

## Real Estate Research: 2010 Year-Ahead

**Mon  
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2009**

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### What's in store for 2010? Key themes include:

- Operating metrics should continue to deteriorate in 2010, albeit at varying paces depending on the sector
- Balance sheets continue to improve as companies take advantage of rising stock prices
- IPO filings accelerate; blind pools face challenges while selective operating companies go public
- Acquisition pace accelerates from a virtual standstill in 2009 but cap rates are probably lower than expected
- 2010 FFO estimates move higher due to accretive acquisitions; debt tender offers; and deployment of cash
- Discussions of new development accelerate toward the end of the year for selective apartment REITs

### Return expectation stands at ~6%; Price targets rise by 3%

- Our return expectation stands at only 5.6% as stocks trade at 20x our '10 AFFO estimate
- Price targets rise by 3.1% as we now incorporate '13 AFFO estimates into our 3-pronged valuation model
- Highest expected total return is shopping centers (7.6%) followed by apartments (6.6%)
- Lowest expected total return is industrial at 2.8%
- Stocks with the highest expected total return are DLR (+16%), AVB (+14%), BRE (+14%), and MAC (13%)

### View from portfolio strategy and technical analysis

- ISI's Portfolio Strategist (Francois Trahan) recommends an overweight position on REITs based on dollar trends reverting back to negative on two fronts: strong global growth and a global tightening cycle. At the margin this benefits hard asset investments such as real estate and hurts other financial stocks.
- ISI's Technical Analyst (Jeff deGraaf) believes that REITs are in an uptrend and look better than most other financial sectors and concern would be raised if REITs broke key 525 support level

### Apartments & Storage

- Fundamentals weakest of any property type – NOI growth should decline by 5.1% in 2010 and hit bottom in 2Q'10
- Expense containment remains a big story in 2010; pressures could build for bigger increases in 2011
- Cap rates remain low as debt costs from Fannie & Freddie remain below 6% with LTVs in the 65% range
- Development starts may accelerate toward the end of the year as executives start to focus on 2012 & 2013
- Storage fundamentals remain soft in 1H10 but should begin to improve as housing market rebounds

### Office & Industrial

- Office vacancy rate should rise by more than 100bp in 2010 as demand remains soft and new deliveries add 50bp
- 2011 could be a better year for the office sector as new deliveries remain low and corporate profits rebound in 2010, thereby leading to further job growth
- Industrial demand highly correlated with consumer spending growth and inventories, both of which are beginning to improve – unfortunately, much of this recovery is already priced into the industrial REITs

### Retail

- NOI growth should be negative in '10 for most retail REITs as occupancy and rental rates remain under pressure even if holiday sales surprise to the upside
- Shopping center fundamentals weaker than malls but valuations slightly more compelling for strip centers
- Acquisition volume could surprise on the upside, especially if Simon acquires GGP

\*See the last page for an important disclosure regarding these stocks and this report.

**PLEASE do not forward.**

## REITs in 2010: The Bull Case

- ISI economists expect continued economic growth through 2010 (GDP forecast is 4%) as the global economy benefits from the unprecedented amount of government stimulus in '08 & '09, subdued short rates, a positive yield curve, and a recovery in industrial production/inventory re-stocking going forward.
- Monthly employment trends continue to improve and are likely to turn positive in December or January, reversing a trend of 23 months of negative employment growth.
- Re-equitization by the REIT sector in the Spring and Summer of '09 insulates public REITs from the distress in the broader commercial real estate industry and creates a fertile acquisition environment for well capitalized REITs such as Simon, Boston Properties, and Vornado just to name a few.
- Access to debt capital is greatly improved especially in the unsecured markets. In addition, low Treasury rates and improving spreads have brought down all-in interest costs for the REITs, thereby reducing the potential refi risk on our 2010 and 2011 estimates.
- Historically low risk-free yields should continue to provide a tailwind for higher yielding REIT equities. In addition, a low risk-free yield supports higher NAV estimates as cap rates remain in the 6% to 8% range.
- Steep yield curve is a positive for the banks, which helps improve profitability for the financial services industry which, in turn, bodes well for NYC office fundamentals.
- Banks are not being forced to sell their real estate as regulators have provided some breathing room as it relates to debt restructuring.

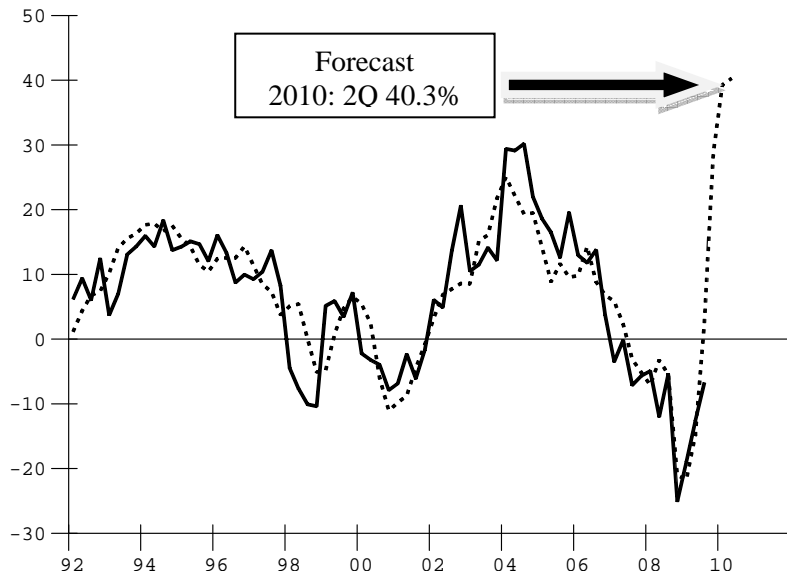
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## REITs in 2010: The Bear Case

- Rising interest rates / federal funds rates are the biggest concern to the REITs in 2010. ISI economists expect a 10yr Treasury rate of 4.0% by YE '10, and a fed funds rate of 1.5% by year-end. Rising interest rates could translate into higher debt costs and a potential increase in cap rates especially if the economic recovery is slower which would dampen our NOI growth forecasts in 2011 and beyond, thereby pushing cap rates higher and NAVs lower.
- ISI economists expect job growth of 0.8% in 2010 (translates into 1.1mn jobs) so any meaningful shortfall in this figure could negatively impact our same-store NOI growth rates in 2011, 2012, and 2013.
- Spread between cap rates and 10yr Treasuries of 370bp back near historical average of 335bp (from a peak of 610bp spread in 4Q08). This spread compression tailwind is less likely to drive performance in '10.
- Valuations have significantly increased since the middle of 2009 as the group now trades at a forward 12-month cash flow multiple of ~20x versus 12x in July '09 and 9x in March 2009 when REITs hit their lows.
- Rising taxes on both corporations and wealthy US consumers could hamper job growth, especially from small business owners who are the lifeblood of the US economy.

# Key Economic Factors For 2010

Chart 1: US Corporate Profits (Y/Y Chg)



Corporate profits are a good indicator of future job growth and ISI's economics group expects US profits to grow by 40% in 2Q10.

Chart 2: US Companies Cut Too Many Jobs

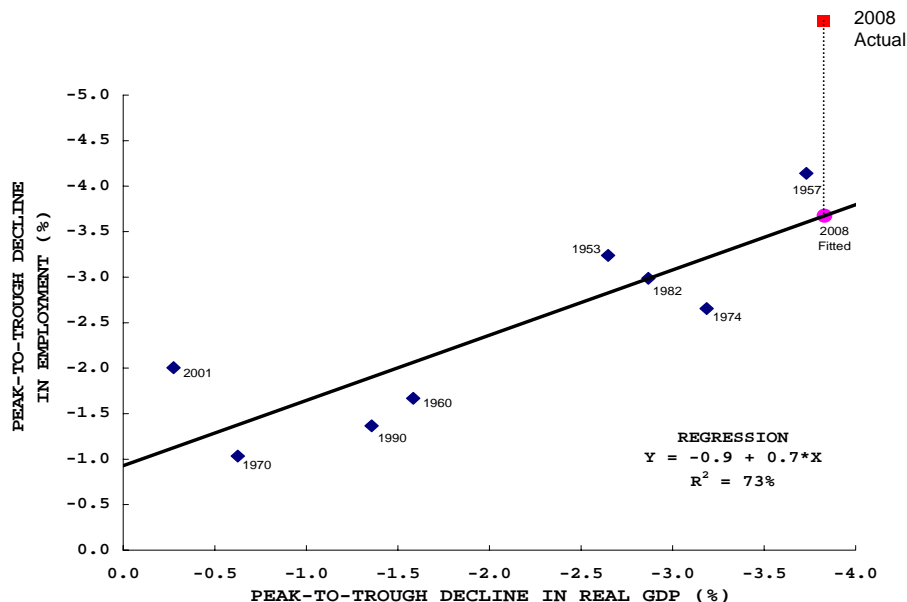
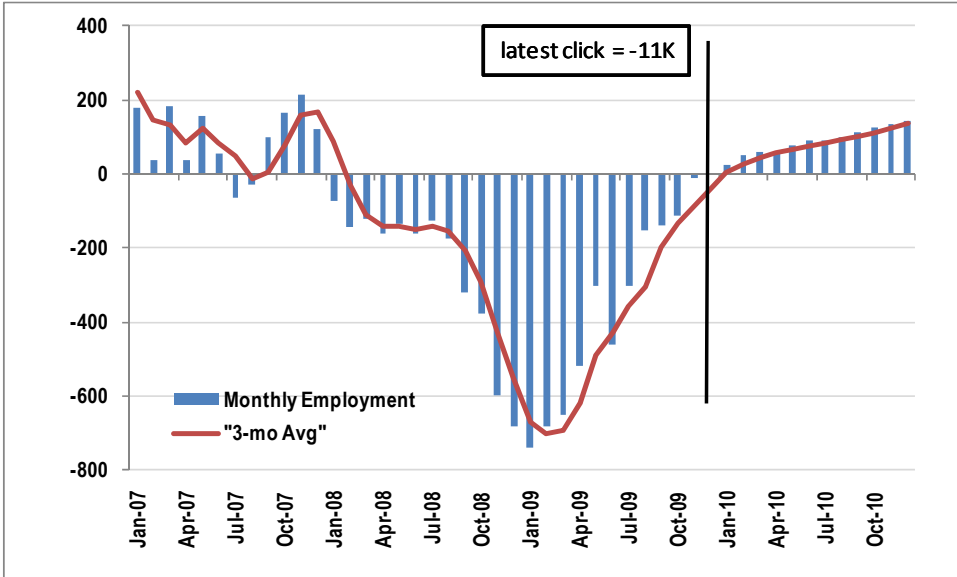


Chart 2 shows that US companies cut too many jobs during the latest downturn, based on the actual decline in GDP, which bodes well for hiring in 2010 and beyond.

