



MARTEDÌ, 15 OTTOBRE 2013
Milano, Fondazione Riccardo Catella
Via G. De Castilia 28



Global Economic Overview

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MARTEDÌ, 15 OTTOBRE 2013

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Washington Shutdown Adds to Uncertainties



- First Shutdown in 17 years
- Follows Fed Decision Not to Taper
- Congressional Positions Rule Out Compromise
- Much Needed Reforms Postponed

Bernanke Boost: For Markets, Not Economy!



- Equities Remain Addicted to Monetary Stimulus
- May 22 Speech Roils Fixed Income Market
- “Wealth Effect” Yet to Speed Economic Growth
- Market Distortions are Increasing
- Ballooning Portfolio Limits Fed’s Flexibility

Expect Further Bond Rally After Recent Correction

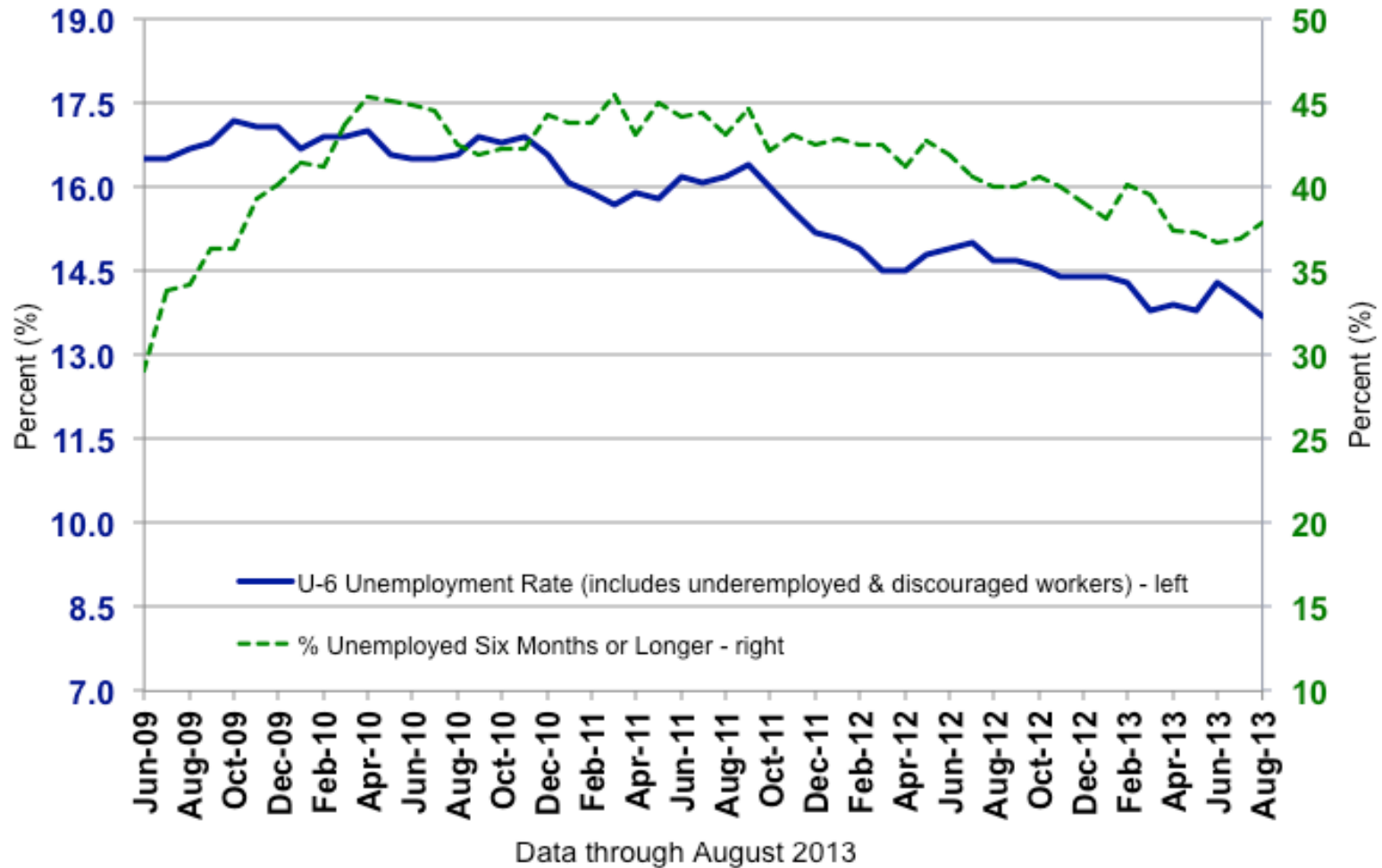


UST 10-Year

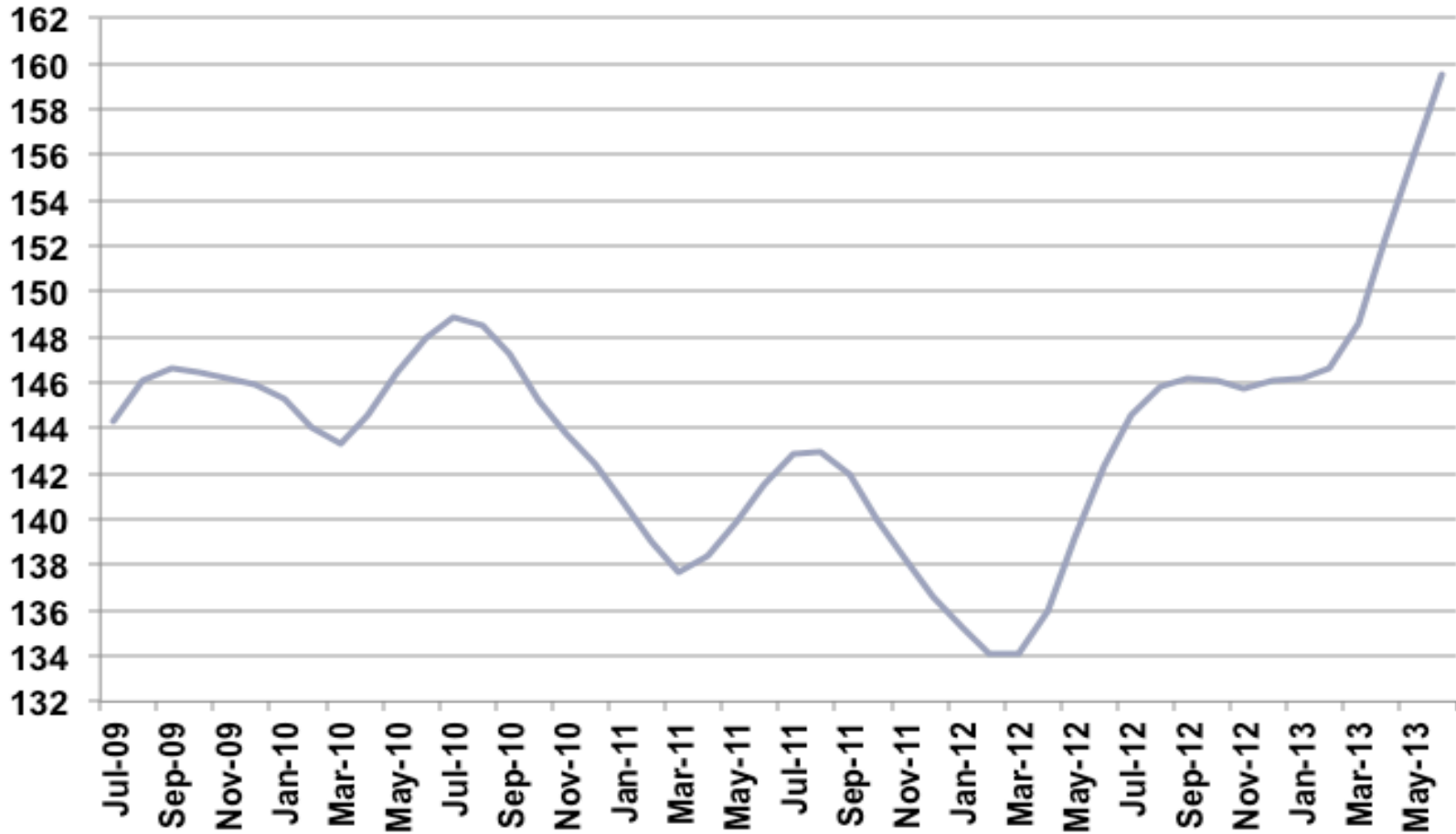


Data through September 4, 2013

U-6 Unemployment Stubbornly High

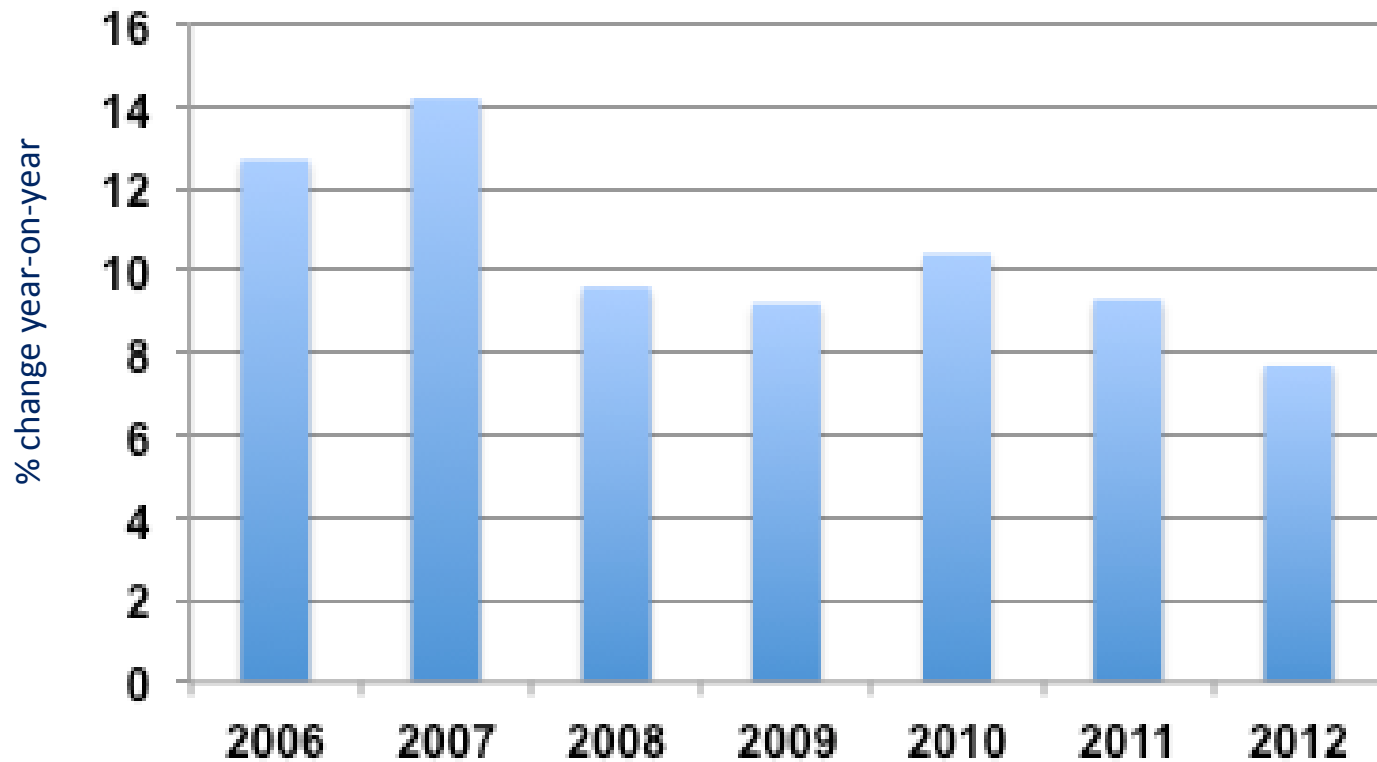


U.S. Home Prices: Brightening Prospects



Data through June 2013

China: Slower Growth But No Hard Landing



EM Equities Plunge After May 22



Partial Upturn after Taper Postponement



Data as of 10/4/13

Italy in Context

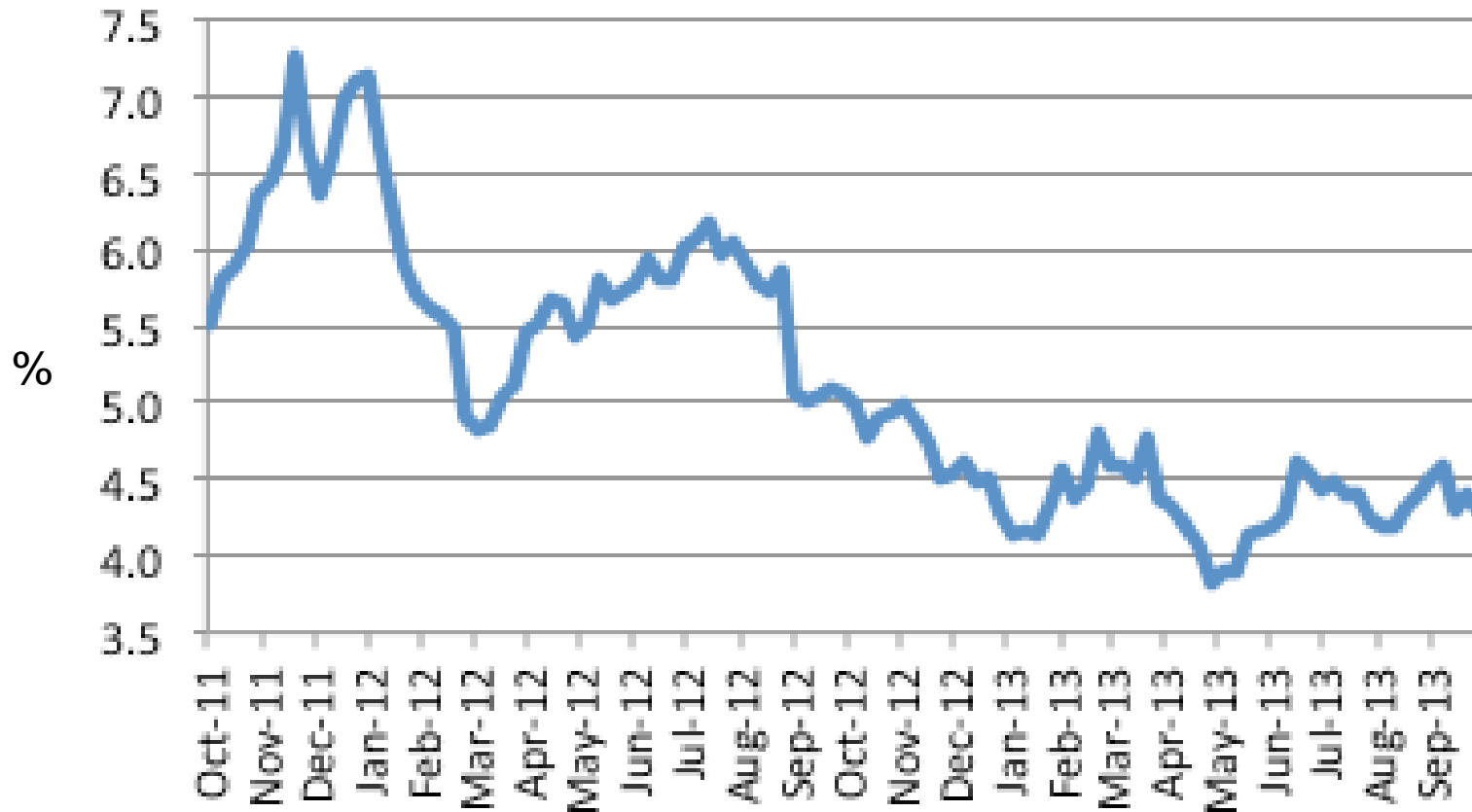


- OMT Lowers Bond Yields Sharply
- Government Expresses Commitment to Reforms
- Immense Private Wealth is Positive
- Reviving Growth is Major Challenge

