



The Global Property Specialist

GLOBAL REAL ESTATE



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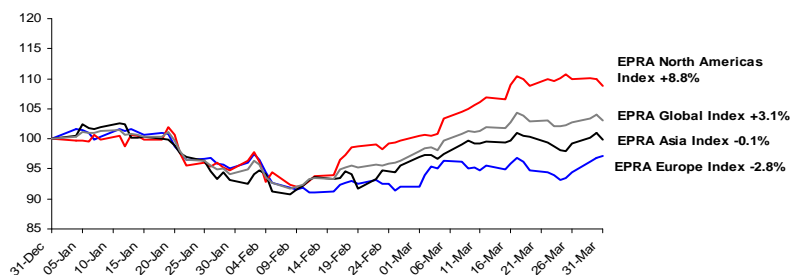
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8 April 2010

Global Property Insight

Moving from West to East

Regional EPRA Indices 1 Q performance (%) rebased in US\$



Source: EPRA, Bloomberg, Macquarie Research, April 2010

The US listed property market has had a stellar period of outperformance versus the other regions this quarter. As a result there is now a significant gap in global valuations developing, with the US looking fully valued on fundamentals at a significant premium to NAV and a cash dividend yield of 3.8%, below the 4% on offer from 10 year Treasuries. Against this, valuations in Hong Kong and China in particular look compelling (HK 20% NAV discount; China 30% NAV discount).

China macro points to softening of tightening bias

Our economist Paul Cavey believes that inflation is under control in China and that Q110 GDP growth released in April will be as good as it gets, meaning the marginal change in growth from here should be down while the marginal change in property oriented policy should be looser – both positive for China developer prices. We note that in March, residential volumes across ten key cities in China were up 64 % MoM.

Global valuations suggest 5.7% upside to target prices

In aggregate, the potential upside to our target prices is +5.7% (+8.8% last month), with our universe of leading market stocks trading at a weighted average -1.1% (5.9%) discount to NAV, and a FY1 dividend yield of 3.5% (3.9%). Hong Kong and Japan are currently showing the greatest upside to Target Prices.

Key Picks

Asia Pac – Westfield, ING Office, Henderson, SHKP, CRL, Shimao, Mitsui Fudosan, Mitsubishi Estate

North America – Duke Realty, CBL, DuPont, Extra Space, Boardwalk, Allied Properties

Europe – British Land, Eurocommercial, Wereldhave

Global valuations of leading markets (market cap-weighted)

Regions	Total Market Cap (US\$M)	Stocks covered	Upside to target price	Prem/(Disc) to NAV	FY1 Div yield %
US	205,252	42	-1.9	14.7	3.7
Canada	17,899	13	3.9	12.2	6.5
Hong Kong	257,878	33	11.3	-19.2	2.4
Japan	61,685	9	16.7	14.1	2.1
Singapore	51,913	17	-1.2	-4.0	3.6
Australia	71,008	23	4.1	-7.9	5.8
Europe	43,543	9	4.8	2.6	5.2
UK	22,996	4	4.7	-3.3	4.6
Total	732,173	150	5.7	-1.1	3.5

Source: Macquarie Research, April 2010

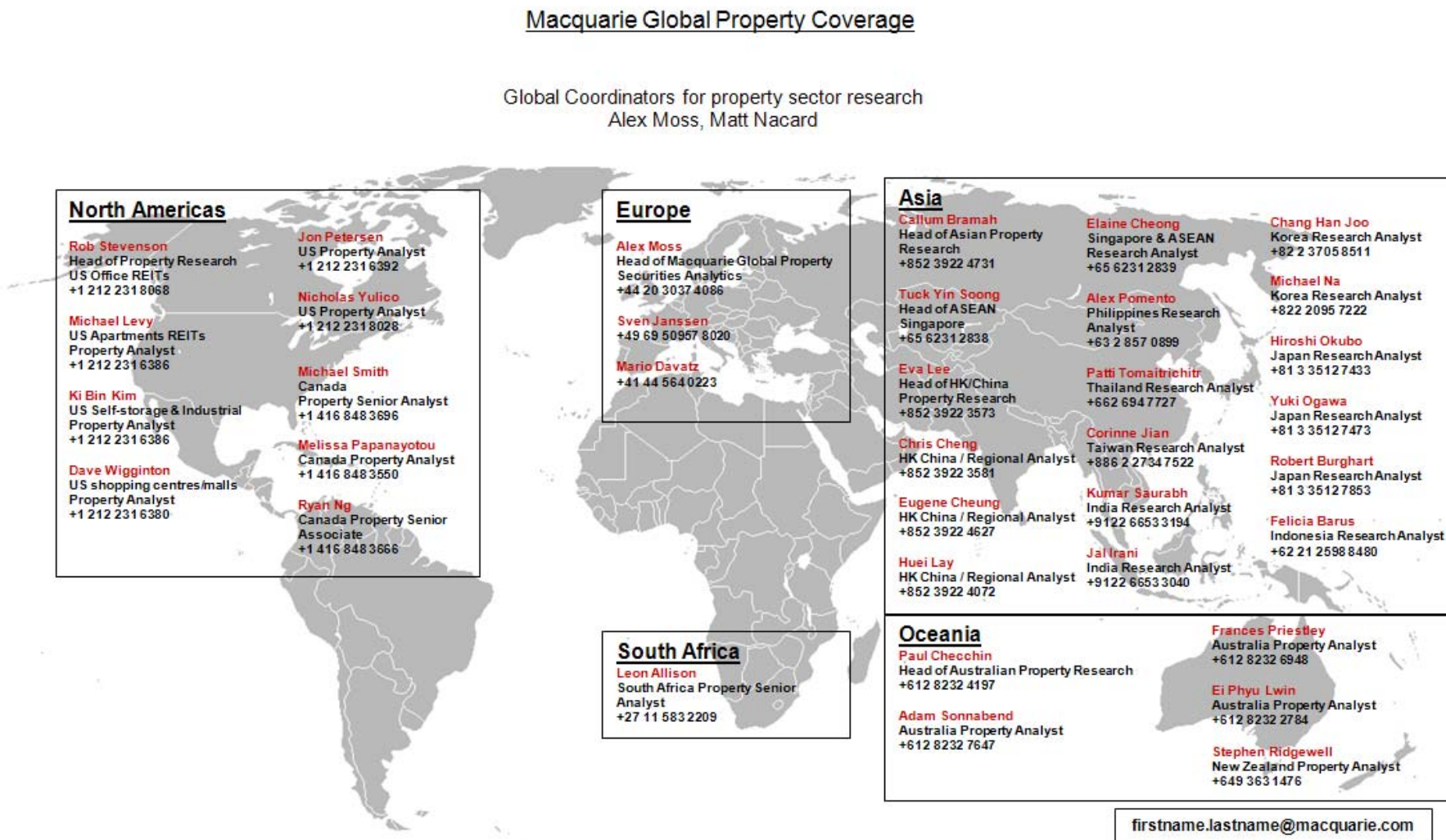
Inside

Macquarie global property coverage	3	⇒ Section 1. shows a summary of the monthly performance
Section 1: Summary monthly performance	5	⇒ Section 2. is our regional strategy overview
Section 2: Regional strategy – Moving overweight Asia	6	⇒ Section 3 deals with global valuations.
Section 3: Global valuations	12	⇒ Section 4 provides a summary of the key property trends during the month.
Section 4: Key trends in March	16	
Section 5: Forthcoming Macquarie events	20	⇒ Section 5 shows the forthcoming Macquarie events.
Section 6: Regional outlook – US	21	⇒ Section 6 deals with the regional outlook. Our analysts have all contributed an update on their property and capital markets. We have also included the best performers from our global database of more than 2,000 stocks.
Canada	26	
Europe	32	
South Africa	36	⇒ Section 7 looks at the financial markets in each region, CDS spreads, corporate bond yields and interest rates.
Asia Pac – Australia	37	⇒ Section 8 provides a detailed analysis of all equity issues, IPOs, and bond issues this month, and since January 2009.
Asia –Hong Kong	41	
Japan	45	⇒ Section 9 is a detailed analysis of 1 and 12 month performance.
Singapore	50	⇒ Section 10 is an analysis of the composition of our database.
Section 7: Financial markets	53	
Section 8: Capital markets	58	⇒ Section 11 is an analysis of the Global REITs market.
Section 9: Performance analysis	63	
Section 10: Composition analysis	69	
Section 11: Global REITs market	71	

Macquarie global property coverage

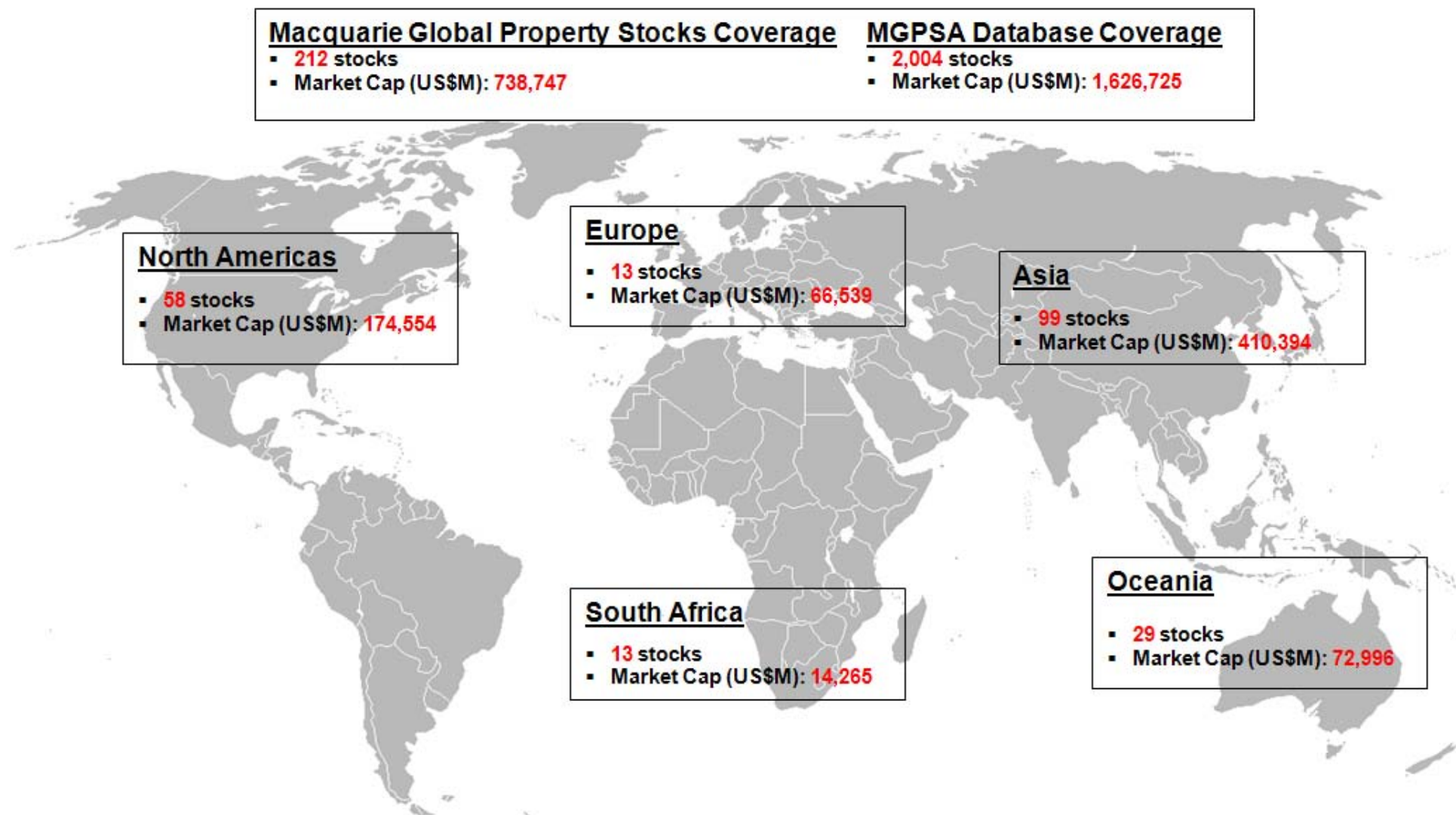
- We now have individual stock coverage of more than 200 real estate companies globally.
- The chart below shows our regional coverage and individual analysts' country coverage.

Fig 1 Macquarie global property coverage – by analyst



Source: Macquarie Research, April 2010

Fig 2 Macquarie global property coverage – by number of stocks and market capitalisation



Source: Macquarie Research, April 2010

Section 1: Summary monthly performance

Monthly performance

March 2010

Fig 3 Global property securities returns for March 2010

Region	Current Size Market Cap (€bn)	Total Returns March 2010 (%)		
		Total	Developed Markets	Emerging Markets
Asia	496	6.0	6.4	5.1
Americas	293	7.4	9.0	-5.3
Europe	157	6.5	6.1	13.1
Oceania	53	0.2	0.2	NA
Middle East & Africa	72	6.0	NA	6.0
Global	1071	6.2	6.7	4.3

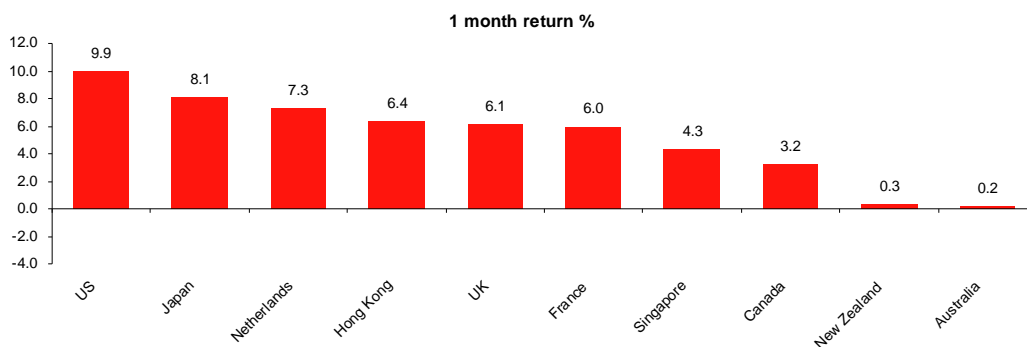
Source: Bloomberg, Macquarie Research, April 2010

One-month returns the same as global equity markets ...

The total return of 6.2% in March for our universe of 2,000 + stocks was the same as the total return of 6.2% for the MSCI AC World Index.

The main performance came from the developed American (+9.0%) and Asian area (+6.4%), which were driven by the US (+9.9%) and Japan (+8.1%) respectively. Elsewhere, the European market also experienced good performance last month, with a total return of 6.5%.

Fig 4 Leading market returns – March 2010

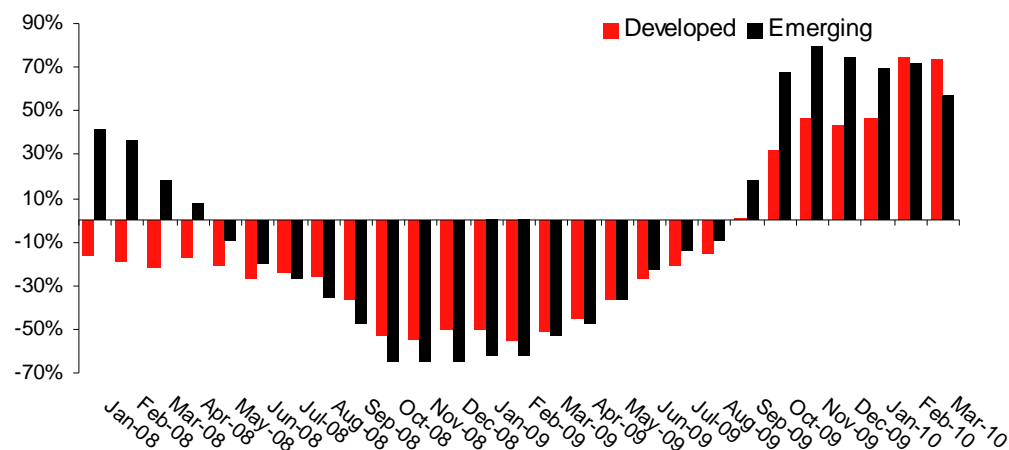


Source: Bloomberg, Macquarie Research, April 2010

US and Japan led the way.....

.....and rolling 12 month returns for developed markets are now higher than for emerging

Fig 5 Rolling 12-month returns



Source: Bloomberg, Macquarie Research, April 2010

Section 2: Regional strategy – Moving overweight Asia

Fig 6 Global property weightings

EPRA Weighting	Regional Sectors	Stocks	Mkt Cap in US\$m	Change to target price %	Prem/(Disc) to NAV	Div yields % (FY1)
40.4%	Asia Pac					
OVERWEIGHT	HK Property developers	8	124,493	13.41	-16.00	2.27
	HK investors	4	49,306	10.23	-22.00	2.90
OVERWEIGHT	HK REIT	5	10,635	10.23	-10.00	5.60
OVERWEIGHT	China developers	16	73,444	8.59	-24.00	1.97
OVERWEIGHT	Japan Developers	4	49,605	19.39	18.70	1.10
	JREITs	5	12,080	5.80	-4.90	6.10
	Singapore Property	5	31,382	-1.55	-8.10	1.57
	Singapore REITs	12	20,531	-0.60	2.20	6.65
OVERWEIGHT	Thailand	9	6,330	28.61	-22.35	4.02
	Taiwan	8	7,318	3.55	-1.66	3.98
OVERWEIGHT	Philippines	4	7,349	18.37	-35.09	2.51
	India	5	20,110	26.69	-30.35	0.22
	Malaysia	3	2,017	-6.39	1.72	3.29
OVERWEIGHT	Indonesia	3	2,383	30.70	-43.43	
	Australia	23	71,008	4.06	-7.90	5.80
	New Zealand	6	2,299	6.21	n/a	n/a
42.9%	North America					
	US Apartments	11	36,596	-12.64	14.59	3.91
OVERWEIGHT	US Industrial	5	13,732	-3.70	13.30	4.18
	US Divers. / misc.	1	20,946	14.44	37.75	3.87
	US Storage	4	18,535	-8.64	18.12	2.89
	US Office - cbd	3	24,659	2.00	19.16	2.57
	US Office - suburban	4	30,748	-2.23	11.96	4.38
	US Reg. Mall	5	33,048	1.62	-2.99	3.53
	US Shopping ctr.	9	26,988	-2.25	16.35	3.91
	Canadian Residential	4	4,012	3.14	11.60	5.51
	Canadian Retail	5	9,934	5.90	14.20	6.96
	Canadian Diversified	4	3,953	-0.57	7.60	6.35
16.6%	EMEA					
OVERWEIGHT	UK Major	4	22,996	4.66	-3.30	4.60
OVERWEIGHT	European	9	43,543	4.77	2.60	5.20
	South Africa	13	14,265	-1.56	n/a	n/a

Source: Bloomberg, Macquarie Research, April 2010

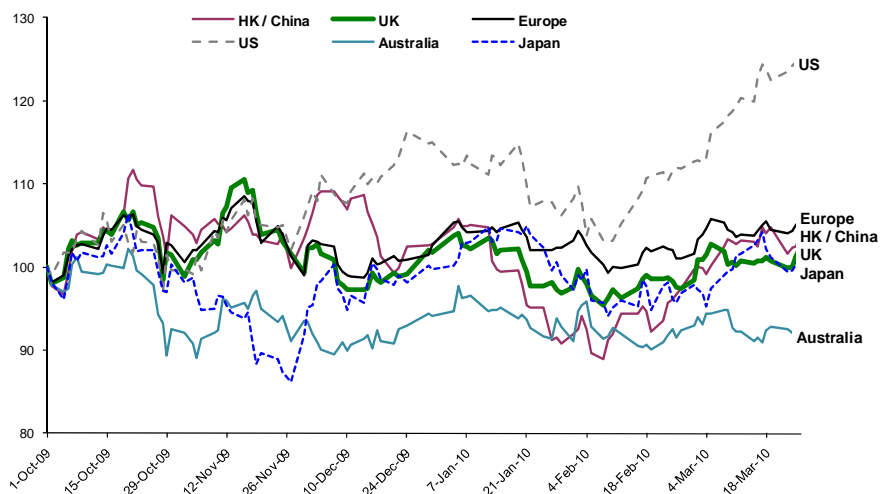
Perhaps one of the most surprising aspects of the last six months has been the outperformance of the US relative to the emerging markets and Hong Kong. It is fair to say that we weren't so surprised by Asia's lacklustre performance over the last six months. In our October 2009 Asian TurnKey report, "*Looks can be deceiving*" we argued that valuations were too stretched and 2010's normal recovery had already occurred earlier than in previous cycles (ie in 2009).

We also argued that Asia's regulators would do everything within their power to keep property price gains to modest levels given the fact that unaffordable property prices can contribute to social unrest but more so to avoid a property "bubble" – the key driver of the financial woes that stunned the world in 2008.

The move back into US, UK and Europe in late 2009 was a comfortable one...

Over the last six months the US has been the big outperformer, much of this coming in the past two months. No doubt the General Growth situation has been a recent key driver. However, the US's outperformance and to a lesser extent the UK's and Europe's results from the extensive recapitalisations across the sectors, as investors bought back into the sector as debt concerns eased. From a global perspective, the more lowly geared Asian players had already outperformed through much of 2009. The switch into the US / UK / Europe was a comfortable one for many given the more known quantity of developed market assets versus the poorer disclosure and the hundreds of residential developments to assess in Asia.

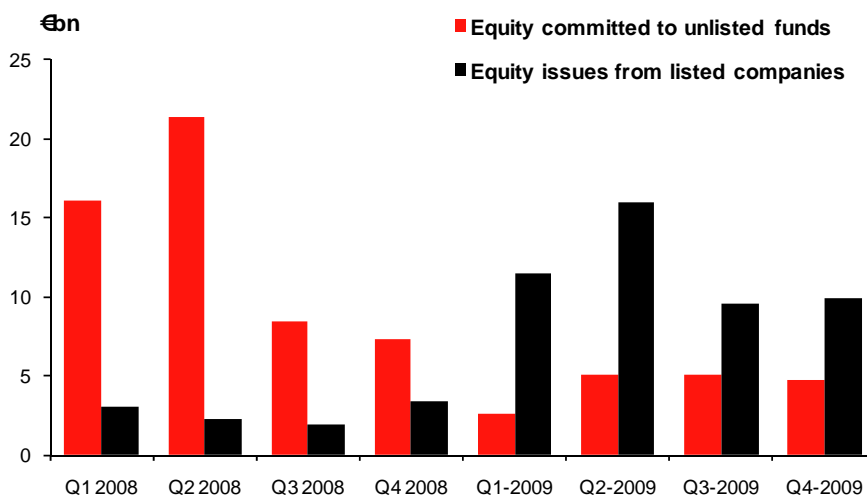
Fig 7 US REITs the standout outperformer – local currencies



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Another explanation for the western developed markets doing better in the last six months could be related to a potential flow of equity back into direct markets (post the equity recapitalisations) which may have an impact on underlying cap rates. 2008 was clearly the year for allocation to unlisted funds. 2009 saw the recapitalisations. 2010 could be the year that funds flow looks to the direct markets.

Fig 3 Equity committed to unlisted funds launched versus equity issues from listed companies in 2008 and 2009

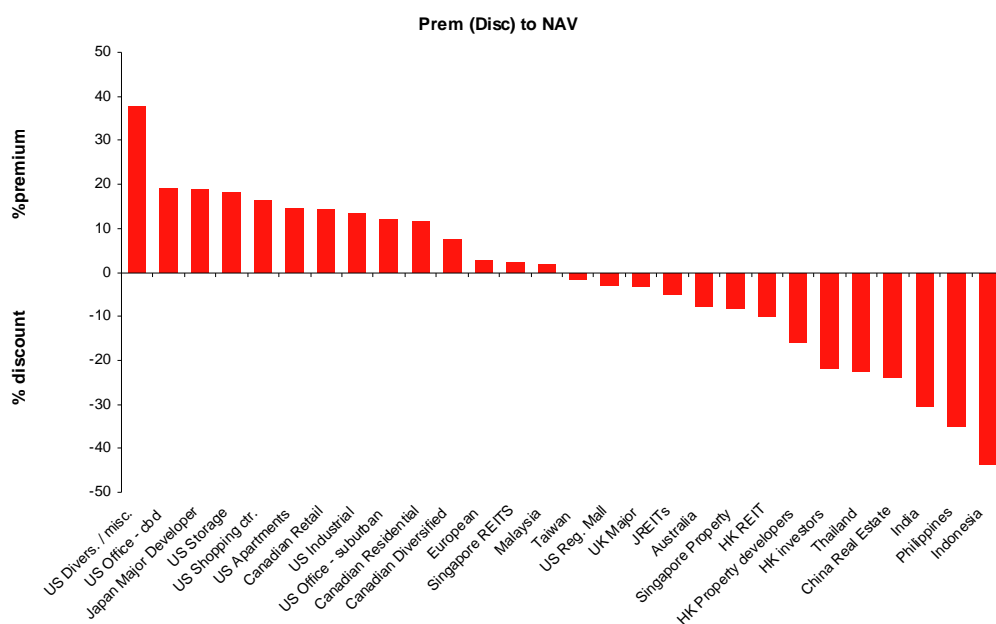


Source: Bloomberg, Property Funds Research, Macquarie Research, April 2010

... but now, NAV valuations in some developed markets are looking stretched

The developed markets (ex Hong Kong and Japan) are now starting to look expensive on traditional valuation metrics. As mentioned, most debt-related fears surrounding the listed sector have disappeared, whilst the wider issue of the unwinding of bank lending on loans which are in breach of their covenants appear to have subsided for now.. The chart below shows the NAV discount and premium across our coverage universe. We accept that some regions use differing valuation methodologies. However, it should be noted that much of Asia is trading at 20 – 40% discounts to NAV while much of the US is trading at a significant 10 – 20% premium to NAV.

Fig 4 Asia is trading at a significant discount to NAV while the US is at a substantial premium...



Source: Bloomberg, Macquarie Research, April 2010

The US REITs – surpassed all expectations: Our US REIT team started 2010 expecting a total return for the sector of 15%, incorporating a 4% dividend yield, with operational stability being achieved by mid year. The sector is looking expensive on most metrics and is now dependent on acquisitions to drive the next leg of growth. Our retail analyst, Dave Wigginton, is worried about a relapse in the US housing market. He recently upgraded several US Retail REIT names but still believes valuations are full. Rob Stevenson just initiated on the US Office REIT sector saying it was too early to be more positive. The sector offers a ~4% dividend yield and FFO growth is expected to be 6% in 2011. The retail REITs currently implies a 7.1% cap rate, office 6.0% and industrial 7.5%.

UK / Europe performing steadily due to sharp value recovery in the UK and dividend yield attractions in Europe. Investor appetite for new/secondary issues is good, as witnessed by the £175m IPO of Metric in the UK and the tight discount on the €600m Corio placing to fund the acquisition of German shopping centres from Multi. Yield compression in the UK continues, aided by the weakness of sterling which means the direct market remains attractive to US\$ buyers in particular. The UK names under coverage are trading at a 2.6% discount to FY1 NAV, whilst the European names are at a premium of 5.5%. Dividend yields provide a key valuation underpinning, with the UK trading at a 4.6% yield, with the real attraction in Europe where the average dividend yield is 5.3%, compared to a current EMU 10 yr bond yield of 3.5% and 2011 forecast of 4.0%.

Australian REITs – remain a challenge: The Australian REITs performed generally in line with expectations during the recent reporting season. However the sector lacks a catalyst and has lost interest amongst general equity fund managers. The sector is trading on a 2010 PER of 14x but offers ~1% EPS growth in 2011. This compares with the broader equity market which is also trading on 14x but offers generally 20 – 30% EPS growth. The high A\$ is also having a negative influence on overseas buyers.

The inflection point in Japan continues to approach...: Hiroshi Okubu sees the inflection point in Tokyo's office markets as nearing given a turn in leading indicators. Domestic machinery orders have turned up and Grade A vacancy looks to have reached its peak. We have significantly more upside to our target prices for the developers (+24%) versus the JREITs (+9%). Given we are talking a recovery story, the developers should have more leverage. This combined with more upside to our target prices makes our preference for the developers a relatively straight forward choice.

So, in NAV terms, of the major western developed listed markets the UK looks most appealing, the US looks expensive and the Australian LPTs offer minimal growth and lack a catalyst. In Japan, the value appears to lie with the developers over the JREITs.

In Hong Kong, broader thematic appears to be strengthening

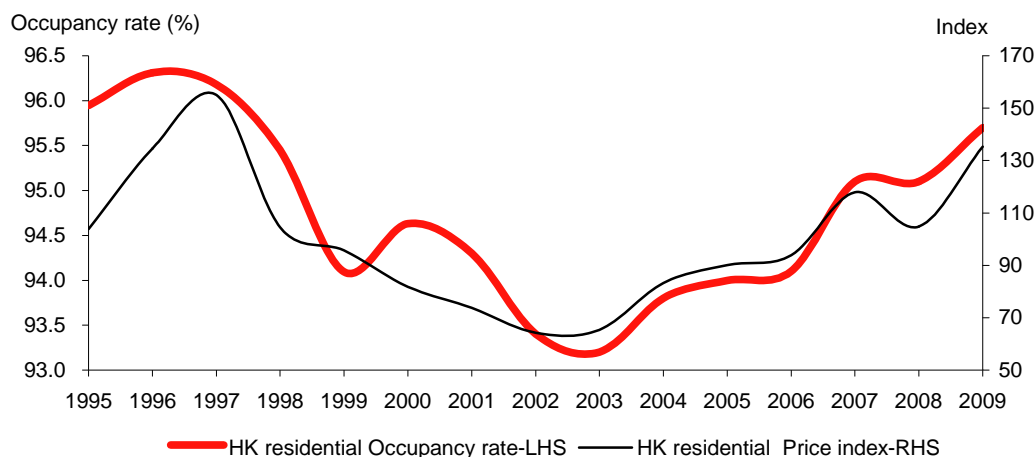
Despite the rhetoric of the HKMA and other various political / administrative bodies, residential property prices keep on rising. Year to date luxury residential prices have risen ~7% while mass residential prices have risen ~5%. The authorities appear to lack the will to implement major changes to halt the rise in residential prices. The "catch 22" is that while housing is becoming more unaffordable as prices outpace income growth, the general population have a significant proportion of its wealth stored in property and hence want to see prices increasing.

Recent mutterings from the Fed indicate that rate rises in the US (and therefore HK) are being gradually pushed out. This appears to have increased local confidence in the currently very low mortgage rates of ~2% staying low. The HK Government has looked to increase supply via farmland conversion, more regular land auctions (implying trigger prices have been moderated) and a change in the law around compulsory acquisitions of older buildings (now compulsory acquisition can move forward at 80% agreement, not 90% as was the case previously).

Recently the HK government reported that 2009 residential supply fell 18% YoY to 7k units but demand recovered 61% YoY to 11k units, driving HK residential vacancies to a new 12 year low of 4.3% (mass residential vacancy even lower at 3.8%). Even though more supply is projected for 2010 and 2011 (averaging 12.6k units pa), this will only take supply to ~60% of the 10-year historical average.

Declining residential vacancy and increasing price growth go hand in hand in Hong Kong as noted in the following chart. With vacancy expected to stay low, interest rates expected to stay low and ongoing demand from Mainland buyers we expect to see continued asset price inflation.

Fig 5 HK – Residential occupancy rate vs residential price index



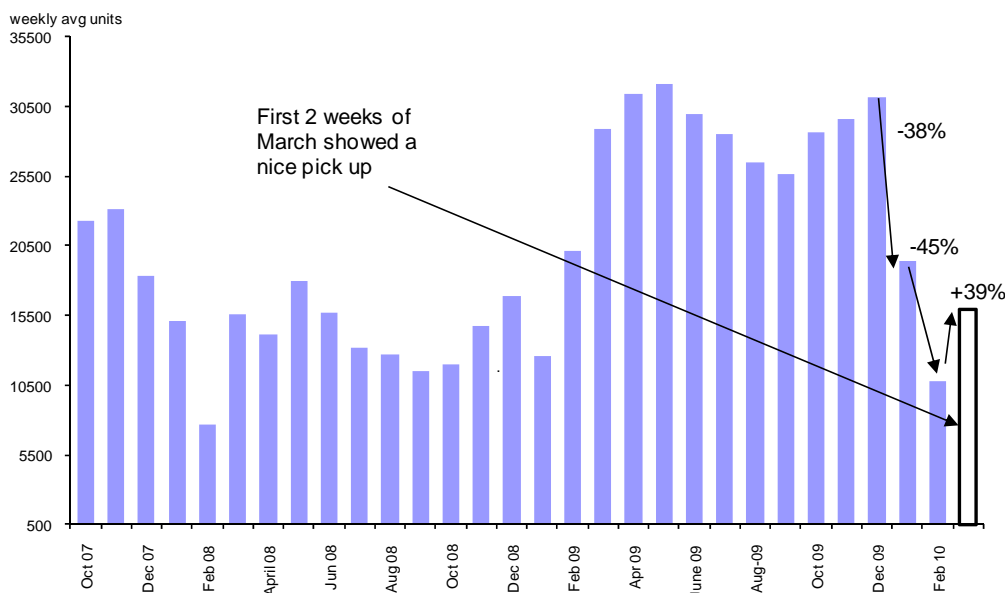
Source: Rating and Valuation Department, Macquarie Research, April 2010

The HK developers are trading at a 20% discount to NAV, 17.5x 2010 PER and 1.2x P/B. This does not appear demanding given the overall thematic and where global property stocks are priced.

China volumes bounce back

The last quarter has seen a significant fall in residential volumes across China as various administrative measures have had an effect. However, from here it appears that the marginal change may be positive with our Head China Economist hinting at a softening of the current semi-tightening stance. Of all the markets we cover, it is perhaps China where the macro outlook is most important in determining the outlook for the property market.

Fig 6 March volumes bounce back across China...(first 2 weeks)



Source: Bloomberg, Macquarie Research, April 2010

Paul Cavey recently wrote that Beijing always favours administrative measures, but these tend to be heavy-handed. The uncertainty they have introduced into the outlook has left us more concerned about downside risks going into 2H10. More specifically:

- **Growth.** The first quarter GDP release in April will reveal super-strong rates of growth. But this should be as good as it gets. The base effect will become more challenging from here, and the restrictions on credit growth and property should slow economic momentum into 2H10.

- **CPI.** We expect CPI inflation to peak at around 4.5% YoY in July. But this will mainly be the result of a base effect. Food prices have fallen since CNY, and the relative softness of asset markets so far this year suggests to us that Beijing is having some success in controlling inflationary expectations.
- **PPI.** There is more sign of inflation at the PPI level, but if anything, this should be self-correcting. China's control of the volume of loans means higher prices actually squeeze liquidity. This is what happened in 1H08, when in nominal terms loan growth was steady, but in real terms slowed a lot.
- **Policy.** There are still upside risks, as unused loans from last year are spent. This dynamic is probably what is boosting land prices in Beijing. Still, we continue to think that as long as policy is having some impact, the risk of further policy changes become more balanced.

