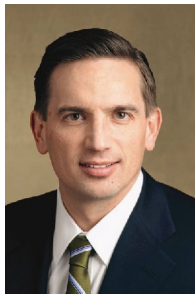


# COHEN & STEERS

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## Global Real Estate Securities Market Review & Outlook

*July 14, 2009*



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# Where We Are Today and Why We See Continued Opportunity

## An Outstanding Quarter

- Q209 was the best ever quarter for U.S. REITs<sup>(1)</sup>
  - Asia Pacific was the best performing region at +44.8%
- Upside move unleashed by:
  - Equity recapitalization process
    - ▶ \$37B raised year-to-date to strengthen balance sheets globally<sup>(2)</sup>
  - Massive stimulus efforts and other policy measures
    - ▶ China is driving the Asia Pacific region
  - Signs of economic stabilization
  - Better than expected property sales and financing activity
- Listed real estate companies will continue to utilize public markets to manage capital needs
- Acquisitions will begin to drive growth for well-capitalized, best in class public REITs

Market Performance (through 6/30/09) <sup>(1)</sup>			
	Since Low	Q209	YTD 2009
<b>North America:</b>	53.9% (3/6/09)	31.2%	-10.1%
<b>Europe:</b>	57.8% (3/9/09)	27.0%	1.9%
<b>Asia Pacific:</b>	80.7% (3/9/09)	44.8%	24.5%
<b>Global:</b>	64.7% (3/9/09)	35.9%	5.9%

Based on Cohen & Steers expectations.

(1) Source: Bloomberg; total returns for FTSE EPRA/NAREIT Developed Real Estate Indexes in USD

(2) Cohen & Steers

# Why We Are Optimistic

- Real estate companies can re-equitize and fund acquisitions with public market capital
  - “Once in a career” acquisition opportunity from distressed private market sellers
- 2011 improving occupancies and rents
  - Accelerating cash flow growth and mean reversion will help drive expansion in cash flow multiples higher (9.9x today, compared with 12.2x long-term average)
- Real estate securities have stock-exchange liquidity—a benefit that has been taken for granted for a very long time

# The Four Pillars of REIT Investing

How We See the Future for...

## 1. Total Return

- Returns after bear markets have been substantial
- Positive return cycle beginning

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Phase 1: Recapitalization (2009–2010)

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Phase 2: Acquisitions (2010–2014)

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Phase 3: Fundamental Recovery (late 2010)

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## 2. Current Income

- Dividends are being cut to taxable income, but yields remain attractive at 5.9%
- Will emerge from this period with the lowest dividend payout ratios ever, at 50%
- Will see meaningful, consistent dividend growth as credit crisis abates and payouts normalize

## 3. Volatility

- Will decline significantly and stabilize at slightly higher levels than pre-crisis levels

