

GLOBAL PERSPECTIVES ON RISK & RETURN

Considerations for effective investment strategy

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29 November 2016

AGENDA

OVERVIEW OF REAL ESTATE TRENDS AT Q3 2016



Canada



Multinational



Global cities

PUTTING THE TRENDS IN CONTEXT



Fundamentals



Capital markets

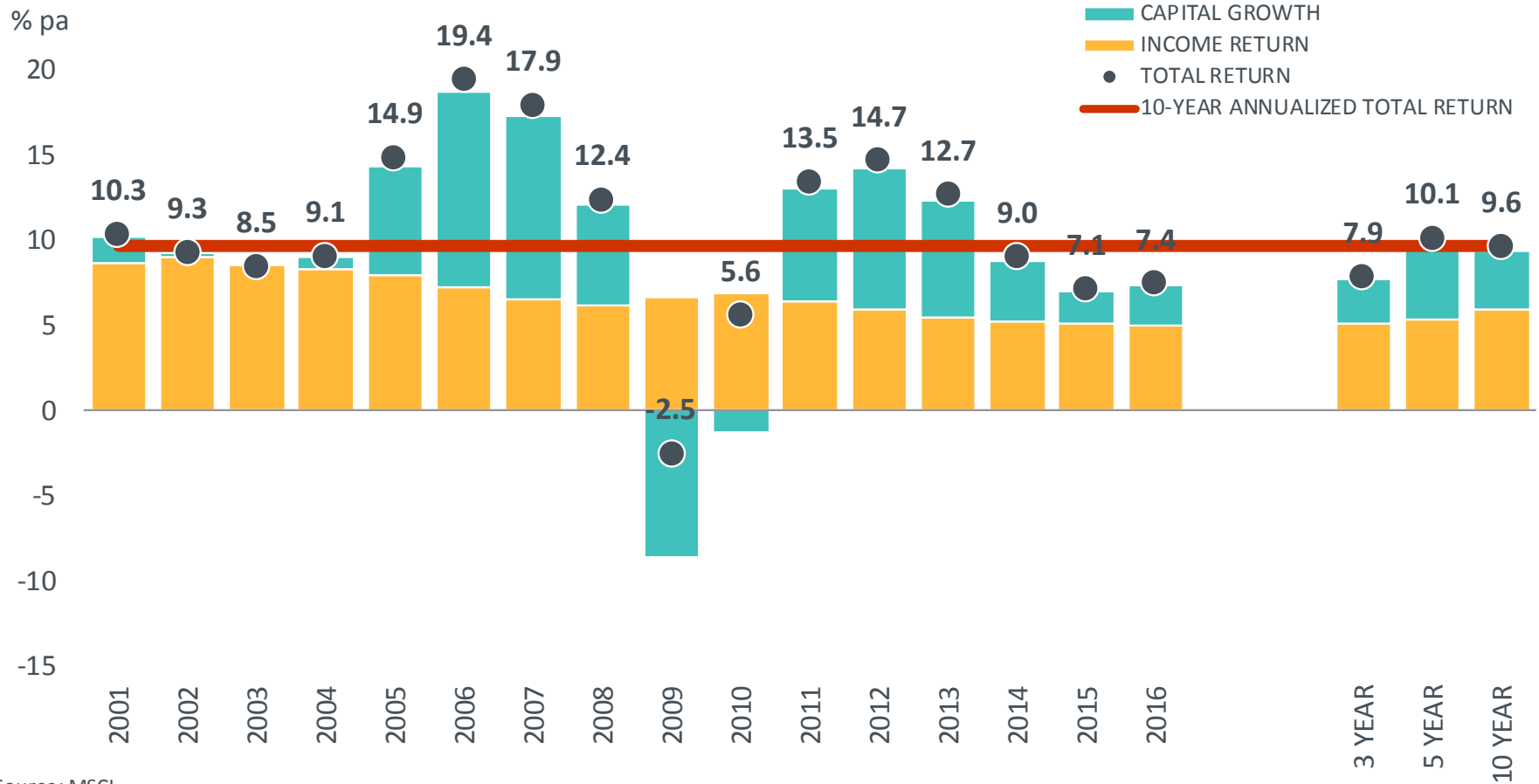
THE CANADIAN MARKET

Q3 2016 real estate trends, part 1 of 3

CANADA'S REAL ESTATE: HOLDING STEADY.....

TOTAL RETURN HISTORY FOR CANADA

ANNUALIZED STANDING INVESTMENTS



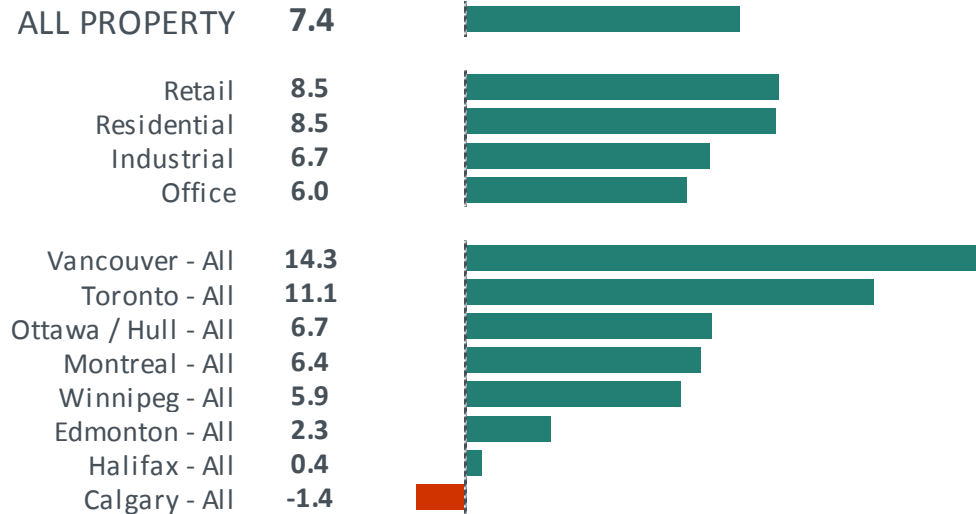
Source: MSCI

RETAIL IS THE TOP SECTOR...

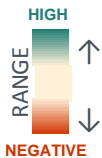
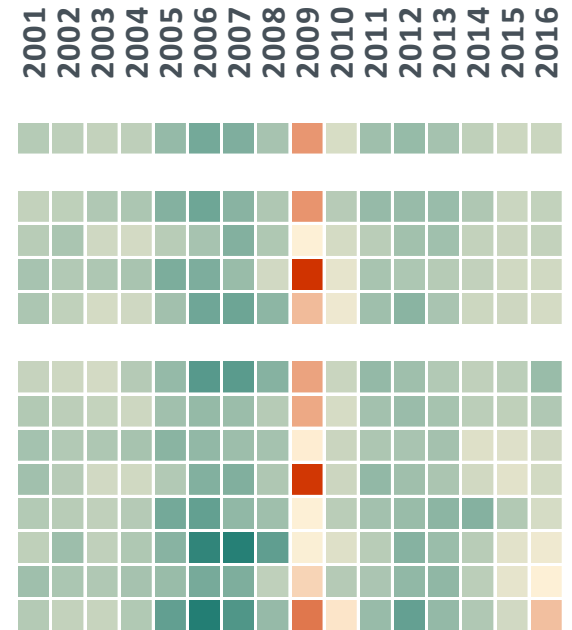
TOTAL RETURN BY PROPERTY TYPE AND METROPOLITAN AREA

CANADA

TOTAL RETURN (%) AS OF SEPTEMBER 2016



ANNUALIZED TRENDS AS OF SEPTEMBER

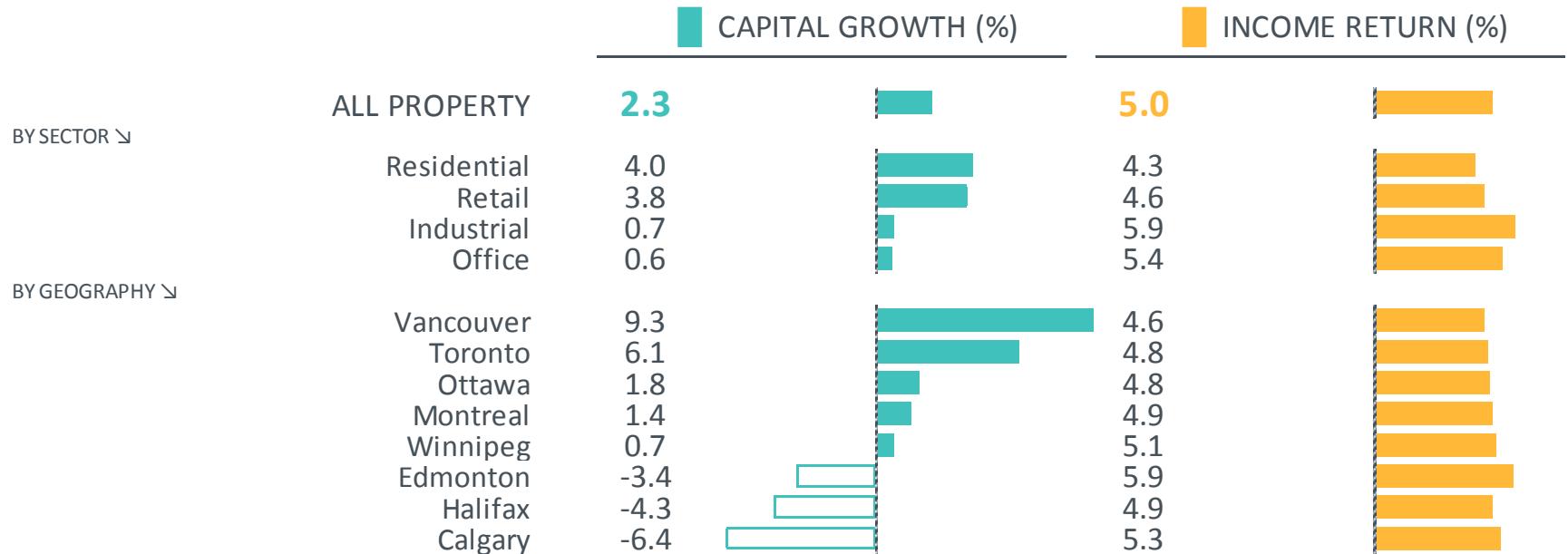


Source: MSCI Note: Annualized trends (shaded cells) reflect range between peaks and lows.

