

**Lee & Associates
Commerce, CA**

**Bank of America
Real Estate Risk Assessment**

**Trends in the
Real Estate Industry**

Bank of America.



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Real Estate Risk Assessment



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Real Estate Risk Assessment



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Goals of Presentation

- **Trends in Lending**
- **Trends in Interest Rates**
- **Real Estate Market Trends**
- **Real Estate Investor Trends**

(email Peter Drake or Everett Allen Greer for copy of this presentation)



Coming Change in Lending

- New Risk Rating Platforms

▪ Basel Accord - Risk Based Lending

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

What are the drivers?

Your answer is your Risk Rating Model

Loan Delinquencies – Other Measures

- **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**

CMBS Delinquencies - Vintage

Figure 1: Performance Distribution by Vintage (%)

	Delinquency Status					Delinquency					
	1 Mo.	2 Mo.	3 Mo.	Forecl.	REO	Total	Adj. Total (Forecasted REO)	Adj. Total Pct of Orig	Forecasted Future Losses	Losses to Date as Pct of Orig	Proj'd Total Losses
1995	1.66%	3.17%	1.10%	0.00%	5.30%	11.24%	8.45%	1.90%	1.05%	1.63%	2.67%
1996	0.43	0.85	4.68	0.49	2.58	9.03	7.11	3.53	1.94	1.10	3.04
1997	1.04	0.31	2.67	0.52	1.02	5.56	4.32	3.15	1.73	1.07	2.80
1998	0.41	0.16	1.22	0.39	0.63	2.81	2.79	2.39	1.32	0.61	1.93
1999	0.42	0.20	0.87	0.41	0.59	2.49	2.58	2.35	1.29	0.34	1.63
2000	0.81	0.21	1.13	0.36	0.54	3.05	2.72	2.56	1.41	0.34	1.75
2001	0.23	0.24	0.70	0.06	0.22	1.46	1.82	1.77	0.97	0.10	1.08
2002	0.26	0.07	0.12	0.13	0.07	0.65	1.31	1.29	0.71	0.01	0.72
2003	0.01	0.00	0.01	—	—	0.03	1.01	1.00	0.55	—	0.55
All Deals	0.36	0.17	0.84	0.23	0.42	2.02	2.23	2.00	1.10	0.36	1.46

Notes: The adjusted delinquency measure is calculated by applying a likelihood of REO to each delinquency category as follows: current or less than 1 mo. (1%), 30 day (20%), 60 day (40%), 90 day (60%), in foreclosure (80%), and REO (100%). Forecasted additional losses equal 55% of adjusted delinquencies as a percentage of original balance.

Sources: Intex and Banc of America LLC Real Estate research.

Data / analysis from James Stouse, CFA



CMBS Delinquencies - Property Type

Figure 2: CMBS Delinquency by Property Type

	1995	1996	1997	1998	1999	2000	2001	2002	2003	All Deals	Forecasted Future Losses	Losses to Date	Projected Total Losses
Self Storage	1.00%	1.00%	1.00%	1.09%	1.22%	1.35%	1.11%	1.00%	1.00%	1.14%	0.63%	0.03%	0.65%
Manufactured Housing	33.51	2.17	2.11	1.13	2.01	1.07	1.57	1.03	1.00	1.41	0.78	0.09	0.86
Office	9.89	2.54	2.35	2.69	3.11	1.94	1.59	1.08	1.02	1.83	1.01	0.14	1.14
Multifamily	3.07	1.52	2.04	1.74	2.43	2.38	2.81	1.61	1.02	2.01	1.11	0.16	1.26
Retail	8.67	5.08	4.16	2.52	1.80	2.25	1.31	1.10	1.00	1.82	1.00	0.33	1.33
Industrial	1.00	2.72	2.89	2.32	2.97	3.31	1.61	1.58	1.00	2.21	1.22	0.23	1.44
Hotel	21.49	27.75	12.20	4.83	3.37	4.48	2.23	1.00	1.00	5.72	3.15	1.72	4.87
Senior Housing	8.36	25.20	3.35	11.01	4.59	1.00	1.00	1.00	1.00	8.13	4.47	2.89	7.36

Sources: Intex and Banc of America Securities LLC Real Estate research.

Data / analysis from James Stouse, CFA



Interest Rates

Treasury Yield - Recent Spot Rates

	1-m	3-m	6-m	1-y	2-y	3-y	5-y	7-y	10-y	20-y	10-1	20-1
10/4	1.54	1.71	2.04	2.25	2.65	2.93	3.44	3.84	4.19	4.93	1.94	2.68
10/5	1.57	1.71	2.03	2.23	2.65	2.93	3.44	3.83	4.18	4.93	1.95	2.70
10/6	1.56	1.71	2.04	2.26	2.70	2.99	3.51	3.88	4.23	4.97	1.97	2.71
10/7	1.56	1.70	2.03	2.26	2.72	3.01	3.53	3.92	4.26	5.00	2.00	2.74

Source: Federal Reserve Board



Interest Rates



4.138 per 10/13 opening

Source: Federal Reserve Board



Rent – Vacancy Data Sources

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

Rent/Vacancy – Who has Projections?

- **Torto-Wheaton Research - YES**
- **REIS - YES**
- **Property & Portfolio Research - YES**
- **CoStar - NO**
- **CB Commercial - YES**
- **Grubb & Ellis - YES**
- **Cushman Wakefield – YES**
- **RealFacts (Apt Only) - NO**



Sale Comps - Data Sources

- **CoStar Comps**
- **REIS**
- **Real Capital Analytics**
- **LoopNet**

Expense - Data Sources

- IREM (Office, Retail, Apt)
- NAIOP
- CoStar Comps
- REIS
- Your Firm's Files!

