



HEITMAN



There is a
difference.

U.S. Property Markets at an Inflection Point

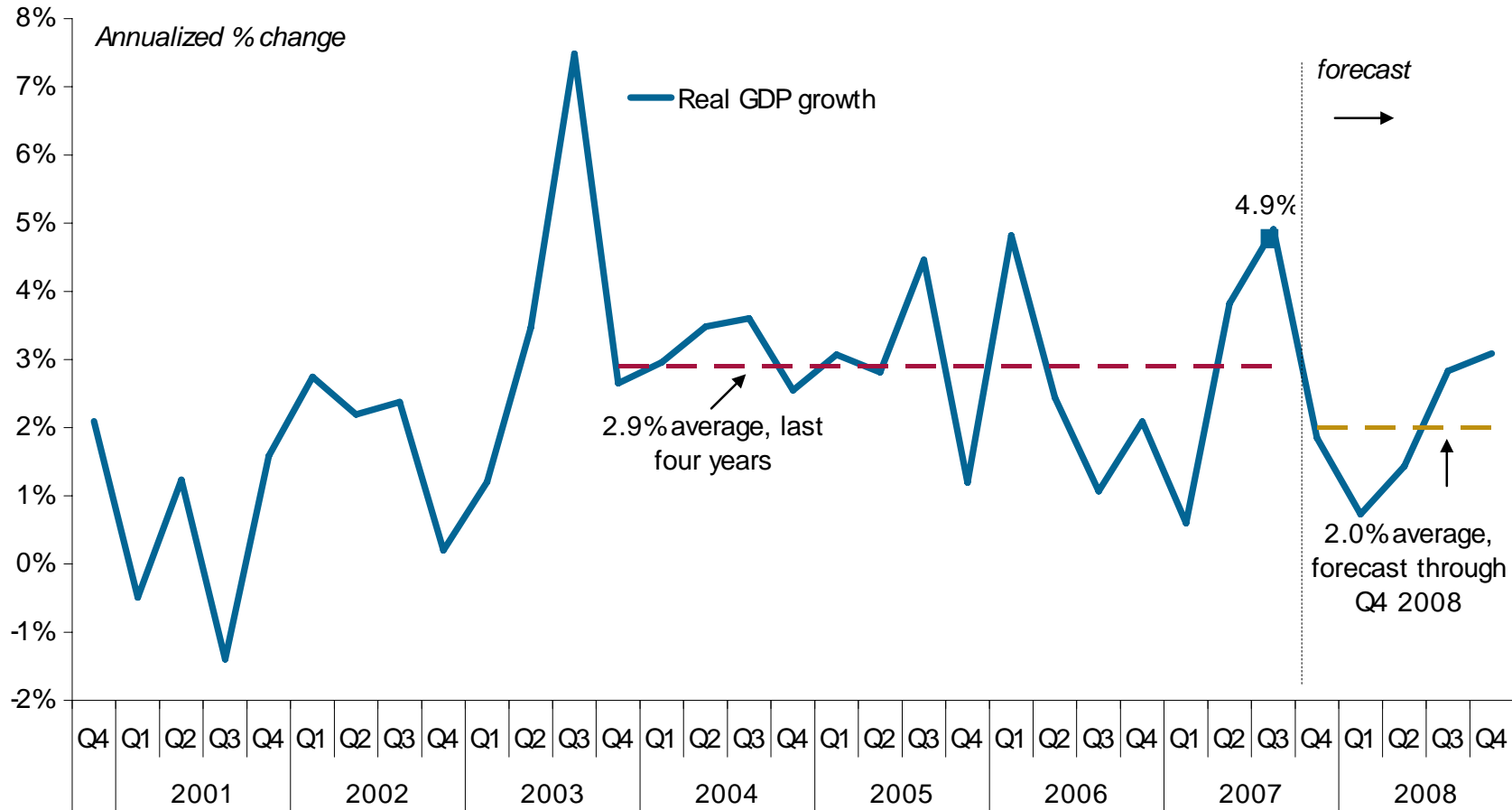
Mary Ludgin, PhD

Managing Director and Director of Global Investment Research

January 2008

The Economy is Slowing

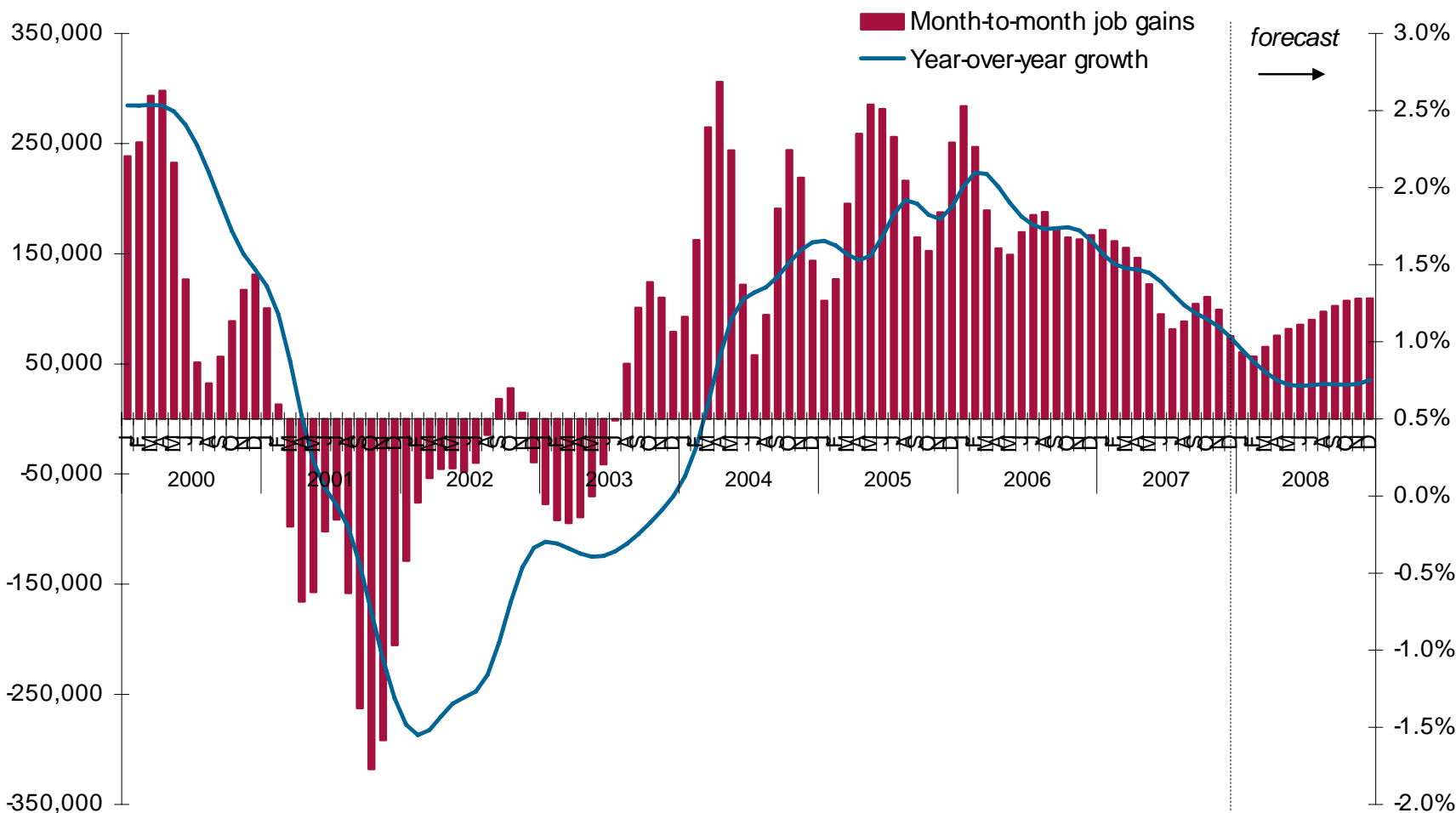
Gross Domestic Product Growth U.S. Q4 2000-Q4 2008



Source: Economy.com; Heitman Research

Sharp Drop in Rate of Job Growth

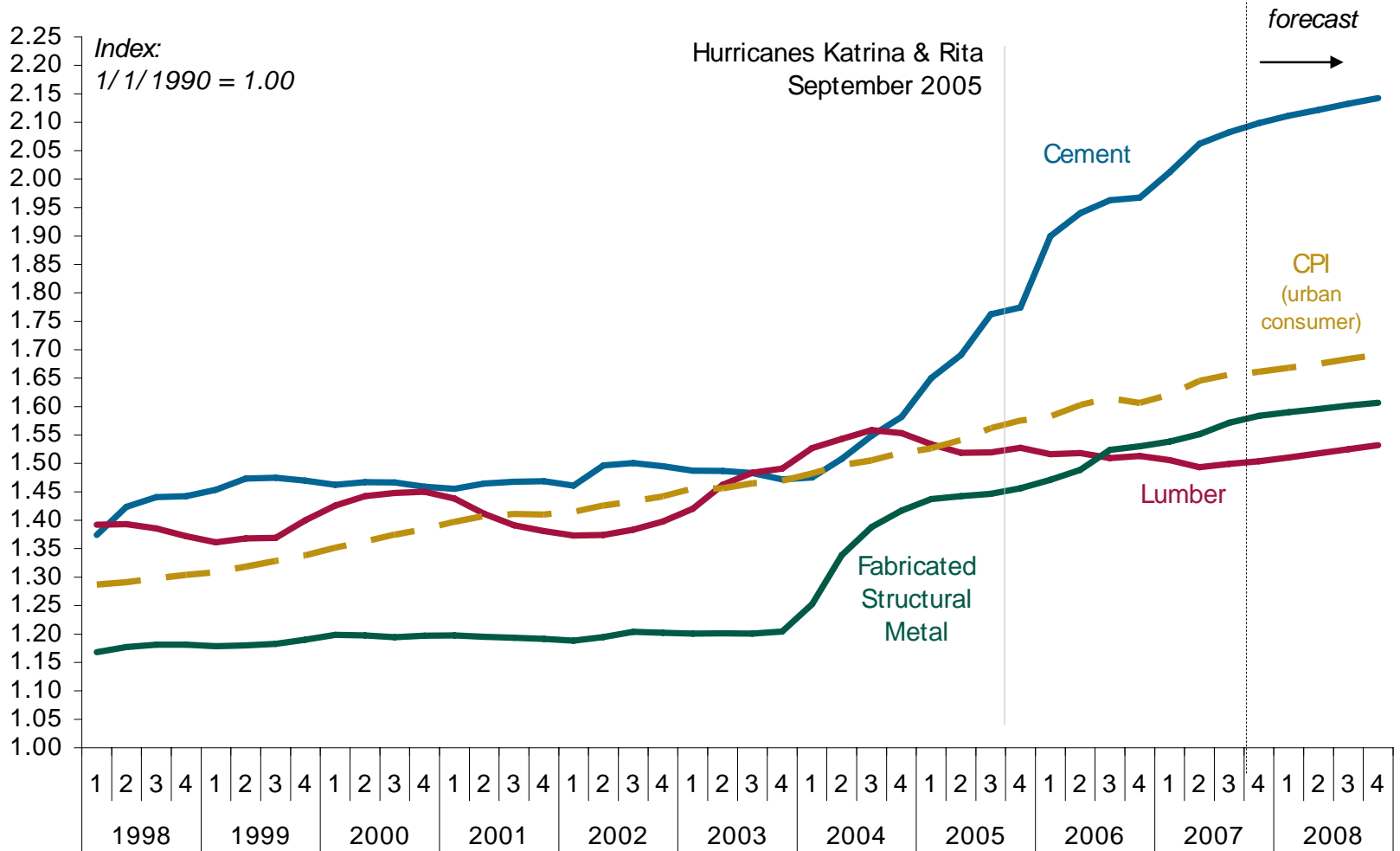
Historical and Forecast Employment Growth U.S. 2000-2008



