

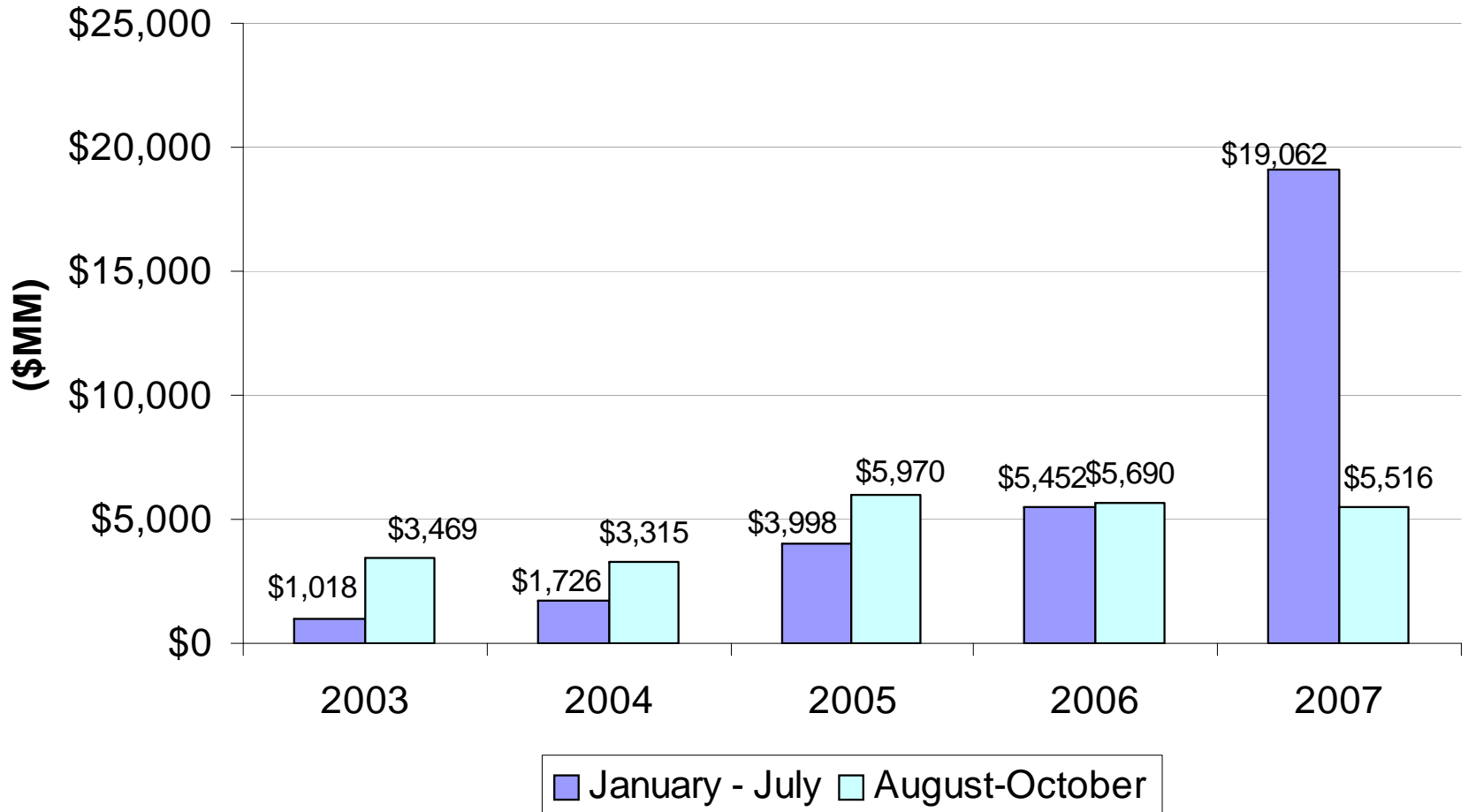
ULI Emerging Trends in Real Estate

Changes in the Capital Markets – Is the Bay Area Immune to the Downturn?

