Cohen & Steers
Global Real Estate Securities Strategy

INVESTMENT COMMENTARY

NOVEMBER 30, 2011

We would like to share with you our review and outlook for the global real estate securities market as of November 30, 2011. The FTSE EPRA/NAREIT Developed Real Estate Index had a total return of –5.6% for the month (net of dividend withholding taxes) in U.S. dollars. For the year to date, the index returned –7.3%.

INVESTMENT REVIEW

Global real estate securities had a negative return in November following an exceptionally strong October. Worries about fiscal contagion in Europe weighed on equities broadly, while slowing growth in China added to concerns about the global economy. A sharp rally in the last few days offset some of the decline, as major central banks announced a coordinated effort to lower currency swap rates, providing much-needed liquidity to European banks. Global markets also responded positively to encouraging U.S. economic data and news that China cut its reserve requirement ratio for the first time in three years.

North America proved relatively resilient

U.S. REITs, which returned –3.8% as measured by the FTSE NAREIT Equity REIT Index, finished reporting third-quarter earnings during the month. Results were generally positive, but came with lowered guidance for 2012, as increasing economic uncertainty led to more conservative expectations for growth. REITs continued to demonstrate good access to capital at relatively attractive rates, with several bond offerings during the month.

Shopping center REITs (–5.7% total return[1]) were hindered by slow income growth and concerns about post-holiday store closings, despite record sales on Black Friday weekend. The industrial sector (–5.7%) also underperformed, reflecting a decline in ProLogis, as the company's European business continued to be a liability. Apartments (–5.6%) turned lower on worries of slowing demand.

Self storage REITs (+2.2%) added to their substantial year-to-date outperformance, with occupancies at peak levels and an ability to gradually raise rents on existing tenants. They also continued to gain market share from smaller private competitors due in part to their strong Internet presence with high search rankings. Regional malls (–2.2%) also held up relatively well, as the sector's general concentration in higher-quality malls helped insulate it from worries about store closings.

Canada (+1.6%[2]) gained on continued improvement in leasing, financing costs and buyer demand. However, an unexpected rise in unemployment to 7.3% from 7.1% showed its economy was not completely immune to macro concerns.

Fears of fiscal contagion to core countries pulled Europe lower

Despite a surprise rate cut by the European Central Bank, optimism in Europe faded amid signs of rising financial stress in Italy. Investors feared that a default by Italy would overwhelm even the largest of the proposed rescue plans, potentially leading to a costly breakup of the euro.

INDEX PERFORMANCE (USD)

Period	FTSE EPRA/ NAREIT Developed Real Estate Index (Net)
November 2011	-5.6%
YTD	-7.3%
1 Year	-1.5%
3 Years	18.6%
5 Years	-5.6%
10 Years	9.3%

Past performance does not guarantee future results. This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index. Total returns of the FTSE EPRA/NAREIT Developed Real Estate Index (Net), an unmanaged market-weighted total return index, which consists of many companies from developed markets whose floats are larger than $100 million and derive more than half of their revenue from property-related activities. Periods greater than one year are annualized. Returns from 02/28/05 to the present are calculated net of dividend withholding taxes. As the index does not calculate the net return prior to 02/28/05, the 10-year return is a blend of net and gross.

INDEX CHARACTERISTICS

Premium to Net Asset Value	2.6%
Discount to Dividend Discount Model	-2.8%
Dividend Yield	4.2%
Price/Cash Flow (2011E)	16.0x
Cash Flow Growth (2011E vs. 2010)	9.8%
Cash Flow Growth (2012E vs. 2011E)	4.5%
Long-Term Cash Flow Growth	2.9%
Weighted-Average Market Cap.	$9.9B
Total Market Capitalization	$963.2B
Number of Securities	287

Source: Cohen & Steers.

Characteristics are market capitalization-weighted averages of estimates for companies in the FTSE EPRA/NAREIT Developed Real Estate Index and are subject to change over time.

[1] Sector returns are measured by the FTSE NAREIT Equity REIT Index.

[2] Country returns are in local currencies as measured by the FTSE EPRA/NAREIT Developed Real Estate Index.

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INDEX PERFORMANCE BY COUNTRY

	November 2011		YTD	
	Local	USD	Local	USD
North America	**-3.3%**	**-3.6%**	**3.9%**	**3.7%**
Canada	1.6%	-0.7%	12.2%	9.7%
United States	-3.9%	-3.9%	3.1%	3.1%
Europe	**-4.4%**	**-7.6%**	**-8.2%**	**-8.5%**
Switzerland	-2.5%	-6.7%	5.8%	8.4%
United Kingdom	-2.2%	-4.7%	-3.0%	-2.5%
Belgium	-0.4%	-3.9%	-3.8%	-3.5%
France	-5.5%	-8.8%	-9.2%	-8.9%
Sweden	-4.5%	-8.4%	-14.3%	-14.6%
Germany	-4.5%	-7.9%	-15.4%	-15.1%
Finland	-5.2%	-8.5%	-18.0%	-17.7%
Norway	-10.9%	-14.8%	-23.9%	-23.3%
Netherlands	-10.2%	-13.3%	-24.9%	-24.6%
Austria	-12.8%	-15.8%	-25.5%	-25.3%
Greece	-14.6%	-17.5%	-43.9%	-43.7%
Italy	-28.0%	-30.5%	-47.8%	-47.6%
Spain	-20.9%	-23.7%	-54.9%	-54.8%
Asia Pacific	**-6.6%**	**-7.6%**	**-19.1%**	**-18.0%**
New Zealand	1.0%	-3.3%	10.2%	9.7%
Australia	2.6%	-0.6%	0.6%	0.9%
Japan	-6.9%	-6.5%	-21.3%	-17.8%
Singapore	-6.6%	-8.7%	-21.5%	-21.5%
Hong Kong	-12.5%	-12.6%	-27.8%	-27.8%

Source: Bloomberg.

