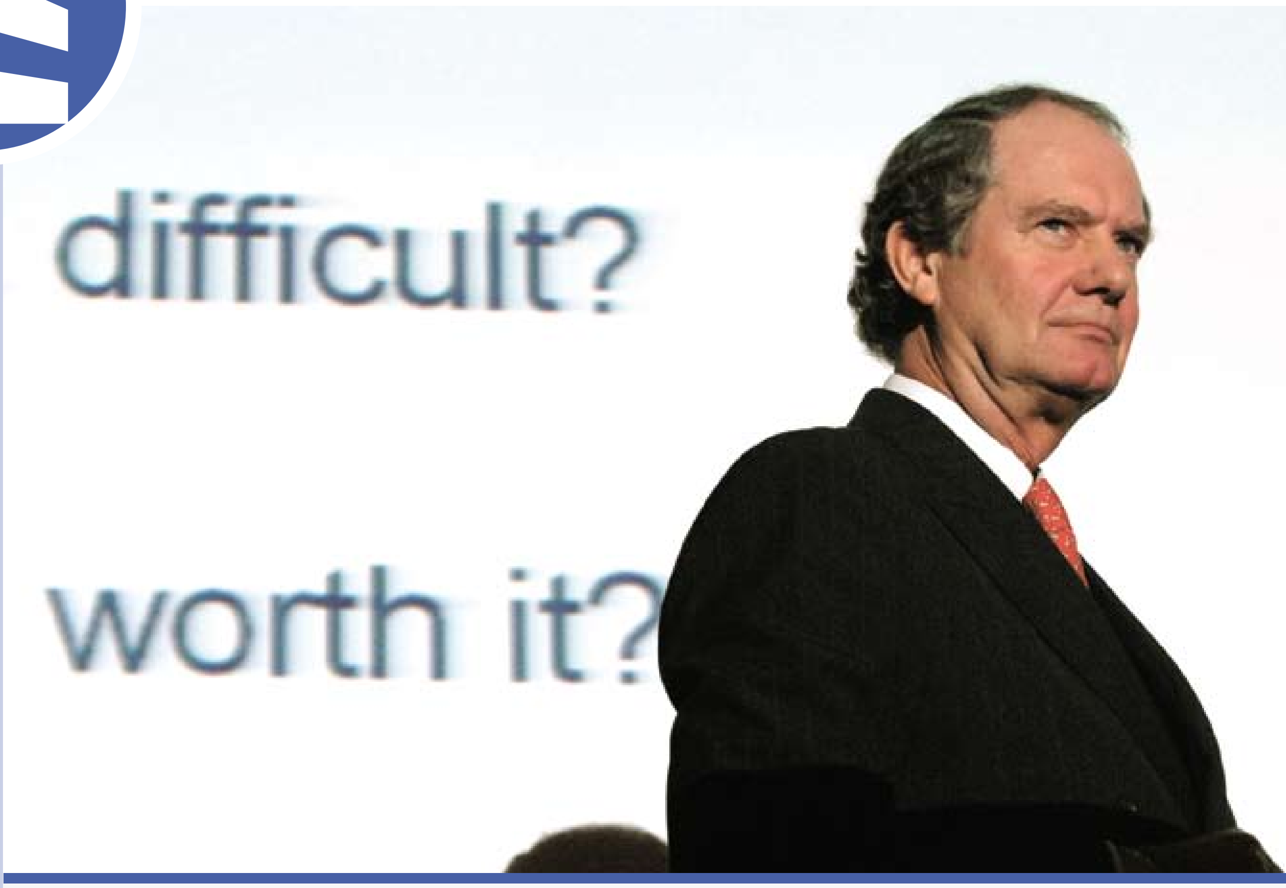
EPRA News

ISSUE 23



GUEST EDITOR Judi Seebus

EPRA NEWS - ISSUE 23

EPRA MEMBERS

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

AUSTRIA
- CA Immobilien Anlagen
- conwert Immobilien Invest
- Immoeast
- Immofinanz Immobilien Anlagen
- Meinl European Land
- Warimpex

BELGIUM
- Befimmo
- Cofinimmo
- ING Real Estate Capital Advisors
- Leasinvest Real Estate
- Solvay Business School

BRITISH VIRGIN ISLANDS
- Dolphin Capital Investors

CANADA
- Oxford Properties Group
- Presima (CDP Capital)

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

FRANCE
- Acanthe Developpement
- Affine
- AXA REIM France
- BNP Paribas
- E.M.G.P.
- Foncière des Régions
- Foncière Paris France
- Gecina
- ICADE
- Klépierre
- Mercialys
- Orco Property Group
- Silic
- Société de la Tour Eiffel
- Société Foncière Lyonnaise
- Société Générale
- Unibail
- Université Paris Dauphine

GERMANY
- Alstria Office
- Beiten Burkhardt
- Colonia Real Estate
- RREEF Investment
- Deutsche Euroshop
- Deutsche Wohnen
- DIC Asset
- Eurocastle Investment
- GBWAG Bayerische Wohnungs-Aktiengesellschaft
- Heitman
- HSH Nordbank
- HypoVereinsbank
- IRE|BS Immobilienakademie
- IVG Immobilien
- PATRIZIA Immobilien
- POLIS Immobilien
- Real Estate Management Institute at the European Business School
- Rothschild
- SEB Asset Management
- TAG Tegernsee
- Viterra
- Vivacon
- WestLB

GREECE
- Babis Vovos – International Construction Group
- Eurobank Properties REIC
- Lamda Development

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

ICELAND
- Glitnir Bank

ISRAEL
- Gazit-Globe

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

NETHERLANDS
- ABN-AMRO Asset Management
- ABP Investments
- AMB Property Europe
- Amsterdam School of Real Estate
- Bouwfonds Asset Management
- BPF Bouwinvest
- CB Richard Ellis
- CITCO
- Clifford Chance
- Cordares Real Estate
- Corio
- Deloitte Real Estate
- Doctors Pension Funds
- 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
- Philips Pension Fund
- PricewaterhouseCoopers
- ProLogis
- Redevco Europe Services
- Rodamco Europe
- Spazio Investment
- SPF Beheer
- University of Maastricht
- VastNed Group
- Wereldhave

NORWAY
- Norwegian Property

RUSSIA
- Eastern Property Holdings
- Sistema Hals

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

SPAIN
- Inmobiliaria Colonial
- Inst. de Practica Empresarial
- Metrovacesa
- Parquesol Inmobiliaria y Proectos
- Renta Corporación Real Estate
- Reyal Urbis
- TESTA (Grupo Sacyr Vallehermoso)

SWEDEN
- Aberdeen Property Investors
- Castellum

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

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

UNITED KINGDOM
- Allco Finance
- AMP Captial Redding Investors
- Asset Value Investors
- Barclays Global Investors
- BDO Stoy Hayward
- Big Yellow Group
- Berwin Leighton Paisner
- British Land
- Brixton
- Cambridge Place IM
- Capital & Regional
- Cass Business School
- Citigroup
- Credit Suisse First Boston
- Derwent London
- Deutsche Bank
- Dresdner Kleinwort
- DTZ International
- EuroHypo
- Fortress
- Goldman Sachs
- Grainger Trust
- Hammerson
- Helical Bar
- Henderson Global Investors
- Hines Europe
- Invista Real Estate IM
- JPMorgan
- JPMorgan Cazenove
- Land Securities
- Lehman Brothers
- Liberty International
- Linklaters
- M3 Capital Partners
- Macquarie Real Estate
- Mapeley Estates
- Merrill Lynch
- Morgan Stanley
- Morley Fund Management
- Moody's Investors Service
- Nabarro Nathanson
- Principal Global Investors
- Prudential Property IM
- Quintain Estates & Development
- Safestore
- Schroders
- Shaftesbury
- SEGRO
- Speymill Group
- Standard Life Investments
- Thames River Capital
- UBS Investment Bank
- UK Balanced Property Trust
- UK Commercial Property Trust
- University of Cambridge, Dept. of Real Estate
- University of Reading, Centre for Real Estate Research
- Westfield Group
- Workspace Group

USA
- Archstone-Smith
- AEW Capital Management
- Cherokee INvestement Services
- Cohen & Steers Capital Mgmt
- Cornerstone Real Estate Advisors
- European Investors
- Fidelity Mgmt & Research
- Forum Partners IM
- Franklin Templeton Investments
- GEM Realty Capital
- Green Street Advisors
- ING Clarion Real Estate Securities
- Kensington Investment Group
- Mercury Partners
- MIT Center for Real Estate
- The Ohio State University
- Taberna Realty Finance Trust
- Real Foundations
- Russell Investment Group
- Simon Property Group
- SNL Financial
- The Tuckerman Group
- The Wharton School, Zell-Lurie Real Estate Center, Univ. of Pennsylvania

October 2007, issue 23

CREDITS

GUEST EDITOR
Judi Seebus, PropertyEU Magazine

ARTICLE CREDITS
Hans Bruggink, EPRA
Steve Hays, Bellier Financial
Harm Meijer, JP Morgan
Graeme Newell, University of Western Sydney
Matthias Roche, Ernst & Young
Steve Sakwa, Merrill Lynch
Sandra Steel, FTSE
Ian Tabor, LIFFE
Nick Tyrrell, JP Morgan
Mark Wist, PIR (Australia)
Rebecca Worthington, Quintain Estates

DESIGN & LAYOUT
LenShape creative products – info@lenshape.nl
Marek maakt *grafische ontwerpen*
mm@marekmaakt.nl

PRINTING
Smiet-Offset BV, Den Haag

FROM EPRA

Welcome to the 23rd edition of EPRA News

EPRA's 8th annual conference in the Hotel Grande Bretagne, Athens, was on the whole successful. Following the late arrival of the Greek Minister and a little reshuffling of the Best Annual Report ceremony and the first panel session moderated by Ian Hawksworth, things went more smoothly thereafter. Delegates appreciated the setting and the networking opportunities coupled with opportunity to listen to quality speakers. We have already begun work on next years conference which will not be held in Dublin, as previously announced, due to capacity issues. We will announce the new venue as soon as it has been arranged. This issue sees the retirement of CEO Nick van Ommen and the start of Philip Charls' term as EPRA's CEO. We would like to wish Nick all the best in his retirement and wish Philip every success in his new role.

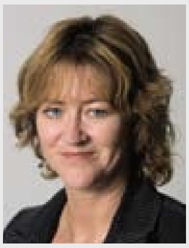
As always, we would like to encourage members to get involved with the publication and come forward with suggestions for contributions and articles. We must ensure the newsletter is both topical and interesting for the reader.

Please send your comments and suggestions to: info@epra.com

CONTENTS

By: Judi Seebus
Editor-in-chief of PropertyEU

EPRA takes leave of a die hard diplomat



Judi Seebus
Editor-in-chief of PropertyEU

Judi Seebus is editor-in-chief of PropertyEU. Prior to this, she worked at Het Financieele Dagblad, the Netherlands' leading financial newspaper where she was a news and business reporter. For the last five years, she reported on the construction and real estate sector.

PropertyEU is Europe's leading commercial real estate publisher. The monthly magazine and daily digital newsletter provide news, cross-border deals, research and analysis about the European real estate sector. For more information, go to www.propertyeu.info

→ Information
PropertyEU Magazine
P.O. Box 75485
1070AL Amsterdam
Netherlands

+31 (0)20 575 3317
www.propertyeu.info

One of the things that has intrigued me about Nick van Ommen's career at EPRA is how he managed to convince everybody – including the highly professional and demanding British players – that they actually needed the organisation. An insider I spoke to said he did this by going a level higher than the board members themselves and talking with the clients of the listed companies. Others say he had the necessary diplomatic skills to keep his hands clean during the inevitable jousting that took place between the different members – the investors, the banks, the listed companies themselves – while also managing to steer cultural and national differences into the right channels. In this context, Nick's corporate experience at Rank Xerox and ABN Amro no doubt stood him in good stead at critical moments and gave him the necessary independence and distance to act as a good arbiter.

Nick's appointment as CEO of EPRA in May 2000 followed an initiative by a couple of heavyweights in European real estate, people like Leon Bressler from Unibail and Patrick Sumner of Henderson, to set up a European organisation along the lines of NAREIT in the US. These companies and others like Hammerson and Morgan Stanley put some money on the table and asked Nick whether he'd be interested in getting EPRA off the ground. The rest is history. But it was not all plain sailing. Nick himself confesses he knew nothing about real estate when he started his new job at the helm of EPRA - which raised a few eyebrows in some corners of the European real estate world. But he considered this an advantage. 'I could ask any question I wanted and I also had a fresh take on things,' he said in his final interview with me for PropertyEU magazine.

The first time I met Nick van Ommen was in the summer of 2006. Nick had actually been planning to step down shortly after the EPRA conference in Budapest in that year, but agreed to stay on for another 12 months as a successor had not yet been found. Our first meeting took place just a stone's throw away from PropertyEU's head office at the WTC in Amsterdam. A ten-minute train trip to EPRA's own head office at the WTC at Amsterdam Schiphol Airport and I was being offered tea by a seasoned traveller who was even able to commiserate with me on the terribly long flight back to my home country Australia.

During that interview, Nick dwelled for some time on EPRA's Asian counterpart APREA. The Asian organisation was founded in Singapore shortly after he held a speech for a group of Asian investors during a conference on Australia's Gold Coast in October 2003. As the discussion progressed, I realised Nick's span of influence reached far beyond EPRA and the boundaries of Europe. Midway through the conversation, Nick started lecturing me on the benefits of, and obstacles to, real estate investment trusts. I left the WTC at Amsterdam Schiphol Airport with a perception of Nick in one of his many guises: as a tireless proponent of a pan-European REIT regime.

Nick's successor Philip Charls plans to follow in his footsteps and promote the further expansion of REIT regimes in Europe. Other priorities include the tax harmonisation of GAAP and IFRS between the US and Europe and the launch of derivatives on the FTSE/EPRA NAREIT Global Real Estate Index. But it will be difficult to step into Nick's shoes, Charls confessed at the last EPRA conference in Athens in early September. By all accounts, that trepidation is justified. 'Nick has been terrific for EPRA as he has taken the organisation to a world class position as Europe's voice of listed real estate,' says Ian Coull, CEO of Segro. Coull is echoed by several other leading figures in the listed European real estate world. 'Nick has played a leading role in the expansion of the REIT system throughout Europe,' says Guillaume Poitrinal, CEO of Europe's largest listed company Unibail-Rodamco. 'Thanks to him, a few others and EPRA, there is a real recognition of our sector within the investor community.'

Others point out that when Nick started at EPRA, the body was nothing more than a grand vision which for a while looked like it would fail to get off the ground. 'Now it is a thriving organisation representing a thriving industry,' says Edmund Crasten, European

Head of Real Estate at Lehman Brothers. 'Nick has not only presided over this transformation, but his energy, commitment and organisation have been hugely important in making it possible.' Karl Petrikovics, CEO of Vienna-based Immoeast, likewise believes Nick has been the driving force for a number of major developments such as the EPRA index and the EPRA-NAREIT Global Real Estate Index as well as other innovations which have transformed EPRA into an effective and well-respected association representing virtually all major players in the European real estate industry. 'For a successful organisation it is not enough to have just a CEO. It needs an enthusiastic leader with a clear vision, plenty of energy, diplomatic abilities and, last but not least, sometimes seemingly endless patience. This is exactly what EPRA got with Nick van Ommen.'

Edmund Crasten recalls that Nick took EPRA from near insolvency to financial surplus. 'He also chased and chivvied to get memberships in, cajoled members into participating in conferences and committees, traipsed around the world to represent the sector at conferences and cocktail parties and helped make EPRA an organisation which really matters in the real estate world. The success of the EPRA conference also testifies to Nick's achievement. Originally it was a small event for die-hards only. Now it is a top-notch conference attended by the leaders of the listed real estate industry in Europe.'

Nick will possibly also be remembered as the man who had trouble kicking off his corporate shoes. At the outdoor dinner at the Zappion in Athens in early September, Nick told the assembled members of the European real estate world that he had actually planned to take early retirement eight years ago. Nick was travelling around the world then with his wife on an extended trip which was meant to mark the end of a hectic corporate career. Then one day, his wife asked him whether he was maybe too young to stop working. Nick realised that he was in fact still restless and subsequently entered into talks with several head hunters 'to do something totally different.'

As Nick's retirement from EPRA finally approaches, his wife need not worry he will be sitting twiddling his thumbs 'behind the geraniums' as they say in Dutch. Nick is taking on an interim post at the Netherlands-based Euro American Investors Group following the unexpected death of founding director Herman Bessem. He also plans to travel with his wife, sail and spend time with his grandchildren. In between he will continue to travel around Europe as he serves on the supervisory boards of various real estate companies including IVG, Pirelli RE, Babis Vovos and PSP Property. No doubt, he will continue to carry the EPRA flag, if only in an unofficial capacity. To quote Patrick Sumner, head of property equities at Henderson, 'Nick is a tireless ambassador for the sector, and I am sure that he will continue to do the same for the companies of which he is on the board.' ◂

EPRA BOARD MEMBERS - OCTOBER 2008

Serge Fautré (Chairman)
Cofinimmo

EXECUTIVE BOARD	MANAGEMENT BOARD
Maryse Aulagnon *AFFINE*	**John Carrafiell** *Morgan Stanley*
Claus-Matthias Böge *Deutsche Euroshop*	**Richard Cotton** *JPMorgan Cazenove*
Nick Jacobson *Citigroup*	**Ian Coull** *SEGRO*
Peter Lowy *Westfield*	**Edmund Craston** *Lehman Brothers*
Olivier de Poulpiquet *Pirelli RE*	**Rupert Dickingson** *Grainger Trust*
Jim Rehlaender *European Investors Inc.*	**Piet Eichholtz** *Univ. of Maastricht*
Paul Rivlin *Eurohypo*	**Luciano Gabriel** *PSP Swiss Property*
Francis Salway *Land Securities*	**Hakan Hellström** *Castellum*
	Nancy Holland *ABN AMRO AM*
	Robert Kauffman *Fortress*
	Wolfhard Leichnitz *IVG Immobilien*
	Terry Olin *Eastern Property Holdings*
	Petri Olkinura *Citycon*
	Guillaume Poitrinal *Unibail-Rodamco*
	Paul Spijkers *ABP Investments*

In the news

EPRA's Travels

Not too much to report this time round. In fact, it was more a case of who came to see us . The whole EPRA team decamped to Athens for the 8th EPRA Annual Conference in September. The conference was fully subscribed with many people being turned away. Both Peter Mitchell and Steve Wechsler of our sister organizations APREA and NAREIT attended the conference. In addition, other industry partners such as Liz Peace from the British Property Federation (BPF), Jim Fettgatter of Association of Foreign Investors in Real Estate (AFIRE), Trevor Cooke of the Property Council of Australia (PCA) and Michael Brookes of the Real Property Association of Canada (RealPAC) all made their presence felt. The support shown by the other industry organizations is an example of how the sector is pulling together and tackling various issues with a common voice.

FTSE EPRA/NAREIT Developments

ETF Recap:	
Barclays iShares	**Ticker**
FTSE EPRA/NAREIT Global Property Yield	(IWDP LN Equity)
FTSE EPRA/NAREIT United States Property Yield	(IUSP LN Equity)
FTSE EPRA/NAREIT UK Property Yield	(IUKP LN Equity)
FTSE EPRA/NAREIT Europe Property Yield	(IPRP LN Equity)
FTSE EPRA/NAREIT Asia Property Yield	(IASP LN Equity)

AXA – EasyETF	Ticker
FTSE EPRA/NAREIT Global Real Estate Fund	(EEEW GR Equity)
FTSE EPRA/NAREIT Europe Fund	(EEEP GR Equity)
FTSE EPRA/NAREIT Eurozone Fund	(EEE FP Equity)

First Trust	Ticker
FTSE EPRA/NAREIT Global Real Estate Fund	(FFR US Equity)

FTSE EPRA/NAREIT Global Real Estate Index - Takeovers since July 2007

Date	Target	Country	Acquired by
2 July	Innkeepers USA Trust	USA	Grand Prix Acquisition Trust
2 July	Winston Hotels Inc.	USA	Inland America Real Estate
9 July	Macquarie Prologis Trust	Australia	Prologis USA
16 July	Rodamco Europe	Netherlands	Unibail-Rodamco
20 July	Highland Hospitality Corp.	USA	JE Roberts Companies
1 Aug	Spirit Finance Corp.	USA	Redford Holdco LLC
6 Aug	Crescent Real Estate Corporation	USA	Morgan Stanley Real Estate
20 Aug	Diamond City	Japan	Aeon Mall Co
29 Aug	Investa Property Group	Australia	Morgan Stanley Real Estate
7 Sep	Freeport	UK	CEREP
17 Sep	Keops	Denmark	Fasteignafelagid Stodir
19 Sep	Legacy Hotels REIT	Canada	LGY Acquisition LP
1 Oct	Canadian Hotel Trusts	Canada	British Columbia Investment Management
5 Oct	Republic Property Trust	USA	Liberty Property Trust
8 Oct	Archstone-Smith	USA	River Holding

EPRA Membership hits 215

Membership numbers continue to rise. Since the last edition in June we have welcomed 17 new members from no fewer than 12 different countries. New members for this period are: Aberdeen Property Investors (Sweden), AL Qudra Real Estate (UAE), Dolphin Capital Investors (Greece), Dresdner Kleinwort (UK), Fortress (UK), Glitnir Bank (Iceland), Green Street Advisors (US), ICADE (France), ING Real Estate Capital Advisors (Belgium), Institute de Practica Empresarial (Spain), Macquarie Real Estate (UK), MAF Investments (UAE), POLIS Immobilien (Germany), Prudential Property Investment Management (UK), Real Estate Management Institute at the European Business School (Germany), Strategic Capital Management (Switzerland) and Stockland (Australia). A full membership list is located on page 2 of the newsletter.

EPRA sees global coalition emerging over accounting rules

IFRS proposals that could mark a sea change in international accounting and financial reporting rules are drawing together the international listed real estate industry in an unprecedented coalition to influence their outcome and marks the real globalization of the sector, the European Public Real Estate Association (EPRA) says.

"The project being managed jointly by the U.S. Financial Accounting Standards Board (FASB) and the London-based International Accounting Standards Boards (IASB) has profound implications for the listed real estate industry. Unless we move now into a global coalition to influence the process we will be landed with completely different financial reporting statements from those we have been used to," Hans Bruggink, Director of Reporting Practices at EPRA said.

"At the moment you can see current assets and fixed assets, liabilities and equity clearly in a listed real estate company's accounts so you can calculate your ratios at one glance. Under the 'cohesive principle' in the new proposed rules you have to put financing in the financing part of the balance sheet and the industry's present practice of putting funds from operation and its financing in the business part of the P&L would not be allowed. Another example is commercial real estate properties that are rented to clients for say 5 or 10 years which would be considered financial assets and rents would be presented as interest and amortization of the lease contract." Bruggink said.

The industry absolutely does not like this because the value of real estate companies is all based on the visible net asset value of the real estate properties and its revenues.

The implications of the accounting boards' proposals have fired up the representative bodies for listed real estate around the world to form a united coalition, which will lobby the FASB and IASB to adopt standards that best match the operational realities of the real estate industry.

Alongside EPRA, APC, APREA, ARES, the BPF NAREIT, and REALpac, are all represented in the coalition, formed in 2006 and named Real Estate Equity Securities Alliance (REESA).

