

This presentation is intended for investment professionals

Global Real Estate Investment

What Strategies Make the Most Sense for 2012?

Standard Life
Investments

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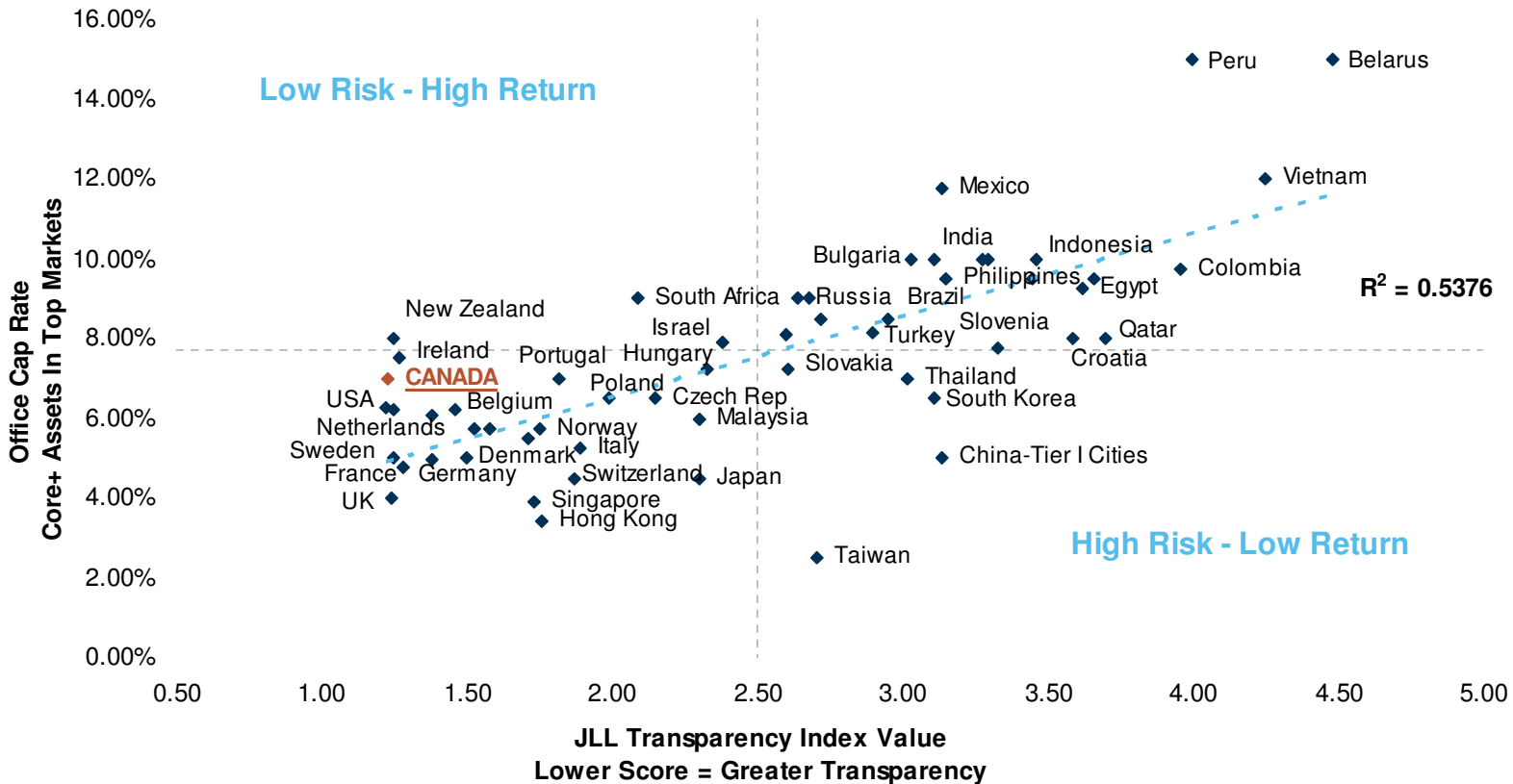
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What Are the Broader Global Risks/Issues?

