

GLOBAL REIT REPORT

■
Q3 2006

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Global REITs

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- AME Capital has developed a proprietary analytical tool called the Global Real Estate Equity Analysis System ("GREEAS") which enables us to provide a research-based advisory service covering *all real estate equity markets worldwide*. This currently encompasses *1900 companies in over 50 countries*
- Companies can be identified and analysed by a wide range of : *i) financial criteria, ii) property criteria i.e. underlying asset exposure, and iii) structure, predominantly REIT or non-REIT*
- This report is based on information generated by GREEAS, and provides a very brief overview of the Global REIT market. All figures shown in this document are as at 30th September 2006, and all sources are AME Capital/Bloomberg.
- Previous reports on the Global REIT market as well as our monthly reports on global real estate equity markets are available on both the AME Capital Bloomberg page - AMEP <Go> , and the AME Capital website www.amecapital.co.uk
- In March 2006 we launched a series of 17 global REIT indices on Bloomberg, which can be accessed via AMEP1<Go>

Key Points for Q3 2006

- Based on current market capitalisations the UK would be third largest REIT market globally following conversion in January, and Land Securities would be the third largest REIT, after Westfield and Simon Property.
- Currently only 32 of the 91 REITs with a market capitalisation greater than £1bn are outside the US. This could increase to 40 when the UK REIT legislation comes into effect.
- The largest three REIT markets (US, Australia, and France) all showed double digit returns in Q3, and outperformed both their local PropCos, and equity markets.
- The majority of IPOs in Q3 were in the Far East, accounting for 7 of the 13 new listings, and £2.0bn of the £2.9bn added to the Global REIT market capitalisation.
- In most countries REIT yields (on a market capitalisation weighted basis) are still at a premium to local bond yields.

Global REITs - Company size

Based on current market capitalisations, and taking those UK companies who have stated their intention to convert to REIT status, the UK would be the third largest REIT market in the world when conversion occurs in 2007. The combined capitalisation would be over £30bn with eight companies capitalised over £1bn. Land Securities would be the third largest REIT globally, after Westfield, and Simon Property, and British Land would be the eight largest.

On that basis the UK would account for 8% of the global REIT market, although North America would still account for over 60% of the global market.

In terms of liquidity, in this case defined as a market capitalisation greater than £1bn (see Table 3) there are 91 REITs and 102 non-REITs. It should be noted however, that of those 91 REITs only 32 are outside the US. This would rise to over 40 with the introduction of UK REITs.

With regard to other jurisdictions converting to REIT status the German Government has indicated that REIT legislation could be introduced in Q1 2007, and the Indian Government has started a consultation process for REIT legislation.

Chart 1 Breakdown of Global REIT market by region

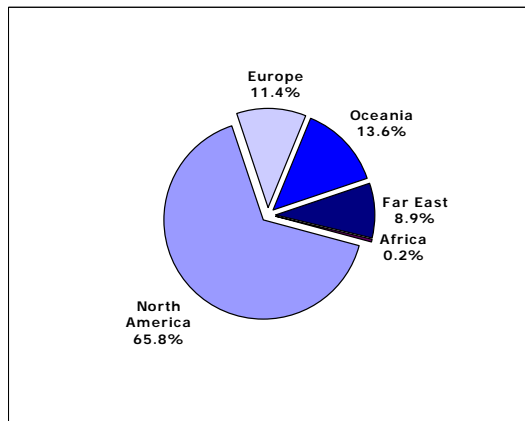
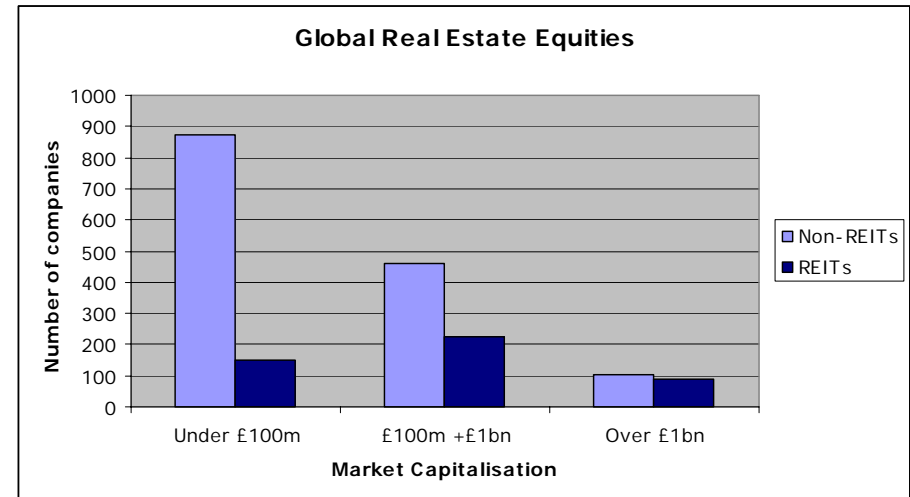


