



Asset management
Real Estate

67th Annual
SCTR Conference

US Real Estate Market

Paul Canning, Portfolio Manager

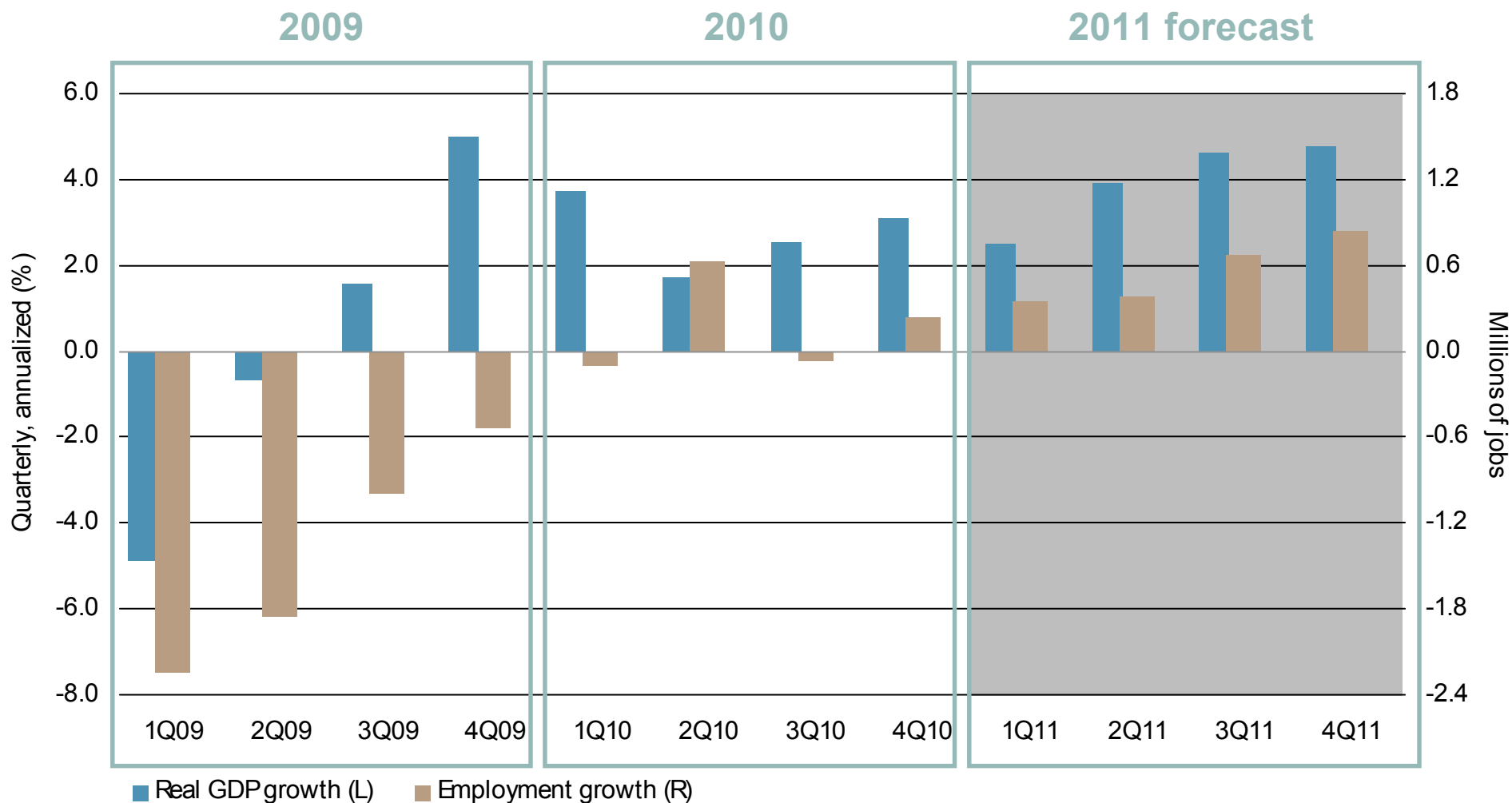
May 16, 2011

SOUTHERN CONFERENCE ON TEACHER RETIREMENT

Tradition of Providing Excellence in Pension Education

Economic condition

Employment and GDP trends

