



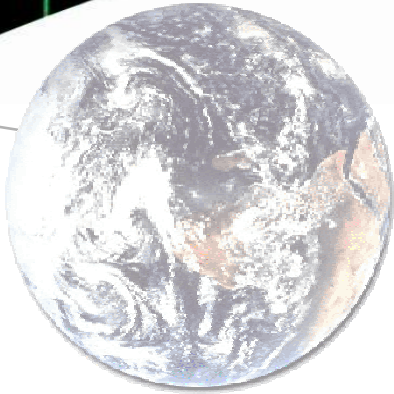
CB Richard Ellis
I N V E S T O R S
A Limited Liability Company

NORTHWEST CONSTRUCTION CONSUMER COUNCIL

Presented By:
Doug Herzbrun
Managing Director
January 26, 2000

U.S. Real Estate Capital Markets Overview

INVESTABLE UNIVERSE



\$1.1 TRILLION

INVESTABLE UNIVERSE



**INVESTABLE
INVENTORY**

12.3 Billion Square Feet

source:

Torto Wheaton Research; CB Richard Ellis Investors

X

**VALUE PER
SQ. FT.**

\$87.00 Per Square Foot

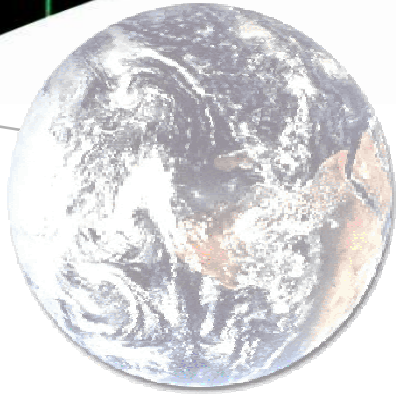
source:

CB Richard Ellis National Real Estate Index

=

\$1,066,700,000,000

INVESTABLE UNIVERSE CRITERIA

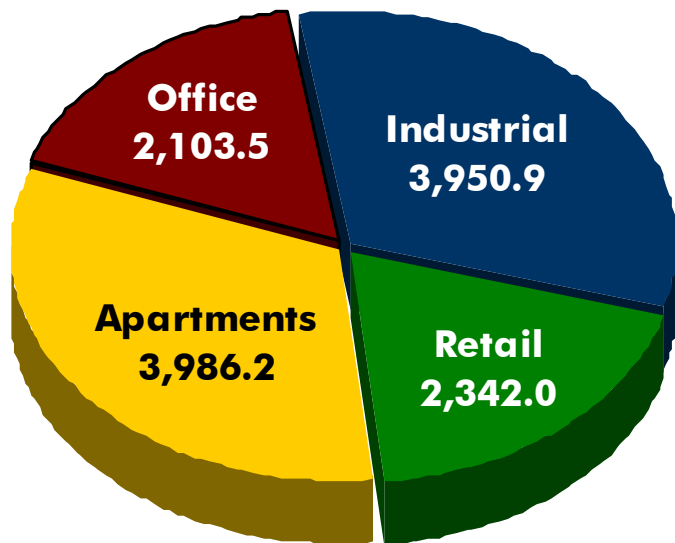


• **TWR MARKETS - "INSTITUTIONAL"**

	SIZE	AGE
• OFFICE	50,000 SF+	Built or Renovated since 1968
• INDUSTRIAL	50,000 SF+	Built Since 1968
• RETAIL (Shopping Centers)	30,000 SF+	None
• APARTMENTS	None	Built Since 1977

