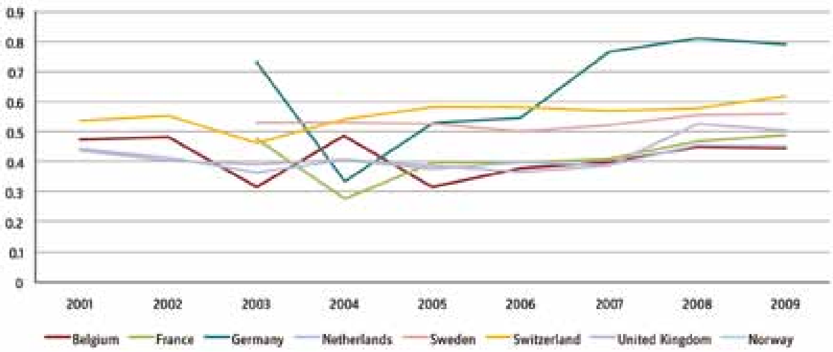


Figure 3:
REITs LTV

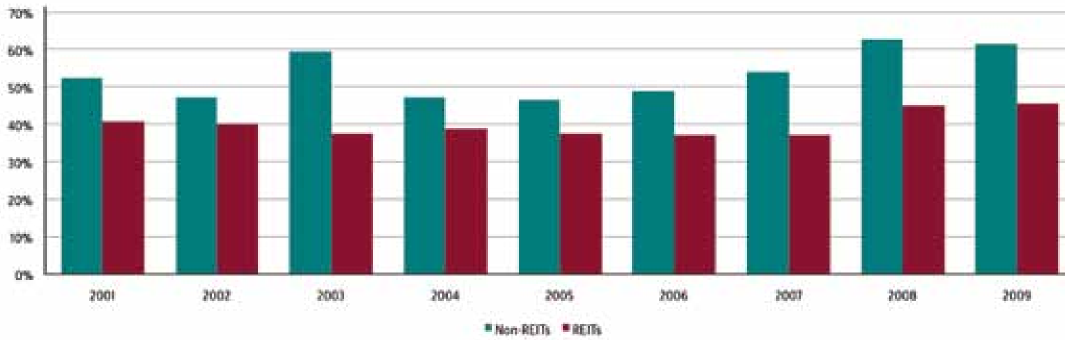


Figure 4:
Loan to Value

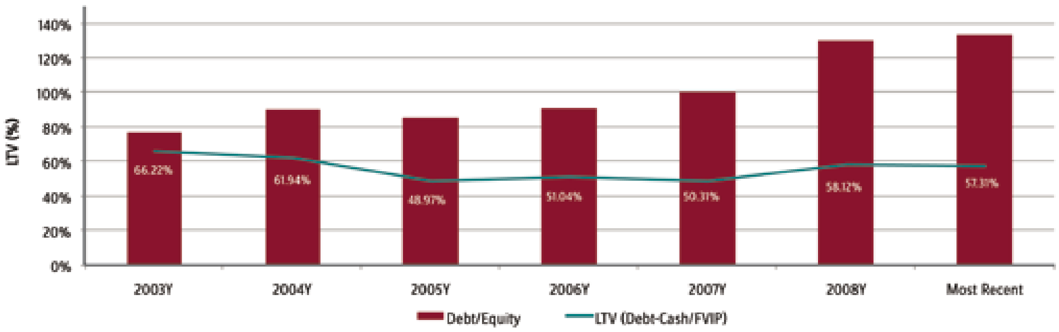
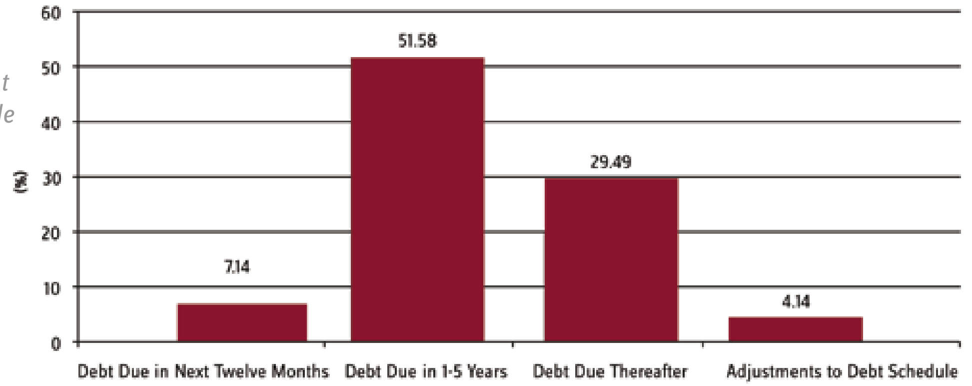


Figure 5:
EPRA European Constituents Debt Maturity Schedule



Based on most recently reported debt maturity data. If values were not reported for the most recent period, most recent year values were used.
Source: SNL Financial

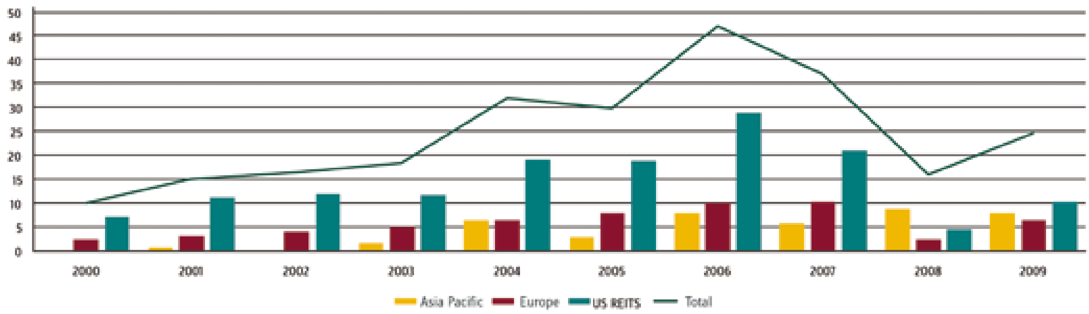
Europe

European listed sector is made up 18 countries with different tax regimes (REIT structures) and stages of development. The current average LTV of the EPRA index stands at 57% (Figure 2). LTV for EPRA Europe companies has decreased almost 10% since 2003 from an average of 66% to 57%. As a point to note, several companies in the index did not report investment property at fair value prior to 2002, which limits how far back the average could be calculated.

At a country level, currently Germany has the highest LTV average, while companies in Belgium have the lowest loan-to-property value in Europe. Figure 2 also highlights that the larger markets in terms of number of companies and market capitalisation for example UK and France have on average, lower leveraged property companies compared against countries such as Germany and Switzerland. The larger markets of Europe are also characterised by having REIT regimes.

REIT legislation within Eu-

Figure 6: Global Index Constituents Debt Offerings



rope may differ from country to country, but REIT legislations may place a limit on the maximum leverage the vehicles can employ. A separate analysis of REIT vs. non-REITs of the EPRA Europe index (Figure 3) shows a clear distinction between the two groups. LTV ratio for REIT has remained in a 40%-45% range. REIT regulation is generally recognised for advocating transparency, and ensuring stable dividend income for investors. The LTV comparison in Figure 3 displays the over-leverage protection transferred to REIT investors through either specific legislation or market accepted norms. Currently the gap is approximately 15%-20% when comparing REITs and non-REITs.

Debt-to-Equity for EPRA Europe companies currently stands at higher levels compared to 2003. This suggests that a higher proportion of the assets are now financed by debt rather than equity (Figure 4), however it should be made clear that this is not necessarily due to companies taking on more debt, but falls in equity value in the past two years. The blue LTV line indicates a decline in the average LTV showing that, on average, companies have managed well in an environment of falling property values.

Debt maturities

Of the FTSE EPRA/NAREIT Europe index constituents, less than 10% of the amount borrowed by lenders will mature in the next 12 months, while just over 50% of the outstanding debt matures in the between one and five years. See figure 5.

Figure 6 highlights the level of historical debt-raising since 2000 - a ten-year period. The amount of debt raised by FTSE EPRA/NAREIT Global Index constituents was highest in 2006 and 2007. The US market heads the lenders list, almost touching the USD 30 billion at its peak. Europe peaked at USD 10 billion in 2006 and 2007. It should be noted that the data for Asia-Pacific is not complete - historical data (pre-2008) in this market is patchy. 2008 and 2009 saw total debt-raised fall dramatically. It is clear that given the amount of debt raised around the peak years will begin to mature in the coming years, it will be interesting to see how the markets play out over this period.

Conclusion

LTV ratio is a key performance indicator that, when used in conjunction with other metrics such as EPRA Net Asset Value (NAV) and EPRA Earnings per Share (EPS), provide a good basic overview to the position or 'health' of the property company. It is difficult to establish the optimal LTV ratio for the property sector or one company in particular - there are many aspects to consider. Events of the last two years have shown that even moderate levels of leverage can force property companies to scramble into action in order to bolster balance sheets. Companies which maintain lower levels of leverage may have the opportunity to raise further capital, either equity or debt, when markets show signs of recovery.

Ali Zaidi
Research Analyst

Ali joined the EPRA research team on October 2007. Among his tasks, he has considerable working knowledge of global emerging markets and was instrumental in the development and launch of the FTSE EPRA/NAREIT Global Emerging Markets Real Estate Index. In addition, he has experience with the FTSE EPRA/NAREIT Developed Index series. Ali first produced the EPRA European Corporate Governance Survey in 2007 and he updates the report on an annual basis. Ali holds a MSc in Finance from the University of Amsterdam.

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EPRA LTV Monitor

EPRA plans to publish a monthly LTV publication that will enable investors and benchmark users to monitor the changes in LTVs, the percentage of maturing debt and debt raised by the FTSE EPRA/NAREIT Europe constituents. The LTV publication will incorporate recently announced changes by the constituents which will be available in the first quarter of 2010. This publication will be available to EPRA members only. Information is sourced from SNL Financial.


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2010 - ROSY OR ROSE-TINTED?

Jan Willem van Kranenburg
Jaap Kuin

We begin the our analysis with the debt market - the key to a functioning 2010 investment market. Next, we discuss the likelihood of interest rate hikes, which we believe is limited this year. Finally, we believe occupational markets will be weak in 2010, and argue that focus will be on possible property value increases which, together with stocks currently trading below NAV, provide potential for an increase in market estimates and share prices.

The year 2009 began with credit markets still deteriorating. Balance sheets were already stretched by companies' frivolous spending sprees in 2006 and 2007. In 2008, values of the assets of continental European companies declined by 6-8% on average - unrealistic, looking at the deteriorating macro picture and explained by the often heard phrase "we don't see evidence in the market supporting lower values". Balance sheets were repaired and covenant issues solved.

In essence, the property sector has been saved by a variety of government stimuli and a lowering of interest rates. Whereas the 5y EUR swap was trading at 4% in October 2008, it reached a low of 2.6% in March 2009, at which it's still trading today. The occupational market is not as bad as it was in the 1990s, when Western Europe suffered from a development boom. Banks have learned from previous recessions (remember Sweden and Finland in 1991-93, when values declined by 50%), and have not been trigger-happy in seizing assets. We believe banks will wait until liquidity returns to the market, as they did during the 1990s recession.

Supply side dynamics of the debt market remain in focus

We believe the following trends will accelerate in 2010: only marginal new loan origination at a higher cost to corporates, banks focusing on restructuring loan books, and an overall derisking and decreasing of loan books (especially banks' exposure to property). Restructuring of banks' balance-sheet exposure to real estate has a long way to go - in theory, this will hurt the most for property that is financed at higher LTVs and shorter debt maturities that depend on banking relations deemed non-core by banks.

We don't believe that the European real estate market will be significantly affected by maturing CMBS in 2010 - only around 2 billion euro-denominated and 4 billion sterling-denominated issues (rated by S&P) will mature. Eventual liquidation of these loans in a total direct investment market of EUR 80-120 billion would have a limited impact on the market. Problems surrounding CMBS refinancing or forced asset sales relating to unwinding of CMBS structures will likely start to peak in 2013, when c. EUR 25 billion of European CMBS matures.

We believe most continental listed real estate companies have less to fear from their own balance sheet deleveraging affects than those stemming from the unlisted property sector deleveraging. The listed and institutionally owned sector comprises only an estimated 8% of the USD 7.8 trillion (end-2008 EPRA estimate) total CRE market in Europe. We estimate that the average LTV of the unlisted structure is considerably higher than the listed sector (roughly 50%). The refinancing needs in the unlisted sector will trigger additional equity and asset sales when banks begin to cut their CRE exposure.

We find that on average, the continental European companies have a debt maturity of four to five years and most depend on bank loans. We believe the winners of this cycle will be the well-capitalised companies that can circumvent credit difficulties with their size, banking relations, asset and tenant quality, and access to alternative means of funding. The major advantage of the listed companies is their access to the public equity and debt markets, which should give them advantage over their non-listed counterparts.

Interest costs likely to remain stable rate hike unlikely

We believe that companies with short maturity profiles and high floating rate debt shares, like the Swedish companies, will be exposed to higher risk in the coming years given the consensus expectation of eventual rate hikes and rising inflation. This will not

be visible in the P&L of such companies in 2010.

Our view is that the ECB rate should stay flat for 2010 at 1% (Reuters consensus at 1.5%). However, we expect short-term funding to become more expensive given the decrease in the ECB's liquidity measures, especially in the third quarter of 2010. This would cause the interbank lending rates to return to the ECB refinancing rate of 1%, without a rate hike.

So floating rate funding would be even cheaper on average in 2010 than in 2009. With indications of bank margins decreasing again, the year ahead should not be a threat to companies exposed to a high share of floating rate. We currently forecast the first rate hike for the first quarter of 2011, moving gradually up to 2.25% at the end of 2011.

Occupational market likely to remain weak in 2010; focus will be on NAV again

Leases are normally subject to a six- to 12-month notice period, so the demand for space in theory is lagging the economy. The relation between unemployment and vacancy is uncanny. Effective market rent is inversely related to vacancy movements in the market albeit with a six- to 12-month lag. With the absence of indexation in 2010 and the effect of higher vacancy just kicking in, 2010 and 2011 should be difficult years for the continental European companies.

In our universe, we aim for like-for-like rents declining 1-3% and the average EPS decreasing 4%. With the sector headed for the biggest like-for-like rent declines since the 1990s, what's there to be positive about going forward?

We are of the opinion that over the long run, property companies' NAV is the best valuation metric to study. First, property companies' earnings do not reflect the state of the economy because they are driven by a small percentage of lease renewals every year.

With interest rates low for at least 2010, we live in a 'property-friendly' environment.

Rent reviews are subject to long delays and the difference between market rent and actual rent can be substantial. Second, we believe the NAV should reflect the equity value of underlying assets given that valuers have access to more information than the market - albeit this comes with a certain time lag in "certain geographic areas". See Chart 1 for an illustration of the relation between the EPRA UK and IPD UK.