CANADA CAPITAL GROWTH AND INCOME RETURN

COMPONENTS OF TOTAL RETURN IN CANADA AS OF SEPTEMBER 2016

BY PROPERTY SECTOR AND GEOGRAPHIC SEGMENT



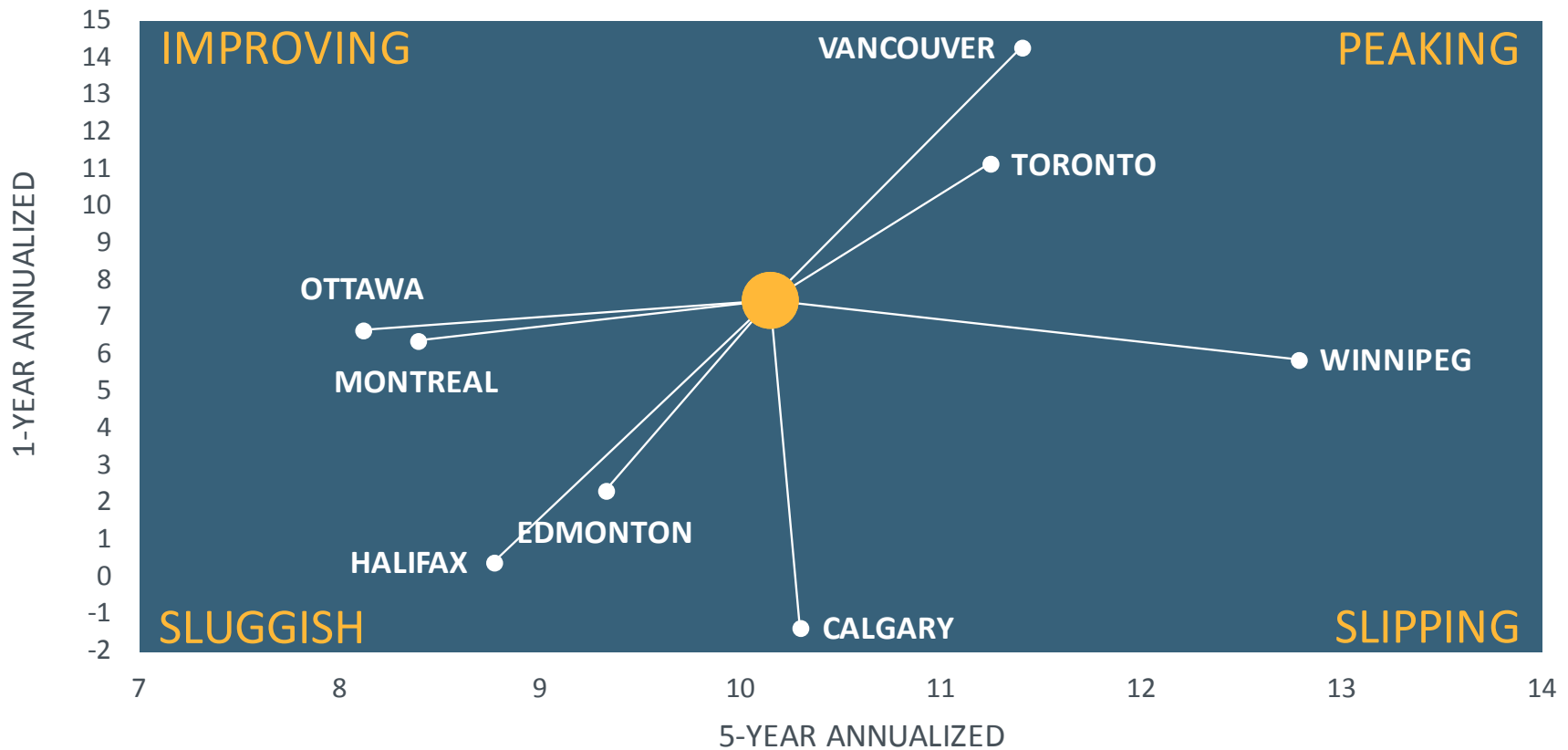
Source: MSCI Note: Capital growth and income return are displayed on the same scale so the bars in each column are directly comparable.

CITY PERFORMANCE: SHORT VERSUS MID TERM

ANNUAL vs. 5 YEAR ANNUALISED TOTAL RETURNS AS OF SEPTEMBER 2016

RELATIVE GEOGRAPHIC VARIATIONS ACROSS CANADA, STANDING INVESTMENTS

● = CANADA, ALL PROPERTY TYPES

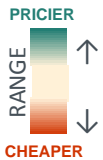
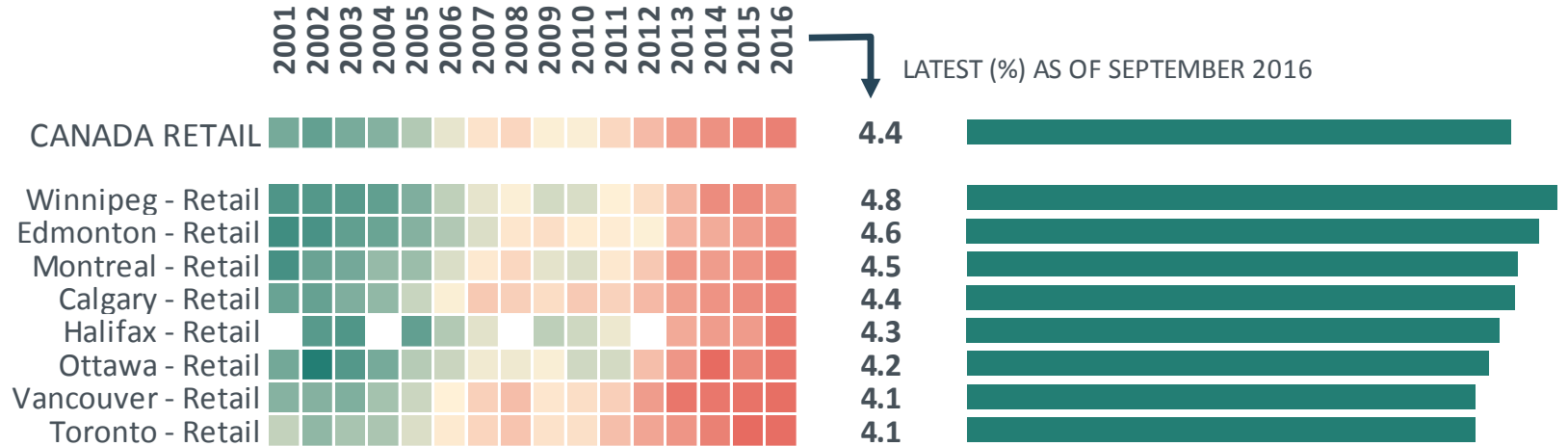


Source: MSCI

INCOME YIELDS FOR RETAIL...ALL BELOW 5%

RETAIL NET INCOME RECEIVABLE YIELD (%) IN CANADA

AS OF SEPTEMBER OF EACH YEAR



Source: MSCI Note: Annualized trends (shaded cells) reflect range between peaks and lows.

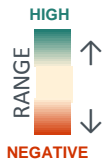
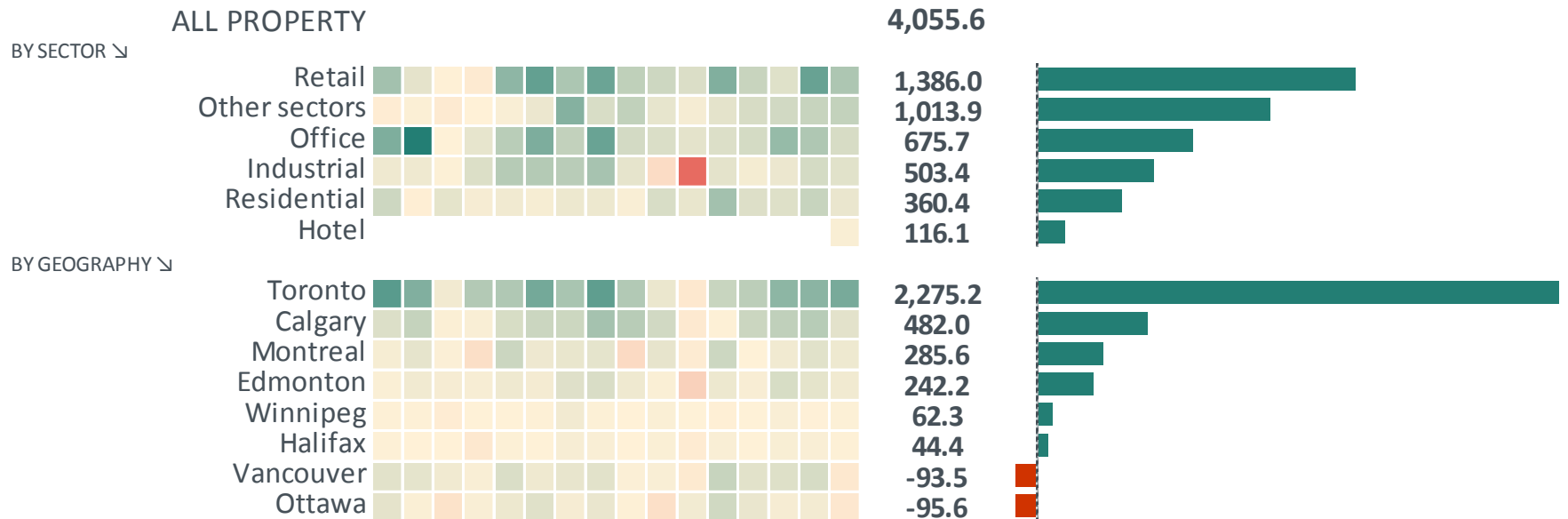
INVESTMENT ACTIVITY IN CANADA

ANNUAL NET INVESTMENT IN CANADA BY PROPERTY TYPE AND GEOGRAPHY

12 MONTHS TO SEPTEMBER OF EACH YEAR

2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

LATEST AS OF SEPTEMBER 2016 (IN CAD MILLIONS)



Source: MSCI Note: Annualized trends (shaded cells) reflect range between peaks and lows.

