



Market Commentary

“ Confidence game 2.0 ”

September 23, 2011

The Global RE equity index is down sharply since August, opening up more parity between public valuations and direct RE value. The catalyst was more of the same worry about political / sovereign risks.

Global RE index was -6.3% August and +.14% YTD August. RE Equities valuations are the most attractive in a year, clients with long term investment goals should consider scaling in Direct RE and securities Q4 '11.

As discussed in our Seminar in Kuwait March '09, Crisis = risk + OPPORTUNITY. Source of growth is just not clear yet cash flow yields are attractive to other income investments. We would like to discuss “confidence game 2.0 dynamics, and strategies for equity, debt and direct asset investing for Q4.

U.S. REIT and Global Infrastructure are leading Indexes YTD 9/23/11



Global Infrastructure and US REITS vs EPRA Global Real Estate Indexes
YTD to 9/23/11
% Return

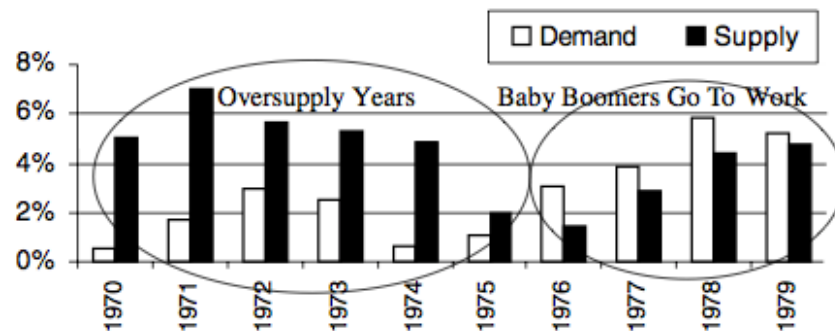
Growth & Income views

If the Japan recovery from the tsunami is slow, the European economy is in turmoil and U.S. Cap rates have compressed
...consider high Income Healthcare RE sector 7% CF 12% IRR

Senior housing & healthcare RE sector may be on an upward trajectory in terms of fundamentals and valuation.

The National Investment Center for the Senior Housing & Care Industry stated that occupancy in this sector now 88% is approaching its former high of 92% posted in 2006. *

YTD 9/23: Healthcare Direct and equity property is a safe-haven with high cash flow
U.S. Healthcare Real Estate equities have outperformed Hong Kong RE equities by +26%

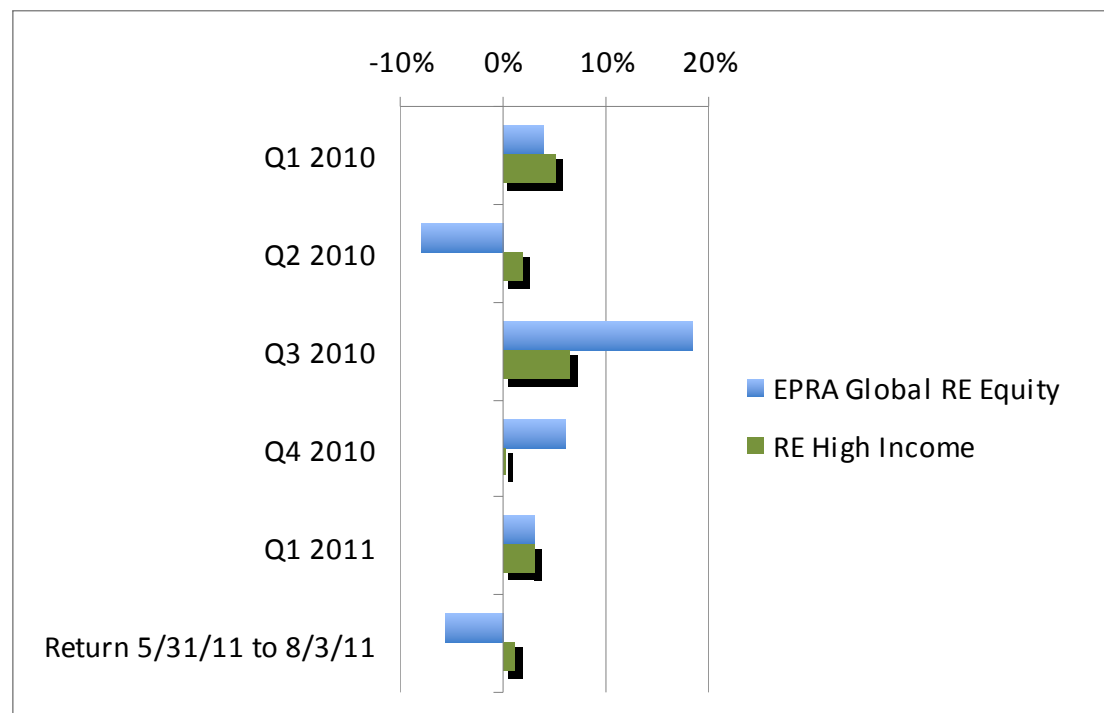


Source:
*Wall Street Journal July 26, '11
FW Dodge, CB, BLS, Mueller

HIGH INCOME RE securities

With dividends near 4% and Cap rates compressed... consider now, a portfolio yielding 7%, Liquid securities

