EPRA NEWS
EUROPEAN PUBLIC REAL ESTATE ASSOCIATION
ISSUE 29 | MARCH 2009

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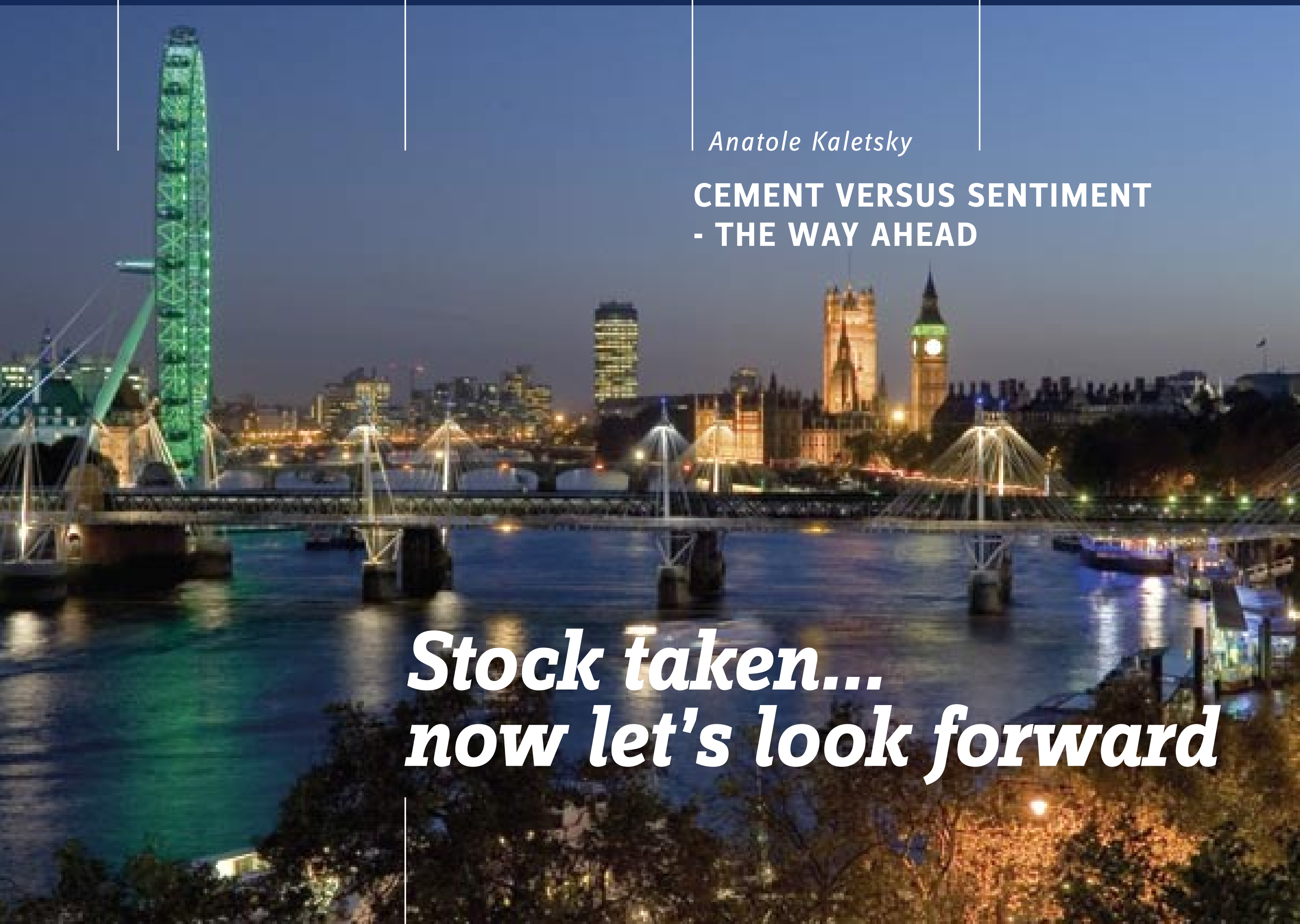

Anatole Kaletsky

CEMENT VERSUS SENTIMENT - THE WAY AHEAD

Stock taken... now let's look forward

AS OF MARCH 2009

AUSTRALIA
- Orchard Funds Management
- MacarthurCook
- Stockland
- Univ. of Western Sydney, Property Research Centre
- Valad Property Group
- Vanguard Investments Australia

AUSTRIA
- CA Immobilien Anlagen
- Conwert Immobilien Invest
- Immofinanz Immobilien Anlagen
- Meinl European Land

BELGIUM
- Befimmo
- Cofinimmo
- ING Real Estate Capital Advisors
- Leasinvest Real Estate
- Solvay Brussels School of Economics & Management

BRAZIL
- Iguatemi Empresa De Shopping Center SA

BRITISH VIRGIN ISLANDS
- Dolphin Capital Investors

CANADA
- Presima (CDP Capital)

FINLAND
- Citycon
- CREF Center for Real Estate Investment & Finance/Hanken
- KTI Finland
- Sponda

FRANCE
- Acanthe Developpement
- Affine
- AffiParis
- Altarea SCA
- AXA REIM France
- Baker & McKenzie
- BNP Paribas
- Credit Agricole Immobilier
- EUROSIC
- Foncière des Régions
- Foncière Paris France
- Gecina
- ICADE
- Klépierre
- Mercialys
- Silic
- Société de la Tour Eiffel
- Société Foncière Lyonnaise
- Société Générale
- Unibail-Rodamco
- Université Paris Dauphine

GERMANY
- AIG Bank
- AIG International Real Estate
- Alstria Office
- Beiten Burkhardt
- Colonia Real Estate
- RREEF Investment
- Deutsche Euroshop
- Deutsche Wohnen
- DIC Asset
- Eurocastle Investment
- Fair Value REIT
- GBWAG Bayerische Wohnungs-Aktiengesellschaft
- Heitman
- HSH Nordbank
- HypoVereinsbank
- IRE|BS Immobilienakademie
- IVG Immobilien
- MEAG MUNICH ERGO AssetManagement GmbH
- PATRIZIA Immobilien
- POLIS Immobilien
- PricewaterhouseCoopers
- Real Estate Management Institute at the European Business School
- Rothschild
- SEB Asset Management
- TAG Tegernsee
- Vitus
- Vivacon

GREECE
- Babis Vovos - International Construction Group
- Eurobank Properties REIC
- Lamda Development
- National Bank of Greece
- Pasal Development

GUERNSEY
- RGI International

HONG KONG
- University of Hong Kong, Dept. of Real Estate & Construction

ISRAEL
- Gazit-Globe

ITALY
- Beni Stabili
- IGD
- Pirelli & C. Real Estate

LUXEMBOURG
- Orco Property Group

NETHERLANDS
- ABP Investments
- Amsterdam School of Real Estate
- Bouwfonds Asset Management
- BPF Bouwinvest
- CB Richard Ellis
- CITCO
- Clifford Chance
- Cordares Real Estate
- Corio
- Deloitte Real Estate
- Ernst & Young European Real Estate Group
- Eurocommercial Properties
- Fortis Investment Management
- Kempen & Co
- KPMG Accountants
- LaSalle Investment Management
- Loyens & Loeff
- MN Services
- NIBC Bank
- Nieuwe Steen Investments
- PGGM
- ProLogis
- Redevco Europe Services
- Spazio Investment
- SPF Beheer
- University of Maastricht
- VastNed Group
- Wereldhave

NORWAY
- Norwegian Property

RUSSIA
- AFI Development
- Eastern Property Holdings
- PIK Group
- Renaissance Capital
- Russian Land
- Sistema Hals

SINGAPORE
- GIC Real Estate
- Keppel Land
- National University of Singapore, Dept. of Real Estate

SPAIN
- Fundación ESADE
- Inmobiliaria Colonial
- Metrovacesa
- Parquesol Inmobiliaria y Proectos
- Reyal Urbis
- TESTA (Grupo Sacyr Vallehermoso)

SWEDEN
- Aberdeen Property Investors
- Castellum
- Klövern AB

SWITZERLAND
- CUREM
- PSP Swiss Property
- Sal. Oppenheim Real Estate
- Strategic Capital Management
- Swiss Capital Alternative Investments AG
- Swiss Prime Site
- Züblin Immobilien Holding

UNITED ARAB EMIRATES
- Abu Dhabi Investment Authority
- Al Qudra Real Estate
- MAF Investments

UNITED KINGDOM
- AMP Capital Redding Investors
- Asset Value Investors
- Aviva Investors
- Barclays Capital
- BDO Stoy Hayward
- Big Yellow Group
- Berwin Leighton Paisner
- British Land
- Brixton
- Cambridge Place IM
- Cass Business School
- Citigroup
- Credit Suisse First Boston
- Derwent London
- Deutsche Bank
- DTZ International
- Fortress
- Goldman Sachs
- Grainger
- Grosvenor
- Hammerson
- Henderson Global Investors
- Hines Europe
- Invista Real Estate IM
- JPMorgan
- JPMorgan Cazenove
- Land Securities
- Liberty International
- Linklaters
- M3 Capital Partners
- Macquarie Real Estate
- Mapeley Estates
- Morgan Stanley
- Nabarro Nathanson
- Nomura
- Principal Global Investors
- ProLogis European Properties
- Prudential Property IM
- RGI International
- Quintain Estates & Development
- Safestore
- Schroders
- Scottish Widows Investment Partnership
- Shaftesbury
- SEGRO
- Speymill Group
- Standard Life Investments
- Thames River Capital
- UBS Investment Bank
- UK Commercial Property Trust
- University of Cambridge, Dept. of Real Estate
- University of Reading, Centre for Real Estate Research
- Westfield Group
- Workspace Group

USA
- ABN AMRO Asset Management
- AEW Capital Management
- Cohen & Steers Capital Management
- Cornerstone Real Estate Advisors
- Duff & Phelps
- European Investors
- Fidelity Mgmt & Research
- Forum Partners IM
- FPL Advisory Group
- Green Street Advisors
- High Rise Capital Management
- ING Clarion Real Estate Securities
- Kensington Investment Group
- MIT Center for Real Estate
- Real Capital Analytics
- Real Foundations
- Rockefeller Group Investment Management Corp.
- Russell Investment Group
- Simon Property Group
- SNL Financial
- Starwood Capital Group
- Stifel Nicholas & Co
- Taberna Realty Finance Trust
- The Tuckerman Group
- The Wharton School, Zell-Lurie Real EstateCenter, Univ. of Pennsylvania

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NEWS

FEATURES

MARKETFOCUS

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GUEST EDITOR
Robert Ciemniak

INFORMATION INFRASTRUCTURE AND THE NEXT CYCLE

Can faster, more reliable and more insightful information help get real estate markets out of today's troubles? Very unlikely, but it can help lay the foundations for the next cycle of economic growth. The fundamental way in which we can drive economic growth in the longer term is to increase productivity. Discovering, analysing and applying the right kind of information can help us achieve this goal.

What is so different today?
Today's investors can gain exposure to the real estate market in dozens more ways than simply buying a building. Globalisation is tempting us to explore potentially huge differences between markets often only a few miles apart. Real estate risk has emerged as a global, standalone asset class in multiple flavours. Commercial real estate performance at market (beta) level is more heavily tied to changes in interest rates, inflation, GDP growth, demographics as overall macroeconomic factors - while itself being a major contributor to economic growth/decline. If these weren't enough, just the recent moves in the foreign exchange markets had the power to generate or wipe out returns for many international investors.

Real estate is no longer simply a local, bricks and mortar business. We see more linkages across borders and between financial instruments and investment vehicles which derive value from the underlying property investments, including the recent growth of the property derivatives market.

All this progress has been stifled by a lack of necessary information infrastructure: data model and standards, the ability to compare returns across countries and investment vehicles, availability of information and transparency, independent assessments of performance and costs, or drawing links between the investment vehicles and underlying assets.

Compared with broader equities or fixed income markets, the transaction and information costs in the underlying real estate markets are much higher, lowering industry's efficiency. At the same time, the market has become more sensitive to information delivered at speed, which can have enormous impact on the strategy or direction of business. There are more variables you need to watch for and they are changing faster. Furthermore, the regulators are likely to push for an even greater transparency following the current crisis and future economic cycles.

Real estate is seen as an industry, a sector, an asset class, a key constituent of an economy. It spans the private/public x debt/equity matrix. Such diversity makes it more challenging to stay informed and strategically agile.

What can the industry do on information front?
Commoditise: with exception of cases where private information is a real source of competitive advantage and not only a marketing tool, a lot more data could be deliberately turned into commodity handled by a non-profit, utility, new entity or existing specialist information providers, leaving owners to focus on higher value-added services.

Standardise: from comparable yield/cap rates definitions and geographies/markets to real estate specific financial accounting and reporting and new financial instruments (e.g. derivative contracts, to a sensible degree).

Share: adopt and grow the 'web mentality' - the information revolution and the Internet provide such a cost-efficient distribution and sharing platform; with a natural decay of value of information due to broad availability, one needs to look for additional sources of value - be it marketing, time-saving aggregation, integration or productivity tools.

Even adjusting for the heterogeneous nature of the underlying real estate assets, there is still a long way to go for the industry to reach its full 'information efficiency potential'. The gains in productivity could be significant and would also foster greater competition and innovation, paving the road for the next economic cycle.

At Thomson Reuters, we have been developing a dedicated service focused on such multi-angle real estate market. In 2009, we will continue to provide real time market coverage and to bring all relevant content from our own databases and from our partners', such as EPRA, into the global information platform *www.reutersrealestate.com*

The outlook for 2009
A few weeks ago in December, we organised the Global Property Outlook 2009 conference, a platform for industry debate on what's next (*you can see the video footage from the event at www.reutersrealestate.com/videos/category/global2009 - free registration/login*). Top real estate industry researchers from Allianz, RREEF, ING Real Estate, CBRE and Jones Lang LaSalle among others spoke at the event, outlining their forecasts for the economy and real estate markets globally for 2009 and beyond.

Against an ominous economic backdrop and seemingly free-falling property prices, the event was both sombre and realistic. In an audience survey of some 150 market experts, analysts and investors, just 12% of respondents said they felt property would perform more strongly than stocks, bonds and alternative investments next year. Just over a third of those surveyed said bonds would be the wisest investment in 2009, while 39% indicated a preference for stocks.

But among the doom and gloom, some optimists were still able to make their voices heard. "The opportunities that will emerge over the next 12-18 months will be career-makers," one speaker said. "It will be a time where reputations and fortunes will be made."

The hope for the industry is that this will turn out to be true.

Robert Ciemniak
Global Head of Real Estate Markets,
Thomson Reuters

In 2006, Robert started www.reutersrealestate.com, a new venture at Reuters to build a dedicated global information service for real estate professionals - offering news, interviews, analyses, data and research across all real estate asset classes.

Robert has been with Reuters for over ten years and worked in a variety of roles in Germany, Russia and the UK, including four years as Head of Corporate Foresight in Group Strategy.

He is also an international master in chess (since 1993) and author of a book on the Internet and competitive strategy (1999). Robert holds a dual MBA degree from Columbia Business School and London Business School.

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UPDATE FROM PHILIP CHARLS

Philip Charls, EPRA CEO

In troubled times like these, as an industry we must continue to pull together and focus on the broader issues that will position us strongly for the recovery. EPRA continues to strive for transparency and quality reporting. Increasingly, we are focusing on corporate governance issues.

Of course, every cloud has a silver lining. We must remind ourselves that good quality, well managed real estate is a long-term sound investment. Real estate that offers investors stable rental contracts, in quality locations is an attractive opportunity. Currently, with Treasury Bills yielding next-to-nothing, and short euro rates at little more than 2% compared against many top-notch listed companies yielding in excess of 6.5%, there is an interesting long-term opportunity for investors. The listed market has reacted quickly to the economic conditions, and compared to the direct and unlisted market, is well placed to take advantage when the recovery takes place.

One of EPRA's core objectives will continue to be to encourage the provision of high quality and timely information on industry performance, and to promote the consistency of reporting standards and taxation across Europe and worldwide. Transparency encapsulates many of EPRA priorities - ranging from the provision of market indices, Best Practices, corporate governance, the development of consistent real estate Key Performance Indicators, valuation and the rollout of REIT regimes throughout Europe.

2009 will see a number of important developments in financial reporting which EPRA will need to respond to. There are a number of IASB/FASB initiatives underway which will have a fundamental impact on the real estate industry. These projects include Revenue Recognition, the presentation of Financial Statements and Lessor Accounting. Whilst these might not currently be the top priority for company CEOs and CFOs, EPRA will need to ensure that the needs of the real estate industry are fully represented in these debates.

In January, we organised an investor outreach lunch to discuss the key points for the investment case for real estate investment. Mark Baillie the new Chairman of the Investor Outreach Committee led the meeting. The lunch brought together some of the major investors in the industry and leading analysts to discuss where EPRA has to focus its resource and efforts with the broader investment community. Despite the recent downturn, there remains a strong case for listed real estate investment. There are many large pension funds out there with limited, or even no allocation to real estate - we must continue to target these investors with a creditable and attractive investment proposition.

The seventh EPRA/Nabarro reception was held at Savoy Place in London in January. The event was attended by over 180 professionals from the UK market. Patrick Sumner of Henderson Global Investors moderated a panel of listed companies and analysts who provided the audience with their view of how 2009 will pan out. The discussion is published in this edition of the newsletter.

While in London, we signed up the participation of Anatole Kaletsky for 2009. Anatole will aim to keep the EPRA membership up-to-speed with his take on the global economy in this EPRA quarterly newsletter, with the highlight of the year being his opening session at the EPRA Annual Conference in Brussels on September 03-04. I am sure Anatole's economic forecast is a "must be there" for all delegates.

We're working hard on the programme. Moving the conference to central location that greatly reduces costs for attendees has been well received.

The Spanish Treasury has announced its plans to introduce a REIT structure to stimulate its ailing real estate market. We provided the Spanish Treasury and a group of approximately 200 Spanish real estate players with EPRA's insights to the current market conditions and the current draft Spanish legislation. We view the Spanish REIT move as positive as a whole, but we believe the draft legislation requires changes to attract companies into the regime. In addition, the REIT regimes in France, The Netherlands and Belgium have also undergone fine-tuning in recent months. It is clear that the REIT structure is here to stay in Europe, with local legislators keen to ensure that their version is reflective of current market conditions.

Finally, this month, both the emerging and developed series of the FTSE EPRA/NAREIT Global Emerging Markets index will be combined in an additional index for those investors wishing to invest in one broad portfolio. More than ever, we are bound to wider markets and influences.

IN THE NEWS

BETTER CORRELATION WITH PROPERTY THAN EQUITIES

Morgan Stanley confirms that the returns from property shares correlate much more closely with those from direct property than with those from broader equities over periods of over 1.5 years. Furthermore, there is no material difference in the correlation of returns from property shares with those from direct property and broader equities over periods of one to three years.

Property shares only exhibit a significantly higher correlation with broader equities over periods of less than one year. Morgan Stanley point out that these conclusions directly challenge claims by many in the unquoted property fund industry that returns from property shares track those from broader equities much more closely than they track those from direct property.

In a report last autumn, the company wrote that "for rolling periods of three years or more, the returns of property shares correlate much more closely to the direct property market [than to the equity market]." This analysis is their move to verify this claim.

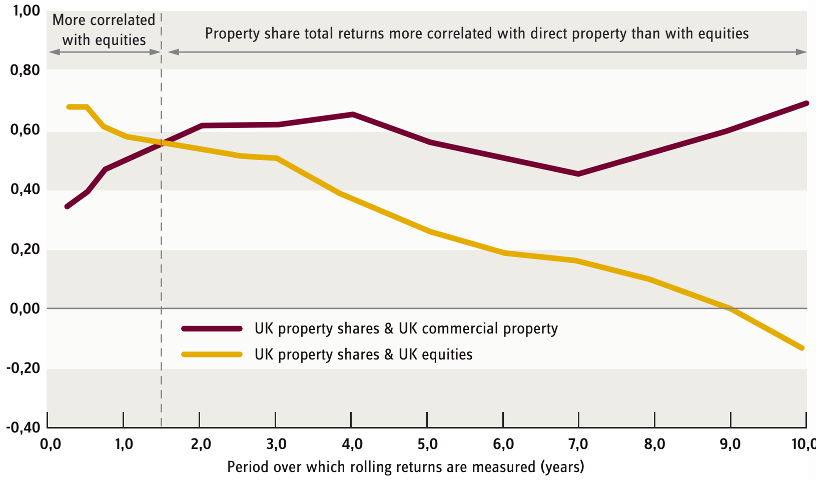
The analysis looks at monthly data from across 23 years. It takes in capital value movements for UK commercial property as measured by the Investment Property Databank (IPD) UK Monthly Index, between January 1986 and December 2008. It also looks at monthly data over the same period for movements in UK property shares and the broader UK stock market, as provided by Datastream. Morgan Stanley doubt whether it is possible to secure as long a time series at such a frequency in any other commercial property market in the world.

