



Global MarketView

JANUARY 2005

CBRE
CB RICHARD ELLIS

Global MarketView

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GLOBAL ECONOMIC TRENDS

The global economy is healthy entering 2005. Growth is robust in Asia in general, and in China in particular. The U.S. economy is well positioned this year to match, and in terms of job creation exceed, its 2004 performance. Europe has entered a period of sustainable growth, with particularly positive trends in Eastern Europe. Overall, while a few national economies are struggling, all regions are expanding and none are in recession.

The primary driver of global economic growth is the marked upsurge in business investment. Corporate spending is being buoyed by high confidence among business leaders, low interest rates, the very low cost of capital and generally positive trends in global stock markets. The positive impact of rising business investment is reflected in emerging economies by surging foreign direct investment (FDI) flows, particularly into China, India and Eastern Europe, and in more developed economies by surging export activity.

Prices for commodities including oil, metals and concrete have risen due to increased demand. Fortunately, most economies are strong enough to withstand the pressure from higher prices, and so far inflationary pressures have been contained in the more developed countries. As a result of this tame inflation, as well as huge inflows into global fixed-income markets, interest rates are very low. This has given central banks the flexibility to maintain moderately accommodative monetary policies, which in turn is providing low-cost capital to businesses for

investment purposes and to governments to finance infrastructure improvements.

Currency exchange rates are both a contributor and a threat to the sustainability of the current global expansion. On balance, the weakening of the U.S. dollar since mid-2004 has been a net benefit to economic growth: The positive impact on the U.S. economy from rising exports and demand for domestically produced goods has outweighed, at least until now, the minor negative impact of constrained export pricing power in Europe and, to a lesser extent, elsewhere. Countries with strengthening currencies have also been insulated from the rise in oil prices, since oil prices are quoted in dollars.

The threat posed by currency fluctuations is nevertheless real. The global economy is not currently strong enough to continue to expand without positive growth in the U.S. To date the weaker dollar has enabled a business-investment-driven expansion in the U.S.; however, if the currency were to weaken significantly more against the Euro, higher interest rates in the U.S., combined with stalling exports elsewhere, could cause global growth to weaken.

Emerging economies are once again outpacing their more developed counterparts. Asia Pacific is the fastest-expanding region in the world, followed by Latin America and the Caribbean. North America is expanding at a rate above its long-term potential. Europe is generally the weakest of the world's four major regions, but there is a clear break between the lackluster performance in the euro zone countries and

the much more robust growth in the emerging Eastern European economies.

ASIA PACIFIC

Of the four major global economic regions, Asia Pacific is the most resistant to blanket categorizations. The same region that has China, the world's fastest-growing major economy, also contains Japan, one of only two major global economies where GDP fell in the last half of 2004. There is, however, one commonality between Asia Pacific countries: They rely on exports outside the region as their primary economic driver. As such, the global economic expansion has disproportionately benefited the region's economies.

Japan is the clear exception to robust growth elsewhere in the region, but by its own standards its economy has performed relatively well since 2001. While GDP did turn negative at the end of 2004, the unemployment actually fell during the year, and capital investment rose. Current conditions, however, are less promising; deflationary trends appear to have taken hold again, and even though borrowing costs are effectively zero, consumer spending is just barely positive on a year-over-year basis. Reforms in the banking sector are beginning to improve the lending environment, but the positive effects of these reforms on the Japanese economy will likely be felt closer to the end of the decade.

China's economy has yet to decelerate from the brisk pace set in 2003 and 2004. Government measures designed to slow growth to a more sustainable level have yet to be reflected in GDP, which surged in the

last quarter of 2004, or in fixed capital investment, which although slowing is still growing at a 15%+ pace. Industrial production grew by more than 12% for six consecutive years. The undervalued yuan remains an impediment to the government's stated desire to rein in economic growth, as the weak currency is causing export activity to surge far more strongly than it otherwise would. Rapid integration with the mainland economy is fueling growth in Hong Kong, and trade flows are rapidly increasing between China and Taiwan. Exports to China were also responsible for a significant proportion of South Korea's GDP growth.

The Australian and New Zealand economies are heavily influenced by domestic spending trends, and both have come under pressure from rising home prices. The Australian housing market run-up has already reversed, although so far the drops in home prices have been fairly limited. New Zealand's housing market remains strong, reflecting positive consumer sentiment overall.

The tragic tsunami that hit South Asia in December 2004 had significant impacts on the local economies of the affected countries, and the recovery process has diverted resources that would otherwise have been used for investment purposes. Nevertheless, export-driven growth was responsible for higher GDP growth in 2004 as compared with 2003 in Indonesia, Malaysia, the Philippines and Singapore, and to solid performance in Thailand. India's poor farm output in 2004 was a slight drag on growth, but rising exports (up more than 30% during the year) more than compensated for the shortfall.

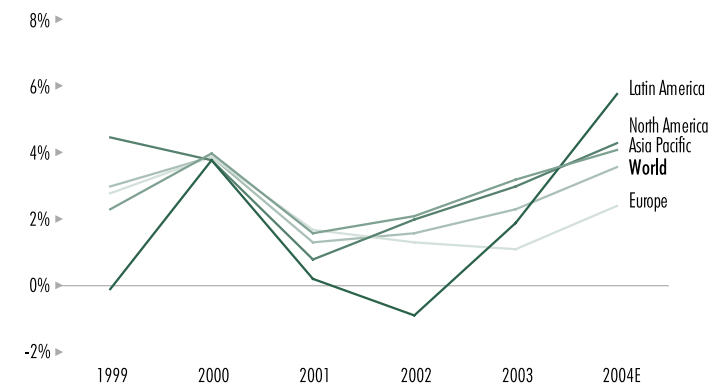
LATIN AMERICA AND THE CARIBBEAN

The Latin America and Caribbean region prospered in 2004 due in large part to demand from the U.S. To a lesser extent, the region has benefited from a voracious demand for raw materials from China, muting the negative impact of China increasing its market share of finished-goods exports to the U.S. In marked contrast to the first three years of the century, there were no major political or fiscal crises in Latin America in 2004, and the region posted its highest GDP growth since the mid-1990s.

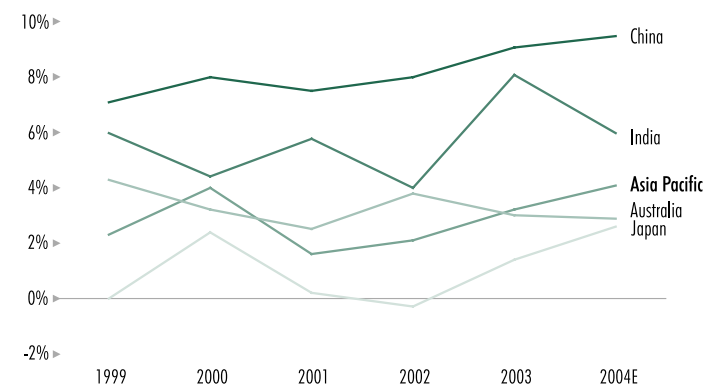
The Latin American and Caribbean economies can be grouped into two categories: those that rely almost solely on exports as growth drivers, and those that have a more diverse economic base that includes healthy domestic demand. In general, the economies that are primarily export driven have not performed as well as the others; they have a greater risk of a downturn. By contrast, the region's more prosperous countries are better equipped to deal with changing global demand, as well as to weather short-term currency or other fiscal crises.

Of the export-driven economies, Venezuela's is the most at risk. While 2004 GDP growth was the strongest in the region at 13.2%, this came after two straight years of stiff output declines. Venezuela rebounded in 2004 thanks to skyrocketing global demand for oil, which has enabled the government to pump up spending on infrastructure and social programs that keep the economy expanding. The downside is that inflation is still not under control, and the country is at the mercy of global energy markets.

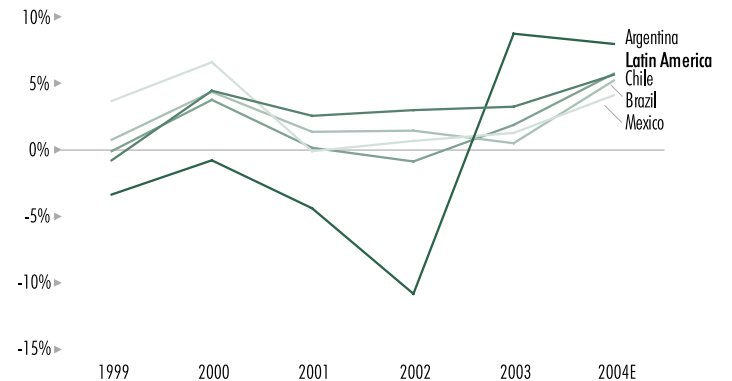
GLOBAL GDP GROWTH



ASIA PACIFIC GDP GROWTH



LATIN AMERICA GDP GROWTH



Source: Economy.com

Mexico's manufacturing sector, led by growing demand for finished goods from the U.S., expanded strongly in 2004. Remittances from Mexican citizens living in the U.S. are also a major contributor to economic growth, accounting for 3% of GDP in 2004. But business investment has weakened considerably since 2000, resulting in stagnant productivity, and employment rolls are still below their 2000 peak.

Of the region's more diversified economies, Argentina's is the most precariously perched. A debt-exchange program that replaces defaulted bonds with new ones worth a quarter of their previous value appears to have succeeded, relieving the country of this looming obligation. Fueled by strong domestic demand and favorable export activity, GDP grew by 9% in 2003 and 8% in 2004. Nevertheless, the effects of the four-year recession that ended in 2002 are still reflected in the 13% unemployment rate and the low levels of FDI into the country.

Chile stands out by having the region's healthiest economy. Exports jumped more than 50% in 2004, due in large part to soaring prices for raw materials, particularly copper. FDI is flowing into the country at a record pace, allowing Chile to expand its profitable mining and export-bound agricultural industries. Domestic demand is broadly positive, reflected in healthy retail sales growth. Brazil's economy is similarly diversified, with export-related activities and internal demand accounting for roughly equal shares of the 5% growth in GDP in 2004. Rising export demand was followed by surging fixed-investment spending,

which will allow Brazil's producers to improve their global competitiveness.

EUROPE, MIDDLE EAST AND AFRICA

In 2004, the region encompassing Europe, the Middle East and Africa grew at its fastest pace since 2000. Almost every economy experienced substantial improvement in 2004 over 2003 — strong global demand for exports and rising domestic business investment caused GDP to rebound and labor markets to firm. The emerging Eastern Europe economies are expanding at the strongest rates in the region, whereas the more mature and regulated euro zone economies are growing at the slowest rates.

Demand for its goods and services allowed the euro zone to export its way out of the near-recessionary conditions of the early part of the decade. Exports rose more than 5% in 2004. Every country benefited from the improving U.S. economy, the growth in Asia and trade with the ten newest European Union countries. The strength of the Euro has yet to reverse export growth, but it has eroded manufacturers' profitability. The main factor separating the strongest economies in the euro zone from the weaker ones is consumer confidence. In countries such as France, Spain and Ireland, robust consumer confidence is complementing healthy external demand, causing their economies to outperform the euro zone average. By contrast, poor spending patterns in Germany, Italy and the Netherlands mean that the only growths driver in these countries are foreign demand and business investment.

Other European Union economies are generally faring better than those in the euro zone. Since 2000, the United Kingdom has consistently been the strongest of Europe's large economies, driven by healthy consumer spending trends and a moderate rise in business investment. The main concern in the U.K. is that the consumer sector will wilt under pressure from higher interest rates, but so far GDP has continued to expand at a rate above its peers on the continent. In 2004, Sweden and Denmark's economy expanded by 2.8% and 2.3%, respectively, buoyed by healthy corporate profits and spending. Income tax cuts that take effect in both countries in 2005 will support healthy near-term growth.

The clear growth leaders in Europe are the ten new European Union countries, which are just beginning to reap the benefits of economic integration with their more prosperous neighbors. Poland, the largest of the new entrants, experienced GDP growth of 5.3% in 2004, although the strength of the export-led expansion is threatened by the strength of the zloty, its national currency, versus the Euro and U.S. dollar. Across the smaller countries, an investment boom financed both by domestic and foreign sources is keeping the Bulgarian, Hungarian and Czech Republic's economies humming.

The region's major non-European economies are also growing on the back of an export boom. Russia is riding on strong global demand for oil and gas, and rising income levels are keeping retail sales healthy. The unemployment rate in Israel dropped in 2004 after rising consistently for the previous four years; GDP rose 4.3% and exports surged an estimated 10%. South

Africa benefited from strong demand for its agricultural and manufactured products, although the lifting of worldwide quotas on textile products, which favored African producers, will constrain growth in 2005.

NORTH AMERICA

While both Canada and the United States experienced healthy economic growth in 2004, their relative positions have shifted. From the late 1990s through 2002, Canadian GDP growth outpaced that of the United States, and labor market conditions were notably stronger in Canada during the first half of this decade. The equilibrium has shifted — GDP growth was higher in the U.S. than in its northern neighbor’s in 2003 and 2004, and new job creation is picking up just as Canada’s labor markets decelerate. Both are poised to remain among the world’s best performing industrial economies in 2005.