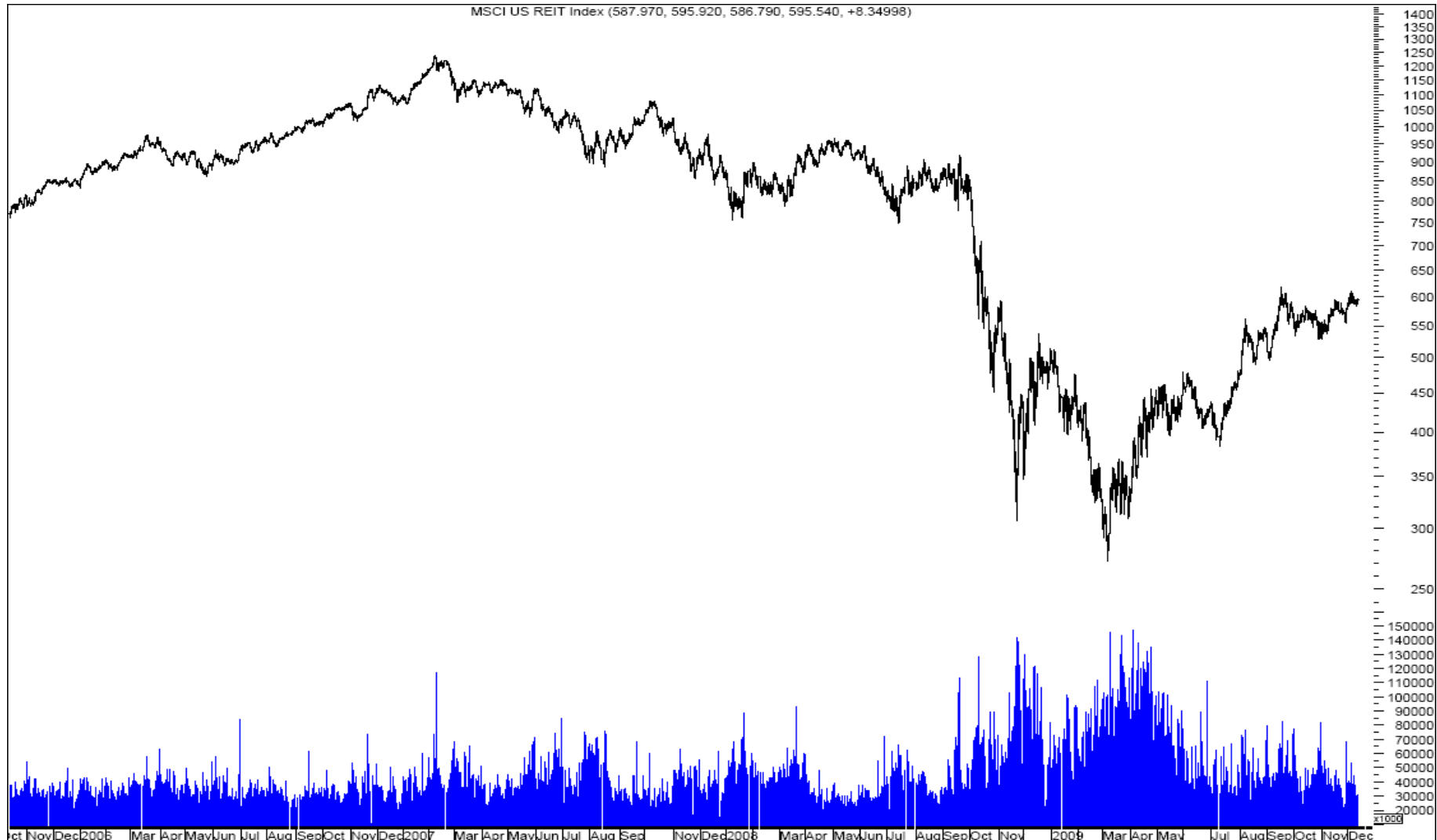
Chart 3: Monthly employment figures



Investors continue to worry about a “jobless recovery” but chart 3 shows that job losses are quickly coming to an end. ISI expects the monthly employment trend to turn positive in December or January which over 1 million jobs created in 2010.

## A Technical View of REITs from Jeff deGraaf

“Index is in a clear and decisive uptrend, and outperforming most other financials in the sector. Support at 525 is important and should contain weakness. A violation of that support level would signify a deterioration of the trend, and move us more cautious on the industry. At this point, REITs remain one of the few industries within financials with bullish technical attributes.”



ISI Group Inc. Technical Analysis Department 12/12/2009

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ISI Group

## Another look at Acquisitions – Impact on Bottom Line

One of the biggest unknown factors that will impact REIT prices in 2010 is the pace of acquisitions which heretofore has been limited. However, as REIT prices climb the impact on the sector's bottom line continues to improve as outlined in Table 1. Hypothetically, a \$100bn of acquisitions for the REIT sector could be accretive to FFO by 2% to 16% depending on the level of cap rates. Our scenario analysis below uses 3 different cap rate assumptions (7%, 8%, and 9%) and assumes that the companies fund these acquisitions with 60% equity and 40% debt with a weighted average debt cost of 6.4% (5.75% for apartments and 6.5% for the rest of the companies).

Our 2010 FFO estimates incorporate very little in the way of acquisitions so this factor should only act as a source of upside earnings surprises. Companies that we believe could be the most acquisitive in 2010 are:

**Simon** – company possesses \$3.5bn of cash post the Prime deal; a GGP acquisition would approach \$30bn

**Boston Properties** – company has \$1.5bn of cash as of 9/30 and one of the lowest leverage ratios

**Digital Realty** – company is evaluating sale-leasebacks in the 10% range; balance sheet is in good shape

**AMB** – the company can utilize its joint-venture model to acquire assets around the globe

**Camden** – the company has buying power in its JV fund to purchase over \$1bn of assets

**Equity Residential** – the company has \$1.3bn of availability on its line of credit

**Table 1: Acquisitions becoming more accretive as stock prices rise**

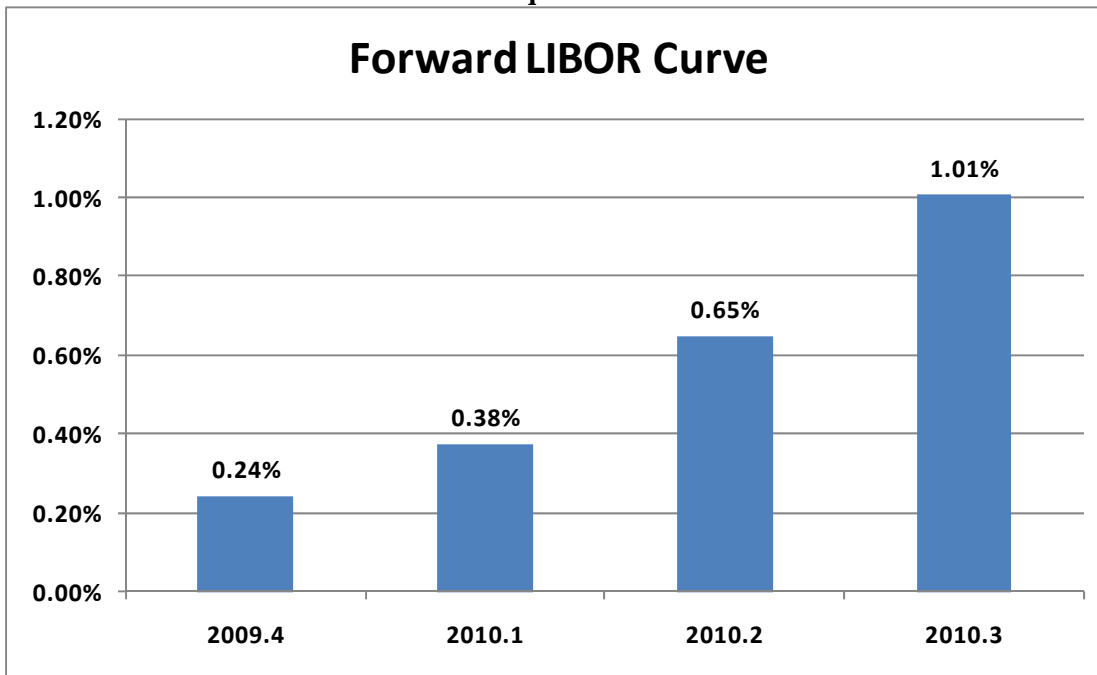
Acquisition Sensitivity Analysis					
Key Assumptions					
Volume =	\$100,000				
% Equity =	60.0%				
New Debt Cost =	6.4%				
Total FFO =	\$10,372				
Total Shares Out =	4,197				
FFO/share =	\$2.47				
Avg Stock Price =	\$35.27				
@ 7% cap rate		@ 8% cap rate		@ 9% cap rate	
Beginning FFO	\$10,372	Beginning FFO	\$10,372	Beginning FFO	\$10,372
+ New NOI	\$7,000	+ New NOI	\$8,000	+ New NOI	\$9,000
- New int exp	(\$2,542)	- New int exp	(\$2,542)	- New int exp	(\$2,542)
= Ending FFO	\$14,829	= Ending FFO	\$15,829	= Ending FFO	\$16,829
Beginning Shares	4,197	Beginning Shares	4,197	Beginning Shares	4,197
+ New shares	1,701	+ New shares	1,701	+ New shares	1,701
= Ending shares	5,898	= Ending shares	5,898	= Ending shares	5,898
FFO/Share	\$2.51	FFO/Share	\$2.68	FFO/Share	\$2.85
<b>Accretion</b>	<b>\$0.04</b>	<b>Accretion</b>	<b>\$0.21</b>	<b>Accretion</b>	<b>\$0.38</b>
<b>% change</b>	<b>1.7%</b>	<b>% change</b>	<b>8.6%</b>	<b>% change</b>	<b>15.5%</b>

## Impact of Higher Interest Rates

Higher interest rates can impact the REIT sector in many ways including:

1. Higher borrowing costs both on the short and long-end of the curve. Most line of credit facilities are LIBOR based and as illustrated in Chart 4, the forward LIBOR curve shows a 75bp increase from 4Q09 to 4Q10. The good news is that our FFO estimates incorporate these higher short-term borrowing costs so the risk to our estimates is a sharp increase in the entire forward curve which could occur if economic growth is faster than expected and investors start to accelerate the time frame for a Fed tightening. According to Tom Gallagher, ISI's Policy Analyst, the market is currently pricing in the first Fed tightening in 3Q10.

Chart 4: Outlook for LIBOR over next 4 quarters



2. In terms of long-term interest rates, the 10-year Treasury has climbed from a recent low of 3.2% to 3.55% and ISI expects the 10-year Treasury to reach 4.0% by YE10. Investors will need to watch credit spreads which have certainly tightened since the spring of '09 and any further compression in spreads could partially offset a higher base rate. According to our data, REITs have roughly \$10bn of debt maturing in 2010 with the majority of this debt being fixed-rate financings.
3. Offsetting these two factors is the fact that higher interest rates could be the direct result of faster economic growth which in turn could be driven by higher levels of employment, stronger profit growth, and higher cap ex spending. All of these factors would be positive for real estate fundamentals, albeit with a lag, so we do not expect a material improvement in internal growth for 2010 which ranges from +1.5% to -4% depending on the sector and the individual company.
4. The final issue for investors to think about is how higher interest rates could negatively impact cap rates in the short-term due to potentially higher funding costs. While NOI growth in 2011 and beyond may increase due to an improving economy, borrowing costs could change much more quickly, thereby squeezing ROEs in the short-term unless cap rates move higher.

## Valuation Metrics

Chart 5: Price to NAV ratio – stands at 102% which equal to the sector's long-term average.

