

**Strip Center REITs: April '08 Update**  
**The Consumer is Sinking – Can the Sector Stay Afloat?**

April 11, 2008 ■ DJIA 12,325 ■ RMZ 906

HIGHLIGHTS

**Overview:** The growing angst regarding consumer spending, retail sales growth, and the implications for strip center values has been widely debated. This report approaches the topic from three angles. First, the performance of strip centers in Texas in the mid-'80s, when the coincident oil and real estate busts hammered the economy, is reviewed to gain some historical perspective to how bad things might get. Second, the balance sheets of the strip center REITs in our coverage universe are stress tested to determine which REITs face potentially onerous financing needs. And finally, the relative valuation of strip centers, in both the public and private markets, is examined.

**Texas in the '80's – Strip Center Performance During a Downturn:** The mid-'80's proved to be a difficult time for the economy in Texas. Many real estate sectors during this time, including office, hotels, and apartments, experienced weakened operating performance, accompanied by plummeting values. Weingarten Realty (WRI) found itself directly in the crosshairs of the shaken Texas economy. Most of WRI's portfolio consisted of grocery-anchored shopping centers located in that state. REIT disclosure in the '80s paled in comparison with the plethora of data commonly provided today, but the performance data that is available for WRI's portfolio suggests that it held up surprisingly well in the face of an extremely hostile business and consumer environment. WRI's performance during this time serves as a good case study of how strip centers, particularly those with grocery anchors, fare during very tough times. The results affirm the sectors reputation as a safe haven.

**Who's Best Prepared if the Credit Well Runs Dry?:** General Growth Properties (GGP) recently issued \$822 million of equity at a 45% discount to our estimate of the company's NAV. The expensive equity raise represented a highly visible warning shot across the bow of any REIT that has employed too much leverage and/or is faced with substantial funding needs over the next 2-3 years. To their credit, the strip center REITs responded to the initial signs of capital markets trouble by bolstering their balance sheets through increased lines of credit, preferred equity issuance, and expanded joint venture capacity. Consequently, each of the strip center REITs in our coverage universe is well positioned to find reasonably priced capital to fund its '08 and '09 needs.

**Strip Centers Valuations are Fair:** Strip centers appear to be relatively inexpensive in the private market, and the strip center REITs appear fairly priced versus other sectors in the public market. Using the methodology from our recent [Property Sector Valuation \(3/20/08\)](#), private market strip center values should fall by roughly 10%. However, the average property across all sectors may face a 15% decline in value. In the public markets, strip center REITs should modestly outperform the other sectors, assuming NAV premiums revert back to the sector's long-term average.

**Recommendations:** WRI's operating track record in Texas during the mid-'80s should provide some comfort regarding the severity of the potential hit to strip center operating fundamentals if, indeed, the U.S. is headed into a consumer led recession. The REIT balance sheets are generally in solid shape, and the companies are unlikely to have to resort to raising excessively priced capital. Finally, the prospect for strip center values to decline in the private market is reasonably high, yet valuation adjustments may be less severe than in other property types where the relationship between debt and equity returns is even more out of whack.

At current prices, our recommendations are:

Equity One (EQY) – BUY  
Regency Centers (REG) – BUY  
Federal Realty (FRT) – HOLD  
Weingarten Realty (WRI) – HOLD  
Developers Diversified (DDR) – SELL  
Kimco Realty (KIM) – SELL

**PROJECTIONS:**

| Sector             | '07 AFFO Yield | AFFO Growth '08 | AFFO Growth '09 | Long-term AFFO Growth | Premium to NAV | Dividend Coverage | Leverage Ratio |
|--------------------|----------------|-----------------|-----------------|-----------------------|----------------|-------------------|----------------|
| Strip REIT Average | 5.0%           | 6.2%            | 7.7%            | 2.8%                  | 11.6%          | 120%              | 47%            |
| REIT Average       | 4.7%           | 5.5%            | 9.7%            | 3.0%                  | -5.2%          | 119%              | 46%            |

\* All averages are market-cap weighted as of 4/10/08.

AFFO represents Funds From Operation less straight line rent, options expense, and a reserve for normalized maintenance capital expenditures; also deducts gains on land sales and merchant building profits and adds back non-cash charges associated with red

*Important disclosure on the last page.*

## I. Overview

The growing angst regarding consumer spending, retail sales growth, and the implications for strip center values has been widely debated. This report approaches the topic from three angles. First, the performance of strip centers in Texas in the mid-'80s, when the coincident oil and real estate busts hammered the economy, is reviewed to gain some historical perspective to how bad things might get. Second, the balance sheets of the strip center REITs in our coverage universe are stress tested to determine which REITs face potentially onerous financing needs. And finally, the relative valuation of strip centers, in both the public and private markets, is examined. The key conclusions are that strip centers are indeed defensive during times of economic distress; strip center REIT balance sheets are generally in decent shape; and strip centers are relatively cheap in the private domain and fairly valued in the public market.

## II. Texas in the '80's: Strip Center Performance During a Downturn

The mid-to-late 80's was a difficult time for Texas. Oil prices plummeted, real estate prices collapsed, and dozens of banks and savings and loans went under. Unemployment surged from 6% to 9.3% in two years as the energy and financial sectors shed jobs. A severe peso devaluation occurred on top of all this, further weakening the economy. New housing permits dropped 60% and retail sales declined for several years. Worst of all, the Dallas Cowboys turned in four consecutive losing seasons. Overall, Texas faced an economic crisis in the mid-'80s that was more severe than anything likely to hit the national economy over the next 2-3 years.

Many real estate sectors during this time in Texas, including office, hotels, and apartments, experienced weakened operating performance, accompanied by plummeting values. The brutal macro economic environment would appear to have spelled doom for strip center owners as well. Weingarten Realty (WRI), which came public in 1986, found itself directly in the crosshairs of the shaken Texas economy. The company owned approximately nine million square feet of strip center space in Texas during this time, representing about 85% of its total portfolio. Approximately 65% of its portfolio was concentrated in its hometown of Houston, which was the city hardest hit by the concurrent oil, real estate, and peso crisis, and where many consider this period to have been akin to a depression. Most of WRI's holdings consisted of grocery-anchored shopping centers.

REIT disclosure in the '80s paled in comparison with the plethora of data commonly provided today, but the performance data that is available for WRI's portfolio suggests that it held up surprisingly well in the face of an extremely hostile business and consumer environment. Performance did suffer, but the impact was gradual and limited in scope. Occupancy fell from 94% (about equal to today's strip center REIT average) to 91% over the four-year period it took for the economy to get back on its feet. WRI's occupancy bounced back quickly when the economy began to recover. WRI's annual earnings growth remained positive throughout most of the period, declining just once after adjusting for one-time items. Yearly dividend increases, which can be a reasonable barometer for property cash flow growth, remained healthy (roughly 5%) over this time period as well. Unfortunately, WRI did not report the most important portfolio measure – same-property NOI growth – during this time frame. Nevertheless, the data points that are available suggest that WRI's

### Exhibit 1

**The Strip Center REIT sector has posted solid returns in four of the past five years. The sector has outperformed year-to-date, despite concerns about consumer spending, faltering retailer sales growth, and declining development profits. These issues likely negatively impacted the sector's performance over the fourth quarter of last year.**

| Sector                   | '03          | '04          | '05          | '06          | '07           | YTD (1)     | Cumulative (2) |
|--------------------------|--------------|--------------|--------------|--------------|---------------|-------------|----------------|
| Residential              | 25.9%        | 32.7%        | 13.7%        | 40.0%        | -25.2%        | 12.4%       | 123.5%         |
| <b>Strip Centers</b>     | <b>43.1%</b> | <b>36.3%</b> | <b>9.3%</b>  | <b>33.5%</b> | <b>-17.7%</b> | <b>7.8%</b> | <b>152.4%</b>  |
| Malls                    | 52.2%        | 45.0%        | 16.5%        | 20.1%        | -15.9%        | 6.2%        | 176.0%         |
| <b>Equity REIT Index</b> | <b>37.1%</b> | <b>31.6%</b> | <b>12.2%</b> | <b>33.7%</b> | <b>-15.7%</b> | <b>4.6%</b> | <b>138.6%</b>  |
| Office                   | 34.0%        | 23.3%        | 13.1%        | 44.7%        | -19.0%        | 1.1%        | 121.3%         |
| Industrial               | 33.1%        | 34.1%        | 15.4%        | 33.3%        | 0.4%          | -2.7%       | 168.2%         |

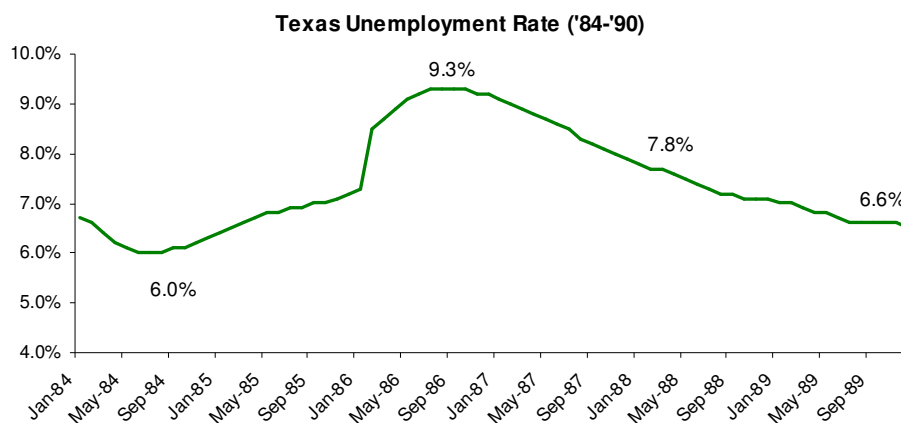
Source: NAREIT

(1) Total returns through 4/10/08.

(2) Total returns from 1/1/03 through 4/10/08.

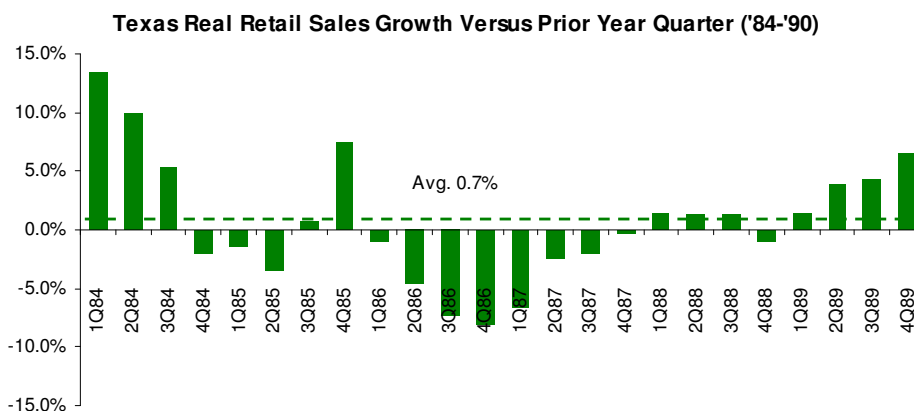
Exhibit 2

**WRI came public in 1986. Most of its properties were grocery-anchored centers, with a concentration in its hometown of Houston. Texas experienced a severe, multi-year economic slump when oil prices fell and the real estate market crumbled. The unemployment rate hit a low of 6% in '84, but then spiked as a result of layoffs in the oil, real estate, and financial services industries.**



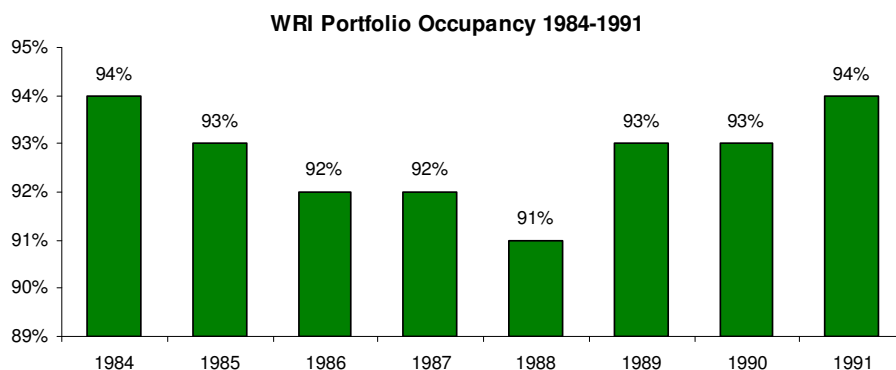
Source: Federal Reserve Bank of Dallas.

**Real retail sales growth in Texas during the mid '80's was virtually non-existent.**



Source: Federal Reserve Bank of Dallas.

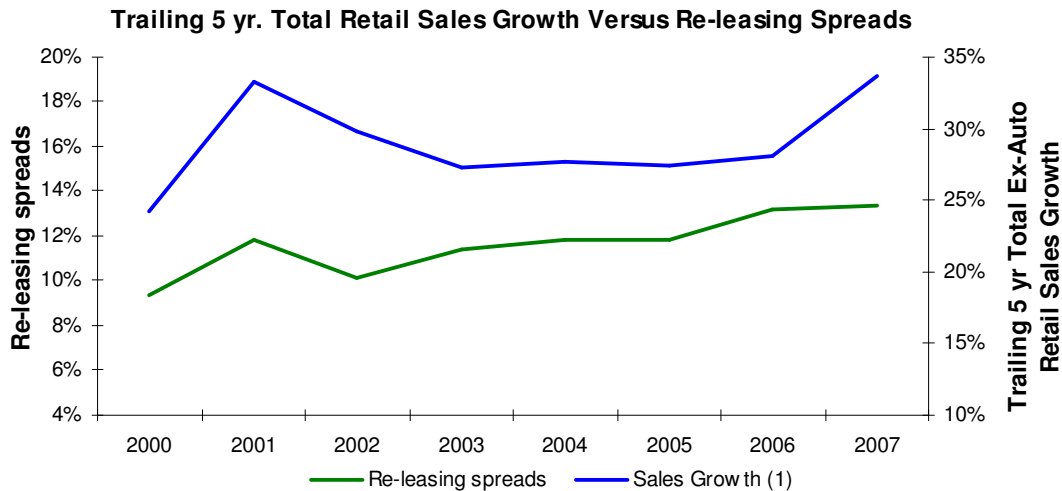
**Despite the awful macro-economic backdrop, WRI's strip center portfolio held up reasonably well. Occupancy never fell below 91%, and the trough reached in '88 was followed by a quick recovery.**



Source: Company disclosure.

