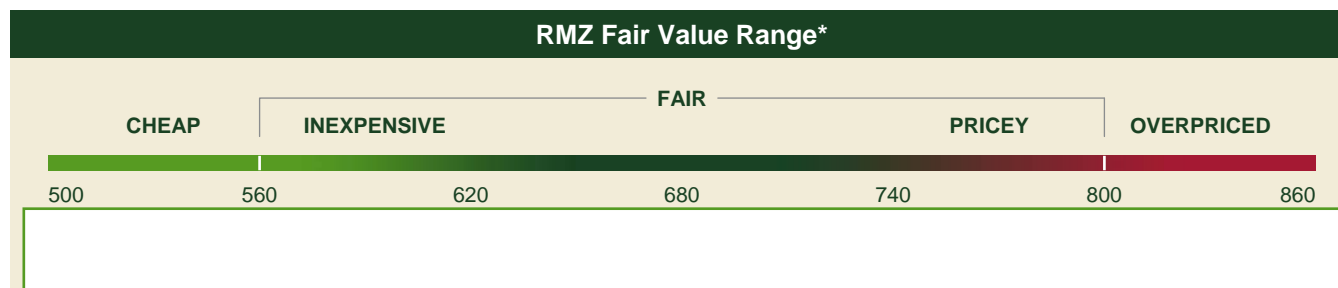


REIT Valuation Analysis

April 1, 2011



RMZ: **804** | DJIA: **12,377** | 10-Year T-Note: **3.44%** | Baa Yield: **6.0%**

* See page 3 for detailed analysis

Important disclosure on page 10

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This excerpt is from Green Street Advisors' REIT Valuation Analysis report, April 1, 2011.

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**Throughout this report, the Vanguard 500 Index Fund (VFINX) and the Vanguard Long-Term Investment-Grade Fund (VWESX) are used as a proxy for stock and bond returns, respectively. REIT returns are measured using the FTSE NAREIT All Equity REIT Index.*

REIT Valuation - A Macro View

What is the Fair Value for the MSCI US REIT Index (RMZ)?

REIT valuations are inextricably linked to the value of other capital-market alternatives, specifically stocks and bonds. The appropriateness of prevailing valuations is best assessed by comparing prospective returns on real estate/REITs with returns/yields in these other markets. The detailed comparisons appear in the pages that follow; a summary of the conclusions appears below.

REITs Relative to Fixed-Income Alternatives

Private-Market Real Estate vs Fixed Income (pages 4 & 5)

Unlevered real estate has historically offered a return premium of 145 bps over the yield on Baa-rated long-term corporate bonds. In order to bring the current premium in line with its long-term average, real estate values need to change by...

Public-Market Real Estate vs. Private-Market Real Estate (page 6)

On average, REITs have traded roughly at parity relative to asset value/NAV over the last twenty+ years. Based on prevailing share prices and the resultant observed premium/discount, public-market investors are effectively assuming that real estate values will change by...

Connecting the Dots: Public Market Real Estate vs. Fixed Income (page 6)

Assuming that unlevered property values revert to their long-term relationship relative to fixed-income alternatives, REIT share prices should change by...

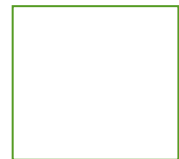
RMZ Fair Value: Relative to Fixed-Income Market (a)



REITs Relative to Stocks (page 7)

Since the beginning of the Modern REIT era, the 36-month-forward AFFO yield on REITs has, on average, approximated the earnings yield on the S&P 500. The change in REIT values necessary to bring this relationship back to parity is...

RMZ Fair Value: Relative to the S&P 500 (b)



