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News Release

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Global REIT Market Witnessed Major Transformation in 2007, According to Ernst & Young Report

As maturing North American market contracts, Asia and Europe begin to dominate

NEW YORK, 7 NOVEMBER 2007 – According to a report issued today by Ernst & Young, the total market capitalization of publicly-listed Real Estate Investment Trusts (REITs) around the world reached US\$764 billion, as of 30 June 2007, up from US\$608 billion a year ago. This represents more than 25 percent growth in the last 12 months despite the largest REIT market in the world, the United States, losing almost a quarter of its REITs through privatization and mergers.

“Essentially, we’ve seen a dramatic shift in REIT formation away from North America and toward Asia and Europe in the last 12 months,” said Michael Frankel, Global Director of REIT Services for Ernst & Young. “While a number of quite large North American REITs have been taken private in the last year, we’ve seen a tremendous outpouring of capital in Asia and Europe, where REIT regimes in the U.K and Turkey have helped the rest of the world surpass the US for the first time in total number of REITs,” Frankel added. Frankel theorized that other maturing markets around the world – such as Australia, Canada, and the Netherlands – may witness a similar privatization wave, though on a lesser scale, in the year ahead because of tax considerations in some countries and a higher cost of public capital. In Australia, there have already been two large listed REITs within that market delisting via private equity deals.

In 2006, according to Bloomberg data used in the report, North America was home to 253 public REITs compared to 198 REITs throughout the rest of the world. As of June 2007, the rest of the world housed 253 REITs compared to 195 in North America. However, the United States remains the largest single REIT market with 169 REITs.

Ed Psaltis, the report’s author, of member firm Ernst & Young Australia’s Transaction Advisory Services group, pointed to the impact of recent or pending REIT legislation in three major European real estate markets – the UK, Germany and Italy – as just beginning to fuel growth in the global REIT sector. “Moving into 2008, we expect to see a much more stable REIT market in the UK as more investors become educated about the sector, and with Germany’s legislation now taking effect and Italy coming on board in 2008, the potential exists for Euro-REITs to really take off by the time we issue the next report,” said Psaltis.

The report also points to rising levels of debt among REITs globally, the result of low interest rates in many markets. In fact, only Turkey has rates high enough to dissuade REITs from taking out higher debt levels in 2007. Throughout the 15 markets analyzed, average debt levels grew by about 6% to 40.29 %, up from 34.24 % 12 months ago. Based on this average debt level, the Ernst & Young report estimates that the total value of real estate owned by REITs globally now stands at US\$1.273 trillion.

However, the report also says that, as a result of the fallout from the subprime residential mortgage market collapse, REITs looking to refinance in the coming year will likely face tighter covenants and increased financing costs – both of which will have a negative impact on real estate values and REIT returns.

About the report

Ernst & Young's second annual REIT Report, which was researched and produced by the Ernst & Young member firm in Australia, analyses REIT markets in 15 major countries where REITs are publicly traded including Australia, Belgium, Canada, Japan, Netherlands, New Zealand, Singapore, South Korea and the United States as well as the relatively new market in the United Kingdom. The report also compares and contrasts the performance of these REIT jurisdictions using criteria such as market size and depth, total return on capital and income, volatility, balance sheet measures (debt and premium/discount to net assets) and income measures (yield/price-earnings ratio).

Singapore achieved first place in this year's Ernst & Young rankings as the best performing REIT market with a total rate of return (TROR) of 72.92 % in 2007, up from 1.70 % in 2006. The Singapore REIT market was buoyed by an almost 50 % increase in the number of REITs over the prior year and a threefold increase in total market capitalization to US\$22 billion as well as a highly supportive regulatory environment which benefited domestic REITs and attracted cross-border REIT listings. South Korea, which has a relatively small REIT market (43 %), Japan (42 %), France (38 %) and South Africa (37 %) all followed Singapore with the US (12 %) and UK (11 %) posting the lowest one-year returns.

To download a copy of the report visit: www.ey.com/realestate

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