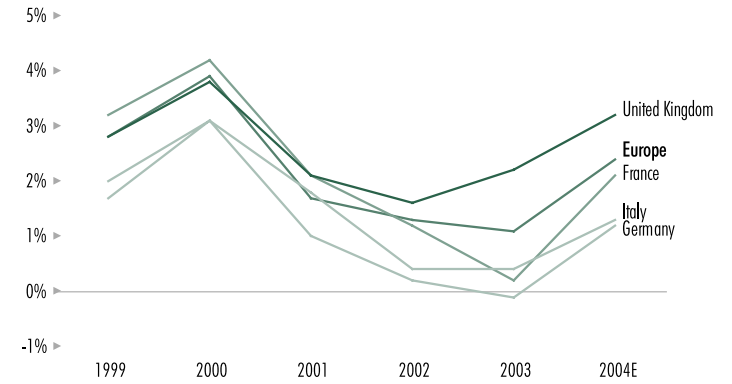
Canada prospered in the post-2000 period while the rest of the world endured a wave of debilitating recessions. Its economy cooled in the latter half of 2004 due in large part to the appreciation of the Canadian dollar, which has eroded its competitiveness in trade with the U.S. At the same time the Canadian economy has benefited from the Global surge in demand for natural resources. The main risk to Canada’s economy is further appreciation of the Canadian dollar, which would force manufacturers to cut production and

workers. Yet policymakers have ample room to stimulate economic growth in the event of an economic hiccup, because Canada is the only G-7 economy with both a current account and a federal budget surplus.

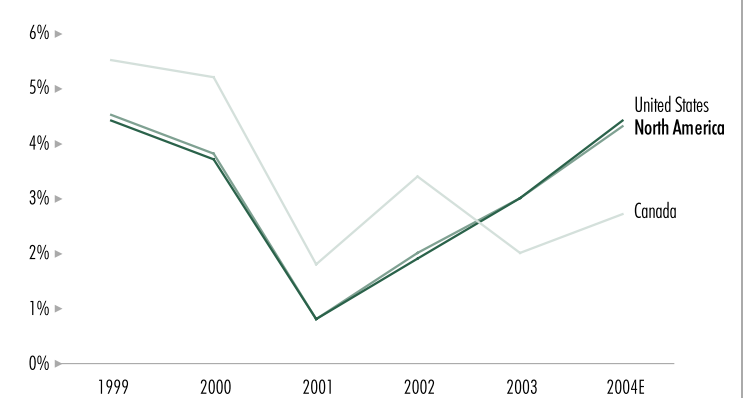
After many false starts, the United States has transitioned from a consumer-led to a business-led economic expansion. More than two million jobs were created in 2004, the most since 1999, and initial jobless claims are at levels typical of a robust economic expansion. Consumer spending is moderating somewhat after blockbuster growth earlier in the decade, but surging business investment is more than compensating for this decline. The business-spending recovery is strongest among manufacturers keeping pace with rising orders from overseas, but such other industries as business and financial services are also investing in new equipment, space and, perhaps most importantly, new employees.

Currently, the U.S. could benefit from the weaker dollar, but an increasing trade deficit appears to be keeping the U.S. export market in check. Inflation is a looming concern, but so far rising production costs have yet to translate into broad-based CPI increases. The hikes in the federal funds rate that began in 2004 have not had a perceptible constraining impact on economic growth. Assuming job creation continues and the dollar does not fall much more against the Euro, economic growth will remain solid through 2005.

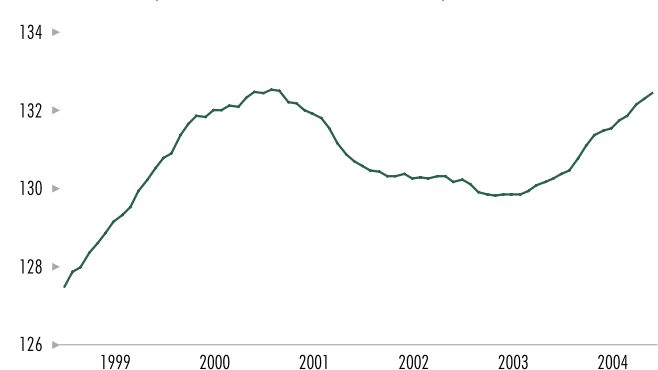
EUROPE GDP GROWTH*



NORTH AMERICA GDP GROWTH*

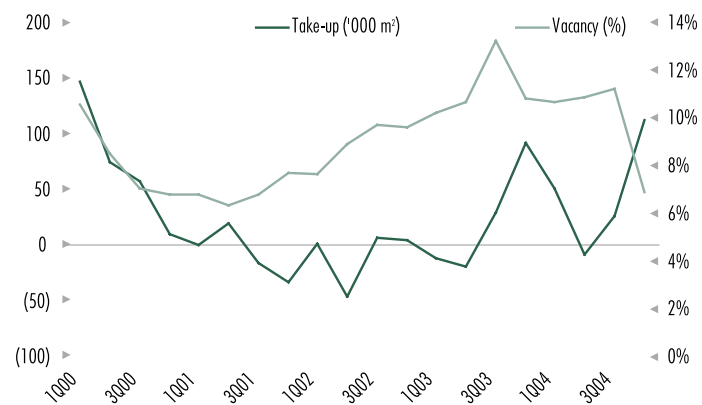


U.S. EMPLOYMENT (MONTHLY TOTAL NON-FARM IN MILLIONS)**

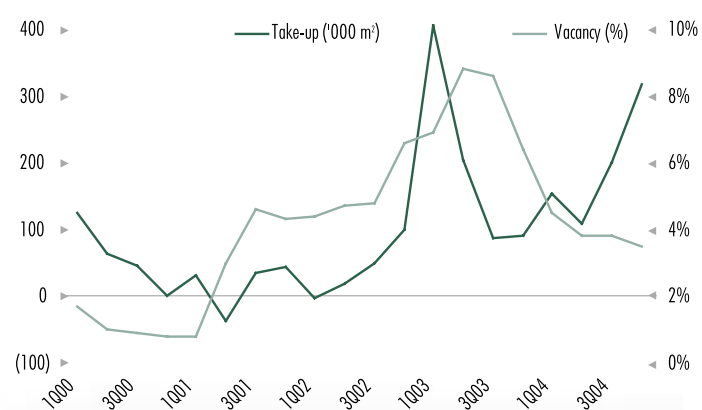


* Source: Economy.com
 ** Source: U.S. Bureau of Labor Statistics

HONG KONG PRIME OFFICE TAKE-UP & VACANCY



TOKYO PRIME OFFICE TAKE-UP & VACANCY



Source: CB Richard Ellis

HONG KONG

As Hong Kong's economic rebound continues on the back of further expansion of the benefits provided to Hong Kong companies by CEPA (Closer Economic Partnership Arrangement between Hong Kong and the Chinese mainland) and positive global economic figures, the requirements of both Multi-National Corporations and local companies are pushing up demand for Grade-A office space. Despite a seasonal slowdown in leasing activity before the year's end, landlords continued to maintain strong rental rates. Overall, Grade-A office rentals rose by 8.9% in the fourth quarter of 2004.

Investment Trends: Despite the atmosphere of uncertainty created by persistent high oil prices, financial deficit and tough credit-control measures in China, the property investment market is expected to remain brisk in 2005. Healthy growth persisted in the local economy in 2004 and new supply remained tight in various property sectors, especially for Grade-A offices. Anticipating further firming in property values, landowners are more willing to put their assets on the market. Development sites, particularly in urban areas, and strata-title offices are expected to be the focus of the investment market in 2005. When these supporting factors are combined with low interest rates, it's not surprising that local players are displaying continued confidence and willingness to invest in property, which in turn is supporting demand.

TOKYO

The Grade-A office market in Tokyo's Central Five Wards maintained its buoyancy during the fourth quarter. Class-A office vacancy continued to fall, dropping to 3.5% within the quarter, as strong take-up continued to outstrip new supply. New supply in the fourth quarter was the lowest in 2004. This limited new supply, alongside the fact that many landlords achieved strong pre-leasing commitment in the third quarter, boosted competition among prospective tenants for new Class-A office properties. The increased competition resulted in a reduction in rent-free periods being offered by landlords as well as an increase in net rents.

Investment Trends: A flood of international capital into the Japanese real estate market coupled with a significant yield-to-borrowing cost spread has resulted in more real estate transactions that featured financial engineering, especially major transactions in the office sector. For example, Lone Star's third-quarter purchase of Kokusai Motors' central Tokyo office portfolio was reportedly geared to 86% of the purchase price. While highly geared transactions have been present in the market since the first wave of foreign capital in the late 1990s, the distinguishing nature of these recent transactions was a reliance on leverage to achieve acceptable returns. Two trends — increased confidence in future performance by J-REIT investors and a convergence of capitalization rates — clearly emerged in the Tokyo investment market in the second half of 2004.

SEOUL

CBD Grade-A rents remained stable as a result of sluggish leasing demand in 2004, which caused landlords to postpone their annual rental increases. In the fourth quarter, only the Yeouido and Gangnam Grade-A office submarkets registered positive net absorption. Most of the lease transactions during the quarter derived from relocation and expansion demand in the Gangnam Business District.

Rents for CBD Grade-A office space should remain unchanged in the first quarter of 2005. New demand stemming from corporate formation and growth will remain subdued in Seoul unless the overall economy improves. This trend is likely to remain unchanged through the first half of 2005, because Korea's business outlook continues to be uncertain.

Investment Trends: Although the Korean economy experienced only moderate growth in 2004, demand for real estate investment product grew stronger, fueled by interest from both domestic and foreign players.

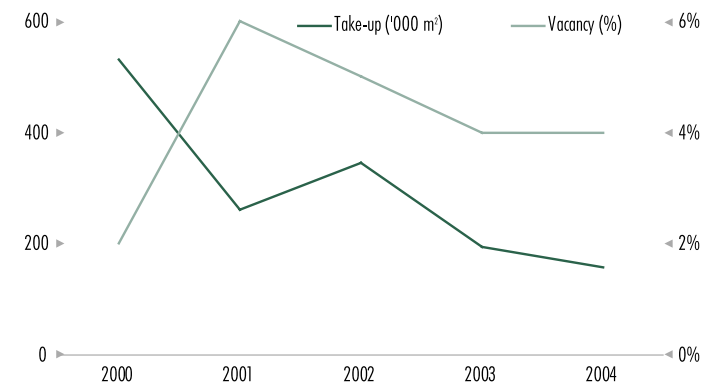
The office segment performed well in 2004; return on investment was higher than returns in other market segments. Current yield rates, which range from 7.5% to 8% for prime office buildings, will edge downward in 2005 due to the demand from existing investors and new players who are anxious to make their first purchase in the Korean real estate market.

SYDNEY

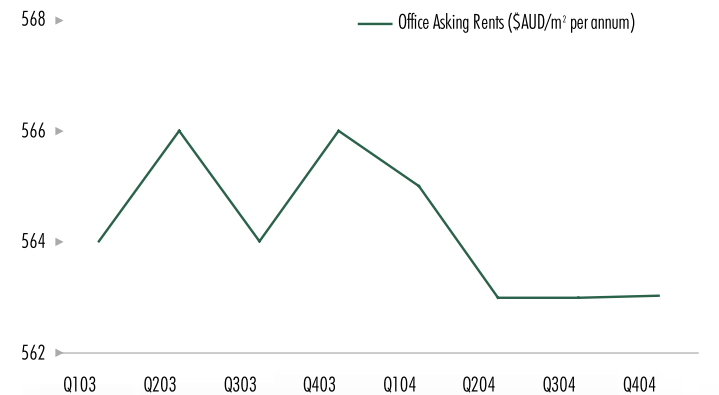
The Sydney office market began to recover in 2004 after a period in which businesses shrank and reduced their square-footage needs. With the global economy improving, profits lifting and white collar employment picking up throughout 2004, positive net absorption returned to the market. There were further signs of corporate expansion in the fourth quarter, adding to the expectation for improving net absorption in the final quarter of 2004. One of the major highlights was health insurance company MBF committing to 82,900 square feet for seven years at the AMP-owned 50 Bridge Street. 2005 should see further and stronger positive net absorption as employment remains strong and profitability improves.

Investment Trends: Sydney CBD office-sales volume was down substantially in the second half of 2004, as indeed it was for the entire year. Owners sense that a recovery in the leasing market is on its way and are holding out to reap the benefits of higher occupancy and rental-income growth. Interestingly, the challenges of the market, expressed in higher vacancy and increased incentives offered by owners, have never really been tested on the open market. Properties that have sold over the last couple of years have not reflected the market overall; they have tended to enjoy high occupancy and long lease profiles. Therefore the prime initial yield trend was stable at 6.6%. Investor interest remains present for quality properties in the Sydney CBD.