Cap Rate - Data Sources

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

Rent Vacancy Sources – Strong Suits

IREM (Office, Retail, Apt)

CoStar Comps

REIS

Real Capital Analytics

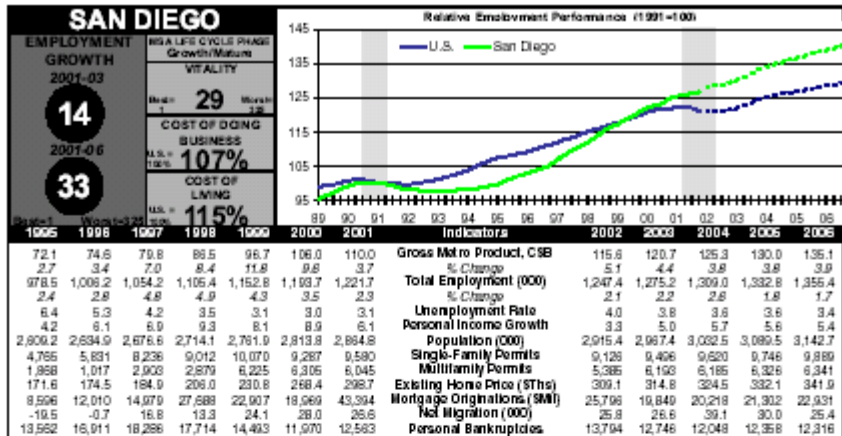
Real Estate Loss - Data Sources

- **FDIC – Whole Portfolios Only**
- **Peer Groups Annual Reports**
- **Trepp – CMBS data**
- **Conquest – CMBS data**
- **Intex – CMBS data**

From this point on, the presentation is contains screen shots of the various data sources.

Economy.com Preciis Metro Report

Economic/Demographic data



STRENGTHS & WEAKNESSES

STRENGTHS

- Leading center of biotechnology research
- Excellent quality of life factors
- Business and housing costs are competitive with tech centers in Orange County and S.F. Bay Area
- Diverse defense-related industries

WEAKNESSES

- Congested airport
- Uncertain power costs and looming long-term shortages of water



FORECAST RISKS

SHORT TERM: **DOWN** (Risk-adjusted Return: 0.54%)

UPSIDE

- Further consolidation of naval operations here
- Expanded convention center draws more visitors
- Expanded NAFTA territory benefits cross-border trade

DOWN SIDE

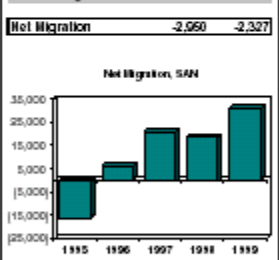
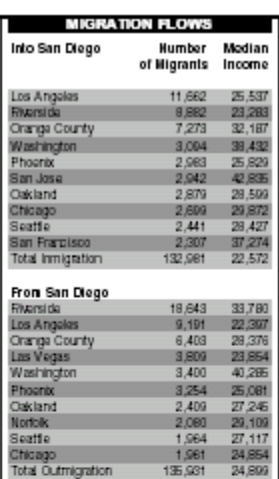
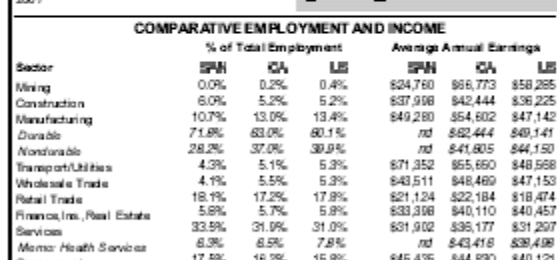
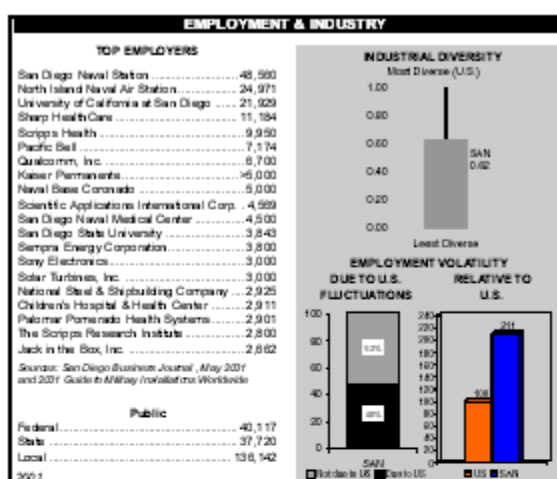
ANALYSIS

SAN this year. Thus, while the industry can only surface due to 9/11, it is recovering quickly.

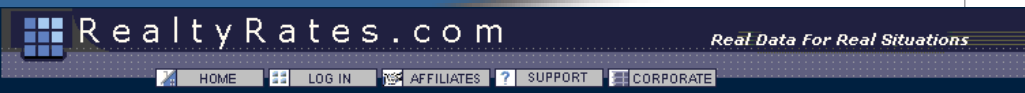
Mexican trade. Cross-border trade also suffered following 9/11 but appears to have rebounded. The long lines to cross the border have nearly returned to normal due to improvements in the inspection process. The outlook for production at maquiladora plants on the Mexican side of the border remains good. Toyota's plan to open a parts factory in Tijuana is indicative of the durable goods production that is expanding south of the border. The same cannot be said for some of the nondurables produced at maquiladoras along the Rio Grande Valley that are at risk from rising wages and may move further afield to the Caribbean or Asia.

Construction. Homebuilding continues at a steady pace driven by healthy in-migration. The downturn in Silicon Valley has supported migration into SAN as a number of laid-off workers have returned to SAN looking work. The area's relatively low costs of living and doing business versus Silicon Valley gives us a strong competitive advantage for SAN. Office space is abundant. None identical construction is slowing but lower office lease rates will help smaller firms to expand as the economy improves.

San Diego's economy will improve in the near term. Defense spending will increase demand for skilled workers in telecom, electronics and aerospace. The possibility of further rises in electric utility rates does pose some near-term risk. Longer term, SAN's good quality-of-life factors such as climate and relatively affordable housing will continue to attract migrants. Research at local biotech and other higher education institutions will also boost economic growth.



RealtyRates.com Capitalization Rates



Investor Survey - 4th Quarter, 2002



Note that all resources open in a new browser window and that the PDF version is best for printing multiple pages or the entire document, while the HTML version is best for copy and paste.

PDF Version

To open the PDF version click the link below. To download the PDF version, either open the file then select the "Save Copy" icon (the diskette) in the Adobe Reader or right click on the link below and select "Save Target As..."