Source: Economy.com; Heitman Research

High Construction Costs a Positive

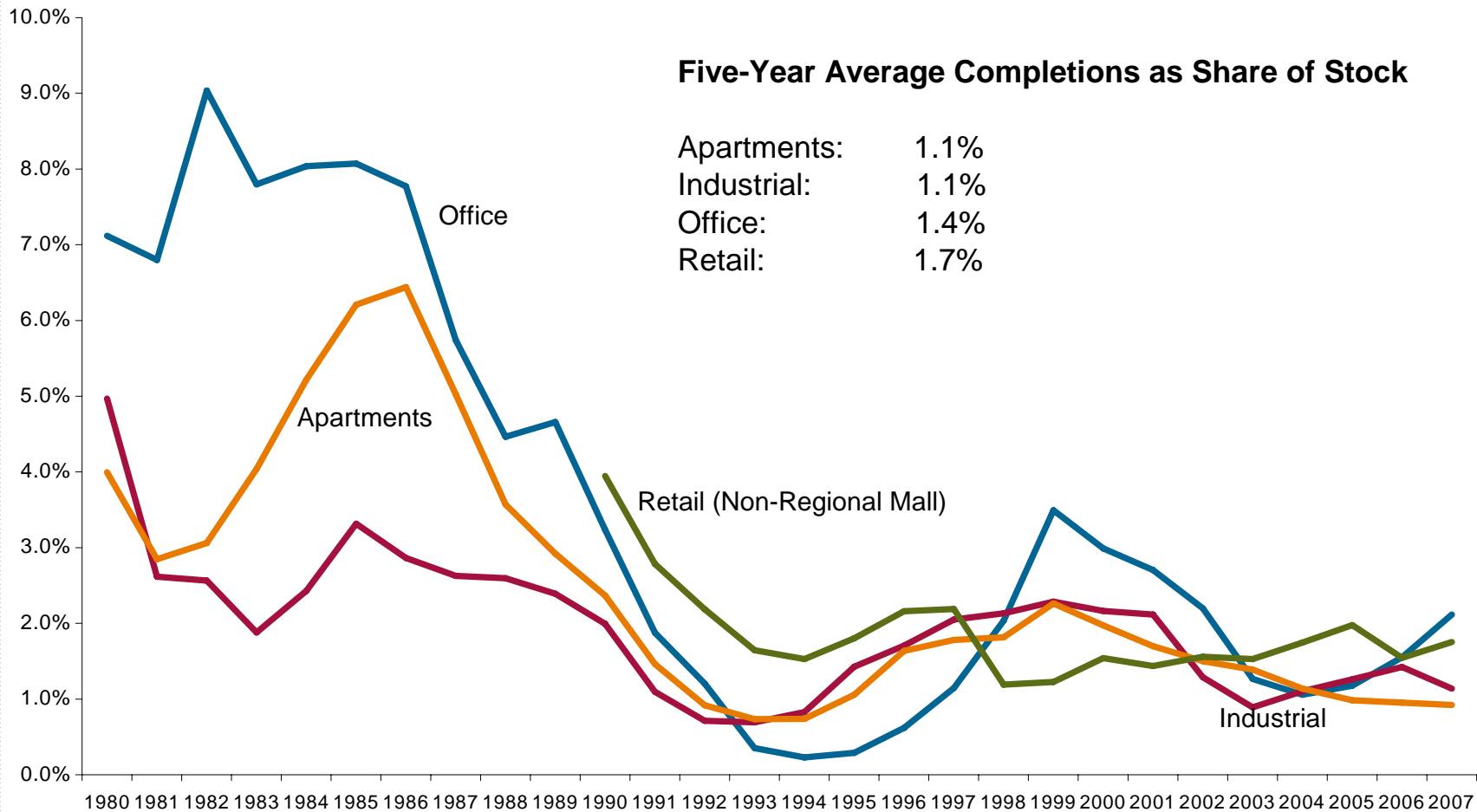
Price Inflation of Construction-Related Commodities U.S. 1998-2008



Source: Economy.com; Heitman Research

Translating into Minimal Development

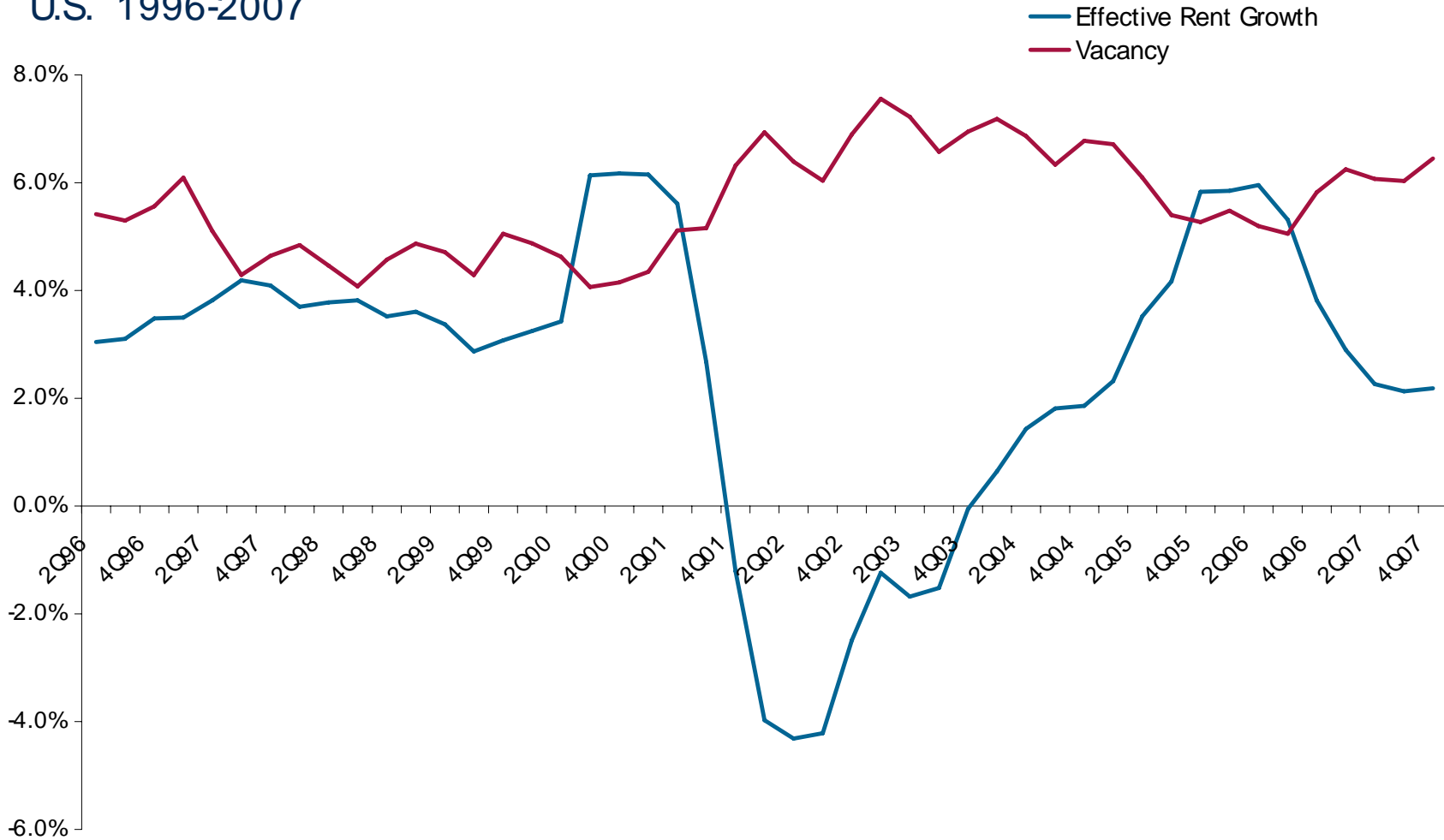
Completions as % of Existing Stock
Top U.S. Markets 1980-2007



Source: Torto Wheaton Research; REIS; Heitman Research

National Apartment Market Weakening

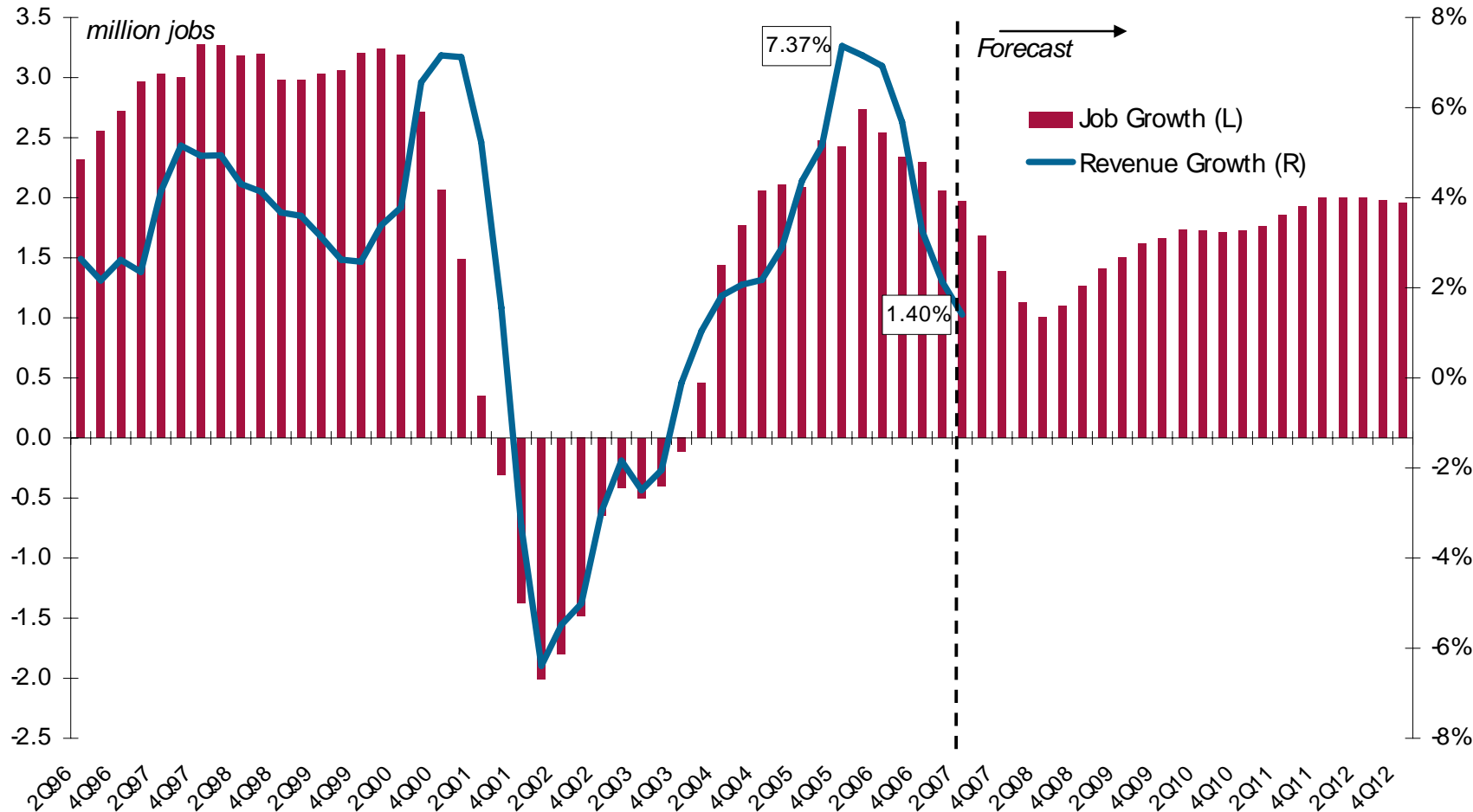
Effective Apartment Rent Growth U.S. 1996-2007



Source: Axiometrics; Heitman Research

Revenue Growth Has Slowed Quickly

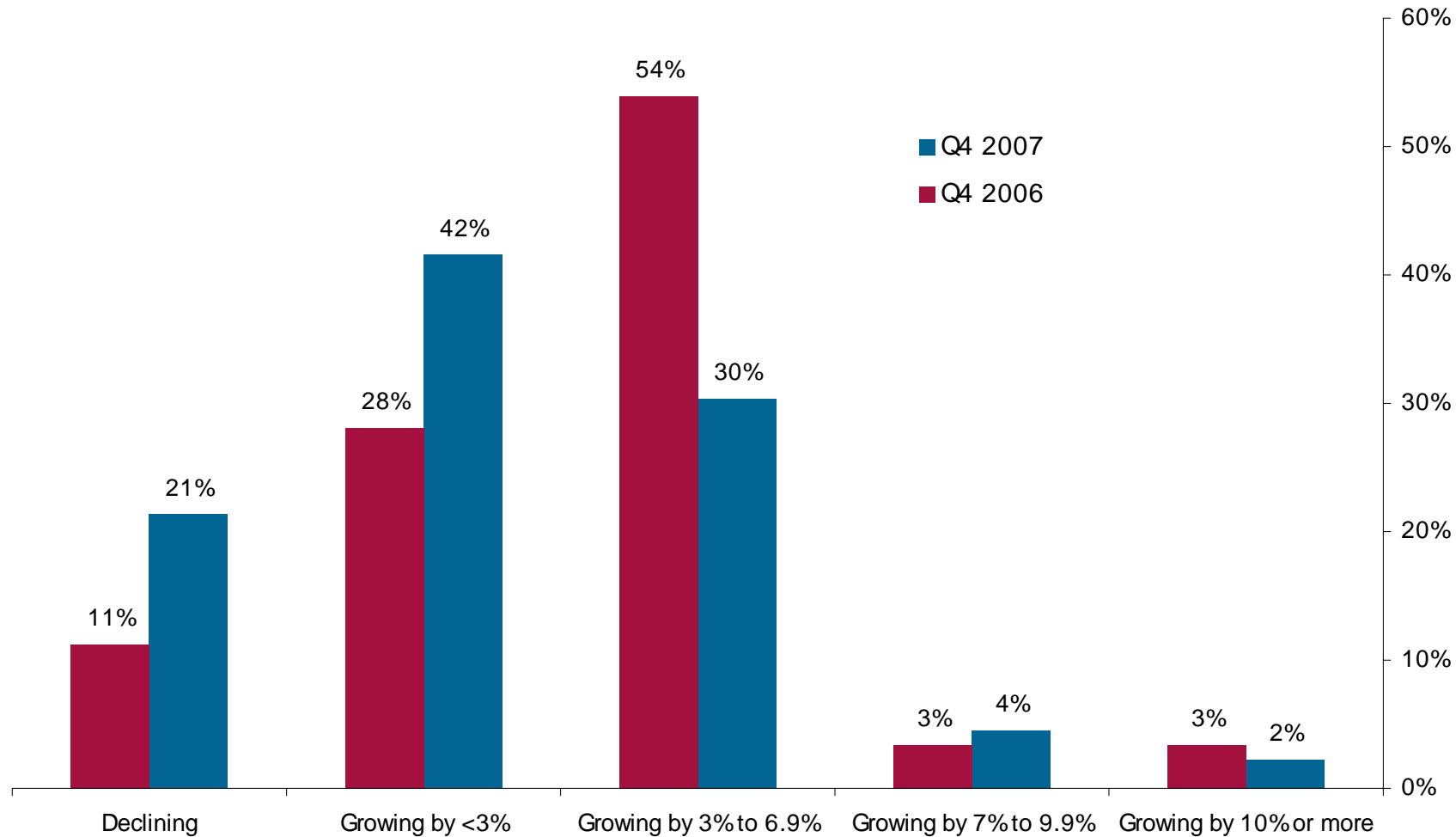
Employment Growth and Apartment Revenue Growth
U.S. 1996-2012, Year-over-Year Changes by Quarter