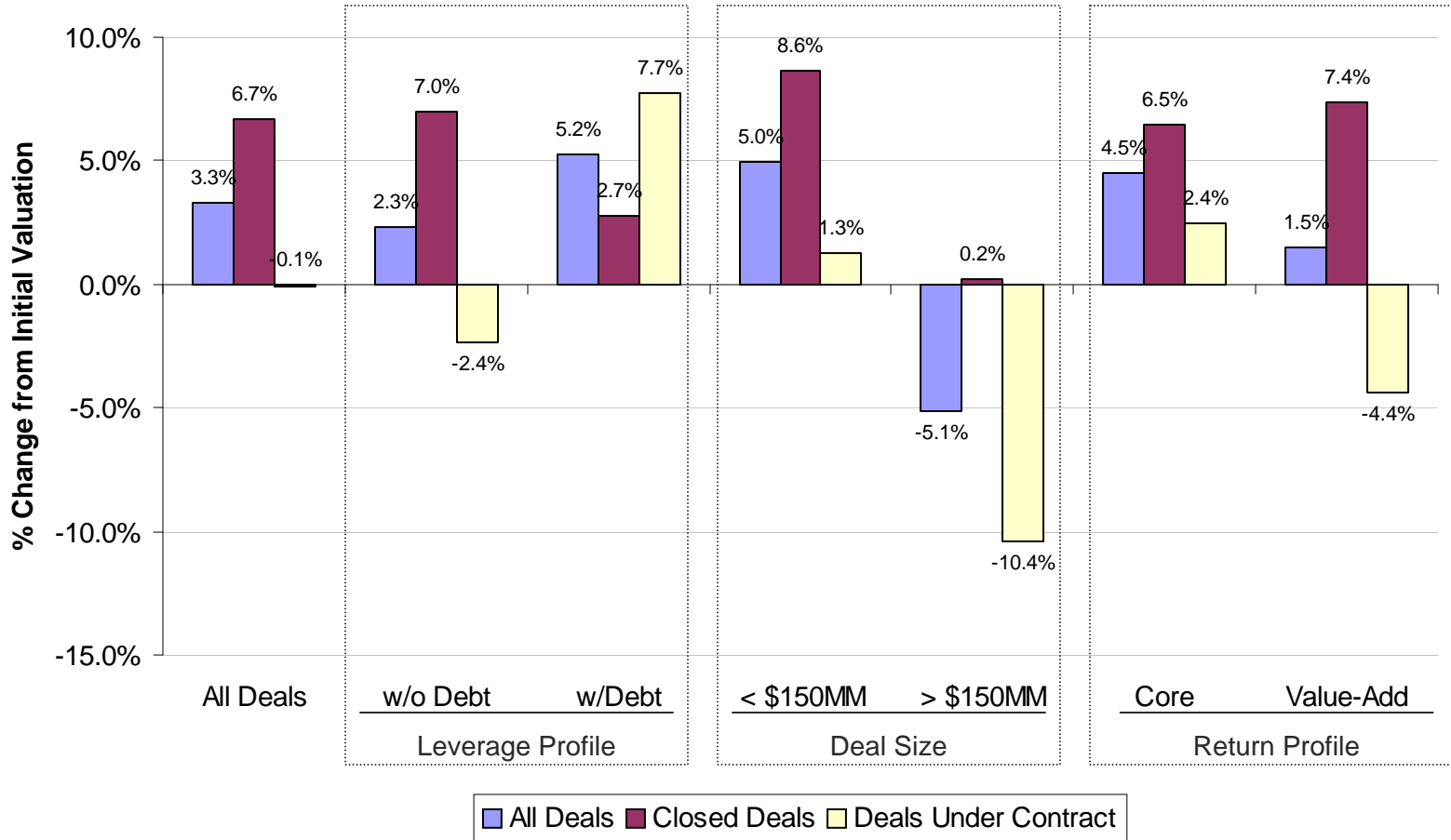
November 29, 2007

Jeffrey Weber – Senior Managing Director, Eastdil Secured

Monthly Average Deal Volume – Nationally – January to July vs. August to October



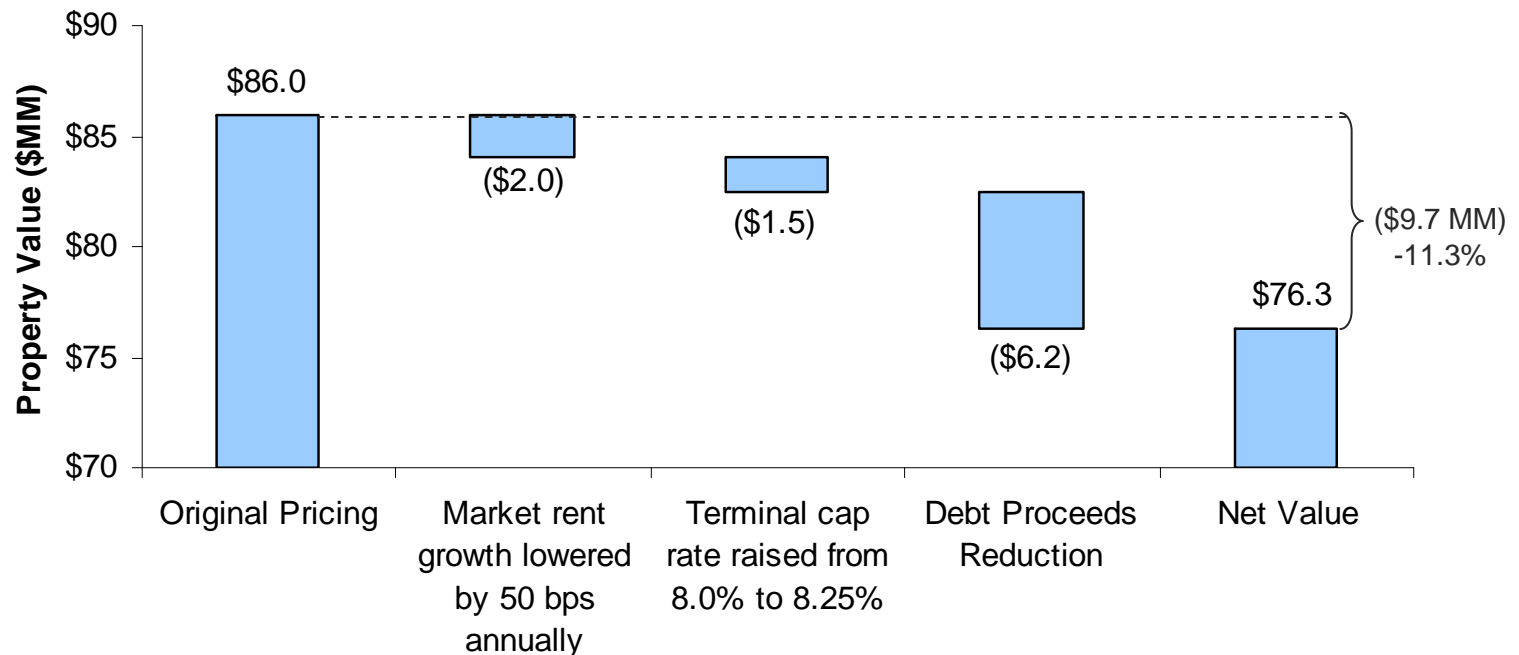
Pricing Comparison – Initial Valuation vs. Closed / Contract Pricing July 27 to Present



Evolution of Equity Pricing – Hypothetical Example

SUBURBAN BAY AREA OFFICE

(~310,000 RSF, 84% leased, significant roll-over in first 3 years)



San Francisco: Pricing and Replacement Cost Trends

	2001	2003	2005	2006	YTD 2007	YTD 2007 v 2005
# of Transactions	10	11	41	41	57	+ 16
Total Volume (\$MM)	\$503	\$429	\$3,818	\$3,703	\$9,914	+\$6,096
Average Price PSF	\$356	\$212	\$319	\$344	\$501	+\$182
Average Market Rent (FSG)	\$36.00	\$26.50	\$33.75	\$40.00	\$49.75	+\$16
Average Market Rent (NNN) ⁽¹⁾	\$22.67	\$12.36	\$18.75	\$24.55	\$33.84	+\$15
Mark-to-Market Cap Rate	6.4%	5.8%	5.9%	7.1%	6.8%	+ 87 bps

1. Assumes \$15 of opex and taxes in 2005 grown/discounted at 3% annually

Source: Real Capital Analytics and Eastdil Secured

- While pricing has increased by approximately \$200 psf since 2005, mark-to-market cap rates have actually increased since 2005

San Francisco: Pricing and Replacement Cost Trends

