

GUEST EDITOR **Allan Sanderson**
COMMUNICATIONS POLICY

FEATURES

NABARRO NATHANSON RECEPTION
IASB WORK PLAN FOR 2007 AND 2008
INTERVIEW WITH WOLFHARD LEICHNITZ
BROADENING INVESTMENT STRATEGIES

MARKET FOCUS

BACK TO REALITY
PROS AND CONS OF RUSSIAN INVESTMENT
GLOBAL MUTUAL FUNDS EXPLODE
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As at 26 March 2007

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FROM EPRA

Welcome to the 21st edition of EPRA News.

We are busy with the preparations for the 8th annual conference to be held on 6 & 7 September 2007 in the Hotel Grande Bretagne, Athens, Greece. The EPRA Executive Board, having selected the moderators and keynote speakers in conjunction with the EPRA Events Committee, are now looking to complete a series of questions that they want answering from attending the conference. The aim is to provide guidance and focus to the panel moderators. Incredibly, sponsorship continues to grow. We now have eight headline and 21 standard sponsors. This incredible level of support clearly means that the conference is well respected in the industry and members appreciate the work we are doing of their behalf.

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

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By: Allan Saunderson
Property Finance Europe



An apology for an unsuccessful communications policy



Allan Saunderson
Managing Editor
Property Finance Europe

Allan Saunderson founded Property Finance Europe in early 2005, after several years working in structured finance and MBS with a consultancy company in Frankfurt, easetec ag. During the 1980s, he had been a Reuters financial journalist, and was appointed Chief Financial Correspondent, France, late in the decade - early enough however to encounter the Great Meltdown of equity markets in October 1987, leading both French and international reporting teams through it.

In the early 1990s, Allan became Head of European Research for the Swiss private bank Julius Bär in Frankfurt, and in 1991 was appointed by the late French Prime Minister Pierre Bérégovoy to a committee advising the French Finance Ministry. In the late 1990s, Allan started his own monetary and economic consultancy for US and Anglo-Saxon investment management that eventually became Eurozone Advisors. For several years he was one of the leading European Central Bank watchers, appearing frequently in the press and on television.

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First an apology: Dear Chief Executive and/or Communications Officer of large publicly-listed European real estate company*: I am very sorry for the irritated and, yes, sometimes rather rude email that I shot off to you sometime over the last two years. This happened after several hard day's nights of writing and/or editing, trying to make head or tails of what the blue blazes you were trying to tell Property Finance Europe and therefore the world about Your Company. I will do better in future; I will invest the hour-and-a-half plus umpteen unanswered telephone calls trying to reach your office to figure out what precisely you are trying to tell those who have invested hard-earned, highly-taxed income into Your Company. More to the point: I have never heard back. You never call. It is clear that my irritable-email strategy is dramatically unsuccessful. You are uninterested. You never want PFE to darken your email inbox again. Or you never look at emails. Probably all three.

But a word in my defence, M'Lud. My message may have been tired and contained wording uncommensurate with your position, but it was well-intentioned: The difference between your share price being, say, €25 and €18, lies in being able to relate Your Company's story to the world. Constantly and continuously and clearly. Remember that 'equity story' that the IPO investment banks and advisors told you about all those years/months/weeks ago? Well, now that you are launched down the shipway of corporate real estate life and afloat on the choppy and sometimes stormy oceans of the international capital markets, it needs to be continued, developed and extended. You can reliably assume that the American and the British fleets are well equipped. They have been a-live on the real estate ocean waves for many years now, and they have the linguistic winds in their sails, sorry 'sails'. And the freshly rehulled Asian APREA fleet is hauling up fast on starboard bow, a strong and fair easterly a-booming in the spinnaker.

Neither is your story-telling challenge around language - i.e. most of them are native English speakers and You are not. It IS

about having a strategy; it IS about being prepared to explain it, and it IS also about math: When you want to place another 5m shares in your next rights issue, the difference in capital raised between having related Your Company story well and not having done so is, in the above case for example, €35 million. That covers a LOT of professional communications help. And the very best translator in town wouldn't make a dent.

Capital markets need Your Story in order to keep up. They come to their own conclusions anyway if left to their own devices. The best example of current market power is the biggest anomaly in European real estate right now: the dichotomy between the domestic German valuation for the nation's property stock and the capital market valuation of same. The gap is most glaring in residential, but commercial exhibits a similar disconnect. Housing property can be purchased with a sitting tenant today in the average German city for €900-€1300 per sq. m. It can be sold into a quoted real estate company, or to third parties who take their valuations from the capital market, for €2,000-€3,000 per sq.m. Ask Floris van Dijkum from the Speymill Group, or Stephan Rind from Colonia, or Metehan Sen from Franconfurt, or Rainer Fuchs from Alta Fides, or Saul Goldstein from Cerberus, or Deutsche Wohnen's Andreas Lehner, or Ralph Winter from Corestate Capital, or indeed, Matthias Moser from GAGFAH. And that is just for starters. In other words, the market is discounting, in true Anglo-Saxon capital market manner, a cycle that will take German property higher in value over the next few years, and it is overlooking the current domestic pricing. Purely national, 'retail' buyers and sellers, on the other hand, remain pessimistic after 13 years of almost straight downturn in the housing market. The capital markets, in other words, need looking after.

Capital market communication of the listed real estate story is not only a German challenge. The nation's corporates and real estate professionals - albeit bringing up the rear in disintermediation and securiti-



An apology for an unsuccessful communications policy

sation – have generally taken the communications task long since into the linear work process. It is the German way. France is improving in leaps and bounds. The need for international capital in the 40-plus REIT/SIICs launched over the last four years has made even the French communicate and, yes, even in English too. *Ca roule très bien, ca!* But Italian and Spanish property companies would still appear to have some way to go. As an outside observer, and avid consumer of the messages emanating from the southern real estate bastion of the EU, I sometimes scratch my head and wonder what companies are trying to say to foreign investors?. And then in English too where we are not strong? And you would think the Nordics would be fine communicators. Small populations and economies that have long had to communicate with the world beyond their borders as a matter of everyday international business life. But no. Wringing the company story out of a Nordic real estate listed entity is not a simple affair, and patchy at best. On the European continent, where Property Finance Europe is exclusively at work, real estate sectors in the centre and the east are perhaps the happiest communicators. At the moment though, their national story plots remain opaque and difficult for outsiders to comprehend. In many parts, legislation remains unclear, ownership relationships problematic, and capital market access is, for all manner of administrative and jurisdictional reasons, only very limited.

Another aspect to capital market communication is of course free float. While a lot of real estate companies have been closely held in the past, the shareholder base is general widening in Europe – both because continental property companies are becoming more comfortable with small investors, and because, as in the French case for example, the ‘first flush’ of REIT legislation did not bring the hoped-for popular participation in property assets. The latest round of legislation however, ‘SIIC 4’, reformed the French REITs regime in a way aimed at democratising the shareholder base further. SIIC 4 aims at avoiding control by a single shareholder or concert parties where SIIC distributions are fully tax exempt. It imposes 20% tax on dividends paid by French REIT/SIICs to corporate entities that own more than 10% of capital but do not themselves have REIT status either in France or abroad. The measure targets SIIC ‘captives’, created by institutional investors solely for fiscal

reasons. In particular, Spanish property companies and Luxembourg funds have, since France created REIT/SIICs in 2003, benefited from shareholder tax exemption. SIIC 4 boosts the required free float for SIICs to a minimum 40% of share capital, and 15% prior to application for the status. It also provides a special exemption to encourage investment in hotel, café and restaurant property. SIIC 4 requires existing French REITs to reduce stakes held by single shareholders or concert groups to a maximum 60% of equity capital from January 2009. It is effective immediately for all newly-created SIICs. In addition, companies will become eligible for the REIT/SIIC status only if they already exhibit 15% free float prior to IPO, with no one shareholder holding more than 2%. Olivier Mesmin and Christine Daric from Baker & McKenzie in Paris note that failure to comply with the minimum 40% free float would make a SIIC liable to corporation tax under standard conditions, and the condition need to be met on a continuous basis. Exceptions are allowed for tender offerings, restructuring and bond conversions. And France is going to be monitoring how this happens now. Dorian Kelberg, director of the Paris-based Federation of Property and Land Companies, says: “The logic of SIIC 4 comprises a strong signal for private individual investors to become shareholders, and our federation will, alongside the government, very closely follow what happens over the next two years or so.” In Germany, the passage of G-REIT legislation in late March by the Bundestag Parliament has raised great hopes for a sector that remains relatively hampered in its ability to provide internationally attractive indirect property vehicles. Rainer Riess, Managing Director of Deutsche Börse, says the first G-REIT flotations could take place as early as the second quarter, and sees volumes of individual flotations exceeding €700m. Many in the sector believe up to 30 IPOs could take place this year, some with asset bases as low as €100m. France was the first large European country to introduce REITs four years ago, though they have long existed in The Netherlands and Belgium and were introduced early in the decade in Bulgaria. The success of its SIIC model (Société d’Investissements Immobiliers Cotée) convinced Britain and Germany to introduce REIT regimes. The Italian government also suddenly introduced a budget amendment allowing REIT structures, based on the French model.

Because of the speed with which real estate in Europe, west and east, is securitising into an investible asset class, it is hardly surprising that the attitude of many listed companies toward communications has not kept pace. This has to change. Even if the wave of money continues to break over global real estate, we/you are in a constant competition to attract it – across countries, across regions, against other asset classes, against other property investment vehicles.

There are a few easy rules to follow – as our good friends Kurt Becker from Becker + Schreiner Communication in Germany, or Steve Hays at Bellier Financial in Amsterdam, or Dido Laurimore at Financial Dynamics in London – never cease to explain: Think through the core message that Your Company needs to communicate today; in Your Company’s working language, have someone write it who understands the fundamentals of what you are trying to do and to achieve strategically; have a good translator convert it into English, and prepare to release it simultaneously in both languages; do not even think of using English-speaking locals; do not use the CEO’s p.a. in between rushing between copier, telephone and Outlook Calendar; do not even think of doing-it-yourself. The message is the key; let it be clearly communicated and, yes, with a pinch of passion. This cannot harm. Do send a file attachment in your corporate identity as an Adobe PDF, and a body email text for backup, with clear callback numbers where, yes, someone is available who knows... And if you, Dear Chief Exec and/or Comms Officer are truly sensible and beneficent, you will send all communications in clear, easily-digestible messages to news@pfeurope.eu – and persuade a tired and sometimes irritable editor that he is, yes, sometimes even Managing. ◀

* Several score names withheld to protect the justly accused.

Disclaimer:

These are the views of the author and don’t necessarily reflect the views of EPRA.



In the news

APREA, EPRA and NAREIT Asian Roadshow



Immediately after the conclusion of the APREA Property Leaders Forum in Ho Chi Minh City the chief executive officers of NAREIT, EPRA and APREA embarked on a roadshow through key Asian centres to promote the global listed real estate markets and the benefits of listed real estate as an investment class.

This roadshow followed successful similar events the three undertook in Canada, Europe and the US late last year. This is the first such event to be held in Asia.

They visited Tokyo, Seoul, Hong Kong, Singapore, Sydney and Melbourne in less than 2 weeks. Nikko Citigroup, JP Morgan, UBS and Macquarie Bank sponsored the events in, respectively, Japan, Korea, Hong Kong and Singapore and Australia.

Overall, the CEOs spoke to many hundreds of institutional investors, property companies and fund managers both in open sessions and in one-on-ones.

Their presentation focused on the latest EPRA research on the global listed real estate markets, recent developments in the US, the latest Ibbotson research conducted in the US on US, European and Asian listed real estate and the benefits of an allocation to listed



Peter Mitchell, CEO, APREA.

real estate in a balanced portfolio and developments in Asia.

The success of this first roadshow has encouraged the 3 organisations to repeat the venture next year, after the APREA forum in Macau.

APREA, EPRA and NAREIT would like to express our thanks to the sponsoring banks and also to our steering committee, comprising Fran Thompson of FTSE, Ron Cheshire of Presima and Evan Gallagher of Allco Singapore. ◀

EPRA Membership hits 196

Membership numbers continue to rise. Since the last edition in December we have welcomed eleven new members. New members for this period are: Berwin, Leighton and Paisner, Moody's Investor Services, Morley Fund Management and the UK Commercial Property Fund from the UK. From Continental Europe we welcomed:

Patrizia Immobilien (Germany), Redevco (Netherlands), Renta Corporación (Spain), Sal. Oppenheim (Switzerland), Spazio (Netherlands) and Warimpex (Austria). The only non European member was Oxford Property Investors from Canada. A full membership list is located on page 2 of the newsletter. ◀



FTSE EPRA/NAREIT Investment Focus and Sectors Indices Launched

In December last year we launched the investment focus & sector indices on the back of significant demand from clients. The introduction of the indices further enhances the global series offering investors the ability to slice and dice the market into focused parts.



Classification by investment focus is based on revenue sources as disclosed in the latest published financial statement. Each constituent of the FTSE EPRA/NAREIT Global Index is classified as 'Rental' if 70%, or more of its total revenue is derived from rental income. If the rental income falls below the 70% threshold, the company is classified as 'Non Rental'.

The sector indices are broken down into nine specific property types. The classification is based on the gross invested book assets as disclosed in the latest published financial statement. The company is classified in one of the following sectors if 75%, or more, of its gross book assets are invested in one of the seven sectors below:

- Healthcare
- Industrial
- Lodging/Resorts
- Office
- Residential
- Retail
- Self-Storage

A company is classified as belonging to one of the two sectors listed below when its assets do not meet the 75% threshold for one of the seven property sectors above.

- Diversified
- Specialty

Further details of the new series are available from www.ftse.com ◀



FTSE EPRA/NAREIT Global Index Rule Changes

The FTSE EPRA/NAREIT regional advisory committees approved changes to the Size and Liquidity eligibility criteria in December 2006 which became effective at the three regional quarterly reviews on 7 March 2007. The four main features of the new rules are:

1 Minimum Size

(a). A non-constituent company must have a free float market capitalisation above (see below) to qualify for the index:

Asia	0.30% of regional free float mkt cap
North America	0.10% of regional free float mkt cap
Europe	0.10% of regional free float mkt cap

(b). A constituent company must have a free float market capitalisation above (see below) to remain in the index:

Asia	0.15% of regional free float mkt cap
North America	0.05% of regional free float mkt cap
Europe	0.05% of regional free float mkt cap

2 Minimum Liquidity

Companies are screened for liquidity on an annual basis in March. Each company will be tested for liquidity by calculation of its median daily trading per month.

(a). A non-constituent which fails to turnover at least 0.05% of its free float shares in issue

in at least ten of the twelve months prior to the review will not be eligible.

(b). A constituent which fails to turnover at least 0.04% of its free float shares in issue for more than four of the twelve months prior to the review will not be eligible.

(c). A new issue which does not have a twelve months trading record must have a three months trading record when reviewed. In order to qualify the company must turnover 0.05% of its free float shares in issue, based on its median daily trade per month, in each month since listing.

3 Relevant Real Estate

Each eligible company must derive a minimum percentage of EBITDA from relevant real estate related activities.

These percentages are:

Asia	60% EBITDA
North America	75% EBITDA
Europe	75% EBITDA

4 Reporting

Eligible companies must produce a set of annual accounts in English.

The full set of ground rules can be downloaded from www.epra.com ◀

ETFs Update

Currently there are six separate Exchange Traded Funds (ETFs) based on the FTSE EPRA/NAREIT Global Real Estate Index series. The funds are listed on a range of exchanges including London Stock Exchange and Euronext. Three funds launched in Q4 complete the iShares Global real estate coverage and build on the back of their European Property Yield Fund launched at the end of 2005. The complete iShares and EasyETF range is (Reuters & Bloomberg codes in brackets):

iShares FTSE EPRA/NAREIT Global Property Yield Fund	(IWDP.L) (IWDP LN)
iShares FTSE EPRA/NAREIT Asia Property Yield Fund	(IASP.L) (IASP LN)
iShares FTSE EPRA/NAREIT European Property Yield Fund	(IPRP.L) (IPRP LN)
iShares FTSE EPRA/NAREIT United States Property Yield Fund	(IDUP.L) (IDUP LN)
EasyETF FTSE EPRA/NAREIT Eurozone Fund	(EEE.P) (EEE.FP)
EasyETF FTSE EPRA/NAREIT Europe Fund	(EEP.P) (EEP.FP)

For more information please visit www.ishares.com and www.easyetf.com ◀



EPRA appoints Director of Reporting Practices



EPRA is pleased to announce that Hans Bruggink was appointed Director of Reporting Policies. Hans began this role on 2nd January 2007. He works on a part-time basis to support the Best Practices Committee in its effort to assist and monitor reporting practices of EPRA members with regards to IFRS, and further develop and improve the best practices recommendations. Amongst his priorities is the preparation of a survey for EPRA members to provide feedback on the activities, agenda and recommendations of the Best Practices Committee. In addition, Hans will undertake a project to assess the implementation of EPRA's Best Practices Policy Recommendations in the 2006 edition of company annual reports. Furthermore he will focus on the impact of the convergence project of the IASB and FASB in co-operation with NAREIT.

EPRA members are invited to direct all BPC matters to:

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By Christopher Luck



EPRA/Nabarro Nathanson Reception - London 2007



The panellists and hosts in good spirits before the discussion got underway.



Chris Luck
Partner,
Corporate Real Estate

A partner of the firm since 1988, Chris advises quoted and unquoted real estate companies as well as funds and joint ventures.

Chris is head of the firm's REITs Group and has been closely involved in the development of UK-REITs including acting on REIT conversions. Chris's experience also includes significant international and cross-border transactions.

He is also a member of the firm's European Group.

→ [Contact](#)

Email: c.luck@nabarro.com

In January the EPRA hosted its London reception at the offices of Nabarro Nathanson. The reception included a panel session which was chaired by Mark Cooper, editor of EuroProperty. The panellists were Francis Salway - Chief Executive of the Land Securities, Mike Slade - Managing Director Helical Bar, Peter Hicks - Head of IFA Channel International and Robert Fowlds - Managing Director of JP Morgan Cazenove.

The panel discussed the launch of the UK Real Estate Investment Trust (UK - REIT). Nine UK publicly listed property companies converted to UK-REITs on 1 January 2007. These were Great Portland Estates, Land Securities, Hammerson, Primary Health Properties, Slough Estates, Brixton, Liberty International, British Land and Workspace. Details of the companies which converted are illustrated in Figure.1. These conversions resulted in UK REITs comprising 70% of the FTSE EPRA/NAREIT UK Index. As a point of reference, figure.2 highlights the REIT v Non-REIT breakdown amongst the countries in the FTSE EPRA/NAREIT Global Real Estate Index. On a global basis, REITs comprise approximately 70% of the free float market capitalisation of the index.

The UK-REIT

By way of general introduction a UK-REIT includes the following features:

- the regime to is open to companies resident in the UK for tax purposes and which are listed on a recognised stock exchange;
- companies entering the regime do not pay any UK corporation tax on qualifying property rental income or any chargeable gains on a sale of qualifying property;
- there is a requirement to distribute at least 90 per cent of the profits from its property rental business to investors;
- entry to the regime is effected by a notice to HM Revenue and Customs;
- there is an entry charge which the company converting is required to pay of 2



EPRA/Nabarro Nathanson Reception
- London 2007

per cent of the value of the properties in the qualifying business or listing;

- UK-REIT must hold at least three separate properties (although large retail complexes etc. can count as multiple properties);
- no one property can represent more than 40 per cent. of the total property value;
- at least 75 per cent. of the company's business must be a 'property rental business' by reference to profits and value;
- a UK-REIT can carry on other activities in its residual business;
- owner occupied property is outside the ring fenced business going forward;
- distributions for the tax exempt business are generally subject to a 22% withholding and some recipients will be able to claim all or part of this back depending on their tax status; and
- the regime is a tax regime and commenced from 1 January 2007.

There are also restrictions on the UK-REIT paying dividends or other distributions to any corporate person interested in 10 per cent or more of its distributions. The amount of borrowings a UK-REIT can have is also restricted. Breach of these restrictions does not cause a loss of UK-REIT charge status but can give rise to a tax charge for the UK-REIT. UK-REITs can also hold European assets but the tax position will depend on how the assets are held.

Reception Discussion

The launch of the UK-REIT was considered at the EPRA reception to be a significant success both in terms of the companies which elected to join the regime, or have announced their intention to do so. It was also the view that the launch of the UK-REIT was an example of the real estate sector in the UK having achieved a constructive dialogue with the HM Treasury through the British Property Federation, Investment Property Forum and Royal Institute of Chartered Surveyors (RICS). This process had been further reinforced by individual campaign submissions and support from advisors across the sector as well as other influential bodies such as EPRA itself.

There are some areas where more can be done such as proposed changes to make it easier to launch new UK-REITs and to encourage property held in offshore structures or operating businesses to be unlocked as part of the commercial real estate investment market. There are transfers and other taxes as well as the entry charge

Figure 1 Company	Free Float Weighting	Dividend Yield	Free Float Mkt Cap (EUR)	Country Weight	Status
Land Securities Group	100,00%	2,26%	14.065	20,26%	REIT
British Land Co	100,00%	1,14%	11.342	16,33%	REIT
Hammerson	100,00%	1,26%	6.700	9,65%	REIT
Liberty International	100,00%	2,38%	6.481	9,33%	REIT
Slough Estates	100,00%	2,37%	5.192	7,48%	REIT
Derwent London	100,00%	0,63%	3.256	4,69%	
Brixton	100,00%	2,31%	1.969	2,84%	REIT
Great Portland Estates	100,00%	1,46%	1.790	2,58%	REIT
Quintain Estates and Development	100,00%	1,17%	1.697	2,44%	
Capital & Regional	100,00%	1,18%	1.577	2,27%	
Shaftesbury	100,00%	0,68%	1.504	2,17%	
Workspace Group	100,00%	0,78%	1.242	1,79%	REIT
Unite Group	100,00%	0,49%	914	1,32%	
Minerva	100,00%	0,83%	912	1,31%	
Grainger	75,00%	0,88%	907	1,31%	
St.Modwen Properties	75,00%	1,43%	862	1,24%	
Big Yellow Group	75,00%	0,77%	809	1,16%	
Assura	100,00%	2,45%	695	1,00%	
Invista Foundation Property Trust	100,00%	3,80%	691	0,99%	
Mapeley	40,00%	3,76%	652	0,94%	
Helical Bar	100,00%	0,88%	598	0,86%	
F&C Commercial Property Trust	40,00%	4,07%	581	0,84%	
CLS Holdings	75,00%	0,00%	578	0,83%	
ING UK Real Estate Income Trust	100,00%	2,29%	577	0,83%	
UK Balanced Property Trust	100,00%	4,90%	407	0,59%	
UK Commercial Property Trust	30,00%	0,00%	402	0,58%	
Daejan Hdg	30,00%	1,11%	392	0,56%	
Development Securities	100,00%	1,01%	359	0,52%	
Plaza Centers NV	40,00%	0,00%	320	0,46%	
Invesco Property Income Trust	100,00%	5,27%	279	0,40%	
Westbury Property Fund	100,00%	3,35%	261	0,38%	
Teesland Advantage Property Inc Tst	100,00%	5,10%	237	0,34%	
Freeport	100,00%	0,68%	224	0,32%	
Standard Life Inv Prop Inc Trust	100,00%	5,16%	192	0,28%	
Mucklow (A.& J.) Group	40,00%	2,83%	170	0,24%	
ISIS Property Trust 2 Ld	75,00%	4,86%	169	0,24%	
Primary Health Prop.	100,00%	2,90%	165	0,24%	REIT
Marylebone Warwick Balfour Group	50,00%	0,00%	146	0,21%	
ISIS Property Trust Ld	75,00%	4,62%	126	0,18%	
UK Total		1,74%	69.440	100,00%	

Source: FTSE EPRA/NAREIT Global Real Estate Index, 19 March 2007

to take into account which may slow down new UK-REITs or even prevent them happening.

