

The Perfect Storm in Global Real Estate

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The Perfect Storm

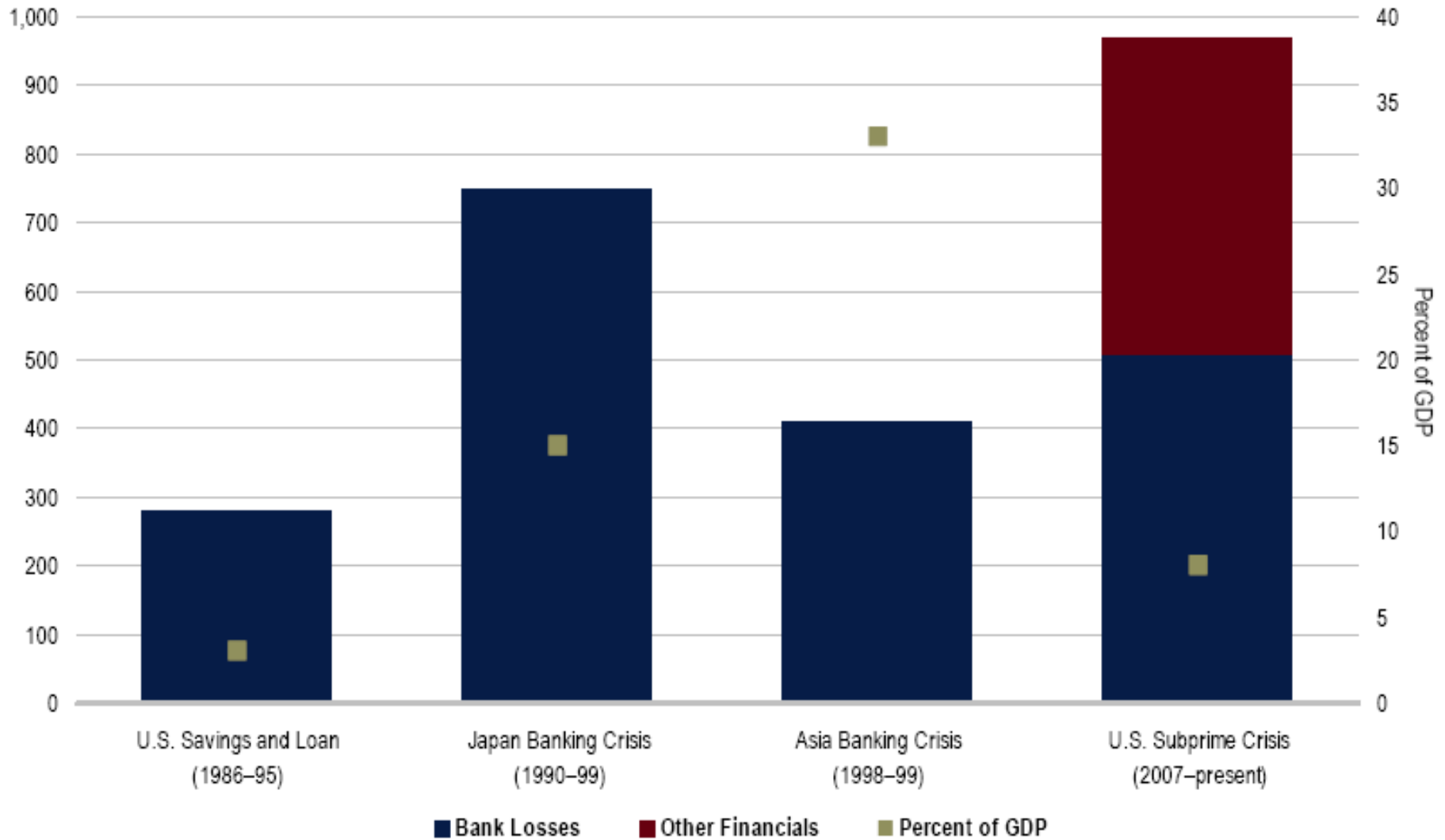
 **Present-day investment markets are faced with the Perfect Storm of: credit crisis, economic malaise, and inflation.**