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What Markets Are Worth Looking At - Transparency

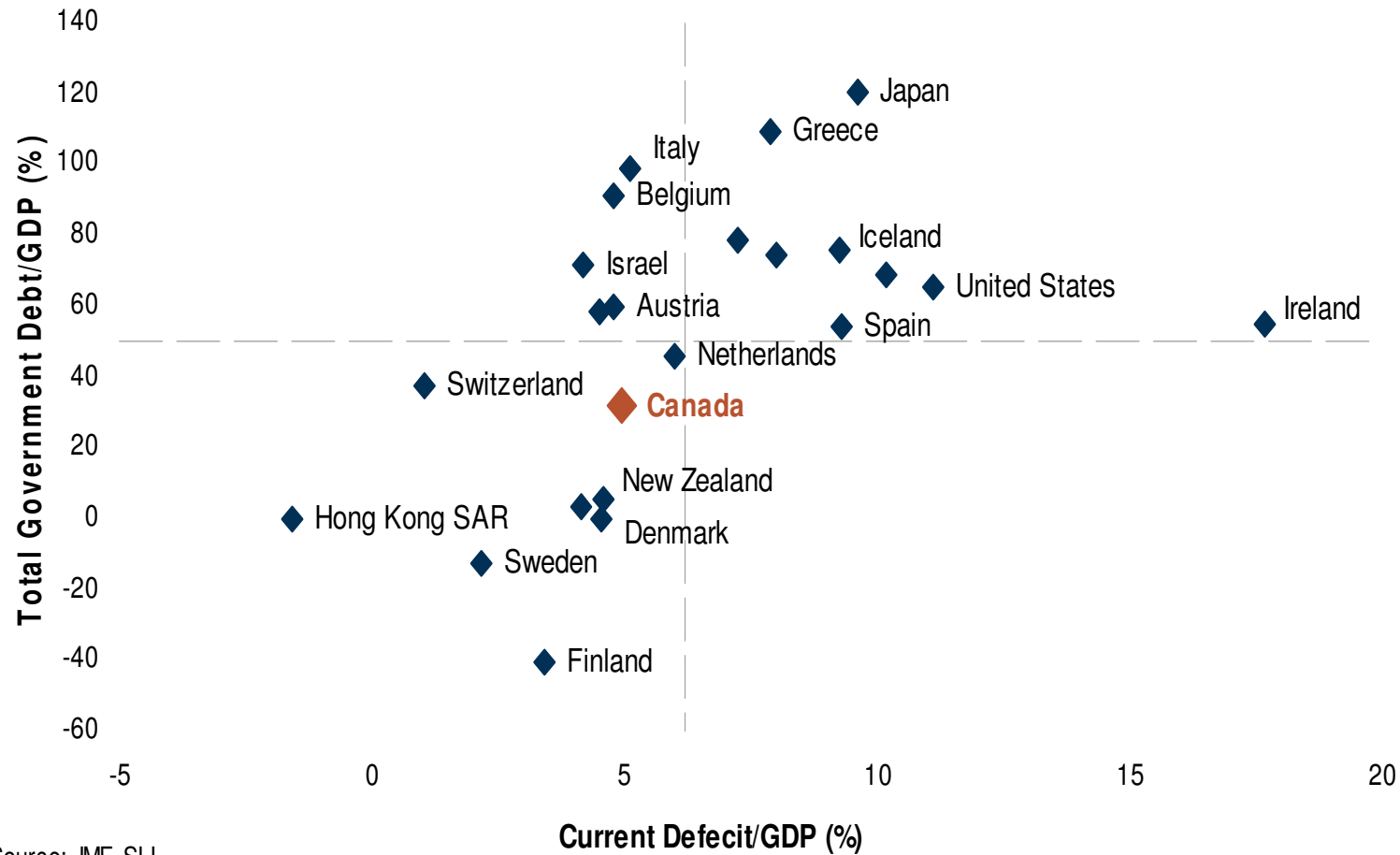


Source: JLL, Cushman & Wakefield, Colliers, SLI *Cap rates are based on Q4 2010 data.

- There is a strong relationship between transparency and pricing
- Most transparent markets are heavily priced or in troubled regions (Europe)

Where do you move out along the risk curve...?

