

Global Property Investment

International Capital Flows into Property Investment

Presentation to the Pacific Rim Real Estate Society

Twelfth Annual Conference, Auckland



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Agenda

- ❖ Size of the Investment Universe
- ❖ Pattern of Global Real Estate Investment
- ❖ Conclusion

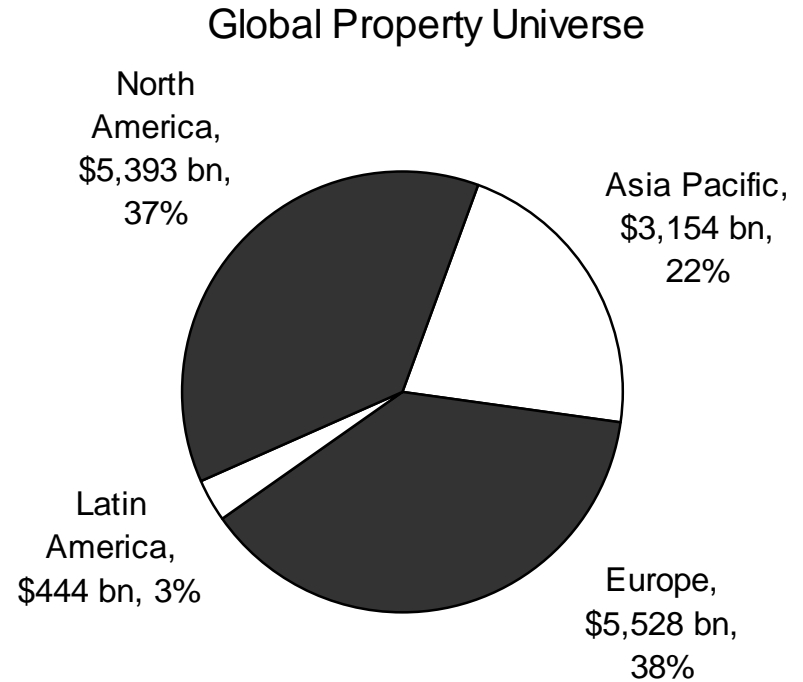
Sizing the Real Estate Universe



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Market Size in Context

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



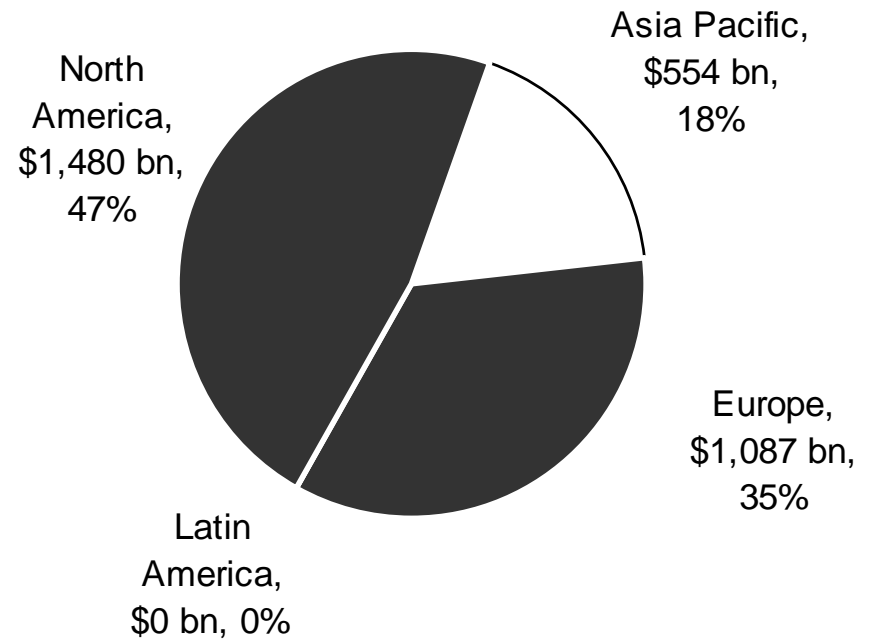
Sources: World Bank Organisation, FTSE, EPRA