 **The ongoing credit squeeze and uncertainty around property pricing is reducing property values around the world.**

 **Slowing economic growth is apparent in the developed world; the emerging markets, for now, seem somewhat immune.**

 **Inflation is likely a factor for the future economic environment.**

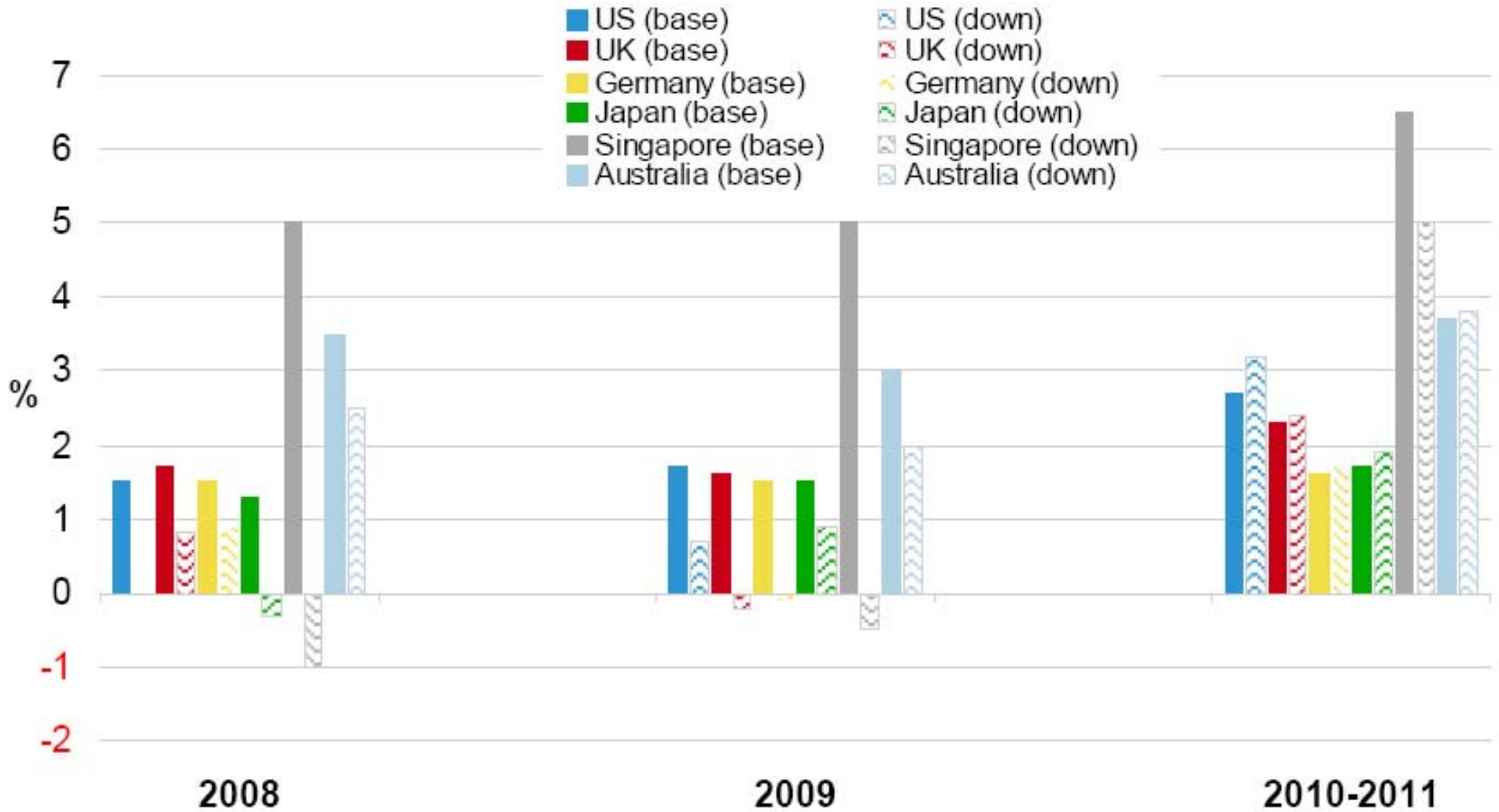
Comparison of Financial Crises



Source: World Bank and IMF staff estimates.

Note: U.S. subprime costs represent staff estimates of losses on banks and other financial institution from Table 1.1. All costs are in real 2007 dollars. Asia includes Indonesia, Korea, the Philippines, and Thailand.

