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Latin America Real Estate: Its Role in a Global Portfolio

***Brazil: Opportunities in Real Estate
Development, Investment and Finance***

ULI Conference

August 27, 2002

São Paulo, Brazil

Agenda

- ◆ **A Global View of Markets**
- ◆ **Focus on Brazil**
- ◆ **Investment Opportunities**
- ◆ **Summary**

Rationale for Global Investing

- ◆ Higher returns
- ◆ Diversification
- ◆ Diverse opportunities

A Global View by Region

	Population	Land Area	GDP
Latin America	15%	32%	6%
Europe	16%	7%	30%
Asia/Pacific	58%	29%	26%
US/Canada	11%	32%	37%

Source: Statistical Abstract of the U.S., Prudential Real Estate Investors

A Global View by Country Risk

Core Markets

- ◆ United States
- ◆ Japan
- ◆ Germany
- ◆ United Kingdom
- ◆ France
- ◆ Canada
- ◆ Netherlands

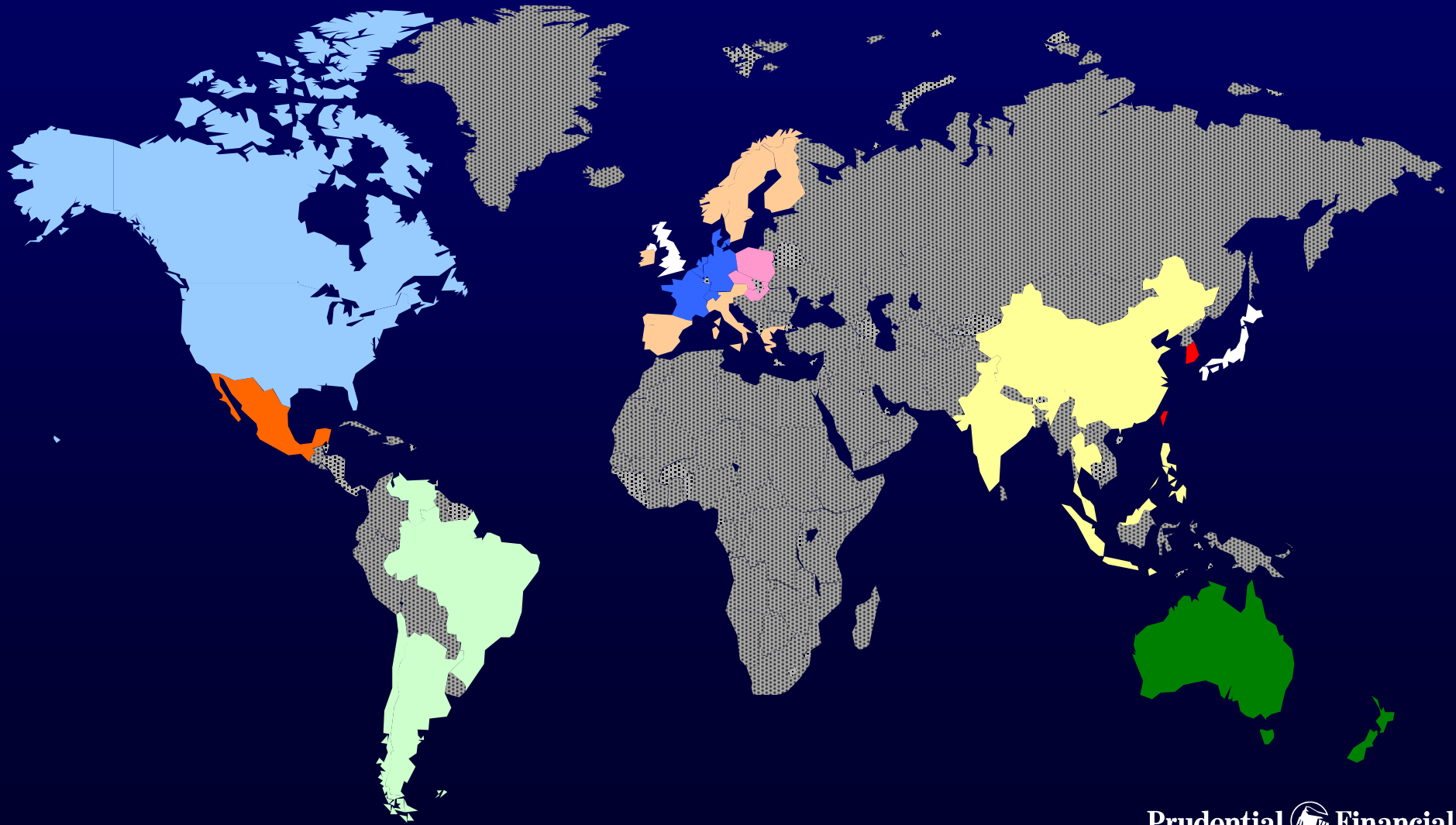
Core Plus Markets

- ◆ Hong Kong
- ◆ Singapore
- ◆ South Korea
- ◆ Taiwan
- ◆ Ireland
- ◆ Portugal
- ◆ Spain

Emerging Markets

- ◆ China
- ◆ Thailand
- ◆ Malaysia
- ◆ Philippines
- ◆ Czech Republic
- ◆ Hungary
- ◆ Poland
- ◆ Argentina
- ◆ Brazil
- ◆ Chile
- ◆ Mexico
- ◆ Venezuela

