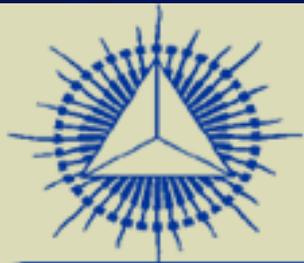


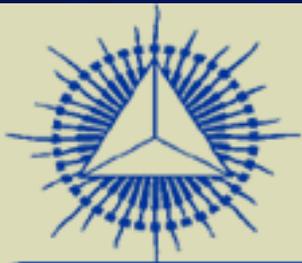
REITs – High Income Exceptional Return

**Anne K. Anderson
August 2007**



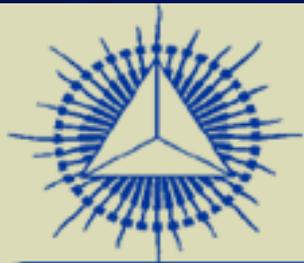
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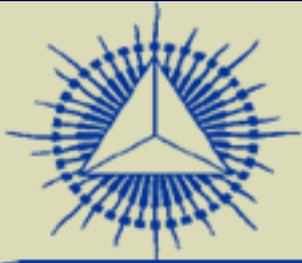
REIT Market Caps - Total

- REIT Growth and Income Monitor Reports on More Than 150 REITs
- Total of More Than \$400 billion Market Cap
- Range of Market Caps \$25 million to \$28 billion



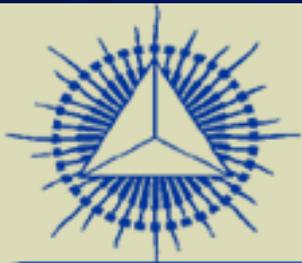
Definition of REIT Status

- Asset Test - 75% Real Estate
- Revenue Test – 75% Real Estate
- Diversification Requirements
- Income Untaxed at REIT Level
- Required to Distribute 90% of Pretax Income as Dividends



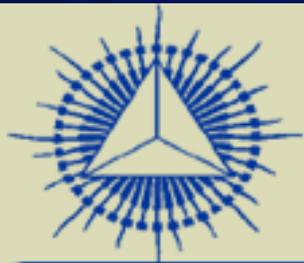
REITs Appeal to Individual Investors

- Highest Yielding Stock Group
- Long Term BUY and HOLD Strategy
- More Liquid Than Other High Yield Alternatives
- Marginable



