

# INVESTOR'S GUIDE

TO REIT/REOC PERFORMANCE,  
VALUATION AND ANALYSIS

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# A GUIDE TO REIT/REOC ANALYSIS

Most analysts and portfolio managers begin the process of valuing real estate stocks by separating the universe of companies into categories.

*Realty Stock Review* ([www.reealtystockreview.com](http://www.reealtystockreview.com)), a sister publication of *Property*, divides equity REITs and REOCs (non-REIT Real Estate Operating Companies) into 14 sectors. Eleven of those sectors are property specific, such as apartments, regional malls, offices, and shopping centers. The twelfth sector is made up of companies that focus on sale-lease-back transactions; this category is labeled net-lease. The final two sectors—opportunity/diversified and diversified—include companies that own several property types.

Once separated by category, you should focus on how the 14 sectors compare based on 10 key variables (see table below). Next, see how the companies within each sector compare based on variables that are generally regarded as having the greatest impact on pricing (see tables that begin on page 66), such as expected growth in funds from oper-

ations (the industry equivalent of earnings). This is the jumping off point for your analysis. You also need to take into account qualitative measures—perhaps most important is an assessment of the quality of management.

The data in the Side-by-Side table are gathered from a number of sources. Pricing data and LTM (last 12 month) highs and lows are obtained from Bloomberg Financial Markets. Data, such as shares/units outstanding, total debt, and coverage ratios, are obtained by surveying the companies listed in the table. Finally, net asset value estimates, as well as FFO (funds from operations) and AFFO (adjusted funds from operations) estimates are compiled from data collected from three sources—buy-side and sell-side analysts and buy-side firms.

There are a variety of ways you can use the data provided in the Side-by-Side table. For example, risk-averse investors can scan payout ratios and coverage ratios to find companies that have a conservative balance sheet, as well as a safety net underlying their dividends.

Here's a brief review of the more

important terms found in the Side-by-Side table.

**NAV**—Whereas mutual fund NAVs are calculated by marking the fund's holdings to market at the end of each day and then dividing that total by the number of shares outstanding (correcting for dividend distributions, etc.), the calculation of a REIT's net asset value is more art than science.

Typically, analysts and portfolio managers analyze a company's net operating income (making adjustments, such as assigning a much higher capitalization rate to fee income generated from managing properties for third-parties) and then assign a cap rate to that income based on their assessment of prevailing market values for similar properties.

**Dividend Yield**—Recently, the average equity REIT dividend yield was 517 basis points higher than that for the S&P 500 (see table on page 74). This is despite the fact that in recent years most equity REITs have substantially lowered their payout ratios.

## Side-by-Side at a Glance

Sector	NAV Premium/ (Discount) 9/25/01	2001(E) AFFO Payout Ratio	Dividend Yield 9/25/01	2002 AFFO Yield 9/25/01	LTM AFFO Mult. High	LTM AFFO Mult. Low	2002 AFFO Mult. 9/25/01	AFFO Growth Rate '02 vs. '01	Coverage Ratio	Implicit 12-Month Total Return
Apartment	(5.0%)	81.3%	7.4%	9.8%	12.3	9.4	10.3	7.9%	3.0	15.3%
Manufactured Homes	(5.1%)	78.8%	6.5%	8.9%	12.7	10.1	11.3	7.8%	3.0	14.3%
Shopping Centers	(6.0%)	81.8%	8.4%	10.8%	11.0	7.9	9.3	5.9%	3.2	14.3%
Regional Malls	(17.0%)	76.6%	9.1%	12.6%	10.1	6.9	8.0	6.3%	2.1	15.3%
Factory Outlets	(9.5%)	75.0%	9.5%	13.1%	9.6	6.6	7.7	6.2%	2.8	15.7%
Lodging	(38.0%)	110.9%	15.6%	14.1%	12.5	6.2	7.3	(1.5%)	3.1	14.1%
Office	(13.7%)	67.6%	6.6%	10.5%	12.1	9.2	9.7	10.3%	2.8	16.9%
Industrial	(13.5%)	77.2%	8.0%	11.0%	11.6	9.4	9.4	7.8%	4.0	15.7%
Mixed Office/Industrial	(15.7%)	75.5%	7.9%	11.4%	11.0	8.8	9.0	9.6%	4.7	17.4%
Self-Storage	3.3%	77.2%	7.3%	10.2%	11.5	7.5	9.9	8.5%	33.6	15.8%
Healthcare	-	75.2%	7.7%	11.7%	10.2	5.7	8.8	5.4%	3.3	13.1%
Net Lease	-	77.9%	9.5%	13.4%	9.8	6.6	8.0	5.2%	2.8	14.7%
Opportunity/Diversified	(11.7%)	92.0%	8.3%	10.0%	12.9	10.0	10.1	13.4%	2.3	21.7%
Diversified	(13.9%)	43.7%	4.4%	11.2%	12.2	9.0	9.4	11.1%	3.3	15.5%
Average	(12.2%)	77.9%	8.3%	11.3%	11.4	8.1	9.2	7.4%	5.3	15.7%



**DRIP**—Most, but not all, REITs offer dividend reinvestment programs. Companies cannot offer a DRIP until they have been public for 12 months.

**AFFO Payout Ratio**—This is the single best measure of a company's dividend paying ability. (It is calculated by dividing a company's per share annual dividend by its per share AFFO estimate.)

**AFFO Yield**—In addition to being one measure of valuation, AFFO yield is often used as a proxy for a company's nominal cost of capital. (It is calculated by dividing a company's per share AFFO estimate by its stock price.) If a company with an AFFO yield of 6.5 percent buys a property at a going-in stabilized yield of 7.5 percent, it has acquired the property at a 100 basis point (or one percentage point) positive spread to its nominal cost of capital.

**AFFO Multiple**—A company's AFFO yield and its AFFO multiple are reciprocals of one another. Both are valuation measures. For a variety of reasons, including that P/AFFO multiples are roughly equivalent to P/E ratios, AFFO multiples are more often cited as valuation measures than AFFO yields.

**FFO**—Funds from operations is equal to a REIT's net operating income plus depreciation and debt amortization, minus gains or losses from the sales of property or debt restructuring. FFO is an industry term. It is not recognized by generally accepted accounting principles (GAAP). The National Association of Real Estate Investment Trusts (800-3-NAREIT) has issued a White Paper on FFO, which is available on its Web site ([www.nareit.com](http://www.nareit.com)).

**AFFO**—In part to cope with the limitations associated with the calculation of FFO, many portfolio managers and analysts calculate adjusted funds from operations, or AFFO. Some analysts, companies, and portfolio managers prefer the terms cash available for distribution (CAD) or funds available for distribution (FAD) to AFFO.

More important than which acronym you adopt is how you get from FFO to AFFO. Though there is some debate, most industry veterans derive AFFO by adjusting FFO for the straightlining of rents (more about this, in a bit), as well as after establishing a reserve for costs which, though necessary and routine, cannot be recovered from tenants. This includes certain maintenance costs and leasing costs.

REITs straightline rents because generally accepted accounting principles require it. What is straightlining? Typically, a tenant's monthly rent will increase over the life of a lease. Straightlining averages the tenant's rent payments over the lease's life. In other words, rental revenues are overestimated in the early years and underestimated in the later years. By adjusting FFO for straightlining, the analyst is able to get a better handle on a REIT's actual annual cash flow from operations.

AFFO represents the best means not only of measuring earnings, but also of stacking companies up against one another with respect to the quality of those earnings, as well as earnings growth.

**Total Debt and Total Market Capitalization**—Together these measures have been used to provide an assessment of leverage. Debt-to-total market cap was the most often cited measure of leverage in the early 1990s' REIT underwriting cycle.

There are a number of problems associated with using it for that purpose, however. Chief among those is that it doesn't provide meaningful information regarding a company's ability to service its debt.

**Coverage Ratio**—This is calculated by dividing a company's EBITDA (earnings before interest, taxes, depreciation, and amortization) by its interest expense.

**Implicit 12-Month Total Return**—This is calculated by adding the company's year-over-year growth rate and its current stated annual dividend yield. This is a "guesstimate" of total return potential that is widely used, though some industry veterans criticize it because, among other things, it fails to take into account a potential multiple change. As long as investors recognize its potential shortcomings, implicit 12-month total returns can serve as a useful screening tool when putting together a REIT portfolio.

*Footnotes for*  
**Equity REITs/REOCs:**  
**Side-by-Side Analysis Table**  
Side-by-Side table begins on page 66.

**NAV**—Net Asset Value

**LTM**—Last Twelve Month, same as 52-Week

**FFO**—Funds from Operations (Equals net income plus real estate depreciation.)

**AFFO**—Adjusted Funds From Operations (Equals FFO minus a normalized reserve for capitalized leasing and maintenance costs; adjusted for straightlined rents; minus gains on land sales.)

**UPREIT**—Umbrella partnership REIT

To be included in Side-by-Side, a company must have an equity market capitalization of at least \$500 million, and at least three analysts must be following the company and providing FFO and AFFO estimates. Companies with equity market capitalizations under \$500 million were included in the table prior to a revision in the Side-by-Side guidelines in May 2001.

