

International Property Investment Trends

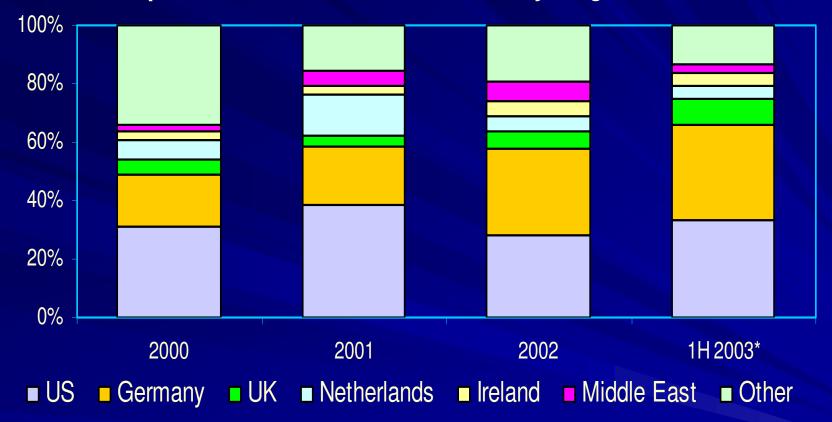
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Outline

- Who and How Much
- Why
- Where
- How
- Implementation Issues
- Conclusion and Outlook



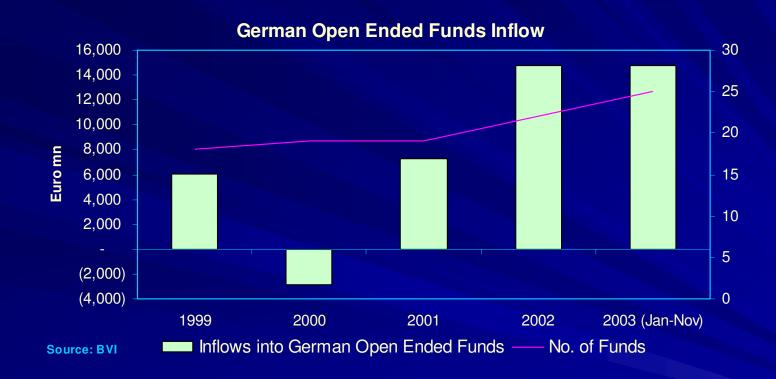
European Cross Border Investment by Origin of Funds



Source: DTZ, *Estimates



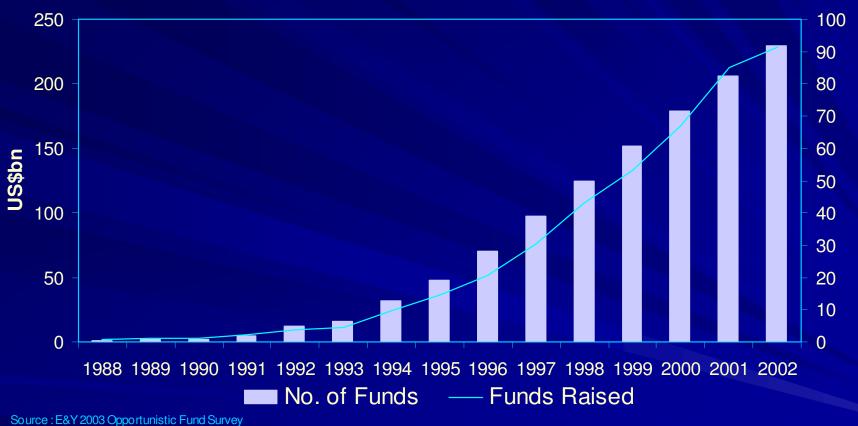
- German Open Ended Funds
 - Record Inflows
 - Excludes the inflows into the special funds



- Increased allocation to real estate by fund institutions
 - Increased/planning to increase their real estate allocation in portfolios
 - Added real estate to their asset mixes.