Italy: 10-Year Yield Falls from High Levels



ECB's OMT Program is Major Influence

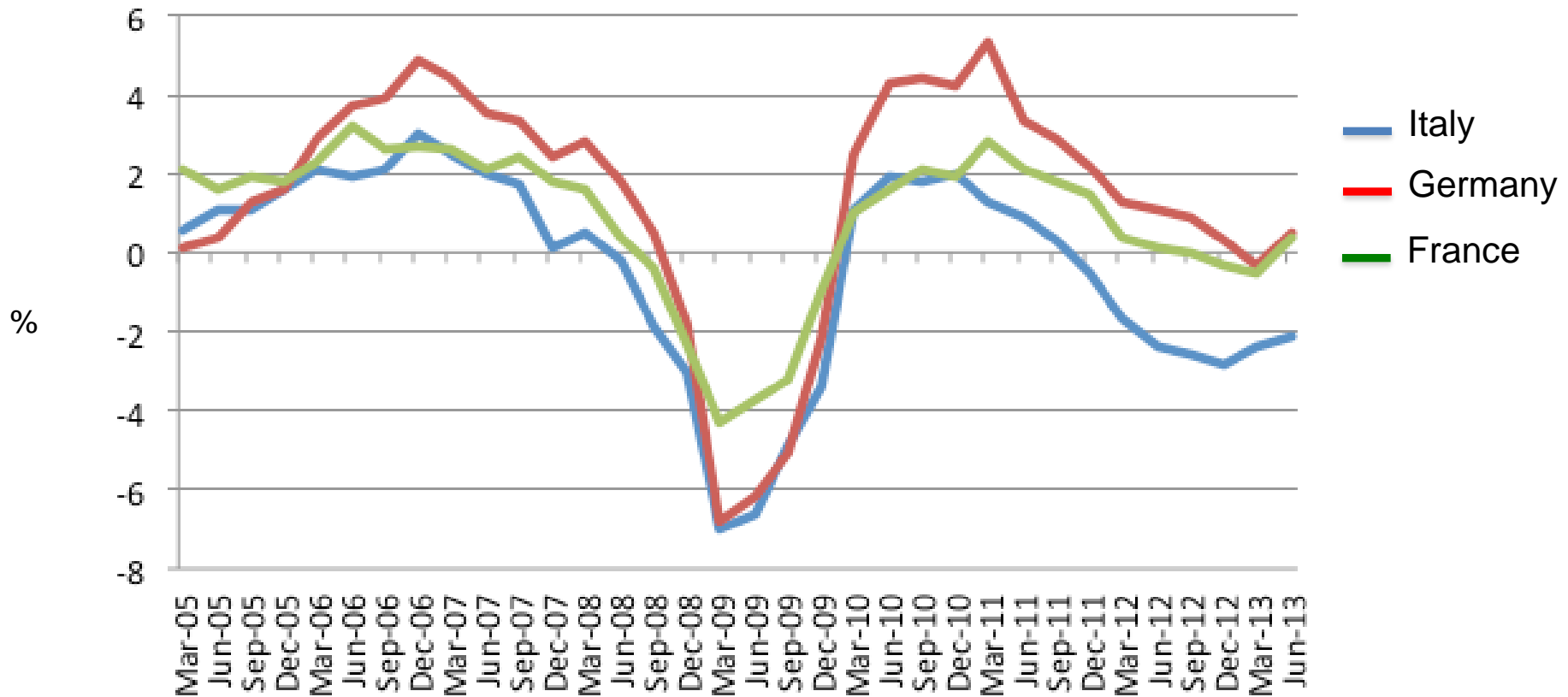


Data as of 10/4/13

Growth Performance of Eurozone's Big Three



Year-on-Year Change in Real GDP



Concluding Remarks



- Italy Faces Slow Global Growth
- ECB Moves Provide Helpful Respite
- Shifts in Federal Reserve Policy in Prospect
- Italy: Structural Reforms are Key



Relative Value in International Real Estate Markets

Joshua A. Scoville

Senior Research Managing Director

Hines

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Determinants of Fundamental Value



Thesis: The fundamental value of real estate in any particular geography is ultimately a function of value of all goods and services produced in that geography.

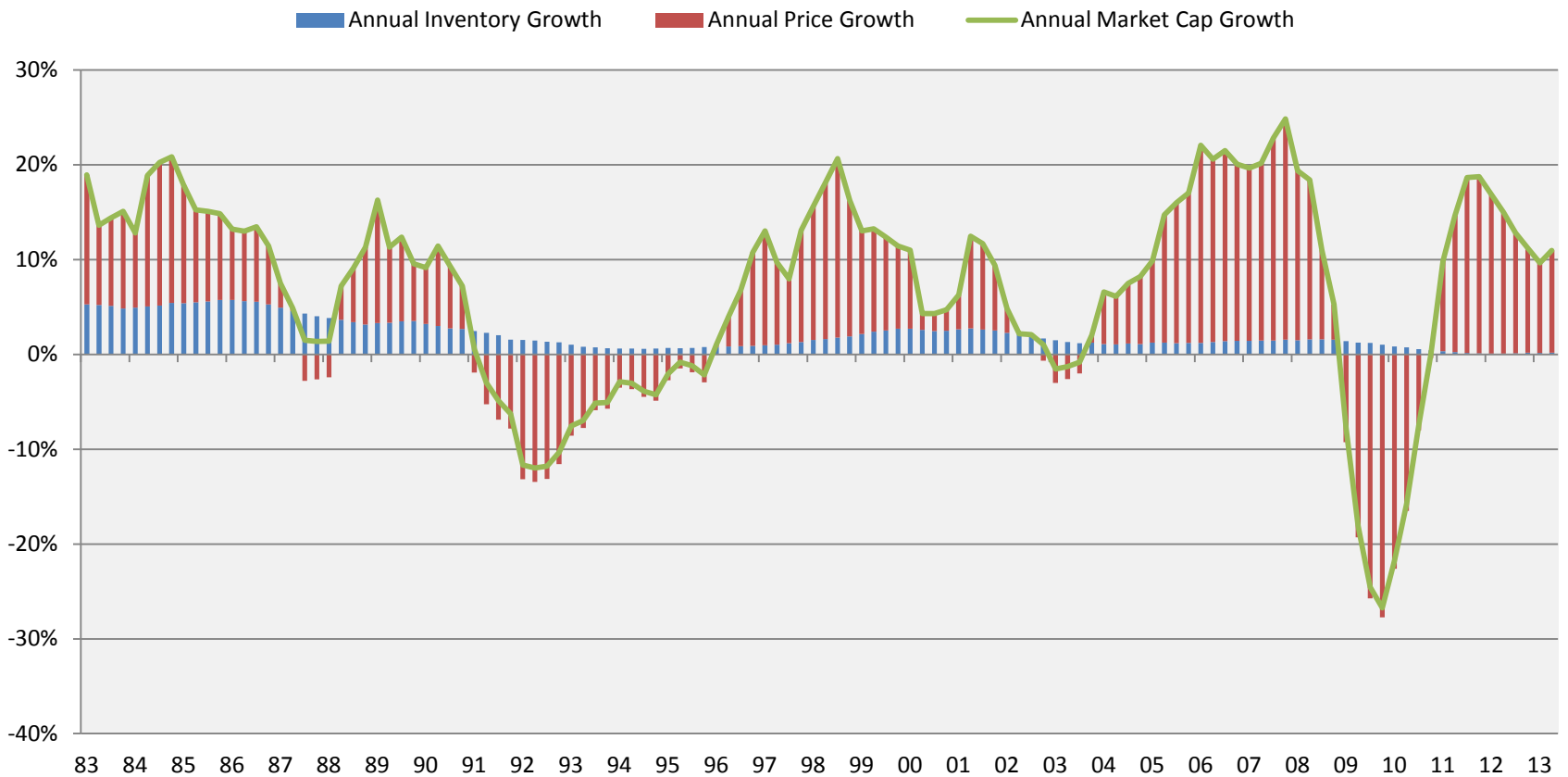
Real estate market cap = inventory x price

