BEACON POINTE RESEARCH
WHITE PAPER

THE CASE FOR GLOBAL REAL ESTATE INVESTMENT TRUSTS
AUGUST 2006

CONFIDENTIAL – PROPRIETARY

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Introduction

Just as diversification in global equities and bonds makes prudent sense for investors, Beacon Pointe believes investing in global real estate securities expands an investor's opportunity set while enhancing the overall portfolio returns with lower volatility due to lower correlations with other asset classes.

Beacon Pointe conducted several extensive interviews and studied several research publications to better understand investing in global real estate securities. This paper will explore the history, structure, size, growth, and the benefits and risks involved in global real estate securities investments. The paper will also elaborate on the proper allocation to global real estate securities for most investors and the use of appropriate benchmarks.

What Are REITs?

Real Estate Investment Trusts (REITs) were first structured in the United States in 1960 by the government to create a tax-advantaged vehicle for real estate investors. The Real Estate Investment Trust Act of 1960 authorized REITs and was designed to allow small investors to pool their investments in real estate, gaining the benefits of professional management while retaining most of the benefits of direct ownership.

According to Standard & Poors, a REIT is defined as a private or public corporation that pays no income tax as long as its operations are restricted to certain commercial real estate activities. To qualify as a REIT, a company must pay 90% of taxable income to investors each year. The rate was reduced from 95% in 2001.

Globally, REITs are not as developed as in the United States. Only two other countries, Australia and the Netherlands, have had REITs' structure for an extended period of time. Countries around the world are now exploring the creation of such a structure to broaden the universe of real estate investors. REITs enable even small investors to participate in the benefits of real estate ownership. In recent time, it has become viable to enable indirect ownership of real estate across the globe as investment managers seek opportunities outside of their countries of residence.

Reasons For Investing in Global REITs

The key reasons for investing in REITs are outlined below:

Strong Returns – Historically, REITs have provided strong returns relative to other asset classes as shown in Table 1 on the following page. The return components include yield from income and share price appreciation. Over the long run, real estate has provided real returns (net of inflation) of 4%-6%. The drivers for performance are:

- **Property Fundamentals** – Demand, as well as current and future supply of space to rent (office, apartment, retail space).
- **Economic and Monetary Fundamentals** – Employment, GDP, interest rates, investment and capital flows, demographics (migration, population, aging).

Table 1

Total Returns at June 30, 2006

	1 Year	3 Years	5 Years	10 Years
S&P / Citigroup World Property Broad Market Index	24.6%	30.4%	20.4%	10.9%
NAREIT Equity REIT Index	19.0%	26.1%	19.4%	15.1%
S&P / Citigroup World Property Broad Market Index (ex-U.S.)	30.7%	34.6%	21.1%	8.6%
MSCI World Index	17.5%	17.4%	6.2%	7.4%
S&P 500 Index	8.7%	11.2%	2.5%	8.3%
MSCI EAFE Index	27.2%	24.5%	10.5%	6.8%
J.P. Morgan Global Gov't Bond Index	-0.6%	4.1%	8.4%	5.6%

Adapted from Cohen & Steers Presentation – Global Real Estate Securities, July 2006. The figures represent annualized returns.

Moderate Volatility – REITs inherently have lower volatility than other asset classes as shown in Table 2 below. This is primarily due to the steady income component of REITs. REITs' strong returns and lower volatility provide for attractive risk-adjusted returns over time. The stability provided by income is further enhanced by investing in global REITs, as fluctuations in different markets, sectors and properties tend to counterbalance each other over the long run.

Table 2

Annualized Standard Deviations at June 30, 2006

	1 Year	3 Years	5 Years	10 Years
S&P / Citigroup World Property Broad Market Index	11.2%	12.4%	12.4%	14.1%
NAREIT Equity REIT Index	14.4%	16.0%	14.6%	14.0%
S&P / Citigroup World Property Broad Market Index (ex-U.S.)	11.6%	11.8%	13.3%	17.8%
MSCI World Index	8.4%	8.5%	13.6%	14.6%
S&P 500 Index	7.0%	7.7%	13.6%	15.7%
MSCI EAFE Index	10.9%	10.3%	14.5%	15.1%
J.P. Morgan Global Gov't Bond Index	5.3%	7.0%	7.2%	6.5%

Source: Cohen & Steers.

Diversification – Lower correlation to asset classes provides diversification benefits. As seen in Table 3 below, real estate has a low correlation with other asset classes. This enhances the overall portfolio returns while reducing the risk. Due to increasing globalization in recent times, equities and bonds have shown higher correlation with each other. This reduces the diversification benefits to some extent from earlier levels. However, despite globalization having some impact on the capital markets for real estate, it is unlikely that local property around the world will exhibit the same cycles. For instance, we cannot substitute an office in Bangalore, India or Shanghai, China for an office in New York City, USA. As such, global real estates are likely to retain lower correlation with other asset classes and continue to provide diversification benefits from the different economic and real estate cycles, as well as from the various currencies.

Table 3

Correlation of S&P / Citigroup World Property Broad Market Index, Monthly Through June 2006

	3 Years	5 Years	10 Years
MSCI World Index	0.64	0.63	0.60
S&P 500 Index	0.58	0.54	0.53
MSCI EAFE Index	0.61	0.69	0.61
J.P. Morgan Global Gov't Bond Index	0.46	0.25	0.23

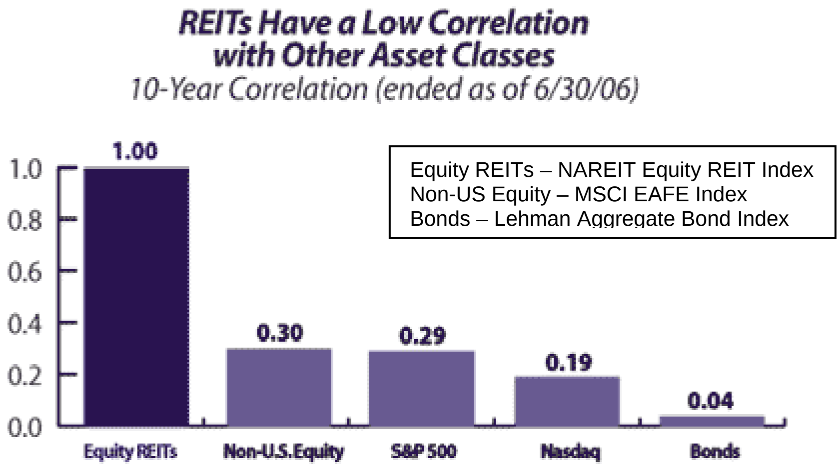
Adapted from Cohen & Steers Presentation – Global Real Estate Securities, July 2006.

