The EU REIT

and the
Internal Market for Real Estate

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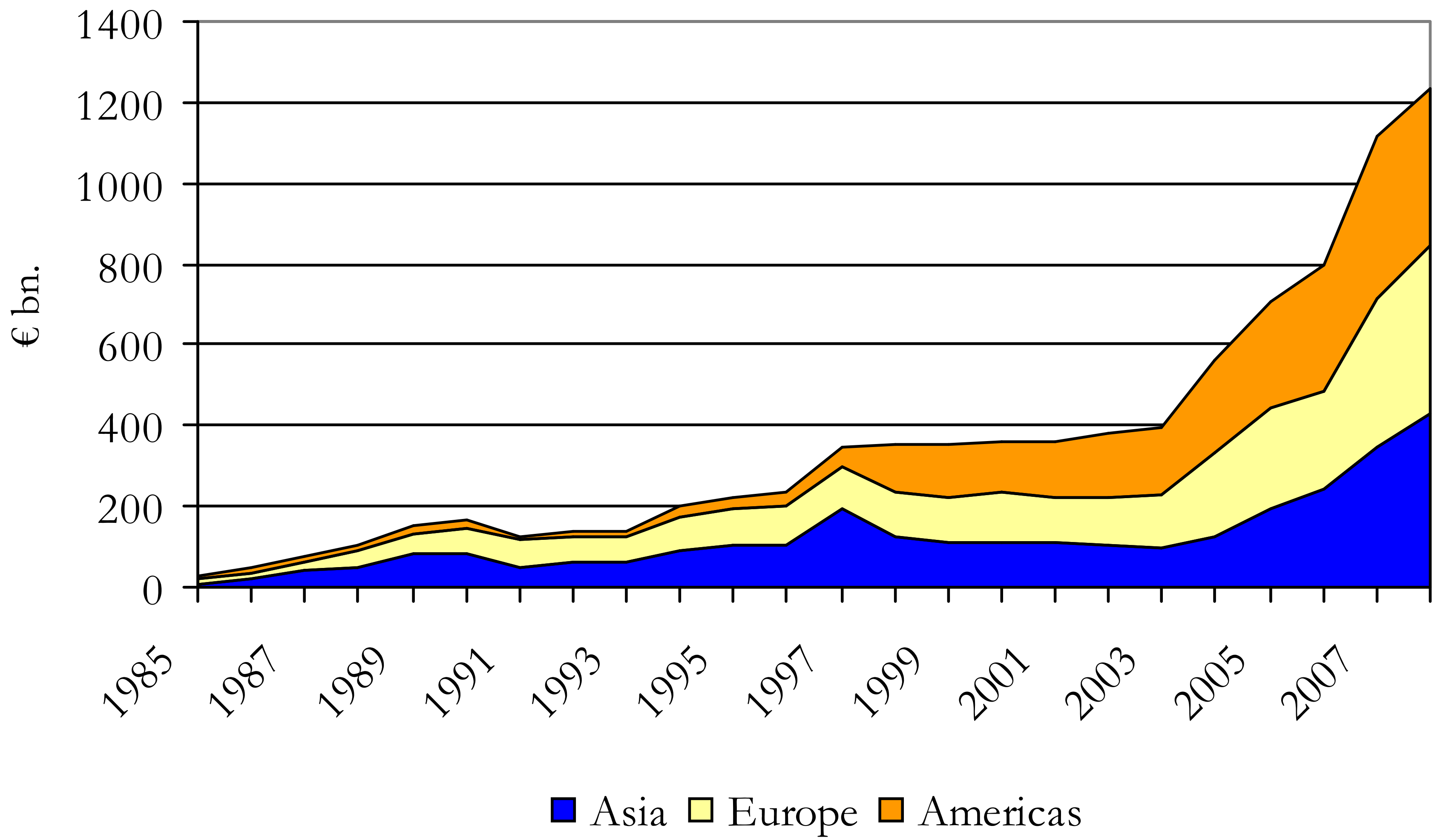
Agenda

