Presented By:
Doug Herzbrun
Managing Director
January 26, 2000
U.S. Real Estate Capital Markets Overview
INVESTABLE UNIVERSE

$1.1 TRILLION
INVESTABLE UNIVERSE

INVESTABLE INVENTORY

12.3 Billion Square Feet

source: Torto Wheaton Research; CB Richard Ellis Investors

VALUE PER SQ. FT.

$87.00 Per Square Foot

source: CB Richard Ellis National Real Estate Index

\[ \text{Value} = 12.3 \text{ Billion Square Feet} \times $87.00 \text{ Per Square Foot} \]

\[ = $1,066,700,000,000,000 \]
INVESTABLE UNIVERSE CRITERIA

• **TWR MARKETS - “INSTITUTIONAL”**

  • **OFFICE**
    - SIZE: 50,000 SF+
    - AGE: Built or Renovated since 1968

  • **INDUSTRIAL**
    - SIZE: 50,000 SF+
    - AGE: Built Since 1968

  • **RETAIL**
    - SIZE: 30,000 SF+
    - AGE: None (Shopping Centers)

  • **APARTMENTS**
    - SIZE: None
    - AGE: Built Since 1977
INVESTABLE UNIVERSE BY PROPERTY TYPE

**VALUE (Billions)**
- **Office**: $369.3
- **Industrial**: $176.0
- **Retail**: $275.0
- **Apartments**: $246.3

**SQUARE FEET (Millions)**
- **Office**: 2,103.5
- **Industrial**: 3,950.9
- **Retail**: 2,342.0
- **Apartments**: 3,986.2

**AVERAGE PRICE PER SQUARE FOOT**
- **Office**: $176
- **Industrial**: $46
- **Retail**: $117
- **Apartments**: $62
INVESTABLE UNIVERSE CRITERIA

Billions of $'s

- Office: 369.3, 14% Investable Universe, 8% NCREIF Contributors, 5% REITs
- Industrial: 176.0, 11% Investable Universe, 7% NCREIF Contributors, 6% REITs
- Retail: 275.0, 28% Investable Universe, 6% NCREIF Contributors, 20% REITs
- Apartments: 246.3, 5% Investable Universe, 8% NCREIF Contributors, 20% REITs
INVESTABLE “INSTITUTIONAL” BREAKDOWN BY OWNERSHIP

- Other: 69%
- Foreign: 4%
- NCREIF Contributors: 7%
- Other Pension Fund: 6%
- REITs: 14%
- Pension Fund: 6%
- Other: 69%
ANNUAL REAL ESTATE RETURNS
PUBLIC & PRIVATE

-30%  -20%  -10%  0%  10%  20%  30%  40%

78  81  84  87  90  93  96  99*

- Public (NAREIT)
- Private (NCREIF)

* Estimated for NCREIF

Source: NAREIT; NCREIF
PUBLİC & PRIVATE REAL ESTATE YIELDS

Source: NAREIT, NCREIF
PRICING INDICATORS
PRICES PER SQ. FT. - LONG-TERM TRENDS

* As of second quarter

Source: CB Richard Ellis National Real Estate Index
PRICING INDICATORS
PRICES PER SQ. FT. - SHORT-TERM TREND

Source: CB Richard Ellis National Real Estate Index
U.S. Property Market Overview
Office:

Is There Life After Recovery?
ECONOMIC OVERVIEW
GDP VS. EMPLOYMENT GROWTH

Source: Regional Financial Associates
U.S. OFFICE MARKET ABSORPTION IN SQUARE FEET

Source: CBRE Torto Wheaton Research
OFFICE EMPLOYMENT VS. NET ABSORPTION RATE

Source: CBRE Torto Wheaton Research; RFA
OFFICE ABSORPTION RATE VS. CONSTRUCTION RATE

Source: CBRE Torto Wheaton Research
OFFICE CONSTRUCTION VS. VACANCY

Source: CBRE Torto Wheaton Research
OFFICE VACANCY VS. RENT GROWTH

Source: CBRE Torto Wheaton Research, RFA
OFFICE RENT GROWTH VS. RETURNS

Source: CBRE Torto Wheaton Research; NCREIF
RECENT TOP OFFICE RENT GROWTH MARKETS