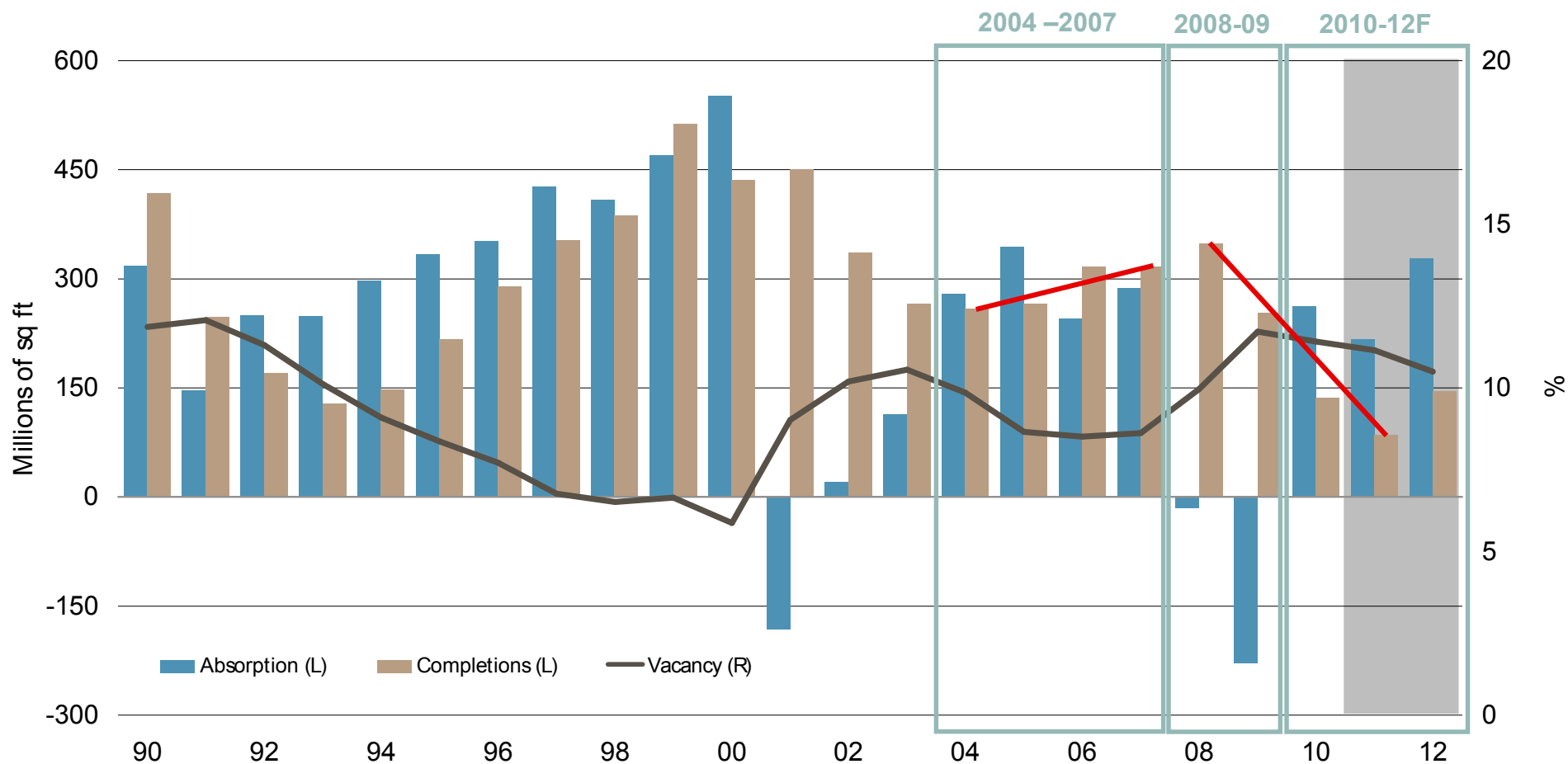


Source: Moody's Analytics as of March 2011. Shaded area indicates forecast data.

Dated: March 2011

Absorption, completions and vacancy rates

Apartment, office, industrial and retail absorption, completion and vacancy



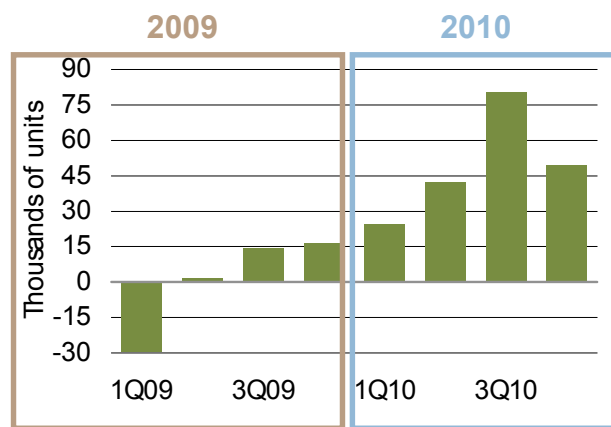
Absorption is the change in occupied space