 [Investor Survey - 4th Quarter, 2002](#)

HTML Version

Market Commentary

- Current and Historical Average Cap Rates

Financial Indicators

- Interest Rate Indices

Permanent Financing

- Mortgage Matrix
- Reserve Requirements
- Property Desirability Matrix

Interim Financing

- Construction
- Mini Perm

Investment Rates

- Discount Rates
- Equity Dividend Rates

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■ Apartments

- All Apartments
- Garden/Suburban Townhouse
- Hi-Rise/Urban Townhouse
- Student Housing

■ Golf Courses & Country Clubs

- All Golf Courses & Country Clubs
- Public Daily Fee Courses
- Semi-Private Clubs
- Private Clubs

■ Health Care & Senior Housing

- All Health Care & Senior Housing
- Acute Care
- Out-Patient Care
- Congregate Care
- Assisted Living

■ Industrial

- All Industrial
- Warehouse/Distribution
- Flex/R&D
- Climate Controlled/Manufacturing

■ Lodging Facilities

- All Lodging Facilities
- Full Service
- Limited Service
- Golf/Gaming/Resort

■ RV/Campgrounds, MH Parks, Manufactured Housing

- All RV Parks/Campgrounds, Mobile Home Parks, Manufactured Housing
- RV Parks & Campgrounds
- Manufactured Housing
- Mobile Home Parks

■ Office Buildings

- All Office Buildings
- CBD
- Suburban
- Medical

■ Restaurants

- All Restaurants
- Full Service
- Fast Food

■ Retail

- All Retail
- Anchored
- Un-Anchored

Bank of America



RealtyRates.com

Includes more class B & C than other surveys

RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2002						
HEALTH CARE & SENIOR HOUSING - ALL TYPES						
Item	Input					OAR
Minimum						
Spread Over 10-Year Treasury	1.49%	DCR Technique	1.10	0.071021	0.85	6.64
Debt Coverage Ratio	1.10	Band of Investment Technique				
Interest Rate	6.32%	Mortgage	85%	0.071021	0.060368	
Amortization	35	Equity	15%	0.090000	0.013500	
Mortgage Constant	0.071021	OAR				7.39
Loan-to-Value Ratio	85%	Surveyed Rates				7.46
Equity Dividend Rate	9.00%					
Maximum						
Spread Over 10-Year Treasury	4.65%	DCR Technique	1.90	0.125162	0.60	14.27
Debt Coverage Ratio	1.30	Band of Investment Technique				
Interest Rate	9.48%	Mortgage	60%	0.125162	0.075097	
Amortization	15	Equity	40%	0.178000	0.071200	
Mortgage Constant	0.125162	OAR				14.63
Loan-to-Value Ratio	60%	Surveyed Rates				14.78
Equity Dividend Rate	17.80%					
Average						
Spread Over 10-Year Treasury	2.87%	DCR Technique	1.42	0.089024	0.73	9.29
Debt Coverage Ratio	1.42	Band of Investment Technique				
Interest Rate	7.70%	Mortgage	73%	0.089024	0.065377	
Amortization	26	Equity	27%	0.129600	0.034425	
Mortgage Constant	0.089024	OAR				9.98
Loan-to-Value Ratio	73.4%	Surveyed Rates				10.78
Equity Dividend Rate	12.96%					

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RealtyRates.com MARKET SURVEY - 3rd Quarter, 2002					
Texas - Class A & B Apartments - 90+ Units					
	Austin	Dallas/Ft. Worth	Houston/Galveston Brazoria	San Antonio	Region
Operating Data					
Income					
Asking Rent	\$816	\$743	\$681	\$642	\$718
Effective Rent	\$748	\$681	\$624	\$589	\$658
Other Income	\$2	\$2	\$2	\$2	\$2
Total Income	\$750	\$683	\$626	\$590	\$660
Vacancy Rate	10.8%	7.6%	7.0%	6.1%	6.1%
EGI	\$669	\$631	\$582	\$554	\$620
Expenses					
Total Expenses	\$184	\$192	\$165	\$163	\$190
Expense Ratio	27.48%	30.40%	28.41%	29.33%	30.59%
NOI	\$485	\$439	\$417	\$392	\$430
Investment Data					
Avg Sale Price	\$63,996	\$56,687	\$54,371	\$51,089	\$56,122
OAR	9.1%	9.3%	9.2%	9.2%	9.2%
GRM	7.13	6.94	7.26	7.23	7.11
EGIM	7.97	7.48	7.78	7.68	7.54

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RealtyRates.com – Survey Counts

312 for Investor and 366 for Developer

RealtyRates.com DEVELOPER SURVEY - 3rd Quarter, 2002

Interim (Construction) Financing

PROPERTY TYPE	SPREAD OVER BASE (Prime)	INTEREST RATE	LOAN FEES	LOAN-TO-VALUE RATIO	LOAN-TO-COST RATIO	LOAN TERM (Mos.)	AMORTIZATION
Residential Subdivisions & PUDs							
Minimum	1.50%	6.25%	1.00%	50.0%	70.0%	12.0	Interest Only
Maximum	8.00%	12.75%	3.00%	100.0%	100.0%	60.0	Interest Only
Average	3.73%	8.48%	3.25%	72.5%	85.0%	45.6	Interest Only
Commercial/Industrial Subdivisions & PUDs							
Minimum	1.50%	6.25%	2.00%	60.0%	100.0%	12.0	Interest Only
Maximum	8.00%	12.75%	4.50%	90.0%	70.0%	36.0	Interest Only
Average	3.90%	8.65%	3.44%	75.0%	85.0%	28.8	Interest Only
Residential Condominiums & Co-Ops							
Minimum	1.00%	5.75%	2.00%	65.0%	100.0%	12.0	Interest Only
Maximum	8.00%	12.75%	4.00%	80.0%	70.0%	36.0	Interest Only
Average	3.31%	8.06%	3.38%	72.5%	85.0%	28.8	Interest Only
Commercial/Industrial Condominiums							
Minimum	1.50%	6.25%	2.00%	60.0%	100.0%	12.0	Interest Only
Maximum	8.00%	12.75%	4.50%	80.0%	70.0%	24.0	Interest Only
Average	3.44%	8.19%	3.31%	70.0%	85.0%	20.4	Interest Only

