

April 2008

The RREEF Property Cycle Monitor: Delays May Be Expected

Primary Contributors:

Alan Billingsley

Director
Head of Research
North America

Hope Nadji

Director
Research – Apartment

Andrew J. Nelson

Vice President
Research – Retail

Stephen Newbold

Director
Research – Office

Alexander Symes

Associate
Research – Economics

Brooks Wells

Director
Research – Industrial

As with the US economy, all four property sectors entered 2008 in a modestly weakened state following several years of strong growth. Property fundamentals began to weaken more significantly during the first quarter of this year, with flat to falling occupancy rates. The net absorption forecast is for softer demand for space in 2008 than in recent years. Weak anticipated employment growth is forecast to particularly impact office and industrial demand, for which similar levels of demand have not been seen since 2002/2003. The retail sector had already begun a downward trend in 2006 in response to moderating retail sales, but absorption is expected to fall further in 2008. Apartments nationally are set for a slowdown, due to over-expansion of the for-sale housing market, which is competing for occupants. At the same time, new construction in all four sectors will be at an elevated level. This combination of events is expected to lead to higher vacancy rates this year.

Supply became a risk in 2007 and will continue to be a threat in 2008 as new construction outpaces net absorption. Healthy market conditions in 2006 and most of 2007, along with abundant availability of equity and debt, fueled a strong construction pipeline, with a high volume of completions in 2007 and an even higher volume expected in 2008. The office sector experienced the greatest ramp up in construction, but the industrial sector is also experiencing a significant increase as well. Retail completions appear to have reached a plateau, and retailers are scaling back store openings significantly. Apartment construction has been muted, but is impacted by a historic overbuilding of the for-sale housing market. As a result, excess condominium conversions, new condominium construction and even single family homes are competing for the renter market. As a result, vacancy rates will tick upward for all four sectors, most dramatically for the office sector.

Conditions that fueled strong construction starts in 2006 and 2007 moved into reverse in late 2007. With turmoil in the financial sector, debt financing for construction is scarce and expensive. A changing capital market has increased the yield requirements for most developers and investors and at the same time, construction costs in most of the nation are at historic highs. Altogether, these events have caused all but the strongest development schemes to be cancelled or postponed. As a result, we project that completions will be muted in 2009 through 2010.

Except for the office sector, absorption should approximate or exceed construction completions in 2009, allowing for a receding vacancy rate. Economic and employment growth are forecast to pick up in 2009, stronger growth in 2010 and 2011. The apartment and industrial sectors are projected to lead this recovery with the strongest occupancy rate improvements, while the office sector is expected to begin a delayed recovery in 2010. All sectors are forecast to further improve in 2010 and 2011, in concert with healthy economic growth.

Divergence in performance between major metros is widening. A handful of markets that maintain strong competitive advantages in globally-linked industries are expected to avoid recession during 2008. These include Austin, Denver, Portland, San Francisco, San Jose and Seattle. Some currently underperforming markets will outperform as the economy recovers,

prominently including New York (primarily Manhattan), Orange County, Riverside, San Diego and Southern Florida. A few markets are so dramatically overbuilt, that their recoveries will require a few years, such as Phoenix and Las Vegas. As usual, most Midwest metros will require some time to recover, due to slow economic growth. As a result, widely differing risk and opportunity levels will be available for real estate investors in the coming year.

The downside risks will continue to outweigh the upside for most metros in the near-term, as the potential for a more severe recession than we currently forecast is a real possibility, while a near-term economic rebound is highly unlikely. A deeper recession would impact demand for all property sectors, but would impact the office sector most significantly. Fortunately, the dramatic slowing of the construction pipeline would moderate the negative impacts of a significant recession on real estate relative to those in the past.

Weak Growth is Restraining Near-Term Real Estate Demand

The credit crunch, which emerged from the subprime calamity, is taking its toll on the US economy. Uncertainty in the financial markets are creating a foggy economic environment, and although the Federal Reserve is trying to dissipate the problem through liquidity pumping and easing its key rate, the current economic turmoil is likely to extend at least through the summer of this year. As a result, GDP growth for 2008 is forecast to total an anemic 1.2%, with the first half of the year in a mild recession. A recovery is forecast in 2009, with GDP growth reaching a still modest 2.0%. This outlook encompasses a tepid consumer spending environment and labor market outlook, but includes a more optimistic forecast for exports. A more robust economic recovery is forecast for 2010 and 2011.

Currently, the seizure of the credit markets and the ongoing for-sale housing crisis are the two major drags on the economy. The credit environment is leading to elevated uncertainty in historically lower-risk loans, such as mortgages, resulting in higher underwriting standards for not only mortgages, but loans unrelated to housing, such as those for small businesses. Increased borrowing costs are slowing recovery of the for-sale housing market and home sales, which are currently at the same level as in 1997, continue to decline. Fewer sales and a high inventory of both new and existing homes is putting downward pressure on home prices and pushing some homeowners into negative equity. This in turn is placing downward pressure on consumption, which is a major driver of GDP growth

The US labor market is currently in decline with three months of negative payroll growth in 2008. Unemployment jumped to 5.0% in December and was statistically unchanged in January and February*. March unemployment was at 5.1%, which by itself is not an extraordinarily high rate of unemployment, but the upward trend does point to a slowing economy. Current job statistics show that construction, financial services and manufacturing are all experiencing significant job losses, with educational and health services having the largest gains. Regionally, the West is shedding jobs faster than the rest of the country, although it also gained more jobs during the past five years. Going forward, the West and the South are both likely to lose more jobs than the rest of the country in the near-term, but over a longer horizon they also should gain more jobs back.

Although the falling dollar is helping expand exports while moderating demand for imports, the lower valued currency is a mixed blessing. Exports began to expand quicker than imports in late 2006, establishing a trend towards a reduced, though still quite large, trade deficit. Although this aspect of a weaker currency should benefit the US economy, the falling dollar has its negative effects. While dampening consumer demand for imported goods, it also

* Differences in Unemployment between Dec (5.0%), Jan (4.9%) and Feb(4.8%) are due to rounding and categorization rather than changes in employment.

increases prices for raw goods and necessary components for US producers. Current anecdotal evidence from the Fed's Beige book shows that producers are having a difficult time passing these increased prices to consumers, which will result in lower current profits and may signal future inflationary pressures.

Consumption is an important factor for economic growth and confident consumer spending is needed to skirt a recession and speed recovery. Retail sales through the holidays were softer, but still helpful to the economy. This was presented in the fourth quarter as consumer spending growth added 130 bps to GDP growth. Although retail sales have increased for the first two months of the year on a year-on-year basis, it is likely that increased inflation will leave overall consumer spending gains modest in the coming months. Soft sales will likely continue through the first part of the year.

Relative Performance by Property Sector

The following discussion of the four property sectors concludes that these sectors will continue to perform differently during the ongoing slowdown and into economic recovery. The major findings are as follows:

- The retail sector, which peaked in 2005, will decline in 2008 and then remain flat;
- The office sector, which peaked in 2007, will decline in 2008 – 2009 and rebound to near 2007 levels by 2011;
- The industrial sector is set for a sharp slowdown in 2008, but is forecast to regain balance in 2010, and benefit from rent momentum and absorption bringing occupancy above 2007 levels by 2011; and
- The apartment sector is forecast to decline modestly in 2008, and is forecast to rebound by 2010 and 2011 to levels not seen since 2001.

The **retail sector** peaked early, fueled by a sizzling consumer market that was supported by an escalating housing market. Neither the consumer nor the housing markets were sustainable. Even with renewed economic growth expected in 2009, retail sales growth will be modest as consumers adjust to their reduced wealth in this post-housing bubble period.

The **office sector** is historically the most volatile and the most sensitive to economic performance. As a result, it will fall the farthest in 2008 and remain flat during 2009. However, it is forecast to achieve a sharp rebound over the following two years. Nevertheless, this sector will be the most challenged and risky in the near term. A few markets, such as Los Angeles, New York, San Francisco, Seattle and Washington DC should hold up relatively well, even in the near term.

The **industrial sector**, historically a relatively steady performer, is expected to weather the downturn relatively well, with only a modest increase in vacancy rates. Strong longer term performance is forecast. Coastal, port, and major distribution markets are expected to outperform.

The **apartment sector**, which generally underperformed its peers during the economic expansion of the past five years, is well poised for the future. The dominance of the for-sale housing market over the past several years, which culminated in a disastrous bubble that burst, edged out growth in this sector. As the impacts from this bubble unwind, a significant portion of US households will return to being renters. At the same time, favorable demographics will provide a new generation of renter households. While no sector will avoid the impacts of the recessionary economy of 2008, apartments will be the least affected and

will be poised for strong growth going forward. This will be particularly true for those markets that avoided the extensive overbuilding of the for-sale housing market.

Property Cycle Monitor: Apartment

Performance in 2007

The dramatic increase in housing tenure, with homeownership reaching nearly 70%, transformed the US housing market over the last decade. This shift occurred to the benefit of homebuilders and homeowners alike, and to the detriment of rental properties. After the homeownership peak in 2006, a surge in mortgage defaults ignited a massive migration of residents from for-sale product back to rental properties, resulting in a 110 basis point decline in the homeownership rate over the last year. According to the Census Bureau, the net change in owner occupied housing turned negative by nearly 300,000 units for the first time in decades and generated a commensurate spike in renter occupied housing of 1.7 million units. Traditional apartment properties captured a significant share of residents returning to the rental pool, but a large inventory of attached and detached for-sale product provides an abundance of housing choices in many markets.

