

European Property Sector



Compass

Outlook 2008



KEMPEN & CO
Merchant Bank

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Executive Summary

The 25th issue of our Compass comprises 47 companies in 10 countries. Since our June Compass we have initiated coverage on IGD (Italy) and dropped coverage on Hamborner (Germany).

Still relative performance potential

Given the -30.25% performance of the GPR 250 y-t-d, only long-short positions could have resulted in a positive performance in 2007. Our Favourites from the June 2007 Compass and 'Repricing of Risk' report have outperformed the market by +2.7%, while our Least Favourites have underperformed the benchmark by -11.2%. At the moment, we expect certain stocks still incur downside risks. The market correction has however also impacted companies with good corporate structures and quality portfolio. We believe that for certain companies good value and thereby longer term upside has now returned. We see marked potential relative performance differences in our followed list. The weighted average total return expectation for our followed list comes out at +13.7%, our total return expectations however range from -8.7% to +70.6%.

Relative performance according to profile

During the first months of the correction we saw low leveraged companies and high growth stocks perform relatively better than the remainder of the market. In recent months however we have seen a shift in positive relative performance towards the higher cash flow and dividend return stocks. In fact, the group of companies with an above average growth outlook have recently seen their relative outperformance compared to the GPR 250 diminish. The higher leveraged companies have continued to underperform.

Shift in selling parties

The latest stock market filings seem to indicate that in recent months specialist investors have increasingly become net sellers. Meanwhile, we assume that general equity investors were the main sellers at the start of the downturn. We expect increased selling by specialists resulted in selling pressure shifting to the quality names in the sector. As specialist investors have started to become selling parties, the number of general equity buyers ought to have increased as a percentage. This would partly explain the relative performance of high yield / high dividend stocks. We expect short to medium term interest in cash flow and dividend yields to remain buoyant. These stocks therefore offer a relative defensive play in the market. In the longer term however, we expect most upside potential will be realised by growth stocks.

Relative value to other equity sectors

A deceleration in economic growth and expected increase in inflation is expected to weigh on earnings multiples for general equity as well as for property stocks alike. The assumed inflation protection of direct property is therefore not expected to be reflected in the valuation of property shares. Overall P/E multiples for property shares have moved back to historic levels, meanwhile we are trading at around 8% discount to NNAV for our coverage list. However, earnings multiples have decreased for other equity classes and as such we expect the relative attractiveness of property stocks to remain limited.

At current levels we again see upside for quality names. In this respect we differentiate between:

- The quality of the portfolio: the main risk for property remains occupancy. The average 2% GDP growth expected for the European economies is not expected to drive significant job growth. Net take-up of office space will therefore slow down significantly, which we expect will result in vacancy rates moving upwards again. Quality assets however remain scarce in each European property market, providing a quality portfolio with a competitive advantage. We expect a dividend



strategy can pay off provided that the underlying income on the portfolio proves to be sustainable, quality thereby remains key.

- The quality of the development portfolio: the correction in the market has affected those companies with significant growth profiles likewise. Growth was already fully priced in at the start of the downturn. At the current phase of the correction, we believe these companies again provide increasingly interesting opportunities. We would favour companies with retail development pipelines over office portfolios given the lower letting risk of the former.
- The quality of financing. Overall the quality of financing for the European property sector is relatively good. Many companies have locked in interest rates via long term financing and have modest LTV ratios. Nonetheless, we have listed refinancing requirements for 2008 and 2009, as well as risks related to covenants on existing debt, as refinancing needs could still pose a risk in the current tight credit market.
- The quality of corporate structure: companies with external management structures have seen a marked underperformance since mid-2007. On average, we expect these companies will continue to underperform going forward. The main risk is that these companies cannot easily be delisted in times of marked discounts as a result of their external structure. The NAV does therefore not form a level of resistance for these companies. We have made a separate correction to the fair value targets for these companies to reflect the cost of internalising management.

From the ECM to M&A era

We expect the current discount to NAV will give rise to increased M&A activity in the market. The main candidates would be those companies with 'unique' portfolios hence prime assets or offering scale advantages. We expect property values will come under pressure in 2008, however we expect this is already reflected in the current share prices. We expect to enter a phase of modest undershooting, which we expect could continue based on overall general equity performance, however we expect longer term upside has returned.

Assumed value declines on portfolios

We expect property yields for the respective portfolios to increase by 40bps on average. In addition, we expect yield expansion will be prolonged for secondary real estate given the occupancy risks. Overall, we expect rental value growth for offices to decelerate. On account of the more limited vacancy risks, we expect shopping centres will benefit from relative outperformance.

Country outperformance

We expect the strongest markets for European property stocks will remain those of the Netherlands, France and Finland. The main reason for relative outperformance would be related to the dividend return and growth profile of the stocks in these respective countries. Although we are positive on a few German names as they represent good value, we believe that the correction for most German stocks was not overdone and merely brought the sector to realistic levels. Based on valuation grounds we see significant upside for a few Italian names, however we expect volatility for these stocks to continue.



Our favourites

Based on valuation, ability of management to increase returns via active management and liquidity of the stock, we have selected the following favourites for 2008; Risanamento (+70.6%), Sponda (+34.6%), Unibail-Rodamco (+29.4%), Wereldhave (+26.5%), Pirelli Real Estate (24.0%), Klepierre (+23.9%) and Prologis European Properties (+22.0%).

Table 1. Kempen & Co favourites

Company	Rating	Price	Price Target +12M	Total return +12M
Risanamento	Buy	4.1	7.0	70.6%
Sponda	Buy	8.1	10.4	34.6%
Unibail-Rodamco	Buy	156.2	195.0	29.4%
Wereldhave	Buy	75.8	91.2	26.5%
Pirelli Real Estate	Buy	26.5	31.0	24.0%
Klepierre	Buy	35.3	42.5	23.9%
Prologis European Properties	Buy	9.7	11.4	26.2%

Source: Kempen & Co estimates

Least favourites

In addition to our favourites, we have selected the following least favourites for 2008; GTC (-8.7%), IGD (-6.3%), Befimmo (-5.3%), Deutsche EuroShop (-4.2%), Swiss Prime Site (-2.5%) and GAGFAH (-2.0%).

Table 2. Kempen & Co least favourites

Company	Rating	Price	Price Target +12M	Total return +12M
GTC	Reduce	47.0	42.9	-8.7%
IGD	Reduce	2.18	2.0	-6.3%
Befimmo	Reduce	76.6	68.0	-5.3%
Deutsche EuroShop	Neutral	25.7	23.6	-4.2%
Swiss Prime Site	Neutral	61.7	57.0	-2.5%
GAGFAH	Neutral	11.5	10.5	-2.0%

Source: Kempen & Co estimates

Since our last Compass in June, we have initiated coverage on IGD (Reduce, €2.55 Price Target). We dropped coverage on Hamborner with our Repricing of risk report in October.

In this Compass, we have made the following upward changes to our ratings:

- Sponda to Buy from Add (PT: €10.4)
- Unibail-Rodamco to Buy from Add (PT: €195.0)
- Alstria to Buy from Add (PT: €12.8)
- Affine to Buy from Add (PT: €44.7)
- Prologis European Properties to Buy from Add (PT: €11.4)
- Klepierre to Buy from Add (PT: €42.5)
- CA Immo to Buy from Add (PT: €19.0)
- Deutsche Wohnen to Add from Neutral (PT: €26.3)
- Eurocastle to Add from Neutral (PT: €19.0)
- PSP Swiss Property to Add from Neutral (PT: CHF 62.0)
- Castellum to Neutral from Reduce (PT: SEK 72.0)
- Deutsche EuroShop to Neutral from Reduce (PT: €23.6)

In addition, we have made the following downward rating changes:

- Fonciere Paris France to Add from Buy (PT: €128.0)
- Fonciere des Murs to Add from Buy (PT: €25.0)
- FDL to Neutral from Add (PT: €18.0)
- Cofinimmo to Neutral from Add (PT: €128.0)
- Gecina to Neutral from Add (PT: €117.5)
- Eurocommercial Properties to Neutral from Add (PT: €36.9)
- Befimmo to Reduce from Neutral (PT: €68.0)



Trigger list

In addition to our favourites list we have included a list of companies for which we expect a specific trigger to take place in the next six to twelve months. This trigger would unlock performance and thereby have a significant impact on the performance of the stock.

Table 3. Trigger list December 2007

Company	Positive trigger
CA Immo	Inclusion CA Immo International (55% CA Immo) in the GPR 250 index as of 24 December 2007
Corio	Sale of office and industrial portfolio, takeover candidate, inclusion AEX index as of 4 March 2008
Eurocastle	Clarity on uncertainties surrounding CMBS business
Fabege	Acquisition trading portfolio (Vasakronan deal)
Fonciere des Regions	Sales on the portfolio could prove sustainability valuation
Fonciere Paris France	Letting of Studios du Lendit project and mediacom III
Gecina	Potential bid on company, potential partial bid on Gecina shares via Medea
Klépierre	Resolve of letting issues in CEE
Prologis European Properties	Inclusion in the GPR 250 index as of 24 December 2007
Risanamento	Approval Falck planning, announcements on retail lettings and residential sales
SFL	Takeover candidate
SILIC	Further letting progress on development pipeline
Société de la Tour Eiffel	Progress in letting at Massy and Parcoval pipeline
Unibail-Rodamco	Presentation business plan with FY07 results (including a sales programme), acceleration in buyback shares
VastNed O/I	Takeover candidate
Wereldhave	Possible inclusion in AEX index as of 4 March 2008, depending on timing of delistings Vedor and Hagemeyer
Company	Negative trigger
Beni Stabili	Overhang from Fonciere des Regions stake, which has to reduce its 68% stake to 51% by April 2008 in order to comply with SIQ legislation
Gecina	No bid coming through, loss of investment grade due to indebtedness shareholders
Meinl EL	Possible negative ruling from FMA investigation

Source: Kempen & Co estimates



Relative calls

For the first time this Compass, we have included a list of relative calls, in addition to the trigger list and favourites list. We expect that for specific investment strategies, the following overweight-underweight positions can generate a positive spread.

Table 4. Relative calls December 2007		
Strategy	Company	Reasons
European retail		
Overweight	Unibail-Rodamco	Unibail-Rodamco has at 6.9% the highest I-f-I rental growth of the European retail stocks. The portfolio quality is the highest among its peers, while the 5.6% FY08 EBITDA/EV is still well above that of Deutsche EuroShop (4.8%), IGD (3.9%) and ECP (4.4%)
	Klepierre	Klepierre has a relatively high 5.9% I-f-I rental growth, while the 7.3% FY08 CF yield is well above the peer group average. Klepierre has further upside from its €4.4bn development pipeline
	Corio	Corio has a high 6.4% I-f-I rental growth and above-average 6.4% FY08 CF yield. The sale of the office/industrial portfolio will unlock €200m hidden value, while particularly the Turkish development pipeline (completed at >8% net yield) has substantial upside
Underweight	Deutsche EuroShop	Deutsche EuroShop has limited internal growth (2.9% I-f-I rental growth) and external growth (no development pipeline), a low 4.0% FY08 CF yield and relatively high 7.8% premium to FY08 NNAV
	IGD	IGD has a low 4.9% FY08 CF yield and 4.1% dividend yield, without much upside from developments as development gains are at c10% well below its peers
	Eurocommercial Properties	ECP is relatively expensive, trading at a 4.6% FY08 CF yield. Despite substantial reversionary potential, I-f-I rental growth was at 5.4% below Unibail-Rodamco, Klepierre and Corio, while also the development pipeline of ECP is relatively much smaller than of these peers
German offices		
Overweight	DIC Asset	DIC Asset is trading at an attractive 6.9% FY08 CF yield and 6.3% dividend yield, while it proved with its recent AXA deal (6.7% net yield vs. 5.3% financing) that CF accretive growth is very well possible
	Alstria	Alstria is trading at an above-average 6.3% FY08 CF yield and 5.9% dividend yield, with a low-risk portfolio with 12-year average lease terms. The company is trading at an implied net yield of 5.8%.
Underweight	IVG	IVG has a low operational profitability resulting in a low 1.3% FY08 CF yield. The investment portfolio is steeply valued at a 4.9% net yield, as the company bought €2bn during the summer at the peak of the investment market and prices have come down rapidly since
Swiss offices		
Overweight	PSP Swiss Property	PSP has upside from reducing the 14% vacancy, while trading at a relatively low 3.9% P/NNAV for FY08 (same valuation and rental growth potential as SPS)
Underweight	SPS Swiss Prime Site	SPS is trading at a relatively high 11.2% P/NNAV for FY08, while SPS is externally managed and has lower growth potential from vacancy reduction, as occupancy is already 95%
Belgian offices		
Overweight	Cofinimmo	Cofinimmo's FY08 CF yield is at 6.1% above Befimmo, while the 3.9% P/NNAV for FY08 is below that of its Belgian office peer
Underweight	Befimmo	Befimmo has a relatively low 5.3% FY08 CF yield, while the 6.9% P/NNAV for FY08 is above that of Cofinimmo, while the portfolio quality and valuation is approximately equal
Logistic property		
Overweight	Prologis European Properties	PEPR's FY08 EBITDA/EV is at 7.1% well above the 5.6% for WDP, while also the 8.8% dividend yield is higher than the 6.3% for WDP. PEPR is trading at a 20.1% discount to FY08 NNAV, although growth is limited
Underweight	WDP	WDP has a high 28.4% P/NNAV for FY08, while the portfolio quality is below that of PEPR. The 7.8% FY08 CF yield is below PEPR's 8.1% CF yield
Management		
Overweight	Eurocastle	Although external growth potential dried up, Eurocastle has an above average 5.9% EBITDA/EV and high 9.5% CF yield for FY08, while its offices have more rental growth and vacancy reduction potential than GAGFAH's residential portfolio
Underweight	GAGFAH	External growth potential for GAGFAH has disappeared, but also internal growth potential is limited (FY07 I-f-I rental 1.5%). In addition, the 6.2% FY08 CF yield is well below Eurocastle.
Scandinavian property		
Overweight	Sponda	Sponda has upside from its €560m development pipeline, while its portfolio has a high 7.1% net theoretical yield. In addition, the company has an above-average 7.3% FY08 CF yield, while it is trading at a 28.0% discount to FY08 NAV
Underweight	Fabege	Fabege is trading at a low 1.3% discount to FY08 NAV and a below-average 5.6% FY08 CF yield, while upside from the development pipeline is relatively small compared to Sponda
	Castellum	Castellum's FY08 CF yield is at 6.7% below Sponda, while the 17.0% discount to FY08 NAV is also lower than for Sponda. In addition, the quality of the portfolio is relatively less than that of Sponda

Source: Kempen & Co estimates



Table 5. Overview covered list: ratings and price targets

Company	Rating change	New rating	Previous rating	PT change	New PT	Previous PT	+12M expected return
Affine	▲	Buy	Add	▼	44.75	47.90	26.3%
Alstria	▲	Buy	Add	▼	12.80	13.80	28.7%
Befimmo	▼	Reduce	Neutral	▼	68.00	74.00	-5.3%
Beni Stabili	=	Add	Add	▼	0.93	0.97	14.4%
CA Immo	▲	Buy	Add	▼	19.00	23.82	22.6%
Castellum	▲	Neutral	Reduce	▼	72.00	76.00	4.4%
Citycon	=	Add	Add	▼	4.40	4.90	13.2%
Cofinimmo	▼	Neutral	Add	▼	128.00	135.00	4.7%
conwert	=	Buy	Buy	▲	14.50	14.15	26.5%
Corio	=	Add	Add	▲	63.90	63.30	12.0%
Deutsche EuroShop	▲	Neutral	Reduce	▼	23.60	24.70	-4.2%
Deutsche Wohnen	▲	Add	Neutral	▼	26.30	27.70	10.7%
DIC Asset	=	Add	Add	▼	23.60	25.20	19.9%
Eastern Property Holdings		Restricted					
Eurocastle Investment	▲	Add	Neutral	▼	19.00	20.50	9.0%
Eurocommercial Properties	▼	Neutral	Add	▼	36.90	42.10	3.6%
Fabege	=	Neutral	Neutral	▼	70.00	73.00	4.9%
FDL	▼	Neutral	Add	▼	18.00	23.70	5.0%
Fonciere des Murs	▼	Add	Buy	▼	25.00	27.50	10.7%
Fonciere des Regions	=	Add	Add	▼	107.00	116.00	19.0%
Foncière Paris France	▼	Add	Buy	▼	128.00	129.00	13.4%
GAGFAH	=	Neutral	Neutral	▼	10.50	11.60	-2.0%
Gecina	▼	Neutral	Add	▼	117.50	127.00	4.5%
GTC	=	Reduce	Reduce	▼	42.90	43.90	-8.7%
Hufvudstaden	=	Neutral	Neutral	▼	64.00	71.00	4.0%
IGD	=	Reduce	Reduce	▼	2.00	2.35	-6.3%
ImmoEast	=	Add	Add	▼	8.47	8.85	14.0%
Immofinanz	=	Add	Add	▼	7.84	9.00	16.8%
IVG Immobilien	=	Neutral	Neutral	▼	26.50	27.00	4.8%
Kaufman & Broad	=	Neutral	Neutral	▼	37.00	45.20	4.7%
Klépierre	▲	Buy	Add	▼	42.50	45.80	23.9%
Meinl European Land	=	Neutral	Neutral	=	10.15	10.15	7.3%
Metrovacesa	=	Neutral	Neutral	=	83.21	83.21	2.0%
Nieuwe Steen Investments	=	Add	Add	▼	19.90	21.60	18.7%
Pirelli Real Estate	=	Buy	Buy	▼	31.00	42.00	24.0%
Prologis European Properties	▲	Buy	Add	▼	11.40	13.20	26.2%
PSP Swiss Property	▲	Add	Neutral	▲	62.00	60.00	8.1%
Risanamento	=	Buy	Buy	▼	7.00	7.50	70.6%
SFL	=	Add	Add	▼	56.00	62.00	14.6%
SILIC	=	Add	Add	▼	107.00	123.00	10.2%
Société de la Tour Eiffel	=	Add	Add	▼	100.00	121.00	7.1%
Sponda	▲	Buy	Add	▼	10.40	11.30	34.6%
Swiss Prime Site	=	Neutral	Neutral	▼	57.00	62.00	-2.5%
Unibail-Rodamco	▲	Buy	Add	▼	195.00	214.00	29.4%
VastNed O/I	=	Add	Add	▼	24.40	26.40	16.7%
VastNed Retail		Restricted					
Vivacon	=	Neutral	Neutral	▼	13.10	18.50	5.2%
WDP	=	Neutral	Neutral	▼	44.00	45.00	2.1%
Wereldhave	=	Buy	Buy	▼	91.20	91.50	26.5%

Source: Kempen & Co estimates



Favourites & least favourites

Following a very strong year for property shares in 2006, we anticipated a slowdown in 2007 in our Compass report from December 2006. In our last Compass report (published in June 2007), we anticipated some room for positive performance, although the spread between our highest and lowest total return expectation (Risanamento +38.1% vs. Meinl European Land -10.1%) was significant. However, after indeed a weak first half of 2007, the increasing uncertainty in equity markets and financial markets in particular, resulted in a further correction for property shares towards the end of the year. Since June, our favourites have seen a -19.4% total return, vs. -22.1% for the GPR 250 Europe ex-UK and -33.1% for our least favourites.

Our favourites

Based on valuation, ability of management to increase returns via active management and liquidity of the stock, we have selected the following favourites for 2008; Risanamento (+70.6%), Sponda (+34.6%), Unibail-Rodamco (+29.4%), Wereldhave (+26.5%), Pirelli Real Estate (+24.0%), Klepierre (+23.9%) and Prologis European Properties (+22.0%).

Table 6. Kempen & Co favourites

Company	Rating	Price	Price Target +12M	Total return +12M
Risanamento	BUY	4.1	7.0	70.6%
Sponda	BUY	8.1	10.4	34.6%
Unibail-Rodamco	BUY	156.2	195.0	29.4%
Wereldhave	BUY	75.8	91.2	26.5%
Pirelli Real Estate	BUY	26.5	31.0	24.0%
Klepierre	BUY	35.3	42.5	23.9%
Prologis European Properties	BUY	9.7	11.0	22.0%

Source: Kempen & Co estimates

Our least favourites

In addition to our favourites, we have selected the following least favourites for 2008; GTC (-8.7%), IGD (-6.3%), Befimmo (-5.3%), Deutsche EuroShop (-4.2%), Swiss Prime Site (-2.5%) and GAGFAH (-2.0%).

Table 7. Kempen & Co least favourites

Company	Rating	Price	Price Target +12M	Total return +12M
GTC	Reduce	47.0	42.9	-8.7%
IGD	Reduce	2.18	2.00	-6.3%
Befimmo	Reduce	76.6	68.0	-5.3%
Deutsche EuroShop	Neutral	25.7	23.6	-4.2%
Swiss Prime Site	Neutral	61.7	57.0	-2.5%
GAGFAH	Neutral	11.5	10.5	-2.0%

Source: Kempen & Co estimates

How did we do?

Over the past three years, we have updated our list of favourites and least favourites twice a year. In addition, we updated our favourites in our Repricing of risk report in October 2007. Since our Compass report of December 2004, our basket of favourites has seen an unweighted total return of 112.6% vs. a total return for the GPR 250 Europe ex-UK of 47.5%. Our basket of least favourites showed an unweighted total return of -24.1% over the same period.

Table 8. Performance of Kempen & Co favourites and least favourites (until 6 December 2007)

	Since June 2007	Since December 2004
Total return Kempen & Co favourites	-19.4%	112.6%
Total return Kempen & Co least favourites	-33.3%	-24.1%
Spread	13.9%	136.7%
Total return GPR 250 Europe ex-UK	-22.1%	47.5%
Outperformance Kempen & Co favourites	2.7%	65.1%
Underperformance Kempen & Co least favourites	11.2%	71.6%

Source: Kempen & Co estimates



Most companies from the favourites list we published in June and updated in October outperformed the GPR 250 Europe ex-UK index during the period that they were included on our favourites list. VastNed Retail was the only company to show a positive absolute performance, while at 26.3% the relative performance was the highest. Moreover, we also observed an outperformance vs. the benchmark for Gecina (+14.1%), NSI (+7.8%), Sponda (+4.3%), FdR (+3.3%) and Unibail-Rodamco (+1.6%), although absolute returns were all negative. conwert (-1.6%), Risanamento (-7.1%) and Pirelli RE (-22.3%) were the only companies on our favourites list that underperformed the GPR 250 Europe ex-UK.

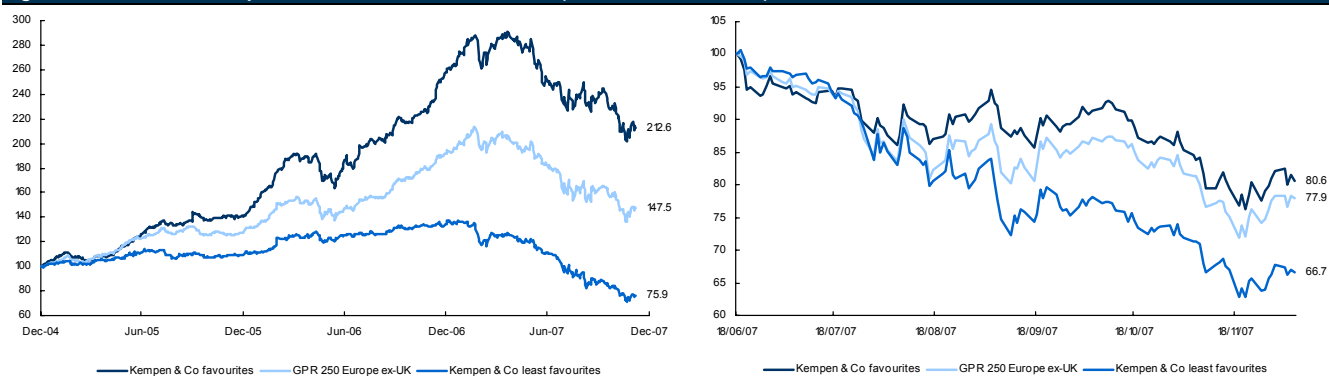
Of our least favourites, most companies we selected in June and October showed an underperformance compared to the GPR 250 Europe ex-UK index, with all absolute returns being negative. The largest underperformance was recognized for Meinel EL at -38.0%. Also IGD (-13.5%), GAGFAH (-11.0%), ImmoEast (-9.3%), VastNed O/I (-6.7%), and Castellum (-4.0%) underperformed the benchmark while included on our least favourites list. Hufvudstaden (+1.7%), Deutsche EuroShop (+4.4%), WDP (+7.1%) and SPS (+11.0%) outperformed the GPR 250 Europe ex-UK, although also here all absolute returns were negative.

Table 9. Absolute and relative performance Kempen & Co favourites and least favourites vs. GPR 250 Europe ex-UK index (until 6 December 2007)

Favourites	Period included	Absolute performance	Relative performance	Least Favourites	Period included	Absolute performance	Relative performance
VastNed Retail	October-December	15.7%	26.3%	Meinel EL	June-October	-50.8%	-38.0%
Gecina	June-December	-7.9%	14.1%	IGD	October-December	-24.1%	-13.5%
NSI	June-October	-5.1%	7.8%	GAGFAH	June-December	-33.0%	-11.0%
Sponda	June-October	-8.5%	4.3%	ImmoEast	June-October	-22.2%	-9.3%
Fonciere des Regions	June-December	-18.8%	3.3%	VastNed O/I	June-July	-12.2%	-6.7%
Unibail-Rodamco	June-December	-20.5%	1.6%	Castellum	October-December	-14.6%	-4.0%
conwert	June-December	-23.7%	-1.6%	Hufvudstaden	June-October	-11.1%	1.7%
Risanamento	June-December	-29.2%	-7.1%	Deutsche EuroShop	October-December	-6.2%	4.4%
Pirelli Real Estate	June-December	-44.4%	-22.3%	WDP	October-December	-3.5%	7.1%
				SPS	June-December	-11.1%	11.0%
Average favourites		-19.4%	2.7%	Average		-33.3%	-11.2%

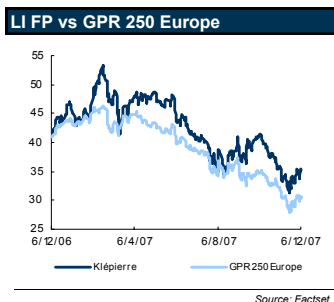
Source: Kempen & Co estimates

Figure 1. Performance Kempen favourites and least favourites (until 6 December 2007)



Source: Kempen & Co estimates





Favourite: Klépierre

Klépierre						
Rating	BUY				Market cap	€4,882m
Closing price	€35.3				Bloomberg	LI FP
Target price	€42.5				Reuters	LOIM.PA
Expected total return	23.9%				Daily turnover	€12.9m
Fiscal year	2006	2007E	2008E	2009E	2010E	
Fiscal year	2006	2007E	2008E	2009E	2010E	
EPS (IFRS)	11.20	6.92	2.40	3.52	4.58	
CFPS	1.89	2.39	2.58	2.70	2.82	
NNAV	30.50	37.51	39.90	43.40	47.95	
DPS	1.07	1.17	1.29	1.42	1.56	
P/NNAV-1	11.6%	-6.0%	-11.7%	-18.8%	-26.5%	
EBITDA/EV	5.1%	5.3%	5.6%	5.7%	5.8%	
P/CF	18.0	14.8	13.7	13.0	12.5	
Dividend yield	3.1%	3.3%	3.7%	4.0%	4.4%	

Source: Kempen & Co estimates

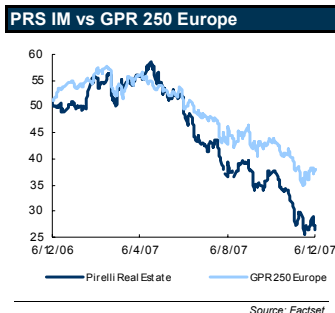
Reasons to buy

- Both turnover and rental growth in the shopping centre portfolio were strong in 9M07. For the entire portfolio the turnover realized by the retailers in the shopping galleries came out at +3.8%. Meanwhile reversionary growth had been strong in the core markets in which Klépierre is active i.e. France, Italy and Spain. Klépierre benefits from the 12-year lease structure on the portfolio in France. Despite recent marked ICC indexation, the leases renewed are still incurring significant rental uplifts.
- The portfolio is normally subject to marked valuation uplifts at the end of a financial year. We therefore expect that the current valuation as reflected in the 1H07 NAV is relatively conservative. We expect yields will still remain firm at YE07 while ICC indexation will further drive valuations and result in a marked uplift in year end NAV.
- At the 9M07 results, management elaborated on the restructuring measures undertaken to improve performance in Hungary and Poland and was confident that these measures would have an effect from FY08 onwards. We expect the improvement in operational performance in the problematic areas will support the share price.
- Klépierre has built up a pan-European shopping-centre network with local management (Cégécé) in nine of the ten countries where it operates. Klépierre seeks local management experience first before acquiring assets in the respective country. We expect the shopping centre focus and broad geographical spread reduces the overall risk on the portfolio.
- The office portfolio represents 10% of the portfolio and is considered prime quality.

Risk factors

- The main risks would be consumer sentiment which is deteriorating throughout Europe. For now spending remains firm but will increasingly be impacted by sentiment. We expect vacancy risks on the portfolio are limited, however we expect slower turnover growth realised by retailers will impact rental growth.
- The stock has seen relatively high volatility in recent weeks. Given the ongoing uncertainty in the market we expect this might continue in 2008.





Favourite: Pirelli Real Estate

Pirelli Real Estate					
Rating	BUY			Market cap	€1,129m
Closing price	€26.5			Bloomberg	PRS IM
Target price	€31.0			Reuters	PCRE.MI
Expected total return	19.2%			Daily turnover	€5.6m
Fiscal year	2006	2007E	2008E	2009E	2010E
EPS (IFRS)	3.89	3.49	4.39	4.49	4.90
CFPS	2.07	1.37	2.06	2.43	2.23
NNAV	22.71	24.04	26.46	28.72	31.33
DPS	2.06	1.87	2.15	2.20	2.40
P/NNAV-1	121.6%	10.3%	0.2%	-7.7%	-15.4%
EBITDA/EV	5.2%	7.1%	7.3%	7.9%	7.6%
P/CF	24.3	19.3	12.8	10.9	11.9
Dividend yield	4.1%	7.0%	8.1%	8.3%	9.1%

Source: Kempen & Co estimates

Reasons to buy

- We have reduced the value of the opportunistic portfolio by 10% and the core portfolio by 5%. After this adjustment Pirelli RE's (PRE) NNAV still stands at €19 per share. The current share price of €26.5 implies a valuation of only €7.5 per share for the asset management, property services, NPL business and Polish developments. The asset management business already provides an €8 contribution when worked out on the back of an envelope (€15bn x 50bps fee x 50% margin x 9 multiple / 42.6m shares).
- PRE's dividend yield is amongst the highest in our coverage universe. For 2007 and 2008 PRE's dividend yield is expected to come out at 7%/8.1% versus the averages of 4.6%/4.7%.
- We expect PRE will publish a new three year business plan in 1Q08. We believe this business plan can provide further transparency on the profitability of PRE's current activities and as such show the value of the company's activities.
- We believe PRE has suffered from selling pressure as Pirelli is an out-of-benchmark bet and portfolio managers preferred to clean their portfolios.

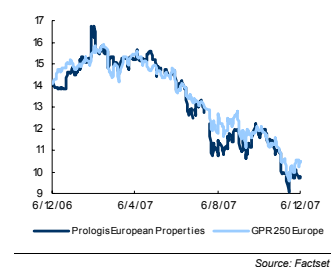
Risk factors

- The current state of the equity market limits PRE's ability to structure new property funds. PRE currently has plans to list a €1bn Spazio Office fund, which is scheduled for 2008. Going forward the company might also float a Spazio Residential fund, which is a pan-European residential fund.
- PRE's NPL activity is a fairly new activity for which PRE still has to demonstrate its ability to recover the loans. We have calculated that in order to achieve the 15% IRR target, PRE needs to recover more than 50% of the net book value of the NPLs. Although NPL activity is already a profitable business (€13.5m EBT) at 9M07), it all boils down to the ability to recover more than this 50% net book value.



Favourite: Prologis European Properties

PEPR NA vs GPR 250 Europe



Prologis

Rating	BUY	Market cap	€1,832m
Closing price	€9.7	Bloomberg	PEPR.NA
Target price	€11.4	Reuters	PEPR.AS
Expected total return	26.2%	Daily turnover	€1.8m

Fiscal year	2006	2007E	2008E	2009E	2010E
Fiscal year	2006	2007E	2008E	2009E	2010E
EPS (IFRS)	2.31	1.34	0.95	-0.21	1.25
CFPS	0.79	0.82	0.79	0.85	0.90
NNAV	11.88	12.14	12.16	10.98	11.24
DPS	0.79	0.85	0.85	0.85	0.90

P/NNAV-1	22.8%	-20.0%	-20.1%	-11.6%	-13.6%
EBITDA/EV	5.6%	7.5%	7.1%	7.3%	7.3%
P/CF	18.6	11.8	12.3	11.4	10.8
Dividend yield	5.4%	8.8%	8.8%	8.8%	9.3%

Source: Kempen & Co estimates

Reasons to buy

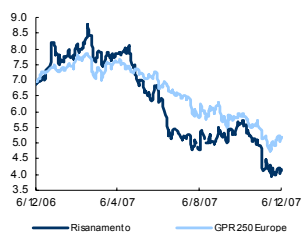
- We consider the payout policy and thereby the attractive dividend return as a significant positive for the company. We expect the current 8.7% dividend is sustainable based on our cash flow projections. Our projections include an additional c6% Capex/ letting costs on the portfolio per annum. We are positive on high dividend stocks as the company trades at a discount and in recent months high dividend stocks have exceeded the benchmark.
- Although we expect values to deteriorate on the logistical portfolio, risks on occupancy levels should remain relatively modest. Demand for logistical space is buoyant at the moment. Meanwhile, we expect average European vacancy rates for logistical space to remain within the 10% range. In this respect, we expect supply will be rapidly adjusted to demand should demand fall, as construction periods are relatively short for industrial property.
- Management was able to issue €500m in bonds during the credit crisis. Although the spread came out at a marked 160bps, we expect the ability to issue unsecured bonds in a difficult market is a marked positive. The LTV ratio of the company stands at 42%, which remains firmly within debt covenants (60%) and the 60% maximum requirement for the FCP status.
- We consider the 6.7% gross yield (ITD) to be firm. In addition, a quarter of the portfolio is located in the UK. We therefore anticipate 90 bps yield expansion on the portfolio resulting in a limited 3.5% IRR per annum over the next three years. Despite the adjustment our fair value still provides 25% upside potential.

Risk factors

- The PEPR relationship with Prologis implies that external growth is only realised through acquiring equity stakes in new private equity funds of Prologis. These funds will hold stabilised assets, development gains will thereby be captured by the mother company Prologis and not PEPR. We therefore consider PEPR to be a passive investment fund. The expected IRR for PEPR thereby lags behind its peer companies.

Favourite: Risanamento

RN IM vs GPR 250 Europe



Source: Factset

Risanamento

Rating	BUY	Market cap	€1,125m
Closing price	€4.1	Bloomberg	RN IM
Target price	€7.0	Reuters	RN.MI
Expected total return	70.6%	Daily turnover	€2.6m

Fiscal year	2006	2007E	2008E	2009E	2010E
EPS (IFRS)	-0.03	-0.31	0.07	0.38	1.42
CFPS	-0.17	-0.33	0.06	0.34	1.43
NNAV	7.88	8.73	9.03	9.46	11.49
DPS	0.00	0.00	0.11	0.11	0.12

P/NNAV-1	-28.3%	-53.0%	-54.6%	-56.6%	-64.3%
EBITDA/EV	1.0%	-1.1%	3.9%	7.2%	22.0%
P/CF	-33.0	-12.6	66.8	11.9	2.9
Dividend yield	0.0%	0.0%	2.6%	2.8%	2.9%

Source: Kempen & Co estimates

Reasons to buy

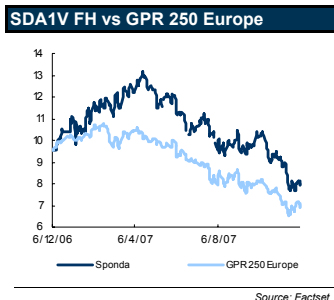
- We expect several triggers in the short to medium term, such as retail lettings in MSG, a full external appraisal of the project, pre-sales of the residential units and possibly an approval of the Falck project by the municipality.
- The price level Risanamento is currently trading at implies that the market only attaches €260m (or €0.9 per share) on top of the reported book value of the projects and standing assets at market value. We believe that this €0.9 per share is very limited considering that the company has secured some tenants and has full planning permission for MSG. The last external valuation for the MSG project already pointed to a €4.4 NPV value surplus for the MSG project alone!
- Although the MSG project have been progressing since the beginning of the year, Risanamento has however seen a 19.5% underperformance compared to the GPR 250 Europe and a -50% total return year to date.
- Financial debt is 100% hedged, with an average maturity of six years and an average interest rate of c5.25%. The company has already secured financing for the development of residential units that will start in 1Q08.
- Our €7.0 Price Target already includes 40bps yield expansion on the Paris and New York portfolios and we have applied a blended 12.5% discount factor for both the standing assets and the development projects.

Risk factors

- The company needs to receive financing for the multiplex and retail area of the MSG project. The Italian banks however have been virtually unaffected by the repercussions of the credit crunch.
- Although some tenants have signed for space in the MSG project, Risanamento still needs to pre-let c70,000 sqm of retail space and another 100,000 sqm of office space. A total of c450 residential units need to be sold with an average price of €8,500 per sqm.
- The company is still in negotiations on planning permission for the Falck project in Sesto San Giovanni. However in our view the current share price does not reflect this project at all.



Favourite: Sponda



Sponda					
Rating	BUY			Market cap	€899m
Closing price	€8.1			Bloomberg	SDA1V.FH
Target price	€10.4			Reuters	SDA1V.HE
Expected total return	34.6%			Daily turnover	€2.7m
Fiscal year	2006	2007E	2008E	2009E	2010E
EPS (IFRS)	0.61	1.34	0.84	0.51	1.21
CFPS	0.48	0.48	0.59	0.62	0.70
NNAV	7.58	8.39	8.73	8.34	8.77
DPS	0.40	0.50	0.52	0.54	0.56
P/NNAV-1	5.5%	-3.5%	-7.2%	-2.9%	-7.7%
EBITDA/EV	3.3%	5.7%	6.2%	6.3%	6.6%
P/CF	16.7	16.8	13.7	13.1	11.5
Dividend yield	5.0%	6.2%	6.4%	6.7%	6.9%

Source: Kempen & Co estimates

Reasons to buy

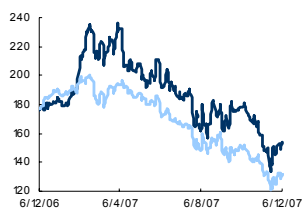
- Sponda's committed development pipeline is €562m and in addition the company has a list of future development projects amounting to €226m. We calculate an average development profit of 15%. We expect the committed development pipeline to be 6.5% 10E NNAV-accretive.
- We calculate an annual CFPS growth of 13%. Although we expect modest rental growth from YE07 onwards for Finnish offices (due to the completion of several office developments), we believe that Sponda's growth will come from: i.) Sponda's above-average vacancy rate; we expect Sponda to lower its vacancy rate on the standing portfolio from 9.1% to 6.0% by YE10, ii.) €207m in development completions in FY08 iii.) high yielding acquisitions in Russia and increasing asset management activities (AuM: +€400m y-o-y), and iv.) higher leverage on human capital and decreasing cost margins.
- Sponda is active in a buoyant Finnish economy; underlined by an expected 3.0% 08E GDP growth versus a European average of 2.1%. We expect the commercial real-estate market to benefit from this.
- At the beginning of the year the Finnish government put the Finnish REIT on the agenda again. However, due to complicated laws in Finland we do not expect the REIT to come into force before YE09.
- Sponda is slowly expanding into Russia (currently €72m is invested, or < 3%) and the management has announced its intention to increase this to about 15% in high yielding properties.

Risk factors

- Sponda has received a tax assessment of about €50m for Kapiteeli's profit for FY06, although Sponda received regulatory approval from the tax authority and properly applied the tax law. We consider it unlikely that Sponda will actually have to pay this tax assessment.
- Extra risks incurred from acquiring properties in Russia, i.e. the actual ownership of Russian real estate property is from time to time hard to determine.
- New office supply coming to the market.

Favourite: Unibail-Rodamco

UL FP vs GPR 250 Europe



Source: Factset

Unibail-Rodamco

Rating	BUY	Market cap	€14,934m
Closing price	€156.2	Bloomberg	UL FP
Target price	€195.0	Reuters	UNBP.PA
Expected total return	29.4%	Daily turnover	€63.6m

Fiscal year	2006	2007E	2008E	2009E	2010E
EPS (IFRS)	47.72	37.70	9.00	15.75	17.23
CFPS	7.40	8.48	9.02	9.54	10.48
NNAV	142.40	175.10	177.11	185.15	193.91
DPS	5.00	7.00	7.70	8.47	9.32

P/NNAV-1	3.7%	-10.8%	-11.8%	-15.7%	-19.5%
EBITDA/EV	4.5%	3.7%	5.6%	5.7%	6.0%
P/CF	19.9	18.4	17.3	16.4	14.9
Dividend yield	3.4%	4.5%	4.9%	5.4%	6.0%

Source: Kempen & Co estimates

Reasons to buy

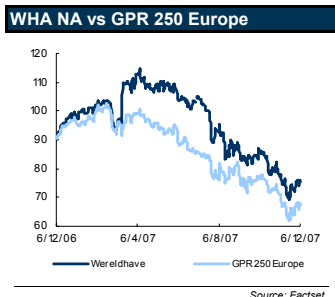
- The combination Unibail-Rodamco represents a prime portfolio of limited-risk shopping centres and quality offices. In addition, the low LTV of 26%, A3 credit rating and modest (14%) refinancing requirements over the next two years limit the risk of refinancing.
- We expect the potential of the Rodamco portfolio will be realized under a more aggressive management approach. Following the merger, management will present a strategic plan for the Rodamco portfolio with the FY07 results, which would include sales as well as further developments on the standing portfolio. Management initially indicated it expected to add 1 million sqm in extension and refurbishment opportunities in the portfolio. However, we expect the strategic plan will exceed initial estimates.
- We expect the strategic plan will incur net expenditure on the Rodamco portfolio. However, in addition to expenditure, management also plans sales, which will give rise to short term cash surpluses. We expect management to sell the Dutch high street retail portfolio (€ 1bn), Dutch offices and the retail portfolios in Germany and Belgium. We expect management could choose to buy back shares using the excess cash.
- Further potential could be realised by increasing the like-for-like rental growth rate on the Rodamco portfolio. The average occupancy cost ratio for retailers in the shopping centres of Unibail comes out at 10.8% versus a still limited 8.5% for the centres of Rodamco.
- The original development pipeline of both companies is included in the NAV at cost. Meanwhile we expect this pipeline to represent limited risks. In the coming years development spends will predominantly be directed towards extensions in the shopping centre portfolio.

Risk factors

- The main risks to the development activities are related to the projects scheduled for La Defense with expected completion in 2011 and 2012. In order to account for these risks incurred on the 200,000 development pipeline in La Defense, we have assumed a conservative 6.0% exit yield on these projects.
- The stock is relatively liquid and therefore easily bought and sold by general equity investors. Meanwhile, specialist investors cannot overweigh the stock as they can only buy up to 10% in one share (UCITS III requirement) while Unibail-Rodamco represents 14% of the main property indices.



Favourite: Wereldhave



Wereldhave

Rating	BUY	Market cap	€1,575m
Closing price	€75.8	Bloomberg	WHA NA
Target price	€91.2	Reuters	WEHA.AS
Expected total return	26.5%	Daily turnover	€12.5m

Fiscal year	2006	2007E	2008E	2009E	2010E
EPS (IFRS)	16.53	7.20	5.39	7.88	7.31
CFPS	5.14	4.78	4.75	4.82	5.25
NNAV	85.47	92.35	93.09	96.27	98.83
DPS	4.60	4.65	4.70	4.75	4.80
P/NNAV-1	0.0%	-17.9%	-18.6%	-21.3%	-23.3%
EBITDA/EV	6.1%	6.5%	6.6%	6.6%	7.0%
P/CF	16.6	15.9	16.0	15.7	14.4
Dividend yield	5.4%	6.1%	6.2%	6.3%	6.3%

Source: Kempen & Co estimates

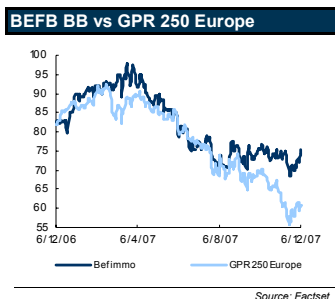
Reasons to buy

- Wereldhave's 9M07 NNAV of €86.34 appears conservative and we expect FY07 NNAV to come out at €92.35 (18% discount). We include 100bps yield expansion in the UK and 50bps in the US in 2008, resulting in an NNAV of €93.09 at YE08 (19% discount). We keep all other net yields flat but see anecdotal evidence that the portfolio is undervalued. Wereldhave values its Finnish portfolio (20% of total) including Itakeskus at a net running yield of 5.2% whereas Citycon acquired Iso Omena at 4.5%. Furthermore, Rue Kleber could be valued at €240m whereas the whole French portfolio currently stands at €188m. The company indicated that 50bps yield expansion in all markets should not negatively impact the NNAV, underlining the conservatively valuation.
- Wereldhave indicated that the portfolio (particularly retail) has reversionary potential, but we only include 1.7%, 2.1% and 1.5% rental growth for 2008, 2009 and thereafter. The slight increase in 2009 results from the expiration of Aon's contract at Rue Kleber in 1Q09 as we expect rents to go up to €500/sqm.
- Wereldhave has a very healthy balance sheet which enables the company to finance its €400m development pipeline and future development projects we expect to start in San Diego. Furthermore the low leverage places a cushion on the negative revaluation which we anticipate in the UK and the US. Finally we would welcome a share buy-back as stated in our report of 19 November.
- Currently the company has a more than €400m development pipeline of which more than €100m is Dutch and Belgian retail development scheduled for completion in 2009. Furthermore the \$300m development in San Antonio will start in spring 2008. We have not included any further development in our valuation but we expect more developments in San Diego.

Risk factors

- Wereldhave has the lowest disclosure compared to its Dutch peers. Although the company disclosed its theoretical net yield of 6.0% for the first time at 3Q07 we would welcome more disclosure on Wereldhave's growth strategy, reversionary potential, net yields per country and interest rate sensitivity.
- We take into account yield expansion of 100bps for the UK (15% of the portfolio) resulting in 6.6% net running yields in 2008. The London assets of Wereldhave are mainly located in the less affected West End. The Manchester office (c40% of UK office rents) saw its rental guarantees expire.
- Wereldhave Belgium received a claim from the Belgian government, but Wereldhave is very confident that this will not lead to any significant costs.





Least favourite: Befimmo

Befimmo						
Rating	REDUCE				Market cap	€1,000m
Closing price	€76.6				Bloomberg	BEFB BB
Target price	€68.0				Reuters	BEFB.BR
Expected total return	-5.3%				Daily turnover	€1.4m
Fiscal year	2006	2007E	2008E	2009E	2010E	
EPS (IFRS)	6.77	8.03	5.76	4.04	4.47	
CFPS	4.94	4.53	4.03	4.28	4.56	
NNAV	71.36	71.87	71.63	71.72	72.63	
DPS	4.92	4.51	4.51	4.60	4.70	
P/NNAV-1	10.7%	16.6%	6.9%	6.8%	5.5%	
EBITDA/EV	5.2%	4.5%	4.8%	5.0%	5.1%	
P/CF	16.0	18.5	19.0	17.9	16.8	
Dividend yield	6.2%	5.4%	5.9%	6.0%	6.1%	

Source: Kempen & Co estimates

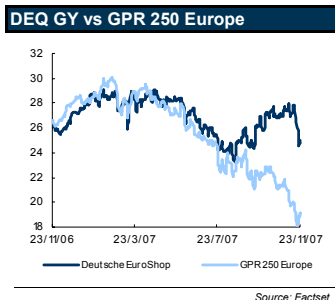
Reasons not to buy

- We expect marginal rental growth of 1.7% as we assume rental levels will slightly increase in the Brussels office market (CBD: +3%, periphery: flat), because prices will come under pressure due to the substantial development pipeline to be completed in FY08 and FY09 (370,000 and 270,000 sqm respectively) and the high level of vacancies in the Brussels periphery.
- The management could be perceived as passive, or is seemingly not as close to the market as compared to Cofinimmo. Over the last four years the management has been bidding for 80 properties/ real estate portfolios and did not succeed in acquiring any, apart from Fedimmo.
- Declining CFPS for FY08 and FY09 by about 7% and 3% respectively due to substantial renovation. We expect a below European average 08E and 09E CF yield of 5.3% (average 5.9%) and 5.6% (average 6.1%) respectively.
- Management announced that they were looking at acquisition opportunities in France and/or the Netherlands. We would disapprove of Befimmo diversifying its activities in the Netherlands and/or France due to the fact that they cannot benefit from the competitive advantage that local players enjoy. The size of Befimmo's current workforce (<20 employees) is not ideal for an international real-estate portfolio, and we expect the extra costs needed to increase the size of the workforce will not make up for the additional costs required.
- External management by Fortis.

Potential upside risk

- Investor confidence could hold up as the valuation of the Befimmo portfolio can be perceived as conservative given the current 6.0% net yield on the portfolio, since it is a quality portfolio with a lengthy average lease duration (9.1 years).

Least favourite: Deutsche EuroShop



Deutsche EuroShop						
Rating	NEUTRAL				Market cap	€884m
Closing price	€25.7				Bloomberg	DEQ GY
Target price	€23.6				Reuters	DEQn.DE
Expected total return	-4.2%				Daily turnover	€3.6m
Fiscal year	2006	2007E	2008E	2009E	2010E	
EPS (IFRS)	2.92	2.03	0.69	1.04	1.66	
CFPS	0.94	0.95	1.03	1.10	1.15	
NNAV	23.16	24.15	23.85	23.84	24.44	
DPS	1.05	1.05	1.09	1.11	1.15	
P/NNAV-1	16.6%	6.5%	7.8%	7.9%	5.2%	
EBITDA/EV	4.6%	4.4%	4.8%	5.0%	5.0%	
P/CF	28.8	27.0	24.9	23.3	22.4	
Dividend yield	3.9%	4.1%	4.2%	4.3%	4.5%	

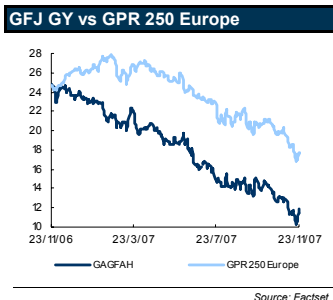
Source: Kempen & Co estimates

Reasons not to buy

- We see limited internal growth potential for Deutsche EuroShop. L-f-I rental growth y-o-y to 9M07 was 2.9% which is well below its European retail peers ECP (5.4%), Klepierre (5.9%), Corio (6.4%) and Unibail-Rodamco (6.9%). In addition, the portfolio is almost fully let with an average lease term of more than eight years. Although this warrants stability of income, it also limits potential upside reversionary, as management expects 2-3% l-f-l rental growth going forward.
- Contrary to its European retail peers (Unibail-Rodamco, Corio, Klepierre and ECP), Deutsche EuroShop has no development pipeline. In addition, the company has not engaged in acquisitions since YE06, neither does it expect to do so in the short term. As such, we see limited external growth potential for the company.
- We appreciate the quality of the portfolio and the visibility on earnings. However, we believe Deutsche EuroShop is relatively expensive, trading at a 7.8% premium to FY08 NNAV, compared to e.g. Klepierre (-9.3%) and Unibail-Rodamco (-14.4%). In addition, Deutsche EuroShop is trading at a 4.0% FY08 CF yield and 4.2% FY08 dividend yield, which is well below the 5.9% and 4.9% European sector average.

Potential upside risk

- Potential upside risk could lie in M&A speculation, which we might expect for other European retail stocks. However, we believe the chances of a takeover of Deutsche EuroShop are low, as the largest shareholder (Otto family, 19%) also owns 100% of ECE (the external manager of all Deutsche EuroShop's shopping centres).
- Deutsche EuroShop has a relatively large retail shareholder base (26% vs. 81% free float), which could be a stabilizing factor for the share.



Least favourite: GAGFAH

GAGFAH				
Rating	NEUTRAL		Market cap	€2,598m
Closing price	€11.5		Bloomberg	GFJ GY
Target price	€10.5		Reuters	GFJG.DE
Expected total return	-2.0%		Daily turnover	€3.1m

Fiscal year	2006	2007E	2008E	2009E	2010E
EPS (IFRS)	0.66	3.50	-0.27	0.73	1.48
CFPS	0.45	0.61	0.72	0.76	0.80
NNAV	10.33	12.88	11.23	10.54	10.55
DPS	0.17	0.79	0.88	0.94	0.99
P/NNAV-1	130.1%	-10.5%	2.5%	9.3%	9.2%
EBITDA/EV	2.6%	4.5%	5.1%	5.1%	5.2%
P/CF	52.7	19.0	16.0	15.1	14.3
Dividend yield	0.7%	6.9%	7.7%	8.1%	8.6%

Source: Kempen & Co estimates

Reasons not to buy

- We see limited internal growth potential for GAGFAH. L-f-I rental growth in the German residential market remains subdued, resulting in a low 1.1% l-f-I rental growth for 9M07. Even though management expects 1.5% l-f-I growth for FY07 and 2.0% for FY08, this is still barely keeping up with inflation. Additionally, future upside from vacancy reduction is low, as management sees a 4.5% structural vacancy, vs. 5.0% vacancy at present.
- The main growth driver for GAGFAH (i.e. external growth) has virtually disappeared. During the 9M07 earnings call, management stated it could no longer do value accretive acquisitions. The company has only limited firepower, while the potential for issuing equity is limited, trading at a 19% discount to NAV.
- We believe the portfolio is sharply valued at a net yield of 4.8%, following a stretched revaluation in 2Q07, particularly since management recently indicated it saw yields on portfolios moving out by 50bps. Given the high 70% leverage, 50bps yield expansion would result in a decrease in NAV from €14.3 to €9.6.
- Furthermore on a CF basis, GAGFAH looks fully valued, trading at a 6.2% recurring CF yield for FY08, vs. 5.9% for the sector average. This mainly reflects the above-average leverage, as EBITDA/EV is at 5.1% just below the 5.2% sector average.

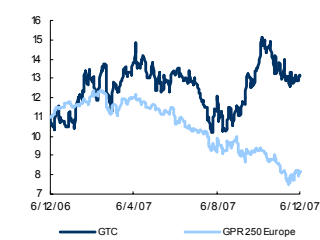
Potential upside risk

- Management indicated it is interested in the 93,000 unit LEG North Rhine-Westphalia portfolio that is currently for sale. However, we wonder how the company would finance this acquisition. Assuming a €3.5bn sales price (based on c€40K/unit) with 75% leverage, GAGFAH would have to raise c€875m equity, equal to 1.7x the current free float market cap.



Least favourite: GTC

GTC PW vs GPR 250 Europe



Source: Factset

GTC

Rating	REDUCE	Market cap	PLN 10,310m
Closing price	PLN 47.0	Bloomberg	GTC PW
Target price	PLN 42.9	Reuters	GTCE.WA
Expected total return	-8.7%	Daily turnover	€3.6m

Fiscal year	2006	2007E	2008E	2009E	2010E
EPS (IFRS)	0.91	0.85	1.06	2.78	2.29
CFPS	0.13	-0.06	-0.13	0.02	0.12
NNAV	3.35	4.18	5.23	8.06	10.41
DPS	0.00	0.00	0.00	0.00	0.00

P/NNAV-1	121.6%	214.0%	150.6%	62.8%	26.0%
EBITDA/EV	2.9%	0.9%	0.8%	2.3%	3.2%
P/CF	55.1	-224.1	-97.4	796.8	105.2
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Kempen & Co estimates

Reasons not to buy

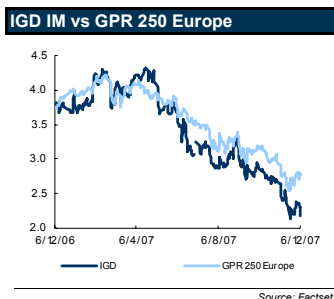
- The last published NAV at 3Q07 amounted to €4.49/share. We expect c6million sqm (committed: 1.9million sqm) to be developed from 2007 to 2015. We expect the total €8.7bn pipeline of commercial projects to deliver a total development gain of €5.7bn (80% for the committed development pipeline and 60% for the additional pipeline) reflecting a development gain of c€25.8/share. In addition, we expect a total residential pipeline of €2.1bn to deliver up to €500m in development gains implying €2.3/share. Including rental income and deducting taxes and all expenses, we arrive at a €28.8 value for the company in 2015 (€4.49+€25.8+€2.3+€3.7 (rental income – all expenses and taxes) = €28.8) which in our view is already fully priced in in the share. Applying a relatively low 15% COE, we arrive at a PLN 42.9 Price Target.
- The company is currently trading at a 15.5 multiple to our FY07 net profit (12.4x in FY08E, 4.6x in FY09E). Meanwhile the premium to NAV amounts to 185% to the FY07E NAV (122% to FY08E, 42% to FY09E NAV and 10% to FY10E NAV) not taking any dividend payments into account.
- Construction costs have increased substantially, mainly in Poland. Taking into account GTC's business plan, we estimate an increase in construction costs in Poland of up to 30%, but in other countries the effect has been less significant. Growing construction costs, resulting in lower yields on costs (10% to 8.4% in Poland), are putting significant pressure on gross development gains.
- In 2007 the company was one of the best performing companies among European stocks, seeing a y-t-d performance of +16.92% as opposed to the EPRA index performance y-t-d of -29.92%. GTC is one of the stocks in our research universe which avoided a correction in 2007. We therefore see a potential risk from such a correction in the next several months.
- GTC valuation yields for the standing properties are at a record low: for Poland 5.5%, Romania 6.0% and Croatia 6.3%. We keep these yields flat for 2007. However, going forward (i.e. from 2008) we apply yield expansion: Poland from 5.5% to 6.0%, Hungary from 6.0% to 6.5% and Romania from 6.0% to 6.5%.

Potential upside risk

- As a main potential upside for GTC we see ever accelerating company growth to be seen in the completion of more projects per year than we had expected. Furthermore, we expect 3% rental growth in our model. Additional upside to our current PT could be that of rental growth exceeding our expectations.



Least favourite: IGD



IGD						
Rating	REDUCE				Market cap	€673m
Closing price	€2.2				Bloomberg	IGD IM
Target price	€2.0				Reuters	IGD.MI
Expected total return	-6.3%				Daily turnover	€1.4m
Fiscal year	2006	2007E	2008E	2009E	2010E	
EPS (IFRS)	0.20	0.22	0.22	0.06	0.15	
CFPS	0.10	0.09	0.11	0.11	0.13	
NNAV	2.06	2.48	2.66	2.63	2.68	
DPS	0.04	0.04	0.09	0.09	0.11	
P/NNAV-1	24.6%	-12.2%	-18.0%	-17.2%	-18.9%	
EBITDA/EV	3.7%	4.2%	3.9%	4.1%	4.7%	
P/CF	25.5	24.2	20.3	19.5	16.7	
Dividend yield	1.4%	1.8%	4.1%	4.3%	5.0%	

Source: Kempen & Co estimates

Reasons not to buy

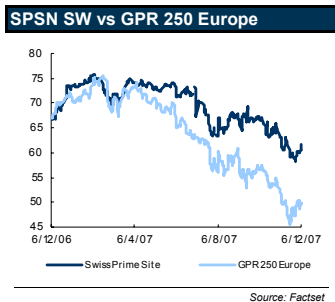
- IGD owns an €875m pure Italian retail portfolio at an average gross yield of 6.1% (c5.1% net yield). Although the 60bp spread to the prime gross yield of 5.5% could cushion yield expansion, we expect IGD's gross yield to move up by 50bps in the next two years. Corio's investment portfolio is currently valued at a 5.5% net yield, while Eurcommercial properties is valued at a 4.8% net yield.
- IGD has secured a €900m acquisition pipeline for the next three years composed of newly developed centres with an average gross yield of c6.7%. Although IGD does not run the planning and construction risk on the acquisitions, they do run the letting risk. As we believe a lot of centres are coming to market we believe the 10% development gain is too limited to offset the letting risk that IGD runs, while other listed peers such as Corio and Eurocommercial Properties make a 20-30% development gain.
- The standing portfolio is composed of 13 hypermarkets and 11 shopping centres. The hypermarkets are indexed at only 75% of CPI and have an average maturity of 2015. The shopping centres have an average maturity of 2009 and can therefore provide more rental growth for IGD. All in all however we do not believe that the like-for-like rental growth for the company will remain below the 3% level, thus falling short of the business plan as communicated.
- IGD is relatively expensive as the company is trading at a 4.1% 2007E cash flow yield while the sector average stands at 5.0%. The company's dividend is furthermore expected to come out at a 4.1% 2008E dividend yield, significantly lower than the European average of 4.7%

Potential upside risk

- Favourable amendment to SIIQ legislation. Currently the new Italian Budget Law 2008 is being discussed by the government and might include changes to the legislation. We expect only minor technical changes, such as an amendment to the free float definition. As there is an ongoing lobby for changing capital gains tax regulation it is possible that the new Budget Law 2008 will also include a new provision for these taxes.



Least favourite: Swiss Prime Site



Swiss Prime Site

Rating	NEUTRAL	Market cap	CHF1,583m
Closing price	CHF61.7	Bloomberg	SPSN SW
Target price	CHF57.0	Reuters	SPSZn.S
Expected total return	-2.5%	Daily turnover	€1.7m

Fiscal year	2006	2007E	2008E	2009E	2010E
EPS (IFRS)	3.94	7.12	2.94	3.47	3.95
CFPS	3.05	3.29	3.04	3.08	3.13
NNAV	54.14	56.20	55.50	55.27	55.48
DPS	0.00	3.15	3.20	3.25	3.30
P/NNAV-1	15.4%	9.8%	11.2%	11.6%	11.2%
EBITDA/EV	4.0%	4.1%	4.2%	4.3%	4.3%
P/CF	20.5	18.7	20.3	20.0	19.7
Dividend yield	0.0%	5.1%	5.2%	5.3%	5.3%

Source: Kempen & Co estimates

Reasons not to buy

- Externally managed by Credit Suisse which is also a strategic shareholder (c. 28%). Moreover several Credit Suisse funds are investing in Swiss Prime Site.
- The external management adopts a rather restrictive attitude towards the international community as the company stated it only concentrates on its Swiss investor base. This is mainly due to the fact that 95.9% of the outstanding shares are held by Swiss investors.
- SPS is trading at an above European average premium of 11% to our 08E NNAV 11% (European average -6.9%), while our 08E CF yield amounts to 4.9% (European average 5.9%) which is below the European average.
- We assume a marginal average rental growth of 1.5% on the portfolio. Our assumption is fuelled by modest rental growth for the established districts in Zurich and Geneva, whilst we do not foresee rental growth for the other regions. Furthermore we do not foresee any upside opportunities from substantial occupancy improvements.

Potential upside risks

- As 95.9% of the outstanding shares are held by Swiss investors, we do not expect major negative share price reactions arising from negative news flow in the European/ international real-estate markets and economies.
- Investor confidence could hold up as the valuation of Swiss Prime Site portfolio can be still perceived as attractive as the yield gap of 120bps between the 10-year government bond and valuation yields is amongst the highest in Europe. At present the theoretical net yield on the portfolio is currently 5.3%, while the average cost of debt is 3.2%.

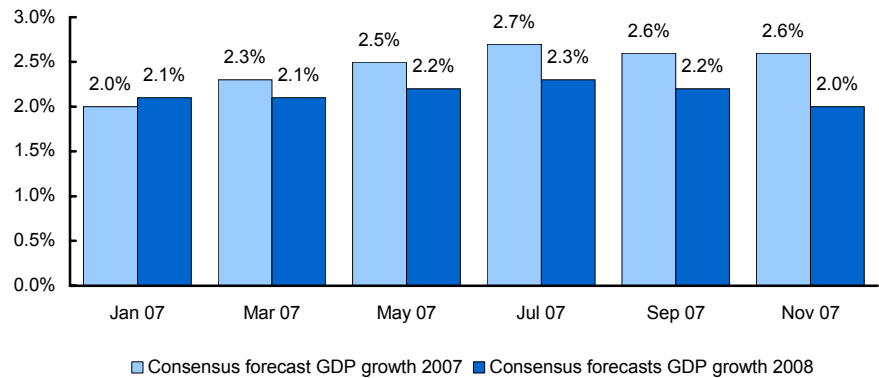


2008E: Inflation and economic slowdown

As stated in previous editions of Compass, we would consider the best economic scenario for real estate to be that of low inflation combined with reasonable economic growth. Under such conditions, interest rates would remain low while letting risks would remain limited. Although a scenario of high economic growth would be good for take-up, we expect such a scenario would increase interest rates and put upward pressure on yield levels. The ‘middle of the road’ economic scenario has played out well for real estate in recent years with investors seeking income returns.

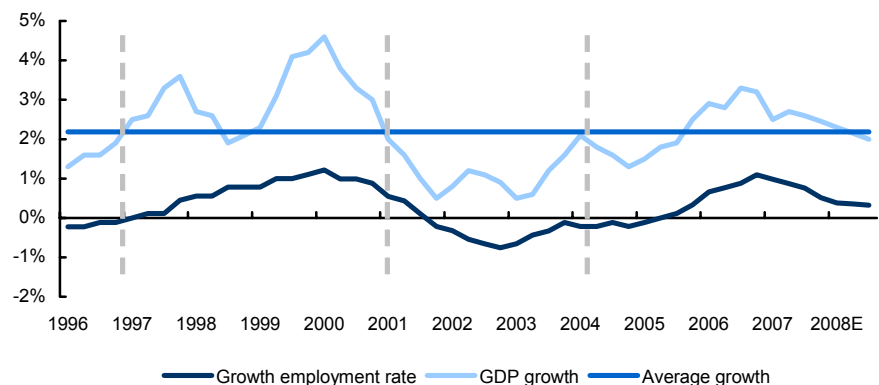
According to consensus forecasts, economic growth for the Eurozone is expected to slow to 2.0% in 2008 from 2.6% in 2007. Economic growth would therefore come out at a level normally considered a turning point in terms of job creation. Anecdotal evidence would suggest that economic growth above 2% facilitates job growth and thereby net office take-up. In the current environment job creation could be impacted by potential financial constraints for both large and small/mid sized companies limiting new investment. However, at present, European banks are still providing finance whereas US banks are much more constrained.

Figure 2. Expectations for 2008 GDP growth adjusted downwards



Source: Consensus Forecast

Figure 3. Turning point for job creation seen at 2% GDP growth



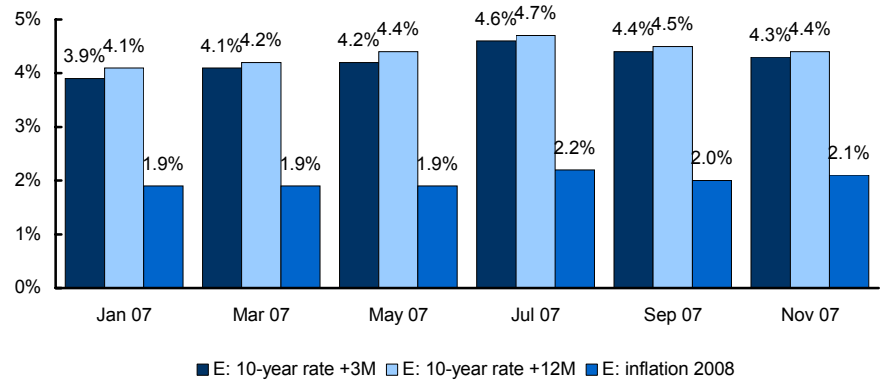
Source: Kempen & Co, Datastream

The provisional EU inflation rate for the Eurozone came out at 3.0% in November compared to 2.6% in October (2.1% in September). Inflation thereby further accelerated and came out slightly ahead of expectations (2.9%). We expect the main m-o-m drivers remained unchanged: i.e. clothing and food. The y-o-y increase was mainly driven by fuel and food. Given the impact of persistently high oil prices, inflation is expected to remain at above average levels in the medium term.



Consensus forecasts for inflation for 2008 come out at 2.1%. However, given the higher-than-expected increase in November for the Euro zone and the related higher-than-expected inflation figures for Germany (3.3%), we expect that consensus expectations for inflation will increase. As a result and assuming no changes to the economic outlook, we expect consensus expectations for 10-year interest rates could likewise increase.

Figure 4. Consensus forecast for expected 10-year rates remains largely unchanged



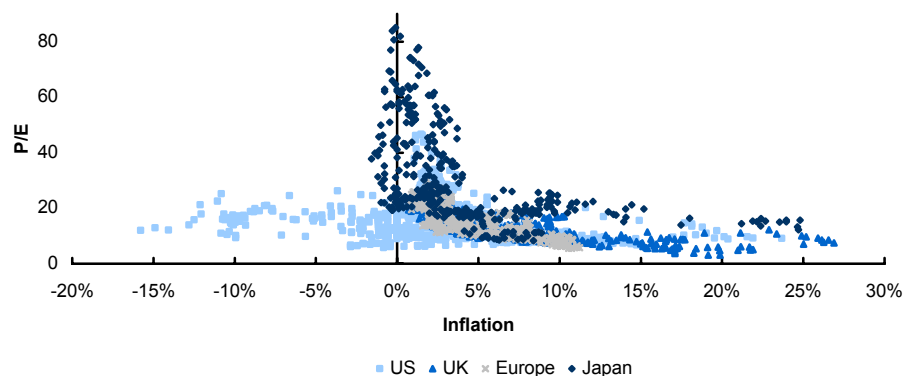
Source: Consensus Forecast

We therefore expect that the main economic risks for real-estate valuations are the further deceleration of the European economy and a marked acceleration in inflation. Although inflation would increase indexed rents, we expect it would similarly depress valuation multiples for property stocks while increasing financing costs. A further deceleration in GDP would result in a fall in levels of employment and thereby a reduction in occupancy levels and rental values.

What would be the impact of inflation on property shares?

Inflation has historically had a negative impact on P/E multiples as can be seen by analysing general equity stocks, (aggregate information for a period of over 100 years). In times of high inflation or deflation P/E ratios come out markedly below the average. Meanwhile P/E valuations come out at above average levels when there is low-level inflation. Although inflation could have a lesser impact on property valuations, we expect property shares to be impacted in line with general equity.

Figure 5. Relationship P/E ratio and inflation rates general equity stocks



Source: Robert J Schiller database, Datastream

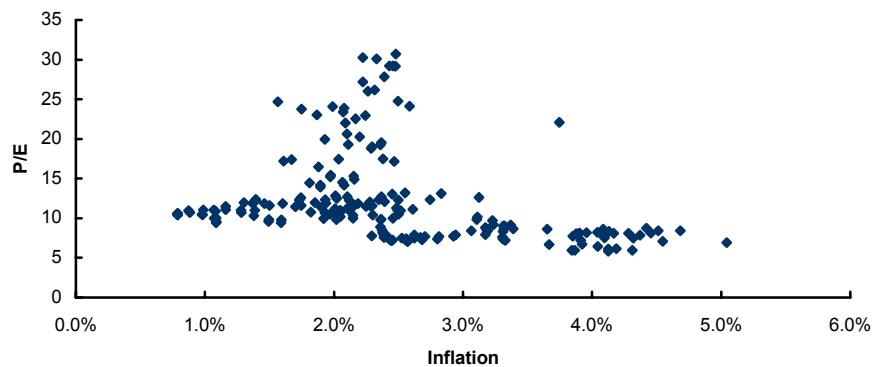
Although a historic range over a similar period of time is not available, we expect that the valuation of property shares will follow general equity trends in periods of marked deflation or high inflation as a result of a marked correlation between property shares



and general equity. We have listed the P/E history for property shares since 1990 below. Although less marked, P/E multiples seem to come out higher in times of low inflation. As such, property as a hedge for inflation appears more relevant for direct property, as property shares tend to have a higher correlation with general equity.

In addition to the correlation between the asset classes, we expect the relatively stable income pattern for the underlying assets could work against property shares. As a consequence of cash flow stability, property companies would have limited ability to outgrow the impact an increase in the cost of capital would have on valuations. Alternatively property companies could take substantial risks through development to increase earnings, however the success of such a strategy would be dependent on economic growth.

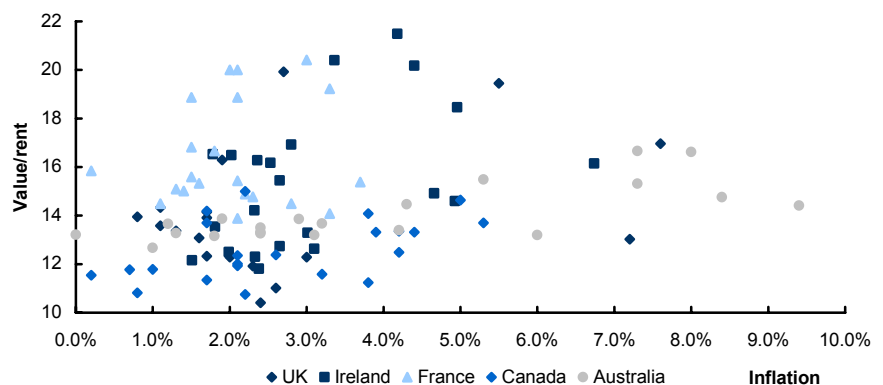
Figure 6. Relationship European property shares: P/E ratio and inflation since 1990



Source: GPR, Datastream

The scatter plot below seems to indicate the absence of a relationship between property values and inflation. In addition, the correlation between direct property and general equity is markedly less than that for property shares and general equity. We thereby expect direct property benefits from a ‘control premium’. An owner of a property can sell the asset in the direct market at its discretion. This would in our view provide more stability to the value of an asset than holding shares in a property company. Shareholders cannot (practically) force management to sell the assets in order to capture the discount to NAV if applicable.

Figure 7. Relationship direct property: IPD direct property valuation multiples and inflation



Source: IPD Index, Datastream

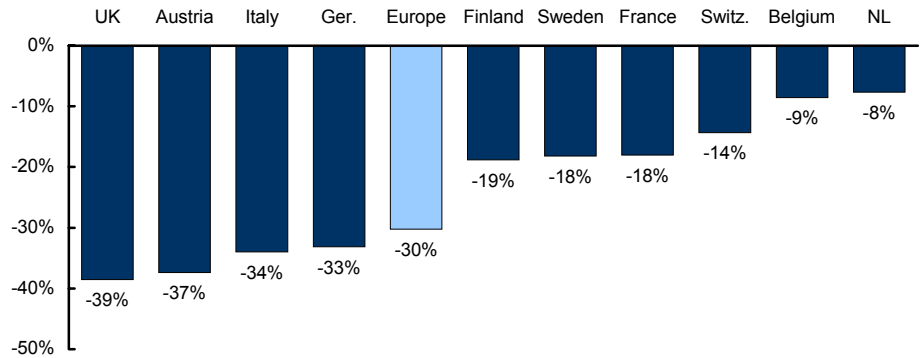
Property shares benefit from the added value of management and in the longer term follow the NAV development of the company. An ‘undershooting’ situation thus provides for longer term upside potential. We believe that the current return of the discount to NAV could give rise to a recovery in M&A activity.



Again a period of discounts

National performance has differed widely. Allocation in an investment portfolio according to country could have made a significant difference in performance in 2007. Overall Dutch, Belgian, Swiss and French companies have relatively outperformed. In contrast, the Austrian, Italian and UK companies have underperformed in 2007.

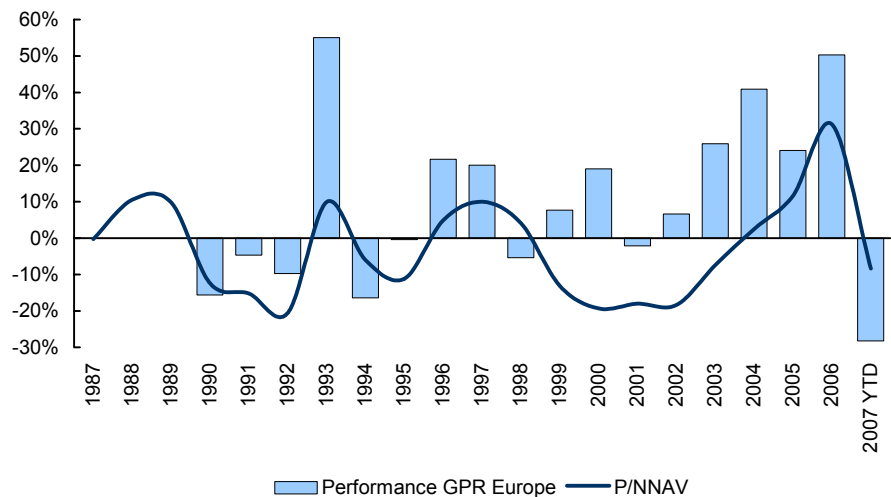
Figure 8. Return rates comparison between different countries



Source: GPR, Kempen & Co estimates

Following a period of marked premiums to NAV for the sector we have again entered a period of discounts. We expect the discount to be attributable to i) general weak equity markets and the overall flight to quality thus impacting property shares ii) share price reflecting future NAV declines. Appraisers value portfolios based on realised transactions and current estimated values, share price levels can however be a precursor to future value declines. iii) More volatile movement in property shares than the underlying values of portfolios. We expect share prices could undershoot future expected declines in NAV.

Figure 9. Historic premium/ discount to NAV graph



Source: GPR, Kempen & Co estimates

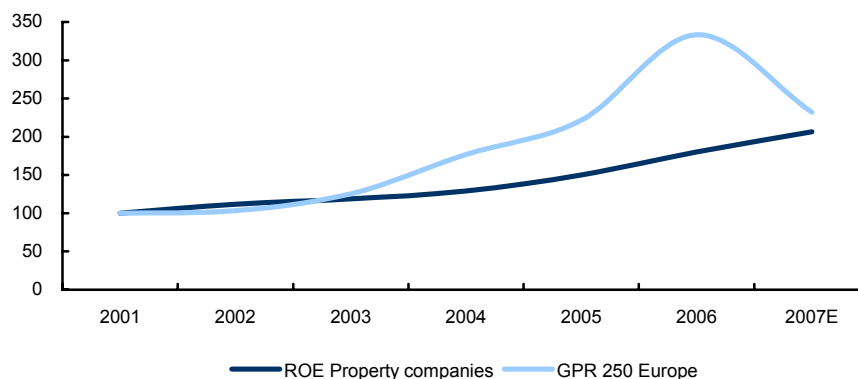
Property companies are on average trading at a 14% discount to NAV (7% discount to NNAV) still marginally above previous troughs in the market. In comparison, during the periods 1990 to 1992 and 2000 to 2003 property companies traded at around 20% discount to NAV at the bottom of the troughs.



Matching underlying growth

Following the correction in property shares seen y-t-d, the total return for the GPR 250 Europe property index is again matching the compound underlying growth (ROE) for our covered list. The remaining difference can be explained by the introduction of REITs throughout Europe in recent years and the discount property shares were trading at in 2001. Based on the convergence of returns, we believe that the main correction to property shares has already taken place, although share prices could undershoot returns going forward. However, in the long term, we expect that the total return of a company (share price and dividend) should move in line with the underlying IRR realised by a company over time.

Figure 10. Relative compound IRR property companies and total return GPR250 Europe



Source: GPR, Kempen & Co estimates

Property shares show increased correlation with general equity

Over a 10 year period, the correlation between property stocks and financials has been slightly stronger than the correlation between property stocks and the bond index. In addition, the correlation between property and financial stocks has been increasing over time, while the correlation with the bond index has been decreasing. We expect the move towards a stronger correlation to financials from bonds, reflects the impact of the flight to quality seen in equity markets. Government bonds have been the main beneficiary of this flight to quality.

Table 10. Correlation equity sectors over the last 10 years

	Property	General Equity	Financials	Technology	Commodity	Utility	Bond index
Property	1						
General Equity	0.22	1					
Financials	0.47	0.78	1				
Technology	0.20	0.75	0.62	1			
Commodity	0.23	0.05	0.10	0.15	1		
Utility	0.11	0.03	0.12	0.06	0.06	1	
Bond index	0.38	-0.31	0.13	-0.03	0.15	0.08	1

Source: Datastream, Kempen & Co estimates



Figure 11. While the correlation with the bond index has decreased, the correlation with financials has increased ¹⁾

Source: Datastream, Kempen & Co estimates
 1) rolling 1 year average correlation on a weekly basis

What have investment flows done?

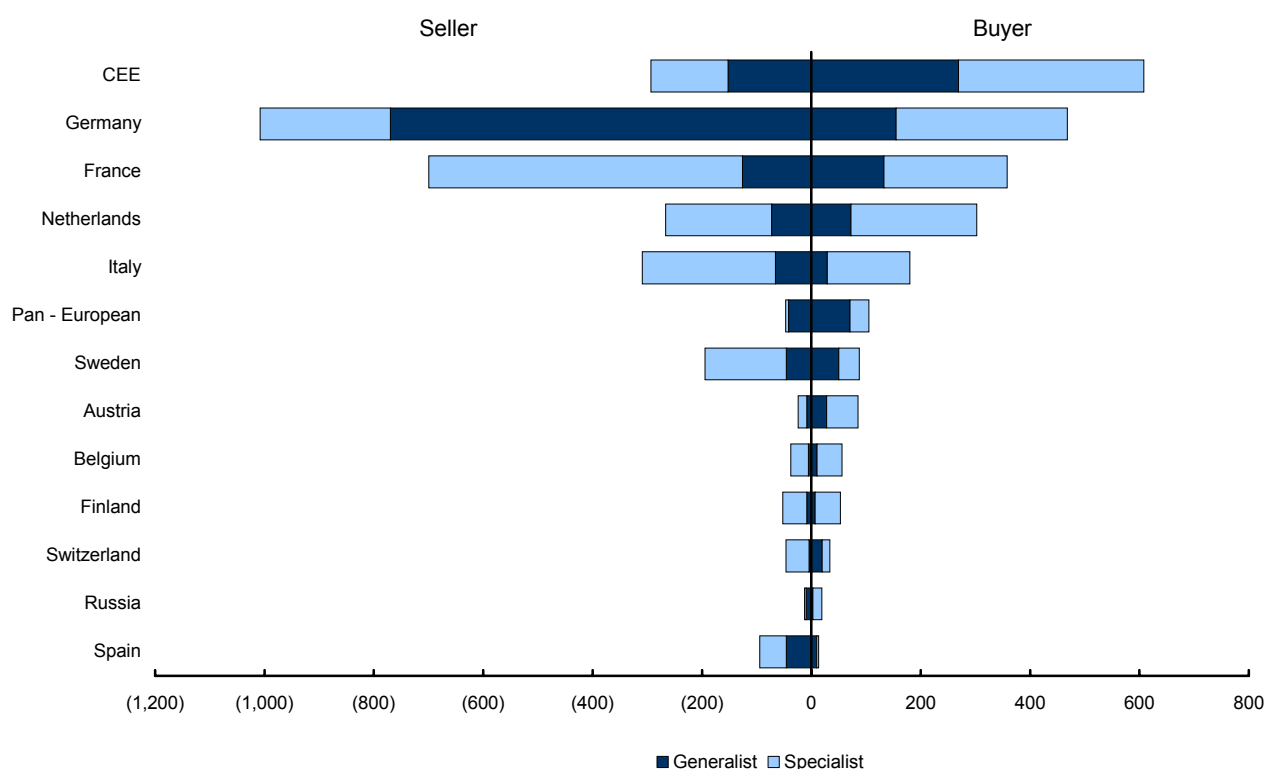
In order to assess the direction of flows in the market, we have used changes in monthly ownership filings in order to try to discern a trend in investment flow. We have used available information on filings provided by Bigdough, however these filings only include filings over the last month in which an investor has sold. The sales volume in preceding months can therefore not be assessed. The most recent filings however do indicate an outflow by the larger institutional investors in line with the fall in the markets.

General equity investors are considered to have been the last to have entered the listed property sector and were generally expected to have been the first to sell property shares. Based on the latest filings, it seems that general equity investors have started selling property shares earlier than specialist investors as the main sellers in recent months have been specialist investors (also the main shareholders). Given that the number of sellers should match that of buyers, we expect that groups of general equity investors have actually been acquiring property shares in recent months.

Taking into account the most recent filings of the property stocks under coverage, we found that specialist investors seem to have sold down positions in France, Germany and Sweden. Meanwhile specialist investors seem to have either maintained or slightly increased their positions in The Netherlands and CEE. Not all sellers and buyers in the market are required to file changes in share ownership. We assume however that the remaining buyers and sellers of shares have in the main been generalist investors.



Figure 12. Flow of funds per country since March



Source: Bigdough, Kempen & Co estimates

We have excluded Unibail-Rodamco as well as SFL as corporate activity would give a skewed picture for France, the Netherlands

Table 11. Changes in ownership by specialist property investors

Company	Changes in %	Company	Changes in %
Alstria	6.3%	Gecina	0.1%
IGD	4.9%	Swiss Prime Site	0.1%
Conwert	4.1%	Deutsche EuroShop	0.0%
Wereldhave	3.7%	Gagfah	0.0%
Immofinanz	3.4%	Vivacon	-0.3%
DIC Asset	3.4%	Befimmo	-0.3%
Eurocommercial Properties	2.9%	Sponda	-0.4%
Eastern Property Holdings	2.9%	Corio	-0.5%
Fonciere des Regions	2.8%	Affine	-0.5%
Deutsche Wohnen	2.7%	Metrovacesa	-0.5%
Meinl European Land	1.6%	Fonciere des Murs	-1.3%
Prologis European Properties	1.5%	VastNed O/I	-2.6%
PSP Swiss Property	1.4%	SILIC	-3.1%
Nieuwe Steen Investments	1.1%	Beni Stabili	-4.5%
GTC	1.0%	Pirelli Real Estate	-5.2%
Risanamento	0.9%	Klépierre	-5.5%
Cofinimmo	0.9%	Kaufman & Broad	-5.8%
WDP	0.9%	Castellum	-5.8%
ImmoEast	0.7%	Hufvudstaden	-8.2%
Citycon	0.6%	IVG Immobilien	-12.1%
CA Immo	0.3%	Société de la Tour Eiffel	-13.4%
Eurocastle Investment	0.1%	Fabege	-20.0%

Source: Bigdough, Kempen & Co estimates

We have excluded Unibail-Rodamco as well as SFL as corporate activity has impacted the numbers

Relative performance according to profile

High leverage and high liquidity underperformed

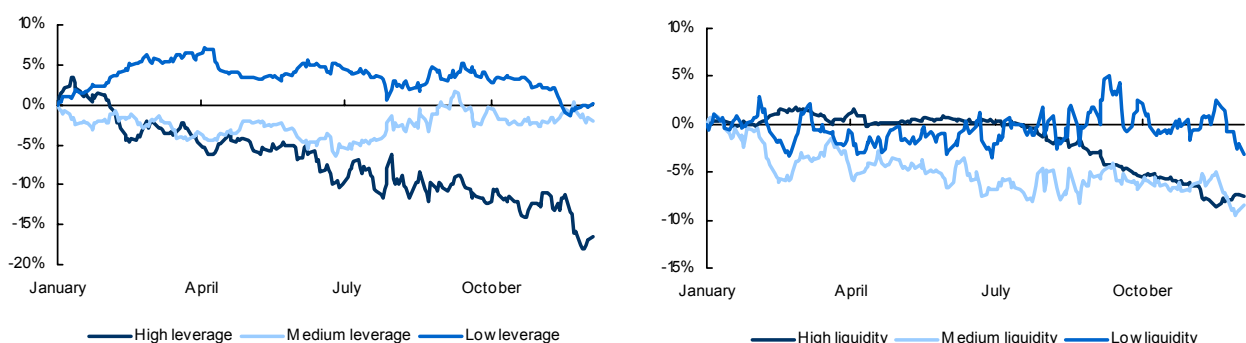
With the publication of our 'Repricing of Risk' report of 8 October 2007, we already concluded that the most significant determinant of performance to date had been the leverage of the company. From the start of the correction in February 2007, we have seen that above average debt leverage of a property company has resulted in a relative underperformance versus the GPR 250. In a downturn, leverage would



increase the potential negative impact of yield expansion. In addition, we expect investors have been weary of financing risks for property companies.

