

The REIT Choice - Why Add REITs to a Portfolio?

August 18, 2008

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Overview of REITs

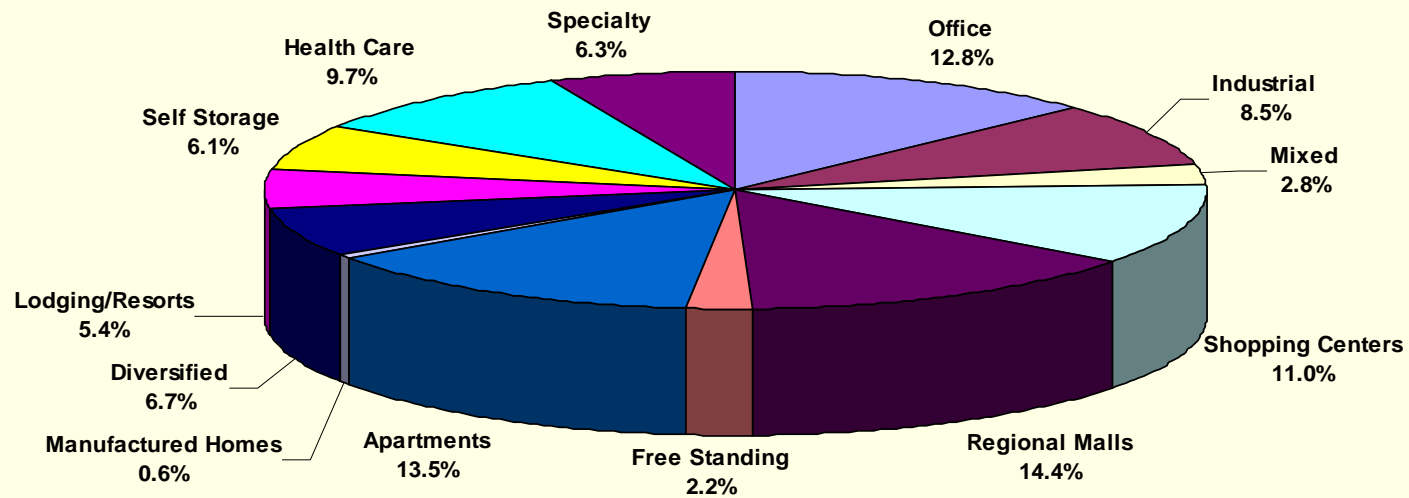
The REIT Industry Today

- Over \$600 billion of commercial real estate owned
 - 10-15 percent of investment-grade commercial real estate
 - More than 24,000 properties nationwide
 - All major property sectors
 - All major geographic regions
- \$294 billion equity market capitalization
- 148 publicly traded REITs in the FTSE NAREIT All REIT Index
- 127 companies trade on the NYSE