Returns Comparison: High Income, less Risk

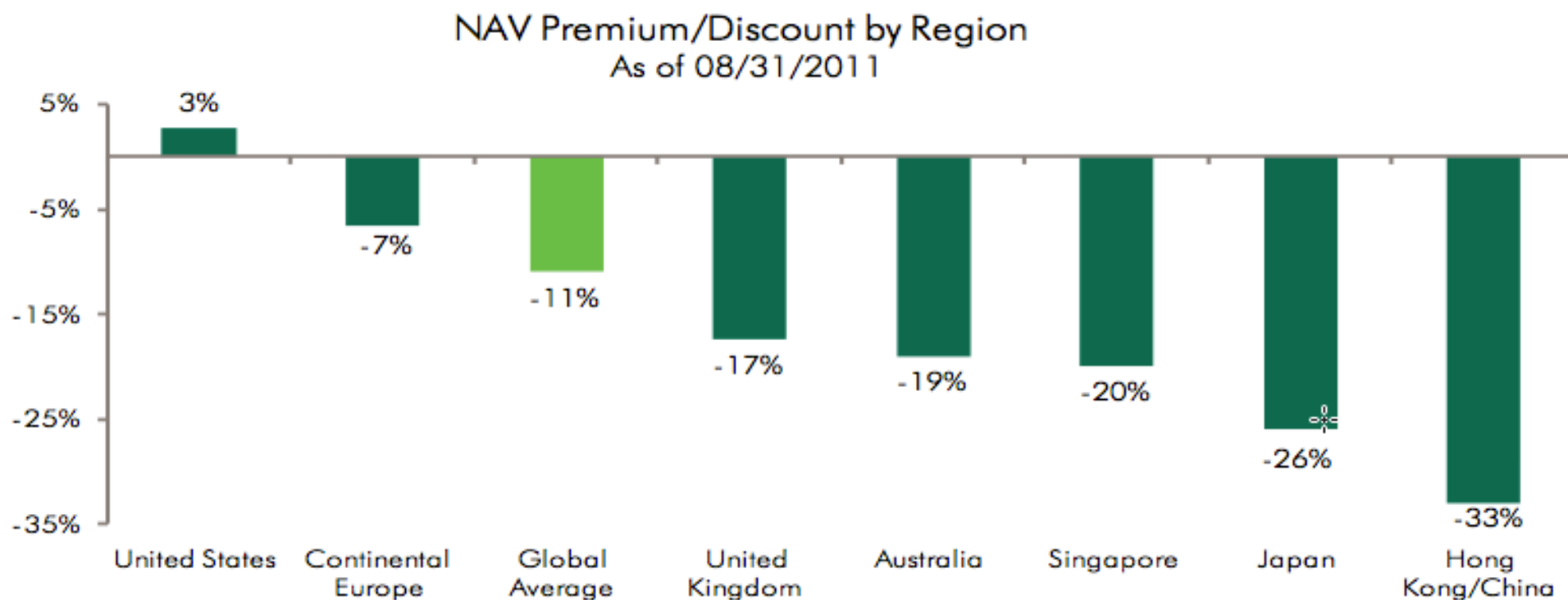


NEW ALLOCATION for more INCOME, CF, LIQUID

Example index returns for the strategy: less Volatile than equity, similar Return
5/31/11 to 8/3/11 RE High Income +1% vs Global REITS -5%

RE securities, especially Asia... Cheap to NAV

With dividends near 2% and Cap rates compressed... Asia, Liquid securities better value than Direct

