

UBS Investment Research

Brazilian Shopping Malls

Accelerated (and solid) growth not priced in

■ A poor (and unwarranted) sector performance

The downturn seen in global real estate stocks due, initially, to the subprime crisis in the U.S. and, subsequently, by concerns on global economic growth has affected the performance of Brazilian mall stocks (-15.4% since August 2007 vs. -10% seen in global retail REITs).

■ Solid and substantial growth prospects seemingly ignored by the market

Based on our estimates for our covered universe (comprised of BR Malls, Multiplan and Iguatemi), we expect a 3-year-CAGR of 25% for EBITDA and FFO – a solid growth that is mostly driven by the conclusion of the current pipeline of expansions and greenfield projects (carrying a lower execution risk).

■ Brazil seems to be a relative safe heaven for real estate investors

Further, we observe that the sector in Brazil is somewhat shielded from most of the concerns raised by investors (such as credit markets instability and high cap rates), not only as a result of the promising growth prospects and the relative defensiveness of the Brazilian economy, but also owing to the extremely low level (if any) of leverage in companies' balance sheets, providing flexibility to adapt to a more restrictive environment.

■ Valuations offer an attractive entry point in the sector

The distortion seen in current valuations has been excessive in our view, offering an attractive entry point in the sector. The malls in Brazil currently trade on a 2008 EV/EBITDA of 13.6x (reaching 8.8x in 2010 as the current pipeline of projects come on stream), considerably lower than the global average that is now at 17x..

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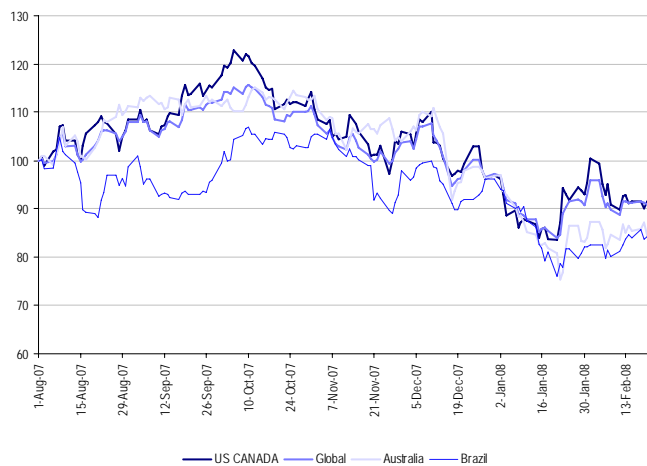
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A poor (and unwarranted) sector performance

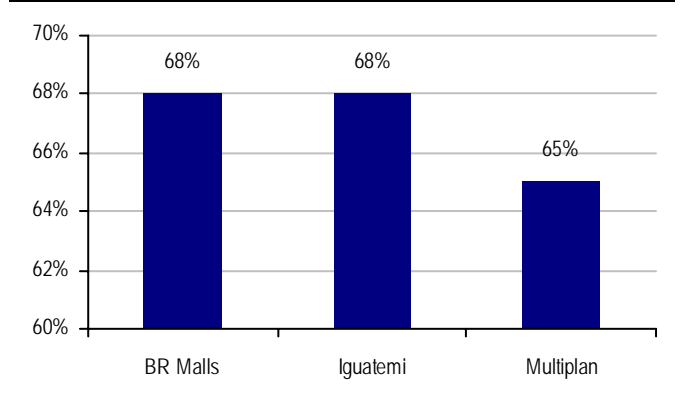
■ **Contagion effect hitting Brazilian malls' stocks.** The downturn seen in global real estate stocks due, initially, to the subprime crisis in the U.S. and, subsequently, by concerns on global economic growth has affected the performance of Brazilian mall stocks (down 15.4% since August 2007 vs. a 10% decline during the period among global retail REITs). We credit the underperformance of Brazilian malls largely to contagion effects since over 50% of the sector's free float in Brazil is estimated to be owned by foreign real estate dedicated investors, which is exacerbated by the group's relatively low stock liquidity. Further, when looking at the other REIT markets around the world (excluding US REITs), the reasons for the declines in share prices is mostly equity investors rotating out of real estate (in favour of other sectors) and hedge funds shorting the sector with the view that what's happening in sub-prime will spread to commercial real estate and therefore should negatively impact values for commercial real estate.

Chart 1: Brazilian malls vs UBS global REIT index



Source: UBS Pactual

Chart 2: % of free float owned by foreign investors

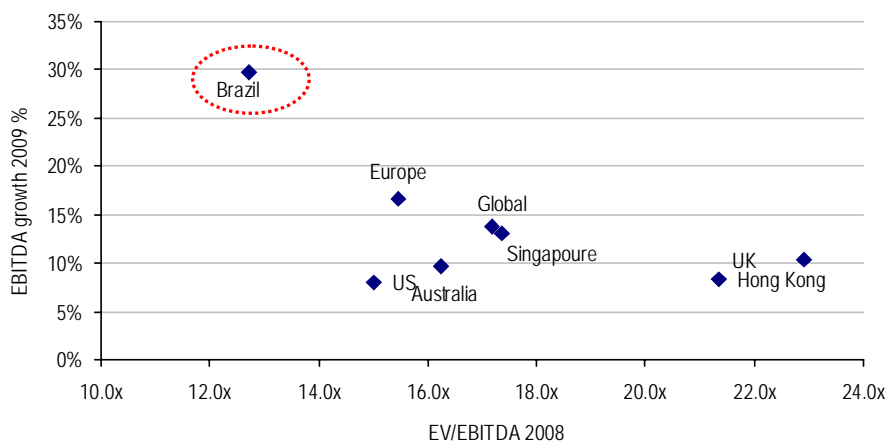


Source: BR Malls, Iguatemi and Multiplan

■ **Solid and substantial growth prospects seemingly ignored by the market.**

When looking closer at the investment case for Brazilian mall operators, one finds that such underperformance seems to be a complete disconnect from the sector's fundamentals. Based on our estimates for our covered universe (comprised of BR Malls, Multiplan and Iguatemi), we expect a 3-year-CAGR of 25% for EBITDA and FFO – a solid growth that is mostly driven by the conclusion of the current pipeline of expansions and greenfield projects (carrying a lower execution risk). Awkwardly, shopping mall stocks in Brazil combine the cheapest valuations among global retail REITs and the highest (and, arguably, more defensive) growth expectations.