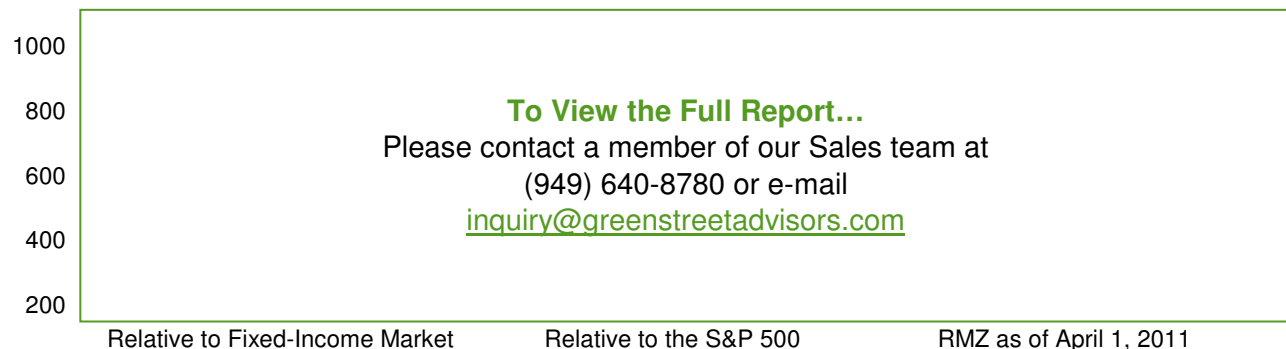
REIT Fair Value

RMZ Fair Value Range

Midpoint \approx (Line a from above * 2/3) + (Line b * 1/3)



REIT Valuation @ RMZ = 804



Limitations of this Analysis: 1) Predictive power is best over long (about 2 years out) time frames; 2) the value of external growth prospects is ignored; 3) it addresses values relative to stocks/bonds, but not absolute valuations; 4) high leverage necessitates a wide range for fair value; and 5) it's right only a little more often than it's wrong.

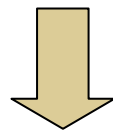
The back-testing supporting the valuation approaches employed herein can be accessed here:
www.greenstreetadvisors.com/research/view/RMZforecastbacktest.pdf.

REIT Valuation - A Macro View

Private Market Real Estate vs. Fixed Income

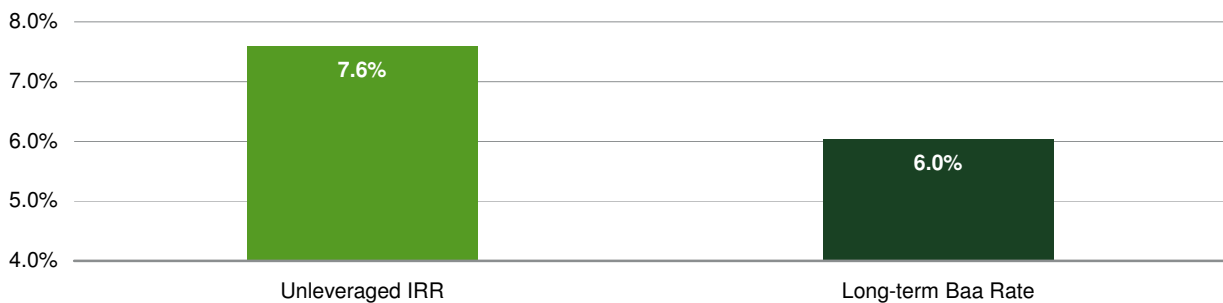
Current Return Expectations: Based on the weighted average major-property-sector cap rates and growth rates shown below, it is possible to calculate the expected unleveraged returns (IRR) that real estate investors can currently expect to achieve. Expected returns normally exceed corporate borrowing rates.

Nominal Cap Rate	Economic Cap Rate	Projected NOI Growth						
		'11	'12	'13	'14	'15	'16	Long Term
6.5%	5.8%	2.2%	2.7%	3.0%	2.9%	3.0%	2.7%	1.5%



Long-term growth is based on a long-term inflation estimate of 2.5%.

