

Real Estate

Neutral

Double déjà vu

With sovereign risks resurfacing and stocks trading at par with spot NAVs, we find ourselves in 'double déjà vu'. We forecast 12% NAV growth for the next two years (consensus: 4%), giving a discount of 15% to 2012F NNNNAV. We focus on pockets of value that should generate positive absolute performance.

Table 1 : Favourites list

Sector performance

	(1M)	(3M)	(12M)
Absolute	29.5	17.3	151.1
Absolute (%)	2.1	1.2	12.0
Rel market (%)	-0.4	-5.3	3.8

FTSE Eurotop 300 Index: 1144.39
 EPRA: 1406.92
 Source: Bloomberg

Company	Rating	Current price	Target price	Upside	Discount to 2012F NNNNAV	2012F dividend yield
Atrium European RE	Buy	4.39	5.00	14%	-33%	3.6%
Citycon	Buy	3.16	3.50	11%	-27%	4.4%
Corio	Buy	46	52	12%	-15%	6.0%
Eurocommercial Properties	Buy	34	38	13%	-17%	5.7%
Foncière des Régions	Buy	73	86	18%	-21%	6.8%

Priced at close of business 7 January 2011.
 Source: Company data, RBS forecasts

It will take time for NAVs to grow in order to make share prices look cheap

We forecast moderate economic growth in the euro region, albeit RBS house forecasts are generally below those of consensus. Driven by (current) high yield spread of prime yields and financing costs and some early signs of rental growth, we forecast values to grow 6% over the next 30 months, giving NAV growth of 12%, 8% above the Bloomberg consensus. Based on some yield compression and interest rates increasing in 2011, we do not think the yield spread at end-2011 offers a convincing argument for further yield compression. As we see threats to a serious economic recovery from resurfacing sovereign stress, we refrain from a significant above-consensus stance, as we had in early 2010. Share prices are trading at par with spot NAVs, meaning it will take time for NAVs to grow enough to put current share prices below their long-term discount to NAV. We see French and Dutch names as most attractively priced, trading at respective 16% and 17% discounts to their 2012F NNNNAV. We forecast a 9% total return for the property sector in 2011, giving us a neutral stance.

Earnings growth should be significantly below the 2000-07 period

Indicators for earnings growth are positive. Inflation is returning, market vacancy is peaking and early signs of rental growth are there. However, we do not expect LfL rental growth to reach 2004-07 levels anytime soon, and forecast rents growing 1-2% on LfL basis in 2011-12 on average. We forecast EBITDA growth of 3% and 5% in 2011-12 respectively. We expect EBITDA growth to be offset by rising interest costs and only mild earnings growth for the next three years, significantly below that of the average 6% reached in 2000-07.

Bull and bear ideas for 2011

We downgrade Fabège, Hufvudstaden, Silic and Befimmo to Sell, and Unibail-Rodamco and Wereldhave to Hold. We upgrade Foncière des Régions (FdR) to Buy (after downgrading it in September 2010). We see pockets of value with double digit share returns in 2011 via the following strategies: 1) long/short companies that have undergone transformations that have not been reflected in valuations; 2) long/short companies with M&A attention; and, finally, 3) long/short companies where we differ most from consensus. Our favourite list includes FdR (transformation, non-consensus, cheapest stock on PE), Citycon (transformation, M&A, non-consensus), Atrium (M&A), Corio (discount to Unibail), and ECP (high-quality retail play at 17% discount to NAV). We place Fabège, Hufvudstaden and Silic on the risk list. We believe Silic will see earnings fall 4% in 2011, with Bloomberg consensus at 5% earnings growth.

Important disclosures can be found in the Disclosures Appendix.

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RBS real estate coverage universe

Given the strong 2H10 performance of European property stocks, we lower our ratings on six and we upgrade FdR to a Buy again. Our coverage currently spans 24 companies (compared to 22 at the start of 2010). We introduce five new favourites.

Changes to our recommendations and target prices

The next table summarises our coverage universe in terms of our recommendations and target prices. We upgrade our target prices on average by 4%, but due to strong 2H10 performance, we mostly lock in performance on Buy recommendations we've made in 2H10.

Since our May 2010 sector note, we've made six recommendation changes and initiated coverage on Atrium European Real Estate with a Buy recommendation. We now lower our ratings on six names and upgrade FdR to a Buy again (after downgrading it in September 2010, given our below-consensus stance on its recurring EPS and dividend).

Table 2 : RBS Property coverage universe

Company	Bloomberg	Analyst	Cy	Free-Market				Rating			Target price			
				float (%)	cap (€m)	ADV (€m)	Share price	Current	Previous	Chg	Upside to TP	Current	Previous	Chg
Atrium	ATRS AV	J Kuin	€	50	1,310	1.6	4.39	Buy	Buy	=	13.9%	5.0	4.8	4%
Befimmo	BEFB BB	J Kuin	€	85	1,005	1.8	60	Sell	Hold	▼	-10.2%	54	61	-12%
Beni Stabili	BNS IM	JW van Kranenburg	€	43	1,233	2.1	0.64	Buy	Buy	=	13.4%	0.73	0.74	-1%
Castellum	CAST SS	JW van Kranenburg	SKr	89	1,594	5.8	90	Hold	Hold	=	-2.2%	88	80	10%
Citycon	CTY1S FH	JW van Kranenburg	€	60	773	1.5	3.16	Buy	Buy	=	10.8%	3.50	3.20	9%
Cofinimmo	COFB BB	J Kuin	€	91	1,226	3.9	96	Hold	Hold	=	-1.0%	95	100	-5%
Corio	CORA NA	J Kuin	€	63	4,224	20.2	46	Buy	Buy	=	12.0%	52	55	-5%
ECP	ECMPA NA	J Kuin	€	88	1,358	4.3	34	Buy	Buy	=	12.8%	38	34	12%
Fabege	FABG SS	JW van Kranenburg	SKr	81	1,385	5.0	79	Sell	Hold	▼	-12.3%	69	66	5%
Foncière des Régions	FDR FP	JW van Kranenburg	€	59	4,017	8.2	73	Buy	Hold	▲	17.7%	86	82	5%
Hufvudstaden	HUFV SS	JW van Kranenburg	SKr	54	1,726	3.9	78	Sell	Hold	▼	-11.0%	69	58	19%
Icade	ICAD FP	JW van Kranenburg	€	39	3,430	5.6	74	Hold	Hold	=	8.1%	80	78	3%
Klepierre	LI FP	JW van Kranenburg	€	50	5,058	13.7	27	Buy	Buy	=	10.7%	30	29	5%
Mercialys	MERY FP	JW van Kranenburg	€	31	2,548	2.4	28	Hold	Hold	=	6.5%	29.5	27	11%
Norwegian Property	NPRO NO	JW van Kranenburg	NKr	84	652	2.5	10	Hold	Hold	=	-3.8%	10	10.5	-5%
NSI	NISTI NA	J Kuin	€	79	636	0.9	15	Hold	Hold	=	-2.7%	14.3	13.5	6%
PEPR	PEPR NA	J Kuin	€	67	905	1.1	4.75	Buy	Buy	=	13.7%	5.4	5.4	0%
Silic	SIL FP	JW van Kranenburg	€	56	1,587	1.9	92	Sell	Hold	▼	-11.7%	81	95	-15%
Sponda	SDA1V FH	JW van Kranenburg	€	60	1,083	1.9	3.90	Buy	Buy	=	12.8%	4.4	3.2	38%
Unibail-Rodamco	UL FP	JW van Kranenburg	€	97	13,076	81.1	143	Hold	Buy	▼	1.4%	145	150	-3%
Vastned O/I	VNOI NA	J Kuin	€	93	238	0.6	13	Hold	Hold	=	-4.3%	12.1	12.1	0%
Vastned Retail	VASTN NA	J Kuin	€	98	965	3.1	52	Hold	Hold	=	-9.2%	47	47	0%
Wereldhave	WHA NA	J Kuin	€	98	1,522	12	71	Hold	Buy	▼	5.7%	75	78	-4%
Wihlborgs	WIHL SS	JW van Kranenburg	SKr	75	805	2.3	194	Hold	Hold	=	-8.2%	178	150	19%

Source: Company data, RBS forecasts

We downgrade Befimmo to Sell. Befimmo remains one of the most stable office companies in our coverage universe, with a highly predictable income stream. However, through its dominant exposure to Brussels (about 70% of total assets) and static tenant roster, Befimmo is subject to the negative market trends in Brussels, and we expect rents and property values to fall further in 2011 and 2012. The stock trades at a 2012F dividend yield of 6.7% and normalised earnings of 14.7x. Sell from Hold, target price to €54 from €61.

We downgrade Fabege to Sell. We upgraded Fabege (FABG) in July 2010 to Buy based on extraordinary trading activity. Up until December 2010, FABG sold SKr 4bn of property, generating a book gain of SKr0.3bn, or about 7%. We estimate this will add SKr1.84 per share to CF/share in 2010, so we expect Fabege to raise the dividend significantly. Now 10 out of 15 brokers covering Fabege forecast an SKr2.2-2.5 dividend per share (vs RBS's SKr2.5ps estimate). As we believe the dividend increase has been widely flagged by management, we think this is now incorporated in the share valuation. Fabege was the best performing share in 2010

(outperformance of 62%), and is trading at 17.8x earnings and at a 2% discount to 2011F NNAV (assuming 6% value growth), we find the shares expensive. We are 6% below consensus on 2011F EBITDA (we have SKr1.231m vs Bloomberg consensus' SKr1.302m).

We upgrade Foncière des Régions to Buy. In September 2010, we downgraded the stock to Hold, based on our below-consensus stance on both earnings and dividends. Since then, consensus has significantly lowered its expectations on the 2010F dividend by some 9%, and currently only three of 11 brokers covering the stock expect a €5-5.3 dividend (vs our €4.5). In our September report, we offered various reasons why we believe the shares eventually could be worth €80-88, if not more, the most important of which is the deleveraging. Management expects a sub-50% loan-to-value ratio (LTV) in 1H11, down from 53.4% in 1H10. We believe there is a chance management will raise the bar even further after 1H11, as a desired BBB+ bond rating would be more possible with a 45% LTV. Over 2004-07 FdR shares traded on 12.4x earnings. During this period, the average LTV was 55%. We believe a 45-50% LTV should give a 14-15x earnings multiple, giving a fair value of €84-90. On top of this, FdR shares now offer the highest dividend yield in the French space of 6.5% for 2011 (vs the 5.1% we forecast for French stocks in 2011). We upgrade the shares to Buy, with a new target price of €86.