MULTINATIONAL MARKETS

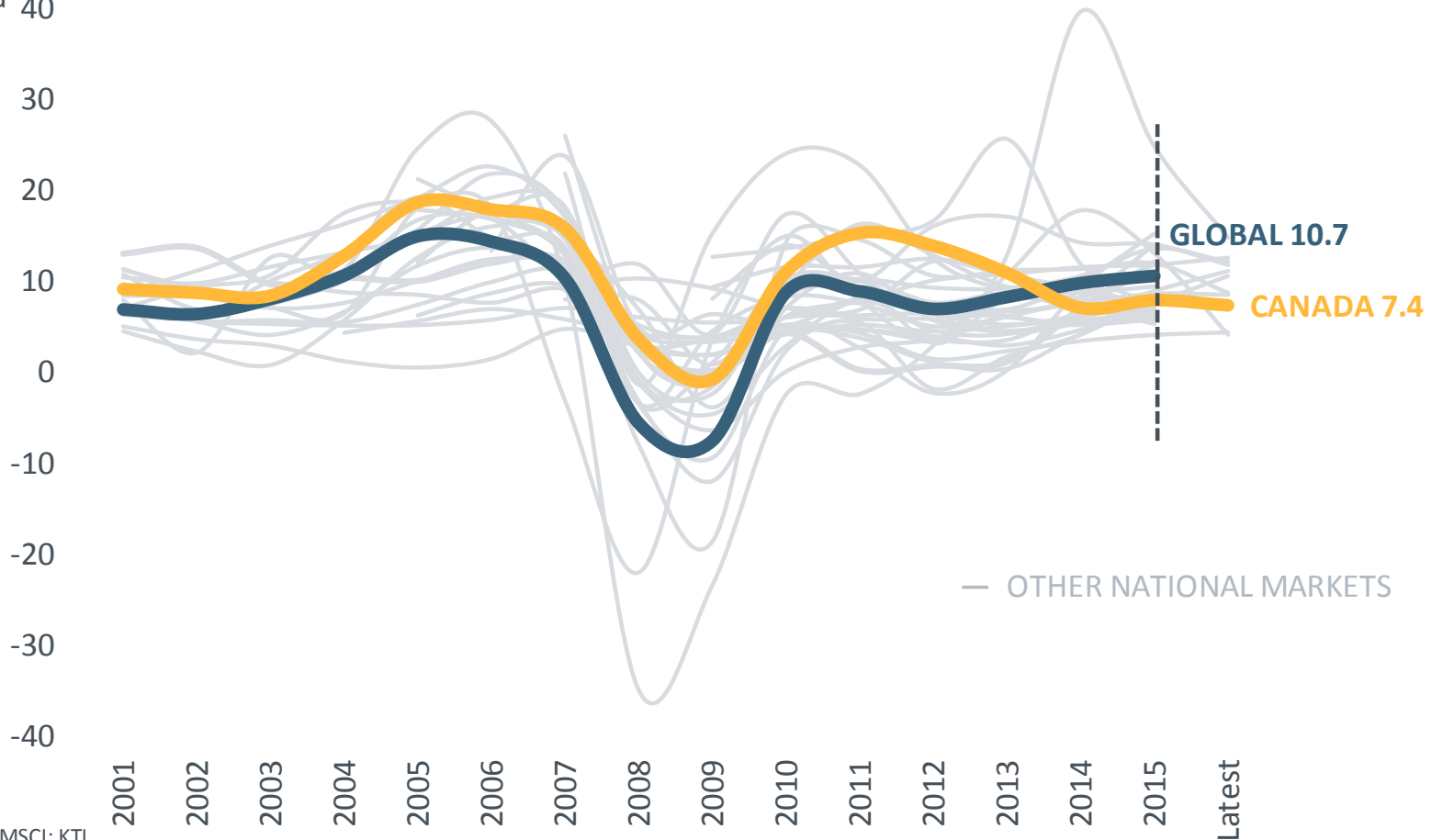
Q3 2016 real estate trends, part 2 of 3

CANADA LAGGING

TOTAL RETURN ACROSS GLOBAL MARKETS AS OF SEPTEMBER 2016

ANNUALIZED TOTAL RETURN, ALL PROPERTY TYPES, STANDING INVESTMENTS IN LOCAL CURRENCY

% pa

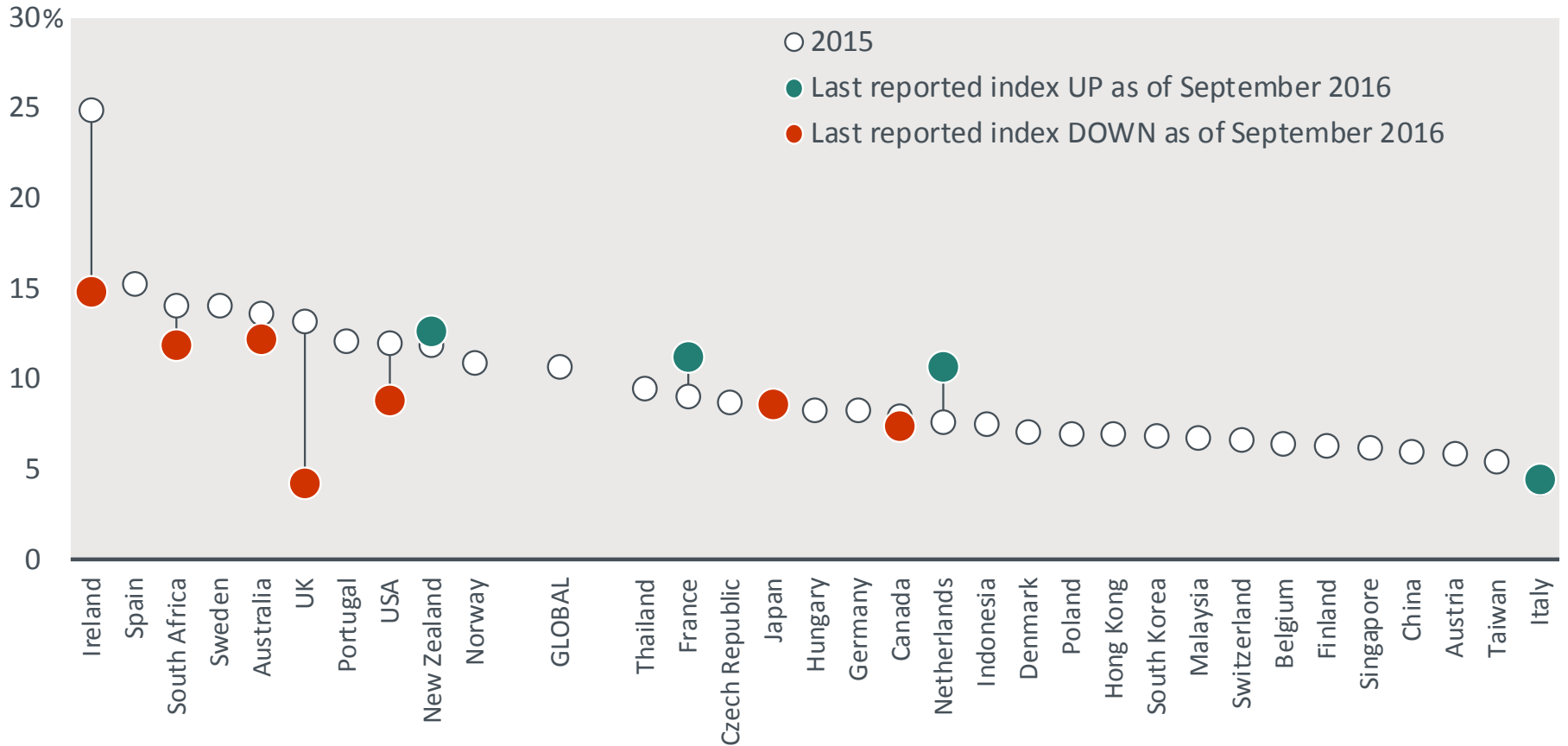


Source: MSCI; KTI

STRONG MARKETS SLOWING

PERFORMANCE MOMENTUM FROM DECEMBER 2015 TO SEPTEMBER 2016

ANNUAL TOTAL RETURN IN LOCAL CURRENCIES, ALL PROPERTY TYPES



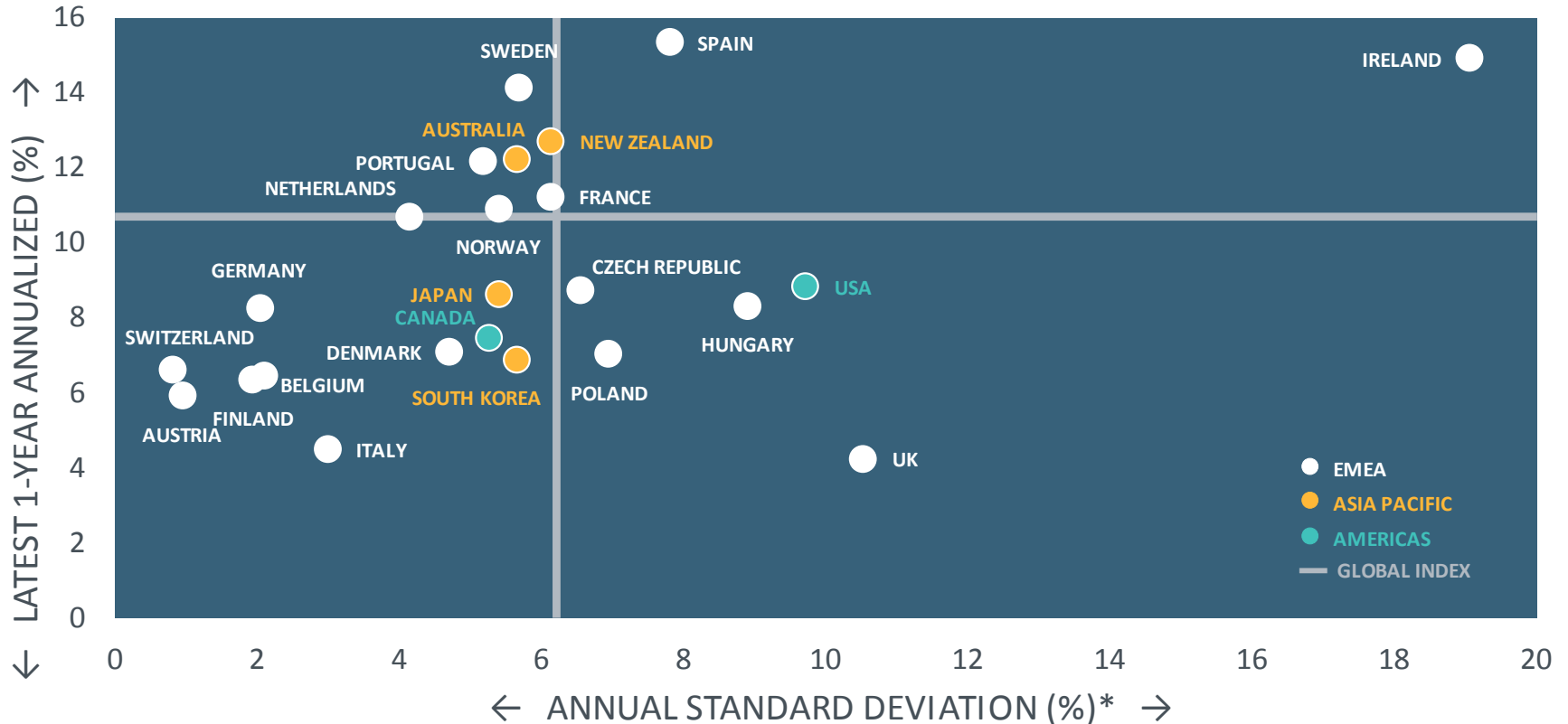
Source: MSCI; KTI

Note: Last reported indexes for Japan, France, Italy, and South Africa shown above are as of June 2016

