



The Economy and the Real Estate Market South of the Border A Quest for Confidence

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Topics of Conversation

- State of the Real Estate Market: Global Interdependence for Better or Worse
- Canada's Position of Strength – A “Yankee's” Perspective
- The United States: Seeking Clarity, Leadership, Confidence
- United States Market Views: Industrial, Hotels, et al
- Looking Forward: Reasons for Cautious Optimism

State of the Real Estate Market

Global Interdependence for Better or Worse



- Uncertainty – headline headaches
- Financial market volatility
 - Impact on business and consumer confidence
 - Access to capital markets very important for real estate
- European debt crisis
 - 1/3 of the world's economy
- U.S. and Canada – Safe havens?

Canada's Position of Strength – A “Yankee’s” Perspective



Country	Net Debt to GDP*	Interest Rate on 10-year Notes ***
Canada	35	2.11%
U.S.	73	1.96%
Germany	57	2.29%
Spain	56	6.50%
UK	73	2.27%
France	81	3.57%
Italy	100	7.19%
Japan	131	1.04%
China**	18	3.64%

* IMF Forecast, September 2011

** Gross Debt/GDP; net debt figure not available

*** As of 11/28/11

Canada's Position of Strength – A “Yankee’s” Perspective



- Disciplined banking industry
- Natural resource blessed
- Population growth as demand driver
- Leadership: Lessons learned from the past

Market View: Canadian Real Estate



- Stable institutional ownership base
 - Top properties rarely available
- Positive supply/demand factors
 - Disciplined lending by banks
 - Population growth through net immigration
 - Entitlement process takes work/time
- Strong demand – reflected in low cap rates across types, markets
- Potential worries
 - Softness in high end pricing
 - Hotels
 - Condos
 - High development charges
 - Slowing new developments

The United States Seeking Clarity, Leadership, Confidence



- Growth - but slow
- Housing market overhang
- Political dysfunction causing economic harm
 - Weighs on business and consumer confidence
- Dealing with the deficit
 - Running out of time

Market View: United States Industrial



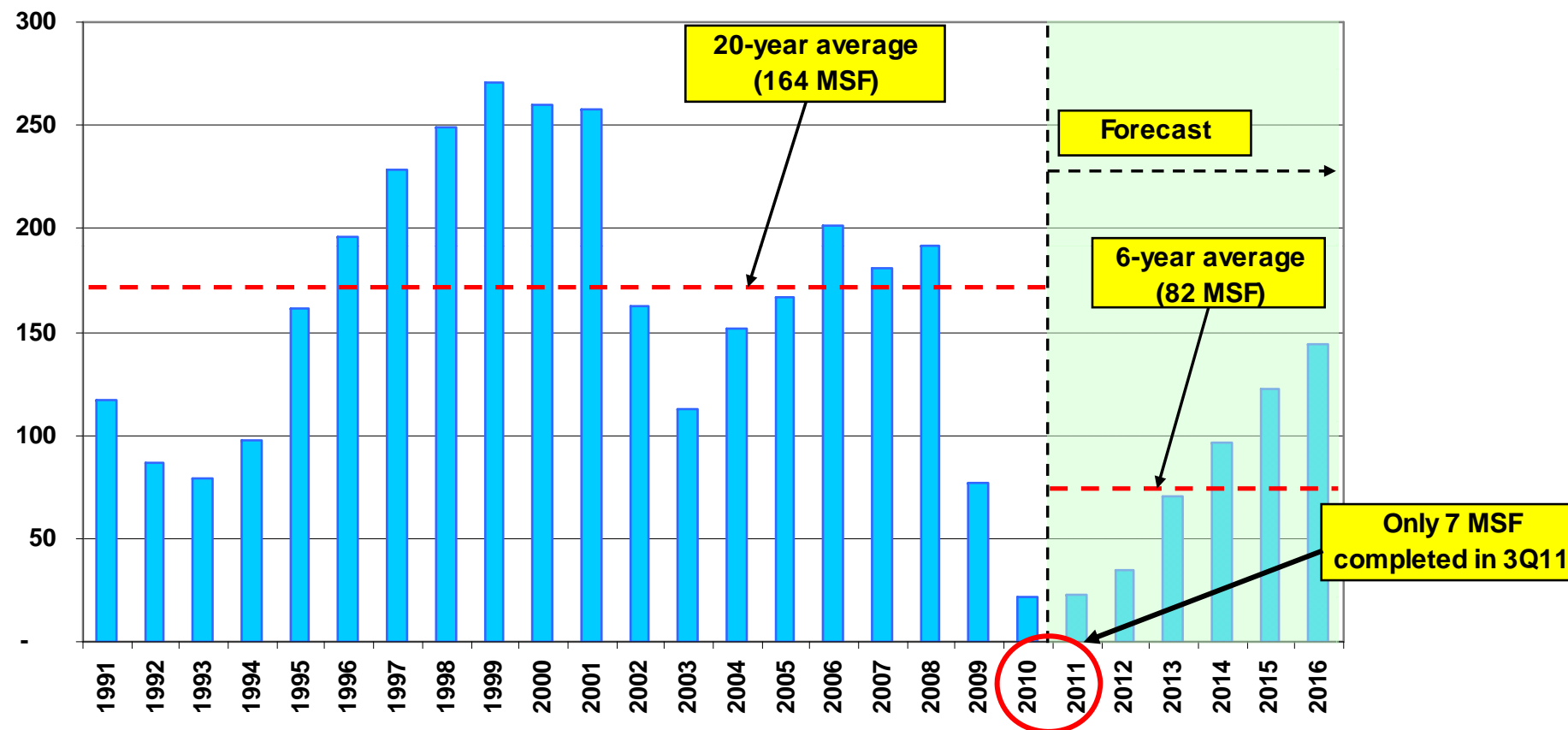
Industrial

- Slow growth fine for industry
- Space being absorbed
- Limited new supply
 - Rents need to continue recovery

Favorable U.S. Industrial Fundamentals Limited New Supply



U.S. Industrial Real Estate Annual Completions
(in millions of SF as of 3Q11)



Since 3Q10, positive absorption of 133 MSF; completions of 26 MSF

Positive absorption and limited new supply to drive higher rental rates

Market View: United States Industrial (con't)



- Liquid, financeable asset class
- Institutions, lenders under-allocated
 - Bite-size nature makes assembling large portfolio challenging
- Unique demand driver: User buyers
- Cap rates compressing across market
 - Need for yield
 - Expectations for rental rate recovery

Market View: United States Hotels



- Business, leisure travel up
- Forecast for 4% occupancy increase in U.S. to 59.9% for 2011*
 - 3.6 percent increase in average daily rate to \$101.58
 - 7 percent increase in RevPAR to \$60.81
 - Supply up just 0.7 percent
- Further gains expected in 2012, **but**
 - Forecasts being tempered by economic, political concerns

Looking Forward Reasons for Cautious Optimism



- Interest rates are low
 - Debt drives valuation
- Yield in a yield-less world
- U.S. and Canada as safe havens
- Slow growth is good for real estate owners
 - Absorption
 - Rent growth



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