We downgrade Silic to Sell and put it on the risk list. Silic is developing four large buildings, with a total investment value of €298m, or 9% of the company's portfolio. Of these four buildings, only Grande Axe is fully let (€6.7m projected rent). Silic capitalises interest on ongoing developments, a large component in the P&L (of the €24.7m of interest cost in 1H10, €5.4m was capitalised, giving an interest cost of €19.3m in 1H10). As such, when all four developments are completed, which we expect by end 2011, we believe Silic will no longer be able to capitalise interest. Further, we believe Silic will show an earnings drop of 5% in 2011, whereas Bloomberg consensus expects a 4% earnings increase. We flag that Silic needs to spend at least €83m on unfinished developments, and is even contemplating the redevelopment and extension of La Cersaie retail park in Fres (projected investment €65m, according to management). The two together would lift the 1H10 LTV from 40% to 43%, slightly below the most restrictive 45% LTV covenant applying to 20% of Silic's debt. We believe new construction and redevelopment has been the key driver of Silic shares in the past. Now it seems the company's substantial spending since 2007 (€604m invested in the portfolio) could hamper further growth.

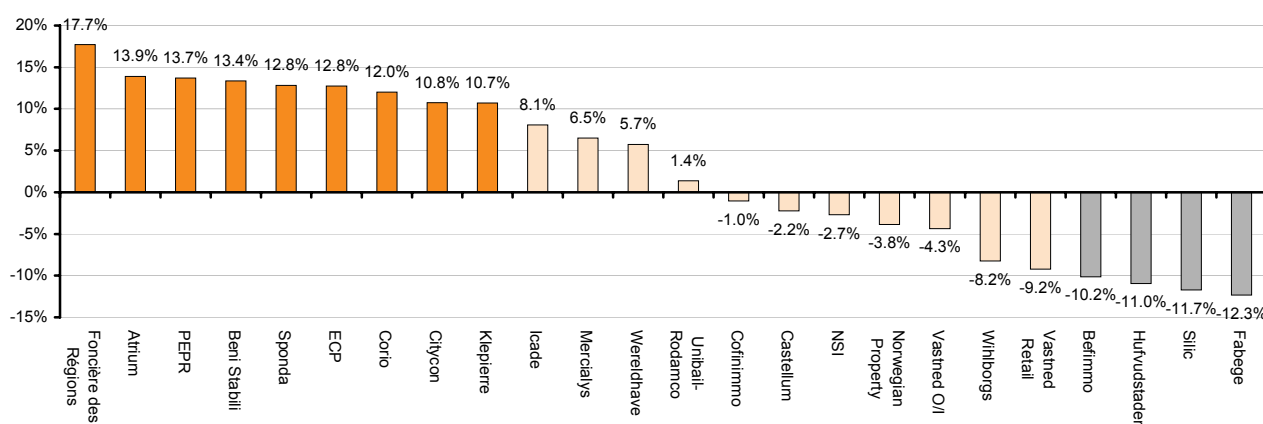
We downgrade Unibail-Rodamco to Hold. Again, Unibail looks to have a strategy different from many other real estate companies, and is pro-actively using the pick up in the investment market to sell its smaller assets. At end 2010, the company sold about €2bn in assets, with another €2.5bn earmarked for disposal in 2H10-2011. Assuming the dividend remains stable at €8 (which it can if the dividend payout is increased), this should boost the 1H10 dividend yield from 5.5% to 6.3%. Still, we believe the likelihood of Unibail growing recurring EPS in 2011 is small, given the large selling volume of assets, plus a €1.8bn extra debt load due to a special dividend. Bloomberg consensus expects a 1% drop in recurring EPS, which we believe is rather aggressive. We calculate that the current share price incorporates 12% value growth for the portfolio, topped only by Hufvudstaden (for which we estimate 13% value growth is implied). Assuming 4-5% LfL rental growth for the malls (may be aggressive), we forecast a 20bp downward yield shift, and arrive at 10% value growth for 2H10-2011. Unibail is the most expensive stock we cover on spot NAV (it is at a premium to NAV of 24% versus -3% for our coverage universe). The shares trade at a 4% premium to 2011F NNAV, hence we downgrade to Hold, with a new target price of €145.

We downgrade Wereldhave to Hold. Wereldhave is continuing its strategy of expanding its portfolio by debt-funded acquisitions while keeping its portfolio diversification intact. The use of the headroom on its balance sheet (about €300m firepower left to a solvency ratio of 55%) should now be priced in, and we believe the portfolio will not outperform the market in terms of organic EPS growth and value-creation potential. We see some management potential that could be extracted from the portfolio, but we believe this has not been the company's key strength. A key upside risk would be the letting of the 20,000 sqm office development in San Antonio. The largest downside risk we see for 2011 is a faster-than-expected rise in interest rates, potentially depressing EPS. The stock is trading within 10% of our new target price so we downgrade to Hold from Buy.

Up- and downside to target prices and valuation multiples

The following table illustrates the potential upside and downside we see for the 25 stocks in our coverage universe.

Chart 1 : Upside and downside for the RBS coverage universe



Priced at close of business 7 January 2011.
Source: Company data, RBS forecasts

The next table provides the valuation multiples that we view as relevant for all stocks in our coverage universe. We calculate net implied yield as annualised net rental income, dividend over projected EVs. The multiple illustrates how the stock market perceives the net yield on the portfolio.

Table 3 : Valuation multiples

	Net implied yield		Normalised PE		Dividend yield		Discount to NNNAV				
	2011F	2012F	2011F	2012F	2011F	2012F	2011F	2012F			
PEPR	8.9%	9.3%	Foncière des Régions	12.2x	11.4x	Vastned Offices	9.0%	8.1%	Beni Stabili	-40%	-42%
Atrium	8.1%	8.7%	PEPR	11.8x	11.4x	NSI	8.0%	8.0%	PEPR	-29%	-35%
Vastned Offices	7.8%	7.7%	Sponda	12.4x	11.5x	Foncière des Régions	6.5%	6.8%	Atrium	-30%	-33%
Sponda	6.5%	7.2%	Wihlborgs	12.4x	12.1x	Cofinimmo	6.8%	6.8%	Citycon	-20%	-27%
Klepierre	6.8%	7.1%	Atrium	14.3x	12.2x	Wereldhave	6.7%	6.8%	Sponda	-18%	-24%
Foncière des Régions	6.7%	7.1%	Vastned Offices	11.1x	12.4x	Vastned Retail	6.7%	6.7%	Norwegian Property	-13%	-24%
Beni Stabili	6.7%	6.9%	Castellum	12.8x	12.4x	Befimmo	6.6%	6.7%	Klepierre	-14%	-22%
Castellum	6.3%	6.7%	NSI	12.4x	12.5x	Corio	5.9%	6.0%	Vastned Offices	-18%	-21%
Norwegian Property	6.4%	6.5%	Silic	14.3x	12.8x	ECP	5.5%	5.7%	Foncière des Régions	-14%	-21%
Universe average	6.3%	6.5%	Wereldhave	13.2x	13.0x	Unibail-Rodamco	5.6%	5.6%	Icade	-17%	-20%
NSI	6.5%	6.5%	Klepierre	13.8x	13.0x	Silic	5.2%	5.4%	ECP	-13%	-17%
Citycon	6.3%	6.5%	Cofinimmo	13.5x	13.4x	Universe average	4.9%	5.0%	Corio	-9%	-15%
Vastned Retail	6.4%	6.4%	Corio	15.3x	13.7x	Icade	4.7%	4.7%	Silic	-11%	-15%
Cofinimmo	6.4%	6.4%	Beni Stabili	14.9x	13.9x	Beni Stabili	4.7%	4.7%	Universe average	-9%	-15%
Wereldhave	6.3%	6.3%	Universe average	15.x	14.4x	Klepierre	4.6%	4.6%	Wereldhave	-9%	-13%
Corio	6.1%	6.3%	Citycon	15.1x	14.5x	Castellum	4.2%	4.4%	Mercialys	-7%	-10%
Silic	5.9%	6.2%	Befimmo	14.9x	14.7x	Citycon	4.4%	4.4%	Fabege	-2%	-8%
Unibail-Rodamco	5.7%	6.0%	Vastned Retail	14.8x	14.9x	Mercialys	4.2%	4.2%	Unibail-Rodamco	4%	-7%
Mercialys	5.8%	6.0%	Unibail-Rodamco	15.9x	15.0x	Wihlborgs	3.7%	3.9%	Vastned Retail	0%	-4%
Icade	5.7%	5.7%	Norwegian Property	15.2x	15.9x	Sponda	3.8%	3.8%	Befimmo	-2%	-2%
Wihlborgs	5.6%	5.6%	Fabege	17.8x	16.9x	Fabege	3.5%	3.8%	Wihlborgs	10%	0%
Hufvudstaden	5.3%	5.6%	ECP	18.1x	17.6x	Atrium	3.2%	3.6%	Cofinimmo	3%	0%
ECP	5.6%	5.6%	Icade	19.9x	18.7x	Hufvudstaden	3.1%	3.4%	Castellum	8%	1%
Fabege	4.8%	5.4%	Mercialys	19.4x	18.8x	Norwegian Property	1.4%	1.4%	NSI	7%	4%
Befimmo	4.9%	4.7%	Hufvudstaden	23.4x	22.5x	PEPR	0.0%	0.0%	Hufvudstaden	9%	5%

Source: Company data, RBS forecasts

New favourites and risk list

Table 4 : Favourites and risk list

Company	Rating	Current price	Target price	Upside /downside	Discount to 2012F NNNNAV	2012F dividend yield
Favourite list						
Atrium European RE	Buy	4.39	5.00	14%	-33%	3.6%
Citycon	Buy	3.16	3.50	11%	-27%	4.4%
Corio	Buy	46	52	12%	-15%	6.0%
Eurocommercial Properties	Buy	34	38	13%	-17%	5.7%
Foncière des Régions	Buy	73	86	18%	-21%	6.8%
Risk list						
Silic	Sell	92	81	-12%	-15%	5.4%
Fabege	Sell	79	69	-12%	-8%	3.8%
Hufvudstaden	Sell	78	69	-11%	5%	3.4%

Source: Company data, RBS forecasts

Favourites

Atrium European Real Estate (Buy, target price €5.0)

We believe Atrium offers a good growth profile for investors. The company combines exposure to mostly higher-growth geographies (Poland, Russia, Turkey) with an almost ungeared balance sheet with a net LTV of 2%. This gives this company a unique growth profile in our coverage universe. Although Atrium is a party in a number of unpredictable court cases, we see no imminent threat that the company will be fined. After its acquisition of the Promenada shopping centre in Warsaw for €171m and the termination of its contracts with Multi announced in December 2010, we believe Atrium has shown it is increasing the speed of its normalisation. The acquisitions will lower the relative management costs and make its balance sheet more efficient. Atrium still has more than €2bn in firepower for acquisitions, taking into account its 50% LTV target. In our view, the main risks still relate to its Hungarian and Romanian exposure (11% of current standing assets) and the c€700m (30% of total balance sheet) in developments (under way and pending). The stock is trading at a 2012F recurring PE of 12.2x and at a discount to NAV of 30%.