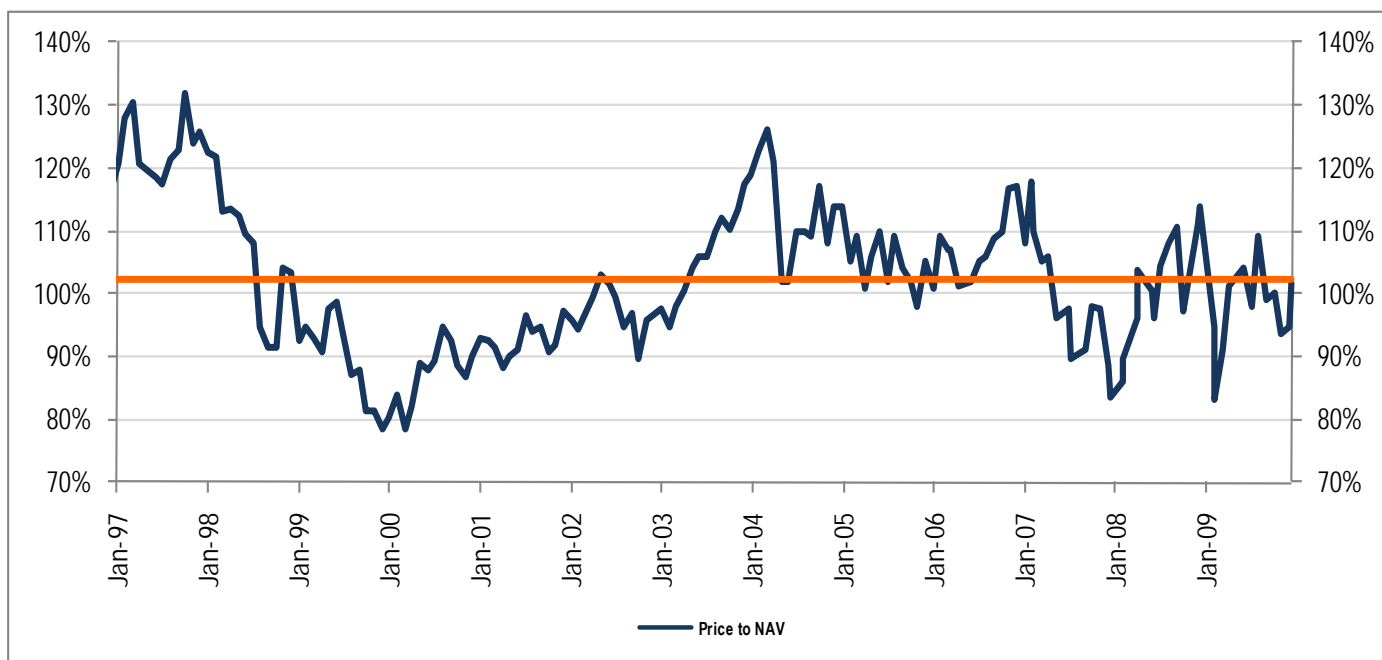


Chart 6: Forward AFFO multiple – stands at 19.8x which is well above the sector's long-term average of 14x.

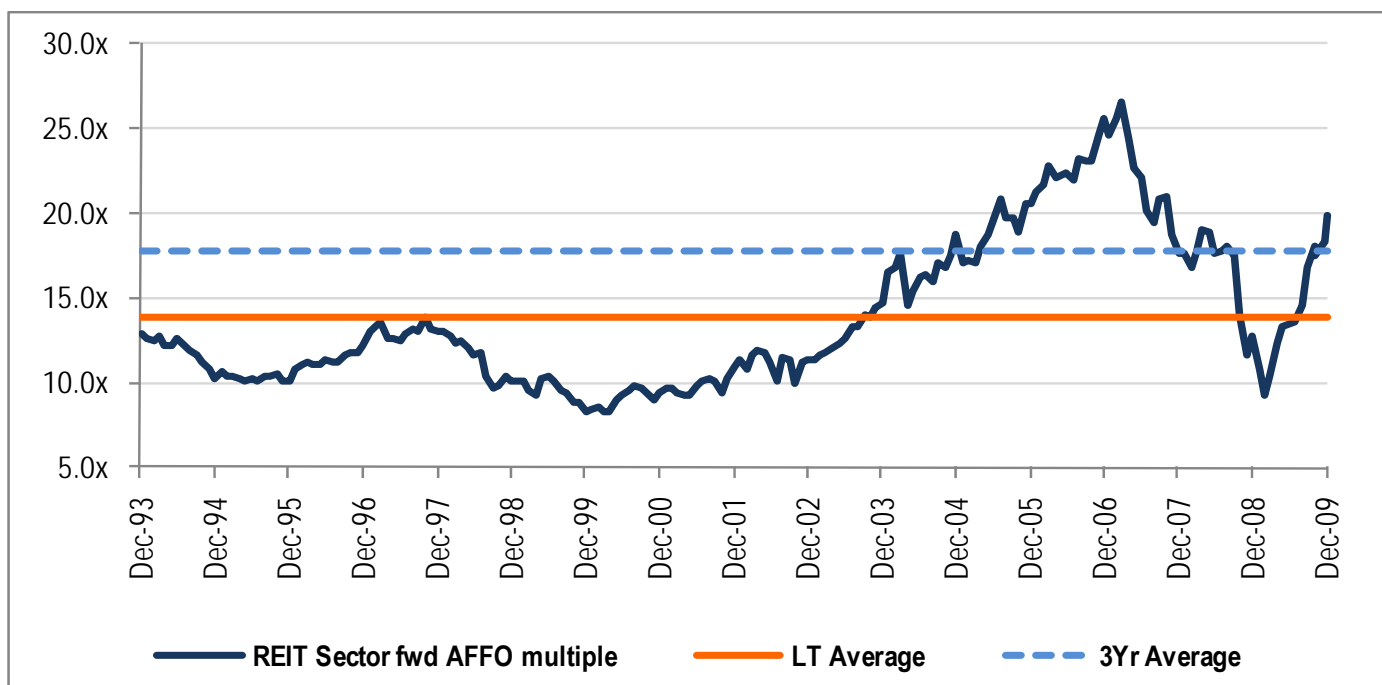
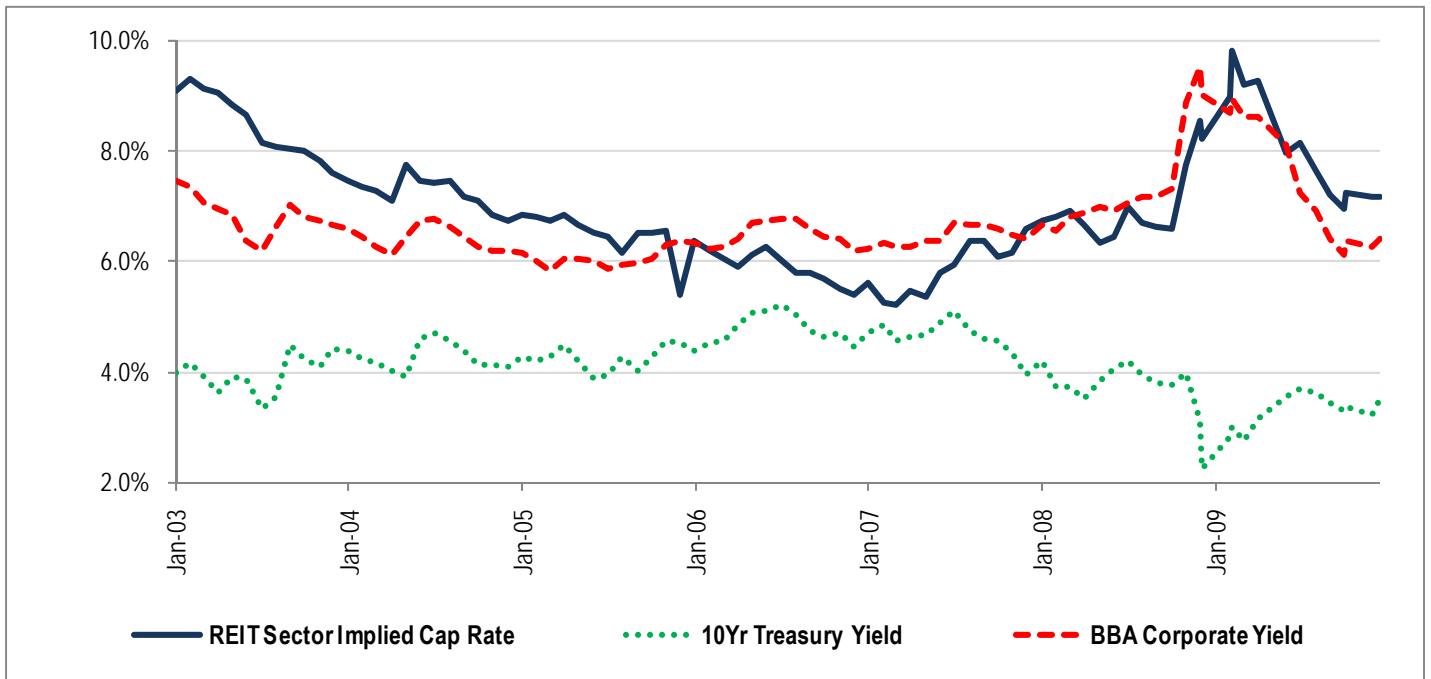


Chart 7: Implied Cap Rate – currently 7.16% and the spread to the BBA corporate yield stands at 74bp versus the long-term average of 27bp. This implies that REITs look inexpensive relative to corporate bonds.



## Updated Price Targets

We are updating our price targets as we enter 2010 as we roll forward our valuation models and begin to incorporate our 2013 FFO estimates (which we discount back by 2 years). Based on the data in Table 2, our price targets rose by 3.1%, on average. As a reminder, we employ a three-pronged valuation approach to derive price targets which are based on the following factors:

1. **Forward NAV** (50% weighting) – we assume the stocks trade between 100% and 115% of forward NAV
2. **AFFO Multiple** (30% weighting) – we apply a normalized AFFO multiple to our 2013 forecast and discount back two years using the company's cost of equity (ranges between 8% and 11%)
3. **DCF Estimate** (20% weighting) – we assume all companies trade at parity to their DCF value