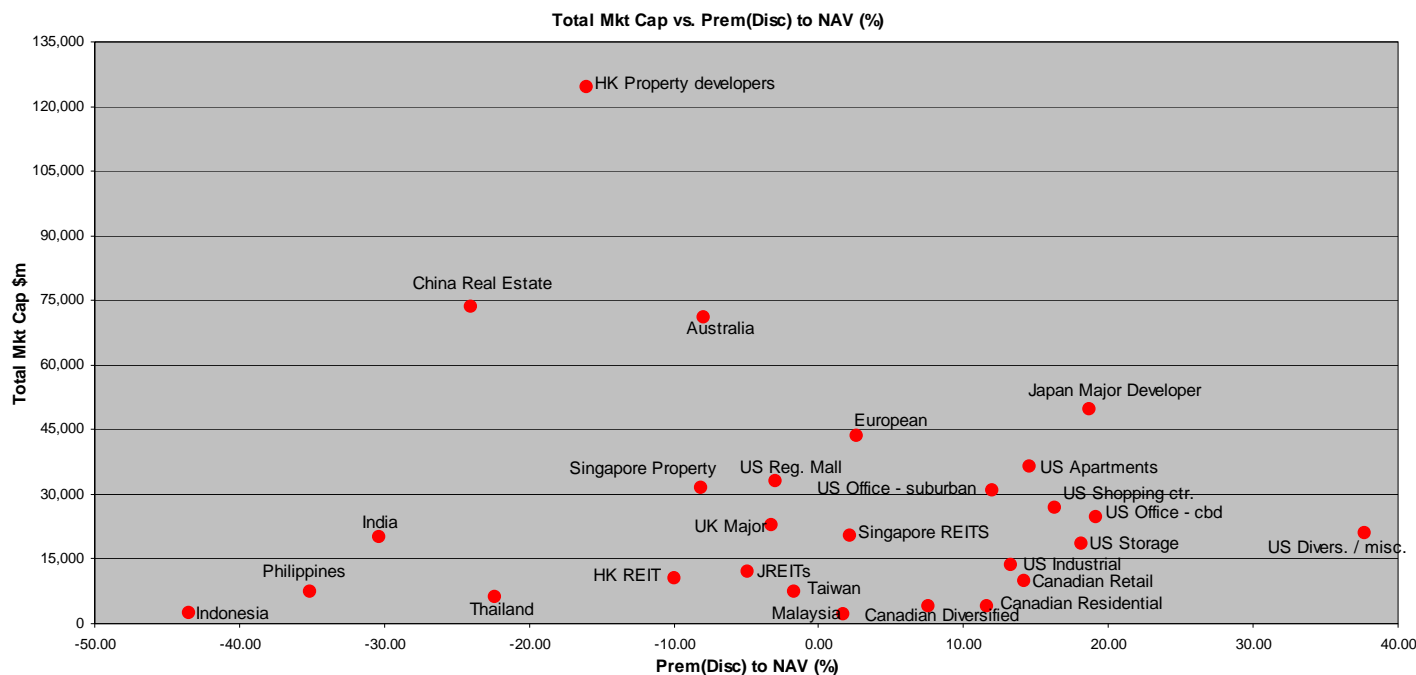
Asset markets should tell us a great deal about where policy goes next. Our tracking shows that in Beijing at least property sales have picked up in the last couple of weeks, with secondary market transactions bouncing particularly strongly.

China property stocks look very reasonably valued at 20–30% discount to NAV and 14x FY10 PER with even better value lying outside the large SOEs.

Section 3: Global valuations

We have taken the weighted-average valuation metrics of our regional analysts to show where the sub-sectors are trading on a global perspective. Clearly, there are some regional differences in methodology and relevance as the primary valuation tool, but our objective is to enable global comparisons.

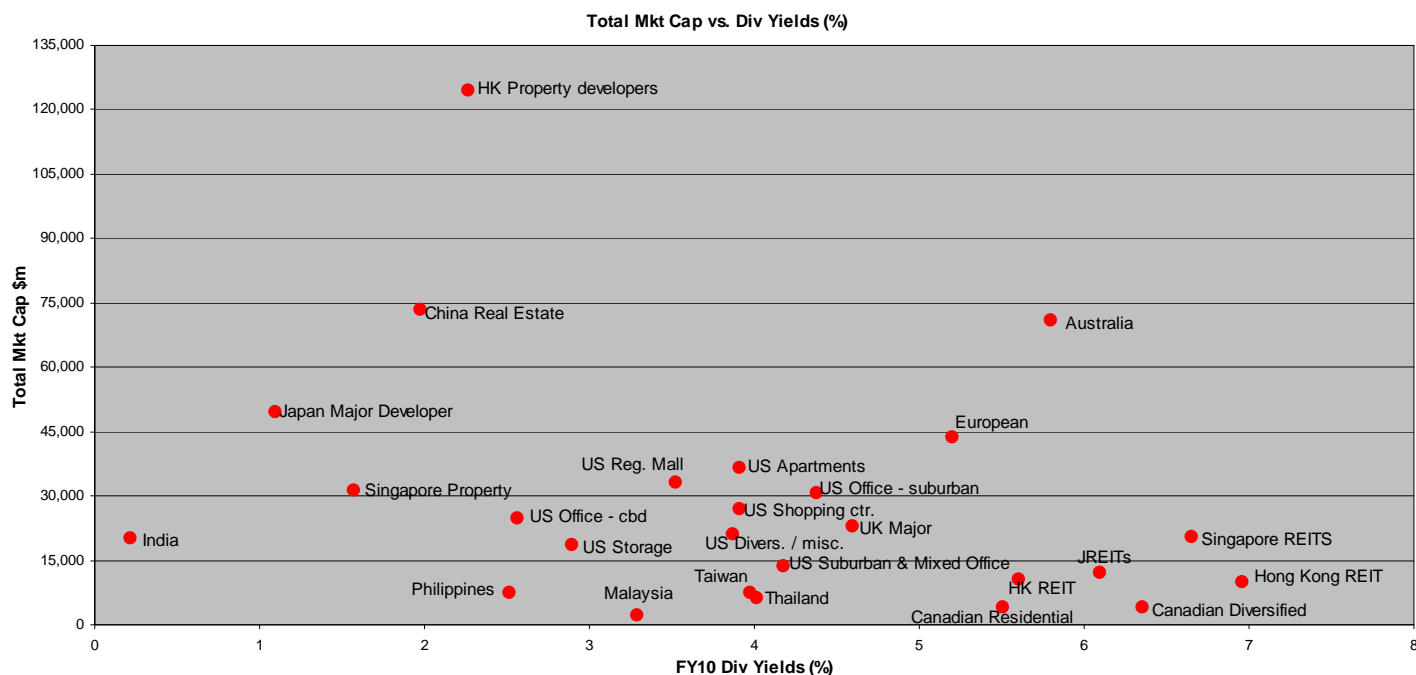
Fig 8 Global discount to NAV (%) and market capitalisation



Note: Data as of 1 April 2010.

Source: Bloomberg, Macquarie Research, April 2010

Fig 9 Dividend yield % and market capitalisation

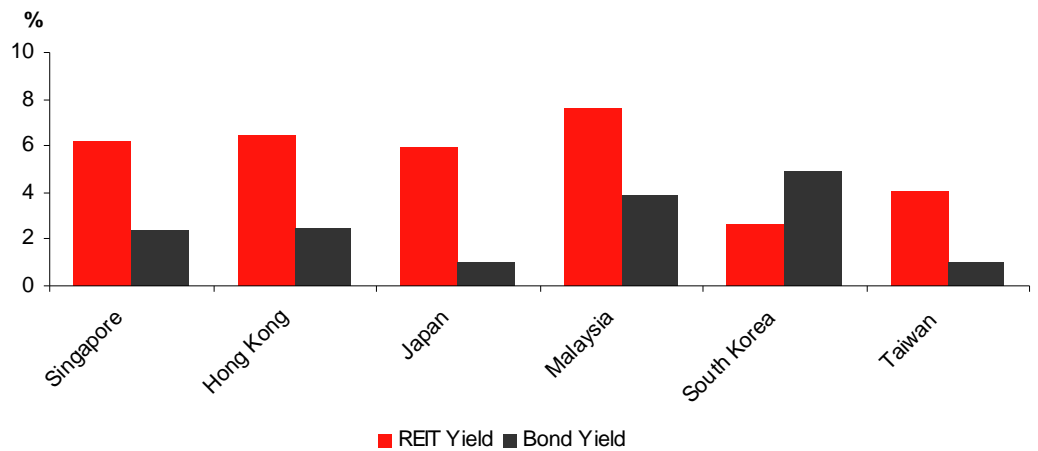


Note: Data as of 1 April 2010.

Source: Bloomberg, Macquarie Research, April 2010

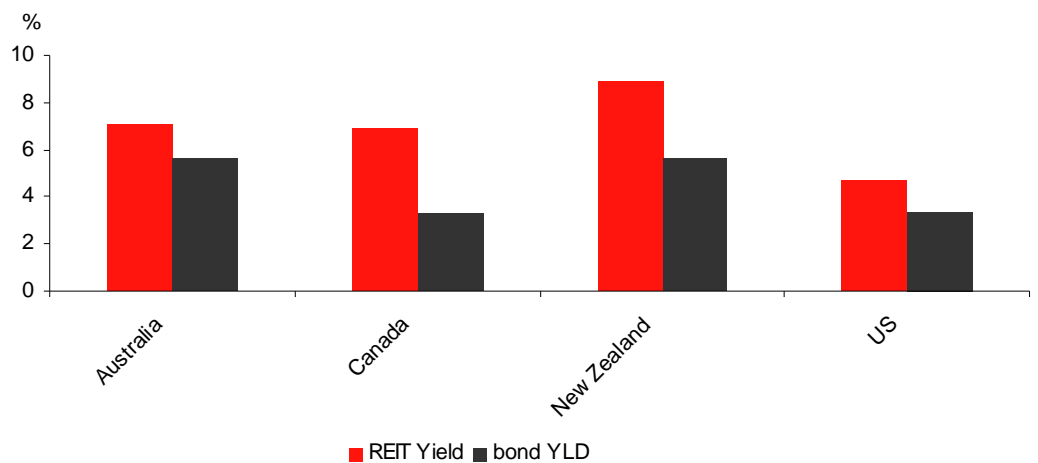
Global REITs – Valuations

Fig 10 Relative yields: Asia (largest REITs unweighted average)



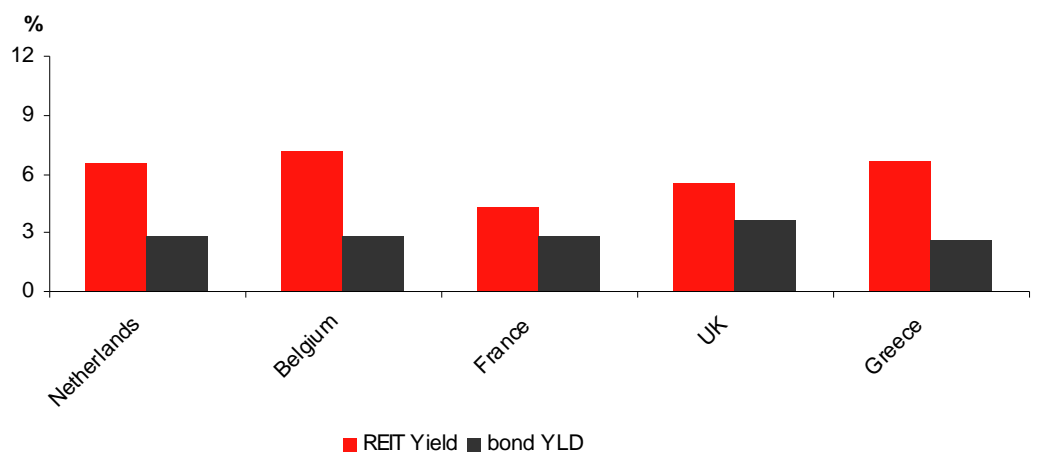
Source: Bloomberg, Macquarie Research, April 2010

Fig 11 Relative yields: North America and Oceania (largest REITs unweighted average)



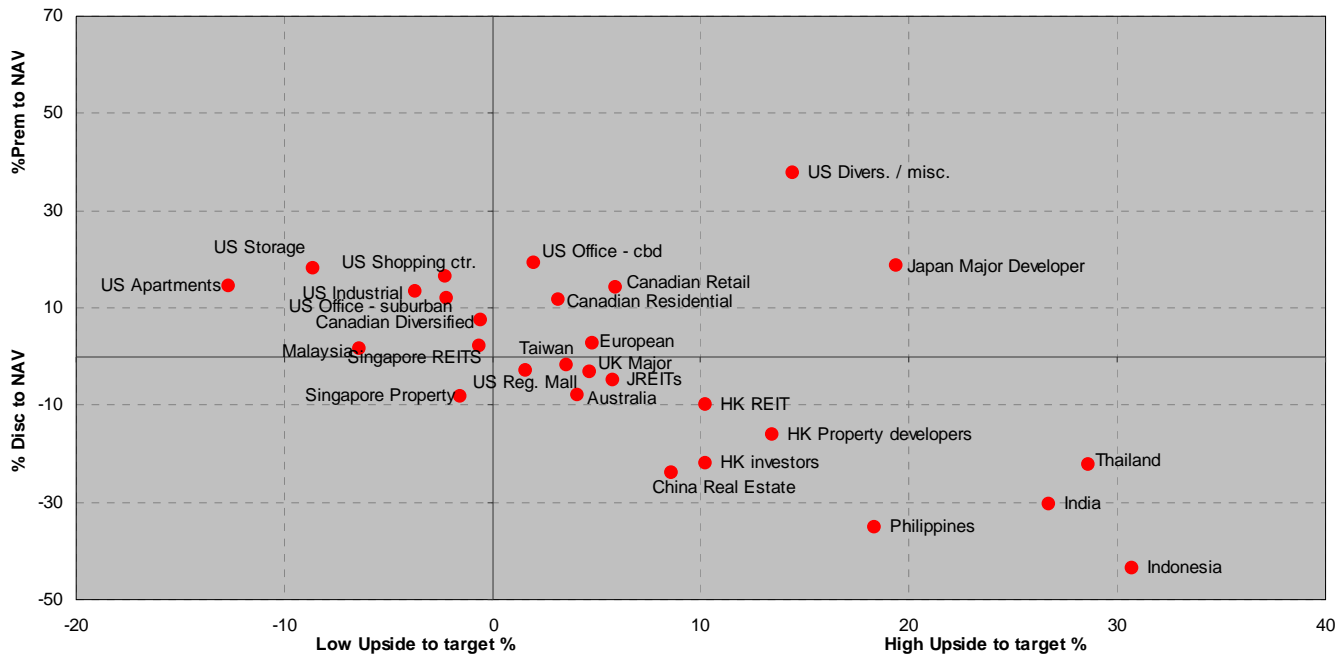
Source: Bloomberg, Macquarie Research, April 2010

Fig 12 Relative yields: Europe (largest REITs unweighted average)



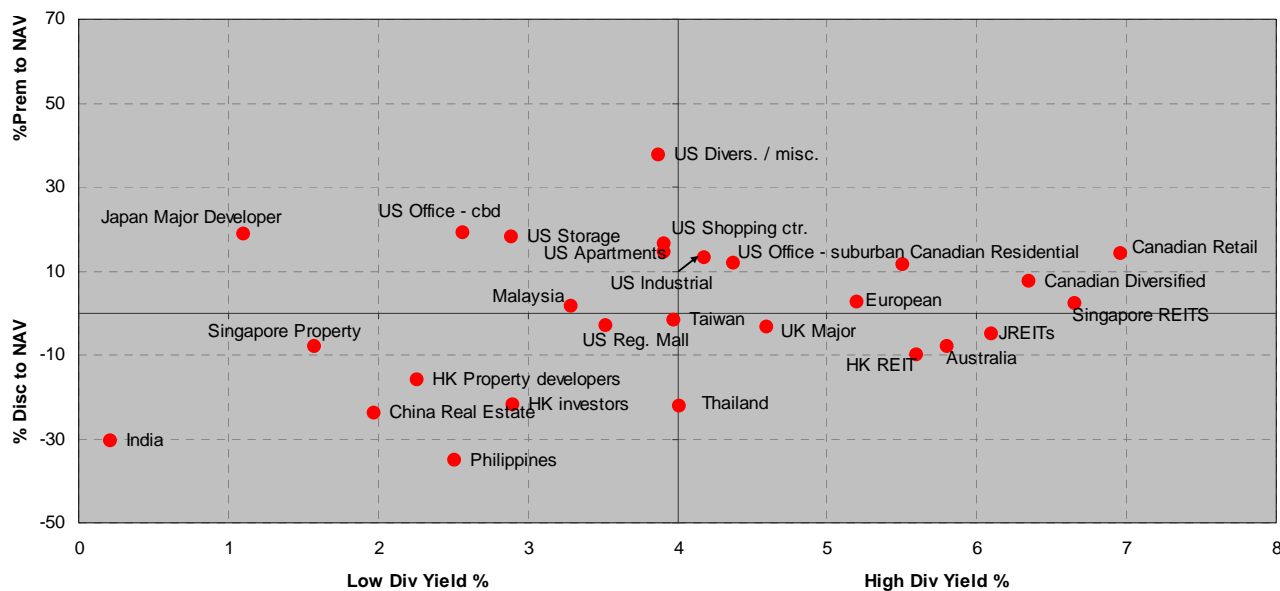
Source: Bloomberg, Macquarie Research, April 2010

Fig 13 Regional upside to target % vs. Prem (Disc) to NAV



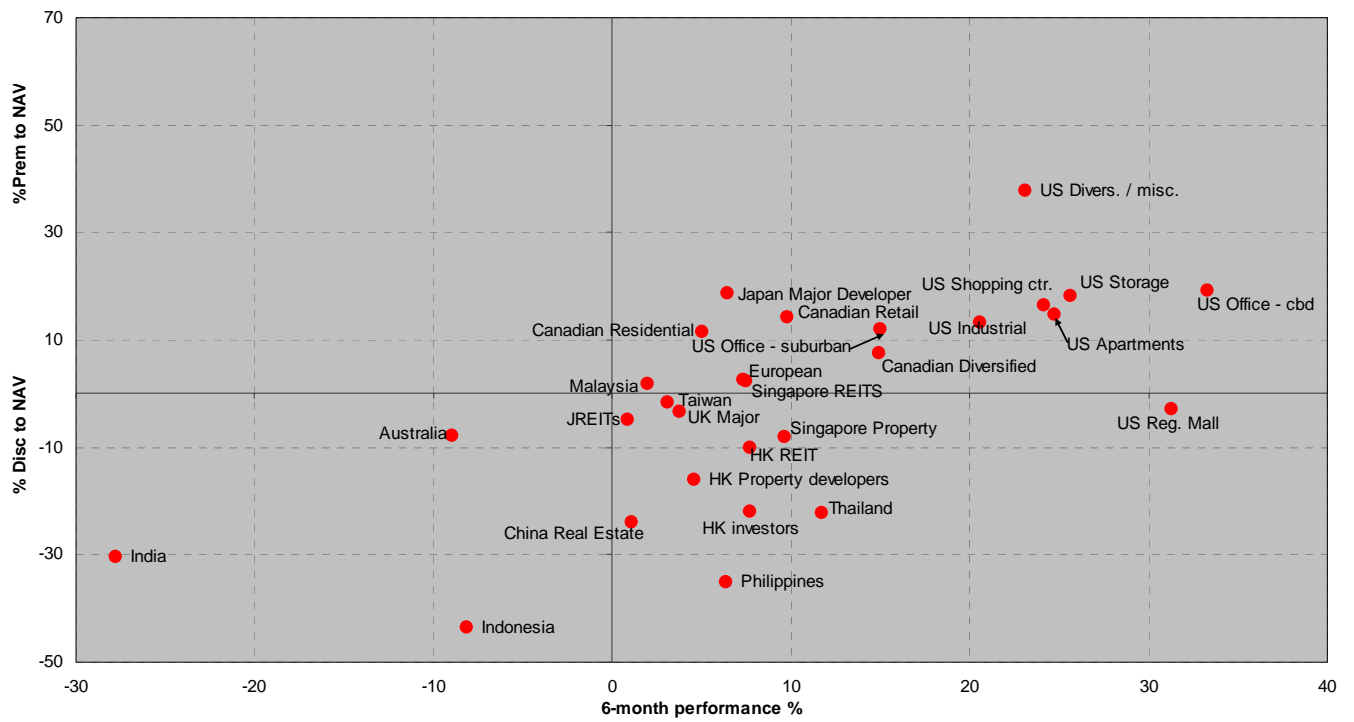
Source: Bloomberg, Macquarie Research, March 2010

Fig 14 Discount to NAV% vs. Div yields %



Source: Bloomberg, Macquarie Research, March 2010

Fig 15 Regional 6-month performance% vs Prem (Disc) to NAV

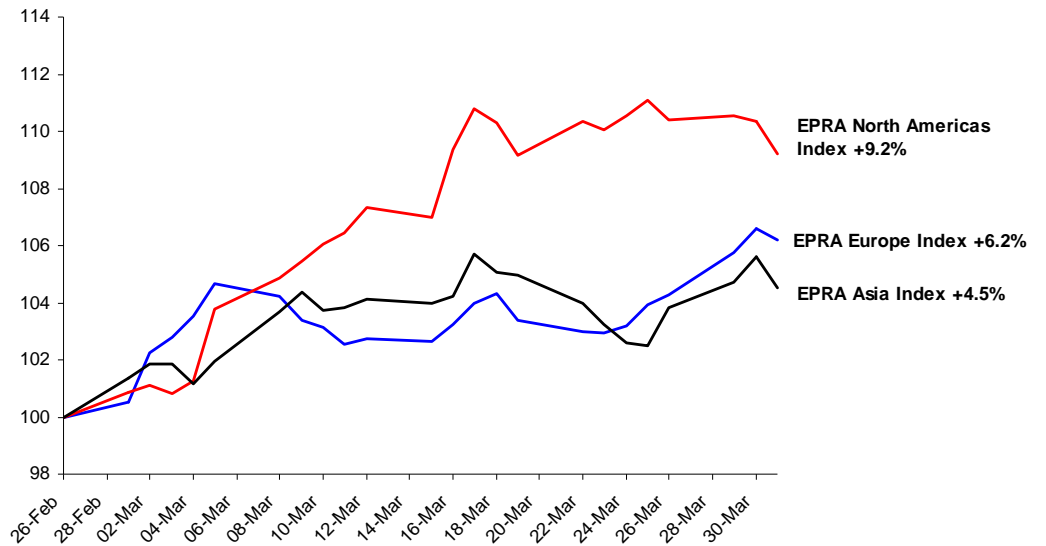


Source: Bloomberg, Macquarie Research, March 2010

Section 4: Key trends in March

North America again the strongest market in March ...

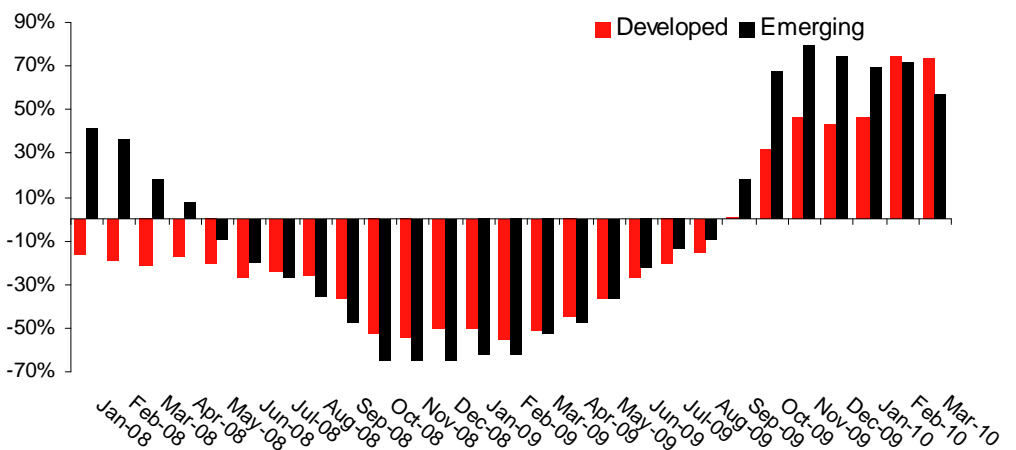
Fig 16 Regional EPRA Indices 1-month performance (%)



Source: EPRA, Bloomberg, Macquarie Research, April 2010

... rolling 12-month returns were higher for developed rather than emerging markets for the second month running

Fig 17 Rolling 12-month returns

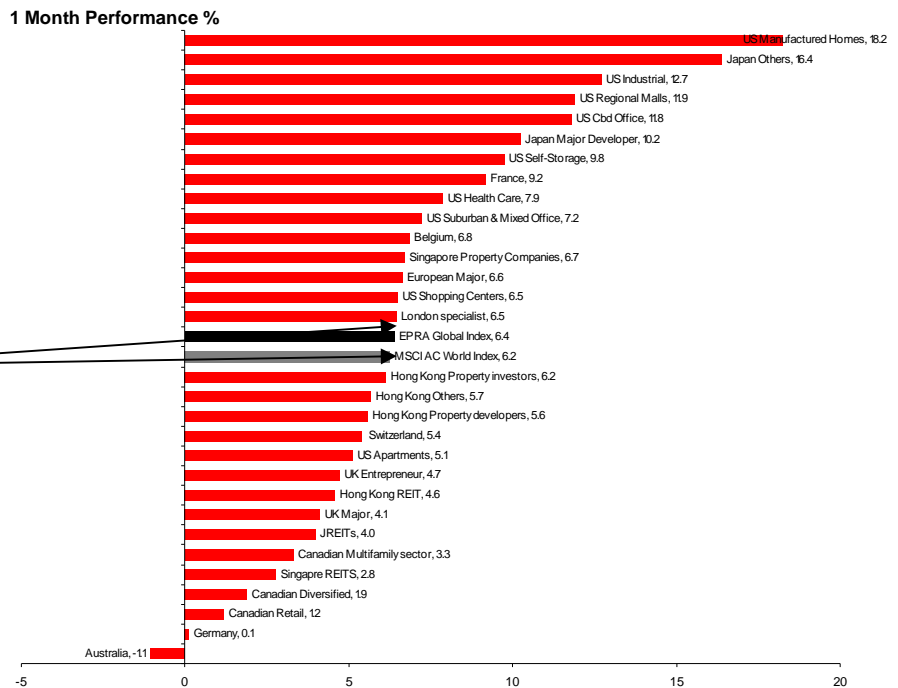


Source: Bloomberg, Macquarie Research, April 2010

In terms of subsectors under coverage, only Australia was in negative territory this month

Fig 18 1-month performance of stocks under coverage (%)

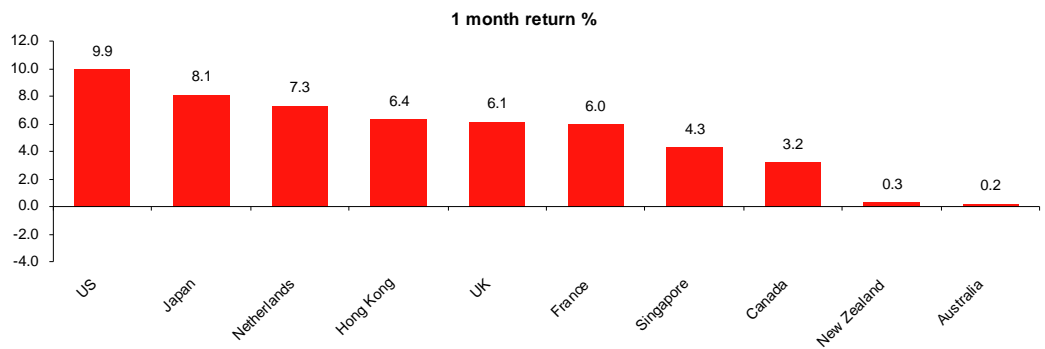
Overall the sector marginally outperformed



Note: Data as of 1 April 2010.
Source: Bloomberg, Macquarie Research, April 2010

Using our database of 2,000-plus stocks, all the developed markets were in positive territory

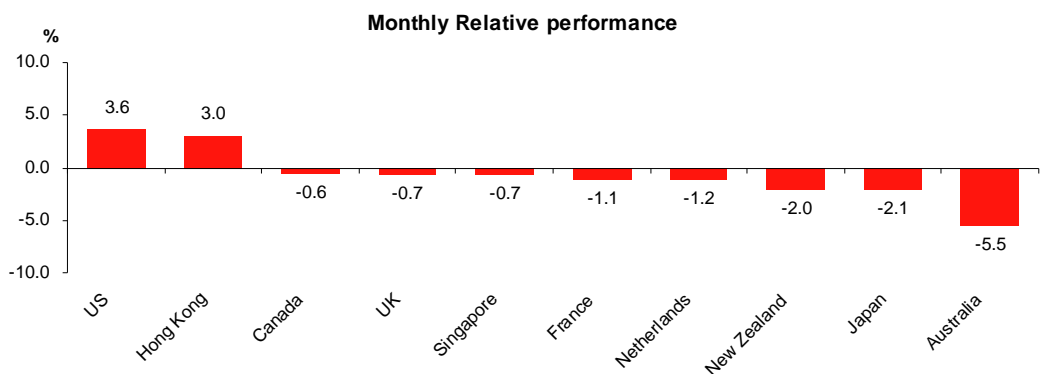
Fig 19 Leading market returns from all companies in our database– March 2010



Source: Bloomberg, Macquarie Research, April 2010

US REITs also led the way in terms of outperformance relative to the local equity market

Fig 20 Leading market monthly relative performance – March 2010



Source: Bloomberg, Macquarie Research, April 2010

Secondary Issues

Fig 21 Global secondary issues, March 2010

The key feature of March was the equity issues in Americas and Europe, which accounted for 43% and 37% respectively

Secondary issues	Listing country	Structure	Size of issue £m	Market cap. £m 31 March 2010
Asia			253	1,759
Asia Developed			253	1,759
Mori Hills REIT Investment Corp	Japan	REIT	136	327
CapitaCommercial Trust (convertible bonds)	Singapore	REIT	117	1,431
Asia Emerging			0	0
Americas			817	9,370
Americas Developed			761	9,133
Lexington Realty Trust	US	REIT	40	523
Hersha Hospitality Trust	US	REIT	79	373
HRPT Properties Trust	US	REIT	143	1,300
First Potomac Realty Trust	US	REIT	53	359
ProLogis (convertible bonds)	US	REIT	301	4,121
Equity One Inc	US	REIT	50	1,150
LaSalle Hotel Properties	US	REIT	66	1,071
Killam Properties Inc	Canada	PropCo	29	237
Americas Emerging			56	237
Helbor Empreendimentos SA	Brazil	PropCo	56	237
Europe			702	4,545
Europe Developed			702	4,545
Corio NV	Netherlands	REIT	540	3,950
Jeudan A/S	Denmark	PropCo	118	380
DIC Asset AG	Germany	PropCo	43	202
Eatonfield Group PLC	UK	PropCo	0.1	6
Oak Holdings PLC	UK	PropCo	2	5
Europe Emerging			0	0
Oceania			126	517
Oceania Developed			126	517
Charter Hall Group	Australia	REIT	126	517
Middle East & Africa			0	0
Middle East & Africa Emerging			0	0
Total			1,898	16,190

Source: Bloomberg, Macquarie Research, April 2010

IPOs

A quiet month for IPOs

We are aware of two IPOs since the beginning of March 2010.

Fig 22 Global IPOs

Secondary issues	Listing country	Structure	Size of issue £m	Market cap. £m 31 March 2010
Americas			114	117
Americas Developed			114	117
NorthWest Healthcare Properties REIT	Canada	REIT	114	117
Americas Emerging				
Europe			175	179
Europe Developed			175	179
Metric Property Investments PLC	UK	REIT	175	179
Total			289	296

Source: Bloomberg, Macquarie Research, April 2010

Bond Issues

Fig 23 New bond issues announced since the beginning of March 2010

With ProLogis announcing the largest bond issue

Issue Date	Company Name	Country	Issuer Currency	Coupon	Size of Issue (£m)	Spread at Issue	Benchmark Yield	Gov
05/03/2010	Mitsui Fudosan Co Ltd	Japan	JPY	1.49	70	17	1.36	
11/03/2010	Unibail-Rodamco SE	France	EUR	3.38	441	136	2.22	
11/03/2010	Japan Excellent Inc	Japan	JPY	1.52	84	NA	0.39	
12/03/2010	Japan Prime Realty Invest	Japan	JPY	1.68	42	NA	0.54	
16/03/2010	ProLogis	US	USD	6.88	527	320	3.97	
16/03/2010	ProLogis	US	USD	6.25	198	320	3.41	
19/03/2010	Mirvac Group	Australia	AUD	8.25	91	NA	NA	
26/03/2010	Ascendas REIT	Singapore	SGD	1.6	142	NA	2.41	
26/03/2010	Vornado Realty Trust	US	USD	4.25	329	188	2.72	
01/04/2010	PSP Swiss Property AG	Switzerland	CHF	1.88	154	NA	0.76	
	Total				2,078			

Source: Bloomberg, Macquarie Research, April 2010

Capital raising summary since Jan 2009

As a region Australia has recapitalised the most in relative terms

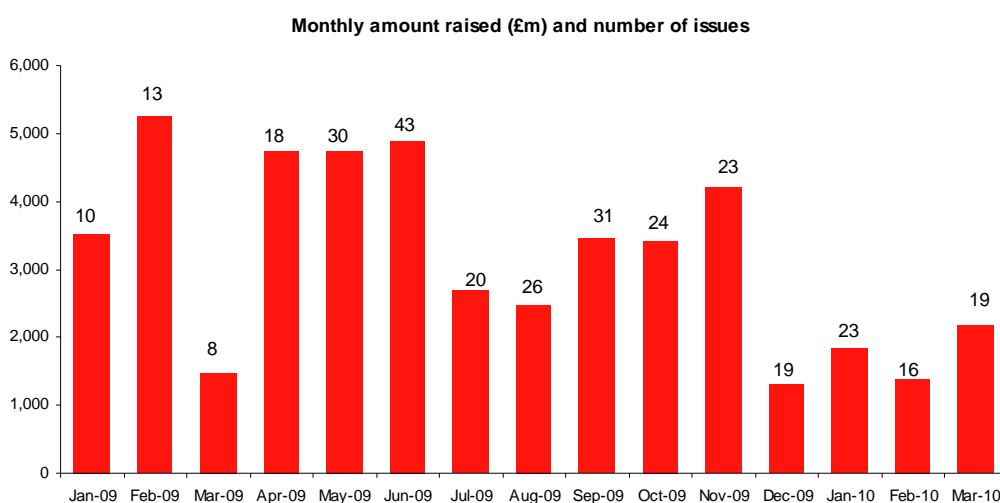
Fig 24 Equity issues since the beginning of January 2009

Region	Secondary Issues(£m)	IPOs(£m)	Total Equity Issues(£m)	Bond issues(£m)	Total raised(£m)	Market Cap(£m)	% of Total Mkt Cap
Asia	8,103	4,419	12,522	3,911	16,433	496,278	3.31%
Oceania	6,911		6,911	2,324	9,236	52,787	17.50%
Europe	10,053	520	10,573	2,116	12,689	157,080	8.08%
Americas	15,081	2,381	17,462	10,370	27,832	292,940	9.50%
Total	40,149	7,320	47,469	18,721	66,190	1,071,271	6.18%

Source: Bloomberg, Macquarie Research, April 2010. Note: Data as of 31 March 2010.

