PRAMERICA REAL ESTATE INVESTORS

A Bird's Eye View of Global Real Estate Markets: 2012 Update

FEBRUARY 2012

ABU DHABI
ATLANTA
BEIJING
CHICAGO
HONG KONG
ISTANBUL
LISBON
LONDON
LUXEMBOURG
MADRID
MEXICO CITY
MIAMI
MILAN
MUNICH
NEW YORK
PARIS
PARSIPPANY
RIO DE JANEIRO
SAN FRANCISCO
SAO PAULO
SEOUL
SINGAPORE
SYDNEY
TOKYO

US Research

Paul Fiorilla
Vice President
paul.fiorilla@prudential.com

Manidipa Kapas, CFA
Director
manidipa.kapas@prudential.com

Youguo Liang, PhD, CFA
Managing Director
youguo.liang@prudential.com

REF: PFIA-8RWQD5

Executive Summary

- Pramerica's global universe of institutional-grade commercial real estate encompassed an estimated $26.6 trillion in US dollars in 2011. By region, Europe had the most by volume with $9.4 trillion, followed by US/Canada ($7.5 trillion), Asia-Pacific ($7.2 trillion), Latin America ($1.8 trillion) and the Gulf Cooperation Council, or GCC ($677 billion).
- Commercial real estate volume is concentrated in a small number of key countries. The US contains slightly more than one-quarter of all CRE globally (25.4%), followed by Japan (10.1%), China (7%), Germany (6.1%) and the United Kingdom (5.2%).
- Developed nations dominate the distribution of CRE, representing 75.8% of all commercial real estate by value. Europe encompasses 30.4% of all CRE, followed by the US/Canada (28.4%) and Developed Asia (17%).
- Growth over the next decade will be disproportionately dominated by developing countries. By 2021, we forecast that developing countries will encompass 42.8% of the CRE market, up from 24.2% in 2011. The growth will be driven primarily by China.
- On an absolute basis, slightly more than half of the growth in CRE volume over the next decade will come from China and the US. Combined, they represent 51.5% of the incremental growth in CRE volume over the next 10 years.

Global Real Estate Investment Universe

This report represents Pramerica's latest study on the size of the global institutional-grade commercial real estate market. We estimate the value of CRE markets, not only at the present time but over the next 10-year and 20-year periods. Our analysis is done by country, but we also sort the data into regions and blocs of developed and developing countries. The goal is to understand the relative size of markets and where growth is likely to come from in the future, information which should enable investors to better make informed decisions about strategy.

As of 2011, Pramerica's global CRE universe – encompassing 55 countries with 4.9 billion people that produce a combined GDP of $65 trillion – totaled $26.6 trillion in value (Chart 1). By region, Europe, the bloc with the largest number of countries (25), had the largest total value, at $9.4 trillion. The US/Canada totaled $7.5 trillion, followed by Asia-Pacific ($7.2 trillion), Latin America ($1.8 trillion) and the six-nation Gulf Cooperation Council, or GCC ($677 billion).

We also group the countries into risk blocs based on region and developed/developing status as defined by the World Bank. The US/Canada is developed, while all countries in Latin America and the GCC are developing. Developed Europe encompasses Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK, while the rest of Europe is developing. Developed Asia-Pacific encompasses Australia, Hong Kong, Japan, South Korea, New Zealand, Singapore and Taiwan, while all other Asia-Pacific nations are developing.

1. Global universe of real estate markets

		Population (M)	GDP (US$B)	GDP Per Capita (US$)	Real Estate (US$B)
Asia-Pacific	Australia	22.5	1,458	64,720	656
	China	1,320.0	7,035	5,330	1,864
	Hong Kong	7.1	234	32,870	211
	India	1,202.0	1,963	1,630	350
	Indonesia	245.6	831	3,380	189
	Japan	126.5	5,951	47,060	2,678
	South Korea	49.6	1,098	22,110	467
	Malaysia	28.6	265	9,260	84
	New Zealand	4.4	163	36,800	73
	Philippines	101.8	237	2,330	48
	Singapore	5.2	268	51,500	241
	Taiwan	23.2	477	20,510	198
	Thailand	68.2	344	5,040	89
	Vietnam	88.7	123	1,390	21
Europe	Austria	8.4	411	48,720	185
	Belgium	10.6	523	49,120	235
	Bulgaria	7.4	55	7,450	16
	Czech Republic	10.5	212	20,070	87
	Denmark	5.6	343	61,360	154
	Finland	5.4	265	49,420	119
	France	63.3	2,773	43,820	1,248
	Germany	81.7	3,588	43,930	1,615
	Greece	11.3	300	26,600	135
	Hungary	10.0	141	14,100	52
	Ireland	4.1	219	52,810	98
	Italy	60.8	2,201	36,200	990
	Netherlands	16.7	844	50,640	380
	Norway	5.0	486	97,730	219
	Poland	38.2	516	13,510	186
	Portugal	10.7	241	22,610	103
	Romania	21.4	188	8,770	59
	Russia	141.5	1,762	12,460	620
	Slovakia	5.4	99	18,110	39
	Spain	46.1	1,530	33,170	689
	Sweden	9.5	555	58,540	250
	Switzerland	7.9	630	79,460	284
	Turkey	74.0	735	9,940	240
	Ukraine	45.5	155	3,400	35
	United Kingdom	62.7	2,436	38,850	1,370
Latin America	Argentina	40.9	441	10,780	148
	Brazil	192.8	2,485	12,890	884
	Chile	17.3	237	13,770	86
	Colombia	47.5	329	6,920	95
	Ecuador	14.4	65	4,520	16
	Mexico	113.8	1,133	9,950	370
	Peru	30.4	174	5,710	47
	Venezuela	29.1	348	11,950	121
US/Canada	Canada	34.4	1,743	50,720	784
	United States	313.2	15,006	47,910	6,753
Gulf Cooperation Council	Bahrain	1.1	26	23,410	14
	Kuwait	3.7	171	46,461	96
	Oman	3.1	67	21,681	28
	Qatar	1.8	173	97,967	97
	Saudi Arabia	28.0	577	20,590	240
	United Arab Emirates	5.4	358	66,625	201
Total/Weighted Average		**4,934.1**	**64,985**	**34,501**	**26,559**

Source: Economist Intelligence Unit. International Monetary Fund, Pramerica Real Estate Investors Research; data for 2011

The US tops the world in total GDP, at $15 trillion, followed by China ($7 trillion), Japan ($6 trillion), Germany ($3.6 trillion) and France (2.8 trillion). Bahrain ($26 billion), Bulgaria ($55 billion), Ecuador ($65 billion) and Oman ($67 billion) produce the smallest GDPs.