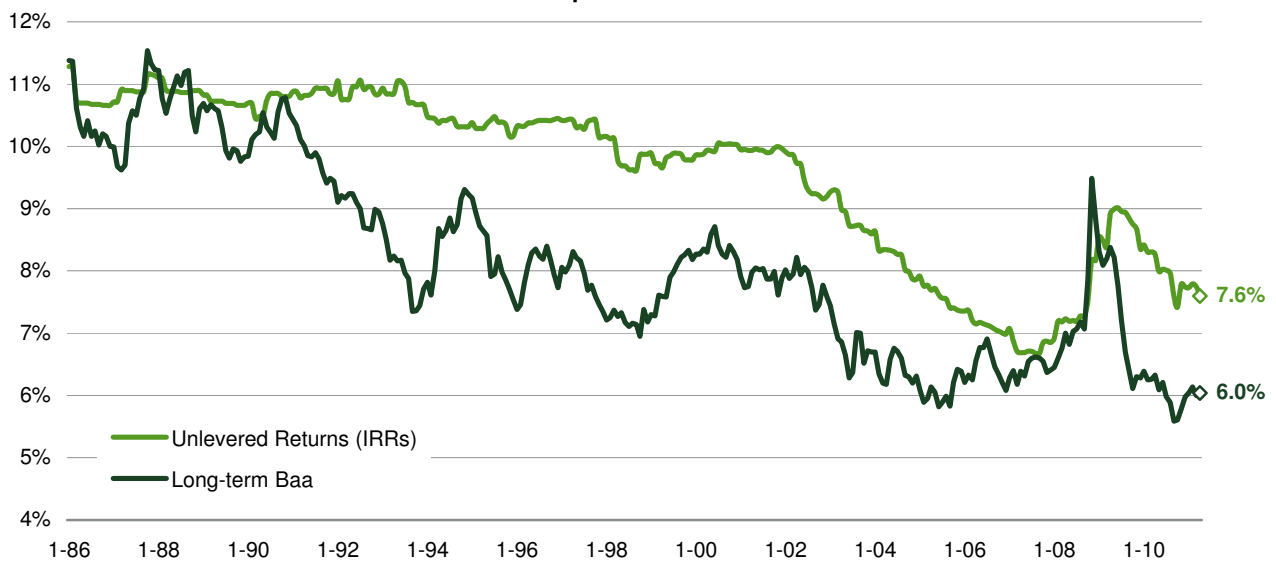
The Unleveraged Returns Currently Available on Real Estate vs. Baa Rate



Major Property Sectors are Apartment, Industrial, Mall, Office & Strip Retail. Each sector is given a 20% weight.

Historic Return Expectations: By combining historic cap rate, intermediate growth, and inflation expectations, it is possible to construct a time series of the unleveraged returns that real estate investors historically have expected to achieve. The time series helps put the prevailing return premium in perspective.

Unlevered Return Expectations on R.E. vs. Baa Rates

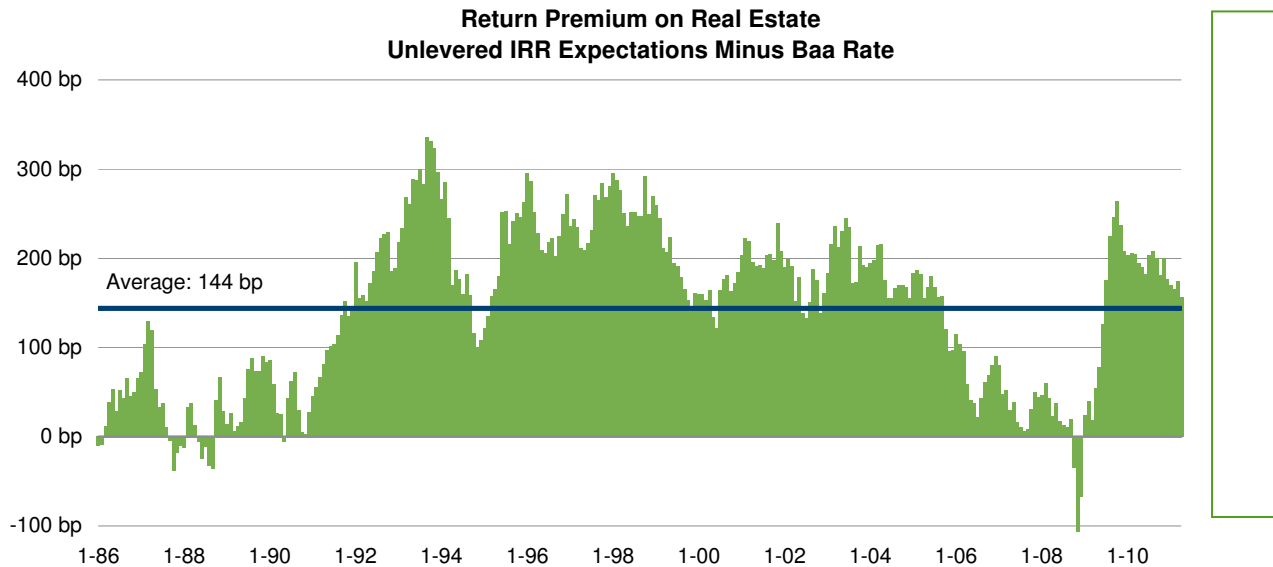


Proxy for historic IRR expectations = economic cap rates + expected intermediate-term growth + expected long-term growth (forecast inflation less 100 bps). Source for Baa Rate: Moody's.