Investment-Grade Real Estate Universe

❖ Invested Real Estate: \$3.238 tn

❖ Invested Real Estate: 23%

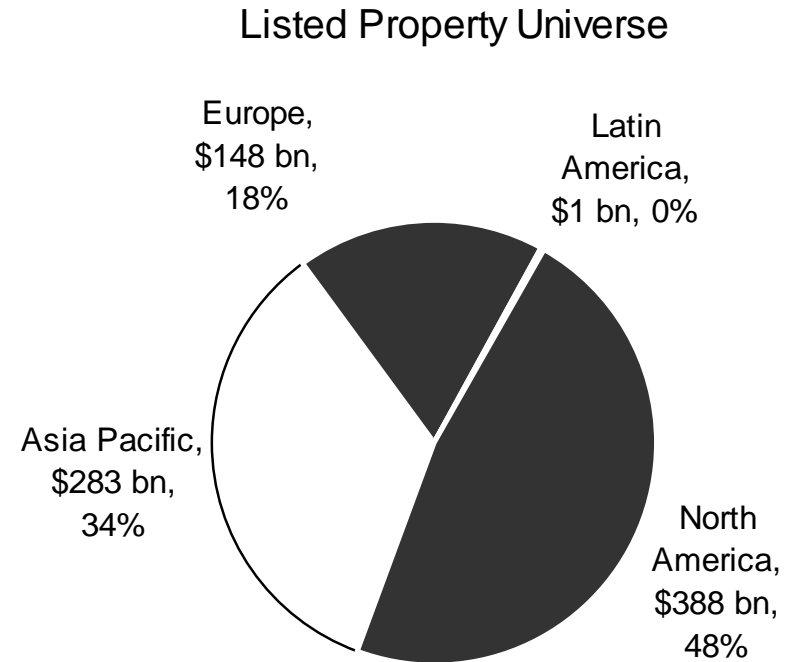
Invested Property Universe



Source: UBS

Listed REIT Market

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



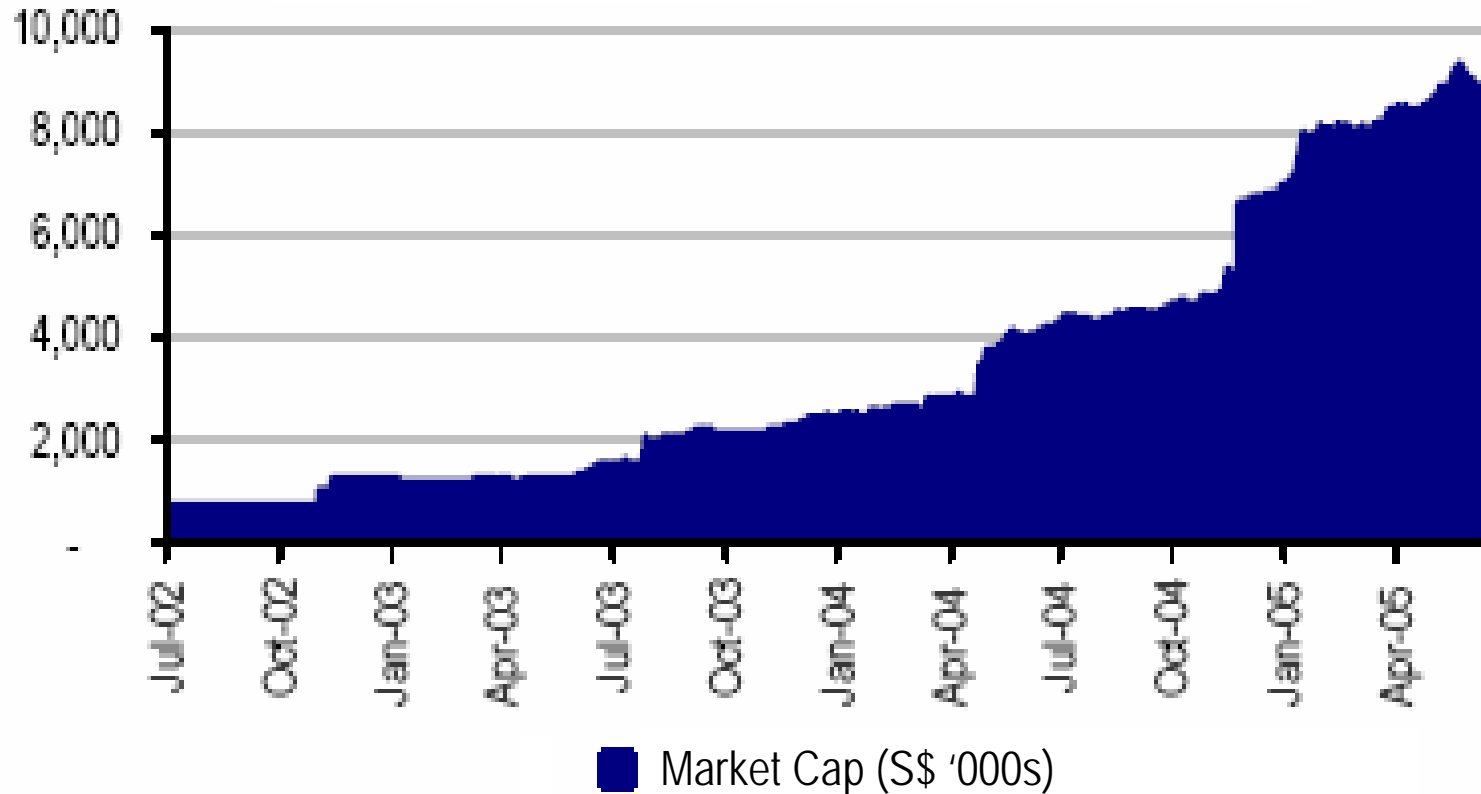
Sources: World Bank Organisation, FTSE, EPRA

