



Trends in the Real Estate Industry

Goals of Presentation

- **Hottest Issue in Commercial Real Estate**
- **New Lending Environment**
- **Trends in Interest Rates**
- **Investor (Cap Rate) Trends**
- **Real Estate Market (Rents, Prices) Trends**
- **REIT Industry**
- **CMBS Industry**
- **Market Data Sources**

Hot Issue in Commercial Real Estate - Cap Rate

$$R_0 = Y_0 - \Delta$$

Cap Rate = Yield Rate minus Growth

Growth – what are drivers?

No rental Growth

Only interest rate change

Lag Effect

What happens when rates stop declining?

Coming Change in Lending - New Risk Rating Platforms

▪ Basel Accord - Risk Based Lending

$$\begin{array}{ccccc} \text{Estimated} & & \text{Loss} & & \text{Expected} \\ \text{Default} & & \text{Given} & & \text{Loss} \\ \text{Frequency} & \times & \text{Default} & = & \\ (\text{EDF, DP, PD}) & & (\text{LGD, LR,...}) & & (\text{EL...}) \end{array}$$

What are the drivers?

Your answer is your Risk Rating Model

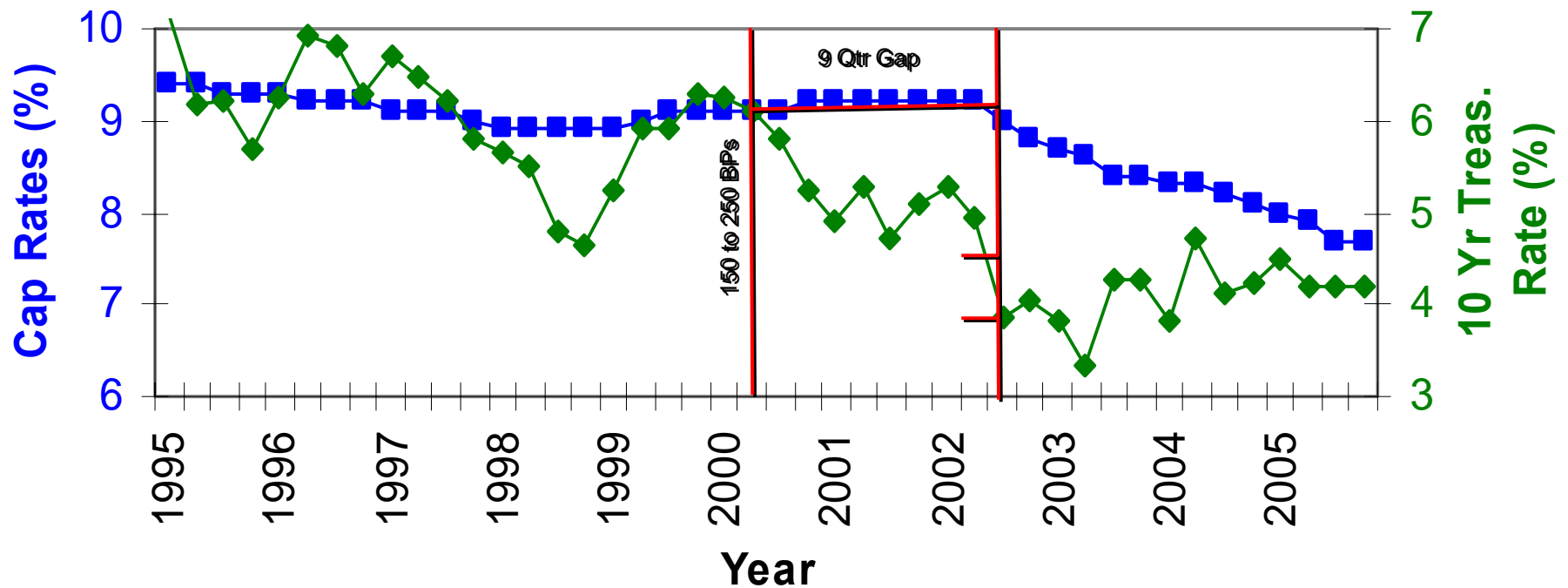
**Risk-based pricing will create
borrower/property specific interest rate**

Types of Risks Impacting Loan Loss

- **Market Risk**
- **Banking Industry**
- **Real Estate Industry**
- **Interest Rate Risk**
- **Operational Risk**
- **Originator Bias**
- **Property Type**
- **Location of Collateral**
- **Strength of Borrower**
- **Guarantee**
- **Ability to Exit**

Interest Rate & Investor Trends - National Industrial Market

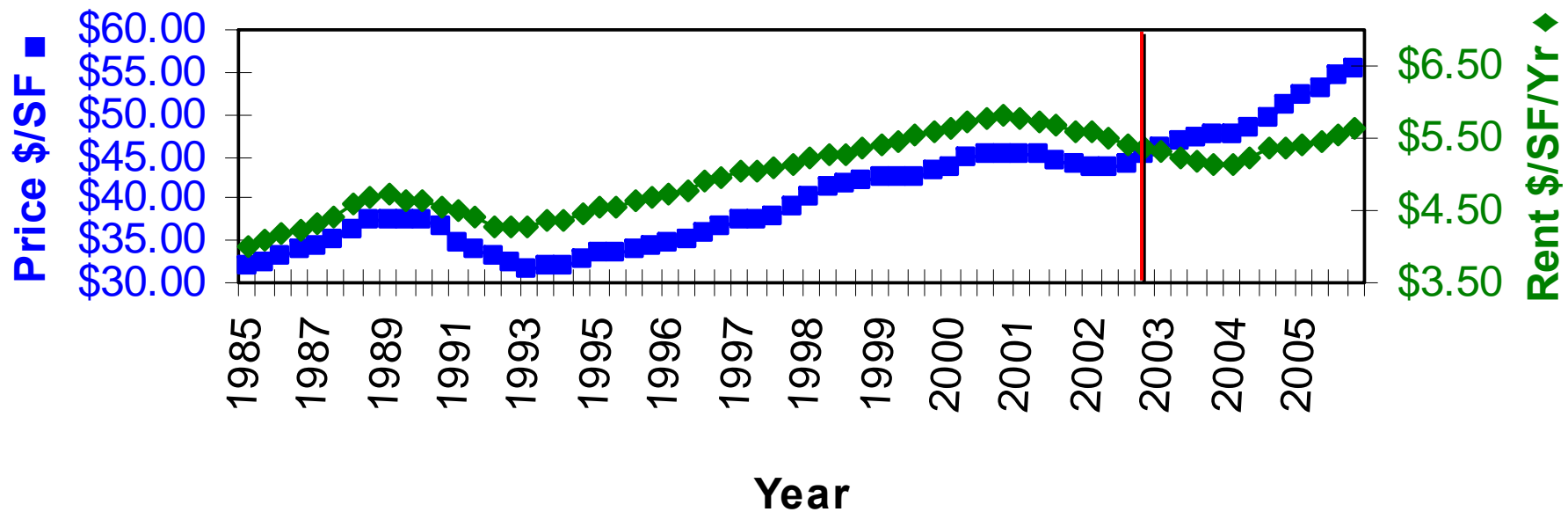
Interest Rates vs. Industrial Cap Rates National Average