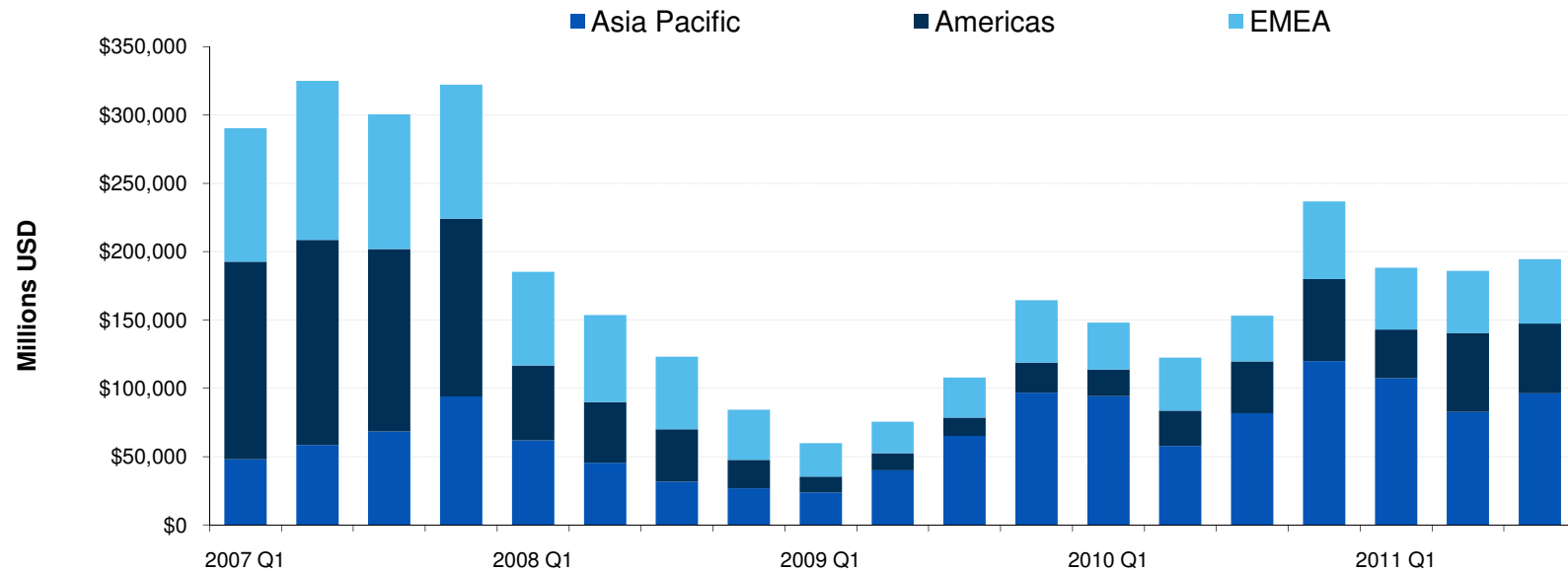
What Markets Are Worth Looking At – Fiscal Health



