Global Property Investment
International Capital Flows into Property Investment

Presentation to the Pacific Rim Real Estate Society
Twelfth Annual Conference, Auckland
Agenda

- Size of the Investment Universe
- Pattern of Global Real Estate Investment
- Conclusion
Sizing the Real Estate Universe
Market Size in Context

- Global GDP: $34.776 trn
- Global Stocks: $35.910 trn
- Real Estate: $14.519 trn

Sources: World Bank Organisation, FTSE, EPRA
Invested Property Universe

- North America, $1,480 bn, 47%
- Asia Pacific, $554 bn, 18%
- Europe, $1,087 bn, 35%
- Latin America, $0 bn, 0%

Source: UBS

Invested Real Estate Universe

- Invested Real Estate: $3.238 tn
- Invested Real Estate: 23%
Listed REIT Market

- REITS globally: $821 bn
- REITS / Real Estate: 5.66%
- REITS / Stock Market: 2.29%

![Listed Property Universe](chart.png)

Sources: World Bank Organisation, FTSE, EPRA
International Capital Raisings
Asian / European REITs: An Emerging Force

Singapore Market Capitalisation Growth

Source: UBS estimates, Datastream
Growth in Global Funds

- Rapid acceleration in number of global real estate funds launched.

- REITs with a global mandate control $15 billion of capital.

- Particularly popular in Japan where bond rate is 1.5%.

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Number of Global Real Estate Funds by Year Launched

Top 5 Japanese Global Funds: FUM

Source: EPRA
Global CMBS Issuances, 1996-2004

Source: ING Real Estate, Commercial Mortgage Alert, Morgan Stanley
International Capital Flows: Direct Property
Aggregate Capital Flows & Allocations

- Capital flows up 10.3% pa. from 1999-2004 …

- … yet funds remain underweight compared to their own target allocations.

Real Estate Capital Flows

<table>
<thead>
<tr>
<th>Year</th>
<th>US$ bn</th>
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<tbody>
<tr>
<td>1999</td>
<td>382.3</td>
</tr>
<tr>
<td>2000</td>
<td>439.3</td>
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<tr>
<td>2001</td>
<td>430.8</td>
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<tr>
<td>2002</td>
<td>409.6</td>
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<tr>
<td>2003</td>
<td>491.5</td>
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<tr>
<td>2004</td>
<td>625.0</td>
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Source: DTZ Research, Jones Lang LaSalle, ING Real Estate Research
Note: For Asia, there is no data that measures capital flows before 2003

Pension Fund Real Estate Allocations

Source: UBS, Intech, PREA, Russell; March 2004
Cross-border transactions in H1 2005 $52 billion, probably $100bn for the year

- German, American and Dutch investors dominant
<table>
<thead>
<tr>
<th>Source of Capital</th>
<th>Motivation to Deploy Offshore</th>
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<tbody>
<tr>
<td>Japan</td>
<td><strong>Search for Income</strong></td>
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<tr>
<td></td>
<td><em>11 of 59 Global REIT Funds or 31% by value are domiciled in Japan</em></td>
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<tr>
<td>United States</td>
<td><strong>Diversification / Expanded Opportunity Set / Greater Total Returns</strong></td>
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<td></td>
<td><em>Opportunistic: sold in UK, Sweden and Italy last year to crystalise profits</em></td>
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<td>Netherlands</td>
<td><strong>Increased Real Estate Allocations</strong></td>
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<td><em>Local market performing poorly</em></td>
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<tr>
<td>Germany</td>
<td><strong>Increased FUM</strong></td>
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<td><em>Unlisted funds have Euro 88 billion and holding 20% cash</em></td>
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<td><em>Particularly active in Europe purchasing $7.7bn in H1 2005</em></td>
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<tr>
<td>Australia</td>
<td><strong>Search for Assets</strong></td>
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<td><em>Local market highly securitised; Listed sector has 40% allocation offshore</em></td>
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</tbody>
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Source: UBS, Jones Lang LaSalle, EPRA, Deutche Bank
Conclusion
Next Magic Number – Trillion Long Scale?

a million million millions

or

1,000,000,000,000,000,000,000!