SEOUL PRIME OFFICE AVERAGE TAKE-UP & VACANCY (3 MAJOR BUSINESS DISTRICTS)

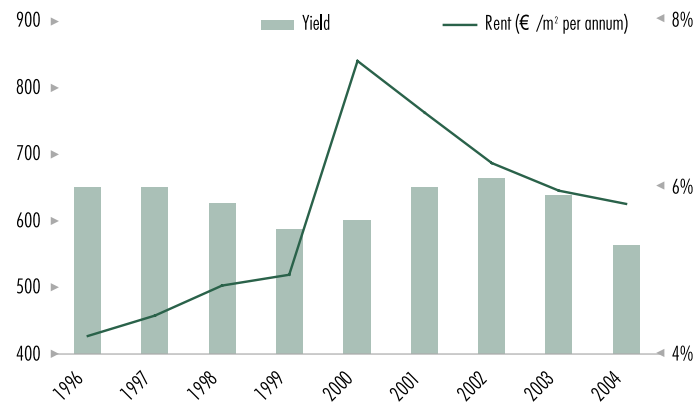


SYDNEY OFFICE ASKING RENTS

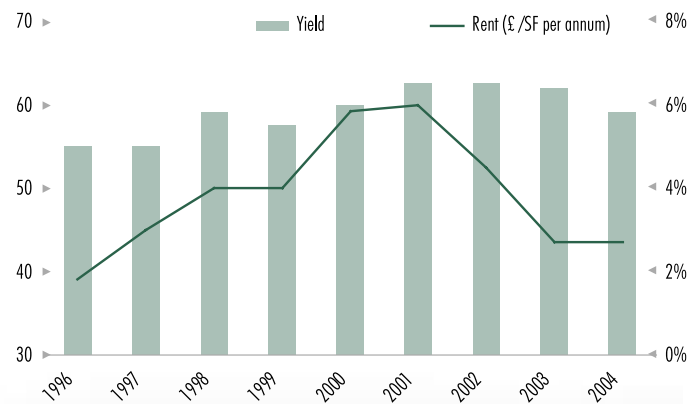


Source: CB Richard Ellis

PARIS REGION PRIME OFFICE RENT & YIELD



LONDON CITY PRIME OFFICE RENT & YIELD



Source: CB Richard Ellis

PARIS

The outlook for the Paris office market is mixed. Office demand is robust and vacancy rates are low, yet the overall rental trend is downward. Demand for office space picked up sharply in the fourth quarter, with take-up activity reaching 580,000 square meters. This is a 45% increase from the previous quarter. Office activity in 2004 totaled 1.91 million square meters, but this had limited impact on net absorption. The majority of demand was generated by local occupiers who, driven by cost savings and low rents, are taking the opportunity to relocate to higher-quality premises.

The development pipeline continues to slow, with only 46,000 square meters of new office space expected in the first half of 2005. Strong demand in 2004, however, had a positive impact on the vacancy rate, which fell to 6.3%.

At the end of 2004, prime rents in Paris averaged €625 per square meter per annum. This is the second successive quarterly increase, although this growth is not reflective of the general downward trend, and rents include generous incentives.

The less-than-spectacular economic performance and moderate employment growth forecast for 2005 are unlikely to stimulate the office market further. Prime rents are expected to fall slightly over 2005.

Investment Trends: Paris is generally recognized as being the most active and liquid investment market in Europe after London, and during 2004 that trend continued with €10 billion in total office turnover. The French investment market is highly concentrated in

Paris, which made up 86% of turnover in 2004. France is also notable in that more than half of property acquisitions were by foreign investors.

LONDON CITY

Demand in the City of London underwent a healthy resurgence in the fourth quarter of 2004, as take-up reached 167,200 square meters, its highest level since the end of 2000. The revival of demand from the banking and services sectors contributed greatly to the aggregate take-up for 2004, which improved more than 50% from 2003.

The level of available space in the City has fallen to 13% of stock. Nevertheless, this figure is still significantly higher than it had been throughout 2002 and 2003. The composition of this space is heavily skewed towards grade-A space, which comprises over half of the total space available.

Despite emerging improvements in market conditions, prime rents have so far proved unresponsive and have remained stable at £43.50 per square foot per annum, with 24 months rent-free.

Investment Trends: With €21.3 billion in total transactions, the U.K. comprised half of the total amount transacted in the E.U. 15 in 2004, two thirds of which took place in central London. London remains the most active investment market in Europe, with Irish private investors and German funds leading the herd of cross-border investors.

FRANKFURT

2004's weak final quarter in terms of lettings brought the total amount of space let in Frankfurt to just 340,000 square meters. Reflecting a weaker than expected national economy, this total was a third lower than in 2003.

An upturn in transactions is nevertheless expected in 2005, as tenants who signed five-year leases at the peak of the market in 2000 seek new accommodation. Rather than re-sign on expensive terms, occupiers are expected to take advantage of generous incentives on high-quality space.

It will be some time before rising demand will impart any significant downward pressure on availability. The vacancy rate, including sublease space, rose from 13.2% to 15.1% over 2004. Since the end of 2002, Frankfurt has had the highest vacancy rates of all the German markets. However, with a modest amount of construction in the pipeline, availability is close to its ceiling.

With supply peaking in the near future, the sharp falls in rents experienced over the last two years are unlikely to continue. Prime rents remain unchanged at €34 per square meter per month for nine months, and they will demonstrate more stability going forward.

Investment Trends: The poor returns from German property mean that in 2004, inflows of new capital were concentrated in the funds whose properties are mainly outside Germany. Moreover, modest improvements in the economic situation in Germany failed to attract overseas investors. Nevertheless, with €2.3 billion in

office transactions in 2004, Germany remains one of the largest markets in Europe.

BRUSSELS

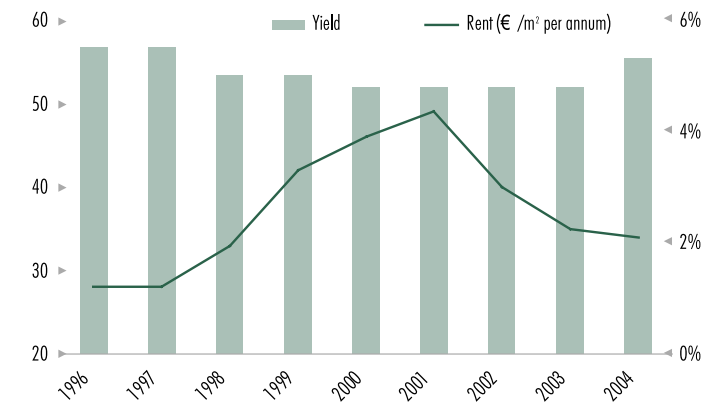
The key feature of the Brussels office market is the fact that demand from the private sector picked up significantly over the second half of 2004, after a long period in which take up was dominated by public-sector occupiers. Demand is now more broadly based, although the public sector still accounted for nearly 30% of take-up in the second half of 2004. The recovery in corporate demand, however, could be short-lived if the strength of the Euro stifles economic growth that has been based on exports.

This improvement in private-sector demand benefited Brussels' outer submarkets, and it is now possible to see some improvement in vacancy in these areas. However, with vacancy rates of 15% in the Decentralized area and 20% in the Periphery, it will still be some time, 2006 at least, before rates improve sufficiently to start generating rental growth.

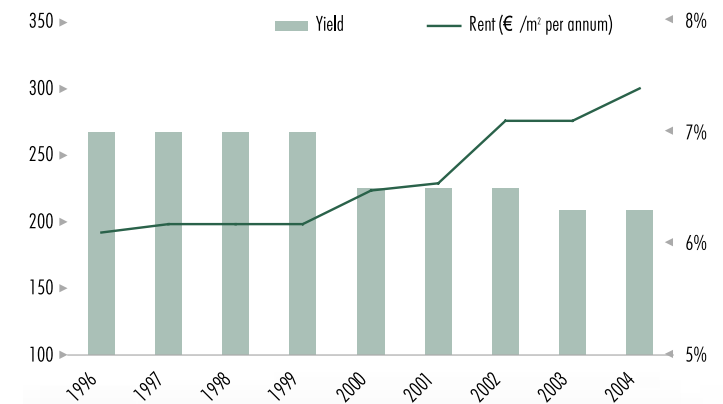
The current top rental rates in Brussels are stable at €300 per square meter per annum.

Investment Trends: Insurance companies were the most prolific purchasers in Belgium in 2004, targeting office properties above other sectors. Indeed, offices represented 65% of purchases by value across the country. After Paris, Brussels has the next highest proportion of foreign investors — foreign buyers account for 54% of the market.

FRANKFURT PRIME OFFICE RENT & YIELD

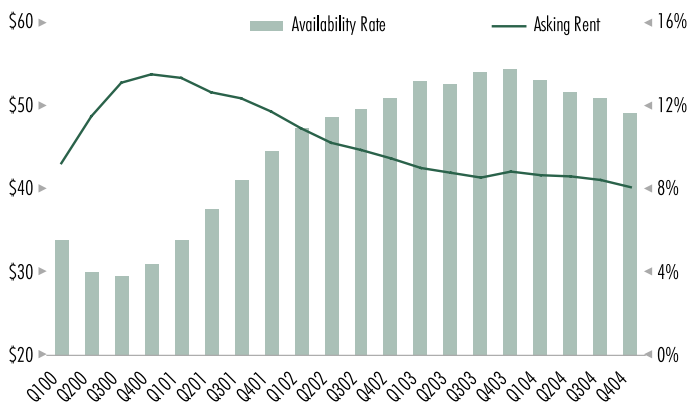


BRUSSELS PRIME OFFICE RENT & YIELD

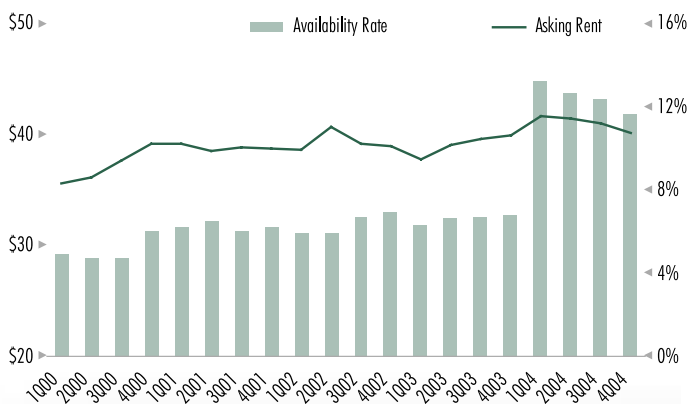


Source: CB Richard Ellis

NEW YORK CITY ASKING RENT & AVAILABILITY



WASHINGTON, DC ASKING RENT & AVAILABILITY



Source: CB Richard Ellis

NEW YORK

Although a sustained recovery remained elusive, Downtown Manhattan demonstrated measured improvements in leasing and absorption in 2004. For the year, leasing totaled 5.45 million square feet, which is 901,000 square feet (or 20%) more than 2003's 4.55 million square feet. Average asking rents dropped \$0.21 to end the year at \$29.94 per square foot, a significant discount from December 2003's \$32.92 per square foot. 2004 ended with 316,000 square feet of net absorption, a reversal from 2003's negative 720,000 square feet.

Midtown Manhattan ended 2004 with a flurry of leasing in December totaling 1.78 million square feet, outpacing the five-year monthly average of 1.23 million square feet by 44% — a fitting end to a record-breaking year. December's absorption propelled 2004's total to 6.39 million square feet, a remarkable reversal from 2003's negative 5.09 million square feet and the first year since 2000 that net absorption finished the year in positive territory. Midtown's availability rate ended the year hovering just above the single-digit mark, dropping 0.6 points to 10.1% in December, the lowest level since September 2002 and 3.3 points lower than year-end 2003's rate of 13.4%

Investment Trends: Manhattan leads the U.S. in overall CBD office sales, with more than \$11 billion in transactions in 2004. The average price per square foot was just over \$300, with the average cap rate dropping to 7%. One of the largest sales was the Marine Bank Building, which sold for approximately \$456 million, or \$380 per square foot.

Source: RCA, Inc.

WASHINGTON, DC

The Washington, DC real estate market has a steadily increasing tenant base, a long line of buyers hoping to purchase buildings, and new construction that will allow the city to grow. The year-end vacancy rate was 6.8% and has been under 7% each year since 1998. Net absorption for the year was almost 2.5 million square feet, an amount larger than the combined total in 2002 and 2003.

The average asking full-service rental rate in Washington, DC rose from \$39.55 to \$39.83 per square foot during the fourth quarter of 2004. Overall rental rate growth has been surprisingly static during the past four years when compared to the increase in sales prices. Class-A rates for existing buildings finished the year at \$43.51 per square foot, up from \$42.85 per square foot at the start of the year.

Investment Trends: Downtown Washington, DC continues to be one of the most sought-after investment markets in the world. More than \$3.25 billion in property changed hands during 2004, and the average sales price for all classes of office property was more than \$363 per square foot. Class-A buildings now routinely sell for more than \$400 per square foot. Most Class-A properties are currently trading at cap rates near 7%, but some buildings are changing hands with initial yields lower than 6%.