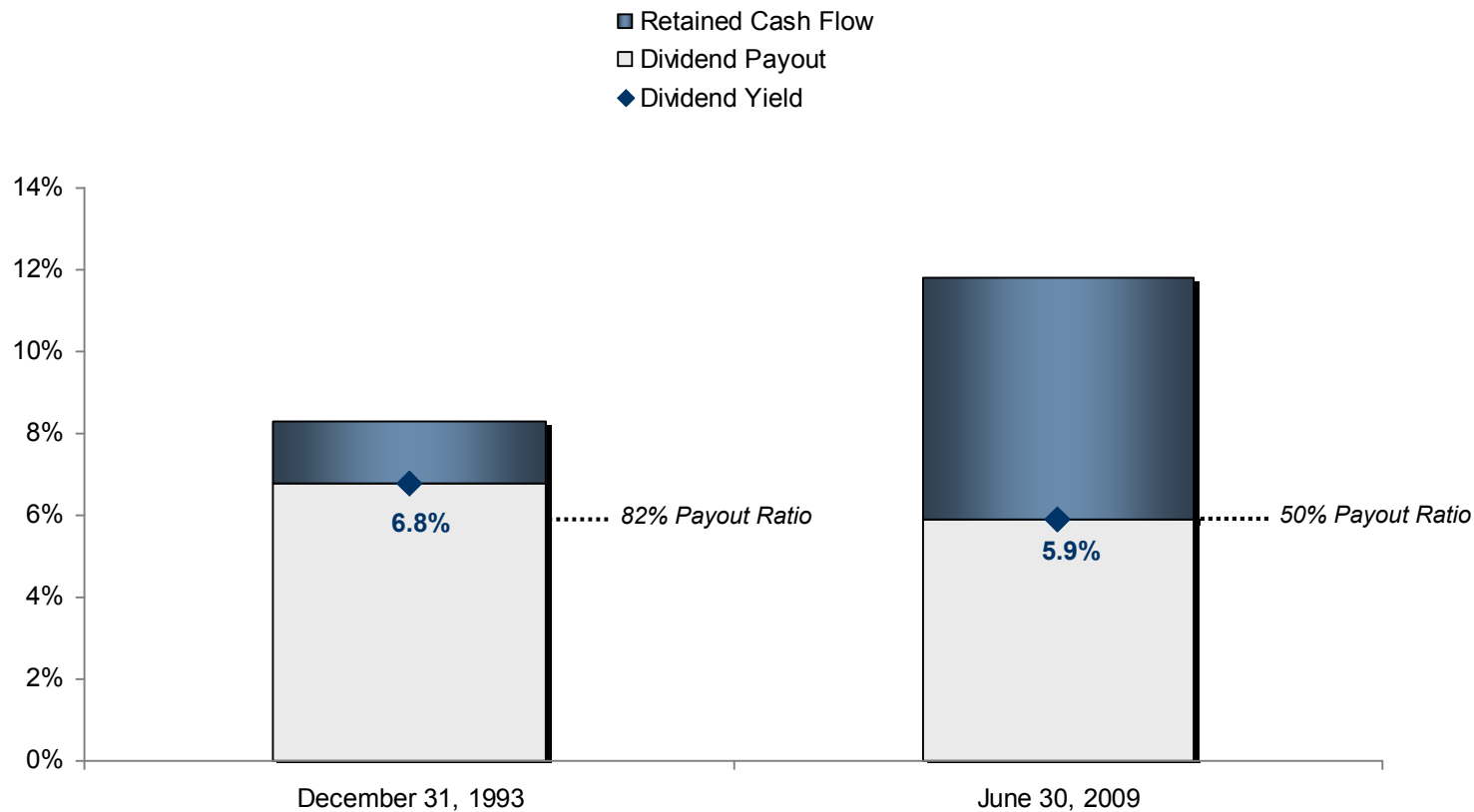
## 4. Correlations

- Converged for many asset classes during crisis—correlations will separate again

# Global Real Estate Stock Cycle

	North America	Europe	Asia
<b>Phase 1:</b> Recapitalization	50% complete	75% complete: U.K. 30% complete: Continental Europe	90% complete: Australia and Asia Ex-Japan Japan just beginning
<b>Phase 2:</b> Acquisitions	Significant opportunity in U.S.	Significant opportunity in U.K., Spain, Germany and France	Moderate opportunity
<b>Phase 3:</b> Fundamental Recovery	Second half 2010	First half 2011	2009: China, Hong Kong, Australia 2010: Singapore 2011: Japan

# U.S. REIT Dividend Payout Ratio at Record Lows



**High dividend yield on lower payout ratio**

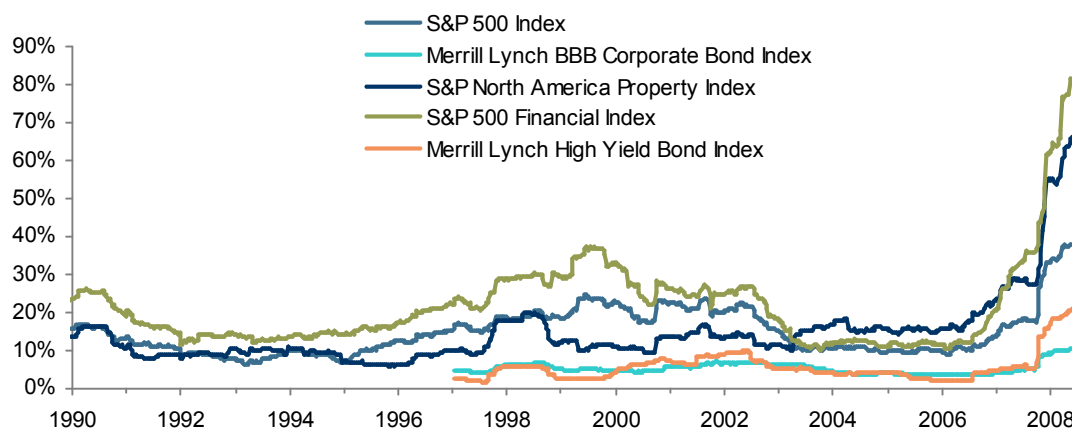
Source: Cohen & Steers, FTSE NAREIT Equity REIT Index

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# REIT Volatility

## Why It Has Increased and Why We Believe It Will Decline

- Volatility has spiked across all asset classes due to the credit crisis and recession
- Changes in growth expectations are more meaningful at low cap rates than at high cap rates
- Higher leverage ratios result in greater equity volatility
- Hedge fund trading activity has compounded the fundamental drivers of increased volatility
- REIT fundamentals continue to be more predictable than corporate equity fundamentals