# Equity REITs/REOCs: Side-by-Side Analysis

Tkr.	Company	Price 9/25/01	NAV	NAV Premium (Discount) 9/25/01	Outstanding Shares/ Units (Millions)	Equity Market Cap (\$ Millions)	Total Debt (\$ Millions)	Non Conv. Preferred Stock (\$ Millions)	Total Market Cap (\$ Millions)	Interest Coverage Ratio	Fixed Charge Coverage Ratio	Current Dividend	Dividend Yield On 9/25/01	2001(E) AFFO Payout Ratio	Y-T-D Total Return 9/25/01
<b>APARTMENTS</b>															
AML	AMLI RESIDENTIAL PPTYS TR	\$23.05	\$27.13	(15.0%)	24.9	\$573.9	\$608.2	\$0.0	\$1,182.1	2.3	2.5	\$1.88	8.2%	75.5%	(0.8%)
AIV	APARTMENT INVT & MGMT CO	\$44.38	\$45.84	(3.2%)	95.6	\$4,242.7	\$4,601.9	\$379.0	\$9,223.6	2.3	2.2	\$3.12	7.0%	66.4%	(6.8%)
ASN	ARCHSTONE CMNTYS	\$25.54	\$26.97	(5.3%)	126.2	\$3,223.1	\$2,241.4	\$277.4	\$5,741.9	3.4	2.9	\$1.64	6.4%	77.8%	4.0%
AEC	ASSOCIATED ESTATES RLTY CORP	\$9.06	\$11.17	(18.9%)	19.8	\$179.4	\$595.0	\$56.3	\$830.7	1.8	1.6	\$1.00	11.0%	114.9%	21.8%
AVB	AVALONBAY CMNTYS	\$45.57	\$50.04	(8.9%)	68.2	\$3,107.9	\$1,772.1	\$458.1	\$5,338.1	4.3	3.1	\$2.56	5.6%	64.6%	(8.0%)
BRE	BRE PROPERTIES	\$28.44	\$31.36	(9.3%)	48.3	\$1,373.7	\$833.5	\$53.8	\$2,261.0	3.7	3.5	\$1.86	6.5%	70.2%	(6.2%)
CPT	CAMDEN PPTY TR	\$36.35	\$36.23	0.3%	44.8	\$1,628.5	\$1,215.1	\$153.0	\$2,996.6	3.5	2.8	\$2.44	6.7%	73.7%	12.3%
SRW	SMITH CHARLES E RESDNTL RLTY	\$49.92	\$46.74	6.8%	43.7	\$2,181.5	\$1,184.7	\$50.0	\$3,416.2	3.3	2.5	\$2.34	4.7%	64.6%	10.4%
EQR	EQUITY RESIDENTIAL PPTYS	\$55.94	\$53.67	4.2%	154.0	\$8,614.8	\$5,516.0	\$902.5	\$15,033.3	3.1	2.5	\$3.46	6.2%	73.3%	5.6%
ESS	ESSEX PPTY TR	\$47.90	\$52.68	(9.1%)	20.7	\$991.5	\$583.9	\$210.0	\$1,785.4	3.6	2.5	\$2.80	5.8%	67.9%	(9.8%)
GBP	GABLES RESIDENTIAL	\$30.28	\$31.12	(2.7%)	30.0	\$908.4	\$867.2	\$169.5	\$1,945.1	3.1	2.5	\$2.41	8.0%	86.8%	14.8%
HME	HOME PPTYS	\$29.75	\$31.44	(5.4%)	42.2	\$1,255.5	\$165.8	\$135.0	\$1,556.3	3.4	2.6	\$2.28	7.7%	83.9%	11.3%
MAA	MID-AMER APT CMNTYS	\$25.05	\$25.77	(2.8%)	20.6	\$516.0	\$765.5	\$173.5	\$1,455.0	2.3	2.0	\$2.34	9.3%	106.5%	19.7%
PPS	POST PPTYS	\$37.03	\$41.49	(10.8%)	44.0	\$1,629.3	\$1,290.0	\$50.0	\$2,969.3	4.0	3.8	\$3.12	8.4%	91.6%	2.8%
SMT	SUMMIT PPTYS	\$25.28	\$26.99	(6.3%)	31.1	\$786.2	\$765.1	\$137.0	\$1,688.3	3.0	2.4	\$1.85	7.3%	80.6%	1.4%
TCT	TOWN & CTRY TR	\$19.40	\$19.61	(1.1%)	18.5	\$358.9	\$418.2	\$0.0	\$777.1	2.3	2.2	\$1.72	8.9%	94.2%	7.9%
UDR	UNITED DOMINION REALTY TR	\$13.92	\$13.52	2.9%	121.2	\$1,687.1	\$2,030.3	\$234.7	\$3,952.1	2.1	2.0	\$1.08	7.8%	90.2%	37.0%
<b>Apartment Sector Total</b>						<b>\$33,258.4</b>	<b>\$25,453.9</b>	<b>\$3,439.8</b>	<b>\$62,152.1</b>						
<b>Apartment Sector Average (17 Companies)</b>				<b>(5.0%)</b>		<b>\$1,956.4</b>	<b>\$1,497.3</b>	<b>\$202.3</b>	<b>\$3,656.0</b>	<b>3.0</b>	<b>2.6</b>		<b>7.4%</b>	<b>81.3%</b>	<b>6.9%</b>
<b>SHOPPING CENTERS</b>															
DDR	DEVELOPERS DIV RLTY CORP	\$17.10	\$18.64	(8.3%)	55.9	\$955.9	\$1,247.2	\$518.8	\$2,721.9	2.5	1.7	\$1.48	8.7%	70.1%	35.9%
FRT	FEDERAL REALTY INVT TR	\$21.21	\$27.16	(21.9%)	42.6	\$903.5	\$914.5	\$100.0	\$1,918.0	2.8	2.6	\$1.92	9.1%	81.5%	15.9%
IRT	IRT PPTY CO	\$10.16	\$10.76	(5.6%)	33.2	\$337.3	\$347.6	\$0.0	\$684.9	2.8	3.0	\$0.94	9.3%	82.3%	34.9%
JDN	JDN RLTY CORP	\$10.47	\$16.47	(36.4%)	32.8	\$343.4	\$565.0	\$50.0	\$958.4	2.5	2.8	\$1.08	10.3%	90.0%	6.2%
KIM	KIMCO REALTY CORP	\$45.18	\$40.04	12.8%	66.1	\$2,986.4	\$1,329.9	\$225.0	\$4,541.3	3.6	3.3	\$2.88	6.4%	71.9%	5.3%
NXL	NEW PLAN EXCEL RLTY TR	\$17.35	\$16.64	4.3%	90.3	\$1,566.7	\$1,215.0	\$75.0	\$2,856.7	2.7	2.7	\$1.65	9.5%	99.2%	39.9%
PNP	PAN PACIFIC RETAIL PROPERTIES	\$25.70	\$25.48	0.9%	33.5	\$861.0	\$646.2	\$0.0	\$1,507.2	4.2	4.3	\$1.82	7.1%	75.7%	22.1%
REG	REGENCY RLTY CORP	\$23.80	\$26.01	(8.5%)	60.6	\$1,442.3	\$1,272.6	\$384.0	\$384.0	3.4	2.3	\$2.00	8.4%	87.6%	7.0%
WRI	WEINGARTEN RLTY INVS	\$46.50	\$42.67	9.0%	31.7	\$1,474.1	\$711.0	\$264.0	\$2,449.1	4.4	3.2	\$3.16	6.8%	77.6%	10.8%
<b>Shopping Center Sector Total</b>						<b>\$10,870.5</b>	<b>\$8,249.0</b>	<b>\$1,616.8</b>	<b>\$18,021.5</b>						
<b>Shopping Center Sector Average (9 Companies)</b>				<b>(6.0%)</b>		<b>\$1,207.8</b>	<b>\$916.6</b>	<b>\$179.6</b>	<b>\$2,002.4</b>	<b>3.2</b>	<b>2.9</b>		<b>8.4%</b>	<b>81.8%</b>	<b>19.8%</b>
<b>REGIONAL MALLS</b>															
CBL	CBL & ASSOC PPTYS	\$26.56	\$32.90	(19.3%)	49.8	\$1,322.7	\$2,913.3	\$71.9	\$4,307.9	2.1	2.1	\$2.13	8.0%	72.4%	8.5%
CWN	CROWN AMERN RLTY TR	\$7.10	\$8.29	(14.4%)	36.2	\$257.0	\$721.4	\$123.8	\$1,102.2	1.9	1.7	\$0.84	11.8%	91.3%	47.0%
GGP	GENERAL GROWTH PPTYS	\$33.88	\$39.51	(14.3%)	80.9	\$2,740.9	\$4,724.2	\$175.0	\$7,640.1	2.1	2.2	\$2.60	7.7%	62.9%	(2.2%)
GRT	GLIMCHER RLTY TR	\$16.09	\$19.86	(19.0%)	27.1	\$436.0	\$944.5	\$218.0	\$1,598.5	2.1	2.2	\$1.92	11.9%	78.9%	35.9%
JPR	JP REALTY	\$20.95	\$23.90	(12.3%)	19.9	\$416.9	\$459.3	\$115.8	\$992.0	2.6	2.1	\$1.98	9.5%	84.3%	39.8%
MAC	MACERICH CO	\$22.04	\$26.86	(17.9%)	55.4	\$1,221.0	\$2,259.6	\$0.0	\$3,480.6	1.8	1.9	\$2.12	9.6%	85.4%	23.1%
MLS	MILLS CORP	\$21.00	\$23.98	(12.4%)	39.3	\$825.3	\$1,552.4	\$0.0	\$2,377.7	1.9	2.1	\$2.13	10.1%	89.0%	32.8%
RSE	ROUSE CO	\$24.35	\$31.72	(23.2%)	74.5	\$1,814.1	\$3,769.5	\$0.0	\$5,583.6	2.0	2.1	\$1.42	5.8%	47.8%	(1.1%)
SPG	SIMON PPTY GROUP	\$26.29	\$29.95	(12.2%)	251.9	\$6,622.5	\$10,926.6	\$375.0	\$17,924.1	2.3	2.3	\$2.10	8.0%	69.2%	16.0%
TCO	TAUBMAN CTRS	\$12.00	\$16.07	(25.3%)	81.8	\$981.6	\$1,536.6	\$297.0	\$2,815.2	2.3	2.0	\$1.00	8.3%	85.2%	14.3%
<b>Regional Mall Sector Total</b>						<b>\$16,638.0</b>	<b>\$29,807.4</b>	<b>\$1,376.5</b>	<b>\$47,821.9</b>						
<b>Regional Mall Sector Average (10 Companies)</b>				<b>(17.0%)</b>		<b>\$1,663.8</b>	<b>\$2,980.7</b>	<b>\$137.7</b>	<b>\$4,782.2</b>	<b>2.1</b>	<b>2.1</b>		<b>9.1%</b>	<b>76.6%</b>	<b>21.4%</b>
<b>FACTORY OUTLET CENTERS</b>															
CPG	CHELSEA PROPERTY GROUP	\$44.48	\$46.38	(4.1%)	19.3	\$858.5	\$481.5	\$115.0	\$1,455.0	3.5	2.8	\$3.12	7.0%	64.5%	24.1%
SKT	TANGER FACTORY OUTLET CTRS	\$20.34	\$23.90	(14.9%)	19.0	\$386.5	\$355.3	\$0.0	\$741.8	2.0	2.1	\$2.44	12.0%	85.5%	(1.1%)
<b>Factory Outlet Center Sector Total</b>						<b>\$1,244.9</b>	<b>\$836.8</b>	<b>\$115.0</b>	<b>\$2,196.7</b>						
<b>Factory Outlet Sector Average (2 Companies)</b>				<b>(9.5%)</b>		<b>\$622.5</b>	<b>\$418.4</b>	<b>\$57.5</b>	<b>\$1,098.4</b>	<b>2.8</b>	<b>2.5</b>		<b>9.5%</b>	<b>75.0%</b>	<b>11.5%</b>

# Equity REITs/REOCs: Side-by-Side Analysis (continued)

Company	2002 AFFO Yield On 9/25/01	LTM High	LTM Low	LTM AFFO Mult. (High)	LTM AFFO Mult. (Low)	2002 AFFO Mult. 9/25/01	2001(E) FFO	2001(E) AFFO	2002(E) FFO	2002(E) AFFO	AFFO Growth Rate 2002 vs. 2001	Implicit 12-Month Total Return	UPREIT	Phone Number
AMLI RESIDENTIAL PPTYS TR	11.4%	\$25.19	\$20.13	10.1	8.1	8.8	\$2.73	\$2.49	\$2.87	\$2.63	5.6%	13.8%	Y	312-984-5035
APARTMENT INVT & MGMT CO	11.6%	\$50.13	\$39.25	10.7	8.4	8.6	\$5.36	\$4.70	\$5.87	\$5.14	9.3%	16.3%	Y	303-759-8600
ARCHSTONE CMNTYS	9.0%	\$27.85	\$21.88	13.2	10.4	11.1	\$2.24	\$2.11	\$2.46	\$2.31	9.5%	15.9%	N	303-708-5959
ASSOCIATED ESTATES RLTY CORP	9.3%	\$10.72	\$7.69	12.3	8.8	10.8	\$1.31	\$0.87	\$1.37	\$0.84	(3.4%)	7.6%	N	216-261-5000
AVALONBAY CMNTYS	9.5%	\$51.90	\$42.45	13.1	10.7	10.5	\$4.09	\$3.96	\$4.46	\$4.33	9.3%	14.9%	Y	703-329-6300
BRE PROPERTIES	10.2%	\$33.63	\$26.20	12.7	9.9	9.8	\$2.77	\$2.65	\$3.01	\$2.91	9.9%	16.5%	N	415-445-6530
CAMDEN PPTY TR	9.9%	\$39.50	\$28.06	11.9	8.5	10.1	\$3.76	\$3.31	\$4.06	\$3.60	8.8%	15.5%	N	713-354-2500
SMITH CHARLES E RESDNTL RLTY	8.0%	\$54.55	\$42.63	15.1	11.8	12.6	\$4.01	\$3.62	\$4.39	\$3.97	9.6%	14.3%	Y	703-920-8500
EQUITY RESIDENTIAL PPTYS	9.1%	\$60.90	\$44.50	12.9	9.4	11.0	\$5.35	\$4.72	\$5.73	\$5.11	8.2%	14.4%	Y	312-474-1300
ESSEX PPTY TR	9.6%	\$57.75	\$42.28	14.0	10.3	10.4	\$4.41	\$4.12	\$4.88	\$4.59	11.4%	17.2%	Y	650-849-1621
GABLES RESIDENTIAL	9.8%	\$31.25	\$24.63	11.3	8.9	10.2	\$3.16	\$2.78	\$3.37	\$2.98	7.3%	15.3%	Y	770-436-4600
HOME PPTYS	9.9%	\$32.26	\$25.50	11.9	9.4	10.1	\$3.10	\$2.72	\$3.39	\$2.93	8.0%	15.6%	Y	716-546-4900
MID-AMER APT CMNTYS	9.0%	\$26.42	\$21.25	12.0	9.7	11.2	\$2.84	\$2.20	\$2.96	\$2.24	2.1%	11.5%	Y	901-682-6600
POST PPTYS	9.7%	\$43.69	\$33.50	12.8	9.8	10.4	\$3.60	\$3.40	\$3.82	\$3.58	5.1%	13.5%	Y	404-846-5000
SUMMIT PPTYS	9.8%	\$27.22	\$21.94	11.9	9.6	10.2	\$2.53	\$2.29	\$2.74	\$2.48	8.0%	15.3%	Y	704-334-3000
TOWN & CTRY TR	10.4%	\$21.00	\$16.94	11.5	9.3	9.6	\$2.16	\$1.83	\$2.37	\$2.01	10.3%	19.2%	Y	212-407-2151
UNITED DOMINION REALTY TR	9.9%	\$14.60	\$9.38	12.2	7.8	10.1	\$1.48	\$1.20	\$1.65	\$1.39	15.6%	23.4%	N	804-780-2691
<b>Apartment Sector Total</b>														
<b>Apartment Sctr Avg (17 Cos.)</b>	<b>9.8%</b>			<b>12.3</b>	<b>9.4</b>	<b>10.3</b>					<b>7.9%</b>	<b>15.3%</b>		
DEVELOPERS DIVERSIFIED RLTY CORP	13.2%	\$19.22	\$11.63	9.1	5.5	7.6	\$2.40	\$2.11	\$2.58	\$2.26	7.0%	15.6%	N	216-755-5500
FEDERAL REALTY INVT TR	11.3%	\$23.88	\$18.75	10.1	8.0	8.8	\$2.68	\$2.36	\$2.79	\$2.41	2.2%	11.2%	N	301-998-8100
IRT PPTY CO	11.7%	\$10.89	\$7.50	9.5	6.6	8.5	\$1.27	\$1.14	\$1.33	\$1.19	4.2%	13.4%	N	770-955-4406
JDN RLTY CORP	11.8%	\$13.64	\$9.00	11.4	7.5	8.4	\$1.38	\$1.20	\$1.47	\$1.24	3.3%	13.6%	N	404-262-3252
KIMCO REALTY CORP	9.9%	\$49.95	\$39.00	12.5	9.7	10.1	\$4.48	\$4.01	\$4.92	\$4.48	11.8%	18.2%	N	516-869-9000
NEW PLAN EXCEL RLTY TR	9.7%	\$18.19	\$11.81	10.9	7.1	10.3	\$1.88	\$1.66	\$1.92	\$1.69	1.6%	11.1%	N	212-869-3000
PAN PACIFIC RETAIL PROPERTIES	10.1%	\$27.15	\$19.25	11.3	8.0	9.9	\$2.69	\$2.40	\$2.90	\$2.60	8.0%	15.1%	Y	760-727-1002
REGENCY RLTY CORP	10.3%	\$26.35	\$20.75	11.5	9.1	9.7	\$2.81	\$2.28	\$3.02	\$2.44	7.0%	15.4%	N	904-356-7000
WEINGARTEN RLTY INVS	9.5%	\$49.95	\$38.78	12.3	9.5	10.6	\$4.57	\$4.07	\$4.95	\$4.40	8.0%	14.8%	N	713-866-6000
<b>Shopping Center Sector Total</b>														
<b>Shopping Center Sctr Avg (9 Cos.)</b>	<b>10.8%</b>			<b>11.0</b>	<b>7.9</b>	<b>9.3</b>					<b>5.9%</b>	<b>14.3%</b>		
CBL & ASSOC PPTYS	11.8%	\$31.50	\$22.44	10.7	7.6	8.5	\$3.93	\$2.94	\$4.27	\$3.14	6.6%	14.6%	Y	423-855-0001
CROWN AMERN RLTY TR	12.7%	\$8.72	\$5.13	9.5	5.6	7.9	\$1.35	\$0.92	\$1.38	\$0.90	(2.2%)	9.7%	Y	814-536-9551
GENERAL GROWTH PPTYS	13.5%	\$39.51	\$28.69	9.6	6.9	7.4	\$4.95	\$4.14	\$5.41	\$4.59	11.0%	18.6%	Y	312-960-5000
GLIMCHER RLTY TR	16.0%	\$19.00	\$11.88	7.8	4.9	6.2	\$2.99	\$2.44	\$3.07	\$2.58	5.7%	17.7%	Y	614-621-9000
JP REALTY	11.9%	\$24.50	\$15.38	10.4	6.5	8.4	\$2.83	\$2.35	\$2.97	\$2.50	6.5%	16.0%	Y	801-486-3911
MACERICH CO	11.5%	\$25.41	\$18.31	10.2	7.4	8.7	\$2.98	\$2.48	\$3.13	\$2.54	2.1%	11.7%	Y	310-394-6000
MILLS CORP	11.7%	\$25.65	\$16.00	10.7	6.7	8.6	\$2.91	\$2.39	\$3.17	\$2.45	2.4%	12.5%	Y	703-526-5000
ROUSE CO	13.3%	\$29.48	\$23.59	9.9	7.9	7.5	\$3.60	\$2.97	\$3.87	\$3.23	8.8%	14.7%	N	410-992-6000
SIMON PPTY GROUP	12.4%	\$30.97	\$21.50	10.2	7.1	8.1	\$3.54	\$3.04	\$3.81	\$3.26	7.3%	15.3%	Y	317-636-1600
TAUBMAN CTRS	11.2%	\$14.23	\$10.25	12.1	8.7	8.9	\$1.43	\$1.17	\$1.61	\$1.34	14.4%	22.7%	Y	248-258-6800
<b>Regional Mall Sector Total</b>														
<b>Regional Mall Sctr Avg (10 Cos.)</b>	<b>12.6%</b>			<b>10.1</b>	<b>6.9</b>	<b>8.0</b>					<b>6.3%</b>	<b>15.3%</b>		
CHELSEA PROPERTY GROUP	12.2%	\$52.88	\$31.00	10.9	6.4	8.2	\$5.35	\$4.84	\$6.05	\$5.41	11.8%	18.8%	Y	973-228-6111
TANGER FACTORY OUTLET CTRS	14.1%	\$23.63	\$19.10	8.3	6.7	7.1	\$3.21	\$2.85	\$3.32	\$2.87	0.6%	12.6%	Y	336-292-3010
<b>Factory Outlet Center Sector Total</b>														
<b>Factory Outlet Sctr Avg (2 Cos.)</b>	<b>13.1%</b>			<b>9.6</b>	<b>6.6</b>	<b>7.7</b>					<b>6.2%</b>	<b>15.7%</b>		

Footnotes to Side-by-Side table are on page 65.