International Capital Raisings



Asian / European REITs: An Emerging Force

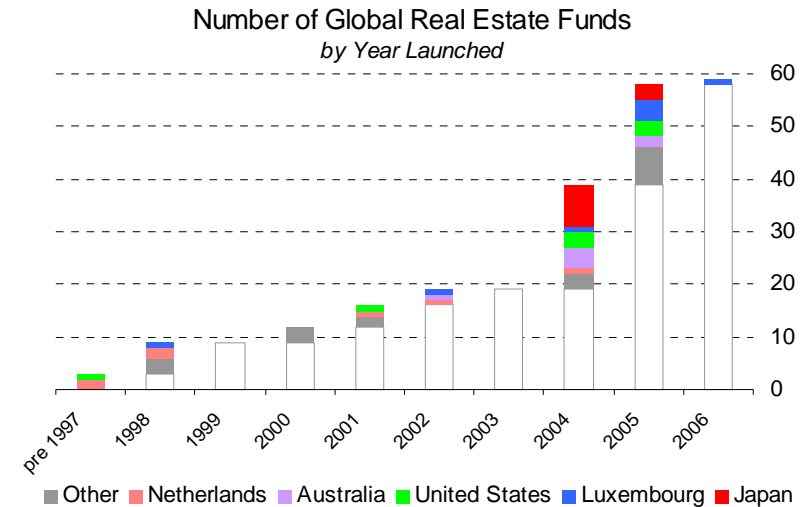
Singapore Market Capitalisation Growth



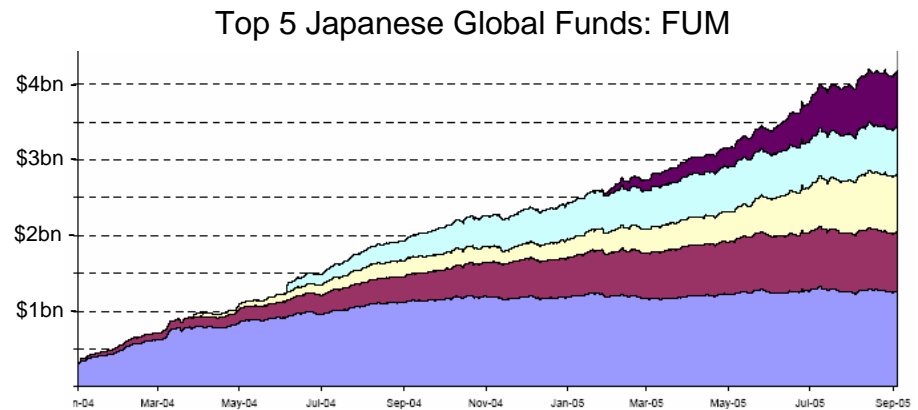
Source: UBS estimates, Datastream

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%.