## Exhibit 3

**Re-leasing spreads are closely correlated to retail sales growth. When a tenant renews a lease, the rental rate increase should reflect the cumulative increase in sales over the life of the lease, not just the tenant's prior year performance. The dramatic increase in retail sales over the past five years should help cushion the blow from the current downturn. However, lackluster performance turned in by retailers recently suggests sales growth may be hampered for some time. As a consequence, re-leasing spreads are likely to fall in the coming years.**



(1) Ex-auto retail sales growth over preceding five year period.  
Source: U.S. Census bureau, Green Street Advisors.

grocery-anchored strip center portfolio demonstrated ample defensive characteristics during an unusually severe downturn.

The current environment is likely to be easier on today's strip center REITs compared to what WRI faced in the mid-'80s. A primary reason is that the geographic composition of modern strip center REITs is more diversified. Certain geographic regions can be expected to perform better than others, mitigating the impact of a painful downturn in any one market. In WRI's case, nearly the entire portfolio was subject to a localized recession. In addition, the credit quality of the grocery store anchors and the national tenants that are more commonly found in strip centers today is stronger today than in the past, which has important positive implications for occupancy rates and bad-debt expenses.

Another important difference between the current environment and the market conditions WRI faced in the mid-'80s is the pace of preceding retail sales growth. Strip center rents are highly correlated with sales productivity. Real retail sales growth leading up to the economic crisis in Texas averaged roughly 2% per year. When the market shifted, retail landlords could not rely on a healthy cushion of sales

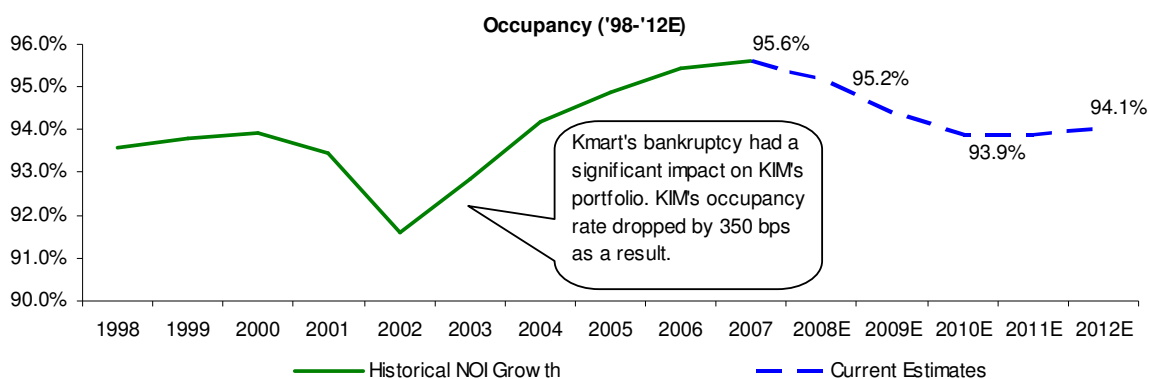
growth in the prior years to justify rent increases. By contrast, U.S. retail sales have increased nearly 4% on average during the past five years. While the landlord/tenant lease negotiating leverage is clearly shifting towards the tenant, this unusually rapid sales growth pace provides shopping center owners today with more flexibility to increase rents when leases rollover.

There is good reason to be concerned that diminished consumer confidence and faltering retailer sales will have negative implications for retail real estate. In the strip center arena, the effects are likely to differ substantially between in-fill and edge-of-town properties. In-fill sites, particularly those anchored by popular grocery stores, should hold up reasonably well due to the necessity-based products typically sold by those tenants. Edge-of-town locations, by contrast, are often dependent on housing and population growth that has ground to a near halt in many markets. A broader distinction (i.e. cap rate differential) is also warranted in our NAV estimates between grocery-anchored properties and power centers in the current market, since the big box tenants that dominate the latter are, in many cases, the retailers whose sales are being most negatively affected by the housing market downturn.

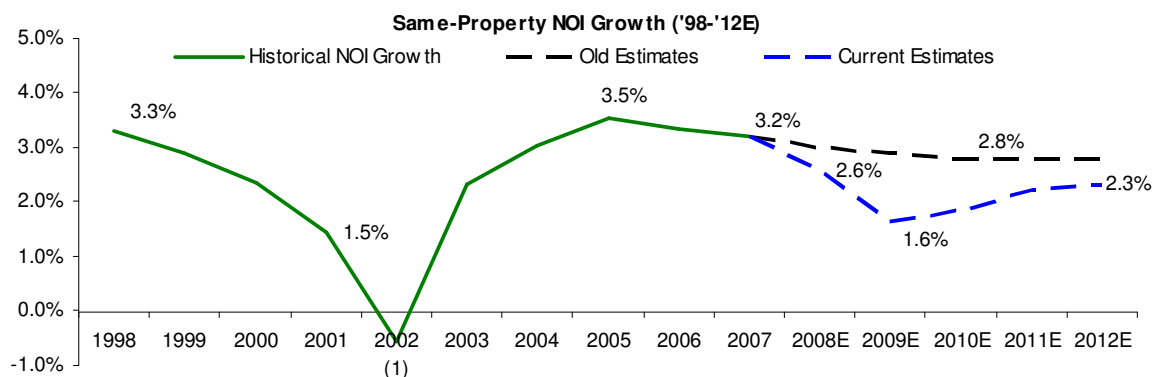
## Exhibit 4

**Strip center REITs have enjoyed a period of strong tenant demand. This has translated into fully occupied centers and, in some cases, waiting lists for tenants eager to move into a specific location. Those days are probably history. The U.S. is likely entering a consumer-led recession. Most retailers have been reporting negative sales growth, and some tenants have been scaling back expansion plans or even shuttering stores.**

**As demonstrated on page 3 and as shown by what happened earlier this decade, there is a material downside with regard to current occupancy levels in the strip center sector. A cumulative decline of 100-200 basis points over the next few years is our new base-case assumption.**



**The revised same-property NOI growth estimates better reflect the current economic environment. Weak retail sales and sluggish tenant demand for vacant strip center space will weigh on occupancy and rent growth. Specifically, in-line tenants and "mom and pop" retailers may struggle to keep stores open during the current downturn.**



(1) Impacted by KIM's exposure to the Kmart bankruptcy.

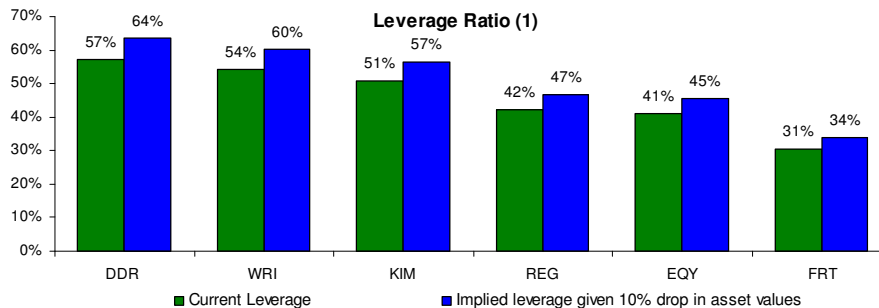
### III. Who's Best Prepared if the Credit Well Runs Dry?

General Growth Properties (GGP) recently issued \$822 million of equity at a 45% discount to our estimate of the company's NAV. The expensive equity raise represented a highly visible warning shot across the bow of any REIT that has employed too much leverage and/or is faced with substantial fund-

ing needs over the next 2-3 years. The strip centers in our coverage universe, unlike GGP, appear to have manageable funding requirements over the next several years. To their credit, these REITs responded to the initial signs of capital markets trouble by bolstering their balance sheets through increased lines of credit, preferred equity issuance, and expanded joint venture capacity.

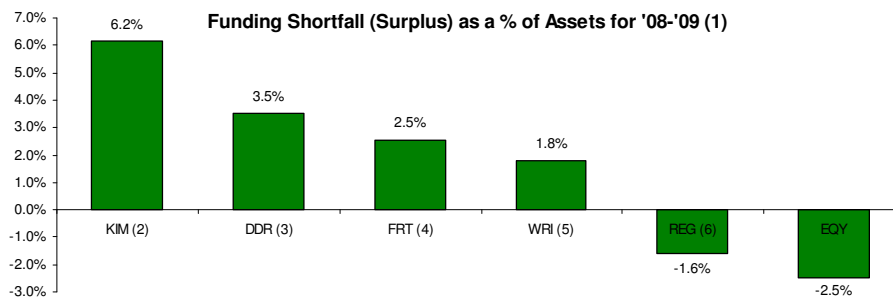
Exhibit 5

**Each strip center REIT's leverage ratio will significantly affect the company's ability to access new capital. The lower the debt ratio, the easier it will be to refinance maturing debt, fund future obligations, and take advantage of investment opportunities that arise from the market turmoil. Strip center leverage ratios are not overly alarming, as debt is typically available in the 50-60% LTV range. However, if strip center REIT values fall 10% for current levels, financing costs will be higher, and capital availability will be lower.**



(1) Market value of debt and preferred stock as a % of current value of assets.

**Strip center REITs will have large funding obligations in '08 and '09. The financing commitments relate primarily to the large development pipelines and near-term debt maturities. However, these obligations over the next two years will only modestly exceed the total amount of readily available sources of cash (capacity under lines of credit, cash on hand, and retained earnings) for four of the six strip center REITs. Given the success most strip center REITs have had in attracting institutional capital for joint ventures, the secured and unsecured debt alternatives, and the now viable common equity option compliments of the recent REIT rebound, the financing challenge should prove manageable.**



(1) Funding Shortfall = Cash + Recurring Cash Flow (AFFO - dividends) + Remaining LOC Capacity - '08-'09 Maturities - Unfunded Development.

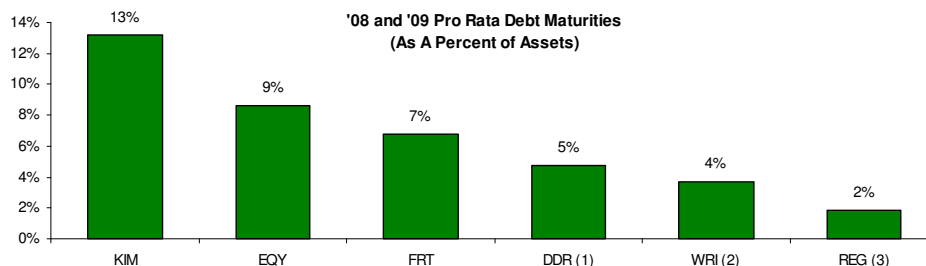
(2) KIM has an obligation to lend additional funds under line of credit arrangements and other investments totaling \$45m, not included above.

(3) '08 maturities reduced by \$350m due to recently issued mortgages.

(4) FRT is required to buyback JV partner's share of a property for roughly \$50m at partner's option. This amount is not included in above analysis.

(5) Received net proceeds of approximately \$215m due to portfolio contribution to joint venture on 3/24. Proceeds added to total available cash. Also, WRI is obligated to pay an additional \$40 million if earnout provisions are met with respect to certain '07 acquisitions.

(6) REG has a take-out fund to purchase its completed developments, offsetting some of the funding risk. The fund currently has over \$1 billion of additional capacity. Also, \$12m has been added back to cash from loan repayment by JV partner in 1/08.



(1) DDR recently refinanced \$350m of debt which decreased its pro rata debt maturities.

(2) WRI paid off \$120m of debt that matured in January which decreased its debt maturities.

(3) Pro rata share of maturing debt not disclosed.

Exhibit 5 cont...

**Strip center REIT balance sheets are relatively well insulated from the current credit crunch. The companies typically employ a modest amount of leverage for their wholly-owned assets. However, strip center REIT joint ventures typically use more leverage. The more highly levered joint ventures formed in recent years have faced declining asset values and greater leverage ratios than when initially created. While the strong balance sheets of both parties should mitigate much of the financing risk, some of the joint ventures are confronted with high leverage ratios and a mountain of maturing debt. In a dire scenario, a fund may be forced to sell assets to finance its obligation, thus decreasing the amount of recurring fee income received by the REIT from the partnership. In a more likely scenario, this debt will be refinanced at unfavorable terms, lowering the expected levered IRR for the partner and reducing the REIT's chances of receiving a lucrative promoted interest payment.**

| Joint Venture      | Date Formed | Estimated Market Value of Assets | Total Debt | Current Leverage Ratio | Leverage Ratio if asset values drop 10% | '08 Maturities | '09 Maturities | '10 Maturities | Total '08-'10 maturities as % of Assets |
|--------------------|-------------|----------------------------------|------------|------------------------|---|----------------|----------------|----------------|---|
| KIM/Prudential (1) | Oct-06      | \$4,025                          | \$2,788    | 69%                    | 77%                                     | \$705          | \$165          | N/A            | 24%                                     |
| DDR/TIAA CREF      | Feb-07      | \$2,652                          | \$1,773    | 67%                    | 74%                                     | \$0            | \$46           | \$96           | 6%                                      |
| DDR/Comingled      | Jun-07      | \$1,317                          | \$969      | 74%                    | 82%                                     | \$0            | \$6            | \$24           | 2%                                      |
| DDR/MDT (2)        | Nov-03      | \$1,914                          | \$1,112    | 58%                    | 65%                                     | \$348          | \$165          | \$467          | 51%                                     |

(1) \$1.2B line of credit maturing in 10/08 with \$705m currently outstanding.

