



Investor spotlight

AMB Property Corporation



Steve Lueck, senior vice president, director of Global Airport Facilities Group, talks to Joe Bates about AMB's business development strategy.

What is the appeal of the aviation industry?

AMB's business model is tied to global trade. Global trade is the engine that drives demand for our product. Air cargo accounts for almost 35% of global trade (by value), and has historically grown at an average of 6% per year, or more than two times the rate of global GDP expansion. Air cargo is a critical driver of global trade and, accordingly, airport properties represent an important discipline in AMB's overall global business.

Why airports?

We understand that global distribution flows follow cost and time efficient routes. For many products, airports are a primary node in the manufacturing and distribution process. The airports which provide the best operating and economic conditions to support air cargo and air-to-land freight flows will gain preference among key decision-makers in manufacturing, shipping, transport and supply chain management.

AMB's state-of-the-art air cargo facilities are a critical piece of this

equation. Ultra-efficient flow of goods, information, people, trucks, equipment and aircraft requires innovative and integrated planning. Through our extensive global platform, we believe we are uniquely qualified to support this mission at the world's largest and most important cargo and logistics airports.

When did the company make its first airport investment?

We developed our first on-tarmac cargo facility in 1998 at Dallas/Fort Worth International Airport. AMB's DFW Cargo Center I was the first modern multi-tenant cargo facility to be developed at the gateway. The airport was able to use this state-of-the-art, efficient cargo space as a way to entice new international cargo carriers to the airport and, as a result, international air cargo volumes have more than tripled at DFW since our original investment.

What facilities do you have at DFW today?

The success of AMB DFW Cargo Center I meant that we added Cargo Center II shortly afterwards. These

facilities represent a combined 425,000 square feet of warehouse/office space and eight B747-400 aircraft parking positions. With the exception of a few small office suites, these facilities remain fully occupied.

Is the development of cargo/logistics facilities at airports a niche market?

AMB is unique in that we are the only investor that focuses on both on-airport and off-airport facilities whereas most of our competitors focus exclusively on one aspect or the other. We believe the engine of global trade will continue to create growing demand for such facilities, especially in the critical markets where we are focused.

How important to the company is your airport property portfolio?

Almost 30% of our total global portfolio is airport related. This is comprised of both on and off-airport facilities. Off-airport facilities make up the majority of this, simply due to the size of the relative markets. At any



given airport, the size of the first-line on-airport cargo facility market (in square feet) will be roughly equal to the annual tonnage processed at that airport. In other words, for an airport that handles one million tonnes of cargo per year, you would expect the first-line cargo facility market to be approximately one million square feet. The related off-airport market will be a size that is several multiples of this.

How much 'airport' property does AMB own/operate across the world?

AMB is the world's largest third-party owner and operator of airport-related distribution facilities. Our portfolio of airport-related properties now totals approximately 43 million square feet, which is clustered proximate to the leading international hub and gateway airports around the world. This airport portfolio, along with our broader global portfolio in general, has increased over the last five to seven years. In 2002, AMB's global portfolio totalled approximately 97 million square feet, and comprised properties located exclusively in the United States and Mexico. As of December

31, 2008, our global portfolio comprises of 160 million square feet, located in 49 markets in 15 different countries throughout North America, Europe and Asia.

What is your investment strategy?

We focus on building and buying the best-located, most functional product for customers who need efficient distribution facility networks in the markets that are most important to global trade. Both producers and consumers want products out the door, en route to their destinations, faster. In fact, since 1950, the average inventory-to-final-sales ratio has dropped roughly 50%, in part due to transportation innovations, trucking deregulation and inventory technology advancements. The timely transport and rerouting of goods have become increasingly critical, leading to substantial growth in the distribution and logistics services industries.

AMB's strategy is designed to capture this growth niche by catering to the air/ocean freight and logistics sectors of the supply chain. We target our investment activity in the world's most strategic distribution markets:

areas proximate to both major international airports and seaports with the complementary transportation infrastructure and employment base to advance supply chain efficiencies.

