Prudential Real Estate Investors

Asian REITs: A New Dimension for Investors

April 2006

Research

Philip Conner
Principal
Tel 973.734.1339
philip.conner@prudential.com

Marc Halle
Managing Director
Tel 973.734.1433
marc.halle@prudential.com

Prudential Real Estate Investors
8 Campus Drive
Parsippany, NJ 07054
USA

Tel 973.683.1745
Fax 973.734.1319
Web www.prudential.com/prei
E-mail prei.reports@prudential.com

The recent introduction of tax-transparent property investment vehicles, or real estate investment trusts (REITs), in Japan, Singapore and several other Asian countries is both an opportunity for investors and an important milestone in the development of the global real estate securities market. Listed property companies have existed in Asia for decades, as they have in most countries with developed real estate markets. However, the new REIT vehicles, because of their structural features and mandatory high dividend payout ratios in particular, add a dimension to the property investment and capital markets in Asia that has benefited both investors and the industry in countries with well-established REIT markets. This report examines the growth and development of the Asian REIT market, the economic and demographic forces that should create demand throughout Asia, not only for real estate but also for yield-oriented investment products like REITs, and the potential implications of the new vehicles in the context of a global real estate securities portfolio.

Brief History of the Asian REIT Market

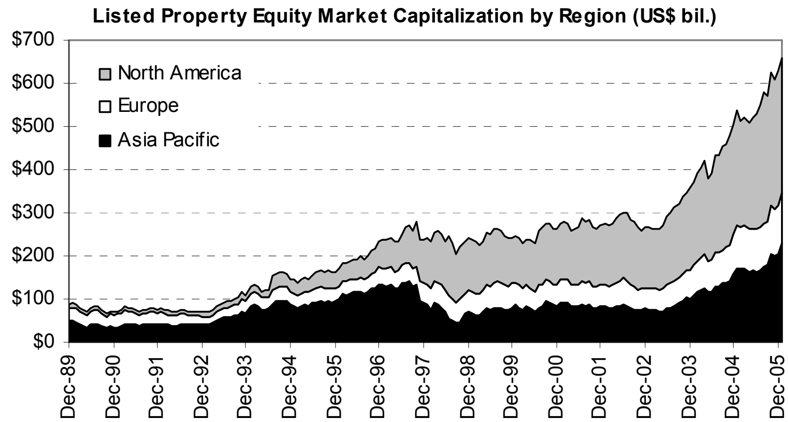
Asia has a long history of listed property companies and commands a large share of the global listed property market. According to the S&P/Citigroup BMI Property Index, the Asia Pacific region, which includes Australia and New Zealand, accounted for about 35% of the global listed property sector's available equity market capitalization at the start of 2006.[1] As **Exhibit 1** makes very clear, however, the region's global share has fallen dramatically since the mid-1990s, when Asia represented more than 60% of the global listed property market.

The relative decline coincides with the Asian financial market crisis in 1997-98 and with the rapid growth phase of the U.S. REIT market in the early to mid-1990s. After peaking at more than $141 billion[2] in August 1997, the equity market capitalization of the Asian listed property market declined sharply as the crisis spread throughout the region, devastating financial and real asset values. By September 1998, the Asian listed property sector's equity market capitalization had fallen to about

[1] Companies must meet certain size and trading volume criteria to be included in the BMI Property Index. Thus some Asian countries, such as Malaysia, South Korea and Thailand, are not included in the listed property universe.
[2] Unless otherwise noted, all figures are in US$.

$44 billion, or less than 22% of the total global listed property market. Hong Kong's listed property market alone suffered a 75% decline, plunging from more than $80 billion before the crisis to less than $20 billion.

Exhibit 1: Asia Commands Large Share of Listed Property Market



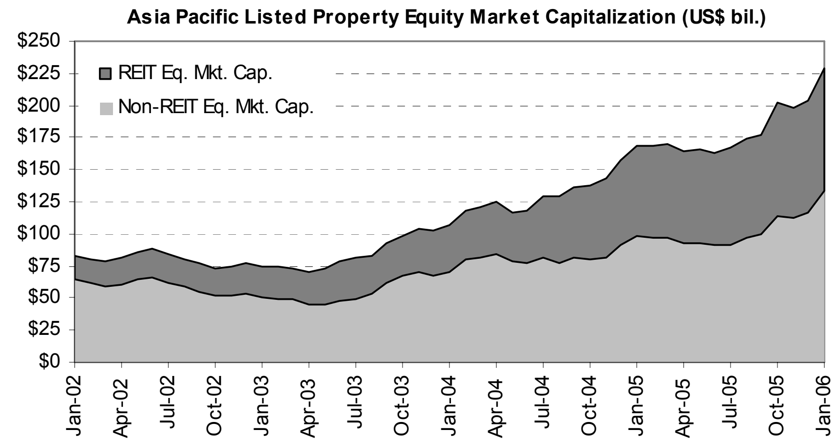
Source: S&P/Citigroup BMI Property Index (data through Jan. 1, 2006)

The rapid expansion of the U.S. REIT market compounded the effects of the Asian crisis on the region's share of the global listed property market. U.S. REITs were first introduced in the early 1960s. However, they remained a relatively small and insignificant part of the U.S. real estate investment and capital markets until the real estate market crashed in the early 1990s. The liquidity crisis in the private real estate capital markets that accompanied the severe downturn and the introduction of the Umbrella Partnership REIT (UPREIT) in 1992, which allowed property owners to exchange their direct real estate holdings for operating partnership units in a REIT without triggering a tax event, provided powerful catalysts for the tremendous growth of the REIT market over the next several years. Between January 1992 and January 1998, the REIT market's equity capitalization soared from $8.7 billion, or about 11% of the global listed property market, to $105.2 billion, or roughly 44% of the listed property market.