Surprisingly, low liquid stocks have also started to outperform, albeit modestly. We expected these would be the first to be sold as these incur a risk. We expect the continued selling pressure on liquid stocks resulting in a relative underperformance versus the GPR 250, also represents an opportunity. The situation thereby implies that these liquid stocks could now represent relatively more value than illiquid stocks.

Figure 13. Relative performance versus the GPR based on leverage and liquidity profile

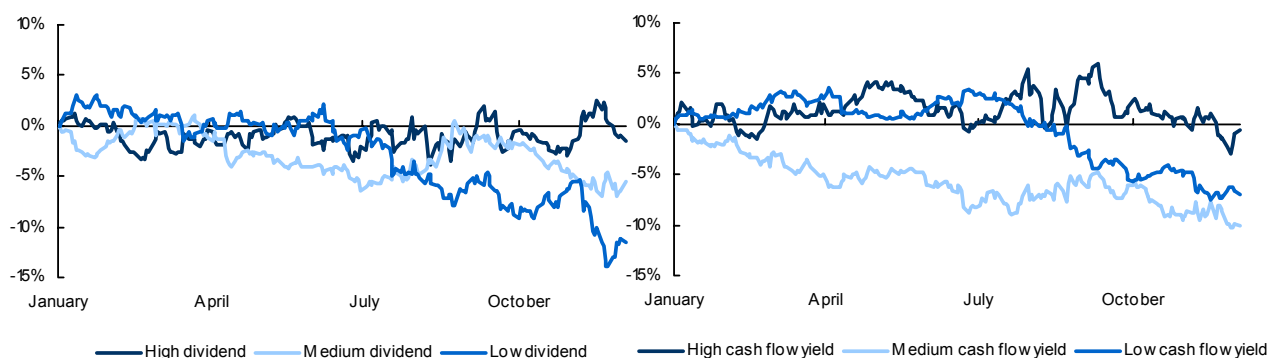


Source: GPR, Kempen & Co estimates

High dividend and cash flow have outperformed

Since October, the relative performance of high dividend and high cash flow yield stocks versus the GPR 250 however increased. In this respect, we believe investors are increasingly looking at current earnings, which reflect lower risk than potential future upside. In addition, dividend returns increase in attractiveness as they currently exceed financing costs and direct returns on alternative investments. We see that high cash flow yield companies also pay out high dividend yields.

Figure 14. Relative performance versus the GPR based on dividend return and growth profile



Source: GPR, Kempen & Co estimates

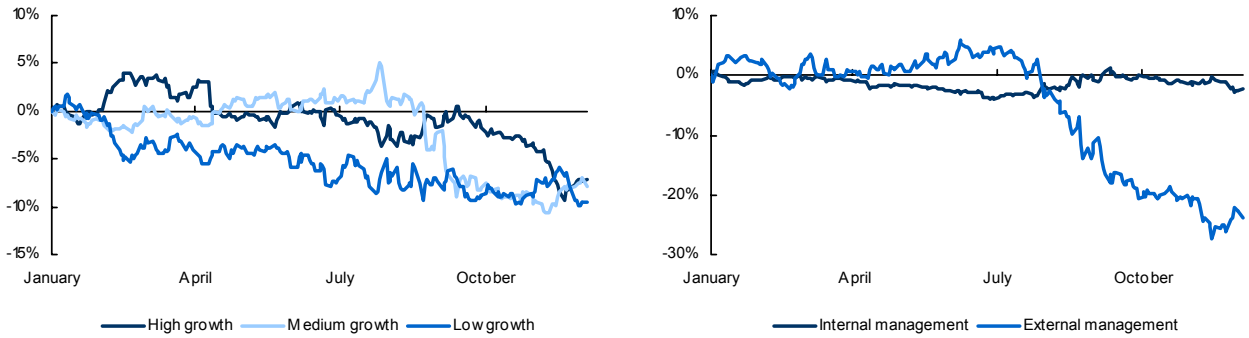
Corporate governance issues result in clear underperformance

We expect the increased aversion to risk on the part of investors has resulted in a lack of a premium for potential future growth. In addition, we believe growth had already been largely priced in before this year's correction began. Although we believe that investors should continue to focus on the ability of a company to realise growth, IRR expectations have not provided for evidence of relative outperformance to date.

A further interesting feature has been the importance of corporate governance. Companies with external management structures have significantly underperformed the sector since August 2007. Even excluding Meind European Land the underperformance of externally managed companies would still come out at 20%. As markets deteriorate, corporate governance structures gain in relevance.



Figure 15. Relative performance versus the GPR based on growth profile and management structure



Source: GPR, Kempen & Co estimates

We believe 2007 marks a significant increase in the importance of quality of the portfolio, management and corporate structures. Yield expansion plays a role but given the decrease in property share valuation we believe this is already largely priced in. Overall, we believe current earnings multiples are becoming attractive for those companies which are able to prove they benefit from dependable cash flows.



Per company institutional and retail shareholders

Table 12. Shareholder structure

Company	Retail (expected)	Institutional	Strategic shareholders	Free float	Remarks
Affine		11.7%	54.8%	33.5%	Management stake held through Holdaffine (54.8%)
Alstria	5-10%	36-41%	54.0%	46.0%	Captiva (Natixis) only strategic shareholder
Befimmo	55.0%	29.0%	16.0%	84.0%	Fortis Asset Management (also external manager)
Beni Stabili			68.1%	24.8%	Credit Agricole (5%), Cohen & Steers (2%)
CA Immo	50.0%	40.0%	10.0%	90.0%	10% owned by BA-CA
Castellum	24.8%	68.5%	6.7%	93.3%	Mr. Szombafalvy
Citycon	3.0%	58.0%	39.0%	61.0%	Gazit-Globe (39%) / (Fidelity (<15%))
Cofinimmo	57.0%	43.0%	9.5%	90.5%	Dexia
conwert	32.5%	60.0%	7.5%	92.5%	7.5% owned currently by the management
Corio	15.0%	48.0%	37%	63%	ABP 37%
Deutsche EuroShop	26.0%	55.0%	19.3%	80.7%	Otto family only strategic shareholder
Deutsche Wohnen	12.0%	64.0%	24.2%	75.8%	Oaktree only strategic shareholder
DIC Asset	<10%	40-50%	49.8%	50.2%	DIC Group (35%), MSREF (10%), Forum (5%)
Eurocastle		<87%	13.4%	86.6%	Fortress only strategic shareholder
Eurocommercial Properties	15.0%	57.0%	28%	57%	PGGM (15%) and GIC (12%)
Fabege	22.0%	51.0%	27.0%	73.0%	Mr. Paulsson (Brinova - 13.4%) and Mr. Sundqvist (12.2%)
Fonciere des Murs		42.8%	25.6%	17.4%	Fonciere des Regions controlling stake (25.6%)
Fonciere des regions		25.5%	32.2%	42.3%	Management stake through Batipart (14.1%), Delfin Sarl (17.97%)
FDL		76.2%	35.5%	7.8%	Fonciere des Regions owns (35.5%)
Fonciere Paris France		50.2%	10.4%	38.0%	Management represented through SAS Wilson Holding (10.4%)
GAGFAH		<20%	80.0%	20.0%	Fortress (71%), ZG Holdings (5%), Cypress Grove (4%)
Gecina		10%	62.6%	24%	AMF to rule on shareholder structure
GTC	20.7%	20.7%	58.6%	41.4%	46.1% owned by GTC RE, Commercial Union 6.3%, ING 5.3%
Hufvudstaden	6.3%	49.6%	44.2%	55.8%	Fam Lundbergs (44.2%)
IGD			55.1%	45.0%	Coop Adriatica (41.5%) / Unicoop Tirreno (13.6%)
ImmoEast	13.5%	31.5%	54.9%	45.0%	53.9% owned by parent company Immofinanz
Immofinanz	50.0%	50.0%	0.1%	100.0%	
IVG		<79%	21.0%	79.0%	Sal. Oppenheim (10%), Santo Holding (11%)
Kaufman & Broad			79.5%	20.5%	Management and PAI Partners own (79.5%)
Klepiere		7.1%	50.2%	42.7%	BNP Paribas strategic stake
Meinl	50.0%	50.0%	0.0%	100.0%	
NSI	50.0%	28.0%	22%	71%	Habas (22%)
Pirelli RE	6.0%	38.6%	55.4%	44.6%	Alony Hetz (3.7%), Deutsche Bank (2.4%)
Prologis European properties		25.6%	24.0%	50.4%	Prologis Trust holds a controlling stake (24%)
PSP Swiss property	16.6%	69.2%	14.2%	85.8%	Alony Hetz (14.2%)
Risanamento			73.0%	27.0%	Zunino (73%)
SFL		9.6%	79.4%	5.6%	Inmobiliaria Colonial expected to sell
Silic		20.7%	41.6%	37.7%	Groupama strategic stake (41.6%)
Societe de la Tour Eiffel			36.5%	63.5%	Management stake held through Osiris Patrimoine (10%)
Sponda	5.7%	60.0%	34.3%	65.7%	Finnish Ministry of Finance
Swiss Prime Site	7.7%	64.3%	c28%	72.0%	Credit Suisse
Unibail		30.0%		70.0%	Two Dutch pension funds own near 20%
VastNed O/I	20.0%			77%	
Vivacon		<84%	16.2%	83.8%	Leffin (8.2%), Herbrand (8.0%)
WDP	35.0%	35.0%	30.0%	70.0%	Family De Pauw (30.5%)
Wereldhave	20.0%	75%	5.50%	82%	Stichting Wereldhave (5.5%)

Source: Kempen & Co estimates

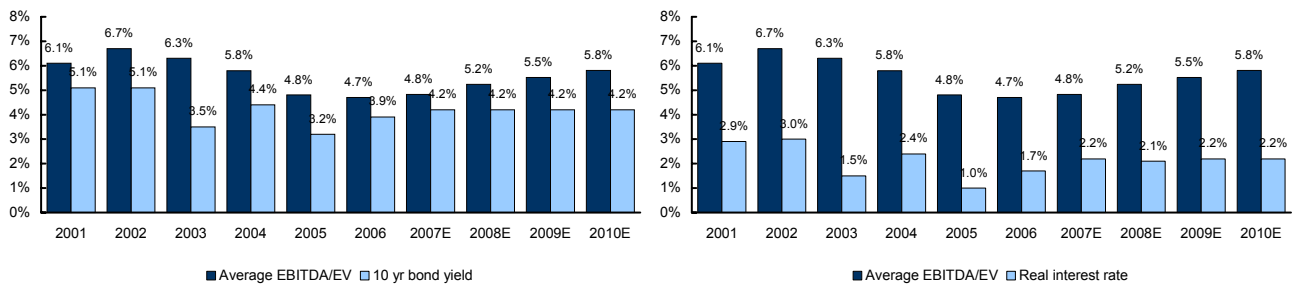

Bottoming out or undershooting?

As NAV growth decelerates we believe the importance of earnings multiples will increase. In this respect, important valuation multiples for the property sector, EBITDA/EV, dividend yield and P/CF ratios, have moved back to historic averages. Although the corrections seem to have resulted in more sustainable valuations in a historic comparison, other equity sectors have moved down as well. Based on a comparison with other equity classes, we find that certain property stocks will still be subject to further downside.

Spread over 10-year rates back to historic levels

Although company yields (EBITDA/EV) at an absolute level are still below the levels seen from 2002 to 2004, the spreads to both 10-year rates and 10-year real rates have moved back to 90bps and 300bps. These spreads compare well with historic averages of 100bps and 310bps respectively. In percentage terms current spreads imply a 21% and 137% difference between company yields versus 10-year and 10-year inflation corrected interest rates. These came out at 22% and 129% for the period 2001 through to 2006 respectively.

Figure 16. Spread between company yields and long term interest rates

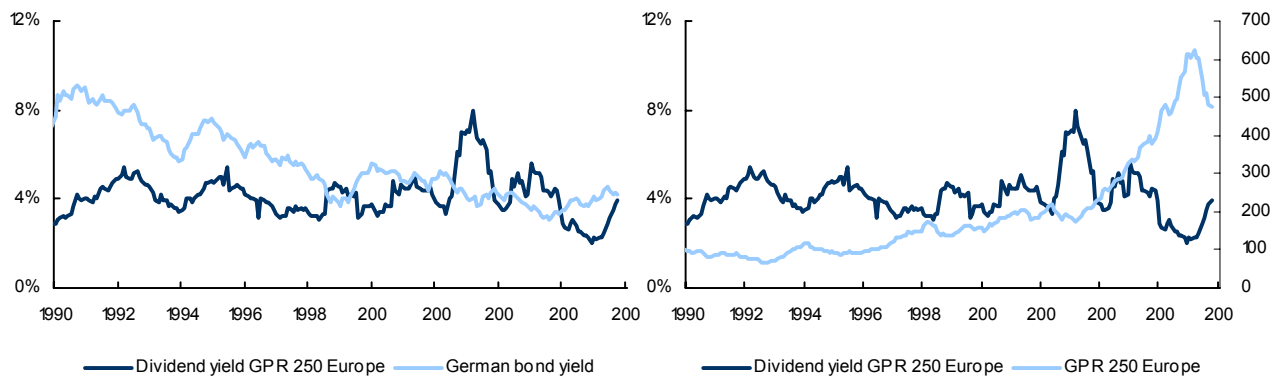


Source: Bloomberg, Kempen & Co estimates

Dividend yield again in line with 10-year bond rates

The average dividend yield for the GPR 250 Europe of 3.98% still comes out slightly below the longer term average of 4.14%. The dividend return however again comes out in line with 10-year interest rates. We only saw a marked positive spread between dividend returns and 10-year rates in 2003 and a limited spread in 2004. In 2003, this was mostly due to a significant increase in dividend payout policies in France as a result of SIIC implementation.

Figure 17. Dividend yield GPR 250, 10-year rates and GPR 250 performance to date



Source: GPR, Kempen & Co estimates

CF multiples at 2003 levels but above other sectors

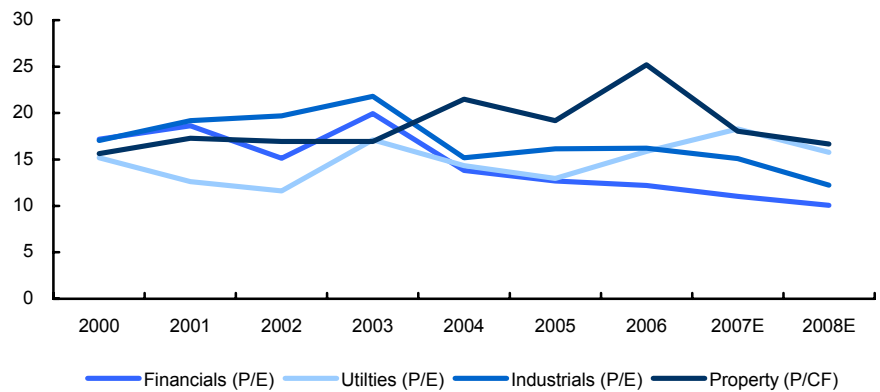
In the period 2000 to 2003, property stocks traded largely in line with earnings multiples for other equity sectors. During this period however the property sector was



trading at marked discounts to NAV. The discount was partly created during the TMT bubble when property stocks were seen as passive investment companies. In certain cases, the returns realised on TMT stocks in one week equalled the dividend yield for property companies for a full year.

Multiples for property shares expanded from 2003 to 2006, driven by strong share price returns and a return of the premium to NAV as investors were seeking secure income returns. We have included earnings multiples for 2007E and 2008E below, based on consensus estimates. As a result of the share price correction and including cash flow growth in 2008E, we are again trading at P/CF multiples of 17 to 18 as seen in the period 2000 to 2003.

Figure 18. P/CF –P/E multiples property stocks versus other equity sectors

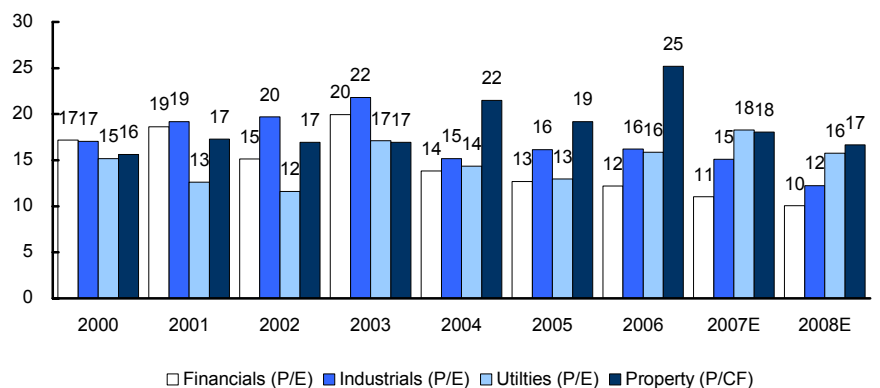


Source: Datastream, Kempen & Co estimates

Relative valuation still reflects a premium

Although cash flow multiples for property stocks have moved back to longer term averages, other equity sectors have seen P/CF multiples move down. The P/CF multiple for property stocks therefore still comes out at the high end of the range (2007E) or above multiples for other equity sectors (2008E) as seen below. Earnings growth for other asset classes is expected to come out markedly above expected cash flow growth for property resulting in divergence for 2008. The main benefit for property stocks is that earnings are more resilient.

Figure 19. P/CF multiples property stocks versus P/E other equity sectors



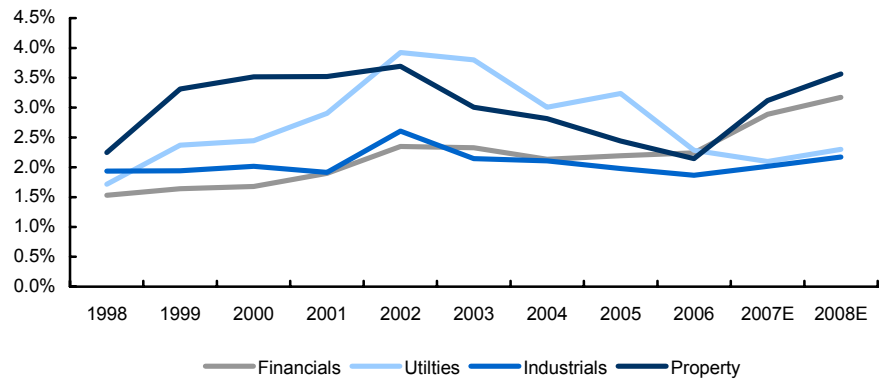
Source: Datastream, Kempen & Co estimates

In recent years the absolute dividend payout ratio (of cash flow) of the European property companies has increased as a result of REIT adoption or in an attempt to maintain dividend yields versus increased share prices. The decline in property share



prices has resulted in a further recovery in dividend yields. As such property shares again have an attractive dividend yield profile. Following the marked correction, we believe only financials offer an interesting alternative as can be seen below.

Figure 20. Dividend yield returns general equity property stocks



Source: Datastream, Kempen & Co estimates

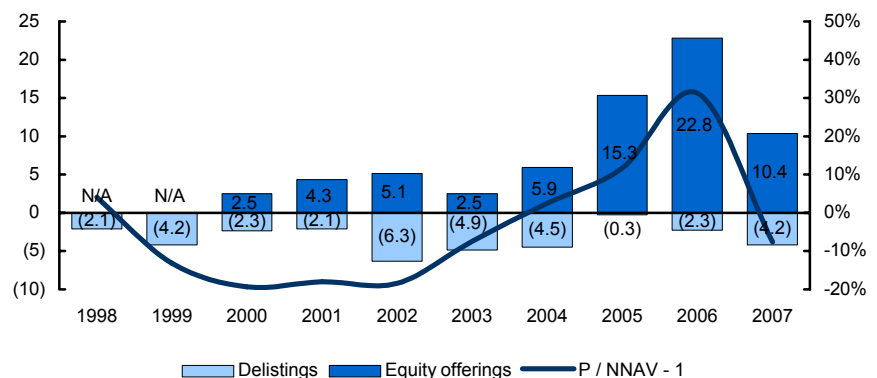
From the ECM to the M&A era

We believe the sector will move towards a level in which underlying values for property stocks exceed share prices. Historically this has provided for increased M&A activity. As noted in our 'Repricing of risk' report, M&A activity is expected during the initial period once property shares are again trading at a discount and from the moment that the direct property markets seem to point to a recovery. The current bidding process for VastNed Retail could herald the M&A era.

Most de-listings took place during valuation trough

Over the past ten years we have observed that capital market activity has closely followed the premium to NNAV cycle. During the previous trough a total of c€26bn delistings took place from 1998 to 2004. Delisting activity showed peaks at the beginning and end of the trough. Some examples of early movers at the beginning of the trough were the delisting of Unione Immobiliare by Pirelli & C and Batibail by Gecina. In the middle of the trough we only saw limited M&A activity which we believe was the result of the market not expecting a quick recovery in capital or rental values. As soon as the first signs of improvement in the direct market arose in 2002, listed real-estate companies became interesting takeover targets again, exemplified by the including Haslemere (NL), Rodamco North America (NL) and Simco (France). Delistings in the Netherlands totaled €5.9bn and France even €7.4bn.

Figure 21. Listings and delistings in continental Europe during the property cycle (€bn)



Source: Datastream, Kempen & Co estimates



More delistings expected in 2008

Earlier this year property stocks started to again trade at a discount to NNAV, resulting in an immediate pick-up of M&A activity. In 2007 Steen & Strom, Foncia Groupe, Norgani Hotels and Rodamco Europe (share deal) have already been de-listed or merged and VastNed Retail is in the midst of a bidding process.

We believe that current valuation levels potentially give rise to more delistings. The most likely delisting candidates are companies that are managed internally, have a unique portfolio and have major shareholders who can be persuaded to tender their shares.

Uniqueness of portfolio important

A buyer always has the option of acquiring assets directly in the market without going through the complicated judicial process of delisting a property company. We therefore believe that companies with a unique portfolio will become more likely takeover targets. We believe that these unique portfolios should be either composed of assets on prime locations or have advantages of scale. Prime assets are easy to manage while it is difficult to build up such a portfolio. Sufficiently large portfolios offer economies of scale when managed. We believe the portfolio of SFL and conwert makes them interesting delisting candidates.

Furthermore we do not expect that a buyer would be interested in buying portfolios which include various asset-classes. We therefore believe that sector-focused portfolios are interesting takeover candidates. Recently this was exemplified by Rodamco Europe selling off smaller non-core assets readying itself for the merger with Unibail. We believe the portfolios of VastNed O/I and Corio make these companies interesting delisting candidates from a sector focus comparison. We do not foresee delistings of German companies as German office or residential portfolios can easily be duplicated as there is sufficient supply in the direct market.

Shareholders expected to be catalysts

A large number of companies in our coverage universe have one or various controlling shareholders limiting the chances of a takeover. Recently however, we have seen strategic shareholders changing sector allocation (pension funds), or diversifying their holdings (Del Vecchio changing stake in Beni Stabili to a stake in Fonciere des Regions). A change in investment strategy such a happened with PGGM could fuel M&A as PGGM has been one of the driving forces in the sale of Rodamco Europe to Unibail and the potential sale of VastNed Retail. These shareholders can thereby change from being a blocking power to becoming a catalyst for M&A activity. By way of example, the main shareholder in SFL, Colonial (84%), indicated it would sell part of its stake in 2008 to pay of debt at holding level.

Taking all the above into account, we believe that the focused, unique portfolios with internal management and major shareholders willing to sell are the most likely delisting candidates. We have analysed the companies in our coverage universe and arrive at the following six potential M&A candidates:



Table 13. Overview of reasons for a potential takeover

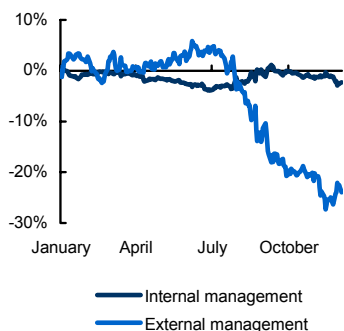
Company	Explanation
Corio	The company is selling its office and industrial portfolio which leaves a €4.9bn European portfolio and a €2bn retail development pipeline. Corio is expected to repay part of its debt resulting in a LTV of 20%. The fact that the new CEO Gerard Groener comes from Corio does not hamper a takeover. The sale of the office portfolio reminds us to the sale of non-core assets by Rodamco-Europe prior to the sale to Unibail. The management of Corio confirmed that they see the resemblance. In case Corio's largest shareholder ABP (37%) is willing to sell its stake a delisting can almost not be overcome.
SFL	The portfolio is considered to be high quality focused on the established business districts of Paris. Main shareholder Colonial indicated it plans to sell part (or whole) of its 84.6% during 2008 to pay down debt. We expect the quality portfolio and the intention to sell might trigger a takeover of the company. At current the stock is trading at a 14% discount to FY07 NAV.
conwert	conwert's management sees clear value in the company as it uses a NAV of €19.89 in stead of the reported €15.52 at 3Q07. The management of conwert made a partial offer of €15.00 for 10% of the outstanding shares. At current levels the share is trading at a 26% discount to the reported NAV and 42% to management's NAV. We see the acquisition of the management company as a potential first step in the acquisition of the company by management and a possible third party where management will hold 18.5% after a successful partial offer.
VastNed O/I	VastNed O/I will become a highly likely takeover target in case of a successful delisting of the bigger VastNed Retail. As management is currently managing both portfolios we see an overhang of employees in case of delisting of VastNed Retail. Furthermore management has incentives to sell VastNed O/I as it receives a termination fee for every company that will be sold. In recent years several parties had a look at VastNed Retail and VastNed O/I. We expect potential buyers to show up again after the potential sale of VastNed Retail.
Wereldhave	Wereldhave is currently trading at a 18% discount to YE07 NNAV which is the lowest discount since years. With a LTV of only 25% and a portfolio at a 6.0% net theoretical yield make this company as an interesting target. The CEO's (Gijs Verweij) terms ends in 2009. Although Mr Verweij joined Wereldhave in 1997 he still seems more than willing to finish his job at Wereldhave. The sum of the parts at Wereldhave always seemed to be more than the share price reflects and although Mr Verweij doesn't seem to favor a takeover we do not expect him to call in the preferred and priority shares in case of a public offer at a reasonable price (should be at a premium to NNAV).
Societe de la Tour Eiffel	Management owns a 10% stake in the company through the vehicle Osiris Patrimoine. In addition, management have been awarded free shares and share options. We therefore see significant benefits for management if it is able to find an interested party to bid at a premium in the current market.

Source: Kempen & Co estimates



Corporate governance increasing in importance

Figure 22. Performance* intern/extern mgt



Source: Kempen & Co estimates

* Performance vs GPR250 ex-UK

We believe corporate governance issues are always relevant and should be taken into account at all stages of the cycle. As markets deteriorate we see that the relevance of certain corporate governance issues increases. As we are again in a period where property shares are trading at discounts to NAV, we see potential for M&A activity. This could thereby represent a bottom for the share price for companies that can be taken over. For these companies a certain discount to NAV would therefore indeed represent a potential bottom in the share price. We note however that externally managed companies are increasingly underperforming the index.

A takeover at a certain discount would be more likely if the benefit is shared between the minority shareholder and a controlling shareholder. In certain cases being: i) companies which are externally managed and controlled by a shareholder that also owns the management company or ii) that have an external management contract that cannot easily be breached. In these respective cases, we believe a certain discount to NAV does not guarantee a bottom or resistance for the share price. The main issue would be the takeover barrier due to the corporate structure. Our valuation method, which is based on the NAV (liquidation value), would therefore not always provide a 'fair liquidation value' for an externally managed company.

In order to discount for the takeover restrictions of certain companies we have made a calculation of the potential costs of internalising the management company. Taking a historic comparison we found that the average price to internalise a management company comes out at c2.4% of AuM. In the case of a recent transaction (conwert), this percentage has however come out at a more marked 4.4%. The profitability of the management contract played a role in this respect.

Table 14. Historical purchase prices of management companies

Buyer	Seller	Purchase price, as a % of AuM
Aberdeen AM	RREEF UK	0.5%
British Land	Aberdeen AM	1.0%
Deutsche Bank	RREEF US	2.7%
Deutsche Euroshop	Deutsche Bank	0.1%
Eurocommercial Properties	Sepal	2.9%
Nieuwe Steen Investments	Zeeman Vastgoed Beheer	0.3%
Rodamco NV	RREEF	2.0%
Uni-Invest	Homburg	3.0%
VastNed Retail	Management team Foram	3.4%
Dryden Wealth Management	Fortis	21.3%
Macquarie Goodman	-	2.4%
IVG	Sal Oppenheim	1.5%
Rabobank	ABN Amro Bank	2.4%
Schroders	Aareal Bank	1.5%
conwert	conwert Management GmbH	4.4%
Median		2.4%

Source: Kempen & Co estimates

We have listed the costs on the P&L's for the management and operating costs for the externally managed companies in our universe below.



Table 15. Fee structures external managed companies

Company	Manager	Property mgt	Asset mgt	Acquisitions	Performance	Market making	Disposals	Equity issue
Befimmo	Fortis AM	-	-	-	2% on operating profit	-	-	-
Eurocastle	Fortress	-	1.5% on gross equity	-	25% of FFO above hurdle of 8% of av. equity issue price	-	disposal gains added to FFO	Free share options of 10% of issue
Fonciere des Murs	FDR	1.75% on gross rents	2.5% on gross rents	0.4-1.0%	-	-	-	-
FDL	FDR	4% on rents (French assets only)	3% on rents in France, 0.5% on rents in Germany	0.5-1.0%	-	-	1% in France only	-
ImmoEast	Constantia Privatbank	9.1% on gross rents	0.6% on AuM	-	20% of the annual NAV growth above 8% hurdle	-	-	-
Immofinanz	Constantia Privatbank	0.2% on gross rents	0.6% on AuM	-	20% of the annual NAV growth above 8% hurdle	-	-	-
Meinl EL	Meinl RE (Meinlbank)	2.2% on gross rents	0.5% on AuM	-	-	0.7%	-	6.75%
Prologis European Properties	Prologis Management	6.5% on gross rents	0.6% on AuM, 0.1% on cash	-	20% of IRR over a hurdle of 9%	-	-	-
Swiss Prime Site	Credit Suisse	-	25-35bps (25 bps above €3m)	1.5% (>€3m)	-	-	1.5% (>€3m)	-

Source: Kempen & Co estimates

External management discount to our valuation

Based on the median purchase price paid for management companies in the past of 2.4% over AuM, we have calculated a discount to the valuation of externally managed companies. We apply this discount for FDM, FDL, Befimmo, Prologis European Properties and Swiss Prime Site, given the limited costs involved. For Eurocastle, the costs for terminating the external management are contractually agreed at the amount of fees earned by the manager in the twelve months preceding the termination. We see that management costs represent an above average cost for the Austrian companies and therefore apply an above average discount. As of now, we deduct the termination fee for the external management in our valuation to arrive at a 'clean' fair value, comparable to that of internally managed companies.

Table 16. Discount to valuation for external management

Company	Portfolio	Purchase price ext.	Purchase price	Purchase price	Discount to +12M EFV
	FY08E (€m)	mgt. (% on AuM)	ext. mgt. (€m)	ext. mgt. (€/share)	
Befimmo	1,940	2.4%	46	3.55	-5.0%
Eurocastle	5,686	n/a	47*	0.74	-3.7%
FDL	3,385	2.4%	81	1.31	-6.8%
Fonciere des Murs	3,681	2.4%	88	1.50	-5.6%
ImmoEast	11,037**	3.4%	374	0.45	-5.0%
Immofinanz	12,600**	3.4%	427	0.93	-10.6%
Meinl EL	4,870	3.4%	165	0.78	-7.2%
Prologis Eur. Prop.	4,725	2.4%	113	0.59	-4.9%
Swiss Prime Site	2,368	2.4%	57	2.45	-6.6%

*Termination fee contractually agreed

**Based on portfolio as of 2010

Source: Kempen & Co estimates



Will direct property still perform?

At the moment yield expansion is regarded as the main risk for the property sector. However, as economic growth decelerates we believe investors are also increasingly looking at the security of income. We believe yields will expand modestly across Europe and we have taken a slightly more aggressive stance than derivatives would indicate. We have however adjusted our rental value assumptions based on changes in both occupancy and lower rental growth expectations.

Will values stand their ground?

We expect portfolio valuations on the continent will remain stronger than UK portfolio valuations. While continental European appraisers look at current valuations based on recent transactions, UK appraisers take a more proactive role and make an estimate to where values should have moved. We expect however that values will come under pressure on the continent albeit at a slower pace. We expect construction prices per sqm and thereby replacement values can form a resistance for certain portfolio valuations.

Derivatives reflect modest value declines on the continent

Derivatives based on the UK and European property markets reflect a further divergence between UK and continental valuation expectations. Based on the spread over Euribor and Libor, the derivatives are pricing in further marked valuation declines in the UK, while reflecting flat values for the continental markets.

The marginal capital appreciation reflected in derivative pricing for the continent reflects some yield expansion which offsets the positive impact of cash flow growth. The cash flow growth would be driven by indexation (e.g. ICC index in France) or rental reversions, which should have a more marked upward impact on values. Our estimates however reflect a more cautious approach and include additional yield expansion.

The outlook for capital growth on the continent reflected in derivate pricing has deteriorated marginally over the last two months. Capital growth expectations on derivate pricing (ask prices) for German all property and French offices now reflect a further -0.2% and -0.5% additional value depreciation for these markets since the end of September. The capital return expectations for UK all property however have worsened more significantly i.e. by an additional -5.7% capital depreciation (reflected in asking prices) as compared to pricing two months previously.

We expect the difference partially reflects UK professionals being more pre-emptive on value movements. These UK valuations included in institutional portfolios would in turn be included in the IPD index returns, which therefore move more markedly. This therefore does not mean we should exercise less caution in analysing potential value declines on European portfolios. We believe that share prices are reflecting the more conservative view of the market. This would mainly be investment flow driven and could exaggerate real value erosion.



Table 17. IPD derivatives pricing and implied capital returns (based on ask pricing as at 30 November 2007)

Country derivatives			Spread			Implied	Income	Implied				
						total	return	capital				
						return	2006	growth				
Country	Maturity		bid	ask				2007	2008	2009	2010	2011
German all property												
Dec-06	Dec-09	3M Euribor	4.81%	0.75%	1.75%	6.56%	4.60%	1.96%	1.96%	1.96%		
Dec-06	Dec-11	3M Euribor	4.81%	0.75%	2.00%	6.81%	4.60%				3.0%	3.0%
French offices												
Dec-06	Dec-09	3M Euribor	4.81%	0.75%	1.75%	6.56%	5.90%	0.7%	0.7%	0.7%		
Swiss all Property												
Dec-06	Dec-11	3M Euribor	4.81%	1.80%	2.80%	7.61%	4.80%	2.8%	2.8%	2.8%		
UK all Property												
Oct-07	Dec-08	3M Libor	6.25%	-17.00%	-14.00%	-7.75%	4.90%		-11.7%			
Oct-07	Dec-09	3M Libor	6.25%	-11.00%	-9.75%	-3.50%	4.90%			-3.09%		
Oct-07	Dec-10	3M Libor	6.25%	-7.70%	-6.50%	-0.25%	4.90%				2.16%	
Oct-07	Dec-11	3M Libor	6.25%	-5.75%	-4.75%	1.50%	4.90%					2.29%

Source: ABN Amro, Kempen & Co estimates

Table 18. IPD derivative pricing and implied capital returns (based on bid pricing as at 30 November 2007)

Country derivatives			Spread			Implied	Income	Implied				
						total	return	capital				
						return	2006	growth				
Country	Maturity		bid	ask				2007	2008	2009	2010	2011
German all property												
Dec-06	Dec-09	3M Euribor	4.81%	0.75%	1.75%	5.56%	4.60%	0.96%	0.96%	0.96%		
Dec-06	Dec-11	3M Euribor	4.81%	0.75%	2.00%	5.56%	4.60%				1.0%	1.0%
French offices												
Dec-06	Dec-09	3M Euribor	4.81%	0.75%	1.75%	5.56%	5.90%	-0.3%	-0.3%	-0.3%		
Swiss all property												
Dec-06	Dec-11	3M Euribor	4.81%	1.80%	2.80%	6.61%	4.80%	1.8%	1.8%	1.8%		
UK all property												
Oct-07	Dec-08	3M Libor	6.25%	-17.00%	-14.00%	-10.75%	4.90%		-14.7%			
Oct-07	Dec-09	3M Libor	6.25%	-11.00%	-9.75%	-4.75%	4.90%			-2.15%		
Oct-07	Dec-10	3M Libor	6.25%	-7.70%	-6.50%	-1.45%	4.90%				1.08%	
Oct-07	Dec-11	3M Libor	6.25%	-5.75%	-4.75%	0.50%	4.90%					1.94%

Source: ABN Amro, Kempen & Co estimates

The stability of capital values reflected in IPD pricing and the current weakness in share prices underlines our assumption of a mismatch between property shares and portfolio appraisals. In this respect we believe shares will continue trading at discounts to NAV for a certain period of time.

Reversion of yields to normalised levels

We have already made yield expansion assumptions in our 'Repricing of Risk' report. These assumptions are based on the historic spread between prime yields and 10-year interest rates. In the current Compass we have made further corrections to reflect changes in rental growth expectations and have thereby fine-tuned yield expansion potential. The yields we have used for our analyses are 3Q07 prime 'rack rented' property yields, hence yields for prime properties rented at market level. These prime yields have been compiled by JLL and reflect the latest transactions in the markets. After applying what we believe is still residual rental growth in the markets we arrive at reversionary yields.

Despite the expansion of prime acquisition yields as a result of the application of income growth, as seen in the table above, we still see some room for yield expansion. As such, we expect that the prime acquisition yields in Western European property markets will increase by between 33 and 69 bps for offices, 63 to 95 bps for retail and potentially 145 to 170 bps for industrial property. This expansion of acquisition yields



could depress acquisition values by 7.5% for offices, 12.8% for retail and a significant 20% for industrial assets.

Table 19. Reversionary yield on portfolios according to first scenario

	Current prime acquisition yield	Total rental growth 06-10E	Reversionary yield	Average yield levels 1996-2006
Offices	4.56%	19.0%	5.40%	5.75%
Retail (high street)	4.44%	14.8%	5.09%	5.71%
Industrial	6.29%	8.2%	6.81%	8.33%

Source: Kempen & Co estimates

Table 20. Expected increase acquisition yields

	Assuming full rental uplift	Assuming limited rental uplift
Offices	35	69
Retail (high street)	62	95
Industrial	152	170

Source: Kempen & Co estimates

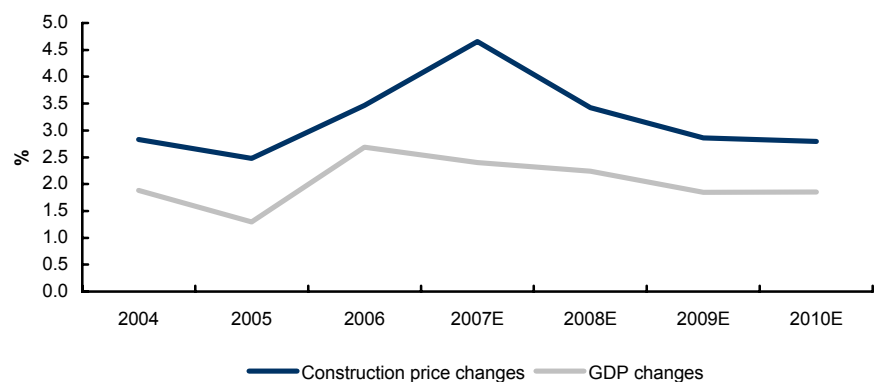
The expansion of acquisition yields and subsequent value declines comes out much greater than the capital value developments based on derivative pricing. We expect that some of the differential might be due to a more conservative valuation of institutional portfolios, underlined by profits on sales. In our estimates on yield expansion however, we have adopted a conservative approach. Despite there being no move in capital values based on derivative pricing, we have included value declines on more secondary portfolios.

Are property valuations near replacement values?

Recent increases in building costs have reduced the gap between portfolio valuations and replacement costs, which would limit the downside for property valuations. New construction would however become more limited due to the costs involved in comparison to the valuations of existing stock. Although no guarantee of value security, a decline in the production of new sqm would result in values remaining stable due to differences in supply and demand. Being less cost intensive, refurbishments would increase in volume. Refurbishment could thereby result in an equal quality level as that of newly built property at a lower cost.

Inflation of building costs is expected to peak in 2007 and according to 'Euroconstruct' slow down in the years thereafter. We expect the deceleration in building costs can be attributed to lower building volumes expected for the coming years. A lower building volume would result in an increase in price competition between construction companies. The main components of construction costs have traditionally been employment, energy and material costs.

Figure 23. Average European construction price changes versus GDP growth

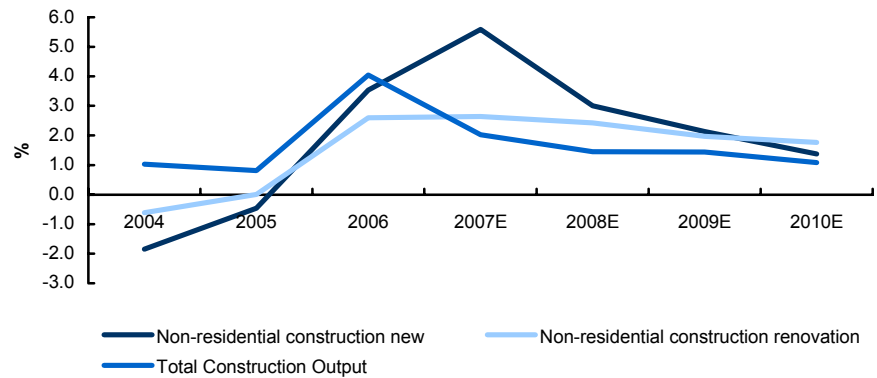


Source: Euroconstruct



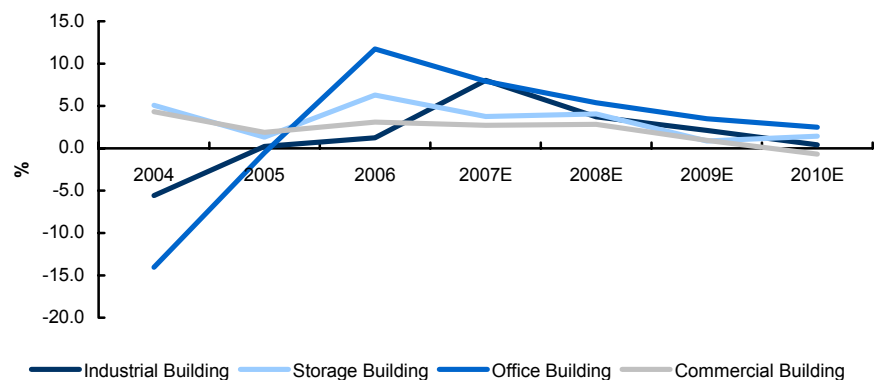
According to Euroconstruct the decrease in construction prices is expected to be matched by a European deceleration in the volume in building production. The deceleration would be most marked for new commercial construction, while refurbishment spends would remain largely unchanged. The deceleration would be seen across the various sectors in Europe and take place over a period of three years. The amount of space coming to the market would therefore still provide for an increase in total stock year-on-year.

Figure 24. Average European expected new construction and refurbishment growth



Source: Euroconstruct

Figure 25. Average European expected construction volume per segment growth



Source: Euroconstruct

The difference between building costs and valuations still provides limited support for portfolios of listed companies. Only in Germany do we see a small margin between replacement costs and portfolio valuations.



Table 21. Portfolio value and estimated construction costs

Companies	Value per SQM	Construction costs	Value/Construction
Affine (Office)	2,222	2,358	94%
Alstria (office)	2,125	1,630	130%
Befimmo (office)	2,061	1,435	144%
Beni Stabili (office)	1,832	1,538	119%
CA IMMO (industrial)	244	1,024	24%
CA Immo (office)	1,935	1,670	116%
CA IMMO (retail)	737	1,410	52%
Castellum (Industrial)	635	1,022	62%
Castellum (Office/Retail)	1,244	1,703	73%
Citycon (Retail)	2,417	1,216	199%
Cofinimmo (office)	2,206	1,435	154%
Conwert (Residential Austria)	1,655	1,816	91%
Conwert (Residential Germany)	1,261	1,150	110%
Corio (Logistic - Europe)	661	924	72%
Corio (Office - Europe)	2,126	1,712	124%
Corio (Retail - Europe)	4,003	1,689	237%
Deutsche EuroShop (retail)	4,043	1,374	294%
Deutsche Wohnen	954	1,150	83%
DIC Asset (office/retail)	1,770	1,630	109%
Eurocastle (office/retail)	2,400	1,630	147%
Fabege (Office/Retail)	1,532	1,703	90%
FDL (Residential France)	827	1,110	75%
FDL (Residential Germany)	1,262	2,100	60%
FdM Hotels	2,560	3,500	73%
Fonciere des Regions (Office)	1,500	2,358	64%
Foncière Paris France (Office)	2,647	2,358	112%
GAGFAH (residential)	923	1,150	80%
Gecina (office)	6,252	2,358	265%
Gecina (Residential)	4,292	2,163	198%
GTC Hungary	2,825	964	293%
GTC Poland	3,814	1,442	265%
GTC Romania	1,513	875	173%
Hufvudstaden (Office/ Retail)	5,808	1,703	341%
IGD (Retail)	4,321	3,229	134%
ImmoEast (CEE)	1,854	984	188%
ImmoFinanz (BUWOG/ESG)	771	1,816	42%
ImmoFinanz (ImmoAustria)	1,001	1,601	62%
ImmoFinanz (ImmoWest)	1,426	999	143%
IVG (office)	1,630	1,630	100%
Klépierre (Office)	7,705	2,358	327%
Klépierre (retail)	3,885	1,497	260%
Meinl (CZ)	910	1,104	82%
Meinl (Hungary)	940	845	111%
Meinl (Poland)	1,210	1,242	97%
Meinl (Slovakia)	2,065	753	274%
Nieuwe Steen Investments (Logistics)	836	918	91%
Nieuwe Steen Investments (office)	1,681	1,448	116%
Nieuwe Steen Investments (Retail)	2,481	1,387	179%
PEPR (logistics)	814	927	88%
Pirelli RE (Office)	1,225	1,538	80%
Risanamento (New York)	11,600	5,407	215%
Risanamento (Office Fr)	14,535	2,358	617%
SFL (office)	8,931	2,358	379%
SFL (retail)	9,484	1,497	634%
SILIC (office)	3,161	2,358	134%
Sponda (Logistics)	745	1,000	74%
Sponda (Office/ Retail)	2,156	1,765	122%
STE (Logistic)	716	871	82%
STE (Office)	2,369	2,358	100%
Unibail (office)	8,065	2,358	342%
Unibail (Retail)	12,412	1,497	829%
VastNed O/I (Logistics - Netherlands)	584	918	64%
VastNed O/I (Office - Netherlands)	1,466	1,448	101%
WDP (Industrial)	531	500	106%
Wereldhave (Retail Finland)	5,307	1,216	437%
Wereldhave (Logistics Netherlands)	658	918	72%
Wereldhave (Office Belgium)	5,345	2,358	227%
Wereldhave (Office France)	1,658	1,435	116%
Wereldhave (Retail Belgium)	2,965	1,538	193%

Source: Kempen & Co estimates



Table 22. Security of income on the portfolio (Lease expiration at first break)

Company	2007	2008	2009	2010
Affine	11.0%	11.0%	11.0%	11.0%
Alstria	4.0%	5.0%	5.0%	3.0%
Befimmo	0.6%	5.0%	6.0%	11.0%
CA Immo	1.9%	2.9%	9.6%	2.9%
Castellum	1.5%	19.0%	20.0%	16.0%
Citycon	2.8%	33.0%	33.0%	33.0%
Cofinimmo	0.9%	15.0%	10.0%	6.0%
conwert	5.0%	5.0%	5.0%	5.0%
Corio	1.6%	9.5%	13.1%	10.4%
Deutsche EuroShop	2.0%	1.0%	1.0%	3.0%
DIC Asset	8.0%	10.0%	12.0%	10.0%
Eurocastle	6.9%	11.3%	11.3%	8.9%
Eurocommercial Properties	17.0%	15.0%	15.0%	9.0%
Fabege	1.6%	20.0%	22.0%	15.0%
FdL (France)	3.2%	5.9%	4.7%	2.1%
FdL (Germany)	2.5%	2.5%	2.5%	2.5%
FdM	6.8%	22.3%	15.5%	0.0%
FdR	17.0%	17.0%	17.0%	17.0%
GTC	n/a	n/a	n/a	n/a
Hufvudstaden	1.9%	25.0%	30.0%	15.0%
ImmoEast	n/a	n/a	n/a	n/a
Immofinanz	n/a	n/a	n/a	n/a
IVG	6.0%	16.0%	n/a	n/a
Klépierre	8.0%	8.0%	8.0%	8.0%
Meinl	n/a	n/a	n/a	n/a
Nieuwe Steen Investments	7.7%	10.1%	7.3%	7.9%
Prologis European properties	12.2%	13.8%	12.3%	12.4%
PSP Swiss property	1.1%	11.0%	18.0%	10.0%
SFL	3.2%	4.2%	7.1%	7.1%
SILIC	8.0%	8.0%	8.0%	8.0%
Sponda	1.0%	11.0%	13.5%	12.0%
STE	10.0%	10.0%	10.0%	10.0%
Swiss Prime Site	1.0%	11.6%	11.8%	14.2%
VastNed O/I	3.8%	18.7%	19.8%	16.4%
VastNed Retail	7.0%	17.3%	21.6%	18.3%
WDP	0.7%	6.0%	14.0%	5.0%
Wereldhave	1.0%	10.0%	12.0%	10.0%

Source: Company information, Kempen & Co estimates



Table 23. Yield assumptions property companies

Company	Investment pf	Th net yield	Expected		Sensitivity due to yield expansion (bps)		
			expansion (bps) 08-09	Negative I-f-I NNAV revaluation on	10	25	50
Affine	937	7.8%	70	-16.6%	-2.5%	-6.2%	-12.1%
Alstria	1639	5.1%	60	-19.5%	-3.6%	-8.6%	-16.5%
Befimmo	1813	6.0%	15	-4.7%	-3.2%	-7.8%	-15.0%
Beni Stabili	4350	5.0%	50	-11.9%	-2.6%	-6.2%	-11.9%
CA Immo	2118	6.0%	50	-5.5%	-1.2%	-2.8%	-5.5%
Castellum	26671	6.4%	40	-10.4%	-2.7%	-6.6%	-12.8%
Citycon	2191	5.8%	20	-5.7%	-2.9%	-7.0%	-13.5%
Cofinimmo	2265	5.9%	10	-2.7%	-2.7%	-6.7%	-12.9%
conwert	2147	3.9%	0	0.0%	-3.0%	-7.3%	-13.8%
Corio	6079	6.2%	5	-1.3%	-2.5%	-6.1%	-11.8%
Deutsche EuroShop	1452	5.4%	25	-6.7%	-2.7%	-6.7%	-12.8%
Deutsche Wohnen	3235	4.7%	40	-21.5%	-5.7%	-13.8%	-26.3%
DIC Asset	1757	6.8%	10	-6.8%	-3.4%	-8.4%	-16.2%
ECP	2179	4.9%	0	0.0%	-2.8%	-6.7%	-12.9%
Eurocastle	5380	6.0%	50	-20.4%	-4.4%	-10.6%	-20.4%
Fabege	20399	6.0%	20	-4.2%	-2.1%	-5.2%	-10.0%
Fonciere des Murs	2391	5.8%	25	-8.9%	-3.6%	-8.9%	-17.1%
Fonciere des Regions	13559	6.9%	40	-20.6%	-5.4%	-13.2%	-25.5%
Fonciere developpement Logement	3145	4.5%	40	-22.1%	-5.9%	-14.3%	-27.1%
Fonciere Paris France	371	6.8%	70	-13.3%	-2.1%	-5.1%	-9.8%
GAGFAH	9372	5.1%	40	-19.0%	-5.0%	-12.2%	-23.3%
Gecina	13267	4.6%	51	-17.5%	-3.7%	-9.0%	-17.2%
GTC	721	6.1%	34	-3.6%	-1.1%	-2.7%	-5.1%
Hufvudstaden	19048	4.5%	20	-5.3%	-2.7%	-6.6%	-12.5%
IGD	875	5.5%	50	-6.3%	-1.4%	-3.3%	-6.3%
ImmoEast	3953	6.4%	36	-2.0%	-0.6%	-1.4%	-2.8%
Immofinanz	8753	6.2%	-47	6.8%	-1.3%	-3.2%	-6.1%
IVG	4555	5.4%	50	-11.4%	-3.0%	-7.3%	-14.0%
Klepiere	6165	5.5%	30	-13.4%	-4.6%	-11.3%	-21.6%
Meinl EL	1818	6.6%	0	0.0%	-0.6%	-1.6%	-3.0%
NSI	1225	6.9%	0	0.0%	-2.7%	-6.6%	-12.7%
Pirelli RE	2729	6.1%	60	-19.1%	-3.4%	-8.4%	-16.2%
Prologis European properties	4780	6.4%	90	-23.2%	-2.9%	-7.1%	-13.6%
PSP Swiss Property	4683	5.4%	0	0.0%	-2.6%	-6.3%	-12.1%
SFL	3898	5.1%	70	-29.3%	-4.7%	-11.3%	-21.7%
Silic	3090	6.0%	70	-14.8%	-2.3%	-5.7%	-10.9%
Societe de la Tour Eiffel	826	7.0%	43	-11.5%	-2.8%	-6.9%	-13.4%
Sponda	2386	7.0%	20	-5.2%	-2.6%	-6.5%	-12.5%
Swiss Prime Site	3623	5.3%	0	0.0%	-4.0%	-9.6%	-18.4%
Unibail	20876	5.2%	28	-6.5%	-2.4%	-5.9%	-11.2%
VastNed O/I	1134	7.7%	0	0.0%	-2.9%	-7.1%	-13.7%
WDP	591	7.1%	30	-8.0%	-2.7%	-6.7%	-12.9%
Wereldhave	2691	6.0%	0	0.0%	-2.0%	-4.9%	-9.4%

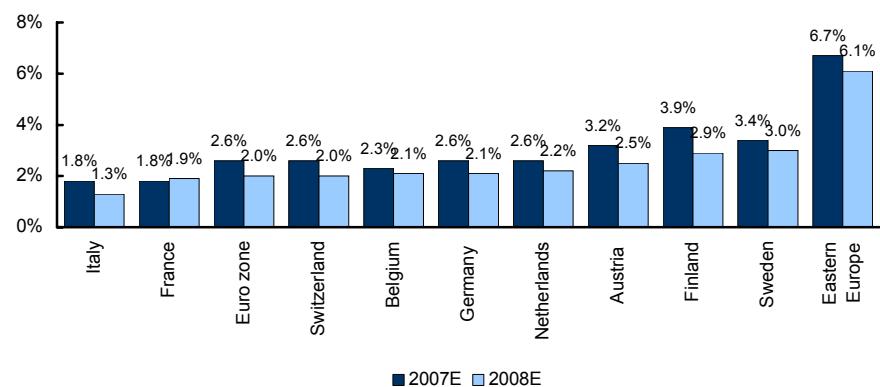
Source: Kempen & Co estimates



Development of European Office markets

In 2007 most of the European office markets have benefited from an increased demand for office space. The level of demand however differed across markets. We expect the net take-up to decelerate across Europe in the coming years as GDP growth is expected to level off. In this respect, we assume that more than 2% GDP growth provides for job creation in Europe, while growth at 2% or less results in limited job creation. Based on this, we expect that Sweden and Finland have the most attractive markets for providing a cushion to occupancy risks. Given their below average economic growth, Italy and France have the highest risk to increasing vacancy. We expect rental growth will level off as construction outstrips demand and vacancy rates again increase to above 5% in various markets.

Figure 26. Economic growth rates across Europe



Source: Consensus Forecasts

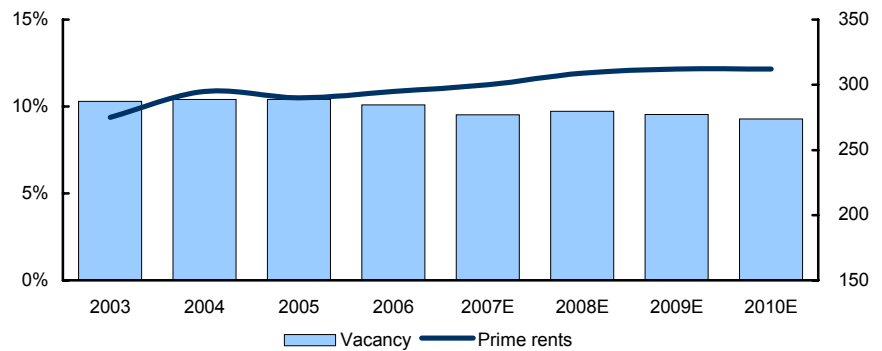
Belgium: New supply coming

The Brussels office market could be perceived as being below the European average in terms of its volatility. The vacancy in the CBD is perceived as low (5.3%), while the vacancies in the decentralized (14%) and peripheral (21.2%) areas as high. We expect the overall vacancy rate to be approximately 9% at YE07 (9M07: 9.6%), which would be the lowest level seen since 2003. However, substantial development completions will be carried out in FY08 (E: 370,000 sqm) and FY09 (E: 280,000 sqm) we therefore do not expect strong rental growth in the Brussels office market. Currently prime rents in the CBD are approximately €300 per sqm, while prime rents in the decentralized area and periphery are €175 and €165 respectively. We foresee marginal rental growth of 2-4% for FY08.

The Belgium office yield compression has been lagging behind in a European perspective as the net yield for CBD is 5.5% which is 60bps below the European average. Although local real-estate players are seeing less interest from foreign investors in the Belgian market, we expect yields to remain stable going forward.



Figure 27. Development of vacancy and prime rents in Brussels (€)



Source: Cushman & Wakefield, JLL, Kempen & Co estimates

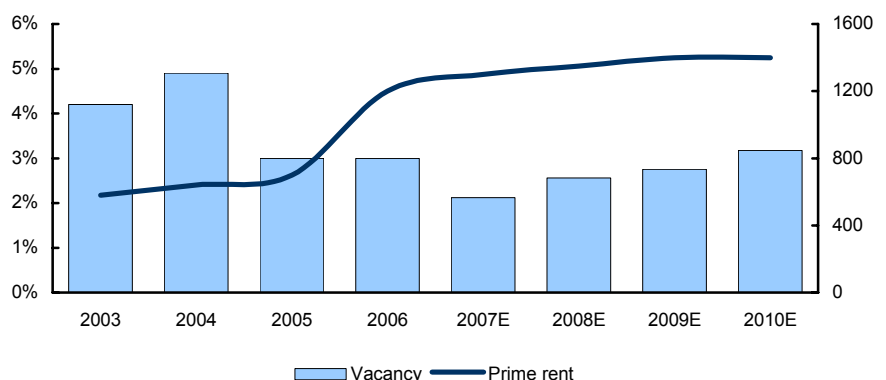
CEE: economic activity boosting office markets

All CEE countries are still expected to experience GDP growth levels in the next few years which are well in excess of those in Western European countries, thus boosting economic activity. Hence, the office sectors in CEE countries will continue to grow driven by strong demand (both domestic and international). Currently, local companies in CEE markets are growing and increasingly requiring office extensions. Together with the falling unemployment rate this is increasing domestic demand for offices.

Moscow: increasing take-up

The high GDP growth (c7%) seen over the last seven years has kept take-up at a high level in the Moscow office market. In 2006, c36% of office market take-up in Moscow came from international companies entering Russia. The entrance of an increasing number of new international companies and growth of local business is expected to boost demand in the next years further. We therefore, believe that vacancies for prime class office space will remain at low levels and not exceed a level of 3% level by 2010.

Figure 28. Development of vacancy and prime rents in Moscow (\$)



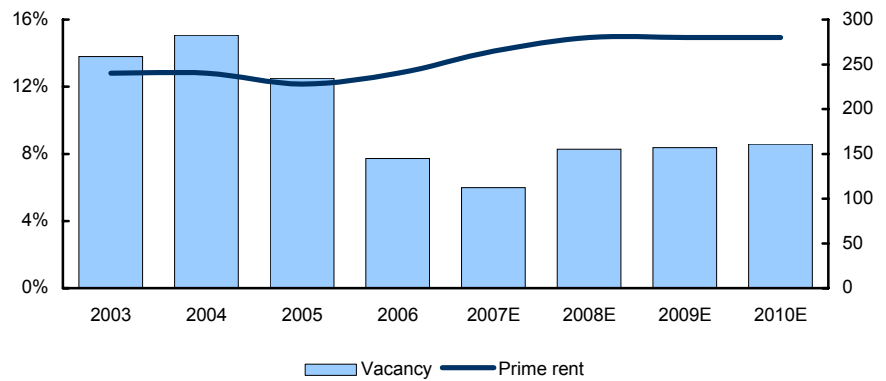
Source: CBRE, JLL, Kempen & Co estimates

Prague: vacancy at a record low

At YE06 the total office stock in Prague amounted to approximately two million sqm. For 2007 we expect an additional 174,000 sqm to have been completed. Taking into account ongoing increases in demand (the majority of this additional office space has already been pre-leased), we expect a record-low vacancy of 6% by YE07. However, in 2008 and beyond even larger numbers of new supply will come to the market each year, with vacancy rates stabilizing at approximately 8.5% in our estimates.



Figure 29. Development of vacancy and prime rents in Prague (€)

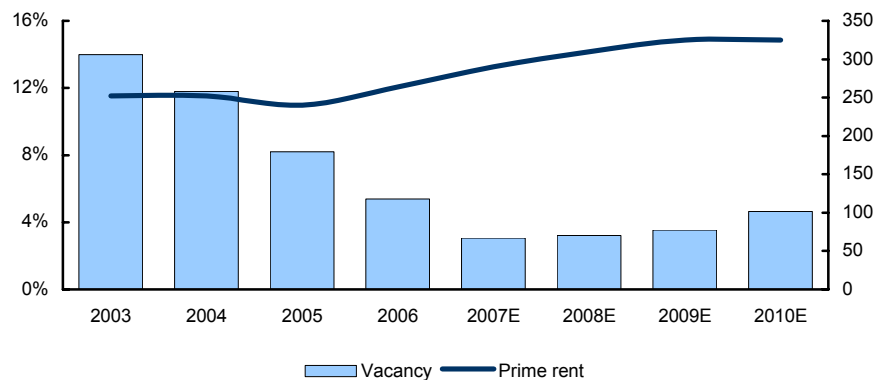


Source: CBRE, JLL, Kempen & Co estimates

Warsaw: first risk of oversupply

Warsaw is experiencing the largest reduction in vacancy and increase in prime rents compared to other mature CEE markets. As is the case in Prague, Warsaw is going through a new wave of construction activity, driven by local demand and Business Process Outsourcing (BPO) projects. At YE06 the total office stock in Warsaw was 2.55 million sqm, of which 60% in the suburbs and 40% in the city centre. The quantity of new space completed in the CBD was minimal in 2006, a trend which we expect to continue. Although the net absorption level in Warsaw remains at one of the highest rates of the mature CEE markets, the Warsaw market has at the same time one of the largest pipelines to be completed in 2008 – 2010. We see therefore a certain risk of oversupply as early as the end of 2009 – start of 2010.

Figure 30. Development of vacancy and prime rents in Warsaw (€)



Source: CBRE, JLL, Kempen & Co estimates

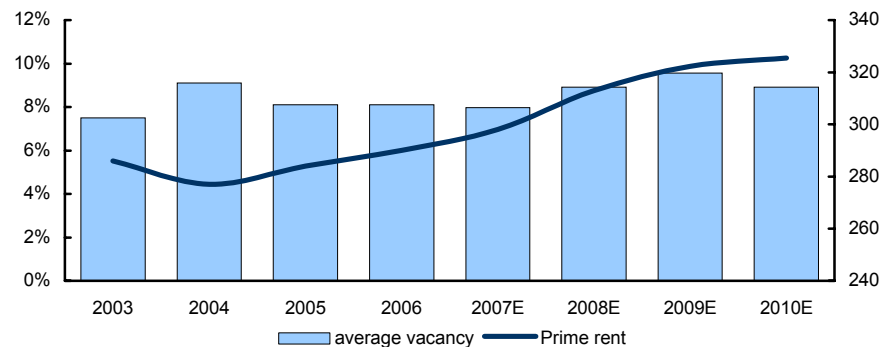
Finland: Vacancy levels rising

The Helsinki Metropolitan Area covering 8.0 million sqm in office space can be split into eight separate submarkets, each with their own characteristics. A modest 5% annual rental growth can be expected in the CBD (prime rents: €300 per sqm) and Ruoholathi (prime rents: €252). In the other submarkets we expect rental levels to be only marginal with growth rates of between 2% and 4% for quality building. In addition, we expect grade B and C properties to continue to suffer from weak demand for these properties while the average vacancy rate is high. For these properties we assume no rental growth. We expect that the net take-up in the office market will be offset by completions of new office buildings, e.g. we expect 220,000 sqm and 200,000 sqm in demand and supply for 2008. We therefore expect the total office vacancy rate to increase from 8.0% YE07 to 9.5% by YE10. Net yields decreased by 40bps in the Helsinki inner-city (5.0%) and by 65bps for the Helsinki suburbs (5.9%) in 1H07. In



addition to falling yield requirements, the expected increase in rents has pushed up property prices. We expect a modest 25bp yield expansion as yield compression in Finland has lagged behind the rest of Europe.

Figure 31. Development of vacancy and prime rents in Helsinki (€)



Source: JLL, Kempen & Co estimates

France office market: growth slowing

The Ile-de-France office market comprises nearly 50 million sqm of offices spread over a diverse region. Given the different characteristics of the local markets we distinguish between the office market in Paris CBD and La Défense and the entire Ile-de-France market. Investment volumes remained relatively strong in France.

Investors adopting a wait-and-see approach

During 9M07, €21.5bn was invested with an investment volume of €8.2bn realised in Q3. During the summer there was still activity in the markets, whereas investors are now adopting a wait-and-see approach. CBRE however still expects total investment volumes to come out at between EUR 25bn and EUR 27bn. Yields remained stable but are expected to soften for secondary property. We take a more conservative view for 2008 when we expect yields to expand by roughly 50bps.

Construction accelerates

The amount of office space under construction in the Ile-de-France area has increased substantially over the last six months. New construction starts represent an additional 630,000 sqm in addition to the 475,000 sqm launched in the previous period bringing the total amount of space under construction to 1,930,000 sqm predominantly outside the prime CBD markets. The take-up of completed space has however fallen to 60% from 80%. The amount of completions without a pre-let in areas such as La Défense, and Saint Denis in particular as well as the other peripheral locations causes us some concern.

Net take-up expected to decrease

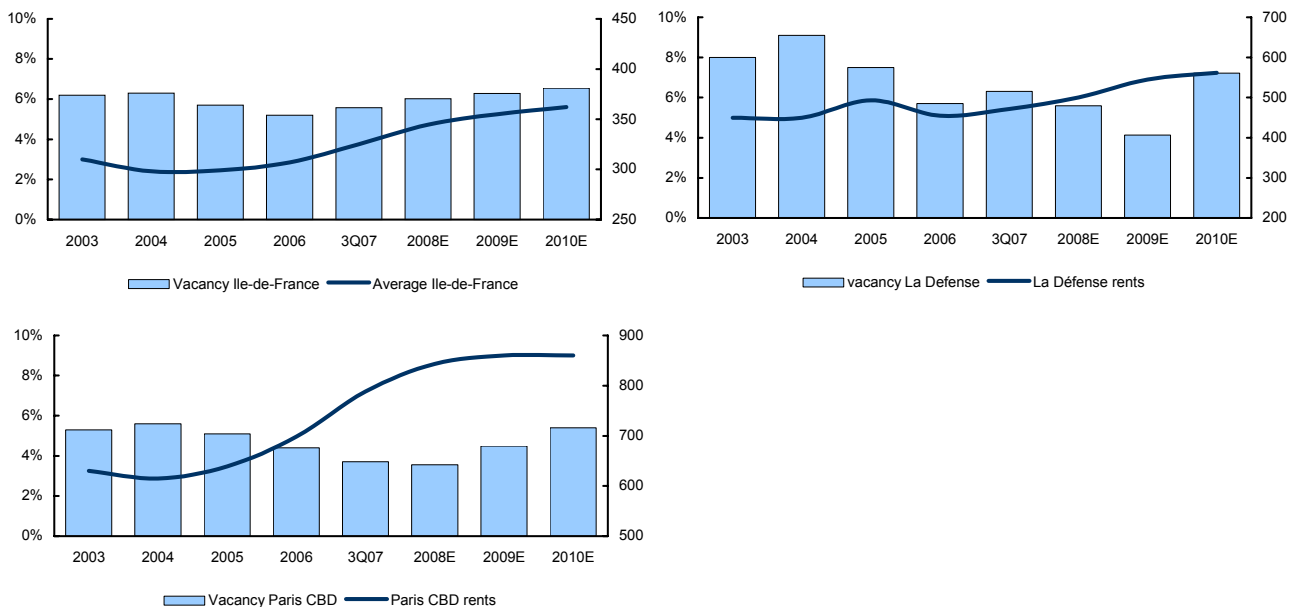
CBRE has been relatively upbeat on the letting market in the third quarter especially with regard to the smaller sized units. Occupiers thereby still look to rationalise and modernise their workspace. Demand was still directed towards the traditional office districts. Although we expect new space will find a tenant, secondary space will however be subject to increased vacancy risks. As we expect GDP growth to slow to around 2.0%, we expect job creation and net take-up to boot to decrease substantially.

Rental growth expected to decelerate

The decrease of supply in traditional locations, in particular large scale accommodation, has already had an impact on rental values. The degree of willingness to move to new economic locations will determine to what extent the trend in rental

value growth can continue for CBD Paris. Overall we expect that the trend in vacancy will be an upward one with a stronger increase for secondary locations and relatively less in traditional business areas. We expect rental value growth will level off in 2008 and 2009 as vacancies start to exceed 5%.

Figure 32. Development of vacancy and prime rents in France (€)



Source: CBRE, Kempen & Co estimates

Germany: deals at a halt, letting markets still sluggish

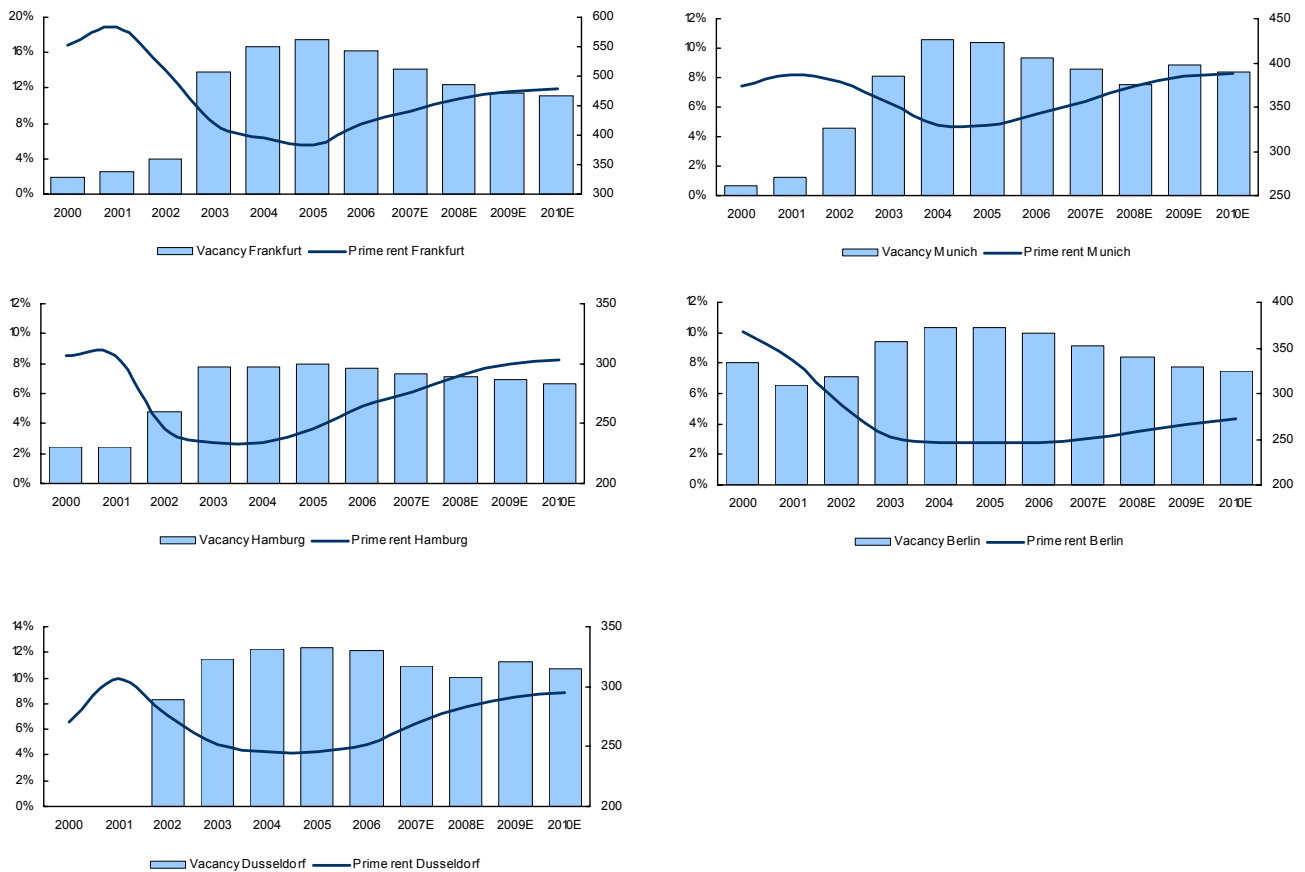
Investment market cooling off rapidly

The German investment market has seen a strong slowdown in transactions following the emergence of the credit crunch. Prior to that, the investment market was booming, mainly fuelled by foreign leveraged buyers. We expect that demand will still be strong (mainly driven by equity investors) for absolute prime quality assets, such as the DaimlerChrysler portfolio and Sony Center (both located at the Potsdammer Platz in Berlin) which are currently for sale. As such, we do not expect a major yield shift for these assets, but we envisage at least a 50bp outward movement of yields for anything below absolute prime quality.

Letting markets only recovering gradually

Although letting markets are slowly improving and vacancy is trending down, the overall vacancy rate for the five main office markets was still at a considerable 10.5% at 9M07, down from 11.1% at YE06. Although completions are at a low level, these are expected to pick up substantially, particularly in 2009. In addition, prime rental growth is still at a low level at 2.7% for 9M07, compared to the CAGR of 2.9% seen since YE04. Given the high vacancy and low net absorption levels, we do not expect to see substantial upward pressure on rents going forward. Rather, we anticipate more gradual rental growth, combined with a further gradual decrease in vacancy. The risk to the downside would be a larger than expected economic slowdown, resulting from a negative influence of the strong Euro and spill-over from the US slowdown on the export-driven German economy.

Figure 33. Development of vacancy and prime rents in Germany (€)



Source: JLL, Kempen & Co estimates

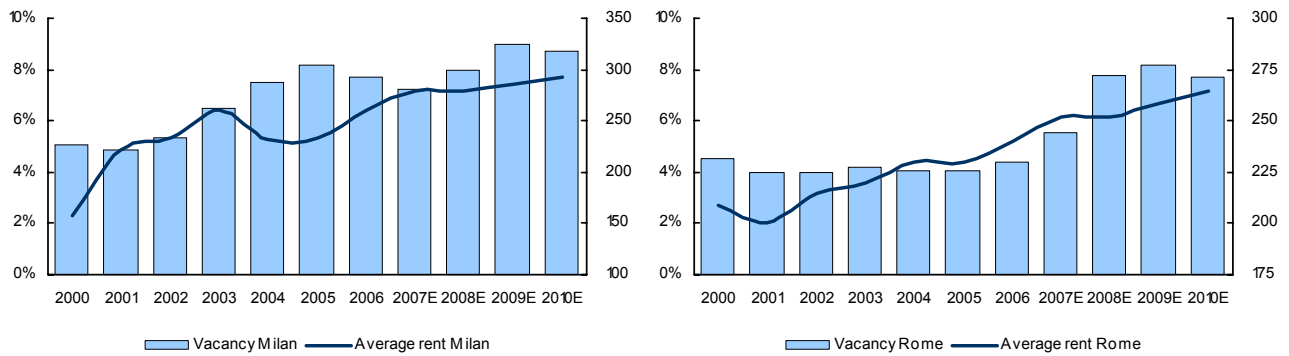
Italy: Limited deal flow, Soft landing expected

Both Milan and Rome are very supply constrained, in particular in the grade A segment. Regardless of the supply constraints however, we believe rents in the prime segment will remain constant as we do not expect tenants to be willing to pay more for the current level of quality. However we expect demand for this space to remain high. Average rents are expected to approximately increase by a modest 10% in the next three years, which we believe will be mainly fuelled by newly developed grade A space. Some of these new developments might even become the new prime locations (Porta Nuova, Hines) and as such lift the prime rental levels above the current €500/sqm. We expect vacancy levels to increase in the coming years, mainly in the lower quality areas and come out at c9%/7.5% for Milan/Rome.

The number of transactions in Italy this year (following the credit crunch in August) has been almost non-existent and as such presently provide few anchor points on which to base value changes. Prime yields in both Milan and Rome saw rapid declines in the period 2005-1H07 (itself preceded by a long period of stable yields). We therefore believe these yields can easily move back to 2006 levels and as such have assumed yield expansion for Milan and Rome to come out at c75bps and 50bps in the coming years.



Figure 34. Development of vacancy and prime rents in Italy (€)



Source: JLL, Kempen & Co estimates

Netherlands: Prime office market strong

The prime office market in the Netherlands is taking off. Rents increased in the biggest four markets of Amsterdam, The Hague, Rotterdam and Utrecht in 1H07 and are expected to grow further in 2H07 (particularly in Utrecht). Secondary offices in secondary markets are seeing stable to modestly increasing rents.

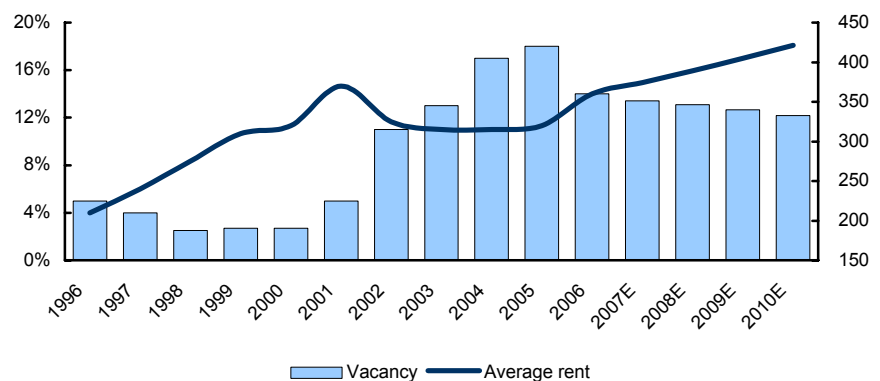
The current occupancy rate is 86.9% in Amsterdam; the South Axis submarket is almost fully let whereas the South East submarket and Hoofddorp are seeing the highest vacancies. Development slowed down significantly following the boom in the early 2000s. Jones Lang LaSalle expects a limited 308,000 sqm (4%) will be added.

Occupancy in The Hague has always been strong and currently stands at 94.5%. Continued take-up by the government pushed up occupancy levels further at the end of 2006. Occupancy in Rotterdam was 91.5% at 2Q07. Almost two thirds of the take-up in 2007 has been prime quality, but almost 90% of all letting was in the 500 – 2,500 sqm range.

Sales market still strong

Currently two bigger portfolios are on the market. KFN is finalizing the sale of its €1.3bn Dutch portfolio that is regarded as a high-quality portfolio. We understand from brokers that are advising the bidding candidates that their clients did not make it to the second round despite bidding at (in their view) market levels. Furthermore Corio is selling its €0.6bn Dutch portfolio that is of high quality. At 3Q07 the portfolio was still valued at a 7.5% theoretical net yield which in our view is far too conservative as we expect theoretical net yields could come down to 6% or even lower.

Figure 35. Development of vacancy and prime rents in Amsterdam (€)



Source: JLL, Kempen & Co estimates

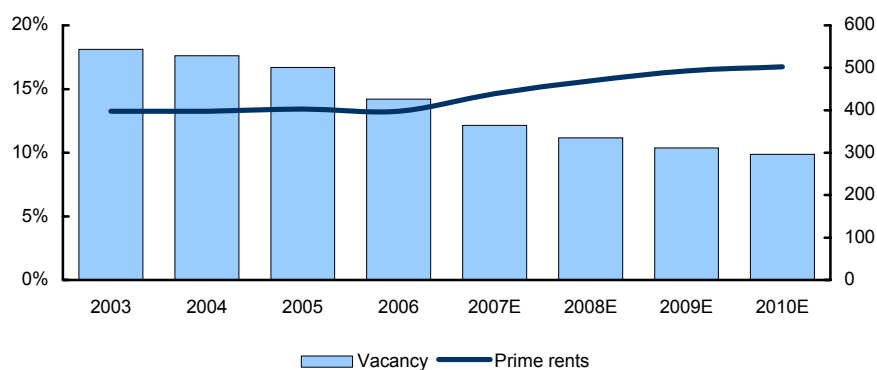


Sweden: Still benefiting from a favourable market

We believe that in Sweden it is the Stockholm market which has seen the most volatility in rental levels in the past few years (2000: SEK 5,900/sqm vs. 2004: SEK 3,600p/sqm). In 1H07 the Stockholm office market experienced decreasing vacancies from 12.8% to 8.9% in the CBD (Jones Lang LaSalle) and this decline is expected to be even greater going forward as only a limited supply comes to the office market. At present prime rents stand at SEK 4,100 (€445) per sqm, which is an increase of 11% y-o-y. In addition, grade B properties in the inner city and the suburbs have also seen a strong increase in rental growth (5-10% p.a.). The overall consensus for annual rental growth in the Stockholm CBD is 5% per annum for FY08-10. Net yields have decreased by 35bps y-o-y in Stockholm (9M07: 4.40%).

Although we expect a healthy increase of 5-10% in rents for FY08, we assume the YE08 net yield for prime offices Stockholm will be 5.0%.

Figure 36. Development of vacancy and prime rents in Stockholm (€)



Source: JLL, Kempen & Co estimates

Switzerland: Stable Zurich office market

We are seeing a 120bp spread between prime office yields (4.2%) and the 10-year government bond, which continues to be amongst the highest spread in Europe. This is the most important reason why we assume a limited 20bps in yield expansion and only in the suburbs.

The Zurich office market is experiencing a marked net take-up and we expect vacancy to decrease to 8% by YE08 from 10% at present. The current prime rents in Zurich are approximately CHF 800 (EUR 480) per sqm and we expect modest rental growth of 5% for FY08 for Zurich CBD. We want to underline that rental growth is only marked in the inner cities, whereas for other locations the rents are expected to be flat (i.e. Zurich Airport, Zurich West and Zurich North).

European retail market: A more secure bet

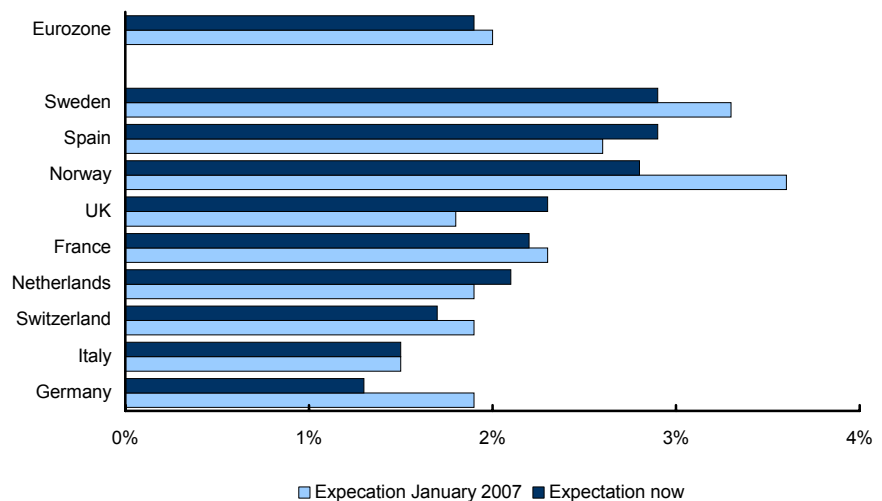
We are less bullish, yet still positive about the European retail market than was the case in our previous Compass due to downward adjusted GDP growth and a higher inflation rate. However, overall consumer spending should still be strong, while the strong Euro benefits retail margin development. We however do not yet see signs of a decline in development completions for retail space for FY07/08 (E: 17.0 million sqm in shopping centres). If the credit crunch continues to persist, then completion levels could fall since it might trigger the termination of riskier and lower-quality development projects. Currently, the top five countries in the development pipeline are Spain, Poland, Turkey, the United Kingdom and Italy.

Another risk factor that could pressure retail rent is increased competition arising from the globalisation of the retail environment. This results in the deflation of prices for retail goods and puts additional pressure on operating margins. We believe that countries with above average import levels from US Dollar denominated countries might at this juncture benefit from increased retail sales margins.

Consumer spending slowing FY07

In November consumer spending for Europe further decreased to 1.6% y-o-y and consumer confidence fell to 1H06 levels. At present we are seeing signs of the fall in consumer confidence tapering off. This is fuelled by a continuing demand for labour and a moderate upturn in wage growth which should underpin household incomes and consumption. Consumer spending in the Eurozone is expected to come out at 1.5% for YE07. The consensus for FY08 and FY09 is that consumer spending will increase by 2.0% and 2.1% respectively. In addition, GDP growth in the Eurozone in 2007 is still expected to reach a healthy 2.7% and 2.2% for both FY08 and FY09.