A Global View by Country Block



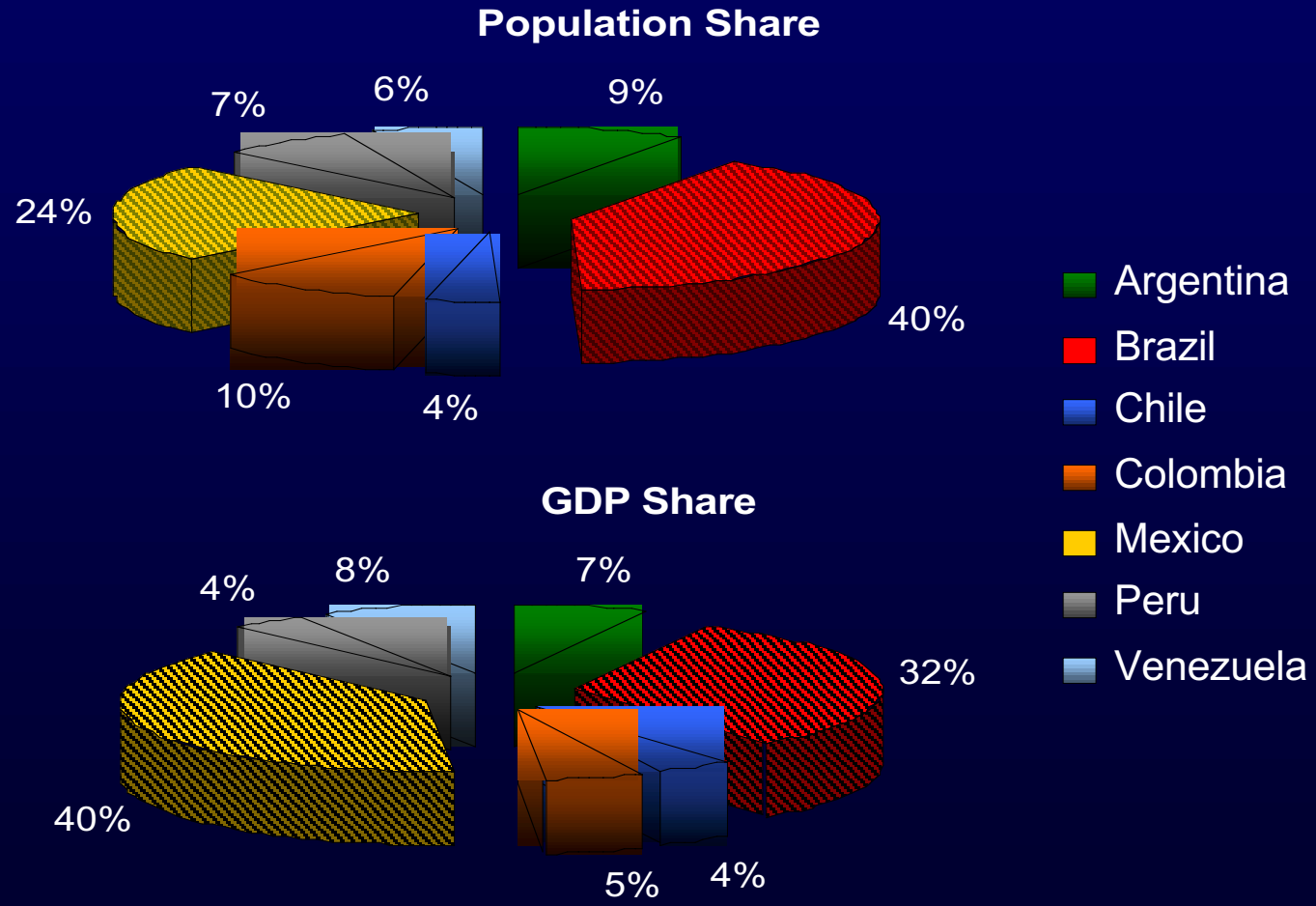
Two Dimensions of Risk

- ◆ **Country Risk**
 - Core
 - Core Plus
 - Emerging
- ◆ **Property Risk**
 - Core
 - Value Added
 - Opportunistic

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Dominance of Brazil and Mexico

