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LEND LEASE REAL ESTATE INVESTMENTS

Charles Foster Taylor
Chief Executive, Europe

Agenda



- 1. The Opportunity in Real Estate**
- 2. Lend Lease's Strategy**
- 3. Business Structure**
- 4. Lend Lease REI Europe**
- 5. Risk Appreciation & Management**

- Good afternoon. Today I would like to talk to you about Lend Lease, with a particular focus upon its European investment business
- I shall start by discussing where we believe the opportunity lies in real estate today
- Next I shall deal with Lend Lease's strategy in addressing that opportunity
- I shall talk about the company's structure, with particular reference to the European organisation
- And finally I would like to share with you one of the tools which we are currently developing to aid our decision-making in investments in Europe, with particular reference to risk appreciation and management

The Opportunity (1)



- **Real Estate is coming of age as an asset class**
 - 4 **increased maturity of markets**
 - 4 **influence of internationalisation**
 - 4 **influence of securitisation**
- **Strength of income component and lower relative volatility**
- **Yet, real estate markets generally are still fragmented and inefficient**

•The reason for focusing our business in the real estate sector is that we believe that global real estate markets offer a huge opportunity to those players with the breadth and expertise to operate worldwide

•In a sense, and at different speeds across the world, we believe that real estate is coming of age as an asset class

•From a situation where real estate was generally classed as the poor cousin of the asset classes and where there was often little discipline and rigour in its management, we have arrived at a point where we see increasing maturity of markets as they become more international and more open to external influence. Increasing levels of securitisation mean that the discipline of the capital markets is brought to bear upon real estate assets and their managers. Capital can now flow much more freely across national boundaries and select geographies and asset classes which offer the best risk-adjusted returns

•In a world where the population is aging, we see great attraction in the strong income component of real estate and in its lower volatility relative to equities

The Opportunity (2)



Key needs in Market:

4 Experience and Expertise

Occupiers - need partners to identify, construct, manage and finance their assets

Investors - need partners to allocate, direct and manage their capital

Synergy between two needs

- In order to function efficiently, real estate markets need players who combine experience and expertise.
- This expertise may, on the one hand, concern the skills necessary in conceiving, creating, financing and managing assets.
- On the other hand, it may concern the skills necessary to analyse markets globally, identify growth areas, shape allocations and enact investment strategies
- Lend Lease is unique in its ability to combine the two core competences on a global basis.

The Strategy



Lend Lease seeks to address both needs through its two business segments

4 **Real Estate Solutions**

4 **Real Estate Investments**

= Unique global integrated Real Estate platform

- Lend Lease has two principal global businesses:
 - Real Estate Solutions - the business which manages the conception, construction and in some cases facilities management of buildings and which is constantly dealing with the users of real estate
 - Real Estate Investments - the business which raises capital and invests it in the assets and locations that its research has indicated will provide superior returns to its investors
- The two businesses are complementary for a variety of reasons:
 - the Solutions business means that we have a constant dynamic relationship with occupiers and can monitor the evolution of their needs
 - the Investments business allows us to leverage off the Solutions business to provide a better outcome for investors
 - As an investment manager we have increased risk management expertise through our mastery of all that is related to the construction and maintenance of buildings. What is more, unlike an equities manager we are able to act to improve the assets which we select and manage
- Clearly the association of the two activities can also provide the scope for conflicts and it is for this reason that they are distinct and separately managed - we are constantly conscious of the need to maintain scrupulous standards of governance and focus on investment returns for clients

An Established Global Operator



12,000 professionals in 38 countries on six continents



- Our global network is extensive and extending, enabling us to serve clients and place capital on a worldwide basis

Real Estate Solutions



- Bovis Lend Lease
- Development capabilities
- Australian Residential and Land Management business (including Delfin)

•The Real Estate Solutions business is underpinned by Bovis Lend Lease, which is a world class global project management and construction business.

•The business also includes a global development capability that is focused on generating solutions for clients.

•In Australia we also have a very successful residential and land management business which is focused on the building of communities. This business was enhanced by the recent acquisition of Delfin.

Real Estate Investment Management



- €59.5 billion Assets Under Management
- Highly developed platforms in US and Australia
- Opportunities in Asia and Europe
- Global Fund Raising

•Our Real Estate Investment Management business has around in Eu 59.5 billion Assets Under Management.