Peak-to-date, asset values for continental European property companies have fallen 11% from their highs, showing an 80bp yield shift. NAVs have declined 24%, significantly less then their UK counterparts. Has this been

Chart 1: Correlation, EPRA UK and IPD capital value index

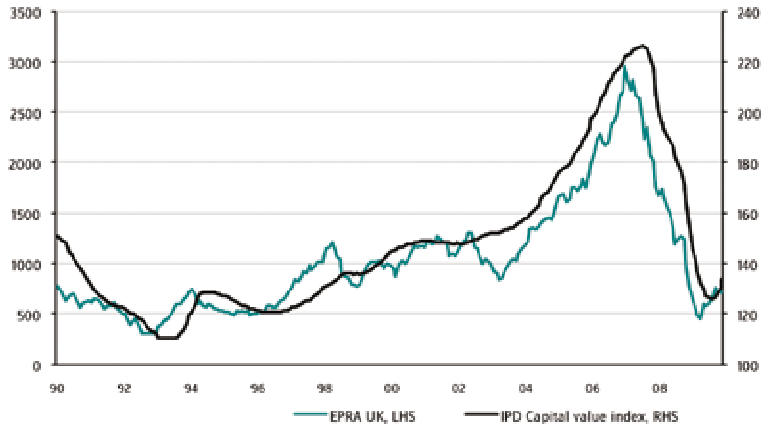
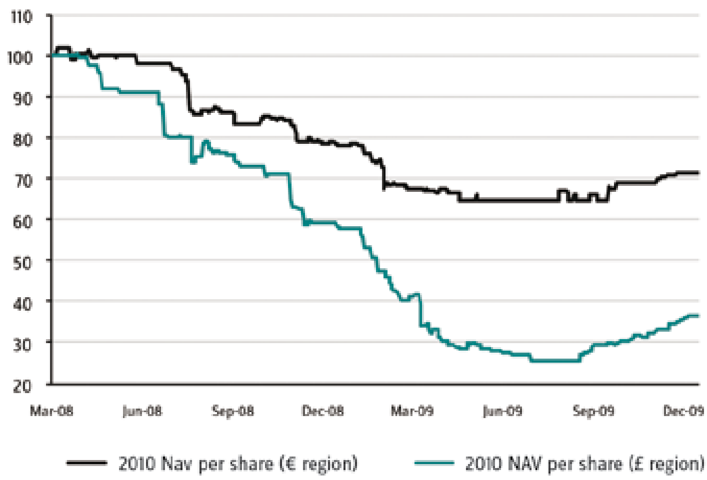


Chart 2: NAV street estimates



the full impact on value normalisation after seeing the biggest GDP declines since the Second World War and the largest CRE bubbles in history? We do need to remember that real estate values in Europe rose 40-50% over 2004-07, whereas rents increased 15-20% over the same period.

Conclusion

The largest downside for the sector is a replay of 1993-97, when values first increased 20%, only to return to their old levels. During this period, interest rates increased as the economy showed signs of overheating. We believe this will be unlikely for at least a year. First, a significant improvement in labour markets would need to appear before policy makers would feel comfortable increasing rates. Second, we forecast inflation will be mild next year. With interest rates low for at least 2010, we live in a 'property-friendly' environment.

Although like-for-like rents should suffer in 2010, we believe that should be compensated for by interest cost savings. A cynic would say that the amount of write-downs has been less than previously anticipated. However, we see that values are stabilising in most geographies in continental Europe, corroborated by investment volume for the fourth quarter of 2009 almost doubling versus the average of the previous three quarters.

Buyers are back and will lay a floor under property values. We believe that the quoted property sector will have a significant share in the investment volume next year.

Focus for 2010 should therefore be on the most liquid investment

With stocks currently trading at a 15% discount to current NAV, we believe shares will either trend up to their NAV in due time or be fuelled by further NAV upgrades.

markets (the UK and France), where we forecast yields first will show signs of decline. With the investment volume in Europe looking set to increase significantly next year, we believe there will be upward pressure on property pricing and expect this to be reflected in market estimates.

Since NAV estimates bottomed in August, they are up 11% for the euro area and 41% for the UK area. With stocks currently trading at a 15% discount to current NAV, we believe shares will either trend up to their NAV in due time or be fuelled by further NAV upgrades. Hence, we still see scope for European property shares to perform positively again in 2010.

Source: EPRA, IPD
Source: Bloomberg, RBS estimates

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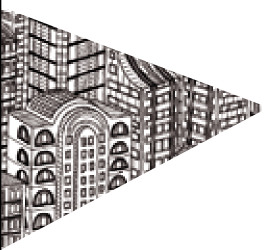


KEEPING TRADES ON TRACK

Maikel Speelman

Fundamentally, property companies derive their total return from the properties they own, manage, and sell. Subsequently, investments in listed real estate indices provide direct exposure to the underlying properties owned by the constituents. The EPRA/RCA Monthly Transactions Overview tracks all properties transacted by constituents of the FTSE EPRA/NAREIT Developed Index, identifying the changes in underlying assets and the exposure to them.

Listed property companies have historically been active players on the underlying real estate transaction market. While real estate is generally perceived to be a long-term investment, property companies like to seek out and take opportunities for value creation with the properties they add to their portfolio. Normally, this will lead to quicker turnaround periods; as once maturity is reached they will in turn sell the property and seek out new opportunities.

While an estimated 6% of the global investible-grade real estate is available for investments via listed real estate investment vehicles such as REITs. EPRA Index constituents - as the most representable group of listed real estate investment vehicles such as REITs - accounted for approximately 16% of the total volume of transacted underlying real estate in 2009 according to data provided by Real Capital Analytics (RCA). In 2008 and 2007, these figures were 15% and 17% respectively. While an estimated 6% of the global investible-grade real estate is available for investment via these companies. This indicates a high level of activity among listed property companies within the total underlying real estate market, and shows the flexibility of listed vehicle to trade properties/portfolios.

A sector transforming

Global real estate markets have changed dramatically over recent years. In order to remain well positioned within that market, flexibility has been the key. In fact, 2009 was an active year for listed real estate companies. In many ways, listed real estate companies have used 2009 to reorganise and reposition themselves for future market opportunities.

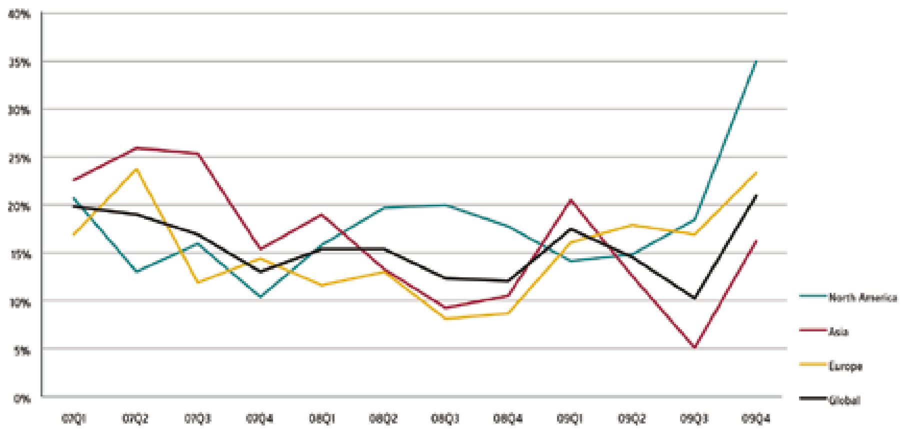
Looking at transactions, listed property companies maintained their activity levels on the direct real estate market, although nominal volumes were considerably lower (see graph 1). For the majority of the downturn, EPRA constituents were net sellers of properties (see graph 2). The reasoning and motives behind these executed transactions of course differ between companies and assets. Although properties were sold below peak valuations when traded, prices above the latest valuations are recorded as well. Yields have moved out significantly during the downturn, though lately there is some contraction. Valuation uplifts within some portfolios have also been reported following investor demand.

Proceeds of disposals were used to pay down debt and for general operating business purposes. Selling highly leveraged properties can remove debt from a company's balance sheet lowering its overall LTV, as well as providing access to recyclable/new debt. Strategic sales of well placed properties continued to be equally valid during a downturn. Quality assets located on prime sites with long leases, and quality tenants are a scarce commodity, even more so during an economic downturn. One such example was Land Securities' GBP 360 million securitisation, which was backed by one property leased by the UK government in July 2009. Investors and analysts generally responded well to the transactions announced by property companies. The cash raised was welcomed as well as the strategic alignments.

Finance calls met

UK property companies raised over GBP 5.5 billion through rights issues and share placings during 2009, while in continental Europe over EUR 1.5 billion of equity was raised. The theme of these equity raisings during the year shifted increasingly from balance-sheet bolstering to raising funds for opportunities in the underlying market. For example SEGRO executed two successful capital raisings worth GBP 500 million and GBP 250 million within six months. The second was to takeover its largest competitor Brixton. Capital raising announcements, with a clear indication how the money will be spent, have been well supported by investors. In November 2009, Graph 1: EPRA Transaction Volumes vs Total RCA Transaction Volume

The graph depicts the activity of the FTSE EPRA/NAREIT Regional Index constituents in the direct real estate transaction market, i.e. what percentage of the total value of traded properties was traded by EPRA Index constituents



Eurocommercial Properties announced an accelerated equity offering and successfully raised close to EUR 100 million to purchase two shopping centres and to finance a development scheme. Other methods of improving financing, such as bonds, convertible bonds, and stock dividends, also provided equity and refinancing sources. Besides that, several companies have acquired new assets or portfolios in exchange for new shares in the acquiring company. For example, Foncière des Régions in October 2009 announced the transaction of a EUR 267 million portfolio, and Icade in December 2009 acquired MSREF's 94.5% stake in Compagnie la Lucette which owns a EUR 1.5 billion portfolio.

The final months of 2009 showed accelerated transaction activity in the underlying real estate markets across Europe with property companies taking to the stage again as large buyers. Large property companies indicated they were back on the prowl for property acquisition. However the availability of quality assets was reported to be very poor across the board. Shopping centres, operational as well as under development, were bought across Europe. Often it was reported there were many investors vying for individual assets.

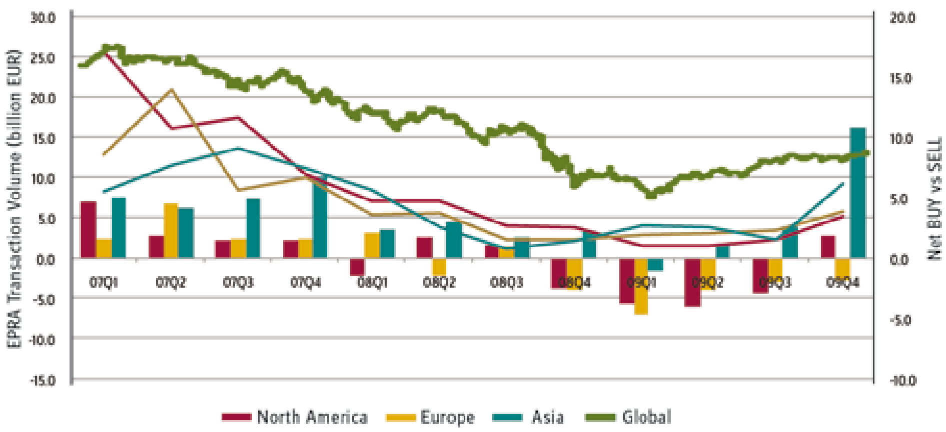
Property companies as well as investors have anticipated more opportunity takings in the years ahead. Already, few new property investment vehicles have been successfully IPO'd without having a single property in their portfolio (MAX Property). However, they have been backed by management teams with many years experience. Analysts expect strong growth of portfolios, as these vehicles emerge from the downturn ahead of other players in the market. Newly raised cash, freed-up debt and possibly more inflows through investor appetite may well increase the role of listed property companies in the global real estate universe going forward. Open-market purchase, sale-and-lease-back, consolidation, joint-ventures, assets-for-shares and takeovers could all evolve; all ways to trade properties, improve balance sheets and grow property companies.

Listed real estate companies have used 2009 to reorganise and reposition themselves for the market turn-around.

Listed property companies play an important role in today's real

Graph 2: EPRA Transaction Volume + Net vs Sell

Left hand: Total Value of traded properties by EPRA Index constituents
Right hand side bars: Indication of net Seller/Buyer. e.g. 5x means EPRA Index constituents bought 5 times as much properties as they sold that period



*Top Transactions in Europe 2009**

Acquisitions							
Company	Month	Property	(million)	Country	Sector	Note	stake
Mercialys	Mar	Portfolio - Alcudia Retail Properties	€334.00	France	Retail	From main shareholder Casino, for shares	€334.00
Foncière des Régions	Oct	Portfolio - 5 props	€267.00	France	Office	In exchange of shares	€267.00
Deutsche EuroShop	Jan 2010	A10 Cente	€205.00	Germany	Retail		€205.00
Foncière des Régions	Nov	Velizy Campus	€382.00	France	Offices	Remaining 50% stake	€191.00
Hammerson	Dec	Silverburn	£297.00	UK	Retail	50% of new JV	£148.50
Corio	Jun	Principe Pío shopping centre Madrid	€126.50	Spain	Retail	95% stake	€126.50
Conwert Immobilien Invest AG	Mar	Apartment portfolio	€52.00	Austria	Apartment	Remaining 50% stake	€104.00
Befimmo	Jul	Axento	€93.50	Luxembourg	Office	As per the undertakings given in December '06	€93.50
Corio	Apr	Tekira shopping centre	€67.60	Turkey	Retail		€67.60
Conwert Immobilien Invest AG	Sept	1,016 appartments	€67.00	Germany	Apartment	94.9% stake	€67.00

Dispositions							
Company	Month	Property	(million)	Country	Sector	Note	stake
Icade	Nov	housing division	€2,000.00	France	Residential	Approximate value	€2,000.00
British Land	Sept	Broadgate	£2,130.00	UK	Office	50% stake sold to new JV	£1,065.00
British Land	Feb	Meadowhall	£1,175.40	UK	Retail	50% stake	£587.70
Hammerson	Jun	Bishops Square	£445.00	UK	Office	75% stake sold to new JV	€333.75
Land Securities	Sept	Bullring	£630.00	UK	Retail	1/3 stake	£210.00
Hammerson	Jul	Les Trois Quartiers	€210.00	France	Retail		€210.00
Foncière des Régions	Jun	France Télécom partnership	€133.00	France	Office	65 props	€133.00
British Land	Mar	Abbey HQ	£115.00	UK	Office		£115.00
SEGRO	Nov	Great Western Industrial Park	£110.40	UK	Industrial	Former Brixton assets	£110.40
Prologis European Properties	Jun	7 warehouses	€119.50	The Netherlands & Germany	Industrial		€119.50

** As visible to RCA and EPRA*

estate markets. As an effective way to gain genuine exposure to the global direct real estate markets, investors value the transparency of the sector and its quality management. Though representing roughly 10 to 12% of the market, transactional activity is well above the total market's average, indicating the active role they play within the underlying total real estate market. The fact that listed property companies were able to position themselves for a future market recovery despite the harsh market conditions illustrates flexibility within these companies. Now most of the refinancing needs for the short term have been addressed, property companies can perhaps focus on growth.