REIT Valuation - A Macro View

Private Market Real Estate vs. Fixed Income (continued)

Return Premiums: Current valuation levels can be assessed by comparing prevailing return premiums (i.e. expected IRRs less Baa rates) vs. historic norms. Risk premiums that have been higher than the historic norm have typically preceded periods of outsized appreciation in real estate values, and vice versa*.



*For more on the ability of return premiums to predict future real estate returns and REIT performance please go here: www.greenstreetadvisors.com/research/view/RMZforecastbacktest.pdf.

Warranted Adjustment in Private Market Real Estate Prices:

Unleveraged real estate is currently priced to deliver long-term returns that exceed the cost of long-term corporate debt by...

The long-term average for this return premium is...

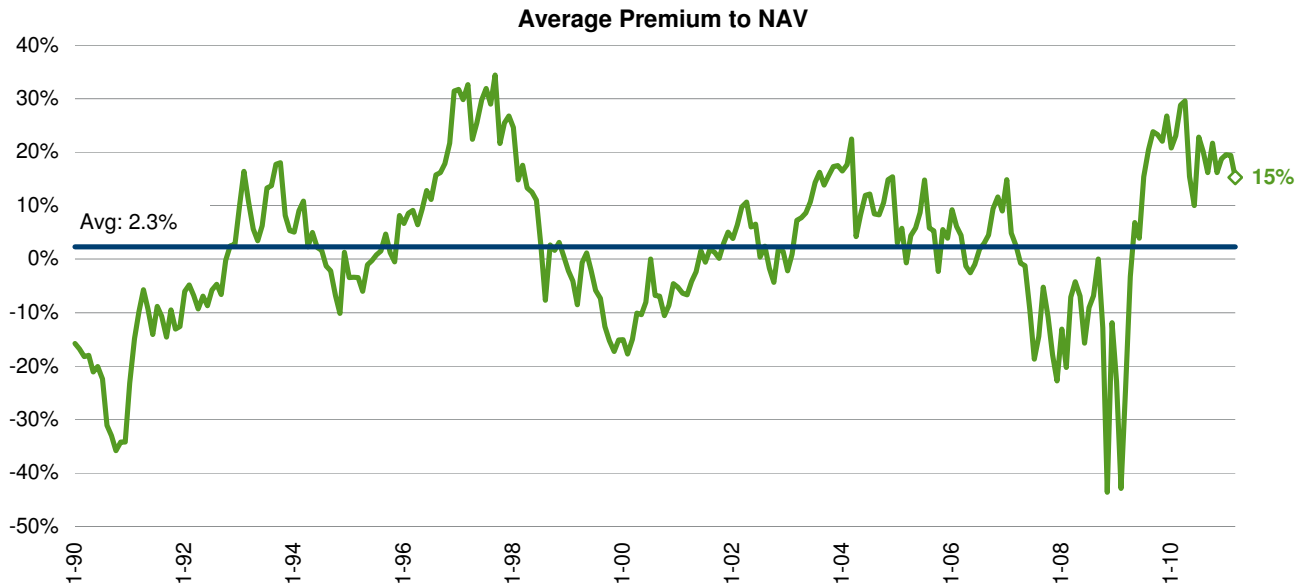
Assuming the spread between prospective returns on real estate in the private market vs. Baa rates reverts to its long-term norm, cap rates will need to change by about...

This equates to a change in the average value of unleveraged real estate in the private market of about...

REIT Valuation - A Macro View

Public Market Real Estate vs. Fixed Income

NAV Premiums: Observed NAV premiums/discounts in the public market have historically been reliable predictors of future changes in private-market prices*. While false signals can occur, large premiums usually precede rising property values, and vice versa.



Weighted average (weighted by NAV*shares outstanding) of all US-listed companies in Green Street's coverage universe, excluding Hotels and those without a published opinion. Equally-weighted average prior to Jan '93.

*This predictive power can be viewed here: www.greenstreetadvisors.com/research/view/RMZforecastbacktest.pdf.

Warranted Adjustment in Public Market Real Estate Prices:

Observed Premium to Unleveraged Asset Value (major property sectors)**

Combining the change in unleveraged private-market values that *should* occur (prior page) with the change that is "baked into" public-market values, the change to implied de-levered public-market values that should occur is...

Considering that the average ratio of equity market-cap to asset value is...