Chart 3: Brazilian vs Global malls



Source: UBS estimates

- Brazil seems to be a relative safe heaven for real estate investors.** When dissecting the reasons behind this global real estate allergy, UBS' Global Real Estate Team has identified that the following topics are currently the main concerns among REIT investors: 1) Credit markets instability, 2) High cap rates, 3) Recessionary fears. Interestingly, we observe that the sector in Brazil is somewhat shielded from these issues, not only as a result of the promising growth prospects and the relative defensiveness of the Brazilian economy, but also owing to the extremely low level (if any) of leverage in companies' balance sheets, providing flexibility to adapt to a more restrictive environment. All in, the distortion seen in current valuations (please refer to the section below for more details) has been excessive in our view, offering an attractive entry point in the sector.

Growth, Leverage and rich valuations are not issues

As mentioned above, the sell off in global real estate stocks is mostly driven by investors' concern with the damage that a credit shortage could bring to highly leveraged companies, thus impacting growth targets (and implied valuations) if a worsening of the U.S. economy indeed materializes. Below we intend to address each one of these issues separately and walk through the investment case for the Brazilian malls.

Where is growth coming from?

Throughout 2007, the three largest mall operators in Brazil became public to raise resources to fund their growth strategy. Since then, the main growth driven has been largely concentrated in the various acquisitions announced throughout last year. However, looking farther ahead, the bulk of growth will probably stem from the conclusion of the robust pipeline of greenfield malls and expansions expected for 2008/2009. All in, companies like BR Malls, Multiplan and Iguatemi will be increasing their total leasable area by at least 30% before the end of 2009.

Table 1: Brazilian malls – Solid pipeline of new GLA on stream (in sqm)

	# of projects *	Current GLA	New GLA added by 2009	Total GLA by 2009	% Growth
BR Malls	15	372,600	197,389	569,989	53.0%
Multiplan	13	234,742	98,077	332,819	41.8%
Iguatemi	7	207,900	65,275	273,175	31.4%

Source: BR Malls, Multiplan and Iguatemi; * Officially announced greenfield/expansion projects

The combination of 1) the strong demand for space in malls by retailers (who are generally continuing to pursue an aggressive expansion strategy) and 2) the underinvestment seen in the sector during the last ten years, underpins our view that companies will still have room to originate new and profitable projects over the next few years. It is important to highlight that Brazil is considerably underserved in terms of malls, especially for projects in countryside regions or ones that are focused on lower income segments (which is exactly the segment where companies are beginning to focus). *Please refer to the 'Industry Overview' section below.*

All of the abovementioned factors, when combined with companies' scale and strong tenant relationships, allows for very attractive returns (according to the companies under coverage, the minimum unleveraged IRR expected for a greenfield project is 20% in real *real* terms).

In all, we forecast an average 2008-2011 CAGR for EBITDA and FFO of 27% and 26%, respectively, the highest EBITDA growth among other global malls covered by UBS. As highlighted earlier, most of this growth comes from current projects coming on stream (organic growth and turnaround of recently acquired malls also relevant but play a secondary role) and is therefore more tangible than if it came from an assumption of M&A.

Low leverage level and comfortable debt payment schedule

Another concern for retail REITs globally has been the level of leverage as well as companies' ability to rollover debt as it become due. In contrast to REITs, Brazilian companies have a rather undergeared capital structure – the most leveraged company among our covered universe is BR Malls, which currently holds 4x net debt/12m fwd EBITDA in 2008 (Multiplan and Iguatemi are roughly net cash), which can be comfortably served with its own cash generation (let alone its current cash position of over R\$1 billion).

Table 2: Brazilian malls - Net debt/12m fwd EBITDA (x)

	2008E	2009E	2010E
BR Malls	4.0	3.7	3.3
Iguatemi	1.1	1.4	1.0
Multiplan	(0.8)	(0.4)	(0.1)

Source: UBS Pactual estimates

Table 3: Brazilian Malls – Interest coverage ratio (x)

	2008E	2009E	2010E
BR Malls	2.5	3.0	3.4
Iguatemi	6.8	3.6	4.1
Multiplan *	8.9	23.9	23.6

Source: UBS Pactual estimates; * EBITDA excludes residential/commercial developments

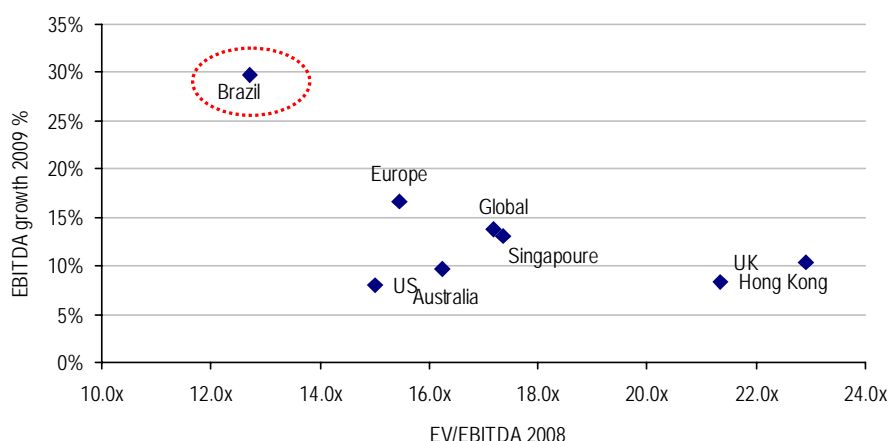
Such a low leverage level stems mostly from a high cash position following the IPOs/follow-on carried out over the past 12 months. Additionally, Brazilian companies are required to distribute only 25% of profits as dividends (as opposed to the 90% seen in most REIT structures), which gives flexibility to fund future growth by reinvesting, allowing for a capital structure less dependent on debt.

Record-high growth for record-low valuations among global peers

As concerns on the subprime crisis and its effect on U.S. credit markets mounted, Brazilian malls performed poorly (down 15.4% since August 2007, worse than the sell-off seen among the global retail REITs space, which is down on average 10%). During this very same period, Brazilian companies announced the bulk of the projects supported by their IPO proceeds – unfortunate timing as investors were so focused on the global turmoil that most of these announcements went largely unnoticed.

