

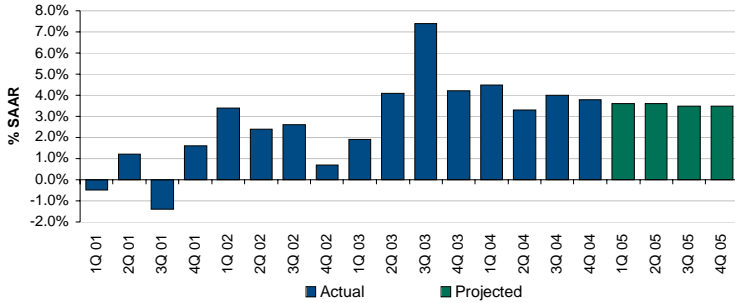


The U.S. View

A snapshot of U.S. economic and real estate markets - 4Q 2004

U.S. Economy

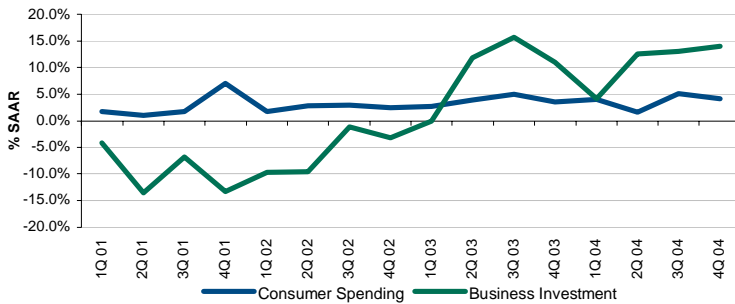
Real GDP – Annual Growth Highest Since 1999



Source: Bureau of Economic Analysis; Bloomberg; (SAAR = Seasonally-adjusted annualized rate).

- U.S. economic growth slowed slightly in 4Q 2004 as real GDP grew at a 3.8% annual rate, following a 4.0% increase in 3Q 2004.
- The deceleration in real GDP growth was reflective of a widening trade deficit and tapering consumer spending growth.
- For the full year 2004, real GDP grew 4.4%, the highest annual growth rate since 4.5% in 1999 and up from 3.0% in 2003.

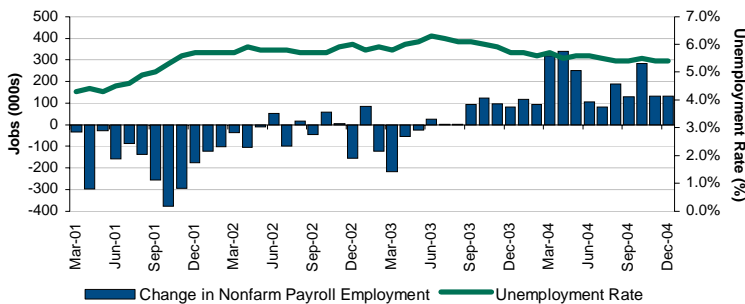
Consumer Spending Slows



Source: Bureau of Economic Analysis; (SAAR = Seasonally-adjusted annualized rate).

- Consumer spending increased 4.2% in 4Q 2004, below the 5.1% increase in 3Q 2004, which was the highest level in three years.
- Business investment increased 14.0% in 4Q 2004, up from the 13.0% increase in 3Q 2004.
- Business investment was driven primarily by robust spending on equipment and software (+18.0%) while spending on commercial structures grew 1.2%.

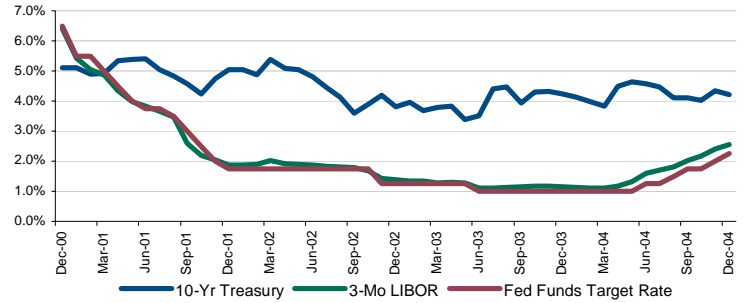
Employment – Job Creation Remains Steady



Source: Bureau of Labor Statistics.

- Job creation of 569,000 in 4Q 2004 was roughly in-line with expectations for the quarter, as October's large gain offset below-consensus results for the months of November and December.
- During 2004, the U.S. economy created 2,194,000 jobs, the largest annual increase since 1999, as the unemployment rate fell 30 bps to 5.4%.
- Furthermore, the U.S. manufacturing sector recorded a positive net employment gain (+37,000) over prior year-end, the first since 1998.