LONG-RUN RISK AND SHORT-TERM RETURN

RETURN/RISK*, ALL PROPERTY TYPES

LATEST 1-YEAR TOTAL RETURN IN LOCAL CURRENCY VS ANNUAL STANDARD DEVIATION CALCULATED ACROSS ANNUAL TOTAL RETURN HISTORY



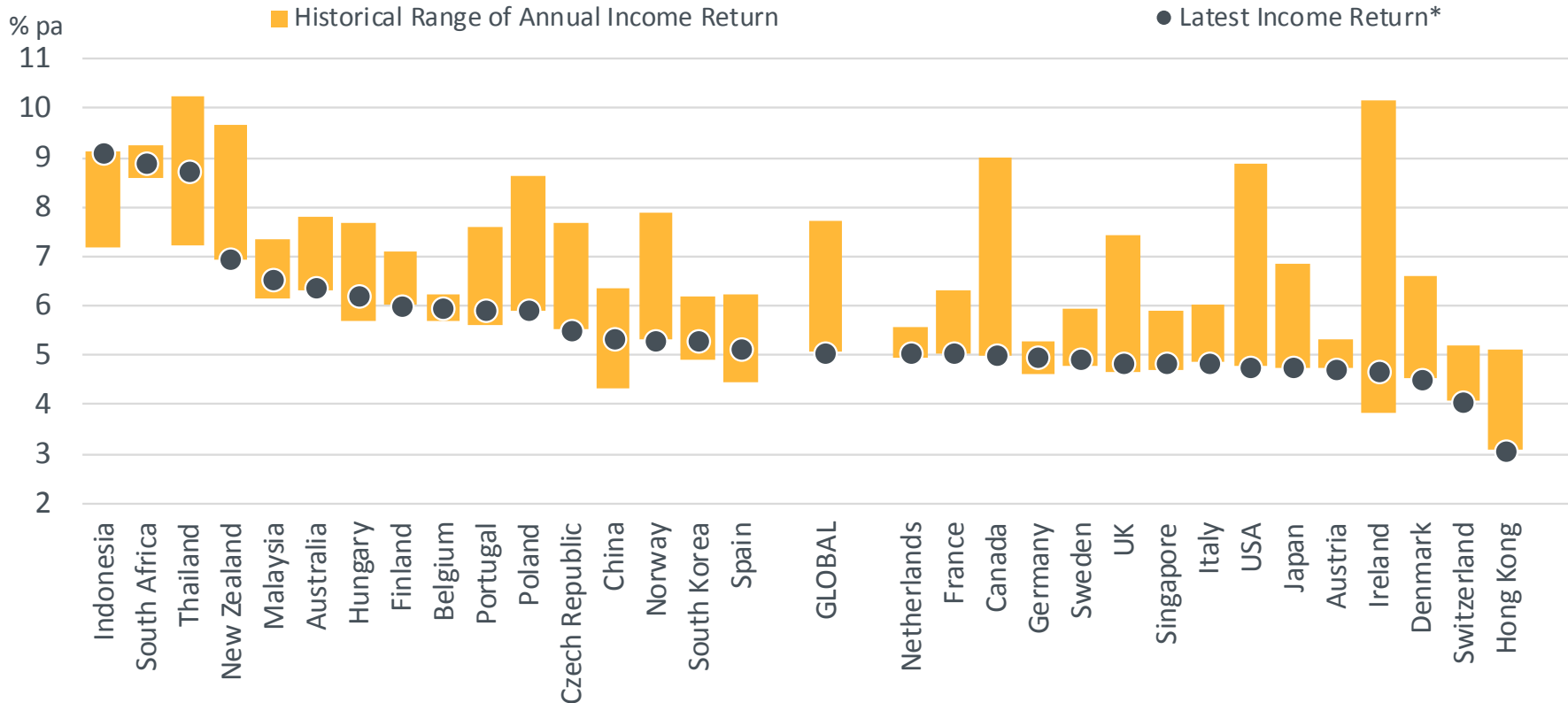
*Note: Annual total return histories shown here range from a minimum of 10 years to a maximum of 15 years, depending upon individual market availability.

Source: MSCI; KTI The standard deviations of annual total returns typically understate the risk in private real estate due to the smoothness of appraisals.

INCOME YIELDS AT OR APPROACHING HISTORIC LOWS

LATEST INCOME RETURN* RELATIVE TO LOCAL MARKET HISTORY

ANNUAL INCOME RETURN BY COUNTRY, ALL PROPERTY TYPES, STANDING INVESTMENTS, AS OF SEPTEMBER 2016



*Note: Histories shown here range from a minimum of 7 years to a maximum of 15 years, depending upon individual market availability. Frequency

Source: MSCI; KTI in each market is annual year-end except for FR, IT, and ZA (semi-annual) and AU, CA, IE, JP, NZ, UK, and US (quarterly, as of date in subheading).