Table 1 Breakdown of Global REIT market by country

Listing Country	Number of Companies	Mkt cap > £100m	Mkt cap > £1bn	Sector Mkt cap £
US	203	159	59	212,732,899,300
Australia	63	36	10	45,545,773,283
France	24	18	7	23,226,832,408
Japan	39	33	4	18,060,387,291
Canada	33	22	3	12,901,319,128
Netherlands	8	7	3	11,968,277,379
Singapore	13	13	2	5,930,980,991
Hong Kong	5	5	2	4,660,055,523
Belgium	11	8	1	2,952,798,937
New Zealand	8	4	0	1,223,907,619
South Africa	4	4	0	822,170,971
Taiwan	5	4	0	706,252,001
South Korea	13	2	0	626,830,174
Turkey	9	1	0	543,330,117
Malaysia	8	1	0	351,399,492
Greece	2	1	0	340,323,812
Thailand	7	1	0	246,519,431
Bulgaria	12	0	0	120,743,450
Grand Total	467	319	91	342,960,801,307

Chart 2 Analysis of the relative liquidity of Global REIT and PropCo markets as measured by the number of companies in three market capitalisations bands.



Global REITs -2006 YTD Performance

After the reversals of Q2, which were in line with overall corrections in global equity markets, Q3 saw all the regional markets rebound, with the most noticeable performances coming from Singapore, France, the Netherlands, and Turkey.

