

RESEARCH

Issuer Ranking: European Real Estate Companies, Strongest To Weakest

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Yield compression continues across European real estate markets, as a sustained strong flow of both public and private investment capital into commercial real estate and recent years' low interest rates have bolstered property asset values. This has strengthened the balance sheets of rated European real estate companies, despite higher debt levels and relatively stable rental returns, as their portfolios are revalued at lower expected investment yields (capitalization rates).

In light of the yield pressure and the pursuit of higher returns, the risk appetite of real estate companies is increasing. Eastern European markets are becoming more and more attractive, and development activity is growing as companies pursue higher yields. Furthermore, in view of the high asset values in Europe, some companies are stepping up the turnover of their property portfolios, and increasingly selling off high-quality, good cash flow-generating assets to realize gains in value. The capital released is generally being invested in assets generating low yields, or in secondary assets generating lower rental income but with development potential.

The following list contains the ratings and outlooks on the 10 European real estate companies publicly rated by Standard & Poor's Ratings Services at Oct. 18, 2006. Issuers are ranked by corporate credit rating and outlook, and then by their relative credit strength within the same rating and outlook profile. A Standard & Poor's rating outlook assesses the potential direction of an issuer's long-term debt rating over the intermediate to longer term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action. "Positive" indicates that a rating may be raised; "negative" means a rating may be lowered; "stable" indicates that ratings are not likely to change; and "developing" means ratings may be raised or lowered.

For the related industry report card, see "Industry Report Card: European Real Estate," published on June 20, 2006, on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis.

Issuer Ranking: European Real Estate

At Oct. 18, 2006

Company	Corporate credit rating
Rodamco Europe N.V.	A/Stable/A-1
UNIBAIL HOLDING	A-/Stable/A-2
Klepierre S.A.	BBB+/Stable/A-2
Befimmo SCA	BBB/Positive/A-2
London Merchant Securities PLC	BBB/Stable/A-2
Cofinimmo S.A./N.V.	BBB/Watch Neg/A-3
Jones Lang LaSalle Inc.	BBB-/Positive/A-3
Meinl European Land Ltd.	BBB-/Stable/A-3
Societe Fonciere Lyonnaise S.A.	BBB-/Watch Neg/A-3
Gecina	BBB-/Watch Neg/A-3

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