### Volatility has spiked for all asset classes

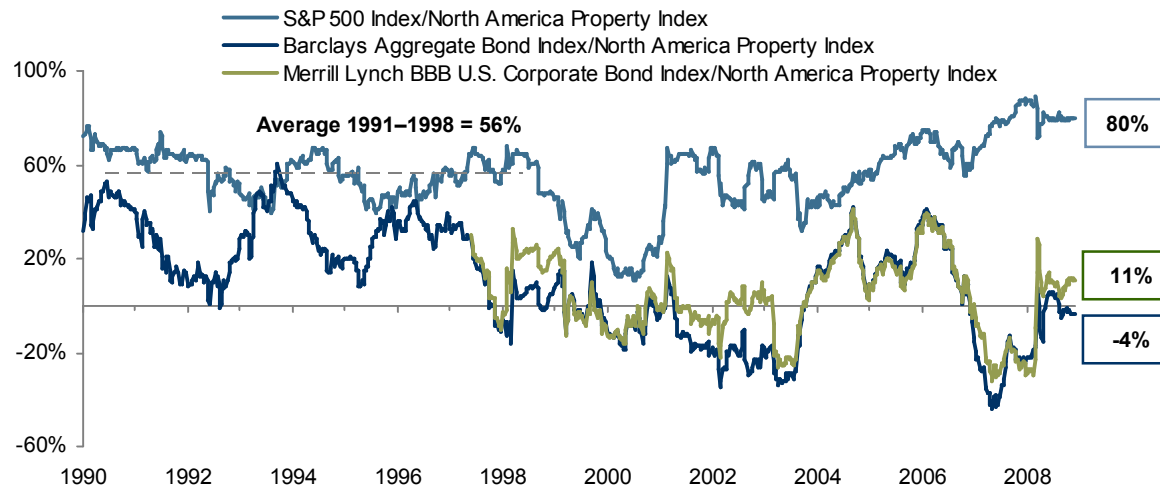
*Past performance is no guarantee of future results. An investor cannot invest directly in an index. Index performance does not reflect the deduction of any fees or expenses.*

Source: Cohen & Steers, S&P, Bloomberg. Weekly data 9/14/90–7/03/09

The Standard and Poor's 500 Composite Stock Index (S&P 500) is an unmanaged index of 500 large capitalization, publicly traded stocks representing a variety of industries. S&P North America Property Index is an unmanaged market-weighted total return index which consists of many companies from North America whose floats are larger than \$100 million and derive more than half of their revenue from property-related activities. The Merrill Lynch High-Yield Bond Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. The Merrill Lynch BBB U.S. Corporate Index is a subset of the Merrill Lynch U.S. Corporate Index including all securities rated BBB1 through BBB3, inclusive. Standard & Poor's 500 Financials Index is a subset of the S&P 500 Index that is capitalization-weighted index.

# Correlations

- Correlations for many asset classes have converged over the last 18 months
  - Correlations to stocks slightly higher than early 1990s commercial real estate downturn
- Credit crisis and recession affect many asset classes in similar ways
- REIT correlations to bonds, however, have remained very low



## Correlations will decline as credit crisis abates and economy bottoms

*Past performance is no guarantee of future results. An investor cannot invest directly in an index. Index performance does not reflect the deduction of any fees or expenses.*

Source: Cohen & Steers analysis, S&P, Bloomberg; one-year rolling periods using weekly data 8/3/90–7/03/09

The Standard and Poor's 500 Composite Stock Index (S&P 500) is an unmanaged index of 500 large capitalization, publicly traded stocks representing a variety of industries. S&P North America Property Index is an unmanaged market-weighted total return index which consists of many companies from North America whose floats are larger than \$100 million and derive more than half of their revenue from property-related activities. The Barclays Capital U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage and asset-backed issues, rated investment grade or higher, and having at least one year to maturity. The Merrill Lynch U.S. Corporate Index is a subset of the Merrill Lynch U.S. Corporate Index including all securities rated BBB1 through BBB3, inclusive.