Source: National Real Estate Index, and Bank of America - Real Estate Research

Trends in Industrial Real Estate - National

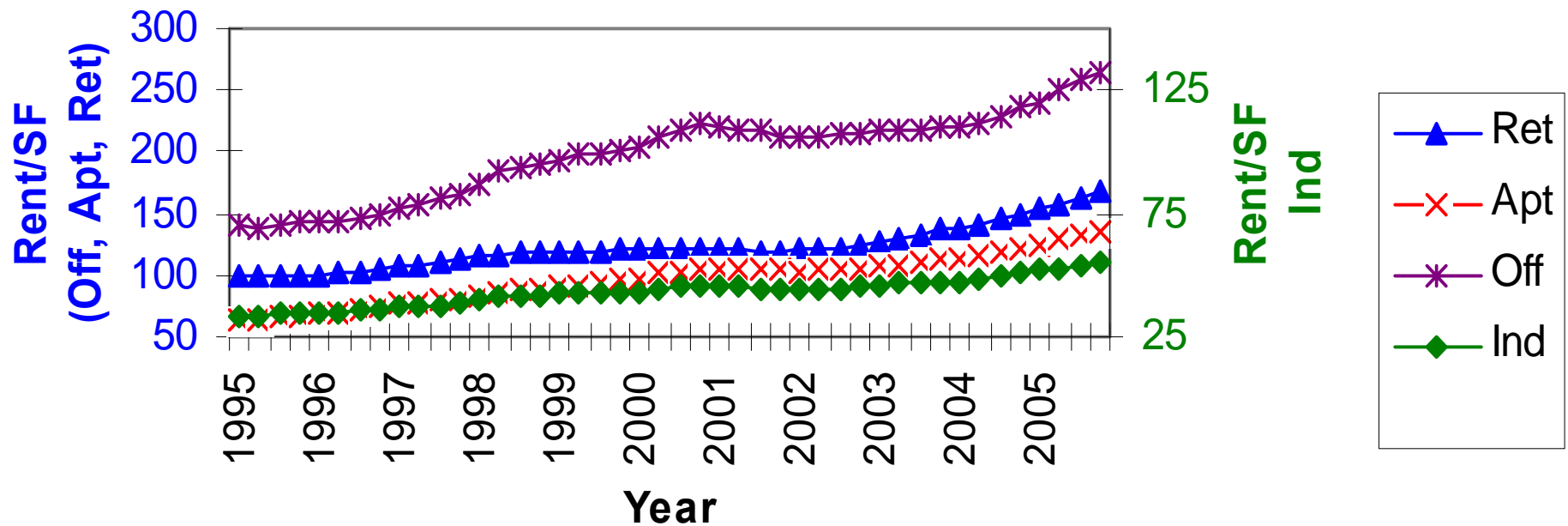
Industrial Performance National Averages



Source: National Real Estate Index, and Bank of America - Real Estate Research

Market Trends - National - Value by Property Type

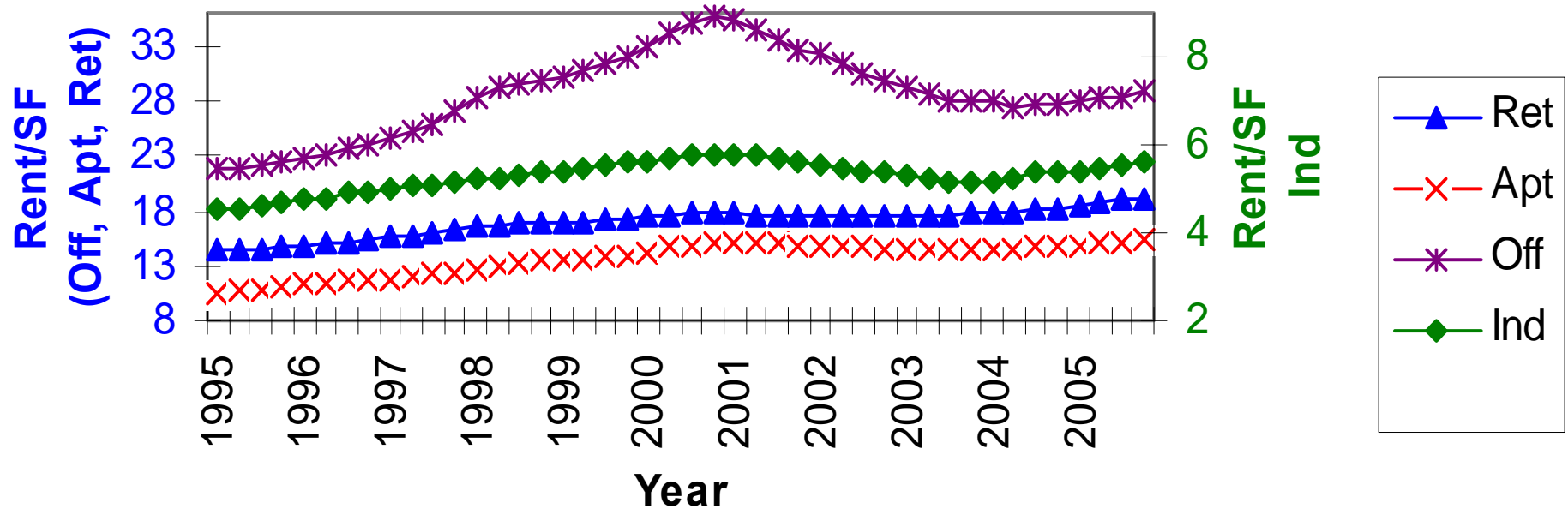
Market Trends - Value/SF National Averages



Source: National Real Estate Index, and Bank of America - Real Estate Research

Market Trends - National - Rent by Property Type

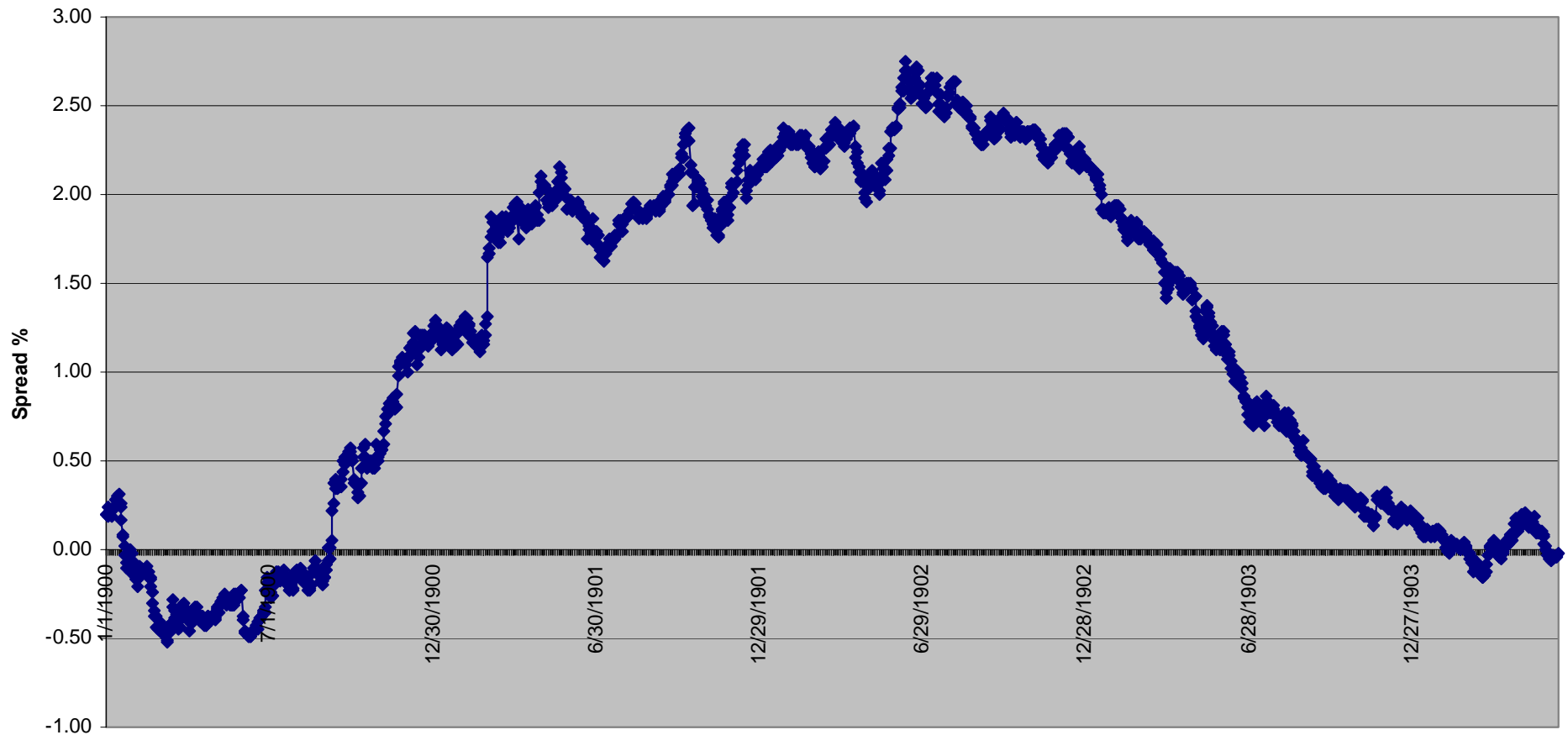
Market Trends - Rent/SF National Averages