# Equity REITs/REOCs: Side-by-Side Analysis

Tkr.	Company	Price 9/25/01	NAV	NAV Premium (Discount) 9/25/01	Outstanding Shares/ Units (Millions)	Equity Market Cap (\$ Millions)	Total Debt (\$ Millions)	Non Conv. Preferred Stock (\$ Millions)	Total Market Cap (\$ Millions)	Interest Coverage Ratio	Fixed Charge Coverage Ratio	Current Dividend	Dividend Yield On 9/25/01	2001(E) AFFO Payout Ratio	Y-T-D Total Return 9/25/01
<b>MANUFACTURED HOUSING</b>															
CPJ	CHATEAU CMNTYS	\$29.45	\$32.81	(10.2%)	32.2	\$948.3	\$525.2	\$75.0	\$1,548.5	3.4	3.1	\$2.18	7.4%	84.4%	0.4%
MHC	MANUFACTURED HOME CMNTYS	\$30.05	\$30.13	(0.2%)	26.1	\$784.3	\$719.7	\$125.0	\$1,629.0	2.3	2.0	\$1.78	5.9%	80.2%	7.2%
SUI	SUN COMMUNITIES	\$36.10	\$37.90	(4.8%)	20.2	\$729.2	\$454.4	\$50.0	\$1,233.6	3.2	2.8	\$2.20	6.1%	71.7%	13.7%
<b>Manufactured Housing Sector Total</b>						<b>\$2,461.8</b>	<b>\$1,699.3</b>	<b>\$250.0</b>	<b>\$4,411.1</b>						
<b>Manufactured Housing Sector Average (3 Companies)</b>				<b>(5.1%)</b>		<b>\$820.6</b>	<b>\$566.4</b>	<b>\$83.3</b>	<b>\$1,470.4</b>	<b>3.0</b>	<b>2.6</b>		<b>6.5%</b>	<b>78.8%</b>	<b>7.1%</b>
<b>HEALTHCARE</b>															
HCP	HEALTH CARE PPTY INVS	\$36.48	-	-	53.6	\$1,955.3	\$1,087.6	\$274.5	\$3,317.4	3.2	2.6	\$3.12	8.6%	95.9%	30.7%
HCN	HEALTH CARE REIT	\$24.56	-	-	28.2	\$693.0	\$443.0	\$75.0	\$1,211.0	2.7	2.7	\$2.34	9.5%	93.0%	63.5%
HR	HEALTHCARE RLTY TR	\$25.48	-	-	40.2	\$1,024.3	\$537.0	\$3.0	\$1,564.3	3.9	3.4	\$2.32	9.1%	85.9%	28.7%
NHI	NATIONAL HEALTH INVS	\$11.65	-	-	24.4	\$284.3	\$319.0	\$0.0	\$603.3	4.1	4.7	\$0.00	0.0%	0.0%	58.0%
NHP	NATIONWIDE HEALTH PPTYS	\$18.75	-	-	46.2	\$866.3	\$759.0	\$100.0	\$1,725.3	2.8	2.5	\$1.84	9.8%	90.5%	57.6%
SNH	SENIOR HSG PPTYS TR	\$13.49	-	-	25.9	\$349.4	\$105.0	\$0.0	\$454.4	4.5	4.5	\$1.20	8.9%	81.6%	52.1%
VTR	VENTAS	\$11.20	-	-	68.8	\$770.6	\$850.0	\$0.0	\$1,620.6	2.0	2.0	\$0.88	7.9%	79.7%	112.7%
<b>Healthcare Sector Total</b>						<b>\$5,943.1</b>	<b>\$4,100.6</b>	<b>\$452.5</b>	<b>\$10,496.2</b>						
<b>Healthcare Sector Average (7 Companies)</b>				<b>-</b>		<b>\$849.0</b>	<b>\$585.8</b>	<b>\$64.6</b>	<b>\$1,499.5</b>	<b>3.3</b>	<b>3.2</b>		<b>7.7%</b>	<b>75.2%</b>	<b>48.4%</b>
<b>LODGING</b>															
ENN	EQUITY INNS	\$6.85	\$9.20	(25.5%)	38.0	\$260.3	\$375.1	\$68.8	\$704.2	2.9	2.2	\$1.00	14.6%	99.0%	17.2%
FCH	FELCOR LODGING TR	\$12.90	\$23.97	(46.2%)	65.7	\$847.5	\$1,838.4	\$143.8	\$2,829.7	2.3	2.4	\$2.20	17.1%	114.0%	(44.5%)
HPT	HOSPITALITY PPTYS TR	\$24.16	\$27.88	(13.3%)	56.5	\$1,365.0	\$492.0	\$75.0	\$1,932.0	4.9	5.1	\$2.84	11.8%	91.3%	13.6%
HMT	HOST MARRIOTT CORP	\$6.92	\$13.51	(48.8%)	315.9	\$2,186.0	\$5,322.0	\$196.0	\$7,704.0	2.8	3.2	\$1.04	15.0%	138.7%	(44.5%)
KPA	INNKEEPERS USA TR	\$8.50	\$12.40	(31.4%)	46.7	\$397.0	\$246.0	\$0.0	\$643.0	2.7	2.3	\$1.20	14.1%	85.1%	(18.4%)
MHX	MERISTAR HOSPITALITY CORP	\$10.08	\$22.89	(56.0%)	55.0	\$554.4	\$1,610.0	\$0.0	\$2,164.4	2.7	2.3	\$2.02	20.0%	143.3%	(47.2%)
RFS	RFS HOTEL INVS	\$9.34	\$17.01	(45.1%)	27.1	\$253.1	\$277.0	\$0.0	\$530.1	3.5	3.3	\$1.54	16.5%	104.8%	(23.9%)
<b>Lodging Sector Total</b>						<b>\$5,863.4</b>	<b>\$10,160.5</b>	<b>\$483.6</b>	<b>\$16,507.5</b>						
<b>Lodging Sector Average (7 Companies)</b>				<b>(38.0%)</b>		<b>\$837.6</b>	<b>\$1,451.5</b>	<b>\$69.1</b>	<b>\$2,358.2</b>	<b>3.1</b>	<b>3.0</b>		<b>15.6%</b>	<b>110.9%</b>	<b>(21.1%)</b>
<b>OFFICE</b>															
ARE	ALEXANDRIA REAL ESTATE EQ	\$39.70	\$36.25	9.5%	15.9	\$631.2	\$460.4	\$38.6	\$1,130.2	2.8	2.6	\$1.84	4.6%	61.5%	10.1%
ARI	ARDEN RLTY	\$24.90	\$29.14	(14.5%)	65.8	\$1,638.4	\$1,212.1	\$50.0	\$2,900.5	3.2	3.2	\$1.96	7.9%	81.0%	3.4%
BXP	BOSTON PROPERTIES	\$37.22	\$43.77	(15.0%)	123.9	\$4,611.6	\$3,353.5	\$0.0	\$7,965.1	3.0	2.7	\$2.32	6.2%	75.0%	(12.1%)
BPO	BROOKFIELD PPTYS CORP	\$17.40	\$22.53	(22.8%)	161.0	\$2,801.4	\$5,532.0	\$246.0	\$8,579.4	2.2	2.1	\$0.40	2.3%	24.3%	0.6%
CRE	CARRAMERICA RLTY CORP	\$28.00	\$35.06	(20.1%)	70.0	\$1,960.0	\$1,253.1	\$400.0	\$3,613.1	3.6	2.8	\$1.85	6.6%	68.5%	(6.4%)
OFC	CORPORATE OFFICE PROPERTIES	\$10.88	\$11.15	(2.4%)	32.1	\$349.2	\$465.7	\$31.3	\$846.2	2.4	2.0	\$0.84	7.7%	79.2%	13.2%
EOP	EQUITY OFFICE PPTYS TRUST	\$30.55	\$32.29	(5.4%)	468.9	\$14,324.9	\$9,494.0	\$303.9	\$24,122.8	2.6	2.6	\$2.00	6.5%	76.1%	(3.7%)
GL	GREAT LAKES REIT	\$15.76	\$20.15	(21.8%)	16.7	\$263.2	\$217.7	\$37.5	\$518.4	3.6	2.9	\$1.60	10.2%	81.0%	(2.6%)
HRP	HRPT PPTYS TR	\$8.31	\$11.01	(24.5%)	131.9	\$1,096.1	\$1,099.9	\$193.3	\$2,389.3	2.6	2.3	\$0.80	9.6%	80.8%	13.6%
CLI	MACK CALI RLTY CORP	\$29.98	\$36.03	(16.8%)	71.3	\$2,137.6	\$1,662.2	\$0.0	\$3,799.8	2.9	3.2	\$2.48	8.3%	78.3%	11.3%
PKY	PARKWAY PPTYS	\$30.46	\$36.37	(16.2%)	9.4	\$286.3	\$289.0	\$66.3	\$641.6	3.1	2.5	\$2.52	8.3%	77.9%	8.6%
SLG	SL GREEN RLTY CORP	\$30.00	\$31.20	(3.9%)	32.1	\$963.0	\$869.0	\$115.0	\$1,947.0	3.2	2.1	\$1.55	5.2%	69.8%	8.5%
TZH	TRIZECHAHN CORP	\$17.44	\$22.90	(23.8%)	148.2	\$2,584.6	\$3,687.1	\$0.0	\$6,271.7	1.8	2.2	\$0.35	2.0%	24.9%	17.7%
<b>Office Sector Total</b>						<b>\$33,647.5</b>	<b>\$29,595.7</b>	<b>\$1,481.9</b>	<b>\$64,725.1</b>						
<b>Office Sector Average (13 Companies)</b>				<b>(13.7%)</b>		<b>\$2,588.3</b>	<b>\$2,276.6</b>	<b>\$114.0</b>	<b>\$4,978.9</b>	<b>2.8</b>	<b>2.6</b>		<b>6.6%</b>	<b>67.6%</b>	<b>4.8%</b>
<b>INDUSTRIAL</b>															
AMB	AMB PROPERTY CORP	\$23.65	\$27.22	(13.1%)	90.2	\$2,133.2	\$1,893.1	\$454.2	\$4,480.5	3.8	2.9	\$1.58	6.7%	75.5%	(5.2%)
BED	BEDFORD PPTY INVS	\$20.35	\$23.90	(14.9%)	17.7	\$360.2	\$305.5	\$0.0	\$665.7	2.6	2.3	\$1.92	9.4%	88.9%	5.4%
CTR	CABOT INDUSTRIAL TRUST	\$20.47	\$24.22	(15.5%)	43.7	\$894.5	\$662.3	\$245.0	\$1,801.8	3.5	2.5	\$1.48	7.2%	73.0%	8.7%
CNT	CENTERPOINT PPTYS TR	\$47.74	\$41.17	16.0%	23.7	\$1,131.4	\$569.8	\$75.0	\$1,776.2	3.2	2.5	\$2.10	4.4%	65.1%	3.8%
EGP	EASTGROUP PPTY	\$21.00	\$25.34	(17.1%)	19.1	\$401.1	\$285.1	\$43.1	\$729.3	4.1	3.4	\$1.80	8.6%	80.2%	(1.1%)
FR	FIRST INDUSTRIAL REALTY TR	\$28.74	\$35.15	(18.2%)	46.5	\$1,336.4	\$1,288.3	\$391.3	\$3,016.0	3.3	2.6	\$2.63	9.2%	75.1%	(11.9%)

