

# Seligman Global Real Estate Market Outlook

## Conference Call Transcript



**Keith Pauley**

Managing Director, CIO  
LaSalle Investment  
Management (Securities) L.P.



**George Noon**

Managing Director,  
Global Portfolio Manager,  
LaSalle Investment  
Management (Securities) L.P.

*On page three, you will find excerpts from a conference call held on June 18, 2008. The call featured certain members of the portfolio management team of Seligman LaSalle Global Real Estate Fund and Seligman LaSalle International Real Estate Fund – Keith Pauley, Managing Director and Chief Investment Officer of LaSalle Investment Management (Securities) L.P. (“LaSalle Securities”), and George Noon, Managing Director and Global Portfolio Manager of LaSalle Securities. The Funds are also co-managed by LaSalle Securities’ affiliate, LaSalle Investment Management Securities B.V.*

*The UBS Global Real Estate Investors Index tracks real estate securities within the S&P/Citigroup World Property Index that derive 70% or more of income from rent. Individual regions/countries mentioned herein are subsets of the UBS Global Real Estate Investors Index. Investors cannot invest directly in an unmanaged index.*

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*Investments in real estate securities may be subject to specific risks, such as risks to general and local economic conditions, and risks related to individual properties. Investing in one economic sector, such as real estate, may result in greater price fluctuations than owning a portfolio of diversified investments.*

*Smaller company stocks may experience larger price fluctuations than large-company stocks or other types of investments. The Funds are “non-diversified” and thus may hold fewer securities than other funds. A decline in the value of those investments would cause a Fund’s overall value to decline to a greater degree than if the Fund held a more diversified portfolio.*

*There are specific risks associated with global investing, such as currency fluctuations, foreign taxation, differences in financial reporting practices, and rapid changes in political and economic conditions. Because of the special risks involved with investing in securities of emerging market companies, investing in such companies should be considered speculative and not appropriate for individuals who require safety of principal or stable income from their investments.*

*There is no guarantee that a Fund’s investment goals/objectives will be met, and you could lose money.*

*This material is authorized for use only in the case of a concurrent or prior delivery of the offering prospectus of Seligman LaSalle Global Real Estate Fund Fund. You should consider the investment objectives, risks, charges, and expenses of a Fund carefully before investing. The prospectus, which contains information about these factors and other information about a Fund, should be read carefully before investing. You can obtain Seligman LaSalle International Real Estate Fund’s most recent Stockholder reports by contacting your financial advisor or Seligman Services, Inc. at 800-597-6068. The report and other information are available on the Securities and Exchange Commission’s EDGAR Database. Seligman Advisors, Inc. is the principal underwriter of the Seligman mutual funds. Seligman Advisors, Inc. is not affiliated with LaSalle Securities or LaSalle Investment Management.*

## Seligman LaSalle Global Real Estate Fund (as of 6/30/08)

### TOP 10 HOLDINGS<sup>1</sup>

|                           |              |
|---------------------------|--------------|
| Westfield Group           | 5.7%         |
| Unibail-Rodamco           | 4.6          |
| ProLogis                  | 3.9          |
| Simon Properties Group    | 3.8          |
| Vornado Realty Trust      | 3.5          |
| Land Securities Group     | 3.0          |
| AvalonBay Communities     | 2.9          |
| GPT Group                 | 2.7          |
| Goodman Group             | 2.6          |
| General Growth Properties | 2.3          |
| <b>Total</b>              | <b>35.0%</b> |

### AVERAGE ANNUAL TOTAL RETURNS<sup>2</sup>

| Class A               | 1 Year   | Since Inception* |
|-----------------------|----------|------------------|
| Without sales charges | (21.56)% | (18.69)%         |
| With sales charges    | (26.03)  | (21.86)          |

\* Inception: 12/29/06

### ANNUAL FUND OPERATING EXPENSES<sup>†</sup>

(Expenses that are deducted from Fund assets)

| As a Percent of Average Net Assets                                     | Class A     |
|--|-------------|
| Total Gross Operating Expenses   | 2.52%       |
| Less: Contractual Fee Waiver/Expense Reimbursement*                    | 0.88        |
| <b>Net Operating Expenses (after Fee Waiver/Expense Reimbursement)</b> | <b>1.64</b> |

† Seligman has contractually agreed to waive its management fee and/or to reimburse the Fund's "other expenses" (i.e., those expenses other than management fees, 12b-1 fees, interest on borrowings, and extraordinary expenses, including litigation expenses) to the extent such expenses exceed 0.41% per annum of the Fund's average daily net assets. This undertaking will remain in effect at least until April 30, 2009. The table does not reflect the expenses of Class C or R shares. Expense information on Class C and R shares is available at [www.seligman.com](http://www.seligman.com).