They have calculated rolling returns for all three asset types over periods of one, two, and three quarters; and over periods of one to ten years. The team has then, for each rolling period of time, calculated the correlations between the returns from property shares and those from direct property and broader equities, respectively.

Morgan Stanley believe that the chart they have plotted using the results of these calculations supports the claims they have made, that property shares make a good proxy for direct property. They think that this result is relevant for asset allocators who are looking for an indirect play on property, and believe that property shares offer a very good alternative to unquoted property funds for all but the shortest-term investors.

Correlation of total returns between UK property shares and UK commercial property and UK

Based on monthly data from January 1986 to November 2008



Source: Datastream, IPD, Morgan Stanley Research

REAL ESTATE FUNDS GAINING ATTRACTION

During the first few weeks of 2009, according to BHA Investment Monitor, endowments, wealth advisors, funds of real estate funds, and even insurance companies began outlining their Q1 investment mandates - with the real estate space featuring well. "It would appear that real estate managers, in a variety of specialised strategies, should see increased investor interest as long as they have a solid and proven track-record and team making the appropriate decisions for the fund," writes Research Manager Blakemore Foster. For more information, visit: *www.brightonhouseassociates.com*

EPRA MEETS WITH EC

The summit was held in Brussels late last year, attended by 28 company CFO's, investors, analysts and advisors. Issues discussed included: the problems facing companies and the valuation profession as a result of the current market conditions, EPRA Best Practices Recommendations, standardisation of yield definitions, the impact of the new Financial Statement Presentation project on the property industry, the new IFRS 3R and reporting for discontinued operations.

CAREER-MAKING OPPORTUNITIES

"There are career-making opportunities out there!" claimed Tim Bellman of ING Real Estate Investment Management, at a seminar run by Thomson Reuters in December. The Global Property Outlook gathered top industry researchers and investors, presenting their views on the prospects for global real estate markets.

Despite this being the "era of the Great Deleveraging", Bellman assured that prices will turn, and when returns offer suitable risk premium there will be a short window in which debt will be both available and cheap - "a major lifetime event." CB Richard Ellis' Nick Axford pointed out another positive factor - there's been no national retrenchment within the EU and the market is still viewed as a single market.

Areas of discussion stretched from credit market conditions, further subprime fall-out, emerging markets growth vs. bargain opportunities in the mature markets to life after the bail-outs. Peter Hobbs of RREEF Alternative Investments claimed that the government bank interventions were one of the few other glimmers of hope.

VALUATION ROUNDTABLE OVER IPUC

From 2009, entities reporting under IFRS will be required to re-classify Investment Property Under Construction (IPUC) to investment property, thus falling within the requirements of IAS 40. This means that entities will be required to disclose their IPUC at fair value (subject to fair value being reliably determinable).

EPRA convened a roundtable of representatives from the real estate industry to agree on seven principles guiding the valuation of IPUC.

These principles, which can be found on www.epra.com, form the basis of EPRA's recommendations to the International Valuation Standards Committee.

NEW ADDITION TO EPRA RESEARCH TEAM

Maikel Speelman joined the EPRA research team in December 2008. He is active analysing discounts on property companies on a European level. The research is aimed at giving an accurate historical overview; as well as a powerful dataset for future analysis, comparison and tracking possibilities. Maikel holds a BBA in Real Estate Management from the Hanzehogeschool Groningen, and will receive his MA in European Real Estate from Kingston University London in March 2009.

REESA SUBMITS RESPONSE TO IASB/FASB ON REPORTING FOR DISCONTINUED OPERATIONS

REESA, the informal alliance representing listed property globally of which EPRA is part, has submitted its response to the Exposure Draft published by the International Accounting Standards Board (IASB) on the proposed amendments to IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations.*

The REESA letter strongly supports the principle stated in the Exposure Draft that "a disposal activity should be presented as a discontinued operation only when an entity has made a strategic shift in its operations." However, the letter highlights REESA's concerns with the IASB/FASB's conclusion that the "disposal of an operating segment would most likely indicate a strategic shift in an entity's operations." REESA's view is that such a conclusion would likely result in the many more property disposals constituting discontinued operations.

Even taking into account that the principles-based approach to the issue under IFRS may give more scope for management to determine what is a strategic shift, the new rules, and its early interpretations by the US real estate industry could have the effect of limiting this scope in Europe.

In the letter, the REESA makes the recommendation that the definition of a discontinued operation should be either 1) a reportable segment, or 2) a "significant" operating segment - which could be defined as an operating segment, the disposal of which, in the management's view, would represent a strategic shift in its operations, or an operating segment with revenues or assets greater than minimum thresholds.

The REESA letter can be accessed through the EPRA website. For more information please contact EPRA Director of Finance, Gareth Lewis on: *gareth.lewis@epra.com*

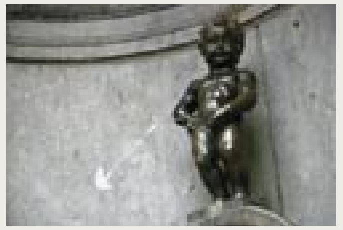
IASB PUBLISHES EXPOSURE DRAFT

On December 18, 2008 the IASB published the ED 10 Consolidated Financial Statements draft, which proposes to change the definition of control within IAS 27 and SIC-12 to the following: "A reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity."

A consequence of the definition is that only one party can control an entity, and there could be circumstances in which an entity is not controlled by any party. The ED also introduces the concept of a 'structured entity' and will need to be considered in light of the changes resulting from ED 9 for Joint Arrangements, which is expected to prohibit the use of proportionate consolidation.

The comment period on ED 10 ends on March 20, 2009, and any members with views on the ED should contact Gareth Lewis on: *gareth.lewis@epra.com.*

EPRA ANNUAL CONFERENCE



The calendar event for all EPRA members. Please block our your schedule. The programme and registration details will be published shortly.

Dolce La Hulpe, Brussels
September 03-04, 2009

EPRA *GLOBAL REIT SURVEY* PUBLISHED

The EPRA *Global REIT Survey* 2008 has been published, charting the continued global expansion of the tax efficient property investment vehicle. The comprehensive 280-page guide for global REITs can be downloaded from the EPRA website.

"We are now entering a particularly interesting time in the global REIT story, and this year's survey highlights the global trends emerging from the various legislative developments in REIT and 'REIT-like' regimes across Europe, Asia, Africa, and the Americas," said EPRA Director of Finance Gareth Lewis. "The strength of the various REIT models, as well as the relative strengths of their management teams will be fully tested as we come through these difficult economic conditions and as we emerge with a fight to attract global capital flows."

A NEW HORIZON

The first ever Mipim Horizons drew 1,200 vistors to Cannes in early December. The three-day Horizons show is billed as a "networking forum for the real estate sectors of high-potential countries" is run by Reed MIDEM, who bring you the Mipim conference (on March 13).

The event focused on the special characteristics of real estate in fast-growing markets in high-growth countries and regions. Representation from emerging markets vied for project backing - some of which claimed more distance from the subprime woes through more centralised banking systems and less convertible currencies.

Break-out sessions covered issues surrounding Islamic banking, sustainability and the rise of the 30-million person 'mega-cities'. Meanwhile speed-matching sessions brought together investor with development projects. The next Horizons event will be on December 03. More on Mipim can be found here: *www.mipim.com*

CEMENT VERSUS SENTIMENT

- THE WAY AHEAD

With opposing forces manipulating the markets and the psychology of billions, Anatole Kaletsky puts the turmoil into perspective as it affects property.

"This time it's different" are said to be the four most expensive words in any language. In every speculative mania, optimistic investors convince themselves that they have found something "different" from previous boom-bust cycles - and every time they turn out to be wrong. But cynics who laugh at the gullibility of bullish investors often forget that the same pattern applies on the way down. In every bear market the pessimists believe that the slump is unprecedented and will last forever - or at least that it won't be followed by recovery, like every recession before. And in a sense the pessimists are right - every recession really is different.

This time, the driving force is an unprecedented credit crunch. In 1992/93 it was the hangover from another unprecedented event - German reunification and the expulsion of Sweden, Italy and Britain from the European Monetary System; in 1974, it was the unprecedented break-up of the Bretton Woods currency system followed by an oil shock and inflation that nobody imagined possible; in the 1980s it was 20% interest rates, sovereign debt defaults and a one-day fall in stock markets which, according to statistical models, could not have occurred in a billion years. After each such unthinkable disaster, we hear declarations that capitalism is doomed, that markets will never recover and this is a "once in a lifetime crisis". But every time, capitalism survives, asset prices do recover and investors with steady nerves (plus ready cash) are well rewarded. In property, even more than any other business, it is a truism that the greatest fortunes are made in the depths of the slump.

A bitter reality

To say this is not to deny that several features of the present crisis truly are unprecedented and scary. The collapse of global finance triggered by the Lehman bankruptcy truly was the greatest banking crisis in history. The fall in output triggered by the financial panic has been the steepest for 30 years and the amount of de-leveraging that lies now needed is greater than in any previous cycle, although 65 per cent of the increased debt is not owed by business or households, but by financial institutions to one another.

The upshot is that world economy does face greater deflationary pressures than at any time since World War Two. But against these deflationary pressures there are equally unprecedented expansionary forces: the lowest interest rates in history; the fastest-ever fall in oil and commodity prices; the biggest-ever peacetime public works programmes; and, most importantly, a willingness and ability by governments and central banks to print money without limit and support their financial systems with unlimited guarantees. In short, this crisis has created a tug-of-war between two sets of extraordinary forces - on the deflationary side, an unprecedented deleveraging and near-collapse of the global financial system; on the expansionary side, zero interest rates, unlimited monetary expansion and fiscal spending, plus the structural tailwinds of globalisation. So what can we say about the outcome of this tug-of-war?

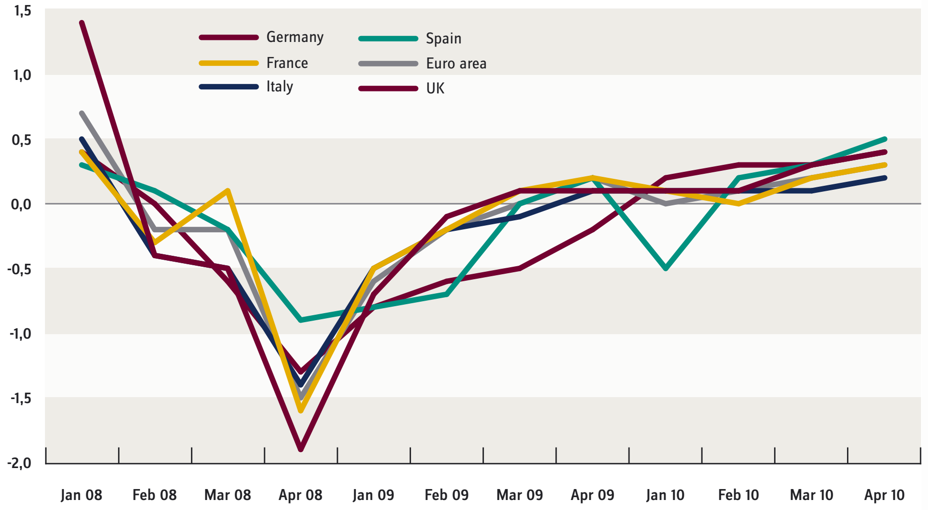
Firstly, that no economic model or financial forecast will accurately predict what happens in the next six to 12 months - except by pure chance. This is not because economists and financial analysts are stupid, but because all quantitative models are based on past experience. The numbers churned out by these computer models are therefore useless when markets and economies are being driven by forces, such as zero interest rates or the disappearance of inter-bank liquidity, which have never been seen before.

Consider the forecasts published in mid-January by the European Commission (see table). These showed GDP falling in all the main EU countries in the first half of 2009, but starting to recover from the third quarter onwards in Germany, France, Spain and even Greece. In Britain, however, GDP is predicted to continue declining until 2010. These forecasts attracted a lot of attention in Britain, since they suggest a worse recession than in other countries and a recovery that was more remote. In fact, however, the margins of error in these figures are far greater than the small differences in projections - or than the predicted improvements in late 2009 and early 2010.

My view is that Britain will actually recover more quickly than Continental Europe, because of a weak currency, a more pro-active monetary policy, less dependence on house-building than Spain, Ireland and Denmark, less exposure

Quarterly GDP growth in major EU economies

Source: European Commission Forecasts January 19, 2009



to global capital-goods cycles than Germany and less vulnerability to financial tensions in the euro-zone and its central European periphery than Austria, Italy, Greece and Scandinavia. It is equally possible, however, that Britain's economic dependence on wholesale financial services, combined with the direct support to manufacturing industries offered by Continental governments, will tilt the balance the other way.

Econometric forecasts based on past economic and financial relationships will not help us solve such puzzles, but if we do not look for spurious numerical precision, there are several useful conclusions that economics can suggest.

On a knife edge, again

Firstly and most importantly, we can note that capitalism has survived far worse crises than this one: for example, the galloping inflation of the 1970s. Why was that crisis even worse? Because, contrary to conventional wisdom, inflation is much harder to deal with than deflation. Curing inflation requires genuinely painful policy measures - sky-high interest rates, rising taxes, mass unemployment, particularly in the public sector. Curing deflation, by contrast, calls for lower interest rates and taxes and higher public spending. Today's politicians may talk of courage and tough decisions, but handing out printed money and cutting taxes is child's play compared with what Margaret Thatcher, Ronald Reagan and Paul Volcker had to do. Those who believe that anti-deflation measures have already been tried and failed should recall that monetary and fiscal policies always operate with a lag and that the genuinely unprecedented phase of anti-deflationary policies has hardly even started.

This leads to a second, more worrying, conclusion. Because the speed of recovery is so uncertain, there is a risk that governments will overdo the fiscal stimulus and central banks will keep interest rates near zero too long. As a result, this year's deflationary conditions may well be followed by accelerating inflation in late 2010 and beyond.

A third firm conclusion is that the financial crisis will permanently alter the structure of all European economies - but also that the financial sector will not just disappear. Bankers have always been among the richest people in every society since before Jesus threw the money changers out of the Temple - and the profitability of financial services will not evaporate, whatever happens in the coming months.

These conclusions have two medium-term implications for property as an asset class. Firstly, when worries about inflation start to materialise, investors will migrate from paper assets into property, provided inflation does not get so bad that it threatens a severe monetary squeeze. Secondly, property could be seen as a hedge against profound structural change, because occupational demand automatically reflects changes in economic structure. Investors may not be able to predict whether hedge funds will ever recover from the present crisis or whether some totally new industry will emerge as the most profitable business of the next decade. But as long as successful businesses want to locate their headquarters in Mayfair, or the Madeleine or on Bahnhofstrasse, property investors do not need to pick the industries of the future. They can let the market decide that - and simply collect the rent.

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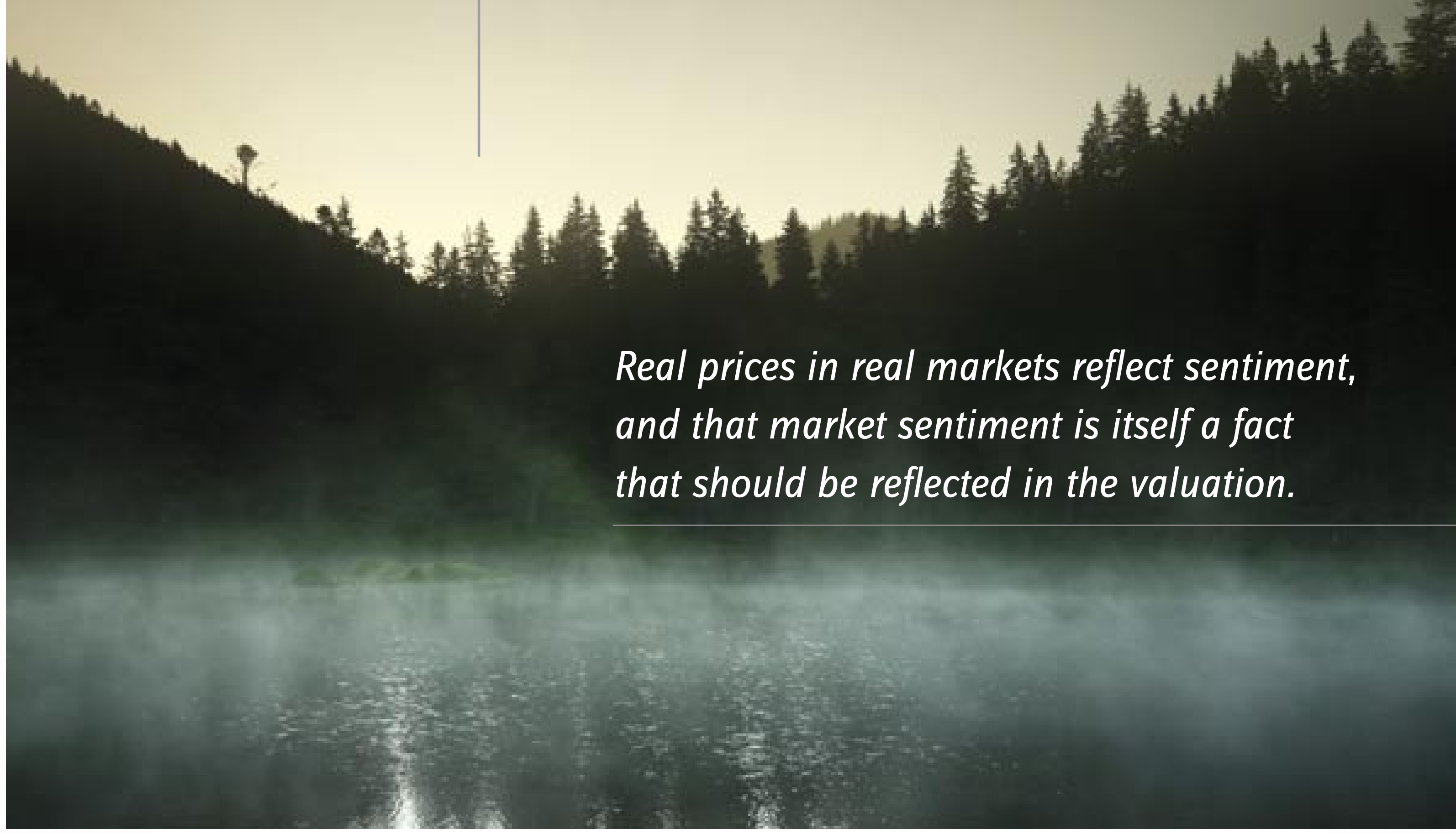
VALUE: FAIR OR FOUL?

Chris Thorne

“Fair is foul, and foul is fair: hover through the fog and filthy air& chanted the three witches in Shakespeare’s *Macbeth*. Centuries later, a similar refrain has been taken up by other siren voices who seek to blame fair value accounting for the economic ills now besetting the global economy. They claim the fog and filthy air arise from the pollution of balance sheets by values that are foul rather than fair, or at least not fair to the entity because they would never sell at that price unless forced to do so.



This is the first time I have witnessed attacks on the very notion of valuation, and heard suggestions that not only are valuations of no value but are actually harmful. It is not my place to opine on accounting conventions, and I can see that there is a particular problem with financial instruments held by banks and similar institutions due to the pro-cyclicality arising from the interaction of accounting standards and capital adequacy requirements. However, although I may be accused of bias, disclosure of the current value of assets and liabilities must surely be a fundamental requirement of any system aimed at providing transparency and comparability; regardless of how that information is then used in the calculation or presentation of financial performance.

Fortunately when it comes to the world of investment property and to EPRA in particular, there is greater enlightenment as to the relevance of fair value and the benefits this information brings to investors. Although there is possibly a threat of collateral damage caused by politicians blundering into the fair value debate, there appears to be little prospect of any serious revisiting of IAS 40 and the requirement to either carry at, or disclose, the fair value of investment property. However, while valuation as a concept may be safe, can the same be said of the actual valuations?

A brave new world

Although property market downturns are nothing new, few valuers under the age of 40 will have had significant professional experience of one. However, even the greybeards are experiencing something new with this recession. We have had periods during which values have fallen in the past, but not as rapidly or as far as they have in some sectors over the past six to 12 months. We have had periods of low transactional activity before, but not accompanied by sclerosis of the credit markets. We have had secondary banks collapse before, but not had virtual nationalisation of major lenders through government refinancing. We have had low interest rates before but not negative real rates (or at least not for any length of time). Against this background, you may wonder how can anyone value anything?

I believe that it is in conditions such as these that valuers have the opportunity to prove their own worth. It takes little skill to gently project an established trend upwards or downwards, or to value something when there are truck-loads of concurrent transactions in the sector. Hitting a rapidly moving target takes greater skill than one that is static. If any valuer still believes that the key skill they can offer is knowledge of a list of comparables, the Darwinian process will soon see them go the way of the Dodo.