# Equity REITs/REOCs: Side-by-Side Analysis (continued)

Company	2002 AFFO Yield On 9/25/01	LTM High	LTM Low	LTM AFFO Mult. (High)	LTM AFFO Mult. (Low)	2002 AFFO Mult. 9/25/01	2001(E) FFO	2001(E) AFFO	2002(E) FFO	2002(E) AFFO	AFFO Growth Rate 2002 vs. 2001	Implicit 12-Month Total Return	UPREIT	Phone Number
CHATEAU CMNTYS	9.5%	\$32.18	\$26.00	12.5	10.1	10.5	\$2.82	\$2.58	\$3.04	\$2.80	8.2%	15.7%	Y	303-741-3707
MANUFACTURED HOME CMNTYS	8.0%	\$30.20	\$24.25	13.6	10.9	12.5	\$2.53	\$2.22	\$2.74	\$2.40	8.1%	14.0%	Y	312-279-1400
SUN COMMUNITIES	9.1%	\$36.70	\$28.88	12.0	9.4	11.0	\$3.42	\$3.07	\$3.68	\$3.29	7.2%	13.3%	Y	248-932-3100
<b>Manufactured Housing Sector Total</b>														
<b>Mnfctrd Housing Sctr Avg (3 Cos.)</b>	<b>8.9%</b>			<b>12.7</b>	<b>10.1</b>	<b>11.3</b>					<b>7.8%</b>	<b>14.3%</b>		
HEALTH CARE PPTY INVS	9.5%	\$36.80	\$27.00	11.3	8.3	10.5	\$3.36	\$3.25	\$3.51	\$3.47	6.7%	15.2%	N	949-221-0600
HEALTH CARE REIT	10.4%	\$26.25	\$15.94	10.4	6.3	9.6	\$2.59	\$2.52	\$2.65	\$2.55	1.3%	10.9%	N	419-247-2800
HEALTHCARE RLTY TR	10.9%	\$27.56	\$17.25	10.2	6.4	9.2	\$2.70	\$2.70	\$2.79	\$2.77	2.6%	11.7%	N	615-269-8175
NATIONAL HEALTH INVS	15.4%	\$14.20	\$5.56	8.0	3.1	6.5	\$1.77	\$1.77	\$1.82	\$1.79	1.1%	1.1%	N	615-890-9100
NATIONWIDE HEALTH PPTYS	11.3%	\$20.29	\$12.00	10.0	5.9	8.9	\$2.08	\$2.03	\$2.12	\$2.11	3.8%	13.6%	N	949-718-4400
SENIOR HSG PPTYS TR	12.8%	\$14.10	\$8.50	9.6	5.8	7.8	\$1.57	\$1.47	\$1.79	\$1.72	17.0%	25.9%	N	617-796-8350
VENTAS	11.0%	\$12.85	\$4.31	11.6	3.9	9.1	\$1.10	\$1.10	\$1.24	\$1.24	12.0%	19.8%	Y	502-357-9000
<b>Healthcare Sector Total</b>														
<b>Healthcare Sctr Avg (7 Cos.)</b>	<b>11.7%</b>			<b>10.2</b>	<b>5.7</b>	<b>8.8</b>					<b>5.4%</b>	<b>13.1%</b>		
EQUITY INNS	15.8%	\$9.97	\$5.50	9.9	5.4	6.3	\$1.31	\$1.01	\$1.46	\$1.08	6.9%	21.5%	Y	901-754-7774
FELCOR LODGING TR	14.7%	\$24.94	\$11.90	12.9	6.2	6.8	\$2.59	\$1.93	\$2.88	\$1.89	(2.1%)	15.0%	Y	972-444-4900
HOSPITALITY PPTYS TR	13.0%	\$30.35	\$20.25	9.8	6.5	7.7	\$3.95	\$3.11	\$4.12	\$3.15	1.3%	13.0%	N	617-964-8389
HOST MARRIOTT CORP	10.5%	\$13.95	\$6.22	18.6	8.3	9.6	\$1.30	\$0.75	\$1.36	\$0.72	(3.6%)	11.5%	Y	301-380-5000
INNKEEPERS USA TR	15.4%	\$12.43	\$7.00	8.8	5.0	6.5	\$1.63	\$1.41	\$1.65	\$1.31	(7.1%)	7.0%	Y	561-835-1800
MERISTAR HOSPITALITY CORP	11.9%	\$23.75	\$8.40	16.8	6.0	8.4	\$2.52	\$1.41	\$2.66	\$1.20	(14.9%)	5.1%	Y	202-295-1000
RFS HOTEL INVS	17.1%	\$16.00	\$8.50	10.9	5.8	5.8	\$2.19	\$1.47	\$2.20	\$1.60	8.8%	25.3%	Y	901-767-7005
<b>Lodging Sector Total</b>														
<b>Lodging Sctr Avg (7 Cos.)</b>	<b>14.1%</b>			<b>12.5</b>	<b>6.2</b>	<b>7.3</b>					<b>(1.5%)</b>	<b>14.1%</b>		
ALEXANDRIA REAL ESTATE EQ	8.2%	\$41.95	\$31.50	14.0	10.5	12.1	\$3.51	\$2.99	\$3.88	\$3.28	9.4%	14.0%	Y	626-578-0777
ARDEN RLTY	10.3%	\$27.89	\$22.81	11.5	9.4	9.7	\$3.03	\$2.42	\$3.27	\$2.56	5.6%	13.5%	Y	310-271-8600
BOSTON PROPERTIES	9.7%	\$44.88	\$36.00	14.5	11.6	10.3	\$3.60	\$3.10	\$4.15	\$3.62	16.9%	23.1%	Y	617-236-3300
BROOKFIELD PPTYS CORP	12.4%	\$20.33	\$13.94	12.4	8.5	8.1	\$2.08	\$1.64	\$2.39	\$2.16	31.4%	33.7%	N/A	416-369-2300
CARRAMERICA RLTY CORP	10.5%	\$33.29	\$27.00	12.3	10.0	9.5	\$3.27	\$2.70	\$3.56	\$2.94	8.8%	15.4%	Y	202-729-7500
CORPORATE OFFICE PROPERTIES	10.9%	\$11.50	\$8.94	10.8	8.4	9.2	\$1.29	\$1.06	\$1.42	\$1.19	11.8%	19.5%	Y	410-992-7324
EQUITY OFFICE PROPERTIES TRUST	9.8%	\$33.50	\$26.20	12.8	10.0	10.2	\$3.20	\$2.63	\$3.60	\$2.99	13.9%	20.5%	Y	312-466-3300
GREAT LAKES REIT	13.6%	\$19.00	\$15.30	9.6	7.7	7.4	\$2.30	\$1.98	\$2.48	\$2.14	8.4%	18.5%	Y	630-368-2900
HRPT PPTYS TR	10.7%	\$10.09	\$6.13	10.2	6.2	9.3	\$1.29	\$0.99	\$1.33	\$0.89	(10.1%)	(0.5%)	N	617-332-3990
MACK CALI RLTY CORP	11.2%	\$32.00	\$25.49	10.1	8.0	8.9	\$3.68	\$3.17	\$3.91	\$3.37	6.5%	14.8%	Y	908-272-8000
PARKWAY PPTYS	11.5%	\$35.25	\$27.38	10.9	8.5	8.7	\$4.36	\$3.24	\$4.68	\$3.50	8.2%	16.5%	Y	601-948-4091
SL GREEN RLTY CORP	8.2%	\$32.05	\$24.75	14.4	11.1	12.2	\$2.99	\$2.22	\$3.27	\$2.46	10.8%	16.0%	Y	212-594-2700
TRIZEHAHN CORP	9.0%	\$19.30	\$13.25	13.7	9.4	11.1	\$2.18	\$1.41	\$2.39	\$1.58	12.0%	14.0%	N/A	416-361-7200
<b>Office Sector Total</b>														
<b>Office Sctr Avg (13 Cos.)</b>	<b>10.5%</b>			<b>12.1</b>	<b>9.2</b>	<b>9.7</b>					<b>10.3%</b>	<b>16.9%</b>		
AMB PROPERTY CORP	9.7%	\$26.69	\$22.50	12.8	10.8	10.3	\$2.54	\$2.09	\$2.76	\$2.30	9.9%	16.6%	Y	415-394-9000
BEDFORD PPTY INVS	11.1%	\$22.20	\$18.00	10.3	8.3	9.0	\$2.63	\$2.16	\$2.80	\$2.26	4.6%	14.1%	N	925-283-8910
CABOT INDUSTRIAL TRUST	10.7%	\$22.20	\$18.00	10.9	8.9	9.3	\$2.42	\$2.03	\$2.59	\$2.19	8.0%	15.2%	Y	617-723-0900
CENTERPOINT PPTYS TR	7.7%	\$50.90	\$43.81	15.8	13.6	12.9	\$3.78	\$3.23	\$4.29	\$3.70	14.5%	18.9%	N	630-586-8000
EASTGROUP PPTY	11.0%	\$23.65	\$18.94	10.5	8.4	9.1	\$2.55	\$2.24	\$2.69	\$2.31	3.0%	11.5%	N	601-354-3555
FIRST INDUSTRIAL REALTY TRUST	13.6%	\$35.00	\$28.00	10.0	8.0	7.4	\$4.06	\$3.50	\$4.46	\$3.91	11.5%	20.7%	Y	312-344-4300

Footnotes to Side-by-Side table are on page 65.

# Equity REITs/REOCs: Side-by-Side Analysis

Tkr.	Company	Price 9/25/01	NAV	NAV Premium (Discount) 9/25/01	Outstanding Shares/ Units (Millions)	Equity Market Cap (\$ Millions)	Total Debt (\$ Millions)	Non Conv. Preferred Stock (\$ Millions)	Total Market Cap (\$ Millions)	Interest Coverage Ratio	Fixed Charge Coverage Ratio	Current Dividend	Dividend Yield On 9/25/01	2001(E) AFFO Payout Ratio	Y-T-D Total Return 9/25/01
<b>INDUSTRIAL (continued)</b>															
KTR	KEYSTONE PROPERTY TRUST	\$11.48	\$15.31	(25.0%)	30.7	\$352.4	\$454.5	\$0.0	\$806.9	2.0	1.7	\$1.28	11.1%	84.8%	(3.3%)
MSW	MISSION WEST PPTYS	\$11.63	\$14.75	(21.1%)	101.6	\$1,181.6	\$207.3	\$0.0	\$1,388.9	9.4	9.4	\$0.96	8.3%	83.1%	(13.9%)
PLD	PROLOGIS TR	\$20.52	\$23.55	(12.8%)	183.8	\$3,771.6	\$2,356.5	\$535.0	\$6,663.1	3.7	2.9	\$1.38	6.7%	69.3%	(3.8%)
<b>Industrial Sector Total</b>						<b>\$11,562.5</b>	<b>\$8,022.4</b>	<b>\$1,743.6</b>	<b>\$21,328.5</b>						
<b>Industrial Sector Average (9 Companies)</b>				<b>(13.5%)</b>		<b>\$1,284.7</b>	<b>\$891.4</b>	<b>\$193.7</b>	<b>\$2,369.8</b>	<b>4.0</b>	<b>3.4</b>		<b>8.0%</b>	<b>77.2%</b>	<b>(2.3%)</b>
<b>OFFICE/INDUSTRIAL</b>															
BDN	BRANDYWINE RLTY TR	\$19.61	\$24.55	(20.1%)	47.4	\$929.5	\$879.4	\$0.0	\$1,808.9	2.6	2.9	\$1.64	8.4%	74.5%	(0.9%)
DRE	DUKE REALTY CORP	\$23.30	\$24.80	(6.1%)	154.1	\$3,590.5	\$1,926.6	\$461.2	\$5,978.3	4.5	3.6	\$1.80	7.7%	78.3%	(1.1%)
GLB	GLENBOROUGH RLTY TR	\$17.94	\$23.83	(24.7%)	30.5	\$547.2	\$536.4	\$0.0	\$1,083.6	2.6	-	\$1.68	9.4%	87.3%	8.1%
HIW	HIGHWOODS PPTYS	\$24.00	\$30.27	(20.7%)	61.9	\$1,485.6	\$1,779.1	\$397.5	\$3,662.2	2.9	2.5	\$2.34	9.8%	76.5%	3.2%
KRC	KILROY RLTY CORP	\$25.05	\$31.69	(20.9%)	30.3	\$759.0	\$702.5	\$155.0	\$1,616.5	2.5	2.1	\$1.92	7.7%	77.7%	(8.1%)
LRY	LIBERTY PPTY TR	\$28.44	\$31.75	(10.4%)	76.2	\$2,167.1	\$1,702.2	\$125.0	\$3,994.3	3.6	3.4	\$2.36	8.3%	80.6%	3.6%
PP	PRENTISS PPTYS TR	\$27.01	\$29.61	(8.8%)	42.0	\$1,134.4	\$1,003.8	\$145.0	\$2,283.2	2.8	2.6	\$2.14	7.9%	78.9%	4.1%
PSB	PS BUSINESS PKS	\$26.50	\$30.63	(13.5%)	30.4	\$805.6	\$31.4	\$50.0	\$887.0	17.6	5.7	\$1.16	4.4%	42.4%	(0.9%)
RA	RECKSON ASSOCS RLTY CORP	\$23.55	\$28.04	(16.0%)	73.8	\$1,738.0	\$1,489.7	\$0.0	\$3,227.7	3.1	2.5	\$1.70	7.2%	83.3%	(2.9%)
<b>Office/Industrial Sector Total</b>						<b>\$13,157.0</b>	<b>\$10,051.1</b>	<b>\$1,333.7</b>	<b>\$24,541.8</b>						
<b>Office/Industrial Sector Average (9 Companies)</b>				<b>(15.7%)</b>		<b>\$1,461.9</b>	<b>\$1,116.8</b>	<b>\$148.2</b>	<b>\$2,726.9</b>	<b>4.7</b>	<b>3.2</b>		<b>7.9%</b>	<b>75.5%</b>	<b>0.6%</b>
<b>SELF-STORAGE</b>															
PSA	PUBLIC STORAGE	\$32.73	\$29.94	9.3%	124.3	\$4,068.3	\$180.3	\$1,692.7	\$5,941.3	125.1	2.9	\$1.80	5.5%	67.6%	40.0%
SHU	SHURGARD STORAGE CTRS	\$29.70	\$29.85	(0.5%)	29.9	\$888.0	\$443.1	\$186.3	\$1,517.4	2.9	2.1	\$2.08	7.0%	76.1%	28.1%
SSS	SOVRAN SELF STORAGE	\$25.22	\$26.30	(4.1%)	12.8	\$322.8	\$223.1	\$30.0	\$575.9	3.7	2.8	\$2.36	9.4%	84.1%	36.4%
SUS	STORAGE USA	\$38.42	\$35.37	8.6%	30.7	\$1,179.5	\$838.1	\$65.0	\$2,082.6	2.7	2.5	\$2.84	7.4%	81.1%	27.8%
<b>Self-Storage Sector Total</b>						<b>\$6,458.7</b>	<b>\$1,504.3</b>	<b>\$1,974.0</b>	<b>\$10,117.3</b>						
<b>Self-Storage Sector Average (4 Companies)</b>				<b>3.3%</b>		<b>\$1,614.7</b>	<b>\$501.4</b>	<b>\$493.5</b>	<b>\$2,529.3</b>	<b>33.6</b>	<b>2.6</b>		<b>7.3%</b>	<b>77.2%</b>	<b>33.1%</b>
<b>NET LEASE</b>															
CARS	CAPITAL AUTOMOTIVE REIT	\$17.80	-	-	30.3	\$539.3	\$540.0	\$0.0	\$1,079.3	2.3	1.8	\$1.55	8.7%	83.8%	33.3%
NNN	COMMERCIAL NET LEASE RLTY	\$12.50	-	-	30.5	\$381.3	\$377.0	\$0.0	\$758.3	2.8	2.3	\$1.26	10.1%	89.8%	32.7%
LXP	LEXINGTON CORP PPTYS TR	\$13.48	-	-	28.3	\$381.6	\$373.6	\$25.0	\$780.2	2.5	2.5	\$1.28	9.5%	71.3%	22.8%
TEE	NATIONAL GOLF PPTYS	\$16.88	-	-	20.5	\$346.0	\$452.7	\$110.0	\$908.7	2.8	2.3	\$1.84	10.9%	57.3%	(14.5%)
O	REALTY INCOME CORP	\$27.45	-	-	26.6	\$730.2	\$376.3	\$193.0	\$1,299.5	3.6	2.4	\$2.27	8.3%	87.3%	16.1%
<b>Net Lease Sector Total</b>						<b>\$2,378.4</b>	<b>\$2,119.6</b>	<b>\$328.0</b>	<b>\$4,826.0</b>						
<b>Net Lease Sector Average (5 Companies)</b>				<b>-</b>		<b>\$475.7</b>	<b>\$423.9</b>	<b>\$65.6</b>	<b>\$965.2</b>	<b>2.8</b>	<b>2.3</b>		<b>9.5%</b>	<b>77.9%</b>	<b>18.1%</b>
<b>OPPORTUNITY/DIVERSIFIED</b>															
CEI	CRESCENT RL ESTATE EQUITIES	\$21.18	\$25.19	(15.9%)	123.0	\$2,605.1	\$2,351.9	\$275.0	\$5,232.0	2.2	2.1	\$2.20	10.4%	106.3%	1.5%
VNO	VORNADO RLTY TR	\$38.55	\$41.62	(7.4%)	112.0	\$4,317.6	\$4,003.0	\$193.0	\$8,513.6	2.4	2.4	\$2.36	6.1%	77.6%	4.1%
<b>Opportunity/Diversified Sector Total</b>						<b>\$6,922.7</b>	<b>\$6,354.9</b>	<b>\$468.0</b>	<b>\$13,745.6</b>						
<b>Opportunity/Diversified Sector Average (2 Companies)</b>				<b>(11.7%)</b>		<b>\$3,461.4</b>	<b>\$3,177.5</b>	<b>\$234.0</b>	<b>\$6,872.8</b>	<b>2.3</b>	<b>2.3</b>		<b>8.3%</b>	<b>92.0%</b>	<b>2.8%</b>
<b>DIVERSIFIED/OTHER</b>															
CDX	CATELLUS DEVELOPMENT CORP	\$17.21	\$20.75	(17.0%)	109.4	\$1,882.8	\$924.1	\$0.0	\$2,806.9	5.4	4.3	\$0.00	0.0%	0.0%	(1.7%)
CLP	COLONIAL PPTYS TR	\$28.59	\$32.16	(11.1%)	31.9	\$912.0	\$1,261.9	\$225.0	\$2,398.9	2.5	2.1	\$2.52	8.8%	79.2%	16.9%
CUZ	COUSINS PPTYS	\$23.82	\$27.37	(13.0%)	49.5	\$1,179.1	\$670.5	\$0.0	\$1,849.6	5.2	5.2	\$1.36	5.7%	68.8%	(12.6%)
FCE	FOREST CITY ENTERPRISES	\$48.27	\$52.43	(7.9%)	30.1	\$1,452.9	\$3,035.8	\$0.0	\$4,488.7	1.7	1.8	\$0.20	0.4%	5.0%	23.6%
PEI	PENNSYLVANIA RL ESTATE INVT TR	\$20.15	\$25.60	(21.3%)	14.9	\$300.2	\$507.0	\$0.0	\$807.2	2.3	1.8	\$2.04	10.1%	76.4%	12.7%
SCZ	SECURITY CAP GROUP	\$16.99	\$26.36	(35.5%)	168.1	\$2,856.0	\$1,069.5	\$257.6	\$4,183.1	2.8	2.8	\$0.00	0.0%	0.0%	(15.3%)
WRE	WASHINGTON RL ESTATE INVT TR	\$23.35	\$21.51	8.6%	36.2	\$845.3	\$351.1	\$0.0	\$1,196.4	3.4	3.8	\$1.33	5.7%	76.9%	0.3%
<b>Diversified/Other Sector Total</b>						<b>\$9,428.3</b>	<b>\$7,819.9</b>	<b>\$482.6</b>	<b>\$17,730.8</b>						
<b>Diversified/Other Sector Average (7 Companies)</b>				<b>(13.9%)</b>		<b>\$1,346.9</b>	<b>\$1,117.1</b>	<b>\$68.9</b>	<b>\$2,533.0</b>	<b>3.3</b>	<b>3.1</b>		<b>4.4%</b>	<b>43.7%</b>	<b>3.4%</b>