Source: National Real Estate Index, and Bank of America - Real Estate Research

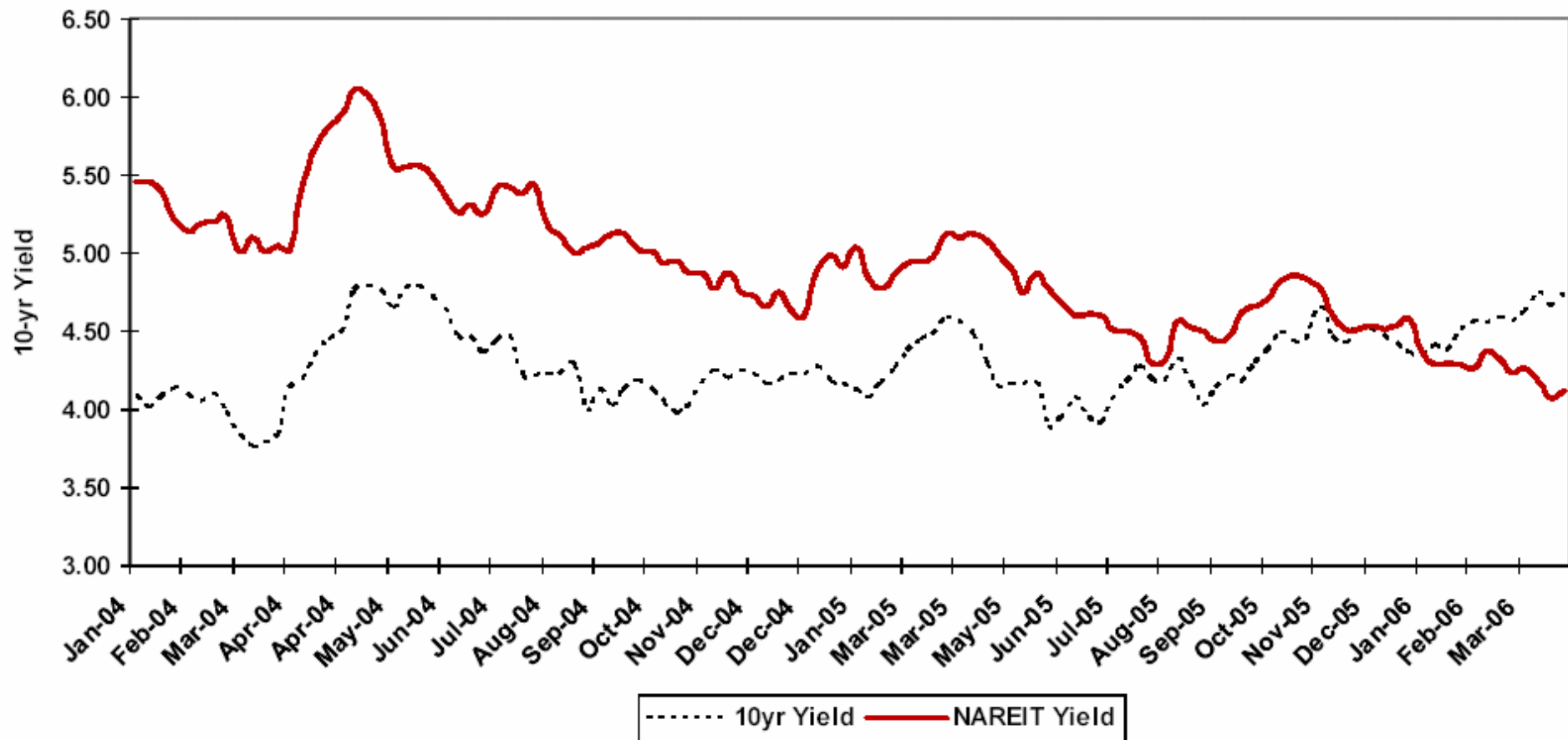
Yield Spread - Treasuries - 10 Yr. less 2 Yr.