The emerging shift in tenure back to rental is fully reflected in steady decreases in the national vacancy rate in traditional rental properties of 40 units or more. The US vacancy rate peaked at 6.9% in 2003 and declined to 5.6% four years later in 4Q07. Net absorption of nearly 98,000 units in 2007 is notably weaker than the late 1990s but back within the range of 1994-1995 levels, prior to the breakaway years in home purchases. Completions topped 88,000 units in 2007, attributable in part to a shift from condominium development back to a more favorable rental market. Despite the relative strength in net absorption in 2007, the US vacancy rate decreased by only 20 basis points.

Exhibit 1 identifies markets that improved most significantly in 2007. Dominating the first group of top-performing markets, two-thirds of the nine markets can casually be classified as low barrier to entry, or affordable, markets. The unweighted average vacancy rate of the low barrier to entry markets is 6.7%, some 250 basis points higher than 4.2% for the three high barrier to entry markets.

The second group of markets, entitled "Unusual Suspects," reflects secondary Midwestern apartment markets not typically tracked by RREEF Research, but

noteworthy for the remarkable improvement in vacancy. Improvement in the rental sector is possibly a result of the high rate of home foreclosures in these markets wrought by weakened manufacturing-based economies. In general, these most improved markets did not face a major onslaught of for-sale housing over-supply.

Exhibit 1			
Rank		YoY Change in Vacancy	4Q2007 Vacancy
1	Raleigh	-160	7.20%
2	Denver	-140	6.90%
3	St. Louis	-130	6.70%
3	Dallas	-130	7.00%
5	San Jose	-120	3.50%
6	Charlotte	-110	5.80%
7	Portland	-100	4.20%
7	Baltimore	-100	4.90%
7	San Antonio	-100	6.40%
Unusual Suspects			
	Cincinnati	-170	7.00%
	Columbus	-170	6.60%
	Detroit	-120	6.20%
	Indianapolis	-100	8.30%
	Cleveland	-90	5.60%

Source: REIS and RREEF Research

Markets with a 50 to 99 basis point improvement in vacancy comprise the next group listed in Exhibit 2.

With the exception of Austin, the markets in this group are considered high barrier-to-entry markets. Again, the low barrier to entry market, Austin, maintains a vacancy rate that is approximately 250 basis points higher. These are perennially some of the strongest rental markets in the country.

Exhibit 2			
Rank		YoY Change in Vacancy	4Q2007 Vacancy
1	Seattle	-90	4.10%
2	Minneapolis	-80	4.10%
2	San Francisco	-80	3.90%
4	Austin	-60	6.60%
4	Oakland	-60	4.30%

Source: REIS and RREEF Research

Finally, we consider the metropolitan markets with the largest year-over-year increase (greater than 50 basis points) in vacancy in Exhibit 3:

Not surprisingly, Florida markets dominate this group, with five out of nine metros reflecting significantly higher vacancy rates. With the exception of Riverside, all of the markets lost an unusually high percentage of existing rental inventory that converted to condominiums late in this housing cycle. Many converted properties now represent “broken” deals and have returned to the rental pool, adding to supply and depressing rental rates at a time of economic deceleration. Further exacerbating the situation is the wave of new condominium units entering the market as tightened mortgage underwriting, by some estimates, now excludes 30% to 40% of potential buyers. All of the above markets, with the exception of Boston, were dramatically over-supplied with for-sale housing product. These excess housing units compete in the rental market.

Exhibit 3			
Rank		YoY Change in Vacancy	4Q2007 Vacancy
1	Jacksonville	240	7.80%
2	Orlando	220	7.10%
3	Las Vegas	150	6.10%
3	Phoenix	150	8.10%
3	Tampa	150	6.90%
3	W. Palm Beach	150	8.00%
7	Ft. Lauderdale	140	5.30%
8	Riverside	80	6.20%
9	Boston	60	6.10%

Source: REIS and RREEF Research

Boston presents a different story as new market rate rentals represent 3.3% growth in existing inventory, outstripping demand for the last two years. This high level of supply is not typical given Boston’s historically prohibitive development environment. The state’s “40B” regulation stipulates that communities offer at least 10% of housing units that are affordable to the local population. Communities that fall short of this benchmark are pressured to approve new projects that they would have otherwise denied as long as the proposal includes 25% affordable units. This relaxation of Boston’s historically stringent zoning laws appears to have contributed to a structurally higher vacancy rate in recent years.

For the most part, apartment markets split into two distinct groups: (1) those with substantially overbuilt for-sale housing markets; and (2) those where for-sale markets are not overbuilt or are only moderately overbuilt. Exhibit 3 identifies the most overbuilt markets, where vacancy rates have risen substantially. Boston is an exception, with its overbuilt rental market, as noted above and Florida is well represented on this list.

Markets with the biggest decreases in vacancy did not experience outsized investor, or speculative, interest and therefore no big pricing bubble. The markets are generally considered to be relatively balanced. The five strongest markets are listed in Exhibit 2.

Market Performance in 2008

While some markets have peaked in their production of for-sale housing, a number of markets will continue to deliver a large volume of units in the coming year. Southern Florida is the most notable example, where its high-rise construction's extended construction period has been slow to respond to market conditions. Although occupancies to date have been healthy, the bulk of condo deliveries, expected to number 22,000 units, will enter the market in 2008 and 2009.

Overall, vacancies are projected to increase by 50 basis points nationally in 2008. This national average is being driven up largely by Florida metros, nearly all of which are expected to increase by 100 basis points or more and vacancy rates reaching 8% to 10%. Most metros, however, are expected to see modest deterioration, particularly in the traditionally supply-constrained metros. In fact, San Francisco and Denver are forecast to experience improving occupancies.

		U.S. National Apartment Market Cycle											
		2007		2008		2009		2010		2011		2012	
		GRW	PGW		CON		CON	REC		REC		REC	
Job Growth	1.1%			0.3%		0.9%		1.7%		1.4%		0.8%	
Net Abs. (Units) *	98 K			57 K		86 K		108 K		95 K		73 K	
Supply (Units)	88 K			89 K		76 K		75 K		87 K		90 K	
% Vacant	5.6%			5.9%		5.8%		5.3%		5.2%		5.3%	
Rent Momentum	Increase			Increase		Increase		Increase		Increase		Increase	

Key: REC = Recovery GRW = Growth PGW = Post-Growth CON = Contraction

* Note: Net absorption figure includes condo conversions.

Source: Global Insight, REIS, and RREEF Research

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

Factors Shaping the Apartment Cycle (Time Frame)

Drivers of Growth

- Job growth (slow in 2008, but ongoing)
- Long term personal income growth
- Continued recovery and growth in high tech (short- and intermediate-term)
- Favorable demographic trends (ongoing and accelerating)
- Immigration (ongoing)
- Cost of new development has declined in most markets, particularly for garden apartments
- Construction costs likely to moderate in high volume markets, but may take some time (e.g. Manhattan, San Francisco, Seattle)

- Tougher mortgage underwriting stems out-migration to homeownership

Constraints on Recovery

- Substitutability of housing options and effects of the for-sale inventory (the huge surplus inventory needs to be absorbed)
- Growing affordability as home prices fall amidst rent increases
- Slow job and income growth
- Potential for rising construction volumes in low barrier to entry markets

Implications: Timing of the Cycle

- National market is in established steady growth mode
- Most tech markets exhibiting improvement in supply/demand conditions
- Supply constrained markets with low housing affordability will outperform affordable markets

Apartment Metro Performance

The annual discrepancy between supply and demand is expected to improve over the five year forecast period as deliveries taper, particularly around 2010. Strengthening rent gains should accompany this supply-demand balance; therefore, supply may increase in 2012 as developers take advantage of better returns.