# Equity REITs/REOCs: Side-by-Side Analysis

Company	2002 AFFO Yield On 9/25/01	LTM High	LTM Low	LTM AFFO Mult. (High)	LTM AFFO Mult. (Low)	2002 AFFO Mult. 9/25/01	2001(E) FFO	2001(E) AFFO	2002(E) FFO	2002(E) AFFO	AFFO Growth Rate 2002 vs. 2001	Implicit 12-Month Total Return	UPREIT	Phone Number
KEYSTONE PROPERTY TRUST	13.8%	\$14.38	\$10.68	9.5	7.1	7.3	\$1.79	\$1.51	\$1.90	\$1.58	4.6%	15.8%	Y	484-530-1800
MISSION WEST PPTYS	10.1%	\$14.69	\$11.00	12.7	9.5	9.9	\$1.13	\$1.16	\$1.35	\$1.18	2.2%	10.4%	Y	408-725-0700
PROLOGIS TR	10.8%	\$24.50	\$19.35	12.3	9.7	9.2	\$2.37	\$1.99	\$2.61	\$2.22	11.7%	18.4%	N	303-375-9292
<b>Industrial Sector Total</b>														
<b>Industrial Sctr Avg (9 Cos.)</b>	<b>11.0%</b>			<b>11.6</b>	<b>9.4</b>	<b>9.4</b>					<b>7.8%</b>	<b>15.7%</b>		
BRANDYWINE RLTY TR	12.4%	\$22.80	\$18.00	10.4	8.2	8.0	\$2.71	\$2.20	\$2.95	\$2.44	10.9%	19.3%	Y	610-325-5600
DUKE REALTY CORP	10.8%	\$26.17	\$21.60	11.4	9.4	9.3	\$2.70	\$2.30	\$2.93	\$2.51	9.1%	16.9%	Y	317-808-6005
GLENBOROUGH RLTY TR	11.9%	\$21.30	\$14.75	11.1	7.7	8.4	\$2.39	\$1.93	\$2.59	\$2.14	10.9%	20.3%	Y	650-343-9300
HIGHWOODS PPTYS	13.4%	\$26.78	\$21.00	8.8	6.9	7.5	\$3.86	\$3.06	\$4.10	\$3.21	5.0%	14.7%	Y	919-872-4924
KILROY RLTY CORP	10.6%	\$29.25	\$23.90	11.8	9.7	9.4	\$2.98	\$2.47	\$3.22	\$2.66	7.7%	15.4%	Y	310-563-5500
LIBERTY PPTY TR	11.3%	\$31.20	\$25.00	10.7	8.5	8.8	\$3.43	\$2.93	\$3.70	\$3.22	9.9%	18.2%	Y	610-648-1700
PRENTISS PPTYS TR	10.7%	\$29.16	\$23.70	10.7	8.7	9.3	\$3.40	\$2.71	\$3.68	\$2.89	6.5%	14.4%	Y	214-654-0886
PS BUSINESS PKS	11.2%	\$30.00	\$25.75	11.0	9.4	8.9	\$3.09	\$2.74	\$3.38	\$2.98	9.0%	13.3%	Y	818-244-8080
RECKSON ASSOCS RLTY CORP	10.1%	\$26.13	\$21.13	12.8	10.4	9.9	\$2.74	\$2.04	\$2.85	\$2.39	17.0%	24.3%	Y	516-694-6900
<b>Office/Industrial Sector Total</b>														
<b>Office/Industrial Sctr Avg (9 Cos.)</b>	<b>11.4%</b>			<b>11.0</b>	<b>8.8</b>	<b>9.0</b>					<b>9.6%</b>	<b>17.4%</b>		
PUBLIC STORAGE	9.0%	\$34.85	\$21.13	13.1	7.9	11.1	\$2.87	\$2.66	\$3.10	\$2.96	11.1%	16.6%	N	818-244-8080
SHURGARD STORAGE CTRS	10.0%	\$32.19	\$21.88	11.8	8.0	10.0	\$2.94	\$2.73	\$3.19	\$2.97	8.5%	15.5%	N	206-624-8100
SOVRAN SELF STORAGE	11.7%	\$27.80	\$17.88	9.9	6.4	8.5	\$3.01	\$2.81	\$3.17	\$2.95	5.2%	14.5%	N	716-633-1850
STORAGE USA	10.0%	\$39.67	\$27.13	11.3	7.7	10.0	\$3.75	\$3.50	\$4.08	\$3.83	9.4%	16.7%	Y	410-730-9500
<b>Self-Storage Sector Total</b>														
<b>Self-Storage Sctr Avg (4 Cos.)</b>	<b>10.2%</b>			<b>11.5</b>	<b>7.5</b>	<b>9.9</b>					<b>8.5%</b>	<b>15.8%</b>		
CAPITAL AUTOMOTIVE REIT	10.9%	\$18.50	\$12.00	10.0	6.5	9.2	\$1.85	\$1.85	\$1.95	\$1.94	4.9%	13.6%	Y	703-288-3075
COMMERCIAL NET LEASE RLTY	11.6%	\$14.25	\$9.81	10.2	7.0	8.6	\$1.45	\$1.40	\$1.51	\$1.45	3.3%	13.4%	N	800-265-7348
LEXINGTON CORP PPTYS TR	14.4%	\$15.55	\$10.69	8.7	6.0	6.9	\$1.80	\$1.80	\$1.94	\$1.94	8.1%	17.6%	N	212-692-7260
NATIONAL GOLF PPTYS	20.1%	\$27.70	\$15.83	8.6	4.9	5.0	\$3.33	\$3.21	\$3.64	\$3.39	5.6%	16.5%	Y	310-664-4100
REALTY INCOME CORP	9.9%	\$29.95	\$22.50	11.5	8.7	10.1	\$2.66	\$2.60	\$2.80	\$2.71	4.2%	12.5%	N	760-741-2111
<b>Net Lease Sector Total</b>														
<b>Net Lease Sctr Avg (5 Cos.)</b>	<b>13.4%</b>			<b>9.8</b>	<b>6.6</b>	<b>8.0</b>					<b>5.2%</b>	<b>14.7%</b>		
CRESCENT REAL ESTATE EQUITIES	11.3%	\$25.24	\$18.75	12.2	9.1	8.8	\$2.63	\$2.07	\$2.86	\$2.40	15.8%	26.2%	Y	817-321-1492
VORNADO RLTY TR	8.8%	\$41.60	\$33.06	13.7	10.9	11.4	\$3.83	\$3.04	\$4.30	\$3.38	11.1%	17.2%	Y	201-587-1000
<b>Opportunity/Diversified Sector Total</b>														
<b>Opportunity/Dvrsfd Sctr Avg (2 Cos.)</b>	<b>10.0%</b>			<b>12.9</b>	<b>10.0</b>	<b>10.1</b>					<b>13.4%</b>	<b>21.7%</b>		
CATELLUS DEVELOPMENT CORP	10.7%	\$19.63	\$15.50	13.4	10.5	9.3	\$1.72	\$1.47	\$1.94	\$1.85	25.9%	25.9%	N	415-974-4500
COLONIAL PPTYS TR	12.3%	\$31.40	\$24.00	9.9	7.5	8.1	\$3.77	\$3.18	\$4.03	\$3.52	10.6%	19.4%	Y	205-250-8827
COUSINS PPTYS	9.4%	\$29.33	\$23.30	14.8	11.8	10.6	\$2.13	\$1.98	\$2.39	\$2.24	13.2%	18.9%	N	770-955-2200
FOREST CITY ENTERPRISES	9.4%	\$55.00	\$34.40	13.6	8.5	10.6	\$5.26	\$4.03	\$5.76	\$4.54	12.7%	13.1%	N/A	216-621-6060
PENNSYLVANIA RL ESTATE INVT TR	13.9%	\$25.05	\$16.81	9.4	6.3	7.2	\$2.87	\$2.67	\$3.03	\$2.80	4.9%	15.0%	N	215-875-0700
SECURITY CAP GROUP	15.1%	\$21.98	\$16.80	9.4	7.2	6.6	\$2.65	\$2.35	\$2.84	\$2.56	9.2%	9.2%	N/A	505-982-9292
WASHINGTON REAL ESTATE INVT TR	7.5%	\$25.28	\$18.75	14.6	10.8	13.3	\$1.96	\$1.73	\$2.12	\$1.76	1.7%	7.4%	N	301-929-5900
<b>Diversified/Other Sector Total</b>														
<b>Diversified/Other Sctr Avg (7 Cos.)</b>	<b>11.2%</b>			<b>12.2</b>	<b>9.0</b>	<b>9.4</b>					<b>11.1%</b>	<b>15.5%</b>		

Footnotes to Side-by-Side table are on page 65.

# How REITs Stack Up vs. the Broader Market, Treasuries, and Real Estate

How do you determine how REITs are valued vs. other financial assets? One way would be to contrast REIT multiples (that is, adjusted funds from operations multiples) with multiples for, say, the Standard & Poor's-500 Stock Index. Or, perhaps, contrast REIT yields with yields on, say, Treasuries. Or, look at the premium/discount at which REITs/REOCs trade relative to estimates of their net asset value.

