



ASIAN PUBLIC REAL ESTATE ASSOCIATION

Real Estate Investment Trusts (REITs) in Asia

6 November 2008

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www.aprea.asia

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What is APREA?



- Not for profit industry association
- Represents real estate in Asia Pacific
- Formed in June 2005
- Owned by members
- Managed by elected Management Board and Executive Committee in accordance with its constitution
- Extensive committee structure and reach
- Over 130 members and expanding rapidly

Mission Statement

‘To **promote**, **develop** and **represent** the Asia-Pacific real estate sector’

- ***Promote** the sector to domestic and foreign investors..*
- ***Develop** a unified, powerful and professional industry body.*
- ***Represent** the sector to governments and regulators to improve the commercial operating environment for members..*

Why the need?

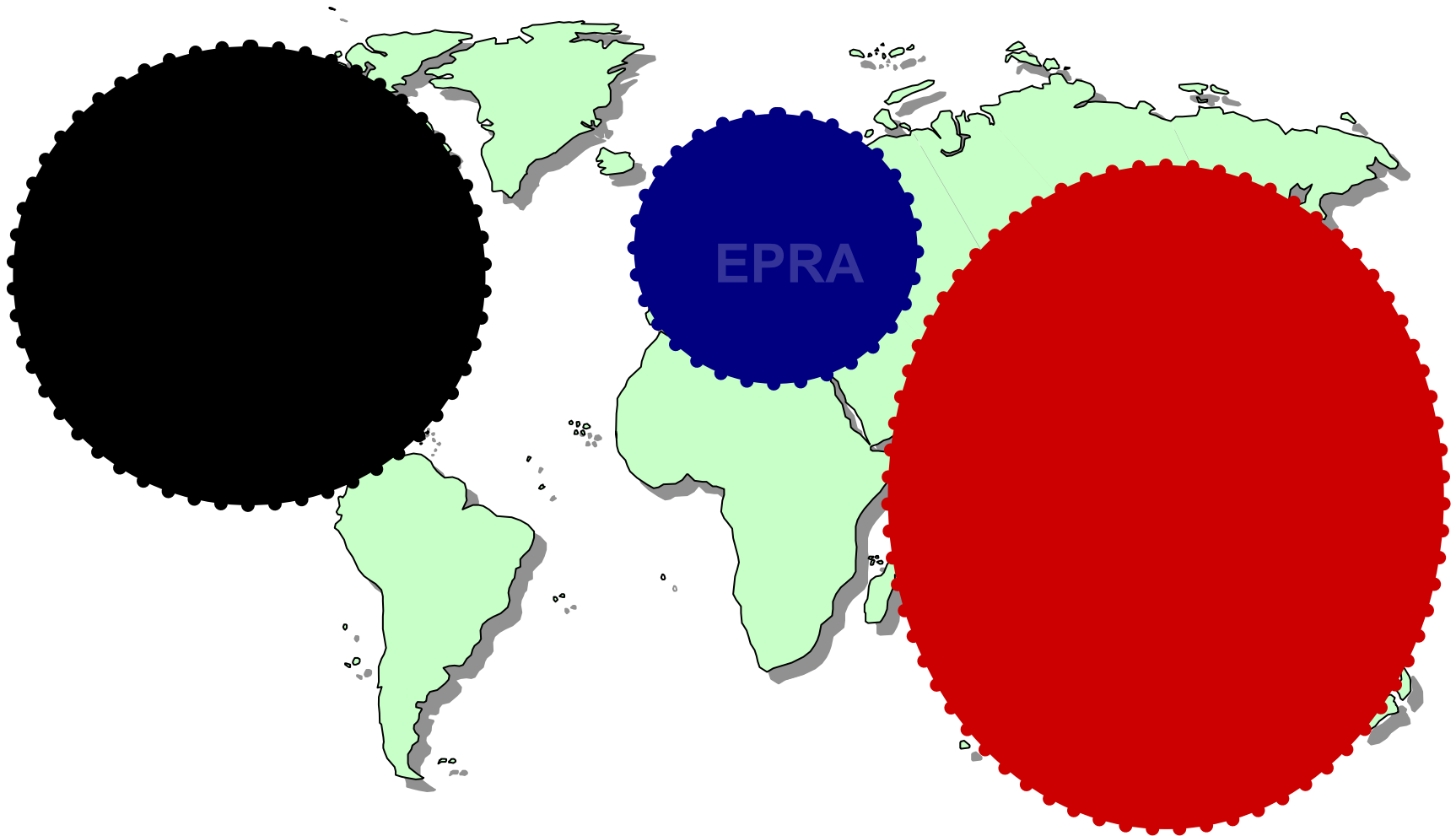
To increase investment funds into the region

- Asia Pacific is a big market
- Sector is fragmented and poorly represented
- Lack of unity & cross-border differences
- Europe & the US have powerful representation (EPRA & NAREIT)
- Unequal allocation of property investment funds



- Encourage greater investment into Asia-Pacific real estate
- Provide better information for investors
 - Deliver a clear message from the industry
 - Promote the benefits of the sector to investors and media
 - Ensure appropriate representation in global indices
- Improve the operating environment for members
 - Via tax efficiency and improved regulatory framework
- Encourage best practice with common recognisable standards
- Unify and strengthen the industry
 - create an integrated industry platform with an effective forum
- Strengthen and grow APREA membership

Improve global representation



Current major projects

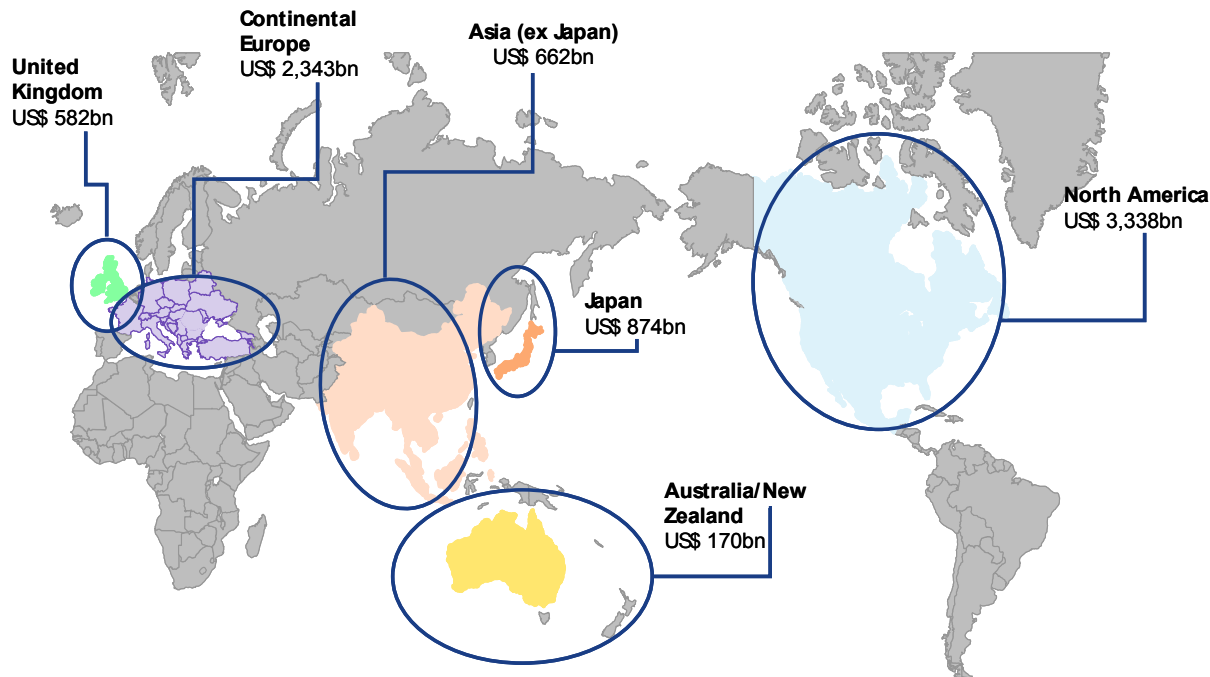
- APREA Institute
- Chapters
 - Hong Kong & Macau
 - Japan
 - Singapore
- Best practices handbook
- Regulatory – Philippines, Pakistan, Indonesia, China, India
- Hong Kong regulatory task force
- Asian index series
- Singapore
- Website
- Research