Source: IMF, SLI

Canada has the healthiest public finances of any G8 country

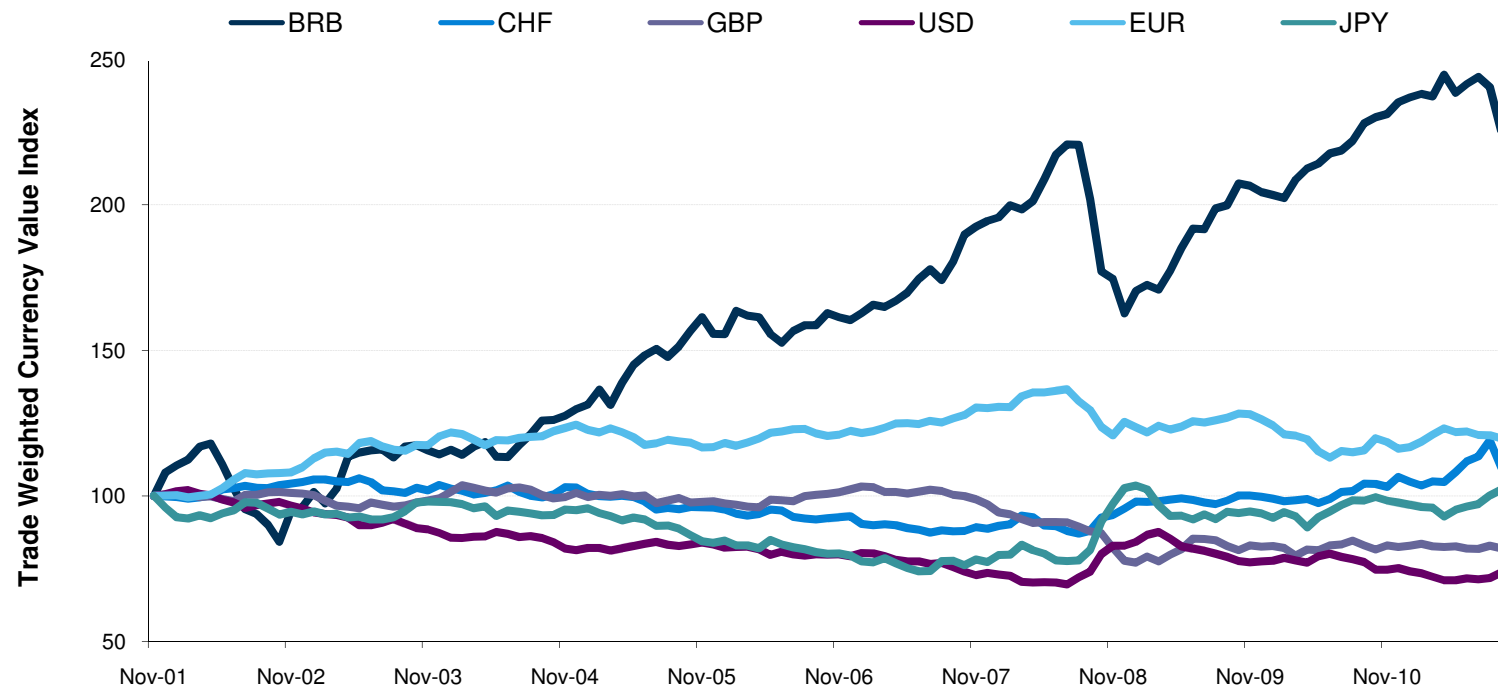
Global Capital Flows



Source: Real Capital Analytics, SLI

- Does Asia Pac continue to lead in Capital Flow?
- America's capital flow about 50% off peak:
 - Is this the new norm?
 - Where does the growth come from?
- International market risk, hedging, tax leakage, transparency – what is the trade off?