Cumulative Real Estate Opportunistic Funds Raised in the US





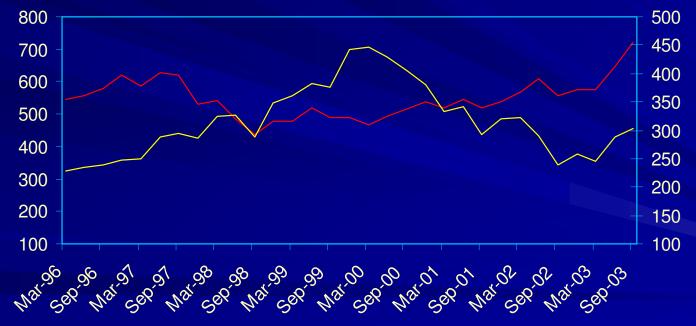
Reasons for the Rise in Global Real Estate Activity

- Growth in organized savings
- Poor equity market performance
- Diminished domestic opportunities
- Structural changes
- Growth of service providers / fund managers
- Widening range of products
- Expansion of REITs
- Improved research



Equities Vs Public Real Estate

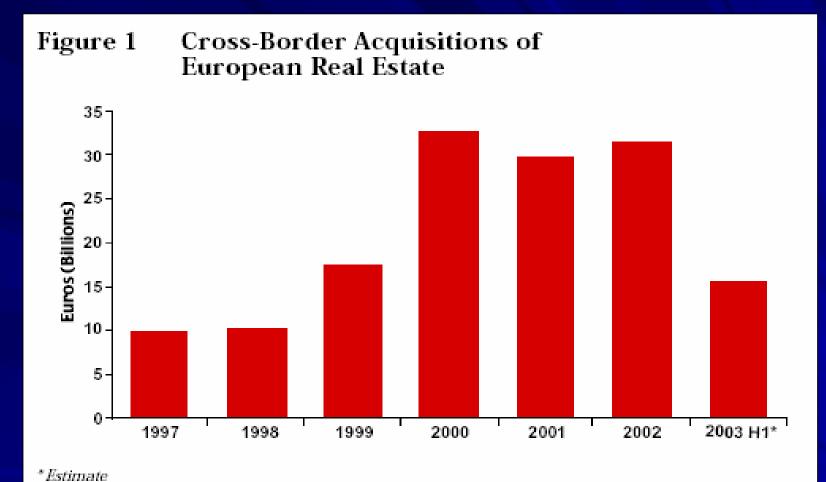
| | Annualized Returns to 30 September 2003 (US\$) | | | |
|--|--|--------|--------|---------|
| Region | 1-year | 3-year | 5-year | 10-year |
| Global GPR Index | 29.9% | 11.9% | 10.5% | 5.1% |
| Morgan Stanley World Free Return Index | 26.8% | -9.2% | 1.2% | 6.0% |



— Global GPR Index (LHS) —— Morgan Stanley World Free Return Index (RHS)

Source: Bloomberg





Source: DTZ Research



Examples of Product Types

- Industrial / Logistics Distribution Centres
- Retail
- Hotels
- Distressed Debt
- Mezzanine Debt
- Central European
- Corporate Restructuring



- Expansion of REIT markets over recent years
 - Increased liquidity
 - Increased choice and access
 - No property management
 - Lower transaction costs
 - New REIT markets
 - Future REIT markets



Modes of Investment

- Directly
 - Direct property acquisition
 - Development
- Indirectly
 - Funds
 - Public or Private Securities
 - Mezzanine Debt
 - Distressed Debt / Non-performing Loans



Where to invest?

- Asset allocation
 - Top down approach based on forecast risk return analysis
 - Does not reflect practical issues
- Objective of the investor
 - Short Term Player
 - 3-5 year time frame
 - More tactical
 - Sufficient market depth and liquidity
 - High risk and high return
 - Opportunity funds

- Long Term Player
 - 10-20 year time frame
 - More strategic
 - Identify the future winners and losers
 - Supernormal profits from first entrant advantage
 - No 'Long-Term' strategic funds



World Winning Cities





Implementation Issues

Investment

- Asset allocation strategy
- Ownership
- Legal and political risks
- Taxation
- Currency Risks
- Hurdle Rate

Access

- Dominance of local players
- Lack of local market expertise
- Language / cultural barriers
- Limited availability of quality investment products
- Lack of market transparency

Operations

- Different lease structures
- Higher due diligence costs
- Asset management problems