The most-populated countries are in Asia-Pacific: China (1.3 billion) and India (1.2 billion), followed by the US (313 million), Indonesia (246 million) and Brazil (193 million). The least-populated countries are concentrated in the GCC: Bahrain (1.1 million), Qatar (1.8 million), Oman (3.1 million) and Kuwait (3.7 million).

Qatar ($97,967) and Norway ($97,730) top the world in GDP per capita, with the top 5 rounded out by Switzerland ($79,460), United Arab Emirates ($66,625) and Australia ($64,720). At $47,910, the US ranked 15th in GDP per capita. Vietnam has the lowest GDP per capita at $1,390, followed by India ($1,630), the Philippines ($2,330), Ukraine ($3,400) and Indonesia ($3,380).

Our analysis and forecasts are based on readily available and simple data, such as GDP and GDP per capita (GDH), which is a good proxy for a country's level of economic development. Our calculations for the size of institutional-grade real estate markets are derived from a formula that we developed based on our investment experience internationally.[1] The data for all countries comes from the Economist Intelligence Unit (EIU), with the exception of the GCC countries, for which we use the International Monetary Fund (IMF). Forecasts are from EIU, IMF and Pramerica research.

The US contains the largest amount of institutional-grade commercial real estate by value, some $6.8 trillion (Chart 2). Japan ranks second at $2.7 trillion, followed by China ($1.9 trillion), Germany ($1.6 trillion) and the UK ($1.4 trillion). At the small end of the scale is Bahrain, with a CRE market of $14 billion, followed by Bulgaria ($16 billion), Ecuador ($16 billion) Vietnam ($21 billion), and Oman ($28 billion).

[1] To calculate the value of institutional-grade commercial real estate within each country, we start by classifying the country as developed or developing, depending on whether it meets a GDP per capita threshold. Our GDP per capita threshold started at $20,000 for the year 2000 and is adjusted annually based on the US inflation rate. To meet the criteria of a developed country, the GDP per capita threshold level was $26,115 in 2011 and is forecast to rise to $30,814 in 2021.

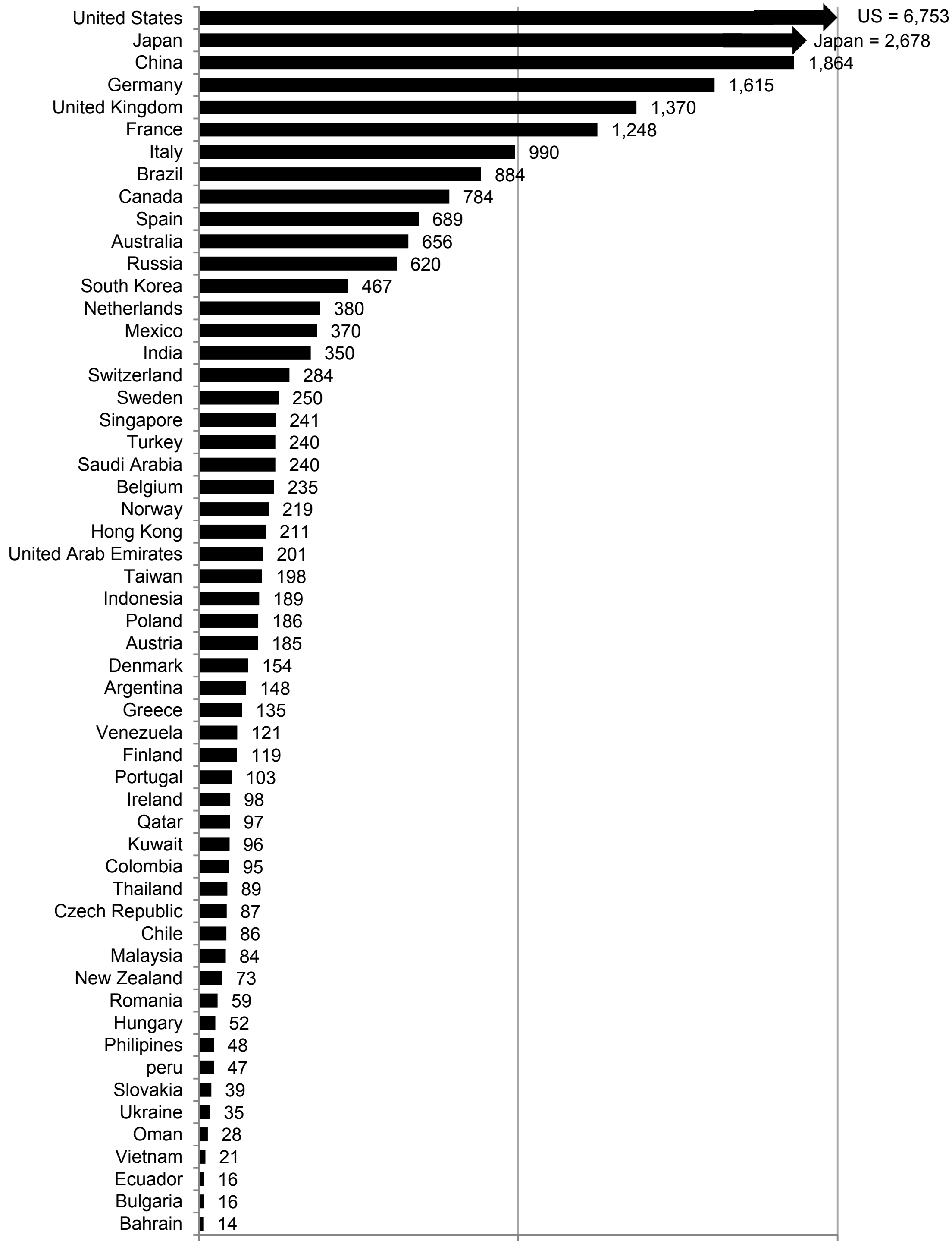
For developed countries whose GDP per capita is above our threshold level, we calculate the value of institutional-grade real estate as 45% of national GDP, which is consistent with our experience. However, to determine the size of institutional-grade real estate markets in developing countries we have to make adjustments because only the more affluent segments of the population in those countries have the wherewithal to use such real estate. To account for that, we devise an adjustment factor to arrive at the size of commercial real estate markets in developing countries. The adjustment factor for the developing countries equals (country GDH/threshold GDH)$^{1/3}$.