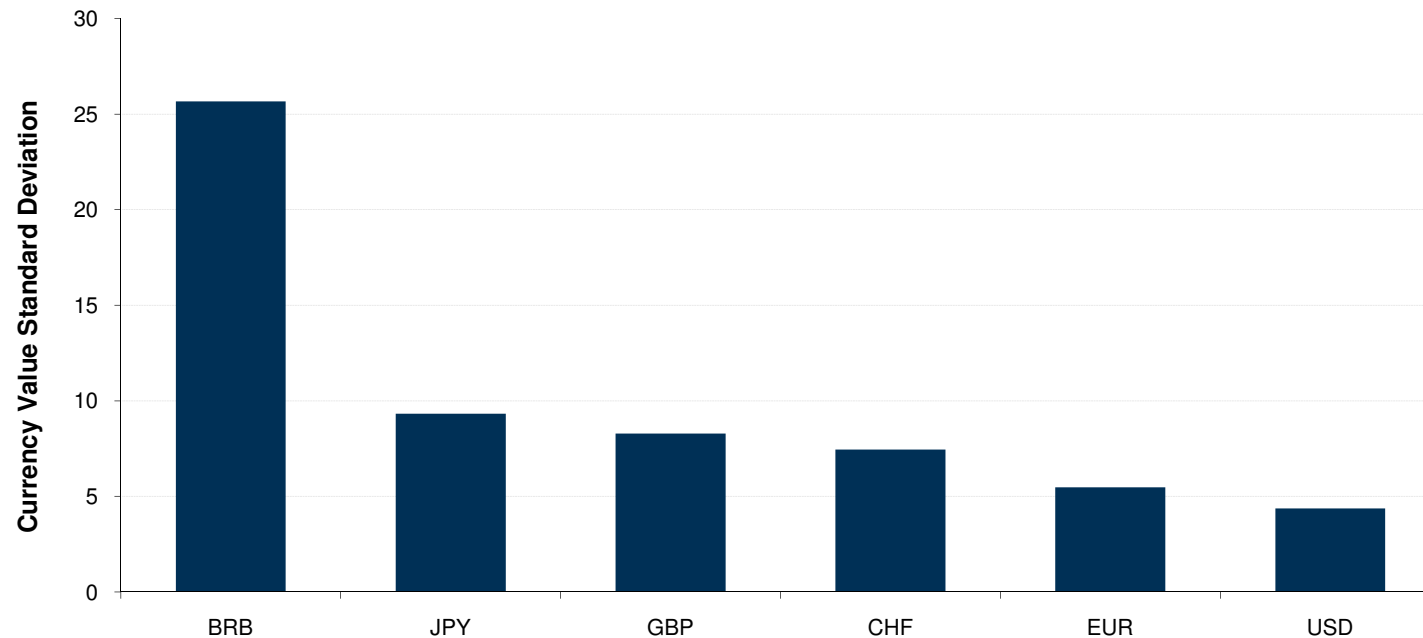
Global Currency Values



Source: JP Morgan, SLI

- Does Asia Pac continue to lead in Capital Flow?
- \$US, will it recover?
- Where is the Euro headed?
- Brazil is a hot market...what is your hedging strategy?

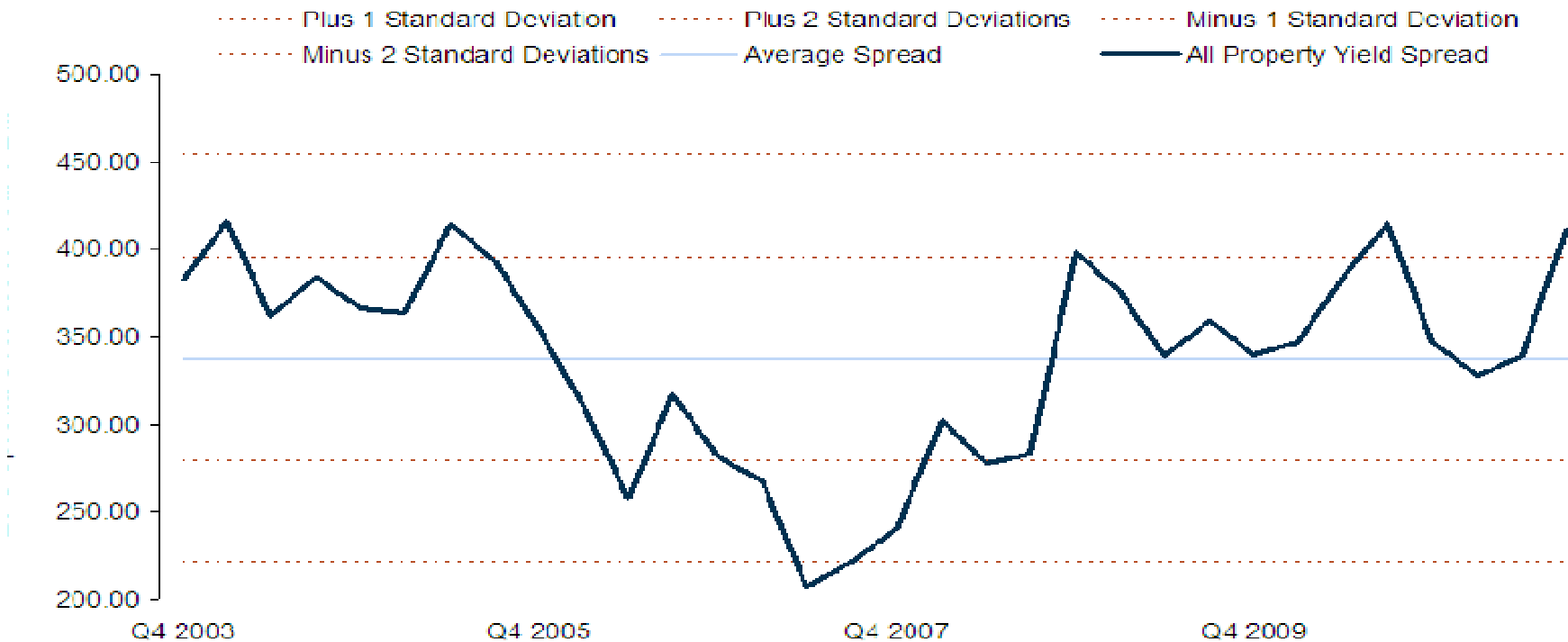
Global Currency Volatility



Source: JP Morgan, SLI

- How do you hedge a volatile currency effectively
- The Green Back is at a low point for relative value and with low volatility
 - Is now the time to buy in?
 - What will trigger the recovery?
 - Does it remain the world reserve currency?