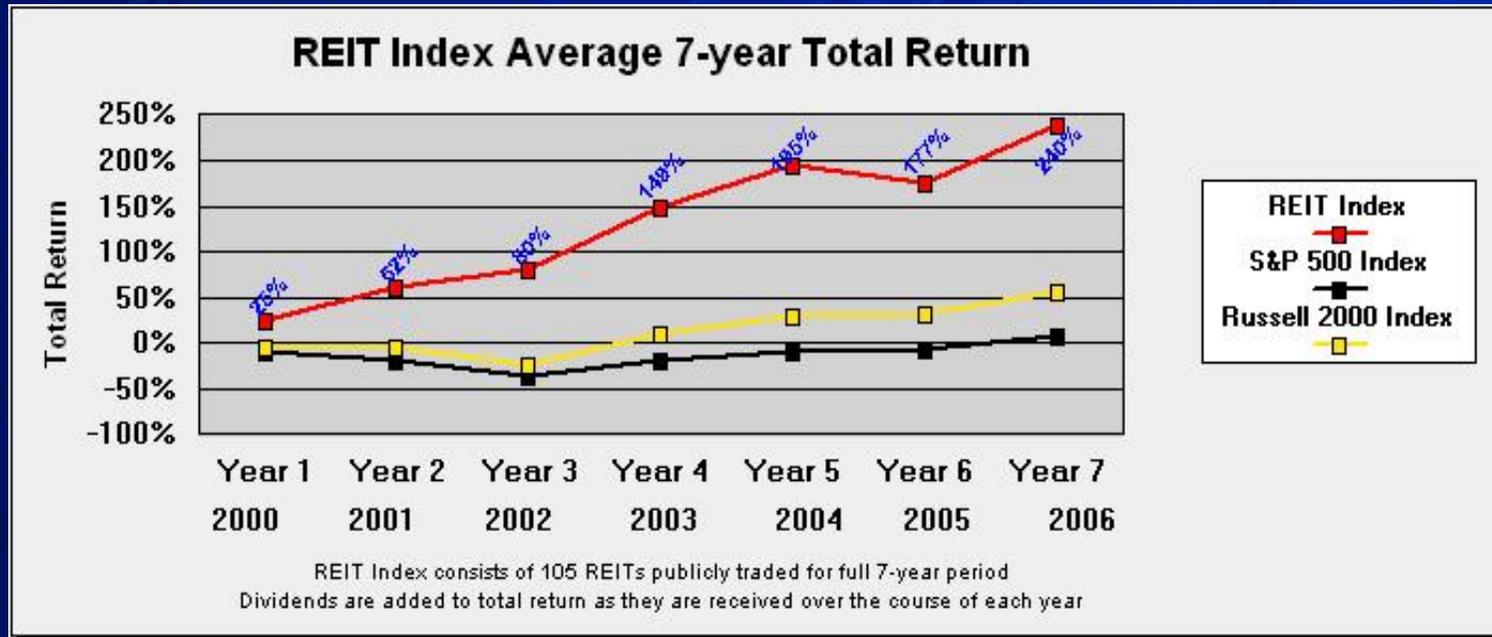
REITs Appeal to Institutional Investors

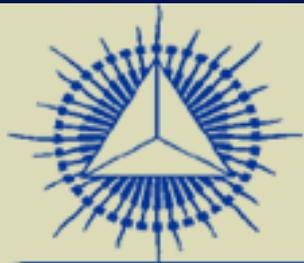
- Yield Secondary to Performance
- Perceived as Low Volatility Stocks
- Few Analysts
- Dedicated REIT Funds Tend to BUY and HOLD
- Increasing Interest from Hedge Funds