Chart 3 2006 Quarterly REIT Performance Oceania

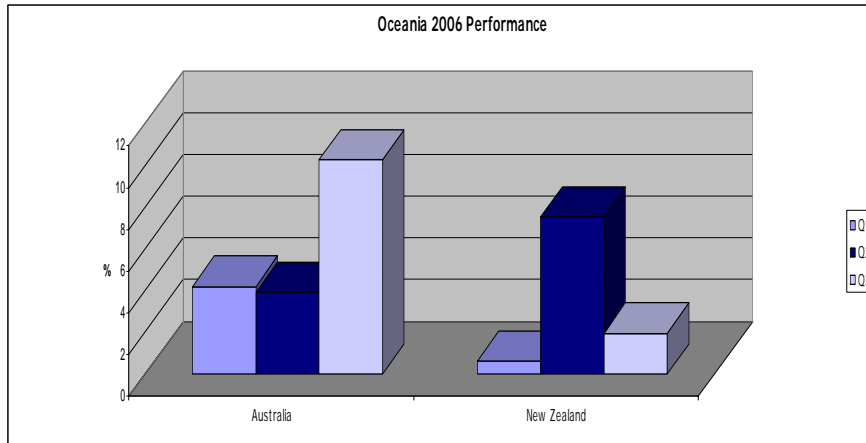


Chart 4 2006 Quarterly REIT Performance Far East

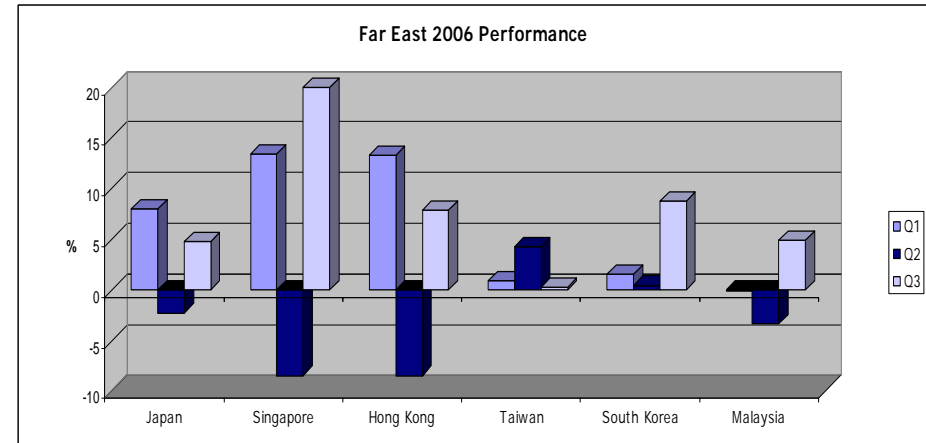


Chart 5 2006 Quarterly REIT Performance North America

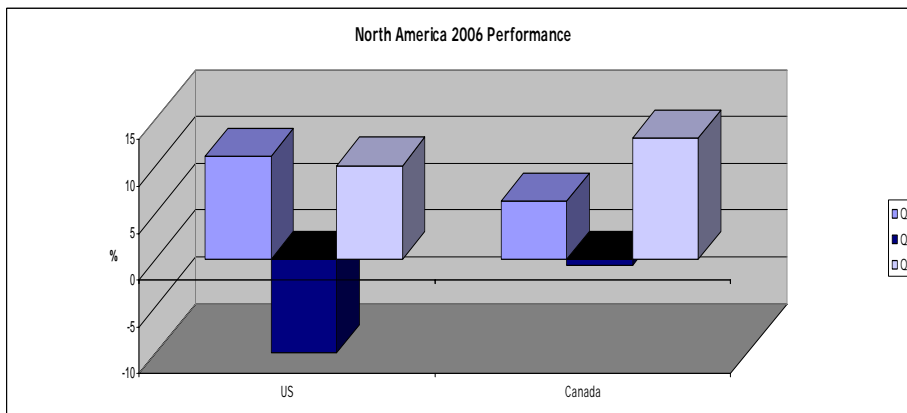
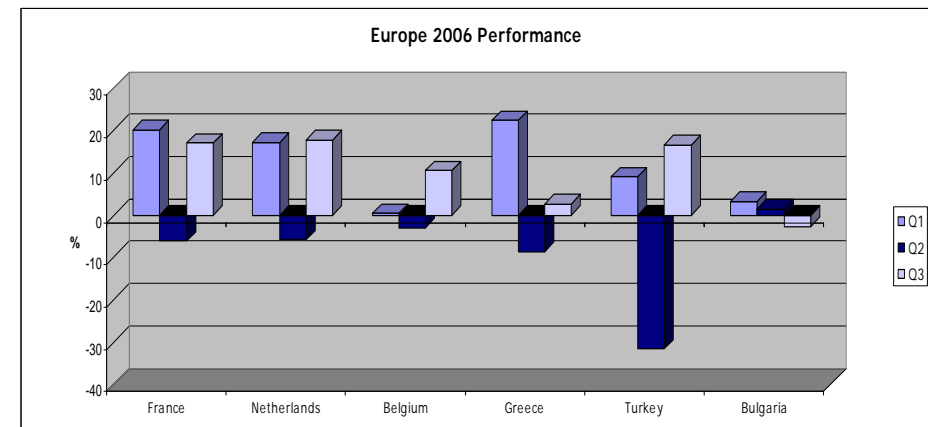


Chart 6 2006 Quarterly REIT Performance Europe



Global REITs -Q3 2006 Relative Performance

Using GREEAS we have analysed the performance of all the REIT markets (with the exception of Bulgaria, on the basis of a current lack of comparable information and size) relative to non-REIT structures ("PropCos") and the local equity market. It can be seen that in Q3 the largest three REIT markets by capitalisation (US, Australia, and France) displayed double-digit absolute returns as well as outperforming both the equity market and PropCos.

It should be noted however, that in all of these markets, REIT structures account for over 70% of all listed real estate securities. REITs are therefore the major source of liquidity for investors seeking to participate in these markets. In the developing REIT markets of the Far East the picture is somewhat different. Excluding South Korea, the REIT structures account for between 5% and 20% of the listed real estate market. Here, only Singapore and Thailand REITs have exhibited relative out performance against both other markets.

The most pronounced underperformance of REITs compared to PropCos this year has come in Japan. We believe that this could be due to the relatively low market capitalisation and liquidity of the J-REITs, a lack of potential development gains relative to PropCos, and the number of REIT IPOs, leading to a certain level of stock rotation.