# Global Country Weights & Outlook

At June 30, 2009

Country	Portfolio <sup>(1)</sup>	Index <sup>(2)</sup>	Outlook
<b>United States</b> <i>(market weight)</i>	34.4%	33.7%	<i>Financial sector stabilized and REITs recapitalized. Preference for central business district office and high-quality malls over shopping centers, apartments and health care.</i>
<b>Canada</b> <i>(market weight)</i>	3.8%	3.2%	<i>Economic impact from U.S. recession in the east and commodity price recovery in the west, healthy for demand but office oversupplied. Healthier financial system and more stable real estate fundamentals.</i>
<b>United Kingdom</b> <i>(market weight)</i>	5.7%	6.3%	<i>London office rents and retail sales declining, accounting for significant cap rate expansion. Direct real estate values re-setting quickly. Preference for West End and those with accretive acquisition opportunities.</i>
<b>Continental Europe</b> <i>(underweight)</i>	7.5%	10.5%	<i>Allocation to high-quality French and Dutch pan-European malls with strong balance sheets. Covenants continue to be under pressure. Avoid Spain, Germany and Eastern European real estate markets.</i>
<b>Hong Kong</b> <i>(overweight)</i>	16.6%	13.7%	<i>Benefit from China growth and leverage. Residential market bottoming. Office market fundamentals stabilizing.</i>
<b>China</b> <i>(overweight)</i>	6.5%	5.0%	<i>China property a beneficiary of domestic-focused policy measures coupled with underdeveloped real estate markets and low leverage.</i>
<b>Japan</b> <i>(underweight)</i>	10.3%	14.6%	<i>Fundamentals declining significantly with added risk from tenant friendly leases. Capital is available for well-sponsored companies. Residential inventories clearing.</i>
<b>Singapore</b> <i>(market weight)</i>	3.5%	3.8%	<i>Oversupply issues in most property sectors, although signs of bottoming residential and stabilization in commercial real estate.</i>
<b>Australia</b> <i>(market weight)</i>	9.7%	9.1%	<i>Stabilization of real estate credit. Economy more resilient than expected, possible upside from global recovery. Tight supply.</i>

(1) Based on a representative portfolio. Geographic allocation may vary over time. Information is provided as supplemental to the composite performance disclosure available in the back of this presentation.

(2) FTSE EPRA/NAREIT Developed Real Estate Index  
Not all countries displayed.

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# U.S. Property Sector Weights & Outlook

At June 30, 2009

Property Sector <sup>(1)</sup>	Portfolio <sup>(2)</sup>	Index <sup>(3)</sup>	Outlook
<b>Office</b> <i>(overweight)</i>	18.1%	12.8%	<i>Occupancies have declined; office experiencing a more orderly cyclical decline versus other sectors; focus on long-duration cash flows and strong balance sheets</i>
<b>Self Storage</b> <i>(overweight)</i>	8.6%	6.2%	<i>Consumer slowdown to slow fundamentals offset by some benefit from trading-down; access to debt capital better than average; best balance sheets will have tremendous acquisition opportunities</i>
<b>Industrial</b> <i>(market weight)</i>	6.0%	5.4%	<i>Property fundamentals have worsened; access to debt and asset sales capital better than average; companies engaging in aggressive but rational deleveraging creating better than average valuations</i>
<b>Hotel</b> <i>(market weight)</i>	5.9%	5.4%	<i>Fundamentals under severe pressure driving eventual balance sheet stress of select companies; focused only on strong balance sheets that can survive the most bearish scenarios</i>
<b>Regional Mall</b> <i>(market weight)</i>	10.2%	11.1%	<i>Occupancies in decline as consumer savings rate normalizes; expect store closings to peak in 2010 and some department store failures; focus on A quality malls with strong balance sheets</i>
<b>Shopping Center</b> <i>(underweight)</i>	8.5%	10.2%	<i>Fundamentals stable; favor long-term leases and asset quality; avoid large development pipelines and low barrier markets; valuations generally unattractive</i>
<b>Apartment</b> <i>(underweight)</i>	11.0%	14.0%	<i>Employment decelerates but demand is benefitting from higher propensity to rent; continued increase in unsold homes for rent and improved home affordability dampens fundamentals</i>
<b>Health Care</b> <i>(underweight)</i>	8.8%	14.1%	<i>Defensive fundamentals but valuations are unattractive</i>
<b>Specialty</b> <i>(underweight)</i>	5.3%	7.6%	<i>Timber valuations reflect weak lumber demand offset by continued investor interest in perceived inflation hedging of timberland; data center REITs present the best fundamentals offset by stretched valuations</i>

(1) Property sectors are classified using NAREIT sectors.

(2) Based on a representative portfolio. Sector weights may vary and are subject to change. Information is provided as supplemental to the composite performance disclosure available in the back of this presentation.

(3) FTSE NAREIT Equity REIT Index

Sorted by relative weight; not all sectors displayed

# Legal Notes

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*The performance data quoted represents past performance. Past performance is no guarantee of future results.*

**Risks** of investing in real estate securities include falling property values due to increasing vacancies or declining rents resulting from economic, legal, or technological developments. No representation or warranty is made as to the efficacy of any particular strategy or fund or the actual returns that may be achieved. Risks of investing in REITs are similar to those associated with direct investments in real estate securities, including falling property values due to increasing vacancies, declining rents resulting from economic, legal, tax or political developments, lack of liquidity, limited diversification and sensitivity to certain economic factors such as interest rate changes and market recessions. Foreign securities involve special risks, including currency fluctuations, lower liquidity, political and economic uncertainties, and differences in accounting standards. Some international securities may represent small- and medium-sized companies, which may be more susceptible to price volatility and less liquidity than larger companies.

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