•In the US we are a clear industry leader in Real Estate Equity and are also a very strong participant in Real Estate Debt.

•In Australia we have a very strong business, which is well placed to support our growth in Asia.

•In addition we are finalising a JV agreement with Tokyu in Japan. The first initiative of the JV will be the launch of a listed REIT next year.

•I will turn in a minute to the opportunity we have in Europe and the steps we are taking to build our presence here

•To highlight the benefits of a global network, we have been raising and investing capital across borders as well, for example, through the Global Fund, where investor capital was sourced from the US, Asia and the Middle East, and invested in Europe and Asia; the US Office Trust, which is an Australian listed vehicle investing in US commercial office buildings; and the International Distressed Debt Fund, where investors in the US, Asia and the Middle East have provided capital to be invested in Asian non-performing commercial real estate backed loans.

Lend Lease REI in Europe

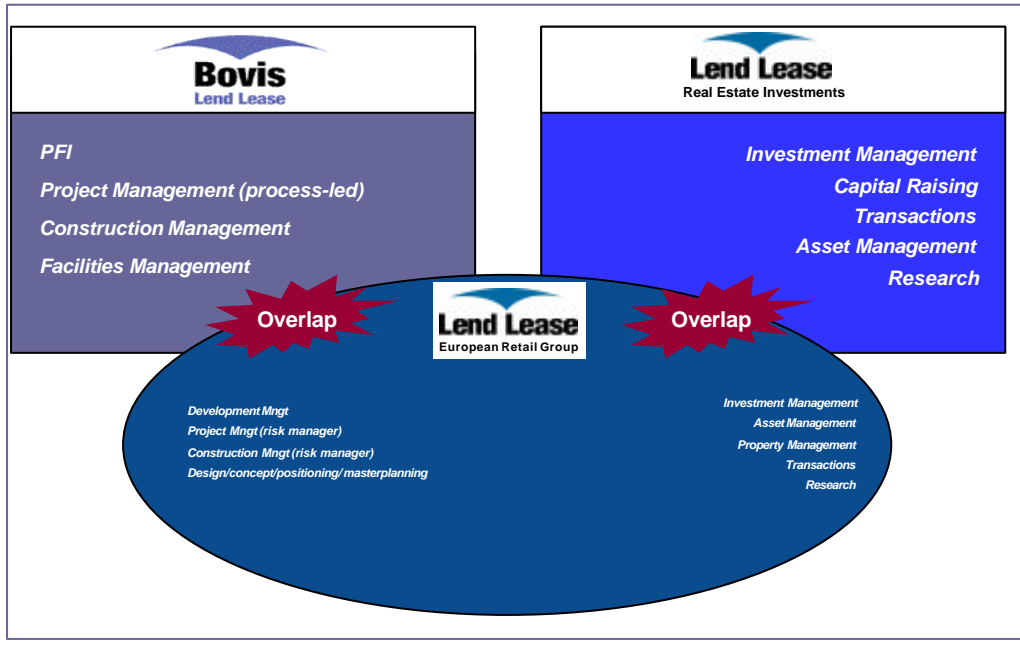


Rationalisation of Business into two principal streams:

- **Real Estate Solutions**
- **Real Estate Investments**

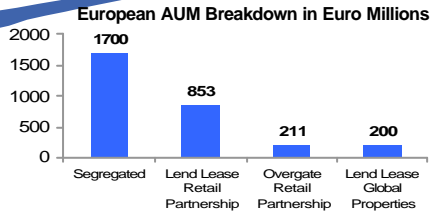
• We have recently reorganised our European business so that it mirrors Lend Lease's global focus on two businesses

Drivers for Change



- Prior to the acquisition of Bovis in 1999, Lend Lease's European platform was comprised of an entity known as the European Retail Group. This group was specialised in the development of shopping centres in the UK and in Spain. As the shopping centres were developed, they were wholly or partially sold into limited partnerships and this led to the development of a fund management activity as well as property and asset management capabilities.
- In parallel, Lend Lease Real Estate Investments commenced activities in Europe at the end of 1999, aiming to source opportunities for existing clients and funds and to launch new products.
- This year has seen the rationalisation of 3 businesses into 2 with the development and construction related parts of the European Retail Group joining the Solutions business and the leasing, asset, property and fund management businesses joining Real Estate Investments.