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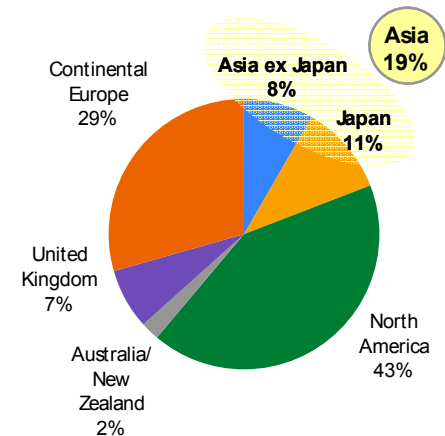
Global real estate markets in perspective

The global real estate universe is approximately US\$8.0 trillion, or 16% of the total investable universe including global stocks and bonds



- ♦ Whilst 16% of the investable universe, real estate is well underheld in the public markets
- ♦ Real estate allocations are on the rise and capital flows continue to head east

% of global real estate universe



Source: UBS Global Asset Management Real Estate Research, UBS Investment Bank

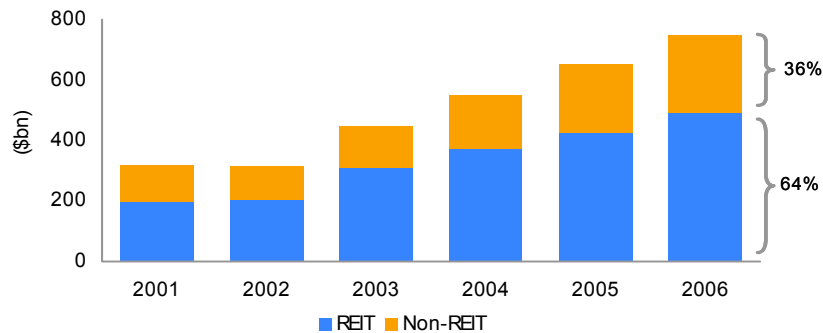
Asia's share of the global real estate universe is c.19% and growing!

Global real estate & Asia's position in the universe



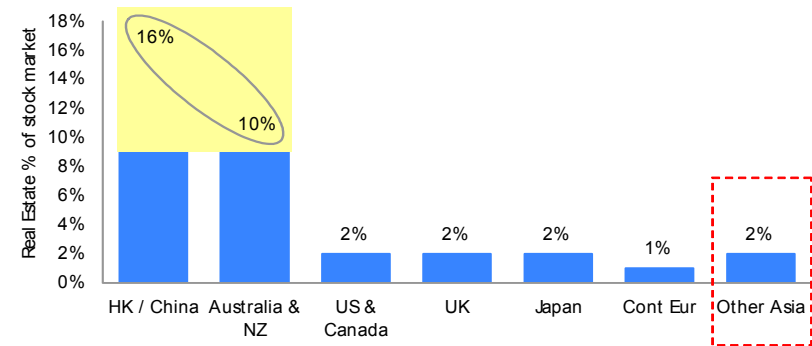
Asia represents c.36% of the listed REITs/PropCo universe and strong flows are likely to continue