It was also acknowledged that UK-REITs could fit comfortably alongside other listed and unlisted real estate companies and vehicles. Indeed REITs may be acquirers of prop-

erties from the others and vice versa and carry out joint ventures together. The panel also discussed how REITs create a liquid tax effective wrapper for owning real estate but do not change the underlying need for management and assets which produce the expected yields. ▶



Nick van Ommen and Mike Slade.

The panel also predicted the growth of funds which specialise in REIT investment for retail investors to access real estate as a listed asset class. In this regard it was thought that REITs may over time develop into a more sector focused vehicle allowing fund managers to switch from one sector of the market to another without having to hold diversified

positions. However, it was also believed that there is room for diversified REITs.

In conclusion the reception was bullish on UK-REITs and the opportunities they present. As part of this general development of the REIT sector the FTSE Group has created the FTSE EPRA / NAREIT UK REITs Index and an FTSE EPRA/NAREIT UK Non-REITs Index. ◀

Figure.2	Mkt Cap (EUR) REITs	Mkt Cap (EUR) Non-REITs	Total	% REITs	% Non-REITs
Australia	71.604	2.914	74.518	96,1%	3,9%
Hong Kong	4.474	51.269	55.743	8,0%	92,0%
Japan	23.097	68.460	91.556	25,2%	74,8%
New Zealand	605	-	605	100,0%	0,0%
Singapore	6.919	9.148	16.067	43,1%	56,9%
Total	106.698	131.792	238.490	44,7%	55,3%

Austria	-	11.985	11.985	0,0%	100,0%
Belgium	2.971	-	2.971	100,0%	0,0%
Denmark	-	551	551	0,0%	100,0%
Finland	-	2.043	2.043	0,0%	100,0%
France	20.480	1.444	21.924	93,4%	6,6%
Germany	-	7.011	7.011	0,0%	100,0%
Greece	127	893	1.020	12,5%	87,5%
Italy	-	3.401	3.401	0,0%	100,0%
Netherlands	11.278	-	11.278	100,0%	0,0%
Norway	-	623	623	0,0%	100,0%
Poland	-	1.390	1.390	0,0%	100,0%
Spain	-	366	366	0,0%	100,0%
Sweden	-	7.263	7.263	0,0%	100,0%
Switzerland	-	3.643	3.643	0,0%	100,0%
UK	48.947	20.493	69.440	70,5%	29,5%
Total	83.804	61.105	144.910	57,8%	42,2%

Canada	17.173	6.086	23.259	73,8%	26,2%
United States	270.897	8.530	279.427	96,9%	3,1%
Total	288.070	14.616	302.686	95,2%	4,8%

Source: FTSE EPRA/NAREIT Global Real Estate Index, 19 March 2007

About Nabarro

Nabarro is a leading UK law firm. We work from offices in London, Sheffield and Brussels, drawing on longstanding relationships with a network of selected firms worldwide for our cross-border work. Our no-nonsense approach and wide-ranging expertise help clients achieve their objectives across many sectors, both public and private.

Our commitment to clarity is revealed in our understanding of clients' objectives, our capacity to shed light on complex legal issues and the straightforward, unequivocal nature of our advice. Our culture is open; our people practical and engaging.

Our client-focused approach drives an emphasis on key industry sectors, including education, energy, financial services, gaming & leisure, public sector, healthcare, housebuilders, real estate, retail, technology and waste. Supporting these groups are a full range of practice area specialists from construction, corporate, dispute resolution, employment, environment, EU & competition, finance, health & safety, IP, pensions, projects, restructuring & insolvency, technology and tax. Many of our lawyers are rated as foremost experts in their particular fields, having won accolades and awards for their skills from the principal industry commentators and legal publishers. For more information visit our website at www.nabarro.com



Towards Global Standards - the IASB Work Plan for 2007 and 2008

After its focus on first time application of IFRS in many countries in 2005, the IASB will now strive to create a stable reporting platform that will remain unchanged until 2009. In the meantime, the Board will continue to present many Discussion Papers (DP), Exposure Drafts (ED) and amend and new Standards. In view of convergence with US-GAAP these will undoubtedly have a true world wide impact. Therefore, the EPRA Best Practices Committee will coordinate initiatives towards the standard setters with other industry bodies, such as NAREIT, APREA, BPF and RealPac. In this article we provide an overview of the IASB Active Agenda.

Work Plan

The Memorandum of Understanding between the IASB and FASB set the goals for 2008. This so called "short-term convergence" target is to complete work in a limited



Hans Bruggink
Director of Reporting Practices

Hans Bruggink started his career as an auditor for Price Waterhouse Coopers. He joined KLM Royal Dutch Airlines in 1975 and was Chief Internal Auditor and EVP/Corporate Controller until 1999. Thereafter, he continued his financial career as CFO of a number of Dutch Companies. As a project-manager and consultant, he carried out IFRS implementation projects for Buhrmann and Endemol, during 2003 and 2004.

Hans has served on several non-executive boards, such as Kenya Airways, MECC Maastricht Exposition and Congress Centre and SPF Beheer. In addition, he was chairman of the IATA Accounting Standards Committee.

He was born in 1947 and is a Dutch Registered Accountant (RA).

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number (10) of standard-setting projects, of which areas such as Borrowing costs, Joint ventures, Fair value options and Investment properties are important for the real estate industry. KPMG advisors Hans Grönloh and Machiel Hoek informed you about the IASB activities in these areas in the previous edition of EPRA News. However, there is a list of 11 additional areas of focus that are considered joint projects under the MoU, that have goals and milestones for 2007 and 2008 on the active agenda and the research program of the IASB. On top of this, the IASB intends to continue work on the so called Conceptual Framework, on some additional projects and on Amendments to Standards.

OTHER CONVERGENCE PROJECTS

Fair Value

The fair value measurement project in this list aims at:

- establishing a single source of guidance in one IFRS for all measurements required by IFRSs;
- including a definition of fair value, and;
- enhancing disclosures about fair value.

The IASB has recently issued a Discussion Paper on Fair Value Measurements. The Board decided to use the recently issued SFAS 157 as the starting point for its paper. SFAS 157 contains a single definition of fair value and a framework for measuring fair value for financial reports. The IASB invites comments on the discussion paper by 4 May 2007. When the responses have been considered the IASB plans to publish an exposure draft of an IFRS on fair value measurements in 2008.

Financial Statement Presentation

This project is split into three phases:

- addressed what constitutes a complete set of financial statements and requirements to present comparative information. The IASB and FASB completed deliberations on this phase and an ED was issued;
- (current) to address more fundamental issues for presentation of information on the face of the financial statements;
- (pending) to address interim financial reporting.

Contrary to FASB, which will combine exposure of its phase A and B decisions, the IASB decided to issue a phase A Exposure Draft: Proposed Amendments to IAS 1 Presentation of Financial Statements: A revised Presentation. The ED dated March 2006 triggered 130 comment letters from constituents. Proposed changes however are not very significant and to some extent purely cosmetic such as the title changes and many amendments of the wording in the body of IAS 1. The title changes of the statements are even optional, as well as the option to present recognised income and expense in a single statement or in two statements (the first one displaying components of profit or loss and the second one components of other recognised income and expense. As in US-GAAP, the ED required an additional Statement of Financial Position (Balance Sheet) at the beginning of the two year period, as well a separate Statement of Changes in Equity. The Statement of Changes in Equity will disclose all owner related changes in equity.

As a result of the comments, the IASB tentatively decided that the statement of financial position at the beginning of the comparative period should be required only when it contains a reclassification or restatement. The Board also decided to change the title of the "Statement of recognised income and expense" non-mandatory to "Statement of Comprehensive Income" to converge with the US terminology. ▶



Several illustrative model statements are included in the ED and will affect the best practices presentation of EPRA members' financial statements when effective. In due time EPRA Best Practices Policy Recommendations will be updated to represent the requirements of the amended IAS 1. However we feel that the impact of phase B will be of more significance. Phase B topics include:

1. Principles for aggregating and disaggregating information;
2. Defining totals and subtotals to be reported;
3. Decisions about recycling components of other comprehensive income/ other recognised income and expense to profit or loss;
4. Converging FASB 95 Statement of Cash Flows and IAS 7 Cash Flow Statements including the use of the direct, or indirect method;
5. Cohesiveness of the Financial Statements;
6. Classification guidelines and related disclosures.

Discontinued Operations

As part of the Financial Statement Presentation project, the Boards decided to review the presentation of discontinued operations.

Statement SFAS 144 states that results from discontinued operations include gains and losses at the level of a component of an entity (an asset group). This is defined as the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The statement does not include a significance concept. IFRS 5 states that a component of an entity when discontinued should be reported as a discontinued operation when it represents a separate major line of business or geographical area of operations. The FAS and IAS Boards intend to converge their definitions in short term.

In its meeting of 24 January 2007, FASB reviewed its definition of discontinued operations, following an agenda request from NAREIT, supported by EPRA. The FASB approved the recommendation that component dispositions should only be reported as discontinued operations if the assets represent an "operating segment". This will be a significant improvement for our industry.

In the IASB meeting on 25 January, the discussion tentatively supported the level of

Figure 1 provides an outline of the IASB Agenda in these fields, with planned output in 2007 and 2008:

Topic	Milestone	output
Other convergence projects:		
- Business combinations	converged standard	IFRS
- Consolidations	towards converged standard	DP & ED
- Fair value measurement	converged guidance	DP & ED
Financial statement presentation		
Phase A	ED issued in 2006	IFRS
Phase B	due process documents	DP & ED
- Revenue recognition	due process documents	DP & ED
- Post-retirement benefits	due process documents	DP & ED
- Leases	Agenda decision	DP
Conceptual Framework:		
- Phase A: Objectives and qualitative characteristics		
- Phase B: Elements, recognition and measurement		DP
- Phase C: Measurement		
- Phase D: Reporting entity		
- Phase E: Presentation and disclosure		
- Phase F: Purpose and status		
- Phase G: Application to not-for-profit entities		
- Phase H: Finalisation		
Other projects:		
- Small and medium-size companies		ED & IFRS
- Insurance contracts		ED
- Liabilities		IFRS
- Emission trading schemes		
Amendments to standards:		
- Financial instruments (IAS 32)		IFRS
- Earnings per share (IAS 33)		ED & IFRS
- First-time adoption (IFRS 1)		ED & IFRS
- Share-based payment (IFRS 2)		IFRS
- Related party disclosures (IAS 24)		ED & IFRS

DP: Discussion Paper; ED: Exposure Draft; IFRS: Reporting Standard.

"operating segment" as defined in IFRS 8, for discontinued operations on the face of the Statement of Comprehensive Income. Below this level, disclosures would be required in the Notes.

Conceptual Framework.

The conceptual framework project not only aims at converging the existing IASB and FASB respective conceptual frameworks, but also at removing some weaknesses, by updating and refining them. The first of a series of Discussion Papers (Phase A) was issued in 2006. The draft chapters define the objective of financial reporting, and the qualitative characteristics of decision-useful financial information. The document also identifies relevance, faithful representation, comparability (including consistency) and understandability among the characteristics of financial information that make it decision-useful. The second Discussion Paper (Phase B) is expected in Q2.

Altogether, the project is divided in eight phases. Critics mention the concern that final documents will be issued before purpose and status of the framework (Phase F) is determined. We therefore suggest that our members study and comment on the coming Exposure Drafts and communicate their findings to IASB and to the EPRA Best Practices Committee.

The EPRA Best Practices Committee

In view of all IASB and FASB activities, the BPC intends to conduct a member survey, in which it will invite members to provide feedback on the activities, the agenda, and recommendations of the Committee. In this questionnaire we will ask you to give your opinion and comments on proposed policies, issues and topics in order to enable the BPC to set priorities for its discussions with standard setters together with the other industry representatives. EPRA will also ask you to indicate topics for further refining and expanding the set of Best Practices Recommendations. ◀



Interview with Wolfhard Lechnitz

EPRA Best Performer Large Cap Award Winner 2005, sponsored by LaSalle Investment Management



Dr.-Ing. Wolfhard Lechnitz

Chief Executive Officer
IVG Immobilien AG

Dr.-Ing. Wolfhard Lechnitz (born 1952)
Chief Executive Officer IVG Immobilien AG
Responsible for the Caverns business,
Communications/Marketing and Human
Resources.

Holds a business degree and doctorate.
17 years of real estate industry experience.
Within IVG group since June 2006.

Previous positions:

1992 - 2000 Member of the Board of Hochtief AG
2001 - 2005 Chief Executive Officer of Viterra AG

FH: How and why did you decide to get into real estate?

As a civil engineer by education, real estate was always a close choice. Apart from that, I view real estate as a very exciting field: residential real estate, commercial real estate, infrastructure projects, etc. I could not think of another industry that offers so much insight into varying parts of the economy.

FH: Just under 50% of IVGs total assets under management are in Germany.

Do you intend to expand further outside Germany in the future?

With our own investments we are re-focusing on Germany right now as we do see an attractive relationship between investment prices and economic outlook. Therefore, for our own balance sheet the investment share outside Germany will not increase in the near future. However, the picture is different in our funds business. Here we are increas-

ing our investment share not only outside Germany, but also outside Europe.

FH: When you joined IVG what were the first things that you felt needed to be carried out?

When I took over last summer I inherited a company that was well positioned in the markets – in terms of track record and reputation. So there was no need for a turnaround. However, I believe a strategic step towards the goal of profitable growth is due.

FH: What do you envisage for the German market over the next five years in terms of opportunities?

To be clear: The German real estate market is not a bonanza, but it offers opportunities to the longer term investor like IVG. I believe that the German economy is on a slow, but steady, growth path. Over the course of time this will filter down to market fundamentals like rents and vacancy rates. ▶



Foster's Swiss RE Tower, London.



Interview with Wolfhard Lechnitz
EPRA Best Performer Large Cap Award Winner 2005,
sponsored by LaSalle Investment management



Airrail project at Frankfurt's Rhein-Main Airport.

FH: How do you view the introduction of G-REITs? Do you think it will make the German market more attractive for investors both at home and abroad?

Regarding the financial implications: Like it or not, REITs are the worldwide industry standard for quoted real estate. Any jurisdiction that lags behind too long will divert capital away from its real estate market. Regarding the political debate on REITs, everybody realizes that climate change is already here, and a growing issue around the world. I believe that real estate that is professionally managed by quoted companies like REITs has responsibility for environmental issues such as sustainable energy use.

FH: How do you see the European office markets developing over the course of the next three years?

I am optimistic but I don't envisage a fundamental change in the shape of the European investment map. The "investment frontier" has already moved eastward to the new EU member states and pushes onward to Moscow. We will see further stabilization of these emerging real estate markets.

FH: How has your shareholder structure changed over time in terms of the nationality of investors?

IVG has had an international shareholder basis for many years. More specifically, over the last 2-3 years, we have seen an increase in the number of UK and US investors. It reflects the growing interest of Anglo-American investors in European real estate in general and especially in IVG's equity story.

FH: Do you see a broader range of investors now looking to invest in listed real estate, not only dedicated investors?

Yes, I am thinking of private individuals that are investing for their retirement. In the past much of this money had been directed towards the traditional German open-ended real estate funds. In my view these investors are now ready to add quoted real estate to their portfolios.

FH: In your time in the business, which deals/projects have given you the most satisfaction?

I find project development a very exciting and satisfying part of our industry as it shapes the future. That is especially true with airport projects. I am talking about the aviation infrastructure itself for which I was responsible during my time at the construction company Hochtief. In addition, I am fascinated by non-aviation real estate like our current Airrail project at Frankfurt's Rhein-Main airport. Landmark deals such as the purchase of

Foster's Swiss Re Tower/"Gherkin" in London are milestones along the road.

FH: Looking back, do you have any regrets?

I guess it was Frank Sinatra who gave the legendary answer to that question: ... I have a few, but not enough to mention.....

FH: When you look at other property companies in Europe, who do you most admire and why?

Our pan-European approach does not have many peers. In terms of professionalism the UK companies are our peer group - and with the new group structure we are currently implementing IVG plans to score well within this group.

FH: What do you do in your spare time?

I play golf. ◀



Wolfhard Lechnitz accepts the Best Large Cap Performer Award 2005 presented by Ernst Jan de Leeuw of LaSalle Investment Management.

About IVG Immobilien AG

March 2007

IVG Immobilien AG is a quoted European real estate investment company that manages €18 billion of real estate assets in its Investment, Development, Funds, and Caverns business areas.

Its investments focus on office properties in major European cities. IVG uses its branches to successfully leverage market opportunities on location and generate attractive returns for its investors.



By James Fetgatter, AFIRE



Broadening Investment Strategies



James A. Fetgatter
Chief Executive
AFIRE
Washington, DC

James A. Fetgatter is Chief Executive of the Association of Foreign Investors in Real Estate (AFIRE), a position he has held since 1992. AFIRE is a not-for-profit association formed in 1989 whose members are foreign institutions who have a common interest in investing in the US property market. He has guided the growth of the association from a small group of Dutch pension funds to an organization of over 180 investors from 17 countries.

Prior to his appointment as Chief Executive, Mr. Fetgatter spent 15 years in various aspects of the real estate industry. His last two positions prior to joining AFIRE were with Dutch and UK investment and development companies.

Mr. Fetgatter served as an officer in the United States Navy and holds a Master in Business Administration from Harvard University and a BS from Oklahoma State University.

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The Association of Foreign Investors in Real Estate (AFIRE) international investor members continued to broaden their allocation of investment funds around the world and adopt innovative strategies to more easily acquire real estate within the most competitive markets. While the US remained the most dominant single market for investment, India ranked highly as a place for capital appreciation. And while the US is perceived to be a difficult place to acquire real estate, the number of respondents who say it is “very difficult” has decreased for the past three years. This article summarizes some of the key findings from the 15th annual AFIRE Investment Survey. The survey reflects the attitudes of the members of the AFIRE who collectively own \$600 billion of real estate globally and \$185 billion in the US.

“The results of this year’s survey manifest the most global viewpoint our members have ever expressed,” said Mark Preston, president of Grosvenor UK and Ireland, and AFIRE’s chairman. “The US remains the strongest and safest conduit for cross-border real estate capital, by a substantial margin - 63%. But it is clear that our members are taking advantage of some of the opportunities inherent in emerging markets.”

Global Outlook

London remained the top global city for foreign investors for the second year in a row. For the first time, New York City was ranked as number two and supplanted Washington, DC in that spot. The re-emergence of New York City was the theme of the AFIRE 2007 Winter Conference in February entitled, **New York City: Five Years After**. Former Mayor Rudy Giuliani, addressing the AFIRE members, called New York City the “capital of the world” primarily due to the various nationalities living there. Washington, DC fell to fourth place behind Paris. The cities of Munich, Stockholm and Moscow made strong showings this year by moving up the rankings in significant leaps.

While the US ranked the highest as the most stable and secure country for their investments, the US met with significant competition for the country with the best opportunity for capital appreciation. In a surprise showing, India ranked a very close second to the US with China following closely behind. Germany and Russian formed a second tier of high ranking countries in this category.

In Asia, the most popular countries for investment are Japan, China and India. While Japan and China have been ranked highly in Asia for the past several years, India jumped ahead of several other countries this year into third place. In Eastern Europe, the Czech Republic and Poland are the two most popular venues and rank far above the other countries. Hungary declined in the investors’ perception while Romania made a dramatic new showing.

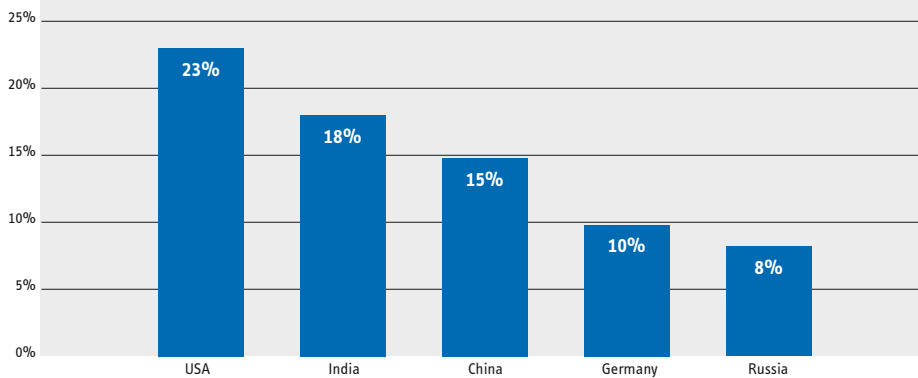
While foreign investors are broadening their perspective on global real estate, they still have approximately one half of their existing investments in the US. Fully 90% of their portfolios are distributed among the US, Western Europe and the UK. Offices are the ▶





By James Fetgatter
AFIRE

Figure 2: Countries Providing the Best Opportunity for Capital Appreciation - 2006



preferred product type of the international investor comprising approximately 50% of their portfolios. Retail is the second most favored product type.

US Not So Difficult

Two years ago, 60% of the foreign investors said it was “very difficult” to find attractive real estate investments in the US. Today, only 37.5% say it is “very difficult”. What has made the difference in the past two years? Have foreign investors merely given up on finding opportunities in the US?

The median planned acquisitions for 2007 per survey respondent show an increase of 43% over their 2006 actual transactions on a global basis. Their targeted acquisitions for the US show a median increase of 53% over 2006 actual levels. As is the case for 2006, they plan to invest half of their capital into the US. Clearly they are not backing away from the US market. What is going on then?