Fig 25 Monthly equity issues since the beginning of January 2009

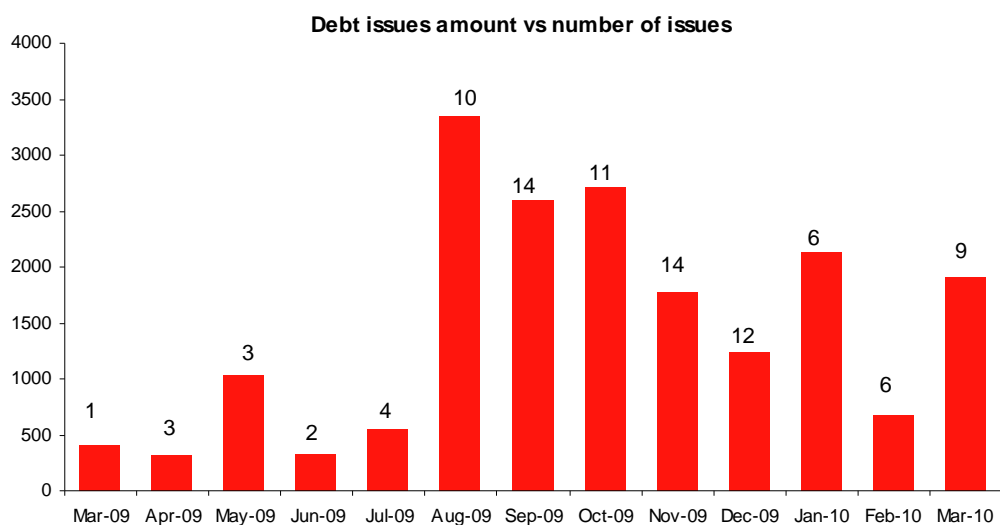
At least £1bn raised in equity each month since the beginning of 09



Source: Bloomberg, Macquarie Research, April 2010. Note: Data as of 31 March 2010.

Fig 26 Monthly debt issues for 2009

Debt issuance has picked up considerably since the last summer as the market re-opened



Source: Bloomberg, Macquarie Research, April 2010. Note: Data as of 31 March 2010.

Section 5: Forthcoming Macquarie events

Fig 27 Forthcoming events

Forthcoming NDRs			
Country	Company	Visiting	Date
Hong Kong	Richfield Group Holdings	Hong Kong	08 Apr
Hong Kong	Powerlong Real Estate	Hong Kong	12-13 Apr
Singapore	ALAM SUTERA NDR	Singapore	15-16 Apr
Singapore	CapitaMall Trust Mgt Luncheon	Singapore	21 Apr
Hong Kong	Supalai	Hong Kong	22 Apr
Australia	CapitaMalls Asia Sydney NDR	Australia	29 Apr
US	Equity One	US	10 May
Hong Kong /Singapore	AIMS AMP Capital Industrial REIT	Hong Kong /Singapore	13 May
Japan	Mitsui Fudosan	Japan	21 May
Conferences			
Hong Kong/China Conference			
Hong Kong		Hong Kong	26-30 April
Australia Conference			
Australia		Sydney	5-7 May
Property and Banks Day Hammerson presentation			
		London	16 th May
Global Property Conference			
		Hong Kong, New York and Tokyo	29 th Nov – 7 th Dec
Analyst visits			
Country	Analyst	Visiting	Date
US	US REIT team	Midwest	13 th -15 th April
US	US REIT team	NY/CT	19 th -20 th April
US	Michael Levy	Mid Atlantic	14 th -17 th May
Australia	Matt Nacard/Paul Checchin	Hong Kong/Singapore	6 th -9 th April

Source: Macquarie Research, April 2010

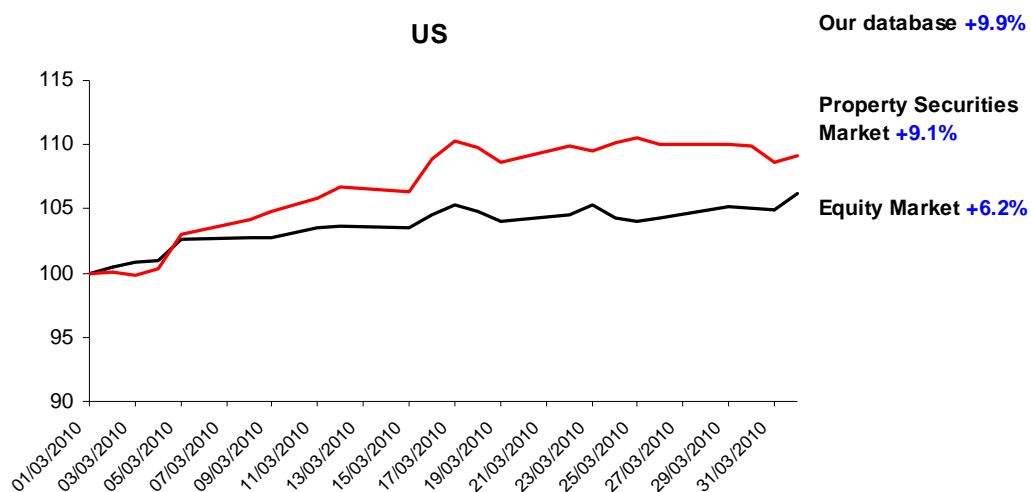
Section 6: Regional outlook

NORTH AMERICAS

US

US REITs outperformed significantly in March with the strongest March in the history of the Index

Fig 28 Property market vs equity market



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Property Market

After posting the strongest February performance in the 15 years of the MSCI US REIT Index (RMZ), US REITs followed that up with the strongest March performance in the history of the index, with the group up 10.1% (versus 5.9% for the S&P 500). These last two months pushed the RMZ to its third best quarterly performance in the index's history.

With 4Q09 earnings finished, the month was dominated by several conferences, as well as the ongoing battle for control over General Growth Properties (GGP). While 2010 GDP growth expectations continue to increase (consensus is currently 3.0% versus 2.6% in January), those same economists continue to paint a less optimistic picture for unemployment, which is expected to remain above 9%, despite this being an election year. Given this backdrop, we wonder if we'll see the traditional March/April improvement in apartment operating fundamentals, and to what extent fundamentals continue to improve/deteriorate at the margins for the retail, industrial, and office REITs.

With the run in the stock prices, we also remain surprised that there have not been more equity issuances to either fortify balance sheets or position certain REITs to take advantage of acquisition opportunities. While immediate use of proceeds is always an issue, we wonder if the next 5%+ pull-back in prices will trigger a wave of issuance activity.

Asset transactions in March were spread fairly evenly across the major asset classes; although there were a few more retail transactions of note relative to the last few months driven by Blackstone's acquisition of two mall properties from Glimcher. On the office side, Beacon Capital Partners sold a 30 year old 600,000 sq ft property in Bellevue, WA for \$500/sq ft and Citigroup sold a relatively new 225,000 sq ft building in Queens, NY for \$689/sq ft.

During the month, two apartment assets sold at prices greater than US\$125m (excluding the bulk sale of condos at Trump Towers in Miami, FL), including Equity Residential's purchase of The Dumont in Washington DC (US\$167m or US\$303K per unit) and Essex Property's purchase of Skyline at MacArthur in Santa Ana, CA (US\$128m or US\$366K per unit) according to Real Capital Analytics.

On the hotel side, the Helmsley Carlton House (US\$170m or US\$1.08m per room), the Hyatt Regency Boston (US\$112m or US\$225K per room), and the Four Seasons San Francisco (US\$108m or US\$390K per room) headlined the month.

Capital Markets

March was a mixed bag in terms of REIT capital raising in the US, with an eclectic group of equity and debt offerings. On the equity side, the most notable deals were the US\$250m issuance by HRPT Properties Trust, the US\$117m issuance by Hersha Hospitality, the US\$114m issuance by LaSalle Hotel Properties, and the US\$99m issuance by Equity One. After only four deals totalling US\$750m in February, REIT unsecured debt offerings picked up significantly, but not as much as we had expected. While there were only seven REIT offerings in March, issuance totalled US\$2.7bn with both ProLogis and Vornado pricing US\$500m+ of notes. And this does not include US\$460m in convertible notes issued by PLD. The VNO issuance is of particular note, with the company issuing US\$500m of 5-year notes at 4.25%.

Capital Market Issuance

Fig 29 US – Secondary issues since the beginning of Mar 2010

Company		Total issue amount (£)	732	Market cap (£m)
Lexington Realty Trust	US	REIT	40	523
Hersha Hospitality Trust	US	REIT	79	373
HRPT Properties Trust	US	REIT	143	1,300
First Potomac Realty Trust	US	REIT	53	359
ProLogis (convertible bonds)	US	REIT	301	4,121
Equity One Inc	US	REIT	50	1,150
LaSalle Hotel Properties	US	REIT	66	1,071

Source: Bloomberg, Macquarie Research, April 2010

Fig 30 US– New bond issues since the beginning of Mar 2010

Issue Date	Company Name	Country	Issuer Currency	Coupon	Size of Issue (£m)	Spread at Issue	Gov Benchmark Yield
16/03/2010	ProLogis	US	USD	6.88	527	320	3.97
16/03/2010	ProLogis	US	USD	6.25	198	320	3.41
26/03/2010	Vornado Realty Trust	US	USD	4.25	329	188	2.72
Total					1,054		

Source: Bloomberg, Macquarie Research, April 2010

Recommendations and valuations

US REITs are currently trading at roughly a 23% premium to NAV and a 15.3x multiple on 2010 funds from operations (FFO). The current 3.9% dividend yield also remains at the low-end of its historic range, right in line with the 10-Year Treasury yield.

Recommendations and Valuations

Given the expensive valuations of the “blue chip” names, we continue to have a “value” bias among our US REIT top picks. We remain Overweight the Industrial and Storage subsectors, with DRE and EXR our favourite names, respectively. We also like CBL because of its discounted valuation and potential earnings upside from acquisitions and favour data center owner DFT based on its potential earnings growth over the next few years from development.

Fig 31 US – Valuation summary

BB Code	Prem(Dis c) to NAV %	Div Yield (2010)	Total Mkt Cap US\$m
US Apartments	14.59	3.91	36,596
US Industrial	13.30	4.18	13,732
US Divers. / misc.	37.75	3.87	20,946
US Storage	18.12	2.89	18,535
US Office - cbd	19.16	2.57	24,659
US Office - suburban	11.96	4.38	30,748
US Reg. Mall	-2.99	3.53	33,048
US Shopping ctr.	16.35	3.91	26,988

Source: Macquarie Research, April 2010

Top Picks

CBL Associates (CBL) – A modest valuation plus the recent dividend increase, coupled with potential upside earnings surprises later in 2010 if the company is able to beat low operating expectations and/or source value-add acquisitions underpins our Outperform recommendation on CBL.

Duke Realty (DRE) – The industrial sector continues to be our favourite among the major REIT asset classes. DRE is our preferred name within that group as the shares trade at a very deep discount to peers, and offer attractive earnings upside as guidance was set at unlikely low levels, in our opinion.

DuPont Fabros Technology (DFT) – While Neutral on the office REITs largely due to valuation, we see value in data center owner DFT given that demand for space is driven by internet traffic rather than job growth. The company’s sizeable development pipeline (in relation to its size) should drive significant external growth over the next few years.

Extra Space Storage (EXR) – We continue to believe that earnings will recover more quickly in self-storage than most of the other REIT property types, and EXR is our top play in this group owing to its moderate valuation and potential operating upside.

Fig 32 Sector dividend yield vs bond yield, 12 months to March 2010 – US

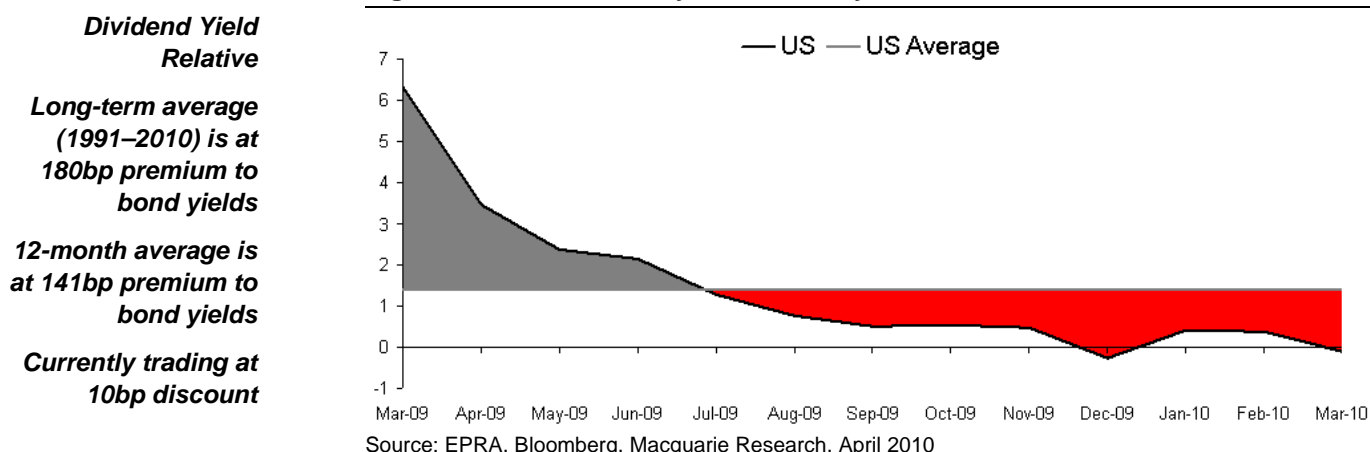


Fig 33 One-month best performers (market cap over £1bn)–US –EPRA US =+9.5%

Best performing stocks over the month with more than £1bn market cap in our database

Stock Code	Company Name	Structure	1 Month Return %	Market Cap £m
HST US Equity	Host Hotels & Resorts Inc	REIT	25.2	6,299
GGP US Equity	General Growth Properties Inc	REIT	22.7	3,361
PDM US Equity	Piedmont Office Realty Trust Inc	REIT	20.6	2,233
HOT US Equity	Starwood Hotels & Resorts Worldwide Inc	Non REIT	20.5	5,736
LHO US Equity	LaSalle Hotel Properties	REIT	20.1	1,071
FCE/A US Equity	Forest City Enterprises Inc	Non REIT	20.1	1,483
CBG US Equity	CB Richard Ellis Group Inc	Non REIT	20.1	3,358
JOE US Equity	The St. Joe Company	Non REIT	17.6	1,971
CBL US Equity	CBL & Associates Properties Inc	REIT	16.9	1,244
VNO US Equity	Vornado Realty Trust	REIT	15.2	9,030

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 34 One-year best performers (market cap over £1bn)– US –EPRA US =+101.7%

Best performing stocks over 12 months >£1bn in our database

Stock Code	Company Name	Structure	1year Return %	Market Cap £m
GGP US Equity	General Growth Properties Inc	REIT	2209.5	3,361
MAC US Equity	The Macerich Company	REIT	567.1	2,473
CBL US Equity	CBL & Associates Properties Inc	REIT	506.6	1,244
DDR US Equity	Developers Diversified Realty Corp	REIT	499.9	2,000
SLG US Equity	SL Green Realty Corp	REIT	435.8	2,934
BDN US Equity	Brandywine Realty Trust	REIT	365.0	1,034
CSE US Equity	CapitalSource Inc	REIT	362.2	1,188
FCE/A US Equity	Forest City Enterprises Inc	Non REIT	300.3	1,483
LHO US Equity	LaSalle Hotel Properties	REIT	299.9	1,071
CBG US Equity	CB Richard Ellis Group Inc	Non REIT	293.3	3,358

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 35 US regional malls recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
US	SPG US	Simon Property Group	REIT	USD	85.2	Neutral	24,347	2.82	DCF	Dave Wigginton
US	MAC US	The Macerich Company	REIT	USD	38.9	Neutral	3,762	6.17	DCF	Dave Wigginton
US	TCO US	Taubman Centers	REIT	USD	40.5	Underperform	2,198	4.10	DCF	Dave Wigginton
US	CBL US	CBL & Associates Properties	REIT	USD	14.1	Outperform	1,949	5.67	DCF	Dave Wigginton
US	PEI US	Pennsylvania R.E.I.T.	REIT	USD	12.8	Outperform	569	4.69	DCF	Dave Wigginton

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 36 US shopping centers recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
US	KIM US	Kimco Realty Corporation	REIT	USD	16.0	Neutral	6,505	3.99	DCF	Dave Wigginton
US	FRT US	Federal Realty Inv. Trust	REIT	USD	72.9	Neutral	4,472	3.64	DCF	Dave Wigginton
US	DDR US	Developers Diversified Realty	REIT	USD	12.4	Outperform	3,098	6.45	DCF	Dave Wigginton
US	REG US	Regency Centers	REIT	USD	37.9	Underperform	3,090	4.89	DCF	Dave Wigginton
US	WRI US	Weingarten Realty Investors	REIT	USD	22.1	Underperform	2,659	4.70	DCF	Dave Wigginton
US	EQY US	Equity One	REIT	USD	19.3	Outperform	1,780	4.57	DCF	Dave Wigginton
US	SKT US	Tanger Factory Outlet Centers	REIT	USD	43.1	Neutral	1,741	3.61	DCF	Dave Wigginton
US	IRC US	Inland Real Estate	REIT	USD	9.4	Neutral	804	6.06	DCF	Dave Wigginton
US	AKR US	Acadia Realty Trust	REIT	USD	18.1	Outperform	726	3.98	DCF	Dave Wigginton

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 37 US apartments recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
US	EQR US	Equity Residential	REIT	USD	39.5	Underperform	11,132	3.55	DCF/DDM/rel. impl. cap rate	Michael Levy
US	AVB US	AvalonBay Communities	REIT	USD	87.0	Underperform	7,094	4.21	DCF/DDM/implied cap rate	Michael Levy
US	UDR US	UDR	REIT	USD	17.9	Neutral	2,798	4.02	DCF/DDM/rel. value	Michael Levy
US	CPT US	Camden Property Trust	REIT	USD	42.4	Neutral	2,735	4.41	DCM & DCF valuation	Michael Levy
US	ESS US	Essex Property Trust	REIT	USD	89.8	Underperform	2,591	4.68	DCF/DDM	Michael Levy
US	AIV US	AIMCO	REIT	USD	18.5	Outperform	2,171	2.98	DCF/DDM	Michael Levy
US	BRE US	BRE Properties	REIT	USD	36.4	Underperform	2,050	4.12	DCF/DDM	Michael Levy
US	HME US	Home Properties	REIT	USD	46.8	Outperform	1,638	4.95	DCF/DDM	Michael Levy
US	MAA US	Mid-America Apartment	REIT	USD	53.3	Neutral	1,556	4.74	DDM/DCF	Michael Levy
US	ACC US	American Campus Commu	REIT	USD	27.9	Neutral	1,461	5.03	DCF/DDM/impl. cap	Michael Levy
US	EDR US	Education Realty Trust	REIT	USD	5.8	Outperform	331	4.11	relative implied cap rate	Michael Levy

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 38 US self-storage recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
US	PSA US	Public Storage	REIT	USD	93.2	Neutral	15,806	2.79	DCF	Ki Bin Kim
US	EXR US	Extra Space Storage	REIT	USD	13.1	Outperform	1,133	3.83	DCF	Ki Bin Kim
US	SSS US	Sovran Self Storage	REIT	USD	35.3	Underperform	973	5.09	DCF	Ki Bin Kim
US	YSI US	U-Store-It Trust	REIT	USD	7.4	Outperform	686	2.84	DCF	Ki Bin Kim

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 39 US industrial recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
US	PLD US	ProLogis	REIT	USD	13.4	Neutral	6,373	4.46	DCF	Ki Bin Kim
US	AMB US	AMB Property	REIT	USD	27.8	Neutral	4,163	4.03	DCF	Ki Bin Kim
US	DCT US	DCT Industrial Trust	REIT	USD	5.3	Outperform	1,111	6.00	DCF	Ki Bin Kim
US	EGP US	EastGroup Properties	REIT	USD	38.6	Neutral	1,035	5.39	DCF	Ki Bin Kim
US	FR US	First Industrial Realty Trust	REIT	USD	7.9	Neutral	491	0.50	DCF	Ki Bin Kim

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 40 US Office – Suburban recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
US	LYR US	Liberty Property Trust	REIT	USD	34.2	Neutral	3,860	5.55	DCF	Ki Bin Kim
US	DRE US	Duke Realty	REIT	USD	12.7	Outperform	2,837	5.38	DCF	Ki Bin Kim
US	OFC US	Corporate Office Properties Trust	REIT	USD	41.1	Neutral	2,401	3.82	DCF	Robert Stevenson
US	HIW US	Highwoods Properties	REIT	USD	32.1	Neutral	2,285	5.29	DCF	Robert Stevenson
US	DFT US	DuPont Fabros Technology	REIT	USD	22.9	Outperform	1,539	1.40	DCF	Robert Stevenson

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 41 US CBD – Suburban recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
US	BXP US	Boston Properties	REIT	USD	76.2	Neutral	10,593	2.62	DCF	Robert Stevenson
US	SLG US	SL Green Realty	REIT	USD	57.1	Neutral	4,441	0.70	DCF	Robert Stevenson
US	DEI US	Douglas Emmett	REIT	USD	15.5	Outperform	1,890	2.57	DCF	Nicholas Yulico

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 42 Leading US corporate bond yields – March 2010

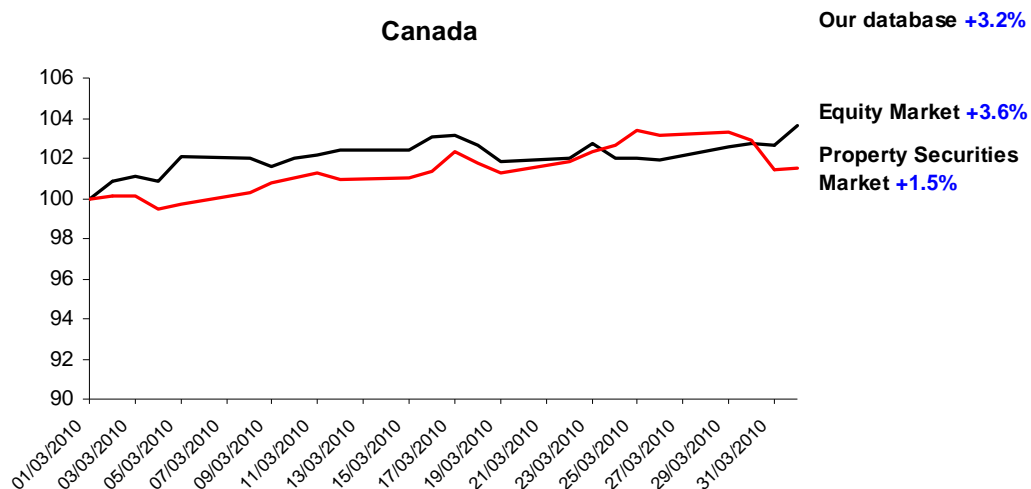
Country	Company name	Weighted bond yield %	Local 10yr bond yield %	Dividend yield %	Current mkt cap (£m)	Total outstanding amount (£m)	No. of issues	Lowest bond yield%	Highest bond yield %	Lowest coupon %	Highest coupon %	Earliest maturity	Latest maturity
US	Simon Property Group Inc	4.62	3.32	2.79	16,351	7,360	32	1.19	6.90	4.20	10.35	2010	2040
US	Prologis	5.05	3.32	4.32	4,310	3,844	17	2.55	6.99	1.88	9.34	2010	2038
US	Boston Properties Inc	3.83	3.32	2.59	7,039	2,773	7	1.94	5.38	2.88	6.25	2013	2037
US	Equity Residential	4.20	3.32	3.36	7,418	2,679	12	1.53	7.10	3.85	7.57	2011	2026
US	Host Hotels & Resorts Inc	5.53	3.32	0.26	6,463	2,624	8	2.20	7.04	2.63	10.00	2012	2027
US	HCP Inc	4.97	3.32	5.59	6,407	2,299	13	0.98	6.24	4.88	7.07	2010	2018
US	Duke Realty Corp	5.22	3.32	5.32	1,877	1,880	14	3.12	6.89	3.75	8.25	2011	2028
US	Kimco Realty Corp	4.36	3.32	3.97	4,281	1,595	18	1.37	6.72	4.62	7.95	2010	2019
US	Hospitality Properties Trust	5.52	3.32	7.26	2,004	1,446	9	2.00	6.83	3.80	9.13	2010	2027
US	HRPT Properties Trust	5.33	3.32	6.11	1,307	1,291	10	2.30	6.42	5.75	8.88	2010	2018
US	Developers Diversified Realty	5.13	3.32	0.64	2,056	1,104	9	1.37	7.77	3.00	9.63	2010	2018
US	Liberty Property Trust	4.77	3.32	5.48	2,559	1,096	7	2.50	7.12	5.13	7.50	2011	2018
US	AvalonBay Communities Inc	3.60	3.32	4.01	4,754	1,087	9	0.27	5.29	4.95	7.50	2010	2020
US	Brandywine Realty Trust	5.08	3.32	4.79	1,055	1,020	7	2.14	6.12	3.88	7.50	2010	2026

Source: Bloomberg, Macquarie Research, April 2010

Canada

Solid performance from Canadian real estate securities in March, but stocks under coverage underperformed the Canadian equity market

Fig 43 Property market vs Equity market



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Property Market

Signs of stability in Canada's office market. CB Richard Ellis (CBRE) indicated that the worst may be over in the majority of Canada's office markets, and it is expecting a slow but steady recovery in 2010 due to a positive employment outlook, and gradually improving leasing activities.

Positive signs in 1Q10 include: (1) sublet space as a percentage of vacant office space rose by a modest 110 bp YoY to 21.9%; (2) overall vacancy rate increased by only 20 bp QoQ to 10.1%.

On a regional basis, while **Vancouver's** office vacancy rose 300 bp YoY to 10.2% in 1Q10, most of the increased vacancy was in suburban markets. The downtown Vancouver office market has remained resilient as vacancy only rose by 180 bp to 6.0%. Downtown's sublease spaces are being absorbed and fewer subleases are appearing. Recall that Vancouver is known to be a hub for foreign and domestic investment activity. In **Calgary**, the office market continues to be affected by the decline in Alberta's natural gas sector. The vacancy rate in the city increased to 14.9% (up 700 bp YoY), and sublet space as a percentage of vacant space stood at 38.1%, the highest in the country. Office vacancy rates in **Edmonton**, rose to 10.6%, up 410 bp YoY. CBRE indicated that Edmonton's commercial real estate market is showing signs of slow but steady growth due to the stabilization of crude prices and renewed interest in numerous oil sands projects. In Toronto, office vacancy increased to 9.9%, up 190 bp YOY. CBRE expects the Toronto office sector to turn in to a tenant's market over the next several years. Due to the steady nature of its office market, **Ottawa** has continued to record the country's lowest vacancy rate at 5.4%, up only 30 bp YoY. However, CBRE expects continued softness in the market as the private sector downsizes its office space requirement post the economic downturn. Vacancy rates in **Montreal's** office market rose to 10.7% in the first quarter, up 190 bp YoY. The only new supply is from office space conversions (mainly from industrial space), and there were no major office towers developed in the downtown market during the last five years. Looking forward, CBRE expects conditions to improve in Montreal in 2Q and 3Q.

Ottawa industrial space is the costliest in North America. Cushman & Wakefield indicated that Ottawa's industrial market performed the best (in terms of rental growth) in North America in 2009. The industrial market in the city was not affected by the slowdown in manufacturing as it was mainly geared towards distribution and warehouse facilities. In addition, limited speculative development activities have kept supply levels low, and have enabled a 7% YoY rental growth to C\$7.91 per square foot in 2009. Total occupancy costs were C\$12.73 per square foot, placing Ottawa 14th on a global scale.

Positive outlook for retailers in the West. John Morison, the President and CEO of Primaris Retail REIT and the director of International Council of Shopping Centers, believes that Western Canada, especially Alberta, will lead the country in long-term growth as the demand for commodities from emerging markets will continue. In January 2010, Alberta recorded the slowest retail sales growth in the country at 1.5% YoY, significantly lower than 6.0% at the national level. However, the Conference Board of Canada forecasts sales to increase 1.3% to C\$56.1bn in 2010, and by a nation-leading 6.3% to C\$59.7bn in 2011.

Canadian housing prices defying gravity, much to the surprise of most economists.

According to various metrics, it is evident that house prices in Canada continue to increase. Canadian Real Estate Association reported that average price of existing home sales rose 19% YoY to C\$335,655 in February. This represents a similar YoY increase recorded in January of 20%. Statistics Canada's new housing price index rose 0.4% MoM in January, recording the same growth rate for the third consecutive month, and also represented the seventh straight monthly increase. Finally, according to Teranet-National Bank Composite House Price Index, overall house prices increased 1.2% MoM in December to a new record high in Canada. In addition, this represented an eight straight month of increase. Note that the index measures price changes for repeat sales of single-family homes in six metropolitan areas.

On the financing front, the country's two largest banks increased its residential mortgage rates on 29 March 2010.

The Royal Bank of Canada raised its five-year fixed mortgage rate by 60 bp to 5.85%, and TD Canada Trust followed suit with a similar increase to 5.85%. Looking forward, we expect the Bank of Canada to raise interest rates in the next three to six months. This will likely put upward pressure on the Canadian dollar and drive it towards parity with the US dollar.

**Capital Market
Issuance**

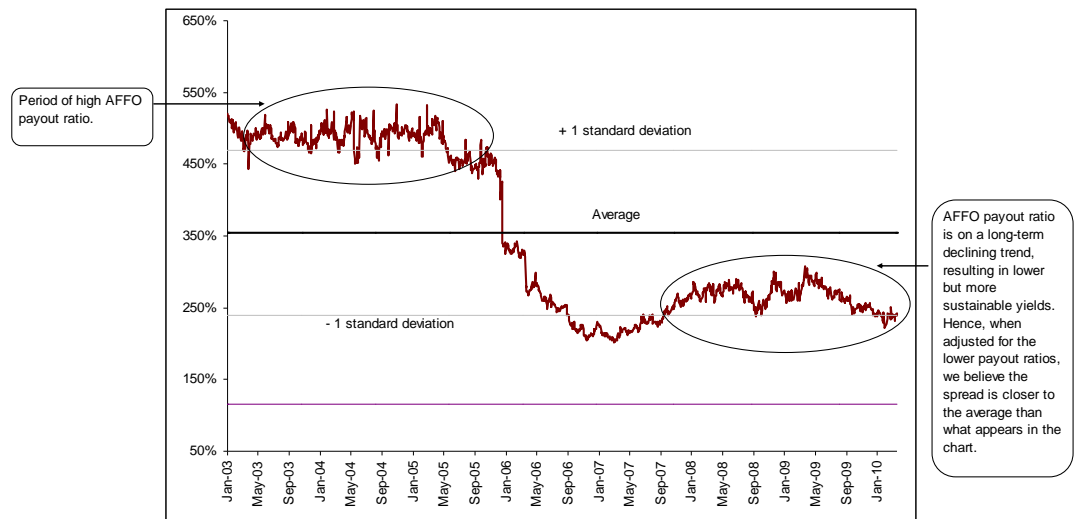
Capital Markets

In 2010YTD, the Canadian REITs reported a total return of 5.1%, outperforming the broader S&P/TSX Composite Index at 3.2%. In our view, the Canadian REITs will outperform the broader market over the next 12 months. This would primarily be driven by:

- ⇒ **Continued focus on yield, and the disappearance of the business trusts.** With Canada's aging population and the increasing number of retirees, we believe that the focus on yield will persist, if not increase, in the future. In addition, as business trusts convert into corporations by 2011, REITs will gain prominence and become more attractive to yield investors.
- ⇒ **REITs have historically provided much higher yields compared to the broader market.** Currently, the Canadian REIT index yield stands at 6.5%, approximately 2.5x that of the S&P/TSX Composite Index at 2.6%. While this is one standard deviation below historical average, we note that the REITs have lowered their AFFO payout ratios in recent years, leading to lower but more sustainable yields going forward. At its current yield level, we view Canadian REITs as fairly valued, and not over valued

In addition, the REIT index provides higher yields than most sectors, including Telecom Services (+5.2%), Utilities (+4.9%), Pipelines (+4.6%), and Banks (+3.7%).

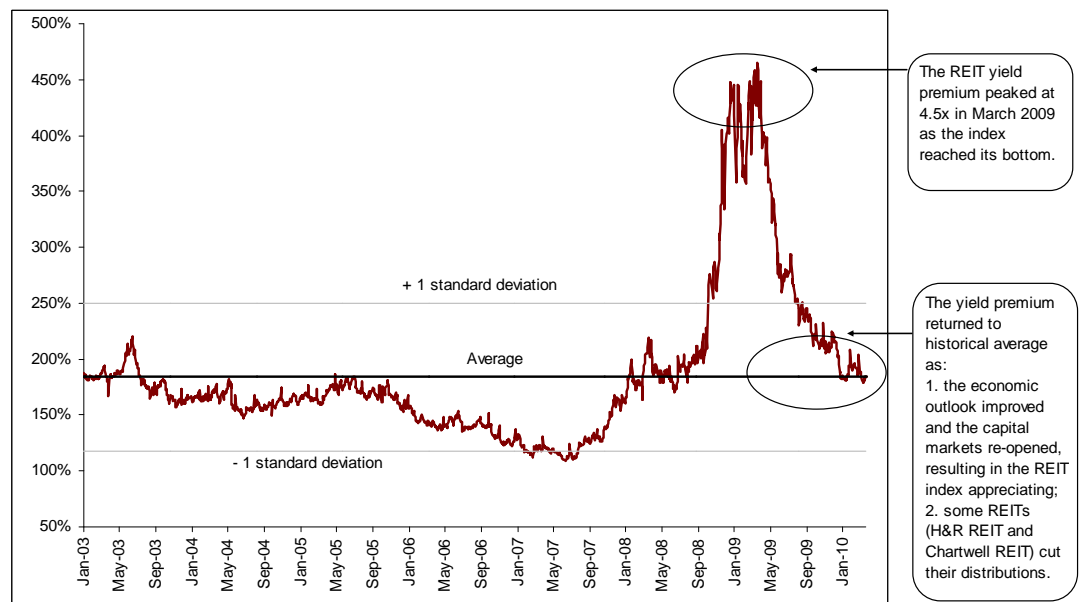
Fig 44 REITs yield relative to S&P/TSX Composite index yield



Source: Bloomberg, Macquarie Research, April 2010

As the stock market recovers and the capital markets re-open, the REIT Index appreciated approximately 80% from its recent March 2009 low, resulting in its yield returning to its historical premium of 1.8x relative to the Government of Canada bond yield (10-year). At the current yield premium, and with a group average premium to NAV of 12%, we view Canadian REITs as trading closer to fair value.

Fig 45 REITs yield relative to Government of Canada bond yield (10-year)



Source: Bloomberg, Macquarie Research, April 2010

⇒ **The Canadian REIT sector is getting bigger.** We are expecting numerous REIT/REOC IPOs in 2010, including the C\$200m TransGlobe Property and the C\$190m Leisure-World Senior Care Corp. In addition, BPO Properties has announced its plan to convert into BCR. We view the increased size of the Canadian REIT space as excellent news as it will attract more generalist investors to the sector.

Fig 46 Anticipated IPOs

REITs/REOCs	Asset type	Estimated IPO amount (C\$m)	Estimated yield	Status
TransGlobe Property	Multi-residential	C\$200m	n/a	Pending
Northwest Healthcare Properties	Medical office	C\$175m	8.00%	Completed
Leisure-World Senior Care Corp.	Seniors housing	C\$190m	8.50%	Completed
Homburg Canada REIT	Diversified	~C\$75m	n/a	Pending
Total		~C\$640m		

Source: Financial Post, Macquarie Research, April 2010

Performance of Canadian REITs

Historically, the Canadian REITs have outperformed the broader S&P/TSX Composite Index in three of the last five years. For 2010YTD, the Canadian REITs also lead with a 5.1% total return, higher than the broader market at 3.2%. In terms of holding periods, while Canadian REITs trail in the three-year period, their performance surpasses the broader index in the one and five-year periods.