Source: CBRE Econometric Advisors and Reis as of December 2010. Vacancy rate allocations are weighted according to our inventory model based on data obtained from Harvard University, Moody's Analytics, Reis, CoStar Group, Inc., CBRE Econometric Advisors and NCREIF as of December 2009. Shaded area indicates forecast data. Dated: February 10, 2011

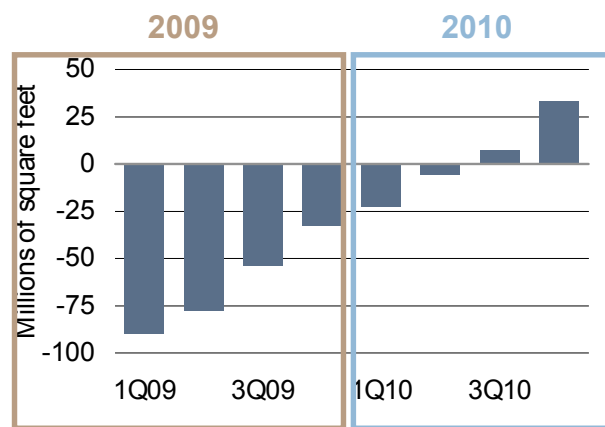
Absorption trends

Absorption is the change in occupied space

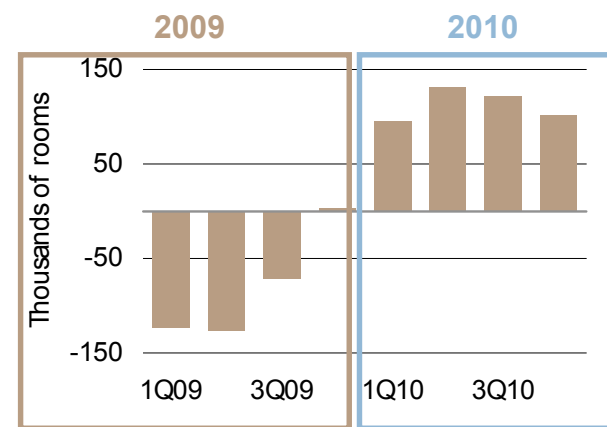
Apartment



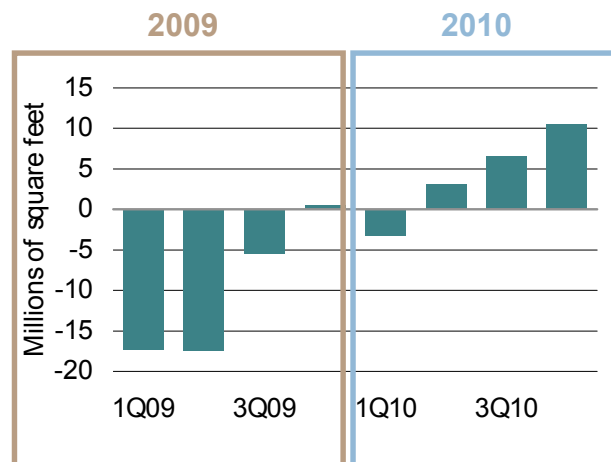
Industrial



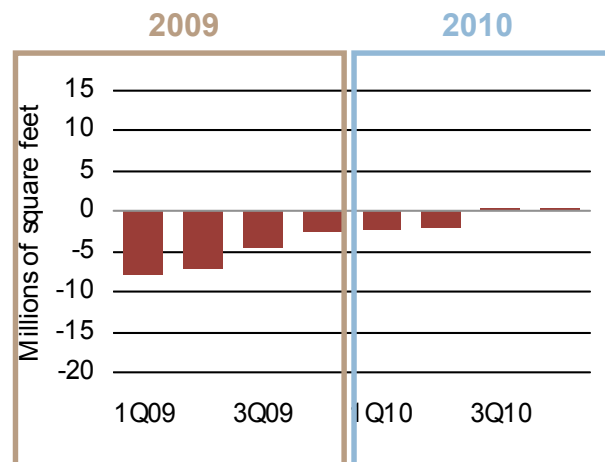
Hotel



Office



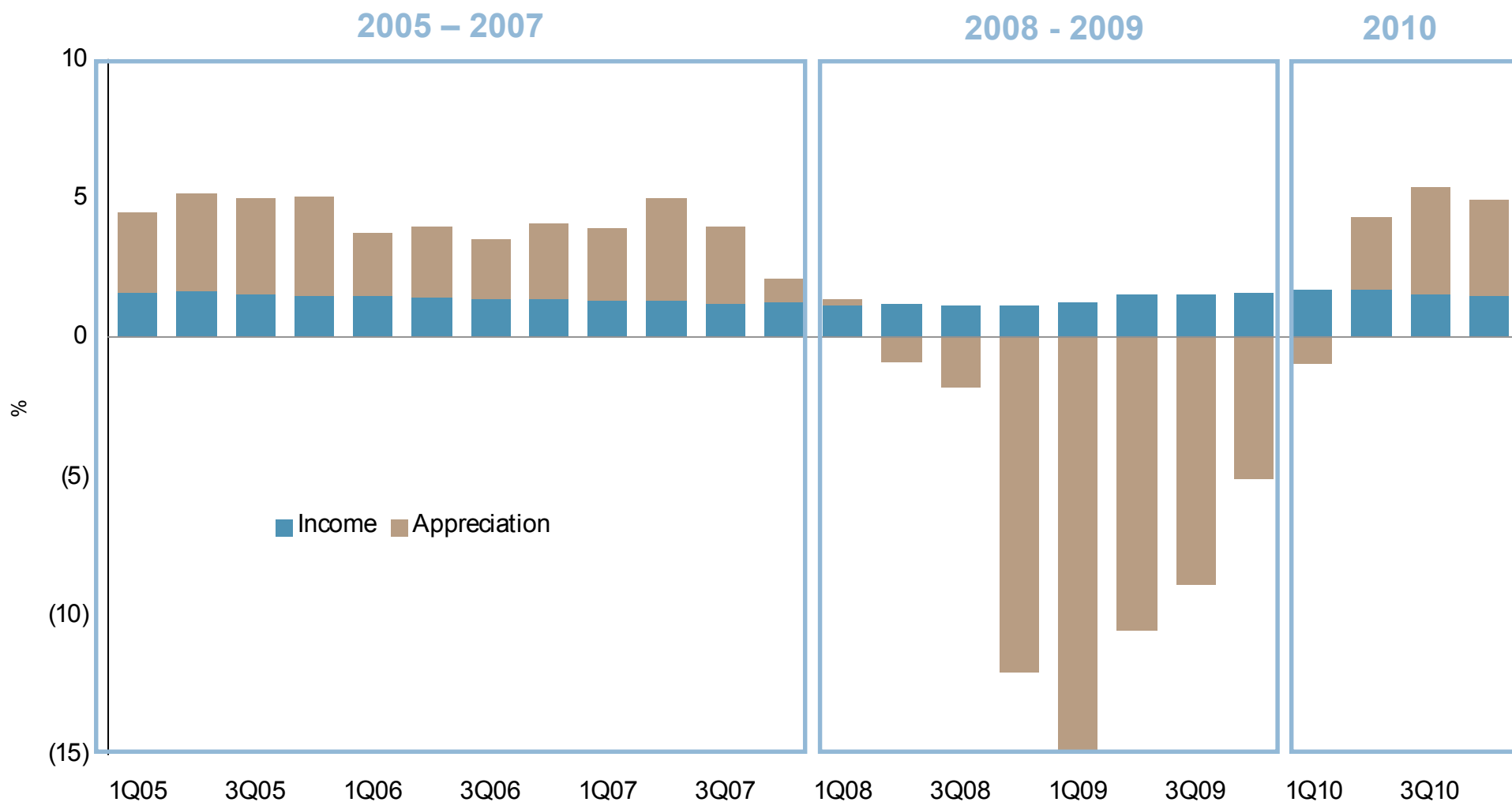
Retail



Source: Reis and CBRE Econometric Advisors as of December 2010
Dated: February 11, 2011