The job of the valuer is to understand the market in which they operate. When transactions are thin on the ground, this means understanding the collective mindsets of would-be buyers and sellers, and of the fundamental economic drivers of that market. It means understanding why property that is being offered is not selling and at what price level buyers would enter the market. A market valuation is a proxy for a price, and prices in the real world are not established by what has gone before, but by buyers’ and sellers’ future needs and expectations. The valuer has to understand and replicate those needs and expectations and reproduce them in their valuation model.

No one should pretend that valuation in an inactive market or when values are moving fast is a simple task. But even though empirical transactional evidence may be lacking, a figure arrived at using a robust rationale based on thorough market understanding is generally more reliable than one based on a stale comparable transaction. I have heard cynics complain that valuers are now valuing on sentiment rather than fact. This misses the fundamental point that real prices in real markets reflect sentiment, and that market sentiment is itself a fact that should be reflected in the valuation.

Whiter than white

Another challenge to the valuation process that always emerges in hard times is that of valuer independence. Too often clients, especially those of an entrepreneurial trait, believe that recession is something that affects everyone except them. They are therefore immune because their portfolio is special. In recent weeks I have heard a director of a listed UK property company explain how he was working hard on his valuers to ensure a robust balance sheet for the current year end. Now he might not have worked on his valuers in quite the same way as your average East End gangster, but the clear implication was that the required result could be obtained by exerting influence. Valuers who are members of a recognised professional body will have to comply with ethical standards that will include a requirement to act independently and objectively, but resisting client pressure is always easier if it is not applied in the first place! Fortunately, most experienced clients in the publicly listed property sector realise that any advantage to be gained by such behaviour will only be short lived, as the truth will out in other ways.

Another threat to the integrity of the valuation process arises from flawed understanding of the valuation objective. It is sometimes argued that market value is either irrelevant or too low because the market value definition (which for all practical purposes equates to fair value under IAS 40) requires there to be a willing seller. Since the current owner would not be willing to sell at that price, it is of no relevance to the company or its shareholders. This is not the place for a lengthy dissertation on the concept of market value. However, the International Valuation Standards make it clear that a ‘willing seller’ in this context is simply a seller motivated to sell at the best price obtainable on the valuation date. Because market value is a hypothesis, the circumstances or policies of the actual owner are totally irrelevant. The owner may be able to demonstrate that the property is worth more to them than could be obtained from a sale on the valuation date. This is a perfectly valid proposition, but it does not invalidate the market value.

The forced-seller myth

A variation on this theme is the argument that the only sellers in a falling market are forced sellers because no one willingly sells in a falling market, and therefore those sales are not evidence of the price between a willing buyer and seller. Again this confuses what may be rational behaviour by an owner in the real world with the hypothetical world in which market value is created. There has to be a hypothetical seller willing to transact, and strange though it may seem, that seller is under no duress or compulsion. In fact very few sales are truly forced, ie where the seller is under compulsion to sell in a timescale that does not allow for proper exposure to the market. Neither are sales by liquidators, receivers or mortgagees normally forced; indeed this type of seller has a duty to the general body →

Choose your valuer carefully and make sure that they both understand and are in touch with the market place

of creditors to act reasonably and obtain the best price. Only in very specific circumstances would a sale at below market value be justified.

So having applied their market knowledge, resisted any external pressure and correctly applied the basis of market value, the valuer faces one further task; communicating the valuation. Traditionally, valuation reports for use in financial statements have been minimalist in style, with little more than an address, a valuation figure and a signature. Some valuers have even liked to refer to their reports as certificates, which implies that the valuation figure itself gains additional credibility and weight by being 'certified'. Perhaps the intention was that it be framed and hung on the finance director's wall! However, client needs and expectations are changing. IAS 40, para 75, requires the entity to make various disclosures, including the methods and significant assumptions applied in determining fair value, and whether it was based on market evidence. It is therefore reasonable to expect valuation reports commissioned for this purpose to provide parallel disclosures, and indeed this is required under International Valuation Standards.

Weighing up uncertainty

A further factor that the current downturn has brought into focus is the question of valuation uncertainty. Although talking specifically about financial instruments, the Financial Stability Forum's report to the G7 ministers in April 2008[1] identified the need for better disclosure of the uncertainty associated with valuations. However, this is not a particularly new request. IAS 1, para 116, requires the sources of estimation uncertainty to be disclosed where there is a significant risk that there will be a material adjustment to the carrying amount within the next financial year. Since 2003, the RICS Red Book[2] has required appropriate disclosures where the valuer considers that there is material uncertainty at the valuation date.

This greater need for transparency is driving most leading valuation firms to include uncertainty statements in their recent valuation reports, and also more commentary on market conditions is being included to help users put the valuation figures into context. There has been some anecdotal evidence that some auditors are nervous about seeing uncertainty clauses appearing for the first time, but in my experience, and from discussions with the major firms, most are not only expecting to see them in valuation reports but also not accepting valuation reports that do not adequately reference the current difficulties in the market.

So although market volatility across Europe, and indeed in most parts of the world, is creating a major challenge for the valuation profession, I am confident that if you choose your valuer carefully and make sure that they both understand and are in touch with the market place, valuations that meet the reliability test in IAS 40 can still be produced even where transactional evidence is thin on the ground. However, as part of the process, expect to see the reports providing more information on the methods and key assumptions adopted, and for the valuer to indicate the degree of certainty that can be placed on the figure.

Chris Thorne
FRICS FCIArb
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The International Valuation Standards Board (IVSB) is an operating board of the International Valuation Standards Council, a private sector not for profit organisation, supported by donations and sponsorship from professional bodies, valuation firms and users. The role of the IVSB is to produce and maintain valuation standards acceptable to the world's capital markets, organisations and regulators through an open and transparent process.

The comments in this article represent the personal views of the author and are not representative of the policy of the IVSB.

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1 Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience - 7 April 2008

2 RICS Valuation Standards 6th Edition - January 2008: Guidance Note 5; Valuation Uncertainty

EUROPEAN REITS
REASONS TO BE POSITIVE

Gareth Lewis

At a time when there's not much good news in the world of listed real estate investment, or the wider economy, Gareth Lewis, EPRA's Director of Finance takes a pragmatic look at REITs and their adoption. He finds some positives looking long term.

From a broader market perspective, it's worth bearing in mind that the business world will always need a roof over its head and in the current environment of concern over complex financial instruments and derivatives, its somewhat reassuring to be involved in an industry that owns and manages the most tangible asset of all. Furthermore, I believe that the larger, institutionally owned commercial real estate companies (public and private) will play a much more prominent role in delivering solutions to the large-scale, complex and sustainable infrastructure challenges facing our crowded and increasingly urbanised world.

I also believe its possible to be positive about the longer term because we are already seeing structural changes occurring in the national, European and global real estate sector that, (although unfolding at a snail's pace when compared to the speed at which the current market is changing), bode well for the future of listed real estate as an investment class.

Structural changes and the REIT brand

A list, albeit not necessarily complete, of these structural changes, in my view, include the emergence of a global reporting standard (the convergence of US GAAP with International Accounting Standards), the emergence of a global valuation standard and the development of the REIT brand as a tax efficient, transparent, well understood and preferred choice of vehicle for real estate investment. These changes, fueled by globalisation, should ultimately have a real impact on investment performance, with increased liquidity and transparency, a trend towards yield convergence and the spread of 'best practices'.

It's the last aspect - the 'REIT Brand' that EPRA has been paying particular attention to over the last year. What do we mean by a REIT? How do investors view REITs in general, and is it a reasonable assumption to apply that view to REITs wherever they are located in the world?

EPRA 2008 Global REIT survey - competition for capital

We are entering an interesting period in the global REIT story in which we are seeing specific global trends emerge within legislative developments of REIT regimes. These developments are highlighted in the recently published *EPRA 2008 Global REIT Survey* - which tracks the development of 34 REIT and 'REIT-like' regimes around the world.

The results of the survey suggest a certain amount of healthy competition between different country REIT regimes. The developments also reflect a response to globalisation and the emergence of market-driven 'best practice'.

Country	Enacted	No. of REITs
UK	2007	20
France	2003	47
Germany	2007	2
Belgium	1995	15
Netherlands	1969	8
Italy	2007	0
Bulgaria	1994	18

The quality of the various REIT models, as well as the relative strengths of their management teams will be fully tested as we come through these difficult economic conditions, and as we emerge at the end with a fight to attract global capital flows. I fully expect that future EPRA Global REIT Surveys will highlight the fact that these legislative developments around the REIT world are gathering pace. The winners in this competition for capital will clearly be those regimes and companies that are most transparent and responsive to the market. In my view, a key factor in the success of these property investment companies in attracting capital will be the strength of the REIT brand. This applies the world over, but none more so than for Europe and European REITs where there is evidence of a range of broadly similar, but nonetheless uniquely different, REIT regimes emerging over time.

The EU-REIT?

The growing adoption of REIT regimes around Europe and the increasing level of cross-border capital flows in real estate investment have highlighted the many barriers which need to be addressed on a pan-European level. Examples include restrictions on the ability for REITs to own or achieve tax transparency for overseas property and restrictions on the size of shareholdings that overseas investors can take in a REIT.

So what can be done to address these inefficiencies in the European market? The logical step could be to consider the merits of a single European REIT vehicle which applies the same taxation rules and achieves tax transparency wherever the property is located or wherever the headquarters are listed?

	Intro	Payout	Gearing	Development
United States	1960	> 90%	No Limit	Restricted
Netherlands	1969	100%	< 60%	Restricted
Australia	1985	100%	No Limit	Restricted
Canada	1995	> 85%	No Limit	Restricted
Belgium	1995	> 80%	< 65%	No
Japan	2000	> 90%	No Limit	Restricted
Singapore	2002	> 90%	< 35%	Restricted
France	2003	> 85%	No Limit	Restricted
Hong Kong	2003	> 90%	< 35%	No
UK	2007	> 90%	> 125%*	Restricted
Italy	2007	> 85%	No Limit	Restricted
Germany	2007	> 90%	< 60%	Restricted

** Gross Income over 125% of Interest Expense.*
Source: EPRA

The question of an 'EU-REIT' has already been the subject of numerous debates and academic papers, but it is worth taking a step back and assessing these theoretical deliberations against the ultimate objective - to improve the efficiency of the European real estate market. We at EPRA believe this has to be the ultimate goal because, if it becomes easier for property investment activity to cross the EU's internal borders, it will become easier for Europe's REITs to grow larger, increasing competition, allowing greater economies of scale and thus enabling Europe to compete more effectively as a whole in the global markets.

Difficulties with effective legislation at an EU level

From a political perspective, you only need to look at the different approaches taken by governments introducing new REIT regimes with respect to residential property to understand how difficult it would be to legislate effectively at an EU level. In the space of the last two years we have seen the Finnish Government announce the intention to introduce REIT legislation for residential property only, the German, coalition-led Government placing specific restrictions on the ability for REITs to invest in residential property, the Italian government providing withholding tax incentives for residential assets, →

the Spanish Government announcing plans for REITs in conjunction with a plan to save the ailing Spanish residential market and finally, the UK government desperately keen (although without success) to encourage residential REITs as part of the solution to their own housing crisis!

Country	Residential Real Estate
Germany	Residential not permitted
Italy	Reduced WHT for residential
Spain	Regime introduced as "rescue package" the residential sector
Finland	REITs proposed for residential only

For further evidence of the problems posed by attempting to develop an 'EU solution' one needs to look no further than the EU and national governments responses to recent economic crisis.

EPRA Discussion Paper

In the past year, EPRA has been working intensively with its members (property companies, REITs, advisors and investors) to address the barriers to cross-border real estate investment within European member states. EPRA's position has been developed by a working party of European REIT experts recruited by EPRA and under the guidance of a group of organisations representing real estate companies and REITs covering the major European economies.

Crucially, (and perhaps surprisingly for a European-based organisation), rather than asking the European Commission to legislate for a single EU-REIT vehicle (a process that would inevitably take a lifetime and in the meantime, does nothing to address existing tax barriers or uncertainties), EPRA's recommendations are focused on finding practical solutions to these issues.

Following the consultation with our membership, and the various national representative organisations, we have considered whether the REIT concept could be usefully widened to all countries within the European Community, and to what extent the 27 European Member States could benefit from a common framework for REITs. Our efforts have resulted in the release of a Discussion Paper entitled *'European REITs and Cross-Border Investment'* – aimed at initiating further discussions within our membership and other stakeholders before finalising recommendations to discuss with the regulators.

EPRA's preliminary recommendations

At the current stage of development, we consider that the potential benefits a Community-wide statute for an EU-REIT might bring, are outweighed by the inevitable complexity of its design and implementation. It would be a shame if such a project, embarked upon prematurely, resulted in a compromise structure, which, while perhaps accepted by Member States, proved unattractive to investors. For those reasons, EPRA's objective is to seek practical solutions to resolve the tax issues that make cross-border, intra-EU investment through REITs difficult.

Having said that, we do believe that a sensible system preserving the right balance between having a competitive EU law-compliant REIT regime and protection of the local tax base, should be a feasible objective for European governments and the European Commission. This Discussion Paper makes recommendations which:

- are EC Treaty compliant and therefore provide planning security for national European REIT regimes;
- assist in removing the need for Member States to introduce artificial cross-border participation thresholds for investment in REITs to protect national tax revenues;
- provide a pragmatic approach towards removal of the existing 'bottlenecks' in the growth of cross-border investment in the European REIT market;
- complement existing improvements developed through the OECD to achieve a framework for the consistent taxation treatment of global cross-border REIT investment; and
- will play a role in encouraging convergence within Europe towards a uniform and transparent REIT structure for national REIT regimes – without interfering with the continued growth and emergence of new regimes

EPRA's principal recommendation is that EU Member States adopt an approach involving the mutual recognition of national REIT regimes in Europe. Under this approach, EU Member States can enter into reciprocal arrangements supported by the EC and bilateral tax treaty positions, to collect taxation revenues and allocate them between the situs countries.

Allowing market driven REIT development

A major advantage of this approach is that it will not interfere with the development of existing REIT regimes, or the emergence of new REIT regimes in EU member states. It's debatable whether we would indeed have seen the relatively smooth introduction of REITs in countries like the UK, Germany, France, Italy and now Spain, if the shadow of EU legislation for a single EU REIT vehicle was looming over these national governments?

In the discussion of the 'mutual recognition' criteria, a distinction is drawn between investment-related requirements (such as the type of real estate allowed for an investment by a REIT, or the volume of debt financing) and other, non-investment related requirements (such as corporate and company related conditions).

A REIT which has been formed under the laws of one European country and which makes a real estate investment into another country, will be recognised by the other country as a tax-exempt REIT. However, the country where the property is located may impose its own rules regarding the investments by the REIT in its jurisdiction that should be met in order to qualify for the exemption. We see this as an important aspect of our recommendations which are aimed at retaining much of the control at the national rather than European level. We mustn't forget that in order to be successful, REITs must achieve the political objectives of national governments as well as the objective of securing a sensible revenue stream for the Treasury's coffers.

One of the most important areas of REIT legislation continues to be the various conditions relating to the permitted activity of a REIT and where that activity takes place. In other words, the extent to which a REIT is able to develop and refurbish properties, sell those properties and also invest in different markets, such as indirect property assets and overseas markets. Surely these types of decisions can only be made properly by the national government rather than at an EU level? Other aspects where it makes sense for the national government to retain control relate to the costs/incentives for converting to REITs or launching new REITs, costs and barriers associated with the organic growth of REITs; and also the actual scope of 'real estate' related assets which are able to benefit from the tax efficient regime – not to mention incentives and penalties related to sustainable development.

Conclusions

In conclusion, although the taxation issues for REITs in Europe are clearly complex, and will take a considerable time to address, we are confident that our approach will still allow and encourage the 'market-driven' growth of the REIT regimes within Europe that we are already seeing around us today. We are also very positive about the long-term structural changes occurring in the world of real estate investment.

EPRA will continue to play an active role in the promotion of the REIT concept internationally through regular contact and interchange with European Member States, regulators and through its membership of REESA – a global alliance of real estate organisations. EPRA will also continue its efforts to increase the transparency of the listed real estate environment, improve the taxation efficiencies of the European market and improving the quality and consistency of the financial reporting and performance reporting for the real estate industry.

Credits: This article originally appeared in IPE Real Estate Magazine

Gareth Lewis is Director of Finance at the European Public Real Estate Association (EPRA), based in The Netherlands, where he is responsible for leading EPRA's initiatives and policy positions with respect to REITs, taxation, financial reporting and accounting issues.

Before taking up this post in May 2008, he was the Director of Finance and Investment at the British Property Federation where he was responsible for formulating BPF policy on a wide range of property finance and investment related issues. There, he was closely involved in lobbying the UK government as part of the pan-industry group that played a key role in both establishing the need for a UK REIT regime and shaping the legislation through the extensive consultation process.

Gareth worked closely with the industry and government to improve the REITs legislation, regulations and guidance. Gareth is a Chartered Accountant who, prior to joining the BPF, was a tax adviser within the real estate group of Ernst & Young both within their London and New York offices.

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STOCK TAKEN... NOW LET'S LOOK FORWARD

Dominic Turnbull

London's Institute of Engineering & Technology hosted the seventh Nabarro / EPRA reception on January 21. The historic venue has heard much science and forecasting over the past century, including Michael Faraday's breakthroughs in electricity.

Today's challenges require vision and a clear factual base - all characteristics in short supply. "We all need energy, enthusiasm and endurance to get through the year ahead," said Chris Luck of law firm Nabarro, opening the seminar which aimed to shed some light on the risks and opportunities facing the UK property sector. Such was the clamour for knowledge pointed out Philip Charls, CEO of co-organiser EPRA, that the larger auditorium had to be hastily arranged.

Looking back to last year's event, Charls recalled the rebound forecast of Q3 and Q4 2008. But no models could have priced in the oil-price crash, housing freefall, the quasi-nationalisation of the banks, and with it the near reinstatement of the UK's feudal system of property belonging to the State. "It just goes to show how difficult it is to look ahead, so we're grateful that there are some courageous people here willing to take on that task," he said, welcoming the panel of Martin Allen, Harm Meijer, Simon Melliss, Toby Courtauld, and moderator Patrick Sumner.

Where we stand today

Moderator Patrick Sumner, head of property equities at Henderson Global investors summed up the situation today. "Since the peak back in January 2007, we've fallen 71% in UK. We are forecasting in a fog, in which we can't see any road, never mind which road we should go down." So in this context, what are the assumptions being made about NAV, yields, rental values, the retail market?

Meijer kicked off the discussion: "We take into our models a GDP decline of at least 2.5% for this year and a base rate cut to 50bp. Our models suggest London office rents down 25%, retail rents down 10% to 15%, and yields above 7.5% to 8%. So values will continue to fall around 15% this year. Your London office may be over-rented by 25% to 30%, so if you have a long lease, it means your income growth will be maximum 0% going forward."

So what's the cost of capital, and what's the real WACC for buying property? Meijer referred to two elements: cost of debt and cost of equity. "If you're kind today, your WACC will be around 8%, and no rental growth which means yields should be 8% for City office buildings. If your lease will expire within three years, or you have a low credit-quality tenant, then it may well be higher than 10%. This is based on valuations dropping about 15%. In our worst case, valuations could fall by 40%."

And the share price response to this scenario? He viewed positively the estimates of a peak-to-trough decline of around 50%. "I see a total return this year from property stocks of -10%, which means as of today you're flat." Meijer said it depended on risks on the downside, since this assumed a positive view on the WACC. "We're not positive on rental growth for at least two years. So, as a rule of thumb, we're saying that property stocks won't recover until the second half of 2009."

Martin Allen[1] took a more austere line. "We're basing our property market and share assumptions on a recession as we saw in the 90's, however, what's panning out is that this could well be the worst since WW2. The principal reason is the lack of credit, and while we're at the sharp end, it is spreading to the real economy."

He said two things must happen before we see a turnaround in UK commercial property, and hence the property share market. The UK →

1 Martin Allen left Morgan Stanley in January 2009

economy must reach the bottom, and we must see the impact of the unwinding of foreclosed commercial property loans - the collateral behind them - on the pricing of commercial property. We are way away from that he reckoned RBS hasn't even started to make write-downs on commercial property yet.

BRIEF
Analysts Martin Allen and Harm Meijer based their forecasts on the assumption that, after recessions lasting most of the year, GDP would begin to grow at the end of 2009, and that the bottoms of the direct and listed markets in the UK and Europe would coincide with this recovery.

They both anticipated a further 15-20% fall in average property values during the year. Companies, especially in the UK, are expected to begin to repair their balance sheets in Q1 with equity issues. The success of this will depend on (a) the willingness of general investors to participate, (b) the pricing of the new stock (which will have to be competitive from the outset to avoid being undercut by the next company), and (c) the ability of companies to raise enough to avoid subsequent issuance. These factors create something of a circular argument.

"We on the property research team at Morgan Stanley are assuming that we'll get a trough in the economy at the end of this year, with an emerging risk that it spills over to 2010. Specifically, based on our latest November projections, we are assuming yields on institutional grade City of London offices peak at about 7.9% at the end of this year, and major shopping centres will yield about 7.2%." But he pointed out that the recent sale of Fleet Place, and potential sale price of half of Meadowhall suggests we're already there!

