



GROSVENOR

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**GROSVENOR GROUP CARRIES OUT THE FIRST PROPERTY DERIVATIVE
TRANSACTION IN JAPAN**

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Grosvenor, the leading privately-owned property group with interests in 17 countries, has carried out the first Japanese property derivative transaction based on the IPD Index for Japan. The two year trade was executed with The Royal Bank of Scotland (RBS).

The Japanese property total return swap follows Grosvenor's Australian property derivative trade in May, which was the first in the market. Grosvenor's trades in the U.S. and UK, mean it has now traded in each continent of its principal operations.

The rise of property derivatives in Japan, the world's second-largest real estate market, is likely to be a significant breakthrough for the industry and will play a part in increasing the efficiency of the country's property market. The implementation of uniform standards for assessing property values by the Japanese government this month further increases the potential for development of the Japanese property derivatives market.

Property derivatives allow investors to rapidly buy or sell exposure to the real estate market. They also offer an inexpensive way of obtaining the underlying exposure to property, because participants avoid much of the transaction costs involved in buying and selling property, such as agents' and legal fees.

Nick Scarles, Group Finance Director, Grosvenor Group, said: "This trade has considerable consequences for the property market in Japan, where we have been a long-term active participant through our local office. Considering the impact which derivatives have had on other commodity and financial markets, we believe their

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potential impact on property markets to be huge. This potential includes the use of derivatives to inform expectations for the physical market, and as a tool enabling participants to benefit from exposure to wider property markets as well as individual investments which out-perform the market."

Lee Knight, Regional Head of Fixed Income, RBS Global Banking & Markets, Asia Pacific, commented: "We are delighted to have completed this deal for Grosvenor, in what will become an increasingly important market for this type of transaction. RBS continues to meet the needs of its clients across a broad range of products and this further underlines our capability in trading and execution."

IPD Asia Pacific Director Dr Kevin Swaddle added: "The fact that the first property derivative trade in Japan will be based on the IPD Japan Monthly Indicator reflects the international confidence in the IPD indices. They have formed the basis of trades in Australia, France, Germany, Japan, and the UK, with several more countries said to be imminent."

For further information please contact:

Anna Sargent, Group Communications Manager, Grosvenor
Tel: 020 7312 6202; Mob: 07876 658 331; Email: anna.sargent@grosvenor.com

Notes to Editors:

Grosvenor is a privately-owned group of international property development, investment and fund management businesses with total assets under management of £11bn (US\$21.6bn) as at 31 December 2006. We have regional Operating Companies in Britain & Ireland, the Americas, Continental Europe and Australia Asia Pacific. Our international fund management business operates across all these markets.

Within the Asia Pacific region, Grosvenor operates in Hong Kong, Japan and Shanghai, where its core focus is residential property development and investment. The investment portfolio expands as its business continues to grow. A number of commercial assets were acquired in Japan in the past year. As a result, the Grosvenor Office Retail Fund is due to be launched in Hong Kong in 2007. The first Grosvenor fund in China is also expected to be established in the coming months.

Property Index: The trade was based upon the IPD Japan Monthly Indicator: All Direct Property Total Return, is subject to the grant of an appropriate license by IPD to RBS or Grosvenor.

The Royal Bank of Scotland (RBS) is a broadly based financial services group with operations spanning clearing banking, corporate banking, financial services, investment management and insurance, both in the UK and overseas. It is the third largest bank in Europe and the Group serves more than 35 million customers worldwide. Its **Global Banking & Markets** business is a leading banking partner to major corporates and financial institutions around the world, specialising in providing these customers with a full range of debt financing, risk management and investor services. In Asia Pacific, RBS Global Banking & Markets is located in Beijing, Hong Kong, Labuan, Seoul, Shanghai, Singapore and Japan.