Global GDP Growth – Base and Downside Scenarios



Source: Deutsche Bank Research; RREEF Research

Global Economic Outlook

GDP slowing down
across the board

High inflation across
the board

| | GDP ¹ | | Consumer Prices 2008E ¹ | Central Bank Interest Rates ² |
|-----------|------------------|-------|---------------------------------------|---|
| | 2008E | 2009E | | |
| U.S. | +1.5 | +1.2 | +4.4 | 2.00% |
| UK | +1.4 | +1.0 | +3.6 | 5.00% |
| Euroland | +1.6 | +1.2 | +3.6 | 4.25% |
| Australia | +2.8 | +2.7 | +4.0 | 7.00% |
| Japan | +1.4 | +1.2 | +1.6 | 0.50% |
| China | +9.8 | +9.0 | +6.6 | 7.47% |

Rates likely to fall

1. Source: The Economist poll or Economist Intelligence Unit estimate/forecast.

2. As of 4 September 2008.

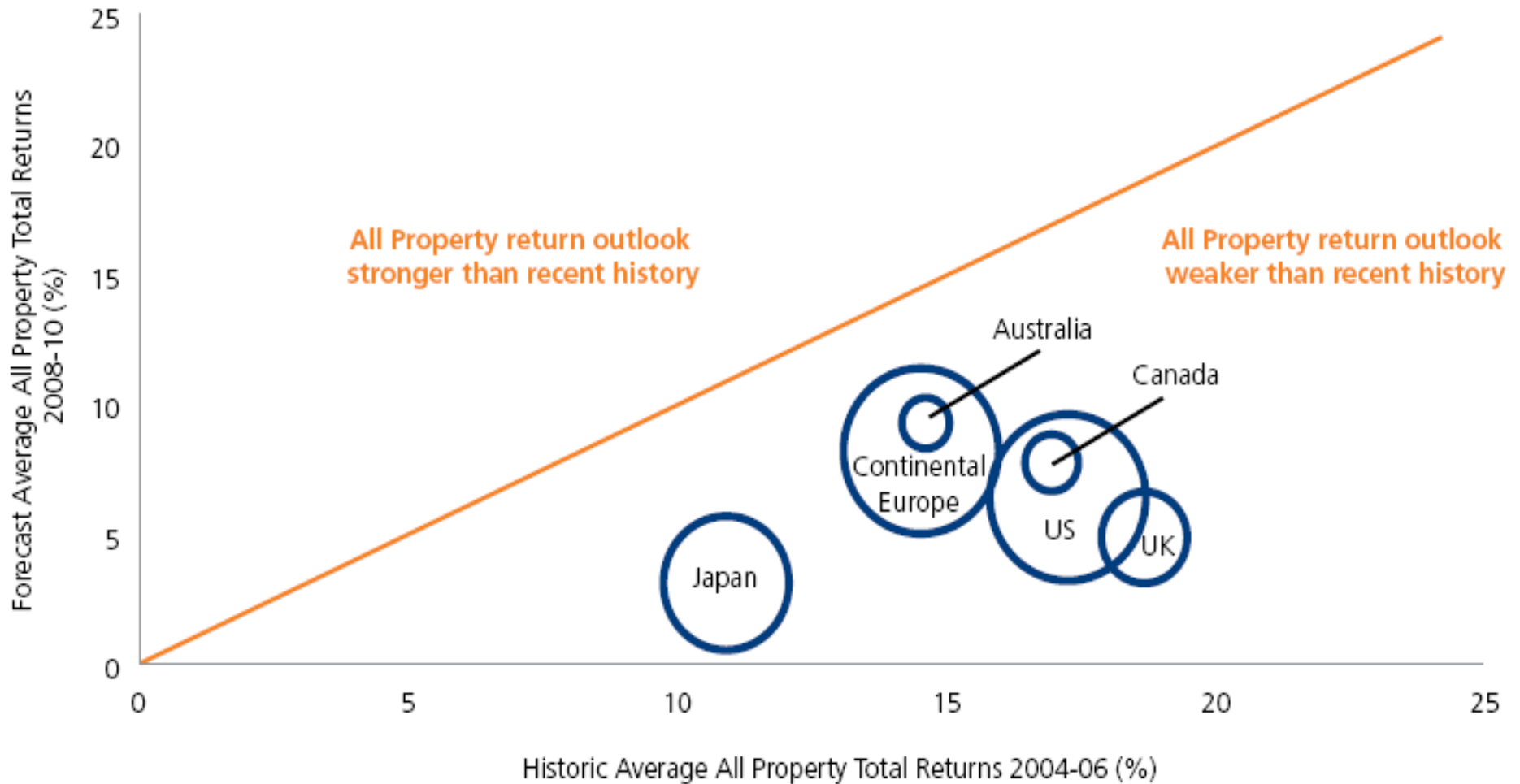
Global REIT Returns – Volatility has Increased

| | World | Australia | US | UK | Japan |
|-----------------|--------------|------------------|-----------|-----------|--------------|
| 2006 | 29.0% | 34.0% | 27.0% | -- | 20.0% |
| 2007 | -20.0% | -7.0% | -25.0% | -39.0% | -6.0% |
| YTD 2008 | -12.1% | -33.0% | 1.2% | -15.2% | -37.3% |