US Apartment Market Metro Performance 2008

Out-Perform	Average*	Under-Perform
Austin	Atlanta	Boston
Denver	Baltimore	Houston
Los Angeles	Chicago	Ft. Lauderdale
New York	Dallas	Miami
Portland	Minneapolis	Phoenix
San Francisco	Orange County	Sacramento
San Jose	San Diego	West Palm Beach
Seattle	Riverside/SB	

* broadly in line with national trends

Source: RREEF Research

		Forecast					
		2007	2008	2009	2010	2011	2012
U.S.	Stage	Growth	Growth	Growth	Growth	Growth	Post-Growth
	Vacancy	5.6%	5.9%	5.8%	5.3%	5.2%	5.3%
	Rent Momentum*	Increase +	None	Increase	Increase +	Increase +	Increase
Atlanta	Stage	Growth	Growth	Growth	Growth	Growth	Post-Growth
	Vacancy	8.0%	8.0%	7.5%	6.6%	6.2%	6.6%
	Rent Momentum*	Increase	Increase	Increase	Increase	Increase	None
Austin	Stage	Growth	Growth	Growth	Growth	Post-Growth	Post-Growth
	Vacancy	6.6%	7.9%	7.4%	6.4%	5.8%	5.8%
	Rent Momentum*	Increase +	Increase	Increase +	Increase +	Increase +	Increase
Baltimore	Stage	Growth	Growth	Growth	Growth	Growth	Growth
	Vacancy	4.9%	5.3%	4.5%	4.2%	4.4%	4.5%
	Rent Momentum*	Increase	Increase	Increase	Increase	Increase	Increase
Boston	Stage	Contraction	Contraction	Recovery	Recovery	Recovery	Growth
	Vacancy	6.1%	6.4%	5.5%	5.1%	5.0%	5.2%
	Rent Momentum*	None	None	Increase +	Increase +	Increase +	Increase
Charlotte	Stage	Growth	Post-Growth	Recovery	Growth	Growth	Growth
	Vacancy	5.8%	6.1%	4.9%	4.1%	4.3%	4.4%
	Rent Momentum*	Increase +	Increase	Increase +	Increase +	Increase	Increase
Chicago	Stage	Growth	Growth	Growth	Growth	Growth	Post-Growth
	Vacancy	4.8%	5.0%	5.0%	4.7%	4.5%	4.6%
	Rent Momentum*	Increase +	Increase	Increase	Increase +	Increase +	Increase
Dallas	Stage	Growth	Growth	Growth	Growth	Growth	Post-Growth
	Vacancy	7.0%	7.4%	6.9%	6.0%	5.7%	6.4%
	Rent Momentum*	Increase +	Increase	Increase	Increase	Increase	Increase
Denver	Stage	Growth	Growth	Growth	Growth	Post-Growth	Post-Growth
	Vacancy	6.9%	5.7%	5.6%	5.2%	5.9%	6.1%
	Rent Momentum*	Increase +	Increase +	Increase	Increase	Increase	Increase
Ft. Lauderdale	Stage	Post-Growth	Contraction	Recovery	Growth	Growth	Growth
	Vacancy	5.3%	6.1%	5.3%	5.0%	4.6%	4.2%
	Rent Momentum*	Increase	Decrease	Increase +	Increase +	Increase +	Increase +
Houston	Stage	Post-Growth	Post-Growth	Recovery	Growth	Growth	Growth
	Vacancy	7.5%	7.7%	7.6%	6.8%	6.8%	7.0%
	Rent Momentum*	Increase	Increase	Increase +	Increase +	Increase	Increase
Kansas City	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Post-Growth
	Vacancy	6.7%	7.2%	6.8%	6.2%	5.9%	6.0%
	Rent Momentum*	Increase	None	Increase	Increase+	Increase+	Increase
Los Angeles	Stage	Growth	Growth	Growth	Growth	Growth	Post-Growth
	Vacancy	3.5%	3.9%	3.7%	3.4%	3.3%	3.4%
	Rent Momentum*	Increase	Increase	Increase +	Increase +	Increase +	Increase
Miami	Stage	Post-Growth	Contraction	Recovery	Growth	Growth	Post-Growth
	Vacancy	4.0%	5.1%	5.6%	4.7%	4.3%	4.9%
	Rent Momentum*	Increase	Decrease	Increase +	Increase +	Increase +	Increase
Minn./St. Paul	Stage	Post-Growth	Post-Growth	Recovery	Growth	Growth	Growth
	Vacancy	4.1%	4.7%	4.5%	3.4%	3.2%	3.5%
	Rent Momentum*	Increase	None	Increase +	Increase +	Increase	Increase
New York	Stage	Growth	Growth	Growth	Growth	Growth	Growth
	Vacancy	2.1%	2.4%	2.5%	2.6%	2.3%	2.2%
	Rent Momentum*	Increase +	Increase	Increase	Increase +	Increase +	Increase +
No. New Jersey	Stage	Growth	Growth	Growth	Growth	Growth	Growth
	Vacancy	3.2%	4.0%	3.5%	3.1%	2.9%	3.1%
	Rent Momentum*	Increase +	Increase	Increase	Increase	Increase	Increase

* Rent Momentum: Annual Rental Growth

None: 0% to 2%

Increase: 3% - 4%

Increase+: Over 4%

			Forecast					
			2007	2008	2009	2010	2011	2012
Oakland/East Bay	Stage	Post-Growth	Post-Growth	Recovery	Growth	Growth	Growth	Growth
	Vacancy	4.3%	4.8%	4.4%	3.9%	4.0%	4.1%	
	Rent Momentum*	Increase	None	Increase +	Increase +	Increase	Increase	
Orange County	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth	Growth
	Vacancy	3.6%	3.9%	3.8%	3.0%	2.8%	2.6%	
	Rent Momentum*	Increase	None	Increase +	Increase +	Increase +	Increase +	
Orlando	Stage	Post-Growth	Contraction	Recovery	Recovery	Growth	Growth	Growth
	Vacancy	7.1%	8.9%	8.1%	5.9%	4.9%	5.9%	
	Rent Momentum*	Increase	Decrease	Increase	Increase	Increase +	Increase +	
Philadelphia	Stage	Growth	Growth	Growth	Growth	Growth	Growth	Growth
	Vacancy	4.1%	4.3%	4.4%	4.2%	4.2%	4.0%	
	Rent Momentum*	Increase	Increase	Increase	Increase	Increase	Increase	
Phoenix	Stage	Post-Growth	Contraction	Recovery	Recovery	Growth	Growth	Growth
	Vacancy	8.1%	8.6%	8.2%	7.0%	6.5%	6.6%	
	Rent Momentum*	Increase	Decrease	Increase	Increase +	Increase +	Increase +	
Portland	Stage	Growth	Growth	Growth	Growth	Growth	Post-Growth	
	Vacancy	4.2%	4.5%	4.2%	3.8%	3.5%	3.9%	
	Rent Momentum*	Increase +	Increase	Increase	Increase +	Increase +	Increase	
Raleigh	Stage	Growth	Growth	Growth	Growth	Post-Growth	Post-Growth	
	Vacancy	7.2%	7.0%	6.1%	5.8%	6.2%	6.7%	
	Rent Momentum*	Increase +	Increase	Increase+	Increase+	Increase	Increase	
Riverside/SB	Stage	Post-Growth	Contraction	Recovery	Growth	Growth	Growth	Growth
	Vacancy	6.2%	6.4%	6.1%	5.2%	4.7%	4.9%	
	Rent Momentum*	Increase	Decrease	Increase	Increase +	Increase +	Increase	
Sacramento	Stage	Post-Growth	Contraction	Recovery	Growth	Growth	Growth	Growth
	Vacancy	5.2%	5.3%	5.2%	5.0%	4.9%	5.1%	
	Rent Momentum*	Increase	Decrease	Increase	Increase +	Increase +	Increase	
St. Louis	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth	Growth
	Vacancy	6.7%	6.4%	6.4%	6.2%	5.9%	5.8%	
	Rent Momentum*	Increase	Increase	Increase	Increase	Increase	Increase	
San Antonio	Stage	Growth	Post-Growth	Post-Growth	Post-Growth	Growth	Growth	Growth
	Vacancy	6.4%	7.0%	7.4%	7.5%	7.3%	7.1%	
	Rent Momentum*	Increase +	Increase	Increase	Increase	Increase	Increase	
San Diego	Stage	Post-Growth	Post-Growth	Recovery	Recovery	Growth	Growth	Growth
	Vacancy	3.7%	4.1%	4.0%	3.6%	3.3%	3.5%	
	Rent Momentum*	Increase	Increase	Increase +	Increase +	Increase +	Increase +	
San Francisco	Stage	Growth	Growth	Growth	Growth	Growth	Post-Growth	
	Vacancy	3.9%	3.6%	3.5%	3.2%	3.2%	3.3%	
	Rent Momentum*	Increase +	Increase +	Increase +	Increase +	Increase +	Increase	
San Jose	Stage	Growth	Growth	Growth	Growth	Growth	Post-Growth	
	Vacancy	3.5%	3.7%	2.5%	2.4%	2.8%	3.3%	
	Rent Momentum*	Increase +	Increase +	Increase	Increase +	Increase +	Increase	
Seattle	Stage	Growth	Post-Growth	Post-Growth	Growth	Growth	Post-Growth	
	Vacancy	4.1%	4.3%	4.5%	3.6%	3.3%	3.4%	
	Rent Momentum*	Increase +	Increase +	Increase	Increase	Increase	Increase	
Tampa	Stage	Contraction	Contraction	Recovery	Recovery	Growth	Growth	Growth
	Vacancy	6.9%	7.8%	7.4%	6.5%	5.9%	6.4%	
	Rent Momentum*	Increase	Decrease	Increase	Increase	Increase	Increase	
Washington, D.C.	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth	Growth
	Vacancy	4.7%	5.0%	4.6%	4.2%	3.8%	4.0%	
	Rent Momentum*	Increase	Increase	Increase	Increase +	Increase +	Increase	
West Palm Beach	Stage	Contraction	Contraction	Recovery	Recovery	Growth	Growth	Growth
	Vacancy	8.0%	9.0%	7.9%	6.6%	5.5%	4.1%	
	Rent Momentum*	Decrease	Decrease	Increase	Increase +	Increase +	Increase +	

Sources: REIS and RREEF Research

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

Property Cycle Monitor: Industrial

After beginning its recovery in 2004, the US industrial market entered the growth phase of the real estate cycle in mid-2006 – exhibiting strong demand and healthy rent growth over the following 18 months. When the US housing market began to slump in early 2007, we anticipated that there would be a pause in the current growth phase as the US economy would likely enter into a mid-cycle slowdown in late 2007/early 2008. This pause was reflected in the industrial fundamentals, as the overall vacancy rate closed 2007 at the same level as it began the year at 9.4%. It is now clear that there will be slowing of economic growth through the first half of 2008, causing the overall vacancy rate to rise to 10.0% by the close of the year as industrial demand weakens and the remaining development pipeline hits the market. The weakness in fundamentals will result in the industrial market shifting prematurely into the post-growth phase of cycle. The economy is forecast to move out of recession during the second half of 2008. This will help the industrial market reclaim growth phase dynamics in 2009 as the sector's vacancy rate resumes its decline.