"In terms of the occupation market, we're assuming market rents in the City of London and West End could fall by about one third, peak to trough." But Allen saw less trauma in other sectors - retail down 12% for example. Continental Europe retail yields will widen from 6% (end 2007) to 7.5% (end of 2010) - translating into an approximate fall of 15% in property values. A 25% fall in values for Paris offices over the same period.

The wider retail outlook

Melliss referred to the deteriorating retail scene in which some pillars of the high-street have failed: "There's a restructuring of the high-street, in which there are losers, but also winners." Administration does not mean that all stores close; the 'reborn' businesses often continue to trade in a proportion of the units, paying rent, albeit on altered terms but often in a healthier financial state. Whereas the market focuses on the rising vacancy rate (approx. 4.5%) in Land Securities' shopping centre portfolio, he pointed out that an occupancy rate of 95.5% is not at all bad. "Besides, the great irony of banks owning real estate, is that banks don't like owning it," said Courtauld.

Melliss reminded the audience that there's a great deal of psychology at play in retail. "Open the papers and you read what I read. But for every company that folds, its competitors remain that bit stronger, surviving, trading and still paying rent." Strong retail locations will continue to do extremely well; low-rent locations too (18,000 sqm to 20,000 sqm). "The outlook isn't as bad as everyone thinks - but it is extremely tough."

So what's the flip-side? "The real fear is unemployment - but remember, people are renewing mortgages with lower rates, fuels costs are down, and the minimum wage is up 4%," he said. "These are all significant. Despite the fears, real incomes are going up, and it's important to bear this in mind when thinking about retail."

Sumner referred to the rating of the central London specialists. "The likes of Great Portland, Derwent London and Shaftesbury are trading on P/Es of on average 24. The rest of the sector appears to be trading at half that. Does that represent a threat?"

"Any dense conurbation tends not to trade on a P/E multiple, but rather a discount or premium to NAV," said Courtauld. "To make money in urban real estate you look for value-creating opportunities. You need to find extra space, improving the layout and small-scale redevelopments and refurbishments - that's an NAV game. The best NAV players do that and trade out to find a new site, rather than sitting on long-term income streams hoping your earnings are going to rise."

Sumner moved to discussions with the banks. How receptive are they? While the lunches may not be as grand, positive and productive discussions with the banks are possible. "We're not into battling to re-cut this or that, or raise equity to stave off breaches," said Courtauld. "Our discussions are about getting financing for deals. Their answer is 'Yes we can', but at a higher price than our current 50bp margin over our borrowing rates. To put it in context, most of our borrowing is linked to 1-month LIBOR so our all-up cost of funds is 2.3% - probably as low as it's ever been."

Options for sector

If a company wishes to avoid the possibility of breaching any loan-to-value covenant, or even being per- →

BRIEF
Toby Courtauld talked of the West End of London office market, where he sees greater resilience than in the City. However, he does anticipate falling rental values and distressed investors, which may well offer opportunities for those with financial headroom. He acknowledged that that the Central London specialists in the listed sector (Great Portland, Derwent London and Shaftesbury) tend to trade on higher P/E multiples than the sector, but asserted that they are NAV and growth plays, rather than high-yielding businesses.

ABOUT NABARRO
Nabarro is a major UK law firm renowned for its positive and practical approach. It operates in a number of industry sectors and legal disciplines with a single aim: to deliver the highest quality advice as clearly and concisely as possible no matter how complex the situation. It is a growing partnership with 125+ partners leading more than 350 lawyers. It offers a broad range of legal services to major national and international clients. The firm's headquarters are in central London, also with offices in Sheffield and Brussels. It draws on long-standing relationships with a network of selected firms worldwide for its cross-border work.

BRIEF
The panel agreed that the greatest pain will be felt by investors who bought in the period 2003-2006 with high leverage and who are now have 'negative equity'. The banks are clearly more concerned about these portfolios and wish to avoid becoming asset managers. There is clearly a possibility that strong operators, including many of the listed companies, will co-operate with banks to 'work out' these portfolios.

ceived to get too high leverage - what are the options and implications of for example, selling buildings or raising new equity?

"It is possible to negotiate amendments to covenants - especially if it's a bilateral facility," Martin Allen pointed out. But it would be harder for a public bond he said, and any result would come at a price. "If that's not possible, dividend cuts are another route. REITs are constrained on their dividend payouts to 90% of taxable earnings after capital allowances - but even if eliminating dividend, it's probably not enough in the timeframe."

So what of raising equity or selling property? "The higher your gearing gets, the more property you'll need to sell to make a difference to your leverage." In a thin market this is a tough option. "For most companies where there is a problem on debt-gearing covenants, I think equity issuance is likely," he concluded.

Meijer continued: "We have estimated that whole UK commercial property market for investment purposes would be in negative equity in Q2." He estimated LTV at above 85% at the end of 2008, with a 15% capital drop. "To bring the whole market back to 80%, you need GBP 50 billion in equity which indicates there may be a shortage of capital. If you're a fund manager, you'll want to be sure that the company asking for equity won't return soon after."

Allen added that the big equity investors would prefer it to be done accompanied by an acquisition. "They don't want to just give a pot of money to give a comfortable buffer on their balance sheet."

According to Courtauld, there seems to be no distinction in pricing terms between the companies who don't need capital to defensively protect their balance sheets and those that do. "One hopes that over time, the support will be there for those who want to use equity for the right reason - ie, not to correct mistakes from the past. Support for companies who use market weakness to do deals they otherwise couldn't afford to do - that's one of the reasons for being listed."

Some positive assessments

MA - Not too much over 12 months. There's a good buying opportunity if you have capital, stomach and are long-term. It's a great time to buy.

MA - Peak to trough is -50% if becoming accepted. The risk of deflation is still in people's minds - but hopefully with all the new government money we'll talk of inflation. And property is an inflation hedge.

HM - We talk about value, but the cash flow of the major UK property companies is secure and generally growing. The UK REIT sector is well run, well financed and it has good assets. That's different from 1992.

TC - Every day that passes we're one day closer to the end of this mess. Fortunes are made in these downturns. At the height on the market in 2007 it was impossible to see value. My team now gets to the office each morning far more excited that they were 12-18 months ago.

Dominic Turnbull joined EPRA as Communications Manager early in 2008 from his role at Nike. This path in comms was preceded by a journalistic career at Reed Elsevier in London, from where he moved across the 'divide' into marketing within the Architecture and Construction sectors.

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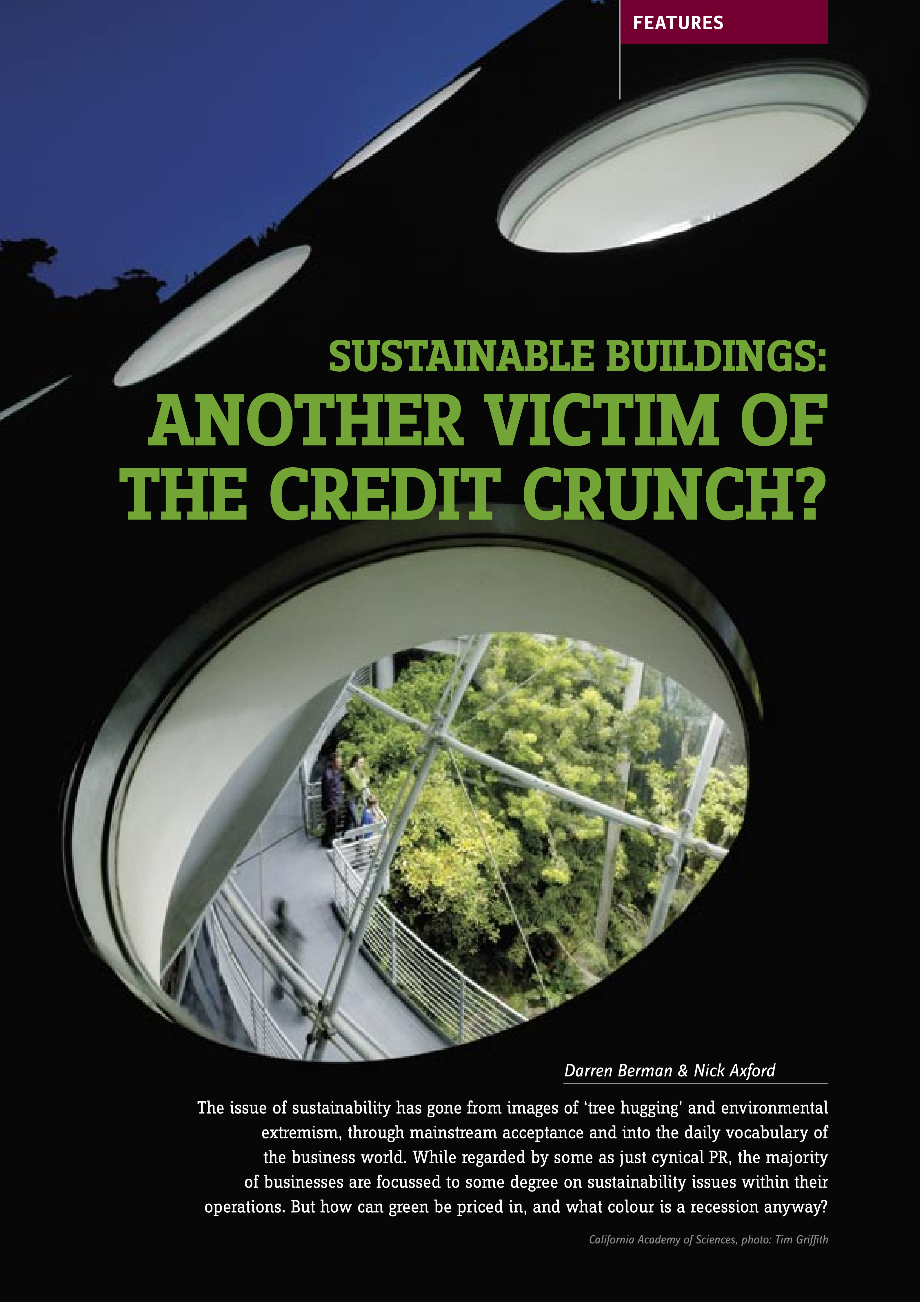

SUSTAINABLE BUILDINGS:

ANOTHER VICTIM OF THE CREDIT CRUNCH?

Darren Berman & Nick Axford

The issue of sustainability has gone from images of 'tree hugging' and environmental extremism, through mainstream acceptance and into the daily vocabulary of the business world. While regarded by some as just cynical PR, the majority of businesses are focussed to some degree on sustainability issues within their operations. But how can green be priced in, and what colour is a recession anyway?

California Academy of Sciences, photo: Tim Griffith

Estimates indicate that residential and commercial buildings between them account for over 40% of carbon emissions in the UK, so it is not surprising that the real estate industry is in the forefront of this debate, with much of the focus on operational energy efficiency and sustainable development: the so-called 'green building'. Equally, while some companies may identify genuine 'social' and marketing advantages in occupying green buildings, these practices will generally only be widely adopted if it makes good commercial sense to do so.

In the current economic environment, with global demand weakening for most goods and services, corporate priorities are increasingly focused on cost-saving. This clearly raises questions about the position of sustainability on the corporate agenda. In more straitened economic times, will green buildings be filed away under 'unaffordable luxury', or is commitment to the issue robust enough to survive?

Commercial rationale more evident

While BREEAM (Building Research Establishment Environmental Assessment Method) and LEED (Leadership in Energy and Environmental Design) - the two main tools for assessing green buildings - have played a major role in changing construction standards, there is still very limited evidence on the true costs and benefits of building green. Those studies which have been undertaken seem to suggest that achieving the more basic levels of certification may raise development costs by around 2-3% above those for a standard building. It is estimated that development of a building which meets one of the higher standards of accreditation is likely to add between 5% and 7.5% to construction costs. A more ambitious zero-carbon building could add a construction cost premium of around 12.5%.

Commercial developers would clearly expect to receive some reward for incurring the higher upfront development costs of a green building. While the evidence is still very limited, it is growing and it suggests that green buildings do command higher rents than conventional ones. In percentage terms, the rent premium is of the same order as the additional development cost for green buildings (2-6%). Significant differences also exist in the energy usage and running-cost profiles of green buildings as against conventional ones. Depending on the level of improvement, these savings at least exceed 10% and could be well over 50%, which creates significant further head-room in terms of potential rent premia.

The conclusion that price premia do exist for green buildings starts to suggest that increased future adoption of green building practices is supported by commercial logic, as well as by environmental desirability. Is this view jeopardised by the current recession?

As we go into 2009, companies are facing perhaps the toughest economic conditions for decades. As the global economy continues to weaken and recession begins to bite companies, company failures and unemployment statistics have pushed climate change and sustainability out of the headlines.

The economic crisis will of course have an impact

In the current economic environment, it is natural that businesses are prioritising their survival over their responsibilities to act as good corporate citizens; and certainly the anecdotal evidence confirms this. According to Hane Thornam of Accountability: "Previously fashionable

That price premia do exist for green buildings starts to suggest that increased future adoption of green building practices is supported by commercial logic

Corporate Social Responsibility [CSR] activities that focused purely on delivering PR and reputation benefits are certainly not in vogue in the same way that they were. Organisations are certainly looking more closely at how they address their corporate responsibilities".

According to Verdantix, the sustainability and low-carbon sector is likely to be hit by the recession, as "some CFOs will block discretionary spend on CSR, for example purchasing voluntary offsets for becoming carbon neutral." →

Potential Green Building Price Movements?

Is sustainability dead?
It is important to distinguish between initiatives that were designed solely with PR benefits in mind - which may be more vulnerable - and those that relate to more fundamental aspects of corporate behaviour. As UKGBC chief executive Paul King puts it, "I think we've seen an end to 'boom and bust' for sustainability. This time it's going to remain high on the political and corporate agenda because the climate change imperative is now so strong." In other words, we won't see the climate change baby thrown out with the PR bathwater.

This view is reiterated in the recently published Taylor Wessing report, which canvassed the view of almost 5,500 professionals in the development sector. It found industry leaders had "woken up to sustainability issues" since the credit crunch. And despite fears that the recession would deal a blow to the sustainability agenda, the report "reveals that far from putting the brakes on sustainable building, industry leaders could actually be using the economic downturn as an opportunity to boost their green credentials in preparation for proposed legislative developments in the area," according to Taylor Wessing head of construction and engineering, Helen Garthwaite.

Sustainability can be kick-started by downturns and policy
History has certainly shown us that far from killing investment in sustainability, financial crises can have the opposite effect, as Denmark's transformation demonstrates. It was deeply affected by the 1973 oil crises, due to its reliance on Middle Eastern oil imports. The economic crisis focused politicians and industry to make systematic changes such that today it imports no oil from the Middle East and has become the world leader in wind turbine technologies. That is not to say that direct parallels can be drawn between the 1970s and today, but the political will appears strong on both sides of the Atlantic. President Obama made environmental issues a key component of his election campaign, while UK policymakers have focussed on ensuring that business takes resource efficiency and sustainability issues seriously.

The UK Climate Change Bill which received royal assent in December 2008, for example, introduces the world's first long-term legally binding framework to tackle climate change. And with it comes a vitally important measure that all cost-conscious companies will take seriously, the Carbon Reduction Commitment. This measure will target electricity-consuming industries that are not covered by the EU Emissions Trading Scheme. It provides opportunities for organisations to benefit financially from carbon reductions they are able to make. It also presents the risk to those unable to grasp the climate challenge of increased cost.

And many aspects can make compelling economic sense...
Perhaps most importantly there are many aspects of sustainability that, far from being in conflict with the general short-term goal of cost reduction, actually fit perfectly with these aims. These are likely to prove much more resilient in the face of growing economic pressures.

From working with corporate and investment clients, the CB Richard Ellis Energy and Sustainability Group would argue that it is disputable that sustainability necessarily comes at a cost. Educating staff may require an investment, but beyond this sustainability should be a balance of economic, environmental and social best practice. Energy costs for example can form a significant proportion of companies' operating costs and anything that can be done to minimise these will continue to be invested in. Effective management practices, combined with low and no cost measures can deliver significant savings in energy on their own. Going further to ensure effective energy monitoring systems and procurement processes are in place, combined with relatively low cost controls and energy efficiency improvements can reap significant rewards. And these will only continue to grow in importance as forthcoming legislation comes into effect.

This is not to say that sustainability initiatives will be unaffected by recent events. Some of the more capital-intensive investments (such as renewable energy technologies or combined heat and power systems) or those which were dependent on high oil prices to achieve acceptable payback periods are likely to be postponed. Emphasis is likely to shift to those projects which require little or no capital - such as recycling or sustainable sourcing strategies for office supplies - or which actually offer revenue savings within very short periods, such as energy efficient lighting and insulation, effective controls and building management systems.

Reports of Sustainability's death will prove greatly exaggerated
Returning to the question that we started with, the answer is: Yes and No. As the tide goes out, it is expected that those organisations that have only ever paid lip-service to their corporate responsibilities will find themselves exposed, and we may well see this type of activity receding further as part of a general need to cut costs.

By contrast, for those organisations that take a longer-term systematic approach to sustainability and resource-consumption, the issue is more complex. In a tighter business environment, initiatives that cost less and have a rapid payback may be more likely to survive than expensive ones that take longer to accrue any benefit. But the enlightened organisations are those which strive to avoid excessive short-termism and remain committed to sustainability programmes. The issue is here to stay, and these companies will reap the rewards as investment in the sector continues, legislation filters through and cost reduction and efficiency becomes ever more important.

And for investors, there is a further factor to consider when thinking about the economics of green buildings. At present, it is true that many features of a 'green' building are regarded as 'optional extras' - which cost more to provide, and thus require a higher rent, than a 'standard' building. However, all of this depends on what you define as 'standard'. If we consider the car market, there would have been a time when seat belts, electric windows, a radio, power steering, ABS or passenger airbags would each have been available as options, at extra cost - even in a luxury car. Today, most of these would be considered standard in the most modest of family saloons; their cost is included in the price.

Thus what we may see is not so much the reduction of the 'rent premium' required - but rather a gradual change in what is defined as standard. The difficulty for building owners, of course, is that commercial properties are expected to have a long operational life, and retro-fitting 'green' features can be far more expensive than designing them in from the outset. Investors who assume that the current recession means that sustainability is no longer an issue could be making a very expensive mistake.

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Darren is Director of CBRE's EMEA Energy & Sustainability Consultancy Team, providing advice and support to:
- Public sector clients, as they work to develop robust, evidence based policy, and then implement these policies through their regeneration activities.
- Occupiers and investors, as they work to manage regulatory and reputation risk, as well as achieve cost reductions through reducing their resource consumption.
- Developers, as they work to cost effectively meet or exceed the increasingly challenging planning policies and Building Regulations.

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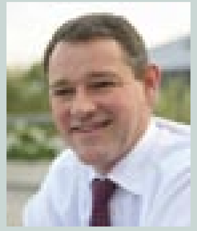

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Nick has 18 years experience in private sector real estate research and consultancy, and has worked for CB Richard Ellis since 1994. He is responsible for co-ordinating the research and consulting activities of CB Richard Ellis across Europe, the Middle East and Africa. The company has over 150 research staff active within the region, who produce research and analysis on all major markets and commercial property sectors. Liaising with CB Richard Ellis offices around the world, the team is increasingly engaged in providing strategic advice to clients seeking to develop global property investment portfolios. Nick is a member of the CB Richard Ellis Global Research & Consulting Executive Committee. In 2004, Nick was a Team Leader and Principal Author of CoreNet Global's Report into the impact of sustainability and corporate social responsibility on the world of corporate real estate.

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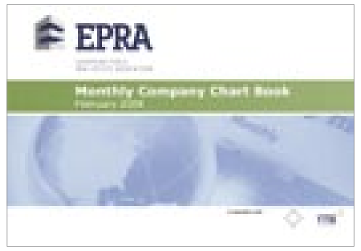
EPRA'S MONTHLY REPORTS EXTENDED



Laurens te Beek

Following several user requests, our range of monthly products has been extended over the last few months with two new documents: the *Company Chart Book* and the *Emerging Markets Report*. This article provides a brief introduction of these reports available to all EPRA members.

In addition to the current index chart book, the monthly company chart book is a reference document that aims to present a quick and complete profile of all the constituents of the FTSE EPRA/NAREIT Global Real Estate Index using a variety of comparable charts. This enables users to compare companies with local peers and within their business sector.

An example of these charts is shown in graphs 1-3. The first graph presents a comparison of the 12-month rolling performance of Unibail-Rodamco against:

- its respective country index: FTSE EPRA France Index,
- its respective regional index: FTSE EPRA Europe Index,
- its respective sector index (on a regional basis): the Europe Diversified index,
- its respective investment focus index (on a regional basis): the Europe Rental index,
- its respective REIT/Non-REIT index (on a regional basis): the Europe REIT index,
- its respective country blue-chip index as the measure for the broader equity market: the French CAC40 index, and
- its respective bond index (on a regional basis): the JPMorgan French bond index.