"We are working right now to get out a global profit and loss model in which our industry can focus on a metric that is very close to the adjusted EPRA Earnings Per Share model, but at the same time equals Funds From Operations as they know it in the U.S. and Canada. It's a P&L that looks a bit different from the present standards of IFRS, but we're going to the accounting boards in the autumn of this year to see if we can get recognition of this way of presenting performance," Bruggink said.

It is important the FASB and IASB realise the huge influence the real estate industry has in the global economic system in terms of investments by pension funds, insurance companies and public and private investors in the direct form, or indirectly via funds, equities and real estate bonds, as an alternative for shares, bonds and other securities.

"We have to use the time now to exert our influence. I think we've got until the end of 2008, to make a difference," Bruggink concluded. ◂

US Pension Funds look overseas

According to IPE Real Estate, CalPERS is considering increasing its presence in non-domestic real estate investments. The pension fund's current allocation to international real estate is 20% of its total real estate holdings. CalPERS could be thinking about increasing this to the 50% level. One of the major reasons CalPERS is considering expanding its global platform is that domestic US investments are not as strong on a comparative basis according to pension officials. The size of the current international real estate portfolio is in the region of US$4 billion. The pension fund also recognizes that the international expansion could mean setting up offices in London and Asia to oversee the broader range of investments.

On a similar theme, the Massachusetts Pension Reserves Investment Management Board (Mass PRIM) and Wisconsin State Investment Board have become the latest US pension funds to plan a Global REIT strategy. Mass PRIM approved a $200 million allocation for international real estate investments as a first step into the market. At the same time, Wisconsin is in the process of hiring two global REIT managers, each to receive an investment pot of $200 million. ◂

JPMorgan forecasts growth potential for European REITs at the EPRA annual conference

JPMorgan research presented at EPRA annual conference highlights the high growth potential for tax-efficient listed Real Estate Investment Trusts (REITs) in Europe. The research forecasts that €140 billion of new equity will be added to the European capital markets in the long-term.

"The introduction of REIT legislation in the major European markets and the increased availability of investment grade property from private property funds, corporates and governments are the driving forces behind this forecast expansion. Solid economic fundamentals and increasing investor allocations to real estate will further support this growth" said Harm Meijer, JPMorgan real estate equities analyst and author of the research with Tim Leckie, at EPRA's annual conference in Athens.

The second edition of EPRA's Global REIT Survey was also presented at the conference. The survey provides a comprehensive comparison of major REIT regimes around the world. "The survey builds significantly on the first edition published in 2004. A total of 31 countries in Europe, Asia, Africa and the Americas are covered. The survey stands to become the reference point for Global REIT information. As Europe continues to adopt REIT legislation this JP Morgan report points to exciting times ahead." EPRA Research Director Fraser Hughes commented.

REITs were firstly introduced in Europe in France in 2003. UK and Germany jurisdictions followed in 2007. According to EPRA, Europe accounts for 23% of the global REIT market capitalization estimated at €754 billion, despite having 42% of the world's underlying assets in the direct commercial property market. The small size of European listed real estate assets compared to total property stocks (5%) suggests great potential for growth. The proportion of real estate assets listed is 10% in North America, 13% in Asia-Pacific and 44% in Australia.

JPMorgan research forecasts that European non-listed property funds' termination will accelerate from 2009 when a total of €26.9 billion in gross assets will become available for potential listing on the equity markets. European corporate real estate portfolios are also expected to be another source of REITS. This research also suggests that the introduction of REITs will increase retail investors' ownership in UK and European REITS. Institutional allocations to property are also expected to increase sharply with asset allocation models pointing to an ideal of 15% of investment portfolios in bricks and mortar compared with a current average for European pension funds of just 6%, representing a potential minimum of €24 billion a year in new capital flows. ◂

→ **Media Contacts**

JPMorgan
Stefania Signorelli, tel: 44-(0)-20-7325-4874
stefania.signorelli@jpmorgan.com

EPRA
Fraser Hughes, tel: 31-(0)-20-405-3832
f.hughes@epra.com

Liffe launches futures on indices of real estate companies

At the EPRA Annual Conference in Athens, Liffe announced that it will launch on the Paris derivatives market two futures contracts on indices that track the performance of European real estate companies. The two new futures contracts are based on the FTSE EPRA/NAREIT Europe Index (EPRA) and the FTSE EPRA/NAREIT Euro Zone Index (EPEU) which are seen as benchmarks in Europe for investments in listed real estate companies.

The futures contracts are the first of their kind in Europe and complement Liffe's existing range of derivatives on national and pan-European equity indices. Interest in real estate linked financial instruments has grown significantly in Europe in recent years and a market has developed in OTC traded derivatives as well as ETFs, certificates and warrants.

Hugh Freedberg, Chief Executive of Liffe, said: "The contracts will provide a cost effective, simple and efficient way of gaining exposure to listed real estate companies across Europe. They can either be used to hedge a real estate exposure or to diversify an equity portfolio, as there is a low correlation to standard equity indices. Liffe is delighted to provide its customers with the very first European real estate futures."

Mark Makepeace, Chief Executive, FTSE Group said: "FTSE is delighted to license Liffe the use of the FTSE EPRA/NAREIT Index Series as the basis of new futures contracts. FTSE EPRA/NAREIT Series is firmly established as the global standard for real estate investing and it's great to see it being used to support the new property derivatives market too."

Nick van Ommen, ex-Chief Executive Officer of EPRA, said: "We believe the launch of Liffe's real estate futures contracts represents a major step in the evolution of the listed property market in Europe. This initiative puts real estate on an equal footing with the other core equity sectors and will contribute to the further development of a deep and liquid market in property stocks for investors."

Marcus Phayre-Mudge, Fund Manager, Thames River Capital, said: "This new development is very welcome. It will provide fund managers such as Thames River Capital with a further set of tools with which to shape our exposure to the market and to achieve our goal of continuing to maximize returns. We see the establishment of a fully-fledged futures market as a significant step forward in the development of the European real estate securities sector."

The indices represent general trends in eligible real estate equities and are made up of leading real estate / property companies. The indices provide a measure of the performance of these property companies and are a good proxy for direct real estate investments. ◂

EPRA Awards 2006

EPRA BEST ANNUAL REPORT AWARD 2006

From left to right: Bert Albers (Deloitte), Rebecca Worthington (Quintain Estates) and Johan van der Ende (PGGM)

During the EPRA annual conference in Athens, Johan van der Ende of PGGM presented Rebecca Worthington of Quintain Estates and Development, the EPRA Award for the Best Annual Report 2006 (BAR). It is the sixth time in EPRA's history this award has been presented. It is worth noting that in 2005 the main criteria of the award were amended. From 2005 onwards, the objective of the BAR Award is to identify the company which has shown the highest consistent relative improvement in the quality of their annual reporting. This is determined by increase in ranking. The individual scores of the companies over the last three years are taken into consideration. The annual reports that showed significant consistent improvements in quantitative and qualitative information over the years 2004, 2005, and 2006 competed for the BAR Award 2006.

In total 78 European real estate companies competed for the Award. All competing companies were constituents in the FTSE EPRA/NAREIT Europe Index. On the basis of various criteria – accounting principles and valuation issues relating to real estate as well as the extent of disclosure of additional information - Deloitte carried out the preliminary examination of all annual reports. Subsequently, five nominees were selected and presented to the 'Best Annual Report Committee' of EPRA for their final judgement. Chairman of

EPRA BEST PERFORMER AWARDS 2006

Robert La Fors of large cap sponsor LaSalle Investment Management presents the award to Wolfhard Leichnitz of IVG Immobilien for the second consecutive year.

Fraser Hughes (EPRA) accepts the Best Small/Mid Cap Performer Award 2006 on behalf of Marylebone Warwick Balfour from award sponsor Dick Boer of Kempen & Co.

The aim of the Best Performer Awards are to formally recognise the two companies in their individual market capitalisation size category which provided outstanding share price performance, due to impressive active management, while providing transparency to investors.

The independent Award Committee consists of representatives from both the buy-side and the sell-side. The Award Committee performed its analysis in total independence from EPRA. Kempen & Co and LaSalle provided valuable input in constructing the Award criteria.

In order to determine the size category for each constituent, the FTSE EPRA/NAREIT Europe Index is ranked based on free float market capitalisation size as at 31 December 2006. The index is then split into three sections based on free float market capitalisation size. The top third is classified large cap, this 6-strong European Committee is Bert Albers, Audit Partner at Deloitte. The Committee decided Quintain Estates and Development Plc was the real estate company which displayed the best improvement in its annual report over the past three years, while Land Securities Group scored highest in terms of absolute points.

According to the Committee, under chairmanship of Deloitte, Quintain Estates and Development Plc displayed over the last three years the most consistent improvement in disclosure. The 2006 report showed increased depth, extensive financial analysis and a quality operational review. In addition, the report disclosed information on NAV and EPS per share, plus the disclosure of the EPRA NAV. Furthermore, the report displayed extensive information on development projects and detailed information on the investment portfolio.

The Award, sponsored by Pension Fund and Institutional Investor PGGM, has the primary aim of assisting to push the industry forward by making the financial statements of public real estate companies in Europe clearer, more transparent and comparable across Europe. The Award also contributes to facilitate insight into, and comparison of, European public real estate companies for interested investors in Europe and beyond. ◂

Sponsor Descriptions

PGGM is responsible for the financial future of 2.1 million people and their families. The pension fund provides former and current employees in the healthcare and social work sector with a comprehensive and broad-ranging pension package. This is achieved by investing employer and employee contributions so that the investments generate optimum returns at acceptable levels of risk. The fund spreads its investments – both in the Netherlands and in the rest of the world – over equities, fixed-interest securities, real estate, private equity and commodities. PGGM has total pension capital of around €80 billion. This capital comprises pension contributions and investment returns and is used to pay pensions, both now and in the future.

Kempen & Co is an independent Dutch merchant bank providing various specialised financial services in asset management, corporate finance and securities brokerage. Clients include institutional investors, companies, financial institutions, public and semi-public institutions, foundations and high-net-worth private clients. One of Kempen & Co's specialisations is the field of European property securities. For more information, visit www.kempen.nl.

LaSalle Investment Management, Inc., a member of the Jones Lang LaSalle group (NYSE: JLL), is a leading global real estate investment manager with approximately $37 billion of assets under management. LaSalle Investment Management is active across a range of real estate capital and operating markets including private and public, debt and equity. For more information, visit www.lasalle.com.

the middle third – mid cap, and the final third – small cap. Following this ranking, any constituent without a three years track record in the index is then excluded.[1]

Therefore, the award criteria are as follows:

- Best absolute total return performance over 2006 in local currency
- Relative out-performance versus the country index in local currency for the past 3 years, so consistent performance is ensured
- Constituent of the EPRA/NAREIT Europe Index for the past three years
- EPRA membership is non-relevant
- Qualitative criteria such as corporate governance, liquidity and transparency are taken into account by the Award Committee

The winner of the EPRA Best Performer Large Cap Award 2006 – sponsored by LaSalle was IVG Immobilien (Germany). IVG Immobilien showed a total return in local currency of 82% in 2006. The winner of the EPRA Best Performer Small/Mid Cap Award 2006 – sponsored by Kempen & Co, was Marylebone Warwick Balfour (UK). Marylebone Warwick Balfour showed a total return in local currency of over 62% in 2006. The awards were presented to both IVG Immobilien and Marylebone Warwick Balfour during the EPRA conference. ◂

[1] The Best Performer Award Committee agreed that the 2007 award criteria will be adjusted to:
1 Exclude any FTSE EPRA/NAREIT Europe Index constituent without a three years track record, then;
2 Rank the remaining constituents on free float market capitalization and then split into three equal sections in absolute number terms to create the large, mid and small categories.
The result of this change will mean a fairer distribution of constituents across the three categories. The method used in the 2006 award saw a large proportion of constituents excluded at the small/mid cap category as the companies in this section tend to comprise the majority of index constituent turnover.

EPRA Best Annual Report Committee

- Bert Albers – Deloitte (Chairman)
- Wibo van Ommeren – Deloitte (Secretary to the Jury)
- Jeremy Anagnos – CB Richard Ellis Global Real Estate Securities
- Kanak Patel – University of Cambridge
- Ingemar Rindstig – Ernst & Young
- Hans Volkens – Beiten Burckhardt

EPRA Best Performer Award Committee

- Quentin Freeman – UBS (Chairman)
- John Hammond – RREEF
- Philippe Le Trung – Citigroup
- Michiel Te Paske – Morgan Stanley
- Paul van der Vaart – Morley Investment Management

By: Professor Graeme Newell
University of Western Sydney

Significance of sustainability by property companies

Graeme Newell
Professor at University of Western Sydney

Graeme Newell is professor of property investment at the University of Western Sydney. He is actively involved in property research and has strong links to the property industry, both in Australia and internationally. Professor Newell is a member of the EPRA Academic Circle and has previously prepared research reports for EPRA on the diversification benefits of European property stocks in portfolios.

→ Contact
Prof. Graeme Newell
University of Western Sydney
Locked Bag 1797
Penrith South DC NSW 1797
Australia

T: +61 (2) 985 24175
F: +61 (2) 985 24185
E: g.newell@uws.edu.au
W: http://www.uws.edu.au

Background

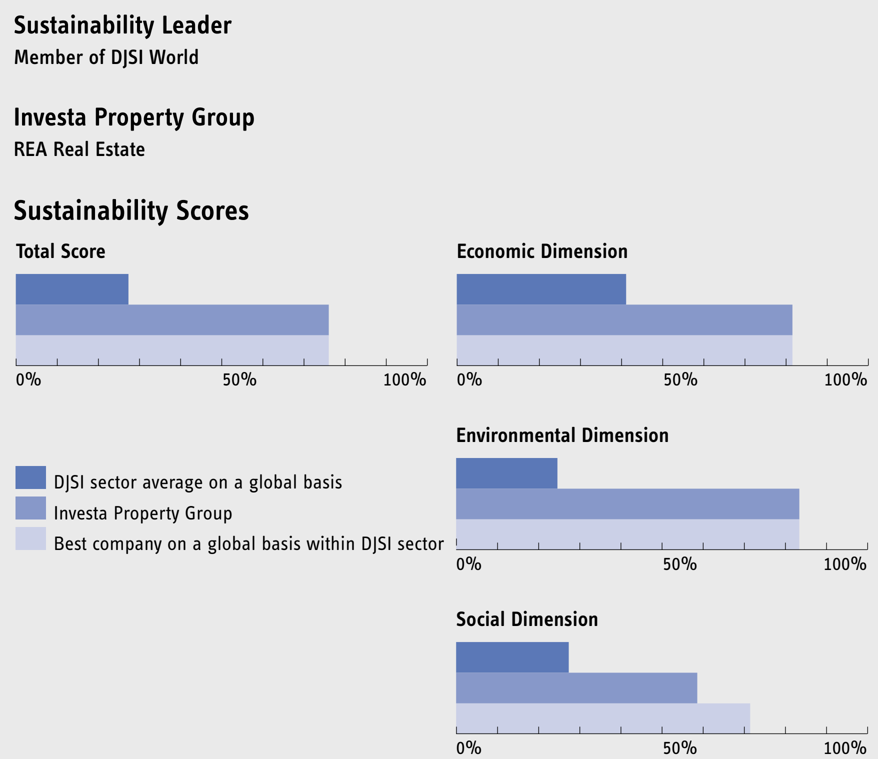
At the EPRA conference in Athens in September, I gave a presentation on the significance of sustainability by property companies. This article is an edited version of this presentation and highlights the increasing significance that many property companies are now giving to sustainability. It also showcases some of the strategies that property companies are implementing in delivering excellence and best practice in sustainability; importantly, many of these property companies are in Europe.

Importance of sustainability

Sustainability has taken on increased importance in recent years, with the property industry having a major impact on the environment regarding energy use, greenhouse gas emissions, water use and land fill. This has significant implications for commercial property for both owners and tenants; particularly as official legislation is introduced at international and local levels (eg: EU Directive on Energy Performance of Buildings, UN Principles of Responsible Investment). In several cases, the property industry has actively contributed to this agenda. Excellent examples include the property sub-group in the Institutional Investors Group on Climate Change and the property sector supplement being developed within the UN Global Reporting Initiative.

This focus on sustainability has seen the development of "green buildings", with a compelling business case able to be made that superior environmental performance creates added-value over and above mere cost savings. This business case goes significantly beyond the previous situations of merely anecdotal evidence or case-studies. This has also seen the language of sustainability become a fundamental part of the language of the property industry, with terms such as triple bottom line, responsible property investment, environmental footprint, carbon neutral space and future proofing becoming increasingly evident in property strategic plans.

Figure 1: Investa profile in Dow Jones World Sustainability Index



Various sustainability indices (eg: FTSE4GOOD Index, Dow Jones World Sustainability Index, Carbon Disclosure Project Climate Leadership Index) are now widely available, with an IPD4GOOD direct property index also being developed. The obvious question is how significant a contribution do property companies make to these sustainability benchmarks. The good news is that property companies make a significant contribution, often above their percentage contribution to the overall sector. As such, several property companies are seen as being amongst the international leaders in promoting the sustainability agenda.

For example, in the Global 100 index, comprising the top 100 sustainable companies in the world, there are four property companies; three in Europe and one in Australia; namely British Land, Land Securities, Unibail and Investa. In the Carbon Disclosure Project Climate Leadership Index, property companies/LPTs in Australia represented the most strongly represented sector in Australia; with three of the 21 Australian companies included being property companies; namely Investa, GPT and Mirvac.

Similarly, in the Dow Jones World Sustainability Index, there are 13 property companies included amongst the 311 companies in the DJWSI. Importantly, seven are in Europe, four in Australia and two in Japan. The European property companies include British Land, Land Securities, Hammerson, SEGRO, Hypo Real Estate, Klepierre and Wereldhave.

Without doubt, amongst the property companies, the international standout is Investa; an Australian office LPT with a property portfolio of Euro 3.5 billion. Investa has integrated sustainability practices into its business platform at all levels across all three dimensions of sustainability; namely environment, economic and social sustainability. Investa's sustainability scores in the Dow Jones World Sustainability Index relative to the sector averages are outstanding; see *Figure 1*. In fact, not only is Investa rated #1 in the property sub-sector, it is also rated #1 in the broader financial services sector; an outstanding achievement. This is coupled with Investa being awarded "Sustainable Company of the Year" in Australia in 2004, as well as being rated by Citigroup as the #1 company in Australia to withstand the future impact of climate change; and being awarded numerous "Green Globe" awards and property industry and government awards for leadership in sustainability.

Overall, Investa is an outstanding example of a property company embracing the sustainability agenda at all levels. As Investa was recently acquired by Morgan Stanley, it would be interesting to know the role that sustainability leadership played in the pricing of Investa by Morgan Stanley.

A major catalyst to enhancing the role of sustainability in the property sector has been the establishment of the World Green Building Council, with 10 regional Green Building Councils established and an additional 16 in the process of being established. This has seen a range of green building rating schemes established at the overall level and for specific characteristics (eg: greenhouse gas emissions, water usage); eg: BREEAM (UK), LEGEP (Germany), Equer, ESCALE, HQE (France), Ecoquantum (Netherlands) and PromisE (Finland). This has seen the establishment of Green Star rating schemes in various countries to assess individual commercial properties; for both new and refurbished commercial properties.

Some outstanding reports have been prepared assessing the value of sustainability in commercial property by Jones Lang LaSalle, Merrill Lynch and the various Green Building Councils; I strongly recommend you read these to gain a fuller understanding of the significance of sustainability; see the references at the end of this article. Typically, a 3% premium is now regarded as the extra cost of achieving sustainability; a small price for the significant cost savings that are readily achieved over the life of the commercial property.

Best practice procedures

Given the significant leadership role of property companies in supporting sustainability, what are the best practice sustainability strategies now being utilised by property companies. Clearly, just including a two-page section in the annual report on community and environment is now well behind international best practice.

The following are some excellent examples of international best practice:

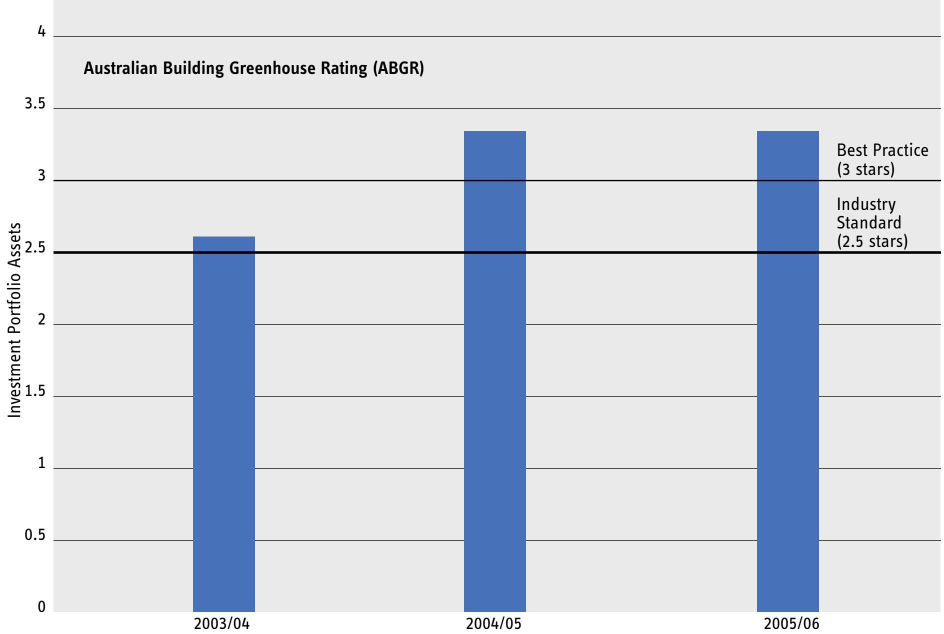
- Developing a corporate responsibility strategy; with this committee chaired by the CEO; clearly reinforcing a top-down approval to sustainability
- Developing a corporate environmental management plan; including targets, timelines and performance
- Making strategic sustainability leadership appointments within the organisation; eg: Lend Lease has appointed a Head of Global Sustainability
- Developing a separate sustainability report; typically 30 pages; including:
  - strategy
  - targets
  - performance
  - report card
  - case studies,

  presented according to the UN Global Reporting Initiative format; see *Figure 2* for typical reports. Often this sustainability report includes a sustainability policy statement signed off by the CEO.
- Separate Carbon Disclosure Project report; up to 20 pages
- Inclusion in the various global sustainability benchmarks (eg: FTSE4GOOD, DJWSI, Global 100, Carbon Disclosure Project); with resulting significant marketing and branding opportunities
- Publication of property portfolio ratings for greenhouse gas emissions and water usage; particularly how it has improved relative to property industry benchmarks; ▸

Figure 2: Typical sustainability reports by LPTs

By: Professor Graeme Newell
University of Western Sydney

Figure 3: Investa Greenhouse Gas Ratings Profile: 2004 – 2006



Source: EPRA, JPMorgan Asset Management

eg: see Investa profile on 2004-06 in *Figure 3*.