Industrial demand began to lose its momentum in 2007 with the second half of the year experiencing a rapid deceleration in response to a slowing and changing economy. The industrial market produced 122 million square feet of net absorption during 2007, a relatively modest amount given that it had been averaging an impressive 230 million square feet of net absorption per year from 2004 through 2006. Net absorption is forecast to amount to only 52 million square feet in 2008, a 57% decline from 2007, in response to the ongoing slowdown. Industrial demand is not expected to regain its strong momentum until 2010 when 195 million square feet is expected to be absorbed.

One factor that supports a relatively quick return to favorable market conditions is that industrial development during the past several years was more restrained and focused on fewer markets compared to the previous development cycle (1997 through 2001), a period that saw the US industrial market average an unprecedented 240 million square feet of new deliveries per year. New deliveries averaged 146 million square feet per year over the following four years (2004 through 2007), a construction pace that was 40% lower than the previous cycle. New construction during the current cycle has been concentrated primarily in six metro markets: Atlanta, Chicago, Dallas-Ft Worth, Houston, Phoenix, and Riverside (Inland Empire). These six metros accounted for 46% of the total new deliveries during the current cycle, which is up from the 37% of total new construction that these metros represented during the previous cycle. As lenders pull back from financing speculative development projects, we expect a significant curtailment in deliveries of new industrial space over the short-term, especially in the currently oversupplied big-box warehouse sector.

Industrial markets that have linkages to international trade, energy and technology are expected to weather a consumer-driven downturn better than those markets that lack these drivers and depend more heavily on local growth and housing production. The coastal markets of Southern California, San Francisco Bay Area, Seattle, Houston, South Florida, and New York/Northern New Jersey are expected to continue to outperform the overall US industrial market. In addition, trade flows through the large international airports of Atlanta, Chicago and Dallas-Ft Worth will benefit the smaller multi-tenant warehouse markets located in the more mature close-in areas of these metros.

The flex (or office/warehouse) sector that caters to the high-tech or business service user is expected to surpass the big-box warehouse sector in terms of strength in the short term. The restraint in new construction during the construction cycle of the past few years, coupled with an economy that receives most of its job creation from small businesses, are factors that will enable the flex sector to remain healthy. Metros with dominant flex markets, which have a

large exposure to high-tech and/or above-average economic growth prospects, include: Atlanta, Austin, Baltimore, Boston, Charlotte, San Jose, Portland, and Raleigh.

U.S. National Industrial Market Cycle		Forecast Years				
2007		2008	2009	2010	2011	2012
GRW	PGW	GRW		GRW		
REC	CON					PGW
Job Growth	1.1%	0.3%	0.9%	1.7%	1.4%	0.8%
Net Abs.	122 MSF	54 MSF	117 MSF	198 MSF	181 MSF	122 MSF
Supply	127 MSF	140 MSF	94 MSF	121 MSF	163 MSF	175 MSF
% Vacant	9.4%	10.0%	9.7%	9.0%	8.8%	9.0%
Rent Momentum	Increase+	None	Increase	Increase	Increase+	Increase

Key: REC = Recovery GRW = Growth PGW = Post-Growth CON = Contraction

Source: Global Insight, Torto Wheaton, and RREEF Research

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

Factors Shaping the Industrial Cycle (Time Frame)

Drivers of Growth

- Job growth, consumer and business spending, trade flows (ongoing)
- Global economic expansion (ongoing)
- Increasing land and construction costs (ongoing)
- Growth in high-tech (short-term/intermediate-term)

Constraints on Recovery

- Declining housing sector (short-term)
- Elevated energy prices (ongoing)
- Flagging US construction sector (short/intermediate-term)

Implications: Timing of the Cycle

- National market, led by the global gateway, tech markets and regional hubs, continues to grow
- Distressed housing markets could translate into retrenchment for some metros
- A full construction pipeline increases supply risk as US economy slows (short-term)
- R&D/flex markets continue to perform well in 2007

Industrial Metro Performance

US Industrial Market Metro Performance 2008

Out-Perform	Average*	Under-Perform
Austin	Atlanta	Central New Jersey
Boston	Baltimore	Cincinnati
Charlotte	Chicago	Columbus
Denver	Dallas-Ft Worth	Miami
Houston	Fort Lauderdale	Orange County
New York	Los Angeles	Orlando
Oakland/East Bay	Minneapolis	Phoenix
Portland	Philadelphia	Riverside (Inland Empire)
San Jose	Washington, DC	San Diego
Seattle		

* broadly in line with national trends

Source: RREEF Research

			Forecast					
			2007	2008	2009	2010	2011	2012
U.S.	Stage	Growth	Post Growth	Growth	Growth	Growth	Growth	Post Growth
	Vacancy	9.4%	10.0%	9.7%	9.0%	8.8%	9.0%	
	Rent Momentum	Increase +	None	Increase	Increase	Increase +	Increase	
Atlanta	Stage	Growth	Post Growth	Growth	Growth	Growth	Growth	Post Growth
	Vacancy	12.9%	13.0%	12.8%	11.7%	11.3%	11.4%	
	Rent Momentum	Increase	None	Increase	Increase	Increase	Increase	
Austin	Stage	Recovery	Growth	Growth	Growth	Growth	Post Growth	
	Vacancy	10.3%	9.9%	9.2%	7.9%	8.9%	9.5%	
	Rent Momentum	Increase +	Increase +	Increase +	Increase	Increase	Increase	
Baltimore	Stage	Post Growth	Post Growth	Growth	Growth	Growth	Growth	
	Vacancy	13.4%	14.0%	14.1%	13.3%	12.6%	12.5%	
	Rent Momentum	None	None	Increase	Increase	Increase +	Increase	
Boston	Stage	Recovery	Growth	Growth	Growth	Growth	Post Growth	
	Vacancy	14.3%	13.4%	12.9%	12.6%	12.9%	13.2%	
	Rent Momentum	Increase	Increase	Increase	Increase	Increase	Increase	
Central New Jersey	Stage	Post Growth	Post Growth	Growth	Growth	Growth	Growth	
	Vacancy	9.5%	10.4%	10.1%	9.2%	8.8%	8.9%	
	Rent Momentum	None	None	Increase	Increase	Increase +	Increase +	
Charlotte	Stage	Growth	Growth	Growth	Growth	Growth	Post Growth	
	Vacancy	8.3%	8.3%	8.0%	7.4%	7.2%	7.4%	
	Rent Momentum	Increase +	Increase	Increase	Increase +	Increase +	Increase	
Chicago	Stage	Recovery	Growth	Growth	Growth	Growth	Growth	
	Vacancy	10.4%	11.1%	10.8%	10.3%	9.9%	10.3%	
	Rent Momentum	Increase	Increase	Increase	Increase +	Increase +	Increase	
Cincinnati	Stage	Growth	Contraction	Recovery	Growth	Growth	Post Growth	
	Vacancy	7.8%	8.3%	8.0%	7.6%	7.7%	8.1%	
	Rent Momentum	Increase	Decline	None	Increase	Increase +	Increase	
Columbus	Stage	Growth	Contraction	Recovery	Growth	Growth	Growth	
	Vacancy	13.2%	14.5%	14.4%	14.0%	13.6%	13.7%	
	Rent Momentum	Increase	Decline	None	Increase	Increase	Increase	
Dallas/Ft. Worth	Stage	Recovery	Growth	Growth	Growth	Growth	Growth	
	Vacancy	9.9%	10.5%	9.7%	9.1%	9.1%	9.4%	
	Rent Momentum	Increase	Increase	Increase	Increase	Increase	Increase	
Denver	Stage	Recovery	Growth	Growth	Growth	Growth	Growth	
	Vacancy	10.1%	10.1%	10.2%	9.6%	9.3%	9.7%	
	Rent Momentum	Increase +	Increase	Increase	Increase	Increase	Increase	
Fort Lauderdale	Stage	Growth	Post Growth	Growth	Growth	Growth	Growth	
	Vacancy	6.6%	8.9%	8.6%	6.6%	5.5%	5.3%	
	Rent Momentum	Increase +	None	Increase	Increase +	Increase +	Increase +	
Houston	Stage	Growth	Growth	Growth	Growth	Growth	Post Growth	
	Vacancy	6.8%	6.9%	7.1%	6.6%	6.4%	6.6%	
	Rent Momentum	Increase +	Increase +	Increase	Increase	Increase	Increase	
Los Angeles	Stage	Growth	Growth	Growth	Growth	Growth	Growth	
	Vacancy	4.6%	5.3%	5.1%	4.9%	4.7%	4.9%	
	Rent Momentum	Increase +	Increase	Increase	Increase	Increase +	Increase +	
Miami	Stage	Growth	Post Growth	Growth	Growth	Growth	Growth	
	Vacancy	8.0%	9.3%	8.6%	7.2%	6.4%	6.2%	
	Rent Momentum	Increase +	None	Increase	Increase +	Increase +	Increase +	
Minneapolis	Stage	Growth	Growth	Growth	Growth	Growth	Growth	
	Vacancy	8.4%	8.5%	8.4%	7.6%	7.4%	8.2%	
	Rent Momentum	Increase +	Increase	Increase	Increase +	Increase +	Increase	
New York/NNJ	Stage	Growth	Growth	Growth	Growth	Growth	Growth	
	Vacancy	8.7%	8.7%	8.8%	8.5%	8.2%	8.1%	
	Rent Momentum	Increase	Increase	Increase	Increase	Increase +	Increase +	
Oakland/East Bay	Stage	Growth	Post Growth	Growth	Growth	Growth	Growth	
	Vacancy	10.2%	10.3%	10.0%	9.1%	8.6%	8.4%	
	Rent Momentum	Increase +	Increase	Increase	Increase +	Increase +	Increase +	