Although the Asian listed property market has fully recovered from the crisis and subsequent shocks (including the global equity market downturn in 2000-01 and the SARS outbreak), the region's share is still considerably lower than it was a decade ago, largely because the global REIT market has continued to grow rapidly. Since January 2002, REITs and listed property trusts (LPTs), as they are known in Australia and New Zealand, have accounted for more than 68% of the increase in the global listed property sector's available equity market cap.[3] While REITs and LPTs have accounted for a smaller share of the market cap growth in the Asia Pacific region, the REIT segment of the market has been growing nearly twice as fast as the non-REIT segment. Since 2002, the equity market cap of the Asia Pacific REIT market has grown at a compound annual rate of nearly 50%, or by more than $75 billion, while the non-REIT segment has increased roughly 29% per year, or by about $70 billion in four years (see **Exhibit 2**).

[3] All figures are based on available equity market capitalization of the BMI Property Index and BMI REIT Index.

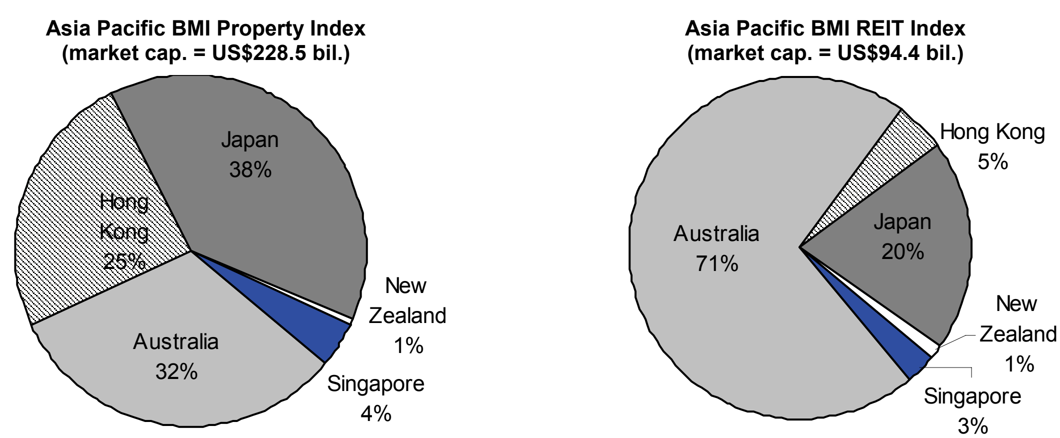
Exhibit 2: Rapid Growth of the Asian REIT Market



Source: S&P/Citigroup BMI Property Index (data through Jan. 1, 2006)

Within the Asia Pacific region, only Australia has a long history of tax-transparent vehicles and a large, liquid and mature market.[4] LPTs were introduced in Australia in the early 1970s. However, like U.S. REITs, they experienced relatively little growth until the property market downturn in the early 1990s. The collapse of the unlisted property trust sector in the early 1990s and the compulsory savings required under the Superannuation Guarantee introduced in 1992 fueled the LPT market's growth throughout the 1990s. As demand for investments offering secure cash yields surged, particularly in the wake of the Asian crisis and global equity market downturn in 2000-01, the equity market cap of the LPT market climbed from about $10 billion in September 1998 to more than $67 billion at year-end 2005 (see **Exhibit 3**).[5]

Exhibit 3: Asia Pacific Available Equity Market Capitalization by Country



Source: S&P/Citigroup BMI Property Index (data through Jan. 1, 2006)

[4] LPTs were introduced in New Zealand in 1992. At year-end 2005, the BMI REIT Index included five LPTs from New Zealand, with a total available equity market cap of less than $1.4 billion.
[5] Based on available equity market capitalization of the 31 LPTs in the BMI REIT Index for Australia.

A few features of the Australian market are striking when compared with most other developed REIT markets, particularly the U.S. First, the LPT market is highly concentrated. The five largest LPTs account for more than 65% of the equity market cap of the BMI REIT Index for Australia, and the largest firm, Westfield Group, accounts for more than one-third. LPTs also control a much larger share of the investable universe than is typical in other countries. According to UBS, LPTs own about 28% of all institutional-grade commercial property in Australia and as much as 60% of all institutional-grade property held for investment purposes. This compares with an ownership share of about 12% of all institutional-grade property for U.S. REITs. One consequence of the relatively high penetration rate has been the growing need for LPTs to look outside Australia for growth opportunities. For example, at year-end 2005, U.S. assets accounted for more than 25% of LPT holdings.[6]

While Australia will continue to overshadow the other countries in the emerging Asian REIT market because of its size, the most dynamic growth, at least in the near term, will occur in the newly created REIT markets in Japan, Singapore, Hong Kong and elsewhere. Japan boasts the second-largest REIT market in the region after Australia. J-REITs first appeared in 2001 with two listings and an equity market cap of about $1 billion. Last year, 13 J-REITs tapped the public equity markets with initial public offerings (IPOs), bringing the total number of J-REITs to 28 and the sector's total equity market cap to more than $30 billion.[7] The J-REIT market should continue to grow as the Japanese economy and property markets finally begin to recover and J-REIT yields continue to offer an attractive premium (about 200 bps) over government bonds. Already this year, Japan Hotel and Resort, the first hotel J-REIT, debuted in February, and another three IPOs are expected before the end of the first quarter.