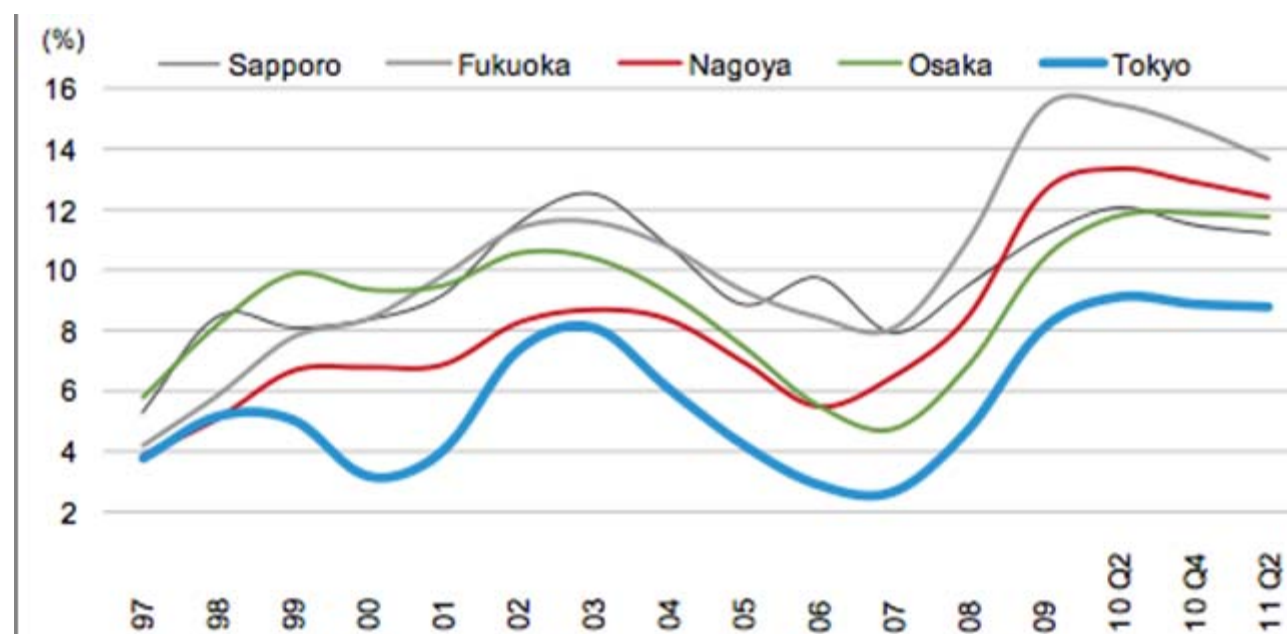


Quality property in Hong Kong 5.1% Cap rate... Equity, liquid securities imply 6.4% Cap Rate
Now is a good time to consider adding to HK, Australia, Singapore

Japan recovery and HK Growth may be slower than some expected

As Cap rates compressed and vacancies above “threshold” levels, values stalled, equities fell, valuations now Attractive

Top Japan Market Office Vacancy



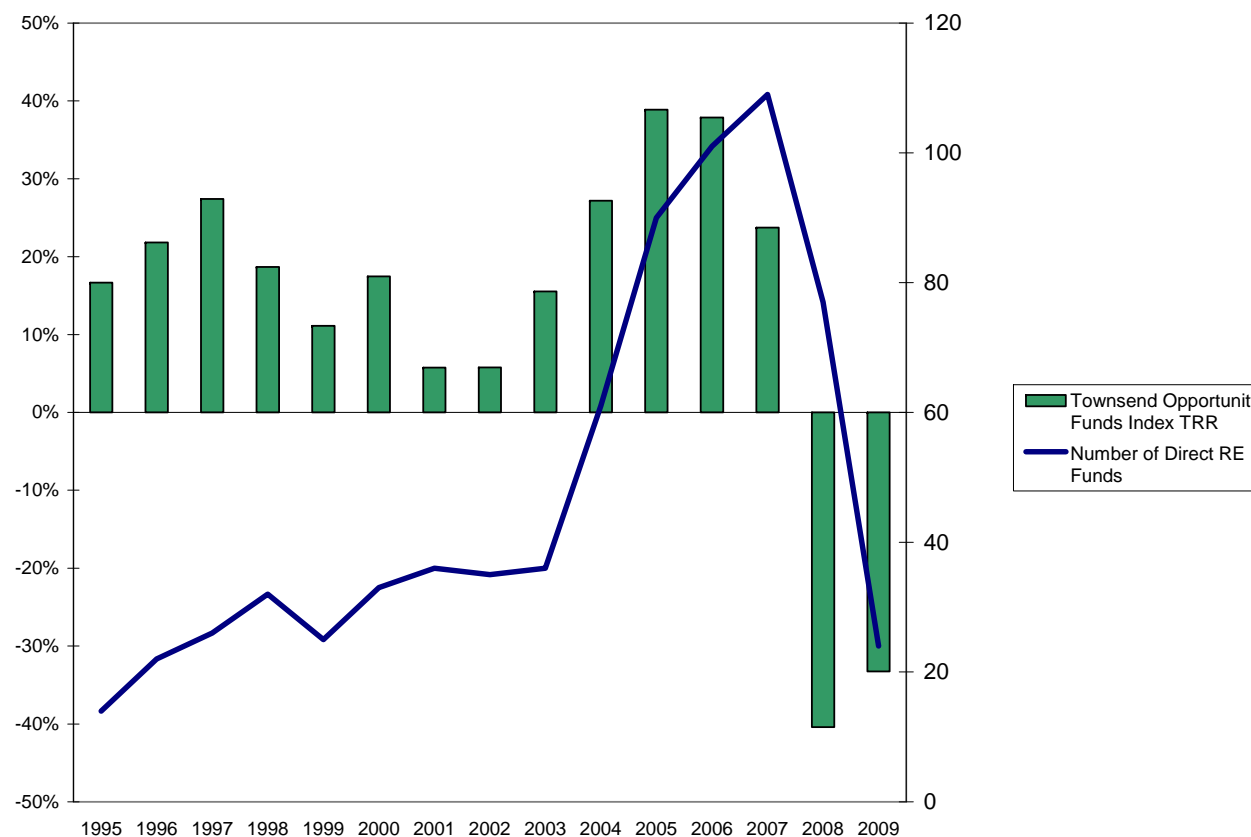
Now may be a good time to scale-in Asia exposure.