Figure 37. Revision of consumer spending forecast for FY08



Source: Consensus Forecast

By far the largest increase in the consumer spending forecast is that for the Nordic countries; this is due to the higher than European average GDP growth for this region. Norway is primarily benefiting from high oil prices, while the Swedish and Finnish economies are seeing an uptick in almost every sector. Furthermore, the Eurozone is characterized by falling unemployment rates and more aggressive wage negotiations, which currently safeguards consumer spending from further downward pressure.



Inflation

We expect that rising inflation will limit the volume of transactions. In addition, higher energy costs are increasing overall supply chain costs for retailers, while, weakness in consumer spending is already putting pressure on retailers' margins.

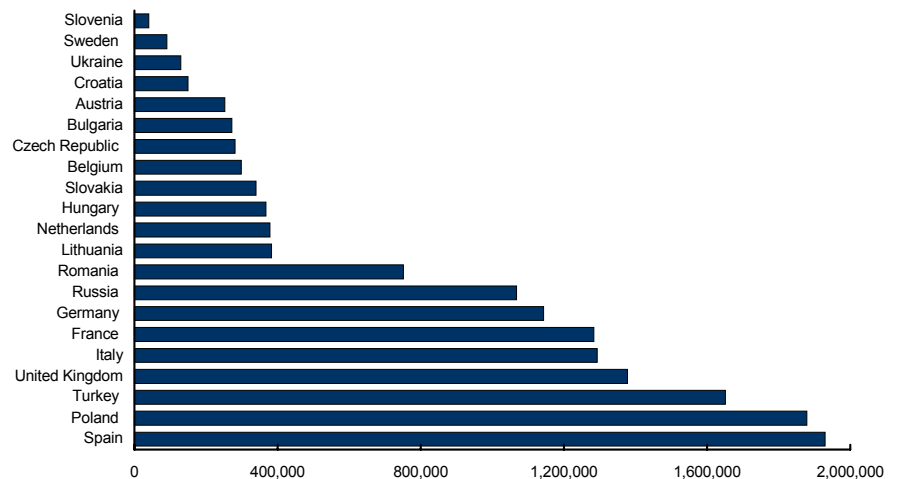
Dollar

Although consumer spending and GDP growth started to slow down in 2Q07, we believe that retailers' sales margins can benefit from the appreciation of the Euro against the US Dollar. A strong Euro reduces supply chain costs, and hence the costs of imports from dollar countries. The US Dollar forward rates for 2yrs to 10yrs are between 1.45 and 1.48, indicating a continued weak dollar. We do not expect a significant rebound in the US Dollar in the short term.

Shopping centres across Europe

We perceive the volatility for the (on average lower) rents for shopping centres to be less than the volatility of rental movement for prime high street retail. We consider shopping centre stock and consumer spending as the two most important drivers for shopping centre rents.

Figure 38. New supply coming to the market in FY07/08, sqm



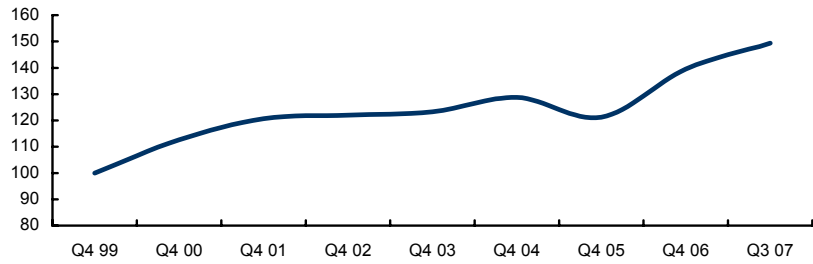
Source: Cushman & Wakefield

New stock in shopping centre space

In 2006 the European retail market saw 5.8 million sqm in new shopping centre space coming to the market which was a record. Nevertheless the supply for new shopping centre space increased even more in 2007 by about 7.8 million sqm (or 7.4% of the total supply) and will increase further in 2008 by 11.8 million sqm (+10.0%). Generally the largest new supply will materialize in Spain (07/08E: +15.9%), Poland (07/08E: +27.9%), Turkey (07/08E: +38.4%), United Kingdom (07/08E: +8.8%) and Italy (07/08E: +12.3%).



Figure 39. Relative increase in average European prime high street retail rent per sqm (indexed)

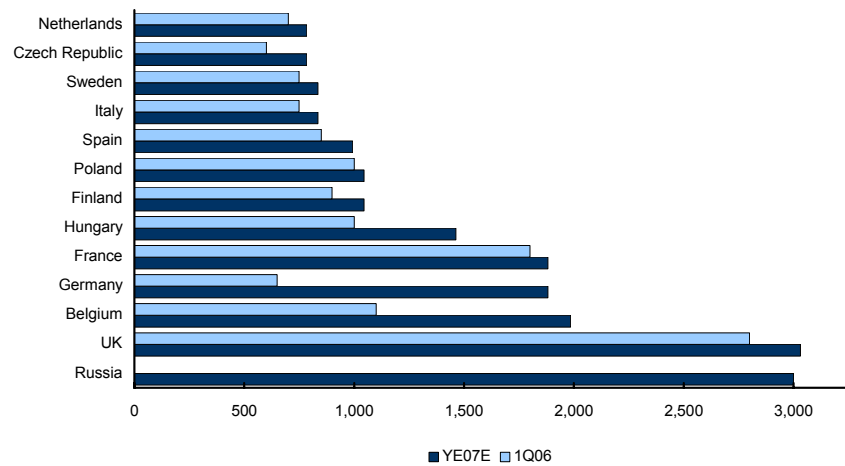


Source: JLL

Historically increasing rents

The average prime shopping centre retail rent per sqm in European capital cities amounted to €1,569 in 1999 and €2,354 by 2006, reflecting an average annual rental growth of 6%. In addition, y-t-d we have seen an average rental uplift of about 7%.

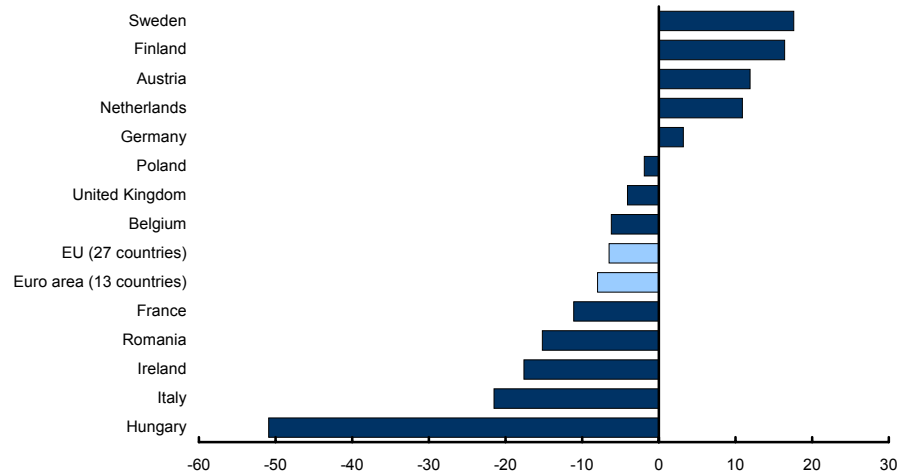
Figure 40. Shopping centre rents



Source: JLL

The Netherlands and Sweden have the lowest rental levels in Western Europe which we can explain by the high average shopping centre space per capita (Netherlands: 0.37 sqm per capita, Sweden: 0.35 sqm per capita, European average: 0.20 sqm per capita). These countries furthermore show the highest consumer confidence in Europe. Russia is characterized by the highest shopping centre rents, sometimes even exceeding €3,000 per sqm making them even higher than rents in London. This is due to a severe shortage of high-quality retail (0.03 sqm per capita). We believe that although substantial new supply is coming to the market, the downside for shopping centre rents remains limited.



Figure 41. Consumer confidence

Source: Kempen & Co estimates

Outlook: expected divergence for different European countries

Taking future supply and consumer spending growth into consideration, we expect Finland, Sweden and the Netherlands to outperform European shopping centre rental growth as these countries are characterized by a relatively small amount of future supply (Finland: +<2%, Sweden: +2.8%, and Netherlands: +6.3%) whilst Finland and Sweden both have expected consumer spending above the European average and the Netherlands has amongst the highest levels of consumer confidence.

In contrast we are bearish about shopping centre rents in Italy. We foresee low future consumer spending for Italy and additionally substantial new developments coming to the market (+12.3%).

Future yield expansion

Shopping centres experienced yield compression until 1H07 and seemed to have bottomed-out at a European average of about 4.5%. We anticipate that reduced yield gaps and the credit crunch on financing costs will fuel yield expansion over 2008 and possibly in 2009. The extent of yield expansion would be related to the quality of the centre. Additionally, on account of the more bearish rental forecasts our assumptions of an outward movement in shopping centre yields are justified. On average, we expect that high-quality shopping centres should have an initial yield of between 5.0-5.5% going forward. We expect some centres will see rental growth sufficient to offset pressure on yields. For others we assume a yield expansion of approximately 50bps over the period 2008-2009.



Risks related to finance ?

Given the financing of property bonds, the pricing of bank debt could increase modestly. Bonds themselves have just moved back to historic levels and could see a further 50% increase in lending margins. We expect the divergence in the pricing of corporate bonds at different rates will be reflected in the pricing of prime and secondary property.

Pricing property bonds indicate slight increase in debt costs

We expect current financing costs for property companies could be subject to a further slight increase in lending margins. Overall debt pricing by financing banks follows pricing in the bond markets with a degree of delay. Therefore, when the effective margin on bonds increases, banks will follow with increasing lending margins. Excluding Gecina (which could face a credit rating downgrade as a result of a potential bid from Mr. Rivero and Mr. Soler) bonds are trading in a range of 70bps to 160bps spread (for Klepierre and PEPR respectively). Klépierre recently agreed a secured debt facility at a 45 to 55bp margin. Bonds issued by Klepierre are therefore trading at a 40% higher margin in comparison to bank debt. As bonds are not secured by collateral we expect the pricing of financing for Klepierre and other property companies might have only slightly increased (by 10-20 bps).

Table 24. Current pricing of property bonds

Company	Coupon	Maturity	Price	Yield	Spread*
Cofinimmo SA	5.25	15/07/14	101	5.07	115
Gecina	4.88	19/02/10	96	6.73	284
	4.88	25/01/12	98	5.48	145
Klepierre	6.13	10/07/08	101	4.69	69
	4.63	15/07/11	100	4.68	86
	4.25	16/03/16	95	5.01	104
Unibail-Rodamco	4.75	28/02/08	100	4.62	87
	4.00	29/10/11	97	4.89	107
	var (convertible)	25/06/57	140		
ProLogis European Properties	5.97	23/10/14	n/a	5.97	159

* Spread on benchmark Bloomberg curve

Source: Kempen & Co, Bloomberg

Table 25. Credit ratings property companies

Company Name	Country Name	S&P: LT Issuer Rating	Moody's: LT Issuer Rating
Cofinimmo SA	Belgium	BBB	
Gecina	France	BBB-	
Klepierre	France	BBB+	
Unibail-Rodamco	France	A	A3
ProLogis European Properties	Luxembourg		A3

Source: Kempen & Co, Bloomberg

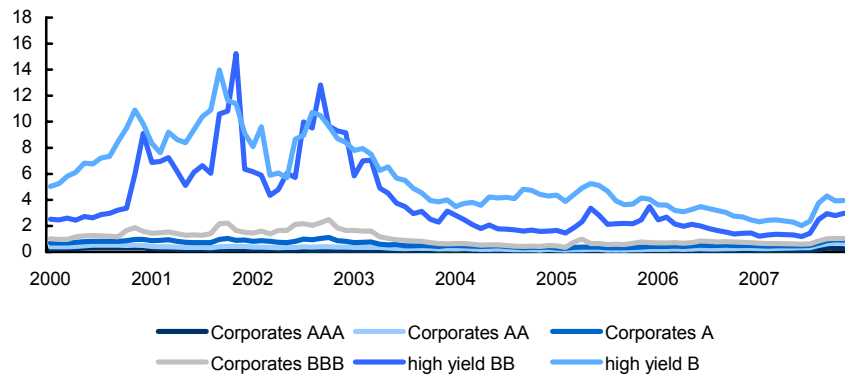
Corporate bonds however still at relatively low levels

Lending spreads have moved out in the past five months but still remain significantly below the lending margins seen just after the TMT bubble burst. Spreads for BB and B rated corporate bonds have increased significantly in December. We however expect risks related to the financing of institutional quality property would incur a BBB rating. Prime assets would have a rating a few notches above that level. Lending, margins for these BBB bonds have not increased significantly so far. However, we expect the increase in lending margins overall to continue in 2008.

Taking a historical 10-year period, BBB rated bonds have only traded 25% above 10-year rates and at present, lending margins have roughly doubled from the record lows realised just before the credit crisis. We expect spreads for various rated bonds in the coming year to move out by an average 50% from their current levels.

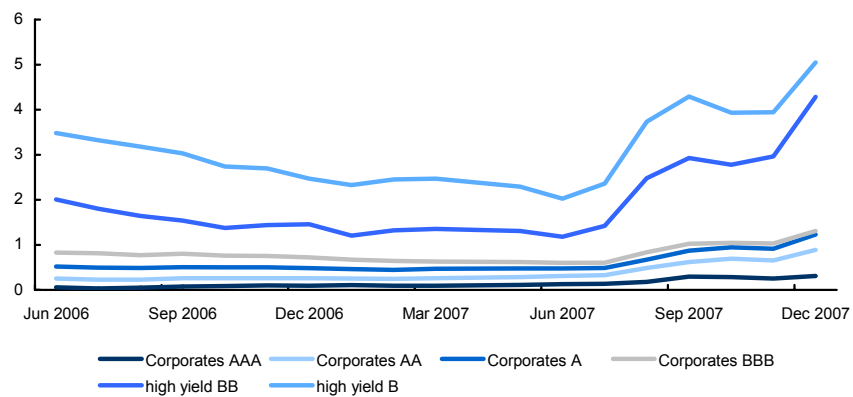


Figure 42. Corporate lending spreads all ratings



Source: Merrill Lynch

Figure 43. Corporate lending spreads : top-four ratings



Source: Merrill Lynch

Divergence: primary and secondary yields

In recent years we have seen a narrowing of the spread between secondary and primary yields in the market, resulting from a more aggressive approach towards risk. This mirrors the movement we have seen in the debt market, where spreads on low-grade debt narrowed compared to AAA rated debt. We believe that the current repricing of risk in the credit market will also be seen in property yields.

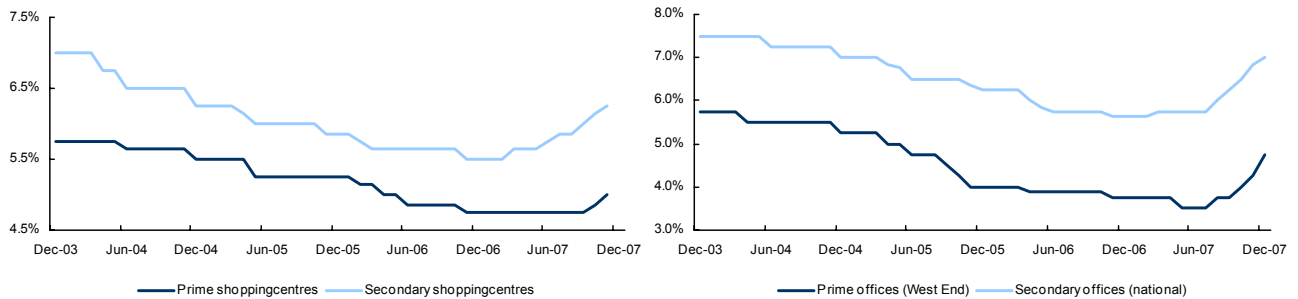
Data on secondary yields on the continent is limited, yet for the UK data is more widely available. For UK shopping centres, the gap between primary and secondary yields clearly narrowed until the end of 2006. However, where yields for primary shopping centres remained stable until 4Q07, yields on secondary centres already started moving out in 2Q07. Interestingly enough, the yield spread between primary and secondary UK offices has remained virtually stable in recent years. We expect that the outward movement of prime West End office yields in the last few months partially reflects expectations of downward pressure on rental levels, as the market is highly correlated with the London financial sector. As prime shopping centre rents are expected to be more resilient, the yield expansion there has been less drastic.

Going forward, the expectation is that the expansion of secondary yields in the UK will continue longer than for primary yields. We expect to see the same trend on the continent. Demand for absolute prime quality space still appears robust on account of equity buyers such as pension funds. However, demand for lower quality property and large portfolios appears to be on the wane, as this demand has been mainly fuelled by leveraged buyers in recent years. As such, anecdotal evidence points towards a more



cautious pricing on sub-prime assets. Reflecting this greater level of risk-awareness and more restrictive financing policies, several deals have been put on hold, such as a €2bn Allianz portfolio and a €400m Hessen portfolio in Germany and the CHF 3.4bn Jelmoli deal in Switzerland. For others, pricing has been substantially downscaled or terms have been renegotiated, such as for the Citigroup building in Canary Wharf.

Figure 44. UK prime vs. secondary yields



Source: CBRE, Kempen & Co estimates

A further risk related to financing would be the solvency or cash flow risk. We have looked at refinancing obligations for 2008 and 2009 to see if significant refinancing would take place. In addition, financing covenants could also be impacted. Overall covenants are not yet easily being met.



Table 26. Refinancing risks

Company	Average duration	refinancing expected		
	debt	2008E	2009E	
Befimmo	2.9	33%	0%	
Cofinimmo	5.3	0%	6%	
WDP	7.0	30%	30%	
PSP Swiss property	3.8	6%	6%	
Swiss Prime Site	4.7	8%	10%	
Castellum	2.2	49%	15%	
Fabege	5.1	20%	6%	
Hufvudstaden	3.8	19%	0%	
Citycon	4.1	0%	2%	
Sponda	3.3	18%	1%	
Alstria	4	0%	0%	
Deutsche EuroShop	7.5	0%	0%	
Deutsche Wohnen	>8	n/a	n/a	
DIC Asset	5	2%	0%	
Eurocastle	5.3	9%	0%	
GAGFAH	7	0%	0%	
IVG	4	18%	18%	
Vivacon	4.8	0%	0%	
Corio	7	4%	13%	
Eurocommercial Proepries	8	0%	0%	
VastNed Retail	4.6	33%	0%	
VastNed O/I	4.3	21%	9%	
NSI	3.8	15%	17%	
Wereldhave	3.5	13%	13%	
CA Immo	9.0	5%	3%	
conwert	7 - 10	6%	6%	
ImmoEast	5	14%	11%	
Immofinanz	5	8%	5%	
Meinl	6.9	1%	4%	
GTC	>7	7%	10%	
Risanamento	8.0	n/a	n/a	
IGD	8.1	n/a	n/a	
Beni Stabili	6.5	n/a	n/a	
Pirelli RE	n/a	n/a	n/a	
Unibail	n/a	7%	7%	
Klepiere	5.4	15%	0%	
Silic	6.3	n/a	n/a	
SFL	4.2	1%	17%	
Societe de la Tour Eiffel	4.6	na	na	
Affine	6.0	na	na	
Fonciere des regions	6.2	na	na	
Fonciere des Murs	6.8	0%	0%	
Fonciere developpement Logement	6.7	0%	0%	
Prologis European properties	4.9	12%	18%	
Fonciere Paris France	4.5	0%	0%	
Gecina	5.0	1.0%	3.6%	

Source: Kempen & Co estimates

Table 27. Disclosed debt covenants

	LTV	ICR	LTV	ICR	
Befimmo	47%	2.5	65%	2.25	
Cofinimmo	51%	3.3	65%	n/a	
WDP	49%	4.9	65%	no restrictions	
PSP Swiss property	42%	3.5	50%	2.5	
Hufvudstaden	17%	6.8	50%	1.0-1.5	
Alstria	40%	1.85	60%	1.6	
Klepiere	41%	3.4	52%	2.5	calculation adjustments possible
Prologis European properties	43%	2.7	60%	na	coverage of interest by EBITDA min 2.5 and recalued net assets ratio limited to 20%
Gecina	34%	3.1	50%	5.3	As a result of the FCP status maximum LTV is 60%
					LTV would increase to 40% as a result of seperation process

Source: Kempen & Co estimates



Table 28. Corporate governance issues items followed list

Company	Management	Strategic shareholders	Additional anti-take over measures	Management remuneration
Affine	internal	Holdaffine (53.8%)	no	management is also main shareholder in Holdaffine
Alstria	internal	Captiva Capital Partners (54.0%)	no	stock options
Befimmo	external	Fortis (16.2%)	Can only be taken over if Fortis approves	Bonus (determined by the board)
Beni Stabili	internal	Fonciere des Regions (68%)	no	Stock options
CA Immo	internal	BA-CA (10%)	no	Fixed salary + bonus (determined by the remuneration committee based on following criteria: growth, operating result). From 2007 bonus will be defined as a percentage of consolidated EBT; a proportion of this bonus must be invested in shares of two co's; retention period = 1 year)
Castellum	internal		no	Bonus based upon profit and share price
Citycon	internal	Gazit-Globe (39.2%) and Fidelity (<15%)	no	Bonus and stock options
Cofinimmo	internal	Dexia (9.54%)	no	Stock options and bonus
convert	internal	Management (8.5%), Selling parties will own up to 10% at the end of 2007	no	New remuneration structure is not determined yet
Corio	internal	ABP (36.6%)	No, "structuurregime" not perceived as a problem	Bonus depends on annual profits, return targets and relative performance to listed peers (amongst others).
Deutsche EuroShop	internal	Otto family (19.3%)	assets externally managed by ECE (100% Otto family)	bonus, no stock options or share holdings
Deutsche Wohnen	internal	Oaktree (24.2%)	no	stock options or share holdings
DIC Asset	internal	DIC Group (34.5%), MSREF (10.4%), Forum (4.9%)	no	stock options, management is indirect shareholder
Eastern Property Holdings	external	ImmoEast (19.3%), Growth Value Opportunities (8.9%)		
Eurocastle	external	Fortress (13.4%)	management contract expires only in 2013, so has to be paid off	stock options, performance fee on FFO, management fee on gross equity
Eurocommercial Properties	internal	PGGM (15.2%), GIC (12.8%)	Priority shares and certificates on shares. CEO Lewis (1944) owns 2.2% of the shares and indicated recently that he doesn't want to sell the company.	Bonus depends on dividend and NAV per share and stock options
Fabege	internal	E. Paulsson - Brinova (13.4%) and M. Sundqvist (12.2%)	no	Bonus (no further details)
Fonciere des Murs	external	Shareholder agreement: FDR, Credit Mutuel, Predica, Generali (23.6%, 20.8%, 18.1%, 19.3%)	no	stock options
Fonciere des Regions	internal	Shareholder agreement: Batipart, GE real estate, Delfin (16%, 10%, 21%)	no	stock options
FDL	external	FDR (36.2%)	no	stock options
Fonciere Paris France	internal	Forum European (15.9%), PGGM (11.3%), Predica (8.3%)	no	Stocks options and bonus dependent on investment and operational targets
GAGFAH	internal	Fortress (71.4%), ZG Holdings (5.0%), Cypress Grove (3.7%)	no	share-based remuneration
Gecina	internal	Rivero (18.5%), Soler (15.5%), Predica (10.2%), Metrovacesa (29.1%)	no	stock options
GTC	internal	GTC RE (46.13%), ING Nationale Nederlanden (5.16%), Commercial Union (6.63%)	no	Phantom shares
Hufvudstaden	internal	Lundberg family (44.2%)	no	Bonus (profit/ customer satisfaction based)
IGD	internal	Coop Adriatica (44%), Unicoop Tirreno (14%)	no	Bonus based on performance targets
ImmoEast	external	Immofinanz (53.9%, increasing the stake to 54.9%)	no	Performance -related fee, based on NAV growth (fee= 20% of NAV growth, above an 8% hurdle)



Table 28. Corporate governance issues followed list

Company	Management	Strategic shareholders	Additional anti-take over measures	Management remuneration
Immofinanz	external	No, but between 5 and 10% of the outstanding shares are held by shareholders in deposits of Constantia Privatbank, giving them between 5 and 10% of the voting rights	no	Performance -related fee, based on NAV growth (fee= 20% of NAV growth, above an 8% hurdle)
IVG	internal	Santo Holding (11%), Sal Oppenheim (10.1%)	no	stock options, performance shares
Kaufman & Broad	internal	Financière Gaillon 8 (79.5%) (controlled by PAI Partners)	no	Management is also minority shareholder Financière Gaillon 8
Klepierre	internal	BNP Paribas (50.2%)	no	stock options and bonus based on personal performance
Meinl EL	external	no	Partly paid shares (150 million)	-
Metrovacesa	internal	Sanahuja Group (70%)	no	Bonus based on performance targets
NSI	internal	Habas Group (22%)	Priority shares, but were not used when the company worked towards a public offer by Habas at €21.90 earlier this year.	-
Pirelli RE	internal	Pirelli & Co (53%)	no	Stock options, bonus
Prologis European Properties	external	Prologis (24%)	management contract can not be terminated before 2016	stock options and CEO owns shares from IPO
PSP Swiss Property	internal	Alony Hetz (16.9%)	no	Bonus based upon EPS/NNNAV growth
Risanamento	internal	Zunino (73%)	no	Bonus based on performance targets
SFL	internal	Colonial (84.6%), Predica (5.1%), Reig Capital (4.4%)	no	stock options
SILIC	internal	Groupama (53.3%)	no	stock options and bonus
Societe de la Tour Eiffel	internal	no	no	stock options and free shares
Sponda	internal	Ministry of finance (34.3%)	no	Bonus, share-based payment
Swiss Prime Site	external	Credit Suisse (c28%)	no	
Unibail	internal	No	no	Stock options, bonus shares and bonus based on personal performance
VastNed O/I	internal		Priority shares. Unlikely to be used see VastNed Retail	Stock bonus depending on direct result per share
Vastned Retail	internal	PGGM (21.1%)	Priority shares. Unlikely to be used as the company is currently in the midst of a public sales process	Stock bonus depending on direct result per share
Vivacon	internal	Mr. Leffin (8.2%), Mr. Herbrand (8.0%)	no	stock options
WDP	internal	Family De Pauw (30.5%)	no	management (CEO) is also a significant shareholder, bonus
Wereldhave	internal		Priority shares and preference shares used as poison pill in 1982 as defense for a hostile takeover.	Short term bonus based on annual profits and return targets

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European Property Sector Compass

Outlook 2008

Individual property company profiles



Liquidity plays a part

Company profile Affine has a diverse property portfolio predominantly in France and is active in a wide range of property related activities. Affine acquired a Belgian portfolio in early 2006 through the acquisition of 68.9% in Banimmo. The latter is an investment/ redevelopment company focused on generating capital gains. In addition, Affine is active in logistical and small scale development for third parties through Concerto Développement and Promaffine. Other activities are engineering and advice through Affine Building Construction & Design (ABCD) and temporary office leasing through Buro Facility International (BFI). The subsidiary companies work independently, while the management teams of the subsidiaries are aligned through an equity stake in the vehicle. The controlling shareholder in Affine is Holdaffine, which holds 53.8% of the shares. Free float is limited to 46.2% of the shares.

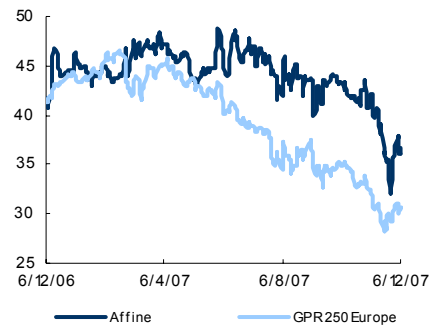
Investment case Affine is, together with Tour Eiffel and Fonciere des Regions, one of the few French listed property companies with a significant focus on French provinces. In addition to this specialized focus we expect the company can realize additional value through its other property related activities. The broad spread of activities limits the company's dependence on growth of the portfolio or on one specific property sector. We are particularly positive about the alignment of interests through equity stakes within the subsidiaries that are responsible for the other activities of the company. The management team of Banimmo is aligned through a 31% stake in this vehicle. Affine's stake in Promaffine, Concerto, ABCD and BFI is limited to 70%, 67%, 51% and 80% respectively with the remainder being owned by management. Affine therefore has the character of a private equity company even though it is listed.

Developments and outlook The 1H07 results included a jump in margins in the property business from gains on sales at Banimmo, a positive €20.8 revaluation and a €14.8m accounting profit from Banimmo's share issue. Furthermore the management made direct investments of €70m in assets in France and Belgium. Occupancy remained unchanged at 94%. We expect the full year dividend to come out at €1.8. Revaluations at 1H07 came out at +2.3%. We expect the valuations at year-end however to reflect stabilization, while we expect values to decrease modestly in FY08E due to a weakening yields. We furthermore expect development volumes could come under pressure. As such, we expect the company's activities could therefore come under pressure from the deceleration in economic growth.

Valuation The company however still provides for an attractive cash flow yield as the property-related activities in the subsidiary companies are not capital intensive. Following the downturn in the market the share price has decreased to a 20% discount to FY07E NAV. The main negative for the company is considered to be its lack of liquidity. As a result, the share price is heavily impacted by selling pressure from generalist or specialist investors who are focusing their attention on liquid blue chips.

Rating	BUY
	(Upgrade from ADD)
Price target (12m)	€44.7
Closing price (6 December 2007)	€36.6
Expected total return	26.3%
Date	9 December 2007

IML FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-13.2%	-15.8%	-11.4%
Rel. to GPR 250 Europe	-8.5%	0.1%	19.1%

Source: Factset

Company data	
52-Week range	€32.01 - 49.67
Market cap	€294.86m
Number of shares	8.1m
Average daily volume	7,470
Free float	35%

Company data	
Bloomberg / Reuters	IML FP / BTTP.PA

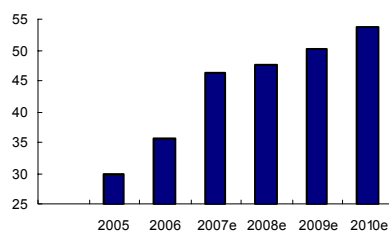
Analyst	Boudewijn Schoon
	+31 (0)20 348 8456
	bsch@kempen.nl

Affine

Property ■ France

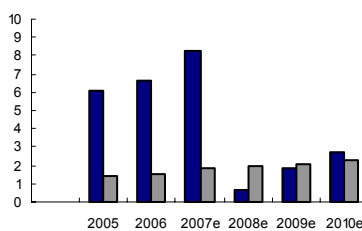
Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	38.5	64.5	78.7	78.0	79.5	84.2
Operating costs	-11.9	-20.2	-23.7	-28.8	-30.4	-31.8
Net rental income	26.6	44.3	55.0	49.1	49.2	52.5
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	-6.4	-5.7	-4.6	-3.7	-2.6	-1.8
Sales result (developments)	2.5	10.7	12.8	10.4	10.4	11.2
Overhead costs	-10.8	-24.6	-31.5	-32.4	-33.4	-34.4
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	45.7	75.8	83.5	81.6	84.3	90.9
Depreciation	-10.8	-20.3	-18.9	-20.9	-22.9	-24.9
EBIT	34.9	55.5	64.6	60.7	61.4	66.0
Net financial	-16.6	-25.1	-28.3	-33.6	-35.2	-36.8
EBT	18.3	30.4	36.3	27.1	26.2	29.3
Taxes	-0.5	-4.9	-5.4	-5.3	-5.4	-5.9
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.1	2.0	2.3	1.7	1.6	1.8
Direct investment result	7.7	23.5	28.6	20.2	19.2	21.6
Sales result	9.4	0.4	0.0	0.1	0.1	0.1
Revaluation Property	32.1	36.1	22.3	-16.9	-4.4	2.2
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	24.4	0.0	0.0	0.0
Total indirect investment result	41.2	33.8	43.2	-14.1	-3.6	1.9
Net profit	48.9	57.3	71.8	6.1	15.6	23.5
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	8.1	8.1	8.1	8.1	8.2	8.2
Average number of shares	7.5	8.1	8.1	8.1	8.1	8.2
Direct investment result per share	1.05	2.83	3.42	2.45	2.34	2.62
Indirect investment result per share	5.17	3.93	5.01	-1.63	-0.41	0.22
EPS (IFRS)	6.13	6.67	8.32	0.71	1.80	2.71
CFPS (recurring)	2.40	5.19	5.61	4.87	4.98	5.48
Dividend per share	1.37	1.50	1.80	1.94	2.10	2.27
Payout ratio %	57%	29%	32%	40%	42%	41%
NNAV per share	29.90	35.67	46.17	47.61	50.23	53.84
NAV per share	29.90	35.67	46.17	47.61	50.23	53.84
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	400.4	721.5	946.5	1,045.5	1,144.5	1,243.5
Developments	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	138.3	131.8	106.5	86.5	60.1	42.2
Other fixed assets	6.0	36.3	36.3	36.3	36.3	36.3
Total fixed assets	544.7	889.6	1,089.3	1,168.3	1,240.9	1,322.0
Receivables	30.2	28.4	28.4	28.4	28.4	28.4
Cash and banks	36.3	11.6	35.7	25.9	11.8	-3.0
Other current assets	63.8	134.0	134.0	134.0	134.0	134.0
Total current assets	130.3	174.0	198.1	188.3	174.2	159.4
Total assets	675.0	1,063.6	1,287.3	1,356.6	1,415.1	1,481.4
Shareholders' equity	273.4	362.9	398.2	425.8	452.0	483.1
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	273.4	362.9	398.2	425.8	452.0	483.1
Provisions	0.2	6.2	6.2	6.2	6.2	6.2
Long interest bearing debt	336.2	562.5	754.4	798.0	832.1	869.2
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	336.4	568.7	760.6	804.2	838.3	875.4
Short term debt	65.1	131.9	131.9	131.9	131.9	131.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	65.1	131.9	131.9	131.9	131.9	131.9
Total equity and liabilities	674.9	1,063.5	1,290.7	1,361.8	1,422.2	1,490.5
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	40.5%	34.1%	30.9%	31.3%	31.8%	32.4%
Net gearing %	146.8%	191.3%	222.6%	218.4%	213.2%	207.2%
Interest cover	2.8	3.0	3.0	2.4	2.4	2.5
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	621.2	990.5	1,183.5	1,227.9	1,262.7	1,300.6
Market Cap	219.9	296.1	297.3	298.0	298.7	299.5
P/NNAV-1	-8.7%	2.5%	-20.7%	-23.1%	-27.1%	-32.0%
EBITDA/EV	7.4%	7.7%	7.1%	6.6%	6.7%	7.0%
Recurring Cash Flow Yield	8.8%	14.2%	15.3%	13.3%	13.6%	15.0%
Earnings Yield	22.4%	18.2%	22.7%	1.9%	4.9%	7.4%
Dividend Yield %	5.0%	4.1%	4.9%	5.3%	5.7%	6.2%

NNAV



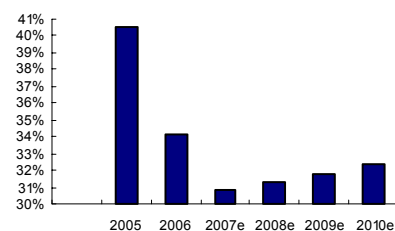
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Value looking for a trigger

Company profile Alstria is an internally managed pure-play on German offices. The company has a €1.7bn portfolio, of which 52% is located in Hamburg and 16% in Stuttgart, two of the more attractive German sub-markets. Alstria was established in January 2006 by Captiva Capital Partners (a fund managed by Natixis) and was listed in April 2007. In October 2007, Alstria was the first and so far only sizeable German company to convert into a REIT. Captiva is at 54% still the majority shareholder in Alstria.

Investment case Alstria has a relatively low-risk portfolio with twelve-year average lease terms and a low 4% vacancy. Although 77% of the portfolio is let to only five tenants, the tenant quality is fairly good with the City of Hamburg (40%) and DaimlerChrysler (16%) as the two largest tenants. However, the downside of the stable profile is that it limits upside potential. As less than 20% of the leases expire until 2010, it will be difficult to capture rental growth, while upside from reducing vacancy is also fairly limited. Management indicated it does not intend to issue equity below NAV, hence the company is currently limited to €140-240m in future acquisitions, given the minimum 45% equity-ratio in a REIT (currently 54%). Early November, Alstria started a share buy-back of up to 2.5% of the outstanding shares. We are positive on the buy-back as this is both NAV accretive (trading at a 31% discount to its €15.8 9M07 NAV) and CF accretive. Nevertheless, the overall impact is marginal given the limited €15m size of the programme.

Developments and outlook Management recently stated it foresaw yields in Germany moving out to 3Q06 or 4Q06 levels, adding that 2Q07 marked the peak in the investment market. In this perspective, we believe that the current 4.9% net running yield (5.1% theoretical) on the portfolio looks sharp, although management expects its own valuation to remain unaffected going forward. Management stated it could imagine selling some more mature assets to recycle capital into more value-added assets. Given the limited firepower, other options for external growth appear limited as an equity issue would be highly dilutive at present levels.

Valuation Alstria is currently trading at an implied net yield on the portfolio of 5.8%, which appears relatively comfortable given the low risk profile and good portfolio quality. We pencil in c50bps yield expansion from the current 4.9% net yield, which results in a 5.8% net running yield in FY10, including an average 2.4% rental growth p.a. and a vacancy reduction to 2.5%. As such, we arrive at a €12.8 Price Target. However, even if we were to pencil in an additional 50bps outward movement of yields, we would still arrive at a €11.1 Price Target, implying 12% upside. As such, we believe there is fundamental upside in Alstria, although we fail to see an upside trigger for the company given its limited internal and external growth potential. The 6.3% FY08 CF yield and 5.9% FY08 dividend yield appear attractive compared to the respective 5.9% and 4.9% sector averages. Although FY08 EBITDA/EV is at 5.4% approx. in line with DIC Asset (5.3%) and Eurocastle (5.9%), we believe this looks relatively attractive due to the below-average risk profile of Alstria. We upgrade Alstria from Add to Buy, as our valuation points towards 32.0% total return expectation.

Rating

BUY

(Upgrade from ADD)

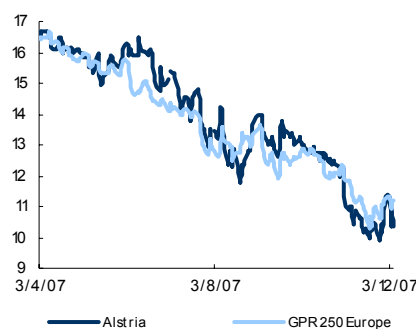
Price target (12m) **€12.8**

Closing price (6 December 2007) **€10.4**

Expected total return **28.7%**

Date **9 December 2007**

AOX GY vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-5.6%	-21.2%	-37.1%
Rel. to GPR 250 Europe	-0.6%	-6.3%	-15.4%

Source: Factset

Company data

52-Week range	€9.90 - 16.69
Market cap	€581.28m
Number of shares	56.0m
Average daily volume	59,206
Free float	46%

Company data

Bloomberg / Reuters **AOX GY / AOX.DE**

Analyst

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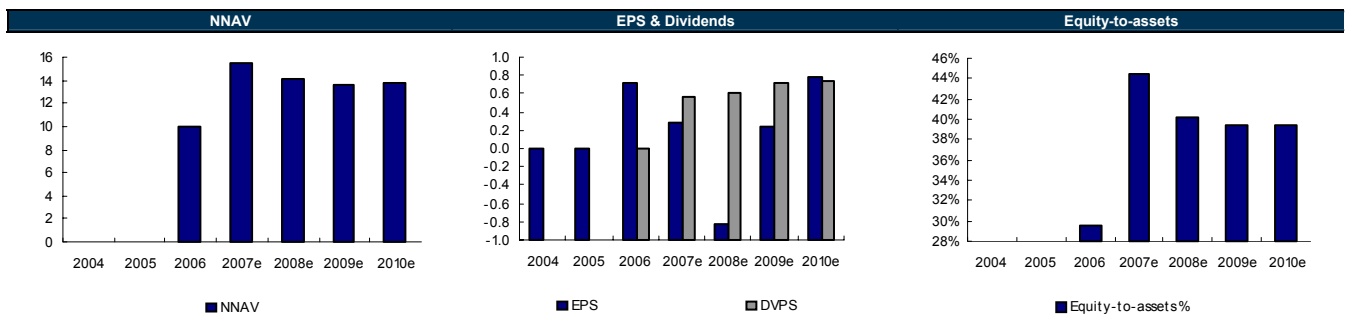
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www.kempenresearch.nl
Bloomberg: KEMP <GO>

Alstria

Property ■ Germany

Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	0.0	0.0	30.1	82.7	104.6	112.2	115.0
Operating costs	0.0	0.0	-1.7	-6.6	-8.3	-8.9	-9.1
Net rental income	0.0	0.0	28.4	76.1	96.3	103.4	105.9
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	0.0	0.0	-5.5	-12.7	-11.7	-12.0	-12.3
Other income	0.0	0.0	6.1	0.6	0.6	0.6	0.7
Other costs	0.0	0.0	-0.2	-5.0	-0.2	-0.2	-0.2
EBITDA			28.8	59.0	85.0	91.8	94.1
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT			28.8	59.0	85.0	91.8	94.1
Net financial	0.0	0.0	-32.3	-35.9	-48.7	-50.0	-50.2
EBT			-3.5	23.1	36.3	41.8	44.0
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	0.0	0.0	-3.5	23.1	36.3	41.8	44.0
Sales result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	0.0	0.0	22.9	-8.8	-82.5	-28.6	-0.1
Taxation on revaluation	0.0	0.0	-4.1	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	-0.7	0.0	0.0	0.0	0.0
Total indirect investment result	0.0	0.0	18.1	-8.8	-82.5	-28.6	-0.1
Net profit	0.0	0.0	14.5	14.2	-46.1	13.2	43.9
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares			40.0	56.0	56.0	56.0	56.0
Average number of shares			20.0	52.0	56.0	56.0	56.0
Direct investment result per share	0.00	0.00	-0.18	0.44	0.65	0.75	0.79
Indirect investment result per share			0.90	-0.17	-1.47	-0.51	0.00
EPS (IFRS)	0.00	0.00	0.73	0.27	-0.82	0.24	0.78
CFPS (recurring)	0.00	0.00	-0.18	0.44	0.65	0.75	0.79
Dividend per share			0.00	0.56	0.62	0.71	0.75
Payout ratio %			0%	126%	95%	95%	95%
NNAV per share	0.00	0.00	9.94	15.42	14.03	13.65	13.73
NAV per share	0.00	0.00	10.44	15.77	14.39	14.01	14.08
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	0.0	0.0	1,289.5	1,773.6	1,784.6	1,801.0	1,818.0
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.0	0.0	12.5	12.5	12.5	12.5	12.5
Total fixed assets	0.0	0.0	1,302.0	1,786.1	1,797.1	1,813.5	1,830.6
Receivables	0.0	0.0	18.3	18.3	18.3	18.3	18.3
Cash and banks	0.0	0.0	24.3	138.4	141.9	107.2	97.3
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	0.0	0.0	42.6	156.7	160.2	125.5	115.6
Total assets	0.0	0.0	1,344.7	1,942.8	1,957.3	1,939.0	1,946.2
Shareholders' equity	0.0	0.0	397.6	863.2	785.8	764.5	768.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	0.0	0.0	397.6	863.2	785.8	764.5	768.7
Provisions	0.0	0.0	19.9	19.9	19.9	19.9	19.9
Long interest bearing debt	0.0	0.0	813.5	1,028.4	1,120.4	1,123.4	1,126.4
Other long term liabilities	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Total long term liabilities	0.0	0.0	833.4	1,048.4	1,140.3	1,143.3	1,146.3
Short term debt	0.0	0.0	84.2	1.7	1.7	1.7	1.7
Other current liabilities	0.0	0.0	29.5	29.5	29.5	29.5	29.5
Total current liabilities	0.0	0.0	113.7	31.2	31.2	31.2	31.2
Total equity and liabilities	0.0	0.0	1,344.7	1,942.8	1,957.3	1,939.0	1,946.2
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	nm	nm	29.6%	44.4%	40.1%	39.4%	39.5%
Net gearing %	nm	nm	219.7%	103.3%	124.7%	133.2%	134.1%
Interest cover			0.9	1.6	1.7	1.8	1.9
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value				1,473.0	1,561.5	1,599.2	1,612.1
Market Cap				581.3	581.3	581.3	581.3
P/NNAV-1				-32.7%	-26.0%	-24.0%	-24.4%
EBITDA/EV				4.0%	5.4%	5.7%	5.8%
Recurring Cash Flow Yield				4.3%	6.3%	7.2%	7.6%
Earnings Yield				2.6%	-7.9%	2.3%	7.6%
Dividend Yield %				5.4%	5.9%	6.8%	7.2%



Source: Company Data, Kempen & Co



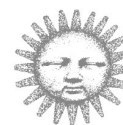
Low growth Belgian office play

Company profile Befimmo's portfolio of €1.8bn comprises offices (97%) and semi-industrial properties (3%) in Brussels and its hinterland. The portfolio has an occupancy rate of 95% with an average duration of nine years. Befimmo provides a secure CF due to its substantial exposure to public tenants (66%). Befimmo's LTV is 47% with an average maturity of 2.9 years and 94% is hedged. Historically Befimmo has always adopted a very conservative acquisition approach, however going forward we expect Befimmo to be increasingly active on acquisitions and disposals.

Investment case Befimmo is one of the lowest risk pan-European property stocks because of its significant property exposure to the less cyclical Brussels CBD office market (57%). Moreover two-thirds of the portfolio is leased to public institutes with a long lease duration of 9.1 years (index-linked). Befimmo is externally managed by Befimmo SA, which is (indirectly) fully owned by Fortis and increases the difficulty to be taken over. We believe the 08 CF yield of 5.3% is low although taking the low risk profile of the company into account. Nevertheless, we assume Befimmo (underlined by the management) will renovate a substantial part of the entire portfolio in the next two years, which will temporarily reduce the 08E CFPS and 09E CFPS by approximately 7% and 3% respectively. Thereafter the CFPS will grow by 5% per annum. We think that the 6.0% net valuation yield for Befimmo's portfolio has a 25bps cushion for future yield expansion that we mainly expect on properties in the Belgian suburbs and therefore we marginally increase our net yield assumptions by 30 bps for FY08 and FY09. In the future we expect a flat NNAV for FY08 and FY09.

Developments and outlook We expect marginal rental growth in the Brussels office market (CBD: +3%, periphery: flat), because prices will come under pressure due to the substantial development pipeline to be completed in FY08 and FY09 (370,000 and 270,000 sqm respectively) and the high vacancies in the Brussels periphery. However, the market is currently slowly bottoming out and the average vacancy rate for YE07 is expected to come out below 10% (YE06: 11%). We expect that the CFPS to come in lower for FY07/08 on the standing portfolio due to redevelopments on the Befimmo portfolio which is suffering from an overdue maintenance. The company announced its intention to increase the portfolio by acquiring (office) properties in Belgium, Luxemburg and even mentioned the Netherlands and France as potentially new geographical areas. At YE06/07 Befimmo published an LTV of 47% implying a war-chest of approximately €350m, assuming a 55% LTV. Going forward we assume Befimmo will annually acquire €100m in properties. We are glad to see that they are looking at the investment opportunities to increase the CFPS.

Valuation Currently Befimmo is trading at a 7% premium to our 08E NNAV, while generating a low 5.3% 08E CF yield which is lower than Cofinimmo (6.1%). After YE08 we foresee a modest increase in future CF yields for Befimmo. We lower our PT to €68 (was: €74) and downgrade the stock to Reduce from Neutral.



Rating

REDUCE

(Downgrade from NEUTRAL)

Price target (12m)

€68.0

Closing price (6 December 2007)

€76.6

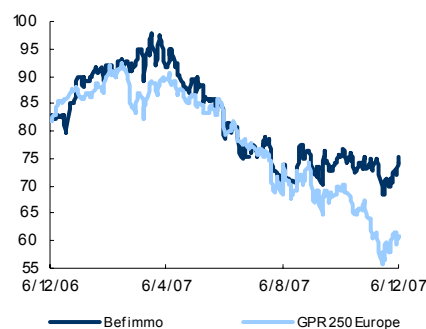
Expected total return

-5.3%

Date

8 December 2007

BEFB BB vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	0.7%	0.7%	-7.9%
Rel. to GPR 250 Europe	6.2%	19.7%	23.8%

Source: Factset

Company data

52-Week range	€69.12 - 95.53
Market cap	€1,000.32m
Number of shares	13.1m
Average daily volume	18,571
Free float	84%

Company data

Bloomberg / Reuters	BEFB BB / BEFB.BR
Next announcement	15 March 2008
	Q1 2007 Results

Analyst

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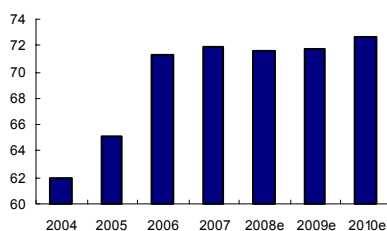
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Befimmo

Property ■ Belgium

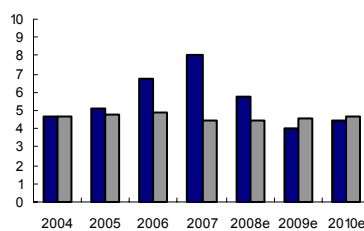
Income Statement (Year to 30 Sep)	2004	2005	2006	2007	2008E	2009E	2010E
Gross rental income	78.5	78.1	76.3	104.9	115.5	126.0	136.5
Operating costs	-12.0	-12.6	-5.9	-7.9	-8.8	-9.5	-10.2
Net rental income	66.5	65.5	70.3	97.0	106.7	116.5	126.4
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	0.0	0.0	-7.0	-8.9	-10.5	-11.1	-11.8
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	66.5	65.5	63.3	88.1	96.2	105.4	114.6
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	66.5	65.5	63.3	88.1	96.2	105.4	114.6
Net financial	-15.2	-15.4	-14.3	-35.7	-42.5	-48.3	-53.8
EBT	51.3	50.1	49.0	52.4	53.7	57.0	60.7
Taxes	-0.7	-0.7	-0.6	-0.6	-1.1	-1.1	-1.2
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	50.7	49.5	48.4	51.8	52.6	55.9	59.5
Sales result	0.0	0.0	0.0	1.3	0.0	0.0	0.0
Revaluation Property	-4.5	0.6	18.0	38.7	22.6	-3.1	-1.2
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	-4.5	0.6	18.0	40.0	22.6	-3.1	-1.2
Net profit	46.1	50.1	66.4	91.8	75.2	52.8	58.3
Per share data	2004	2005	2006	2007	2008E	2009E	2010E
Number of shares	9.8	9.8	9.8	13.1	13.1	13.1	13.1
Average number of shares	9.8	9.8	9.8	11.4	13.1	13.1	13.1
Direct investment result per share	5.17	5.05	4.94	4.53	4.03	4.28	4.56
Indirect investment result per share	-0.46	0.06	1.83	3.50	1.73	-0.24	-0.09
EPS (IFRS)	4.71	5.11	6.77	8.03	5.76	4.04	4.47
CFPS (recurring)	5.17	5.05	4.94	4.53	4.03	4.28	4.56
Dividend per share	4.62	4.80	4.92	4.51	4.51	4.60	4.70
Payout ratio %	89%	95%	100%	100%	112%	107%	103%
NNAV per share	61.94	65.17	71.36	71.87	71.63	71.72	72.63
NAV per share	64.12	67.37	71.36	72.61	72.43	72.56	73.51
Balance sheet	2004	2005	2006	2007	2008E	2009E	2010E
Investment property	1,125.4	1,090.0	1,078.4	1,812.9	1,940.1	2,063.7	2,199.2
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	3.7	1.4	0.4	0.0	0.0	0.0	0.0
Other fixed assets	0.0	0.0	0.0	16.2	16.2	16.2	16.2
Total fixed assets	1,129.2	1,091.4	1,078.7	1,829.1	1,956.3	2,079.9	2,215.4
Receivables	10.3	10.3	10.3	8.6	10.0	10.0	10.0
Cash and banks	2.7	9.5	15.0	15.0	15.7	24.4	35.7
Other current assets	10.1	4.5	2.6	44.1	44.2	44.2	44.2
Total current assets	23.1	24.3	27.9	67.7	69.9	78.6	89.9
Total assets	1,152.3	1,115.7	1,106.6	1,896.8	2,026.1	2,158.5	2,305.4
Shareholders' equity	603.8	623.3	660.2	931.9	948.2	945.8	947.6
Minority interests	0.0	0.0	0.0	64.9	65.0	65.0	65.0
Total equity	603.8	623.3	660.2	996.8	1,013.2	1,010.8	1,012.6
Provisions	3.3	5.0	0.0	0.0	0.0	0.0	0.0
Long interest bearing debt	186.8	116.9	357.4	716.6	832.9	967.7	1,112.8
Other long term liabilities	2.5	0.2	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	192.6	122.1	357.4	716.6	832.9	967.7	1,112.8
Short term debt	302.9	315.5	91.4	183.4	180.0	180.0	180.0
Other current liabilities	52.9	54.8	0.0	0.0	0.0	0.0	0.0
Total current liabilities	355.8	370.3	91.4	183.4	180.0	180.0	180.0
Total equity and liabilities	1,152.3	1,115.7	1,109.0	1,896.8	2,026.2	2,158.5	2,305.4
Financing Ratio's	2004	2005	2006	2007	2008E	2009E	2010E
Equity-to-assets %	52.4%	55.9%	59.5%	52.6%	50.0%	46.8%	43.9%
Net gearing %	80.7%	67.8%	65.7%	88.8%	98.4%	111.1%	124.2%
Interest cover	4.4	4.3	4.4	2.5	2.3	2.2	2.1
Valuation	2004	2005	2006	2007	2008E	2009E	2010E
Enterprise value	1,181.6	1,179.8	1,207.7	1,978.9	1,997.6	2,123.6	2,257.4
Market Cap	694.6	756.9	773.9	1,093.9	1,000.3	1,000.3	1,000.3
P/NNAV-1	14.4%	18.5%	10.7%	16.6%	6.9%	6.8%	5.5%
EBITDA/EV	5.6%	5.6%	5.2%	4.5%	4.8%	5.0%	5.1%
Recurring Cash Flow Yield	7.3%	6.5%	6.3%	5.4%	5.3%	5.6%	6.0%
Earnings Yield	6.6%	6.6%	8.6%	9.6%	7.5%	5.3%	5.8%
Dividend Yield %	6.5%	6.2%	6.2%	5.4%	5.9%	6.0%	6.1%

NNAV



■ NNAV

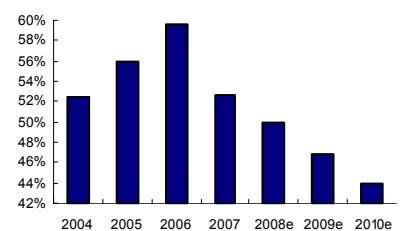
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Beni Stabili

Property ▪ Italy

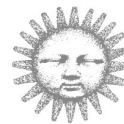
Calm waters

Company profile Beni Stabili is a property investment company with a €4.4bn investment portfolio, of which €3.9bn (88%) is classified as a investment portfolio, while the remaining 12% accounts for Beni Stabili's trading portfolio. Of the total investment portfolio 98% is located in Italy and is mostly (95%) composed of offices, while the remaining 5% is classified as commercial assets. The main subportfolios are the "Imser" sub-portfolio, a €2.0bn sale and leaseback portfolio which is fully leased to Telecom Italia. The last big acquisition was the "Comit" portfolio, which currently accounts for €490m of the company's property investment portfolio. Foncière des Régions (FdR) currently holds 68% of Beni Stabili.

Investment case Through Beni Stabili investors gain access to a good quality and well located Italian office portfolio and a well-connected management team. The company's Imser portfolio is leased until 2021 to Telecom Italia and as such provides stable rental income. Unfortunately this portfolio is effectively indexed at 1.2% and thus rent reversions are well below the CPI and will remain so until 2021. Of Beni Stabili's sub-portfolios the Comit portfolio has the highest potential for rental increases. The average rental income for this portfolio comes out at €140/sqm, while Milan averages currently stand at €250 - €300/sqm. We have pencilled in a 100% rental increase for the next five years.

Developments and outlook Beni Stabili is well on track to reach the €210m rental income forecast for FY07. At 1H07 the company showed a €75m fair value adjustment with an average gross yield of 5.4%. Given the turbulence in the credit market we do not expect further positive revaluations for 2H07, 2008 and 2009. For these years we have pencilled in an annual yield expansion of c25bps, resulting in a 2009 gross yield of c6.1% (including 20bps rental growth) thus reversing the 70bp yield compression we have seen in the past three years. We expect Beni Stabili to see 3% like-for-like rental growth in FY08, of which 1.7% results from the "Comit" portfolio. In order to ready itself for the upcoming SIIQ legislation we believe the company needs to sort out two problems regarding the company's trading portfolio and the FdR stake in Beni Stabili (68%). Since 3Q07 Beni Stabili has owned a €500m trading portfolio. The SIIQ is however geared towards pure property investment companies and thus we anticipate a sell-off of the entire trading portfolio. Although traditionally 4Q07 sees the most transactions we believe it will be a difficult task for the company to meet the last valuation in the current market. Currently FdR owns 68% of Beni Stabili, well above the SIIQ limit of 51%. We understand that FdR is still contemplating a structure for the secondary offering, which we expect will result in pressure on Beni Stabili's share price.

Valuation Our +12M EFV points to €0.93, which implies an Add rating given the 14.4% upside. With a 25%/26% discount to 2007/2008 NNAV Beni Stabili is trading at one of the highest discounts to NNAV, which seems justified by the 1.3%/2.8% recurring cash flow yields which are also at the lower end of our coverage universe.



KEMPEN & CO

Merchant Bank

Rating

ADD

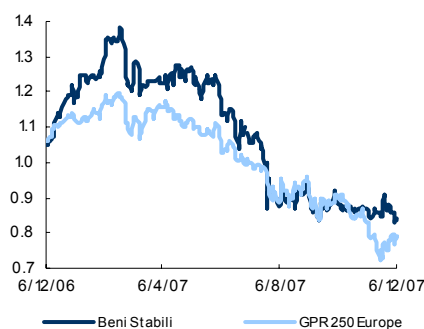
Price target (12m) **€0.93**

Closing price (6 December 2007) **€0.83**

Expected total return **14.4%**

Date **8 December 2007**

BNS IM vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-2.9%	-8.8%	-21.2%
Rel. to GPR 250 Europe	2.3%	8.5%	5.9%

Source: Factset

Company data

52-Week range	€0.83 - 1.40
Market cap	€1,598.83m
Number of shares	1,914.8m
Average daily volume	3.4m
Free float	32%

Company data

Bloomberg / Reuters	BNS IM / BNSI.MI
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Analyst

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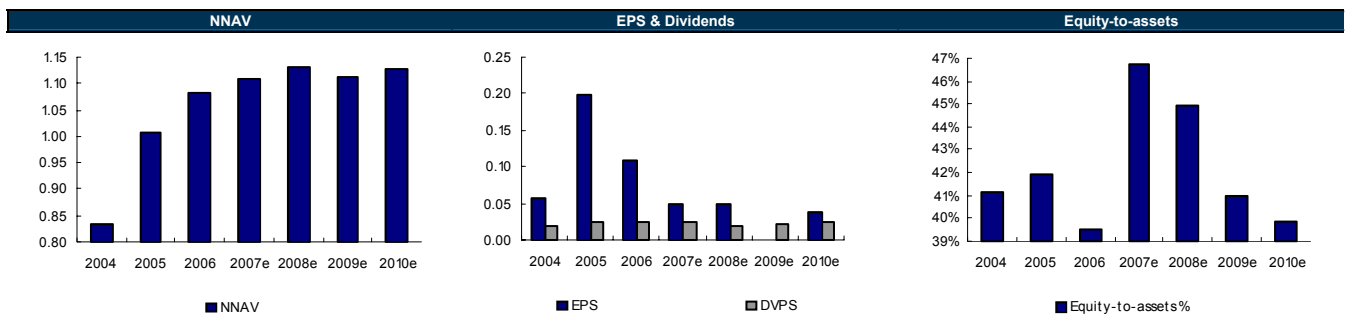
www.kempenresearch.nl

Bloomberg: KEMP <GO>

Beni Stabili

Property ■ Italy

Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	179.8	190.8	200.6	211.2	230.7	259.7	284.1
Operating costs	-17.3	-15.2	-12.1	-20.3	-22.3	-24.9	-26.2
Net rental income	162.6	175.6	188.5	191.0	208.4	234.8	257.9
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-22.3	-23.9	-24.9	-26.5	-28.4	-30.9	-33.1
Other income	27.6	11.2	7.8	5.9	6.1	6.5	6.9
Other costs	-5.8	-5.4	-18.7	-20.6	-22.5	-25.3	-27.6
EBITDA	162.1	157.6	152.7	149.7	163.7	185.2	204.0
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	162.1	157.6	152.7	149.7	163.7	185.2	204.0
Net financial	-88.3	-108.5	-101.5	-118.7	-118.2	-135.0	-143.7
EBT	73.8	49.1	51.3	31.0	45.5	50.2	60.3
Taxes	-59.5	172.2	-29.4	-11.8	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-13.7	-1.0	-1.8	-1.1	-1.7	-1.7	-1.8
Direct investment result	0.6	220.3	20.1	18.2	43.8	48.4	58.6
Sales result	47.2	73.7	36.2	59.3	40.9	13.6	0.0
Revaluation Property	49.9	42.5	264.4	71.6	-117.0	-92.8	24.6
Taxation on revaluation	0.0	0.0	-114.2	-49.7	25.1	26.1	-8.1
Revaluation financial instruments	0.0	0.0	0.0	0.0	106.6	0.0	0.0
Total indirect investment result	97.1	116.2	186.4	81.2	55.7	-53.1	16.5
Net profit	97.7	336.5	206.4	99.3	99.5	-4.6	75.1
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	1,701.8	1,701.8	1,707.8	1,914.8	1,914.8	1,914.8	1,914.8
Average number of shares	1,701.8	1,701.8	1,704.8	1,811.3	1,914.8	1,914.8	1,914.8
Direct investment result per share	0.00	0.13	0.01	0.01	0.02	0.03	0.03
Indirect investment result per share	0.06	0.07	0.09	0.04	0.03	-0.02	0.01
EPS (IFRS)	0.06	0.20	0.11	0.05	0.05	0.00	0.04
CFPS (recurring)	0.00	-0.02	0.01	0.01	0.02	0.03	0.03
Dividend per share	0.02	0.02	0.02	0.03	0.02	0.02	0.03
Payout ratio %	5,435%	-138%	173%	230%	85%	85%	85%
NNAV per share	0.83	1.01	1.08	1.11	1.13	1.11	1.13
NAV per share	1.06	1.11	1.17	1.21	1.11	1.08	1.10
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	3,338.0	3,224.0	4,138.2	4,156.4	4,167.4	4,404.3	4,619.8
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	59.7	50.4	69.3	69.3	69.3	69.3	69.3
Other fixed assets	24.8	10.5	10.5	10.5	10.5	10.5	10.5
Total fixed assets	3,422.5	3,285.0	4,218.0	4,236.2	4,247.2	4,484.1	4,699.6
Receivables	132.8	48.1	149.1	18.1	19.7	22.2	24.2
Cash and banks	149.1	337.7	165.4	68.0	111.7	212.0	216.8
Other current assets	113.9	137.2	125.5	125.5	125.5	125.5	125.5
Total current assets	395.8	523.0	440.0	211.6	256.9	359.6	366.5
Total assets	3,818.2	3,807.9	4,656.0	4,447.7	4,504.1	4,843.7	5,066.1
Shareholders' equity	1,409.5	1,574.8	1,820.3	2,056.1	2,001.1	1,958.8	1,992.9
Minority interests	163.2	21.2	20.3	21.4	23.1	24.8	26.6
Total equity	1,572.6	1,596.0	1,840.6	2,077.5	2,024.2	1,983.7	2,019.5
Provisions	380.1	177.6	197.9	225.1	56.2	1.8	-13.7
Long interest bearing debt	1,770.2	1,689.1	2,379.5	1,906.1	2,183.1	2,615.0	2,815.1
Other long term liabilities	0.0	179.3	118.2	118.2	118.2	118.2	118.2
Total long term liabilities	2,150.3	2,045.9	2,695.6	2,249.4	2,357.5	2,735.1	2,919.6
Short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	95.2	166.0	119.9	120.9	122.5	125.0	127.0
Total current liabilities	95.2	166.0	119.9	120.9	122.5	125.0	127.0
Total equity and liabilities	3,818.2	3,807.9	4,656.1	4,447.7	4,504.1	4,843.7	5,066.1
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	41.2%	41.9%	39.5%	46.7%	44.9%	41.0%	39.9%
Net gearing %	103.1%	84.7%	120.3%	88.5%	102.3%	121.1%	128.7%
Interest cover	1.8	1.5	1.5	1.3	1.4	1.4	1.4
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	2,710.4	2,752.3	3,716.6	3,436.9	3,670.2	4,001.9	4,197.1
Market Cap	1,089.2	1,401.0	1,502.5	1,598.8	1,598.8	1,598.8	1,598.8
P/NNAV-1	-23.3%	-18.2%	-18.7%	-24.7%	-26.2%	-25.0%	-26.0%
EBITDA/EV	6.0%	5.7%	4.1%	4.4%	4.5%	4.6%	4.9%
Recurring Cash Flow Yield	0.1%	-2.1%	1.6%	1.3%	2.8%	3.0%	3.6%
Earnings Yield	9.0%	24.0%	12.3%	5.7%	5.8%	0.1%	4.5%
Dividend Yield %	3.1%	2.9%	2.7%	3.0%	2.4%	2.6%	3.0%



Source: Company Data, Kempen & Co



Transparent corporate governance

Company profile As at 3Q07 CA Immo Group managed a €2.1bn portfolio with the main focus on Austria (37%) and Germany (35%). In addition through its 51% subsidiary CA Immo International, CA Immo has also exposure to 16 standing properties in CEE, reflecting 28% of the total group portfolio value. In 2006 CA Immo acquired a €798m Hessian portfolio in Germany (36 office buildings with the GLA of 450,000sqm, valued at gross yield of 5.1%). From a sector point of view CA Immo portfolio presented by 47% office space, 23% by parking space and c15% - industrial and warehouses.

Investment case We are positive on transparency and internal management of the company. CA Immo is currently one the two Austrian companies within our research universe with the internal management structure which make the company attractive in the relative valuation. In addition, we favour the anticipated dividend policy of CA Immo International (from 2008 onwards). The year 2006 became for the company a year of the growth in Germany. Furthermore, the company is currently in discussions to restructure its German portfolio into a REIT. Last week CA Immo announced acquisition of Vivico Group for a purchase price of €1.03bn. The Vivico Group operates primarily in Germany in the fields of portfolio management, property development and property trading. With its headquarters in Frankfurt, the Group has offices in Berlin, Cologne and Munich. Vivico's portfolio comprises 7.9 million sqm of properties and building rights (the book value of the land and buildings amounted to €511.2m as of the FY06 balance sheet). By acquiring Vivico CA Immo buys c€400m of standing investment properties and a large development pipeline. The company indicated the development gain to be expected between 9 and 9.5%. We, however, believe the purchase price partly include the development gains. The acquisition will be financed by 50% debt (5.5% cost for ST bridge loan). We therefore believe the acquisition to be cash flow dilutive in our forecast period (2008 - 2010).

Developments and outlook The current gross yield on the existing portfolio is approximately 5.7%. Meanwhile the average gross valuation yield incl. recently acquired properties amounts to 6.3%. Given first indications of upward valuation yield adjustment in Germany, we see a certain downside risk for the valuation of the company due to the value depreciation in German portfolio. We apply an yield expansion to CA Immo portfolio in Germany (+90bps), in Austria (20bps).

Valuation The company is currently trading at 29% discount to the last published NNAV of €21.84 (3Q07). However, we expect a negative revaluation in FY08E in German portfolio of CA Immo. We have adjusted our estimates and cost of equity for CA Immo due to higher financing costs and higher development portion in the total portfolio and arrive at a new Price Target of €19.0. The -13% discount in our TP to the €21.84 NNAV is mainly attributable to the downside risk of portfolio value depreciation (especially in Germany). We, however, believe that CA Immo is currently the most attractively valued company in our Austrian research universe due to the clear and transparent corporate structure.

Rating

BUY

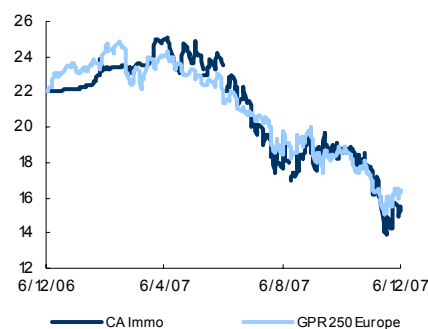
Price target (12m) **€19.0**

Closing price (6 December 2007) **€15.5**

Expected total return **22.6%**

Date **9 December 2007**

CAI AV vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-12.8%	-17.8%	-29.6%
Rel. to GPR 250 Europe	-8.1%	-2.2%	-5.4%

Source: Factset

Company data

52-Week range	€13.90 - 25.15
Market cap	€901.67m
Number of shares	58.2m
Average daily volume	162,267
Free float	90%

Company data

Bloomberg / Reuters CAI AV / CAI.VI

Analyst

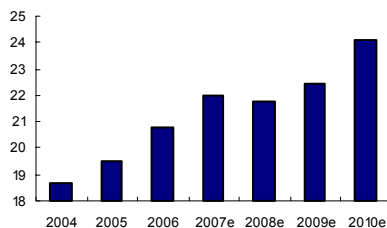
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CA Immo

Property ■ Austria

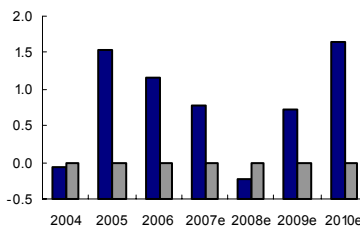
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	36.7	54.5	77.1	123.3	165.9	237.5	313.2
Operating costs	-5.5	-8.6	-10.6	-16.5	-21.6	-30.2	-39.3
Net rental income	31.2	45.9	66.6	106.8	144.4	207.3	273.9
Sales (developments)	0.3	1.2	54.9	15.1	0.0	0.0	0.0
Costs of sales (developments)	-0.3	-1.3	-47.6	-9.4	0.0	0.0	0.0
Sales result (developments)	0.0	-0.1	7.3	5.7	0.0	0.0	0.0
Overhead costs	-6.1	-9.2	-16.4	-26.0	-27.3	-28.6	-30.9
Other income	1.5	1.4	1.7	1.3	9.3	9.0	6.8
Other costs	0.0	0.0	0.0	-0.3	-2.3	-2.3	-1.7
EBITDA	26.7	38.0	59.2	87.5	124.0	185.5	248.2
Depreciation	-0.3	-1.1	-1.5	-2.5	-2.5	-2.5	-2.5
EBIT	26.4	36.9	57.7	85.0	121.5	183.0	245.7
Net financial	-6.8	-12.6	-21.7	-58.4	-86.5	-121.4	-138.1
EBT	19.6	24.3	36.0	26.6	35.0	61.6	107.6
Taxes	2.1	-4.4	-18.6	-4.0	-5.3	-9.2	-16.1
Extraordinary items	4.6	2.0	15.7	22.3	10.7	10.7	10.7
Minorities	0.1	0.1	-6.1	-7.4	1.9	2.0	-3.4
Direct investment result	26.4	22.0	27.1	37.6	42.3	65.1	98.7
Sales result	0.0	0.0	0.0	0.0	4.9	26.3	43.8
Revaluation Property	-28.7	36.7	32.5	47.3	-90.2	-8.4	45.6
Taxation on revaluation	0.0	0.0	0.0	-8.1	23.0	2.9	-11.6
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	-28.7	36.7	32.5	19.6	-62.6	-1.9	44.3
Net profit	-2.2	58.7	59.7	57.2	-20.3	63.2	143.0
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	35.5	43.6	58.2	87.3	87.3	87.3	87.3
Average number of shares	30.9	37.8	51.3	72.7	87.3	87.3	87.3
Direct investment result per share	0.85	0.58	0.53	0.52	0.49	0.75	1.13
Indirect investment result per share	-0.93	0.97	0.63	0.27	-0.72	-0.02	0.51
EPS (IFRS)	-0.07	1.55	1.16	0.79	-0.23	0.72	1.64
CFPS (recurring)	0.85	0.58	0.46	0.48	0.49	0.75	1.13
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payout ratio %	0%	0%	0%	0%	0%	0%	0%
NNAV per share	18.64	19.51	20.77	21.96	21.73	22.45	24.09
NAV per share	19.05	20.20	21.81	22.74	22.25	22.94	24.71
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	651.0	1,078.3	1,227.8	2,359.8	2,958.7	3,777.4	4,235.5
Developments	66.2	79.2	90.5	238.9	628.0	809.3	598.8
Financial fixed assets	0.1	0.0	30.1	47.0	46.5	46.0	45.5
Other fixed assets	4.0	28.1	844.6	51.9	323.3	280.3	244.4
Total fixed assets	721.2	1,185.6	2,192.9	2,697.6	3,956.5	4,913.0	5,124.2
Receivables	9.0	17.0	30.7	41.9	49.1	60.9	72.9
Cash and banks	60.9	70.7	148.3	966.8	226.5	-24.3	-58.3
Other current assets	84.5	40.0	340.9	0.0	0.0	0.0	0.0
Total current assets	154.4	127.7	519.9	1,008.7	275.6	36.5	14.6
Total assets	875.6	1,313.3	2,712.8	3,706.3	4,232.1	4,949.5	5,138.8
Shareholders' equity	631.2	851.3	1,208.1	1,916.3	1,896.0	1,959.1	2,102.1
Minority interests	-0.1	0.0	285.5	312.5	304.9	319.2	347.9
Total equity	631.1	851.3	1,493.6	2,228.8	2,200.9	2,278.3	2,450.0
Provisions	0.2	0.3	0.4	2.8	2.8	2.8	2.8
Long interest bearing debt	149.8	294.8	1,036.3	1,256.6	1,804.6	2,397.0	2,382.4
Other long term liabilities	20.4	35.9	68.4	105.4	82.8	87.8	106.5
Total long term liabilities	170.4	331.0	1,105.1	1,364.8	1,890.2	2,487.6	2,491.7
Short term debt	63.0	105.5	51.2	65.1	89.2	121.8	124.9
Other current liabilities	11.0	25.5	62.9	47.6	51.7	61.8	72.1
Total current liabilities	74.0	131.0	114.1	112.7	141.0	183.6	197.0
Total equity and liabilities	875.6	1,313.3	2,712.8	3,706.3	4,232.1	4,949.5	5,138.8
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	72.1%	64.8%	55.1%	60.1%	52.0%	46.0%	47.7%
Net gearing %	24.1%	38.7%	62.9%	15.9%	75.8%	111.6%	104.7%
Interest cover	3.9	3.0	2.7	1.5	1.4	1.5	1.8
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	845.3	1,228.2	2,187.5	1,707.4	3,019.8	3,895.7	3,918.2
Market Cap	693.4	898.6	1,248.3	1,352.5	1,352.5	1,352.5	1,352.5
P/NNAV-1	4.6%	5.6%	3.3%	-29.4%	-28.7%	-31.0%	-35.7%
EBITDA/EV	3.2%	3.1%	2.7%	5.1%	4.1%	4.8%	6.3%
Recurring Cash Flow Yield	4.4%	2.8%	2.1%	3.1%	3.1%	4.8%	7.3%
Earnings Yield	-0.4%	7.5%	5.4%	5.1%	-1.5%	4.7%	10.6%
Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

NNAV



■ NNAV

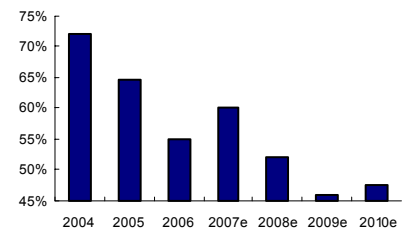
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Masters in upgrading property

Company profile Castellum's portfolio of SEK 26.7bn (€2.9bn) comprises offices (53%), retail (13%), logistic properties (31%) with the remainder in developments. The portfolio which is spread over five regions in Sweden and is actively managed by six local subsidiaries (of which two in the Gothenburg area) with the aim of being closer to the market enabling to do the smaller and higher yielding deals in the market overseen by the larger investors. Currently the company has an LTV which provides a war-chest of at least another SEK 8.0bn. The openness of the management and the healthy business case is highly appreciated.

Investment case Management is able to recycle capital effectively by acquiring (partly) vacant properties, repositioning them into a higher segment of the market and selectively selling them off as mature properties. A strong driver for Castellum's CF growth is that we assume Castellum will have a reduced vacancy on the standing portfolio from currently 12% to 8% by FY09. We calculate annual CFPS growth of 6.6% over FY08-FY10. We assume NNAV growth per annum of 1.7% over FY08-FY10, mainly fuelled by development and retained profits which is partly offset by yield expansion. We calculate a theoretical net yield for the retail/office properties of 7.1% in FY09 (FY07E: 6.7%), and a theoretical net yield for logistic properties of 8.3% in FY09 (FY07E: 8.1%). The yield expansion exceeds the rental growth on the portfolio.

Developments and outlook We anticipate marked rental growth in the CBD and established business districts in Sweden. We have spoken to several brokers and they expect marginal rental growth for FY08-FY10 on Castellum's properties, as most of Castellum's properties are located outside the CBDs (this does not hold for Stockholm). Castellum's land-bank currently amounts to 700,000 sqm of which one-third has planning permission. We expect Castellum to invest approximately SEK 600m per annum as from FY08. The expected net yield on cost is 9.0% and following completion management indicated that the average valuation yield was expected to come out at 7.2%. We anticipate Castellum's FY08-10 development pipeline will be NNAV accretive for SEK 1.65 per share. We like Castellum's deal-making capacity and the fact the company is still in a position to make acquisitions with a theoretical net yield of 8.0% (partly vacant properties). Going forward we assume Castellum will invest SEK 1.5bn at an average net yield of 8.0% and dispose of SEK 0.5bn per annum. We do not expect a Swedish-REIT in the near future, a driver for initiating a REIT would be fuelled if a REIT comes through in Finland. There is little need for a REIT as Swedish legislation leaves plenty of room for tax deductions, so that the effective future tax-rate on the CF is expected to be between 5% and 10% (Swedish tax-rate 28%).

Valuation We calculate a 08E CF yield of 6.7% for Castellum (European average 5.9%). Although this is above European averages, we believe this will compensate for the higher risk properties that Castellum owns. Castellum is trading at an above average 08E P/NNAV of 5.9%, however at a below European average 17.0% discount to its 08E NAV. We have decreased our +12M EFV to SEK 72 (was: SEK 76), indicating a total return of 4.4%. We upgrade the stock to Neutral from Reduce.

Rating

NEUTRAL

(Upgrade from REDUCE)

Price target (12m)

SEK72.0

Closing price (6 December 2007)

SEK71.8

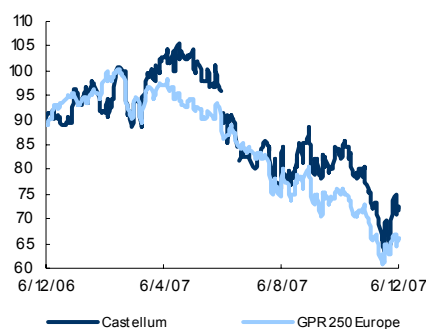
Expected total return

4.4%

Date

8 December 2007

CAST SS vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-5.3%	-15.6%	-19.4%
Rel. to GPR 250 Europe	-0.2%	0.4%	8.4%

Source: Factset

Company data

52-Week range	SEK63.25 - 105.50
Market cap	SEK11,767.00m
Number of shares	164.0m
Average daily volume	556,079
Free float	94%

Company data

Bloomberg / Reuters	CAST SS / CAST.ST
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Analyst

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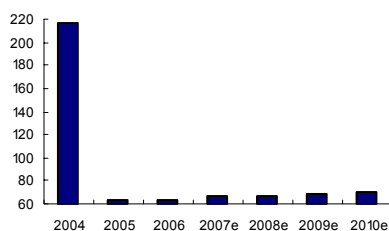
Bloomberg: KEMP <GO>

Castellum

Property ■ Sweden

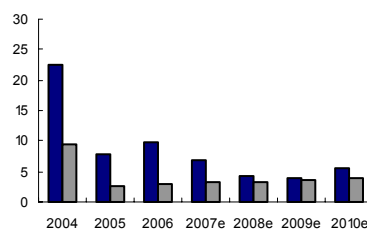
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	1,856.0	1,907.0	2,014.0	2,228.5	2,486.1	2,692.1	2,939.4
Operating costs	-625.0	-637.0	-700.0	-735.7	-798.0	-854.4	-912.4
Net rental income	1,231.0	1,270.0	1,314.0	1,492.8	1,688.2	1,837.7	2,027.0
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-68.0	-68.0	-67.0	-76.6	-85.2	-93.1	-102.3
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	1,163.0	1,202.0	1,247.0	1,416.2	1,603.0	1,744.5	1,924.7
Depreciation	-4.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1,159.0	1,202.0	1,247.0	1,416.2	1,603.0	1,744.5	1,924.7
Net financial	-418.0	-382.0	-364.0	-537.5	-748.7	-836.4	-925.4
EBT	741.0	820.0	883.0	878.8	854.3	908.2	999.3
Taxes	0.0	-1.0	-10.0	-13.2	-64.1	-68.1	-99.9
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	741.0	819.0	873.0	865.6	790.2	840.1	899.4
Sales result	89.0	71.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	571.0	861.0	1,062.0	731.6	-136.7	-293.6	30.2
Taxation on revaluation	-339.0	-417.0	-522.0	-456.0	58.3	113.2	-0.1
Revaluation financial instruments	-146.0	-40.0	178.0	0.0	0.0	0.0	0.0
Total indirect investment result	175.0	475.0	718.0	275.5	-78.3	-180.3	30.1
Net profit	916.0	1,294.0	1,591.0	1,141.1	711.9	659.8	929.5
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	41.0	164.0	164.0	164.0	164.0	164.0	164.0
Average number of shares	41.0	164.0	164.0	164.0	164.0	164.0	164.0
Direct investment result per share	18.07	4.99	5.32	5.28	4.82	5.12	5.48
Indirect investment result per share	4.27	2.90	4.38	1.68	-0.48	-1.10	0.18
EPS (IFRS)	22.34	7.89	9.70	6.96	4.34	4.02	5.67
CFPS (recurring)	18.17	4.99	5.32	5.28	4.82	5.12	5.48
Dividend per share	9.50	2.63	2.88	3.13	3.38	3.63	3.88
Payout ratio %	52%	53%	54%	59%	70%	71%	71%
NNAV per share	216.98	63.82	62.77	66.52	67.73	68.38	70.42
NAV per share	205.52	68.90	79.04	85.56	86.42	86.38	88.43
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	19,449.0	21,270.0	24,238.0	27,409.6	28,792.9	30,017.4	31,565.1
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	2.0	14.0	13.0	14.0	14.0	14.0	14.0
Other fixed assets	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	19,458.0	21,284.0	24,251.0	27,423.6	28,806.9	30,031.4	31,579.1
Receivables	85.0	89.0	187.0	86.9	86.9	86.9	86.9
Cash and banks	7.1	5.0	8.0	686.4	1,174.0	1,718.7	2,291.1
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	92.1	94.0	195.0	773.3	1,260.9	1,805.6	2,378.0
Total assets	19,550.1	21,378.0	24,446.0	28,196.8	30,067.8	31,837.0	33,957.1
Shareholders' equity	8,035.1	8,940.0	10,184.0	10,853.6	11,053.0	11,159.3	11,494.3
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	8,035.1	8,940.0	10,184.0	10,853.6	11,053.0	11,159.3	11,494.3
Provisions	1,659.0	2,126.0	2,723.0	3,179.0	3,120.7	3,007.4	3,007.5
Long interest bearing debt	8,834.0	9,396.0	10,837.0	13,478.2	15,208.1	16,984.3	18,769.2
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	10,493.0	11,522.0	13,560.0	16,657.2	18,328.7	19,991.7	21,776.7
Short term debt	631.0	683.0	647.0	631.0	631.0	631.0	631.0
Other current liabilities	391.0	233.0	55.0	55.0	55.0	55.0	55.0
Total current liabilities	1,022.0	916.0	702.0	686.0	686.0	686.0	686.0
Total equity and liabilities	19,550.1	21,378.0	24,446.0	28,196.8	30,067.7	31,837.0	33,957.0
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	41.1%	41.8%	41.7%	38.5%	36.8%	35.1%	33.8%
Net gearing %	117.7%	112.7%	112.7%	123.7%	132.7%	142.5%	148.8%
Interest cover	2.8	3.1	3.4	2.6	2.1	2.1	2.1
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	11,399.2	21,294.5	24,353.2	25,189.8	26,432.0	27,663.6	28,876.2
Market Cap	1,941.3	11,220.5	12,877.2	11,767.0	11,767.0	11,767.0	11,767.0
P/NNAV-1	-78.2%	7.2%	25.1%	7.9%	5.9%	4.9%	1.9%
EBITDA/EV	10.2%	5.6%	5.1%	5.6%	6.1%	6.3%	6.7%
Recurring Cash Flow Yield	38.4%	7.3%	6.8%	7.4%	6.7%	7.1%	7.6%
Earnings Yield	47.2%	11.5%	12.4%	9.7%	6.0%	5.6%	7.9%
Dividend Yield %	20.1%	3.8%	3.7%	4.4%	4.7%	5.1%	5.4%

NNAV



■ NNAV

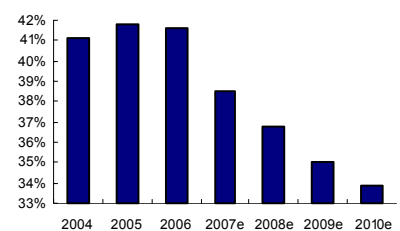
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Increased focus on quality assets

Company profile Citycon owns a retail portfolio of €2.5bn which comprises both shopping centres (83%) and supermarkets (17%). Citycon focuses on Finland (71%), Sweden (24%) and the Baltics (5%) and has a committed pipeline of €340m and uncommitted development pipeline of between €300-400m. Management intends to increase the quality of its tenants due to the acquisition of Citycon's flagship (Iso Omena). After the last acquisition the management sees fewer opportunities to grow its portfolio by acquiring existing properties, they announced that the emphasis would be on developments. Gazit-Globe holds a 39% stake in Citycon.

Investment case We believe Citycon's portfolio is the best way to get exposure to the Swedish, Finnish and Baltics retail markets. We expect the CFPS to grow by a strong 12% per annum, this is fuelled by strong reversionary potential and post YE07 development completions. The rental levels for Citycon's standing portfolio have increased by 9.1% y-o-y at 9M07 for like-for-like properties. This is due to a reversionary potential in the terminated leases, as the amended contracts will include a turnover-based component. We calculate applying a rental uplift of 3.5% for FY08-10. Citycon's retail portfolio is valued at a net yield of 5.7% which we think is rock-bottom. Future NNAV growth comes from its €340m development pipeline (and uncommitted pipeline), we anticipate annual NNAV growth of 3.1%. We expect a yield expansion on the portfolio of 25bps per annum for FY08 and FY09; however we calculate with a flat revaluation result on the standing portfolio due to an expected rental growth of 3.5% which will offset the negative impact of yield expansion.