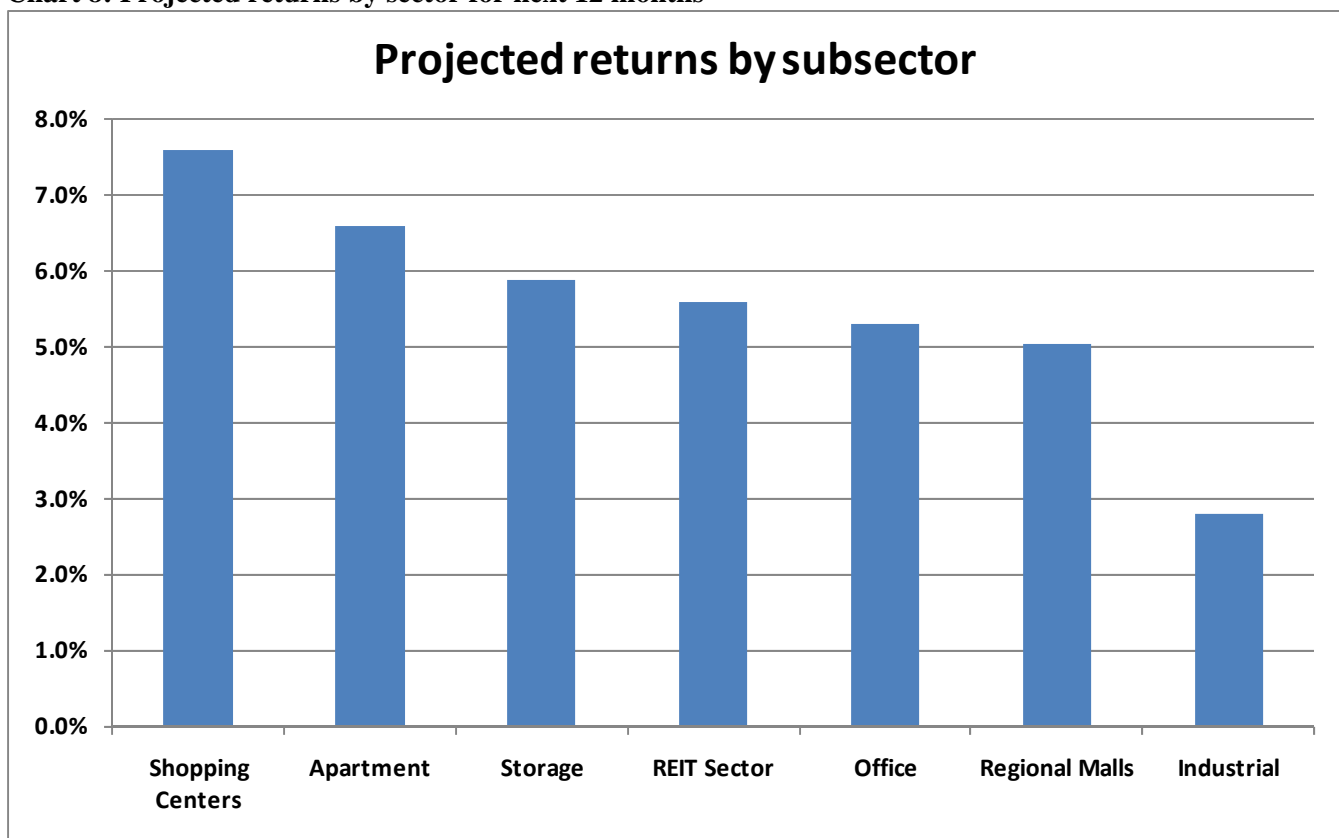
**Table 2: Revised Price Targets**

Company Name	Ticker	Old PT	New PT	% Chg	Company Name	Ticker	Old PT	New PT	% Chg
American Campus	ACC	\$28.00	\$29.00	3.6%	Boston Properties	BXP	\$71.00	\$71.00	0.0%
AvalonBay Comm.	AVB	\$79.00	\$84.00	6.3%	Brookfield Prop	BPO	\$12.00	\$12.50	4.2%
BRE Properties	BRE	\$33.00	\$34.00	3.0%	Corporate Office	OFC	\$38.00	\$39.00	2.6%
Camden Prop Trust	CPT	\$35.00	\$36.00	2.9%	Digital Realty	DLR	\$52.00	\$54.00	3.8%
Equity Residential	EQR	\$30.00	\$32.00	6.7%	Kilroy Realty	KRC	\$27.00	\$28.00	3.7%
Essex Property	ESS	\$82.00	\$88.00	7.3%	Mack-Cali Realty	CLI	\$33.00	\$34.00	3.0%
Home Properties	HME	\$38.00	\$39.00	2.6%	SL Green	SLG	\$49.00	\$50.00	2.0%
UDR, Inc.	UDR	\$14.00	\$15.00	7.1%	Vornado	VNO	\$64.00	\$66.00	3.1%
<b>Apartment Avg</b>				5.7%	<b>Office Avg</b>				2.4%
Equity One	EQY	\$16.00	\$16.00	0.0%	AMB Property Corp	AMB	\$24.00	\$25.00	4.2%
Federal Realty	FRT	\$66.00	\$68.00	3.0%	ProLogis	PLD	\$13.00	\$13.50	3.8%
Kimco Realty	KIM	\$13.00	\$13.00	0.0%	<b>Industrial Avg</b>				4.0%
Regency Center	REG	\$33.00	\$35.00	6.1%	Public Storage	PSA	\$76.00	\$80.00	5.3%
Tanger Factory Outlet	SKT	\$40.00	\$39.00	-2.5%	<b>Self-Storage Avg</b>				
<b>Strip Center Avg</b>				1.6%	<b>Total REIT Sector</b>				<b>3.1%</b>
Macerich	MAC	\$35.00	\$35.00	0.0%					
Simon Property	SPG	\$77.00	\$78.00	1.3%					
Taubman Centers	TCO	\$33.00	\$34.00	3.0%					
<b>Regional Mall Avg</b>				1.3%					

## Subsector Returns

- Given the significant underperformance of shopping center REITs in 2009, the group has the highest total return at 7.6% as we head into 2010 despite possessing weak fundamentals. Investors also seem very underweight this subsector (due to problems at REG and KIM) which could act as a positive catalyst in the new year.
- Apartment REITs move into 2<sup>nd</sup> place with an expected return of 6.6% as we begin to price-in the NOI recovery in 2013 which should disproportionately help apartment REITs versus other sectors.
- Industrial REITs have the least amount of upside potential at the present time, partly due to the sharp gains that PLD and AMB have posted since their equity recapitalizations in the Spring of '09. We also believe that PLD faces significant headwinds in FFO growth due to below average debt costs.

Chart 8: Projected returns by sector for next 12 months



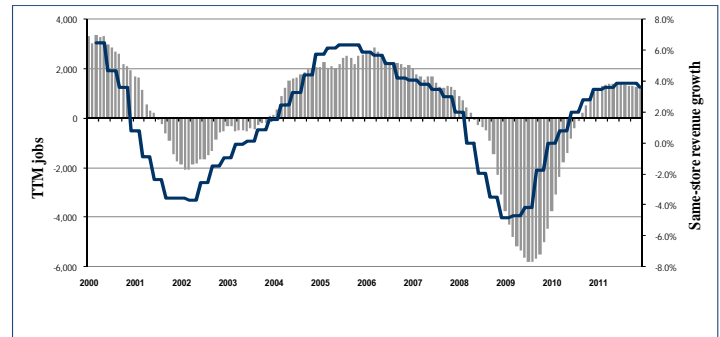
# Apartments

Themes to look for in '10 in the apartment REIT sector include: 1) job growth driving pricing power's return, 2) expense control, 3) cap rate compression, 4) stable Fannie/Freddie rates, and 5) more development starts than currently expected.

## 1. Job growth will drive a return of pricing power

- Due to the short duration leases and with jobs as a clear demand driver, the apartment REIT sector will see operational performance most strongly driven by job growth. As reflected in Chart 9, we have identified a 0.92 correlation between job growth and same-store revenue growth lagged 4 quarters. For same-store revenue growth to be positive in '11, we will have to see some pricing power in '10 as jobs return.

Chart 9: SS revenue (with 4Q lag) & TTM jobs



Source: Company reports, BLS, ISI estimates

- Unsure of the magnitude and location of job growth, we believe that apartment REITs with greater exposure to higher-barrier markets on the coasts, which have seen less supply delivered in recent years and should also see less new supply when development makes sense in an economic recovery, will deliver superior growth in '12 and '13. Therefore, we expect the strongest growth in '12 from AVB, BRE, and ESS (Tables 3 & 4).

Table 3: Same-store revenue growth

REIT	'00	'01	'02	'03	'04	'05	'06	'07	'08	1Q09	2Q09	3Q09	4Q09	'09	1Q10	2Q10	3Q10	4Q10	'10	'11	'12
AVB	8.9%	6.6%	-6.1%	-4.3%	-0.3%	3.6%	6.8%	5.5%	3.1%	-0.7%	-2.8%	-4.8%	-6.2%	-3.6%	-6.5%	-6.0%	-2.5%	-0.3%	-3.8%	2.9%	4.9%
BRE	7.0%	6.0%	-3.0%	-4.0%	0.2%	4.2%	6.2%	5.0%	3.4%	-0.6%	-3.8%	-5.6%	-7.0%	-4.3%	-7.0%	-5.0%	-3.0%	-1.0%	-4.0%	2.7%	4.7%
CPT	3.8%	3.7%	-2.6%	-1.3%	0.9%	4.0%	7.4%	4.1%	1.5%	-0.5%	-2.3%	-4.5%	-6.0%	-4.5%	-5.3%	-3.3%	-2.5%	0.5%	-2.6%	2.1%	3.3%
EQR	4.6%	3.8%	-2.6%	-2.3%	0.9%	3.9%	5.8%	4.3%	3.2%	-0.2%	-2.4%	-3.9%	-5.0%	-2.9%	-5.0%	-4.5%	-2.0%	0.0%	-2.9%	2.5%	4.2%
ESS	9.2%	5.2%	-5.3%	-1.9%	0.9%	4.1%	6.9%	6.5%	4.5%	2.0%	-1.8%	-4.7%	-8.5%	-3.3%	-8.0%	-7.0%	-2.0%	0.0%	-4.3%	2.9%	4.9%
HME	5.8%	6.2%	4.1%	3.0%	3.9%	2.8%	5.0%	4.0%	3.4%	1.6%	-0.2%	-0.2%	-2.3%	-0.1%	-1.0%	-1.5%	1.5%	2.0%	0.3%	2.5%	4.0%
UDR	4.2%	3.1%	-0.2%	N/A	0.5%	3.8%	6.0%	5.0%	3.6%	0.4%	-0.9%	-3.0%	-4.5%	-2.0%	-4.5%	-5.0%	-2.0%	-0.5%	-3.0%	2.6%	4.5%
Avg.	5.6%	4.0%	-2.4%	-2.2%	0.6%	4.0%	6.1%	4.7%	3.0%	-0.1%	-1.9%	-3.5%	-4.8%	-2.7%	-4.7%	-4.2%	-1.7%	0.0%	-2.7%	2.2%	3.7%

Source: Company reports, ISI estimates

Table 4: Same-store NOI growth

REIT	2000	'01	'02	'03	'04	'05	'06	'07	'08	1Q09	2Q09	3Q09	4Q09	'09	1Q10	2Q10	3Q10	4Q10	'10	'11	'12
AVB	10.7%	7.5%	-9.9%	-8.3%	-1.3%	4.2%	9.1%	7.2%	3.6%	-2.1%	-5.5%	-8.5%	-10.5%	-6.6%	-11.6%	-10.9%	-5.3%	-1.5%	-7.3%	2.8%	6.3%
BRE	9.0%	7.0%	-5.0%	-6.0%	-1.1%	5.2%	5.9%	6.5%	3.2%	-1.1%	-6.7%	-7.9%	-10.4%	-6.5%	-10.6%	-8.1%	-5.6%	-2.1%	-6.6%	2.6%	5.5%
CPT	5.3%	3.9%	-4.7%	-5.0%	-0.7%	3.5%	8.6%	5.1%	-0.4%	-3.8%	-7.7%	-7.0%	-9.9%	-6.9%	-9.3%	-7.5%	-5.1%	-0.9%	-5.7%	1.4%	3.7%
EQR	5.9%	3.8%	-4.6%	-7.0%	-0.9%	2.8%	7.0%	5.6%	3.8%	-2.0%	-3.4%	-5.8%	-8.2%	-4.9%	-6.9%	-8.4%	-5.1%	-2.4%	-5.7%	2.3%	5.1%
ESS	13.0%	5.4%	-8.3%	-4.1%	0.6%	4.6%	8.0%	7.9%	5.1%	2.7%	-2.6%	-8.0%	-12.9%	-5.6%	-12.6%	-11.0%	-4.4%	-1.8%	-7.6%	2.8%	6.1%
HME	7.6%	7.7%	3.6%	-1.1%	2.2%	1.7%	6.8%	5.0%	3.3%	0.8%	-1.4%	-0.5%	-2.9%	-0.7%	-1.9%	-3.0%	0.8%	1.3%	-0.7%	2.1%	4.3%
UDR	4.1%	2.3%	-0.8%	N/A	-1.2%	3.4%	8.6%	7.0%	3.8%	1.9%	-1.0%	-3.7%	-6.8%	-2.4%	-7.2%	-8.4%	-3.8%	-1.8%	-5.3%	2.4%	5.7%
Avg.	6.9%	4.1%	-4.4%	-6.1%	-1.2%	3.8%	7.6%	5.8%	3.2%	-1.0%	-3.6%	-5.5%	-7.8%	-4.5%	-7.5%	-7.5%	-4.0%	-1.5%	-5.1%	2.0%	4.6%