Looking forward, given the continued focus on yield, the disappearance of business trusts, and the expected increase in size of the REIT sector, it is reasonable to believe Canadian REITs will continue to outperform the broader index in the next 12 months.

Fig 47 Total Returns of Canadian REITs

	30 Days	2010 YTD	12 Mths	3 Yrs	5 Yrs
S&P/TSX Capped REIT Index	1.5%	5.1%	77.9%	-9.5%	47.6%
S&P/TSX Composite Index	3.9%	3.2%	42.3%	-0.1%	43.2%

Source: Bloomberg, Macquarie Research, April 2010

Fig 48 Canada – Secondary issues since the beginning of Mar 2010

Company	Total Issue amount	29	Market cap (£m)
Killam Properties Inc	Canada	PropCo	29 237

Source: Bloomberg, Macquarie Research, April 2010

Fig 49 Canada – IPOs since the beginning of Mar 2010

Company	Total Issue amount	114	Market cap (£m)
NorthWest Healthcare Properties REIT	Canada	REIT	114 117

Source: Bloomberg, Macquarie Research, April 2010

Fig 50 Canada – Valuation summary

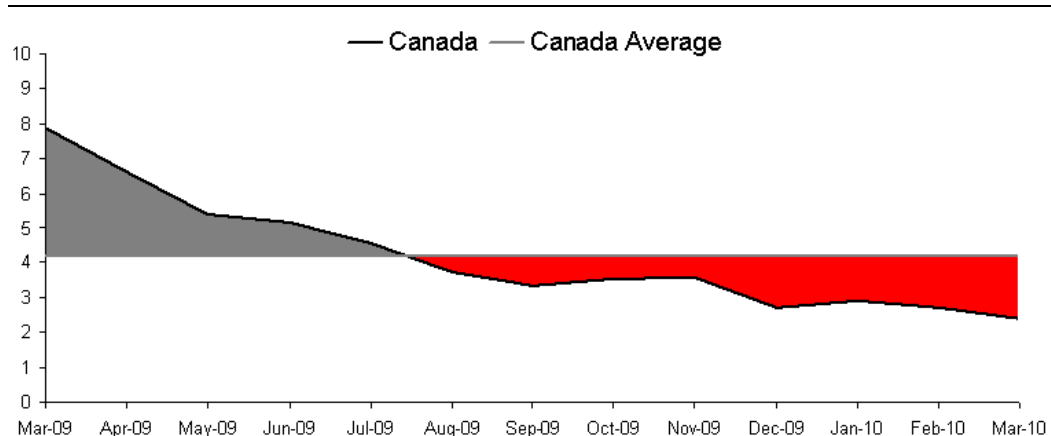
BB Code	Prem(Disc) to NAV %	Div Yield (2010)	Total Mkt Cap \$m
Canadian Residential	11.60	5.51	4,012
Canadian Retail	14.20	6.96	9,934
Canadian Diversified	7.60	6.35	3,953

Source: Macquarie Research, April 2010

Valuation Summary

Dividend Yield Relative
 Long-term average (2000–10) is at 117bp premium to bond yields
 12-month average is at 420bp premium to bond yields
 Currently trading at 240bp premium

Fig 51 Sector dividend yield vs bond yield, 12 months to March 2010 – Canada



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Best-performing stocks over the month with more than £1bn market cap in our database

Fig 52 One-month best performers (market cap over £1bn) – Canada – EPRA
 Canada = +2.0%

Stock Code	Company Name	Structure	1 Month Return %	Market Cap £m
FCR CN Equity	First Capital Realty Inc	Non REIT	7.2	1,380
BPO CN Equity	Brookfield Properties Corp	Non REIT	6.1	5,086
CWT-U CN Equity	Calloway Real Estate Investment Trust	REIT	4.7	1,395
BAM/A CN Equity	Brookfield Asset Management Inc	Non REIT	3.5	9,602
BEI-U CN Equity	Boardwalk Real Estate Investment Trust	REIT	2.5	1,377
HR-U CN Equity	H&R Real Estate Investment	REIT	1.8	1,551
REF-U CN Equity	Canadian Real Estate Investment Trust	REIT	-1.7	1,189
REI-U CN Equity	RioCan Real Estate Investment Trust	REIT	-2.4	2,896
BPP CN Equity	BPO Properties Ltd	Non REIT	-7.2	1,061

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Best-performing stocks over 12 months more than £1bn in our database

Fig 53 One-year best performers (market cap over £1bn) – Canada – EPRA
 Canada = +69.4%

Stock Code	Company Name	Structure	1year Return %	Market Cap £m
CWT-U CN Equity	Calloway Real Estate Investment Trust	REIT	133.5	1,395
HR-U CN Equity	H&R Real Estate Investment	REIT	128.9	1,551
BPO CN Equity	Brookfield Properties Corp	Non REIT	126.5	5,086
BPP CN Equity	BPO Properties Ltd	Non REIT	125.2	1,061
BEI-U CN Equity	Boardwalk REIT	REIT	63.0	1,377
FCR CN Equity	First Capital Realty Inc	Non REIT	62.6	1,380
REI-U CN Equity	RioCan Real Estate Investment Trust	REIT	59.6	2,896
BAM/A CN Equity	Brookfield Asset Management Inc	Non REIT	51.3	9,602
REF-U CN Equity	Canadian Real Estate Investment Trust	REIT	46.1	1,189

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 54 Canadian multifamily recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Canada	BEI-U CN	Boardwalk REIT	REIT	CAD	40.7	Outperform	2,106	4.68	NAV	Michael Smith
Canada	CAR-U CN	Canadian Apartment Properties REIT	REIT	CAD	14.7	Neutral	989	7.37	NAV	Michael Smith
Canada	NPR-U CN	Northern Property REIT	REIT	CAD	24.5	Neutral	604	6.04	NAV	Michael Smith
Canada	KMP CN	Killam Properties	Non REIT	CAD	8.3	Outperform	314	6.75	NAV	Michael Smith

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 55 Canadian retail recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Canada	REI-U CN	RioCan REIT	REIT	CAD	18.7	Outperform	4,311	7.39	NAV	Michael Smith
Canada	CWT-U CN	Calloway REIT	REIT	CAD	21.6	Outperform	2,144	7.18	NAV	Michael Smith
Canada	FCR CN	First Capital Realty	Non REIT	CAD	22.0	Outperform	2,046	5.83	NAV	Michael Smith
Canada	PMZ-U CN	Primaris Retail REIT	REIT	CAD	17.3	Neutral	1,060	7.06	NAV	Michael Smith
Canada	CRR-U CN	Crombie Real Estate Investment Trust	REIT	CAD	11.9	Neutral	373	7.50	NAV	Michael Smith

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 56 Canadian diversified recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Canada	REF-U CN	Canadian REIT	REIT	CAD	27.9	Outperform	1,818	5.07	NAV	Michael Smith
Canada	D-U CN	Dundee REIT	REIT	CAD	25.8	Underperform	794	8.51	NAV	Michael Smith
Canada	AP-U CN	Allied Properties REIT	REIT	CAD	20.7	Outperform	792	6.39	NAV	Michael Smith
Canada	AX-U CN	Artis REIT	REIT	CAD	11.5	Neutral	549	9.37	NAV	Michael Smith

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 57 Canadian corporate bond yields

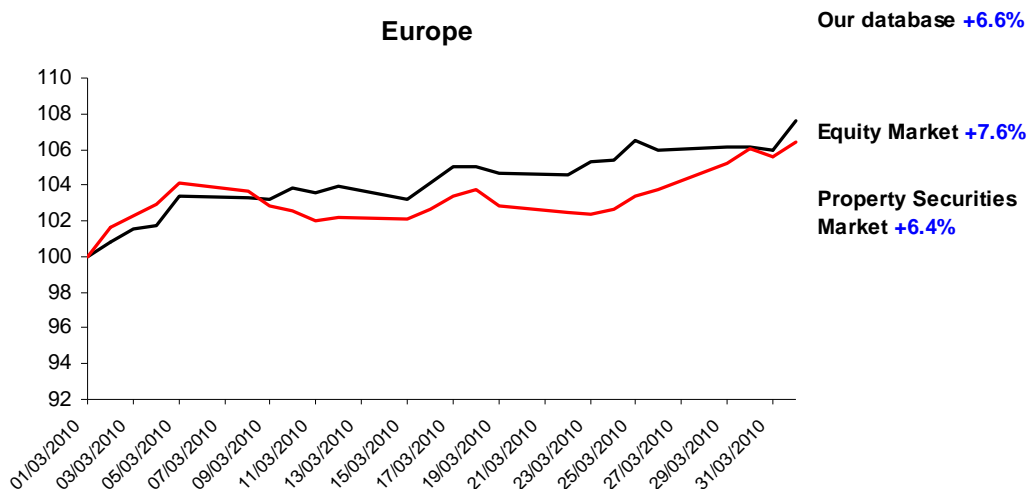
Country	Company name	Wtd bond yield %	Local 10yr bond yield %	Dividend yield %	Current mkt cap (£m)	Total outstanding amount (£m)	No. of issues	Lowest bond yield %	Highest bond yield %	Lowest coupon %	Highest coupon %	Earliest maturity	Latest maturity
Canada	Boardwalk REIT	4.66	3.31	4.47	1,390	73	1	4.66	4.66	5.61	5.61	2012	2012
Canada	Calloway REIT	5.20	3.31	7.29	1,409	341	4	3.40	5.47	4.51	10.25	2010	2016
Canada	Canadian REIT	5.31	3.31	5.00	1,197	16	1	5.31	5.31	5.31	5.31	2013	2013
Canada	RioCan REIT	4.40	3.31	7.32	2,980	588	6	2.19	5.64	4.70	8.33	2011	2015

Source: Bloomberg, Macquarie Research, April 2010

Europe

European real estate securities broadly kept pace with a strong equity market in March...

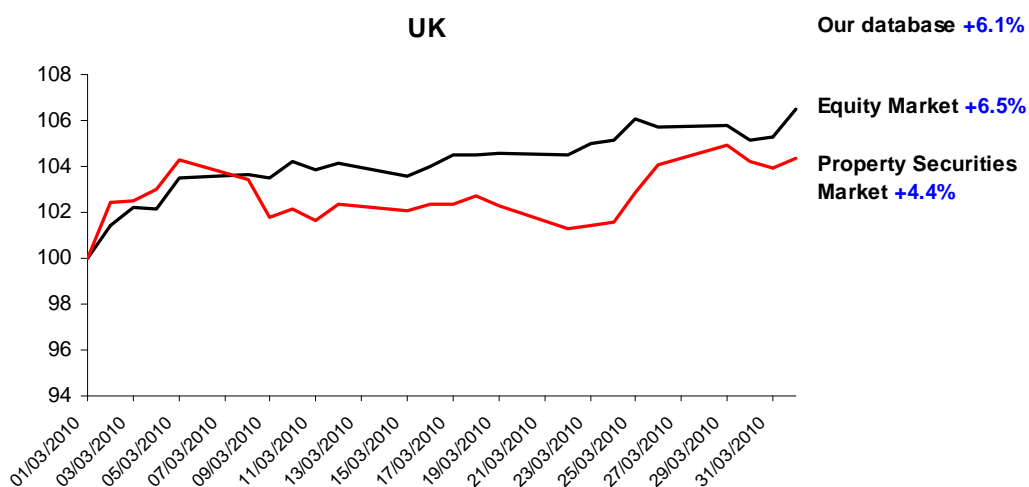
Fig 58 Property market vs Equity market



Source: EPRA, Bloomberg, Macquarie Research, April 2010

... while UK stocks underperformed more

Fig 59 Property market vs Equity market



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Property Market

UK market - value recovery continues. The IPD figures for February demonstrated that investor demand continues to drive yields lower in the UK, with a 1.3% increase in capital values, in the month, with retail (+1.6%) the star performer, followed by offices (+1.2%) and Industrial (+0.6%). In a recent CBRE survey of investor intentions the UK was seen as the most attractive for making investment purchases in 2010 followed by Germany and France.

Europe is now stabilising – the latest CBRE figures show that after seven consecutive quarters of decline, values across the European property market showed signs of beginning to stabilise in the final quarter of 2009. Overall 4Q European property values showed a +0.4% rise, which is largely due to the performance of the UK which showed a +8.2% rise. Germany was -1.4% in 4Q, with France -0.9%. The CEE remains a laggard at -2.8%. In terms of peak tot rough the UK had a fall of 44% whilst in Europe it appears that the total decline will be closer to 20%.

Letting activity continues to improve – There was no sign of a let up in tenant demand across Central London during February as take-up remained above the one million sq.ft. mark for the third month in succession. Availability continued to tighten during February, falling to 17.7m sq.ft. compared to a peak of 21.3m sq.ft. in June 2009. This is predominantly due to absorption of new space, as the amount of second-hand space rose slightly over the month. In total, availability in Central London offices is down from a peak of 9.9% and now stands at 8.1%.

Capital Markets

March was an active month with a series of fund raisings in the debt and equity capital markets illustrating the level of investor demand. Increasing activity in the bond market has been an increasing feature of European REITs financing arsenals and there were two issues this month. Unibail which has utilised this market before issued £454m at 3.375%, a rate which was bettered in the lower yielding Swiss market by PSP which issued £155m at 1.875%.

Following his departure from British Land Andrew Jones returned to the listed arena with the IPO of his new blind pool vehicle Metric which will invest in the retail sector. The issue went well, with demand increasing the original size from £150m to £175m.

Equally well received was the €600m placing from Corio to part finance the acquisition of a series of German shopping centres from Multi. The discount was tight and the stock was placed quickly, with 37% shareholder APG taking stock pro-rata. This illustrates the preference for companies that can source acquisitions in the current competitive marketplace, particularly (as this acquisition was) at sensible yield levels – in this case 6.5% initial

Capital Market Issuance

Fig 60 Europe – Secondary issues since the beginning of Mar 2010

Company		Total Issue amount	703	Market cap (£m)
Corio NV	Netherlands	REIT	540	3,950
Jeudan A/S	Denmark	PropCo	118	380
DIC Asset AG	Germany	PropCo	43	202
Eatonfield Group PLC	UK	PropCo	0.1	6
Oak Holdings PLC	UK	PropCo	2	5

Source: Bloomberg, Macquarie Research, April 2010

Fig 61 UK – IPOs since the beginning of Mar 2010

Company		Total Issue amount	175	Market cap (£m)
Metric Property Investments PLC	UK	REIT	175	179

Source: Bloomberg, Macquarie Research, April 2010

Fig 62 Europe – New bond issues since the beginning of Mar 2010

Issue Date	Company Name	Country	Issuer Currency	Coupon	Size of Issue (£m)	Spread at Issue	Gov Benchmark Yield
11/03/2010	Unibail-Rodamco	France	EUR	3.375	454	136	2.15
01/04/2010	PSP Swiss	Switzerland	CHF	1.875	155	NA	0.66
Total					609		

Source: Bloomberg, Macquarie Research, April 2010

Recommendations

We remain overweight the sector and still have a bias for the higher-yielding plays, where positive catalysts on valuation and acquisitions are in prospect. We have no immediate changes to our stock recommendations, and believe our target prices are conservative, as they are all based on a discount to NAV and a dividend yield premium to local bond yields.

Top Picks

Our top picks are **British Land**, **Eurocommercial** and **Wereldhave**.

The European sector is trading at a 138bp dividend yield premium to 10-year bond yields compared to a long term of a 73bp discount.

Fig 63 Europe – Valuation summary

Valuation Summary

BB Code	Prem(Dis c) to NAV %	Div Yield (2010)	Total Mkt Cap US\$m
UK Major	-3.30	4.60	22,996
European	2.60	5.20	43,543

Source: Macquarie Research, April 2010

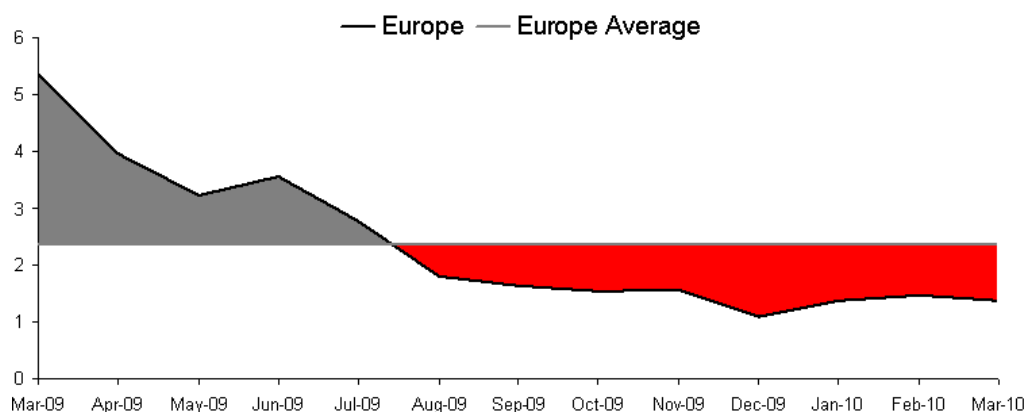
Dividend Yield Relative

Long-term average (1993–2010) is at 73bp discount to bond yields

12-month average is at 236bp premium to bond yields

Currently trading at 138bp premium

Fig 64 Sector dividend yield vs bond yield, 12 months to March 2010 – Europe



Source: EPRA, Bloomberg, Macquarie Research, April 2010

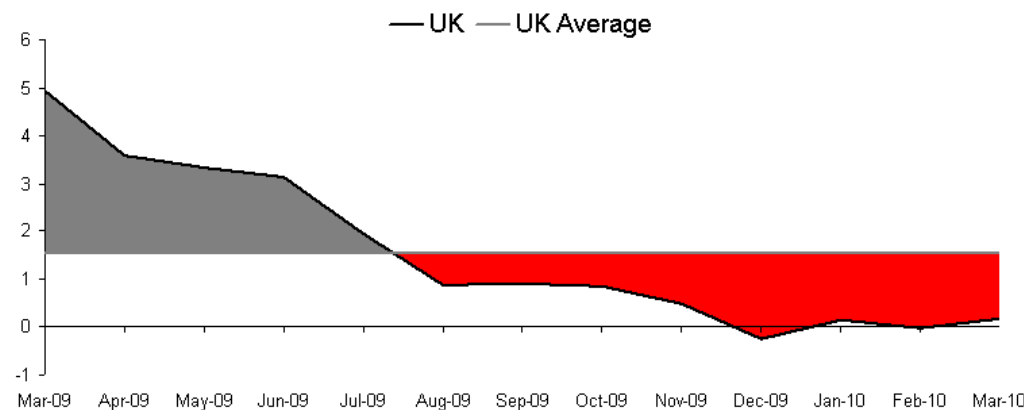
Dividend Yield Relative

Long-term average (1991–2010) is at 152bp discount to bond yields

12-month average is at 155bp premium to bond yields

Currently trading at 17bp premium

Fig 65 Sector dividend yield vs bond yield, 12 months to March 2010 – UK



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Best performing stocks over the month with more than £1bn market cap in our database

Fig 66 One-month best performers (market cap over £1bn) – UK – EPRA
UK = +6.2%

Stock Code	Company Name	Structure	1 Month Return %	Market Cap £m
RGU LN Equity	Regus Group PLC	Non REIT	33.2	1,060
BLND LN Equity	British Land Co PLC	REIT	9.3	4,177
LAND LN Equity	Land Securities Group PLC	REIT	7.2	5,144
LII LN Equity	Liberty International PLC	REIT	6.5	3,131
DLN LN Equity	Derwent London	REIT	5.5	1,381
HMSO LN Equity	Hammerson Plc	REIT	4.9	2,765
SGRO LN Equity	Segro	REIT	3.2	2,347
SBD LN Equity	Songbird Estates PLC	Non REIT	-1.3	1,088

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Best-performing stocks over 12 months more than £1bn in our database

Fig 67 One-year best performers – UK (market cap over £1bn) – UK – EPRA
UK = +58.9%

Stock Code	Company Name	Structure	1year Return %	Market Cap £m
DLN LN Equity	Derwent London	REIT	110.6	1,381
SGRO LN Equity	Segro	REIT	92.7	2,347
LAND LN Equity	Land Securities Group PLC	REIT	62.5	5,144
HMSO LN Equity	Hammerson Plc	REIT	60.7	2,765
SBD LN Equity	Songbird Estates PLC	Non REIT	58.4	1,088
RGU LN Equity	Regus Group PLC	Non REIT	55.2	1,060
BLND LN Equity	British Land Co PLC	REIT	40.0	4,177
LII LN Equity	Liberty International PLC	REIT	38.5	3,131

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 68 European valuation table

Company	LC	RIC	Mkt Cap £m	Rating	Last Close price	TP % Change	FY1 NAV	Discount to NAV FY1	FY1 Div	Yield FY1	Company reporting date		
British Land	£	BLND LN	4,257	OP	490.4	552.0	12.6%	461.0	6.4%	26.0	5.3	FY09	May-10
Cofinimmo	€	COFB BB	1,337	OP	105.2	116.2	10.5%	112.2	-6.2%	6.7	6.4	Q1	10-May-10
Corio	€	CORA NA	4,521	N	50.4	49.4	-2.0%	48.2	4.5%	2.7	5.3	Q1	11-May-10
Deuh.Eurosh	€	DEQ GR	1,085	N	24.6	25.1	2.0%	26.7	-7.7%	1.1	4.3	FY09	30-Apr-10
Eurocomm	€	ECMPA NA	1,206	OP	29.8	33.6	12.6%	31.8	-6.1%	1.8	6.0	Q3	30-Apr-10
Hammerson	£	HMSO LN	2,811	N	397.3	396.0	-0.3%	453.7	-12.4%	15.1	3.8	Q1	May-10
Klepierre	€	LI FP	5,415	N	29.8	27.3	-8.3%	29.4	1.2%	1.3	4.2	Q1	21-Apr-10
Land Securit.	£	LAND LN	5,175	N	682.0	687.0	0.7%	712.1	-4.2%	28.0	4.1	FY09	19-May-10
PSP Swiss Pro	SF	PSPN SW	3,123	OP	67.5	75.0	11.1%	77.6	-13.1%	2.8	4.1	Q1	11-May-10
Unibail Roda.	€	UL FP	13,769	OP	150.8	169.2	12.2%	136.0	10.8%	8.2	5.4	H1	21-Jul-10
Wereldhave	€	WHA NA	1,540	OP	72.4	84.1	16.2%	81.0	-10.7%	4.7	6.5	Q1	12-May-10
		Weighted Average					UK	-2.4%		4.4			
							Europe	3.5%		5.2			

Note: As of 1 April 2010.

Source: Bloomberg, Macquarie Research, April 2010

Fig 69 European corporate bond yields

Country	Company name	Wtd bond yield %	Local 10yr bond yield %	Dividend yield %	Current mkt cap (£m)	Total outstanding amount (£m)	No. of issues	Lowest bond yield %	Highest bond yield %	Lowest coupon %	Highest coupon %	Earliest maturity	Latest maturity
Austria	IMMOFINANZ AG	9.48	2.14	0.00	1,158	1413	3	9.31	10.37	1.25	2.75	2014	2017
Belgium	Cofinimmo	3.78	2.83	6.18	1,179	177	2	3.72	3.83	5.00	5.25	2014	2014
France	Gecina SA	3.08	2.83	5.27	4,618	437	1	3.08	3.08	4.88	4.88	2012	2012
France	Klepierre	2.83	2.83	4.28	4,695	1138	2	1.61	3.90	4.25	4.63	2011	2016
France	Unibail-Rodamco	1.70	2.83	0.17	12,197	3290	8	-1.82	4.04	3.50	4.80	2010	2017
Italy	Beni Stabili SpA	2.55	2.14	2.06	1,231	258	1	2.55	2.55	2.50	2.50	2011	2011
Netherlands	Wereldhave NV	1.48	2.83	6.49	1,347	380	2	0.72	2.35	2.50	4.38	2011	2014
Switzerland	PSP Swiss Property AG	1.61	1.18	0.00	1,930	425	4	1.03	2.30	2.25	3.13	2012	2016
UK	British Land Co PLC	6.03	3.61	5.78	4,230	1434	6	2.95	7.44	4.82	10.25	2012	2033
UK	Hammerson Plc	5.16	3.61	3.91	2,468	1668	5	4.48	6.08	4.88	7.25	2015	2028
UK	Land Securities Group PLC	5.09	3.61	4.13	5,144	3597	10	2.84	5.74	4.63	5.43	2013	2036
UK	Liberty International PLC	3.21	3.61	3.23	3,174	79	1	3.21	3.21	3.95	3.95	2010	2010
UK	Segro	5.58	3.61	4.40	2,335	1841	10	2.14	6.17	5.25	7.00	2010	2035

Source: Bloomberg, Macquarie Research, April 2010

South Africa

Property Market

- We surveyed the CEOs of the 11 largest SA property companies, representing more than 90% of the listed sector, on the outlook for SA property. The key findings follow. The majority felt that vacancies peaked in Q1 2010. The majority of CEOs believe that bad debts & arrears have either peaked already or will peak in Q2 2010. Sharp rises in electricity rates in the next few years are believed to have a moderate to significantly negative impact. There were mixed views regarding the cost of debt funding (margins) in the next 12 months. The best performing sector in the next 12 months is believed to be industrial and the worst office. Distribution growth of 7-8% is expected in the next 12 months and around 9% in the longer term (next 3-5 years). Generally the feedback was a bit more positive than our expectations. We only expect vacancies and bad debts to peak in 2H 2010, while our growth forecasts are marginally lower than the consensus among the CEOs.
- Redefine acquired Coronation's stake in Hyprop for R50, pushing their stake to 45%, above the 35% threshold that triggers a mandatory offer (on the same terms) to other minority shareholders. Although this price is attractive on a short term basis, relative to the sector, we believe it undervalues Hyprop longer term. It is our view that some shareholders may accept, but Redefine will not receive a 90% acceptance to trigger a de-listing by forcing out the last 10% of minorities.

Capital Markets

Capital Markets

- With low sector average gearing of 25% and limited acquisition opportunities, refinancing and new **funding requirements** remain **subdued**.
- The SA **banks** are **comfortable** and even keen to lend to the SA property sector, unlike many other sectors. Although funding margins have widened, the extent of the rise has been less in both absolute and relative terms than most foreign markets. Funding margins seem to have declined somewhat from peak levels.
- There has been **limited CMBS** funding in the SA market. Growthpoint successfully refinanced their first CMBS issue from alternative funding sources.
- Demand for listed property paper among institutional investors remain solid, as reflected in resilient share prices and **successful capital raisings** (albeit only a few) in the past 12 months.

Recommendations

Top Picks

- In a year that our strategist expects muted returns (9-10%) from the overall market, **SA property's defensive** earnings profile and near certain cash yield of 9.0% look relatively attractive. Likewise the sector's low beta in what is expected to be a potentially volatile equity market in 2010.
- We see little mispricing in the sector at present. Our **top picks** on a short term horizon are **Redefine** (RDF SJ) with a forecast year one **yield of 9.3%** and DPS growth of 20% in FY10 and **Emira** (EMI SJ) on a **9.7% yield**.

Fig 70 South African recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
South Africa	GRT SJ	Growthpoint	Non REIT	ZAr	14.9	Outperform	3,114	8.08	Div Yield	Leon Allison
South Africa	RDF SJ	Redefine	Non REIT	ZAr	7.9	Outperform	2,856	8.68	Div Yield	Leon Allison
South Africa	HYP SJ	Hyprop Fund	Non REIT	ZAr	49.8	Underperform	1,120	7.17	Div Yield	Leon Allison
South Africa	PAP SJ	Pangbourne	Non REIT	ZAr	17.9	Neutral	1,071	8.19	Div Yield	Leon Allison
South Africa	RES SJ	Resilient Property Income Fund	Non REIT	ZAr	27.1	Neutral	947	7.85	Div Yield	Leon Allison
South Africa	FPT SJ	Fountainhead Property Trust	REIT	ZAr	6.8	Neutral	919	8.11	Div Yield	Leon Allison
South Africa	SAC SJ	SA Corporate Real Estate Fund	REIT	ZAr	2.8	Neutral	793	10.21	Div Yield	Leon Allison
South Africa	EMI SJ	Emira Property Fund	REIT	ZAr	11.8	Outperform	780	9.10	Div Yield	Leon Allison
South Africa	ACP SJ	Acucap Properties	Non REIT	ZAr	32.7	Neutral	701	7.96	Div Yield	Leon Allison
South Africa	CPL SJ	Capital Property Fund	REIT	ZAr	7.2	Neutral	700	8.30	Div Yield	Leon Allison
South Africa	SYC SJ	Sycom Property Fund	REIT	ZAr	21.9	Underperform	607	7.39	Div Yield	Leon Allison
South Africa	VKE SJ	Vukile Property Fund	Non REIT	ZAr	12.2	Neutral	547	9.29	Div Yield	Leon Allison
South Africa	HPA SJ	Hospitality Property Fund	Closed End Fund	ZAr	12.8	Outperform	109	18.30	Div Yield	Leon Allison

Note: As of 1 April 2010.

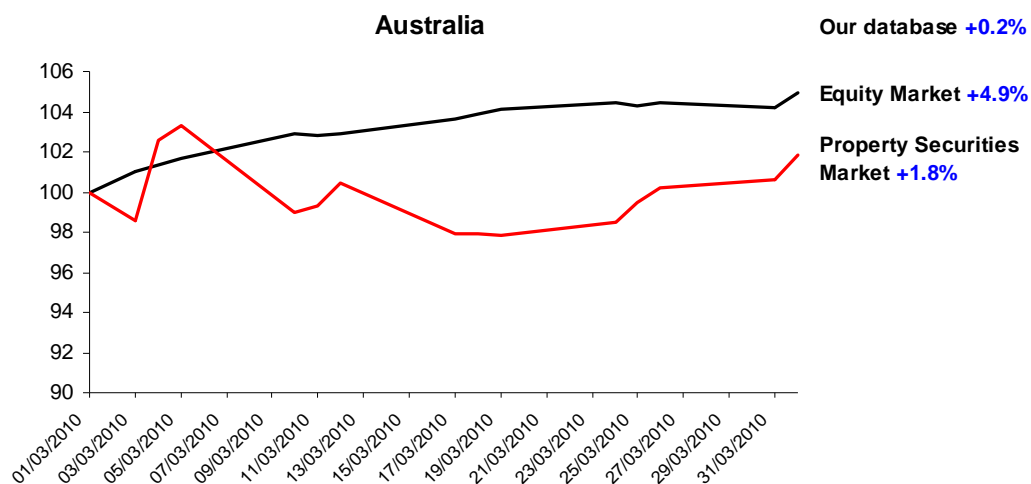
Source: Macquarie Research, April 2010

Asia Pacific

Australia

Australian property securities underperformed their local equity market

Fig 71 Property market vs Equity market



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Property and Capital Markets

We are forecasting a 12 month total shareholder return (TSR) of ~13% for the Australian REIT sector, comprising a distribution yield of ~5.8% and capital growth of ~7%. Given the Macquarie Strategy team's forecast TSR for the S&P/ASX 200 of +22.5% (the result of a 'V' shaped recovery), we expect the REIT sector will underperform the broader market in the year ahead.

While we believe Australian commercial property valuations more or less bottomed at 31 December with risk now to the upside (on a 12 month view), cashflow and earnings metrics do not appear overly compelling with the sector still digesting recently undertaken capital raisings. The REIT sector price to earnings ratio of ~13x is in line with the broader market (~13.3x) but offering very little growth (0.7% EPS growth for REITs in FY11 vs the broader market +24%).

The Australian office lead indicators have all turned positive, implying recovery for the office sector is on its way. The share market is well up on its March 2009 lows, business conditions and confidence surveys have improved and unemployment is expected to fall against a backdrop of below average supply.

While the Australian retail environment is likely to remain resilient, higher interest rates are likely to slow consumption and hence retail sales. The latest retail sales figures show a decline of 1.4% MoM for February after increasing by 1.1% in January. Given already high occupancy costs, we think near term growth in Australian retail portfolios will be below average and prefer office over retail for the near term.

Residential development earnings momentum is strong heading into 2H10 and FY11, driven by already contracted sales (building approvals are up 34% YoY) and margin expansion. However, just as low interest rates and falling house prices buoyed the market in 2009, we expect the rise in interest rates and increased house prices will dampen demand by late CY10. Building approvals for February and January were down 3.3% and 5.5% MoM respectively.

Capital markets and transactions

The market for IPO's in the REIT sector is difficult at the moment as much of the sector continues to trade well below NTA. March saw Salta Properties abort their bid to float on the ASX, quoting "choppy conditions" as the reason for not going ahead with the offering.

Mirvac Group (ASX: MGR) successfully went to the domestic bond market to raise A\$150m through a five year fixed AUD Medium Term Note with a margin of 265 basis points.

Transactions which occurred during the month included a number of bulky goods assets as Lend Lease looked to offload some of the properties from their recently acquired ING Retail Property Fund. The following transactions took place during March:

- Abacus hospitality fund announced the sale of the Swissotel in Sydney for A\$90m after purchasing it for A\$85m in July 2007
- Leighton Properties and Leighton Contractors sold the South tower of their mixed use development in Brisbane to a consortium of Swiss pension funds for A\$95m
- Lend Lease disposed of the Style Homemaker centre in Sydney for ~A\$48m at a yield of ~9.5%
- Australand have purchased an office block in Melbourne for A\$45m with the intention of refurbishing it by the end of 2011.
- GPT Group (ASX: GPT) sold Homemaker City in Bankstown for A\$25.2m as they continue their strategy of selling 'non-core' assets.