(2) MDT's share price is down 60% over the past 12 months. The current debt to total market value is 73%

DDR (57%) and WRI (54%) have the highest total leverage among the strip center REITs. WRI also has the most restrictive covenants in its unsecured debt. WRI unsuccessfully attempted last year to modify its total debt to assets test, which is based on undepreciated book value. Given the value appreciation on many long-held assets, WRI wanted to replace the covenant with a market-value based measure. However, its attempts to do so were rejected by its bondholders. WRI has about \$700 million of additional debt capacity before it would come close to running afoul of the debt covenant, and it recently increased its capacity through the \$230 million property contribution it made to a newly formed joint venture. FRT is at the other end of the leverage scale at 31%. Its ample pile of dry powder is likely to prove beneficial if the capital market distress creates attractive strip center investment opportunities.

Development funding needs represent a sizable use of capital for four of the six strip center REITs in our coverage universe. KIM, DDR, REG and WRI all have pipelines that represent 10-15% of the value of their existing portfolios. The majority of this activity will be funded through the companies' lines of credit, rather than project-specific construction financing. The strip center development business is still producing adequate profit margins – our NAV estimates assume 15-20% value creation, which equates to developing to an 8.75% stabilized yield and creating an asset that could be sold at a 7.25-7.5% cap rate. At current cap rates, actual results would be better than these assumptions. While such profit margins are acceptable on typical strip center developments,

projects involving entitlement risk and/or substantial lease-up risk should require meaningfully higher hurdle rates.

Total projected capital needs for each of the REITs (with the exception of REG and EQY) in '08 and '09 will exceed the combination of funds available on their lines of credit, existing cash, plus expected retained earnings. Yet, the net shortfall is small (<5% of assets) for each company. Given the secured and unsecured debt alternatives available to each, and the success most have had in attracting institutional capital for joint ventures, the financing challenge should not be unwieldy. **The recent REIT rebound has also made common equity offerings a viable alternative.** Strip center REITs are currently trading at an average NAV premium of 12%, although that figure is skewed by the whopping 31% premium now awarded to KIM by the market. Excluding KIM, the average is 7%. Even WRI, which trades at the largest NAV discount (8%), would suffer only a modest amount of NAV dilution if it sold common stock near the current price.

Overall, the strip center REITs are well positioned to find reasonably priced capital to fund their '08 and '09 needs. Of course a real estate capital market drought lasting 3-4 years would not be unprecedented. Such a scenario would put greater pressure on strip center balance sheets, particularly those with the highest leverage and most daunting near-term funding requirements.

## Exhibit 6

**Strip center REITs' external growth platforms are awarded meaningful value in our NAV estimates. Specifically, value is awarded to in-process development projects and the fee income generated by existing joint ventures. Over the past six quarters, the total value of these platforms in our NAV estimates has substantially declined due to more conservative assumptions regarding development profit margins and the value of embedded promoted interests. As the value of these existing projects and fee streams decline, it is reasonable to assume that the near-term outlook for growth in these businesses has deteriorated as well. Therefore, a decline in the relative size of the NAV premiums awarded to strip center REITs may be warranted.**

|     | 2Q06 NAV Value  |                      |                            | 4Q07 NAV Value |                      |                            | Total % Change |
|-----|-----------------|----------------------|----------------------------|----------------|----------------------|----------------------------|----------------|
|     | Development (1) | Investment Mgmt. (2) | Value as % of Total Assets | Development    | Investment Mgmt. (2) | Value as % of Total Assets |                |
| DDR | \$3.00          | \$2.88               | 6.0%                       | \$1.53         | \$2.64               | 3.9%                       | -29%           |
| FRT | \$2.23          | \$0.00               | 1.1%                       | \$1.10         | \$0.00               | 0.5%                       | -51%           |
| KIM | \$1.96          | \$3.07               | 11.5%                      | \$1.39         | \$1.69               | 6.3%                       | -39%           |
| REG | \$4.46          | \$3.48               | 5.1%                       | \$4.14         | \$3.14               | 4.0%                       | -8%            |
| WRI | \$1.20          | \$0.00               | 1.0%                       | \$1.16         | \$0.32               | 1.0%                       | 23%            |

(1) Represents Present Value of estimated future value creation.

(2) Investment management value includes present value of recurring fees and promoted interests. In 4Q06, we changed our valuation methodology to a dis-

#### **IV. Strip Center REIT Valuations are Fair**

Strip centers appear to be relatively inexpensive in the private market, and the strip center REITs appear relatively fairly valued versus other sectors in the public market. Strip center REITs have historically traded at large NAV premiums relative to other sectors (roughly 16% versus 8%). The companies' high-powered external growth platforms, consisting primarily of their development and investment management businesses, have supported the large premiums. In addition, the strip center REITs in our coverage universe represent an unusual grouping of well-managed companies.

On an absolute basis, strip center REITs now trade at an 11% NAV premium, below the sector's long term average and a sign that strip center REITs may be underpriced. However, strip center REITs are fairly priced on a relative basis. When applying the methodology from the most recent [Property Sector Valuation \(3/20/08\)](#) to today's pricing, which assumes strip center property values fall and NAV premiums revert back to the long term average, strip centers would outperform the total REIT average by only 1% (see exhibit 8).

A key assumption to this analysis is that strip center REITs should trade in-line with their historical NAV premiums. Companies in the sector have bolstered their external growth arsenals over the past few years, suggesting that even larger premiums are warranted. In the past three years, the absolute

value of investment management assets has increased from \$10 billion to \$20 billion, translating into roughly \$250 million in value from the recurring fee streams. Additionally, development platforms have increased substantially, further adding to the potential value creation.

In addition to the tangible value creation from these platforms, there are also numerous qualitative benefits. For example, REG's \$1.4 billion open-ended fund serves as a dedicated take out vehicle for its merchant building program, thereby mitigating much of the funding risk. The additional control of millions of square feet of retail space for DDR and KIM (managed for joint venture partners) provides benefits of scale with respect to their leasing and property operating platforms. These benefits are difficult to quantify, but have contributed to boosting the overall NAV premium that strip center REITs should be ascribed.

In the short run, however, it is plausible that the market is discounting the value of the external growth prospects. Strip center development pipelines have come under increasing profit margin pressure due to the housing slowdown and faltering retailer sales growth. In addition, the prospects for earning lucrative fees from joint ventures have diminished, and the value of promoted interests in existing deals has declined due to rising cap rates. Nevertheless, the strip center REITs are a talented group of companies that should be able to deliver superior long-term value creation compared to the average company in most other property types.

**Development – Do the numbers work when share prices are weak?** A basic tenet of finance is that a typical capital investment needs to offer a prospective return that exceeds a firm's weighted average cost of capital (WACC). Higher risk investments – e.g. development – need to offer even higher returns. Unfortunately, the WACC for virtually every REIT has increased greatly over the last year as a result of a sizable increase in the cost of debt and an even larger increase in the cost of equity. Against that backdrop, it is appropriate to question whether the development pipeline for any given REIT offers prospective returns that are high enough to exceed the now-elevated WACC. With the WACC for the average REIT at about 8.0%, and return hurdles on development even higher than that, there are numerous examples of REITs that are plowing money into development projects that offer a negative net present value.

Indeed, it may well be the case that the majority of REIT development projects currently stack up as value-destroying projects when measured by this standard. This does not mean that development is inherently a bad business, nor does it mean that REITs with large development infrastructures and projects underway should pull the plug. It does mean that development is a risky business, and the next couple of years are likely to be a time when every dollar allocated to development is, at the very least, a sub-optimal allocation of capital, or worse, a foray into the land of negative net present value.

It wasn't too long ago when development economics looked great; how did things change so fast? The primary culprit is the bear market in REITs, but it is the more subtle message embedded in today's stock prices – cap rates are headed higher and real estate values are headed lower - that causes development to look like such a money losing venture. A typical developer might contend that he is developing to a 9% yield at a time when cap rates are 8%, but REIT investors are implicitly assuming that cap rates will be higher than 8% - probably even higher than 9% - when the development is delivered.

Most real estate executives aren't used to thinking of the world this way, and they pooh-pooh this type of discussion as an academic exercise that is not particularly relevant to how a developer needs to run its business. To the extent that development pipelines can't be opened and closed at a moment's notice, this view has merit, but the bigger point is that there are times when other capital allocations become far more compelling.

The strip center REITs are one of the few property types that trade at an average NAV premium, so the math pertaining to capital allocation alternatives – share repurchases most notably – is different than it is for sectors trading at steep NAV discounts. Development for the strip center REITs remain a business that provides appropriate risk-adjusted returns, but further upward moves in cap rates could yet cause this to change.

## V. Recommendations

WRI's operating track record in Texas during the mid-'80s provides comfort regarding the severity of the potential hit to strip center operating fundamentals if, indeed, the U.S. is headed into a consumer led recession. The REIT balance sheets are generally in solid shape, and the companies are unlikely to have to resort to raising excessively priced capital. Finally, valuation adjustments appear likely to be less severe than in other property types where the relationship between debt and equity returns is even more out of whack.

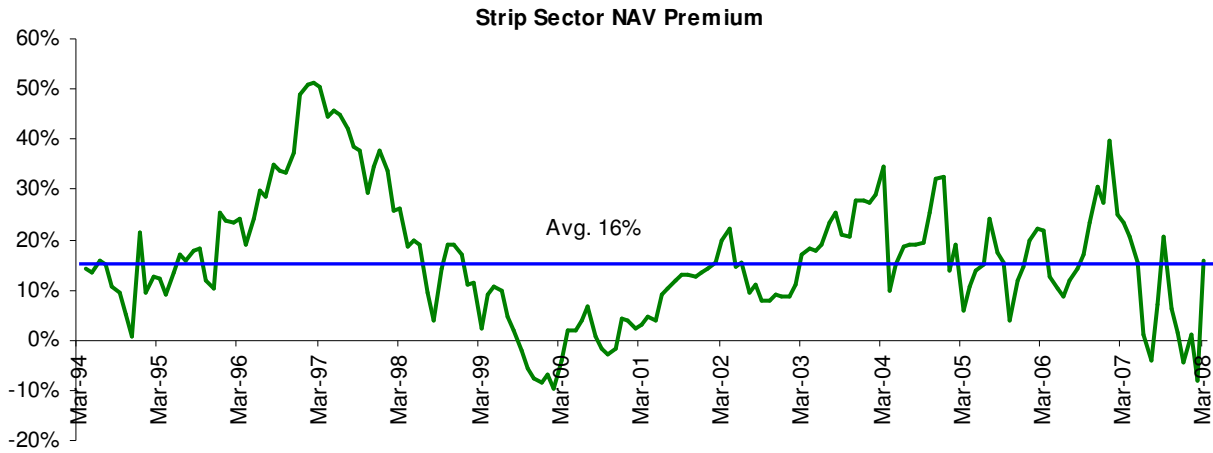
At current prices, our recommendations are:

Equity One (EQY) – BUY  
 Regency Centers (REG) – BUY  
 Federal Realty (FRT) – HOLD  
 Weingarten Realty (WRI) – HOLD  
 Developers Diversified (DDR) – SELL  
 Kimco Realty (KIM) – SELL

Jim Sullivan  
 Nick Vedder

Exhibit 7

**Average NAV premiums in the strip sector have been approximately 16% since '94. The premium over the past five years has averaged roughly 18%. Unlevered asset values have recently been reduced roughly 3-4% in our NAV estimates. As a result, strip center REITs are now, on average, trading at an NAV premium slightly below the sector's long term average.**



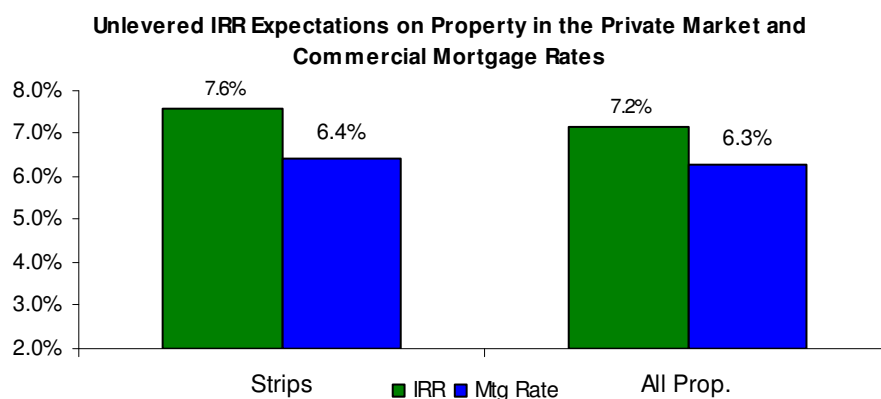
## Exhibit 8

### Property Sector Valuation: Strip Centers

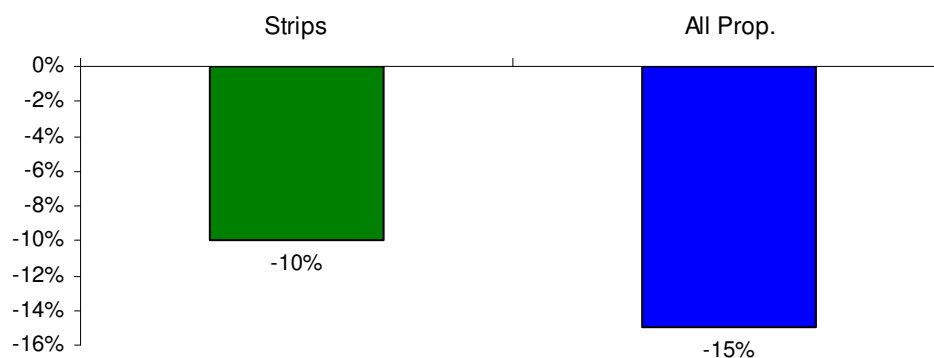
The total returns the strip center owners are likely to achieve versus other property sectors can be assessed by combining the initial yield and growth forecasts shown below.

| Sector         | Nominal Cap Rate | Economic Cap Rate | Projected NOI Growth |      |      |      | Long Term |
|----------------|------------------|-------------------|----------------------|------|------|------|-----------|
|                |                  |                   | '09                  | '10  | '11  | '12  |           |
| Strip Centers  | 6.8%             | 6.1%              | 1.6%                 | 1.9% | 2.2% | 2.3% | 1.3%      |
| All Properties | 6.3%             | 5.4%              | 3.0%                 | 2.8% | 2.9% | 3.0% | 1.4%      |

Based on these inputs, the respective sectors are priced to deliver the unleveraged long-term total returns shown by the green bars below. Expected unlevered returns should always materially exceed the cost of debt (blue bars).