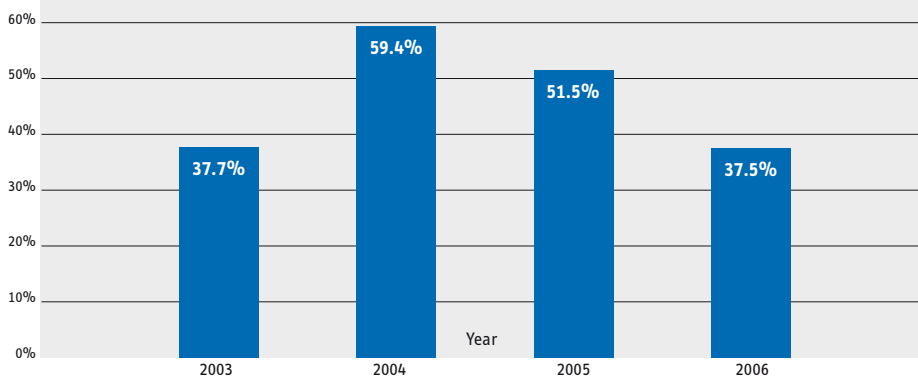
In general, it appears that the foreign investor is willing to take on slightly more risk in the US market. Value-added real estate now

makes up 25% of their strategy for 2007. Five years ago this category did not exist in their responses and “core” investments made up 70% of their targeted acquisitions. Today, core makes up only 40%.

This new willingness to take on slightly more risk is being achieved by adding new property types to their portfolios. New property types were listed by 30% of the respondents as a part of a new US investment strategy. These new products include infrastructure, resorts, senior housing, and research and science parks. Development was advocated by 20%. A number of firms indicated new financial strategies such as entity level acquisitions.

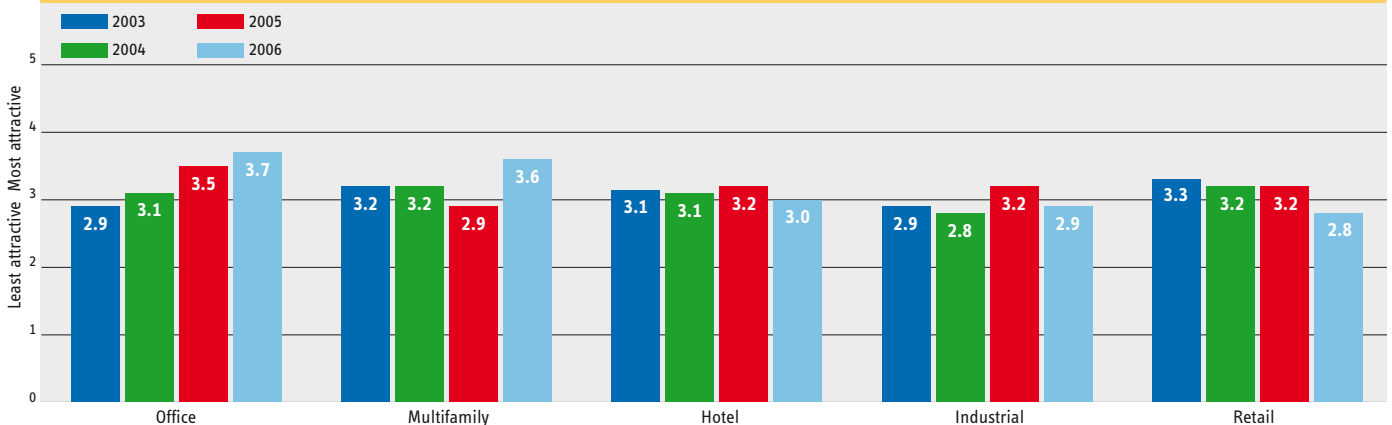
The members are employing several measures to successfully place capital into the US. By far the most popular strategy is developing relationships with local real estate firms to acquire off-market properties. A further extension of this strategy and one employed by almost a third of the respondents is to develop joint venture relationships with local firms.

Figure 3: Percentage of Respondents Finding It “Very Difficult” to Find Attractive US RE Opportunities



Among the traditional product types, offices are a clear favorite. US offices have experienced a steady rise from the bottom of the charts four years ago to capture the number one preference two years in a row. In an even more dramatic turnaround, multifamily housing is the second favorite product in the US, bouncing from last place one year ago. And in the reverse role, US retail plummeted to the least favorite product type from the number one position two years ago. These changes in product preferences illustrate the dynamics of the US market and the flexibility of the foreign investor’s strategies.

Figure 4: Attractiveness of USA Real Estate Investment Property Types





Top US Cities

The re-emergence of New York City to capture the favorite city for real estate investment in the US is a remarkable story. Five years have gone by since the 9/11 tragedy nearly crippled New York City's economy and shook the confidence of the entire nation. Lower Manhattan experienced an exodus of corporate tenants seeking safety and available space, while Midtown Manhattan real estate rebounded in the wake of their displacement. The resilience of the New York City economy has proven itself as major foreign and domestic investors continue to make significant bets on it.

Washington, DC, the most favored city for five years, is now in second place, albeit a close second to NYC. Los Angeles and San Francisco complete the top four choices. While many other cities received favorite votes, no other city came close to these four. In summary, it appears that foreign investors have a preference for coastal cities in a bi-coastal strategy. The two on the East Coast (New York City and Washington, DC) and two on the West Coast (Los Angeles and San Francisco). The cities of Seattle and Phoenix, while clearly not within the top four, experienced strong gains in the past couple of years.

Coming to America

German investors have supplied the bulk of the most active foreign investors in the US for the past five years. Beginning in 2005, this dominant position was overtaken by Australian investors and to a (slightly) lesser extent with Middle Eastern investors. The latest data on sources of foreign capital for the year 2006 is from Real Capital Analytics, a NYC-based research firm.

Figure 6: Foreign Investment Sources US - 2006

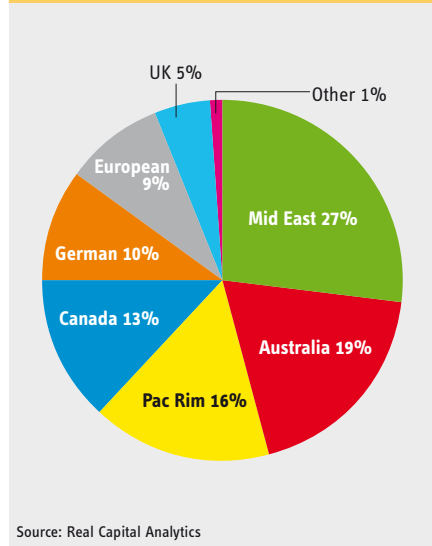
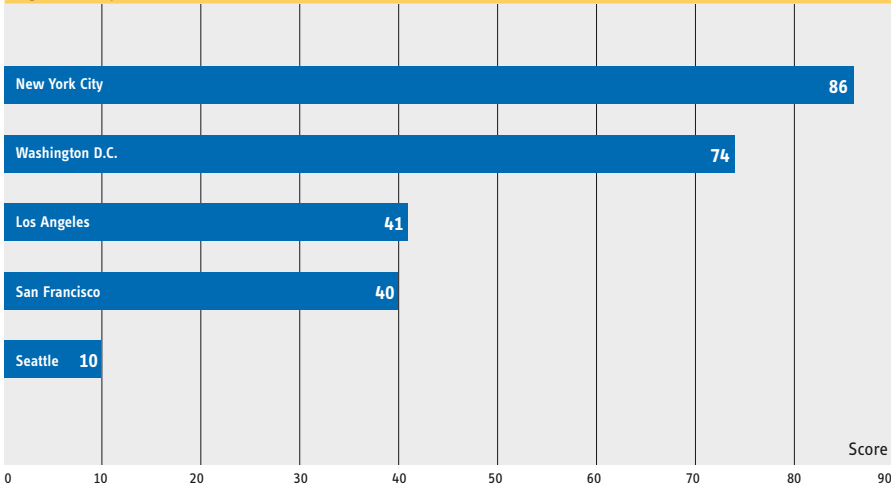


Figure 5: Top 5 US Cities for Real Estate Investment - 2006



The statistics for foreign investment in the US are based upon dollar volume and show a significant increase in investment volume for Middle Eastern and Pac Rim investors. Middle Eastern investment has been steadily growing over the past five years and has resulted in AFIRE organizing its first conference in Dubai in April. The Pac-Rim showing is an anomaly for 2006, reflecting a large transaction, and does not necessarily indicate a trend. Australian capital, while decreasing from the previous year's level, continues to show significant strength as it has for the past four years. German capital showed a slight dip in 2006 compared to previous years. Interestingly, some German investors have been net sellers, especially of offices, over the past year, while other Germans are net buyers.

Foreign investors into the US are constantly changing. One year the most active

may be the Germans and the next year the Australians, or the Middle Eastern investors. AFIRE's continuing challenge is the make certain our membership reflects the diversity of investors present at any one time in the US and global markets.

Summary

AFIRE members are adopting new strategies to invest capital and maximize returns. While spreading the wealth more widely, the US continues to be the safest and most secure country for their investments. However, in the race for capital appreciation, the US is being challenged by a growing number of real estate markets around the world. More traditional real estate investors can take comfort in the fact, however, that the favorite global cities for real estate investment are still London, New York City, Paris and Washington, DC, and not yet Shanghai, Mumbai, or Dubai. ◀

About Afire

ASSOCIATION OF FOREIGN INVESTORS IN REAL ESTATE

As the official voice of the foreign real estate industry in the United States and the pre-eminent global real estate organization, the Association of Foreign Investors in Real Estate (AFIRE) represents the interests of 180 investing organizations from 17 different countries. Founded in 1988, AFIRE operates much like a private "club" and provides an exclusive environment where principals and senior executives can meet and exchange information through regularly scheduled meetings in the US, Europe and key cities around the world. It provides exposure to influential US policy makers and opinion leaders, such as Alan Greenspan, Madeleine Albright and General Colin Powell, who spoke at recent Annual Membership Meetings. AFIRE also provides updates on important legislation and tax regulations, and informative publications dedicated to ensuring that the foreign investor is as informed as the domestic investor. AFIRE is governed solely by non-US investor institutions through their designated delegates and is managed by a full-time staff in Washington, DC. Membership is on a corporate basis and by invitation only. For more information, go to www.afire.org.

By Harm Meijer, Tim Leckie, Osman Malik
JP Morgan

European Property: Back to reality

European real estate stocks generated a total return of 50% in 2006 and added another 6% until they hit their all-time high on 19 Feb 07. Since then European property stocks have retreated 8% to current levels (13th March 2007). We think certain stocks, such as British Land, Liberty Int. and Land Securities, look attractive, but in general we believe the risk/return profile is not attractive enough to buy aggressively into the sector. We cite 5 reasons.

1 Not enough upside potential

We believe the average upside to our price targets is not enough to make the sector a strong buy. We currently estimate only 3% upside potential to our current fair value and

10% upside potential to our 'stretched' price targets, set on next year's assigned value instead of the current year's. In addition, stocks with the highest upsides to our PTs (Price Targets), such as UK large caps, have

the weakest market momentum, defined as the difference between next year's assigned value and the current assigned value. Ideally, we would look for stocks with high upside and high momentum, as indicated by the circle in Figure.2. It is striking to see none of the stocks in our universe fit these criteria.

2 Just returned from overshooting phase

We believe we hit the ceiling on 19 Feb 07 and estimated at that moment 2% downside to our 'stretched' price targets. In our view, that date marked the end of the overshooting phase, which indeed showed signs of a bubble. Going forward, we expect a transition to the next phase: lower market returns.

Based on our bubble check list (see Table.1 below), we believe that European property stocks showed strong signs of a bubble, in particular over the period December 2006 to 19 February 2007. It's hard to judge whether an investment is in bubble phase or not, in our view, but our colleagues in the JPMorgan Global Issues team wrote in their note Are alternatives the next bubble? (8 September

Figure 1: EPRA Europe total return (31-Dec-05 = 100)

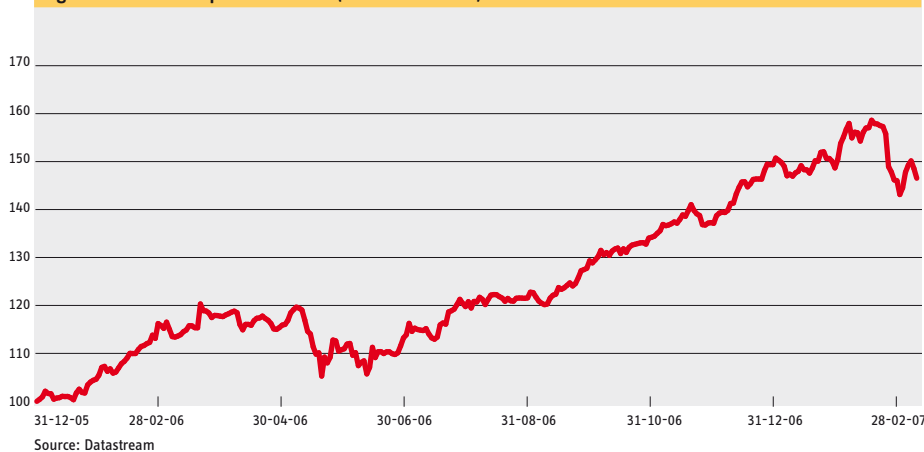


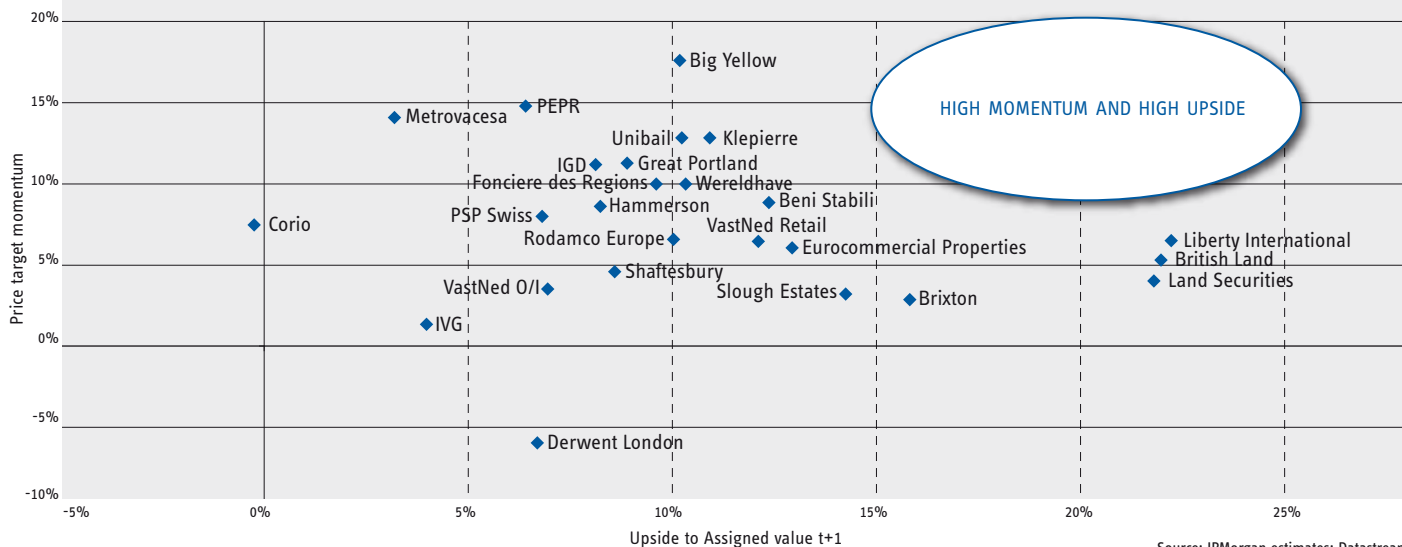
Table 1: Bubble check list

Event	Yes / No	Our view
Valuation?	Yes / No	Stock prices are not in bubble, but incorporate a lot of positive news. We believed the market was priced to perfection on 19 Feb 2007
Overvaluation compared to historical averages?	Yes	Eurozone property stocks trade at historically unattractive multiples
Monetary expansion?	Yes	We believe that monetary expansion started the property boom
Scandals?	Yes	Valuation issues with German open-ended funds
Stock market bubble preceded jump in property prices?	Yes	Internet bubble
Return expectations have changed?	Yes	Our IRR estimates have been lowered to 6-8%
Price increases in excess of CPI for years?	Yes	Over the last 5 years the UK RPI index has risen by 17%, while the capital growth of UK commercial property was 50%
5 year real property share price returns at all-time high?	Yes	All-time high since 1996
Price increases boil over to other countries?	Yes	Property boom around the globe has led to yield compression everywhere
High expectations?	Yes	Rental growth and capex seems to be ignored in certain cases
Other parties joined the scene?	Yes	Leveraged players and institutions. Some new investors may have little experience in property
Insiders negative?	Yes	CEOs have called the top of the market several times already and several board members have sold shares
Speculative buyers?	Yes	We have seen speculative buyers in the listed property market over the last three months
Direct market pricing irrational?	No	But if strong capital growth continues, could enter bubble zone
Stock market pricing irrational?	Yes	Stock prices have overshot over the last three months, returning to 'normal' now
Number of IPOs increasing?	Yes	Last year saw a boom in equity issuance in Europe of €16.75bn coming from €6.84bn the year before
New view on the sector?	Yes	The general view is that the sector has re-rated (we share this, but believe it has moved too far) or that a new time has emerged where investment returns will be low forever
Media interest?	Yes	Lots of articles, both positive and negative

Source: JPMorgan estimates.



Figure 2: Price target momentum vs upside to assigned value



Source: JPMorgan estimates; Datastream

2006): “if it walks and talks like past bubbles, then it is probably one.” Although we still believe that valuations of property stocks are not unrealistic (but rather price in a lot of positive news), it’s striking to see that a lot of the questions in our bubble list are positively answered.

3 Share price drivers losing strength

This time last year we could easily identify several drivers for listed property that were not in share prices including positive results surprises, accelerating GDP growth, hidden value in development pipelines, introduction of REIT structures in the UK and Germany, accommodative interest rates and yield spreads, and corporate action.

Now in 2007, we see most of these drivers as either factored in the share prices or no longer supportive. In particular we think UK REITs are priced in, and development pipelines and even future acquisitions are increasingly priced in. Rental growth in some markets looks to be reaching cyclical peaks (UK retail) while P/NAV ratios on the Continent look to factor in the more positive conditions in France and Spain, interest rates have moved up 70-100bps (short-term rates over last 12 months) and finally corporate activity and cash takeover bids in particular are unlikely at these prices, in our view. We think the main driver for property is currently GDP growth (and hence rental growth) with a stronger two-year outlook than a year ago according to our economics team. As a result, property pricing is more vulnerable than before to an economic slowdown.

4 Small margin for error

We believe that property valuations are based on a lot of positive news and that a small change in rental growth or interest rates could significantly impact property valuations. We estimate that our (like-for-like) capital growth

forecasts for both the Continent and UK look fair and leave little room for large upgrades, in particular if interest rates were to rise or rental growth to falter. As our DCF models for capital growth are based on low bond yields (also in the future) and in general above trend ▶

Table 2: Summary of European listed property drivers

Driver	Negative	2007 Neutral	Positive	Trend	Our Comment
Price target upgrades	X			↓	We are less likely to increase price targets than before, as we expect property markets to slow in the future
Rental growth		X		↑→	Strong growth for Continent and UK offices priced in
Yield shift		X		↓	Interest rates 60-100 bps higher, slower yield compression
Vacancy	X			↔	Company portfolios are well let but low reversionary potential
Development pipelines		X		↔	Increasingly priced in according to our models
Results		X		↔	No longer surprising on upside, season to date in line (exception of France)
Future transactions		X		↓	Execution risk increasing as more companies seek to invest
REITs		X		↓	Priced in
Equity risk premium	X			↓	Appetite for risk can't get much higher
GDP			X	↑	Higher growth expectations in Europe versus last year
Interest rates	X			↓	Interest rates put pressure on EPS due to higher interest expenses and reduce room for capital growth
Inflation		X		↔	Indexed leases give some protection
Corporate activity		X		↔	Cash bids with a 15% premium on current prices do not create significant higher ROE than the required rate of return
Capital flows			X	↔	Pension funds increasing allocations, alternative investments, private equity

Source: JPMorgan estimates.

By Harm Meijer, Tim Leekie, Osman Malik
JP Morgan

Figure 3: Daily standard deviation (annualized) EPRA UK, Eurozone and Europe vs MSCI Europe

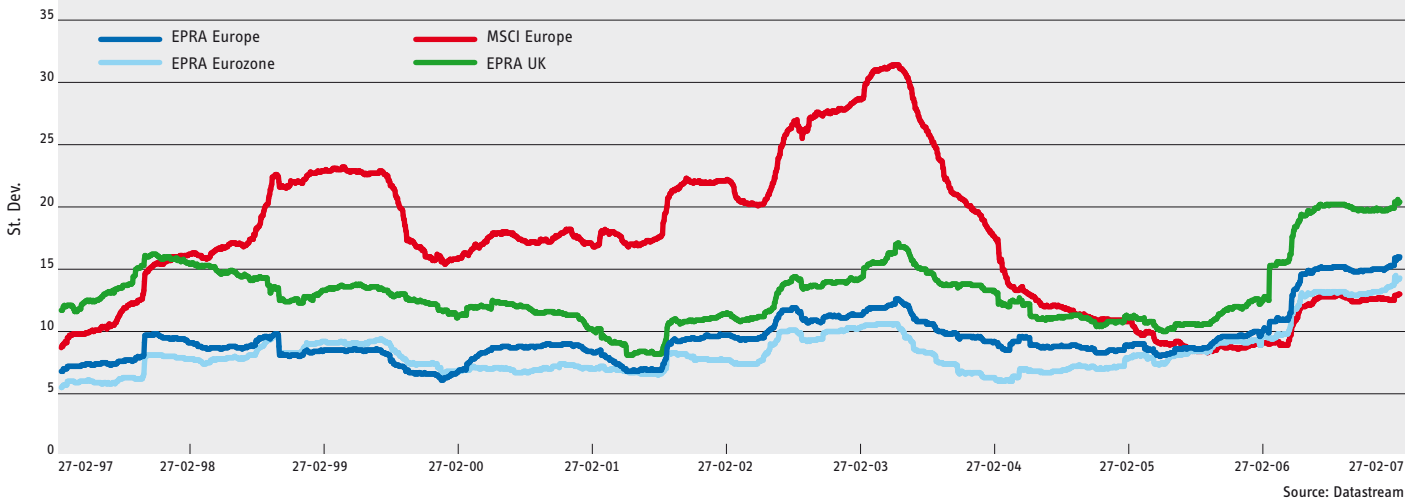


Figure 4: Real Estate dividend yield relative P/E

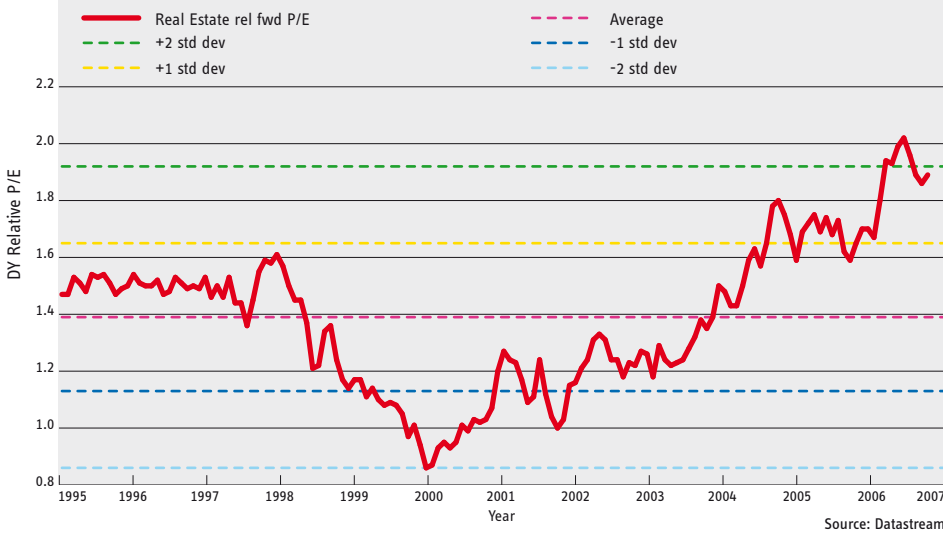
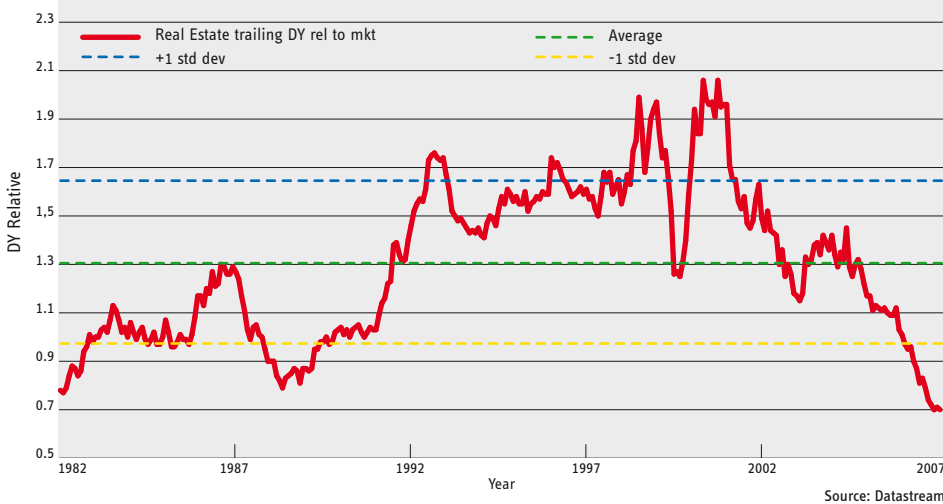


Figure 5: Real Estate dividend yield relative



rental growth forecasts, we believe that the margin for error is small. In addition, we wonder whether the current 'exit-rates' take account of sensible future capex.