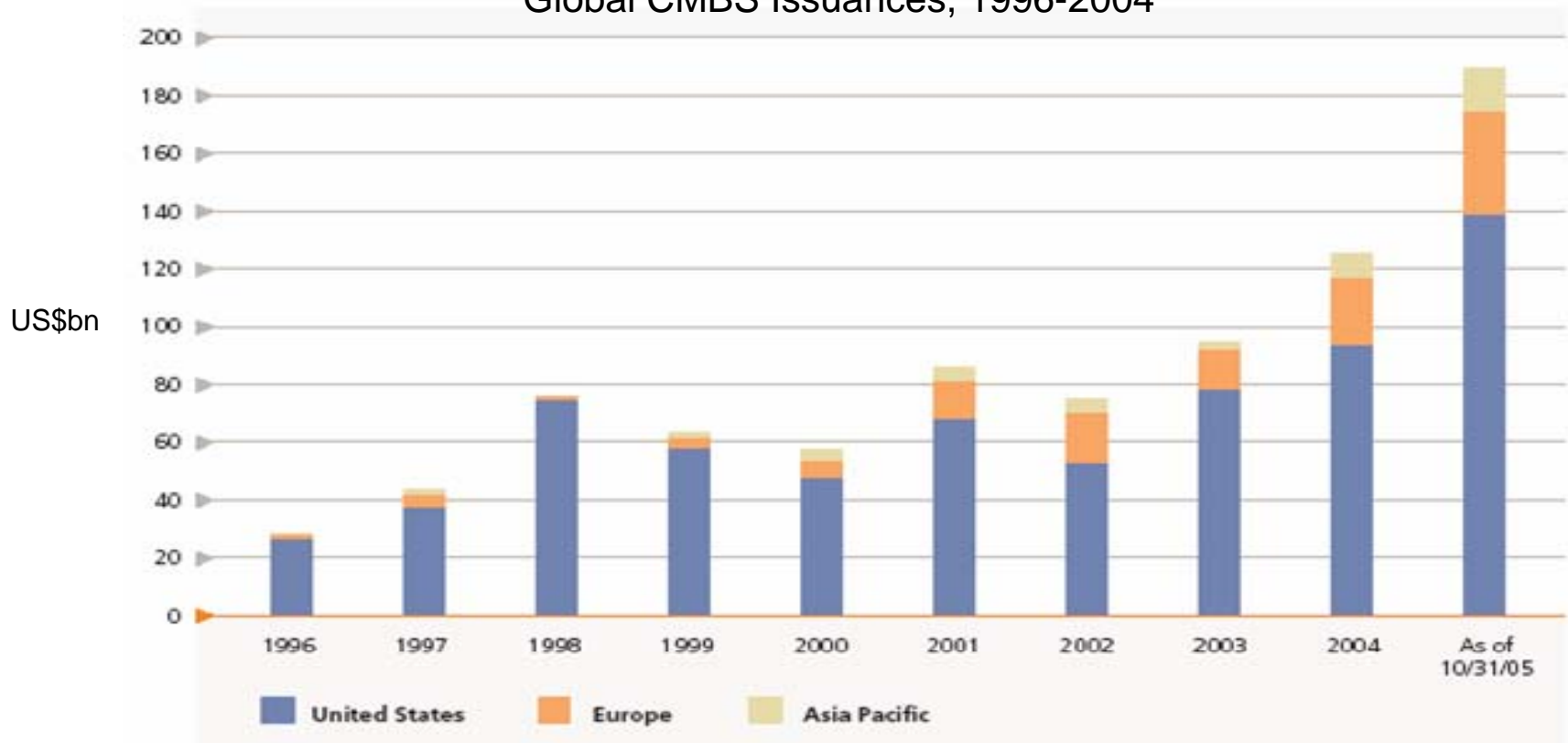
Source: EPRA



Source: EPRA

CMBS: Restoring the Margin

Global CMBS Issuances, 1996-2004



Source: ING Real Estate, Commercial Mortgage Alert, Morgan Stanley