INVESTABLE UNIVERSE BY PROPERTY TYPE

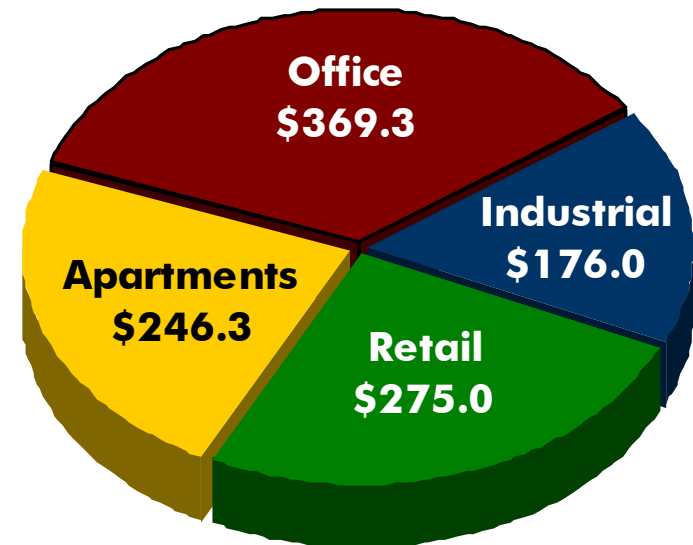
**SQUARE FEET
(Millions)**



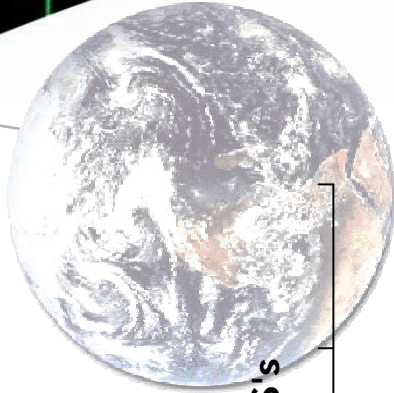
**AVERAGE
PRICE PER
SQUARE FOOT**