Because a lot of good news is currently priced in, we believe that property stocks are more volatile to economic events. We currently estimate that the volatility of property stocks is at an all-time high at 20% for the UK and 14% for the Eurozone. Both are also higher than general equities measured by the MSCI Europe (13%).

5 Property relatively expensive

Property looks expensive compared to general equities, which is reflected in a relative all-time high PE and low dividend yield. In combination with the other four points, this makes the sector less attractive within equities and could lead to generalists leaving the sector.

In summary, we are of the view that the sector is not a strong buy, as we generally believe that the risk/return profile of European real estate stocks is not attractive enough. If stocks were to fall by 10% in the coming period, then the sector becomes really interesting again. If they were to rise by 10%, we think it's time to sell. Now, we're in a twilight zone and we reiterate that investors should not buy aggressively into the sector.

To receive a copy of the full research report please contact the JPMorgan property team. ◀

Disclaimer:
These are the views of the authors and don't necessarily reflect the views of EPRA.



By Terry Olin

Management Committee Eastern Property Holdings

Pros and cons of Russian investment

Moscow, the largest city in Europe, has roughly only 10% of the office space stock of Paris, the second largest. In fact, Moscow (population 11 million), with around 5 million square meters of quality space, has less space than Zurich (population 1.3 million), though the population of Moscow is some 60% higher than that of Switzerland as a whole. St. Petersburg, the 2nd largest city in Russia, with a population of 5 million, has roughly 500 thousand meters of quality space, almost all of it due to renovation of existing structures.

Paris in 2005, and seems to have surpassed Paris in 2006.

Rental yields for prime Moscow properties are no longer in the 12-13% range of two or three years ago, but remain in high single digits - twice what is achievable in Western Europe, and 50-60% above the market in Central Europe.

More development and more investors would set all the imbalances in the previous paragraphs right - and in time they surely will - but why hasn't it all happened more quickly?

For the most part, development in Russia has remained a local game. The bureaucracy is unwieldy enough for local developers, but has proven completely frustrating for most foreign operators. Securing over 200 permits and permissions necessary to construct a commercial property would be daunting in a rational, well organized system, staffed by efficient, altruistic professionals. Shaking these permits out of a remarkably convoluted bureaucracy manned by Soviet style functionaries is a truly Herculean undertaking.

If this was not enough, few acquisitions and even fewer projects come with a completely clean legal bill of health. Russia's legal system is increasingly rational and in many areas very well thought out, but contradictory laws and those subject to multiple inter-

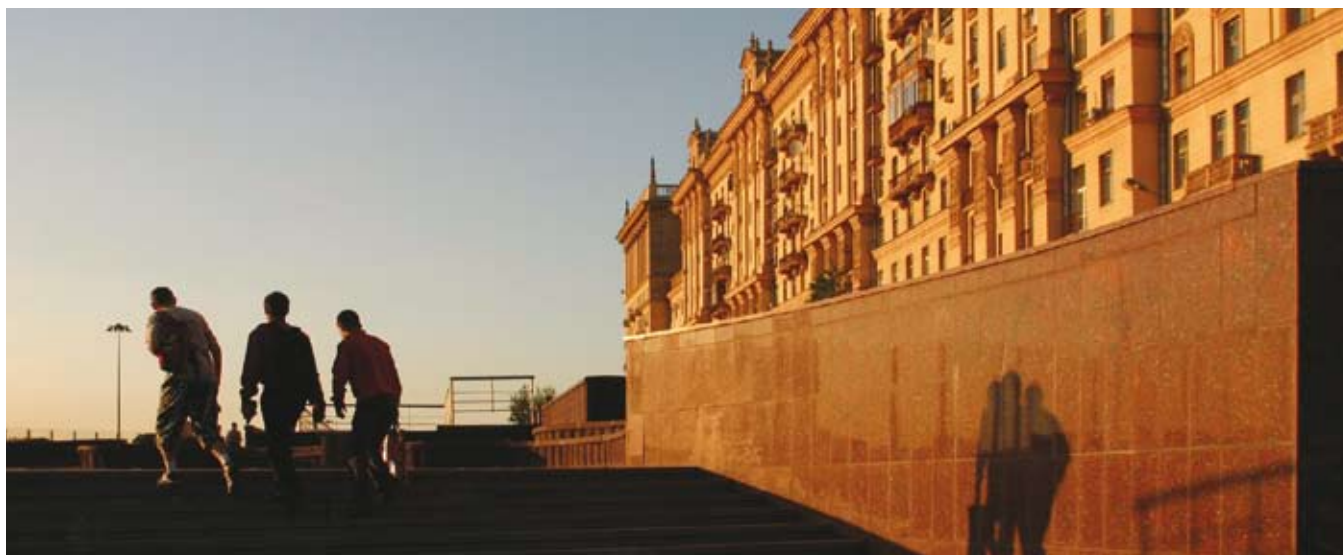


Terry Olin
Management Committee
Eastern Property Holdings

Terry Olin is a graduate of North Dakota State University with a degree in Business Administration and Economics. He began his career with EF Hutton in the mid-1980s, and joined Merrill Lynch in 1991. In 1993 he moved to Moscow, Russia and joined Troika Dialog, a Russian investment bank. In 2001, he left Moscow to join Brunswick Emerging Markets in Stockholm, Sweden as Partner with responsibility for emerging Europe. In 2002 he moved to Geneva, Switzerland to join MCT, now renamed Valartis Group, where he participated in the creation of Eastern Property Holdings, and is today the Management Committee member directly responsible for corporate operations and finance. He now divides his time between Switzerland and Russia. Terry Olin was born in the state of Illinois in 1962; he is married and has two children.

Keeping up with world standards for commercial space was not a priority for Soviet planners, so, understandably, Russia emerged from the Soviet era in 1991 with virtually no modern office, retail, or logistics space. The first years of the post-Soviet era saw little domestic investment. Russian businessmen in the uncertain environment of the early 90's were more likely to send their capital safely abroad than reinvest at home, and those developers who did take on projects were hit by the spiking vacancies, collapsing rents, and triple digit interest rates of Russia's 1998 financial crisis. It took six years, until 2003, for new construction to recover to 1997 levels.

Today Moscow displays all the characteristics of a supply and demand imbalance. The vacancy rate for Class A office space is practically zero percent, and prime rents are among the worlds highest; surpassed globally by only London and Tokyo. Quality retail space is in similar demand, with city center locations being pre-leased as much as two years before completion. Take up in Moscow surpassed London and was second only to



Late afternoon in Moscow.

pretations still exist. As a result, a thorough due diligence process will almost invariably uncover one or two imperfections, often in the privatization process, which will have to be accepted, or there is no deal.

Good projects, in any case, are hard to come by for the new entrant. Not only are local developers with established relationships on a local or federal level actively pursuing prime sites, but someplace within the corporate structure of each cash-rich Russian resource company or financial-industrial group there is a real estate operation. This is tough competition if you are from “out of town.”

Last year Western property investors arrived in force. Investment buying in 2006 exceeded the sum total for the prior decade. Still, there are now hundreds of millions of additional dollars, raised to invest in Russia properties, which have yet to be employed, and behind that money a few billion dollars more of announced intentions.

Foreign investment capital earmarked for Russia is at least matched by local liquidity: Russian end-users are willing to buy trophy properties employing different economic parameters and less stringent due diligence compared against Western investors, resource companies are looking for opportunities to employ excess capital, and property funds for local investors have appeared. As a result, choice properties tend to change hands within the local network, with very few properties ever actually appearing on the open market.

Russia’s property market is a good case study for the relationship between risk and reward. There have been brilliant returns for those who have accepted the not-insignificant risks and taken on the challenges. Early in this decade yields were in the high teens, but there was no Land Code guaranteeing property rights, and no financing. Today Russia is seen as investible by the more adventurous institutional property investors, but yields are in the single digits, and still come with risks not found in more developed markets. ◀



Moscow State University.

About Eastern Property Holdings (EPH)

Eastern Property Holdings (EPH) is a Russia-focused property company established in 2003 and listed on the Zurich stock exchange. The company’s \$320 million of net assets is divided between existing properties, owned directly or through joint ventures, and investment projects. The company is managed by a combination of Western and Russian professionals based in Moscow, St. Petersburg and Geneva.



By Fraser Hughes EPRA & Alex Moss AME Capital



Alex Moss
Chairman

AME Capital specialises in the real estate sector and provides corporate finance and research advisory services to corporate and institutional clients. AME Capital is authorised and regulated by the Financial Services Authority.

The company was founded by Alex Moss in 2002. He gained an MA in the Economics of Finance and Investment from Exeter University in 1981, and has spent 25 years in investment banking, specialising in the property sector.

After spells with Panmure Gordon and Hoare Govett he joined BZW (which later became part of CSFB) in 1988, where he was one of the Extel rated property research team. Moving to the Equity Capital Markets department he was responsible for fund raising and corporate advisory services to quoted property companies, and executed a wide range of transactions for a number of companies including Burford, Capital and Regional, Chelsfield, Eurocommerical Properties NV, Grantchester, and Hammerson. He later became Head of Property in the Investment Banking Division, responsible for equity and debt issuance in the UK and Europe.

Alex moved to Apax Partners & Co Capital in 1998, to specialise in private equity transactions in the property sector, where clients included GE Capital, before forming AME Capital in May 2002.

AME Capital has acted for a variety of clients including private and quoted companies, institutional investors, and limited partnerships.

AME Capital has constructed a database of all quoted property companies globally, currently over 2000 companies in over 60 countries, and of specialist property securities funds with a European and global mandate. It has also constructed a series of global REIT indices, and specialist sector indices.

A full list of AME Capital's research and index products can be found on the company website: [→ www.amecapital.co.uk](http://www.amecapital.co.uk)

Global Mutual Funds Explode

The appetite for global real estate is not a new phenomenon. Let's face it; the first global fund was introduced in 1989¹. However, the real growth in the number and size of global funds has occurred in the last three years. We published an overview of the global mutual fund market at the beginning of 2006. At that point in time we covered 68 funds with total assets under management of US\$ 14.5 billion. That figure has jumped to US\$ 52 billion made up of 153 funds! Taking into account funds that we may have omitted in 2006, it is safe to say that the market has exploded over this period, both in terms of number of funds and size². Figure 1 details the 153 global funds analyzed. Bloomberg ticker codes are provided for each of the funds in the list. Further information on performance, manager fees, etc, can be obtained directly from AME Capital. This list is not exhaustive, and we encourage comments and suggestions in order to extend and improve on this version.

Fund strategies

Figure 2 shows that of all funds analysed, 61% (US\$ 31 billion) of the assets under management focus on the broad selection of global real estate securities. 31% (US\$ 16 billion) invest in global REITs only. Global ex US comprises 5% of the total, offering investors with an existing US exposure to bolt on a strategy that ultimately results in a full global coverage. The same is true at Global ex North American level. The heavy influence of the Australian investors is evident in the Global ex Australia mandate - the demand for a Global diversified portfolio driving Australian investors cross border.

Fund Domicile & Currency

The United States makes up 39% (US\$ 20 billion) of the domicile of the assets under management (figure.3). United States funds are offered in either open or closed end fund structures. Figure.4 shows that 43% of the assets under management are in US\$.

The % difference coming mainly from Luxembourg domiciled funds quoted in US\$. Japan weighs in at 31% (US\$ 16 billion) both in terms of domicile and currency, as you would expect. Japanese fund managers employing the 'fund of funds' structure. Japanese investors have tremendous appetite for the Global "REIT only" product. Of the 24 Global REIT funds all but six are ran outside of Japan. Luxembourg (US\$ 5 billion) provides a home for ten percent of the global mutual funds, and packaged under either the SICAV or FCP structure. Listed real estate investment has always seen support from Australia and the Netherlands, these countries weighing in at six percent and five percent respectively in terms of domicile. Canada gets two percent of the share, with Ireland and Belgium taking up one percent. Looking at currency, the Euro makes up 14% - with the Netherlands and Luxembourg the largest contributors. ▶

Figure 2: Global Mutual Funds Strategy - AUM

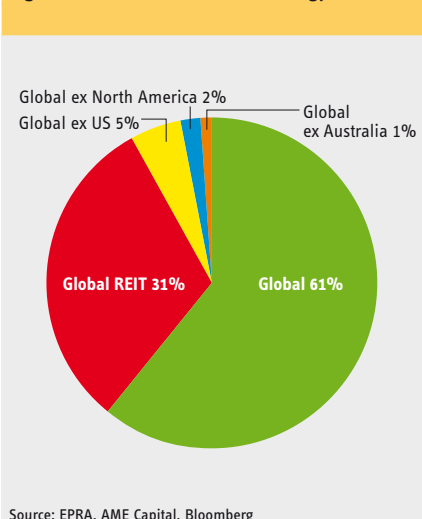
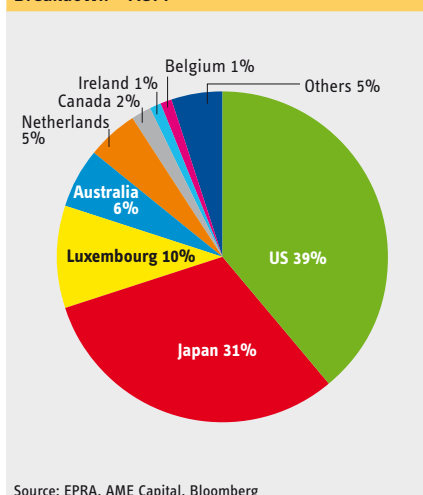


Figure 3: Global Mutual Funds Domicile Breakdown - AUM



By Fraser Hughes EPRA & Alex Moss AME Capital

Table 1	FUND NAME	FUND MANAGEMENT CO	AUM US\$m	Fund Type	Fund Currency	Mandate	Fund Domicile
FREX US Equity	FIDELITY REAL ESTATE INVEST	Fidelity Management & Research	9.198	Open-End Fund	USD	Global	US
01312052 jp Equity	NOMURA GLOBAL REIT OPEN	Nomura Asset Management Co Ltd	5.999	Fund of Funds	JPY	Global REIT	JP
47311044 JP Equity	DLIBJ DIAM WORLD REIT INCM	DLIBJ Asset Management Co Ltd/	3.785	Fund of Funds	JPY	Global REIT	JP
IGR US Equity	ING CLARION GL R/E INCOME FD	ING Clarion Global Real Estate	2.119	Closed-End Fund	USD	Global	US
AMPWGPS AU Equity	AMP WHL-GLOBAL PROP SEC	AMP Capital Investors Ltd	1.949	Unit Trust	AUD	Global	AU
AAPFGL Na Equity	ABN AMRO GLOBAL PROP SEC FD	ABN AMRO Investment Management	1.686	Open-End Fund	EUR	Global	NL
11311047 JP Equity	KOKUSAI WORLD REIT OPEN MDVD	Kokusai Asset Management Co Lt	1.529	Fund of Funds	JPY	Global REIT	JP
DJERESE LX Equity	DJE REAL ESTATE-P	DJE Investment SA	1.428	FCP	EUR	Global	LU
IRFAX US Equity	COHEN & STEERS INTERN RLTY-A	Cohen & Steers Capital Managem	1.400	Open-End Fund	USD	Global ex US	US
02311041 JP Equity	NIKKO AMP GLBL REIT FD MD A	Nikko Asset Management Co Ltd/	1.384	Fund of Funds	JPY	Global REIT	JP
WIPGREA LX Equity	WWIDE INV PORT-GLOB RE ES-A\$	Prudential Investments LLC	1.229	SICAV	USD	Global	LU
79311041 JP Equity	SUMITOMO M GLOBAL REIT OPEN	Sumitomo Mitsui Asset Manageme	1.227	Fund of Funds	JPY	Global REIT	JP
MSUAX US Equity	MORGAN STANLEY INS INTN RE-A	Morgan Stanley Investment Mana	1.216	Open-End Fund	USD	Global ex North America	US
FIREX US Equity	FIDELITY INTL REAL ESTATE	Fidelity Management & Research	1.205	Open-End Fund	USD	Global	US
EGLRX US Equity	ALPINE INTL REAL ESTATE EQ-Y	Alpine Management & Research L	1.105	Open-End Fund	USD	Global ex US	US
IGLAX US Equity	ING GLOBAL REAL ESTATE FD-A	ING Investments LLC	983	Open-End Fund	USD	Global	US
OPTSREI CN Equity	UNITED REAL EST INV POOL-W	United Financial Corp	768	Open-End Fund	CAD	Global	CA
04312056 JP Equity	DAIWA GLOBAL REIT OPEN	Daiwa Asset Management Co Ltd/	609	Fund of Funds	JPY	Global REIT	JP
AAHIP NA Equity	ABN AMRO HIGH INCOME PROPERT	ABN AMRO Investment Management	600	Open-End Fund	EUR	Global	NL
AGREX US Equity	AIM GLOBAL REAL ESTATE FD-A	AIM Advisors Inc	577	Open-End Fund	USD	Global	US
RRGAX US Equity	DWS RREEF GLB REAL EST SEC-A	RREEF	480	Open-End Fund	USD	Global	US
RWF US Equity	COHEN & STEERS WORLDW REA IN	Cohen & Steers Capital Advisor	468	Closed-End Fund	USD	Global	US
KPR9023 BB Equity	KBC PRIVILEGED PORT REAL -C	KBC Bank SA	435	SICAV	EUR	Global	BE
NGREX US Equity	NORTHERN GLOBAL RE INDEX FD	Northern Trust Investments NA	415	Open-End Fund	USD	Global	US
02313043 JP Equity	NIKKO LASALLE GLOBAL REIT FD	Nikko Asset Management Co Ltd/	401	Fund of Funds	JPY	Global REIT	JP
09311051 JP Equity	NIPPON GLOBAL REIT SELECT	Japan Investment Trust Managem	384	Fund of Funds	JPY	Global REIT	JP
SEBREEG GR Equity	SEB REAL ESTATE EQUITY GLOBL	SEB Invest GmbH/Germany	381	Open-End Fund	EUR	Global	DE
FIGLOPA LX Equity	FIDELITY FDS-GLOBAL PROP-AGBPD	Fidelity International	375	SICAV	GBP	Global	LU
EIIPX US Equity	EII INTERNATIONAL PROPERTY-I	EII Realty Securities Inc	364	Open-End Fund	USD	Global	US
GLBPROI ID Equity	GLOBAL PROPERTY FUND	European Investors Inc/New Yor	362	Open-End Fund	EUR	Global	IE
PCAREIA TT Equity	PCA GLOBAL REIT FUND-A	PCA Securities Investment Trus	314	Unit Trust	TWD	Global REIT	TW
DEUGEAP AU Equity	DEUTSCHE-RREEF GL EX-AU PROP	Deutsche Asset Management Ltd/	306	Unit Trust	AUD	Global ex Australia	AU
HHGPEA1 LX Equity	HENDERSON HOR-G PROP EQTY-A1	Henderson Global Investors Ltd	281	Open-End Fund	USD	Global	LU
SARREEA LX Equity	SARASIN REAL ESTATE EQ EUR-A	Bank Sarasin & Co Ltd	264	SICAV	EUR	Global	LU
SARPRYA GU Equity	SARASIN CI GLB PRPTY FND-A	Sarasin Funds Management Ltd/G	251	Open-End Fund	GBP	Global	GG
MRLAX US Equity	MORGAN STANLEY INS GLBL RE-A	Morgan Stanley Investment Mana	239	Open-End Fund	USD	Global	US
RGCGPED LX Equity	ROBECO PROPERTY EQUITIES--D	Robeco Investor Services Bv	226	SICAV	EUR	Global	LU
PERGPST AU Equity	PERENNIAL-GLB PROPERTY SEC	Perennial Investment Partners	219	Unit Trust	AUD	Global	AU
OHOG NA Equity	OHRA ONROEREND GOED FONDS	Ohra	204	Open-End Fund	EUR	Global	NL
INGRESA ID Equity	INVESCO GLB REAL EST SEC-A I	Invesco Asset Management Irela	198	Open-End Fund	USD	Global	IE
KBS2677 BB Equity	KBC SELECT IMMO WORLD PLUS	KBC Bank SA	195	SICAV	EUR	Global	BE
IAMIMSC SW Equity	IAM IMMO SECURITIES FUND	Julius Baer Investment Funds S	194	Open-End Fund	CHF	Global	CH
SCHGPSA LX Equity	SCHRODER INTL GL PR SC-A AC	Schroder Investment Management	182	SICAV	USD	Global	LU
SCHGPEA LX Equity	SCHRODER INTL GL PR SC-A =AC	Schroder Investment Management	182	SICAV	EUR	Global	LU
DBGLRES LX Equity	DB RREEF GL REAL ESTATE SEC	DWS Investment SA	170	FCP	EUR	Global	LU
MUWRECL CN Equity	MACKENZIE UN WLD REAL ES C-A	Mackenzie Financial Corp	165	Open-End Fund	CAD	Global	CA
FOGLRE LX Equity	F&C PORT FD-GLOB REAL EST SC	F&C Management Ltd/United King	163	SICAV	EUR	Global	LU
UCIFGRA SW Equity	UBS CH INST-GL RL EST SEC-A	UBS Fund Management AG	158	Open-End Fund	CHF	Global	CH
DEUGLPS AU Equity	DEUTSCHE-RREEF GLB PROP SEC	RREEF	154	Unit Trust	AUD	Global	AU
79311046 JP Equity	SUMITOMO M GLBL REIT 3M DVD	Sumitomo Mitsui Asset Manageme	136	Fund of Funds	JPY	Global REIT	JP
POSTVRE NA Equity	POSTBANK VASTGOED FONDS	Not Disclosed	132	Open-End Fund	EUR	Global	NL