To illustrate, if country "A" had a GDP per capita of $10,000 in 2011, we would use the adjustment factor (10,000/26,115)$^{1/3}$ or 0.73 to 45% of GDP to derive the value of institutional grade real estate. For a per capita GDP level of $5,000, the adjustment factor we use is 0.58 and for $20,000 it is 0.91.

The upshot is that in developing countries, the proportion of commercial real estate as a share of GDP is smaller for countries with lower per capita GDP. For example, in Mexico, where GDP per capita is $9,950, commercial real estate constitutes 33% of GDP. In China, where GDP per capita is $5,330, commercial real estate constitutes 26% of GDP.

We adjusted upward the value of the real estate market in seven countries that have very high population densities. Hong Kong and Singapore were adjusted upwards by 100%. The UK and four of the GCC countries (Bahrain, Kuwait, Qatar and United Arab Emirates) were increased by 25%.

2. ESTIMATED SIZE OF INSTITUTIONAL-GRADE REAL ESTATE BY COUNTRY ($ BILLION)



Source: EIU, IMF, Pramerica Real Estate Investors Research

Regional Distribution

The distribution of institutional-grade commercial real estate is heavily concentrated in a small number of countries (Chart 3). With the exception of China, which contains 7% of global CRE, the concentration is skewed toward developed countries. Some 25.4% of CRE globally is located in the US, and 35.5% is located in the US and Japan. The top 5 countries (which include China, Germany and the UK) control a cumulative 53.8% of CRE globally. The top 10 (rounded out by France, Italy, Brazil, Canada and Spain) encompasses a cumulative 71.1% of CRE globally. More than 80% of commercial real estate is contained in 15 countries, and the bottom 40 countries in our universe have just 19.5% of the market.

3. COUNTRY CONCENTRATIONS OF COMMERCIAL REAL ESTATE

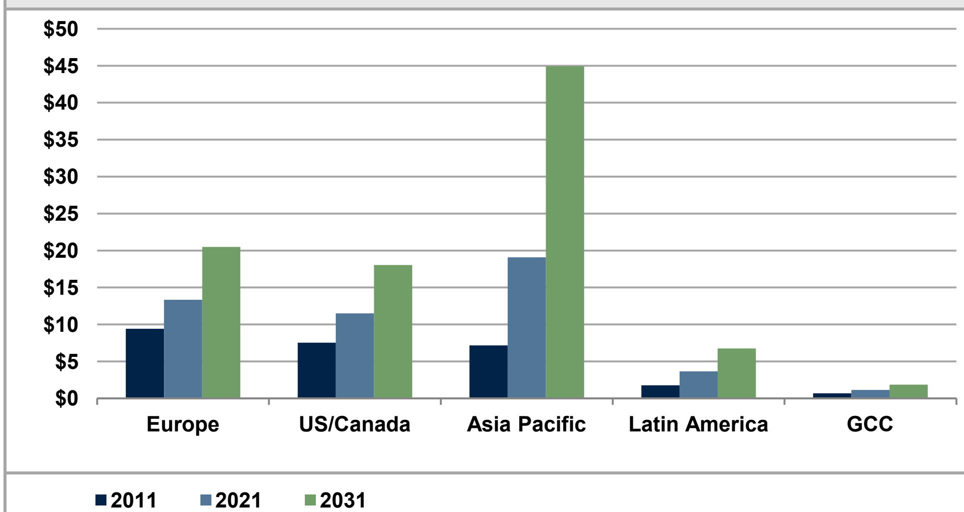
		Country Share	Cumulative Share
1	United States	25.43%	25.43%
2	Japan	10.08%	35.51%
3	China	7.02%	42.53%
4	Germany	6.08%	48.61%
5	United Kingdom	5.16%	53.77%
6	France	4.70%	58.46%
7	Italy	3.73%	62.19%
8	Brazil	3.33%	65.52%
9	Canada	2.95%	68.47%
10	Spain	2.59%	71.07%
11	Australia	2.47%	73.54%
12	Russia	2.33%	75.87%
13	South Korea	1.76%	77.63%
14	Netherlands	1.43%	79.06%
15	Mexico	1.39%	80.45%
16	India	1.32%	81.77%
17	Switzerland	1.07%	82.84%
18	Remaining Countries	17.16%	100.00%

Source: EIU, IMF, Pramerica Real Estate Investors Research

Looking ahead, the distribution of CRE is set to change over the next decade, as Asia-Pacific will grow much faster than other regions. Currently, Asia-Pacific trails Europe and the US/Canada in total size, but by 2021 it will contain the largest share (Chart 4).