As of June 30, 2008
Source: NAREIT

REITs Invest in All Property Types

Property Sector Distribution of Listed Equity REITs

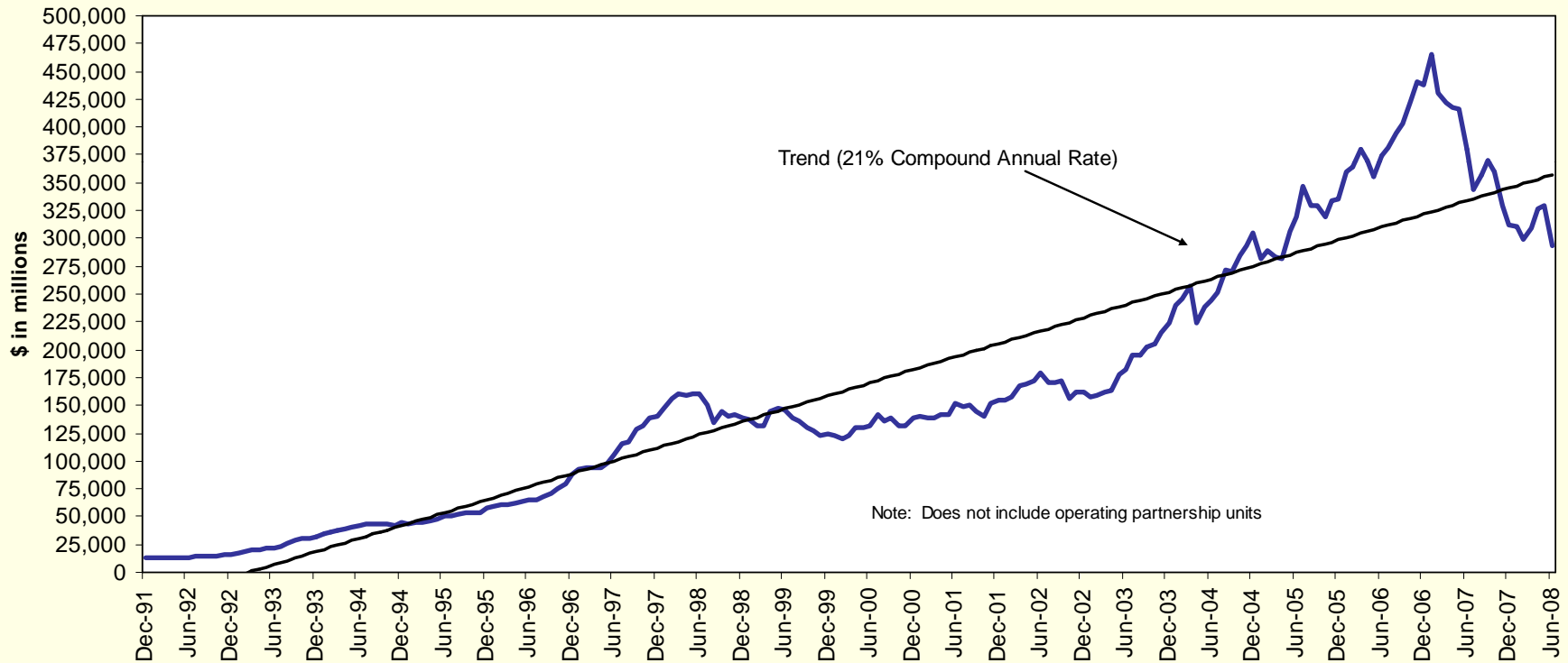


As of June 30, 2008
Source: NAREIT

Growth in Market Capitalization of REITs