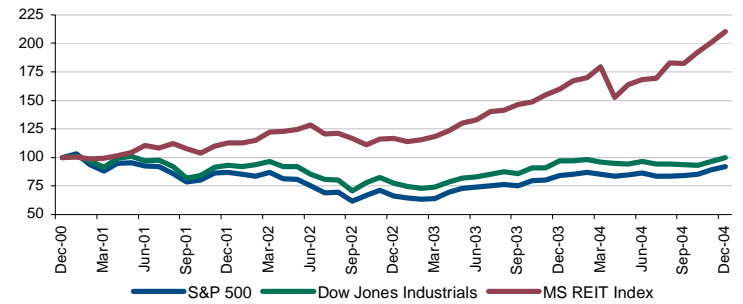
Treasury Yields Hold as Fed Continues Tightening



Source: Bloomberg.

- The yield on the 10-year U.S. Treasury increased only 10 bps during 4Q 2004 despite the Fed raising its target rate by 50 bps to 2.25% during the quarter.
- Following quarter-end, the Fed raised its target rate for the sixth consecutive session dating back to June 2004 and expects to continue tightening at a “measured” pace to keep inflation in check.
- Economists forecast the Fed funds target rate to end 2005 at 3.75%, with the 10-year U.S. Treasury yield expected at 5.00%.

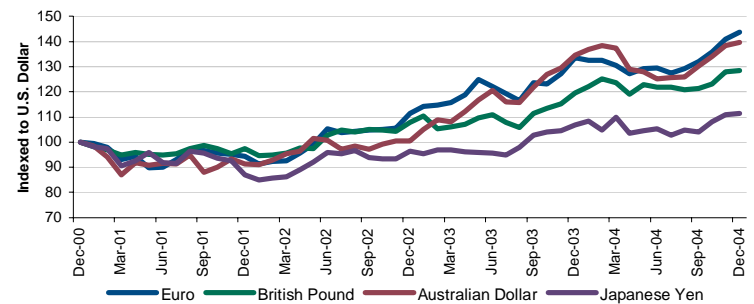
Equity Markets – REITs Reach New Highs



Source: Bloomberg.

- In 4Q 2004, the S&P 500 gained 8.7%, the Dow Jones Industrials gained 7.0%, and the Morgan Stanley REIT Index gained 15.3%.
- December marked the eighth consecutive month of appreciation for the Morgan Stanley REIT Index following April's price correction, rising 37.8% over that span.
- For the year, the Morgan Stanley REIT Index was up 31.5%, compared to +9.0% for the S&P 500 and +3.1% for the DJIA.

Currency Market – U.S. Dollar Continues Decline

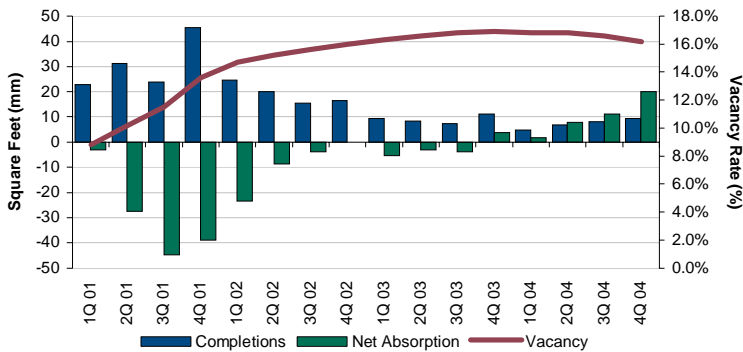


Source: Bloomberg.

- In 4Q 2004, the Euro (+9.0%), Australian Dollar (+7.2%), Japanese Yen (+6.3%), and British Pound (+5.9%) appreciated against the U.S. Dollar.
- The majority of economists expect the U.S. Dollar to end its three-year decline against the Euro in 2005 as the Fed continues its tightening cycle, thereby widening the yield differential between rates in the U.S. and Europe.
- Separately, economists forecast the Yen to appreciate against the U.S. Dollar for a fourth consecutive year in 2005.

## U.S. Office Market

### Supply and Demand Fundamentals



Source: Reis, Inc.

- In 4Q 2004, the office market recorded positive net absorption of 20.0 mm sf, the fourth consecutive quarter of accelerating positive absorption and the largest since 3Q 2000.
- Vacancy rates decreased 40 bps to 16.2% as net absorption outpaced completions (+9.3 mm sf) by over 10 mm sf.
- Net absorption for all of 2004 was 40.8 mm sf, making it the first full year of positive net absorption since 2000.
- Reis projects net absorption will materially outpace completions in 2005, allowing for an 80 bps reduction in vacancy rates, followed by more significant vacancy reductions in the next three years.