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RealtyRates.com DEVELOPER SURVEY - 3rd Quarter, 2002

Mid-Atlantic - Subdivisions & PUDs

	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
Site-Built Residential						
- 100 Units	18.36%	42.46%	28.19%	17.63%	40.76%	27.06%
100-500 Units	18.82%	40.27%	28.36%	18.07%	38.66%	27.23%
500+ Units	19.28%	42.10%	28.85%	18.51%	40.41%	27.69%
Mixed Use	19.74%	42.46%	28.61%	18.95%	40.76%	27.47%
Manufactured Housing						
- 100 Units	18.47%	41.89%	28.01%	17.73%	40.22%	26.89%
100-500 Units	18.93%	40.07%	28.32%	18.17%	38.47%	27.19%
500+ Units	19.39%	41.89%	28.80%	18.62%	40.22%	27.65%
Business Parks						
- 100 Acres	18.57%	42.33%	28.26%	17.83%	40.64%	27.13%
100-500 Acres	18.57%	36.81%	27.14%	17.83%	35.34%	26.05%
500+ Acres	19.04%	40.49%	28.57%	18.28%	38.87%	27.43%
Industrial Parks						
- 100 Acres	19.50%	42.33%	29.06%	18.72%	40.64%	27.90%
100-500 Acres	18.57%	42.72%	28.43%	17.83%	41.01%	27.29%
500+ Acres	18.57%	37.15%	27.30%	17.83%	35.66%	26.21%
100-500 Acres	19.04%	40.86%	28.75%	18.28%	39.23%	27.60%
500+ Acres	19.50%	42.72%	29.24%	18.72%	41.01%	28.07%

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Property & Portfolio Research

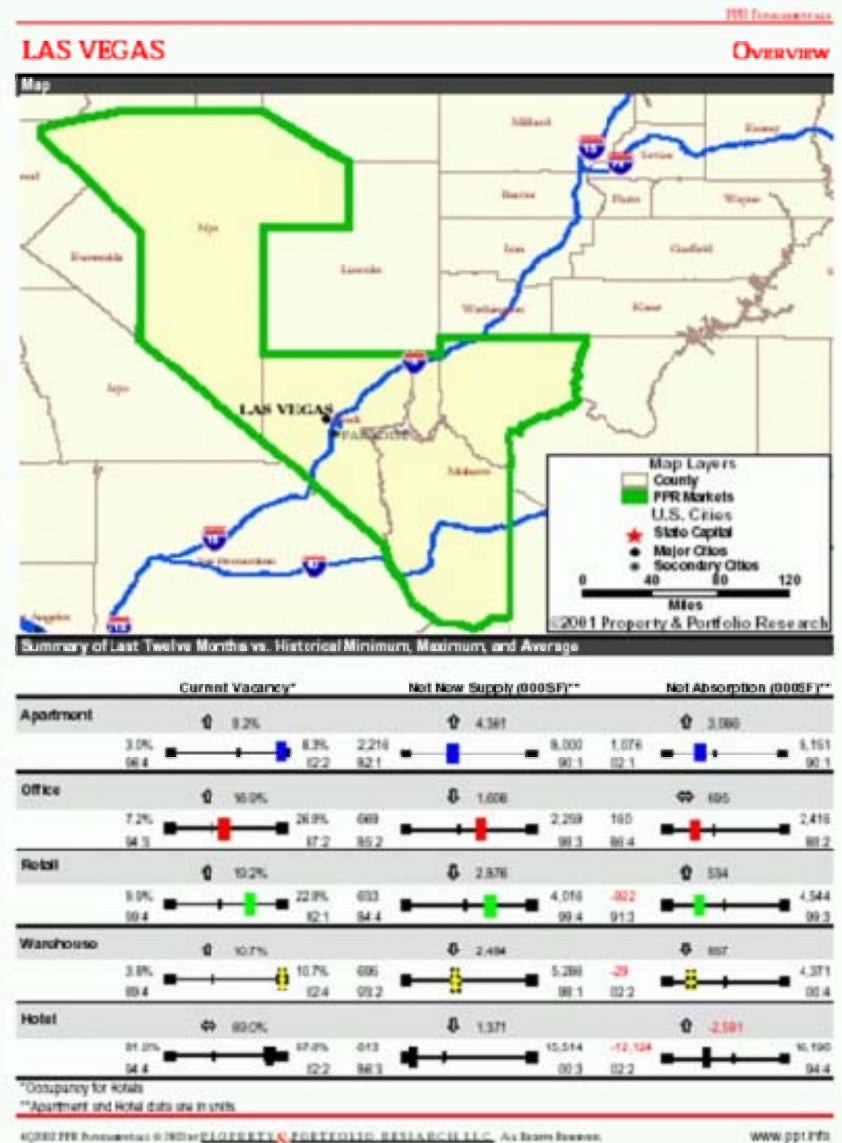
Rent Index, Vacancy, NREI data

Three major reports

Derived Market Return

Fundamentals

4-Pager



REIS Metro Page – 80+ markets

Supply, Rent, Vacancy, Absorption, Completions

(up to 37 submarkets)

Metro Reports - Microsoft Internet Explorer

File Edit View Favorites Tools Help

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Address Links

Reis Subscriber Edition

May 07, 2002 Welcome Back (Change User)

Rent Comps Metro Reports Real Estate News Submarket Lookup National Page Admin Help

Los Angeles Apartment

Change Property Type: Apartment Office Retail Industrial

Metro & Property Type News

- Owner of Shopping, Residential Complex See ... 05/07/02
- Low-Income Housing ... 05/03/02
- Gmac Commercial Mortgage Arranges \$ 21.7 ... 05/01/02
- AvalonBay Communities Announces Constructi ... 04/29/02
- Long Beach, CALIF., Luxury Apartment Build ... 04/27/02
- Continental Enterprises of Cambridge, Mass ... 04/24/02
- [View all Metro/Property type stories...](#)

Vacancy Supply Inventory Rent

Vacancy Trends

Reis Metro Overview

- Metro Highlights
- 5 Year Forecast
- Regional & National Ranking
- Top Ranked Submarkets
- Top Submarkets for Construction
- [Vacancy Review - Secondary Sources](#)