Source: Economy.com; Axiometrics Research; Heitman Research

But Conditions Vary Widely By Market

Share of Apartment Markets with Declining/ Growing Rents
U.S. Q4 2006 vs. Q4 2007

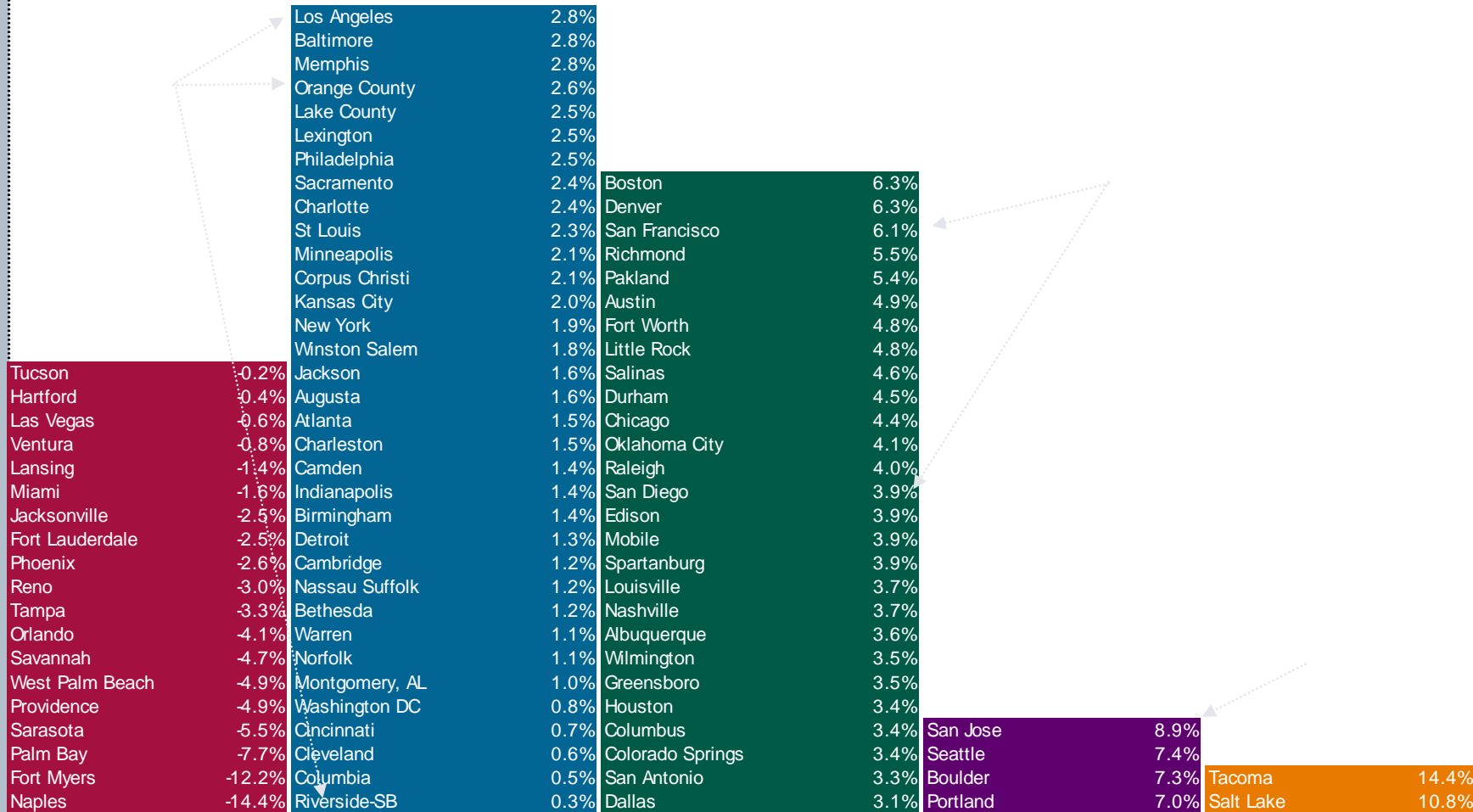


Source: Axiometrics Research; Heitman Research

Weakness Concentrated in Housing Bust Markets

Effective Apartment Rent Growth

Q4 2006-Q4 2007



Declining rents

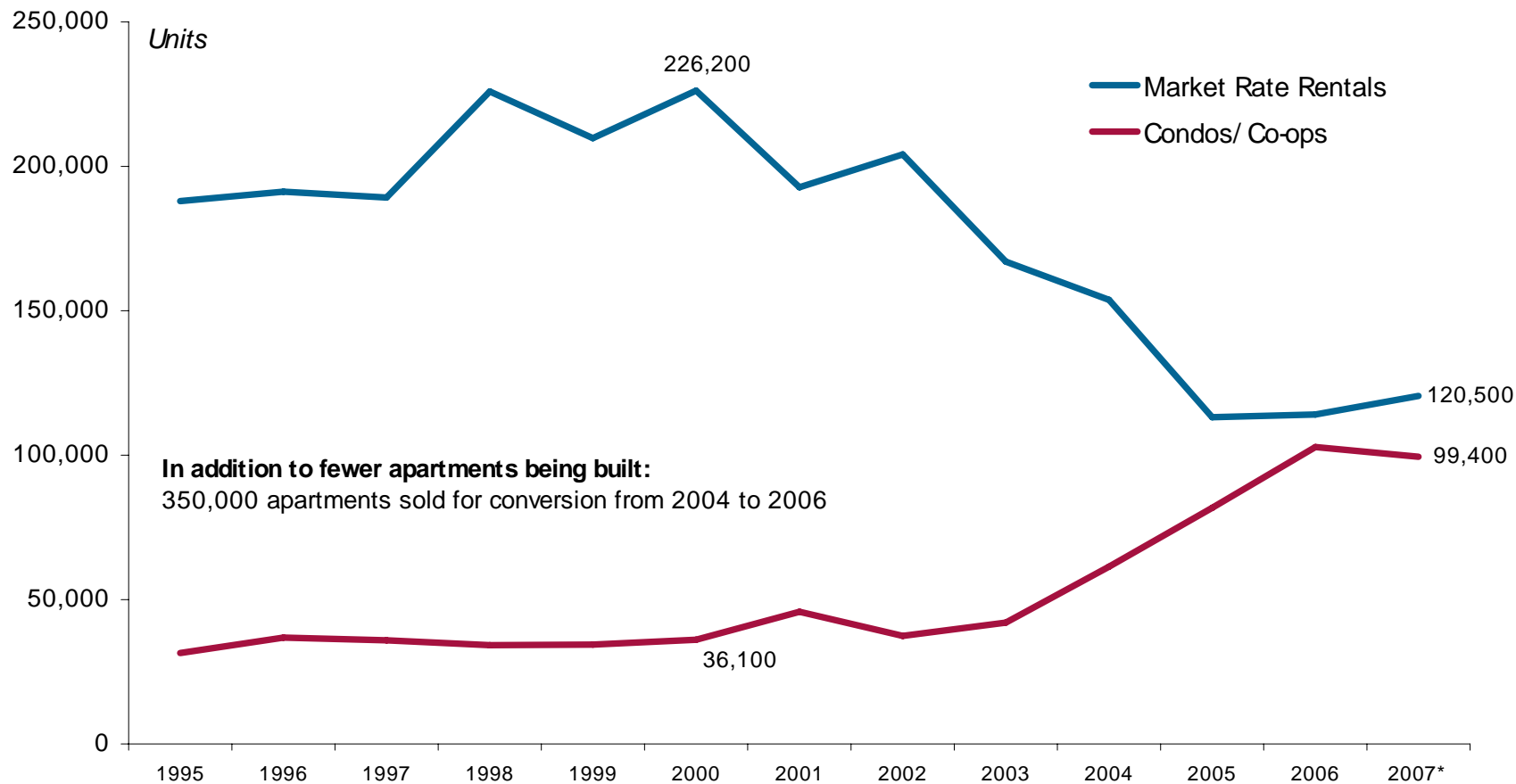
< 3.0% growth

3.0% to 6.9% growth

7.0% to 9.9% growth

10%+ growth

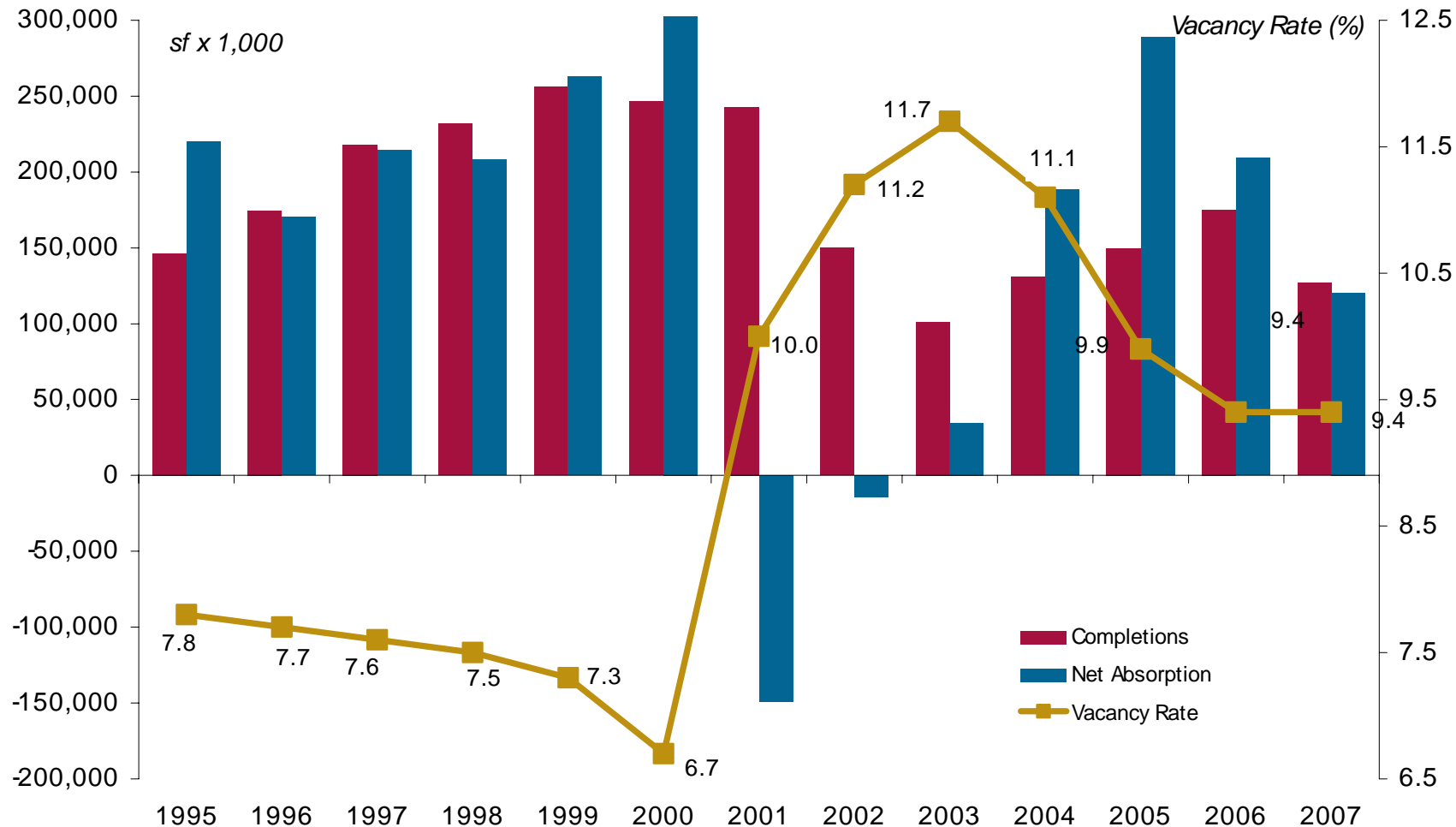
Condo vs. Rental Completions U.S. 1995-2007*