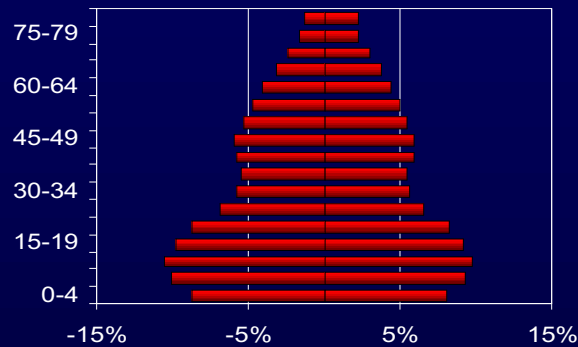


Source: Datastream

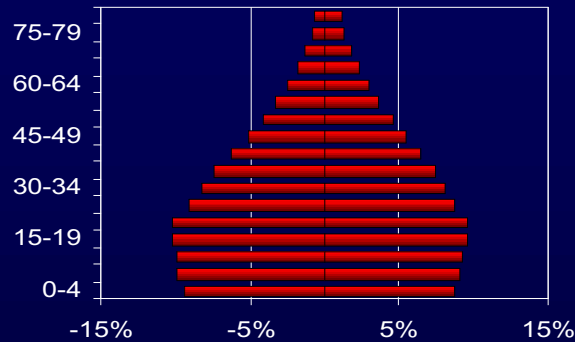
Powerful Demographic Trends

Population Distribution by Age Cohort

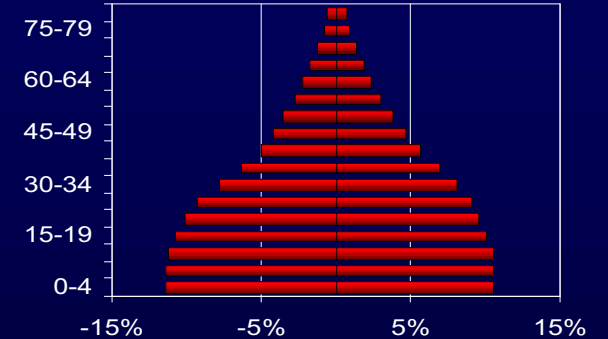
US 1970



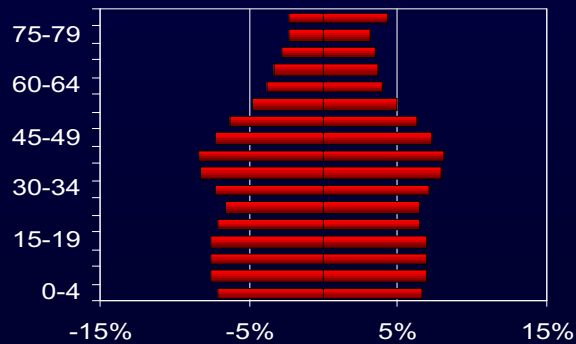
Brazil 2002



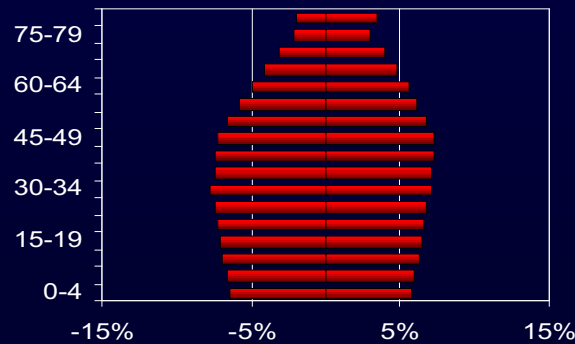
Mexico 2002