Growth of global REIT/property company market capitalisation



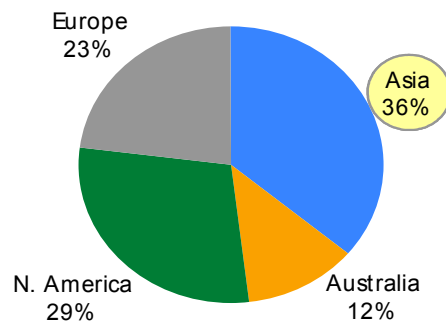
Source: S&P, UBS estimates

Real estate percentage of stock market



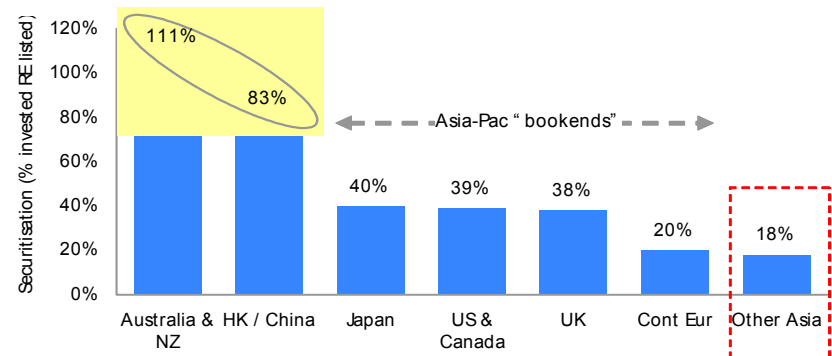
Source: UBS estimates

Regional blocs – REIT/PropCos Market Capitalisation



Source: Bloomberg, UBS Global Indices, UBS Investment Bank

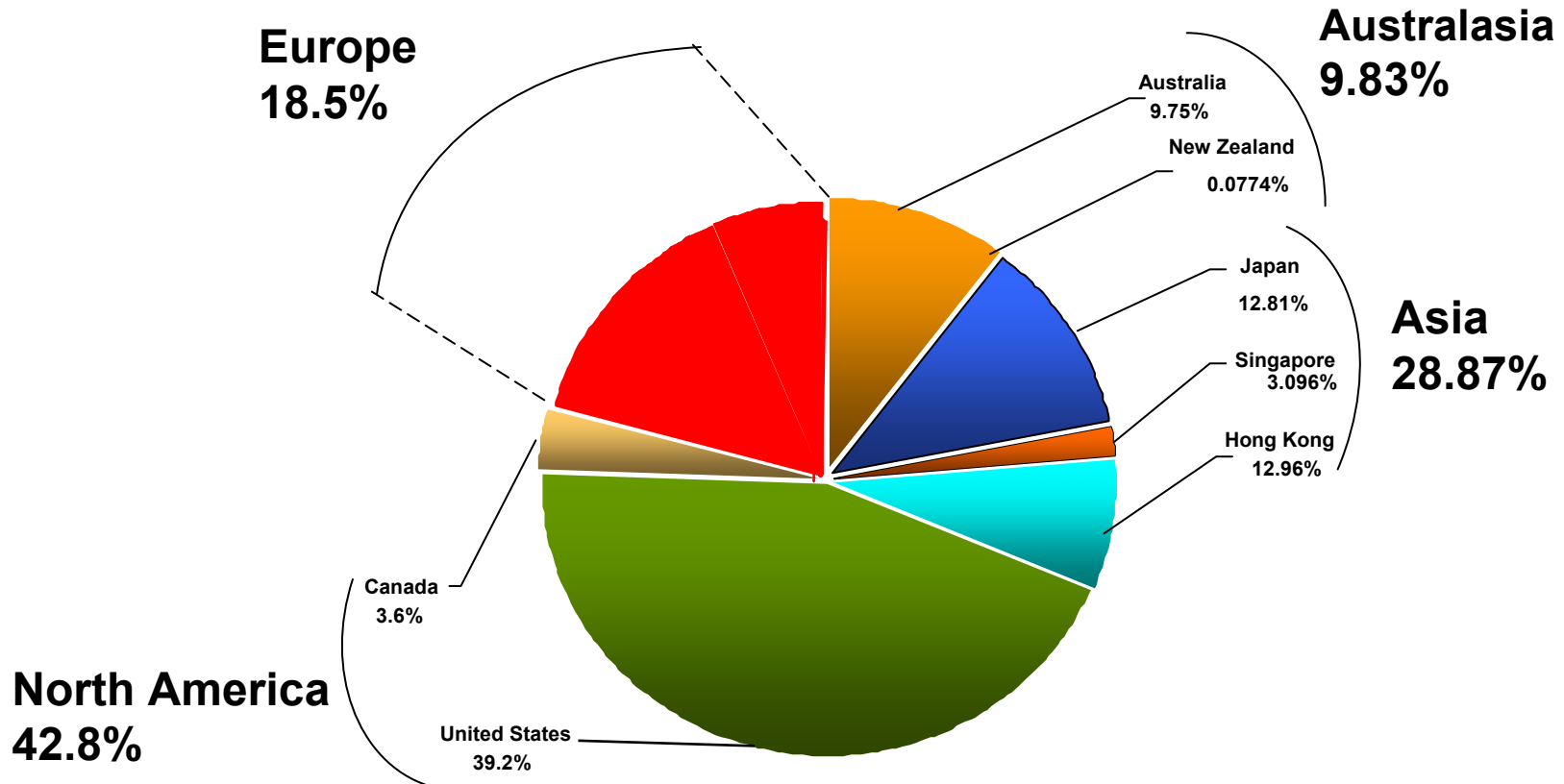
Percentage of investable real estate listed



Source: UBS estimates

Composition of the global listed market

287 companies in index



Composition of the global REIT market

489 trusts worth US\$710bn

North America 52.1%

US 48.5%
Canada 3.6%

Europe 20.8%

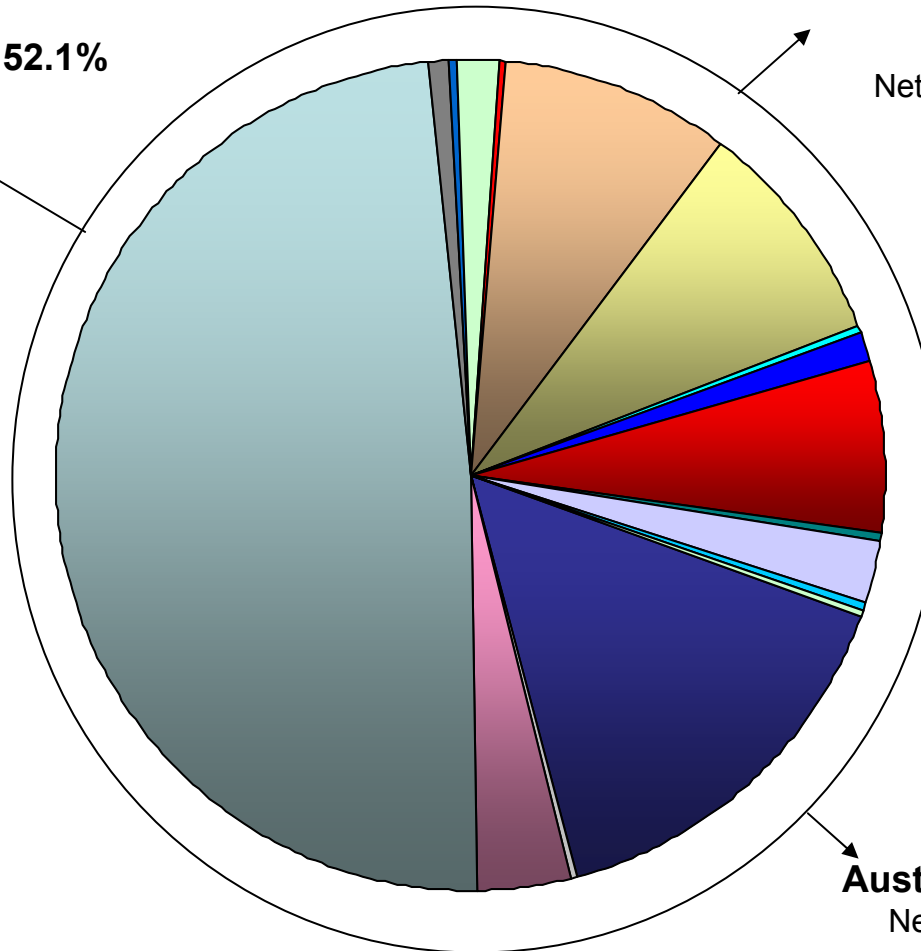
Belgium 0.9%
Bulgaria 0.1%
Greece 0.1%
Netherlands 1.7%
Turkey 0.3%
France 9.0%
UK 8.7%

Asia 11.1%

Hong Kong 1.2%
Japan 6.6%
Malaysia 0.2%
Singapore 2.5%
Taiwan 0.2%
South Korea 0.2%
Thailand 0.1%

Australasia 15.6%

New Zealand 0.4%
Australia 15.2%



The global real estate equity market





















Key Economic and Real Estate Figures per Region (US\$)