Developments and outlook Within Citycon's current markets (Finland, Sweden and the Baltics) we do not foresee many opportunities to add value through acquisitions due to the low acquisition yields. This is the reason why Citycon has increased its focus towards new retail developments. Additionally, we would not be surprised if Citycon decided to enter Russia (St. Petersburg) in the near future. We expect Citycon to benefit from the favourable consumer spending outlook for the Finnish, Swedish and Baltics markets. The 08E consumer spending for Sweden is 2.8%, Finland 3.0% and Baltic States 9.0%. Citycon's committed development pipeline amounts to €340m, while the company also has an uncommitted pipeline of between €300m and €400m. Going forward we expect €100m on development spends for FY08-09 and €125m thereafter. In addition, we calculate using an average development profit of 15%, even though average construction costs have increased by 6% y-o-y in Finland. We would like Citycon to dispose of its 1,000 residential units to lock-in capital gains on non-core activities and to use the proceeds for its core business.

Valuation Although the 08E CF yield of 5.1% is lower compared to the European average (5.7%). After 2008 we foresee strong future CF growth, while additionally we expect the company to make €49m of development profits over FY08-FY10. Moreover, Citycon is trading at a 11% discount to its latest published 9M07 NNAV. Therefore we perceive Citycon as an attractive growth stock. Our +12M EFV of €4.4 indicates a total return of 13.2%. We reiterate our Add rating.

Rating

ADD

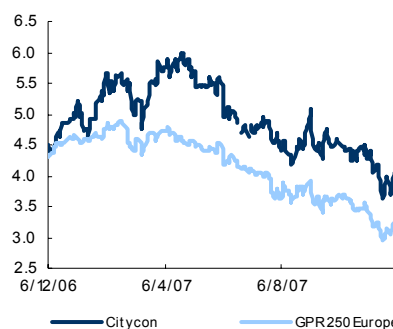
Price target (12m) **€4.40**

Closing price (6 December 2007) **€4.01**

Expected total return **13.2%**

Date **8 December 2007**

CTY1S FH vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-5.9%	-19.3%	-7.3%
Rel. to GPR 250 Europe	-0.8%	-4.0%	24.6%

Source: Factset

Company data

52-Week range	€3.64 - 5.86
Market cap	€885.24m
Number of shares	220.8m
Average daily volume	554,889
Free float	61%

Company data

Bloomberg / Reuters	CTY1S FH / CTYYF.PK
Next announcement	14 February 2008
	9m 2007 Results

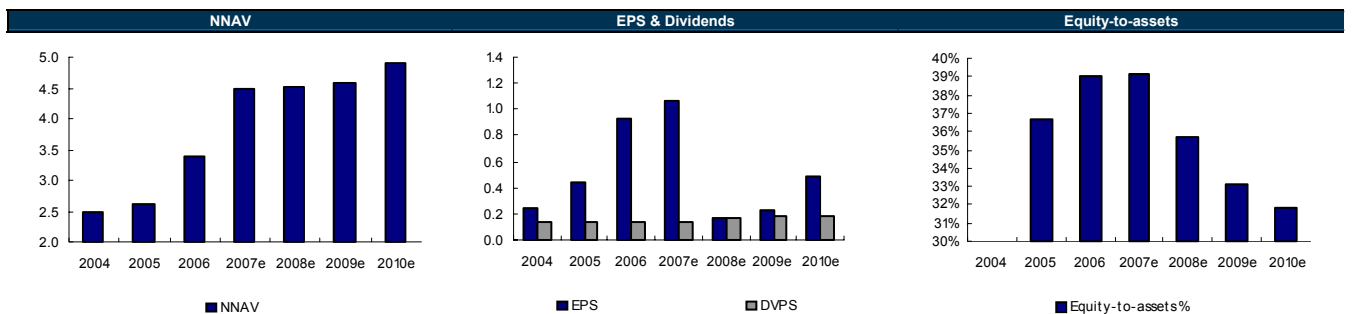
Analyst

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Citycon

Property ■ Finland

Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	84.7	92.2	119.4	152.8	199.7	225.7	253.0
Operating costs	-22.5	-26.3	-36.0	-45.4	-54.3	-58.6	-62.5
Net rental income	62.2	65.9	83.4	107.4	145.4	167.2	190.5
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	0.0	0.0	0.0	-17.0	-19.1	-20.1	-21.3
Other income	0.7	0.3	0.6	0.0	0.0	0.0	0.0
Other costs	-5.1	-7.0	-13.5	0.0	0.0	0.0	0.0
EBITDA	57.8	59.2	70.5	90.4	126.3	147.0	169.2
Depreciation	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0
EBIT	57.6	59.0	70.5	90.4	126.3	147.0	169.2
Net financial	-26.1	-31.1	-30.9	-46.8	-74.0	-87.3	-102.8
EBT	31.5	27.9	39.6	43.6	52.3	59.7	66.5
Taxes	-3.1	-5.2	-5.8	-8.7	-7.3	-8.4	-9.3
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	28.4	22.7	33.8	34.9	45.0	51.4	57.1
Sales result	0.0	0.3	4.3	0.0	0.0	0.0	0.0
Revaluation Property	0.0	45.9	120.1	214.6	0.7	9.4	70.3
Taxation on revaluation	-0.7	-9.1	-31.8	-42.9	-0.1	-1.5	-11.2
Revaluation financial instruments	0.0	0.0	0.0	0.0	-8.2	-8.1	-8.3
Total indirect investment result	-0.7	37.1	92.6	171.7	-7.6	-0.2	50.8
Net profit	27.7	59.8	126.4	206.5	37.4	51.1	107.9
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	116.1	136.4	167.4	220.9	220.9	220.9	220.9
Average number of shares	116.1	136.4	136.4	194.0	220.9	220.9	220.9
Direct investment result per share	0.24	0.17	0.25	0.16	0.20	0.23	0.26
Indirect investment result per share	-0.01	0.27	0.68	0.88	-0.03	0.00	0.23
EPS (IFRS)	0.24	0.44	0.93	1.06	0.17	0.23	0.49
CFPS (recurring)	0.24	0.16	0.25	0.18	0.20	0.23	0.26
Dividend per share	0.14	0.14	0.14	0.14	0.16	0.18	0.19
Payout ratio %	58%	85%	56%	78%	79%	77%	73%
NNAV per share	2.48	2.63	3.38	4.49	4.51	4.59	4.91
NAV per share	1.95	2.63	3.38	4.87	4.88	4.95	5.31
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	738.7	956.8	1,448.5	2,478.1	2,728.8	2,990.9	3,339.7
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	2.1	0.8	4.8	4.8	4.8	4.8	4.8
Total fixed assets	740.8	957.6	1,453.3	2,482.9	2,733.6	2,995.7	3,344.5
Receivables	4.3	9.9	11.8	11.8	11.8	11.8	11.8
Cash and banks	7.9	15.6	21.3	42.4	43.7	47.0	54.2
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	12.2	25.5	33.1	54.2	55.5	58.8	66.0
Total assets	753.0	983.1	1,486.4	2,537.0	2,789.1	3,054.5	3,410.5
Shareholders' equity	226.0	360.2	565.3	992.7	997.1	1,013.1	1,085.0
Minority interests	0.0	0.0	15.0	0.0	0.0	0.0	0.0
Total equity	226.0	360.2	580.3	992.7	997.1	1,013.1	1,085.0
Provisions	3.0	5.8	40.4	82.6	80.3	79.8	88.6
Long interest bearing debt	493.5	542.7	731.3	1,327.4	1,577.3	1,827.1	2,102.4
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	493.5	542.7	731.3	1,327.4	1,577.3	1,827.1	2,102.4
Short term debt	30.5	74.4	134.4	134.4	134.4	134.4	134.4
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	30.5	74.4	134.4	134.4	134.4	134.4	134.4
Total equity and liabilities	753.0	983.1	1,486.4	2,537.0	2,789.1	3,054.5	3,410.5
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	30.0%	36.6%	39.0%	39.1%	35.8%	33.2%	31.8%
Net gearing %	228.4%	167.0%	145.5%	143.0%	167.3%	189.0%	201.2%
Interest cover	2.2	1.9	2.3	1.9	1.7	1.7	1.6
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	730.8	976.3	1,465.1	2,305.2	2,553.7	2,800.2	3,068.3
Market Cap	214.7	374.8	620.7	885.7	885.7	885.7	885.7
P/NNAV-1	-25.5%	4.6%	9.8%	-10.8%	-11.2%	-12.6%	-18.4%
EBITDA/EV	7.9%	6.1%	4.8%	3.9%	4.9%	5.3%	5.5%
Recurring Cash Flow Yield	13.1%	6.0%	6.7%	4.5%	5.1%	5.8%	6.5%
Earnings Yield	12.9%	16.0%	25.0%	26.5%	4.2%	5.8%	12.2%
Dividend Yield %	7.6%	5.1%	3.8%	3.5%	4.0%	4.5%	4.7%



Source: Company Data, Kempen & Co



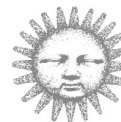
Successful in reallocating its capital

Company profile Cofinimmo's portfolio of €2.9bn comprises offices (78.5%), pubs (14.0%) and retirement homes (7.5%). Cofinimmo focuses on properties with long-term lease contracts with a secure and index-linked CF, while financing it with long-term debt. Currently, the portfolio has an above market average occupancy rate of 96%. Cofinimmo has increased its LTV to 51% after the InBev acquisition. Going forward we expect the management to become more active on acquisitions and thereby expect Cofinimmo to increase its leverage towards an LTV of 60% in YE09.

Investment case We believe that Cofinimmo is a safe diversification to the Belgian real-estate market, as the downside is limited while the company's CF yield is above the European average. We think that Cofinimmo's risk profile is amongst the lowest in Europe, due to its high exposure to grade A commercial real estate (mainly offices) and the long average duration of the leases (approximately 11yrs). Although the company will not jeopardize its low-risk profile we feel that the management will increase the future return by effectively recycling its capital by the disposal of its non-core office properties. Although nursing homes and pubs bear no relation to office properties, rental contracts and risk profiles are well comparable as each has an equal average lease-length of 27 years (index-linked), a similar long-term debt and approximately the same CAPEX structure. Moreover, Cofinimmo still has 79% exposure to offices which is not expected to fall below 70%. We assume a modest annual CFPS growth of 2% over FY08-10. Currently the portfolio is valued at a net yield of 5.9%, which at present seems fair. However, we expect 40bps yield expansion in the near future. We expect the NNAV to be flat for FY08-10.

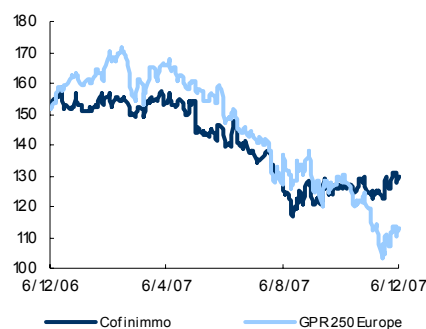
Developments and outlook We expect marginal rental growth in the Brussels office market since prices will come under pressure. This is due to: i.) an increase in the total supply of offices by 5.8% from 12.0 million sqm to 12.7 million sqm at YE09E, and ii.) the high vacancies in the Brussels periphery (21%). Going forward we calculate applying 3% rental growth for Cofinimmo's assets in the CBD and the rental growth on other assets to be in line with indexation. We assume Cofinimmo to benefit from the expected change in the Brussels real-estate market from a seller's to a buyer's market, since management is already seeing fewer active bidders in the market. We anticipate Cofinimmo will increase its current LTV of 51% to 60% and annually invest €300m. We foresee Cofinimmo bidding for four potential Belgian PPP's (a school, prison, social housing and/or nursing home portfolio).

Valuation We expect Cofinimmo to generate a healthy 07E CF yield of 5.9% and 6.1% for 08E, which we perceive as attractive for Cofinimmo's low-risk profile. The management announced its intention to pay out €7.75 dividend per share reflecting an above European average 6.0% dividend yield for 2007. Our +12M EFV of €128 per share indicates a total return of 4.7%. We downgrade the stock to Neutral from Add.



Rating	NEUTRAL (Downgrade from ADD)
Price target (12m)	€128.0
Closing price (6 December 2007)	€129.7
Expected total return	4.7%
Date	8 December 2007

COFIT BB vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	4.4%	3.0%	-14.6%
Rel. to GPR 250 Europe	10.0%	22.5%	14.8%

Source: Factset

Company data	
52-Week range	€116.95 - 158.50
Market cap	€1,452.53m
Number of shares	11.2m
Average daily volume	22,014
Free float	83%

Company data	
Bloomberg / Reuters	COFIT BB / COFit.BR
Next announcement	14 February 2008
	FY 2007 Results

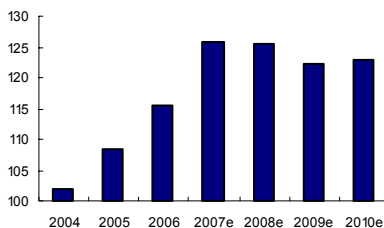
Analyst	Robert Woerdeman +31 (0)20 348 8458 rwoe@kempen.nl
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Cofinimmo

Property ■ Belgium

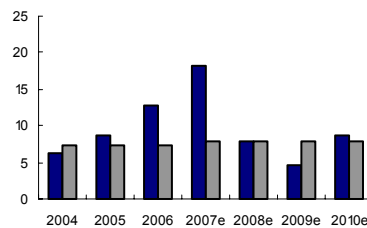
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	132.1	146.7	146.6	156.3	200.5	222.2	244.3
Operating costs	-19.4	-21.5	-21.9	-23.7	-28.2	-30.5	-32.9
Net rental income	112.7	125.3	124.7	132.7	172.3	191.7	211.4
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-6.8	-6.1	-4.6	-6.7	-7.0	-7.3	-7.7
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	105.9	119.2	120.1	125.9	165.3	184.4	203.7
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	105.9	119.2	120.1	125.9	165.3	184.4	203.7
Net financial	-21.9	-23.1	-23.4	-37.7	-74.5	-91.4	-108.3
EBT	84.0	96.1	96.7	88.2	90.8	93.0	95.4
Taxes	-1.6	-3.0	-2.9	-1.8	-1.8	-1.9	-1.9
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	82.4	93.1	93.8	86.4	89.0	91.1	93.5
Sales result	0.0	0.0	13.5	0.0	0.0	0.0	0.0
Revaluation Property	-11.5	3.2	35.7	116.8	-1.5	-38.4	3.3
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	-11.5	3.2	49.2	116.8	-1.5	-38.4	3.3
Net profit	70.9	96.3	143.0	203.3	87.5	52.7	96.8
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Average number of shares	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Direct investment result per share	7.36	8.30	8.36	7.70	7.93	8.12	8.33
Indirect investment result per share	-1.03	0.28	4.38	10.41	-0.13	-3.43	0.30
EPS (IFRS)	6.33	8.58	12.74	18.12	7.80	4.70	8.63
CFPS (recurring)	7.36	8.30	8.36	7.70	7.93	8.12	8.33
Dividend per share	7.30	7.35	7.40	7.75	7.80	7.85	7.90
Payout ratio %	99%	89%	89%	101%	98%	97%	95%
NNAV per share	102.08	108.54	115.38	125.77	125.63	122.37	123.01
NAV per share	102.08	108.54	116.40	127.12	127.13	124.00	124.79
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	2,059.8	2,270.7	2,303.0	3,030.1	3,366.6	3,663.1	3,999.5
Developments	122.1	40.2	41.8	41.8	41.8	41.8	41.8
Financial fixed assets	15.7	10.8	164.7	91.6	91.6	91.6	91.6
Other fixed assets	12.4	10.9	12.5	12.5	12.5	12.5	12.5
Total fixed assets	2,210.0	2,332.6	2,522.0	3,176.0	3,512.4	3,809.0	4,145.4
Receivables	5.9	15.5	29.2	15.5	15.5	15.5	15.5
Cash and banks	0.4	16.3	15.3	101.4	118.2	138.5	163.1
Other current assets	34.9	41.7	41.7	41.7	41.7	41.7	41.7
Total current assets	41.2	73.4	86.2	158.6	175.4	195.7	220.3
Total assets	2,251.2	2,406.1	2,608.2	3,334.6	3,687.9	4,004.7	4,365.7
Shareholders' equity	1,143.3	1,217.9	1,306.0	1,426.3	1,426.4	1,391.3	1,400.1
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	1,143.3	1,217.9	1,306.0	1,426.3	1,426.4	1,391.3	1,400.1
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long interest bearing debt	678.4	649.6	809.4	1,375.4	1,728.5	2,080.5	2,432.6
Other long term liabilities	47.6	26.6	38.8	26.0	26.0	26.0	26.0
Total long term liabilities	726.0	676.2	848.2	1,401.4	1,754.5	2,106.5	2,458.6
Short term debt	315.5	420.6	367.6	420.6	420.6	420.6	420.6
Other current liabilities	66.4	91.4	86.4	86.4	86.4	86.4	86.4
Total current liabilities	381.8	512.0	454.0	507.0	507.0	507.0	507.0
Total equity and liabilities	2,251.2	2,406.1	2,608.2	3,334.6	3,687.9	4,004.7	4,365.7
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	50.8%	50.6%	50.1%	42.8%	38.7%	34.7%	32.1%
Net gearing %	86.9%	86.5%	88.9%	118.8%	142.4%	169.8%	192.1%
Interest cover	4.8	5.2	5.1	3.3	2.2	2.0	1.9
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	2,274.3	2,493.7	2,719.8	3,149.7	3,486.0	3,817.7	4,145.2
Market Cap	1,280.9	1,439.7	1,558.1	1,455.1	1,455.1	1,455.1	1,455.1
P/NNAV-1	12.0%	18.2%	20.4%	3.1%	3.2%	6.0%	5.4%
EBITDA/EV	4.7%	4.8%	4.4%	4.0%	4.7%	4.8%	4.9%
Recurring Cash Flow Yield	6.4%	6.5%	6.0%	5.9%	6.1%	6.3%	6.4%
Earnings Yield	5.5%	6.7%	9.2%	14.0%	6.0%	3.6%	6.7%
Dividend Yield %	6.4%	5.7%	5.3%	6.0%	6.0%	6.1%	6.1%

NNAV



■ NNAV

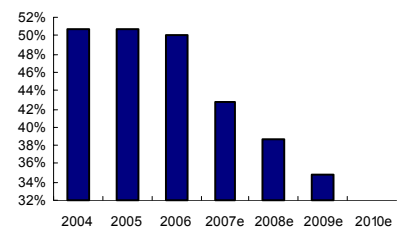
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



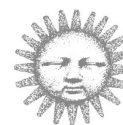
Start to perform

Company profile conwert is a specialized residential investor that creates value by hands-on management of under-managed residential blocks/apartments or blocks with significant development potential. The total portfolio value as of 3Q07 amounted to €2.1bn, of which approximately €278.5m was attributable to the trading portfolio stated at cost value on the balance sheet. The main focus of conwert is on Austria (57% of the total portfolio value) and Germany (39%). In addition conwert owns 44 properties in CEE (4% of the portfolio value in Cz/Hun/Slov). conwert is currently internalizing its management structure by acquisition of 25 real estate service and management companies. The total transaction price is €216m and is financing by 40% equity and 60% debt.

Investment case We still believe that the portfolio value is far below market value. The sale margins are evidence of the underlying assets' value. We expect the sales margin for FY07E to be 20%. However, due to the faster recycling of the portfolio on account of the fact that the company intends to speed up the sales volumes to 15% per year (vs our expectation of 12.5% per year), we have lowered the sales margin going forward (FY08E: 18%, FY09E: 17%, FY10E: 16%). We have included income generated by newly acquired companies in our model. The main contribution to the total turnover is expected to come from RE service companies (bought from WienerPrivatbank) and the conwert management company. We expect the most profitable companies to be both the conwert and the ECO management. We expect earnings from all 25 RE companies to grow by an annual rate above 4% which is more conservative than that of the management (10% to 15%).

Developments and outlook We assume conwert will invest up to €500m per year. Management indicated that annual appreciation of the investment properties to be at least 2% to 3% (due to indexation). We keep valuation yields flat in 2008 and have slightly increased our assumptions on acquisition yields from 2009 onwards: Austria from 3.8% to 4.1%, Germany from 7.5% to 7.8% and CEE from 6.4% to 6.6%. We therefore believe that the revaluation result on the portfolio will be much lower in FY09E (1%) and FY10E(1%) than the revaluation result in FY07E(6.2%) and FY08E(3.9%).

Valuation The company stated that the goodwill would not be written off from the NAV. Nevertheless we believe that in order to make the company comparable to internally managed companies we have to apply a -€2.5 discount to conwert's NNAV. We therefore start the calculation of conwert's EFV with an adjusted NNAV of €12.23 (taking into account the discount) and arrive at a lower TP of €14.5 (previously we started our valuation at €14.76 NNAV). The company is currently trading at 26% discount to €15.52 3Q07 NNAV. We see additional value in conwert as we think the portfolio is undervalued. We however do not expect the NAV to rise to €19.89 management indicated reflecting all hidden reserves, as it will take years to entirely sell the portfolio capturing the on average more than 20% upside. Our PT implies 26.5% upside; we therefore reiterate our Buy rating.



Rating

BUY

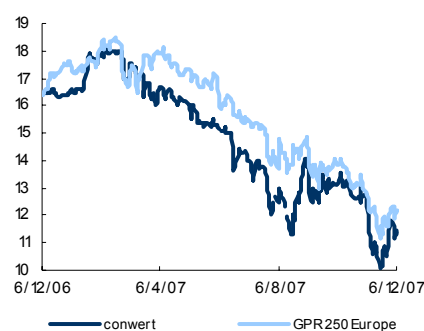
Price target (12m) **€14.5**

Closing price (6 December 2007) **€11.5**

Expected total return **26.5%**

Date **9 December 2007**

CWI AV vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-9.3%	-17.2%	-30.2%
Rel. to GPR 250 Europe	-4.5%	-1.5%	-6.1%

Source: Factset

Company data

52-Week range	€10.05 - 18.13
Market cap	€978.22m
Number of shares	85.4m
Average daily volume	260,750
Free float	93%

Company data

Bloomberg / Reuters	CWI AV / CWI.VI
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Analyst

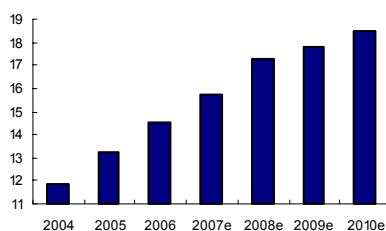
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conwert

Property ■ Austria

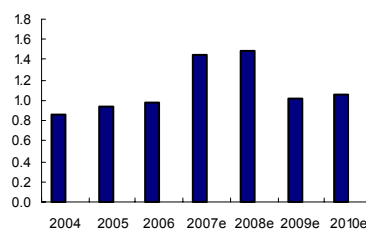
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	18.5	37.1	79.5	102.2	127.4	154.7	181.9
Operating costs	-7.4	-13.6	-30.5	-39.2	-48.9	-59.3	-69.8
Net rental income	11.1	23.5	49.0	63.0	78.5	95.3	112.1
Sales (developments)	26.4	68.2	185.5	317.3	360.9	386.3	408.6
Costs of sales (developments)	-23.0	-56.6	-153.4	-263.4	-304.8	-329.1	-351.2
Sales result (developments)	3.4	11.7	32.0	53.9	56.1	57.1	57.4
Overhead costs	-5.3	-9.2	-24.7	-36.6	-45.8	-51.2	-56.2
Other income	1.5	2.0	2.8	3.1	3.8	4.6	5.5
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	10.6	28.0	59.2	83.3	92.6	106.0	118.8
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	10.6	27.9	59.2	83.3	92.6	106.0	118.8
Net financial	-7.7	-12.5	-27.6	-38.1	-52.7	-62.2	-74.6
EBT	2.9	15.5	31.5	45.2	39.9	43.7	44.2
Taxes	-3.7	-8.9	-14.0	-11.3	-10.0	-10.9	-11.0
Extraordinary items	0.0	0.7	0.2	0.0	36.3	37.1	37.7
Minorities	0.0	-0.2	0.2	-1.5	-1.5	-1.5	-1.5
Direct investment result	-0.9	7.1	17.9	32.4	64.7	68.4	69.3
Sales result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	9.9	17.6	45.2	100.6	82.2	24.7	27.2
Taxation on revaluation	0.0	0.0	-11.3	-25.2	-20.5	-6.2	-6.8
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	9.9	17.6	33.9	75.5	61.6	18.5	20.4
Net profit	9.1	24.7	51.8	107.9	126.4	86.9	89.7
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	16.3	39.1	58.7	85.4	85.4	85.4	85.4
Average number of shares	10.6	26.1	53.3	74.2	85.4	85.4	85.4
Direct investment result per share	-0.08	0.27	0.34	0.44	0.76	0.80	0.81
Indirect investment result per share	0.94	0.67	0.64	1.02	0.72	0.22	0.24
EPS (IFRS)	0.86	0.95	0.97	1.45	1.48	1.02	1.05
CFPS (recurring)	-0.08	0.27	0.34	0.44	0.76	0.80	0.81
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payout ratio %	0%	0%	0%	0%	0%	0%	0%
NNAV per share	11.88	13.20	14.49	15.76	17.24	17.83	18.45
NAV per share	12.58	13.48	15.03	16.42	18.14	18.81	19.50
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	489.0	911.8	1,673.4	2,137.9	2,465.8	2,719.9	2,960.6
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	2.9	104.6	27.9	99.4	109.3	120.3	132.3
Other fixed assets	0.9	1.0	0.6	216.8	216.8	216.8	216.8
Total fixed assets	492.8	1,017.5	1,701.9	2,454.1	2,791.9	3,056.9	3,309.7
Receivables	5.4	50.3	73.4	51.1	63.7	77.3	90.9
Cash and banks	20.9	9.4	113.7	184.6	147.7	55.0	37.9
Other current assets	10.1	16.4	33.0	30.7	38.2	46.4	54.6
Total current assets	36.4	76.1	220.0	266.3	249.6	178.7	183.4
Total assets	529.3	1,093.6	1,921.8	2,720.5	3,041.5	3,235.6	3,493.0
Shareholders' equity	194.1	516.6	850.4	1,345.0	1,471.4	1,522.0	1,574.6
Minority interests	0.2	4.1	7.6	26.4	26.4	26.4	26.4
Total equity	194.3	520.6	858.0	1,371.4	1,497.8	1,548.4	1,601.0
Provisions	4.3	7.5	0.2	0.2	0.2	0.2	0.2
Long interest bearing debt	271.2	397.4	851.4	1,177.1	1,346.0	1,478.5	1,671.0
Other long term liabilities	26.1	29.5	50.3	70.6	83.9	81.3	79.9
Total long term liabilities	301.6	434.4	901.9	1,247.9	1,430.0	1,559.9	1,751.1
Short term debt	22.2	59.2	107.7	50.0	50.0	50.0	50.0
Other current liabilities	11.2	79.3	54.3	51.1	63.7	77.3	90.9
Total current liabilities	33.4	138.5	161.9	101.1	113.7	127.3	140.9
Total equity and liabilities	529.3	1,093.6	1,921.8	2,720.5	3,041.5	3,235.6	3,493.0
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	36.7%	47.6%	44.6%	50.4%	49.2%	47.9%	45.8%
Net gearing %	140.2%	85.9%	98.5%	76.0%	83.3%	95.2%	105.1%
Interest cover	1.4	2.2	2.1	2.2	1.8	1.7	1.6
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	474.7	984.2	1,754.6	2,020.7	2,226.5	2,451.7	2,661.4
Market Cap	202.2	537.0	909.2	978.2	978.2	978.2	978.2
P/NNAV-1	4.2%	4.0%	6.9%	-27.3%	-33.5%	-35.7%	-37.9%
EBITDA/EV	2.2%	2.8%	3.4%	4.1%	4.2%	4.3%	4.5%
Recurring Cash Flow Yield	-0.6%	2.0%	2.2%	3.8%	6.6%	7.0%	7.1%
Earnings Yield	6.9%	6.9%	6.3%	12.7%	12.9%	8.9%	9.2%
Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

NNAV



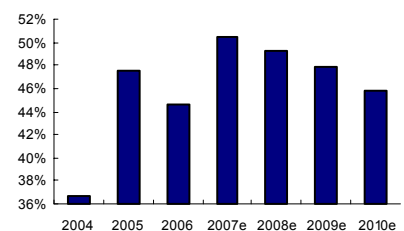
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



The next takeover target

Company profile Corio has a pan European €4.9bn retail portfolio, a €875m office portfolio in the Netherlands and France and a €231m industrial portfolio. Furthermore the company has a €2.2bn pipeline (€1.2 fixed, €0.6bn variable and €0.4bn potential based on the extension and redevelopment of the company's current portfolio). In contrast to its European retail peers Corio did not show yield compression in the first nine months of 2007 and remained at a 6.2% net theoretical yield on its portfolio. Corio has appointed Jones Lang LaSalle as adviser in the sale of the office and industrial portfolio. The company has expressed a desire to sell these portfolios in 1H08.

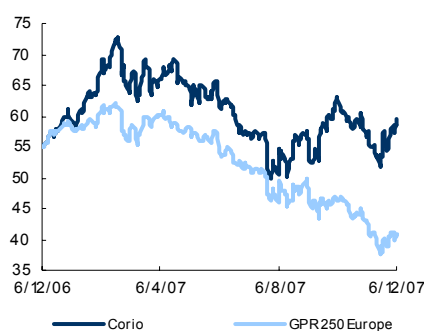
Investment case We have various reasons to believe that Corio has become the next takeover target as we see that after selling the office portfolio that it has substantial hidden value (the Dutch portfolio is valued at a 7.5% theoretical net yield whereas VastNed O/I indicated that it was interested but did not expect to be one of the last bidders as it expects net yields to come down to below 6.0% (!) implying a hidden value of at least c€170m for the Dutch office portfolio alone). After selling the Office and Industrial portfolio Corio is likely to repay debt and make some acquisitions. Corio is rumoured to be looking at the €400m Grand Littoral in France, but the company indicated that it would not be bidding for the Dutch high street portfolio to be offered by Unibail-Rodamco (run by Cushman & Wakefield). As such the leverage might come down to as much as 20% LTV leaving the US\$1.2bn US private placement as the cornerstone for Corio's debt structure. Furthermore we expect substantial revaluation from completed developments such as Campania which opened in 3Q07 and will be fully revalued in 4Q07 adding €100m as it is still valued at an 8.4% net yield (note that Corio only used yield compression in 2Q and 4Q). Furthermore the appointment of Gerard Groener increases takeover speculation as an external candidate would make a takeover more difficult

Developments and outlook We expect the 2007 direct result to be higher than 2006 as 4Q will be better than 3Q as a result of the opening of Campania on 26 September, and as debt is fixed for the remainder of the year no further downside is expected. We expect substantial upside from the sale of the office portfolio (currently still included in the 2007 revaluation) and expect the direct result in 2008 to increase due to the newly opened centres. The portfolio of Corio has been shown to have substantial reversionary potential which will continue to result in rents growing more than indexation. The French portfolio (26% of the total portfolio) will benefit from 5% indexation in 2008 as a result of the high Construction Cost Index. We use theoretical net yields of 5.8% for the Dutch portfolio, 5.7% for the French portfolio, 6.0% for Italy, 5.3% for Spain and Turkey to remain at 8.3%.

Valuation We have a Price Target of €63.9 and keep to our ADD rating despite the stock having a recent good run. We have not modelled any potential takeover premium and find the 5.4% dividend yield for 2008E and the 12.0% expected upside in the next 12 months sufficient reasons to be invested in the share. Euronext Amsterdam announced last month that Corio was very likely to be included in the main AEX index as of 4 March 2008 which might result in some upward pressure.

Rating	ADD
Price target (12m)	€63.9
Closing price (6 December 2007)	€59.4
Expected total return	12.0%
Date	9 December 2007

CORA NA vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	4.7%	5.3%	7.9%
Rel. to GPR 250 Europe	10.4%	25.2%	45.1%

Source: Factset

Company data	
52-Week range	€49.95 - 75.19
Market cap	€3,932.82m
Number of shares	66.3m
Average daily volume	273,407
Free float	63%

Company data	
Bloomberg / Reuters	CORA NA / COR.AS

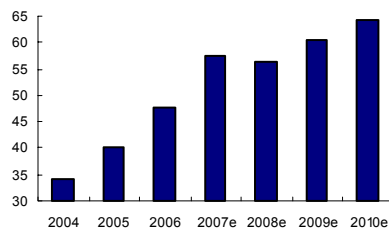
Analyst	Dick Boer
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Corio

Property ■ Netherlands

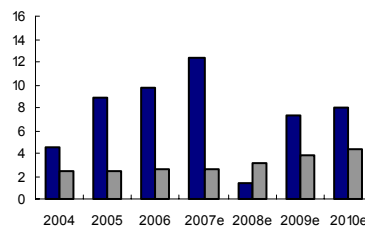
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	308.3	315.0	327.4	356.3	439.4	502.2	544.3
Operating costs	-45.8	-46.3	-47.7	-45.6	-56.3	-64.2	-69.4
Net rental income	262.5	268.7	279.7	310.7	383.1	438.0	475.0
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-23.5	-21.0	-28.0	-28.0	-33.0	-38.3	-42.1
Other income	0.0	10.4	15.7	14.4	17.1	17.9	18.7
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	239.0	258.1	267.4	297.1	367.2	417.7	451.6
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	239.0	258.1	267.4	297.1	367.2	417.7	451.6
Net financial	-51.6	-55.1	-66.8	-93.9	-116.2	-113.0	-111.7
EBT	187.4	203.0	200.6	203.2	251.1	304.7	339.9
Taxes	-0.8	-1.6	-2.9	-2.3	-0.7	-0.7	-0.7
Extraordinary items	4.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	190.6	201.4	197.7	200.9	250.4	304.0	339.2
Sales result	1.2	17.9	1.7	1.0	0.0	0.0	0.0
Revaluation Property	97.0	416.9	475.1	709.5	-156.1	211.0	219.0
Taxation on revaluation	10.1	-47.1	-33.8	-93.9	-6.1	-28.3	-29.9
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	108.3	387.7	443.0	616.6	-162.3	182.7	189.1
Net profit	298.9	589.1	640.7	817.4	88.1	486.7	528.3
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	66.3	66.3	66.3	66.3	66.3	66.3	66.3
Average number of shares	66.3	66.3	66.3	66.3	66.3	66.3	66.3
Direct investment result per share	2.88	3.04	2.98	3.03	3.78	4.59	5.12
Indirect investment result per share	1.63	5.85	6.69	9.31	-2.45	2.76	2.85
EPS (IFRS)	4.51	8.89	9.67	12.34	1.33	7.35	7.97
CFPS (recurring)	2.82	3.04	2.98	3.03	3.78	4.59	5.12
Dividend per share	2.39	2.45	2.53	2.58	3.21	3.90	4.35
Payout ratio %	85%	81%	85%	85%	85%	85%	85%
NNAV per share	34.05	40.33	47.66	57.47	56.22	60.35	64.43
NAV per share	36.12	43.00	51.53	62.76	61.60	66.17	70.69
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	3,916.0	4,340.7	5,259.7	6,286.5	6,154.2	6,437.8	6,735.4
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	202.2	198.9	252.7	252.7	252.7	252.7
Other fixed assets	30.2	26.9	69.6	85.7	85.7	85.7	85.7
Total fixed assets	3,946.2	4,569.8	5,528.2	6,624.9	6,492.6	6,776.2	7,073.8
Receivables	83.0	53.9	121.2	131.9	162.6	185.9	201.5
Cash and banks	18.9	10.0	3.1	3.1	3.1	3.1	3.1
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	101.9	63.9	124.3	135.0	165.7	189.0	204.6
Total assets	4,048.1	4,633.7	5,652.5	6,759.9	6,658.3	6,965.2	7,278.4
Shareholders' equity	2,255.7	2,672.1	3,157.7	3,807.5	3,724.7	3,998.7	4,268.6
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	2,255.7	2,672.1	3,157.7	3,807.5	3,724.7	3,998.7	4,268.6
Provisions	139.2	179.6	256.7	350.6	356.7	385.1	415.0
Long interest bearing debt	1,211.4	1,485.0	1,640.5	2,179.3	2,179.3	2,179.3	2,179.3
Other long term liabilities	15.4	4.5	3.3	3.3	3.3	3.3	3.3
Total long term liabilities	1,366.0	1,669.1	1,900.5	2,533.2	2,539.3	2,567.7	2,597.6
Short term debt	218.3	143.3	384.0	241.0	174.6	147.7	140.1
Other current liabilities	208.1	149.2	210.3	178.2	219.7	251.1	272.2
Total current liabilities	426.4	292.5	594.3	419.2	394.2	398.8	412.2
Total equity and liabilities	4,048.1	4,633.7	5,652.5	6,759.9	6,658.3	6,965.2	7,278.4
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	55.7%	57.7%	55.9%	56.3%	55.9%	57.4%	58.6%
Net gearing %	62.5%	60.6%	64.0%	63.5%	63.1%	58.1%	54.3%
Interest cover	4.6	4.7	4.0	3.2	3.2	3.7	4.0
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	3,797.3	4,618.3	5,489.3	6,350.1	6,283.6	6,256.8	6,249.1
Market Cap	2,386.5	3,000.0	3,467.9	3,932.8	3,932.8	3,932.8	3,932.8
P/NNAV-1	5.8%	12.3%	9.8%	3.3%	5.6%	-1.6%	-7.9%
EBITDA/EV	6.3%	5.6%	4.9%	4.7%	5.8%	6.7%	7.2%
Recurring Cash Flow Yield	7.8%	6.7%	5.7%	5.1%	6.4%	7.7%	8.6%
Earnings Yield	12.5%	19.6%	18.5%	20.8%	2.2%	12.4%	13.4%
Dividend Yield %	6.6%	5.4%	4.8%	4.3%	5.4%	6.6%	7.3%

NNAV



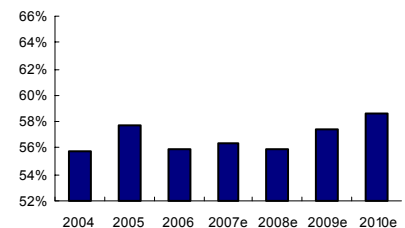
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Deutsche EuroShop

Property ▪ Germany

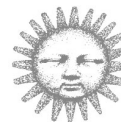
Preserving stability

Company profile Deutsche EuroShop has a €1.5bn portfolio of 16 shopping centres. Twelve centres are located in Germany, two of which are currently under construction. Furthermore, the company has two centres in Poland, one in Hungary and one in Austria. All centres are externally managed by ECE, one of the largest shopping centre managers in Europe. With a 19% stake, the German Otto family is the largest shareholder in Deutsche EuroShop, while it is also 100% owner of the non-listed ECE. Deutsche EuroShop has no intention to convert into a REIT in the foreseeable future.

Investment case Deutsche EuroShop maintained its conservative profile in 2007. Apart from the opening of a centre in Gdansk in October, there has been little news from the company y-t-d. Although the quality of the portfolio is good, upside potential is limited. As rental growth in German retail remained low, I-f-I rental growth was at 2.9% y-o-y to 9M07 well below its European retail peers ECP (5.4%), Klepierre (5.9%), Corio (6.4%) and Unibail-Rodamco (6.9%), whereas these companies even have additional upside from their development pipelines. On the positive side, management has not been lured into paying excessive prices at the peak of the investment market, contrary to some other German property companies in the residential or office sector.

Developments and outlook We expect Deutsche EuroShop to continue its current conservative, yet stable operational performance. As initial yields in Germany are still well below the company's hurdle of 5.5%, management does not expect to sign any acquisitions in the short term. Demand for good quality German shopping centres has remained strong, yet has shifted from leveraged buyers to equity investors. Management indicated it is investigating potential co-investments in ECE developments, but does not expect news on this level in the short term. The company does not expect any major movements in its €25.5 NAV by YE07, which seems fair given the 5.3% net running yield on the portfolio at present. Furthermore, the outlook on revenues (FY07: €93-95m, FY08: €108-112m), EBIT (FY07: €72-74m, FY08: €87-90m) and EBT (FY07: €31-33m, FY08: €42-44m) is in line with our expectations. We expect an average of 2.7% I-f-I rental growth p.a. going forward. This is in line with the company's 2-3% target, but still low in an international comparison.

Valuation We lower our €24.7 Price Target to €24.4, mainly on account of fine-tuned valuation assumptions. Reflecting a -4.1% total return expectation we upgrade our rating from Reduce to Neutral. We appreciate the quality of the portfolio and visibility on earnings, yet we see limited future upside. Moreover, we believe the company is fully valued trading at a 7.8% premium to FY08 NNAV, compared to reasonable discounts to FY08 NNAV for e.g. Klepierre (-9.3%) and Unibail-Rodamco (-14.4%), particularly given the higher I-f-I growth and large development pipelines of these companies. Also on a CF level the company looks relatively expensive, trading at a below-average 4.0% FY08 CF yield and 4.2% FY08 dividend yield (vs. 5.9% and 4.9% European sector average).



KEMPEN & CO

Merchant Bank

Rating

NEUTRAL

(Upgrade from NEUTRAL)

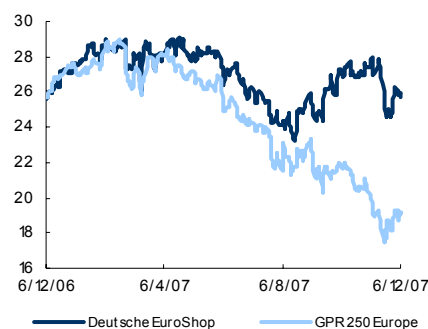
Price target (12m) **€23.6**

Closing price (6 December 2007) **€25.7**

Expected total return **-4.2%**

Date **9 December 2007**

DEQ GY vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-6.8%	1.7%	0.0%
Rel. to GPR 250 Europe	-1.8%	20.9%	34.4%

Source: Factset

Company data

52-Week range	€23.22 - 30.09
Market cap	€884.12m
Number of shares	34.4m
Average daily volume	134,979
Free float	79%

Company data

Bloomberg / Reuters	DEQ GY / DEQn.DE
Next announcement	18 April 2008
	FY 2007 Turnover Results

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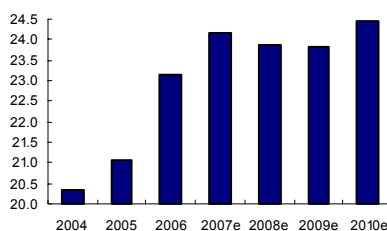
Bloomberg: KEMP <GO>

Deutsche EuroShop

Property ■ Germany

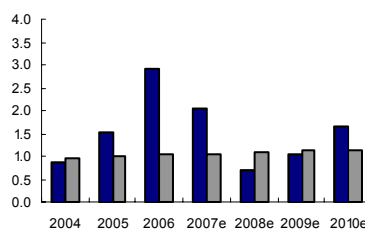
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	61.4	72.1	92.9	94.8	110.3	121.3	132.4
Operating costs	-15.7	-12.3	-16.2	-14.2	-15.8	-17.2	-18.7
Net rental income	45.7	59.8	76.7	80.6	94.5	104.1	113.7
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-5.3	-4.6	0.0	0.0	0.0	0.0	0.0
Other income	4.5	2.3	1.2	1.2	1.2	1.2	1.3
Other costs	0.0	0.0	-4.2	-5.1	-6.5	-5.1	-5.4
EBITDA	44.9	57.5	73.6	76.8	89.2	100.2	109.5
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	44.9	57.5	73.6	76.8	89.2	100.2	109.5
Net financial	-19.2	-39.3	-41.0	-43.6	-49.4	-51.5	-56.0
EBT	25.7	18.2	32.7	33.1	39.8	48.7	53.6
Taxes	-2.7	-1.0	-0.5	-0.3	-2.0	-4.9	-5.4
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	23.0	17.2	32.2	32.8	37.8	43.8	48.2
Sales result	4.8	0.0	12.7	0.0	0.0	0.0	0.0
Revaluation Property	8.0	49.9	72.3	15.8	-11.6	0.6	29.6
Taxation on revaluation	-8.1	-18.5	-16.9	-8.5	-1.0	-3.2	-8.1
Revaluation financial instruments	0.0	0.0	0.0	29.7	0.0	0.0	0.0
Total indirect investment result	4.8	31.5	68.1	37.0	-12.6	-2.7	21.6
Net profit	27.7	48.7	100.3	69.8	25.2	41.2	69.8
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	31.3	34.4	34.4	34.4	38.7	40.8	43.3
Average number of shares	31.3	31.6	34.4	34.4	36.5	39.8	42.0
Direct investment result per share	0.74	0.55	0.94	0.95	1.03	1.10	1.15
Indirect investment result per share	0.15	1.00	1.98	1.08	-0.34	-0.07	0.51
EPS (IFRS)	0.89	1.54	2.92	2.03	0.69	1.04	1.66
CFPS (recurring)	0.74	0.55	0.94	0.95	1.03	1.10	1.15
Dividend per share	0.96	1.00	1.05	1.05	1.09	1.11	1.15
Payout ratio %	131%	183%	112%	110%	105%	101%	100%
NNAV per share	20.32	21.08	23.16	24.15	23.85	23.84	24.44
NAV per share	21.98	23.11	25.53	25.89	25.42	25.41	26.11
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	918.5	1,138.3	1,452.0	1,607.1	1,790.3	1,885.7	2,086.7
Developments	183.1	71.9	155.3	186.6	113.3	158.3	158.3
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	101.7	116.8	45.6	45.6	45.6	45.6	45.6
Total fixed assets	1,203.3	1,327.0	1,652.9	1,839.3	1,949.2	2,089.7	2,290.6
Receivables	2.0	2.1	4.5	4.5	4.5	4.5	4.5
Cash and banks	150.3	197.2	95.9	76.3	61.7	49.2	36.2
Other current assets	14.7	17.3	42.9	42.9	42.9	42.9	42.9
Total current assets	167.0	216.6	143.3	123.7	109.0	96.6	83.6
Total assets	1,370.2	1,543.6	1,796.2	1,963.0	2,058.2	2,186.3	2,374.2
Shareholders' equity	635.1	724.7	796.3	830.0	922.8	973.5	1,057.1
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	635.1	724.7	796.3	830.0	922.8	973.5	1,057.1
Provisions	73.2	79.0	101.0	79.8	80.8	84.0	92.1
Long interest bearing debt	597.6	613.8	752.1	906.4	907.8	982.0	1,078.2
Other long term liabilities	49.4	65.3	102.0	102.0	102.0	102.0	102.0
Total long term liabilities	720.1	758.2	955.2	1,088.2	1,090.6	1,168.1	1,272.3
Short term debt	6.7	50.5	28.5	28.5	28.5	28.5	28.5
Other current liabilities	8.3	10.2	16.3	16.3	16.3	16.3	16.3
Total current liabilities	15.0	60.7	44.8	44.8	44.8	44.8	44.8
Total equity and liabilities	1,370.2	1,543.6	1,796.2	1,963.0	2,058.2	2,186.3	2,374.2
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	46.4%	46.9%	44.3%	42.3%	44.8%	44.5%	44.5%
Net gearing %	71.5%	64.5%	86.0%	103.4%	94.8%	98.7%	101.3%
Interest cover	2.3	1.5	1.8	1.8	1.8	1.9	2.0
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	1,003.5	1,219.9	1,612.8	1,742.8	1,870.0	2,011.5	2,183.1
Market Cap	549.5	752.8	928.1	884.1	995.2	1,050.2	1,112.5
P/NNAV-1	-13.5%	3.9%	16.6%	6.5%	7.8%	7.9%	5.2%
EBITDA/EV	4.5%	4.7%	4.6%	4.4%	4.8%	5.0%	5.0%
Recurring Cash Flow Yield	4.2%	2.5%	3.5%	3.7%	4.0%	4.3%	4.5%
Earnings Yield	5.0%	7.0%	10.8%	7.9%	2.7%	4.0%	6.5%
Dividend Yield %	5.5%	4.6%	3.9%	4.1%	4.2%	4.3%	4.5%

NNAV



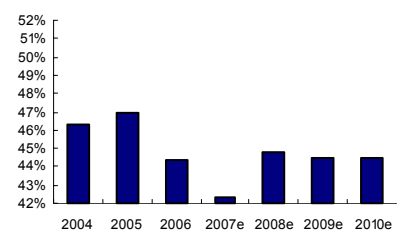
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Time to start making money

Company profile Deutsche Wohnen is the second-largest listed residential property owner in Germany with a portfolio of c51,000 units. The company was already the owner of a portfolio of c24,000 units in the Rhine-Main area, when in July it acquired the c27,000 unit GEHAG portfolio in Berlin from the US private equity investor Oaktree. Since the GEHAG deal, which effectively turned out to be a reverse takeover, Oaktree is at 24.2% the majority shareholder in Deutsche Wohnen. In the process, the existing management board of Deutsche Wohnen was replaced, while Oaktree now also heads the supervisory board.

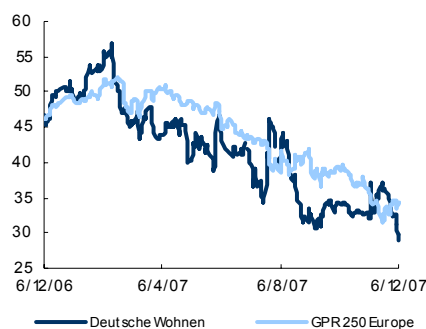
Investment case Deutsche Wohnen realized its long-awaited growth through the GEHAG acquisition. However the pricing of the deal did not meet expectations and growth has therefore so far not been very value accretive. GEHAG was acquired at 18x gross rent (5.5% gross yield), resulting in a net yield well below financing costs (4.1% vs. 4.6%). In addition, at the 9M07 call management indicated that it would now pay 15-16x gross rent for good quality portfolios (6.3-6.7% gross yield) and up to perhaps 17x for GEHAG (5.9% gross yield). As such, we believe the acquisition yield on GEHAG was at least 40bps too low, although we perceive the quality of the portfolio as rather good. Nevertheless, we expect that the rigid regulations of the German residential market will still hamper rental growth, although we see more rental growth potential particularly in GEHAG than in GAGFAH for example.

Developments and outlook Management targets €2.0 FFO/share by FY10, up from €0.42/share for FY07 (on a pro forma basis, incl. GEHAG as of 01-01-2007). Even if we take into account management's targeted €11m additional cost reductions until 2010 (€0.42/share), we struggle to see how the gap to €2.0 should be bridged. At 9M07, the company realized a €14.0 pre-tax loss (incl. two months GEHAG), while also on a pro forma basis, 9M07 EBT showed a €0.4m loss. We hope that the new management will be able to improve the poor operational performance of the original Deutsche Wohnen. We see upside from rental growth (E: 2-3% p.a.) and reduction of the current 6.6% vacancy, while management downscaled its privatization targets to c500 units p.a. All in all, we do not expect that this is will be sufficient to make Deutsche Wohnen attractive on a CF basis, also because the yield spread on GEHAG is still negative.

Valuation We lower our €27.7 Price Target to €26.3. Deutsche Wohnen is currently trading at a 38% discount to the 9M07 NAV of €39.0, but at a 4.4% net valuation yield, we believe that the combined Deutsche Wohnen-GEHAG portfolio is overvalued. Our concerns were heightened in the 9M07 conference call, while we see further market evidence of rising yields. We have further fine-tuned our valuation assumptions and we pencil in a 70bp yield expansion on the GEHAG portfolio, taking the 4.1% net initial yield to 4.8%. Given the high 73% leverage, the outward movement of yields we anticipate has a major effect on NAV. Furthermore, we raise our COE from 9.9% to 11.4%, to more fairly reflect the risk-profile of the company. We remain concerned about the low CF yield (FY09: 2.1%), which is not likely to give the share any support. Since Deutsche Wohnen does not have enough cash to pay its dividend, management indicated it was considering skipping dividend payments next year. However, as our Price Target implies 10.7% total return, we upgrade from Neutral to Add.

Rating	ADD (Upgrade from NEUTRAL)
Price target (12m)	€26.3
Closing price (6 December 2007)	€24.1
Expected total return	10.7%
Date	9 December 2007

DWNI GY vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-10.1%	-10.1%	-37.2%
Rel. to GPR 250 Europe	-5.3%	6.9%	-15.6%

Source: Factset

Company data	
52-Week range	€24.13 - 56.90
Market cap	€637.03m
Number of shares	26.4m
Average daily volume	3,186
Free float	76%

Company data	
Bloomberg / Reuters	DWNI GY / DWNI.DE

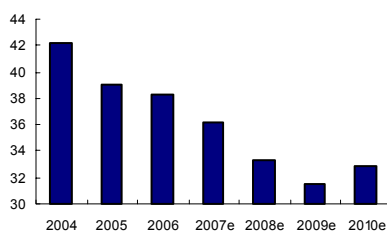
Analyst	Remco Simon
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Deutsche Wohnen

Property ■ Germany

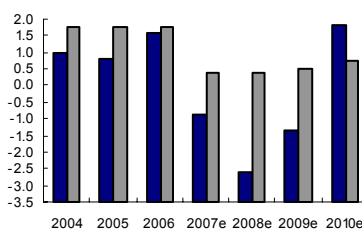
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	83.3	81.0	77.5	127.0	199.3	204.9	210.0
Operating costs	-19.4	-19.0	-21.5	-33.1	-50.0	-51.4	-52.7
Net rental income	63.9	62.1	56.1	93.9	149.3	153.5	157.3
Sales (developments)	40.8	39.4	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	-0.3	-1.9	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	40.5	37.5	43.2	8.1	4.1	4.1	4.2
Overhead costs	-17.9	-16.8	-17.3	-18.1	-24.4	-21.4	-17.0
Other income	8.2	10.4	7.0	7.1	7.3	7.4	7.6
Other costs	-22.0	-33.5	-20.9	-21.3	-20.2	-19.2	-18.2
EBITDA	72.7	59.6	68.0	69.7	116.1	124.4	133.8
Depreciation	-17.6	-17.4	-21.9	0.0	0.0	0.0	0.0
EBIT	55.0	42.2	46.2	69.7	116.1	124.4	133.8
Net financial	-27.7	-25.0	-23.2	-58.2	-108.6	-110.3	-111.8
EBT	27.4	17.2	23.0	11.5	7.5	14.1	22.0
Taxes	-7.9	-1.0	-0.2	-2.1	-1.1	-2.1	-3.3
Extraordinary items	0.0	0.0	0.0	-9.2	0.0	0.0	0.0
Minorities	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Direct investment result	19.4	16.1	22.8	0.3	6.3	12.0	18.7
Sales result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	0.0	0.0	0.0	19.5	-89.3	-51.2	41.7
Taxation on revaluation	0.0	0.0	0.0	-8.2	8.9	2.9	-11.9
Revaluation financial instruments	0.0	0.0	8.3	-32.0	5.8	0.0	0.0
Total indirect investment result	0.0	0.0	8.3	-20.7	-74.6	-48.3	29.8
Net profit	19.4	16.1	31.1	-20.5	-68.3	-36.3	48.5
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	20.0	20.0	20.0	26.4	26.4	26.4	26.4
Average number of shares	20.0	20.0	20.0	23.2	26.4	26.4	26.4
Direct investment result per share	0.97	0.81	2.23	0.41	0.24	0.46	0.71
Indirect investment result per share	0.00	0.00	0.41	-0.89	-2.83	-1.83	1.13
EPS (IFRS)	0.97	0.81	1.55	-0.88	-2.59	-1.38	1.84
CFPS (recurring)	1.85	1.68	2.23	0.41	0.24	0.46	0.71
Dividend per share	1.75	1.75	1.75	0.41	0.36	0.48	0.74
Payout ratio %	95%	104%	79%	100%	151%	105%	105%
NNAV per share	42.25	39.00	38.25	36.19	33.24	31.51	32.87
NAV per share	42.36	39.12	38.56	36.73	33.23	31.39	33.20
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	1,274.0	1,180.3	1,139.9	3,011.1	2,954.9	2,936.4	3,011.8
Developments	4.0	6.0	188.8	188.8	188.8	188.8	188.8
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	67.1	70.9	46.8	46.8	46.8	46.8	46.8
Total fixed assets	1,345.1	1,257.2	1,375.5	3,246.7	3,190.5	3,172.0	3,247.4
Receivables	45.7	37.6	63.3	63.3	63.3	63.3	63.3
Cash and banks	66.1	47.2	33.5	7.9	14.0	19.6	26.3
Other current assets	38.2	35.1	36.5	36.5	36.5	36.5	36.5
Total current assets	150.0	119.9	133.4	107.8	113.9	119.5	126.2
Total assets	1,495.1	1,377.1	1,508.9	3,354.5	3,304.3	3,291.6	3,373.7
Shareholders' equity	844.9	780.1	765.0	955.4	877.6	831.8	867.7
Minority interests	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Total equity	845.3	780.4	765.0	955.4	877.6	831.8	867.7
Provisions	25.8	22.3	7.0	47.3	32.6	29.7	41.6
Long interest bearing debt	440.9	410.3	503.6	2,118.5	2,160.8	2,196.8	2,231.0
Other long term liabilities	99.5	75.2	149.2	149.2	149.2	149.2	149.2
Total long term liabilities	566.2	507.8	659.8	2,314.9	2,342.6	2,375.7	2,421.8
Short term debt	20.7	16.1	9.0	9.0	9.0	9.0	9.0
Other current liabilities	62.9	72.7	75.1	75.1	75.1	75.1	75.1
Total current liabilities	83.6	88.9	84.2	84.2	84.2	84.2	84.2
Total equity and liabilities	1,495.1	1,377.1	1,508.9	3,354.5	3,304.3	3,291.6	3,373.7
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	56.5%	56.7%	50.7%	28.5%	26.6%	25.3%	25.7%
Net gearing %	46.8%	48.6%	62.6%	221.9%	245.6%	262.8%	255.1%
Interest cover	2.6	2.4	2.9	1.2	1.1	1.1	1.2
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value			1,449.5	2,756.6	2,792.8	2,823.2	2,850.7
Market Cap			970.5	637.0	637.0	637.0	637.0
P/NNAV-1			26.9%	-33.3%	-27.4%	-23.4%	-26.6%
EBITDA/EV			4.7%	2.5%	4.2%	4.4%	4.7%
Recurring Cash Flow Yield			4.6%	1.7%	1.0%	1.9%	2.9%
Earnings Yield			3.2%	-3.7%	-10.7%	-5.7%	7.6%
Dividend Yield %			3.6%	1.7%	1.5%	2.0%	3.1%

NNAV



■ NNAV

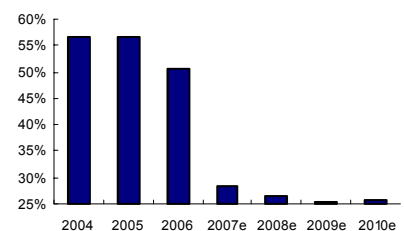
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Set for continuous growth

Company profile DIC Asset has a €2.2bn commercial property portfolio in Germany, of which 65% consists of offices. The company has three investment strategies: a long term investment portfolio (49% of total), a value added portfolio (40%) and a portfolio in which it co-invests in redevelopment projects (11%). The DIC Group (35%), MSREF (10%) and Forum Partners (5%) are the main shareholders, leaving 50% free float.

Investment case DIC Asset has continued its rapid growth strategy and this year has grown its portfolio from €1.2bn to €2.2bn. We see upside on the existing portfolio from redevelopments and reducing the current 10% vacancy, while we estimate 2.5% rental growth p.a. Moreover, the €320m AXA acquisition signed in October at a net yield of 6.7% vs. 5.3% financing cost demonstrates that management can still do value-accretive acquisitions, even in a tighter credit environment. We perceive this growth strategy as more sustainable than that of some other German office peers, which appeared either driven by financial engineering or by building up the largest possible REIT at any price.

Developments and outlook In order to facilitate future growth, DIC Asset completed a 1:10 rights issue last week, raising €62m. All shares were taken up by the DIC Group and MSREF, who had fully underwritten the issue at €21.9 while the share price dropped below this level during the offer period. DIC Asset now has c€500m in firepower, which it intends to invest in the next six months. In addition, management maintained its acquisition target of €1bn in 12-15 months, which at the current pace of acquisitions implies that the company will need new capital by the end of 2Q08. Although this might weigh on investors' concerns, we are positive about the growth prospects for DIC Asset, as the recent AXA deal showed this strategy is clearly CF accretive. Management stated it expected a €22-23 NAV by YE07, while it expects a dividend of at least €1.20, both of which appear realistic in our view. The company commented that it saw a softening of yields on portfolios in Germany by at least 50bps, whereas prices for single assets have so far proven to be more resilient. However as DIC Asset has never revalued its portfolio, we believe the company is at a 6.8% net theoretical yield in a more favourable position than IVG (5.4%), Alstria (5.1%) and Eurocastle (6.0%). Nonetheless, even for DIC Asset, prices paid in 2Q07 appear sharp in the current environment, even though it has always been the most conservative German office investor.

Valuation We have fine-tuned our estimates and lower our Price Target from €25.2 to €23.6, mainly on account of higher valuation yields on the acquisitions done early this year, on slightly lower upside from sales and on a higher COE (10.6% vs. 9.5%). We add 40bps to the €460m SEB acquisition, as the 5.5% initial yield looks rather sharp in the current market. We keep yields at par for the remainder of the portfolio, as we believe the 6.3% net running yield (excl. SEB) provides some cushion for rising yields. We see a risk of a potential temporary share overhang at €21.9 following the rights issue, as there is no lock-up for the DIC Group and MSREF. As €21.9 nevertheless still represents a 11.7% total return expectation, we feel comfortable with our Add rating. DIC Asset is trading at an attractive 6.9% FY08 CF yield and 6.3% FY08 dividend yield, while EBITDA/EV is at 5.5% above the 5.2% sector average.

Rating

ADD

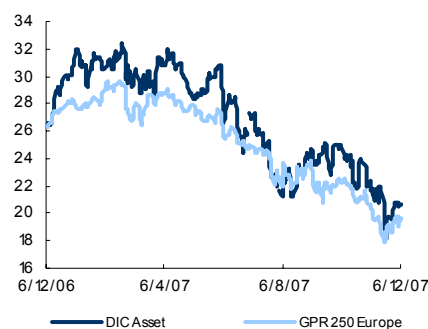
Price target (12m) **€23.6**

Closing price (6 December 2007) **€20.7**

Expected total return **19.9%**

Date **9 December 2007**

DAZ GY vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-4.7%	-15.6%	-21.4%
Rel. to GPR 250 Europe	0.4%	0.4%	5.6%

Source: Factset

Company data

52-Week range	€18.21 - 33.21
Market cap	€589.67m
Number of shares	28.5m
Average daily volume	76,308
Free float	50%

Company data

Bloomberg / Reuters	DAZ GY / DAZ.SG
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Analyst

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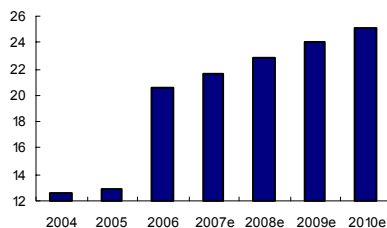
Bloomberg: KEMP <GO>

DIC Asset

Property ■ Germany

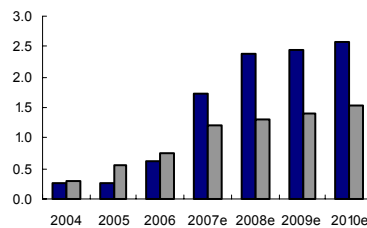
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	11.3	18.1	38.4	111.4	169.7	210.0	235.8
Operating costs	0.0	-0.7	-1.8	-4.8	-6.5	-7.8	-8.8
Net rental income	11.3	17.3	36.6	106.6	163.2	202.2	227.0
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-0.7	-1.4	-3.0	-6.4	-8.2	-9.3	-9.9
Other income	0.3	0.7	1.3	1.4	1.4	1.5	1.5
Other costs	-1.5	-2.7	-3.3	-8.1	-9.5	-9.9	-10.2
EBITDA	9.4	14.0	31.6	93.4	146.9	184.5	208.5
Depreciation	-2.6	-4.0	-8.5	0.0	0.0	0.0	0.0
EBIT	6.8	10.1	23.1	93.4	146.9	184.5	208.5
Net financial	-5.9	-6.7	-8.6	-51.1	-88.7	-108.5	-121.1
EBT	0.9	3.4	14.5	42.3	58.2	76.0	87.4
Taxes	0.4	-1.6	-4.9	-7.6	-10.5	-13.7	-15.7
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.3	0.0	0.1	-0.7	-0.7	-0.8	-0.8
Direct investment result	1.5	1.8	9.7	34.0	47.0	61.5	70.9
Sales result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	0.0	0.0	1.2	26.9	24.1	45.2	49.7
Taxation on revaluation	0.0	0.0	0.0	-11.3	-7.0	-11.4	-12.8
Revaluation financial instruments	0.0	0.0	0.0	0.0	14.2	0.0	0.0
Total indirect investment result	0.0	0.0	1.2	15.6	31.2	33.8	37.0
Net profit	1.5	1.8	10.8	49.6	78.3	95.4	107.9
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	6.8	10.2	28.5	31.4	37.9	41.6	43.6
Average number of shares	5.7	7.3	17.6	28.8	33.0	38.8	42.1
Direct investment result per share	0.26	0.25	1.03	1.18	1.43	1.59	1.68
Indirect investment result per share	0.00	0.00	0.07	0.54	0.95	0.87	0.88
EPS (IFRS)	0.26	0.25	0.61	1.72	2.37	2.46	2.56
CFPS (recurring)	0.73	0.78	1.03	1.18	1.43	1.59	1.68
Dividend per share	0.30	0.56	0.75	1.20	1.30	1.41	1.55
Payout ratio %	41%	72%	73%	102%	91%	89%	92%
NNAV per share	12.59	12.87	20.60	21.65	22.82	23.99	25.17
NAV per share	13.47	13.98	21.44	22.78	23.57	24.94	26.37
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	251.2	309.1	1,146.2	2,193.0	2,817.2	3,239.0	3,519.7
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	2.7	4.3	32.0	32.0	32.0	32.0	32.0
Total fixed assets	254.0	313.4	1,178.2	2,225.1	2,849.3	3,271.1	3,551.7
Receivables	12.3	36.4	48.7	48.7	48.7	48.7	48.7
Cash and banks	18.7	39.1	179.7	13.5	22.7	34.9	47.3
Other current assets	0.1	5.0	8.0	8.0	8.0	8.0	8.0
Total current assets	31.0	80.6	236.5	70.2	79.5	91.7	104.1
Total assets	285.0	394.0	1,414.7	2,295.3	2,928.8	3,362.7	3,655.8
Shareholders' equity	85.4	131.0	587.0	678.7	864.2	997.6	1,097.0
Minority interests	2.4	2.2	2.3	2.3	2.3	2.3	2.3
Total equity	87.7	133.2	589.3	681.0	866.5	999.9	1,099.3
Provisions	6.0	11.7	24.2	35.5	28.3	39.7	52.5
Long interest bearing debt	74.0	169.2	750.3	1,527.9	1,983.0	2,272.1	2,453.0
Other long term liabilities	3.8	3.2	1.4	1.4	1.4	1.4	1.4
Total long term liabilities	83.9	184.1	775.9	1,564.8	2,012.8	2,313.3	2,506.9
Short term debt	4.9	16.6	10.5	10.5	10.5	10.5	10.5
Other current liabilities	108.4	60.1	39.0	39.0	39.0	39.0	39.0
Total current liabilities	113.3	76.7	49.5	49.5	49.5	49.5	49.5
Total equity and liabilities	285.0	394.0	1,414.7	2,295.3	2,928.8	3,362.7	3,655.8
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	30.8%	33.8%	41.7%	29.7%	29.6%	29.7%	30.1%
Net gearing %	68.7%	110.1%	98.6%	223.9%	227.4%	224.8%	219.8%
Interest cover	1.6	2.1	3.7	1.8	1.7	1.7	1.7
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	77.5	233.6	1,250.2	2,173.5	2,754.2	3,108.3	3,318.1
Market Cap	17.2	86.9	669.2	648.6	783.5	860.5	901.9
P/NNAV-1	-79.8%	-33.6%	14.0%	-4.4%	-9.3%	-13.7%	-17.8%
EBITDA/EV	12.2%	6.0%	2.5%	4.3%	5.3%	5.9%	6.3%
Recurring Cash Flow Yield	28.6%	9.2%	4.4%	5.7%	6.9%	7.7%	8.1%
Earnings Yield	10.3%	2.9%	2.6%	8.3%	11.5%	11.9%	12.4%
Dividend Yield %	11.8%	6.6%	3.2%	5.8%	6.3%	6.8%	7.5%

NNAV



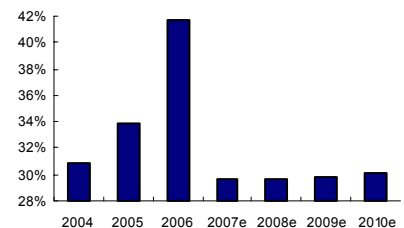
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Eurocastle Investment

Property ▪ Netherlands

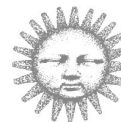
Leveraged dividend

Company profile Eurocastle is a highly leveraged (78.2% leverage), Guernsey incorporated investment company, which is externally managed by Fortress Investment Group. The company has a €5.4bn German real estate portfolio and a €2.1bn debt portfolio, consisting of (amongst others) CMBS, RMBS and real-estate loans. Of the real-estate portfolio, 59% consists of offices, 19% of retail (mainly discounter supermarkets) and 22% of bank halls and other assets.

Investment case The main driver in Eurocastle's investment case has always been external growth. Via large scale acquisitions, the company grew its portfolio from €500m at YE05 to €5.4bn currently. The main growth driver for CF was levering up the yield spread, while issuing equity at high premiums to NAV contributed 83% to the NAV growth from €11.2 at YE04 to €25.6 at 1Q07. We expect that l-f-l growth is low as a major part of the portfolio is (partly) restricted on indexation. Although vacancy reduction of 50bps in 1Q07 and 2Q07 is decent, it is somewhat lagging management's challenging target to improve the current 88.9% occupancy to at least 93.5% in 2Q08. The acceleration to 160bps vacancy reduction in 3Q07 was largely on account of the sale of the semi-vacant Kudamm Karree and the acquisition of fully-let retail assets as we estimate real vacancy reduction was again c50bps.

Developments and outlook The window for external growth seems to have closed. Eurocastle hardly has any firepower, financing costs on new deals are at c5.5% and access to new equity is limited. As such, the company is likely to fall short of its €2bn acquisition target for this year. During the 9M07 conference call management stated it was "very aware" of the gap between the €28.0 NAV and the share price. Without giving further details, the company added that it would shed more light on its plans to close this gap within a few weeks, although it ruled out a share buy-back. We are interested in seeing which other alternatives management has, as we believe the gap chiefly represents a justified concern about the current portfolio valuation and the risks related to the debt business (see our *High risk dividend play* report of 16 November for further thoughts on this). After a sharp revaluation in 2Q07, Eurocastle's portfolio was valued at 5.29% at 9M07, up 13bps from 2Q07 chiefly on account of a higher occupancy rate. We pencil in 55bps yield expansion and value the portfolio at a net yield of 6.1% in FY10, including vacancy reduction to 5% and 2.3% rental growth p.a.

Valuation We lower our Price Target to €19.0, from €20.5. We upgrade to Add as our valuation implies a 9.0% total return, reflecting the high 10.2% dividend yield. We deduct €0.7 for the external management and €0.6 for the 3Q dividend that was paid. We remain cautious on the risks related to the debt business. Where management anticipated €18m in writedowns for 3Q07 in August, this actually arrived at €71m. Given the current situation in the CMBS and RMBS market, we can hardly feel comfortable that the guidance of €5m writedowns in 4Q07 covers the risk. We cautiously pencil in €70m further writedowns, while maximum downside is €118.3m. However, Eurocastle is trading at a high 9.5% FY08 CF yield and 10.2% dividend yield, mainly resulting from high leverage (78%). Eurocastle is trading at a 30% discount to its €28.0 9M07 NAV, yet 50bps yield expansion would push the NAV down to €20.5. However, the FY08 EBITDA/EV is at 5.9% well above the 5.2% sector average.



KEMPEN & CO

Merchant Bank

Rating

ADD

(Upgrade from NEUTRAL)

Price target (12m)

€19.0

Closing price (6 December 2007)

€19.5

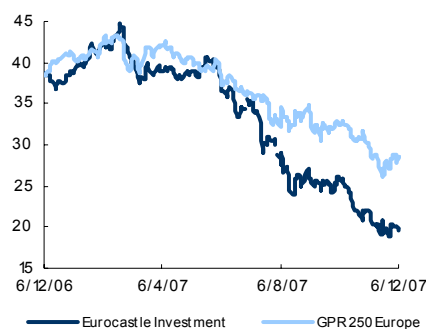
Expected total return

9.0%

Date

9 December 2007

ECT NA vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-11.2%	-24.6%	-49.3%
Rel. to GPR 250 Europe	-6.4%	-10.4%	-31.9%

Source: Factset

Company data

52-Week range	€18.90 - 44.93
Market cap	€1,238.62m
Number of shares	63.5m
Average daily volume	138,710
Free float	88%

Company data

Bloomberg / Reuters ECT NA / ECT.AS

Analyst

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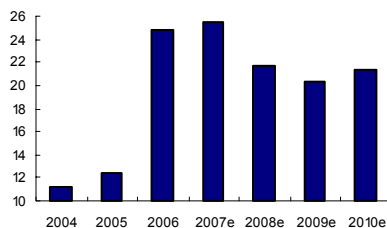
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Bloomberg: KEMP <GO>

Eurocastle Investment

Property ■ Netherlands

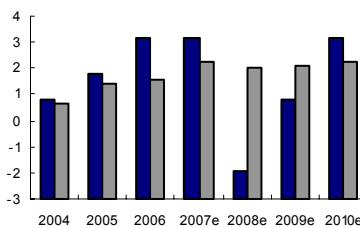
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	0.3	28.1	152.5	313.1	356.7	369.9	383.3
Operating costs	0.0	-4.0	-16.8	-24.7	-25.8	-26.8	-27.8
Net rental income	0.3	24.1	135.7	288.4	330.9	343.0	355.5
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-3.4	-10.0	-26.0	-47.2	-36.2	-36.6	-39.1
Other income	23.9	73.9	114.6	154.9	143.7	143.7	143.7
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	20.8	88.1	224.2	396.1	438.4	450.1	460.1
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	20.8	88.1	224.2	396.1	438.4	450.1	460.1
Net financial	-13.7	-58.1	-150.3	-280.4	-313.6	-313.9	-314.1
EBT	7.1	29.9	74.0	115.7	124.8	136.3	146.0
Taxes	0.0	-0.2	-0.4	-2.4	-4.0	-4.4	-4.8
Extraordinary items	-0.6	-1.7	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	6.5	28.0	73.6	113.3	120.8	131.9	141.3
Sales result	5.5	3.2	2.5	0.0	0.0	0.0	0.0
Revaluation Property	0.0	10.5	78.1	268.1	-267.1	-79.4	80.1
Taxation on revaluation	0.0	-2.1	-3.4	-65.2	24.8	2.3	-17.0
Revaluation financial instruments	0.0	0.0	-7.0	-116.6	0.0	0.0	0.0
Total indirect investment result	5.5	11.6	70.2	86.2	-242.3	-77.1	63.1
Net profit	12.0	39.6	143.8	199.5	-121.5	54.8	204.4
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	18.5	24.2	63.5	63.8	63.8	63.8	63.8
Average number of shares	15.2	21.4	45.0	63.6	63.8	63.8	63.8
Direct investment result per share	0.42	1.26	1.57	1.74	1.85	2.02	2.16
Indirect investment result per share	0.35	0.52	1.50	1.32	-3.71	-1.18	0.97
EPS (IFRS)	0.78	1.78	3.14	3.13	-1.95	0.81	3.15
CFPS (recurring)	0.43	1.31	1.57	1.78	1.85	2.02	2.16
Dividend per share	0.63	1.42	1.56	2.26	1.99	2.07	2.21
Payout ratio %	147%	108%	99%	127%	108%	102%	102%
NNAV per share	11.18	12.34	24.73	25.51	21.62	20.41	21.40
NAV per share	11.18	12.34	24.81	26.24	21.95	20.71	21.97
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	318.5	463.5	3,456.9	6,040.8	5,686.3	5,667.3	5,809.3
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	1,286.4	1,545.2	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.0	189.6	2,013.2	2,030.2	2,030.2	2,030.2	2,030.2
Total fixed assets	1,604.9	2,198.3	5,470.1	8,071.0	7,716.4	7,697.5	7,839.5
Receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and banks	13.1	13.6	122.7	136.3	101.8	73.9	45.2
Other current assets	9.6	62.0	69.5	80.2	80.2	80.2	80.2
Total current assets	22.7	75.7	192.2	216.5	182.1	154.1	125.4
Total assets	1,627.6	2,274.0	5,662.4	8,287.5	7,898.5	7,851.6	7,964.9
Shareholders' equity	206.4	298.9	1,570.7	1,628.4	1,379.7	1,302.6	1,365.6
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	206.4	298.9	1,570.7	1,628.4	1,379.7	1,302.6	1,365.6
Provisions	0.0	2.3	5.5	46.4	21.6	19.3	36.4
Long interest bearing debt	1,154.3	1,916.2	3,966.3	6,412.3	6,296.8	6,329.2	6,362.5
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	1,154.3	1,918.5	3,971.8	6,458.7	6,318.4	6,348.6	6,398.9
Short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	266.9	56.6	119.9	200.4	200.4	200.4	200.4
Total current liabilities	266.9	56.6	119.9	200.4	200.4	200.4	200.4
Total equity and liabilities	1,627.6	2,274.0	5,662.4	8,287.5	7,898.5	7,851.6	7,964.9
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	12.7%	13.1%	27.7%	19.6%	17.5%	16.6%	17.1%
Net gearing %	552.9%	636.6%	244.7%	385.4%	449.0%	480.2%	462.6%
Interest cover	1.5	1.5	1.5	1.4	1.4	1.4	1.5
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	1,422.8	2,340.7	5,820.1	7,520.6	7,439.5	7,500.0	7,561.9
Market Cap	281.6	438.1	1,976.5	1,244.6	1,244.6	1,244.6	1,244.6
P/NNAV-1	36.4%	46.7%	25.8%	-23.6%	-9.8%	-4.5%	-8.9%
EBITDA/EV	1.5%	3.8%	3.9%	5.3%	5.9%	6.0%	6.1%
Recurring Cash Flow Yield	2.8%	7.2%	5.1%	9.1%	9.5%	10.4%	11.1%
Earnings Yield	5.1%	9.8%	10.1%	16.1%	-10.0%	4.2%	16.2%
Dividend Yield %	4.1%	7.8%	5.0%	11.6%	10.2%	10.6%	11.4%

NNAV



■ NNAV

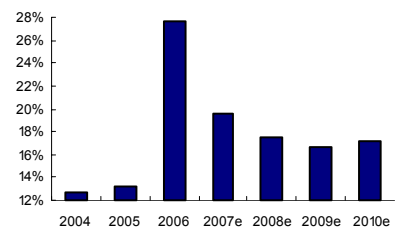
EPS & Dividends



■ EPS

■ DVPS

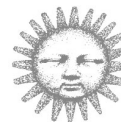
Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co





Predictable but relatively expensive

Company profile Eurocommercial Properties has a high quality €2.3bn portfolio of which the vast majority is retail (93%). The company has assets in Italy (38%), France (36%), Sweden (21%) and the Netherlands (5%). These figures include the recent €96.5m retail acquisitions in France at a 5.25% net yield. ECP's portfolio is valued at a 4.8% net yield which is in line with its financing costs. ECP has hedged 90% of its debt which has an average maturity of eight years.

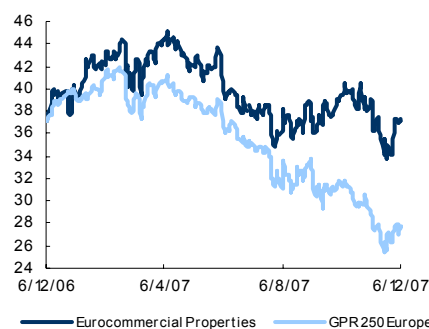
Investment case. The company has a long track record in demonstrating high like-for-like rental growth (5.4% for retail over the last 12 months) combined with solid debt financing. At its AGM in Amsterdam the company indicated it was still able to finance at spreads between 35 to 40 bps while other companies (mainly outside the Netherlands) were showing increasing spreads. The company is benefiting from strong economic markets in Sweden and high rental increases of 5.0% for France again following a high Construction Cost Index. The development pipeline of ECP still offers substantial upside as the company will have €130m in extensions to its current centres which will be completed in the next 18 months at an average net construction yield of 7.0%. For some investors a completely new angle on this company is the shareholding of PGGM. This Dutch pension fund (owning 15.2% of ECP) has been one of the driving forces in the public offers for Metrovacesa, Rodamco Europe and VastNed Retail and might again play a crucial role in ECP going forward.

Developments and outlook Although the reversionary potential on the portfolio is substantial (6% for France, 11% for Italy and 10% for Sweden) we have become more conservative on the valuation yields of ECP. We expect management again to squeeze out additional rent as it is very keen on sales to turnover ratios in its shopping centres. We forecast yield expansion based on strong rental growth resulting in theoretical net yields of 5.0% for France, 5.3% for Italy and 5.2% for Sweden by 30 June 2010. The company is currently buying back up to 676,000 shares related to the option schemes which expired on 8 November 2007. These options are deep in the money as they have a strike price of €24.82. Up to last week ECP had bought back shares at prices up to €37.6.

Valuation We acknowledge the high quality management and high quality portfolio. ECP has been very stable with a total return of 5.2% compared to Corio (+2.7%), Unibail-Rodamco (-12.0%) and Klépierre (-21.4%). As such we consider ECP as relatively expensive compared to European retail peers such as Corio, Klépierre and Unibail-Rodamco. The cash flow yield of ECP for 2008E is 4.6% whereas we see 5.9% for Unibail-Rodamco, 6.4% for Corio and 7.3% for Klépierre. Furthermore we see that Unibail-Rodamco (6.9%), Corio (6.4%) and Klépierre (5.9%) saw higher like-for-like growth on their retail portfolios for the period ending 30 September 2007 compared to ECP (5.4%). We think that ECP had a good run in anticipation of the optional dividend and is currently seeing support from the company which is buying back shares.

Rating	NEUTRAL (Downgrade from ADD)
Price target (12m)	€36.9
Closing price (6 December 2007)	€37.3
Expected total return	3.6%
Date	9 December 2007

ECMPA NA vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-4.6%	-0.6%	0.2%
Rel. to GPR 250 Europe	0.5%	18.2%	34.7%

Source: Factset

Company data	
52-Week range	€33.67 - 45.08
Market cap	€1,314.93m
Number of shares	35.3m
Average daily volume	105,607
Free float	57%

Company data	
Bloomberg / Reuters	ECMPA NA / SIPFc.AS

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Eurocommercial Properties

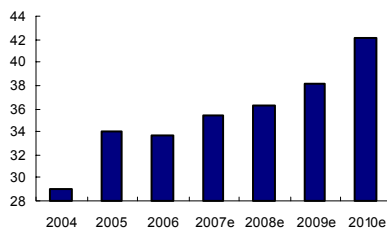
Property ■ Netherlands

Income Statement (Year to 30 Jun)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	94.2	99.7	110.0	123.8	132.6	142.8	147.6
Operating costs	-13.4	-12.5	-14.1	-16.0	-17.2	-18.6	-19.3
Net rental income	80.8	87.2	95.8	107.9	115.4	124.2	128.3
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-6.9	-7.7	-7.9	-8.9	-9.5	-10.2	-10.6
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	73.9	79.5	87.9	99.0	105.9	113.9	117.7
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	73.9	79.5	87.9	99.0	105.9	113.9	117.7
Net financial	-24.5	-23.4	-28.9	-37.9	-44.4	-49.9	-49.8
EBT	49.4	56.1	59.0	61.1	61.5	64.0	67.9
Taxes	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	49.2	56.1	59.0	61.1	61.5	64.0	67.9
Sales result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	140.7	193.7	217.4	-50.8	82.1	40.2	83.0
Taxation on revaluation	-39.2	-55.0	-38.7	7.4	-16.8	-9.1	-16.2
Revaluation financial instruments	-36.6	39.2	21.7	-1.8	-1.9	-2.1	-2.2
Total indirect investment result	64.9	177.9	200.5	-45.2	63.3	29.0	64.6
Net profit	114.1	234.0	259.5	16.0	124.9	93.0	132.4
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	34.5	35.3	35.3	36.0	36.0	36.0	36.0
Average number of shares	31.6	34.9	35.3	35.7	35.7	35.3	35.3
Direct investment result per share	1.56	1.60	1.67	1.71	1.72	1.81	1.92
Indirect investment result per share	2.05	5.09	5.68	-1.27	1.77	0.82	1.83
EPS (IFRS)	3.61	6.70	7.35	0.45	3.50	2.64	3.75
CFPS (recurring)	1.56	1.60	1.67	1.71	1.72	1.81	1.92
Dividend per share	1.56	1.60	1.67	1.71	1.72	1.81	1.92
Payout ratio %	100%	100%	100%	100%	100%	100%	100%
NNAV per share	29.10	34.05	33.62	35.43	36.31	38.21	42.03
NAV per share	32.36	38.25	37.61	39.89	41.02	43.38	48.30
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	1,498.1	1,782.3	2,178.8	2,225.9	2,535.9	2,577.1	2,666.3
Developments	0.0	0.0	18.2	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	8.6	7.2	22.2	5.7	5.9	6.1	6.4
Total fixed assets	1,506.7	1,789.6	2,219.3	2,231.6	2,541.9	2,583.2	2,672.7
Receivables	17.4	25.3	30.6	34.6	35.9	37.2	38.5
Cash and banks	73.0	76.6	18.0	14.2	14.7	15.2	15.7
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	90.4	101.9	48.7	48.8	50.6	52.4	54.2
Total assets	1,597.0	1,891.4	2,267.9	2,280.4	2,592.5	2,635.6	2,726.8
Shareholders' equity	828.1	1,037.7	1,242.1	1,199.1	1,262.8	1,294.3	1,362.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	828.1	1,037.7	1,242.1	1,199.1	1,262.8	1,294.3	1,362.7
Provisions	73.4	117.2	151.0	143.5	160.4	169.5	185.7
Long interest bearing debt	479.1	585.9	685.3	737.5	965.8	965.2	968.5
Other long term liabilities	34.8	31.7	18.1	21.7	22.5	23.3	24.1
Total long term liabilities	587.3	734.9	854.4	902.8	1,148.7	1,158.0	1,178.4
Short term debt	141.6	71.0	114.2	114.2	114.2	114.2	114.2
Other current liabilities	40.0	47.9	57.3	64.4	66.8	69.2	71.5
Total current liabilities	181.6	118.9	171.5	178.6	180.9	183.4	185.7
Total equity and liabilities	1,597.0	1,891.4	2,267.9	2,280.4	2,592.5	2,635.6	2,726.8
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	51.9%	54.9%	54.8%	52.6%	48.7%	49.1%	50.0%
Net gearing %	66.1%	55.9%	62.9%	69.8%	84.4%	82.2%	78.3%
Interest cover	3.0	3.4	3.0	2.6	2.4	2.3	2.4
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	1,458.5	1,647.8	2,142.0	2,177.6	2,405.4	2,404.3	2,407.1
Market Cap	910.8	1,067.4	1,360.5	1,340.1	1,340.1	1,340.1	1,340.1
P/NNAV-1	-9.2%	-11.1%	14.7%	5.2%	2.6%	-2.5%	-11.3%
EBITDA/EV	5.1%	4.8%	4.1%	4.5%	4.4%	4.7%	4.9%
Recurring Cash Flow Yield	5.9%	5.3%	4.3%	4.6%	4.6%	4.9%	5.2%
Earnings Yield	13.7%	22.1%	19.1%	1.2%	9.4%	7.1%	10.1%
Dividend Yield %	5.9%	5.3%	4.3%	4.6%	4.6%	4.9%	5.2%

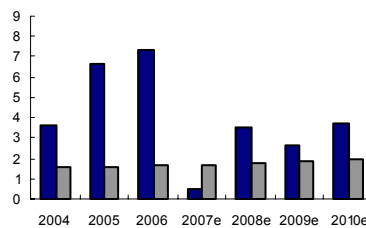
NNAV

EPS & Dividends

Equity-to-assets

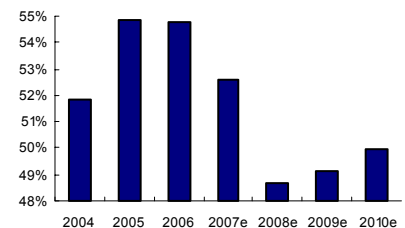


■ NNAV



■ EPS

■ DVPs



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Management ups the pace again

Company profile Fabege is active in property management and property trading. The portfolio is fully exposed to the Stockholm commercial property market with a total value of SEK 27.3bn (€2.9bn). The occupancy rate is 91% and the portfolio is valued at a net yield of 5.7%. The LTV is 56%, which may increase to a maximum LTV of 70%. Mr Paulsson (former CEO of Fabege) holds 13% both directly and indirectly and is strongly committed to the company in his role as Executive Vice Chairman. We think the company can leverage from his network and benefit from his knowledge of the Swedish property market. Fabege is the second largest listed property company in Sweden (market cap SEK 12.7bn).