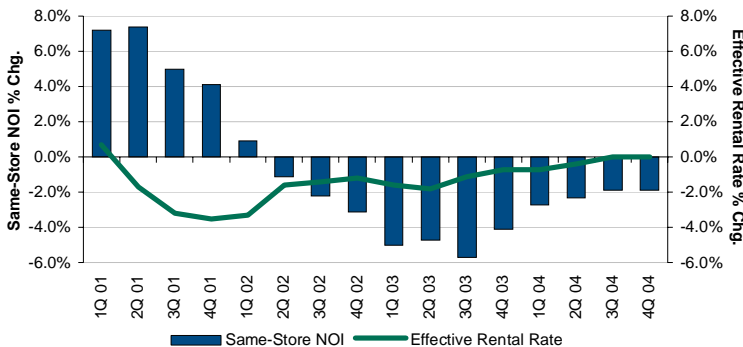
### Major Market Occupancy Trends

Vacancy Rates			
Highest		Lowest	
Dallas	26.0%	District of Columbia	7.4%
Denver	21.1%	San Bernardino/Riverside	9.3%
San Jose	21.0%	Long Island	9.4%
San Francisco	20.6%	New York	10.2%
Austin	20.5%	Richmond	11.3%
Memphis	20.2%	Suburban Maryland	11.9%
Cleveland	20.0%	Norfolk/Hampton Roads	12.3%
Pittsburgh	19.9%	San Diego	12.5%
Columbus	19.8%	Palm Beach	12.7%
San Antonio	19.5%	Orange County	12.8%
Top 64 Office Metros = 16.2%			

Source: Reis, Inc.

- In 4Q 2004, 49 of the top 64 office markets experienced falling vacancy rates over the prior quarter, up from 38 markets in 3Q 2004, with the national average decreasing 40 bps to 16.2%.
- Meanwhile, positive absorption occurred in 57 markets and rising effective rents occurred in 32 markets, compared with 46 and 25 markets, respectively, in 3Q 2004.
- Of the top office markets in 4Q 2004, Los Angeles (-60 bps), Boston (-40 bps), Washington, D.C. (-30 bps), and New York (-20 bps) experienced vacancy decreases while Chicago (+10 bps) experienced a slight vacancy increase compared with the prior quarter.

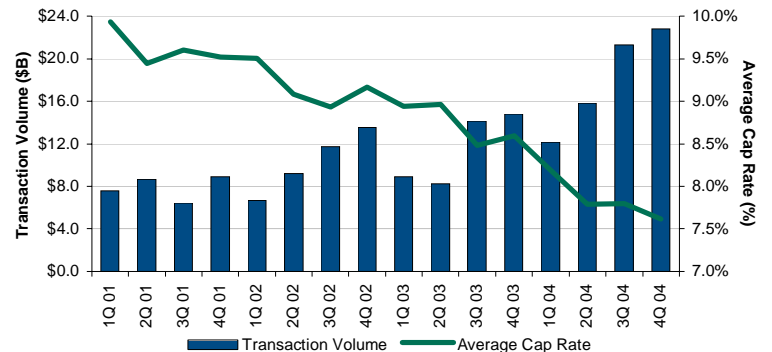
### Rent Growth Trends



Source: Company filings; Green Street Advisors; Reis, Inc.

- In 4Q 2004, effective rents remained flat for the second consecutive quarter, but declining vacancies began to put positive pressure on rental rates in select markets.
- While rents have not yet gained positive traction, flat rent is a positive development following thirteen consecutive quarters of rent declines.
- Reis projects effective rents to grow 1.0% in 2005, followed by an average annual gain of 3.8% over the next four years.
- Despite accelerating leasing activity, average same-store NOI continues to decline as rent roll-downs offset occupancy gains.

### Transaction Activity

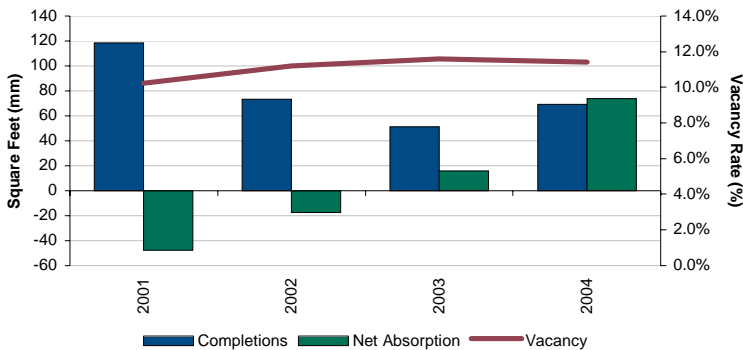


Source: Real Capital Analytics.