The nascent Hong Kong REIT market recently overtook Singapore as the third-largest REIT market in the Asia Pacific region following the much-anticipated IPO of the Hong Kong Housing Authority's Link REIT. Despite being delayed for nearly a year, the Link REIT IPO raised HK$18.9 billion (about US$2.6 billion) in November 2005 and helped catapult Hong Kong ahead of Singapore in the BMI REIT Index with a 5% regional share.[8] Although legislation for a Hong Kong REIT had been in place since 2003, flaws in the initial structure discouraged most sponsors from using the new vehicle until the regulations were substantially revised last year. Two private sector offerings, including the first REIT with assets in mainland China, followed the Link IPO in December, setting the stage for more offerings in 2006.

Despite the relative decline in its market share recently, Singapore's S-REIT market has been an important pioneer in establishing and promoting tax-transparent listed property vehicles in Asia. As in Hong Kong, flaws in the initial S-REIT legislation of 1999 delayed the launch of the S-REIT market until the regulations were revised to make the vehicle less cumbersome and more competitive with "ordinary" listed property firms. The S-REIT structure has since evolved into one of the most progressive and attractive, to both sponsors and investors, of today's REIT

[6] UBS Global Real Estate Analyser, December 2005.
[7] Total market cap is based on the GPR General Index as of Dec. 31, 2005. At year-end 2005, the BMI REIT Index included 22 J-REITs, with an available equity market cap of $18.7 billion.
[8] Hong Kong's available equity market capitalization also includes Fortune REIT, a Singapore REIT, whose holdings include Hong Kong assets only.

regimes. With two IPOs in 2005, a total of seven S-REITs have now gone public since 2002, including one company, Fortune REIT, whose entire portfolio consists of Hong Kong assets.[9]

The recent success of LPTs and REITs in Australia, Hong Kong, Japan and Singapore has encouraged industry participants and government authorities elsewhere in Asia to introduce REIT-like vehicles or to refine existing structures to reinvigorate their local property markets and to improve investor access to property investments. New offerings appeared in 2005 in Thailand, Taiwan and Malaysia, with more listings expected in 2006 as the structures continue to evolve and investor awareness grows. While the REIT movement in Asia has clearly gained momentum over the last year or two, not all vehicles have been as well received as J-REITs and S-REITs, at least not yet. South Korea continues to lag countries in the region due to its overly complex and restrictive REIT regulations. A few finite-lived Corporate Restructuring REITs (CR-REITs) were listed to help companies restructure after the Asian financial crisis. But the Korean REIT legislation so far has failed to promote the development of a viable listed Korean REIT market.

Cyclical and Long-Term Growth Drivers

The potential for further growth in the Asian REIT market is significant. Although REITs are not the "value" plays of a few years ago, before capital began flowing freely into the asset class, they should continue to benefit from powerful cyclical and long-term trends that should drive future growth. In most major Asian markets, as well as in Europe and North America, the property market cycle is either in the recovery or expansion phase, with rents growing (or about to grow) and occupancies improving. Economies are recovering and are poised for long-term growth, and demographic trends point to expanding demand for real estate and yield-oriented investments such as REITs.

Although space market conditions vary from market to market and by property type, the property market cycle should have a positive effect on asset values generally over the next few years. Property markets throughout Asia suffered through the global economic slowdown in 2000-01 but have since started to rebound. Major Asian office markets posted significant gains in occupancies and rents in 2005. Prime office rents jumped more than 25% in Singapore last year compared with 2004, while rents in Tokyo and Hong Kong soared 43.8% and 78%, respectively.[10] This was enough to boost yields despite the healthy capital value gains. The improving employment outlook that drove the office market recovery also helped boost retail sales and confidence among retailers, while helping support the housing market.

The strength and breadth of the Asian property market recovery should help ease concerns about the impact of rising interest rates on property values and listed property share prices. Rising short-term interest rates in major economies worldwide have put upward pressure on yields, but property values should continue to benefit from increasing economic activity. Even Japan is showing hopeful signs that the country's prolonged real estate slump may be ending. In July 2005, Japan's National Tax Agency reported the first year-over-year rise in commercial and

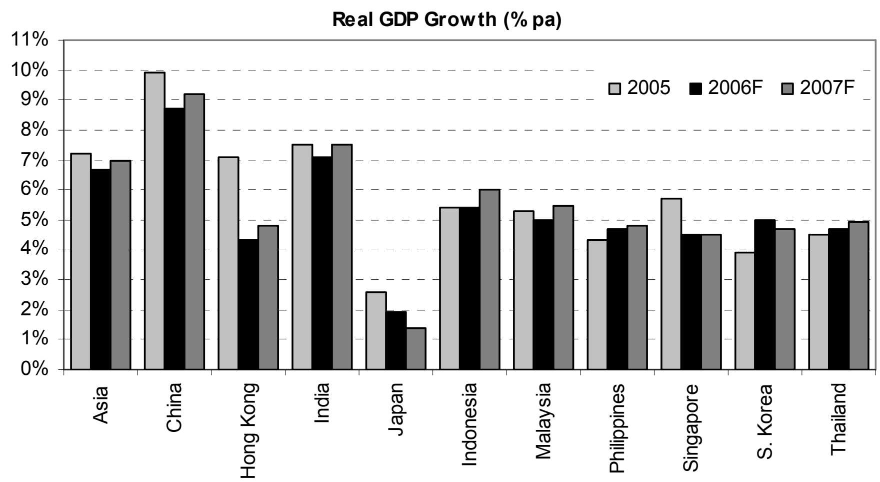
---

[9] At year-end 2005, the BMI REIT Index for Singapore included four S-REITs with an available equity market cap of $2.7 billion.
[10] Jones Lang LaSalle, 4Q05 REIS.