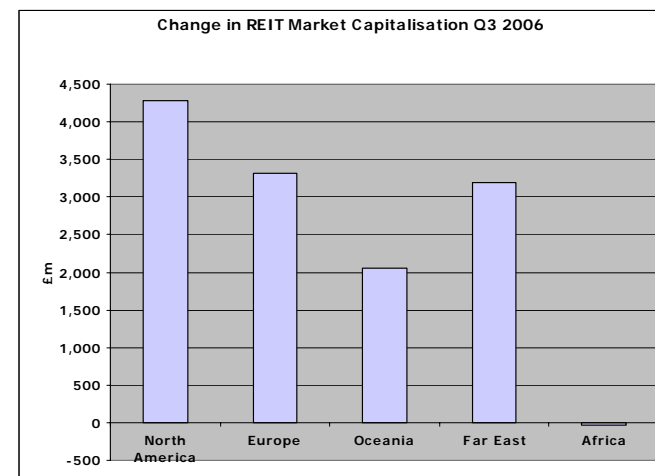
Listing Country	Relative Size		Absolute Returns			REIT Relative Returns	
	Total real estate equity market (£m)	REITs as a % of total	REIT Q3 return %	PropCo Q3 return %	Eqy Mkt Q3 return %	REITs Relative to PropCos %	REITs Relative to Equity Mkt %
North America							
US	250,265	85	10.00	8.79	4.58	1.11	5.18
Canada	30,703	42	12.93	12.02	2.73	0.81	9.93
Oceania							
Australia	53,384	85	10.25	10.13	4.85	0.11	5.15
New Zealand	1,337	92	1.96	1.86	2.29	0.10	-0.32
Europe							
Belgium	3,642	81	10.61	8.44	12.21	2.01	-1.42
France	33,351	70	17.02	15.01	7.63	1.74	8.72
Netherlands	14,378	83	17.81	17.59	13.17	0.19	4.10
Greece	1,455	23	2.76	8.60	10.22	-5.37	-6.77
Turkey	716	76	16.59	15.14	8.62	1.26	7.34
Far East							
Japan	90,978	20	4.82	10.90	4.46	-5.48	0.35
Singapore	29,553	20	19.97	16.05	10.02	3.38	9.05
Hong Kong	101,199	5	7.94	10.39	11.60	-2.22	-3.28
Taiwan	5,014	14	0.33	3.47	7.81	-3.03	-6.93
South Korea	652	96	8.82	9.12	8.58	-0.28	0.21
Malaysia	4,568	8	4.95	2.65	7.49	2.24	-2.36
Thailand	3,124	8	4.32	4.23	3.78	0.09	0.52
Africa							
South Africa	3,933	21	7.64	9.86	8.84	-2.02	-1.11

Table 2

Analysis of Absolute and Relative Performance of Global REIT markets

With the exception of Africa, all regions showed an increase in size during Q3 2006, with rising share prices and IPO activity outweighing reductions due to corporate acquisitions

Chart 7 Change in market capitalisation of Global REIT markets by region



The third quarter is traditionally the quietest month for IPOs, and as can be seen from table 3 below the vast majority both by number and value were in the Far East.

The three IPOs in Japan bring the total to 39 REITs compared to just 9 two years ago. Following on from the Bulgarian based AIM listings two more Bulgarian REITs have been listed, which brings the total to 12, although it should be noted that the combined market capitalisation is still only £120m.

In what some commentators believe may be the start of a trend, the Al-'Aqar KPJ REIT is thought to be the first Syariah-Compliant REIT to be listed.