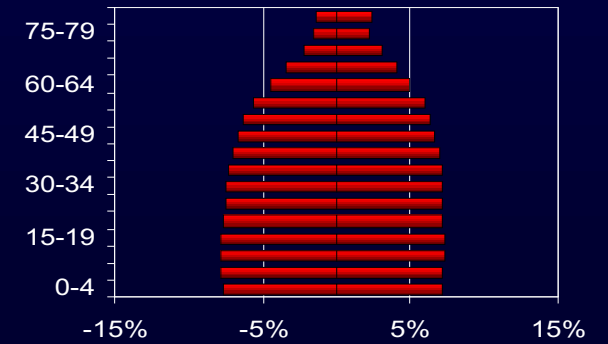
US 2000



Brazil 2030

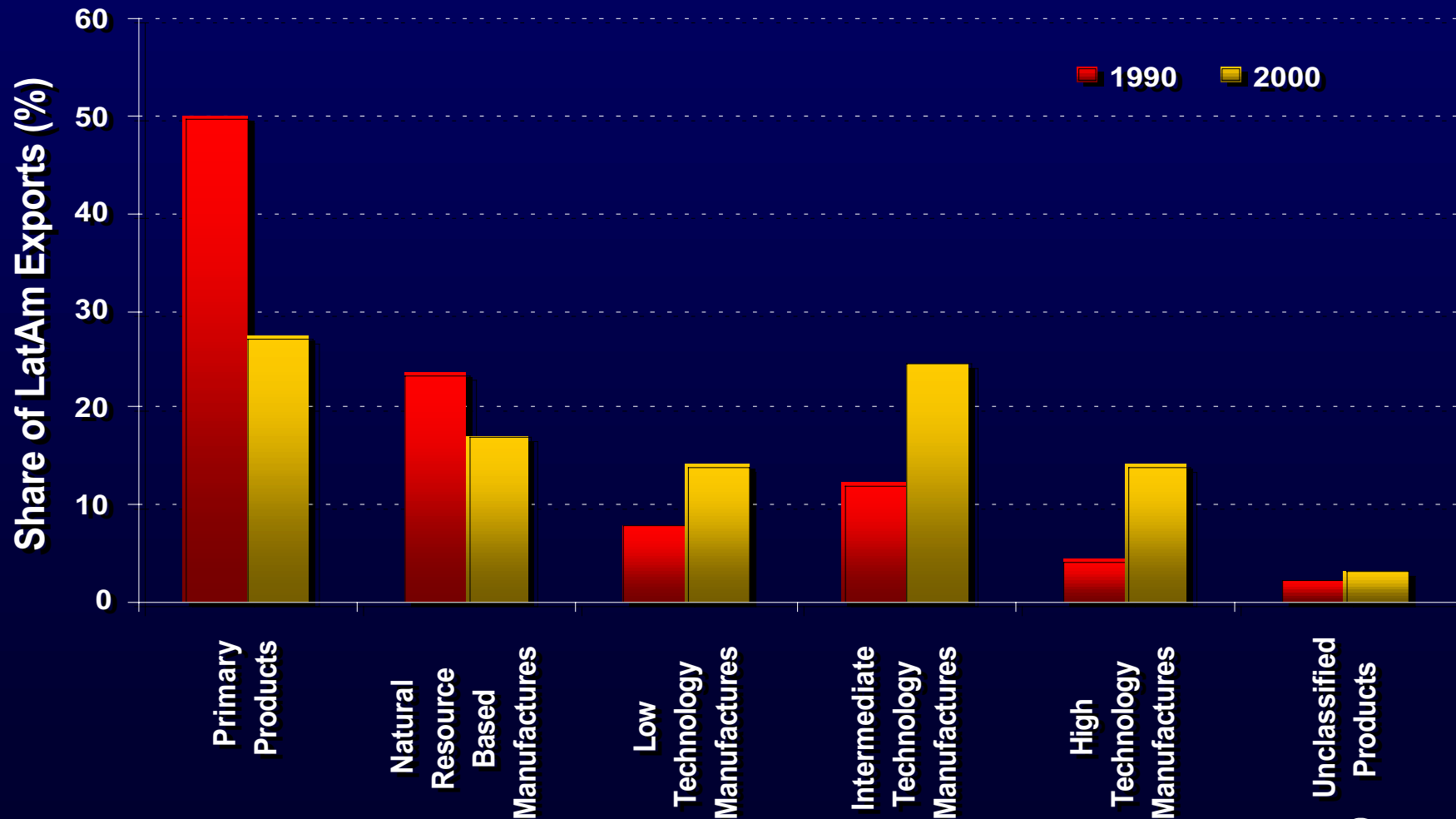


Mexico 2030



Source: U.S. Census

Maturing Latin American Economies

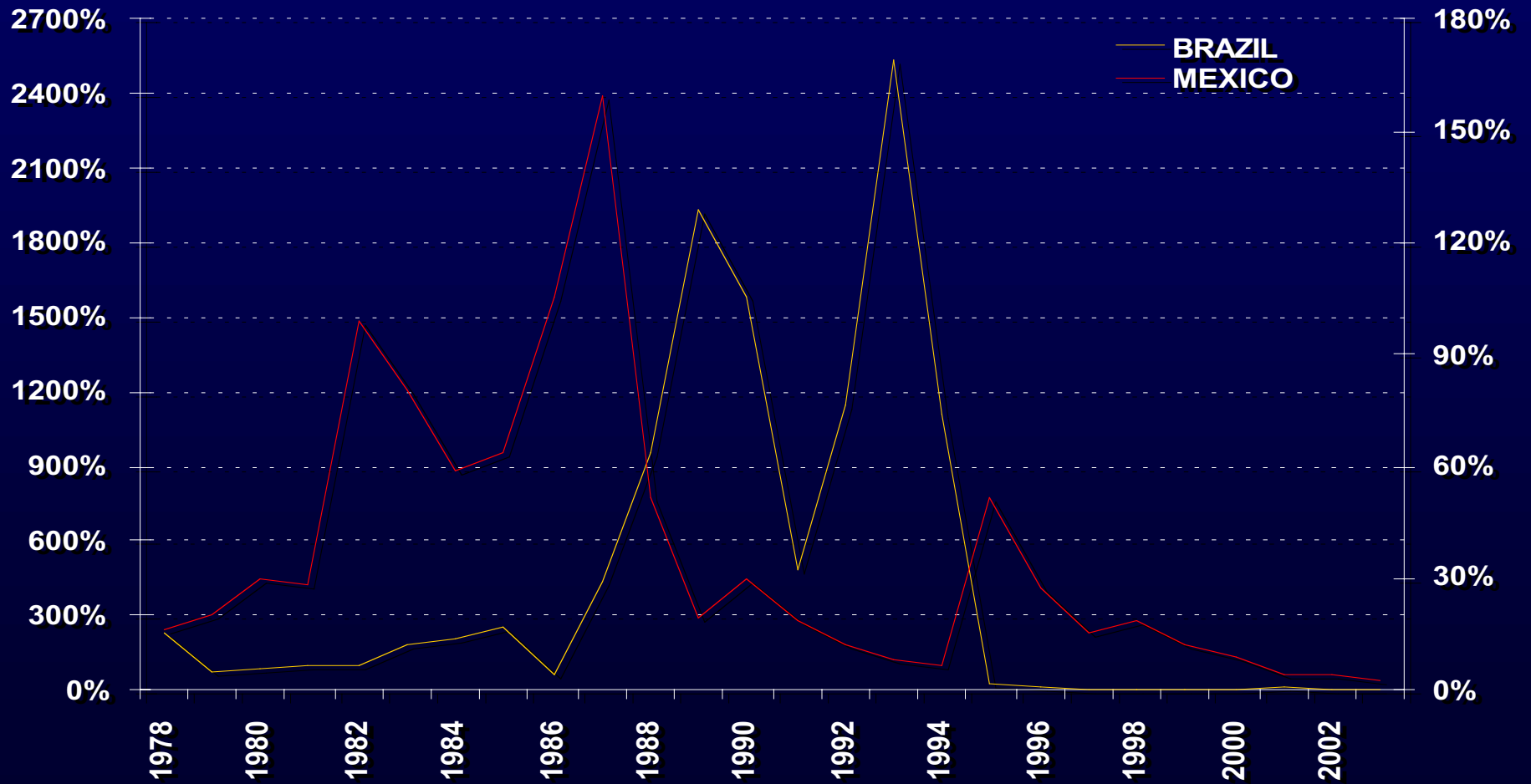


Source: Economic Commission for Latin America and the Caribbean (ECLAC), Prudential Real Estate Investors