Commercial real estate returns

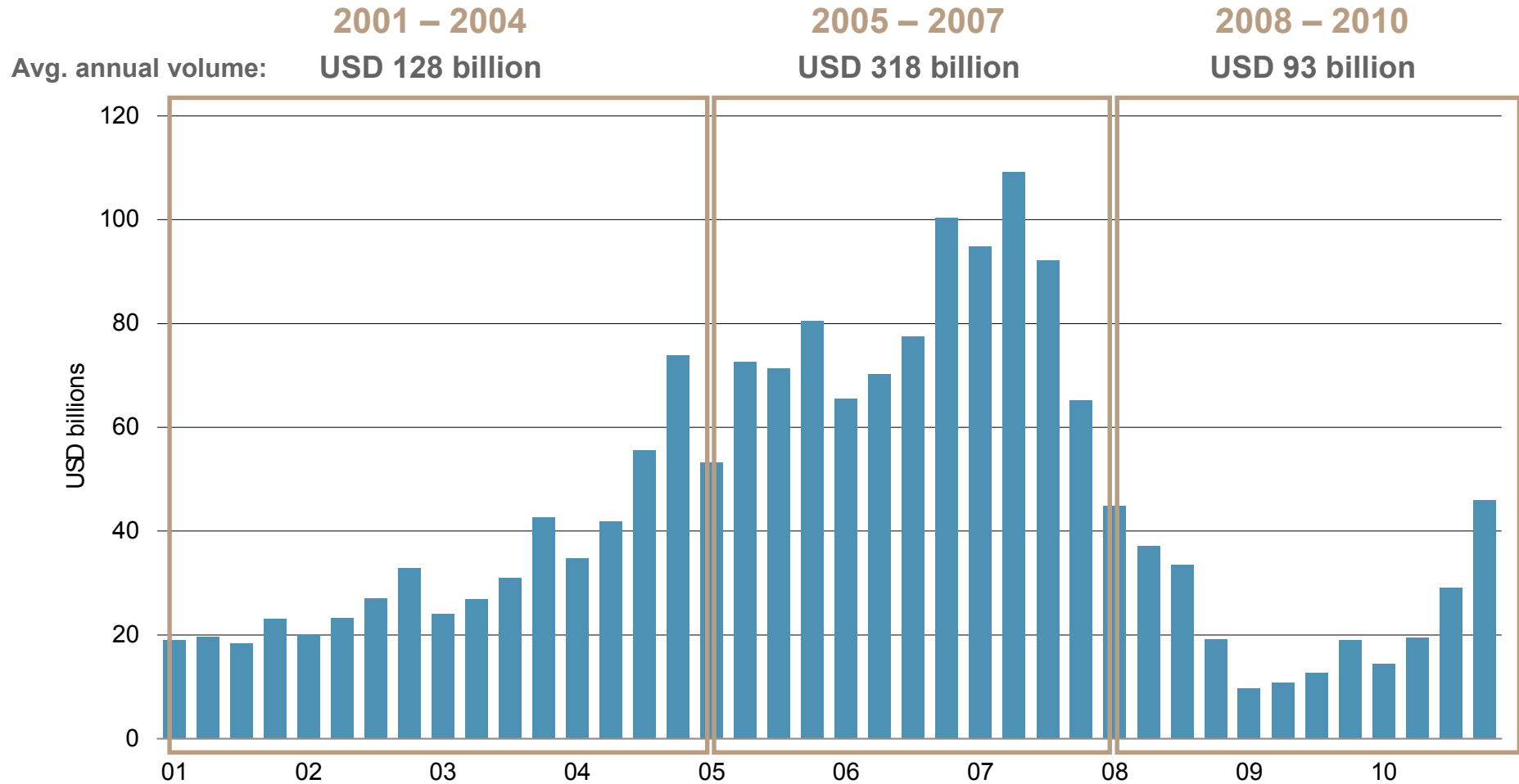
NCREIF Fund Index Open-End Diversified Core Equity (ODCE)