Yield Spread 10 yr vs 2 yr



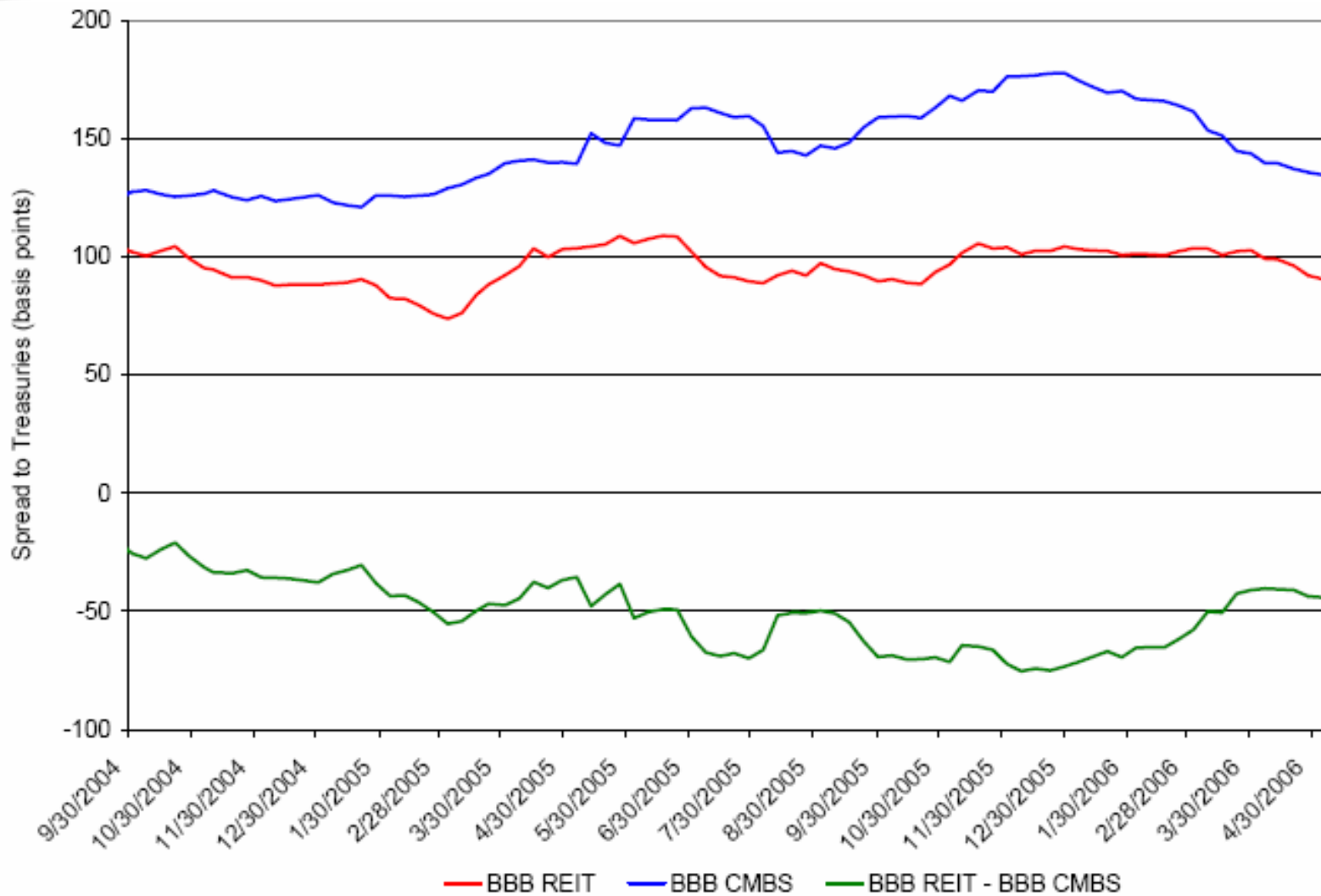
Yield Spread

10-Year Treasury Yield Versus NAREIT Index Dividend Yield



Source: NAREIT, FactSet

Yield Spread - CMBS, REIT, 10 Yr. Treas.

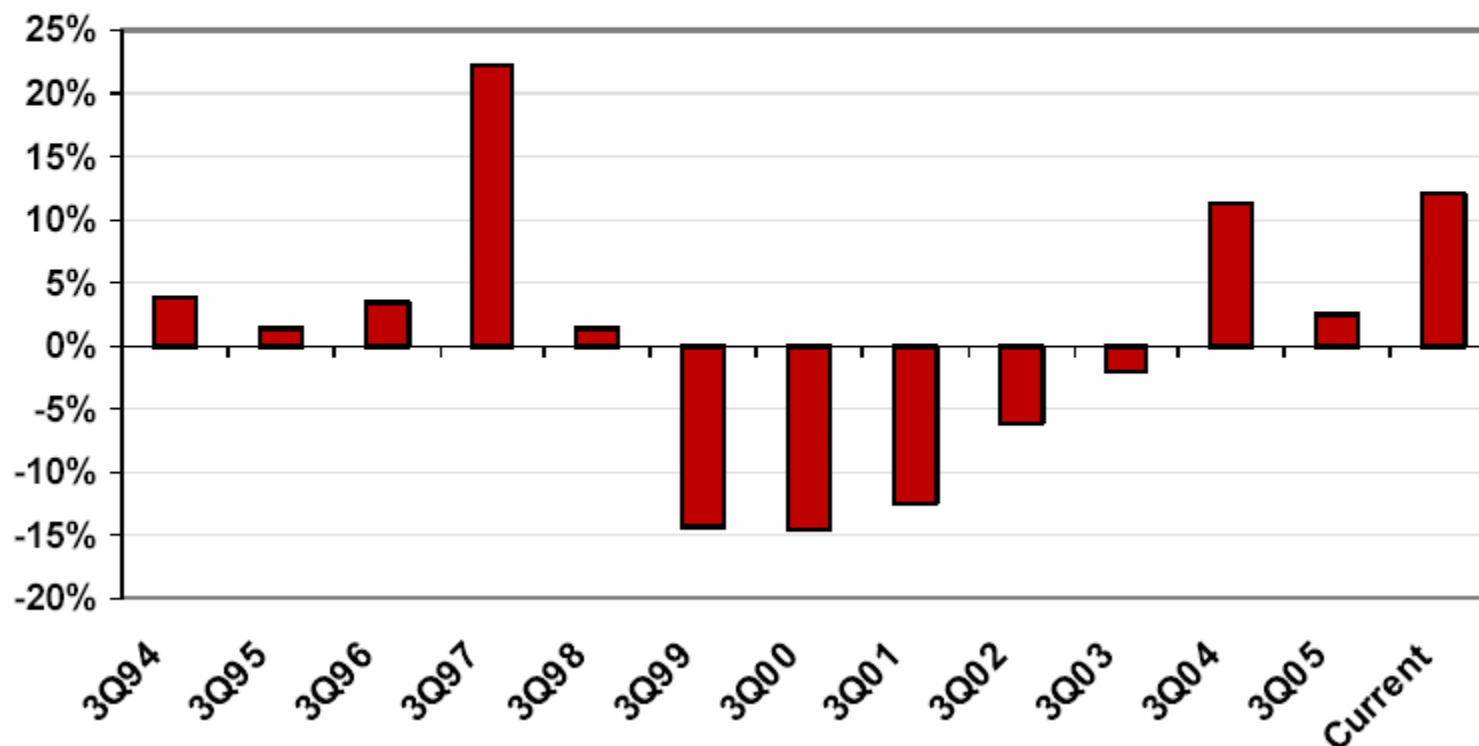


Source: Banc of America Securities LLC.

REIT Premium / Discount

Historic REIT Net Asset Value Premium/Discounts

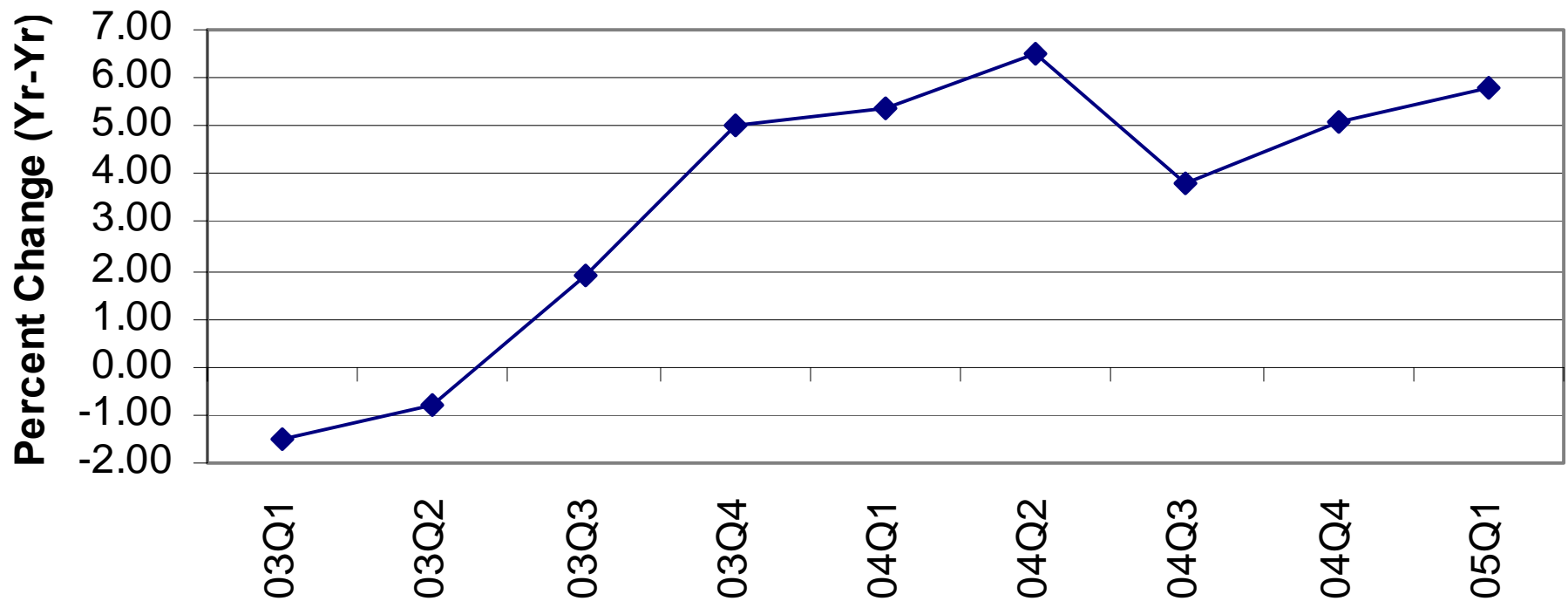
REITs Are Trading at a 12% Premium to Net Asset Value