When putting current valuations/growth prospects into global context, we conclude that Brazilian malls carry the lowest valuation (measured by 08 EV/EBITDA) and the highest expected growth (measured by 09 EBITDA growth). This relationship seems particularly distorted when considering that the sector in Brazil is still in its early growth stages, enabling companies to deliver high growth rates (combined with attractive returns) for the next few years, and that balance sheets are generally in very good shape.

Chart 4: Brazilian vs Global malls



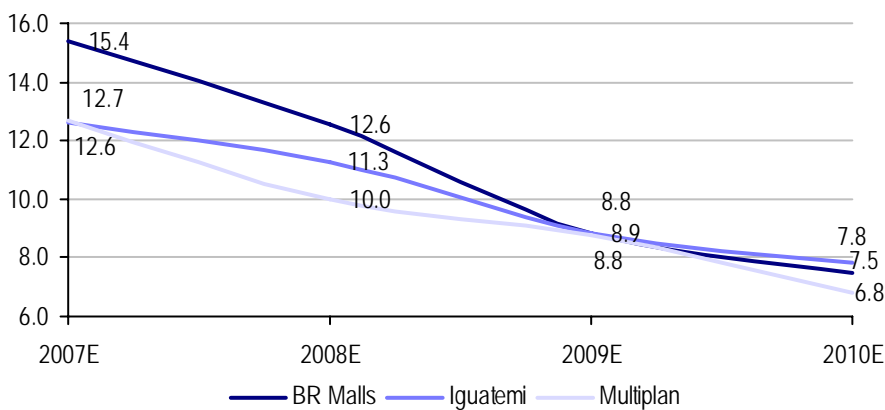
Source: UBS estimates

Valuations for Brazilian malls looks attractive, especially when considering that the industry is currently at its early growth stages when compared to many

mature companies in the REIT universe that for some time has been growing slightly above inflation. Based on our estimates, the malls in Brazil currently trade on a 2008 EV/EBITDA multiple of 13.6 times, considerably lower than the global average that is now above 17 times. It is important to keep in mind that the ongoing investments may stretch multiples in Brazil since most investment in expansions and greenfield projects will be carried out between 2007 and 2009, while rents will not be fully reflected until 2010. If we look two years ahead the standard horizon, the conclusion of existing projects will bring multiples down rapidly through 2011.

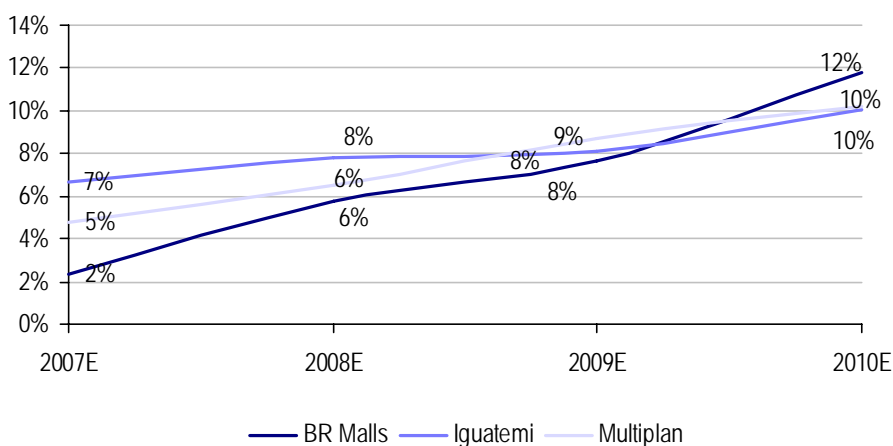
As a result, the two charts below also illustrate the conversion seen in valuation multiples for the companies under coverage.

Chart 5: Brazilian Malls – EV/EBITDA (x)



Source: UBS Pactual estimates

Chart 6: Brazilian Malls – FFO yield (%)

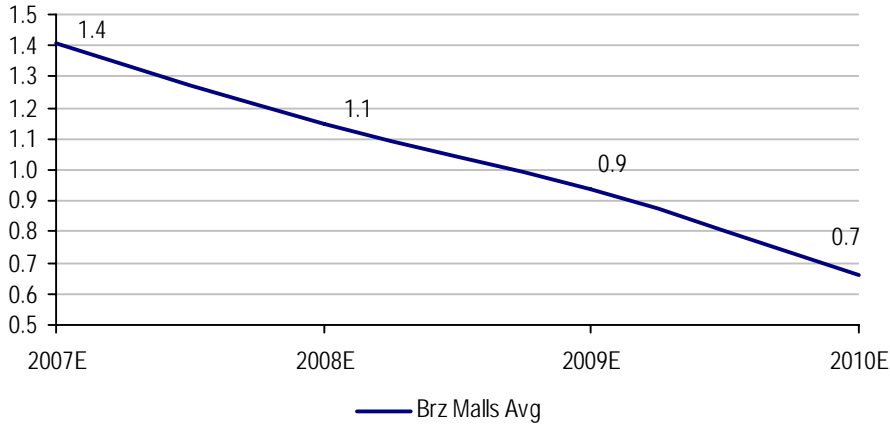


Source: UBS Pactual estimates

The effect of the start up of ongoing projects on the valuation of Brazilian malls may also be verified through the NAV analysis, assuming a 8% cap rate (higher than the recent transactions, without any controlling premium), we find that

P/NAV will fall, on average, by at least 50% for the three companies before 2011. This is especially compelling when considering that current valuations indicate that the sector is trading below its 2009 NAV, reaching an average 35% discount to NAV by 2010 and a 50% discount by 2011.