Property companies with cash in hand and credit lines are certainly in a good position to take advantage of any opportunity which may present itself in the underlying market in the future.

Maikel Speelman
Research Analyst

Maikel joined the EPRA research team in December 2008. His initial project is analysing discounts on property companies on a European level. Maikel holds a BBA in Real Estate Management from the Hanzehogeschool Groningen, and a MA in European Real Estate from Kingston University London.

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2009 PERFORMANCE – RECOVERY ON LEAVING INTENSIVE CARE

Alex Moss

2009 saw the resurrection of the European real estate sector in a manner which some may have dreamed of but few realistically imagined. It captured the 'sweet spot' of defensive yield attractions in a virtual zero interest environment, coupled with the beta attractions of a high-octane recovery in values once the companies had undertaken the required balance sheet surgery. Alex Moss probes back to the root causes and assesses the patient's outlook.

After a Lazarus-style recovery in the second and third quarters, the European real estate sector paused for breath in the fourth quarter waiting for confirmation of the anticipated recovery in values in the direct market to confirm equity valuation levels. This was not a purely European phenomenon, and indeed global real estate securities outperformed global real estate equities in 2009.

The table below shows how our global database of over 2,000 stocks performed, split by region, and developed/emerging status. Globally, the best performing region was Asia, followed by the Americas, with Europe a close third. It should be noted that our returns are based on gross market capitalisation (not adjusted for free float) and local currency, so will differ from index-based performance measures.

Global Property Securities 12 months returns to December 09

Region	December 2008 Size Market Cap (£bn)	December 2009 Size Market Cap (£bn)	Total Returns 12 Months to December 09 (%)		
			Total	Developed Markets	Emerging Markets
Asia	291	469	67.4	58.0	97.4
Americas	176	255	39.9	33.8	146.3
Europe	105	149	35.8	33.1	86.8
Oceania	31	50	15.7	15.7	NA
Middle East & Africa	46	54	23.5	NA	23.5
Global	649	977	49.2	42.9	74.2

Source: Bloomberg, Macquarie Research, January 2010

European Secondary issues of 2009

Secondary issues	Listing country	Structure	Size of issue £m	Market cap. £m	Month
Europe developed					
China Gateway International PLC	UK	PropCo	0	3	Dec-09
Ciref PLC	UK	PropCo	38	87	Dec-09
Workspace Group PLC	UK	REIT	19	259	Dec-09
Invista European Real Estate Trust	UK	Closed End Fund	10	62	Dec-09
Cathay International Holdings Ltd	UK	PropCo	13	109	Dec-09
KWG Kommunale Wohnen AG	Germany	PropCo	18	36	Nov-09
Eurocommercial Properties NV	Netherlands	REIT	87	883	Nov-09
Quintain Estates & Development PLC	UK	PropCo	191	241	Nov-09
Grainger Plc	UK	PropCo	250	352	Nov-09
IVG Immobilien AG	Germany	PropCo	65	794	Oct-09
Deutsche Wohnen AG	Germany	PropCo	218	610	Oct-09
Songbird Estates PLC	UK	PropCo	895	166	Sep-09
Liberty International PLC	UK	REIT	281	2,874	Sep-09
Primary Health Properties PLC	UK	REIT	60	104	Sep-09
Unite Group Plc	UK	PropCo	82	357	Sep-09
Conygar Investment Co PLC	UK	PropCo	70	48	Sep-09
Allreal Holding AG (convertible bond)	Switzerland	PropCo	103	841	Sep-09
Vastned Retail NV	Netherlands	REIT	66	657	Sep-09
Dim Vastgoed NV	Netherlands	REIT	15	29	Sep-09
ICADE	France	REIT	80	2,749	Aug-09
Orchid Developments Ltd	UK	PropCo	5	33	Aug-09
Wereldhave NV (convertible bond)	Netherlands	REIT	198	1,229	Aug-09
Capital & Regional PLC	UK	PropCo	69	70	Aug-09
Hansteen Holdings PLC	UK	PropCo	4	388	Aug-09
Eredene Capital PLC	UK	PropCo	7	50	Aug-09
GAGFAH SA	Germany	PropCo	59	1,077	Aug-09
London & Stamford Property Ltd	UK	PropCo	225	338	Jul-09
Segro PLC	UK	REIT	250	1,299	Jul-09
Deutsche Euroshop AG	Germany	PropCo	58	606	Jul-09
Inland PLC	UK	PropCo	1	18	Jul-09
Scandinavian Property Development ASA	Norway	PropCo	66	13	Jun-09
Gecimed	France	REIT	59	51	Jun-09
Development Securities PLC	UK	PropCo	40	111	Jun-09
Hansteen Holdings PLC	UK	PropCo	201	146	Jun-09
Pirelli & C Real Estate SpA	Italy	PropCo	340	175	Jun-09
Deutsche Land PLC	UK	PropCo	14	24	Jun-09
Cofinimmo	Belgium	REIT	23	893	Jun-09
Norwegian Property ASA	Norway	PropCo	115	141	Jun-09
SIIC de PARIS	France	REIT	127	311	Jun-09
Befimmo SCA Sicafi	Belgium	REIT	148	663	Jun-09
Corio NV	Netherlands	REIT	229	2,004	Jun-09
Nieuwe Steen Investments Funds NV	Netherlands	REIT	34	383	Jun-09
Shaftesbury Plc	UK	REIT	90	521	May-09
ST Modwen Properties PLC	UK	PropCo	107	334	May-09
Big Yellow Group PLC	UK	REIT	33	367	May-09
Great Portland Estates PLC	UK	REIT	132	691	May-09
Fonciere Des Regions	France	REIT	86	1,809	May-09
Unibail-Rodamco(convertible bond)	France	REIT	516	8,799	Apr-09
Liberty International PLC	UK	REIT	620	1,464	Apr-09
Primary Health Properties PLC	UK	REIT	4	82	Mar-09
Cofinimmo	Belgium	REIT	67	888	Mar-09
Hammerson Ltd	UK	REIT	584	1,220	Feb-09
British Land Co PLC	UK	REIT	767	2,341	Feb-09
Land Securities Group PLC	UK	REIT	756	2,554	Feb-09
Workspace Group PLC	UK	REIT	87	17	Feb-09
DTZ Holdings PLC	UK	PropCo	47	16	Jan-09
Northacre PLC	UK	PropCo	1	5	Jan-09
Helical Bar	UK	PropCo	27	300	Jan-09
		Total	8,756	42,696	

Source: Bloomberg, Macquarie Research, January 2010

Recapitalisation surgery largely complete

Of particular relevance in the table above is the dramatic growth in size of the sector, with a near 50% uplift in market capitalisation over the year as a result of equity issuance and share price performance. After Australia, Europe was the next region to undertake the required balance sheet surgery with sufficient vigour to ensure that companies could have a future free of immediate concerns over covenant breaches. The re-capitalisations were also accompanied by active disposal programmes, which re-juvenated balance sheets, but also left some companies with an earnings gap because of the positive yield over the cost of finance which now needs to be replaced.

There are a number of ways of looking at the impact of re-capitalisations on the sector in aggregate, but our preferred measure is to analyse the amount of new money raised via secondary issues as a percentage of current market capitalisation. In the table below we can see how Europe has fared globally.

Equity issues for 2009

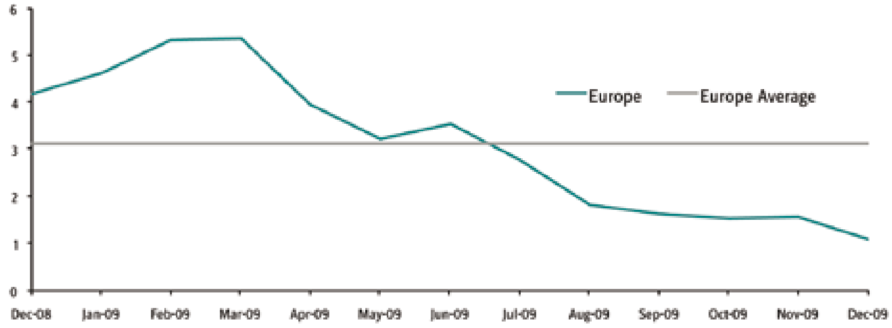
Region	Secondary Issues (£m)	IPOs (£m)	Total raised (£m)	Market Cap (£m)	% of Total Mkt Cap
Asia	7,500	4,054	11,554	469,173	2.46%
Oceania	6,753		6,753	49,919	13.53%
Europe	8,756	345	9,101	149,064	6.11%
Americas	13,038	1,701	14,739	254,571	5.79%
Total	36,047	6,100	42,147	976,901	4.31%

Source: Bloomberg, Macquarie Research, January 2010. Note: Data as of 31 December 2009.

The table illustrates very clearly that Asia had far less requirement for re-capitalisations, and in fact has been the main region thus far to have significant levels of IPOs. In contrast, Australia and Europe have been concentrating on repairing existing companies, with money raised representing 13.5% and 6.1% respectively of existing market capitalisation. Although the UK system of equity fund-raising, in particular, has attracted some criticism for the time taken and the issues of pre-emption, it should be noted that the structure has allowed companies to address the issues by way of significant rights issues in one hit, rather than by a series of placings.

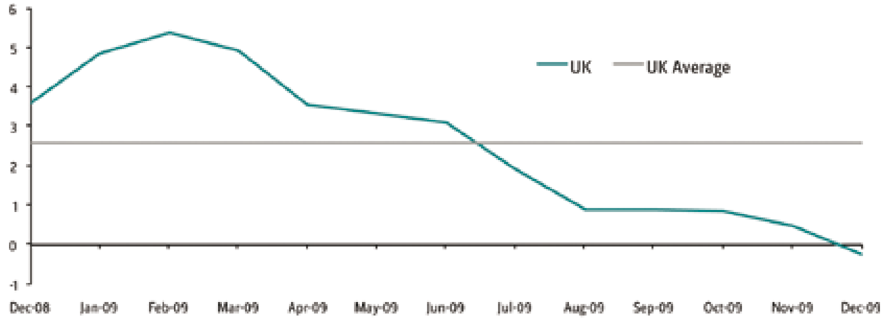
As can be seen from the table below, while the UK was ahead of Europe in terms of timing and quantum, the fund raising has continued throughout the year, albeit that the emphasis is now on equity financing acquisitions, with Eurocommercial and Deutsche Euroshop being the most recent examples.

Sector div yield vs bond yield, 12 months to December 2009 - Europe



Source: EPRA, Bloomberg, Maquarie Research, January 2010

Sector div yield vs bond yield, 12 months to December 2009 - UK



Source: EPRA, Bloomberg, Maquarie Research, January 2010

UK valuation levels

With a greater emphasis on income we have increasingly looked at dividend yields, and more importantly dividend yields relative to local ten-year bond yields as an important valuation metric. The table below shows how the relative valuation ahs moved over the least 12 months.

Between 1991 and 2009, the long-term average for UK real estate dividend yields relative to UK ten-year bond yields was a 154 Bps discount to local bond yields. Over the last 12 months, the average has been a 259 Bps premium to bond yields, although with the recovery in values and a modest rise in bond yields they are now trading at a 25Bp discount. This is still 129 Bps above the long-term average, although it should be remembered that UK companies only changed to a REIT status (improving dividend payouts by around one third) at the beginning of 2007, and so the REIT average going forward can be expected to be higher than the long-term average.

European valuation levels

In Europe, where the higher-yielding REIT structures have long been a feature the trend has been extremely similar, with a narrower discount to bond yields evident. Over the longer term (1993-2009) the average is for REIT yields to trade at a 76 Bp discount to ten-year Govt bond yields. Over the last 12 months the average has been a 313 Bp premium to bond yields, and they are currently trading at a 109 Bp premium.

Key themes for 2010
Looking ahead, the key trends we are looking for are as follows:

1) A continued recovery in UK values (IPD recorded its largest ever capital growth figure of 3.0% in December 2009) during the first half of 2010, with a slowdown expected in the second half of the year as concerns over the impact of fiscal tightening, and rising bond yields impact both property values and the wider economy.

2) An increase in investment activity in continental Europe, leading to yield compression. As yields have reduced sharply in the UK (particularly for well-let offices in Central London) to what many might now consider 'fair value' we would expect many opportunistic Funds to look to Europe for 'relative value'. In this regard the MGPA acquisition of two Polish shopping centres with an option on a third may be the first indications of this trend.

3) With value increases factored in to most forecasts, and their financial position now secure, management teams will be under increasing pressure to deliver 'alpha'. This could be in the form of judicious acquisitions, JVs with the banks, expansion into new areas of activity such as student accommodation, healthcare and residential or corporate acquisitions.

4) A continuation of equity and bond (including convertibles) issuance as companies adapt their business models to take account of the prolonged paucity of higher LTV bank dent.

5) An increased level of M&A activity as differentiation in equity valuations between management teams who add value and those who don't emerges.

6) Continued importance being placed on the security of long term cash flows and quality and quantum of dividend yields.

Alex Moss
Alex is Head of Macquarie Global Property Securities Analytics and European Property Research.

Previously he was an Extel-rated property analyst at BZW (later CSFB), and then responsible for fund raising and corporate advisory services to a number of leading quoted property companies in the UK, and later becoming Head of the Property Sector in the Investment Banking division. He founded AME Capital in 2002 where he created a database and proprietary quantitative model for filtering and analysing all listed real estate companies and all dedicated real estate securities funds globally. The system currently comprises over 2,000 stocks, and is used by fund managers around the world to support their analysis of the listed real estate sector. He joined Macquarie in July 2008 when Macquarie acquired the assets of AME Capital.

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ARE YOU ON THE RADAR?

EUROPEAN ANALYST COVERAGE

In July 2007, EPRA carried out a survey in order to provide a clear picture of the level of coverage of the FTSE EPRA/NAREIT Europe Index constituents by European banks research/analyst teams. We obtained coverage lists from the major banks active in sector directly and searched on various data vendors and company websites for analyst coverage of individual companies. This article aims to provide an update of this survey.

The following table shows the coverage list as it currently stands. Please note that stocks can be added or deleted to coverage lists and subsequently this table, in its current form, has a limited shelf-life. However, we encourage banks to update us directly with their coverage list, enabling EPRA publish an accurate list on www.epra.com in the future.

Overview

In terms of the numbers of companies covered the analyst community, we have broadened the range of companies to include 21 European real estate companies that are not included in the Europe Index, in addition to the 79 index constituents. Similar to 2007, Merrill Lynch still covers the largest number of companies in terms of market capitalisation. Dutch bank Kempen & Co, with the launch of their UK coverage, takes the lead in terms of absolute number of companies covered.