Region	2006 GDP (\$ Bn)	2006 GDP per capita (\$)	Stock Market ¹ (\$ Bn)	Total Real Estate Market ¹ (\$ Bn)	Total Listed Real Estate Market ¹ (\$ Bn)
Asia-Pacific	10,573.57	20,140.59	13,820.14	3,747.08	604.89
Europe	14,977.6	32,719.96	14,518.33	6,750.73	283.06
Latin & South America	2,312.06	5,669.58	2,690.66	678.26	1.7
North America	13,540.37	41,715.06	17,071.91	6,093.17	427
World	41,403.59	-	48,101.04	17,269.24	1,316.65

1) Updated as of 30 Aug 2008
Source: EPRA

Global REIT chronology

Countries with existing REIT-like structures

United States  1960	New Zealand  1969	Australia  1971	Netherlands  1969	Canada  1993	Belgium  1995
Turkey  1999	Japan  2000	South Korea  2001	Singapore  2002	France  2003	Hong Kong  2003
Taiwan  2003	Bulgaria  2005	Malaysia  2005	Thailand  2005	Israel  2006	United Kingdom  2007
Germany  2007	Italy  2007				

Countries considering REIT-like structures

Indonesia 	Spain 	Finland 	India 
China 	Pakistan 	Philippines 	

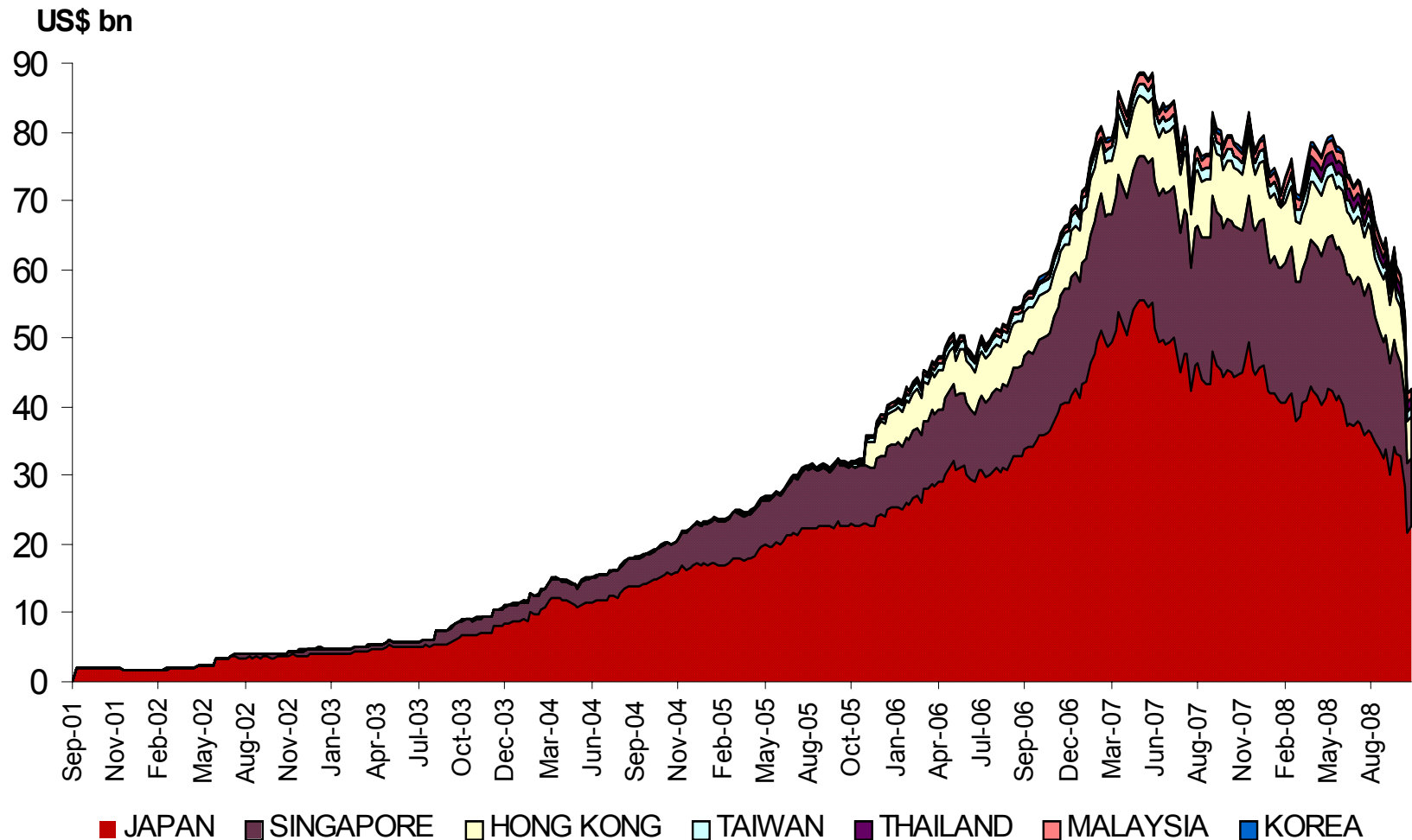
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The Asian REIT markets have grown more than 40x since 2001



REIT Market Cap. by Country 10 Sep 2001- 17 Oct 2008 (US\$ bn)