Metro Level Reports

PROPERTY TYPE	View Map	METROTREND	METROTREND FUTURES	METROTREND CLASS CUTS	CONST. WORKS	REIS OBSERVER	SUBMARKET SNAPSHOT
Apartment		2002Q1.pdf 2002Q1.xls	2002Q1.pdf 2002Q1.xls	n/a 2002Q1.xls	2002Q1.pdf 2002Q1.xls	2001Q3.pdf	2002Q1.xls

Submarket Reports

SUBMARKET NAME	VIEW MAPS	SUBTREND	SUBTREND FUTURES	SUBTREND CLASS CUTS
Chatsworth		2002Q1.pdf 2002Q1.xls	2002Q1.pdf 2002Q1.xls	n/a 2002Q1.xls
Granada Hills		2002Q1.pdf 2002Q1.xls	2002Q1.pdf 2002Q1.xls	n/a 2002Q1.xls
...		2002Q1.pdf	2002Q1.pdf	n/a

SUBMARKET NAME
West LA/Westwood
Mar Vista/Palms
Santa Monica
Marina Del Rey
Mid-City/W Adams
Inglewood/Crenshaw
Central LA
Hawthorne
El Segundo
West Torrance
Carson/San Pedro
West Long Beach
East Long Beach
N Long Beach
Paramount/Downey
Whittier
E LA/Alhambra
Arcadia/Duarte
Azusa/Covina
Claremont/Pomona
W Covina/La Puente
West LA/Westwood

TO USE THIS TABLE:

REIS MetroTrend *.xls

http://www.reis.com/subscriptions/getrpt.cfm/2002Q4FLOff6011.xls?y=2002&q=4&f=11&sct=Off&msa=FL - Microsoft Internet Explorer



Fort Lauderdale Office 4Q 2002 MetroTrend Futures																	
Year	Quarter	Inventory (SF/Units)	Completions	Vac %	Vacant Stock	Occupied Stock	Net Absorption	Asking Rent \$	Asking Rent % Chg	Eff Rent \$	Eff Rent % Chg	Constr/ Absorp	Abs/ Occ Stk %	Gr Rev/ Unit \$	Total Employment	Office Employment	
1990	Y	19,248,000	956,000	25.7	4,950,000	14,298,000	707,000	\$16.37	-8.5	\$13.35	0.2	1.4	4.9	\$12.16	513,980	149,514	
1991	Y	20,023,000	775,000	28.1	5,635,000	14,388,000	90,000	\$16.14	-1.4	\$13.14	-1.6	8.6	0.6	\$11.60	502,170	148,387	
1992	Y	20,066,000	43,000	22.0	4,406,000	15,660,000	1,272,000	\$15.13	-6.3	\$12.41	-5.6	0.0	8.1	\$11.81	524,860	153,948	
1993	Y	20,168,000	102,000	15.2	3,059,000	17,109,000	1,449,000	\$15.29	1.1	\$12.69	2.3	0.1	8.5	\$12.97	548,680	160,075	
1994	Y	20,168,000	0	13.6	2,735,000	17,433,000	324,000	\$15.88	3.9	\$13.63	7.4	0.0	1.9	\$13.73	572,600	167,607	
1995	Y	20,168,000	0	12.7	2,560,000	17,608,000	175,000	\$16.34	2.9	\$14.46	6.1	0.0	1.0	\$14.27	592,510	172,590	
1996	Y	20,535,000	367,000	10.0	2,050,000	18,485,000	877,000	\$17.09	4.6	\$15.77	9.1	0.4	4.7	\$15.38	614,350	179,550	
1997	Y	21,019,000	522,000	9.2	1,939,000	19,080,000	595,000	\$17.94	5.0	\$16.70	5.9	0.9	3.1	\$16.29	632,690	185,171	
1998	Y	21,520,000	501,000	9.6	2,068,000	19,452,000	372,000	\$18.99	5.9	\$17.32	3.7	1.3	1.9	\$17.17	646,350	189,663	
1999	1	21,855,000	335,000	9.3	2,037,000	19,818,000	366,000	\$19.48	2.6	\$17.78	2.7	0.9	1.8	\$17.66	649,640	191,046	
1999	2	22,370,000	515,000	10.6	2,361,000	20,009,000	191,000	\$19.40	-0.4	\$17.71	-0.4	2.7	1.0	\$17.35	650,660	191,449	
1999	3	23,073,000	703,000	8.8	2,037,000	21,036,000	1,027,000	\$20.02	3.2	\$18.21	2.8	0.7	4.9	\$18.25	651,400	191,928	
1999	4	24,093,000	1,020,000	9.3	2,246,000	21,847,000	811,000	\$20.17	0.7	\$18.43	1.2	1.3	3.7	\$18.29	658,960	193,884	
1999	Y	24,093,000	2,573,000	9.3	2,246,000	21,847,000	2,395,000	\$20.17	6.2	\$18.43	6.4	1.1	11.0	\$18.29	658,960	193,884	
2000	1	24,529,000	436,000	10.0	2,464,000	22,065,000	218,000	\$20.34	0.8	\$18.52	0.5	2.0	1.0	\$18.30	663,160	194,554	
2000	2	24,860,000	131,000	9.8	2,406,000	22,254,000	189,000	\$20.24	-0.5	\$18.40	-0.6	0.7	0.8	\$18.27	677,890	199,603	
2000	3	24,737,000	77,000	9.0	2,224,000	22,513,000	259,000	\$20.17	-0.3	\$18.33	-0.4	0.3	1.2	\$18.36	686,880	201,706	
2000	4	25,408,000	671,000	9.8	2,480,000	22,928,000	415,000	\$20.42	1.2	\$18.55	1.2	1.6	1.8	\$18.43	694,440	203,771	
2000	Y	25,408,000	1,315,000	9.8	2,480,000	22,928,000	1,081,000	\$20.42	1.2	\$18.55	0.7	1.2	4.7	\$18.43	694,440	203,771	
2001	1	26,042,000	634,000	10.0	2,615,000	23,427,000	499,000	\$20.50	0.4	\$18.62	0.4	1.3	2.1	\$18.44	700,530	205,522	
2001	2	26,240,000	232,000	12.2	3,200,000	23,040,000	-387,000	\$20.79	1.4	\$18.59	-0.2	-0.6	-1.7	\$18.25	703,030	206,369	
2001	3	26,433,000	216,000	12.2	3,218,000	23,215,000	175,000	\$20.99	1.0	\$18.65	0.3	1.2	0.8	\$18.43	703,750	207,083	
2001	4	27,170,000	737,000	15.6	4,251,000	22,919,000	-296,000	\$20.97	-0.1	\$18.05	-3.2	-2.5	-1.3	\$17.69	700,370	206,292	
2001	Y	27,170,000	1,819,000	15.6	4,251,000	22,919,000	-9,000	\$20.97	2.7	\$18.05	-2.7	-202.1	0.0	\$17.69	700,370	206,292	
2002	1	27,288,000	199,000	17.1	4,679,000	22,609,000	-310,000	\$20.74	-1.1	\$17.31	-4.1	-0.6	-1.4	\$17.18	699,430	206,164	
2002	2	27,365,000	87,000	18.0	4,932,000	22,433,000	-176,000	\$20.88	0.7	\$17.23	-0.5	-0.5	-0.8	\$17.12	701,160	206,878	
2002	3	27,365,000	0	18.2	4,994,000	22,371,000	-62,000	\$20.86	-0.1	\$17.39	0.9	0.0	-0.3	\$17.05	700,990	207,133	
2002	4	27,749,000	384,000	18.5	5,132,000	22,617,000	246,000	\$20.88	0.1	\$17.61	1.3	1.6	1.1	\$17.02	699,590	206,007	
2002	Y	27,749,000	670,000	18.5	5,132,000	22,617,000	-302,000	\$20.88	-0.4	\$17.61	-2.4	-2.2	-1.3	\$17.02	699,590	206,007	
2003	Y	28,182,000	433,000	18.3	5,169,000	23,013,000	396,000	\$21.04	0.8	\$17.69	0.5	1.1	1.7	\$17.18	710,570	209,461	
2004	Y	28,574,000	392,000	17.3	4,940,000	23,634,000	621,000	\$21.36	1.5	\$18.13	2.5	0.6	2.6	\$17.67	732,890	216,101	
2005	Y	28,704,000	130,000	15.1	4,328,000	24,376,000	742,000	\$21.91	2.6	\$18.74	3.4	0.2	3.0	\$18.61	750,460	221,243	