Chart 7: P/NAV – Brazilian malls



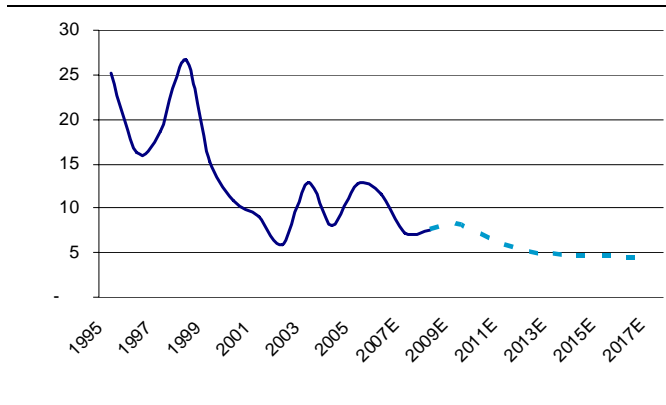
Source: UBS Pactual estimates

Industry Outlook

A brief macro overview

Since 2005, Brazil is witnessing a strong improvement in macroeconomic fundamentals, with positive reflex in household income, credit availability and retail sales performance. In the past five years, basic interest rates in Brazil have roughly halved (from 13% to 7% in 2007), minimum wage has shown a 30% increase in its real value (145% increase in dollar terms), and credit as a percentage of GDP has reached nearly 35% (from 24% in 2003).

Chart 8: Brazil – Real interest rates (%)



Source: UBS Pactual

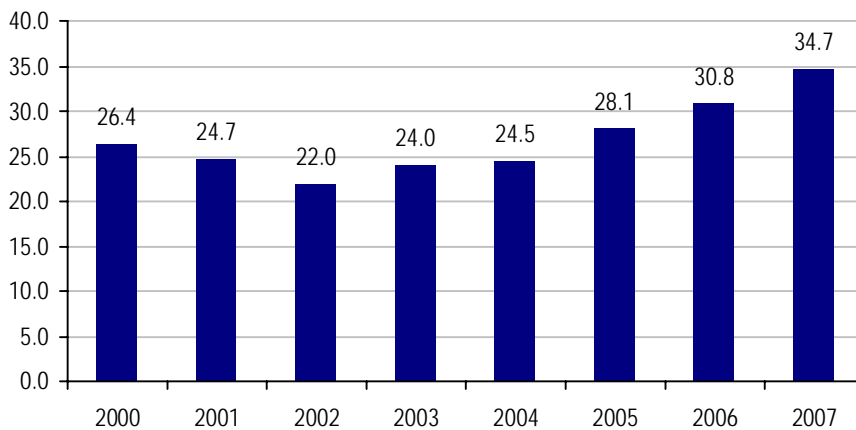
Chart 9: Brazil – Minimum wage evolution



Source: UBS Pactual

Naturally, as concerns on a possible recession mounts, it is natural to inquire if this positive trend is to continue in a scenario of global slowdown. It is important to highlight that in the last few years, Brazilian external accounts have improved significantly, therefore mitigating the main vector of risk aversion contagion. Since 2003, our net external debt (public + private) has fallen from 27.3% of GDP to a net asset position of 0.2% of GDP. Further, a flexible exchange rate combined with a much larger trade balance (21% of GDP in 2007) provides an extra cushion for any adverse effect of global volatility over real economy.

Chart 10: Total credit as a % of GDP

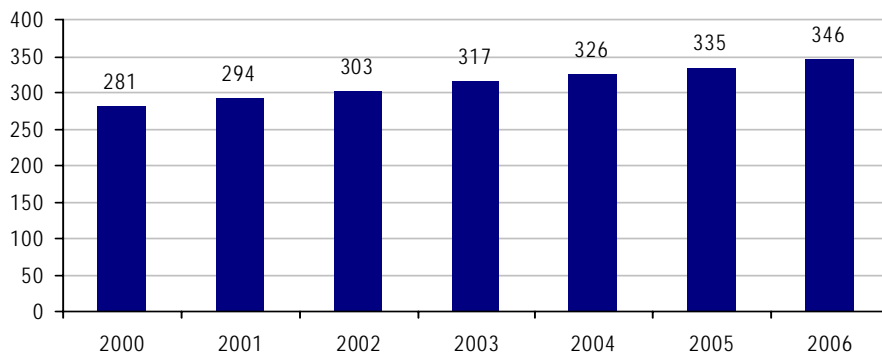


Source: Brazilian Central Bank and UBS Pactual

Brazilian Malls: Plenty of Room for Growth

The number of shopping malls in Brazil amounts to 346 units, with GLA of 8.6m sqm, implying 0.05 sqm/capita. Although the U.S. is far from being an ideal reference, notably, GLA in that country has been stable since 1999 at 1.9 sqm/capita on total malls of 48,865. Even the wealthiest regions of Brazil have very low GLA per capita (i.e., 0.09 and 0.07 in the São Paulo state and the Southeast region, respectively). Such an enormous difference indicates to us that room for growth in malls in Brazil is large regardless of potential cultural differences in shopping habits or preferences.

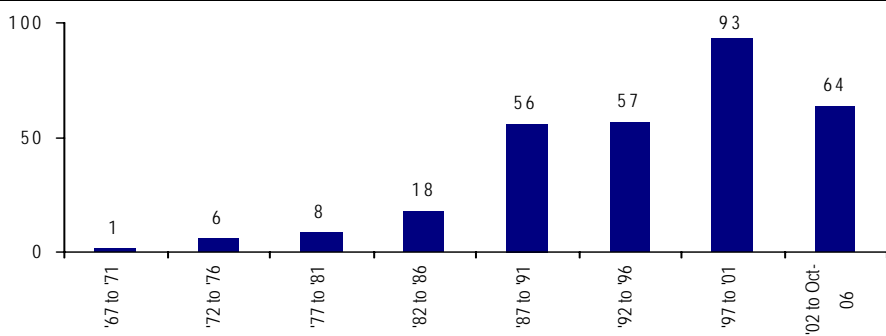
Chart 11: Evolution of the Number of Shopping Malls in Brazil (units)



Source: Abrasce and UBS Pactual

The sector received limited capital inflows in the first half of this decade due to: 1) pension funds' limits on investment in the real estate; and 2) unavailability of alternative sources of investments during the economic crisis experienced by the country. Underinvestment led the rhythm of launchings to drop to ~6 units per year in 2001-05 versus ~19 in 1996-2001 and ~11 in 1991-95.