- According to RCA, the office sector closed \$22.8B of transactions (133.2 mm sf) in 4Q 2004, an increase in volume of 54% over the prior year.
- Average cap rates declined 100 bps over the prior year to 7.6%, while the average price increased 15% to \$171 psf.
- Investor appetite for quality remains strong, with the top quartile of office properties trading at or below 7% cap rates and the yield differential versus tertiary markets well over 100 bps and widening.
- Investor composition over the past four quarters consisted of: Private National (27%), Private Local (20%), Institutional (18%), Public REITs (18%), Foreign (14%), and User/Other (3%).

## U.S. Industrial Market

### Supply and Demand Fundamentals



Source: Reis, Inc. (warehouse/distribution & flex/R&D; updated annually).

- In 4Q 2004, the industrial market recorded positive net absorption of 24.4 mm sf, the seventh consecutive quarter of absorption improvement.
- Strong net absorption was offset by completions of 25.8 mm sf, holding vacancy rates constant at 11.4%.
- Manufacturing growth slowed but continued to expand as the ISM Index averaged 57.5 in 4Q 2004 compared to 60.1 in 3Q (>50 indicates expansion).
- Reis projects that net absorption will exceed completions by 18 mm sf or greater in each of the next five years, placing continued downward pressure on vacancy rates.

### Major Market Occupancy Trends

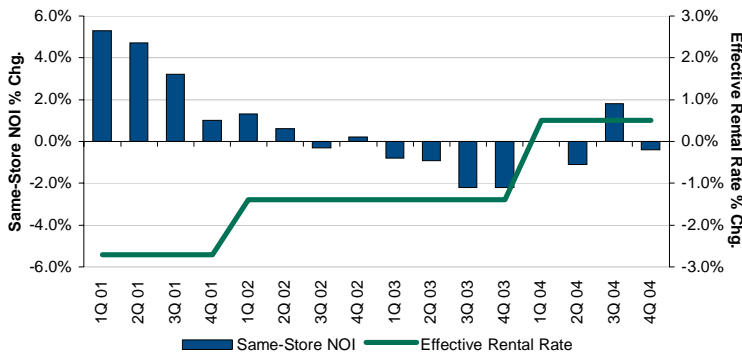
Vacancy Rates			
Highest		Lowest	
Boston	20.2%	Los Angeles	7.4%
Memphis	17.2%	St. Louis	7.8%
San Jose	16.4%	Palm Beach	8.1%
Philadelphia	16.2%	Seattle	8.2%
Richmond	15.8%	Miami	8.3%
Austin	15.8%	Tampa-St. Petersburg	8.3%
Atlanta	15.7%	San Diego	8.7%
Raleigh-Durham	15.2%	Denver	9.3%
San Francisco	15.0%	Cincinnati	9.3%
Sacramento	14.8%	Fort Lauderdale	9.4%

Top 45 Industrial Metros = 11.4%

Source: Reis, Inc. (warehouse/distribution & flex/R&D).

- In 4Q 2004, 28 of the top 46 industrial markets tracked by CB Richard Ellis experienced falling vacancy rates over the prior quarter, down from 25 in 3Q 2004.
- Of the top industrial markets in 4Q 2004, Chicago (-120 bps), Atlanta (-80 bps), and Dallas/Ft. Worth (-20 bps) experienced vacancy decreases, while Mid-New Jersey (+70 bps) and Northern New Jersey (+20 bps) experienced vacancy increases and Los Angeles (0 bps) was flat compared with the prior quarter.

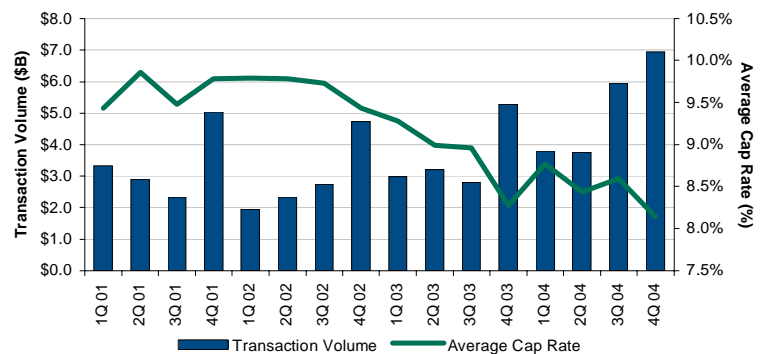
### Rent Growth Trends



Source: Company filings; Green Street Advisors; Reis, Inc. (warehouse/distribution & flex/R&D).

- Effective rents remained relatively flat in 4Q 2004, the second consecutive quarter that rents did not decline.
- The 0.5% increase in effective rents in 2004 marked the first annual increase since 2000.
- As Reis projects a favorable demand/supply balance and declining vacancy rates, effective rents are expected to grow 1.4% in 2005, followed by an average 2.9% annual increase over the next four years.
- While increased leasing is leading to occupancy gains, negative releasing spreads led to an average same-store NOI decline in 4Q 2004.