- The current landscape
  - Overview global listed property sector
  - REIT regimes in EU Member States
- Why an EU REIT?
  - Six problems of the current institutional setting
- Policy options: zero is not an option
  - The increasing use of tax havens
- The preferred structure for the EU REIT
  - Blueprint with governance and operational requirements

Strong growth of the global listed property market

Liquidity and transparency especially beneficial for international investors



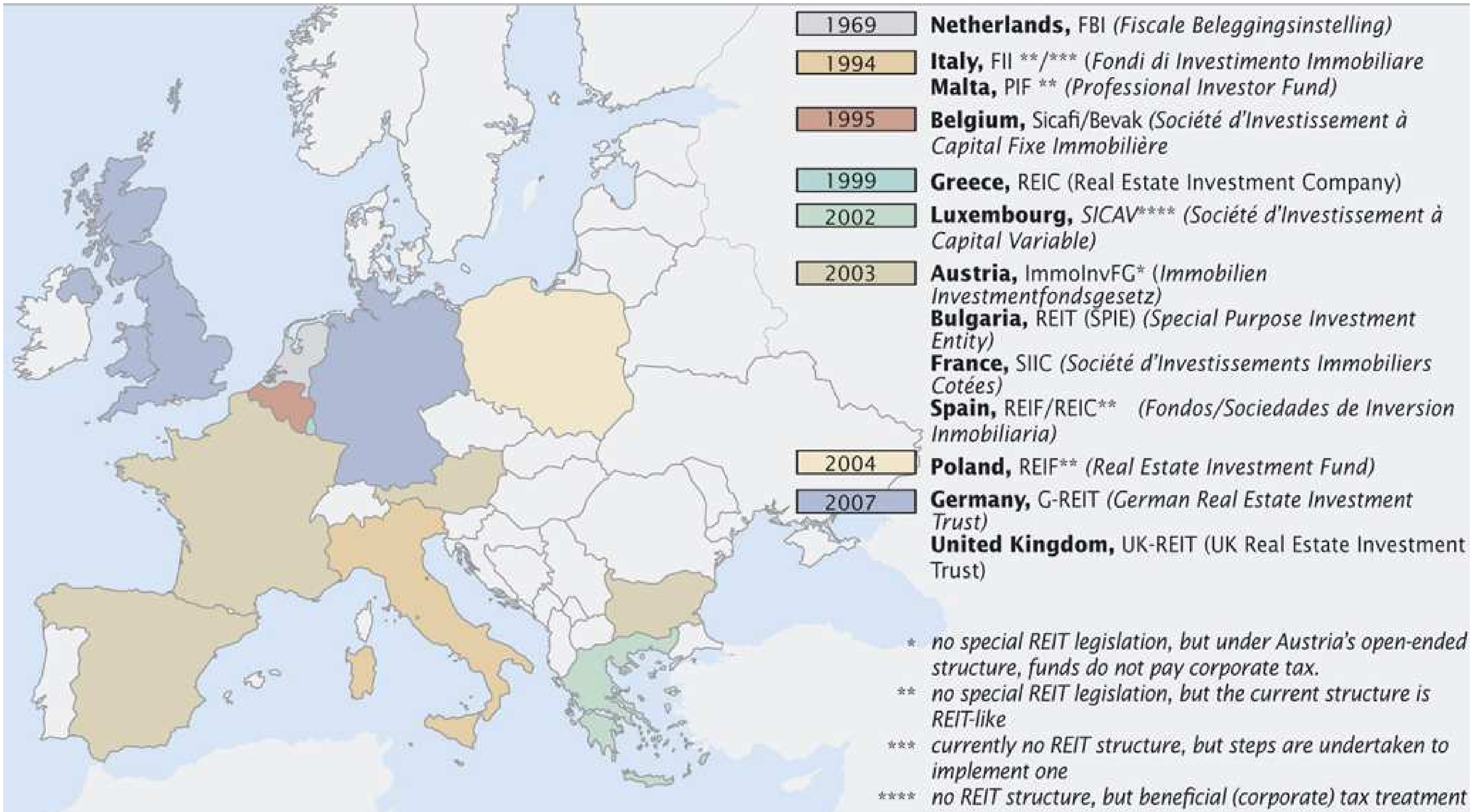
The global property share market

Tax-transparent vehicles exist in at least 31 countries and counting …
EU market smaller than America and Asia (July 1st 2007)