Chart 12: Evolution of Net New Malls (units)

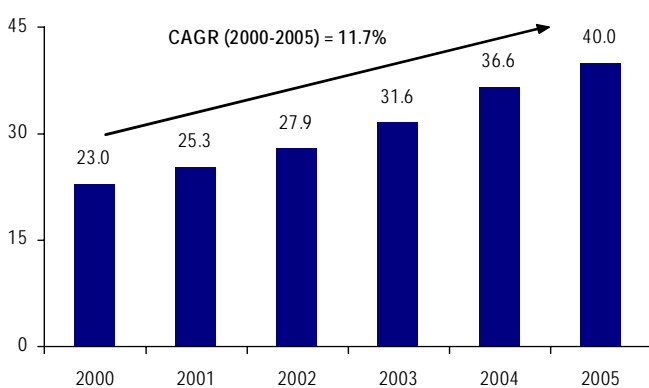


Source: Abrasce and UBS Pactual

Consistent Revenue Growth

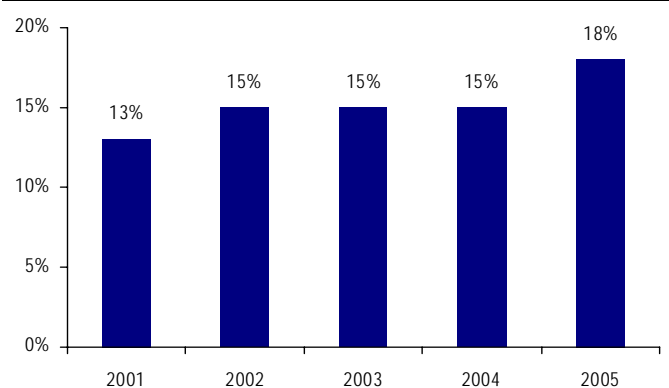
Despite receiving limited investments during 2000-05, shopping malls' revenues have grown at 11.7% (CAGR 2000-05) and the share of retail sales has been consistently increasing due to a combination of: 1) expansion of GLA per mall; 2) urban violence and a higher sense of safety in shopping malls; 3) availability of parking space; 4) air conditioning; and 5) a diversified number of premium stores and services in one place. In 2005, shopping malls accounted for 18% of retail sales.

Chart 13: Evolution of Sales in Shopping Malls (R\$bn)



Source: Abrasce and UBS Pactual

Chart 14: Shopping Mall Market Share over Retail Sales



Source: Abrasce and UBS Pactual

On top of that, national chains such as Lojas Americanas, Renner, and Guararapes and international chains such as Nike Store, Starbucks, and Zara have unveiled expansion plans that include several store openings in shopping malls. For instance, we forecast that Lojas Americanas will open as many as 40 new stores in the next two years, 80-90% of them in shopping malls. Zara plans to increase the number of stores in Brazil from 13 in 2006 to 40 in 2008, and we believe most of its store openings will be in shopping malls (currently, 10 out of its 13 stores in the country are in shopping malls).

Table 16: New Store Forecasts

	Total new stores estimates	Estimates of new stores in malls
Lojas Americanas	40	80% - 90%
Zara	27	77%
Guararapes	15	80%
Renner	11	80%
Saraiva	5 - 6	na

Source: Company reports and UBS Pactual

Competitive Environment: Room for Consolidation

Fragmentation in the Brazilian shopping malls sector is high, with the top four players accounting for approximately 30% of the GLA. Furthermore, the leading players in the sector usually share ownership and control of the malls with local pension funds such as Previ, Sistel, and Caixa dos Empregados da Usiminas. In our view, room for consolidation in the sector is large. In fact, in the past few quarters, we have witnessed several upholding and M&A activities.

Notably, Multiplan increased its stake in the Barra Shopping and Morumbi Shopping, while Iguatemi also raised ownership in Iguatemi São Paulo, Iguatemi Florianópolis, and Praia Bela malls. BR Malls (former Ecisa) has also been actively announcing new acquisitions, significantly increasing its total GLA since its partnership with GP/EIP in October 2006.

On the M&A side, among various relevant transactions, we highlight Cadillac Fairview's acquisition of a 46% stake in Multiplan in June 2006. In addition, General Growth Properties has also marked its way into the Brazilian market by first acquiring a 50% stake in Nacional Iguatemi, giving birth to a new company that was named Aliance. More recently, Brascan Brazil Real Estate Partners acquired Grupo Malzoni (among the largest non-listed mall operators in Brazil) for R\$1.6 billion, closing the largest M&A transaction in the sector in the past year. We believe the consolidation movement should continue, driven by recently capitalized local players and foreign competitors seeking higher yields.

Table 17: Recent M&A Activity in Brazil

Date	Acquirer	Local Partner	Total investment	Main operations in Brazil
Mar-05	General Growth Properties (GGP)	Nacional Iguatemi (Alliansce)	US\$35mn (50% stake)	Shopping Taboao (SP) Shopping Leblon (RJ) Iguatemi Salvador (BA)
Jun-06	Cadillac Fairview	Multipian Group	US\$500mn (46% stake)	Barra Shopping (RJ) New York City Center (RJ) Morumbi Shopping (SP)
Sep-06	Ivanhoe Cambridge	Ancar	US\$75mn	Conjunto Nacional (DF) Shopping Iguatemi (RS) Shopping Nova America (RJ)
Oct-06	Developer Diversified (DDR)	Sonae Sierra Brazil	US\$150mn (50% stake)	Parque Dom Pedro (SP) Shopping Penha (SP) Boavista Shopping (SP)
Nov-06	Equity International & GP Investments	Ecisa (BR Malls)	Each company paid US\$85mn for a 27.5% stake	Shopping Villa-Lobos (SP) Norteshopping (RJ) Shopping Center Recife (PE)
Nov-07	Brascan Brazil	Grupo Malzoni	R\$1.6bn	Shopping Higienópolis (SP) Shopping Vila Olimpia (SP)

Source: Companies Web sites, Valor Economico newspaper, Broadcast and UBS Pactual

The lack of acquisition growth opportunities in the U.S. mall sector, which has undergone significant consolidation in recent years (public companies now own 80% of malls), is gradually forcing U.S. players to look for other investment opportunities outside their core markets. This, coupled with the downward trend for interest rates, has made large companies such as Simon Property go for acquisitions in China and India, or DDR purchasing a stake in Sonae Sierra Brasil. Similarly, Kimco Realty is looking for other acquisition opportunities in Latin America, especially after it entered Mexico in a successful JV with American Industries. Supported by a favourable macro backdrop and good momentum in the sector, we believe Brazil is an obvious acquisition target region for such large players, as fragmentation is still considerably high and participation of global players remains limited in the country.