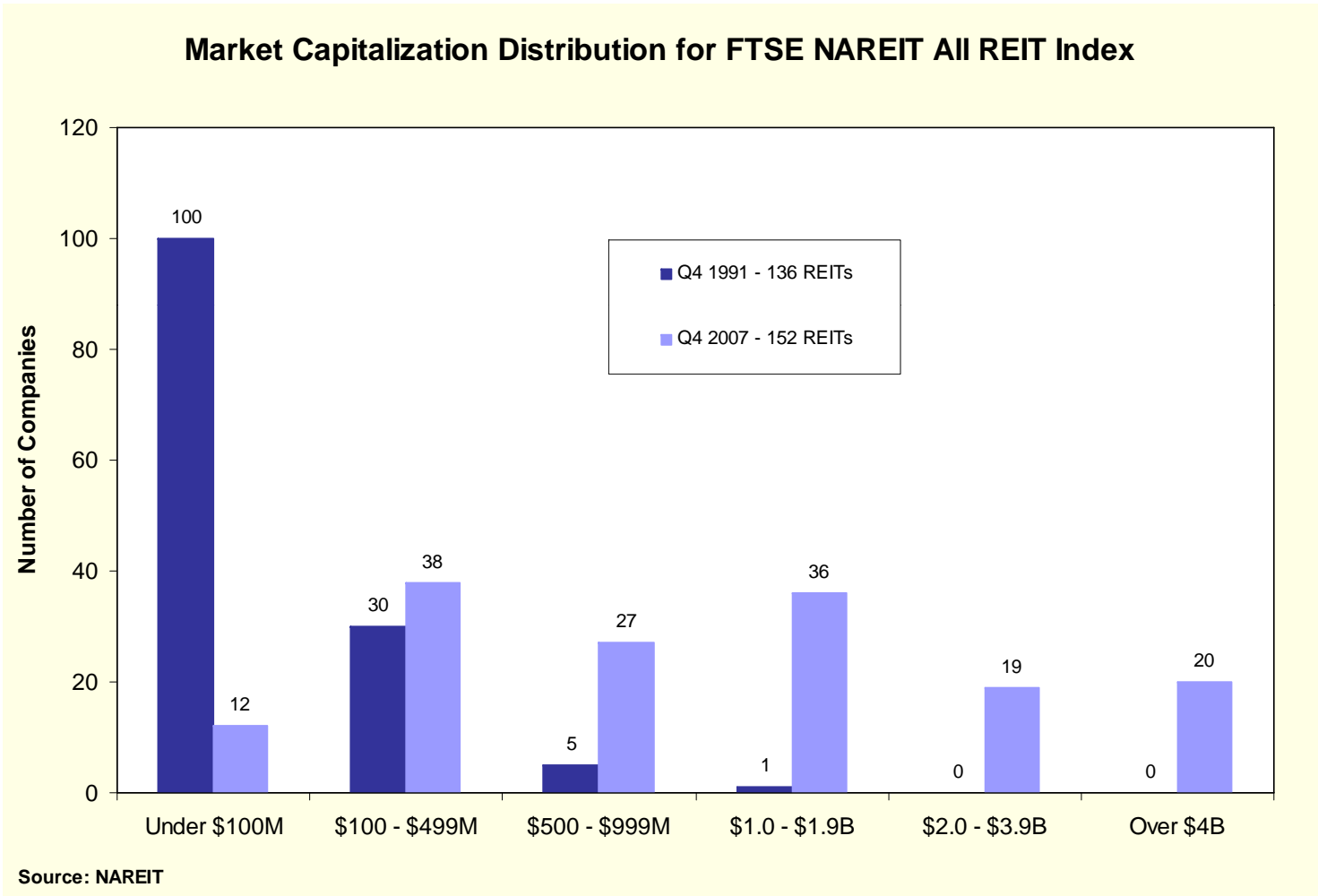
December 1991 – June 2008

Equity Market Capitalization of All Listed U.S. REITs



Source: NAREIT

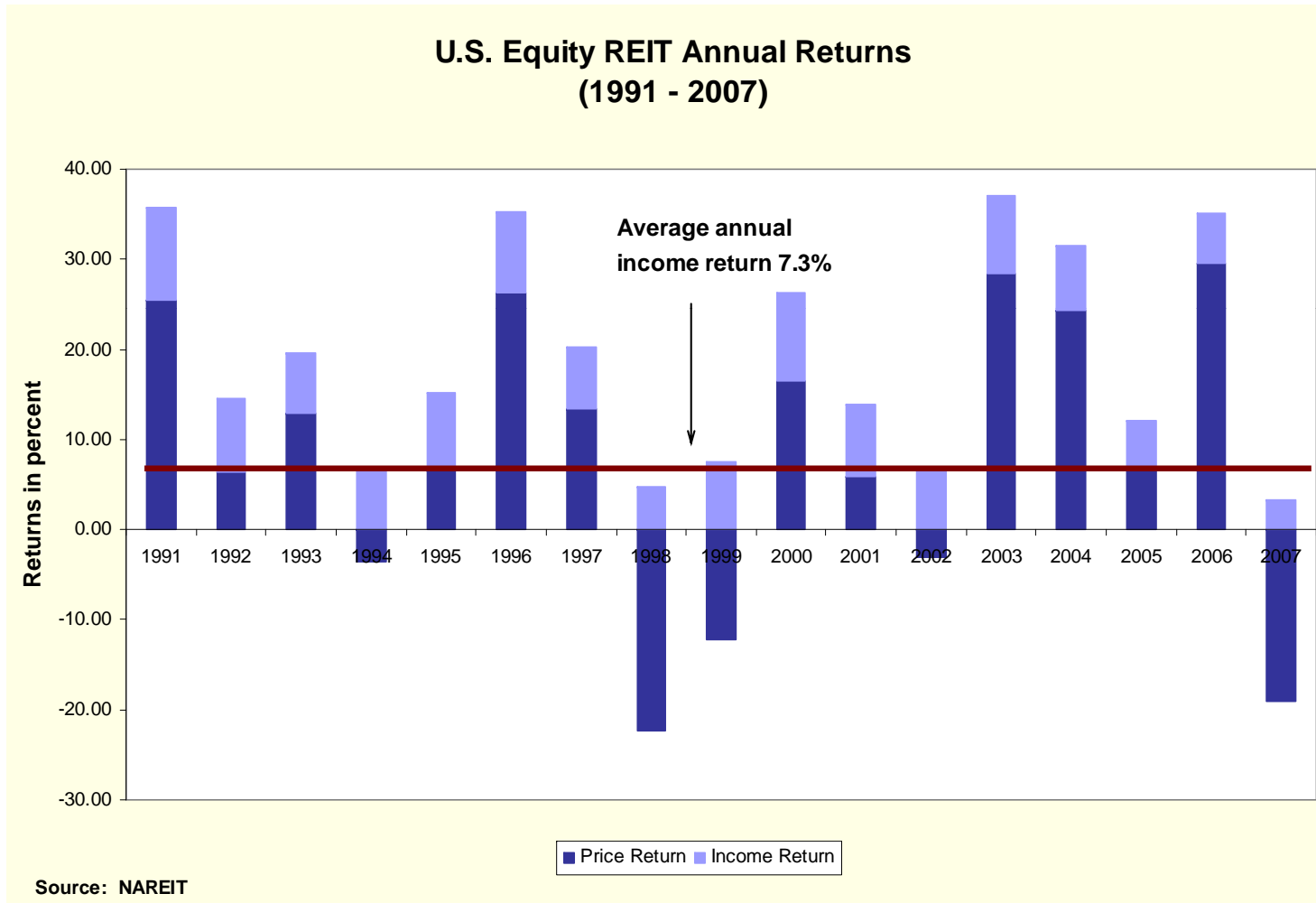
Growth in Company Size



Why Invest in REITs?

