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NCREIF Fall Conference 2011

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Current Real Estate Market Environment

- **Major challenges facing investors today:**
  - Slowdown in global and U.S. economic growth
  - Debt ceiling and deficit reduction in the U.S.
  - European Sovereign Debt Crisis

- **Real estate investment themes:**
  - Yield-driven investors showing renewed interest in real estate, given current spreads to Treasury yields
  - Pricing imbalance between trophy and non-trophy assets
  - $1.5 trillion of debt maturing through 2013 creates distressed and stressed asset investment opportunities
  - Economic growth and demographic trends in emerging economies creates value opportunities in global markets
  - Emphasis on competent domestic operators capable of buying and managing effectively
  - Inflation-hedge focus over long-term

Global GDP Projections

Recent Movements – 2011 GDP Projections in Major Economies

	Australia	Brazil	China	France	Germany	India	Japan	UK	US
Jan 2011	3.4%	4.8%	9.2%	1.7%	2.4%	8.3%	1.6%	1.9%	3.1%
Apr 2011	3.0%	4.4%	9.0%	1.8%	2.7%	8.0%	0.7%	1.7%	2.9%
Aug 2011	2.1%	4.1%	9.1%	2.0%	3.4%	7.8%	-0.6%	1.3%	1.8%
Change Jan-Aug (basis points)	-130	-70	-10	+30	+100	-50	-220	-60	-130

Recent Movements – 2012 GDP Projections in Major Economies

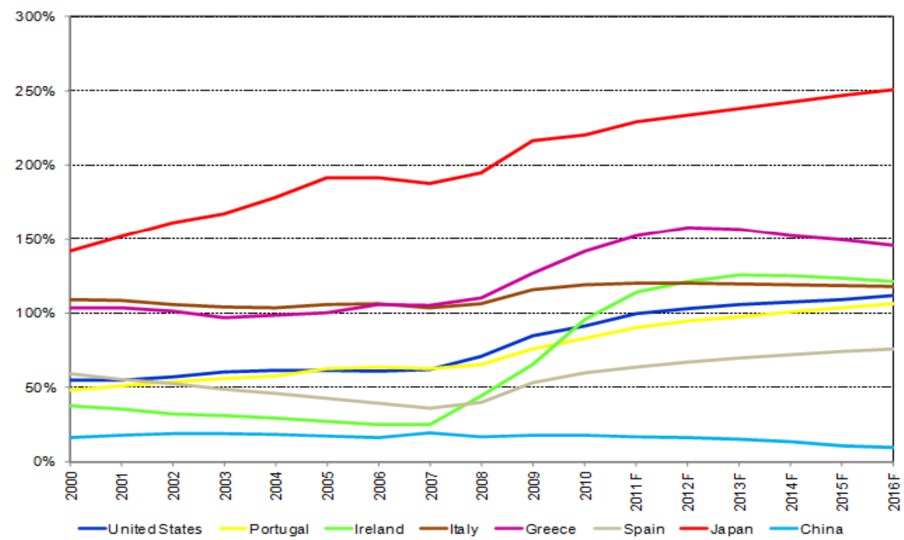
	Australia	Brazil	China	France	Germany	India	Japan	UK	US
Jan 2011	3.4%	5.1%	9.1%	1.9%	2.2%	8.5%	1.8%	2.2%	3.2%
Apr 2011	3.6%	4.8%	9.0%	2.0%	2.3%	7.7%	2.5%	2.2%	3.2%
Aug 2011	4.0%	4.6%	8.8%	1.8%	2.2%	8.3%	3.1%	2.1%	2.5%
Change Jan-Aug (basis points)	+60	-50	-30	-10	0	-20	+130	-10	-70

Source: Blue Chip Economic Indicators; August 2011

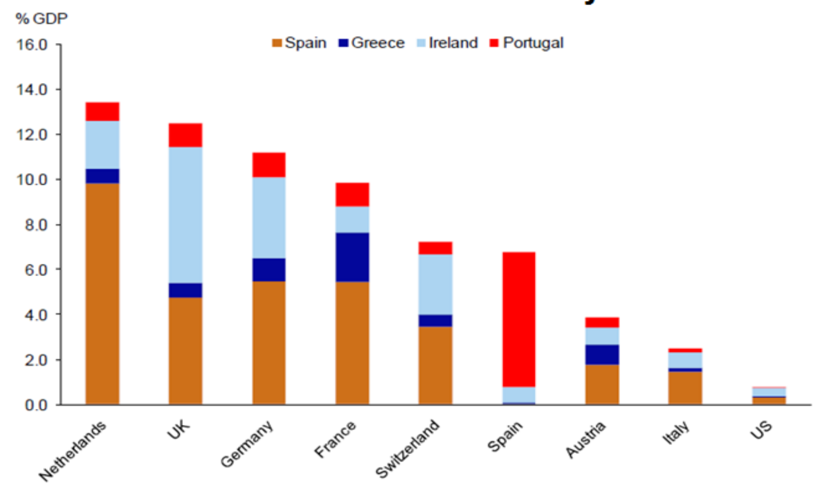
European Sovereign Debt Crisis

- The sovereign debt crisis has spread beyond Greece, Ireland and Portugal –and is threatening to engulf Italy, the world's 8th largest economy.
- The ratio of a country's debt-to-GDP is a reasonable measure of its fiscal vitality. It reflects the ability of the country to repay its debt.
- The Eurozone relies much more heavily on the banking sector for financial intermediation than does the U.S., consequently, fiscal crisis that undermines bank capital adequacy could have serious implications for Eurozone economic growth.
- Spain and to a lesser extent Ireland represent the largest exposures of the major European banks among the PIIGS.