Strategia reduced portfolio exposure to Asia QI, expecting better future value opportunity...now
Equities now are at Steep discounts to Direct valuations in Hong Kong and Japan

Direct RE Funds have Raised most capital at inopportune times

As Cap rates compressed more funds raise more capital, adding to risk side of risk/reward

Number of PE Funds and Return “Opportunity Funds” by Vintage

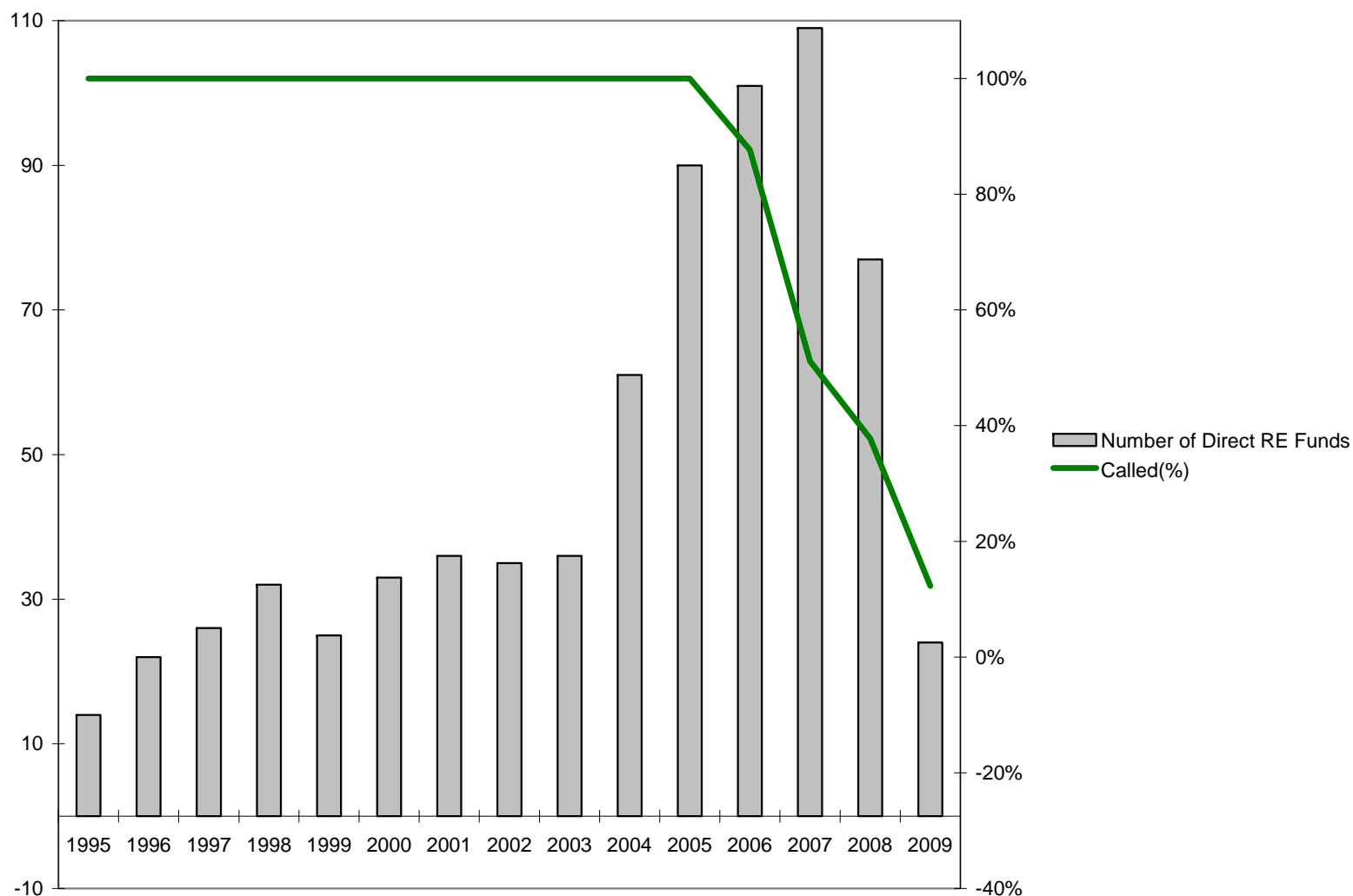


Opportunity in Direct Real Estate assets may be inverse to Capital Raised for such.