Currently, of the 79 European real estate companies that are included in the FTSE EPRA/NAREIT Developed Europe Index only four of these companies are not currently covered by an analyst: these are the UK funds Deajan Holdings, IRP Property, ISIS Property and Standard Life. The 75 covered companies make up 99.53% of the index market capitalization. This is considerable higher than the 2007 survey which indicated that 97.5% of the index was covered.

Conclusion

There are still a number of constituents in the FTSE EPRA/NAREIT Europe Index that are not covered. In 2007, those without coverage were new to the market; whereas the companies that currently fall below the radar are fairly well established but relatively small. We encourage banks and the companies themselves to update us on a regular basis to ensure our overview is accurate - whether or not they are index constituents.

Call to Action:

- Companies: who covers you?
- Banks: who do you cover?

Do tell update us regularly on:
ltb@epra.com

Laurens te Beek

Laurens te Beek holds a BA in Business Economics and a MSc in Economics from University of Amsterdam. He started his career at Euronext Indices BV where he gained extensive knowledge of the FTSE EPRA/NAREIT Global Real Estate Index. He then worked as an International Analyst at European Investors Inc. In May 2006 Laurens joined EPRA.

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ANALYST COVERAGE TABLE

Company	Country	Full Mkt Cap (EURm) 31 Dec 09	Index Constituent?	% Free Float Weight	BofA/Merrill Lynch	Kempen & Co	Exane BNP Paribas	Goldman Sachs	JPMorgan	Royal Bank of Scotland	Societe Generale	Morgan Stanley	Rabo Securities	Credit Suisse	UBS	CA Cheuvreux	Petercam	Aurel-Leven	HSBC	Evolution Securities	Natixis Securities	Fortis Investment	Macquarie	Day by Day	Collins Stewart
Unibail - Rodamco	France	13,572	Yes	17.34%	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Dt Euroshop Na	Germany	895	Yes	1.14%	Y	Y					Y		Y			Y	Y	Y	Y				Y		
British Land Co	UK	4,666	Yes	5.96%	Y	Y	Y	Y	Y		Y	Y		Y	Y				Y	Y			Y	Y	Y
Klepierre	France	5,016	Yes	3.21%	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y		Y	Y	Y	Y	Y
Land Securities Group	UK	5,828	Yes	7.45%	Y	Y	Y	Y	Y		Y	Y		Y	Y				Y	Y			Y	Y	Y
Corio	Netherlands	3,642	Yes	4.65%	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y		Y		Y	Y		
Liberty International	UK	3,604	Yes	4.61%	Y	Y	Y	Y	Y		Y	Y		Y	Y				Y	Y			Y		Y
Hammerson	UK	3,326	Yes	4.25%	Y	Y	Y	Y	Y		Y	Y		Y	Y				Y	Y			Y	Y	Y
Sponda Oyj	Finland	756	Yes	0.72%	Y	Y		Y		Y			Y		Y			Y							
Wereldhave	Netherlands	1,419	Yes	1.81%	Y	Y	Y	Y	Y	Y	Y		Y	Y		Y	Y	Y		Y		Y	Y		
Castellum	Sweden	1,161	Yes	1.48%	Y	Y	Y	Y		Y		Y			Y	Y									
Fabege	Sweden	747	Yes	0.95%	Y	Y		Y		Y		Y			Y	Y									
Citycon	Finland	646	Yes	0.62%		Y	Y	Y		Y			Y		Y			Y							
Eurocommercial Properties	Netherlands	1,029	Yes	1.32%	Y	Y	Y	Y	Y	Y			Y	Y		Y	Y			Y		Y	Y		
Hufvudstaden A	Sweden	1,075	Yes	0.55%		Y		Y		Y			Y		Y	Y									
Kungsleden	Sweden	656	Yes	0.84%		Y		Y					Y		Y	Y		Y							
Great Portland Estates	UK	1,010	Yes	1.29%	Y	Y		Y	Y		Y	Y		Y	Y				Y	Y					
Segro	UK	2,848	Yes	3.64%	Y	Y	Y	Y	Y		Y	Y		Y	Y				Y	Y				Y	
Alstria Office	Germany	420	Yes	0.27%		Y			Y		Y		Y	Y					Y						
Gagfah	Germany	1,433	Yes	0.73%	Y	Y		Y	Y			Y		Y					Y						
Mercialys	France	2,221	Yes	1.42%		Y	Y	Y		Y	Y		Y			Y	Y	Y	Y		Y				
Derwent London	UK	1,494	Yes	1.91%	Y			Y	Y			Y		Y	Y				Y	Y					Y
Cofinimmo	Belgium	1,228	Yes	1.57%	Y	Y	Y	Y		Y	Y		Y	Y	Y		Y					Y	Y		
DIC Asset AG	Germany	256	Yes	0.24%		Y					Y		Y						Y						
PSP Swiss Property	Switzerland	1,850	Yes	2.36%	Y	Y	Y	Y	Y			Y	Y		Y								Y		
Deutsche Wohnen AG	Germany	548	Yes	0.70%	Y	Y								Y					Y						
Icade	France	3,284	Yes	1.68%		Y	Y	Y		Y	Y	Y		Y		Y		Y			Y				
Wihlborgs Fastigheter	Sweden	481	Yes	0.62%		Y				Y															
Shaftesbury	UK	998	Yes	1.28%	Y			Y	Y						Y				Y	Y					
Conwert Immobilien Invest	Austria	729	Yes	0.93%		Y		Y	Y					Y		Y									
Ca Immobilien	Austria	689	Yes	0.88%		Y		Y								Y			Y						
Silic	France	1,474	Yes	1.41%	Y	Y	Y	Y		Y	Y		Y			Y		Y			Y				
Vastned Retail	Netherlands	851	Yes	1.09%	Y	Y	Y	Y	Y				Y	Y			Y					Y			
Beni Stabili	Italy	1,101	Yes	0.28%		Y	Y	Y	Y	Y	Y					Y									
Norwegian Property ASA	Norway	738	Yes	0.94%						Y								Y							
Befimmo (Sicafi)	Belgium	1,038	Yes	1.33%		Y				Y	Y		Y	Y			Y					Y			
Gecina	France	4,739	Yes	1.82%	Y	Y	Y	Y			Y	Y				Y					Y			Y	
Vastned Off/Ind	Netherlands	221	Yes	0.28%		Y	Y		Y	Y			Y				Y					Y			
Fonciere Des Regions	France	3,325	Yes	3.19%	Y	Y	Y	Y	Y	Y	Y					Y		Y							
Colonia Real Estate	Germany	124	Yes	0.16%															Y						
Workspace Group	UK	300	Yes	0.38%	Y														Y	Y					
Patrizia Immobilien	Germany	160	Yes	0.10%					Y																
Immobiliare Grande Distribution	Italy	482	Yes	0.25%		Y	Y		Y		Y					Y									
Klovern AB	Sweden	372	Yes	0.36%																					
Societe de la Tour Eiffel	France	274	Yes	0.35%	Y	Y	Y	Y					Y				Y				Y				
Nieuwe Steen Inv	Netherlands	559	Yes	0.71%		Y				Y			Y	Y			Y					Y			
Swiss Prime Site	Switzerland	2,083	Yes	2.00%	Y	Y									Y								Y		
Warehouses De Pauw	Belgium	389	Yes	0.37%		Y											Y	Y				Y			
Unite Group	UK	537	Yes	0.69%	Y										Y					Y					
ProLogis European Properties	Netherlands	813	Yes	0.31%		Y			Y	Y			Y									Y			
Mucklow (A.& J.)Group	UK	213	Yes	0.11%	Y										Y										
Technopolis	Finland	178	Yes	0.23%									Y												
Big Yellow Group	UK	520	Yes	0.67%	Y				Y											Y					
Development Securities	UK	316	Yes	0.40%	Y																				Y
Babis Vovos International	Greece	149	Yes	0.14%					Y																
Allreal Hld N	Switzerland	944	Yes	0.60%											Y										
Grainger	UK	598	Yes	0.57%	Y																				
Quintain Estates and Development	UK	349	Yes	0.45%	Y																				
St.Modwen Properties	UK	437	Yes	0.42%	Y																				
CLS Holdings	UK	270	Yes	0.17%	Y																				
Affine	France	131	Yes	0.08%		Y	Y																		
Lamda Develop/R	Greece	332	Yes	0.13%															Y						
Zueblin Immobilien Holding AG	Switzerland	139	Yes	0.13%																					
Helical Bar	UK	412	Yes	0.53%	Y										Y										
Primary Health Prop.	UK	200	Yes	0.26%																					
Leasinvest	Belgium	237	Yes	0.12%																		Y			
Intervest Offices	Belgium	304	Yes	0.19%																		Y			
Minerva	UK	137	Yes	0.17%																					
Wereldhave Belgium	Belgium	328	Yes	0.17%																		Y			
Eurobank Properties Real Estate Investment Co	Greece	506	Yes	0.19%																					
F&C Commercial Property Trust	UK	689	Yes	0.35%																					
ING UK Real Estate Income Trust	UK	201	Yes	0.26%																					
Invista Foundation Property Trust	UK	146	Yes	0.19%																					
UK Commercial Property Trust	UK	875	Yes	0.34%																					
TAG Immobilien	Germany	147	Yes	0.00%																					
Daejan Hdg	UK	523	Yes	0.20%																					
IRP Property Investments	UK	106	Yes	0.10%																					
ISIS Property Trust Ld	UK	87	Yes	0.08%																					
Standard Life Inv Prop Inc Trust	UK	83	Yes	0.11%																					
Realia Business	Spain	460	No	-NA-			Y	Y	Y						Y										
Metrovacesa	Spain	1,057	No	-NA-	Y		Y	Y	Y		Y				Y										
Immoeast	Austria	3,210	No	-NA-	Y							Y						Y							
Immofinanz	Austria	1,148	No	-NA-	Y		Y				Y							Y							
IVG Immobilien	Germany	674	No	-NA-	Y		Y	Y	Y																
Capital & Regional	UK	142	No	-NA-					Y					Y	Y					Y					
Safestore	UK	310	No	-NA-	Y															Y					Y
Pirelli Real Estate	Italy	428	No	-NA-					Y							Y									
Fonciere des Murs	France	769	No	-NA-		Y	Y			Y	Y					Y									
Eurosic	France	382	No	-NA-			Y			Y											Y				
Vivacon AG	Germany	16	No	-NA-																					
FDL	France	1,077	No	-NA-		Y	Y			Y															
Town Centre Securities	UK	76	No	-NA-																					
ANF	France	806	No	-NA-			Y												Y						
CeGeREAL	France	341	No	-NA-			Y											Y							
Fonciere Paris France	France	176	No	-NA-		Y	Y																		
Klemurs	France	120	No	-NA-			Y																		
Warner Estate	UK	15	No	-NA-																					
MRM	France	28	No	-NA-			Y																		
Risanamento	Italy	115	No	-NA-																					
Acanthe Developpement	France	140	No	-NA-																					
Total		108,154			42	46	37	35	31	25	25	17	23	21	26	21	14	17	21	17	8	15	13	7	9
Coverage %					62.26	61.95	54.33	53.49	46.37	39.02	38.82	37.66	36.59	35.95	35.20	34.80	31.36	31.10	30.49	28.52	28.41	28.08	27.65	24.66	24.48

ANALYST COVERAGE TABLE

Kepler Equities	Sal Oppenheim	Berenberg Bank	AlphaValue	Theodoor Gilissen	Keijser Securities	Deutsche Bank	AEK	KBC Peel Hunt	Oddo & Cie	Singer Capital	Arbuthnot Securities	Unicredit Bank	Nomura Securities	Oriel Securities	DnBNOR Markets	ABG Sundal Collier	Noble & Co	Nordea Securities	Evli Bank	SEB Enskilda	Handelsbanken	Raiffeisen-Centrale	Panmure Gordon	Bank Vontobel	Zuercher Kantonalbank	NCB Stockbrokers	Charles Stanley	Erste Bank	HQ Bank	Alandsbanken	DZ Bank	Commerzbank	Dolmen Stockbrokers	Carnegie
Y	Y	Y	Y	Y	Y		Y		Y																								
Y	Y	Y					Y						Y																					Y	Y		
							Y		Y		Y	Y		Y	Y													Y			Y	Y							Y	
Y		Y	Y						Y																								
							Y		Y		Y	Y		Y	Y													Y			Y	Y								
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23.74	22.28	21.85	21.53	19.45	19.45	18.80	18.34	17.94	17.05	11.11	10.41	8.91	8.65	8.64	6.13	6.13	5.85	5.69	5.61	5.54	5.45	5.34	5.08	4.64	4.64	4.62	4.45	4.28	4.15	4.15	3.86	3.66	3.56	3.46