Does AMB have any plans to invest in airports outside of Europe, North America and Asia?

South America, especially Brazil, will likely be the next region where we look to expand our business. Africa is not currently a region we are considering.

Does AMB believe in the airport city concept and is this something that the company can use to its advantage?

There is no question that a well-managed airport can be a key driver to the economic success of any region. Our contribution toward the airport city concept is to provide the capital and specialised expertise needed to develop a successful cargo infrastructure, so that the airport can allocate its scarce resources toward broader priorities.



Does the company have any investment partners?

Yes. In fact, AMB pioneered the Real Estate Investment Trust (REIT) industry's co-investment private capital investment model. AMB currently has eight private capital investment vehicles with geographic focus in the US, Mexico, Europe and Japan. We were a private investment management firm before we became a public real estate company. We've used 24 years of portfolio management and partnership expertise to create a private capital model that serves private and public investors well.

Our co-investment partners benefit from alignment of financial interests and gain access to our trade-centric investment strategy and operating platform. AMB's public stockholders benefit from enhanced returns on their equity through recurring and steadily growing asset management fees, acquisition fees and promoted interests.

Are all AMB's airport projects profitable?

AMB is located at the airports that provide the best operating and economic conditions to support air cargo and air-to-land freight flows. Due to the specialised nature of these facilities and their locations, customers are willing to pay a premium rental rate for this extremely valuable space. Our on-airport projects have consistently outperformed AMB's broader portfolio in terms of rental and income growth.

In what circumstances would AMB dispose of an airport facility?

AMB continuously evaluates its global portfolio to ensure ideal allocation of our investment capital. We regularly

review each asset in our global portfolio to reconfirm strategic fit and projected long-term value. We sell assets of any type (airport or otherwise) when strategic, economic or market conditions dictate that this capital would be better redeployed elsewhere.

Are you looking to add to AMB's airport portfolio in 2009?

Early on in 2008, we recognised that market conditions were softening and proactively scaled back capital deployment activity during the course of the year, particularly speculative development. Capital deployment will be limited in 2009, certainly until the capital markets and broader economy stabilise. In the meantime, we continue to focus on serving our customer base and positioning ourselves for future growth at key targeted airports.

What is your ultimate ambition for AMB?

AMB's primary goal is to produce superior long-term returns for our investors by making smart, research-based investments around the globe. We aim to produce enduring excellence for the AMB brand by consistently providing the types of buildings and services that facilitate our customers' businesses, identifying the most lucrative long-term investment markets and employing the best local talent to develop and operate our properties.

Are you concerned about the impact the global economic slowdown will have on aviation?

Obviously the unprecedented oil prices experienced in 2008, followed by the

credit crisis and ensuing economic slowdown have combined to create one of the most challenging business environments in the history of the aviation industry. Increased security costs and regulations are now placing even further pressure on the struggling air cargo business, while global volumes are seeing sharp declines across all regions. It is clear that the industry is facing tremendous short-term challenges that will no doubt impact AMB's business. However, we believe our disciplined investment and operating strategy positions us to effectively weather this storm. Our focus on major distribution markets critical to the global supply chain – coupled with long-term leases with companies of strong credit – places us in a good position relative to the broader marketplace.

Is it possible to take any positives from today's economic difficulties?

Yes, actually. Global competition in our business is limited, and market conditions today pose significant barriers for new entrants. We also see opportunities to further differentiate AMB, not only due to the current steps we are taking to strengthen the company, but because of the long-term drivers of demand that propel our business. For decades, we have had a clear and consistent approach to running our business that is both durable and adaptive to change. Additionally, AMB's experienced leadership team has a depth and breadth of real estate leadership, knowledge that we feel is unmatched and necessary as our industry is further tested in 2009. 