Direct RE Funds Deployed most capital at inopportune times

As Cap rates increased more funds deploy less capital, adding to risk side of risk/reward

Number of PE Funds and % called by Vintage

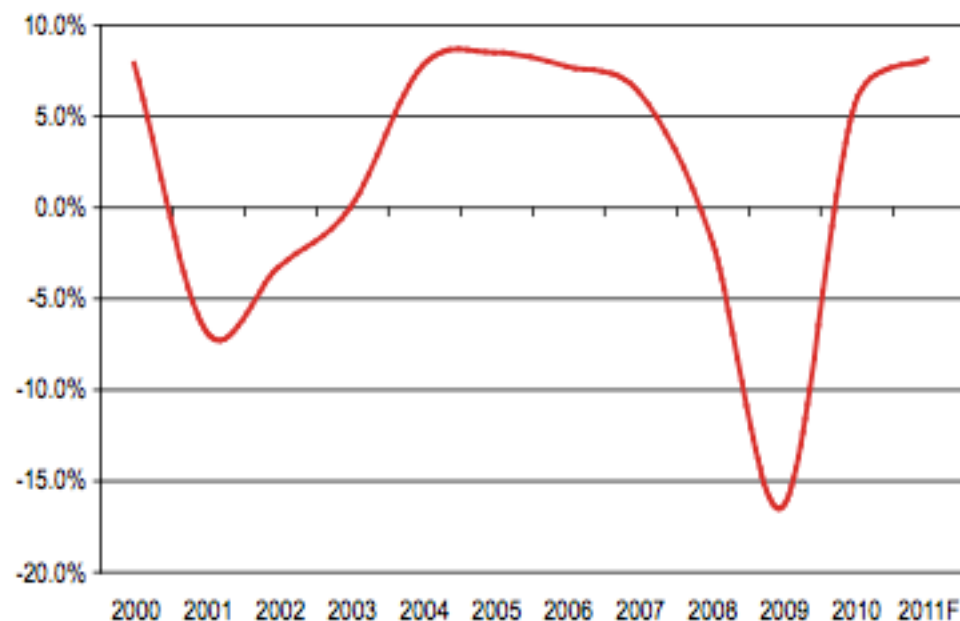


Capital Deployed in Direct Real Estate assets may be inverse to value

Global Hotel RevPAR has been in a sharp recovery since 2009

With Cap rates compressed and vacancies above “threshold” levels, values stalled

U.S. RevPAR Very Strong (% Change)



REVPAR did well as a growth driver for Hotels in U.S. and globally since '09. Starwood recently claimed results grew in all regions except MENA properties Q2 '11, Global revenue growth was 18.5% vs year prior.

Strategia added portfolio exposure Hospitality sector in 2011.

Global Cap Rates near Historic Lows

With Cap rates compressed to incredible low rates for Prime Gateway Cities.... Time to look more broadly

We have offered clients 100% occupied bldgs in Boston suburbs with 9% Cap Rates and seen 5% Cap Rates in CBD Boston for similar bldgs.

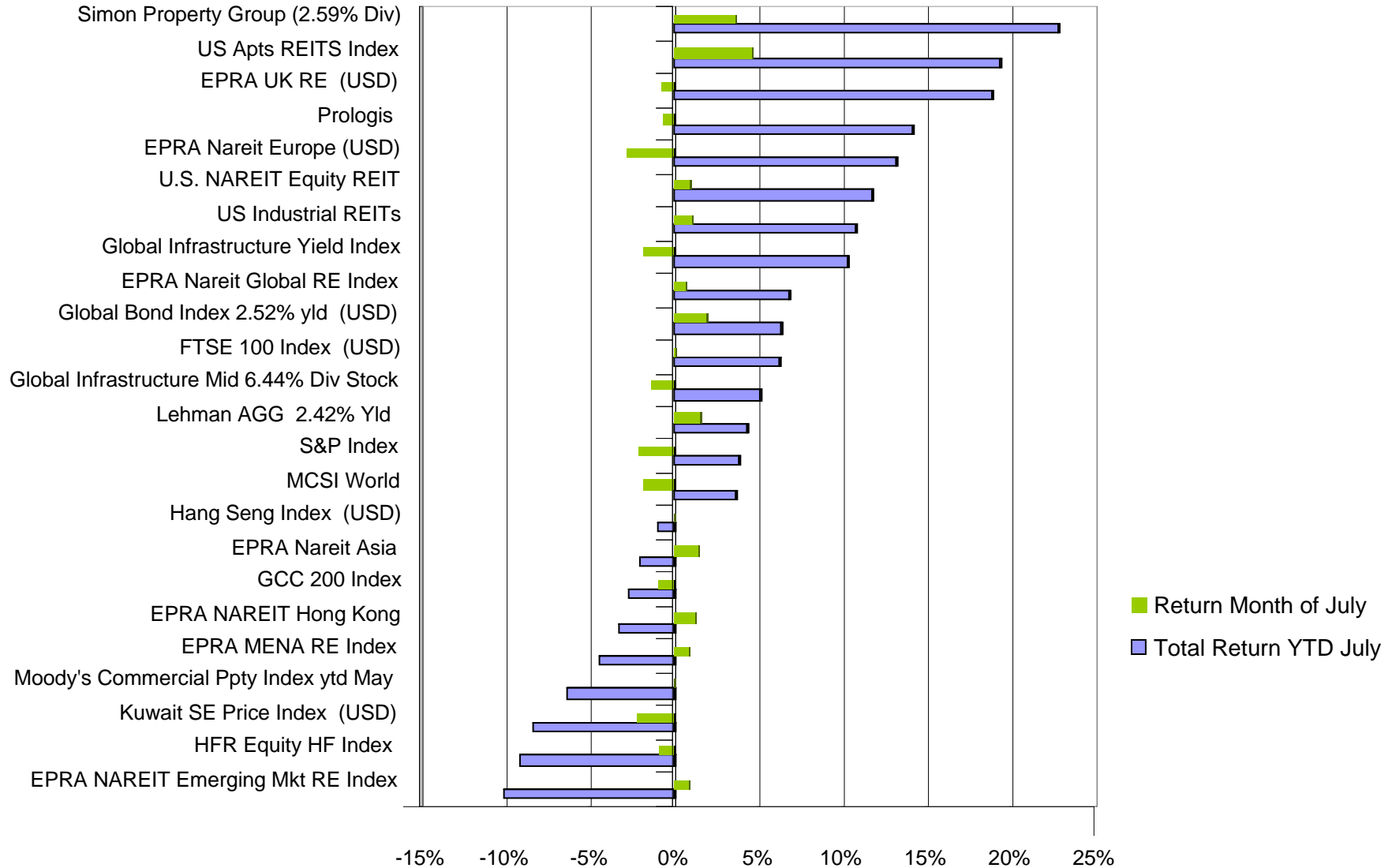
Recent NYC bldgs that sold for 4% Cap Rates will artificially move upwards, the Direct RE Indexes.