LOS ANGELES

The Los Angeles County office market experienced increased asking lease rates, flat vacancy and decreased net absorption and construction during the fourth quarter of 2004. Vacancy in Los Angeles County decreased 7.8%, from 14.4% in the fourth quarter of 2003 to 13.3% in the fourth quarter of 2004.

Average asking lease rates increased 2.3% in Los Angeles County, from \$2.10* per square foot in the fourth quarter of 2003 to \$2.15 per square foot in the fourth quarter of 2004. The greatest annual increase was in the downtown Los Angeles submarket, which rose 12.3%, from \$1.88 per square foot in the fourth quarter of 2003 to \$2.11 per square foot in the fourth quarter of 2004.

Net absorption in Los Angeles County remained positive in the fourth quarter, although it declined considerably compared with the previous three quarters of the year. A total of 21,415 square feet was absorbed in the county in the fourth quarter, bringing year-to-date absorption to 2.4 million square feet.

Investment Trends: Los Angeles leads the U.S. in overall suburban office sales, with more than \$3.6 billion in transactions in 2004. The overall average price per square foot was just over \$200, with the overall average cap rate dropping to 7.6%. One of the largest sales was the Bank of America Tower, which sold for approximately \$435 million, or \$311 per square foot. The total value of office sales in 2004 was more than \$5.2 billion, representing nearly a third of all closed transactions in the western U.S.

*Rent quoted in monthly figures for the Los Angeles Market
Source: RCA, Inc.

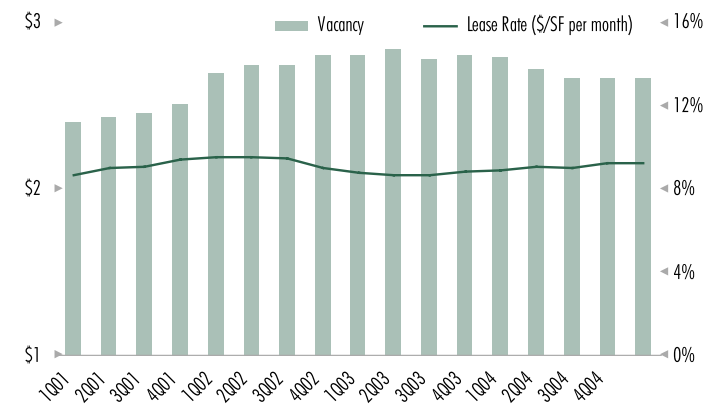
TORONTO

Office leasing activity in the Toronto market picked up steam in 2004, with business service firms, government agencies, and law firms setting the pace. The overall office vacancy rate decreased from 15.6% in 2003 to 14.4%, with further declines expected in 2005. Tenants remained focused on the bottom line and productivity efficiencies, which in most cases translated to reduced space consumption. An increasing number of tenants, with termination dates one to two years away, opted to lock into longer terms, thereby capitalizing on the aggressive inducement packages currently being offered.

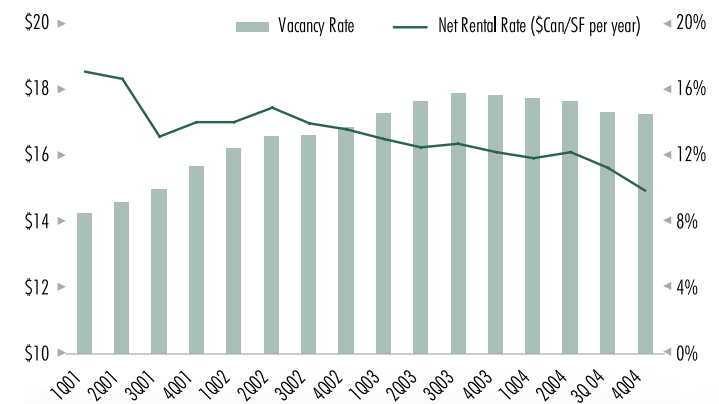
The suburban office market attracted much activity, due to higher vacancy levels and more competitive rental rate opportunities. The central office market in 2004 can be characterized as 'strengthening but shrinking.' Leasing activity was up, but most companies committed to less space, limiting the impact on vacancy rates. The central office vacancy rate fell from 14.2% to 13.5%, with Class 'A' space dropping to 13.2%. In midtown, higher vacancy levels motivated landlords to remain aggressive and to continue to offer free occupancy periods, cash and various turnkey packages. This node will suffer the loss of the 130,000 SF Imperial Oil head office, which is moving to Calgary, Alberta. However, the effect will not be immediate, as the landlord may determine a higher and better use for the site.

The suburban office market vacancy rate dropped to 15.4% in 2004, from 16.9% in 2003. Tenants took advantage of low rental rates — a trend expected to continue in 2005.

LOS ANGELES ASKING RENT & VACANCY

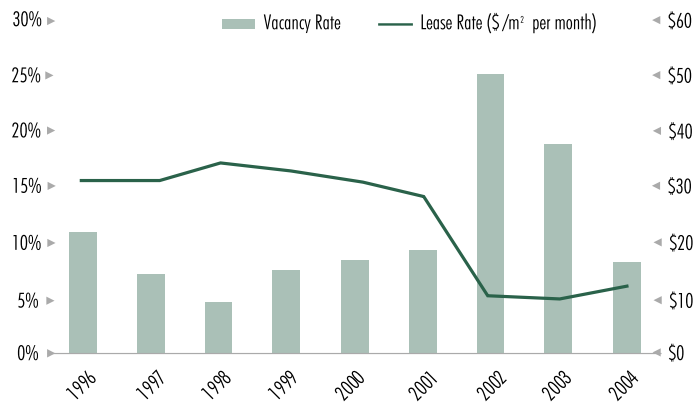


TORONTO ASKING RENT & VACANCY

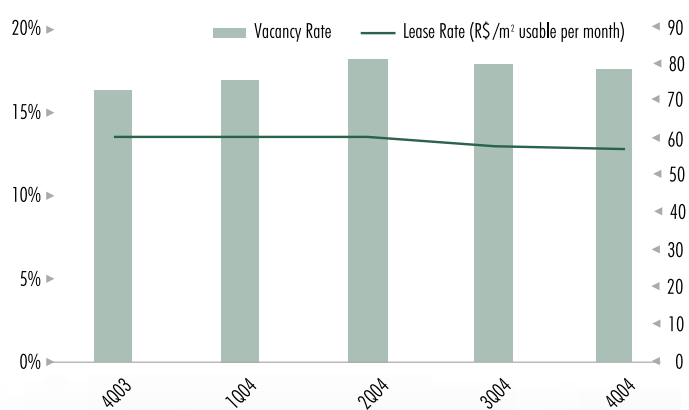


Source: CB Richard Ellis

BUENOS AIRES VACANCY RATE VS. LEASE RATE



SÃO PAULO VACANCY RATE VS. LEASE RATE



Source: CB Richard Ellis

BUENOS AIRES

The Buenos Aires office market continues on its path to recovery. Lease rates returned to a healthy level of \$10.50 per square meter per month while vacancy dropped to 8.2%. Increased leasing activity during recent years shows that market confidence has improved in the region.

The increasing demand has dramatically reduced vacancy rates in Buenos Aires from 25.0% in the second half of 2003 to 8.2% at the end of 2004. Compared with the third quarter of 2004, vacancy increased slightly, largely due to the Bouchard Plaza building, which entered the market with a 50% availability.

After the devaluation of the Argentine peso in 2003, lease rates maintained their nominal peso values. Since then, the market has for the most part absorbed the cost of the devaluation. Currently, lease rates for Class-A office space average \$11.84 per square meter per month in the submarkets of Catalinas, Puerto Madero, Plaza San Martín and Plaza Roma. Lease rates should increase during 2005 thanks to the foreseeable shortage of available office space in the near term.

Investment in commercial real estate is expected to remain stagnant until lease rates further increase, generating satisfactory returns. This could occur as soon as the end of 2005 or beginning of 2006.

SÃO PAULO

At the end of the fourth quarter of 2004, São Paulo's vacancy rate stood at 17.5%, which was consistent with the previous quarter and was up 8% compared with the same period in 2003, when it stood at 16.2%. Despite the high volume of 243,000 net usable square meters of new stock that has accumulated over the past five quarters, the vacancy rate has not changed much, mainly due to the growth in occupancy rates.

The asking prices for rentals within Class-A buildings in the fourth quarter of 2004 ranged from R\$38.00 and R\$75.00 per square meter net usable per month. These rates were down slightly after a long period of stability sustained over the last few quarters.

Net absorption of office space in the city of São Paulo in the fourth quarter of 2004 showed a slight decline of 8% compared to the average of the three previous quarters. Even so, the total accumulated volume for the year came to 592,700 square meters net usable, which is a record for the last three years. This volume was achieved due to opportunities of the market.

In spite of the fact that the São Paulo office market has not seen such high absorption levels since 2000, investment opportunities may become scarce, because of the reduction in new stock expected to come online in 2005. The lack of new construction may further this effect.

MEXICO CITY

2004 concluded on a positive note, as total take-up reached the highest level of the past five years, amounting to a total of 400,000 square meters in all building classes combined. Prime and Class-A transactions made up 68% of the total take-up, with the remainder having been taken up within Class-B and Class-C buildings. Almost 25% of this positive absorption occurred during the fourth quarter of the year.

After a decrease in lease rates during the previous year, 2004 rates for prime and Class-A office space remained relatively stable. Although the market is competitive, landlords prefer to offer longer rent-free periods and more generous tenant improvement allowances than to decrease the lease rate.

Vacancy rates for prime and Class-A buildings did not change from the previous quarter, averaging 19%. This represents a slight increase of 1% compared to the same quarter of the previous year. The take-up of almost 300,000 square meters of class-A space during 2004 did not have much of an impact on vacancy, as new buildings with a similar volume of availability entered the market. The average vacancy rate for prime and Class-A buildings registered 18.5% at the end of 2004, representing a decline of 1.9% compared to the fourth quarter of 2003.

Construction remains active, although the highest development activity has shifted during the last quarter of 2004 from the Santa Fe submarket to the Lomas Palmas and Reforma Centro submarkets. Of the 402,000 square meters currently under construction, 270,000 square meters are expected to be completed during 2005.

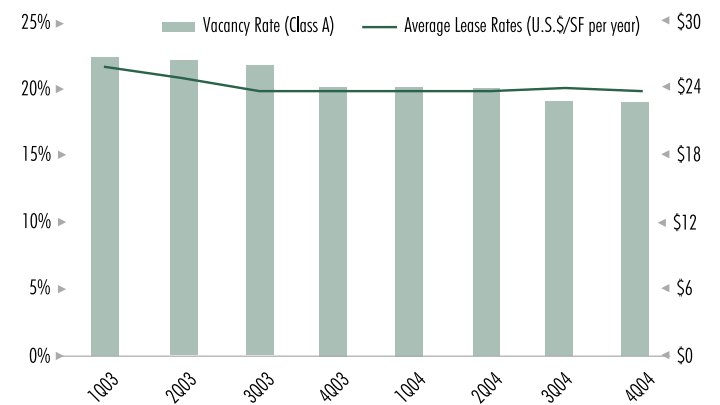
SANTIAGO

2004 ended with a vacancy rate of 5.9%, the lowest rate recorded in the last eight years. This low rate applied to both Class-A and Class-B office buildings. This significant decrease of almost 400 basis points compared to the previous year was primarily influenced by the following two factors: First, although the new supply of office space was 53,600 square meters in 2004, almost double the amount in the previous year, it is still only less than half of the total construction completed in years prior to 2003, which typically averaged 160,000 square meters per year. Second, absorption increased by 77% from 2003, totaling 110,000 square meters absorbed during 2004.

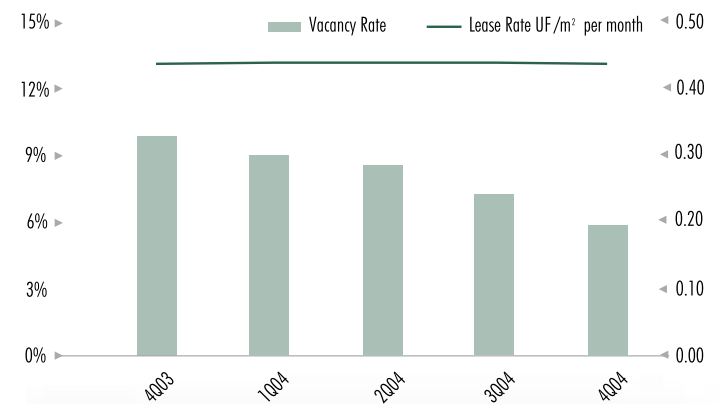
The increase in take-up significantly exceeded the delivery of new office space. This not only allowed new buildings to be almost fully occupied from the get-go, but also absorbed latent vacancies recorded in older buildings.

Las Condes, which accounts for 40% of the total market, continues to be Santiago's prime submarket, accounting for 54% of the total absorption recorded during the past quarter. Despite the decrease in vacancy, Class-A lease rates remained unchanged. Sales prices for Class-A office space recorded an increase of 4% over 2003, amounting to UF51 per square meter.