A Change in Inflation Regime

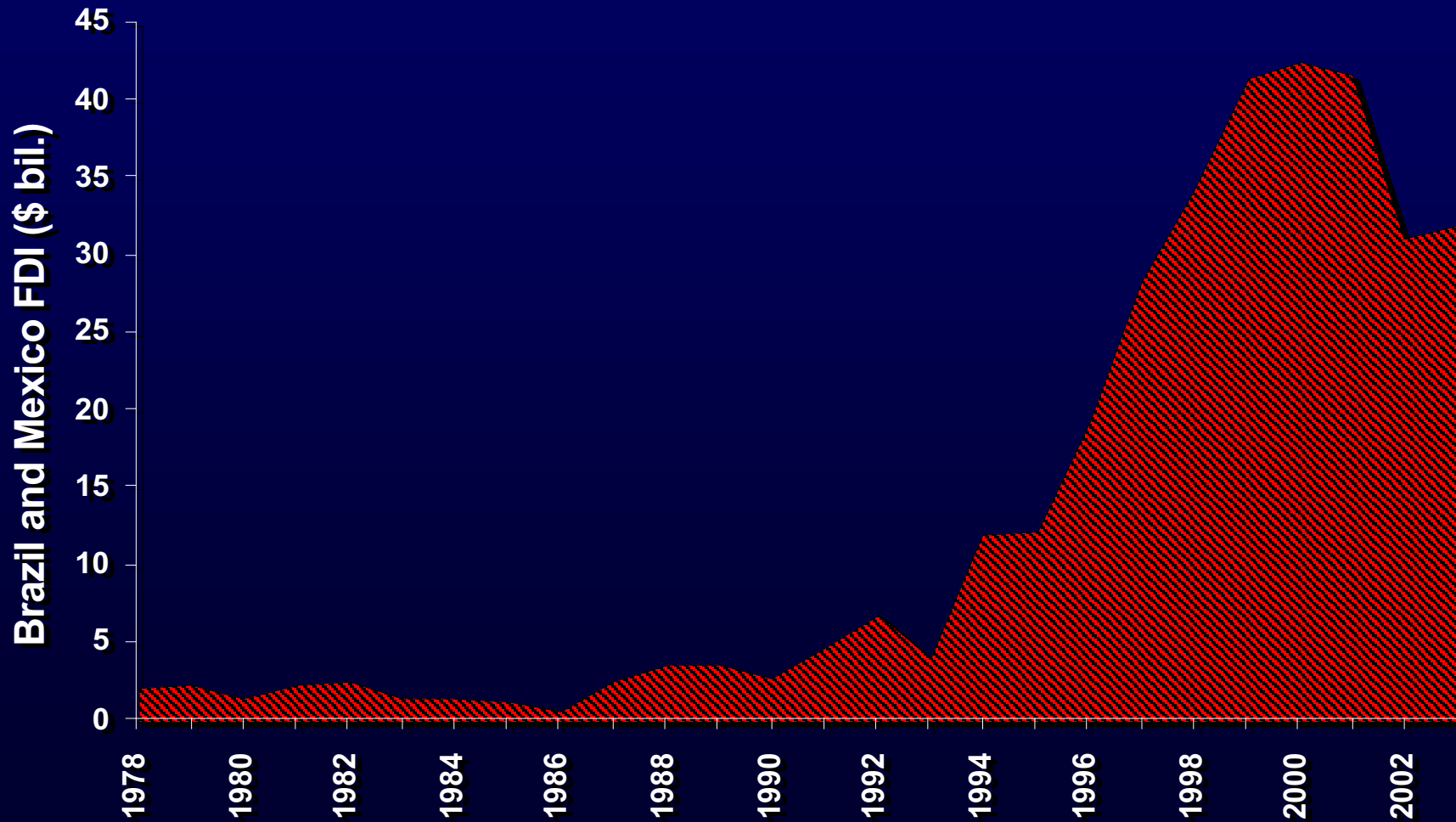
Brazil Inflation

Mexico Inflation



Source: Datastream

A Time of Foreign Direct Investment



Source: Economic Intelligence Unit

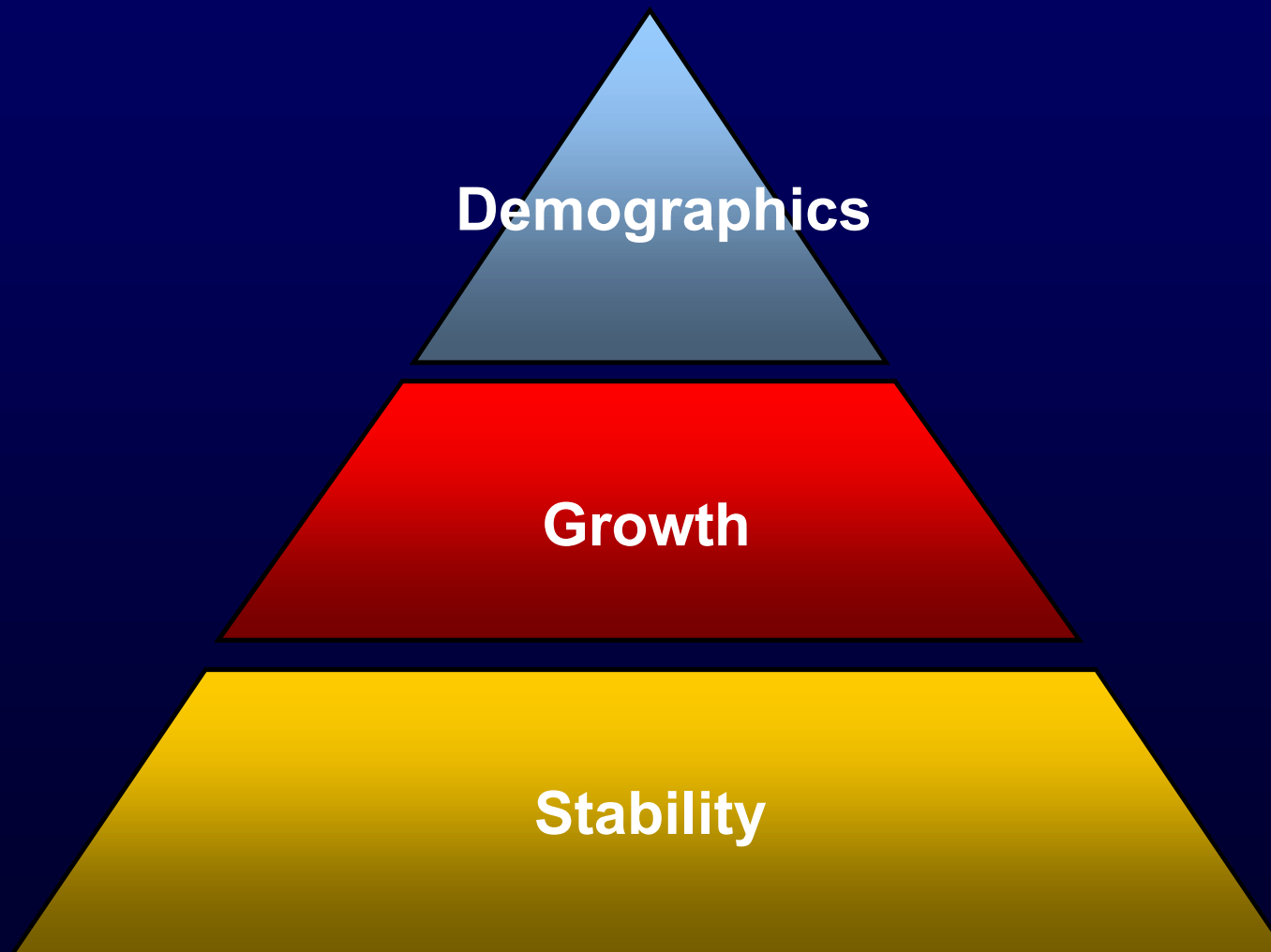
But Perceived Risk Still High

Country Risk Scores (Scale 0 – 100)

Country	Institutional Investor	Euromoney
Argentina	23.8	33.6
Brazil	40.2	48.5
Chile	64.0	66.3
Mexico	57.2	63.9
China	57.6	62.0
Malaysia	55.3	60.8
Poland	59.6	65.8
Hungary	65.0	70.2
U.S.	92.5	95.9
U.K.	93.7	92.7

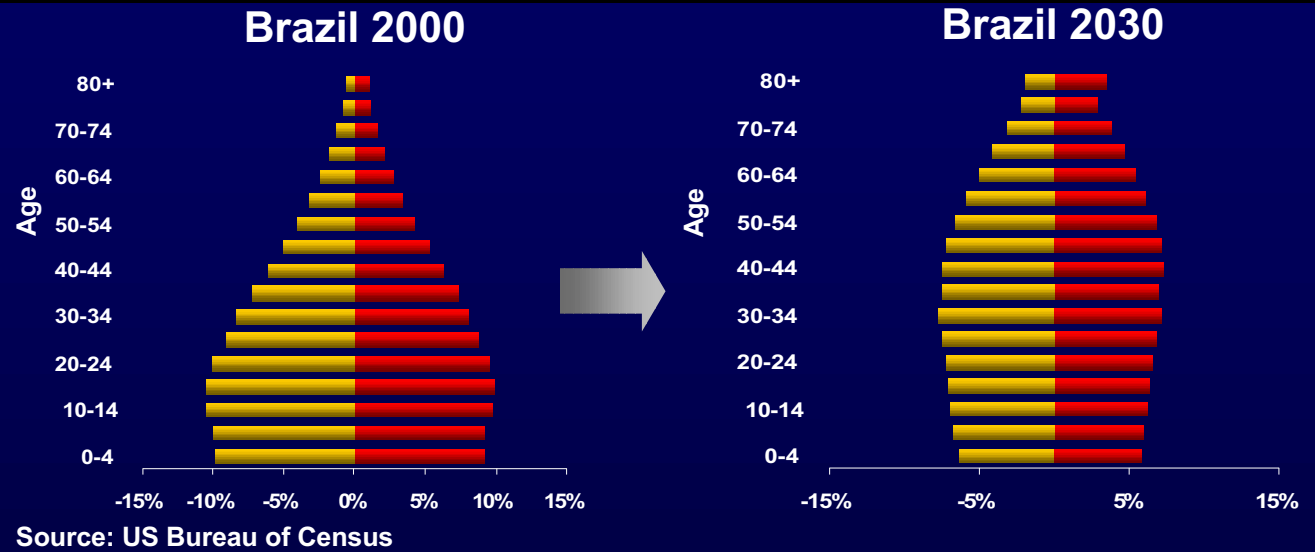
Note: Most recent data, as of March 2002