Citycon (Buy, target price €3.5)

Citycon had a bad year in 2010, in which we estimate recurring EPS will fall 17%. We believe the change in CEO and the increase in Gazit's grip on the company is likely to be the beginning of a broader management change in the company. We believe there is significant upside in earnings for Citycon in the long run. We estimate 2010 earnings at €44m and that Liljeholmen generates only half its rent potential. This, together with negative one offs, could spur earnings by a €8m-12m. For 2011; we build in €2m organic EBIT growth (vs €2.5m growth in LfL net rents in 2007-08), and €6m earnings growth excluding one offs. This puts us 5% above Bloomberg consensus. In the long run, we believe Citycon could increase its efficiency by lowering admin costs (which we find staggeringly high compared to its peers). We believe our €3.5 target price for Citycon is conservative. The stock is trading at a large discount of 27% to its 2011F NNNNAV (we forecast an NNNNAV of €4.32 per share in 2012). Hence, if management could finally improve the company's earnings profile, we believe Citycon shares could show double-digit share price outperformance.

Corio (Buy, target price €52)

Corio had a highly acquisitive year in 2010 and is integrating the German portfolio it acquired for €1.3bn and that transformed the company's overall portfolio. We believe exposure to the stable German market fits well in Corio's profile and its timing has been excellent as the German economy is now one of the strongest in Europe. Although we do not expect Corio to grow EPS in 2010, we forecast it will grow 3% in 2011. Since mid-October 2010, the company has underperformed its peers Unibail and Klepierre by 10% and 7%, respectively, and we see potential for Corio's shares to catch up on its peers' performance. In terms of balance sheet safety we now rate Unibail and Corio equally as both their LTVs are about 40% and lower than Klepierre's c50%. Compared to Unibail, we believe Corio offers a better reward for investors in terms of discount to NAV, with Corio trading at a 9% discount to 2011F NNNNAV and Unibail at a 4% premium.

Eurocommercial Properties (Buy, target price €38)

Eurocommercial Properties' (ECP's) Swedish exposure (22% of FY10A rents) should continue to benefit its shares given the strong Nordic economy (the Bloomberg consensus is for 2011 Nordic GDP growth of 3.2% vs the EU average of 1.5%). ECP has been open about its potential entry into the Spanish market where, in the long run, it hopes to create a fourth home market with about 20% of its assets. ECP was in the running to buy an asset in Barcelona in 4Q10. The company remains one of the best and most defensively financed pure retail player in the sector, in our view, with an LTV of 43% and average interest maturity of nine years (current rate 4.3%). Given its asset profile, we believe ECP will also benefit from a further value uplift in its shopping-center portfolio. ECP looks well positioned for a market pick-up in valuations and a return to market stress revolving financing. Furthermore we believe a discount to adjusted 2012F NAV of more than 13% provides enough of a cushion for a premium valuation on normalised earnings .

Foncière des Régions (Buy, target price €86)

We upgrade FdR again to Buy after downgrading it in September 2010. We now believe Bloomberg consensus is realistic; since September last year consensus has lowered its expectations for the 2010 dividend by 9%. In our September report, we offered various reasons why we believe the shares should be worth €84-90, the most important of which is deleveraging. Management expects a sub-50% LTV in 1H11, compared to 53.4% in 1H10. With some value uplift and achieved sales, we believe the LTV could be 45-50% by end 2011. In addition, the portfolio has become much more skewed to French offices (45% in 1H10, vs 35% in 2008). Over 2004-07, FdR shares traded on 12.4x earnings. During this period, the average LTV was 55%. We believe a 45-50% LTV should give a 14-15x earnings multiple, resulting in a fair value of €84-90. On top of this, FdR shares now offer the highest dividend yield in The French space; 6.5% on our 2011 estimates (compared to the 5.1% we forecast for French stocks in 2011).

Risk list

Fabege (Sell, target price SKr69)

Fabege's shares have been the top performers in 2010, outperforming the EPRA index by 62.1%. The shares now trade at a 9% premium to 2011F NNNNAV, estimating a 6% value uplift. Historically, this has been an unprecedented value uplift for Fabege. The shares trade on 17.8x earnings for 2011F, which we find particularly demanding, especially given the risk that Fabege is heavily exposed to rising interest rates, with 55% of its debt running on less than one-year interest swaps. We are 6% below Bloomberg consensus 2011F EBITDA.

Hufvudstaden (Sell, target price SKr69)

We are not negative on Hufvudstaden's earnings profile, and are even slightly above consensus on 2011F EBITDA. We forecast earnings growth of 6% in 2011. We estimate the shares trade on 23.4x earnings for 2011 and at a 9% premium on 2011F NNNNAV, which we find expensive. Hufvudstaden shares outperformed the EPRA index by 33% in 2010, while having little leverage (LTV 17% at end 3Q10). We calculate that the share price implies the portfolio will grow 16% in LfL values, the most aggressive valuation in our coverage universe. Hufvudstaden has shown this performance before (value growth 18% in 2006, 15% in 2007). However, in order for the shares to perform, we believe additional positive news is required, and we find this hard to foresee.

Silic (Sell, target price €81)

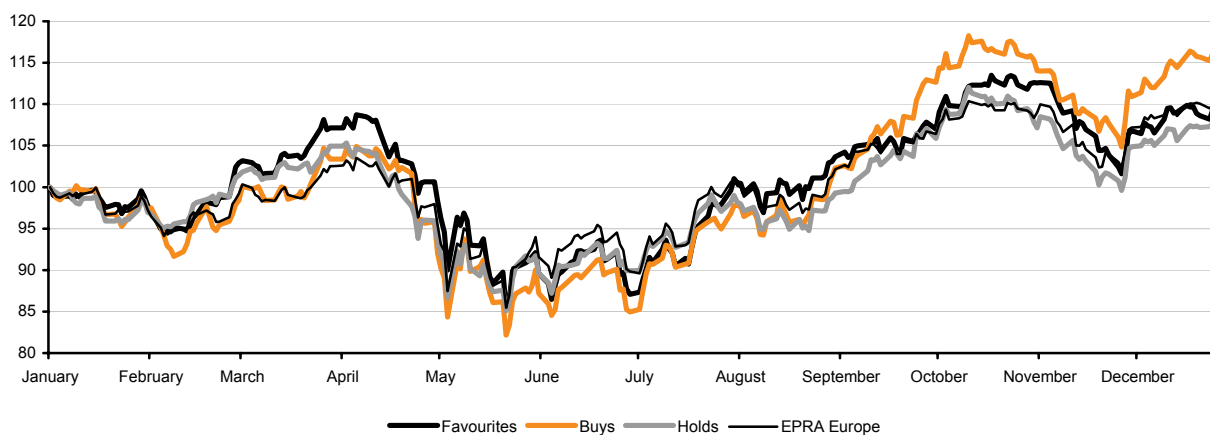
Silic's management has an almost flawless track record, in our view. If it were not for its 44% shareholder, Groupama, we believe Silic would already have been taken over for its development potential. The recession and reduction in letting volume in Paris will hit Silic, in our view. The company is developing 4 large buildings, with investment value of €298m. Of these developments, only Grande Axe is fully let (€7m projected rent). Silic capitalises interest on ongoing developments. When all four developments are completed (we expect by end 2011), interest costs rise significantly whereas rents are less likely to grow as the buildings might be vacant on completion. We believe Silic will show an earnings decline of 5% in 2011, whereas Bloomberg consensus expects a 4% earnings increase. We flag that we expect €83m in capex on unfinished developments, and that the company is even contemplating the redevelopment of the La Cerseie retail park in Fres (management estimates capex of €65m). The two together would lift the 1H10 LTV from 40% to 43%, assuming flat values, slightly below the most restrictive 45% LTV covenant applying to 20% of Silic's debt. New construction has been the key driver of Silic shares in the past, and it now seems the company's large amount of spending since 2007 (€604m invested in the portfolio, vs a portfolio of €2.8bn at end 2006) could hamper its future growth.

Performance of RBS recommendations in 2010

We published two sector reports in 2010, one in January and one in May

In 2010, we published two large sector reports, the first, *'Revival of the fittest'*, on 6 January 2010. In that report, we were bullish on share prices in the first quarter and raised our NAV estimates for our coverage universe by an average of 23%. We were 11% above Bloomberg consensus on 2011F NAV. Our second sector report, *'The fat lady ain't singing'*, was published on 10 May 2010. We reiterated our bullish stance on property shares after the EPRA index had declined 10% (compared to a 5% decline for the MSCI Europe). The sovereign risk crisis was dominating market direction, and the fear was that the Greek debt crisis would spread to Spain, Portugal and the entire financial system. In the report, we largely kept our NAV estimates intact, with some fine-tuning here and there, and recurring EPS estimates for 2010/11 mostly moved in a 1-5% range.

Chart 2 : Performance of our recommendations in 2010



Source: Company data, RBS forecasts

Our Buy portfolio has generated a 13.6% return and our Hold portfolio a 9.2% return versus the EPRA index's 10.4% performance

Our favourites (five set in January and five new ones in May) have performed exactly in line with the EPRA index. Our Buy recommendations that were not favourites performed better, generating a 13.6% share price performance, outstripping the EPRA index by some 3.1%. Since 10 May, we have gradually reduced the number of our Buy recommendations and downgraded five stocks; we upgraded only Fabège on 27 October. On 28 June, we initiated coverage on Atrium European Real Estate with a Buy recommendation. The Hold portfolio has generated 9.2% performance, some 1.3% worse than the EPRA index.