Investment case We favour Fabege's focus on Stockholm which enables them to benefit from market inefficiencies and discover potential tenants first. Although we believe that Fabege is less active on trading than in the past, we assume that Fabege will remain able to efficiently recycle its capital and cherry-pick the attractive properties on the market. Going forward, we expect 8% of its revenues to come from trading activities. In addition, we anticipate a strong rental market in Stockholm and apply a rental growth of 6% per annum over FY08-10. Fabege's low tax rate on the CF is due to legislation and a significant tax-loss carry forward (about SEK 4.0bn). All in all we expect a FY08 and FY09 CFPS of SEK 4.0 and SEK 4.6 respectively. Currently the investment market in Stockholm seems to be cooling off as yields are flat and in the near future we expect yield expansion. Over FY08-10 we apply 50bps of yield expansion on Fabege's portfolio. We expect Fabege's NNAV to grow as from YE08 mainly due to development profits and the fact that the payout is on average 90%.

Developments and outlook After an increase of 11% y-o-y of rental growth in the Stockholm market, we expect the rental growth over FY08-09 for Stockholm to reach 6% per annum and declining vacancy rates in Stockholm to come through in the CBD and established business districts. We see that within the greater Stockholm area Fabege is increasing its focus on: the inner city, Hammerby Sjöstad and Solna. All areas are expected to outperform the Stockholm real estate market. The Solna area is expected to be upgraded following the completion of the National Arena and the resulting improved accessibility to this suburb of Stockholm. Fabege currently has a development pipeline of 208,500 sqm of which 69,000 and 85,000 sqm will be completed in FY08 and FY09 respectively. We calculate applying a total value of SEK 2.0bn with a development upside of 300m, reflecting a value of SEK 1.7 per share. We foresee more difficulties for Fabege in creating value through trading which might explain an increased focus on developments. One of our major concerns is the fact that Fabege has to refinance 20% of its debt within one year.

Valuation Fabege provides a FY07E CF yield of 6.6% (including Trading activities), which is above the European average. Fabege is trading at a 9% premium to our 07E NNAV (vs. European average 8.1%) and 2% discount to our 07E NAV. Although these multiples are not very impressive, we believe that Fabege is a safe bet on the buoyant Stockholm property market. Our +12M EBFV suggests a price target SEK 70 (was: SEK 73) implying a total return of 4.9%. We reiterate our Neutral rating.

Rating

NEUTRAL

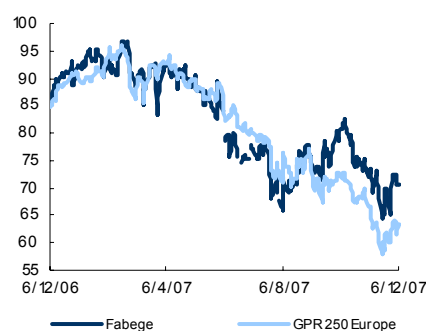
Price target (12m) **SEK70.0**

Closing price (6 December 2007) **SEK70.8**

Expected total return **4.9%**

Date **8 December 2007**

FABG SS vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-3.7%	-6.6%	-16.8%
Rel. to GPR 250 Europe	1.4%	11.1%	11.9%

Source: Factset

Company data

52-Week range	SEK64.50 - 100.00
Market cap	SEK12,640.83m
Number of shares	178.7m
Average daily volume	674,211
Free float	75%

Company data

Bloomberg / Reuters	FABG SS / FABG.ST
Next announcement	5 February 2008
	FY 2007 Results

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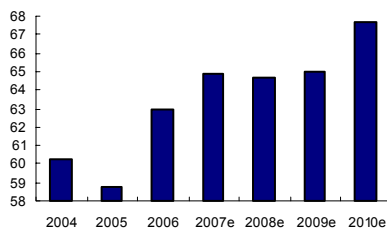
www.kempenresearch.nl
Bloomberg: KEMP <GO>

Fabege

Property ■ Sweden

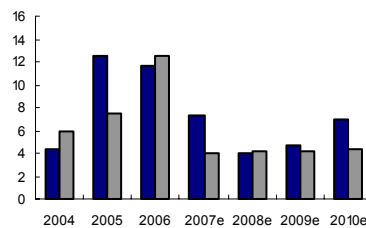
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	2,169.0	3,846.0	2,343.0	2,113.7	2,509.4	2,777.0	3,042.1
Operating costs	-857.0	-1,440.0	-942.0	-900.7	-1,014.3	-1,096.6	-1,184.9
Net rental income	1,312.0	2,406.0	1,401.0	1,213.0	1,495.2	1,680.3	1,857.3
Sales (developments)	0.0	0.0	0.0	463.7	178.1	213.2	250.2
Costs of sales (developments)	0.0	0.0	0.0	-27.9	-20.9	-20.9	-21.2
Sales result (developments)	0.0	0.0	0.0	435.8	157.2	192.3	229.1
Overhead costs	-89.0	-90.0	-109.0	-75.7	-85.9	-96.6	-107.2
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	1,223.0	2,316.0	1,292.0	1,573.0	1,566.6	1,776.1	1,979.1
Depreciation	-13.0	-14.0	0.0	0.0	0.0	0.0	0.0
EBIT	1,210.0	2,302.0	1,292.0	1,573.0	1,566.6	1,776.1	1,979.1
Net financial	-645.0	-1,372.0	-646.0	-702.4	-833.4	-929.2	-1,025.5
EBT	565.0	930.0	646.0	870.6	733.2	846.9	953.6
Taxes	-8.0	-78.0	-8.0	-43.5	-36.7	-42.3	-47.7
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	557.0	852.0	638.0	827.1	696.5	804.6	905.9
Sales result	254.0	84.0	487.0	0.0	0.0	0.0	0.0
Revaluation Property	0.0	1,229.0	1,141.0	699.8	0.8	1.5	396.1
Taxation on revaluation	0.0	267.0	0.0	-236.0	6.4	5.1	-77.7
Revaluation financial instruments	0.0	0.0	1.0	0.0	0.0	0.0	0.0
Total indirect investment result	254.0	1,580.0	1,629.0	463.8	7.2	6.6	318.4
Net profit	811.0	2,432.0	2,267.0	1,290.9	703.8	811.2	1,224.3
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	187.0	193.6	193.6	174.6	174.6	174.6	174.6
Average number of shares	187.0	193.6	193.6	176.7	174.6	174.6	174.6
Direct investment result per share	2.98	4.40	3.30	4.68	3.99	4.61	5.19
Indirect investment result per share	1.36	8.16	8.41	2.63	0.04	0.04	1.82
EPS (IFRS)	4.34	12.56	11.71	7.31	4.03	4.65	7.01
CFPS (recurring)	2.91	4.33	3.30	4.68	3.99	4.61	5.19
Dividend per share	6.00	7.50	12.50	4.00	4.10	4.20	4.30
Payout ratio %	206%	173%	379%	85%	103%	91%	83%
NNAV per share	60.29	58.70	62.90	64.83	64.67	65.02	67.63
NAV per share	60.47	63.55	68.07	71.92	71.72	72.04	75.09
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	36,379.0	31,366.7	27,188.0	26,882.3	28,860.8	30,835.2	33,223.6
Developments	0.0	0.0	0.0	563.2	1,143.0	1,722.7	2,310.1
Financial fixed assets	830.0	462.0	11.0	11.0	11.0	11.0	11.0
Other fixed assets	32.0	17.0	1,889.0	0.0	0.0	0.0	0.0
Total fixed assets	37,241.0	31,845.7	29,088.0	27,456.5	30,014.8	32,568.9	35,544.7
Receivables	864.0	1,186.0	757.0	50.0	50.0	50.0	50.0
Cash and banks	298.0	1,519.0	164.0	1,456.3	1,420.3	195.8	333.4
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	1,162.0	2,705.0	921.0	1,506.3	1,470.3	245.8	383.4
Total assets	38,403.0	34,550.7	30,009.0	28,962.8	31,485.1	32,814.7	35,928.1
Shareholders' equity	11,308.0	10,727.0	12,156.0	11,317.1	11,288.3	11,349.1	11,805.1
Minority interests	0.0	584.7	21.0	20.0	20.0	20.0	20.0
Total equity	11,308.0	11,311.7	12,177.0	11,337.1	11,308.3	11,369.1	11,825.1
Provisions	1,605.0	991.0	1,001.0	1,237.0	1,230.7	1,225.5	1,303.2
Long interest bearing debt	23,670.0	17,676.0	14,999.0	14,556.6	17,114.2	18,388.0	20,967.8
Other long term liabilities	341.0	574.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Total long term liabilities	25,616.0	19,241.0	17,000.0	16,793.7	19,344.8	20,613.6	23,271.0
Short term debt	33.0	3,559.0	832.0	832.0	832.0	832.0	832.0
Other current liabilities	1,446.0	439.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	1,479.0	3,998.0	832.0	832.0	832.0	832.0	832.0
Total equity and liabilities	38,403.0	34,550.7	30,009.0	28,962.8	31,485.1	32,814.7	35,928.1
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	29.4%	32.7%	40.6%	39.1%	35.9%	34.6%	32.9%
Net gearing %	207.0%	174.3%	128.7%	122.9%	146.1%	167.3%	181.5%
Interest cover	1.9	1.7	2.0	2.2	1.9	1.9	1.9
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	31,595.6	33,459.6	30,544.0	26,282.4	28,876.0	31,374.4	33,816.5
Market Cap	8,190.6	13,743.6	14,877.0	12,350.1	12,350.1	12,350.1	12,350.1
P/NNAV-1	-27.4%	20.9%	22.2%	9.1%	9.4%	8.8%	4.6%
EBITDA/EV	3.9%	6.9%	4.2%	6.0%	5.4%	5.7%	5.9%
Recurring Cash Flow Yield	6.6%	6.1%	4.3%	6.6%	5.6%	6.5%	7.3%
Earnings Yield	9.9%	17.7%	15.2%	10.3%	5.7%	6.6%	9.9%
Dividend Yield %	13.7%	10.6%	16.3%	5.7%	5.8%	5.9%	6.1%

NNAV



■ NNAV

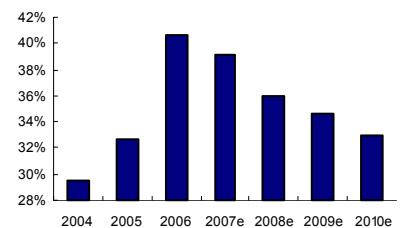
EPS & Dividends



■ EPS

■ DPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Still good cash flow, but no liquidity

Company profile The company has built up a residential portfolio located in France and Germany of € 1,128m (31%) and € 2,521m (69%) respectively. The gross yield (ITD) comes out at 4.3% and 6.0% for the French and German assets. The portfolio had initially been built up through the regrouping of former subsidiary Sovlake with the other residential assets of Fonciere des Regions. As at end November 2006 management had added the German residential portfolio to this holding and realized large acquisitions in France and Germany. At the 1H07 results FDL announced the acquisition of four portfolios in France, which will be completed by the end of H2.

Investment case We have slightly lowered our like-for-like rental growth to around 2.5% and 2.0% for the French and German portfolios respectively. Regarding trading, management remained confident on the privatization of 2% to 3% of the German portfolio per annum. We assume a privatisation rate of 5% on the French portfolio per annum. These sales profits and the marked underlying income growth on the portfolio will furthermore be leveraged by a 55% LTV ratio on average for the next years. We conservatively assume yield expansion on the portfolio of up to 45bps resulting in a decline in NAV in FY08. Cash flows will however remain attractive at 8% to 9% over the next three years. As such we expect residential will prove an increasingly interesting asset class alongside commercial real estate.

Developments and outlook The 1H07 sales results were on track with the annual target. Margins on the German and French portfolio came out at 35% and 30% respectively. In addition, with the 1H results, management announced it had realised the acquisition of four portfolios in France. The transactions had been financed through cash and shares. The contributing parties indicated it would retain the shares. As such, the number of shares qualifying as free float remained unchanged representing 7.8% of the number of shares outstanding. Meanwhile residential price inflation in France is decelerating, while we expect mortgage banks will slowly increase lending margins. For Germany we expect current values will remain firm as these are already below replacement costs. As a result of a stabilisation of unit values, we expect block values will likewise come under pressure. As such, we assume modest yield expansion as the income component of the total return expectation would increase in relevance.

Valuation We assume 40bps yield expansion in the German and French portfolios of FDL. The net yield on the German portfolio comes out at 4.5% versus a 4.8% and 4.9% net yield on the Gagfah and Deutsche Wohnen portfolio (excluding Gehag) respectively. The increase would have a 7% negative impact on block valuations. As a result of the adjustment we anticipate a 20% effective decrease in the NAV per share for FY08. The adjustment has resulted in a reduction of our fair value for the company to €18.4. The main value driver for the company however remains the cash flow and dividend yield. We expect the largest part of the cash flow incurs limited risks. Trading income represents a third of our cash flow assumptions and could thereby be impacted by lower privatisation rates and margins.

Rating

NEUTRAL

(Downgrade from ADD)

Price target (12m)

€18.0

Closing price (6 December 2007)

€18.4

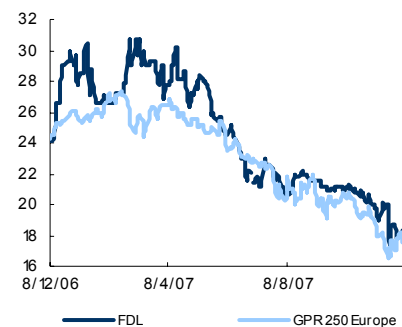
Expected total return

5.0%

Date

9 December 2007

FDL FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-7.3%	-15.0%	-24.3%
Rel. to GPR 250 Europe	-2.3%	1.0%	1.7%

Source: Factset

Company data

52-Week range	€17.10 - 29.50
Market cap	€1,006.76m
Number of shares	54.9m
Average daily volume	13,579
Free float	8%

Company data

Bloomberg / Reuters	FDL FP / FDL.PA
Next announcement	4 February 2008
	FY 2007 Results

Analyst

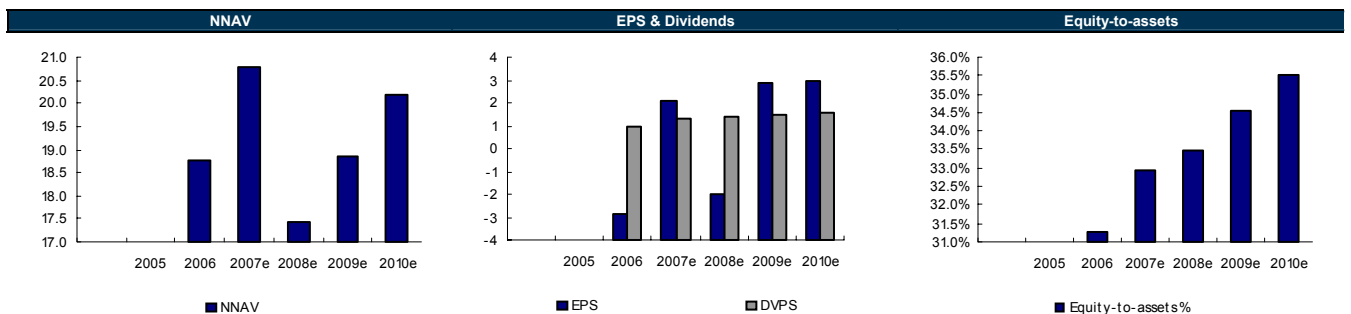
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FDL

Property ■ France

Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	40.8	195.2	215.8	217.8	217.8	218.8
Operating costs	-16.7	-50.9	-44.6	-47.3	-47.3	-50.3
Net rental income	24.2	144.3	171.2	170.5	170.5	168.5
Sales (developments)	6.8	19.3	30.0	33.4	33.4	33.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	6.8	19.3	30.0	33.4	33.4	33.0
Overhead costs	0.0	0.0	0.0	0.0	0.0	0.0
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	31.0	163.6	201.2	203.8	203.8	201.5
Depreciation	-0.4	-1.4	-1.5	-1.5	-1.5	-1.6
EBIT	30.6	162.2	199.7	202.3	202.3	199.9
Net financial	-12.5	-79.7	-82.5	-78.5	-78.5	-73.3
EBT	18.1	82.5	117.1	123.7	123.7	126.6
Taxes	-0.2	-11.9	-17.3	-18.3	-18.3	-18.8
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	1.5	-3.2	-4.6	-4.8	-4.8	-5.0
Direct investment result	19.4	67.4	95.3	100.6	100.6	102.9
Sales result	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	-96.4	101.5	-217.0	74.8	74.8	76.8
Taxation on revaluation	0.0	-47.2	0.0	0.0	0.0	0.0
Revaluation financial instruments	15.8	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	-80.7	54.3	-217.0	74.8	74.8	76.8
Net profit	-61.3	121.7	-121.7	175.4	175.4	179.7
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	54.9	61.6	61.6	61.6	61.6	61.6
Average number of shares	21.4	58.2	61.6	61.6	61.6	61.6
Direct investment result per share	0.91	1.16	1.55	1.63	1.63	1.67
Indirect investment result per share	-3.77	0.93	-3.52	1.21	1.21	1.25
EPS (IFRS)	-2.86	2.09	-1.98	2.85	2.85	2.92
CFPS (recurring)	0.91	1.07	1.46	1.55	1.55	1.59
Dividend per share	0.93	1.28	1.38	1.49	1.49	1.61
Payout ratio %	102%	119%	94%	96%	96%	101%
NNAV per share	18.76	20.78	17.44	18.83	18.83	20.18
NAV per share	21.83	23.51	20.18	21.57	21.57	22.91
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	2,994.0	3,461.1	3,384.6	3,306.0	3,207.6	3,207.6
Developments	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.4	0.4	0.4	0.4	0.4	0.4
Other fixed assets	0.3	0.3	0.3	0.3	0.3	0.3
Total fixed assets	3,002.5	3,469.7	3,393.2	3,314.6	3,216.2	3,216.2
Receivables	58.9	58.9	58.9	58.9	58.9	58.9
Cash and banks	62.8	-26.9	4.8	-12.7	-15.5	-15.5
Other current assets	102.7	102.7	102.7	102.7	102.7	102.7
Total current assets	224.4	134.7	166.4	148.9	146.1	146.1
Total assets	3,226.9	3,604.3	3,559.6	3,463.4	3,362.2	3,362.2
Shareholders' equity	1,003.0	1,180.4	1,185.7	1,189.5	1,188.3	1,188.3
Minority interests	6.3	6.3	6.3	6.3	6.3	6.3
Total equity	1,009.2	1,186.6	1,191.9	1,195.8	1,194.6	1,194.6
Provisions	49.4	49.4	49.4	49.4	49.4	49.4
Long interest bearing debt	1,863.1	2,063.1	2,013.1	1,913.1	1,813.1	1,813.1
Other long term liabilities	249.3	249.3	249.3	249.3	249.3	249.3
Total long term liabilities	2,161.7	2,361.7	2,311.7	2,211.7	2,111.7	2,111.7
Short term debt	2.0	2.0	2.0	2.0	2.0	2.0
Other current liabilities	54.0	54.0	54.0	54.0	54.0	54.0
Total current liabilities	56.0	56.0	56.0	56.0	56.0	56.0
Total equity and liabilities	3,226.9	3,604.3	3,559.6	3,463.4	3,362.2	3,362.2
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	31.3%	32.9%	33.5%	34.5%	35.5%	35.5%
Net gearing %	214.2%	199.0%	193.9%	185.0%	176.8%	176.8%
Interest cover	2.5	2.1	2.4	2.6	2.7	2.7
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	3,447.6	3,492.0	3,442.0	3,442.0	3,442.0	3,242.0
Market Cap	1,285.9	1,130.3	1,130.3	1,130.3	1,130.3	1,130.3
P/NNAV-1	25.0%	-11.7%	5.2%	-2.6%	-9.1%	-9.1%
EBITDA/EV	0.9%	4.7%	5.8%	6.1%	6.2%	6.2%
Recurring Cash Flow Yield	3.9%	5.8%	8.0%	8.4%	8.6%	8.6%
Earnings Yield	-12.2%	11.4%	-10.8%	15.5%	15.9%	15.9%
Dividend Yield %	3.9%	6.9%	7.5%	8.1%	8.8%	8.8%



Source: Company Data, Kempen & Co



Security in income

Company profile Fonciere des Murs was built on an empty shell acquired in 2004. In 2005, the company obtained the SIIC status with the first two portfolios being 128 Accor hotels and 31 retirement homes from Suren Medidep. The portfolio had increased to € 2.4bn by the end of 1H07. Free float was increased to 17.4% through the issue of new shares in 1H07, while Fonciere des Regions still holds a 23.6% stake in the company. Other shareholders include French institutional investors being ACM Vie, Generali Vie, Predica, Pacifica and Cardiff.

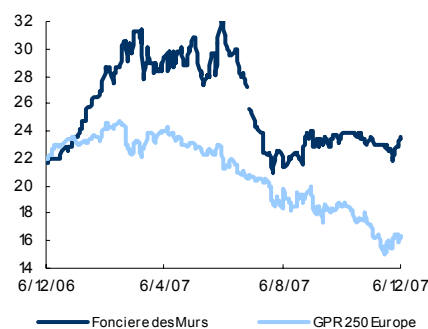
Investment case We expect the company is well exposed to sectors that benefit from significant growth. Meanwhile, we believe the downside risk is limited as the portfolio is subject to long term triple net leases. This implies that vacancy risks are limited, while increased maintenance spends can be charged to tenants limiting potential future costs. The total portfolio as at end 1H07 comprised Accor hotels (78%), healthcare (15%), restaurant (5%) and leisure (2%) properties. The exposure to the hotel sector is mainly directed towards the mid scale and economy segment, which represent 28% and 44% of the portfolio respectively and provide more stable turnover patterns. All hotels thereby provide turnover linked rental income without a base rent. We expect hotel revenues to outpace rental indexation resulting in above average like-for-like rental growth on the hotel portfolio of FDM (c5-6%).

Developments and outlook Fonciere des Murs announced they had signed a debt refinancing of € 1,335m including a € 1,175m refinancing of existing debt and €160m to bridge future acquisitions. In addition, FDM has acquired six hotels in Italy from the Methea Group for €128m, which will be leased back by the seller. We calculate that the gross yield on the acquisition should come out at c6.25%. The hotels will be held by the Italian hotel subsidiary, 80% of which is owned by FDM and 20% by Beni Stabili. Like-for-like growth on the standing portfolio amounted to 6.5% as at 1H07. We expect this above average trend will continue. Accor indicated that its European upscale and mid-scale hotels had realized +8.3% like-for-like rental growth, while economy hotels posted +5.7% revenue growth during Q307 (after a rather weak Q2). As a result of the above average rental growth, we expect Fonciere des Murs will be able to offset some of the yield expansion pressures in the market.

Valuation Despite the security in terms of income, the company is still trading at a 14% discount to FY07E NAV. As a result of some overall softening in yields we expect this will decrease to 10% in FY08E. Given a healthy cash flow yield and security in income, we believe the stock is conservatively valued. The only reason for the discount in our view could be the limited liquidity in the stock. Our fair value for the company amounts to €25.0, providing 10.8% potential upside from current levels. The stock is therefore still considered an interesting value pick. Liquidity is however low, making the stock difficult to buy or sell.

Rating	ADD (Downgrade from BUY)
Price target (12m)	€25.0
Closing price (6 December 2007)	€23.6
Expected total return	10.8%
Date	9 December 2007

FMU FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	0.0%	-1.6%	7.5%
Rel. to GPR 250 Europe	5.4%	17.0%	44.5%

Source: Factset

Company data	
52-Week range	€21.00 - 32.50
Market cap	€982.23m
Number of shares	41.6m
Average daily volume	12,493
Free float	17%

Company data	
Bloomberg / Reuters	FMU FP / FERP.PA
Next announcement	4 February 2008
	FY 2007 Results

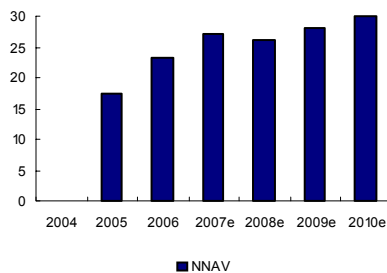
Analyst	Boudewijn Schoon +31 (0)20 348 8456 bsch@kempen.nl
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Fonciere des Murs

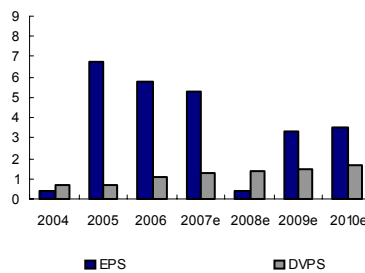
Property ■ France

Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	0.7	44.6	115.8	172.0	219.6	244.1	253.8
Operating costs	0.0	-3.2	-6.5	-11.1	-14.2	-15.8	-16.4
Net rental income	0.7	41.5	109.3	160.9	205.5	228.4	237.4
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	0.0	0.0	0.0	-8.7	-5.9	-0.9	-0.5
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	0.7	41.4	109.3	152.2	199.6	227.5	236.9
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.7	41.4	109.3	152.2	199.6	227.5	236.9
Net financial	0.4	-19.3	-49.2	-24.7	-91.9	-101.4	-102.6
EBT	1.0	22.1	60.1	127.5	107.6	126.0	134.4
Taxes	-0.4	-0.5	-0.1	-0.3	-0.3	-0.3	-0.3
Extraordinary items	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Direct investment result	1.3	21.6	59.9	127.1	107.2	125.6	133.9
Sales result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	0.0	78.8	121.3	138.6	-58.8	99.6	104.6
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	-0.7	-0.5	-23.9	-26.3	-28.9	-31.8
Total indirect investment result	0.0	78.1	120.8	114.7	-85.1	70.6	72.8
Net profit	1.3	99.7	180.7	241.7	22.1	196.2	206.7
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	3.8	27.7	41.6	49.9	58.8	58.8	58.8
Average number of shares	3.8	14.8	31.2	45.8	54.4	58.8	58.8
Direct investment result per share	0.35	1.46	1.92	2.78	1.97	2.13	2.28
Indirect investment result per share	0.00	5.27	3.87	2.50	-1.57	1.20	1.24
EPS (IFRS)	0.35	6.73	5.79	5.28	0.41	3.33	3.51
CFPS (recurring)	0.15	1.49	1.89	1.75	1.99	2.11	2.25
Dividend per share	0.67	0.68	1.13	1.25	1.38	1.51	1.66
Payout ratio %	451%	45%	60%	71%	69%	72%	74%
NNAV per share	0.00	17.38	23.18	27.21	26.24	28.06	29.91
NAV per share	0.00	17.38	23.18	27.21	26.24	28.06	29.91
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	87.6	1,371.9	2,187.7	3,174.2	3,681.3	3,846.3	3,970.5
Developments	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Financial fixed assets	0.0	0.7	0.7	0.7	0.7	0.7	0.7
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	87.6	1,372.7	2,188.4	3,175.0	3,682.0	3,847.0	3,971.2
Receivables	2.2	3.4	9.6	9.6	9.6	9.6	9.6
Cash and banks	20.8	104.0	33.6	26.4	20.5	12.8	-2.7
Other current assets	7.1	14.4	45.1	45.1	45.1	45.1	45.1
Total current assets	30.2	121.8	88.3	81.1	75.2	67.4	52.0
Total assets	117.8	1,494.5	2,276.7	3,256.1	3,757.2	3,914.5	4,023.2
Shareholders' equity	49.0	482.2	964.4	1,343.8	1,484.9	1,592.2	1,701.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	49.0	482.2	964.4	1,343.8	1,484.9	1,592.2	1,701.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long interest bearing debt	55.0	865.0	1,132.0	1,732.0	2,092.0	2,142.0	2,142.0
Other long term liabilities	0.0	0.3	1.6	1.6	1.6	1.6	1.6
Total long term liabilities	55.0	865.3	1,133.7	1,733.7	2,093.7	2,143.7	2,143.7
Short term debt	8.7	39.5	74.3	74.3	74.3	74.3	74.3
Other current liabilities	5.0	107.5	104.3	104.3	104.3	104.3	104.3
Total current liabilities	13.7	147.0	178.6	178.6	178.6	178.6	178.6
Total equity and liabilities	117.7	1,494.5	2,276.7	3,256.0	3,757.2	3,914.5	4,023.2
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	41.6%	32.3%	42.4%	41.3%	39.5%	40.7%	42.3%
Net gearing %	112.2%	179.4%	117.5%	129.0%	141.0%	134.6%	126.0%
Interest cover	-1.8	2.1	2.2	6.2	2.2	2.2	2.3
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	81.0	1,409.6	2,032.9	2,912.4	3,482.2	3,532.2	3,532.2
Market Cap	26.0	544.3	899.3	1,178.7	1,388.5	1,388.5	1,388.5
P/NNAV-1	nm	12.9%	-6.8%	-13.3%	-10.0%	-15.9%	-21.1%
EBITDA/EV	0.8%	2.9%	5.4%	5.2%	5.7%	6.4%	6.7%
Recurring Cash Flow Yield	2.1%	7.6%	8.7%	7.4%	8.4%	8.9%	9.5%
Earnings Yield	5.0%	34.3%	26.8%	22.4%	1.7%	14.1%	14.9%
Dividend Yield %	9.6%	3.4%	5.2%	5.3%	5.8%	6.4%	7.0%

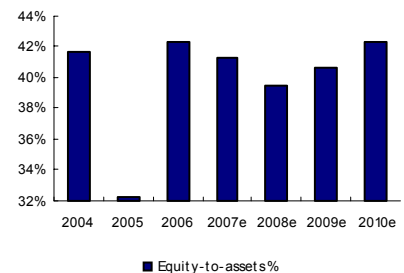
NNAV



EPS & Dividends

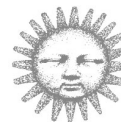


Equity-to-assets



Source: Company Data, Kempen & Co





A call on France telecom

Company profile Fonciere des Regions had built up a portfolio from €58m in 2000 to €15.3bn by end 1H07 on a consolidated basis. Based on group share the portfolio amounts to €8.6bn. The growth was largely realized through sale-and-lease back transactions in which the seller was often paid in shares. The company's latest large acquisition was the 35% stake in Beni Stabili (owned by Mr. Del Vecchio). The portfolio distribution comes out at offices (63%), residential (15%), service sector (7%), logistics (8%), retail (4%) and car parks (2%).

Investment case Management has been able to fuel the share price performance through the completion of large transactions over the last six years completely changing the profile of the company over time. The company has grown to such a size that that this strategy is no longer workable. Future growth will therefore increasingly be driven by value creation on the standing portfolio. The main target is the France Telecom portfolio (including 'Technical'). This portfolio represents almost two-thirds of the office portfolio and thereby just over a third of the total exposure of the company. The bonds of France Telecom have a comparable duration (2012). The bonds have an A- rating while the implied bond yield amounts to 4.55%. In comparison the net yield on FDR's France Telecom portfolio stands at c6.5% providing a 200 bp spread. In addition, the average value on the office portfolio per sqm amounts to €1,500 compared to a weighed average of €3,700 per sqm for listed office portfolios. We therefore see sufficient room for redevelopment uplift and only modest room for value erosion. The main risk that would remain is vacancy, management indicated it intends to renegotiate longer leases with FT in return for vacancy allowances on certain buildings. In addition, FDR indicated it intended to sell back some assets to France Telecom. The development pipeline incurring total development spends of c€1,250m comprises several projects including an 84,000 sqm La Defense development. In addition to the office portfolio, we expect marked like-for-like growth on the Fonciere Developpement Logement and Fonciere des Murs portfolio.

Developments and outlook FDR acquired a logistics portfolio from PEPR in July 2007 for €425m. The portfolio had a locally focussed tenant profile, an above average age and below average size. The acquisition will bring the investment portfolio of FEL to c€1,125m. FDR aims to list FEL in the coming months. The main event for the office portfolio was the re-letting on the €473m EDF portfolio. Management was only confronted by one vacancy out of a total of 40 buildings. We expect management to sell assets during the last months of FY07 thus providing evidence of the underlying values on the portfolio.

Valuation We have increased our valuation yields by approximately 40bps on the office portfolio. In addition, we have amended our assumptions on the net yield on the FDL and Fonciere des Murs portfolio upwards by 40bps and 25bps respectively. The yield expansion assumptions are in addition to potential rental growth. Above average rental growth will enable FDM to follow the trend towards yield expansion without seeing too much value erosion. In spite of the adjustments we still see sufficient upside to our Fair value of €107 to maintain our Add rating.

Rating

ADD

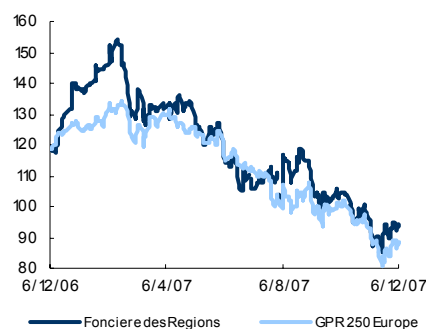
Price target (12m) **€107.0**

Closing price (6 December 2007) **€93.3**

Expected total return **19.0%**

Date **9 December 2007**

FDR FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-2.4%	-16.4%	-21.4%
Rel. to GPR 250 Europe	2.9%	-0.6%	5.7%

Source: Factset

Company data

52-Week range	€85.00 - 154.08
Market cap	€2,691.32m
Number of shares	28.8m
Average daily volume	78,654
Free float	42%

Company data

Bloomberg / Reuters	FDR FP / FDR.PA
Next announcement	4 February 2008
	FY 2007 Results

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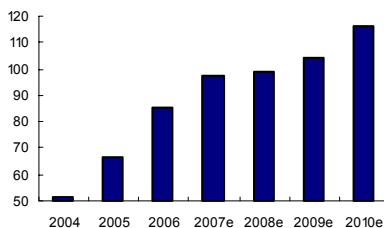
www.kempenresearch.nl
Bloomberg: KEMP <GO>

Fonciere des Regions

Property ■ France

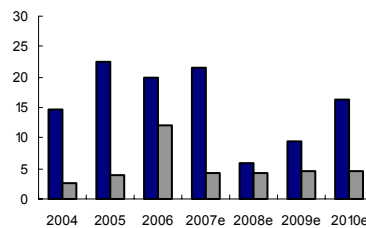
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	186.2	345.9	551.9	854.3	870.8	928.5	990.7
Operating costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net rental income	186.2	345.9	551.9	854.3	870.8	928.5	990.7
Sales (developments)	0.0	0.0	12.2	19.3	30.0	33.4	33.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	12.2	19.3	30.0	33.4	33.0
Overhead costs	-70.2	-100.5	-104.3	-218.3	-262.3	-281.6	-300.0
Other income	0.1	1.4	0.7	0.7	0.7	0.8	0.8
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	116.1	246.8	460.5	656.0	639.2	681.0	724.5
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	116.1	246.8	460.5	656.0	639.2	681.0	724.5
Net financial	-42.0	-92.1	-189.7	-351.6	-456.8	-517.6	-571.6
EBT	74.1	154.8	270.7	304.4	182.4	163.4	152.9
Taxes	-2.6	-16.3	-26.3	-25.3	-21.4	-23.5	-25.9
Extraordinary items	8.8	39.7	82.5	102.7	51.2	22.2	5.6
Minorities	1.6	-51.8	-69.2	-137.6	-147.9	-167.7	-178.7
Direct investment result	87.5	98.8	206.8	221.7	328.1	320.4	325.2
Sales result	8.8	39.7	94.7	122.0	81.3	55.5	38.6
Revaluation Property	109.2	201.8	525.2	642.3	-394.9	338.1	554.3
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	-1.3	-36.6	-148.4	-16.9	86.3	-21.7	-23.1
Total indirect investment result	119.2	255.8	369.4	537.1	-86.5	74.9	363.7
Net profit	206.7	354.6	576.2	758.8	241.6	395.3	688.9
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	14.2	17.3	28.8	41.8	41.8	41.8	41.8
Average number of shares	14.2	15.7	28.8	35.3	41.8	41.8	41.8
Direct investment result per share	6.18	6.28	7.17	6.27	7.84	7.66	7.77
Indirect investment result per share	8.42	16.24	12.81	15.20	-2.07	1.79	8.69
EPS (IFRS)	14.61	22.52	19.98	21.47	5.77	9.45	16.46
CFPS (recurring)	6.18	6.28	7.17	6.27	7.84	7.66	7.77
Dividend per share	2.64	4.00	12.20	4.08	4.28	4.50	4.72
Payout ratio %	43%	64%	170%	65%	55%	59%	61%
NNAV per share	51.20	66.27	85.50	97.46	99.16	104.32	116.28
NAV per share	51.20	66.27	85.50	97.46	99.16	104.32	116.28
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	1,491.5	4,667.1	9,578.0	15,816.9	16,340.3	17,104.2	18,825.7
Developments	0.0	0.0	0.0	0.0	1.0	2.0	3.0
Financial fixed assets	10.1	213.7	149.7	149.7	149.7	149.7	149.7
Other fixed assets	4.1	106.9	268.3	348.1	348.1	348.1	348.1
Total fixed assets	1,505.7	4,987.7	9,996.0	16,314.7	16,840.1	17,606.1	19,329.5
Receivables	38.9	168.6	260.1	278.2	279.8	282.3	284.3
Cash and banks	44.3	350.2	174.6	184.0	861.3	1,784.4	2,160.9
Other current assets	140.5	154.7	251.9	377.4	377.4	377.4	377.4
Total current assets	223.6	673.4	686.5	839.6	1,518.5	2,444.1	2,822.6
Total assets	1,729.3	5,661.2	10,682.6	17,154.3	18,358.7	20,050.2	22,152.2
Shareholders' equity	678.0	1,139.6	2,384.4	3,858.6	4,196.0	4,313.7	4,620.9
Minority interests	42.9	1,181.6	1,674.5	3,401.7	3,107.0	3,500.7	3,958.9
Total equity	678.0	1,139.6	4,058.9	7,260.4	7,303.0	7,814.4	8,579.7
Provisions	0.0	0.0	0.0	0.0	1.0	2.0	3.0
Long interest bearing debt	767.4	2,554.1	4,892.3	7,816.6	9,143.6	10,375.5	11,725.6
Other long term liabilities	14.2	52.6	300.2	525.3	356.4	302.0	286.5
Total long term liabilities	781.6	2,606.6	5,192.5	8,341.9	9,500.9	10,679.6	12,015.0
Short term debt	190.3	541.6	1,181.8	1,302.7	1,304.3	1,306.8	1,308.9
Other current liabilities	36.6	191.7	249.6	249.6	249.6	249.6	249.6
Total current liabilities	226.9	733.3	1,431.5	1,552.4	1,554.0	1,556.4	1,558.5
Total equity and liabilities	1,686.5	4,479.5	10,682.8	17,154.6	18,357.9	20,050.4	22,153.3
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	40.2%	25.4%	38.0%	42.3%	39.8%	39.0%	38.7%
Net gearing %	134.7%	240.9%	145.3%	123.1%	131.3%	126.7%	126.7%
Interest cover	2.8	2.7	2.4	1.9	1.4	1.3	1.3
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	1,511.0	4,017.7	8,943.3	12,841.6	13,493.0	13,804.3	14,779.9
Market Cap	597.5	1,272.2	3,043.8	3,906.4	3,906.4	3,906.4	3,906.4
P/NNAV-1	-17.6%	10.7%	23.5%	-4.2%	-5.9%	-10.5%	-19.7%
EBITDA/EV	7.7%	6.1%	5.1%	5.1%	4.7%	4.9%	4.9%
Recurring Cash Flow Yield	14.7%	8.6%	6.8%	6.7%	8.4%	8.2%	8.3%
Earnings Yield	34.6%	30.7%	18.9%	23.0%	6.2%	10.1%	17.6%
Dividend Yield %	6.3%	5.5%	11.6%	4.4%	4.6%	4.8%	5.1%

NNAV



■ NNAV

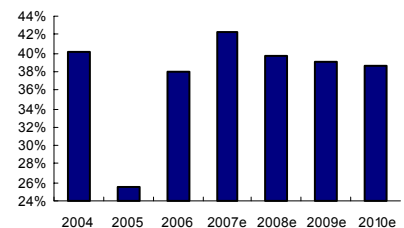
EPS & Dividends



■ EPS

■ DVPS

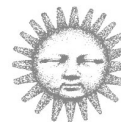
Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co





Waiting for a trigger

Company profile FPF has successfully completed a € 115m public and €26m private equity offer. The issue of new shares was completed in April 2007 and was meant to finance the company's expansion plans. Free float after conversion of the convertible bonds amounted to 43.4%. The portfolio value as at end 9M07 amounted to €390m comprising 84% offices and 16% retail. The portfolio is predominantly located in the secondary emerging office locations of Paris. The gross portfolio yield stood at 6.9% as at end 1H07.

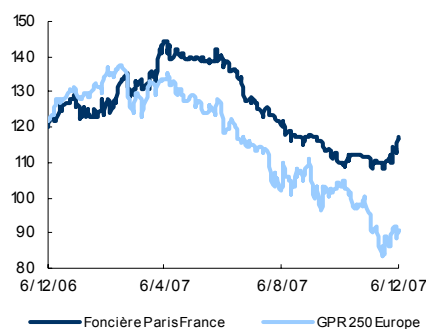
Investment case We expect 'Studios du Lendit' to be the main value driver for the company. The total spend on Studios du Lendit is expected to come out at €125m on which we expect a 8.1% average gross yield on cost versus a potential 6.8% gross valuation yield on completion. As such, we expect the total potential uplift per share to come out at €6.8. We do not anticipate significant value creation from the expansion strategy in the current market. We do agree that management will be able to source acquisitions at prices below those of the market. We expect however that markets will remain weak and that acquisition costs might not even be offset by fair value increases

Developments and outlook No definite news has been provided on the letting of the first phase of 'Studios du Lendit', which is required to start construction. Management has indicated it received building permission on the Mediacom III project and expects to start construction in 1H08 (4,500 sqm offices). Management has not yet realised a letting on this project. The acquisition strategy resulted in € 20.1m in acquisitions in Q307, which would include the acquisition of two industrial assets representing an acquisition sum of € 9m already announced in July. Management stated that the investment market had recently seen a decline in volumes with prices expected to flatten or slightly decline. As a result management has reduced its 2007 investment target to € 160m from the forecast €200m. We expect the 'wait and see' approach should actually be seen as a positive in current markets. Following recent developments in the investment market and guidance of management in the 9M results, we have made the following changes. i) We have modestly increased our assumptions regarding yield expansion from 30 bps (see report: Repricing of Risk) to 70 bps in FY08E. Resulting in a -3.5% revaluation in the respective year. ii) We have reduced our assumptions regarding acquisition volumes to € 160m per annum in FY07E and kept our assumptions for FY08E and beyond stable at € 160m. We have left assumed gross investment yields unchanged at 6.4%. iii) Following increases in the cost of construction index, we modestly increased the expected costs on the 'Studios du Lendit' project to € 125m from € 120m. and iv) We have included a liquidity discount in our required cost of equity calculation representing an additional 100 basis point return requirement. At the moment, in our view, markets for illiquid stocks incur an above average risk.

Valuation Overall the changes have led us to fine-tune our price target to € 128 from € 133, which still reflects marked upside from current levels. We expect a main trigger for the stock will be further details on the progress of the 'Studios du Lendit' project. Main risks are liquidity and market risks given lease expiries that come up in the next three years.

Rating	ADD (Downgrade from BUY)
Price target (12m)	€128.0
Closing price (6 December 2007)	€117.5
Expected total return	13.4%
Date	9 December 2007

SFPI FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	6.8%	-0.4%	-3.8%
Rel. to GPR 250 Europe	12.6%	18.4%	29.3%

Source: Factset

Company data	
52-Week range	€108.00 - 144.49
Market cap	€212.21m
Number of shares	1.8m
Average daily volume	1,826
Free float	38%

Company data	
Bloomberg / Reuters	SFPI FP / SFPI.PA

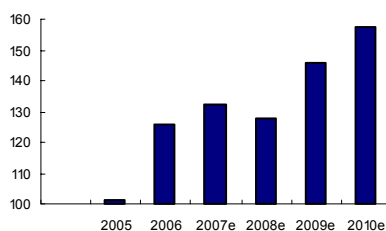
Analyst	Boudewijn Schoon +31 (0)20 348 8456 bsch@kempen.nl
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Foncière Paris France

Property ■ France

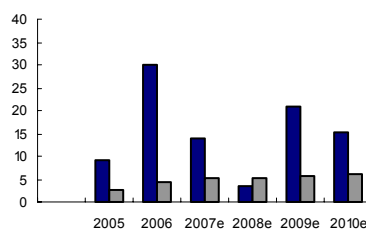
Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	2.7	8.1	24.5	36.2	54.3	65.9
Operating costs	0.0	0.0	-1.2	-1.8	-2.7	-3.3
Net rental income	2.7	8.1	23.3	34.4	51.6	62.6
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-1.9	-2.0	-3.0	-3.3	-3.3	-3.4
Other income	0.0	0.1	0.1	0.1	0.1	0.1
Other costs	0.0	-0.1	-0.1	-0.2	-0.3	-0.3
EBITDA	0.7	6.0	20.2	31.0	48.0	59.0
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.7	6.0	20.2	31.0	48.0	59.0
Net financial	0.1	-2.5	-7.3	-13.6	-23.1	-30.1
EBT	0.8	3.6	12.8	17.4	24.9	28.9
Taxes	-0.5	2.0	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	0.3	5.6	12.8	17.4	24.9	28.9
Sales result	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	5.1	17.8	10.3	-11.5	31.6	17.6
Taxation on revaluation	-1.9	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	3.2	17.8	10.3	-11.5	31.6	17.6
Net profit	3.5	23.4	23.2	5.9	56.4	46.5
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	0.4	0.4	1.8	1.8	2.2	2.6
Average number of shares	0.4	0.4	1.1	1.8	2.0	2.4
Direct investment result per share	0.74	7.20	8.20	7.91	9.62	9.70
Indirect investment result per share	8.40	22.80	5.74	-4.58	11.16	5.41
EPS (IFRS)	9.14	30.00	13.94	3.33	20.78	15.11
CFPS (recurring)	-657.41	7.20	7.21	6.82	8.30	8.33
Dividend per share	2.50	4.20	5.28	5.11	5.82	6.30
Payout ratio %	0%	58%	73%	75%	70%	76%
NNAV per share	101.36	126.00	131.98	127.83	145.58	157.44
NAV per share	101.36	126.00	131.98	127.83	145.58	157.44
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	29.8	250.1	422.3	632.2	888.2	1,070.3
Developments	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.1	0.5	0.5	0.5	0.5	0.5
Total fixed assets	29.9	250.6	422.7	632.6	888.7	1,070.8
Receivables	0.8	2.4	4.1	6.0	9.0	11.0
Cash and banks	13.2	7.5	2.6	12.1	11.4	24.2
Other current assets	1.7	11.6	11.6	11.6	11.6	11.6
Total current assets	15.7	21.5	18.3	29.7	32.0	46.7
Total assets	45.6	272.1	441.0	662.3	920.7	1,117.5
Shareholders' equity	38.5	60.6	268.3	278.7	395.0	489.9
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	38.5	60.6	268.3	278.7	395.0	489.9
Provisions	5.6	3.0	2.0	1.0	0.0	0.0
Long interest bearing debt	0.0	198.5	162.5	372.5	512.5	612.5
Other long term liabilities	0.7	3.3	0.0	0.0	0.0	0.0
Total long term liabilities	6.2	204.8	164.5	373.5	512.5	612.5
Short term debt	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	0.9	6.6	8.2	10.1	13.1	15.1
Total current liabilities	0.9	6.6	8.2	10.1	13.1	15.1
Total equity and liabilities	45.6	272.1	441.0	662.3	920.7	1,117.5
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	84.4%	22.3%	60.8%	42.1%	42.9%	43.8%
Net gearing %	-34.3%	315.0%	59.6%	129.3%	126.9%	120.1%
Interest cover	-6.4	2.4	2.8	2.3	2.1	2.0
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value		234.4	372.1	572.6	760.7	891.6
Market Cap		43.4	212.2	212.2	259.6	303.2
P/NNAV-1		-9.3%	-11.0%	-8.1%	-19.3%	-25.4%
EBITDA/EV		2.6%	5.4%	5.4%	6.3%	6.6%
Recurring Cash Flow Yield		6.3%	6.1%	5.8%	7.1%	7.1%
Earnings Yield		26.3%	11.9%	2.8%	17.7%	12.9%
Dividend Yield %		3.7%	4.5%	4.4%	5.0%	5.4%

NNAV



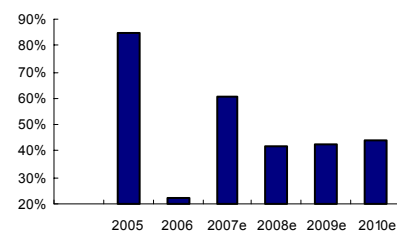
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Approaching a standstill

Company profile GAGFAH is the largest listed residential property owner in Germany, with a portfolio of 168,000 units. Within the €9.4bn portfolio, 26% is located in Dresden and 17% in Berlin, while the remainder is spread across Germany. GAGFAH is Luxembourg incorporated and is controlled by the Fortress Investment Group, which holds 71% of the shares in the company.

Investment case In line with sister-company Eurocastle, GAGFAH's investment case relied strongly on external growth, but management recently stated it could not do value accretive acquisitions anymore. In addition, internal growth potential is limited as rental growth in the German residential market remains subdued, with GAGFAH showing only 1.1% I-f-I rental growth for 9M07. Even though the company impressively reduced the vacancy from 6.0% to 5.0% in 3Q07, further upside on this level appears low as management foresees c4.5% structural vacancy. GAGFAH expects to privatize at least 2,000 units in FY07, but the average margin declined from 23% at 1H07 to 11% in 3Q07 (reflecting the revaluation in 2Q07). As a result, FFO per share declined by 9% Q-o-Q in 3Q07. Moreover, if we correct for the (in our view) one-off gains and recurring costs, we estimate that operational CF (still including privatization gains) was at €0.45/share c30% below GAGFAH's €0.62 published FFO for 9M07.

Developments and outlook Management targets 1.5% and 2.0% rental growth for FY07 and FY08 respectively, which is barely keeping up with inflation. What is more, external growth has dried up as the company has only acquired c2,800 units since June. Y-t-d, the company has signed €1.6bn in acquisitions, which is well short of the €3bn acquisition target management communicated in May. Where internal growth has always been marginal, we struggle to see any growth potential now that external growth has also vanished. Moreover, we see risk to the downside of the current portfolio valuation which appears too sharp at a net yield of 4.8%. Our view that the portfolio was too sharply revalued in 2Q07 is underlined by recent comments from management that it had seen acquisition yields move out by up to 50bps. Nevertheless, management indicated that it was still interested in the 93,000-unit state-owned LEG North Rhine-Westphalia portfolio which is currently up for sale. Assuming a €3.5bn sales price (based on c€40K/unit) with 75% leverage, we wonder how GAGFAH would finance the c€875m equity part as this would be 1.7x the current free float market cap.

Valuation We lower our Price Target to €10.5. from €11.6 but we reiterate our Neutral rating, implying -0.3% return. We see downside risk in the valuation of the portfolio at a net yield of 4.8% and we pencil in 40bps yield expansion. Furthermore, we have included €15.9m annual EK02 tax payments. Although GAGFAH is trading at a 19% discount to its €14.3 9M07 NAV, a 50bp outward shift in yields would already reduce the NAV to c€9.5. Furthermore, we fail to see the upside potential given the marginal internal growth and the apparent absence of external growth, even though we believe GAGFAH is operationally very well managed. However on a relative basis, we would prefer Eurocastle to GAGFAH, as we see more internal growth potential in offices than in residential. We believe that GAGFAH's 6.2% FY08 CF yield is hardly compelling considering the high 70% leverage, especially as the FY08 EBITDA/EV is at 5.1% barely in line with the 5.2% sector average.

Rating

NEUTRAL

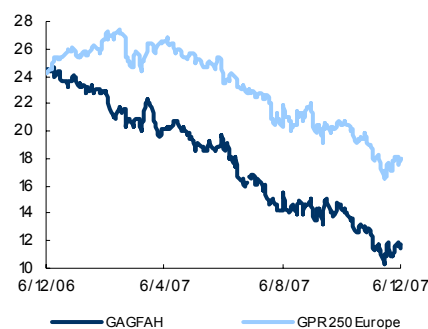
Price target (12m) **€10.5**

Closing price (6 December 2007) **€11.5**

Expected total return **-2.0%**

Date **9 December 2007**

GFJ GY vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-9.1%	-20.0%	-52.5%
Rel. to GPR 250 Europe	-4.2%	-4.9%	-36.2%

Source: Factset

Company data

52-Week range	€10.30 - 25.11
Market cap	€2,597.94m
Number of shares	225.5m
Average daily volume	235,786
Free float	20%

Company data

Bloomberg / Reuters GFJ GY / GFJG.DE

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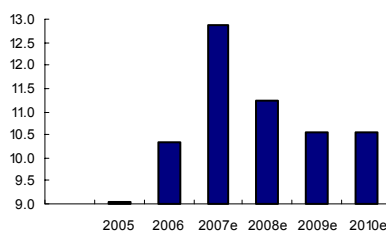
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GAGFAH

Property ■ Germany

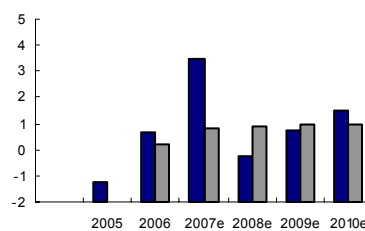
Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	779.4	774.9	948.1	1,050.8	1,072.6	1,094.8
Operating costs	-439.1	-408.2	-478.2	-525.4	-536.3	-547.4
Net rental income	340.4	366.7	469.9	525.4	536.3	547.4
Sales (developments)	149.9	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	-150.2	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	-0.2	22.6	61.8	62.2	60.9	61.0
Overhead costs	-94.9	-66.1	-70.1	-72.0	-72.2	-72.3
Other income	40.4	33.9	14.7	15.0	15.3	15.6
Other costs	-19.2	-77.5	-39.2	-26.7	-21.8	-18.7
EBITDA	266.4	279.6	437.0	503.8	518.4	533.0
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	266.4	279.6	437.0	503.8	518.4	533.0
Net financial	-404.2	-208.2	-277.9	-319.3	-323.5	-327.8
EBT	-137.8	71.4	159.1	184.6	194.9	205.2
Taxes	-4.7	-6.7	-25.8	-14.9	-15.4	-16.1
Extraordinary items	-153.0	-30.5	-21.0	0.0	0.0	0.0
Minorities	-24.7	-7.2	-23.8	-7.5	-7.6	-7.8
Direct investment result	-320.2	27.0	88.5	162.2	171.9	181.3
Sales result	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	41.1	57.5	924.6	-245.2	10.2	200.2
Taxation on revaluation	1.2	-14.0	-217.3	38.8	-1.6	-31.7
Revaluation financial instruments	0.4	65.1	-6.4	-15.9	-15.9	-15.9
Total indirect investment result	42.7	108.6	700.9	-222.2	-7.3	152.6
Net profit	-277.5	135.6	789.4	-60.0	164.6	333.9
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	225.0	225.5	225.5	225.5	225.5	225.5
Average number of shares	225.0	206.9	225.5	225.5	225.5	225.5
Direct investment result per share	-1.42	0.13	0.39	0.72	0.76	0.80
Indirect investment result per share		0.52	3.11	-0.99	-0.03	0.68
EPS (IFRS)	-1.23	0.66	3.50	-0.27	0.73	1.48
CFPS (recurring)	-1.42	0.45	0.61	0.72	0.76	0.80
Dividend per share		0.17	0.79	0.88	0.94	0.99
Payout ratio %		38%	130%	123%	123%	123%
NNAV per share	9.04	10.33	12.88	11.23	10.54	10.55
NAV per share	9.69	10.74	14.20	12.39	11.70	11.85
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	7,561.7	7,659.8	10,384.4	10,139.2	10,149.4	10,349.7
Developments	101.8	63.0	63.0	63.0	63.0	63.0
Financial fixed assets	10.7	0.0	0.0	0.0	0.0	0.0
Other fixed assets	157.8	156.3	156.3	156.3	156.3	156.3
Total fixed assets	7,831.9	7,879.1	10,603.7	10,358.5	10,368.7	10,569.0
Receivables	86.5	207.7	207.7	207.7	207.7	207.7
Cash and banks	276.0	367.0	324.5	271.3	215.9	158.3
Other current assets	373.3	183.8	183.8	183.8	183.8	183.8
Total current assets	735.8	758.5	716.0	662.8	607.4	549.8
Total assets	8,567.7	8,637.6	11,319.7	11,021.3	10,976.2	11,118.8
Shareholders' equity	2,034.2	2,330.0	2,903.9	2,533.6	2,377.8	2,379.1
Minority interests	171.1	66.5	90.3	97.8	105.4	113.3
Total equity	2,205.3	2,396.5	2,994.3	2,631.4	2,483.2	2,492.3
Provisions	268.3	338.5	546.3	507.4	509.1	540.8
Long interest bearing debt	5,175.8	5,508.3	7,384.9	7,488.2	7,589.6	7,691.4
Other long term liabilities	111.1	108.1	108.1	108.1	108.1	108.1
Total long term liabilities	5,555.3	5,954.9	8,039.3	8,103.7	8,206.7	8,340.3
Short term debt	334.2	109.2	109.2	109.2	109.2	109.2
Other current liabilities	472.9	177.0	177.0	177.0	177.0	177.0
Total current liabilities	807.1	286.2	286.2	286.2	286.2	286.2
Total equity and liabilities	8,567.7	8,637.6	11,319.7	11,021.3	10,976.2	11,118.8
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	25.7%	27.7%	26.5%	23.9%	22.6%	22.4%
Net gearing %	237.3%	219.1%	239.4%	278.4%	301.3%	306.6%
Interest cover	0.7	1.3	1.6	1.6	1.6	1.6
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value		10,612.5	9,767.5	9,924.0	10,080.8	10,240.2
Market Cap		5,362.0	2,597.9	2,597.9	2,597.9	2,597.9
P/NNAV-1		130.1%	-10.5%	2.5%	9.3%	9.2%
EBITDA/EV		2.6%	4.5%	5.1%	5.1%	5.2%
Recurring Cash Flow Yield		1.9%	5.3%	6.2%	6.6%	7.0%
Earnings Yield		2.8%	30.4%	-2.3%	6.3%	12.9%
Dividend Yield %		0.7%	6.9%	7.7%	8.1%	8.6%

NNAV



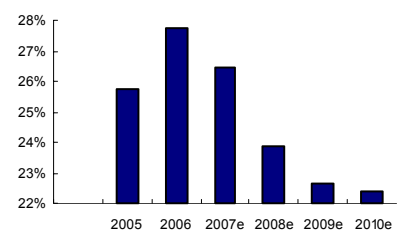
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



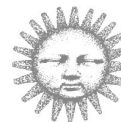
Steady performance to date

Company profile The portfolio of € 13.3bn comprises both commercial (54%) and residential (38%) property. The main shareholder is Metrovacesa with a 29.1% shareholding, while CA-Predica holds c10.1%, free float is limited to 24%. The main shareholder Metrovacesa has been the subject of a struggle for control by its major shareholders Mr. Rivero and Mr. Soler versus the Sanahuja Family. The struggle has been resolved by dividing ownership between the two companies. Through this process, Mr. Rivero and Mr. Soler will gain control of Gecina while Sacresa will gain control of Metrovacesa.

Investment case Like-for-like growth for offices remained subdued in 1Q07 at +2.5%; however we saw growth gain momentum in 2007 to 5.3% at 1H and 5.7% in 9M07 benefiting from a strong increase in the ICC index. We expect like-for-like rental growth to increase to 6.2% for FY07E. Like the other French companies, we expect the commercial portfolio of Gecina will benefit from marked indexation in 2008, which will be included in FY07E end valuations. The office portfolio will however be reduced to 46% of the total (from 54%) as part of the separation process whereby a €1.9n office vehicle will be spun off to Metrovacesa. The residential assets would subsequently represent 45% of the assets. Although income stability is high for residential offices, the low net yield (unit value: 4.1%) has resulted in Gecina trading at a discount to its peers. We believe a potential short term trigger for the stock is a potential bid for Medea. This could imply a put option on 47% of the shares at € 130 to € 140. We expect the chances of such a bid to be limited. However, we believe the stability of the share price is attributable to the potential of a (partial) bid for the company. Longer term upside should come from the more aggressive management style of the new chairman Mr. Rivero.

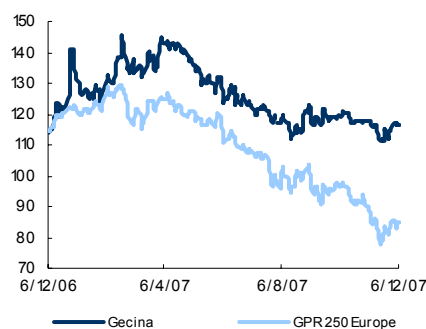
Developments and outlook The initial share ownership of Mr. Rivero and Mr. Soler in Gecina will come out at 18% and 15.5% respectively. As their stakes will exceed the 33.3% threshold (33.5%), Mr. Rivero and Mr. Soler might be obliged by the French stock market authority, the AMF, to make a full bid for Gecina. The bid will however be dependent on a ruling that the two shareholders act in concert. As Mr. Rivero and Mr. Soler have not signed a shareholder pact on future co-operation, we consider the chances of a bid being enforced as limited. Part of the separation process between Metrovacesa and Gecina incurs the creation of a separate company, Medea. This company will hold a EUR 1.9bn office portfolio transferred by Gecina. Metrovacesa will tender its Gecina shares in return for Medea shares, while minority shareholders will likewise be allowed to tender. We expect AMF might require Metrovacesa to make a full bid for this vehicle based on its >33.3% share-ownership in Medea when the separation is realized. We consider the chances of such a bid as still very limited, although greater than a full bid. In this respect, we expect Metrovacesa will do everything to evade having to make a bid for Medea.

Valuation The quality of the office portfolio is mixed. We therefore expect the net valuation yield on this portfolio might increase by up to 60 bps in line with our broader market expectations. Likewise we expect the yield on residential to increase (40bps) as residential prices decelerate and investors may seek higher IRR through increased income return requirements.



Rating	NEUTRAL (Downgrade from ADD)
Price target (12m)	€117.5
Closing price (6 December 2007)	€116.5
Expected total return	4.5%
Date	10 December 2007

GFC FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-0.9%	-4.6%	1.8%
Rel. to GPR 250 Europe	4.5%	13.5%	36.8%

Source: Factset

Company data	
52-Week range	€111.15 - 149.92
Market cap	€6,985.55m
Number of shares	60.0m
Average daily volume	51,829
Free float	15%

Company data	
Bloomberg / Reuters	GFC FP / GFPC.PA

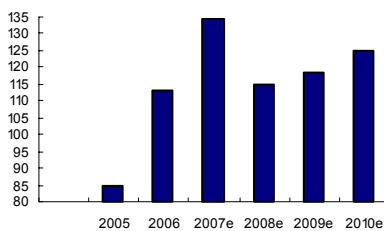
Analyst	Boudewijn Schoon +31 (0)20 348 8456 bsch@kempen.nl
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Gecina

Property ■ France

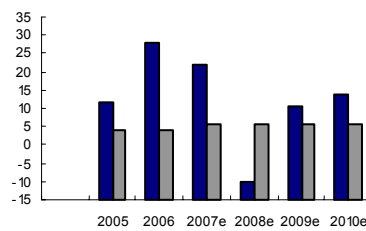
Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	515.7	568.4	595.1	589.5	672.4	729.9
Operating costs	-65.7	-60.1	-61.9	-61.3	-69.9	-75.9
Net rental income	450.0	508.3	533.2	528.2	602.4	654.0
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-71.3	-99.5	-73.7	-77.1	-80.5	-84.1
Other income	7.6	4.8	7.1	7.2	7.4	7.6
Other costs	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	386.3	413.6	466.6	458.4	529.3	577.5
Depreciation	-1.5	-3.8	0.1	-2.7	-2.8	-2.9
EBIT	384.8	409.8	466.7	455.7	526.6	574.6
Net financial	-123.1	-158.8	-191.7	-194.2	-214.4	-244.5
EBT	261.7	251.0	275.0	261.5	312.1	330.1
Taxes	-28.1	-46.8	-22.0	-20.9	-25.0	-26.4
Extraordinary items	0.0	0.0	0.0	0.0	0.0	1.0
Minorities	-9.8	-2.8	-10.0	-10.4	-10.7	-11.1
Direct investment result	227.8	201.4	234.7	218.5	265.4	282.2
Sales result	26.8	96.3	76.7	76.7	76.7	76.7
Revaluation Property	393.1	1,349.0	1,000.5	-871.1	167.4	278.6
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	1.0
Revaluation financial instruments	56.0	16.6	0.0	0.0	0.0	7.7
Total indirect investment result	475.9	1,461.9	1,077.2	-794.4	244.1	364.0
Net profit	703.7	1,663.3	1,311.9	-575.9	509.5	646.2
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	59.4	60.0	60.1	46.3	46.3	46.3
Average number of shares	60.3	59.6	60.1	57.3	47.2	47.2
Direct investment result per share	3.75	3.35	4.10	4.63	5.63	5.98
Indirect investment result per share	7.77	24.55	17.93	-13.87	5.18	7.72
EPS (IFRS)	11.49	27.93	21.84	-10.05	10.80	13.70
CFPS (recurring)	3.87	3.29	4.10	4.58	5.57	5.92
Dividend per share	3.92	4.20	5.45	5.45	5.45	5.45
Payout ratio %	101%	128%	133%	119%	98%	92%
NNAV per share	84.95	112.90	134.37	115.03	118.70	125.09
NAV per share	84.95	112.90	134.37	115.03	118.70	125.09
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	8,476.0	10,387.4	9,107.7	8,931.8	9,892.7	10,169.4
Developments	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	8,476.0	10,387.4	9,107.7	8,931.8	9,892.7	10,169.4
Receivables	95.2	336.8	336.8	336.8	336.8	336.8
Cash and banks	69.4	172.3	171.3	327.8	349.4	372.0
Other current assets	299.1	698.8	698.8	698.8	698.8	698.8
Total current assets	463.7	1,207.9	1,206.9	1,363.4	1,385.0	1,407.6
Total assets	8,939.7	11,595.3	10,314.6	10,295.2	11,277.7	11,577.0
Shareholders' equity	5,082.7	6,649.9	5,259.1	5,239.7	5,322.2	5,421.5
Minority interests	23.4	16.2	16.2	16.2	16.2	16.2
Total equity	5,106.1	6,666.1	5,275.3	5,255.9	5,338.4	5,437.7
Provisions	99.0	98.9	98.9	98.9	98.9	98.9
Long interest bearing debt	642.0	780.4	890.4	890.4	1,790.4	1,990.4
Other long term liabilities	435.2	423.6	423.6	423.6	423.6	423.6
Total long term liabilities	1,176.2	1,302.9	1,412.9	1,412.9	2,312.9	2,512.9
Short term debt	2,657.5	3,626.4	3,626.4	3,626.4	3,626.4	3,626.4
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	2,657.5	3,626.4	3,626.4	3,626.4	3,626.4	3,626.4
Total equity and liabilities	8,939.8	11,595.4	10,314.6	10,295.2	11,277.7	11,577.0
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	57.1%	57.5%	51.1%	51.1%	47.3%	47.0%
Net gearing %	59.9%	57.0%	74.1%	71.4%	86.7%	88.4%
Interest cover	3.1	2.6	2.4	2.4	2.5	2.4
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	8,423.1	10,084.4	10,813.1	9,148.9	10,027.2	10,204.7
Market Cap	5,366.7	6,287.2	7,004.9	5,397.2	5,397.2	5,397.2
P/NNAV-1	6.4%	-7.1%	-13.3%	1.3%	-1.9%	-6.9%
EBITDA/EV	4.6%	4.1%	4.3%	5.0%	5.3%	5.7%
Recurring Cash Flow Yield	4.3%	3.1%	3.5%	3.9%	4.8%	5.1%
Earnings Yield	12.7%	26.6%	18.7%	-8.6%	9.3%	11.8%
Dividend Yield %	4.3%	4.0%	4.7%	4.7%	4.7%	4.7%

NNAV



■ NNAV

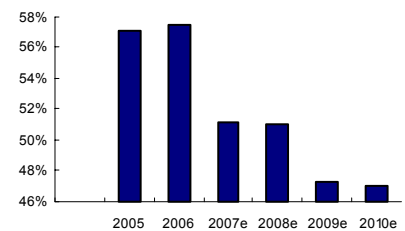
EPS & Dividends



■ EPS

■ DVPS

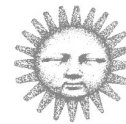
Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co





Pressure from increasing costs

Company profile GTC is a leading developer in CEE with a long standing track record. In 2007 the company was one of the best performing companies among European stocks, seeing a y-t-d performance of +16.92% as opposed to the EPRA index performance y-t-d of -29.92%. The company has a relatively small standing properties portfolio of €726m spread through five countries with the main focus being Poland. The main value of the company is, however, concentrated in the development pipeline. As of 30 September 2007 GTC had 1.94 million sqm of net rentable area for completion between 2007 and 2010 of which 32% will be developed in Poland, 24% - in Romania and 17% in Hungary.

Investment case In the last three years the company has seen strong expansion in its development pipeline demonstrating speed in sourcing new projects. Taking into account the expansion plans into various CEE countries, we believe the company will maintain this growth momentum over the next few years. In 2006 the development pipeline increased by 115% (y-o-y) vs 55% (y-o-y) in 2005. In September 2007 the company stated a long-term target of acquiring at least 600,000sqm of net building rights every year. We see that the company has experienced a substantial increase in construction costs. The strongest increase in construction costs was witnessed in Poland. Based on the company's business plan, we estimate an up to 30% increase in construction costs in Poland since the start of our coverage. In other countries the effect was less significant. The growing construction costs, resulting in lower yields on costs (from 10% to 8.4% in Poland), are putting significant pressure on gross development gains by completion.

Developments and outlook The company published a strong revaluation result over 9M07 of EUR 223.1m (+43% on the investment property portfolio). We estimate the current valuation yield on the GTC portfolio to be approximately 6.2% (vs FY06A: 6.6% net valuation yield), implying 44bps yield compression. Based on market evidence and the company's results (sale of America house in Romania at a 5.55% net valuation yield, the Lighthouse in Prague at a 5.65% net valuation yield, completion of Avenue Mall in Zagreb valued at a 6.25% net yield), we have lowered the exit yield in our model for Poland (to 5.5%), Romania (6.0%) and Croatia (6.3%). However, going forward (i.e. from 2008) we apply yield expansion: Poland from 5.5% to 6%, Hungary from 6% to 6.5% and Romania from 6% to 6.5%.

Valuation We expect the GTC's NAV to reach PLN 42.7 per share by the time of completion of all the projects in the 1.9million sqm committed pipeline (by the end of 2010). The company is still trading at a premium (presently 10%) to the FY10E NAV which in our opinion implies that the company is still expensive. Our forecast for GTC is based on an additional pipeline of 4.1 million sqm through 2011-2015. We have included higher construction costs in our model. Given the longer term growth profile we have included the earnings through FY15E in our fair value calculation leading to a +12M EFV of PLN 42.9. This price target reflects a -8.7% total return, we therefore reiterate our Reduce rating.

Rating

REDUCE

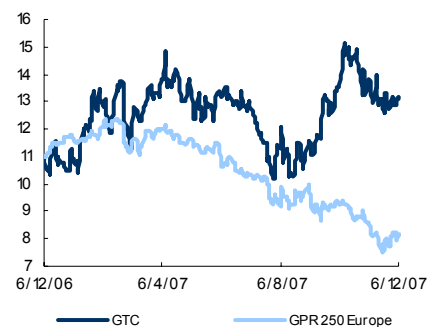
Price target (12m) **PLN42.9**

Closing price (6 December 2007) **PLN47.0**

Expected total return **-8.7%**

Date **9 December 2007**

GTC PW vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-6.4%	6.8%	12.3%
Rel. to GPR 250 Europe	-1.3%	27.0%	51.0%

Source: Factset

Company data

52-Week range	PLN38.50 - 57.00
Market cap	PLN10,310.53m
Number of shares	219.4m
Average daily volume	266,861
Free float	53%

Company data

Bloomberg / Reuters GTC PW / GTCE.WA

Analyst

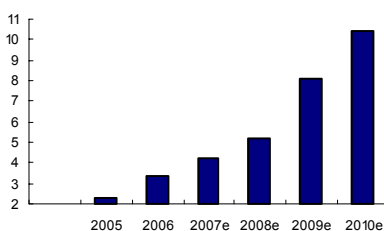
Ljudmila Popova
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GTC

Property ■ Poland

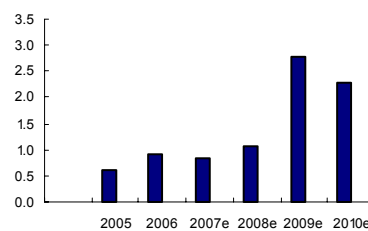
Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	59.7	63.7	51.5	97.1	199.3	349.3
Operating costs	-16.4	-18.5	-12.7	-23.5	-49.3	-89.9
Net rental income	43.2	45.1	38.8	73.5	150.0	259.4
Sales (developments)	21.4	15.5	33.9	114.5	349.6	497.4
Costs of sales (developments)	-16.3	-12.9	-23.0	-110.9	-268.9	-385.7
Sales result (developments)	5.1	2.6	10.9	3.6	80.7	111.7
Overhead costs	-10.6	-17.4	-16.6	-42.2	-111.4	-170.3
Other income	2.1	17.9	-3.8	-3.7	-3.3	-3.2
Other costs	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	39.9	48.3	29.3	31.2	116.1	197.5
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	39.9	48.3	29.3	31.2	116.1	197.5
Net financial	-16.6	-10.4	-12.2	-42.7	-93.5	-149.4
EBT	23.2	37.9	17.1	-11.5	22.6	48.2
Taxes	-4.5	-6.3	-2.9	2.0	-3.8	-8.2
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-3.3	-2.7	-27.0	-20.0	-15.0	-10.0
Direct investment result	15.4	28.8	-12.8	-29.6	3.7	30.0
Sales result	0.0	0.0	20.0	0.0	0.0	0.0
Revaluation Property	127.9	199.5	217.9	313.8	750.5	625.2
Taxation on revaluation	-24.6	-33.3	-39.7	-52.3	-125.2	-104.3
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	103.3	166.2	198.2	261.4	625.3	520.9
Net profit	118.8	195.1	185.4	231.9	629.0	550.9
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	199.6	218.0	219.4	219.4	233.0	247.7
Average number of shares	199.6	213.9	218.7	219.4	226.2	240.3
Direct investment result per share	0.08	0.13	-0.06	-0.13	0.02	0.12
Indirect investment result per share	0.52	0.78	0.91	1.19	2.76	2.17
EPS (IFRS)	0.60	0.91	0.85	1.06	2.78	2.29
CFPS (recurring)	0.08	0.13	-0.06	-0.13	0.02	0.12
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Payout ratio %	0%	0%	0%	0%	0%	0%
NNAV per share	2.32	3.35	4.18	5.23	8.06	10.41
NAV per share	2.49	3.60	4.61	5.90	9.22	11.93
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	578.8	541.7	912.0	1,657.1	3,236.7	4,822.4
Developments	159.1	286.0	451.5	674.3	782.2	852.9
Financial fixed assets	16.5	36.2	40.2	44.7	49.6	54.5
Other fixed assets	23.7	23.0	25.6	63.5	164.7	254.0
Total fixed assets	778.1	887.0	1,429.3	2,439.6	4,233.2	5,983.8
Receivables	41.2	35.1	34.2	84.6	219.6	338.7
Cash and banks	75.8	286.2	141.4	-63.0	-71.3	-28.6
Other current assets	1.9	2.5	2.6	6.3	16.5	25.4
Total current assets	118.9	323.7	178.2	28.0	164.7	335.5
Total assets	897.0	1,210.8	1,607.5	2,467.6	4,397.9	6,319.3
Shareholders' equity	462.4	731.1	916.4	1,148.3	1,877.3	2,578.2
Minority interests	0.7	0.0	0.0	0.0	0.0	0.0
Total equity	463.1	731.1	916.4	1,148.3	1,877.4	2,578.3
Provisions	34.7	54.3	94.0	146.4	271.5	375.9
Long interest bearing debt	340.3	258.5	500.2	1,012.9	1,920.4	2,887.7
Other long term liabilities	3.9	13.6	4.2	4.2	4.2	4.2
Total long term liabilities	378.8	326.4	598.4	1,163.5	2,196.1	3,267.7
Short term debt	16.9	51.1	50.0	50.0	50.0	50.0
Other current liabilities	38.2	102.2	42.7	105.8	274.5	423.4
Total current liabilities	55.1	153.3	92.7	155.8	324.5	473.4
Total equity and liabilities	897.0	1,210.8	1,607.5	2,467.6	4,397.9	6,319.3
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	51.6%	60.4%	57.0%	46.5%	42.7%	40.8%
Net gearing %	60.8%	3.2%	44.6%	98.0%	108.8%	115.0%
Interest cover	2.4	4.7	2.4	0.7	1.2	1.3
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	903.2	1,643.2	3,286.4	4,003.5	5,097.5	6,215.7
Market Cap	621.7	1,619.8	2,877.6	2,877.6	3,055.8	3,249.4
P/NNAV-1	34.5%	121.6%	214.0%	150.6%	62.8%	26.0%
EBITDA/EV	4.4%	2.9%	0.9%	0.8%	2.3%	3.2%
Recurring Cash Flow Yield	2.5%	1.8%	-0.4%	-1.0%	0.1%	1.0%
Earnings Yield	19.1%	12.3%	6.5%	8.1%	21.2%	17.5%
Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

NNAV



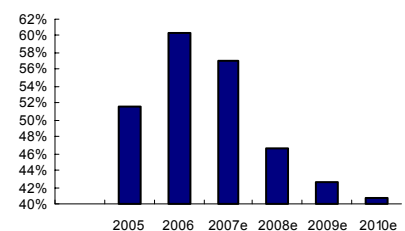
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



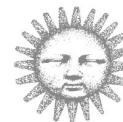
Quality at a reasonable price

Company profile Hufvudstaden is active in the commercial property markets in Gothenburg (16%) and Stockholm (84%), as management (and largest shareholder) believes these two cities generate the most secure CF. Hufvudstaden's portfolio consists of low yielding high-quality commercial properties with a total value of SEK 19.1bn (€2.0bn). The company is the largest listed property company in Sweden (market cap SEK 14.0bn). Hufvudstaden would suffer less from expected yield expansion as the LTV is only 17%. The company has a free float of 45% with the Lundberg family as largest shareholder (44.2% and a voting power of 87.6%). Only 19.2% of the outstanding shares are held by foreign investors.

Investment case We favour Hufvudstaden's clear and focused strategy on the Stockholm and Gothenburg high-quality office and retail property market. We believe that Hufvudstaden has so far and will in the future benefit the most from any rental uplift in the Stockholm market. Due to Hufvudstaden's low leverage and high-quality portfolio, we believe that Hufvudstaden has a low risk business profile. However, we see the voting power of the Lundberg family and low liquidity as a potential risk. Besides the assumed increase in rental growth of 5.2% and 4.2% for FY07 and FY08 respectively, we do not foresee any other triggers to increase the revenues on the standing portfolio. This is because the occupancy rate leaves marginal room for upside and we do not expect management to acquire a substantial amount of CF-accretive acquisitions. Going forward we assume a 4.4% 08E CF yield and 4.6% 09E CF yield. We think that Hufvudstaden's management has valued its portfolio in line with the current steep market yield (net yield 4.5%). However, we expect the future revaluation result to be slightly negative as we foresee a 50bp yield expansion over FY08-09 which will partly be offset by the strong rental growth. We assume the NNAV to be flat over FY08-FY10.

Developments and outlook The outlook for the Swedish economy with an expected GDP growth of 2.7% and 2.5% for 2008 and 2009 respectively seems to be outperforming the European economy. We foresee the Swedish commercial property market benefiting from this, especially a high-quality portfolio such as Hufvudstaden. Hufvudstaden has a very modest acquisition and disposal track-record. We expect this to continue in the future as we assume Hufvudstaden will make acquisitions annually totalling SEK 0.5bn at a theoretical net yield of 5.0%. This is only 70bps higher than the current 10-year government bond and therefore will have a limited positive impact on the CFPS. Although the company's management could be perceived as most passive in Sweden, the company does not provide the lowest IRR (7.4%) compared to its peers.

Valuation Hufvudstaden is trading at a 15.5% premium to our 08E NNAV, while generating a modest 4.4% 08E CF yield (European average 5.7%). Although we like the quality of Hufvudstaden's assets and its exposure to the outperforming Stockholm market, we still think these multiples are modest taking into consideration expected future growth. We reiterate our Neutral rating and lower our price target to SEK 64 (was: SEK 71).



Rating

NEUTRAL

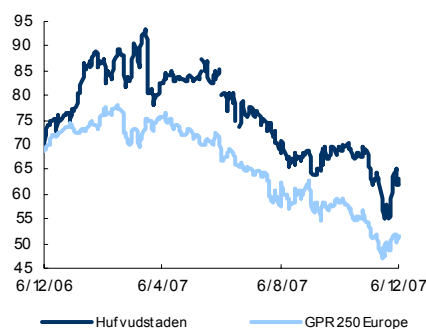
Price target (12m) **SEK64.0**

Closing price (6 December 2007) **SEK63.3**

Expected total return **4.0%**

Date **8 December 2007**

HUFVA SS vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-4.9%	-6.3%	-8.4%
Rel. to GPR 250 Europe	0.2%	11.4%	23.1%

Source: Factset

Company data

52-Week range	SEK55.00 - 87.50
Market cap	SEK13,048.48m
Number of shares	206.3m
Average daily volume	257,899
Free float	45%

Company data

Bloomberg / Reuters	HUFVA SS / HUFVa.ST
Next announcement	14 February 2008
	FY 2007 Results

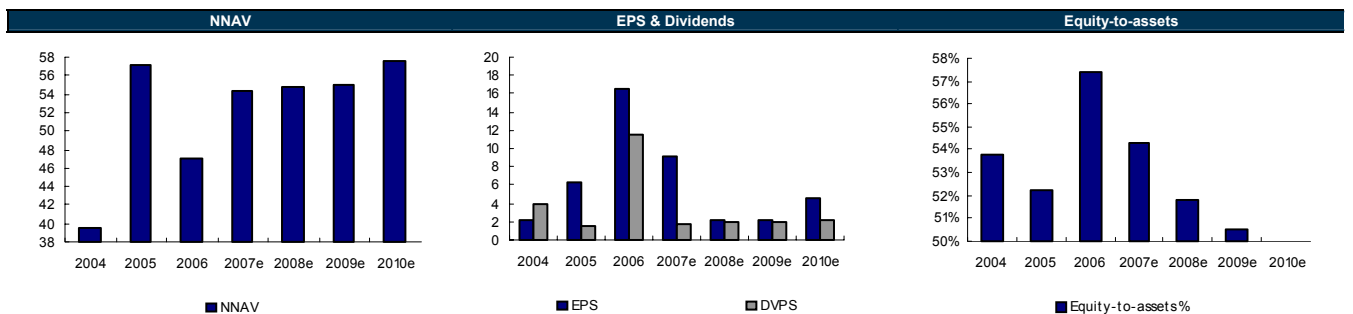
Analyst

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Hufvudstaden

Property ■ Sweden

Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	1,273.0	1,258.5	1,096.5	1,196.0	1,307.7	1,419.9	1,514.2
Operating costs	-431.0	-457.5	-362.4	-373.3	-406.6	-438.6	-464.3
Net rental income	842.0	801.0	734.1	822.7	901.1	981.3	1,049.9
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-29.0	-30.6	-31.5	-32.2	-35.0	-37.6	-39.7
Other income	0.0	0.0	11.0	10.1	10.3	10.5	10.7
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	813.0	770.4	713.6	800.6	876.4	954.2	1,020.9
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	813.0	770.4	713.6	800.6	876.4	954.2	1,020.9
Net financial	-225.0	-131.9	-140.5	-110.5	-171.2	-217.3	-249.9
EBT	588.0	638.5	573.1	690.1	705.2	736.8	771.0
Taxes	-75.0	-108.8	-98.2	-131.1	-134.0	-140.0	-146.5
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	513.0	529.7	474.9	559.0	571.2	596.8	624.5
Sales result	0.0	0.0	1,106.5	0.0	0.0	0.0	0.0
Revaluation Property	0.0	1,200.0	2,647.5	1,806.8	-182.2	-223.5	457.1
Taxation on revaluation	-51.0	-409.5	-805.7	-492.4	56.4	65.4	-127.1
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	-51.0	790.5	2,948.3	1,314.3	-125.7	-158.1	329.9
Net profit	462.0	1,320.2	3,423.2	1,873.3	445.5	438.7	954.4
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	206.3	206.3	206.3	206.3	206.3	206.3	206.3
Average number of shares	206.3	206.3	206.3	206.3	206.3	206.3	206.3
Direct investment result per share	2.49	2.57	2.30	2.71	2.77	2.89	3.03
Indirect investment result per share	-0.25	3.83	14.29	6.37	-0.61	-0.77	1.60
EPS (IFRS)	2.24	6.40	16.60	9.08	2.16	2.13	4.63
CFPS (recurring)	2.49	2.57	2.30	2.71	2.77	2.89	3.03
Dividend per share	4.00	1.45	11.60	1.75	1.90	2.05	2.20
Payout ratio %	161%	56%	504%	65%	69%	71%	73%
NNAV per share	39.46	57.06	47.14	54.37	54.77	55.00	57.64
NAV per share	56.15	60.37	78.92	78.54	78.66	78.57	81.83
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	15,000.0	16,276.0	17,408.8	19,715.6	20,726.0	21,201.9	22,370.3
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	83.6	69.1	14.7	64.1	64.1	64.1	64.1
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	15,083.6	16,345.1	17,423.5	19,779.7	20,790.1	21,266.0	22,434.4
Receivables	27.2	30.3	3,056.2	30.3	30.3	30.3	30.3
Cash and banks	14.3	92.8	40.4	814.5	976.3	1,132.9	1,288.5
Other current assets	17.1	20.3	0.0	20.3	20.3	20.3	20.3
Total current assets	58.6	143.4	3,096.6	865.1	1,026.9	1,183.5	1,339.1
Total assets	15,142.2	16,488.5	20,520.1	20,644.8	21,817.0	22,449.5	23,773.5
Shareholders' equity	8,139.8	8,614.7	11,785.3	11,216.8	11,298.2	11,345.7	11,890.2
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	8,139.8	8,614.7	11,785.3	11,216.8	11,298.2	11,345.7	11,890.2
Provisions	3,441.8	3,838.1	4,493.6	4,986.0	4,929.6	4,864.2	4,991.4
Long interest bearing debt	2,181.1	2,592.0	2,403.3	2,999.4	4,146.6	4,797.0	5,449.4
Other long term liabilities	74.9	75.7	6.0	75.7	75.7	75.7	75.7
Total long term liabilities	5,697.8	6,508.8	6,902.9	8,061.1	9,151.9	9,736.9	10,516.4
Short term debt	955.0	935.0	965.0	500.0	500.0	500.0	500.0
Other current liabilities	349.6	433.0	866.9	866.9	866.9	866.9	866.9
Total current liabilities	1,304.6	1,368.0	1,831.9	1,366.9	1,366.9	1,366.9	1,366.9
Total equity and liabilities	15,142.2	16,488.5	20,520.1	20,644.8	21,817.0	22,449.5	23,773.5
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	53.8%	52.2%	57.4%	54.3%	51.8%	50.5%	50.0%
Net gearing %	38.4%	39.9%	28.2%	23.9%	32.5%	36.7%	39.2%
Interest cover	3.6	5.8	5.1	7.2	5.1	4.4	4.1
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	9,734.8	13,180.5	14,348.2	15,733.3	16,718.8	17,212.6	17,709.3
Market Cap	6,613.0	9,746.3	11,020.3	13,048.5	13,048.5	13,048.5	13,048.5
P/NNAV-1	-18.8%	-17.2%	13.3%	16.3%	15.5%	15.0%	9.7%
EBITDA/EV	8.4%	5.8%	5.0%	5.1%	5.2%	5.5%	5.8%
Recurring Cash Flow Yield	7.8%	5.4%	4.3%	4.3%	4.4%	4.6%	4.8%
Earnings Yield	7.0%	13.5%	31.1%	14.4%	3.4%	3.4%	7.3%
Dividend Yield %	12.5%	3.1%	21.7%	2.8%	3.0%	3.2%	3.5%



Source: Company Data, Kempen & Co



Targets difficult to achieve

Company profile IGD is a pure play Italian retail fund with a €875m real-estate portfolio, mostly located in secondary locations throughout Italy. IGD has defined two business plans with a combined acquisition target of €1.6bn, of which c€900m has already been secured. IGD's portfolio has an average gross yield of 6.1%, while the new developments have an average gross yield of 6.6%-6.8%.