* 2007 Data is Rolling 4 Quarters Through Q1 2007 Annualized (latest available)

Source: U.S. Census Bureau; Heitman Research

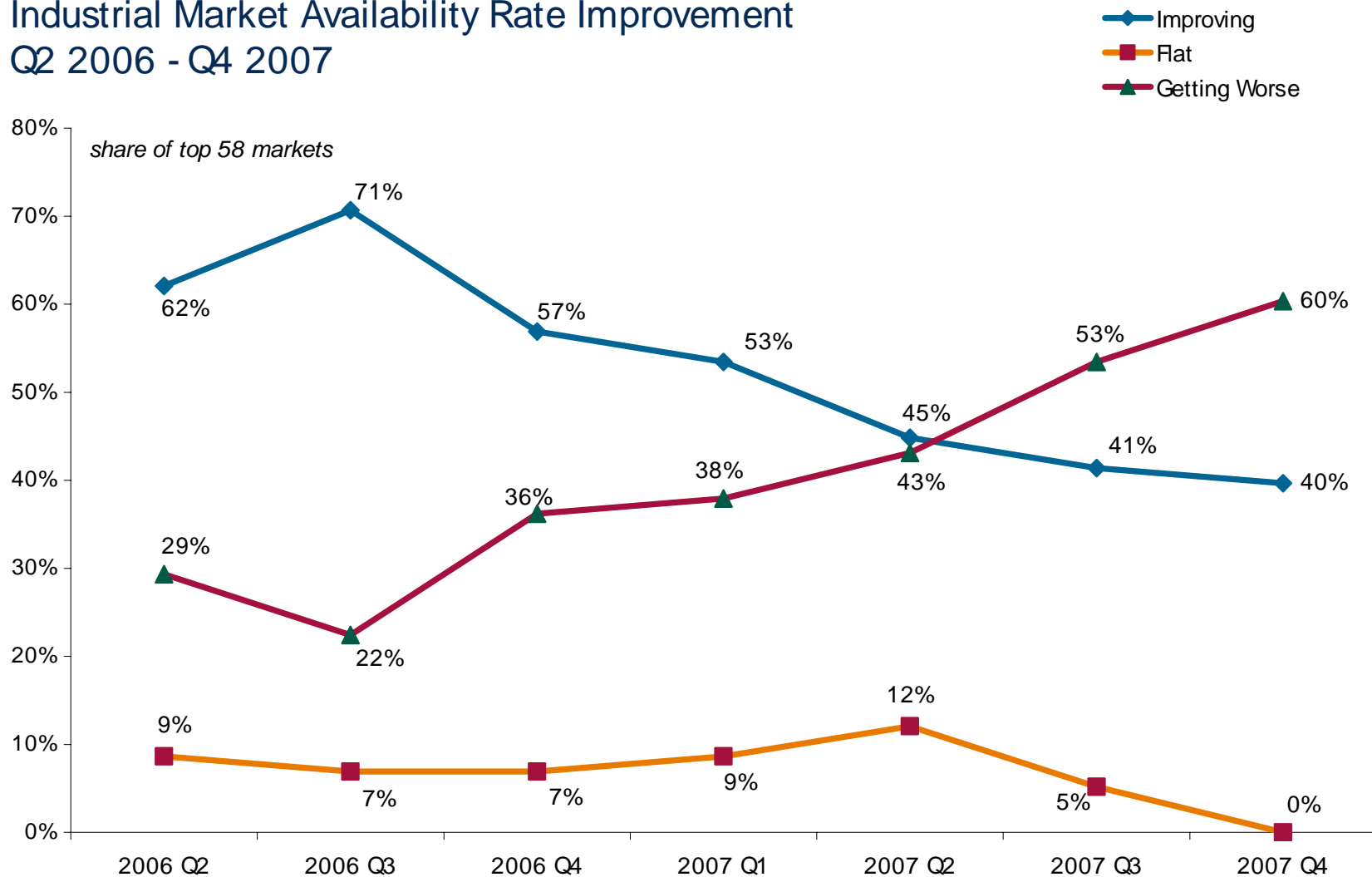
Industrial Completions, Net Absorption, and Availability
 U.S. 1995-2007 (years ending Q4)



Source: Torto Wheaton Research; Heitman Research

With a Tilt Toward the Downside

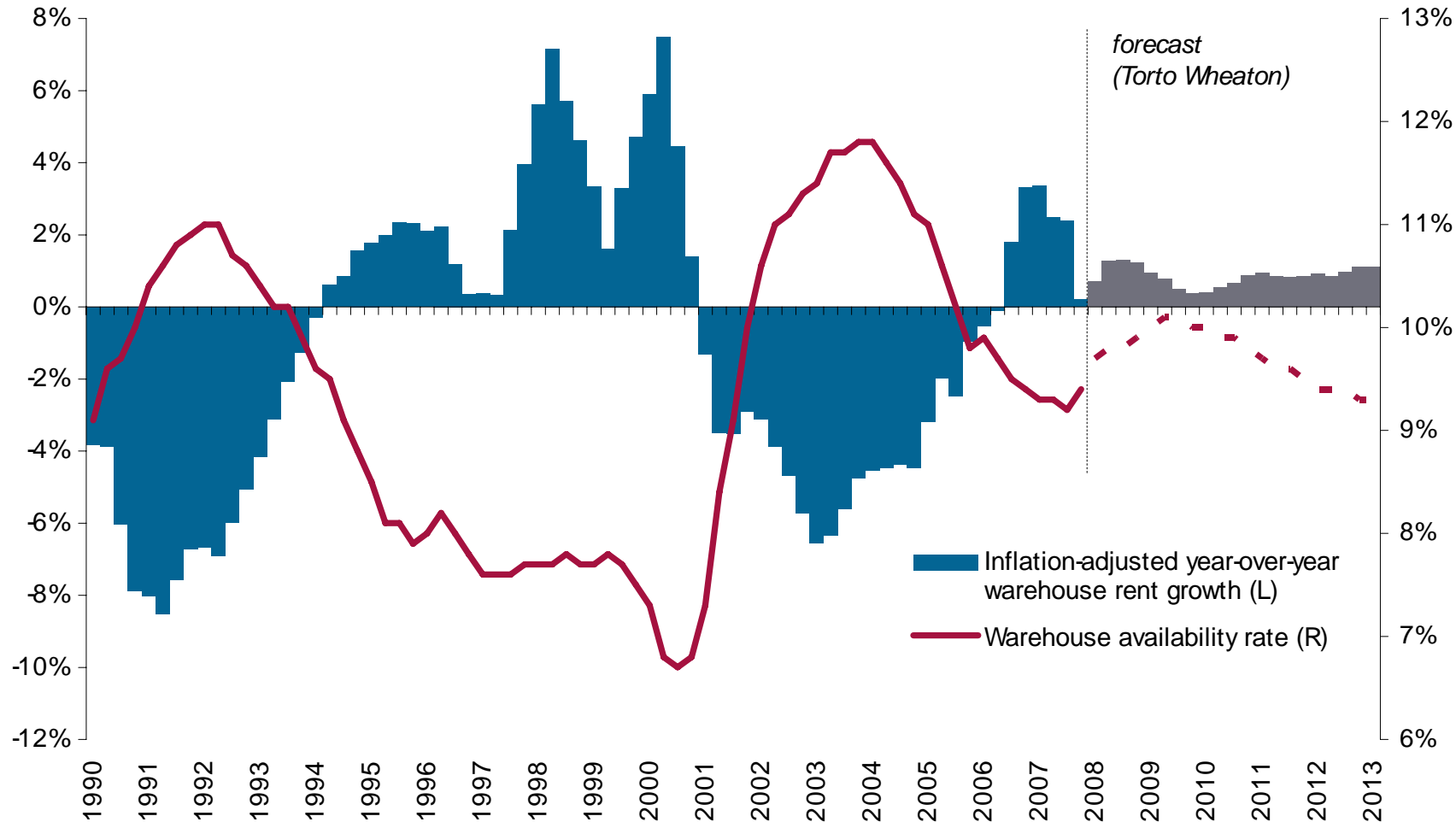
Industrial Market Availability Rate Improvement
Q2 2006 - Q4 2007



Source: Torto Wheaton Research; Heitman Research

Real Rent Growth Occurring But Rate

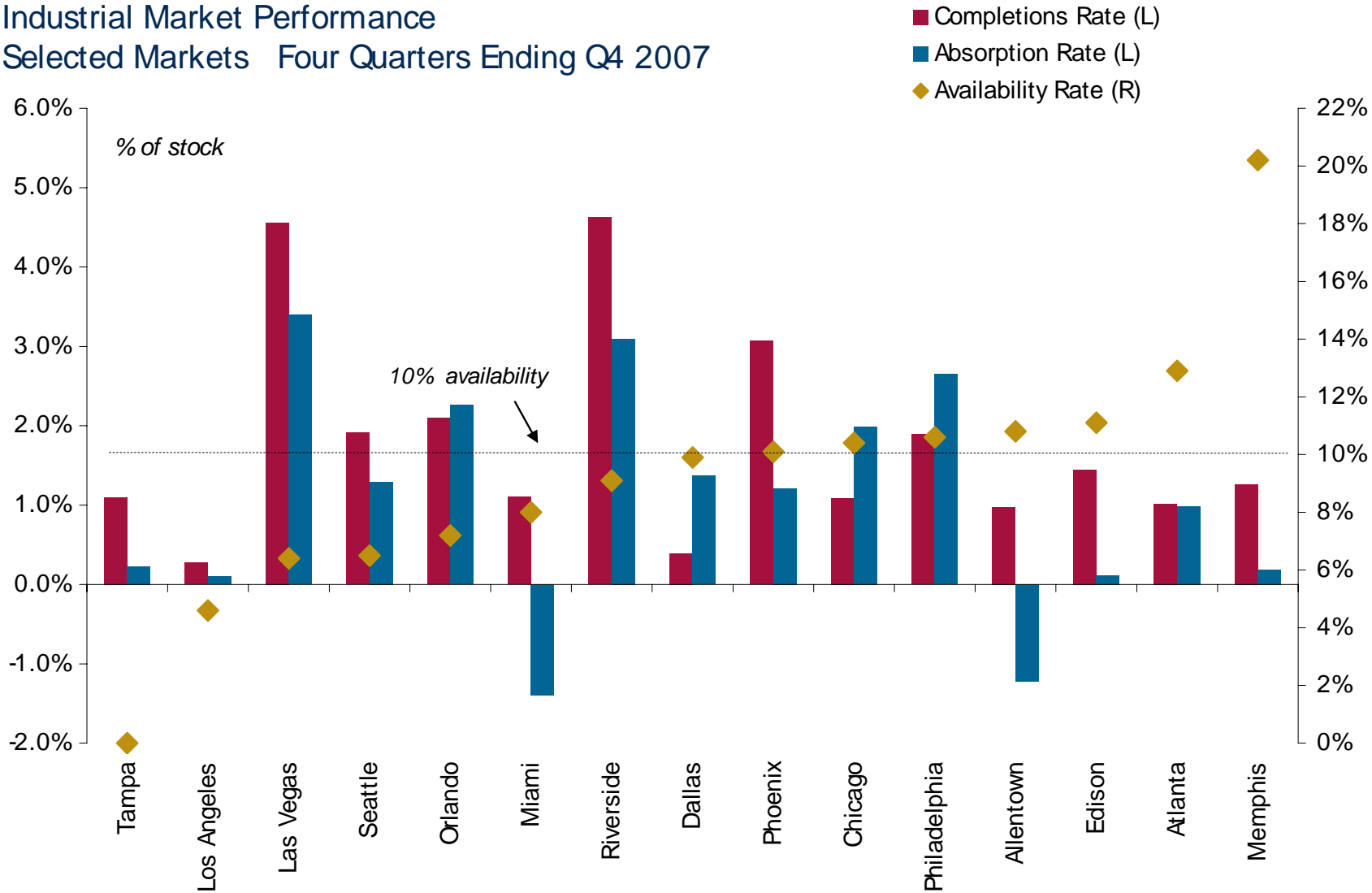
Warehouse Real Rent Growth and Availability
U.S. 1990-2013