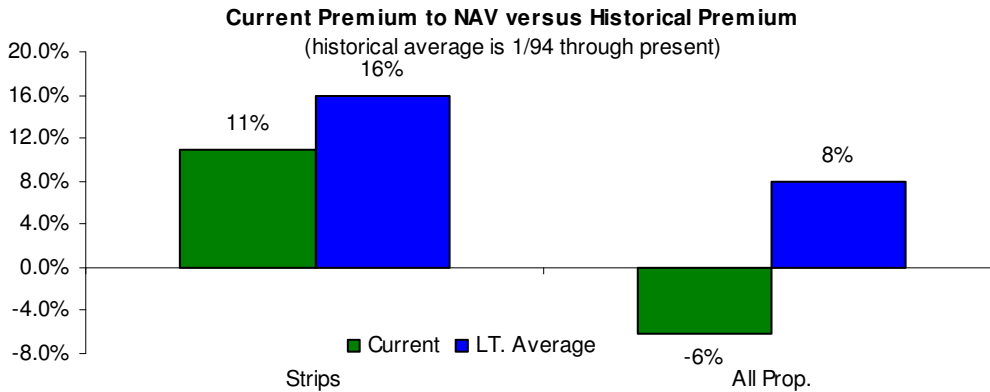


The gap between unlevered return expectations and borrowing costs is currently smaller than normal, which suggests commercial real estate is probably overvalued. The historic spread between the two is 188 bps. Assuming this return premium reverts to its historic norm (and borrowing costs remain constant), private market real estate values should correct by...

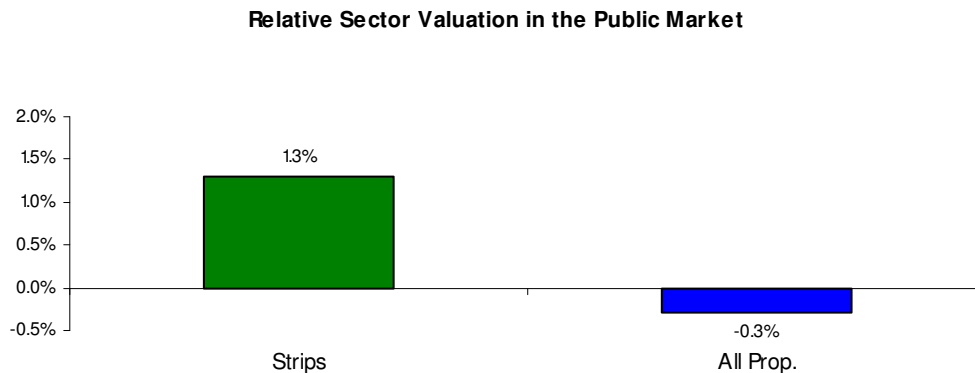


**Property Sector Valuation: Strip Centers**

**Strip center REITs have historically traded at a large premium to NAV. The strong external growth platforms and talented management teams have contributed to this premium. On an absolute basis, a premium that is small relative to historic norms suggests cheap pricing, while a larger premium suggests rich pricing. However, on a relative basis, the fact that strip NAV premiums are closer to their long-term norm than is true elsewhere is a sign of relatively rich pricing.**



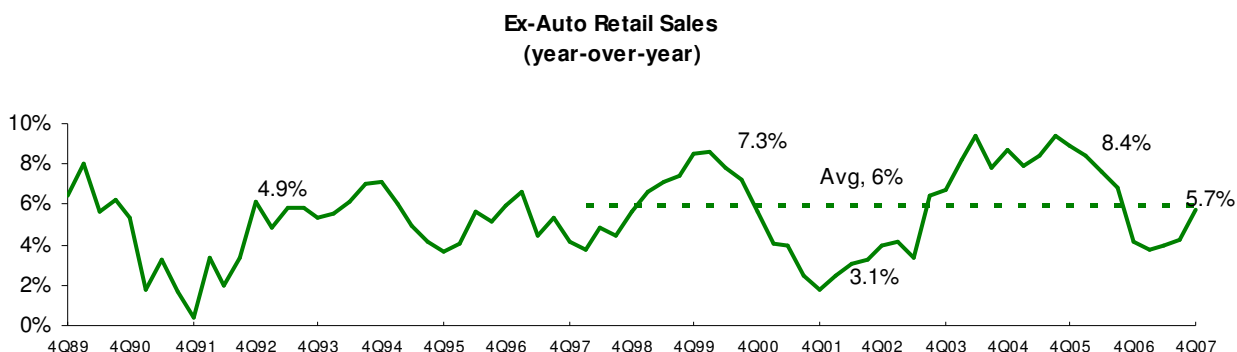
**By combining the conclusion on private-market values shown on the prior page with the conclusion on public-market values shown above, it is possible to assess the attractiveness of strip center REIT valuations. Using this approach, strip center REIT valuations are very much in line with overall REIT valuations. However, a limitation of this analysis is that it doesn't explicitly acknowledge that sectors where business models have been greatly improved (e.g. industrial and strip) are deserving of larger premiums today. Taking this into account, it is probably appropriate to conclude that strip center REITs are priced on the attractive side of a fair range.**



## VI. Strip Retail - Consumer Spending

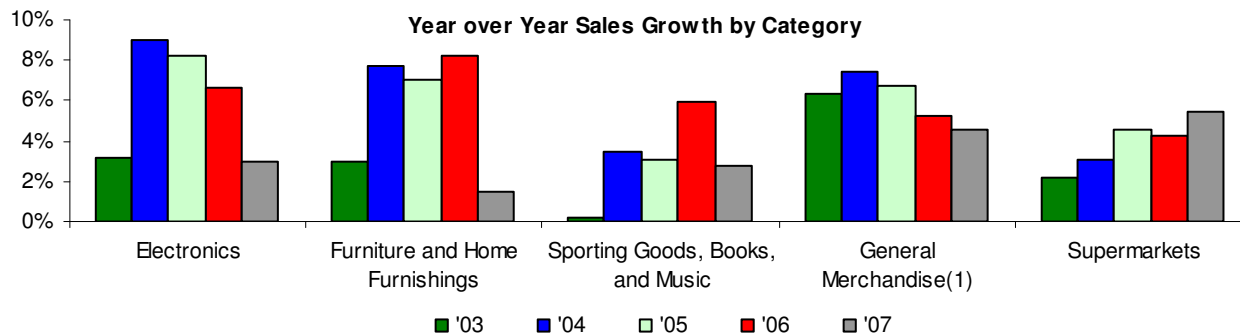
### Retail Sales

Growth in consumer spending has increased recently after falling sharply for several months. While sales growth can be an indicator of economic strength, the anemic sales reported by many retailers suggests that recent growth has a lot to do with higher gas prices, food, etc., rather than a healthy economy.



Source: U.S. Census Bureau

Year-over-year sales growth declined in '07 in four of the five major retail categories. Notably, goods from these categories are typically sold by stores occupying power center space. The early trends in '08 suggest growth may be negative in certain categories. By contrast, supermarket sales have increased over the past five years.



(1) '03-'05 excludes department stores.

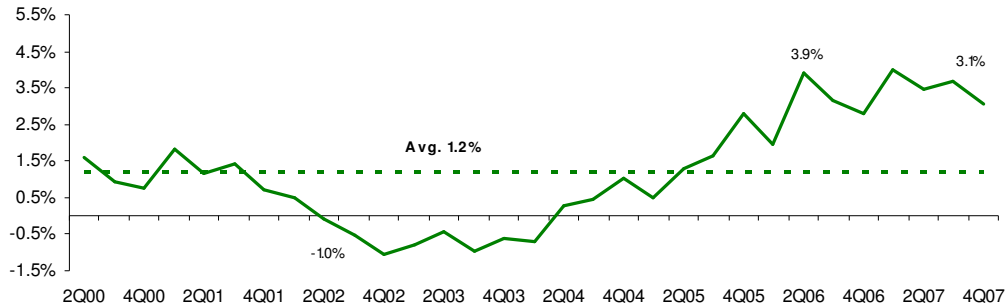
Source: US Census Bureau

## VII. Strip Retail - Tenant Overview

### Same Store Sales

Same-store sales growth in the grocery industry has consistently been in the 2-4% range since '05. Part of the increase in sales is due to the pass-through of cost inflation to customers. However, it does illustrate the relative stability of supermarkets in the face of economic uncertainty.

Supermarket Same-Store Sales (1)



(1) Wtd. avg. for a group of large-cap supermarket companies.

Same-store sales growth at discounters such as Wal-Mart and Target have typically been considered bell-weather for the state of consumer spending. Based on this assumption, the outlook appears dim for the retail industry on the whole, especially when considering that this group benefits from shoppers trading down to lower-priced alternatives.

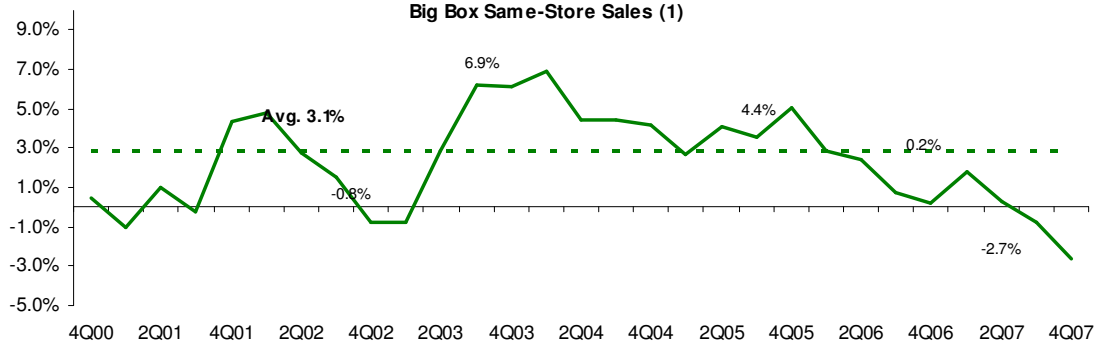
Discounters Same-Store Sales (1)



(1) Wtd. avg. quarterly same-store sales for Wal-Mart, Target, and Kohls.

Big-box retailers have borne the brunt of the slowdown. Home-furnishing retailers and office suppliers have suffered the largest declines. However, discount apparel stores such as Ross and TJ Maxx have held up well.

Big Box Same-Store Sales (1)

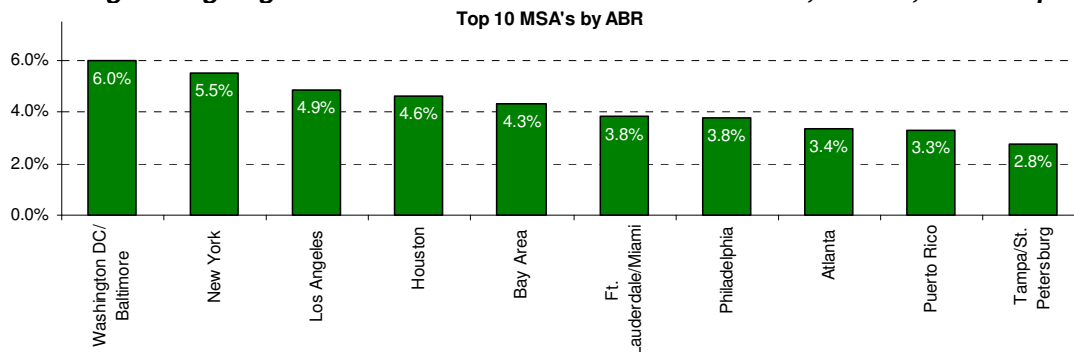


(1) Wtd. avg. quarterly same-store sales for group of big box retailers including Barnes and Noble, Linen's N Things, Lowe's, Home Depot, TJ Maxx, Ross Stores, Dollar Tree, Staples, Office Depot, Costco and Petsmart.

## VIII. Strip Retail - Major Market Review

### Top Markets

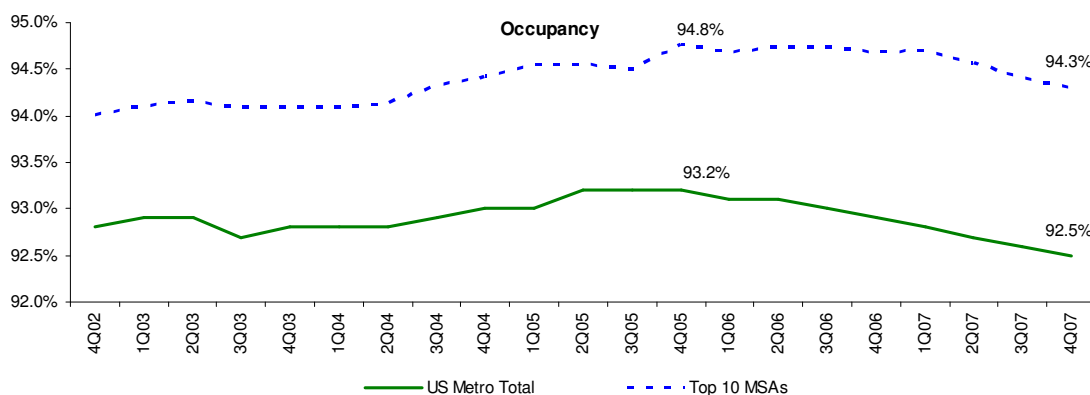
Over 40% of the strip centers owned by REITs are located in just ten markets. Many of these markets have historically outperformed in terms of growth and cap rate compression. However, housing woes may dampen that growth going forward in markets such as South Florida, Atlanta, and Tampa.