REIT Growth and Income Monitor

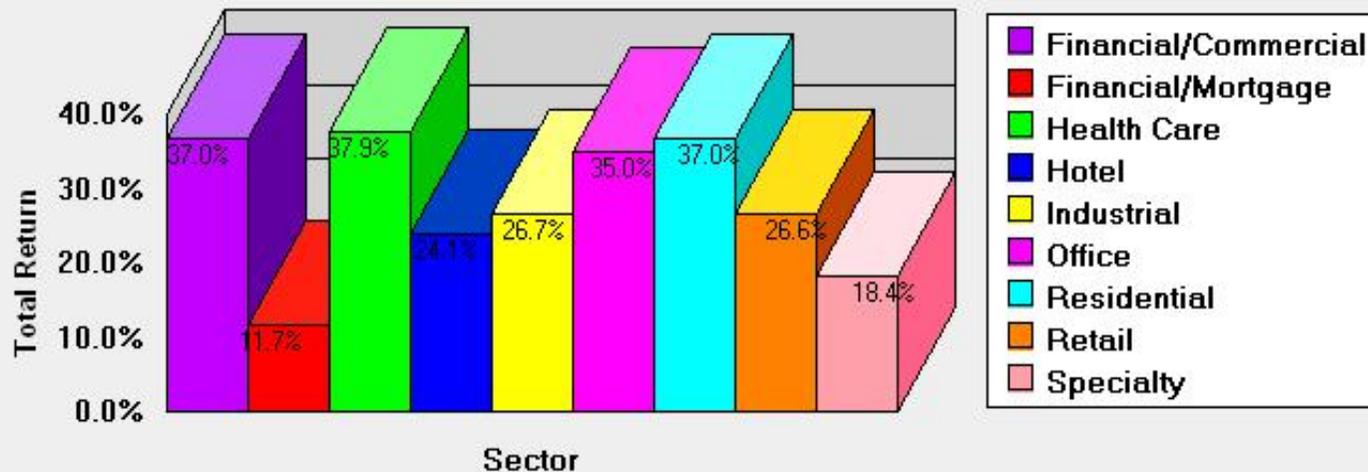
REIT Cumulative Total Return 1999-2006



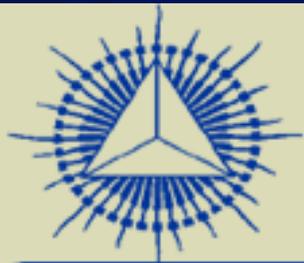


REIT Performance - 2006

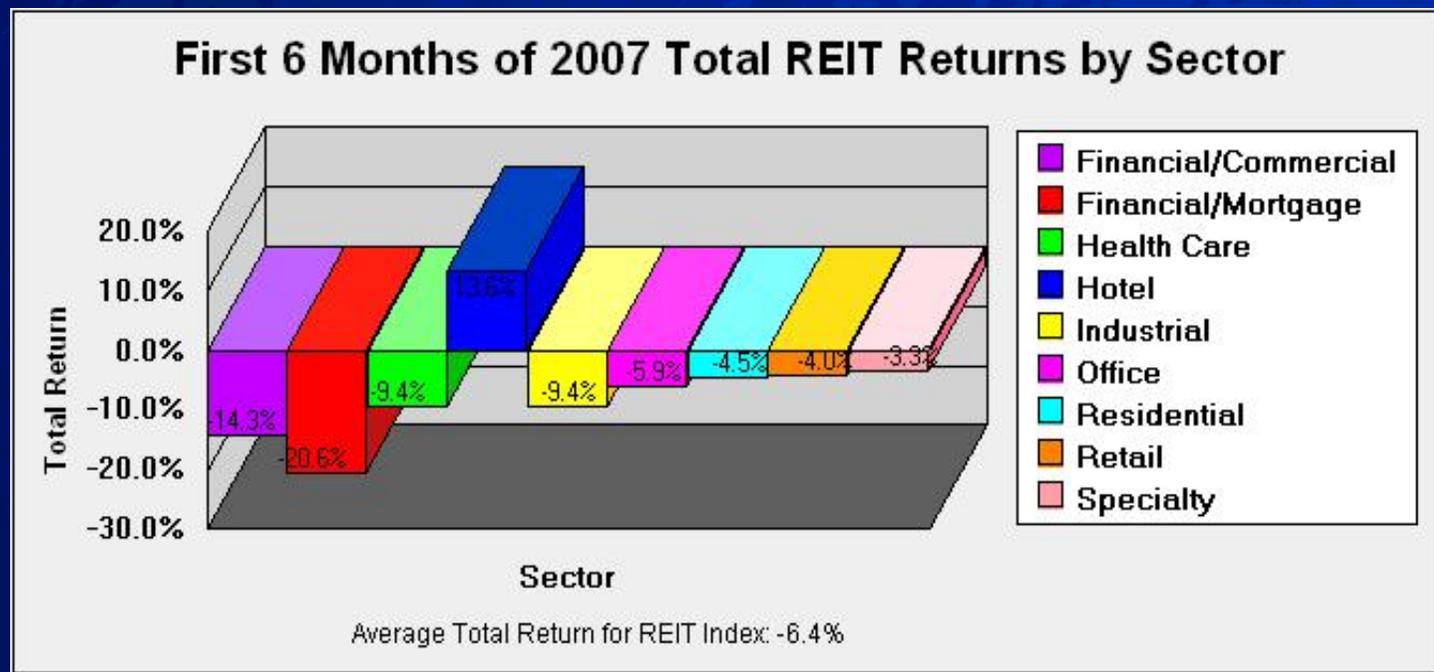
Full Year 2006 Total REIT Returns by Sector

