

Global Real Estate Securities Monthly Commentary

April 2010

In April, the performance of the FTSE EPRA/NAREIT Developed Index was 2.5%. For the third month in a row, the index's performance was driven by the strong performance of North American securities. The economic recovery in the United States gained wider acceptance amongst global investors during the month, resulting in significant inflows of capital into the region. This positive feeling in the United States differs from the mood in other regions. Europe has been negatively impacted by Greece's financial problems. China's performance was affected by the government's tighter policy stance on real estate developers aimed at controlling spiralling property prices. General risk aversion has also resulted in stronger headwinds for listed real estate in the emerging markets which continued to lag their developed market peers during the month.

NORTH AMERICA

The FTSE EPRA/NAREIT North America Index provided a positive return of 6.6% during April. This surge was caused primarily by inflows of funds to the sector, particularly due to investor appetite for dividend yields. In addition, fundamentals seem to be stabilizing or even progressing more quickly than anticipated. Enthusiasm for the real estate sector is also the product of REIT being able to access bank financing at very advantageous rates. Recapitalized companies with strong balance sheets remain on the outlook for acquisitions – without necessarily finding sellers. We also note a certain malaise in the residential sector, which remains fragile. It is hard to see how the U.S. government will pull out of this sector.

The REIT sector seems to be discounting a much-stronger-than-anticipated recovery in real estate fundamentals than early in the year. In our opinion, it is now clear that a positive catalyst emanating from job creation will have to occur to justify current stock valuations.

FTSE EPRA/NAREIT North America Performance

| | US\$ | Local Currency |
|---------------|-------|----------------|
| United States | 6.90% | 6.90% |
| Canada | 3.28% | 3.10% |

Source: Bloomberg, April 2010

EUROPE

April was a difficult month for the FTSE EPRA/NAREIT Europe Index, with a return of -4.9%. Following a weaker start to the year, the United Kingdom performed better with a return of -0.8%, while the Euro Zone suffered from the uncertainty around Greece, ending the month with a return of -6.9%. Greece's economic situation continues to worry the markets,

which are seeking increasingly high premiums to offset the uncertainty surrounding its budgetary problems. Rating agencies have added to these concerns by lowering the credit ratings of Greece, Portugal and Spain. At the end of the month, the IMF and European Union countries agreed to provide a 110-billion-euro financial rescue to enable Greece to meet its medium-term financial obligations while instituting austerity measures to reduce the public deficit to less than 3% of GDP.

In terms of real estate companies, first-quarter results are in line with expectations, with very slight revenue increases, but the message from corporate executives remains cautious for the rest of the year. However, transaction activity continues to rise, and this may encourage some lenders to accelerate defaults of non-performing loans.

FTSE EPRA/NAREIT Europe Performance

| | US\$ | Local Currency |
|----------------|--------|----------------|
| United Kingdom | -0.79% | -1.68% |
| France | -6.94% | -5.30% |
| Netherland | -7.66% | -6.03% |

Source: Bloomberg, April 2010

ASIA-PACIFIC

The FTSE EPRA/NAREIT Asia-Pacific Index had a positive return of 1.3% in April. Japanese and Australian stocks performed very well, bolstered by positive economic indicators as well as improving real estate fundamentals. More specifically, in the office sector, rent declines of 25% to 30% for top-quality assets are stirring increasing demand from tenants. A growing number of organizations are considering relocation and consolidation of their spaces as shown by greater numbers of visits and comments from brokers.

The residential sector continues to show signs of vigour, with consumer confidence rising and consumers hoping to benefit from attractive mortgage rates with a long-term outlook. Anticipation of higher inflation in Asia is already leading governments to institute restrictive measures.

The month was also marked by the announcement of new measures by the Chinese government aimed primarily at countering real estate speculation and excessive price rises. These measures have had negative effects on Chinese developers' stock prices following a price rebound in March. With volumes and sales prices likely to decline over the next few months, we hold the view that residential demand remains solid in China over the longer term, and higher-quality developers may benefit from this period of market consolidation.

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FTSE EPRA/NAREIT Asia-Pacific Performance

| | US\$ | Local Currency |
|-----------|---------|----------------|
| Japan | 8,42 % | 9,08 % |
| Hong Kong | -6,34 % | -6,35 % |
| Australia | 5,44 % | 3,97 % |
| Singapore | 3,82 % | 1,77 % |

Source : Bloomberg, April 2010

EMERGING MARKETS

The FTSE EPRA NAREIT Emerging Markets Index finished flat for the month of April with a performance of 0.1%. Performance in the emerging markets continues to remain mixed as risk aversion overshadows generally strong fundamentals. In Brazil, companies look set to deliver another strong quarter of financial results and respective managements remain highly optimistic in both the commercial and residential sectors. This is in stark contrast, however, to the recent share price performance at -9.6% year to date versus the FTSE EPRA NAREIT Emerging Markets Index performance of -1.8%. In addition to favourable demographics and supportive

government policies, Brazilian home builders are also benefitting from more readily available mortgages and attractive financing rates. Mortgages in Brazil currently represent 3% of GDP while in Chile this number is closer to 15% and in Mexico 12%. In order for Brazil to close the mortgage gap with Chile, it is expected that mortgage growth would need to reach about 41% per year for the next 5 years. In the mall sector operators continue to experience strong same-store sales growth and positive rental reversions. Publicly traded mall companies are highly capitalised and continue to see excellent organic (i.e. development) growth opportunities and selective acquisitions at attractive returns.

FTSE EPRA/NAREIT Emerging Markets Performance

| | US\$ |
|--------------|--------|
| Americas | 3.45% |
| EMEA | 0.62% |
| Asia-Pacific | -2.31% |

Source : Bloomberg, April 2010

Past performance is not indicative of future performance.

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Presima

1000 Jean-Paul-Riopelle Place | Montreal Herald Building, suite 400 | Montreal (Quebec) H2Z 2B6
t : 514.673.1375 | f : 514.673.1378 | www.presima.com