ANALYST COVERAGE TABLE

Company	Country	Full Mkt Cap (EURm) 31 Dec 09	Index Constituent?	% Free Float Weight	Swedbank	WestLB Equities	ING Wholesale Bank	Bankhaus Lampe	Bank Degroof	Wood & Company	KBC Securities	Silvia Quandt Research	HSH Nordbank	Mediobanca	Banca IMI	Gilbert Dupont	Bankhaus Metzle	Banca Akros	eQ Bank	Pohjola Bank	Sofia Bank	Banesto Bolsa	Iber Securities	La Caixa	Ahorro Corporation
Unibail - Rodamco	France	13,572	Yes	17.34%																					
Dt Euroshop Na	Germany	895	Yes	1.14%		Y		Y				Y	Y				Y								
British Land Co	UK	4,666	Yes	5.96%																					
Klepierre	France	5,016	Yes	3.21%																					
Land Securities Group	UK	5,828	Yes	7.45%																					
Corio	Netherlands	3,642	Yes	4.65%			Y																		
Liberty International	UK	3,604	Yes	4.61%																					
Hammerson	UK	3,326	Yes	4.25%																					
Sponda Oyj	Finland	756	Yes	0.72%															Y	Y	Y				
Wereldhave	Netherlands	1,419	Yes	1.81%																					
Castellum	Sweden	1,161	Yes	1.48%	Y																				
Fabege	Sweden	747	Yes	0.95%	Y																				
Citycon	Finland	646	Yes	0.62%															Y	Y	Y				
Eurocommercial Properties	Netherlands	1,029	Yes	1.32%																					
Hufvudstaden A	Sweden	1,075	Yes	0.55%	Y																				
Kungsleden	Sweden	656	Yes	0.84%	Y																				
Great Portland Estates	UK	1,010	Yes	1.29%																					
Segro	UK	2,848	Yes	3.64%																					
Alstria Office	Germany	420	Yes	0.27%				Y					Y												
Gagfah	Germany	1,433	Yes	0.73%		Y		Y									Y								
Mercialys	France	2,221	Yes	1.42%												Y									
Derwent London	UK	1,494	Yes	1.91%																					
Cofinimmo	Belgium	1,228	Yes	1.57%			Y		Y		Y														
DIC Asset AG	Germany	256	Yes	0.24%		Y		Y				Y	Y				Y								
PSP Swiss Property	Switzerland	1,850	Yes	2.36%																					
Deutsche Wohnen AG	Germany	548	Yes	0.70%		Y		Y				Y	Y												
Icade	France	3,284	Yes	1.68%																					
Wihlborgs Fastigheter	Sweden	481	Yes	0.62%	Y																				
Shaftesbury	UK	998	Yes	1.28%																					
Conwert Immobilien Invest	Austria	729	Yes	0.93%																					
Ca Immobilien	Austria	689	Yes	0.88%								Y													
Silic	France	1,474	Yes	1.41%																					
Vastned Retail	Netherlands	851	Yes	1.09%																					
Beni Stabili	Italy	1,101	Yes	0.28%										Y	Y			Y							
Norwegian Property ASA	Norway	738	Yes	0.94%																					
Befimmo (Sicafi)	Belgium	1,038	Yes	1.33%			Y		Y		Y														
Gecina	France	4,739	Yes	1.82%																					
Vastned Off/Ind	Netherlands	221	Yes	0.28%																					
Fonciere Des Regions	France	3,325	Yes	3.19%																					
Colonia Real Estate	Germany	124	Yes	0.16%				Y				Y													
Workspace Group	UK	300	Yes	0.38%																					
Patrizia Immobilien	Germany	160	Yes	0.10%				Y									Y								
Immobiliare Grande Distribution	Italy	482	Yes	0.25%										Y	Y			Y							
Klovern AB	Sweden	372	Yes	0.36%																					
Societe de la Tour Eiffel	France	274	Yes	0.35%																					
Nieuwe Steen Inv	Netherlands	559	Yes	0.71%																					
Swiss Prime Site	Switzerland	2,083	Yes	2.00%																					
Warehouses De Pauw	Belgium	389	Yes	0.37%			Y		Y		Y														
Unite Group	UK	537	Yes	0.69%																					
ProLogis European Properties	Netherlands	813	Yes	0.31%																					
Mucklow (A.& J.)Group	UK	213	Yes	0.11%																					
Technopolis	Finland	178	Yes	0.23%															Y	Y	Y				
Big Yellow Group	UK	520	Yes	0.67%																					
Development Securities	UK	316	Yes	0.40%																					
Babis Vovos International	Greece	149	Yes	0.14%																					
Allreal Hld N	Switzerland	944	Yes	0.60%																					
Grainger	UK	598	Yes	0.57%																					
Quintain Estates and Development	UK	349	Yes	0.45%																					
St.Modwen Properties	UK	437	Yes	0.42%																					
CLS Holdings	UK	270	Yes	0.17%																					
Affine	France	131	Yes	0.08%												Y									
Lamda Develop/R	Greece	332	Yes	0.13%																					
Zueblin Immobilien Holding AG	Switzerland	139	Yes	0.13%																					
Helical Bar	UK	412	Yes	0.53%																					
Primary Health Prop.	UK	200	Yes	0.26%																					
Leasinvest	Belgium	237	Yes	0.12%					Y		Y														
Intervest Offices	Belgium	304	Yes	0.19%					Y																
Minerva	UK	137	Yes	0.17%																					
Wereldhave Belgium	Belgium	328	Yes	0.17%																					
Eurobank Properties Real Estate Investment Co	Greece	506	Yes	0.19%																					
F&C Commercial Property Trust	UK	689	Yes	0.35%																					
ING UK Real Estate Income Trust	UK	201	Yes	0.26%																					
Invista Foundation Property Trust	UK	146	Yes	0.19%																					
UK Commercial Property Trust	UK	875	Yes	0.34%																					
TAG Immobilien	Germany	147	Yes	0.00%																					
Daejan Hdg	UK	523	Yes	0.20%																					
IRP Property Investments	UK	106	Yes	0.10%																					
ISIS Property Trust Ld	UK	87	Yes	0.08%																					
Standard Life Inv Prop Inc Trust	UK	83	Yes	0.11%																					
Realia Business	Spain	460	No	-NA-																		Y	Y	Y	Y
Metrovacesa	Spain	1,057	No	-NA-																		Y	Y	Y	Y
Immoeast	Austria	3,210	No	-NA-						Y															
Immofinanz	Austria	1,148	No	-NA-																					
IVG Immobilien	Germany	674	No	-NA-		Y																			
Capital & Regional	UK	142	No	-NA-																					
Safestore	UK	310	No	-NA-																					
Pirelli Real Estate	Italy	428	No	-NA-										Y	Y										
Fonciere des Murs	France	769	No	-NA-																					
Eurosic	France	382	No	-NA-																					
Vivacon AG	Germany	16	No	-NA-				Y																	
FDL	France	1,077	No	-NA-																					
Town Centre Securities	UK	76	No	-NA-																					
ANF	France	806	No	-NA-																					
CeGeREAL	France	341	No	-NA-																					
Fonciere Paris France	France	176	No	-NA-																					
Klemurs	France	120	No	-NA-																					
Warner Estate	UK	15	No	-NA-																					
MRM	France	28	No	-NA-																					
Risanamento	Italy	115	No	-NA-										Y											
Acanthe Developpement	France	140	No	-NA-																					
Total		108,154			5	5	4	8	5	1	4	5	4	4	3	2	4	2	3	3	3	2	2	2	2
Coverage %					3.46	3.28	3.21	3.19	3.04	2.97	2.74	2.70	1.98	1.97	1.86	1.48	1.47	1.46	1.46	1.46	1.46	1.40	1.40	1.40	1.40

ANALYST COVERAGE TABLE

Espirito Santo Equity Research	BBVA Rsearch	Santander Investment	SRC Research	FIM Securities	Danske Markets	Alpha Finance	SES Research	Close Brothers	Cenkos Securities	Brewin Dolphin	Numis Securities	Stephens Inc.	Citigroup	Pareto Securities	Arctic Securities	Orion Securities	First Securities	Investec	Pegasus Securities	Arden Partners	Banca Leonardo	GSC Research	Proton Bank	Venture Finanza	Caja Madrid	Interdin Bolsa	Link Securities	Centrobanca	Altium Capital	M.M. Warburg	Barnard Jacobs	Viscardi AG	Marfin Analysis	Equinet Institutional	Total
																																			29
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1.40	1.40	1.40	1.31	1.30	1.30	1.06	0.98	0.97	0.82	0.81	0.78	0.74	0.73	0.68	0.68	0.68	0.68	0.64	0.61	0.55	0.52	0.50	0.47	0.43	0.43	0.43	0.43	0.40	0.29	0.26	0.25	0.15	0.14	0.11	

MEMBERS OFFERS

EPRA association membership not only offers anyone in the member organisation full access to the EPRA website/archive, regular research, economic, regulatory and index statistics updates; but much more. The following pages list several events and publication offers which are open to members.

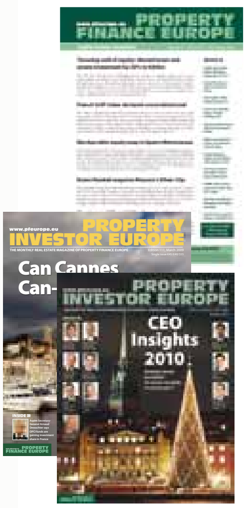
IPE Magazine

Discount of 20% on subscription. The full annual rate is EUR 355. For more details, contact: eric.davis@ipe.com

IPE Real Estate is positioned at the interface of institutional investment and the real estate industry. Drawing on its international network of correspondents and supply-side research, the magazine and website's mission is to bring to light the views and activities of European pension funds and other capital owners (insurance companies and other plan sponsors) investing in real estate and keep them up-to-date with the rapid evolution of real estate as a sophisticated, global asset class.

IPE Real Estate's association with the main industry representative bodies located across Europe, North America and Asia provides a vital contribution to the debate as well as additional relevance and objectivity. AFIRE, APREA, AREF, BPF, EPRA, INREV, IPF, NAREIT, PCA, PREA and NAREIM. We can also draw on the unique experience of our sister title, Investment and Pensions Europe (IPE) which has been talking to European pension funds and other capital owners for the last decade. IPE Real Estate is a regular bi-monthly publication.

Tel: + 44 20 7261 0666.
Fax: +44 20 7928 3332.
Email: info@ipe.com



Property Investor Europe
Property Finance Europe

The mission of Property Investor Europe magazine and its weekly Property Finance Europe newsletter/daily news-intelligence is to bring transparency to Mainland Europe real estate so that global investment professionals understand risks, rewards, opportunities across its diverse jurisdictions.

PIE/PFE hard news-driven analysis-commentary is designed as the 'sharp end' of investment capital flows into and around the continent. A subscription-based service, PIE is published from Frankfurt, Germany. Its PFE Online Weekly reaches over 51,000 investors, and the PIE monthly print magazine is delivered to 4,000-5,000 targeted property investment professionals, and up to 9,000 at trade conferences. PIE/PFE is also a content partner of leading US commercial real estate site GlobeSt.com. EPRA members receive a 10% discount.

Go to: www.pfeurope.eu to register,
or email: publisher@pfeurope.eu.

PROPERTYEU
ON TOP OF THE DEALS. IN TOUCH WITH THE DEALMAKERS

PropertyEU

A full subscription package of PropertyEU costs EUR 495 per year, and includes Property EU Daily Newsletter, PropertyEU Newsflashes, PropertyEU Magazine as well as access to the subscriber-only content on PropertyEU website. EPRA members get a 20% discount and pay only EUR 395 per year. Mail your contact details to: subscribe@propertyeu.info, indicating your EPRA membership number.

Property Week

Free subscription to this monthly title. This magazine offers news, analysis and information on global real estate issues - focusing on investment and development right across the globe. Background can be found at: www.propertyweekglobal.com. EPRA members can register for their subscription at:

www.register2global.com,
or email Editor Lucy Scott
on: Lucy.Scott@ubm.com
(+44(0)20 8955 7064).

Euromoney

Global Investor incorporating International Securities Finance offer members of EPRA a free 14-day trial. If members would like to take a subscription with an introductory 10% discount, then please contact Merrin Higgins - quoting EPRA 10% offer.

Email: mhiggins@euromoneyplc.com. Tel: +44 207 779 8710

Global investor Magazine

Global Investor Magazine covers the front, middle and back office business of asset managers globally. Its key readership includes sovereign, institutional and high net worth investors, and the firms that are involved in their financial affairs.

www.globalinvestormagazine.com

EVENTS

MEMBER OFFERS

MIPIM - The world's property market - 21st edition
Date: March 16-19, 2010
Palais des Festivals, Cannes, France

Billed as the world's premier real estate summit, MIPIM draws upon its unique international coverage and reputation to bring together the most influential decision-makers in the market, offering them access to the largest available showcase of development projects.

MIPIM has established itself as the must-attend event for top investors worldwide.

Mixing an exhibiting zone, conferences and networking events, MIPIM provides you with opportunities to secure direct or indirect investments in real estate.

In just four days:

- Identify high-potential international investment opportunities: benefit from unrivalled access to the world's most prestigious real estate projects and funds.
- Assess market conditions: share experiences with your peers and learn where, when and how to invest by attending our conference programme.
- Create future partnerships: engage with major developers, local authorities, co-investors, and financial institutions at tailored networking events, including our 'Speed matching' sessions.
- Reach out to new horizons: seize high-potential business opportunities in MENA, Turkey, Latin America and Central Asia at the second edition of MIPIM Horizons, hosted by MIPIM.

1) EPRA members will benefit from the early-bird price of EUR 1,190, a saving of EUR 360 by registering up to February 12, 2010.

2) EPRA members attending MIPIM for the first time will benefit from:

✔ Free entrance to the exhibition area.

✔ Three free nights' complimentary accommodation (limited to first ten EPRA members - on a first-come first-served basis).

✔ Access to the special Investment track of the MIPIM conference programme.

✔ Year-round access to MIPIMWorld, our online database and networking tool.

These offers are strictly limited to investors and financial institutions, and restricted to one person per company per country.

For both offers, please check eligibility by contacting Aude Fraisse on: +33 1 4190 4459, or: aude.fraisse@reedmidem.com. A formal invitation will then be sent to you accordingly.

www.mipim.com

MAPIC - The international market for retail real estate - 16th edition
Date: November 17-19, 2010,
Palais des Festivals, Cannes, France

What is the state of the retail real estate market? Who are the key players? Where are the best opportunities? Discover some of the answers to these questions at MAPIC, the world's leading business-to-business event dedicated to retail real estate.

- Over 2,000 retailers from around the world looking for future locations.
- 1,000 investors tracking retail real estate investment opportunities.
- More than 9,500 industry leaders from 65 countries striking deals face-to-face.

MIPIM ASIA – The world's property market in Asia Pacific - 5th edition

Date: November 10-12, 2010, Hong Kong Convention & Exhibition Centre, Hong Kong

Access the best business opportunities at the world's leading Asian property market. As a business facilitator, MIPIM

Asia helps real estate professionals turn today's challenges into successes. Find concrete solutions to address your business needs at MIPIM Asia:

- Face-to-face targeted meetings with 2,000 influential real estate professionals.
- A unique platform to spark deals and partnerships with over 500 international investors, corporate end-users, hotel groups and retailers.
- A showcase of the most lucrative development projects from 46 countries.
- A comprehensive conference programme designed to help you stay ahead of the curve and develop a winning strategy.

www.mipimasia.com
www.mapic.com

Expo Italy Real Estate

Milan, Italy

Date: June 08-10, 2010

Expo Italy Real Estate is the real estate industry trade fair in Milan. Opening on June 08, the thee-day show will be attended Real Estate Agents, Builders, Contractors, Home Inspectors, Brokers, Property Managers & other related professionals. It will offer great business potential for identifying and capitalising on emerging trends.

www.italiarealestate.it

Cityscape Abu Dhabi

Date: April 18-21, 2010

Cityscape Abu Dhabi 2010 will once again be an outstanding opportunity for the regional and international real estate community to come together to network, create joint venture partnerships and discuss the future of real estate. A powerful four-day networking exhibition and conference, will be complimented by a line-up of niche networking events that will provide investors and developers with the opportunity to interact face-to-face.

CITYSCAPE
ASIA

Cityscape Asia

Date: May 18-20, 2010

Cityscape Asia 2010 - The Asia's Premier International Real Estate Investment and Development Event will run its fourth edition on May 18-20, 2010 in Suntec Singapore. Cityscape Asia is an annual networking event attended by major international investors, real estate developers, leading architects and designers, key organisations and government authorities that have an interest in South East Asia and the surrounding Pacific Rim countries.

EPRA ANNUAL CONFERENCE 2010

EPRA Annual Conference

Date: September 02-03, 2010

Amsterdam, The Netherlands

The main event for European listed real estate of the year. EPRA's conference brings together the world's largest property companies, analysts and financiers. It's the prime networking event where what you know, who you know and precisely when you knew them both take on a new meaning in today's evolving economic climate.

Registrations will be available online in a few months time.

CITYSCAPE
JEDDAH

Cityscape Jeddah

Date: June 07-09, 2010

Cityscape Jeddah 2010 is the foremost arena for Saudi real estate stakeholders to showcase their projects and services, network with key investors and developers from around the world and participate in content driven discussions with industry leaders. Consisting of a large scale exhibition, content driven conferences and a plethora of other informative networking functions, Cityscape Jeddah 2010 will serve as a platform to bring further positive development as well as transparency to the burgeoning Saudi Arabian market.