Source: Green Street Advisors and company reported data.

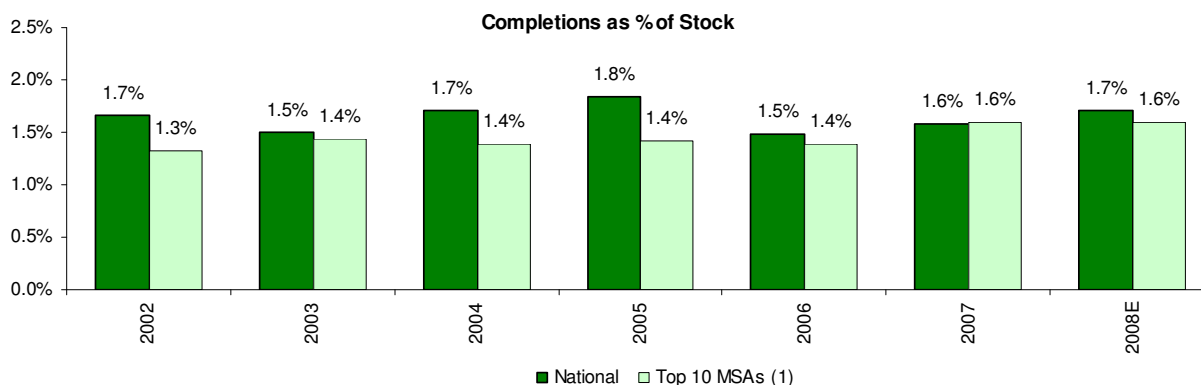
Note: Based on pro rata tabulated or estimated base rent by market for all strip center REIT's in GSA's coverage universe.

According to data from REIS, the national strip center occupancy average at the end of '07 reached its lowest recorded level in over 10 years. However, the bulk of the declines have occurred in the Midwest, where most strip center REITs have limited exposure. Occupancy declines in the top 10 markets have been less severe.



Source: REIS

Strip center development has increased at a moderate pace over the past couple years according to REIS. Actual '07 completions came in well below REIS' estimates from six months ago. Roughly 20% of the developments REIS had expected to be delivered by year end were not completed. It is unclear how many of these projected developments were cancelled versus the number deferred from '07 to '08.



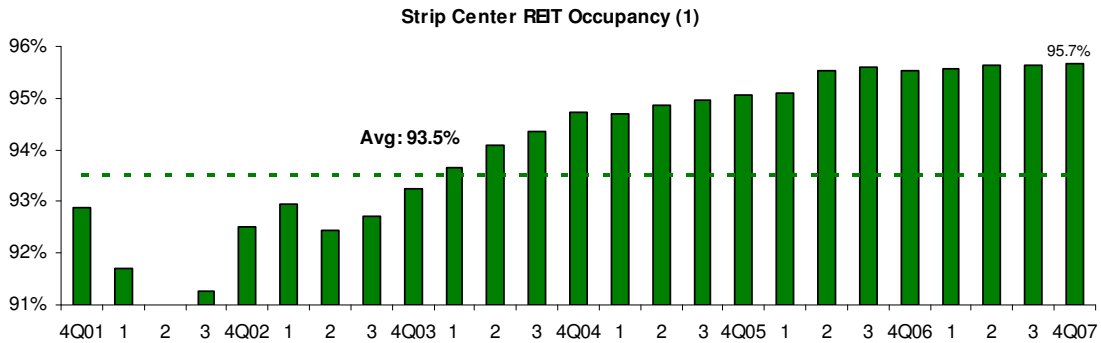
(1) Excludes Puerto Rico

Source: REIS

**IX. Recent Operating Performance and Outlook**

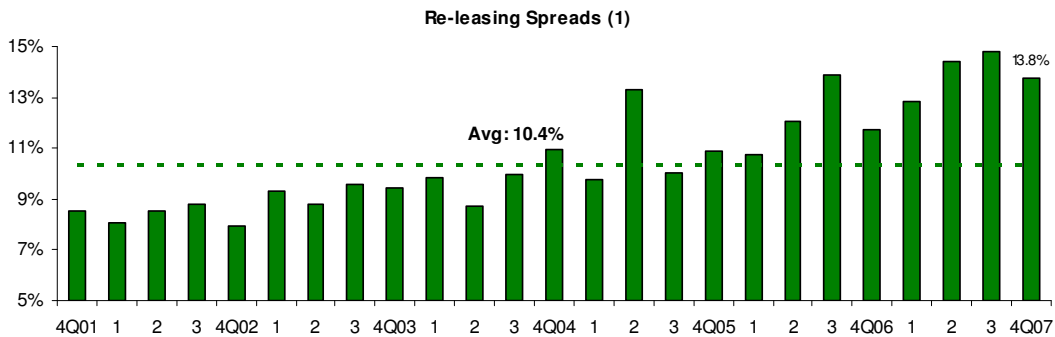
**Internal Growth: Strip Retail Sector**

Strip center REIT occupancy has remained at historically high levels. High occupancy is partially a reflection of the improved quality of the average strip center REIT portfolio. However, strengthening economic headwinds are likely to impart downward pressure on occupancy rates in '08. Strip center REITs have already reported longer lease-up periods for recently vacated space.



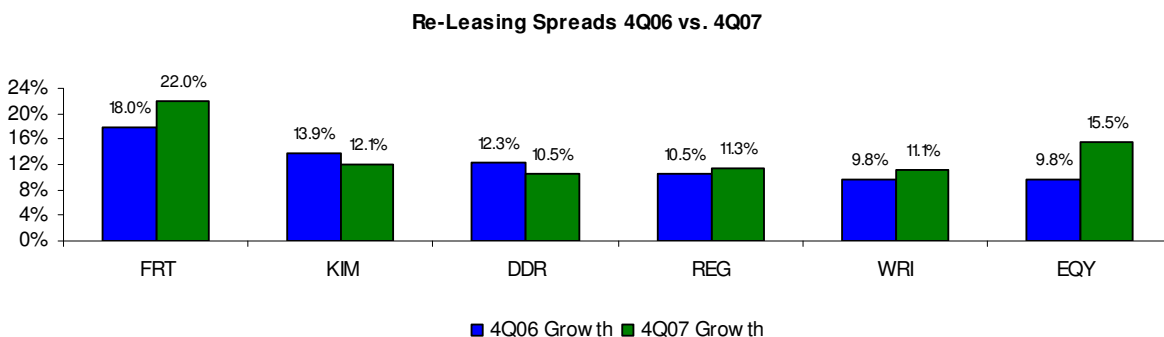
(1) Weighted average by GLA. 4Q06 strip occupancy includes NXL, which has been replaced with EQY in subsequent periods.  
Source: Company reports; Green Street Advisors

Healthy re-leasing spreads reported in 4Q were consistent with the reported spreads over the past year. Strong sales growth over a multi-year period has created a meaningful reservoir of rent growth that should provide some support to NOI growth during '08.



(1) Straight average cash-basis re-leasing spreads. Definitions are not necessarily consistent and associated costs such as tenant allowances may result in an inflated representation of rent growth.  
Source: Company reports; Green Street Advisors

Each strip center REIT in our coverage universe reported strong re-leasing spreads in 4Q07. Retailers have reported strong sales growth the past few years which has created a large gap between sales and rents. The sales growth will likely allow REITs to continue increasing rents even if retailer demand begins to wane.

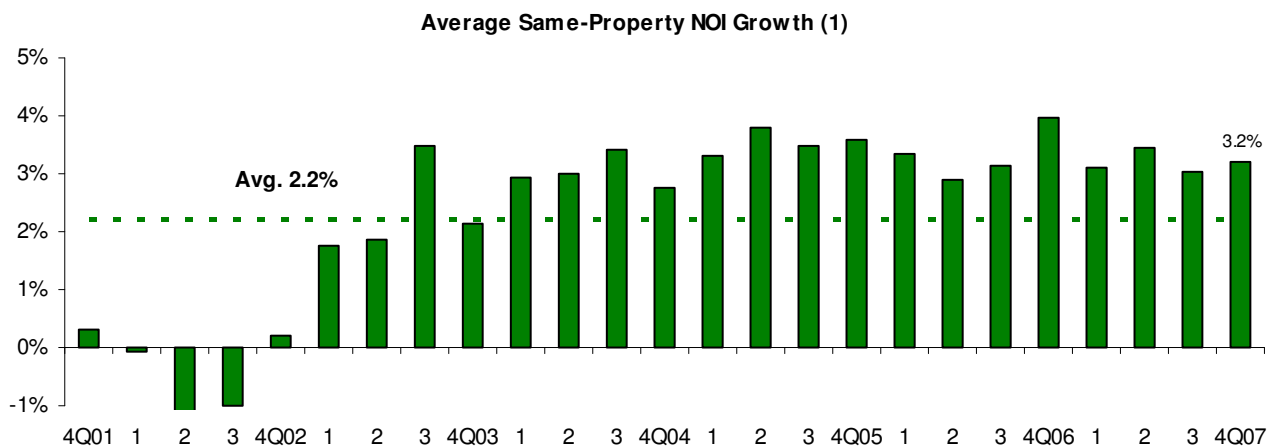


Source: Company reports

## IX. Recent Operating Performance and Outlook

### Internal Growth: Strip Retail Sector

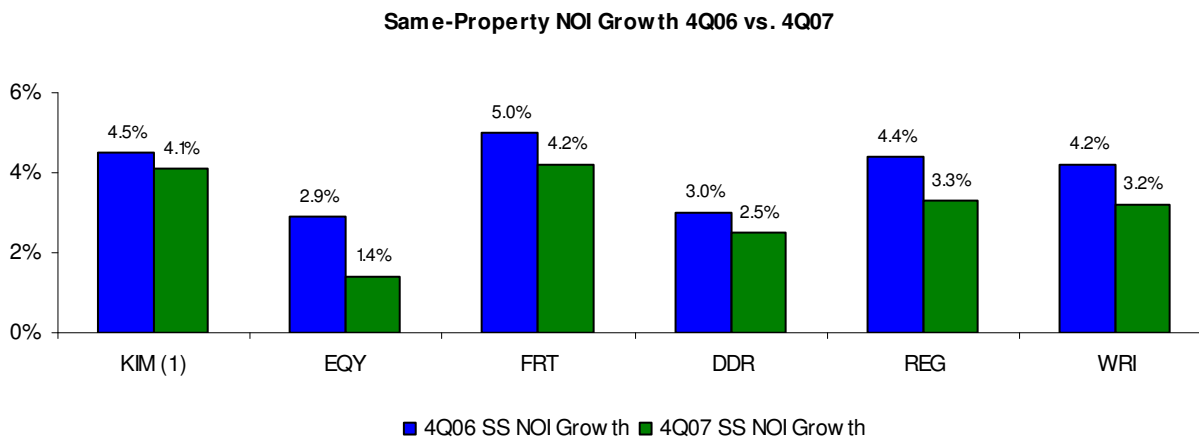
Same-property NOI growth remained relatively stable in '07. High re-leasing spreads and occupancy over the past couple years due to strong retailer sales growth has kept NOI growth above the long-term average. Sustaining the current growth rate through '08 and '09 will be particularly challenging. Most strip center REITs expect '08 same-store NOI growth to fall between 2-3%.



(1) Weighted average by GLA excluding redevelopments except for KIM, who includes redevelopment in reported numbers.

Source: Company reports.

All six strip center REITs reported slower same-property NOI growth in 4Q07 versus one year ago. The slower growth rate is not surprising, since average reported growth in 4Q06 was a record high. However, the 4Q07 numbers likely do not accurately reflect the current economic environment. Same-property NOI growth in '08 and '09 may have trouble keeping pace.



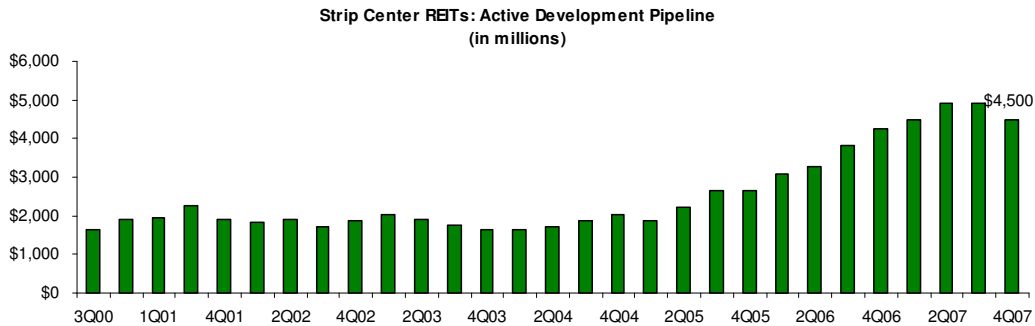
(1) KIM reports same-property NOI growth including redevelopments.

Source: Company reports.

## IX. Recent Operating Performance and Outlook

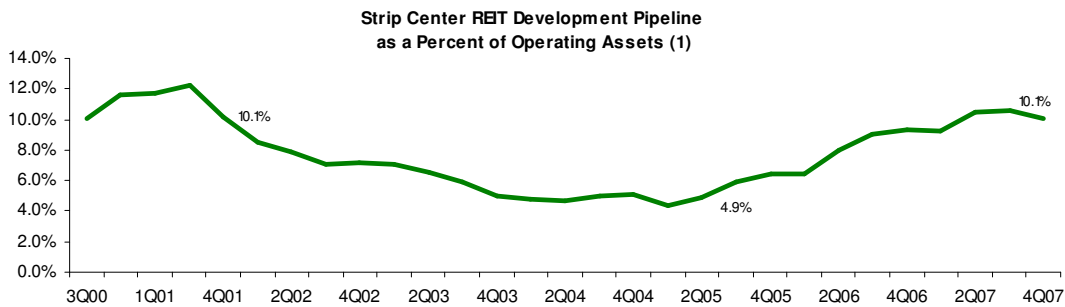
### External Growth: Strip Retail Sector

The absolute size of the total strip center REIT development pipeline declined in 4Q07 after years of steady growth. The development climate has become increasingly challenging, causing REITs to become more cautious in identifying new projects to replace completed developments that have come on line. Slower retailer demand and the dramatic fall off in residential development have caused some projects to be dropped from development pipelines until markets begin to stabilize.