	United States	Continental Europe	Global Average	United Kingdom	Australia	Singapore	Japan	Hong Kong/China
CBRE Clarion								
Current Model	6.4%	5.8%	5.8%	5.5%	6.7%	5.2%	5.0%	5.1%

Economic growth tenuous in Europe, U.S. and Japan... Add Brazil and Hong Kong seems attractive for Q4 '11

Strategia added portfolio exposure to Hong Kong and Brazil to capture property value growth and reduce Exposure to UK and Japan early 2011.

Returns Comparison, 1st Half 2011 was excellent



Returns Comparison

Note: High Income RE and Infrastructure, U.S., Apts



Simon Property Group (2.59% Div)

REIT cash cows

US Apts REITS Index

Global Infrastructure Yield Index

US Healthcare REIT Index

U.S. NAREIT Equity REIT

S&P Index

EPRA UK RE (USD)

Kuwait SE Price Index (USD)

EPRA Nareit Global RE Index

FTSE 100 Index (USD)

MCSI World

EPRA Nareit Europe (USD)

EPRA Europe RE Index ex-UK

HFR Equity HF Index

EPRA MENA RE Index

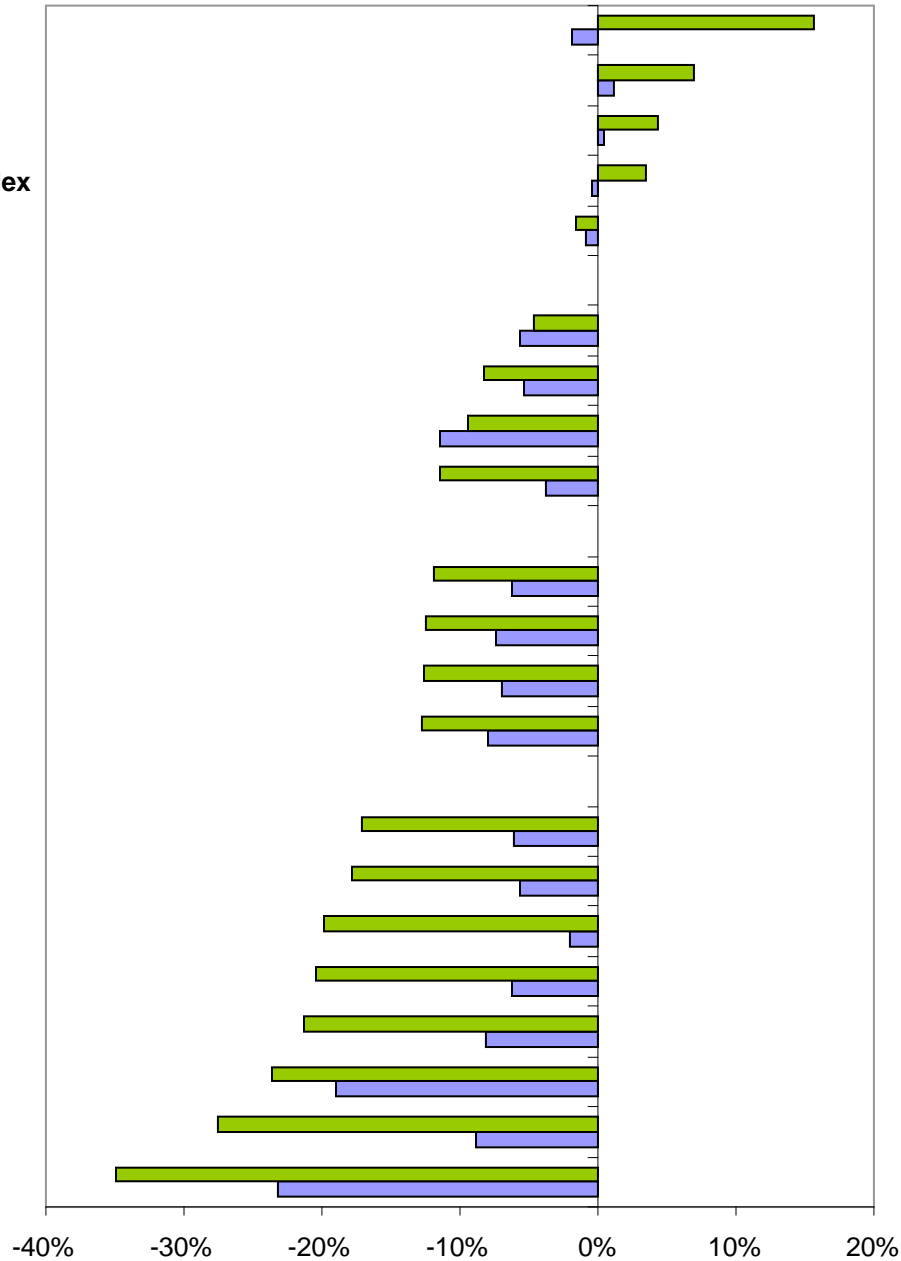
EPRA Nareit Asia

Hang Seng Index (USD)

DAX Index (USD)

EPRA NAREIT Hong Kong

US Hotel REIT Index

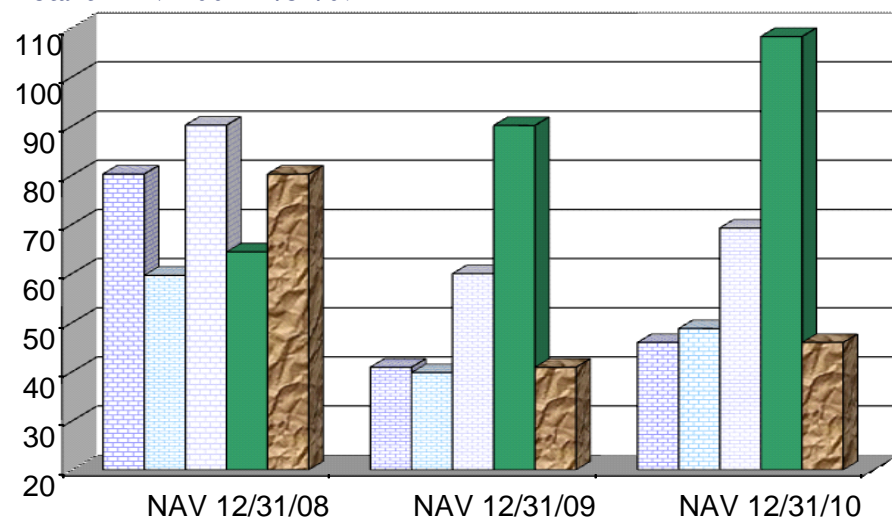







■ Total Return YTD 9/23
 ■ Return Month of August

Direct Real Estate vs Liquid Securities...

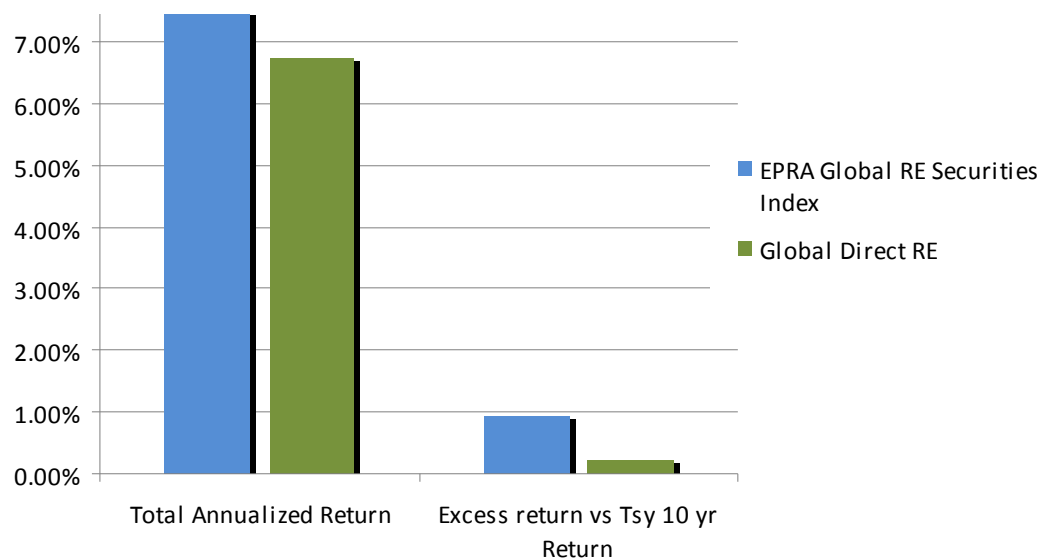
Now may be a time for direct Core NNN and healthcare properties

Start NAV 100 12/31/07



-  Townsend Value Added Direct Funds Index est
-  Townsend Opportunity Direct Funds Index est
-  NCREIF Open End Core Direct Funds Index est
-  Strategia Separate Acct Liquid RE Actual Net of bank and mgt fees
-  Townsend Value Added Direct Funds Index est