Source: Torto Wheaton Research; Heitman Research

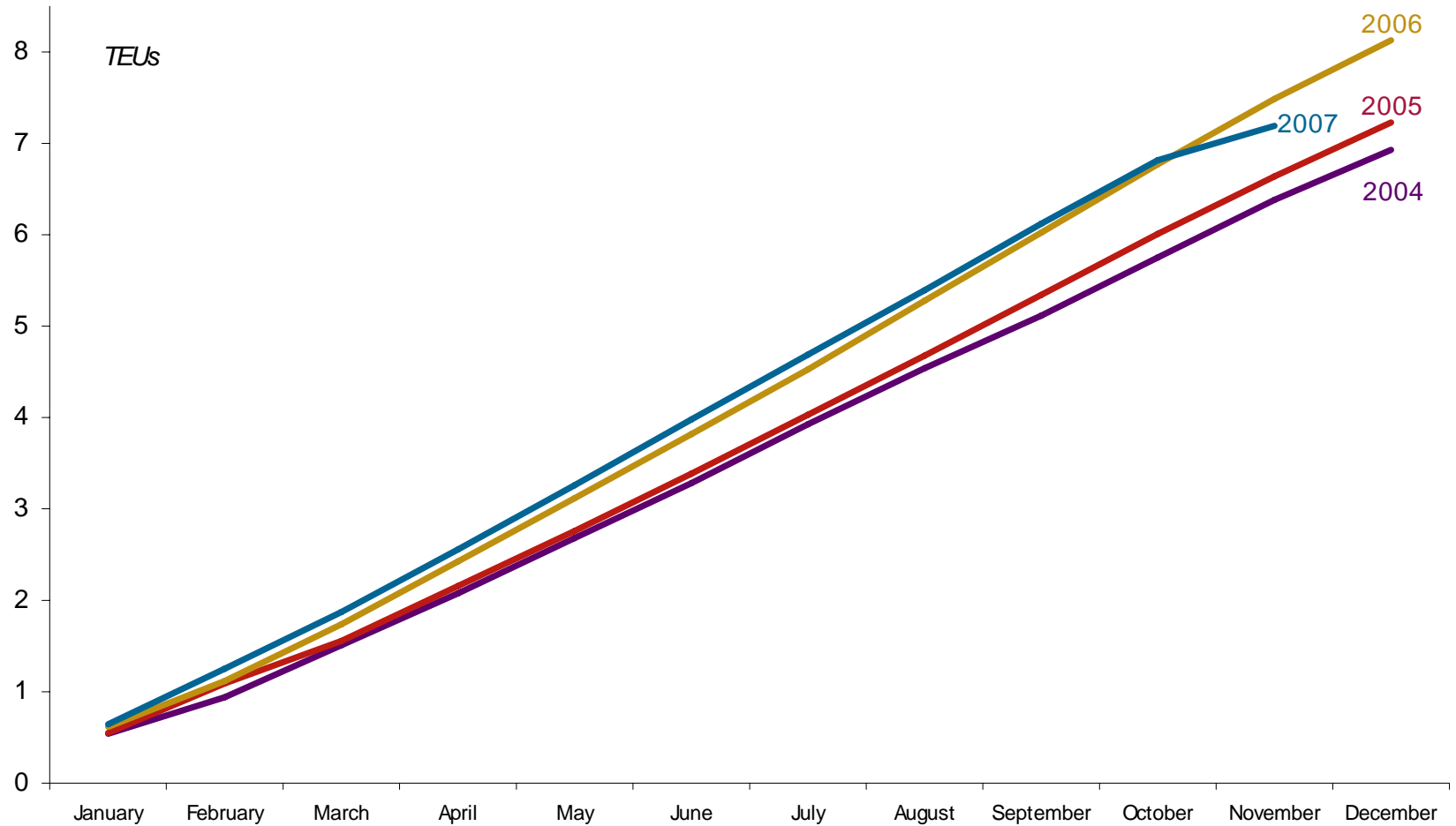
Multiple Healthy Markets

Industrial Market Performance
Selected Markets Four Quarters Ending Q4 2007



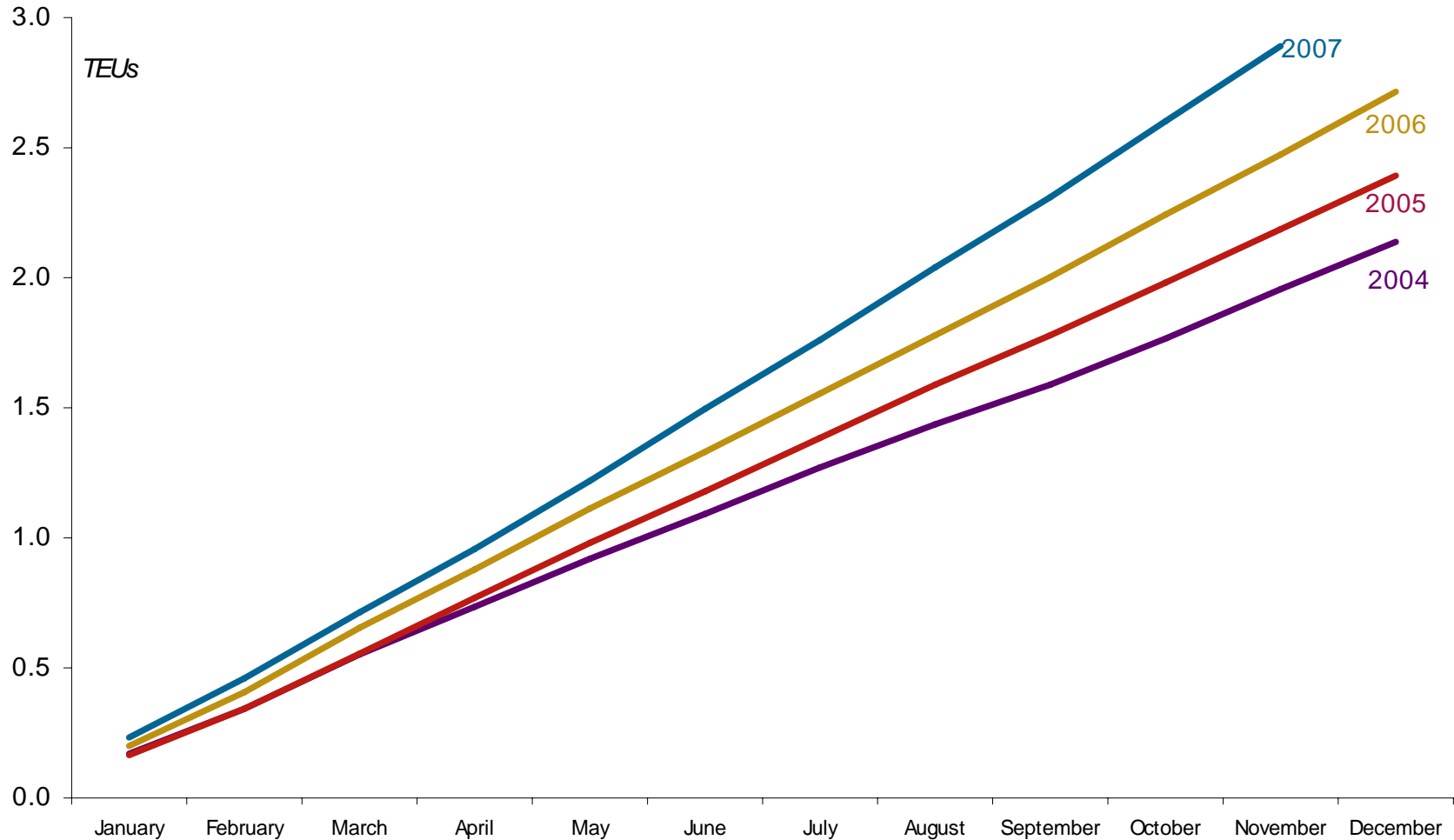
Source: Torto Wheaton Research; Heitman Research

Monthly Cumulative Inbound Loaded Containers Ports of Los Angeles & Long Beach 2004-2007



Source: Port of Los Angeles; Port of Long Beach; Heitman Research

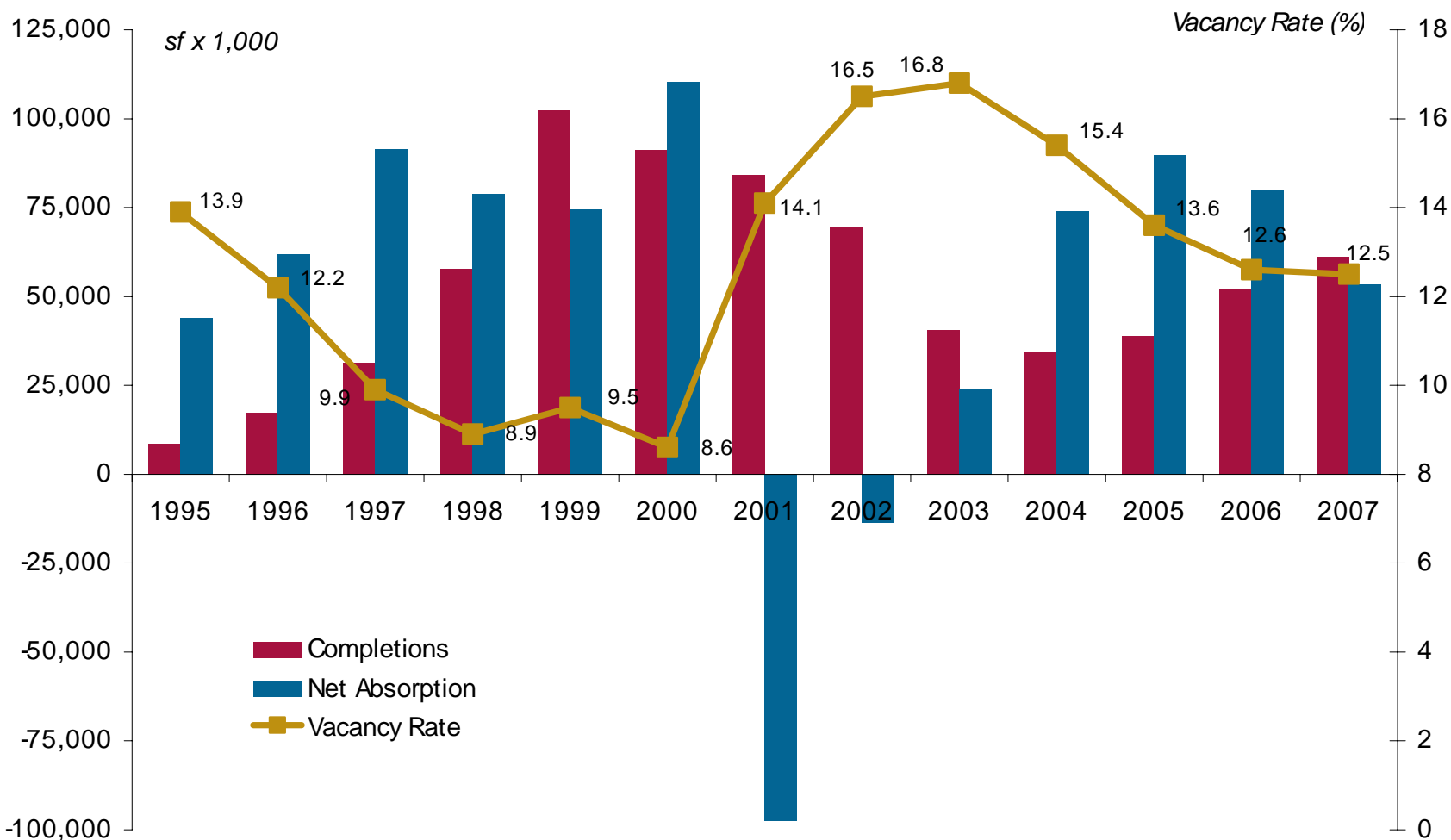
Monthly Cumulative Outbound Loaded Containers Ports of Los Angeles & Long Beach 2004-2007