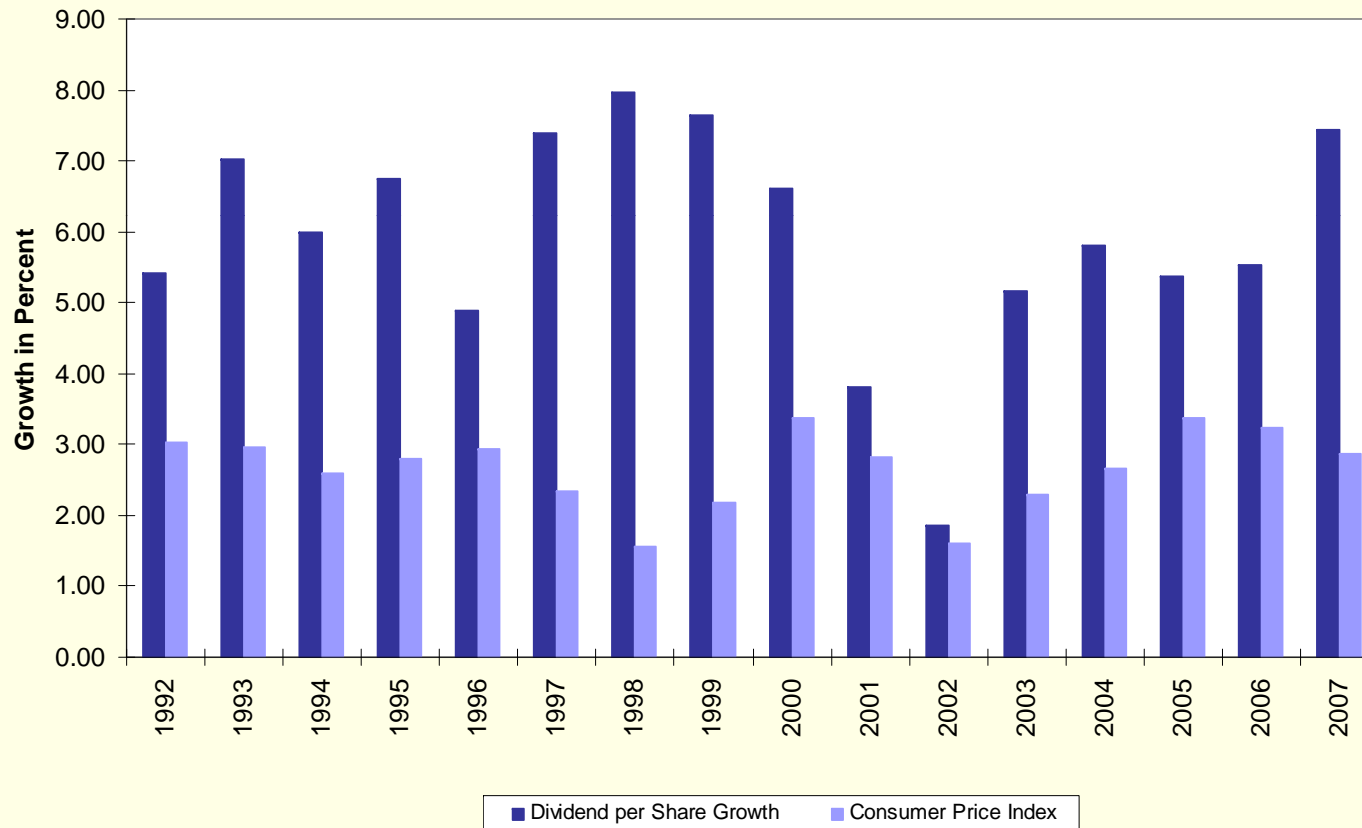
REIT Return Components

Historically Dividends Provide Majority of the Total Return



REITs as an Inflation Hedge

U.S Equity REIT Average Annual Dividend Growth vs. CPI Index



Source: NAREIT

REITs versus Other Asset Classes

Compound Annual Total Returns (Percent, July 1988 – June 2008)

Compound Annual Rate of Return in Percent

	REITs	Large Stocks	Small Stocks	International Stocks	Bonds	T-Bills
5 Years	14.28	7.58	10.29	17.16	3.86	3.06
10 Years	10.64	2.88	5.53	6.23	5.68	3.47
15 Years	11.49	9.22	8.92	7.58	6.08	3.96
20 Years	11.42	10.45	9.48	6.66	7.36	4.52

Source: Zephyr StyleADVISOR; REITs—FTSE NAREIT Equity REIT Index; Large Stocks—S&P 500 Index; Small Stocks—Russell 2000 Index; International Stocks—MSCI EAFE Index; Bonds—Lehman U.S. Aggregate Bond Index; T-Bills—Citigroup 3-month T-Bill Index.



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REITs versus Other Asset Classes

Annualized Standard Deviation of Quarterly Returns (Percent, July 1988 – June 2008)

Annualized Standard Deviation of Quarterly Returns in Percent

	REITs	Large Stocks	Small Stocks	International Stocks	Bonds	T-Bills
5 Years	16.84	9.69	13.88	12.58	3.48	0.79
10 Years	15.54	14.96	20.03	15.04	3.50	0.49
15 Years	14.02	13.95	17.95	14.35	3.69	0.46
20 Years	13.54	13.74	17.62	16.04	3.83	0.56

Source: Zephyr StyleADVISOR; REITs—FTSE NAREIT Equity REIT Index; Large Stocks—S&P 500 Index; Small Stocks—Russell 2000 Index; International Stocks—MSCI EAFE Index; Bonds—Lehman U.S. Aggregate Bond Index; T-Bills—Citigroup 3-month T-Bill Index.

REITs versus Other Asset Classes

Sharpe Ratios (Percent, July 1988 – June 2008)