### Transaction Activity

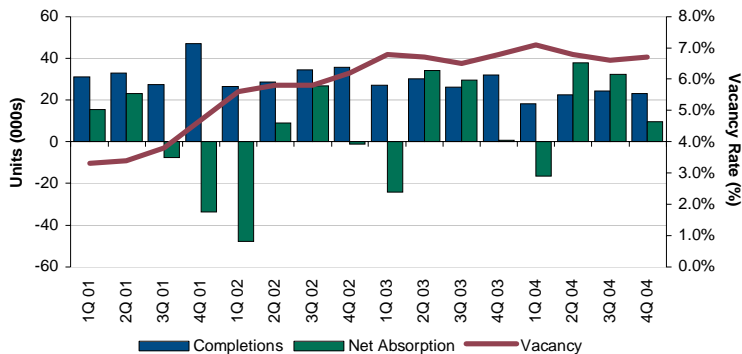


Source: Real Capital Analytics (warehouse/distribution & flex/R&D).

- According to RCA, the industrial sector closed \$7.0B of transactions (111.5 mm sf) in 4Q 2004, an increase in volume of 32% over the prior year.
- Average cap rates declined 10 bps over the prior year to 8.1%, while the average price increased 23% to \$62 psf.
- A quality differential is evident with the top quartile of industrial properties trading almost 100 bps below the national average and modern, well-leased product commanding cap rates comparable to the office sector.
- Investor composition over the past four quarters consisted of: Private Local (30%), Institutional (22%), Private National (20%), Public REITs (15%), User/Other (12%), and Foreign (1%).

## U.S. Apartment Market

### Supply and Demand Fundamentals



Source: Reis, Inc.

- In 4Q 2004, a seasonally weak quarter for demand, the apartment market recorded positive net absorption (+9.7k units), albeit below completions (+23.0k units).
- Vacancy rates increased 10 bps from the prior quarter to 6.7% as completions outpaced net absorption by 13.3k units.
- As Reis projects annual completions of greater than 90k units over the next five years, the continued pace of new supply should result in modest occupancy gains.
- In 2005, Reis projects that completions should marginally outpace net absorption, resulting in a 10 bps reduction in vacancy rates, with the recovery accelerating thereafter.

### Major Market Occupancy Trends

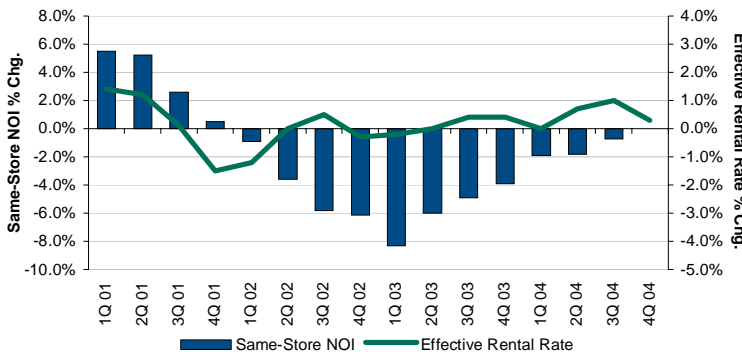
Vacancy Rates			
Highest		Lowest	
Houston	10.6%	Central New Jersey	3.3%
Dallas	10.4%	Long Island	3.3%
Indianapolis	10.2%	New York	3.3%
Fort Worth	10.2%	Los Angeles	3.5%
Austin	10.2%	Fairfield County	3.5%
Charlotte	10.2%	Norfolk/Hampton Roads	3.7%
Wichita	9.7%	Orange County	3.9%
Atlanta	9.7%	San Diego	4.0%
Memphis	9.6%	Philadelphia	4.0%
Denver	9.5%	San Bernardino/Riverside	4.1%

Top 64 Apartment Metros = 6.7%

Source: Reis, Inc.

- In 4Q 2004, 26 of the top 64 apartment markets experienced rising vacancy rates over the prior year, down from 33 markets in 3Q 2004, with the national average decreasing 15 bps to 6.7%.
- Meanwhile, positive absorption occurred in 41 markets and rising effective rents occurred in 45 markets, compared with 49 and 58 markets, respectively, in 3Q 2004.
- Of the top apartment markets in 4Q 2004, Atlanta (-140 bps), Phoenix (-100 bps), and New York (-70 bps) experienced vacancy decreases, while Houston (+110 bps), Washington, D.C. (+90 bps), and San Francisco (+30 bps) experienced vacancy increases and Los Angeles (0 bps) was flat compared with the prior year.