Source: Port of Los Angeles; Port of Long Beach; Heitman Research

A Market Just Past Full Bloom

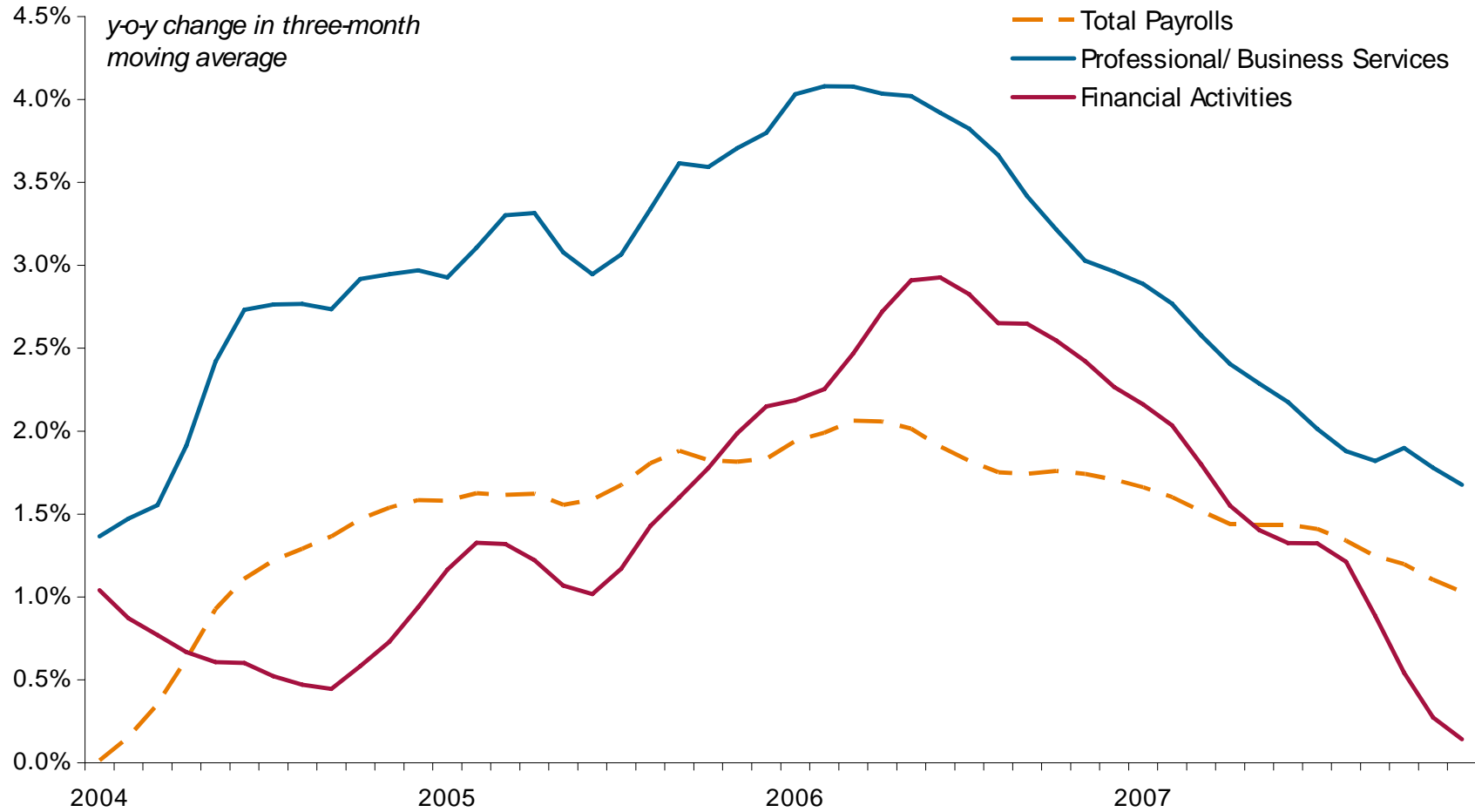
Office Completions, Net Absorption, and Vacancy U.S. 1995-2007 (years ending Q4)



Source: Torto Wheaton Research; Heitman

Office Demand Likely to Slow

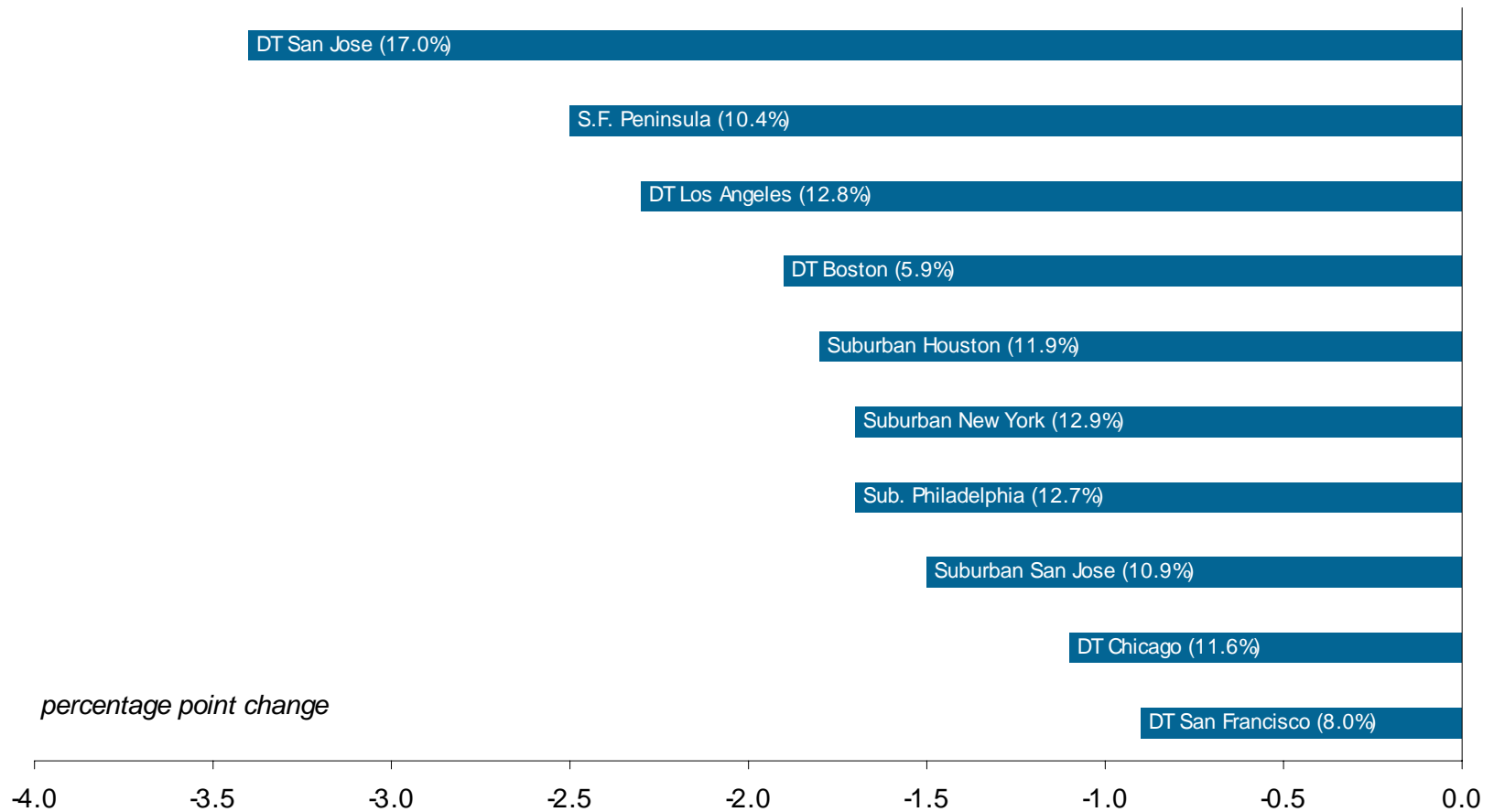
Office-Using Employment Growth U.S. 2004-2007



Source: BLS; Heitman Research

Many Strong/Improving Markets

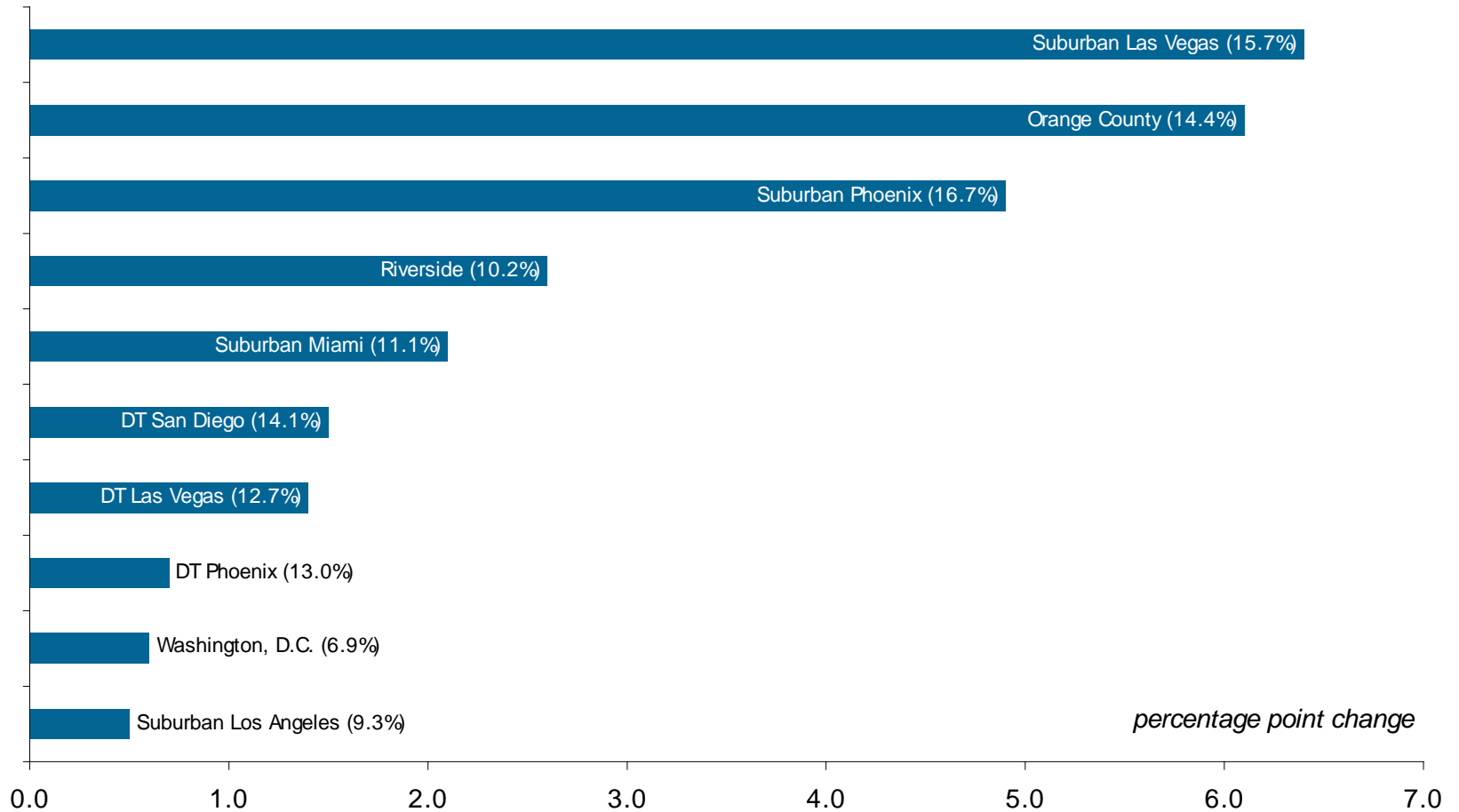
Year-over-Year Vacancy Rate Change Top Ten Selected Markets 2007Q4



Source: Torto Wheaton Research; Heitman Research

And Some That Are Not

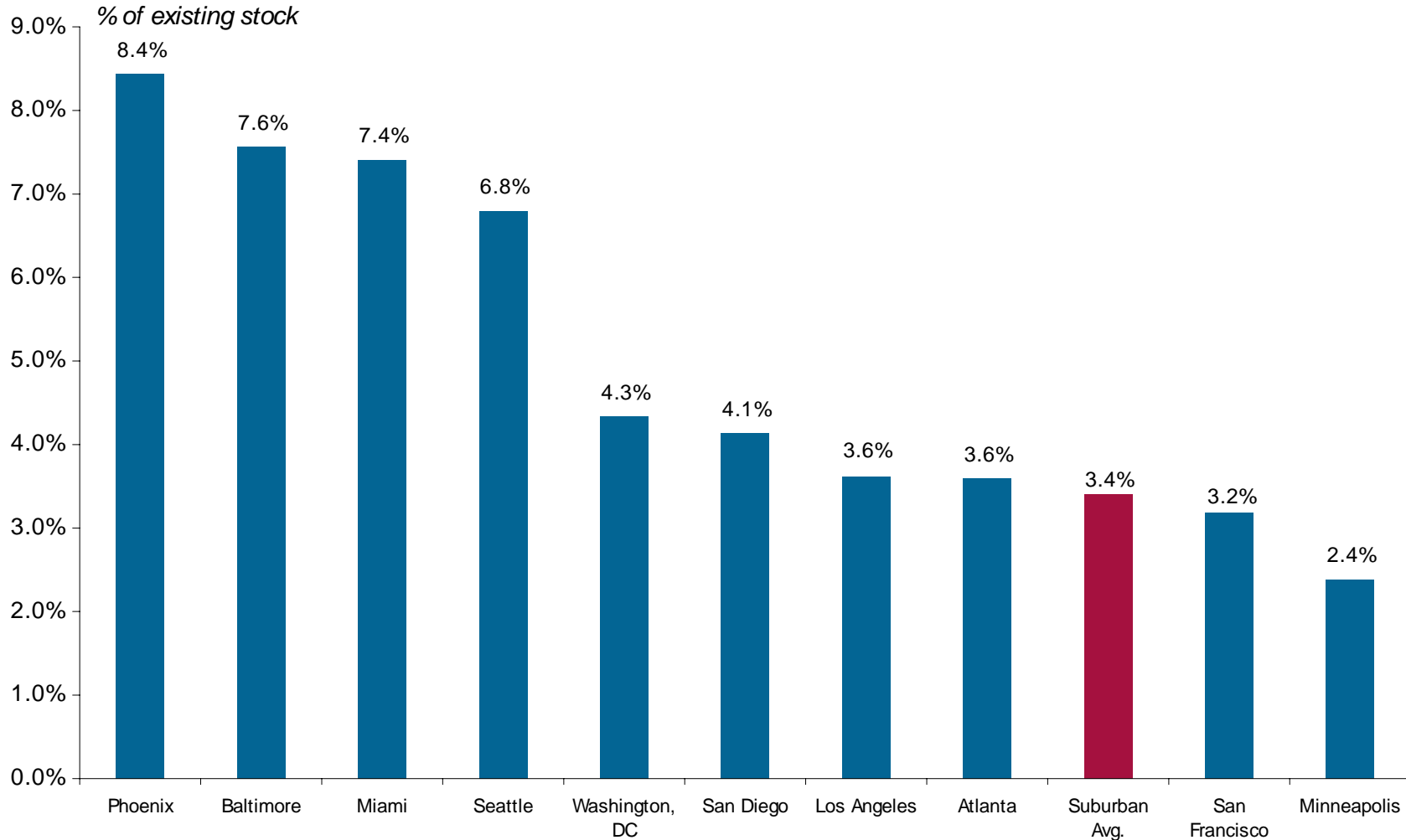
Year-over-Year Vacancy Rate Change Bottom Ten Selected Markets 2007Q4