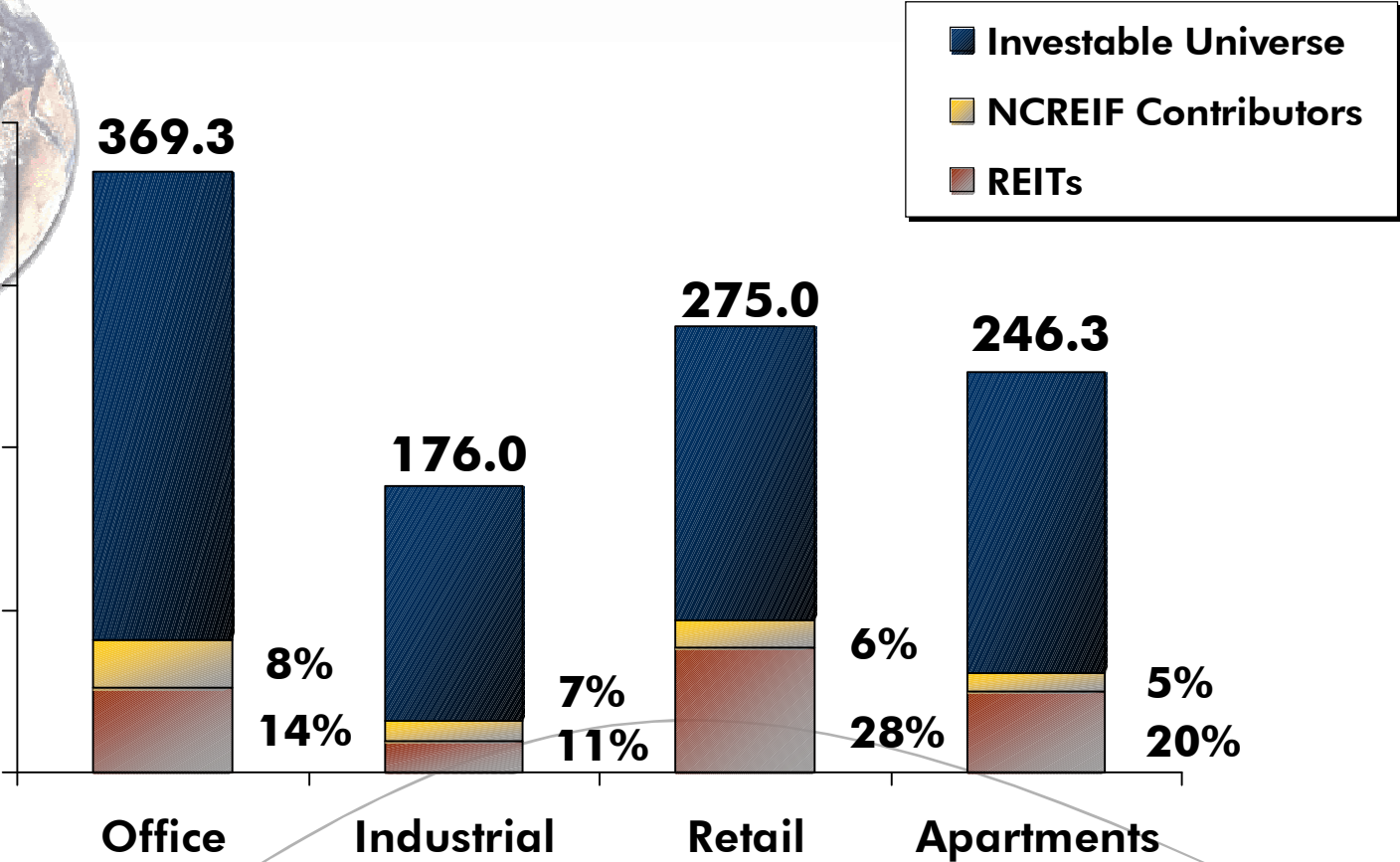
**VALUE
(Billions)**



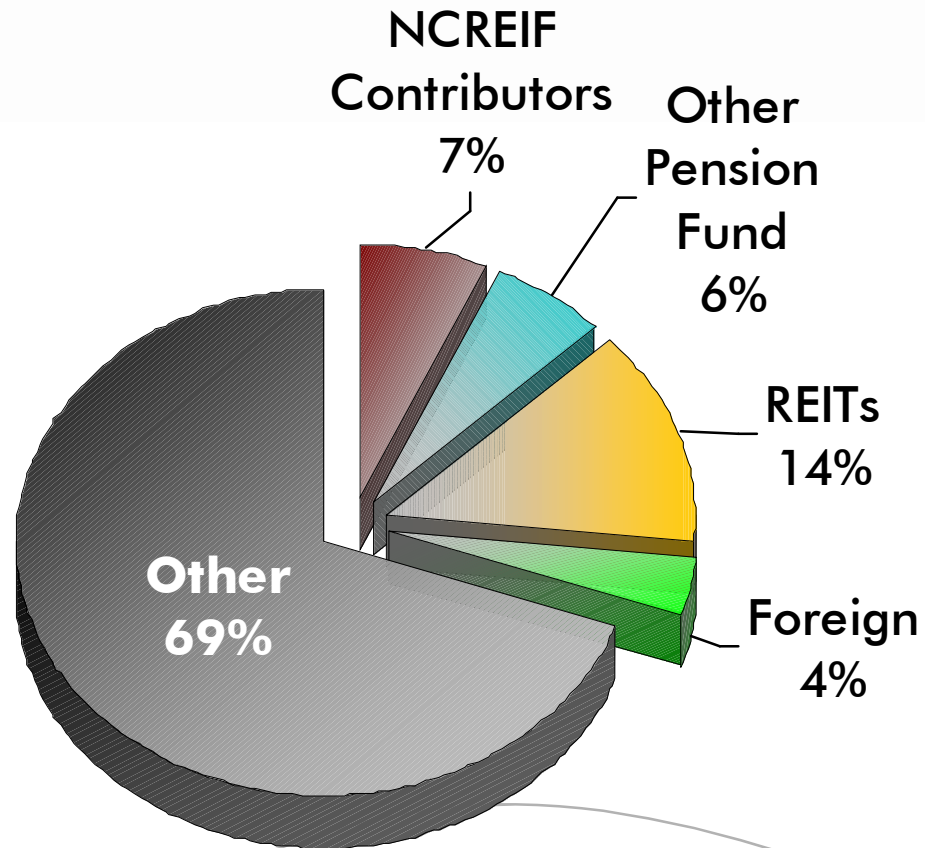
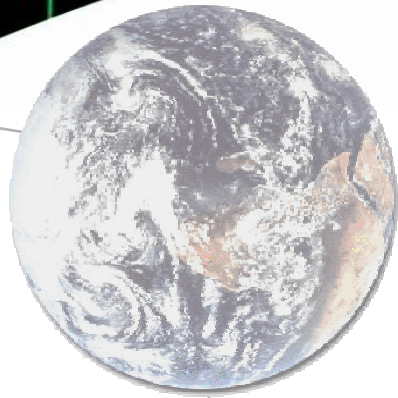
INVESTABLE UNIVERSE CRITERIA