Source: Company reports, ISI estimates

## 2. Expenses remain under control

- We are modeling same-store expense growth of just 1.3% in '10, a figure that we felt more comfortable with following our conversations with executives at NAREIT. However, we wouldn't be surprised if companies guide to a range of 2.0% to 2.5% and then beat those forecasts during the course of the year.
- Among key expense items (Table 5), we are most concerned about real estate taxes.
- Over the longer-term, we do not believe that the expense control seen in '09 and expected in '10 is sustainable. In fact, between '00 and '09, annual expense growth has averaged 3.1%. Eventually, the apartment REITs will suffer an expense spike, perhaps as early as 2011.

**Table 5: Key apartment REIT expense line items**

Expense line item	% of apartment REIT operating expenses (ISI estimate)	Comments on '10 outlook
Real estate taxes	25%	This area has us most concerned given state and local budgetary issues
On-site payroll	25%	Should remain flattish but should employment market rebound, risk is to upside in '11
Utilities	15%	New 52-week low for natural gas prices bodes well for utility costs
Repairs & maintenance	15%	Was suppressed by below-avg. turnover in '09 but should rise in normalized rental market

Source: Company reports, ISI estimates

### 3. Cap rates will continue to compress

- Transaction activity remains scarce but we expect cap rates to continue to decline in '10 for three reasons:
  - a) All indications are that buyer demand remains strong. In fact, acquisition-minded apartment REIT executives we have spoken with recently have expressed frustration with the competition from non-traded REITs and private investors eager to deploy capital. Three apartment REITs under our coverage (AVB, CPT, and UDR) have more than \$2bn of spending power in their joint ventures.
  - b) NOI visibility will improve as several quarters of declines in '10 are recorded.
  - c) Buyers are underwriting rent spikes in '11-'13 driven by job growth and limited new supply.

### 4. Fannie/Freddie rates should stay stable

- The expected cap rate compression described above assumes that availability and pricing in the secured and unsecured debt markets remains steady or continues to improve.
- Regarding Fannie and Freddie, which represent about 90% of the new multifamily mortgage market, recent conversations with industry participants leave us comfortable that rates in the 5.5%-6.0% range are sustainable through '10 for two reasons:
  - a) Currently ~200bp, spreads are still well above their long-term average of 100bp. Therefore, if the 10-year rises to ISI's YE10 forecast of 4.0%, spread compression could offset the movement.
  - b) One industry participant we spoke with believes that the unsecured market acts as a ceiling to the multifamily MBS market so even if the Fed discontinues its MBS purchase program (accounts for 50% of multifamily MBS today, according to one industry contact) other yield-hungry buyers should step to provide buying support at or below where the unsecured market is. For example, EQR believes it could issue 10-year money today at 5.9%.

### 5. Development starts could surprise to the upside

- The aforementioned cap rate compression will result in lower targeted development yields as most companies appear interested in maintaining the ~150bp spread between developments and acquisitions. With targeted development yields back down to the 7.0% to 7.5% range, construction costs still suppressed, and rent growth visibility improving, the apartment REITs will find that increasing number of potential projects pencil.
- With construction financing still relatively difficult to obtain and most merchant developers over-levered, the apartment REITs will have an opportunity to take development market share.
- Finally, developers want to capture the aforementioned expected rent spike in '11-'13 at a time when few other projects are being delivered.

## Storage

The top two themes to look for from Public Storage (PSA) in '10:

### 1. Cap rates on acquisitions will be lower than expected

Our recent conversations with industry participants cause us to believe that cap rates on acquisitions that PSA may make in '10 will be lower than the 8%-10% range that the company has provided for discussion purposes. Still, using \$671mn of cash (on balance sheet as of September 30<sup>th</sup>) that is presumably earning 1% today and redeploying into acquisitions at 7% cap rates would still be accretive by about \$0.24 annually.

### 2. Pricing power should continue to improve

An improving economic environment and continued low levels of new supply should allow PSA to continue to raise rent rates on new move-ins, which are down 10% YoY. We are currently modeling same-store revenue, expense, and NOI growth of -2.5%, +2.7%, and -5.2%.

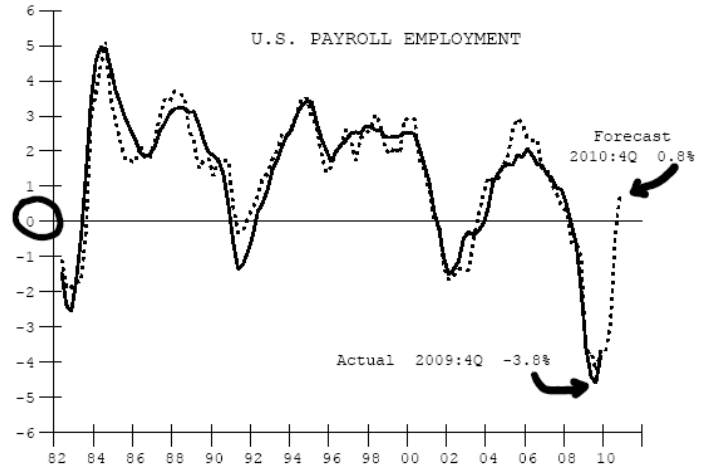
## Office: Benign jobs forecast unlikely to improve fundamentals

Office fundamentals will not rebound until there is sufficient job growth to reduce the unemployment rate and eat into the high availability rate across the country. US vacancy increased to 14.5%, up 40bp sequentially and 190bp Y/Y, and we expect to see vacancy rates rise nationally to 15.6% by YE10 due to the lagging nature of office leasing (for some historical perspective, vacancy did not peak in the last cycle until late 2003, well into the economic recovery).

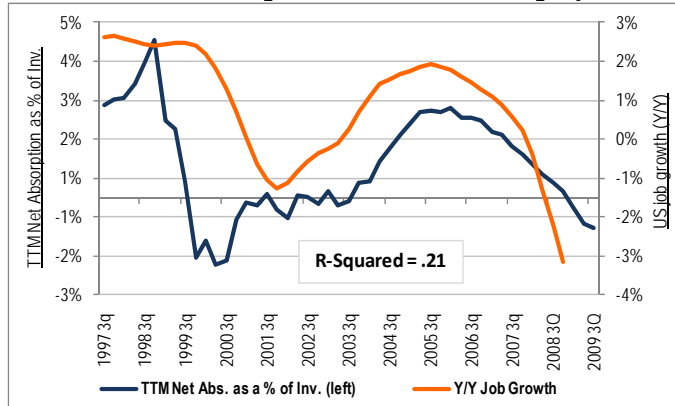
Unfortunately, ISI economists expect just 0.8% job growth in 2010, which will not lower the unemployment rate from the mid-10% range in 2010.

As chart 10 below illustrates, net absorption is highly dependant on employment growth.

Interestingly, there may be a higher correlation between net absorption and corporate profitability, which ISI's economists expect to be the driving force in this recovery. Their models indicate that corporate profits could rise 40% Y/Y in 2Q 2010, which would be a positive for the office net absorption outlook in 2011.

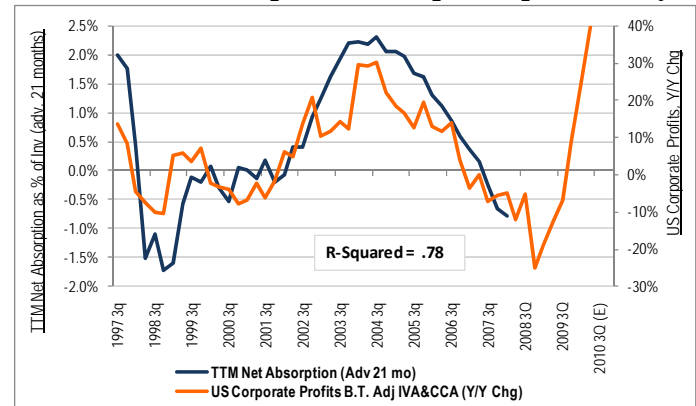


**Chart 10: Net Absorption vs. National Employment  $\Delta$**



Source: BLS, CoStar, Data Insight, ISI Real Estate Research

**Chart 11: Net Absorption vs. Corporate profitability**



Source: BLS, CoStar, Data Insight, ISI Real Estate Research

## We continue to favor NYC and niche office as questions remain on job growth in 2010

We are maintaining our Buy ratings on BXP, SLG, DLR, and OFC, as we believe these portfolios are best positioned in an environment with below average job growth. First, we believe New York City is the second strongest office market in the US (behind Washington, D.C.). Wall Street profits have returned, helping reduce the negative impact many expected from the collapse of Bear, Lehman, Merrill, AIG, etc. Much of the feared sublease space placed on the market in early '09 by the banks has been removed, alleviating the downward pressure on rental rates (which we believe have stabilized on a net effective basis.)

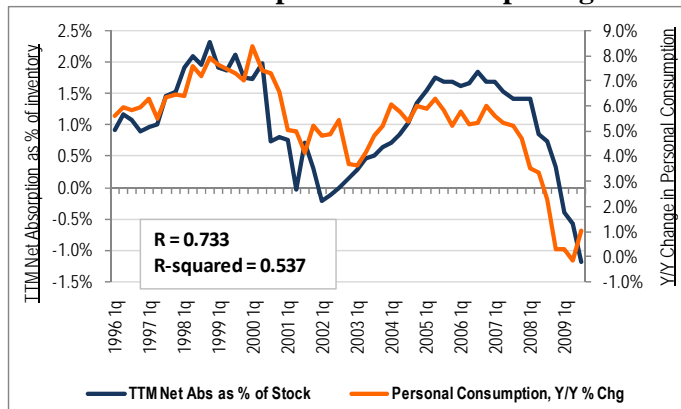
In addition, we continue to like the demand drivers for DLR (data center growth and modernization) and OFC (government and defense tenant related space needs), which we believe will continue apace even if employment growth is underwhelming in 2010.