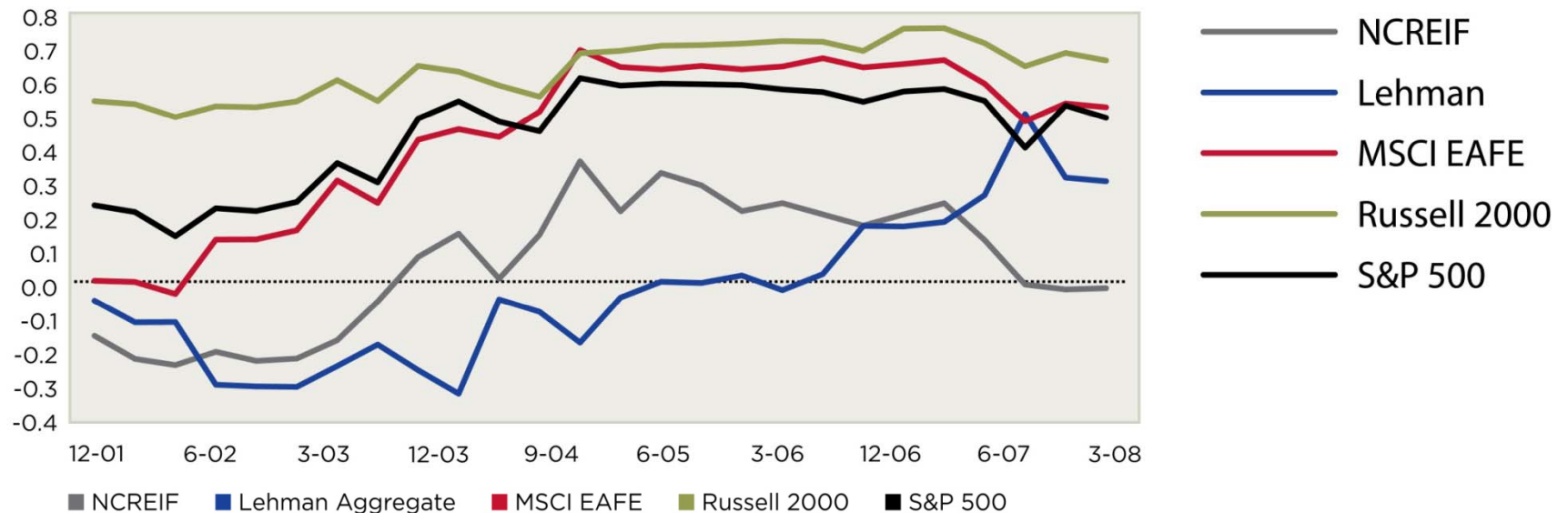
Sharpe Ratios					
	REITs	Large Stocks	Small Stocks	International Stocks	Bonds
5 Years	0.666	0.466	0.521	1.121	0.230
10 Years	0.461	-0.039	0.103	0.184	0.631
15 Years	0.537	0.377	0.276	0.252	0.575
20 Years	0.510	0.432	0.281	0.133	0.742

Source: Zephyr StyleADVISOR; REITs—FTSE NAREIT Equity REIT Index; Large Stocks—S&P 500 Index; Small Stocks—Russell 2000 Index; International Stocks—MSCI EAFE Index; Bonds—Lehman U.S. Aggregate Bond Index.

REITs Versus Other Asset Classes

REIT Returns Exhibit Low Correlations with Other Assets

20 Quarter Rolling Periods Ending 3/31/08



Source: Zephyr StyleADVISOR. FTSE NAREIT Equity REIT Index is a free-float market capitalization-weighted index, which measures equity tax-qualified REITs that meet minimum size and liquidity criteria, and are listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ National Market System. S&P 500® is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. MSCI EAFE® (Morgan Stanley Capital International Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that measures developed foreign market equity performance, excluding the U.S. and Canada. Lehman Brothers Aggregate Bond Index: Measures the U.S. investment grade fixed rate bond market. Russell 2000® Index is a market capitalization-weighted index of growth-oriented stocks of the smallest 2,000 companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual real estate properties acquired in the private markets.