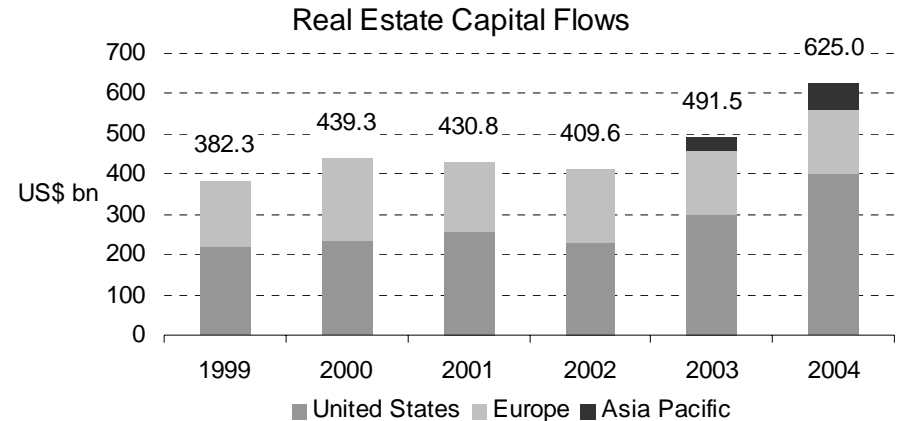
International Capital Flows: Direct Property



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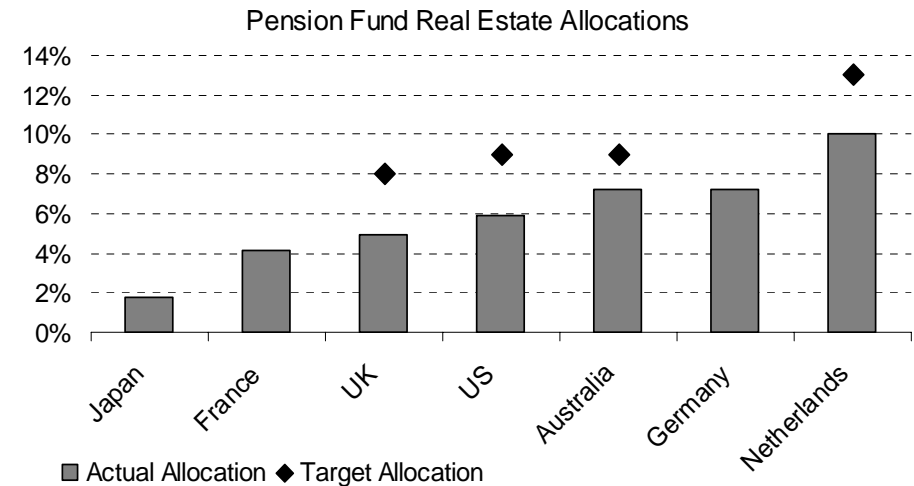
Aggregate Capital Flows & Allocations