Table 3 REIT IPOs Q3 2006

	Listing Country	Listing date	Local Currency	IPO price (local currency)	Market Cap at 30/09/06 (£m)	Asset type
North America						
Crystal River Capital Inc	US	27/07/2006	US\$	23.0	306	Mortgage REIT
CBRE Realty Finance Inc	US	27/09/2006	US\$	14.5	169	Mortgage REIT
					475	
Oceania						
CFS Retail Property Trust	Australia	29/08/2006	AU\$	1.9	22	Retail
					22	
Europe						
Tesfran	France	27/07/2006	Euro	20.0	447	Paris offices *
Bulland Investments REIT	Bulgaria	28/08/2006	Lev	1.1	2	Agricultural, Offices
FairPlay Properties REIT	Bulgaria	09/08/2006	Lev	1.3	10	Hotel, Residential
					459	
Far East						
Nippon Commercial Investme	Japan	26/09/2006	Yen	471000.0	530	Office and Commercial
Nippon Accommodations Fun	Japan	04/08/2006	Yen	590000.0	339	Residential
MID Reit Inc	Japan	29/08/2006	Yen	492000.0	426	Osaka offices
CDL Hospitality Trusts	Singapore	18/07/2006	Singapore \$	0.8	249	Hotels
Frasers Centrepont Trust	Singapore	04/07/2006	Singapore \$	1.0	248	Retail
Cambridge Industrial Trust	Singapore	24/07/2006	Singapore \$	0.7	115	Industrial
Al-'Aqar KPJ REIT	Malaysia	09/08/2006	Malaysia Ringgit	1.0	49	Hospitals
					1956	
					2912	

* with plans to expand into hotels and retail

Global REITs – Valuation metrics - Yields

With the advent of UK REITs in 2007 we believe that attention will start to focus on comparative valuation metrics. Generally speaking most countries use either an FFO based or an NAV based valuation model in conjunction with a comparison of REIT dividend yield relative to both bond yields and direct property yields.

We show on this page how the relative yields compare. Of interest is the fact that despite the improvement in share prices in Q3, leading to a reduction in REIT yields, and the overall upward trend in global interest rates REITs in a number of countries such as Australia, Canada, Belgium, the Netherlands, and, not surprisingly, Japan, are still at a reasonable premium to local bond yields. Of the major REIT markets only France is at a noticeable discount. On the basis of current dividend yields, and comments made by companies likely to convert to REIT status it seems likely that in yield terms the UK will be more closely aligned to the French valuation metric.

N.B. As the dividend yields used are historic, the figures for a number of Far East countries where REITs have listed within the year, are implicitly understated.

