Global Real Estate Securities Monthly Commentary

January 2010

Following excellent performances in late 2009, real estate stocks started 2010 against a background of profit-taking, especially in the Chinese and Brazilian markets. Stocks of real estate companies in the more developed economies such as Japan and the United States performed better in this context, with investors generally favouring current income stability over future growth. Despite this perception of capital flow volatility, we maintain that long-term real estate growth in the Asian countries remains solid.

North America

The FTSE EPRA/NAREIT North America Index provided a total return of -5.0% in the first month of 2010. The beginning of the year was marked by several reversals of positions. Companies that performed less well in 2009 aroused investor interest in January. In an upward trending market, it is common to see this type of behaviour early in the year. The phenomenon was especially noticeable in the retail sales sector, where companies that own strip malls with a focus on basic goods benefited from flows of capital coming from the sale of stocks in traditionally more luxurious shopping centres.

President Obama's reform agenda aimed at eliminating certain banking practices could have a negative impact on job creation in New York. The effects on direct real estate would then be negative. But this reform is still in an embryonic phase.

January is a month that is generally subject to artificial volatility created by capital movements resulting from repositioning. We believe it is appropriate to ignore these movements, bearing in mind the current context of a U.S. economic recovery that increasingly appears to be taking shape.

FTSE EPRA/NAREIT North America Performance

	US$	Local Currency
United States	-5.60%	-5.60%
Canada	0.30%	1.94%

Source: Bloomberg, January 2010

Europe

The year got off to a difficult start in Europe, with a total return of -4.8%. Most of this decline was due to the performance of British stocks, which fell by 7.7%. In continental Europe, Germany's strong performance was offset by weak performances in Sweden and the Netherlands.

In the United Kingdom, direct real estate prices saw a spectacular rise of 3% in December, leading us to a 9% gain since the bottom reached in July 2009. We are still expecting a few months of gains in real estate prices, followed by stability as more buildings are put up for sale.

In Continental Europe, the potential inclusion of Unibail-Rodamco in the Stoxx 50 Index has led to greater interest in this stock, due to the large volume of funds that replicate the index. In Germany, Deutsche Euroshop conducted a shopping centre transaction in January, and negotiations between two other parties over another major portfolio have gone into the exclusive phase. These events are leading to hopes that Germany, underrepresented in listed indices, could provide worthwhile investment opportunities.

FTSE EPRA/NAREIT Europe Performance

	US$	Local Currency
United-Kingdom	-7.74%	-7.02%
France	-2.47%	0.67%
Netherlands	-6.08%	-3.05%

Source: Bloomberg, January 2010

Asia-Pacific

The Asian market was mainly affected by the stance taken by the Chinese government in January. After an outstanding year in Chinese residential unit sales in 2009, the government announced, among other things, it was intervening to limit loan levels and to increase the supply of units and lots. A comprehensive series of measures aimed at limiting speculation and controlling prices will no doubt have a positive long-term impact, but this is creating market volatility in the short term.

Japan appears to be the month's big winner, outperforming the developed real estate index by 7.9%. Much of this performance can be explained by a rebalancing of global funds that were massively underinvested in this country. JREITs are mainly attracting attention with their capital issues and their return to the market as active buyers, especially in the office space sector. Although the economy remains in deflation, we believe that these strategies increase the growth potential of Japanese real estate companies.

FTSE EPRA/NAREIT Asia-Pacific Performance

	US$	Local Currency
Japan	2.20%	-0.48%
Hong Kong	-13.58%	-13.45%
Australia	-3.90%	-2.77%
Singapore	-7.04%	-7.05%

Source: Bloomberg, January 2010

Global Real Estate Securities Monthly Commentary

January 2010

Emerging Markets

The FTSE EPRA/NAREIT Emerging Markets Index fell back in January, with a return of -8.3%. Investors' attention focused mainly on China, with the effects of news there spreading worldwide and drawing emerging markets into negative territory.

Despite the decline of stocks in Brazil, the real estate sector was active, with the announcement of two new initial public offerings from companies operating in the shopping centre and office space sectors. As well, other issues from developers are expected in Brazil. Demand remains strong for shopping centre companies, which have announced excellent preliminary results for 2009. Sales produced by these companies were up 13% to 20% in 2009, while vacancy rates remained at historically low levels. Considering the development projects to be completed in 2010, implicit capitalization rates are about 9.5% to 10.5%, which continues to be attractive. Developers in Brazil have begun announcing their preliminary results, and companies should reach or exceed their financial targets for 2009. As a result, we continue to observe positive fundamentals, which will continue to support the sector in the coming months, and we expect strong income growth in 2010.

FTSE EPRA/NAREIT Emerging Markets

	US$
Americas	-13.01%
EMEA	-2.56%
Asia-Pacific	-7.22%

Source: Bloomberg, January 2010