## Seligman LaSalle International Real Estate Fund (as of 6/30/08)

### TOP 10 HOLDINGS<sup>1</sup>

|                                       |              |
|---------------------------------------|--------------|
| Westfield Group                       | 9.4%         |
| Unibail-Rodamco                       | 7.4          |
| Land Securities Group                 | 4.3          |
| GPT Group                             | 3.7          |
| Goodman Group                         | 3.6          |
| British Land                          | 3.0          |
| Hammerson                             | 2.9          |
| CapitaLand                            | 2.5          |
| Canadian Real Estate Investment Trust | 2.3          |
| The Link Real Estate Investment Trust | 2.2          |
| <b>Total</b>                          | <b>41.3%</b> |

### AVERAGE ANNUAL TOTAL RETURNS

|                 | 1 Year   | Since Inception |
|-----------------|----------|-----------------|
| Net Asset Value | (24.87)% | (29.33)%*       |
| Market Price    | (42.34)  | (39.34)†        |

\* From opening of business on 5/30/07.

† From IPO date, 5/25/07.

The Net Asset Value and Market Price investment results are calculated without the effect of the initial 4.50% maximum sales charge and assume the reinvestment of all distributions.

### ANNUAL FUND OPERATING EXPENSES

(Expenses that are deducted from Fund assets)

| As a Percent of Average Net Assets | Class A |
|------------------------------------|---------|
| Total Annual Expenses              | 1.18%** |

\*\* Annualized as of 12/31/07.

<sup>1</sup> Top 10 holdings exclude short-term instruments and are shown as a percent of total net assets. The Fund is actively managed and holdings are subject to change. There can be no assurance that the securities listed above have remained or will remain in the Fund's portfolio. Holdings should not be construed as a recommendation to buy or sell any security, an indication that any security is suitable for a particular investor or that any of the securities listed were or will be profitable. Portfolio holdings information is available at [www.seligman.com](http://www.seligman.com).

<sup>2</sup> Return figures reflect any change in price per share, and assume the reinvestment of dividends and capital gain distributions, if any. Average Annual Total Return figures for Class A shares are calculated without and with the effect of the maximum initial sales charge. The average annual total returns (with sales charges) for all periods presented for Class A shares reflect the maximum initial sales charge of 5.75% that went into effect January 7, 2008. Effective June 4, 2007, there is no initial sales charge on purchases of Class C shares. The chart does not reflect the performance of Class B, C, or R shares, which would differ due to different sales charges, fees and expenses. Return information on Class B, C, and R shares is available at [www.seligman.com](http://www.seligman.com).

Performance data quoted herein represents past performance. Past performance does not guarantee or indicate future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. Total returns of the Fund as of the most recent month-end will be made available at [www.seligman.com](http://www.seligman.com) by the seventh business day following that month-end.

**OPERATOR:** Good day and welcome to the Seligman LaSalle Global Real Estate Market conference call. Please note that the opinions, forecasts and views expressed herein by the portfolio managers are provided for general information only and do not constitute specific tax, legal or investment advice to any one person.

Opinions, estimates and forecasts may be changed without notice. There can be no guarantee as to the accuracy of market forecasts.

**BRIAN CORDES:** Good morning everyone. Welcome to the Seligman LaSalle Global Real Estate conference call. My name is Brian Cordes. I am the Product Manager for the Seligman LaSalle suite of real estate funds.

This call will discuss the global real estate market and the current opportunities in the marketplace as they pertain to Seligman LaSalle Global Real Estate Fund and the closed-end Seligman LaSalle International Real Estate Fund — ticker symbol SLS.

Both funds are sub-advised by LaSalle Investment Management (Securities), L.P. and LaSalle Investment Management Securities B.V. Here with me today are members of the Portfolio Management Team from LaSalle.

They are Keith Pauley, Chief Investment Officer, and George Noon, Global Portfolio Manager.

Before handing the call over to LaSalle, I'd like to remind everyone that both the Seligman LaSalle Global Real Estate Fund, an open-end fund with an objective of capital appreciation and current income, as well as the closed-end Seligman LaSalle International Real Estate Fund, whose objective is long-term capital appreciation with a secondary objective of current income, are both being managed for the long term.