- Certification as a socially responsible investor to further enhance the fund mandate across ethical funds
- Setting portfolio performance targets at the portfolio level and for both existing properties and new properties for greenhouse gas emissions and water usage
- Gaining sustainability awards at industry, government and community levels
- Active promotion of sustainability initiatives and achievements via corporate website

Figure 5: Typical owner and tenant co-operation in sustainability: Mirvac

- Establishing the property company's environment footprint; see *Figure 4* for Stockland's environmental footprint; with Stockland being a leading LPT in Australia
- Developing an ecological footprint calculator (eg: GPT) to enable retail tenants to assess environmental impact of fit-out design
- Supply chain screening
- Setting sustainability KPIs for asset managers
- Purchasing "green" power sources
- Accessing carbon bio-sequestration initiatives
- Using greenhouse gas abatement certificates; particularly as a typical CBD would generate 1.5 million tonnes of greenhouse gas emissions per annum
- Tenant initiatives, including green leases, greenhouse guarantees and using energy-conservation technology in fit-out; see *Figure 5*.

Challenges

The examples cited in this article relate to best practice regarding sustainability. This clearly needs to be extended more widely to the property industry and include both new and older buildings; particularly as there is now a compelling business case to be made that superior environmental performance creates value over and above mere cost savings. It makes good business sense, it makes good environmental sense, positions your property company in the market place and enhances your reputation and brand with investors.

Clearly, there are ongoing issues to be addressed by the property industry to further enhance the sustainability agenda; these include:

- Lack of coordination and consistency; particularly concerning too many rating tools and the lack of suitable environmental labelling schemes re: green materials
- Lack of industry procedures; eg: suitable valuation methods to assess impact of sustainability on value
- Lack of research to quantify the benefits and develop sustainability metrics
- Continued government leadership to support the property industry uptake of sustainability
- Financial incentives; eg: tax incentives for effective green building practices.

EPRA and sustainability

Clearly, all the drivers are in place regarding sustainability; government, tenants, owners, investors, shareholders, community, professional associations and fund managers. Additionally, EPRA clearly has a leadership role and mandate regarding sustainability to facilitate sustainability research and to promote and possibly disseminate details regarding best practice amongst European property companies concerning sustainability. This will clearly add value to European property companies; particularly those taking on a strong leadership role regarding sustainability.

The way forward

I have recently received an EPRA research grant to assess best practice regarding sustainability procedures amongst European property companies. Importantly, many European property companies are leading the international agenda regarding sustainability in the property area. This presents an excellent opportunity to promote and disseminate information regarding sustainability; particularly concerning case-studies, showcasing the leading players, highlighting best practice and providing market-based analysis and evidence of the benefits of sustainability.

If you consider that your property company represents international best practice regarding sustainability; email me your details (g.newell@uws.edu.au). I look forward to including your company's details in this report for EPRA regarding best practice for sustainability amongst the European property companies and showcasing their achievements. This represents an outstanding example of the property industry in

Europe taking a strong leadership role in supporting the global sustainability agenda for both the property industry and the broader community. I look forward to profiling your achievements in supporting the sustainability agenda amongst the European property companies in this EPRA report to be released in early 2008. ◂

References

The following references make excellent reading regarding the added value of sustainability for commercial property:

Jones Lang LaSalle (2006), Assessing the value of sustainability. JLL, Sydney.
Jones Lang LaSalle (2007), Sustainability: building the knowledge gap. JLL, Sydney.
Jones Lang LaSalle (2007), People, planet, profitability. JLL, London.
Merrill Lynch (2005), Green property: does it pay? Merrill Lynch, Sydney.
Green Building Council of Australia (2006), The dollars and sense of green buildings 2006. Green Building Council of Australia, Sydney.

About University of Western Sydney

The School of Economics and Finance was created in January 2001 through the consolidation of the Department of Economics and Finance on Campbelltown campus, the Economics Group on Blacktown campus and the School of Economics and Finance on Parramatta campus. The former Property Group on Blacktown campus also joined the school in January 2006.

Having economics, finance and property in the one School gives us an advantage that is not shared by most universities. In other places these groups are fragmented in separate institutional structures, often preventing student choice and the study of these interrelated specializations. This is not the case at UWS and this is to the enormous benefit of our students.

Figure 4: Stockland's environmental footprint

Total greenhouse gas (GHG) emissions	**141,176 tonnes**
Emissions source	
Purchased electricity	138,670 tonnes
On-site gas consumption	1,136 tonnes
Air travel	783 tonnes
Car fleet	433 tonnes
Paper consumption	154 tonnes

Electricity

Total purchased electricity	137,040,9580 kWh
GHG emissions	138,670 tonnes*

Division	Per cent of each portfolio type represented†	Area represented (m²)	Total (kWh)	Intensity (kWh/m²)	Total GHG (tonnes (CO_2))
Commercial Office	77%	408,265 NLA	64,785,385	159	65,555
Industrial	5%	58,082 GLA	4,698,906	81	4,755
Office Parks	33%	12,468 NLA	1,780,171	143	1,801
Shopping Centres	85%	728,295 GLA	65,776,496	90^	66,558
Shopping Centres (less majors)		309,556 GLA	65,776,496	212^	
Total			**137,040,958**		**138,670**

* WRI/WBCSD GHG Protocol Initiative (April 2006). Indirect CO_2 Emissions from the Consumption of Purchased Electricity, Heat, and/or Steam Calculation worksheets. Version 1.1.
† These figures capture electricity purchased by Stockland as reported July 2006 by Stockland's major electricity retailers. These figures do not capture assets wholly or partly where data is not available. Typically this is the case where significant tenants purchase electricity directly, for example industrial sites.
^ Intensity for shopping centres is given for both total GLA and GLA less majors, as most majors purchase electricity directly.

Gas

Total on-site gas consumption	22,071,546 MJ
Area represented (NLA)	154,287 m²
Intensity	143 MJ/m² (NLA)
GHG emissions	1,136 tonnes*

* GHG Protocol Initiative (July 2005). Calculation Tool for Direct Emissions from Stationary Combustion. Version 2.0.

Air Travel

Total air travel	6,441,882 km
Air travel	6,724 km per employee
Domestic	5,905,467 km
International	536,415 km
GHG emissions	783.4 tonnes*

* WRI-WBCSD GHG Protocol (June 2003) Mobile Combustion CO_2 Emissions Calculation Tool. Version 1.2 – Emissions based on fuel use.

Car fleet

Total vehicle fuel purchased	179,944 litres
Total petrol	167,988 litres
Total diesel	11,955 litres
Total fuel per vehicle	2,534 litres
GHG emissions	433 tonnes*

* WRI-WBCSD GHG Protocol Initiative (June 2003) Mobile Combustion CO2 Emissions Calculation Tool. Version 1.2 – Emissions based on fuel use. Calculation based on Stockland fleet of 71 vehicles.

Paper

Total paper consumption	61.6 tonnes
Paper consumption	64kg per employee
Total recycled content	44.3 tonnes
Total virgin stock	17.3 tonnes
GHG emissions	154 tonnes*

* Australian Greenhouse, Office (2005), AGO Factors and Methods Workbook. Department of the Environment and Heritage.

Water

Division	Per cent of each portfolio type represented	Area represented (m²)	Total (kL)	Intensity (kL/m²)
Commercial Office	66%	347,915 NLA	423,429 (FY06)	1.2
Shopping Centres	85%	728,295 GLA	811,134 (CY05)	1.11

Waste

In August 2005, we commenced tracking of diversion of waste from landfill in our commercial office portfolio in NSW. From August 2005 to March 2006 (our most recent data), data from our waste contractor indicates that we have consistently diverted more than 50% of waste (as measured by weight) from landfill.

Nick van Ommen

FAREWELL

Nick van Ommen, EPRA's outgoing CEO.

Biography Nick van Ommen
Nick van Ommen started his career with Rank Xerox where he held senior sales & marketing and general management positions over an 8 years period. In 1978 he was invited to become Regional Director of the AMRO Bank in Amsterdam. This was the start of Nick's career in the financial world. Over the course of the next 23 years he was employed as Managing Director in the banking, venture capital and the asset management sectors of the financial industry. In spring 2000 Nick was invited to become CEO of EPRA and he joined the organisation in May 2000.

Nick van Ommen holds a masters degree in Business Administration from Newport University and is the Chairman of the supervisory board of a private real estate investment management company and a non-executive board member of a venture capital company. He also holds a number of independent board seats on listed real estate companies throughout Europe.

Nick van Ommen (61) who has led EPRA as Chief Executive Officer since May 2000, following the association's inception in October 1999 officially retired on 1 October 2007.

Serge Fautré, Chairman of EPRA and Chief Executive Officer of Belgian real estate company Cofinimmo, paid tribute to Nick van Ommen's stewardship as the first Chief Executive Officer of the association.

"On behalf of the Management Board of EPRA I would like to warmly thank Nick for his leadership during the difficult 'start-up phase' of the organisation. During his tenure EPRA's membership has expanded to over 200, the association's finances are on a sound footing, we have an extremely popular annual conference and, most importantly, he has assisted the listed European property industry in achieving great strides forward," Fautré said.

"Tax efficient REIT structures are now in place, or pending, in most of the major markets in Europe, including France, the UK and Germany, and the investment base for real estate stocks has expanded dramatically," he concluded.

Van Ommen summed up his time at EPRA, "My seven years at EPRA have been amongst some of the best in my career. We have seen tremendous change in the industry over that period of time. I firmly believe that the involvement of EPRA in many initiatives has resulted in a far more transparent and liquid market in which to carry out business. We have built an extremely strong and influential network of contacts, not only in Europe but in the Asia-Pacific and North American regions. In particular, we have formed excellent working partnerships with other associations throughout the world – APREA and NAREIT being perfect examples. In addition, I would like to thank the support of the EPRA membership and phenomenal work committed by the various EPRA committees. Being part of the EPRA success story has not only given me immense satisfaction but has been great fun too"

Nick van Ommen will remain active in the industry, particularly in corporate supervisory, non-executive director and advisory roles.

We would like to wish Nick all the best for his retirement.

Philip Charls

WELCOME

Philip Charls, who took over from Nick van Ommen as at 1 October.

EPRA appointed Philip Charls (59), who was employed as the General Manager of the Dutch Chamber of Commerce for Belgium and Luxembourg, as its new Chief Executive Officer, with effect from October 1st, 2007.

"I am delighted at Philip's appointment and confident he will build on EPRA's success in the future, due to his broad managerial and financial market experience, and through working closely with the association's committees," retired CEO Nick Van Ommen said.

"The continued development of REIT legislation over Europe, the launch of futures on the FTSE/EPRA NAREIT European real estate indices this year, and the expansion of cooperation with our partner associations -- NAREIT in the U.S. and APREA in Asia, are just some of the key areas I am excited about working on," Philip Charls commented.

Philip Charls has held his position at the Dutch Chamber of Commerce since 2001 and prior to that was Chief Executive Officer of RVS-Insurance Belgium, part of the ING Group, for seven years.

"I'm looking forward to joining such an internationally diverse and dynamic organisation as EPRA, operating in one of the most exciting investment sectors, as the growth in real estate stocks around the world has been phenomenal in recent years. I trust the team will meet to the expectations set by the industry for the coming years," Charls said.

He continued, "There are challenging times ahead. The recent illiquidity in the debt markets coupled with to a down turn in European real estate stock prices are clear indications that we are entering a different phase for the association. I believe this is really a time when we need to build on the excellent work EPRA has already done and continue to reiterate the message that real estate is a fundamental part of a multi-asset portfolio. We can only do this with the continued support and participation of our strong membership base." ◂

Biography Philip Charls

After graduating from the University of Leiden in 1974, Philip practiced law for three years in The Hague. He joined the Nationale Nederlanden, life insurance division of ING, in 1977 where he was engaged in various management positions. In 1991 he was appointed Senior Vice-President of Life of Georgia in Atlanta (USA). Life of Georgia was ING's major life operation in the USA at the time. In 1993 Philip joined RVS Insurance (ING Group) in Belgium as CEO.

In 2001 he was appointed General Manager of the Dutch Chamber of Commerce for Belgium and Luxembourg, where he successfully implemented a turnaround based on an e-commerce business strategy and creation of business partnerships.

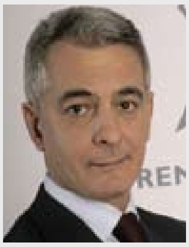
On 1 October 2007 Philip Charls was appointed CEO of EPRA (European Public Real Estate Association).

By: Philippe Hajali, Liffe

Liffe
NYSE Euronext

Helping to develop property as an asset

This month sees a significant step along the road to property's wider recognition as an asset class when Liffe becomes the first exchange in Europe to list futures contracts on indices of real estate companies.



Philippe Hajali
Director Equity Derivatives, Liffe

Readers of this magazine will already recognise property as an asset class. However, it could be argued that it has lagged behind other investment sectors when it comes to attracting non-traditional investors. The lack of a liquid and transparent property derivatives market is one reason for this. That is about to change with the launch by Liffe of futures contracts based on two indices which are considered as the benchmarks in Europe for investments in real estate listed companies. These are the FTSE EPRA/NAREIT Europe and FTSE EPRA/NAREIT Euro Zone indices.

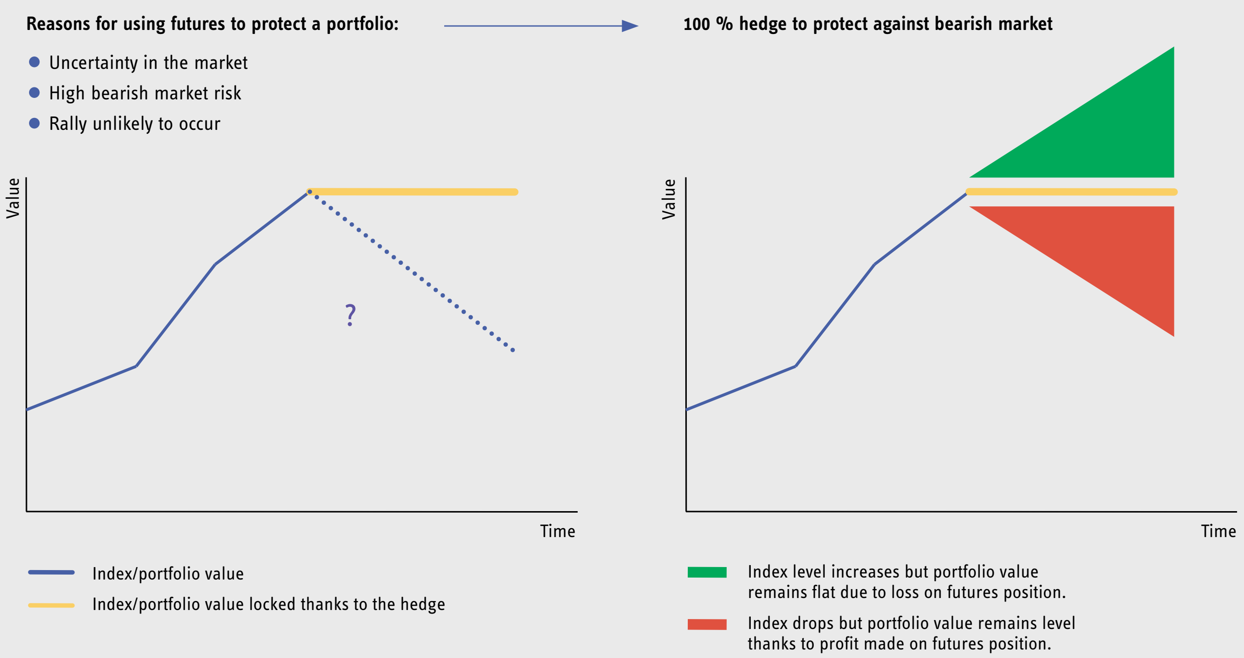
"We believe the launch of Liffe's real estate futures contracts represents a major step in the evolution of the listed property market in Europe. This initiative puts real estate on an equal footing with the other core equity sectors and will contribute to the further development of a deep and liquid market in property stocks for investors," says Nick van Ommen, outgoing Chief Executive Officer of EPRA.

By definition, derivatives are financial instruments whose value is based on an underlying asset, such as a commodity, equity, bond or real estate. A future is a contract that obliges a buyer to purchase an asset (or the seller to sell an asset), at a predetermined future date and price. Futures are standardised products and they can be settled by either a physical delivery of the underlying or in cash.

Derivatives are powerful tools that deliver huge flexibility to users. They are available on regulated exchanges, such as those operated by Liffe, or in the over-the-counter (OTC) markets. Over the past decade, there has been a surge in derivative trading, as well as the creation of many new innovative products. Liffe, which is part of the NYSE Euronext Group, has played a major role in the broader development of the derivatives market and it is recognized as one of the leading derivative trading venues in the world. The exchange remains committed to delivering the highest standards of market quality and integrity, as well as the development of new and innovative products.

A recent piece of research[1] from Deutsche Bank highlights some of the benefits that property derivatives can offer. "They allow

Figure 1: Using futures to protect a portfolio



Helping to develop property as an asset

TRADING EXAMPLE 1 – using index futures for leverage

An institutional investor wants to get a €10 million notional exposure to European real estate stocks.
He chooses the FTSE EPRA/NAREIT Europe index as the benchmark. Among the possibilities, he can:

1 buy the underlying stocks that make up the index;
2 buy index futures contracts.

In the first case he has to invest the full €10 million in addition to transaction costs, whereas with the futures he only has to invest a proportion of the total notional value.

Buying FTSE EPRA/NAREIT Europe index futures
The FTSE EPRA/NAREIT Europe index level is at 2,500 points today.
The future contract point value is €10 which leads to a notional value of €25,000 per contract (2,500 x €10).

Therefore in order to get a €10 million exposure, the investor should buy 400 contracts (€10 million / €25,000 per contract)

One of the benefits of using futures is that you do not have to pay the full notional value to get the equivalent level of exposure. In this example to get €10 million exposure the investor pays an initial margin which is €2,400 per contract or a total of €960,000 (400 contracts x €2,400), ie less than 10% of the total value.

If the investor is right in his expectation and European real estate stocks (included in the index) climb by 5% (from 2,500 to 2,625) in a month, then here are the profits associated to each strategy:

1 buying the underlying stocks: €500,000 (€10 million x 5%);
2 buy index futures contracts: €500,000 ((2,625 – 2,400) x 400 x 10).

Here is a summary of the results

	Amounted invested	Profit	Return on investment
Buy stocks	€10 million	€500,000	5%
Buy futures	€960,000	€500,000	52.08%

Conclusion
The return is 10 times greater with the futures compared to cash instruments showing the leverage effect associated with futures contracts.

TRADING EXAMPLE 2 – using index futures to hedge

An institutional investor holds a portfolio of €10 million invested in European real estate stocks well correlated to the FTSE EPRA/NAREIT Europe index.

On the 1 October 2007:

- the investor expects the FTSE EPRA/NAREIT Europe index to decrease from 2,500 to 2,300 points over the course of the month;
- the investor does not want to sell his portfolio but instead wants to protect it from the predicted downturn. He does this by selling index futures contracts.

The FTSE EPRA/NAREIT Europe index level is at 2,500 points today. The future contract point value is €10 which leads to a notional value of €25,000 per contract (2,500 x €10). In order to hedge a €10 million portfolio, the investor should **sell** 400 contracts (€10 million / €25,000).

On the 31 October there are two possibilities:

Hypothesis 1:
The FTSE EPRA/NAREIT Europe has declined by 8% to 2,300 as predicted.

- Portfolio value: €9,200,000 (€10 million – 8%)
- P&L on Futures: €800,000 (2,500 – 2,300) x 400 x €10
- **Total: €10 million**

Hypothesis 2:
The FTSE EPRA/NAREIT Europe has increased by 4% to 2,600 against expectations.

- Portfolio value: €10,400,000 (€10 million + 4%)
- P&L on Futures: -€400,000 (2,500 – 2,600) x 400 x €10
- **Total: €10 million**

Conclusion:
In the first case, by selling futures contracts at an index level of 2,500 and then buying them back at 2,300, the investor has offset the losses on his holding thanks to the profits generated by the futures. He has therefore successfully protected his holding from a fall in the value of the index.

In the second instance, the index has increased in value contrary to the expectations of the investor. Therefore, whilst the futures have made a loss, the overall value of the portfolio again remains level at €10 million.

In both instances the investor has successfully hedged his position.

Note:
In general index future levels do not match underlying index levels due to potential dividends paid by the index components until maturity and the cost of carry during the period.

investors to gain exposure to real estate and are therefore a sensible alternative to conventional indirect vehicles," the bank writes.

Deutsche Bank adds: "For a counterparty, property derivatives provide a flexible method to invest in a very broad index linked real estate portfolio at relatively low cost."

According to Deutsche Bank, the creation of a well functioning property derivatives market is "likely to be the next milestone" after the establishment of a liquid market for Real Estate Investment Trusts (REITs).

Deutsche Bank's views on the usefulness of derivatives are shared by Hugh Freedberg, Liffe's Chief Executive. "The contracts will provide a cost effective, simple and efficient way of gaining exposure to listed real estate companies across Europe. They can either be used to hedge a real estate exposure or to diversify an equity portfolio, as there is a low correlation to standard equity indices. Liffe is delighted to provide its customers with the very first European real estate futures," he says. ▸

By: Philippe Hajali, Liffe

There is plenty of evidence that the timing of the launch will tap into a real demand. Parya Badie, a Senior Associate with Allen & Overy, wrote recently[2]: "The great level of interest in the nascent property derivatives market is understandable given its vast potential." Badie then asks why there is so much optimism and provides the following reasons.

- Property is a natural extension to the existing range of derivatives markets given the significance and scale of the real estate market;
- Derivatives provide an efficient way to take investment positions in property;
- Counterparties can buy or sell a very specific exposure using property derivatives;
- Derivatives make it possible to take short positions;
- The appeal of property is universal. Everyone wants to 'get on the property ladder' and derivatives provide another means for doing so. They also make it easy to get off the ladder without physical divestment.

Nick Ritblat, former president of the British Property Federation, also highlights the potential of a vibrant derivatives market in an interview with Euromoney's Liquid Real Estate[3] magazine in June. "(OTC market) Volume in the first quarter of this year was well over £3 billion and there are growing two-way flows with some counterparties taking a view that values are likely to rise and others that they will fall....If you were a property company with a £20 billion portfolio and a view that prices are likely to turn down, historically there was not much you could do about it...through derivatives, you might at least be able quickly to hedge say £500 million or so at a time when other investors, such as US pension funds, are seeking to raise their allocation to international property."

He adds: "With derivatives there is a much shorter timeframe between taking a market view and acting on it. And of course, derivatives do not, for now at least, attract stamp duty which...in the physical market is a huge transaction cost. "

However, while there appears to be widespread consensus about the potential property and benefits that property derivatives can deliver, Deutsche Bank highlights what has been a problem. "Property derivatives do not (yet) meet all the needs of real estate investors. In many markets there are no satisfactory indices yet on which derivatives may be based."

This is not the case with the FTSE EPRA/NAREIT global real estate index series. These are well-respected and robust indicators of the property sector, providing exposure to listed companies that invest in European and Euro Zone real estate. The indices indirectly give a measure of the property market as a whole. Liffe will initially list two futures contracts based on the FTSE EPRA/NAREIT Europe and FTSE EPRA/NAREIT Euro Zone indices on the exchange's Paris segment, where there is a proven local interest from both the buy and sell sides for such products. The contracts will be denominated in euros.

