



NAREIM – 2010 Annual Symposium January 10-12, 2010

Foreign Investor Perspective: Who Is Ready to Invest in The U.S?
When? Why? In What? and Where?

Moderator:

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Panelists:

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Agenda

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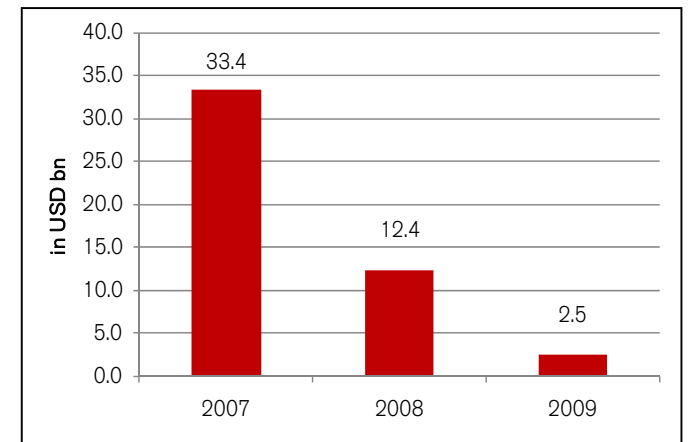


Current development

Foreign investments in U.S. property

- U.S. real estate investment market is predominantly a domestic driven market
- in recent years, cross-border investors – 10 % of all property acquisitions
- 2005-2008, foreign buyers claimed USD 100 billion of U.S. commercial property
- they invested nearly USD 50 billion into U.S. offices, apartments, and retail and industrial properties in 2006 and 2007 (about 7 % and 6 %, respectively, of what all buyers spent)
- 2008, foreign investments decreased to 2003–2004 levels, volume of just USD 12.4 billion (one-third of 2007)
- foreign investors are starting to turn back on U.S., and while interest appears high, actual acquisitions have been small in 2009
- through Q3 2009, volume of foreign investments in U.S. commercial real estate of USD 2.1 billion (significant decrease of -83 % to 2008)
- for 2009, volume of USD 2.5 billion is expected
- as a percentage of all U.S. acquisitions, market share of foreign buyers is up slightly overall and significantly higher for office, hotel and apartment sectors (5 % as of the end of the third quarter, respectively, of what all buyers spent)
- weak dollar, high returns in past years, stabilizing U.S. economy, decline in commercial property values – good conditions to invest

Foreign Investments into
U.S. Commercial Properties¹



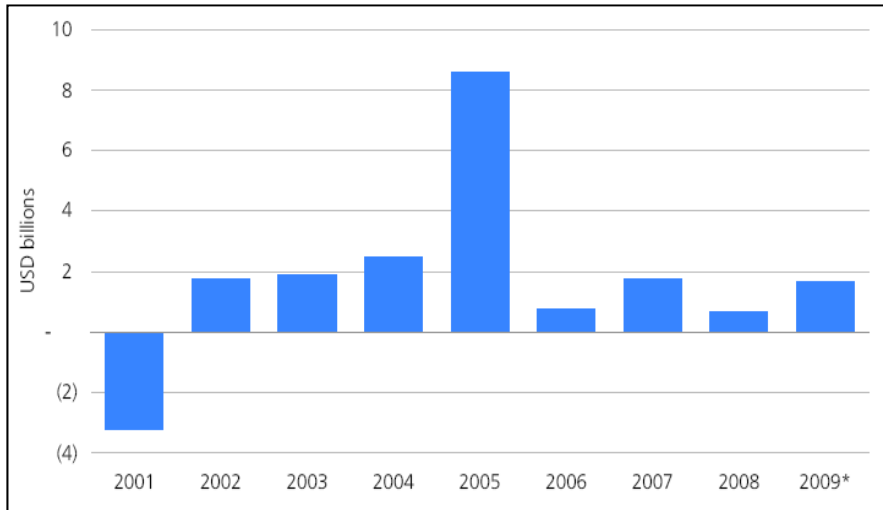
¹ Through September 2009 – volume of USD 2.1 billion
For 2009 a volume of USD 2.5 billion is estimated
Source: Real Capital Analytics, October 2009; Marcus & Millichap Real Estate Investment Services