Asia-Pacific is projected to contain $19.1 trillion of CRE by 2021, a 166% increase from 2011, amounting to a 10.3% compound annual growth rate. The growth will come from a combination of factors. Economic growth is projected to increase at a faster rate in Asia than in other regions. What's more, the relative wealth of Asian countries will improve. Currently, many Asian countries have a low GDP per capita, which means that large parts of the population do not

4. ESTIMATED SIZE OF REAL ESTATE (US$ TRIL)



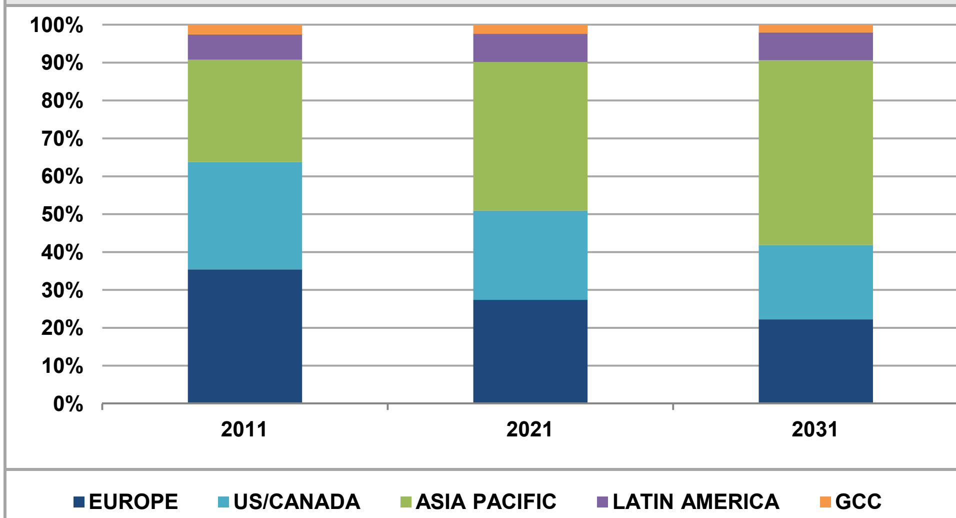
Source: EIU, IMF, Pramerica Real Estate Investors Research

have access to or need for institutional-grade real estate such as shopping malls and office buildings. But that will change as the population's wealth grows more in line with developed nations.

Europe's CRE market is projected to increase to $13.3 trillion in 2021, up 42% from 2011 (3.6% annually), but it will fall to second in size behind Asia-Pacific. The US/Canada's market will increase to $11.5 trillion in 2021, up 53% from 2011 (4.3% annually). Meanwhile, in 2021 Latin America's CRE market will double to $3.6 trillion (7.5% annually), from $1.8 trillion, and the GCC nations will grow to $1.2 trillion, up from $677 million (a 70% increase).

The absolute growth will fuel Asia-Pacific's increase in market share (Chart 5). In 2021, Asia-Pacific will encompass 39.2% of CRE globally, up from 27% in 2011. Meanwhile, the share will drop in Europe (27.4% in 2021 from 35.4% in 2011) and the US/Canada (23.6% in 2021 from 28.4% in 2011). The market share of Latin America and the GCC will change minimally.

5. REGIONAL SHARE



Source: EIU, IMF, Pramerica Real Estate Investors Research

Developed vs. Developing

Another way to break down market share is by developed and developing countries, which puts the rapid growth of Developing Asia-Pacific (particularly China) into focus (Chart 6). The commercial real estate market of Developing Asia-Pacific is projected to grow 17.1% annually to $12.8 trillion in 2021, up 384% from $2.6 trillion in 2011. That will push its market share to 26.3% in 2021, up from 10% in 2011. Meanwhile, the CRE market of Developed Asia-Pacific will grow 3.3% annually to $6.3 trillion in 2021, up 39% from $4.5 trillion in 2011. However, its market share will drop to 12.9% in 2021 from 17% in 2011.

Developing Europe will more than double in absolute terms to $3.3 trillion in 2021 from $1.3 trillion (a 146% increase, or 9.4% per year). Its market share will rise to 6.7% in 2021 from 5% in 2011. Meanwhile, the CRE market of Developed Europe is projected to grow 2.2% annually to $10.1 trillion in 2021, up 25% from $8.1 trillion in 2011. However, its market share will drop to 20.6% in 2021 from 30.4% in 2011, reflecting the fact that economic growth in Developed Europe will be relatively slower compared to other parts of the world.