As with all such exercises, there are a number of caveats. Chief among those is that, though REITs have been around since 1960, it has only been relatively recently (circa 1993) that the sector began to mature. Not only has the market capitalization of the equity REIT market soared in excess of tenfold since 1990, but the quality of companies has markedly improved in recent years. These facts need to be taken into account when looking at today's REITs/REOCs, as well as when stacking the sector up against other financial assets.

## REITs vs. Broader Market

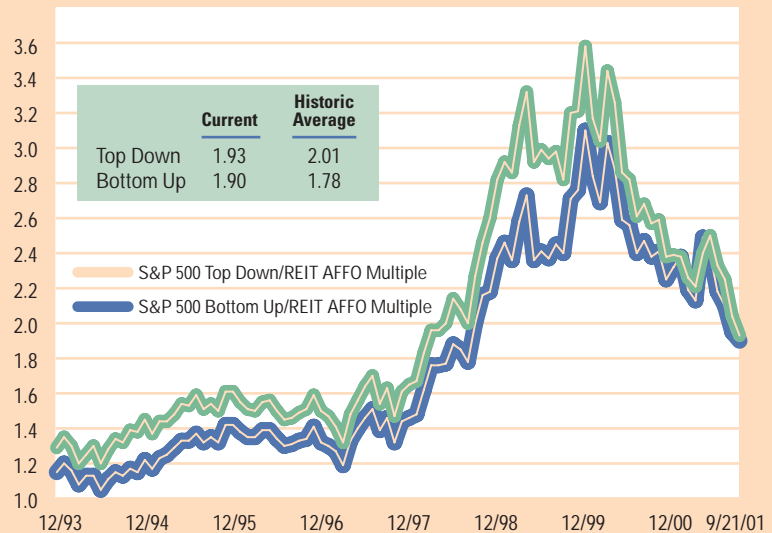
Comparing AFFO (adjusted funds from operations) multiples to P/E ratios for the S&P 500 is complicated by the fact that P/E ratios for most companies (non-REITs, that is) incorporate earnings after depreciation, notes Steve Sakwa and his colleagues at Merrill Lynch & Co.

AFFO multiples—a better measure than FFO multiples—don't produce a measure readily comparable to P/E ratios because, by definition, AFFO is before depreciation. Nevertheless, there is value in observing the relationship between the two over time. For that reason, Sakwa and his colleagues routinely publish graphs comparing P/E ratios for the S&P 500 with AFFO multiples.

The Merrill analysts calculate the ratio between the two (determined by dividing the P/E ratio by the P/AFFO ratio) using both a bottom-up (projections based on analysts' estimates for the individual companies) and a top-down (forecasts used by

### Relative Multiple Analysis

S&P 500 Multiple/AFFO REIT Multiple



	S&P 500	S&P 500 Top Down Estimate*	S&P 500 Bottom Up Estimate*	S&P 500 Top Down P/E	S&P 500 Bottom Up P/E	REIT AFFO Fwd. Mult.	S&P 500 Top Down/REIT AFFO Multiple	S&P 500 Bottom Up/REIT AFFO Multiple
Dec-93	466.45	28.05	31.46	16.63	14.83	12.92	1.29	1.15
Jun-94	444.27	29.25	33.62	15.19	13.22	12.62	1.20	1.05
Dec-94	459.27	31.19	37.06	14.73	12.39	10.18	1.45	1.22
Jun-95	544.75	34.92	40.14	15.60	13.57	10.22	1.53	1.33
Dec-95	615.93	37.72	42.68	16.33	14.43	10.17	1.61	1.42
Jun-96	670.63	39.17	43.90	17.12	15.28	11.39	1.50	1.34
Dec-96	740.74	40.32	45.87	18.37	16.15	12.25	1.50	1.32
Jun-97	885.14	43.18	48.40	20.50	18.29	12.52	1.64	1.46
Dec-97	970.43	44.91	50.65	21.61	19.16	13.09	1.65	1.46
Jun-98	1,133.84	45.24	51.51	25.06	22.01	11.70	2.14	1.88
Dec-98	1,229.23	43.04	51.20	28.56	24.01	10.13	2.82	2.37
Jun-99	1,372.71	44.24	54.75	31.03	25.07	10.38	2.99	2.41
Dec-99	1,469.25	49.71	57.45	29.56	25.58	8.25	3.58	3.10
Jun-00	1,469.54	56.60	62.20	25.97	23.63	9.21	2.82	2.56
Dec-00	1,320.28	59.10	68.80	22.34	21.72	9.36	2.39	2.32
Apr-01	1,249.46	56.46	54.53	22.13	22.92	9.21	2.40	2.49
May-01	1,255.82	53.93	56.56	23.28	22.20	9.31	2.50	2.39
Jun-01	1,208.14	52.98	56.60	22.80	21.35	9.77	2.33	2.18
Jul-01	1,197.48	52.98	56.60	22.60	21.16	10.06	2.25	2.10
Aug-01	1,128.62	53.39	55.87	21.14	20.20	10.37	2.04	1.95
<b>Sep-21-01</b>	<b>965.72</b>	<b>54.19</b>	<b>54.93</b>	<b>17.82</b>	<b>17.58</b>	<b>9.24</b>	<b>1.93</b>	<b>1.90</b>
<b>Average (93-01)</b>				<b>21.06</b>	<b>18.67</b>	<b>10.84</b>	<b>2.01</b>	<b>1.78</b>

Note: \* 12-month forward estimates

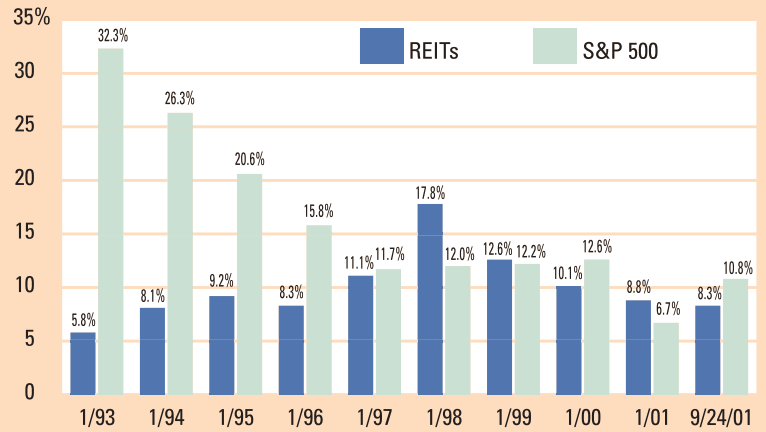
Source: Merrill Lynch & Co.

strategists and economists using economic and industry figures to estimate overall earnings growth) approach.

According to the Merrill analysts, the “historic” top-down average (calculated from December 1993 through mid-September of this year) was 2.01, and ranged from 1.20 (June 1994) to 3.58 (December 1999). On September 21, 2001, the top-down average was 1.93. The “historic” bottom-up average over the same time span was 1.78, with a range of 1.05 (June 1994) to 3.10 (December 1999). On September 21, the bottom-up average was 1.90.

Green Street Advisors, a buy-side research boutique in Newport Beach, California, recently published a graph (right) showing analyst expectations for earnings growth (that is, REITs vs. the S&P 500). The Green Street analysis (data as of September 24, 2001) examined 12-month forward earnings growth expectations using the California firm’s estimate for REITs vs. a combination of IBES top-down and bottom-up estimates for the S&P 500.

### S&P 500 growth should outpace that of REIT earnings in the near term

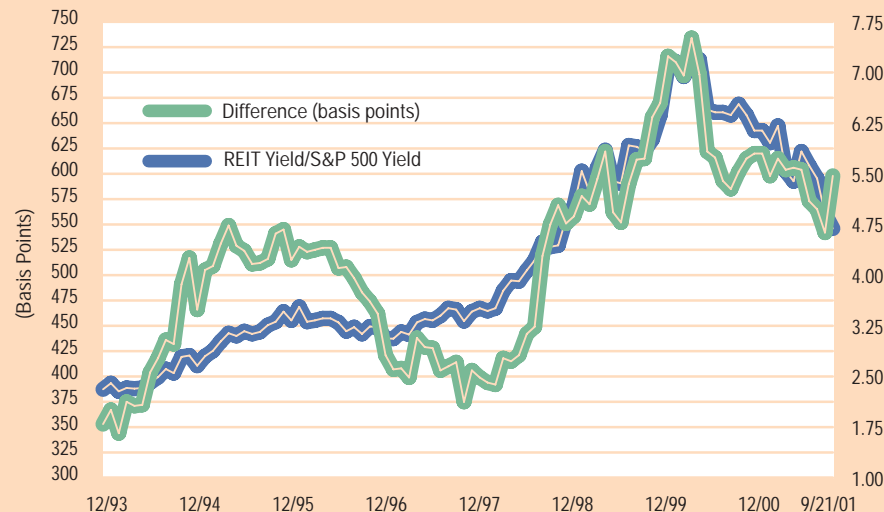


Source: Green Street Advisors

## REITs vs. Treasuries

Another means of looking at the valuation of REITs is to contrast the dividend yield or AFFO yield for REITs with, say, the yield on the S&P 500, the 10-year Treasury, or the yield on the S&P Utility Index. By any of these measures (see graphs and tables here and on the next page), equity REITs stack up quite favorably. For instance, the spread between REIT AFFO yields and the 10-year Treasury was 590 basis points in mid-September of this year. Over approximately the past five years, it has been as low as 77 basis points (June 1994) and as high as 596 basis points (December 1999). The average over that time span was 331 basis points.

### REIT Dividend Yields vs. S&P 500 Dividend Yields



Source: Merrill Lynch & Co.

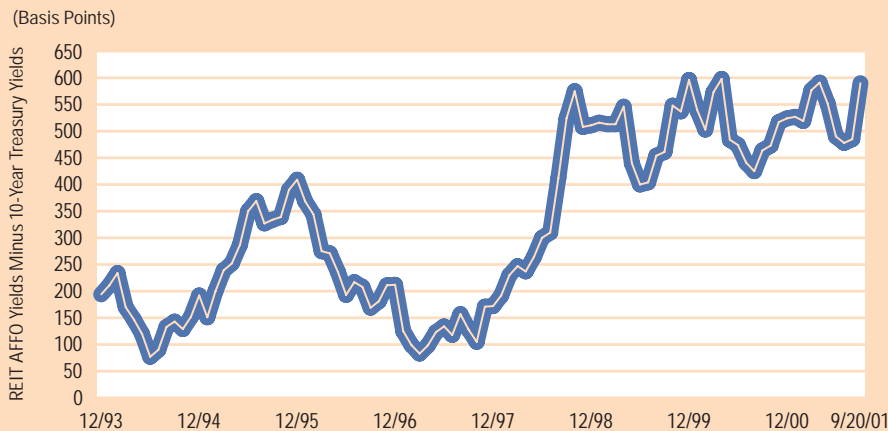
### Average REIT Index Dividend Yields vs. S&P 500 Dividend Yields

	REIT Index* Dividend Yield	S&P 500 Dividend Yield	Difference (basis points)	REIT Yield/ S&P 500 Yield
Dec-93	6.21%	2.68%	353	2.31
Jun-94	6.90%	2.86%	404	2.41
Dec-94	7.48%	2.82%	466	2.66
Jun-95	7.66%	2.42%	524	3.17
Dec-95	7.35%	2.21%	515	3.33
Jun-96	7.27%	2.20%	507	3.30
Dec-96	6.26%	2.05%	421	3.06
Jun-97	6.11%	1.83%	428	3.33
Dec-97	5.58%	1.59%	399	3.51
Jun-98	5.87%	1.44%	442	4.07
Dec-98	6.97%	1.39%	558	5.02
Jun-99	6.79%	1.27%	552	5.36
Dec-99	8.34%	1.18%	716	7.09
Jun-00	7.29%	1.14%	616	6.41
Dec-00	7.41%	1.21%	620	6.14
Apr-01	7.44%	1.38%	606	5.39
May-01	7.29%	1.25%	604	5.83
Jun-01	6.97%	1.24%	573	5.62
Jul-01	6.93%	1.28%	565	5.43
Aug-01	6.81%	1.39%	542	4.91
Sep-21-01	7.60%	1.62%	598	4.69
Avg (93-01)	7.00%	1.83%	517	4.25

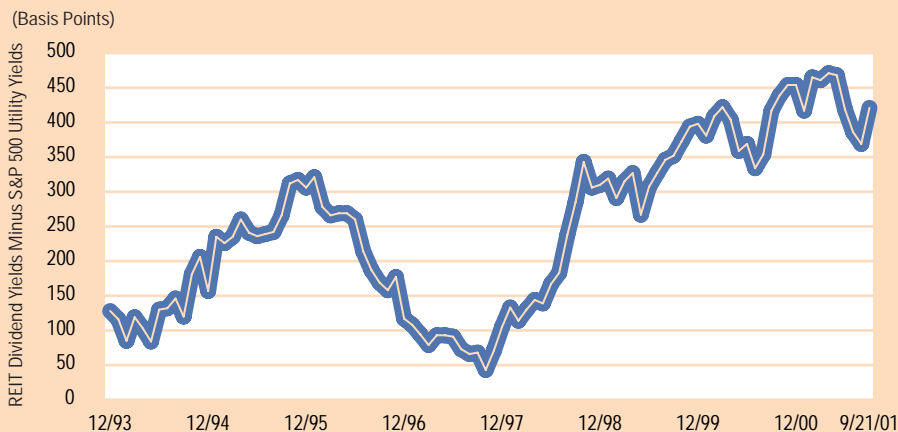
Note: \*REIT dividend yield is calculated as the weighted-average yield on the Morgan Stanley REIT Index.

Source: Merrill Lynch & Co.

## REIT AFFO Yields vs. 10-Year Treasury Yields



## REIT Dividend Yields vs. S&P Utility Dividend Yields



Source for all above: Merrill Lynch & Co.