## Industrial: Three key developments to watch in 2010

### 1) A recovery in consumer spending and signs of an inventory re-stock necessary for demand

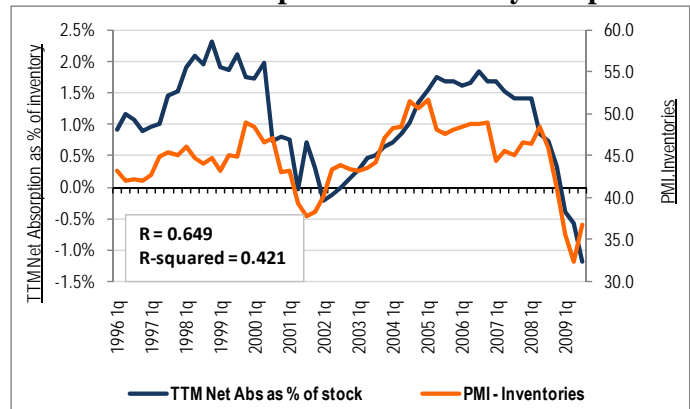
We believe two of the more important macro-economic variables to watch for industrial real estate demand are consumer spending and inventories. Both of these variables fell sharply in late '08/early '09, but both have seen nice recoveries at the end of '09. ISI's Economists recently raised their consumer spending forecast to +1.3% in 1Q 2010 from +0.5% along with a lower expected rise in the personal savings rate. The economics team also expects a continued economic recovery in 2010, which bodes well for inventory restocking as domestic demand picks up.

Chart 12: Net Absorption vs. Consumption growth



Source: CoStar, Data Insight, ISI Real Estate Research

Chart 13: Net Absorption vs. Inventory comp. of PMI



Source: CoStar, Data Insight, ISI Real Estate Research

### 2) Pace of land monetization a key factor to watch for '10/'11 FFO

In order to offset the earnings drag from higher interest rates on maturing debt, the industrial REITs have discussed "monetizing" their sizable land banks by developing on their land or selling land outright. We expect the companies to ramp up their respective development pipelines in 2010. In addition, we have AMB selling \$50mn of land per annum, and PLD selling \$100mn of land in 2010 and 2010 to fund development and debt pay-downs.

AMB Development Deliveries			
	SF	TEI (\$mn)	Land Contrib. (mn)
2011	3,000,000	\$300	\$90,000
2012	4,000,000	\$400	\$120,000
2013	5,000,000	\$500	\$75,000
2014	6,000,000	\$600	\$90,000
2015	6,000,000	\$600	\$90,000
<b>Totals</b>	<b>24,000,000</b>	<b>\$2,400</b>	<b>\$465,000</b>

Source: BLS, CoStar, Data Insight, ISI Real Estate Research

PLD Development Deliveries			
	SF	TEI (\$mn)	Land Contrib. (mn)
2011	6,000,000	\$750	\$262,500
2012	8,000,000	\$1,000	\$350,000
2013	10,000,000	\$1,250	\$187,500
2014	12,000,000	\$1,500	\$225,000
2015	12,000,000	\$1,500	\$225,000
<b>Totals</b>	<b>48,000,000</b>	<b>\$6,000</b>	<b>\$1,250,000</b>

Source: BLS, CoStar, Data Insight, ISI Real Estate Research

### 3) Can AMB+PLD lease their development pipelines faster than we expect?

A significant driver of FFO growth for the Industrial REITs is the lease up of their completed, but not yet stabilized development portfolio. As we illustrate below, the earnings accretion is significant, representing a 23% increase for AMB above their current run rate and a 52% increase for PLD (based on our current estimates). We assume AMB stabilizes its portfolio by YE10 with PLD taking a few more quarters to stabilize its assets. **Clearly, if the companies lease their space at a faster pace than expected there is upside to our 2010 FFO/AFFO estimates and DCF values.**

ISI Estimated impact from lease-up of under-leased development pipeline						
Company	Size of Pipeline	NOI not in run rate	Period when Fully Stab.	FFO/sh Impact	4Q09 Annual FFO Run Rate	% Benefit from lease up
AMB	\$1,112,263	\$9,754	4Q 2010	\$0.26	\$1.12	23%
PLD	\$4,356,688	\$44,990	3Q 2011	\$0.39	\$0.76	52%

Source: Company reports, ISI Real Estate Research

## Retail: The jury is still out on the retail recovery

### 1) Dramatic improvement in fundamentals will not be the big story for the sector in '10

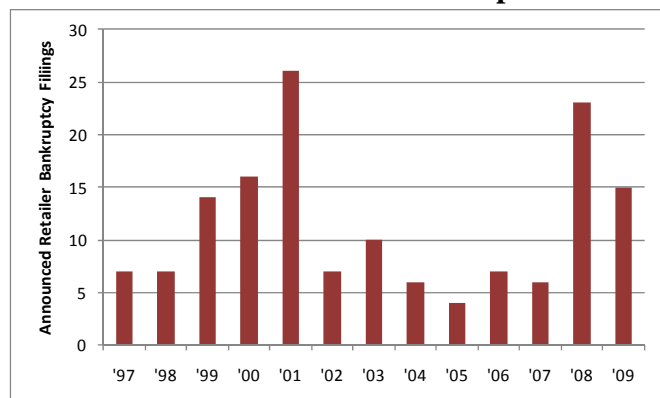
There are a number of key themes which will take center stage for the retail REIT sector in 2010. One of the most common questions we field from investors relates to the health of the US consumer, and subsequent outlook for retail fundamentals. While some real estate sectors have been public about the relative bottoming of fundamentals, the jury is still out on retail. Sure the US consumer has benefited from a rebound in the stock market, while job losses are abating. However, consumer confidence continues to hover near historic lows, while personal balance sheets continue to be repaired. In fact, we were surprised just how soft retail sales came in during November, signaling that the US consumer remains cautious when it comes to discretionary spending.

### 2) NOIs will remain negative in '10—big question is which direction do bankruptcies head

For 2010, we have taken a slightly more conservative view of the US consumer and retail fundamentals for that matter, modeling in  $-1.7\%$  same-store NOI growth rate for the shopping center REITs and  $-1.6\%$  for mall REITs (compared to  $-2.2\%$  and  $-0.6\%$ , respectively generated in 2009). However, we expect the management teams to be aggressive cost cutters in '10 to partly offset what is expected to be soft retailer demand.

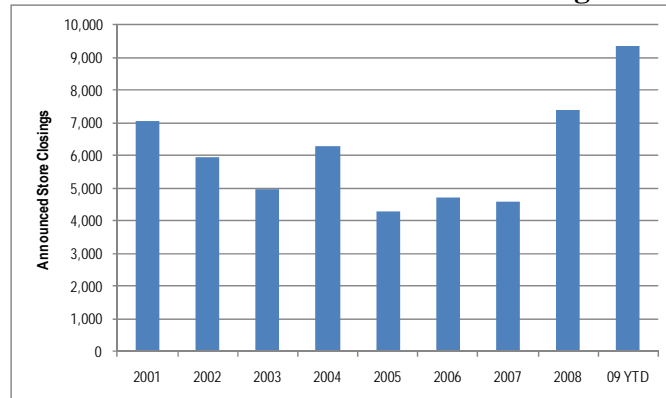
One potential curve ball for the sector which could further pressure '10/'11 fundamentals is the possibility for a spike in bankruptcy filings which have been relatively light in 2009 as retailers played defense by drastically cutting costs to stay alive. That's not to say that retail landlords escaped without a few bumps and bruises during the year, as store closings topped even the record pace experienced in 2001 (Chart 15).

**Chart 14: Announced retail bankruptcies**



Source: Bankruptcydata.com

**Chart 15: Announced retailer store closings**



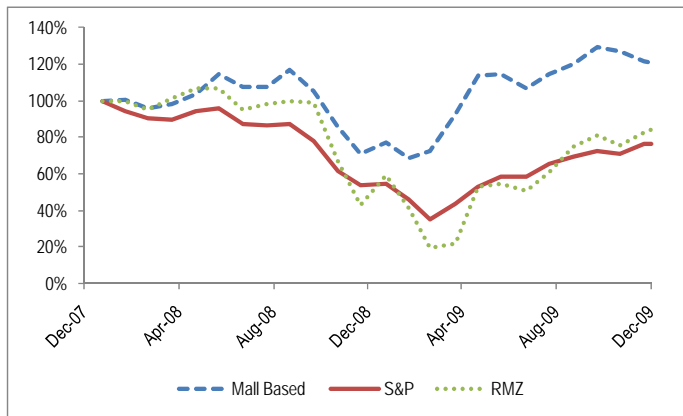
Source: Company reports, ICSC and About.com

**3) Good news is things unlikely to get much worse from here.** Despite this potential overhang, we are not expecting a material spike in retailer bankruptcy filings in 2010 especially if ISI's forecast for economic growth is on target, and the US economy posts 4% GDP growth for the year. In addition, many retailers have made material improvements to their balance sheets while retail stocks have outperformed the S&P (and RMZ) since the start of the year, a further indication that bankruptcy filings are likely to remain muted in at least through the first half of 2010. In addition, we have witnessed material improvements in ISI's proprietary retailer surveys which have posted solid gains since the start of the year.

If, however, the pickup in job growth is less than expected (ISI is targeting 1mn job added in '10), and consumers further retrench (may not come as a major surprise as consumer confidence according to the University of Michigan Index continues to hover at levels experienced during the nations last sever recession, 1991), some of the weaker retailers may be forced into bankruptcy—and we would expect the strip shopping

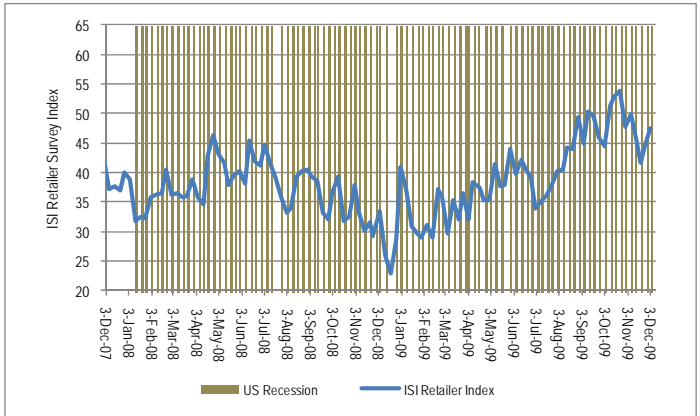
center sector to continue to feel the brunt of the downside risk as many local retailers do not have the balance sheets to withstand a second leg down in the economy.