Global Mutual Funds Explode

Table 1	FUND NAME	FUND MANAGEMENT CO	AUM US\$m	Fund Type	Fund Currency	Mandate	Fund Domicile
DBSGLPR SP Equity	DBS GLOBAL PRPTY SECS - S\$	DBS Asset Management Ltd/Singa	127	Unit Trust	SGD	Global	SG
VANIPSH AU Equity	VANGUARD INTL PROP SEC IDX H	Vanguard Investments Ltd/Austr	125	Unit Trust	AUD	Global	AU
04313066 JP Equity	DAIWA RESONA WRD REIT FUND	Daiwa Asset Management Co Ltd/	124	Fund of Funds	JPY	Global REIT	JP
02314054 JP Equity	NIKKO GLOBAL REIT PORTFOLIO	Nikko Asset Management Co Ltd/	117	Fund of Funds	JPY	Global REIT	JP
FUBREIT TT Equity	FUBON GLOBAL REIT FUND	Fubon Securities Investment Tr	111	Unit Trust	TWD	Global REIT	TW
OASPROP SJ Equity	OASIS PROPERTY EQUITY FUND	Crescent Capital Ltd	107	Unit Trust	ZAr	Global	ZA
BGGINMG SM Equity	BG GESTION INMOBILIARIA G	Guipuzcoano Inversiones SGIIC	103	Fund of Funds	EUR	Global	ES
INVLAA HK Equity	INVESCO GLOBAL LM INCOME A-A	INVESCO Asia Ltd/Hong Kong	101	Unit Trust	USD	Global	HK
INVAGLI HK Equity	INVESCO GLOBAL LM INCOME C-A	INVESCO Asia Ltd/Hong Kong	101	Unit Trust	USD	Global	HK
SEBYEIN NO Equity	SEB BYGG EIENDOM SE	SEB Kapitalforvaltning/Oslo	96	Open-End Fund	NOK	Global	NO
NMRE NA Equity	ING ONROEREND GOED AANDELEN	Not Disclosed	93	Open-End Fund	EUR	Global	NL
LIOTRIM FP Equity	DYNALION IMMOBILIER	Credit Agricole Asset Manageme	91	FCP	EUR	Global	FR
INGGLRE MK Equity	ING GLOBAL REAL ESTATE FUND	ING Funds Bhd	80	Open-End Fund	MYR	Global	MY
HENPRPE SP Equity	HENDERSON GLOBAL PROPERTY EQ	Henderson Global Investors Sin	75	Unit Trust	SGD	Global	SG
HGLOPRO MK Equity	HWANG-DBS GLOBAL PROPERTY FD	Hwang-DBS Investment Managemen	73	Unit Trust	MYR	Global	MY
79311067 JP Equity	S MITSUI GL REAL ESTATE F-BM	Sumitomo Mitsui Asset Manageme	72	Fund of Funds	JPY	Global	JP
0431905B JP Equity	DAIWA GLOBAL REIT FUND - SMA	Daiwa Asset Management Co Ltd/	70	Fund of Funds	JPY	Global REIT	JP
AVGLRP1 LX Equity	AVIVA MOR-GLOBAL REIT-B=	Aviva Holdings Luxembourg SA	68	SICAV	EUR	Global	LU
UBSIESW SW Equity	UBS INV FNDTN FOREIGN REAL E	UBS Fund Management AG	68	SICAV	CHF	Global	CH
HSBCPSO LX Equity	PROPERTY STOCKS OPPORTUNITY	HSBC Trinkaus Investment Manag	63	FCP	EUR	Global	LU
VAMPROP IO Equity	VAM-PROPERTY	VAM Ltd	62	Open-End Fund	GBP	Global	IM
ABNHIGP AU Equity	ABN AMRO-HIGH INC GLB PROP S	ABN AMRO Asset Management Ltd/	59	Unit Trust	AUD	Global	AU
FGREUAD LX Equity	FRANK TEMP GL RE EST S-A DIS	Franklin Templeton Investment	58	SICAV	USD	Global	LU
PRIFPRA LX Equity	LCF ROTH PRIFUND-PROPERTY-A=	Banque Privee Edmond de Rothsc	55	SICAV	EUR	Global	LU
GLPROPA AV Equity	CONSTANTIA GLOBAL PROPERTY-A	CPB KAGmbH/Austria	53	Fund of Funds	EUR	Global	AT
INVLPS AU Equity	INVESCO WHL-GL PROPERTY SEC	INVESCO Asset Management Ltd/A	48	Unit Trust	AUD	Global	AU
RRGSICU LX Equity	RREEF GLB REAL ESTATE-IC\$	DWS Investment SA	46	SICAV	USD	Global	LU
RRGIICU LX Equity	RREEF GLB REAL EST INC-IC\$	DWS Investment SA	46	SICAV	USD	Global	LU
INGGRPC LX Equity	ING (L) INV GLOB REAL ES-PC=	ING Investment Management/Luxe	45	SICAV	EUR	Global	LU
MSGRESA ID Equity	MSMM-GLBL REAL ESTATE S-A	Frank Russell Investments Ltd/	45	Open-End Fund	USD	Global	IE
CFICGPS AU Equity	CFST FCI-COLLIERS INTL PROP	Colonial First State Investmen	43	Unit Trust	AUD	Global	AU
AGFGREEQ CN Equity	AGF GL REAL ESTATE EQ CL-MF	AGF Funds Inc	41	Open-End Fund	CAD	Global	CA
FSIGPRI SP Equity	FIRST STATE GLOBAL PTY - S\$	First State Investments/Singap	41	Unit Trust	SGD	Global	SG
BTGPROP AU Equity	BT WHL GLOBAL PROPERTY SECUR	BT Funds Management Ltd/Austra	40	Unit Trust	AUD	Global ex Australia	AU
UBSGLPS AU Equity	UBS INV FUND-GLB PROPERY SEC	UBS Global Asset Management Lt	39	Unit Trust	AUD	Global	AU
IXGRUIC LX Equity	IXIS AEW GLB RL ESTATE-IC\$	IXIS Asset Management/France	38	SICAV	USD	Global	LU
JPMGPIF KY Equity	JPM GLOBAL PROPERTY INCOME	JF Funds Ltd/Hong Kong	38	Open-End Fund	USD	Global	KY
IMMOPLP AV Equity	IMMO PLUS PORTFOLIO	Privatconsult Vermoegensverwal	37	Open-End Fund	EUR	Global	AT
CPIGDAC LX Equity	CITI PROP INV-GL DVRS-AS-ACC	Citigroup	37	SICAV	USD	Global	LU
CPIGDIE LX Equity	CITI PROP INV-GL DVRS-I=-ACC	Citigroup	37	SICAV	EUR	Global	LU
EURREQ IM Equity	EUROMOBILIARE REAL ESTATE EQ	Euromobiliare Asset Mngmt SGR	33	Open-End Fund	EUR	Global	IT
GREE NA Equity	INSINGER REAL ESTATE EQUITY	Insinger de Beaufort Asset Man	32	Open-End Fund	EUR	Global	NL
FIDGLPS AU Equity	FIDELITY GLOBAL PROPERTY SEC	Fidelity International Ltd	31	Unit Trust	AUD	Global ex Australia	AU
EIG AU Equity	EUROPEAN INV GLB PROPERTY TR	European Investors Inc	29	Closed-End Fund	AUD	Global ex Australia	AU
UBSREBA LX Equity	UBS LUX-GBL REAL EST SECU-BA	UBS Global Asset Management/Zu	28	SICAV	USD	Global	LU
RBHOG NA Equity	ROBECO HOOG DVD ONROEREND GO	Robeco Investor Services Bv	28	Open-End Fund	EUR	Global	NL
ENGPPTU ID Equity	ENOVARA-GL PRO 80% PROT-USD	Enovara	27	Open-End Fund	USD	Global	IE
02311045 JP Equity	NIKKO WORLD REIT FUND	Nikko Asset Management Co Ltd/	24	Fund of Funds	JPY	Global REIT	JP
UOBUGRS SP Equity	UOB UNITED GLB REAL EST SECS	UOB Asset Management Ltd/Singa	23	Unit Trust	SGD	Global	SG
JPMGESA LX Equity	JPMORGAN F-GL RE ES SE-A=-A	JPMorgan Asset Management Euro	23	SICAV	EUR	Global	LU
CFPCGPS AU Equity	CFST FCP-COLLIERS INTL PROP	Colonial First State Investmen	22	Open-End Fund	AUD	Global	AU

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Table 1	FUND NAME	FUND MANAGEMENT CO	AUM US\$m	Fund Type	Fund Currency	Mandate	Fund Domicile
TICKER CODE							
LGSTINP FP Equity	STRATEGIE INDICE PIERRE	Legal & General Asset Manageme	18	FCP	EUR	Global	FR
ICRAX US Equity	TA IDEX CLA R/ESTATE SEC-A	AEGON/Transamerica Fund Advise	17	Open-End Fund	USD	Global	US
DAVDREA LX Equity	DAVIS SICAV-DAVIS REAL EST-A	Davis Selected Advisors LP/Tuc	16	SICAV	USD	Global	LU
VANIPSI AU Equity	VANGUARD INTL PROP SEC IDX	Vanguard Investments Ltd/Austr	14	Unit Trust	AUD	Global	AU
BBVAIMB PL Equity	BBVA IMOBILIARIO - FEI	BBVA GEST SGFIM SA/Portugal	13	Open-End Fund	EUR	Global	PT
02311047 JP Equity	NIKKO AMP GLOBAL REIT FUN 6M	Nikko Asset Management Co Ltd/	13	Fund of Funds	JPY	Global REIT	JP
MSIIREA ID Equity	MARRIOTT-INTL REAL ESTATE	Singer & Friedlander Investmen	13	Open-End Fund	USD	Global	IE
FOYGPB BH Equity	FORSYTH GLOBAL PROPERTY-\$	Forsyth Partners Ltd	13	Hedge Funds	USD	Global	BM
CEBGPAE MV Equity	CELSIUS-BAR GLB PROP EUR-A	Barclays Investment Services	12	SICAV	EUR	Global	MT
CEBGPUA MV Equity	CELSIUS-BAR GLB PROP USA-A	Barclays Investment Services	12	SICAV	USD	Global	MT
02311046 JP Equity	NIKKO ING GLOBAL INCM REIT	Nikko Asset Management Co Ltd/	11	Fund of Funds	JPY	Global REIT	JP
CRESGPA ID Equity	CRESENT-GLB PROPERTY EQUITY	Crescent Capital Pty Ltd	11	OEIC	USD	Global	IE
GPFEMRG LE Equity	GLOBAL PROPERTY EMERGING MKT	Swiss Finance & Property Corp	11	Fund of Funds	CHF	Global	LI
01319059 JP Equity	NOMURA WORLD REIT FUND A SMA	Nomura Asset Management Co Ltd	9	Fund of Funds	JPY	Global REIT	JP
IMOVEST PL Equity	IMOVEST	Santander Imovest - SGFII SA/P	9	Open-End Fund	EUR	Global	PT
AMPSCFD AU Equity	AMP FLS&CS-FD PROPERTY	AMP Capital Investors Ltd	9	Fund of Funds	AUD	Global	AU
02313063 JP Equity	NIKKO AMP GLBL REIT FD MD B	Nikko Asset Management Co Ltd/	8	Fund of Funds	JPY	Global REIT	JP
CSGLLPR AU Equity	COHEN&STEERS GL LISTED PROP	Cohen & Steers Capital Managem	8	Unit Trust	AUD	Global	AU
MGLREST SM Equity	MADRID GLOBAL REAL ESTATE	Gesmadrid SA SGII/Spain	8	Fund of Funds	EUR	Global	ES
CSGEALP AU Equity	COHEN&STEERS GL EX AU L PROP	Cohen & Steers Capital Managem	7	Unit Trust	AUD	Global ex Australia	AU
79311064 JP Equity	SUMITOMO M GLOBAL REIT OP YD	Sumitomo Mitsui Asset Manageme	6	Fund of Funds	JPY	Global REIT	JP
BTEBGLP AU Equity	BT LS EMP-BT GLOBAL PROPERTY	BT Funds Management Ltd/Austra	4	Open-End Fund	AUD	Global ex Australia	AU
JIRAX US Equity	JPMORGAN INTERNATIONAL RE-A	JP Morgan Investment Managemen	4	Open-End Fund	USD	Global	US
TRENDIE LX Equity	TRENDCONCEPT IMMO EQUITY-B	TrendConcept Fund SA/Luxembour	3	FCP	EUR	Global	LU
MACGPFU AU Equity	MACQUARIE GLB PROP-UNHEDGED	Macquarie Investment Managemen	3	Unit Trust	AUD	Global	AU
MARGRES SJ Equity	MARRIOTT GLOBAL REAL ESTATE	Singer & Friedlander Investmen	2	Unit Trust	ZAr	Global	ZA
AEGVAIN NA Equity	AEGON WERELDWIJD VASTGOED FN	Aegon	2	Open-End Fund	EUR	Global	NL
CELGREI FH Equity	CELERES GLOBAL REIT FUND	Celeres Fund Management/Finlan	1	Open-End Fund	EUR	Global	FI
GGREITX MP Equity	GINSGLOBAL REAL ESTATE INDX=	GinsGlobal Investment Manageme	1	Open-End Fund	EUR	Global	MU
MACGPFH AU Equity	MACQUARIE GLB PROP-HEDGED	Macquarie Investment Managemen	1	Unit Trust	AUD	Global	AU
04313058 JP Equity	DC DAIWA GLOBAL REIT IDX FND	Daiwa Asset Management Co Ltd/	0	Fund of Funds	JPY	Global REIT	JP
HIGREIT GR Equity	HI GLOBAL REIT	HANSAINVEST GmbH	-NA-	FCP	EUR	Global REIT	DE
CWICGPS AU Equity	CFST FCWI-COLLIERS INTL PROP	Colonial First State Investmen	-NA-	Unit Trust	AUD	Global	AU
CSGLREI LX Equity	COHEN & STEERS-GLOBAL R/E-I	Houlihan Rovers SA	-NA-	SICAV	USD	Global	LU
CSREFIN SW Equity	CS REAL ESTATE FUND INTL	CS	-NA-	Open-End Fund	CHF	Global	CH
FIMREST FH Equity	FIM REAL ESTATE FUND	FIM Fund Management Ltd/Finlan	-NA-	Open-End Fund	EUR	Global	FI
HGPC LN Equity	HENDERSON GLOBAL PROPERTY CO	Henderson Global Investors Ltd	-NA-	Investment Trust	GBp	Global	GG
IGRE LN Equity	ING GLOBAL REAL ESTATE SECS	ING Real Estate Investment	-NA-	Closed-End Fund	GBp	Global	GB
JPGPSAI LN Equity	JP MORGAN GL PRPTY SEC A-INC	JP Morgan Investment Managemen	-NA-	Investment Trust	GBp	Global	GB
JPGREXA LX Equity	JPMORGAN F-GLOBAL RE ES-XS-A	JPMorgan Asset Management Euro	-NA-	UCIT	USD	Global	LU
JMGLPRO AV Equity	MEINL GLOBAL PROPERTY FUND	Julius Meinl Investment GmbH/A	-NA-	Open-End Fund	EUR	Global	AT
SCHGPSI LN Equity	SCHRODER GLB PRPTY SEC-INC	Schroder Unit Trusts Ltd/Unite	-NA-	Unit Trust	GBp	Global	GB
SKASGPS LN Equity	SKANDIA GBL PRPT SECS	Skandia Investment Management	-NA-	OEIC	GBp	Global	GB
SLPRORI LN Equity	STANDARD LIFE SELECT PTY-R-I	Standard Life Investments Ltd	-NA-	Unit Trust	GBp	Global	GB
-NA-	GLOBAL REIT FUND	Standard Life Investments Ltd	-NA-	OEIC	GBp	Global REIT	GB
-NA-	GLOBAL REIT FUND	Standard Life Investments Ltd	-NA-	SICAV	EUR	Global REIT	LU
STINPRA SJ Equity	STANLIB INTL PROPERTY FUND A	STANLIB Wealth Management Ltd	-NA-	Unit Trust	ZAr	Global	ZA
MMGREAA LN Equity	SWIP MM-GBL REAL EST A-ACC	Scottish Widows Investment Man	-NA-	OEIC	GBp	Global	GB
REITINV GR Equity	UNIREITS-REIT-INVEST	Union Investment Privatfonds G	-NA-	Open-End Fund	EUR	Global REITs	DE
STREFRE KY Equity	STRATEGIC EQUITY-REAL ESTATE	Lyxor Asset Management/France	-NA-	Unit Trust	USD	Global	KY

Total 51.721



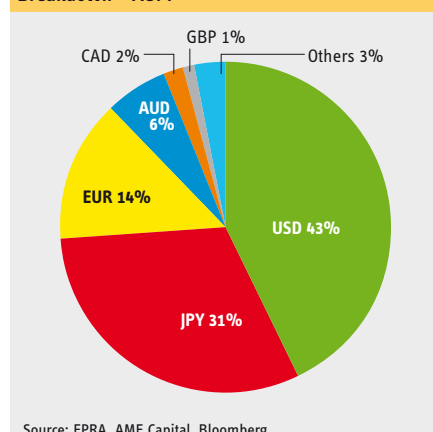
Who's the Biggest?

Fidelity manages the largest fund by far. Fidelity's global fund has assets under management of just over US\$ 9 billion. It is worth noting that although the Fidelity fund has a global mandate, the vast majority of the existing assets are US based securities. Japan stacks up in second and third position, with Noruma's

Global REIT fund weighing in at US\$ 6 billion and DLIBJ's World REIT fund at US\$ 3.8 billion. ING Clarion which headed up the analysis back in January 2006 drops back to fourth spot with US\$ 2.1 billion. The top five funds comprise 41% of the total assets under management, with the top ten making up 60%. There are eleven funds with assets under management in the US\$1 – 2 billion range. In the range US\$ 500 – 999 million, there are only five funds. 61 funds with assets above the US\$ 100 million mark, meaning 92 funds have assets below this threshold. The average fund size is US\$ 388 million, with the median point being significantly lower at US\$ 73 billion.

benefits offered by a global real estate portfolio. Real estate is a strong diversifier within the mixed-asset portfolio generally and a global real estate investment programme provides attractive diversification characteristics within the real estate allocation. For example, from a US standpoint, the addition of Europe and Asia to the investment universe more than doubles the size of your investment pool. In market capitalisation terms, the investment pool increases from US\$410 billion to US\$950 billion³. In addition, REIT developments and IPOs in Europe and Asia, continue to present investors a new level of opportunities. With this in mind, the size of the institutional quality Global listed real estate market could easily hit US\$1.5 trillion within the next five years. ◀

Figure 4: Global Mutual Funds Currency Breakdown - AUM



Source: EPRA, AME Capital, Bloomberg

Summary

In the last two years, the growth in the number of property securities mutual funds has been phenomenal. Total assets under management has grown from under US\$10 billion in 2005, to almost US\$52 billion in March 2007. Growth in both number and size of the global funds is driven by a number of reasons. However, the most publicised driver is the diversification

¹ The Alpine International Real Estate Equity Fund was introduced in February 1989.

² It is important to note, that the list does not include total assets under management of each of the asset managers.

³ Using the regional free float market capitalizations of the FTSE EPRA/NAREIT Global Real Estate Index.

