

JPMorgan Property

Property Daily

- Great Portland Estates AGM Statement: Take-up of Central London office space for Q2 2005 is showing strong increases over the first quarter. In the West End market limited supply and a low level of new developments should support rental growth while in the City the company expects rental growth to return during 2006 for premium buildings.
- US private equity group Patron Capital Partners has paid €500m for a 2.44m sq ft portfolio of French property, including Tour Anjou in La Defense, Paris and two Center Parcs leisure complexes. The portfolio generates a passing yield of 7.0%. Patron Capital has a further €2.5bn to invest in European property.
- Morgan Stanley Real Estate Fund is reported to be bidding for the international operations of real estate developer AM NV, for around €700m. The portfolio comprises shopping centre developments located in Western Europe, mainly in UK, France and Spain. (Dow Jones)
- AM NV consists of two units, one developing offices and houses in the Netherlands and the other developing shopping centers abroad. AM's portfolio contains 40,000 houses and 2.7m sq ft of commercial real estate. 54% of 2004 revenues came from housing development, 42.5% from shopping malls and the balance from offices.
- AM Chief Executive Peter Noordanus said that splitting up AM NV's core activities is logical, because there is "absolutely no synergy between those activities."

European Property

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| | Rating | Price | Price Target | NAV ps | EPS | Discount/Pre mium to Spot NAV | Dividend | Implied Yield |
|-----------------|--------|-----------|---------------|--------|------|-------------------------------------|----------|---------------|
| | | 08-Jul-05 | JP Morgan Est | Spot | FY00 | On Daily price | FY01** | FY01*** |
| P | | | | | | | | |
| British Land | **** | 885 | | | | | | |
| Brixton | N | 361 | 370 | 397 | 18.3 | -9.1% | 3.3% | 5.9% |
| Derwent Valley | N | 1220 | 1150 | 1125 | 33.7 | 8.5% | 1.1% | 4.5% |
| Great Portland | N | 350 | 300 | 318 | 15.1 | 10.1% | 3.1% | 5.0% |
| Hammerson | N | 890 | 870 | 981 | 42.1 | -9.3% | 2.1% | 4.3% |
| Land Securities | OW | 1404 | 1550 | 1462 | 61.8 | -4.0% | 2.8% | 7.2% |
| Liberty Int'l | OW | 977 | 1075 | 1040 | 39.3 | -6.1% | 2.8% | 4.7% |
| Shaftesbury | UW | 386 | 365 | 352 | 8.1 | 9.6% | 1.1% | 4.3% |
| Slough Estates | OW | 529 | 600 | 596 | 37.8 | -11.2% | 3.3% | 6.2% |
| € | | | | | | | | |
| Gecina | N | 95 | 87 | 95 | 2.9 | -0.1% | 4.1% | 5.1% |
| Klepierre | OW | 80 | 80 | 61 | 2.2 | 32.0% | 3.3% | 5.7% |
| Unibail | N | 108 | 88 | 68 | 4.9 | 58.4% | 3.7% | 5.0% |
| Colonial | N | 43 | 37 | 40 | 2.1 | 8.1% | 2.5% | 6.2% |
| Metrovacesa | UW | 48 | 35 | 46 | 3.3 | 2.7% | 2.9% | 4.7% |
| Corio NV | N | 46 | 48 | 34 | 4.2 | 33.9% | 5.2% | 5.7% |
| Rodamco Europe | OW | 68 | 66 | 52 | 4.6 | 30.4% | 4.7% | 5.3% |
| Beni Stabili | OW | 0.86 | 0.93 | 1.07 | 3.6 | -19.5% | 2.1% | 7.3% |
| IGD | OW | 1.73 | 1.90 | 1.85 | 3.6 | -6.5% | 1.5% | 6.2% |
| Pirelli RE | OW | 49 | 50 | 28 | 3.2 | 77.6% | 4.3% | 5.8% |
| SF | | | | | | | | |
| PSP Swiss | OW | 56 | 53 | 52 | 4.2 | 6.9% | 3.2% | 4.2% |

Source: Datastream, Company Data, JPMorgan Estimates *Last Reported **One year forward dividend estimate on daily price *** On one year forward EBITDA/ enterprise value. **** Under applicable law and/or J. P. Morgan Chase & Co policy the recommendation for this company has been removed.

Company News

Great Portland: AGM Statement

"Great Portland is well positioned to benefit from the strengthening central London occupational market. Following sales of property since March 2004, totaling some £160.2 m, the portfolio is now 100% located in the capital, with almost 77% in the West End. This market is showing the early signs of a supply shortage with a limited pipeline of new developments and initial take-up figures for the second quarter of this year suggesting a strong increase over the first. Consequently, we remain optimistic about the prospects for rental growth.

In the City market, the supply of space is falling, but remains higher than in the West End. Second quarter take-up figures were healthy, slightly better than in the first, and we expect rental growth to return during 2006 for the best quality buildings.

We continue to make good progress on our development programme. At Met Building, which is 43% let by rental value at rents well ahead of our initial expectations, I am pleased to report that we have strong interest in much of the remainder. Redevelopment work is progressing well at all our West End projects and since the year end we have received planning permission for the redevelopment of Knighton House, Mortimer Street, where work is anticipated to begin on an 80,000 sq ft scheme early next year.