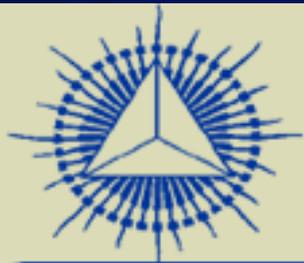


Average Total Return for REIT Index: 28.3%

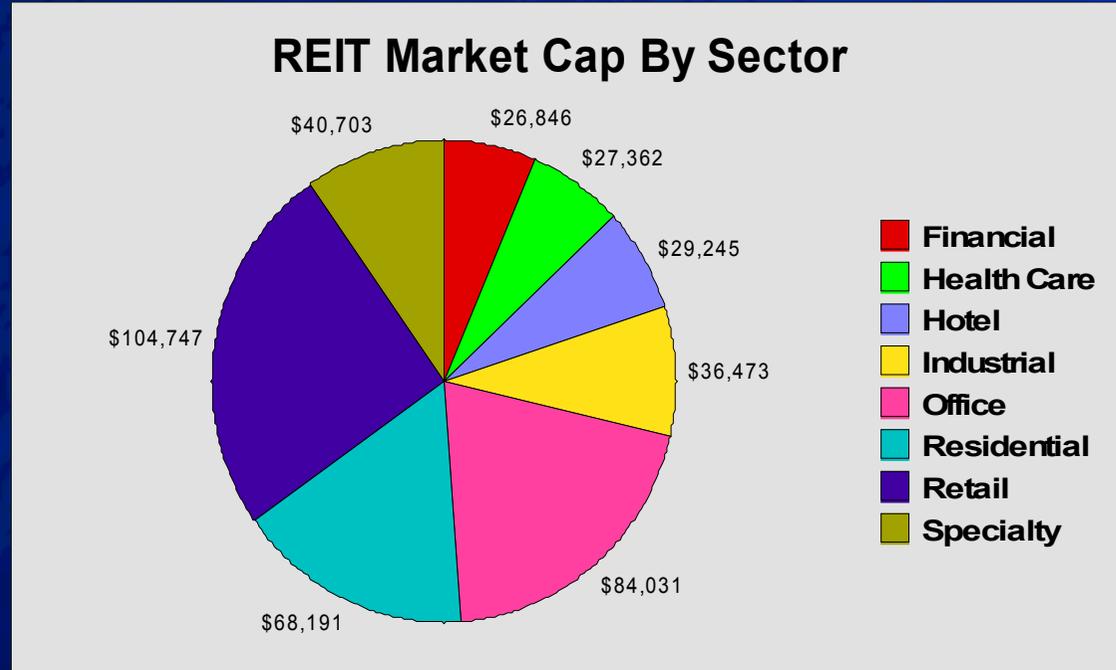


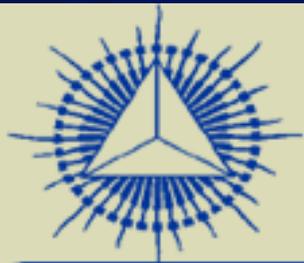
REIT Performance – 2007



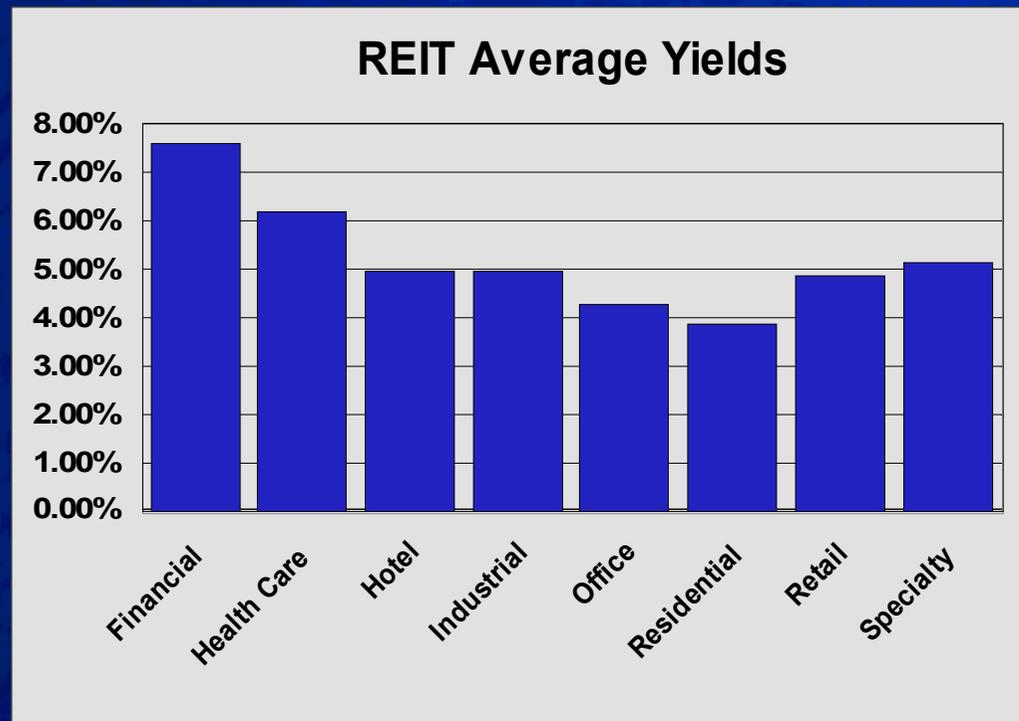


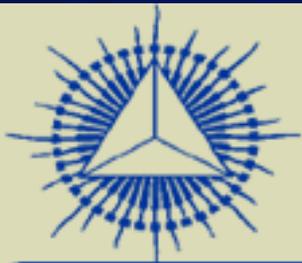
REIT Market Caps – By Sector