How Defined Benefit Pension Plans are Using REITs

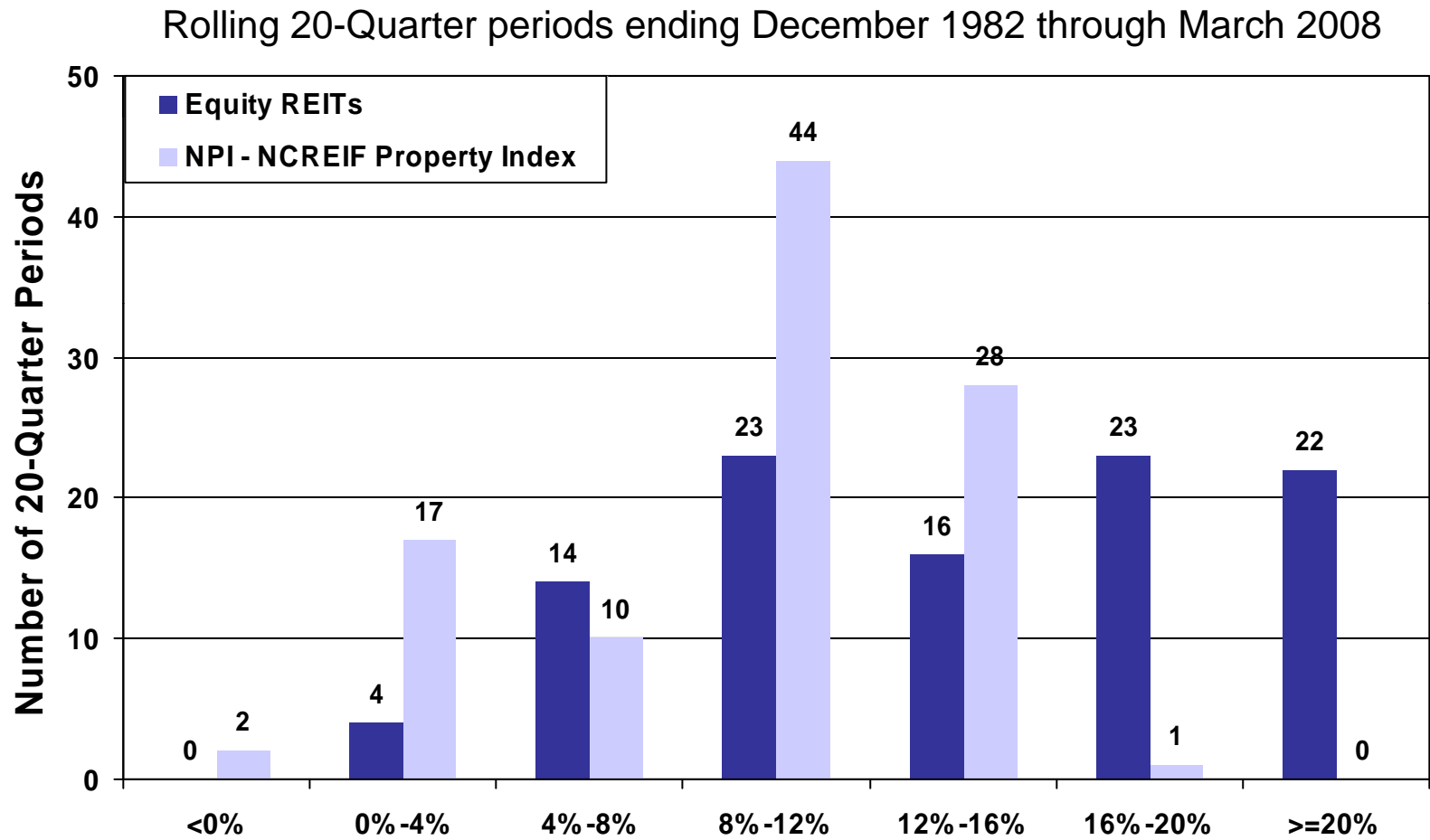
- To further diversify their overall real estate allocation and as a complement to a direct investment (or to investment in real estate through private vehicles)
- To employ tactical asset allocation
- To efficiently gain international real estate exposure
- To access property types and/or markets that might be difficult to invest in directly
- To secure the most efficient, cost-effective and practical means by which investors can gain real estate exposure

REITs versus Direct Real Estate

- Property sector and geographic diversification (flexibility)
- Real-time pricing
- Liquidity
- Low transaction Costs
- Transparency
- Corporate governance