Region	Number of companies	Listed market cap (€bln.)	% of total listed universe
Americas	221	419.59	31.42%
Asia	351	527.49	39.50%
Europe	245	330.92	24.78%
Middle East	46	48.04	3.60%
Oceania	6	2.27	0.17%
Africa	15	7.16	0.54%

Listed property company structures in EU

Tax-transparent regimes exist in 13 EU Member States



Strong differences in EU REIT structures

Restrictions and requirements seem arbitrary

Country	Distribution requirements	Operational restrictions	Leverage restrictions	Shareholder requirements	Withholding tax
Austria	+	++	++	++	++
Belgium	++	++	++	++	++
Bulgaria	++	+	N/A	++	+
France	++	++	0	++	++
Germany	++	++	++	++	++
Greece	0	++	++	++	++
Italy	0	++	++	0	++
Luxembourg	0	+	+	0	0
Malta	0	0	++	+	++
Netherlands	++	+	++	0	++
Poland	0	++	++	0	++
Spain	0	++	++	+	++
UK	++	++	0	++	++

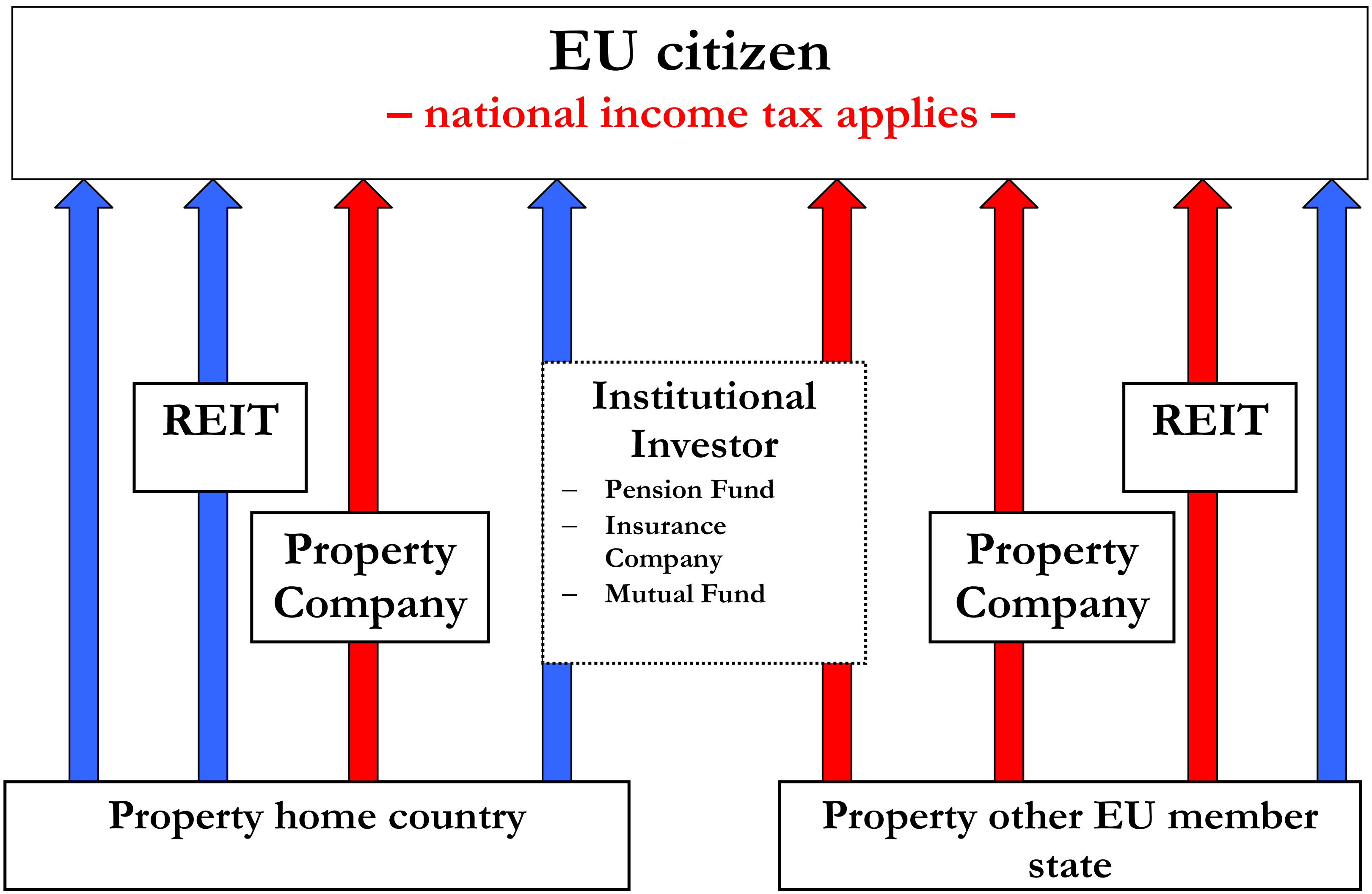
Six problems of the current institutional setting