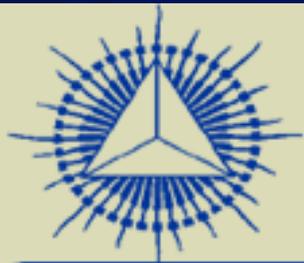
REIT Yields – by Sector





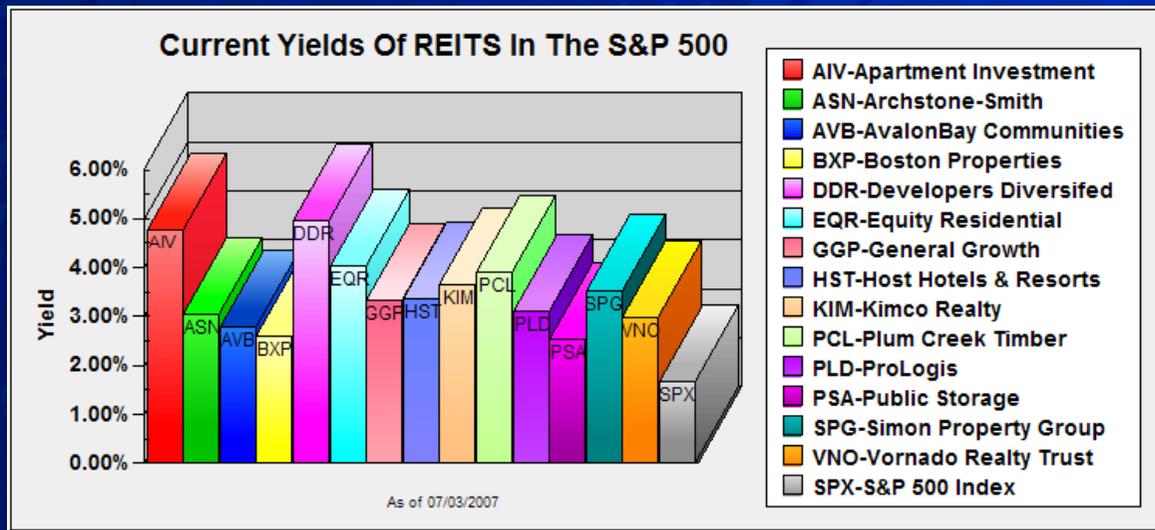
REITs S&P 500 Index

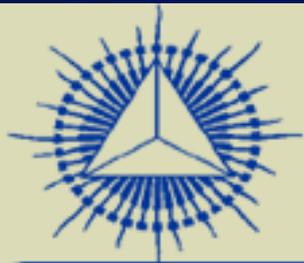
- Total of 14 REITs in the S&P 500 Index
- Average yield 3.47%
- Average market cap \$13 billion
- Total market cap \$187 billion