MEXICO CITY VACANCY RATE VS. LEASE RATE

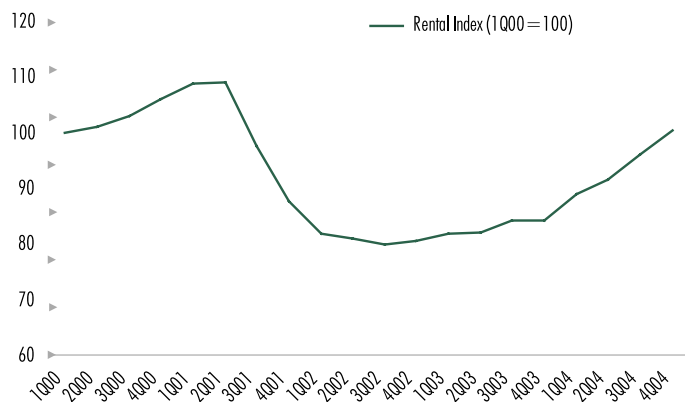


SANTIAGO VACANCY RATE VS. LEASE RATE

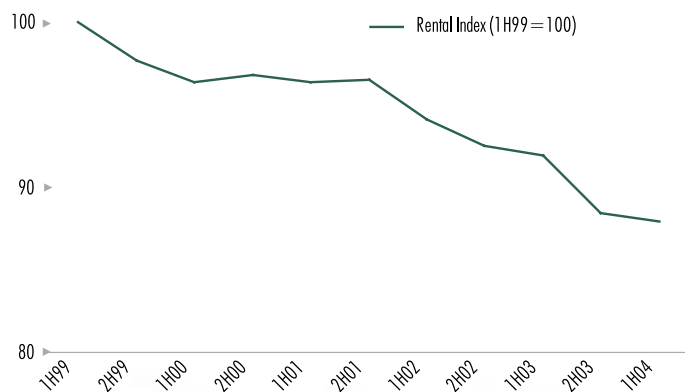


Source: CB Richard Ellis

HONG KONG WAREHOUSE RENTAL INDEX



TOKYO LOGISTICS RENTAL INDEX



Source: CB Richard Ellis

HONG KONG

Carrying forward the strength experienced in the third quarter of 2004, the Hong Kong industrial property market recorded a solid performance during the fourth quarter, resulting in industrial rents and capital values rising across the board for the fourth consecutive quarter. Strong global economic growth sparked double-digit growth in re-export volume and air cargo throughput, which boosted demand for industrial space during the period, most notably in the warehouse subsector.

Because a considerable number of warehouse facilities in Hong Kong are approaching full capacity, many landlords raised asking rental rates accordingly. Overall, average factory rental rates and capital values rose by 5.6% and 7.4%, respectively, in the fourth quarter.

The factory subsector was the star performer in the industrial property market during the fourth quarter of 2004.

Investment Trends: The Hong Kong industrial sales market, following a moderate decline in the second and third quarters of 2004, regained momentum in the fourth quarter. Increased demand from both investors and end users occurred, and investors continued to hunt for opportunities in the highest-yielding property sector.

TOKYO

The decline in manufacturing in Japan resulted in waning demand for smaller buildings, but the growth in logistics created strong demand for large, efficient and well-located facilities. Large-scale warehousing remains scarce in Tokyo because of physical and

planning constraints. Small plot sizes and the difficulties of rezoning land mean that demand around Tokyo is under-supplied. Nonetheless, since 2002 there has been a marked increase in the supply of industrial facilities with more than 107,000 square feet — 27.9 million square feet of such facilities came online in 2004 alone. Current vacancy rates in prime logistics facilities are estimated at less than 5%, with vacancy rates across the market running closer to 12% to 14%.

Looking ahead, demand for the smallest buildings (less than 7,500 square feet) will continue to erode, except in densely populated areas, where there is a lack of alternative space.

Investment Trends: Strong demand from end-users is creating a highly competitive environment for the handful of existing logistics facilities. 2003's trend of falling demand for warehouse space appears to have abated in 2004, with keen demand for newly constructed developments by such experienced foreign developers as AMB and Prologis.

BEIJING

Leasing of manufacturing facilities and factory space in Beijing's major industrial districts was active in the fourth quarter of 2004. As land supply continues to tighten in the major traditional industrial districts, corporate tenants are now redirecting their focus to industrial parks. The Beijing Tianzhu Airport Industrial Zone was one of the main beneficiaries of this shift, as was evidenced by the rising number of leasing inquiries it received in the last quarter.

Average asking rents for factory properties in Beijing remained unchanged at RMB 3.36 per square foot per month, while average achievable rents edged upward, resulting from the strong continued leasing interest flowing from the large, underlying occupational demand in the market.

Investment Trends: No new industrial projects were completed in Beijing in the fourth quarter. Construction of new facilities is difficult because the land supply in major industrial districts continues to tighten after many years of development activity. Except for a small number of land parcels reposessed for industrial parks, essentially no vacant sites are available in any major industrial district in Beijing.

At present, a number of companies are waiting in line to acquire land, including ABB and Beijing Wisionox Technology Co., both of which have signed contracts with Beijing Economic Technological Development Zone to acquire industrial sites once they become available.

SINGAPORE

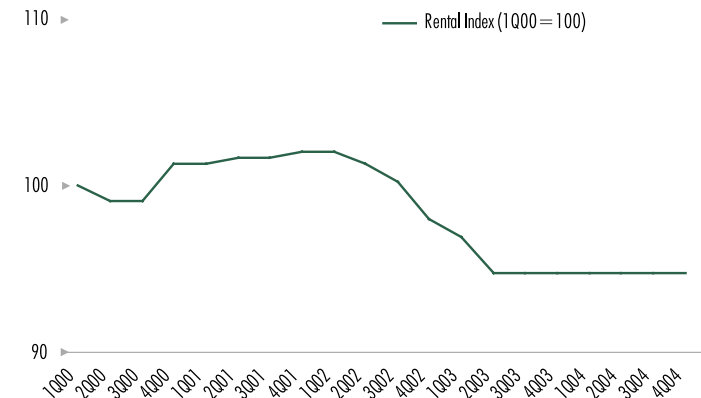
During the fourth quarter of 2004, leasing demand for industrial space was slow and rentals remained flat. Instead, activity was concentrated in the industrial investment-sales segment, as institutional purchasers added more properties to their portfolios. At the same time, the manufacturing sector continued to expand, albeit at a fairly moderate pace, with manufacturing output growing by 11.5% year-over-year in the third quarter, compared with the 20.6% year-over-year growth in the preceding quarter. The healthy performance of

the manufacturing sector was especially evident in the strong non-oil domestic exports segment, which recorded growth of 11.9% year-over-year in October. Singapore's total trade volume grew a robust 8.3% between October 2003 and October 2004.

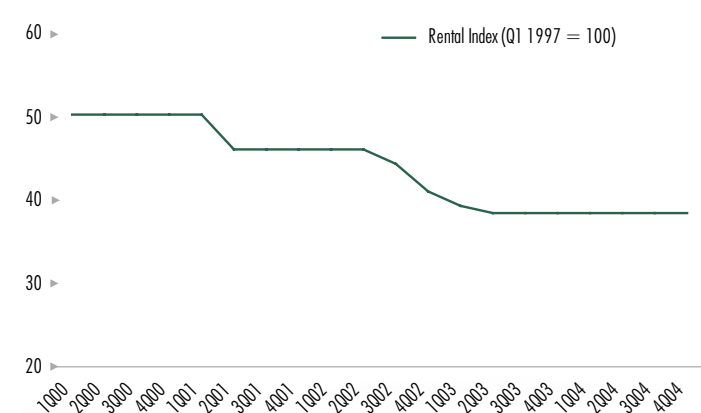
Looking ahead, leasing demand for industrial space is expected to remain patchy in the first quarter of 2005. However, there are suggestions that some industrialists who had moved their operations from Singapore to China may have plans to repatriate some of their operations back to Singapore in the short- to medium-term. This is partly due to China's increasing skilled labor cost and the labor shortage in some of China's industrial parks. If these plans materialize, this will spark renewed demand for industrial space in Singapore. In the meantime, most industrial landlords are likely to maintain rents at their current levels.

Investment Trends: The positive industrial sales momentum in the fourth quarter of 2004 was largely driven by purchases by the Ascendas Real Estate Investment Trust (A-REIT). In the quarter, 13 industrial investment properties changed hands, totaling around S\$242 million. Of the 13 properties transacted, the A-REIT accounted for 10.

BEIJING FACTORY RENTAL INDEX



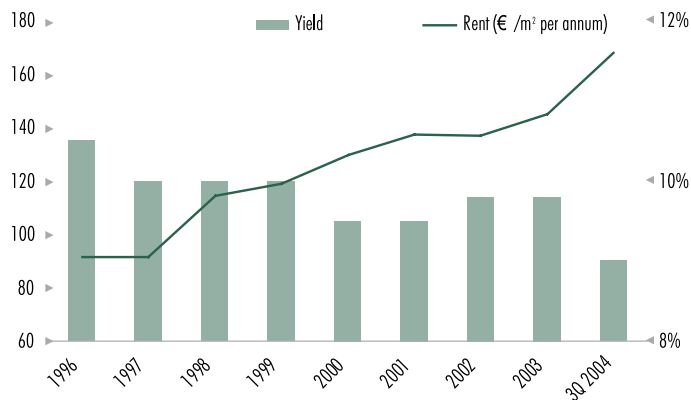
SINGAPORE WAREHOUSE RENTAL INDEX



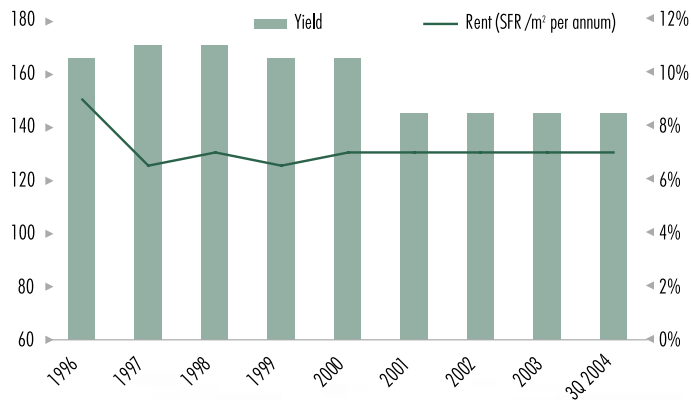
Source: CB Richard Ellis



PARIS REGION PRIME INDUSTRIAL RENT & YIELD



ZURICH PRIME INDUSTRIAL RENT & YIELD



Source: CB Richard Ellis

PARIS/LONDON

As with the office sector, industrial rents have moved up in France and the U.K.. This comes as no surprise — these are two of the largest and most dynamic industrial markets in Europe. Healthy growth in consumer spending in both of these countries has started to filter through to the property markets.

Leasing activity in the Paris warehouse market picked up sharply in the first quarter of 2004, although it has since slowed. In the first nine months of 2004, take-up registered 362,000 square meters, a 56% increase over the same period in 2003. Total take-up for 2004 was expected to approach 550,000 square meters. Prime industrial rents rose by 15.9% from the first quarter of 2004 to their record fourth-quarter level of €168 per square meter per annum.

The development pipeline is considerable, boosted by a steady rise in rents. At the end of the third quarter immediate supply totaled 911,000 square meters. After five years of rental stability between 1993 and 1998, the Paris industrial market has seen a steady increase in rents. However, the gap in rental values between the warehouse and industrial sector is widening.

In the U.K., the top rents in the southeast are found in the area surrounding Heathrow airport. Here rents rose marginally to £10.75 per square foot per annum, somewhat boosted by a scarcity in land supply. This is despite the fact that take-up of warehouse space

remains quite subdued across the U.K., although activity in the logistics market is more encouraging.

Prime yields in the Paris region fell sharply from 9.8% in the first quarter of 2004 to 9% in the fourth quarter. This is a result of strong competition between investors for limited products. A rise in interest rates may dampen this demand, although there remains a large amount of capital available to investors.

The U.K. saw prime industrial yields fall from 6.8% at the end of 2003 to 6.3% in the fourth quarter of 2004. Strong investor demand also resulted in downward movements in yields in Birmingham, Manchester and Edinburgh over the last six months.

ZURICH

The migration of logistics and warehousing companies to the outskirts of Zurich continues. Access to national and international motorways is greater, rents and land prices are cheaper, and there is more room for expansion. As a result of this mass relocation, former industrial sites in the city are being converted into other uses, such as sought-after business parks.

Overall, the demand for industrial space is weak, and rents are coming under some downward pressure. However, the market does not suffer from a significant amount of oversupply, as most schemes are owner-occupied.

WARSAW

More than 80% of Poland's industrial stock is located within Warsaw and its immediate surroundings. This region saw a total of 47,600 square meters of warehouse and logistics space let in the third quarter of 2004. This was significantly up from the second quarter's total and represented over half of all industrial space let in Poland this quarter. These figures were boosted by a major letting at Europa Park, totaling 22,500 square meters.