Interestingly, the correlation of US REITs, as measured by NAREIT, with S&P 500 are considerably lower (see Table 4 on the next page) than the correlation of the S&P/Citigroup World Property Broad Market Index with S&P 500. Naysayers have used this observation to state that global REITs provide little diversification as illustrated in a paper by Wilshire Associates and highlighted in a recent Pension & Investment issue.

Beacon Pointe believes that lack of maturity of the relative new asset class has resulted in investors not distinguishing from other common stocks, thus artificially inflating the correlation to that of international stocks. However, as investors realize the unique characteristics of REITs (high income focus) versus that of other common stocks, Beacon Pointe is in the camp that believes that global REITs' correlation with S&P 500 will decrease over time. A similar phenomenon was observed in the U.S. when the sensitivity of REITs to the stock market declined in the 1990s, implying lower correlation, due to the growth and maturity of the REIT market

Some investors believe that REITs are correlated with interest rate movement and will underperform in a rising rate environment. The strong performance in the past three years and the minimal correlation with the 10-year Treasuries, as well as the Lehman Aggregate Bond Index, (see Figure 1 on the following page), indicate low correlation with interest rates. Rising interest rates usually imply an improving economy, which has proven to be positive for cash flow growth in REITs.

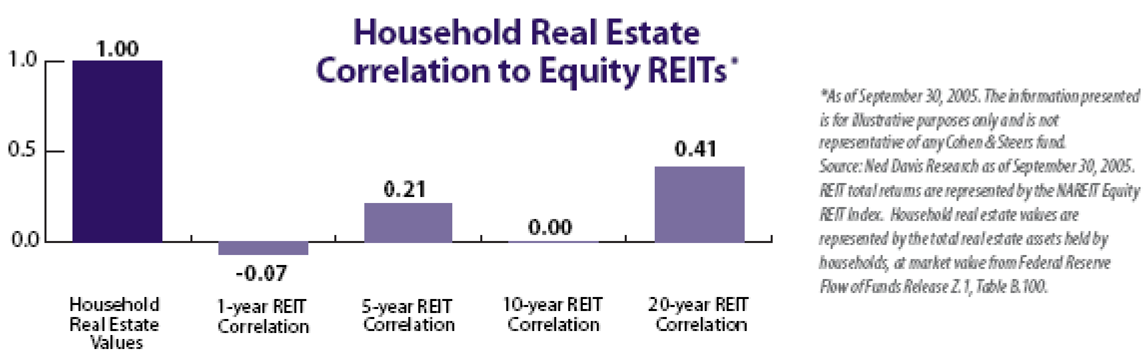
Figure 1



Source: Cohen & Steers

Another perception exists which implies that REITs are tied to the residential housing market (single family homes). REITs are a much more diversified asset class that includes residential (multi-family housing), commercial (hotels, office buildings), industrials, and many other property types. In addition, according to Ned Davis Research, there is a very low correlation between the residential housing market and REITs as shown below in Figure 2.

Figure 2



Source: Cohen & Steers – Dispelling the Myths & Misconceptions of REITs, Ned Davis Research

Diversification benefits are further enhanced by the low correlations of different property markets around the world as evident in the correlation matrix (see Table 4 below).

Table 4

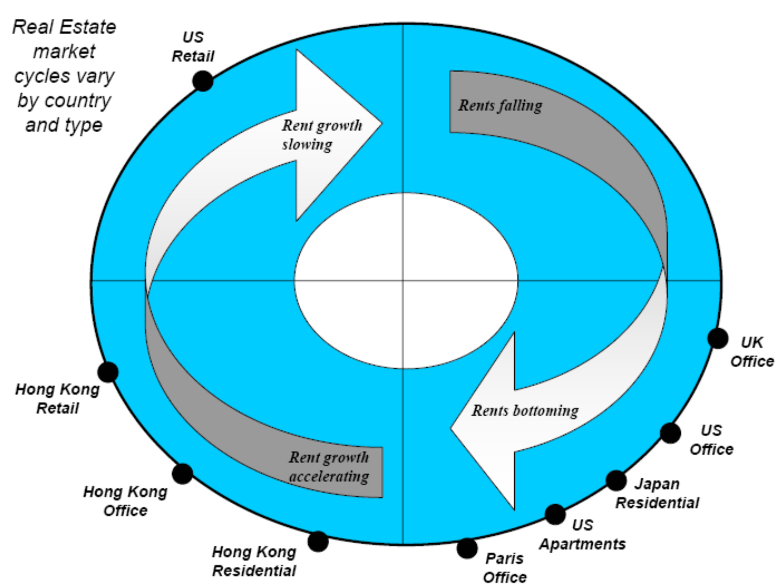
		North America		Europe			Asia		
		US	Canada	UK	Netherlands	France	Australia	Japan	Hong Kong
North America	United States	1.00							
	Canada	0.70	1.00						
Europe	United Kingdom	0.43	0.55	1.00					
	Netherlands	0.45	0.52	0.70	1.00				
	France	0.56	0.54	0.72	0.79	1.00			
Asia	Australia	0.41	0.62	0.51	0.63	0.50	1.00		
	Japan	0.22	0.34	0.32	0.18	0.24	0.23	1.00	
	Hong Kong	0.43	0.31	0.44	0.34	0.32	0.31	0.15	1.00

Source: S&P/Citigroup BMI World Property Indexes

Adapted from Cohen & Steers Presentation – Global Real Estate Securities, July 2006.