Source: NCREIF as of December 2010
Dated: April 6, 2011

Transactions

All commercial and multifamily closed transactions

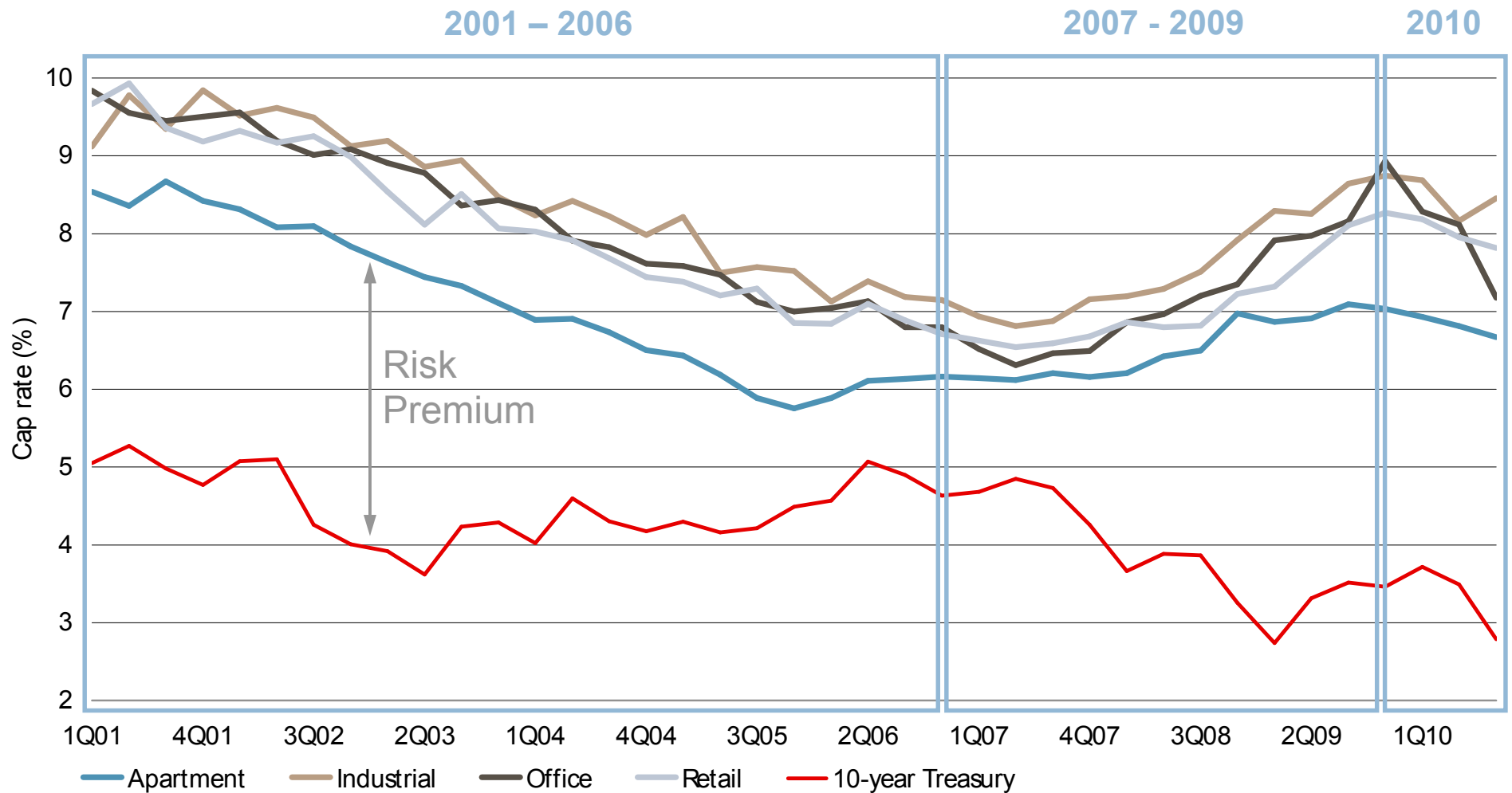


Source: Real Capital Analytics as of December 2010.

Dated: February 9, 2011

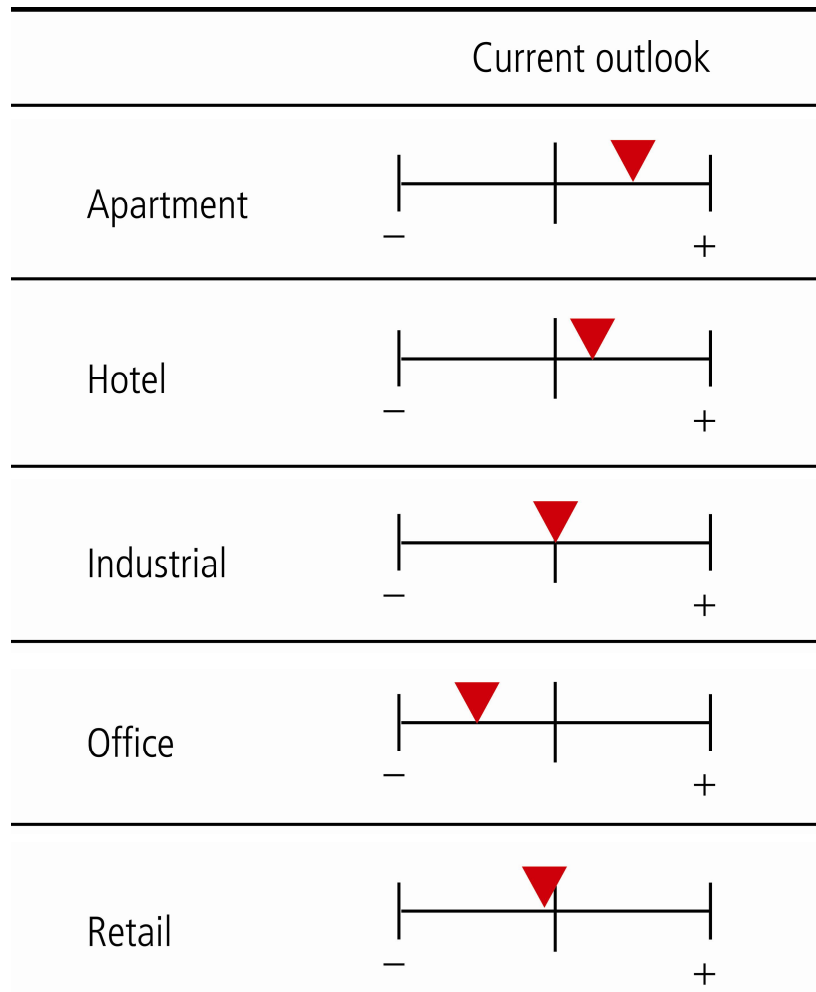
Property capitalization rates and 10-year Treasury yield