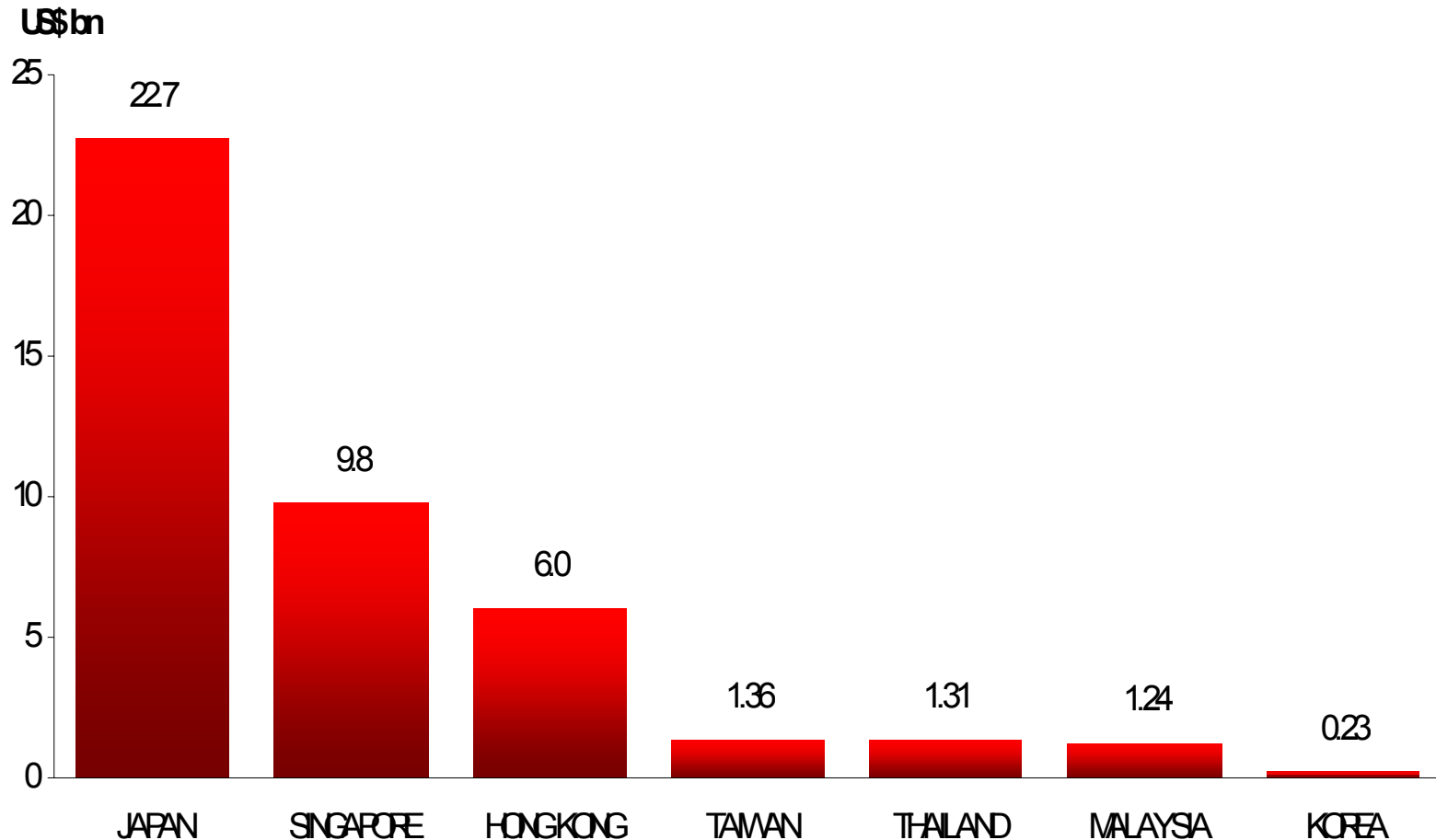


Note: Includes listed REITs and REIT-like structures

Source: Bloomberg, APREA Research

Japan and Singapore dominate the market in terms of size

Market Capitalisation of individual REIT markets in Asia (Total=US\$42.63 bn)



Almost all the Asian REIT markets have experienced rapid growth

From 2 to 116 REITs in less than 7 years

- The Asian REIT market has grown to US\$43 bn from US\$ 2bn in 2001
- The Market witnessed an 18% growth in capitalisation YoY in 2007
- Hong Kong added US\$6bn in capitalisation in less than a year
- Increasing trend to embrace cross border assets and list entirely cross border REITs

Market Capitalisation Overview (as of 17th Oct 2008)

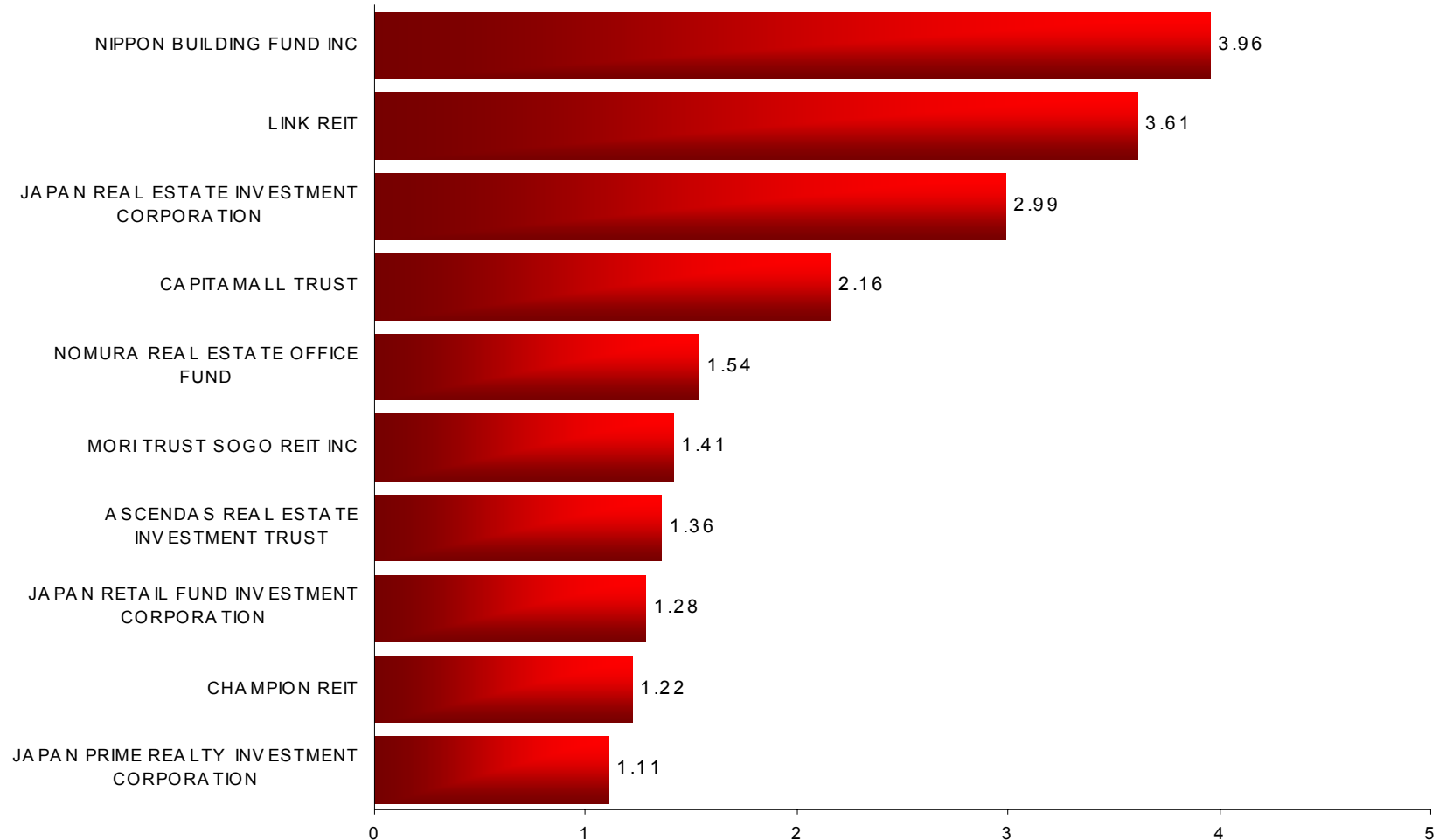
	No. of REITs (current)	Listing in last 2 years	Market cap (US\$bn)
Japan	42	3	22.70
Singapore	21	8	9.81
Hong Kong	7	3	5.97
Taiwan	8	1	1.36
Thailand	21	13	1.31
Malaysia	13	6	1.24
Korea	4	1	0.23
TOTAL	116	35	42.63