CITYSCAPE
DUBAI

Cityscape Dubai

Date: October 04-07, 2010

Cityscape Dubai is recognised as the leading international business-to-business real estate investment & development event. It is an annual networking exhibition and conference that enhances and supports the vision for the real estate growth worldwide to an international audience from over 100 countries. Adding to the display of iconic architecture, revolutionary developments and unparalleled investment opportunities in both mature and emerging markets, the new features for 2010 include greater networking opportunities through a restructured conferences programme as well as not-for-profit interactive sessions like connect seminars, investor round tables and city leaders forms.

CITYSCAPE
INDIA

Cityscape India

Date: December 08-09, 2010

Cityscape India 2010, claimed to be India's largest business-to-business real estate investment and development conference, will once again take place from December 08-10, 2010. The world's top real estate developers, investors, leading architects, consultants, engineers and other professionals involved in the design and construction of real estate will attend Cityscape India to source new investment opportunities, build profitable relationships and access unbiased info on the Indian real estate market.

ACADEMY
MANAGEMENT EXCELLENCE
FOR BEST EXECUTION

Diversification potential

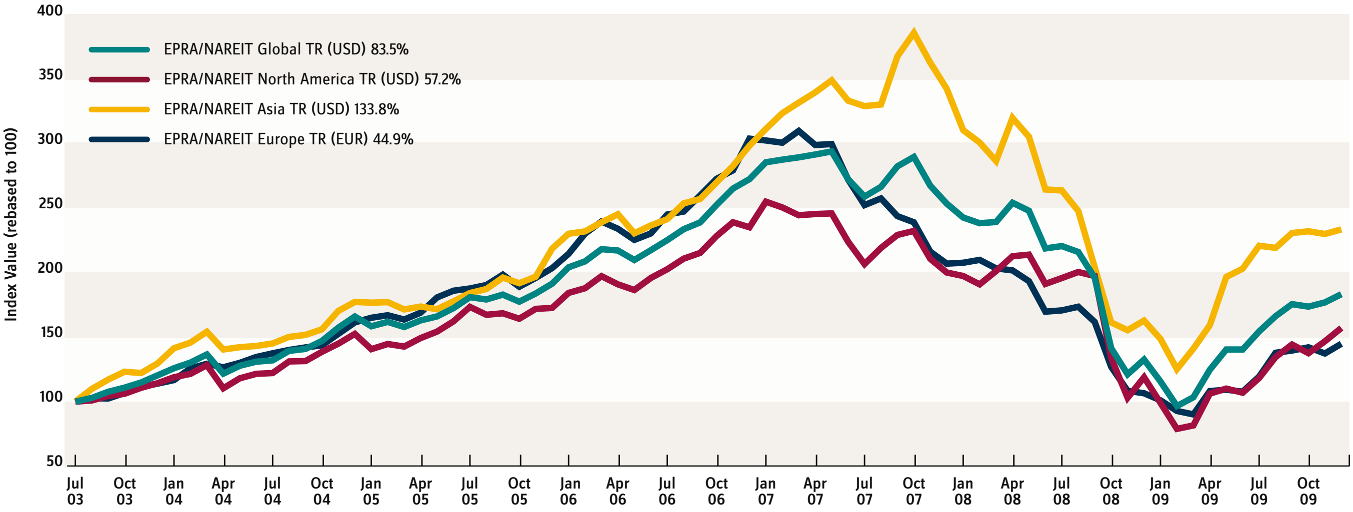
Zurich, Switzerland

Date: February 19, 2010

The trend towards indirect real estate continues offering interesting potential both home and abroad. This conference highlights and compares some of the best Swiss investment opportunities. EPRA members receive a 20% discount (Registration cost - EUR 750).

To register, and for more information please, contact Karin Bosshard on: k.bosshard@academy-execution.ch.
www.academy-execution.ch

FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
GLOBAL



Top 5 and Bottom 5 Performers

Company	Country	investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
↑ Extendicare REIT *	Canada	Rental	Health Care	29.52	30.48	75.90	75.90	-7.027	0.09
↑ Kite Realty Group Trust *	USA	Non-Rental	Retail	28.39	28.39	-19.29	-19.29	-31.07	0.06
↑ Tokyo Tatemono	Japan	Non-Rental	Office	23.78	25.52	-9.68	-9.68	-33.27	0.04
↑ Lexington Corporate *	USA	Rental	Diversified	25.10	25.10	42.05	42.05	-18.84	0.03
↑ Hospitality Properties *	USA	Rental	Lodging/Resorts	22.15	22.15	64.63	64.63	-12.56	0.00
↓ Developers Diversified *	USA	Rental	Retail	-8.50	-8.50	125.54	125.54	-36.04	0.01
↓ Quintain Estates	UK	Non-Rental	Diversified	-10.78	-10.78	246.35	246.35	-41.00	0.00
↓ Grainger Plc	UK	Rental	Residential	-11.34	-11.34	77.18	77.18	-24.16	0.02
↓ Hopson Development	Hong Kong	Non-Rental	Residential	-13.04	-13.04	103.52	103.52	-17.88	0.02
↓ Patrizia Immobilien	Germany	Rental	Residential	-17.07	-17.07	87.73	87.73	-48.62	0.00

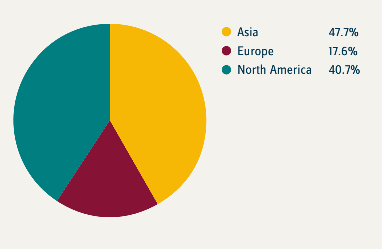
Top 10 on Market Cap

Company	Country	investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
1 Sun Hung Kai Props	Hong Kong	Non-Rental	Diversified	20,105.43	4.51	83.90	83.90	11.42	0.02
2 Westfield Group *	Australia	Rental	Retail	18,140.41	4.07	4.58	4.58	-8.29	0.08
3 Simon Property Group *	USA	Rental	Retail	15,827.64	3.55	58.81	58.81	-3.28	0.01
4 Unibail-Rodamco *	France	Rental	Diversified	13,572.10	3.04	47.84	47.84	-2.76	0.05
5 Mitsubishi Estate	Japan	Non-Rental	Diversified	11,539.17	2.59	2.70	2.70	-21.04	0.01
6 Mitsui Fudosan	Japan	Non-Rental	Diversified	10,281.41	2.31	7.39	7.39	-17.98	0.01
7 Vornado Realty Trust *	USA	Rental	Diversified	8,762.37	1.96	22.42	22.42	-12.57	0.02
8 Public Storage *	USA	Rental	Self Storage	72,45.58	1.62	3.84	3.84	-3.56	0.03
9 Capitaland	Singapore	Non-Rental	Diversified	6,612.02	1.48	65.17	65.17	-4.80	0.02
10 Equity Residential Props *	USA	Rental	Residential	6,501.63	1.46	16.52	16.52	-8.76	0.04

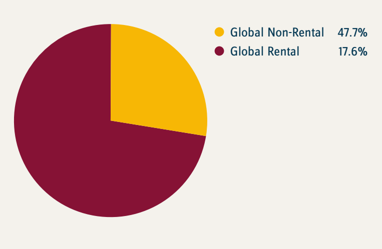
Indices

Index Description	Market Cap (EUR m)	Close Value Dec 30	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
EPRA/NAREIT Europe TR (EUR)	78,249.20	1836.29	36.08	36.08	-21.90	4.48
EPRA/NAREIT Asia TR (USD)	267,634.19	2064.18	43.43	43.43	-7.85	3.76
EPRA/NAREIT North America TR (USD)	259,890.48	2770.45	32.22	32.22	-12.59	3.83
EPRA/NAREIT Global TR (USD)	639,791.97	2413.30	38.26	38.26	-12.39	3.92

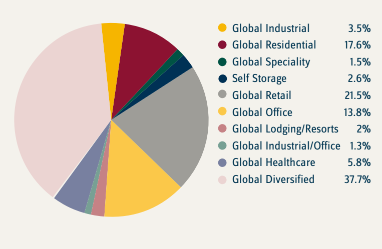
Regional Breakdown by Market Cap



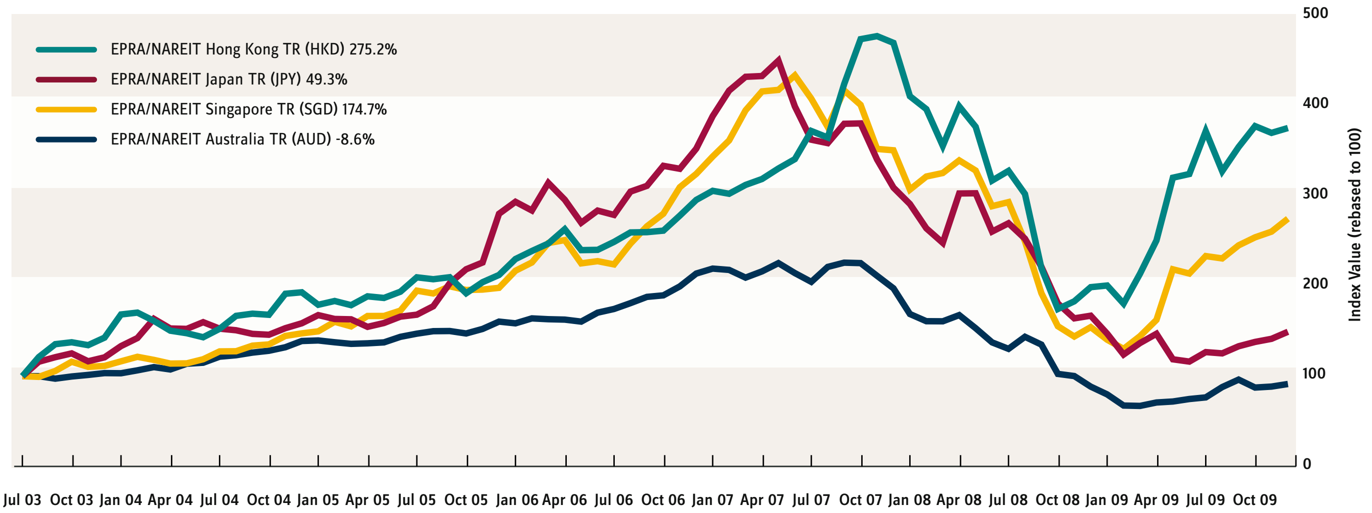
Investment Focus Market Cap Breakdown



Sector Breakdown



FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
ASIA



Top 5 and Bottom 5 Performers

Company	Country	investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
↑ Tokyo Tatemono	Japan	Non-Rental	Office	23.78	25.52	-9.68	-9.68	-33.27	3.67
↑ ORIX JREIT *	Japan	Rental	Office	20.94	20.94	17.58	17.58	-10.68	7.55
↑ Tokyu REIT *	Japan	Rental	Diversified	17.73	17.73	-4.26	-4.26	-17.35	6.60
↑ Sumitomo Realty & Dev	Japan	Non-Rental	Diversified	16.32	16.32	33.11	33.11	-22.46	1.15
↑ Ascendas REIT *	Singapore	Rental	Industrial	14.43	14.43	73.14	73.14	-0.63	5.59
↓ China Overseas Land	Hong Kong	Non-Rental	Residential	-1.56	-1.56	53.43	53.43	17.14	0.85
↓ Premier Investment Co. *	Japan	Rental	Diversified	-1.62	-1.62	19.18	19.18	-18.44	10.25
↓ China Resources Land	Hong Kong	Non-Rental	Residential	-1.89	-1.89	87.13	87.13	24.49	0.78
↓ Shenzhen Investment	Hong Kong	Non-Rental	Diversified	-3.79	-3.79	142.75	142.75	5.84	3.94
↓ Hopson Development	Hong Kong	Non-Rental	Residential	-13.04	-13.04	103.52	103.52	-17.88	1.76

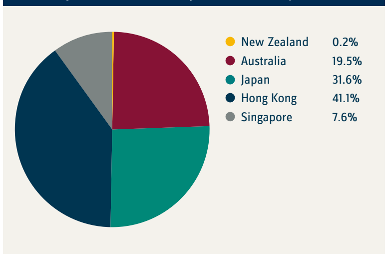
Top 10 on Market Cap

Company	Country	investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
1 Sun Hung Kai Props	Hong Kong	Non-Rental	Diversified	20,105.43	4.51	83.90	83.90	11.42	2.15
2 Westfield Group *	Australia	Rental	Retail	18,140.41	4.07	4.58	4.58	-8.29	8.49
3 Mitsubishi Estate	Japan	Non-Rental	Diversified	11,539.17	2.59	2.70	2.70	-21.04	1.08
4 Mitsui Fudosan	Japan	Non-Rental	Diversified	10,281.41	2.31	7.39	7.39	-17.98	1.41
5 Capitaland	Singapore	Non-Rental	Diversified	6,612.02	1.48	65.17	65.17	-4.80	1.67
6 Sumitomo Realty & Dev	Japan	Non-Rental	Diversified	6,198.48	1.39	33.11	33.11	-22.46	1.15
7 China Overseas Land	Hong Kong	Non-Rental	Residential	6,018.02	1.35	53.43	53.43	17.14	0.85
8 Stockland Trust Group *	Australia	Non-Rental	Diversified	5,900.44	1.32	4.65	4.65	-14.74	8.61
9 Hongkong Land Hldgs	Hong Kong	Rental	Office	5,820.30	1.31	104.84	104.84	10.29	2.63
10 Hang Lung Properties	Hong Kong	Non-Rental	Diversified	5,696.68	1.28	84.74	84.74	18.36	2.16

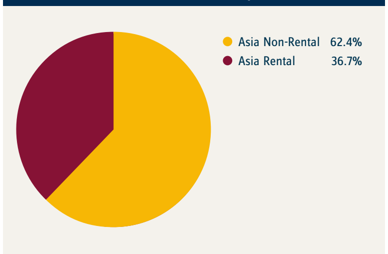
Indices

Index Description	Market Cap (EUR m)	Close Value Dec 30	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
EPRA/NAREIT Australia TR (AUD)	68,273.54	1,272.85	3.29	3.29	-24.68	8.25
EPRA/NAREIT Hong Kong TR (HKD)	84,8550.96	2,438.8	88.79	88.79	8.29	2.08
EPRA/NAREIT Japan TR (JPY)	59,50111.94	1,848.21	4.09	4.09	-20.96	2.78
EPRA/NAREIT Singapore TR (SGD)	45,319.73	24,5319.73	1,586.21	77.90	77.90	-5.39