Source: Bank of America Securities, LLC, FactSet, SNL Financial

REIT Returns - Self Storage - Same Store NOI Growth (Qtr-Qtr)

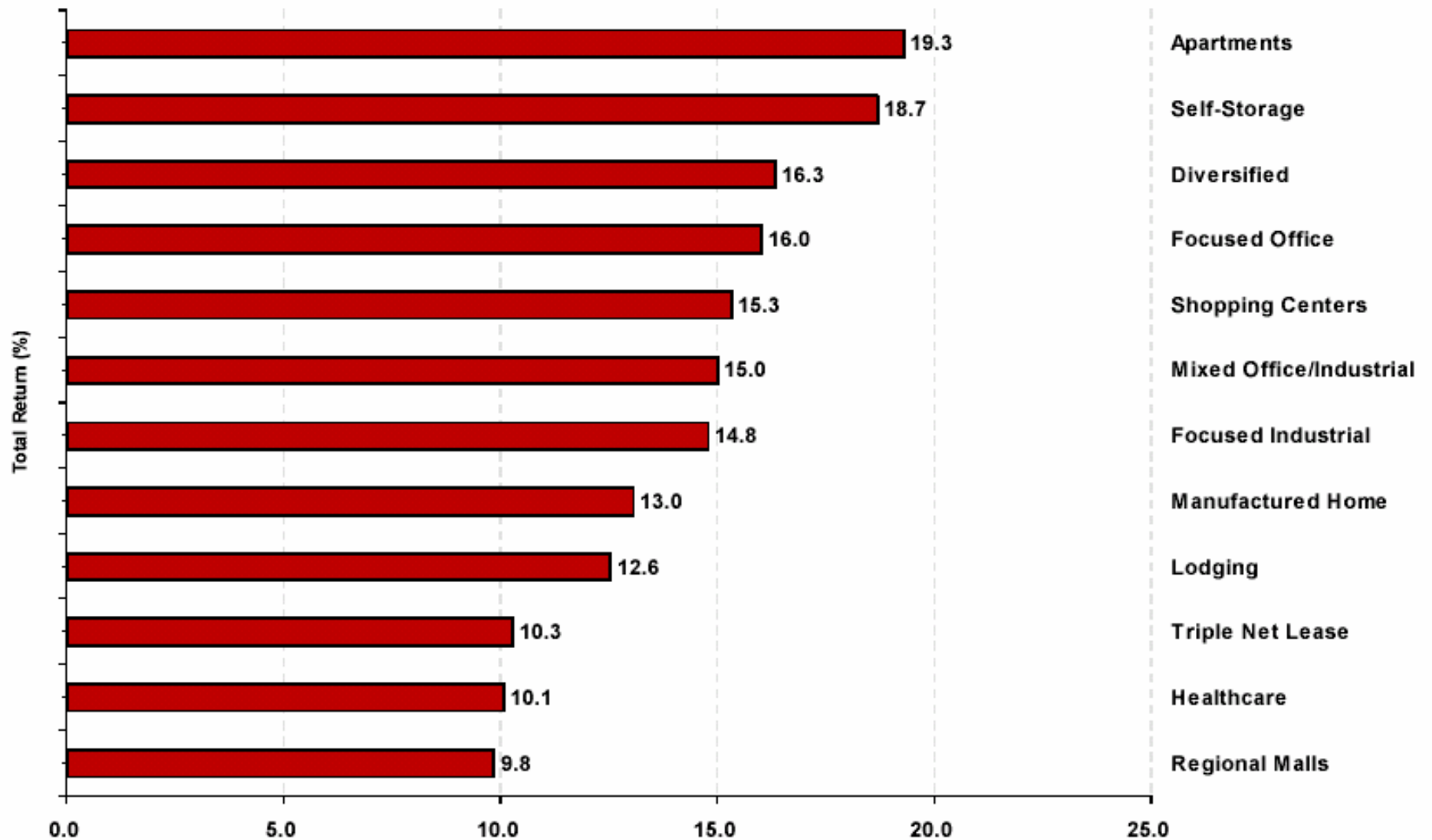
REIT Return - Self-Storage REITS



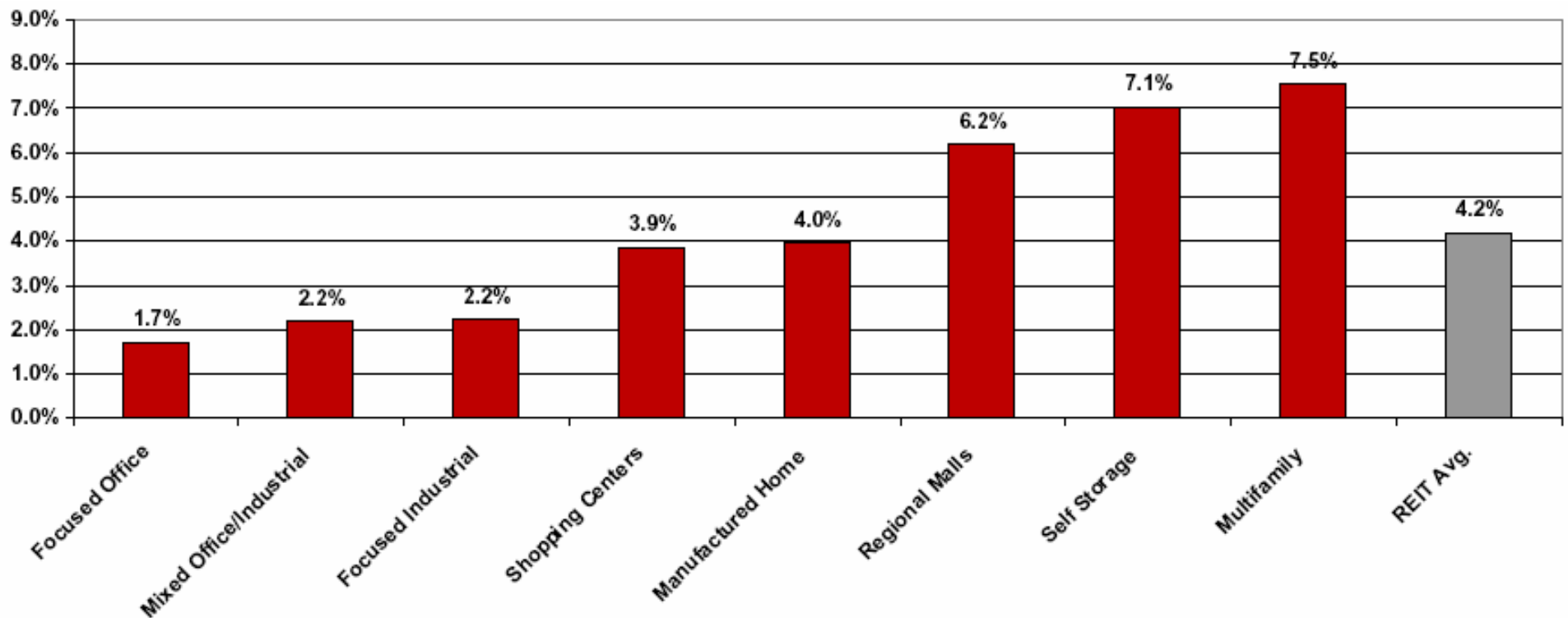
Source: SNL DataSource, and Bank of America - Real Estate Research