* Rent Momentum: Annual Rental Growth

None: 0% to 2%
Increase: 3% - 4%
Increase+: Over 4%

		Forecast					
		2007	2008	2009	2010	2011	2012
Orange County	Stage	Growth	Post Growth	Growth	Growth	Growth	Growth
	Vacancy	5.8%	6.7%	6.7%	5.9%	5.4%	5.5%
	Rent Momentum	Increase +	Decline	None	Increase +	Increase +	Increase +
Orlando	Stage	Post Growth	Contraction	Recovery	Growth	Growth	Growth
	Vacancy	7.2%	8.4%	8.6%	7.8%	6.9%	7.4%
	Rent Momentum	Decline	Decline	Increase	Increase	Increase +	Increase +
Philadelphia	Stage	Growth	Post Growth	Post Growth	Growth	Growth	Growth
	Vacancy	9.9%	10.3%	10.5%	10.2%	9.8%	9.4%
	Rent Momentum	Increase	None	Increase	Increase	Increase	Increase
Phoenix	Stage	Post Growth	Contraction	Recovery	Recovery	Growth	Growth
	Vacancy	10.1%	12.8%	12.3%	10.7%	9.1%	9.8%
	Rent Momentum	Increase	Decline	None	Increase	Increase +	Increase +
Portland	Stage	Growth	Growth	Growth	Growth	Growth	Growth
	Vacancy	5.5%	6.2%	5.9%	5.6%	5.7%	6.2%
	Rent Momentum	Increase +	Increase	Increase	Increase +	Increase +	Increase
Riverside/San Berdo	Stage	Post Growth	Contraction	Recovery	Recovery	Growth	Growth
	Vacancy	9.1%	12.0%	10.7%	8.6%	7.8%	8.5%
	Rent Momentum*	None	Decline	None	Increase	Increase +	Increase +
San Diego	Stage	Growth	Post Growth	Growth	Growth	Growth	Growth
	Vacancy	9.6%	10.2%	9.8%	9.0%	9.1%	9.9%
	Rent Momentum*	Increase +	None	Increase	Increase	Increase	Increase
San Jose	Stage	Recovery	Growth	Growth	Growth	Growth	Growth
	Vacancy	10.6%	10.9%	10.0%	8.7%	8.3%	8.7%
	Rent Momentum*	Increase +	Increase	Increase +	Increase +	Increase +	Increase
Seattle/Tacoma	Stage	Growth	Growth	Growth	Growth	Growth	Growth
	Vacancy	6.5%	6.5%	5.9%	5.3%	5.7%	6.5%
	Rent Momentum*	Increase +	Increase	Increase	Increase +	Increase +	Increase
Washington, D.C.	Stage	Post Growth	Post Growth	Growth	Growth	Growth	Post Growth
	Vacancy	11.2%	11.4%	11.0%	9.8%	9.9%	10.4%
	Rent Momentum*	Increase	None	Increase	Increase +	Increase	Increase

Source: Torto Wheaton and RREEF Research

* Rent Momentum: Annual Rental Growth

None: 0% to 2%

Increase: 3% - 4%

Increase+: Over 4%

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

Property Cycle Monitor: Office

The office sector is maintaining its reputation as the most volatile of the four major property sectors. Following three years of strong growth, the first half of 2007 saw particularly heady times for the US office sector. In the wake of the break-up of Equity Office Properties' landmark portfolio and subsequent re-trades, capital values reached a record high. Total returns reached the high-teens – the best of all four main property sectors – driven not only by capital appreciation but also by double-digit percentage rental growth in the nation's leading office submarkets. Demand held steady, vacancy continued to fall, and rental rates increased at a rapid rate.

All of this has now changed. The closing months of 2007 saw occupancy stalling, subdued demand in the face of economic uncertainty and new owners being challenged to achieve the high pro-forma rents upon which they had underwritten their acquisitions. In essence, the music has stopped and the office market appears stalled.

Completions in 2007 outpaced demand for the first time since 2003 as office demand retreated by about a third, concurrent with a 10 million square foot increase in completions, compared with 2006. While demand had already been cooling, accelerated fallout from the collapse of the homebuilding and mortgage sectors contributed to the slowdown. Despite significant supply additions in 2007, the national vacancy decreased slightly by 10 basis points to 12.5% over the year, but nonetheless 420 basis points below the peak level of 16.7% in 2003.

Suburban submarkets suffered more than urban cores in 2007, as downtown vacancy fell again to 9.6%, a 60 basis point decline, while suburban vacancy rose by 30 basis points to 14.2%. Due to the effects of the subprime industry collapse, markets with economies having a high residential growth component, or harboring a disproportionate direct exposure to mortgage origination operations (Orange County in particular) faced greater vulnerability to rising availabilities. The overall softening demand meant that only five major metros – predominantly key major coastal markets – closed out 2007 with a vacancy rate of 10.0% or below: Los Angeles, New York, San Francisco, Seattle and Washington DC.

Markets that led the previous recovery, most notably Orange County, Phoenix and San Diego, saw their fortunes change in 2007 as exceptionally high levels of new speculative construction met significant retrenchments of demand growth, and in some cases net demand losses, driven by fallout from the housing slowdown and subprime collapse. Orange County's remarkable recent rise had been particularly dependent on growth from mortgage companies, but the tide of demand from that industry has swiftly swept out.

Markets still picking up the pace in 2007 include Boston, Los Angeles, San Francisco and San Jose, economies with significant tech components, large diversified economic bases and globally linked economies. In addition, these markets traditionally benefit from supply constraints. Metros that continue to lag include Atlanta, Dallas, New Jersey and Philadelphia. Austin and Denver had disappointing net absorptions amid new introductions of supply. Dallas, at 21.6%, maintains the dubious honor of having the nation's highest vacancy rate, although remarkably, this is not far from the metro's long-term average.

A mild recession, which we anticipate for the first half of 2008, is resulting in net job losses, including within office-using industries. As a result, leasing activity has slowed sharply, and space give-backs have been seen in some markets. On the supply side, an increase in speculative construction is set to outstrip demand by a sizeable margin in 2008.

- Recovery and growth in high tech (intermediate-term)
- Post 2008 slowdown in new construction

Constraints on Recovery

- Short-term lack of office job growth (virtually zero in 2008 and negative in some metros)
- Cost-conscious corporations reducing business spending (short-term/intermediate-term)
- Continued fallout in the financial sector (short-term)
- Rising construction volumes (short-term)

Implications: Timing of the Cycle

- National market has ground to a halt and is in about to contract.
- Little or no effective rental growth for the next 12 to 18 months at a national level
- Traditional CBD markets remain the safest haven in the short-term.

Office Metro Performance:

**US Office Market
Metro Performance 2008**

Out-Perform	Average*	Under-Perform
Boston	Austin	Dallas
Houston	Chicago	Fort Lauderdale
Los Angeles	Denver	Miami
New York	Oakland	Orange County
Portland	New Jersey	Phoenix
San Francisco	Philadelphia	Sacramento
Seattle	Washington DC	San Diego