As at 30 September 2008; Presented in AUD

Source: FactSet Research Systems; S&P/Citigroup BMI Global REIT Index

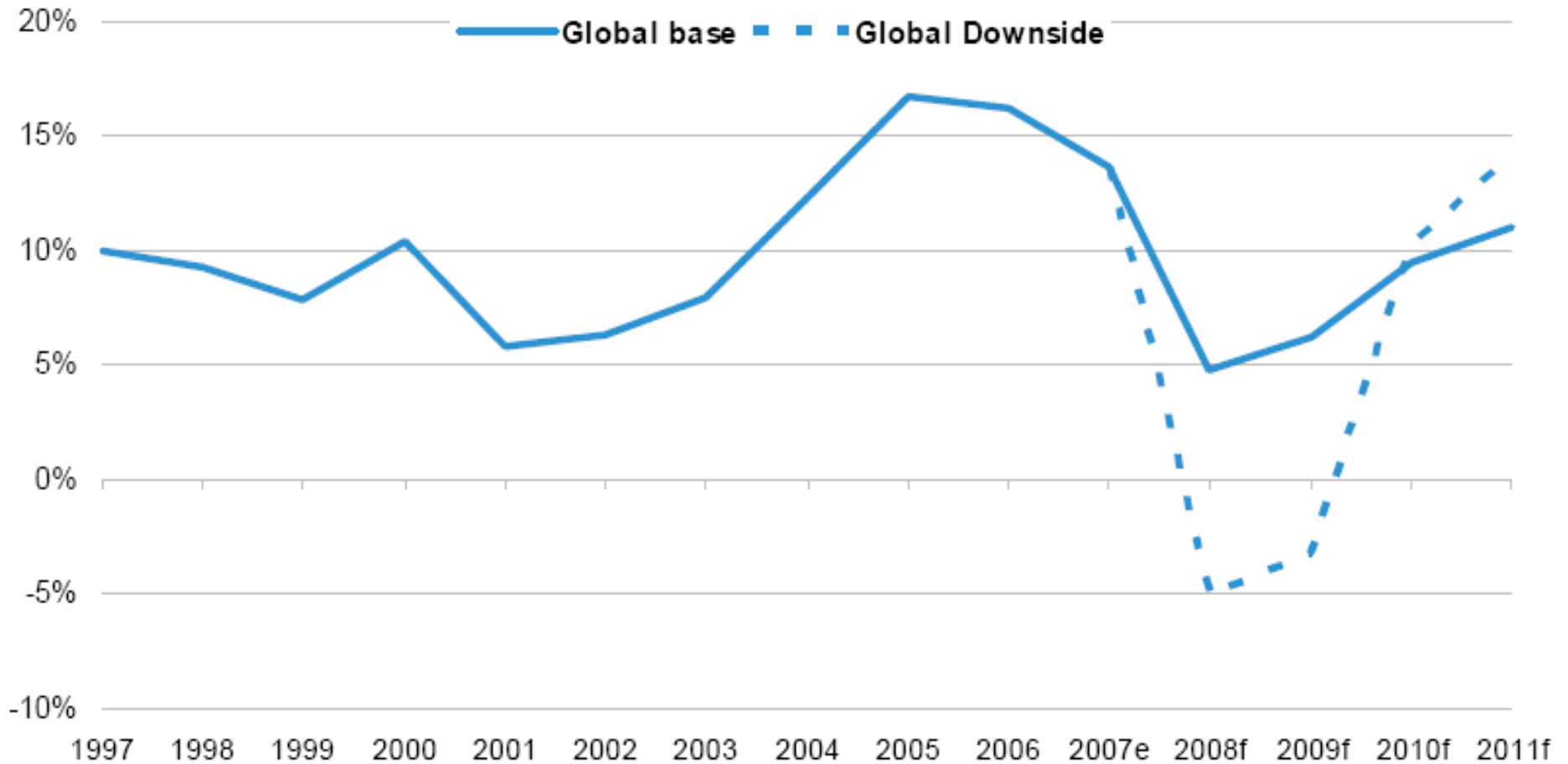
Moderated Returns in 2008, Forecasted Through 2010



Source: IPD, PMA, ING Real Estate Research & Strategy as of December 2007.

Note: the leading diagonal represents the point where the outlook is identical to recent performance. The size of each circle represents the estimated size of the investment grade real estate market in that country/region.