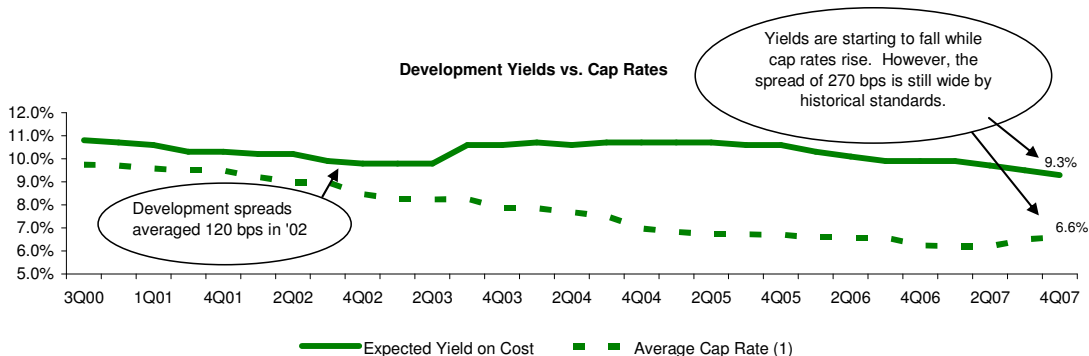
Source: Company reports, Green Street Advisors.

Strip center REIT development as a percent of operating assets declined in 4Q07 after years of aggressive expansion, yet the pipelines remain sizeable.



(1) 1Q07 numbers include EQY in place of NXL, decreasing total development as a percent of operating assets .  
Source: Company reports, Green Street Advisors.

Development profitability has come under increasing pressure. Yields continue to fall and cap rates continue to rise. While the spread between the stabilized yield and initial cap rate remain wide by historical standards, the time it takes to reach stabilization has increased due to slower lease-up times. As a result, the overall economic risk for developers has increased to a larger extent than implied by the simple yield comparison below.



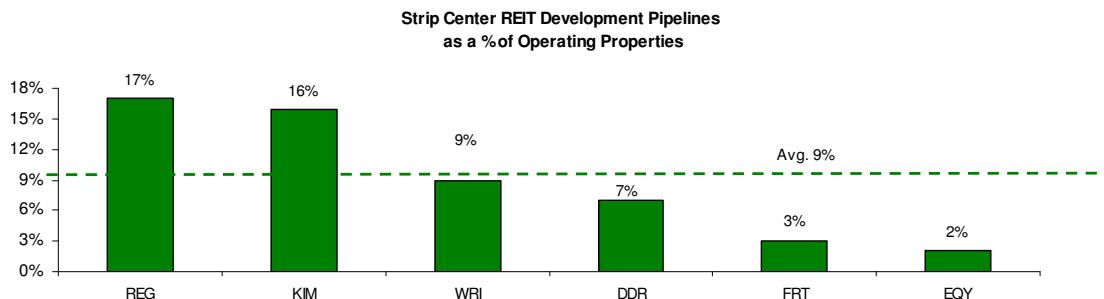
(1) Applied by Green Street in valuing strip center REITs in its coverage universe.

(2) Development yields include ground-up and redevelopment projects.

## IX. Recent Operating Performance and Outlook

### External Growth: Strip Retail Sector

REG and KIM have the largest development pipelines relative to their size. While REG's and KIM's pipelines are about the same relative size, the similarities end there. Approximately 40% of KIM's pipeline is located in Mexico, and the company employs a local partner model for all of its projects. By contrast, REG focuses on predominantly wholly-owned domestic developments. WRI is the third largest developer. The company has undergone recent changes to its pipeline, dropping four projects and pushing back stabilization dates on half of the total.



Note: Reflects development costs net of outparcel sales. Includes major redevelopment projects.

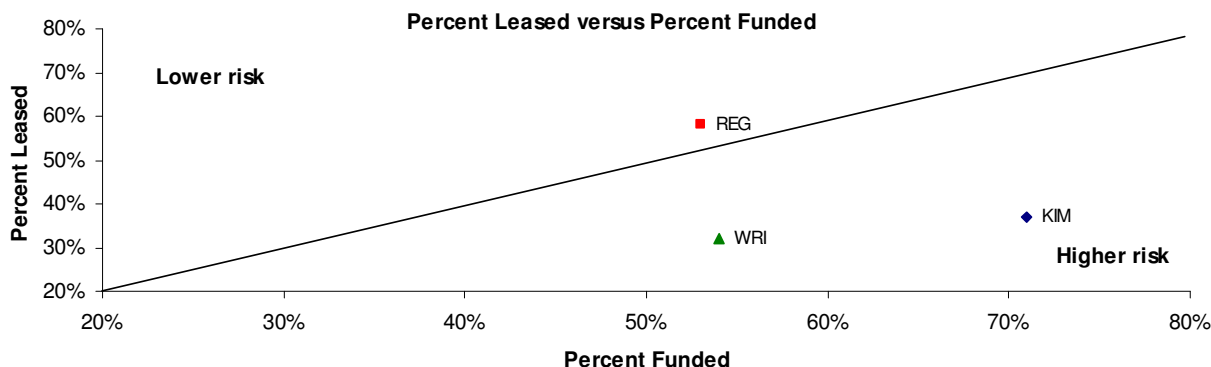
Source: Company reports; Green Street Advisors

The ten largest developments account for roughly 25% of the total REIT pipeline. The overall value contribution for DDR, KIM, and REG will be heavily influenced by the success of these projects.

| REIT         | Project Name               | MSA               | State | Net Costs          | Company Owned GLA | Est. Cost/sf | Percent Leased <sup>(1)</sup> | Select Anchor Tenants                       |
|--------------|----------------------------|-------------------|-------|--------------------|-------------------|--------------|-------------------------------|---|
| DDR          | Shops at Midtown Miami     | Miami             | FL    | \$142,600          | 400,685           | \$356        | NA                            | Target, Linens N Things, Circuit City, Ross |
| DDR          | Nampa, ID                  | Nampa             | ID    | \$123,100          | 450,855           | \$273        | NA                            | JC Penney                                   |
| KIM          | Riverview at Dobson        | Phoenix           | AZ    | \$130,130          | 1,252,000         | \$104        | 80%                           | Bass Pro Shops, Wal-Mart, Home Depot        |
| REG          | Deer Springs Town Center   | Las Vegas         | NV    | \$121,931          | 565,158           | \$216        | 24%                           | Target, Home Depot                          |
| KIM          | Market Street              | Woodlands         | TX    | \$110,521          | 498,000           | \$222        | 96%                           | HEB, Borders, Cinemark, Tommy Bahama        |
| DDR          | Mendocino Crossings        | Mendocino         | CA    | \$101,400          | 409,900           | \$247        | NA                            | To be announced                             |
| REG          | Shops at Highland Village  | Dallas/Fort Worth | TX    | \$93,713           | 352,438           | \$266        | 77%                           | AMC Theater, Barnes and Noble               |
| KIM          | Surprise Spectrum          | Surprise          | AZ    | \$87,864           | 813,000           | \$108        | 0%                            | To be announced                             |
| KIM          | Guadalajara III / Motorola | Guadalajara       | MX    | \$83,300           | 767,000           | \$109        | 22%                           | Wal-Mart, Cinopolis                         |
| REG          | Indio Towne Center         | Los Angeles       | CA    | \$78,616           | 355,469           | \$221        | 58%                           | WinCo Foods                                 |
| <b>Total</b> |                            |                   |       | <b>\$1,073,175</b> | <b>5,864,505</b>  | <b>\$183</b> |                               |   |

(1) Percent of REIT owned space leased.

The relative risk inherent in each development pipeline has come under closer scrutiny lately. A key risk given the current economic climate is the ability to lease-up shop space in a timely manner. REG has leased more of its development space relative to its position in the building process.

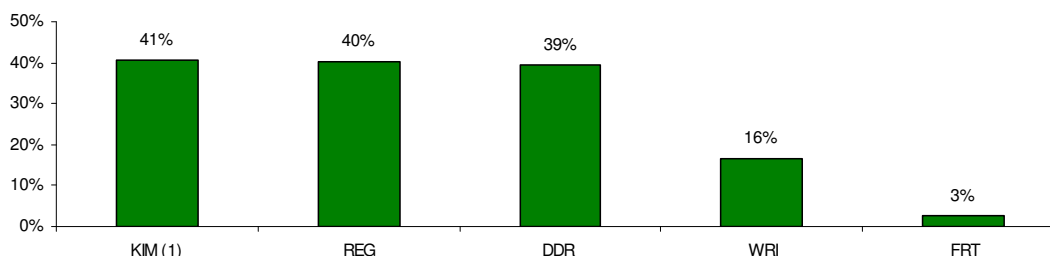


Source: Company reports; Green Street Advisors

## X. Strip Retail - Investment Management

The investment management business is an important component of most strip center REITs' overall growth profile. KIM has the largest amount of assets under management on both a relative and absolute basis. In the past couple years, strip center REITs were able to aggressively grow their assets under management through large core portfolio acquisitions, with pension funds willing to provide large slugs of capital. Today's environment will likely require a more disciplined approach. Newly formed joint ventures by KIM include a Mexico land fund and a fund to invest in urban redevelopment properties. WRI and EQY have also created new funds recently despite the capital markets disarray.

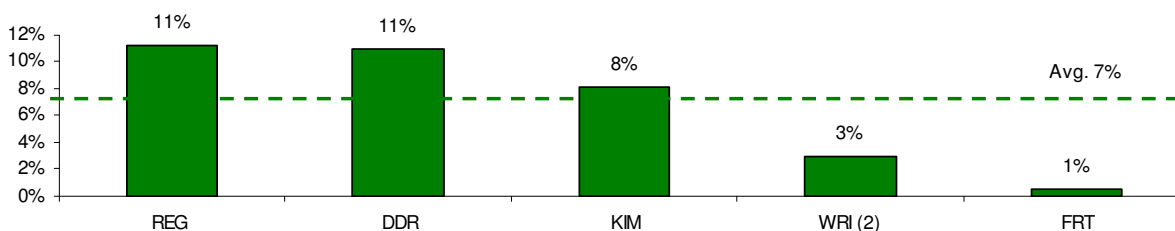
Assets Under Management  
(JV Partner-Owned Assets as % of Total REIT-Controlled Assets)



(1) KIM's AUM excludes assets in its RioCan JV and Mexico, since KIM does not actively manage these assets. Mexico has been included in past publications. Source: Green Street Advisors.

Fee income can be a significant source of FFO. Amounts can fluctuate widely depending on the amount of one-time acquisition and disposition fees. REG, DDR, and KIM derive a meaningful percentage of recurring FFO from joint venture fees.

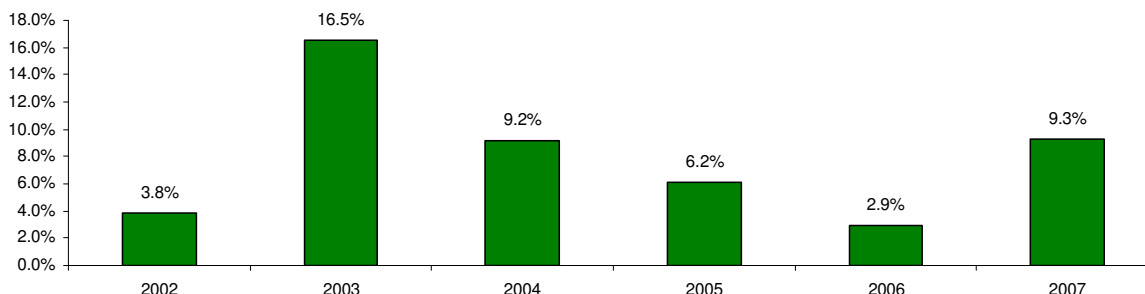
Fee Income as percentage of FFO (1)



(1) Represents last 12 month's fee income as percentage of FFO.  
(2) Includes estimate of fee income associated with newly formed JV's.

Strip center REIT acquisitions have increased the average portfolio size by 8%. Despite virtually no transactions in the latter half of '07, strip center REITs managed to expand their operating portfolios by 9% for the year. The majority of these purchases were placed in joint ventures.