residential land prices in Tokyo's 23 wards since 1990, which the Agency attributes at least in part to increasing transaction activity involving domestic and offshore investors.[11]

Asian economies are expected to continue expanding at a healthy pace over the next two years, with very strong growth in China and India (see **Exhibit 4**). For real estate investors, the diversity of growth in the region is probably as important as its magnitude. The effects of economic growth in Singapore and Japan on local property markets and the opportunities for investors, for example, will differ dramatically from the opportunities that arise from growth in China or India. Strong and diverse economic growth should lead to increasing demand for all types of real estate – offices for a growing professional services sector, industrial and retail to support increasing trade and consumption, and residential assets to accommodate the expanding population with more and better housing – and a wide range of opportunities for investors.

Exhibit 4: Economic Growth Should Drive Demand for All Types of Real Estate



Sources: Citigroup (January 2006); Economist Intelligence Unit (EIU)

Government authorities throughout Asia also have shown a keen interest in seeing REITs succeed and, in some countries, are actively encouraging their growth. Continued refinements to the S-REIT structure and last year's revisions to the Hong Kong REIT in particular should encourage more developers, property firms, and corporate and government owners to consider using REITs to move some of their stabilized real estate holdings off their balance sheets, thereby freeing up capital that can be reinvested into core activities or used to reduce debt.

Government interest stems at least in part from the positive effects that REITs have provided to investors and to the real estate industry as a whole in countries such as Australia and the U.S. While REITs clearly have benefited from the improving conditions in the Asian economy and property markets, as the recovery in Japan illustrates, they have also contributed to the recovery. The growth and development of the J-REIT market appears to have provided an important ingredient that had been missing from the Japanese property and capital market environment. Investors, including a number of U.S.-based opportunity funds, have been circling the Japanese

[11] Bloomberg.com, Sept. 20, 2005.

market for years – since the U.S. market recovery in the mid-1990s forced opportunistic investors overseas – hoping to pick up assets at distressed prices. However, concerns about exiting investments have kept transaction activity relatively subdued until fairly recently.

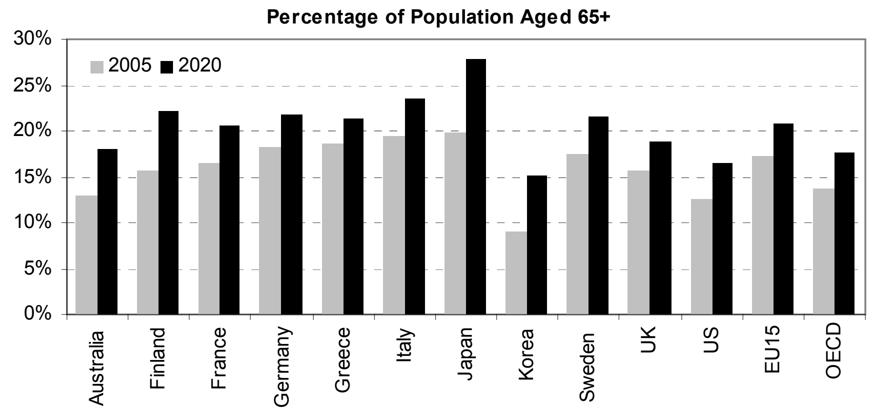
With a viable J-REIT market, investors now have the option of exiting their investments through a public listing. Whether they actually choose to use J-REITs as an exit vehicle is relatively unimportant – although, given the country's near-zero-percent interest rates, high savings rates and aging population, the opportunities to exit through the public markets should become even more attractive in the future. Rather, the infrastructure of the J-REIT market relieves a serious constraint that has impeded transaction activity for years, allowing investors to buy assets with greater confidence. As the J-REIT market has grown and the opportunities for exiting investments through a public listing have become more attractive, transaction activity in the Japanese market has increased.

REITs have also provided investors with an attractive opportunity that satisfies their demand for yield and security, yet allows them to participate in the ongoing recovery and long-term growth of the Asian economy and property markets. The expected growth and urbanization of the populations in emerging Asian countries will create tremendous demand for real estate, particularly in urban centers. Between 2000 and 2005, for example, China's urban population increased by about 75 million, or by an amount equal to roughly one-quarter of the entire U.S. population and three times the size of Australia.[12] Such large-scale urbanization demands more and better quality office space, shops and homes, which, directly or indirectly, provide a potential source of income (rent) for investors that, increasingly, can be accessed through REITs. Although China is an admittedly extreme example, similar growth stories are playing out on a smaller scale elsewhere in Asia, with similar consequences for the property markets, as the region becomes more important as a source of goods and capital and as a consumer market.