Note: Includes listed REITs and REIT-like structures

Source: Bloomberg, UBS, APREA Research

The Asian REIT universe

Top 10 Asian REITs by market cap (US\$ bn)



Date as of 17 Oct 2008

Source: Bloomberg, APREA Research

- REIT Regulation
- Stock Exchange & other Regulators
- Taxation

- Trustee
- Manager
- Permissible investments / investment limits
- Borrowing limits
- Disclosure
- Stock exchange and other requirements

- Pass through principle - taxation in unitholders' hands not trust
- Qualification requirements
- Limitations

- Singapore
- Japan
- Korea
- Hong Kong

Well developed Asian REIT markets



- Japan
 - 42 REITs, US\$22.7 billion market capitalization
 - Consolidation?
- Singapore
 - 21 REITs, US\$9.81 billion market capitalization
 - First Asian cross-border REIT
 - Consolidation?
- Hong Kong
 - World's largest REIT IPO = Link REIT, raised US\$9.2 billion in 2005
 - 7 listed REITs, US\$5.97 billion market capitalization

Less developed Asian REIT markets



- South Korea
 - Regulatory framework has impeded growth
 - In all, 4 REIT-type funds
- Thailand
 - Tax transparency
 - 21 funds listed since 2004
 - Proposal for REIT reform, APREA assisting
- Malaysia
 - Currently 13 REITs
 - First Islamic REIT listed in July 2006
 - Likely expansion of REIT market following substantial improvements in REIT code
- Taiwan
 - Currently 8 REITs
 - REIT code issued in July 2003, including preferential tax treatment

Asian markets without REIT framework



- China
 - Unit trust structure currently prevents REITs
 - APREA assisting on proposed REIT law
- India
 - Draft REIT law for public comment Dec 2007, APREA assisting
- Philippines
 - REIT legislation is proposed, APREA assisting
- Indonesia
 - Draft Law, APREA assisting
- Pakistan
 - REIT regulations launched for 2008
- Middle East
 - Dubai, Bahrain, Qatar, Abu Dhabi, Saudi Arabia

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Benefits to investing in REITs

1. Dividends
2. Liquidity
3. Transparency
4. Diversification
5. Performance

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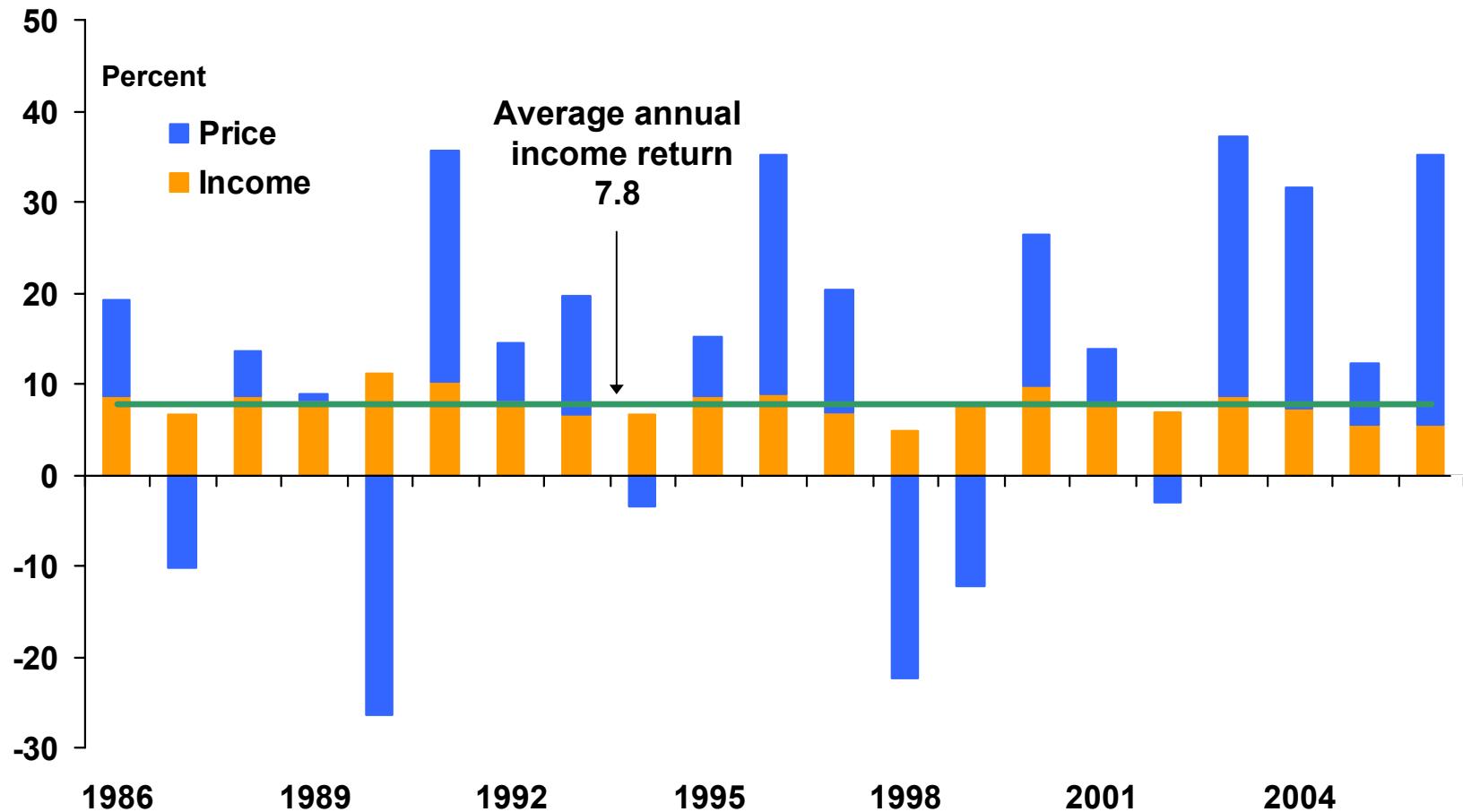
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REITs deliver reliable current income



Average annual returns of **U.S. REITs**: 14.5 percent

Average annual income of **U.S. REITs**: 7.8 percentage points or 54 percent of total return