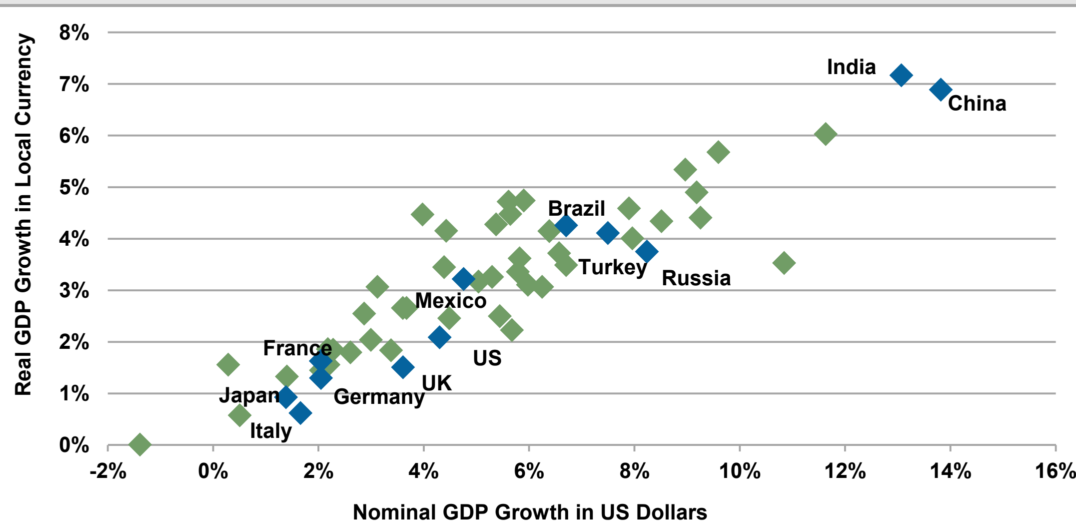
6. REAL ESTATE DISTRIBUTION BY RISK BLOC						
	2011		2021		2031	
	CRE ($Bil)	% of Total	CRE ($Bil)	% of Total	CRE ($Bil)	% of Total
Developed Europe	8,073	30.4%	10,054	20.6%	13,938	15.1%
Developing Europe	1,334	5.0%	3,283	6.7%	6,543	7.1%
Developed Asia-Pacific	4,525	17.0%	6,287	12.9%	9,520	10.3%
Developing Asia-Pacific	2,646	10.0%	12,798	26.3%	35,417	38.5%
Latin America	1,766	6.7%	3,644	7.5%	6,761	7.3%
US/Canada	7,537	28.4%	11,506	23.6%	18,035	19.6%
GCC	677	2.6%	1,151	2.4%	1,851	2.0%
All Developed Nations	20,135	75.8%	27,846	57.2%	41,493	45.1%
All Developing Nations	6,424	24.2%	20,877	42.8%	50,572	54.9%
Global Total	**26,559**	**100.0%**	**48,723**	**100.0%**	**92,065**	**100.0%**

Source: EIU, IMF, Pramerica Real Estate Investors Research

A Key Country Perspective

One key factor for investors who buy institutional-grade commercial real estate outside of their home countries is the difference between GDP growth in local currency and US dollars. In Chart 7 we plot the projected real and nominal US dollar GDP growth numbers of our 55-country universe, highlighting some key countries that are likely to be a major focus of investment dollars in the upcoming decade. Real GDP growth is calculated by local currency. Nominal US dollar GDP growth includes real GDP growth in each country, plus the impact of currency movement and US inflation as projected by the EIU.

7. PROJECTED GDP GROWTH BY COUNTRY (2011 – 2021)



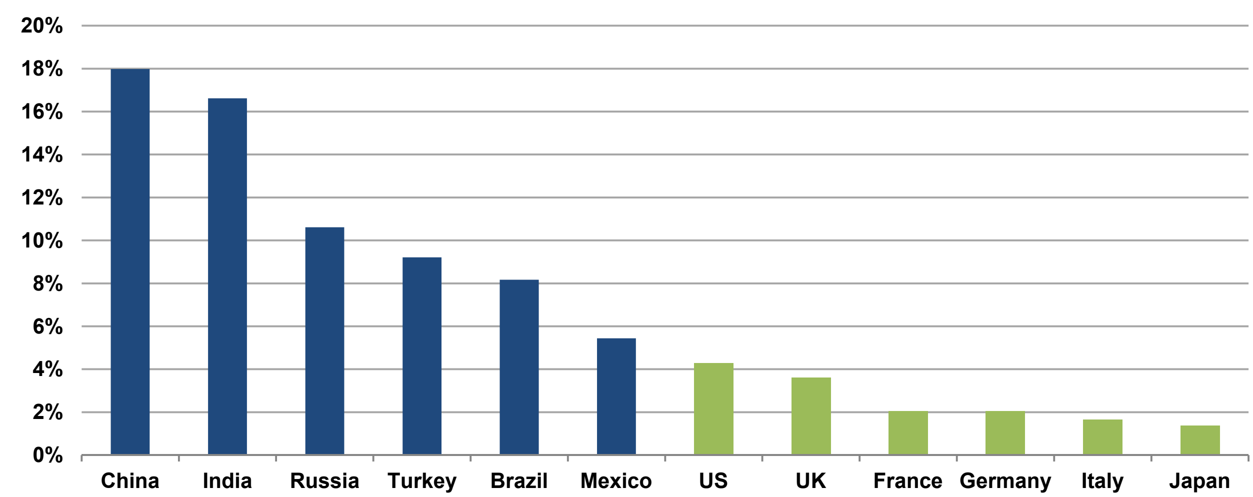
Source: EIU, IMF, Pramerica Real Estate Investors Research

The results show that the most rapid rate of growth will come from developing Asia-Pacific countries India and China, which will grow roughly 7% in real terms and 13-14% in nominal terms over the next decade. Developing nations Brazil, Turkey, Russia and Mexico are at another level, with real GDP growth of 4-5% and nominal growth of 6-8%. Growth is lower for the developed nations, including the US, France, the UK, Germany, Japan and Italy.

In conjunction with the pace of GDP growth, Chart 8 shows that the institutional-grade commercial real estate market will grow at a much faster pace in developing nations. China tops the list with an annual growth rate of 18%, followed by India (16.6%), Russia (10.6%), Turkey (9.2%) and Brazil (8.2%). Among developed nations, the US (4.3%) and UK (3.6%) top the list, and no other major developed nation will grow more than 2% annually.

The numbers reflect the projected faster pace of economic growth in developing nations and the growing number of individuals in those countries whose income will rise to the level of the consumer class, which means they will be wealthy enough to use institutional-quality real estate.

8. ANNUALIZED GROWTH OF INSTITUIONAL GRADE REAL ESTATE IN SELECT COUNTRIES, 2011-2021



Source: EIU, IMF, Pramerica Real Estate Investors Research

On an absolute basis, China is projected to be the largest contributor to global growth of institutional-grade commercial real estate over the next decade (Chart 9). China's CRE market is forecast to grow by $7.9 trillion between 2011 and 2021, or 35.5% of total global growth. That will increase the size of China's CRE market nearly five-fold, putting its total value at $9.7 trillion in 2021. China's CRE market will grow 18% annually, and GDP will grow by 13.8% annually. Again, the driver is rapid economic growth combined with rising personal wealth.