European Assets Under Management



Lend Lease Global Properties

- €645 million Equity Raised
- €570 million of assets currently under management
- Actual IRR of 16.1% since inception to 31/12/00.
- 35% of assets held in Europe

Lend Lease Retail Partnership

- The largest limited partnership in the UK
- 25 European institutional investors
- Out performance of the IPD direct shopping centre index

Performance Lend Lease Retail Partnership

	Actual	Forecast	Benchmark IPD/PMA
1999	18.4%	-	15.1% (IPD)
2000	9.1%	-	6.2% (IPD)
2001		11.0%	5.6% (PMA)
2002		8.8%	6.7% (PMA)
2003		10.9%	5.3% (PMA)

• In Europe today we have some EU 3 billion assets under management spread between segregated accounts, UK limited partnerships and the Lend Lease Global Properties Fund

• The Lend Lease Retail Partnership, which owns 25% of Bluewater as well as the recently completed Touchwood centre in Solihull, is the UK's largest limited partnership. It brings together 25 institutional investors who have enjoyed exceptional performance over the past 3 years

• Lend Lease Global Properties, our international opportunity fund, holds assets in the UK, Germany and Portugal and we hope soon to announce further acquisitions

Strategy for European Business



Aim to create Europe's best real estate investment management business

- "Best" means:
 - 4 Not necessarily biggest
 - 4 Performance
 - 4 Client management
 - 4 Profitable

- Our target is to create Europe's best investment management business.
- Best does not necessarily mean biggest - that goal is some way off, even if we hope to hit it one day
- Best does, however, mean the group which offers the best performance to its clients, which manages those clients in the most professional manner possible and which delivers a strong profit stream to Lend Lease as well as to its investors

Initiatives (1)

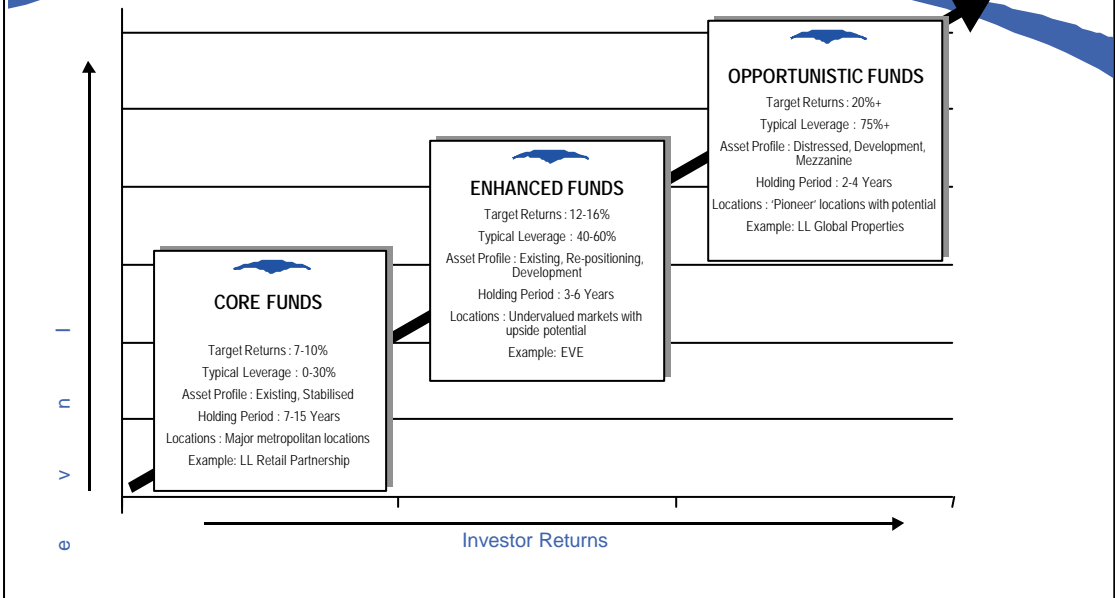


European Value Enhanced Fund

- 4 target €300 million capital
- 4 Euro zone only
- 4 50:50 Debt:Equity
- 4 Target IRR: 12-14%

- We are currently focusing our energy on 3 key new initiatives in Europe
- The first of these is the European Value Enhanced Fund. This fund, which will be a Luxembourg *fonds commun de placement*, or FCP, will aim to mirror the success of the Value Enhancement series of funds which Lend Lease manages in the US
- The fund will invest solely in the Euro zone and will target IRRs of 12-14% after leverage
- The fund has been designed in order to respond to investors' requirements for a vehicle offering Euro exposure and returns at a premium over core investments