REIT Growth and Income Monitor

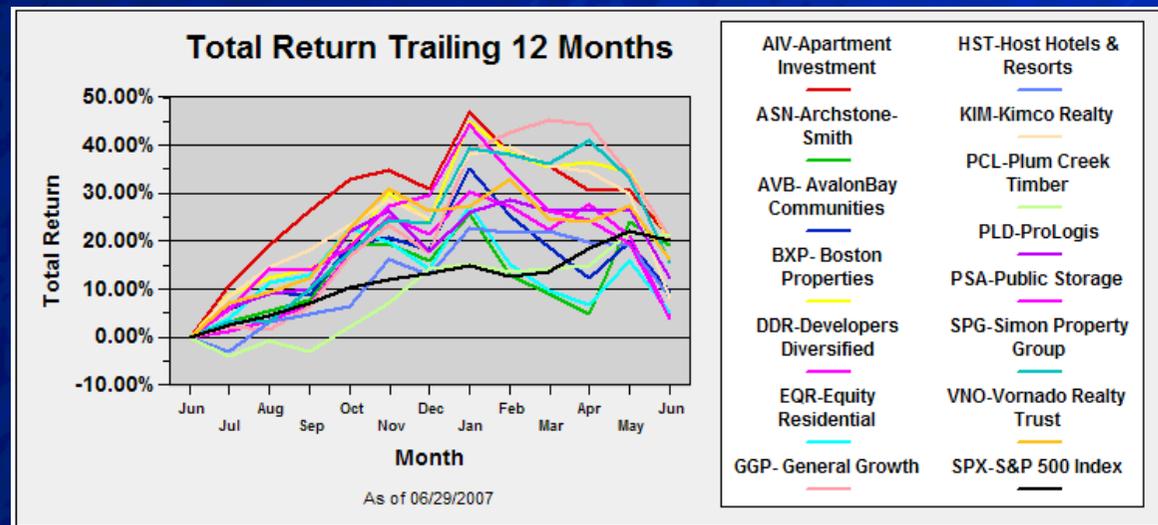
S&P 500 REITs - Yields

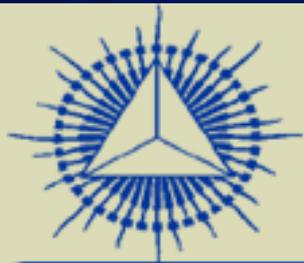




REIT Growth and Income Monitor

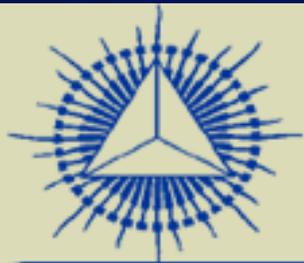
S&P 500 REITs – Total Return





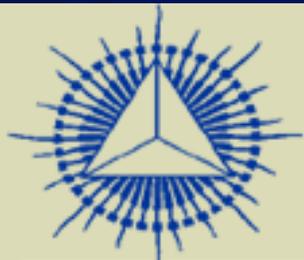
REITs In the Indexes – Russell 3000

- Total REITs in Russell 3000 Index 124
- Total Market Cap of REITs Included in Russell 3000 Index \$404 billion
- Average REIT Market Cap \$3.3 billion
Range of Market Cap \$25 million - \$29 billion



REITs In the Indexes – Russell 2000

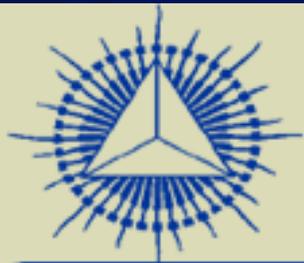
- Total REITs in Russell 2000 Index 81
- Total Market Cap of REITs
Included in Russell 2000 Index \$103 billion
- Average REIT Market Cap \$1.3 billion
Range of Market Cap \$94 million - \$4 billion



REIT Acquisition Trends

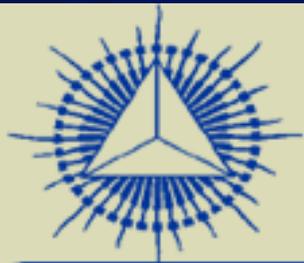
REIT Acquisition Trends:

	2005	2006	2007 ytd
Number of deals	9	19	23
Total Valuation	\$18.5	\$53.2	\$124.2
Average Valuation / Annualized FFO	33.6 x	31.3 x	43.7