There Are Risks

On the other hand, M&A activity of this type obviously brings some risks to the sector as a whole. As more capitalized partnerships emerge, competition naturally increases and, therefore, companies could face a tougher environment when bidding for other malls or even attracting high-quality local tenants. Even though the market is highly fragmented, we believe acquisitions should continue to be an important growth vector and thus monitoring the evolution of yields (or cap rates) will become crucial for future profitability as competition heats up with more capitalized players with plans of expanding their operations in Brazil.

Appendix

Table 4: UBS Pactual's Brazilian Malls Valuation Sheet

	BR Malls	Iguatemi	Multiplan	Average
UBS Rating	Buy	Buy	Buy	
Price	18.7	27.9	19.8	
Target	40.0	43.0	41.0	
Upside	113.9%	54.4%	107.1%	
IRR	12.2%	12.9%	13.4%	
# of shares	170.5	61.0	147.8	
Mkt Cap	3,189	1,698	2,926	
Multiples				
2007E EV/EBITDA	23.9	14.3	13.5	17.2
2008E EV/EBITDA	15.4	12.6	12.7	13.6
2009E EV/EBITDA	12.6	11.3	10.0	11.3
2010E EV/EBITDA	8.9	8.8	8.8	8.8
2011E EV/EBITDA	7.5	7.8	6.8	7.4
2007E EV/Adj EBITDA *	17.5	n.a.	13.2	15.4
2008E EV/Adj EBITDA *	14.3	n.a.	12.1	13.2
2009E EV/Adj EBITDA *	11.1	n.a.	9.6	10.3
2010E EV/Adj EBITDA *	8.3	n.a.	8.5	8.4
2011E EV/Adj EBITDA *	7.2	n.a.	6.3	6.8
2007E P/FFO	42.9	15.0	21.1	26.3
2008E P/FFO	17.5	12.9	15.5	15.3
2009E P/FFO	13.1	12.4	11.5	12.3
2010E P/FFO	8.5	9.9	9.8	9.4
2011E P/FFO	7.1	9.1	7.6	7.9
2007E P/FFO/3yr FFO CAGR	0.60	1.01	0.72	0.78
2008E P/FFO/3yr FFO CAGR	0.50	1.05	0.58	0.71
2009E P/FFO/3yr FFO CAGR	0.41	0.85	0.55	0.60
2010E P/FFO/3yr FFO CAGR	0.44	1.08	-0.10	0.47

Source: UBS Pactual estimates; * EBITDA adjusted for mid-term acquisitions

Table 5: Brazilian Malls – Summary forecasts (R\$m)

	BR Malls	Iguatemi	Multiplan	Average
Financials				
2007E Revenues	220.5	154.0	297.4	297.4
2008E Revenues	369.7	199.8	337.4	337.4
2009E Revenues	496.7	237.0	477.8	477.8
2010E Revenues	707.5	288.3	632.8	632.8
2011E Revenues	808.9	310.9	815.4	815.4
2007E EBITDA	144.8	115.1	186.3	186.3
2008E EBITDA	272.9	151.9	202.8	202.8
2009E EBITDA	376.8	181.3	267.3	267.3
2010E EBITDA	548.6	220.9	314.7	314.7
2011E EBITDA	628.2	238.8	402.9	402.9
2007E Adj EBITDA	197.6	n.a.	189.4	189.4
2008E Adj EBITDA	294.6	n.a.	213.2	213.2
2009E Adj EBITDA	427.5	n.a.	278.9	278.9
2010E Adj EBITDA	582.7	n.a.	323.7	323.7
2011E Adj EBITDA	651.5	n.a.	435.7	435.7
2007E FFO	74.3	112.9	138.6	138.6
2008E FFO	182.3	131.8	189.4	189.4
2009E FFO	243.9	137.0	254.8	254.8
2010E FFO	376.1	171.5	299.1	299.1
2011E FFO	449.5	186.4	382.8	382.8
2007 3 yr FFO CAGR %	71.7	14.9	29.2	29.2
2008 3 yr FFO CAGR %	35.1	12.3	26.4	26.4
2009 3 yr FFO CAGR %	32.2	14.6	20.7	20.7
2007E Earnings	-53.6	83.9	-1.1	-1.1
2008E Earnings	77.2	99.0	42.4	42.4
2009E Earnings	88.9	65.9	111.1	111.1
2010E Earnings	210.1	78.7	166.9	166.9
2011E Earnings	278.3	114.3	398.0	398.0