Table 5 : Stocks that had a Buy recommendation in 2010

		Opening price	Closing price	Return	Dates		Opening price	Closing price	Return	Dates	
					Upgrade	Downgrade				Upgrade	Downgrade
Citycon	Buy	2.9									
Corio	Buy	47.7									
ECP	Buy, fav	28.8									
FDR	Buy, fav	64.4									
Icade	Buy	66.8	70.9	6.2%		10 th May					
NPRO	Buy	13.5									
PEPR	Buy	4.3									
Silic	Buy, fav	85.0	85.0	0.0%		10 th May					
Sponda	Buy	2.7									
Wereldhave	Buy, fav	66.7									
Wihlborgs	Buy, fav	132.5	136.3	2.8%		10 th May					
Atrium	Buy										28 th Jun
Beni Stabili	Buy, fav	0.56									10 th May
Castellum	Buy	58.8									10 th May
Citycon	Buy, fav										14 th Jul
Corio	Buy, fav										
ECP	Buy										
Fabège	Buy	49.2	72.2	47%		9 th Jul					27 th Oct
FDR	Buy										14 th Sep
Klepierre	Buy										10 th May
NPRO	Buy										25 th Aug
PEPR	Buy, fav										
Sponda	Buy										
Unibail-Rodamco	Buy, fav										10 th May
Vastned Retail	Buy	38.7	46.3	20%		10 th May					4 th Aug
Wereldhave	Buy										

Source: Company data, RBS forecasts

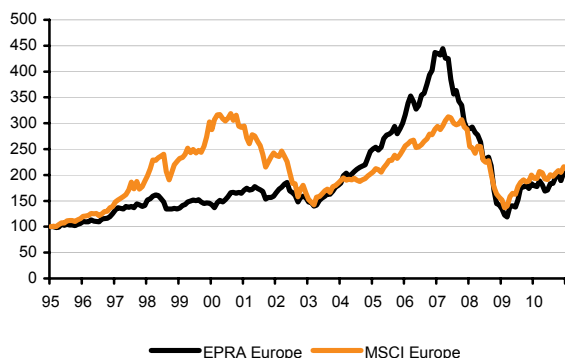
Volatile year, outperformance nonetheless

Property shares ended 2010 having outperformed the MSCI Europe index by 3.6%. From the end of May, property outperformed the MSCI by 11%. The countries that performed best are Sweden, Germany and Finland (driven by Sponda).

Property outperformed the MSCI Europe by 3.6%

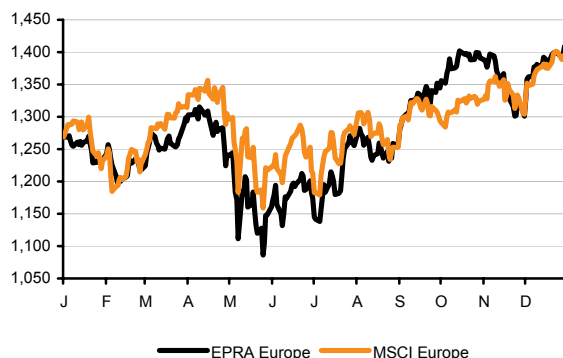
Property continued its second year of outperformance, giving an 11.7% return, outperforming the MSCI Europe by 3.6%. This outstripped our investment case set out in January 2010, when we were bullish on share prices and expected average upside of 8% for stocks under our coverage.

Chart 3 : EPRA Europe vs MSCI Europe, LT performance



Source: Bloomberg

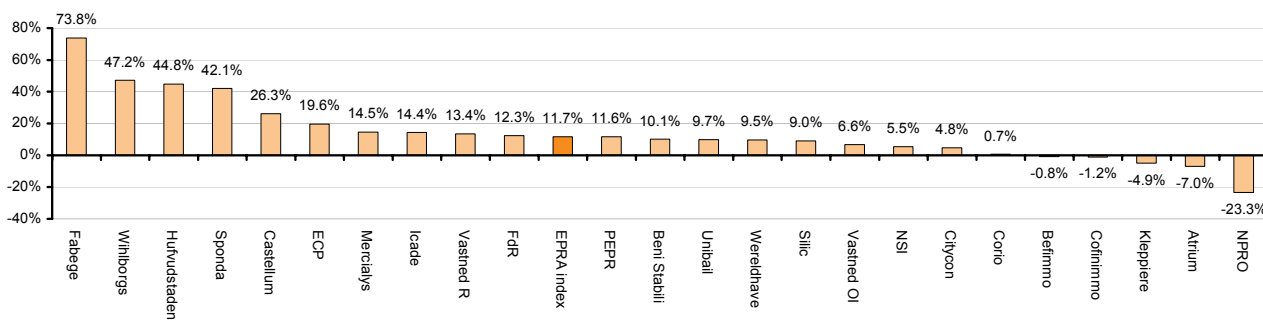
Chart 4 : Performance in 2010



Source: Bloomberg

The next chart illustrates the individual stock performance of companies in our coverage universe (not corrected for dividend payouts). The chart illustrates the widespread performance of individual stocks. It shows that 20 of 25 stocks had a positive share price performance in 2010.

Chart 5 : Share price performance in 2010 of individual stocks under RBS coverage



Source: Company data, RBS forecasts

Table 6 : Country % EPRA performance, 2010

	2010 %	EPRA wght
EPRA UK	4.6%	34.3%
EPRA France	8.2%	29.4%
EPRA NLs	5.9%	10.8%
EPRA Sweden	60.6%	6.1%
EPRA Germany	27.1%	3.6%
EPRA Belgium	1.1%	3.5%
EPRA Finland	27.6%	1.5%
EPRA Italy	-1.2%	0.9%
EPRA Europe	11.7%	

Source: EPRA, Bloomberg

On the back of strong GDP growth in Sweden (September reading 6.8% growth in GDP), Swedish stocks gained 60.6% in 2010. Faberge, Wihlborgs and Hufvudstaden all generated 40%-plus returns, whereas Castellum shares actually underperformed their Swedish peers. Hufvudstaden's performance in particular came as a surprise to us given its low gearing, but high-quality portfolio. Even so, Bloomberg consensus increased its 2011 NAV per share by only 4% throughout the year, not enough to justify the heavy outperformance of the shares, in our view. Sponda did well on the back of the successful closure of its tax case and strong vacancy reduction, and with management making progress in regaining confidence. Eurocommercial Properties was a cheap stock early in 2010 (dividend yield 7% on 2011 estimates), and benefited from its 23% portfolio exposure to Sweden. Negative eye-catchers were EPRA UK (underperforming 7.1% in 2010), EPRA Belgium and EPRA Italy (these include only a few companies so cannot really be regarded as an index). NPRO was the worst stock in our universe but not for a bad reason; it sold its hotel business at a substantial discount to book value and disappointed on the fair value result of its offices. Consensus lowered its 2011F NAV by 32% throughout 2010, an amount that we find staggering, but completely deserved.

What we believe is now priced in looking at current share prices

Table 15 : Analysis of what is priced in at current share prices, versus last reported company data

Local currency	Spot per share				Share price	Prem/disc per share (a)	Premium/discount	N of shares (m) (b)	Value growth/decline priced in		
	NAV	NNAV	Earnings for rest of 2010	Adjusted NNAV					Size of group portfolio (m)	Local currency, (m) (a x b)	%
The Netherlands											
Atrium	5.9	6.0		6.0	4.4	-1.6	-27%	373	2,235	-597	-27%
Corio	44.6	47.3	0.7	48.0	46.4	-1.6	-3.3%	91	7,217	-144	-2%
ECP	29.1	33.2	0.5	33.7	33.7	0.0	0%	40.8	2,398	2	0%
NSI	13.3	14.2		14.2	14.7	0.5	3%	43	1,326	21	2%
PEPR	6.0	6.3	0.1	6.4	4.7	-1.7	-26%	191	2,838	-317	-11%
Vastned Offices	16.4	16.4	0.3	16.7	12.7	-4.0	-24%	19	1,022	-76	-7%
Vastned Retail	50.6	51.3	0.9	52.1	51.8	-0.4	-1%	19	1,945	-7	0%
Wereldhave	73.6	75.2	1.3	76.4	70.9	-5.5	-7%	21	2,834	-117	-4%
France											
Foncière des Régions	60.5	73.2	2.9	76.1	73.1	-3.1	-4%	55	9,371	-170	-2%
Icade	78.6	80.3	1.7	82.0	74.0	-8.0	-10%	51	6,103	-410	-7%
Klepierre	23.9	26.0	1.0	27.0	27.1	0.1	0%	187	12,054	23	0%
Mercialys	25.6	25.6	0.7	26.3	27.7	1.4	5%	92	2,368	129	5%
Silic	96.3	96.3	3.4	99.6	91.8	-7.9	-8%	17	3,333	-136	-4%
Unibail-Rodamco	105.4	111.0	4.5	115.5	143.0	27.5	24%	91	21,237	2,512	12%
Belgium											
Befimmo	61.7	60.3	4.1	64.4	59.9	-4.5	-7%	17	1,885	-76	-4%
Cofinimmo	92.0	95.6	1.8	97.4	96.0	-1.4	-1%	13	3,006	-18	-1%
Nordics											
Castellum	61.9	77.6	1.6	79.2	90.0	10.8	14%	164	30,286	1,771	6%
Citycon	3.4	3.4	0.0	3.4	3.2	-0.3	-7%	245	2,185	-61	-3%
Fabege	65.5	66.9	1.8	68.7	78.7	10.0	15%	163	28,085	1,635	6%
Hufvudstaden	51.4	65.0	0.8	65.8	77.5	11.7	18%	206	18,224	2,422	13%
Norwegian Property	9.3	9.9	0.2	10.2	10.4	0.2	2%	499	15,046	107	1%
Sponda	3.6	4.3	0.1	4.3	3.9	-0.4	-10%	278	2,796	-123	-4%
Wihlborgs	126.5	145.8	3.6	149.5	194.0	44.5	30%	38	15,146	1,712	11%
Italy											
Beni Stabili	1.0	1.0	0.0	1.0	0.6	-0.4	-37%	1915	4,221	-732	-17%
Average											
Total coverage universe							-2.6%				-1.6%
Total universe, minus "funny stocks**"							2.6%				1.3%