**Chart 16: Retailer stocks have outperformed**



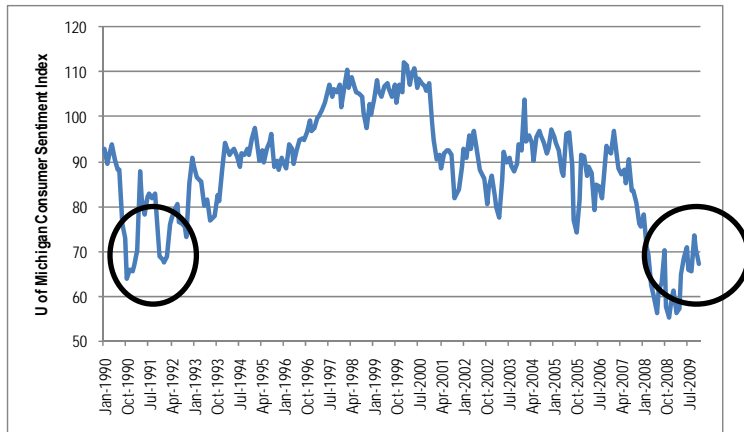
Source: Reuters

**Chart 17: While ISI's retailer survey has improved**



Source: ISI Group

**Chart 18: Although consumer confidence remains weak**



Source: DataInsight and ISI Group

Consumer confidence as measured by the University of Michigan Sentiment Index hovers around the lows experienced during the last sever recession—1991

**Table 6: NOI growth expected to remain largely negative in '10, with improvements expected in 2011**

	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	'10E	'11E
<b>Strip REITs</b>													
EQY	3.4%	4.6%	4.1%	1.4%	1.3%	-2.9%	0.0%	-1.7%	-2.7%	-3.2%	-4.5%	-3.5%	1.0%
FRT	4.1%	3.7%	3.7%	4.2%	3.1%	4.1%	4.8%	1.7%	-2.1%	-1.4%	2.6%	0.5%	2.0%
KIM	4.0%	4.0%	4.2%	4.1%	3.3%	2.4%	2.6%	1.3%	-0.5%	-1.8%	-3.6%	-3.5%	2.0%
REG	2.0%	4.5%	2.3%	3.3%	3.1%	2.2%	2.3%	3.0%	-2.0%	-10.6%	-8.1%	-3.0%	0.0%
SKT	3.0%	2.3%	6.2%	5.3%	5.7%	3.9%	4.7%	4.1%	2.4%	1.8%	0.3%	1.5%	2.0%
<b>Mall REITs</b>													
MAC	1.7%	4.0%	2.2%	1.4%	2.4%	3.6%	2.6%	-2.4%	0.0%	-1.0%	-1.6%	-1.0%	2.0%
SPG	3.7%	2.7%	6.5%	6.5%	4.7%	4.1%	2.8%	1.8%	3.4%	3.1%	1.2%	-1.0%	2.5%
TCO	4.5%	6.4%	9.8%	1.7%	6.9%	3.3%	5.7%	4.0%	0.2%	-3.8%	-7.1%	-2.5%	2.5%

Source: Company reports and ISI Real Estate Research

Retail fundamentals will like remain soft in '10 as the consumer drags its heels to the mall—although a robust recovery could be in store for 2011

#### 4) Retail REITs will have their fingers on the trigger—scouring the market for acquisitions

With a relative dearth of transactions over the prior two years, 2010 (and certainly 2011) could be the year(s) when we witness a pick-up in acquisition volumes for the retail REIT sector—with all eyes currently on the potential take-out of General Growth Properties (\$xxbn enterprise value) with the company expected to emerge from bankruptcy in the very near term. In spite of SPG's recently announced agreement to acquire the Prime Outlet portfolio for \$2.3bn, the company remains an active pursuer of GGP (with more than \$xxbn of cash and availability on its LOC), in addition to Brookfield Asset Management which has also publically stated its interest in the retail giant.

While most other sectors sat idle on the sidelines in 2009, retail REITs were active buyers this year, taking down nearly \$4bn of real estate in just the last six weeks. Additional acquisitions in '10 could be the next leg up on '10 and '11 earnings estimates as we currently have minimal, if any, external growth modeled into our forecasts. One example of the potential upside is SPG's recent deal to buy the Prime Retail portfolio which added 7% to our '10 FFO estimate.

**Table 7: Retail REIT acquisition activity in 2009**

REIT	Date	Asset Bought	Price	Est. Cap Rate	\$ Stock Issued post Announcement	Debt/ EBITDA	Cash and LOC Available	Implied Cap Rate of Stock
KIM	11/4/2009	PL Retail portf.	\$825,000	7.6%	\$345,000	7.5x	\$2,100,000	8.6%
REG	11/11/2009	MCW portfolio	\$259,500	9.1%	\$272,000	6.2x	\$821,000	8.4%
SPG	12/8/2009	Prime portfolio	\$2,325,000	8.0%	\$0	6.3x	\$7,100,000	6.7%
EQY	10/29/2009	Westbury Plaza	\$103,700	8.0%	\$0	6.2x	\$244,000	7.7%
EQY	11/16/2009	Land (Westbury)	\$25,000	0.0%	\$0	6.2x	\$244,000	7.7%
<b>Total/Wtd. Average:</b>			<b>\$3,538,200</b>	<b>8.0%</b>	<b>\$617,000</b>			

Source: Company reports and ISI Real Estate Research

#### Companies we believe best positioned to take advantage of potential acquisitions include:

- 1) **SPG:** In spite of SPG's recent acquisition of Prime Outlets, the company continues to sit on \$3.5bn of cash with an additional \$3bn available on its line of credit. Discounting any potential benefit from margin improvements or the opportunity to better manage GGP's portfolio as tenants likely used their leverage to negotiate more favorable leases when the company was in bankruptcy, we estimate that a deal will be earnings accretive to SPG up to an offer price of \$15/share.
- 2) **FRT:** Federal is likely the next most acquisitive REIT in 2010 given their strong balance sheet. FRT currently has \$186mn of cash and \$300mn of availability on its LOC to help fund deals. In addition, FRT has strong currency with the stock trading at an implied 6.5% cap rate, and would likely fund any major acquisition with an equity offering. Consistent with their long standing history, we expect FRT to source off-market deals in their core markets with a redevelopment angle on each of their deals.
- 3) **EQY:** EQY is a bit of a wild-card, as the company has just \$240mn of cash and line availability. In 2009, the company has already taken down over \$125mn of deals, although we would expect that the company would like to increase their footprint in the NYC/tri-State area over the next 12-18 months. In addition, EQY, who has been working with special servicers as a way to source future deals, was recently appointed as the receiver for a distressed retail asset in Florida which could serve as a pipeline of future deals.

### 5) Weaker than expected development yields could pressure '10/'11 FFO estimates

While new development has come to a screeching halt, the sector does have on-going projects which are expected to be delivered over the next 12-18 months. Based on our models, the group has over \$1.5bn of retail projects expected to come on line through 2010. We have tried to be conservative in our initial yield assumptions which average 7%. This compares to the 9.5% to 12% yields assumed during the cycle peak (2007).

REIT	'09/'10 Dvlpt Deliv.	Initial Yield
MAC	\$495,000	7.0%
SPG	\$409,000	7.0%
KIM	\$307,000	8.0%
REG	\$275,000	5.5%
FRT	\$92,000	9.0%
SKT	\$61,500	8.5%
<b>Ttl/Avg.:</b>	<b>\$1,639,500</b>	<b>7.1%</b>

**Table 8: 2009 YTD Total Returns**

	Ticker	11-Dec	31-Dec	Wk Return	vs. Sector	vs. RMS index
American Campus	ACC	\$27.22	\$20.48	40.8%	19.7%	17.0%
AvalonBay Comm.	AVB	\$76.74	\$60.58	33.0%	11.9%	9.2%
BRE Properties	BRE	\$31.21	\$27.98	20.2%	-0.9%	-3.6%
Camden Prop Trust	CPT	\$37.81	\$31.34	27.9%	6.8%	4.1%
Equity Residential	EQR	\$32.12	\$29.82	13.7%	-7.4%	-10.1%
Essex Property	ESS	\$83.30	\$76.75	13.7%	-7.3%	-10.1%
Home Properties	HME	\$44.56	\$40.60	18.8%	-2.3%	-5.1%
UDR, Inc.	UDR	\$15.08	\$13.79	17.0%	-4.1%	-6.8%
<b>Apartment REITs</b>				<b>21.1%</b>		<b>-2.7%</b>
Equity One	EQY	\$16.16	\$17.70	-1.3%	11.8%	-25.1%
Federal Realty	FRT	\$65.53	\$62.08	9.6%	22.7%	-14.2%
Kimco Realty	KIM	\$12.50	\$18.28	-26.8%	-13.7%	-50.6%
Regency Center	REG	\$34.04	\$46.70	-22.1%	-9.0%	-45.9%
Tanger Factory Outlet	SKT	\$38.49	\$37.62	6.9%	20.0%	-16.9%
<b>Shopping Center REITs</b>				<b>-13.1%</b>		<b>-36.9%</b>
Macerich	MAC	\$31.21	\$17.35	94.6%	39.3%	70.8%
Simon Property	SPG	\$76.75	\$51.06	51.5%	-3.8%	27.7%
Taubman Centers	TCO	\$35.40	\$25.46	48.1%	-7.3%	24.2%
<b>Regional Mall REITs</b>				<b>55.3%</b>		<b>31.5%</b>
Alexandria	ARE	\$58.14	\$60.34	0.2%	-35.0%	-23.6%
Boston Properties	BXP	\$67.80	\$55.00	28.0%	-7.2%	4.2%
Brookfield Prop	BPO	\$11.72	\$7.73	62.5%	27.3%	38.7%
Corporate Office	OFC	\$36.47	\$30.70	23.4%	-11.8%	-0.4%
Digital Realty	DLR	\$48.20	\$32.85	52.2%	17.0%	28.4%
Douglas Emmett	DEI	\$13.57	\$13.06	7.3%	-27.9%	-16.5%
Kilroy Realty	KRC	\$30.55	\$33.46	-2.8%	-38.0%	-26.6%
Mack-Cali Realty	CLI	\$34.00	\$24.50	51.2%	15.9%	27.3%
SL Green	SLG	\$48.80	\$25.90	95.5%	60.3%	71.7%
Vornado	VNO	\$69.66	\$58.08	23.3%	-11.9%	-0.5%
<b>Office REITs</b>				<b>35.2%</b>		<b>11.4%</b>
AMB Property Corp	AMB	\$24.82	\$23.42	10.9%	1.2%	-12.9%
ProLogis	PLD	\$13.90	\$13.89	9.0%	-0.6%	-14.8%
<b>Industrial REITs</b>				<b>9.7%</b>		<b>-14.1%</b>
Public Storage	PSA	\$77.70	\$79.50	1.0%	0.0%	-22.8%
<b>Self-Storage REITs</b>				<b>1.0%</b>		<b>-22.8%</b>
<b>US REITs</b>		<b>RMS g</b>	<b>\$749.30</b>	<b>\$605.17</b>	<b>23.8%</b>	<b>0.0%</b>
<b>Key US Indices</b>						
S&P 500	SPX	\$1,106.41	\$903.25	22.5%		
XLF Index	XLF	\$14.39	\$12.52	14.9%		
Nasdaq	COMP	\$3,584.52	\$3,086.07	16.2%		
Small Cap Stocks	RUT	\$600.37	\$499.45	20.2%		