REIS Rent Comps Query Results 2

PROPERTY	SUBMARKET	DISTANCE FROM SUBJECT	SIZE (NO. UNITS)	YEAR
Jefferson @ Bryan Place Phase II Allen St., Bryan St. Dallas CA, 75204	Oaklawn	--	301	2002
<input type="checkbox"/> THE WORTHINGTON @ STATE THOMAS 2808 MCKINNEY AVE 1. DALLAS TX 75204	Oaklawn	.92 mi.	332	1992
<input checked="" type="checkbox"/> UPTOWN VILLAGE 2121 ROUTH ST 2. DALLAS TX 75201	Oaklawn	.51 mi.	300	1999
<input checked="" type="checkbox"/> JEFFERSON AT BRYAN PLACE PH I 910 TEXAS ST 3. DALLAS TX 75204	East Dallas	.31 mi.	420	1999
<input checked="" type="checkbox"/> JEFFERSON @ GASTON YARD 2752 GASTON AVE 4. DALLAS TX 75226	East Dallas	.45 mi.	480	1997
<input checked="" type="checkbox"/> HEIGHTS OF STATE THOMAS I 3015 STATE ST 5. DALLAS TX 75204	Oaklawn	.80 mi.	196	1997
<input checked="" type="checkbox"/> THE HEIGHTS OF ST. THOMAS II 3015 STATE ST 6. DALLAS TX 75204	Oaklawn	.80 mi.	170	1999
<input checked="" type="checkbox"/> CAMDEN FARMER MARKET 2210 CANTON ST 7. DALLAS TX 75201	Oaklawn	.53 mi.	620	2001
<input type="checkbox"/> THE MERIDIAN / STATE THOMAS APTS. 2427 ALLEN ST 8. DALLAS TX 75204	Oaklawn	.77 mi.	132	1991
<input type="checkbox"/> PLANTATION HOUSE 2625 STATE ST 9. DALLAS TX 75204	Oaklawn	.68 mi.	12	
<input checked="" type="checkbox"/> JEFFERSON @ NORTH END 2323 FIELD ST 10. DALLAS TX 75201	Oaklawn	.77 mi.	54	
<input checked="" type="checkbox"/> LIVE OAK LOFTS 2502 LIVE OAK ST 11. DALLAS TX 75204	East Dallas	.15 mi.	11	
<input checked="" type="checkbox"/> POST BLOCK 588 3110 THOMAS AVE 12. DALLAS TX 75204	Oaklawn	.79 mi.	12	
<input checked="" type="checkbox"/> ADAM HATS BLDG 2700 CANTON ST 13. DALLAS TX 75226	East Dallas	.64 mi.	9	
<input checked="" type="checkbox"/> WILSON BLDG 1620 MAIN ST 14. DALLAS TX 75201	Oaklawn	.49 mi.	14	

Check off the desired comps

This search resulted in 17 comps.

Pre '99 & non-East Dallas dropped results to 12 comps

<input checked="" type="checkbox"/> WILSON BLDG 1620 MAIN ST 14. DALLAS TX 75201	Oaklawn	.49 mi.
<input type="checkbox"/> MAGNOLIA STATION PH I 1607 LYTE ST 15. DALLAS TX 75201	Oaklawn	.99 mi.
<input checked="" type="checkbox"/> KIRBY RESIDENCES 1509 MAIN ST 16. DALLAS TX 75201	Oaklawn	.54 mi.
<input type="checkbox"/> MANOR HOUSE 1222 COMMERCE ST 17. DALLAS TX 75202	Oaklawn	.68 mi.