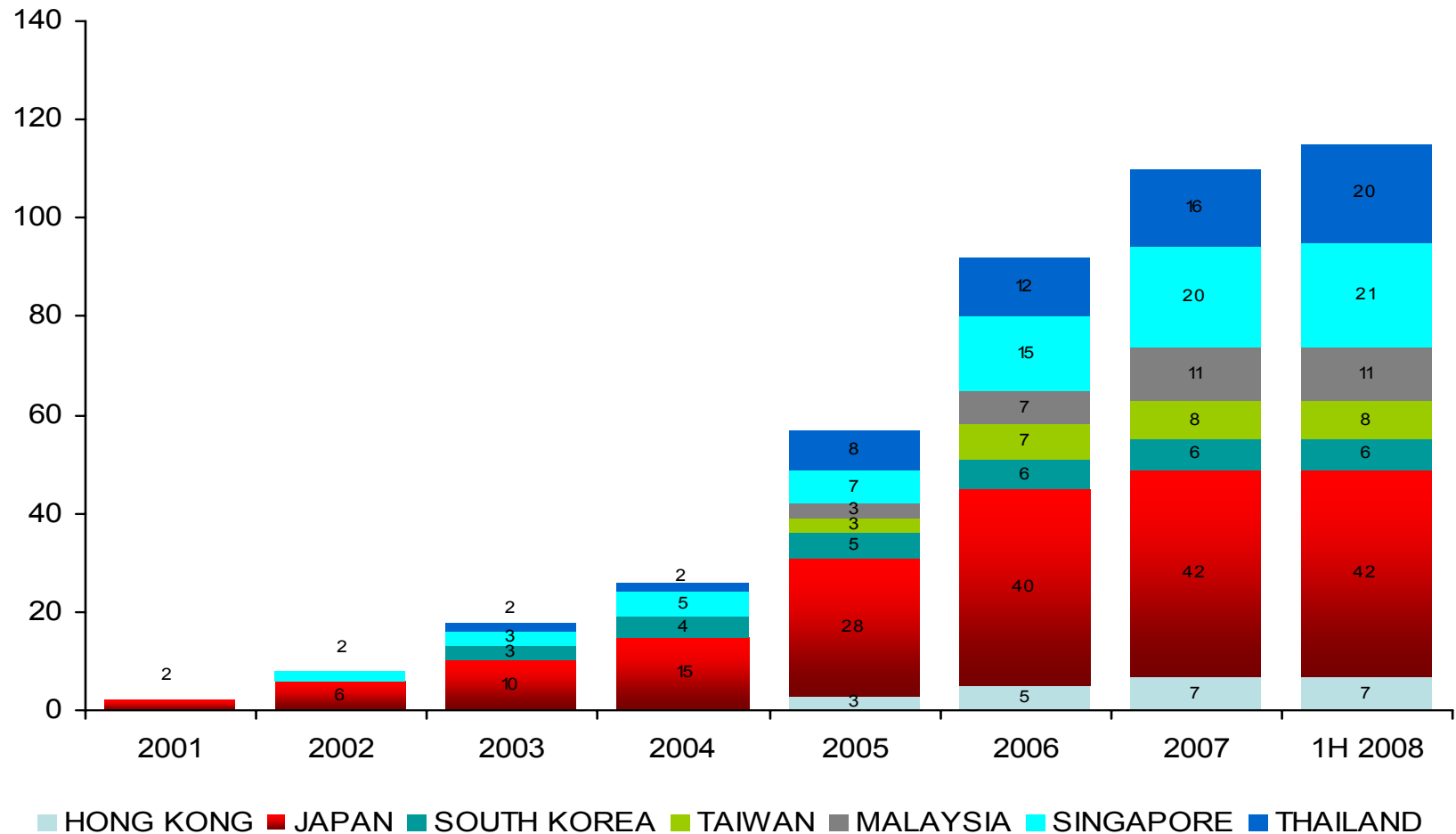
Source: NAREIT

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Asia REIT initial public offerings

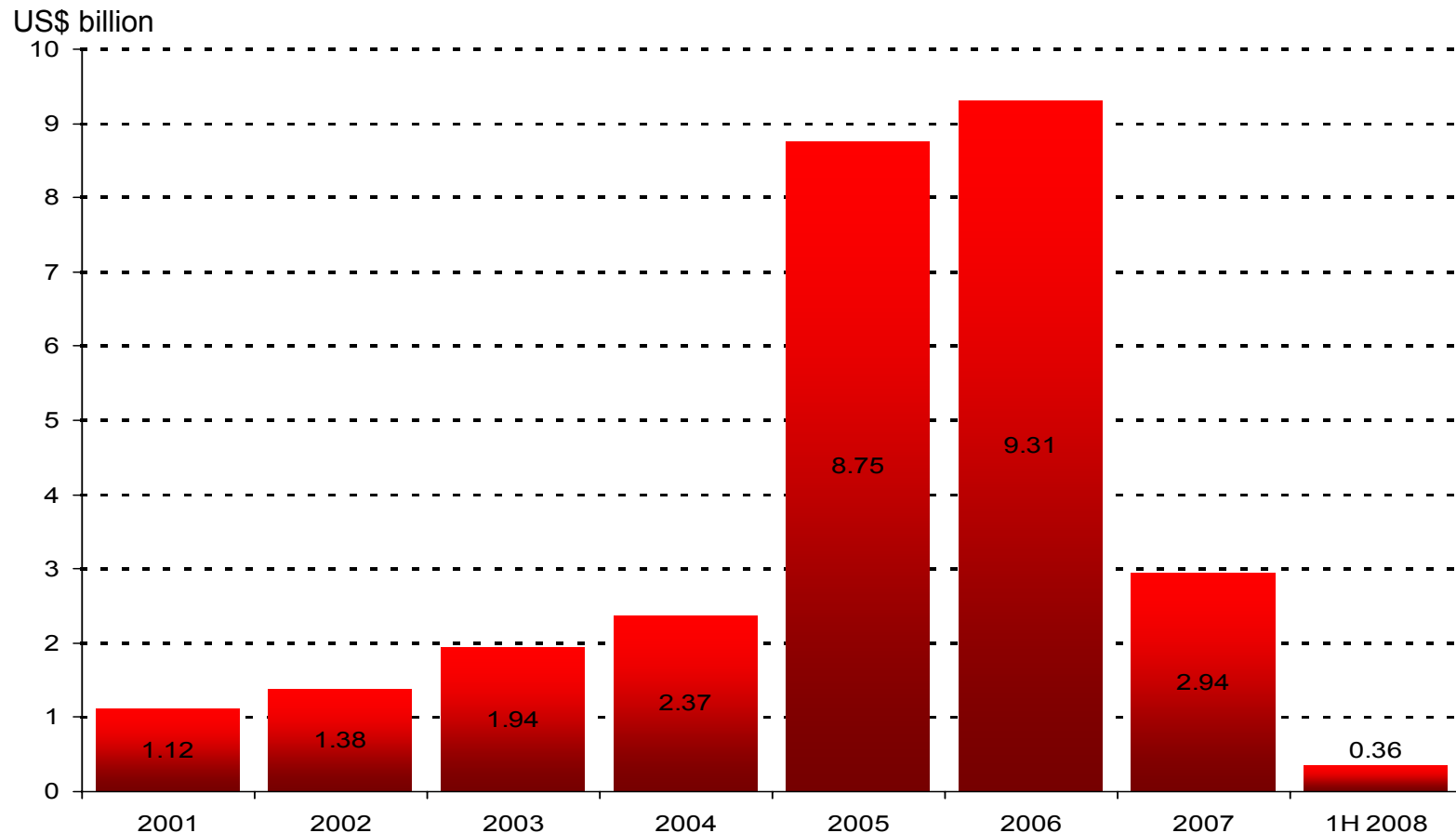
Number of REITs IPO in Asia by year 2001 – 1H 2008
(Total= 117)