Current development

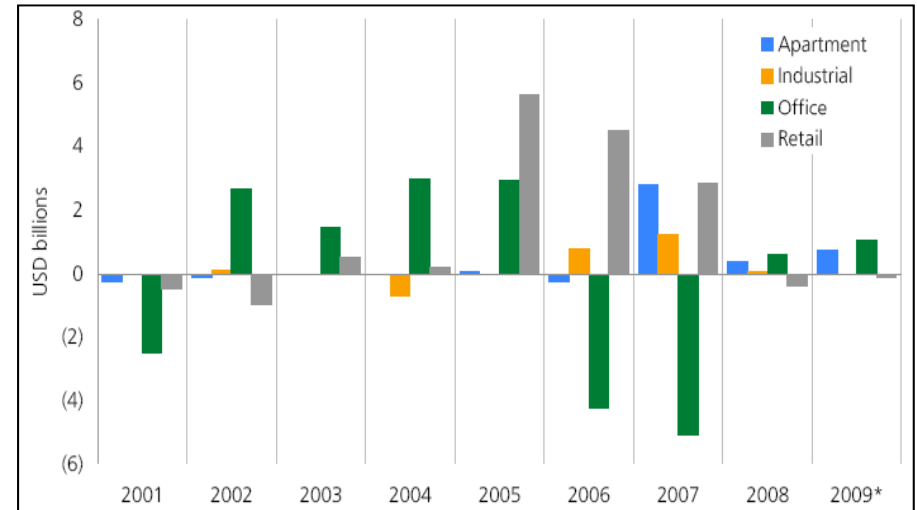
Increasing net crossborder investment volume – focus on residential and office

Net crossborder Investment in U.S. Real Estate



*09Q4 represents total acquisitions in October and November 2009
 Net crossborder investment is the difference between crossborder acquisitions and dispositions. Hotels are not included.
 Source: UBS Global Asset Management, Global Real Estate Research based on Real Capital Analytics data as of November 30, 2009

Net crossborder Investment in the U.S. by Property Type

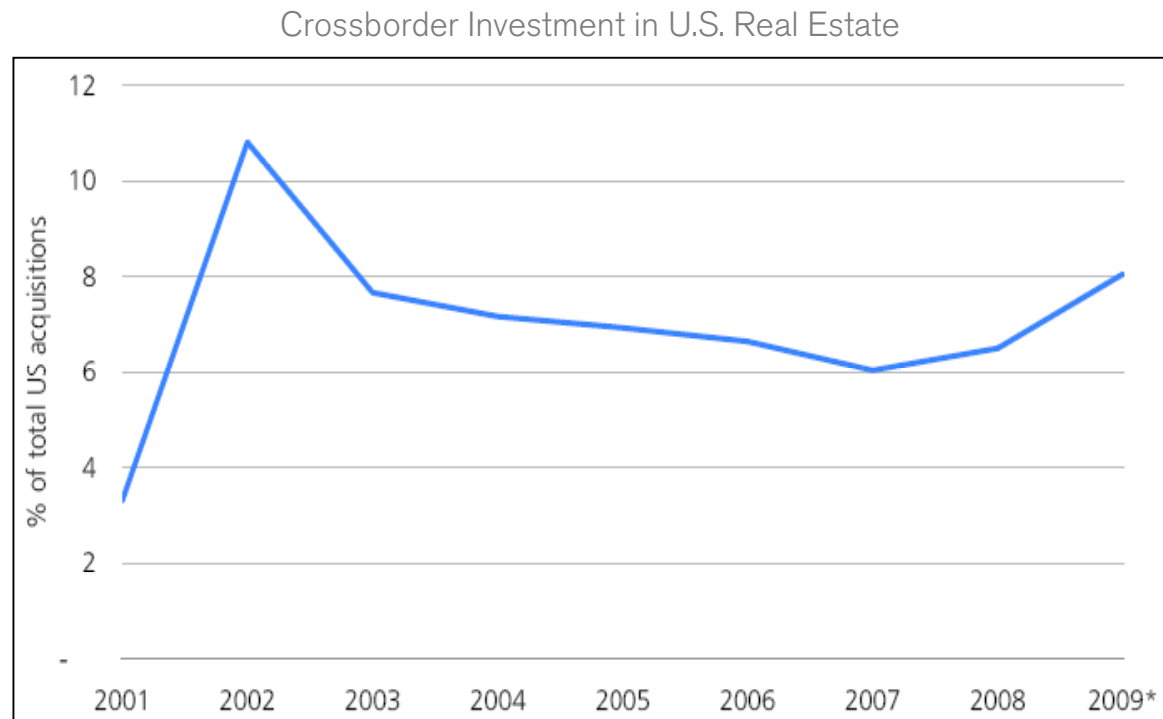


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 Source: UBS Global Asset Management, Global Real Estate Research based on Real Capital Analytics data as of November 30, 2009