Source: Bloomberg, ISI Real Estate Research

**Table 9: Summary Valuation Metrics For ISI's Coverage Universe**

ISI REIT Valuation Summary Sheet																									
Company Name	Ticker	Rating	Risk Rating	Stock Price	Price Target	ISI FTM Div. Yld	ISI FTM AFFO Payout	FFO Mult '10E	FFO Mult '11E	Y/Y FFO Gr '10E	Y/Y FFO Gr '11E	AFFO Mult '10E	AFFO Mult '11E	Curr NAV	Fwd NAV	NAV Ratios Curr	NAV Ratios Fwd	Impl Cap	Value \$/Unit	DCF Est.	Price to DCF	Mkt Cap (\$bn)	Debt/ TMC	Debt/Adj EBITDA	Fixed Charge
American Campus	ACC	Buy	Medium	\$27.22	\$29.00	5.0%	75%	17.6x	16.5x	9%	7%	20.2x	18.7x	\$28.04	\$28.00	97%	97%	6.4%	\$43,063	\$31.38	87%	\$1.2	48%	8.8x	1.9x
AvalonBay Comm.	AVB	Buy	Medium	\$76.74	\$84.00	4.7%	101%	19.6x	19.9x	1%	-2%	21.4x	21.8x	\$78.77	\$76.71	97%	100%	5.9%	\$169,062	\$93.78	82%	\$6.3	38%	6.5x	3.1x
BRE Properties	BRE	Buy	Medium	\$31.21	\$34.00	4.8%	99%	15.9x	15.8x	-21%	1%	20.5x	20.5x	\$34.74	\$33.37	90%	94%	6.4%	\$170,160	\$33.78	92%	\$1.7	54%	8.8x	2.3x
Camden Prop Trust	CPT	Hold	Medium	\$37.81	\$36.00	4.8%	77%	13.9x	13.6x	-9%	2%	17.0x	16.4x	\$33.17	\$33.47	114%	113%	6.4%	\$95,023	\$31.13	121%	\$2.6	52%	8.4x	2.4x
Equity Residential	EQR	Hold	Medium	\$32.12	\$32.00	4.2%	92%	17.4x	16.9x	-18%	3%	22.9x	22.3x	\$32.18	\$30.92	100%	104%	6.4%	\$134,986	\$33.87	95%	\$9.3	49%	7.5x	2.2x
Essex Property	ESS	Buy	Medium	\$83.30	\$88.00	4.9%	107%	18.0x	17.5x	-27%	3%	22.5x	22.1x	\$84.49	\$83.70	99%	100%	6.0%	\$155,841	\$85.75	97%	\$2.6	43%	9.4x	2.1x
Home Properties	HME	Sell	Medium	\$44.56	\$39.00	6.0%	131%	15.1x	14.8x	-9%	2%	23.2x	22.7x	\$44.47	\$42.74	100%	104%	7.1%	\$115,992	\$34.87	128%	\$2.0	54%	8.2x	2.2x
UDR, Inc.	UDR	Hold	Medium	\$15.08	\$15.00	4.8%	94%	14.4x	14.3x	-8%	0%	20.1x	20.7x	\$15.75	\$15.01	96%	100%	6.6%	\$117,858	\$13.70	110%	\$2.5	58%	8.7x	2.0x
<b>Apartment Avg</b>						<b>4.7%</b>	<b>97%</b>	<b>17.1x</b>	<b>16.9x</b>	<b>-11%</b>	<b>2%</b>	<b>21.5x</b>	<b>21.2x</b>			<b>99%</b>	<b>102%</b>	<b>6.3%</b>			<b>98%</b>		<b>48%</b>	<b>7.8x</b>	<b>2.4x</b>
Equity One	EQY	Hold	Medium	\$16.16	\$16.00	5.4%	82%	14.5x	13.5x	-34%	8%	18.1x	16.5x	\$15.27	\$15.34	106%	105%	7.7%	\$143	\$16.32	99%	\$1.4	44%	6.2x	2.4x
Federal Realty	FRT	Hold	Low	\$65.53	\$68.00	4.0%	84%	17.0x	15.8x	3%	7%	20.2x	18.7x	\$60.88	\$63.99	108%	102%	6.4%	\$284	\$70.17	93%	\$4.0	29%	4.6x	2.9x
Kimco Realty	KIM	Hold	High	\$12.50	\$13.00	4.3%	61%	11.3x	10.8x	-18%	5%	14.6x	13.7x	\$13.53	\$13.80	92%	91%	8.5%	\$139	\$13.05	96%	\$5.0	58%	7.5x	2.1x
Regency Center	REG	Hold	Medium	\$34.04	\$35.00	6.2%	101%	15.2x	14.2x	-14%	7%	17.9x	16.4x	\$36.58	\$33.09	93%	103%	8.3%	\$157	\$35.87	95%	\$2.7	50%	6.2x	2.4x
Tanger Factory Outlet	SKT	Hold	Medium	\$38.49	\$39.00	4.1%	69%	13.9x	13.5x	4%	3%	16.7x	16.3x	\$39.53	\$41.60	97%	93%	7.2%	\$284	\$37.74	102%	\$1.8	30%	4.1x	4.2x
<b>Strip Center Avg</b>						<b>4.7%</b>	<b>78%</b>	<b>14.2x</b>	<b>13.4x</b>	<b>-10%</b>	<b>6%</b>	<b>17.3x</b>	<b>16.1x</b>			<b>98%</b>	<b>98%</b>	<b>7.7%</b>			<b>96%</b>		<b>44%</b>	<b>6.0x</b>	<b>2.6x</b>
Macerich	MAC	Buy	High	\$31.21	\$35.00	0.8%	9%	10.3x	9.8x	-24%	5%	12.4x	11.7x	\$39.52	\$36.35	79%	86%	8.3%	\$408	\$33.16	94%	\$3.3	66%	8.2x	2.0x
Simon Property	SPG	Hold	Low	\$76.75	\$78.00	2.9%	49%	12.9x	11.6x	9%	11%	16.6x	14.7x	\$67.81	\$67.07	113%	114%	6.6%	\$396	\$85.17	90%	\$26.8	44%	6.3x	2.4x
Taubman Centers	TCO	Sell	Low	\$35.40	\$34.00	4.7%	82%	13.3x	13.1x	-8%	2%	17.8x	17.4x	\$33.09	\$32.47	107%	109%	7.0%	\$703	\$34.50	103%	\$2.8	52%	7.3x	2.4x
<b>Regional Mall Avg</b>						<b>2.8%</b>	<b>48%</b>	<b>12.7x</b>	<b>11.5x</b>	<b>4%</b>	<b>10%</b>	<b>16.3x</b>	<b>14.6x</b>			<b>109%</b>	<b>111%</b>	<b>6.8%</b>			<b>92%</b>		<b>47%</b>	<b>6.6x</b>	<b>2.3x</b>
Boston Properties	BXP	Buy	Medium	\$67.80	\$71.00	2.9%	78%	16.2x	15.3x	-10%	6%	27.9x	22.7x	\$73.54	\$74.12	92%	91%	6.3%	\$526	\$62.21	109%	\$10.9	38%	5.5x	2.8x
Brookfield Prop	BPO	Hold	High	\$11.72	\$12.50	4.8%	71%	10.1x	9.8x	-14%	3%	15.9x	15.4x	\$14.87	\$14.96	79%	78%	8.0%	\$268	\$11.75	100%	\$6.1	60%	7.1x	2.3x
Corporate Office	OFC	Buy	Medium	\$36.47	\$39.00	4.3%	88%	14.5x	12.9x	1%	12%	19.3x	17.1x	\$37.18	\$37.78	98%	97%	7.1%	\$194	\$43.81	83%	\$2.3	47%	6.9x	2.5x
Digital Realty	DLR	Buy	Medium	\$48.20	\$54.00	3.7%	78%	14.8x	12.9x	13%	14%	19.8x	16.3x	\$50.50	\$52.10	95%	93%	7.1%	\$463	\$56.02	86%	\$4.8	31%	5.8x	2.8x
Douglas Emmett	DEI	Hold	High	\$13.57	\$13.50	2.9%	45%	10.8x	10.3x	-2%	6%	15.1x	14.0x	\$13.20	\$13.73	103%	99%	6.6%	\$338	\$14.30	95%	\$2.1	61%	9.2x	2.0x
Kilroy Realty	KRC	Sell	Medium	\$30.55	\$28.00	4.6%	114%	13.5x	12.7x	-13%	7%	21.4x	19.6x	\$31.08	\$30.93	98%	99%	7.3%	\$259	\$27.24	112%	\$1.4	46%	7.0x	2.9x
Mack-Cali Realty	CLI	Hold	Medium	\$34.00	\$34.00	5.3%	82%	11.5x	11.2x	-10%	2%	15.4x	15.0x	\$34.10	\$34.50	100%	99%	8.6%	\$166	\$37.95	90%	\$3.1	40%	4.8x	3.0x
SL Green	SLG	Buy	High	\$48.80	\$50.00	0.8%	18%	11.9x	11.9x	-7%	0%	24.4x	23.5x	\$59.03	\$60.41	83%	81%	6.9%	\$469	\$38.50	127%	\$3.9	62%	7.7x	2.3x
Vornado	VNO	Hold	Medium	\$69.66	\$66.00	3.3%	77%	14.5x	13.9x	8%	4%	22.4x	21.0x	\$64.92	\$65.63	107%	106%	6.4%	\$407	\$72.55	96%	\$14.0	49%	4.4x	4.4x
<b>Office Avg</b>						<b>3.5%</b>	<b>72%</b>	<b>13.8x</b>	<b>13.0x</b>	<b>-2%</b>	<b>6%</b>	<b>21.8x</b>	<b>19.5x</b>			<b>96%</b>	<b>95%</b>	<b>6.9%</b>			<b>100%</b>		<b>47%</b>	<b>5.8x</b>	<b>3.1x</b>
AMB Property Corp	AMB	Hold	Medium	\$24.82	\$25.00	4.5%	148%	18.7x	15.9x	-35%	18%	30.1x	24.0x	\$26.36	\$26.17	94%	95%	7.5%	\$78	\$24.96	99%	\$3.7	49%	8.3x	2.6x
ProLogis	PLD	Hold	High	\$13.90	\$13.50	4.3%	96%	17.7x	15.0x	-45%	19%	21.8x	18.5x	\$12.65	\$12.69	110%	110%	7.4%	\$65	\$13.50	103%	\$6.6	62%	9.5x	2.0x
<b>Industrial Avg</b>						<b>4.4%</b>	<b>115%</b>	<b>18.1x</b>	<b>15.3x</b>	<b>-42%</b>	<b>18%</b>	<b>24.8x</b>	<b>20.4x</b>			<b>104%</b>	<b>104%</b>	<b>7.4%</b>			<b>102%</b>		<b>57%</b>	<b>9.1x</b>	<b>2.2x</b>
Public Storage	PSA	Hold	Low	\$77.70	\$80.00	2.9%	53%	16.4x	15.9x	-15%	3%	18.1x	17.6x	\$69.65	\$71.83	112%	108%	6.6%	\$106	\$90.84	86%	\$13.1	20%	2.9x	4.2x
<b>Self-Storage Avg</b>						<b>2.9%</b>	<b>53%</b>	<b>16.4x</b>	<b>15.9x</b>	<b>-15%</b>	<b>3%</b>	<b>18.1x</b>	<b>17.6x</b>			<b>112%</b>	<b>108%</b>	<b>6.6%</b>			<b>86%</b>		<b>20%</b>	<b>2.9x</b>	<b>4.2x</b>
<b>Total Sector Average</b>						<b>3.7%</b>	<b>73%</b>	<b>14.7x</b>	<b>13.9x</b>	<b>-7%</b>	<b>6%</b>	<b>19.9x</b>	<b>18.4x</b>			<b>102%</b>	<b>102%</b>	<b>6.9%</b>			<b>96%</b>	<b>\$148.1</b>	<b>45%</b>	<b>6.3x</b>	<b>2.8x</b>

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Hold Low Risk ETR 0% to +10%	Hold Medium Risk ETR -5% to +15%	Hold High Risk ETR -10% to +20%
Sell Low Risk ETR <0%	Sell Medium Risk ETR <-5%	Sell High Risk ETR <-10%

**RISK RATING:**

30% based on stock price volatility, 30% on EPS volatility, 30% on debt rating & 10% on mkt cap