GLOBAL CITIES

Q3 2016 real estate trends, part 3 of 3

WIDE RANGE OF RETURNS IN NORTH AMERICA

GLOBAL CITIES AS OF JUNE 2016

ALL PROPERTY TOTAL RETURN IN LOCAL CURRENCY, STANDING INVESTMENTS

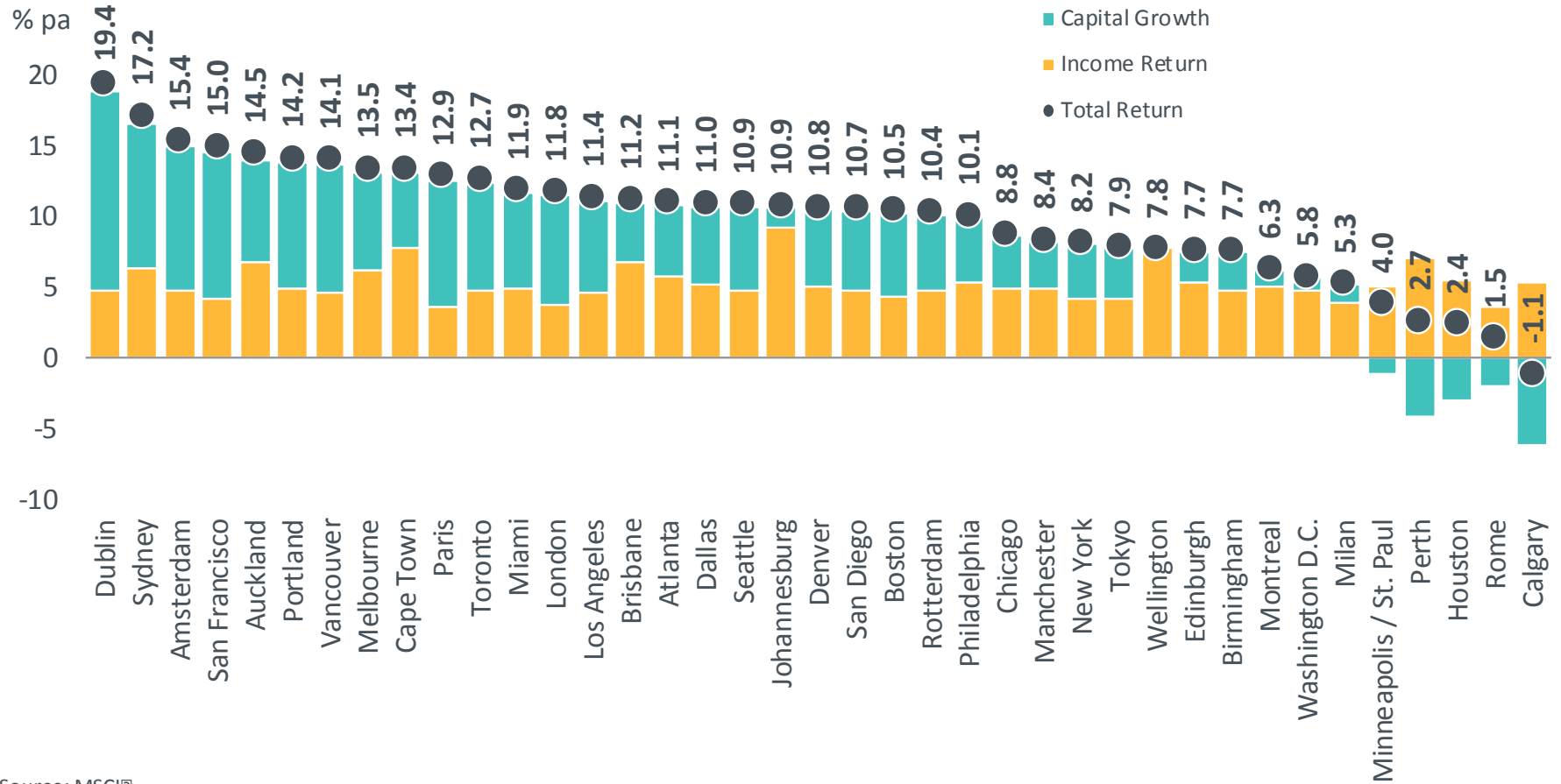


Source: MSCI

CITY RETURNS RANGE FROM ALMOST 20% TO NEGATIVE

COMPONENTS OF TOTAL RETURN ACROSS GLOBAL CITIES AS OF JUNE 2016

ALL PROPERTY TOTAL RETURN ANNUALIZED IN LOCAL CURRENCIES

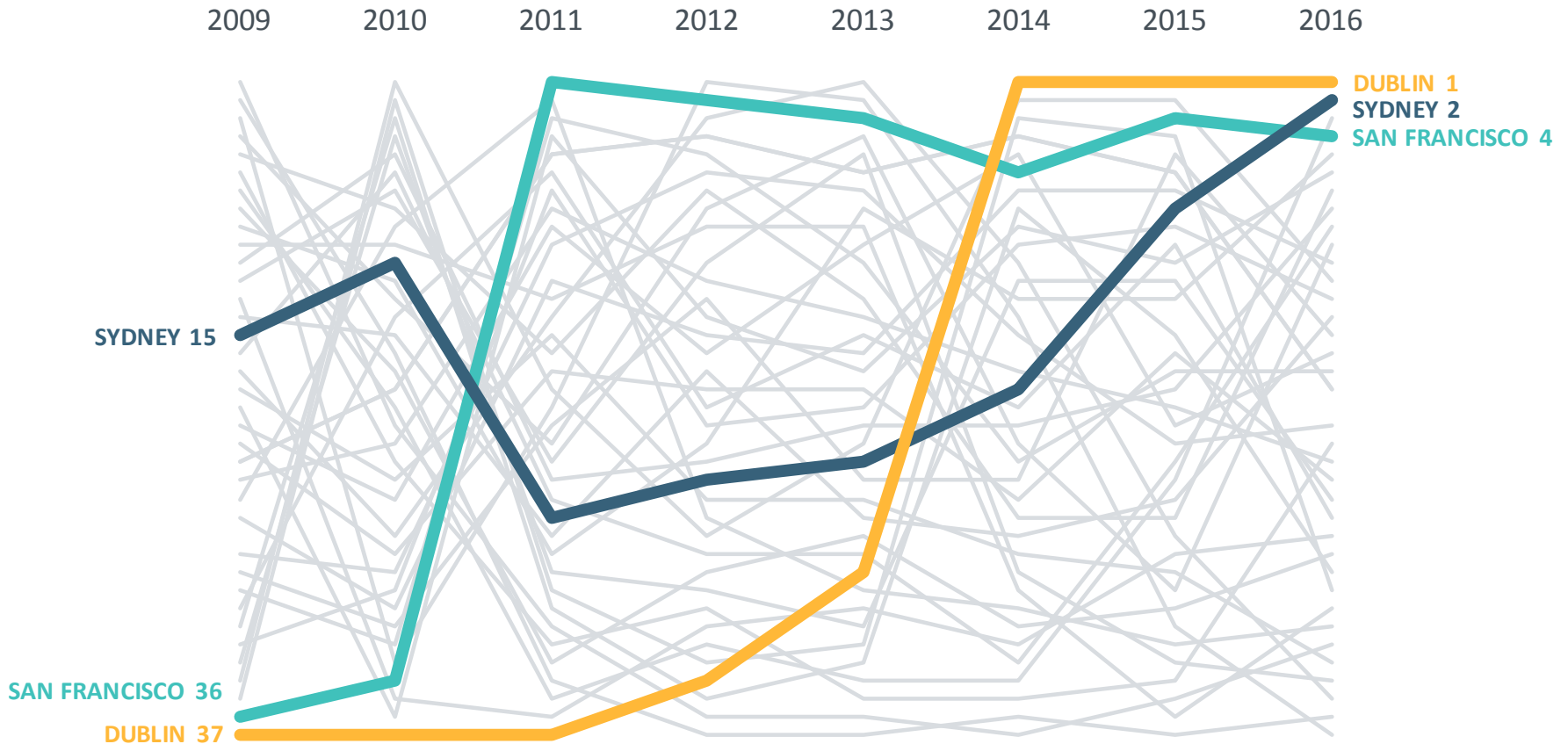


Source: MSCI

RANKING OF CITIES: ZERO TO HERO

TOTAL RETURN RANKINGS ACROSS GLOBAL CITIES AS OF JUNE EACH YEAR

ALL PROPERTY TOTAL RETURN ANNUALIZED IN LOCAL CURRENCIES



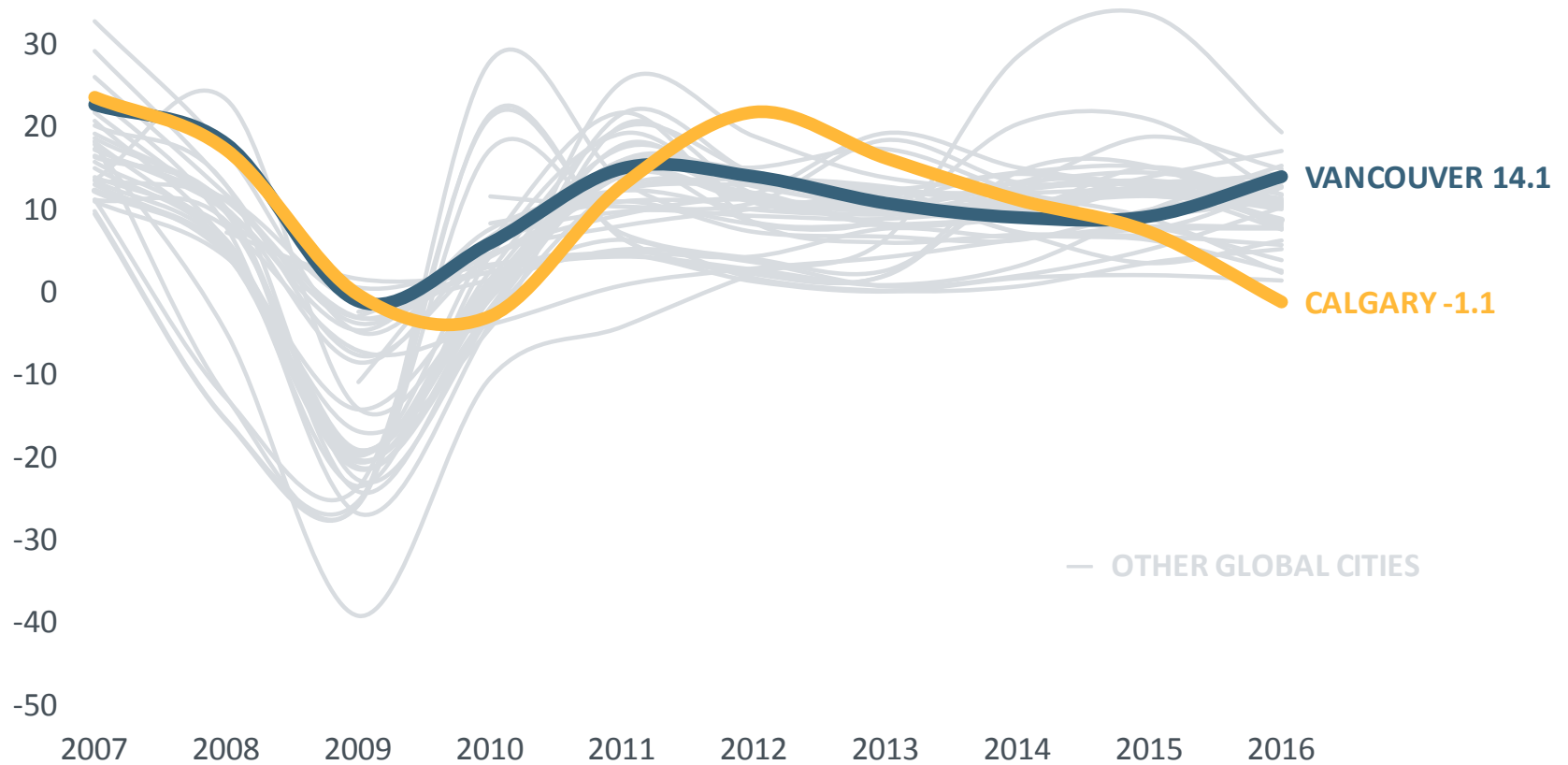
Source: MSCI

CANADIAN CITIES: CYCLES EXIST

TOTAL RETURN ACROSS GLOBAL CITIES AS OF JUNE 2016

ALL PROPERTY ANNUALIZED TOTAL RETURN SHOWN IN LOCAL CURRENCIES

% pa 40

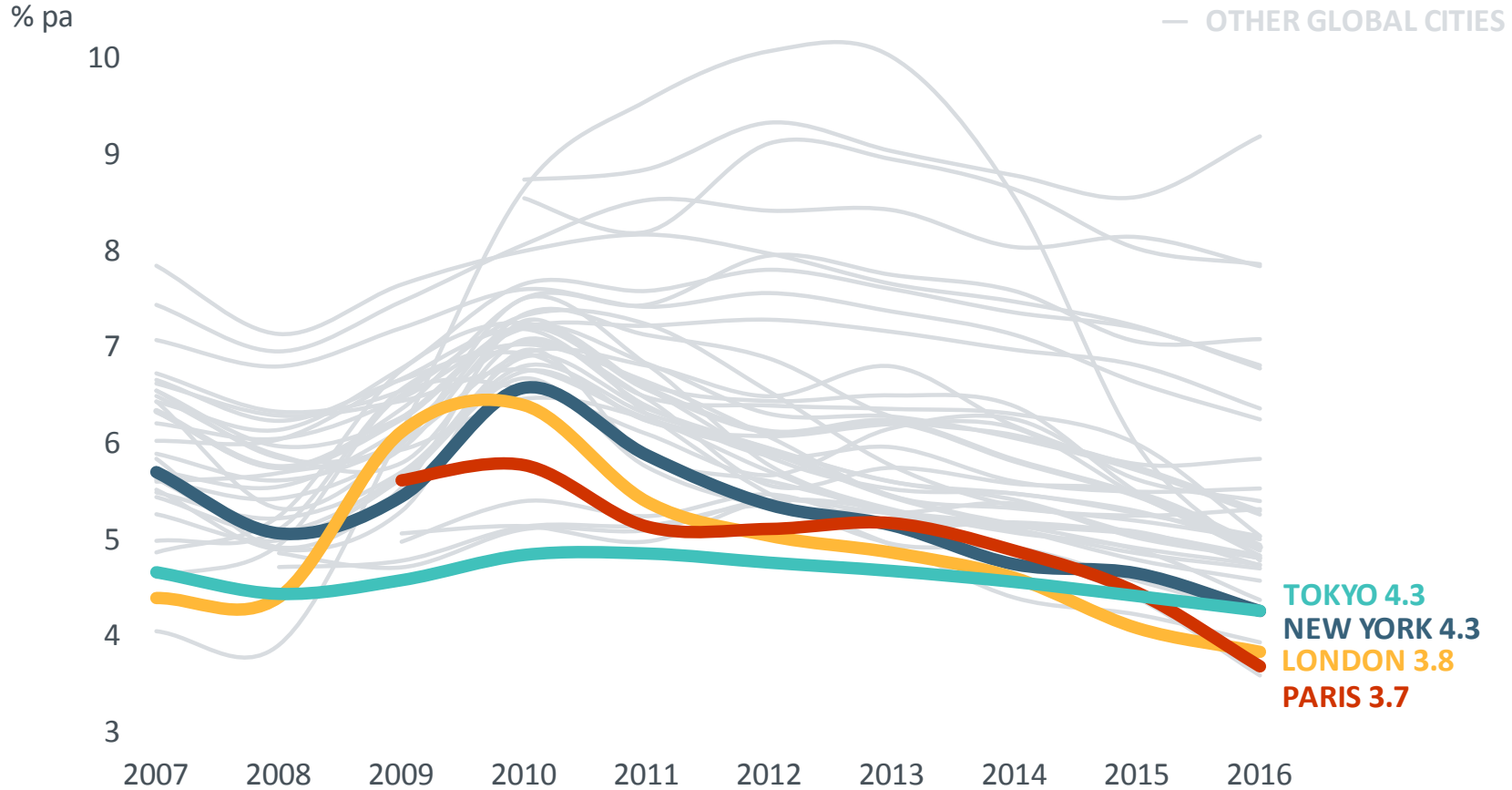