Fragmented EU property market

1. Double taxation distorts competition
2. Current patchwork is impediment to specialization
3. Product specialization good for performance
4. Existing setting puts individual Member States at disadvantage
5. Current situation distorts allocation of capital
6. EU REIT improves market safety and security

1. Double taxation distorts competition

EU REIT has to address double taxation problem



2. Current patchwork is impediment to specialization

EU property companies focus on national markets

US property companies focus on product

	EU	USA
Geographical Focus		
Concentration Index	0.84	0.42
Mean # of Countries/Region	2.12	5.23
Sectoral Focus		
Concentration Index	0.60	0.82
Mean # of Sectors	3.21	2.98

Concentration index: 0 = diversified, 1 = concentrated

Pan-EU regime creates scale for alternative REIT property portfolios

- REITs for senior housing and healthcare, student housing, correctional property

3. Product specialization good for performance

Single EU market creates required scale

- Results United States
  - Geographical diversification and sector focus lead to better performance
- Results Europe
  - Property companies that invest cross-border currently underperform
- Economies of scale create shareholder value and enhance performance

Single EU property share market creates economies of scale and will allow profitable product specialization through more efficient cross-border investment

4. Existing setting puts Member States at disadvantage

EU REIT especially beneficial for small Member States

- Diversification of real estate investments leads to lower risk…

  …but regional differences within Member States are generally too small

- Cross-border diversification in real estate is the solution (even more effective than for stocks and bonds)…

  …but this is hampered by the lack of REIT regimes in some countries and by taxation issues

- Especially small and new Member States are affected
  - Local property market is small
  - These countries partially miss out on international capital inflows