	2001	2003	2005	2006	YTD 2007	YTD 2007 v 2005
Replacement Cost	\$400	\$465	\$525	\$585	\$675	+\$150
Price PSF as a % of Replacement Cost	88.9%	45.5%	60.7%	58.8%	74.2%	+13.5%
Replacement Cost Rents (NNN) ⁽²⁾	\$31.00	\$36.04	\$40.69	\$45.34	\$52.31	+\$12
Average Sale Price - Cap Rate on Replacement Cost Rents	8.7%	17.0%	12.8%	13.2%	10.4%	-232 bps
Market Rent as a % of Replacement Cost Rents	73.1%	34.3%	46.1%	54.1%	64.7%	+18.6%

1. Assumes an 7.75% return on cost threshold

Source: Real Capital Analytics and Eastdil Secured

- While market rents have risen significantly since 2003, replacement costs rents have risen as well, maintaining a large gap between current market and equilibrium rents

Evolution of Loan Terms

SUBURBAN BAY AREA OFFICE FLOATING RATE FINANCING

(~310,000 RSF, 84% leased, significant roll-over in first 3 years)

<u>Term</u>	<u>7/16</u>	<u>9/7</u>	<u>11/1</u>
Purchase Price	\$86,000,000	\$86,000,000	\$86,000,000
LIBOR	5.32%	5.82%	4.69%
Spread over LIBOR	<u>165 bps</u>	<u>255 bps</u>	<u>255 bps</u>
Net Interest Rate	6.97%	8.37%	7.24%
Origination Fee	0.55%	0.75%	1.00%
Gross Loan Commitment	\$75,200,000	\$74,300,000	\$46,000,000
Proceeds at Close	\$62,800,000	\$63,100,000	\$42,000,000
Loan-to-Value at Close	73%	73%	49%
In-Place DSCR	0.70x	0.57x	1.00x