Source: Torto Wheaton Research; Heitman Research

Suburban Markets Seeing Most Development

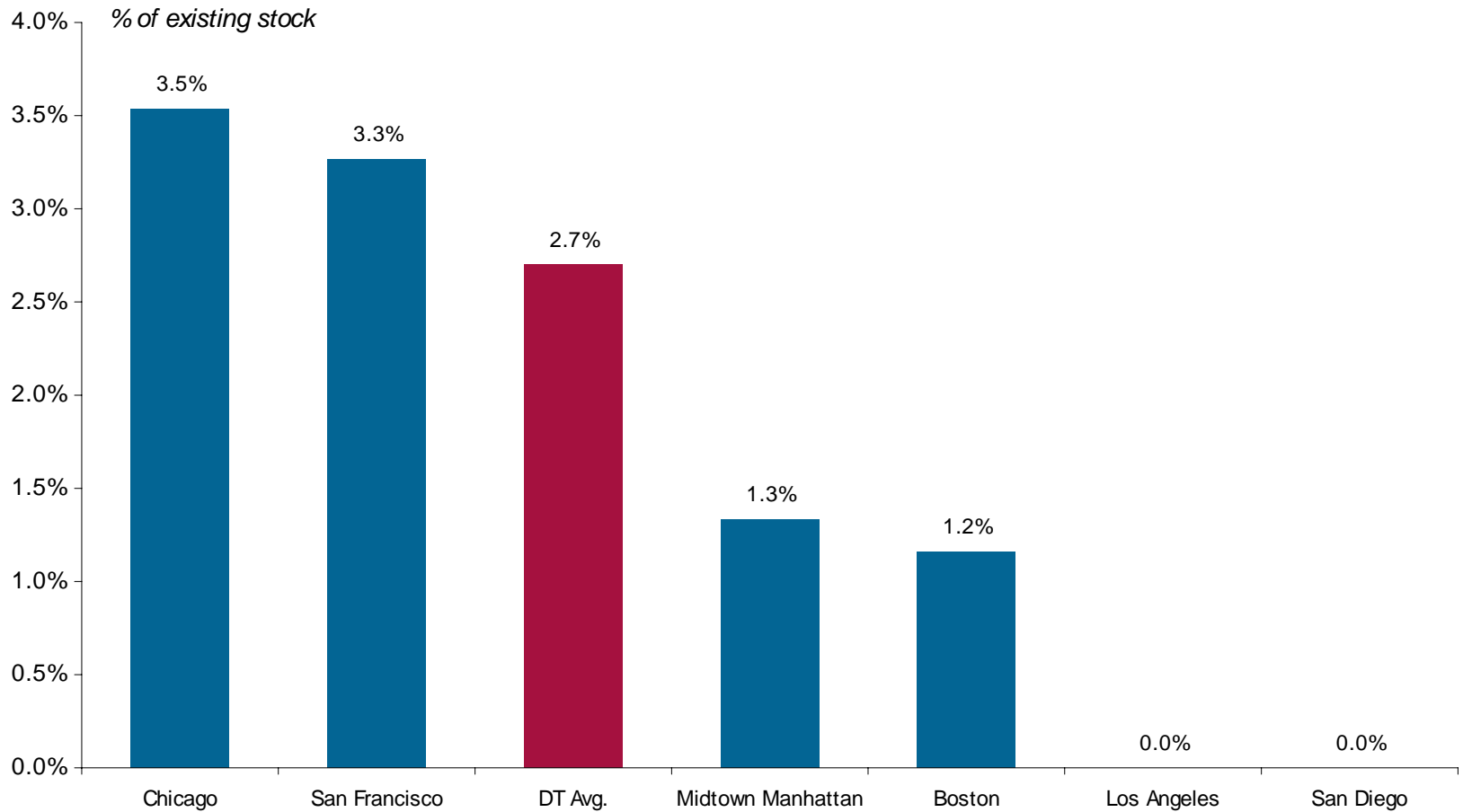
Multi-Tenant Office Space Under Construction Primary Suburban Markets 2007Q4



Source: Torto Wheaton Research; Heitman Research

Downtowns Less Challenged by Supply

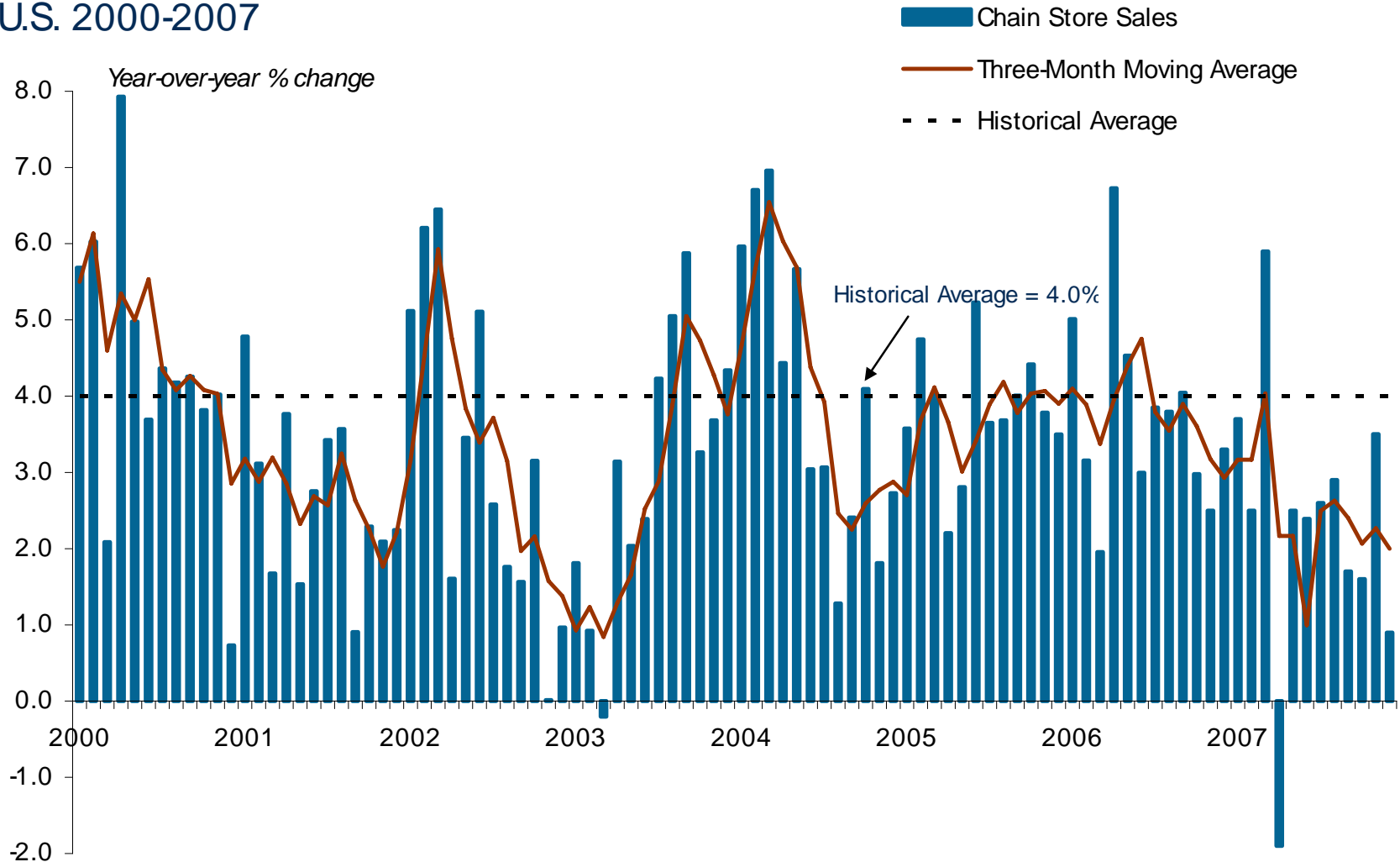
Multi-Tenant Office Space Under Construction Primary Downtown Markets 2007Q4