5. Current situation distorts allocation of capital

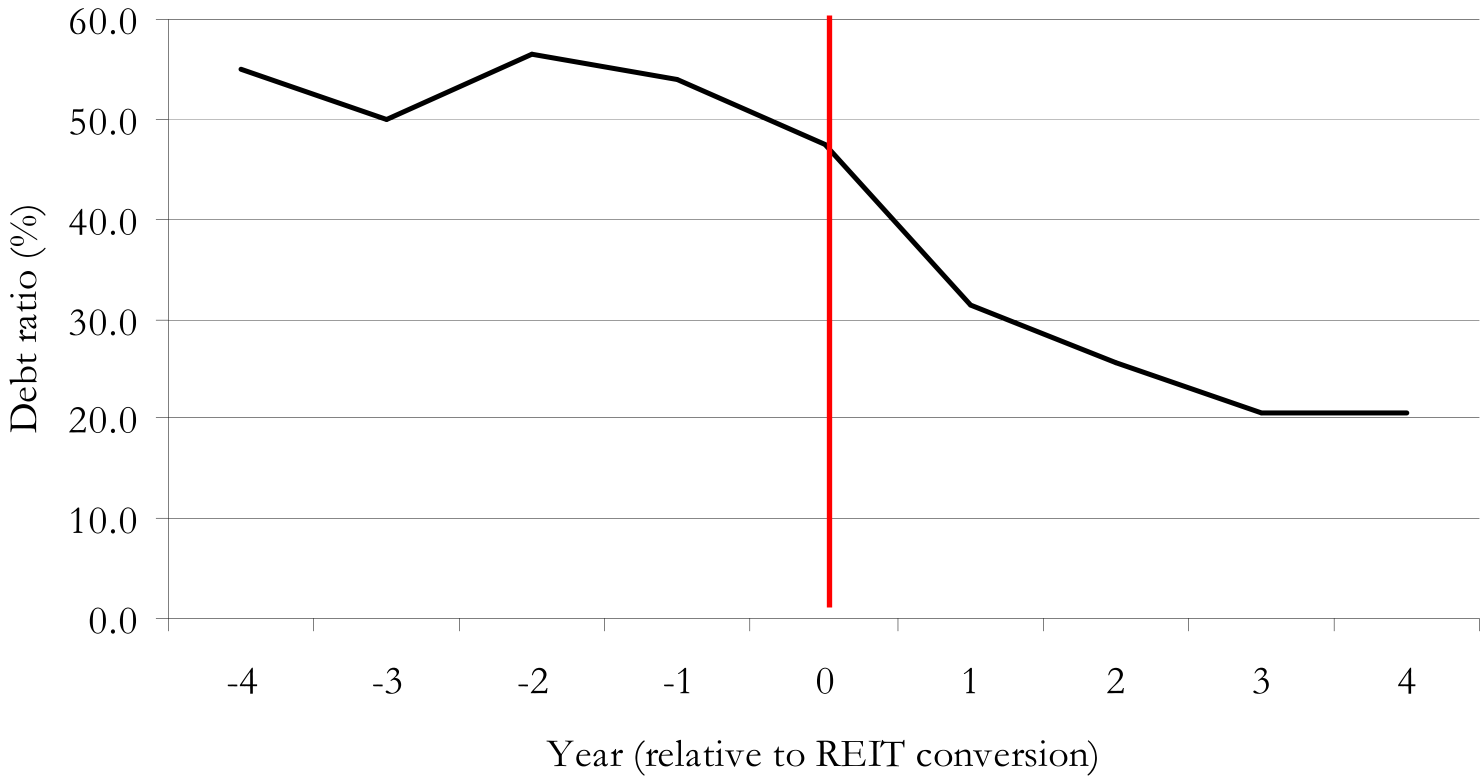
EU REIT will lead to more efficient capital flows

- Patchwork of REIT-like regimes obstructs efficient allocation of capital
  - Affects property companies, investors and Member States
- Absence of REIT-like regime creates discounts to NAV
  - Tax-paying property companies are structurally undervalued
- Corporate real estate performs better in hands of professional real estate investors
  - Corporate property spin-offs facilitated by EU REIT regime