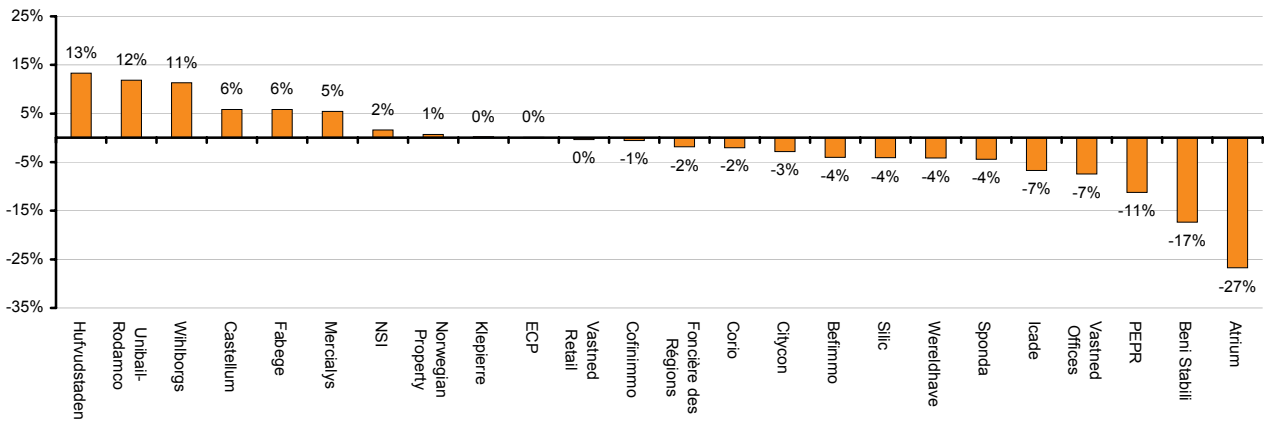
* We exclude Atrium, PEPR, VastNed Offices and Beni Stabili as these stocks trade at a discount for a reason (eg, low-quality portfolio, poor earnings track record). This would distort the average for the normal market. Priced at close of business 7 January.
Source: Company data, RBS forecasts

Given the strong performance of the EPRA index over recent months, we have cross checked what is currently incorporated in share prices. We take the last reported NNAV (in France the 1H10 NAV), and add our projected earnings for 2H10/4Q10 as NAVs should automatically grow by this amount at year end. We deduct from this amount any dividends paid in 2H10/4Q10. We arrive at our so-called 'adjusted NNAV', which in essence gives the NAVs incorporating no further value increases/declines at year end from now. Using the share prices at COB 7 January, we can calculate how much value change the share prices incorporate, multiplying the premium by the outstanding shares at year end. If we divide this amount by the last reported group portfolio, we can calculate how much unlevered value change is incorporated in share prices.

We find that, on average, our coverage universe trades at a 2.6% discount to spot NNAV, which, excluding gearing, means an unlevered decrease in values of 1.6%. However, our universe includes a number of 'odd' stocks that consistently trade on a discount for a number of reasons (poor management, low-quality portfolio, high overhead costs, poor earnings track record etc). We exclude these stocks from our calculation as we believe these numbers don't provide a fair representation of what is currently being incorporated in share prices. Excluding the 'odd stocks', we calculate that share prices incorporate an unlevered increase in values of 3%. To include a margin of error, we believe European property stocks now incorporate a -1% / +3% value change versus 1H10.

The next chart gives a clear overview of how much value increase or decrease is now priced in. Bear in mind, this is the result of a simple calculation and excludes the 'odd' factors of low-quality portfolios, mismanagement, poor earnings quality and poor financing structure.

Chart 35 : Value growth/decline priced in at current share prices per company, RBS estimates



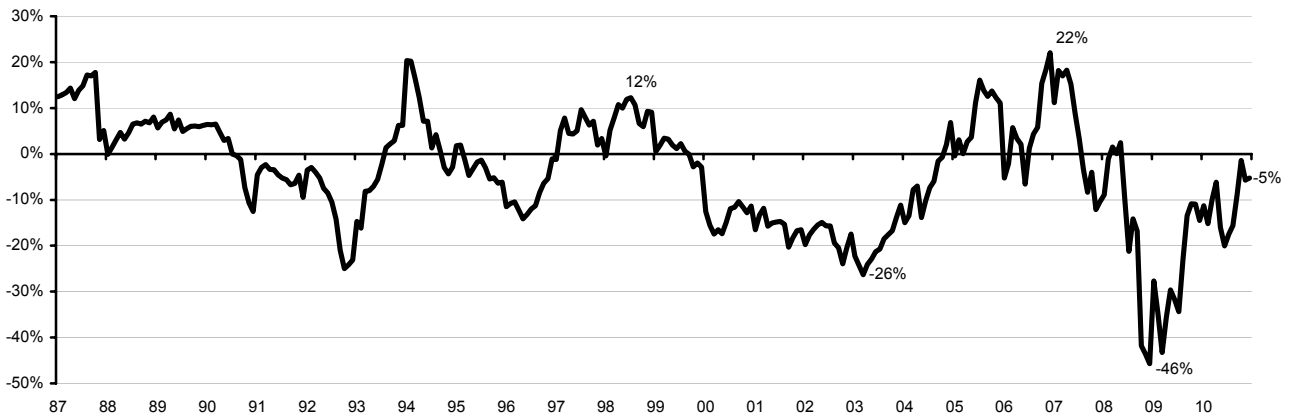
Source: Company data, RBS estimates

We still see scope for multiple expansion, and any increase in consensus estimates should also drive share prices

The following chart illustrates the historical discount or premium to NNNNAV to one-year-forward-looking NNNNAV per share. Its an interesting chart, showing that there has been a large discrepancy in NAV multiples, with the discounting bottoming out at 26% in mid 2003 and rising to a premium of 22% at end 2006. We saw an historically large discount at end 2009 of 46%. It may be a bit boring, but the stocks are trading almost on a par with our expected 2010F NNNNAV.

We flag that we see some room for multiple expansion based on the historical trading range, however, more fundamentally, we believe real estate stocks should trade on a par with their expected NAVs, or even at a small discount due to the inclusion of many 'odd' stocks that suffer from mismanagement, low-quality properties and poor financing structures.

Chart 36 : Historical (discount)/premium to one-year-forward NNNNAV

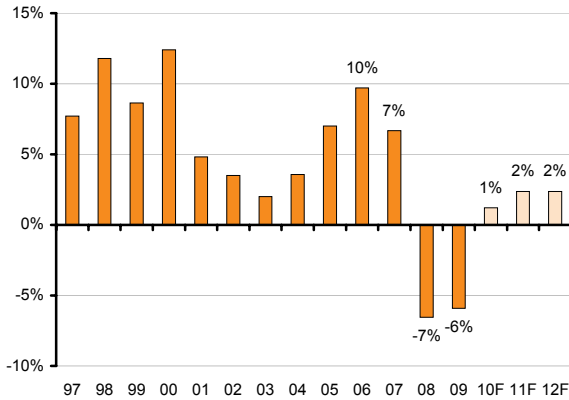


Source: Company data, Datastream, RBS estimates

Now to our estimates for the whole of our coverage universe. Earlier in this report we laid out a thesis that we still see a positive yield spread that is near historical highs but, based on increasing SWAP rates in 2011, we believe there is room for only a 20-30bp yield spread. Also, in 2011 we believe there will be little rental growth, the primary driver for value growth, in our view.

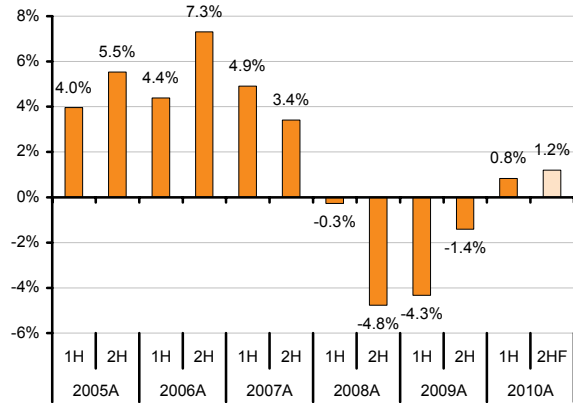
This leads us to believe that the 2.1% value growth in 2010 will be topped in 2011 and 2012, so we forecast our total coverage universe values will grow 6% over the next two years. See Chart 37 for an illustration of how our forecasts for the next two years compare to the historical performance of companies under coverage.

Chart 37 : LfL value change for our universe since 1997



Source: Company data, RBS estimates

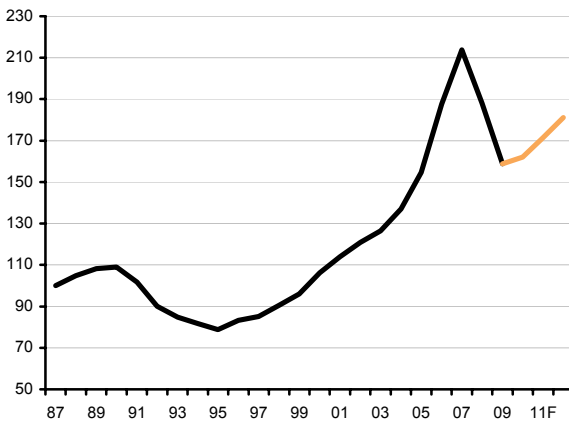
Chart 38 : LfL value change per six months since 2005



Source: Company data, RBS estimates

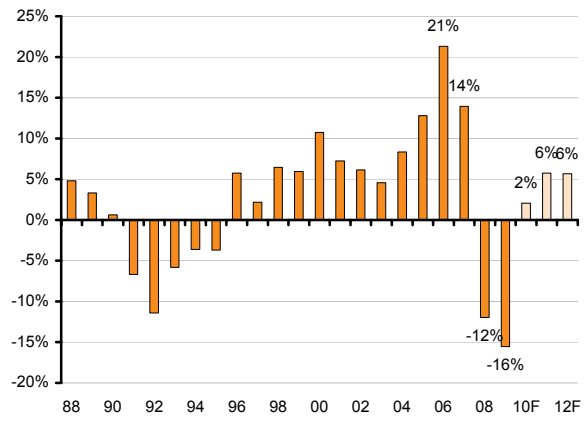
LfL value growth feeds into NAV growth, which is amplified by the individual gearing of companies under our coverage (the average LTV was 48% at end 1H10, and the equity ratio was 44%). As such, we have pencilled in NAVs growing a cumulative 11% in 2012F versus our 2010F NNNNAV. The charts below show how our forecasts compare to the historical performance of our coverage universe.