Asia REIT initial public offerings



Asia REIT Initial Public Offerings 2001 – 1H 2008
(Total= US\$28.18 bn)



Date as of 1H 2008
Source: Bloomberg, APREA Research

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- Tax transparency delivers the true benefits of commercial real estate ownership for investment portfolios
- Transparency provided by public company reporting and disclosure requirements allow investment with confidence

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Real estate has low correlations with other asset classes

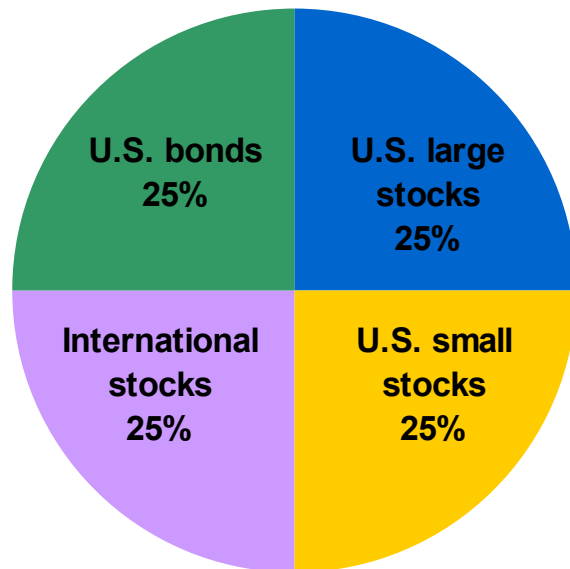
Correlations of Monthly total returns, 2001 – 2008

	Global Real Estate	Asia Real Estate	Global Equities	Asia Equities	Global Bonds
Global Real Estate	1	0.84	0.6	0.52	0.18
Asia Real Estate	0.84	1	0.59	0.63	0.12
Global Equities	0.6	0.59	1	0.84	-0.02
Asia Equities	0.52	0.63	0.84	1	-0.03
Global Bonds	0.18	0.12	-0.02	-0.03	1

Diversification benefits of REITs and listed real estate

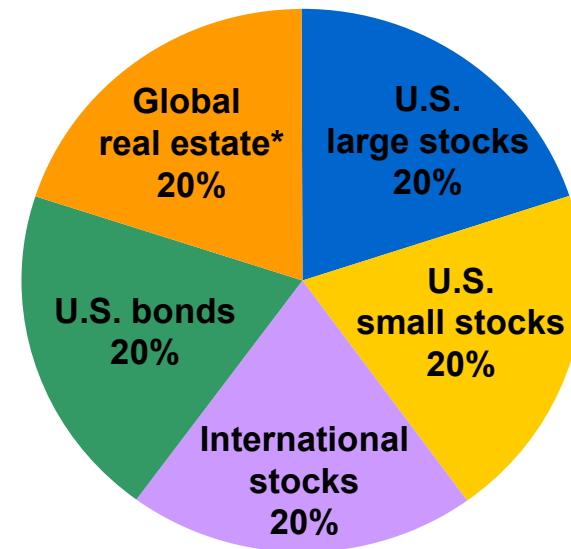
Sample portfolios with and without global real estate 1990–2005

Portfolio without real estate



Return	9.6%
Risk	12.7%
Sharpe Ratio	0.42

Portfolio with 20% global real estate



Return	10.7%
Risk	12.7%
Sharpe Ratio	0.51

Source: U.S. Large Stocks—Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general; U.S. Small Stocks—Russell 2000; International Stocks—Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE®) Index; U.S. Bonds—Lehman Brothers Aggregate Bond Index; North American Real Estate—FTSE EPRA/NAREIT Global Real Estate Index North America Series; European Real Estate—FTSE EPRA/NAREIT Global Real Estate Index Europe Series; Asian Real Estate—FTSE EPRA/NAREIT Global Real Estate Index Asia Series. *Global real estate portfolio composition—North America 16%, Europe 2%, Asia 2%.

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Efficient portfolios with global real estate



Portfolio Allocations in percent

Asset class	Historical (Constrained)	Black-Litterman	CAPM
Cash	0.1	7.4	14.4
Bonds	40.1	32.6	25.4
Equities	40.2	36.6	44.4
Global real estate	19.7	23.3	15.8
North American real estate	17.3	12.1	5.0
European real estate	1.6	7.8	6.7
Asian real estate	0.8	3.4	4.1
Total	100.0	100.0	100.0
Expected return	11.0	9.3	9.6
Standard deviation	10.0	10.0	10.0

Source: Large Stocks—Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general; Small Stocks—Russell 2000; International Stocks—Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE®) Index; Bonds—Lehman Brothers Aggregate Bond Index; Cash—Citigroup U.S. Domestic 3 Month T-Bill; International Bonds—Citigroup World BIG xUS Index (1999–2005) and Citigroup Non-US Dollar World Gov't Bond Index (1990–1998); North American RE—FTSE EPRA/NAREIT Global Real Estate Index North America Series; European RE—FTSE EPRA/NAREIT Global Real Estate Index Europe Series; Asian RE—FTSE EPRA/NAREIT Global Real Estate Index Asia Series.

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Japan

- Desertion of foreign investors
- Depressed REIT stocks and illiquidity
- Over-reliance on bank debt
- Refinancing challenges
- Constraints on M&A and privatisation
- Inability to buy back shares

Singapore, Hong Kong and Malaysia

- REIT distribution policies and lack of retained earnings
- Limited debt options - CMBS and banks
- Refinancing challenges
- Performance and areas of illiquidity

General

- REITs not performing as defensive stocks. Why?
- Lack of local committed investor base
- Management structures
- Management of capital structures

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Asian REITs should be part of every investment portfolio



- Institutional investors are increasing allocations to Asian real estate as part of a global mandate
- Asia is expected to have the fastest GDP for the foreseeable future
- The Asian REIT markets are expected to keep growing and expanding, especially given the low current securitisation levels
- New developments will continue to drive the market
 - Regulatory improvements
 - Cross-border investments
 - M&A
- REITs is an efficient way to hold real estate that offer advantages over separate accounts and commingled funds
 - Net total return compares favorably (based on US studies)
 - High governance standards / alignment of interests with investors
 - Liquidity / flexibility in portfolio rebalancing
 - Transparency
 - Low leverage and moderate volatility



Thank You

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