As **Exhibit 5** makes very clear, the ability to tap into income-generating assets will become more important over the next decade or so. Globally, the percentage of the population age 65 and over will increase significantly during the next two decades, placing a tremendous burden on pension schemes around the world. Asia is not exempt from these trends. While Asia's population is growing rapidly, it is also aging. By 2020, more than 27% of Japan's population will be age 65 or older, the highest of any OECD country. In fact, over the next 15 years, Japan's population is forecast to fall slightly below the 123.5 million recorded in 1990. China's population will also age rapidly over the next several decades due to the government's one-child policy and improving life expectancy. Its population is forecast to peak sometime between 2030 and 2040.

[12] Economist Intelligence Unit (EIU).

Exhibit 5: Aging Population and Increasing Demand for Secure, Stable Cash Yields



Source: OECD Factbook 2005

The aging world population has profound implications for the global economy and for investment markets in particular. As the population ages, demand for secure, yield-oriented investments, such as real estate, will grow significantly. With institutional and individual investors being relatively underweight in real estate in their investment portfolios, compared with stocks and bonds, REITs stand a good chance of capturing more than their fair share of increasing allocations to higher-yielding investments, especially as the global REIT market continues to develop and mature.

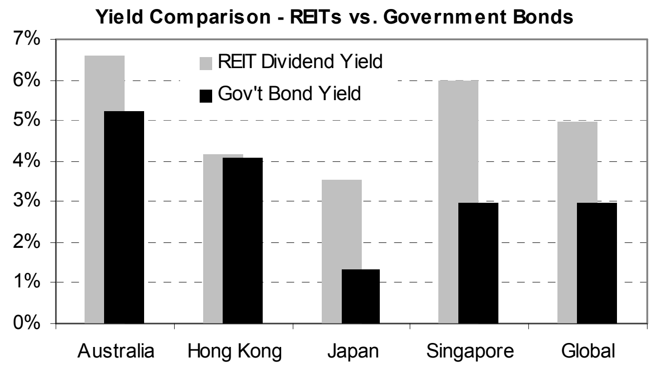
Portfolio Implications and Future Trends

Several Asian markets already feature large listed property firms and conglomerates with considerable property holdings, but REITs add a new dimension to the real estate investment and capital markets that should appeal to both investors and property companies. While many studies have concluded that REITs historically have provided a better complement than substitute for direct property investment in the context of a mixed-asset portfolio, REITs offer many of the same basic performance characteristics that investors find attractive in the private real estate market – relatively attractive yields, competitive total returns and low correlations.

The most important feature that distinguishes REITs from ordinary listed property companies and most other stocks is their relatively high dividend yield. Because REIT regulations typically require that companies pay a significant share of their income to shareholders as a condition for favorable tax treatment, REITs generally offer much higher cash yields than non-REIT listed property companies, which often prefer to retain earnings to avoid having to raise capital for acquisitions and other activities.

Falling property yields and rising long-term interest rates have narrowed the spread between REITs and long-term government bonds in recent years, but yield spreads remain positive and relatively attractive in many Asian markets (see **Exhibit 6**). The contrast is most striking in Japan and Singapore. At year-end 2005, J-REITs and S-REITs offered spreads of about 220 bps and 300 bps, respectively, over government bonds. But yield spreads between non-REIT listed property firms and government bonds were barely positive in Singapore and were slightly negative in Japan.

Exhibit 6: REIT Yield Spreads Remain Attractive

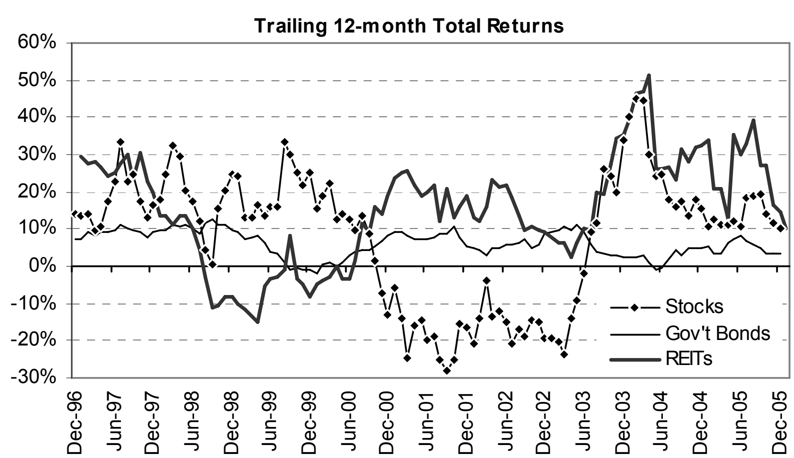


Note: Hong Kong REIT yield based on reported dividend yield for Fortune REIT at year-end and estimated dividend for Link REIT at year-end closing share price.

Sources: S&P/Citigroup BMI REIT Index; Bloomberg (Merrill Lynch Global Government Bond indexes); data as of year-end 2005

As the global rally in REIT shares over the last several years has shown, investor sentiment can be a powerful driver in the investment markets. **Exhibit 7** illustrates the effects of the sudden change in investor sentiment in spring 2000, when the tech bubble burst and investors rotated out of growth and into high-yielding value investments. After struggling during the late 1990s through the peak of the tech boom and dot-com mania, global REIT total returns (on a trailing 12-month basis) turned positive in May 2000 and have been so ever since, consistently outperforming stocks and bonds. More recently, despite the strong recovery in the broader stock market and lower yields, investors have not abandoned REITs.