Three Strengths of Brazil

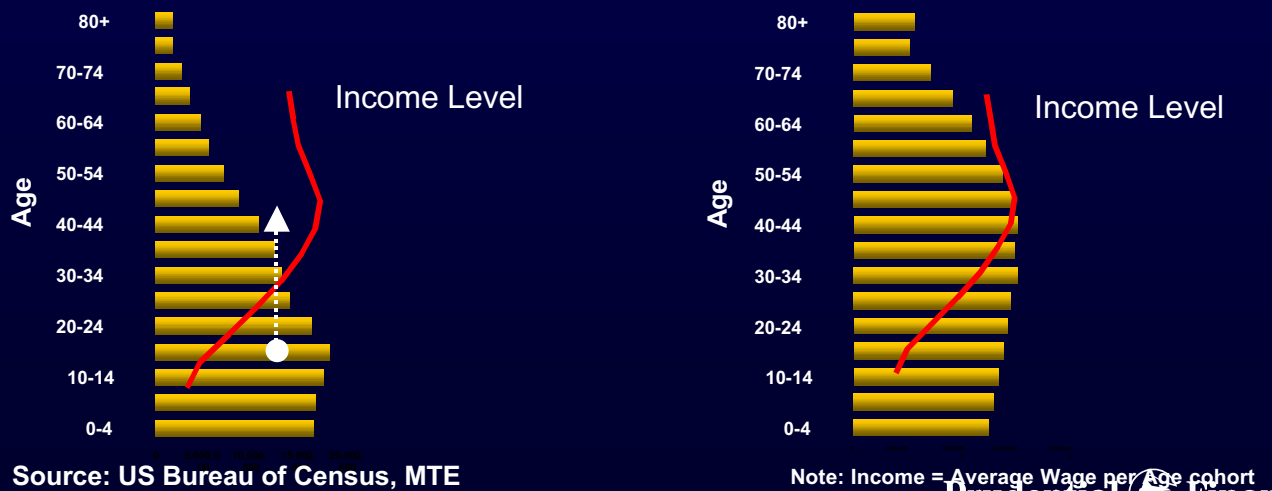


Demographics Powering Economy

POPULATION

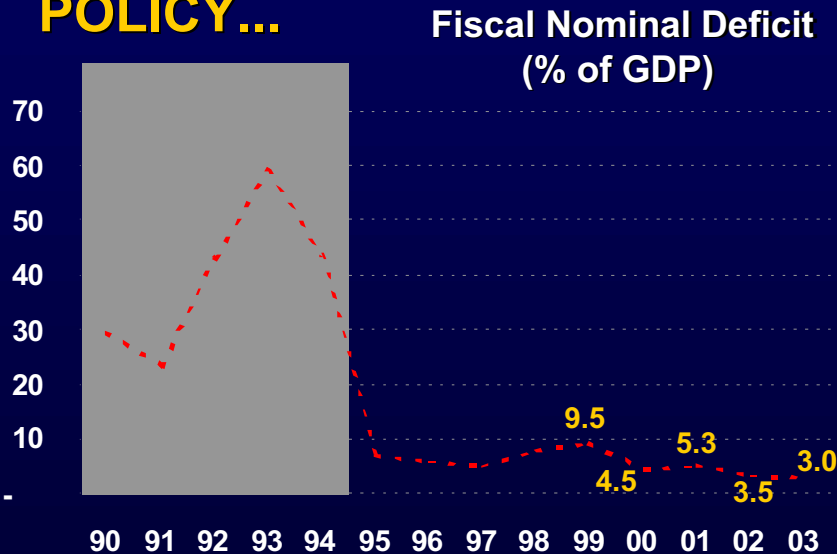


PRIME AGE, PRIME INCOME



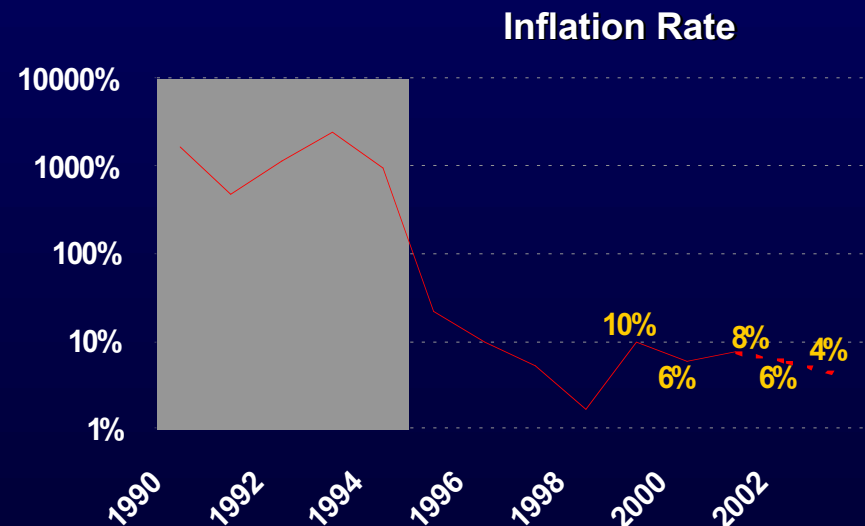
A New Regime Since 1994

BRAZIL ADOPTED A STRINGENT FISCAL POLICY...



Source: FGV, Banco Central (forecast)

...BRINGING INFLATION UNDER CONTROL...