Value of goods and services = GDP

Intro to Thesis

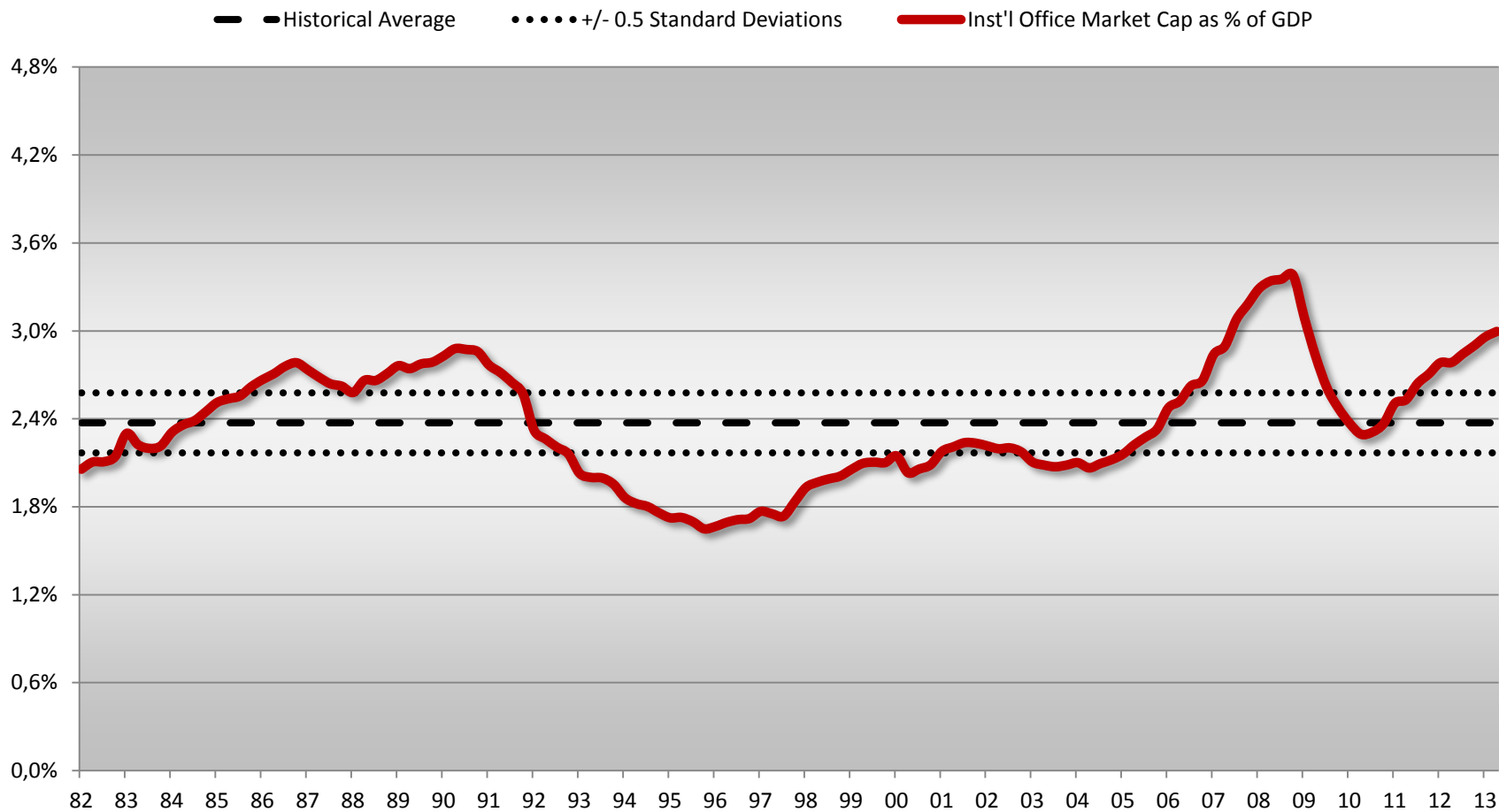


United States Office Institutional Market Cap



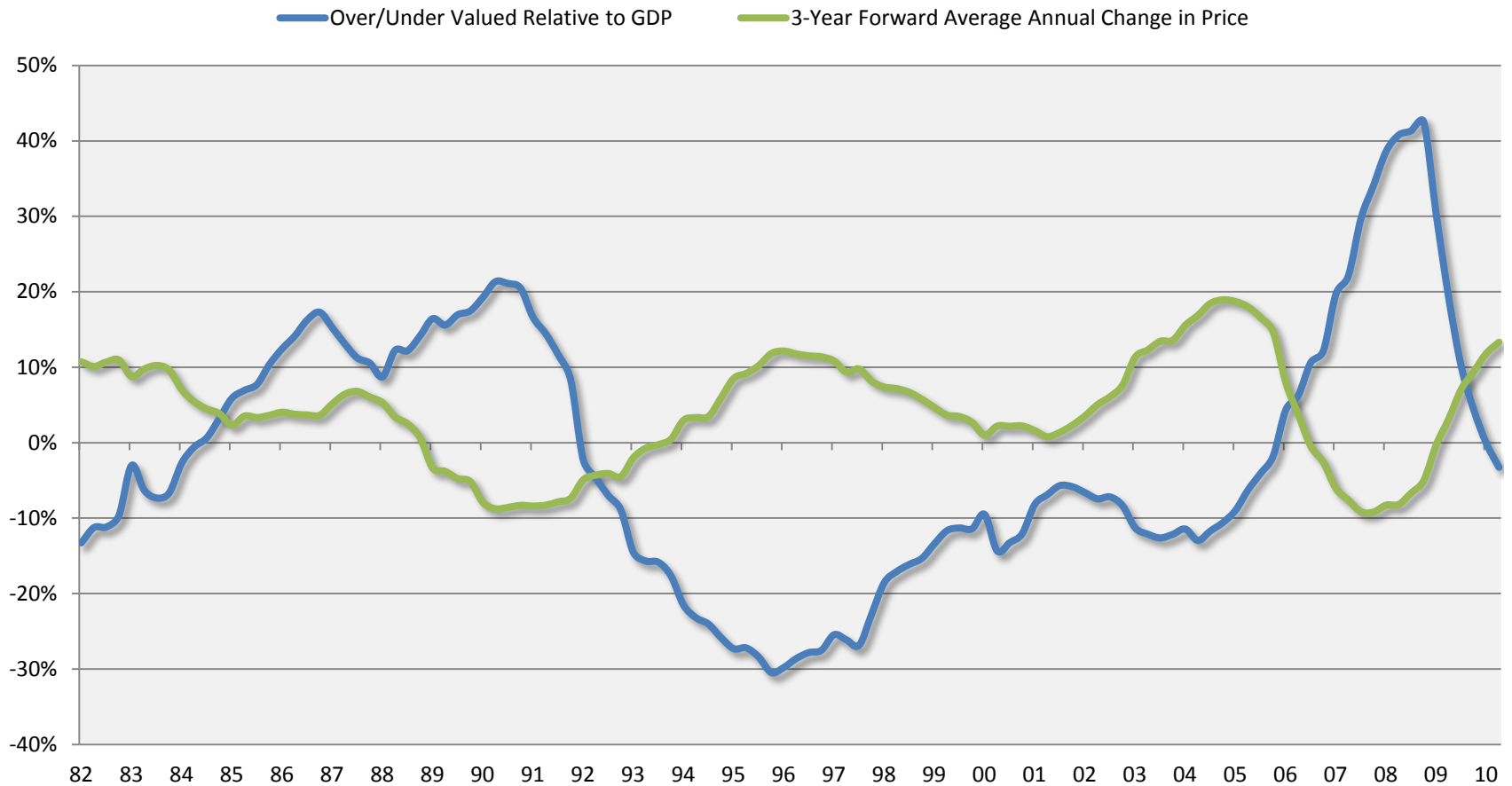
Sources: NCREIF; PPR; Hines Research

US Office Market Cap and GDP



Sources: NCREIF; PPR; Bureau of Economic Analysis; Hines Research

Market Cap's Relation to GDP Is a Good Indicator of Future Price Growth



Sources: NCREIF; PPR; Bureau of Economic Analysis; Hines Research

Knowing the Odds is Always a Good Place to Start



PROBABILITY OF PRICES RISING		Pricing Environment				
		Significantly Under-valued	Under-valued	Any	Over-valued	Significantly Over-valued
Holding Period in Years	1	80%	76%	70%	63%	59%
	3	91%	90%	74%	50%	41%
	5	100%	95%	75%	43%	31%

AVERAGE ANNUAL PRICE CHANGE DURING HOLDING PERIOD		Pricing Environment				
		Significantly Under-valued	Under-valued	Any	Over-valued	Significantly Over-valued
Holding Period in Years	1	6.7%	6.7%	4.8%	2.3%	0.6%
	3	7.9%	7.4%	4.1%	-0.9%	-2.0%
	5	6.8%	6.5%	3.8%	-0.7%	-1.6%

Probability Analysis Works Well Across Markets - Milan



Probability of Prices Rising		Pricing Environment				
		Significantly Under-valued	Under-valued	Any	Over-valued	Significantly Over-valued
Holding Period in Years	1	57%	67%	48%	36%	25%
	3	71%	78%	55%	36%	0%
	5	100%	100%	72%	50%	33%

Average Annual Price Change During Holding Period		Pricing Environment				
		Significantly Under-valued	Under-valued	Any	Over-valued	Significantly Over-valued
Holding Period in Years	1	8%	11%	1%	-5%	-9%
	3	11%	10%	2%	-4%	-9%
	5	12%	11%	3%	-3%	-6%

Probability Analysis Works Well Across Markets - Dublin



Probability of Prices Rising		Pricing Environment				
		Significantly Under-valued	Under-valued	Any	Over-valued	Significantly Over-valued
Holding Period in Years	1	60%	54%	52%	50%	40%
	3	71%	60%	50%	40%	0%
	5	86%	89%	67%	44%	20%

Average Annual Price Change During Holding Period		Pricing Environment				
		Significantly Under-valued	Under-valued	Any	Over-valued	Significantly Over-valued
Holding Period in Years	1	8%	8%	5%	0%	-4%
	3	15%	11%	3%	-5%	-17%
	5	15%	13%	4%	-5%	-10%