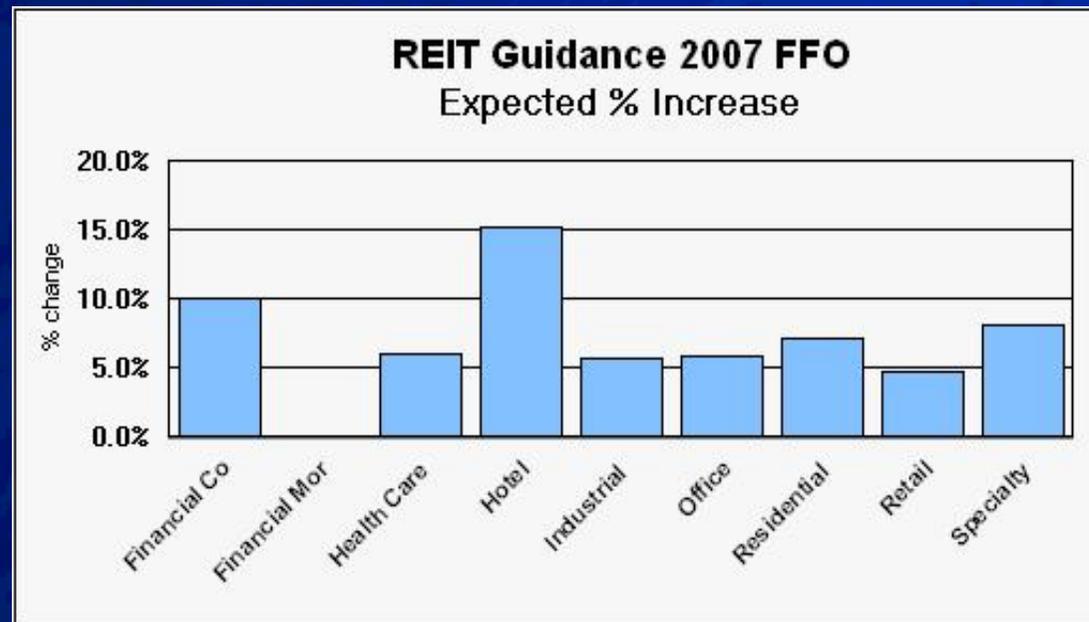


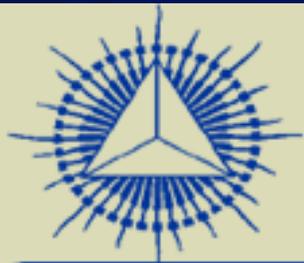
Reasons for Acquisitions

- Portfolio Dynamics
- Managements Incentivized by Growth
- Private Equity Fund Managers Paid to Do Deals
- Pressure to Fund Development Pipelines
- REIT / REIT combinations
- Acquisition Specific Joint Ventures



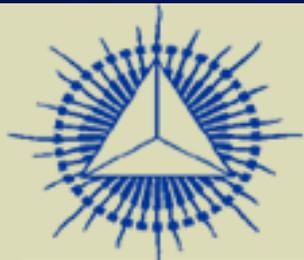
REIT FFO Growth by Sector





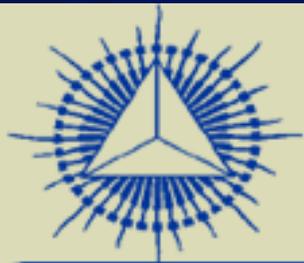
Emerging Growth REITs

- Strong growth characteristics in market cap range \$1-\$10 billion
- 30 REITs ranked BUY with average yield 5.0% and FFO growth of more than 8%



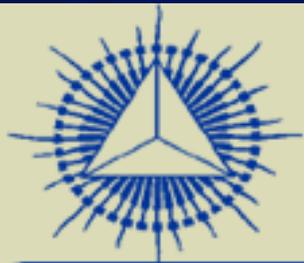
Key Economic Drivers for REITs

- Employment Growth
- Interest Rates
- Availability of Institutional Funds for Joint Ventures
- Sector Dynamics



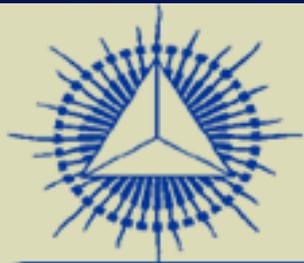
Sector Comments – Retail REITs

- Terrific Performance Last 5 Years
- Exceptional Same Store NOI Growth
- Development Cycle Returning
- Tenant Restructurings
- No Major Tenant Bankruptcies



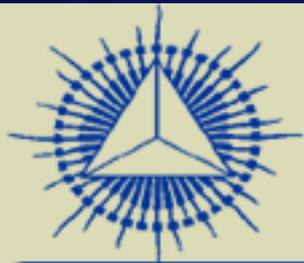
Sector Comments – Office REITs

- Recovery From Overbuilding
- Geographic Exposure Key to Positive Returns
- Rental Rates Now Increasing
- Portfolio Restructuring Driving Deals



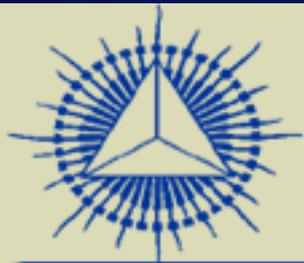
Sector Comments – Residential REITs

- High Interest Rates Stimulate Rental Demand
- Occupancies High and Still Increasing
- Rental Rates Increasing
- Huge Development Pipelines