6. EU REIT improves market safety and security

EU REIT leads to lower systemic risk

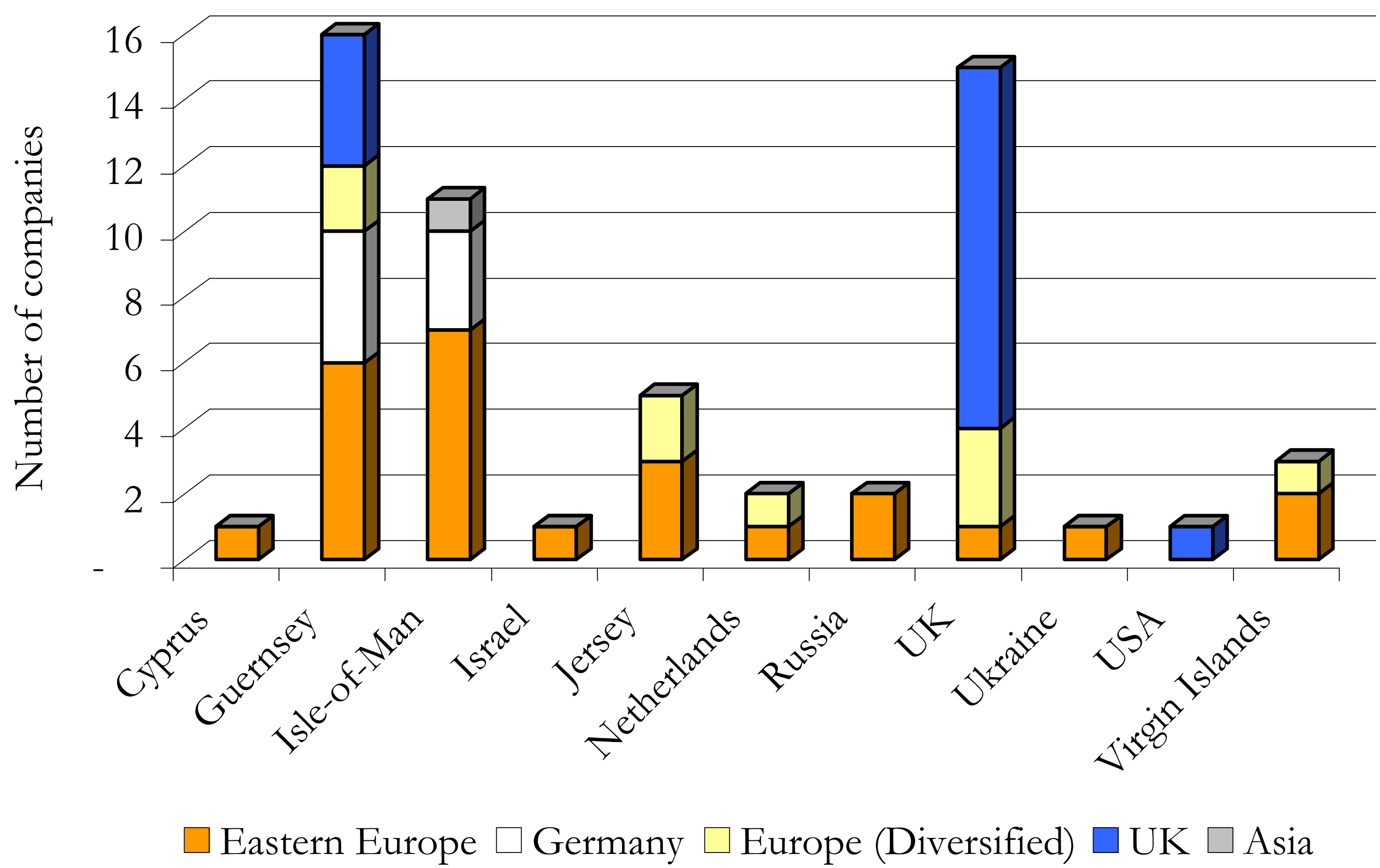
- Increased international diversification across property markets
- Better market monitoring
- Leverage reduced after REIT introduction (see chart)



Policy options: zero is not an option

'The market has already found ways to avoid double taxation'

Primary focus of property company IPOs on AIM is Central Europe



The preferred structure for the EU REIT

Clear blueprint regarding governance and operational requirements

Restrictions and requirements	Motivation
Tax exempt	Creates level playing field with direct real estate ownership
Payout requirement: 80% – 100%	Guarantees ultimate tax payment and is effective governance mechanism
Internally managed	Better alignment of interests managers and shareholders; better performance, more shareholder value
Operational restrictions	
- development allowed	Maintain level playing field with pure – taxed – developers
- no diversification requirements	Investors can diversify; do not need extra protection
- no asset restrictions	Government should not interfere with investment strategy
No leverage restrictions or mandatory listing	Management should decide on optimal financing
Withholding tax equal for domestic and other EU investors	Creates level playing field for all EU investors
Closed-ended structure	Open-ended structure fundamentally unstable Closed-ended structure creates more shareholder value

Conclusions

- Property share market is major real estate investment conduit for (institutional) investors

- Current EU property share market is fragmented …

  … which is bad for EU citizens

  - Inefficient allocation of capital to property markets
  - Sub-optimal performance of property companies
  - Reduced market safety and security
- An EU REIT regime will address these problems

- Zero is not an option: market has already found ways around double taxation

- International best practices and state-of-the-art academic evidence provide solid blueprint for EU REIT