Investment case IGD's investment portfolio is composed of 13 hypermarkets with an average maturity of 2015 and of 11 shopping centres with an average maturity of 2009. As hypermarkets are only indexed with 75% of CPI we believe it will be difficult for IGD to reach the 3-3.5% like-for-like rental growth they targeted in their 2008-2012 business plan. IGD traditionally has a good relationship with the Italian Coops (Coop Adriatica and Unicoop Tirreno) on which IGD still leverages in order to secure an acquisition pipeline. Moreover, with the Coops IGD can deliver the anchor tenant for future development projects. IGD buys the shopping mall and handles the letting of the gallery. Although an expansion strategy such as IGD's can prove difficult in the current market, the company is conservatively financed. As of 3Q07 IGD had €214m cash available, a 31.6% LTV (of which 90% was hedged) with an average cost of debt of 3.55% with an average maturity of nine years.

Developments and outlook IGD's like-for-like rental growth came out at 2.8%, below the 3-3.5% that IGD had communicated in their latest business plan. Going forward we expect IGD will have difficulties reaching the targeted 3-3.5% like-for-like growth. We have therefore assumed an average 2.7% annual growth for 2007-2009 as we believe rental growth will be held back by the long rental contracts for IGD's hypermarkets. We do not expect rental increase on shopping malls to offset this low rental growth on hypermarkets as Italy's GDP and household consumption are both expected to decrease in 2008 (0.5% decrease). We believe that the current spread between the average gross market yield for shopping centres (c5.5%) and IGD's yield (c6.1%) is too small to compensate for the location and quality of the centres. We have pencilled in a 25bp yield expansion for 2008 and 2009 and arrive at a gross yield for 2009 of c6.9% (30bp expansion due to rental growth). We expect IGD's cost of debt to remain low in 2008 (c3.7%) and to increase in the years thereafter when IGD's cash reservoir has been depleted. Although IGD does not currently meet the communicated 70-75% EBITDA margin we still expect IGD can meet their target if their portfolio grows and the company's efficiency increases. Lastly we have assumed IGD will convert to a SIIQ as of 2008, as we believe IGD is the best positioned for conversion.

Valuation We arrive at a €2.0 Price Target implying 6.3% downside. We therefore maintain our Reduce rating. Although this might be due to IGD's development pipeline we believe the company has received too much credit for this forward purchase pipeline given the small spread towards the portfolio yield IGD is commanding. We therefore believe Unibail and Klepierre are better pick, which is shown by their higher discount to NNAV and cash flow yield.

Rating

REDUCE

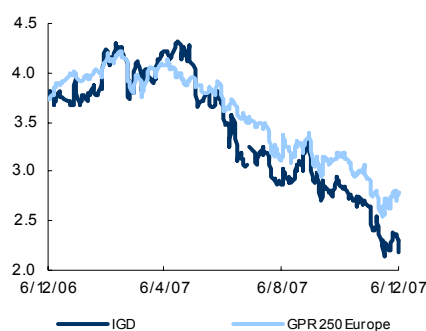
Price target (12m) **€2.00**

Closing price (6 December 2007) **€2.18**

Expected total return **-6.3%**

Date **8 December 2007**

IGD IM vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-17.6%	-29.1%	-41.7%
Rel. to GPR 250 Europe	-13.2%	-15.7%	-21.6%

Source: Factset

Company data

52-Week range	€2.15 - 4.34
Market cap	€673.39m
Number of shares	309.2m
Average daily volume	513,820
Free float	45%

Company data

Bloomberg / Reuters IGD IM / IGD.MI

Analyst

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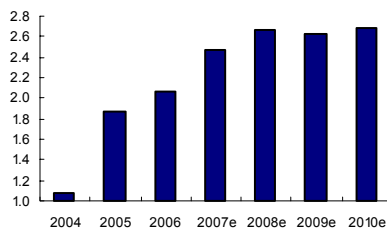
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IGD

Property ■ Italy

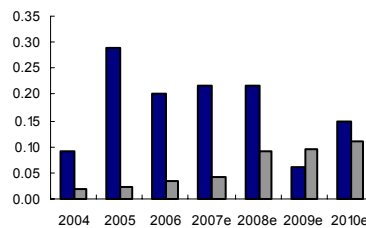
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	48.6	51.2	57.8	66.3	83.3	108.9	132.3
Operating costs	-15.0	-15.6	-17.3	-19.5	-23.4	-29.1	-33.0
Net rental income	33.6	35.6	40.5	46.9	59.9	79.8	99.3
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-1.2	-1.9	-3.0	-3.8	-4.6	-5.9	-7.3
Other income	2.6	1.9	5.1	5.7	8.2	11.1	12.4
Other costs	-2.3	-2.4	-3.0	-3.6	-5.0	-6.5	-8.0
EBITDA	32.6	33.2	39.6	45.2	58.5	78.6	96.4
Depreciation	-0.4	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5
EBIT	32.3	32.9	39.1	44.7	57.9	78.0	95.9
Net financial	-6.3	-3.9	-8.0	-15.3	-25.2	-44.0	-56.2
EBT	26.0	29.0	31.1	29.4	32.7	34.0	39.7
Taxes	-16.4	-2.4	-3.2	-3.2	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	9.3	26.6	27.9	26.1	32.7	34.0	39.7
Sales result	0.0	0.0	3.5	0.0	0.0	0.0	0.0
Revaluation Property	16.4	33.4	57.0	61.2	-9.2	-22.1	9.2
Taxation on revaluation	0.0	21.6	-31.7	-23.2	3.0	7.3	-3.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	40.3	0.0	0.0
Total indirect investment result	16.4	55.0	28.8	37.9	34.2	-14.8	6.2
Net profit	25.8	81.7	56.7	64.1	66.9	19.2	45.9
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	282.2	282.2	282.2	309.2	309.2	309.2	309.2
Average number of shares	282.2	282.2	282.2	295.7	309.2	309.2	309.2
Direct investment result per share	0.03	0.09	0.10	0.09	0.11	0.11	0.13
Indirect investment result per share	0.06	0.20	0.10	0.13	0.11	-0.05	0.02
EPS (IFRS)	0.09	0.29	0.20	0.22	0.22	0.06	0.15
CFPS (recurring)	0.03	-0.79	0.10	0.09	0.11	0.11	0.13
Dividend per share	0.02	0.02	0.04	0.04	0.09	0.09	0.11
Payout ratio %	58%	-3%	35%	44%	84%	84%	84%
NNAV per share	1.08	1.87	2.06	2.48	2.66	2.63	2.68
NAV per share	1.20	2.00	2.28	2.76	2.65	2.60	2.66
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	529.3	603.1	801.4	896.3	1,237.0	1,499.6	1,804.2
Developments	17.2	77.0	145.6	301.3	367.6	514.6	360.2
Financial fixed assets	0.0	35.6	0.0	0.0	0.0	0.0	0.0
Other fixed assets	4.0	3.8	22.4	22.4	22.4	22.4	22.4
Total fixed assets	550.6	719.5	969.3	1,219.9	1,627.0	2,036.6	2,186.8
Receivables	12.7	7.7	10.3	11.6	14.6	19.1	23.2
Cash and banks	0.8	25.4	20.5	53.6	9.4	9.7	18.3
Other current assets	2.5	15.4	33.5	33.5	33.5	33.5	33.5
Total current assets	16.0	48.5	64.3	98.7	57.4	62.2	74.9
Total assets	566.6	768.1	1,033.6	1,318.6	1,684.4	2,098.9	2,261.8
Shareholders' equity	304.0	527.2	580.3	736.7	791.2	782.6	799.6
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	304.0	527.2	580.3	736.7	791.2	782.6	799.6
Provisions	51.9	29.3	61.5	85.1	32.8	16.6	7.5
Long interest bearing debt	192.6	177.7	362.0	468.5	828.7	1,262.9	1,413.1
Other long term liabilities	14.3	17.8	12.6	12.6	12.6	12.6	12.6
Total long term liabilities	258.7	224.8	436.1	566.2	874.1	1,292.0	1,433.3
Short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	3.9	16.0	17.1	15.7	19.1	24.2	28.9
Total current liabilities	3.9	16.0	17.1	15.7	19.1	24.2	28.9
Total equity and liabilities	566.6	768.1	1,033.6	1,318.6	1,684.4	2,098.9	2,261.8
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	53.7%	68.6%	56.1%	55.9%	47.0%	37.3%	35.4%
Net gearing %	63.1%	28.9%	58.8%	56.3%	103.6%	160.1%	174.4%
Interest cover	5.2	8.6	5.0	2.9	2.3	1.8	1.7
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value		655.8	1,066.5	1,088.2	1,492.7	1,926.6	2,068.2
Market Cap		503.6	725.0	673.4	673.4	673.4	673.4
P/NNAV-1		-4.5%	24.6%	-12.2%	-18.0%	-17.2%	-18.9%
EBITDA/EV		5.1%	3.7%	4.2%	3.9%	4.1%	4.7%
Recurring Cash Flow Yield		-44.3%	3.9%	4.1%	4.9%	5.1%	6.0%
Earnings Yield		16.2%	7.8%	9.9%	9.9%	2.8%	6.8%
Dividend Yield %		1.2%	1.4%	1.8%	4.1%	4.3%	5.0%

NNAV



■ NNAV

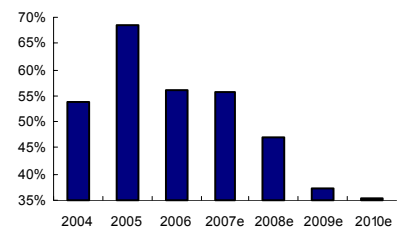
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Paying for performance

Company profile ImmoEast investment property's portfolio value had grown to €3.95bn by 1Q07/08. The portfolio is fully focused on Eastern Europe (spread between 10 countries) with the main focus on CEE (76% of the standing properties are in Hun/Pl/Cz/Slo). Approximately 12% of the standing properties are located in Romania, Slovenia and Bulgaria; and c11% in Russia. In addition the company has already committed to a €4.5bn development pipeline (for completion between 2007 and 2010). Furthermore, the company is working on an additional programme of up to €3bn pipeline to be invested in 2007/08. Including the projects from the outstanding development pipeline the main focus of the portfolio will be on Romania (32.8%), the Czech Republic (15.8%) and Poland (13.1%). The sectoral focus is on offices at 33.5% and commercial space at 29.4%.

Investment case We believe the two main value drivers for ImmoEast in the next four years will be the revaluation of its stakes in other companies and gains on its development pipeline. We expect the revaluation on TriGranit to represent up to 18% of the FY 07/08–FY 10/11 indirect (non-cash) result. TriGranit will be revalued for the first time in December 2007. We calculate an average development profit of 15% on the total development pipeline. Development gains would therefore represent 65% of the FY 07/08–FY 10/11 indirect (non-cash) result.

Developments and outlook Given the current market volatility and the first indications of upward valuation yield adjustments we no longer pencil in yield compression on the portfolio. We keep yields flat for the remainder of FY 07/08 and assume yield expansion above rental growth in CEE (60bps) and SEE (20bps) as from 2008/09 onwards. In their FY06/07 conference call the company indicated that it was working on the sales programme of up to €1.5bn in mature markets in CEE. However, in the last six months no success has yet been seen. Corporate governance issues also remain. We are positive about the alignment of interest between management and shareholders through the recently introduced incentive fee structure but consider the 8% hurdle to be much too low. Especially when taking into consideration that no revaluation of TriGranit took place yet. We estimate the performance fee to result in a €151.4m cost in FY 07/08E reflecting 65% of the FY07/08E net rental income.

Valuation Based on our assumptions of yield expansion, limited rental growth of 1.4%, increasing vacancy, and 10% sales gain on €1.25bn assets, we arrive at a potential value of €8.9 for the company. However we see a downside risk from the possible internalizing of the management once performance fees slow down (from 2008/09). We therefore apply a downside discount of -€0.46 per share, based on an assumption of 3.39% of the total portfolio in FY10E (€381m = 3.39% x €11.2bn). The assumption of 3.39% is based on the historic price of 2.39% on AuM paid for such transactions in the market. We include an additional 1% for the extra performance fee introduced in 2007/08. We therefore expect the total costs for internalizing management to reach €381m. We have lowered our +12M EFV to €8.47 from €8.9. Our target price implies an upside of 14%. We therefore reiterate our Add rating.

Rating

ADD

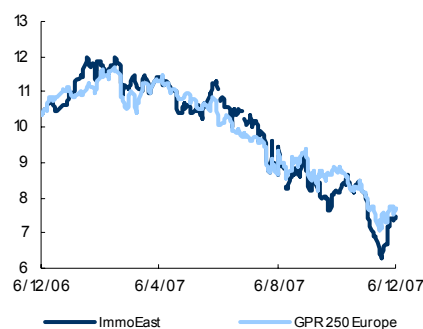
Price target (12m) **€8.47**

Closing price (6 December 2007) **€7.43**

Expected total return **14.0%**

Date **9 December 2007**

IEA AV vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-7.5%	-15.2%	-28.3%
Rel. to GPR 250 Europe	-2.5%	0.9%	-3.6%

Source: Factset

Company data

52-Week range	€6.28 - 12.01
Market cap	€6,195.30m
Number of shares	833.8m
Average daily volume	2.0m
Free float	49%

Company data

Bloomberg / Reuters IEA AV / IEA.VI

Analyst

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Bloomberg: KEMP <GO>

ImmoEast

Property ■ Austria

Income Statement (Year to 30 Apr)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	59.3	146.2	146.2	252.5	374.7	584.1	780.6
Operating costs	-4.4	-11.2	-11.2	-20.5	-30.5	-47.5	-63.5
Net rental income	54.9	134.9	134.9	232.0	344.2	536.6	717.1
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-35.2	-87.4	-87.4	-223.5	-131.2	-179.8	-212.8
Other income	5.9	19.2	19.2	7.1	7.8	8.7	9.6
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	25.6	66.7	66.7	15.6	220.9	365.5	514.0
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	25.6	66.7	66.7	15.6	220.9	365.5	514.0
Net financial	-1.6	14.1	14.1	35.2	70.2	-19.5	-114.7
EBT	24.0	80.8	80.8	50.8	291.1	346.0	399.3
Taxes	-2.9	-11.9	-11.9	-7.6	-43.7	-51.9	-59.9
Extraordinary items	-1.7	-4.1	-4.1	0.0	0.0	0.0	0.0
Minorities	0.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0
Direct investment result	19.4	56.8	56.8	35.2	239.4	286.1	331.4
Sales result	0.0	14.1	14.1	135.5	15.4	16.8	0.0
Revaluation Property	166.7	514.6	514.6	185.8	148.9	202.3	206.7
Taxation on revaluation	-34.8	-97.3	-97.3	-64.3	-32.9	-43.8	-41.3
Revaluation financial instruments	-6.0	40.1	40.1	118.0	118.2	147.0	275.3
Total indirect investment result	125.9	471.4	471.4	375.1	249.6	322.2	440.6
Net profit	145.3	528.2	528.2	410.3	489.1	608.3	772.0

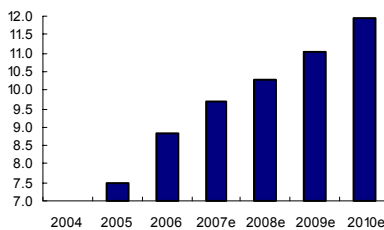
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	222.4	555.9	555.9	833.8	833.8	833.8	833.8
Average number of shares	191.0	500.3	500.3	741.2	833.8	833.8	833.8
Direct investment result per share	0.10	0.11	0.11	0.05	0.29	0.34	0.40
Indirect investment result per share	0.66	0.94	0.94	0.51	0.30	0.39	0.53
EPS (IFRS)	0.76	1.06	1.06	0.55	0.59	0.73	0.93
CFPS (recurring)	0.10	0.11	0.11	0.05	0.29	0.34	0.40
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payout ratio %	0%	0%	0%	0%	0%	0%	0%
NNAV per share	7.47	8.83	8.83	9.68	10.28	11.02	11.96
NAV per share	8.21	9.57	9.57	10.26	10.89	11.68	12.67

Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	1,586.4	3,501.9	3,501.9	4,198.6	6,432.4	9,125.8	11,037.3
Developments	104.0	324.5	324.5	437.5	611.9	622.1	0.0
Financial fixed assets	115.7	662.7	662.7	1,257.9	1,440.4	1,649.0	1,887.7
Other fixed assets	42.8	340.0	340.0	321.8	358.4	421.2	480.2
Total fixed assets	1,848.9	4,829.2	4,829.2	6,215.8	8,843.2	11,818.2	13,405.2
Receivables	65.5	203.7	203.7	203.7	262.3	408.9	546.4
Cash and banks	730.3	1,695.3	1,695.3	3,688.6	1,702.1	154.0	165.9
Other current assets	42.8	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	838.6	1,899.0	1,899.0	3,892.4	1,964.4	562.8	712.3
Total assets	2,687.5	6,728.2	6,728.2	10,108.2	10,807.6	12,381.0	14,117.5
Shareholders' equity	1,662.0	4,907.3	4,907.3	8,075.5	8,572.6	9,189.0	9,969.0
Minority interests	0.0	15.8	15.8	15.8	15.8	15.8	15.8
Total equity	1,662.0	4,923.1	4,923.1	8,091.3	8,588.4	9,204.7	9,984.8
Provisions	1.6	1.9	1.9	1.9	1.9	1.9	1.9
Long interest bearing debt	614.7	957.5	957.5	957.5	957.5	1,580.5	2,223.1
Other long term liabilities	203.8	526.9	526.9	591.2	624.1	667.9	709.2
Total long term liabilities	820.0	1,486.3	1,486.3	1,550.6	1,583.4	2,250.2	2,934.2
Short term debt	87.6	116.1	116.1	116.1	116.1	116.1	116.1
Other current liabilities	117.8	202.7	202.7	350.2	519.6	809.9	1,082.4
Total current liabilities	205.5	318.8	318.8	466.3	635.7	926.1	1,198.6
Total equity and liabilities	2,687.5	6,728.2	6,728.2	10,108.2	10,807.6	12,381.0	14,117.5

Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	61.8%	73.2%	73.2%	80.0%	79.5%	74.3%	70.7%
Net gearing %	-1.7%	-12.6%	-12.6%	-32.3%	-7.3%	16.8%	21.8%
Interest cover	15.9	-4.7	-4.7	-0.4	-3.1	18.8	4.5

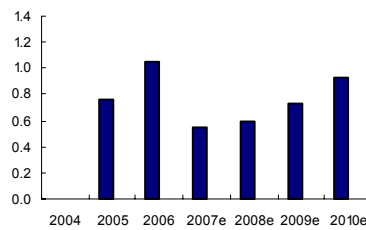
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	1,785.0	4,914.2	4,914.2	3,580.3	5,566.8	7,737.9	8,368.6
Market Cap	1,813.0	5,535.9	5,535.9	6,195.3	6,195.3	6,195.3	6,195.3
P/NNAV-1	9.1%	12.8%	12.8%	-23.3%	-27.7%	-32.6%	-37.9%
EBITDA/EV	1.4%	1.4%	1.4%	0.4%	4.0%	4.7%	6.1%
Recurring Cash Flow Yield	1.2%	1.1%	1.1%	0.6%	3.9%	4.6%	5.3%
Earnings Yield	9.3%	10.6%	10.6%	7.4%	7.9%	9.8%	12.5%
Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

NNAV



■ NNAV

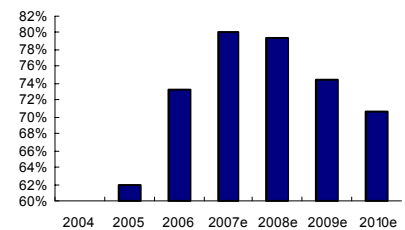
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Expensive external management

Company profile The external growth of the Immofinanz portfolio saw a 43% y-o-y increase over FY06/07 (from €5.5bn in FY05/06 to €7.89bn in FY06/07). The €3.96bn ImmoAustria property portfolio still represents the largest part of the total group existing properties (50%). The main focus in ImmoAustria is on residential properties, which are represented by €1.9bn BUWOG/ESG portfolio (21.3% of Immofinanz total portfolio). The portfolio of the ImmoEast has also grown substantially over the last fiscal year to €3.2bn implying a 100% y-o-y increase. The portfolio of ImmoWest was almost more than double that of the fiscal year 2006/07, reflecting a current value of €755m.

Investment case Immofinanz benefits from its subsidiaries. We are positive on the residential portfolio BUWOG/ESG. We believe that the portfolio is still undervalued by at least 25%. We consider the asset-by-asset valuation will trigger the revaluation result on the portfolio. We therefore expect the total revaluation of this portfolio to come to €509m in the next four years due to yield compression (15bps per annum) and a 2.6% like-for-like rental growth. Applying such a revaluation we arrive at a €980/sqm price for this portfolio in FY10/11E. Further growth of the Immofinanz property portfolio will mainly come from the expansion activities of ImmoEast. We believe the two main value drivers for ImmoEast (Immofinanz has currently a c53.8% stake) in the next four years will be the revaluation of its stakes in other companies and gains on its development pipeline. We expect the revaluation on TriGranit to represent up to 18% of the FY 07/08–FY 10/11 indirect (non-cash) result. We calculate an average development profit of 15% on the total development pipeline. Development gains would therefore represent 65% of the FY 07/08–FY 10/11 indirect (non-cash) result.

Developments and outlook In FY07/08 the company expects to realize a €7.5bn investment volume. The main focus in the investments this fiscal year will be Eastern Europe where the company intends to invest up to 79% of the FY07/08 total investment programme. The company plans to invest approximately €1bn through its subsidiary ImmoWest, while the main investment country will be Germany. Approximately €0.5bn is expected to be invested in Austria through ImmoAustria. Approximately 62% of the total investment pipeline comprises investments in development projects, 28% in standing properties with 10% planned for investments through strategic partnerships. Immofinanz is currently involved in the bidding process for the BAWAG portfolio (140,000sqm office space in Vienna, Graz and Innsbruck).

Valuation We have lowered our Target Price to €7.84, as we apply a -€0.93 discount per share for the possible internalization of the external management, based on expected costs of €427m (FY10E portfolio €12.6bn x 3.39%). We reiterate our rating at Add, reflecting a 16.8% total return. We still see Immofinanz as a stock with a very limited CF while NAV growth will be mainly driven by the revaluations. We believe, however, that the share is currently valued conservatively, trading at a -23.6% discount to the published €9.11 NNAV (1Q07/08) and -30.2% discount to FY07/08E NNAV. The main risk to our PT is that the yield expansion in CEE is greater than expected and that the sales of the ImmoEast portfolio (up to EUR 1.5bn) will not provide for any gains. We still prefer Immofinanz above ImmoEast as we expect higher NAV growth for Immofinanz, we favour the dividend distribution by Immofinanz and we believe the risk related to financing is equal for both companies as the latter controls the former.

Rating

ADD

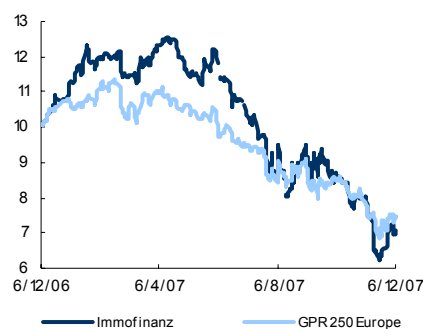
Price target (12m) **€7.84**

Closing price (6 December 2007) **€6.96**

Expected total return **16.8%**

Date **9 December 2007**

IIA AV vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-13.3%	-24.1%	-30.8%
Rel. to GPR 250 Europe	-8.7%	-9.7%	-7.0%

Source: Factset

Company data

52-Week range	€6.22 - 12.54
Market cap	€3,194.65m
Number of shares	459.0m
Average daily volume	1.7m
Free float	100%

Company data

Bloomberg / Reuters	IIA AV / IMF1.VI
Next announcement	27 December 2007
	Q2 2007/08 Turnover Results

Analyst

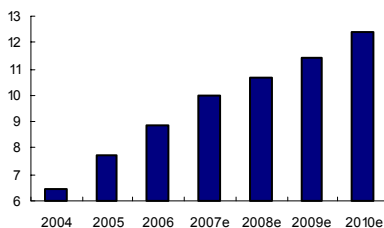
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Immofinanz

Property ■ Austria

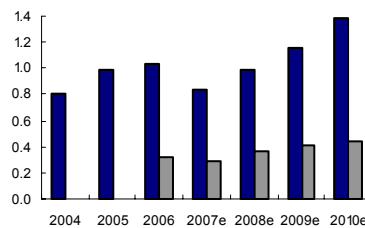
Income Statement (Year to 30 Apr)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	169.8	272.2	378.9	631.2	843.9	1,100.9	1,347.7
Operating costs	-43.9	-58.7	-69.4	-116.2	-149.0	-178.1	-206.7
Net rental income	125.9	213.5	309.6	515.0	694.9	922.8	1,140.9
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-64.3	-122.4	-197.6	-364.0	-285.0	-347.8	-394.6
Other income	15.1	27.7	54.9	7.1	7.8	8.7	9.6
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	76.6	118.8	166.8	158.0	417.7	583.7	756.0
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	76.6	118.8	166.8	158.0	417.7	583.7	756.0
Net financial	-53.5	-90.9	-135.7	-140.5	-165.9	-280.9	-392.3
EBT	23.1	27.9	31.2	17.5	251.7	302.8	363.7
Taxes	-8.5	-5.7	-16.8	-1.0	-35.8	-43.3	-52.8
Extraordinary items	0.4	0.5	0.9	0.0	0.0	0.0	0.0
Minorities	0.5	-8.3	-33.8	-24.3	-116.5	-137.5	-157.9
Direct investment result	15.5	14.4	-18.5	-7.8	99.5	122.0	153.0
Sales result	23.7	35.4	48.0	148.9	28.1	28.7	11.1
Revaluation Property	308.1	447.6	763.2	383.7	359.1	422.1	440.7
Taxation on revaluation	-59.5	-118.3	-171.9	-117.1	-88.6	-101.7	-102.6
Revaluation financial instruments	-67.8	9.0	7.3	145.7	172.0	202.8	334.4
Total indirect investment result	182.8	311.3	476.1	392.1	358.0	406.5	484.8
Net profit	198.3	325.7	457.6	384.3	457.5	528.5	637.7
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	251.7	335.6	459.0	459.0	459.0	459.0	459.0
Average number of shares	248.0	328.7	443.2	459.0	459.0	459.0	459.0
Direct investment result per share	0.06	0.04	-0.04	-0.02	0.22	0.27	0.33
Indirect investment result per share	0.74	0.95	1.07	0.85	0.78	0.89	1.06
EPS (IFRS)	0.80	0.99	1.03	0.84	1.00	1.15	1.39
CFPS (recurring)	0.06	0.04	-0.04	-0.02	0.22	0.27	0.33
Dividend per share	0.00	0.00	0.33	0.29	0.36	0.40	0.45
Payout ratio %	0%	0%	-783%	-1,730%	168%	152%	134%
NNAV per share	6.43	7.76	8.89	9.97	10.67	11.45	12.43
NAV per share	7.16	8.95	10.25	11.56	12.42	13.38	14.54
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	3,746.1	5,524.3	8,221.5	10,101.2	12,887.6	16,142.8	18,659.3
Developments	172.8	321.1	540.1	622.1	675.4	685.6	57.9
Financial fixed assets	277.1	539.0	1,179.8	1,790.1	1,988.8	2,215.1	2,472.8
Other fixed assets	38.4	53.8	317.0	317.0	317.0	317.0	317.0
Total fixed assets	4,234.4	6,438.2	10,258.4	12,830.4	15,868.9	19,360.5	21,507.0
Receivables	28.5	136.9	201.8	188.9	252.7	329.7	403.7
Cash and banks	425.2	825.8	2,249.9	3,389.7	1,457.8	70.5	230.6
Other current assets	0.0	55.2	11.5	0.0	0.0	0.0	0.0
Total current assets	453.7	1,017.9	2,463.2	3,578.6	1,710.4	400.2	634.3
Total assets	4,688.1	7,456.1	12,721.6	16,409.0	17,579.3	19,760.7	22,141.3
Shareholders' equity	1,619.4	2,603.3	4,081.7	4,577.9	4,897.4	5,255.0	5,703.7
Minority interests	220.0	833.5	2,433.7	3,676.2	3,900.4	4,178.4	4,530.2
Total equity	1,839.4	3,436.9	6,515.3	8,254.1	8,797.8	9,433.4	10,233.9
Provisions	6.1	7.6	6.1	6.1	6.1	6.1	6.1
Long interest bearing debt	1,648.7	2,813.3	4,314.4	5,914.4	6,224.4	7,347.4	8,520.0
Other long term liabilities	308.7	539.6	1,125.6	1,242.6	1,331.2	1,433.0	1,535.6
Total long term liabilities	1,963.5	3,360.5	5,446.1	7,163.2	7,561.7	8,786.5	10,061.7
Short term debt	701.5	360.3	397.0	397.0	397.0	397.0	397.0
Other current liabilities	183.7	298.4	363.3	594.8	822.7	1,143.9	1,448.8
Total current liabilities	885.2	658.7	760.2	991.8	1,219.7	1,540.8	1,845.8
Total equity and liabilities	4,688.1	7,456.1	12,721.6	16,409.0	17,579.3	19,760.7	22,141.3
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	39.2%	46.1%	51.2%	50.3%	50.0%	47.7%	46.2%
Net gearing %	104.6%	68.3%	37.8%	35.4%	58.7%	81.3%	84.9%
Interest cover	1.4	1.3	1.2	1.1	2.5	2.1	1.9
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	3,636.0	5,042.9	7,089.8	6,116.3	8,358.2	10,868.5	11,880.9
Market Cap	1,711.1	2,695.0	4,628.4	3,194.7	3,194.7	3,194.7	3,194.7
P/NNAV-1	5.7%	3.5%	13.4%	-30.2%	-34.8%	-39.2%	-44.0%
EBITDA/EV	2.1%	2.4%	2.4%	2.6%	5.0%	5.4%	6.4%
Recurring Cash Flow Yield	0.9%	0.5%	-0.4%	-0.2%	3.1%	3.8%	4.8%
Earnings Yield	11.8%	12.3%	10.2%	12.0%	14.3%	16.5%	20.0%
Dividend Yield %	0.0%	0.0%	3.2%	4.2%	5.2%	5.8%	6.4%

NNAV



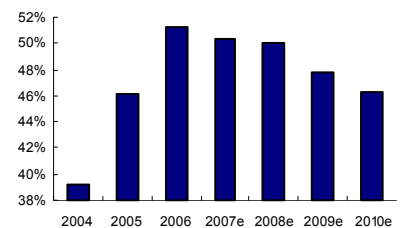
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



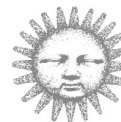
Leaning on the cavern story

Company profile IVG has a property portfolio of c€5.9bn, predominantly consisting of offices. Of the portfolio, 73% is located in Germany, while the remainder is mainly located in Paris, London, Brussels and Helsinki. IVG also manages €14bn in institutional and private funds via OIK and EuroSelect and has a property development pipeline of €2.4bn. In addition, the company is active in oil and gas storage, for which it operates 40 underground salt caverns and a development pipeline of an additional 90 caverns to boot.

Investment case Over the past year IVG has refocused its investment portfolio towards Germany and in the process, expanded its portfolio by buying €2bn of German offices over the summer. The timing and aggressive pricing of the acquisitions appear rather unfortunate, as this period marked the peak of the investment market and prices have come down rapidly since. Furthermore, IVG has a rather low operational profitability. This is underlined by the FY07 net profit target of €290m, compared to the 9M07 net profit of already €270.2m (mainly fuelled by revaluations, sales gains and one-off equity issue fees). Moreover, as IVG will realize a €12m sales gain on the tank farm business and a further sales gain on a Budapest development project in 4Q07, the FY07 target implies that operational profit is in the low single-digit million Euros. Following the €1.6bn in acquisitions which are already signed but will come onto the balance sheet in 4Q07 and 1Q08, leverage amounts to a high 74%.

Developments and outlook We believe IVG's investment portfolio is overvalued at the current 4.9% net yield. Considering the correction in prices in Germany, we believe that IVG will face negative revaluations going forward, in particular on the recently acquired portfolios. In particular on the €1.3bn Allianz portfolio (the largest acquisition this year) we always struggled to see value given the 5.1% net yield, >5% financing cost, <1% vacancy and 13-17 year leases. IVG intends to float its German portfolio in a REIT in 1H08, retaining a 75% stake, but we struggle to see how this should work. In comparison, the only German office REIT (Alstria) is currently trading at a 31% discount to NAV (also valued at 4.9%), while it has a far better FY08 CF yield than IVG (6.3% vs. 1.3%). IVG intends to sell its €260m Helsinki portfolio, but although the sale was expected in September 2007, it is now scheduled for next year. All in all, we believe that the most interesting part of IVG is its cavern business, yet contrary to previous company statements, it recently transpired that rental contracts would only be 1/3 index-linked. Given the long 30-year leases, this clearly limits the value of the business. Although management raised speculation about carrying out an external valuation of the caverns again and a potential spin-off of part the existing caverns, we believe most upside potential is already priced in.

Valuation We fine-tune our Price Target from €27.0 to €26.5, mainly reflecting fine-tuned valuation assumptions on the real-estate portfolio. Our PT includes €9.0 for the cavern pipeline, €4.5 for the funds business and €2.3 for developments. IVG published a 9M07 NAV of €27.7, including EBIT multiple valuations for the funds business and future development gains, but the 9M07 NNAV on the balance sheet was only €14.5. Given the high leverage, our assumed 50bp yield expansion has a major negative effect on the NAV, while we remain concerned about the low profitability. We maintain our Neutral rating.



Rating

NEUTRAL

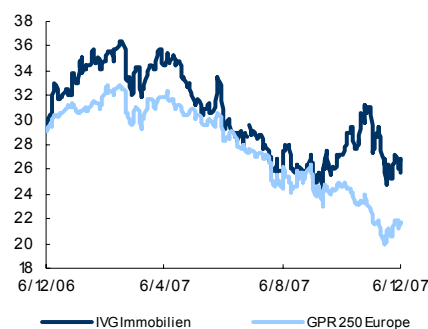
Price target (12m) **€26.5**

Closing price (6 December 2007) **€25.8**

Expected total return **4.8%**

Date **9 December 2007**

IVG GY vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-16.6%	-2.7%	-11.6%
Rel. to GPR 250 Europe	-12.2%	15.7%	18.9%

Source: Factset

Company data

52-Week range	€24.41 - 36.98
Market cap	€2,993.95m
Number of shares	116.0m
Average daily volume	680,677
Free float	79%

Company data

Bloomberg / Reuters **IVG GY / IVGG.DE**

Analyst

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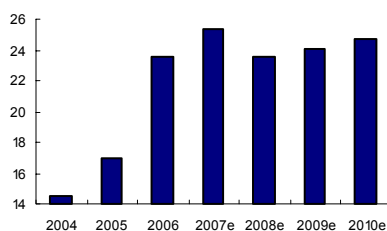
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IVG Immobilien

Property ■ Germany

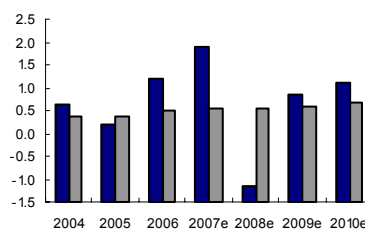
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	235.8	223.8	213.2	251.2	353.5	398.6	433.7
Operating costs	-30.9	-33.3	-30.5	-27.7	-34.3	-37.8	-40.5
Net rental income	204.9	190.5	182.7	223.5	319.1	360.8	393.2
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	105.7	214.1	314.6	0.0	0.0	0.0	0.0
Overhead costs	-169.4	-199.7	-289.0	-246.7	-201.3	-204.3	-207.0
Other income	246.4	102.9	205.2	219.7	197.3	204.2	212.8
Other costs	-122.9	-83.6	-86.1	-48.8	-52.7	-55.9	-60.0
EBITDA	264.7	224.2	327.4	147.6	262.5	304.9	339.0
Depreciation	-62.1	-56.1	-74.2	-6.0	-6.0	-6.0	-6.0
EBIT	202.6	168.1	253.2	141.6	256.5	298.9	333.0
Net financial	-106.1	-90.9	-59.4	-121.5	-209.8	-231.2	-246.8
EBT	96.5	77.2	193.8	20.1	46.6	67.8	86.2
Taxes	-21.6	-41.6	-44.6	-2.4	-5.6	-8.1	-10.3
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-4.0	-13.7	-9.6	-2.6	-6.0	-7.4	-8.6
Direct investment result	70.9	21.9	139.6	15.1	35.1	52.2	67.2
Sales result	0.0	0.0	0.0	128.5	0.0	0.0	0.0
Revaluation Property	0.0	0.0	0.0	88.2	-223.7	89.9	122.3
Taxation on revaluation	0.0	0.0	0.0	-32.1	35.7	-32.8	-38.2
Revaluation financial instruments	0.0	0.0	0.0	58.0	0.0	0.0	0.0
Total indirect investment result	0.0	0.0	0.0	206.2	-172.8	53.0	76.8
Net profit	70.9	21.9	139.6	221.3	-137.7	105.2	144.0
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	116.0	116.0	116.0	116.0	123.0	127.0	131.0
Average number of shares	116.0	116.0	116.0	116.0	119.5	125.0	129.0
Direct investment result per share	0.61	0.19	0.03	0.13	0.29	0.42	0.52
Indirect investment result per share	0.00	0.00	0.00	1.78	-1.45	0.42	0.60
EPS (IFRS)	0.61	0.19	1.20	1.91	-1.15	0.84	1.12
CFPS (recurring)	0.00	0.19	0.03	0.43	0.34	0.47	0.57
Dividend per share	0.35	0.38	0.50	0.55	0.55	0.61	0.65
Payout ratio %	nm	200%	1,526%	128%	161%	130%	115%
NNAV per share	14.48	16.94	23.56	25.31	23.58	24.02	24.69
NAV per share	15.20	18.00	24.77	26.79	25.07	25.56	26.29
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	3,284.3	3,502.3	4,078.9	6,468.2	7,005.9	7,555.0	8,128.6
Developments	49.3	69.4	177.5	177.5	177.5	177.5	177.5
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	424.7	617.2	698.6	698.6	698.6	698.6	698.6
Total fixed assets	3,758.3	4,188.9	4,955.0	7,344.3	7,882.0	8,431.1	9,004.7
Receivables	417.4	141.3	166.4	166.4	166.4	166.4	166.4
Cash and banks	69.5	90.9	549.0	236.1	156.2	96.4	52.1
Other current assets	104.7	224.1	269.1	269.1	269.1	269.1	269.1
Total current assets	591.6	456.3	984.5	671.6	591.7	531.9	487.6
Total assets	4,349.9	4,645.2	5,939.5	8,015.9	8,473.8	8,963.0	9,492.4
Shareholders' equity	1,762.8	2,087.6	2,733.4	2,935.6	2,900.2	3,050.8	3,235.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	1,762.8	2,087.6	2,733.4	2,935.6	2,900.2	3,050.8	3,235.0
Provisions	57.2	85.5	147.3	121.4	85.7	118.5	156.7
Long interest bearing debt	1,914.9	1,701.3	1,922.1	3,822.1	4,351.1	4,656.9	4,963.9
Other long term liabilities	49.0	11.1	45.5	45.5	45.5	45.5	45.5
Total long term liabilities	2,021.1	1,797.9	2,114.9	3,989.0	4,482.3	4,821.0	5,166.2
Short term debt	272.4	571.7	725.8	725.8	725.8	725.8	725.8
Other current liabilities	293.6	188.0	365.4	365.4	365.4	365.4	365.4
Total current liabilities	566.0	759.7	1,091.2	1,091.2	1,091.2	1,091.2	1,091.2
Total equity and liabilities	4,349.9	4,645.2	5,939.5	8,015.9	8,473.8	8,963.0	9,492.4
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	40.5%	44.9%	46.0%	36.6%	34.2%	34.0%	34.1%
Net gearing %	120.1%	104.5%	76.8%	146.9%	169.7%	173.3%	174.3%
Interest cover	2.5	2.5	5.5	1.2	1.3	1.3	1.4
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	3,267.7	3,962.7	5,034.9	7,305.8	8,095.3	8,564.2	9,018.7
Market Cap	1,149.9	1,780.6	2,936.0	2,993.9	3,174.6	3,277.9	3,381.1
P/NNAV-1	-31.5%	-9.4%	7.4%	2.0%	9.5%	7.4%	4.5%
EBITDA/EV	8.1%	5.7%	6.5%	2.0%	3.2%	3.6%	3.8%
Recurring Cash Flow Yield	0.0%	1.2%	0.1%	1.7%	1.3%	1.8%	2.2%
Earnings Yield	6.2%	1.2%	4.8%	7.4%	-4.5%	3.3%	4.3%
Dividend Yield %	3.5%	2.5%	2.0%	2.1%	2.1%	2.3%	2.5%

NNAV



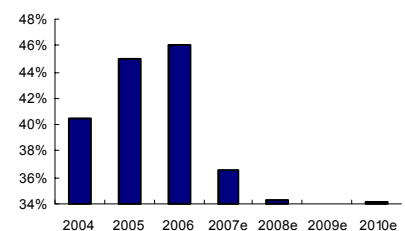
■ NNAV

EPS & Dividends



■ EPS ■ DPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Market deceleration

Company profile Kaufman & Broad is a residential developer active in the provincial (64%) and Ile-de-France regions (34%). Other (rather limited) company activities are commercial development and the development of nursing homes and student accommodation. Kaufman & Broad secured a listing in February 2000 by the flotation of almost half the shares of KB Home through an IPO. KB Home sold its remaining 50.1% stake to PAI Partners in May 2007. As a result of the sale the stock was suspended until the bid for the remaining shares commenced on 6 August 2007. The investment vehicle, in which management is also represented, gained 79.5% of the shares as a result.

Investment case Although the 9M07 results still reflected strong margins and management reiterated its profit outlook for the company, residential markets are decelerating in France. The number of building permits issued and construction starts over the last 12 months amounted to 550,000 and 429,000 residential units respectively, while we consider 300,000 to 350,000 units to be a normalised production number for France. Meanwhile, the recent number of marketed units has been declining but still exceeds take-up. As a result, total stock available increased to 94,600 units. The sales period for housing increased to 10 months for single housing and 9 months for apartments. Price development is still positive but growth is decelerating. We expect that after the current abundance of space has been constructed, production in France will slow down. Residential will however become less profitable. K&B thereby indicated that it expects future margins to move back towards long term averages. We expect the decrease in margin development will be partly offset by revenue growth, net income should only decrease to a limited extent.

Developments and outlook The 20-day tender period from 6 August resulted in PAI Partners (and management) obtaining 79.5% of the shares. Meanwhile the GPR 250 Europe has declined since May 2007, when the share was suspended. When the share was freely traded again, it declined substantially by nearly 30%. Meanwhile, the 9M07 results reflected the impact of the takeover by PAI partners (increased debt ratio) and a modest increase in working capital (to 31% of revenues). Gross and operating margins in 9M07 however came out above expectations. The strength in margins was realised despite a decline in the value growth per delivered unit. We expect this is mostly related to smaller-sized apartments and a further shift towards the regions. Management reiterated its outlook for FY07 of at least 10% revenue growth for FY07 and continuing strong margins. In the long run these margins would move towards long term averages. In addition, we have applied a marked increase in working capital and a deceleration in turnover growth.

Valuation We believe the residential sector will still face some 'headwind' over the coming period. However, the longer term average P/CF and EV/EBITDA ratio for a residential developer stands at 10 and 7.5 respectively. As a result of the marked decline in the stock, the P/CF and EV/EBITDA multiple for K&B comes out at an attractive 6.4 and 8.8 respectively. Assuming a marked decline in margins and increase in working capital, we nonetheless expect CFPS to decrease modestly going forward. As a result we maintain our Neutral rating.

Rating

NEUTRAL

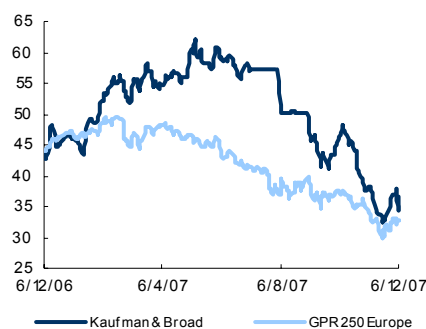
Price target (12m) **€37.0**

Closing price (6 December 2007) **€36.6**

Expected total return **4.7%**

Date **9 December 2007**

KOF FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-3.4%	-21.1%	-16.9%
Rel. to GPR 250 Europe	1.8%	-6.2%	11.8%

Source: Factset

Company data

52-Week range	€32.58 - 62.23
Market cap	€815.34m
Number of shares	22.3m
Average daily volume	15,333
Free float	21%

Company data

Bloomberg / Reuters	KOF FP / KOF.PA
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Analyst

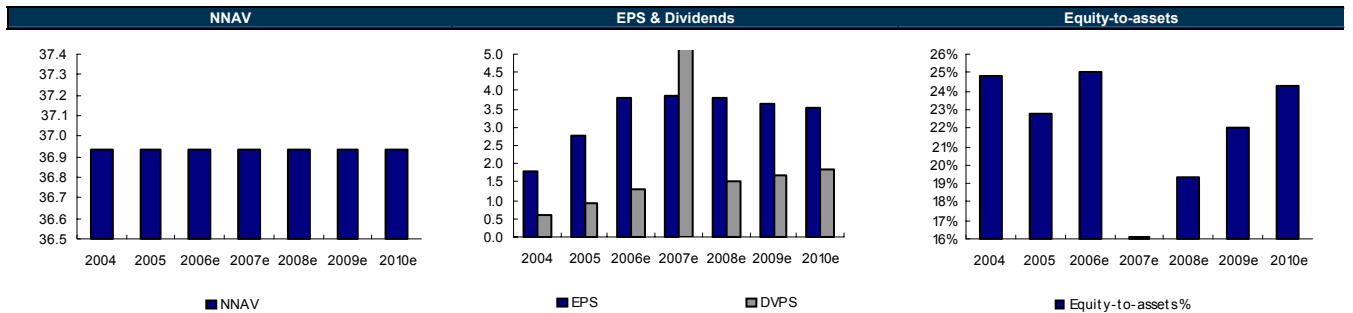
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Bloomberg: KEMP <GO>

Kaufman & Broad

Property ■ France

Income Statement (Year to 30 Nov)	2004	2005	2006E	2007E	2008E	2009E	2010E
Gross rental income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net rental income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales (developments)	834.2	1,048.7	1,282.8	1,399.9	1,445.4	1,478.0	1,530.6
Costs of sales (developments)	-653.6	-790.3	-981.5	-1,068.5	-1,112.7	-1,154.1	-1,214.2
Sales result (developments)	180.7	258.4	301.4	331.3	332.7	323.9	316.3
Overhead costs	72.0	77.5	103.0	117.6	118.0	114.9	112.2
Other income	3.0	4.0	5.0	6.0	7.0	8.0	9.0
Other costs	15.7	38.1	34.5	29.3	30.2	31.1	32.1
EBITDA	93.0	120.6	163.8	184.4	184.5	177.8	172.1
Depreciation	-9.5	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	83.4	120.6	163.8	184.4	184.5	177.8	172.1
Net financial	-5.8	-18.5	-19.6	-42.0	-35.3	-35.7	-35.4
EBT	81.3	100.4	144.2	142.5	149.2	142.2	136.7
Taxes	-23.4	-33.2	-48.5	-39.8	-47.7	-45.5	-43.7
Extraordinary items	-5.9	-1.7	0.0	0.0	0.0	0.0	0.0
Minorities	-8.8	-13.2	-11.6	-16.5	-16.2	-15.4	-14.7
Direct investment result	39.6	53.9	84.2	86.2	85.2	81.3	78.3
Sales result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	39.6	53.9	84.2	86.2	85.2	81.3	78.3
Per share data	2004	2005	2006E	2007E	2008E	2009E	2010E
Number of shares	22.3	22.3	22.3	22.3	22.3	22.3	22.3
Average number of shares	22.3	22.3	22.3	22.3	22.3	22.3	22.3
Direct investment result per share	1.78	2.42	3.78	3.87	3.82	3.65	3.51
Indirect investment result per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS (IFRS)	1.78	2.76	3.78	3.87	3.82	3.65	3.51
CFPS (recurring)	2.20	2.42	3.78	3.87	3.82	3.65	3.51
Dividend per share	0.62	0.90	1.32	7.89	1.52	1.67	1.84
Payout ratio %	28%	37%	35%	204%	40%	46%	52%
NNAV per share	36.94	36.94	36.94	36.94	36.94	36.94	36.94
NAV per share	36.94	36.94	36.94	36.94	36.94	36.94	36.94
Balance sheet	2004	2005	2006E	2007E	2008E	2009E	2010E
Investment property	73.0	73.0	69.7	70.4	71.1	71.8	72.6
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	13.9	10.4	4.6	4.7	4.7	4.7	4.8
Other fixed assets	6.7	9.0	90.3	91.2	92.1	93.1	9.5
Total fixed assets	93.6	92.4	164.7	166.3	168.0	169.6	86.8
Receivables	371.2	402.1	431.3	503.9	527.6	554.2	566.3
Cash and banks	89.8	59.8	68.0	22.1	24.6	23.4	15.8
Other current assets	329.9	377.2	515.7	590.4	609.5	623.2	645.3
Total current assets	790.9	839.0	1,014.9	1,116.4	1,161.8	1,200.8	1,227.4
Total assets	884.5	1,014.5	1,179.5	1,282.7	1,329.7	1,370.5	1,398.2
Shareholders' equity	211.5	218.2	285.2	195.6	247.0	291.0	328.4
Minority interests	8.1	12.6	10.1	10.1	10.1	10.1	10.1
Total equity	219.6	230.8	295.3	205.7	257.1	301.2	338.5
Provisions	11.9	39.2	56.3	56.3	56.3	56.3	56.3
Long interest bearing debt	160.5	201.5	146.1	358.1	338.1	318.1	283.1
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	172.5	240.7	202.4	414.4	394.4	374.4	339.4
Short term debt	135.1	14.6	10.1	10.1	10.1	10.1	10.1
Other current liabilities	357.4	528.4	671.7	650.9	664.9	679.9	704.1
Total current liabilities	492.5	543.0	681.8	661.0	675.0	690.0	714.1
Total equity and liabilities	884.5	1,014.5	1,179.5	1,281.1	1,326.4	1,365.5	1,392.0
Financing Ratio's	2004	2005	2006E	2007E	2008E	2009E	2010E
Equity-to-assets %	24.8%	22.7%	25.0%	16.1%	19.4%	22.1%	24.3%
Net gearing %	100.6%	67.7%	29.9%	168.3%	125.8%	101.2%	81.9%
Interest cover	16.0	6.5	8.4	4.4	5.2	5.0	4.9
Valuation	2004	2005	2006E	2007E	2008E	2009E	2010E
Enterprise value	570.0	728.4	1,016.3	1,479.3	1,138.9	1,120.1	1,092.7
Market Cap	349.1	572.1	928.1	1,133.2	815.3	815.3	815.3
P/NNAV-1	-57.6%	-30.5%	12.8%	37.7%	-0.9%	-0.9%	-0.9%
EBITDA/EV	16.3%	16.6%	16.1%	12.5%	16.2%	15.9%	15.7%
Recurring Cash Flow Yield	14.1%	9.4%	9.1%	7.6%	10.5%	10.0%	9.6%
Earnings Yield	11.3%	10.7%	9.1%	7.6%	10.5%	10.0%	9.6%
Dividend Yield %	3.9%	3.5%	3.2%	15.5%	4.1%	4.6%	5.0%



Source: Company Data, Kempen & Co



Planned settlement of issues

Company profile Klepierre has built up a pan-European shopping-centre network with local management (Cégécé) in nine of the ten countries where it operates. The three core countries, France Spain and Italy: represent 52%, 13% and 19% of the total shopping centre portfolio respectively (or 80.6% in total). Hungary, Poland and the other countries represent a more limited 5.8%, 4.3% and 9.3% respectively. The largest shareholder is BNP Paribas, which holds 50.2% of the shares.

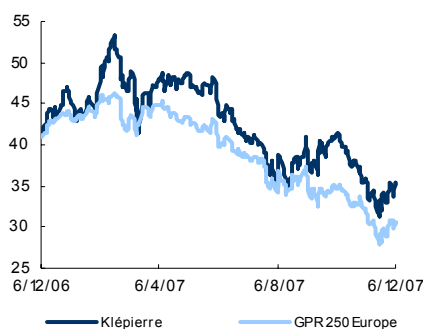
Investment case With the recent refinancing the company has secured sufficient financial means to continue its external growth strategy for 2008. Meanwhile, on the standing portfolio management still realises a healthy uplift on lease renewals given the long lease durations. Risks would be a serious deterioration in consumer expenditure in Europe. In this respect, tighter monetary policy, weakening confidence and a potential fall in house prices in Spain are already slowly impacting consumer spending growth. Consumer spending figures in Klepierre's Italian shopping centres came out at a modest 1.3% over the first eight months, while macroeconomic data for Italy indicated a very weak September. The main exposure for Klepierre would remain France, which represents the largest part of both the standing and the development portfolios. We expect the deceleration in French house price growth could however have an impact on spending. French shopping centre sales however still increased by a marked 3.7% over the first nine months.

Developments and outlook Both turnover and rental growth on the shopping centre were strong in 9M07. For the entire portfolio the turnover realized by the retailers in the shopping galleries came out at +3.8%. Meanwhile reversionary growth had been strong in the core markets in which Klépierre is active being France, Italy and Spain. At the 9M07 results, management elaborated on the restructuring measures undertaken to increase performance in Hungary and Poland and was confident that these measures would have effect as from FY08. Management also pre-hedged the refinanced EUR 600m bond loan due July 2008 for a duration of 6.1 years at 4.04% excluding credit margin. The remaining risk will be the credit margin that would be realized when the bonds are replaced in the market. The company has a BBB+ rating with a positive outlook. We thereby assume a 160bp margin on bond refinancing.

Valuation We have conservatively assumed a 40bps yield expansion on the portfolio in 2008 resulting in a gross yield ETD increasing from 5.7% to 6.1%. Meanwhile we assume limited development profits on the pipeline of c20% on average. The changes in valuation growth have resulted in a decrease in the fair value to € 42.5 providing relative upside in the sector. We still expect the FY07 valuations to form a trigger for the stock.

Rating	BUY (Upgrade from ADD)
Price target (12m)	€42.5
Closing price (6 December 2007)	€35.3
Expected total return	23.9%
Date	9 December 2007

LI FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-1.7%	-10.1%	-14.1%
Rel. to GPR 250 Europe	3.6%	6.9%	15.4%

Source: Factset

Company data

52-Week range	€31.24 - 54.40
Market cap	€4,881.84m
Number of shares	138.5m
Average daily volume	348,644
Free float	43%

Company data

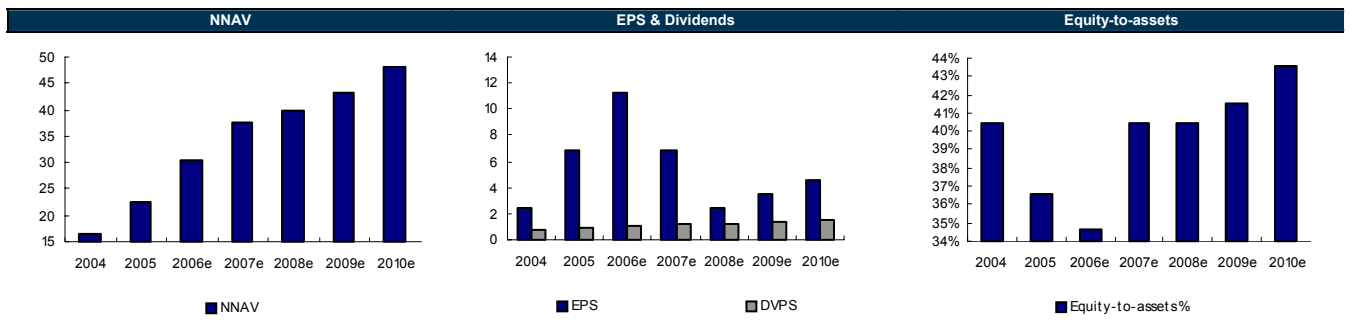
Bloomberg / Reuters	LI FP / LOIM.PA
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Analyst	Boudewijn Schoon +31 (0)20 348 8456 bsch@kempen.nl
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Klépierre

Property ■ France

Income Statement (Year to 31 Dec)	2004	2005	2006E	2007E	2008E	2009E	2010E
Gross rental income	399.4	449.0	519.7	607.6	687.3	751.8	815.4
Operating costs	-26.6	-39.9	-39.9	-54.4	-61.7	-67.6	-73.4
Net rental income	372.8	409.1	479.7	553.3	625.6	684.2	742.0
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-43.5	-52.4	-59.9	-62.3	-64.8	-67.4	-70.1
Other income	40.3	53.6	67.0	69.9	72.9	76.0	79.4
Other costs	-20.6	-19.9	-23.3	-26.4	-29.5	-32.1	-34.6
EBITDA	349.0	390.4	463.5	534.3	604.1	660.7	716.6
Depreciation	-111.4	-133.2	-144.1	-169.1	-184.9	-203.9	-225.8
EBIT	237.6	257.2	322.5	368.6	422.7	460.5	494.6
Net financial	-121.7	-112.7	-134.8	-150.9	-178.1	-202.9	-225.6
EBT	115.9	144.5	187.7	217.7	244.5	257.6	269.0
Taxes	-3.9	-17.9	-22.0	-25.3	-29.1	-30.6	-33.6
Extraordinary items	0.1	0.3	0.5	0.5	0.5	0.5	0.5
Minorities	-7.1	-4.5	-3.9	-4.5	-5.0	-5.3	-5.5
Direct investment result	105.0	122.4	162.3	188.4	210.9	222.3	230.3
Sales result	16.7	20.4	32.6	25.0	20.0	20.0	10.0
Revaluation Property	232.6	819.6	1,411.8	797.5	123.5	294.0	481.9
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	-2.5	-1.4	-1.1	-1.1	-1.1	-1.1	-1.1
Total indirect investment result	232.7	817.7	1,417.1	808.3	142.5	309.5	481.9
Net profit	337.7	940.1	1,579.4	996.7	353.4	531.8	712.2
Per share data	2004	2005	2006E	2007E	2008E	2009E	2010E
Number of shares	136.2	138.5	141.1	144.0	147.4	151.2	155.4
Average number of shares	136.2	138.4	139.8	142.5	145.7	149.3	153.3
Direct investment result per share	0.76	0.88	1.15	1.31	1.43	1.47	1.48
Indirect investment result per share	1.69	5.90	10.05	5.61	0.97	2.05	3.10
EPS (IFRS)	2.45	6.79	11.20	6.92	2.40	3.52	4.58
CFPS (recurring)	1.41	1.60	1.89	2.39	2.58	2.70	2.82
Dividend per share	0.77	0.90	1.07	1.17	1.29	1.42	1.56
Payout ratio %	54%	56%	57%	49%	50%	52%	55%
NNAV per share	16.63	22.50	30.50	37.51	39.90	43.40	47.95
NAV per share	16.63	22.50	30.50	37.51	39.90	43.40	47.95
Balance sheet	2004	2005	2006E	2007E	2008E	2009E	2010E
Investment property	5,177.8	5,781.5	6,323.1	8,093.9	9,235.6	10,586.0	12,046.4
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	7.3	7.9	2.5	2.5	2.5	2.5	2.5
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables	342.6	207.8	264.4	271.0	277.7	284.7	291.8
Cash and banks	115.4	166.7	157.7	163.3	190.5	201.6	201.3
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	536.7	460.8	535.8	550.3	586.8	607.3	616.8
Total assets	5,721.8	6,242.4	6,858.9	8,644.2	9,822.3	11,193.3	12,663.2
Shareholders' equity	1,907.6	1,861.3	1,936.7	3,061.6	3,539.2	4,210.2	5,080.5
Minority interests	402.1	424.8	437.0	437.0	437.0	437.0	437.0
Total equity	2,309.7	2,286.1	2,373.6	3,498.5	3,976.2	4,647.1	5,517.4
Provisions	17.9	18.5	18.5	18.5	18.5	18.5	18.5
Long interest bearing debt	2,741.0	2,880.9	3,910.7	4,570.7	5,270.7	5,970.7	6,570.7
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	2,758.9	2,899.4	3,929.2	4,589.2	5,289.2	5,989.2	6,589.2
Short term debt	621.5	1,056.8	556.1	556.1	556.1	556.1	556.1
Other current liabilities	24.4	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	645.9	1,056.8	556.1	556.1	556.1	556.1	556.1
Total equity and liabilities	5,714.5	6,242.4	6,858.9	8,643.8	9,821.4	11,192.4	12,662.7
Financing Ratio's	2004	2005	2006E	2007E	2008E	2009E	2010E
Equity-to-assets %	40.4%	36.6%	34.6%	40.5%	40.5%	41.5%	43.6%
Net gearing %	140.6%	165.0%	181.5%	141.9%	141.8%	136.1%	125.5%
Interest cover	2.9	3.5	3.4	3.5	3.4	3.3	3.2
Valuation	2004	2005	2006E	2007E	2008E	2009E	2010E
Enterprise value	5,819.0	7,260.2	9,109.3	10,041.0	10,832.1	11,654.2	12,404.7
Market Cap	2,571.9	3,489.1	4,800.2	5,077.5	5,195.8	5,329.0	5,479.3
P/INNAV-1	13.6%	12.0%	11.6%	-6.0%	-11.7%	-18.8%	-26.5%
EBITDA/EV	6.0%	5.4%	5.1%	5.3%	5.6%	5.7%	5.8%
Recurring Cash Flow Yield	7.5%	6.4%	5.5%	6.8%	7.3%	7.7%	8.0%
Earnings Yield	13.0%	26.9%	32.9%	19.6%	6.8%	10.0%	13.0%
Dividend Yield %	4.1%	3.6%	3.1%	3.3%	3.7%	4.0%	4.4%



Source: Company Data, Kempen & Co



Meinl European Land

Property ▪ Austria

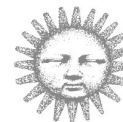
Russian roulette

Company profile Meinl EL managed a €1.8bn portfolio (as of 3Q07) fully focused on the retail sector of which €327m was represented by six land plots in Russia, Poland and Turkey, already stated at fair value on the balance sheet. The company is currently active in eight Eastern European countries with a main focus on Poland (33% of standing properties), Russia (25%) and the Czech Republic (20%). In addition, the company has a €3.4bn development pipeline with 34 projects, of which eight are extensions of the existing properties. The developments are mainly concentrated in Russia (40%), Poland (24%) and Turkey (18%). Furthermore, Meinl EL has 10 land plots that might be used for developments (1.55 million sqm in which the company has so far invested €231.5m). However, the land bank will be given a lower priority.

Investment case We believe the main value driver for the company will be the improvement of corporate governance and transparency. In the second and third quarter of this fiscal year the company bought back 88.8 million shares at an average price of EUR 20.4 per share. The Austrian FMA is investigating the legality of Meinl EL's share buy-back and has already issued a first administrative ruling that an announcement related to the AGM on 23 August could have been misleading. The NAV-loss from the share buy-back is more than reflected in the Meinl EL share price. We however, still see potential downside risks related to corporate governance especially in connection with Meinl EL's lack of transparency on Partly Paid Shares (PPS), which might have a dilutive affect to €15.15 3Q07 NAV of -€2.14 (-14%). Management still does not want to disclose who the owners of the PPS are. This implies high risks as the PPS can be called at the average share price over the last six weeks (€9).

Developments and outlook The €1.8bn portfolio is valued at 6.6% gross yield. We do not expect further residual revaluation on Meinl EL's portfolio and in our model use flat yields for the valuation of standing properties going forward. We have lowered the total development pipeline in our forecast from €5.5bn to €3.4bn through 2007 – 2010 as the 1.55mln sqm landbank will be given a lower priority. We expect the total development gain on the €3.4bn pipeline to reach 11% on average.

Valuation We have lowered our fundamental case of the €12.29 fair valuation, by applying a downside discount of €2.14 and arrived at a TP of €10.15. The discount stems from the potential NAV dilution, in the event that PPS were to be called at €9 (we use €10 in our model). In addition to the risk related to PPS we see the following factors as a potential downside risk to the Meinl EL investment case: i) continuing uncertainty on the treasury stock which has not yet been redeemed (€1.8bn); ii) class action against the company could start at the beginning of 2008; iii) internalizing the management could be pricey for the company.



KEMPEN & CO

Merchant Bank

Rating

NEUTRAL

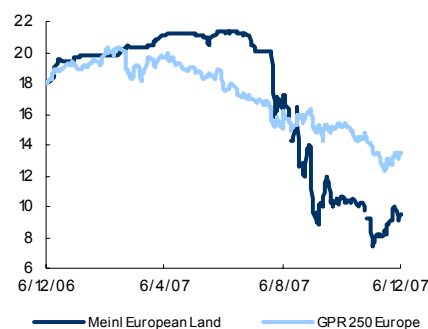
Price target (12m) **€10.2**

Closing price (6 December 2007) **€9.46**

Expected total return **7.3%**

Date **9 December 2007**

MEL AV vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	8.0%	-10.0%	-47.6%
Rel. to GPR 250 Europe	13.8%	7.0%	-29.5%

Source: Factset

Company data

52-Week range	€7.48 - 21.33
Market cap	€1,997.81m
Number of shares	211.2m
Average daily volume	1.3m
Free float	100%

Company data

Bloomberg / Reuters MEL AV / MEL.VI

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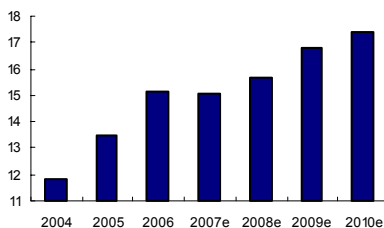
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Meinl European Land

Property ■ Austria

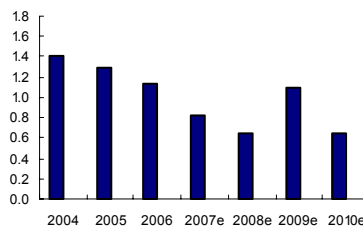
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	25.5	60.2	96.5	120.5	164.4	300.8	421.2
Operating costs	0.9	1.6	2.1	2.0	2.7	5.0	7.0
Net rental income	26.3	61.8	98.6	122.5	167.1	305.8	428.2
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-7.4	-35.0	-70.4	-103.4	-133.0	-227.1	-305.8
Other income	1.5	1.0	5.9	10.9	14.8	27.1	37.9
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	20.5	27.8	34.1	30.0	48.9	105.8	160.3
Depreciation	-0.9	-1.9	-1.2	-1.3	-1.9	-3.2	-3.8
EBIT	19.6	25.9	32.8	28.7	47.0	102.6	156.6
Net financial	-11.6	-2.3	17.5	53.3	33.4	-73.5	-154.1
EBT	8.0	23.6	50.4	81.9	80.4	29.1	2.5
Taxes	-0.6	1.9	-0.3	-4.1	-4.0	-1.5	-0.1
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	-0.3	-37.0	0.0	0.0	0.0	0.0
Direct investment result	7.4	25.2	13.0	77.8	76.3	27.7	2.4
Sales result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	23.2	88.4	218.8	131.3	63.0	222.1	143.5
Taxation on revaluation	0.0	0.0	-1.4	-10.5	-5.0	-17.8	-11.5
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	23.2	88.4	217.4	120.8	58.0	204.3	132.1
Net profit	30.5	113.6	230.4	198.6	134.3	232.0	134.4
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	36.0	120.0	225.0	211.2	211.2	211.2	211.2
Average number of shares	21.7	88.0	203.5	243.1	211.2	211.2	211.2
Direct investment result per share	0.34	0.29	0.06	0.32	0.36	0.13	0.01
Indirect investment result per share	1.07	1.01	1.07	0.50	0.27	0.97	0.63
EPS (IFRS)	1.41	1.29	1.13	0.82	0.64	1.10	0.64
CFPS (recurring)	0.38	0.31	0.07	0.33	0.37	0.15	0.03
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payout ratio %	0%	0%	0%	0%	0%	0%	0%
NNAV per share	11.84	13.51	15.17	15.03	15.67	16.77	17.40
NAV per share	11.93	13.98	15.42	15.35	16.01	17.20	17.89
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	456.1	990.9	1,888.9	1,881.6	2,435.0	4,696.4	5,519.1
Developments	1.4	114.2	105.2	632.0	634.7	274.4	105.0
Financial fixed assets	0.2	6.5	0.0	0.0	0.0	0.0	0.0
Other fixed assets	103.3	47.4	55.9	57.6	62.1	71.1	79.8
Total fixed assets	561.1	1,159.1	1,850.0	2,571.2	3,131.8	5,041.9	5,703.8
Receivables	25.7	73.1	128.9	143.2	186.2	357.4	427.5
Cash and banks	311.7	2,092.2	4,867.8	1,535.1	1,059.8	-44.5	-125.7
Other current assets	12.1	96.4	49.8	55.5	71.8	138.5	162.8
Total current assets	349.5	2,261.7	5,046.5	1,733.8	1,317.9	451.5	464.6
Total assets	910.5	3,420.8	6,896.5	4,305.0	4,449.6	5,493.4	6,168.5
Shareholders' equity	420.8	1,616.3	3,413.1	3,174.7	3,309.0	3,541.0	3,675.4
Minority interests	1.0	4.3	41.3	41.6	41.9	42.2	42.5
Total equity	421.8	1,620.7	3,454.4	3,216.2	3,350.9	3,583.1	3,717.9
Provisions	0.8	0.4	0.4	0.4	0.4	0.4	0.4
Long interest bearing debt	255.6	483.1	958.5	958.5	958.5	958.5	1,408.5
Other long term liabilities	36.7	53.9	58.8	58.8	58.8	58.8	58.8
Total long term liabilities	293.1	537.3	1,017.6	1,017.6	1,017.6	1,017.6	1,467.6
Short term debt	154.9	1,209.8	2,353.6	0.0	0.0	780.0	850.0
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	195.6	1,262.8	2,424.6	71.2	81.2	892.6	983.0
Total equity and liabilities	910.6	3,420.8	6,896.5	4,305.0	4,449.6	5,493.4	6,168.5
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	46.3%	47.4%	50.1%	74.7%	75.3%	65.2%	60.3%
Net gearing %	23.4%	-24.6%	-45.0%	-17.9%	-3.0%	49.8%	64.1%
Interest cover	1.8	12.1	-1.9	-0.6	-1.5	1.4	1.0
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	542.0	1,300.1	2,117.3	1,421.2	1,896.5	3,780.8	4,382.0
Market Cap	443.2	1,699.4	3,673.1	1,997.8	1,997.8	1,997.8	1,997.8
P/NNAV-1	4.0%	4.8%	7.6%	-37.1%	-39.6%	-43.6%	-45.6%
EBITDA/EV	3.8%	2.1%	1.6%	2.1%	2.6%	2.8%	3.7%
Recurring Cash Flow Yield	3.1%	2.2%	0.4%	3.4%	3.9%	1.5%	0.3%
Earnings Yield	11.4%	9.1%	6.9%	8.6%	6.7%	11.6%	6.7%
Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

NNAV



■ NNAV

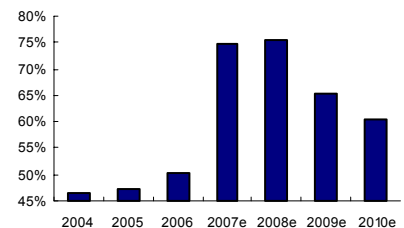
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



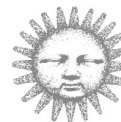
Bound to fall

Company profile Metrovacesa is mainly active in property investments. Currently 74% of the company's portfolio is located in Spain, but the company is rapidly diversifying its investment portfolio. Furthermore Metrovacesa owns a substantial land bank and residential development pipeline. These residential developments are located along Spain's coastline, Madrid and Castilla-León.

Investment case In February 2007 the two core large shareholding groups, (Rivero and Soler on the one hand and the Sanahuja Group on the other) signed a "Business and Corporate Separation Agreement". Pursuant to this agreement the Metrovacesa Group will be divided into two separate business units. Metrovacesa will retain the Spanish assets, including the residential development projects and land bank, the most recent acquisitions in the UK and Germany and €1.9bn of Gecina assets in France. The separation will take place in two stages, the first of which has already been completed (exchange offer Metrovacesa and Gecina). This will be followed by a bid of €83.21 on Metrovacesa by the Sanahuja family. Finally Gecina will spin off Medea with a €1.9bn property portfolio. Metrovacesa will exchange its last shares in Gecina into Gecina, which will conclude the Metrovacesa/Gecina separation process.

Developments and outlook Metrovacesa recently published their 9M07 results. The residential development activities of Metrovacesa saw further deterioration in the results derived from these activities. Management commented that the slowdown in demand was most noticeable in the coastal areas. The gross margin on residential development decreased to 31.7% in 9M07 from 33.0% during 1H07, implying only a 27.6% margin in 3Q07. The slowdown in sales was exemplified by a reduction in the company's backlog by 2.5 months from 17.7 months to 15.2 months over a period of three months. We expect the net income from residential development to come under significant pressure in FY08. The revaluation came out at €295m (before taxes). Metrovacesa's rental revenues came out c25% higher at €184m at 9M07 (9M06: €147m). Of this increase 4.9% was the result of like-for-like rental growth of the portfolio, while the remainder resulted from the company's recent acquisitions (HSBC building in London). We have pencilled in a 75bp yield expansion in 2008 and 2009 for the HSBC building, a 50bp yield expansion for the Spanish offices and retail centres and a 25bp yield expansion for the company's German assets.

Valuation Currently a €83.21 takeover bid is still expected for Metrovacesa. We believe however that Metrovacesa's fundamental value amounts to approximately €50, significantly below the takeover bid since the market has turned unfavourable for residential developments in Spain and we expect a marked yield expansion on the company's recent HSBC acquisition.



Rating

NEUTRAL

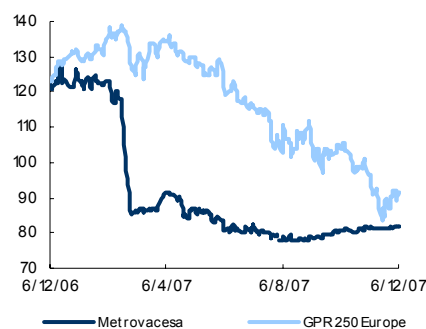
Price target (12m) **€83.2**

Closing price (6 December 2007) **€81.6**

Expected total return **2.0%**

Date **9 December 2007**

MVC SM vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	0.2%	2.9%	-33.7%
Rel. to GPR 250 Europe	5.6%	22.4%	-10.8%

Source: Factset

Company data

52-Week range	€77.65 - 128.52
Market cap	€8,306.05m
Number of shares	101.8m
Average daily volume	142,220
Free float	14%

Company data

Bloomberg / Reuters	MVC SM / MVC.MC
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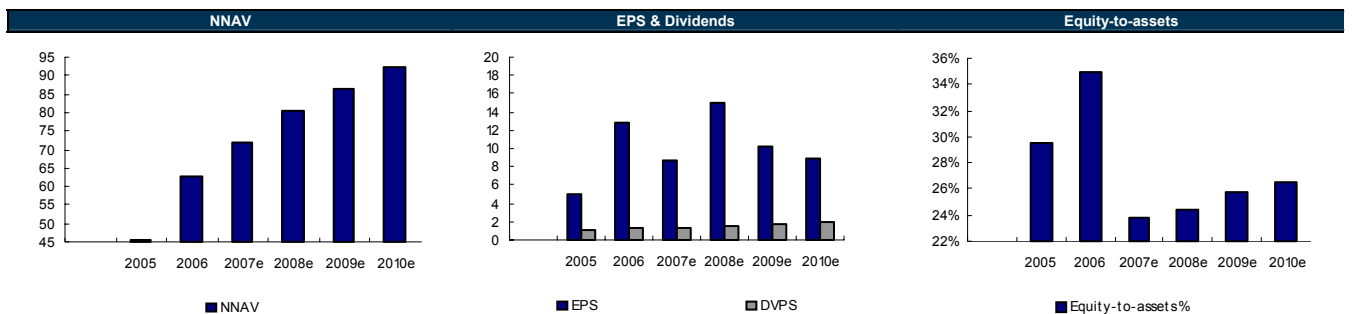
Analyst

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Metrovacesa

Property ■ Spain

Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	489.4	770.5	862.9	869.3	874.7	880.3
Operating costs	-73.2	-73.2	-82.0	-82.6	-83.1	-83.6
Net rental income	416.2	697.3	780.9	786.7	791.6	796.7
Sales (developments)	643.2	714.2	780.0	825.0	835.0	835.0
Costs of sales (developments)	-431.2	-424.2	-509.0	-538.5	-544.4	-544.4
Sales result (developments)	212.1	290.0	271.0	286.5	290.6	290.6
Overhead costs	-116.1	-172.6	-181.2	-187.6	-190.4	-193.2
Other income	45.0	10.3	15.0	15.0	15.0	15.0
Other costs	2.1	-4.6	-6.0	-6.0	-6.0	-6.0
EBITDA	559.3	820.4	879.7	894.6	900.9	903.1
Depreciation	-9.2	-9.3	-9.8	-10.3	-10.8	-11.3
EBIT	550.1	811.1	869.9	884.4	890.1	891.8
Net financial	-260.6	-359.5	-408.5	-419.5	-451.6	-460.7
EBT	289.5	451.6	461.4	464.9	438.5	431.1
Taxes	-52.5	-47.4	-48.4	-48.8	-46.0	-45.3
Extraordinary items	40.6	54.9	58.0	60.9	63.9	67.1
Minorities	-32.3	-93.6	-80.7	-80.9	-90.8	-96.4
Direct investment result	245.3	365.5	390.2	396.0	365.5	356.6
Sales result	30.4	133.8	96.3	150.5	100.1	134.1
Revaluation Property	337.3	1,267.3	741.5	731.9	690.2	524.8
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	235.6	946.4	498.9	1,132.4	671.7	545.9
Net profit	480.9	1,311.9	889.1	1,528.4	1,037.3	902.5
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	101.8	101.8	101.8	101.8	101.8	101.8
Average number of shares	88.1	101.8	101.8	101.8	101.8	101.8
Direct investment result per share	2.79	3.59	3.83	3.89	3.59	3.50
Indirect investment result per share	2.31	9.30	4.90	11.12	6.60	5.36
EPS (IFRS)	5.10	12.89	8.74	15.02	10.19	8.87
CFPS (recurring)	2.89	3.58	3.93	3.99	3.70	3.61
Dividend per share	1.15	1.27	1.39	1.53	1.68	1.85
Payout ratio %	40%	35%	35%	38%	46%	51%
NNAV per share	45.36	62.78	71.70	80.44	86.20	92.40
NAV per share	47.35	74.34	84.89	95.25	102.06	109.40
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	0.0	0.0	0.0	0.0	0.0	0.0
Developments	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	12,480.4	15,639.4	12,626.8	12,587.8	12,590.2	12,506.1
Receivables	241.1	452.5	452.5	452.5	452.5	452.5
Cash and banks	324.2	416.4	1,610.6	2,066.5	2,715.3	3,170.8
Other current assets	1,794.4	2,009.9	1,952.5	2,012.5	2,032.5	2,052.5
Total current assets	2,359.7	2,878.8	4,015.6	4,531.5	5,200.3	5,675.7
Total assets	14,840.1	18,518.2	16,642.4	17,119.2	17,790.5	18,181.9
Shareholders' equity	2,842.2	4,510.2	2,731.9	2,958.7	3,350.0	3,591.4
Minority interests	1,538.5	1,972.2	1,223.2	1,223.2	1,223.2	1,223.2
Total equity	4,380.7	6,482.4	3,955.1	4,181.9	4,573.2	4,814.6
Provisions	57.9	59.2	21.8	21.8	21.8	21.8
Long interest bearing debt	7,573.6	8,566.7	9,987.1	10,237.1	10,517.1	10,667.1
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	7,631.5	8,625.9	10,008.9	10,258.9	10,538.9	10,688.9
Short term debt	952.8	1,107.9	376.3	376.3	376.3	376.3
Other current liabilities	1,855.0	2,302.1	2,302.1	2,302.1	2,302.1	2,302.1
Total current liabilities	2,807.8	3,410.0	2,678.4	2,678.4	2,678.4	2,678.4
Total equity and liabilities	14,820.0	18,518.3	16,642.4	17,119.2	17,790.5	18,181.9
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	29.6%	35.0%	23.8%	24.4%	25.7%	26.5%
Net gearing %	187.2%	142.8%	221.3%	204.4%	178.8%	163.5%
Interest cover	2.1	2.3	2.2	2.1	2.0	2.0
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	12,723.5	17,261.2	17,058.6	16,852.8	16,483.9	16,178.5
Market Cap	4,521.3	8,003.0	8,305.8	8,305.8	8,305.8	8,305.8
P/NNAV-1	-2.1%	25.2%	13.8%	1.4%	-5.3%	-11.7%
EBITDA/EV	4.4%	4.8%	5.2%	5.3%	5.5%	5.6%
Recurring Cash Flow Yield	6.5%	4.6%	4.8%	4.9%	4.5%	4.4%
Earnings Yield	11.5%	16.4%	10.7%	18.4%	12.5%	10.9%
Dividend Yield %	2.6%	1.6%	1.7%	1.9%	2.1%	2.3%



Source: Company Data, Kempen & Co



Nieuwe Steen Investments

Property ▪ Netherlands

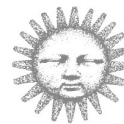
Foreign expansion to €2.5bn

Company profile Nieuwe Steen Investments (NSI) is the only Dutch-listed tax efficient REIT that still has 100% of its assets located in the Netherlands. The €1.2bn portfolio is spread between Offices (47%), Retail (44%), Industrial (5%) and Residential (4%). 2007 has been a year of changes enabling the company to grow abroad. The founder of NSI (Mr Zeeman) sold his stake to the Habas Group for €21.90 per share. Thereafter the Israeli Habas Group almost doubled its stake to its current 21.4%. Measures aimed at increasing EPS have been taken such as the sale of almost the entire residential portfolio and the acquisition of the property management by NSI. Mr Habas has become chairman of the Supervisory Board replacing Mr Zeeman. The company received approval from its AGM to increase the portfolio to €2.5bn in the next three years including the possibility of investing outside the Netherlands with Germany, Austria and Switzerland as the most likely countries according to the company. The company expects its first foreign investments to take place in 1Q08.

Investment case NSI has a well-diversified Dutch portfolio of medium-sized good-quality assets in smaller Dutch cities. We appreciate the down to earth management approach and the conservative valuation mainly focusing on a stable direct return in order to distribute high dividends (7.1% per annum) paid on a quarterly basis. Although there is some negative reversionary on the office portfolio of c5% for 2008 we expect the direct result to increase above €1.34 for the first time in years. The relatively high leverage of c50% does not imply that the company is running a risk as the company has nearly all its debt hedged to changes in interest rates and a conservative portfolio valuation (net yield on the portfolio of 6.9%). We regard the international expansion as welcome as it increases the size and visibility of NSI and might trigger a takeover by Habas because once more than 30% of NSI's assets are located outside the Netherlands the company can be taken over by one party without paying 6% transfer tax. We have doubts as to whether the foreign expansion can increase the dividend per share as property has become more expensive throughout Europe in recent years.