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REIS Rent Comps CompTrend



COMPTREND

Jefferson @ Bryan Place Phase II, Allen St., Bryan St., Dallas, CA - 04/23/02

SUBJECT PROPERTY

Subject Property Location

Name	Jefferson @ Bryan Place Phase II
Address	Allen St., Bryan St.
City	Dallas
State	CA
Zip	75204
Metro	Dallas
Submarket	Oaklawm

Subject Property Stats

Property Type	Apartment
Year Built	2002
Size (units)	301
Latitude	32.787
Longitude	-96.794

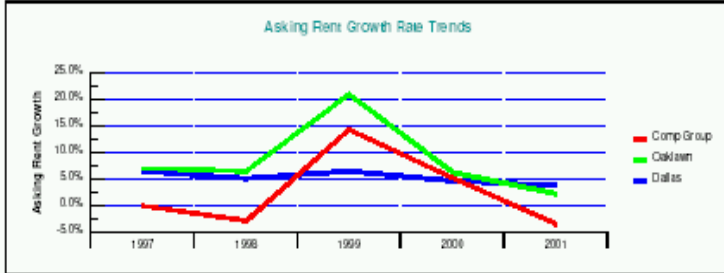
RENT GROWTH COMPARISONS

Asking Rent Growth Rates

Comp Group	Quarterly			Annualized		
	4Q01	3Q01	YTD	1 Year	3 Year	5 Year
Comp Group	0.2%	1.2%	-0.8%	-3.3%	5.2%	***
Oaklawm	1.6%	3.9%	0.6%	2.4%	9.6%	8.4%
Dallas	0.4%	1.0%	0.9%	3.8%	5.0%	5.3%

1. Quarter ending 12/31/01 2. Quarter ending 9/30/01 3. Avg over period ending 12/31/01 4. Avg over period ending 12/31/01

Asking Rent Growth Rate Trends



Period ending 12/31/01



COMPTREND

Jefferson @ Bryan Place Phase II, Allen St., Bryan St., Dallas, CA - 04/23/02

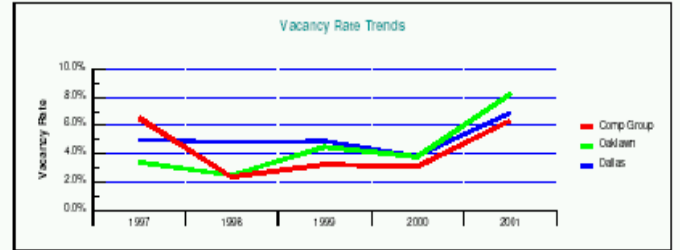
VACANCY RATE COMPARISONS

Vacancy Rates

Comp Group	Quarterly			Annualized		
	4Q01	3Q01	YTD	1 Year	3 Year	5 Year
Comp Group	6.3%	4.8%	4.5%	4.9%	4.3%	4.5%
Oaklawm	8.2%	4.3%	4.2%	6.2%	5.2%	4.7%
Dallas	6.8%	5.1%	4.9%	5.4%	5.1%	5.3%

1. Quarter ending 12/31/01 2. Quarter ending 9/30/01 3. Avg over period ending 12/31/01 4. Avg over period ending 12/31/01

Vacancy Rate Trends



Period ending 12/31/01

COMP GROUP TRENDS

Year	Qtr	Asking Size (units)	Asking Rent Pct. Change	Vacancy Rate	Vacancy Pct. Change
1997	4	\$1,127.74	***	6.5%	***
1998	4	\$1,096.06	-2.8%	2.3%	-4.2%
1999	4	\$1,252.39	14.3%	3.2%	0.9%
2000	4	\$1,318.35	5.3%	3.1%	-0.1%
2001	4	\$1,274.51	-3.3%	6.3%	3.2%
2000	1	\$1,253.73	0.1%	5.3%	2.1%
2000	2	\$1,302.31	3.9%	4.3%	-1.1%
2000	3	\$1,223.20	-6.1%	3.4%	-0.8%
2000	4	\$1,318.35	7.8%	3.1%	-0.3%
2001	1	\$1,224.10	-7.1%	3.1%	0.0%
2001	2	\$1,256.56	2.7%	3.4%	0.4%
2001	3	\$1,272.14	1.2%	4.8%	1.3%
2001	4	\$1,274.51	0.2%	6.3%	1.6%

REIS Rent Comps CompQuote



COMPQUOTE PLUS

My Building
555 So. Flower, Los Angeles, CA-- 08/29/2002

SUBJECT PROPERTY

Subject Property Location

Name	My Building
Address	555 So. Flower
City	Los Angeles
State	CA
Zip	90017
Metro	Los Angeles
Submarket	Downtown

Subject Property Stats

Property Type	Office
Year Built	1972
Size (sq. ft.)	2,180,000
Latitude	34.051
Longitude	-118.257

COMP GROUP MARKET SUMMARY

Comp Group Summary Stats

	Low	Mean	Median	High
Current Asking Rent/SF	\$19.00	\$27.39	\$25.00	\$35.95
Current Vacancy Rate	1.0%	18.4%	11.3%	49.9%
Operating Expenses/SF	\$8.24	\$10.68	\$10.48	\$12.57
Real Estate Taxes/SF	\$1.06	\$2.06	\$1.94	\$3.38
Property Size (SF)	282,266	899,926	925,932	2,218,000
Year built	1955	1979	1981	1990

As of 8/30/02

LEASE TERMS

Avg. Submarket Lease Terms

Contract Rent Discount	-5.5%
Free Rent (months/lease)	2.4
Lease Length (years)	6.3
Tenant Improvements/SF	\$19.32
Commissions	4.0%

As of 8/30/02

Expense & Lease Term Information



COMPQUOTE PLUS

My Building
555 So. Flower, Los Angeles, CA-- 08/29/2002

COMP GROUP LISTING

1	Name	ARCO PLAZA/NORTH & S. TOWERS	Current Asking Rent/SF	\$24.00
	Address	555 S FLOWER ST	Current Vacancy Rate	37.6%
	City	LOS ANGELES	Distance from Subject (miles)	0.01
	State	CA	Property Size (SF)	2,218,000
	Zip	90071	Floors	52
	County	LOS ANGELES	Year Built	1972
	Submarket	Downtown	Class	A
	SubID	15	Data as of	8/30/02