* broadly in line with national trends

Source: RREEF Research

			Forecast					
			2007	2008	2009	2010	2011	2012
U.S.	Stage	Post-Growth		Contraction	Contraction	Recovery	Recovery	Recovery
	Availability	12.5%	14.0%	14.1%	13.1%	12.7%	13.1%	
	Rent Momentum*	Increase	None	Increase	Increase+	Increase+	Increase	
Atlanta	Stage	Growth	Post-Growth	Post-Growth	Recovery	Recovery	Recovery	
	Availability	16.5%	17.8%	17.9%	16.2%	15.6%	15.6%	
	Rent Momentum*	None	None	None	Increase	Increase +	Increase +	
Austin	Stage	Growth	Post-Growth	Recovery	Growth	Growth	Growth	
	Availability	16.3%	17.6%	16.1%	14.6%	14.4%	14.6%	
	Rent Momentum*	Increase	Increase	Increase	Increase +	Increase +	Increase	
Boston	Stage	Growth	Growth	Growth	Growth	Post-Growth	Post-Growth	
	Availability	10.8%	11.0%	10.7%	10.6%	11.3%	12.0%	
	Rent Momentum*	Increase	Increase	Increase +	Increase +	Increase	Increase	
Chicago	Stage	Growth	Contraction	Contraction	Recovery	Growth	Growth	
	Availability	14.9%	15.9%	16.5%	16.0%	15.2%	15.3%	
	Rent Momentum*	None	None	None	Increase	Increase +	Increase +	
Dallas	Stage	Recovery	Contraction	Contraction	Recovery	Recovery	Recovery	
	Availability	21.6%	22.3%	22.3%	20.8%	20.0%	20.2%	
	Rent Momentum*	None	None	Increase	Increase	Increase	Increase	
Denver	Stage	Post-Growth	Post-Growth	Recovery	Growth	Growth	Growth	
	Availability	14.7%	15.1%	14.4%	13.3%	12.9%	13.4%	
	Rent Momentum*	Increase	Increase	Increase +	Increase +	Increase +	Increase	
Fort Lauderdale	Stage	Post-Growth	Contraction	Contraction	Recovery	Growth	Growth	
	Availability	13.4%	15.2%	16.6%	15.7%	13.7%	12.7%	
	Rent Momentum*	None	None	None	Increase	Increase +	Increase +	
Houston	Stage	Growth	Growth	Growth	Growth	Growth	Post-Growth	
	Availability	11.5%	12.0%	12.9%	12.1%	11.6%	12.6%	
	Rent Momentum*	Increase +	Increase +	Increase	Increase	Increase +	Increase	
Los Angeles	Stage	Growth	Growth	Post-Growth	Post-Growth	Post-Growth	Post-Growth	
	Availability	10.0%	10.7%	11.4%	11.6%	11.9%	12.6%	
	Rent Momentum*	Increase +	Increase +	Increase	Increase	Increase	Increase	
Miami	Stage	Post-Growth	Contraction	Contraction	Recovery	Growth	Growth	
	Availability	13.4%	15.2%	16.6%	15.7%	13.7%	12.7%	
	Rent Momentum*	Increase	None	None	Increase	Increase +	Increase +	
New York	Stage	Growth	Post-Growth	Post-Growth	Growth	Growth	Growth	
	Availability	5.7%	6.8%	7.6%	7.0%	7.3%	7.1%	
	Rent Momentum*	Increase +	Increase +	Increase	Increase +	Increase	Increase	
New Jersey	Stage	Post-Growth	Contraction	Recovery	Growth	Growth	Growth	
	Availability	16.6%	17.4%	16.9%	15.4%	15.5%	15.4%	
	Rent Momentum*	None	None	Increase	Increase	Increase +	Increase +	
Oakland/East Bay	Stage	Post-Growth	Contraction	Recovery	Growth	Growth	Post-Growth	
	Availability	16.0%	16.0%	15.0%	13.5%	13.6%	14.3%	
	Rent Momentum*	None	None	Increase	Increase +	Increase +	Increase	
Orange County	Stage	Post-Growth	Contraction	Recovery	Recovery	Growth	Growth	
	Availability	14.4%	16.5%	15.4%	13.8%	12.3%	12.2%	
	Rent Momentum*	None	None	None	Increase	Increase +	Increase +	

* Rent Momentum: Annual Rental Growth
None: 0% to 2%
Increase: 3% - 4%
Increase+: Over 4%

		Forecast					
		2007	2008	2009	2010	2011	2012
Philadelphia	Stage	Recovery	Recovery	Recovery	Growth	Growth	Post-Growth
	Availability	11.3%	12.6%	13.0%	12.6%	12.6%	13.0%
	Rent Momentum*	Increase	Increase	Increase	Increase	Increase	Increase
Phoenix	Stage	Post-Growth	Contraction	Recovery	Recovery	Growth	Growth
	Availability	15.9%	20.1%	17.6%	14.7%	13.7%	14.7%
	Rent Momentum*	None	None	Increase	Increase	Increase +	Increase
Portland	Stage	Growth	Growth	Growth	Growth	Growth	Post-Growth
	Availability	12.5%	13.4%	13.0%	12.5%	12.7%	13.9%
	Rent Momentum*	Increase	Increase	Increase	Increase+	Increase+	Increase
Sacramento	Stage	Post-Growth	Contraction	Contraction	Recovery	Growth	Growth
	Availability	15.1%	18.2%	18.7%	16.0%	14.9%	15.2%
	Rent Momentum*	None	None	None	Increase	Increase +	Increase +
San Diego	Stage	Post-Growth	Contraction	Recovery	Growth	Growth	Growth
	Availability	13.5%	15.5%	14.6%	13.1%	12.5%	13.3%
	Rent Momentum*	None	None	Increase	Increase +	Increase+	Increase+
San Francisco	Stage	Growth	Post-Growth	Growth	Growth	Growth	Post-Growth
	Availability	9.2%	10.0%	9.0%	8.2%	8.4%	9.5%
	Rent Momentum*	Increase	Increase	Increase +	Increase +	Increase +	Increase
San Jose	Stage	Growth	Post-Growth	Growth	Growth	Growth	Post-Growth
	Availability	12.2%	14.6%	12.2%	10.4%	11.4%	14.0%
	Rent Momentum*	Increase	Increase	Increase +	Increase +	Increase +	Increase
Seattle	Stage	Growth	Post-Growth	Post-Growth	Growth	Growth	Post-Growth
	Availability	9.6%	11.5%	12.3%	11.0%	10.3%	11.5%
	Rent Momentum*	Increase	Increase	Increase	Increase+	Increase+	Increase
Washington DC	Stage	Growth	Post-Growth	Post-Growth	Recovery	Growth	Growth
	Availability	10.0%	11.5%	11.9%	11.2%	10.8%	10.9%
	Rent Momentum*	Increase	Increase	Increase	Increase	Increase	Increase

Sources: CBRE/Torto Wheaton and RREEF Research

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

Property Cycle Monitor: Retail

The retail property sector performance reflects the sharp slowdown in consumer spending growth during the past two years, following four years of historically high levels of growth. The US retail market saw modest absorption of just approximately 17 million square feet in both 2006 and 2007. While healthy, this was down by one-third from the average of those previous four years. Nevertheless, the retail sector to date has clearly benefited from an almost unprecedented period of growth. To a large extent, retail sales growth benefited from the wealthy effect of rising home values and easy credit.

During the past two years, healthy and growing retailers fueled a significant uptick in construction activity, which surpassed net absorption. As a result, the retail vacancy rate finished 2007 at 7.3%, up 70 basis points from 2005's 6.6% rate. That year appears to have been the cyclical peak for the retail sector.

Retail spending clearly has been hurt by the housing market downturn, turmoil in the credit markets, and, more recently, the loss of jobs and consumer confidence. During the second half of 2007, this slowdown became particularly evident. With the economy probably in a mild recession in 2008, we anticipate net absorption to slide more substantially to its lowest level since 2001. However, after two years of slowing retail spending growth, retailers are also moderating their expansion plans. As a result, we project additions to supply to moderate in 2008 and going forward. Nevertheless, the vacancy rate is expected to continue its upward trend, ending 2008 at 7.8%. Thereafter, we anticipate construction activity to decline along with absorption. As a result, we forecast vacancy rates to increase by a modest 10 basis points in 2009. Longer term, the retail market should improve in concert with a growing economy.

Virtually all markets have seen at least a moderate decline in forecast over the past six months. The strongest markets remain in the Pacific Northwest (Seattle and Portland) and select global markets and tech (SF Bay Area, Denver, and Austin).

U.S. National Retail Market Cycle		Forecast Years				
2007		2008	2009	2010	2011	2012
GRW	PGW		PGW		PGW	
REC	CON					
Retail Sales	4.1%	2.7%	4.1%	3.1%	3.1%	3.5%
Net Abs.	17 MSF	14 MSF	22 MSF	24 MSF	23 MSF	20 MSF
Supply	25 MSF	25 MSF	23 MSF	23 MSF	21 MSF	21 MSF
% Vacant	7.3%	7.9%	7.9%	7.7%	7.5%	7.5%
Rent Momentum	None	None	None	Increase+	Increase+	Increase+

Key: REC = Recovery GRW = Growth PGW = Post-Growth CON = Contraction

Source: REIS, Economy.com, and RREEF Research

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

Factors Shaping the Retail Cycle (Time Frame)

Drivers of Recovery

- Job growth in tech sector (ongoing)
- Limited household and income growth (ongoing)

Constraints on Recovery

- Slowing consumer spending growth (short-term/intermediate-term)
- Restrained home mortgage refinancing and home depreciation (short-term/intermediate-term)
- Higher prices for oil and natural gas (ongoing)

Implications: Timing of the Cycle

- Retail sector has turned weaker
- Few markets now growing, and several are retracting

Retail Metro Performance

US Retail Market Metro Performance 2008

Out-Perform	Average*	Under-Perform
Long Island	Austin	Atlanta
Los Angeles	Chicago	Charlotte
Miami	Denver	Dallas
Oakland/East Bay	Ft. Lauderdale	Fort Worth
Portland	Philadelphia	Houston
San Francisco	Phoenix	San Antonio
San Jose	Tampa	St. Louis
Seattle		
Washington, DC		