A number of recent warehouse completions forced up the availability within this subsector. In contrast, fewer logistics parks have been built in the region, and the vacancy rate for these dropped to 10.3%. Prime rents are currently stable at €5 per square meter per month, remaining unchanged for 12 months.

Outside of Warsaw, Poland's regional industrial sector is growing fast. The current total stock stands at 217,500 square meters, an increase of 5.5% in three months. Another 70,000 square meters of new logistics-parks developments are currently under construction. The amount of space let in the third quarter rose by 23% over the second quarter.

The property investment markets in CEE (Central and Eastern Europe), including Poland, continue to perform exceptionally well, and 2004 saw a record level of investment turnover. Investment is being buoyed by

strong economic growth in the region, greater political stability following E.U. accession, and investors chasing higher returns (both as a result of the higher initial yields and the possibility of further yield compression).

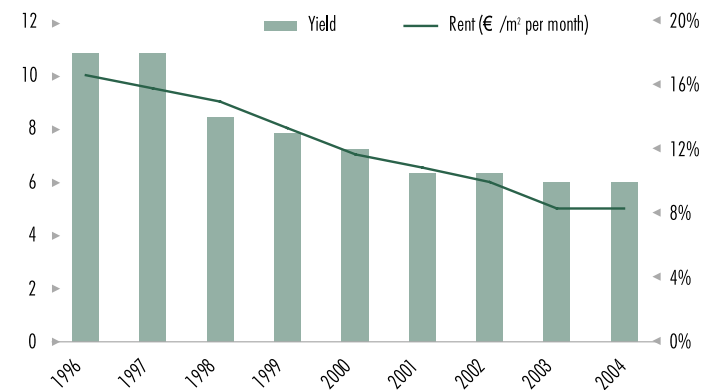
MADRID/BARCELONA

The outlook for the logistics market in the Madrid region remained positive in the fourth quarter of 2004. Demand for smaller units of around 250 square meters, including an additional 50 to 75 square meters of office space, is on the increase. This is being driven by local companies looking to buy rather than to let.

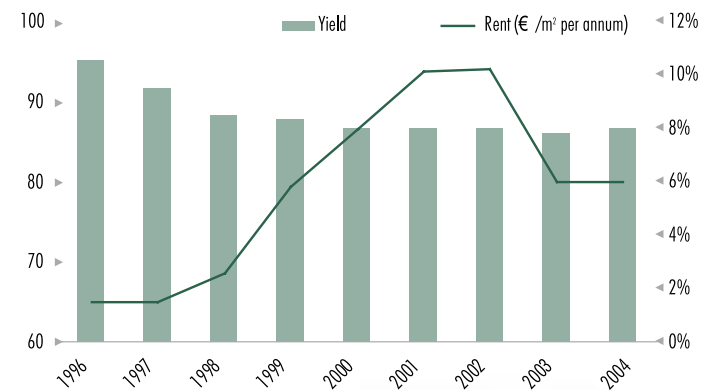
Over the past two years demand for warehouses also consistently increased. As a result, logistics rents rose to €45 per square meter per annum. Prime industrial rents are much higher, at €80 per square meter per annum. This variation in rents is because of the nature of the market, which is highly dependent on location, quality and specification of premises. Prime rental values in the Madrid region are expected to remain stable for some time.

The majority of activity in Barcelona originates from small- to medium-size logistics companies. Reasonable rents and a limited supply of large industrial space led to new industrial areas springing up within 100 kilometers of Barcelona.

WARSAW PRIME INDUSTRIAL RENT & YIELD



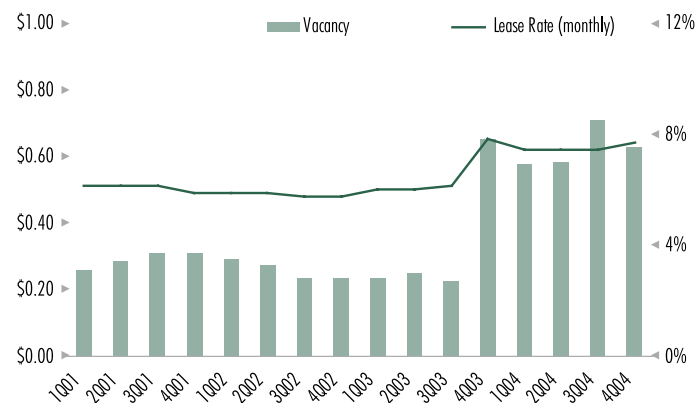
MADRID PRIME INDUSTRIAL RENT & YIELD



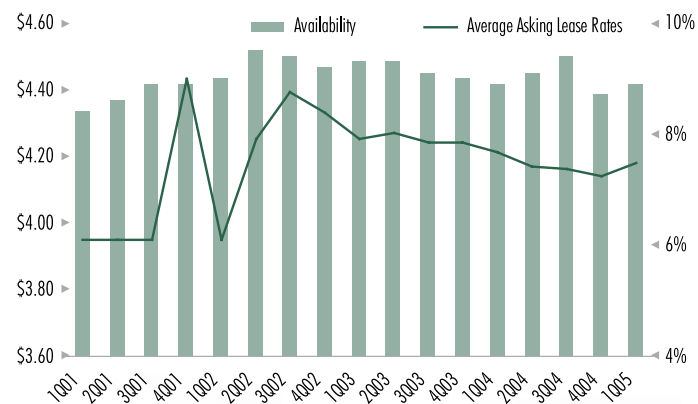
Source: CB Richard Ellis



LOS ANGELES INDUSTRIAL ASKING RENT & VACANCY



CHICAGO INDUSTRIAL ASKING RENT & AVAILABILITY



Source: CB Richard Ellis

LOS ANGELES

The Los Angeles industrial market tightened throughout 2004, with availability decreasing each quarter — from 7% in the first quarter to 6.1% in the fourth. Vacancy also decreased from 2.6% in the first quarter to 2.2% in the second half of the year. As a result of this tightening market, average asking rates climbed, and construction activity increased by 1.9 million square feet in 2004, from 7.8 to 9.7 million square feet.

Fourth-quarter activity in the South Bay far surpassed the rest of the region. The South Bay market experienced 3.3 million square feet of activity in the quarter, for a total of 16.3 million square feet of activity for the year.

Effective January 1, 2005, the Agreement on Textiles and Clothing, which established quotas on the importation of those goods, expired. As a result, the World Trade Organization estimates that China's share of the U.S. apparel market could rise from 22% to more than 50% in as little as two years. This anticipated influx of goods should create an increase in demand for warehousing and distribution space in the Los Angeles industrial market.

Construction activity in Los Angeles County peaked for the year during the fourth quarter with 9.7 million square feet of industrial space under construction, 3.3 million more than mid-year activity. The Mid-Counties submarket is leading the county with 2.63 million square feet of space under construction, 1.9 million within Santa Fe Springs. The South Bay submarket follows closely, with 2.6 million square feet under construction, 1.3 million within Carson.

CHICAGO

The Chicago metro area industrial market, including nearly one billion square feet of industrial property, decreased in overall availability for the first time in 2004, with vacancy rates at 8.7% for the fourth quarter, down dramatically from 9.4% in the third quarter. This is also lower than the vacancy rate of 9% in the fourth quarter of 2003, and is the lowest overall availability since first quarter 2001.

Boding well for the overall market, leasing activity increased to just over 8.3 million square feet in the fourth quarter from approximately 7.4 million square feet in the third quarter. 2004 ended with leasing activity at 33.3 million square feet, a minimal increase over year-end 2003, which came in at 32.3 million square feet.

The only two submarkets to post an increase in availability rate were northwest Cook County and the far west suburbs, at 10.2% and 10.8%, respectively. While the far southwest suburbs still report the highest availability of all the submarkets, the rate did decrease from 17.4% in the third quarter to 15.4% in the fourth quarter. The southwest suburbs showed the most improvement, decreasing more than two percentage points to 6.9% from 9.1% in the third quarter.

2004 ended with more than 15 million square feet in construction starts, a significant increase from the 11.3 million square feet reported in 2003.

NEW JERSEY

The Northern/Central New Jersey industrial market finished strong in 2004, with positive momentum from the third quarter 2004 pushing it to an even better finish than 2003. Leasing velocity, however, faltered in the fourth quarter of 2004, totaling 4.5 million square feet. This was a significant drop from the third quarter's 8.31 million square feet, but a small decline from fourth quarter 2003's 5.71 million square feet.

In northern New Jersey, the garment and third-party logistics industries were major propellers of demand, while in central New Jersey, the electronics, apparel, accessory and home-improvement retail industries played a key role in the fourth quarter's leasing activity. The lull in the market during this quarter can be attributed to the robust leasing that took place toward the end of the third quarter to take advantage of this transitioning market before prices escalated.

Average asking net lease rates remained the same for the fourth quarter, at \$5.79 per square foot, and increased slightly from year-end 2003's \$5.76 per square foot. A couple of submarkets in the Northern/Central New Jersey market experienced an increase in average asking net lease rates. The Rte. 23 North submarket led the way with a \$2.54 per-square-foot lift, and the Central Bergen submarket experienced a \$1.09 per-square-foot increase from the preceding quarter.

TORONTO

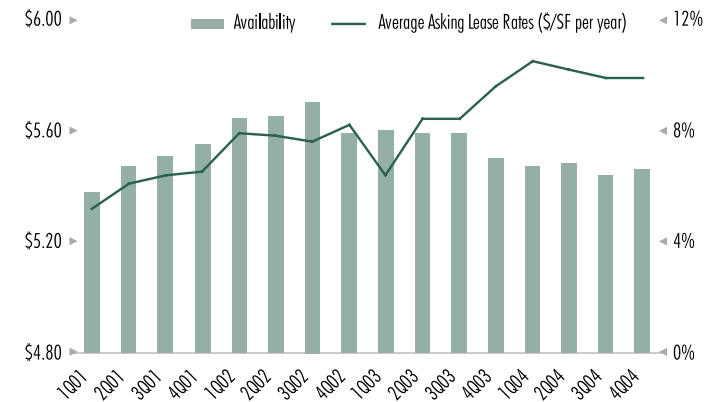
The rising Canadian dollar was expected to have a mitigating effect on the industrial market in the GTA (Greater Toronto Area), but instead, demand for both new construction and existing inventory persisted. The industrial availability rate climbed slightly in 2004, but overall demand remained strong. The overall GTA industrial vacancy decreased slightly in 2004 to 4.3%, from 4.6% in 2003.

Speculative construction is on the rise, as developers rush to complete projects before the implementation of increased development costs in most municipalities within the GTA in 2005. This new construction was triggered by a scarcity of serviced industrial land, as well as an influx of investment from U.S. developers, who are partnering with Canadian operators to build new product.

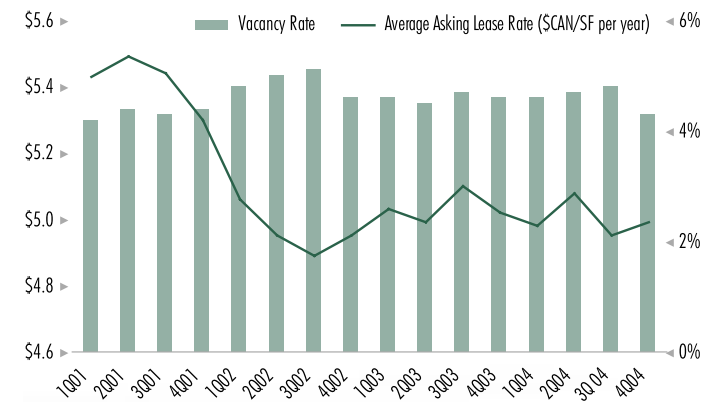
Outlying municipalities, including the Waterloo Region, Milton, Brantford and Durham Region, all of which have available land, lower development costs and more attractive prices, are benefiting from the GTA crunch. The industrial sector continues to face a number of challenges, from higher energy costs to U.S. border delays to a high Canadian dollar.

Net rental rates increased marginally to \$5.15 per square foot in 2004, from \$5.02 in 2003. Sale prices rose from \$62.54 per square foot in 2003 to \$65 per square foot in 2004, due in part to limited opportunities, low interest rates and strong demand for product from both users and investors.

