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NATIONAL ASSOCIATION OF
 REAL ESTATE INVESTMENT TRUSTS®

March 25, 2005

VIA E-MAIL: ipconsult@sfc.hk

Investment Products Department
 The Securities and Futures Commission
 8/F Chater House
 8 Connaught Road Central
 Hong Kong

RE: Consultation Paper on Investments In Real Estate Investment Trusts By Collective Investment Schemes Authorized Under the Code on Unit Trusts and Mutual Funds (February 2005) (the Consultation Paper)

Dear Sir or Madam:

The National Association of Real Estate Investment Trusts® (NAREIT) thanks you for this opportunity to submit comments on the proposal discussing the above-referenced Consultation Paper (the Proposal). NAREIT is the representative voice for United States real estate investment trusts (REITs) and publicly traded real estate companies worldwide. Members are U.S. REITs and other public businesses that own, operate and finance income-producing real estate, as well as those firms and individuals who advise, study and service these businesses.

NAREIT strongly supports the Proposal by the Securities and Futures Commission's (SFC) to permit SFC-authorized collective investment schemes to invest in interests in REITs that are listed on a stock exchange. As you may know, a rule limiting the investment by a Japanese "securities investment trust" (the Japanese equivalent of a mutual fund) in "real estate investment trusts" such as U.S. REITs to no more than five percent of its assets was lifted in Japan effective July 18, 2003. Following the elimination of this five-percent ownership limitation, Japanese investment in REITs has increased substantially, allowing Japanese investors to enjoy the benefits of diversification and the stable source of income and growth that REITs have provided.

As you know, international interest in the development of publicly traded real estate continues to increase around the globe. Responding in part to the growing interest in global real estate investment, the FTSE/EPRA/NAREIT Global Real Estate Index was introduced several years ago as an international benchmark for the performance of publicly traded real estate stocks.



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The index includes the stocks of real estate companies located in Europe, North America and Asia that meet certain criteria, and in 2004, it rose almost 38%. In addition, U.S. equity REITs have outperformed the S&P 500, the Dow Jones Industrial Average and the NASDAQ on a compound annual total return basis over the past 30 years, while having a low correlation to the other indices. Following implementation of the above-referenced SFC proposal, we would hope that Hong Kong investors also would be able to realize the diversification and performance characteristics of REIT holdings through collective investment schemes.

We have the following technical comments with respect to the Proposal. First, the Proposal would permit the investment in “interests” in REITs. We assume from the background discussion of the Proposal that the term “interests” is intended to refer both to shares of REITs formed as corporations and interests in REITs formed as business trusts. Specifically, the background discussion in the Proposal states “[t]herefore, it is now suggested that SFC-authorized schemes may invest in listed REITs regardless of the form of legal structure they adopt.” To provide certainty, however, we suggest that the Proposal be modified to refer to “shares or interests” in REITs. As you may know, a large majority of U.S.-based REITs in fact are formed as corporations.

Second, the proposal refers to “REITs” without defining the term. Although the term clearly would apply to U.S. REITs, it is unclear whether it would apply to REIT-like structures around the world that are not designated as a REIT, *e.g.* a SIIC in France or a Listed Australia Property Trust in Australia. We suggest that you consider broadening the language to apply to “REITs or other tax transparent companies that principally owns and operates investment real estate within the meaning of IAS 40.”

Again, NAREIT believes that the SFC proposal would open substantial opportunities for investment by schemes in the worldwide REIT market, and we thank you for your recognition of these benefits.

As an aside, we note that the overwhelming majority of REITs worldwide are permitted to invest in properties outside of their country of organization, therefore enhancing their abilities to provide the full benefits of real estate investment to their shareholders. We understand that a similar consultation paper is expected to be released shortly that will address whether Hong Kong REITs may invest in real estate outside of Hong Kong, but we wanted to use this opportunity to again provide you our perspective on that important issue.



Investment Products Department
The Securities and Futures Commission
March 25, 2005
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NAREIT appreciates the opportunity to provide these comments with regard to the SFC Proposal. Please contact the undersigned at (202) 739-9408 if you would like further information or would like to discuss our comments in further detail.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tony M. Edwards". The signature is written in a cursive style with a large initial "T" and "E".

Tony M. Edwards
Senior Vice President and General Counsel