Chart 8 Relative yields North America and Oceania

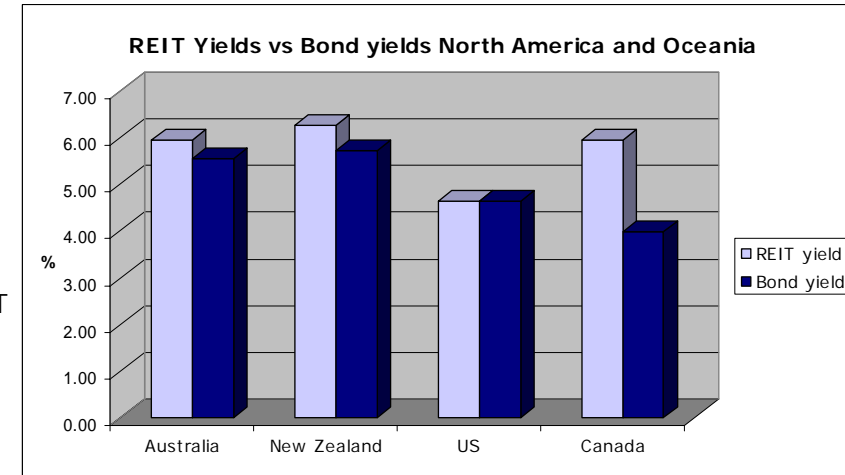


Chart 10 Relative yields Europe

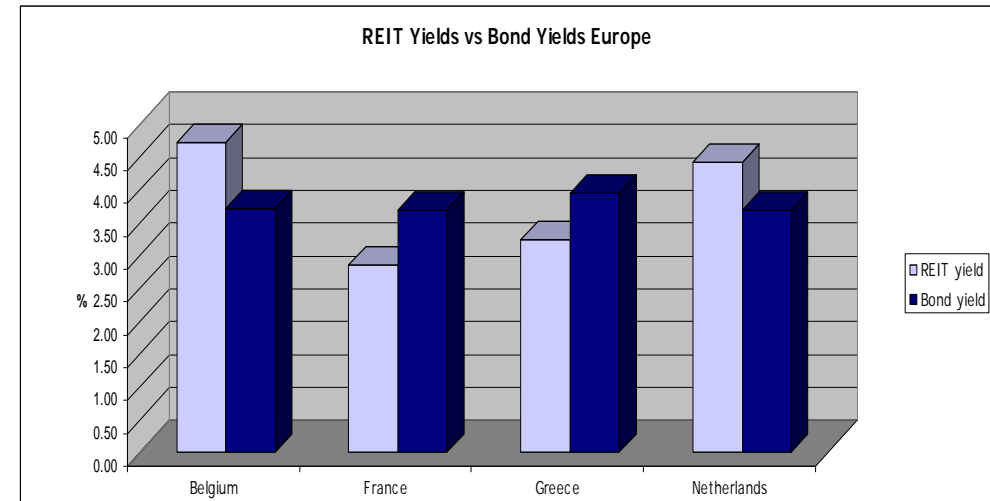
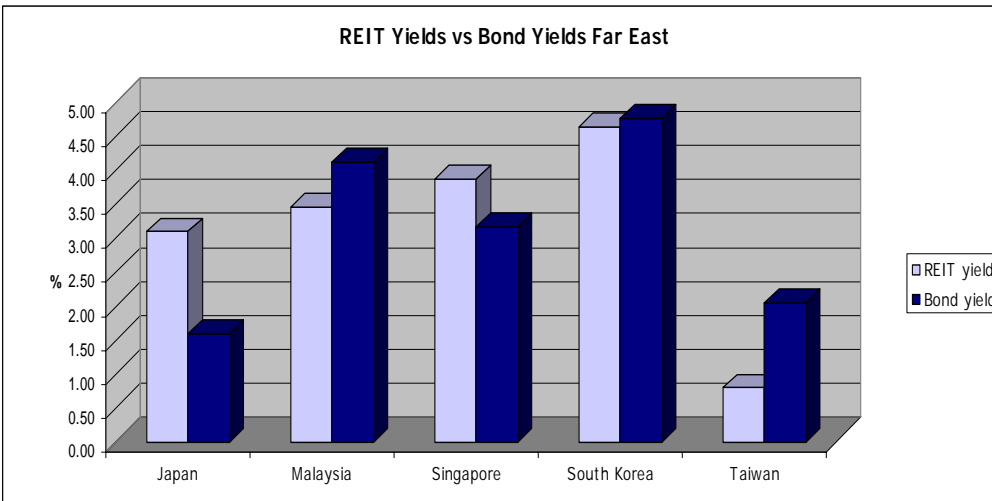


Chart 9 Relative yields Far East



AME Capital Global REIT Indices on Bloomberg

In March 2006 we introduced a series of REIT indices on Bloomberg. Our objective was to monitor all REIT markets regardless of size. The indices are market capitalisation weighted, but are not adjusted for free float. The screenshot below was taken at 30th September 2006.