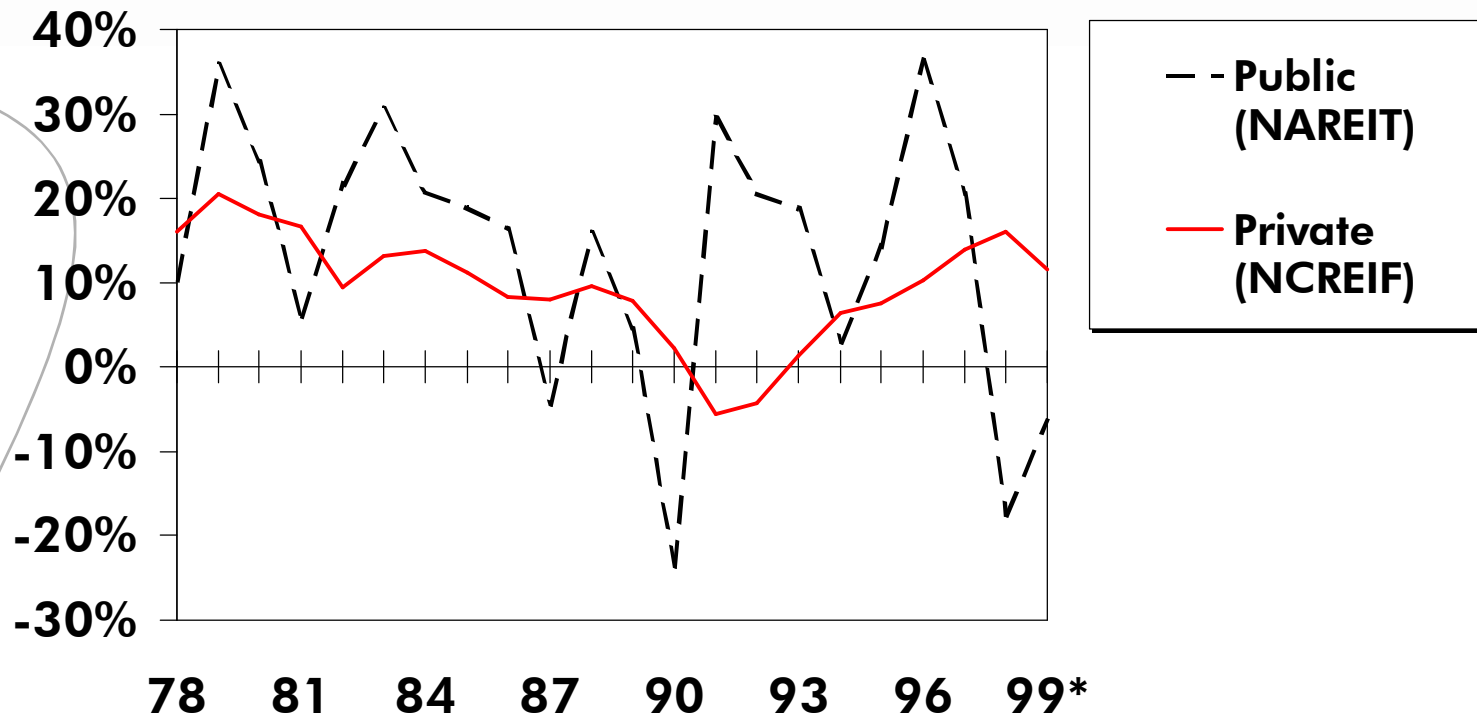
Billions of \$'s



INVESTABLE "INSTITUTIONAL" BREAKDOWN BY OWNERSHIP