Also, I'd like to remind everyone that Seligman LaSalle International Real Estate Fund has announced its second quarter distribution. This payment will be for 43.75 cents per share, which is equal to 1.75% of the \$25.00 initial offering price.

This distribution will be paid on June 23, 2008 to stockholders of record on June 16, 2008. Now, it's my pleasure to introduce Keith Pauley.

**KEITH PAULEY:** Good morning to everyone. Let me begin with a reminder that the focus of our business is

investing in publicly-traded real estate companies that own and operate commercial real estate, such as office buildings, shopping centers, industrial parks and apartments.

Our comments today will relate to the commercial real estate sector. 2008 has been a year of continued volatility in the real estate securities markets around the world.

In a reversal from 2007, real estate stocks are performing better than the broader equity markets, but they have not been immune to the market forces driving negative returns and increased market volatility in most financial markets.

Concerns about the global economy and the impact of difficult credit market conditions have contributed to negative returns for real estate stocks in many markets so far this year.

Year-to-date through June 17, 2008, the UBS Global Real Estate Investors Index had declined 3.7% while the broader equity market — as represented by the MSCI World Index — was down 6.1%.

The strongest real estate securities market in 2008 — and the only major market with a positive return year-to-date — has been the US. US REITs are up 2.6% this year which is well ahead of both the Global Real Estate Securities Index and the broader equity market in the US.

This is a significant reversal from 2007 when the US was one of the weakest real estate securities markets and significantly lagged US equity markets.

We attribute the positive relative performance of the US to improving credit market conditions and better-than-expected first quarter results. The credit markets in the US do remain challenging but they have improved significantly since mid-March.

A number of companies have been successful in accessing capital. Within the last two months, several of the largest public REITs — including Simon Property Group, Prologis, AMB Properties, Duke Realty, and Westfield, an Australian company — have successfully completed major unsecured debt offerings which we think is very encouraging.

The weakest performing real estate securities markets in 2008 have been the UK, Japan, and Australia, all of which have had double-digit negative returns. In

general, the markets in Asia — after being very strong, at least on a relative basis, in 2007 — have been weak so far in 2008.

These markets are all being impacted by some combination of slowing economies and tighter credit. The problems that started in the US last year have gradually spread to other markets around the world.

Additionally, in the UK there is an expectation — which we share — for a more meaningful deterioration in fundamentals in the city of London due to its heavy reliance on the financial services sector.

In Australia, we have seen some of the more highly leveraged public companies get into difficulty due to tighter credit market conditions. We consider these particular situations to be more the exception than the norm as commercial real estate fundamentals continue to be healthy in most markets and the majority of public companies are well positioned from a balance sheet perspective.

So with that as a little bit of background on recent performance, I will now pass the call to George to provide some perspective on fundamentals, valuation levels, and other market themes likely to have a significant impact on the outlook for the major real estate securities markets.

**GEORGE NOON:** As Keith said, credit market turmoil remains the key factor impacting the global real estate sector today. While the global credit market difficulties we are now seeing started in the US subprime market for residential lending, it's now impacting commercial real estate markets around the globe through a widening of borrowing spreads and more conservative loan underwriting.

This tighter credit has increased the capitalization rates used to value real estate and raised investor concern about the sustainability of the private market values of the real estate held within these companies.

In the global real estate securities area, this lack of debt capital has largely eliminated merger and acquisition transactions, which had been a major factor in the public real estate industry during the past several years.

Thus, it's possible that the public real estate companies could continue to trade at discounts to their net asset values until financing markets become more conducive to acquisition transactions.

But we think this is more of a short-term rather than a long-term factor for the real estate securities market. Rising oil prices, continued weakness in the housing market, and turmoil in the credit markets are also slowing economic growth around the world today, and that impacts real estate markets as well.

Global economic growth has been slowing and it's expected to be somewhat below its long-term norm this year and next. Growth in the US came in at an annual rate of 0.9% in the first quarter of 2008 and we expect this will probably hold for the year, and with a modest increase in 2009.

Hong Kong and Singapore are expected to continue to rank towards the top of the growth list in 2008 and 2009, up in the 4% to 5% range. We anticipate the more mature economies around the world to grow in the 1% to 2% area.

This moderating economic growth is leading to decelerating real estate fundamentals in most markets with the expectation of slower absorption of new and newly available space.

We should note, however, that slower growth is expected. We still see positive same property net operating income growth in most every market. In fact, it's only select markets, such as Orange County, California and the City of London, that are not showing growth.