Source: Torto Wheaton Research; Heitman Research

Sales Still Increasing But at Lower Rate

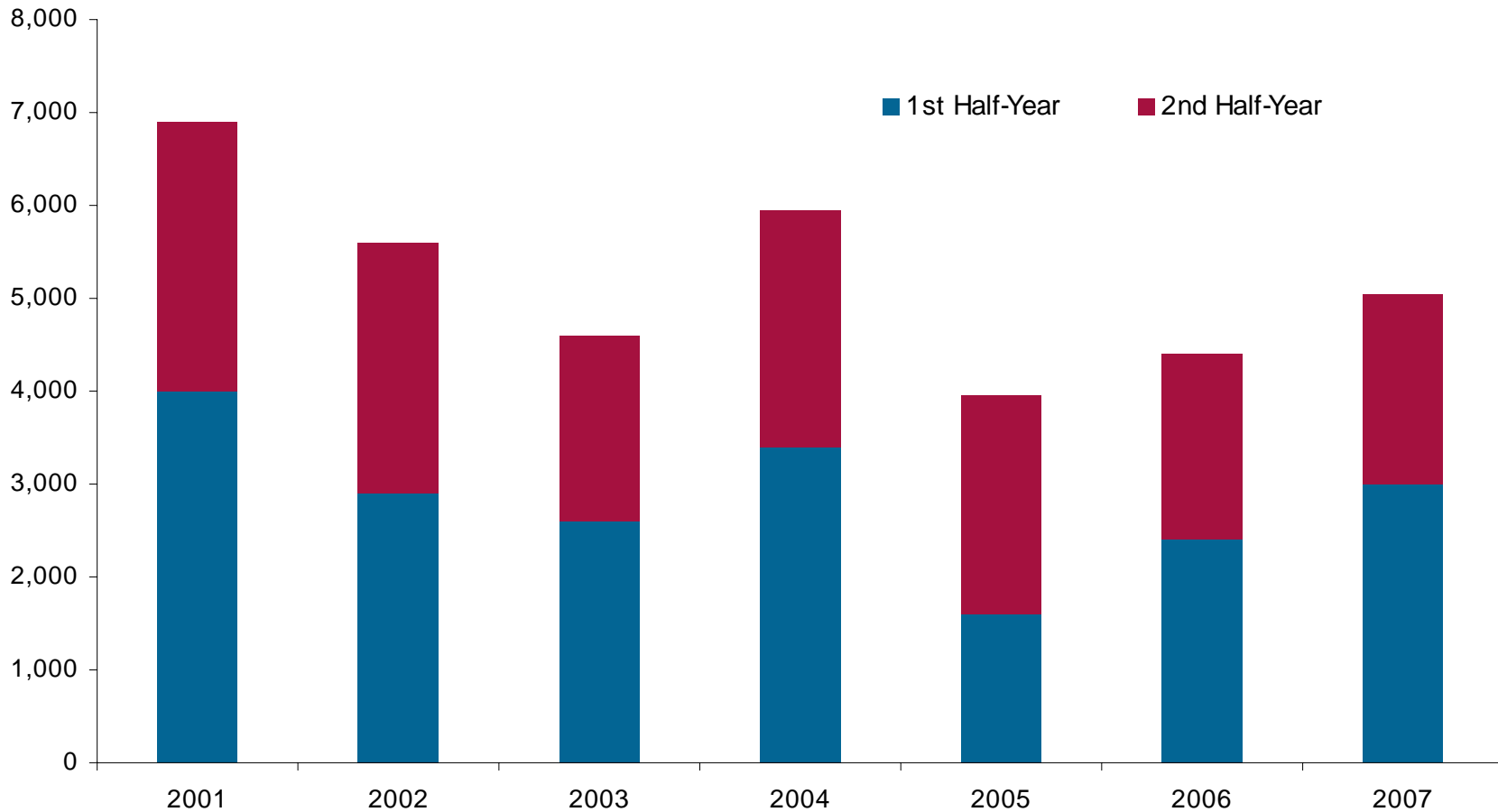
Chain Store Sales Trends U.S. 2000-2007



Source: ICSC; Heitman Research

And Store Closings Trending Up

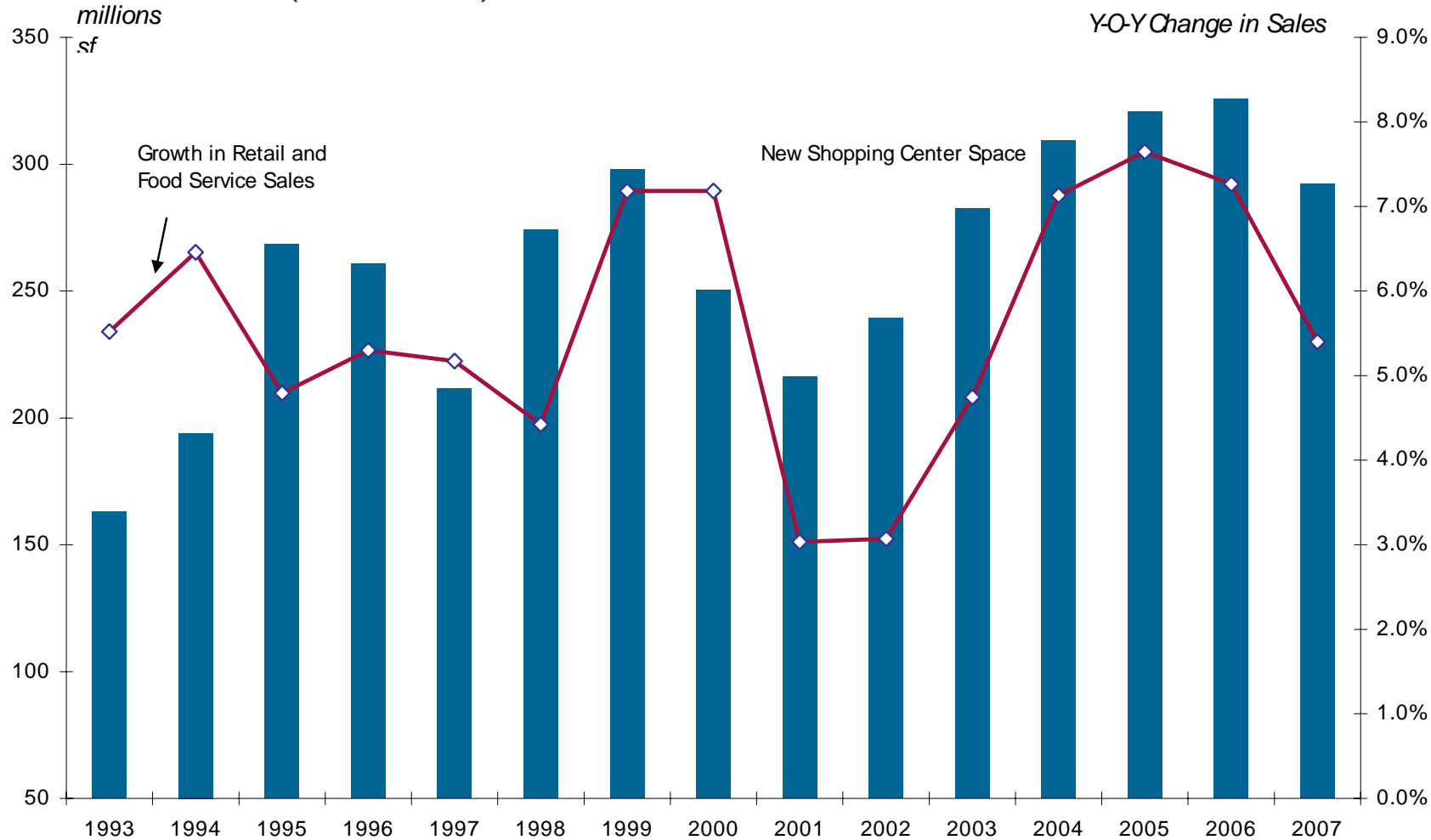
Store Closing Announcements
U.S. Retail Chains 2001-2007



Source: ICSC, Chain Store Guide; Heitman Research

Retail Helped by Disciplined Supply

New Supply and Demand Growth
U.S. 1993-2007 (Annualized)



Source: FW Dodge, ICSC; Heitman Research

Healthy Wage Growth

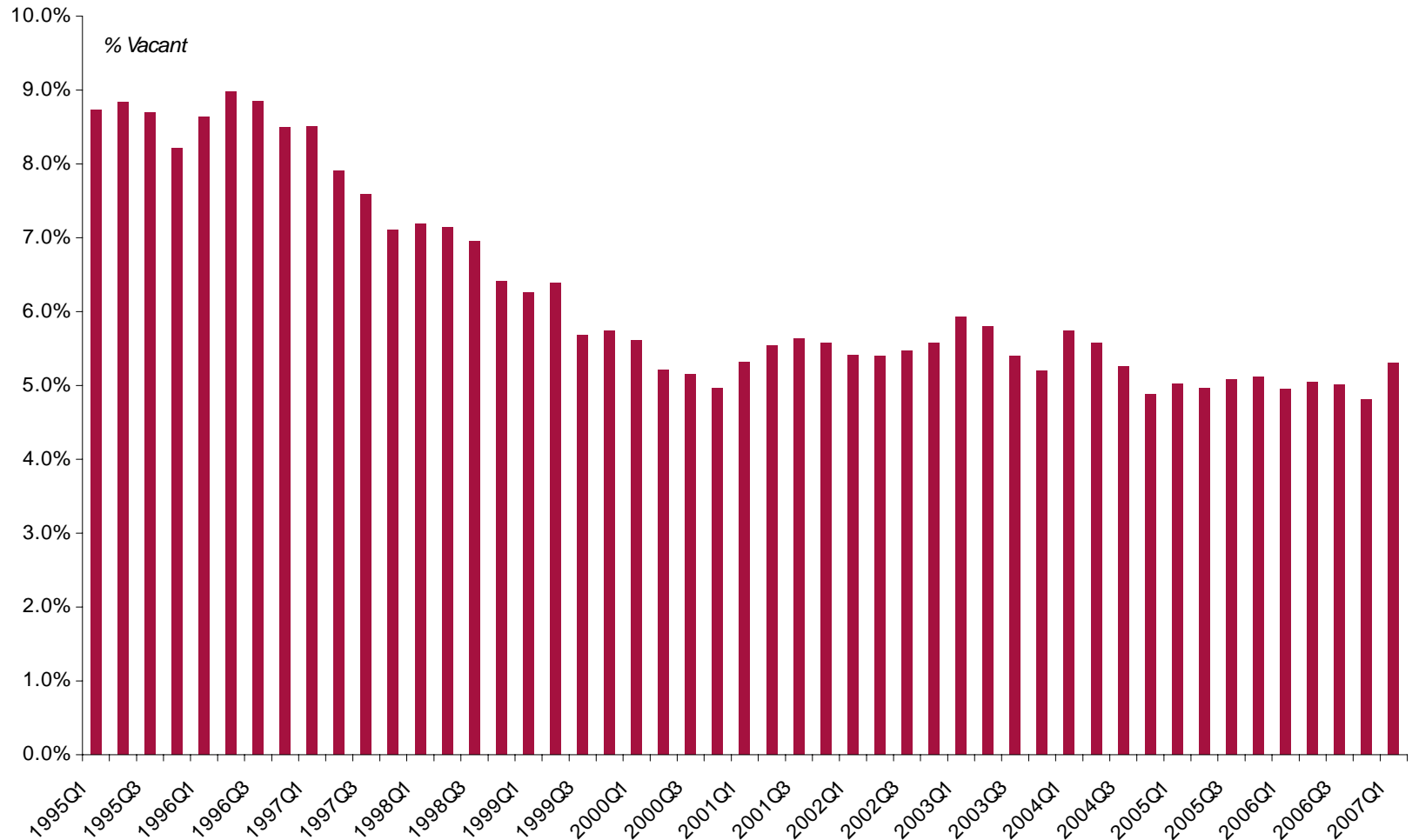
Wage and Salary Growth U.S. 2000-2007 Q2



Source: Economy.com; Heitman Research

And Vacancy at a Structural Low

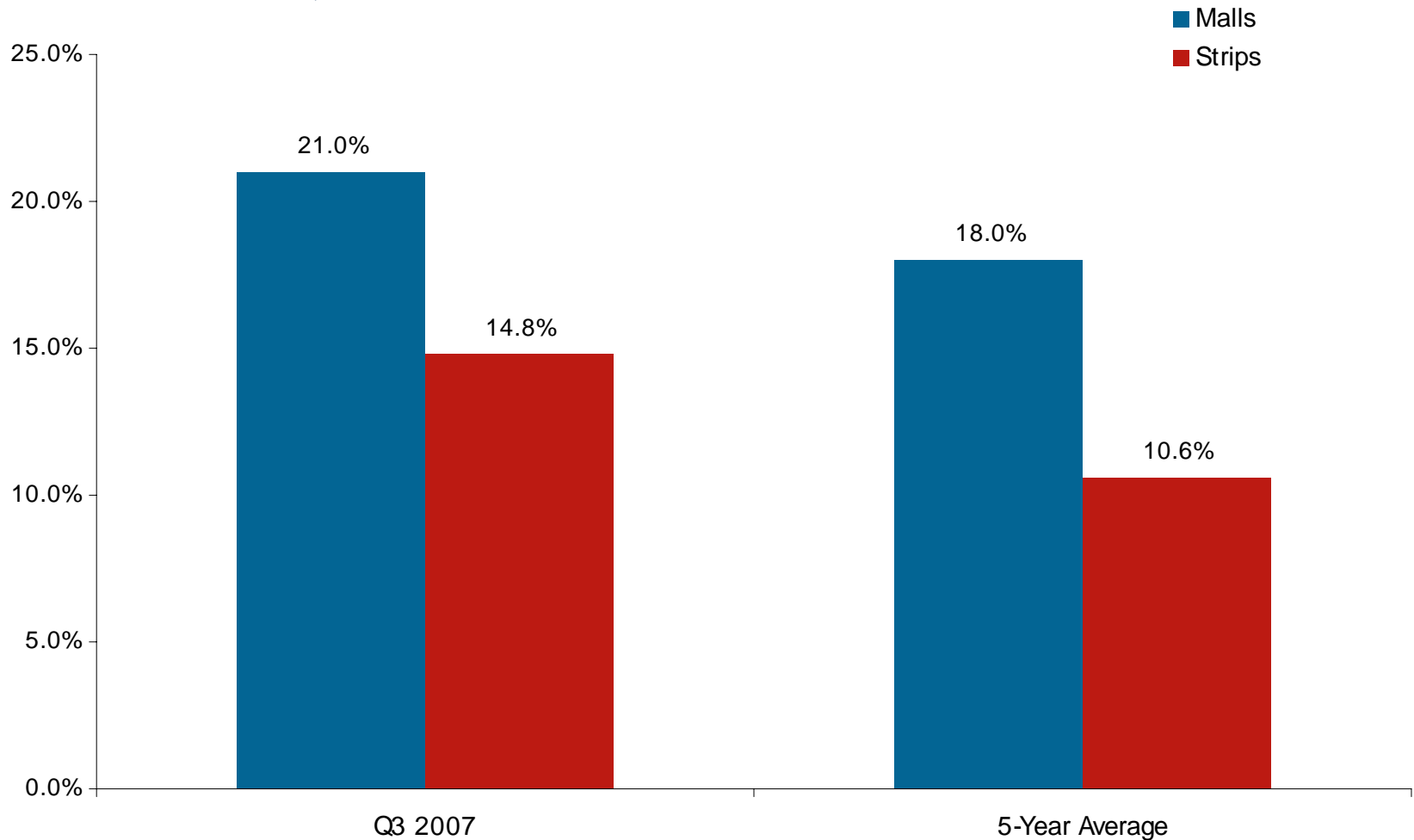
NCREIF Retail Vacancy Rate
U.S. 1987-2007 Q1



Source: NCREIF, Heitman Research

Vacancy Often a Positive

Average Re-Leasing Spreads
U.S. REITs 2007 Q3



Source: Green Street Advisors; Heitman Research