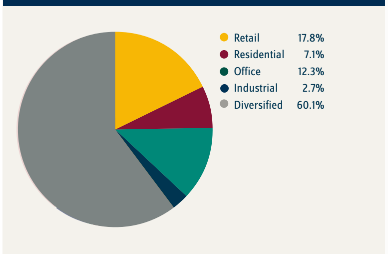
Country Breakdown by Market Cap



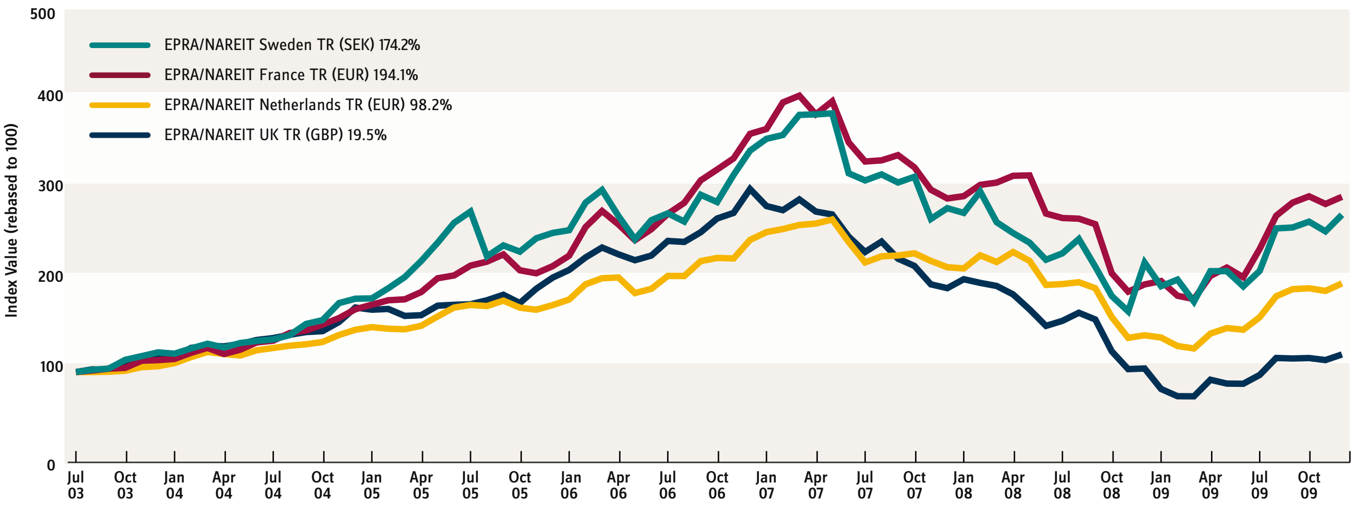
Investment Focus Market Cap Breakdown



Sector Breakdown



FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
EUROPE



Top 5 and Bottom 5 Performers

Company	Country	investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
↑ Minerva	UK	Non-Rental	Diversified	35.59	35.59	457.41	457.41	-42.94	0.00
↑ Norwegian Property ASA	Norway	Rental	Office	20.00	20.00	122.04	122.04	-37.33	0.00
↑ Fabege	Sweden	Rental	Office	16.20	16.20	57.33	57.33	-12.97	4.42
↑ Workspace Group *	UK	Rental	Office	14.81	14.81	-45.54	-45.54	-54.62	3.23
↑ Development Securities	UK	Non-Rental	Retail	13.82	13.82	28.79	28.79	-19.49	1.38
↓ Zueblin Immobilien Holding	Switzerland	Rental	Office	-6.03	-6.03	-13.65	-13.65	-24.43	0.00
↓ St Modwen Properties	UK	Rental	Diversified	-8.40	-8.40	65.11	65.11	-27.94	0.00
↓ Quintain Estates	UK	Non-Rental	Diversified	-10.78	-10.78	246.35	246.35	-41.00	0.00
↓ Grainger Plc	UK	Rental	Residential	-11.34	-11.34	77.18	77.18	-24.16	1.74
↓ Patrizia Immobilien	Germany	Rental	Residential	-17.07	-17.07	87.73	87.73	-48.62	0.00

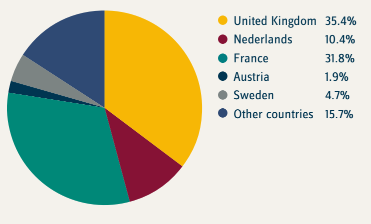
Top 10 on Market Cap

Company	Country	investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
1 Unibail-Rodamco *	France	Rental	Diversified	13,572.10	3.04	47.84	47.84	-2.76	4.88
2 Land Securities *	UK	Rental	Diversified	5,828.27	1.31	-13.05	-13.05	-25.72	5.22
3 British Land *	UK	Rental	Diversified	4,666.29	1.05	12.25	12.25	-25.83	6.02
4 Corio *	Netherlands	Rental	Retail	3,641.75	0.82	53.03	53.03	-2.11	5.54
5 Liberty International *	UK	Rental	Retail	3,604.44	0.81	18.72	18.72	-21.06	0.97
6 Hammerson *	UK	Rental	Retail	3,326.47	0.75	22.91	22.91	-22.24	4.09
7 SEGRO *	UK	Rental	Industrial	2,847.86	0.64	-16.15	-16.15	-33.89	2.90
8 Klepierre *	France	Rental	Retail	2,508.19	0.56	70.84	70.84	-9.74	4.40
9 Fonciere Des Regions *	France	Rental	Diversified	2,493.55	0.56	56.49	56.49	-14.78	7.43
10 PSP Swiss Property	Switzerland	Rental	Office	1,849.94	0.41	15.75	15.75	-2.23	4.27%

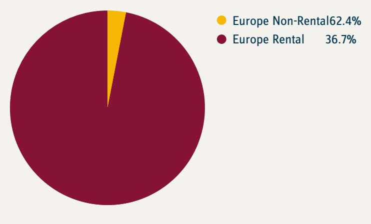
Indices

Index Description	Market Cap (EUR m)	Close Value Dec 30	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
EPRA/NAREIT UK TR (GBP)	25,599.29	1,565.12	14.95	14.95	-26.65	3.77
EPRA/NAREIT Netherlands TR (EUR)	7,964.56	2,929.94	40.80	40.80	-7.00	6.55
EPEPRA/NAREIT France TR (EUR)	23,863.96	4,030.56	49.21	49.21	-6.85	5.26
EPRA/NAREIT Sweden TR (SEK)	38,455.14	4,260.49	23.95	23.95	-7.39	4.11

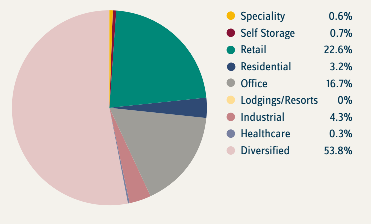
Country Breakdown by Market Cap



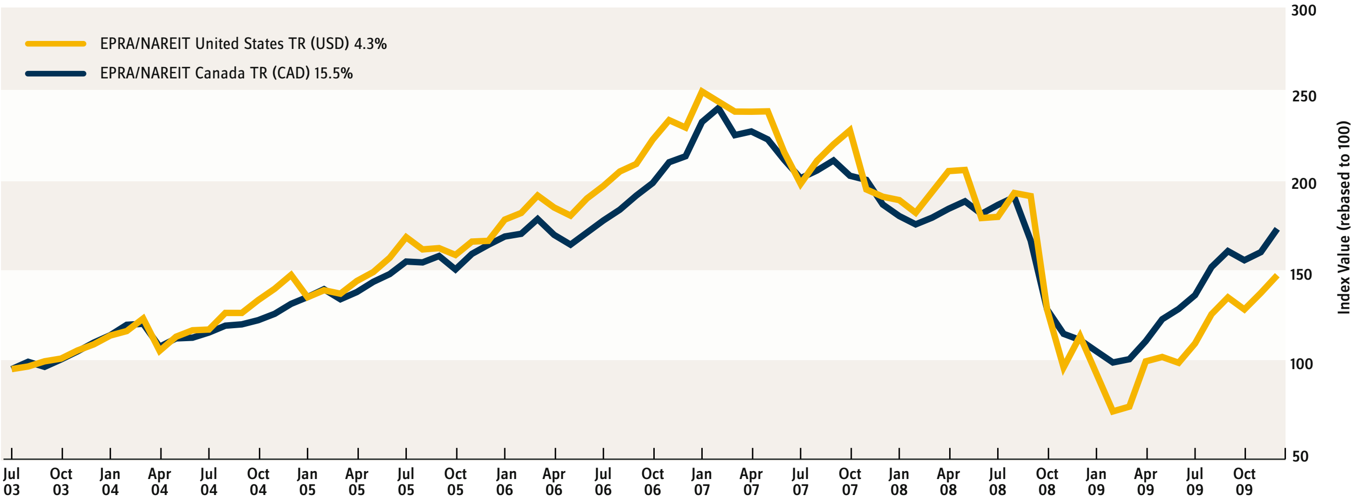
Investment Focus Market Cap Breakdown



Sector Breakdown



FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
NORTH AMERICA



Top 5 and Bottom 5 Performers

Company	Country	investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
↑ Extendicare REIT *	Canada	Rental	Health Care	29.52	30.48	75.90	75.90	-7.03	8.82
↑ Franklin Street Properties	USA	Rental	Office	29.41	29.41	-0.95	-0.95	-11.46	5.20
↑ Kite Realty Group Trust *	USA	Non-Rental	Retail	28.39	28.39	-19.29	-19.29	-31.07	5.90
↑ Lexington Corporate *	USA	Rental	Diversified	25.10	25.10	42.05	42.05	-18.84	2.50
↑ Hospitality Properties *	USA	Rental	Lodging/Resorts	22.15	22.15	64.63	64.63	-12.56	0.00
↓ Healthcare Realty Trust *	USA	Rental	Health Care	-2.85	-2.85	-3.68	-3.68	-8.85	7.18
↓ Hilltop Holdings	USA	Rental	Residential	-4.20	-4.20	19.51	19.51	-0.03	0.00
↓ Agree Realty Corp *	USA	Rental	Retail	-5.44	-5.44	33.98	33.98	-6.32	8.76
↓ Government Properties *	USA	Rental	Office	-7.97	-7.97	-NA-	-NA-	-NA-	3.92
↓ Developers Diversified *	USA	Rental	Retail	-8.50	-8.50	125.54	125.54	-36.04	0.86

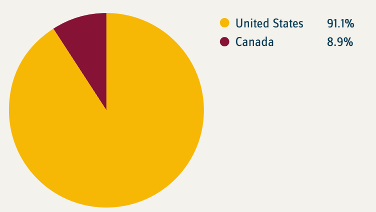
Top 10 on Market Cap

Company	Country	investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
1 Simon Property Group *	USA	Rental	Retail	15,827.64	3.55	58.81	58.81	-3.28	0.60
2 Vornado Realty Trust *	USA	Rental	Diversified	8,762.37	1.96	22.42	22.42	-12.57	2.16
3 Public Storage *	USA	Rental	Self Storage	7,245.58	1.62	3.84	3.84	-3.56	2.70
4 Equity Residential Props *	USA	Rental	Residential	6,501.63	1.46	16.52	16.52	-8.76	4.00
5 Boston Properties *	USA	Rental	Office	6,476.06	1.45	24.09	24.09	-11.22	2.98
6 HCP *	USA	Rental	Health Care	6,238.91	1.40	14.94	14.94	-3.34	6.02
7 Host Hotels & Resorts *	USA	Rental	Lodging/Resorts	5,008.85	1.12	57.55	57.55	-19.22	0.21
8 Ventas *	USA	Rental	Health Care	4,771.42	1.07	33.35	33.35	4.80	4.69
9 Avalonbay Communities *	USA	Rental	Residential	4,660.42	1.05	38.49	38.49	-10.66	4.35
10 Prologis *	USA	Non-Rental	Industrial	4,515.22	1.01	2.52	2.52	-33.16	4.38

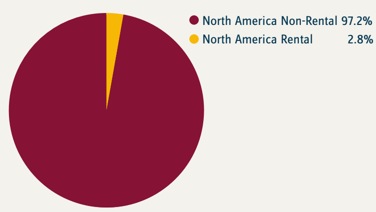
Indices

Index Description	Market Cap (EUR m)	Close Value Dec 30	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
EPRA/NAREIT Canada TR (CAD)	25,850.59	3,159.24	53.09	53.09	-6.58	6.34
EPRA/NAREIT United States TR (USD)	235,232.10	2,681.13	28.61	28.61	-13.38	3.56

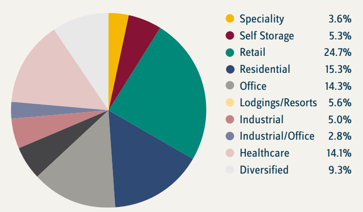
Country Breakdown by Market Cap



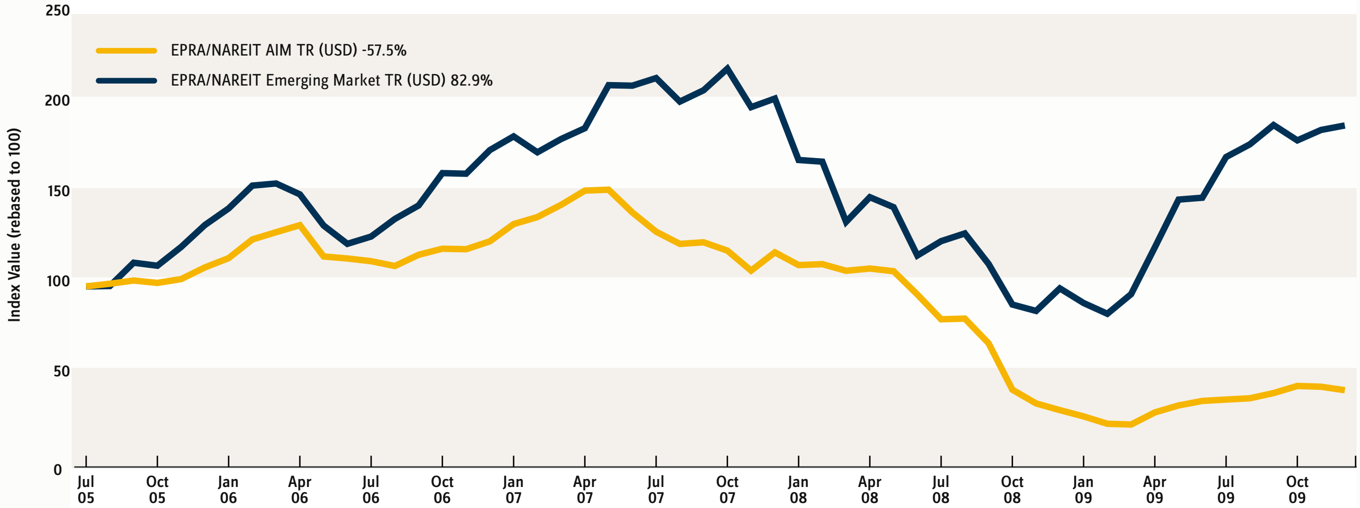
Investment Focus Market Cap Breakdown



Sector Breakdown



FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
EMERGING MARKETS



Top 5 and Bottom 5 Performers

Company	Country	investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
↑ Iguatemi Empresa de Shopping Centers S/A Ord	Brazil	Rental	Retail	17.73	17.51	168.02	168.02	-NA-	2.48
↑ Parsvnath Developers	India	Non-rental	Diversified	18.33	33.61	161.85	161.85	-34.38	0.00
↑ Is Gayrimenkul Yatirim Ortak	Turkey	Non-rental	Diversified	14.58	14.58	135.71	135.71	-7.19	3.03
↑ Urbi Desarrollos Urbanos	Mexico	Non-rental	Residential	11.78	22.19	56.08	56.08	-8.85	0.00
↑ SP Setia	Malaysia	Non-rental	Diversified	11.68	26.88	31.29	31.29	9.71	2.87
↓ Bakrieland Devel	Indonesia	Non-rental	Diversified	-5.85	92.94	168.06	168.06	6.26	0.00
↓ YNH Property	Malaysia	Non-rental	Diversified	-7.27	21.57	37.65	37.65	-6.02	0.00
↓ China Merchants Prop (B)	China	Non-rental	Diversified	-8.76	8.36	144.40	144.40	11.68	0.62
↓ LC Corp SA	Poland	Rental	Office	-9.83	47.89	168.97	168.97	-NA-	0.00
↓ BR Malls Participacoes S/A Ord	Brazil	Rental	Retail	-10.42	13.75	136.26	136.26	-NA-	0.00