Chart 39 : Continental European NAV index *plus* forecasts



Source: Company data, RBS estimates

Chart 40 : Continental European NAV growth *plus* forecasts



Source: Company data, RBS estimates

Table 16 is the most important table in our macro view, in our view. Looking at share prices, we calculate that they incorporate -1% to 3% value growth. We have 6% value growth in our estimates, whereas consensus is more negative, expecting 2% value growth for the companies that we cover.

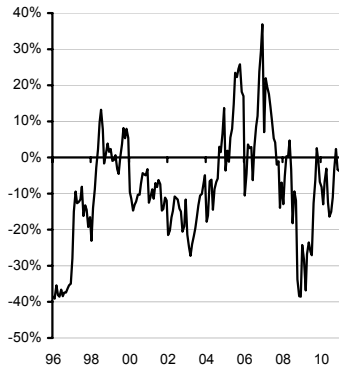
Table 16 : What is priced in by the market, what we expect and what consensus expects in terms of value growth and NAV growth

	Value growth	NAV growth
What is priced in by share prices	-1%/+3%	3.7%
What we expect, RBS	5.7%	12.0%
What consensus expects	2%	4.3%

Source: Company data, RBS forecasts

The following charts illustrate the multiples to NAV split of the different geographical regions. They show that the NAV valuation differs significantly if you look at the different regions, with French companies showing a high premium in 2007, Dutch companies trading closer to their NAVs and Swedish companies trading on a high discount to NAV over 1999-2004.

Chart 41 : (Disc)/prem to one-year-forward-looking NNAV for French property companies



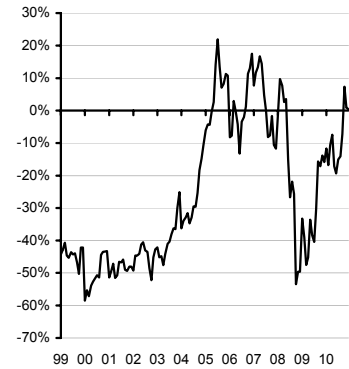
Source: Company data, Datastream, RBS estimates

Chart 42 : (Disc)/prem to one-year-forward-looking NNAV for Dutch property companies



Source: Company data, Datastream, RBS estimates

Chart 43 : (Disc)/prem to one-year-forward-looking NNAV for Swedish property companies



Source: Company data, Datastream, RBS estimates

We've used this information to determine how share prices trade versus our 2011F/12F NNAV, and to compare this with historical valuations. We believe the 2003-06 multiple is the most relevant. If we look at our 2012F NNAV (incorporating the full 5% value growth we discussed earlier), we find the shares of the companies under our coverage trade on average some 12% below their 2003-06 valuation. French stocks in particular look the most compelling on this measure.

Table 17 : Property shares (historical) valuation versus NAV

	Netherlands	Belgium	France	Nordics	Average
Discount to spot NNAV	0%	-7%	-7%	-3%	-3%
Discount to 2011F NNAV	-13%	0%	-10%	-3%	-9%
Discount to 2012F NNAV	-17%	-2%	-16%	-11%	-15%
2003-2006 multiple	0%	12%	0%	-15%	-3%
peak multiple	20%	35%	37%	22%	22%
average multiple	-2%	2%	-8%	-25%	-4%
Discount of share prices vs 2003-06 multiple	-17%	-13%	-16%	5%	-12%
Discount of share prices vs peak multiple	-31%	-27%	-39%	-27%	-30%
Discount of share prices vs avg multiple	-15%	-4%	-9%	20%	-11%

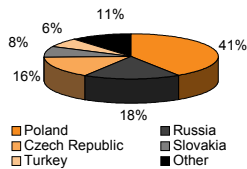
Source: Company data, RBS forecasts

Company investment profiles

Here we summarise our investment cases for each of the companies in our universe.

Atrium (maintain Buy, TP €5.0)

Table 20 : Atrium



Multiples	2011F	2012F
Dividend yield	3.2%	3.6%
Normalised PE	14.3x	12.2x
Discount to NNNAV	-30%	-33%
Net implied yield	8.1%	8.7%

Source: Company data, RBS forecasts

Investment case: After the acquisition of the Promenada shopping centre in Warsaw for €171m and termination of the contracts with Multi announced in December 2010, we believe Atrium has shown to be increasing the speed of normalisation. The acquisitions will lower management costs and make its balance sheet more efficient. Atrium still has over €2bn in firepower for acquisitions, taking into account a 50% LTV target. We pencil in a total of €500m in acquisitions in 2011. If the company is able to attract unsecured debt, it could also engage in corporate M&A transactions. Main risks still relate to its Hungarian and Romanian exposure (11% of standing assets) and the c€700m (30% of total balance sheet) in developments of which the real value is unproven.

Valuation: The stock is trading at a 2012F recurring P/E of 12.2x and discount to NAV of 30%. We value Atrium based on peer group multiples (BNS, PEPR, Citycon, ECP, VNR) and PVS-based valuation. On 2011F peer group multiples, the implied price for Atrium would be €4.80 and our PVS model suggests a €5.20 value. Our target price is set at €5.00.

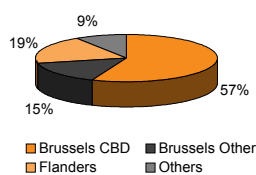
Table 21 : Earnings forecast for Atrium

	2010F			2011F			2012F		
	New	Old	Diff	New	Old	Diff	New	Old	Diff
Net rental income (€m)	133	133	+0.2%	162	168	-4.1%	178	186	-4.2%
Recurring EBITDA (€m)	100	101	-0.7%	133	140	-4.7%	152	161	-5.2%
Recurring earnings (€m)	84.8	85.2	-0.4%	115	123	-6.5%	134	143	-6.0%
Recurring earnings per share (€)	0.23	0.23	-0.4%	0.31	0.33	-6.5%	0.36	0.38	-6.0%
NAV per share (€)	5.85	5.85	-0.0%	6.09	6.11	-0.4%	6.43	6.47	-0.7%
NNNAV per share (€)	5.99	6.00	-0.0%	6.24	6.26	-0.4%	6.57	6.62	-0.7%
Dividend per share (€)	0.12	0.12	+0.0%	0.14	0.14	-0.0%	0.16	0.16	+0.0%

Source: RBS forecasts

Befimmo (downgrade to Sell from Hold, TP €54)

Table 22 : Befimmo



Multiples	2011F	2012F
Dividend yield	6.6%	6.7%
Normalised PE	14.9x	14.7x
Discount to NNNAV	0%	0%
Net implied yield	4.9%	4.7%

Source: Company data, RBS forecasts

Investment case: Befimmo remains one of the most stable office companies in our coverage universe, with a very predictable income stream. Befimmo's tenant base consists of 65% government-related tenants (Belgian governments, European Union and other public institutions) and its lease contracts have an average duration of 9.1 years. Through its dominant exposure to Brussels (about 70% of total assets) and static tenant roster, Befimmo is subject to the negative market trends in Brussels, and we expect rents and property values to fall further in 2011 and 2012. Official market vacancy of c13%, (with 25% of vacancy occurring in building less than five years old according to DTZ) will likely take years to be absorbed by the market. On the other hand, BEFB enjoys a healthy balance sheet, with its LTV of 41%. It could execute c€400m in acquisitions (to reach an LTV of 50%), if any attractive options were to arise in its home market.

Valuation: The stock trades at a 2012F dividend yield of 6.7% and normalised PE of 14.7x. We prefer Cofinimmo due to its more diversified Belgian exposure. Sell from Hold, TP at €54.

Table 23 : Earnings forecast for Befimmo

	2010F			2011F			2012F		
	New	Old	Diff	New	Old	Diff	New	Old	Diff
Net rental income (€m)	116	119	-2.5%	112	122	-7.7%	112	n/a	n/a
Recurring EBITDA (€m)	99.5	112	-11.1%	100	115	-13.2%	103	n/a	n/a
Recurring earnings (€m)	69.1	79.3	-12.9%	67.4	80.5	-16.3%	68.4	n/a	n/a
Recurring earnings per share (€)	4.12	4.72	-12.9%	4.01	4.79	-16.3%	4.07	n/a	n/a
NAV per share (€)	61.7	62.4	-1.2%	61.2	64.4	-5.0%	61.4	n/a	n/a
NNNAV per share (€)	60.3	62.4	-3.4%	59.8	64.4	-7.2%	60.0	n/a	n/a
Dividend per share (€)	3.94	3.94	-0.0%	3.98	3.98	-0.0%	4.02	n/a	n/a