Source: MSCI; KTI

HIGH PROFILE: LOW INCOME RETURNS

INCOME RETURN ACROSS GLOBAL CITIES AS OF JUNE 2016

ALL PROPERTY INCOME RETURN IN LOCAL CURRENCY



Source: MSCI; KTI

FUNDAMENTALS OF SUPPLY & DEMAND

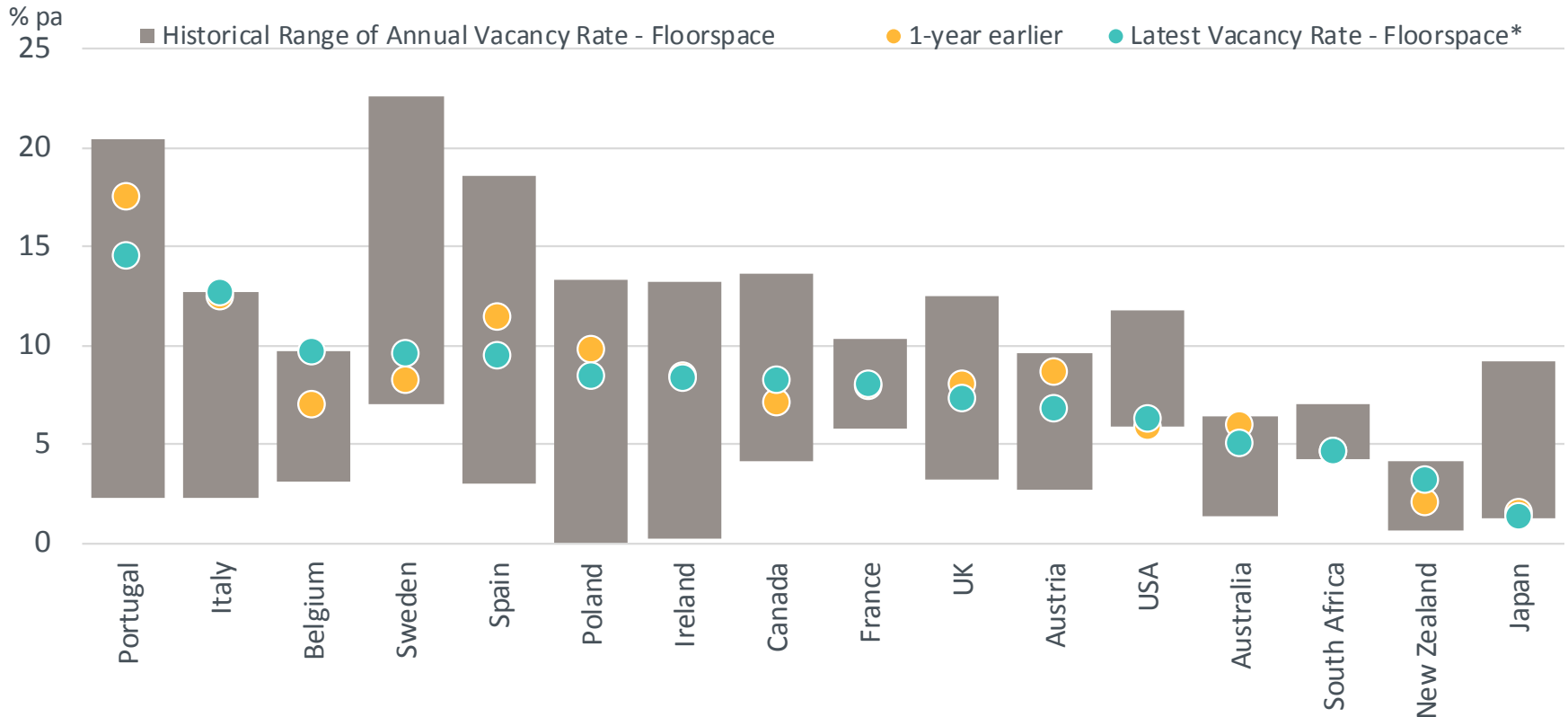


Setting the context, part 1 of 2

FEW MARKETS SHOWING EXCESS DEMAND PRESSURES

LATEST VACANCY RATE - FLOORSPACE* RELATIVE TO LOCAL MARKET HISTORY

ANNUAL VACANCY RATE - FLOORSPACE BY COUNTRY, ALL PROPERTY TYPES, STANDING INVESTMENTS, AS OF SEPTEMBER 2016



*Note: Histories shown here range from a minimum of 7 years to a maximum of 15 years, depending upon individual market availability. Frequency

Source: MSCI; KTI in each market is annual year-end except for FR, IT, and ZA (semi-annual) and AU, CA, IE, JP, NZ, UK, and US (quarterly, as of date in subheading).

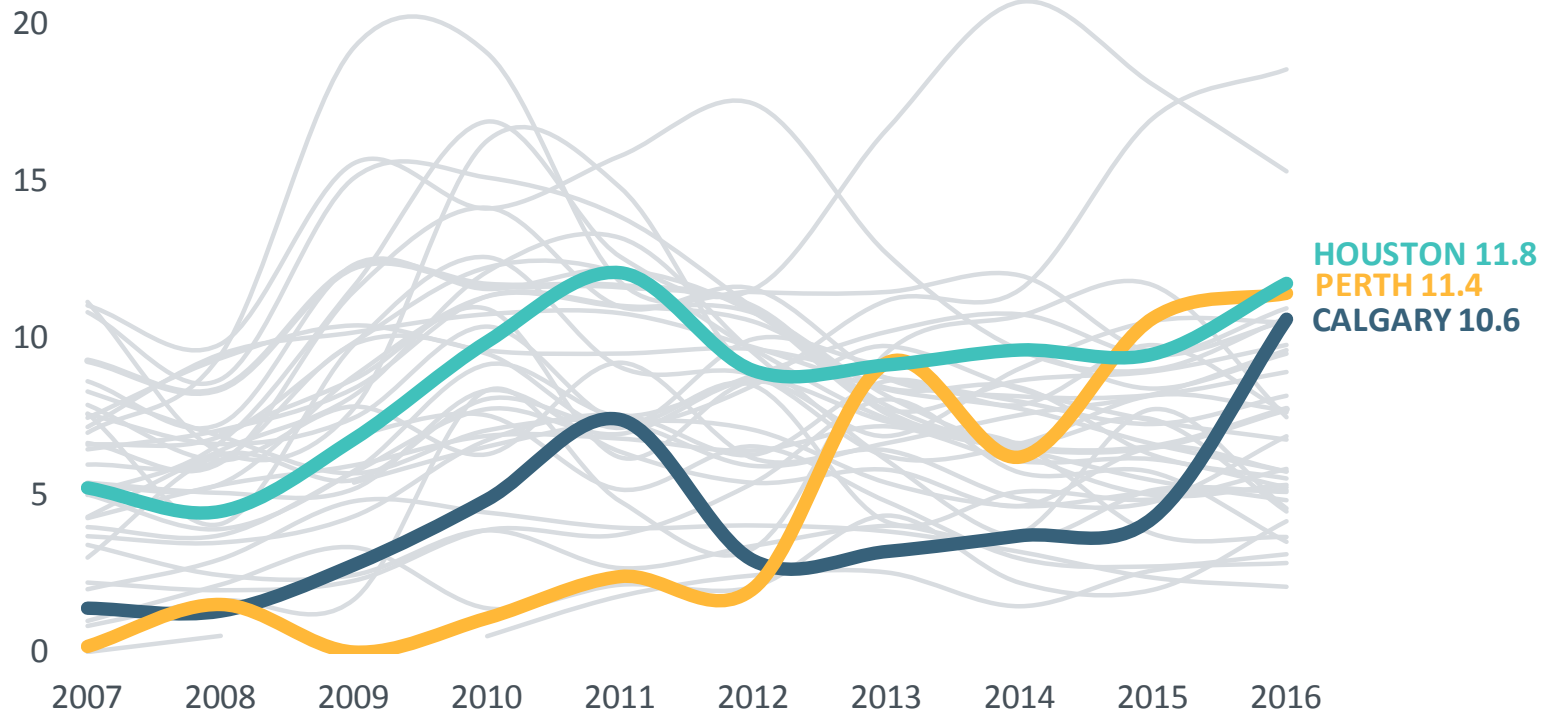
WEAK COMMODITY MARKETS IMPACTING REAL ESTATE