The major investment banks that are active in the OTC market are supportive of the initiative. They, like Liffe and EPRA, believe that transparent, listed contracts will act as a catalyst for further growth in both the property derivatives market and the underlying sector. Europe's first futures on indices of listed real estate investment firms will make it easier for existing real estate investors to adjust and hedge their portfolios in a cheap, reliable and efficient manner. And the existence of a tool that provides easy access, as well as a means of exit, is very much seen as having the potential to attract fresh participants to the sector.

"This development is very welcome. It will provide fund managers such as Thames River Capital with a further set of tools with which to shape our exposure to the market and to achieve our goal of continuing to maximize returns. "We see the establishment of a fully-fledged futures market as a significant step forward in the development of the European real estate securities sector," concludes Marcus Phayre-Mudge, a fund manager at Thames River Capital. ◂

If you are interested in finding out more about futures and options, please take a look at Liffe's website:
→ www.euronext.com/derivatives/realestate

In particular The Learning Centre has a wealth of information, with training modules available in English, French, Italian and German.
→ http://liffe.npsl.co.uk/

[1] Property derivatives marching across Europe. June 12, 2007. Tobias Just and Jürgen Feil.
[2] Property derivatives: a brave new world? May 15, 2007. Parya Badie.
[3] An inside view on property investment: Liquid Real Estate, June 2006.

About Liffe - Part of the NYSE Euronext Group

Liffe is the derivatives business of NYSE Euronext, comprising derivatives markets in Amsterdam, Brussels, Lisbon, London and Paris. Business worth over €1,600 billion is traded through Liffe every day, making it the world's second largest derivatives exchange, by value of transacted business. Liffe has created a single market for derivatives by bringing all its derivatives products together on a single electronic trading platform - LIFFE CONNECT®.

Choice of Products

Liffe offers the widest choice of futures and options contracts on Short Term Interest Rates (STIRs), as well as futures and options on swaps, government bonds, commodities and currencies.

Additionally, Liffe offers one of the widest ranges of European equity derivatives in the world. The equity futures and options product range encompasses three of the most heavily traded domestic indices (AEX-index®, CAC40® and FTSE 100), one of the most liquid European equity options listings and one of the fastest growing stock futures markets in the world, covering the major European blue chip stocks.

Choice of Services

Liffe's derivative products are available to trade on LIFFE CONNECT® - probably the world's most advanced electronic trading platform.

In addition to an efficient central order book, we also provide a range of wholesale services - including the award-winning Bclear for equity derivatives - which allow customers to transact over the counter (OTC) business more efficiently and cost-effectively.

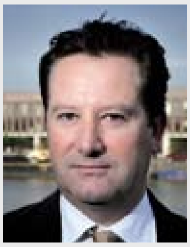
Find out more:

→ www.euronext.com/derivatives/realestate

By: Steve Hays

EPRA delegates shake - off market gloom in spectacular Athens setting

Tumbling property stocks and concerns over the impact of the credit crunch in international capital markets at first cast a shadow over EPRA's 8th annual conference in Athens, but this was swiftly dispersed by the Greek sunshine and the spectacular settings of the event. Over 350 delegates gathered at the luxurious Hotel Grande Bretagne in early September for a packed programme of authoritative speakers and panel discussions.



Steve Hays
Partner

Prior to establishing Bellier Financial, Steve Hays was a journalist at Reuters News Agency for 16 years where he researched and initially set-up the company's global real estate news service. He was also previously Chief Correspondent for European Fund Management, responsible for coverage of investment and pension issues, and Global Commodities Editor, where he planned the framework for subsequent local language news and market services in China and Brazil, and established a worldwide metals production database.

→ Contact
Bellier Financial Marketing
Stuurmankade 206
1019 WC Amsterdam
The Netherlands

Tel. +31 (0)20 419 0901
E-mail: info@bellierfinancial.com
www.bellierfinancial.com

"The birthplace of Western civilization. It is logical and right that EPRA would pick such an historical location for its conference. Having dinner close to the Acropolis is the real 'Wow Factor' here," association Chairman Serge Fautré told the audience in his opening remarks.

"Some 2,500 years ago the Pantheon was built, but who would have financed it and owned it then? This really demonstrates that real estate is for the long-term," he added.

Fautré then went on to list the fall in real estate stocks as measured by EPRA/NAREIT indices including Europe (-15%), Germany (-25%), North America (-10% in euros) and globally (-5%).

With this performance he asked whether it was reasonable to target returns in excess of 10% or 20%?

"Real estate may have been transformed into a speculative industry, which is not what investors want. Real estate stocks collapsed when they should have been a safe haven for capital."

A missing minister and the subprime crisis

While Fautré was speaking, EPRA Chief Executive Nick van Ommen was anxiously manning the hotel's entrance awaiting the arrival of keynote speaker; Greece's Minister of Economy and Finance George Alogoskoufis, who had been delayed by another facet of modern Greek civilization - the Athens' traffic.

The gap in proceedings was manfully filled by Johan van der Ende of PGGM, who brought forward the presentation of EPRA's Best Annual Report 2006 Award, which was sponsored by the Dutch pension fund. The basis of the award has been changed to reflect the best improvement of quality over the preceeding year and the prize went to the UK's Quintain Estates & Development, which moved from 45th to 5th place in the independent jury's ranking of company annual reports.

With still no minister in sight, Ian Hawksworth of Capital & Counties led his panel onto the stage, only to have them temporarily dismissed a few minutes later as George Alogoskoufis entered the room and strode towards the stage.

Alogoskoufis painted a glowing picture of the Greek economy, which has achieved sharp cuts in the government's budget deficit as a proportion of GDP, despite the headwind of high oil prices. Exports are growing at an impressive rate and rising numbers of visitors mean that tourism is acting as the locomotive of the economy, he said.

The environment for real estate investment has also improved with the elimination of a plethora of taxes that reflected previous administrations' view of property as a key source of state revenues, which made the market over-taxed and illiquid, he added.

Upon the departure of the minister, Ian Hawksworth's panel returned to the stage to ask "Where is the product?" But the first subject on the panel's agenda was the continuing reverberations of the U.S. subprime mortgage crisis in the debt markets.

Alex Midgen of N M Rothschild & Sons said investment markets had experienced unprecedented liquidity fuelled by the repackaging of debt into securitised vehicles and that the ongoing squeeze on credit would result in a new paradigm of pricing in real estate as the market returned to its fundamentals.

Wolfhard Leichnitz of Germany's IVG commented that private equity companies wielding debt as a tool had invested €20 billion in German residential property over the last three to four years in what he described as a "financial engineering market" that will now revert to a real estate market. ▸

By: Steve Hays

"We're going back to fundamentals. The market has appreciated across the board almost regardless of quality, but I think people are going to look at some sectors a bit differently now," Jan de Kreij of Dutch Corio said.

"It's nearly impossible now in some markets to persuade the capital markets you can make money. There's been 25,000 financial sector jobs created every year in the last 10 years in London, so what's going to happen as developers become more cautious?"

On the other side of the world, the Chinese market has, so far, proved relatively immune from the credit squeeze. Rong Ren of Harvest Capital Partners said the main issue in China is too much liquidity, which has sent the market through the roof.

"The real estate market is booming and is growing 25% a year and there is a serious shortage of land in China. Retail – shopping malls will be the next focus and then the logistics market....You have to offer diverse products, for example build shopping malls on top of residential. Every large city has populations between six to 13 million people and they're all very different, so you have to know what the local customs are."

Sustainability grips conference attention

After the coffee break, the conference break the conference was riveted by dynamic presentations by the Academic Circle on the hot topic of sustainability.

Tony Ciochetti of MIT said that cost effective carbon reduction occurs primarily in the real estate and transportation sectors and so these have the greatest potential for building efficiencies. Research has shown that attention to sustainability issues creates real gains in costs, occupational health and productivity. Just simple light retrofitting can save 27% on lighting costs, for example.

But the most dramatic efficiencies are to be seen in productivity. New lighting and lowering the roof on a workplace has been found to produce productivity gains for a business of 8%, through reduced staff turnover accompanied by less absenteeism and fewer workplace complaints such as the environment being too hot or cold.

Graeme Newell from the University of Western Sydney said sustainability had growing strategic significance for real estate companies, which are well represented in the main sustainability equity benchmarks such as the FTSE4Good, Dow Jones World Sustainability Index and the Global 100 (which contains four property companies – three from Europe and one from Australia).

Newell said the days of brief passing comment on environmental issues in annual reports are over and separate, comprehensive reports on sustainability need to be produced and signed off by a firm's chief executive.

"There is a strong commitment to sustainability in the industry and EPRA has a leadership role to play here, as sustainability can be included in best practice. There is an opportunity here that the property industry cannot afford to miss."

After lunch, delegates returned to the main conference session on day one with the panel session: "I Want Your Property?" After running through overviews of their companies the panel members, turned to the current issues in the market. Panel moderator Jon Zehner noted that all the companies represented seemed to be into development.

"If you have the skills to do investment that's ok, but sometimes you have to build, for example in our case in Poland," Segro's Ian Coull commented.

"We don't take the permit risk, we let someone else do the first steps and then we do the last," Cofinimmo's Serge Fautré added.

EPRA Best Performer Awards

The EPRA Best Performer Awards 2006 were spread over the two days of the conference and were sponsored by Kempen & Co and LaSalle Investment Management. The aim of the awards is to formally recognise a company for its outstanding share price performance, due to good and active management, while providing high transparency to investors.

The award criteria are:

- Best absolute total return performance over 2006 in local currency.
- Relative outperformance versus the country index in local currency for the past three years, so consistent outperformance is ensured.
- Constituent of the EPRA/NAREIT Europe Index for the past three years.
- EPRA membership is non-relevant,
- Qualitative criteria such as corporate governance, liquidity and transparency are taken into account by the Award Committee.

The winner of the EPRA Best Performer Large Cap Award 2006 (sponsored by LaSalle) was IVG Immobilien of Germany, which showed a total return in local currency of 82% in 2006.

The winner of the EPRA Best Performer Small/Mid Cap Award 2006 (sponsored by Kempen & Co) was Marlybone Warwick Balfour (UK), which showed a total return in local currency of over 62% last year.

EPRA delegates shake - off market gloom in spectacular Athens setting

Cocktails under the Acropolis and dinner and opera in the Zappeion

Delegates were whisked away by bus after the final session to a spectacular setting at the foot of the Acropolis for cocktails. From the shady terraces of a nearby restaurant in the hot late afternoon sun, Europe's modern listed real estate industry had a fine view over what could have been a "trophy investment" for their ancient Greek colleagues.

The first day was capped by a grand dinner in the beautiful surroundings of the Zappeion, where spirits were lifted by opera under the open night sky. Serge Fautré paid tribute to the tenure of outgoing EPRA Chief Executive Officer Nick van Ommen who inherited an association in dire financial straits seven years ago. Since 2000, Van Ommen has helped put EPRA back on a firm financial footing and steered it though major initiatives supporting the listed real estate industry in Europe, most notably in active lobbying for the spread of REIT regimes across the main property markets. Fautré also welcomed incoming EPRA Chief Executive Office Philip Charls who assumes his new post on September 27th. Participants then dispersed into the Athen's night to find their own entertainment with many ending up on the packed roof terrace bar of the Grande Bretagne.

The Second Day - Asia, breakouts and 'I got your property!'

The second day began with a keynote speech by Peter Barge of Jones Lang LaSalle on "Asian Property Investment Opportunities.

"In Asia up to a week ago everybody was a superhero," he told the conference. Economic growth in the region ex-Japan has averaged 7% so far in 2007.

"During the last five years, Asia as an investment has been very forgiving. I don't think now the market will be so forgiving and I believe we're going to see some impact from the subprime crisis."

Barge said that a number of large investment deals with borrowing in the 75% loan-to-value range had run into problems through the fallout from the subprime crisis and rates had moved up, though banks had stepped in around the 60% LTV area.

Nevertheless, Asia still represents the great real estate opportunity of the future on the back of strong economic growth and generally positive demographic trends.

Some of the potential hurdles that lie ahead include: the quality of education, with 40% of Indians over 15 illiterate, rising wage and staff turnover rates in some markets (Asian workers will have biggest increase in 'real' salaries in the world in 2007) and raw material supplies and inflation fears, with the past few years seeing the biggest rise in commodities prices in modern history. Possible social unrest, high pollution levels and the demographic 'time bomb' in Japan, with 30% of the population expected to be over 65 by 2025, compared with 19% now, are other touchstones of concern.

Delegates then dispersed into concurrent breakout sessions for more intimate and informal discussions. The subjects covered included UK-REITs, European Emerging Markets, G-REITs, Asia and South American Emerging Markets.

The conference then reconvened in the Grand Ballroom of the Grande Bretagne for its final panel session on "I got your property!"

Inevitably with events in the global credit squeeze rapidly developing, this was the main focus of debate for the panellists.

Moderator John Carrafiell of Morgan Stanley asked if it was now time for corporates with low costs to make a competitive comeback as the previous dominance of private equity recedes?

"There has been a dramatic change in the last few weeks with the virtual seizing up of the debt markets in relation to asset-backed securities," he said.

Mathew Quinn of Stockland said the last five years of yield compression and the low cost of debt had covered a lot of sins. The next five years will see a return to fundamental property skills.

Barden Gale of Dutch pension fund ABP, said that real estate asset re-pricing hadn't yet begun in Europe, but already fewer assets are trading every day due to the reluctance of players to bring them forward and mark-to-market.

"People say they have 'bullet proof' portfolios, but when you ask them if they'd pay the same for these assets now the answer is no way," he added.

Michael Pralle of GE Real Estate cautioned against undue pessimism in the market:

"The U.S. had 4% growth in the second quarter and it's the best global economy we've had for 10 years. I don't see that changing for the next 12 to 18 months. I'd definitely put money into Germany and I don's see a U.S. slowdown."

Barden Gale disagreed: I'm not as optimistic about the U.S. economy and I'm concerned about the U.S. consumer. House prices and building activity are down and these have huge knock-on effects. Retailers are nervous and they are our 'canaries in the coalmine.'"

The conference concluded with Nick van Ommen making his last address to the gathering and warmly thanking the EPRA team, including Research Director Fraser Hughes and Office Manager Lennie Stegeman, for their help and support over the years. ◂

About Bellier Financial Marketing

Bellier Financial is a full service public relations and marketing company specialising in the alternative investments sector, particularly real estate and hedge funds. The company was established in Amsterdam in 2005 by its founding directors Steve Hays and Edwin Nabbe and lists among its clients; EPRA, INREV, Credit Suisse, ING Real Estate Investment Management and Curzon Global Partners/AEW Europe.

By: Steve Sakwa, Merrill Lynch

Merrill Lynch

Global Correlation Analysis

The recent rise in global interest rates and increased volatility of property stocks around the world prompted us to analyze the correlation (how closely two securities move in relation to one another) between property stocks and both bond yields and equity indices in their respective regions. The primary conclusion from our analysis is that global property stocks have a low correlation with other asset classes and therefore should be viewed as a separate asset class which is positive for portfolio diversification purposes.

Bond yields vs. FTSE EPRA/NAREIT Indices

The first step in our analysis was to compute the correlation between property stocks and long-term interest rates across a number of different regions over multiple time periods including the last one, three, five, and ten year periods. As illustrated in Table 1, our analysis showed a relatively low correlation between the FTSE EPRA/NAREIT indices and bond yields across the five major regions over a one, three, five, and ten-year time period ending July 31st, 2007.

Equity indices vs. FTSE EPRA/NAREIT Indices

The second step in our correlation analysis was to analyze the relationship between the FTSE EPRA/NAREIT indices and the local equity indices. As illustrated in Table 2, the Asian property markets (Japan, Hong Kong, and Singapore) have shown the strongest correlation with their respective equity indices over all time periods while correlations in the US, UK, and Europe (Ex-UK) have become less positive over the shorter time periods. This suggests that investors in the Western markets gain more portfolio diversification by adding property stocks into their portfolio than investors in the Far East where the property stocks are more closely linked to the performance of the broader equity markets.

Correlations between regions

The third and final step in our analysis was to compute the correlations between the seven major FTSE EPRA/NAREIT regional indices which showed that the global property markets are less correlated with one

Table 1: Correlation Summary: Bond Yields vs. FTSE EPRA/NAREIT Indices

Region	1-Year	3-Year	5-Year	10-Year
US	-0.30	0.26	-0.51	-0.08
UK	0.39	-0.29	-0.60	-0.36
Europe (Ex UK)	0.06	0.31	-0.10	-0.04
Australia	-0.19	0.07	-0.12	-0.14
Japan	-0.35	-0.80	-0.84	-0.77

Source: FTSE EPRA/NAREIT, Datastream, Bloomberg

Table 2: Correlation Summary: Equity Indices vs. FTSE EPRA/NAREIT Indices

Region	1-Year	3-Year	5-Year	10-Year
US	-0.14	0.24	0.81	0.15
UK	0.24	-0.38	0.65	0.37
Europe (Ex UK)	-0.15	-0.36	0.44	0.06
Australia	0.59	0.14	0.35	0.47
Japan	0.62	0.72	0.86	0.74
Hong Kong	0.88	0.76	0.94	0.89
Singapore	0.94	0.91	0.93	0.88

Source: FTSE EPRA/NAREIT, Datastream
Equity indices used: US = S&P 500 total return; UK = FTSE 100 total return; Europe Ex-UK = DJ Stoxx Ex-UK net return; Australia = ASX All Ordinaries total return; Japan = Topix total return; Hong Kong = Hang Seng Total return; Singapore = Datastream Equity Index total return

Table 3: One-Year FTSE EPRA/NAREIT Correlation Summary

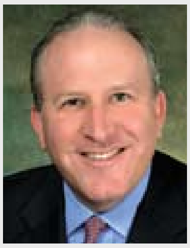
	US	UK	Europe (Ex UK)	Australia	Japan	Singapore	Hong Kong
US	1.00	0.55	0.80	0.54	-0.55	0.64	0.80
UK	0.55	1.00	0.42	-0.08	-0.25	-0.03	0.56
Europe (Ex UK)	0.80	0.42	1.00	0.80	-0.78	0.83	0.74
Australia	0.54	-0.08	0.80	1.00	-0.65	0.95	0.52
Japan	-0.55	-0.25	-0.78	-0.65	1.00	-0.62	-0.37
Singapore	0.64	-0.03	0.83	0.95	-0.62	1.00	0.65
Hong Kong	0.80	0.56	0.74	0.52	-0.37	0.65	1.00

Source: FTSE EPRA/NAREIT, Datastream

Table 4: Three-Year FTSE EPRA/NAREIT Correlation Summary

	US	UK	Europe (Ex UK)	Australia	Japan	Singapore	Hong Kong
US	1.00	0.53	0.69	0.28	0.04	0.15	0.40
UK	0.53	1.00	0.64	0.45	0.09	-0.12	0.16
Europe (Ex UK)	0.69	0.64	1.00	0.73	-0.41	0.27	0.26
Australia	0.28	0.45	0.73	1.00	-0.40	0.50	0.29
Japan	0.04	0.09	-0.41	-0.40	1.00	0.02	0.17
Singapore	0.15	-0.12	0.27	0.50	0.02	1.00	0.57
Hong Kong	0.40	0.16	0.26	0.29	0.17	0.57	1.00

Source: FTSE EPRA/NAREIT, Datastream



Steve Sakwa
Global Coordinator, Merrill Lynch REITS Research

Merrill Lynch is one of the world's leading wealth management, capital markets and advisory companies, with offices in 38 countries and territories and total client assets of approximately $1.7 trillion. As an investment bank, it is a leading global trader and underwriter of securities and derivatives across a broad range of asset classes and serves as a strategic advisor to corporations, governments, institutions and individuals worldwide. Merrill Lynch owns approximately half of BlackRock, one of the world's largest publicly traded investment management companies with more than $1 trillion in assets under management. For more information on Merrill Lynch, please visit www.ml.com.

another over the more recent past (one and three year time periods) than over the intermediate to long term (five and ten year periods) which enhances the benefits of diversification within a global real estate portfolio. Tables 3 thru 6 show the one, three, five, and ten-year correlations using the respective FTSE EPRA/NAREIT indices. A closer look at the correlations in Tables 5 and 6 reveals that there are no negative correlations at all over the five and ten year time periods. Also, we note that Japan appears to be the region least positively correlated with the rest of the regions over the short time periods.

CORRELATIONS OF PROPERTY STOCKS WITH OTHER ASSET CLASSES

EPRA/IRE|BS Study

EPRA and IRE|BS decided to embark on a detailed study focused on the correlation of property stocks. The diversification benefits of an investment in property companies depend mainly on the correlation with other asset classes, such as stocks or bonds. A closer look at the evolution of the correlations over time already gives first insight into the evolution of the diversification potential of property stocks. We hope that this might serve as a reference for both, practitioners and researchers. Furthermore, this study may ignite a broader range of investor interest wishing to examine the diversification benefits of property stocks.

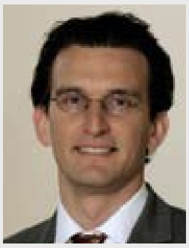
It is the aim of the EPRA/IRE|BS study to illustrate the correlation of property stocks with the large universe of investment opportunities. We have identified three classical asset classes: stocks, bonds and money (treasury bills), and five alternative asset classes, including direct real estate, emerging market stocks, hedge funds, private equity and commodities.

Methodology

It must be noted at this point that correlations, as well as diversification potential, are not everlasting characteristics of an investment as they can vary significantly over time. The aim of the present study is to investigate rolling window correlations using periods of 5 years, analysing quarterly returns of FTSE EPRA/NAREIT Global Real Estate Index series against other asset classes, as defined above. The reference currency is Euro. As we are preliminary interested in the correlations with the asset classes and not the foreign currency we compare national indices (local) wherever possible. The following presents selected results of the preliminary study.

Correlations with stocks

First results show moderate to strong correlations between the returns of the FTSE EPRA/NAREIT Indices and stock returns. For FTSE EPRA/NAREIT US we observe correlations between 0.4 and 0.6 and for the FTSE EPRA/NAREIT Global, Europe and UK ranging between 0.6 and 0.8. In the period I/94-I/99 the correlations are mostly constant, with the exception of the UK where the correlations vary temporarily between 0 and 0.2 for the period I/96-I/01, reverting back to similar levels as the other FTSE EPRA/NAREIT Indices in the period I/01-I/06.



Steffen Sebastian
IRE|BS

Steffan Sebastian is the author of an EPRA commissioned study on real estate correlations.

In earlier periods we observe contrasting patterns for Europe and US. While correlations are heavily positive with European stocks, correlations with US stocks are significantly lower, to the extent that in the period I/91 - I/96 they actually reach values close to zero.

Correlations with bonds

In contrast, correlations between the FTSE EPRA/NAREIT Indices and Bonds Indices for Germany, UK and USA are not constant over time, decreasing from 1990 till 2006. They are mostly positive until 1999; from 2000 on, we even find some negative correlations (between 0.0 and -0.5). Especially for the UK, correlations with bond indices are highly volatile. They are mostly positive up to I/98, but at the end of 1998 we observe a sharp decline in the correlation figures. For all FTSE EPRA/NAREIT Indices, correlations move in a similar fashion in the observation period. Here, we observe after a period of declining values a gradual climb since 2003.