Strip Center REITs: Pro Rata Net Acquisitions as % of Operating Assets

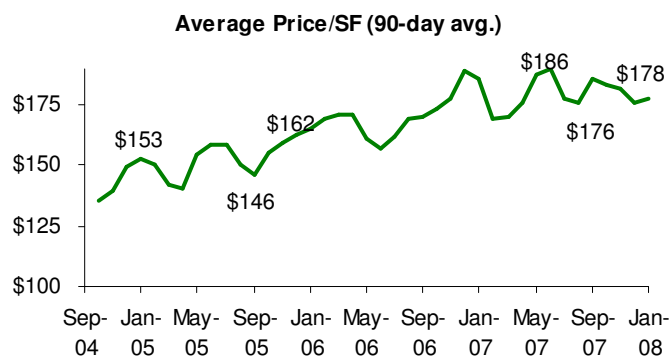
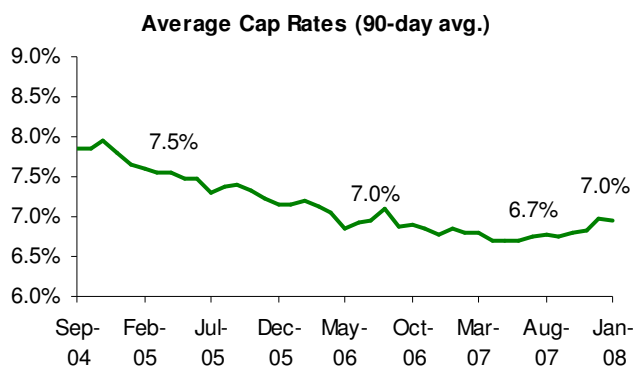


## Appendix A

| Recent Transactions of Interest   | Price   | GLA    | Price/SF | Cap Rate | Date |
|---|---------|--------|----------|----------|------|
| <b>Equity One Acquisition</b><br>Equity One contributed seven assets into a joint venture with Global Retail Investors. The grocery-anchored centers average 175,000 s.f. and are located predominantly in South Florida. The portfolio is 97% occupied and anchored by Publix, Kroger, and Winn Dixie.   | \$197MM | 1.2MM  | \$160    | mid-6's  | 2Q08 |
| <b>Weingarten Texas Portfolio</b><br>WRI recently contributed a portfolio of grocery-anchored strip centers to a newly created joint venture with AEW. The 18 centers are located exclusively in Texas and are anchored by ethnic oriented supermarkets.  | \$229MM | 0.21MM | \$109    | mid-7's  | 1Q08 |
| <b>Regency Acquisition Joint Venture</b><br>Oregon Public Employees Retirement Fund along with Regency Center acquired seven grocery-anchored shopping centers predominantly located in the Southeast. The centers averaged 70,000 s.f. and are anchored by strong regional and national grocers. The portfolio was purchased in an off-market transaction. | \$77MM  | 0.48MM | \$158    | 6.9%     | 4Q07 |
| <b>Regency Development Joint Venture</b><br>Regency contributed 3 recent developments to its open-ended fund, Regency Retail Partners. The centers were located in Southern California, Washington DC, and Portland, OR.  | \$56MM  | 0.21MM | \$272    | 6.3%     | 4Q07 |

## Nationwide Pricing Trends

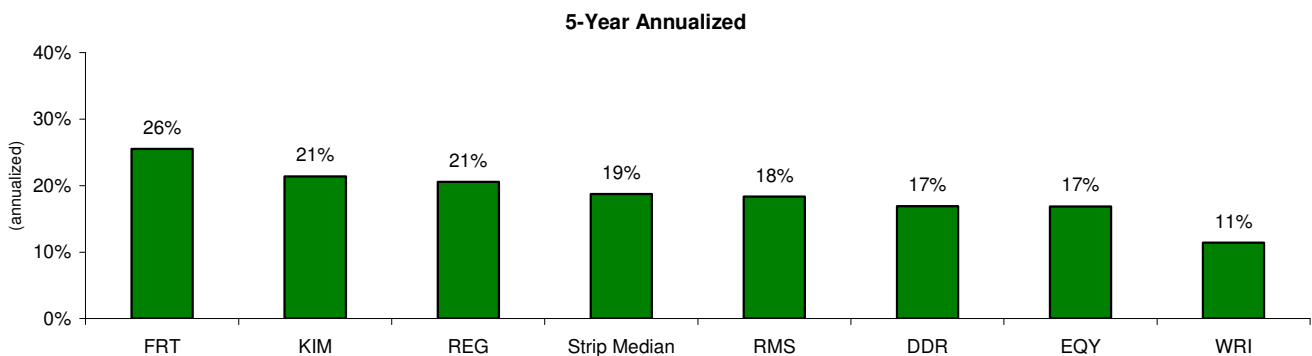
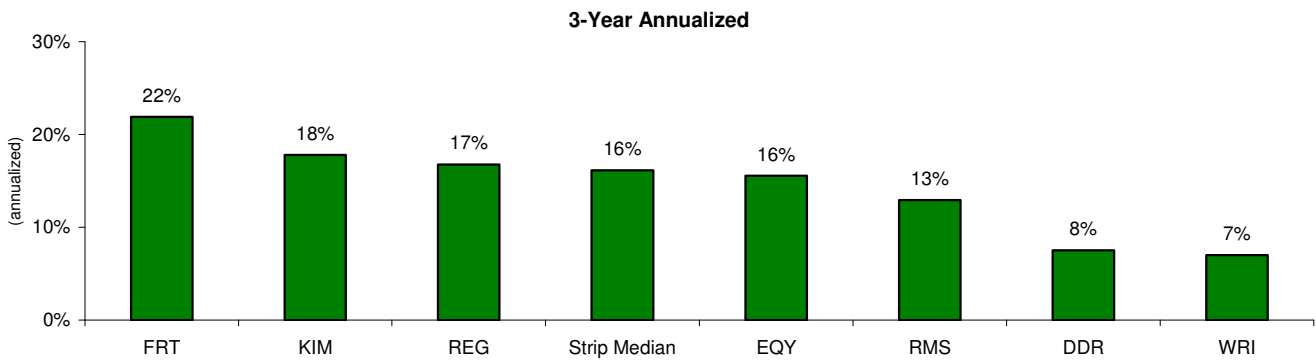
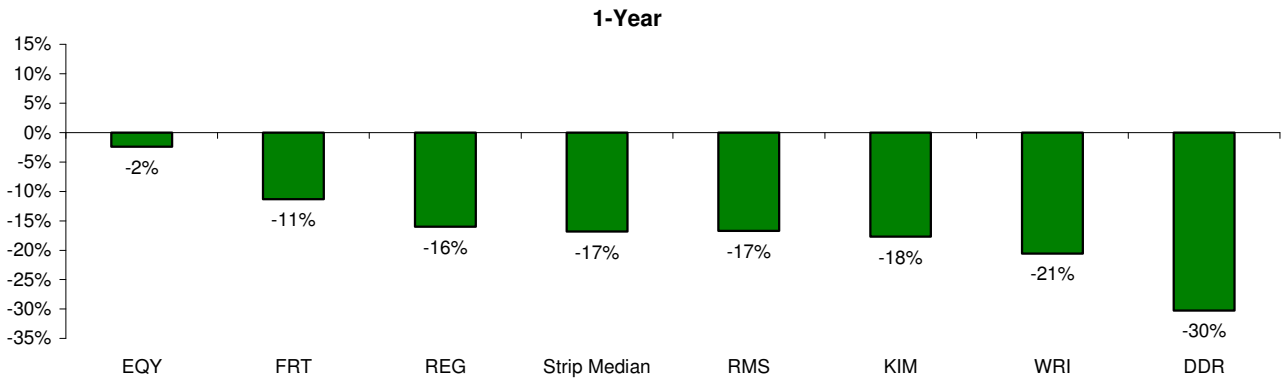
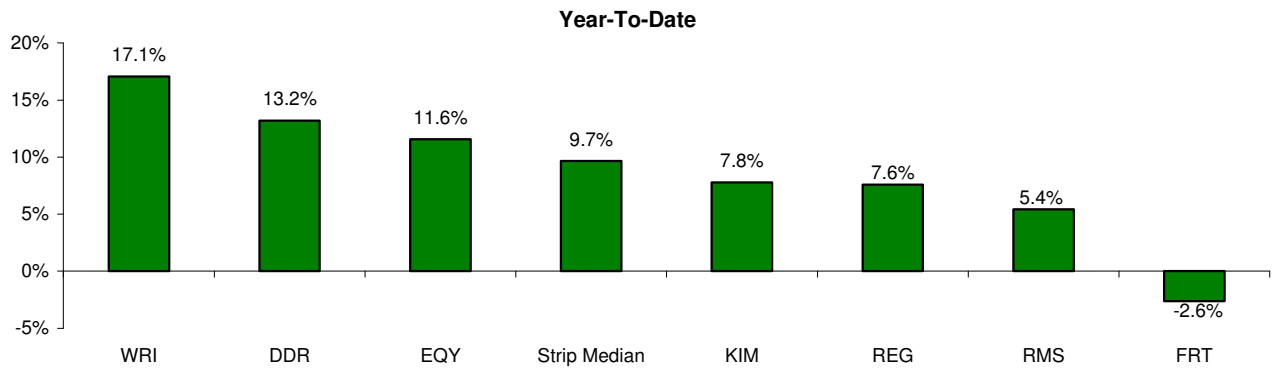
**Data from Real Capital Analytics indicates that strip center cap rates have been rising. Higher financing costs and economic uncertainty have caused transaction volume to drop significantly, and the bid/ask spread remains wide. Additionally, retail transactions as a percent of total real estate transaction volume has dropped, likely due to consumer spending uncertainty. In the past year, the cap rate estimates used in our NAV estimates have increased 60-70 basis points for the average strip center REIT causing an average 10% decline in the unlevered real estate value.**



Source: Real Capital Analytics.

Appendix B

**Total Returns**



Source: Bloomberg, as of 4/10/08

## STRIP CENTER REITs - SAME-PROPERTY NOI GROWTH

|                                    | Symbol | 2005    | 2006 |      |      |      |         | 2007 |      |      |      |         |
|------------------------------------|--------|---------|------|------|------|------|---------|------|------|------|------|---------|
|                                    |        | Full Yr | 1Q   | 2Q   | 3Q   | 4Q   | Full Yr | 1Q   | 2Q   | 3Q   | 4Q   | Full Yr |
| DEVELOPERS DIVERSIFIED (1)         | DDR    | 2.2%    | 2.3% | 3.3% | 3.2% | 3.0% | 3.0%    | 2.3% | 2.1% | 2.4% | 2.5% | 2.5%    |
| EQUITY ONE                         | EQY    | 3.6%    | 1.5% | 3.1% | 3.0% | 2.9% | 3.0%    | 3.4% | 4.6% | 4.1% | 1.4% | 3.0%    |
| FEDERAL REALTY                     | FRT    | 4.5%    | 5.0% | 5.6% | 5.5% | 5.0% | 5.4%    | 4.1% | 3.7% | 3.7% | 4.2% | 3.9%    |
| KIMCO REALTY                       | KIM    | 3.5%    | 3.0% | 2.5% | 2.2% | 4.5% | 3.1%    | 4.0% | 4.0% | 4.2% | 4.1% | 3.0%    |
| REGENCY CENTERS                    | REG    | 3.1%    | 3.8% | 3.1% | 4.0% | 4.4% | 3.8%    | 2.0% | 4.5% | 2.3% | 3.3% | 3.1%    |
| WEINGARTEN REALTY                  | WRI    | 4.7%    | 4.5% | 1.4% | 2.9% | 4.2% | 3.4%    | 3.3% | 3.4% | 2.0% | 3.2% | 3.0%    |
| STRIP CENTER REIT AVERAGE          |        | 3.6%    | 3.4% | 3.2% | 3.5% | 4.0% | 3.6%    | 3.2% | 3.7% | 3.1% | 3.1% | 2.9%    |
| STRIP CENTER REIT WTD. AVERAGE (2) |        | 3.4%    | 3.3% | 2.9% | 3.1% | 4.1% | 3.4%    | 3.1% | 3.5% | 3.0% | 3.2% | 2.9%    |

## STRIP CENTER REITs - PORTFOLIO OCCUPANCY (3)

|                                    | Symbol | 2005    | 2006  |       |       |       |         | 2007  |       |       |       |         |
|------------------------------------|--------|---------|-------|-------|-------|-------|---------|-------|-------|-------|-------|---------|
|                                    |        | Full Yr | 1Q    | 2Q    | 3Q    | 4Q    | Full Yr | 1Q    | 2Q    | 3Q    | 4Q    | Full Yr |
| DEVELOPERS DIVERSIFIED             | DDR    | 95.0%   | 95.0% | 96.0% | 96.1% | 96.2% | 95.8%   | 95.9% | 95.9% | 95.9% | 96.0% | 96.0%   |
| EQUITY ONE                         | EQY    | 93.4%   | 94.3% | 95.0% | 95.1% | 95.0% | 95.0%   | 94.1% | 93.9% | 93.5% | 93.2% | 93.2%   |
| FEDERAL REALTY                     | FRT    | 95.5%   | 96.2% | 96.7% | 97.3% | 96.5% | 96.7%   | 96.6% | 96.1% | 96.4% | 96.7% | 96.7%   |
| KIMCO REALTY (4)                   | KIM    | 94.5%   | 95.0% | 95.1% | 95.3% | 95.3% | 95.3%   | 95.6% | 95.9% | 96.2% | 96.3% | 96.3%   |
| REGENCY CENTERS (6)                | REG    | 95.3%   | 95.1% | 95.3% | 95.2% | 95.2% | 95.2%   | 95.1% | 95.2% | 95.1% | 95.0% | 95.0%   |
| WEINGARTEN REALTY (7)              | WRI    | 94.9%   | 94.9% | 95.2% | 95.0% | 95.0% | 95.0%   | 95.4% | 95.6% | 95.2% | 95.1% | 95.1%   |
| STRIP CENTER REIT AVERAGE          |        | 94.8%   | 95.1% | 95.5% | 95.7% | 95.5% | 95.5%   | 95.4% | 95.4% | 95.4% | 95.4% | 95.4%   |
| STRIP CENTER REIT WTD. AVERAGE (2) |        | 94.9%   | 95.1% | 95.5% | 95.6% | 95.6% | 95.5%   | 95.6% | 95.6% | 95.6% | 95.7% | 95.7%   |

(1) Strip centers only.

(2) Weighted by total retail GLA.

(3) Occupancy is defined as percent of GLA leased. For strips, includes all GLA.

(4) KIM figures exclude regional malls and retail store leases.

(5) NXL figures are for strip centers only (excludes factory outlets and single-tenant properties).

(6) Reflects JV properties at pro-rata share beginning 1Q05.

(7) WRI figures are strip center occupancy only (excludes industrial).