Probability Analysis Works Well Across Markets – Even Athens



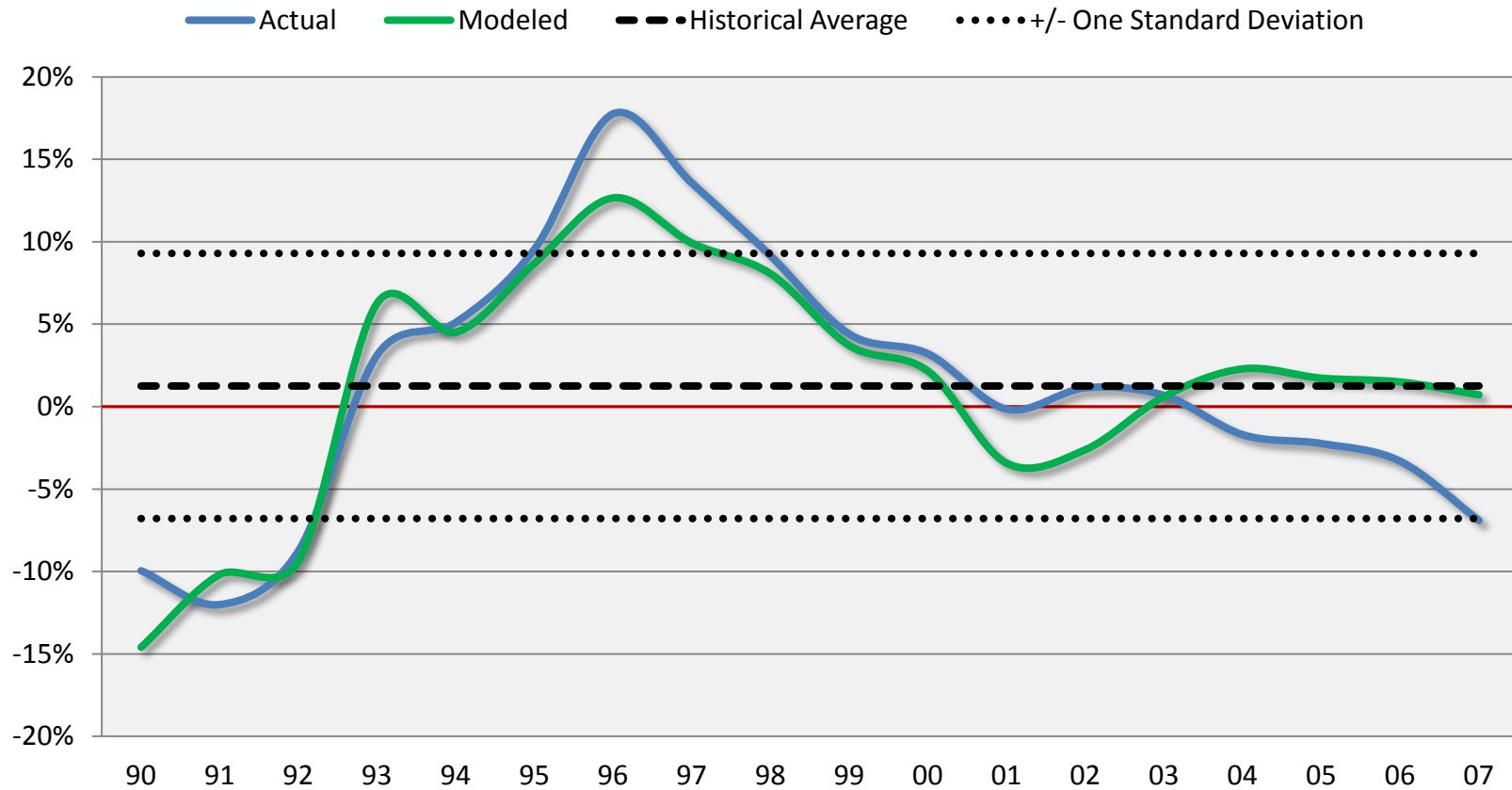
Probability of Prices Rising		Pricing Environment				
		Significantly Under-valued	Under-valued	Any	Over-valued	Significantly Over-valued
Holding Period in Years	1	43%	45%	48%	50%	33%
	3	100%	75%	50%	33%	17%
	5	100%	100%	56%	27%	17%

Average Annual Price Change During Holding Period		Pricing Environment				
		Significantly Under-valued	Under-valued	Any	Over-valued	Significantly Over-valued
Holding Period in Years	1	4%	1%	1%	1%	-4%
	3	19%	9%	2%	-3%	-6%
	5	16%	14%	3%	-4%	-5%

Relationships This Strong Produce Good Models



5-Year Forward Average Annual Price Growth in Milan

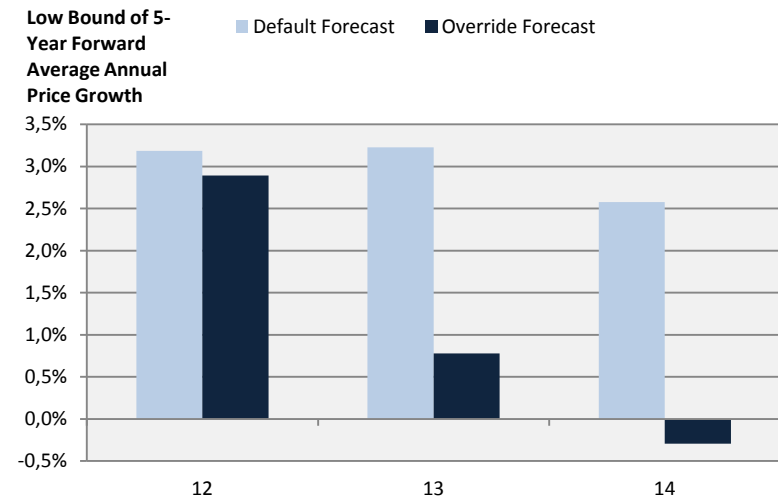
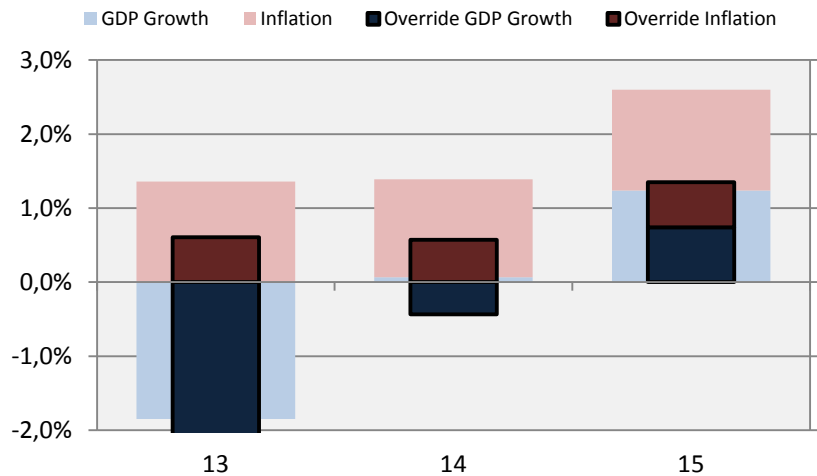
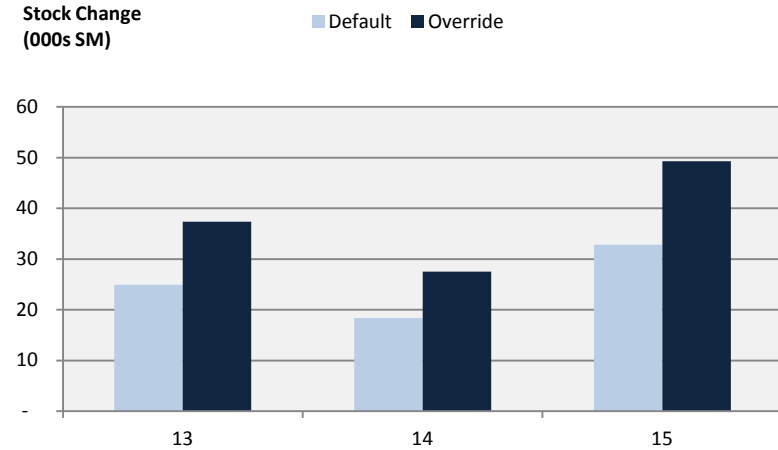
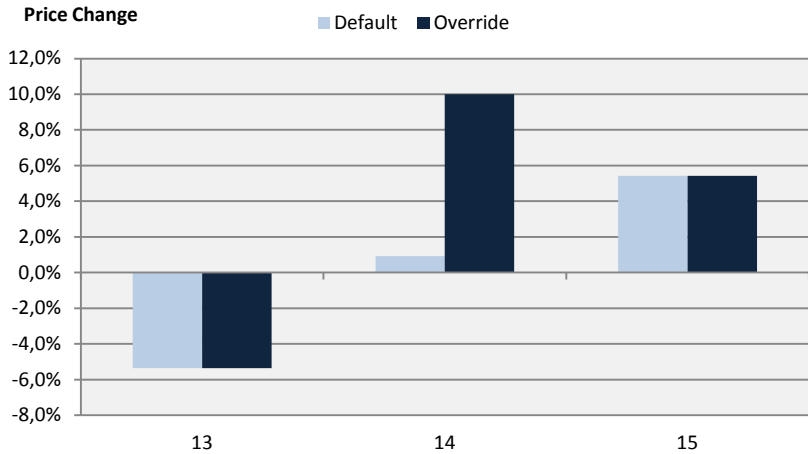


Eurozone Summary Favors Distressed Markets



Market	Current Pricing Environment	Average Annual Expected Value Growth Over Next Five Years			
		Low	Midpoint	High	Risk-adjusted
Rome	Significantly Undervalued	3%	10%	18%	0.72
Madrid	Significantly Undervalued	4%	15%	26%	0.68
Athens	Significantly Undervalued	3%	16%	30%	0.59
Barcelona	Significantly Undervalued	2%	15%	28%	0.58
Lisbon	Significantly Undervalued	-2%	7%	17%	0.38
Vienna	Slightly Undervalued	-1%	2%	4%	0.33
Rotterdam	Slightly Overvalued	-1%	2%	5%	0.32
Dublin	Undervalued	-8%	10%	28%	0.29
Milan	Undervalued	-4%	4%	11%	0.24
Helsinki	Slightly Overvalued	-2%	2%	6%	0.23
Paris: La Défense	Undervalued	-7%	4%	15%	0.18
Amsterdam	Slightly Overvalued	-3%	2%	7%	0.16
Brussels	Undervalued	-5%	2%	8%	0.13
Paris: CBD	Slightly Overvalued	-6%	1%	9%	0.10
Frankfurt: City	Slightly Undervalued	-5%	1%	7%	0.08
Berlin	Undervalued	-6%	0%	6%	(0.01)
Paris: Central	Slightly Overvalued	-8%	-1%	7%	(0.04)
Cologne	Overvalued	-6%	-1%	3%	(0.13)
Paris: Western Business District	Overvalued	-13%	-3%	7%	(0.16)
Lyon	Overvalued	-15%	-5%	6%	(0.23)
Munich: City	Overvalued	-7%	-2%	3%	(0.23)
Dusseldorf	Overvalued	-6%	-2%	2%	(0.25)
Hamburg	Overvalued	-7%	-2%	2%	(0.27)
Stuttgart	Overvalued	-7%	-4%	-1%	(0.75)