All charts are rebased to an index value of 1,000, over a 12-months rolling period. In this particular example, you can clearly see that Unibail-Rodamco has outperformed its peers on all levels (against all other European real estate companies, its fellow sector constituents, the broader French equity market etc.) but with the exception of French bonds.

Graph 2 displays Unibail-Rodamco's rolling 12-month historical dividend yield over time. With falling stock prices, the dividend yield clearly rises. The final graph shows the correlation of the company with the various indices. For correlation comparisons, the stock price performance of Unibail-Rodamco is stripped out the performance of the indices creating a more accurate picture. Most correlations appear to be stable over time, again except for the correlation with French bonds which has dropped into negative territory as the French bonds outperformed.

Emerging markets report

Following the launch of the FTSE EPRA/NAREIT Emerging Market and AIM Indices, we have created a statistical bulletin that focuses specifically on these new markets. Included in this report is the same statistical data that is available on the developed markets: performance data on both a company and index level, sector classifications, correlations, etc. providing the basic tools that are necessary to start covering these markets.

Feedback

We appreciate all feedback on these new documents, as well as requests and suggestions for additional information. Customised versions of all graphs (i.e. performance over a longer/shorter period, a variety rebase dates, combinations of graphs etc.) are available upon request to EPRA members. Information and data can be provided in a number of formats - bespoke data is only an e-mail away! This allows you to back up your analysis, support your product pitch or share your understanding of your positions with your peers using credibly sourced, tried and tested data.

EPRA's monthly statistical output now consists of:

- Monthly Statistical Bulletin
- Monthly Market Review
- Monthly Index Chart Book
- Monthly Company Chart Book
- Monthly Emerging Markets Report

For more information or customised versions, please contact:

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Chart 1 - 12 Month Rolling Returns

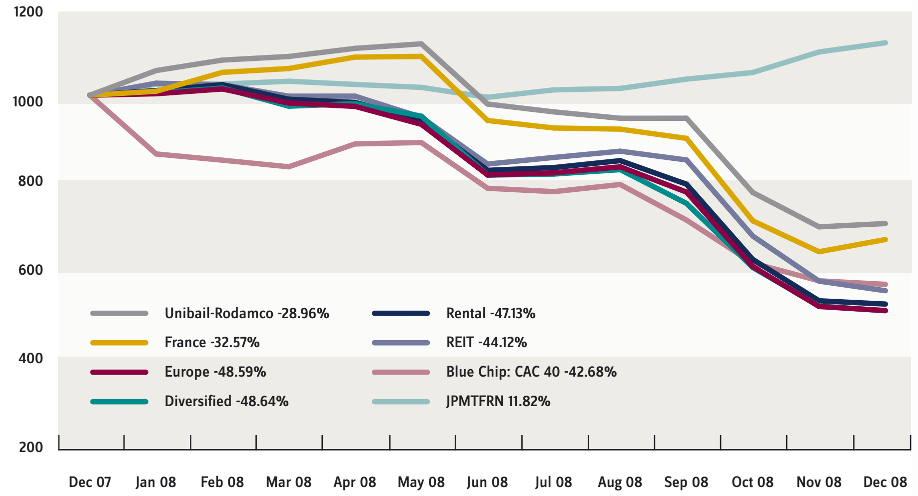


Chart 2 - 12 Month Dividend Yields

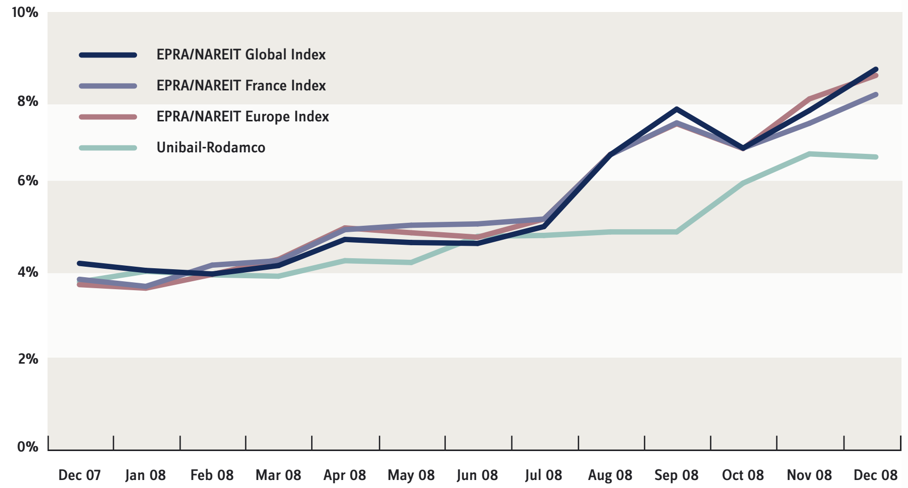
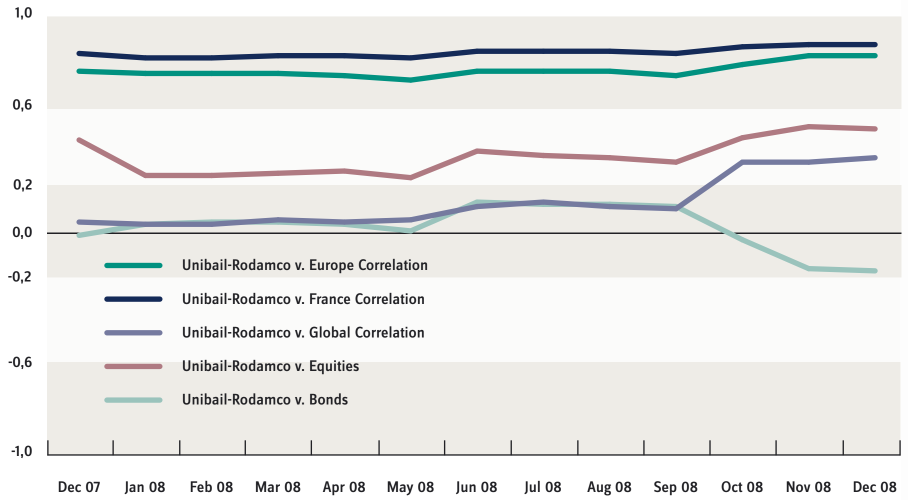


Chart 3 - Correlations



SPURRED INTO ACTION

Gareth Lewis

The current financial turmoil is unprecedented in that it is a truly global and synchronous event. Government authorities and regulatory bodies around the world are taking various actions to address these issues, including support for the financial markets, lending activity and support to key industries to prevent further long-term damage to their respective economies.

As a general comment, despite the fact that the health of the property investment/construction industry is an important factor in the growth and stability of a solid economy, there has up until now, been little action aimed specifically at this sector. In this note we have summarised the relatively limited number of the developments and actions taking place around the globe which affect the commercial property sector.

At the time of writing, other than the changes to the French SIIC regime and the introduction of REITs in Spain, we are not aware of any changes to local REIT regimes or other initiatives by governments, aimed specifically at the European commercial property sector. However, according to the *Financial Times* (January 28, 2009), the UK government is considering whether to allow the payment of stock dividends by REITs as part of the distribution requirement along the lines of the recent changes to the US REIT regime highlighted below.

In November, EPRA met with the European Commission to discuss related topics including: access to capital, debt expiration, convergence of US GAAP and IAS, valuation and European REITs issues. The EC were clearly aware of the wider liquidity problems in the markets and were interested in the specific concerns for the listed sector. EPRA have agreed to provide regular updates to the EC, on the ongoing impact of the liquidity problems for the commercial real estate sector, including actions taken at a national level which affect the commercial property sector.

Australian government supports lending to the commercial property sector

Australian Prime Minister Kevin Rudd announced (January 24) that the Australian government will establish a A$4 billion lending vehicle with the four major Australian banks to support lending in the commercial property sector.

"Some cash-strapped foreign banks are scaling back their lending in foreign markets, and that includes Australia," Rudd said. "If banks do not allow clients to refinance as they would in normal conditions then companies can be forced to sell assets, often at low value. This endangers their financial health and that of the whole economy. If foreign banks do not roll over their share of these loans, it will be difficult for Australia's four major banks to fill the gap on their own. The mathematics is fairly straightforward. A significant share of this is in the commercial property sector."

Rudd said the approximate A$45 billion exposure of foreign banks to Australian commercial property makes up about 28% of total lending to the sector. The Australian Business Investment Partnership is a "temporary contingency measure" designed to make up for foreign banks' possible unwillingness to lend to the sector, he explained. Rudd added that the initial A$4 billion could be extended through the issuance of government-guaranteed debt to create up to A$30 billion of loanable capital.

Under the initial plan for the vehicle, the government will contribute A$2 billion, with the balance contributed by ANZ, Commonwealth Bank, National Australia Bank and Westpac.

IRS Ruling allows Stock Dividends for REITs

New IRS guidance requested by NAREIT will allow REITs to conserve cash by paying up to 90% of dividends in stock (rather than as a cash distribution) through 2009. The new guidance provides REITs with the flexibility of conserving cash in the current, credit-constrained environment without having to wait three to six months to obtain a private-letter ruling from the IRS.

SIIC law adapts restructuring to the crisis

On December 15, 2008, the French parliament adopted legislation introducing some new adjustments regarding the tax-transparent SIIC structure for listed real estate companies in France. This is the fifth law regarding the regulation of the SIIC regime, and is therefore commonly referred to as SIIC 5. It came into effect on January 01, 2009.

As part of a previous law (SIIC 4) that became effective on January 01, 2007, the holding of the largest shareholder (or group of shareholders acting in concert) in a SIIC must be less than 60% of share capital or voting rights, unless this controlling shareholder is itself a SIIC. As part of the initial law, existing SIICs had until December 31, 2008 to comply with the regulation. However, the SIIC 5 law will allow for one more year, i.e. until December 31 2009, for existing SIICs to comply. SIICs established as from 2007 have already been required to comply since January 01, 2007.

Spain to introduce new SOCIMI regime to revitalise ailing Spanish property market

The Spanish Government is in the process of finalising new legislation for the introduction the Spanish SOCIMI - a tax-efficient collective investment vehicle for 'urban' real estate. The regime was introduced by Prime Minister Zapatero as part of a package of measure to revitalise the ailing Spanish property market by attracting capital into the market and buying up distressed asset portfolios. However, there are fears that the new vehicle will not achieve its objectives due to concerns over the current draft legislation. EPRA recently took part in a Seminar in Madrid to discuss the proposed regime including these concerns.

Japan's BoJ to buy corporate bonds to ease REITs financing strains

The Bank of Japan said on January 22, that it would buy corporate bonds to ease an increasingly severe funding squeeze, and it forecast that the world's No.2 economy would slide back into deflation for two years.

The BOJ said it would buy corporate bonds and accept real estate investment trust (REIT) debt as collateral, on top of previous plans to buy commercial paper, as it expands the credit risks it is willing to bear to help firms raise cash in gummed up financial markets.

"Commercial paper is the last resort for (companies) to raise funds, and the functioning of that market has deteriorated," BOJ Governor Masaaki Shirakawa told reporters. "So now we are trying to help the market, and I think that means a lot."

China lifts ban on foreigners buying real estate

Restrictions on foreigners buying real estate property in Beijing were called off as Beijing introduced a slew of measures on January 23 to revitalise the sluggish property market.

The residency requirement and house-type limits for expatriates buying homes in Beijing has been called off throughout 2009, according to the 15 opinions co-released by nine departments - including the Municipal Construction Committee, Development and Reform Commission and Finance Bureau of Beijing.

In its bid to curb overheated property market, the Beijing municipal government issued regulations in 2007 stipulating that only expatriates living in Beijing for more than one year, and those who could provide details proving they would be the primary inhabitants, could buy one house.

Singapore REIT changes help S-REIT liquidity

Recent amendments to the Property Fund Guidelines by the Monetary Authority of Singapore (MAS) will improve the liquidity of the Singapore real estate investment trusts (S-REIT) sector.

Under the new guidelines released by MAS on January 09, 2009, S-REITs will be permitted to pre-fund for refinancing purposes ahead of the actual maturity of the debt to be refinanced. In these circumstances, any pre-funded debt will not be included in the calculation of the S-REIT statutory leverage limits, thus allowing S-REITs increased refinancing flexibility and the ability to better deal with forthcoming maturities of their debt.

In addition, any notional breach of MAS-mandated leverage limits (debt-to-asset value ratio) due to property devaluation will not constitute a breach of MAS' property guidelines applicable to S-REITs. This change helps to remove the concern arising as a result of falling property values in Singapore.

China plans to launch REITs

China plans to launch REITs this year as part of a financial reform package unveiled by the Chinese government last December to aid the rapidly slowing economy. It is hoped that the launch of REITs will provide a badly-needed source of funds for developers struggling to raise money amid stagnant sales, tight credit and a frozen IPO market.

REITs buy properties from developers, providing an important source of funds and reducing the time needed to recoup initial investments. REITs will also allow foreign property investors to more easily exit the market in the long run and take profits.

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EMERGING ONTO THE STAGE

Ali Zaidi

The development of indices for listed property in emerging markets has introduced a new wave of investment opportunities. Despite the downturn, many the 'tigers' have evolved fundamentally.

In the 1960's Hong Kong, Singapore, Taiwan and South Korea expanded due to rapid industrialisation. The emerging markets in 1980's were the south Asian economies including Indonesia and Malaysia which posted growth figures in double-digits and attracted huge foreign direct investments. This time around the major emerging markets are fundamentally different in scale and dynamics compared against the earlier developments of the 60's and 90's. The BRIC countries - Brazil, Russia, India and China - are the huge markets that are expected to lead the global economy, and they already compete for funds on international capital markets. Figure 1 shows the historic and projected growth rates for the emerging markets compared against the large developed economies.

Indices to track emerging markets

The FTSE EPRA/NAREIT Global Real Estate Index series, the leading global real estate benchmark, has extended its coverage with the addition of 12 new Emerging Markets indices, allowing investors to track the relative performance of listed property in emerging countries during a critical period for global markets.

Created in partnership with two of the world's leading real estate authorities, the European Public Real Estate Association (EPRA) and the National Association of Real Estate Investment Trusts® (NAREIT), the indices are calculated in real-time by FTSE. The emerging market indices will join the existing indices which cover developed markets to form an expanded FTSE EPRA/NAREIT Global Real Estate Index series.

The FTSE EPRA/NAREIT Emerging Markets indices provide investors with a diverse representation of over 70 publicly-traded equity REITs and listed property companies from 13 emerging markets across all continents. FTSE's Country Classification system, a transparent, rules-based approach to assigning market status, was used to identify emerging markets. These markets include: Brazil, China, Egypt, India, Indonesia, Malaysia, Mexico, the Philippines, Poland, South Africa, Taiwan, Thailand and Turkey.

The new indices include:
- FTSE EPRA/NAREIT Emerging Index
- FTSE EPRA/NAREIT Emerging EMEA Index
- FTSE EPRA/NAREIT Emerging Europe Index

GDP GROWTH FORECAST

EMERGING	2008	2009	2010	2011	2012	2013
India	6,2	6,1	7,1	7,9	8,2	8,0
China	9,1	6,0	7,2	8,2	8,5	8,6
Russia	6,7	3,0	4,5	5,0	4,7	4,6
Brazil	5,3	2,7	3,9	4,1	4,0	4,1
DEVELOPED	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Japan	0,3	-0,5	0,7	1,0	1,2	1,2
Germany	1,4	-0,7	0,4	1,7	2,0	2,1
France	0,9	-1,2	0,4	1,4	1,9	2,1
United States	1,2	-2,0	0,6	2,1	2,2	2,3
United Kingdom	0,7	-2,5	-0,9	0,9	1,9	2,1

Data Source: The Economist

Figure 1: Short Term Performance
36 Months Rolling Total Returns (EUR)

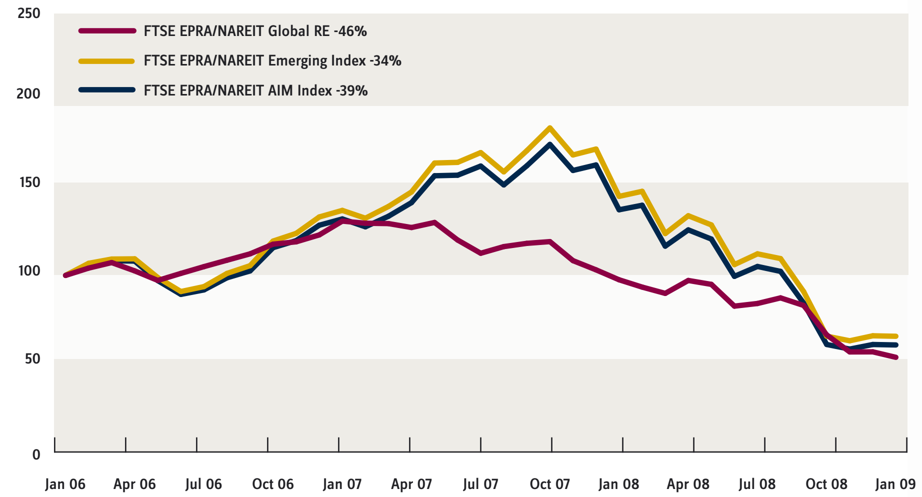
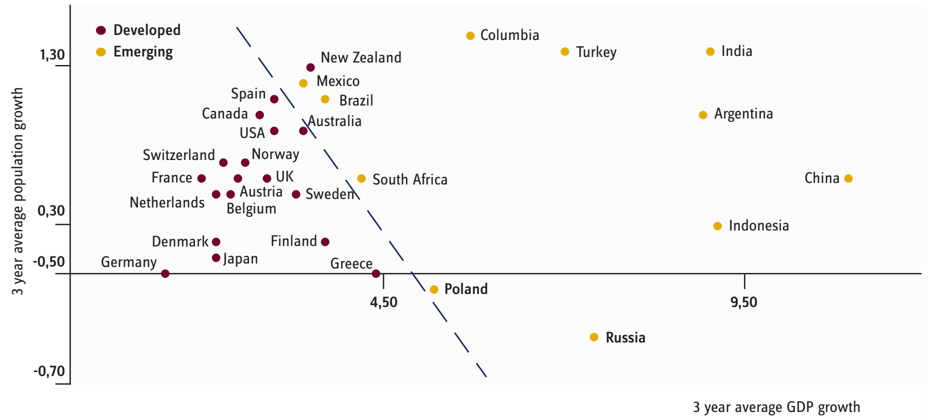


Figure 2: Population vs GDP Growth
Data Source: EPRA



- FTSE EPRA/NAREIT Emerging Middle East/Africa Index
- FTSE EPRA/NAREIT Emerging Americas Index
- FTSE EPRA/NAREIT Emerging Asia Pacific Index

"The global real estate marketplace has grown significantly in both size and diversity over the past few years. At the same time, investors are increasingly expressing interest in accessing emerging markets." said Ronnee Ades, Head of Alternatives, FTSE Group. "In partnership with EPRA and NAREIT, FTSE is pleased to expand the Global Real Estate Index series to provide investors with tools to track the performance of listed real estate in these markets."

Philip Charls, CEO of EPRA said, "It is vital that investors are able to accurately track the performance of real estate stocks across the world. We believe that real estate investment trusts (REITs) and other listed property vehicles offer investors effective exposure to the emerging markets covered by the extended FTSE EPRA/NAREIT series."

"Our aim in creating and developing the FTSE EPRA/NAREIT Global Real Estate Index series has been to make the full opportunity set of global real estate investment readily available through the efficient, liquid and transparent medium of publicly-traded securities," said Steven A. Wechsler, President and CEO of NAREIT. "Our new Emerging Markets indices are an important milestone in that ongoing effort."

Looking ahead - emphasis on the core

The FTSE EPRA/NAREIT Global Developed Index markets led the Emerging Market by 9-12 months in terms of the downturn. The turning point for the developed market occurred around January 2007, with the emerging market following suit around the end of the year. The fall in the emerging markets proved more severe. Peak to trough the FTSE EPRA/NAREIT Global Developed Index has fallen (59%) compared against the FTSE EPRA/NAREIT Emerging Markets decline of (66%) [Figure 2].