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



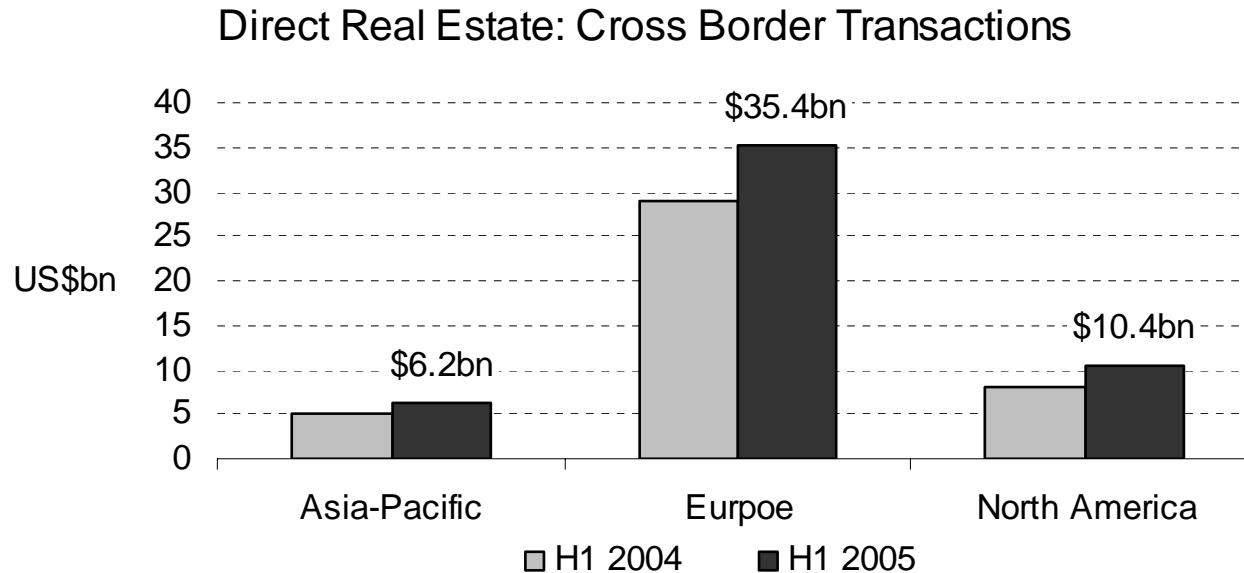
Source: DTZ Research, Jones Lang LaSalle, ING Real Estate Research
Note: For Asia, there is no data that measures capital flows before 2003

❖ ... yet funds remain
underweight compared to their
own target allocations.



Source: UBS, Intech, PREA, Russell; March 2004

Cross Border Real Estate Investment



Source: Jones Lang LaSalle; Property Data (UK); KTI Finland; Real Capital Analytics (USA)

- ❖ Cross-border transactions in H1 2005 \$52 billion, probably \$100b for the year
- ❖ German, American and Dutch investors dominant

Investor Motivations

Source of Capital	Motivation to Deploy Offshore
Japan	Search for Income <i>11 of 59 Global REIT Funds or 31% by value are domiciled in Japan</i>
United States	Diversification / Expanded Opportunity Set / Greater Total Returns <i>Opportunistic: sold in UK, Sweden and Italy last year to crystallise profits</i>
Netherlands	Increased Real Estate Allocations <i>Local market performing poorly</i>
Germany	Increased FUM <i>Unlisted funds have Euro 88 billion and holding 20% cash</i> <i>Particularly active in Europe purchasing \$7.7bn in H1 2005</i>
Australia	Search for Assets <i>Local market highly securitised; Listed sector has 40% allocation offshore</i>

Source: UBS, Jones Lang LaSalle, EPRA, Deutsche Bank

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Conclusion



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Next Magic Number – Trillion Long Scale?

a million million millions

or

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