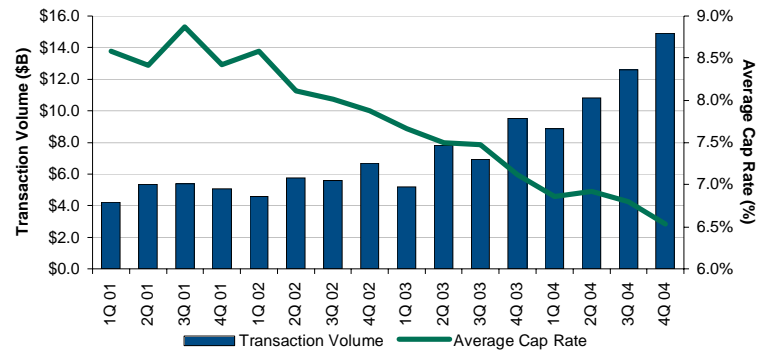
### Rent Growth Trends



Source: Company filings; Green Street Advisors; Reis, Inc.

- Effective rents increased 0.3% in 4Q 2004, partially constrained by the 10 bps increase in vacancy rates from the prior quarter.
- Despite completions (+87.9k units) outweighing net absorption (+63.3k units) in 2004, effective rents grew 2.1%, a trend that Reis projects to continue in 2005 with 2.9% growth.
- Reis expects net absorption to outweigh completions in 2006 for the first time since 2000, allowing for average annual effective rent growth of 3.3% for 2006 through 2009.
- Average same-store NOI was flat for 4Q 2004 as modest rent growth was offset by growing expenses.

### Transaction Activity

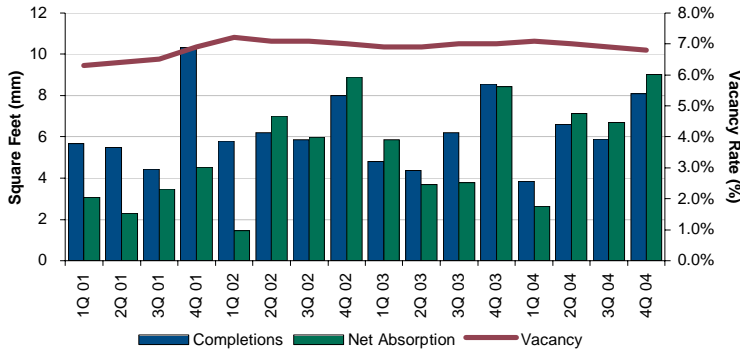


Source: Real Capital Analytics.

- According to RCA, the apartment sector closed \$14.9B of transactions (156k units) in 4Q 2004, an increase in volume of 57% over the prior year.
- Average cap rates declined 60 bps over the prior year to 6.5%, while the average price increased 32% to \$95.2k per unit.
- Condo conversions were a significant force in 2004, accounting for \$9.3B, or 19%, of total volume at an average cap rate of 5.7%.
- Investor composition over the past four quarters consisted of: Private Local (40%), Private National (30%), Public REITs (16%), Institutional (11%), Foreign (1%), and User/Other (1%).

## U.S. Retail Market

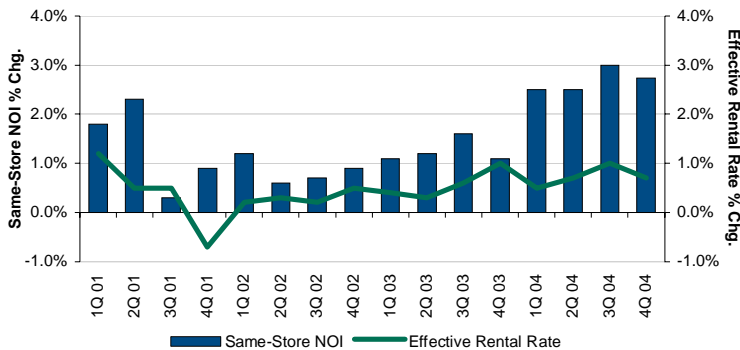
### Supply and Demand Fundamentals



Source: Reis, Inc. (neighborhood & community shopping centers).

- In 4Q 2004, the retail market recorded positive net absorption (+9.0 mm sf), which was up from 3Q 2004 (+6.7 mm sf).
- Vacancy rates decreased 10 bps to 6.8% from the prior quarter as net absorption outpaced completions (+8.1 mm sf) by nearly 1 mm sf.
- Reis projects that a pickup of completions in 2005 will outpace net absorption by over 5 mm sf, resulting in a 20 bps rise in vacancy rates to 7.0%.
- Despite the modest increase in supply, Reis does not project a material impact on vacancy rates as the retail environment maintains an overall positive outlook.

### Rent Growth Trends



Source: Company filings; Green Street Advisors; Reis, Inc. (neighborhood & community shopping centers).