Source: RBS forecasts

Appendix

PVS valuation table

Table 68 : PVS valuation methodology

	Operating return	Capital return	ROCE	WACC	PVS NPV of spread	NPV of PVS	Latest reported NNAV	Fair value PVS	Other adjustments	TP	Upside to fair value	Stock price
Atrium	5.3%	1.8%	7.1%	9.9%	-2.8%	-0.8	6.0	5.2	-0.25	5.0	14%	4.4
Befimmo	4.8%	-0.8%	4.0%	5.9%	-1.8%	-6.5	60.3	53.8		54	-10%	60
Beni Stabili	4.5%	1.3%	5.8%	8.7%	-2.9%	-0.2	1.0	0.9	-0.12	0.73	13%	0.64
Castellum	6.8%	1.8%	8.6%	6.5%	2.1%	10.6	77.6	88.1		88	-2%	90
Citycon	4.7%	7.4%	12.1%	7.0%	5.1%	0.13	3.37	3.5		3.5	11%	3.2
Cofinimmo	5.3%	-0.1%	5.2%	6.0%	-0.8%	-0.9	95.6	94.7		95	-1%	96
Corio	5.4%	2.7%	8.2%	6.8%	1.4%	4.4	47.3	52		52	12%	46
Eurocommercial Properties	3.1%	1.4%	4.5%	6.3%	-1.8%	3.3	34.7	38.0		38	13%	34
Fabege	4.8%	3.4%	8.1%	6.7%	1.4%	6.9	66.9	73.8	-5.0	69	-12%	79
Foncière des Régions	6.6%	2.6%	9.3%	6.8%	2.4%	13.0	73.2	86.2		86	18%	73
Hufvudstaden	5.6%	4.2%	9.8%	6.5%	3.3%	4.0	65.0	69.0		69	-11%	78
Icade	4.6%	0.8%	5.5%	7.7%	-2.2%	-6.9	86.6	79.7		80	8%	74
Klepierre	5.5%	2.0%	7.6%	6.0%	1.5%	4.0	26.0	30.0		30.0	11%	27
Mercialys	5.2%	4.4%	9.6%	6.2%	3.4%	3.2	26.3	29.5		29.5	6%	28
Norwegian Property	6.6%	1.5%	8.1%	8.1%	-0.1%	0.0	9.9	10.0		10	-4%	10
NSI	6.6%	-1.0%	5.6%	7.3%	-1.7%	-0.1	14.4	14.3		14.3	-3%	15
PEPR	6.7%	0.9%	7.5%	0.0%	7.5%	-1.0	6.3	5.4		5.4	14%	4.7
Silic	4.8%	0.6%	5.4%	7.9%	-2.5%	-15.2	96.1	81.0		81	-12%	92
Sponda	5.6%	1.7%	7.3%	7.3%	0.0%	0.1	4.3	4.4		4.4	13%	3.9
Unibail-Rodamco	5.4%	6.4%	11.8%	6.1%	5.6%	34.0	111.0	145.0		145	1%	143
Vastned Offices	5.5%	0.7%	6.3%	9.1%	-2.8%	-4.3	16.4	12.1		12.1	-4%	13
Vastned Retail	5.7%	1.1%	6.7%	0.0%	6.7%	-3.5	50.9	47.4		47	-9%	52
Wereldhave	5.2%	1.2%	6.5%	7.1%	-0.6%	1.6	73.6	75.2		75	6%	71
Wihlborgs	6.3%	2.6%	8.9%	6.2%	2.6%	32.3	145.8	178.1		178	-8%	194

Priced at close of business 7 January 2010
Source: Company data, RBS forecasts

Detailed company forecast and changes to our forecast

Table 69 : Net rental income and EBITDA 2009 actual and 2010-12 forecasts (local currency)

	Net rental income											EBITDA												
	2009A		2010F			2011F			2012F			CAGR 2009-12F	2009A		2010F			2011F			2012F			CAGR 2009-12F
	Old	New	Diff	Old	New	Diff	Old	New	Diff	Old	New		Diff	Old	New	Diff	Old	New	Diff	Old	New	Diff		
Atrium	121	133	133	0%	168	162	-4%	186	178	-4%	13.6%	91.9	101	100	-1%	140	133	-5%	161	152	-5%	18.4%		
Befimmo	114	119	116	-3%	122	112	-8%	n/a	112	n/a	-0.5%	112.2	112	99	-11%	115	100	-13%	n/a	103	n/a	-2.9%		
Beni Stabili	199	203	202	0%	214	213	0%	224	223	0%	3.9%	188.7	192	191	0%	204	203	0%	214	213	0%	4.2%		
Castellum	1,752	1,795	1,793	0%	1,870	1,904	2%	1,936	1,985	3%	4.2%	1,671	1,713	1,712	0%	1,786	1,817	2%	1,846	1,892	2%	4.2%		
Citycon	126	128	127	-1%	140	135	-3%	145	138	-5%	3.1%	108	112	107	-4%	119	116	-2%	124	119	-4%	3.5%		
Cofinimmo	192	186	186	0%	180	182	1%	183	186	2%	-0.9%	185	179	180	1%	174	176	1%	177	180	2%	-0.9%		
Corio	337	388	387	0%	436	434	0%	499	494	-1%	13.6%	310	361	360	0%	407	403	-1%	464	458	-1%	13.8%		
Eurocommercial Properties	114	129	129	-1%	133	131	-1%	n/a	136	n/a	5.8%	112	120	120	0%	123	122	-1%	n/a	126	n/a	4.0%		
Fabege	1,465	1,352	1,364	1%	1,350	1,285	-5%	1,531	1,425	-7%	-0.9%	1,402	1,291	1,302	1%	1,302	1,231	-5%	1,476	1,365	-8%	-0.9%		
Foncière des Régions	538	529	527	0%	530	512	-3%	547	540	-1%	0.1%	541	477	475	0%	485	466	-4%	501	492	-2%	-3.1%		
Hufvudstaden	944	923	936	1%	936	999	7%	962	1,050	9%	3.6%	915	895	906	1%	908	969	7%	933	1,018	9%	3.6%		
Icade	0	414	426	3%	414	414	0%	414	412	-1%	n/a	302	322	292	-9%	350	310	-11%	357	323	-10%	2.3%		
Klepierre	797	820	823	0%	851	845	-1%	896	889	-1%	3.7%	763	780	783	0%	813	807	-1%	856	849	-1%	3.6%		
Mercialys	126	137	139	1%	151	146	-3%	159	151	-5%	6.2%	115	125	128	2%	137	133	-3%	144	137	-5%	5.9%		
Norwegian Property	1,621	1,487	1,463	-2%	1,002	970	-3%	1,045	998	-5%	-14.9%	1,455	1,370	1,352	-1%	937	908	-3%	978	934	-5%	-13.7%		
NSI	89.6	88.3	88.2	0%	88.5	89.0	1%	90	89.7	-1%	0.0%	86.3	85.3	85.1	0%	85.5	85.9	0%	87	86.5	-1%	0.1%		
PEPR	239	218	219	0%	210	207	-1%	212	208	-2%	-4.6%	225	208	208	0%	199	196	-1%	202	198	-2%	-4.3%		
Silic	161	164	166	1%	170	168	-1%	178	188	6%	5.3%	151	154	157	2%	162	161	-1%	169	179	6%	5.8%		
Sponda	176	175	171	-2%	181	177	-2%	189	192	1%	2.9%	152	153	149	-3%	156	155	-1%	163	169	4%	3.8%		
Unibail-Rodamco	1,257	1,285	1,278	-1%	1,385	1,378	0%	1,500	1,493	0%	5.9%	1,194	1,242	1,189	-4%	1,312	1,208	-8%	1,418	1,276	-10%	2.2%		
Vastned Offices	71.7	65.5	66.6	2%	63.5	63.7	0%	64	64.1	0%	-3.7%	66.2	61.3	62.2	2%	58.0	58.1	0%	58	58.3	0%	-4.1%		
Vastned Retail	116	111	111	0%	109	113	3%	109	114	5%	-0.5%	109	104	104	0%	102	106	3%	102	107	5%	-0.6%		
Wereldhave	143	159	162	2%	181	176	-3%	188	186	-1%	9.2%	131	147	147	0%	164	160	-2%	171	169	-1%	8.9%		
Wihlborgs	888	912	918	1%	945	991	5%	979	1,023	4%	4.8%	856	881	885	0%	906	955	5%	936	986	5%	4.8%		
Average per region																								
the Netherlands				0.4%			-0.7%			-0.5%	4.2%				0.0%			-0.9%			-0.8%	4.5%		
Belgium				-1.2%			-3.4%			1.6%	-0.7%				-5.2%			-6.1%			1.7%	-1.9%		
France				0.8%			-1.4%			-0.4%	4.3%				-0.1%			-3.3%			-2.4%	2.8%		
Nordics				0.7%			2.1%			2.3%	2.9%				0.6%			2.1%			2.4%	2.9%		
Italy				-0.5%			-0.5%			-0.5%	3.9%				-0.5%			-0.4%			-0.4%	4.2%		
Total				0.1%			-0.9%			-0.2%	2.6%				-1.1%			-1.9%			-0.9%	2.4%		

Source: Company data, RBS forecasts

Table 70 : Recurring EPS and dividend per share 2009 actual and 2010-12 forecasts (local currency)