REIT Returns - YTD Performance - EOQ 2006Q1

Year-to-Date Sector Performance



REIT NOI Growth by Sector – EOQ 2006Q1



REIT Sector Performance

- YTD Performance - EOQ 2006Q1

REIT Sector Performance Analysis

	Price Changes			Total Return YTD (%)	Div Yld (%)	'06 AFFO Payout (%)	Funds From Operations (FFO)				AFFO		Prem/(Disc) NAV (%)
	Week (%)	Month (%)	QTD (%)				Growth		Multiples		Growth	Multiples	
							'06E (x)	'07E (x)	'05E (x)	'07E (x)	'06E (x)	'06E (x)	
Apartments	(1.8)	3.5	18.6	19.3	3.9	93	4.9	6.6	20.6	19.4	3.4	24.3	7.8
Diversified	(1.8)	4.7	14.9	16.3	5.2	98	8.2	6.8	15.2	14.2	8.4	19.4	0.0
Focused Industrial	(2.7)	3.9	14.3	14.8	3.4	66	14.8	9.5	16.7	15.3	10.7	19.7	41.4
Focused Office	(2.1)	7.2	15.6	16.0	3.8	93	13.6	7.0	17.4	16.3	3.4	25.1	6.2
Healthcare	(2.5)	3.2	8.5	10.1	6.2	89	5.6	3.6	13.9	13.4	3.6	14.7	20.8
Lodging	(1.6)	4.5	12.2	12.6	3.4	103	21.9	16.7	13.0	11.1	27.2	21.5	-
Manufactured Home	(1.7)	5.6	12.5	13.0	2.3	42	NM	10.9	77.4	14.4	6.9	18.2	-
Mixed Office/Industrial	(1.2)	5.0	14.4	15.0	4.5	90	2.4	5.7	16.6	15.7	26.7	21.3	14.4
Regional Malls	(3.5)	1.0	9.0	9.8	3.9	74	7.9	9.4	15.1	13.8	11.0	19.6	6.3
Self-Storage	(0.7)	4.3	17.8	18.7	3.1	70	18.7	12.9	21.7	19.4	19.5	23.0	17.6
Shopping Centers	(2.1)	5.8	14.7	15.3	4.1	76	6.8	8.3	16.6	15.3	8.0	19.3	20.3
Triple Net Lease	(1.1)	3.5	9.2	10.3	6.5	87	10.3	6.3	13.2	12.5	9.7	13.6	8.9
REIT Industry	(2.3)	4.2	13.7	14.2	4.0	85	9.5	7.7	17.4	15.9	7.8	21.8	12.1
S&P 500	(0.4)	1.6	4.3	4.3									
Russell 2000	0.2	2.3	11.0	11.0									

Source: BAS Estimates, FactSet, SNL Financial, Reuters

REIT Prices - Self Storage as of 3/31/2006

Ticker	Company	Rating	Prices and Performance					Dividend		Funds From Operations (FFO)								Operations (AFFO)			Market Capitalization		Debt/ TMC		
			Target Price (\$)	Price 23-Mar (\$)	Price Chng			Total Rtn YTD (%)	Div Yld (%)	Payout Ratio '06		BAS Est		BAS Est		Growth		Multiple		Est. '06E (\$/sh)	Mult. '06E (x)	Grwth '06E (%)		Float (\$ ml)	Total (\$ ml)
					Wk (%)	Mnth (%)	QTD (%)			FFO (%)	AFFO (%)	Est. 2006E (\$/sh)	vs. Cons. (\$/sh)	Est. 2007E (\$/sh)	vs. Cons. (\$/sh)	'06E (%)	'07E (%)	'06E (x)	'07E (x)						
SELF-STORAGE																									
SHU	Shurgard Storage	B	73.00	66.73	(0.9)	4.1	17.7	18.7	3.4	91	98	2.47	0.79	2.46	-	42.8	(0.4)	27.0	27.1	2.28	29.3	48.1	3,123	5,084	36
PSA	Public Storage	B	89.00	81.00	(0.7)	5.0	20.9	21.7	2.4	45	56	3.81	(0.07)	4.48	0.11	8.2	17.6	21.5	18.3	3.60	22.8	9.1	10,401	13,781	-
EXR	Extra Space	N	15.00	17.14	1.5	14.3	11.3	12.8	5.3	84	98	0.98	0.02	1.08	0.01	48.5	10.2	17.5	15.9	0.93	18.4	29.2	887	1,820	48
SSS	Sovran Self Storage	N	49.00	53.97	(0.8)	3.8	14.9	16.2	4.6	72	81	3.22	0.01	3.42	0.00	7.0	6.2	16.8	15.8	3.02	17.9	7.1	948	1,373	26
YSI	U-Store-It	N	21.00	20.38	(2.2)	(8.5)	(3.2)	(1.8)	5.5	77	91	1.28	(0.08)	1.45	0.09	34.7	13.3	15.9	14.1	1.23	16.6	39.8	1,162	1,937	35
Self Storage Tot/Wtd. Avg.					(0.7)	4.3	17.8	18.7	3.1	59	70					18.7	12.9	21.7	19.4		23.0	19.5	16,611	23,905	36
Self Storage Tot/Str. Avg.					(0.6)	3.7	12.3	13.5	4.2	74	85					28.2	9.4	19.7	18.2		21.0	26.6			36