NEW JERSEY INDUSTRIAL ASKING RENT & AVAILABILITY



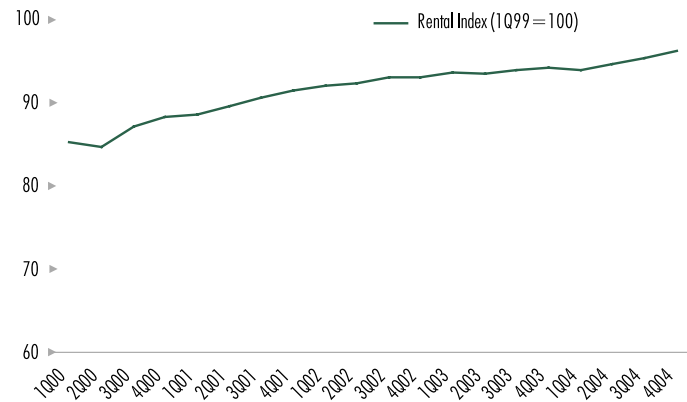
TORONTO INDUSTRIAL VACANCY VS RENTAL RATE



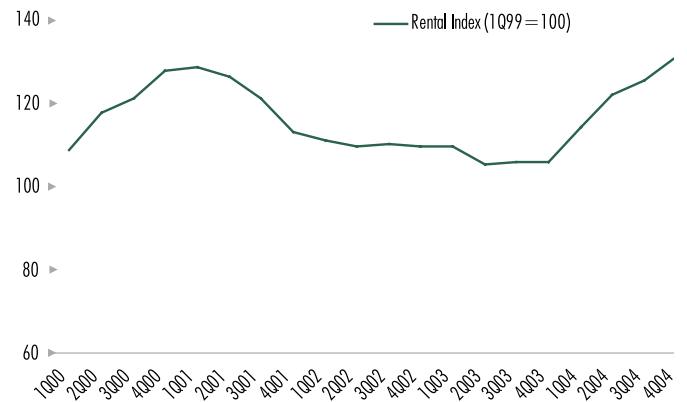
Source: CB Richard Ellis



BEIJING PRIME RETAIL RENTAL INDEX



HK PRIME RETAIL RENTAL INDEX



Source: CB Richard Ellis

BEIJING

Following the full opening of China's retail market to direct foreign involvement in December 2004, in accordance with its commitments to the WTO, international retailers are aggressively seeking to establish a foothold in the Beijing market. The increase in demand for retail space driven by this influx tightened supply in Beijing's prime retail market.

Some of Beijing's prime retail facilities, such as China World Trade Centre Shopping Mall and Palace Hotel Shopping Mall, have a long waiting list of retailers seeking to take quality space. Given the scarce supply of prime retail facilities, some retailers are occupying less prestigious space. As a result of this trend, the fourth quarter witnessed an overall increase in prime retail rents in Beijing, which rose by 0.9%, quarter-over-quarter, to U.S.\$7.86 per square foot per month. Beijing registered U.S.\$26.47 billion (RMB219.18 billion) in sales of consumer goods in 2004, a year-over-year growth of 14.4%. Strong consumer spending, especially in the automobile, housing and telecommunications segments, fueled steady growth throughout the year.

At the same time, the retail sales value of home decoration materials increased twofold, while the value of retail sales for furniture, home appliances and photographic and telecommunication equipment increased by 11.8%, 18.8% and 41%, respectively. The level of consumer demand in Beijing is expected to grow in the short- to medium-term, especially in the run-up to the 2008 Olympics.

HONG KONG

Overall retail rents increased by 4.7% in the fourth quarter of 2004 as the supply of prime retail space continued to tighten. The sizable number of retailers hoping to expand their occupation of prime space to capture the booming retail resurgence in Hong Kong, pushed up rental rates, in some cases by as much as 40% to 100% over the existing lease.

However, too sharp an increase in rents will cause some retailers to consider expanding or relocating out of Hong Kong. Despite the continued interest of overseas retailers in entering the SARs (Special Administrative Region) market and their desire to obtain suitable space, some are already starting to display hesitation because of rapidly escalating rents.

Retail sales in Hong Kong maintained a solid rate of growth before the year end, with December's provisional figures demonstrating 8.7% year-over-year growth, at U.S.\$2.31 billion (HK\$18.02 billion), further accelerating November's year-over-year growth rate of 7.4%. Retail sales gains were broadly based in December, as they were within the fourth quarter of 2004.

These numbers reflect the strengthening of local consumer demand on the back of continued economic recovery, as well as strong tourist consumption.

SINGAPORE

2004 was a much brighter year for the retail industry in Singapore, with a marked improvement in trading conditions after several years of uncertainty and difficulty. While international players continued to be active in the market in the fourth quarter, local players already in the Singapore market also acted to boost demand as they sought to open outlets for new concepts, while major chain stores occupied more space as they expanded their reach.

Rentals continued to rise marginally in the fourth quarter; they were on the upswing throughout 2004. Prime rents climbed another 0.4% in the fourth quarter, reaching an island-wide average of S\$25.70 per square foot per month, a 2.4% increase for 2004. Prime Orchard Road rents increased 0.3% on average to S\$32.40 per square foot per month in the quarter, rising an overall 2.5% for the year. The average prime suburban rent stayed flat at S\$26.60 per square foot per month, while for the year, it rose 1.1%.

Retail sales (including motor vehicle sales) in October and November amounted to U.S.\$2.90 billion (S\$4.70 billion), up by 15.6% year-over-year. Excluding motor vehicles, retail sales increased by 13.9% year-over-year. This suggests that the growth in overall sales was not just from motor vehicle sales, but reflected strong overall retail sales during the holiday shopping period. For the full year of 2004, retail sales (excluding motor vehicles) grew an estimated 8% to 10% over 2003 and 5% to 7% over 2002 (pre-SARs).

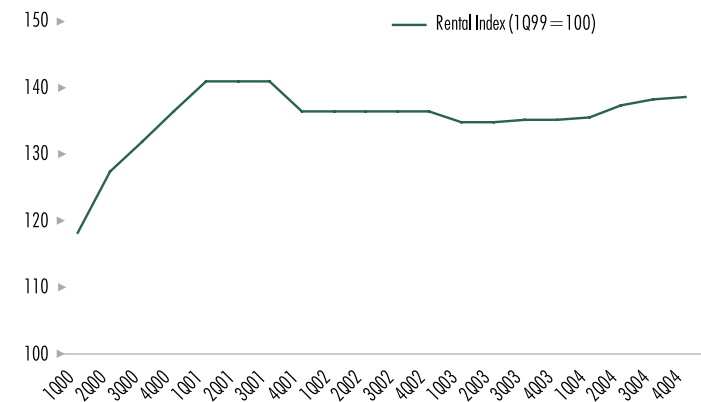
BANGKOK

Bangkok's retail market witnessed continued robust activity within the fourth quarter of 2004, particularly in the Patumwan and Rajdamri zones. In these areas, many retail centers are renovating to remain competitive after the completion of Siam Paragon, a shopping center that is anticipated to open by the end of 2005.

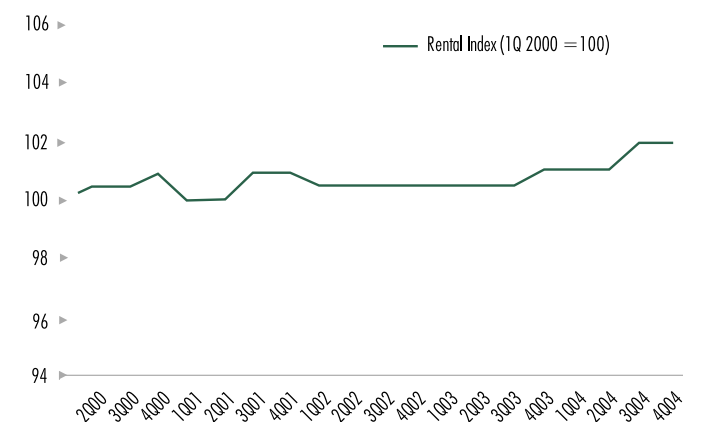
Average fourth-quarter retail rents, however, were unchanged quarter-over-quarter in Baht terms, due to the strengthening of the Thai currency; average rents appreciated in U.S. dollar terms. Rents at Grade-A shopping centers in prime CBD locations ranged from U.S.\$4.30 to U.S.\$5.50 per square foot per month for ground-floor facilities and U.S.\$3.60 to U.S.\$4.30 per square foot per month for outlets on upper floors. Siam Square and Silom Road (Rama IV Road up to Bangkok Bank) attract heavy foot traffic from students, office workers and tourists.

Total retail sales in Thailand (in real terms) increased to about U.S.\$3.40 billion in September 2004, compared with U.S.\$2.86 billion during the same period in the previous year, representing a growth rate of 18.9%*.

SINGAPORE PRIME RETAIL RENTAL INDEX

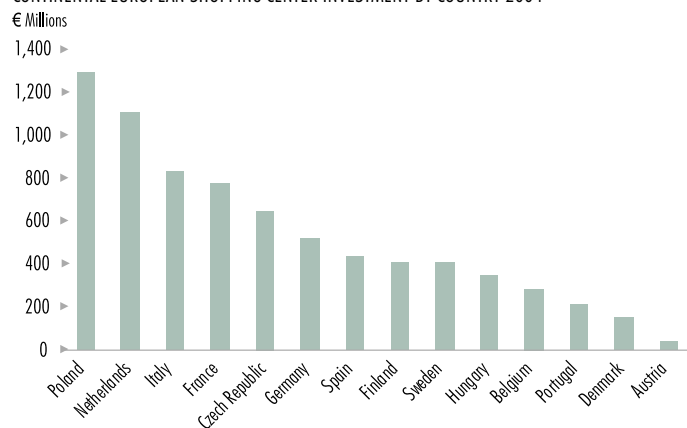


BANGKOK RETAIL RENTAL INDEX

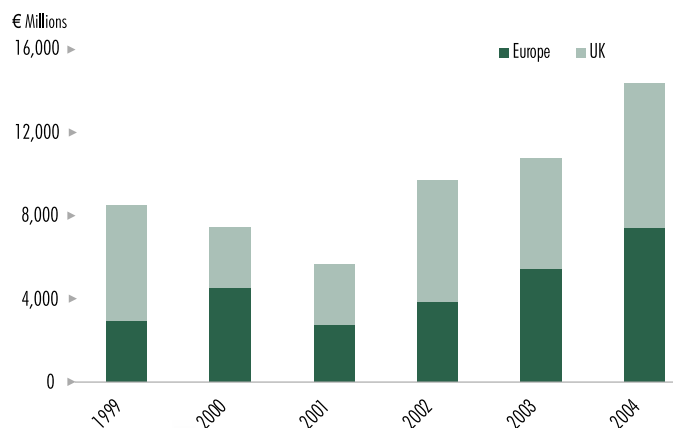


Source: CB Richard Ellis

CONTINENTAL EUROPEAN SHOPPING CENTER INVESTMENT BY COUNTRY 2004



E.U. (INCL U.K.) SHOPPING CENTER INVESTMENT



Source: CB Richard Ellis

EUROPE

The total value of shopping-center transactions in continental Europe in 2004 was recorded at €7,440 million — the highest-ever level. This is a 27% increase over the €5,873 million of 2003, which was itself a record year. The U.K.'s 2004 total was €6,900 million, which was also an increase over 2003 (€5,300 million). But while both markets are growing, the Continental European market grew at a faster rate.

Central Europe saw the lion's share of the new increase, with shopping-center transactions increasing roughly by a factor of 10 over 2003 levels. Excluding the U.K., Europe's most active investment markets in terms of the total value of retail real-estate transactions in 2004 were Poland, followed by the Netherlands, Italy, France and the Czech Republic. ING, including its various managed funds, was the leading purchaser, followed by Apollo Rida, Fortis, Rodamco and Klepierre.

The largest retail transactions in 2004 were the purchase by Apollo Rida of the Metro Portfolio in Poland (€750 million) and the commitment by Fortis Vastgoed to buy from Bouwfonds Ontwikkeling five new centers currently under development in Holland for €450 million. The largest single transaction was the agreed funding by CGI of the White City development in London, which will result in an investment of more than €1.5 billion.

National Trends: In continental Europe, Poland was the most active shopping-center investment market in terms of transactions, with €1,289 million in 2004,

followed by the Netherlands, with €1,105 million, Italy, with €829 million, and France, with €776 million.

The most active markets of 2003, Italy and Spain, saw a significant fall in the number of shopping-center transactions, following the trend in France, in which the majority of centers are now in long-term ownership by specialist shopping-center investors. In Western Europe, trading of shopping centers was more subdued due to a lack of product. Increasingly, investors are committing to advance purchase or development funding of retail property at an early stage.

U.K. Vs. E.U. Turnover: The pattern of investment across Europe over the last five years indicates that investors are not necessarily tracking performance. Other factors influence where, when and how much capital flows into shopping centers. These include the size and liquidity of the market, building cycles, the structure of shopping-center ownership, and the type of investor. Over the last five years, the U.K. has captured the lion's share of investment, £29.3 billion, despite the fact that by European standards, total returns for U.K. shopping centers have been middling. However, shopping centers are a well-established part of the U.K. institutional investment mix, and it is an actively traded sector. The relatively low turnover of shopping centers in continental Europe means that new investment in the sector tends to be driven by opportunity rather than strategy.

Spain's experience illustrates the influence that building cycles can have on investment flows. A growing

Spanish economy with decreasing unemployment and rising consumer spending drove total returns of Spanish shopping centers above the European average. This triggered a building boom in shopping centers, bringing in such foreign developers as Lend Lease, AM, Sonae and ING. As these new centers have come online over recent years, they have been traded, boosting investment turnover in the sector.