The US will produce the second-most amount of CRE growth, $3.5 trillion, or 16% of the global total. Combined China and the US will produce slightly more than half of global CRE growth by value. However, the growth rate of the US is not as high as China's. In 2021, the size of the US CRE market is projected to be $10.3 trillion, up 53% (4.3% per year), from $6.7 trillion in 2011.

It is notable that the US is the only developed nation among the top 5 contributors to global growth of institutional-grade commercial real estate over the next decade. The top 5 is rounded out by India ($1.3 trillion), Russia ($1.1 trillion) and Brazil ($1.1 trillion). In the case of each developing nation near the top of the ranking, the size of the CRE market will roughly double over the next decade, which illustrates the long-term shift. All in all, the top 5 are projected to contribute $14.8 trillion, or 67%, of the $22.2 trillion in growth of global CRE over the next decade.

Other developing nations in the top 15 of the contribution ranking are: Indonesia ($563 billion, 2.5%), Turkey ($339 billion, 1.5%) and Mexico ($258 billion, 1.2%). The size of the commercial real estate markets in most of these markets will roughly double over the next decade.

9. CONTRIBUTORS TO GLOBAL GROWTH OF COMMERCIAL REAL ESTATE

		Real Estate in 2011 ($B)	Growth over 2011-2021 ($B)	Contribution to Global RE Growth
1	China	1,863.9	7,877.4	35.5%
2	United States	6,752.7	3,537.0	16.0%
3	India	350.4	1,279.6	5.8%
4	Russia	619.6	1,078.7	4.9%
5	Brazil	883.7	1,054.3	4.8%
6	United Kingdom	1,370.3	582.2	2.6%
7	Indonesia	189.1	563.0	2.5%
8	South Korea	467.4	465.9	2.1%
9	Canada	784.4	431.6	1.9%
10	Japan	2,678.0	394.7	1.8%
11	Germany	1,614.6	362.7	1.6%
12	Turkey	239.8	339.2	1.5%
13	Singapore	241.1	304.6	1.4%
14	France	1,247.9	280.4	1.3%
15	Mexico	369.6	258.4	1.2%
16	Australia	656.1	235.8	1.1%
17	Poland	186.3	198.4	0.9%
19	Others	6,044.0	2,920.7	13.2%
	TOTAL	**26,559**	**22,164**	**100.0%**

Source: EIU, IMF, Pramerica Real Estate Investors Research

Experiences of the Last Decade

Growth over the next decade is projected to be more top-heavy than the growth experienced over the past decade, even though the US and China topped that list as well. Between 2001 and 2011, the commercial real estate market doubled over the last 10-year period, growing by $13.8 trillion to its present size of $26.6 trillion (Chart 10). However, the growth was relatively more dispersed and concentrated on developed nations.

The US ($2.1 trillion) and China ($1.6 trillion) combined for 27.3% of the global growth in commercial real estate between 2001 and 2011, a much smaller share than the 51.5% projected growth for the top 2 (the US and China) over the next 10 years. The top 5 countries in terms of growth between 2001 and 2011 – rounded out by Japan ($805 billion), Germany ($767 billion) and Brazil ($749 billion) – combined for $6.1 trillion, or 44% of total growth, compared to the 67% projected growth over the next 10 years.

All in all, seven of the top 10 countries in absolute growth in the previous decade were developed nations, while over the next decade only five of the top 10 (and two of the top 7) are projected to be developed nations. Indonesia, Singapore, Mexico and Poland joined our list of the top 17 countries in projected CRE growth over the next decade, replacing Italy, Spain, Netherlands and Saudi Arabia.

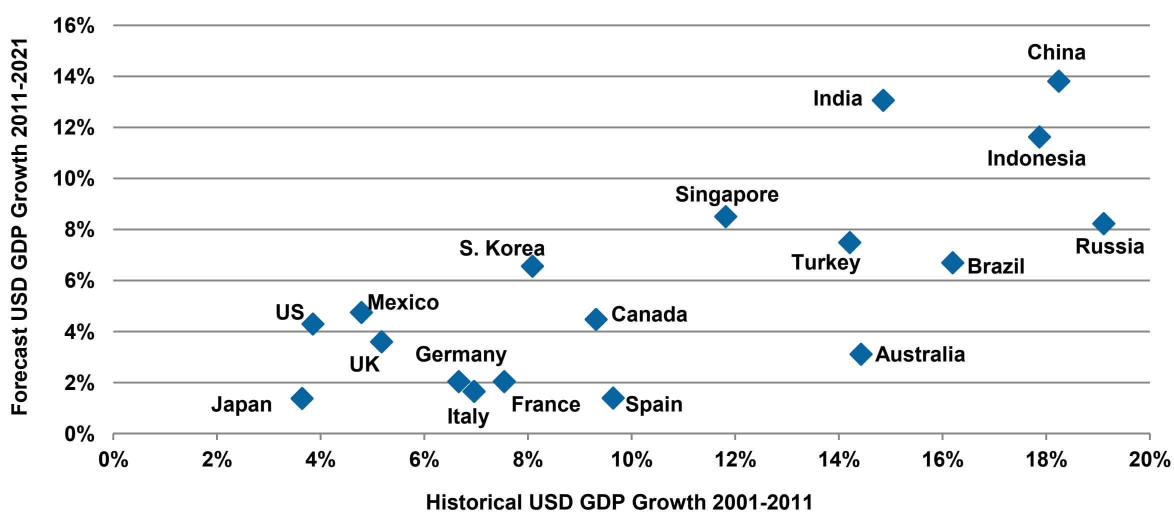
10. PAST AND FUTURE CONTRIBUTORS TO GLOBAL GROWTH OF CRE				
	Historical Growth 2001-2011		Forecast Growth 2011-2021	
	$Bil	% Contribution	$Bil	% Contribution
China	1,644.0	11.9%	7,877.4	35.5%
United States	2,123.9	15.4%	3,537.0	16.0%
India	287.2	2.1%	1,279.6	5.8%
Russia	555.1	4.0%	1,078.7	4.9%
Brazil	749.4	5.4%	1,054.3	4.8%
United Kingdom	542.9	3.9%	582.2	2.6%
Indonesia	165.2	1.2%	563.0	2.5%
South Korea	285.0	2.1%	465.9	2.1%
Canada	462.4	3.4%	431.6	1.9%
Japan	805.2	5.8%	394.7	1.8%
Germany	767.6	5.6%	362.7	1.6%
Turkey	194.1	1.4%	339.2	1.5%
Singapore	162.2	1.2%	304.6	1.4%
France	644.7	4.7%	280.4	1.3%
Mexico	146.4	1.1%	258.4	1.2%
Australia	488.5	3.5%	235.8	1.1%
Poland	132.9	1.0%	198.4	0.9%
Others	2,920.5	26.3%	2,920.7	13.2%
TOTAL	**13,782.5**	**100.0%**	**22,164.3**	**100.0%**