Europe Funds Update			AUM	Fund	Fund		Fund
TICKER CODE	FUND NAME	FUND MANAGEMENT CO	US\$m	Type	Currency	Mandate	Domicile
AXAAEDC FP Equity	AXA AEDIFICANDI-C	AXA Investment Managers Paris/	1.868	SICAV	EUR	Europe	FR
TRY LN Equity	TR PROPERTY INVESTMENT TRUST	Thames River Capital UK Ltd	1.686	Investment Trust	Gbp	Europe	GB
MOREPII LX Equity	MORGAN ST SICAV EURO PROP-A=	Morgan Stanley Investment Mana	1.467	SICAV	EUR	Europe	LU
FORRECC LX Equity	FORTIS L FUND-RE EST EURO-CC	Fortis Investment Management L	1.396	SICAV	EUR	Europe	LU
HENEPSI LX Equity	HENDERSON HORIZ-PAN EU PR-A2	Henderson Global Investors Ltd	1.320	SICAV	EUR	Europe	LU
MSUAX US Equity	MORGAN STANLEY INS INTN RE-A	Morgan Stanley Investment Mana	1.216	Open-End Fund	USD	International	US
INDFONC FP Equity	CA-AM ACTIONS FONCIER	Credit Agricole Asset Manageme	1.176	FCP	EUR	75% EuroZone	FR
EEE FP Equity	EasyETF EPRA EUROZONE	AXA Investment Managers Paris/	829	ETF	EUR	EuroZone	LU
SOGESIM FP Equity	SGAM INVEST SECTR IMMOBILR-C	Societe Generale Asset Managem	793	SICAV	EUR	Europe	FR
CONVERT FP Equity	SGAM INVEST SECTR IMMOBILR-D	Societe Generale Asset Managem	793	SICAV	EUR	75% Europe	FR
CSEFPB LX Equity	CREDIT SUISSE EQ-EURO PROP-B	Credit Suisse Equity Fund Mana	463	FCP	EUR	Europe	LU
AGFIMOS FP Equity	AGFIMO-D	AGF Asset Management/France	452	SICAV	EUR	Europe	FR
AGCOIMO FP Equity	COMPAGNIE IMMOBILIERE ACO-IC	ACOFI Gestion/France	448	SICAV	EUR	EuroZone	FR
ODDIMMC FP Equity	ODDO IMMOBILIER-C	Oddo Asset Management	447	FCP	EUR	Europe	FR
TRPGIAI GU Equity	THAMES RIVER PROPERTY A-INCGBP	Thames River Capital CI Ltd	441	Open-End Fund	GBP	Europe	GG
BNPIMMO FP Equity	BNP PARIBAS IMMOBILIER-D	BNP Paribas Asset Management/P	434	FCP	EUR	Europe	FR
INGLEIP LX Equity	ING (L) INV-EUROPE RE EST-PC	ING Investment Management/Luxe	378	SICAV	EUR	Europe	LU
ORE NA Equity	ORANGE EUROPEAN PROPERTY FD	Kempen Capital Management NV/N	376	Open-End Fund	EUR	Europe	NL
BPOFOIC FP Equity	FONCIER INVESTISSEMENT-C	Natexis Asset Management/Franc	368	FCP	EUR	France + Europe	FR
SELFONC FP Equity	SELECTION FONCIER	La Compagnie 1818 - Gestion/Fr	352	FCP	EUR	European	FR
EUPROST AV Equity	ESPA STOCK EUROPE-PROPERTY-T	Erste Sparinvest KAG/Austria	346	Open-End Fund	EUR	Europe	AT
CROSIMB FP Equity	VICTOIRE VALEURS IMMOBILIERE	Aviva Gestion d'Actifs/France	334	SICAV	EUR	Europe	FR
MDMIMMB FP Equity	MMA IMMOBILIER	MMA Finance/France	316	SICAV	EUR	Europe	FR
PRIEPP1 LX Equity	AVIVA MOR-EURPN PROPERTY-B=	Aviva Holdings Luxembourg SA	303	SICAV	EUR	Europe	LU
AVEPFAE LX Equity	AVIVA MOR-EURPN PROPERTY-A=	Aviva Holdings Luxembourg SA	303	SICAV	EUR	Europe	LU
ATL5623 BB Equity	ATLAS REAL ESTATE EMU	Degroof Institutional Asset Ma	264	SICAV	EUR	EuroZone	BE
EURAVFI LX Equity	EUROPEAN ASSET VAL FD SICAV	Asset Value Investors Ltd	245	SICAV	EUR	France + Europe	LU
BALRUKI FP Equity	BALZAC REAL EST EX UK INDEX	State Street Gestion SA	241	FCP	EUR	Europe ex UK	FR
KBC2802 BB Equity	KBC INST FD-EUR REAL ESTAT-C	KBC Asset Management/Belgium	219	SICAV	EUR	EU + NO_CH	BE
AAPFEU NA Equity	ABN AMRO PROP SEC FD EUROPE	ABN AMRO Investment Management	203	Open-End Fund	EUR	Europe	NL
EGFIMCC LX Equity	E&G FONDS-IMMO EUROPA-C CAP	E&G Fonds/Luxembourg	194	SICAV	EUR	Europe	LU

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Europe Funds Update				AUM	Fund	Fund		Fund
TICKER CODE	FUND NAME	FUND MANAGEMENT CO	US\$m	Type	Currency	Mandate		Domicile
DEXEEPC BB Equity	DEXIA EQUITIES B EURO PROP-C	Dexia Asset Management/Belgium	185	SICAV	EUR	Europe		BE
AMAEURI ID Equity	AMADEUS EUROPEAN REAL EST-A=	Allianz Global Investors Irela	169	Open-End Fund	EUR	Europe		IE
BALREEI FP Equity	BALZAC REAL EST EUROPE INDEX	State Street Gestion SA	162	FCP	EUR	Europe		FR
EUPROPA AV Equity	CONSTANTIA EUROPN PROPRTY-A	CPB KAGmbH/Austria	156	Open-End Fund	EUR	Europe		AT
HENEURP SP Equity	HENDERSON EURO PROPERTY SECS	Henderson Global Investors Sin	152	Unit Trust	SGD	Europe		SG
PARVRCC LX Equity	PARVEST EUROP REAL ESTATE-CC	BNP Paribas Asset Management	137	SICAV	EUR	Europe		LU
CNPASSP FP Equity	CNP ASSUR PIERRE	IXIS Asset Management/France	135	SICAV	EUR	EuroZone		FR
AM08979 BB Equity	AMONIS EQUITY REAL ESTATE	Amonis SA/Belgium	130	SICAV	EUR	Europe + US		BE
FONCSEL FP Equity	CPR FONCIERE SELECTION	CPR Asset Management/France	126	SICAV	EUR	EuroZone		FR
BNPAPIM FP Equity	ANTIN PEA IMMOBILIER	BNP Paribas Asset Management	121	FCP	EUR	Europe		FR
AIR9671 BB Equity	ATHENA IMMO RENTE-C	Bank Delen NV	120	SICAV	EUR	Europe		BE
ISTIMOE SW Equity	IST IMMO OPTIMA EUROPA	Kempen Capital Management Ltd	105	Open-End Fund	CHF	Europe		CH
LENEURE LX Equity	COHEN & STEERS-EU REAL ES-I	Houlihan Rovers SA	100	SICAV	EUR	Europe		LU
HSBCIMM FP Equity	HSBC IMMOBILIER-C	HSBC Halbis Partners/France	99	FCP	EUR	Europe		FR
IBSCIM SM Equity	IBERCAJA SECTOR INMOBILIARIO	Ibercaja Gestion SGIIC SA/Spai	92	Open-End Fund	EUR	Europe		ES
LIOTRIM FP Equity	DYNALION IMMOBILIER	Credit Agricole Asset Manageme	90	FCP	EUR	France + Global		FR
AVAIMEU SW Equity	AVADIS IMMOBILIEN EUROPA	Julius Baer Fund Management	90	Open-End Fund	CHF	Europe		CH
KBS2678 BB Equity	KBC SELECT IMMO EUROP PLUS	KBC Bank SA	81	SICAV	EUR	Europe		BE
CPRIMMO FP Equity	CAAM ACTIONS IMMOBLIER	Credit Agricole Asset Manageme	81	SICAV	EUR	Europe		FR
AGCOPAI FP Equity	ACOFI PATRIMOINE IMMOBILIE-C	ACOFI Gestion/France	67	FCP	EUR	EuroZone		FR
SGEPRAI LX Equity	SGAM INDEX FD-EPRA EUROPE-IE	SGAM Luxembourg SA	66	SICAV	EUR	Europe		LU
SNSEVAS NA Equity	SNS EURO VASTGOEDFONDS	SNS Asset Management	64	Open-End Fund	EUR	Europe		NL
GARANIM FP Equity	GARANTISS IMMO	AXA Gestion FCP/France	64	FCP	EUR	Europe		FR
FONLNGC FP Equity	DEXIA EURO VALEURS FONCIER-C	Dexia Asset Management	63	SICAV	EUR	EuroZone		FR
RREXRAD ID Equity	RREEF EURO X UK REAL ES-A DI	RREEF UK Ltd	62	Open-End Fund	EUR	Europe ex-UK		IE
RREXRBA ID Equity	RREEF EURO X UK REAL ES-B AC	RREEF UK Ltd	62	Open-End Fund	EUR	Europe ex-UK		IE
F0135BI SM Equity	FONCAIXA 135 BOLSA INMOB FI	InverCaixa Gestion SA SGIIC/Sp	62	Fund of Funds	EUR	EuroZone		ES
SFLTRNI LX Equity	SICAV FRAN-LUX-I-EUROPE IMMO	Louvre Gestion/France	61	SICAV	EUR	Europe		LU
CELKIIN FH Equity	CELERES REIT PORPERTY FUND	Celeres Fund Management/Finlan	60	Open-End Fund	EUR	Europe		FI
OBJACTF FP Equity	OBJECTIF ACTIFS REELS-D	Lazard Freres Gestion SAS	58	SICAV	EUR	EuroZone		FR
AGFIMOA FP Equity	AGF IMO ACTIONS	AGF Asset Management/France	56	FCP	EUR	Europe		FR
ARDIIMM LX Equity	ARDI IMMO SICAV-CAP	Ardi Immo	54	SICAV	EUR	Europe		LU
ODEIEN NO Equity	ODIN EIENDOM	ODIN Forvaltning AS	53	Open-End Fund	NOK	Nordic		NO
CMAPIER FP Equity	CM ACTIONS PIERRE	CM-CIC Asset Management	44	FCP	EUR	Europe		FR
SPUNISI FP Equity	UNISIC 1	Sanpaolo Asset Management SA/P	43	FCP	EUR	Europe		FR
ACOREIM FP Equity	ACOFI RENDEMENT IMMOBILIER	ACOFI Gestion/France	37	FCP	EUR	Europe		FR
SEBREEE GR Equity	SEB REAL ESTATE EQUITY EUROP	SEB Invest GmbH/Germany	36	Open-End Fund	EUR	Europe		DE
DWSPFCP FP Equity	DWS PROPERTY-C	DWS Investments/France	34	FCP	EUR	EuroZone		FR
GREE NA Equity	INSINGER REAL ESTATE EQUITY	Insinger de Beaufort Asset Man	32	Open-End Fund	EUR	Europe		NL
LENINPI LX Equity	COHEN & STEERS-IN PL E R/E-I	Houlihan Rovers SA	28	SICAV	EUR	Europe		LU
HSBCTEP LX Equity	HSBC TRINKAUS EURO PROPERTY	HSBC Trinkaus Investment Manag	20	FCP	EUR	Europe		LU
IU3429 LX Equity	AXA LUX FUND-EUROPEAN IMMO-D	AXA Investment Managers Paris/	18	SICAV	EUR	Europe		LU
OPKINTA FH Equity	OP-KIINTEISTO-A	OP Fund Management Co Ltd	17	Open-End Fund	EUR	Europe		FI
MOREUPA LX Equity	MORGAN ST SICAV EUR XUK PR-A	Morgan Stanley Investment Mana	17	SICAV	EUR	Europe ex UK		LU
PARBARE LR Equity	PALEX BALTIC REAL ESTATE FD	AS Parex Ieguldjumu Prvaldes S	17	Open-End Fund	USD	Baltic		LV
EREALFD AV Equity	CAPITAL INVEST EUROPA REAL-A	Pioneer Investments Austria Gm	17	Open-End Fund	EUR	Europe		AT
UBSERBA LX Equity	UBS LUX INST-EUR REAL EST-BA	UBS Global Asset Management/Zu	15	SICAV	EUR	Europe		LU
RREULCE LX Equity	RREEF EX-UK REAL ESTATE-LC=	DWS Investment SA	9	SICAV	EUR	Europe ex-UK		LU
PAMEURC BB Equity	PAM REAL ESTATE EUROPE-C	Petercam SA	1	SICAV	EUR	Europe		BE
MANKINI FH Equity	MANDATUM KINTEISTO-INCOME	Sampo Fund Management Ltd/Finl	1	Open-End Fund	EUR	Europe		FI
TAPREST FH Equity	TAPIOLA REAL ESTATE	Tapiola Asset Management Co Lt	1	Open-End Fund	EUR	Europe		FI
ADPRFEU LX Equity	COMINVEST PROPTY EUROPE-A	cominvest Asset Management S.A	-NA-	FCP	EUR	Europe		LU
HAEAERE ET Equity	HANSA EAST EURO REAL ESTATE	AS Hansa Investeerimisfondid	-NA-	Open-End Fund	EUR	Eastern Europe		EE
FMEPAAU LX Equity	FIDELITY M-EUR PTY SE-A\$ ACC	Fidelity International Ltd/Ber	-NA-	SICAV	USD	Europe		LU
INGMAAR LX Equity	ING DIRECT-MATTONE ARANCIO-P	ING Asset Management BV	-NA-	SICAV	EUR	Europe		LU
IMOEC LX Equity	EUROPA IMMOBILIA CERTIFICATE	Merrill Lynch	-NA-	n/a	EUR	Europe		LU
SWERLAI LN Equity	SWIP EURO REAL ESTATE-A-INC	Scottish Widows Investment Partnership	-NA-	OEIC	Gbp	Europe		GB

TOTAL 23.236



Castellum



Håkan Hellström
Chief Executive

Born in 1956. Graduate in Business Administration and Economics. Has previously worked as Authorised Public Accountant. Employed since 1994 as Chief Financial Officer and Deputy Chief Executive Officer. Chief Executive Officer since 2006.

Castellum is one of the major listed real estate companies in Sweden. The fair value of the real estate portfolio amounts to over SEK 25 billion, and comprises commercial properties with a lettable area of approx. 2,787,000 sq.m.

The Castellum share is registered on OMX – The Nordic List Large cap.

Business Concept

Castellum's business concept is to develop and add value to its real estate portfolio, focusing on the best possible earnings and asset growth, by offering customized commercial properties, through a strong and clear presence in five Swedish growth regions.

Focus on Cash Flow

The objective is to focus on cash flow growth, which along with a stable capital structure, provide the preconditions for good growth in the company, while at the same time offering shareholders a competitive dividend. The objective is an annual growth in cash flow of at least 10%. In order to achieve this objective, investments of at least SEK 1,000m per

year will be made. All investments will contribute to the objective of growth in income from property management within 1-2 years and have a value potential of at least 10%. Cash flow for the year, i.e., income from property management, amounted to SEK 883m, equivalent to SEK 5.38 per share. The improvement is 8% and is chiefly an effect of investments made and lower interest rate costs.

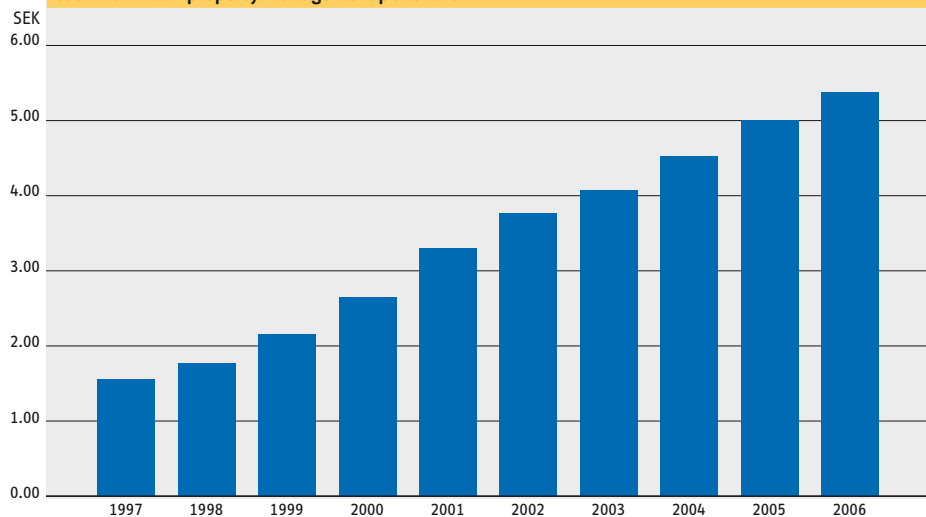
Real Estate Portfolio with a Commercial Focus

Castellum is one of the major listed real estate companies in Sweden. The fair value of the real estate portfolio amounts to over SEK 25 billion and comprises commercial properties. Castellum's real estate portfolio is concentrated in Greater Gothenburg, the Öresund Region, Greater Stockholm, Mälardalen and Eastern Götaland. Within each of these regions focus is placed on market areas and sub-markets where sufficient volume can be found to provide the pre-requisites for good business opportunities by rational management and strong presence.

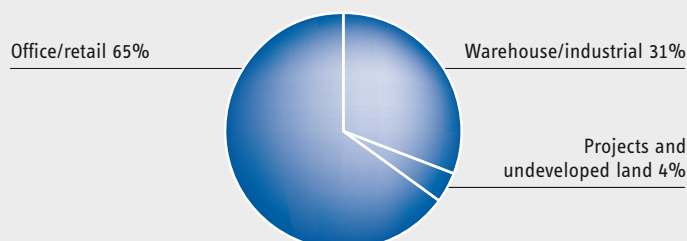
Investments, for example, enhancement and development of existing properties, acquisitions of new properties and new construction, are carried out in areas with high growth rates where opportunities are found for increased occupancy rates, increased rental levels and improved cash flows. During 2006, Castellum made investments totalling SEK 2,283m, of which SEK 1,292m were acquisitions and SEK 991m investments in existing properties. During the year 12 properties were sold for a total of SEK 460m, which gave SEK 83m in realized results.

During 2006, the price of real estate has continued to increase. For Castellum's real estate portfolio the assumption is that the market yield has been reduced by 0.4% units since the end of 2005. Changes in value for the year amount to SEK 1,145m - equivalent to approximately 5%. ▶

Cash flow from property management per share



Fair value by type of property





By Håkan Hellström



In Arendal, next to the port of Gothenburg, a warehouse and logistics property of 27,000 sq.m. has been built during 2006. The entire property is let by an international logistics company.

Decentralised and Small Scale Organisation

Castellum's operations are run in a small-scale organization comprising six subsidiaries which own and manage the properties under their own brands, see below. By having local roots the subsidiaries get close relations with the customers and good knowledge of the market situation and rental development within each market area. Property management is mainly carried out by own personnel.

Castellum has skilled and committed employees in every position. The group should be an attractive workplace with good development possibilities. The Castellum group had as at December 31, 2006, 199 employees and each subsidiary has around 30 employees.

Castellum views a sustainable development with economic growth, social development and environmental concern a pre-requisite for successful business operations.

Customers

Good and long-term customer relations and hence satisfied customers is a pre-requisite for creating long-term growth in Castellum. This is achieved by providing efficient and

well situated premises meeting the customers' needs regarding both appropriate premises as well as service.

During the year, 737 new lease contracts were signed with a total annual value of SEK 287m, while contracts terminated amounted to SEK 167m. Therefore, net leasing for the year was SEK 120m. Of the new signed contracts approximately 75% came from own networks, recommendations or existing customers expanding, while around 15% came from web pages and advertisements, and the remaining 10% came through agents.

Castellum has a good risk exposure in the lease portfolio, consisting of approx. 3,900 commercial contracts spreading over many sectors and durations. The economic occupancy rate for 2006 was 87.1%

Stable Capital Structure

Castellum's strategy is to have a stable capital structure, meaning an equity/asset ratio of 35-45% and an interest coverage ratio of at least 200%. As of December 31, 2006 the equity/assets ratio was 42% and the interest coverage ratio for 2006 was 343%.

Castellum's dividend policy is that at least 60% of income from property management after full tax deduction will be distributed, however investment plans, consolidation needs, liquidity and financial position in general will be taken into account. The Board proposes the Annual General Meeting 2007 a dividend of SEK 2.85 per share, which is an increase of 9% compared to previous year. The dividend ratio is 73%.

Castellum Shares

Castellum works for a stable and positive price trend with high liquidity in the company's shares. The company's strategy and actions are made with a long term perspective in mind.

The Castellum share is listed on OMX – The Nordic List Large cap and had at December 31, 2006 approximately 7,700 shareholders, of which 47% are Swedish and 53% foreign. The Castellum share price at the same time was SEK 91.25, which is equivalent to a market capitalization of SEK 15 billion. Since IPO on 23 May, 1997 the total yield of the Castellum share has been on average 24.8% per year. ◀



Eklandia:
Central and eastern
Gothenburg and
Hisingen



Harry Sjögren:
Southern Gothenburg,
Mölndal, Borås and
Kungälv



Briggen:
Malmö, Lund and
Helsingborg



Brostaden:
Greater Stockholm



Aspholmen:
Örebro, Uppsala
and Västerås



Corallen:
Värnamo, Jönköping,
Växjö and Linköping

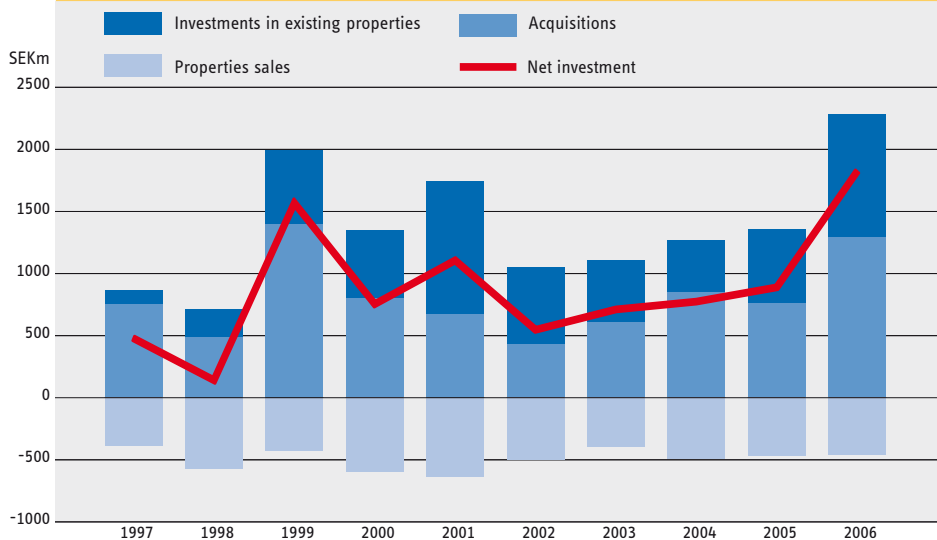


Castellum

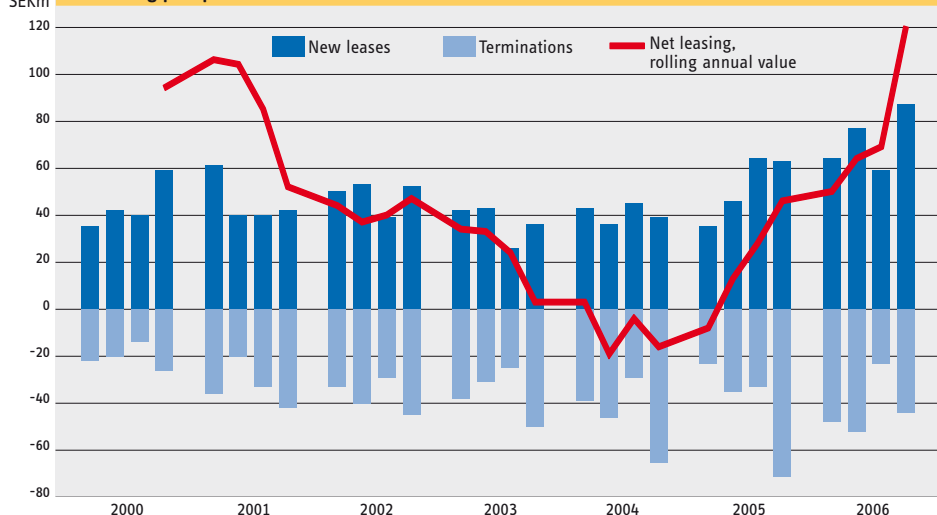


Inside, looking out from one of the four properties Castellum acquired in the beginning of January 2007 in Linköping. The properties are located in Mjärdevi Science Park and comprises 35,000 sq.m. lettable area of which approx. 26,000 sq.m. are office premises.