Developments and outlook We expect a strong increase in the direct result per share beyond 2007 as we see that the weakness in the office market in the Netherlands has now come to an end. However we have been cautious with respect to valuation and keep the net theoretical yield on NSI's office portfolio at 7.6%. NSI will focus on foreign expansion next year, the sale of the last residential units (EPS accretive) and the lease or sale of the La Tour office of which the rent guarantee has expired (no rental income taken into account).

Valuation We have not included any of the foreign acquisitions that might result in additional upside. Our Price Target of €19.9 implies a 7.1% dividend yield for 2008E. In the meantime the company is trading just below €18.0 at a dividend yield of 7.9% which is one of the highest in the Netherlands. NSI has clearly outperformed the market after we included it in our Favourites List on 19 June 2007. We see NSI as one of the most stable property companies in Europe and are more than happy with our ADD rating although we expect other companies to benefit more should European property indices show improvement.



KEMPEN & CO
Merchant Bank

Rating

ADD

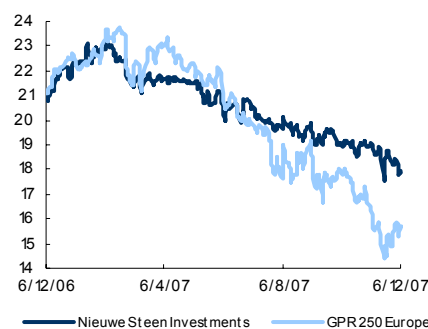
Price target (12m) **€19.9**

Closing price (6 December 2007) **€17.9**

Expected total return **18.7%**

Date **9 December 2007**

NISTI NA vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-6.1%	-8.0%	-14.9%
Rel. to GPR 250 Europe	-1.1%	9.4%	14.4%

Source: Factset

Company data

52-Week range	€17.57 - 23.70
Market cap	€641.79m
Number of shares	35.8m
Average daily volume	49,704
Free float	71%

Company data

Bloomberg / Reuters	NISTI NA / NSTEc.AS
Next announcement	30 January 2008
	FY 2007 Turnover Results

Analyst

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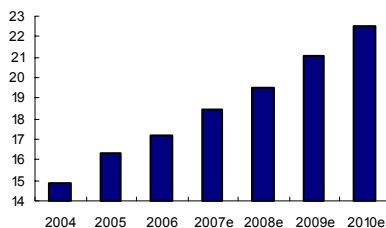
www.kempenresearch.nl
Bloomberg: KEMP <GO>

Nieuwe Steen Investments

Property ■ Netherlands

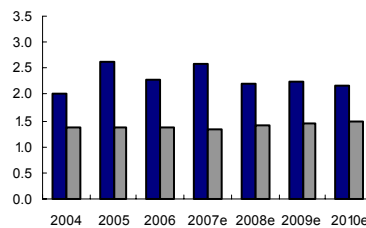
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	87.1	88.4	91.9	90.8	95.4	101.0	106.7
Operating costs	-11.7	-11.5	-11.8	-10.9	-11.3	-12.0	-12.7
Net rental income	75.3	76.9	80.1	79.9	84.0	89.0	94.0
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-2.7	-2.9	-3.2	-4.1	-4.3	-4.5	-4.8
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	72.6	74.0	76.9	75.8	79.8	84.4	89.2
Depreciation	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	72.5	74.0	76.9	75.8	79.8	84.4	89.2
Net financial	-27.2	-27.4	-28.3	-27.3	-29.0	-31.3	-33.1
EBT	45.3	46.6	48.6	48.5	50.8	53.2	56.1
Taxes	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
Extraordinary items	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	46.4	46.6	48.5	48.5	50.8	53.2	56.1
Sales result	4.9	7.0	7.6	11.7	0.0	0.0	0.0
Revaluation Property	16.2	37.6	18.4	33.0	27.8	27.5	21.5
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	-1.9	7.1	0.0	0.0	0.0	0.0
Total indirect investment result	21.1	42.7	33.1	44.6	27.8	27.5	21.5
Net profit	67.5	89.4	81.6	93.1	78.6	80.6	77.6
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	33.8	35.8	35.8	35.8	35.8	35.8	35.8
Average number of shares	33.2	33.9	35.8	35.8	35.8	35.8	35.8
Direct investment result per share	1.40	1.37	1.36	1.35	1.42	1.49	1.57
Indirect investment result per share	0.63	1.26	0.93	1.25	0.78	0.77	0.60
EPS (IFRS)	2.03	2.63	2.28	2.60	2.20	2.25	2.17
CFPS (recurring)	1.40	1.37	1.36	1.35	1.42	1.49	1.57
Dividend per share	1.36	1.36	1.36	1.34	1.41	1.44	1.47
Payout ratio %	97%	99%	100%	99%	99%	97%	94%
NNAV per share	14.85	16.30	17.23	18.47	19.48	21.10	22.54
NAV per share	14.85	16.30	17.23	18.47	19.48	21.10	22.54
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	1,078.0	1,195.8	1,243.1	1,231.6	1,319.4	1,406.8	1,488.3
Developments	0.0	0.0	4.8	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.0	1.3	7.1	11.5	11.5	11.5	11.5
Total fixed assets	1,078.0	1,197.1	1,255.0	1,243.0	1,330.9	1,418.3	1,499.8
Receivables	5.1	5.4	6.4	9.3	5.4	5.5	5.6
Cash and banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Total current assets	5.5	5.8	6.7	9.6	5.8	5.9	6.0
Total assets	1,083.5	1,202.9	1,261.7	1,252.7	1,336.6	1,424.2	1,505.8
Shareholders' equity	501.5	583.3	616.3	660.8	697.0	754.7	806.4
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	501.5	583.3	616.3	660.8	697.0	754.7	806.4
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long interest bearing debt	482.7	521.2	514.1	567.5	617.9	647.4	677.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	482.7	521.2	514.1	567.5	617.9	647.4	677.0
Short term debt	80.8	79.9	106.6	2.7	2.7	2.7	2.7
Other current liabilities	18.5	18.5	24.7	21.7	19.0	19.4	19.7
Total current liabilities	99.3	98.4	131.4	24.4	21.7	22.1	22.4
Total equity and liabilities	1,083.5	1,202.9	1,261.7	1,252.7	1,336.6	1,424.2	1,505.8
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	46.3%	48.5%	48.8%	52.7%	52.1%	53.0%	53.6%
Net gearing %	112.4%	103.0%	100.7%	86.3%	89.0%	86.1%	84.3%
Interest cover	2.7	2.7	2.7	2.8	2.8	2.7	2.7
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	1,113.5	1,280.5	1,382.4	1,212.0	1,262.4	1,291.9	1,321.5
Market Cap	550.0	679.4	761.6	641.8	641.8	641.8	641.8
P/NNAV-1	9.7%	16.5%	23.6%	-2.9%	-7.9%	-15.0%	-20.4%
EBITDA/EV	6.5%	5.8%	5.6%	6.3%	6.3%	6.5%	6.8%
Recurring Cash Flow Yield	8.6%	7.2%	6.4%	7.5%	7.9%	8.3%	8.7%
Earnings Yield	12.5%	13.8%	10.7%	14.5%	12.2%	12.6%	12.1%
Dividend Yield %	8.4%	7.2%	6.4%	7.5%	7.9%	8.0%	8.2%

NNAV



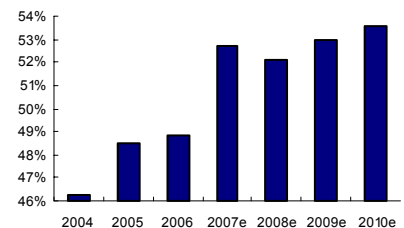
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



Bottomed out

Company profile Pirelli Real Estate (PRE) is an asset management and property service company, with total AuM of €15.5bn, which are mainly located in Italy and Germany. PRE's business model revolves around taking minority stakes (c30%) alongside financial parties (e.g. RREEF, Morgan Stanley), while receiving 100% of the asset management, property, facility management and other service revenues. The AuM portfolio is a mix of 26% residential assets, 57% commercial assets, 13% non-performing loans and 4% other.

Investment case PRE's main value driver is its AuM growth. We believe PRE can grow their AuM to €18.5bn by the end of 2008 and can grow their EBIT including income from equity participations (IEP) in line with the 10-15% growth communicated in their 2005-2008 business plan. As of this year PRE has expanded into Germany (c€4bn), Poland (residential development), Romania and Bulgaria. The current share price of €26.5 only awards a low €7.5 for the asset management business, NPL portfolio, Polish developments, service business on top of the already conservative NNAV of €19. We like the well-diversified portfolio, with only small equity stakes in the various activities and the fact that a co-investor evaluates PRE's investments. Lastly PRE has acquired a non-performing loan portfolio at a gross book value of €9bn at a 78% discount resulting in a €2bn net book value. This portfolio might soon increase to c€11.5bn gross book value as PRE has been in exclusive negotiations since January 2007 for a €2.5bn Antonveneta NPL portfolio (decreased from €5.0bn). Furthermore PRE is currently acquiring German retail portfolio formerly owned by KarstadtQuelle.

Developments and outlook PRE published 9M07 results which showed a 42% increase y-o-y in EBIT including IEP to €164m. In our view the quality of these earnings has decreased as PRE's EBIT decreased y-o-y to €26.1m at 9M07 from €52.3m. According to the company PRE's portfolio is valued with an average gross yield of c6%, well above prime yield levels of 4.25% but might still be hurt from the expected yield expansion in the coming years. PRE is currently making a new three-year business plan which we expect will come out in 1Q08. The previous plan has been rendered out of date due to the large German residential and NPL acquisitions. We believe the new plan can be a tool to show the impact of these recent acquisitions on PRE's financials.

Valuation We carried out an SOTP valuation for PRE to capture the recurring value of the asset management and service activities. We lower our Price Target to €31.0 from €42.0 as we lowered the valuation of the assets PRE co-invests in by 10% (c60bps yield expansion) for the opportunistic funds while lowering the valuation for the core funds by 5%, thus lowering the NNAV of PRE to €19 from €22.9. We applied a lower discount to the valuation of the core funds as even last week PRE completed a transaction at a 10% premium to the latest valuation. Albeit conservative, we have not awarded any value to the non-recurring revenues PRE is generating (performance fees, structuring fees, capital gains etc.), which impacts our valuation by €3.7. We have finally included a conglomerate discount of 15%.

Rating

BUY

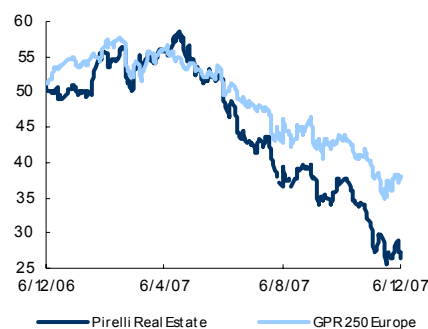
Price target (12m) **€31.0**

Closing price (6 December 2007) **€26.5**

Expected total return **24.0%**

Date **8 December 2007**

PRS IM vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-15.3%	-29.9%	-48.2%
Rel. to GPR 250 Europe	-10.8%	-16.7%	-30.4%

Source: Factset

Company data

52-Week range	€25.69 - 60.57
Market cap	€1,129.25m
Number of shares	42.6m
Average daily volume	170,715
Free float	46%

Company data

Bloomberg / Reuters	PRS IM / PCRE.MI
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Analyst

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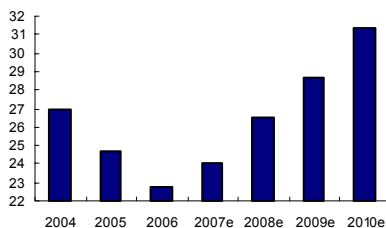
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Pirelli Real Estate

Property ■ Italy

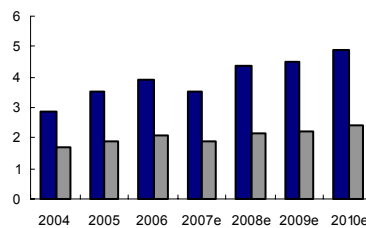
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	0.0	3.0	2.9	3.6	4.0	4.3	4.5
Operating costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net rental income	0.0	3.0	2.9	3.6	4.0	4.3	4.5
Sales (developments)	176.2	207.7	208.5	269.7	296.0	296.0	296.0
Costs of sales (developments)	-137.3	-202.5	-150.1	-250.2	-275.7	-276.1	-276.4
Sales result (developments)	38.9	5.2	58.5	19.6	20.3	19.9	19.6
Overhead costs	-127.4	-121.8	-128.4	-137.6	-146.3	-155.5	-165.3
Other income	544.0	524.0	552.1	760.2	847.3	924.6	969.8
Other costs	-311.9	-314.9	-352.3	-499.6	-563.1	-608.3	-643.0
EBITDA	143.7	95.4	132.8	146.2	162.2	185.0	185.6
Depreciation	-10.9	-9.0	-9.4	-9.3	-9.3	-9.3	-9.3
EBIT	132.8	86.4	123.4	136.9	152.9	175.7	176.4
Net financial	15.3	4.9	6.7	-43.9	-19.8	-25.6	-30.1
EBT	148.1	91.4	130.1	93.0	133.1	150.1	146.3
Taxes	-30.5	-40.5	-49.3	-41.3	-52.0	-53.3	-58.2
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.4	-1.5	-2.5	-2.5	-2.5	-2.5	-2.5
Direct investment result	117.2	49.4	78.3	49.2	78.6	94.3	85.6
Sales result	0.0	96.5	87.2	99.6	108.2	97.1	123.1
Revaluation Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	-0.1	-0.2	-0.7	0.0	0.0	0.0	0.0
Total indirect investment result	-0.1	96.3	86.5	99.6	108.2	97.1	123.1
Net profit	117.1	145.7	164.7	148.8	186.8	191.4	208.7
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	39.7	40.3	42.4	42.4	42.4	42.4	42.4
Average number of shares	40.9	41.6	42.3	42.6	42.6	42.6	42.6
Direct investment result per share	2.87	1.19	1.85	1.16	1.85	2.21	2.01
Indirect investment result per share	0.00	2.31	2.04	2.34	2.54	2.28	2.89
EPS (IFRS)	2.86	3.50	3.89	3.49	4.39	4.49	4.90
CFPS (recurring)	3.13	1.40	2.07	1.37	2.06	2.43	2.23
Dividend per share	1.70	1.90	2.06	1.87	2.15	2.20	2.40
Payout ratio %	54%	136%	100%	136%	104%	90%	108%
NNAV per share	26.92	24.66	22.71	24.04	26.46	28.72	31.33
NAV per share	26.92	24.66	22.71	24.04	26.46	28.72	31.33
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	0.0	5.1	0.0	0.0	0.0	0.0	0.0
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	492.6	570.8	667.1	1,337.9	1,622.1	1,847.7	2,074.0
Other fixed assets	144.6	143.6	290.6	184.0	174.7	165.4	156.2
Total fixed assets	637.2	719.6	957.6	1,521.9	1,796.8	2,013.1	2,230.2
Receivables	313.5	469.5	542.5	542.5	542.5	542.5	542.5
Cash and banks	41.5	23.6	59.9	59.9	59.9	59.9	59.9
Other current assets	224.7	176.7	160.7	160.7	160.7	160.7	160.7
Total current assets	579.8	669.8	763.0	763.0	763.0	763.0	763.0
Total assets	1,217.0	1,389.4	1,720.6	2,284.9	2,559.8	2,776.1	2,993.2
Shareholders' equity	485.5	535.4	700.3	756.8	859.5	955.0	1,065.5
Minority interests	6.3	16.7	8.5	21.7	24.2	26.7	29.2
Total equity	491.9	552.1	708.7	778.5	883.7	981.7	1,094.7
Provisions	29.4	24.2	39.4	39.4	39.4	39.4	39.4
Long interest bearing debt	26.9	48.9	27.2	405.6	592.5	673.6	742.1
Other long term liabilities	20.2	27.0	100.2	100.2	100.2	100.2	100.2
Total long term liabilities	76.5	100.1	166.8	545.2	732.1	813.1	881.7
Short term debt	267.9	269.5	464.9	581.0	563.8	601.2	636.6
Other current liabilities	380.7	467.7	380.2	380.2	380.2	380.2	380.2
Total current liabilities	648.7	737.2	845.1	961.2	944.0	981.3	1,016.7
Total equity and liabilities	1,217.0	1,389.4	1,720.6	2,284.9	2,559.8	2,776.1	2,993.2
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	40.4%	39.7%	41.2%	34.1%	34.5%	35.4%	36.6%
Net gearing %	51.5%	53.4%	61.0%	119.1%	124.1%	123.8%	120.5%
Interest cover	-9.4	-19.4	-19.8	3.3	8.2	7.2	6.2
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	1,479.2	2,124.5	2,564.7	2,050.1	2,219.8	2,338.2	2,442.1
Market Cap	1,226.0	1,829.8	2,132.4	1,123.3	1,123.3	1,123.3	1,123.3
P/NNAV-1	14.7%	84.1%	121.6%	10.3%	0.2%	-7.7%	-15.4%
EBITDA/EV	9.7%	4.5%	5.2%	7.1%	7.3%	7.9%	7.6%
Recurring Cash Flow Yield	10.2%	3.1%	4.1%	5.2%	7.8%	9.2%	8.4%
Earnings Yield	9.3%	7.7%	7.7%	13.2%	16.5%	16.9%	18.5%
Dividend Yield %	5.5%	4.2%	4.1%	7.0%	8.1%	8.3%	9.1%

NNAV



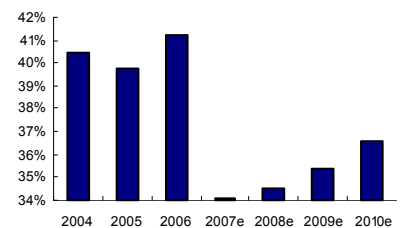
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Pure dividend yield play

Company profile Prologis European Properties (PEPR) secured a listing in Amsterdam in September 2006 by placing 29.5% of its shares. The vehicle is structured as an FCP, a Luxembourg investment vehicle and thereby has a limited tax burden. The fund is managed by Prologis Management, which receives an incentive fee related to the total return by the company. Potential conflicts of interests between shareholders and Prologis Management have been addressed through the presence of an independent board and a 24% stake in the fund by Prologis.

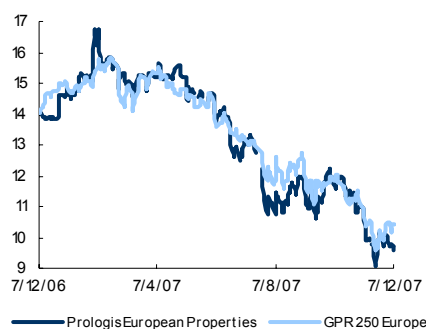
Investment case We consider the payout policy and thereby the attractive dividend return as a significant positive for the company. Meanwhile risks in occupancy should be relatively modest given the current buoyant demand for logistical space. In addition, given the short building period required, supply follows demand relatively well limiting potential future oversupply risks for the sector. Growth in earnings will however be limited. The structure with Prologis implies that external growth is only realised through acquiring equity stakes in the new private equity funds of Prologis. These funds will hold stabilised assets, development gains will thereby be captured by the mother company Prologis and not PEPR. We therefore consider PEPR to be a passive investment fund. In addition, being committed to a pre-determined portfolio based on a land bank built up by Prologis implies that PEPR cannot easily switch its focus in terms of future acquisitions.

Developments and outlook PEPR has committed itself to a €900m equity contribution representing a 30% stake in PEPF II. Commitment of the other participants in the equity (€3bn) of this private equity fund was secured in August 2007. The fund will have a target leverage (LTV) of 55%, the target size will be €6-7bn to be reached in three years. Until now, PEPR has funded €133m of the equity in PEPF II through two separate equity contributions. In turn Prologis has contributed a portfolio of €971m at market value. With the 9M07 results, management reiterated its expectations that the return on equity on PEPF II would come out at 6.5% to 7.0%. Internal growth on the standing investment portfolio of PEPR is expected to remain limited due to negative reversionary on the portfolio. This negative reversionary is mostly located in the CEE and France. We expect PEPR's CFPS to decrease modestly in FY08E, as FY07E benefited from an extraordinary result in the UK. Assuming 6% Capex/letting cost we nevertheless expect that PEPR will be able to maintain current dividend payout levels.

Valuation The most recent transactions in the market are the Gazeley European industrial portfolio and the acquisition of an industrial unit west of London by Brixton PLC. The net initial yields on these transactions amounted to a sub 6.0% and 5.1% respectively. Going forward, we however take into account a 90bps yield expansion on the portfolio of PEPR. PEPR published a gross yield (ITD) of 6.7% at end 9M07, which we expect to represent a net yield of 6.1%, leaving a limited spread between the portfolio yield and recent unsecured financing arrangements (6.0%). Assuming the 90bps expansion, we arrive at a value of €12.0. However, we also take into account a € 0.6 discount for external management resulting in a Fair Value of €11.4.

Rating	BUY
	(Upgrade from ADD)
Price target (12m)	€11.4
Closing price (7 December 2007)	€9.55
Expected total return	28.3%
Date	10 December 2007

PEPR NA vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-12.1%	-15.5%	-31.8%
Rel. to GPR 250 Europe	-7.6%	-0.2%	-8.3%

Source: Factset

Company data

52-Week range	€9.04 - 17.00
Market cap	€1,802.09m
Number of shares	188.7m
Average daily volume	166,948
Free float	50%

Company data

Bloomberg / Reuters	PEPR NA / PEPR.AS
Next announcement	30 January 2008
	FY 2006 Results

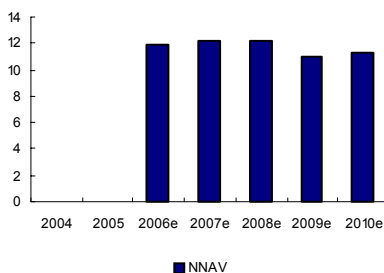
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Prologis European Properties

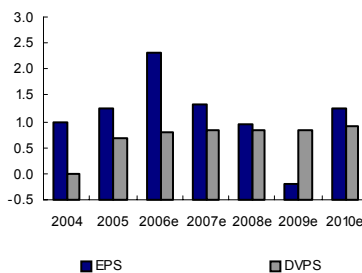
Property ■ Netherlands

Income Statement (Year to 31 Dec)	2004	2005	2006E	2007E	2008E	2009E	2010E
Gross rental income	219.8	259.1	286.7	310.2	320.9	345.2	371.5
Operating costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net rental income	219.8	259.1	286.7	310.2	320.9	345.2	371.5
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-22.9	-24.9	-29.1	-31.4	-32.0	-32.6	-33.3
Other income	0.9	1.8	4.7	10.0	6.0	6.0	6.0
Other costs	-7.8	-8.9	-10.2	-9.0	-9.2	-9.4	-9.6
EBITDA	190.1	227.1	252.2	272.3	279.7	308.8	334.7
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	190.1	227.1	252.2	272.3	279.7	308.8	334.7
Net financial	-70.2	-88.6	-92.5	-99.5	-109.6	-123.4	-137.2
EBT	119.8	138.5	159.7	172.8	170.1	185.4	197.4
Taxes	-14.2	-16.6	-13.6	-18.5	-18.2	-19.8	-21.1
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.3	-0.6	-0.4	-1.0	-1.0	-1.1	-1.1
Direct investment result	105.2	121.4	145.8	153.3	150.8	164.5	175.2
Sales result	2.7	0.7	17.8	19.0	0.0	0.0	0.0
Revaluation Property	95.1	150.9	415.2	94.8	43.7	-276.8	94.8
Taxation on revaluation	-22.1	-37.3	-106.7	-12.0	-11.2	71.1	-24.4
Revaluation financial instruments	-2.3	-0.4	0.0	0.7	0.0	0.0	0.0
Total indirect investment result	73.2	113.4	325.6	101.9	32.3	-204.3	70.0
Net profit	178.5	234.8	471.4	255.2	183.1	-39.8	245.2
Per share data	2004	2005	2006E	2007E	2008E	2009E	2010E
Number of shares	187.5	190.1	188.7	190.5	192.3	194.2	196.0
Average number of shares	185.1	188.8	189.4	189.6	191.4	193.3	195.1
Direct investment result per share	0.57	0.65	0.77	0.81	0.79	0.85	0.90
Indirect investment result per share	0.40	0.61	1.73	0.54	0.17	-1.06	0.36
EPS (IFRS)	0.97	1.25	2.31	1.34	0.95	-0.21	1.25
CFPS (recurring)	0.57	0.69	0.79	0.82	0.79	0.85	0.90
Dividend per share	0.00	0.69	0.79	0.85	0.85	0.85	0.90
Payout ratio %	0%	100%	100%	104%	108%	100%	100%
NNAV per share	0.00	0.00	11.88	12.14	12.16	10.98	11.24
NAV per share	0.00	0.00	12.91	13.21	13.28	11.73	12.10
Balance sheet	2004	2005	2006E	2007E	2008E	2009E	2010E
Investment property	2,923.8	3,473.8	4,242.4	4,374.3	4,718.0	4,741.2	5,136.1
Developments	1.7	7.1	7.2	7.2	7.2	7.2	7.2
Financial fixed assets	3.5	6.0	7.3	7.3	7.3	7.3	7.3
Other fixed assets	35.8	27.1	38.1	38.1	38.1	38.1	38.1
Total fixed assets	2,964.8	3,514.0	4,295.0	4,426.8	4,770.6	4,793.8	5,188.6
Receivables	32.9	32.3	33.9	33.9	33.9	33.9	33.9
Cash and banks	68.8	96.8	138.0	149.4	149.4	149.4	149.4
Other current assets	71.5	76.5	94.2	94.2	94.2	94.2	94.2
Total current assets	173.2	205.5	266.2	277.5	277.5	277.5	277.5
Total assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	1,506.1	1,821.4	2,242.5	2,312.9	2,339.4	2,133.3	2,203.8
Minority interests	3.0	4.4	5.6	5.6	5.6	5.6	5.6
Total equity	1,509.1	1,825.7	2,248.1	2,318.5	2,345.0	2,139.0	2,209.4
Provisions	0.0	0.0	0.0	7.5	13.5	13.9	13.9
Long interest bearing debt	1,005.2	1,430.8	1,428.4	1,482.4	1,782.4	2,082.4	2,382.4
Other long term liabilities	90.1	123.4	203.1	215.1	226.4	155.2	179.6
Total long term liabilities	1,095.3	1,554.2	1,631.5	1,700.0	2,022.2	2,251.5	2,579.9
Short term debt	405.4	201.2	534.2	534.2	534.2	534.2	534.2
Other current liabilities	128.3	138.5	147.4	147.4	147.4	147.4	147.4
Total current liabilities	533.6	339.6	681.6	681.6	681.6	681.6	681.6
Total equity and liabilities	3,138.0	3,719.5	4,561.2	4,705.1	5,048.9	5,072.1	5,466.9
Financing Ratio's	2004	2005	2006E	2007E	2008E	2009E	2010E
Equity-to-assets %	48.1%	49.1%	49.3%	49.3%	46.4%	42.2%	40.4%
Net gearing %	84.2%	79.9%	77.0%	76.5%	88.4%	110.9%	121.0%
Interest cover	2.7	2.6	2.7	2.7	2.6	2.5	2.4
Valuation	2004	2005	2006E	2007E	2008E	2009E	2010E
Enterprise value			4,483.5	3,592.5	3,909.9	4,227.3	4,544.7
Market Cap			2,753.2	1,819.5	1,836.9	1,854.3	1,871.7
P/INNAV-1			22.8%	-21.3%	-21.5%	-13.0%	-15.0%
EBITDA/EV			5.6%	7.6%	7.2%	7.3%	7.4%
Recurring Cash Flow Yield			5.4%	8.6%	8.3%	8.9%	9.4%
Earnings Yield			15.9%	14.1%	10.0%	-2.2%	13.1%
Dividend Yield %			5.4%	8.9%	8.9%	8.9%	9.4%

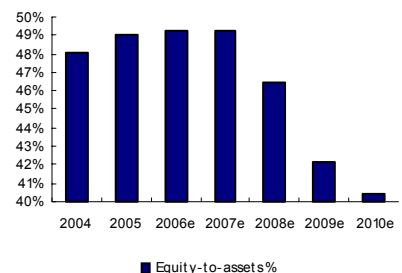
NNAV



EPS & Dividends



Equity-to-assets



Source: Company Data, Kempen & Co



PSP Swiss Property

Property ▪ Switzerland

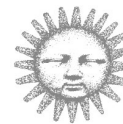
Safe bet on Switzerland

Company profile PSP Swiss Property (PSP) has a CHF 4.9bn (€3.0bn) Swiss portfolio which comprises mainly office (66%), retail (14%) and other properties (20%). The portfolio has an occupancy rate of 86% which is below the Swiss average (vs. 95% for SPS). According to the management this occupancy rate should increase by 2.0% per annum over FY08-10. Management announced it would look at acquisitions of Swiss portfolios, as single property acquisitions are too expensive and time-consuming. PSP increased its leverage to a LTV of 42% (YE06: 39%), after the share buy-back in March 2007 (6.6% at CHF69.6 ps).

Investment case PSP is a low-risk/low-growth property company focussing on quality assets in Switzerland, with a strong exposure to Zurich (60%). The company has increased its focus on its own property portfolio after the disposal of its property management business for third parties to the German Bilfinger Berger Group and the restructuring of the company's organization. We expect the CFPS to decrease by 6% after FY07 due to the disposal of the property management services and thereafter to grow by a limited 3.3% per annum. The CFPS growth over FY08-FY10 will be marginally fuelled by rental growth as from FY08, but moreover by an increasing occupancy rate on the standing portfolio (86% to 91% in YE09). We believe that the 5.3% theoretical net yield is subject to future yield expansion. However, we only foresee a marginal 10bp yield expansion per annum for FY08-FY10. This is lower than our average yield expansion assumption for Europe in the future, which is fuelled by a higher yield spread with the 10-yr Swiss government bond (c.3.0%) and is still amongst the highest spreads in Europe. Going forward we expect a flat revaluation result on the standing portfolio.

Developments and outlook The Swiss economy continues to perform strong (07E GDP of 2.6%), whilst the unemployment rate is as low as 2.0%. This can also be seen in the strong take-up in the CBD of Zurich/Geneva and to a lesser degree in the decrease of vacancies in the rest of Switzerland. Currently the management has the reduction of PSP's vacancy rate as its highest priority. We calculate applying a 1.5% decreasing vacancy rate. Over the period FY08-10 we expect development completions with a total value of about CHF 300m and this is expected to increase the 10E NNAV by a modest 3.0%. The largest development projects in PSP's portfolio are the Löwenbräu site in Zurich (32,000 sqm of residential and office space) and the Paradiso site (residential, retail and offices), which we think have a development upside of 20% (E: CHF 36m). Management announced its intention to increase the size of the portfolio to between CHF 8.0bn and CHF 10.0bn over the next five years. This could be achieved by a merger with Jelmoli, which is the only attractive option for PSP.

Valuation We believe that PSP is a safe bet to diversify in Switzerland with occupancy upside in its portfolio; additionally PSP is exposed to a less volatile Swiss real-estate market which is also characterized by a high spread and PSP has a conservative balance sheet. We favour PSP above SPS as PSP is internally managed and we foresee more CF growth in PSP's portfolio due to its higher vacancy rate. We have increase our PT to CHF 62 (was: CHF 60) per share, indicating a total return of 8.1%. Hence upgrade to Add.



KEMPEN & CO

Merchant Bank

Rating

ADD

(Upgrade from NEUTRAL)

Price target (12m)

CHF62.0

Closing price (6 December 2007)

CHF59.5

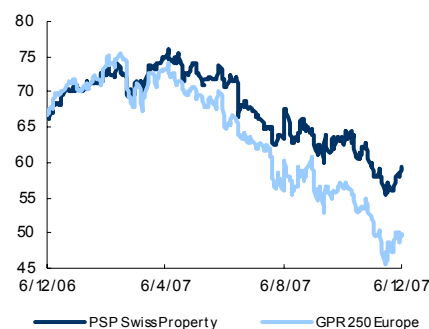
Expected total return

8.1%

Date

8 December 2007

PSPN SW vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-0.6%	-6.8%	-11.1%
Rel. to GPR 250 Europe	4.8%	10.8%	19.6%

Source: Factset

Company data

52-Week range	CHF55.50 - 75.95
Market cap	CHF2,689.40m
Number of shares	45.2m
Average daily volume	108,547
Free float	86%

Company data

Bloomberg / Reuters	PSPN SW / PSPZn.S
Next announcement	29 February 2008
	FY 2007 Results

Analyst

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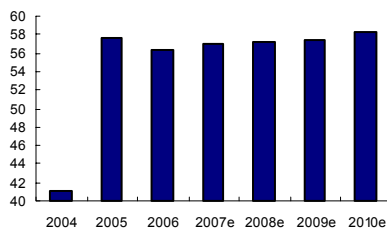
Bloomberg: KEMP <GO>

PSP Swiss Property

Property ■ Switzerland

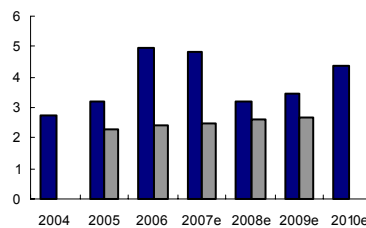
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	207.5	226.6	239.5	250.3	263.6	277.2	289.9
Operating costs	-74.2	-38.5	-43.6	-38.7	-39.5	-40.9	-42.0
Net rental income	133.3	188.1	195.9	211.6	224.1	236.3	247.9
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	0.0	-27.2	-28.2	-28.6	-29.7	-30.8	-31.8
Other income	35.0	20.4	34.8	10.3	0.0	0.0	0.0
Other costs	0.0	-1.2	-1.2	-0.6	0.0	0.0	0.0
EBITDA	168.3	180.1	201.3	192.7	194.4	205.5	216.1
Depreciation	-1.4	-2.8	-9.1	0.0	0.0	0.0	0.0
EBIT	166.9	177.3	192.2	192.7	194.4	205.5	216.1
Net financial	-36.3	-43.0	-50.3	-57.8	-71.3	-79.7	-85.9
EBT	130.6	134.3	141.9	134.9	123.1	125.7	130.2
Taxes	-18.5	-24.0	-14.2	-10.1	-9.2	-9.4	-9.8
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	4.4	0.0	0.0	0.0	0.0	0.0
Direct investment result	112.1	114.7	127.7	124.8	113.9	116.3	120.4
Sales result	0.0	2.4	10.6	0.0	0.0	0.0	0.0
Revaluation Property	0.0	31.9	126.1	110.9	16.4	21.7	62.6
Taxation on revaluation	0.0	-5.8	-40.3	-28.0	1.3	0.5	-5.6
Revaluation financial instruments	0.0	0.0	0.0	0.0	-1.3	2.5	2.5
Total indirect investment result	0.0	28.5	96.4	82.9	16.4	24.7	59.5
Net profit	112.1	143.2	224.1	207.7	130.3	141.0	179.9
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	41.3	41.3	45.2	41.1	41.1	41.1	41.1
Average number of shares	41.3	45.2	45.2	43.1	41.1	41.1	41.1
Direct investment result per share	2.71	2.54	2.82	2.89	2.77	2.83	2.93
Indirect investment result per share	0.00	0.63	2.13	1.92	0.40	0.60	1.45
EPS (IFRS)	2.71	3.17	4.96	4.82	3.17	3.43	4.38
CFPS (recurring)	2.68	2.48	2.62	2.89	2.77	2.83	2.93
Dividend per share	0.00	2.30	2.40	2.50	2.60	2.70	0.00
Payout ratio %	0%	93%	91%	86%	94%	95%	0%
NNAV per share	41.17	57.67	56.35	57.09	57.26	57.40	58.36
NAV per share	55.33	59.63	64.06	66.26	66.40	66.52	67.62
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	3,958.7	4,379.0	4,513.8	4,673.4	4,820.4	4,973.1	5,167.7
Developments	298.1	223.1	243.4	243.4	243.4	243.4	243.4
Financial fixed assets	4.2	1.9	1.7	1.9	1.9	1.9	1.9
Other fixed assets	32.3	28.5	27.9	0.0	0.0	0.0	0.0
Total fixed assets	4,293.3	4,632.5	4,786.7	4,918.7	5,065.7	5,218.4	5,413.0
Receivables	32.4	25.1	42.4	28.3	28.3	28.3	28.3
Cash and banks	46.3	29.9	37.2	85.7	139.1	190.4	241.2
Other current assets	8.1	27.2	24.9	25.0	25.0	25.0	25.0
Total current assets	86.8	82.2	104.5	139.0	192.4	243.7	294.5
Total assets	4,380.1	4,714.8	4,891.2	5,057.8	5,258.1	5,462.1	5,707.5
Shareholders' equity	2,285.2	2,408.6	2,547.0	2,344.5	2,351.5	2,357.0	2,396.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	2,285.2	2,408.6	2,547.0	2,344.5	2,351.5	2,357.0	2,396.7
Provisions	277.2	286.7	348.4	376.4	375.1	374.7	380.3
Long interest bearing debt	1,128.4	1,192.7	1,197.9	1,268.5	1,413.3	1,562.2	1,712.3
Other long term liabilities	20.2	58.2	65.7	58.2	58.2	58.2	58.2
Total long term liabilities	1,425.8	1,537.7	1,612.0	1,703.2	1,846.6	1,995.0	2,150.8
Short term debt	584.8	685.1	731.6	1,009.5	1,059.5	1,109.5	1,159.5
Other current liabilities	84.3	83.4	0.5	0.5	0.5	0.5	0.5
Total current liabilities	669.1	768.5	732.2	1,010.0	1,060.0	1,110.0	1,160.0
Total equity and liabilities	4,380.1	4,714.8	4,891.2	5,057.7	5,258.1	5,462.1	5,707.5
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	52.2%	51.1%	52.1%	46.4%	44.7%	43.2%	42.0%
Net gearing %	72.9%	76.7%	74.3%	93.5%	99.2%	105.3%	109.8%
Interest cover	4.6	4.2	4.0	3.3	2.7	2.6	2.5
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	3,445.7	3,989.6	4,712.9	4,635.6	4,776.9	4,924.6	5,073.9
Market Cap	1,778.8	2,141.8	2,820.5	2,443.3	2,443.3	2,443.3	2,443.3
P/NNAV-1	4.6%	-10.0%	10.7%	4.2%	3.9%	3.7%	1.9%
EBITDA/EV	4.9%	4.5%	4.3%	4.2%	4.1%	4.2%	4.3%
Recurring Cash Flow Yield	6.2%	4.8%	4.2%	4.9%	4.7%	4.8%	4.9%
Earnings Yield	6.3%	6.1%	7.9%	8.1%	5.3%	5.8%	7.4%
Dividend Yield %	0.0%	4.4%	3.8%	4.2%	4.4%	4.5%	0.0%

NNAV



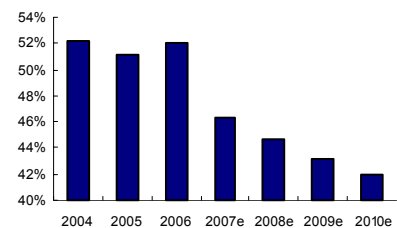
■ NNAV

EPS & Dividends



■ EPS ■ DPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Risanamento

Property • Italy

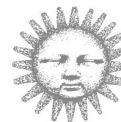
Triggers ahead

Company profile Risanamento has two main activities: property development in the Milan area and high quality property investments in Paris and New York. The company currently has two main development projects: Milano Santa Giulia (MSG), with full zoning permission granted and construction of the first parts (SKY, phase 1 scheduled for 1Q08) already underway. For Falck the company is currently requesting planning permission. Lastly Risanamento owns a stable high quality investment portfolio in Paris (c€1.2bn) and New York (c€0.3bn). New York currently has a low yield but has clear reversionary potential resulting in gross yields increasing from the current c4% to c6% in 2010.

Investment case The last external valuation pointed to an NAV of €11.7 per share. The price level Risanamento is currently trading at implies that the company gets awarded only €260m (or €0.9 per share) on top of the reported book value of the projects) for the two development projects in view of the fact that the company has secured some tenants and has full planning permission for MSG. Risanamento recently refinanced its Paris debt (€625m, estimated 70bps spread) and has secured a credit facility for the luxury residential units (€726m, estimated 100 bps spread), it has also financed New York for medium term (\$275m, 5 years) and the financing for the SKY building is in place (23 yr maturity, 10yr hedged). We therefore do not expect that any refinancing will be required in the short term, which was confirmed by the company.

Developments and outlook Risanamento has not announced any new retail tenants for the MSG project since securing La Rinascente (6,400 sqm) and Dolce & Gabbana (1,750 sqm) in the project in May 2007. The company has secured Virgin Active and UCI for MSG's multiplex. No rental levels have officially been announced for these lettings, which complicates the valuation as no comparable transactions and lettings have taken place in similar locations. The company commented that they would not disclose rental levels on an asset-by-asset basis, but would consider disclosing rental levels on an aggregated basis if more tenants were secured. We view the sale of the residential units of major importance for the project, not from a valuation perspective (€2,000 / sqm discount lowers Price Target by only €0.2) but as part of a coherent project. Risanamento has received the primary infrastructure permit for the northern part of the MSG project, which was the last component before the company could start construction. We have estimated the last gross valuation yield for the Paris portfolio will amount to 4.2%, which we expect will increase to 5.0% due to 25bps yield expansion in 2008 and 2009 and strong rental growth in Risanamento's New York asset (current rent \$75-\$80 per sqf, while the market rents for comparable buildings amount to \$140-180 per sqf; 40% rolls over in the next three years).

Valuation We have applied a blended 12.5% CoE in our valuation to reflect the high risk and uncertainty involved with a development company such as Risanamento. We arrive at a +12M Price Target of €7.0. We see several medium to short term triggers for Risanamento such as a full revaluation by REAG, disclosure of rental levels, pre-sales of the residential units, letting of more retail units and planning permission for Falck.



KEMPEN & CO

Merchant Bank

Rating

BUY

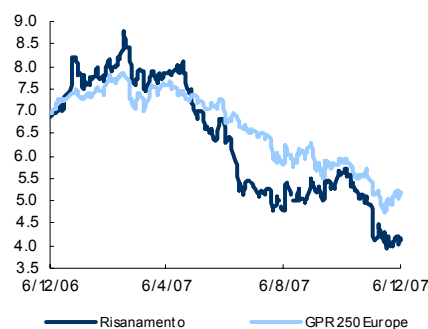
Price target (12m) **€7.00**

Closing price (6 December 2007) **€4.10**

Expected total return **70.6%**

Date **9 December 2007**

RN IM vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-13.3%	-24.0%	-41.0%
Rel. to GPR 250 Europe	-8.6%	-9.7%	-20.6%

Source: Factset

Company data

52-Week range	€3.95 - 8.78
Market cap	€1,125.46m
Number of shares	274.3m
Average daily volume	521,397
Free float	27%

Company data

Bloomberg / Reuters **RN IM / RN.MI**

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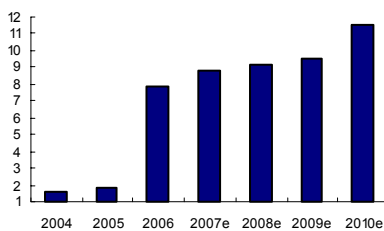
Bloomberg: KEMP <GO>

Risanamento

Property ■ Italy

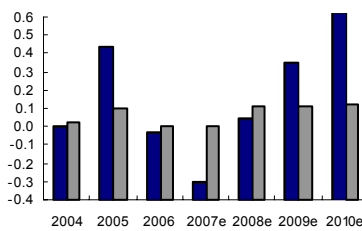
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	2.7	13.3	52.2	67.6	84.2	101.2	104.5
Operating costs	-5.4	-6.5	-7.3	-1.8	-11.3	-17.1	-37.9
Net rental income	-2.6	6.9	45.0	65.8	72.8	84.1	66.7
Sales (developments)	0.0	90.5	12.8	41.0	311.5	501.4	1,241.9
Costs of sales (developments)	24.6	-65.4	70.4	-14.2	-96.7	-166.9	-422.4
Sales result (developments)	24.6	25.1	83.2	26.8	214.8	334.5	819.5
Overhead costs	-77.9	-115.6	-151.3	-129.0	-149.1	-168.9	-192.7
Other income	17.0	116.7	54.6	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-39.0	33.1	31.4	-36.5	138.5	249.6	693.5
Depreciation	-1.1	-14.6	-13.6	-14.0	-17.8	-18.2	-19.8
EBIT	-40.0	18.5	17.8	-50.5	120.7	231.4	673.7
Net financial	-56.3	-53.5	-81.8	-108.2	-129.2	-126.3	-114.6
EBT	-96.3	-35.0	-64.0	-158.7	-8.5	105.1	559.2
Taxes	-1.0	-8.1	-5.3	55.6	3.0	-36.8	-195.7
Extraordinary items	11.3	43.5	8.7	0.0	0.0	0.0	0.0
Minorities	-2.7	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	-88.8	0.4	-60.6	-103.2	-5.5	68.3	363.5
Sales result	90.0	119.3	51.9	31.1	31.1	46.6	31.1
Revaluation Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxation on revaluation	0.0	0.0	0.0	-11.8	-11.8	-17.7	-11.8
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	90.0	119.3	51.9	19.3	19.3	28.9	19.3
Net profit	1.2	119.7	-8.7	-83.9	13.8	97.2	382.7
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	274.3	274.3	274.3	274.3	274.3	274.3	274.3
Average number of shares	274.3	274.3	274.3	274.3	274.3	274.3	274.3
Direct investment result per share	-0.32	0.00	-0.22	-0.38	-0.02	0.25	1.32
Indirect investment result per share	0.33	0.43	0.19	0.07	0.07	0.11	0.07
EPS (IFRS)	0.00	0.44	-0.03	-0.31	0.05	0.35	1.40
CFPS (recurring)	-0.32	0.05	-0.17	-0.32	0.04	0.32	1.40
Dividend per share	0.03	0.10	0.00	0.00	0.11	0.11	0.12
Payout ratio %	-9%	188%	0%	0%	242%	36%	9%
NNAV per share	1.56	1.83	7.88	8.83	9.10	9.50	11.49
NAV per share	1.88	2.06	11.57	12.96	13.42	13.92	16.29
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	1,056.0	1,226.7	1,568.6	1,780.4	1,760.2	1,767.0	2,094.1
Developments	208.6	708.9	773.5	887.5	1,014.8	1,012.5	733.2
Financial fixed assets	43.2	55.9	124.9	124.9	124.9	124.9	124.9
Other fixed assets	18.8	1.0	8.2	8.2	8.2	8.2	8.2
Total fixed assets	1,326.6	1,992.5	2,475.2	2,801.0	2,908.1	2,912.6	2,960.5
Receivables	86.2	63.9	78.0	20.3	44.2	67.0	123.4
Cash and banks	30.2	50.4	48.1	3.0	38.2	6.6	16.8
Other current assets	281.2	34.0	42.4	42.4	42.4	42.4	42.4
Total current assets	397.6	148.3	168.5	65.7	124.8	116.0	182.6
Total assets	1,724.2	2,140.8	2,643.7	2,866.7	3,032.8	3,028.5	3,143.1
Shareholders' equity	385.0	500.7	469.6	379.8	363.9	429.9	779.9
Minority interests	43.9	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	428.9	500.7	469.6	379.8	363.9	429.9	780.0
Provisions	38.8	80.1	121.3	126.6	133.4	140.3	147.8
Long interest bearing debt	950.5	1,293.6	1,799.2	2,294.2	2,450.8	2,357.6	2,064.6
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	989.3	1,373.7	1,920.5	2,420.8	2,584.2	2,497.9	2,212.4
Short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	305.9	266.4	253.6	66.1	84.8	100.7	150.7
Total current liabilities	305.9	266.4	253.6	66.1	84.8	100.7	150.7
Total equity and liabilities	1,724.2	2,140.8	2,643.7	2,866.7	3,032.8	3,028.5	3,143.1
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	24.9%	23.4%	17.8%	13.2%	12.0%	14.2%	24.8%
Net gearing %	214.6%	248.3%	372.9%	603.2%	663.0%	546.8%	262.6%
Interest cover	-0.7	0.6	0.4	-0.3	1.1	2.0	6.1
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	1,332.4	2,082.7	3,299.9	3,416.6	3,538.1	3,476.5	3,173.3
Market Cap	412.1	839.5	1,548.8	1,125.5	1,125.5	1,125.5	1,125.5
P/NNAV-1	-3.9%	67.7%	-28.3%	-53.8%	-54.9%	-56.8%	-64.3%
EBITDA/EV	-2.9%	1.6%	1.0%	-1.1%	3.9%	7.2%	21.9%
Recurring Cash Flow Yield	-21.3%	1.8%	-3.0%	-7.9%	1.1%	7.7%	34.1%
Earnings Yield	0.3%	14.3%	-0.6%	-7.5%	1.2%	8.6%	34.0%
Dividend Yield %	1.9%	3.4%	0.0%	0.0%	2.6%	2.8%	2.9%

NNAV



■ NNAV

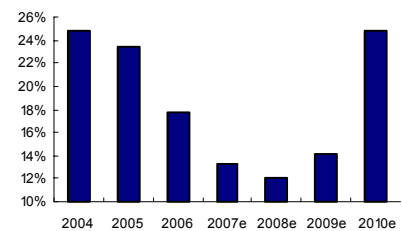
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Takeover candidate?

Company profile The SFL portfolio comprises 80% offices, 16% retail, and 4% other property. Approximately 68% of the portfolio is located in CBD Paris, 21% is located in the Western Business districts and 11% in other office locations in Paris. The division of shareholders is as follows: Colonial at 84.6%, Prédica 5.1%, REIG Capital Group 4.4% with a remaining free float of 5.6% and 0.3% treasury shares. REIG Capital is a new shareholder which acquired its stake from Predica. Predica was paid in shares when it sold its 50% in the Paul Cézanne building to SFL.

Investment case The portfolio is predominantly located in the prime office districts of Paris. As such we expect rental growth will benefit from rental value increases for this area. Like-for-like rental growth will be driven by indexation and rental uplifts on revisions. Contract expirations will however increase in FY09 and FY10, while we likewise expect rental value growth to decelerate markedly before these years. Nevertheless security in income on the standing portfolio is high given the good quality locations. We therefore expect yield expansion should remain limited. A recent sale on a building located near Place CDG was still realized at a premium to latest valuation, despite being sold in October in the middle of the credit turmoil.

Developments and outlook Following the takeover by Colonial (Immocaral) we expect the company will further increase its development pipeline. In FY06 the company acquired two projects that will be extensively renovated with a total value of €219m. On a like-for-like basis, 1H07 rental income increased by +6.4% vs. +6.1% expected. Valuations on the portfolio came out at c+9.2% at 1H07. Since 2007 the company has undertaken an external valuation each quarter and reported a further 2% uplift in Q307. We expect the uplift in Q3 reflects the above average quality of the portfolio. In contrast Gecina reported a slight fall in Q3. We still take a conservative view on the value development of the portfolio and take into account a 70 bp yield expansion in office and retail. We expect capital value growth to recover in FY09 benefiting from I-f-I rental growth on the portfolio. Most of the re-lettings will take place in 2010, which likewise poses a risk as the market might already have passed the cycle by then. Liquidity is currently very limited. Major shareholder Colonial has however indicated it intends selling a percentage of its holding in Societe Foncière Lyonnaise (total value holding €2bn). Colonial plans to use the proceeds for a significant € 1.1bn loan amortization payment in 2009. We expect the intended sale makes SFL a potential takeover candidate.

Valuation Despite the quality of the portfolio and SFL being a potential takeover candidate, the company is still trading at a marked discount to NAV. We expect the above average discount to be attributable to the relatively low valuation yield on the portfolio and the still low EBITDA/EV despite the decline in share price. We have an Add rating on the stock. Unfortunately liquidity is too low to benefit from current pricing.

Rating

ADD

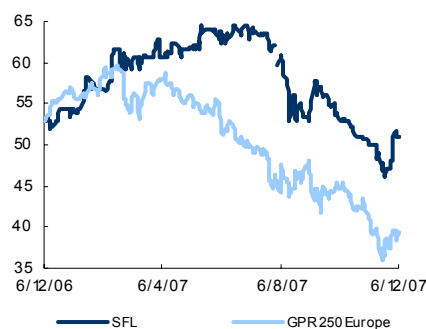
Price target (12m) **€56.0**

Closing price (6 December 2007) **€50.8**

Expected total return **14.6%**

Date **9 December 2007**

FLY FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	1.7%	-7.4%	-4.0%
Rel. to GPR 250 Europe	7.2%	10.1%	29.1%

Source: Factset

Company data

52-Week range	€46.20 - 65.28
Market cap	€2,185.88m
Number of shares	43.0m
Average daily volume	2,484
Free float	6%

Company data

Bloomberg / Reuters **FLY FP / FLYP.PA**

Analyst

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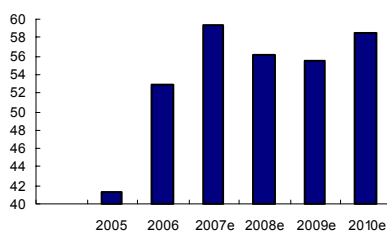
www.kempenresearch.nl
Bloomberg: KEMP <GO>

SFL

Property ■ France

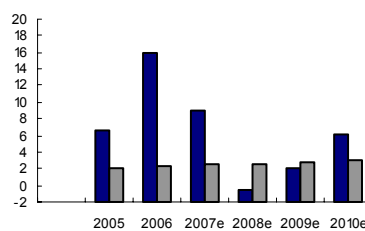
Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	153.3	161.5	160.0	172.1	190.7	208.9
Operating costs	-8.1	-8.2	-8.1	-8.7	-9.7	-10.6
Net rental income	145.2	153.3	151.9	163.4	181.0	198.3
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-10.8	-14.6	-15.0	-15.4	-15.8	-16.1
Other income	8.4	5.6	5.7	5.9	6.0	6.2
Other costs	-12.0	-9.9	-10.2	-10.4	-10.7	-10.9
EBITDA	130.9	134.3	132.5	143.5	160.6	177.3
Depreciation	-4.1	1.5	-3.9	-4.0	-4.2	-4.4
EBIT	126.8	135.9	128.6	139.4	156.4	173.0
Net financial	-32.8	-41.3	-44.1	-44.8	-50.8	-54.7
EBT	104.4	100.6	90.7	101.1	112.3	125.2
Taxes	6.3	-8.9	-7.8	-7.8	-7.8	-7.8
Extraordinary items	10.4	6.0	6.2	6.5	6.7	7.0
Minorities	-4.9	-4.4	-4.0	-4.4	-4.9	-5.5
Direct investment result	105.8	87.3	78.9	88.9	99.6	112.0
Sales result	8.0	44.4	15.2	15.1	15.0	14.7
Revaluation Property	191.1	585.0	332.4	-134.7	-20.0	163.8
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	-6.3	-8.2	0.0	0.0	0.0	0.0
Total indirect investment result	183.7	595.6	333.5	-111.3	-1.8	172.7
Net profit	289.5	682.9	412.4	-22.5	97.8	284.7
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	43.1	43.1	46.5	46.5	46.5	46.5
Average number of shares	43.0	43.1	45.9	46.5	46.5	46.5
Direct investment result per share	2.46	2.03	1.72	1.91	2.14	2.41
Indirect investment result per share	4.27	13.83	7.26	-2.39	-0.04	3.72
EPS (IFRS)	6.73	15.86	8.98	-0.48	2.10	6.13
CFPS (recurring)	2.65	2.00	1.81	1.96	2.33	2.46
Dividend per share	2.10	2.27	2.45	2.65	2.86	3.09
Payout ratio %	79%	113%	135%	135%	122%	126%
NNAV per share	41.30	53.00	59.39	56.19	55.51	58.51
NAV per share	41.30	53.00	59.39	56.19	55.51	58.51
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	2,595.3	3,389.5	3,512.1	3,615.3	3,714.6	3,759.7
Developments	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	2,595.3	3,389.5	3,512.1	3,615.3	3,714.6	3,759.7
Receivables	57.6	39.6	39.6	39.6	39.6	39.6
Cash and banks	2.3	2.1	3.2	-12.0	-15.5	-20.6
Other current assets	140.7	21.8	21.8	21.8	21.8	21.8
Total current assets	200.5	63.6	64.7	49.4	45.9	40.9
Total assets	2,795.8	3,453.1	3,576.8	3,664.7	3,760.5	3,800.6
Shareholders' equity	1,696.1	2,236.7	2,430.4	2,420.5	2,412.2	2,406.1
Minority interests	65.4	90.7	90.7	90.7	90.7	91.7
Total equity	1,761.5	2,327.4	2,521.1	2,511.2	2,502.9	2,497.8
Provisions	3.1	2.5	2.5	2.5	2.5	2.5
Long interest bearing debt	864.1	844.4	774.4	874.4	974.4	1,020.4
Other long term liabilities	83.1	48.0	48.0	48.0	48.0	48.0
Total long term liabilities	950.2	894.8	824.8	924.8	1,024.8	1,070.8
Short term debt	84.1	230.8	230.8	230.8	230.8	231.8
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	84.1	230.8	230.8	230.8	230.8	231.8
Total equity and liabilities	2,795.8	3,453.1	3,576.8	3,666.9	3,758.6	3,800.5
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	63.0%	67.4%	70.5%	68.5%	66.6%	65.7%
Net gearing %	37.7%	33.5%	28.2%	32.9%	37.1%	39.2%
Interest cover	4.0	3.3	3.0	3.2	3.2	3.2
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	2,579.2	2,909.9	3,073.1	3,188.3	3,291.8	3,342.9
Market Cap	1,915.6	2,129.1	2,363.4	2,363.4	2,363.4	2,363.4
P/NNAV-1	7.7%	-6.7%	-14.4%	-9.5%	-8.4%	-13.1%
EBITDA/EV	5.1%	4.6%	4.3%	4.5%	4.9%	5.3%
Recurring Cash Flow Yield	6.0%	4.1%	3.6%	3.9%	4.6%	4.8%
Earnings Yield	15.1%	32.1%	17.7%	-1.0%	4.1%	12.0%
Dividend Yield %	4.7%	4.6%	4.8%	5.2%	5.6%	6.1%

NNAV



■ NNAV

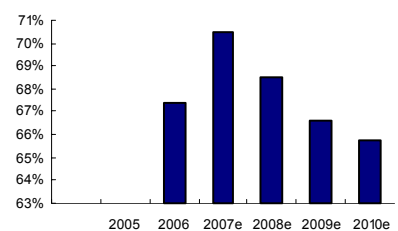
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Negative operational leverage

Company profile SILIC manages a portfolio of € 2.8bn comprising office space (58%), mixed industrial use (35%) and other related property (7%). SILIC's assets are mainly located in four areas i.e. three business parks on the outskirts of Paris namely Orly Rungis (€ 858.4m), La Défense (€ 1.116m) and Roissy Paris Nord 2 (€ 361.3m), the remainder of the portfolio represents € 282.3m located throughout Ile-de-France. The main shareholder is Groupama, which holds a 56% stake in the company.

Investment case SILIC is active in the operation of business parks and actively develops these parks to increase its value. Through this active development strategy it has been able to increase the proportion of the office portfolio from 29% to 58% over a period of seven years. Development gains and yield compression on the standing portfolio resulted in a significant annual (compound) ROE for the period FY01 through to FY06 of +16%. For the coming years we expect average development volumes per annum going forward to amount to 35,000 sqm per annum. This volume will predominantly be realised on SILIC's current sites. The average gross development yield on construction is expected to come out at 8.4%. Management indicated that the impact of construction costs on development gains would remain limited. Main risks are related to the pace of letting of the development schemes. If a project is not let, it slows down the development of adjacent sites in the same business park. A second risk is related to valuation of the end product, an increase in valuation yield on the portfolio would impact the standing portfolio and the potential future development potential on the development pipeline as a result.

Developments and outlook Demand for quality remains high while supply of high quality space remains limited. The exact impact from the credit fallout on net office market absorption however remains uncertain. Letting during the first half remained buoyant as reflected by the 1H07 results. The recent downward adjustments in economic growth expectations will however have an impact on occupancy decisions. In order to take into account a higher letting risk we assume 6.5% net yield on completion on the development pipeline. We furthermore expect occupancy to modestly increase on the standing portfolio. Net yields are expected to move up on the French standing portfolio. The total net yield on the portfolio as at end 2003 amounted to 8.6%, which compressed over a period of three years to 6.0% as at end 1H07. We have assumed that this yield has room to increase back to 7.0% during FY08E excluding the impact of rental growth.

Valuation Assuming the 80 bp yield expansion, FY08E NAVs would still come out markedly above the level the share is currently trading at. In addition, the CF yield on the company has also recovered as a result of the correction. Based on our assumptions we arrive at a €107 fair value for the company. We do not assume any further gains beyond the communicated development pipeline. As such we believe the downside risks should be limited at these levels. Nonetheless, despite relatively more upside for other French companies we maintain our Add rating given absolute upside to our fair value.

Rating

ADD

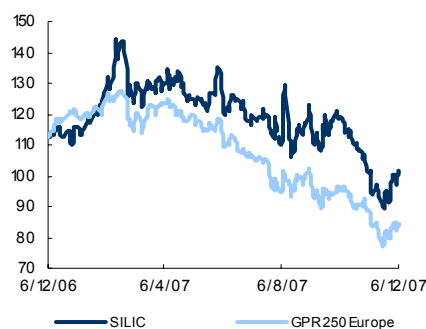
Price target (12m) **€107.0**

Closing price (6 December 2007) **€100.5**

Expected total return **10.2%**

Date **9 December 2007**

SIL FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-0.8%	-15.6%	-11.1%
Rel. to GPR 250 Europe	4.5%	0.4%	19.6%

Source: Factset

Company data

52-Week range	€89.34 - 148.70
Market cap	€1,782.51m
Number of shares	17.7m
Average daily volume	43,749
Free float	38%

Company data

Bloomberg / Reuters SIL FP / SILP.PA

Analyst

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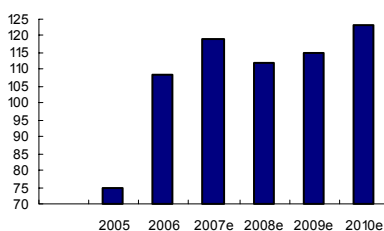
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Bloomberg: KEMP <GO>

SILIC

Property ■ France

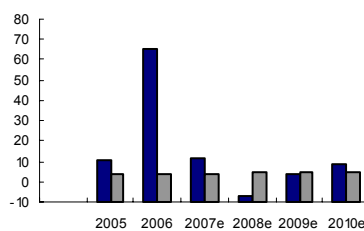
Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	142.5	155.3	204.5	211.5	239.4	268.2
Operating costs	-38.6	-40.6	-53.5	-55.3	-62.6	-70.2
Net rental income	103.9	114.7	151.0	156.1	176.8	198.1
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-7.6	-8.4	-9.3	-9.6	-10.9	-12.2
Other income	6.3	6.2	7.1	7.4	8.3	9.2
Other costs	0.0	0.0	0.0	0.0	0.0	1.0
EBITDA	97.9	107.2	141.9	146.7	166.1	186.0
Depreciation	-43.5	-46.6	-55.8	-57.7	-65.3	-73.2
EBIT	54.4	60.7	86.1	89.0	100.8	112.9
Net financial	-12.6	-16.7	-34.6	-36.0	-42.2	-49.6
EBT	39.0	43.5	51.8	53.0	58.6	63.3
Taxes	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	38.7	43.0	51.3	52.6	58.1	62.8
Sales result	0.1	0.0	0.0	0.0	0.0	0.0
Revaluation Property	143.2	1,091.7	143.8	-173.2	14.1	83.3
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	143.3	1,091.7	143.8	-173.2	14.1	83.3
Net profit	182.0	1,134.7	195.1	-120.7	72.2	146.2
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	17.3	17.4	17.4	17.5	17.5	17.6
Average number of shares	17.3	17.4	17.4	17.5	17.5	17.6
Direct investment result per share	2.23	2.47	2.94	3.00	3.31	3.57
Indirect investment result per share	8.26	62.78	8.24	-9.90	0.80	4.73
EPS (IFRS)	10.50	65.25	11.18	-6.90	4.11	8.30
CFPS (recurring)	4.96	5.29	6.14	6.30	7.03	7.73
Dividend per share	3.50	3.73	4.03	4.35	4.70	5.07
Payout ratio %	71%	71%	66%	69%	67%	66%
NNAV per share	74.45	108.71	119.36	111.73	115.22	122.98
NAV per share	74.45	108.71	119.36	111.73	115.22	122.98
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	1,557.1	1,658.8	1,711.6	1,907.5	1,925.8	1,971.2
Developments	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	1,557.1	1,658.8	1,711.6	1,907.5	1,925.8	1,971.2
Receivables	6.0	10.1	10.1	10.1	10.1	10.1
Cash and banks	7.2	9.1	7.4	7.9	5.3	-6.6
Other current assets	15.1	15.1	15.1	15.1	15.1	15.1
Total current assets	28.3	35.4	32.5	33.1	30.4	18.5
Total assets	1,585.4	1,694.2	1,744.1	1,940.6	1,956.2	1,989.7
Shareholders' equity	835.9	837.5	817.5	793.9	769.5	743.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	835.9	837.5	817.5	793.9	769.5	743.0
Provisions	32.9	30.5	30.5	30.5	30.5	30.5
Long interest bearing debt	635.3	765.9	835.9	1,055.9	1,095.9	1,155.9
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	668.2	796.4	866.4	1,086.4	1,126.4	1,186.4
Short term debt	81.2	60.3	60.3	60.3	60.3	60.3
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	81.2	60.3	60.3	60.3	60.3	60.3
Total equity and liabilities	1,585.3	1,694.2	1,744.1	1,940.6	1,956.2	1,989.7
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	52.7%	49.4%	46.9%	40.9%	39.3%	37.3%
Net gearing %	82.3%	94.4%	105.7%	136.4%	146.3%	161.2%
Interest cover	7.8	6.4	4.1	4.1	3.9	3.8
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	2,050.5	2,446.5	2,616.8	2,841.6	2,889.5	2,966.8
Market Cap	1,362.2	1,655.7	1,753.1	1,758.4	1,763.8	1,769.1
P/NNAV-1	5.5%	-12.4%	-15.8%	-10.1%	-12.8%	-18.3%
EBITDA/EV	4.8%	4.4%	5.4%	5.2%	5.7%	6.3%
Recurring Cash Flow Yield	6.3%	5.6%	6.1%	6.3%	7.0%	7.7%
Earnings Yield	13.4%	68.5%	11.1%	-6.9%	4.1%	8.3%
Dividend Yield %	4.5%	3.9%	4.0%	4.3%	4.7%	5.0%

NNAV



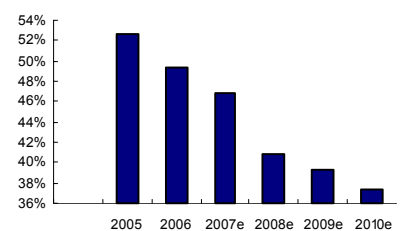
■ NNAV

EPS & Dividends



■ EPS ■ DPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Société de la Tour Eiffel

Property ▪ France

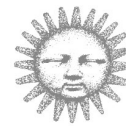
Developments at a risk

Company profile The portfolio of Société de la Tour Eiffel had increased to € 1,230m by the end of 1H07. Of the total portfolio 52% and 48% is located in Paris Ile-de-France and the French provinces respectively. The average gross yield on the portfolio amounts to 7.3%, while the average rent stands at a low € 120 per sqm. As such the company is predominantly targeting the low end of the office market. Management recently acquired the Parcoval portfolio, which comprises six business parks in France complementary to the business park assets in Locafima that were acquired at end FY05.

Investment case Management aims to provide a significant dividend return for its shareholders. Assuming a substantial payout ratio, we expect dividend to increase from € 5.0 in FY06 to € 7.5 per share in FY10E. Based on current share prices this would result in a dividend of 6.1% increasing to 7.7% in FY10E. The dividend increase would be underpinned by steady earnings growth attributable to the completion of projects previously acquired under forward purchase agreements. The portfolio offers further development opportunities in the Parcoval portfolio as well as in the Massy site located in the southern periphery of Paris. We estimate these sites (incl. Massy) would represent c€340m of potential development spends. Given the higher risk of the projects we however exclude these projects in our fair value. We anticipate yield expansion on the standing portfolio given the non prime locations. We anticipate the average 7.3% gross yield will expand to 7.8% reflecting 50 bps yield expansion.

Developments and outlook The Parcoval portfolio further adds to the business park profile of the company (35% of total). STE indicated it planned to make use of the development opportunities within the Parcoval Business Park when it acquired the portfolio at start FY07E. We assume completion of the additional development potential on Parcoval and Massy to represent 140,000 sqm by end FY11E. We thereby expect the development potential in Massy and Parcoval to contribute € 30.5m in rents per annum upon completion. The development projects acquired on a forward basis (VEFA) are expected to add € 22.7m in rental income on an annual basis. With this compass we however stripped out development potential on the Parcoval and Massy developments from our EFV given the above average letting risks.

Valuation We expect the yield as reported on the portfolio will not be very demanding. Assuming vacancy risks remain limited we expect modest 50bps yield expansion on average from the 7.3% gross level. We furthermore no longer assume development uplifts on the Parcoval and Massy developments given the letting risks involved. The developments are located to the south of Paris and in the provincial areas. These regions are thereby considered to incur relatively high risks if the office markets would slow down. As a result our fair value for the company has been adjusted downwards to €100 per share.



KEMPEN & CO

Merchant Bank

Rating

ADD

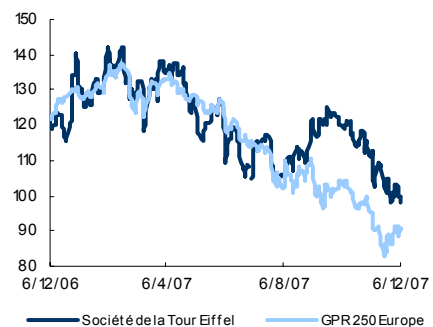
Price target (12m) **€100.0**

Closing price (6 December 2007) **€98.0**

Expected total return **7.1%**

Date **9 December 2007**

EIFF FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-13.3%	-18.9%	-19.5%
Rel. to GPR 250 Europe	-8.6%	-3.6%	8.2%

Source: Factset

Company data

52-Week range	€97.98 - 144.89
Market cap	€507.45m
Number of shares	5.2m
Average daily volume	9,412
Free float	64%

Company data

Bloomberg / Reuters **EIFF FP / TEIF.PA**

Analyst

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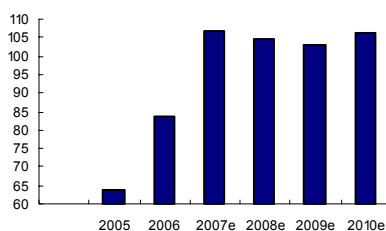
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Société de la Tour Eiffel

Property ■ France

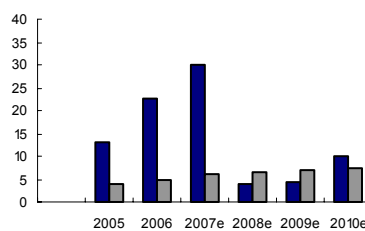
Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	27.2	55.0	70.1	76.8	91.5	107.2
Operating costs	-3.1	-8.3	-10.0	-10.7	-12.6	-14.7
Net rental income	24.1	46.7	60.1	66.1	78.9	92.6
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-6.8	-10.0	-9.9	-10.5	-11.9	-13.5
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	17.3	36.7	50.2	55.6	66.9	79.1
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	17.3	36.7	50.2	55.6	66.9	79.1
Net financial	-5.3	-10.3	-15.6	-23.7	-31.3	-38.2
EBT	12.0	26.4	34.6	31.9	35.7	40.9
Taxes	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	12.0	26.4	34.6	31.9	35.7	40.9
Sales result	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	29.4	88.9	120.1	-11.9	-12.4	10.3
Taxation on revaluation	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	-7.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	22.4	88.9	120.1	-11.9	-12.4	10.3
Net profit	34.4	115.3	154.7	20.0	23.3	51.3
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	5.1	5.2	5.2	5.2	5.2	5.2
Average number of shares	2.5	5.1	5.2	5.2	5.2	5.2
Direct investment result per share	4.64	5.09	6.58	6.07	6.79	7.78
Indirect investment result per share	8.49	16.80	22.70	-2.25	-2.33	1.95
EPS (IFRS)	13.04	22.46	29.80	3.85	4.49	9.88
CFPS (recurring)	4.64	5.09	6.58	6.07	6.79	7.78
Dividend per share	4.00	5.00	6.00	6.40	6.80	7.50
Payout ratio %	86%	98%	91%	105%	100%	96%
NNAV per share	63.80	83.50	106.63	104.56	102.75	106.05
NAV per share	63.80	83.50	106.63	104.56	102.75	106.05
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	617.7	825.5	1,004.7	1,131.4	1,296.5	1,415.6
Developments	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	3.7	3.7	3.7	3.7	3.7
Other fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	617.7	829.2	1,008.4	1,135.1	1,300.2	1,419.3
Receivables	28.3	47.2	47.2	47.2	47.2	47.2
Cash and banks	77.1	37.4	48.9	36.3	26.4	32.6
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	105.4	84.6	96.1	83.5	73.6	79.8
Total assets	759.4	955.3	1,146.0	1,260.1	1,415.3	1,540.6
Shareholders' equity	305.3	410.8	538.1	540.7	545.6	577.4
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	305.3	410.8	538.1	540.7	545.6	577.4
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Long interest bearing debt	357.8	481.7	528.5	619.0	740.5	816.7
Other long term liabilities	96.3	62.8	73.0	94.0	122.8	140.1
Total long term liabilities	454.1	544.5	601.5	713.0	863.3	956.8
Short term debt	96.3	62.8	73.0	94.0	122.8	140.1
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	96.3	62.8	73.0	94.0	122.8	140.1
Total equity and liabilities	759.4	955.3	1,146.0	1,260.1	1,415.3	1,540.6
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	40.2%	43.0%	47.0%	42.9%	38.6%	37.5%
Net gearing %	123.5%	123.4%	102.7%	125.2%	153.4%	160.1%
Interest cover	3.3	3.6	3.2	2.3	2.1	2.1
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	751.9	1,024.9	1,061.3	1,185.3	1,345.5	1,432.8
Market Cap	374.9	517.8	508.6	508.6	508.6	508.6
P/NNAV-1	15.8%	19.5%	-8.1%	-6.3%	-4.6%	-7.6%
EBITDA/EV	2.3%	3.6%	4.7%	4.7%	5.0%	5.5%
Recurring Cash Flow Yield	6.3%	5.1%	6.7%	6.2%	6.9%	7.9%
Earnings Yield	17.7%	22.5%	30.4%	3.9%	4.6%	10.1%
Dividend Yield %	5.4%	5.0%	6.1%	6.5%	6.9%	7.7%

NNAV



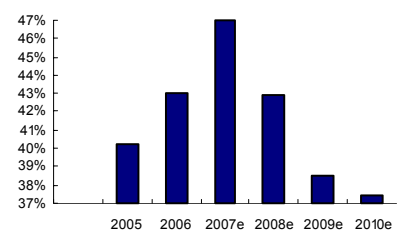
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Strong platform for future growth

Company profile Sponda has a €2.5bn portfolio with a strong emphasis on office (59%); the portfolio also comprises retail (19%) and logistical (12%) properties. Sponda's occupancy rate of 90% is still below the average in Helsinki and therefore provides upside for future CF growth. Currently Sponda's committed development pipeline is €562m and additionally the company has a list of future development projects amounting to €226m. The Finnish State holds a 34.3% stake in Sponda and might reduce its stake in Sponda.

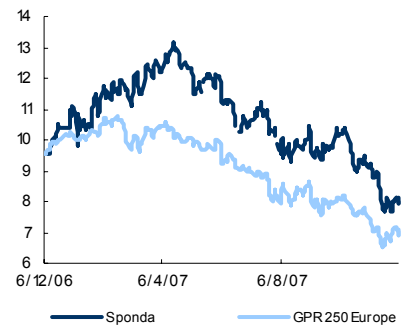
Investment case Sponda is active in a buoyant Finnish economy and we expect the commercial real estate market to benefit from this. Additionally Sponda is slowly expanding into Russia (currently €72m is invested, or < 3%) and the management has announced its intention to increase this to about 15% of the total assets. We calculate an annual CFPS growth of 13%. Although we expect modest rental growth from YE07 onward for Finnish offices (due to the completion of several office developments), we believe that Sponda's growth will come from: i.) Sponda's above-average vacancy rate, we expect Sponda to lower its vacancy rate on the standing portfolio from 9.1% to 6.0% by YE10, ii.) €207m in development completions in FY08 iii.) High yielding acquisitions in Russia and increasing asset management activities (AuM: +€400m y-o-y), and iv.) Higher leverage on human capital and decreasing cost margins. We lower our previous annual NNAV growth expectation to 1.5% (from: 6.2%) as we are becoming more cautious on future valuation yields. We expect the direct market yields to increase by 50bps until 2010. Yet we leave our revaluation result on the standing portfolio after YE07 flat as increasing rents will raise the expected 50bps yield expansion (7.5% rental growth over the following three years, while Sponda's th. net yield is 7.0%). We assume that future NNAV growth will mainly come through due to NNAV-accretive developments. The management has indicated a development profit of approximately 15%. We expect the committed development pipeline to be 6.5% 10E NNAV-accretive.

Developments and outlook We are positive that Sponda's effort to improve occupancy is paying off as the occupancy rate increased by 2.3% y-o-y to 90.3% (9M07). However, Sponda's occupancy is still below the 91.6% average in Helsinki Metropolitan Area and we expect that the company can increase this by 3.7% over the next three years. Moreover, the Finnish government put the Finnish REIT on the agenda again. However, due to complicated laws in Finland we do not expect the REIT will come into force before YE09. We estimate that this could raise the future CFPS by 10% (we have not yet taken this into consideration). Nevertheless, Sponda has received a tax assessment of about €50m for Kapiteeli's profit for FY06 although Sponda had a ruling with the tax authority and properly applied the tax law. We believe that the probability that Sponda will actually have to pay this tax assessment is more unlikely than likely.

Valuation We expect an above European average CF yield for FY08E of 7.3%. In our opinion this is an attractive yield given Sponda's quality of buildings and locations (65% to CBD/Ruoholathi) while the company also has a substantial development pipeline. Sponda is trading at a discount of -7% to our 08E NNAV (vs European average -6.9%). We have lowered our PT to €10.4 (was: € 11.3), indicating a total return of 34.6%. We upgrade Sponda to Buy from Add.

Rating	BUY
	(Upgrade from ADD)
Price target (12m)	€10.4
Closing price (6 December 2007)	€8.10
Expected total return	34.6%
Date	9 December 2007

SDA1V FH vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-10.7%	-20.6%	-15.1%
Rel. to GPR 250 Europe	-5.9%	-5.6%	14.2%

Source: Factset

Company data

52-Week range	€7.66 - 13.14
Market cap	€899.34m
Number of shares	111.0m
Average daily volume	290,055
Free float	66%

Company data

Bloomberg / Reuters	SDA1V FH / SDA1V.HE
Next announcement	8 February 2008
	FY 2007 Results

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Sponda

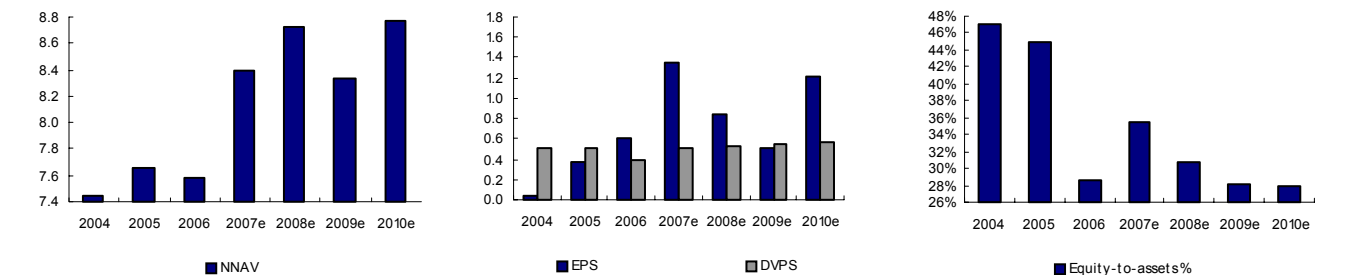
Property ■ Finland

Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	99.2	103.1	115.4	211.5	236.7	254.1	275.8
Operating costs	-24.7	-25.6	-29.4	-57.6	-61.4	-65.1	-69.9
Net rental income	74.5	77.5	86.0	153.9	175.3	189.0	205.9
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-8.3	-7.1	-10.8	-27.5	-25.6	-26.3	-26.8
Other income	1.9	0.4	2.9	2.2	3.0	3.0	3.0
Other costs	-0.1	0.0	-0.9	0.0	0.0	0.0	0.0
EBITDA	68.0	70.8	77.2	128.6	152.7	165.6	182.1
Depreciation	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0
EBIT	67.8	70.6	77.0	128.6	152.7	165.6	182.1
Net financial	-26.6	-26.1	-38.5	-75.1	-83.0	-92.7	-99.1
EBT	41.2	44.5	38.5	53.5	69.7	73.0	83.0
Taxes	-1.3	-2.4	-0.4	0.0	-4.2	-4.4	-5.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	39.9	42.1	38.1	53.5	65.5	68.6	78.0
Sales result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	-50.8	-5.1	26.2	139.3	46.1	-11.8	56.2
Taxation on revaluation	14.1	-7.2	-16.7	-43.5	-18.4	0.0	0.0
Revaluation financial instruments	0.0	-0.2	0.5	0.0	0.0	0.0	0.0
Total indirect investment result	-36.7	-12.5	10.0	95.8	27.7	-11.8	56.2
Net profit	3.2	29.6	48.1	149.3	93.2	56.8	134.2
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	78.8	79.2	79.2	111.0	111.0	111.0	111.0
Average number of shares	78.8	79.2	79.2	111.0	111.0	111.0	111.0
Direct investment result per share	0.51	0.53	0.48	0.48	0.59	0.62	0.70
Indirect investment result per share	-0.47	-0.16	0.13	0.86	0.25	-0.11	0.51
EPS (IFRS)	0.04	0.37	0.61	1.34	0.84	0.51	1.21
CFPS (recurring)	0.50	0.53	0.48	0.48	0.59	0.62	0.70
Dividend per share	0.50	0.50	0.40	0.50	0.52	0.54	0.56
Payout ratio %	99%	95%	84%	104%	88%	87%	80%
NNAV per share	7.44	7.65	7.58	8.39	8.73	8.34	8.77
NAV per share	7.44	8.45	9.89	10.74	11.25	10.86	11.29
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	1,221.5	1,259.7	2,455.1	2,415.5	2,648.4	2,791.5	2,973.6
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	151.1	151.1	151.1	151.1	151.1
Other fixed assets	14.1	11.6	270.0	11.6	11.6	11.6	11.6
Total fixed assets	1,235.6	1,271.3	2,876.2	2,578.2	2,811.1	2,954.2	3,136.3
Receivables	9.3	6.6	39.6	6.6	6.6	6.6	6.6
Cash and banks	1.7	0.7	23.6	47.9	330.9	334.7	335.6
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	11.0	7.3	63.2	54.5	337.5	341.3	342.2
Total assets	1,246.6	1,278.6	2,939.4	2,632.7	3,148.6	3,295.5	3,478.5
Shareholders' equity	586.6	574.3	842.0	932.1	969.1	925.9	973.9
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	586.6	574.3	842.0	932.1	969.1	925.9	973.9
Provisions	57.7	70.3	242.2	262.4	281.3	281.3	281.3
Long interest bearing debt	525.8	549.1	658.2	918.2	1,378.2	1,568.2	1,703.2
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	583.5	619.4	900.4	1,180.6	1,659.5	1,849.5	1,984.5
Short term debt	56.5	66.5	1,097.4	500.0	500.0	500.0	500.0
Other current liabilities	20.0	18.4	99.6	20.0	20.0	20.0	20.0
Total current liabilities	76.5	84.9	1,197.0	520.0	520.0	520.0	520.0
Total equity and liabilities	1,246.6	1,278.6	2,939.4	2,632.7	3,148.6	3,295.5	3,478.4
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	47.1%	44.9%	28.6%	35.4%	30.8%	28.1%	28.0%
Net gearing %	99.0%	107.1%	205.7%	147.0%	159.7%	187.2%	191.8%
Interest cover	2.6	2.7	2.0	1.7	1.8	1.8	1.8
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	1,058.0	1,180.1	2,365.4	2,269.6	2,446.6	2,632.8	2,767.0
Market Cap	477.4	565.2	633.4	899.3	899.3	899.3	899.3
P/NNAV-1	-18.6%	-6.7%	5.5%	-3.5%	-7.2%	-2.9%	-7.7%
EBITDA/EV	6.4%	6.0%	3.3%	5.7%	6.2%	6.3%	6.6%
Recurring Cash Flow Yield	8.3%	7.4%	6.0%	5.9%	7.3%	7.6%	8.7%
Earnings Yield	0.7%	5.2%	7.6%	16.6%	10.4%	6.3%	14.9%
Dividend Yield %	8.3%	7.0%	5.0%	6.2%	6.4%	6.7%	6.9%

NNAV

EPS & Dividends

Equity-to-assets



Source: Company Data, Kempen & Co



Swiss Prime Site

Property ▪ Switzerland

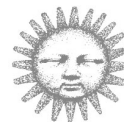
For Swiss eyes only

Company profile Swiss Prime Site (SPS) owns a CHF 3.6bn (€2.2bn) mixed portfolio with a pure focus on Switzerland. The portfolio has strong exposure to Swiss offices (59%), and to a lesser extent retail (20%) and other properties (21%). The portfolio has an occupancy rate of 95%. SPS is externally managed by Credit Suisse who receive a management fee between 25bps and 35bps of AuM. SPS is relatively highly levered with an LTV of 62% (vs. PSP Swiss Property's LTV of 42%). SPS has one major shareholder Credit Suisse (30%) and the company bought back 9.8% of its own shares in July 2007 at a price of CHF 70 per share.

Investment case We calculate limited CFPS growth of 1.5% per annum over FY08-FY10, fuelled by marginal rental growth going forward. We expect modest growth momentum for the established districts in Zurich and Geneva, whilst we do not foresee rental growth for the other regions. We assume slightly negative NNAV growth of minus 1.0% per annum over the period FY07-10. This is mainly driven by expected yield expansion. We think the current valuation yield is fair (theoretical net yield 5.3%), however we foresee a marginal yield expansion of 20bps over FY08-10. We feel comfortable with only a 20bp expansion as the yield gap of 120bps between the 10-year government bond and valuation yields is amongst the highest in Europe. The vast majority (95.9%) of SPS's shares are held by Swiss investors. Much to our regret the external management does not adopt an open attitude towards the international community as the company stated it only concentrates on its Swiss investor base. Furthermore, although a potential merger between PSP and SPS was subject of widespread rumour in the market, we doubt whether this or any related merger will materialise at a reasonable price since we assume CS does not wish to lose its recurring management fees.

Developments and outlook The strong demand for commercial properties in the CBD and established business districts can already be seen in the increasing occupancy rates and rents in the CBD's of Zurich and Geneva which is fuelled by the currently strong Swiss economy. The management announced that the rental income will increase by a single-digit percentage. We only pencil in annual rental growth for the CBD in Zurich and Geneva of 5% over FY08-09, whilst we do not foresee rental growth in the remaining areas. Currently, the Prime Tower (an office property of 42,400 sqm) together with the Bern Arena (7,100 sqm of commercial space) are the major development projects in the SPS portfolio and are expected to be completed by FY11 and FY09 respectively. The 126m high Prime Tower is already 45% pre-let and SPS will start the development in 1Q08 and the total investment amount is CHF 355m.