- Effective rents increased 0.7% in 4Q 2004, representing the twelfth consecutive quarter of positive growth.
- Reis projects this trend to remain positive with effective rent growth averaging 3.0% annually over the next five years.
- This rent growth is projected despite a pickup in new supply that will put marginal upward pressure on vacancy rates from the current nominally low levels.
- Average same-store NOI growth finished the year strong as public shopping center REITs continue to benefit from pricing power in a strong occupancy environment.

### Major Market Occupancy Trends

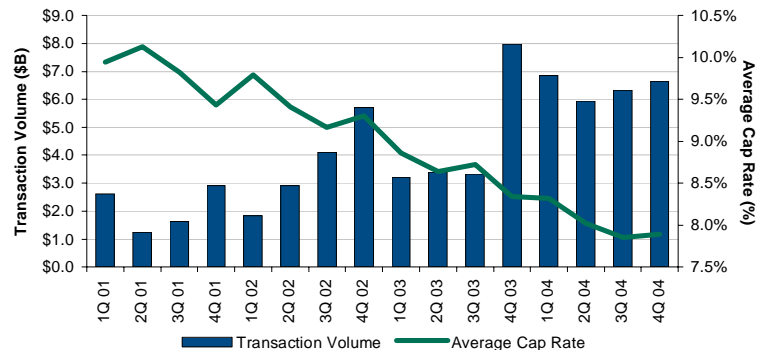
Vacancy Rates			
Highest		Lowest	
Indianapolis	13.1%	San Jose	2.1%
Memphis	12.5%	Fairfield County	2.4%
Wichita	12.3%	San Diego	2.7%
Columbus	11.9%	Orange County	2.8%
Dayton	11.5%	Oakland-East Bay	2.8%
Greensboro/Winston-Salem	10.8%	Suburban Virginia	2.8%
Birmingham	10.5%	Los Angeles	3.1%
Pittsburgh	10.3%	San Francisco	3.5%
Charlotte	10.0%	Northern New Jersey	3.6%
Hartford	10.0%	Seattle	3.7%

Top 62 Retail Metros = 6.8%

Source: Reis, Inc. (neighborhood & community shopping centers).

- In 4Q 2004, 22 of the top 62 retail markets experienced rising vacancy rates over the prior quarter, up slightly from 21 markets in 3Q 2004, with the national average decreasing 10 bps to 6.8%.
- Meanwhile, negative absorption occurred in 13 markets and declining effective rents occurred in 10 markets, compared with 15 and 6 markets, respectively, in 3Q 2004.
- Of the top retail markets in 4Q 2004, Dallas (-40 bps), Las Vegas (-30 bps), Los Angeles (-20 bps), Phoenix (-20 bps), and Atlanta (-10 bps) experienced vacancy decreases, while San Francisco (+10 bps) experienced a vacancy increase compared with the prior quarter.

### Transaction Activity



Source: Real Capital Analytics (neighborhood & community shopping centers).

- According to RCA, the retail sector closed \$6.7B of transactions (44.5 mm sf) in 4Q 2004, a decrease in volume of 17% from the prior year.
- Average cap rates declined 50 bps over the prior year to 7.9%, while the average price increased 28% to \$150 psf.
- The volume decline over the prior year resulted from a limited supply of offerings; the top quartile of retail centers are commanding cap rates below 7%.
- Investor composition over the past four quarters consisted of: Public REITs (33%), Private Local (26%), Private National (23%), Institutional (10%), Foreign (6%), and User/Other (3%).

## U.S. Real Estate Capital Markets

### New Equity Issuance Driven by IPO Activity

REITs raised approximately \$3.2B of public common equity during 4Q 2004, a \$400 M increase (15%) from 3Q 2004. This represents the second largest amount of common equity raised in a single quarter in the past five years. Unrepentant appetite for real estate securities encouraged a flurry of IPO activity. Sunstone Hotel Investors, U-Store-It Trust, GMH Communities Trust, Digital Realty Trust, Feldman Mall Properties, Spirit Finance Corporation, and MHI Hospitality all issued public equity for the first time in 4Q, raising nearly \$2.1B.

#### Common Equity Raised (\$M)

	2000	2001	2002	2003	2004
1Q	\$0	\$190	\$1,635	\$123	\$3,913
2Q	0	706	2,152	2,502	1,706
3Q	77	965	236	2,767	2,810
4Q	651	1,514	873	1,731	3,244
Year	\$728	\$3,375	\$4,896	\$7,123	\$11,673

Source: NAREIT.

### Equity Market Drives Premiums to NAV

The REIT universe ended 2004 trading at a 14% premium to NAV despite the recalculation of NAVs by Merrill Lynch that raised NAV and caused premiums to dip. Industrial REITs moved to the front of the pack with a 22% spread to NAV, while Manufactured Housing REITs lag at a 2% discount to NAV.