Capital Market Issuance

Fig 72 Australia – Secondary issues since the beginning of Mar 2010

Company	Total Issue amount	126	Market cap (£m)
Charter Hall Group	Australia	REIT	126 517

Source: Bloomberg, Macquarie Research, April 2010

Fig 73 Australia – New bond issues since the beginning of Mar 2010

Issue Date	Company Name	Country	Issuer Currency	Coupon	Size of Issue (£m)	Spread at Issue	Gov Benchmark Yield
19/03/2010	Mirvac Group	Australia	AUD	8.25	91	NA	NA
Total					91		

Source: Bloomberg, Macquarie Research, April 2010

Fig 74 Australia – Valuation summary

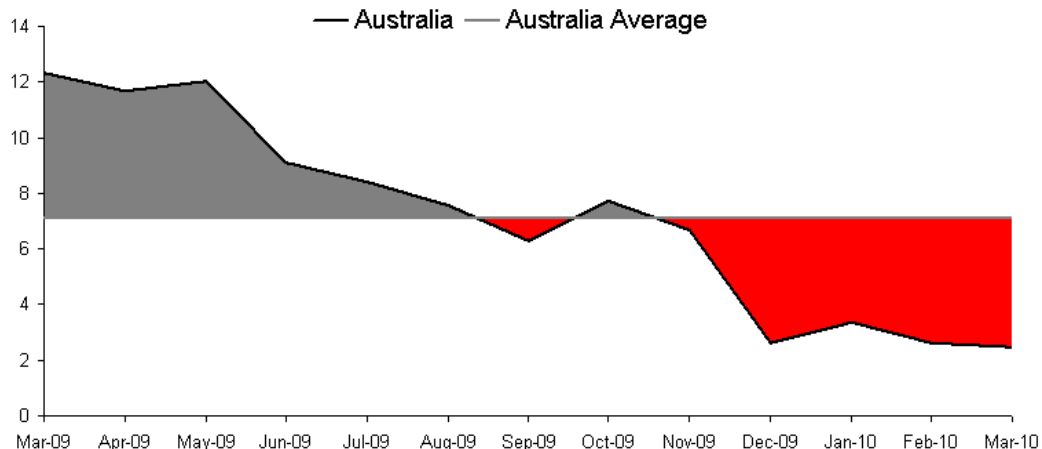
BB Code	Prem(Dis c) to NAV %	Div Yield (2010)	Total Mkt Cap US\$m
Australia	-7.9	5.80	71,008

Source: Macquarie Research, April 2010

Valuation Summary

Fig 75 Sector dividend yield vs bond yield, 12 months to March 2010 – Australia

Dividend Yield Relative
 Long-term average (1991–2010) is at 147bp premium to bond yields
 12-month average is at 714bp premium to bond yields
 Currently trading at 246bp premium



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 76 One-month best performers – (market cap over £1bn) – Australia – EPRA
 Australia = -0.1%

Best performing stocks over the month with more than £1bn market cap in our database

Stock Code	Company Name	Structure	1 Month Return %	Market Cap £m
GMG AU Equity	Goodman Group	REIT	9.2	2,456
WDC AU Equity	Westfield Group	REIT	0.3	16,817
GPT AU Equity	GPT Group	REIT	0.0	3,223
CFX AU Equity	CFS Retail Property Trust	REIT	-1.3	2,845
SGP AU Equity	Stockland	REIT	-1.7	5,745
DXS AU Equity	Dexus Property Group	REIT	-1.8	2,359
MGR AU Equity	Mirvac Group	REIT	-2.3	2,672
LLC AU Equity	Lend Lease Group	Non REIT	-4.2	2,732
CPA AU Equity	Commonwealth Property Office Fund	REIT	-4.7	1,092

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 77 One-year best performers – (market cap over £1bn) – Australia – EPRA
 Australia = +24.8%

Best performing stocks over 12 months > £1bn in our database

Stock Code	Company Name	Structure	1 year Return %	Market Cap £m
GMG AU Equity	Goodman Group	REIT	127.5	2,456
MGR AU Equity	Mirvac Group	REIT	98.4	2,672
GPT AU Equity	GPT Group	REIT	65.2	3,223
SGP AU Equity	Stockland	REIT	48.6	5,745
LLC AU Equity	Lend Lease Group	Non REIT	46.3	2,732
WDC AU Equity	Westfield Group	REIT	29.9	16,817
CFX AU Equity	CFS Retail Property Trust	REIT	23.5	2,845
DXS AU Equity	Dexus Property Group	REIT	22.7	2,359
CPA AU Equity	Commonwealth Property Office Fund	REIT	8.1	1,092

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 78 Australia diversified recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$m)	Dividend Yield %	Methodology	Analyst
Australia	SGP AU	Stockland	REIT	AUD	4.0	Underperform	8,735	5.44	Sum of Parts	Paul Checchin
Australia	GPT AU	GPT Group	REIT	AUD	0.6	Outperform	4,720	5.63	Sum of Parts	Paul Checchin
Australia	MGR AU	Mirvac Group	REIT	AUD	1.5	Underperform	4,062	5.59	Sum of Parts	Paul Checchin
Australia	DXS AU	Dexus Property Group	REIT	AUD	0.8	Underperform	3,587	6.29	Sum of Parts	Paul Checchin
Australia	ABP AU	Abacus Property Group	REIT	AUD	0.4	Underperform	666	7.88	Sum of Parts	Paul Checchin

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 79 Australia developers recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Australia	ALZ AU	Australand Holdings	REIT	AUD	0.5	Outperform	1,351	8.04	Sum of Parts	Paul Checchin
Australia	FKP AU	FKP Property Group	Non REIT	AUD	0.7	Neutral	763	1.40	Free cashflow yield	Paul Checchin
Australia	PPC AU	Peet	Non REIT	AUD	2.3	Outperform	633	3.45	PER	Andrew Wackett

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 80 Australia office recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Australia	CPA AU	Commonwealth Property Office	REIT	AUD	0.9	Outperform	1,660	5.86	Sum of Parts	Paul Checchin
Australia	IOF AU	ING Office Fund	REIT	AUD	0.6	Outperform	1,467	6.70	Sum of Parts	Paul Checchin

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 81 Australia retail recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Australia	WDC AU	Westfield Group	REIT	AUD	12.1	Outperform	25,568	5.31	Sum of Parts	Paul Checchin
Australia	CFX AU	CFS Retail Property Trust	REIT	AUD	1.9	Underperform	4,325	6.64	Sum of Parts	Paul Checchin

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 82 Australia corporate bond yields

Country	Company name	Weighted bond yield %	Local 10yr bond yield %	Dividend yield %	Current mkt cap (£m)	Total outstanding amount (£m)	No. of issues	Lowest bond yield %	Highest bond yield %	Lowest coupon %	Highest coupon %	Earliest maturity	Latest maturity
Australia	CFS Retail Property Trust	6.46	5.62	6.69	2,830	681	4	5.96	7.59	5.08	6.50	2010	2014
Australia	Commonwealth Property Office	6.39	5.62	7.57	1,089	205	2	6.09	6.83	5.25	6.60	2011	2016
Australia	Dexus Property Group	5.30	5.62	7.59	2,354	513	3	4.94	6.50	6.75	7.13	2011	2014
Australia	GPT Group	6.94	5.62	7.33	3,271	181	2	5.94	7.44	6.25	6.50	2010	2013
Australia	ING Industrial Fund	4.37	5.62	1.87	728	140	2	4.25	4.48	5.38	5.70	2011	2012
Australia	Westfield Group	4.61	5.62	7.86	16,637	9,932	17	1.93	6.01	3.63	7.50	2010	2019

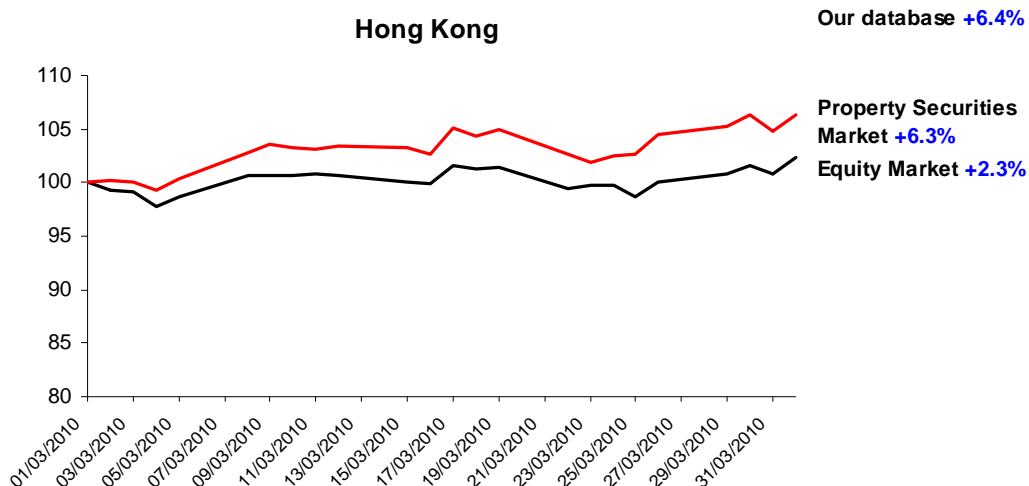
Source: Bloomberg, Macquarie Research, April 2010

Asia

Hong Kong

A positive month for HK real estate stocks

Fig 83 Property market vs equity market



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 84 Hong Kong – Valuation summary

Valuation Summary

BB Code	Prem(Dis c) to NAV %	Div Yield (2009)	Mkt Cap US\$m
HK Property developers	-16.00	2.27	124,493
HK investors	-22.00	2.90	49,306
HK REIT	-10.00	5.60	10,635
China Real Estate	-24.00	1.97	73,444

Source: Macquarie Research, April 2010

Hong Kong Outlook

Office: JLL data indicated the 4Q 09 office rents has been bottomed and the preliminary market reports indicate that 1Q 10 office rents remain flat due to lack of substantial expansion of new office demand. That said, there has been more relocations in Central from fringe Grade A to prime Grade A and from suburban to more core locations.

Retail: Retail rental remains strong in HK, particularly in TST, which is the popular shopping district for Mainland Shoppers. Wharf FY09 results reported that its popular shopping mall in TST (Harbour City) generates ~ 18% of total rental as turnover rent, higher than the normal average of 5-10%. We think the steady growth trend of Mainland tourist, improving local job market and higher home prices in HK should further strengthen local consumption demand in HK, hence raising the retail rents at high end and community malls in HK.

Industrial: Industrial rental property demand remains weak but there are more capital activities of industrial building. The government has loosened the rules to encourage more redevelopment or major refurbishment on industrial properties, particularly in non-industrial districts. Effective from Apr 1st, industrial buildings of over 30 years of age in non-industrial districts can force sale when owners accumulate more than 80% interest. They also allow instalment payment on land premium for redevelopment of industrial buildings.

Residential: Residential prices rose 5-6% YTD, with luxury segment up 7% and mass up 5%. We continue to see strong support on the HK residential market due to the limited new supply, low interest rates, and positive carry in the mass residential segment. The market sentiment has turned more positive post the successful launch of a mass residential project in Yuen Long. The company managed to sell YOHO Midtown of SHK Properties selling at ~30% premium to secondary market prices.

General: With the interest rate risk abated in 2010, more investors are turning more positive on HK residential sector. The underlying risk remains with the market volatility in HK as it could create fluctuation to interbank rates currently at less than 0.2%. As more property buyers using HIBOR mortgage rate plan, the higher HIBOR would lift cost of funding and narrow the current positive carry for these property holders.

Change in legislation: The government will change the rules governing urban redevelopment in HK by lowering the forced sales ratio to 80% from 90% on non-industrial buildings of over 50 years of age and on industrial building of over 30 years in non-industrial districts, effective from Apr 1st. The change aims to expedite the whole old district redevelopment process. We believe this new policy is particular positive to Henderson Land and New World as they have been focusing a lot of efforts in the urban redevelopment.

China Outlook

Office: The oversupply and lack of new demand continued to suppress the rental rates of China offices in primary cities. Some developers, such as Kerry Properties, already indicated that the rate of decline has declined since early this year.

Residential: The top cities volumes' have rebounded by ~45% MoM in Mar from the lows in Feb 10. We expect to see more volumes returning mainly in secondary cities close to end Apr 10 when there are more launches are scheduled to take place. Nevertheless, the volumes in primary cities, particular in luxury segment, will remain weak due to stricter bank lending only to endusers and upgraders and the more hefty tax charged on capital gain even for holding period less than 5 years.

General: We expect the property price will continue to hold up but volumes remain weak until more launches to be released in late April. That said, the new rules, including tightened land premium payment schedule and expelling 87 SOE from the property market, expedited the market consolidation. It should benefit the bigger players, such as China Overseas Land.

Change in legislation: The government targeted to cool down the overheated land sale market through 1) requesting the 87 non-designated property SOEs to exit the property market and 2) tighten the payment schedule for public land sale as buyers are required to settle the full amount of land premium within 1 year compared to 2-3 years in the past.

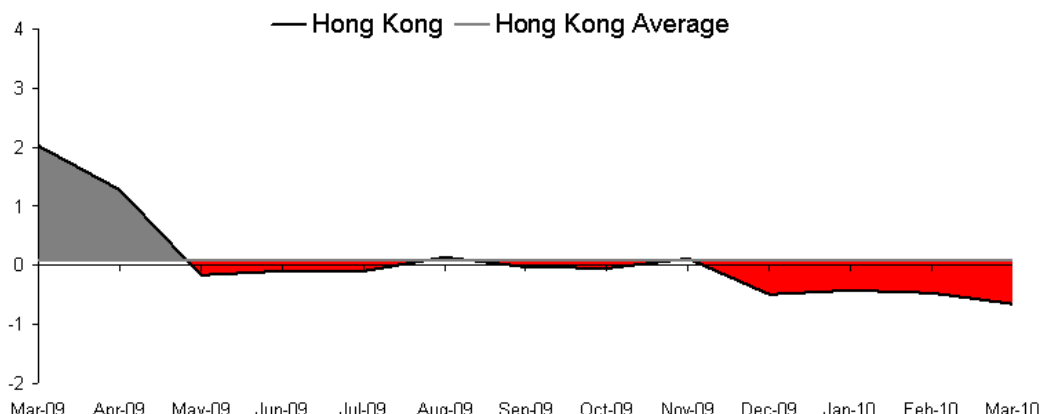
The government reported that the 2009 supply fell 18% YoY to 7,000 units but that demand recovered YoY to 11,000 units, driving HK residential vacancies to a new low of 4.3% since 1997. The 2009 mass residential vacancies of 3.8% (down 0.8%) was the key force driving an overall decline in HK residential vacancies. In contrast, luxury residential vacancies rose to 10.5%. Even though more supply is projected for 2010 and 2011, averaging 12,600 units pa, this would only bring supply to ~60% of the 10 year historical average.

With more land converted from farmland, and through public tender there is an apparent pickup in property launches and a revival of primary sales in 1Q10, up 31%. This should encourage more launches and greater primary and overall property activity. Key beneficiaries should be Henderson Land, Sun Hung Kai and New World.

Dividend Yield Relative

Long-term average (1996–2010) is at 220bp discount to bond yields
 12-month average is at 8bp premium to bond yields
 Currently trading at 65bp discount

Fig 85 Sector dividend yield vs bond yield, 12 months to March 2010 – HK



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 86 One-month best performers (market cap over £1bn) – Hong Kong - EPRA
 Hong Kong = +7.3%

Best performing stocks over the month with more than £1bn market cap in our database

Stock Code	Company Name	Structure	1 Month Return %	Market Cap £m
754 HK Equity	Hopson Development Holdings Ltd	Non REIT	15.5	1,863
410 HK Equity	Soho China Ltd	Non REIT	15.2	1,935
683 HK Equity	Kerry Properties Ltd	Non REIT	12.7	5,047
688 HK Equity	China Overseas Land & Investment	Non REIT	11.4	12,148
2777 HK Equity	Guangzhou R&F Properties Co Ltd	Non REIT	10.4	3,475
813 HK Equity	Shimao Property Holdings Ltd	Non REIT	10.4	4,290
4 HK Equity	Wharf Holdings Ltd	Non REIT	9.4	10,214
1813 HK Equity	KWG Property Holding Ltd	Non REIT	9.3	1,383
16 HK Equity	Sun Hung Kai Properties Ltd	Non REIT	9.1	25,393
14 HK Equity	Hysan Development Co Ltd	Non REIT	8.7	2,000

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 87 One-year best performers (market cap over £1bn) – Hong Kong - EPRA
 Hong Kong = +71.9%

Best performing stocks over 12 months >£1bn in our database

Stock Code	Company Name	Structure	1 year Return %	Market Cap £m
3900 HK Equity	Greentown China Holdings Ltd	Non REIT	225.5	1,536
257 HK Equity	China Everbright International Ltd	Non REIT	157.0	1,219
1813 HK Equity	KWG Property Holding Ltd	Non REIT	153.4	1,383
754 HK Equity	Hopson Development Holdings Ltd	Non REIT	147.2	1,863
3383 HK Equity	Agile Property Holdings Ltd	Non REIT	144.7	3,223
4 HK Equity	Wharf Holdings Ltd	Non REIT	132.6	10,214
683 HK Equity	Kerry Properties Ltd	Non REIT	127.9	5,047
2778 HK Equity	Champion REIT	REIT	124.9	1,526
41 HK Equity	Great Eagle Holdings Ltd	Non REIT	121.5	1,151
813 HK Equity	Shimao Property Holdings Ltd	Non REIT	114.1	4,290

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 88 Hong Kong property developers recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$m)	Dividend Yield %	Methodology	Analyst
Hong Kong	16 HK	Sun Hung Kai Properties	Non REIT	HKD	118.7	Outperform	39,203	2.15	at par to NAV	Eva Lee
Hong Kong	1 HK	Cheung Kong	Non REIT	HKD	100.0	Outperform	29,830	2.70	Sum-of-the-parts	Eva Lee
Hong Kong	101 HK	Hang Lung Properties	Non REIT	HKD	31.6	Outperform	16,853	2.16	at par to NAV	Eva Lee
Hong Kong	12 HK	Henderson Land	Non REIT	HKD	56.0	Outperform	15,483	1.96	at par to NAV	Chris Cheng
Hong Kong	83 HK	Sino Land	Non REIT	HKD	15.2	Outperform	9,576	2.01	5% discount to NAV	Eva Lee
Hong Kong	17 HK	New World Development	Non REIT	HKD	15.5	Outperform	7,767	2.32	20% discount to NAV	Eva Lee
Hong Kong	683 HK	Kerry Properties	Non REIT	HKD	41.8	Outperform	7,695	2.49	15% discount to NAV	Eva Lee

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 89 Hong Kong property investors (landlords) recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Hong Kong	4 HK	Wharf Holding	Non REIT	HKD	44.3	Outperform	15,694	2.17	RNAV	Gary Pinge
Hong Kong	19 HK	Swire Pacific	Non REIT	HKD	94.3	Neutral	10,998	3.23	RNAV	Gary Pinge
Hong Kong	14 HK	Hysan Development	Non REIT	HKD	22.5	Outperform	3,044	3.02	25% discount to NAV	Callum Bramah
Hong Kong	41 HK	Great Eagle Holdings	Non REIT	HKD	21.9	Outperform	1,756	3.11	35% discount to NAV	Callum Bramah

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 90 Hong Kong REIT recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Hong Kong	823 HK	The Link REIT	REIT	HKD	19.2	Outperform	5,434	5.08	DDM	Callum Bramah
Hong Kong	2778 HK	Champion REIT	REIT	HKD	3.7	Outperform	2,324	6.21	DDM	Chris Cheng
Hong Kong	405 HK	GZI REIT	REIT	HKD	3.3	Neutral	454	6.97	DDM	Chris Cheng
Hong Kong	435 HK	Sunlight REIT	REIT	HKD	1.9	Neutral	383	6.59	DDM	Chris Cheng
Hong Kong	808 HK	Prosperity REIT	REIT	HKD	1.4	Neutral	245	6.75	DDM	Chris Cheng

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 91 Hong Kong/China real estate recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Hong Kong	688 HK	China Overseas Land	Non REIT	HKD	17.7	Outperform	18,580	1.12	15% premium to NAV	Eva Lee
Hong Kong	1109 HK	China Resources Land	Non REIT	HKD	17.3	Outperform	11,190	1.14	15% discount to NAV	Eva Lee
Hong Kong	813 HK	Shimao Property Holdings	PropCo	HKD	12.6	Outperform	6,526	1.86	20% discount to NAV	Eva Lee
Hong Kong	2007 HK	Country Garden	Non REIT	HKD	2.5	Underperform	5,911	3.04	PER	Eva Lee
Hong Kong	2777 HK	Guangzhou R&F	Non REIT	HKD	11.3	Neutral	5,312	4.61	25% discount to NAV	Eva Lee
Hong Kong	3377 HK	Sino-Ocean Land Holdings	Non REIT	HKD	6.1	Neutral	5,024	2.02	25% discount to NAV	Eva Lee
Hong Kong	3383 HK	Agile	Non REIT	HKD	9.5	Neutral	4,970	1.70	PER	Eva Lee
Hong Kong	754 HK	Hopson	Non REIT	HKD	12.7	Neutral	2,871	2.30	FY10E PER	Eugene Cheung
Hong Kong	272 HK	Shui On Land	Non REIT	HKD	3.5	Neutral	2,600	1.73	PER	Chris Cheng
Hong Kong	1813 HK	KWG	Non REIT	HKD	5.0	Outperform	2,113	1.75	25% discount to NAV	Chris Cheng
Hong Kong	917 HK	New World China Land	Non REIT	HKD	2.8	Outperform	2,083	2.14	PER	Eva Lee
Hong Kong	1238 HK	Powerlong Real Estate Holdings	PropCo	HKD	2.2	Outperform	1,311	3.06	35% discount to NAV	Eugene Cheung
Hong Kong	1966 HK	China SCE Property	Non REIT	HKD	2.4	Outperform	1,018	3.07	35% Discount to NAV	Huei Lay
Hong Kong	2337 HK	Shanghai Forte	Non REIT	HKD	2.1	Neutral	785	2.15	10x FY10E PER	Huei Lay
Hong Kong	337 HK	SPG Land	Non REIT	HKD	4.4	Outperform	658	1.83	25% discount to NAV	Huei Lay

Note: As of 3 April 2010.

Source: Macquarie Research, April 2010

Fig 92 Hong Kong corporate bond yields – March 2010

Country	Company name	Weighted bond yield %	Local 10yr bond yield %	Dividend yield %	Current mkt cap (€m)	Total outstanding amount (€m)	No. of issues	Lowest bond yield %	Highest bond yield %	Lowest coupon %	Highest coupon %	Earliest maturity	Latest maturity
Hong Kong	Agile Property Holdings Ltd	6.08	2.43	1.09	25,776	720	3	5.15	8.37	9.00	10.00	2013	2016
Hong Kong	Champion REIT	2.54	2.43	6.98	1,537	393	1	2.54	2.54	1.00	1.00	2013	2013
Hong Kong	Hopson Development Holdings	10.93	2.43	0.00	15,118	458	2	9.58	12.28	8.13	8.13	2012	2012
Hong Kong	Hysan Development Co Ltd	2.50	2.43	2.96	15,817	119	1	2.50	2.50	7.00	7.00	2012	2012
Hong Kong	Kerry Properties Ltd	3.26	2.43	1.65	5,114	473	2	1.06	4.85	0.00	6.38	2012	2016
Hong Kong	New World China Land Ltd	2.82	2.43	2.12	1,562	245	1	2.82	2.82	0.00	0.00	2012	2012
Hong Kong	New World Development Ltd	5.59	2.43	2.03	5,023	997	2	4.46	6.75	0.00	7.00	2014	2020
Hong Kong	Shimao Property Holdings Ltd	9.00	2.43	1.56	34,141	458	2	8.93	9.07	8.00	8.00	2016	2016
Hong Kong	Sun Hung Kai Properties Ltd	4.44	2.43	2.17	197,398	185	2	2.91	4.54	4.56	5.38	2013	2017

Source: Bloomberg, Macquarie Research, April 2010

Japan

Office vacancy close to the inflection point

Lower rents are attracting tenants in central Tokyo, where we believe the office vacancy rate is getting close to an inflection point.

Given the apparent recovery of grade-A offices ahead of the overall market and potential upside for grade-A office asking rents, we believe the market would be more focused on asset quality.

Also, recovery in property transactions by JREITs should lead to pick up in overall property transactions albeit actions would be limited within Tokyo. Major developers whose main businesses include property sales to investors should benefit from this. Our top picks are Mitsui Fudosan and Mitsubishi Estate.

Top Picks

Amongst the JREITs, we prefer those with external growth potentials due to equity financing or sales of lower yielding assets. We like **Kenedix Realty** (8972, OP, TP:¥350k), targeting the mid-sized Tokyo office properties, as well as **Tokyu REIT** (8957, OP, TP:¥500k).

Fig 93 Developers valuation table

	Ticker	Rating	Market Capitalisation (US\$m)	Share Price (JPY)	Target Price (JPY)	Implied cap rate	FY10E EV/EBITDA (x)	FY10E EBITDA Growth
Mitsui Fudosan	8801	Outperform	15,042	1,570	2,000	5.6%	13.8	26%
Mitsubishi Estate	8802	Outperform	22,534	1,491	1,900	5.0%	15.3	10%
Sumitomo Realty	8830	Neutral	9,009	1,741	1,800	5.0%	15.1	5%
NTT Urban Dev.	8933	Outperform	2,733	76,400	82,000	6.1%	14.3	30%

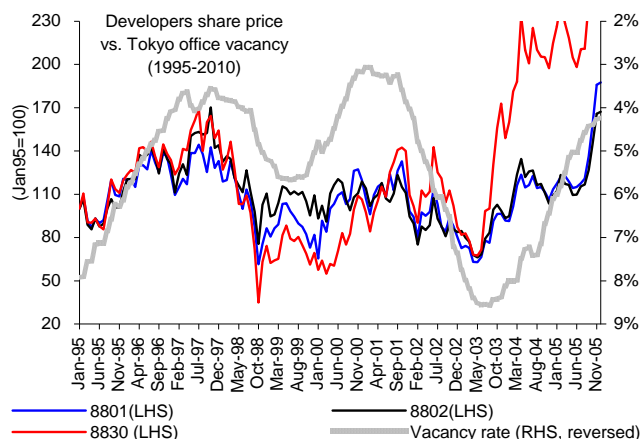
Source: Macquarie Research, April 2010

Fig 94 JREITs valuation table

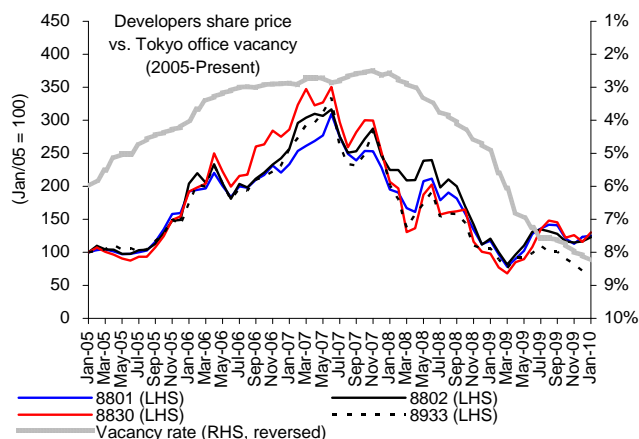
	Ticker	Rating	Market Capitalisation (US\$m)	Share Price (000 JPY)	Target Price (JPY)	Implied cap rate	FY10E Div yield (x)	FY10E DPS Growth
Nippon Building Fund	8951	Neutral	4,513	766	840	5.3%	4.9%	-19%
Japan Real Estate	8952	Outperform	4,121	775	820	5.1%	4.5%	5%
Tokyu REIT	8957	Outperform	860	467	500	5.9%	6.0%	-27%
Nomura Office Fund	8959	Neutral	1,685	508	560	6.4%	6.1%	1%
Kenedix REIT	8972	Outperform	629	248	350	7.4%	8.1%	-12%

Source: Macquarie Research, April 2010

Fig 95 Major developers' share prices have broad correlation with the Tokyo office vacancy

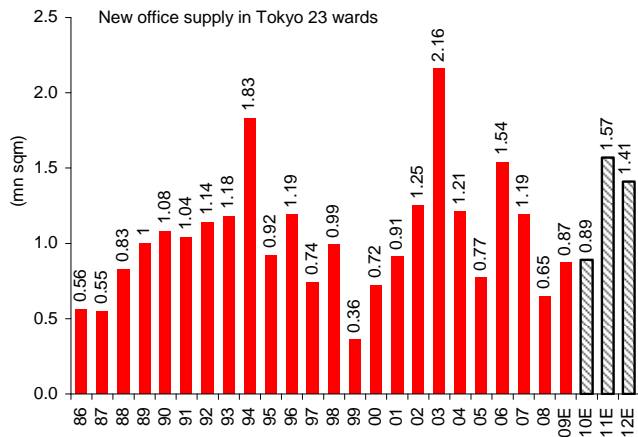


Source: Macquarie Research, April 2010



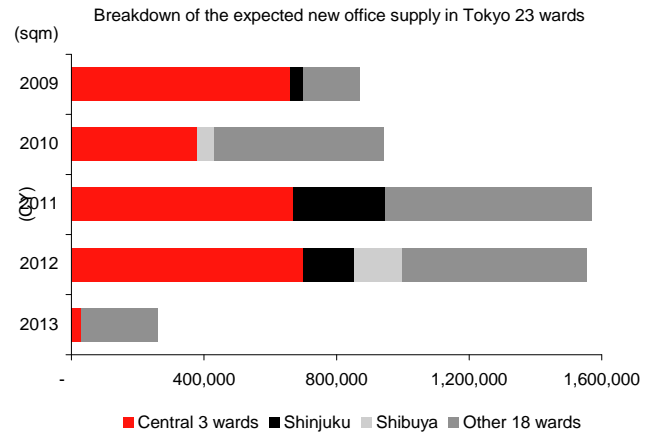
Source: Macquarie Research, April 2010

Fig 96 New supply in Tokyo expected to increase....



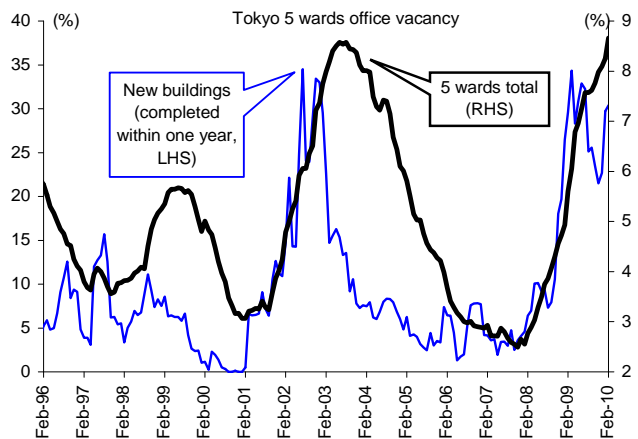
Source: Mori Building, Macquarie Research, April 2010

...although the increase is mostly non-core areas

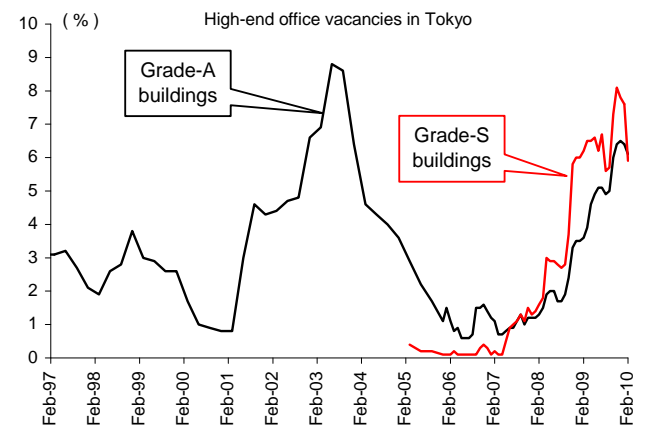


Source: Macquarie Research, April 2010

Fig 97 New buildings and high-end buildings tend to be more volatile, but showing peak out in recent months

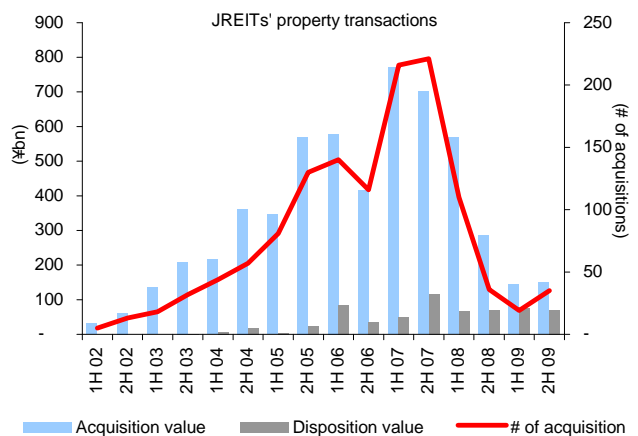


Source: Miki Shoji, Macquarie Research, April 2010



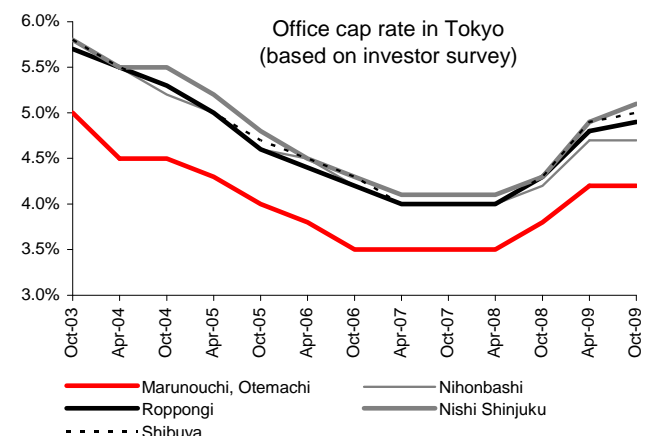
Source: CBRE, Macquarie Research, April 2010

Fig 98 Transactions by JREITs showing recovery



Source: Macquarie Research, April 2010

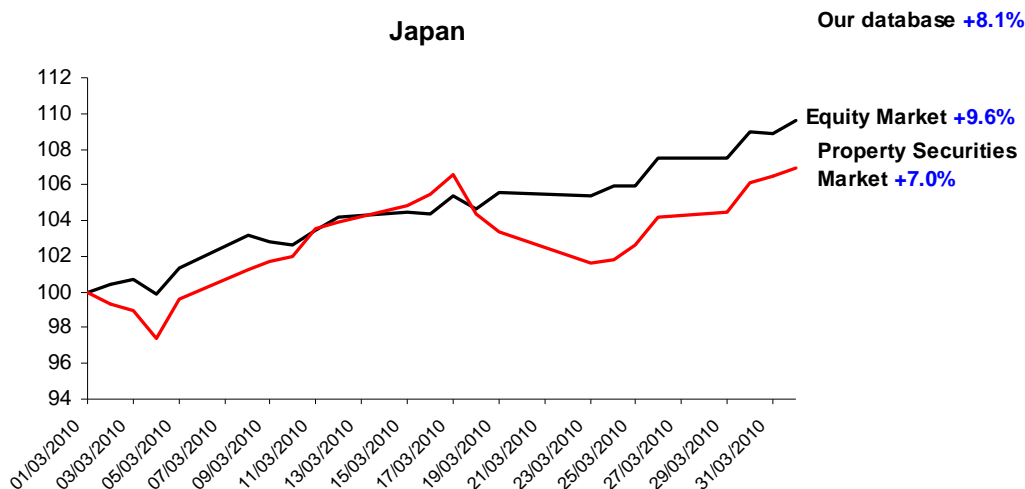
Fig 99 Cap rates showing stabilisation



Source: JREI, Macquarie Research, April 2010

Japanese real estate stocks performed broadly in line over the month

Fig 100 Property market vs Equity market



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Capital Market Issuance

Fig 101 Japan – Secondary issues since the beginning of Mar 2010

Company	Total Issue amount	136	Market cap (£m)
Mori Hills REIT Investment Corp	Japan	REIT	327

Source: Bloomberg, Macquarie Research, April 2010

Fig 102 Japan – New bond issues since the beginning of Mar 2010

Issue Date	Company Name	Country	Issuer Currency	Coupon	Size of Issue (£m)	Spread at Issue	Gov Benchmark Yield
05/03/2010	Mitsui Fudosan Co Ltd	Japan	JPY	1.49	70	17	1.36
11/03/2010	Japan Excellent Inc	Japan	JPY	1.52	84	NA	0.39
12/03/2010	Japan Prime Realty Invest	Japan	JPY	1.68	42	NA	0.54
Total					196		