IPD Yield Spread Over 10 Yr Canada Bonds



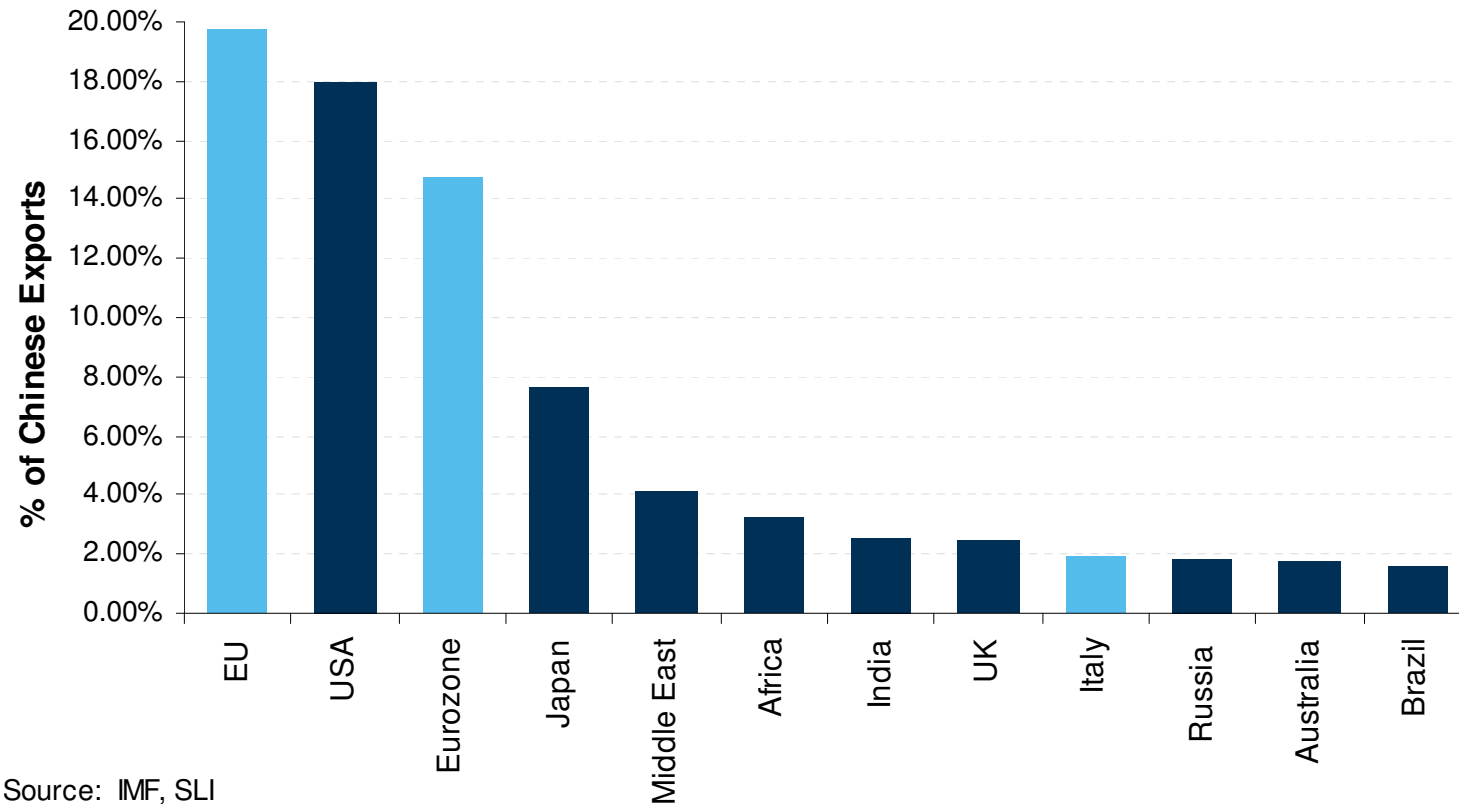
Source: IPD, S&P

- Even if all-property yields compressed 20 bps in Q3 their spread over Canadian 10-Year bonds will widen to over one standard deviation above their short historic mean in Q3.
- Cap Rates not likely to rise anytime soon