## Development Pipeline (\$ thousands, as of 12/31/2007)

| <i>Strip Center REITs</i> | <b>SYM</b> | Under Development (1) | Funded to-date     | Percent Complete | Estimated Value of Operating Prop (2) | Pipeline as % of Oper Props Value | Equity Mkt Cap (3)  | Pipeline as % of Equity Mkt Cap | Expected Stabilized Yield on Cost (4) |
|---------------------------|------------|-----------------------|--------------------|------------------|---------------------------------------|-----------------------------------|---------------------|---------------------------------|---------------------------------------|
| REGENCY CENTERS           | REG        | \$1,051,585           | \$587,346          | 56%              | \$6,300,000                           | 17%                               | \$5,080,996         | 21%                             | 9.0%                                  |
| KIMCO REALTY              | KIM        | \$1,831,800           | \$1,144,406        | 62%              | \$11,400,000                          | 16%                               | \$11,012,956        | 17%                             | 9.0%                                  |
| WEINGARTEN REALTY         | WRI        | \$628,650             | \$363,400          | 58%              | \$6,700,000                           | 9%                                | \$3,263,410         | 19%                             | 8.8%                                  |
| DEVELOPERS DIVERSIFIED    | DDR        | \$811,120             | \$618,226          | 76%              | \$11,400,000                          | 7%                                | \$5,488,547         | 15%                             | 8.8%                                  |
| FEDERAL REALTY            | FRT        | \$159,000             | \$76,000           | 48%              | \$6,000,000                           | 3%                                | \$4,914,925         | 3%                              | 9.8%                                  |
| EQUITY ONE                | EQY        | \$46,679              | \$36,699           | 79%              | \$2,850,000                           | 2%                                | \$1,943,604         | 2%                              | 10.5%                                 |
| <b>Average</b>            |            | <b>\$754,806</b>      | <b>\$471,013</b>   | <b>62%</b>       | <b>\$7,441,667</b>                    | <b>10%</b>                        | <b>\$5,284,073</b>  | <b>14%</b>                      | <b>9.3%</b>                           |
| <b>Total</b>              |            | <b>\$4,528,834</b>    | <b>\$2,826,077</b> | <b>62%</b>       | <b>\$44,650,000</b>                   | <b>10%</b>                        | <b>\$31,704,439</b> | <b>14%</b>                      |                                       |

(1) In general, includes only projects where a site has been acquired and construction commenced. Reflects estimated costs net of outparcel sales. Includes substantial expansions and redevelopments (incremental cost only). Includes joint venture development on a pro rata share basis. In general, follow-on phases of projects are not included if the project has several phases.

(2) As of the date of GSA's last NAV calculation.

(3) Includes OP/DownREIT units.

(4) Measured on an unleveraged nominal (i.e. pre-"cap ex" reserve) first calendar year basis. Excludes straight-line rent.

**Note: Company Snapshots Removed from sample report.**

**Please see website for sample snapshot.**

## Retail Strip Center REITs - Comparative Analysis

### PORTFOLIO DATA I

|                        |     | <i>Primary Markets (% of GLA)</i>                            | <i>Top Tenants and % of Annual Base Rent</i>         |
|------------------------|-----|--|--|
| DEVELOPERS DIVERSIFIED | DDR | GA (11%), FL (10%), NY (8%), OH (6%), other national (65%)   | Wal-Mart (5%); T.J. Maxx (2%); PetSmart (2%)         |
| EQUITY ONE             | EQY | South Florida (32%), Atlanta (14%), Orlando (7%)             | Publix (10%); Supervalu (5%); Kroger (3%)            |
| FEDERAL REALTY         | FRT | Washington DC (26%), New York Area (18%), Philadelphia (13%) | Ahold USA (3%); Bed, Bath and Beyond (3%); Gap (2%); |
| KIMCO REALTY           | KIM | FL (11%), CA (10%), OH (7%)                                  | Home Depot (3%); TJX Company (3%); Sears (2%)        |
| REGENCY CENTERS        | REG | CA (18%), FL (12%), TX (9%), OH (4%)                         | Kroger (6%); Publix (4%); Safeway (4%)               |
| WEINGARTEN REALTY      | WRI | Texas (40%), Florida (14%), California (8%)                  | Kroger (3%); TJX (2%); Safeway (1%)                  |
| <b>Average:</b>        |     |  |  |

### PORTFOLIO DATA II

|                        |     | <i># of Centers (1)</i> | <i>Retail as % of Portfolio (2)</i> | <i>Retail GLA (000s) (3)</i> | <i>Average Size (000s)</i> | <i>Recent Occupancy</i> | <i>Average Base Rent/sf</i> | <i>Implied Value / sf (4)</i> | <i>Operating Margin</i> | <i>Estimated "Cap-Ex" as a % of NOI (5)</i> | <i>Nominal Cap Rate (5)</i> | <i>Econ. Cap Rate (5)</i> |
|------------------------|-----|-------------------------|-------------------------------------|------------------------------|----------------------------|-------------------------|-----------------------------|-------------------------------|-------------------------|---|-----------------------------|---------------------------|
| DEVELOPERS DIVERSIFIED | DDR | 657                     | 100%                                | 68,000                       | 248                        | 96.2%                   | \$12.33                     | \$167                         | 71.3%                   | 6.3%  | 6.95%                       | 6.51%                     |
| EQUITY ONE             | EQY | 152                     | 98%                                 | 17,078                       | 112                        | 93.2%                   | \$11.66                     | \$166                         | 71.5%                   | 8.0%  | 6.70%                       | 6.16%                     |
| FEDERAL REALTY         | FRT | 83                      | 96%                                 | 18,195                       | 219                        | 96.7%                   | \$20.42                     | \$335                         | 69.8%                   | 11.3%                                       | 5.97%                       | 5.31%                     |
| KIMCO REALTY           | KIM | 809                     | 100%                                | 67,675                       | 140                        | 96.3%                   | \$10.97                     | \$168                         | 71.1%                   | 11.3%                                       | 7.05%                       | 6.25%                     |
| REGENCY CENTERS        | REG | 451                     | 100%                                | 31,791                       | 131                        | 95.0%                   | \$15.98                     | \$197                         | 74.7%                   | 8.2%  | 6.59%                       | 6.05%                     |
| WEINGARTEN REALTY      | WRI | 335                     | 90%                                 | 38,360                       | 166                        | 95.1%                   | \$12.57                     | \$169                         | 70.2%                   | 11.0%                                       | 7.01%                       | 6.24%                     |
| <b>Average:</b>        |     | <b>415</b>              | <b>97%</b>                          | <b>40,183</b>                | <b>169</b>                 | <b>95.4%</b>            | <b>\$13.99</b>              | <b>\$200</b>                  | <b>71.4%</b>            | <b>9.4%</b>                                 | <b>6.71%</b>                | <b>6.09%</b>              |

Footnotes:

- 1) Includes JV properties. Excludes non-retail, single-tenant, and mall properties.
- 2) As a % of total GLA.
- 3) Includes JV GLA at pro-rata share.
- 4) Includes the value of operating and JV properties at pro-rata share.
- 5) Reflects retail properties only.

## Retail Strip Center REITs - Comparative Analysis

|                        |     | <b>PERFORMANCE</b> |             |             |              |              |              |                                  | <b>PRICING (As of 4/11/2008)</b> |                    |                   |                 |                       |                     |                      |                          |                                    |
|------------------------|-----|--------------------|-------------|-------------|--------------|--------------|--------------|----------------------------------|----------------------------------|--------------------|-------------------|-----------------|-----------------------|---------------------|----------------------|--------------------------|------------------------------------|
|                        |     | '07A<br>FFO        | '08E<br>FFO | '09E<br>FFO | '07A<br>AFFO | '08E<br>AFFO | '09E<br>AFFO | '09 vs. '08<br>Growth in<br>AFFO | Share<br>Price                   | Annual<br>Dividend | Dividend<br>Yield | '08 AFFO<br>Yld | '08 AFFO/<br>Dividend | Estimated<br>NAV/sh | Warranted<br>Premium | Warranted<br>Share Price | Prem/(Disc)<br>v Warr.<br>Price(8) |
| DEVELOPERS DIVERSIFIED | DDR | \$3.79             | \$3.98      | \$4.24      | \$2.72       | \$2.93       | \$3.15       | 7.5%                             | \$42.59                          | \$2.64             | 6.2%              | 6.9%            | 111%                  | \$45.50             | -6.2%                | \$42.66                  | -0.2%                              |
| EQUITY ONE             | EQY | \$1.34             | \$1.43      | \$1.53      | \$0.98       | \$1.07       | \$1.13       | 5.6%                             | \$25.34                          | \$1.20             | 4.7%              | 4.2%            | 89%                   | \$24.00             | 4.5%                 | \$25.08                  | 1.0%                               |
| FEDERAL REALTY         | FRT | \$3.63             | \$3.91      | \$4.22      | \$2.82       | \$3.09       | \$3.34       | 8.1%                             | \$79.33                          | \$2.44             | 3.1%              | 3.9%            | 126%                  | \$73.50             | 8.7%                 | \$79.89                  | -0.7%                              |
| KIMCO REALTY           | KIM | \$2.59             | \$2.74      | \$2.98      | \$2.01       | \$2.09       | \$2.27       | 8.6%                             | \$38.85                          | \$1.60             | 4.1%              | 5.4%            | 131%                  | \$29.75             | 31.4%                | \$39.09                  | -0.6%                              |
| REGENCY CENTERS        | REG | \$4.20             | \$4.59      | \$4.94      | \$2.76       | \$2.98       | \$3.24       | 8.7%                             | \$68.51                          | \$2.64             | 3.9%              | 4.3%            | 113%                  | \$62.75             | 8.8%                 | \$68.29                  | 0.3%                               |
| WEINGARTEN REALTY      | WRI | \$3.06             | \$3.20      | \$3.45      | \$2.24       | \$2.32       | \$2.43       | 4.7%                             | \$36.21                          | \$1.98             | 5.5%              | 6.4%            | 117%                  | \$39.25             | -9.1%                | \$35.67                  | 1.5%                               |
| <b>Average:</b>        |     |                    |             |             |              |              |              | <b>7.2%</b>                      |                                  |                    | <b>4.6%</b>       | <b>5.2%</b>     | <b>115%</b>           |                     |                      |                          | <b>0.2%</b>                        |

Footnotes:

6) Corporate governance score based out of 100.

7) Leverage ratio includes perpetual preferred stock as debt; also includes convertible preferred stock if out-of-the-money.

8) Positive figures indicate relatively high pricing, while negative figures indicate relatively attractive pricing.

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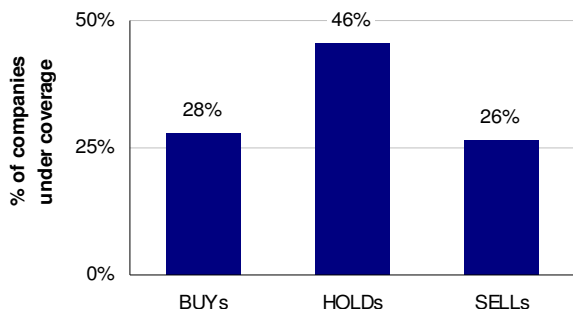
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**Green Street Recommendation Distribution**  
(as of 4/1/08)



Green Street's "BUYs" have historically achieved far higher total returns than its "HOLDS", which, in turn, have outperformed its "SELLs".<sup>1, 2</sup>

**Total Return of Green Street's Recommendations**

| Year                            | Buy            | Hold          | Sell         | NAREIT Eqty <sup>4</sup> |
|---------------------------------|----------------|---------------|--------------|--------------------------|
| 2008 YTD <sup>3</sup>           | 12.3%          | 11.3%         | 6.1%         | 1.4%                     |
| 2007                            | -6.5%          | -22.3%        | -27.6%       | -15.7%                   |
| 2006                            | 45.4%          | 29.9%         | 18.4%        | 35.1%                    |
| 2005                            | 26.3%          | 18.3%         | -1.9%        | 12.2%                    |
| 2004                            | 42.3%          | 28.4%         | 15.6%        | 31.6%                    |
| 2003                            | 42.7%          | 37.2%         | 20.9%        | 37.1%                    |
| 2002                            | 17.7%          | 2.6%          | 1.9%         | 3.8%                     |
| 2001                            | 35.7%          | 19.1%         | 11.9%        | 13.9%                    |
| 2000                            | 53.6%          | 29.3%         | 4.4%         | 26.4%                    |
| 1999                            | 14.2%          | -9.2%         | -20.2%       | -4.6%                    |
| 1998                            | -0.6%          | -15.1%        | -16.4%       | -17.5%                   |
| 1997                            | 37.1%          | 14.2%         | 5.8%         | 20.3%                    |
| 1996                            | 47.3%          | 30.2%         | 17.5%        | 35.3%                    |
| 1995                            | 23.6%          | 14.3%         | -0.4%        | 15.3%                    |
| 1994                            | 20.5%          | -0.7%         | -9.3%        | 3.2%                     |
| 1993 <sup>3</sup>               | 29.4%          | 5.4%          | 6.7%         | 12.4%                    |
| <b>Total Return<sup>3</sup></b> | <b>4137.8%</b> | <b>406.6%</b> | <b>18.4%</b> | <b>497.8%</b>            |
| <b>Annualized</b>               | <b>28.0%</b>   | <b>11.3%</b>  | <b>1.1%</b>  | <b>12.5%</b>             |

1) Historical results through January 3, 2005 were independently verified by Ernst & Young, LLP. E&Y did not verify stated results subsequent to January 3, 2005. Past performance results cannot be used to predict future performance. For a complete explanation of study, see 5/9/03 report "How are We Doing?".  
 2) Company inclusion in the calculation of total return has been based on whether the companies were listed in the primary exhibit of Green Street's "Real Estate Securities Monthly", pg. 13-16. Beginning with May 2000, Gaming C-Corps and Hotel C-Corps, with the exception of Starwood Hotels and Homestead Village, are not included in the primary exhibit and therefore not included in the calculation of total return. Beginning with March 2003, all Hotel companies are excluded.  
 3) Study uses recommendations given in Green Street's "Real Estate Securities Monthly" from January 29, 1993 through April 1, 2008.  
 4) Not directly comparable to Green Street's performance indices because NAREIT includes more companies and uses market-cap weightings. Green Street's returns are equally-weighted averages.