Source: Bloomberg, Macquarie Research, April 2010

Valuation Summary

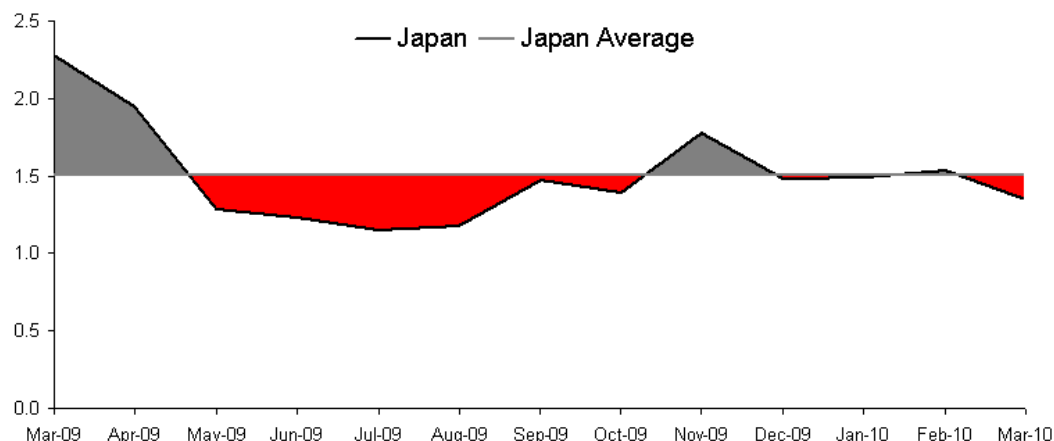
Fig 103 Japan – Valuation summary

BB Code	Prem(Dis c) to NAV %	Div Yield (2010)	Total Mkt Cap \$m
Japan Major Developer	18.70	1.10	49,605
JREITs	-4.90	6.10	12,080

Source: Macquarie Research, April 2010

Fig 104 Sector dividend yield vs bond yield, 12 months to March 2010 – Japan

Dividend Yields Relative
 Long-term average (1991–2009) is at 141bp discount to bond yields
 12-month average is at 151bp premium to bond yields
 Currently trading at 135bp premium



Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 105 One-month best performers (market cap over £1bn) – Japan – EPRA
 Japan = +7.6%

Best-performing stocks over the month with more than £1bn market cap in our database

Stock Code	Company Name	Structure	1 Month Return %	Market Cap £m
8905 JP Equity	Aeon Mall Co Ltd	Non REIT	21.7	2,515
8830 JP Equity	Sumitomo Realty & Development Co	Non REIT	13.4	5,967
8933 JP Equity	NTT Urban Development Corp	Non REIT	12.5	1,832
8815 JP Equity	Tokyu Land Corp	Non REIT	12.3	1,341
8802 JP Equity	Mitsubishi Estate Co Ltd	Non REIT	10.1	14,987
3231 JP Equity	Nomura Real Estate Holdings Inc	Non REIT	10.1	1,934
8804 JP Equity	Tokyo Tatemono Co Ltd	Non REIT	7.3	1,025
8961 JP Equity	Mori Trust Sogo Reit Inc	REIT	7.0	1,051
8801 JP Equity	Mitsui Fudosan Co Ltd	Non REIT	6.5	9,855
8955 JP Equity	Japan Prime Realty Investment Corp	REIT	6.3	1,048

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 106 One-year best performers (market cap over £1bn) – Japan – EPRA
 Japan = +30.6%

Best-performing stocks over 12 months > £1bn in our database

Stock Code	Company Name	Structure	1 year Return %	Market Cap £m
8830 JP Equity	Sumitomo Realty & Development Co Ltd	Non REIT	66.2	5,967
8905 JP Equity	Aeon Mall Co Ltd	Non REIT	58.7	2,515
8801 JP Equity	Mitsui Fudosan Co Ltd	Non REIT	50.8	9,855
1878 JP Equity	Daito Trust Construction Co Ltd	Non REIT	42.8	3,734
8802 JP Equity	Mitsubishi Estate Co Ltd	Non REIT	40.0	14,987
8804 JP Equity	Tokyo Tatemono Co Ltd	Non REIT	35.9	1,025
8815 JP Equity	Tokyu Land Corp	Non REIT	34.8	1,341
8953 JP Equity	Japan Retail Fund Investment Corp	REIT	24.7	1,308
8961 JP Equity	Mori Trust Sogo Reit Inc	REIT	23.1	1,051
8955 JP Equity	Japan Prime Realty Investment Corp	REIT	21.1	1,048

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 107 Japan developers recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$m)	Dividend Yield %	Methodology	Analyst
Japan	8802 JP	Mitsubishi Estate	Non REIT	JPY	1,530.0	Outperform	22,874	0.78	EV/EBITDA	Hiroshi Okubo
Japan	8801 JP	Mitsui Fudosan	Non REIT	JPY	1,587.0	Outperform	15,041	1.39	EV/EBITDA	Hiroshi Okubo
Japan	8830 JP	Sumitomo Realty & Development	Non REIT	JPY	1,779.0	Neutral	9,107	1.12	EV/EBITDA	Hiroshi Okubo
Japan	8933 JP	NTT Urban Development	Non REIT	JPY	79,000.0	Outperform	2,796	1.52	RNAV	Hiroshi Okubo

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 108 JREITs recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Japan	8951 JP	Nippon Building Fund	REIT	JPY	805,000.0	Neutral	4,692	4.19	RNAV	Hiroshi Okubo
Japan	8952 JP	Japan Real Estate Investment Corp	REIT	JPY	797,000.0	Outperform	4,192	4.66	NAV	Hiroshi Okubo
Japan	8959 JP	Nomura Real Estate Office Fund	REIT	JPY	525,000.0	Neutral	1,722	6.55	RNAV	Hiroshi Okubo
Japan	8957 JP	Tokyu REIT	REIT	JPY	491,500.0	Outperform	895	18.11	RNAV	Hiroshi Okubo
Japan	8972 JP	Kenedix Realty Investment Corp	REIT	JPY	251,100.0	Outperform	631	8.33	RNAV	Hiroshi Okubo

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 109 Japan others recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Japan	8905 JP	Aeon Mall	Non REIT	JPY	1,971.0	Outperform	3,839	1.01	PER	Robert Burghart
Japan	8848 JP	Leopalace21	Non REIT	JPY	485.0	Underperform	832	2.47	Price to Book	Robert Burghart

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 110 Japanese corporate bond yields

Country	Company name	Weighted bond yield %	Local 10yr bond yield %	Dividend yield %	Current mkt cap (£m)	Total outstanding amount (£m)	No. of issues	Lowest bond yield %	Highest bond yield %	Lowest coupon %	Highest coupon %	Earliest maturity	Latest maturity
Japan	Aeon Mall Co Ltd	-1.99	0.98	1.01	2,485	1,126	7	-9.46	2.88	0.00	2.59	2010	2025
Japan	Daibiru Corp	1.09	0.98	1.38	650	348	4	0.72	1.70	1.59	2.07	2014	2019
Japan	Heiwa Real Estate Co Ltd	1.55	0.98	3.06	306	515	5	0.89	2.22	0.00	2.48	2010	2015
Japan	Japan Prime Realty Invest	1.73	0.98	6.44	1,019	261	7	1.07	4.27	1.44	2.90	2011	2026
Japan	Japan Real Estate Investment	1.58	0.98	4.14	2,670	313	4	0.72	3.40	0.98	2.56	2010	2025
Japan	Japan Retail Fund Investment	1.57	0.98	6.39	1,294	556	5	1.17	2.13	1.60	2.17	2011	2017
Japan	Kenedix Realty Investment	3.84	0.98	7.49	447	83	2	3.48	4.94	1.74	2.37	2012	2017
Japan	Mitsubishi Estate Co Ltd	1.39	0.98	0.77	15,072	3,164	41	0.21	2.50	0.79	3.28	2010	2033
Japan	Mitsui Fudosan Co Ltd	0.97	0.98	1.34	10,026	1,530	17	0.44	1.54	1.04	3.00	2013	2019
Japan	Nippon Building Fund Inc	1.47	0.98	4.05	3,034	487	7	0.96	2.14	1.23	2.04	2011	2018
Japan	Nomura Real Estate Office	1.58	0.98	6.18	1,105	278	6	0.86	2.63	1.19	2.47	2010	2020
Japan	NTT Urban Development Corp	0.60	0.98	1.54	1,785	12,741	34	-0.04	1.53	0.49	4.13	2010	2019
Japan	Premier Investment Corp	2.17	0.98	7.89	305	174	2	1.94	2.51	0.94	1.41	2010	2012
Japan	Sumitomo Realty & Develop	0.78	0.98	1.09	6,064	2,712	21	0.26	2.33	0.75	2.50	2010	2019
Japan	Tokyo Tatemono Co Ltd	1.46	0.98	2.23	1,078	501	5	1.09	1.79	1.60	2.12	2012	2015
Japan	Tokyu Land Corp	1.08	0.98	1.92	1,354	278	4	0.90	1.24	1.50	1.97	2011	2012
Japan	Tokyu REIT Inc	1.82	0.98	4.51	585	70	2	1.68	1.96	1.65	1.89	2012	2014

Source: Bloomberg, Macquarie Research, April 2010

Singapore

The residential sector continues to be strong despite the government's market-cooling measures. In February, developers sold 1,196 private residential units, still a high number despite being down 19% MoM and -10% YoY. We think the decline in volumes may be due in part to Lunar New Year falling in February this year compared to January last year, rather than due to the government's cooling measures which were announced closer to the end of the month. As expected, there were more mid-high end projects launched and sold than mass-market units, given more room for price appreciation at the higher-end segments where are still 15-20% off the 2007 peak.

On 8th March the government announced more supply-side measures in increasing the supply of land in 2H10, and improvements to the Reserve List mechanism for government land sales to encourage the take-up of land by developers. We think developers face a catch-22 situation. A significant rise in property prices in the short term could see more cooling measures while a stable price environment will mean little chance of RNAV expansion.

In the office sector, office rents appear to be reaching the bottom. We expect the QoQ rate of decline in prime office rents as at 1Q10 to slow, with rents being flat QoQ or at most recording a marginal decline from the S\$6.75psf achieved in 4Q09. However, due to ample supply our view is that the pace of rent recovery from the trough is likely to be lacklustre, or mild at best.

We expect the retail sector to see rental reversion growth of 5-6% for suburban retail malls, in line with strong GDP growth this year and rebounding retail sales.

Legislative issues

The five-year stamp duty waiver for acquisition of properties by SREITs and concessionary rate of 10% withholding tax which was meant to expire in 2010, was extended for a further five years till 31 March 2015 during the announcement of Budget 2010. This was as expected since Singapore continues to strive to be an important REIT hub.

Key outperforms

CapitaMall Trust (CT SP, Outperform, TP: S\$2.07)

Proven track record in driving DPU growth from a combination of active leasing, asset enhancements and acquisitions.

Dominant market share of over 20% if we include the acquisition of Clarke Quay.

Top Picks

We believe CT offers an attractive 8%-9% DPU growth over the next two years, backed by a stable yield of about 6%.

Any further yield accretive acquisitions would further lift its growth prospects.

CapitaLand (CAPL SP, Outperform, TP: S\$4.62)

Less exposed to Singapore residential compared to other developers at 10% of assets.

The group has deleveraged via the various fund-raising exercises at parent and listed subsidiaries and associates last year.

We believe it is well positioned to embark on its next phase of growth in the key markets of Singapore, China, Australia and Vietnam, while building on its strong retail and serviced apartment franchise as well as domain knowledge in real estate financial services.

Key underperforms

Keppel Land (KPLD SP, Underperform, TP: S\$2.31)

The market appears to be factoring in a strong office recovery, which we think is too optimistic given ample office supply. We are also concerned over more cooling measures in the residential sector if volumes and prices continue to rise. The stock is at a 19% premium to our RNAV of S\$3.08, which is too rich in our view.

Key recent transactions

The Vision at West Coast Crescent, developed by Cheong Kong, was previewed in March and was priced at S\$1,000 psf to S\$1,200 psf for the initial release of 100 units. This is a record for the West Coast area, bearing in mind there is no particular MRT advantage to the site. Blue Horizon next door registered 7 deals this year at S\$746 psf to S\$841 psf. The suburban residential record last year was set by Far East Organisation Organisation which launched the 329-unit The Centro at Ang Mo Kio at over S\$1,100psf. Cheung Kong won the tender for the site in March 2008 with a bid of S\$305 per sq ft per plot ratio (psf ppr).

Capital Market Issuance**Fig 111 Singapore – Secondary issues since the beginning of Mar 2010**

Company	Total Issue amount	117	Market cap (£m)
CapitaCommercial Trust (convertible bonds)	Singapore REIT	117	1,431

Source: Bloomberg, Macquarie Research, April 2010

Fig 112 Singapore – New bond issues since the beginning of Mar 2010

Issue Date	Company Name	Country	Issuer Currency	Coupon	Size of Issue (£m)	Spread at Issue	Gov Benchmark Yield
26/03/2010	Ascendas REIT	Singapore	SGD	1.60	142	NA	2.41
Total					196		

Source: Bloomberg, Macquarie Research, April 2010

Valuation Summary**Fig 113 Singapore – Valuation summary**

BB Code	Prem(Dis c) to NAV %	Div Yield (2010)	Total Mkt Cap \$m
Singapore Property	-8.10	1.57	31,382
Singapore REITS	2.20	6.65	20,531

Source: Macquarie Research, April 2010

Best-performing stocks over the month with more than £1bn market cap in our database**Fig 114 One-month best performers – (market cap over £1bn) – Singapore – EPRA Singapore = +3.4%**

Stock Code	Company Name	Structure	1 Month Return %	Market Cap £m
HKL SP Equity	Hongkong Land Holdings Ltd	Non REIT	12.4	7,507
KPLD SP Equity	Keppel Land Ltd	Non REIT	11.9	2,470
CAPL SP Equity	CapitaLand Ltd	Non REIT	5.0	7,953
SL SP Equity	Singapore Land Ltd	Non REIT	4.6	1,320
YLLG SP Equity	Yanlord Land Group Ltd	Non REIT	4.5	1,710
CIT SP Equity	City Developments Ltd	Non REIT	3.1	4,536
SUN SP Equity	Suntec Real Estate Investment Trust	REIT	3.1	1,136
UIC SP Equity	United Industrial Corp Ltd	Non REIT	2.5	1,335
WP SP Equity	Wheelock Properties S Ltd	Non REIT	0.5	1,064
CT SP Equity	CapitaMall Trust	REIT	0.0	2,649

Source: EPRA, Bloomberg, Macquarie Research, April 2010

**Best-performing
stocks over 12
months > £1bn in
our database**

**Fig 115 One-year best performers – (market cap over £1bn) – Singapore – EPRA
Singapore = +72.8%**

Stock Code	Company Name	Structure	1 year Return %	Market Cap £m
KPLD SP Equity	Keppel Land Ltd	Non REIT	272.8	2,470
SUN SP Equity	Suntec Real Estate Investment Trust	REIT	138.4	1,136
HKL SP Equity	Hongkong Land Holdings Ltd	Non REIT	130.3	7,507
SL SP Equity	Singapore Land Ltd	Non REIT	126.1	1,320
WP SP Equity	Wheelock Properties S Ltd	Non REIT	121.4	1,064
UOL SP Equity	UOL Group Ltd	Non REIT	115.1	1,438
CIT SP Equity	City Developments Ltd	Non REIT	110.0	4,536
UIC SP Equity	United Industrial Corp Ltd	Non REIT	106.4	1,335
CCT SP Equity	CapitaCommercial Trust	REIT	81.2	1,431
GENS SP Equity	Genting Singapore PLC	Non REIT	76.2	5,065

Source: EPRA, Bloomberg, Macquarie Research, April 2010

Fig 116 Singapore property companies recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Singapore	CAPL SP	CapitaLand	Non REIT	SGD	4.0	Outperform	12,164	1.38	Sum of Parts	Tuck Yin Soong
Singapore	CIT SP	City Developments	Non REIT	SGD	10.8	Underperform	7,002	0.74	RNAV	Tuck Yin Soong
Singapore	KPLD SP	Keppel Land	Non REIT	SGD	3.7	Underperform	3,790	2.16	RNAV	Tuck Yin Soong
Singapore	AG SP	Allgreen Properties	Non REIT	SGD	1.2	Neutral	1,375	1.65	RNAV	Tuck Yin Soong
Singapore	WINGT SP	Wing Tai Holdings	Non REIT	SGD	1.8	Neutral	1,043	3.26	RNAV	Elaine Cheong

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 117 Singapore REITs recommendations

Listing Country	Bloomberg Code	Company Name	Structure	Local Currency	Latest price	Rec	Market Cap (US\$M)	Dividend Yield %	Methodology	Analyst
Singapore	CT SP	CapitaMall Trust	REIT	SGD	1.8	Outperform	4,158	5.24	DCF	Tuck Yin Soong
Singapore	AREIT SP	Ascendas REIT	REIT	SGD	2.0	Neutral	2,620	6.93	DCF	Elaine Cheong
Singapore	CCT SP	CapitaCommercial Trust	REIT	SGD	1.1	Neutral	2,193	6.48	DCF	Tuck Yin Soong
Singapore	SUN SP	Suntec REIT	REIT	SGD	1.4	Underperform	1,737	6.55	DCF	Elaine Cheong
Singapore	MLT SP	Mapletree Logistics Trust	REIT	SGD	0.9	Outperform	1,284	6.81	DCF	Elaine Cheong
Singapore	CDREIT SP	CDL Hospitality Trusts	REIT	SGD	1.8	Neutral	1,066	6.18	DCF	Elaine Cheong
Singapore	KREIT SP	K-REIT Asia	REIT	SGD	1.1	Underperform	1,052	6.70	DCF	Elaine Cheong
Singapore	SGREIT SP	Starhill Global REIT	REIT	SGD	0.6	Neutral	781	6.81	DCF	Elaine Cheong
Singapore	FRT SP	Fortune REIT	REIT	HKD	3.6	Outperform	770	7.01	DDM	Chris Cheng
Singapore	ART SP	Ascott Residence Trust	REIT	SGD	1.2	Neutral	547	6.47	DCF	Elaine Cheong
Singapore	CRCT SP	CapitaRetail China Trust	REIT	SGD	1.2	Underperform	547	6.25	DCF	Elaine Cheong
Singapore	LMRT SP	Lippo Mapletree	REIT	SGD	0.5	Outperform	373	8.97	DCF	Tuck Yin Soong

Note: As of 1 April 2010.

Source: Macquarie Research, April 2010

Fig 118 Singapore corporate bond yields

Country	Company name	Weighted bond yield %	Local 10yr bond yield %	Dividend yield %	Current mkt cap (£m)	Total outstanding (£m)	No. of issues	Lowest bond yield %	Highest bond yield %	Lowest coupon %	Highest coupon %	Earliest maturity	Latest maturity
Singapore	CapitaCommercial Trust	2.90	2.39	6.91	1,425	220	2	2.03	3.14	2.00	3.15	2011	2013
Singapore	CapitaLand Ltd	3.12	2.39	1.35	8,099	1,844	7	1.09	4.69	2.10	4.08	2010	2022
Singapore	CapitaMall Trust	2.44	2.39	5.27	2,713	305	1	2.44	2.44	1.00	1.00	2013	2013
Singapore	Hongkong Land Holdings Ltd	2.13	2.39	3.18	5,302	1,289	5	1.31	3.80	3.01	7.00	2010	2017
Singapore	Keppel Land Ltd	2.43	2.39	2.15	2,493	225	3	2.11	3.29	2.50	3.51	2013	2015
Singapore	Suntec REIT	3.27	2.39	0.94	1,148	127	1	3.27	3.27	3.25	3.25	2013	2013

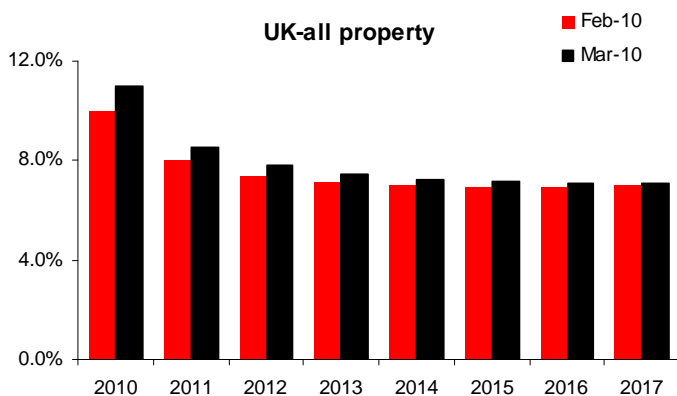
Source: Bloomberg, Macquarie Research, April 2010

Section 7: Financial markets

Property derivatives forecasts

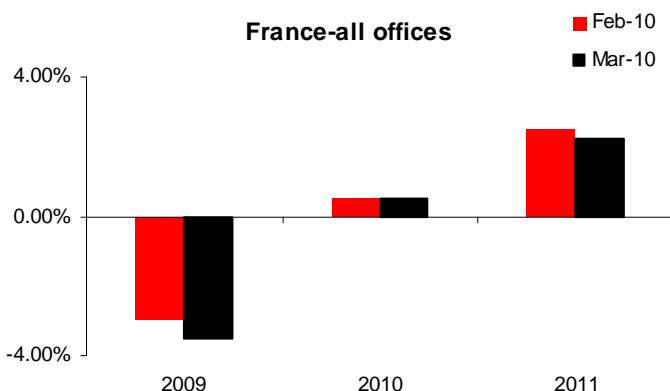
- We have looked at the pricing of the property derivatives contracts traded in the major markets to illustrate the calendar-year total returns that these instruments are pricing in.
- Implicit forecast total returns improved across all UK market contracts during the month, with the greatest improvements at the shorter end.
- The US and Canada are now both pricing in positive returns.

Fig 119 UK – all property



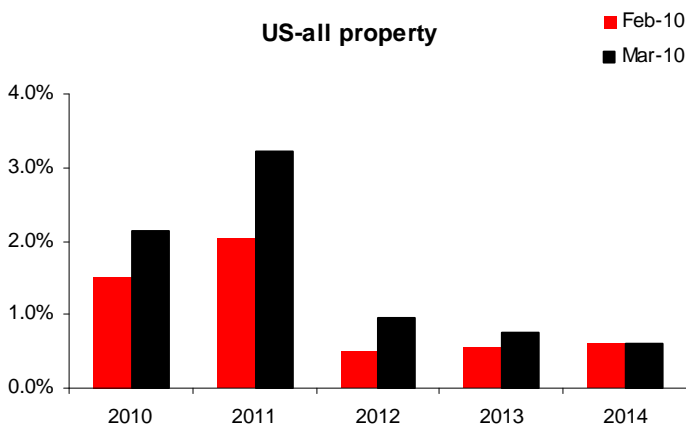
Note: Data as of 31 March 2010.
Source: Tradition, April 2010

Fig 120 France – all offices



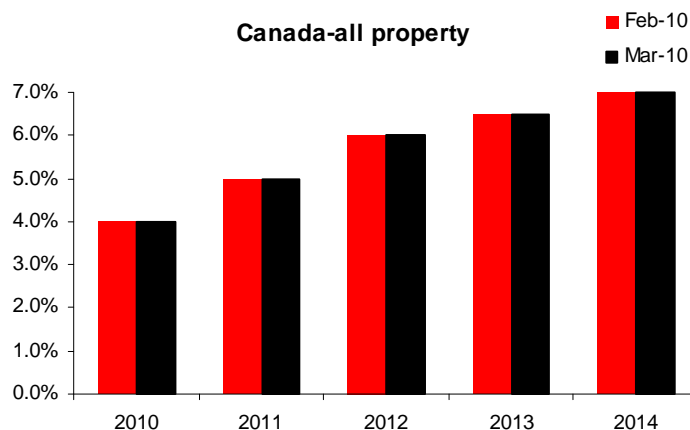
Note: Data as of 31 March 2010.
Source: Tradition, April 2010

Fig 121 US – all property



Note: Data as of 31 March 2010.
Source: Tradition, April 2010

Fig 122 Canada – all property



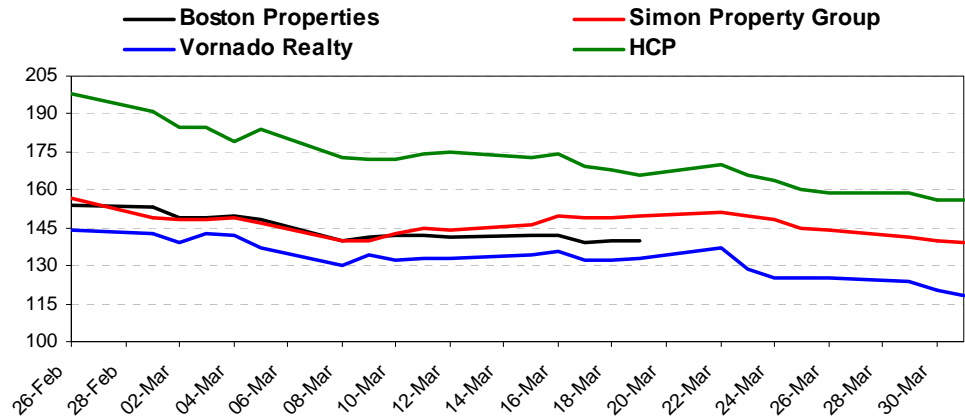
Note: Data as of 31 March 2010.
Source: Tradition, April 2010

CDS spreads

On the back of improved balance sheet positions from equity fund raisings, CDS spreads were broadly stable over the month.

US CDS spreads decreased slightly over the month

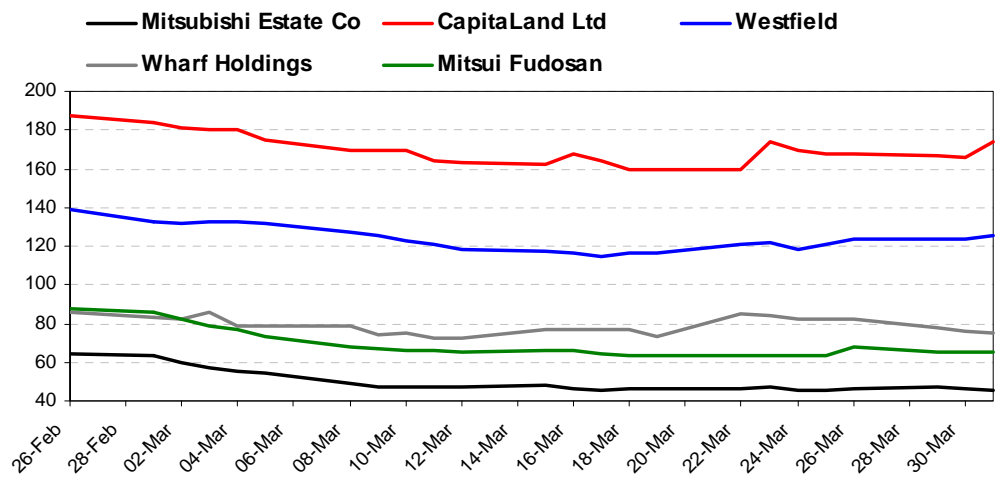
Fig 123 America CDS spreads



Source: Bloomberg, Macquarie Research, April 2010

Asian CDS spreads were flat

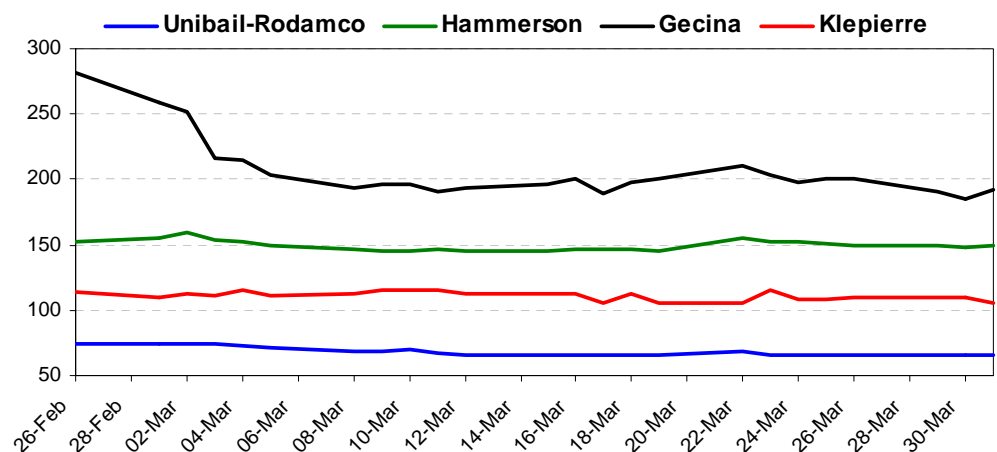
Fig 124 Asia CDS spreads



Source: Bloomberg, Macquarie Research, April 2010

And were also flat in Europe

Fig 125 Europe CDS spreads

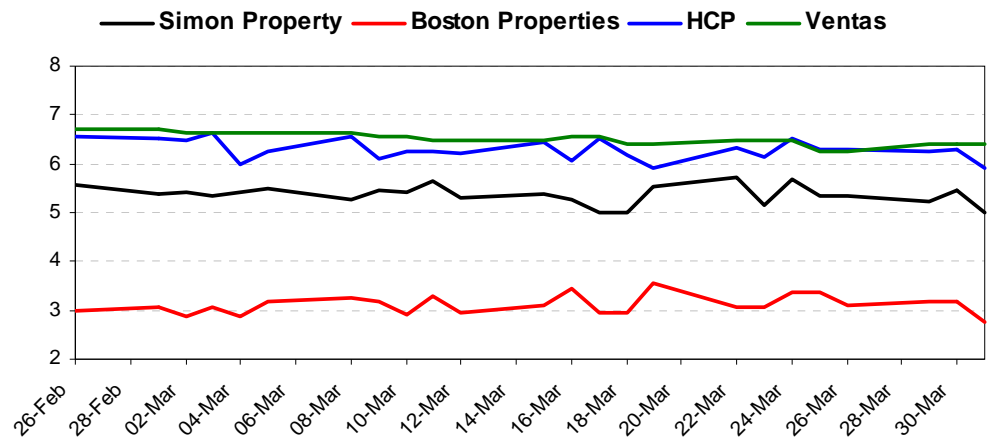


Source: Bloomberg, Macquarie Research, April 2010

Corporate bond yields

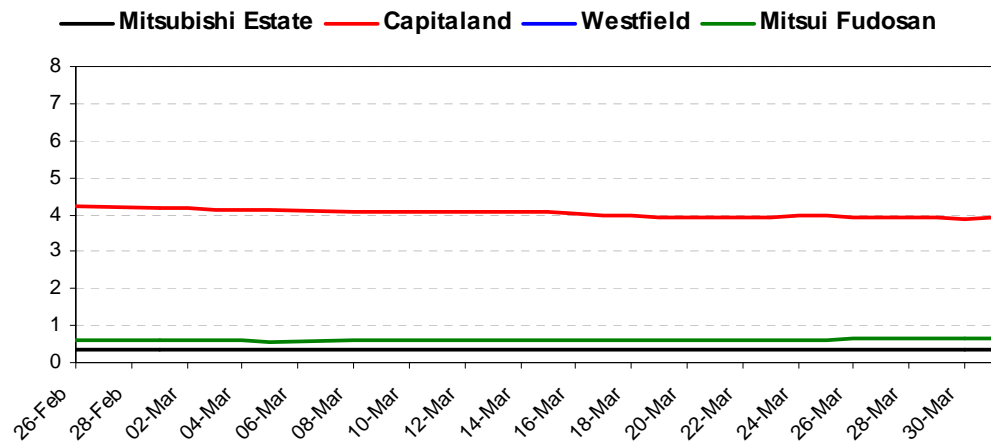
Similarly, corporate bond yields were stable over the month.