Correlations with money/treasury bonds

Correlation of property stock returns with those of treasury bonds show a very interesting evolution over time. Correlations are negative in 1995-1998, starting with values between -0.5 and -0.2. All correlations rise steadily until 2006, ending with values between 0.3 and 0.6.

Conclusion

For all asset classes, we see that property stocks show correlations significantly below 1.0, and in some cases negative readings occur, thus indicating diversification potential for investing in property stocks. The evolution over time results in the assumption that diversification benefits are most likely to vary considerably over time. This phenomenon must, among others, be taken into consideration when including property stocks in a mixed asset portfolio. ◂

Table 5: Five-Year FTSE EPRA/NAREIT Correlation Summary

	US	UK	Europe (Ex UK)	Australia	Japan	Singapore	Hong Kong
US	1.00	0.80	0.75	0.53	0.63	0.75	0.80
UK	0.80	1.00	0.71	0.51	0.73	0.63	0.81
Europe (Ex UK)	0.75	0.71	1.00	0.74	0.29	0.57	0.53
Australia	0.53	0.51	0.74	1.00	0.15	0.53	0.44
Japan	0.63	0.73	0.29	0.15	1.00	0.62	0.81
Singapore	0.75	0.63	0.57	0.53	0.62	1.00	0.79
Hong Kong	0.80	0.81	0.53	0.44	0.81	0.79	1.00

Source: FTSE EPRA/NAREIT, Datastream

Table 6: Ten-Year FTSE EPRA/NAREIT Correlation Summary

	US	UK	Europe (Ex UK)	Australia	Japan	Singapore	Hong Kong
US	1.00	0.78	0.57	0.43	0.50	0.19	0.33
UK	0.78	1.00	0.80	0.64	0.68	0.38	0.45
Europe (Ex UK)	0.57	0.80	1.00	0.82	0.50	0.40	0.33
Australia	0.43	0.64	0.82	1.00	0.46	0.50	0.41
Japan	0.50	0.68	0.50	0.46	1.00	0.64	0.75
Singapore	0.19	0.38	0.40	0.50	0.64	1.00	0.86
Hong Kong	0.33	0.45	0.33	0.41	0.75	0.86	1.00

Source: FTSE EPRA/NAREIT, Datastream

EPRA GLOBAL REIT SURVEY

EPRA

European Public Real Estate Association

EPRA Global REIT Survey

A comparison of the major REIT regimes in the world

August 2007

Available from www.epra.com

Final editing by:

Ernst & Young

EPRA LOYENS LOEFF

Comparative table of European REIT regimes

	German REIT	French SIIC	Dutch FBI	UK REIT	Italian SIIQ
Legal form	AG (*stock corporation*) with seat and management in Germany and obligatory listing within EU/EEA.	Any company with a share capital divided into shares. Additional restrictions (not applying to SIIC sub of a SIIC): i) listing in France and ii) minimum share capital of €15 mio.	NV, BV (*limited liability company*) or FGR (*mutual fund*) or a comparable entity within the EU.	Closed ended company, listed on a "recognised" exchange.	Joint Stock Company (Società per Azioni), listed on Italian stock exchange. Company's name must include the words "società d'Investimento Immobiliare Quotata". Minimum share capital of €40 mio.
Investors' requirements	No investor must hold > 10% of voting rights. At least 15% of shares must be held by investors who own less than 3% of voting rights.	No investor or affiliated group of investors may own > 60%. Upon election for SIIC regime 15% of the shares owned by investors with max 2% interest.	Various shareholders' restrictions apply for tax purposes. Simplified restriction apply for listed FBI's.	Must not be a "close" company.	No investor must hold >51% of voting rights. At least 35% of shares must be held by investors owning not more than 1% of voting and dividends right.
Activity test	At least 75% of the assets must comprise real estate which meets the qualifying criteria and at least 75% of gross income must come from letting such real estate assets. Prohibition of real estate trading (=turnover of more than 50% of average real estate holdings within a 5 year period).	(French) real estate; non qualifying activities are allowed to a certain extent, however subject to standard CIT rate.	Only passive investments; project development for own portfolio within a taxable FBI subsidiary	Must have at least 75% of its income and assets in qualifying profit rental business ('PRB'). Development is permitted for investment purposes. Owner occupied property does not count as PRB.	At least 80% of assets and income must comprise of real estate.
Leverage limits	55% of real estate value.	No specific leverage restrictions (however, regular thin capitalisation restrictions impact level of distribution obligations).	60% of fiscal book value properties; 20% for all other investments.	No restriction, but tax charge if finance cover is less than a ratio of 1.25.	No specific restrictions yet (however limitations may be introduced by regulatory provisions).
Distribution obligation	At least 90% of net annual income. 50% of capital gains included.	85% of the net rental income, 50% of capital gains and 100% of dividends from lower-tier SIIC subsidiaries.	Applicable to full profit; however, capital gains neutralised in tax free reserves.	90% of income profits of PRB (after deducting finance costs and capital allowances). No obligation to distribute capital gains.	At least 85% of income of real estate. Tax exemption for capital gain not (yet) implemented.
Tax treatment fund	Full exemption from corporate income tax as well as local trade tax.	Exempt from CIT with respect to qualifying income; regular CIT treatment with respect to non-qualifying income. Additional 20% levy on distributions to 10% or more exempt/low taxed shareholders.	Corporate income tax at a rate of 0%. Capital gains may be added to a tax free reinvestment reserve.	Qualifying income and gains of PRB (UK and indirectly held non-UK) are tax exempt. Charge on development if sold within a 3 year period. Residual business taxed in usual way. Tax charge in REIT if distribution made to corporate shareholder holdings 10% or more.	Exempt from CIT with respect to income derived from rental or leasing activities. Regular CIT-treatment with respect to capital gains.
Treaty application	As the G-REIT is subject to corporate income tax (although at a rate of 0%), in general, the G-REIT can make use of bilateral tax treaties.	In general a SIIC can make use of bilateral tax treaties.	As the FBI is subject to corporate income tax (although at a rate of 0%), in general, the FBI can make use of bilateral tax treaties.	Treaties should apply in the usual way, as REIT is taxable.	Whether the treaty relief and the Parent Subsidiary Directive apply is not clear.
Withholding tax treatment	Dividend distributions are subject to 25% withholding tax (reduced to 15 or 10% under tax treaties).	25% to non-resident shareholders and 0% to resident shareholders (see also extra levy above).	Dividend distributions are subject to 15% withholding tax. Distributions from the reinvestment reserve can be made free from dividend withholding tax.	22% withholding, subject to treaty relief.	20% witholding tax on tax-exempt income, can be reduced to 15% at dividends originating from residential building leases. A credit for Corporate and business shareholders
Conversion charge regime	Until December 31, 2009 only 50% of capital gains which are realized through conversion into G-REIT or a transfer of real estate to a G-REIT are taxable ('*exit tax privilege*'), subject to restrictions.	Latent capital gains are taxed at 16.5% upon election for the regime. Same rate applies to capital gains on sales of properties by standard corporations to SIICs (holding period of 5 years). Reduced rate to sellers extended to December 2008.	No special favourable regime.	Charge of 2% on market value (to allow a step-up in base).	Latent capital gain are taxed at a 20% rate upon election for the regime. Same rate applies to capital gains realised by corporate shareholders contributing property to SIIQs (three years holding period).

This table contains a brief comparison of the German, French, Dutch, UK, and Italian REIT regimes. This comparison does not go into great technical detail, but rather will focus on the main characteristics. It cannot be construed as legal or tax advice.

By: Mark Wist
Director PIR

The road ahead

The irresistible force of the constrained supply of investment grade real estate juxtaposed against the immovable object of the weight of investment funds searching for a home in the real estate asset class has been a predominant factor behind the substantial asset price inflation witnessed so far this decade.

Nowhere has this rational exuberance been more evident than in Australia where a mandated 9% compulsory employer-funded superannuation (pension) levy combined with asset allocations of between 5% - 15% to property from most institutional investors and pension funds has seen yields on prime real estate assets tighten by more than 300 basis points over the past 5 years, dragging second grade assets with them testing levels not seen since the boom associated with the late 1980s bubble economy. Of course, the fundamentals imply that it's all different this time – well, maybe.

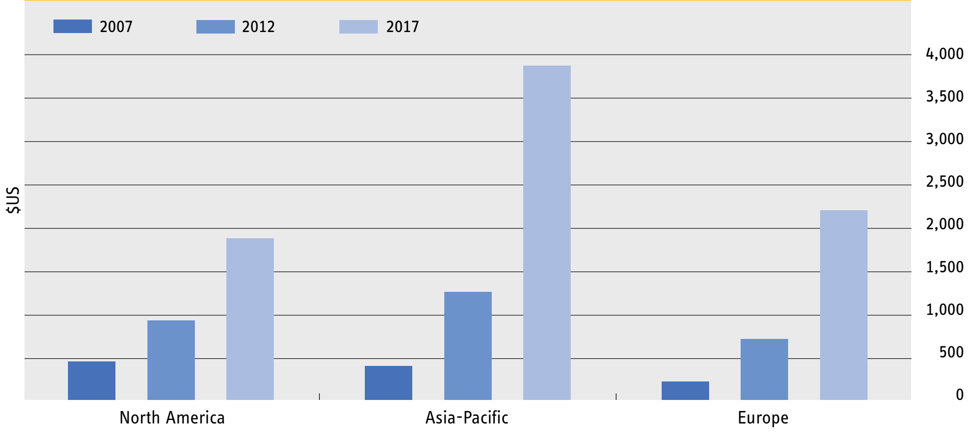
Australia has a tradition of securitising real estate assets – to the point where, of the US$300 billion industry in Australia, 70% of the investment grade product is now securitised in either listed or unlisted REITs. Australia did have a head start in that its REIT regime started in 1970, some time after the Dutch and Americans got the concept off the ground. The European, American and Asian markets have nothing like this level of securitisation and if Australia is any example, then there is a tide of activity looming as real estate investment managers take advantage of the tax effective structure of REITs and act as a conduit to shift assets from corporate balance sheets and other investment vehicles and companies to REIT structures over the coming years. Further, if current trends in Australia are any barometer, then in the near term, some of this may be destined for off-market wholesale funds where the twin advantages of exposure to underlying property market fundamentals rather than security price volatility associated with sentiment in the broader market and more direct access to (and influence over) management with the associated benefit of a different level of disclosure requirement have merit. A developing strategy, becoming more common is selling properties down off balance sheet to wholesale funds while retaining a controlling stake in the fund. This allows the Fund to maintain control over the destiny of the fund, the associated fee flow and tenant relationships while at the same time freeing up capital to recycle into additional activity, including further acquisitions.

The market size today

Current estimates by PIR suggest that the size of the global real estate investable universe is US$17.3 trillion. Of this, US$2.6 trillion (15% - split between 6% listed and 9% unlisted) is in securitised real estate. While the USA has 42% of its real estate listed on the boards of a Securities Exchange, Europe is estimated to have only 29% of its already securitised universe in the listed environment – a figure which is almost certain to increase as sentiment towards listed REITs becomes more conciliatory over time (with some obstacles in this regard evident in the short term). This compares with 57% and 51% for Asia-Pacific and North America respectively.

North America accounts for around 35% of the total global (securitised) fund assets, with Europe contributing 31% and Asia-Pacific 28%, the balance of 7% being spread across the 'other' Americas, the Middle East and Africa. A point to note is the vast difference in the average Fund size. While Europe and the Asia-Pacific region have average fund sizes of approximately US$832 million and US$903

Forecast growth in listed securities



Mark Wist
Director PIR

Mark Wist heads PIR's research and reporting division. He holds a valuation degree and has practiced as a valuer. He was National Research Manager for New Zealand's largest commercial real estate firm and later head of consultancy for one of UK's largest valuation partnerships. Mark brings together a suite of skills in valuations, research, consultancy, and property, asset and project management to provide an holistic and scientifically grounded perspective on his responsibility for the operational management of PIR's business units. He joined PIR as a Director in 2002. He is a chartered surveyor (RICS) a practicing member of the Australian Property Institute; a member of the Australian Institute of Company Directors, the Property Institute of New Zealand, the Investment Property Forum and the Society of Property Researchers.

→ Contact
Mr. Mark R. Wist
Property Investment Research
423 Bourke Street,
Level 6
Melbourne,
Victoria 3000
Australia

T: +61 (3) 8622 3355
F: +61 (3) 9642 5579
E: mark.wist@pir.com.au
W: http://www.pir.com.au

million respectively, the US average is estimated to be closer to US$3.6 billion.

The market size tomorrow

PIR estimates that by 2017, the size of the global real estate investible universe will be US$45 trillion (presupposing of course the USD holds up!). This growth reflects a mixture of inflation related asset price increase, additional capital value growth and new stock entering the universe. This growth is not however, constrained to the paradigm of the current wisdom of the commonly acknowledged asset classes, with many more classes likely to find their way into the 'real estate' classification. It may, however be somewhat constrained by the management capacity to digest this sized real estate market and the capacity of the financial markets to fund this level of investment.

It is anticipated that North America will encounter the slowest growth as it is a mature market with a concentration of large institutional direct ownership. Asia-Pacific's growth is forecast to be more robust as it represents about half the world's population and traditionally (at least in the modern era) the highest economic growth areas requiring substantial capital investment. Coming off a low base, the belated popularity of REITs is taking shape in Europe which is likely to be in catch-up mode for the next decade with growth to flatten considerably after that as the listed securitised market matures and conversion opportunities are effected as investment grade property falls out of Government property portfolios, private property funds, and corporate balance sheets. The growth in the European REIT market could also be magnified further should the pension funds increase their allocation from between the current 6% - 7% to (at least according to many asset allocation models) a more sagacious 15% allocation. Part of the lower allocation has been the lack of availability of relatively liquid exposure.

The listed market is estimated to grow its total asset value at just under 22% per annum to reach $8 trillion by 2017, from $1.1 trillion in 2007 spread across 1,200 Funds, itself a 284% increase. The extraordinary factor about this is that while Asia-Pacific currently represents 37% of the listed total real estate assets, by 2017, it is forecast to represent 49%, while Europe's proportion increases from 21% to 28%. However, even at 28%, given that Europe sits on 42% of the world's underlying direct commercial property assets, there remains scope for some continued growth. This all comes at the expense of the lower growth and already mature USA which slips from a 42% share to a 24% share, although this is only a relative reduction as there is no forecast that the absolute value will do anything but increase.

Growth in the size of the unlisted market is less spectacular with total assets forecast to increase to US$5.3 trillion in 2017 from $1.5 trillion in 2007. Of the three major global regions (with 'other' currently representing 11%), Europe currently has the largest proportion of the unlisted global market. However, the proportion is forecast to fall by 14 percentage points as the Continent looks to transfer more of its assets to the listed side of the ledger. Simultaneously, Asia is forecast to adapt to the securitisation of real estate with enthusiasm as, coming off a low base, high economic growth and the requirement for capital will see this region grow significantly by the equivalent amount. Both North America's and 'other's' portion are likely to retain their status quo. Of course, given that capital is so transportable with relatively unhindered movement, it may become increasingly difficult to track ownership of that capital.

In the meantime

Significant yield compression in real estate markets has placed increased reliance on even further capital growth and continued rental escalation to achieve total returns commensurate with the attendant level of risk associated with any Fund acquisitions of both securitised and 'direct' property assets. While the weight of funds seeking a home in securitised real estate has enhanced competition for assets and contributed to this yield compression (and therefore often yield dilution to existing funds), it is not certain that this trend is sustainable over the medium term. There may be some compression left yet, however based on property investment fundamentals, it is quite possible (in fact, likely) that the current yield outshift may be a pothole on the autobahn which may undo some of the capital value gains made to this point. It is at that time that the performance of some acquisitions across the broader real estate market - without discrimination across sectors, funds or Managers - may no longer be masked by a benign environment.

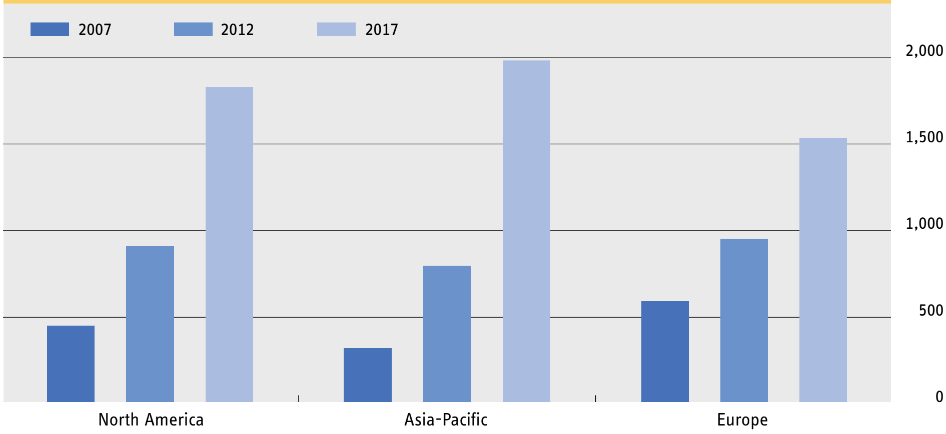
The double whammy of the prevarication of some occupiers about committing to the occupational leasing of space mixed with increasing caution among investors in some global regions could slow the global growth pattern for some time. It seems defending portfolio value is now becoming as important as adding value. When the music stops and yields soften, the big question will be how earnings guidance targets are to be achieved. The liquidity crunch has the capacity to destabilise sentiment and undermine confidence in the investment markets. ◂

Footnote: EPRA and NAREIT are gratefully acknowledged as a contributor to the global estimates.

About PIR

Based in Melbourne, Property Investment Research (PIR) is the leading independent provider of authoritative research and ratings services on Australia's US$300 billion property funds sector. An industry pioneer since 1989, PIR is Australia's most resourced and experienced real estate research and ratings organisation backed by more than 500 years of specialist industry expertise.

Forecast growth in unlisted securities



By: Nick Tyrrell
JPMorgan Asset Management

The invested stock of real estate

As real estate investment becomes increasingly global, investors are looking for a benchmark on which to base their international portfolio decisions. There are a number definitions of the real estate investment stock, from broad measures such as the total stock of real estate (whether investible or not) or the total stock of investible real estate (an extremely difficult concept to pin down in practice), to far narrower measures of market capitalisation such as the size of the listed stock or of unlisted funds in various countries. For example, EPRA[1] provide estimates of the total stock as well as the listed stock. In this article however we concentrate on something between these extremes, namely the invested stock of commercial real estate.

Table 1: Estimates of total and invested stock of commercial real estate, 2006

		Total stock US$ bn	Invested stock US$ bn	Ratio of invested to total stock (%)	GDP/capita US$
Asia Pacific	Japan	2,024	1,110	54,8	35,315
	China (inc. HK)	493	90	18,3	1,854
	S Korea	329	138	41,8	16,253
	India	113	10	9,2	717
	Australia	311	223	71,7	34,664
	Taiwan	139	49	35,5	14,965
	Indonesia	53	9	17,7	1,255
	Thailand	41	33	79,7	2,719
	Malaysia	39	22	55,9	5,618
	Singapore	107	48	44,7	27,381
	New Zealand	49	23	46,1	25,230
	Philippines	18	3	17,7	1,178
	Vietnam	7	1	17,2	611
Europe	Germany	1,254	793	63,3	33,811
	UK	1,251	1,052	84,1	36,906
	France	955	391	40,9	35,108
	Italy	793	248	31,2	30357
	Spain	505	110	21,7	27,833
	Russia	226	48	21,3	5342
	Netherlands	283	173	61,2	38,598
	Switzerland	165	130	78,9	49,302
	Belgium	166	78	47,3	35,645
	Sweden	162	105	64,9	40,125
	Turkey	98	21	21,0	50,03
	Austria	137	79	57,6	37,177
	Norway	96	50	52,0	7,643
	Denmark	133	48	36,1	64,471
	Poland	116	30	25,5	47,784
	Greece	101	21	20,3	21,082
	Finland	90	35	38,6	50,469
	Ireland	88	40	45,5	37,483
	Portugal	78	80	102,2	17,360
	Czech Rep	25	21	85,7	7,520
	Hungary	37	17	45,0	10,242
	Romania	26	5	20,4	4,290
	Ukraine	16	3	18,1	1,659
	Slovakia	9	2	21,4	5,479
	Slovenia	14	4	31,0	16,583
	Luxembourg	16	7	44,0	78,352
	Bulgaria	7	1	19,7	3,482
Americas	Mexico	242	55	22,9	7,199
	Brazil	215	44	20,4	4,328
	Argentina	52	11	20,8	4,738
	Venezuela	40	8	21,4	5,436
	Colombia	27	5	19,0	2,735
	Chile	38	9	23,1	7,401
	Peru	19	4	19,2	2,891
	USA	5,616	3,721	66,3	42,590
	Canada	511	240	47,0	34,903

Source: DTZ, EPRA, JPMorgan Asset Management

This is important for two reasons. Firstly, at the margin it places constraints on investment. If there is no invested real estate in Angola, for example, then there is no point worrying about the correct allocation to Angola (unless an investor is prepared to engage in the tricky business of migrating uninvested stock into the invested universe – a strategy for risk-takers only). Secondly, and more importantly, the stock of invested real estate is what the market has chosen to invest in. The textbook capital markets theorem that the market always holds the efficient portfolio almost certainly does not apply to real estate, since most of the assumptions needed to derive it (such as efficient pricing) do not hold. Nonetheless, “the market” has chosen this allocation and in some way or other has processed a lot of information in order to reach this position. If nothing else, therefore, it provides a good starting point for a neutral allocation. If an investor chooses to take a strategic stance substantially different from this, then he or she ought to have good reasons for doing so.

Table 1 shows estimates of the total and invested stock of commercial real estate for 49 countries at end-2006. Many of these figures are based on DTZ’s *Money into Property: Global* survey for 2007[2]; however, this source does not cover all the markets that are shown in the table – the Americas, in particular, are under-represented. The gaps have been filled by using estimates of the total real estate stock provided by EPRA; however, EPRA does not provide estimates of invested stock. We fill this gap by hypothesising that, generally speaking, the proportion of invested to total stock is likely to be higher in more developed countries, and that more developed countries are also likely to have higher levels of GDP per capita. *Chart 1* shows the relationship between these two variables for the 31 countries for which we do have data on both total and invested stock; figures for invested stock in Table 1 for other countries (shown in italics) are derived by applying this relationship to GDP per capita and total stock.

Chart 2 shows the data in Table 1 in a slightly more digestible format, with smaller countries grouped together. According to these calculations, the Americas account for around 30% of the total stock, and around 40% of the invested stock, largely because of the high proportion of invested to total stock in the US. Conversely in Asia total stock is 36% of the global total, but invested stock only 24%, primarily because of the impact of China and India. In Europe things are roughly balanced, with 33% of the total stock and 36% of the invested stock accounted for by the continent. In terms of invested stock, Asia and the Americas are dominated by Japan and the US respectively; things are more evenly spread within Europe.

Chart 3 shows the relationship between total stock and invested stock for the major regions. Although there is significantly less total stock in Latin America and developing Asia than in the developed world, a far small proportion of that is invested meaning that the potential for these markets to expand is correspondingly greater. The total stock of uninvested real estate in developing Asia, for example, is almost as large as that in developed Asia.