Cap rate = net operating income / value



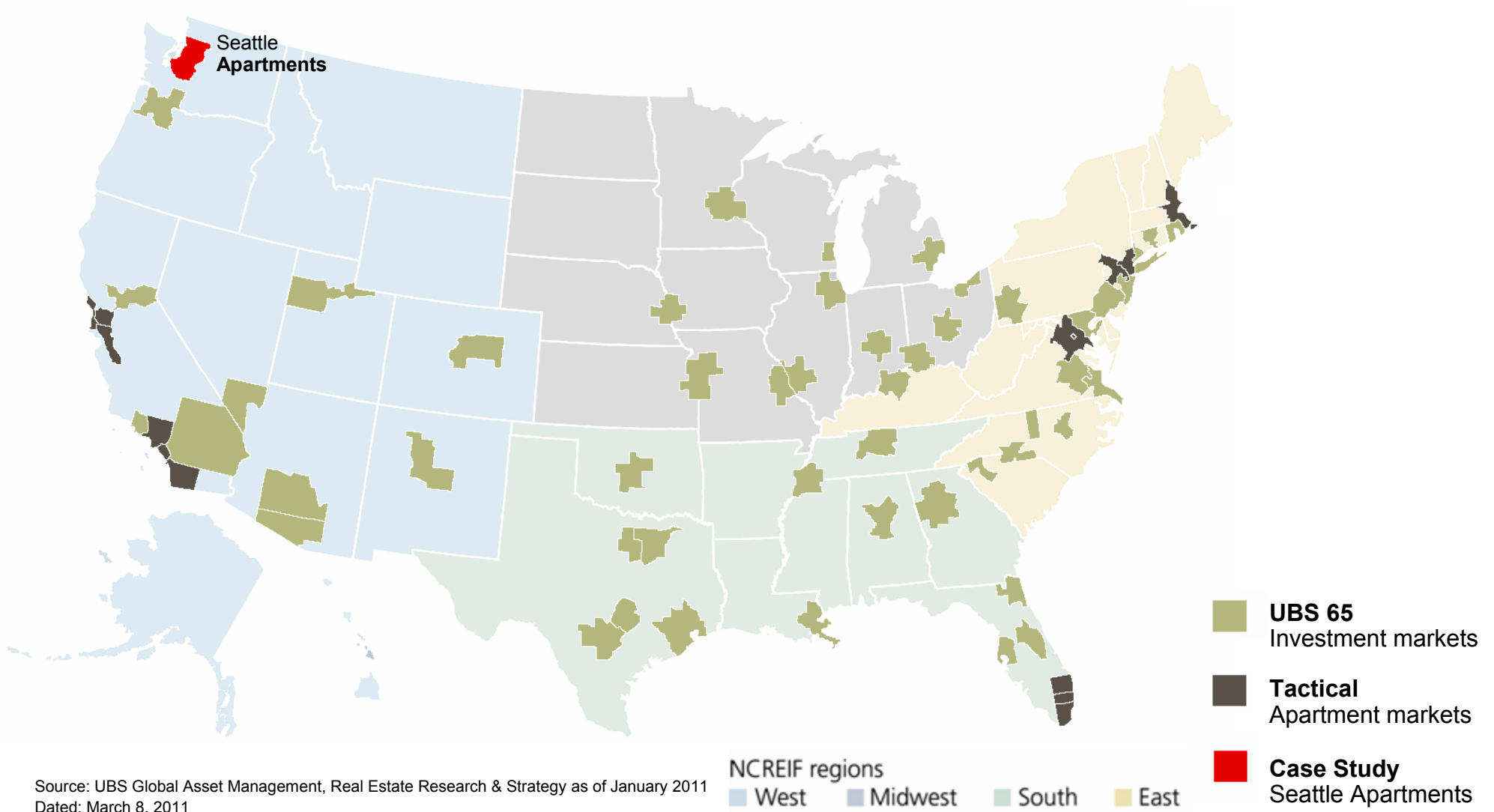
Source: Real Capital Analytics as of December 2010
Dated: February 11, 2011