Intuitively, we know that real estate price movements are location specific as different regions exhibit different property, economic and monetary fundamentals. Figure 3 below shows a possible real estate market cycle on a global scale. This explains why correlations among the different property markets around the world are low.

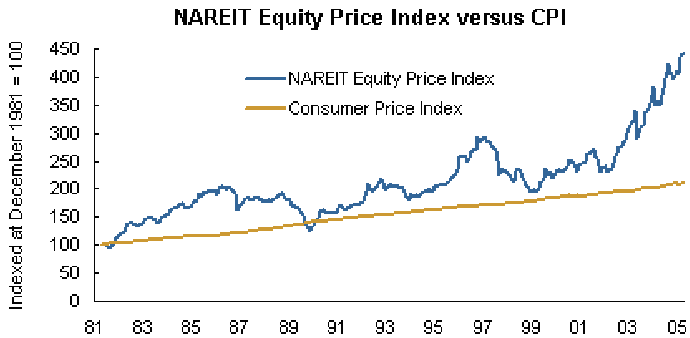
Figure 3



Source: UBS
Adapted from "The Case for Investing in International Real Estate" by Macquarie Real Estate, Sydney, April 2006.

Inflation Hedge – REITs offer an effective hedge against inflation, as real estate prices tend to rise along with prices in a growing economy. Figure 4 below illustrates how REITs have behaved as an inflation hedge over time in the United States. According to Ibbotson Associates, dividend growth rates for REITs shares have outpaced inflation over the last decade.

Figure 4



Source: National Association of Real Estate Investment Trusts (NAREIT), PIMCO

Becoming More Mainstream[1] – The inclusion of some REITs in S&P 500 Index and other broad market indices around the world indicates that it is becoming more mainstream as an asset class. Many of the reasons that facilitate increased acceptance of REITs as an asset classes include:

- **Liquidity** – Investors can easily purchase REITs shares just as any other publicly traded companies. REITs shares are traded around the world in major stock exchanges.
- **Shareholder Value** – Shareholders receive dividend income and share price appreciation, just as in other dividend paying public companies.
- **Active Management/Corporate Governance** – Publicly traded REITs are professionally managed and adhere to the same corporate governance principles as other publicly traded companies.
- **Disclosure** – REITs are subject to the same financial statement disclosures by the SEC as other publicly traded companies. Similar disclosure requirements are in place for non-US REITs.
- **Limited Liability** – Shareholders have no liability for the debts of the REITS in which they invest.
- **Low Leverage** – Average REITs carry less than a 50% debt ratio and over 65% of the REITs (by market capitalization) are investment grade.

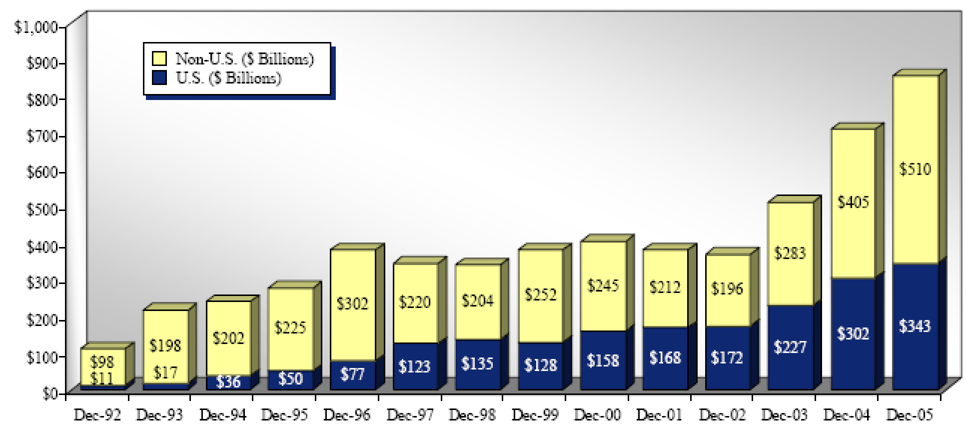
Growth and Size – The size of the global REITs market is growing rapidly due to increasing adoption of REITs by many countries around the world. From January 2001 to December 2005, global REITs market capitalization, as defined by S&P / Citigroup World Property Broad Market Index, more than doubled in size – growing from $403

[1] Adapted from "The Investor's Guide to Real Estate Investment Trusts (REITS)"– National Association of Real Estate Investment Trusts, Inc.

billion at the end of 2000 to $853 billion by the end of 2005. This translates to an annualized growth rate of about 16.2% over the past five years. Figure 5 below illustrates the global growth in REITs.

Figure 5

*Total Market Cap and Number of Issues**



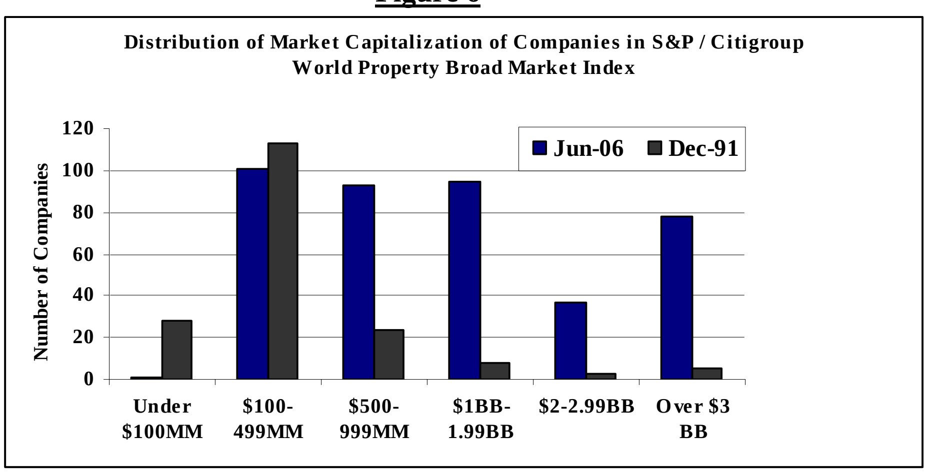
Companies (#)	173	188	295	316	341	381	363	362	335	324	320	319	351	412
International Assets (%)	90%	92%	85%	82%	80%	64%	60%	66%	61%	56%	53%	56%	57%	60%

* *S&P / Citigroup World Property Broad Market Index*

Source: Adapted from Cohen & Steers Presentation – Global Real Estate Securities, July 2006.