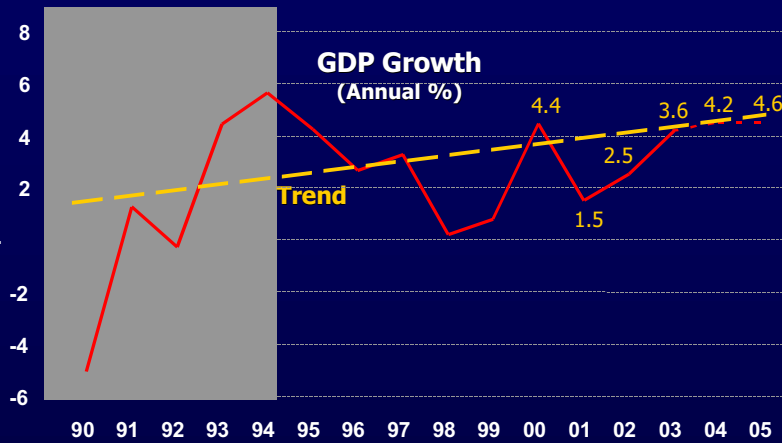


Source: FGV, Banco Central (forecast)

...EVEN AFTER THE CURRENCY DEVALUATION OF 1999 AND 2001

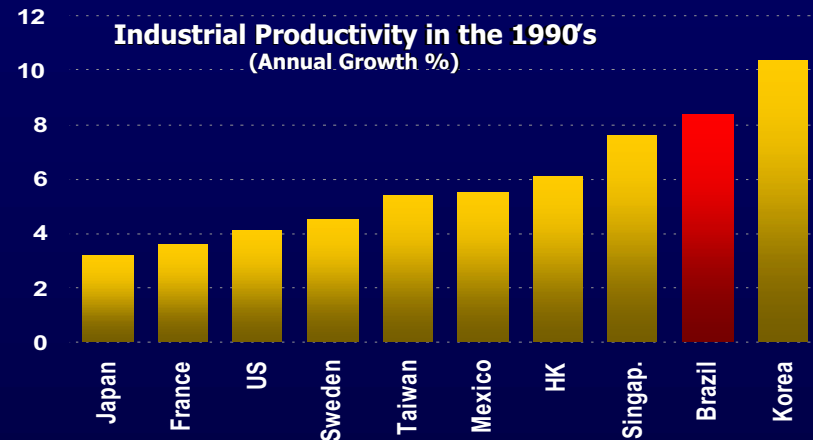
Resulting in Favorable Growth Trends

ECONOMIC GROWTH



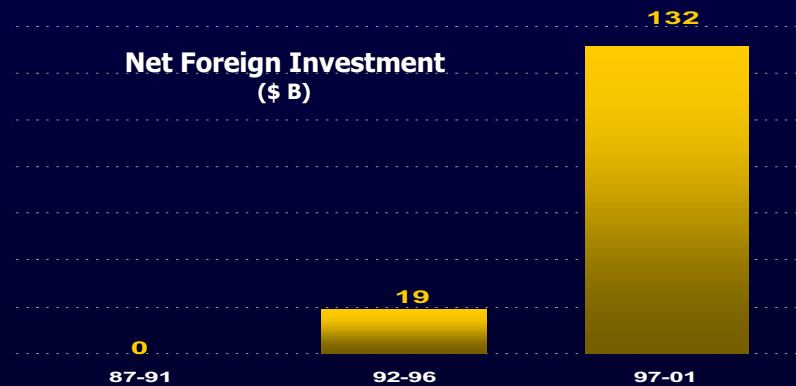
Source: FGV, IMF and EIU (forecast)

INDUSTRIAL PRODUCTIVITY



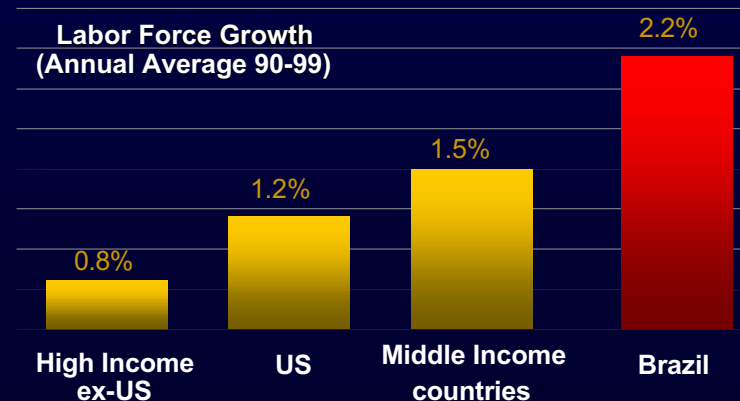
Source: CNI, IBGE, INDEC, INEGI, BLS and ADB