Source: UBS Pactual estimates

Table 6: UBS Pactual's Global Malls Valuation Sheet

	Ticker	Current	EV/EBITDA			EBITDA Growth			P/CE			CE Growth		
		Mkt Cap	2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E
Westfield	WDC.AX	31,094	21.8	19.2	17.1	-3%	8%	15%	8.5	7.9	7.7	-39%	7%	3%
Centro Properties Gp	CNP.AX	385	29.3	10.0	7.7	1%	3%	8%	14.8	1.1	0.9	-49%	NM	12%
CFS Retail Tst	CFX.AX	4,474	18.2	18.9	18.5	9%	10%	4%	19.6	18.3	17.6	-10%	7%	4%
Macq. Countrywide	MCW.AX	1,799	37.6	22.0	23.9	-1%	58%	6%	12.6	9.4	9.0	-4%	34%	4%
Macquarie DDR Trust	MDT.AX	533	14.3	NA	NA	-8%	NA	NA	6.2	NA	NA	88%	NA	NA
Centro Retail Group	CER.AX	684	17.4	8.5	6.4	62%	113%	19%	9.8	1.6	1.5	-69%	NM	7%
Bunnings W/h Prop	BWP.AX	553	16.5	15.3	15.1	7%	7%	5%	3.1	7.8	7.6	152%	-60%	2%
Australia		39,522	22.2	15.6	14.8	9%	33%	10%	10.7	7.7	7.4	10%	-3%	5%
Hang Lung Properties	0101.HK	15,384	49.4	16.6	NA	15%	188%	5%	55.7	20.8	19.4	-48%	168%	7%
Hang Lung Group	0010.HK	6,228	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Link REIT	0823.HK	5,153	20.4	20.9	18.6	7%	8%	11%	24.1	24.5	21.8	4%	-2%	13%
Champion REIT	2778.HK	1,537	30.5	21.7	20.2	143%	41%	8%	44.2	27.0	27.8	348%	63%	-3%
GZI REIT	0405.HK	382	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hong Kong - ex Lodging		28,685	33.5	19.7	19.4	55%	79%	8%	41.3	24.1	23.0	101%	77%	6%
CMT	CMLT.SI	3,348	23.9	22.4	21.7	38%	13%	6%	26.0	23.9	22.5	-13%	9%	6%
Capita Retail China	CRCT.SI	531	21.0	14.8	13.4	NA	68%	19%	31.6	22.3	20.0	NA	42%	11%
Frasers Centrepoint	FCRT.SI	555	23.5	21.8	18.4	119%	7%	26%	22.1	19.2	18.2	-2%	15%	5%
Lippo Mapletree	LMRT.SI	543	NA	9.4	9.5	NA	NM	34%	163.8	12.6	11.5	NA	NM	9%
CIT	CMIT.SI	250	14.4	11.5	11.5	186%	41%	1%	14.8	11.7	11.5	112%	26%	1%
Singapore		5,227	20.7	16.0	14.9	114%	32%	17%	51.7	17.9	16.8	32%	23%	7%
Unibail Rodamco	FRUN	20,064	27.0	21.6	20.5	66%	48%	7%	6.8	11.8	9.3	-54%	-43%	28%
Plaza Centers	PLAZ.L	1,201	2.8	8.8	8.0	NM	-57%	32%	0.0	0.1	0.1	NM	-63%	14%
Klépierre	LOIM.PA	7,925	19.4	18.4	15.7	16%	13%	11%	15.2	14.1	12.6	-1%	8%	12%
Corio	COR.AS	5,866	22.4	20.8	19.9	11%	9%	7%	6.7	9.0	8.4	-19%	-25%	7%
Europe		35,055	17.9	17.4	16.0	31%	3%	14%	7.2	8.7	7.6	-24%	-30%	15%
Capital & Regional	CAL.L	600	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Shaftesbury	SHB.L	1,486	31.8	NA	NA	NA	NA	NA	57.8	NA	NA	-13%	NA	NA
Liberty Intl	LII.L	6,948	21.4	21.1	20.7	3%	7%	5%	38.8	27.2	26.9	-89%	43%	1%
Hammerson	HMSO.L	6,176	23.6	23.2	21.1	16%	8%	15%	35.3	30.5	27.4	-21%	16%	11%
UK		15,210	25.6	22.1	20.9	9%	7%	10%	44.0	28.8	27.2	-41%	29%	6%
Simon Property	SPG.N	25,319	20.9	18.1	16.8	10%	5%	8%	17.4	14.2	12.9	-18%	22%	10%
General Growth	GGP.N	7,804	15.3	14.2	14.0	3%	9%	5%	19.1	9.0	8.4	-25%	111%	8%
Kimco Realty	KIM.N	6,644	22.4	21.2	17.5	-4%	-5%	23%	19.8	14.6	13.3	-14%	36%	10%
Developers Realty	DDR.N	4,134	17.3	15.1	14.3	16%	2%	5%	14.9	9.5	8.9	7%	57%	7%

Regency Centers	REG.N	3,453	18.0	13.8	13.3	-8%	8%	5%	19.1	13.2	12.3	-15%	44%	8%
Federal Realty	FRT.N	3,757	19.2	16.2	15.5	9%	7%	8%	22.4	0.2	0.2	-2%	NM	8%
CBL & Assoc. Prop.	CBL.N	1,407	7.7	6.0	6.0	3%	7%	6%	12.2	6.3	6.1	0%	93%	5%
Taubman Centers	TCO.N	4,050	21.8	19.1	18.1	6%	6%	6%	15.8	13.0	11.4	-12%	21%	15%
Pennsylvania REIT	PEI.N	909	10.8	10.2	9.5	-2%	6%	8%	6.5	6.7	6.4	73%	-3%	4%
Macerich	MAC.N	4,478	17.9	14.9	14.3	-1%	19%	11%	18.8	12.3	11.2	-9%	52%	10%
Tanger	SKT.N	1,103	15.2	13.8	13.6	7%	8%	21%	0.2	0.1	0.1	-19%	18%	8%
WRI	WRI.N	2,669	14.3	14.0	13.7	3%	6%	6%	0.1	0.1	0.1	27%	3%	4%
US		65,728	16.7	14.7	13.9	4%	6%	9%	13.8	8.3	7.6	-1%	41%	8%
BR Malls (Brazil)	BRML3.SA	1,877	23.9	15.4	12.6	144%	89%	38%	96.2	17.6	13.1	-	NM	34%
Iguatemi (Brazil)	IGTA3.SA	990	14.3	12.6	11.3	27%	32%	19%	14.6	12.8	12.3	-	14%	4%
Multiplan (Brazil)	BRMULT	1,713	13.5	12.7	10.0	53%	9%	39%	20.6	15.2	10.7	-	36%	41%
Brazil		4,580	17.2	13.6	11.3	75%	43%	32%	43.8	15.2	12.1	-	25%	26%
Global Average		194,007	21.2	17.0	15.9	42%	25%	14%	29.3	15.8	14.5	37%	15%	10%

Source: UBS Pactual estimates

Table 7: Brazilian Malls – Operating Metrics

	BR Malls	Iguatemi	Multiplan
Total GLA	827,000	353,000	378,000
Own GLA	372,600	207,900	234,742
Sales/m2/month	853	1,169	902
YoY Growth	7.8%	13.4%	14.4%
Rent/m2/month	49.3	62.3	80.6
YoY Growth	6.0%	8.6%	11.6%
Occupancy Cost	10.6%	10.3%	13.0%
Occupancy Rate	95.6%	96.0%	97.5%

Source: Company reports

■ **Statement of Risk**

Risks for the Brazilian malls include: 1) new and capitalized competitors bidding up prices, 2) contract renewals, 3) macro economic downturn (decreasing customer spending) and 4) potential sector overhang as other mall operators decide to IPO.