Of Course, What Happens to the Economy Will Make a Difference (Rome)





Italian Market Overview

Manfredi Catella

Hines Italia SGR

CEO

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Capital Market Global Evolution



ORIGIN

More diverse investors'
countries of origin

SOURCES

Different global
capital's sources

SENTIMENT

More varied spread across
different risk profiles



Current Investors Sentiment



North America

Back to Core
and Income
Focus

Europe

Cautious/Slow

Asia

SWFs Most
Active

MENA

Wide Risk
Spectrum

Future Sources of Global Capital



Short-Term **Medium-Term** **Long-Term**

Top Global Real Estate Investors

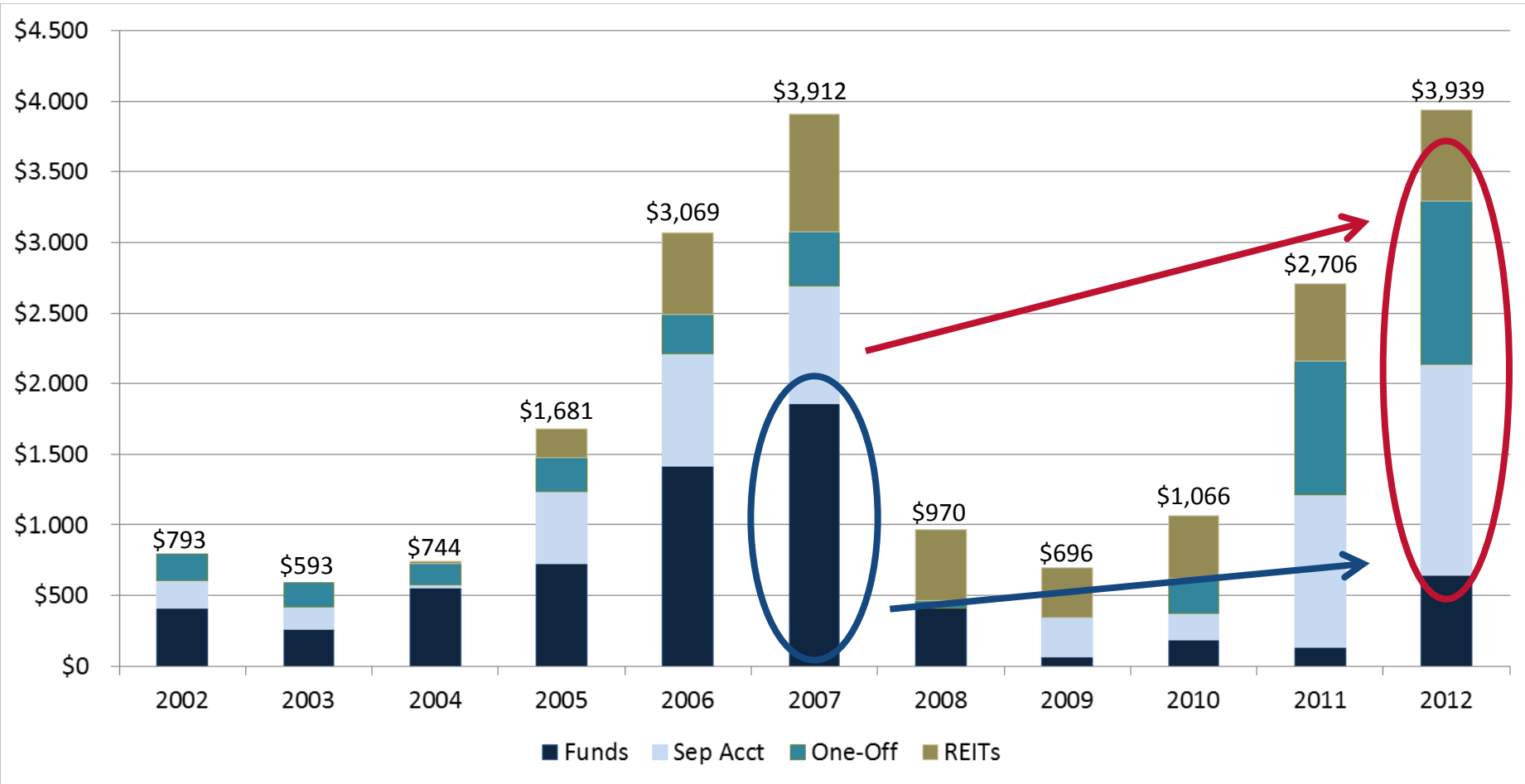


Prequin top 200 real estate investors control \$22.3 trillion

	Investor	Type	HQ	Equity Invested in RE (\$Bn)
★ 1	Abu Dhabi Investment Authority (ADIA)	SWF	UAE	33.8
★ 2	Qatar Investment Authority	SWF	Qatar	33.5
★ 3	California Public Teachers' Retirement System (CalSTRS)	PF	US	25.7
★ 4	Government of Singapore Investment Corporation (GIC)	SWF	Singapore	24.8
★ 5	Allianz Real Estate	AM	Germany	24.0
★ 6	California Public Teachers' Retirement System (CalSTRS)	PF	US	22.9
★ 7	New York State Common Retirement Fund	PF	USA	21.3
★ 8	Caisse de depots et placement du Quebec	PF	Canada	21.0
★ 9	APG	PT	Netherlands	19.2
★ 10	Canada Pension Plan Investment Board	PF	Canada	18.0
⋮				
★ 16	Teachers' Retirement System of Texas	PF	US	15.2
★ 21	TIAA-CREF	PF	US	12.8
★ 25	Kuwait Investment Authority (KIA)	SWF	Kuwait	11.0
★ 30	National Pensions Service of Korea (NPS)	SWF	Korea	8.2