Chart 4 uses EPRA data again to show the relationship between invested stock and listed stock. Listed real estate (including the debt of listed companies) account for just over 10% of the total invested stock in North America and Asia, but twice this in developed Asia (largely because of the predominance of the listed model in Australia). Again, however, it is in the developing markets where the most interesting contrasts are to be found. Over 50% of the invested stock of real estate in developing Asia is listed, a tribute to the rapid take-up of the REIT model there. By comparison the listed real estate stock in Latin America is a trivial proportion of the invested stock.

This article is part of a broader research project recently published by JPMorgan Asset Management[3] which looks at the size, risks, returns and correlations associated with global real estate markets. Readers are welcome to contact the author for a copy: nick.tyrrell@jpmorgan.com ◂

[1] *Global Real Estate Securities – Where do they fit in the broader market?* Hughes, F. & Arissen, J., EPRA, September 2005. Updated results (to end-2006) kindly provided by the authors.

[2] *Money into Property: Global*, DTZ Research, June 2007.

[3] *Outside the box: Risks, returns and correlations for*

Chart 1: Ratio of invested to total stock and GDP per capita, 2006

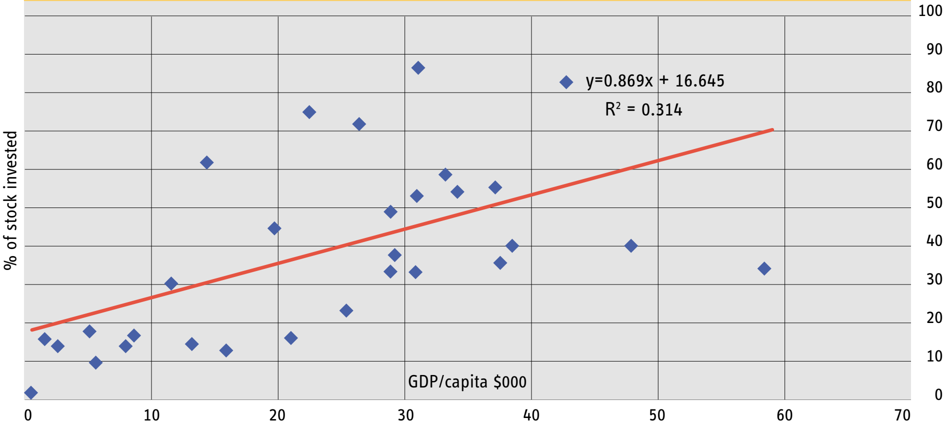


Chart 2: Estimates of global total and invested stock, 2006

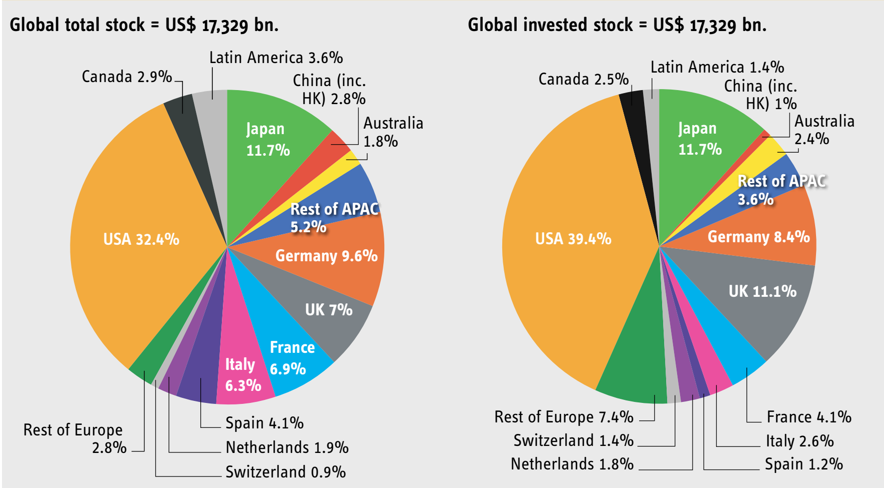


Chart 3: Proportion of invested to total stock by region, 2006

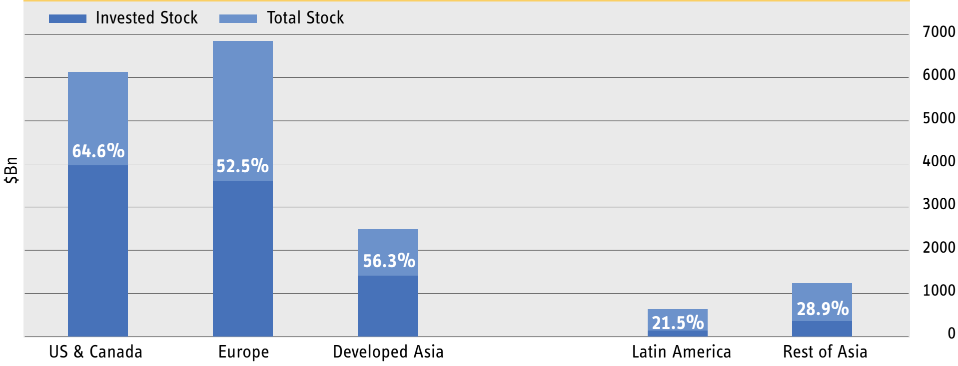
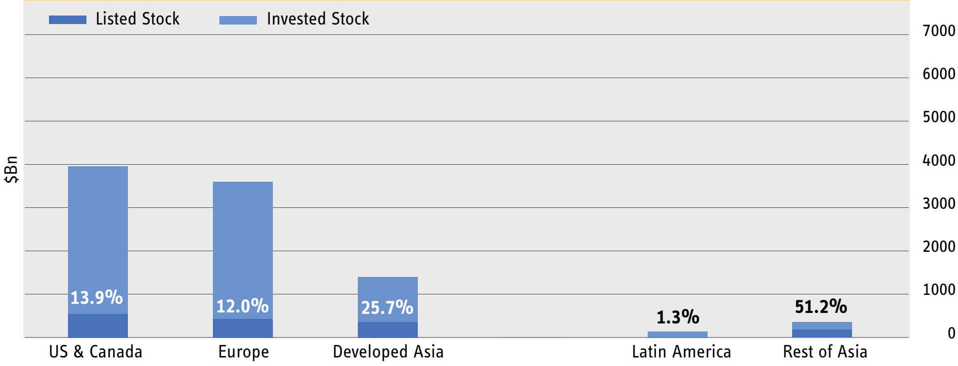


Chart 4: Proportion of listed to invested stock by region, 2006

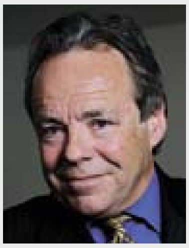


Source: DTZ Research, EPRA, JPMorgan Asset Management

By: Rebecca Worthington, Quintain Estates

Quintain Estates and Development PLC

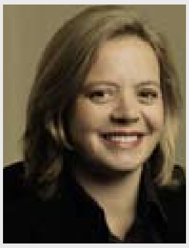
Quintain is one of the most successful development companies in the UK



Adrian Wyatt
Chief Executive and Deputy Chairman

Adrian established Quintain in 1992. He is a chartered surveyor and a chartered financial analyst.

Prior to the formation of Quintain, Adrian spent 21 years at Jones Lang LaSalle, where he gained extensive experience of tax planning and financial structures as a Proprietary Partner in charge of fund management and founder of its finance company.



Rebecca Worthington
Finance Director

Rebecca joined Quintain in March 1998 as Group Accountant. In July 2001 she was appointed Finance Director with additional responsibility for Quintain's Investor Relations.

Rebecca qualified as a chartered accountant with PricewaterhouseCoopers in 1997 and worked as Financial Controller for Britton Group plc prior to joining Quintain.

→ **Contact**
Quintain Estates and Development Plc
16 Grosvenor Street
London W1K 4QF

T: +44 (20) 7478 9470
F: +44 (20) 7478 9382
E: rebecca.worthington@quintain-estates.com
W: www.quintain-estates.com

Listed on the FTSE 250, at its last reporting date the organisation delivered a shareholder return over the last five years of 354%, based on the increase in share price adding back the dividend paid. This compares with a 50.4% return for the FTSE 350 index and 187.7% for the FTSE Real Estate index.

Strategy

Quintain's strategy is to focus on the financial characteristics of properties to identify assets and special situations where value can be created. Opportunities and price anomalies are sought in:

- Large scale urban regeneration
- Specialist fund management
- The UK secondary property investment market across all sectors.

By following this strategy and managing the risk return matrix Quintain has produced consistently high shareholder returns combined with low volatility. This is demonstrated by the company's position in the Investment Property Databank index over the first 10 years of first percentile performance and over three and five years of third and second percentile performance respectively.

In addition to outperforming the IPD index, the objective is to deliver a minimum total return of 10% real. This has been achieved every year since the company's flotation in 1996, and on an annualised basis, total return as measured on a ten year UK GAAP basis is of the order of 22%.

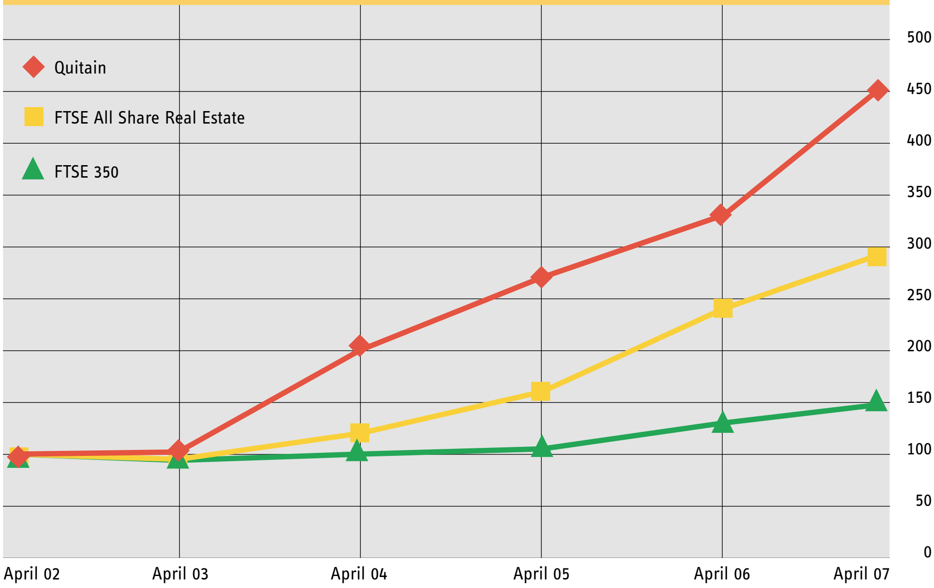
Regeneration

The Special Projects division, which accounts for 62% of the overall portfolio, manages a range of complex developments. These include 72 acres around the new National Stadium at Wembley and 190 acres on the Greenwich Peninsula, which is two minutes travel from London's financial hub at Canary Wharf.

The company's intention with regeneration is to be a long-term owner of major estates. This inspires confidence within the local and political communities regarding Quintain's commitment, enabling it to influence policy issues. It also facilitates finance and the procurement of long term income streams from sources such as telecommunications, power and branding. Capital is recycled through the sale of leasehold interests as well as bringing in joint venture partners.

The company is now firmly in the delivery stage on both major projects with teams on site at Wembley, ground being broken at Greenwich in the new year and a delivery pipeline in excess of 27 million square feet. ▸

Chart 1: Share Price Performance



Wembley Masterplan.

Greenwhich.

By: Rebecca Worthington, Quintain Estates

Wembley Arena by night.

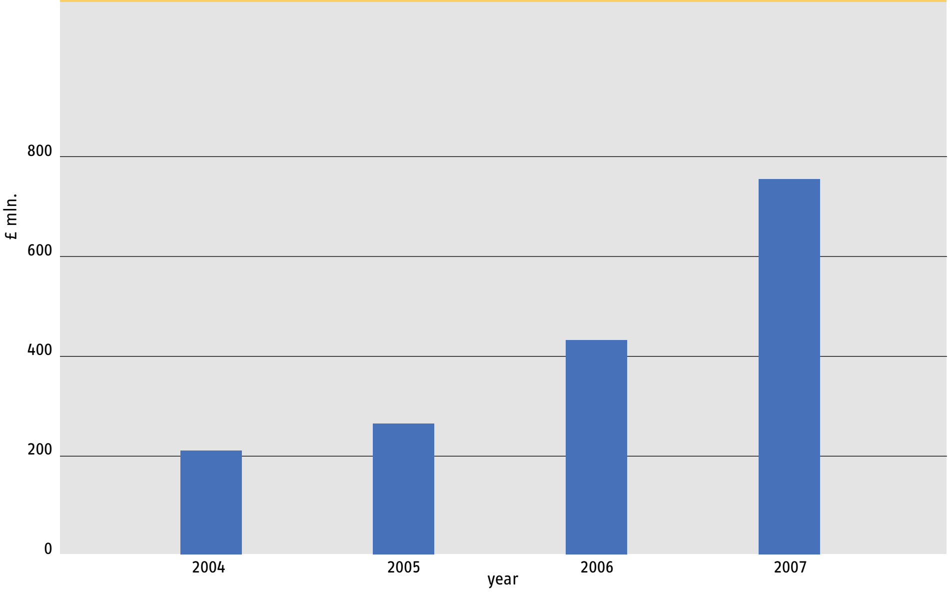
Fund Management

The fund management business focuses on building revenue streams and managing portfolios of less traditional assets from sectors such as healthcare, research and development, and student accommodation on behalf of institutional clients. At the 31 March year end assets under management stood at £711m.

Quintain Fund Management has a synergy with our regeneration business, exploited through agreements such as inclusion of a student accommodation block at Wembley. This enables Quintain to forward-fund certain elements of the regeneration schemes and allow the recycling of equity whilst keeping a carried interest and increasing funds under management.

The newest Fund, iQ, was set up as a joint venture with Wellcome to provide student accommodation. It has run two facilities for a year with in excess of 95% occupancy rates, and has just opened two more facilities in Birmingham and Salford where demand is high. Four further schemes are in development and due to open for the 2008 academic year.

Chart 2: Assets under Management



About Quintain Estates and Development PLC

Through a combination of stock picking and active management, cash flow analysis and detailed in-house knowledge of property law, Quintain is able to take advantage of inefficiencies in the market and maximise return to shareholders minimising downside risk and out performing more traditional property investment routes.

The Quercus Fund, which is partnered with Morley Fund Management, focuses on healthcare. At the end of the last financial year the fund comprised of 221 properties let to 36 tenants operating nursing and residential care homes for the elderly, specialist care facilities and private hospitals.

The third Fund, Quantum, is a specialist science park fund. The first scheme was signed in 2006 and is a development agreement with the South West Regional Development Agency to create a new science park at Emersons Green in Bristol. Quantum will fund and procure primary infrastructure and associated servicing for the 55 acre scheme, with further development being market-led over a ten year period.

Investment Portfolio

The Investment Portfolio comprises an income-producing secondary property portfolio, with the potential for added value through active management including lease renewals, restructuring, marriage value and refurbishment. Gross assets at 31 March stood at £252m, with reversionary yield in the region of 7%.

The investment portfolio is key to Quintain's strategy of making good returns through stock picking. Tactically over time the size of the investment portfolio expands or contracts depending on the company's assessment of prevailing market trends and available opportunities. During the last few years Quintain has been a net seller of commercial properties, reflecting its view of conditions and wish to take profits.

Over time, additional revenue streams deriving from the fund management and regeneration businesses will make the company less dependent on rental and other income streams and further reduce exposure.

BioRegional Quintain

Established two years ago as a 50:50 partnership with environmental specialist Bioregional Properties Ltd, BioRegional Quintain specifically focuses on zero carbon developments in areas with high requirement for community regeneration. There are three schemes currently in progress at Brighton, Middlesbrough and south London.

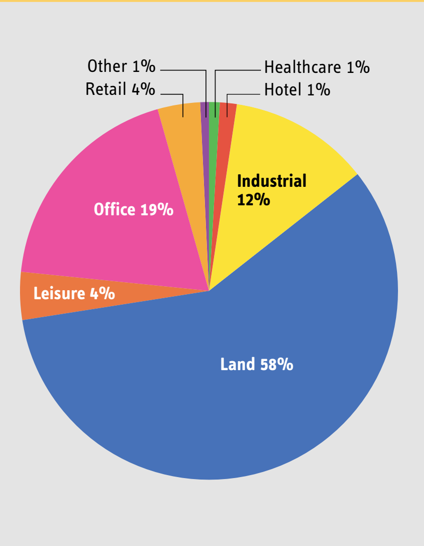
These schemes follow the principles of One Planet Living and are designed to set new standards of excellence in the creation of environmentally-sound developments. Quintain brings high level development skills, agility, financial expertise and a dynamic commitment to sustainable development to the partnership.

Conclusion

Quintain's diversified business model, with its balance of mixed-use urban regeneration, investment property and fund management, has innate defensive merits, while retaining a continuing impetus to embrace a variety of opportunities for rapid growth. The company is well positioned to take advantage of current conditions with flexible delivery programmes, low gearing and favourable demographics in key locations.

Quintain's latest Annual Report

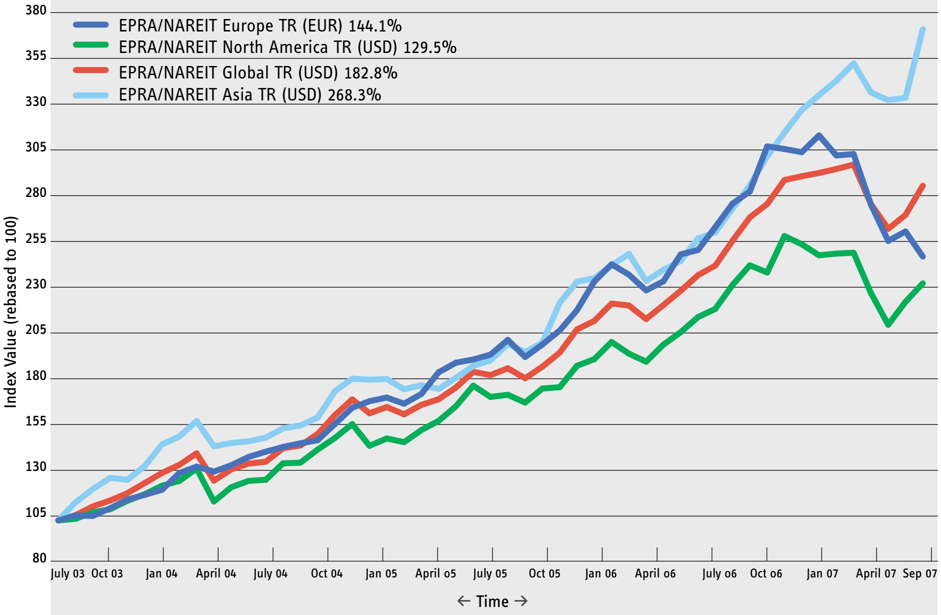
Chart 3: Valuation by Sector



FTSE EPRA/NAREIT Global Real Estate Indices

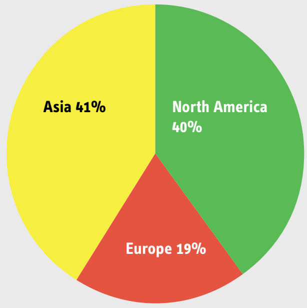
Global

EPRA/NAREIT GLOBAL REAL ESTATE INDEX

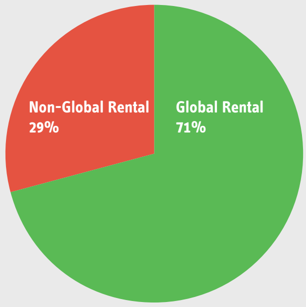


	Company	Country	Investment Focus	Sector	Price Rtn (%) Sep-07	Dividend	Total Rtn (%) Sep-07
▲	Kowloon Dev	HK	Non-Rental	Residential	26.37	1.08	27.45
▲	Sun Hung Kai Props	HK	Non-Rental	Diversified	25.96	0.00	25.96
▲	Hang Lung Properties	HK	Non-Rental	Diversified	21.89	0.00	21.89
▲	Assura	UK	Rental	Health Care	20.12	1.35	21.46
▲	China Resources Land	HK	Non-Rental	Residential	20.18	0.00	20.18
▼	Vivacon AG	DE	Non-Rental	Residential	-16.55	0.00	-16.55
▼	Mapeley	UK	Rental	Office	-16.86	0.00	-16.86
▼	TK Development	DK	Non-Rental	Retail	-18.44	0.00	-18.44
▼	Minerva	UK	Rental	Diversified	-18.54	0.00	-18.54
▼	Capital & Regional Props	UK	Rental	Retail	-21.54	1.18	-20.35

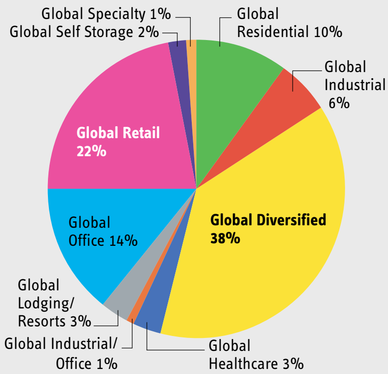
GLOBAL - REGIONAL BREAKDOWN BY MARKET CAP



GLOBAL INVESTMENT FOCUS MARKET CAP BREAKDOWN



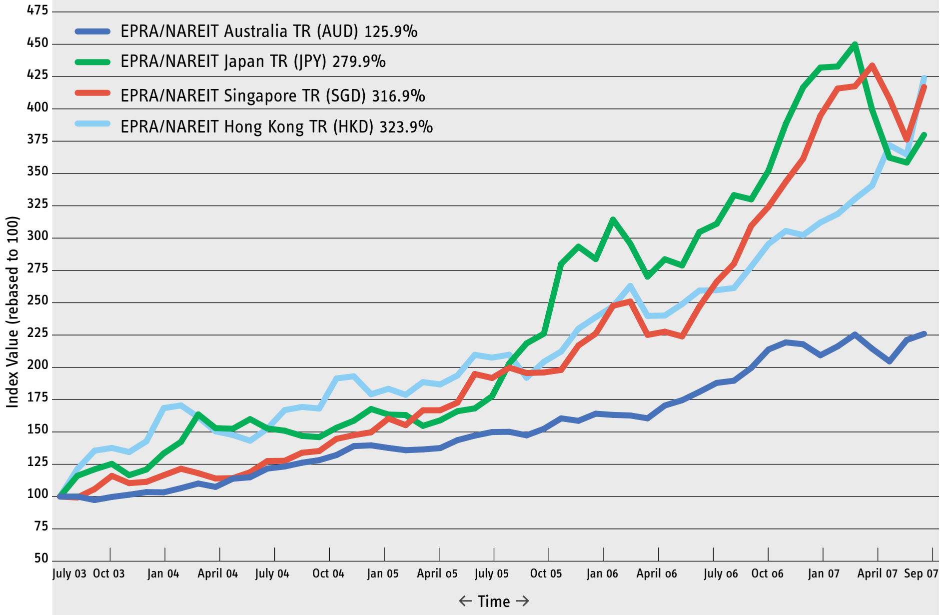
SECTOR BREAKDOWN - GLOBAL



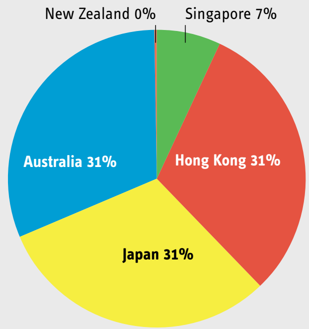
Index Description	Close Value Sep-28	Div Yld (%) Sep-28	Total Rtn (%) - 5 Yrs	Total Rtn (%) - 3 Yrs	Total Rtn (%) - 1 Yr	Total Rtn (%) Sep-07	Total Rtn (%) YTD	36 Mths Vlty (%)
EPRA/NAREIT Europe TR (EUR)	3092.54	2.89	22.35	19.76	(6.20)	(10.44)	(19.78)	14.60
EPRA/NAREIT Asia TR (USD)	3251.7	2.66	32.94	34.35	43.06	10.32	23.26	12.76
EPRA/NAREIT North America TR (USD)	4043.58	4.05	22.69	20.39	6.48	2.35	(2.52)	15.33
EPRA/NAREIT Global TR (USD)	3720.14	3.26	27.73	26.13	18.22	3.66	3.66	12.03