## Average AFFO REIT Yields vs. Average 10-Year Treasury Yields

	Avg. REIT AFFO Yield*	10-Year Treasury Yield	Difference (basis points)
Dec-93	7.74%	5.80%	194
Jun-94	7.93%	7.16%	77
Dec-94	9.82%	7.90%	192
Jun-95	9.79%	6.29%	350
Dec-95	9.84%	5.75%	409
Jun-96	8.78%	6.84%	193
Dec-96	8.16%	6.04%	212
Jun-97	7.98%	6.64%	134
Dec-97	7.64%	5.92%	172
Jun-98	8.55%	5.55%	300
Dec-98	9.88%	4.77%	511
Jun-99	9.63%	5.63%	400
Dec-99	12.12%	6.16%	596
Jun-00	10.86%	6.11%	474
Dec-00	10.68%	5.44%	524
Apr-01	10.86%	4.96%	591
May-01	10.75%	5.23%	551
Jun-01	10.23%	5.33%	490
Jul-01	9.92%	5.14%	478
Aug-01	9.64%	4.79%	485
Sep-20-01	10.63%	4.73%	590
Avg (93-01)	9.39%	6.08%	331

Note: \*AFFO yields are calculated as the inverse of the P/AFFO multiple.

## REITs vs. Real Estate

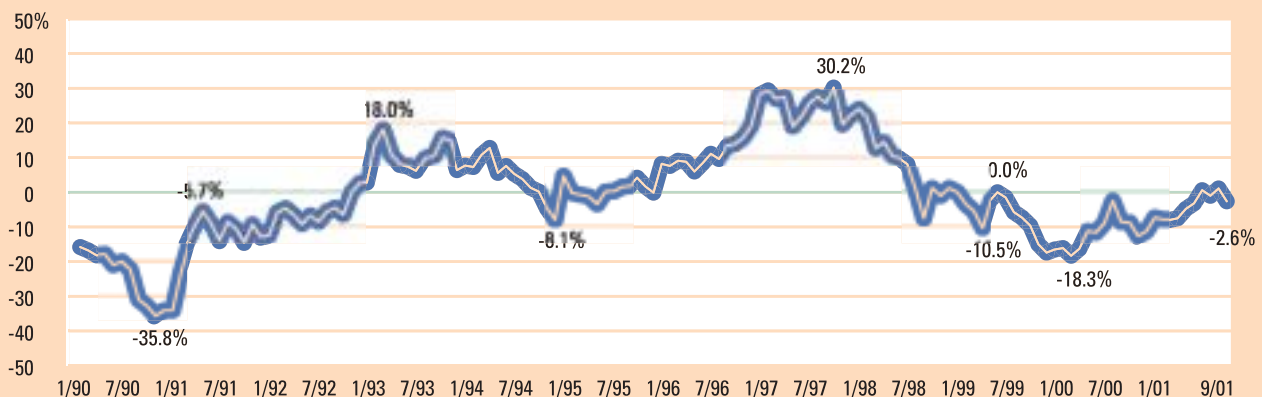
Yet another frequently used measure of REIT valuation is the premium/discount at which the stocks trade vs. an estimate of their underlying (net asset) value.

Recent data on the net asset value for roughly 100 REITs/REOCs can be found in our Side-by-Side table (see pages 66-71).

A historical view of REIT prices vs.

net asset values is pictured in the graph (below). The data come from a recent report by Green Street Advisors, a buy-side research boutique in Newport Beach, California.

## REITs were trading at a slight discount to NAV as of September 25th



Source: Green Street Advisors

# Tracking the Market for Publicly Traded Real Estate Stocks

For roughly two decades, the index compiled by the National Association of Real Estate Investment Trusts was the benchmark that investors in real estate investment trusts watched; it was also the index that funds that invested in REITs were benchmarked against. In recent years, however, a number of alternatives have emerged.

Not including indices created and maintained by brokerage firms (there are quite a few), five REIT/REOC indices were added to the mix during the 1990s. Those are the Standard & Poor's REIT Index, the Morgan Stanley REIT Index, the Wilshire Real Estate Securities Index, the Dow Jones REIT Index, and, most recently, Cohen & Steers Realty Majors.

The NAREIT index data go back to 1972. The Wilshire index includes data back to 1978; however, it didn't debut until September 1991. The Dow Jones REIT Index, which includes data back to 1990, debuted in 1997. None of the indices includes operating partnership units (OP units) because those units are not included in the public float.

A seventh index, the NCREIF Property Index, traces its roots to 1978. Though it has gone by various names over the years (it was developed by the Frank Russell Co. and the National Council of Real Estate Investment Fiduciaries), the NCREIF Property Index tracks the performance (based upon appraisal data) of just under 3,000 individual properties owned by tax-exempt institutions. Index data and index methodology are available online at [www.ncreif.com](http://www.ncreif.com).

As noted, the NAREIT Equity REIT Index for many years had been the "gold standard." However, with the rapid growth of the public market for REITs (beginning in the early 1990s), the balance of power shifted in favor

of the Morgan Stanley REIT Index. This isn't to suggest that the Morgan Stanley index doesn't have its drawbacks. It does. One drawback is that it excludes healthcare REITs.

Constructed by Morgan Stanley, the Morgan Stanley REIT Index is maintained by the American Stock Exchange. Investors have come to rely on the Morgan Stanley index because it's real time and it's widely available. Its ticker symbol is RMS. Cohen & Steers Realty Majors is priced every 15 seconds, and, like the Morgan Stanley index, it's widely available. Its ticker symbol is RMP. In early 1999, the NAREIT index also went real time. The NAREIT index is available in real time on the organization's Web site ([www.nareit.com](http://www.nareit.com)) and on Bloomberg (NART <GO>).

Bloomberg offers several "unique" REIT indices on its terminals. (It also provides member weightings for the Morgan Stanley index and quotes on other indices.) Bloomberg also offers its own REIT indices. It provides large-cap, mid-cap, and small-cap REIT indices. Bloomberg also offers an unofficial real time version of the Wilshire index. It's available under the ticker symbol WARESI.

## Morgan Stanley REIT Index<sup>1</sup>

Sector Weightings and Returns

Sector	Total Return Y-T-D (through Sept. 20, 2001) <sup>2</sup>	Last 12 Months	Weighting in RMS Index
Apartments	4.6%	13.7%	24.1%
Mnfctrd Housing	4.9%	22.2%	1.8%
Self Storage	36.7%	45.1%	5.3%
Office and Indstrl	(1.0%)	2.8%	36.6%
Malls	10.6%	15.4%	9.5%
Shopping Centers	14.3%	20.6%	9.5%
Factory Outlets	16.1%	27.5%	0.7%
Retail Subtotal <sup>3</sup>	12.4%	18.3%	19.8%
Lodging	(20.8%)	(20.0%)	4.2%
Net Lease	17.0%	24.0%	1.8%
Healthcare <sup>4</sup>	35.7%	32.8%	0.0%
Entire Index <sup>5</sup>	2.6%	7.5%	100.0%

Notes: (1) Sector performance estimates are approximations based on the current weighting of stocks in the Morgan Stanley REIT Index.  
 (2) Trailing periods are through September 20, 2001.  
 (3) Retail subtotal is a weighted average for the malls, shopping centers, and factory outlets.  
 (4) Healthcare returns are based on 13 healthcare REITs in the NAREIT index.  
 (5) Entire index includes a 6.4% weighting for mixed use and miscellaneous REITs.

Source: Merrill Lynch & Co.'s Comparative Valuation REIT Weekly, September 21, 2001.

## Real Estate Benchmarks

	S&P REIT	NAREIT Equity	Morgan Stanley REIT	Wilshire Real Estate Securities	Dow Jones REIT	Cohen & Steers Realty Majors	NCREIF Property Index
No of Companies	100	156	109	102	97	30	2,920*
Types of Companies	REITs	REITs	REITs	REITs/REOCs	REITs	REITs	Individ
						Proplys	
First Full Year of Returns	1997	1972	1996	1978	1990	1999	1978
Reporting Frequency	Daily	Real Time	Real Time	Mthly	Daily	Time	Qrtly
Index Reweighting	Qrtly	Mthly	Qrtly	Mthly	Qrtly	Qrtly	Needed
Index Reconstitution	Qrtly	Mthly	Qrtly	Qrtly	Qrtly	Needed	Needed
Weighting Method	Mkt Cap w/o OP Units	Mkt Cap w/o OP Units	Mkt Cap w/o OP Units	Mkt Cap w/o OP Units	Mkt Cap w/o OP Units	Mod Mkt Cap w/o OP Units	Property Value
Dividend Treatment	Reinvested on Ex Date	Reinvested on Ex Date	Reinvested on Ex Date	Reinvested on Ex Date	Reinvested on Ex Date	Reinvested on Ex Date	N/A

\*2,920 Properties

Source: Prudential Securities, Realty Stock Review

# REIT Index Weightings Side-by-Side

Relative Weights as of 9/21/01

Tkr.	REIT	NAREIT Equity			
		REIT Index Weight	S&P Weight	RMS Weight	C&S Weight
AKR	Acadia Realty Trust	0.136%	-	-	-
AER	Aegis Realty	0.069%	-	-	-
ADC	Agree Realty Corp	0.059%	-	-	-
ALX	Alexander's	0.230%	-	-	-
ARE	Alexandria Real Estate Equities	0.482%	0.512%	0.504%	-
AMB	AMB Property Corp	1.540%	1.633%	1.657%	2.866%
ANL	American Land Lease	0.070%	-	0.087%	-
AMV	AmeriVest Properties	0.027%	-	-	-
AML	Amli Residential Properties Trust	0.312%	0.329%	0.339%	-
AIV	Apartment Invnt & Mgmt Co	2.523%	2.576%	2.637%	4.522%
ASN	Archstone Communities Trust	2.373%	2.551%	2.606%	4.477%
ARI	Arden Realty Group	1.211%	1.283%	1.311%	2.252%
AEC	Associated Estates Realty Corp	0.134%	0.142%	0.145%	-
AVB	AvalonBay Communities	2.322%	2.433%	2.492%	4.270%
BSRTS	Banyan Strategic Realty Trust	0.011%	-	-	-
BED	Bedford Property Investors	0.261%	0.303%	0.311%	-
BNP	BNP Residential Properties	0.043%	-	-	-
BXP	Boston Properties	2.521%	2.666%	2.720%	4.679%
BOY	Boykin Lodging Company	0.100%	-	0.109%	-
BDN	Brandywine Realty Trust	0.514%	0.552%	0.567%	-
BRE	BRE Properties	0.999%	1.058%	1.070%	-
BPP	Burnham Pacific Properties	0.121%	-	-	-
CTR	Cabot Industrial Trust	0.628%	0.665%	0.681%	-
CPT	Camden Property Trust	1.126%	1.191%	1.146%	-
CARS	Capital Automotive REIT	0.349%	0.347%	0.307%	-
CRRR	Captec Net Lease Realty	0.082%	-	0.089%	-
CRE	CarrAmerica Realty Corp	1.334%	1.415%	1.554%	2.483%
CBL	CBL & Associates Properties	0.510%	0.538%	0.544%	-
CTA	Center Trust	0.080%	-	-	-
CNT	CenterPoint Properties Trust	0.801%	0.774%	0.802%	1.359%
CPJ	Chateau Communities	0.642%	0.680%	0.692%	-
CPG	Chelsea Property Group	0.534%	0.559%	0.572%	-
CLP	Colonial Properties Trust	0.448%	0.476%	0.484%	-
NNN	Commercial Net Lease Realty	0.274%	0.288%	0.294%	-
TCR	Cornerstone Realty Income Trust	0.383%	0.409%	0.308%	-
OFC	Corporate Office Properties Trust	0.170%	-	0.184%	-
CPV	Correctional Properties Trust	0.068%	-	0.074%	-
CUZ	Cousins Properties	0.897%	0.948%	0.961%	1.663%
CEI	Crescent Real Estate Equities	1.622%	1.711%	1.977%	-
CWN	Crown American Realty Trust	0.136%	-	0.148%	-
DDR	Developers Diversified Realty Corp	0.676%	0.718%	0.735%	-
DRE	Duke Realty Corp	2.175%	2.322%	2.379%	4.076%
EGP	EastGroup Properties	0.246%	0.261%	0.264%	-
ETT	ElderTrust	0.037%	-	-	-
EPR	Entertainment Properties Trust	0.180%	-	0.196%	-
ENN	Equity Inns	0.170%	0.180%	0.184%	-
EOP	Equity Office Properties Trust	9.399%	9.813%	10.096%	8.352%
EQY	Equity One	0.117%	-	0.115%	-
EQR	Equity Residential Properties Trust	5.670%	6.065%	6.221%	8.406%
ESS	Essex Property Trust	0.682%	0.723%	0.748%	-
FRT	Federal Realty Investment Trust	0.639%	0.656%	0.669%	-
FCH	FelCor Lodging Trust	0.516%	0.548%	0.563%	-
FR	First Industrial Realty Trust	0.860%	0.908%	0.930%	-
FUR	First Union Real Estate Invts	0.065%	-	-	-
GLR	G&L Realty Corp	0.023%	-	-	-
GBP	Gables Residential Trust	0.533%	0.542%	0.559%	-
GGP	General Growth Properties	1.328%	1.408%	1.436%	2.472%
GTY	Getty Realty Corporation	0.160%	-	-	-
GLB	Glenborough Realty Trust	0.357%	0.379%	0.417%	-
GRT	Glimcher Realty Trust	0.345%	0.365%	0.364%	-
GTA	Golf Trust of America	0.046%	-	-	-
GL	Great Lakes REIT	0.202%	0.214%	0.218%	-
HCP	Health Care Property Investors	1.531%	1.605%	-	2.817%
HCN	Health Care REIT	-	0.622%	-	-
HR	Healthcare Realty Trust	0.777%	0.824%	-	-
HT	Hersha Hospitality Trust	0.009%	-	-	-
HIW	Highwoods Properties	0.983%	1.044%	1.160%	1.833%
HMG	HMG/ Courtland Properties	0.007%	-	-	-
HME	Home Properties of NY	0.490%	0.518%	0.536%	-
HPT	Hospitality Properties Trust	1.005%	0.964%	0.988%	-
HMT	Host Marriott Corp	1.299%	1.227%	1.259%	2.154%
HRP	HRPT Properties Trust	0.789%	0.839%	0.862%	-
HUMP	Humphrey Hospitality Trust	0.023%	-	-	-
IOT	Income Opportunity Realty Investors	0.015%	-	-	-
KPA	Innkeepers USA Trust	0.212%	0.225%	0.230%	-
IHT	InnSuites Hospitality Trust	0.003%	-	-	-
IRETS	Investors Realty	-	-	0.171%	-
IRT	IRT Property Company	0.226%	0.238%	0.244%	-
JAMS	Jameson Inns	0.058%	-	-	-
JDN	JDN Realty Corp	0.259%	0.277%	0.283%	-
JPR	JP Realty	0.248%	0.263%	0.266%	-