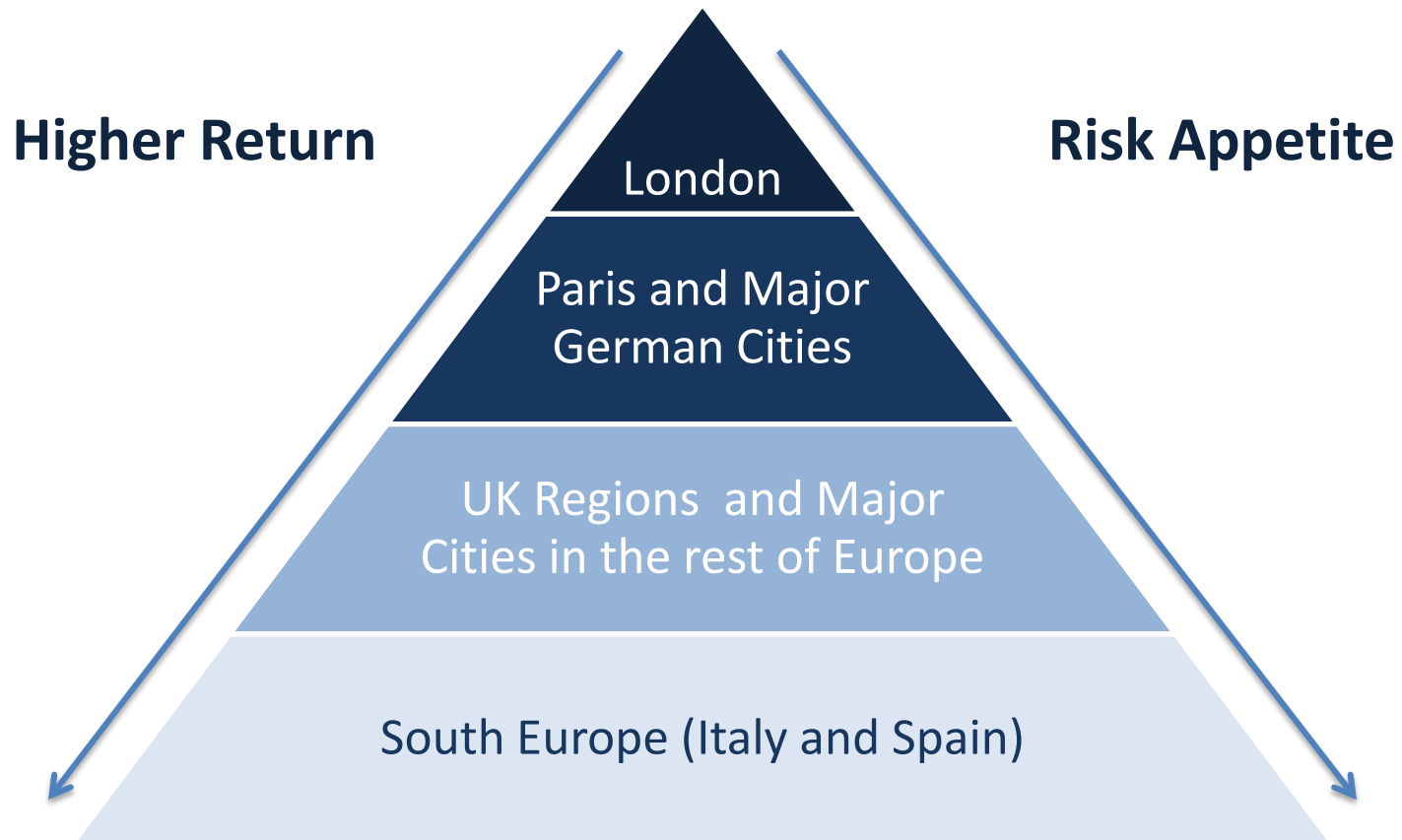
40% are Middle-Far East Investors

Hines Capital Improving with Similar Trends to the Overall Market



South Europe Market Timing

Investors' Risk Appetite

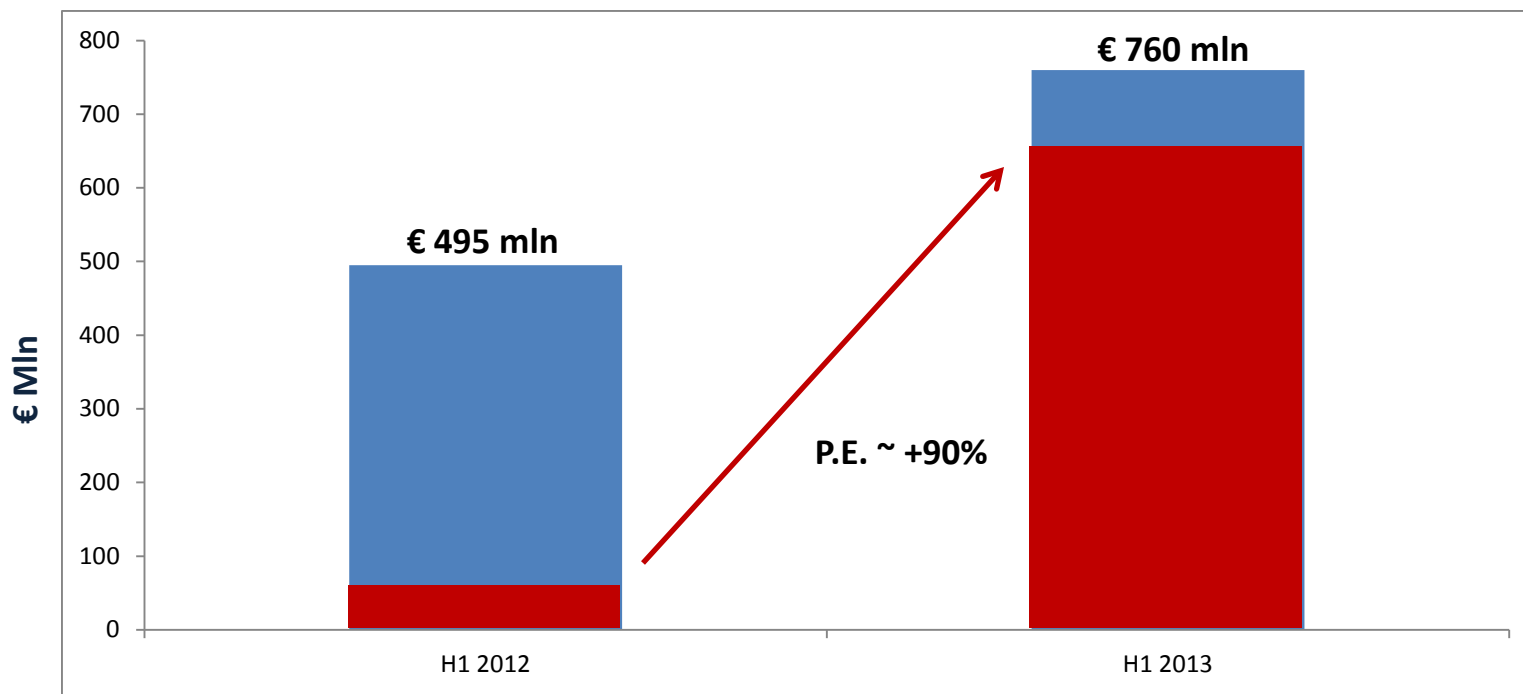


South Europe Market Timing

Investors Source Evolution



Volume of Transactions in Italy H1 2012 - H1 2013



 International Private Equity Investors (P.E.)

 Local Core Investors

Product GAP as Opportunity: Leisure Industry

Weakness

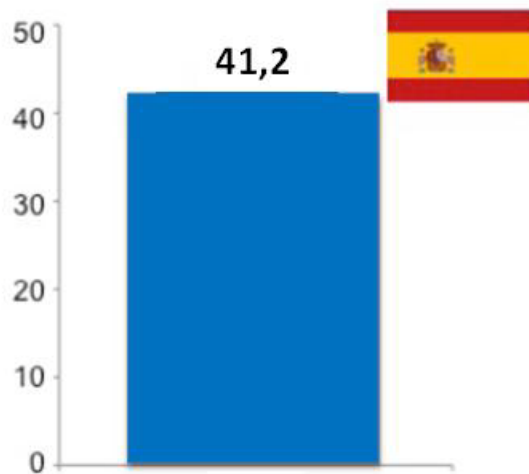
- ✓ Inadequate infrastructure
- ✓ Leisure Structures not in line
- ✓ No Country Marketing