	Recurring EPS											Dividend per share												
	2009A		2010F			2011F			2012F			CAGR	2009A		2010F			2011F			2012F			CAGR
	Old	New	Diff	Old	New	Diff	Old	New	Diff	2009-12F	Old	New	Diff	Old	New	Diff	Old	New	Diff	Old	New	Diff	2009-12F	
Atrium	0.23	0.23	0.23	0%	0.33	0.31	-6%	0.38	0.36	-6%	15.7%	0.03	0.12	0.12	0%	0.14	0.14	0%	0.16	0.16	0%	74.7%		
Befimmo	5.09	4.72	4.12	-13%	4.79	4.01	-16%	n/a	4.07	n/a	-7.1%	3.90	3.94	3.94	0%	3.98	3.98	0%	n/a	4.02	n/a	1.0%		
Beni Stabili	0.029	0.03	0.028	-1%	0.05	0.043	-6%	0.05	0.046	-6%	17.3%	0.015	0.02	0.020	0%	0.03	0.030	0%	0.03	0.030	0%	26.0%		
Castellum	6.83	6.84	6.86	0%	6.94	7.02	1%	7.11	7.24	2%	2.0%	3.50	3.60	3.60	0%	3.80	3.80	0%	4.00	4.00	0%	4.6%		
Citycon	0.23	0.22	0.19	-11%	0.24	0.21	-11%	0.25	0.22	-12%	-2.0%	0.14	0.14	0.14	0%	0.14	0.14	0%	0.14	0.14	0%	0.0%		
Cofinimmo	7.47	7.55	7.55	0%	7.28	7.10	-2%	7.15	7.15	0%	-1.5%	6.50	6.50	6.50	0%	6.50	6.50	0%	6.50	6.50	0%	0.0%		
Corio	3.02	2.97	2.94	-1%	3.12	3.03	-3%	3.37	3.38	0%	3.8%	2.65	2.70	2.69	0%	2.75	2.73	-1%	2.80	2.80	0%	1.9%		
Eurocommercial Properties	1.82	1.88	1.83	-3%	1.95	1.86	-5%	n/a	1.91	n/a	1.7%	1.82	1.88	1.83	-3%	1.95	1.86	-5%	n/a	1.91	n/a	1.7%		
Fabege	4.50	4.71	4.77	1%	4.34	4.42	2%	4.92	4.65	-5%	1.1%	2.00	2.50	2.50	0%	2.75	2.75	0%	3.00	3.00	0%	14.5%		
Foncière des Régions	6.86	5.96	5.93	-1%	6.06	6.01	-1%	6.29	6.42	2%	-2.2%	5.00	4.50	4.50	0%	4.75	4.75	0%	5.00	5.00	0%	0.0%		
Hufvudstaden	3.04	3.03	3.13	3%	3.02	3.31	10%	3.12	3.45	11%	4.3%	2.10	2.20	2.20	0%	2.30	2.40	4%	2.40	2.60	8%	7.4%		
Icade	3.77	4.34	3.35	-23%	4.69	3.73	-21%	4.78	3.96	-17%	1.6%	3.25	7.25	7.25	0%	3.50	3.50	0%	3.50	3.50	0%	2.5%		
Klepierre	1.99	2.00	1.96	-2%	2.02	1.97	-3%	2.10	2.08	-1%	1.5%	1.25	1.25	1.25	0%	1.25	1.25	0%	1.25	1.25	0%	0.0%		
Mercialys	1.33	1.34	1.37	2%	1.47	1.43	-3%	1.55	1.47	-5%	3.4%	1.00	1.05	1.05	0%	1.15	1.15	0%	1.15	1.15	0%	4.8%		
Norwegian Property	1.42	1.06	1.12	6%	0.73	0.69	-0.07	0.88	0.65	-26%	-22.9%	0.00	0.00	0.10	n/a	0.00	0.15	n/a	0.00	0.15	n/a	n/a		
NSI	1.36	1.26	1.26	0%	1.19	1.18	0%	1.20	1.17	-2%	-4.9%	1.34	1.26	1.26	0%	1.19	1.18	0%	1.20	1.17	-2%	-4.4%		
PEPR	0.46	0.43	0.43	0%	0.41	0.40	-3%	0.43	0.42	-3%	-3.6%	0.00	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	n/a		
Silic	6.86	6.86	6.76	-1%	7.17	6.42	-10%	7.47	7.18	-4%	1.6%	4.65	4.70	4.70	0%	5.00	4.75	-5%	5.30	5.00	-6%	2.4%		
Sponda	0.36	0.30	0.30	3%	0.29	0.32	8%	0.30	0.34	11%	-2.2%	0.12	0.12	0.15	25%	0.12	0.15	25%	0.12	0.15	25%	7.7%		
Unibail-Rodamco	9.19	9.40	9.22	-2%	10.0	9.0	-10%	11.06	9.5	-14%	1.3%	8.00	8.25	8.00	-3%	8.75	8.00	-9%	9.50	8.00	-16%	0.0%		
Vastned Offices	1.58	1.29	1.33	3%	1.08	1.14	5%	0.95	1.02	8%	-13.6%	1.58	1.29	1.33	3%	1.08	1.14	5%	0.95	1.02	8%	-13.6%		
Vastned Retail	4.03	3.54	3.65	3%	3.34	3.49	4%	3.24	3.48	7%	-4.8%	4.03	3.54	3.65	3%	3.34	3.49	4%	3.24	3.48	7%	-4.8%		
Wereldhave	4.92	5.10	5.10	0%	5.53	5.36	-3%	5.60	5.47	-2%	3.6%	4.65	4.65	4.65	0%	4.75	4.75	0%	4.80	4.80	0%	1.1%		
Wihlborgs	14.70	15.7	15.5	-1%	15.6	15.7	1%	15.88	16.0	1%	2.9%	6.75	7.0	7.0	0%	7.25	7.25	0%	7.50	7.50	0%	3.6%		
Average per region																								
the Netherlands				0.2%			-1.3%			0.2%	-0.3%				0.4%		0.5%			2.1%	8.1%			
Belgium				-6.4%			-9.4%			-0.1%	-4.3%				0.0%		0.0%			0.0%	0.5%			
France				-0.8%			-5.4%			-4.3%	1.2%				-0.6%		-2.7%			-4.3%	1.6%			
Nordics				1.0%			3.3%			1.9%	2.6%				0.0%		1.1%			2.1%	7.5%			
Italy				-0.9%			-5.5%			-6.1%	17.3%				0.0%		0.0%			0.0%	26.0%			
Total				-1.5%			-3.3%			-2.8%	-0.1%				1.1%		0.9%			1.2%	6.0%			

Source: Company data, RBS forecasts

Table 71 : NAV and NNNAV 2009 actual and 2010-12 forecasts (local currency)

	NAV per share											NNNAV per share												
	2009A		2010F			2011F			2012F			Growth 2009-12F	2009A		2010F			2011F			2012F			Growth 2009-12F
	Old	New	Diff	Old	New	Diff	Old	New	Diff	Old	New		Diff	Old	New	Diff	Old	New	Diff	Old	New	Diff		
Atrium	5.7	5.8	5.8	0%	6.1	6.1	0%	6.5	6.4	-1%	13%	5.8	6.0	6.0	0%	6.3	6.2	0%	6.6	6.6	-1%	14%		
Befimmo	61.7	62.4	61.7	-1%	64.4	61.2	-5%	n/a	61.4	n/a	-1%	60.3	62.4	60.3	-3%	64.4	59.8	-7%	n/a	60.0	n/a	-1%		
Beni Stabili	1.04	1.0	1.04	0%	1.1	1.08	0%	1.1	1.1	-1%	7%	1.04	1.0	1.04	0%	1.1	1.07	0%	1.1	1.11	-1%	7%		
Castellum	59.1	64.3	64.6	1%	69.7	72.8	4%	75.4	78.6	4%	33%	67.7	73.7	74.4	1%	79.4	83.1	5%	85.4	89.3	5%	32%		
Citycon	3.31	3.50	3.48	-1%	3.72	3.82	3%	4.1	4.2	3%	26%	3.4	3.6	3.6	-1%	3.8	3.9	3%	4.2	4.3	3%	26%		
Cofinimmo	99.8	96.7	92.8	-4%	99	93.4	-6%	102.5	95.8	-7%	-4%	104	101	96	-4%	103	97	-6%	106.3	99	-6%	-4%		
Corio	44.3	46.3	45.8	-1%	48.8	48.3	-1%	52.2	51.6	-1%	16%	47.1	50.5	48.5	-4%	53.0	51.1	-4%	56.3	54.7	-3%	16%		
Eurocommercial Properties	30.1	32.0	32.4	1%	33.5	34.2	2%	n/a	35.7	n/a	18%	33.9	35.6	36.5	3%	37.5	38.9	4%	n/a	40.8	n/a	20%		
Fabege	60.6	69.1	70.0	1%	77.4	80.0	3%	83.0	85.6	3%	41%	62.0	70.4	71.3	1%	78.8	78.6	0%	84.4	84.2	0%	36%		
Foncière des Régions	67.6	66.2	66.8	1%	72.4	72.8	1%	79.4	79.8	0%	18%	79.2	78.6	79.1	1%	84.8	85.2	0%	91.8	92.2	0%	16%		
Hufvudstaden	49.6	51.5	54.3	5%	53.4	59.0	10%	55.2	61.5	11%	24%	60.1	62.3	65.6	5%	64.3	70.9	10%	66.3	73.7	11%	23%		
Icade	81.3	92.3	81.0	-12%	100	84	-16%	100.1	87.3	-13%	7%	87.0	92.3	86.6	-6%	100	89	-11%	100.1	93	-7%	7%		
Klepierre	23.3	27.0	25.9	-4%	29.5	28.9	-2%	32.2	31.5	-2%	35%	25.7	29.8	28.2	-5%	32.2	31.6	-2%	35.1	34.6	-1%	34%		
Mercialys	25.3	26.1	26.9	3%	27.0	29.2	8%	27.9	30.1	8%	19%	26.0	26.9	27.7	3%	27.8	29.9	8%	28.7	30.8	7%	18%		
Norwegian Property	10.9	10.4	9.8	-6%	11.9	11.1	-7%	14.1	12.6	-10%	16%	12.2	10.8	10.4	-3%	12.5	11.9	-4%	14.9	13.7	-8%	13%		
NSI	14.1	13.3	13.2	-1%	13.1	12.8	-2%	13.5	13.1	-3%	-7%	14.8	14.2	14.1	-1%	14.0	13.8	-2%	14.5	14.1	-3%	-5%		
PEPR	5.97	6.14	6.14	0%	6.74	6.72	0%	7.4	7.3	0%	23%	6.0	6.4	6.1	-4%	7.1	6.7	-5%	7.8	7.3	-5%	23%		
Silic	112	117	112	-5%	123	115	-6%	129.9	119.4	-8%	7%	100	106	100	-5%	111	103	-7%	119	108	-9%	7%		
Sponda	3.54	3.70	3.76	2%	3.94	4.11	0	4.2	4.5	7%	28%	4.2	4.3	4.4	2%	4.6	4.7	4%	4.9	5.2	6%	24%		
Unibail-Rodamco	121	132	120	-9%	145	132	-9%	161.7	148.9	-8%	23%	128	139	125	-10%	152	138	-9%	168.9	155	-8%	21%		
Vastned Offices	18.8	16.4	16.4	0%	15.4	15.4	0%	16.2	16.0	-1%	-15%	18.8	16.4	16.4	0%	15.4	15.4	0%	16.2	16.0	-1%	-15%		
Vastned Retail	51.4	48.9	51.5	5%	48.8	51.4	5%	50.3	53.1	6%	3%	52.1	49.4	52.1	5%	49.3	52.0	6%	50.9	53.8	6%	3%		
Wereldhave	73.8	75.2	75.1	0%	78.8	78.0	-1%	84.2	81.8	-3%	11%	73.8	78.1	75.1	-4%	81.7	78.0	-5%	87.1	81.8	-6%	11%		
Wihlborgs	118	132	136	3%	144	158	10%	158.7	173.3	9%	47%	132	147	152	3%	160	177	11%	176.8	195	10%	47%		
Average per region																								
the Netherlands				0.6%			0.4%			-0.6%	8.0%				-0.6%		-0.7%			-1.9%	8.4%			
Belgium				-2.6%			-5.4%			-6.5%	-2.3%				-3.8%		-6.5%			-6.5%	-2.3%			
France				-2.9%			-1.7%			-2.0%	20.4%				-3.5%		-2.1%			-2.3%	19.4%			
Nordics				2.6%			6.9%			7.0%	36.3%				2.7%		6.3%			6.4%	34.5%			
Italy				0.0%			-0.3%			-0.6%	7.2%				0.0%		-0.3%			-0.6%	6.6%			
Total				-0.9%			-0.2%			-0.3%	16.3%				-1.1%		-0.5%			-0.5%	15.6%			

Source: Company data, RBS forecasts

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