
PRESS RELEASE

Real estate stocks lead direct property market by about six months

Amsterdam, April 20 - Real estate stocks generally lead moves in the underlying direct property market by an average of six months, according to the latest research published by the European Public Real Estate Association (EPRA) and conducted by US investment firm Cohen & Steers.

Fraser Hughes, EPRA Research Director, said: “The Cohen & Steers study not only provides evidence that listed property markets lead direct property markets, but also adds to a mounting body of research that supports the idea that real estate stocks behave like real estate, not general equities, though with better transparency and more liquidity.”

Scott Crowe, Global Portfolio Manager at Cohen & Steers and co-author of the study, said: “We found that the listed market generally leads the direct market by about six months, as REIT (Real Estate Investment Trust) liquidity allows for greater pricing transparency and quicker information transfer than less-liquid direct markets.”

The study also found that listed markets experience higher peaks and lower troughs than direct markets. Cohen & Steers speculates that this relates to the fact that the returns of the listed property series incorporate leverage, while the direct property series does not, even though direct investors also use leverage.

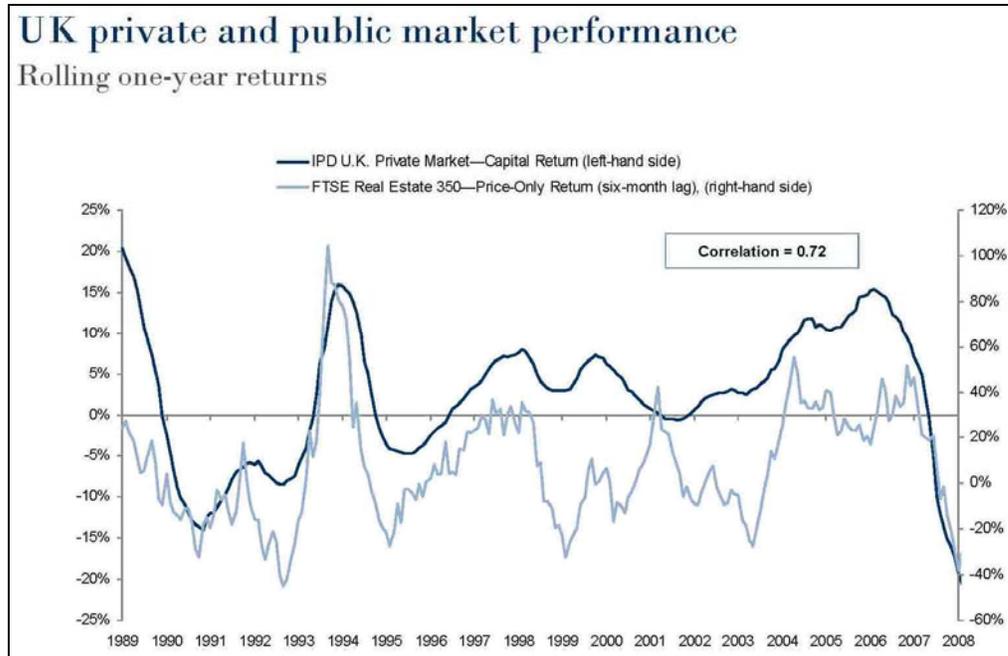
Crowe added: “Listed property prices immediately incorporate changes in variables which affect asset value from the macroeconomic, such as interest rates and oil prices, to the microeconomic, like expectations for rents and capitalisation rates. Valuing direct property is much less transparent because it is valued infrequently and appraisals are based on a small number of transactions. True value is not determined until the property is sold.”

The study suggests that while real estate stocks demonstrate higher levels of risk compared with direct real estate, it is likely that the real risk in the underlying physical market is strongly understated due to the influence of appraisal ‘smoothing.’ For example, the measure of risk (standard deviation) of the direct market in the US is only slightly higher than for government bonds; and for the UK and Australian direct markets, it is lower than sovereign debt.

Crowe concluded: “We believe that understanding the relationship between the two markets has useful implications for investors. By using listed property returns as a



leading indicator of direct real estate performance, investors can meaningfully improve their asset allocation decisions.” The EPRA-member report is available on www.epra.com.



Trough/peak lead analysis

UK market

	1992/ 1993 Trough	1993/ 1994 Peak	1995 Trough	1998 Peak	2002 Trough	2006 Peak
Listed Market	Aug-92	Aug-93	Jan-95	Jan-98	Jan-02	Mar-06
Direct Market	Jan-93	May-94	Dec-95	Jul-98	Jan-02	Jul-06
Lag Time (months)	5	9	11	6	0	4

End



Note to editors:

About EPRA

The European Public Real Estate Association - is the voice of the publicly traded European real estate sector. With more than 200 active members, EPRA represents over EUR 300 billion of real estate assets and 85% of the market capitalisation of the FTSE EPRA/NAREIT Europe Index. Through the provision of better information to investors, improvement of the general operating environment, encouragement of best practices and the cohesion and strengthening of the industry, EPRA works to encourage greater investment in listed real estate companies in Europe.

About Cohen & Steers

Cohen & Steers is a manager of income-oriented equity portfolios specializing in global real estate securities, global listed infrastructure, large cap value stocks and preferred securities. The company also offers alternative investment strategies such as hedged real estate securities portfolios and private real estate multi-manager strategies. Headquartered in New York City, with offices in London, Brussels, Hong Kong and Seattle, Cohen & Steers serves individual and institutional investors through a broad range of investment vehicles.

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