The growth in global REITs is evident in Figure 6 below – both in number of companies and in the market capitalization of companies. We believe that, as in any other industries that are in a growth mode, we will likely see an increasing number of companies worldwide. Over the long-term, we expect the number of companies to decline while the market capitalization might increase as the industry consolidates.

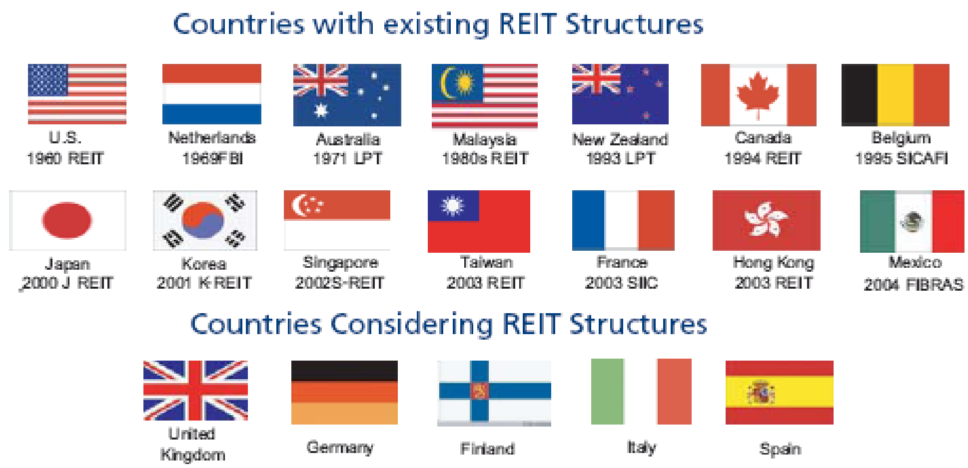
Figure 6



Source: S&P/Citigroup World Property Broad Market Index, Cohen & Steers, Beacon Pointe Research

As seen from Figure 7 below, some of the largest real estate markets such as U.K. and Germany are considering REIT like structures.

Figure 7



Source: ING Clarion Research

Adapted from "International Real Estate Securities" – ING Clarion Real Estate Securities, Spring 2006.

Globally, real assets are still owned significantly by private market investors. According to ING Clarion, public companies own only 8% of the world's high grade real estate. This implies there is tremendous opportunity for growth in public real estate and most of it is likely to be in the form of REITs because of its tax advantages. Table 5 shows the possible room for expansion of securitization of real estate. In Continental Europe, public real estate comprises only 3% of the global investable universe of institutional quality real estate. Rising dividend yields and demographics (see following sections) are likely to support continued global growth of REITs like structures.

Table 5

	High-Grade Real Estate Assets		Listed Real Estate Equity Market Cap			
Country/Region	($US B)	Global Share	($US B)	Global Share	Implied Total Assets Owned by Listed RE Companies ($US B)	% of High Grade RE
North America	6,154	31%	406	40%	648	11%
Continental Europe	6,379	33%	123	12%	203	3%
United Kingdom	1,384	7%	69	7%	110	8%
Japan	3,048	16%	129	13%	192	6%
Hong Kong/China	877	4%	143	14%	174	20%
Australia	384	2%	79	8%	111	29%
Other	1,314	7%	60	6%	92	7%
Total World	**$19,540**	**100%**	**$1,009**	**100%**	**$1,530**	**8%**

Source: ING Clarion research, as of December 31, 2005.

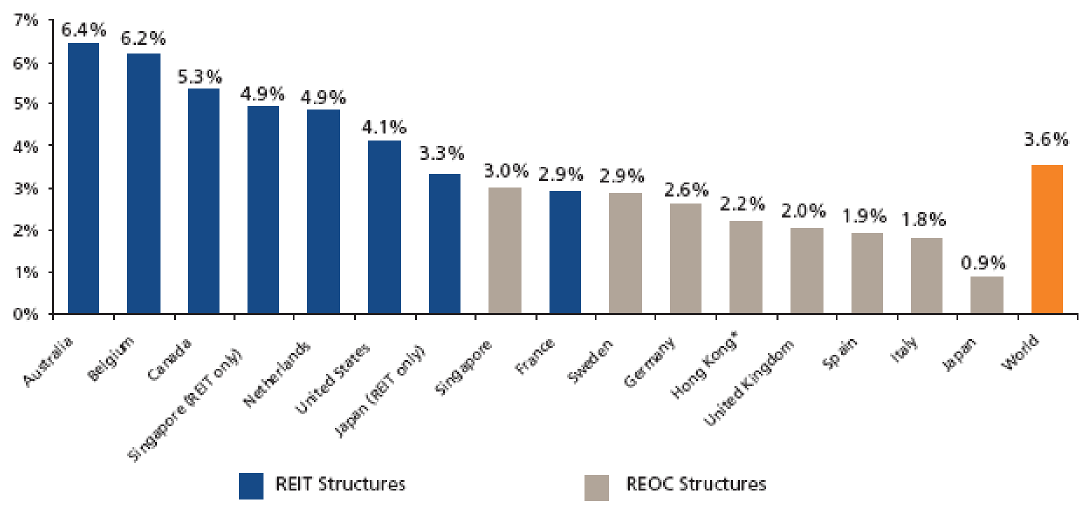
Adapted from "International Real Estate Securities" – ING Clarion Real Estate Securities, Spring 2006.