* broadly in line with national trends
Source: RREEF Research

----- Forecast -----

		2007	2008	2009	2010	2011	2012
U.S.	Stage	Post-Growth	Post-Growth	Post-Growth	Post-Growth	Post-Growth	Post-Growth
	Vacancy	7.3%	7.9%	7.8%	7.7%	7.5%	7.5%
	Rent Momentum*	None	None	None	Increase +	Increase +	Increase +
Atlanta	Stage	Contraction	Contraction	Recovery	Recovery	Recovery	Recovery
	Vacancy	8.7%	9.4%	9.3%	9.1%	8.9%	8.8%
	Rent Momentum*	Decline	Decline	Increase	Increase	Increase	Increase
Austin	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth
	Vacancy	9.8%	10.3%	10.1%	9.6%	9.2%	9.1%
	Rent Momentum*	None	None	Increase +	Increase +	Increase +	Increase
Baltimore	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Post-Growth
	Vacancy	4.5%	4.9%	4.8%	4.5%	4.5%	4.6%
	Rent Momentum*	None	None	Increase	Increase +	Increase +	Increase
Boston	Stage	Contraction	Contraction	Recovery	Recovery	Growth	Growth
	Vacancy	5.1%	5.6%	5.1%	5.1%	4.9%	4.9%
	Rent Momentum*	Decline	Decline	Increase	Increase	Increase +	Increase
Charlotte	Stage	Growth	Post-Growth	Post-Growth	Post-Growth	Post-Growth	Growth
	Vacancy	6.7%	7.1%	7.5%	7.8%	8.0%	7.9%
	Rent Momentum*	Increase +	None	Decline	None	None	Increase +
Chicago	Stage	Contraction	Contraction	Recovery	Recovery	Recovery	Recovery
	Vacancy	8.4%	8.9%	8.8%	8.5%	8.4%	8.3%
	Rent Momentum*	Decline	Decline	None	Increase +	Increase	Increase
Dallas	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth
	Vacancy	11.3%	11.8%	11.5%	11.2%	11.0%	10.9%
	Rent Momentum*	None	None	Increase	Increase +	Increase +	Increase
Denver	Stage	Growth	Post-Growth	Growth	Growth	Growth	Growth
	Vacancy	7.9%	8.1%	8.0%	8.0%	7.8%	7.7%
	Rent Momentum*	Increase +	None	Increase +	Increase +	Increase +	Increase
Ft. Lauderdale	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth
	Vacancy	7.0%	7.7%	7.6%	7.1%	6.8%	6.6%
	Rent Momentum*	None	None	Increase	Increase +	Increase +	Increase
Fort Worth	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth
	Vacancy	11.5%	11.9%	11.8%	11.5%	11.2%	11.1%
	Rent Momentum*	None	None	Increase +	Increase +	Increase +	Increase
Houston	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth
	Vacancy	12.1%	12.6%	12.3%	12.0%	11.6%	11.4%
	Rent Momentum*	None	None	Increase +	Increase +	Increase +	Increase
Long Island	Stage	Contraction	Contraction	Recovery	Recovery	Recovery	Contraction
	Vacancy	5.1%	5.7%	5.6%	5.3%	5.2%	5.3%
	Rent Momentum*	Decline	Decline	Increase	Increase +	Increase +	Decline
Los Angeles	Stage	Post-Growth	Post-Growth	Growth	Post-Growth	Growth	Post-Growth
	Vacancy	2.8%	3.6%	3.6%	3.9%	3.7%	4.0%
	Rent Momentum*	None	None	Increase +	Increase +	Increase +	Increase
Miami	Stage	Post-Growth	Post-Growth	Growth	Post-Growth	Post-Growth	Post-Growth
	Vacancy	4.8%	5.3%	5.3%	5.3%	5.4%	5.7%
	Rent Momentum*	None	None	Increase	None	Increase	Increase
Milwaukee	Stage	Recovery	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	9.2%	10.2%	10.2%	10.1%	10.1%	10.0%
	Rent Momentum*	Increase	Decline	None	Increase	Increase +	Increase
Minneapolis	Stage	Post-Growth	Post-Growth	Post-Growth	Growth	Growth	Growth
	Vacancy	7.5%	8.0%	8.0%	7.9%	7.8%	7.6%
	Rent Momentum*	None	None	Increase	Increase +	Increase	Increase
N. New Jersey	Stage	Post-Growth	Post-Growth	Post-Growth	Post-Growth	Growth	Growth
	Vacancy	3.4%	3.9%	4.3%	4.6%	4.5%	4.5%
	Rent Momentum*	Decline	None	Increase	Increase +	Increase +	Increase
Oakland/East Bay	Stage	Post-Growth	Post-Growth	Post-Growth	Growth	Growth	Growth
	Vacancy	3.9%	4.5%	4.6%	4.3%	4.0%	3.9%
	Rent Momentum*	None	None	Increase	Increase +	Increase +	Increase +

* Rent Momentum: Annual Rental Growth

None: 0% to 2%

Increase: 3% - 4%

Increase+: Over 4%

Forecast

			Forecast					
			2007	2008	2009	2010	2011	2012
Orange County	Stage	Growth	Post-Growth	Post-Growth	Post-Growth	Growth	Growth	
	Vacancy	2.5%	3.2%	3.4%	3.6%	3.2%	3.2%	
	Rent Momentum*	Increase +	None	None	None	Increase +	Increase +	
Orlando	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth	
	Vacancy	6.2%	7.1%	6.9%	6.8%	6.6%	6.4%	
	Rent Momentum*	None	None	Increase +	Increase +	Increase +	Increase +	
Philadelphia	Stage	Growth	Post-Growth	Post-Growth	Growth	Post-Growth	Growth	
	Vacancy	6.1%	7.0%	7.3%	7.1%	7.2%	7.0%	
	Rent Momentum*	Increase +	None	None	Increase +	None	Increase +	
Phoenix	Stage	Post-Growth	Post-Growth	Post-Growth	Growth	Growth	Post-Growth	
	Vacancy	6.6%	7.2%	7.3%	6.9%	6.8%	6.8%	
	Rent Momentum*	None	None	None	Increase +	Increase +	None	
Portland	Stage	Post-Growth	Contraction	Growth	Growth	Post-Growth	Growth	
	Vacancy	5.1%	5.5%	5.3%	4.9%	4.9%	4.5%	
	Rent Momentum*	None	Decline	Increase +	Increase +	None	Increase +	
St. Louis	Stage	Contraction	Contraction	Recovery	Recovery	Recovery	Recovery	
	Vacancy	10.7%	11.2%	11.0%	10.6%	10.4%	9.9%	
	Rent Momentum*	Decline	Decline	Increase	Increase	Increase	Increase	
San Antonio	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth	
	Vacancy	10.1%	10.5%	10.3%	10.0%	9.7%	9.4%	
	Rent Momentum*	None	None	Increase +	Increase +	Increase +	Increase +	
San Diego	Stage	Post-Growth	Post-Growth	Post-Growth	Post-Growth	Growth	Post-Growth	
	Vacancy	3.8%	4.0%	4.0%	4.1%	3.8%	4.0%	
	Rent Momentum*	None	None	None	None	Increase +	None	
San Francisco	Stage	Contraction	Contraction	Recovery	Recovery	Recovery	Contraction	
	Vacancy	3.6%	4.6%	4.3%	3.9%	3.8%	4.0%	
	Rent Momentum*	Decline	Decline	Increase	Increase	Increase	Decline	
San Jose	Stage	Growth	Growth	Post-Growth	Growth	Post-Growth	Post-Growth	
	Vacancy	2.7%	2.3%	2.9%	2.6%	2.8%	3.0%	
	Rent Momentum*	Increase +	Increase +	None	Increase +	None	None	
Seattle	Stage	Post-Growth	Post-Growth	Post-Growth	Post-Growth	Growth	Post-Growth	
	Vacancy	3.4%	3.5%	3.6%	3.9%	3.7%	3.7%	
	Rent Momentum*	None	None	None	None	Increase +	None	
Tampa	Stage	Post-Growth	Post-Growth	Post-Growth	Growth	Growth	Growth	
	Vacancy	6.7%	7.1%	7.3%	7.0%	6.7%	6.7%	
	Rent Momentum*	None	None	None	Increase +	Increase +	Increase +	
Washington, D.C.	Stage	Post-Growth	Post-Growth	Post-Growth	Growth	Growth	Post-Growth	
	Vacancy	5.3%	5.7%	5.8%	5.6%	5.5%	5.5%	
	Rent Momentum*	None	None	None	Increase +	Increase +	None	
West Palm Beach	Stage	Post-Growth	Post-Growth	Growth	Growth	Growth	Growth	
	Vacancy	6.1%	6.4%	6.0%	5.5%	5.1%	5.0%	
	Rent Momentum*	None	None	Increase +	Increase +	Increase +	Increase +	

Sources: REIS and RREEF Research

* Rent Momentum: Annual Rental Growth

None: 0% to 2%
Increase: 3% - 4%
Increase+: Over 4%

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

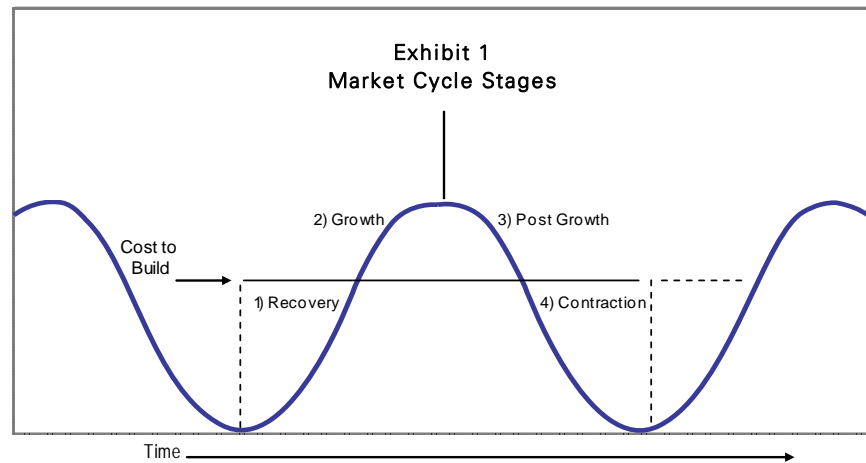
APPENDIX

Classifying Markets in the Cycle

Among the 50 markets for which baseline forecasts are prepared, 25 to 30 from each property sector are included in the Property Cycle Monitor. Along with the national market, the markets included in the Monitor are classified in their respective cycle stage in the current market and over a five-year time horizon.