REIT and Direct Real Estate Return Comparisons

Five-Year Average Annual Total Returns

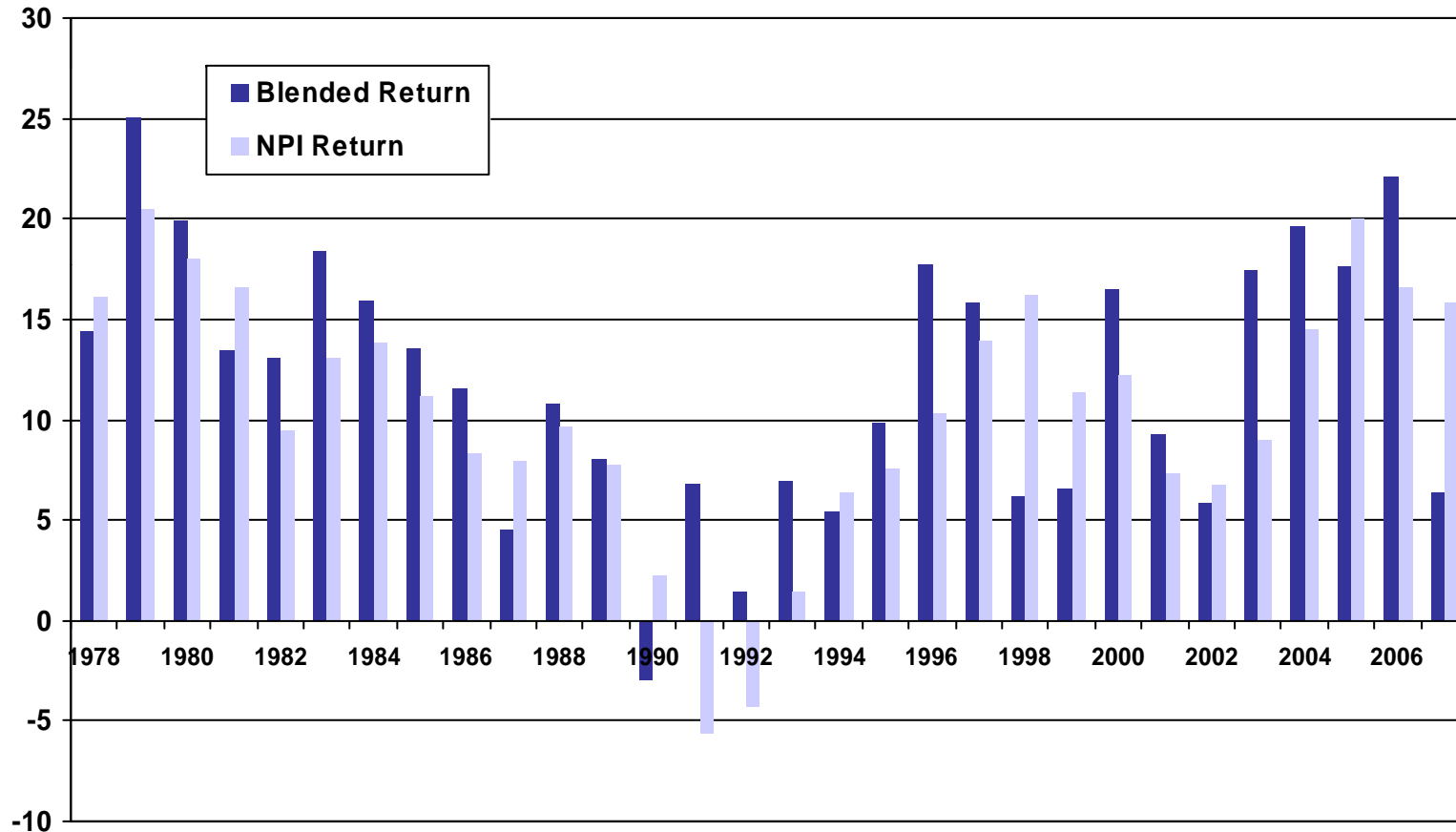


Note: Based on quarterly data Sources: NAREIT® and NCREIF

REIT and Direct Real Estate as Complements

Performance of a Blended Real Estate Allocation

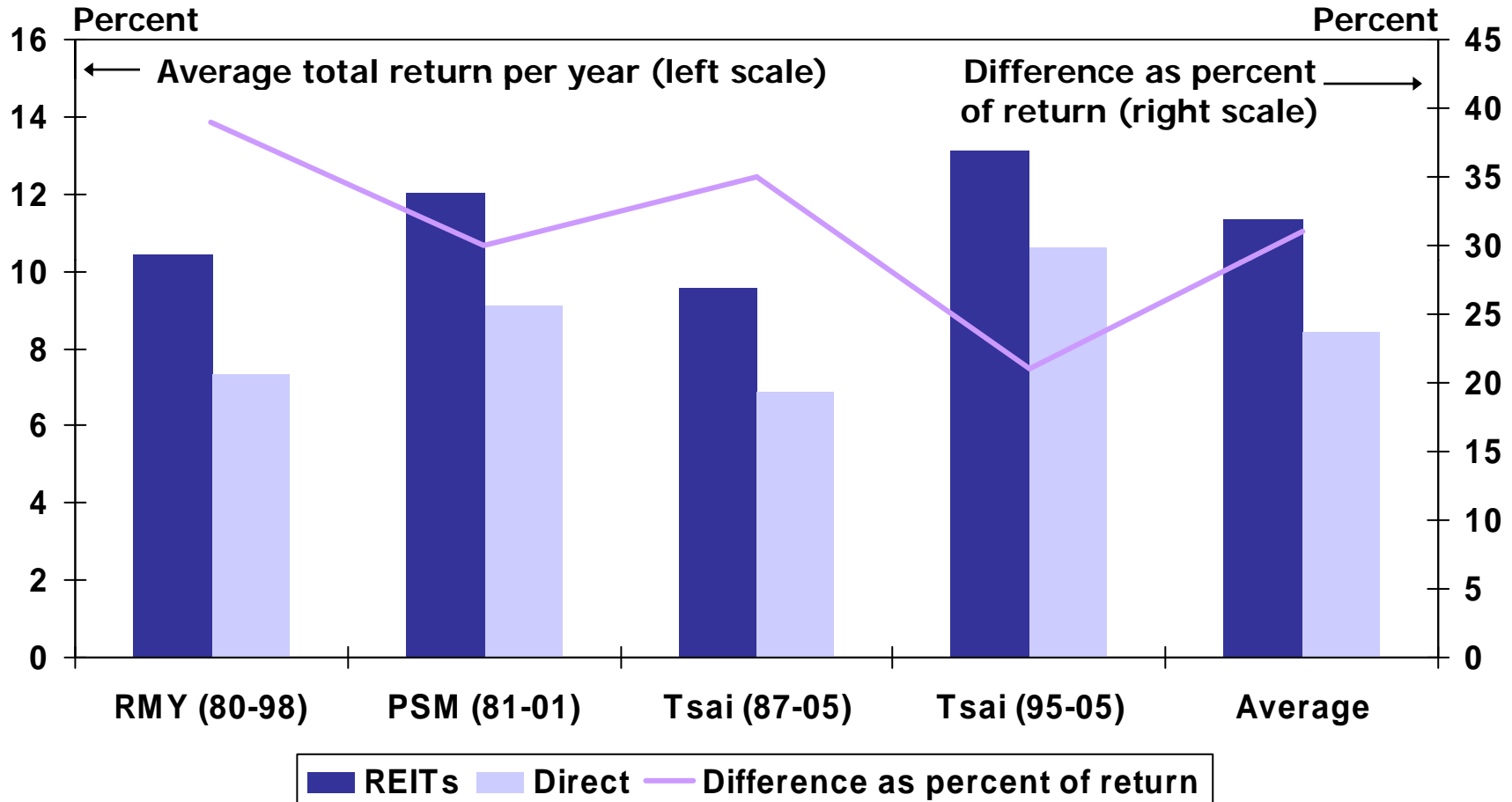
(70% NPI – 30% FTSE NAREIT Equity REIT Index, 1978 – 2007)