The expected change in REIT share prices is...

Based on pricing benchmarks from the fixed-income market, the fair value for the RMZ is...

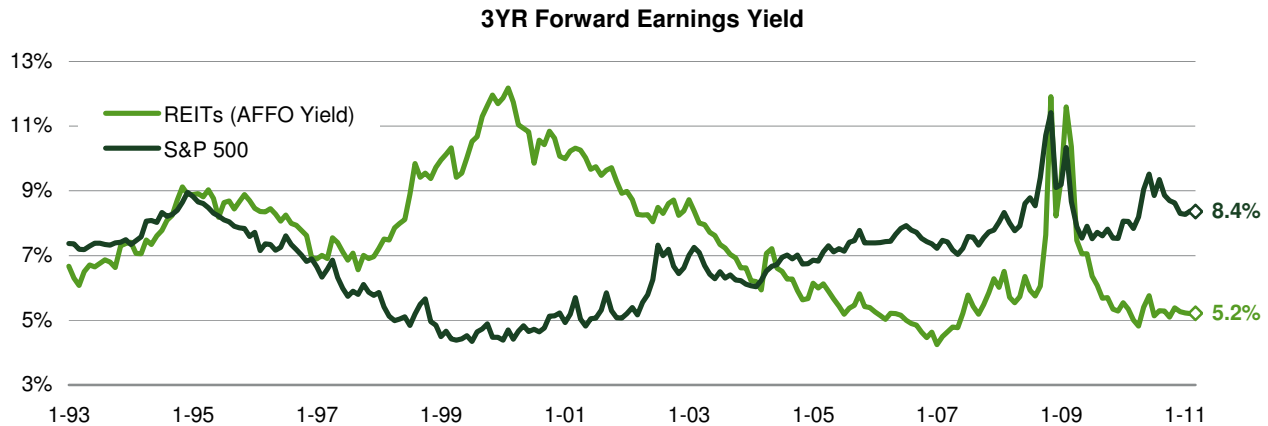


**The premium to NAV shown in the top graph is for all REITs; the premium to unleveraged asset value (and all other aspects of this analysis) pertains solely to the five major property sectors. Premiums to asset value are absent the distortive effect of leverage.

REIT Valuation - A Macro View

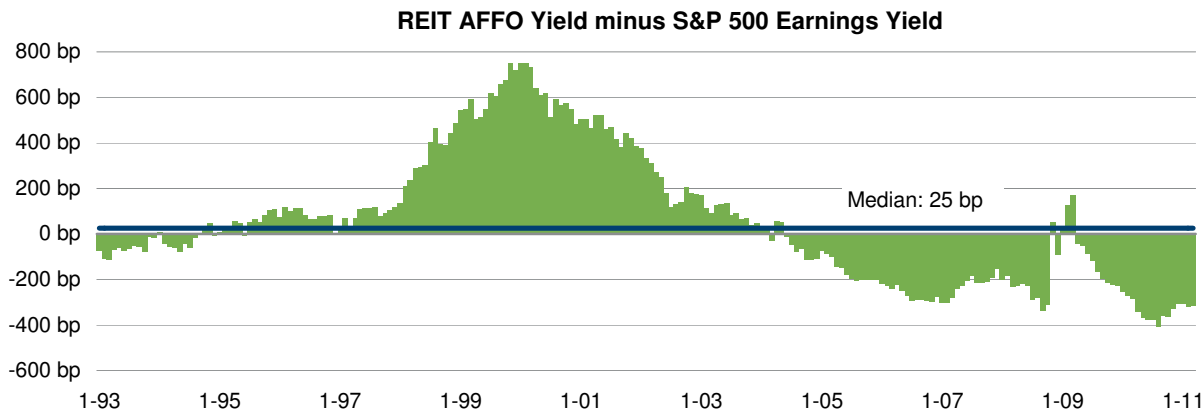
Public Market Real Estate vs. the S&P 500

AFFO yield is the REIT industry's proxy for the earnings yield on the broad market. The historic relationship between AFFO yield and earnings yield has been surprisingly volatile, as evidenced by the much lower yields (higher multiples) ascribed to the broad market during the '99/'00 Tech bubble and the ensuing low yields ascribed to REITs during the '06/'07 real estate bubble. Because long leases cause REIT earnings to change more slowly than those of most corporations, the earnings/AFFO estimates utilized are for three years hence.