Fig 126 Americas bond yields



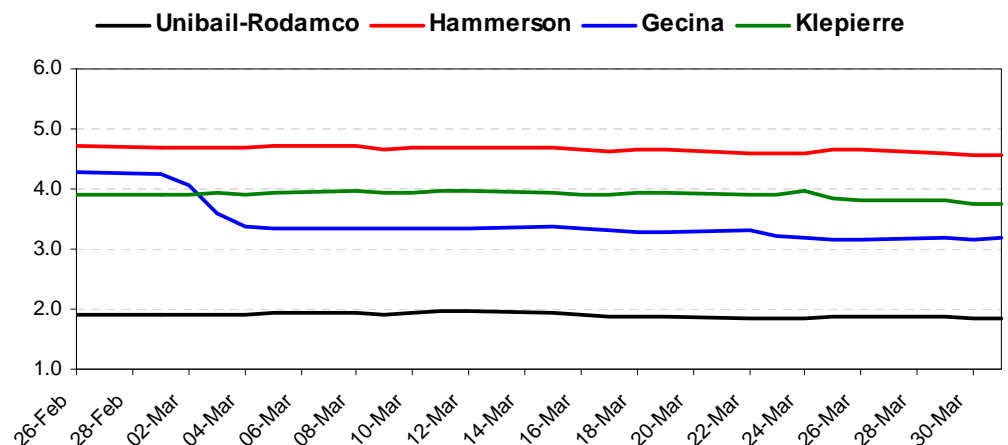
Source: Bloomberg, Macquarie Research, April 2010

Fig 127 Asia bond yields



Source: Bloomberg, Macquarie Research, April 2010

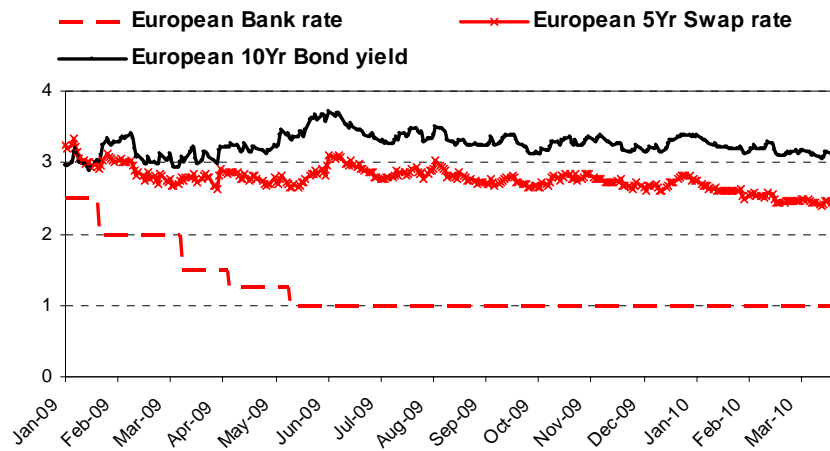
Fig 128 Europe bond yields



Source: Bloomberg, Macquarie Research, April 2010

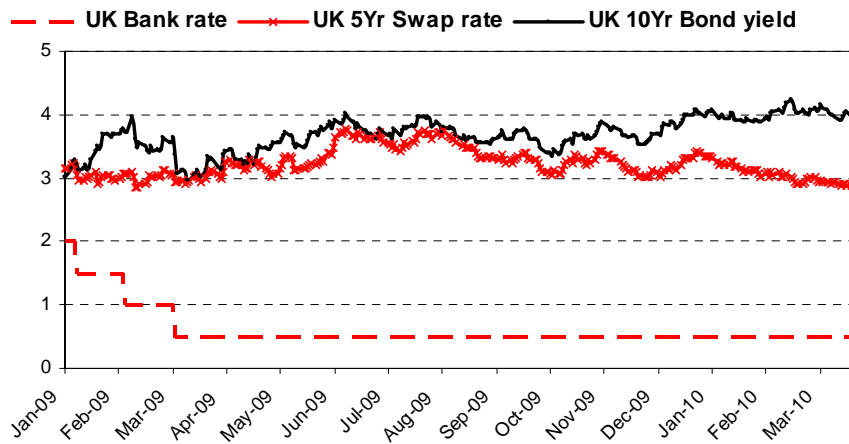
Interest rates

Fig 129 Bank rate, 5-year swap and 10-year bond yield – Europe



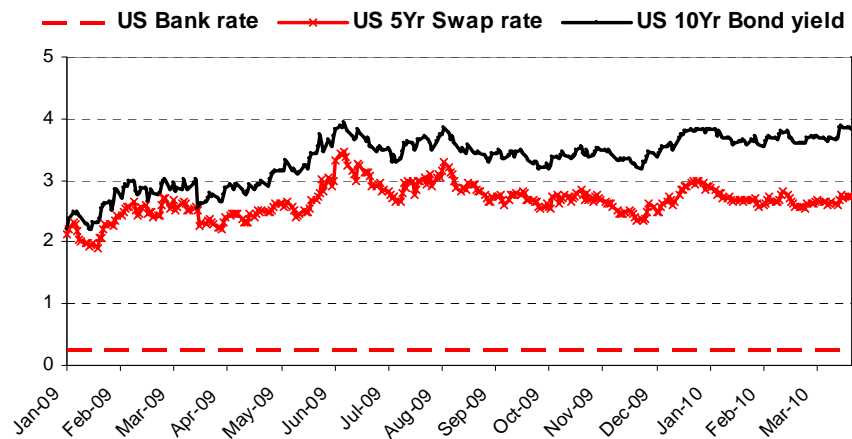
Source: Bloomberg, Macquarie Research, April 2010

Fig 130 Bank rate, 5-year swap and 10-year bond yield – UK



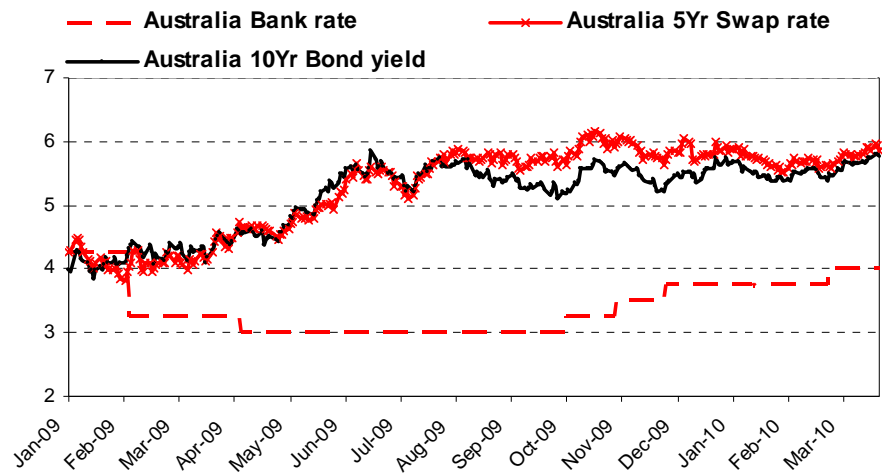
Source: Bloomberg, Macquarie Research, April 2010

Fig 131 Bank rate, 5-year swap and 10-year bond yield – US



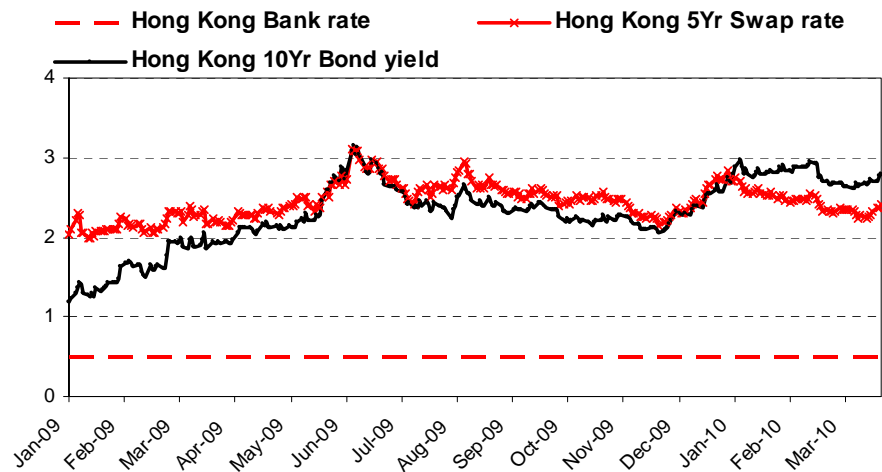
Source: Bloomberg, Macquarie Research, April 2010

Fig 132 Bank rate, 5-year swap and 10-year bond yield – Australia



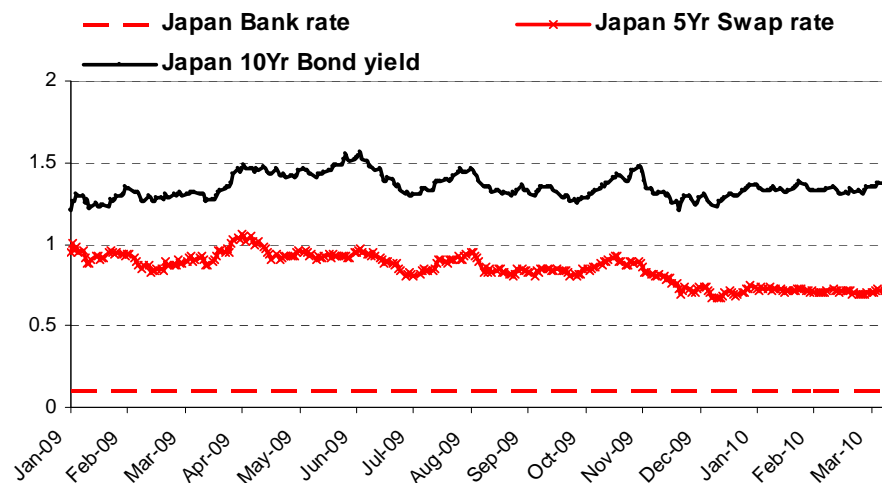
Source: Bloomberg, Macquarie Research, April 2010

Fig 133 Bank rate, 5-year swap and 10-year bond yield – Hong Kong



Source: Bloomberg, Macquarie Research, April 2010

Fig 134 Bank rate, 5-year swap and 10-year bond yield – Japan



Source: Bloomberg, Macquarie Research, April 2010

Section 8: Capital markets

Secondary issues

Fig 135 Global secondary issues, March 2010

Secondary issues	Listing country	Structure	Size of issue £m	Market cap. £m 31 March 2010
Asia			253	1,759
Asia Developed			253	1,759
Mori Hills REIT Investment Corp	Japan	REIT	136	327
CapitaCommercial Trust (convertible bonds)	Singapore	REIT	117	1,431
Asia Emerging			0	0
Americas			817	9,370
Americas Developed			761	9,133
Lexington Realty Trust	US	REIT	40	523
Hersha Hospitality Trust	US	REIT	79	373
HRPT Properties Trust	US	REIT	143	1,300
First Potomac Realty Trust	US	REIT	53	359
ProLogis (convertible bonds)	US	REIT	301	4,121
Equity One Inc	US	REIT	50	1,150
LaSalle Hotel Properties	US	REIT	66	1,071
Killam Properties Inc	Canada	PropCo	29	237
Americas Emerging			56	237
Helbor Empreendimentos SA	Brazil	PropCo	56	237
Europe			702	4,545
Europe Developed			702	4,545
Corio NV	Netherlands	REIT	540	3,950
Jeudan A/S	Denmark	PropCo	118	380
DIC Asset AG	Germany	PropCo	43	202
Eatonfield Group PLC	UK	PropCo	0.1	6
Oak Holdings PLC	UK	PropCo	2	5
Europe Emerging			0	0
Oceania			126	517
Oceania Developed			126	517
Charter Hall Group	Australia	REIT	126	517
Middle East & Africa			0	0
Middle East & Africa Emerging			0	0
Total			1,898	16,190

Source: Bloomberg, Macquarie Research, April 2010

IPOs

Fig 136 Global IPOs

Secondary issues	Listing country	Structure	Size of issue £m	Market cap. £m 31 March 2010
Americas			114	117
Americas Developed			114	117
NorthWest Healthcare Properties REIT	Canada	REIT	114	117
Americas Emerging				
Europe			175	179
Europe Developed			175	179
Metric Property Investments PLC	UK	REIT	175	179
Total			289	296

Source: Bloomberg, Macquarie Research, April 2010

Bond Issues

Fig 137 New bond issues announced since the beginning of March 2010

Issue Date	Company Name	Country	Issuer Currency	Coupon	Size of Issue (£m)	Spread at Issue	Benchmark Yield	Gov
05/03/2010	Mitsui Fudosan Co Ltd	Japan	JPY	1.493	70	17	1.36	
11/03/2010	Unibail-Rodamco SE	France	EUR	3.375	441	136	2.22	
11/03/2010	Japan Excellent Inc	Japan	JPY	1.52	84	NA	0.39	
12/03/2010	Japan Prime Realty Invest	Japan	JPY	1.68	42	NA	0.54	
16/03/2010	ProLogis	US	USD	6.875	527	320	3.97	
16/03/2010	ProLogis	US	USD	6.25	198	320	3.41	
19/03/2010	Mirvac Group	Australia	AUD	8.25	91	NA	NA	
26/03/2010	Ascendas REIT	Singapore	SGD	1.6	142	NA	2.41	
26/03/2010	Vornado Realty Trust	US	USD	4.25	329	188	2.72	
01/04/2010	PSP Swiss Property AG	Switzerland	CHF	1.875	154	NA	0.76	
	Total				2,078			

Source: Bloomberg, Macquarie Research, April 2010

*We are aware of
Two IPOs since the
beginning of March
2010.*

IPO pipeline

The table below shows all the pending IPOs we are aware of.

Fig 138 Pending IPOs

Pending IPO	Listing country	Structure	Expected listing month
Changjia Group	Hong Kong	PropCo	Mar-10
Gold Tak Land Holdings Ltd	Hong Kong	PropCo	Mar-10
Lodha Developers Ltd	India	PropCo	TBA
AG Financial Investment Trust Inc	US	REIT	TBA
Al Khozama Management Co Ltd	Saudi Arabia	PropCo	TBA
Americold Realty Trust	US	REIT	TBA
Ansar Financial and Development Corp	Canada	PropCo	TBA
Azrieli Group	Israel	PropCo	TBA
Bayview Mortgage Capital Inc	US	REIT	TBA
Brookfield Realty Capital Corp	US	REIT	TBA
Callahan Capital Properties Inc	US	PropCo	TBA
Chatham Lodging Trust	US	REIT	TBA
Citibase Holdings PLC	UK	PropCo	TBA
CWCapital Realty Trust Inc	US	REIT	TBA
Debao Property Development Ltd	Spain	PropCo	TBA
Dinh Quan Industrial Park JSC	Vietnam	PropCo	TBA
Farglory Group	Hong Kong	PropCo	TBA
Global Real Estate Corp	UK	PropCo	TBA
Haiphong Business Center	Vietnam	PropCo	TBA
Marathon Real Estate Mortgage Trust	US	REIT	TBA
MFResidential Investments Inc	US	REIT	TBA
NorthStar Healthcare Investors Inc	US	REIT	TBA
Point Asset Management Inc	US	REIT	TBA
Pyramid Hotels & Resorts Inc	US	PropCo	TBA
Hudson Pacific Properties Inc	US	REIT	TBA
Swire Properties Ltd	Hong Kong	PropCo	TBA
Transwestern Realty Finance Inc	US	REIT	TBA
Verde Realty	US	REIT	TBA
Walton Ontario Land LP 1	Canada	PropCo	TBA
NorthWest Healthcare Properties REIT	Canada	REIT	TBA
Weis Development Corp	UK	PropCo	TBA
Western Asset Mortgage Capital Corp	US	REIT	TBA
Whitestone REIT	US	REIT	TBA
Emaar MGF Land Ltd	India	PropCo	TBA
Homburg Canada REIT	Canada	REIT	TBA
Index linked property	UK	PropCo	TBA
Lavasa Corp Ltd	India	PropCo	TBA
Sahara Prime City Ltd	India	PropCo	TBA
Sunway City REIT	Malaysia	REIT	TBA

Source: Bloomberg, Macquarie Research, April 2010

Delistings

The table below shows the companies that were removed from our database in March 2010. (There is often a delay between the announcement of a company entering administration and it being delisted. The date of delisting is the criterion for removal from our database.)

Fig 139 Delistings

Database removals	Listing country	Listing structure	Reason for delisting
Asia			
Asia Developed			
Yuraku Real Estate Co Ltd	Japan	PropCo	Acquired/Merged
Americas			
Americas Developed			
Overland Realty Ltd	Canada	PropCo	Acquired/Merged
Americas Emerging			
Europe			
Europe developed			
Julius Tallberg-Kiint	Finland	PropCo	Cancellation of London
Your Space PLC	UK	PropCo	Cancellation of London
Oceania			
Oceania Developed			

Source: Bloomberg, Macquarie Research, April 2010

Fig 140 Global IPOs of 2009

Company Name	Region	Listing country	Bloomberg Code	Amount(£m)	Month
Orion Investment SA	Europe	Poland	ORN PW	0.17	Feb-09
Max Property Group PLC	Europe	UK	MAX LN	200.00	May-09
Batavia Prosperindo Finance Tbk PT	Asia	Indonesia	BPFI IJ	3.22	Jun-09
ReaLy Development&Construction Corp	Asia	Taiwan	2596 TT	1.27	Jun-09
Government Properties Income Trust	Americas	US	GOV US	122.19	Jun-09
Cypress Sharpridge Investments Inc	Americas	US	CYS US	60.00	Jun-09
Jowa Holdings Co Ltd	Asia	Japan	3258 JP	23.27	Jun-09
MIG Real Estate	Europe	Greece	MIGRE GA	9.14	Jul-09
Pennymac Mortgage Investment Trust	Americas	US	PMT US	195.51	Jul-09
Starwood Property Trust Inc	Americas	US	STWD US	494.89	Aug-09
MFC-Strategic Storage Fund	Asia	Thailand	M-STOR TB	11.12	Aug-09
Shenzhen World Union Properties Consult	Asia	China	002285 CH	56.36	Aug-09
NewRiver Retail Ltd	Europe	UK	NRR LN	25.00	Sep-09
Apollo Commercial Real Estate Finance	Americas	US	ARI US	122.19	Sep-09
CreXus Investment Corp	Americas	US	CXS US	122.19	Sep-09
Colony Financial Inc	Americas	US	CLNY US	152.74	Sep-09
China South City Holdings Ltd	Asia	Hong Kong	1668 HK	248.33	Sep-09
Glorious Property Holdings Ltd	Asia	Hong Kong	845 HK	780.47	Oct-09
Goodland Group Ltd	Asia	Singapore	GOOD SP	2.64	Oct-09
LXB Retail Properties PLC	Europe	UK	LXB LN	110.00	Oct-09
Powerlong Real Estate Holdings Ltd	Asia	Hong Kong	1238 HK	216.80	Oct-09
Evergrande Real Estate Group	Asia	Hong Kong	3333 HK	442.00	Nov-09
China Real Estate Information Corp	Americas	US	CRIC US	131.97	Oct-09
Wuhan Langold Real Estate Co Ltd	Asia	China	002305 CH	52	Nov-09
Yuzhou Properties Co	Asia	Hong Kong	1628 HK	125.00	Nov-09
Longfor Properties Co Ltd	Asia	Hong Kong	960 HK	546	Nov-09
Mingfa Group International Co Ltd	Asia	Hong Kong	846 HK	166	Nov-09
Fantasia Holdings Group Co Ltd	Asia	Hong Kong	1777 HK	250	Nov-09
CapitaMalls Asia Ltd	Asia	Singapore	CMA SP	1,083	Nov-09
TA Global Bhd	Asia	Malaysia	TAGB MK	41	Nov-09
Direcional Engenharia SA	Americas	Brazil	DIRR3 BZ	84	Nov-09
M Winkworth PLC	Europe	UK	WINK LN	0.4	Nov-09
Thanasiri Group PCL	Asia	Thailand	THANA TB	1.62	Dec-09
Bumi Citra Permai Tbk PT	Asia	Indonesia	BCIP IJ	3.63	Dec-09
Pebblebrook Hotel Trust	Americas	US	PEB US	215.81	Dec-09
		Asia		4,054	
		Europe		345	
		Americas		1,701	

Source: Bloomberg, Macquarie Research, April 2010

Fund – raising – Debt

Fig 141 New bond issues since the beginning of January 2009

Issue Date	Company Name	Country	Issuer Currency	Coupon	Size of Issue (£m)	Spread at Issue	Gov Benchmark Yield
20/03/2009	Simon Property Group	US	USD	10.35	396	275	3.39
03/04/2009	RioCan Real Estate Investment Trust	Canada	CAD	8.33	101	NA	2.49
13/04/2009	Calloway Real Estate Investment Trust	Canada	CAD	10.25	84	NA	2.50
13/04/2009	Ventas Inc	US	USD	6.50	121	717	2.87
11/05/2009	Simon Property Group	US	USD	6.75	365	275	2.11
11/05/2009	Host Hotels & Resorts Inc	US	USD	9.00	242	673	2.15
26/05/2009	Westfield	Australia	USD	7.50	426	549	2.24
03/06/2009	Corrections Corp of America	US	USD	7.75	284	531	2.19
30/06/2009	Calloway Real Estate Investment Trust	Canada	CAD	7.95	42	NA	2.56
23/07/2009	Sumitomo Realty & Development Co Ltd	Japan	JPY	2.50	67	NA	1.38
24/07/2009	Mitsui Fudosan Co Ltd	Japan	JPY	1.72	65	40	1.32
27/07/2009	Land Securities	UK	GBP	5.25	360	145	3.80
29/07/2009	Mitsubishi Estate Co Ltd	Japan	JPY	1.62	65	26	1.33
06/08/2009	Simon Property Group	US	USD	6.75	670	275	2.11
11/08/2009	Duke Realty LP	US	USD	8.25	152	463	3.44
11/08/2009	Duke Realty Corp	US	USD	7.38	152	479.2	2.45
12/08/2009	Hospitality Properties Trust	US	USD	7.88	182	530.3	2.26
13/08/2009	Federal Realty Investment Trust	US	USD	5.95	91	337.5	2.26
14/08/2009	CapitaLand Ltd	Singapore	SGD	2.88	510	NA	1.93
14/08/2009	Mack-Cali Realty Corp	US	USD	7.75	152	412	3.44
14/08/2009	ProLogis	US	USD	7.63	212	507.4	2.26
27/08/2009	Westfield	Australia	USD	5.75	457	350	2.70
27/08/2009	Westfield	Australia	USD	6.75	761	350	3.44
01/09/2009	FelCor Lodging Trust Inc	US	USD	10.00	389	1,050	2.38
10/09/2009	Mitsui Fudosan Co Ltd	Japan	JPY	1.63	67	31	1.40
11/09/2009	AvalonBay Communities Inc	US	USD	5.70	152	270	3.07
11/09/2009	AvalonBay Communities Inc	US	USD	6.10	152	270	3.44
15/09/2009	Delek Real Estate Ltd	ISRAEL	ILS	8.50	88	NA	4.43
15/09/2009	Delek Real Estate Ltd	ISRAEL	ILS	5.50	42	NA	3.93
16/09/2009	Wereldhave NV	Netherlands	EUR	4.38	206	NA	2.40
16/09/2009	Daibiru Corp	Japan	JPY	1.67	67	34	1.40
17/09/2009	Henderson Land Development	Hong Kong	USD	5.50	301	210	3.41
22/09/2009	Shanghai Forte Land Co	Hong Kong	CNY	7.30	176	NA	2.94
23/09/2009	Unibail-Rodamco SE	France	EUR	4.63	437	184	2.89
24/09/2009	Kimco Realty Corp	US	USD	6.88	188	350	3.38
25/09/2009	Brandywine Realty Trust	US	USD	7.50	152	516.2	2.53
30/09/2009	Developers Diversified Realty Corp	US	USD	9.63	189	741	2.81
01/10/2009	FelCor Lodging Trust Inc	US	USD	10.00	385	1050	2.34
01/10/2009	FelCor Lodging Trust Inc	US	USD	10	388	1,050	1.96
06/10/2009	Dexus Finance Pty Ltd	Australia	USD	7.13	188	488	2.33
07/10/2009	Forest City Enterprises Inc	US	USD	3.63	101	NA	2.33
09/10/2009	Boston Properties Inc	US	USD	5.88	437	263	3.28
13/10/2009	Sumitomo Realty & Development Co Ltd	Japan	JPY	1.81	133	NA	0.68
14/10/2009	Beijing Vantone Real Estate Co Ltd	China	CNY	7.00	90	NA	3.01
23/10/2009	Guangzhou R&F Properties Co Ltd	Hong Kong	CNY	6.85	487	NA	3.12
28/10/2009	Tokyo Tatemono Co Ltd	Japan	JPY	2.12	81	NA	0.49
29/10/2009	Mitsubishi Estate Co Ltd	Japan	JPY	1.53	67	19	1.38
30/10/2009	ProLogis	US	USD	7.38	360	395	3.43
03/11/2009	Potlatch Corp	US	USD	7.50	90	426	3.43
03/11/2009	RioCan Real Estate Investment Trust	Canada	CAD	5.65	85	NA	2.41
04/11/2009	Sumitomo Realty & Development Co Ltd	Japan	JPY	1.87	70	NA	0.55
09/11/2009	CA Immobilien Anlagen AG	Australia	EUR	4.13	121	NA	2.43
12/11/2009	Agile Property Holdings Ltd	Hong Kong	USD	10.00	181	NA	2.61
13/11/2009	Aeon Mall Co Ltd	Japan	JPY	1.54	162	NA	0.55
18/11/2009	Megaworld Corp	Philippines	PHP	8.46	64	NA	10.66
18/11/2009	HRPT Properties Trust	US	USD	7.50	76	NA	NA
20/11/2009	AMB Property Corp	US	USD	6.13	152	338	2.71
20/11/2009	AMB Property Corp	US	USD	6.63	152	338	3.22
20/11/2009	First Capital Realty Inc	Canada	CAD	5.95	71	311	2.44
23/11/2009	Segro PLC	UK	GBP	6.75	300	NA	3.90
25/11/2009	Cofinimmo	Belgium	EUR	5.00	92	NA	2.55
13/11/2009	Aeon Mall Co Ltd	Japan	JPY	1.54	157	NA	0.49
04/12/2009	Healthcare Realty Trust Inc	US	USD	6.5	7	388	3.33
09/12/2009	Equity One Inc	US	USD	6.25	150	438	2.14
11/12/2009	Commonwealth Property Office Fund	Australia	AUD	5.25	110	NA	4.98
15/12/2009	Goodman Property Trust	New Zealand	NZD	7.75	69	NA	5.55
16/12/2009	DuPont Fabros Technology Inc	US	USD	8.5	343	NA	NA
17/12/2009	Bayside Land Corp	Israel	ILS		45	NA	NA
18/12/2009	Vincom JSC	Vietnam	VND	14.5	34	NA	NA
18/12/2009	Stockland	Australia	AUD	8.5	171	NA	5.31
28/12/2009	Mishorim Development Ltd	Israel	ILS		8	NA	NA
23/12/2009	Camargo Correa Desenvolvimento Imobiliario	Brazil	BRL	6.62	142	NA	NA
30/12/2009	Wharf Holdings Ltd	Hong Kong	HKD	4.5	19	NA	2.69
18/01/2010	Atenor Group	Belgium	EUR	6	45	NA	2.40
25/01/2010	Simon Property Group Inc	US	USD	6.75	396	NA	4.64
25/01/2010	Simon Property Group Inc	US	USD	5.65	826	NA	3.69
25/01/2010	Simon Property Group Inc	US	USD	4.2	264	180	2.20
28/01/2010	Nippon Building Fund Inc	Japan	JPY	1.23	73	NA	0.48
27/01/2010	Evergrande Real Estate Group Ltd	Hong Kong	USD	13	495	NA	2.31
02/02/2010	Sumitomo Realty & Development Co Ltd	Japan	JPY	1.28	70	NA	0.52
02/02/10	UDR Inc	US	USD	5.25	99	NA	NA
09/02/2010	Omega Healthcare Investors Inc	US	USD	7.5	132	414	3.59
24/02/10	Federal Realty Investment Trust	US	USD	5.9	99	225	3.97
25/02/2010	Orix JREIT Inc	Japan	JPY	2.08	84	NA	0.23

25/02/2010	Wyndham Worldwide Corp	US	USD	7.375	165	357	3.96
	Total				16,900		

Source: Bloomberg, Macquarie Research, April 2010

Section 9: Performance analysis

Monthly performance

March 2010

Fig 142 Global property securities returns for March 2010

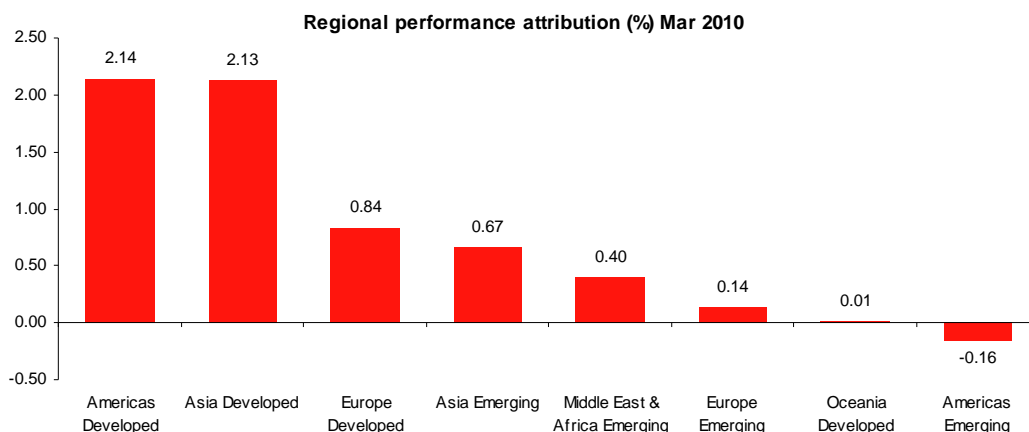
Region	Current Size Market Cap (€bn)	Total Returns March 2010 (%)		
		Total	Developed Markets	Emerging Markets
Asia	496	6.0	6.4	5.1
Americas	293	7.4	9.0	-5.3
Europe	157	6.5	6.1	13.1
Oceania	53	0.2	0.2	NA
Middle East & Africa	72	6.0	NA	6.0
Global	1071	6.2	6.7	4.3

Source: Bloomberg, Macquarie Research, April 2010

The total return of 6.2% in March for our universe of 2,000 + stocks was the same as the total return of 6.2% for the MSCI AC World Index.

One-month returns the same as global equity markets ...

Fig 143 Regional contribution to total global return of 6.2% in March 2010



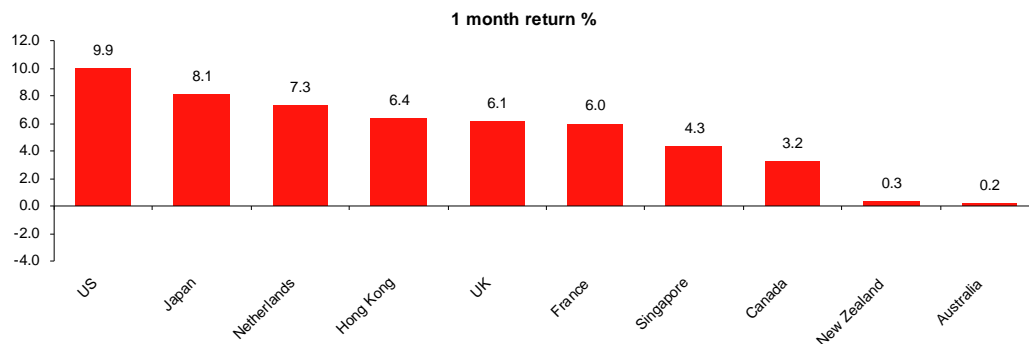
Source: Bloomberg, Macquarie Research, April 2010

The main performance came from the developed American (+9.0%) and Asian area (+6.4%), which were driven by the US (+9.9%) and Japan (+8.1%) respectively. Elsewhere, the European market also experienced good performance last month, with a total return of 6.5%.

US and Japan led the way.....

.....and rolling 12 month returns for developed markets are now higher than for emerging

Fig 144 Leading market returns – March 2010



Source: Bloomberg, Macquarie Research, April 2010

Among the larger (>£1bn market cap) companies, the leading performer was still the US: Host Hotels & Resorts (HST US, Not rated; +38.9%), General Growth (GGP US, Not rated; +22.7%), Piedmont Office Realty (PDM US, Not rated; +20.6%) and Starwood Hotels & Resorts (HOT US, Not rated; +20.5%).

Outside the US, the most notable performances came from UAE (+29.8%): Emaar Properties (EMAAR UH, Not rated; +38.9%), Aldar Properties (ALDAR UH, Not rated; +28.8%) and Sorouh Real Estate (SOROUH UH, Not rated; +24.0%).

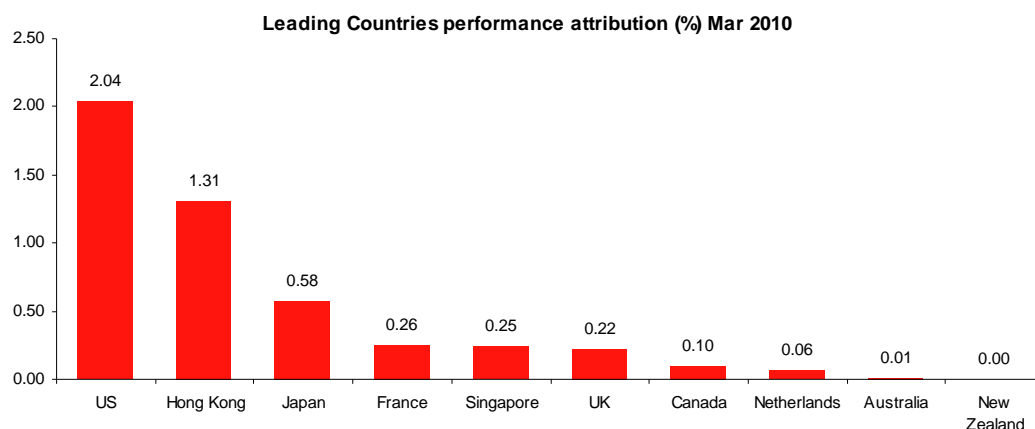
The worst performers among the bigger (>£1bn market cap) stocks were primarily from Brazil (-6.9%): Rossi Residencial (RSID3 BZ, Not rated; -12.3%), Brookfield Incorporacoes (BISA3 BZ, Not rated; -12.1%), BR Malls Participacoes (BRML3 BZ, Not rated; -10.6%) and Gafisa (GFSA3 BZ, Not rated; -10.3%).

Large companies still performed better last month

Stocks capitalised at more than £1bn produced a monthly return of +6.4% (compared to the global total return of +6.2%) while those at less than £1bn had a return of +5.8%.

Due to the resurgence in prices in the last month of the year, the number of larger-cap stocks was 240 in March, up from the lowest of 113 in February 2009.

Fig 145 Leading countries contribution to total return of 6.2% in March 2010

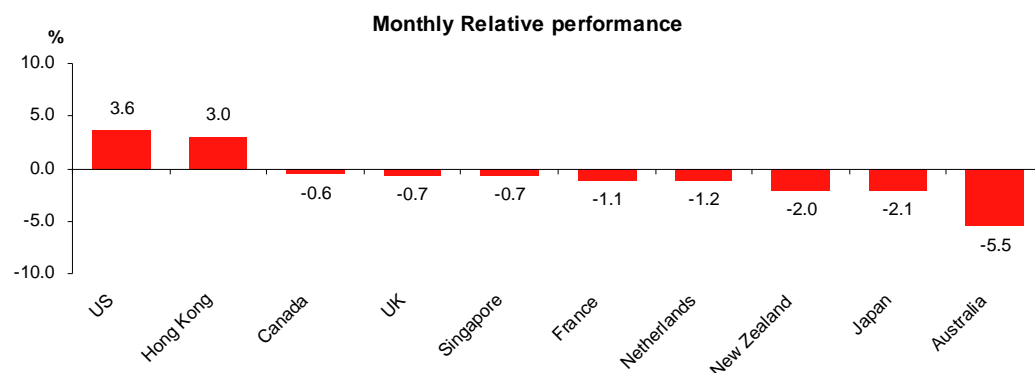


Source: Bloomberg, Macquarie Research, April 2010

US & Hong Kong outperformed their local equity markets

Over the last month, only the US and Hong Kong outperformed their local equity markets.