To illustrate the potential for growth of REITs around the globe, consider the following: in Germany, over $1.6 trillion in real estate is held privately. As such, the market has significant potential for securitization that can be facilitated by the expected launch of Germany REITs in 2007. Nearly 75% of commercial real estate is owned by corporations in comparison to just 25% in the U.S. The creation of a REIT structure in Germany is likely to attract capital from foreign investors who have thus far exhibited minimal interest.

Cohen & Steers expects the creation of REIT structures in Asian countries such as Hong Kong, Thailand, and Malaysia, will mitigate the historically high volatility of real estate markets and dampen the correlation to local economies. As a result, Asian REITs could provide growing income streams to those seeking income in other parts of the world.

Rising Dividend Yields – The yield on a global portfolio is less than a portfolio of U.S.-only REITs. However, increased adoption of a REIT like structure around the world will likely push the dividend yields higher and diminish the yield differential. This is because the REITs structure requires companies to pay out a large percentage of their earnings as dividends to shareholders to avail tax benefits. As seen from Figure 8 below, the two large real estate markets, Germany and U.K., with no REITs structure in place, have lower dividend yields which are likely to grow with the adoption of REITs like structures.

Figure 8



Source: EPRA/NAREIT as of February 28, 2006, ING Clarion Research
*Hong Kong includes Link REIT

Adapted from "International Real Estate Securities" – ING Clarion Real Estate Securities, Spring 2006.

Although REITs structures around the world are not the same, the emphasis globally is on high payouts (see Figure 9 on the next page). As some of the countries that do not have an existing REIT like structure evolve to a REIT like structure, we can anticipate the dividend yield to increase globally.

Figure 9

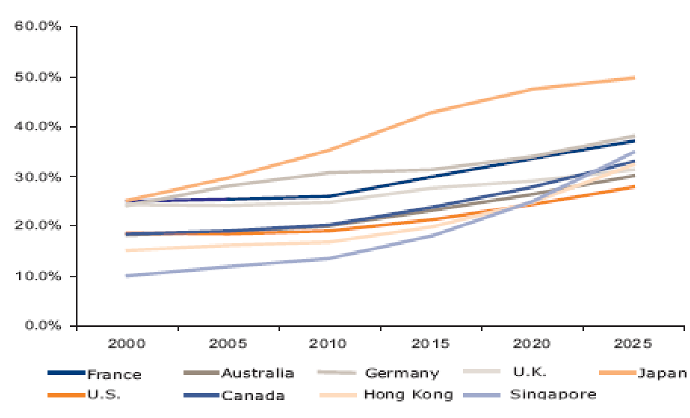
	US	Australia	Netherlands	Canada	Belgium	Singapore	Japan	France	Hong Kong	UK
Management	Internal or External	Internal or External	Internal	Internal	Internal or External	External	External	Internal or External	Internal or External	Internal or External
Investment Restrictions										
Real Estate Investments	75%+	>50% of revenue from rent*	100%	80%+	100%	70%+	75%+	Flexible	100%	75%+
Overseas Investment	OK	OK	OK	OK	Prohibited	OK	OK	OK	Prohibited	OK
Development	OK	OK	Minimal	OK	Minimal	20% of total assets	OK (but >50% of assets must be income producing)	OK	Prohibited	OK
Leverage limit	No restrictions	No restrictions	60% property assets	No restrictions	50% of total assets	35% total asset***	No restrictions	No restrictions	35% of total assets	Possible limit
Payout	>90% of taxable income (post depreciation)	100% of taxable income (post depreciation)	100% of fiscal earnings	85% of distributable cash (pre-depreciation)	80% of taxable income and net debt pay down	100% of taxable income (no deprectn)	>90% of taxable income (post deprectn)	85% of taxable income from rentals, 50% of capital gains	>90% of net income after tax (no deprectn)	95% of rental asset income (post allowable deductions)
Closed ended	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	both	Closed likely, unlisted possible
Listed/Unlisted^	Both	Both	Both	Listed	Listed	Listed	Listed	Listed	Listed	Listed likely, unlisted possible
Tax transparency	Yes	Yes	Yes^	Yes	Yes^	Yes	Yes	Yes^	No**	Yes

Source: UBS, Courtesy of Goldman Sachs Presentation – Case for Global Property Securities

Demographics – In the developed world, demographic forces imply a need for income producing investment vehicles. REITs, with their emphasis on dividends, are ideal for those seeking income in addition to capital appreciation. According to United Nations and ING Research, Japan is aging the fastest among the major developed countries. Germany and France follow with their age dependency going from 28% to 38% and 25% to 37% respectively (see Figure 10 below).

Age dependency ratio – an indicator of graying population – is calculated by dividing the total elderly population (over 65) by the working age population (16-65). A higher dependency ratio suggests a graying population with accompanying pressures on the pension system. As the number of retirees grows faster than paying into the system, pension plans are likely to favorably view public real estate with an emphasis on income. Thus, aging population in developed economies is likely to result in global proliferation of REITs like structures.

Figure 10



Source: United Nations, ING Clarion Research

Adapted from "International Real Estate Securities" – ING Clarion Real Estate Securities, Spring 2006.

Global Real Estate Exposure – Why REITS vs. Other Implementation Options

Investors might question the benefits of seeking global real estate exposure via REITs versus other options that include direct investments, whether in core, value-add, or opportunistic style.

Figure 11 below illustrates the risk-return for the various types of real estate investments. We can see that global listed property (REITs and REOC) offer a happy medium of high returns with moderate volatility.