We have made a number of interesting acquisitions since the year end with purchases in the West End in Foley Street, and the Liberty Island site in Regent Street and Kingly Street, the latter two in a joint venture with Liverpool Victoria. We intend to maintain our disciplined approach to pricing and, with investment yields still compressing under the weight of capital looking for assets to buy, we expect opportunities to be limited in the short term. We are likely to continue to take advantage of this high demand through sales of property where we see limited angles for further value enhancement.

Indeed, since the year end, we have sold two properties for a total of £24.8 m, generating a surplus of £2.5 m on their March 2005 book values.

Asset management activity continues to drive cash flows across the portfolio. Since the year end, leases have been regearaged at 160 Great Portland Street, Bond Street House on New Bond Street, the Liberty Island site on Regent Street, 14 Hanover Square and Ellerman House, Camomile Street, EC2, all of which have helped to maintain the group's void rate, including Met Building, at 6.9%, comparing favorably with the central London market rate as a whole of approximately 12%.

Last year was a busy and successful one for Great Portland, during which we achieved most of our immediate strategic goals and generated attractive returns for shareholders. With a strong balance sheet, a development programme growing both in size and prospects and occupational markets appearing to be well set, we look forward with confidence to building on the real progress we have made in the last couple of years."

Source: Company Announcement

Rodamco Europe removes shopping center Azul Talavera, Spain from pipeline project list

Rodamco Europe announces the decision to remove Azul Talavera shopping center, Spain from its committed pipeline project list.

In July 1999, Rodamco Europe signed a turn key joint venture agreement with developer Gelco for the purchase of a shopping center in Talavera, Spain for a total amount of €50 m.

However, the developer ran into a series of legal and planning complications which delayed the delivery and finally resulted in the Local Authority auctioning the completed scheme.

Whilst Rodamco Europe (and its partner) tendered in the auction, the whole scheme (mall and hypermarket) was eventually acquired by another party. Their future intentions for the ownership of the mall are still to be decided, but consequently, Rodamco Europe has decided to remove Azul Talavera from its committed pipeline project list. At the same time, all expenses and capital invested over the period have been recovered by Rodamco Europe.

Rodamco Europe in Spain has 12 shopping centers in its portfolio and the total investment portfolio is valued around €1 bn of which 89% is in the retail sector.

Source: Company Announcement

Market News

Patron acquires French property

Patron Capital Partners, the US private equity group, has bought 2.44m sq ft of French property from a private Canadian seller in a deal valued at €500m (US\$ 597m).

The acquisition is set to be followed by similar deals by Patron, which has a war chest of €3bn to spend on European property.

The portfolio includes two Center Parcs leisure complexes in Normandie and Sologne.

Patron is also buying the Tour Anjou in La Defense, Paris, which is mainly let to IT services company Cap Gemini.

Also included in the deal are the 800,000-plus sq ft headquarters of engineering group Amec Spie and the offices of advertising group EuroRSCG in Paris, as well as the offices of Atos Multimedia in Lille. The deal also involves two other smaller leisure assets.

With annual rent of about €35m, the yield on the portfolio is just over 7 %.

Patron, which has operated in French real estate for four years, is active in eight European countries. It was set up in 1999 by Keith Breslauer, who was previously at Lehman Brothers.

Source: Financial Times

Morgan Stanley bidding for international operations of Dutch AM

U.S. investment bank Morgan Stanley is in talks with Dutch real-estate developer AM NV about buying the international operations of the company, several people familiar with the situation said Friday. One Amsterdam-based source familiar with the situation said that Morgan Stanley was interested and it "can't be ruled out there will be a bidding war here."

Another source said a deal on could be reached within a few weeks, and said two U.S. real estate investors are also interested in buying the assets.

Thursday, Dow Jones Newswires reported that AM was working on selling the company, and that the Dutch firm's Dutch and international operations would be sold separately.

That report was confirmed by AM Friday.

The Amsterdam-based source said Morgan Stanley would likely pay €700 m for AM's international operations, which consist of a number of shopping center developments. Most are in Western Europe, especially the U.K., Spain and France.

Morgan Stanley declined to comment.

The U.S. investment bank would buy AM international assets through its Morgan Stanley Real Estate Fund (MSREF) unit, in order to bolster its European presence.

Project developer AM NV consists of two large units. One develops offices and housing in the Netherlands and the other develops large shopping centers abroad.

AM has in its portfolio about 40,000 houses and 2.7 m sq ft of commercial real estate.

AM generated €1.35 bn in revenues in 2004. Of that, €729 m comes from housing development, €74 m is from shopping malls and €0 m is from office activities.

AM NV Chief Executive Peter Noordanus said in an interview with Dow Jones Newswires in March that he was considering de-listing the company.

He acknowledged that splitting up AM NV's core activities is logical, because "there is absolutely no synergy between those activities."

Source: Dow Jones International

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|-------------------------------------|---------------------|-------------------|-----------------------|
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