The emerging markets attracted significant amounts of interest in →

	Return					Volatility	
	3m	6m	YTD	12m	3 YR	1 yr (per year)	3 yr (per year)
Emerging Global	-33.2%	-39.9%	-57.6%	-56.6%	-29.1%	40.0%	33.1%
Developed Global	-44.0%	-51.3%	-52.3%	-54.8%	-34.2%	35.5%	26.4%

Table 1: The Global Emerging Markets Index

Company	Country	Market Free-float	Market Cap (Millions EUR)	% FTSE EPRA/NAREIT Emerging Index
Growthpoint Properties	South Africa	100%	1564	8.7%
Pangbourne Properties	South Africa	100%	465	2.6%
Fountainhead Property Trust	South Africa	100%	433	2.4%
SA Corporate Real Estate	South Africa	100%	431	2.4%
Resilient Properties	South Africa	100%	416	2.3%
Shenzhen Vanke	China	100%	793	4.4%
SP Setia	Malaysia	100%	720	4.0%
Lippo Karawaci	Indonesia	75%	911	3.8%
Guangzhou R&F Properties	China	30%	2108	3.5%
DLF	India	13%	4801	3.5%
Cyrela Brazil Realty	Brazil	75%	1107	4.6%
Desarrolladora Homex	Mexico	75%	836	3.5%
Gafisa	Brazil	100%	523	2.9%
BR Malls Participacoes	Brazil	75%	619	2.6%
Multiplan Empreendimentos	Brazil	75%	563	2.3%

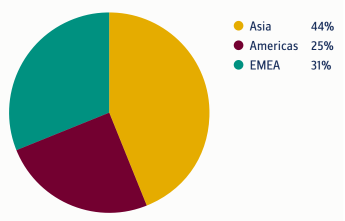
the last four years - the difficulties associated with investing in smaller, less liquid markets pushed share prices to historic highs before the reversal.

The emerging markets identified by the FTSE Nationality Committee offer strong long-term growth potential, with GDP and population growth figures well in excess of the developed markets. The distinction between the emerging and developed economies is clear when these are graphed

REIT Developments

The largest emerging markets, China and India, are poised to introduce their REIT structure - a move viewed by property investors as positive. Potentially, REIT legislation will improve quality of vehicles for investors in emerging markets, where transparency and low free-floats have historically been a major concern. In addition, the introduction of REIT structures will add focus to

The Global Emerging Markets Index



markets where conglomerates hold large portfolios of real estate assets.

Going forward, the introduction of REITs will create a platform for large diversifying players to spin-off real estate assets into clearly defined tax-transparent vehicles. Of the companies covered by the Emerging markets index, Turkey, South Africa, Malaysia, Taiwan, Thailand, South Korea, Brazil, Mexico and Chile, all have a form of REIT structure. Currently, despite the fact that REIT legislation exists in these countries, the number of REIT vehicles is limited.

FTSE EPRA/NAREIT Emerging Markets Index - Regional Breakdown

The Global Emerging Markets Index is divided into the three regions of Emerging EMEA, Emerging Americas and Emerging Asia. The largest five constituents from each region are listed [Table 1]. In order to reflect the listed real estate of the markets accurately, the market free-float is applied to determine the weight in the Index.

The EMEA region is dominated by South Africa. The top-ranking South African companies are all rental focused companies that generate income by leasing as opposed to developing properties. Egypt and Morocco are the other two countries eligible from the African continent. The EMEA region includes Central & Eastern European (CEE) markets - Russia, Czech Republic, Hungary, Poland and Turkey. In particular the companies from CEE have been adversely affected by the economic climate as a result of the high concentration of property developers.

Emerging Asia, the largest of the three by free-float market capaitalisation, includes huge markets such as China and India - the main growth drivers of the region. Looking at the companies in emerging Asia they prove to have the lowest average free-float of the three regions, an average of around 50%. Similar to the other regions, development-type companies play a significant role in the composition of Asian companies. The Americas region is dominated by the retail specialists from Brazil, and residential developers from Mexico and Argentina.

Summary

The landscape of the global real estate market is evolving at an unprecedented pace. The FTSE EPRA/NAREIT Global Index series provides investors with a clear picture of developments in the market. The ground rules and the expertise of the regional index committees ensure that only the largest, liquid and focused real estate companies are represented. While recognising that the real estate sector in emerging markets is, in many ways, in its infancy, the expansion of the index series will provide a broader set of opportunities for investors.

These markets face many challenges in terms of transparency, liquidity, size and corporate governance. However, getting these markets onto the radar screens of potential investors is a major step in the right direction. The continued development of REIT legislation and interaction with dedicated real estate investors - with a broad range of experience, will help push developments forward constructively.

The annual review of the eligible emerging markets is conducted by FTSE. The quarterly review of eligible is carried out by EPRA and NAREIT under the same schedule as the developed index. Reviews are held in March, June, September and December.

For further information about the FTSE EPRA/NAREIT Global Real Estate Index series and the FTSE Country Classification system, please visit: *www.ftse.com/realestate* and *www.ftse.com/country*.

FTSE EPRA NAREIT Emerging Markets Index Series

The FTSE EPRA/NAREIT Index's design filters the largest, most liquid and transparent stocks that lead their respective markets. The emerging series covers 13 rapidly expanding economies identified by FTSE, including: China, Brazil, India, Russia, Turkey, Egypt and South Africa. The FTSE EPRA/NAREIT Index series has established itself as the leading benchmark for real estate investors and the derivatives market. The design, testing and management of the emerging series are in line with the methodology behind the existing developed series, enabling investors to also track the high growth markets. The Business Sector and Investment Focus version of the emerging series are calculated real-time and also now available.

Ali Zaidi
EPRA Researcher

Ali joined the research team in October 2007. Ali has been developing the emerging market indices for the FTSE EPRA/NAREIT Global Real Estate Index, and was instrumental in preparing the EPRA's European Corporate Governance report. Ali holds an MSc in International Finance from the University of Amsterdam.

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REITS ACROSS THE GLOBE

Matthias Roche

The proponents of the US-REIT could not have expected that this legal structure with its specific and special tax attributes for an indirect investment in real estate would become the blue-print and benchmark for REIT structures around the globe.

The US Congress created the US Real Estate Investment Trust (REIT) in 1960, by introducing specific REIT-related provisions in the US tax code. But the main growth of the US-REIT began early to mid-1990s, which means that almost 30 years had passed before investors from the US and beyond were truly aware of the vehicle. Only then did it become a mainstream investment sector. One can clearly say that the expansion and development of REITs in the US, as well as the specialisation in specific real estate segments such as office, shopping centers, hotels and resorts, residential and even prisons, has been one of the major drivers for the establishment of REITs outside of the US.

Looking at the success of the introduction of REITs in many countries around the globe, EPRA decided in 2003 to publish its first *Global REIT Survey*. When EPRA approached Ernst & Young in 2007 to assume the 'editor' role for the publication, and to pull together the REIT-related content from the countries where the structures had been established, it was with the aim of issuing the survey on an annual basis. This was to be the central point of reference for any interested parties; such as investors, advisors, analysts and regulators.

After the inclusion of newly established REIT regimes in Dubai, Germany, Italy and the UK in the 2007 survey, the 2008 issue contains draft REIT regimes for India and the Philippines. It can be expected that the legislation process in these countries will come to a successful conclusion in 2009.

Furthermore, the Luxembourg SIF system is included. Although, in our view this is not a fully-fledged, true REIT system, it has many important similarities, and so makes a justified entry in the survey. In total, the 2008 survey lists 34 REIT countries - three more than in 2007. As a reader, you will find in the survey a detailed analysis of each REIT regime by country. A separate quick-reference table summarises the main characteristics of each REIT structure.

REIT overview

Taking a high level view of the 34 REIT countries, the following key findings can be noted.

Regarding the structure of a REIT, it is interesting to see that in almost all of the countries which were analysed, a REIT either has a corporate structure (16 countries) or a trust structure (9 countries). Five countries allow for both types of a REIT. Only four countries offer a fund-type REIT structure.

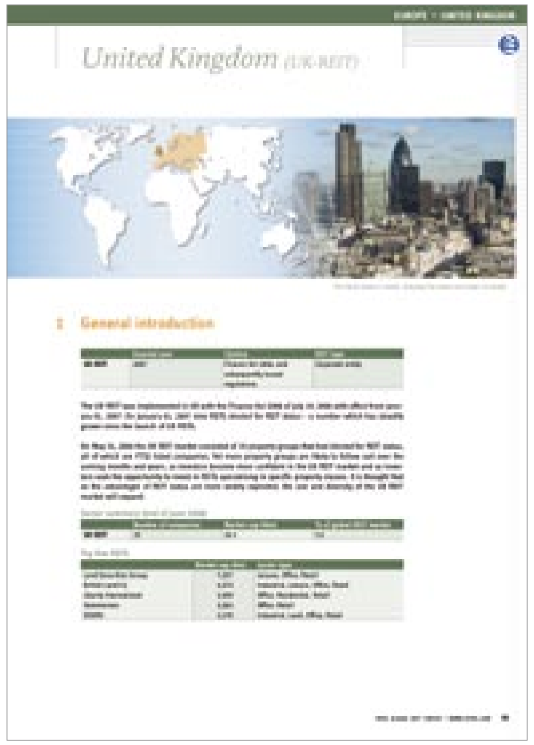
Looking at REITs from a regional perspective, the trust-type REIT structure can be found predominantly in Asia, Oceania and Southern Africa, whereas the corporate-type REIT structure is the more preferred version in the US and in Europe. Interestingly, during its legislative process, the UK clearly moved against the trust model, and voted for the pure corporate structure.

Regarding the shareholder requirements, only in seven countries are there no requirements regarding the type or number of shareholder and/or the percentage of shareholding. Most legislators either introduced certain shareholding percentage requirements or thresholds for capital markets, or for tax reasons, respectively. In three countries, certain types of investors (e.g. construction companies) are even barred from becoming REIT shareholders.

The issue of 'public versus private' has caused heated discussions, e.g. with the legislators in the UK and Germany. This issue is proving highly controversial, in particular if a country is in the process of introducing a REIT regime on its territory. Many legislators are concerned that private REITs could be used by large institutional investors as their own tax avoidance facility - and this is not being viewed favourably.

The survey shows that a little more than half of the countries analysed require a listing of their REIT, and only 15 countries (such as the US, Japan, and Australia) refrain from a listing at a stock exchange.

The share capital requirements range between no requirements at all (ten countries) to six countries which require a share capital over EUR 10 million.



Many of the REIT countries follow the 75/75/90 'golden rule' for REITs; i.e., they have an asset test (75% - or any other percentage - of the REIT's assets must consist of qualifying assets), they have an income test (75% - or a different amount - of the REIT's income must be generated from such assets) and also a distribution test (90% - or any other percentage - of the income must be distributed in a pre-defined time period).

Since the core characteristic of a REIT is its focus on real estate investments and real estate-related activities (some countries also allow an investment in mortgage and other real estate-specific debt instruments), the majority of the REIT laws contain an asset test of 75% for qualifying assets. This figure varies from 50% to 100%. A small number of countries disallow an investment in a certain type of real estate (e.g. Germany for pre- January 01, 2007 residential properties) or in foreign real estate (e.g. Bulgaria). As regards the income test, there are six countries with a clearly stated percentage of 75% (which in two cases rises to 80% and 90%), while the others link the income requirement to the asset requirement.

It is interesting to see that only three countries allow the REIT to perform non-real estate-related activities (both in regard to the assets and the income test) within the remaining range of 25% percentage. All other countries do not accept activities which are not real estate-related.

The other main characteristic of the REIT is its tax exemption. A REIT is generally exempted from domestic corporate taxation on its qualifying REIT income - provided such income is regularly distributed to the REIT shareholders, who are liable to tax on it. To avoid any 'tax planning' and tax deferral with REITs, the REIT laws in most countries require a distribution of 90% (this varies among countries) of the REIT's income in the year following the year of income generation. The countries which do not have the 90% requirement only grant the REIT tax exemption to the extent that the income is distributed. Only two countries do not have any distribution requirement. It is interesting however, to note that since the publication of the EPRA *Global REIT Survey*, the Spanish Government have published its own, fast-tracked, legislation for a REIT-like regime which features a reduced rate of corporation tax rather than a tax-exemption for real estate income. The draft regime still includes a distribution obligation but is not a 'flow-through' vehicle along the lines of the generally accepted REIT concept.

Only in seven countries are there no requirements regarding the type or number of shareholder

Wide acceptance and clarity

In summary, originating in the US in 1960, REIT structures have developed relatively consistently and homogenously around the globe. Investors can be sure, if an investment structure contains the 'REIT' label, it is a REIT and follows the globally-known basic features of a REIT - including an asset and income test, and a distribution requirement.

REITs are a highly interesting vehicle for an indirect investment in real estate both for retail and institutional investors. In general, they →

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Matthias joined the tax profession in 1974 and became a tax partner in 1983. He specialised, amongst other topics, on structuring inbound and outbound real estate transactions, and he advised on the German REIT legislation. He was the head of the EPRA Tax Committee until 2008 and is now a member, and he chairs the tax group of the German Property Federation (ZIA).

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allow the investor a combination of the tax benefits of a direct investment in real estate with the liquidity benefits of a share investment in a listed company. They follow a globally accepted structural pattern, so that an investor knows what he is dealing with. As academic research and analysis show, REITs consistently provide diversification benefits to a mixed-asset portfolio, and they are particularly attractive to investors with a longer holding period in mind. REITs sit between the broad equity and fixed-income sectors, with both risk and return measures lying in between those of stocks and bonds.

REITs have been and will remain an attractive investment structure for real estate investments - also in times of financial crisis and turbulent markets. As experience shows, the present downturn will be followed by an upward cycle, and EPRA will continue to monitor the legislative developments in the REIT sector and publish the results annually in its Global REIT Survey. We will be happy to join in that task going forward.

Looking to 2009 - there will be many more REIT developments. For example, we should see the introduction of REITs in Spain and possibly China. Then there's the EU situation which will stimulate the market; a common understanding between the member states about how to deal tax-wise with the investment in domestic real estate by a REIT from another member state. But for now, a word of sincere thanks goes to EPRA, and in particular to its Director of Finance Gareth Lewis, and to all the contributing persons and parties. Lastly, thanks go to my two Frankfurt collaborators, Tim Hackemann and Helge Schubert. This survey is truly a team effort.

FOCUSING ON SPANISH REITS

EPRA took part in a Spanish REIT gathering in Madrid in January, to consider the status of the new Spanish SOCIMI legislation and the implications for the Spanish real estate market. There were over 200 attendees at the seminar, which included participation from representatives of the Spanish and UK Treasuries, property companies, investors, advisors and academics.

EPRA CEO Philip Charls moderated a panel discussion entitled "REITs - International Experiences", which considered the role of REITs and listed property in a broader context as a widely accessible, liquid and transparent means of investing in professionally managed real estate. The session then went on to consider the experiences from recently-introduced REIT markets and implications for the new Spanish SOCIMI regime.

The panelists included David Raw from the UK Treasury's REIT department, Jean-Michel Gault, CFO and Board member of French REIT Klépierre, EPRA's Director of Finance Gareth Lewis and EPRA's Research Director Fraser Hughes.

After a presentation by Fraser Hughes on the global REITs market and the outlook for listed real estate in general, Gareth Lewis gave an overview of developments in the European REIT market including taxation, financial reporting and transparency. David Raw from the UK Treasury then presented the UK REIT experience from the government's perspective; including motivations for introducing the regime, the consultation process with industry, perceived successes and problems and priorities for future development. Jean-Michel Gault then presented Klépierre's, and the French industry's, experiences of what is largely seen as one of the more successful and progressive REIT regimes in Europe.

The seminar also included a summary of feedback provided to EPRA on the new SOCIMI regime from REIT experts at Ernst & Young, KPMG, Deloitte, PwC and Baker & McKenzie.

Key points that came out of the session included the following:

- The new SOCIMI legislation presents a huge opportunity for the Spanish government to attract global capital into the Spanish market when it emerges from the global financial crisis.
- The Spanish SOCIMI as currently drafted may present an alternative investment vehicle for certain investors/companies, but does not stand up as a competitive investment vehicle when compared to the global REIT context.
- Key concerns with the regime include the overly restrictive qualifying conditions covering: asset type, gearing and the distribution obligation; the fact that 18% corporate tax differentiates the SOCIMI from the broadly accepted view of a REIT as a tax transparent, 'flow-through' vehicle; and, the need to hold assets developed by the REIT for seven years to qualify for tax-efficient treatment.
- The expectation is that these qualifying conditions will be eased slightly to accommodate normal commercial activities over the course of the development of the draft legislation.
- A united industry speaking with one voice during consultations with government is essential for the efficient development of sound REIT legislation.
- Critical factors for a successful REIT regime are flexibility to allow REITs' management to respond to commercial rather than tax drivers, the early adoption of 'target market', momentum through flexibility and continuous adaptation of the rules, and certainty around the stability of the basic regime.
- REIT legislation tends to be developed by taxation departments with government organisations who are driven by a need to protect tax revenues at all costs - this can sometimes lead to overly-restrictive legislation which appears to be a current concern with the Spanish regime.

While the general view of the current draft of the SOCIMI legislation was rather gloomy, (a point reiterated by Manual Lido of Metrovecasa and others during the seminar), Philip Charls concluded the event by noting that experience showed that draft legislation usually undergoes significant improvements both during development and following implementation. It is clear that a long-term opportunity exists for the Spanish market to devise a REIT structure that will attract both local and foreign investment. Let's hope that the Spanish Treasury takes note of the comments from the local players and leans on the experiences of the UK and French market to create a competitive and investable vehicle.

Fraser Hughes is Research Director at EPRA. He held a number of investment-related positions in the City of London before relocating to the Netherlands. He holds an MSc in Investment Management and a BA in Finance. He is a regular speaker at real estate related conferences and writes for a broad range of publications.

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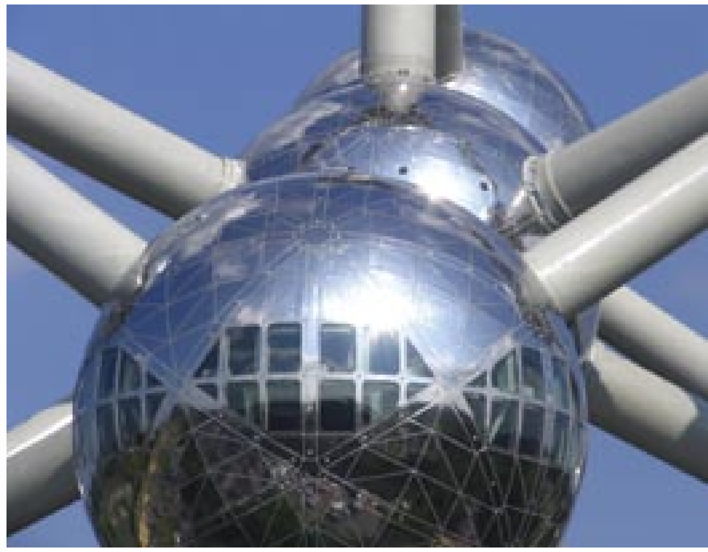
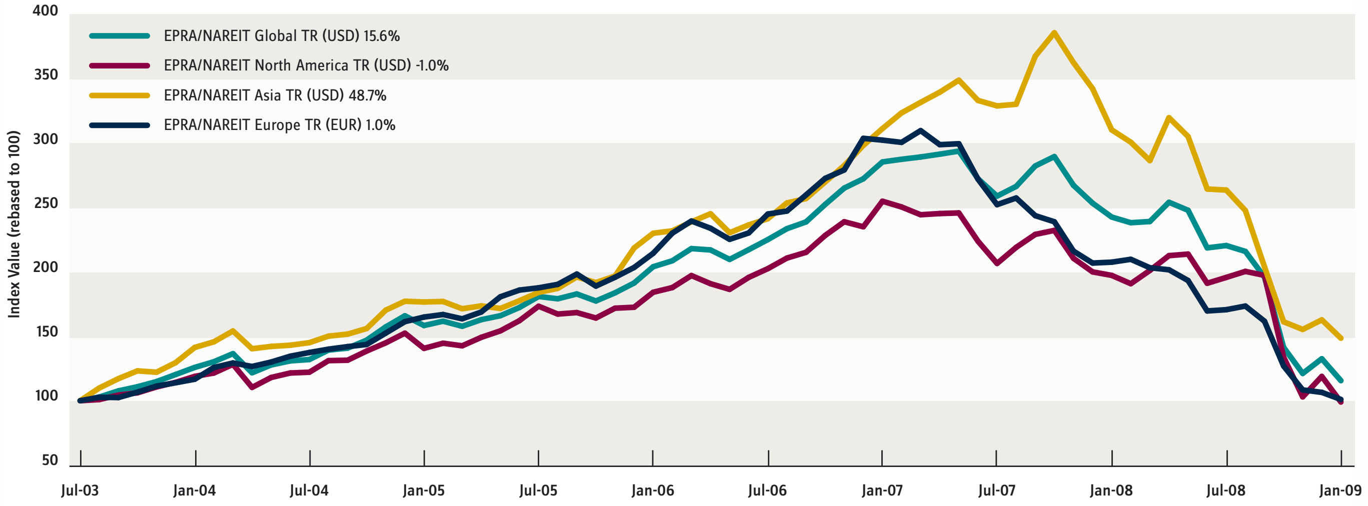


FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES

GLOBAL



Top 5 and Bottom 5 Performers

Company	Country	Investment Focus	Sector	Price Rtn (%) 30 Jan	Total Rtn (%) 30 Jan	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
↑ Conwert Immobilien	Austria	Non-Rental	Residential	46.88	46.88	46.88	-56.48	-31.85	0.00
↑ Maguire Properties Inc. *	USA	Rental	Office	42.47	42.47	42.47	-92.46	-46.14	0.77
↑ Minerva	UK	Rental	Diversified	37.04	37.04	37.04	-86.74	-60.02	0.00
↑ Beni Stabili	Italy	Rental	Office	24.95	24.95	24.95	-4.62	-8.27	0.05
↑ Ashford Hospitality *	USA	Rental	Lodging/Resorts	23.48	23.48	23.48	-67.20	-32.95	0.59
↓ SL Green Realty *	USA	Rental	Office	-39.34	-39.34	-39.34	-80.53	-34.64	0.10
↓ Pennsylvania Real Estate *	USA	Rental	Retail	-40.54	-40.54	-40.54	-74.82	-34.80	0.51
↓ Babis Vovos	Greece	Rental	Diversified	-40.85	-40.85	-40.85	-72.02	-25.78	0.00
↓ Unite Group	UK	Rental	Specialty	-56.24	-56.24	-56.24	-80.03	-43.12	0.04
↓ Workspace Group *	UK	Rental	Office	-65.59	-63.13	-63.13	-90.67	-51.73	0.21

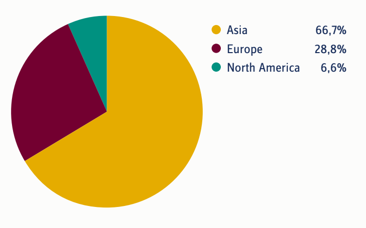
Top 10 on Market Cap

Company	Country	Investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
1 Sun Hung Kai Props	Hong Kong	Non-Rental	Diversified	13,160	4.781	8.359	-52.459	-1.410	0.036
2 Westfield Group *	Australia	Rental	Retail	11,510	4.182	-7.027	-29.162	-3.717	0.089
3 Mitsubishi Estate	Japan	Non-Rental	Diversified	10,824	3.932	-16.310	-56.489	-22.857	0.013
4 Mitsui Fudosan	Japan	Non-Rental	Diversified	9,113	3.311	-18.549	-50.206	-20.651	0.017
5 Unibail-Rodamco *	France	Rental	Diversified	8,554	3.108	0.427	-29.033	0.070	0.068
6 Simon Property Group *	USA	Rental	Retail	7,573	2.751	-19.104	-46.662	-13.843	0.084
7 Public Storage *	USA	Rental	Self Storage	6,161	2.239	-22.176	-17.466	-1.851	0.036
8 Vornado Realty Trust *	USA	Rental	Diversified	6,089	2.212	-15.808	-40.752	-11.600	0.075
9 Equity Residential Props *	USA	Rental	Residential	5,033	1.829	-19.752	-30.874	-11.376	0.081
10 Nippon Building Fund *	Japan	Rental	Office	4,605	1.673	0.000	-16.967	1.813	0.044

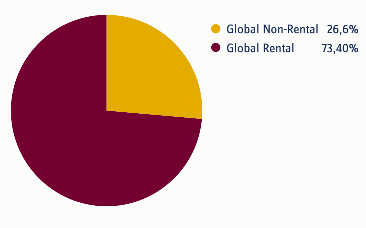
Indices

Index Description	Market Cap (EUR m)	Close Value 30 Jan	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
EPRA/NAREIT Europe TR (EUR)	46,356.21	1,279.68	-5.17	-51.41	-22.24	7.93
EPRA/NAREIT Asia TR (USD)	147,962.53	1,312.86	-8.77	-52.18	-13.58	6.04
EPRA/NAREIT North America TR (USD)	145,376.29	1,743.83	-16.77	-49.91	-18.74	9.22
EPRA/NAREIT Global TR (USD)	35,2743.98	1,521.10	-12.86	-52.42	-17.29	7.67

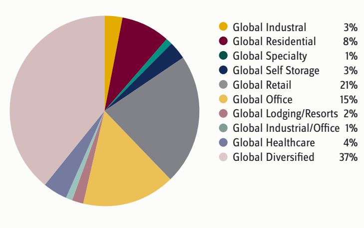
Regional Breakdown by Market Cap



Investment Focus Market Cap Breakdown

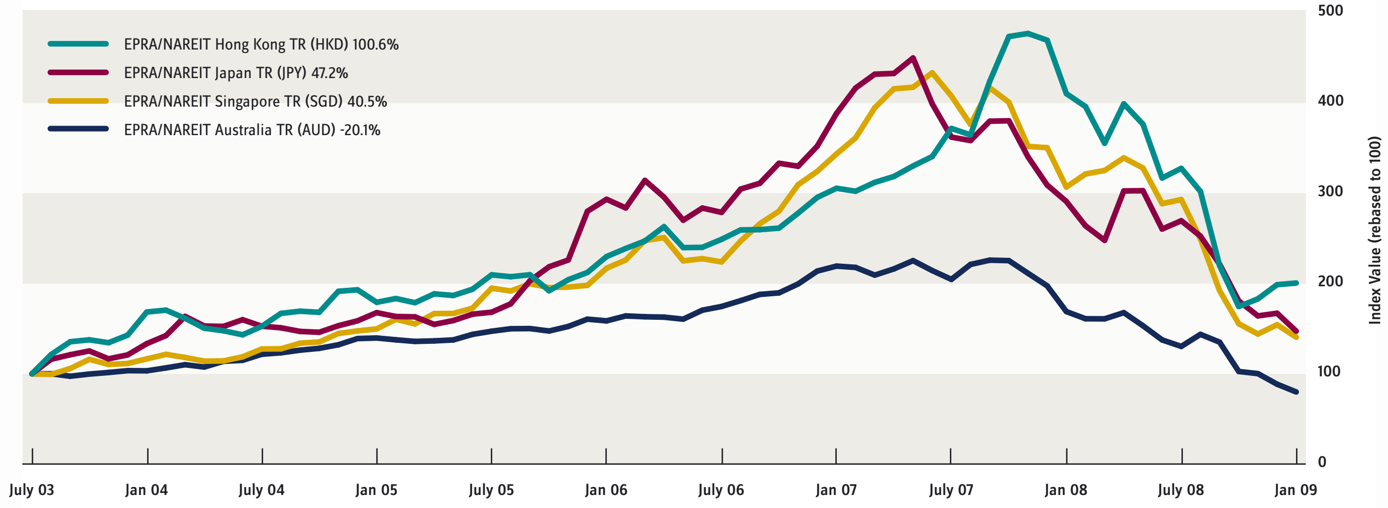


Sector Breakdown



FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES

ASIA



Top 5 and Bottom 5 Performers

Company	Country	Investment Focus	Sector	Price Rtn (%) 30 Jan	Total Rtn (%) 30 Jan	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
↑ Link REIT *	Hong Kong	Rental	Retail	14.84	14.84	14.84	-21.04	3.74	5.38
↑ Kowloon Dev	Hong Kong	Non-Rental	Residential	14.38	14.38	14.38	-77.55	-14.93	20.06
↑ Mapletree Logistics Trust *	Singapore	Rental	Industrial	10.00	14.17	14.17	-33.68	-9.38	18.81
↑ CapitaCommercial Trust *	Singapore	Rental	Office	6.70	13.20	13.20	-48.80	-6.09	11.52
↑ Japan Prime Realty Inv. *	Japan	Rental	Office	11.99	11.99	11.99	-25.28	-5.87	5.86
↓ Tokyo Tatemono	Japan	Non-Rental	Office	-23.57	-23.57	-23.57	-63.80	-32.21	4.87
↓ Agile Property Holdings	Hong Kong	Non-Rental	Diversified	-24.50	-24.50	-24.50	-59.65	-2.00	13.90
↓ Aeon Mall Co Ltd	Japan	Rental	Retail	-26.65	-26.65	-26.65	-53.22	-22.22	1.59
↓ Cmnwealth Prop Office *	Australia	Rental	Office	-27.12	-27.12	-27.12	-31.51	-3.81	10.70
↓ ING Office Fund *	Australia	Rental	Office	-38.89	-38.89	-38.89	-52.71	-15.30	20.91

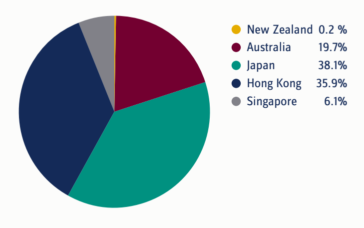
Top 10 on Market Cap

Company	Country	Investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
1 Sun Hung Kai Props	Hong Kong	Non-Rental	Diversified	13,160	4.78	8.36	-52.46	-1.41	3.57
2 Westfield Group *	Australia	Rental	Retail	11,510	4.18	-7.03	-29.16	-3.72	8.85
3 Mitsubishi Estate	Japan	Non-Rental	Diversified	10,824	3.93	-16.31	-56.49	-22.86	1.32
4 Mitsui Fudosan	Japan	Non-Rental	Diversified	9,113	3.31	-18.55	-50.21	-20.65	1.68
5 Nippon Building Fund *	Japan	Rental	Office	4,605	1.67	0.00	-16.97	1.81	4.36
6 Sumitomo Realty & Dev	Japan	Non-Rental	Diversified	4,372	1.59	-19.56	-58.89	-25.50	1.89
7 China Overseas Land	Hong Kong	Non-Rental	Residential	4,043	1.47	-3.71	-20.14	38.53	1.25
8 Hang Lung Properties	Hong Kong	Non-Rental	Diversified	3,709	1.35	5.70	-39.18	8.95	3.71
9 Henderson Land Dev	Hong Kong	Non-Rental	Diversified	3,256	1.18	5.05	-53.15	-4.79	3.65
10 Link REIT *	Hong Kong	Rental	Retail	3,161	1.15	14.84	-21.04	3.74	5.38

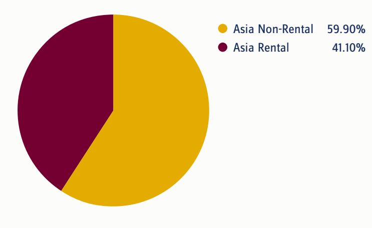
Indices

Index Description	Market Cap (EUR m)	Close Value 30 Jan	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
EPRA/NAREIT Australia TR (AUD)	45,853.02	1,112.52	-9.72	-52.73	-20.45	13.36
EPRA/NAREIT Hong Kong TR (HKD)	411,580.29	1,303.77	0.93	-51.13	-4.45	4.44
EPRA/NAREIT Japan TR (JPY)	5,064,477.54	1,564.50	-11.88	-49.39	-20.53	3.26
EPRA/NAREIT Singapore TR (SGD)	13,551.85	811.39	-9.00	-54.22	-13.48	9.15

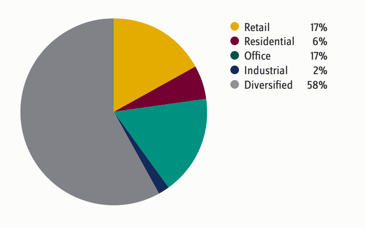
Country Breakdown by Market Cap



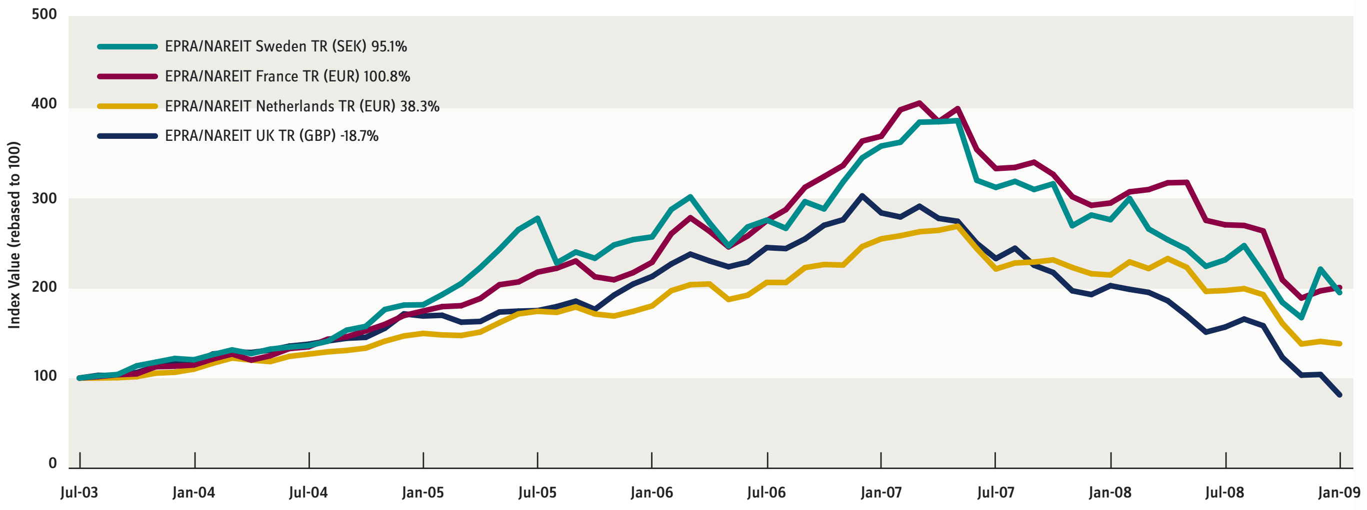
Investment Focus Market Cap Breakdown



Sector Breakdown



FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
EUROPE



Top 5 and Bottom 5 Performers

	Company	Country	Investment Focus	Sector	Price Rtn (%) 30 Jan	Total Rtn (%) 30 Jan	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
↑	Conwert Immobilien	Austria	Non-Rental	Residential	46.88	46.88	46.88	-56.48	-31.85	0.00
↑	Minerva	UK	Rental	Diversified	37.04	37.04	37.04	-86.74	-60.02	0.00
↑	Beni Stabili	Italy	Rental	Office	24.95	24.95	24.95	-4.62	-8.27	5.17
↑	Vastned Offices/Ind *	Netherlands	Rental	Office	20.99	20.99	20.99	-49.80	-16.60	20.48
↑	Renta Corp Real Estate SA	Spain	Non-Rental	Diversified	20.65	20.65	20.65	-76.25	-NA-	19.09
↓	Vivacon AG	Germany	Non-Rental	Residential	-36.92	-36.92	-36.92	-77.05	-56.63	20.33
↓	ING UK Real Estate Income Trust	UK	Rental	Diversified	-37.78	-37.78	-37.78	-74.76	-33.44	44.29
↓	Babis Vovos	Greece	Rental	Diversified	-40.85	-40.85	-40.85	-72.02	-25.78	0.00
↓	Unite Group	UK	Rental	Specialty	-56.24	-56.24	-56.24	-80.03	-43.12	3.91
↓	Workspace Group *	UK	Rental	Office	-65.59	-63.13	-63.13	-90.67	-51.73	21.46

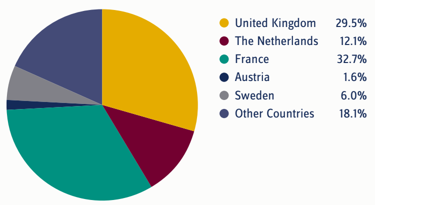
Top 10 on Market Cap

	Company	Country	Investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
1	Unibail-Rodamco *	France	Rental	Diversified	8,554	3.11	0.43	-29.03	0.07	6.75
2	Land Securities *	UK	Rental	Diversified	3,608	1.31	-25.14	-52.64	-19.50	9.43
3	British Land *	UK	Rental	Diversified	2,603	0.95	-16.18	-51.61	-22.79	8.01
4	Corio *	Netherlands	Rental	Retail	2,254	0.82	1.92	-29.69	-3.35	7.76
5	Klepierre *	France	Rental	Retail	1,553	0.56	7.72	-42.46	-0.70	6.51
6	PSP Swiss Property	Switzerland	Rental	Office	1,549	0.56	-6.74	-15.49	-0.58	4.88
7	Liberty International *	UK	Rental	Retail	1,521	0.55	-22.02	-57.31	-20.81	9.10
8	Hammerson *	UK	Rental	Retail	1,325	0.48	-24.16	-61.76	-22.54	6.88
9	Icade	France	Rental	Diversified	1,239	0.45	5.88	-26.53	-NA-	5.16
10	Wereldhave *	Belgium	Rental	Diversified	113	0.04	10.37	10.62	-6.78	7.17

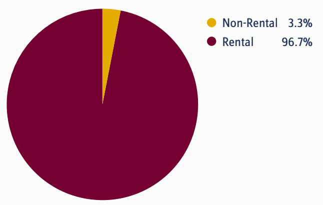
Indices

Index Description	Market Cap (EUR m)	Close Value 30 Jan	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
EPRA/NAREIT UK TR (GBP)	12.,164.71	1,064.36	-21.83	-59.94	-27.48	8.57
EPRA/NAREIT Netherlands TR (EUR)	5,593.63	2,043.91	-1.78	-35.64	-8.48	9.21
EPRA/NAREIT France TR (EUR)	15,162.89	2,751.93	1.88	-31.91	-4.28	7.38
EPRA/NAREIT Sweden TR (SEK)	29,612.28	3,031.56	-11.80	-29.39	-8.79	9.65

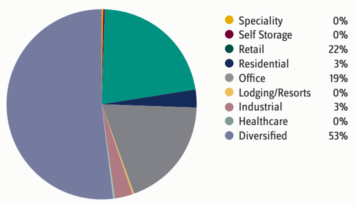
Country Breakdown by Market Cap



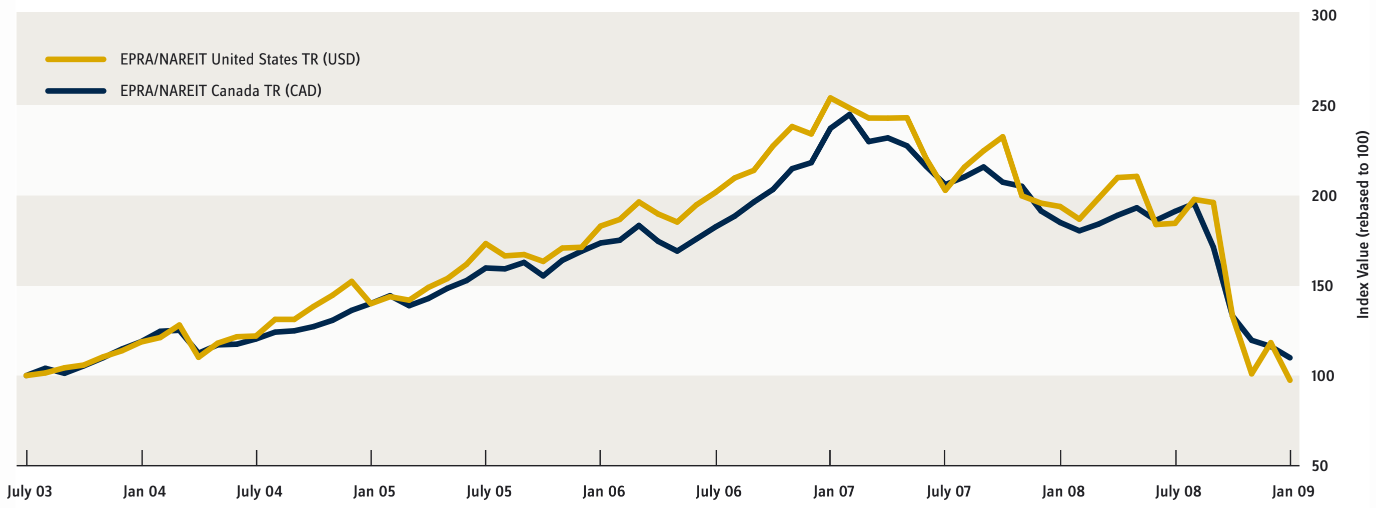
Investment Focus Market Cap Breakdown



Sector Breakdown



FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
NORTH AMERICA



Top 5 and Bottom 5 Performers

	Company	Country	Investment Focus	Sector	Price Rtn (%) 30 Jan	Total Rtn (%) 30 Jan	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
↑	Maguire Properties Inc. *	USA	Rental	Office	42.47	42.47	42.47	-92.46	-46.14	76.92
↑	Ashford Hospitality *	USA	Rental	Lodging/Resorts	23.48	23.48	23.48	-67.20	-32.95	59.15
↑	H & R Real Estate *	Canada	Rental	Diversified	9.26	10.07	10.07	-50.67	-18.53	8.85
↑	Riocan Real Estate *	Canada	Rental	Retail	6.44	7.28	7.28	-25.52	-6.74	9.49
↑	Boardwalk REIT *	Canada	Rental	Residential	4.58	5.16	5.16	-28.23	12.99	6.73
↓	Kilroy Realty *	USA	Rental	Office	-31.68	-31.68	-31.68	-48.64	-24.13	10.15
↓	Glimcher Realty Trust *	USA	Rental	Retail	-34.16	-34.16	-34.16	-78.81	-37.56	69.19
↓	CBL & Associates Props *	USA	Rental	Retail	-37.38	-37.38	-37.38	-77.14	-38.15	36.36
↓	SL Green Realty *	USA	Rental	Office	-39.34	-39.34	-39.34	-80.53	-34.64	9.55
↓	Pennsylvania Real Estate *	USA	Rental	Retail	-40.54	-40.54	-40.54	-74.82	-34.80	51.47