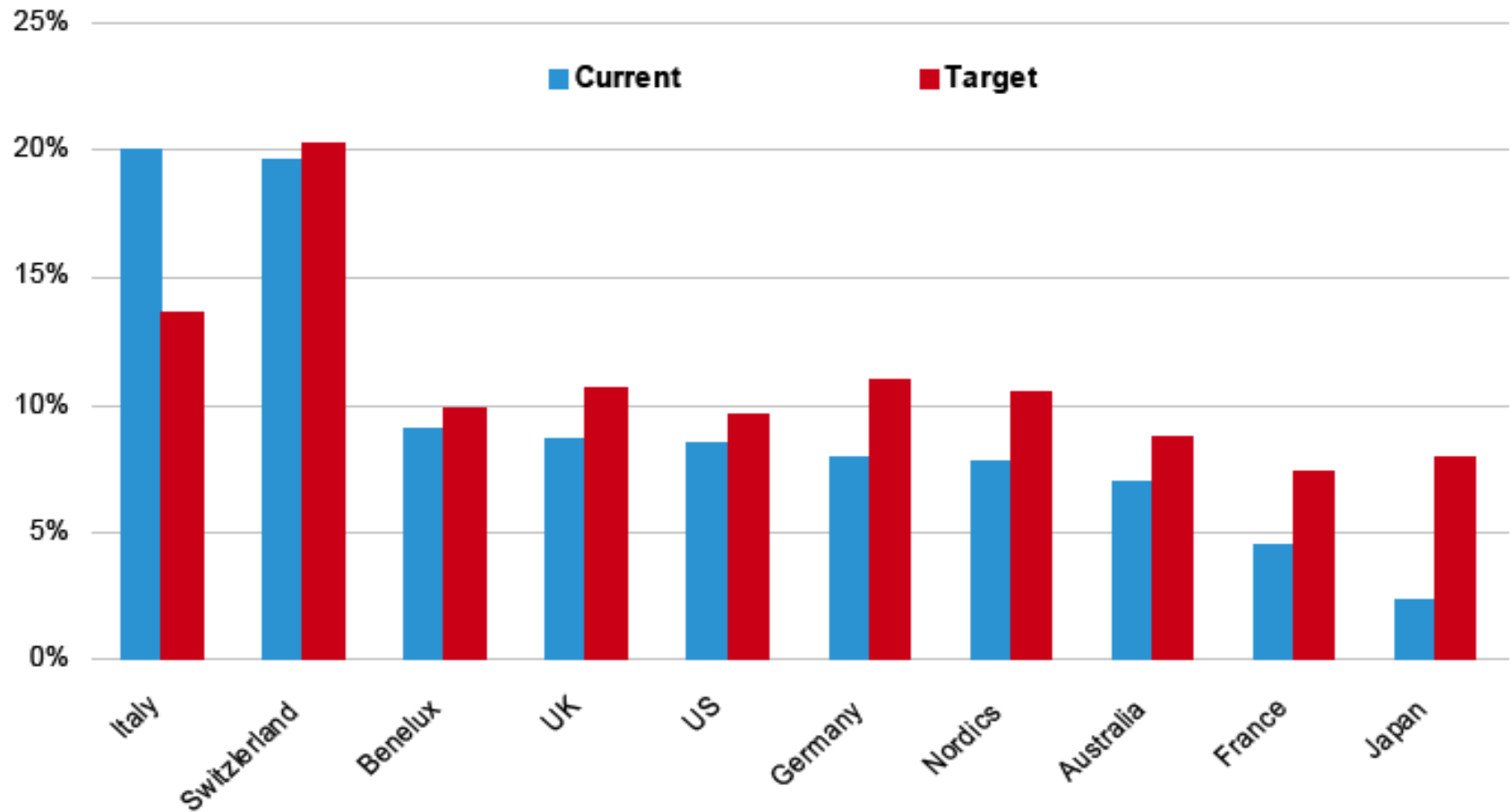
Global All Property Returns



Source: RREEF Research; IPD; NCREIF






Pension Real Estate Allocations to Increase

Allocation to real estate, % of overall investment portfolio



Source: RREEF Research based on ARES; IREI/Kinglsey Associates; JPMAM, INREV

Real Estate Positioned Well to Weather the Storm

-  **Very few commercial property markets are suffering from overbuilding.**
-  **Rental rates decline in the near-term with economic activity; however, values do not deteriorate as in early '90s.**
-  **Real Estate offers investors a hedge against inflation.**
-  **As the Perfect Storm abates and tenant demand resurfaces, rental growth should follow.**
-  **Property investment over the next 12-18 months may prove to be a great long-term value opportunity.**