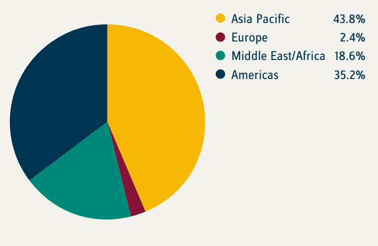
Top 10 on Market Cap

Company	Country	investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
1 Cyrela Brazil Realty S/A Empreendimentose e Participacoes Or	Brazil	Non-rental	Diversified	-0.81	48.26	168.32	168.32	11.54	0.76
2 DLF	India	Non-rental	Diversified	3.31	38.45	29.62	29.62	-NA-	0.55
3 Unitech	India	Non-rental	Diversified	4.63	29.83	102.70	102.70	-28.79	0.12
4 Growthpoint Prop Ltd	South Africa	Rental	Diversified	0.72	3.98	0.91	0.91	10.88	8.19
5 Redefine Income Find	South Africa	Rental	Diversified	0.99	9.49	21.57	21.57	7.68	7.91
6 Gafisa	Brazil	Non-rental	Residential	-2.75	62.92	171.12	171.12	-3.45	0.71
7 MRV Engenharia e Participacoes SA	Brazil	Non-rental	Residential	11.17	54.55	343.20	343.20	-NA-	0.89
8 BR Malls Participacoes S/A Ord	Brazil	Rental	Retail	-10.42	13.75	136.26	136.26	-NA-	0.00
9 Guangzhou R&F Properties (H)	China	Non-rental	Diversified	0.88	44.00	63.51	63.51	-4.61	2.32
10 Shenzhen Vanke (B)	China	Non-rental	Residential	-1.72	0.99	63.66	63.66	16.83	0.58

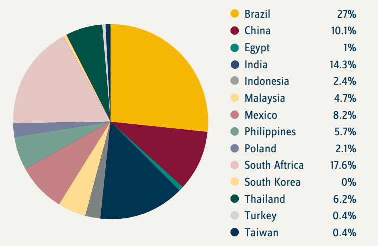
Indices

Index Description	Market Cap (EUR m)	Close Value Dec 30	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 31 Dec
EPRA/NAREIT Emerging Market TR (USD)	37,562.30	1,858.02	85.23	85.23	-2.89	2.33
EPRA/NAREIT AIM TR (USD)	16,446.10	1,811.05	65.35	65.35	-4.57	1.52

Country Breakdown by Market Cap



Global Breakdown by Country

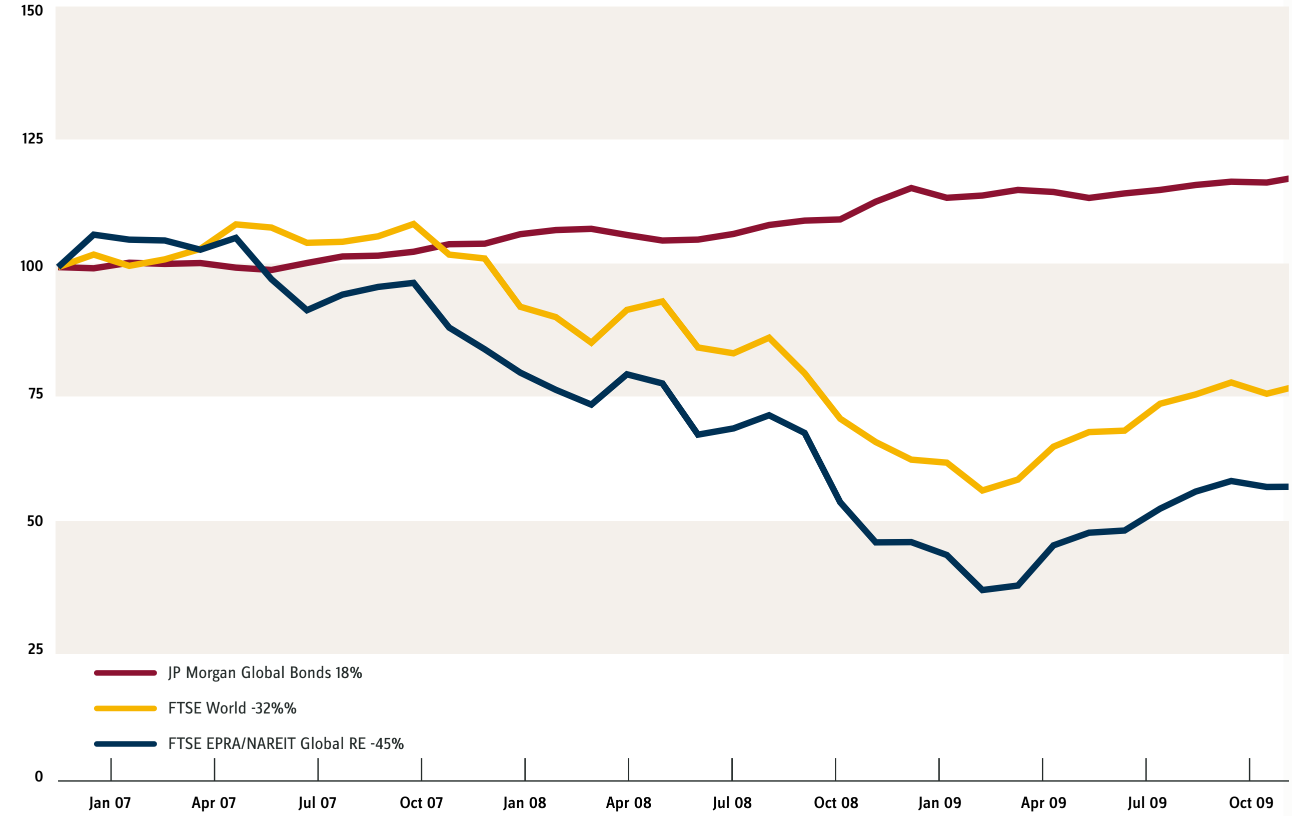


FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
TOTAL MARKET

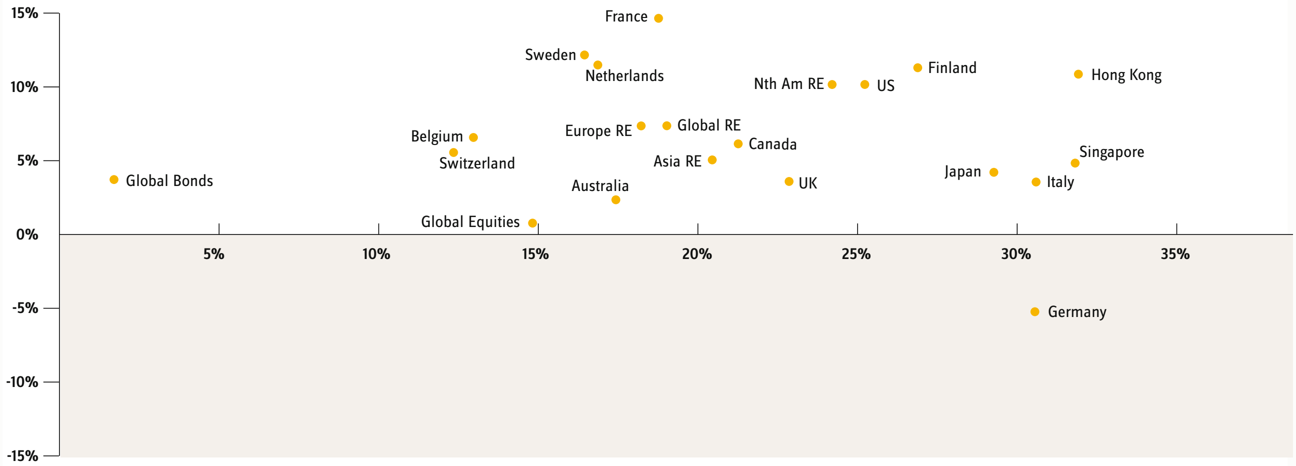
Countries	2008 GDP ($ Bn)	2008 GDP per capita ($)	2008 Real Estate ($ Bn)	31-Dec-09 Total Listed ($ Bn)	31-Dec-09 Total RE v Listed RE (%)	31-Dec-09 Stock Market ($ Bn)	31-Dec-09 Stk Mkt v Listed RE (%)
Japan	4,438	34,809	1,997	154.0	7.71%	3,467	4.44
Hong Kong/China	2,983	2,284	605	161.0	26.63%	5,571	2.89%
South Korea	946	19,777	394	1.0	0.25%	822	0.12%
India	977	909	146	8.0	5.49%	1,301	0.61%
Australia	741	37,035	333	65.0	19.51%	1,260	5.16%
Taiwan	340	15,050	129	4.0	3.09%	733	0.55%
Indonesia	365	1,615	66	0.1	0.21%	212	0.07%
Thailand	204	3,200	46	4.0	8.65%	174	2.30%
Malaysia	162	6,870	47	0.7	1.48%	284	0.25%
Singapore	144	33,001	129	38.0	29.38%	448	8.48%
New Zealand	118	29,565	56	3.2	5.59%	32	9.76%
Pakistan	127	811	18	-	0.00%	45	0.00%
Philippines	121	1,369	21	4.0	19.29%	85	4.69%
Vietnam	61	732	8	-	0.00%	-	0.00%
Total Asia-Pacific	**11,726**	**19,123**	**3,996**	**443.0**	**11.09%**	**14,434**	**3.07%**
Germany	3,034	36,806	1,365	17.0	1.25%	1,367	1.24%
United Kingdom	2,496	41,408	1,404	56.0	3.99%	2,990	1.87%
France	2,352	37,606	1,058	57.0	5.39%	1,895	3.01%
Italy	1,926	33,169	867	6.0	0.69%	681	0.88%
Spain	1,274	31,636	573	20.0	3.49%	784	2.55%
Russia	1,025	7,023	302	5.0	1.65%	222	2.25%
Netherlands	695	42,591	313	12.0	3.84%	327	3.67%
Switzerland	397	53,261	179	8.0	4.48%	1,075	0.74%
Belgium	411	39,751	185	6.0	3.24%	249	2.41%
Sweden	409	45,465	184	12.0	6.53%	451	2.66%
Turkey	557	7,784	170	-	0.00%	227	0.00%
Austria	337	41,184	152	9.0	5.94%	125	7.20%
Poland	359	9,293	116	6.0	5.17%	151	3.98%
Norway	343	74,917	154	3.0	1.95%	257	1.17%
Denmark	284	52,382	128	2.0	1.57%	190	1.05%
Greece	278	26,134	125	2.2	1.76%	112	1.97%
Ireland	228	57,422	103	2.1	2.05%	60	3.52%
Finland	219	41,952	98	3.0	3.05%	192	1.56%
Portugal	203	19,246	84	-	0.00%	107	0.00%
Czech Republic	148	14,436	56	-	0.00%	46	0.00%
Hungary	122	12,126	43	0.3	0.60%	30	0.86%
Romania	131	5,838	36	0.5	1.38%	16	3.09%
Ukraine	113	2,332	23	-	0.00%	31	0.00%
Slovakia	61	11,200	21	-	0.00%	5	0.00%
Slovenia	41	20,415	17	-	0.00%	12	0.00%
Luxembourg	43	93,741	20	-	0.00%	20	0.00%
Bulgaria	33	4,419	8	-	0.00%	6	0.00%
Total Europe	**17,516**	**34,618**	**7,783**	**227.1**	**2.92%**	**11,628**	**1.95%**
Egypt	112	1,425	19	10.0	51.55%	115	8.69%
Israel	149	21,874	64	4.1	6.46%	168	2.47%
Morocco	67	2,182	13	3.0	22.32%	87	3.45%
South Africa	261	5,368	70	8.6	12.26%	406	2.12%
Total Africa/Middle East	**589**	**30,848**	**167**	**25.8**	**15.40%**	**776**	**3.32%**
Mexico	939	8,947	300	0.1	0.03%	363	0.03%
Brazil	1,103	5,914	307	0.7	0.23%	1,326	0.05%
Argentina	221	5,710	61	0.6	0.99%	577	0.10%
Venezuela	187	7,506	56	-	0.00%	10	0.00%
Colombia	172	4,054	42	-	0.00%	128	0.00%
Chile	143	9,017	46	0.3	0.66%	229	0.13%
Peru	93	3,378	22	-	0.00%	76	0.00%
Total Latin America	**2,858**	**6,959**	**834**	**1.7**	**0.20%**	**2,709**	**0.06%**
United States	13,079	44,667	5,885	362.0	6.15%	13,740	2.63%
Canada	1,241	38,606	558	42.0	7.52%	1,611	2.61%
Total Nth America	**14,319**	**44,142**	**6,444**	**404.0**	**6.27%**	**15,351**	**2.63%**
World	**47,010**	**-**	**19,224**	**1,101.5**	**5.73%**	**44,898**	**2.45%**

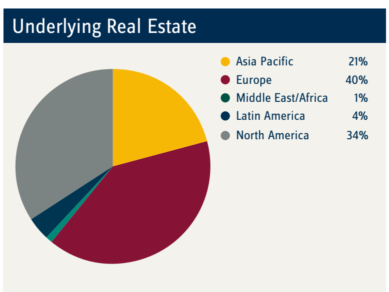
FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
TOTAL MARKET

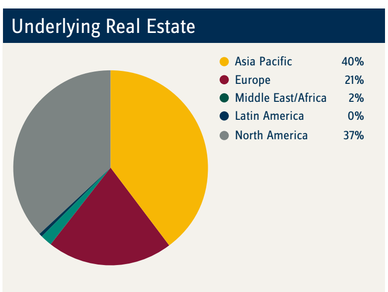
Global Real Estate vs Equities & Bonds



Rolling 10 Years Risk/Return Local Currencies - Countries







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