Figure 11

Source: Morgan Stanley Investment Management – The Case for a Strategic Allocation to Global Real Estate Securities, Fall 2005

Proponents of private real estate have highlighted lower volatility (as measured by standard deviation of NCREIF[2]) versus the higher volatility in public real estate. However, according to a Goldman Sachs study, when you adjust for the leverage in private real estate and the appraisal smoothing effect, we see the that ***returns and volatility of both private and public real estate are comparable***. See Figure 12 on the next page for an illustration of the adjustment for leverage and appraisal smoothing effect. Figure 13 (also on the next page) illustrates the difference in structure between the private and public real estate, using the U.S as an example.

[2] NCREIF – National Council of Real Estate Investment Fiduciaries Index

Figure 12

	US Private Real Estate	US Public Real Estate
Access	Direct & commingled through purchase of properties	Indirect through purchase of listed REITs and REOCs
Management	Static (post initial investment)	Active
Capital Structure	Static	Dynamic
Liquidity	Limited	Daily
Index	Represented by the **NCREIF Index (National Council of Real Estate Investment Fiduciaries)** – Appraisal based sample of investment grade commercial properties owned by large tax-exempt US Institutions	Represented by the **NAREIT Index (National Association of Real Estate Investment Trusts)** – Includes all publicly-traded REITs on major US exchanges.

Source: Goldman Sachs – Global Property Securities, June 2006, NCREIF and NAREIT

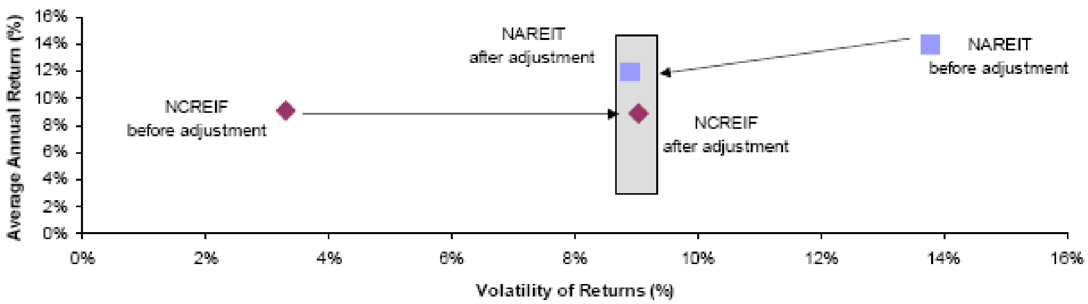
Figure 13

Post adjustment for…

- Appraisal smoothing effect (NCREIF)
- Leverage (NAREIT)

…We conclude that public and private real estate have similar return & risk characteristics.

Public vs. Private Real Estate, 1979–2004*



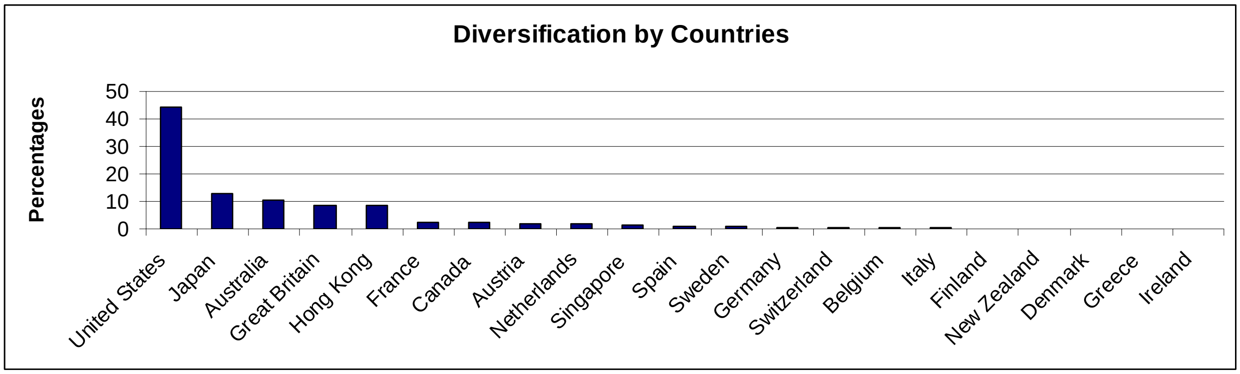
* We performed the analysis going back to 1994 which defined the beginning of the modern REIT era, and got similar results.
Appraisal smoothing effect is defined as the dampening of apparent volatility that results in an appraisal based Index that is valued only yearly (and adjusted quarterly).
Source: NAREIT, NCREIF, Datastream, GSAM
Past performance is not indicative of future results, which may vary. Indices are unmanaged. The figures for the Index reflect the reinvestment of dividends but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in Indices. Our analysis is an adaptation and extension of the methodology used "Public versus Private Real Estate Equities: A risk-return comparison" by Joseph L. Pagliari, Jr., Kevin A. Scherer, and Richard T. Monopoli, *The Journal of Portfolio Management*, Special Real Estate Issue, 2003.

Source: Goldman Sachs – Global Property Securities, June 2006, NCREIF and NAREIT

Although not always the case, private real estate investments tend to be concentrated in specific property types or geographical regions due to the limited expertise of the principals of the investment firms. Only those investors with significant real estate portfolios can achieve meaningful diversification through direct real estate investments. While diversification may be possible via private commingled vehicles, the overall process is considerably more complicated. However, with public real estate, investors can more easily access a wide variety of property types and regions and thus achieve ***meaningful diversification***.