Total returns of the FTSE EPRA/NAREIT Developed Real Estate Index, an unmanaged market-weighted total return index, which consists of many companies from developed markets whose floats are larger than $100 million and derive more than half of their revenue from property-related activities. Periods greater than one year are annualized. Past performance does not guarantee future results. This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index.

The installation of new fiscal-minded governments in Italy and Greece provided little hope, as rapid economic deceleration across the continent put additional strain on government budgets.

The U.K. (–2.2%) declined as fiscal and economic outlooks deteriorated, although companies focused on London's prime office and retail markets were generally resilient. These properties continued to attract investment capital seeking a relative haven from global uncertainty, while growing demand and scant new supply kept fundamentals stable. Belgium (–0.4%) also outperformed, as rival political parties finally settled on budget and agreed to re-establish a new government.

In France (–5.5%), returns reflected greater vulnerability to deteriorating capital markets, as yields on French sovereign debt rose. Also, sentiment for the French residential market declined when the government announced new austerity measures eliminating certain housing incentives. Germany (–4.5%) declined as the debt crisis began to take an increasing toll on its economy, while the Netherlands (–10.2%) suffered from the pan-European exposure of its companies.

Asia Pacific underperformed as growth outlook deteriorated

Hong Kong (–12.5%) had steep losses amid fears of recession and high inflation, although macroeconomic trends suggested inflation pressures were likely to ease. REITs did generally better than developers, with retail landlords showing relative strength due to solid growth in nondiscretionary spending. Offices saw a deceleration in rent growth, with the Central district even seeing declines.

In Japan (–6.9%), efforts to revive the economy were hindered by slowing exports to Europe and China, sluggish domestic growth and a strong currency. Landlords saw vacancies rise in Tokyo, while the Bank of Japan reduced their daily volume of asset purchases, offering J-REITs less price support.
On a more encouraging note, bank lending to real estate companies remained strong, as landlords with high-quality assets and strong credit tenants provide attractive risk-adjusted returns for banks.

Australia (+2.6%) led all developed property markets, benefiting from the first rate cut by the Reserve Bank of Australia after a long period of stable monetary policy. With further easing expected, investors were optimistic that falling inflation and lower interest rates would provide a boost to both consumer confidence and property values, particularly retail and residential.

Singapore (–6.6%) declined amid expectations for slower growth in 2012, as its economy relies heavily on exports and is therefore particularly sensitive to the global economy. Weak demand hurt residential developers, as well as office landlords. Industrial REITs did relatively well, benefiting from longer lease terms and generally stable cash flows.

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INVESTMENT OUTLOOK

Our macro outlook has turned more positive given the recent shift toward monetary easing in Asia Pacific and emerging markets, as well as U.S. economic data confirming slow but positive growth. However, Europe is likely to remain an overhang, as the region appears to be heading into recession, making a resolution to its debt crisis considerably more difficult.

Global real estate securities are generally trading at attractive levels relative to net asset values (NAV) and our dividend discount models. We also expect the lack of new supply to counter slow demand, providing some support to occupancies and rents. In this slow-growth environment for most developed markets (North America, Europe and Japan), we favor landlords with high-quality properties, steady growth and strong balance sheets. We believe these companies are more likely to see sustained demand and are well positioned to benefit from historically low interest rates. We also conservatively underwrite any risk in development exposure.

We remain meaningfully underweight in Europe and Japan, and overweight in Asia Pacific (ex-Japan). We also have selective allocations to emerging markets in strong, well-governed companies in Brazil and the Philippines (mostly retail landlords and developers of mass-market housing), which stand to benefit from consumer spending growth.

U.S. property fundamentals remain attractive

We continue to expect slow but steady growth in the U.S., leading to gradually improving fundamentals for commercial real estate. Our NAV estimates are largely conservative, and while transactional information has been relatively light, it has provided confirmation to our numbers. We continue to favor apartment companies, as well as high-quality retail and industrial owners. We remain underweight suburban offices, secondary retail and health care properties.

Staying underweight Europe

While we are very cautious toward Europe, there remain pockets of opportunity, including London's prime office and retail markets, as well as Scandinavia and Germany, which should benefit from their relatively healthy economies. We have a positive view of the French retail market and prime offices in Paris, but see relatively high financial risk in the country given the growing pressure on its credit rating. We have limited or no exposure to secondary office and retail landlords, as well as peripheral countries such as Italy and Spain.

Asia Pacific should benefit from easing trend

We see China's move to lower its reserve requirement ratio as a key inflection point in the region, as policymakers in many countries turn their attention from fighting inflation to supporting growth in the face of global uncertainty.

Australia appears increasingly attractive in our view, as lower overnight lending costs and falling inflation should lead to lower cap rates and higher property values. However, we are cognizant of Australia's exposure to deceleration in China and the impact that may have on export growth. We particularly favor the prime office and retail markets. Within our Hong Kong allocation, we are overweight developers, which were trading at excessively low valuations and are likely to benefit from reduced inflation concerns. We are underweight Japan, where we expect economic conditions to remain challenging. We are also cautious toward Singapore's historically cyclical office and hotel operators due to the effect of slowing exports on the country's economy, as well as increasing construction of new office space.