Opportunity

- ✓ High rate of development

Baleari Islands

Million of night per year

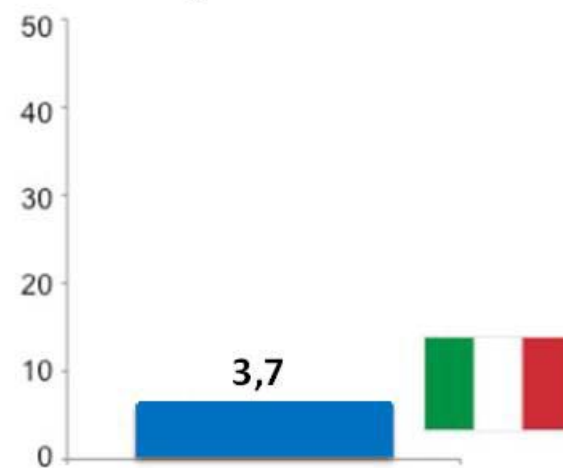


2012

Km of Coastline ~ 1,430

Sicily

Million of night per year



2012

Km of Coastline ~ 1,500

Product GAP as Opportunity: Logistic Industry

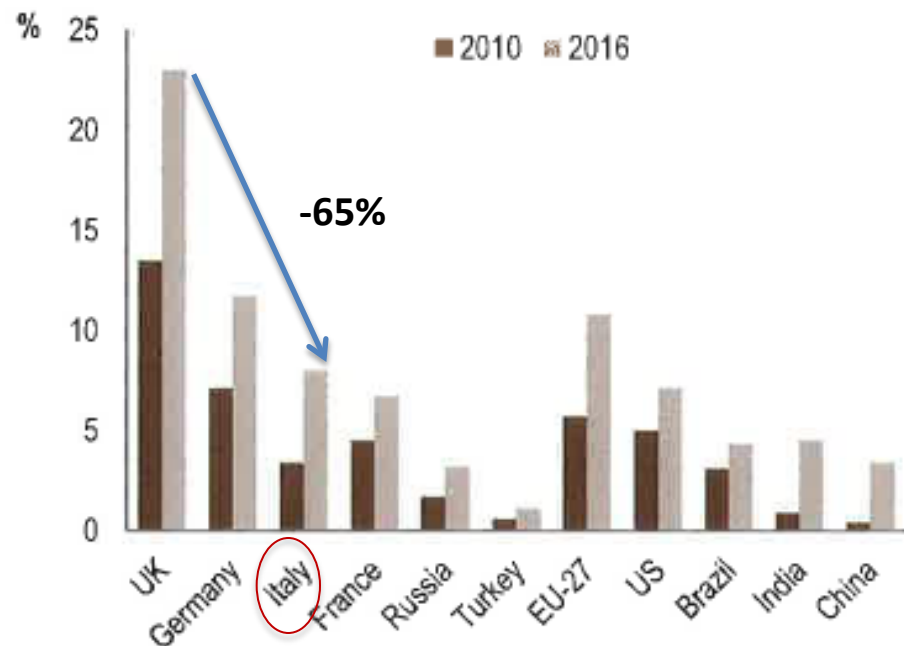
Weakness

- ✓ Inadequate Ports
- ✓ No Integrated Logistic Plan
- ✓ Obsolete Infrastructure

Opportunity

- ✓ See Highway
- ✓ Key Mediterranean position
- ✓ E-commerce potential

Ex #1: E-commerce % of Sales

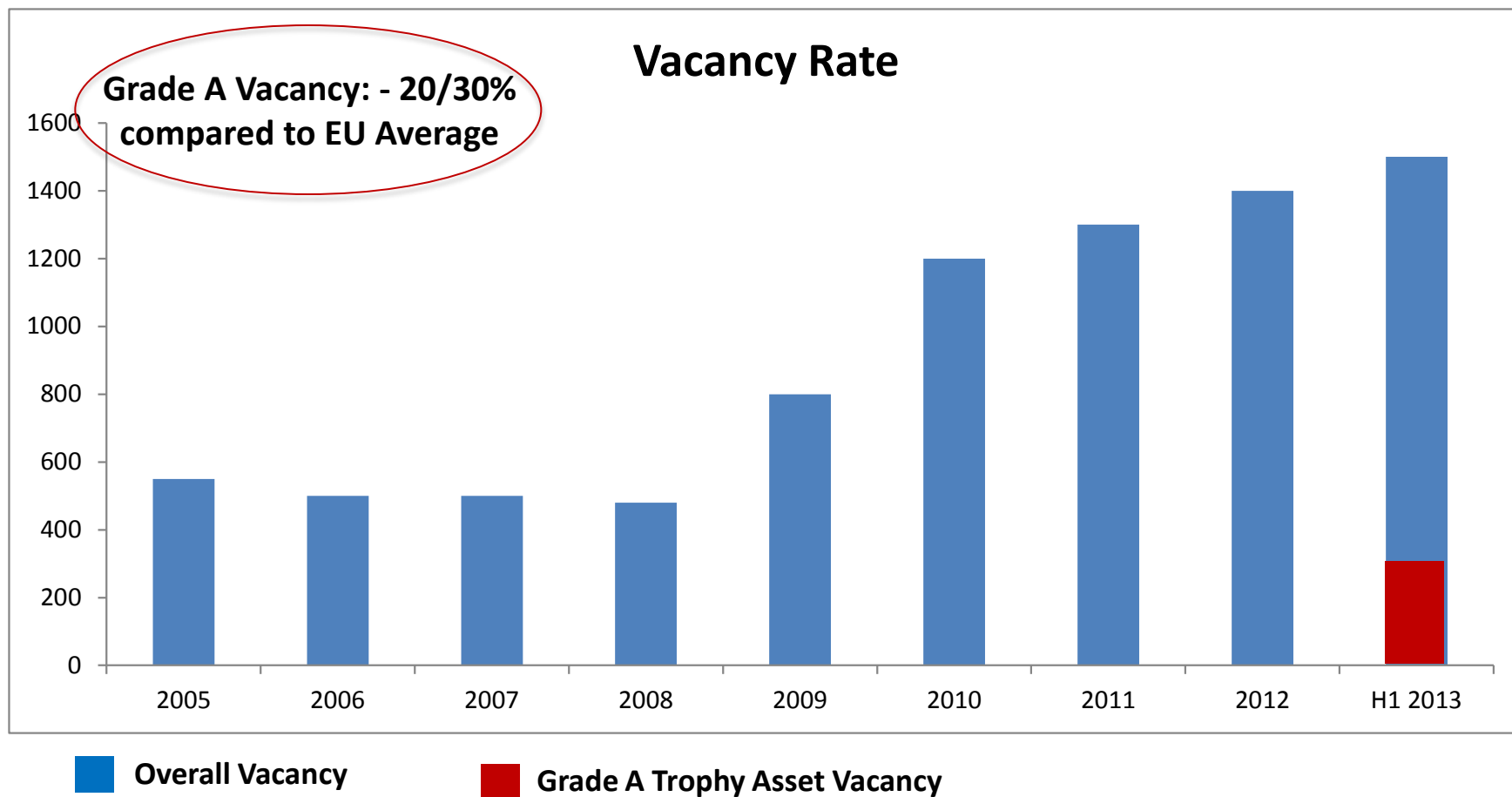


Ex #2: Strategic Mediterranean Position



Product GAP as Opportunity: Office Industry

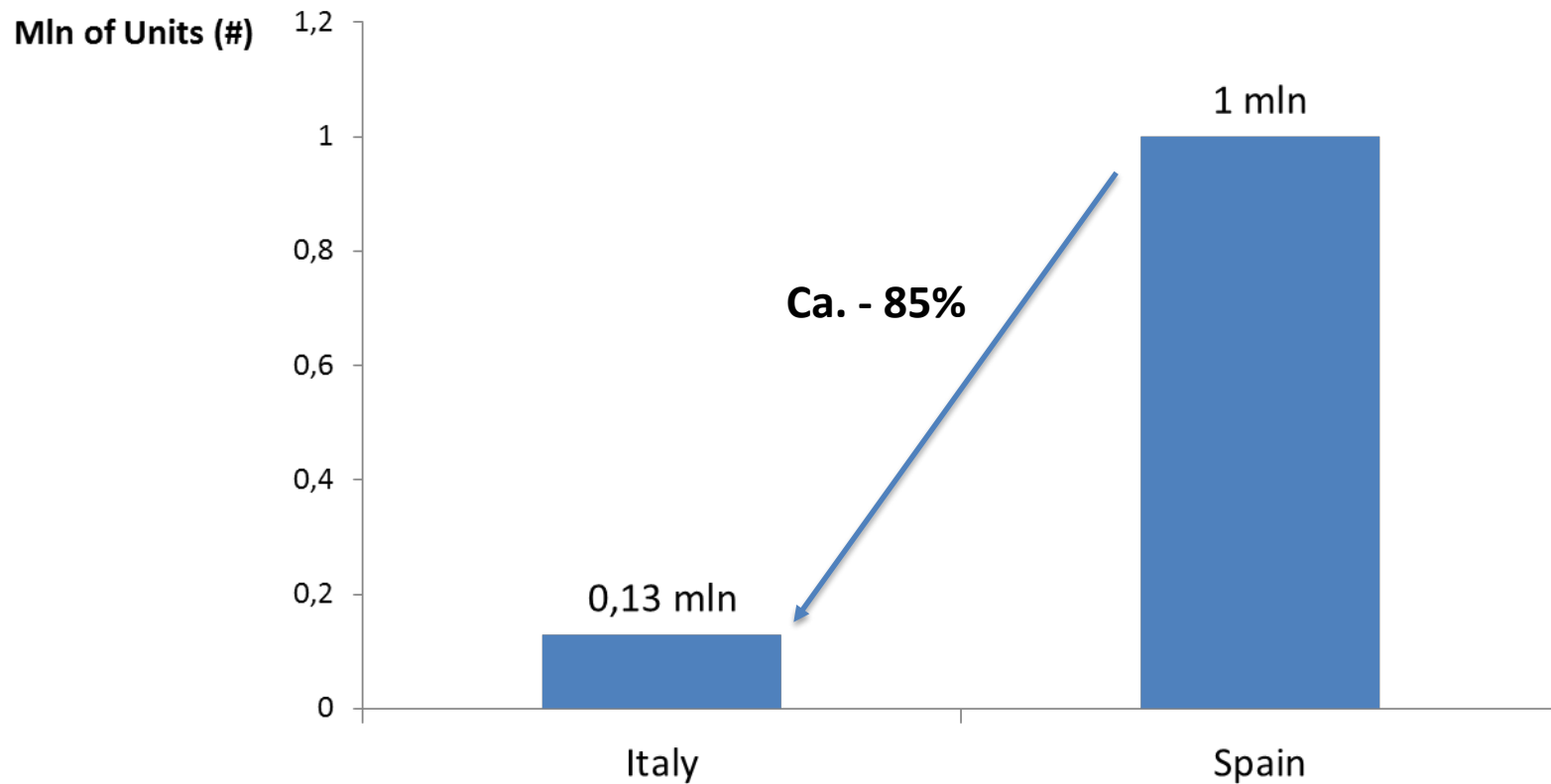
Unsatisfied Demand for Grade A Trophy Asset



Product GAP as Opportunity: Residential Units Unsold Italy Vs Spain



Residential Units Unsold in 2013



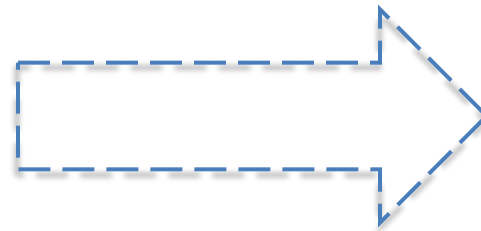
Turning Point Condition 1/3: Banks Write Off



2008

2013

Write-Off for
€ 1 trillion



2013 Ranking	Banks' Name	Consolidate Assets (Mln \$)
1	JPMORGAN CHASE	1,947,794
2	BANK OF AMERICA	1,429,737
3	CITIGROUP	1,319,359
4	WELLS FARGO BANK	1,284,538
5	U S BK NA/U S BC	349,333
6	PNC BANK	294,526
7	BANK OF NY MELLON	281,339
8	CAPITAL ONE NA	235,243
9	STATE STREET B&TC	223,225
10	T D BANK	212,167

Turning Point Condition 2/3: Public Disposal



Italian Public Debt: > € 2 Trillion → Italian Public Asset: € 8 Trillion

Public Disposal Strategies:

- i. Single Asset disposal:
Short Term Horizon
- ii. Network building capacity :
Long Term Horizon



Turning Point Condition 3/3: Antic/Obsolete Asset to be Upgraded/Rebuilt



Repositioning in terms of

- i. Efficiency
- ii. Sustainability
- iii. Modern lay-out

Case Study Ferrante Aporti:

- ✓ Asset occupied by the Post until 2000
- ✓ Vacant for about 7 years
- ✓ Totally refurbished to Grade A
- ✓ Currently fully let to prime tenants

1933



2012





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