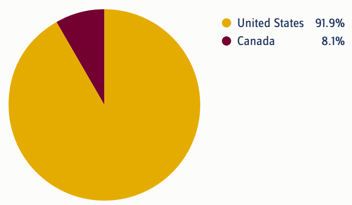
Top 10 on Market Cap

	Company	Country	Investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
1	Maguire Properties Inc. *	USA	Rental	Office	42.47	42.47	42.47	-92.46	-46.14	76.92
2	Ashford Hospitality *	USA	Rental	Lodging/Resorts	23.48	23.48	23.48	-67.20	-32.95	59.15
3	H & R Real Estate *	Canada	Rental	Diversified	9.26	10.07	10.07	-50.67	-18.53	8.85
4	Riocan Real Estate *	Canada	Rental	Retail	6.44	7.28	7.28	-25.52	-6.74	9.49
5	Boardwalk REIT *	Canada	Rental	Residential	4.58	5.16	5.16	-28.23	12.99	6.73
6	Kilroy Realty *	USA	Rental	Office	-31.68	-31.68	-31.68	-48.64	-24.13	10.15
7	Glimcher Realty Trust *	USA	Rental	Retail	-34.16	-34.16	-34.16	-78.81	-37.56	69.19
8	CBL & Associates Props *	USA	Rental	Retail	-37.38	-37.38	-37.38	-77.14	-38.15	36.36
9	SL Green Realty *	USA	Rental	Office	-39.34	-39.34	-39.34	-80.53	-34.64	9.55
10	Pennsylvania Real Estate *	USA	Rental	Retail	-40.54	-40.54	-40.54	-74.82	-34.80	51.47

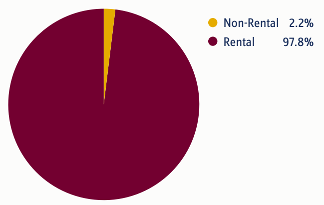
Indices

Index Description	Market Cap (EUR m)	Close Value 30 Jan	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
EPRA/NAREIT Canada TR (CAD)	14,539.70	1,951.92	-5.41	-40.59	-14.14	10
EPRA/NAREIT United States TR (USD)	133,649.31	1,717.38	-17.62	-49.73	-18.95	9.15

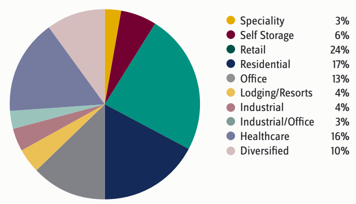
Country Breakdown by Market Cap



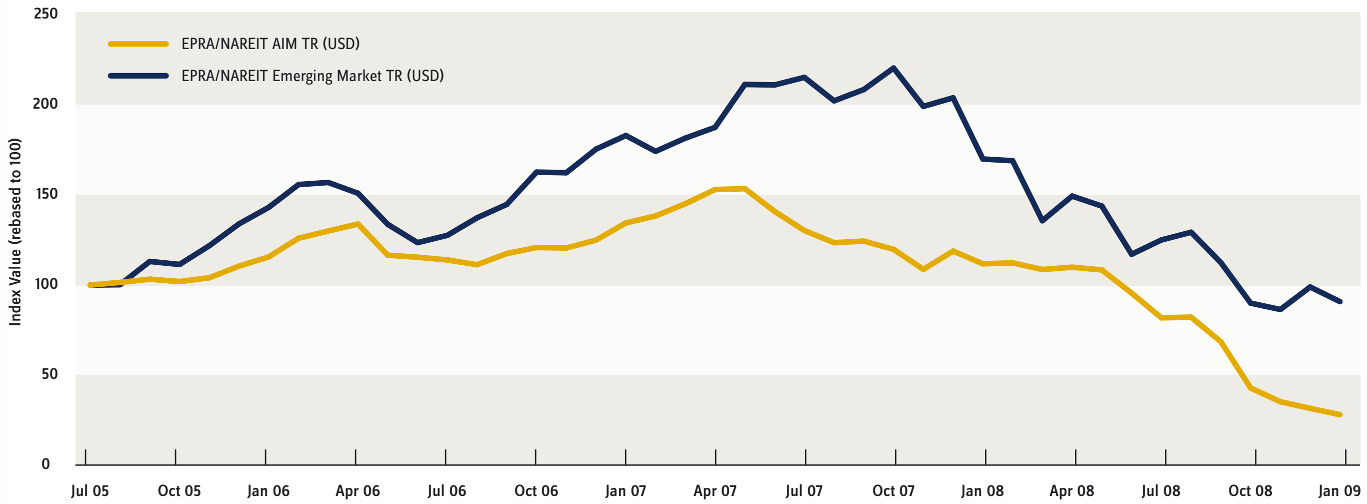
Investment Focus Market Cap Breakdown



Sector Breakdown



FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
EMERGING MARKETS



Top 5 and Bottom 5 Performers

Company	Country	Investment Focus	Sector	Price Rtn (%) 30 Jan	Total Rtn (%) 30 Jan	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
↑ Ciputra Develop	Indonesia	Non-rental	Diversified	46.74	46.74	46.74	-62.50	-10.06	0.00
↑ BR Malls Participacoes S/A Ord	Brazil	Rental	Retail	18.68	18.68	18.68	-40.98	-NA-	0.00
↑ YTL Land & Development BHD	Malaysia	Non-rental	Residential	17.89	17.89	17.89	-55.20	-7.17	0.00
↑ Is Gayrimenkul Yatirim Ortak	Turkey	Non-rental	Diversified	17.14	17.14	17.14	-38.73	-28.65	6.10
↑ Jinqiao Export Processing (B)	China	Rental	Residential	15.62	15.62	15.62	-60.70	5.00	2.81
↓ Guangzhou R&F Properties (H)	China	Non-rental	Diversified	-23.98	-23.98	-23.98	-66.75	-4.24	6.98
↓ Sare Holding S.A. de C.V.	Mexico	Non-rental	Residential	-26.87	-26.87	-26.87	-83.83	-45.11	0.00
↓ BSEL Information Systems	India	Non-rental	Diversified	-29.37	-29.37	-29.37	-82.30	-34.72	4.95
↓ Consorcio Ara	Mexico	Non-rental	Residential	-31.43	-31.43	-31.43	-67.76	-27.04	4.33
↓ DLF	India	Non-rental	Diversified	-37.19	-37.19	-37.19	-77.96	-NA-	2.27

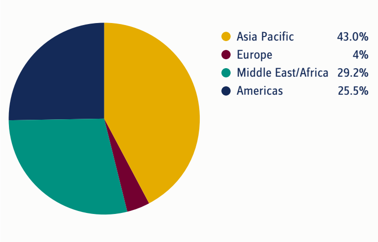
Top 10 on Market Cap

	Company	Country	Investment Focus	Sector	Market Cap (EUR m)	(%) Weight	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
1	Growthpoint Prop Ltd	South Africa	Rental	Diversified	1,563.73	8.68	-3.27	-NA-	-NA-	7.24
2	Cyrela Brazil Realty S/A Empreendimentose e Participacoes Or	Brazil	Non-rental	Diversified	830.43	4.61	1.09	-NA-	-NA-	2.25
3	Shenzhen Vanke (B)	China	Non-rental	Residential	792.64	4.40	0.17	-NA-	-NA-	1.16
4	SP Setia	Malaysia	Non-rental	Diversified	719.70	4.00	6.45	-NA-	-NA-	4.93
5	Lippo Karawaci	Indonesia	Non-rental	Diversified	683.15	3.79	3.75	-NA-	-NA-	0.00
6	Guangzhou R&F Properties (H)	China	Non-rental	Diversified	632.31	3.51	-23.98	-NA-	-NA-	6.98
7	Desarrolladora Homex SA de CV	Mexico	Non-rental	Residential	627.01	3.48	-12.02	-NA-	-NA-	0.00
8	DLF	India	Non-rental	Diversified	624.13	3.47	-37.19	-NA-	-NA-	2.27
9	Ayala Land	Philippines	Non-rental	Diversified	536.90	2.98	-1.56	-NA-	-NA-	0.95
10	Gafisa	Brazil	Non-rental	Residential	523.01	2.90	11.53	-NA-	-NA-	1.78

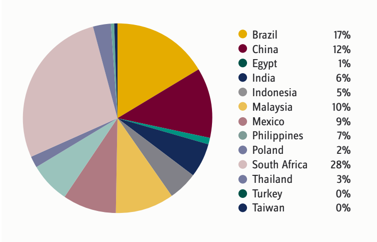
Indices

Index Description	Market Cap (EUR m)	Close Value 30 Jan	Total Rtn (%) YTD	Total Rtn (%) -1Y	Total Rtn (%) -3Y	Div Yld (%) 30 Jan
EPRA/NAREIT Emerging Market TR (USD)	18,012.04	998.91	-0.42	-54.73	-13.14	4.35
EPRA/NAREIT AIM TR (USD)	7,740.23	1,090.71	-0.42	-60.42	-0.46	3.87

Regional Breakdown by Market Cap



Global Breakdown by Country



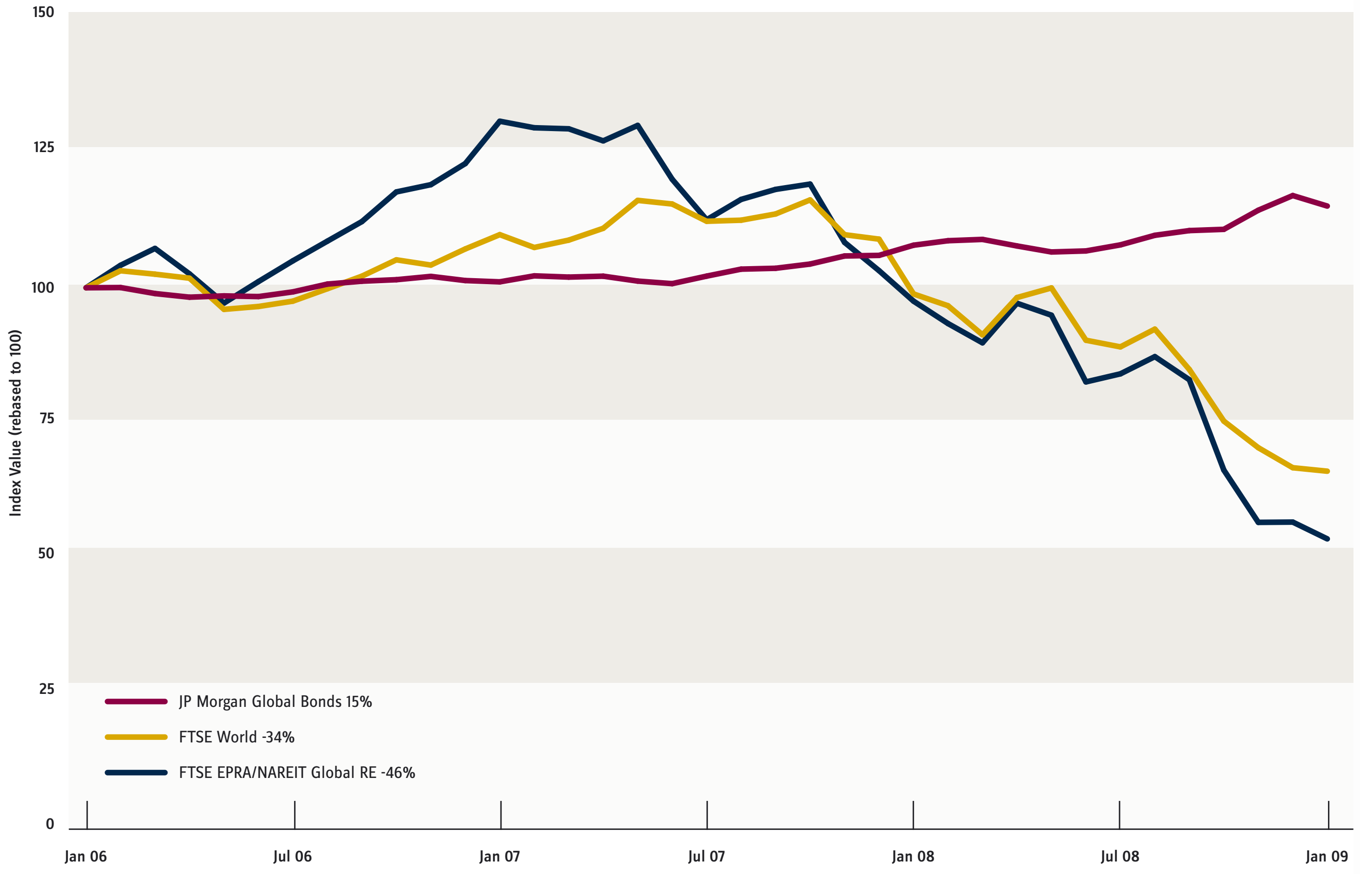
FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
TOTAL MARKET

Total Market

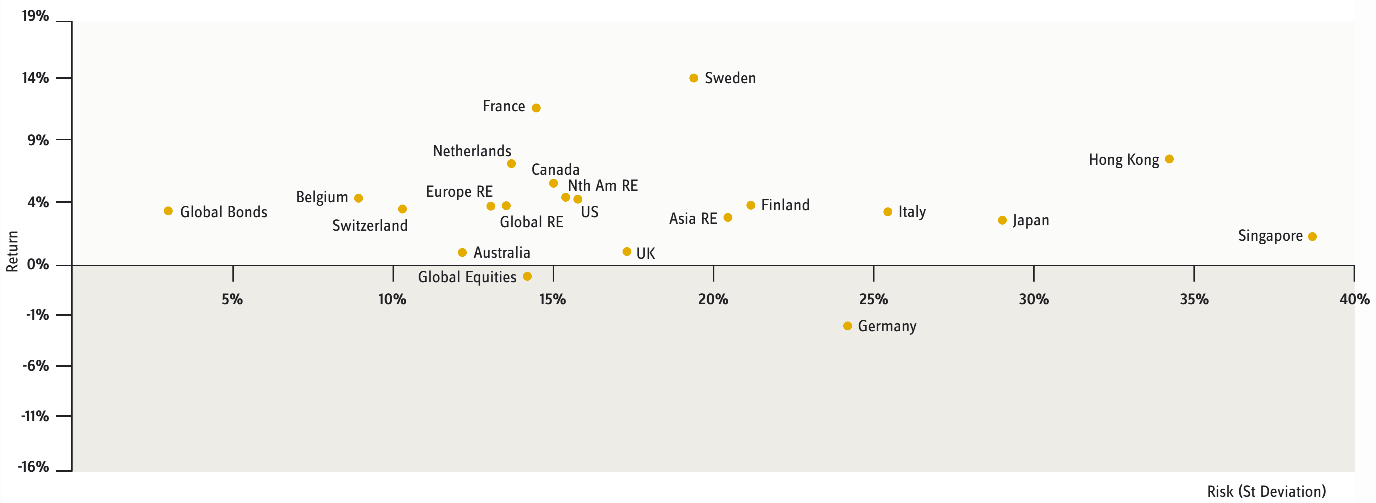
Countries	2007 GDP ($ Bn)	2007 GDP per capita ($)	2007 Real Estate ($ Bn)	30-Jan-09 Total Listed ($ Bn)	30-Jan-09 Total RE v Listed RE (%)	30-Jan-09 Stock Market ($ Bn)	30-Jan-09 Stk Mkt v Listed RE (%)
Japan	4,432	34,803	1,994	164.0	8.22%	3,057	5.36%
Hong Kong/China	2,943	2,254	640	169.0	26.42%	3,173	5.33%
South Korea	881	18,259	384	1.0	0.26%	456	0.22%
India	975	916	157	8.0	5.10%	601	1.33%
Australia	740	37,173	333	114.0	34.22%	567	20.10%
Taiwan	340	14,965	139	5.0	3.59%	348	1.44%
Indonesia	366	1,533	70	0.1	0.20%	87	0.16%
Thailand	212	3,265	52	4.0	7.68%	96	4.19%
Malaysia	159	6,760	50	0.7	1.40%	179	0.39%
Singapore	140	32,242	126	42.0	33.24%	236	17.83%
New Zealand	115	28,774	58	3.2	5.40%	20	16.11%
Pakistan	127	804	20	-	0.00%	45	0.00%
Philippines	121	1,407	23	4.0	17.74%	49	8.19%
Vietnam	62	749	9	-	0.00%	-	0.00%
Total Asia-Pacific	**11,613**	**19,015**	**4,056**	**515.0**	**12.70%**	**8,913**	**5.78%**
Germany	3,019	36,632	1,359	16.0	1.18%	972	1.65%
United Kingdom	2,466	40,915	1,387	60.0	4.33%	1,876	3.20%
France	2,333	38,607	1,050	59.0	5.62%	1,268	4.65%
Italy	1,925	33,155	866	6.0	0.69%	470	1.28%
Spain	1,269	31,494	571	18.0	3.15%	541	3.33%
Russia	1,026	7,024	326	5.0	1.54%	227	2.20%
Netherlands	687	42,098	309	11.0	3.56%	191	5.75%
Switzerland	389	52,272	175	7.0	3.99%	755	0.93%
Belgium	408	39,412	184	6.0	3.27%	160	3.75%
Sweden	399	44,435	180	14.0	7.79%	237	5.91%
Turkey	558	8,098	186	-	0.00%	108	0.00%
Austria	338	41,303	152	8.0	5.27%	83	9.65%
Poland	357	9,236	124	6.0	4.84%	70	8.63%
Norway	339	74,194	153	3.0	1.96%	144	2.08%
Denmark	282	52,090	127	2.0	1.58%	137	1.46%
Greece	320	30,025	144	2.2	1.53%	81	2.70%
Ireland	226	57,037	102	2.1	2.06%	37	5.63%
Finland	220	42,111	99	3.0	3.04%	137	2.20%
Portugal	201	19,143	89	-	0.00%	70	0.00%
Czech Republic	146	14,233	59	-	0.00%	37	0.00%
Hungary	121	12,108	46	0.3	0.56%	15	1.78%
Romania	130	5,824	39	0.5	1.29%	9	5.29%
Ukraine	112	2,302	25	-	0.00%	23	0.00%
Slovakia	60	11,176	22	-	0.00%	6	0.00%
Slovenia	40	19,884	18	-	0.00%	10	0.00%
Luxembourg	42	91,320	19	-	0.00%	14	0.00%
Bulgaria	33	4,419	9	-	0.00%	5	0.00%
Total Europe	**17,448**	**34,557**	**7,818**	**229.1**	**2.93%**	**7,682**	**2.98%**
Egypt	109	1,474	21	11.0	53.51%	115	9.59%
Israel	146	21,417	67	4.1	6.17%	168	2.47%
Morocco	66	2,150	14	2.3	16.44%	87	2.69%
South Africa	258	5,338	75	8.6	11.55%	406	2.12%
Total Africa/Middle East	**579**	**30,379**	**177**	**26.1**	**14.80%**	**776**	**3.37%**
Mexico	831	7,920	275	0.1	0.04%	210	0.05%
Brazil	1,089	5,915	326	0.7	0.21%	628	0.11%
Argentina	221	5,650	65	0.6	0.92%	336	0.18%
Venezuela	187	7,472	61	-	0.00%	13	0.00%
Colombia	144	3,401	36	-	0.00%	70	0.00%
Chile	143	9,018	49	0.3	0.61%	143	0.21%
Peru	94	3,429	24	-	0.00%	46	0.00%
Total Latin America	**2,709**	**6,559**	**836**	**1.7**	**0.20%**	**1,448**	**0.12%**
United States	13,119	44,770	5,904	356.0	6.03%	9,726	3.66%
Canada	1,238	38,070	557	37.0	6.64%	975	3.79%
Total Nth America	**14,357**	**44,193**	**6,460**	**393.0**	**6.08%**	**10,701**	**3.67%**
World	**46,706**	**-**	**19,347**	**1,164.9**	**6.02%**	**29520**	**3.95%**

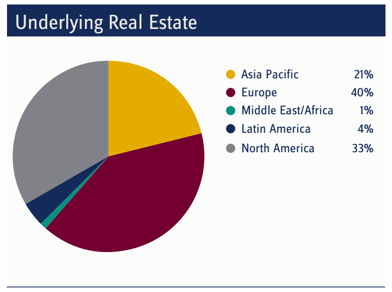
FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDICES
TOTAL MARKET

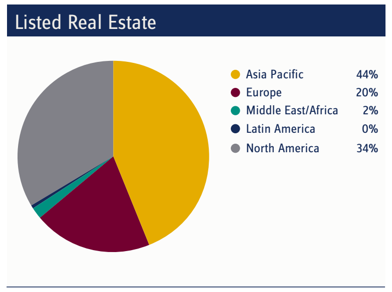
Global Real Estate vs Equities & Bonds



Rolling 10 Years Risk/Return Profiles Local Currencies - Countries







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