2011 expectation

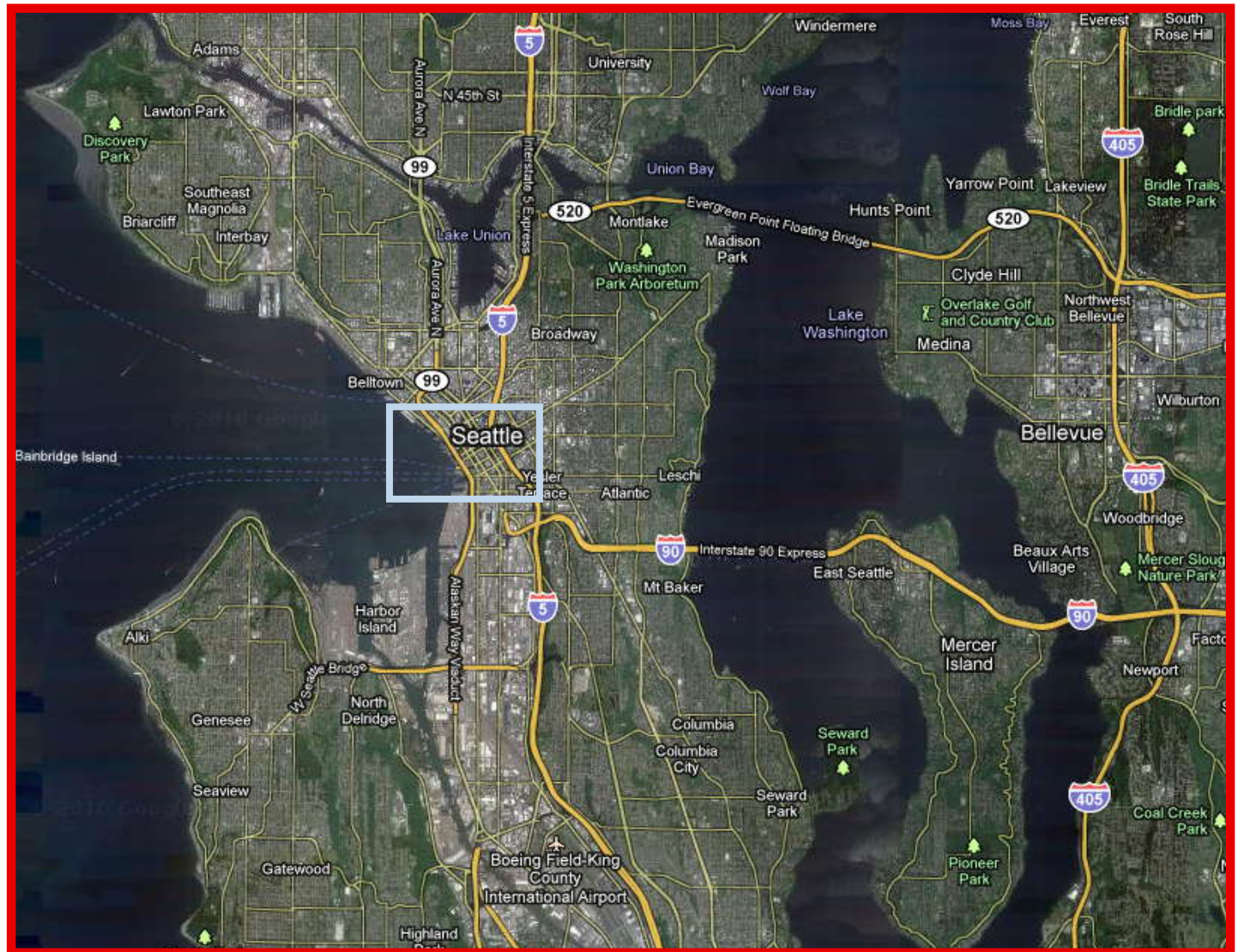


Source: UBS Global Asset Management, Real Estate Research & Strategy as of November 2010.
Dated: February 11, 2011

2011 tactical apartment market selections



Downtown Seattle



Source: UBS Global Asset Management, Real Estate Research & Strategy as of January 2011
Dated: March 8, 2011

Recent transaction

Class A multifamily development opportunity



- Downtown Seattle
- Fully entitled / ready to build
- Historic neighborhood
- Great upside potential
- Planned removal of Alaskan Way viaduct and waterfront redesign

Recent transaction

Class A multifamily development opportunity



- Experienced development team
- Advantageous cost structure
- High quality improvements
- Tremendous water views

Commercial real estate market - summary

Market correction underway

- Fundamentals improving
- Transactions returning to normalized level
- Values rebounding
- Risk premium intact
- Apartments – most favorable property fundamentals
- Market stabilization allows tactical execution



Olympia Center, Chicago IL

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