Same-store property growth is principally being driven, in our view, by the fact that market rents are holding up around the globe. This, coupled with the fact that in-place rents are significantly lower than the rents achievable on new leases, drives same-property cash flow for these companies.

This step up in rental rate provides these companies with attractive embedded rental growth potential. And this is particularly true for markets like New York, Tokyo, Sydney, and even the west end of London for the office markets.

As you look to the retail markets, the same scenario should play out in the US and Australia. The credit crunch has also had at least one positive effect on the property markets around the world. Typically, at this point in a real estate cycle, speculative new supply is being constructed and readied for delivery to the market. With a lack of credit availability, this speculative new supply has all but stopped.

While this won't impact the market in the near term, we do see this as a factor that will help the market in the future years, in 2009 and 2010. Since we began this period of market turbulence from such a strong market position with vacancy rates very low, as we do begin to see a resumption of demand, it's likely that a rebound in market rental rates may very well be quicker than otherwise would have been the case, since the speculative new supply really has been curbed.

These solid market fundamentals are expected to result in continued earnings growth for the companies in our investment universe. We expect global real estate securities as a group will be able to grow their cash flow at a mid-single-digit rate over the next several years and do not expect negative year-to-year earnings changes during this period.

The public companies should also be able to maintain financial flexibility. Not only are they moderately leveraged — averaging around 45% of the value of the properties today — the management discipline incumbent on companies operating in a public environment should enable them to access capital in a difficult credit market more successfully than their more leveraged private competitors. For example, as Keith mentioned earlier, Westfield and Simon Properties were able to issue unsecured debt this year in spite of these trying credit market conditions.

We've also seen a number of public companies access capital through the issuance of both common and convertible debentures. An example of the use of this financial flexibility is the recently announced acquisition of the General Motors building in New York City led by Boston Properties, a publicly-traded REIT.

The seller, Harry Macklowe, was unable to refinance the acquisition debt used in his 2007 purchase. Boston Properties was able to acquire the property on what we believe to be an advantageous basis using its own strong balance sheet, as well as joint venture partner capital.

One final theme that is yet to be fully played out across the world is the maturing understanding by the investment community of the greater durability and quality of the cash flows generated by commercial real estate companies, compared with those of residential developers and lenders.

It looks as though US and European market investors have begun to take notice. We believe investors in other

markets will see this as well, as these companies continue to report solid earnings and are able to successfully refinance their maturing debt obligations.

Turning to valuation, global real estate stocks are trading at meaningful discounts relative to the net asset values of the companies in our investment universe. Net asset value discounts have gone from 11% at year-end 2007 to 14% on June 17 according to our estimates. The discount among US REITs has gone down, moving from an 18% discount to a 10% discount over this same period.

The deepest discounts today are to be found among property companies in the UK, trading at an estimated discount to NAV of more than 30%, and also in Australia, a market where we have been under-invested for some time but which now offers a discount of more than 20%. We believe there may be some value among certain of the better run, more conservatively financed Australian companies.

While the risk of capitalization rates moving up is real, it's our view that market prices of many of these securities have overly discounted any potential reduction in property values.

In summary, we expect the stock markets to continue to be volatile in an economic environment that will be slow this year, but begin to improve slightly in 2009, and then return to more normal rates of growth.

We think well-run, conservatively financed real estate companies should be able to grow their earnings at mid-single-digit rates in this environment and be able to increase dividends to their shareholders at a more moderate rate.

Property values may not rise and, in fact, may continue to decline in some markets during this period. But the current discount of global real estate security prices to the value of their assets provides a value cushion and we expect prices to increase compared to the net asset values over time.

On July 7, 2008, Ameriprise Financial, Inc. (“Ameriprise”) announced an agreement to acquire J. & W. Seligman (“Seligman”), the Funds’ manager, in a transaction that is likely to close in the fourth quarter of 2008. Consummation of Ameriprise’s acquisition of Seligman will result in a change of control of Seligman and an assignment and automatic termination of the Funds’ management agreement with Seligman, as well as the sub-advisory agreements relating to the Funds. The Funds’ Boards will be asked to approve new advisory and administration agreements between the Funds and subsidiaries of Ameriprise, and new sub-advisory agreements for the Funds. If approved by the Funds’ Boards, the new advisory and sub-advisory agreements will be presented to the shareholders of the Funds for their approval.

**For more information on any of Seligman’s real estate securities portfolios contact your financial advisor or Seligman Advisors, Inc. at 800-221-2783.**



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