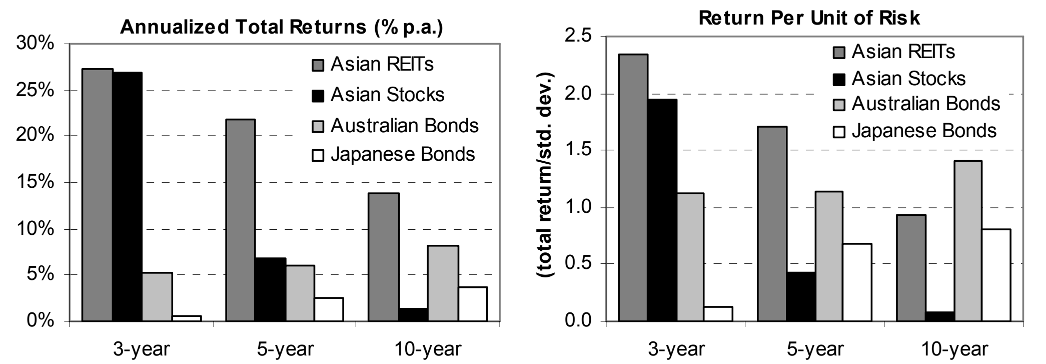
Exhibit 7: Demand for Yield Has Driven Healthy Returns



Sources: S&P/Citigroup BMI REIT Index; Bloomberg (Merrill Lynch Global Government Bond Index, MSCI World equity index); data as of year-end 2005

Exhibit 8 further shows how Asian REITs have outperformed stocks and bonds in the Asia Pacific region recently. Although the sharp rebound in the Asian stock markets over the last two years has narrowed the performance gap, REITs have outperformed stocks and bonds over three-, five- and 10-year periods ending December 2005. And on a risk-adjusted basis, REIT returns are even more attractive. REIT returns will be more volatile than private market returns, particularly over the near term, due to fundamental differences between the two markets. However, over the longer term, REITs have offered competitive absolute returns and attractive risk-adjusted returns.

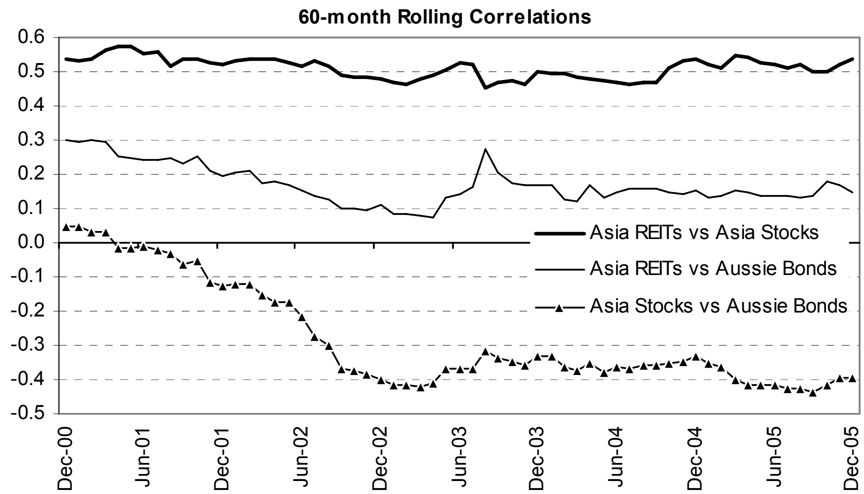
Exhibit 8: Competitive Absolute and Risk-Adjusted Returns



Sources: S&P/Citigroup BMI REIT Index; Bloomberg (Merrill Lynch Global Government Bond indexes, MSCI Pacific equity index); data as of year-end 2005

Historically, perhaps the most compelling argument for including private real estate in a mixed-asset portfolio, however, has been for diversification. As **Exhibit 9** shows, REITs also offer some of the diversification benefits that private real estate provides in a mixed-asset portfolio. Correlations between REITs and stocks have drifted higher in recent years, but they remain relatively low (between 0.5 and 0.6), while bond correlations are even lower. The lack of correlation with bonds is particularly interesting given the relatively strong yield-orientation of both asset classes. However, it suggests that investors can reduce the risk in their portfolios by including REITs alongside stocks and bonds. Moreover, although not shown here, the correlations between listed property performance in different countries also tends to be much lower than those for the broader equities market due to the local nature of real estate demand, which implies that the benefits from a global allocation in listed property will be greater.

Exhibit 9: Modest Correlations Highlight Diversification Benefits



Sources: S&P/Citigroup BMI REIT Index; Bloomberg (Merrill Lynch Global Government Bond Index, MSCI World equity index); data as of year-end 2005

From a broader real estate industry perspective, the development of REITs and a more liquid, vibrant global REIT market is an important milestone in the increasing sophistication of the global real estate capital markets. REITs obviously expand the industry's access to capital, complementing traditional private equity and debt sources with a much broader and more diverse investor base. But they also have facilitated the development of the public debt market for real estate in the form of REIT corporate bonds and commercial mortgage-backed securities (CMBS). The real estate capital markets, therefore, have become more finely segmented, which should allow for more efficient pricing of risk and a better alignment between investors' risk-reward preferences and the vehicles they choose in order to invest in the asset class.