Current development

Foreign investments in U.S. property – never a major force



*09Q4 represents total acquisitions in October and November 2009

Source: UBS Global Asset Management, Global Real Estate Research based on Real Capital Analytics data as of November 30, 2009



Origin of foreign investors

Investor-shift

- nature and origin of recent foreign investment has changed from past years
- German open-ended funds suffered massive withdrawals and many were subsequently frozen – prevented from investing in 2008 and first half of 2009
- Middle Eastern investors, the largest foreign source 2008, were reeling from rapid decline in oil prices and a meltdown in their own domestic real estate markets
- Australian, Canadian, Irish and Middle Eastern investors are licking their wounds and more capital starting to come from Germany, the Netherlands, Israel, Switzerland and South Korea / Hong Kong (having less rough economies in their home markets)
- *"In the last two months, we've seen German and Asian investors increase their interest in U.S. investment,"* (Steve Collins, managing director of JLL's International Capital Group, 10/2009)
- recent foreign buyers also include more high net worth, entrepreneurial investors as opposed to major institutions or sovereign wealth funds
- up to Q3 2009, foreign investors have spent about USD 2.1 billion on U.S. commercial properties (nearly half of the amount came from German investors, according to Real Capital Analytics)
- Top 3 investors through Q3 2009: Germany, Asia, UK

Foreign Investment into U.S. Commercial Real Estate in USD billion¹

Buyer Origin	2007	2008	2009
Australia	\$ 10.4	\$ 0.2	\$ -
Germany	\$ 2.6	\$ 1.7	\$ 0.9
Canada	\$ 6.9	\$ 0.6	\$ 0.1
United Kingdom	\$ 3.1	\$ 0.4	\$ 0.2
Israel	\$ 2.6	\$ 0.6	\$ 0.0
Japan	\$ 0.9	\$ 0.8	\$ -
Hong Kong	\$ 0.1	\$ 0.0	\$ 0.1
Asia	\$ 0.6	\$ 0.2	\$ 0.3
Europe	\$ 2.5	\$ 1.3	\$ 0.2
MidEast	\$ 2.9	\$ 5.9	\$ 0.1
Americas	\$ 0.0	\$ 0.1	\$ 0.0
Ireland	\$ 0.9	\$ 0.5	\$ -
Grand Total	\$ 33.4	\$ 12.4	\$ 2.0

¹ Through September 2009

Based on properties and portfolios USD 5 m and greater

Source: Real Capital Analytics, October 2009



Current examples for foreign investments

Focus on „core“ properties

- foreign investments showing signs of life after a deep plunge earlier 2009
- since July / August, stateside investment activity increased – deal-making has accelerated in the 4th quarter of 2009
- foreign investors typically target highly valued or "core" office buildings (top-quality U.S. assets in primary markets)
- *"Right now, the coastal markets such as New York, [Washington, DC], and San Francisco are drawing interest from a select few foreign investors bidding and winning on off-market investments today."* (Steve Collins, managing director of JLL's International Capital Group, 10/2009)
- besides primary coastal markets, foreign investors ventured 2009 into distressed areas such as Phoenix, Atlanta and Fort Lauderdale - yet even in those spots they've focused on top-tier assets
- acquire properties with all cash or very minimal debt, so lack of available financing isn't a concern
- China, Germany, Israel, the Netherlands, Sitzerland and South Korea among the first to start eyeing U.S. properties again (differs from a few years ago when Irish, U.K., Australian and Middle Eastern investors were active)
- commercial property markets attracted a smattering of new foreign investors 2009 (accounted for under USD 1 billion in acquisitions)
- in EMEA, only the UK, Israel and the Netherlands provided new investors in 2009
- elimination and financial problems of many domestic U.S. investors, especially private equity funds, offers foreign investors opportunity to buy choice assets which were not previously available to them
- foreign funds have also partnered with U.S. investors to acquire assets by establishment of JVs (e.g. PGGM Private Real Estate Fund, investment vehicle for Dutch pension funds, and Addison, Texas-based property investor Behringer Harvard acquired 4 U.S. apartment properties between June and October 2009 for USD 217 m)