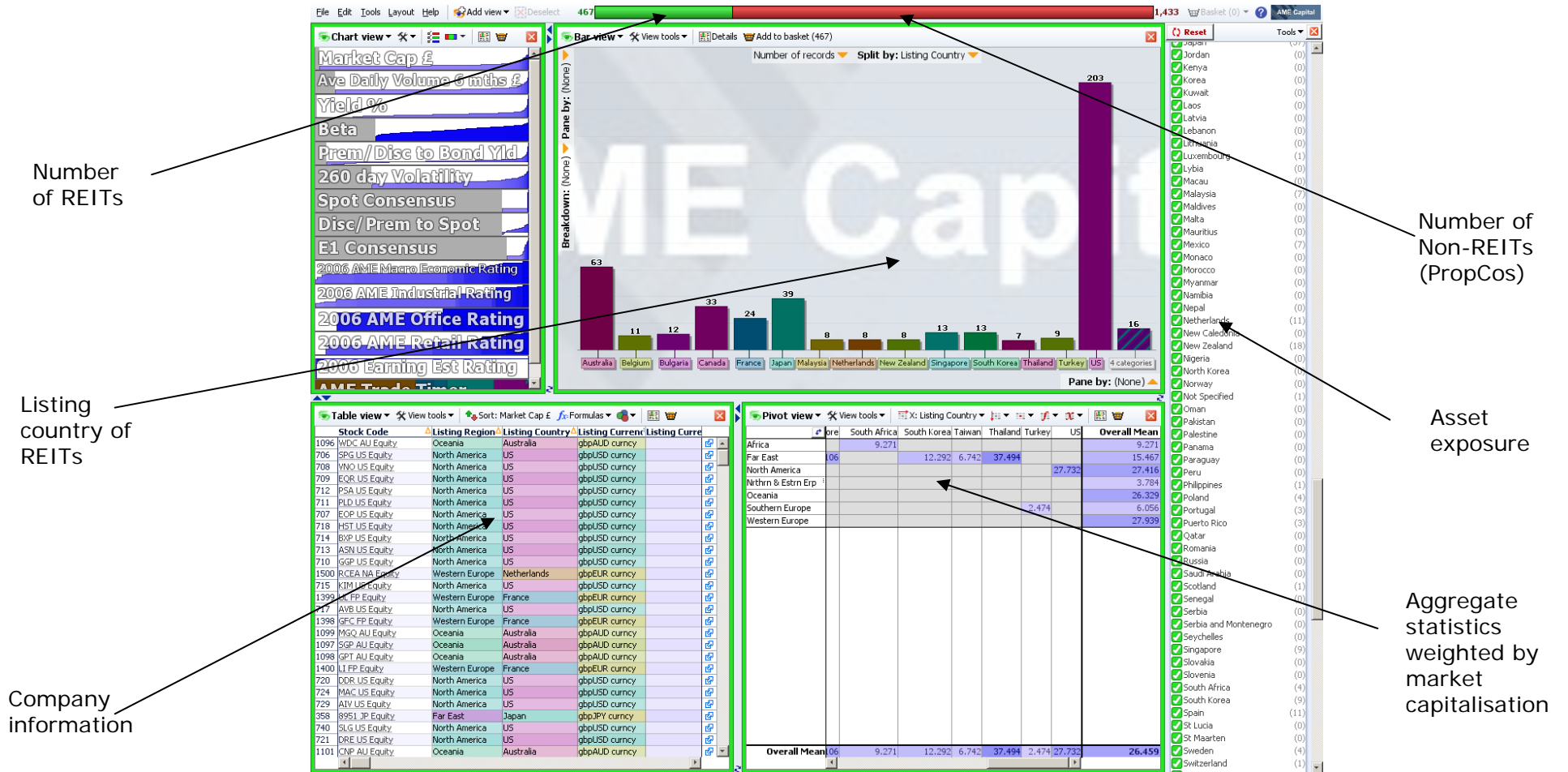
Bloomberg < AMEP> Go for AME Capital Homepage <AMEP1 > for Global REIT Indices

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Name	Index Value	Daily Up/Down	1-Wk% Return	1-Mo% Return	1-Yr% Return	Market Cap(£bn)	Time
1) AME Australian REIT	133.84	+1.11	2.30	3.72	24.41	32.6	8:47
2) AME Belgium REIT	134.28	-.34	3.76	5.40	11.79	2.9	8:47
3) AME Canadian REIT	157.33	-.54	0.39	4.68	26.63	9.5	8:47
4) AME France REIT	187.86	+.32	5.30	7.01	30.78	20.5	8:47
5) AME South Korea REI	128.01	-.31	0.01	1.03	12.76	0.4	8:47
6) AME New Zealand REI	134.75	+.01	0.16	0.27	20.34	1.2	8:47
7) AME Netherland REIT	154.04	+1.47	4.67	8.38	26.44	12.0	8:47
8) AME Taiwan REIT	105.25	--	0.04	-0.01	4.24	0.3	8:47
9) AME Japan REIT	127.08	-1.66	0.29	2.27	13.56	11.1	8:47
10) AME South Africa RE	137.79	-1.66	-0.42	-2.11	8.42	0.8	8:47
11) AME Singapore REIT	155.28	+9.07	3.90	12.26	21.33	4.5	8:47
12) AME Malaysia REIT	110.27	+.08	0.32	0.40	-5.96	0.3	8:47
13) AME Hong Kong REIT	150.98	-.20	1.10	0.54	0.00	2.8	8:47
14) AME Greece REIT	136.96	+.23	-0.42	1.06	23.72	0.3	8:47
15) AME Turkey REIT	185.76	-1.41	2.19	-0.32	-4.77	0.2	8:47
16) AME US REIT	149.24	+.23	0.30	2.74	32.82	116.5	8:47
17) AME Bulgaria REIT	102.82	-.36	6.18	1.66	0.00		8:47

Appendix I: GREAS

The screenshot below illustrates how we use GREAS to produce the statistics used in this report



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 24 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.

A full list of AME Capital's research products can be found on Bloomberg : type AMEP <Go> and the company website www.amecapital.co.uk