Source: EIU, IMF, Pramerica Real Estate Investors Research; data sorted in order of forecast 2011-2021 growth

When we plot historical and forecast nominal GDP growth in US dollars, we see the rate of growth is generally projected to be lower over the next decade compared to the past 10 years, but there are big differences among the experiences of individual countries (Chart 11). For some countries – mostly developing nations – the pace of growth is projected to moderate only marginally. China's GDP grew at an annual rate of 18.2% between 2001 and 2011 and is forecast to grow at a 13.8% annual rate over the next decade. US GDP growth is forecast to increase to about 4.3% over the next decade, a slight increase from its 3.9% growth over the past 10 years.

However, for a large number of countries the projection calls for a sharp slowdown in the rate of USD GDP growth. Among these countries is Russia (from 19.1% growth between 2001 and 2011 to 8.2% between 2011 and 2021), Brazil (from 16.2% to 6.7%), Turkey (from 14.2% to 7.5%), Canada (from 9.3% to 4.5%), Spain (from 9.6% to 1.4%), Germany (from 6.7% to 2.1%), France (from 7.5% to 2.1%), Italy (from 7% to 1.7%) and Japan (from 3.6% to 1.4%). The biggest projected drops in GDP growth comes from developed Europe, which is struggling to cope with a sovereign debt crisis, the possible break-up of the Euro and a painful deleveraging process that may lead to its second recession in three years in 2012.

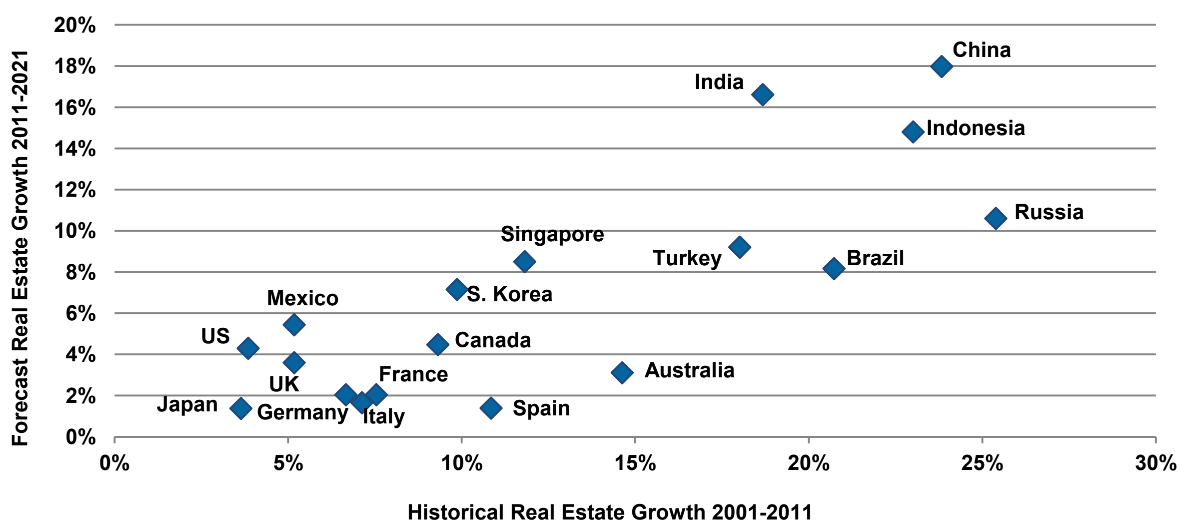
11. HISTORICAL AND FORECAST NOMINAL USD GDP GROWTH



Source: EIU, IMF, Pramerica Real Estate Investors Research

The story is much the same when we compare historical growth of institutional-grade commercial real estate versus projected growth (Chart 12). Growth will moderate somewhat in some of the developing nations such as China (from 23.8% growth between 2001 and 2011 to 18% between 2011 and 2021), Russia (from 25.4% to 10.6%) and India (from 18.7% to 16.6%).

12. HISTORICAL AND FORECAST REAL ESTATE GROWTH



Source: EIU, IMF, Pramerica Real Estate Investors Research

For some developing nations, the commercial real estate market is projected to continue to grow at a fairly robust rate, although it will slow down from the torrid pace over the past decade. Some of these nations include Brazil (from 20.7% growth between 2001 and 2011 to 8.2% between 2011 and 2021), Turkey (from 18% to 9.2%), Singapore (from 11.8% to 8.5%) and South Korea (from 9.9% to 7.2%).