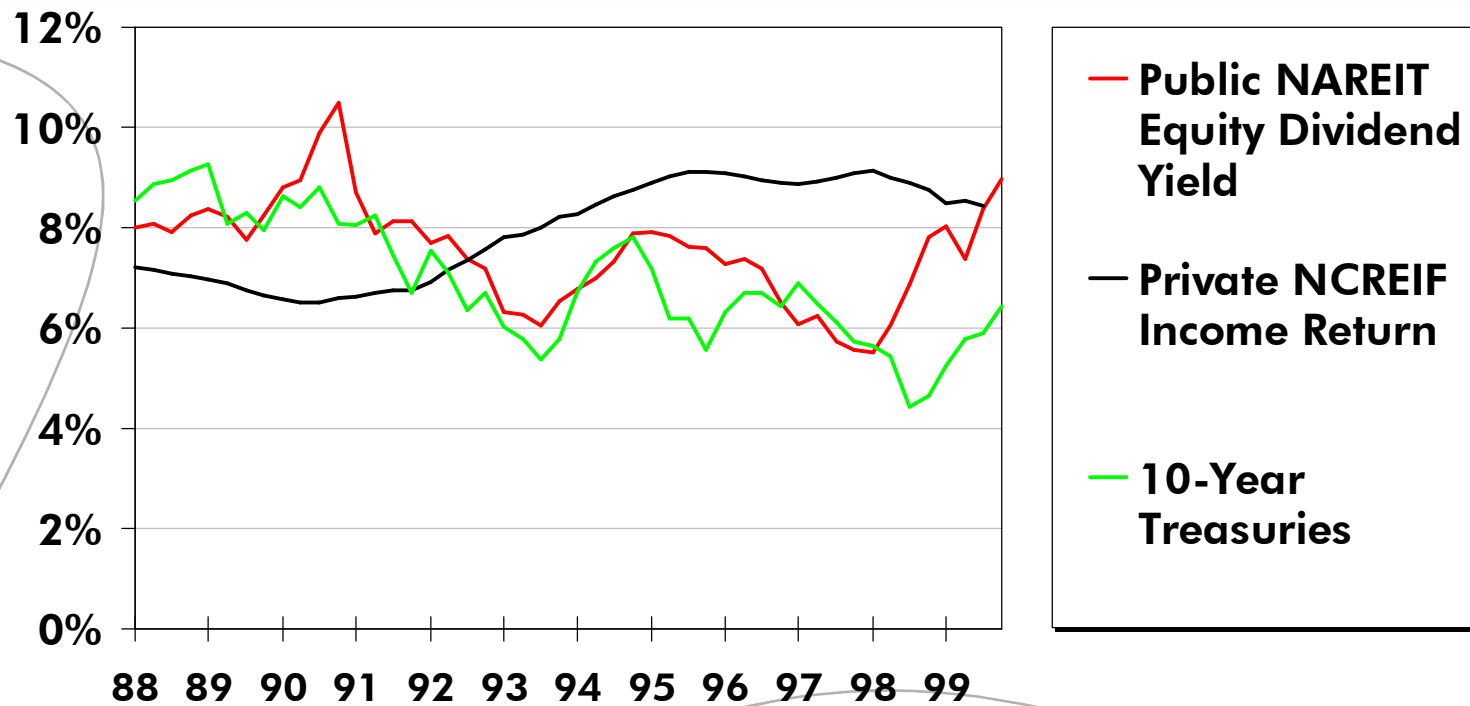
ANNUAL REAL ESTATE RETURNS PUBLIC & PRIVATE