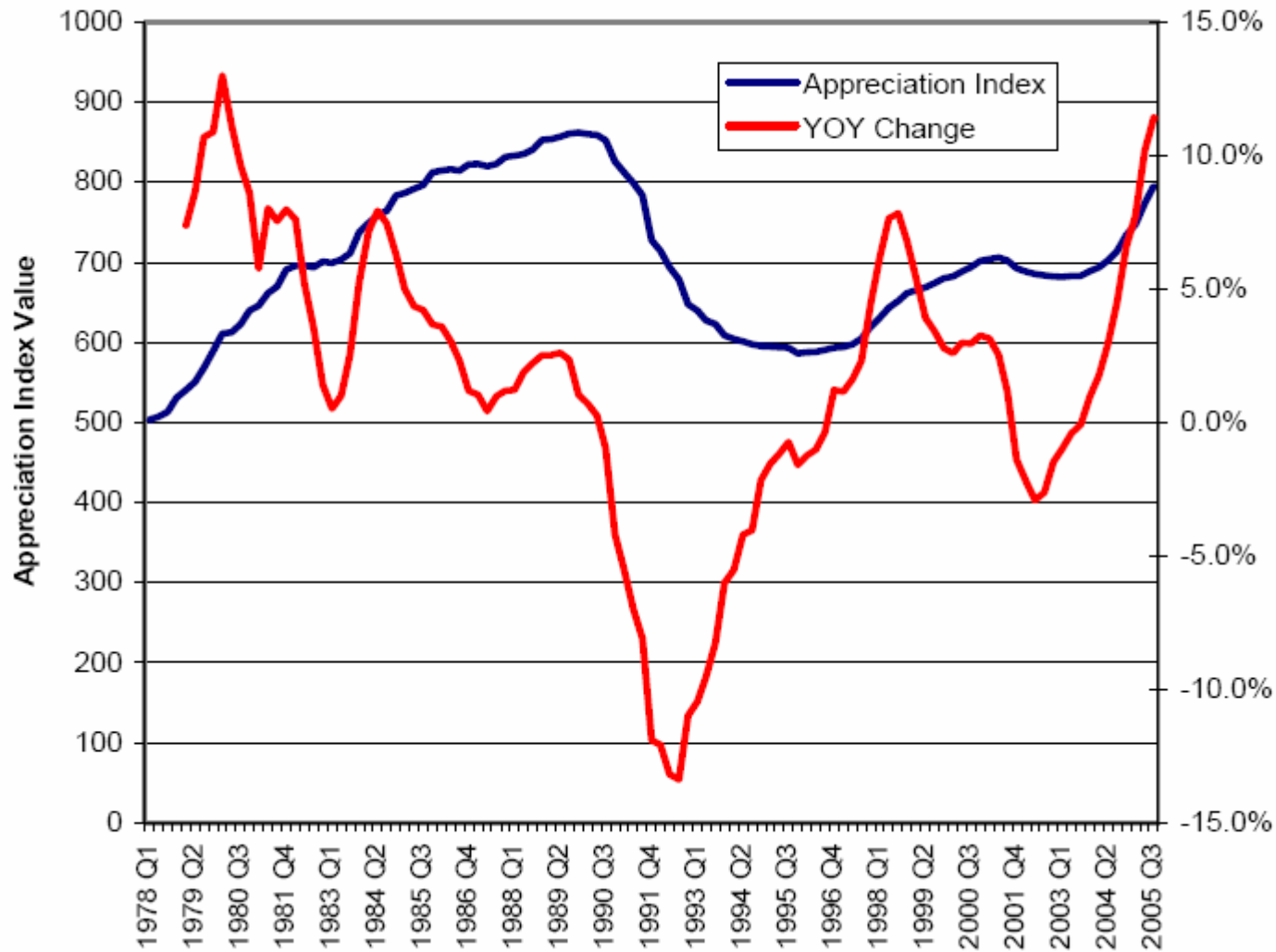


Ticker	Company	Funds From Operations (FFO)					Adjusted Funds From Operations (AFFO)					Net Asset Value (NAV)				DCF Valuation			
		Multiple Prem/(Disc)		Historic FFO Multiples			Multiple Prem/(Disc)		Historic AFFO Multiples			Current		Fwd. 12-month		NAV Prem/(Disc) to NAV		DCF Valuation	
		Current vs. Sector (%)	10 Yr. Sector Avg (%)	High (x)	Low (x)	Avg (x)	Current vs. Sector (%)	10 Yr. Sector Avg (%)	High (x)	Low (x)	Avg (x)	NAV 3Q'05 (\$/sh)	Cap Rate (%)	NAV 3Q'06 (\$/sh)	Cap Rate (%)	Curr (%)	Fwd (%)	DCF (\$/sh)	to DCF (%)
SELF-STORAGE																			
SHU	Shurgard Storage	40.0	(0.9)	27.1	7.6	11.7	26.3	(0.5)	29.3	8.2	13.8	60.31	-	-	-	10.6	-	-	-
PSA	Public Storage	(5.7)	(1.1)	20.4	7.8	11.7	(1.8)	(1.7)	22.8	8.5	13.7	68.50	7.00	80.91	7.25	19.6	1.2	97.28	(15.8)
EXR	Extra Space	(18.1)	-	17.6	13.1	15.3	(20.5)	-	22.3	15.1	17.0	14.74	7.25	15.08	7.50	16.3	13.7	15.13	13.3
SSS	Sovran Self Storage	(18.6)	(12.0)	16.1	6.1	10.4	(22.9)	(17.7)	17.9	6.7	11.4	45.89	7.50	45.67	7.75	17.6	18.2	49.12	9.9
YSI	U-Store-It	(27.5)	-	-	-	-	-	-	-	-	-	17.14	7.25	20.68	7.50	18.9	(1.5)	23.83	(14.5)
Self Storage Tot/Wtd. Avg.		23.6	8.9	21.3	8.0	11.8	1.6	(3.3)	23.7	8.7	13.7	7.07		7.32	17.6	3.0			(12.0)
Self Storage Tot/Str. Avg.		16.3	13.1	20.3	8.7	12.3	(8.0)	1.1	23.0	9.6	14.0	7.25		7.50	16.6	7.9			(1.8)

Source: Bank of America Securities, SNL Financial, FactSet, Bloomberg, Reuters

NCREIF Returns

Figure 1: NCREIF Appreciation Index and Year-over-Year Changes



CMBS Delinquencies – By Vintage

Performance Distribution by Vintage (%), April 2006 and Change from February 2006													All Deals
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
1 Mo.	0.00	0.45	0.30	0.25	0.14	0.44	0.09	0.31	0.04	0.09	0.04	0.00	0.12
2 Mo.	0.00	1.18	0.27	0.05	0.15	0.12	0.08	0.08	0.04	0.03	0.01	0.00	0.05
3 Mo.	0.00	1.68	0.72	0.31	0.45	0.32	0.37	0.11	0.13	0.12	0.02	0.00	0.16
Forecl.	0.00	0.27	0.83	0.19	0.20	0.49	0.22	0.05	0.05	0.01	0.03	0.00	0.11
REO	3.75	1.73	0.95	0.71	0.68	0.61	0.71	0.20	0.13	0.02	0.00	0.00	0.23
Total	3.75	5.31	3.06	1.51	1.62	1.98	1.47	0.75	0.39	0.27	0.11	0.00	0.67
Change	0.98	-1.28	0.03	0.26	-0.14	-0.03	-0.16	0.15	-0.13	-0.01	-0.01	0.00	-0.07
Total % of Orig.	0.11	0.88	1.46	1.03	1.27	1.67	1.28	0.70	0.37	0.27	0.11	0.00	0.59
Change	0.00	-0.43	-0.05	0.02	-0.13	-0.04	-0.16	0.14	-0.13	-0.01	-0.01	0.00	-0.06
Projected Liquidations	8.56	8.25	7.06	6.04	6.12	6.24	6.08	5.36	5.25	5.11	5.05	5.00	5.42
Change	0.94	-1.57	0.14	0.37	-0.02	0.03	0.02	0.03	0.02	0.04	0.03	0.00	0.01
Projected Liq's of Orig	0.26	1.37	3.36	4.11	4.79	5.26	5.31	5.02	5.03	5.01	5.02	4.99	4.78
Change	-0.06	-0.58	-0.07	0.19	-0.08	-0.03	-0.07	0.00	0.00	0.03	0.02	0.00	0.02
Frcst. Future Losses	0.13	0.68	1.68	2.06	2.39	2.63	2.65	2.51	2.52	2.51	2.51	2.49	2.39
Change	-0.03	-0.29	-0.04	0.10	-0.04	-0.01	-0.03	0.00	0.00	0.01	0.01	0.00	0.01
Losses to Date	2.85	2.64	2.10	1.49	1.00	1.18	0.62	0.22	0.02	0.00	0.00	0.00	0.49
Change	0.00	0.05	0.01	0.02	0.03	0.07	0.07	0.03	0.00	0.00	0.00	0.00	-0.01
Projected Total Losses	2.98	3.32	3.78	3.54	3.39	3.82	3.28	2.73	2.53	2.51	2.51	2.49	2.88
Change	-0.03	-0.24	-0.03	0.12	-0.01	0.06	0.04	0.03	0.00	0.01	0.01	0.00	-0.01

Note: Projected total losses include losses to date and forecasted losses. Forecasted additional losses equal 50% of projected liquidations as a percentage of original balance, which is calculated by applying a likelihood of REO to each delinquency category as follows: <= 1mo. (5%), 30 days (20%), 60 day (40%), 90 (60%), in foreclosure (80%) and REO (100%). Forecasted additional losses equal 50% of projected liquidations as a percentage of original balance.