Tkr.	REIT	NAREIT Equity			
		REIT Index Weight	S&P Weight	RMS Weight	C&S Weight
KTR	Keystone Property Trust	0.152%	-	0.143%	-
KRC	Kilroy Realty Corp	0.504%	0.527%	0.531%	-
KIM	Kimco Realty Corp	2.190%	2.306%	2.343%	4.047%
KE	Koger Equity	0.334%	0.355%	0.363%	-
KPT	Konover Property Trust	0.036%	-	-	-
KRT	Kramont Realty Trust	0.153%	0.163%	0.167%	-
LQI	La Quinta Properties	0.451%	-	-	-
LHO	LaSalle Hotel Properties	0.113%	0.110%	0.121%	-
LXP	Lexington Corporate Properties	0.240%	0.188%	0.192%	-
LYR	Liberty Property Trust	1.566%	1.567%	1.594%	2.751%
MAC	Macerich Company	0.561%	0.598%	0.620%	1.049%
CLI	Mack-Cali Realty Corp	1.281%	1.368%	1.409%	-
MAL	Malan Realty Investors	0.034%	-	-	-
MHC	Manufactured Home Communities	0.476%	0.506%	0.519%	-
MRTI	Maxus Realty Trust	0.009%	-	-	-
MHX	MeriStar Hospitality Corp	0.295%	0.313%	0.321%	-
MAA	Mid-America Apartment Communities	0.327%	0.347%	0.357%	-
MRR	Mid-Atlantic Realty Trust	0.143%	-	0.151%	-
MLS	Mills Corporation	0.378%	0.347%	0.359%	-
MSW	Mission West Properties	0.153%	-	0.166%	-
MNRTA	Monmouth Real Estate Invnt Corp	0.037%	-	-	-
TEE	National Golf Properties	0.159%	0.169%	0.172%	-
NHI	National Health Investors	-	0.222%	-	-
NHP	Nationwide Health Properties	0.653%	0.678%	-	1.189%
NXL	New Plan Excel Realty Trust	1.102%	1.170%	1.204%	-
OHI	Omega Healthcare Investors	0.042%	-	-	-
OLP	One Liberty Properties	0.032%	-	-	-
PNP	Pan Pacific Retail Properties	0.630%	0.661%	0.677%	-
PKY	Parkway Properties	0.215%	0.240%	0.234%	-
PEI	Pennsylvania REIT	0.225%	0.208%	0.244%	-
PHR	Philips International Realty Corp	0.020%	-	-	-
BIGT	Pinnacle Holdings	0.016%	-	0.018%	-
PW	Pittsburgh & West Virginia Rail Road	0.010%	-	-	-
PCL	Plum Creek Timber Company	1.277%	1.355%	-	-
PPS	Post Properties	1.069%	1.132%	1.185%	1.987%
PP	Prentiss Properties Trust	0.823%	0.785%	0.806%	-
XLG	Price Legacy Corp	0.031%	-	-	-
PGE	Prime Group Realty Trust	0.144%	-	0.157%	-
PRT	Prime Retail	0.007%	-	-	-
PLD	ProLogis Trust	2.714%	2.734%	2.941%	4.798%
PSB	PS Business Parks	0.461%	0.492%	0.512%	-
PSA	Public Storage	2.868%	3.231%	3.301%	5.670%
RPT	Ramco-Gershenson Properties Trust	0.078%	-	-	-
O	Realty Income Corp	0.608%	0.642%	0.593%	-
RA	Reckson Associates Realty Corp	0.815%	1.057%	1.076%	1.856%
REG	Regency Centers Corp	1.015%	-	1.102%	-
RFS	RFS Hotel Investors	0.176%	0.184%	0.186%	-
RPI	Roberts Realty Investors	0.031%	-	-	-
RSE	Rouse Company	1.278%	1.352%	1.383%	2.372%
BFS	Saul Centers	0.198%	0.213%	0.213%	-
SNH	Senior Housing Properties Trust	0.280%	-	-	-
HXD	Shelbourne Properties I	0.029%	-	-	-
HXE	Shelbourne Properties II	0.037%	-	-	-
HXF	Shelbourne Properties III	0.025%	-	-	-
SHU	Shurgard Storage Centers	0.676%	0.713%	0.734%	-
SPG	Simon Property Group	3.378%	3.604%	3.691%	6.325%
SIZ	Sizel Property Investors	0.063%	-	-	-
SLG	SL Green Realty Corp	0.655%	0.575%	0.584%	-
SRW	Smith Charles E	0.874%	0.926%	0.938%	1.625%
SSS	Sovran Self Storage	0.231%	0.248%	0.250%	-
RPP	Stonehaven Realty Trust	0.003%	-	-	-
SUS	Storage USA	0.779%	0.820%	0.836%	-
SMT	Summit Properties	0.520%	0.545%	0.553%	-
SUI	Sun Communities	0.490%	0.514%	0.530%	-
SKT	Tanger Factory Outlet Centers	0.123%	-	0.134%	-
TCO	Taubman Centers	0.446%	0.474%	0.499%	0.831%
TCT	Town and Country Trust	0.231%	0.244%	0.249%	-
USV	U.S. Restaurant Properties	0.165%	0.175%	0.180%	-
UDR	United Dominion Realty Trust	1.093%	1.165%	1.216%	-
UIRT	United Investors Realty Trust	0.046%	-	-	-
UMH	United Mobile Homes	0.063%	-	-	-
UHT	Universal Health Realty Income Trust	0.160%	-	-	-
UBP	Urstadt Biddle Properties	0.041%	-	-	-
VTR	Ventas	0.567%	-	-	-
VNO	Vornado Realty Trust	2.532%	2.684%	2.748%	4.711%
WRE	Washington REIT	0.647%	0.641%	0.656%	-
WRI	Weingarten Realty Investors	1.117%	1.183%	1.173%	2.076%
WXH	Winston Hotels	0.092%	0.098%	0.100%	-

Notes: (1) The quarterly rebalancing of the Morgan Stanley REIT Index last took place on July 20, 2001. (2) Total may not add to 100% because of rounding. (3) Data as of September 21, 2001 (end of day data).

Source: Bloomberg and NAREIT

# Glossary of REIT Terms

**Adjusted Funds From Operations (AFFO)**—Sometimes referred to as cash available for distribution (CAD), or funds available for distribution (FAD), AFFO is calculated by adjusting FFO for the straightlining of rents, and after establishing a reserve for costs that, though necessary and routine, aren't recoverable from tenants. These include certain maintenance costs and leasing costs.

**Adjusted Funds From Operations (AFFO) Multiple**—A company's AFFO yield and its AFFO multiple are reciprocals of each other. For a variety of reasons—including that P/AFFO multiples are roughly equivalent to P/E ratios—AFFO multiples are more often cited as a valuation measure than AFFO yields.

**Adjusted Funds From Operations (AFFO) Payout Ratio**—This is the single best measure of a company's dividend paying ability. It is calculated by dividing a company's per-share annual dividend by the current year's per share AFFO estimate.

**Adjusted Funds From Operations (AFFO) Yield**—In addition to being one measure of valuation, AFFO yield is often used as a proxy for a company's nominal cost of capital. It is calculated by dividing a company's per share AFFO estimate by its stock price.

**Alpha**—Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha indicates the fund has performed better than its beta would predict. For actively managed funds, this can be a sign that the manager has indeed added value to the fund's performance. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund's beta.

**Beta**—Beta is a measure of a fund's (stock's) sensitivity to market movements. By definition, the beta of the benchmark index is 1.00. A fund with a 1.50 beta is expected to perform 50 percent better than the index in up markets and 50 percent worse in down markets.

**Capitalization Rate**—A "cap rate" is determined by dividing the property's net operating income (NOI) by its purchase price (assuming an all-cash purchase).

**Cost of Capital**—Variously defined as the weighted average of the cost of equity and debt capital employed by a REIT. A company's "true" cost of equity capital is the investor's expected rate of return on his/her investment.

**Dividend Reinvestment Program (DRIP)**—Most, though by no means all, REITs offer these.

**downREIT**—A side benefit of the UPREIT structure is that operating partnership units can be used as currency to acquire properties from owners who would like to defer taxes that would come due if the property(ies) were sold or swapped for stock. In response to this advantage of the UPREIT structure, a number of non-UPREITs have created so-called downREITs. This makes it possible for them to buy properties using downREIT partnership units. The effect is the same; however, the downREIT is subordinate to the REIT itself, hence the name.

**EBITDA**—Earnings before interest, taxes, depreciation, and amortization.

**Fixed Charge Coverage Ratio**—This ratio is calculated by adding funds from operations, interest expense, and preferred dividends, and subtracting from that total net income. The result is then divided by the company's

interest expense plus preferred dividends. A company's fixed charge coverage ratio is generally regarded as the best easily available means of assessing a company's financial leverage.

**Funds From Operations (FFO)**—Equal to a REIT's net income after the addback of real estate depreciation. This is the measure of REIT operating performance most commonly accepted and reported by REITs, conceptually analogous to net income of non-real estate companies.

**GARP**—Denotes an investment strategy referred to simply as growth at a reasonable price. (See definition for Multiple-to-Growth Ratio.)

**Implicit 12-Month Total Return**—This is calculated by adding the company's year-over-year growth rate and its current stated annual dividend. This is a "guesstimate" of total return potential that is widely used.

**Implied Cap Rate**—Net operating income (NOI) divided by a REIT's total market capitalization (the sum of its equity market capitalization and its total outstanding debt).

**Interest Coverage Ratio**—The ratio of EBITDA to interest expense.

**Multiple-to-Growth Ratio**—This measure is calculated by dividing a company's price-to-FFO multiple by its FFO growth rate. Investors use this measure to determine how much the market is willing to pay per unit of growth. Companies with P/FFO multiples less than their growth rates are often considered to be undervalued. This measure is frequently associated with the investment strategy referred to as GARP (growth at a reasonable price).

**Net Asset Value (NAV)**—Price-to-book ratios are inappropriate for

REITs insofar as a company's book value, which is based on historic cost figures, may not accurately reflect the earnings capacity of an otherwise well-maintained asset. Also, the balance sheet consolidations accompanying IPOs were often pursued using different accounting conventions, resulting in an apples-to-oranges comparison between companies. Thus, many analysts prefer to use net asset value as a surrogate for book value, which is appropriate insofar as book value is meant to represent an entity's liquidation value.

#### **Positive Spread Investing**—

Defined as when a REIT buys a property that has a higher initial yield than its current blended cost of capital. For example, a REIT buys a property yielding 11 percent (property net operating income divided by the all-in cost of the property) at a time that its debt is borrowed at an 8 percent interest rate and its equity is trading at an FFO yield (inverse of its FFO multiple) of 10 percent. If the REIT is funded half with equity and half with debt, it realizes a 200 basis point (11 percent minus 9 percent) positive spread.

**R<sup>2</sup>**—R<sup>2</sup> reflects the percentage of a fund's (stock's) movement that is explained by movements in its benchmark index. A fund (stock) with an R<sup>2</sup> of 100 indicates that all of the fund's (stock's) movements are completely explained by movements in the benchmark index. A fund (stock) must have an R<sup>2</sup> of 75 or higher for its beta and alpha to be considered reliable.

#### **Real Estate Investment Trust (REIT)**—

A real estate investment trust is a private or public corporation (or trust) that enjoys a special status under the U.S. tax code: It pays no corporate income tax as long as its activities meet statutory tests

that restrict its business to certain commercial real estate activities. Most states honor this federal treatment and do not require REITs to pay state income tax. By law, REITs must pay out 95 percent of their taxable income.

**Return of Capital**—The portion of a REIT's dividend in excess of taxable income. Because REIT dividends are often higher than taxable income, principally due to depreciation, the amount by which the dividend exceeds taxable income is a return of capital to a shareholder, meaning that—for a tax-paying shareholder—it does not create currently taxable ordinary income, but instead reduces the shareholder's tax basis.

At the final sale of the shares, the difference between tax basis and final net sales price is recognizable as a capital gain. To the extent the final capital gains rate is lower than interim ordinary income tax rates, REITs provide a tax shelter function for certain tax-paying investors by allowing the deferral of tax on current cash received as dividends and taxing it at a lower rate upon disposition of the shares.

**Sharpe Ratio**—The Sharpe ratio—named for Nobel laureate Bill Sharpe—is calculated by subtracting the risk-free (T-bill) rate from a portfolio's total return and then dividing this by its standard deviation. The resulting fraction can be thought of as return per unit of risk. The higher a portfolio's Sharpe ratio, the better the risk-adjusted performance.

**Standard Deviation**—A statistical measure of dispersion about an average. It depicts how widely, for instance, returns varied over the designated time period. If a fund (stock or index) has a high standard deviation, the predicted range of per-

formance is wide, implying greater volatility (risk).

**Straightlining**—REITs straightline rents because generally accepted accounting principles (GAAP) require it. Typically, a tenant's monthly rent will increase over the life of a lease; this applies to commercial properties, not usually residential properties. Straightlining averages the tenant's rent payment over the lease's life. In other words, rental revenues are overestimated in the early years and underestimated in the later years.

#### **Total Debt and Total Market Capitalization**—

Together, these measures have been used to provide an assessment of leverage. Debt-to-Total Market Cap was the most often cited measure of leverage early on in the current REIT underwriting cycle (circa 1993). There are a number of problems associated with using it for that purpose, however. Chief among those is that it doesn't provide meaningful information regarding a company's ability to service its debt.

#### **Umbrella Partnership REIT**—

The UPREIT has been the structure of choice in most REIT initial public offerings since late 1992. Simply put, the UPREIT structure allows the principals, who are transferring their properties from private ownership to public ownership via an initial public offering, to maintain their historical tax basis by transferring the properties to the operating partnership rather than directly to the REIT.

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*In compiling our glossary, we relied on a variety of sources, notably material produced by Goldman, Sachs & Co., Green Street Advisors, Morningstar, NAREIT, Merrill Lynch & Co., and Prudential's Bernard Winograd.*