OFFICE VACANCY RATE - FLOORSPACE ACROSS GLOBAL CITIES AS OF JUNE 2016

OFFICE VACANCY RATE - FLOORSPACE IN LOCAL CURRENCY

% pa 25

— OTHER GLOBAL CITIES

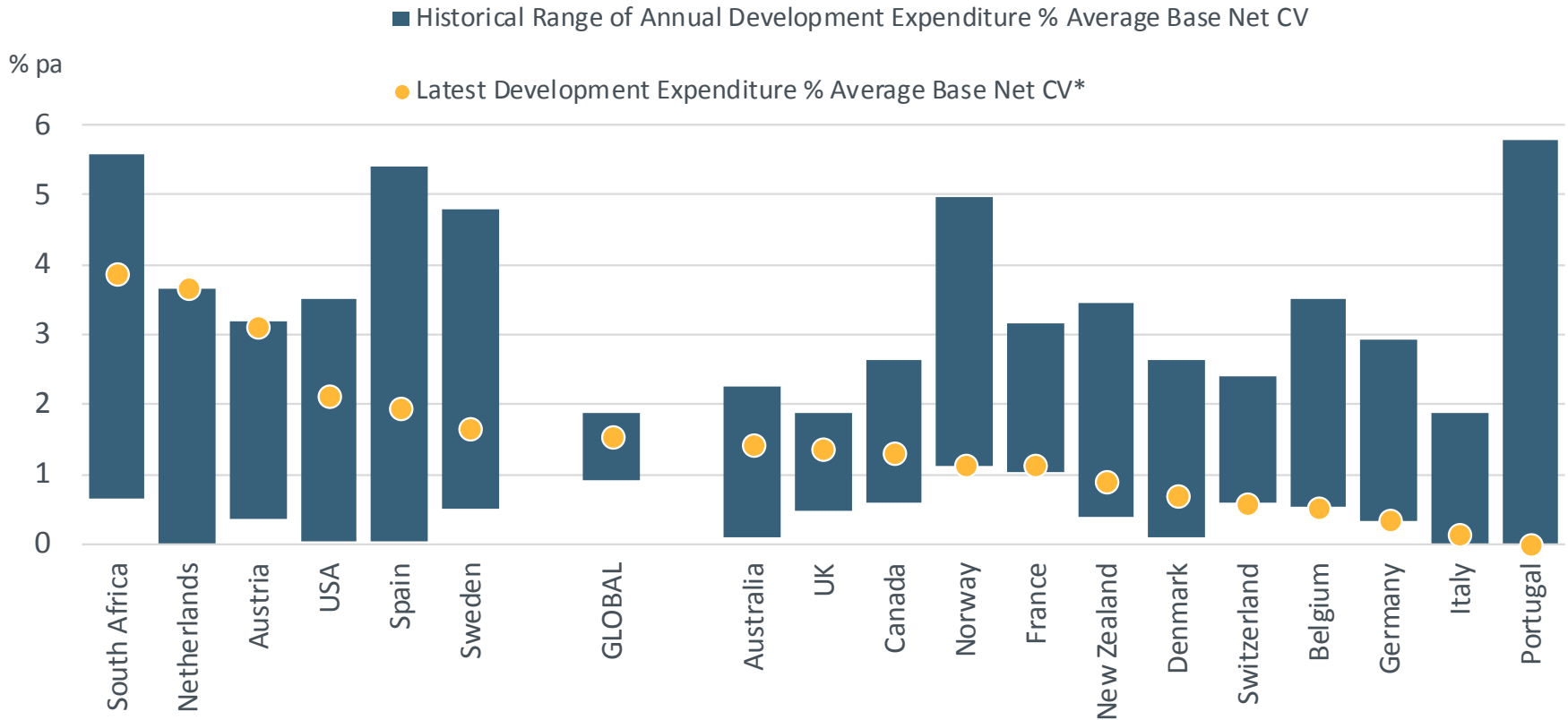


Source: MSCI

GLOBAL DEVELOPMENT ACTIVITY MUTED

LATEST DEVELOPMENT EXPENDITURE % AVERAGE BASE NET CV* RELATIVE TO LOCAL MARKET HISTORY

ANNUAL DEVELOPMENT EXPENDITURE % AVERAGE BASE NET CV BY COUNTRY, ALL PROPERTY TYPES, ALL ASSETS, AS OF SEPTEMBER 2016



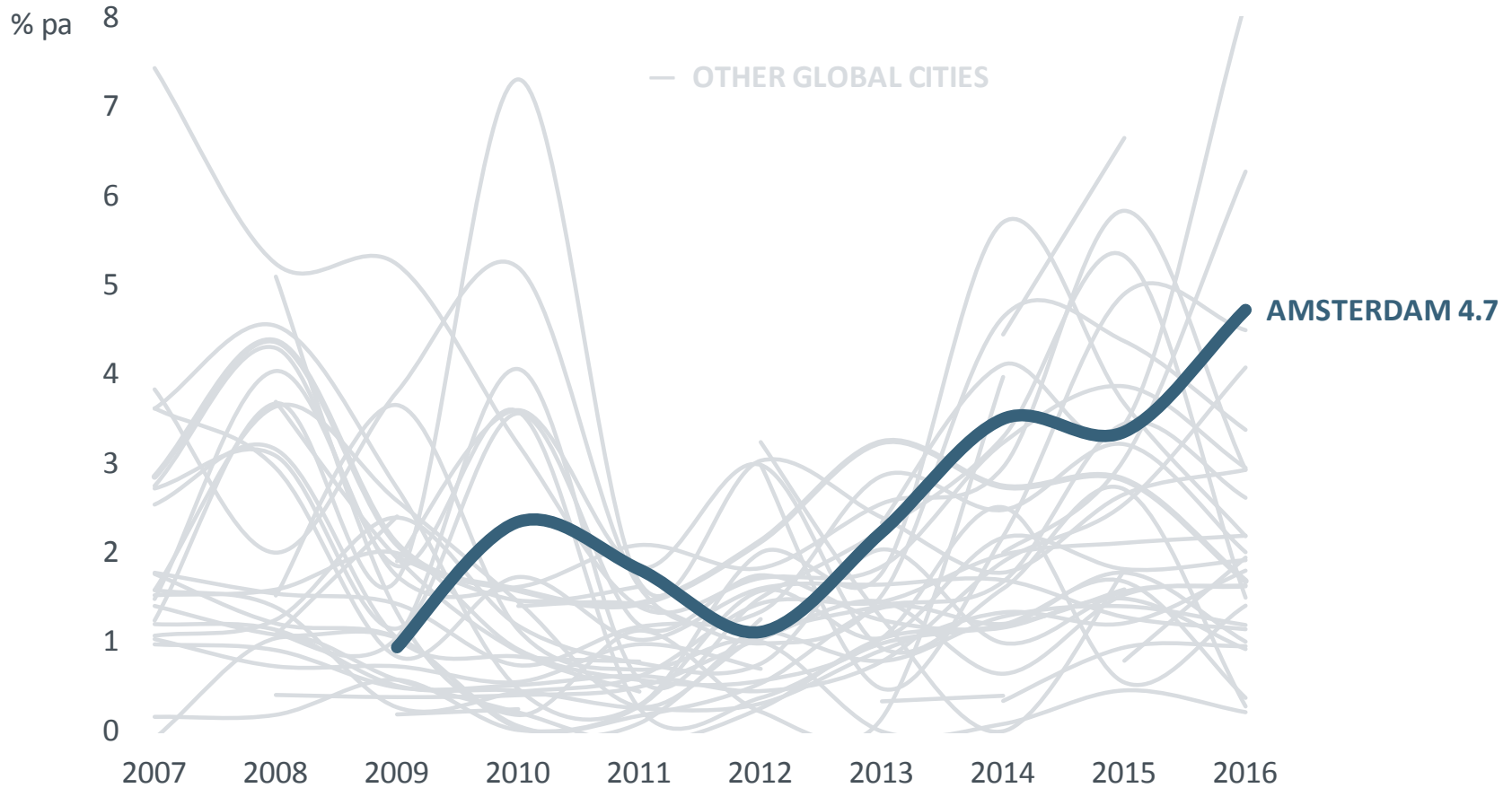
*Note: Histories shown here range from a minimum of 7 years to a maximum of 15 years, depending upon individual market availability. Frequency

Source: MSCI; KTI in each market is annual year-end except for FR, IT, and ZA (semi-annual) and AU, CA, IE, JP, NZ, UK, and US (quarterly, as of date in subheading).

AMSTERDAM COMING BACK TO LIFE

DEVELOPMENT EXPENDITURE % AVERAGE BASE NET CV ACROSS GLOBAL CITIES AS OF JUNE 2016

ALL PROPERTY DEVELOPMENT EXPENDITURE % AVERAGE BASE NET CV IN LOCAL CURRENCY



Source: MSCI; KTI

CAPITAL MARKETS



Setting the context, part 2 of 2

BREXIT IMPACT FOLLOWING THROUGH

TOP 10 GLOBAL CITIES FOR REAL ESTATE TRANSACTIONS, 2016 YTD

RANK	MARKET	SALES VOLUME (US\$ millions)	YOY % CHG
1	NYC Metro	44,721	-14%
2	LA Metro	23,728	-2%
3	SF Metro	19,572	-11%
4	London Metro	18,358	-56%
5	Tokyo	13,030	-33%
6	Paris	12,959	-32%
7	DC Metro	12,354	-13%
8	Chicago	11,984	-7%
9	Miami/So Fla	11,714	10%
10	Dallas	11,450	0%

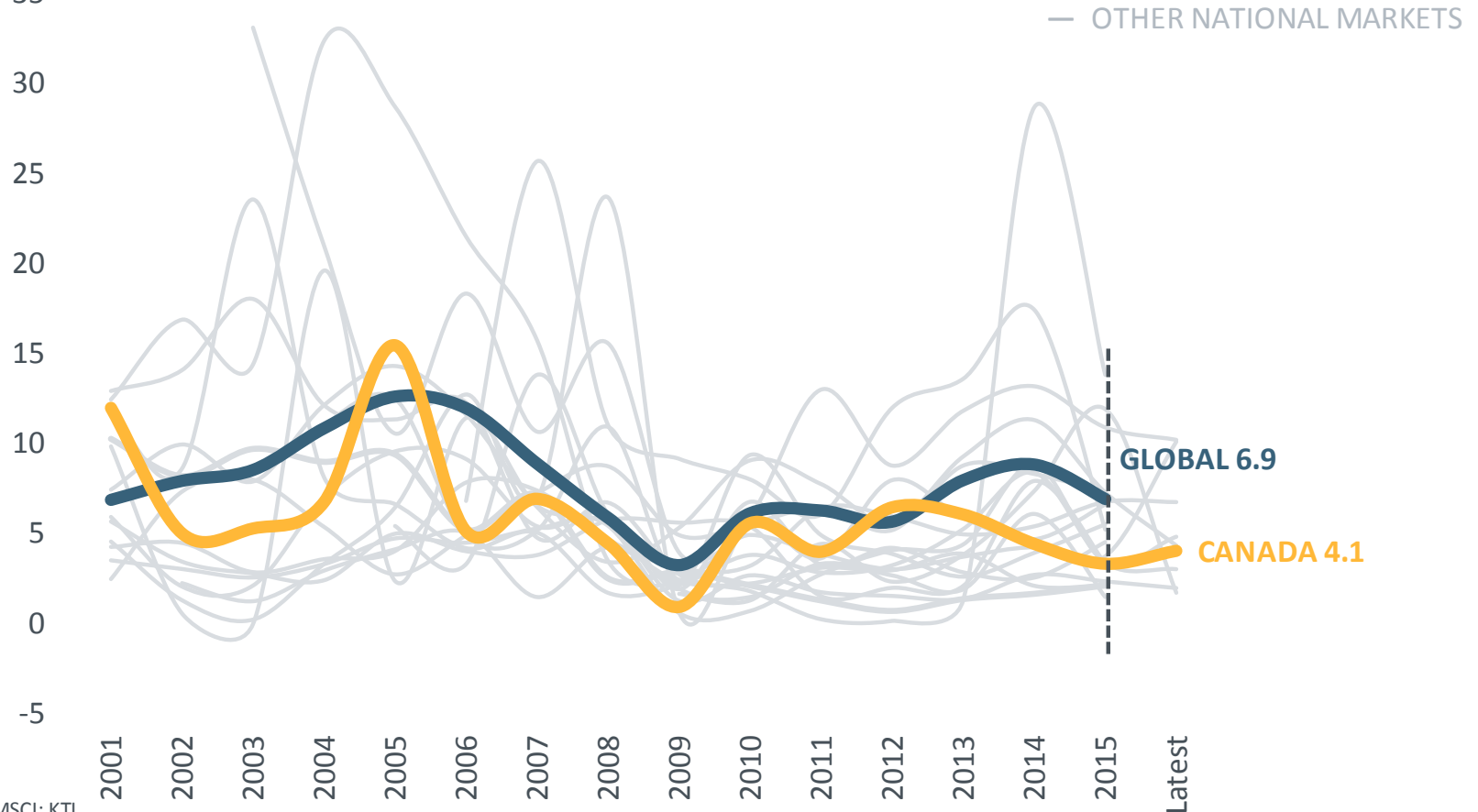
Source: Real Capital Analytics (RCA), *Global Capital Trends*, September 2016