Calculations: Banc of America Securities, LLC Source: Intex, BAS Real Estate Research (James Stouse, CFA et al)

CMBS Delinquencies – Property Type

Projected Total Losses by Property Type, April 2006													All
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Deals
Retail	1.64	3.41	2.71	2.66	2.68	2.69	2.59	2.39	2.42	2.47	2.50	2.49	2.68
Office	0.00	3.19	2.41	2.53	3.02	2.77	3.10	2.48	2.44	2.47	2.49	2.50	2.73
Multifamily	8.67	2.87	2.94	2.47	2.80	3.58	2.98	2.83	2.87	2.75	2.60	2.49	2.80
Hotel	1.99	3.67	3.92	3.10	2.45	2.43	4.62	2.34	2.40	2.43	2.50	2.49	4.33
Industrial	0.00	2.49	3.00	2.91	2.78	3.36	2.34	2.98	3.05	2.53	2.48	2.49	3.06
Manufactured Hsg.	2.01	2.12	2.32	2.81	2.47	2.39	2.54	2.39	2.41	2.46	2.49	2.50	2.43
Self Storage	0.00	2.05	2.59	2.36	2.20	2.37	2.31	2.36	2.60	2.43	2.52	2.49	2.30
Senior Housing	0.00	10.51	3.18	2.73	3.31	2.29	2.30	2.34	2.39	2.49	2.47	0.00	8.22
Change of Projected Losses by Property Type from February to April 2006													All
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Deals
Retail	-6	46	-9	23	1	6	0	0	0	1	0	0	3
Office	0	88	-8	9	-6	-2	22	9	-1	0	0	0	0
Multifamily	33	2	9	1	0	2	-15	-4	1	10	7	-1	-1
Hotel	1	-81	-3	23	-4	-13	-1	-1	-1	-1	1	0	-13
Industrial	0	26	9	45	1	-4	-9	-4	12	3	-1	0	3
Manufactured Hsg.	-1	-16	7	7	-6	3	13	-1	-1	0	0	0	-1
Self Storage	0	-1	27	17	-1	8	-1	-1	7	-1	3	0	3
Senior Housing	0	179	32	27	20	-1	-1	-1	-1	0	-1	0	62

Note: Projected total losses include losses to date and forecasted losses. Forecasted additional losses equal 50% of projected liquidations as a percentage of original balance, which is calculated by applying a likelihood of REO to each delinquency category as follows: <= 1mo. (5%), 30 days (20%), 60 day (40%), 90 (60%), in foreclosure (80%) and REO (100%). Forecasted additional losses equal 50% of projected liquidations as a percentage of original balance.

CMBS Delinquencies by MSA as of April 2006, change since Feb.

	1 Mo.	2 Mo.	3 Mo.	Forecl.	REO	Total	Liquidations	Changes	Current Balance
New Orleans, LA	0.46%	1.23%	3.46%	0.54%	0.00%	5.70%	7.81%	-1.22%	\$ 1,686,583,874.08
Detroit, MI	0.59	0.28	0.09	0.18	1.12	2.26	6.43	0.22	7,136,008,696.64
Dallas, TX	0.30	0.22	0.43	0.08	0.85	1.89	6.23	0.32	12,752,366,802.52
San Jose, CA	-	-	-	1.08	0.38	1.46	6.17	-0.08	4,370,055,936.31
Atlanta, GA	0.08	0.08	0.04	0.16	0.96	1.31	6.09	-0.25	9,677,399,732.39
Orlando, FL	-	0.05	0.62	-	0.56	1.23	5.89	0.21	4,443,432,232.78
Houston, TX	0.16	0.02	0.18	0.19	0.53	1.09	5.78	-0.13	11,779,662,450.90
Cincinnati	-	-	-	0.39	0.43	0.82	5.70	-0.08	2,554,426,708.76
Boston	0.07	-	0.13	0.02	0.60	0.82	5.67	0.01	9,285,296,660.41
Chicago, IL	0.04	0.14	0.35	0.41	0.11	1.05	5.66	0.11	13,378,996,520.63
Philadelphia	-	-	-	0.08	0.49	0.57	5.53	0.16	10,861,191,359.29
San Antonio, TX	0.11	0.52	0.20	0.14	-	0.97	5.41	-0.20	2,724,686,244.61
Virginia Beach	-	-	-	-	0.40	0.40	5.38	0.00	2,918,599,169.22
Baltimore, MD	-	-	0.12	0.25	0.10	0.47	5.35	0.20	5,989,913,249.78
Portland	-	-	0.50	-	0.08	0.57	5.34	0.10	2,768,305,760.14
Tampa, FL	-	-	-	0.12	0.14	0.25	5.22	0.01	3,722,947,826.53
Denver, CO	-	-	-	-	0.21	0.21	5.20	-0.03	4,842,885,330.23
Minneapolis	0.27	0.16	0.04	-	0.06	0.54	5.18	0.08	3,564,132,988.96
Charlotte	-	0.05	0.19	0.07	-	0.31	5.17	0.07	3,265,443,890.30
Bridgeport, CT	0.83	-	-	-	-	0.83	5.13	0.13	2,654,288,155.34
Phoenix, AZ	0.03	0.04	0.08	-	0.03	0.18	5.09	0.02	9,176,236,450.16
Seattle, WA	0.37	-	0.06	-	-	0.43	5.09	-0.31	5,578,009,574.29
New York, NY	0.17	0.00	0.01	0.02	0.01	0.20	5.05	0.02	59,363,678,611.66
San Francisco, CA	0.16	-	0.03	-	-	0.19	5.04	0.02	9,994,712,929.32
San Diego, CA	-	0.02	0.03	-	-	0.05	5.02	0.01	8,020,558,539.93
Los Angeles, CA	-	0.02	-	0.02	-	0.04	5.02	0.00	33,128,803,867.24
Las Vegas, NV	0.02	-	0.03	-	-	0.05	5.02	0.01	9,049,724,130.79
Miami, FL	0.12	-	-	-	-	0.12	5.02	-0.07	12,481,471,672.38
Washington	-	-	0.02	-	-	0.02	5.01	0.01	21,492,694,825.81
Riverside, CA	-	-	-	-	-	-	5.00	-0.01	5,148,787,978.16
Sacramento, CA	-	-	-	-	-	-	5.00	-	3,207,153,188.36

Source: Intex and BAS Real Estate Research, LLC (James Stouse, CFA et al)

Economic / Demographic Data Providers

- **Appraisal Institute - Site to do Business (applies to most data sources)**
- **BEA, BLS, Census**
- **Economy.com**
- **Claritas (acquired NDS & UDS)**
- **State / Regional Data Sources**

Rent – Vacancy Nat'l Data Sources

- **Torto-Wheaton Research**
- **REIS**
- **Property & Portfolio Research**
- **CoStar**
- **CB Commercial**
- **Grubb & Ellis**
- **Cushman Wakefield**
- **RealFacts (Apt Only)**

Top Real Estate Forecasting Companies

- **Torto Wheaton Research**
- **Property & Portfolio Research**
- **REIS SE**
- **Rosen**

Sale Comps – National Data Sources

- **Real Capital Analytics**
- **REIS SE**
- **LoopNet (recently added)**
- **CoStar Comps**
- **Your Firm's Files**
- **Call Brokers, REITS, etc.**

Expenses – National Data Sources

- **IREM (Office, Retail, Apt)**
- **ULI – Dollars & Cents (several versions)**
- **NAIOP**
- **CoStar Comps**
- **REIS**
- **RealtyRates.com (market survey)**
- **Your Firm's Files!**

Cap Rate – National Data Sources

- **Real Capital Analytics**
- **RERC Investor Survey**
- **CB National Investor Survey**
- **Cushman Wakefield**
- **Grubb & Ellis – Outlook**
- **CoStar Comps**
- **Korpacz**

Real Estate Loss - Data Sources

- **FDIC – Whole Portfolios Only**
- **Annual Reports (REIT / CMBS)**
- **SNL DataSource, from SNL Financial (REIT)**
- **Trepp – CMBS – trepp.com**
- **Conquest from S&P – cmbs.com**
- **Intex – CMBS data – intex.com**
- **SRAs – S&P, Moodys, Fitch**