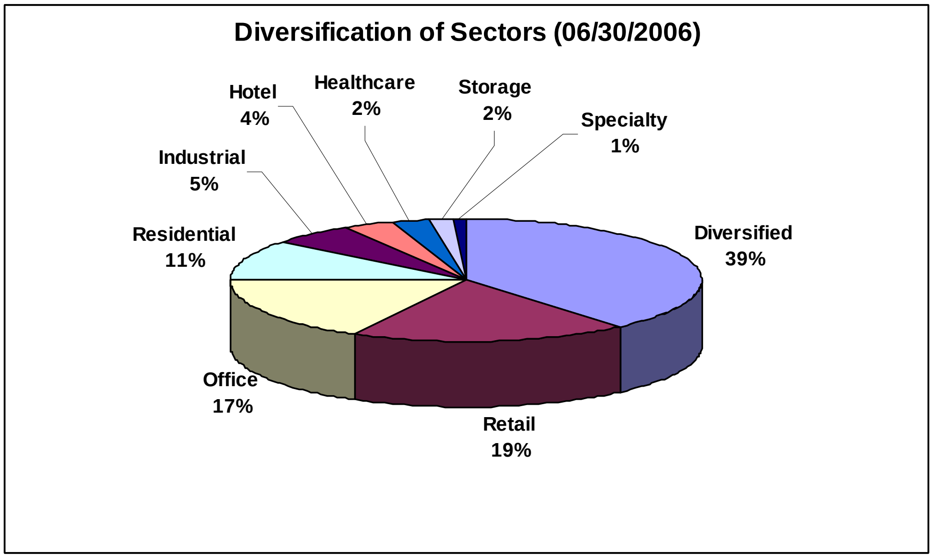
For instance, global REITs' investors can invest in a portfolio that would be about 45% U.S. and 55% non-U.S. real estate markets. However, as REITs structures proliferate around the world, we can expect the U.S. portion of the global REITs to be smaller going forward. The country diversification (as of 06/30/2006) is seen below in Figure 14. Great Britain and Germany's REITs' markets, after adoption of REIT structures, will be much larger than they are at this time. Meaningful diversification is also achieved via sector exposures as shown in Figure 15 below.

Figure 14



Source: S& P/Citigroup World Property Broad Market Index and Cohen & Steers, Beacon Pointe Research

Figure 15



Source: S& P/Citigroup World Property Broad Market Index and Cohen & Steers Beacon Pointe Research

A second advantage of public real estate is ***liquidity*** and investors can take up new positions quickly at little cost. At any time, investors can adjust the size of their investments just as they would their common stocks. In sum, buying and selling the real estate portion of their portfolio is much easier to accomplish in REITs in contrast to the lower liquidity private real estate investments. This buying and selling can also be done with public real estate if the investor is displeased with the management. In contrast, terminations of commingled vehicles are typically time consuming and more complicated.

Finally, public real estate offers a good base for ***adding alpha,*** as investments are not as static in the public real estate as they are in the private real estate investments. Public real estate investments can be swapped for better alternatives since the liquidity is high and there are no lock-up periods.

Global REITs – Choosing An Appropriate Index

As is the common practice in the investment industry, a manager's performance is compared relative to an appropriate benchmark. Table 6 on the next page illustrates the characteristics of the major indices to measure global real estate securities performance.

Although all of the indices are fairly comprehensive in their structure, Beacon Pointe believes that the S&P / Citigroup World Property Broad Market Index is the most suitable Index to measure a global REITs manager's performance for the following reasons:

- It has the highest number of countries (32 versus 26 in the GPR General) represented in the Index, implying broader diversification.
- The second highest number of companies represented in the Index (405 - slightly behind GPR General's 409 companies).
- Using sales as a metric for determining the level of real estate activity is better than using profits. This is because you could have a holding company that is involved in activities other than real estate but generating most of its profits from real estate activities. As such, other indices which are based on profitability measures to determine level of real estate activity have been eliminated.
- The Index's global minimum market cap above $100 million (instead of region based minimum market cap as in other indices) implies level playing ground for U.S. based investors and liquidity constraints ensure that illiquid securities are excluded from the index.

Table 6

	EPRA/NAREIT (1/31/2005)	S&P Citigroup BMI Property (1/31/2005)	GPR General (1/31/2005)	GPR 250 (1/31/2005)	GPR 250 REIT (1/31/2005)	UBS Warburg Global Real Estate Investors Index (1/31/2005)
Index Composition						
Market Cap	US$484b free float	US$526b free float (US$ 718bmkt cap)	US$714b mkt cap	US$452.5b free float (US$556 total mkt cap)	US$307b free float (US$ 354.7b total mkt cap)	US$342b free float
Number of Companies	247 NA: 125 Asia: 53 Europe: 69	405 NA: 160 Asia: 144 Europe: 90 S.Africa: 9 S. America: 2	409 NA: 160 Asia: 90 Europe: 147 S.Africa: 11 S. America: 1	248 NA: 124 Asia: 58 Europe: 61 S.Africa: 5	170 NA: 122 Asia: 31 Europe: 14 S.Africa: 3	200 NA: 115 Asia: 29 Europe: 56
Number of Countries	NA: 2 Asia: 5 Europe: 13	NA: 3 Asia: 11 Europe: 15 Africa: 1 S. America: 2	NA: 3 Asia: 8 Europe: 13 Africa: 1 S. America: 1	NA: 2 Asia: 6 Europe: 11 Africa: 1	NA: 2 Asia: 5 Europe: 3 Africa: 1	NA: 2 Asia: 5 Europe 11
Regional Breakdown	NA: 52% Asia: 27% Europe: 21%	NA: 47% Asia: 33% Europe: 19% Africa: 1%	NA: 36% Asia: 29% Europe: 35%	NA: 46% Asia: 33% Europe: 21%	NA: 67% Asia: 24% Europe: 9%	NA: 57% Asia: 18% Europe: 25%
Inclusion Criteria						
Min Mkt Cap	Free float Basis NA: US$200m Asia: US$200m Europe: Euro50m	Free Float Basis Global > US$100m	Mkt Cap Basis Mkt cap above US$50m	Free Float Basis Mkt cap above US$50m	Free Float Basis Mkt cap above US$50m	As per EPRA/NAREIT
Liquidity	Value of shares traded on a 3 mth annualized basis is at least NA: US$100m Asia: US$100m Europe: Euro 25m	Trade US $20m in value in previous 12 mths	No liquidity constraints	250 most liquid property companies in the world (highest 12 month trading volume in US$)	250 most liquid property companies in the world - with REIT-type structure	As per EPRA/NAREIT
Other	Real estate activity must be > 75% of EBITA in NA & Europe, > 60% in Asia	Real estate activity must be > 50% of sales	Real estate activity must represent > 75% of operational profit	Real estate activity must represent > 75% of operational profit	Real estate activity must represent > 75% of operational profit. Must have REIT-type structure. Subset of GPR 250 Index	Includes stocks in the EPRA/NAREIT where over 70% of the next three years forecast total revenue is derived from the rental income of real estate properties as forecast by UBS.
Construction						
Calculation Frequency	Daily	Daily	Monthly	Daily	Daily	Daily
Weighting	Free Float	Free Float	Mkt Cap	Free Float	Free Float	Free Float
Revisions	Quarterly	Annual	Monthly	Quarterly	Quarterly	Quarterly
Provider	Independent	S&P/CitiGroup	Kempen	Kempen	Kempen	UBS
Base Date	1989	1989	1984	1990	1990	1989
Other Comments		*Closed end property trusts & other pass thru vehicles are in the index*	*Includes bank-funds. Broadness of index => hard to track due to liquidity constraints.*		*Must have REIT-type structure. Subset of GPR 250 Index*	Sub index of EPRA/NAREIT