Lend Lease Fund Spectrum



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•The European Value Enhanced fund will serve also to add to the breadth of our product offering in Europe

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Initiatives (2)



- Joint venture with Generali Assicurazioni
 - 4 Europe's 3rd largest insurer
- Targeting core institutional investment capital
- 1st deal completed in Washington D.C.
- Strong pipeline of new opportunities

•The second of our initiatives is the creation of GLL Real Estate Partners, our joint venture with Generali, Europe's 3rd largest insurance company

•GLL is based in Munich, rapidly becoming the centre of real estate fund management in Germany

•The joint venture was formed in order to leverage the combined power of Generali's pan-European presence and real estate expertise and Lend Lease's investment management skills. Its focus is on core institutional real estate and it is intended that it will raise and invest capital in both Europe and the United States. A first transaction has recently been completed in Washington DC on behalf of a German institutional investor. In this transaction GLL worked alongside our US business, which will asset manage the property on behalf of the investor.

•...A small start, but one which presages further major transactions for GLL

Initiatives (3)



- Real Estate Securities Management
- Based in Brussels
- Experienced team
- Have just hit €100 million under management

- Lend Lease Houlihan Rovers is the name of our European real estate securities management business. The business completes our world-wide real estate securities capability.
- LLHR is headquartered in Brussels and has won a number of mandates this year to take it to more than EU 100 million under management.
- With a highly focused research process, LLHR invests on behalf of its clients in real estate securities listed in Europe
- LLHR is seeing particularly strong demand from Dutch and Belgian pension funds for its services

Risk Appreciation & Management



- Understanding and managing risk are key components of our business
- Investment decisions are based on appreciation of risk-adjusted returns
- Need for tool which helps to measure current and prospective risk
- REDAR® - Real Estate Decisions About Risk

- REDAR® was designed by Rosen Consulting as a means of analysing risk associated with countries':
 - 4 Political Risk
 - 4 Economic Risk
 - 4 FX Risk
 - 4 Financial Risk
- The tool analyses both current and prospective risks