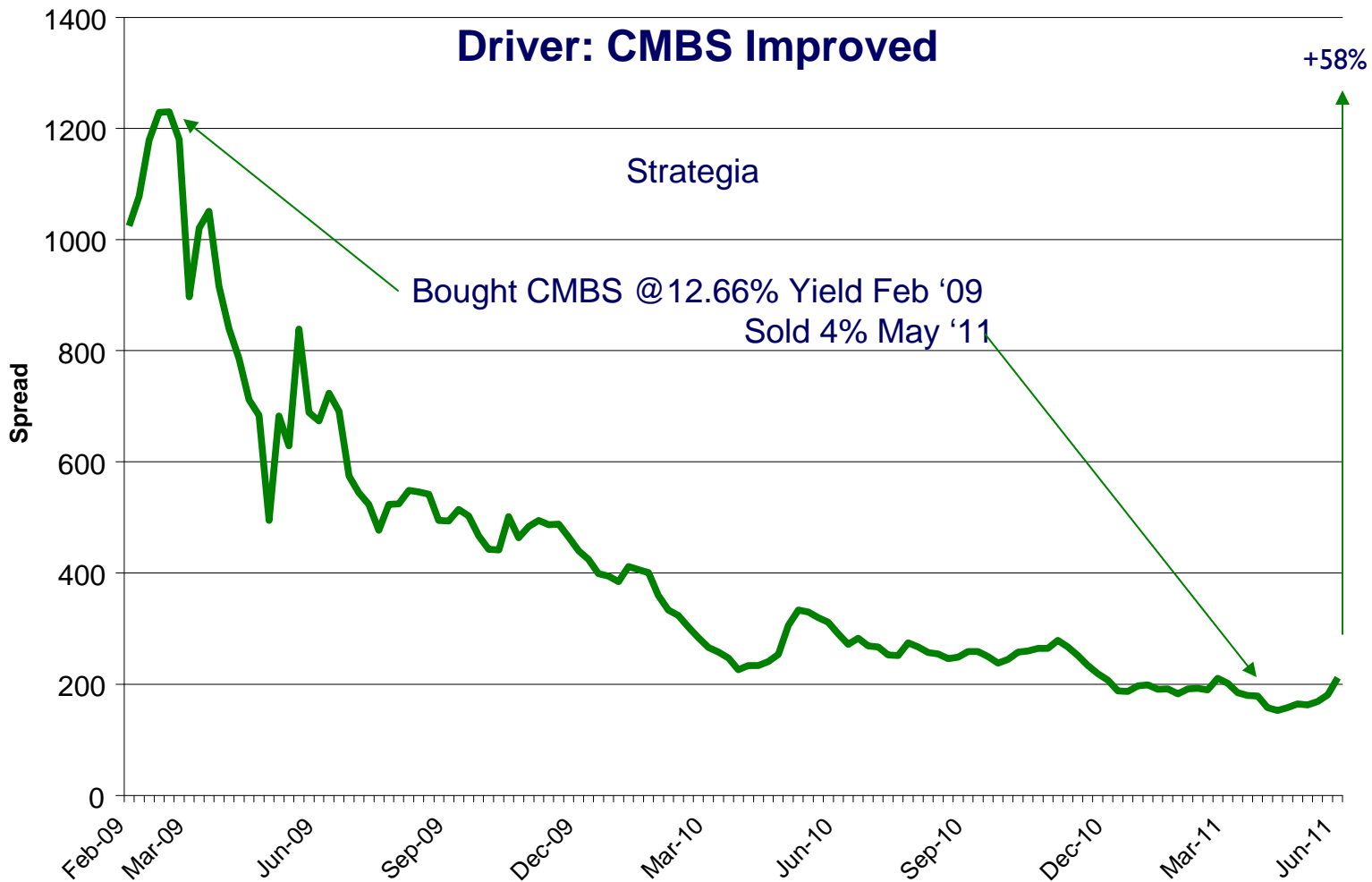
EPRA Global RE Index vs Global Direct RE Index
1989 to 2010



Sources: Townsend, IPD, NCREIF, EPRA
Direct Index is equally wtd NCREAF, IPD UK, IPD Australia Indexes 1989 to 2010

Direct asset investments returns driver:

Commercial RE loans are freely available at very attractive interest rates
Glitch Q3 caused spreads to gap
Home loans available 3.3% in U.S.



Source: MS Index, Strategia acct return +58.26% cumulative 21% annualized Feb '09 to May '11

Good News:

Income oriented strategy is working well YTD 9/23/11 defensive positioning worked

Global RE equity index cumulative return +113% March '09 to August '11

September / October is a good time to Add to Global RE equities (as discussed 10/10)

Caution:

The 2.0 Confidence game is more dangerous than 1.0

Valuations in Direct RE top market CPD is not attractive with debt 5%

Zell claimed in September, that "Distressed RE" is overvalued by 20-40%

Supply / Demand imbalance is causing RE bubbles in Canada, Major markets and HK

We welcome Client questions, would like to discuss current opportunities in Assets / Securities

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