CANADIAN INVESTORS LOOKING ABROAD

PURCHASE EXPENDITURE % AVERAGE BASE NET CV ACROSS GLOBAL MARKETS AS OF SEPTEMBER 2016

ANNUALIZED PURCHASE EXPENDITURE % AVERAGE BASE NET CV, ALL PROPERTY TYPES, ALL ASSETS IN LOCAL CURRENCY

% pa 35

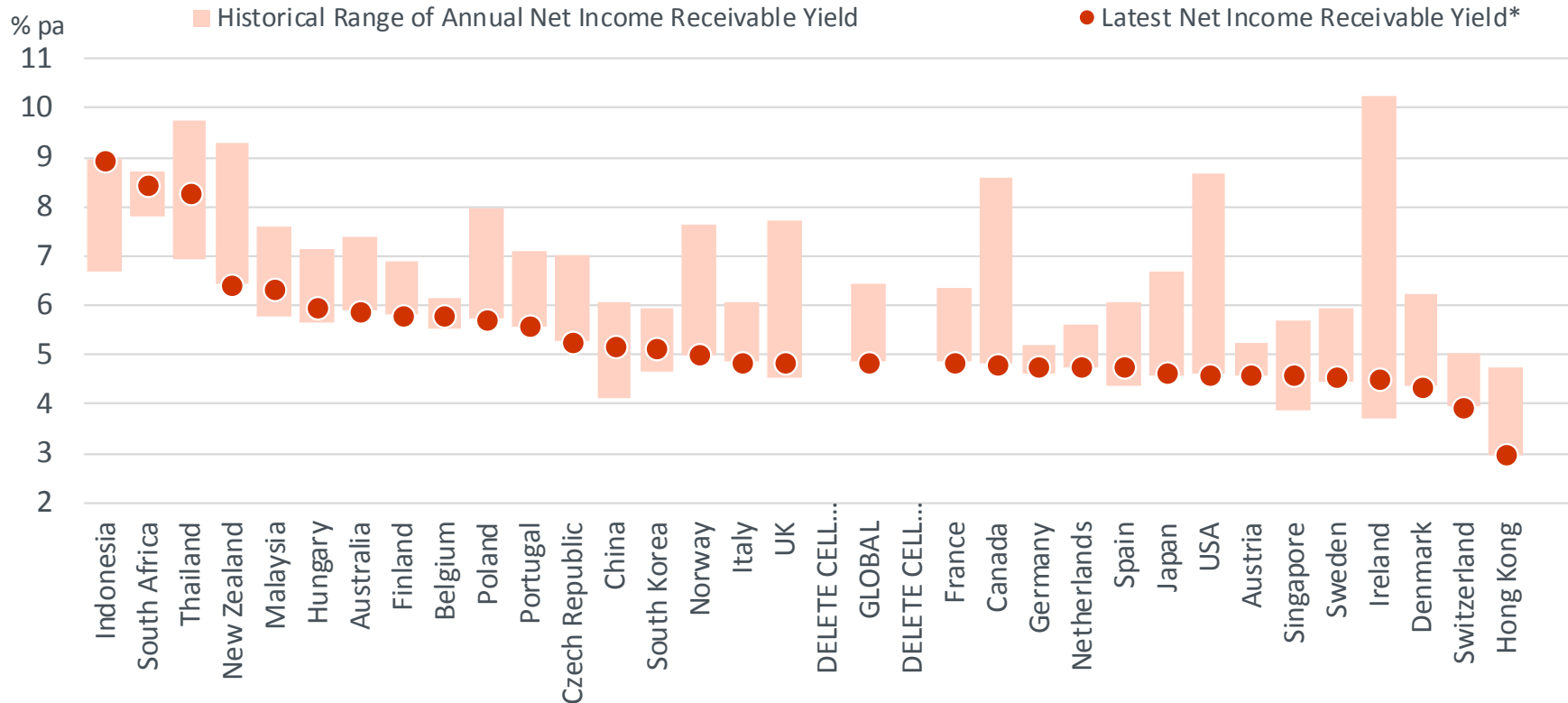


Source: MSCI; KTI

HISTORICALLY LOW YIELDS

LATEST NET INCOME RECEIVABLE YIELD* RELATIVE TO LOCAL MARKET HISTORY

ANNUAL NET INCOME RECEIVABLE YIELD BY COUNTRY, ALL PROPERTY TYPES, STANDING INVESTMENTS, AS OF SEPTEMBER 2016



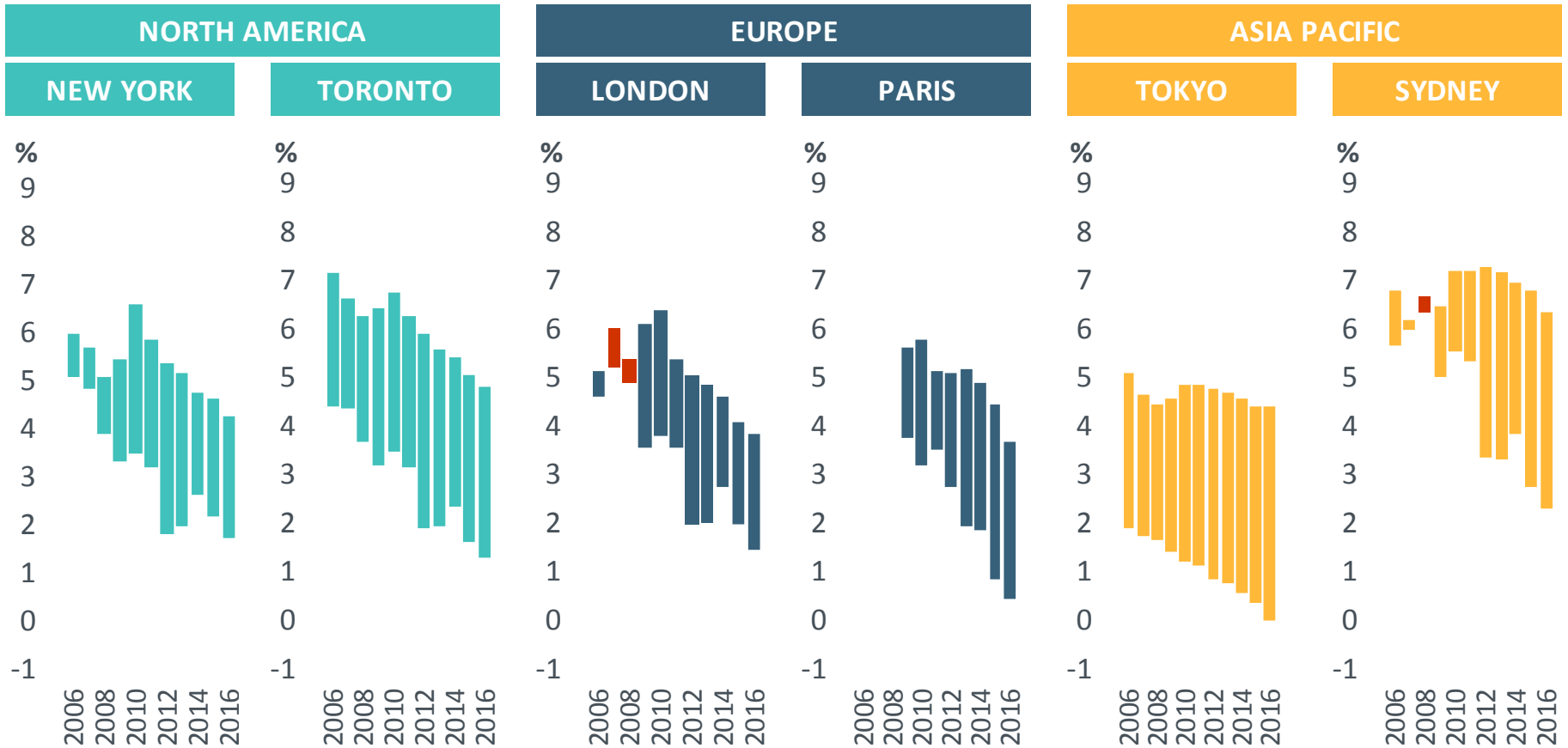
*Note: Histories shown here range from a minimum of 7 years to a maximum of 15 years, depending upon individual market availability. Frequency

Source: MSCI; KTI in each market is annual year-end except for FR, IT, and ZA (semi-annual) and AU, CA, IE, JP, NZ, UK, and US (quarterly, as of date in subheading).

FINALLY, IT IS ALL RELATIVE.....

RELATIVE PRICING TRENDS FOR SELECTED GLOBAL CITIES IN JUNE EACH YEAR

SPREAD BETWEEN ALL PROPERTY NIR YIELD ON STANDING INVESTMENTS AND THE 10-YEAR NATIONAL BOND YIELD



Source: MSCI; OECD

Note: Negative spreads are shown in red where applicable.

WRAP UP



Simon Fairchild
Executive Director, **MSCI**

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