Source: CBRE Torto Wheaton Research; Milken Institute
PROJECTED OFFICE RENT GROWTH
TOP TEN CITIES

Orange County, CA
New York, NY
Oakland/East Bay, CA
Chicago, IL
Honolulu, HI
San Diego, CA
Washington, DC/VA/MD
Phoenix, AZ
Northern New Jersey
Stamford/Fairfield County, CT

Source: CBRE Investors; CBRE Torto Wheaton Research
INVESTMENT MATRIX QUADRANTS

RETURN

Low

High

RISK

Low

High

BLUE CHIP

HIGH YIELD

INCOME

CONTRARIAN
OFFICE INVESTMENT MATRIX
West Coast Markets By Quadrant

**BLUE CHIP**
- Los Angeles
- Orange County
- Sacramento

**HIGH YIELD**
- Inland Empire
- Oakland/East Bay
- San Diego

**INCOME**
- Portland
- San Francisco

**CONTRARIAN**
- San Jose
- Seattle
Industrial: Still Stable After All These Years?
INDUSTRIAL ABSORPTION VS. GDP GROWTH

Source: CBRE Torto Wheaton Research; RFA
INDUSTRIAL CONSTRUCTION VS. VACANCY

Source: CBRE Torto Wheaton Research
INDUSTRIAL VACANCY VS. RENT CHANGE

Source: CBRE Torto Wheaton Research
INDUSTRIAL RENT GROWTH VS. RETURNS

Source: CBRE Torto Wheaton Research; NCREIF; CBRE Investors
PROJECTED INDUSTRIAL RENT GROWTH: TOP TEN CITIES

Washington, DC/VA/MD

Houston, TX

Boston, MA

Oakland/East Bay, CA

Stamford/Fairfield County, CT

Orlando, FL

Los Angeles, CA

Baltimore, MD

San Francisco, CA

San Diego, CA

Source: CBRE Investors; CBRE Torto Wheaton Research
Retail: Which Bricks Beat Clicks?
RETAIL SALES CHANGE
Total Less Auto

Change From Previous Year

-3%  -2%  -1%  0%  1%  2%  3%  4%  5%  6%  7%


FORECAST

Source: CBRE Torto Wheaton Research; U.S. Department of Census; RFA
VACANCY RATE BY CENTER TYPE

Source: CB Richard Ellis Investors, L.L.C.
MORE PROMISING

- 24-HOUR DOWNTOWNS
- DOMINANT REGIONAL MALLS
- NEIGHBORHOOD CENTERS
- LIFESTYLE VILLAGES

LESS PROMISING

- POWER CENTERS
- FACTORY OUTLET CENTERS
24-HOUR DOWNTOWNS

- Upscale department stores and retailers (Saks Fifth Avenue, Gucci)
- Customers are tourists, residents and office workers
DOMINANT REGIONAL MALLS

- One million sq. ft. + centers with 3 or more department stores

- Large selection of brand name and fashion tenants
NEIGHBORHOOD CENTERS

• Open air centers with a supermarket (Safeway)

• Provides convenience goods and services to local area residents
LIFESTYLE VILLAGES

- Open air centers with name brand tenants (Gap), large bookstores (Barnes & Noble) and restaurants
- Provides fashion goods in a convenient, social setting
POWER CENTERS

- Large open-air centers anchored by “big box” stores (Wal-Mart, Circuit City, Toys ‘R Us)
- Risky due to evolving store concepts and threat of Internet competition
FACTORY OUTLET CENTERS

- Open-air centers tenanted by manufacturers’ stores (Polo Ralph Lauren, Nike)

- Large tourist draw, vulnerable to newer, larger centers closer to major metropolitan areas
Looking Forward: Investment Market Outlook
NCIREF RETURNS BY PROPERTY TYPE

Source: NCREIF; CBRE Investors
Presented By:
Doug Herzbrun
Managing Director
CB Richard Ellis Investors

January 26, 2000