CURRENT RISK

Economic

- 4 Unemployment Rate
- 4 GDP Growth
- 4 Inventory Change

Financial

- 4 Stockmarket
- 4 M2/GDP Change
- 4 Lending/Borrowing
- 4 Financial Distortion

FX

- 4 Volatility
- 4 Reserves/Imports
- 4 Current Account

Political

- 4 Social Unrest
- 4 Corruption

OUTLOOK

Economic

- 4 Services/GDP
- 4 Country Rating
- 4 Real Interest Rate

Financial

- 4 Term Structure
- 4 Financial System
- 4 Banking Openness

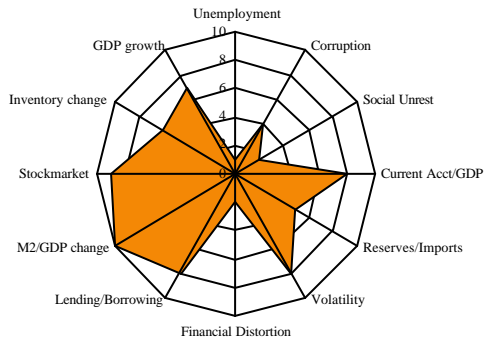
FX

- 4 Forward FX
- 4 PPP
- 4 Public Debt/GDP

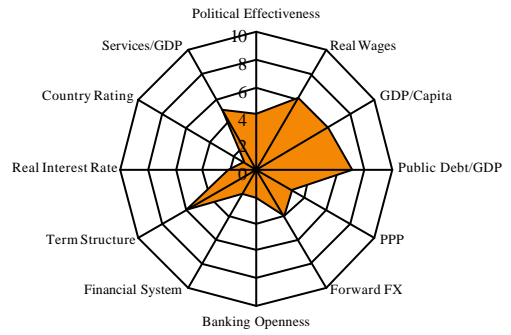
Political

- 4 GDP/Capita
- 4 Real Wages
- 4 Political Effectiveness

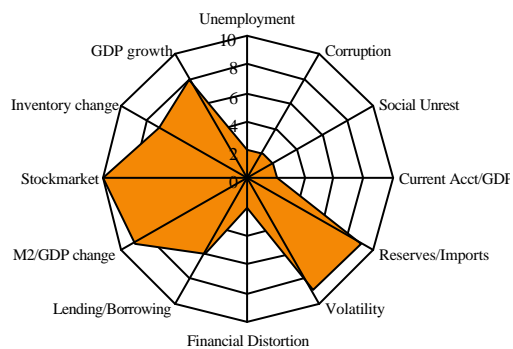
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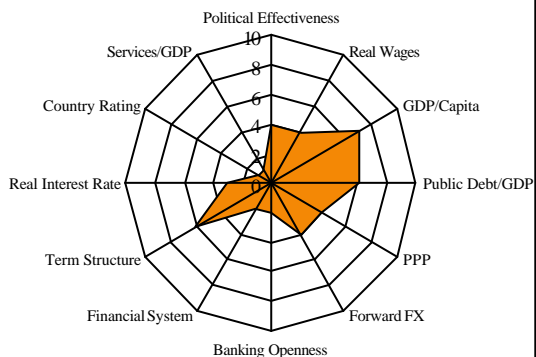
Outlook



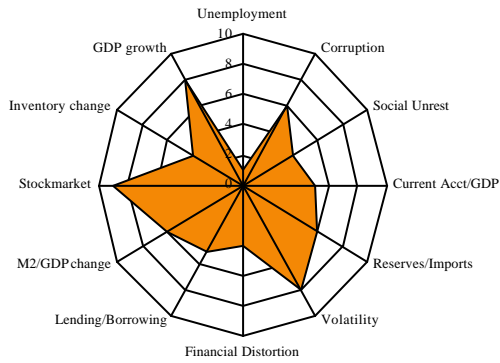
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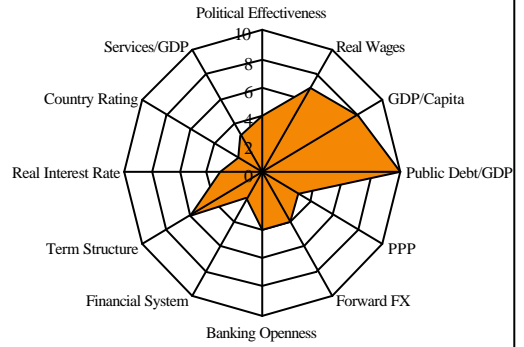
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Current



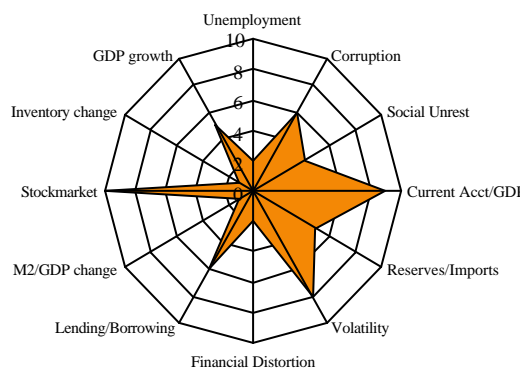
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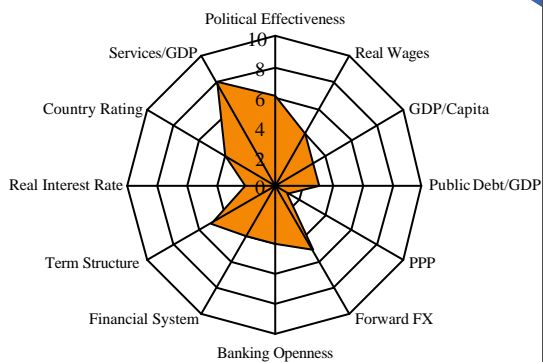
REDAR® - Czech Republic



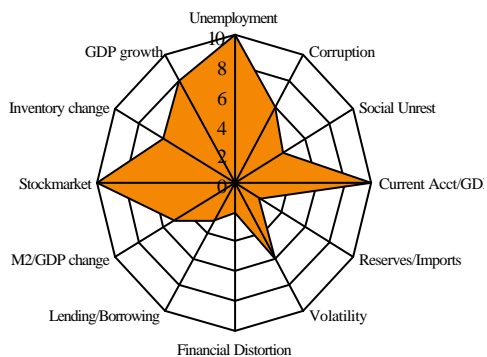
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Outlook



Current



Outlook