2	Name	BP PLAZA	Current Asking Rent/SF	\$19.00
	Address	333 S HOPE ST	Current Vacancy Rate	12.0%
	City	LOS ANGELES	Distance from Subject (miles)	0.28
	State	CA	Property Size (SF)	1,267,368
	Zip	90071	Floors	55
	County	LOS ANGELES	Year Built	1974
	Submarket	Downtown	Class	A
	SubID	15	Data as of	8/30/02

3	Name	AON CENTER	Current Asking Rent/SF	\$23.51
	Address	707 WILSHIRE BLVD	Current Vacancy Rate	18.1%
	City	LOS ANGELES	Distance from Subject (miles)	0.15
	State	CA	Property Size (SF)	1,028,000
	Zip	90017	Floors	62
	County	LOS ANGELES	Year Built	1974
	Submarket	Downtown	Class	A
	SubID	15	Data as of	8/30/02

4	Name	AT&T CENTER	Current Asking Rent/SF	\$24.46
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REIS Rent Comps CompQuote

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A54 = Comp Group Summary Stats

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
22	Comparable Properties Data as													
23	of Q2 2002													
24								Size					Vacancy	from S
25								(square feet)	Floors	Year built	Class	Rent PSF	Rate	Property
26	Property Name	Street Address	City	State	ZIP	County	Submarket							
27	ARCO PLAZA/NORTH &	555 S FLOWER ST	LOS ANGELES	CA	90071	LOS ANGELES	Downtown	2,218,000	52	1972	A	24.00	37.6%	
28	BP PLAZA	333 S HOPE ST	LOS ANGELES	CA	90071	LOS ANGELES	Downtown	1,267,368	55	1974	A	19.00	12.0%	
29	AON CENTER	707 WILSHIRE BLVD	LOS ANGELES	CA	90017	LOS ANGELES	Downtown	1,028,000	62	1974	A	23.51	18.1%	
30	AT&T CENTER	611 W 6TH ST	LOS ANGELES	CA	90017	LOS ANGELES	Downtown	832,049	42	1968	A	24.46	27.2%	
31	TRANSAMERICA	1150 S OLIVE ST	LOS ANGELES	CA	90015	LOS ANGELES	Downtown	1,000,000	32	1965	A	20.06	43.5%	
32	CITIBANK CENTER	444 S FLOWER ST	LOS ANGELES	CA	90071	LOS ANGELES	Downtown	893,979	48	1981	A	25.00	7.8%	
33	WELLS FARGO TOWER	333 S GRAND AVE	LOS ANGELES	CA	90071	LOS ANGELES	Downtown	1,256,365	54	1982	A	34.24	10.2%	
34	UNION BANK PLAZA	445 S FIGUEROA ST	LOS ANGELES	CA	90071	LOS ANGELES	Downtown	619,988	40	1967	BC	24.57	5.0%	
35	MCI CENTER	700 S FLOWER ST	LOS ANGELES	CA	90017	LOS ANGELES	Downtown	678,500	32	1973	A	25.37	21.0%	
36	IBM TOWER	355 S GRAND AVE	LOS ANGELES	CA	90071	LOS ANGELES	Downtown	1,059,000	45	1983	A	33.95	2.2%	
37	ONE CALIFORNIA	300 S GRAND AVE	LOS ANGELES	CA	90071	LOS ANGELES	Downtown	936,864	42	1985	A	30.84	4.6%	
38	ERNST & YOUNG	725 S FIGUEROA ST	LOS ANGELES	CA	90017	LOS ANGELES	Downtown	915,000	41	1985	A	30.25	13.3%	
39	CITY NATIONAL BANK	606 S OLIVE ST	LOS ANGELES	CA	90014	LOS ANGELES	Downtown	305,000	25	1967	BC	20.45	6.4%	
40	CHASE PLAZA	801 S GRAND AVE	LOS ANGELES	CA	90017	LOS ANGELES	Downtown	446,000	22	1980	BC	19.80	49.9%	
41	LIBRARY TOWER	633 W 5TH ST	LOS ANGELES	CA	90071	LOS ANGELES	Downtown	1,313,700	73	1989	A	34.85	10.6%	
42	SANWA BANK PLAZA	601 S FIGUEROA ST	LOS ANGELES	CA	90017	LOS ANGELES	Downtown	950,000	52	1990	A	36.95	10.5%	
43	777 TOWER/ CITICORP	777 S FIGUEROA ST	LOS ANGELES	CA	90017	LOS ANGELES	Downtown	1,004,582	53	1990	A	36.00	6.7%	
44	911 WILSHIRE BLVD	911 WILSHIRE BLVD	LOS ANGELES	CA	90017	LOS ANGELES	Downtown	376,212	22	1980	BC	25.00	24.2%	
45		1055 W 7TH ST	LOS ANGELES	CA	90017	LOS ANGELES	Downtown	615,647	32	1988	BC	19.50	43.6%	
46	400 S. HOPE ST.	400 S HOPE ST	LOS ANGELES	CA	90071	LOS ANGELES	Downtown	282,266	26	1982	A	25.86	1.0%	
47														
48	Average Submarket Lease Terms													
49														
50		Free Rent	Average	Tenan										
51	Contract Rent Discount	(months/lease)	Lease Term	Impro	Comm									
52	-5.5%	2.4	(years)	PSF	ssions									
53														
54	Comp Group Summary Stats													
55		Low	Mean	Media	High									
56	Current Asking Rent/SF	\$19.00	\$27.39	\$25.00	\$36.95									
57	Current Vacancy Rate	1.0%	18.4%		49.9%									
58	Operating Expenses/SF	\$8.24	\$10.68	\$10.48	\$12.57									

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Conclusions

There are many data sources available today. Only “national sources were demonstrated. Certain market have excellent “local” data providers.

Several data sources were demonstrated in the web portion of this presentation that are not in these slides.

Information and the proper use of data is the key to making smart decisions.

The resources demonstrated today can help you avoid mistakes and concentrate resources in the most profitable metros/sectors.

Keep a list of available resources. Set up accounts with providers so you can quickly access the data when needed. People frequently spend more time and resources searching for “free” data than the cost of purchasing the data.