Fig 146 Leading market monthly relative performance, March 2010



Source: Bloomberg, Macquarie Research, April 2010

Fig 147 March 2010 returns and volatility

	Monthly return %			Annualised volatility %
Global				25.52
Global developed				24.14
Global emerging				30.07
	Monthly return real estate equity %	Monthly return equity market %	Monthly return relative	Monthly volatility real estate equity %
Asia	6.01			28.36
Asia Developed	6.38			27.17
Hong Kong	6.36	3.31	2.96	27.64
Japan	8.07	10.33	-2.05	27.80
Singapore	4.33	5.02	-0.66	24.60
Asia Emerging	5.07			31.49
China	4.74	3.32	1.38	30.60
India	1.90	6.20	-4.05	32.61
Indonesia	13.02	9.02	3.67	43.89
Malaysia	4.02	4.44	-0.41	26.14
Philippines	10.72	5.44	5.01	38.94
South Korea	-1.67	6.16	-7.38	33.03
Sri Lanka	-3.08	-1.84	-1.26	33.63
Taiwan	5.83	6.51	-0.64	28.95
Thailand	8.18	10.11	-1.75	34.05
Vietnam	3.27	0.59	2.67	29.32
Americas	7.39			21.97
Americas Developed	9.01			21.08
Canada	3.18	3.81	-0.60	18.27
US	9.91	6.10	3.59	21.51
Americas Emerging	-5.29			29.17
Argentina	12.01	7.39	4.30	24.66
Brazil	-6.86	5.21	-11.47	30.03
Chile	3.53	-0.82	4.39	30.84
Mexico	0.23	5.26	-4.78	24.43
Peru	3.73	8.05	-4.00	NA
Venezuela	4.35	7.48	-2.91	18.10
Europe	6.55			23.65
Europe Developed	6.07			22.83
Denmark	8.11	7.32	0.74	33.89
Austria	12.43	5.31	6.76	29.60
Belgium	4.74	7.06	-2.17	16.22
Finland	13.38	11.22	1.95	24.86
France	5.96	7.15	-1.11	17.25
Germany	3.93	9.76	-5.31	42.83
Ireland	-10.96	11.52	-20.16	58.23
Italy	5.32	NA	NA	31.81
Luxembourg	-17.07	9.92	-24.56	NA
Netherlands	7.29	8.62	-1.23	18.25
Norway	5.21	7.09	-1.75	47.99
Spain	-4.97	4.57	-9.12	39.83
Sweden	7.95	8.72	-0.70	20.33
Switzerland	6.07	4.21	1.79	13.29
UK	6.10	6.81	-0.66	23.99
Europe Emerging	13.07			41.04
Bulgaria	-2.36	-0.55	-1.81	NA
Cyprus	-0.71	6.81	-7.04	56.68
Czech Republic	0.42	5.10	-4.45	27.80
Estonia	22.07	9.75	11.23	48.63
Greece	1.79	7.66	-5.45	38.04
Hungary	9.98	14.00	-3.52	27.08
Latvia	0.00	3.76	-3.62	NA
Poland	18.63	-1.17	20.04	37.07
Portugal	-60.00	9.66	-63.52	NA
Russia	13.09	6.35	6.34	36.21
Turkey	19.93	12.49	6.62	55.41
Oceania	0.21			21.82
Oceania Developed	0.21			21.82
Australia	0.21	6.03	-5.49	21.96
New Zealand	0.27	2.34	-2.02	17.10
Middle East & Africa	6.00			26.64
Middle East & Africa Emerging	6.00			26.64
Bahrain	1.95	4.32	-2.27	NA
Botswana	0.59	-2.41	3.08	NA
Egypt	1.60	1.73	-0.14	31.53
Israel	4.60	5.78	-1.12	31.67
Jordan	13.15	NA	NA	49.88
Kuwait	-2.70	2.44	-5.02	35.47
Lebanon	3.23	3.90	-0.65	18.70
Mauritius	7.21	-0.27	7.50	NA
Morocco	10.07	7.15	2.72	31.32
Namibia	0.00	NA	NA	NA
Qatar	2.82	10.79	-7.19	23.28
Saudi Arabia	0.46	6.29	-5.48	13.43
South Africa	4.15	7.89	-3.47	20.04
Tunisia	23.74	0.42	23.22	26.76
UAE	29.77	8.55	19.55	47.74

Source: Bloomberg, Macquarie Research, April 2010

12-month performance

Fig 148 Global property securities 12-month returns to March 2010

Globally the sector still significantly outperformed on a 12-month basis

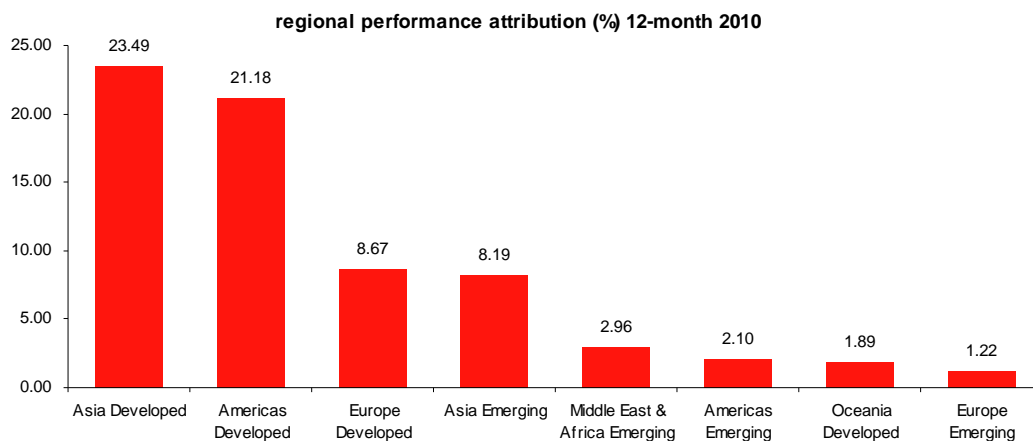
Region	March 2009 Size Market Cap (£bn)	Total Returns 12 Months to March 2010 (%)		
		Total	Developed Markets	Emerging Markets
Asia	298	62.7	66.5	53.8
Americas	132	103.7	101.7	130.8
Europe	89	64.7	60.8	131.7
Oceania	26	42.2	42.2	NA
Middle East & Africa	43	40.3	NA	40.3
Global	590	69.6	73.8	57.2

Source: Bloomberg, Macquarie Research, April 2010

The total return (+69.6%) for our universe compares with a +44.4% total return for the MSCI AC World Index.

Fig 149 Regional contribution to total return of 69.6% for 12 months to March 2010

Asia still driving growth



Source: Bloomberg, Macquarie Research, April 2010

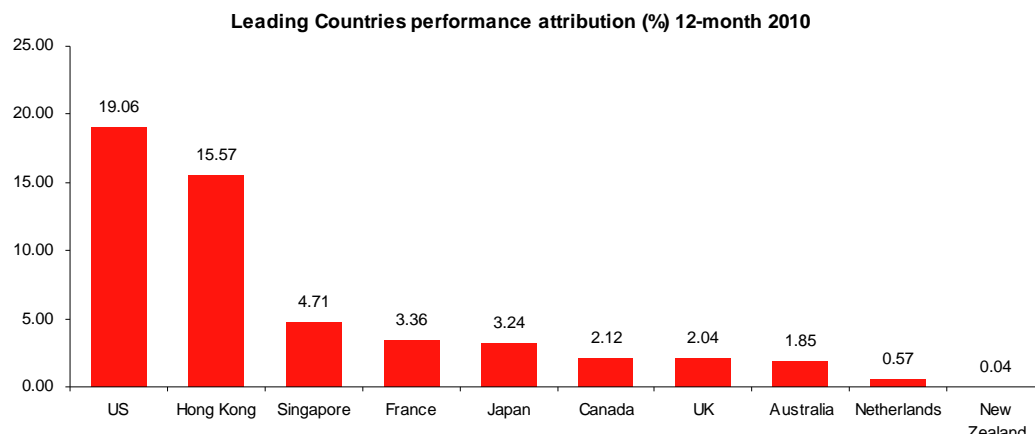
Fig 150 Leading market returns – 12 months to March 2010

Singapore & US have outperformed the other developed markets



Source: Bloomberg, Macquarie Research, April 2010

Fig 151 Leading countries' contribution to total return of 69.9% for 12 months to March 2010



Source: Bloomberg, Macquarie Research, April 2010

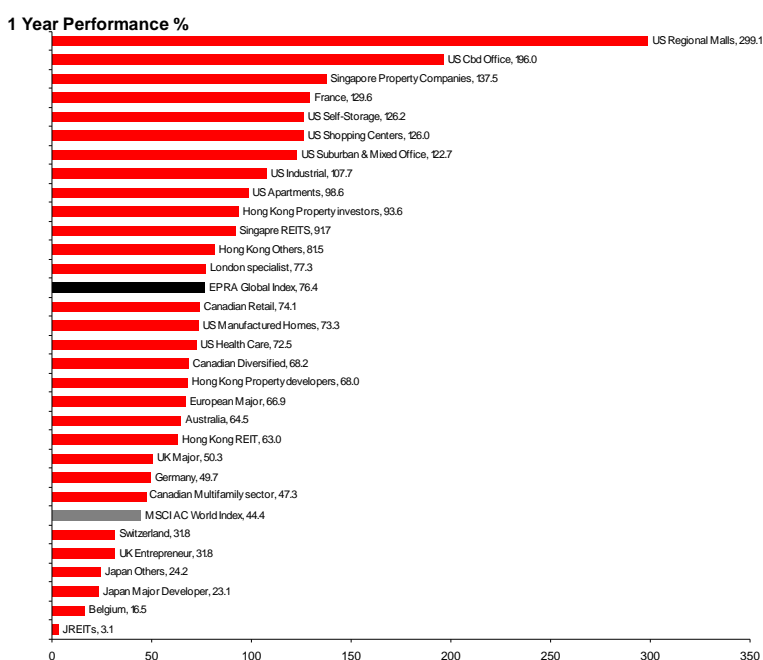
In terms of performance attribution within developed markets, it is noticeable that, over a 12-month period, only the US has significantly outperformed while the others underperformed the developed market average, especially Japan. For emerging markets, the Russian sector still significantly outperformed for this month.

Fig 152 Developed and emerging markets' 12-month returns, 2009 (%)

Developed Market			Emerging Market		
Country	Total Returns	Relative Performance	Country	Total Returns	Relative performance
France	73.01	-0.4	China	38.79	-11.7
US	105.84	18.5	Brazil	135.25	49.7
Hong Kong	71.92	-1.1	India	97.28	25.5
Japan	34.94	-22.3	Russia	320.38	167.4
Australia	43.20	-17.6			
UK	67.44	-3.6			
Developed Market 12-month Total Return	73.76		Emerging Market 12-month Total Return	57.20	

Source: Bloomberg, Macquarie Research, April 2010

Fig 153 1-year performance (%)



Note: Data as of 1 April 2010.

Source: Bloomberg, Macquarie Research, April 2010

Fig 154 12-month returns and volatility to March 2010

	Annual return %		Annualised volatility %	
Global	69.63		44.85	
Global developed	73.76		44.68	
Global emerging	57.20		45.40	
Listing country	Annual return real estate equity %	Annual return equity market %	Annual return relative	Annual volatility real estate equity %
Asia	62.67			44.13
Asia developed	66.49			42.70
Hong Kong	71.92	61.00	6.79	43.25
Japan	34.94	28.56	4.96	41.66
Singapore	106.69	83.86	12.42	42.12
Asia emerging	53.76			47.54
China	38.79	55.19	-10.57	46.61
India	97.28	98.74	-0.73	69.61
Indonesia	73.66	98.95	-12.71	44.99
Malaysia	52.29	56.51	-2.70	34.49
Philippines	87.85	65.83	13.28	43.22
South Korea	20.20	40.40	-14.39	35.63
Sri Lanka	93.25	133.56	-17.26	43.96
Taiwan	93.44	56.23	23.82	43.01
Thailand	127.37	90.77	19.19	43.58
Vietnam	188.18	81.73	58.57	52.74
Americas	103.72			51.56
Americas developed	101.69			51.87
Canada	75.05	42.14	23.15	33.10
US	105.84	53.71	33.92	54.77
Americas emerging	130.84			47.13
Argentina	165.91	115.92	23.15	41.16
Brazil	135.25	59.98	47.05	48.38
Chile	124.19	48.73	50.74	27.57
Mexico	120.94	72.76	27.89	46.79
Peru	35.62	63.78	-17.19	NA
Venezuela	6.31	55.21	-31.50	14.54
Europe	64.70			41.17
Europe developed	60.83			40.75
Denmark	3.87	56.42	-33.59	56.61
Austria	161.87	56.68	67.14	60.57
Belgium	29.51	67.53	-22.70	26.20
Finland	102.87	67.10	21.41	44.47
France	73.01	47.76	17.09	31.54
Germany	35.05	53.39	-11.96	73.07
Ireland	55.53	47.35	5.56	98.02
Italy	57.49	NA	NA	46.00
Luxembourg	5.55	78.29	-40.80	NA
Netherlands	67.67	64.50	1.93	33.28
Norway	87.80	57.79	19.02	67.76
Spain	-15.16	43.81	-41.00	62.24
Sweden	64.58	68.56	-2.36	32.39
Switzerland	37.68	45.25	-5.21	22.09
UK	67.44	52.90	9.51	45.69
Europe emerging	131.71			50.32
Bulgaria	10.30	53.39	-28.09	NA
Cyprus	-17.61	68.19	-51.01	59.06
Czech Republic	29.10	66.61	-22.52	47.44
Estonia	103.64	113.19	-4.48	95.72
Greece	20.70	24.41	-2.98	41.42
Hungary	39.61	118.98	-36.25	40.10
Latvia	0.00	53.53	-34.87	NA
Poland	85.96	36.13	36.60	47.40
Portugal	80.80	76.59	2.38	NA
Russia	320.38	33.34	215.26	82.03
Turkey	163.80	127.26	16.08	45.99
Oceania	42.21			39.28
Oceania developed	42.21			39.28
Australia	43.20	45.76	-1.75	40.01
New Zealand	21.16	23.31	-1.74	22.75
Middle East & Africa	40.28			40.24
Middle East & Africa emerging	40.28			40.24
Bahrain	-3.81	1.73	-5.45	NA
Botswana	28.81	18.19	8.98	NA
Egypt	67.59	57.27	6.57	46.86
Israel	85.88	73.45	7.17	50.62
Jordan	-36.78	NA	NA	49.52
Kuwait	-1.46	13.14	-12.90	48.88
Lebanon	57.27	56.15	0.71	33.38
Mauritius	11.03	58.18	-29.80	NA
Morocco	3.89	47.76	-29.68	28.15
Namibia	-24.42	NA	NA	NA
Qatar	155.72	62.90	56.98	59.90
Saudi Arabia	14.44	49.61	-23.51	25.04
South Africa	26.25	43.98	-12.31	23.48
Tunisia	118.13	54.63	41.07	30.06
UAE	53.56	21.15	26.74	62.67

Source: Bloomberg, Macquarie Research, April 2010

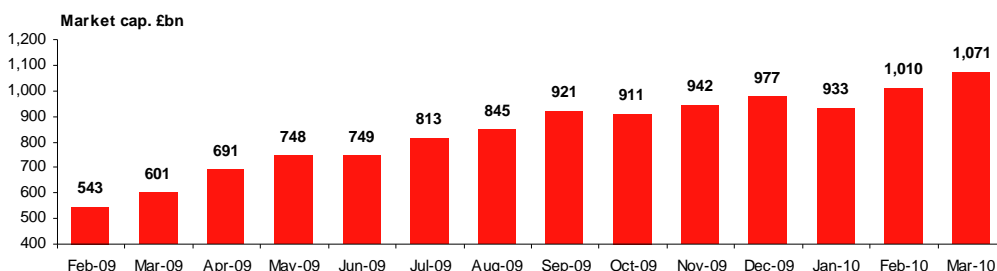
Section 10: Composition analysis

Global property securities – Composition

Total market cap nearly doubled in size from Feb 2009

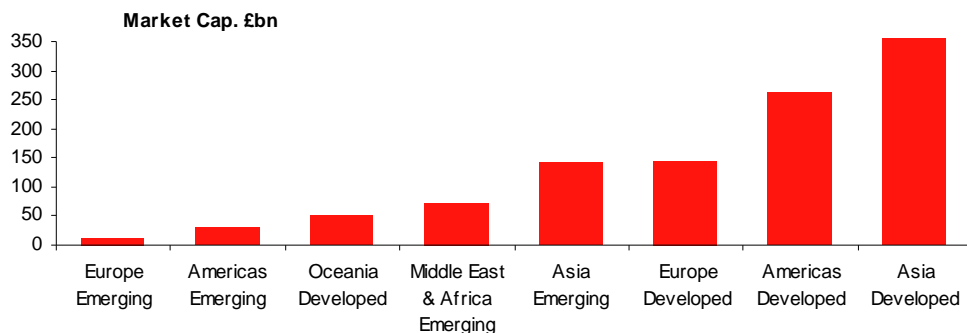
Our universe is now capitalised at **£1,171bn**, comprising **2,004** companies in **66** countries. All market capitalisations are expressed in one currency (£), while returns are all expressed in local currencies. We do not take into account free float in our capitalisation-weighted aggregate figures.

Fig 155 Historical market capitalisations of global property securities



Source: Bloomberg, Macquarie Research, April 2010

Fig 156 Analysis of global property securities market by region and maturity, March 2010



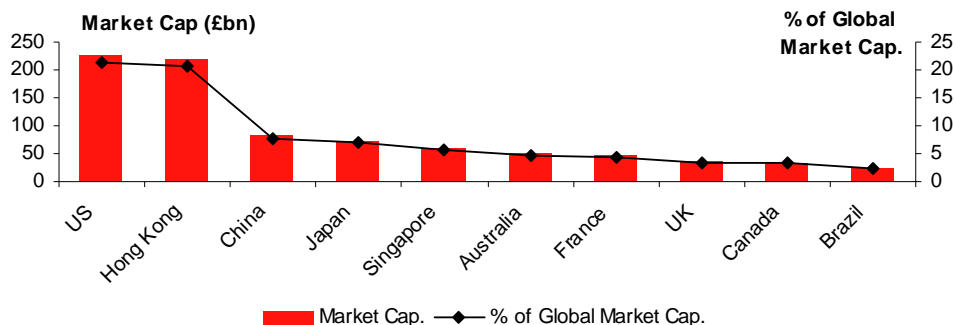
Source: Bloomberg, Macquarie Research, April 2010

The US remained the largest individual market

In our global database, the US (£227.9) was still the largest property securities market in the world, just slightly ahead of Hong Kong (£221.0bn).

The largest ten markets shown in the chart below account for 79.9% (80.2% in February 2010) of the global market.

Fig 157 Analysis of global property securities market by listing country, March 2010



Source: Bloomberg, Macquarie Research, April 2010

Fig 158 Global property securities markets composition, March 2010

Listing country	Number of companies	Market cap <£100m	Market cap £100m-£1bn	Market cap >£1bn	Sector mkt cap £bn	% of global listed real estate equity mkt
Asia	749	330	319	96	496.3	46.33
Asia Developed	346	133	144	69	354.9	33.13
Hong Kong	135	34	62	39	221.0	20.63
Japan	148	86	47	15	73.9	6.90
Singapore	63	13	35	15	60.0	5.60
Asia Emerging	403	197	175	27	141.4	13.20
China	80	1	58	21	81.8	7.64
India	41	19	18	4	20.1	1.87
Indonesia	40	24	16	0	5.1	0.48
Malaysia	81	56	23	0	8.6	0.81
Philippines	35	21	11	2	9.0	0.84
South Korea	6	5	1	0	0.3	0.03
Sri Lanka	16	16	0	0	0.1	0.01
Taiwan	47	18	29	0	9.5	0.88
Thailand	52	34	17	0	5.9	0.55
Vietnam	5	3	2	0	1.0	0.09
Americas	381	153	136	85	292.9	27.35
Americas Developed	331	140	110	74	262.5	24.51
Canada	65	33	22	9	34.6	3.23
US	266	107	88	65	227.9	21.28
Americas Emerging	50	13	26	11	30.4	2.84
Argentina	2	0	2	0	0.5	0.05
Bermuda	1	1	0	0	0.0	0.00
Brazil	32	3	21	8	24.5	2.29
Chile	3	2	1	0	0.6	0.06
Mexico	7	3	1	3	4.4	0.42
Peru	4	3	1	0	0.3	0.02
Venezuela	1	1	0	0	0.0	0.00
Europe	556	334	183	36	157.1	14.66
Europe Developed	477	277	165	33	145.2	13.56
Austria	14	4	7	3	8.3	0.77
Belgium	35	19	15	1	5.4	0.50
Denmark	17	15	2	0	0.8	0.08
Finland	5	2	3	0	1.6	0.15
France	75	37	28	10	45.7	4.27
Germany	81	61	19	1	8.2	0.76
Ireland	2	2	0	0	0.0	0.00
Italy	12	5	6	1	2.9	0.27
Luxembourg	1	1	0	0	0.0	0.00
Netherlands	12	3	6	3	9.5	0.89
Norway	8	3	5	0	3.0	0.28
Spain	17	4	11	0	5.1	0.48
Sweden	22	5	14	3	10.8	1.00
Switzerland	16	6	7	3	8.4	0.78
UK	160	110	42	8	35.6	3.32
Europe Emerging	79	57	18	3	11.9	1.11
Bulgaria	20	20	0	0	0.2	0.02
Cyprus	5	5	0	0	0.2	0.01
Czech Republic	3	2	0	0	0.1	0.01
Estonia	1	1	0	0	0.0	0.00
Greece	8	4	4	0	1.3	0.13
Hungary	3	2	1	0	0.2	0.02
Latvia	1	1	0	0	0.0	0.00
Poland	13	6	6	1	2.7	0.25
Portugal	3	3	0	0	0.0	0.00
Russia	9	3	4	2	5.7	0.53
Turkey	13	10	3	0	1.5	0.14
Oceania	115	72	33	9	52.8	4.93
Oceania Developed	115	72	33	9	52.8	4.93
Australia	105	67	28	9	51.1	4.77
New Zealand	10	5	5	0	1.7	0.16
Middle East & Africa	203	121	63	14	72.2	6.74
Middle East & Africa Emerging	203	121	63	14	72.2	6.74
Bahrain	3	1	1	0	0.2	0.02
Botswana	2	2	0	0	0.1	0.01
Egypt	18	11	6	1	4.5	0.42
Israel	69	47	22	0	7.4	0.69
Jordan	20	17	1	0	0.6	0.06
Kuwait	35	24	10	0	3.7	0.34
Lebanon	1	0	0	1	2.5	0.23
Mauritius	2	2	0	0	0.0	0.00
Morocco	4	2	0	2	5.5	0.51
Namibia	1	1	0	0	0.0	0.00
Qatar	3	0	1	2	19.2	1.79
Saudi Arabia	9	0	6	3	9.3	0.87
South Africa	24	10	12	2	9.9	0.92
Tunisia	3	3	0	0	0.1	0.01
UAE	8	1	4	3	9.2	0.86
Zimbabwe	1	0	0	0	0.0	0.00
Global Total	2004	1010	734	240	1071.3	100.00

Source: Bloomberg, Macquarie Research, April 2010

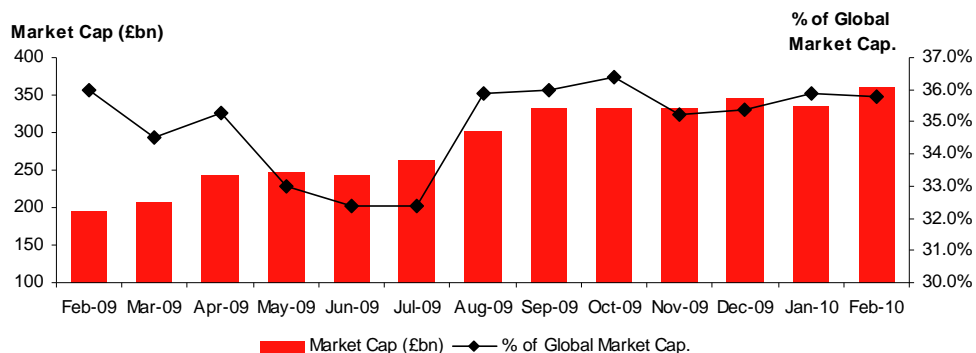
Section 11: Global REITs market

Global REITs – Composition

As a percentage of global listed real estate market

We estimate that as of 31 March 2010, the global REIT market had a total capitalisation of £388bn, comprising 495 REITs in 21 countries. Overall, as a percentage of the total listed property securities market, REITs have reached 36.2%..

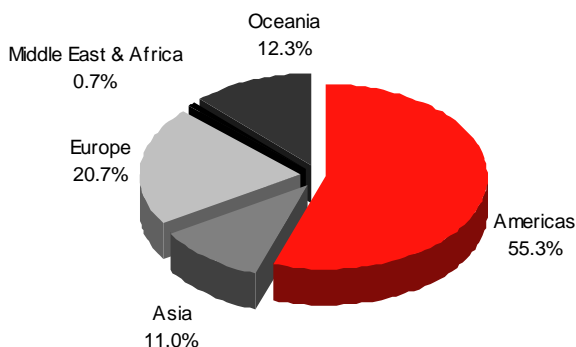
Fig 159 Analysis of global REIT market by listing country, March 2010



Source: Bloomberg, Macquarie Research, April 2010

Fig 160 Breakdown of global REIT markets by region, March 2010

North America now accounts for 55.3% of the global market



Source: Bloomberg, Macquarie Research, April 2010

Fig 161 Largest REITs globally

Listing Country	Company Name	Market cap £m	1 Month Return %	1 Year Return %	Sector Type
Australia	Westfield Group	16,817	0.3	29.9	Retail
US	Simon Property Group Inc	16,016	7.2	151.3	Retail
France	Unibail-Rodamco SE	12,201	3.4	45.9	Office, Retail
US	Public Storage	10,405	12.7	71.7	Industrial
US	Vornado Realty Trust	9,030	15.2	139.7	Office, Residential, Retail
US	Equity Residential	7,265	9.5	124.4	Residential
US	Boston Properties Inc	6,901	11.8	122.3	Hotel, Office, Retail
US	HCP Inc	6,383	14.7	98.7	Healthcare, Retirement Housing
US	Host Hotels & Resorts Inc	6,299	25.2	282.9	Hotel
US	Annaly Capital Management Inc	6,256	-3.0	44.6	Mortgage REIT
Australia	Stockland	5,745	-1.7	48.6	Industrial, Office, Residential, Retail, Retirement Housing
UK	Land Securities Group PLC	5,144	7.2	62.5	Office, Others, Retail
US	Ventas Inc	4,898	8.7	121.5	Healthcare, Retirement Housing
France	Kleppierre	4,714	6.3	136.7	Office, Retail
US	AvalonBay Communities Inc	4,635	7.1	92.7	Residential
France	Gecina SA	4,568	7.7	201.8	Healthcare, Hotel, Logistic, Office, Residential
UK	British Land Co PLC	4,177	9.3	40.0	Industrial, Leisure, Office, Retail
US	Kimco Realty Corp	4,175	13.8	124.5	Retail
US	Plum Creek Timber Co Inc (REIT)	4,173	8.9	40.6	Agricultural
US	Prologis	4,121	2.4	115.3	Industrial, Office, Residential, Retail
Netherlands	Corio NV	3,950	8.8	71.5	Industrial, Office, Retail
France	ICADE	3,791	11.9	62.6	Healthcare, Industrial, Office, Residential, Retail
US	Health Care REIT Inc	3,687	6.8	58.5	Healthcare, Retirement Housing
Hong Kong	The Link REIT	3,573	-1.9	31.3	Parking, Retail
France	Fonciere Des Regions	3,530	11.4	160.0	Hotel, Logistic, Office, Parking, Residential
US	General Growth Properties Inc	3,361	22.7	2209.5	Retail
Australia	GPT Group	3,223	0.0	65.2	Hotel, Industrial, Office, Retail, Retirement Housing
UK	Liberty International PLC	3,131	6.5	38.5	Office, Residential, Retail
Japan	Nippon Building Fund Inc	3,074	2.3	0.4	Office
US	Federal Realty Invs Trust	2,954	6.6	65.1	Residential, Retail

Source: Bloomberg, Macquarie Research, April 2010

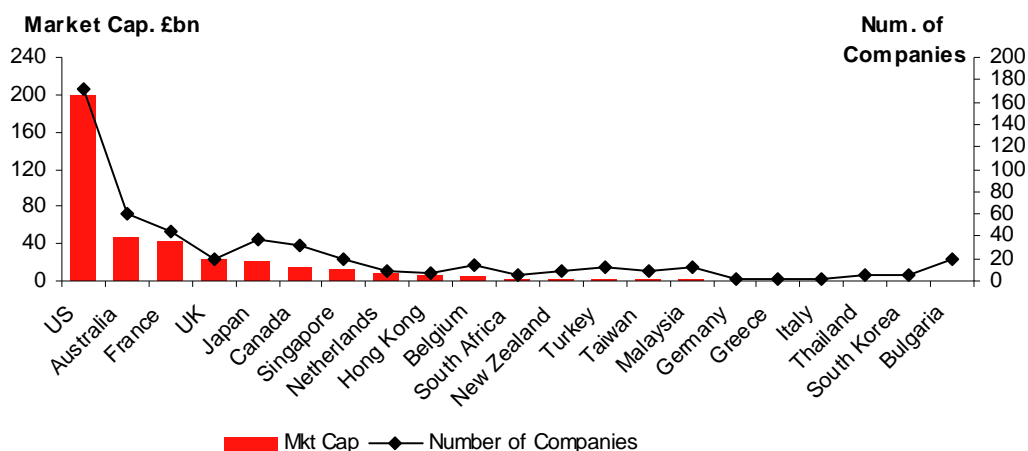
Fig 162 Analysis of the global REIT market by country – March 2010

Listing country	Number of companies	Market cap < £100m	Market cap £100m–£1bn	Market cap >£1bn	Sector mkt cap £bn	% of local listed RE	% of global listed REIT mkt	% of global real estate equity mkt
Asia	95	27	55	12	42.5	8.6%	11.0%	4.0%
Asia Developed	64	8	44	12	39.8	11.2%	10.3%	3.7%
Hong Kong	7	0	5	2	6.5	2.9%	1.7%	0.6%
Japan	37	7	24	6	20.2	27.3%	5.2%	1.9%
Singapore	20	1	15	4	13.1	21.8%	3.4%	1.2%
Asia Emerging	31	19	11	0	2.7	1.9%	0.7%	0.3%
Malaysia	12	8	4	0	1.1	12.7%	0.3%	0.1%
South Korea	5	4	1	0	0.2	73.7%	0.1%	0.0%
Taiwan	8	3	5	0	1.2	12.3%	0.3%	0.1%
Thailand	6	4	1	0	0.2	3.9%	0.1%	0.0%
Americas	204	62	79	63	214.6	73.3%	55.3%	20.0%
Americas Developed	204	62	79	63	214.6	81.7%	55.3%	20.0%
Canada	32	13	14	5	15.1	43.6%	3.9%	1.4%
US	172	49	65	58	199.5	87.5%	51.5%	18.6%
Europe	123	54	50	19	80.4	51.2%	20.7%	7.5%
Europe Developed	89	24	46	19	78.3	53.9%	20.2%	7.3%
Belgium	14	2	11	1	4.4	81.3%	1.1%	0.4%
France	45	14	22	9	42.4	92.6%	10.9%	4.0%
Germany	2	1	1	0	0.5	5.6%	0.1%	0.0%
Italy	1	0	1	0	0.4	14.5%	0.1%	0.0%
Netherlands	8	2	3	3	8.1	84.7%	2.1%	0.8%
UK	19	5	8	6	22.7	63.7%	5.8%	2.1%
Europe Emerging	34	30	4	0	2.1	17.7%	0.5%	0.2%
Bulgaria	19	19	0	0	0.2	96.8%	0.0%	0.0%
Greece	2	1	1	0	0.4	32.7%	0.1%	0.0%
Turkey	13	10	3	0	1.5	100.0%	0.4%	0.1%
Oceania	68	32	28	8	47.8	90.5%	12.3%	4.5%
Oceania Developed	68	32	28	8	47.8	90.5%	12.3%	4.5%
Australia	60	29	23	8	46.2	90.4%	11.9%	4.3%
New Zealand	8	3	5	0	1.6	93.5%	0.4%	0.1%
Middle East & Africa	5	0	5	0	2.5	3.5%	0.7%	0.2%
Middle East & Africa Emerging	5	0	5	0	2.5	3.5%	0.7%	0.2%
South Africa	5	0	5	0	2.5	25.7%	0.7%	0.2%
Global REIT	495	175	217	102	387.8	36.2%	100.0%	36.2%
Global Developed	425	126	197	102	380.5	100.0%	98.1%	35.5%
Global Emerging	70	49	20	0	7.4	100.0%	1.9%	0.7%

Source: Bloomberg, Macquarie Research, April 2010

Global REITs – Performance

Fig 163 Breakdown of global REIT markets by number of REITs per country and market capitalisation as of 31 March 2010



Source: Bloomberg, Macquarie Research, April 2010

Fig 164 One-month relative performance – March 2010

*Leading markets
REITs vs PropCos*

	1 month performance (%)		
	REITs	PropCos	Relative Performance
Australia	0.3	-0.7	1.0
UK	6.5	5.7	0.8
US	9.7	11.6	-1.7
Singapore	2.4	4.9	-2.3
France	5.8	8.3	-2.3
Canada	4.9	9.3	-4.0
Japan	4.9	9.3	-4.0
Hong Kong	1.4	6.5	-4.8

Source: Bloomberg, Macquarie Research, April 2010

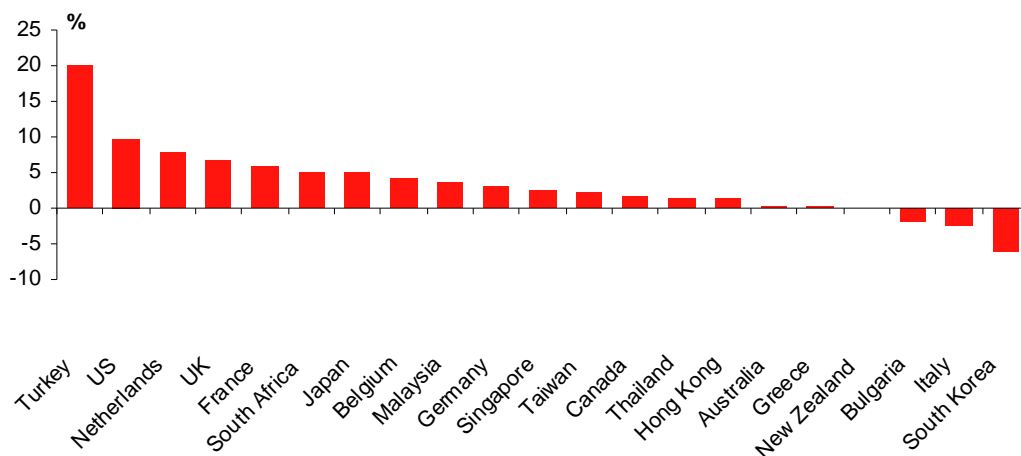
Fig 165 One-month relative performance – March 2010

*Emerging markets
REITs vs PropCos*

	1 month performance (%)		
	REITs	PropCos	Relative Performance
South Africa	5.1	3.8	1.2
Malaysia	3.5	4.1	-0.6
Germany	3.1	4.0	-0.8
Greece	0.1	2.7	-2.4
Belgium	4.1	7.6	-3.2
Taiwan	2.3	6.3	-3.8
New Zealand	-0.1	6.3	-6.1
South Korea	-6.2	13.2	-17.2

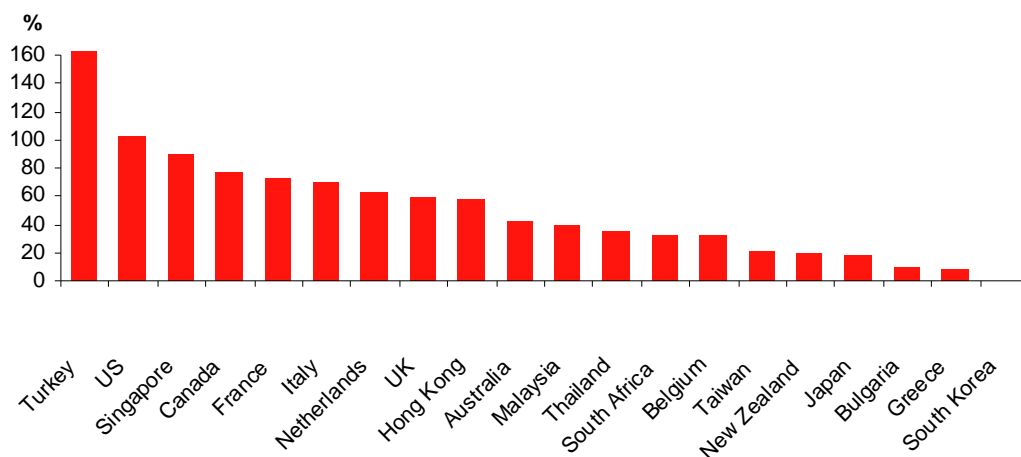
Source: Bloomberg, Macquarie Research, April 2010

Fig 166 Global REIT returns by country – March 2010



Source: Bloomberg, Macquarie Research, April 2010

Fig 167 Global REIT returns 12 months to March 2010 by country



Source: Bloomberg, Macquarie Research, April 2010

Important disclosures:

Recommendation definitions**Macquarie - Australia/New Zealand**

Outperform – return >5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Macquarie – Asia/Europe

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie First South - South Africa

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie - Canada

Outperform – return >5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return
 Neutral (Hold) – return within 5% of Russell 3000 index return
 Underperform (Sell) – return >5% below Russell 3000 index return

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high-highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low-medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Australian/NZ/Canada stocks only

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / epowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 March 2010

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	50.55%	62.20%	42.25%	42.39%	62.16%	46.74%	(for US coverage by MCUSA, 6.53% of stocks covered are investment banking clients)
Neutral	36.63%	19.02%	47.89%	50.35%	31.89%	34.78%	(for US coverage by MCUSA, 9.62% of stocks covered are investment banking clients)
Underperform	12.82%	18.78%	9.86%	7.27%	5.95%	18.48%	(for US coverage by MCUSA, 0.00% of stocks covered are investment banking clients)

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