Government Public Debt as % of GDP



Banks' Exposure to Peripheral Countries
Total Debt as % of Country GDP



Source: IMF, Morgan Stanley Research

Global Real Estate Market Investment Opportunity Set

- Size of market < 6% of Total Real Estate Market is Listed.
- Large amount of commercial real estate globally; increasing trend towards securitization of real estate market, represents significant opportunity.
- United States and Australia are the most securitized real estate markets in the world; Europe and Asia following similar path.

	Direct Real Estate ($ Bn)*	Total Listed Real Estate ($ Bn)**	Total Real Estate vs. Listed Real Estate**
Europe	8,140 .47	177.97	2.19%%
Asia Pacific	7,068.13	661.13	9.35%
Africa/Middle East	607.18	45.02	7.42%
Latin America	1,075.21	33.77	0.03%
North America	7,099.96	766.58	10.80%
World	**23,990.95**	**1,684.47**	**7.02%**

*As of December 2010
**As of September 2011

Source: FTSE/EPRA NAREIT

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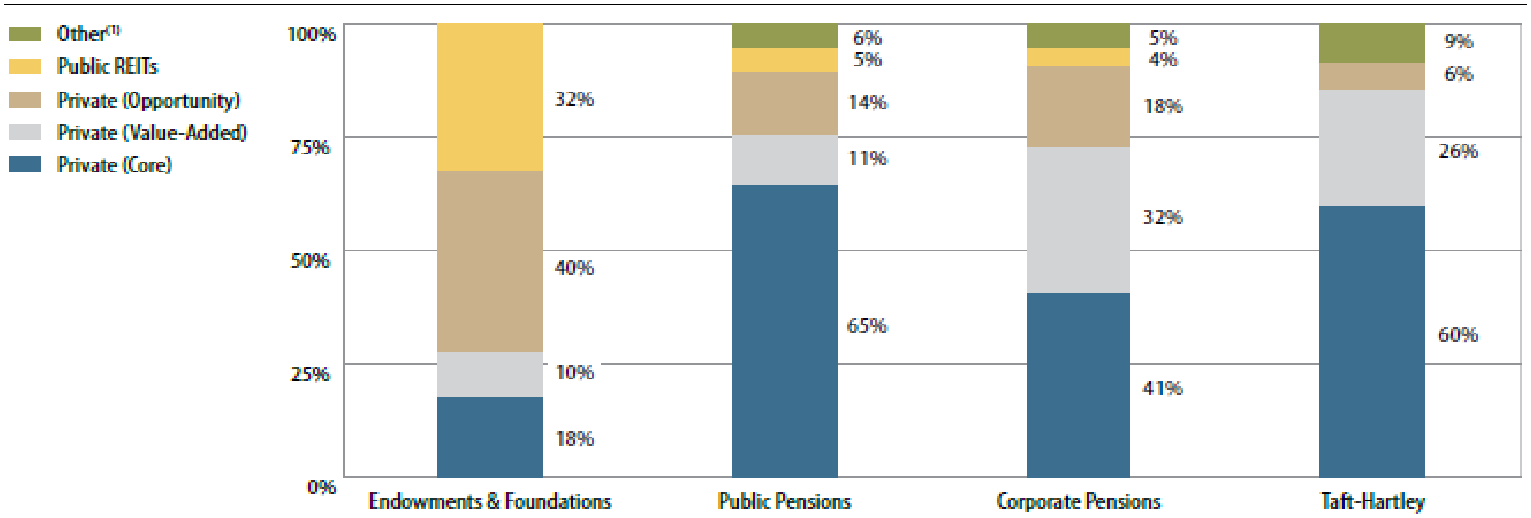
INSTITUTIONAL REAL ESTATE SERVICES

Institutional Real Estate Allocations to REITs

- REITs have garnered 32% of US endowment & foundation allocations & 5% from US pension funds.
- REITs' superior performance, liquidity, access to capital and transparency are attracting a growing number of institutional investors.
- Corporate and public pension plans are estimated to have $252 billion of the $325 billion of institutional capital that is invested in real estate. Currently, about $12 billion of that is allocated to REITs. If these plans increased their REIT investments to the 32% allocation that endowments and foundations have, another $68 billion would shift into REITs.

US Institutional Real Estate Allocations To REITs



	Endowments & Foundations	Public Pensions	Corporate Pensions	Taft-Hartley
Allocation to All Real Estate	**14.3%**	**9.3%**	**7.5%**	**11.4%**

Source: IREI Tax-Exempt Real Estate 2009 Survey, Casey Quirk Analysis.

(1) "Other" includes private mortgages, Commercial Mortgage Backed Securities, securitized foreign investments and non-securitized foreign investments.

Asset classes not represented equal a 0% allocation. Allocations may not add to 100% due to rounding.

Real Estate Market Conclusions

Key Issues & Takeaways

- Macro
  - Slowdown in global and U.S. economic growth
  - Sovereign debt issues – Europe & U.S.
- Real Estate Markets
  - Core appears to be somewhat expensive, particularly in gateway markets – pace into core cautiously based on cap rates and capital flows
  - Focus on value – select investments with high going-in yields priced at discount to replacement cost
  - Debt opportunities – $1.5 trillion in real estate debt maturing through 2013
  - Economic growth and favorable demographic trends in emerging economies create opportunities in global markets