Source: NAREIT and NCREIF

REIT Total Return Outperforms Direct Real Estate

After Adjusting for Leverage and Other Major Differences



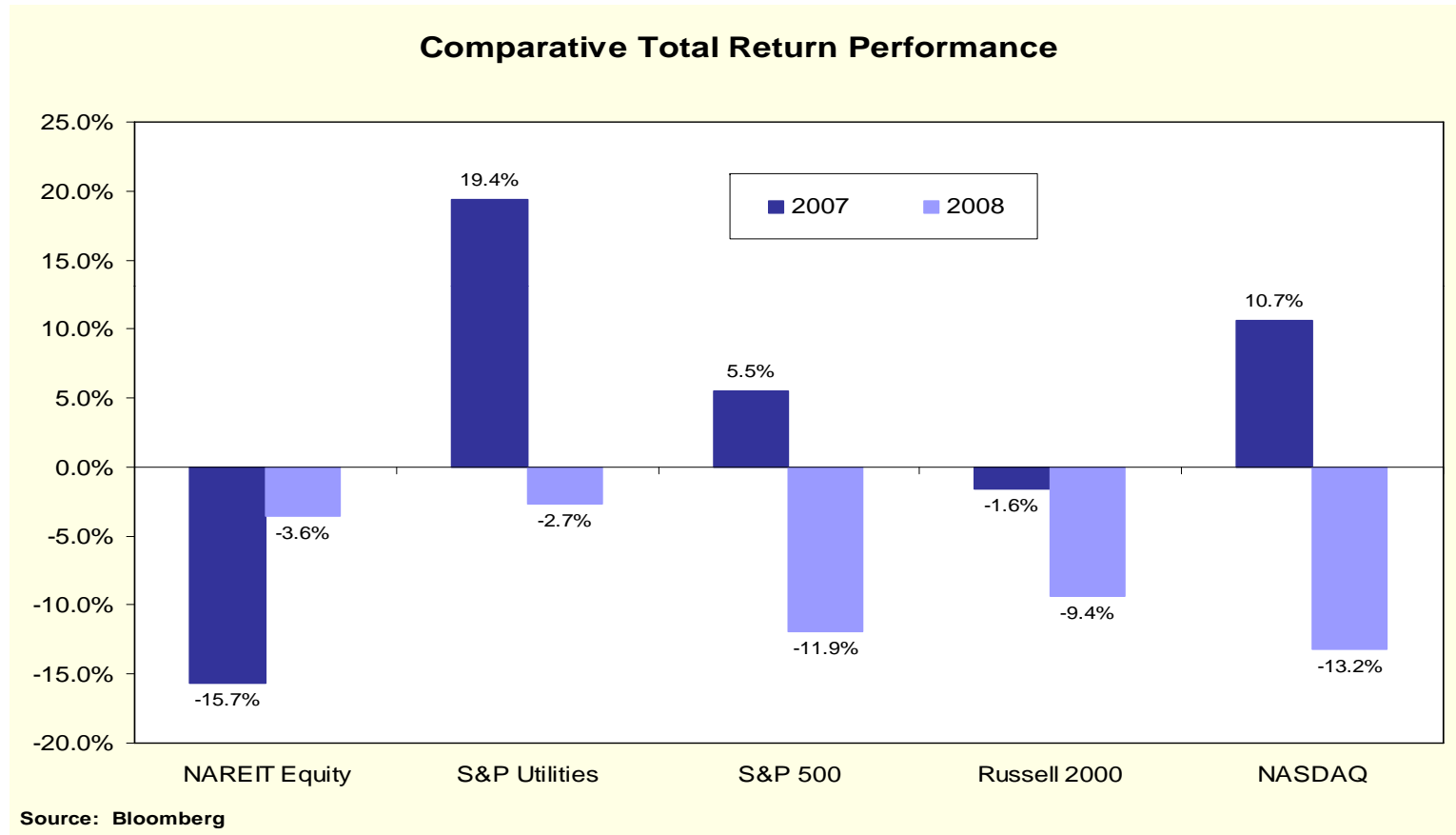
Note: Riddiough, Moriarty & Yeatman (RMY) control for differences in property type mix, leverage, and fees. Pagliari, Scherer & Monopoli (PSM) control for differences in property type mix and leverage, but not fees. Tsai controls for property type mix, leverage, and fees.

Outlook for REITs



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Total Return Performance of Equity REITs



Period ending June 30, 2008

Investment Review and Outlook

- Equity REITs under-performed the broader equity markets in 2007 after seven years of out-performance
- The variance of return among property sectors increased markedly in 2007 and was driven by both space market and asset market trends
- Real estate asset pricing and REIT valuations have receded from historical highs, with the public markets leading the way
- M&A will have less influence on returns for the foreseeable future
- Going forward, underlying fundamentals should have a greater influence on REIT total returns