Ultimately, more rational and efficient capital allocation, along with the greater transparency the public capital markets promote, should reduce the cost of capital and make the capital cycle less volatile. While a more stable capital cycle and lower cost of capital should reduce the liquidity premium that historically has been attached to most property investments, expected returns should, all else being equal, be lower as well. Indeed, at least some of the healthy appreciation gains in recent years likely reflect a repricing of the asset class due to the structural changes in the real estate capital markets since the early-1990s property market downturn.

The global REIT market is still evolving, however, which means that the vehicles themselves and the market dynamics will change as well. The development of the Australian LPT and U.S. REIT market may provide some insights into how the newer REIT vehicles and markets will develop. Both markets have changed dramatically since LPTs and REITs were first introduced, and they are continuing to evolve as the global REIT market develops. Although external management arrangements are still common in Australia, more LPTs are moving toward dedicated internal management teams that have become the standard in the U.S. REIT market. A similar evolution may very well play out in the newer REIT markets over time. Most of the new REIT vehicles in Asia are externally advised by management teams that often provide similar services to other vehicles. For now, investors do not seem overly concerned about potential conflicts of interest that can arise with an external management structure. However, as the markets develop, internal management may become a more important differentiating factor between REITs competing for investor capital.

Similarly, LPTs and U.S. REITs have grown more specialized over the last decade or so, with more companies focusing on a single property type. Although large, diversified companies exist in both countries, most companies now focus exclusively on a particular sector, such as retail or office. Several forces have helped to drive the specialization trend. However, for investors, the emergence of large, focused companies makes it much easier to construct diversified portfolios with the best operators and management teams in each sector, and then to rebalance portfolio weightings as the relative attractiveness of different property types changes.

Scale has also become much more important in both Australia and the U.S., which has led to consolidation in both countries, but particularly in Australia. With the high public ownership penetration rate in Australia, LPTs have had little choice but to consolidate to continue to grow their portfolios. Since 1999, the number of LPTs has fallen from more than 60 trusts to about 37 at year-end 2005. The consolidation trend has produced significantly larger LPTs. At year-end 2005, 14 of the 31 LPTs in the BMI REIT Index had available equity market capitalizations of US$1 billion or more. The drive for scale and the constrained domestic market has also led more LPTs to invest outside Australia.

Although similar trends are evident in the U.S. REIT market, only a handful of REITs have grown large enough that international investment is essential to their future growth. Several U.S. REITs, however, have expanded outside the U.S. market for strategic reasons. A few retail and industrial REITs, for example, are actively investing in Asia and Europe in part to better meet their tenants' global real estate needs. The globalization trend illustrates the changing nature of REITs and LPTs and the potential value that the platforms themselves might add for investors.

Finally, the increasing sophistication of the Australian and U.S. real estate capital markets has led to a proliferation of new structured investment products, both equity and debt, that expand companies' access to capital and investors' access to real estate investment opportunities. LPTs and U.S. REITs have more opportunity to optimize their capital structures to obtain the lowest cost of capital and to more effectively match assets and liabilities.

While the evolution of the new REIT vehicles in Asia will likely mirror the development of the Australian and U.S. markets in many respects, differences between REIT regimes will undoubtedly remain part of the investment landscape. Structural differences in areas such as taxation, leverage and permitted activities, such as development, will cause variation in performance and growth rates, for example. But investors should also be aware of more subtle differences, like the quality of the assets in REIT portfolios. In Australia and the U.S., LPTs and REITs invest primarily in institutional-quality assets. However, this may not always be the case, particularly in some of the newer REIT markets.

Closing Thoughts

The development of REITs in Asia and Europe is transforming the real estate investment and capital markets. For the real estate industry generally, REITs promise to improve transparency, liquidity and the industry's access to capital, while creating a more dynamic and competitive property market that should encourage more professionalism and best practices throughout the industry. For investors, the new vehicles improve both their access to property investments throughout Asia (and Europe) and their ability to develop and manage global real estate portfolios. While we do not expect REITs or direct property investments will continue to deliver the outsized gains that investors have enjoyed in recent years, powerful near-term and long-term economic, property market and demographic forces should continue to drive the growth and development of the global REIT market.

PREI Investment Research

The Investment Research Department of Prudential Real Estate Investors publishes reports of interest to institutional real estate investors. Individual reports are available free of charge in hard copy or via the Web at www.prudential.com/prei. Reports may also be purchased in quantity for conferences and classes. To receive reports, update contact information or to be removed from our mailing list, e-mail prei.reports@prudential.com, or call our U.S. office at 973.683.1745.