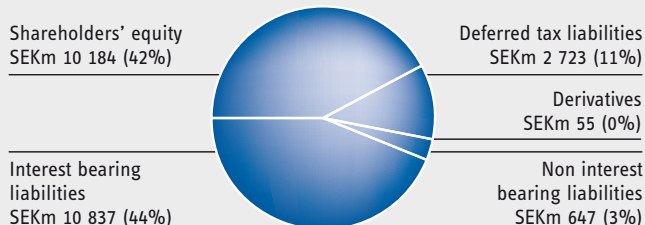
Investments and sales per year



Net leasing per quarter



Financing 31-12-2006



Total yield (including dividend)

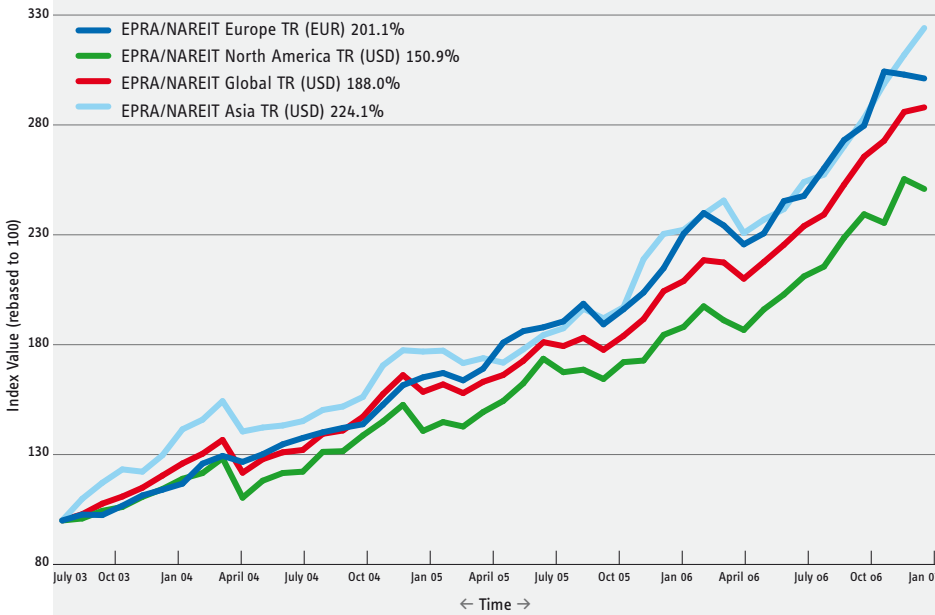
	2006	On average per year May 1997 - 2006
Castellum	+31.3%	+24.8%
OMX Stockholm (SIX Return)	+28.1%	+11.1%
Real Estate Index Sweden (EPRA)	+35.8%	+21.2%
Real Estate Index Europe (EPRA)	+49.4%	+17.5%



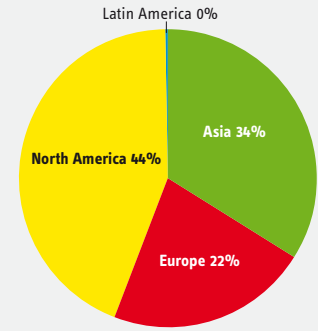
FTSE EPRA/NAREIT Global Real Estate Indices

Global

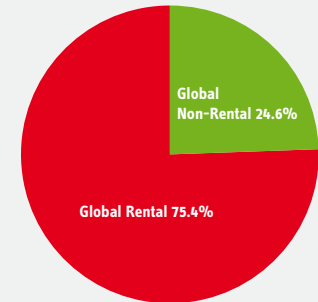
EPRA/NAREIT GLOBAL REAL ESTATE INDEX



FTSE EPRA/NAREIT GLOBAL REAL ESTATE INDEX

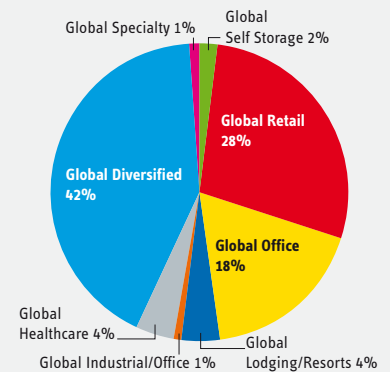


GLOBAL INVESTMENT FOCUS MARKET CAP BREAKDOWN



Company	Country	Investment focus	Sector	Price		Total Rtn (%)
				Feb-07	Dividend	
▲ Mori Trust Sogo REIT*	JP	Rental	Office	28.23	0.00	28.23
▲ United Urban Investment *	JP	Rental	Diversified	23.04	0.00	23.04
▲ Daibiru Corp	JP	Non-Rental	Office	22.90	0.00	22.90
▲ Premier Investment Co. *	JP	Rental	Diversified	21.29	0.00	21.29
▲ TK Development	DK	Non-Rental	Retail	20.73	0.00	20.73
▼ Freeport	UK	Rental	Retail	-10.53	0.00	-10.53
▼ Cousins Properties *	US	Non-Rental	Diversified	-12.26	0.95	-11.32
▼ Warner Estate Holdings	UK	Rental	Diversified	-11.44	0.00	-11.44
▼ Deutsche Wohnen	DE	Rental	Residential	-12.91	0.00	-12.91
▼ Assura	UK	Rental	Health Care	-15.74	0.00	-15.74

SECTOR BREAKDOWN - GLOBAL

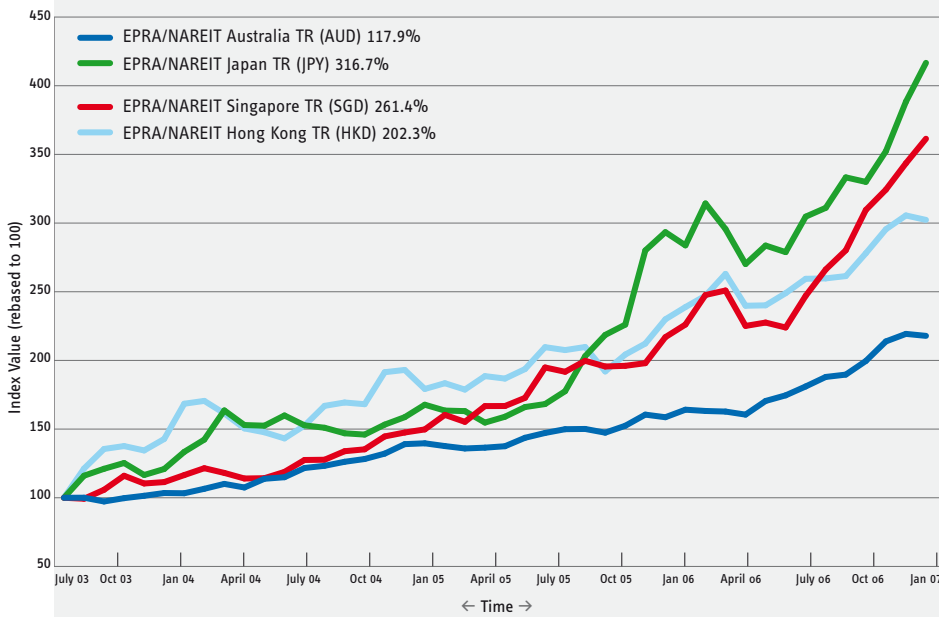


Index Description	Close Value Feb-28	Div Yld (%) Feb-28	Total Rtn (%) - 5 Yrs	Total Rtn (%) - 3 Yrs	Total Rtn (%) - 1 Yr	Total Rtn (%) Feb-07	Total Rtn (%) YTD	36 Mths Vity (%)
EPRA/NAREIT Europe TR (EUR)	3815.25	2.02	24.51	33.75	30.66	-0.58	-1.03	10.78
EPRA/NAREIT Asia TR (USD)	2861.73	2.66	29.33	30.49	39.53	3.92	8.48	12.82
EPRA/NAREIT North America TR (USD)	4419.83	3.49	24.75	27.31	33.37	-1.76	6.55	16.09
EPRA/NAREIT Global TR (USD)	3788.27	2.89	28.13	30.24	37.82	0.72	5.56	12.58

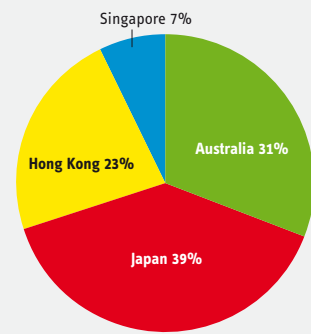


Asia

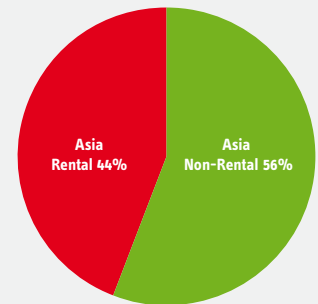
EPR/NAREIT ASIA REAL ESTATE INDEX



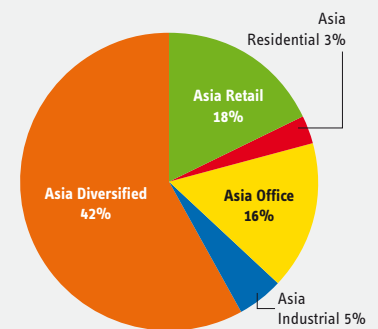
REGIONAL BREAKDOWN ASIA



ASIA INVESTMENT FOCUS MARKET CAP BREAKDOWN



SECTOR BREAKDOWN - ASIA



Company	Country	Investment focus	Sector	Price		Total Rtn (%)
				Rtn (%)	Dividend	
▲ Mori Trust Sogo REIT*	JP	Rental	Office	28.23	-	28.23
▲ United Urban Investment *	JP	Rental	Diversified	23.04	-	23.04
▲ Daibiru Corp	JP	Non-Rental	Office	22.90	-	22.90
▲ Premier Investment Co. *	JP	Rental	Diversified	21.29	-	21.29
▲ Allco Commercial Real Estate Investment Trust	SG	Rental	Diversified	16.22	-	16.22
▼ GPT Group *	AU	Rental	Diversified	-7.68	1.28	-6.40
▼ Macquarie DDR *	AU	Rental	Retail	-6.62	-	-6.62
▼ Centro Retail Trust *	AU	Rental	Retail	-6.75	-	-6.75
▼ Tishman Speyer Office Fund *	AU	Rental	Office	-8.22	-	-8.22
▼ China Overseas Land	HK	Non-Rental	Residential	-8.69	-	-8.69

Index Description	Close Value Feb-28	Div Yld (%) Feb-28	Total Rtn (%) - 5 Yrs	Total Rtn (%) - 3 Yrs	Total Rtn (%) - 1 Yr	Total Rtn (%) Feb-07	Total Rtn (%) YTD	Total 36 Mths Vlty (%)
EPR/NAREIT Australia TR (AUD)	3035.01	5.14	19.42	26.94	32.76	-0.66	1.89	8.98
EPR/NAREIT Hong Kong TR (HKD)	1965.04	2.16	20.92	21.03	26.58	-1.06	2.31	18.06
EPR/NAREIT Japan TR (JPY)	4427.47	0.83	31.29	43.05	46.84	7.28	18.27	23.30
EPR/NAREIT Singapore TR (SGD)	2087.06	2.31	24.91	43.81	59.84	5.19	11.43	16.76

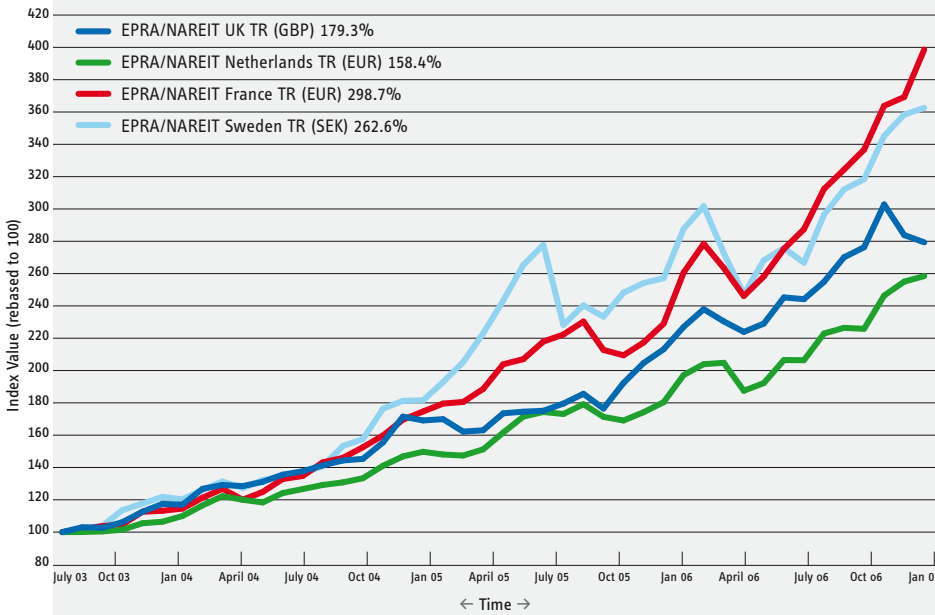
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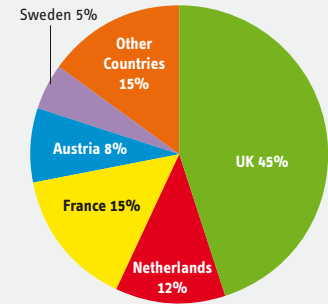
FTSE EPRA/NAREIT Global Real Estate Indices

Europe

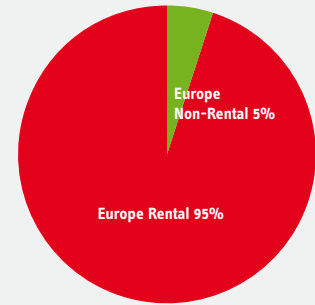
EPRA/NAREIT EUROPE REAL ESTATE INDEX



REGIONAL BREAKDOWN EUROPE

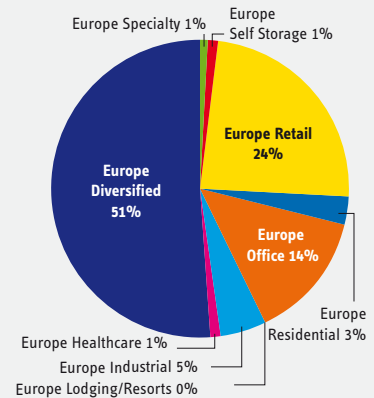


EUROPE INVESTMENT FOCUS MARKET CAP BREAKDOWN



Company	Country	Investment focus	Sector	Price		Total Rtn (%)
				Feb-07	Dividend	
▲ TK Development	DK	Non-Rental	Retail	20.73	-	20.73
▲ St Modwen Properties	UK	Rental	Diversified	19.63	-	19.63
▲ Icade	FR	Rental	Diversified	13.12	-	13.12
▲ Unibail *	FR	Rental	Diversified	12.94	-	12.94
▲ Warehouses De Pauw *	BE	Rental	Industrial	10.01	-	10.01
▼ Primary Health Prop. *	UK	Rental	Health Care	-9.52	-	-9.52
▼ Freeport	UK	Rental	Retail	-10.53	-	-10.53
▼ Warner Estate Holdings	UK	Rental	Diversified	-11.44	-	-11.44
▼ Deutsche Wohnen	DE	Rental	Residential	-12.91	-	-12.91
▼ Assura	UK	Rental	Health Care	-15.74	-	-15.74

SECTOR BREAKDOWN - EUROPE

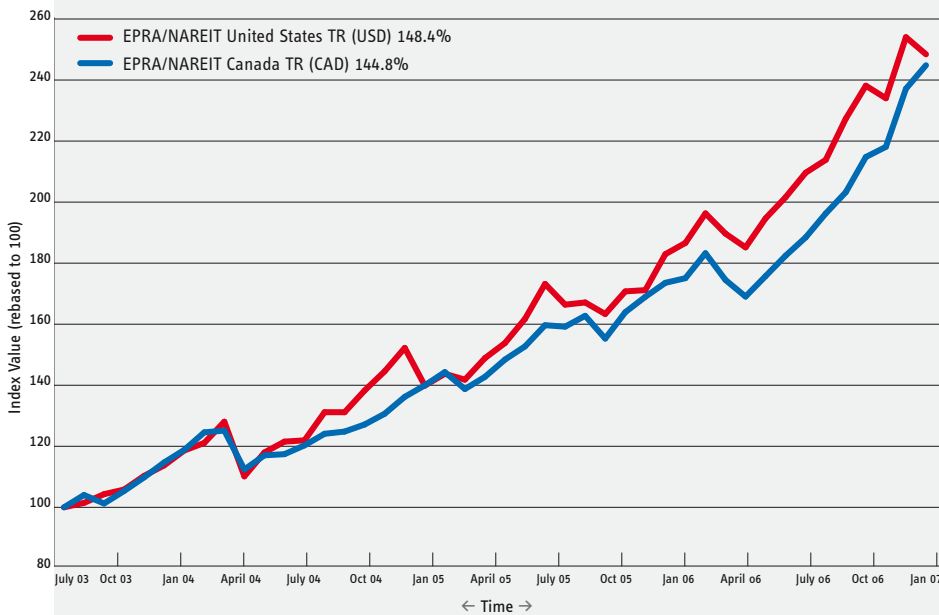


Index Description	Close Value Feb-28	Div Yld (%) Feb-28	Total Rtn (%) - 5 Yrs	Total Rtn (%) - 3 Yrs	Total Rtn (%) - 1 Yr	Total Rtn (%) Feb-07	Total Rtn (%) YTD	36 Mths Vity (%)
EPRA/NAREIT UK TR (GBP)	3658.17	1.77	23.18	30.13	23.05	-1.60	-7.75	14.07
EPRA/NAREIT Netherlands TR (EUR)	3820.7	3.82	24.94	30.41	31.02	1.34	4.90	12.78
EPRA/NAREIT France TR (EUR)	5463.88	2.01	36.43	48.68	52.94	7.97	9.57	15.37
EPRA/NAREIT Sweden TR (SEK)	5633.76	3.10	30.21	42.17	26.03	1.18	5.03	21.57

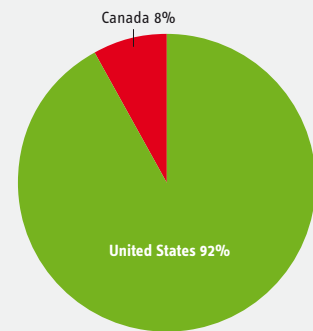


North America

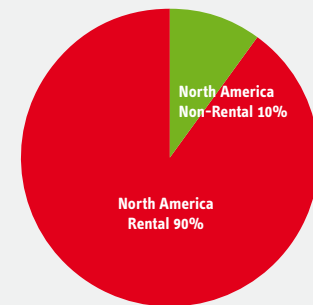
EPRA/NAREIT NORTH AMERICA REAL ESTATE INDEX



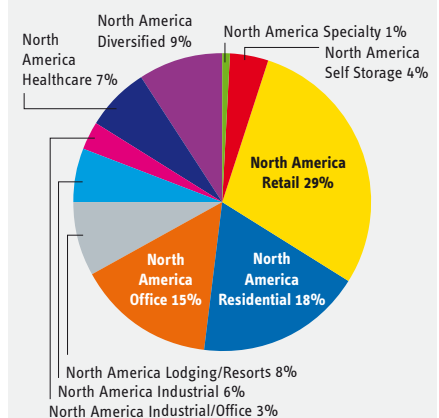
REGIONAL BREAKDOWN NORTH AMERICA



NORTH AMERICA INVESTMENT FOCUS MARKET CAP BREAKDOWN



SECTOR BREAKDOWN - NORTH AMERICA



Company	Country	Investment focus	Sector	Price		Total Rtn (%)
				Rtn (%)	Dividend	
▲ Boardwalk REIT *	CA	Rental	Residential	19.09	0.29	19.39
▲ Sunrise Senior Living REIT *	CA	Rental	Health Care	17.00	0.49	17.49
▲ Mills Corporation *	US	Rental	Retail	15.33	-	15.33
▲ New Plan Excel Realty *	US	Rental	Retail	14.66	-	14.66
▲ Primaris Retail REIT *	CA	Rental	Retail	11.57	0.50	12.07
▼ Equity Residential Props *	US	Rental	Residential	-9.75	-	-9.75
▼ Health Care Properties *	US	Rental	Health Care	-10.86	1.08	-9.78
▼ Archstone-Smith Trust *	US	Rental	Residential	-10.76	0.72	-10.04
▼ Maguire Properties Inc. *	US	Rental	Office	-10.10	-	-10.10
▼ Cousins Properties *	US	Non-Rental	Diversified	-12.26	0.95	-11.32

Index Description	Close Value	Div Yld (%)	Total Rtn (%)	Total Rtn (%)	Total Rtn (%)	Total Rtn (%)	Total Rtn (%)	36 Mths Vltly (%)
	Feb-28	Feb-28	- 5 Yrs	- 3 Yrs	- 1 Yr	Feb-07	YTD	
EPRA/NAREIT Canada TR (CAD)	4349.79	4.05	23.33	25.26	39.85	3.25	12.26	12.21
EPRA/NAREIT United States TR (USD)	4379.7	3.44	24.41	27.06	33.11	-2.21	6.15	16.44