Current examples for foreign investments

Lots of big deals by German investors

Overview of U.S. Real Estate Deals with Foreign Investors 2009¹

Company	Country	in USD m
Allianz	Germany	\$ 508.0
Optibase Ltd. (JV with Gilmore USA)	Israel	\$ 470.0
IDB Group	Israel	\$ 330.0
PGGM	Netherlands	\$ 217.0
DekaBank	Germany	\$ 208.0
Lacy Ltd.	Germany	\$ 197.0
Jamestown	Germany	\$ 163.0
Kumho Investment Bank	South Korea	\$ 150.0
Investcorp Real Estate	Bahrain	\$ 140.0
UBS Group	Switzerland	\$ 110.0
Credit Suisse	Switzerland	\$ 90.5.0
Keck Seng	Singapore	\$ 87.0
Skanska AB	Sweden	\$ 85.0

¹ through October 2009 (last 12 months)
Source: The Wall Street Journal, 10/2009; National Real Estate Investor, 10/2009; www.business.ca.gov, 10/2009

Overview of U.S. Real Estate Deals with new Foreign Investors 2009¹

Company	Property Type	Country	in USD m	Inv. Type
PGGM	APT	Netherlands	\$ 328.5	Pension Fund
Kumho Investment Bank	OFF	South Korea	\$ 150.0	Bank
Keck Seng	HTL	Singapore	\$ 88.0	Dev/Own/Op
Consultatio SA	HTL	Argentina	\$ 78.0	Dev/Own/Op
Prime Commercial Properties PLC	RTL	UK	\$ 72.5	Dev/Own/Op
RioCan REIT	RTL	Canada	\$ 40.0	REIT
Maruito	OFF	Japan	\$ 38.0	Dev/Own/Op
RNY Property Trust	IND	Australia	\$ 35.4	Dev/Own/Op
Goldbond Group	RTL	Hong Kong	\$ 28.0	Dev/Own/Op
CIS Properties	OFF/RTL	UK	\$ 27.5	Insurance
Dizengoff Group	APT	Israel	\$ 21.9	Dev/Own/Op
Wincome Group	HTL/OFF	Hong Kong	\$ 21.0	Dev/Own/Op

¹ based on properties and portfolios USD 5 m and greater
Source: Real Capital Analytics, 2009



Decline of commercial property values, a weak dollar and a stabilizing U.S. economy – good conditions to invest?

- U.S. real estate market will always be interesting for investors from countries with unstable political or economic situations (South and Central America, Eastern Europe)
- *"It seems the German open- and close-end funds and the Asian development companies are getting ready for an investment push in first quarter 2010."* (Steve Collins, managing director of JLL's International Capital Group, 10/2009)
- it is anticipated that decline in commercial property values, a weak dollar and a stabilizing U.S. economy could fuel many more purchases made by offshore money managers in the next 12 to 18 months
- other sources are more circumspect – appetite for transactions may be generally improving, but foreign buyers have never topped 10 % of annual dollar volume
- *"There's no foreign invasion. There's just not enough capital to touch off a meaningful recovery."* (Dan Fasulo, managing director, Real Capital Analytics 12/2009)
- most foreign buyers already assume job and economic growth will be moderate at best 2010 – they focus more on the discounted dollar and property values when making investment decisions
- *"A lot of buyers are not in a rush to put their money out. If they are in the market, they're being very, very selective."* (Scott Sweeney, executive vice president, Falcon Real Estate Investment Co.)
- foreign investors also looking at smaller investments to get a piece of U.S. property at what appear to be discount prices
- current problem: dearth of assets to purchase, unless owners have to sell – some foreign buyers have aggressively bid on properties to beat competitors – they have led would-be sellers in Washington, D.C., and New York to raise prices



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