FOREIGN DIRECT INVESTMENT



Source: Conjuntura Econômica

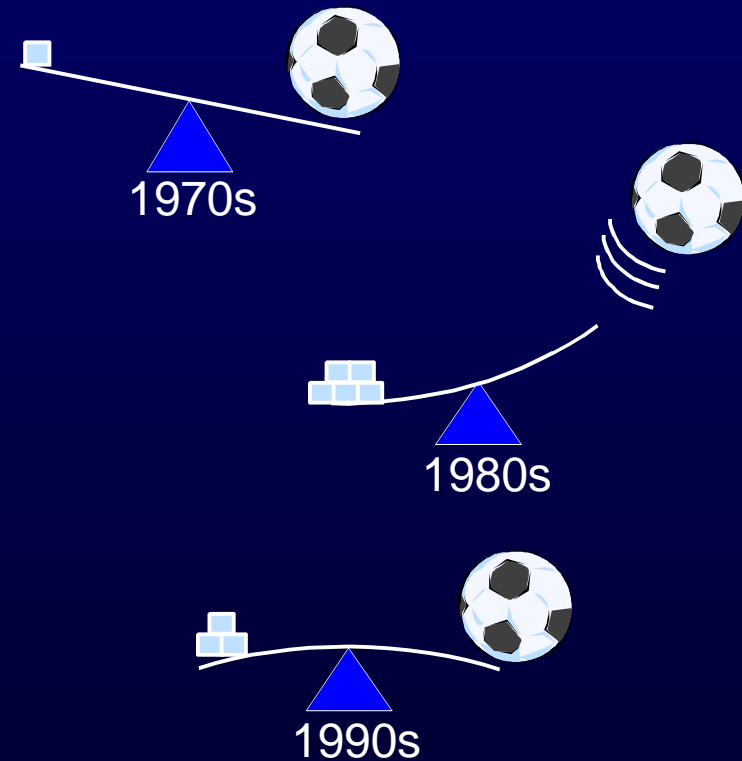
JOB GROWTH



Source: World Bank

Stability

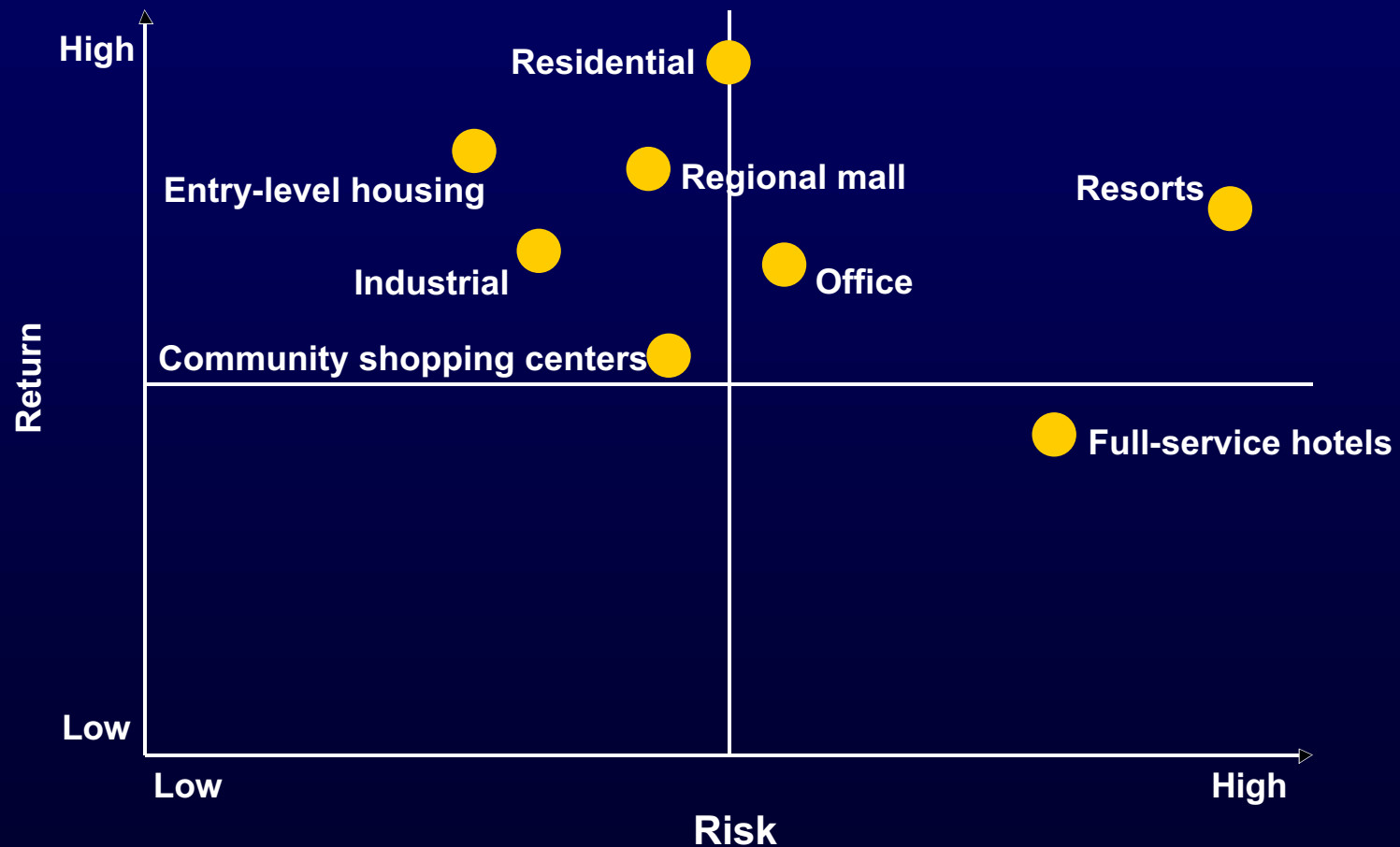
- ◆ First rate financial, educational and research institutions
- ◆ Sound fiscal and monetary policies
- ◆ Successful privatization campaigns, resulting in record FDI
- ◆ Brazil took strong action to handle last year's electricity crisis
- ◆ Increasing global economic ties and support



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Attractive Real Estate Opportunities

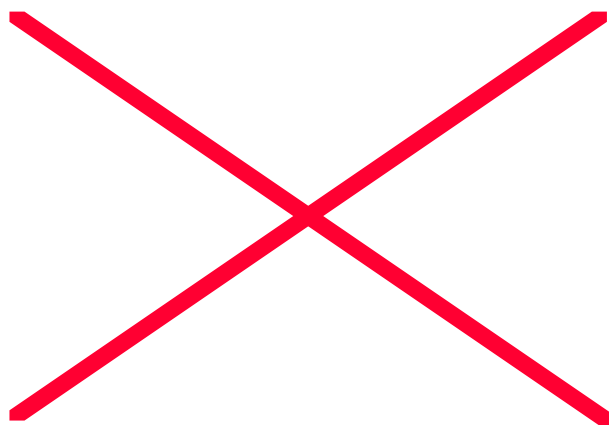


Source: Prudential Real Estate Investors

Opportunity in Residential

- ◆ **Fast growing, young population**
- ◆ **Rapid urbanization**
- ◆ **Large and expanding middle class**
- ◆ **Severe housing deficit**
- ◆ **Developing mortgage and consumer credit markets**

Execution - The Atlantica Transaction



Expectations



An investment in a real estate concept which offers:

- ◆ **Strong expected returns**
- ◆ **High growth potential**
- ◆ **Fast capital rotation**
- ◆ **Managed risk**

Creation of Value Through Economies

- ◆ **Standard projects**
 - Uniform designs
 - Simple construction materials
- ◆ **Low-income housing can be profitable but requires significant volume**
 - Purchasing leverage with suppliers
 - Inexpensive labor
 - Shorter construction time

Creation of Value Through Institutionalization

- ✓ Strong emphasis on institutionalization and process
- ✓ Standard project model facilitates analysis of new investments
- ✓ Investors rely on comprehensive underwriting materials to support or reject investment proposals

Atlantica Residential
Investment
Proposal

Table of Contents

Profile	1
Executive summary.....	2
I. Investment hypothesis.....	4
II. Market overview.....	15
III. Economic analysis.....	22
IV. Investment	26
V. Financial performance and growth potential	30
Appendices	

Active Management

- ◆ **Weekly review of the Company's pipeline**
- ◆ **US-style benchmarks**
- ◆ **US-based performance appraisals and stock option plan**
- ◆ **Strong participation by shareholders**

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Summary

- ◆ **Latin America's Global Role**
 - Emerging market opportunities
 - Non-core real estate investments
 - An allocation of 5% in a model global portfolio
- ◆ **Focus on Brazil and Mexico**
- ◆ **Secular Opportunities Balance Emerging Market Risk**
- ◆ **Atlantica**

An aerial photograph of São Paulo, Brazil, showing a dense urban landscape with numerous high-rise buildings and skyscrapers. The sky is overcast with grey clouds. The text is overlaid on the top left and bottom right of the image.

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