The growth of institutional-grade real estate by value will be relatively consistent in a few nations, such as the US (4.3% between 2011 and 2021 from 3.9% between 2001 and 2011) and Mexico (from 5.2% to 5.4%). However, in line with GDP growth projections, the growth of commercial real estate will flatten considerably in many countries, particularly developed Europe. Examples include: Spain (from 10.9% growth between 2001 and 2011 to 1.4% between 2011 and 2021), France (from 7.5% to 2.1%), Italy (from 7.1% to 1.7%) and Germany (from 6.7% to 2.1%).

Conclusion

Growth in the size of global markets – both in absolute and relative terms – is an important consideration for those that invest in commercial real estate across country borders. Our 2012 study of global markets demonstrates that while the US dominates the global institutional-grade CRE landscape and will continue to grow at a healthy pace, the fastest growth will come from the Asia-Pacific region, particularly China and India. Growth will also be relatively high in developing nations such as Russia and Brazil. Europe will continue to grow, both developed and developing nations, but at a lesser pace than more vibrant parts of the globe.

To be sure, growing markets can produce more and different kinds of opportunities than markets that are stagnant in size, but rate of growth is just one of many factors that must be considered when making investment decisions. Investors have to take into account a whole host of other factors, including local demand, transparency, liquidity, governance, political stability and the institutional legal framework.

Still, there is little doubt that many of today's developing nations – and Asia-Pacific in particular – will be a growing destination for commercial real estate investment dollars. Increased economic activity and rising wealth of the population will produce a great deal of demand for new institutional-quality space, especially relative to countries with a slower rate of growth. Investors should develop strategy in accordance with future trends.

Important Disclosure

Pramerica Real Estate Investors is the real estate investment management business of Pramerica Investment Management. Both Pramerica Real Estate Investors and Pramerica Investment Management are trading names of Prudential Investment Management, Inc. principal asset management business of Prudential Financial, Inc. ('Pramerica Financial') of the United States. Pramerica Investment Management is an indirect subsidiary of Pramerica Financial, a company incorporated and with its principal place of business in the United States. Pramerica Investment Management is an investment adviser registered with the U.S. Securities and Exchange Commission. Prudential Financial, Inc is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom. Pramerica Financial and the Rock Logo are proprietary service marks and may not be used without the written permission of the owner.

These materials represent the views, opinions and recommendations of the author(s) regarding the economic conditions, asset classes, securities, issuers or financial instruments referenced herein. Distribution of this information to any person other than the person to whom it was originally delivered and to such person's advisers is unauthorized, and any reproduction of these materials, in whole or in part, or the divulgence of any of the contents hereof, without prior consent of Pramerica Real Estate Investors is prohibited. Certain information contained herein has been obtained from sources that Pramerica Real Estate Investors believes to be reliable as of the date presented; however, Pramerica Real Estate Investors cannot guarantee the accuracy of such information, assure its completeness, or warrant such information will not be changed. The information contained herein is current as of the date of issuance (or such earlier date as referenced herein) and is subject to change without notice. Pramerica Real Estate Investors has no obligation to update any or all of such information; nor do we make any express or implied warranties or representations as to the completeness or accuracy or accept responsibility for errors. These materials are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services and should not be used as the basis for any investment decision. Past performance is no guarantee or reliable indicator of future results. No liability whatsoever is accepted for any loss (whether direct, indirect, or consequential) that may arise from any use of the information contained in or derived from this report. Pramerica Real Estate Investors and its affiliates may make investment decisions that are inconsistent with the recommendations or views expressed herein, including for proprietary accounts of Pramerica Real Estate Investors or its affiliates.

The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients or prospects. No determination has been made regarding the suitability of any securities, financial instruments or strategies for particular clients or prospects. For any securities or financial instruments mentioned herein, the recipient(s) of this report must make its own independent decisions.

Conflicts of Interest: Key research team staff may be participating voting members of certain Pramerica Real Estate Investors fund and/or product investment committees with respect to decisions made on underlying investments or transactions. In addition, research personnel may receive incentive compensation based upon the overall performance of the organization itself and certain investment funds or products. At the date of issue, Pramerica Real Estate Investors and/or affiliates may be buying, selling, or holding significant positions in real estate, including publicly traded real estate securities. Pramerica Real Estate Investors affiliates may develop and publish research that is independent of, and different than, the recommendations contained herein. Pramerica Real Estate Investors personnel other than the author(s), such as sales, marketing and trading personnel, may provide oral or written market commentary or ideas to Pramerica Real Estate Investor's clients or prospects or proprietary investment ideas that differ from the views expressed herein. Additional information regarding actual and potential conflicts of interest is available in Part II of Pramerica Investment Management's Form ADV.

Index Definitions: These indexes are unmanaged. Investors cannot invest in an index. A benchmark index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses The S&P Developed Property Index is a free-float weighted index comprised of public real estate companies in North America, Asia and Europe that meet certain free-float market capitalization, trading volume and other criteria. The Developed Property Index excludes emerging markets. The return series is calculated daily using both gross and net cash dividends reinvested. Cash dividends are normally applied on the ex-date of the dividend. Net return reinvested is reflective of the return to an investor where dividends are reinvested after the deduction of withholding tax. The net index excludes foreign withholding taxes. The tax rate applied is the rate to nonresident institutions that do not benefit from double taxation treaties. These materials are not intended for further distribution to or use by any person in any jurisdiction where such distribution would be contrary to local law or regulation. In Singapore, this material is distributed by Pramerica Real Estate Investors (Asia) Pte Ltd, ("Pramerica Asia"), a regulated entity with the Monetary Authority of Singapore. In Hong Kong, this material is distributed by representatives of Pramerica Asia Fund Management Limited, a regulated entity with the Securities and Futures Commission in Hong Kong. In Australia, this material is distributed by Pramerica Asia for the general information of its wholesale customers (as defined in the Corporations Act 2001). Pramerica Asia is exempted by Class Order 03/1102 from the need to hold an Australian financial services license for certain financial services

REF #: PFIA-8RWQD5