PREI Reports	Date
• The Retail-Office Performance Rotation: Implications for Investors	Jan. 2006
• A Move Toward European Retail	Jan. 2006
• Asian Quarterly Market Perspective	Jan. 2006
• European Quarterly Market Perspective	Jan. 2006
• Latin American Quarterly Market Perspective	Jan. 2006
• U.S. Quarterly Market Perspective	Jan. 2006
• Size-Tiered Economic Geography: An Update	Dec. 2005
• The Rising Influence of the Hispanic Population on U.S. Real Estate	Nov. 2005
• Is It Time For Pan-European, Open-End Real Estate Funds?	Oct. 2005
• Water, Water Everywhere	June 2005
• Ask Not Why International, Ask Why Not International	June 2005
• The US Self-Storage Market	March 2005
• Global REITs: A New Platform of Ownership	Jan. 2005
• Employment Recovery Leads to Opportunity	Dec. 2004
• Ten Trends in Mexican Housing	Nov. 2004
• Size-Tiered Economic Geography: A New View of the US Real Estate Markets	Oct. 2004
• Real Estate Cap Rates and Interest Rates – A Complex Relationship	Oct. 2004
• Strategies of Focus and Opportunity: Trends in Public-Market Real Estate Penetration, 1998-2003	Aug. 2004
• Life After the Disconnect	June 2004
• UK REITs – A Step in the Right Direction	June 2004
• Rational Differences Between Public and Private Real Estate	May 2004
• The Drivers of Housing Appreciation	March 2004
• A New Force in Asian Real Estate: Indigenous Demand	March 2004
• The Warehouse Investment Landscape	Jan. 2004
• Unraveling Seniors Housing Starts	Dec. 2003
• Joint Venture Trends in the REIT Industry	Dec. 2003
• The Office Market Recovery Ahead	Nov. 2003
• Population Aging, Pension Reform and Property	Oct. 2003
• Diverging Values and Fundamentals: A Phase or a Transformation?	Sept. 2003
• Finding Niches – Trends in Public-Market Real Estate Penetration, 1997-2002	Aug. 2003
• US Apartment Market: Between the Short and Long Run	Aug. 2003
• The Expanding Frontier of Institutional Real Estate	May 2003
• A Bird's Eye View of Global Real Estate Markets	March 2003
• Sizing Up the US Real Estate Investment Market	Jan. 2003
• Private Equity Investing in US Real Estate Companies	Nov. 2002
• Stock Market Rotations and REIT Valuation	Nov. 2002

PREI Reports (continued)	**Date**
• Fundamental Features of the Office Property Market	Nov. 2002
• Asset Allocation in the 2000s – More Art, Less Science	Oct. 2002
• Brazil and Mexico: Gateways to an Emerging Latin America	Sept. 2002
• Waiting for REITs to Grow – Trends in Public Market Real Estate Penetration, 1995-2001	July 2002
• Office Supply and Demand – Finding a Balance	July 2002
• Familiar Signs, Different Times	June 2002
• Property Sector Allocations: A Simplified Approach	May 2002
• Private Equity Investing in European Property Companies	April 2002
• A Framework for Constructing International Real Estate Portfolios	Feb. 2002
• Insider Ownership and REIT Performance – Is More Always Better?	Dec. 2001
• Why Do Small Multifamily Properties Bedevil Us?	Dec. 2001
• Global Timber Investing	Nov. 2001
• Apartments in the Real Estate Portfolio – Gimme Shelter	Nov. 2001
• Real Estate Capital Markets Arbitrage	Oct. 2001
• Pension Funds and Real Estate: Still Crazy After All These Years	Fall 2001
• REITs' Share Falls as REIT Shares Rise – Trends in Public Market Real Estate Penetration, 1995-2000	July 2001
• REIT Returns by Economic Location: Implications for Asset Allocations	July 2001
• Value and Stability – Commercial Real Estate in Diversified Portfolios	July 2001
• Trends and Tactics for Successful Real Estate Investing	June 2001
• Impact of Changing Demographics on Real Estate	Summer 2001
• Mezzanine Finance: Completing the Market	May 2001
• Determinants of Mortgage Loan Origination Volume	April 2001
• Hotel Property Investing: An Overview	March 2001
• Dimensions of REIT Pricing: Size, Growth, and Leverage	March 2001
• Converging on Maturity – Trends in CMBS Issuance	Feb. 2001
• International Housing Market Dynamics	Jan. 2001
• Real Estate Merchant Banking	Nov. 2000
• Four Forces Shaping the Commercial Real Estate Industry	Nov. 2000
• Creating an Effective Diversification Strategy	Oct. 2000
• Seniors Housing: An Institutional Investor's Perspective	Sept. 2000
• Differentiating Higher Return Strategies in Property Markets	Aug. 2000
• Technology and Real Estate	June 2000
• Real Estate Challenges and Opportunities for the 2000s	June 2000
• The Relative Importance of Sector versus Regional Diversification	June 2000
• You Say You Want a Revolution: Reflections on REITs at the Millennium	Summer 2000
• A Flowchart for Integrated Real Estate Portfolio Management	May 2000
• Conjectures on the Impact of Technology on Real Estate	March 2000
• Strategies for Implementing an International Portfolio	March 2000
• Country Risk Premiums for International Investing	Jan. 2000
• Optimal Diversification: Is It Really Worthwhile?	Jan. 2000
• Finding Value in a Mature Market	Winter 2000
• Spatial Distribution of Commercial Real Estate Investments	Winter 2000
• Myths and Realities of International Real Estate Investing	Nov. 1999
• Measuring the Diversification Benefit of an Investment	Oct. 1999

The Investment Research Department of Prudential Real Estate Investors publishes reports on a range of topics of interest to institutional real estate investors. Individual reports are available free of charge in hard copy or via the Web at www.prudential.com/prei. Reports may also be purchased in quantity for conferences and classes. To either receive reports, update contact information or to be removed from our distribution list, please e-mail us at prei.reports@prudential.com, or telephone our New Jersey office at 973.683.1745.

Prudential Real Estate Investors
8 Campus Drive
Parsippany, NJ 07054
USA

Tel 973.683.1745
Fax 973.734.1319
Web www.prudential.com/prei
E-mail prei.reports@prudential.com

Prudential Real Estate Investors is a business unit of Prudential Investment Management, Inc., a registered Investment Adviser and indirect wholly owned subsidiary of Prudential Financial, Inc., Newark, New Jersey.