Valuation SPS is trading at an above European average of 11% premium to our 08E NNAV, while our 08E CF yield amounts to 4.9%. We however believe the downside of the stock is limited. In addition, we think that the stock is fairly priced based upon its low growth profile, low liquidity and external management (we adjusted the PT by +/- CHF 3.8 per share). We have decreased our +12M EFV to CHF 57 (was: CHF 62), indicating a total return of -2.5%. Hence we reiterate our Neutral rating.



KEMPEN & CO

Merchant Bank

Rating

NEUTRAL

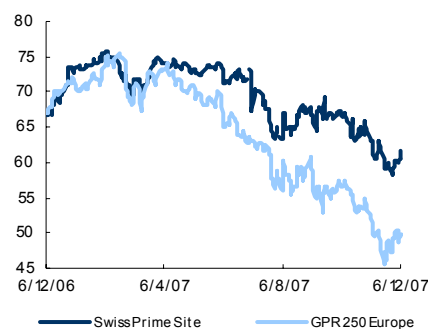
Price target (12m) **CHF57.0**

Closing price (6 December 2007) **CHF61.7**

Expected total return **-2.5%**

Date **8 December 2007**

SPSN SW vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-2.2%	-7.6%	-7.9%
Rel. to GPR 250 Europe	3.0%	9.8%	23.8%

Source: Factset

Company data

52-Week range	CHF58.35 - 75.90
Market cap	CHF1,582.83m
Number of shares	25.7m
Average daily volume	26,898
Free float	70%

Company data

Bloomberg / Reuters	SPSN SW / SPSZn.S
Next announcement	13 March 2008
	FY 2007 Results

Analyst

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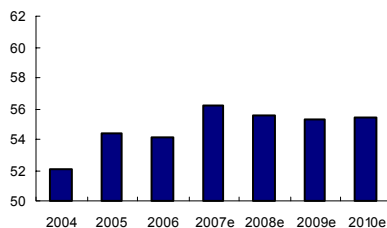
www.kempenresearch.nl
Bloomberg: KEMP <GO>

Swiss Prime Site

Property ■ Switzerland

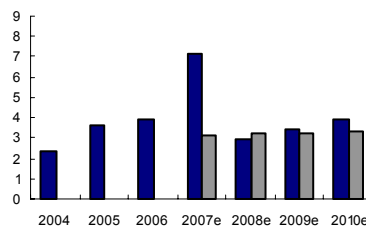
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	130.7	193.5	191.1	205.2	219.4	230.0	241.8
Operating costs	-17.7	-29.4	-30.2	-31.8	-33.8	-35.3	-37.0
Net rental income	113.1	164.0	160.8	173.4	185.6	194.6	204.8
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-0.9	-6.5	-1.1	-1.2	-1.3	-1.4	-1.5
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	-10.6	-16.8	-15.6	-17.1	-17.5	-17.8	-18.0
EBITDA	101.5	140.8	144.1	155.1	166.8	175.5	185.2
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	101.5	140.8	144.1	155.1	166.8	175.5	185.2
Net financial	-38.5	-62.8	-58.2	-70.5	-84.9	-92.5	-101.0
EBT	63.0	77.9	85.9	84.6	81.9	82.9	84.2
Taxes	-0.2	-1.1	-7.7	-8.5	-11.5	-11.6	-11.8
Extraordinary items	-2.1	-2.2	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	60.7	74.6	78.2	76.2	70.4	71.3	72.4
Sales result	0.0	0.0	2.2	0.0	1.0	1.0	1.0
Revaluation Property	0.0	5.2	33.6	98.4	-4.9	7.4	18.2
Taxation on revaluation	-12.5	-2.6	-13.0	-9.8	1.6	0.6	-0.2
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	-12.5	2.7	22.8	88.6	-2.4	9.0	18.9
Net profit	48.1	77.3	101.0	164.8	68.0	80.3	91.4
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	20.1	25.7	25.7	23.1	23.1	23.1	23.1
Average number of shares	20.1	21.4	25.7	23.1	23.1	23.1	23.1
Direct investment result per share	3.01	3.49	3.05	3.29	3.04	3.08	3.13
Indirect investment result per share	-0.62	0.13	0.89	3.83	-0.10	0.39	0.82
EPS (IFRS)	2.39	3.62	3.94	7.12	2.94	3.47	3.95
CFPS (recurring)	3.01	3.49	3.05	3.29	3.04	3.08	3.13
Dividend per share	0.00	0.00	0.00	3.15	3.20	3.25	3.30
Payout ratio %	0%	0%	0%	96%	105%	105%	105%
NNAV per share	52.06	54.34	54.14	56.20	55.50	55.27	55.48
NAV per share	52.06	56.14	57.97	60.87	60.10	59.85	60.07
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	3,061.2	3,099.9	3,231.5	3,562.4	3,674.0	3,814.4	3,982.3
Developments	211.4	190.2	232.4	232.4	232.4	232.4	232.4
Financial fixed assets	2.3	0.0	3.9	0.0	0.0	0.0	0.0
Other fixed assets	1.5	3.1	4.0	0.0	0.0	0.0	0.0
Total fixed assets	3,276.4	3,293.2	3,471.8	3,794.8	3,906.3	4,046.8	4,214.7
Receivables	16.1	40.1	29.7	36.1	36.1	36.1	36.1
Cash and banks	25.5	5.7	2.3	186.8	199.9	212.8	225.6
Other current assets	24.5	30.3	3.4	30.3	30.3	30.3	30.3
Total current assets	66.1	76.1	35.3	253.2	266.3	279.2	292.0
Total assets	3,342.5	3,369.4	3,507.2	4,048.0	4,172.6	4,326.0	4,506.7
Shareholders' equity	1,048.2	1,355.9	1,388.8	1,300.4	1,284.1	1,279.0	1,283.7
Minority interests	153.5	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	1,201.6	1,355.9	1,388.8	1,300.4	1,284.1	1,279.0	1,283.7
Provisions	0.0	84.4	98.3	108.1	106.6	106.0	106.2
Long interest bearing debt	1,946.2	1,870.7	1,794.9	2,043.9	2,161.3	2,295.4	2,446.2
Other long term liabilities	82.5	0.8	0.8	0.8	0.8	0.8	0.8
Total long term liabilities	2,028.7	1,955.8	1,894.0	2,152.8	2,268.7	2,402.2	2,553.2
Short term debt	0.0	0.0	173.0	543.5	568.5	593.5	618.5
Other current liabilities	112.1	57.6	51.4	51.4	51.4	51.4	51.4
Total current liabilities	112.1	57.6	224.4	594.8	619.8	644.8	669.8
Total equity and liabilities	3,342.5	3,369.4	3,507.2	4,048.0	4,172.7	4,326.0	4,506.7
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	36.0%	40.2%	39.6%	32.1%	30.8%	29.6%	28.5%
Net gearing %	159.8%	137.5%	141.5%	184.6%	197.0%	209.2%	221.2%
Interest cover	2.6	2.2	2.5	2.2	2.0	1.9	1.8
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	2,850.8	3,270.6	3,568.1	3,828.2	3,957.6	4,103.8	4,266.8
Market Cap	930.0	1,405.7	1,602.5	1,427.7	1,427.7	1,427.7	1,427.7
P/NNAV-1	-11.3%	0.8%	15.4%	9.8%	11.2%	11.6%	11.2%
EBITDA/EV	3.6%	4.3%	4.0%	4.1%	4.2%	4.3%	4.3%
Recurring Cash Flow Yield	6.5%	6.4%	4.9%	5.3%	4.9%	5.0%	5.1%
Earnings Yield	5.2%	6.6%	6.3%	11.5%	4.8%	5.6%	6.4%
Dividend Yield %	0.0%	0.0%	0.0%	5.1%	5.2%	5.3%	5.3%

NNAV



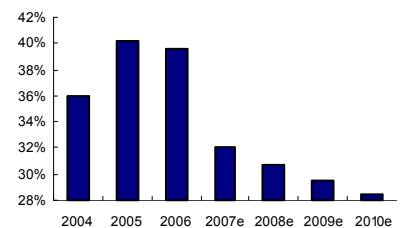
■ NNAV

EPS & Dividends



■ EPS ■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



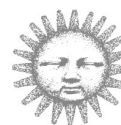
Interests management aligned

Company profile As a result of the takeover of Rodamco Europe and revaluations at end 1H07, the portfolio doubled in size to € 23.9bn. Shopping centres represent 70% in the combination, the share of offices and convention centres comes out at 24% and 6% respectively. The shopping centres portfolio is mainly located in France (47%), The Netherlands (22%) and Spain (11%). The combination has become the largest property company in Europe.

Investment case Management should be able to add value to the acquired portfolio of Rodamco Europe by i) gradually increasing the like-for-like rental growth rate on the portfolio: The average occupancy cost ratio for retailers in the shopping centres of Unibail comes out at 10.8% vs. 8.5% for the centres of Rodamco Europe. ii) Exploiting unused development opportunities: Unibail aims to add value as a result of its experience in development. Management initially indicated it expected to add a further 1 million sqm in development and extension opportunities to the portfolio. The full strategic plan for the company will be announced with the FY07 results (early February 2008). We assume € 13.3 in our new Fair Value per share representing a discounted value for these new developments. iii) Capitalizing on the dominant position that the combination would have in the European retail market. Overall we see operational synergies in using alternative revenue income strategies throughout the combined portfolio. We expect that additional income from advertising will however remain limited in the short term. European centres are more densely built, leaving limited space for these activities.

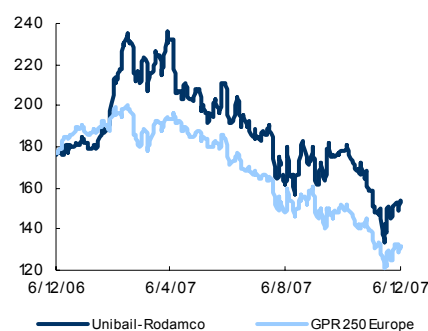
Developments and outlook We expect the total new strategic plan for Rodamco's portfolio will incur net expenditure. However, in addition, to expenditure, management also plans sales, which will give rise to short term cash surpluses. We expect management to sell the Dutch high street retail portfolio (€ 1bn), Dutch offices and the retail portfolios in Germany and Belgium. We expect management could choose to buy back shares using the excess cash surplus. Management bought back 7% of the shares in 2003 when the stock was trading at a 19% discount to NAV. Management already acquired a limited number of shares at the end of November when the stock was trading at a 10%-18% discount and has AGM approval to buy back 10% of the shares per annum. Interests between management and shareholders are aligned in this respect as management has share options. We expect the yield on the portfolio to expand in line with the markets, but assume the quality of the portfolio would limit the extent of the expansion.

Valuation We are positive about the corporate structure and quality portfolio. The business plan however incurs a degree of risk as not all centres would be suited for redevelopment. In addition, we believe an important threat for the company is market risk. The stock is relatively liquid and therefore easily bought and sold by general equity investors. Meanwhile, specialist investors cannot overweigh the stock as they can only buy up to 10% in one share (UCITS III requirement) while Unibail-Rodamco represents 14% of the main property indices. The stock is trading at attractive multiples including a 4.9% FY08 dividend yield and 12% discount to FY07 NAV. We expect this valuation is due to overselling and see relative value for the stock. We upgrade to Buy from Add.



Rating	BUY (Upgrade from ADD)
Price target (12m)	€195.0
Closing price (6 December 2007)	€156.2
Expected total return	29.4%
Date	9 December 2007

UL FP vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-3.2%	-12.3%	-13.8%
Rel. to GPR 250 Europe	2.0%	4.3%	15.9%

Source: Factset

Company data	
52-Week range	€137.27 - 239.30
Market cap	€14,933.61m
Number of shares	95.6m
Average daily volume	379,808
Free float	70%

Company data	
Bloomberg / Reuters	UL FP / UNBP.PA

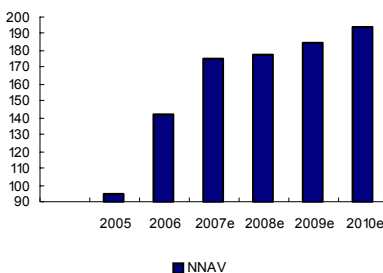
Analyst	Boudewijn Schoon +31 (0)20 348 8456 bsch@kempen.nl
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Unibail-Rodamco

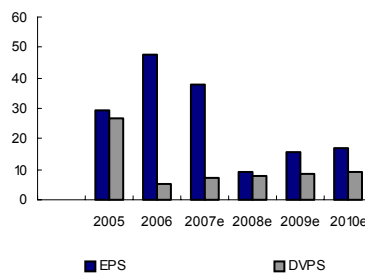
Property ■ France

Income Statement (Year to 31 Dec)	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	462.1	480.6	923.0	1,393.6	1,487.4	1,657.1
Operating costs	-71.5	-78.9	-137.1	-202.9	-220.4	-244.0
Net rental income	390.6	401.7	786.0	1,190.7	1,267.1	1,413.1
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-82.9	-165.5	-182.1	-231.5	-252.5	-275.5
Other income	111.5	211.5	179.8	197.6	215.2	236.4
Other costs	-8.4	-13.5	-11.0	-11.6	-12.2	-12.8
EBITDA	400.2	440.0	772.6	1,145.3	1,217.6	1,361.2
Depreciation	-1.3	-1.4	-1.8	-1.9	-2.0	-2.1
EBIT	398.9	441.5	701.7	958.7	1,004.9	1,117.4
Net financial	-98.6	-84.1	-166.5	-248.5	-258.3	-296.4
EBT	300.2	357.5	616.6	898.0	960.5	1,066.0
Taxes	-5.3	-5.3	-1.7	-18.5	-20.2	-22.7
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-6.6	-6.0	-8.9	-11.6	-12.0	-13.1
Direct investment result	264.1	346.1	605.9	867.7	928.2	1,030.1
Sales result	135.5	98.0	344.7	50.0	50.0	50.0
Revaluation Property	1,058.9	1,762.4	1,731.9	-57.3	556.7	612.2
Taxation on revaluation	-50.0	-22.8	-42.1	5.0	-4.2	0.0
Revaluation financial instruments	-23.2	81.8	50.0	0.0	0.0	0.0
Total indirect investment result	1,121.2	1,919.4	2,084.5	-2.3	602.6	662.2
Net profit	1,385.3	2,265.5	2,690.4	865.4	1,530.8	1,692.3
Per share data	2005	2006	2007E	2008E	2009E	2010E
Number of shares	46.0	47.1	95.6	96.7	97.7	98.8
Average number of shares	45.5	45.9	71.4	96.2	97.2	98.2
Direct investment result per share	5.55	7.29	8.49	9.02	9.55	10.49
Indirect investment result per share	23.55	40.43	29.21	-0.02	6.20	6.74
EPS (IFRS)	29.10	47.72	37.70	9.00	15.75	17.23
CFPS (recurring)	5.66	7.40	8.48	9.02	9.54	10.48
Dividend per share	27.00	5.00	7.00	7.70	8.47	9.32
Payout ratio %	477%	68%	83%	85%	89%	89%
NNAV per share	94.80	142.40	175.10	177.11	185.15	193.91
NAV per share	94.80	142.40	175.10	177.11	185.15	193.91
Balance sheet	2005	2006	2007E	2008E	2009E	2010E
Investment property	7,637.0	9,392.0	21,324.2	21,221.8	23,720.5	26,440.4
Developments	452.7	249.4	878.4	878.4	878.4	878.4
Financial fixed assets	153.6	163.7	326.3	90.6	90.6	90.6
Other fixed assets	480.6	611.4	2,500.2	2,500.2	2,500.2	2,500.2
Total fixed assets	8,281.3	10,329.7	24,148.0	24,045.6	26,544.3	29,264.2
Receivables	107.6	156.2	232.2	232.2	232.2	232.2
Cash and banks	22.4	32.3	465.6	590.8	623.0	652.9
Other current assets	265.9	324.7	324.7	324.7	324.7	324.7
Total current assets	395.9	513.2	1,022.5	1,147.7	1,179.9	1,209.8
Total assets	8,677.2	10,842.9	25,170.5	25,193.3	27,724.2	30,474.1
Shareholders' equity	4,076.3	6,053.1	15,337.1	15,842.0	17,312.1	18,907.2
Minority interests	592.3	781.1	792.1	792.1	792.1	792.1
Total equity	4,668.6	6,834.2	16,129.2	16,634.1	18,104.2	19,699.3
Provisions	111.3	110.8	796.5	857.3	981.2	1,120.9
Long interest bearing debt	1,975.9	2,238.3	6,009.3	5,466.3	6,403.3	7,418.3
Other long term liabilities	972.4	990.1	1,018.1	1,018.1	1,018.1	1,018.1
Total long term liabilities	3,059.6	3,339.2	7,823.9	7,341.7	8,402.6	9,557.3
Short term debt	949.4	669.5	908.5	908.5	908.5	908.5
Other current liabilities	0.0	0.0	309.0	309.0	309.0	309.0
Total current liabilities	949.4	669.5	1,217.5	1,217.5	1,217.5	1,217.5
Total equity and liabilities	8,677.6	10,842.9	25,170.5	25,193.3	27,724.2	30,474.1
Financing Ratio's	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	53.8%	63.0%	64.1%	66.0%	65.3%	64.6%
Net gearing %	62.2%	42.1%	37.0%	31.9%	34.3%	36.5%
Interest cover	4.1	5.2	4.6	4.6	4.7	4.6
Valuation	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	7,732.7	9,825.1	20,904.9	20,399.3	21,466.8	22,614.5
Market Cap	4,829.8	6,949.6	14,933.6	15,096.3	15,258.9	15,421.5
P/NNAV-1	10.7%	3.7%	-10.8%	-11.8%	-15.7%	-19.5%
EBITDA/EV	5.2%	4.5%	3.7%	5.6%	5.7%	6.0%
Recurring Cash Flow Yield	5.4%	5.0%	5.4%	5.8%	6.1%	6.7%
Earnings Yield	27.7%	32.3%	24.1%	5.8%	10.1%	11.0%
Dividend Yield %	25.7%	3.4%	4.5%	4.9%	5.4%	6.0%

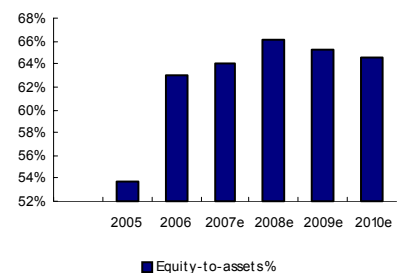
NNAV



EPS & Dividends



Equity-to-assets



Source: Company Data, Kempen & Co



VastNed O/I

Property ▪ Netherlands

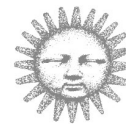
What after the sale of its big brother?

Company profile VastNed O/I has a €1.1bn portfolio that is located in the Netherlands (49%), Belgium (46%) and Germany (5%). The Belgian portfolio is held via a 54.7% stake in the Belgian listed Intervest Offices. VastNed O/I is managed by VastNed Group which also manages VastNed Retail. On 19 November 2007 VastNed Retail indicated that it was allowing potential bidders to carry out a due diligence investigation following an indicative cash offer of €70 per share by IEF Capital.

Investment case. VastNed Offices / Industrial is managed by VastNed Group which also manages VastNed Retail. VastNed Retail has received interest from several potential acquirers according to a spokesman of the company. Due diligence is scheduled to start on 14 December. With a market capitalization of €464m VastNed O/I is much smaller than its big brother VastNed Retail that has a market cap of €1.1bn. We think that the current management organization has too many employees for VastNed O/I to stand alone. In the event of a successful public offer for VastNed Retail part of the workforce is expected to move to the buyer. Cofinimmo has been mentioned for some time as a potentially interested party for the Belgian portfolio while a number of other parties might be interested in the Dutch assets according to real-estate agents. Clearly the CEO has an incentive to sell both as he receives a €400k termination fee for every company sold. VastNed O/I has clearly changed its profile since 2002 as €370m has been disposed of and €268m has been acquired. With the sale of TriNovium the last bad asset has been sold this year. Occupancy has increased from sub 80% to 91.3%. The size of the assets has increased with the top 10 assets currently accounting for 35% of VastNed O/I's portfolio.

Developments and outlook We anticipate growth again for 2008 as the end of the negative office cycle seems to be behind us in the Netherlands although leases that expire in 2008 will still face some negative reversionary in the Netherlands. Belgian offices are expected to have negative reversionary until 2009. Office rents are increasing again especially at the better locations. VastNed O/I already witnessed the first signs of improvement in 2007 when re-letting space at the Arthur van Schendelstraat in Utrecht where rents moved up from €172/sqm to €185/sqm. We expect the company to continue the sale of assets at secondary locations such as Zwolle, Deventer and Gouda. The company indicated it expects annual acquisitions of €100-200m going forward. Although we always welcome further improvement of the portfolio we do not anticipate future acquisitions to have a significant impact on the direct result going forward. With respect to the German portfolio we increase the 2010 net theoretical yield from 5.5% to 6.0% as market yields are already moving out. We feel comfortable keeping net theoretical yields in the Netherlands at 7.4%

Valuation We forecast a 7.3% dividend yield for 2008 for VastNed O/I which is 240 bps more than the average 4.9% for our European coverage of 50 property companies. We have a price target of €24.4 which does not incorporate any takeover premium. We have an ADD recommendation and expect VastNed O/I to have a cushion from its high dividend yield and the current sale process of VastNed Retail as we think it has become a takeover target.



KEMPEN & CO

Merchant Bank

Rating

ADD

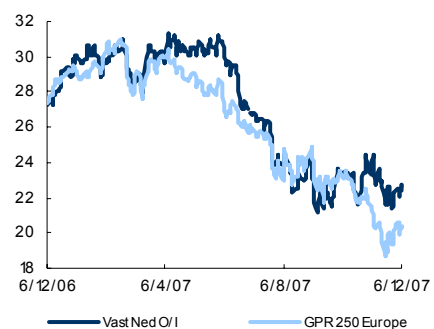
Price target (12m) **€24.4**

Closing price (6 December 2007) **€22.5**

Expected total return **16.7%**

Date **9 December 2007**

VWN NA vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-5.3%	-2.4%	-18.2%
Rel. to GPR 250 Europe	-0.2%	16.0%	10.0%

Source: Factset

Company data

52-Week range	€21.12 - 31.84
Market cap	€463.92m
Number of shares	20.7m
Average daily volume	66,460
Free float	77%

Company data

Bloomberg / Reuters	VWN NA / VWNN.AS
Next announcement	22 February 2008
	FY 2007 Turnover Results

Analyst

Dick Boer

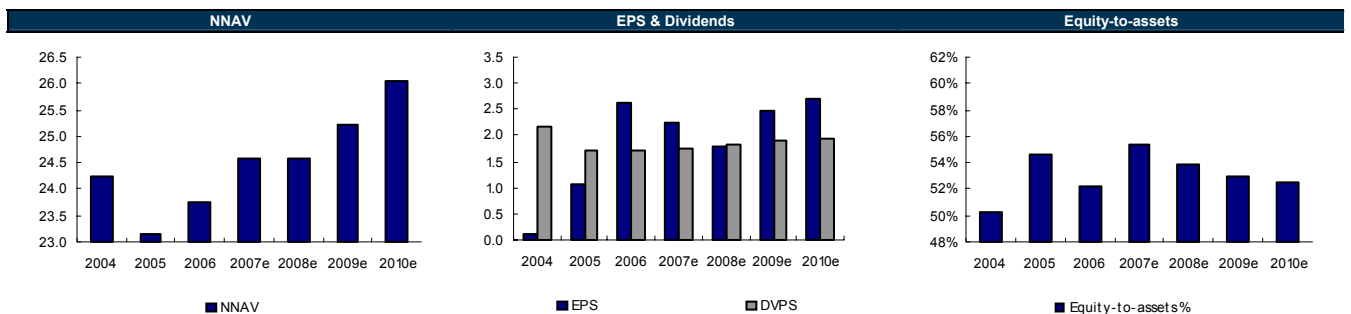
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VastNed O/I

Property ■ Netherlands

Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	95.4	86.8	83.3	89.3	96.8	105.2	114.2
Operating costs	-12.7	-13.0	-11.0	-12.6	-13.6	-14.8	-16.1
Net rental income	82.8	73.8	72.2	76.7	83.2	90.4	98.1
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-5.7	-5.0	-5.2	-5.8	-6.3	-6.8	-7.4
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	77.1	68.8	67.0	70.9	76.9	83.6	90.7
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	77.1	68.8	67.0	70.9	76.9	83.6	90.7
Net financial	-22.8	-22.6	-22.3	-26.4	-27.5	-30.7	-33.8
EBT	54.3	46.1	44.7	44.5	49.4	52.9	56.9
Taxes	-0.8	0.0	0.5	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	41.5	33.2	32.2	33.1	38.2	41.7	45.4
Sales result	4.2	-0.3	5.0	-5.4	0.0	0.0	0.0
Revaluation Property	-53.0	-13.7	24.4	23.5	-3.4	14.6	21.7
Taxation on revaluation	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation financial instruments	9.9	1.5	-11.8	-9.0	2.0	-1.3	-4.3
Total indirect investment result	-39.3	-12.4	17.6	9.1	-1.3	13.4	17.4
Net profit	2.2	20.8	49.8	42.2	36.9	55.0	62.8
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	19.3	19.0	19.0	20.1	21.4	22.7	24.0
Average number of shares	19.1	19.3	19.0	18.7	20.8	22.1	23.4
Direct investment result per share	2.17	1.72	1.70	1.77	1.84	1.89	1.94
Indirect investment result per share	-2.05	-0.64	0.93	0.49	-0.06	0.60	0.74
EPS (IFRS)	0.12	1.07	2.62	2.25	1.78	2.49	2.69
CFPS (recurring)	2.17	1.72	1.70	1.77	1.84	1.89	1.94
Dividend per share	2.17	1.72	1.70	1.77	1.84	1.89	1.94
Payout ratio %	100%	100%	100%	100%	100%	100%	100%
NNAV per share	24.23	23.15	23.75	24.57	24.59	25.23	26.05
NAV per share	24.31	23.15	23.75	24.57	24.59	25.23	26.05
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	1,163.6	1,039.3	1,048.8	1,181.2	1,276.2	1,387.7	1,504.7
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.1	0.4	5.3	5.3	5.3	5.3	5.3
Total fixed assets	1,163.7	1,039.7	1,054.1	1,186.6	1,281.6	1,393.0	1,510.0
Receivables	18.6	23.4	102.4	16.9	16.7	17.0	17.4
Cash and banks	15.9	2.0	0.9	2.7	2.9	3.2	3.4
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	34.5	25.3	103.3	19.6	19.6	20.1	20.8
Total assets	1,198.2	1,065.1	1,157.4	1,206.1	1,301.2	1,413.2	1,530.8
Shareholders' equity	467.0	440.8	450.8	493.4	527.3	574.0	625.2
Minority interests	136.0	140.8	153.8	175.3	173.2	174.5	178.8
Total equity	603.0	581.6	604.5	668.7	700.5	748.5	804.0
Provisions	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Long interest bearing debt	387.9	283.1	374.8	451.1	521.1	591.1	661.1
Other long term liabilities	0.9	1.4	1.6	1.6	1.6	1.6	1.6
Total long term liabilities	390.3	284.5	376.5	452.7	522.7	592.7	662.7
Short term debt	176.2	179.1	126.8	63.6	57.1	50.7	42.4
Other current liabilities	28.7	19.8	49.7	21.1	20.9	21.2	21.7
Total current liabilities	204.9	199.0	176.4	84.7	78.0	71.9	64.1
Total equity and liabilities	1,198.2	1,065.1	1,157.4	1,206.1	1,301.2	1,413.2	1,530.8
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	50.3%	54.6%	52.2%	55.4%	53.8%	53.0%	52.5%
Net gearing %	90.9%	79.1%	82.8%	76.6%	82.1%	85.3%	87.1%
Interest cover	3.4	3.0	3.0	2.7	2.8	2.7	2.7
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	952.6	871.1	1,010.5	962.9	1,056.7	1,149.4	1,238.9
Market Cap	404.4	410.9	509.9	450.8	481.4	510.7	538.8
P/NNAV-1	-13.4%	-6.8%	13.1%	-8.6%	-8.7%	-11.0%	-13.8%
EBITDA/EV	8.1%	7.9%	6.6%	7.4%	7.3%	7.3%	7.3%
Recurring Cash Flow Yield	10.3%	8.0%	6.3%	7.9%	8.2%	8.4%	8.7%
Earnings Yield	0.6%	5.0%	9.8%	10.0%	7.9%	11.1%	12.0%
Dividend Yield %	10.3%	8.0%	6.3%	7.9%	8.2%	8.4%	8.7%



Source: Company Data, Kempen & Co



Revaluing cash flows

Company profile Vivacon is predominantly active in residential portfolio trading and ground-lease securitization in Germany. In addition, the company is engaged in smaller scale high-end residential development and landmark-residential redevelopment projects where it has a total pipeline of c€325m.

Investment case Vivacon's business case is predominantly tailored towards buying residential portfolios and selling them onwards to institutional investors. In the process, the company retains the ownership of the land and structures this under terms which warrant 99 or 198-year ground lease payments. These ground leases are then bundled and securitized in the credit market. By first valuing and then later on securitizing the ground leases at a higher multiple (c23x) than the multiple for which the residential portfolio itself was bought (c12x gross rent), Vivacon realizes high revaluation gains. It is these valuation gains that at >75% make up the lion's share of the company's profit as operational cash profits are low. Although management is trying to improve transparency, visibility on future earnings remains low.

Developments and outlook We appreciate Vivacon's intention of focusing more on asset management and creating value by reducing vacancy in portfolios, prior to their being sold. However, we have always been (and still are) concerned about the sustainability of the trading business. We believe that the momentum for trading German residential property will level off and margins will come under pressure going forward. We assume a trading volume of 13.5K units for FY07 and an average volume of 13.5K units p.a. until FY10. We assume an average acquisition multiple of 11.6x gross rent. Compared to a 12.1x sales multiple and 22x securitization multiple, we estimate an average c13% gross trading margin, most of which results from securitization. We pencil in an average gross development margin of c20% on the (re)development projects.

Valuation We have fully revised our valuation model and estimates for Vivacon and arrive at a Price Target of €13.1, down from €18.5. The profitability of Vivacon is strongly dependent on trading volumes and margins, yet even more on the creation of ground leases and subsequent write-up in value. We are concerned about the quality and sustainability of income, since at least 75% of Vivacon's overall net income consists of one-off valuation gains on the ground leases. Given the high dependence on trading and securitization, plus the low visibility on future earnings, we apply a high 20.5% COE. As our €13.1 Price Target reflects a 5.2% total return, we maintain our Neutral rating. Due to the high dependence on the valuation gains on ground leases, our valuation is however highly sensitive to inputs on multiples and trading volumes. Specifically, if Vivacon were to stop trading and create no more ground leases from next year, this would point towards a €7.7 Price Target, while a doubling of the current trading volume would result towards €18.6. Furthermore, if we apply a 23.5x multiple (4.25% yield) on the ground leases instead of a 22.0x multiple (4.5% yield), this would increase our Price Target to €14.3. Moreover, if we were to apply a 10.5% COE, we would arrive at a €15.5 Price Target.

Rating

NEUTRAL

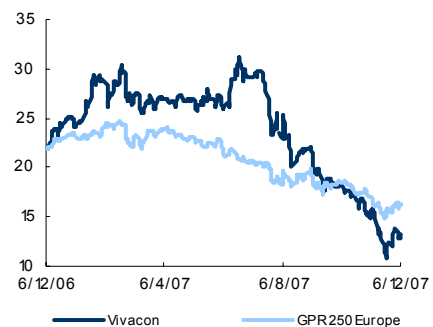
Price target (12m) **€13.1**

Closing price (6 December 2007) **€12.9**

Expected total return **5.2%**

Date **9 December 2007**

VIA GR vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-16.5%	-39.7%	-40.9%
Rel. to GPR 250 Europe	-12.0%	-28.3%	-20.6%

Source: Factset

Company data

52-Week range	€10.81 - 31.15
Market cap	€249.58m
Number of shares	19.3m
Average daily volume	253,312
Free float	84%

Company data

Bloomberg / Reuters VIA GR / VIA.DE

Analyst

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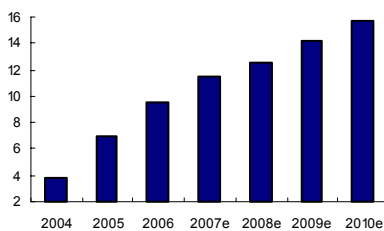
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Vivacon

Property ■ Germany

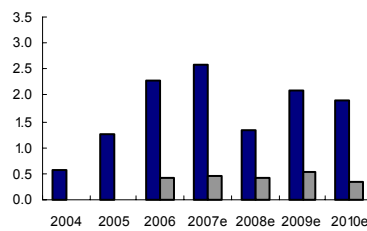
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	2.4	3.8	15.7	25.1	25.1	25.1	25.1
Operating costs	-2.2	-1.5	-9.9	-10.0	-10.0	-10.0	-10.0
Net rental income	0.2	2.4	5.8	15.0	15.0	15.0	15.0
Sales (developments)	98.7	49.2	104.4	39.5	36.4	39.8	31.9
Costs of sales (developments)	-85.1	-31.5	-67.5	0.0	0.0	0.0	0.0
Sales result (developments)	13.5	17.7	36.8	39.5	36.4	39.8	31.9
Overhead costs	-5.4	-11.4	-13.4	-15.0	-15.5	-15.9	-16.4
Other income	1.3	2.9	11.2	16.6	21.0	25.5	29.9
Other costs	-3.0	-6.4	-16.5	-15.9	-16.3	-16.8	-17.3
EBITDA	6.7	5.1	23.9	40.3	40.6	47.6	43.2
Depreciation	-0.2	-0.2	-0.3	0.0	0.0	0.0	0.0
EBIT	6.5	4.9	23.7	40.3	40.6	47.6	43.2
Net financial	-3.0	-3.6	-10.6	-23.3	-26.2	-29.1	-32.0
EBT	3.5	1.4	13.1	16.9	14.4	18.5	11.1
Taxes	-1.6	-1.9	-1.1	-5.9	-4.5	-5.7	-3.5
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.1	0.3	0.0	-0.8	-0.7	-0.9	-0.6
Direct investment result	2.0	-0.2	12.0	10.2	9.2	11.8	7.1
Sales result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Property	8.4	32.6	58.6	46.6	27.3	46.5	46.9
Taxation on revaluation	-3.4	-9.7	-20.8	-16.3	-8.5	-14.4	-14.5
Revaluation financial instruments	0.0	0.0	-3.9	12.7	0.0	0.0	0.0
Total indirect investment result	5.0	22.9	33.9	43.0	18.8	32.1	32.4
Net profit	7.0	22.6	45.9	53.1	28.1	43.9	39.5
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	13.3	19.2	19.3	19.8	19.8	19.8	19.8
Average number of shares	12.3	17.4	19.3	19.6	19.8	19.8	19.8
Direct investment result per share	0.16	-0.01	0.61	0.49	0.44	0.57	0.34
Indirect investment result per share	0.41	1.26	1.67	2.09	0.91	1.54	1.56
EPS (IFRS)	0.57	1.25	2.27	2.59	1.35	2.11	1.90
CFPS (recurring)	0.17	0.00	0.61	0.49	0.44	0.57	0.34
Dividend per share	0.00	0.00	0.40	0.47	0.42	0.54	0.32
Payout ratio %	0%	0%	66%	96%	94%	94%	94%
NNAV per share	3.78	6.99	9.46	11.52	12.46	14.26	15.71
NAV per share	4.48	7.92	11.50	13.69	15.06	17.58	19.77
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	58.0	93.0	227.1	322.2	398.4	494.3	591.2
Developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	1.2	1.0	27.6	27.6	27.6	27.6	27.6
Total fixed assets	59.2	94.0	254.7	349.8	426.0	521.9	618.8
Receivables	41.7	118.5	53.8	53.8	53.8	53.8	53.8
Cash and banks	61.4	69.6	154.6	157.0	157.0	160.5	157.0
Other current assets	10.3	134.0	178.8	178.8	178.8	178.8	178.8
Total current assets	113.4	322.1	387.2	389.6	389.6	393.1	389.6
Total assets	172.6	416.1	642.0	739.4	815.7	915.1	1,008.4
Shareholders' equity	50.2	134.1	183.1	228.5	247.3	282.9	311.7
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	50.1	134.1	183.1	228.5	247.3	282.8	311.7
Provisions	9.3	17.8	39.5	43.1	51.6	66.0	80.5
Long interest bearing debt	14.4	0.0	173.9	222.4	271.3	320.8	370.7
Other long term liabilities	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total long term liabilities	24.3	18.3	213.9	266.0	323.4	387.3	451.7
Short term debt	78.9	125.4	199.3	199.3	199.3	199.3	199.3
Other current liabilities	19.3	138.3	45.7	45.7	45.7	45.7	45.7
Total current liabilities	98.2	263.7	245.0	245.0	245.0	245.0	245.0
Total equity and liabilities	172.6	416.1	642.0	739.4	815.7	915.1	1,008.4
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	29.1%	32.2%	28.5%	30.9%	30.3%	30.9%	30.9%
Net gearing %	63.8%	41.6%	119.4%	115.8%	126.8%	127.1%	132.5%
Interest cover	2.2	1.4	2.3	1.7	1.6	1.6	1.3
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	100.8	384.9	730.5	520.6	569.6	615.5	669.0
Market Cap	68.8	329.1	511.9	256.0	256.0	256.0	256.0
P/NNAV-1	37.2%	145.4%	179.6%	12.0%	3.5%	-9.5%	-17.9%
EBITDA/EV	6.6%	1.3%	3.3%	7.7%	7.1%	7.7%	6.5%
Recurring Cash Flow Yield	3.4%	0.0%	2.3%	3.8%	3.4%	4.4%	2.7%
Earnings Yield	10.9%	7.3%	8.6%	20.0%	10.5%	16.3%	14.7%
Dividend Yield %	0.0%	0.0%	1.5%	3.7%	3.2%	4.2%	2.5%

NNAV



■ NNAV

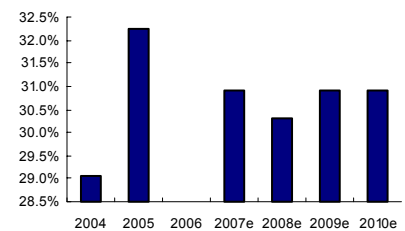
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Excellent managed but risky portfolio

Company profile WDP's logistics portfolio of €591m covers Belgium (81%), France (7%), Netherlands (5%), Czech Republic (4%) and Romania (3%). WDP announced its intention to increase its portfolio to €700m by FY09, which we think is a conservative figure looking at the growth profile over the last year (invested 170m y-o-y). The LTV is 49%, we expect WDP to take advantage of its leverage potential over the period FY08-10, which is still attractive even after higher financing costs due to the high-yielding properties. Prior to the new Takeover Act (in effect since September 2007), the CEO's family (De Pauw family) increased its holding to above 30% (currently: 30.5%) of the shares, which creates a strong alignment of interest.

Investment case WDP is an actively managed pure logistic/warehouse play and is perceived as a high/yield growth stock. WDP is vigorously and cost-efficiently managed by an experienced and hands-on management team. In addition, management has been able to rely on a solid track record of double-digit CFPS growth for most of its years as a listed company. Nevertheless, the substantial premium to 07E NNAV (29%) in our view already reflects all future upside. We expect the CFPS to grow by 10% and 3% for FY08 and FY09 respectively. CFPS growth will mainly be realized by high yielding warehouse acquisitions and development completions. The portfolio is valued at a gross yield of 7.4% (net yield: 7.0%). For FY07 and FY08 we assume an annual yield expansion on the portfolio of 25bps. We expect the relative conservative valuation for WDP to absorb part of the expected 50bp yield expansion which we pencil in for the market as a whole. We calculate applying an annual average 5.0% CFPS growth and NNAV growth to be flattish.

Developments and outlook WDP's logistic properties are mainly located in the Brussels-Antwerp axis, Flanders and Wallonia all of which are perceived as the best locations for logistic properties in Belgium. Yet we expect only a marginal rental growth for FY08-09 of 3.0% due to the fact that the margins for logistic companies are under pressure. WDP has a land-bank of approximately 620,000 sqm (excluding Romania), which roughly equates to a development programme of 290,000 sqm for FY07-FY10 (or 30% of current portfolio). This is equal to a total investment of €145m. Additionally, WDP has acquired a 942,000 sqm land-bank in Romania of which approximately 300,000 sqm will be developed over a period of 10 years and of this 15,000 sqm and 20,000 sqm will be developed in FY08 and FY09 respectively. This has a total investment value of c€150m. All together, the development completions over the period FY07-10 will be NNAV accretive for €4.0 per share. WDP announced its intention to invest €45m in solar panels on the rooves of its logistic properties in Flanders at a guaranteed net yield of about 8.0%.

Valuation We expect an above average 08E CF yield of 7.8% (European average 5.7%), reflecting the higher risk profile of WDP's logistic properties. In addition, WDP's demanding premium of 29% to our 07E NNAV already comprises all future upside. Additionally, the management expects to pay out a FY07 dividend of €2.72 per share, implying a 5.9% dividend yield. Our 12M EFW of €44 per share indicates a total return of 2.1%. Hence we reiterate our Neutral rating.

Rating

NEUTRAL

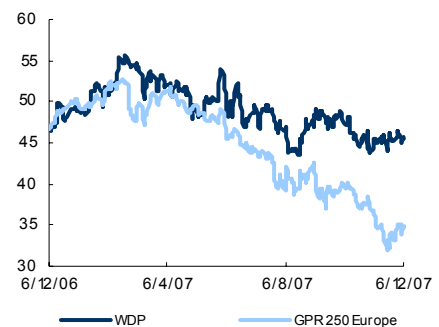
Price target (12m) **€44.0**

Closing price (6 December 2007) **€45.8**

Expected total return **2.1%**

Date **8 December 2007**

WDP BB vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	0.5%	-6.7%	-2.2%
Rel. to GPR 250 Europe	5.9%	10.9%	31.4%

Source: Factset

Company data

52-Week range	€43.50 - 56.40
Market cap	€393.37m
Number of shares	8.6m
Average daily volume	9,774
Free float	70%

Company data

Bloomberg / Reuters	WDP BB / WDPP.BR
Next announcement	28 February 2008
	FY 2007 Results

Analyst

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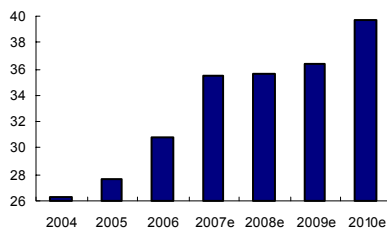
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Bloomberg: KEMP <GO>

WDP

Property ■ Belgium

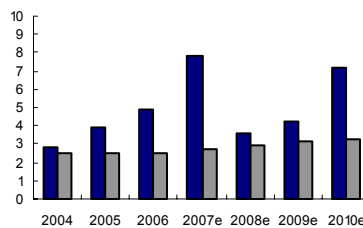
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	26.1	27.0	29.9	39.4	51.2	59.3	68.1
Operating costs	-3.4	-1.2	-1.1	-1.7	-2.3	-2.3	-2.2
Net rental income	22.7	25.8	28.8	37.7	48.9	57.0	65.9
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	0.0	-1.8	-2.0	-2.8	-2.9	-3.0	-3.1
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	22.7	23.9	26.8	34.9	46.0	54.0	62.8
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	22.7	23.9	26.8	34.9	46.0	54.0	62.8
Net financial	-3.9	-3.6	-4.6	-8.3	-15.1	-18.1	-22.7
EBT	18.8	20.4	22.2	26.6	30.9	35.9	40.1
Taxes	-0.1	0.4	0.0	-0.4	-0.3	-0.4	-0.4
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment result	18.8	20.8	22.2	26.2	30.5	35.5	39.7
Sales result	0.0	0.0	3.8	0.0	0.0	0.0	0.0
Revaluation Property	3.9	9.7	16.3	41.2	0.0	1.1	22.0
Taxation on revaluation	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Revaluation financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total indirect investment result	3.9	9.7	20.1	41.1	0.0	1.1	22.0
Net profit	22.7	30.4	42.3	67.3	30.5	36.6	61.7
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	7.9	7.9	8.6	8.6	8.6	8.6	8.6
Average number of shares	7.9	7.9	8.6	8.6	8.6	8.6	8.6
Direct investment result per share	2.38	2.63	2.58	3.05	3.55	4.13	4.62
Indirect investment result per share	0.49	1.23	2.33	4.78	0.00	0.13	2.56
EPS (IFRS)	2.87	3.86	4.92	7.83	3.55	4.26	7.18
CFPS (recurring)	2.38	2.63	2.58	3.05	3.55	4.13	4.62
Dividend per share	2.47	2.47	2.50	2.72	2.90	3.10	3.30
Payout ratio %	104%	94%	97%	89%	82%	75%	71%
NNAV per share	26.25	27.72	30.80	35.43	35.66	36.39	39.77
NAV per share	27.55	29.15	32.50	37.36	37.76	38.68	42.31
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	342.0	334.0	414.9	609.9	684.1	767.4	872.4
Developments	8.0	8.9	15.7	18.3	25.2	35.3	45.6
Financial fixed assets	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.0	1.5	4.9	4.9	4.9	4.9	4.9
Total fixed assets	350.5	344.3	435.5	633.1	714.2	807.6	923.0
Receivables	3.0	3.0	3.2	3.0	3.0	3.0	3.0
Cash and banks	3.4	4.5	3.0	7.5	11.0	17.7	27.0
Other current assets	2.0	2.1	15.4	37.8	37.8	37.8	37.8
Total current assets	8.3	9.7	21.7	48.3	51.8	58.5	67.8
Total assets	358.8	354.0	457.2	681.4	766.0	866.0	990.7
Shareholders' equity	217.2	227.3	274.9	316.7	320.1	328.0	359.2
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	217.2	227.3	274.9	316.7	320.1	328.0	359.2
Provisions	0.0	2.5	4.3	4.4	4.4	4.4	4.4
Long interest bearing debt	87.6	110.4	2.2	304.5	385.6	477.8	571.2
Other long term liabilities	6.9	1.8	1.0	1.8	1.8	1.8	1.8
Total long term liabilities	94.5	114.8	7.5	310.7	391.8	483.9	577.4
Short term debt	45.8	7.8	173.4	50.0	50.0	50.0	50.0
Other current liabilities	1.3	4.1	1.4	4.1	4.1	4.1	4.1
Total current liabilities	47.1	11.9	174.8	54.1	54.1	54.1	54.1
Total equity and liabilities	358.8	354.0	457.2	681.4	766.0	866.0	990.7
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	60.5%	64.2%	60.1%	46.5%	41.8%	37.9%	36.3%
Net gearing %	59.9%	50.0%	62.8%	109.6%	132.6%	155.5%	165.5%
Interest cover	5.9	6.7	5.8	4.2	3.0	3.0	2.8
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	390.1	416.1	553.9	740.3	818.0	903.4	987.7
Market Cap	260.1	302.4	381.2	393.4	393.4	393.4	393.4
P/NNAV-1	25.7%	38.4%	44.1%	29.2%	28.4%	25.8%	15.1%
EBITDA/EV	5.8%	5.8%	4.8%	4.7%	5.6%	6.0%	6.4%
Recurring Cash Flow Yield	7.2%	6.9%	5.8%	6.7%	7.8%	9.0%	10.1%
Earnings Yield	8.7%	10.1%	11.1%	17.1%	7.8%	9.3%	15.7%
Dividend Yield %	7.5%	6.4%	5.6%	5.9%	6.3%	6.8%	7.2%

NNAV



■ NNAV

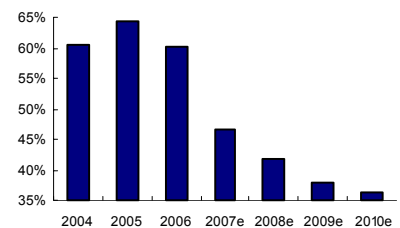
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets%

Source: Company Data, Kempen & Co



Deep discount for undisclosed strategy

Company profile Wereldhave has a very diverse €2.7bn portfolio with investments in the US (22%), Finland (20%), Netherlands (15%), UK (15%), Belgium (14%), France (7%) and Spain (7%). The company invests in all major sectors (offices 46%, retail 44%, industrial 8% and residential 2%). The company published a net yield of 6.0% for the first time at 3Q07. With only 25% leverage this company has one of the lowest leverages in the European property sector.

Investment case As a result of the increased property valuation Wereldhave wants to refocus on development capturing the upside potential without significant additional risk as the company has a more than €1.2bn war chest for investments. The company has wide experience in development (especially in the US market) and is close to equity investments in development projects in the San Diego area with the aim of acquiring the buildings following completion. The total investment in the first development in this area will exceed the US\$210m Wereldhave invested in the Broadway 655 office in June this year. Furthermore the company is starting the first phase of the San Antonio development which will require US\$190m for 500 residential units, two offices and a central plaza that are scheduled for opening in spring 2009. The total development pipeline currently exceeds €400m.

Developments and outlook Wereldhave will see stable rental growth as the portfolio has positive reversionary potential in almost all its sub-sectors especially in its retail portfolio (as confirmed by the company). The continued sale of assets in 2007 will put pressure on the direct result in 2007 and 2008. However we believe that the management has been too cautious with its €4.75-4.85 direct result forecast for 2007 as we expect €4.88 for FY07. The slightly negative impact of the weakening US dollar and higher accounting costs in 4Q will be offset by lower interest costs as a result of decreasing interest rates in the US and the UK. We expect the company to buy back more UK debentures in 2008 resulting in lower interest costs. Furthermore we expect the company to sell its industrial portfolio as we think this has not been regarded as core anymore. Only industrial assets that have been amended to specific client needs will be kept, such as the 14,700m² storage in Alphen a/d Rijn in the Netherlands. The first significant effect from developments will kick in in 2009 and beyond. We would welcome a share buy-back as the company could afford it with such a war chest and because of the EPS and NNAV accretive effects. We have been cautious with respect to the UK and US portfolio and included yield compression of 100bps and 50bps respectively to running net yields of 6.6% and 5.6%. We continue to see hidden value in the Finnish and French portfolio with Itakeskus still valued at a 5.4% net yield and the significant reversionary potential at the Rue Kleber office where office rents are currently €500/sqm at 4.5% net yields which means that this office could be valued at €240m whereas the whole French portfolio is currently valued at €188m.

Valuation We have a €91.2 Price Target and a BUY recommendation as we see 26.5% upside in the coming 12 months. We expect the share price to benefit from increased company disclosure, in the meantime it is trading at a steep 25% discount to NNAV and at a 6.3% cash flow yield.

Rating

BUY

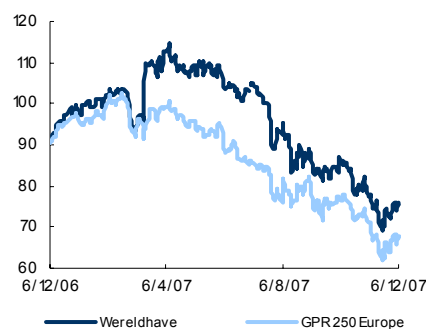
Price target (12m) **€91.2**

Closing price (6 December 2007) **€75.8**

Expected total return **26.5%**

Date **9 December 2007**

WHA NA vs GPR 250 Europe



Source: Factset

Total Return Performance (%)	-1m	-3m	-12m
Absolute	-2.9%	-13.3%	-16.5%
Rel. to GPR 250 Europe	2.3%	3.1%	12.2%

Source: Factset

Company data

52-Week range	€69.06 - 115.25
Market cap	€1,575.05m
Number of shares	20.8m
Average daily volume	157,616
Free float	82%

Company data

Bloomberg / Reuters	WHA NA / WEHA.AS
Next announcement	22 February 2008
	FY 2007 Turnover Results

Analyst

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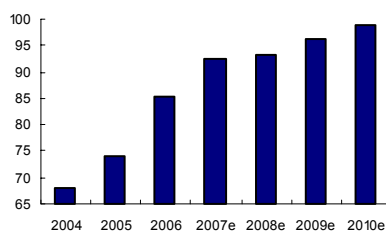
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Bloomberg: KEMP <GO>

Wereldhave

Property ■ Netherlands

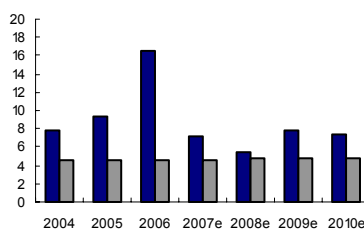
Income Statement (Year to 31 Dec)	2004	2005	2006	2007E	2008E	2009E	2010E
Gross rental income	163.7	169.0	168.5	166.7	173.5	182.1	199.3
Operating costs	-16.2	-17.2	-17.3	-17.5	-17.2	-18.3	-20.9
Net rental income	147.5	151.8	151.2	149.2	156.3	163.9	178.4
Sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs of sales (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales result (developments)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overhead costs	-11.3	-12.2	-14.0	-13.7	-14.0	-13.9	-13.0
Other income	2.8	3.7	3.9	3.4	3.5	3.6	3.6
Other costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	139.0	143.3	141.1	138.9	145.8	153.6	169.1
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	139.0	143.3	141.1	138.9	145.8	153.6	169.1
Net financial	-19.3	-22.0	-23.8	-29.3	-36.3	-42.4	-48.7
EBT	119.7	121.3	117.3	109.6	109.5	111.2	120.4
Taxes	-2.8	-4.0	-4.0	-3.6	-3.9	-4.0	-4.1
Extraordinary items	0.0	-0.8	0.0	2.2	0.0	0.0	0.0
Minorities	-6.0	-6.4	-6.5	-6.7	-6.9	-7.0	-7.2
Direct investment result	110.9	110.1	106.8	101.5	98.7	100.2	109.1
Sales result	-3.1	7.4	39.9	7.8	0.0	0.0	0.0
Revaluation Property	60.6	99.9	266.1	72.7	8.8	70.4	49.8
Taxation on revaluation	-7.8	-23.6	-64.0	-31.5	4.4	-6.9	-7.0
Revaluation financial instruments	0.1	-1.6	-5.4	-0.8	0.0	0.0	0.0
Total indirect investment result	49.9	82.0	236.6	48.2	13.2	63.5	42.8
Net profit	160.7	192.1	343.4	149.7	112.0	163.7	151.9
Per share data	2004	2005	2006	2007E	2008E	2009E	2010E
Number of shares	20.8	20.8	20.8	20.8	20.8	20.8	20.8
Average number of shares	20.6	20.8	20.8	20.8	20.8	20.8	20.8
Direct investment result per share	5.38	5.30	5.14	4.88	4.75	4.82	5.25
Indirect investment result per share	2.42	3.95	11.39	2.32	0.64	3.05	2.06
EPS (IFRS)	7.80	9.24	16.53	7.20	5.39	7.88	7.31
CFPS (recurring)	5.38	5.34	5.14	4.78	4.75	4.82	5.25
Dividend per share	4.50	4.55	4.60	4.65	4.70	4.75	4.80
Payout ratio %	84%	85%	90%	97%	99%	98%	91%
NNAV per share	68.08	74.21	85.47	92.35	93.09	96.27	98.83
NAV per share	70.92	78.27	92.58	100.80	101.33	104.83	107.73
Balance sheet	2004	2005	2006	2007E	2008E	2009E	2010E
Investment property	2,015.1	2,288.8	2,521.5	2,724.8	2,861.1	3,057.9	3,198.1
Developments	50.3	34.0	33.9	42.4	0.0	0.0	0.0
Financial fixed assets	26.5	23.8	22.6	25.7	25.7	25.7	25.7
Other fixed assets	17.6	28.8	32.9	32.5	32.5	32.5	32.5
Total fixed assets	2,109.5	2,375.5	2,610.9	2,825.4	2,919.3	3,116.1	3,256.3
Receivables	15.6	20.1	19.3	32.7	20.0	20.0	20.0
Cash and banks	21.1	45.0	19.9	27.0	36.1	28.4	27.4
Other current assets	2.6	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	39.3	65.1	39.2	59.7	56.1	48.4	47.4
Total assets	2,148.8	2,440.6	2,650.2	2,885.1	2,975.4	3,164.5	3,303.7
Shareholders' equity	1,414.8	1,542.2	1,776.2	1,919.3	1,934.6	2,000.6	2,053.9
Minority interests	102.6	106.2	114.0	117.6	119.5	121.5	123.7
Total equity	1,517.4	1,648.3	1,890.2	2,036.9	2,054.1	2,122.1	2,177.5
Provisions	59.1	84.5	147.8	175.5	171.1	178.0	185.0
Long interest bearing debt	500.0	563.9	506.7	539.9	625.2	739.4	816.2
Other long term liabilities	25.9	26.7	20.1	25.0	25.0	25.0	25.0
Total long term liabilities	584.9	675.1	674.7	740.5	821.3	942.4	1,026.2
Short term debt	0.0	66.2	34.3	50.0	50.0	50.0	50.0
Other current liabilities	46.5	51.0	51.0	57.8	50.0	50.0	50.0
Total current liabilities	46.5	117.2	85.3	107.8	100.0	100.0	100.0
Total equity and liabilities	2,148.8	2,440.6	2,650.2	2,885.1	2,975.4	3,164.5	3,303.7
Financing Ratio's	2004	2005	2006	2007E	2008E	2009E	2010E
Equity-to-assets %	70.6%	67.5%	71.3%	70.6%	69.0%	67.1%	65.9%
Net gearing %	31.6%	35.5%	27.6%	27.6%	31.1%	35.9%	38.5%
Interest cover	7.2	6.5	5.9	4.7	4.0	3.6	3.5
Valuation	2004	2005	2006	2007E	2008E	2009E	2010E
Enterprise value	1,887.6	2,296.7	2,296.7	2,138.0	2,214.2	2,336.0	2,413.8
Market Cap	1,408.7	1,711.5	1,775.6	1,575.0	1,575.0	1,575.0	1,575.0
P/NNAV-1	-0.4%	11.0%	0.0%	-17.9%	-18.6%	-21.3%	-23.3%
EBITDA/EV	7.4%	6.2%	6.1%	6.5%	6.6%	6.6%	7.0%
Recurring Cash Flow Yield	7.9%	6.5%	6.0%	6.3%	6.3%	6.4%	6.9%
Earnings Yield	11.5%	11.2%	19.3%	9.5%	7.1%	10.4%	9.6%
Dividend Yield %	6.6%	5.5%	5.4%	6.1%	6.2%	6.3%	6.3%

NNAV



■ NNAV

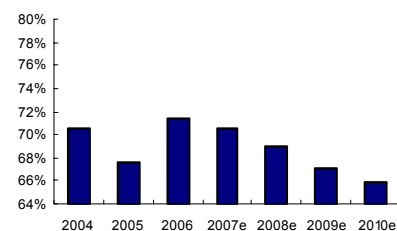
EPS & Dividends



■ EPS

■ DVPS

Equity-to-assets



■ Equity-to-assets %

Source: Company Data, Kempen & Co



European Property Companies – by dividend yield

European Property Companies – by dividend yield						
Name	Price (€)	Dividend yield 2007E	Dividend yield 2008E	Dividend yield 2009E	Dividend yield 2010E	
Kaufman & Broad	36.6	15.5%	4.1%	4.6%	5.0%	
Eurocastle Investment	19.5	11.6%	10.2%	10.6%	11.4%	
Prologis European Properties	9.7	8.8%	8.8%	8.8%	9.3%	
VastNed O/I	22.5	7.9%	8.2%	8.4%	8.7%	
Nieuwe Steen Investments	17.9	7.5%	7.9%	8.0%	8.2%	
Pirelli Real Estate	26.5	7.0%	8.1%	8.3%	9.1%	
FDL	18.4	6.9%	7.5%	8.1%	8.8%	
GAGFAH	11.5	6.9%	7.7%	8.1%	8.6%	
Sponda	8.1	6.2%	6.4%	6.7%	6.9%	
Wereldhave	75.8	6.1%	6.2%	6.3%	6.3%	
Société de la Tour Eiffel	98.0	6.1%	6.5%	6.9%	7.7%	
Cofinimmo	129.7	6.0%	6.0%	6.1%	6.1%	
WDP	45.8	5.9%	6.3%	6.8%	7.2%	
DIC Asset	20.7	5.8%	6.3%	6.8%	7.5%	
Fabege	70.8	5.7%	5.8%	5.9%	6.1%	
Alstria	10.4	5.4%	5.9%	6.8%	7.2%	
Befimmo	76.6	5.4%	5.9%	6.0%	6.1%	
Fonciere des Murs	23.6	5.3%	5.8%	6.4%	7.0%	
Swiss Prime Site	61.7	5.1%	5.2%	5.3%	5.3%	
Affine	36.6	4.9%	5.3%	5.7%	6.2%	
SFL	50.8	4.8%	5.2%	5.6%	6.1%	
Gecina	116.5	4.7%	4.7%	4.7%	4.7%	
Eurocommercial Properties	37.3	4.6%	4.6%	4.9%	5.2%	
Foncière Paris France	117.5	4.5%	4.4%	5.0%	5.4%	
Unibail-Rodamco	156.2	4.5%	4.9%	5.4%	6.0%	
Fonciere des Regions	93.3	4.4%	4.6%	4.8%	5.1%	
Castellum	71.8	4.4%	4.7%	5.1%	5.4%	
Corio	59.4	4.3%	5.4%	6.6%	7.3%	
Immofinanz	7.0	4.2%	5.2%	5.8%	6.4%	
PSP Swiss Property	59.5	4.2%	4.4%	4.5%	0.0%	
Deutsche EuroShop	25.7	4.1%	4.2%	4.3%	4.5%	
SILIC	100.5	4.0%	4.3%	4.7%	5.0%	
Vivacon	12.9	3.7%	3.2%	4.2%	2.5%	
Citycon	4.0	3.5%	4.0%	4.5%	4.7%	
Klépierre	35.3	3.3%	3.7%	4.0%	4.4%	
Beni Stabili	0.8	3.0%	2.4%	2.6%	3.0%	
Hufvudstaden	63.3	2.8%	3.0%	3.2%	3.5%	
IVG Immobilien	25.8	2.1%	2.1%	2.3%	2.5%	
IGD	2.2	1.8%	4.1%	4.3%	5.0%	
Metrovacesa	81.6	1.7%	1.9%	2.1%	2.3%	
Deutsche Wohnen	24.1	1.7%	1.5%	2.0%	3.1%	
CA Immo	15.5	0.0%	0.0%	0.0%	0.0%	
conwert	11.5	0.0%	0.0%	0.0%	0.0%	
GTC	13.1	0.0%	0.0%	0.0%	0.0%	
ImmoEast	7.4	0.0%	0.0%	0.0%	0.0%	
Meinl European Land	9.5	0.0%	0.0%	0.0%	0.0%	
Risanamento	4.1	0.0%	2.6%	2.8%	2.9%	

Source: Kempen & Co estimates



European Property Companies – by P/CF ratio

European Property Companies – by P/CF ratio						
Name	P/CF 2007E	Recurring Cash Flow Yield 2007E	Recurring Cash flow per share 2007E	Recurring Cash flow per share 2008E	Recurring Cash flow per share 2009E	Recurring Cash flow per share 2010E
Affine	36.6	15.3%	5.61	4.87	4.98	5.48
Eurocastle Investment	19.5	9.1%	1.78	1.85	2.02	2.16
Prologis European Properties	9.7	8.4%	0.82	0.79	0.85	0.90
VastNed O/I	22.5	7.9%	1.77	1.84	1.89	1.94
Kaufman & Broad	36.6	7.6%	3.87	3.82	3.65	3.51
Nieuwe Steen Investments	17.9	7.5%	1.35	1.42	1.49	1.57
Fonciere des Murs	23.6	7.4%	1.75	1.99	2.11	2.25
Castellum	71.8	7.4%	5.28	4.82	5.12	5.48
Klépierre	35.3	6.8%	2.39	2.58	2.70	2.82
Fonciere des Regions	93.3	6.7%	6.27	7.84	7.66	7.77
Société de la Tour Eiffel	98.0	6.7%	6.58	6.07	6.79	7.78
WDP	45.8	6.7%	3.05	3.55	4.13	4.62
Fabege	70.8	6.6%	4.68	3.99	4.61	5.19
Wereldhave	75.8	6.3%	4.78	4.75	4.82	5.25
Foncière Paris France	117.5	6.1%	7.21	6.82	8.30	8.33
SILIC	100.5	6.1%	6.14	6.30	7.03	7.73
Sponda	8.1	5.9%	0.48	0.59	0.62	0.70
Cofinimmo	129.7	5.9%	7.70	7.93	8.12	8.33
FDL	18.4	5.8%	1.07	1.46	1.55	1.59
DIC Asset	20.7	5.7%	1.18	1.43	1.59	1.68
Unibail-Rodamco	156.2	5.4%	8.48	9.02	9.54	10.48
Befimmo	76.6	5.4%	4.53	4.03	4.28	4.56
Swiss Prime Site	61.7	5.3%	3.29	3.04	3.08	3.13
GAGFAH	11.5	5.3%	0.61	0.72	0.76	0.80
Pirelli Real Estate	26.5	5.2%	1.37	2.06	2.43	2.23
Corio	59.4	5.1%	3.03	3.78	4.59	5.12
PSP Swiss Property	59.5	4.9%	2.89	2.77	2.83	2.93
Metrovacesa	81.6	4.8%	3.93	3.99	3.70	3.61
Eurocommercial Properties	37.3	4.6%	1.71	1.72	1.81	1.92
Citycon	4.0	4.5%	0.18	0.20	0.23	0.26
Hufvudstaden	63.3	4.3%	2.71	2.77	2.89	3.03
Alstria	10.4	4.3%	0.44	0.65	0.75	0.79
IGD	2.2	4.1%	0.09	0.11	0.11	0.13
Vivacon	12.9	3.8%	0.49	0.44	0.57	0.34
conwert	11.5	3.8%	0.44	0.76	0.80	0.81
Deutsche EuroShop	25.7	3.7%	0.95	1.03	1.10	1.15
SFL	50.8	3.6%	1.81	1.96	2.33	2.46
Gecina	116.5	3.5%	4.10	4.58	5.57	5.92
Meinl European Land	9.5	3.4%	0.33	0.37	0.15	0.03
CA Immo	15.5	3.1%	0.48	0.49	0.75	1.13
Deutsche Wohnen	24.1	1.7%	0.41	0.24	0.46	0.71
IVG Immobilien	25.8	1.7%	0.43	0.34	0.47	0.57
Beni Stabili	0.8	1.3%	0.01	0.02	0.03	0.03
ImmoEast	7.4	0.6%	0.05	0.29	0.34	0.40
Immofinanz	7.0	-0.2%	-0.02	0.22	0.27	0.33
GTC	13.1	-0.4%	-0.06	-0.13	0.02	0.12
Risanamento	4.1	-7.9%	-0.33	0.06	0.34	1.43

Source: Kempen & Co estimates



European Property Companies – by EBITDA / EV%

European Property Companies – by EBITDA / EV%				
Name	EBITDA/EV 2007E	EBITDA/EV 2008E	EBITDA/EV 2009E	EBITDA/EV 2010E
Kaufman & Broad	12.5%	16.2%	15.9%	15.7%
Vivacon	7.7%	7.1%	7.7%	6.5%
Prologis European Properties	7.5%	7.1%	7.3%	7.3%
VastNed O/I	7.4%	7.3%	7.3%	7.3%
Pirelli Real Estate	7.1%	7.3%	7.9%	7.6%
Affine	7.1%	6.6%	6.7%	7.0%
Wereldhave	6.5%	6.6%	6.6%	7.0%
Nieuwe Steen Investments	6.3%	6.3%	6.5%	6.8%
Fabege	6.0%	5.4%	5.7%	5.9%
Sponda	5.7%	6.2%	6.3%	6.6%
Castellum	5.6%	6.1%	6.3%	6.7%
SILIC	5.4%	5.2%	5.7%	6.3%
Foncière Paris France	5.4%	5.4%	6.3%	6.6%
Klépierre	5.3%	5.6%	5.7%	5.8%
Eurocastle Investment	5.3%	5.9%	6.0%	6.1%
Fonciere des Murs	5.2%	5.7%	6.4%	6.7%
Metrovacesa	5.2%	5.3%	5.5%	5.6%
CA Immo	5.1%	4.1%	4.8%	6.3%
Fonciere des Regions	5.1%	4.7%	4.9%	4.9%
Hufvudstaden	5.1%	5.2%	5.5%	5.8%
Société de la Tour Eiffel	4.7%	4.7%	5.0%	5.5%
WDP	4.7%	5.6%	6.0%	6.4%
FDL	4.7%	5.8%	6.1%	6.2%
Corio	4.7%	5.8%	6.7%	7.2%
Eurocommercial Properties	4.5%	4.4%	4.7%	4.9%
GAGFAH	4.5%	5.1%	5.1%	5.2%
Befimmo	4.5%	4.8%	5.0%	5.1%
Deutsche EuroShop	4.4%	4.8%	5.0%	5.0%
Beni Stabili	4.4%	4.5%	4.6%	4.9%
SFL	4.3%	4.5%	4.9%	5.3%
DIC Asset	4.3%	5.3%	5.9%	6.3%
Gecina	4.3%	5.0%	5.3%	5.7%
PSP Swiss Property	4.2%	4.1%	4.2%	4.3%
IGD	4.2%	3.9%	4.1%	4.7%
conwert	4.1%	4.2%	4.3%	4.5%
Swiss Prime Site	4.1%	4.2%	4.3%	4.3%
Alstria	4.0%	5.4%	5.7%	5.8%
Cofinimmo	4.0%	4.7%	4.8%	4.9%
Citycon	3.9%	4.9%	5.3%	5.5%
Unibail-Rodamco	3.7%	5.6%	5.7%	6.0%
Immofinanz	2.6%	5.0%	5.4%	6.4%
Deutsche Wohnen	2.5%	4.2%	4.4%	4.7%
Meinl European Land	2.1%	2.6%	2.8%	3.7%
IVG Immobilien	2.0%	3.2%	3.6%	3.8%
GTC	0.9%	0.8%	2.3%	3.2%
ImmoEast	0.4%	4.0%	4.7%	6.1%
Risanamento	-1.1%	3.9%	7.2%	22.0%

Source: Kempen & Co estimates



European Property Companies – by NNAV

European Property Companies – by NNAV						
Name	Price (€)	P/NNAV-1 2007E	NNAV 2007E	NNAV 2008E	NNAV 2009E	NNAV 2010E
Risanamento	4.1	-53.0%	8.7	9.0	9.5	11.5
Meinl European Land	9.5	-37.1%	15.0	15.7	16.8	17.4
Deutsche Wohnen	24.1	-33.3%	36.2	33.2	31.5	32.9
Alstria	10.4	-32.7%	15.4	14.0	13.7	13.7
Immofinanz	7.0	-30.2%	10.0	10.7	11.4	12.4
CA Immo	15.5	-29.4%	22.0	21.7	22.5	24.1
conwert	11.5	-27.3%	15.8	17.2	17.8	18.4
Beni Stabili	0.8	-24.7%	1.1	1.1	1.1	1.1
Eurocastle Investment	19.5	-23.6%	25.5	21.6	20.4	21.4
ImmoEast	7.4	-23.3%	9.7	10.3	11.0	12.0
Affine	36.6	-20.7%	46.2	47.6	50.2	53.8
Prologis European Properties	9.7	-20.0%	12.1	12.2	11.0	11.2
Wereldhave	75.8	-17.9%	92.4	93.1	96.3	98.8
SILIC	100.5	-15.8%	119.4	111.7	115.2	123.0
SFL	50.8	-14.4%	59.4	56.2	55.5	58.5
Gecina	116.5	-13.3%	134.4	115.0	118.7	125.1
Fonciere des Murs	23.6	-13.3%	27.2	26.2	28.1	29.9
IGD	2.2	-12.2%	2.5	2.7	2.6	2.7
FDL	18.4	-11.7%	20.8	17.4	18.8	20.2
Foncière Paris France	117.5	-11.0%	132.0	127.8	145.6	157.4
Unibail-Rodamco	156.2	-10.8%	175.1	177.1	185.2	193.9
Citycon	4.0	-10.8%	4.5	4.5	4.6	4.9
GAGFAH	11.5	-10.5%	12.9	11.2	10.5	10.5
VastNed O/I	22.5	-8.6%	24.6	24.6	25.2	26.0
Société de la Tour Eiffel	98.0	-8.1%	106.6	104.6	102.8	106.1
Klépierre	35.3	-6.0%	37.5	39.9	43.4	48.0
DIC Asset	20.7	-4.4%	21.6	22.8	24.0	25.2
Fonciere des Regions	93.3	-4.2%	97.5	99.2	104.3	116.3
Sponda	8.1	-3.5%	8.4	8.7	8.3	8.8
Nieuwe Steen Investments	17.9	-2.9%	18.5	19.5	21.1	22.5
IVG Immobilien	25.8	2.0%	25.3	23.6	24.0	24.7
Cofinimmo	129.7	3.1%	125.8	125.6	122.4	123.0
Corio	59.4	3.3%	57.5	56.2	60.4	64.4
PSP Swiss Property	59.5	4.2%	57.1	57.3	57.4	58.4
Eurocommercial Properties	37.3	5.2%	35.4	36.3	38.2	42.0
Deutsche EuroShop	25.7	6.5%	24.1	23.8	23.8	24.4
Castellum	71.8	7.9%	66.5	67.7	68.4	70.4
Faberge	70.8	9.1%	64.8	64.7	65.0	67.6
Swiss Prime Site	61.7	9.8%	56.2	55.5	55.3	55.5
Pirelli Real Estate	26.5	10.3%	24.0	26.5	28.7	31.3
Vivacon	12.9	12.0%	11.5	12.5	14.3	15.7
Metrovacesa	81.6	13.8%	71.7	80.4	86.2	92.4
Hufvudstaden	63.3	16.3%	54.4	54.8	55.0	57.6
Befimmo	76.6	16.6%	71.9	71.6	71.7	72.6
WDP	45.8	29.2%	35.4	35.7	36.4	39.8
Kaufman & Broad	36.6	37.7%	36.9	36.9	36.9	36.9
GTC	13.1	214.0%	4.2	5.2	8.1	10.4

Source: Kempen & Co estimates



European Property Companies – by average daily turnover

European Property Companies – by average daily turnover		
Company	Average daily turnover (€) (12M)	Average daily turnover (€) (6M)
Unibail-Rodamco	81,405	105,615
IVG Immobilien	23,496	23,849
Meinl European Land	23,385	26,100
Corio	21,051	19,805
ImmoEast	20,607	21,933
Klépierre	19,510	17,849
Immofinanz	18,591	17,080
Wereldhave	16,057	15,958
Metrovacesa	12,720	8,561
Beni Stabili	10,308	5,859
Fabege	10,081	7,657
Fonciere des Regions	9,685	10,151
Gecina	9,123	8,688
Pirelli Real Estate	7,221	7,044
Castellum	7,159	6,953
Eurocastle Investment	5,922	5,669
SILIC	5,212	6,011
Eurocommercial Properties	4,922	5,008
CA Immo	4,670	4,255
GAGFAH	4,371	4,342
PSP Swiss Property	4,357	4,816
GTC	4,286	4,250
conwert	4,177	4,537
Sponda	3,992	3,867
Risanamento	3,807	3,879
Deutsche EuroShop	3,586	4,243
Cofinimmo	3,535	3,784
Kaufman & Broad	3,027	3,180
Citycon	2,843	3,015
Hufvudstaden	2,757	2,554
IGD	2,514	2,337
VastNed O/I	2,105	1,851
DIC Asset	1,968	2,123
Prologis European Properties	1,893	1,940
Nieuwe Steen Investments	1,657	1,518
Société de la Tour Eiffel	1,488	1,518
Befimmo	1,452	1,686
Swiss Prime Site	1,316	1,339
Alstria	922	818
WDP	651	716
Vivacon	300	203
Affine	292	341
Deutsche Wohnen	249	172
Fonciere des Murs	221	363
SFL	210	153
FDL	177	325
Foncière Paris France	156	188

Source: Datastream



European Property Companies – by Free Float

European Property Companies – by Free Float				
Company	Free float	Market Cap (€ million)	Market Cap (€ million)	Free float
Unibail-Rodamco		14,934	14,934	100%
Immofinanz		3,195	3,195	100%
ImmoEast		3,067	6,195	50%
Corio		2,494	3,933	63%
Klépierre		2,431	4,882	50%
IVG Immobilien		2,242	2,994	75%
Metrovacesa		2,000	8,306	24%
Meinl European Land		1,998	1,998	100%
Fonciere des Regions		1,615	2,691	60%
Wereldhave		1,366	1,575	87%
PSP Swiss Property		1,364	1,630	84%
Gecina		1,354	6,986	19%
Cofinimmo		1,236	1,453	85%
GTC		1,216	2,878	42%
Castellum		1,168	1,251	93%
Eurocastle Investment		1,089	1,239	88%
Fabege		1,012	1,344	75%
Beni Stabili		983	1,599	62%
conwert		978	978	100%
Eurocommercial Properties		947	1,315	72%
Prologis European Properties		923	1,832	50%
Befimmo		838	1,000	84%
SILIC		827	1,783	46%
CA Immo		812	902	90%
GAGFAH		744	2,598	29%
Deutsche EuroShop		716	884	81%
Deutsche Wohnen		637	637	100%
Hufvudstaden		619	1,388	45%
Sponda		589	899	66%
Swiss Prime Site		572	959	60%
Citycon		541	885	61%
Nieuwe Steen Investments		532	642	83%
Pirelli Real Estate		515	1,129	46%
VastNed O/I		464	464	100%
Société de la Tour Eiffel		457	507	90%
DIC Asset		378	590	64%
Risanamento		303	1,125	27%
WDP		275	393	70%
Alstria		268	581	46%
IGD		267	673	40%
Vivacon		209	250	84%
Fonciere des Murs		171	982	17%
Kaufman & Broad		167	815	21%
SFL		122	2,186	6%
Affine		102	295	35%
Foncière Paris France		81	212	38%
FDL		79	1,007	8%

Source: Kempen & Co estimates



European Property Companies – by total return performance

European Property Companies – by total return performance	
Company	Total return performance (YTD)
GTC	25.0%
Fonciere des Murs	-0.6%
Eurocommercial Properties	-1.4%
Corio	-4.1%
Befimmo	-7.7%
WDP	-8.2%
Deutsche EuroShop	-8.4%
SFL	-10.0%
Foncière Paris France	-11.0%
SILIC	-11.8%
Hufvudstaden	-12.2%
Cofinimmo	-14.8%
Unibail-Rodamco	-15.6%
PSP Swiss Property	-17.1%
Swiss Prime Site	-18.0%
Citycon	-18.7%
Gecina	-19.7%
Affine	-19.7%
Nieuwe Steen Investments	-19.8%
IVG Immobilien	-20.7%
FDL	-22.3%
Kaufman & Broad	-22.7%
Sponda	-24.5%
VastNed O/I	-24.5%
Castellum	-24.5%
Wereldhave	-24.9%
Fabege	-26.0%
Klépierre	-26.0%
Société de la Tour Eiffel	-28.2%
CA Immo	-29.9%
conwert	-30.1%
ImmoEast	-30.2%
Beni Stabili	-30.9%
DIC Asset	-33.0%
Metrovacesa	-33.3%
Fonciere des Regions	-33.4%
Prologis European Properties	-35.3%
Immofinanz	-35.6%
Alstria	-37.1%
IGD	-41.2%
Pirelli Real Estate	-49.0%
Vivacon	-49.3%
Eurocastle Investment	-49.5%
Risanamento	-50.0%
Deutsche Wohnen	-50.2%
Meinl European Land	-51.4%
GAGFAH	-52.1%

Source: Kempen & Co estimates



Appendix: Valuation methodology

Kempen & Co Equity Fair Value (EFV) analysis

Kempen & Co adopts a fair value analysis in order to carry out a property company valuation. The fair value analysis underpins our price targets and allows us to consistently put individual company valuations in a European perspective.

Kempen & Co Equity Fair Value

Characteristics of model

- Starting point is the NNAV
- The model calculates economic returns
- The model takes into account the specific characteristics of the property sector
- The model takes into account differences in risk profiles and leverage of individual companies
- The model is applied to both property investors and developers
- The model is forward-looking
- The model calculates an absolute fair value

Calculation methodology

The basic concept of the model is quite simple. We calculate the returns the company is expected to generate going forward. If these returns exceed the returns which are perceived as 'fair', we consider the company's fair value to be higher than the NNAV and vice-versa.

The calculation process starts with the calculation of the double net NAV (NNAV), i.e. the gross NAV adjusted to take into account the capital gains tax (CGT) liabilities. We apply a correction of 50% of the CGT as market practice shows that buyer and seller each pay 50% when CGT becomes payable. If we believe there is a marked difference between the NNAV published by the company and our estimate of the open market value NNAV, we adjust the reported NNAV accordingly.

The following step is the calculation of the expected total return on equity over the 2007 – 2010 period. The total return comprises the direct or cash investment result per share plus the revaluation result per share. We again apply a correction of 50% of the CGT. The equity per share (NNAV) at the beginning of the period is the denominator.

The expected return on equity is compared to the costs of equity (see calculation method below). The spread between the total return and the cost of equity multiplied by invested equity (NNAV) is the value the company is expected to create or destroy for the shareholders. The fair value of the company is the present value (PV) of the value created/destroyed over the period 2007 – 2010 plus the NNAV and CGT correction. The values are discounted at the costs of equity.



Example Equity Fair Value

Table 29. Example equity fair value analysis

	2007E	2008E	2009E	2010E
Operating result	5.1	5.2	5.3	5.4
Revaluation result	1.0	0.0	0.0	0.0
50% of capital gains tax	0.3	0.4	0.0	0.0
Total return	6.4	5.6	5.3	5.4
NNAV beginning of year	50.0	51.4	51.6	52.6
Adjustment 50% deferred taxes on NNAV	2.0	2.6	3.4	3.4
Adjusted NNAV	52.0	53.0	55.0	56.0
ROE	12.3%	10.4%	9.6%	9.6%
Cost of equity	9.0%	9.0%	9.0%	9.0%
Difference	3.2%	1.4%	0.6%	0.6%
Value Creation	1.7	0.7	0.4	0.4
NPV of Values (4yrs)	2.7			
NNAV FY06	50.0			
50% of deferred tax liability 2006	2.0			
Fair Value per 31-12	54.7			
Running profit (%)	4.5%			
Running profit (€)	2.5			
Dividend	(5.0)			
Fair Value Today	52.2			
Fair Value +12m	56.9			
External management discount	-0.5			
Fair Value +12m after discount	56.4			
Dividend	(5.0)			
12 month PT	51.4			
Price	50.0			
Upside	2.8%			
Total return	12.8%			

Source: Kempen & Co

Calculation fair value in between periods

As far as interim periods are concerned, the costs of equity should be added to the fair value at the beginning of the period. This means that the fair value as of June 30 in a specific year is the fair value at the beginning of the year plus the cost of equity. The running profits should not be added to the fair value.

Calculation of Cost of Equity

The calculation of a WACC or COE always includes an element of subjectivity and is consequently subject to discussion. In our cost of equity analysis we are as transparent as possible and calculate as many elements as possible on the basis of non-subjective (finance) textbook formulae. We do not use betas to calculate the costs of equity, since betas for property stocks are usually unreliable (low liquidity) and very period sensitive. We employ instead a number of building blocks to calculate the costs of equity. Our methodology is best compared to a multi-factor model.

The starting point of our calculation method is the risk-free interest rate. For this we take the 10-year bond yield i.e. for most valuations a 4.75% base rate. We add a base (unleveraged) risk premium to this for real estate of 2%. In addition the analyst adds an extra risk premium for company specific risk factors (RP), including the quality of the portfolio, development risk, management and corporate governance. The impact of the financing structure on the risk premium can be calculated by a standard formula ($COE = R_f + RP + RP (Debt/Equity)$). The table below shows an example cost of equity calculation.



Table 30. Cost of Equity example

Real estate	
Portfolio quality	0.50%
Strategy	0.00%
Development exposure	0.50%
Management	
Company management	-0.50%
Property management	0.00%
Financing	
Debt level	0.00%
Debt structure	-0.25%
Shareholder structure	0.00%
Liquidity	0.00%
Corporate Governance	
Inside ownership	-0.25%
Transparency	-0.25%
Supervisory board	0.00%
Takeover barriers	0.00%
Total	-0.25%
Base risk (RP)	2.00%
Financing risk (RP (Debt / Equity))	1.75%
Risk free Rate (Rf)	4.75%
Costs of Equity	8.25%

Source: Kempen & Co estimates

Fair value and price target

Once the fair value (today) has been calculated we subtract an external management discount. We finally convert the fair value after discounts to a 12-month price target using the following formula:

$$12 \text{ month price target after discounts} = \text{fair value today} * (1 + \text{cost of equity}) - \text{dividends paid over 12m period}$$

The reason for adding the cost of equity instead of the return on equity to fair value is that the excess return (the difference between the cost of equity and the return on equity) has already been discounted in the fair value.

Rating structure

The ratings are based on the expected total return (including dividends) over the next 12 months as calculated by our equity fair value analysis.

Table 31. Recommendation structure

Rating	Upside/Downside including dividends
Buy	Upside more than 20%
Add	Between 5% upside and 20% upside
Neutral	Between 5% upside and 5% downside
Reduce	Between 5% downside and 20% downside
Sell	Downside more than 20%

Source: Kempen & Co

Standardised Calculation Methodology

In order to make our analyses across Europe more comparable we have, where possible, standardised the calculation methodologies for earnings, cash flows NAVs etc.



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Company mentioned in this report

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Kempen & Co and/or its affiliates is a liquidity provider or acts as designated sponsor or market maker for Eurocommercial Properties, Nieuwe Steen Investments, VastNed O/I and Wereldhave

Recommendation structure

Definitions

Method	Combination of cash flows, NNAVs, relative valuation and our fair value analysis. The Kempen & Co equity fair value analysis calculates the returns the company is expected to generate going forward. If these returns exceed the returns that are perceived as 'fair', we consider the company's fair value to be higher than the NNAV and vice versa.
Sell	Expected negative total return of 20% or more on a 12 month basis.
Reduce	Expected negative total return of 5% or more on a 12 month basis.
Neutral	Expected total return between 5% to -5% on a 12 month basis.
Add	Expected positive total return of 5% or more on a 12 month basis.
Buy	Expected positive total return of 20% or more on a 12 month basis.
Under review	Rating and/or price target are under review in case there is insufficient basis for determining a rating and/or price target.
Not rated	Rating and price target are suspended because of Kempen & Co's engagement in an investment banking transaction and in certain other circumstances.
Price Target	Expected share price in 12 months.

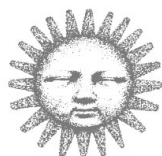
Recommendation distribution

Rating	Count (% of total coverage)	% of investment banking clients
BUY	12 (24%)	0%
ADD	18 (37%)	65%
NEUTRAL	16 (33%)	35%
REDUCE	3 (6%)	0%
SELL	0 (0%)	0%
Total	49 (100%)	100%

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