REIT AFFO Yield is market-cap weighted average for Green Street's coverage universe, excluding Hotels and non-US listed. 3YR forward earnings for the S&P 500 = 52wk forward operating earnings (source: Thomson Reuters) grown by 5% per year.

Despite wide swings, over the long-term, REIT and S&P yields have been roughly equal.



For detail on the ability of the above approach to predict future REIT performance relative to the S&P 500 please go here: www.greenstreetadvisors.com/research/view/RMZforecastbacktest.pdf.

Warranted Adjustment in Public Market Real Estate Prices:

The current 3-Year-Forward AFFO Yield (AFFO/P) on REITs is...	5.2%
The current 3-Year-Forward Earnings Yield on the S&P 500 is...	8.4%
The spread between the REIT AFFO Yield and the S&P 500 Earnings Yield is...	-315 bp
Assuming that REIT AFFO yields revert to parity with S&P earnings yields, REIT share prices should change by...	

Fair Value RMZ Relative to the S&P 500...

REIT Valuation - A Macro View

Does the RMZ Forecasting Tool Work?

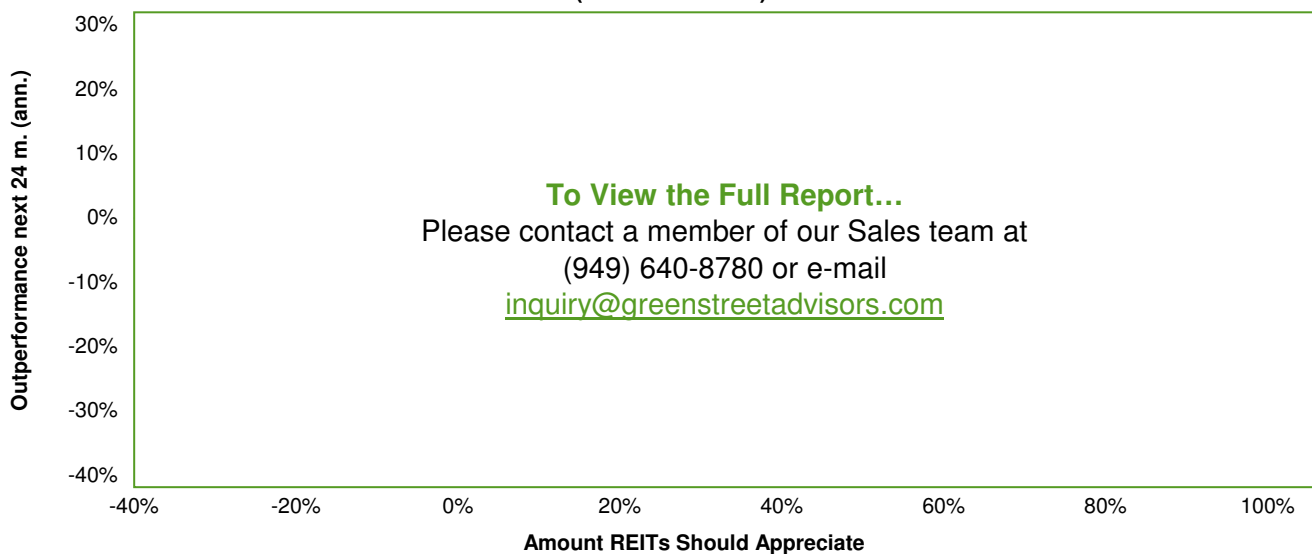
Backtesting of the predictions that emanate from this approach toward valuing the RMZ shows that it would have done a respectable job of predicting future outperformance (vs. stocks/bonds) by REITs. Predictive power is strongest with regard to a two-year forward outlook (see below); the tool does not add much value in assessing where the RMZ will be in a month or two.

REIT Valuation & Subsequent Returns



Works Best when Signals are Strong: The strongest buy signals have been consistently followed by outperformance; strong sell signals have been followed by underperformance. Results are ambiguous when pricing appears fair. As a result, the specific RMZ forecast generated by the tool should be viewed as merely the middle of a broad range that represents fair value.

REIT Valuation and Subsequent Performance vs 50% Corp Bonds / 50% Stocks (next 24 months)



The approach of valuing REITs by combining valuation benchmarks from the fixed-income, private real estate, and stock markets is only as good as the sum of its individual pieces. Each of these benchmarks has considerable predictive power. For a summary, please go here: www.greenstreetadvisors.com/research/view/RMZforecastbacktest.pdf.