Asia

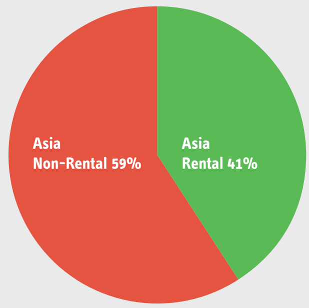
EPRA/NAREIT ASIA REAL ESTATE INDEX



ASIA – COUNTRY BREAKDOWN BY MARKET CAP

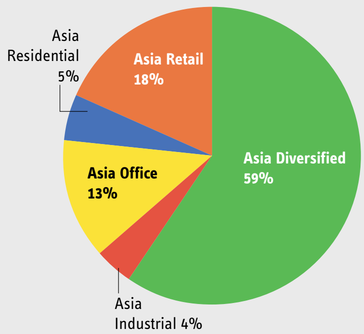


ASIA INVESTMENT FOCUS MARKET CAP BREAKDOWN



Company	Country	Investment Focus	Sector	Price Rtn (%) Sep-07	Dividend	Total Rtn (%) Sep-07
▲ Kowloon Dev	HK	Non-Rental	Residential	26.37	1.08	27.45
▲ Sun Hung Kai Props	HK	Non-Rental	Diversified	25.96	-	25.96
▲ Hang Lung Properties	HK	Non-Rental	Diversified	21.89	-	21.89
▲ China Resources Land	HK	Non-Rental	Residential	20.18	-	20.18
▲ Great Eagle Holdings	HK	Non-Rental	Diversified	19.68	-	19.68
▼ Macquarie Countrywide *	AU	Rental	Retail	(4.33)	-	(4.33)
▼ Tishman Speyer Office Fund *	AU	Rental	Office	(4.35)	-	(4.35)
▼ Babcock & Brown Japan Prop Tr*	AU	Rental	Diversified	(4.72)	-	(4.72)
▼ Bunnings Warehouse Prop *	AU	Rental	Retail	(6.05)	-	(6.05)
▼ Centro Properties Group *	AU	Rental	Retail	(10.01)	-	(10.01)

SECTOR BREAKDOWN – ASIA



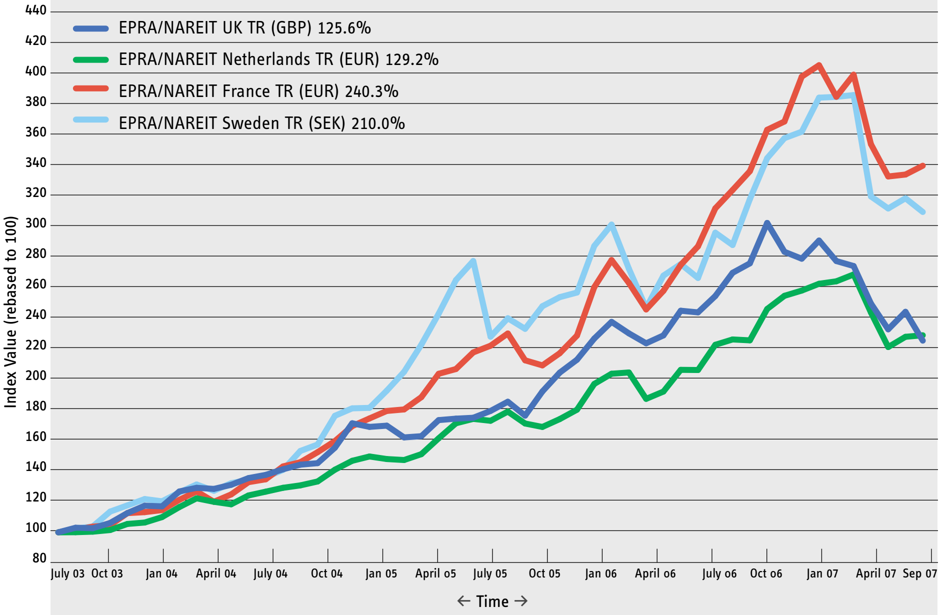
Index Description	Close Value Sep-28	Div Yld (%) Sep-28	Total Rtn (%) - 5 Yrs	Total Rtn (%) - 3 Yrs	Total Rtn (%) - 1 Yr	Total Rtn (%) Sep-07	Total Rtn (%) YTD	36 Mths Vlty (%)
EPRA/NAREIT Australia TR (AUD)	3146.74	5.34	19.96	21.42	20.18	5.38	5.64	10.93
EPRA/NAREIT Hong Kong TR (HKD)	2755.78	1.67	35.35	35.78	63.23	24.43	43.48	18.18
EPRA/NAREIT Japan TR (JPY)	4036.49	1.05	27.92	37.25	22.11	(5.00)	7.83	23.55
EPRA/NAREIT Singapore TR (SGD)	2407.73	2.08	38.99	46.03	56.61	(2.12)	28.55	18.30

→ For more information about the FTSE EPRA/NAREIT Global Real Estate Indices, e-mail: info@epra.com or info@ftse.com

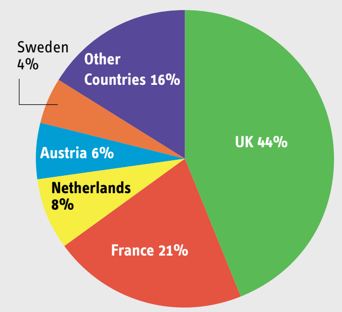
FTSE EPRA/NAREIT Global Real Estate Indices

Europe

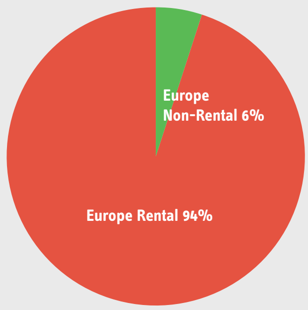
EPRA/NAREIT EUROPE REAL ESTATE INDEX



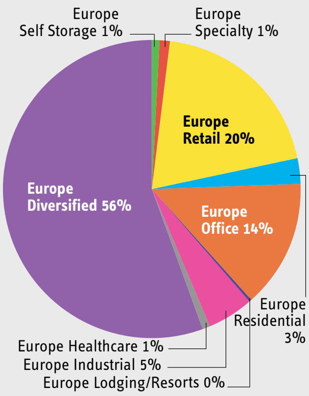
EUROPE - COUNTRY BREAKDOWN BY MARKET CAP



EUROPE INVESTMENT FOCUS MARKET CAP BREAKDOWN



SECTOR BREAKDOWN - EUROPE

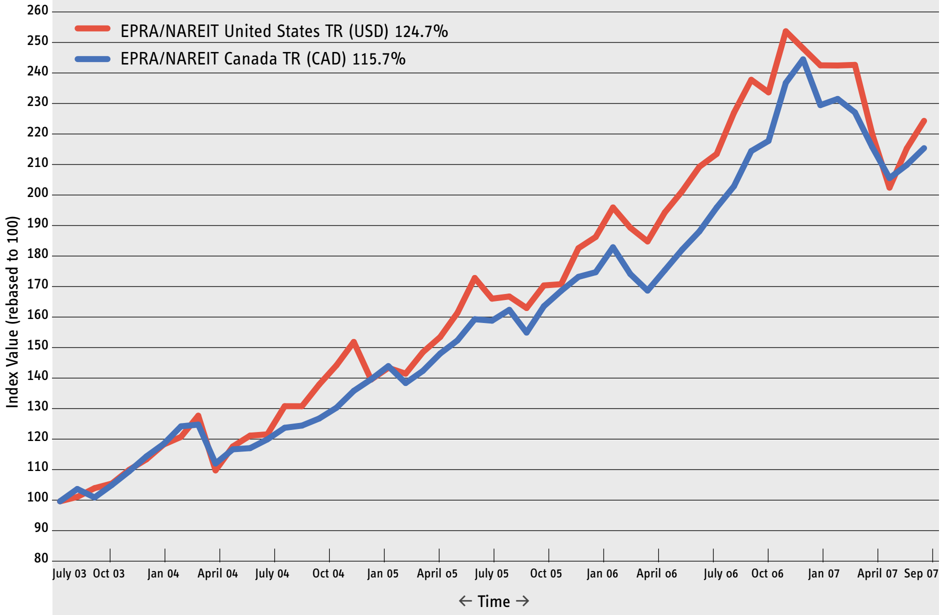


	Company	Country	Investment Focus	Sector	Price Rtn (%) Sep-07	Dividend	Total Rtn (%) Sep-07
▲	Assura	UK	Rental	Health Care	20.12	1.35	21.46
▲	Deutsche Wohnen	DE	Rental	Residential	17.19	-	17.19
▲	Icade	FR	Rental	Diversified	14.09	-	14.09
▲	Globe Trade Centre	POL	Non-Rental	Diversified	12.46	-	12.46
▲	Societe de la Tour Eiffel	FR	Rental	Diversified	9.62	-	9.62
▼	Vivacon AG	DE	Non-Rental	Residential	(16.55)	-	(16.55)
▼	Mapeley	UK	Rental	Office	(16.86)	-	(16.86)
▼	TK Development	DK	Non-Rental	Retail	(18.44)	-	(18.44)
▼	Minerva	UK	Rental	Diversified	(18.54)	-	(18.54)
▼	Capital & Regional Props	UK	Rental	Retail	(21.54)	1.18	(20.35)

Index Description	Close Value Sep-28	Div Yld (%) Sep-28	Total Rtn (%) - 5 Yrs	Total Rtn (%) - 3 Yrs	Total Rtn (%) - 1 Yr	Total Rtn (%) Sep-07	Total Rtn (%) YTD	36 Mths Vlty (%)
EPRA/NAREIT UK TR (GBP)	2954.79	2.45	21.53	16.05	(11.47)	(9.75)	(25.48)	17.73
EPRA/NAREIT Netherlands TR (EUR)	3387.72	5.09	23.05	20.56	2.80	(6.11)	(6.99)	15.40
EPRA/NAREIT France TR (EUR)	4663.87	3.02	32.41	32.61	8.95	(3.99)	(6.47)	18.07
EPRA/NAREIT Sweden TR (SEK)	4816.01	6.13	30.84	26.44	4.57	(3.19)	(10.21)	24.54

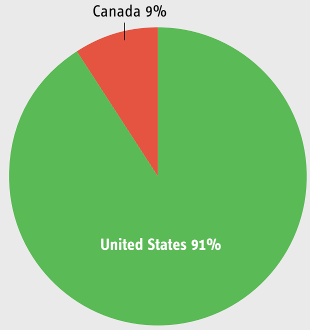
North America

EPRA/NAREIT NORTH AMERICA REAL ESTATE INDEX

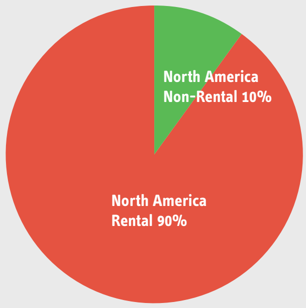


Company	Country	Investment Focus	Sector	Price Rtn (%) Sep-07	Dividend	Total Rtn (%) Sep-07
▲ Health Care REIT *	US	Rental	Health Care	10.88	-	10.88
▲ Kite Realty Group Trust *	US	Non-Rental	Retail	10.72	-	10.72
▲ Regency Centers *	US	Rental	Retail	10.48	-	10.48
▲ Prologis *	US	Non-Rental	Industrial	10.29	-	10.29
▲ Ventas *	US	Rental	Health Care	8.72	1.25	9.97
▼ Associated Estates Realty	US	Rental	Residential	-7.78	-	(7.78)
▼ Urstadt Biddle Class A *	US	Rental	Retail	-8.68	-	(8.68)
▼ Felcor Lodging Trust *	US	Rental	Lodging/Resorts	-9.16	-	(9.16)
▼ Hersha Hospitality Trust	US	Rental	Lodging/Resorts	-9.42	-	(9.42)
▼ Chartwell Seniors Housing REIT*	CA	Rental	Health Care	-12.39	0.61	(11.78)

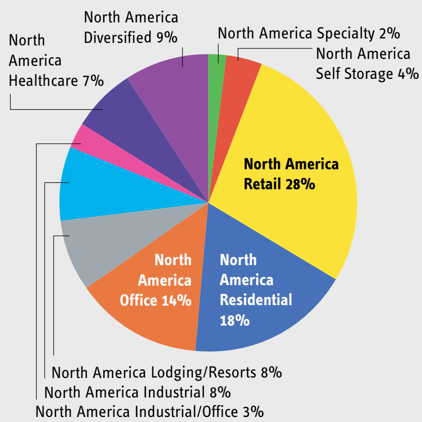
NORTH AMERICA - COUNTRY BREAKDOWN BY MARKET CAP



NORTH AMERICA INVESTMENT FOCUS MARKET CAP BREAKDOWN



SECTOR BREAKDOWN - NORTH AMERICA



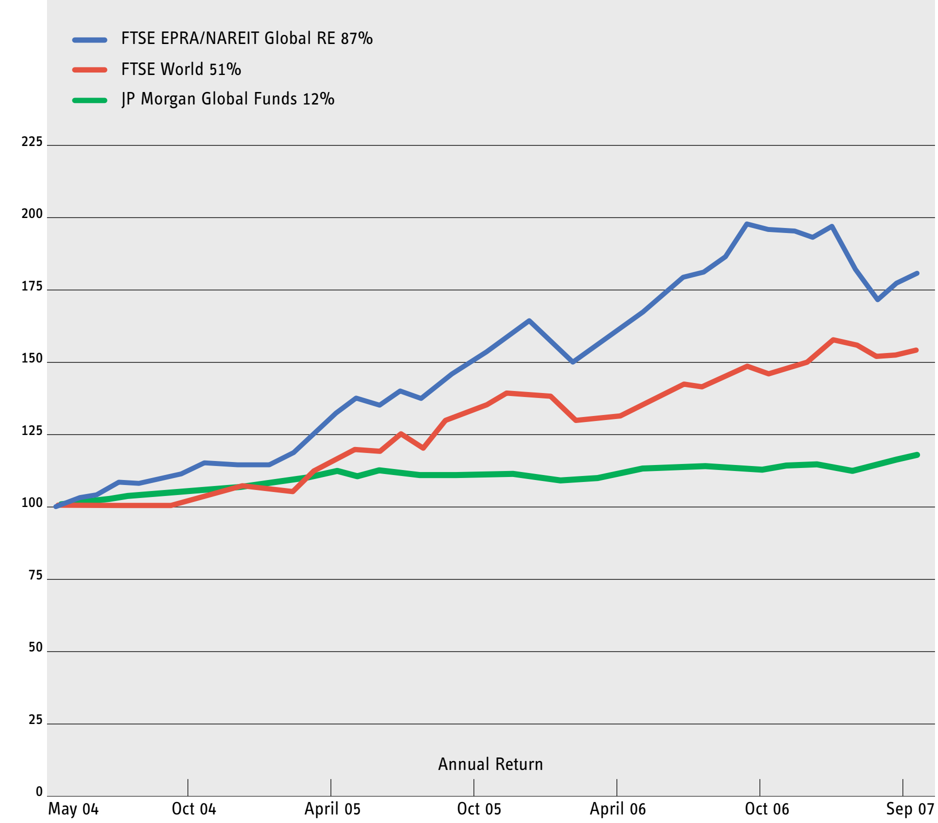
Index Description	Close Value Sep-28	Div Yld (%) Sep-28	Total Rtn (%) - 5 Yrs	Total Rtn (%) - 3 Yrs	Total Rtn (%) - 1 Yr	Total Rtn (%) Sep-07	Total Rtn (%) YTD	36 Mths Vlty (%)
EPRA/NAREIT Canada TR (CAD)	3832.75	4.87	18.73	20.01	9.91	(0.18)	(1.09)	12.35
EPRA/NAREIT United States TR (USD)	3961.21	3.97	22.15	19.66	5.08	1.95	(3.99)	15.77

→ For more information about the FTSE EPRA/NAREIT Global Real Estate Indices, e-mail: info@epra.com or info@ftse.com

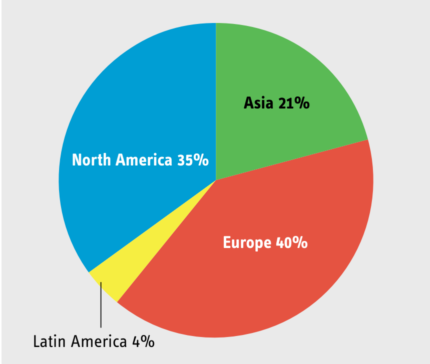
Global Real Estate Universe							
Countries	2006 GDP ($ Bn)	2006 GDP per capita ($)	2006 Real Estate ($ Bn)	Dec-29-06 Total Listed ($ Bn)	Sep-28-07 Total RE v Listed RE (%)	Sep-28-07 Stock Market ($ Bn)	Sep-28-07 Stk Mkt v Listed RE (%)
Japan	4,497	35,315	2,024	188,1	9.29%	4,701	4.00%
Hong Kong/China	2,420	1,854	493	158,6	32.18%	5,956	2.66%
South Korea	784	16,253	329	1,1	0.32%	1,154	0.09%
India	764	717	113	0,6	0.51%	1,307	0.04%
Australia	690	34,664	311	120,1	38.66%	1,252	9.59%
Taiwan	340	14,965	139	5,1	3.64%	781	0.65%
Indonesia	299	1,255	53	1,4	2.69%	183	0.78%
Thailand	176	2,719	41	3,5	8.51%	196	1.77%
Malaysia	132	5,618	39	7,0	17.87%	294	2.37%
Singapore	119	27,381	107	49,3	45.95%	514	9.60%
New Zealand	101	25,230	49	2,8	5.74%	46	6.10%
Philippines	102	1,178	18	4,9	27.67%	93	5.27%
Vietnam	51	611	7	-	0.00%	-	0.00%
Total Asia-Pacific	10,475	20,348	3,723	542,3	14.57%	16,478	3.29%
Germany	2,787	33,811	1,254	24,0	1.91%	2,174	1.10%
United Kingdom	2,224	36,906	1,251	122,8	9.82%	3,988	3.08%
France	2,121	35,108	955	80,3	8.41%	2,848	2.82%
Italy	1,762	30,357	793	12,8	1.61%	1,115	1.15%
Spain	1,121	27,833	505	63,7	12.63%	1,068	5.96%
Russia	780	5,342	226	5,0	2.20%	901	0.55%
Netherlands	630	38,598	283	34,1	12.02%	630	5.41%
Switzerland	367	49,302	165	9,3	5.60%	1,239	0.75%
Belgium	369	35,645	166	7,0	4.19%	427	1.63%
Sweden	361	40,125	162	20,0	12.33%	656	3.05%
Turkey	345	5,003	98	1,6	1.63%	268	0.59%
Austria	304	37,177	137	27,0	19.76%	253	10.67%
Poland	295	7,643	96	7,8	8.11%	210	3.73%
Norway	295	64,471	133	4,8	3.60%	418	1.14%
Denmark	259	47,784	116	3,0	2.59%	293	1.03%
Greece	224	21,082	101	3,1	3.11%	257	1.22%
Ireland	200	50,469	90	-	0.00%	146	0.00%
Finland	195	37,483	88	2,9	3.31%	372	0.78%
Portugal	183	17,360	78	-	0.00%	135	0.00%
Czech Republic	77	7,520	25	-	0.00%	65	0.00%
Hungary	103	10,242	37	0,6	1.51%	50	1.12%
Romania	96	4,290	26	0,4	1.35%	45	0.78%
Ukraine	81	1,659	16	-	0.00%	72	0.00%
Slovakia	30	5,479	9	-	0.00%	7	0.00%
Slovenia	33	16,583	14	-	0.00%	29	0.00%
Luxembourg	36	78,352	16	1,5	9.33%	29	5.33%
Bulgaria	26	3,482	7	-	0.00%	18	0.00%
Total Europe	15,305	31,854	6,848	431,6	6.30%	17,712	2.44%
Mexico	756	7,199	242	0,1	0.03%	396	0.02%
Brazil	797	4,328	215	0,6	0.27%	1,237	0.05%
Argentina	185	4,738	52	0,6	1.17%	483	0.13%
Venezuela	136	5,436	40	-	0.00%	8	0.00%
Colombia	116	2,735	27	-	0.00%	57	0.00%
Chile	117	7,401	38	0,4	1.07%	210	0.19%
Peru	80	2,891	19	0,1	0.28%	77	0.07%
Total Latin America	2,186	5,452	632	1,7	0.27%	2,468	0.07%
United States	12,480	42,590	5,616	509,7	9.08%	18,522	2.75%
Canada	1,135	34,903	511	40,1	7.85%	1,814	2.21%
Total Nth America	13,615	41,950	6,127	549,7	8.97%	20,336	2.70%
World	**41,582**		**17,329**	**1.525,4**	**8.80%**	**56,994**	**2.68%**

Sources: World Bank Organisation, FTSE, EPRA.