China Syndrome

**Is China the World's
Savior?**

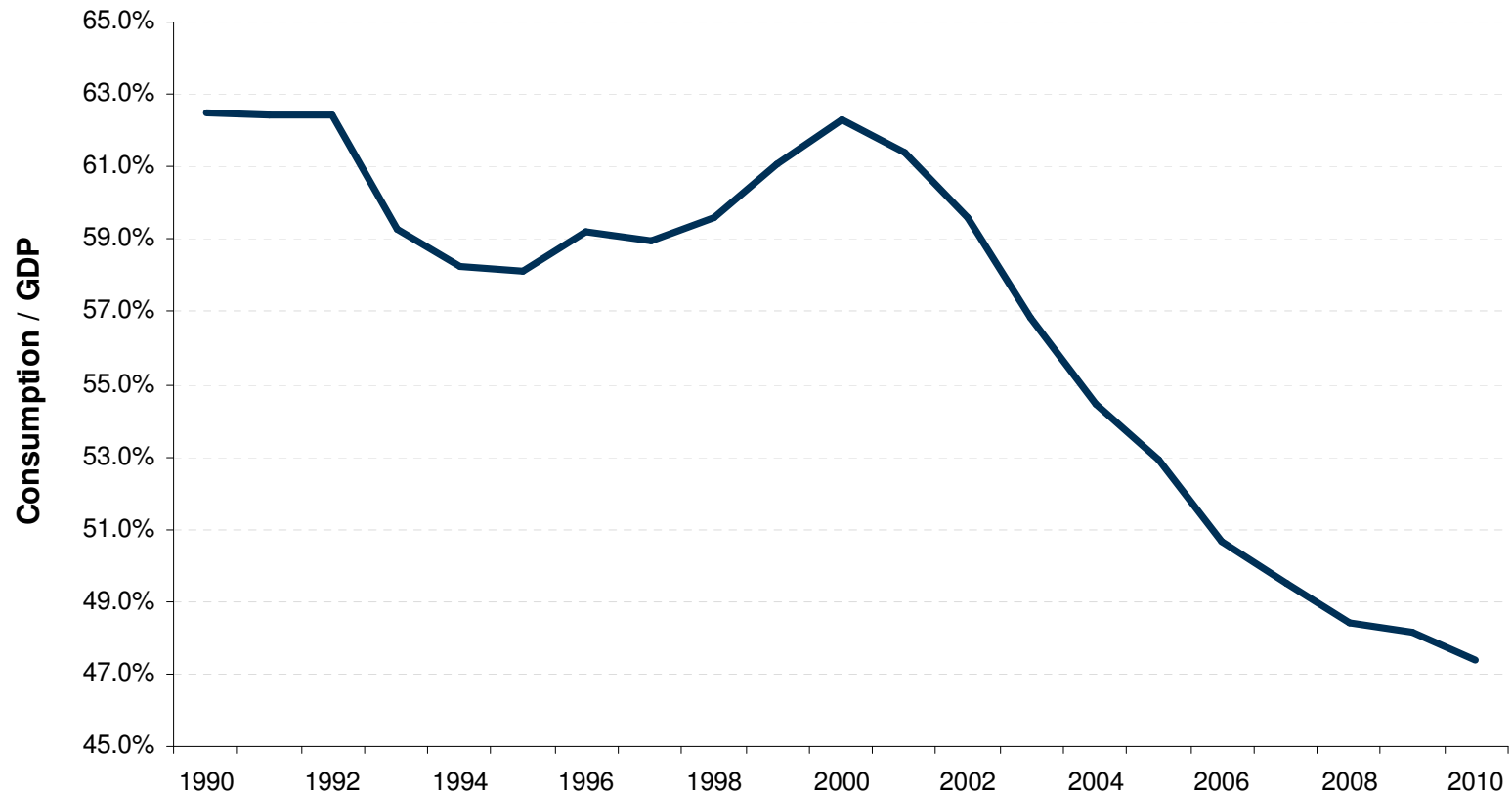
China – Exports Are Highly Exposed to Europe



- Europe is China's largest export market
- Italy alone accounts for 2% of total Chinese exports

Chinese exports will slow considerably – what will take their place?

China – Consumption Will Not Fill the Gap



- China has had little success rebalancing its economy towards consumption
Without stronger consumption China may face a material economic slowdown

China – Housing Will Certainly Not Fill the Gap



Source: SLI

Falling home values may make the Chinese even less likely to spend...

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THANK YOU

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