■ **Analyst Certification**

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	55%	39%
Neutral	Hold/Neutral	36%	36%
Sell	Sell	8%	20%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	25%
Sell	Sell	less than 1%	50%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2007.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

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Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

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Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
BR Malls Participacoes S. A. ^{2, 4, 6, 16, 20}	BRML3.SA	Buy (CBE)	N/A	R\$18.80	21 Feb 2008
Iguatemi ^{2, 4, 6, 16, 20}	IGTA3.SA	Buy (CBE)	N/A	R\$27.71	21 Feb 2008
Multiplan Empreendimentos Imobiliarios ^{2, 4, 16, 20}	MULT3.SA	Buy (CBE)	N/A	R\$19.80	21 Feb 2008

Source: UBS. All prices as of local market close.

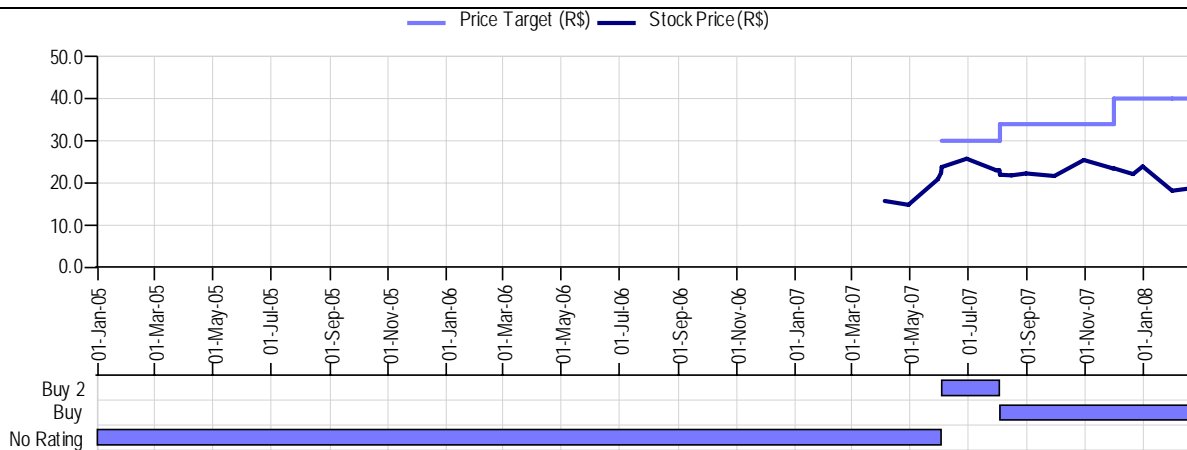
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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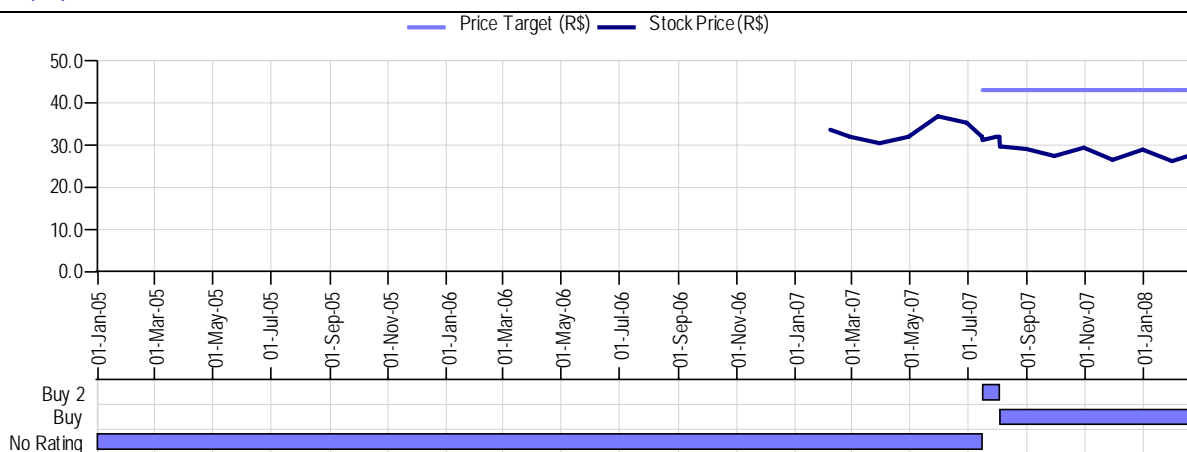
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

BR Malls Participacoes S. A. (R\$)



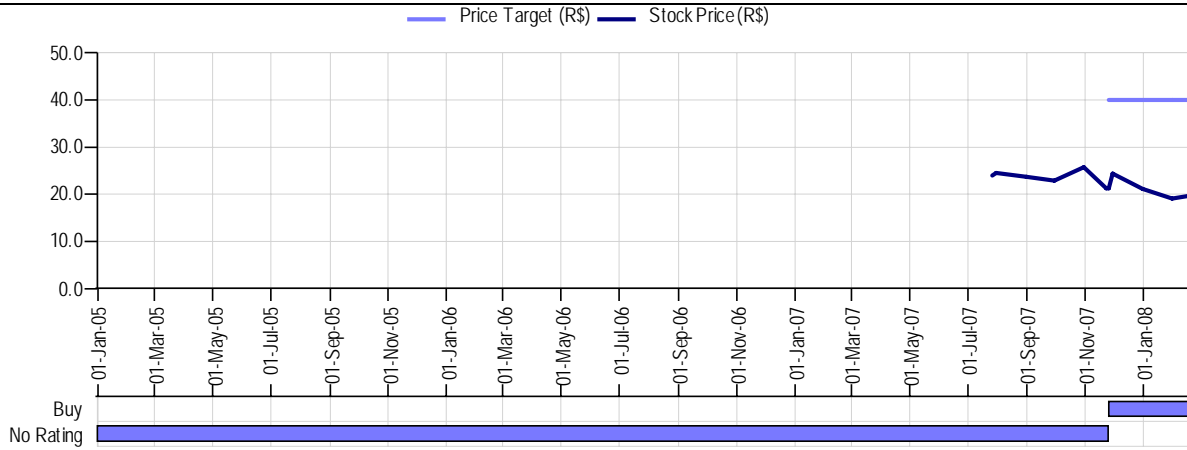
Source: UBS; as of 21 Feb 2008

Iguatemi (R\$)



Source: UBS; as of 21 Feb 2008

Multiplan Empreendimentos Imobiliarios (R\$)



Source: UBS; as of 21 Feb 2008

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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