Property market cycle designations are based on four distinct stages shown in Exhibit 1.

<u>Stages</u>	<u>General Conditions</u>
1) Recovery	High but declining vacancy – demand exceeding supply – stable to rising rents/values
2) Growth	Low and declining vacancy – demand exceeding supply – rising rents supportive of construction – rising values
3) Post Growth	Low but increasing vacancy – supply exceeding demand – rising/flattening rents/values
4) Contraction	High or increasing vacancy – supply exceeding demand – falling rents/values



Source: RREEF Research

Rent Momentum

Following the designation of cycle stages, a rent category is assigned to the national and primary metro markets for each year of the forecast period. Rent categories are assigned based on the general typology displayed in Exhibit 2. They are intended to show the general *momentum* behind potential changes in rent, not an actual numerical increase or decrease in rates.

Exhibit 2
Rent Categories and
The Property Cycle

Momentum Category	Cycle Stages			
	Contraction	Recovery	Growth	Post-Growth
Increase +		✓	✓	
Increase		✓	✓	✓
None	✓	✓		✓
Decrease	✓			
Decrease +	✓			

Source: RREEF Research

Important disclosure

© 2008. All rights reserved.

No further distribution is allowed without prior written consent of the Issuer.

RREEF is the brand name of the real estate, infrastructure and private equity division for the asset management activities of Deutsche Bank AG. In the US this relates to the asset management activities of RREEF America L.L.C.; in Germany: RREEF Investment GmbH, RREEF Management GmbH, and RREEF Spezial Invest GmbH; in Australia: Deutsche Asset Management Australia Limited (ABN 63 116 232 154) Australian financial services license holder; in Hong Kong: Deutsche Asset Management (Hong Kong) Limited ("DeAMHK"); in Japan: Deutsche Securities Inc.; in Singapore, Deutsche Asset Management (Asia) Limited (Company Reg. No. 198701485N) and in the United Kingdom: RREEF Limited, RREEF Global Advisers Limited, Deutsche Asset Management (UK) Limited, and Deutsche Private Asset Management Limited; in addition to other regional entities in the Deutsche Bank Group.

Key RREEF research personnel, including Asieh Mansour, Chief Economist and Strategist and Peter Hobbs, Head of Real Estate Research are voting members of the investment committee of certain of the RREEF Alternative Investment Funds. Members of the investment committees vote with respect to underlying investments and/or transactions and certain other matters subjected to a vote of such investment committee. Additionally, research personnel receive, and may in the future receive incentive compensation based on the performance of a certain investment accounts and investment vehicles managed by RREEF and its affiliates.

This material is intended for informational purposes only and it is not intended that it be relied on to make any investment decision. It does not constitute investment advice or a recommendation or an offer or solicitation and is not the basis for any contract to purchase or sell any security or other instrument, or for Deutsche Bank AG and its affiliates to enter into or arrange any type of transaction as a consequence of any information contained herein. Neither Deutsche Bank AG nor any of its affiliates, gives any warranty as to the accuracy, reliability or completeness of information which is contained in this document. Except insofar as liability under any statute cannot be excluded, no member of the Deutsche Bank Group, the Issuer or any officer, employee or associate of them accepts any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage whether direct, indirect, consequential or otherwise suffered by the recipient of this document or any other person.

The views expressed in this document constitute Deutsche Bank AG or its affiliates' judgment at the time of issue and are subject to change. This document is only for professional investors. This document was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. No further distribution is allowed without prior written consent of the Issuer.

An investment in real estate involves a high degree of risk and is suitable only for sophisticated investors who can bear substantial investment losses. The value of shares/units and their derived income may fall as well as rise. Past performance or any prediction or forecast is not indicative of future results.

The forecasts provided are based upon our opinion of the market as at this date and are subject to change, dependent on future changes in the market. Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance.

For Investors in the United Kingdom:

Issued in the United Kingdom by Deutsche Asset Management (UK) Limited of One Appold Street, London, EC2A 2UU. Authorised and regulated by the Financial Services Authority. This document is a "non-retail communication" within the meaning of the FSA's Rules and is directed only at persons satisfying the FSA's client categorisation criteria for an eligible counterparty or a professional client. This document is not intended for and should not be relied upon by a retail client.

When making an investment decision, potential investors should rely solely on the final documentation relating to the investment or service and not the information contained herein. The investments or services mentioned herein may not be appropriate for all investors and before entering into any transaction you should take steps to ensure that you fully understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You should also consider seeking advice from your own advisers in making this assessment. If you decide to enter into a transaction with us you do so in reliance on your own judgment.

For Investors in Australia:

In Australia, Issued by Deutsche Asset Management (Australia) Limited (ABN 63 116 232 154), holder of an Australian Financial Services License. An investment with Deutsche Asset Management is not a deposit with or any other type of liability of Deutsche Bank AG ARBN 064 165 162, Deutsche Asset Management (Australia) Limited or any other member of the Deutsche Bank AG Group. The capital value of and performance of an investment with Deutsche Asset Management is not guaranteed by Deutsche Bank AG, Deutsche Asset Management (Australia) Limited or any other member of the Deutsche Bank Group. Investments are subject to investment risk, including possible delays in repayment and loss of income and principal invested.

For Investors in Hong Kong:

Interests in the funds may not be offered or sold in Hong Kong or other jurisdictions, by means of an advertisement, invitation or any other document, other than to Professional Investors or in circumstances that do not constitute an offering to the public. This document is therefore for the use of Professional Investors only and as such, is not approved under the Securities and Futures Ordinance (SFO) or the Companies Ordinance and shall not be distributed to non-Professional Investors in Hong Kong or to anyone in any other jurisdiction in which such distribution is not authorised. For the purposes of this statement, a Professional investor is defined under the SFO.

Main Offices

Frankfurt

Mergenthalerallee 73-75
65760 Eschborn
Germany
Tel: +49 69 71704 906

Hong Kong

48/F Cheung Kong Centre
2 Queen's Road Central
Hong Kong
Tel: +852 2203 8888

London

1 Appold Street
Broadgate
London
EC2A 2UU
United Kingdom
Tel: +44 20 7545 8000

New York

280 Park Avenue
23W. Floor
New York
NY10017-1270
United States
Tel: +1 212 454 3900

San Francisco

101 California Street
26th Floor
San Francisco
CA 94111
United States
Tel: +1 415 781 3300

Tokyo

Floor 17
Sanno Park Tower
2-11-1 Nagata-cho
Chiyoda-Ku
Japan
Tel: +81 3 5156 6000

Publication Address:

RREEF
101 California Street
26th Floor
San Francisco, CA 94111
USA

Website:

www.rreef.com

Additional information is
available upon request

I-003424-1.2

RREEF Research

Peter Hobbs

Head, Global Real Estate Research
+44 20 7547 4855

Europe

Brenna O'Roarty

Director
+44 20 7545 6099

Maren Våth

Vice President
+49 69 717 04 204

Ermina Topintzi

Assistant Vice President
+44 20 7545 6674

Henry (Wei) Chin

Assistant Vice President
+44 20 7545 6611

Lonneke Löwik

Assistant Vice President
+44 20 7545 6328

Susannah Hunter

Assistant Vice President
+44 20 7547 3305

Asia Pacific

Tan Yen Keng

Vice President
+852 2203 8062

Koichiro Obu

Vice President
+81 3 5156 6000

Asieh Mansour

Chief Economist and Strategist
+1 415 262 2044

North America

Alan Billingsley

Director
+1 415 262 2017

Brooks Wells

Director
+1 212 454 6437

Hope Nadji

Director
+1 415 262 2022

Andrew J. Nelson

Vice President
+1 415 262 7735

Bill Hersler

Vice President
+1 415 262 2075

Stephen Newbold

Vice President
+1 415 262 2040

Ross Adams

Vice President
+1 415 262 2097

Jaimala Patel

Vice President
+1 212 454 1752

Sandy Naylor

Assistant Vice President
+1 415 262 7715