Source: Morgan Stanley Investment Management, NAREIT, Standard and Poors, Kempen

Adapted from CRA RogersCasey – The Case for Global Real Estate Securities

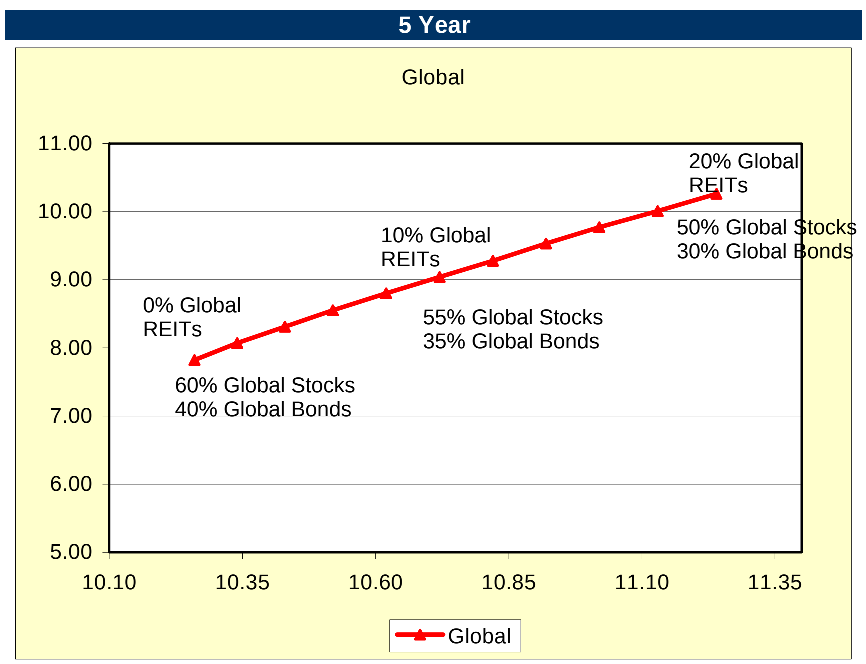
Global REITs – Impact on Portfolio

Beacon Pointe performed a study of the impact of global REITs as measured by the S&P/Citigroup Property Broad Market Index on a portfolio as it weights increased from 0% to 20% of the portfolio. One important factor to consider in this study is that past performance might not be valid going forward if the asset class is undergoing structural changes. As highlighted, many of the foreign countries are introducing REIT like structures that we believe will change the historical correlation. As such, we need to take the outcome of this study with a grain of salt.

However, we believe, it is instructive to draw conclusions and set forth what we think is the likely portfolio impact going forward. Because many of the global properties were listed more recently, we will study only the last five years of the impact of adding global REITs to a portfolio of global stocks and bonds. Figure 16 below illustrates the impact of adding global REITs to a portfolio of global stocks and bonds. As seen, the addition of global REITs can enhance returns substantially – to the extent that returns increased from 7.82% (at 0% global REITs, 60% global stocks and 40% global bonds portfolio) to 10.26% (at 20% global REITs, 50% global stocks, and 30% global bonds portfolio). The risk increased by a corresponding amount from 10.26% to 11.24%.

Beacon Pointe believes that the strong returns by all asset classes, including global REITs is unlikely to occur in the next few years. Hence, investors should dampen their expectations going forward in terms of returns. However, in terms of risk, we believe as the global REITs' industry mature, the risk levels are likely to decrease going forward, just as U.S. REITs exhibited lower risk in the 90s as the industry became more mature and investors appreciated the unique characteristics offered by REITs – higher income than stocks and more capital appreciation than bonds.

Figure 16



Source: StyleAdvisor, Beacon Pointe, Cohen & Steers

The Case for Global REITs - Conclusions

- Beacon Pointe believes that investors with long-term horizon should have some exposure to global REITs. Depending on their risk tolerance, we recommend that investors should allocate a percentage of their total assets to this growing asset class that has a great combination of higher income than common stocks and better capital appreciation than bonds.

- We believe that many of the factors that helped create the growth of U.S. REITs in the early 1990s are now played out on the global front. As such, we believe that our clients will be served well by investing in this growing asset class with superior risk-adjusted returns. In addition, as property values are very location dependent, it would make prudent sense from a diversification point of view to add global REITs.

- Increasing adoption of REITs like structures globally and a growing interest in investment managers in global REITs will help the growth of this asset class increase from $700 BB today to over $1 trillion in a year or two. The potential for this asset class to grow even larger is fairly high as most real estate in large markets outside of the U.S. is still privately owned or sits as passive investment on many of the larger companies' balance sheets.

- Please contact your Beacon Pointe consultant should you have any questions.