#### Premium/Discount to NAV

	1999	2000	2001	2002	2003	2004
REIT Universe	-21%	-10%	-4%	-2%	19%	14%
Industrial	-20%	-3%	-8%	-2%	20%	22%
Manufactured Housing	-14%	-16%	0%	-7%	1%	-2%
Multifamily	-15%	-3%	1%	-9%	11%	12%
Office	-24%	-3%	-3%	-13%	12%	11%
Regional Mall	-25%	-22%	-6%	10%	31%	14%
Self-Storage	-21%	-21%	6%	-1%	12%	13%
Shopping Center	-33%	-8%	11%	9%	20%	18%

Source: Merrill Lynch.

### Uptick in M&A Activity

Rich valuations drove further consolidation within the REIT industry during 4Q 2004. In addition to two large M&A deals in both the multifamily and retail sectors, there were also large portfolio acquisitions of note, including Developers Diversified's acquisition of 15 properties in Puerto Rico for \$1.2B.

- On December 23, Macerich announced the acquisition of Wilmorite Properties and Wilmorite Holdings for \$2.3B, including the assumption of \$882M in debt. By acquiring Wilmorite, Macerich adds 11 regional malls and two open-air community centers totaling in excess of 13 mm sf.
- On December 19, Kramont announced it would be acquired by Australia-based Centro Properties for \$1.25B. Kramont's portfolio includes 93 retail properties encompassing nearly 12.6 mm sf.
- On October 25, Colonial announced it would acquire Cornerstone Realty Income Trust for \$1.5B, picking up 87 apartment communities.
- On October 4, Camden announced its acquisition of Summit Properties for approximately \$1.9B, which will produce the fifth largest public multifamily company in the U.S.

Macquarie Capital Partners is a global investment banking and advisory firm specializing in raising private equity for public and private real estate operating companies and funds, and delivering strategic financial advisory services to clients around the world.

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### Debt Markets Remain an Attractive Source of Capital

REITs raised approximately \$4.4B of unsecured debt during 4Q 2004, nearly \$2.0B more than the amount raised during 4Q 2003. Driving the large 4Q debt issuance was Equity Office Properties, which alone issued nearly \$2.7B of unsecured notes to pay down the balance on their revolver and to retire a \$500M bridge revolver. Debt issuance remains at near record levels, tracking the decline in interest rates, which fell to their lowest levels since April.

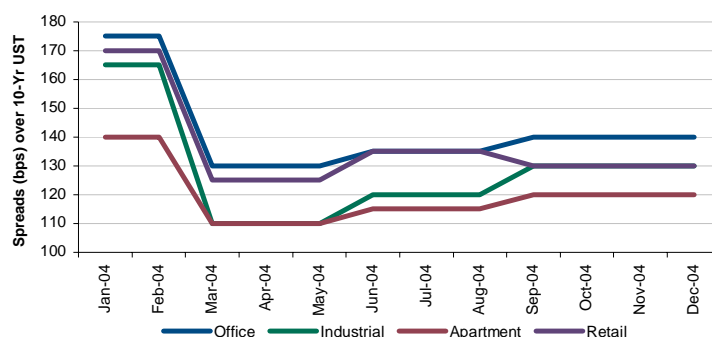
#### Debt Financings (\$M)

	2001 Debt	Treasury 10-yr	2002 Debt	Treasury 10-yr	2003 Debt	Treasury 10-yr	2004 Debt	Treasury 10-yr
1Q	\$3,685	5.06%	\$2,310	5.04%	\$4,107	3.93%	\$5,575	3.84%
2Q	1,110	5.28%	3,220	4.98%	2,155	3.60%	2,264	4.59%
3Q	2,200	5.12%	2,489	4.18%	990	4.08%	4,746	4.35%
4Q	2,125	4.80%	2,469	4.04%	2,432	4.26%	4,371	4.07%
Year	\$9,120		\$10,488		\$9,684		\$16,956	

Source: NAREIT; Bloomberg; (average interest rate for 10-year U.S. Treasuries at time of debt offering for the applicable period).

### Private Mortgage Spreads Remain Tight

Private mortgage spreads remained stable across all property types during 4Q 2004. Tight spreads along with low interest rates produced consistently attractive debt rates.



Source: GMAC Institutional Advisors.

### Co-Investment Ventures Slow

During 4Q 2004, four REIT co-investment ventures, with a total capitalization of approximately \$1.7B, were disclosed. Activity declined considerably from the ten transactions totaling \$3.3B completed in 3Q. The decrease was likely due to the substantial levels with which REITs accessed both the public equity and debt markets during the quarter. Retail companies once again led the way.

Operator	Sector	\$M	Venture	Investor
Macerich	Retail	\$160	Existing	AT&T
Inland	Retail	\$575	Existing	NYSTRS
RioCan	Retail	\$793	Acquisition	CPP
Benchmark	Senior Housing	\$148	Existing	KFH

Source: Company filings.