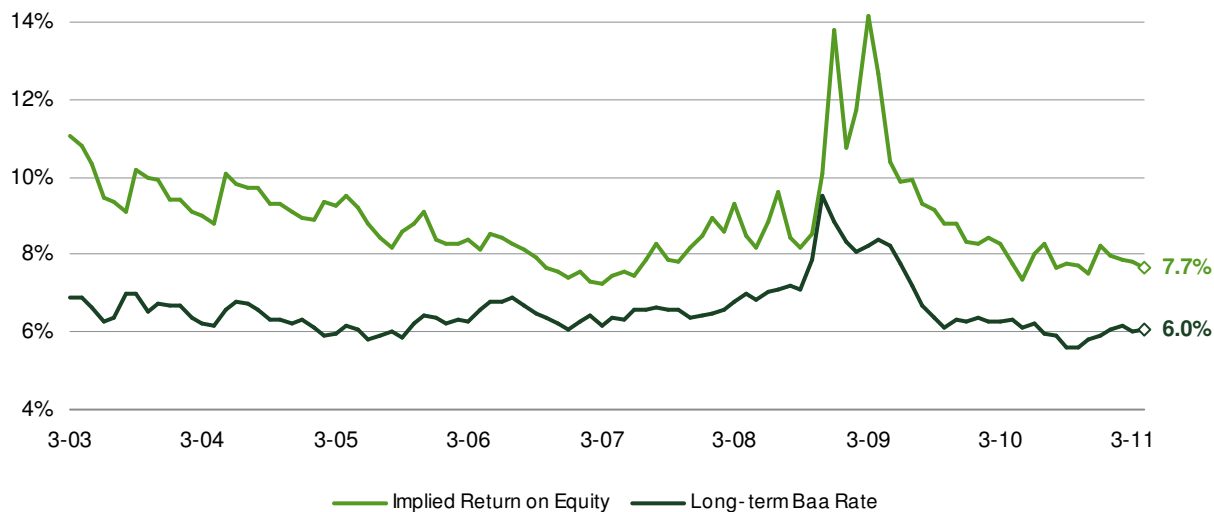
A Discounted Cash Flow Perspective

We use our DCF model as an alternative approach to valuation. The sector-averages shown here represent aggregations of the company-specific outputs from our DCF model. The implied weighted average costs of capital are calculated based on current share prices and AFFO growth prospects. The warranted share valuations are derived by applying our estimates of appropriate discount rates to future cash flow streams.

Discounted Cash Flow Approach (1)									
Sector	Current Dividend Yld	Dividend Growth			Implied Cost of Equity	Lev Ratio	Implied WACC	Warranted WACC	DCF Concludes this Sector is Over/(Under)-Valued by*
		'11 vs '10	'12 vs '11	LT					
Student Housing	4.1%	3.0%	14.2%	3.8%	8.3%	40.7%	6.8%	6.6%	
Mall	3.3%	6.8%	7.2%	4.5%	8.0%	45.7%	6.6%	6.5%	
Strip Center	4.0%	-1.6%	5.3%	2.7%	7.6%	50.0%	6.4%	6.4%	
Industrial	3.3%	11.8%	12.7%	2.7%	7.2%	54.4%	6.2%	6.2%	
Manufactured Home	3.9%	5.2%	9.8%	6.3%	10.1%	52.4%	7.5%	7.5%	
Apartment	3.2%	10.0%	13.5%	3.5%	7.2%	45.2%	6.2%	6.1%	
Health Care	4.8%	9.6%	10.0%	3.0%	8.5%	42.0%	7.2%	7.2%	
Office	3.1%	4.7%	6.5%	3.7%	7.5%	49.4%	6.3%	6.4%	
Self Storage	2.9%	12.4%	8.4%	3.8%	7.1%	26.6%	6.5%	6.8%	
Weighted Average	3.4%	7.1%	8.7%	3.5%	7.7%	43.3%	6.5%	6.5%	

(1) For a more in-depth discussion of our DCF model, see "REIT Pricing - An Update of Green Street's Pricing Models", dated 2/7/03.
 * This column depicts the average mispricing of the companies comprising each sector. A note of caution is in order, as big outliers can skew results such that an entire sector may look pricey/cheap, when in fact, the average is being unduly influenced by a single company.

Implied Return on Equity vs. Baa Rates



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