A Pan-European Market?: The variations in shopping center performance across European countries are mainly due to differences in capital value growth. In 2003, the spread between the best and worst was relatively tight: 330 basis points, ranging between 7.8% for Norway to 4.4% for Germany. Generally speaking, in the euro zone, Denmark and the UK, prime shopping center yields have remained relatively stable at 5.75% - 6.5%. With euro zone interest rates remaining low, this is helping to support the lower yields and is also encouraging existing owners and developers to hold onto shopping centers in the hope that values will increase further. In 2005 it is anticipated that the lack of stock and strong investor demand will keep pressure on yields, and that investors will increasingly be prepared to take on development risk in order to secure product.

Although rental growth has varied considerably from country to country, this is not reflected in differing yields. For instance, at 5.2%, the average net income yield for German shopping centers in 2003 was still 200 basis points lower than Portugal's at 7.2%. Yet Portuguese centers have been delivering both higher income returns and superior rental growth. However, there is some

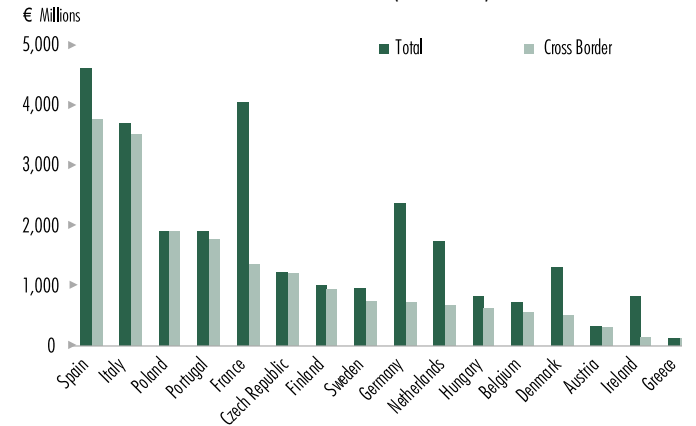
evidence of an emerging pan-European market for larger assets. In all the countries monitored by IPD (Investment Property Databank), centers of 75,000 square meters or more have a lower and much narrower band of yields, averaging 5.4% in 2003. The smallest centers under 2,000 square meters are carrying yields of 7.6% on average. This implies that the yields on large centers are converging across countries as these assets are targeted by a growing number of cross-border investors.

Cross-Border Shopping Center Investment: Shopping centers are an increasingly international asset class in the majority of E.U. countries; a significant amount of capital is now invested outside home markets. Cross-border purchasers accounted for €18.8 billion, 68% of the total investment in shopping centers in continental Europe between 1999 and 2004.

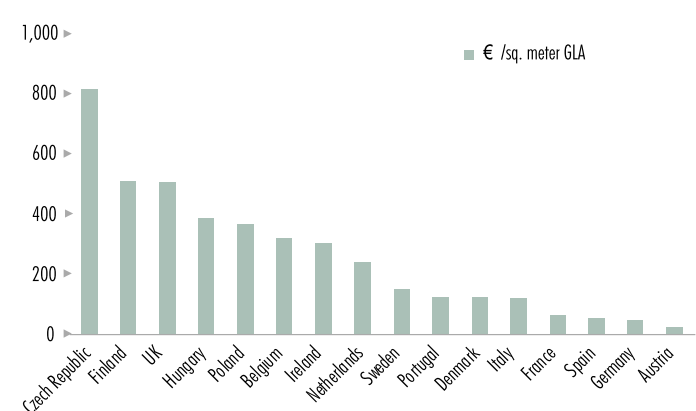
Over the same period, more than 90% of shopping-center investment in Poland, Greece, the Czech Republic, Italy, Portugal and Finland was from cross-border capital, whereas in the Netherlands, Denmark, France, Germany and Ireland, less than 40% of investment funds came from outside the country.

In terms of total investment ranked in relation to shopping-center stock per country (i.e., relative liquidity), the Czech Republic (€811 per square meter GLA) achieved the highest ratio in 2004, followed by Finland (€509) and the U.K. (€507). Spain (€55), Germany (€47) and Austria (€22) experienced relatively low levels of investment relative to total existing shopping-center stock.

E.U. CROSS-BORDER SHOPPING CENTER INVESTMENT (1999–2004)



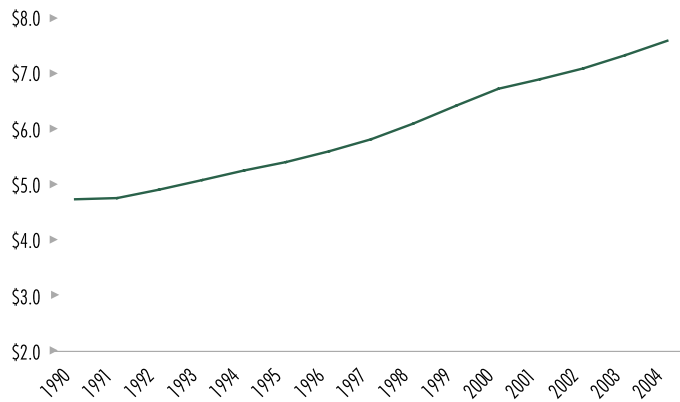
E.U. SHOPPING CENTER INVESTMENT PER SQ M GLA 2004



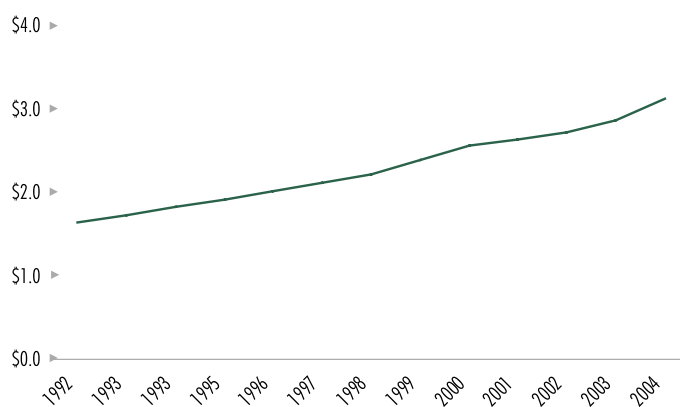
Source: CB Richard Ellis



CONSUMER SPENDING, MILLION \$ CHAINED, SAAR*



TOTAL ANNUAL RETAIL SALES, BILLION \$ EXCLUDING AUTOS**



* Source: Economy.com

** Source: U.S. Census Bureau, Economy.com

UNITED STATES

The U.S. retail industry had another strong year in 2004. Retail real estate has enjoyed consistent, multifaceted growth since 1992, a 12-year upward trend unheard of in other real estate sectors. While all segments saw a subdued pace of construction over the past few years, retail is the only sector that experienced consistent rents as well as stable vacancy rates.

Both shopping-center sales and per-square-foot lease rates steadily escalated during this prolonged upswing.

Propelled by solid consumer spending, retail was all but immune to the post-2000 recession. 2004 saw this trend continue with only a minor disappointment in flat holiday sales. Total estimated national sales (excluding autos) for 2004 surged by \$276 billion to \$3.1 trillion this past year, an 8.9% increase over 2003.

Sales volume for significant retail properties surpassed \$35 billion during 2004. While sales of neighborhood and strip centers remain strong, investment in mall properties began to slow during the second half of the year.

Through October, regional malls were the only core property type to post a decline in volume on a year-over-year basis. Cap rates continued to fall in the primary markets due to a concentration of buyers focused solely in these areas. Institutional buyers kept their attention on the larger opportunities, while local investors bid cap rates lower for smaller properties.

Consumer Spending Fuels Steady Growth: Compared with the first half of 2004, the key driver of growth in the second half was consumer spending. Unlike other property types, retail real estate is closely related to the Consumer Confidence Index. Although the index declined slightly during the fourth quarter of 2004, it averaged above the 90th percentile throughout the year. This highlighted how confidence and spending linked to a positive environment for retail sales.

Changing Consumer Demand: The U.S. consumer has long valued convenience when determining where to shop, and in recent years, developers and retailers responded with this in mind. Retailers became more creative in their accessibility and offerings. Big-box retailers co-branded with other retailers inside their stores, and they are continuing to expand their offerings. A lifestyle center, for instance, may contain a variety of specialty retailers, restaurants, a fitness club and a multiplex cinema, effectively drawing shoppers to the center for an entire day. Expect this trend to continue and further develop in 2005.

Oil Costs and The Consumer: Much speculation was made during 2004 that inflated prices at the gas pump would restrict consumer spending, particularly for low-income households. No real consistent evidence of this surfaced until the fourth quarter, when Wal-Mart reported lower sales on a monthly basis. Although oil prices dropped almost \$7 a barrel in the first week of December, prices were rising again at year end. They may affect consumer spending in 2005.

1) Source: U.S. Census Bureau

2) Source: International Council for Shopping Centers (ICSC)

3) Source: Real Capital Analytics, Inc.

CANADA

Consumer spending continues unabated in North America, which is causing retail vacancies to drop and rent levels to drift upward. 2004 saw the doors swing open on the first new, fully enclosed regional shopping center to be built in Canada since the early 1990s. With 1.2 million square feet of new retail space, Vaughan Mills, located just north of Toronto, is home to 15 anchor tenants and more than 200 specialty stores.

Major retailers continued to battle each other, by blurring the channels and selling product lines beyond their traditional retail categories. Loblaw's now sells televisions, clothing, toys and video games. Wal-Mart made further inroads into the food and grocery sector, with the introduction of Sam's Club, while Canadian Tire continued to fine tune its operation, with larger concept stores that offer enhanced product lines.

This increased competition has resulted in greater selection and lower prices for consumers. The current housing boom in both the suburban and urban neighborhoods has led to fierce competition over new retail sites, as retailers attempt to block their competitors from certain locations, by acquiring vacant land that is zoned for commercial use among residential development sites. Despite great effort, it is becoming more difficult for big-box retailers to find suitable locations in urban areas; although, the search for opportunities will continue.

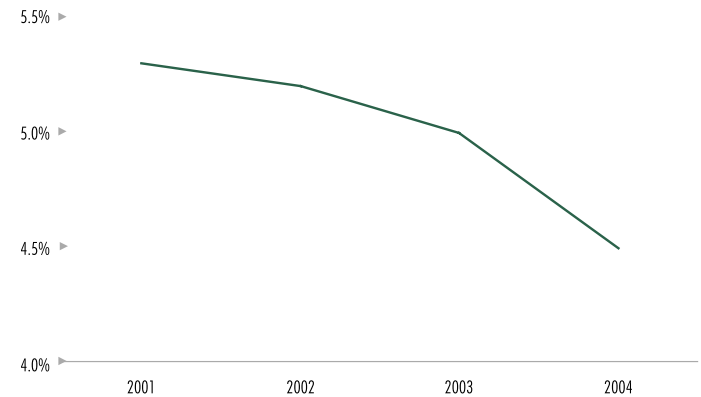
Toronto: The battle of the major retailers continued in the Greater Toronto Area (GTA), as Loblaw's, Sobeys and Wal-Mart hunted for new sites to increase market share. Since 1997, Loblaw's has invested approximately \$342 million in commercial sites across the GTA, and it continues to explore new opportunities.

With the influx of new residential condominiums to the urban areas, major retailers continue to seek strategic locations to service both existing and new residents. Typical locations include redevelopment sites, ancillary retail connected to new condominium projects, and retrofits of existing space for alternative uses

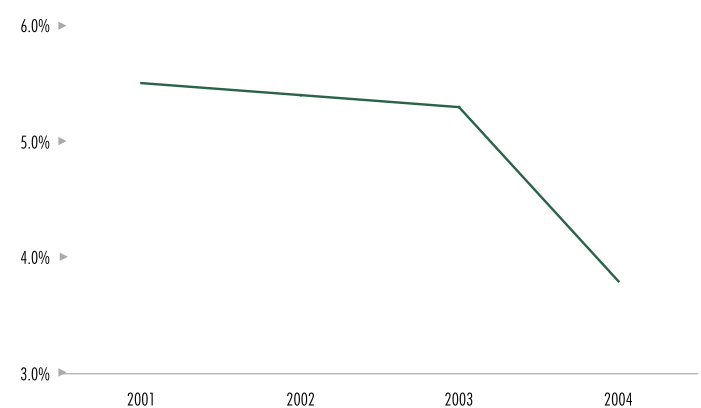
Vancouver: Consumer spending in 2004 triggered unprecedented retail sales levels in Greater Vancouver, breaking a number of monthly records set in 2003. Activity was particularly brisk downtown, due to a number of new, mixed-use developments that combine both retail and residential components.

Suburban markets witnessed considerable growth in large-format, big-box retail concepts, as both American and Canadian operators, including Home Depot, Pier One Imports, Loblaw's, Save-on-Foods and Whole Foods, enhanced their market presence. Further expansion of large- and medium-size retailers is expected in 2005. Significant transactions in 2004 include the Loblaw's 156,000-square-foot lease in Pitt Meadows and the Lordco Parts Inc. deal for 19,475 square feet in Delta.

TORONTO RETAIL VACANCY RATE



VANCOUVER RETAIL VACANCY RATE



Source: CB Richard Ellis



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