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



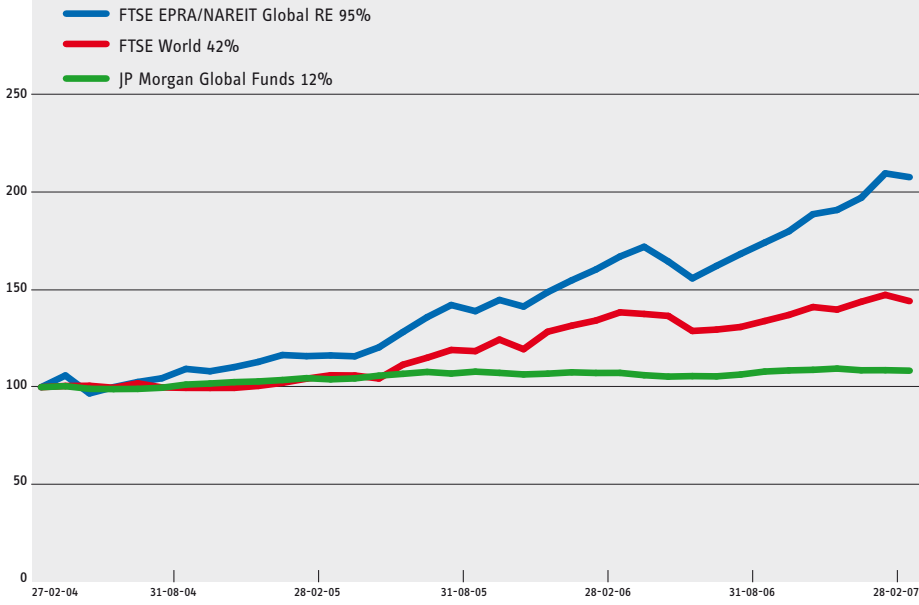
Global Real Estate Universe

Countries	2006 GDP (\$ Bn)	2006 GDP per capita (\$)	2006 Real Estate (\$ Bn)	Dec-29-06 Total Listed (\$ Bn)	Feb-28-07 Total RE v Listed RE (%)	Feb-28-07 Stock Market (\$ Bn)	Feb-28-07 Stk Mkt v Listed RE (%)
Japan	4,497	35,315	2,024	188.1	9.29%	4,911	3.83%
Hong Kong/China	2,420	1,854	493	158.6	32.18%	3,188	4.98%
South Korea	784	16,253	329	1.1	0.32%	769	0.14%
India	764	717	113	0.6	0.51%	859	0.07%
Australia	690	34,664	311	120.1	38.66%	927	12.96%
Taiwan	340	14,965	139	5.1	3.64%	634	0.80%
Indonesia	299	1,255	53	1.4	2.69%	134	1.07%
Thailand	176	2,719	41	3.5	8.51%	135	2.57%
Malaysia	132	5,618	39	7.0	17.87%	257	2.71%
Singapore	119	27,381	107	49.3	45.95%	391	12.60%
New Zealand	101	25,230	49	2.8	5.74%	42	6.76%
Philippines	102	1,178	18	4.9	27.67%	74	6.66%
Vietnam	51	611	7	-	0.00%	-	0.00%
Total Asia-Pacific	10,475	20,348	3,723	542.3	14.57%	12,319	4.40%
Germany	2,787	33,811	1,254	24.0	1.91%	1,783	1.35%
United Kingdom	2,224	36,906	1,251	122.8	9.82%	3,764	3.26%
France	2,121	35,108	955	80.3	8.41%	2,513	3.20%
Italy	1,762	30,357	793	12.8	1.61%	1,077	1.19%
Spain	1,121	27,833	505	63.7	12.63%	975	6.53%
Russia	780	5,342	226	5.0	2.20%	1,006	0.50%
Netherlands	630	38,598	283	34.1	12.02%	508	6.71%
Switzerland	367	49,302	165	9.3	5.60%	1,235	0.75%
Belgium	369	35,645	166	7.0	4.19%	386	1.80%
Sweden	361	40,125	162	20.0	12.33%	605	3.31%
Turkey	345	5,003	98	1.6	1.63%	166	0.96%
Austria	304	37,177	137	27.0	19.76%	228	11.83%
Poland	295	7,643	96	7.8	8.11%	160	4.90%
Norway	295	64,471	133	4.8	3.60%	326	1.47%
Denmark	259	47,784	116	3.0	2.59%	246	1.23%
Greece	224	21,082	101	3.1	3.11%	211	1.49%
Ireland	200	50,469	90	-	0.00%	147	0.00%
Finland	195	37,483	88	2.9	3.31%	279	1.04%
Portugal	183	17,360	78	-	0.00%	114	0.00%
Czech Republic	77	7,520	25	-	0.00%	49	0.00%
Hungary	103	10,242	37	0.6	1.51%	40	1.41%
Romania	96	4,290	26	0.4	1.35%	29	1.23%
Ukraine	81	1,659	16	-	0.00%	66	0.00%
Slovakia	30	5,479	9	-	0.00%	7	0.00%
Slovenia	33	16,583	14	-	0.00%	17	0.00%
Luxembourg	36	78,352	16	1.5	9.33%	31	4.98%
Bulgaria	26	3,482	7	-	0.00%	10	0.00%
Total Europe	15,305	31,854	6,848	431.6	6.30%	15,976	2.70%
Mexico	756	7,199	242	0.1	0.03%	347	0.02%
Brazil	797	4,328	215	0.6	0.27%	739	0.08%
Argentina	185	4,738	52	0.6	1.17%	51	1.19%
Venezuela	136	5,436	40	-	0.00%	12	0.00%
Colombia	116	2,735	27	-	0.00%	50	0.00%
Chile	117	7,401	38	0.4	1.07%	174	0.23%
Peru	80	2,891	19	0.1	0.28%	51	0.10%
Total Latin America	2,186	5,452	632	1.7	0.27%	1,425	0.12%
United States	12,480	42,590	5,616	509.7	9.08%	17,713	2.88%
Canada	1,135	34,903	511	40.1	7.85%	1,466	2.73%
Total Nth America	13,615	41,950	6,127	549.7	8.97%	19,179	2.87%
World	41,582	-	17,329	1,525.4	8.80%	48,900	3.12%

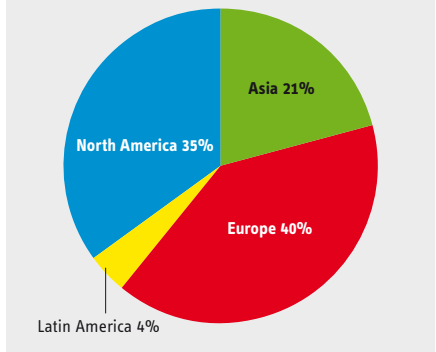
Sources: World Bank Organisation, FTSE, EPRA.



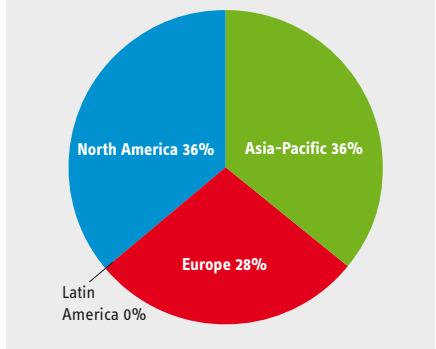
Global Real Estate vs Equities & Bonds



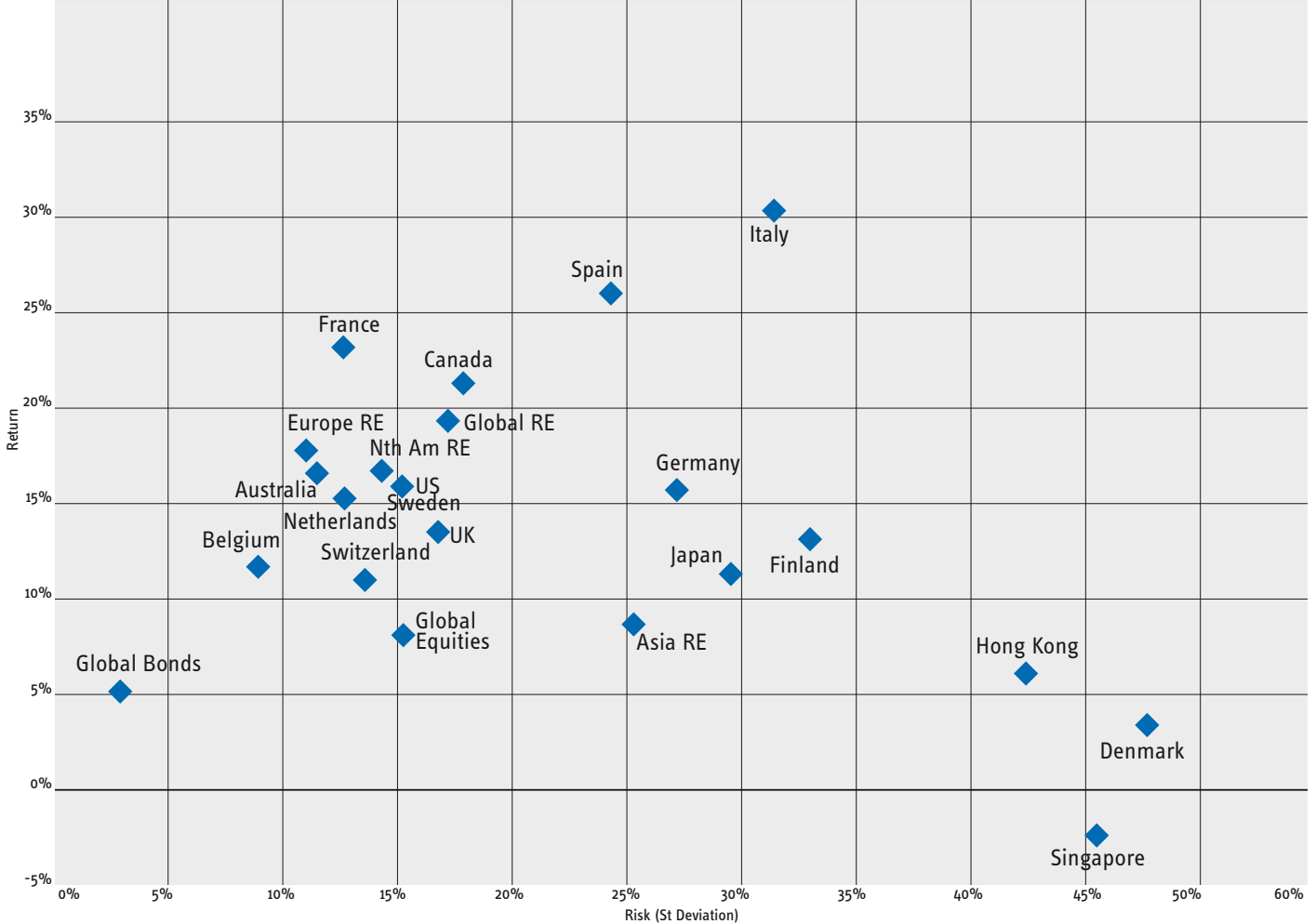
Underlying Real Estate



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 working committees. Originally the committee structure consisted of four main working committees, with the addition of the Broadening the Investor Base Committee in 2005. 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. It is important to reiterate that all of EPRA's Best Practices Recommendations are intended to be fully consistent with IAS accounting guidelines. Ultimately, we are convinced that consistent and transparent disclosure will attract investors to an industry where they clearly understand the opportunities and the risks. A new version of the Best Practices Recommendations was issued in November 2006. Hans Bruggink was appointed on a part-time basis in January 2007 to support the work of the committee.

2. Information Committee

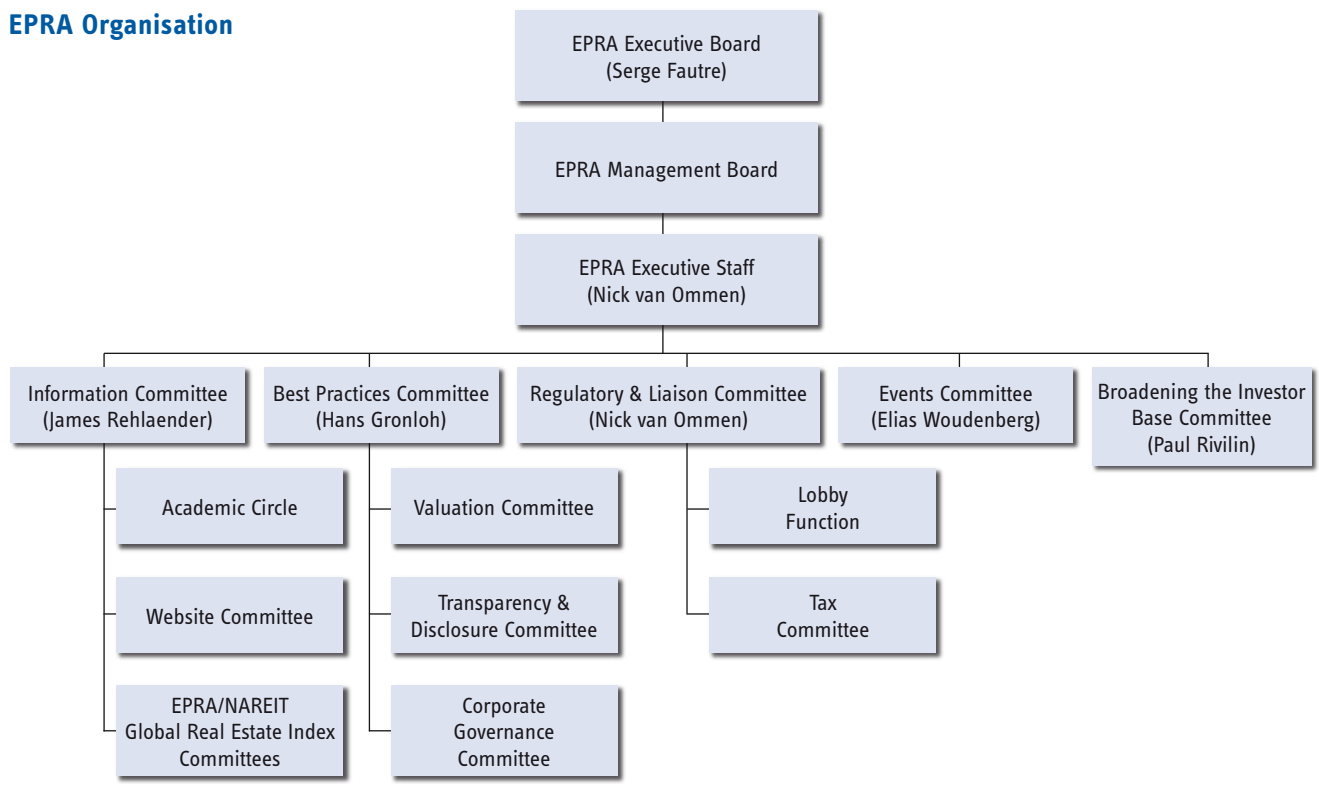
The Chairman of the Information Committee is James Rehlaender of European Investors. The primary objective of this committee is to provide top quality, timely information to investors concerning relevant aspects of the sector. The Information Committee is split into three separate sub-committees: the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

(a) Regional Index Committees

In terms of scope, construction criteria, quality, transparency and accessibility, the FTSE EPRA/NAREIT Global Real Estate Index clearly surpasses all comparable indices and has been adopted by the worldwide investment community. The index is now seen as the leading index for the quoted real estate sector worldwide. With a view to develop the index further, the calculation of the index transferred to FTSE Group as at 21 February 2005.

The FTSE EPRA/NAREIT Global Real Estate Index provides users with a very clear and transparent set of ground rules ensuring the indices are objective and understandable. The FTSE EPRA/NAREIT Global Real Estate Index is governed by three regional advisory committees, which meet on a quarterly basis, in March, June, September and December to ensure the index remains representative of the underlying real estate market. In addition, the FTSE EPRA/NAREIT Global Real Estate Index attracts new investment and deepens liquidity in the sector.

EPRA Organisation





EPRA produces a monthly Statistical Bulletin, covering the FTSE EPRA/NAREIT Global Real Estate Index, which encompasses an array of useful and exhaustive statistical data on performance, market events and index changes. This is an essential “hard copy” tool for professionals and provides the clearest possible window on the sector around the world. In addition, daily ‘tracker’ files are available from FTSE.

The last round of regional index committees took place on 7 March with the changes effective 19 March. The latest review used the updated ground rules for size and liquidity. The next round of regional index committee meetings will be held on Wednesday 6 June 2007.

(b) Website Committee

The website of EPRA is not only the gateway to EPRA and all its work, but also to its members and a world of information about the sector. The www.epra.com website averages approximately half a million hits per month. This is an astounding figure and is indicative of the quality information available and the interest in the sector. EPRA has a panel of individuals from different countries, whose task it is to discuss the role and content of the website, ensuring that it meets user’s requirements and responds to new challenges. In September 2004 we launched the new version of www.epra.com to positive feedback from investors. We continually examine how we can improve the website and make enhancements on a regular basis.

(c) Academic Circle

The EPRA Academic Circle was formed in 2002, and is chaired by Martin Allen of Morgan Stanley. The Academic Circle brings together the 11 leading real estate faculties around the world to provide EPRA with an extremely valuable resource. 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. The University of Cambridge issued the “Diversification Benefits of European Real Estate Stocks” in September 2006. The circle conducts research based upon the demands of the market and our members. 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

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 Nick van Ommen. 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. The decision has been taken to focus the future activities of the regulatory committee on the promotion of tax transparent property vehicles in Europe, as well at national levels.

(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. On the basis of this inventory the TTC will publish recommendations as to what the most supportive elements are from these different structures (the short term goals) and what could be the most preferred structure for a European REIT (the long term goal). 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. As a result this will have significant macro-economic effects. The Academic Circle aims to provide supportive evidence for tax transparent structures through separate research projects. In September 2004 we issued an update of the EPRA Global REIT survey. During the first half of 2007 we plan to update the EPRA Global REIT survey to include the developments in the United Kingdom and Germany. In addition, a broader range of countries will be included in the survey, such as Russia, Turkey, and New Zealand.

4. Events Committee

The primary objective of this committee is to establish a high-level communication plat-

form 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. The combination of the two-day programme, the overall quality of the attendees, and the venue contributes to the conference’s growing success. The Executive Board of EPRA acts as the programme committee and seeks to attract top-class keynote speakers and panels of CEO’s and other senior representatives of real estate companies, investors, and their advisers. At the 7th Annual Conference in Budapest in September 2006, the “Best Annual Report Award 2005”, sponsored by PGGM, was won by VastNed Retail. The “Best Large Cap Performer Award 2005”, sponsored by LaSalle Investment Management was picked up by IVG Immobilien, and Workspace Group won the “Best Small/Mid Cap Performer Award 2005”, sponsored by Kempen & Co. Besides EPRA organised “road shows” in many countries, the EPRA management and executive board members also represent EPRA as speakers or panellists at various conferences in Europe, the United States, and Asia. The 2007 annual conference will be held in the Hotel Grande Bretagne in Athens on the 6 & 7 September.

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. The first piece of research to be issued by the committee in October 2006 was the “Diversification Benefits of European Real Estate Stocks” by the University of Cambridge. The research provides investors with a clear picture of how investing in listed real estate stocks can add benefits to a multi-asset portfolio, in terms of risk and reward. The University of Regensburg recently completed research focusing on the correlation of real estate against other asset classes. This research will be distributed in May. ◀



2007

EPRA ANNUAL CONFERENCE

LISTING FOR ALL SEASONS

THURSDAY 6TH &
FRIDAY 7TH SEPTEMBER 2007

ATHENS GREECE



 **HOLD
THESE
DATES**



PROVISIONAL PROGRAMME

	TIME	
	08:00 • 09:15	Breakfast and conference registration
OPENING →	09:15 • 09:30	Opening remarks by Serge Fautré, Chairman of EPRA
KEYNOTE SPEAKER →	09:30 • 10:15	To be confirmed
PANEL DISCUSSION I →	10:15 • 11:15	WHERE IS THE PRODUCT? Moderator: Ian Haworth, Capital & Counties Panel members: 4 CEO's of large listed companies
AWARD PRESENTATION →		EPRA Best Annual Report 2006, sponsored by PGGM
	11:30 • 12:00	Break
ACADEMIC CIRCLE →	12:00 • 13:15	Discussion leader: Prof. Tony Ciochetti, MIT Presentations by: 3 leading Universities
	13:15 • 14:45	Lunch
PANEL DISCUSSION II →	14:45 • 15:45	I WANT YOUR PROPERTY! Moderator: Peter Lowy, Westfield Panel members: 4 CEO's of large listed companies
AWARD PRESENTATION →		EPRA Best Small/MidCap Performance Award 2006, sponsored by Kempen & Co
	16:00 • 17:30	Networking garden party
	19:00	Cocktails & Dinner in the Zappeion
		* ON THURSDAY EPRA WILL ORGANISE A PARTNER'S PROGRAMME *



PROVISIONAL PROGRAMME

	TIME	
	08:00 • 09:00	Breakfast
KEYNOTE SPEAKER →	09:00 • 09:45	To be confirmed
AWARD PRESENTATION →		EPRA Best Large Cap Performance Award 2007, sponsored by LaSalle Investment Management
	10:00 • 12:15	2 x 2 Concurrent Sessions
SESSION I →	10:00 • 11:00	UK-REITs Moderator: Patrick Sumner, Henderson Global Investors Panel members: To be arranged with moderator
SESSION II →	10:00 • 11:00	EUROPEAN EMERGING MARKETS Moderator: Karl Petrikovics, Immoeast Panel members: To be arranged with moderator
	11:00 • 11:15	Break
SESSION III →	11:15 • 12:15	G-REITs Moderator: Ronald Wijs, Loyens & Loeff Panel members: To be arranged with moderator
SESSION IV →	11:15 • 12:15	ASIA & SOUTH AMERICAN EMERGING MARKETS Moderator: Nick Tyrell, JP Morgan Panel members: To be arranged with moderator
PANEL DISCUSSION III →	12:30 • 13:30	I GOT YOUR PROPERTY! Moderator: John Carrafiell, Morgan Stanley Panel members: 2 CEO's of hedge/buy-out companies and 2 CEO's of property companies
		Closing remarks Nick J.M. van Ommen, CEO of EPRA
	13:30 • 15:00	Lunch

LISTING FOR ALL SEASONS

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CITYCON



**HOLD
THESE
DATES**

Name: Mr./Ms.

 Position:
 Company:
 Invoicing address:
 Postcode / City / Country:
 Telephone number: Fax number:
 E-mail address:

CONFERENCE

REGISTRATION FEE: EPRA members € 1,250.= excl. VAT / Non-members € 2,500.= excl. VAT

MEETING LOCATION: Hotel Grande Bretagne, Constitution Square, 105 63 Athens, Greece
 Tel +30 210 333 0000, Fax +30 210 322 8034, www.grandebretagne.gr

PAYMENT CONFERENCE: Upon receipt of EPRA invoice. Payment of invoice by:
1 Bank transfer (bank details will be shown on the invoice) or
2 Cheque (if paying by cheque, please add an additional 10% to your registration fee for bank processing)

CONFERENCE

CANCELLATION POLICY: If cancellation is notified to EPRA in writing:
 • before 18 June 2007: free of charge
 • between 18 June and 15 July 2007: 50% of the conference fee
 • after 15 July 2007: full registration fee
 You may transfer your registration, without penalty, to another member of your organisation.

Please indicate your interest:**6 September 2007:**

Dinner: Yes No

Networking garden party: Yes No

Partners programme: Yes * No

* Partner's first & last name:

7 September 2007:

Concurrent sessions:

I UK REITs

Or: II Eur. Emerging Markets

.....
 III G-REITs

Or: IV Asia & S. American
 Emerging Markets

Lunch: Yes No

HOTEL

Hotel accommodation is not included in the registration fee. EPRA has negotiated a special room rate for participants of the Annual Conference at the Hotel Grande Bretagne.

No hotel

Yes, check-in date: / 09 / 2007, check-out date: / 09 / 2007

Classic room, single use € 235.= Classic room, double use € 255.=
 (rates are per night including breakfast and excluding local taxes)

PAYMENT HOTEL:

By credit card when checking out:

American Express MasterCard Visa Diners Club

Name cardholder:

Credit card number:

Expiration date: /

HOTEL**CANCELLATION POLICY:**

If cancellation is notified to EPRA in writing:

• before 1 May 2007: free of charge

• between 1 May and 30 June 2007: 50% of the total accommodation costs

• after 1 July 2007: 100% of the total accommodation costs

PLEASE RETURN BY FAX TO EPRA +31 (0)20 405 3840

EPRA is not responsible for accommodation or travel expenses relating to this conference.



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