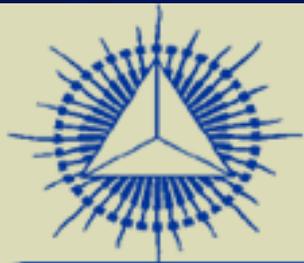
Sector Comments – Industrial REITs

- Quick Impact of Economic Change
- International Expansion for the Largest Industrial REITs
- Build-to-Suit Projects Follow Corporate Expansions



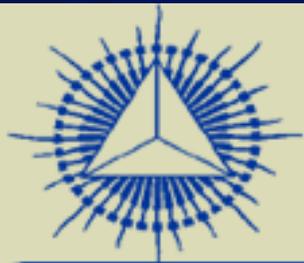
Sector Comments – Financial Mortgage REITs

- Compression of Net Interest Margin
- Originations Lower
- Defaults Higher
- Liquidity Constraints
- Negative Perception of the Sector



Sector Comments – Financial Commercial REITs

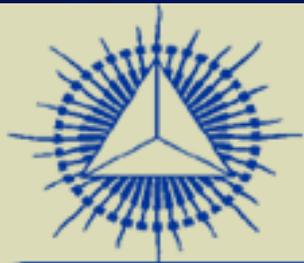
- Dynamic Asset Growth
- Equity Kickers
- Lower Interest Rate Risk
- Higher Credit Risk
- Joint Venture Relationships



REIT Growth and Income Monitor

REIT Growth and Income Monitor Valuation Methodology

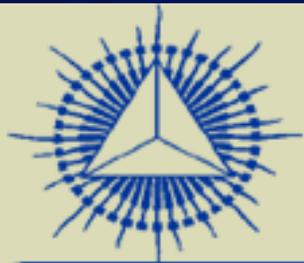
- 1) FFO Relative to the Dividend
- 3) Total Capitalization Relative to FFO



REIT Growth and Income Monitor

REIT Growth and Income Monitor Analytical Methodology

- 1) Growth Dynamics
- 2) Focus on Key Strategic Moves
- 3) Look for Unusual Risk Factors
- 4) FFO Adjusted to Exclude Nonrecurring Charges



Institutional Products

REIT Growth and Income Monitor

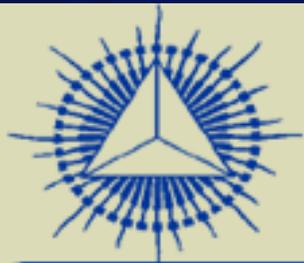
- Individual company reports on more than 150 REITs updated at least quarterly
- Each report includes contrast to specific REIT sector

REITMonitor.net

- Updated Views - valuation statistics sorted by REIT sector updated daily
- Premium Membership – interactive access to complete database

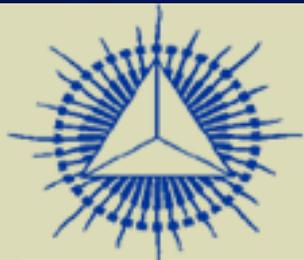
REITonAIM

- Trader Service – instant messaging of rank changes and headline comments
- REIT_RSS – online access to daily commentary

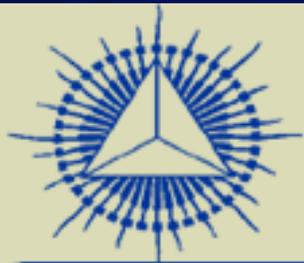


Summary

- REITs have Provided Exceptional Total Returns Over the Last 7 Years
- Growth and Income Characteristics of REITs are Intact
- Institutional Investors should Participate in This Dynamic Sector

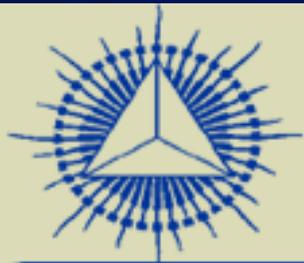


REIT Growth and Income Monitor



REIT Growth and Income Monitor

REIT BLANK Table



REIT Growth and Income Monitor

REIT – USE BLANK