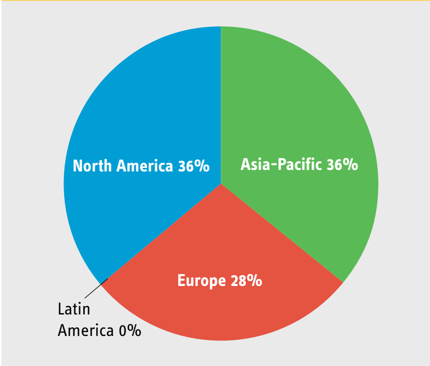
Global Real Estate vs Equities & Bonds



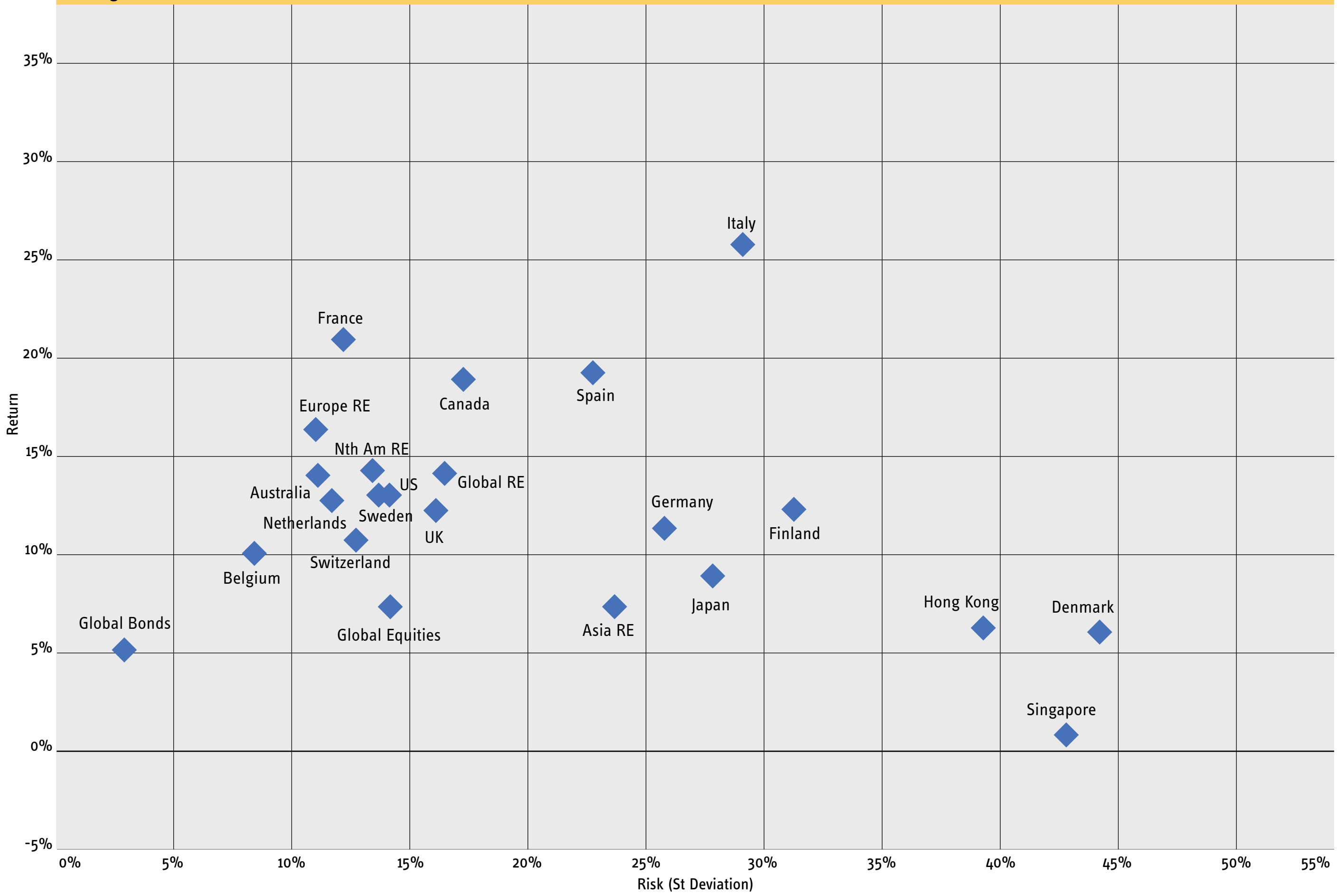
Underlying Real Estate



Listed Real Estate



Rolling 10 Years Risk/Return Profiles Local Currencies - Countries



Working Committees

Background

EPRA's underlying knowledge and experience lies within the EPRA working committee structure. When the association was established in 1999 it was decided that rather than try to build a large organisation with the experience in-house, the association would be kept 'lean and mean' and that the real work of the association would be carried out by five working committees. The deployment of the working committees is made in direct reaction to market developments.

1. Best Practices Committee

The Chairman of the Best Practices Committee is Hans Grönloh of KPMG. The goals for the committee are to develop and publish Best Practices Recommendations with regard to consistent and meaningful definitions of items such as income and net asset value as well as additional disclosure of the assets and business of each company.

Committee Members:

Hans Grönloh – KPMG (Chairman)
Ad Buisman – Ernst & Young
Olaf Borkers – Deutsche Euroshop
Luciano Gabriel – PSP Swiss Property
Jeppe De Boer - ex Goldman Sachs
Hans Bruggink – EPRA
David Sleath - SEGRO
Markus Schmidt – PWC
David Holt – Land Securities
Pierre-Hugues Bonnefoy - Deloitte
George Yungmann – NAREIT
Frank Hijzen – Wereldhave

The next Best Practices workshop will be held in Noordwijk, the Netherlands on the 7th & 8th of November. The purpose of the workshop is to update the next set of EPRA Best Practices Recommendations for 2008. Current Best Practice Recommendations are available from: **www.epra.com.**

2. Information Committee

The Chairman of the Information Committee is James Rehlaender of European Investors. The primary objective of this committee is to provide top quality, timely information to investors concerning relevant aspects of the sector. The Information Committee is split into three separate sub-committees: the Global Index Supervisory committee, the regional Index Committees, and the Academic Circle.

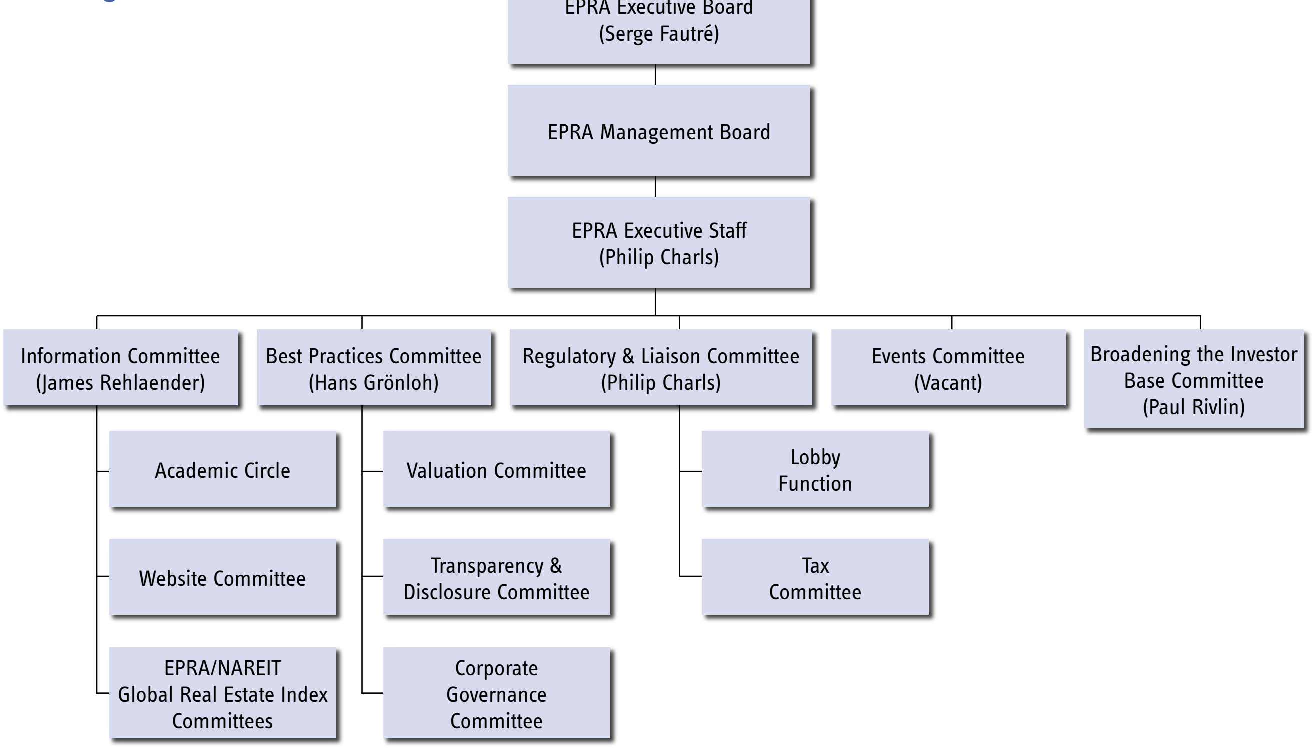
Global Index Supervisory Committee

Mark Makepeace – FTSE
Steve Wechsler – NAREIT
Philip Charls – EPRA
Ted Bigman – Morgan Stanley
Brett Ward – AMP Capital Redding Investors
John Hammond – REEFF
Steve Carroll – CBRE Global Real Estate
Christopher Gee – JP Morgan

Asia-Pacific

Christopher Gee – JP Morgan (Chairman)
Mark Thorp-Apps – Pengana Capital
Chris Reilly – Henderson Global Investors
Robert-Jan Foortse – ABP
Stuart Keighran – Alliance Bernstein
Andrew Parsons – Resolution Capital
Mark Ferguson – AMP Capital Redding

EPRA Organisation



Europe
John Hammond – REEFF (Chairman)
Jeremy Anagnos – CBRE Global Real Estate
Philippe Le Trung – Citigroup
Laurent Wunderli – UBS
Rafael Torres Villalba – ABP
Jan-Willem Vis – ABN Amro AM
Frederic Tempel – AXA IM

North America
Steve Carroll – CBRE Global Real Estate
Rich Sweigard – KG Redding
Bram Liebrand – Cordares Vastgoed
Neil Downey – Royal Bank of Canada
Keith Pauley – LaSalle IM
Steve Burton – ING Clarion
Christina Chui – Morgan Stanley

(b) Academic Circle
EPRA provides the funding for the Academic Circle to produce research on topics that directly affect the sector. The selection criteria for the topics are not only academically demanding but should be assessable to practitioners.

Academic Circle members are:
- Amsterdam School of Real Estate
- EBS Immobilienakademie
- KTI Finland
- MIT Center for Real Estate
- National University of Singapore
- University of Cambridge
- University of Hong Kong
- University of Reading
- University of Western Sydney
- Universite Paris Dauphine
- Wharton School, Zell – Laurie Real Estate Center

The Academic Circle has produced a number of research documents including:

- The Diversification Benefits of European Property Stocks - University of Western Sydney
- The Diversification Benefits of European and Global Property Stocks - an update - University of Cambridge
- An Evaluation of Property Discounts across Europe - University of Cambridge
- Demographic Changes and the effects on Property Demand - University of Rotterdam
- Correlations of Property Stocks versus Other Asset Classes - IRE|BS

All of these reports are available under the 'Research' section of **www.epra.com.**

We have recently commissioned two separate reports on sustainability to be undertaken by Graeme Newell at the University of Western Sydney and Tony Ciochetti at MIT repsectively. Both reports will focus on European property companies and the efforts they are taking in this area.

3. Regulatory and Liaison Committee
The primary objective of this committee is to identify and remove obstacles to free cross-border investment in real estate companies. The interim Chairman of the Regulatory and Liaison Committee is Philip Charls. The Regulatory and Liaison Committee is still a somewhat dormant committee although there will be increased activities towards governments, European Union, supranational bodies like IASC and IVSC as an outcome of the good work done by other EPRA committees.

(a) Tax Committee
The Tax Committee, chaired by Matthias Roche of Ernst & Young in Germany, has two objectives. Firstly the committee maintains an inventory of worldwide tax transparent structures and the second objective is to provide European legislators with the evidence that tax transparent structures are beneficial for the tax collectors, the companies, the investors and the tenants.

Committee Members:
Matthias Roche – Ernst & Young (Chairman)
Ronald Wijs – Loyens & Loeff
Uwe Stoschek – PriceWaterhouseCoopers

The Tax Committee recently issued the latest version of the EPRA REIT survey. The survey covers 32 separate countries and is seen as a reference point for Global REIT information.

The report is available to download from **www.epra.com** under the 'Research' section.

4. Events Committee
The primary objective of this committee is to establish a high-level communication platform for the European public real estate sector by organizing productive and influential events. The annual EPRA conference is already established as the leading, dedicated meeting point for the European quoted property sector. We are in the process of inviting members onto next year's events committee.

5. Broadening the Investor Base Committee
This committee was set up in 2005 and is currently under the supervision of Paul Rivlin of EuroHypo Real Estate Investment Banking in London. The aim of the committee is to take the real estate message to a broader audience, panning both institutional and retail investors.

Committee Members:
Paul Rivlin – Eurohypo (Chairman)
Nick Tyrrell – JP Morgan
Scott Crowe – Cohen & Steers
Piet Eichholtz – University of Maastricht.

The committee has issued two reports so far:

- The Diversification Benefits of European and Global Property Stocks - University of Cambridge
- The Correlation of Property Stocks versus Other Asset Classes - IRE|BS

The correlations report will be updated including data up to the end of 2007, with scheduled publication date Q1 2008.

In addition, in discussions with various EPRA members, they identified areas which would help the committee move forward:

- Get a clear picture of capital flows in the industry, with the ability to pin-point investors backgrounds;
- Introduce a Net Asset Value index series, based on the FTSE EPRA/NAREIT European country indices to further understand the relationship between share price movement and underlying NAV.
- Introduce an Earnings per Share index series based on the FTSE EPRA/NAREIT Europe Index.

EPRA ANNUAL CONFERENCE

THANK YOU SPONSORS

EPRA and the sponsors of the Annual Conference 2007 would like to thank you for your valuable contribution.

Nick van Ommen

HEADLINE SPONSORS

BABIS VOVOS INTERNATIONAL CONSTRUCTION

ERNST & YOUNG
Quality In Everything We Do

Goldman Sachs

LAMDA DEVELOPMENT

PIRELLI RE

SEGRO
SLOUGH ESTATES GROUP

UBS Investment Bank

Westfield

SPONSORS

AMP CAPITAL REDDING INVESTORS

KLEPIERRE

real foundations

CA IMMO

Eurobank Properties

LandSecurities

REYAL URBIS

citi

Hammerson

Moody's Investors Service

RISANAMENTO SpA

CITYCON

IMMOFINANZ

Morgan Stanley

SNL Real Estate
North America | Europe | Asia-Pacific

Colonia Real Estate

IVG IMMOBILIEN

Presima

PRICEWATERHOUSECOOPERS

unibail·rodamco

EURO HYPO

KEMPEN & CO
Merchant Bank

p|s|p
Swiss Property

VASTNED

EPRA Annual Conference Athens, Greece

6 & 7 September 2007

↑
George Alogoskoufis paints a political background for the audience.

→
Serge Fautré, EPRA's Chairman, opens the 8th Annual conference.

↑
Ian Hawksworth introduces the first panel of the day.

↓
Liz Peace and Nancy Holland.

↑
Tony Ciochetti, moderator of the academic session, goes green.

→
Jon Zehner of JPMorgan.

←
Ian Coull expresses his point of view to moderator Jon Zehner.

←
Paul Rivlin and Rupert Nabarro deep in discussion.

→
Walter Krug, Claus-Matthias Böge and Oliver Puhl.

←
Mark Baillie and Jim Fetgetter.

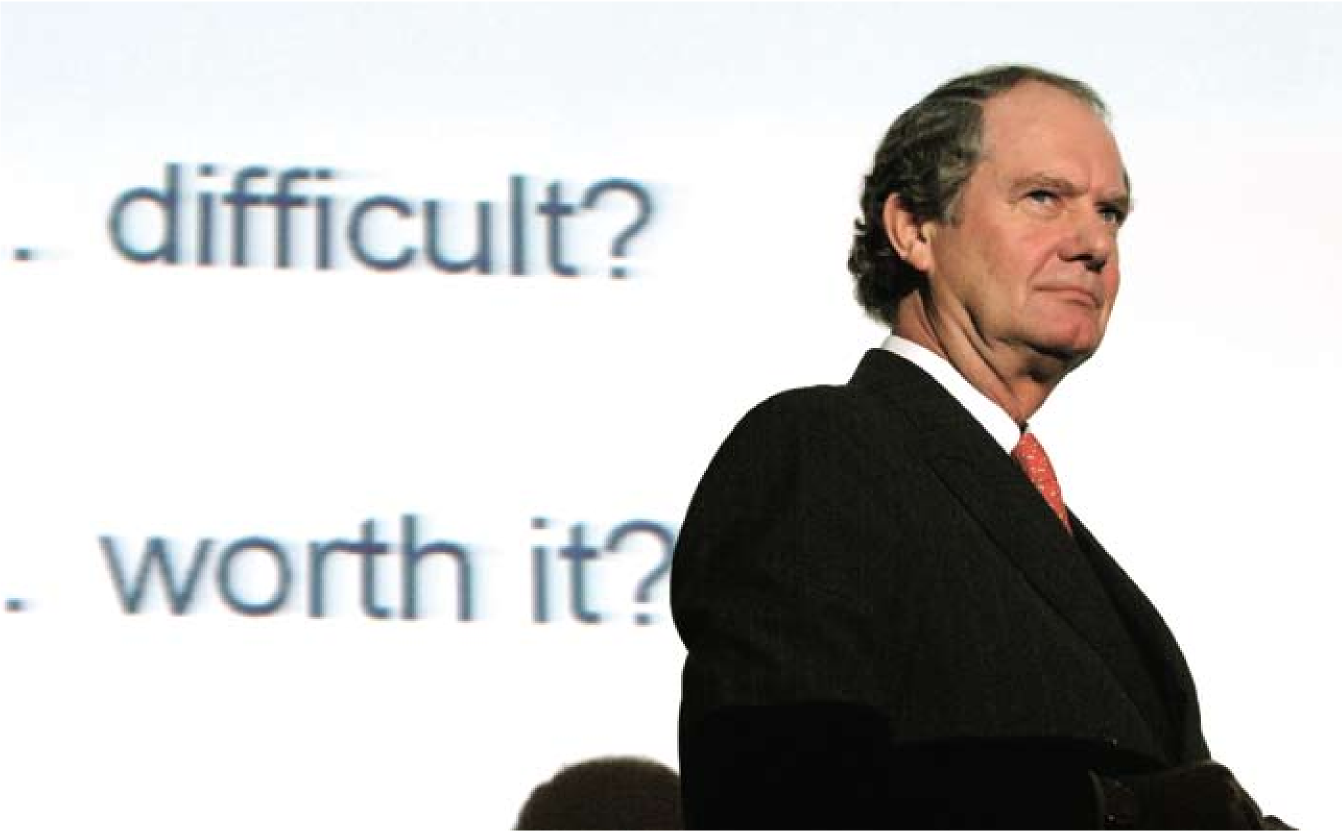
↑
The dinner at the Zappeion in full swing.

→
Alex Moss and Francis Salway.

↑
Peter Barge flexes his muscles.

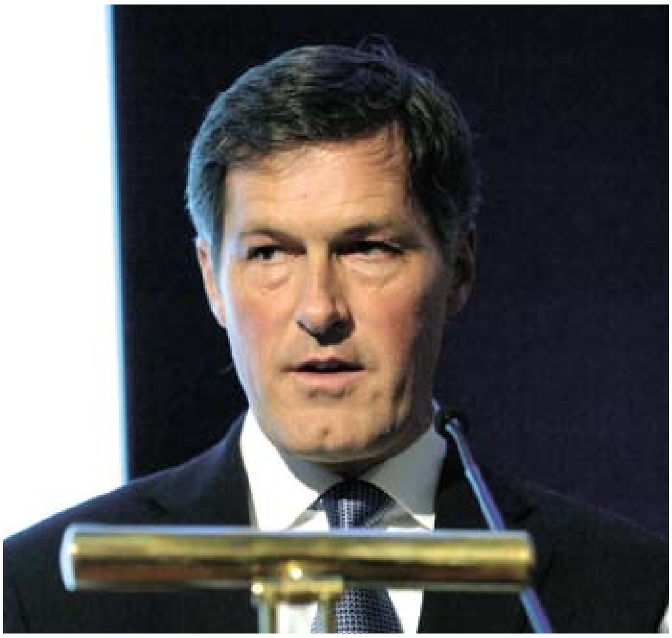
↑
Karl Petrikovics moderating the European Emerging Markets Panel.

↑
Patrick Sumner heads the panel on UK REITs.



↑
Well Nick, was it worth it?

↑
Nick Tyrrell introduces the Latin American and Emerging Asian Panel.



↑
Ronald Wijs of Loyens & Loeff focuses on German REITs.

←
John Carrafiell of Morgan Stanley opens the last panel of the conference.

↑
Matthew Quinn puts across the Australian view.

↑
Peter Barge, Ian Hawksworth, Jan Eckert and Luciano Gabriel.

→
Harm Meijer, JPMorgan and Philip Charls.

↑
NAREIT's Steve Wechsler remarks on Nick van Ommen's role at EPRA.

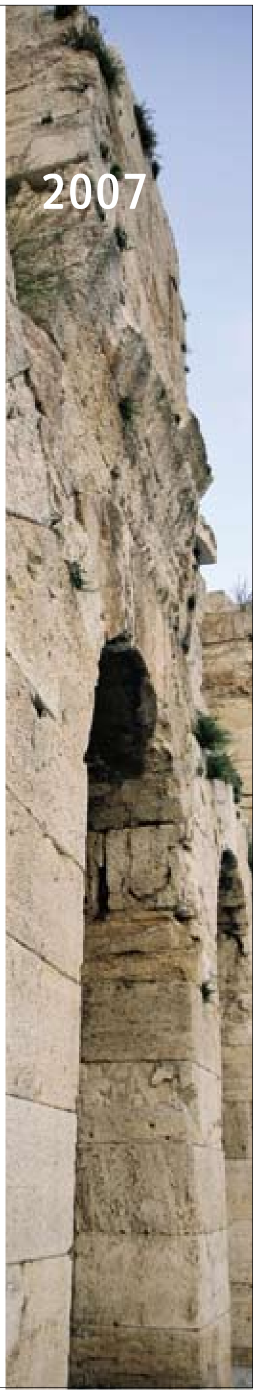
↑
Bardon Gale, ABP and Peter Nieuwland, European Investors.

↑
Associations united: Peter Mitchell, Trevor Cooke (Property Council of Australia) and Philip Charls.

“Available to EPRA members upon request from info@epra.com”

EPRA ANNUAL CONFERENCE 2007

DVD PRESENTATION



THURSDAY 6TH & FRIDAY 7TH SEPTEMBER 2007

ATHENS GREECE

CONTENT DICS 1
6 SEPTEMBER

1. OPENING REMARKS
2. KEYNOTE SPEAKER
3. PANEL DISCUSSION I
4. AWARD PRESENTATION I
5. ACADEMIC CIRCLE
6. PANEL DISCUSSION II
7. AWARD PRESENTATION II
8. PHOTO'S

CONTENT DICS 2
7 SEPTEMBER

1. KEYNOTE SPEAKER
2. AWARD PRESENTATION
3. SESSION II
4. SESSION III
5. PANEL DISCUSSION III
6. PHOTO'S

CONTENT DICS 3
6 & 7 SEPTEMBER

1. PARTICIPANTS LIST
2. KEYNOTE SPEAKER GEORGE ALOGOSKOUFIS
3. PANEL DISCUSSION I: WHERE IS THE PRODUCT?
4. ACADEMIC CIRCLE
5. PANEL DISCUSSION II: I WANT YOUR PROPERTY!
6. NETWORKING GARDEN PARTY
7. EPRA BEST ANNUAL REPORT AWARD '06
   EPRA BEST PERFORMANCE AWARDS '06
8. KEYNOTE SPEAKER PETER BARGE
9. CONCURRENT SESSIONS
10. PANEL DISCUSSION III: I GOT YOUR PROPERTY!
11. CONFERENCE PHOTO'S
12. CONFERENCE SPONSOR SHOWS

Schiphol Boulevard 283   1118 BH Schiphol Airport   The Netherlands
T +31 20 405 3830   F +31 20 405 3840   W www.epra.com