* Estimated for NCREIF

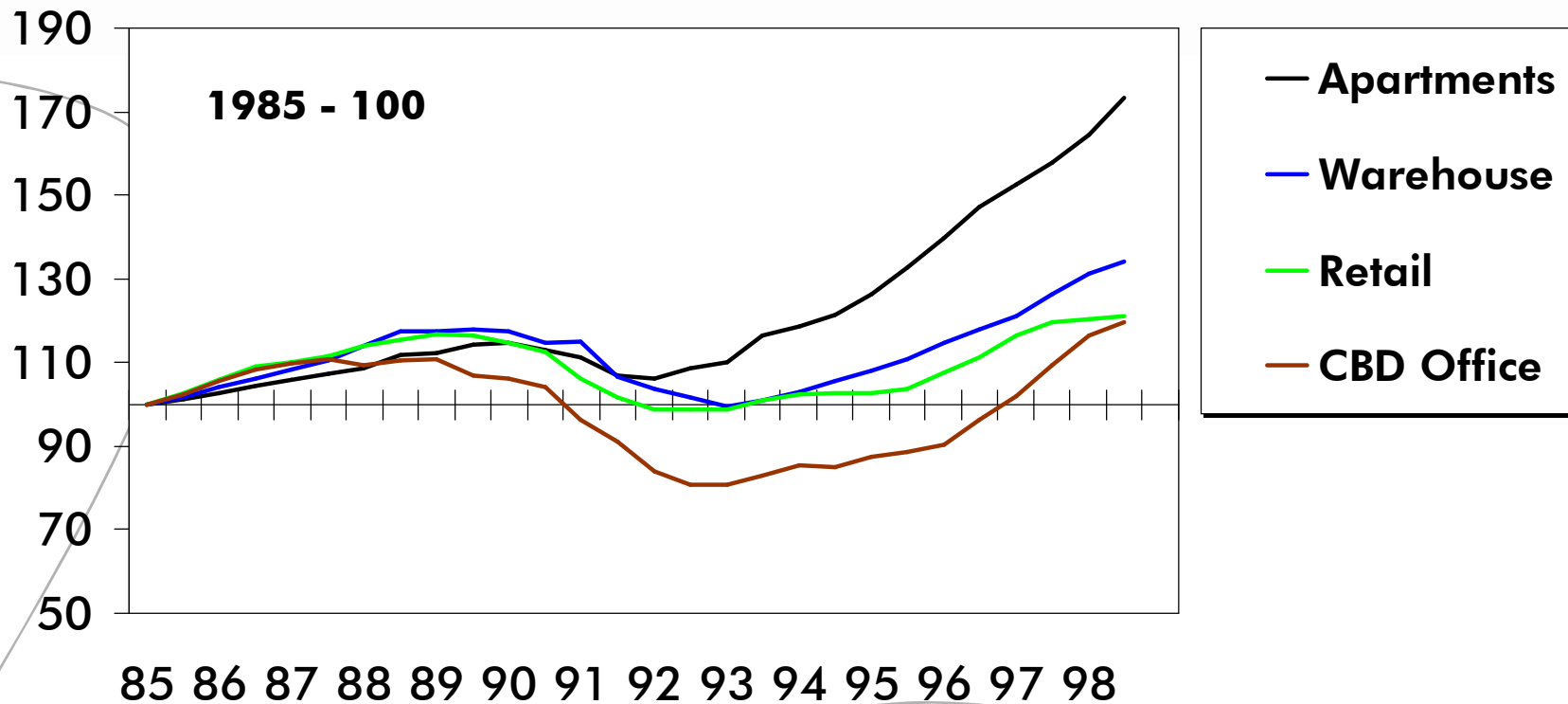
Source: NAREIT; NCREIF

PUBLIC & PRIVATE REAL ESTATE YIELDS



Source: NAREIT, NCREIF

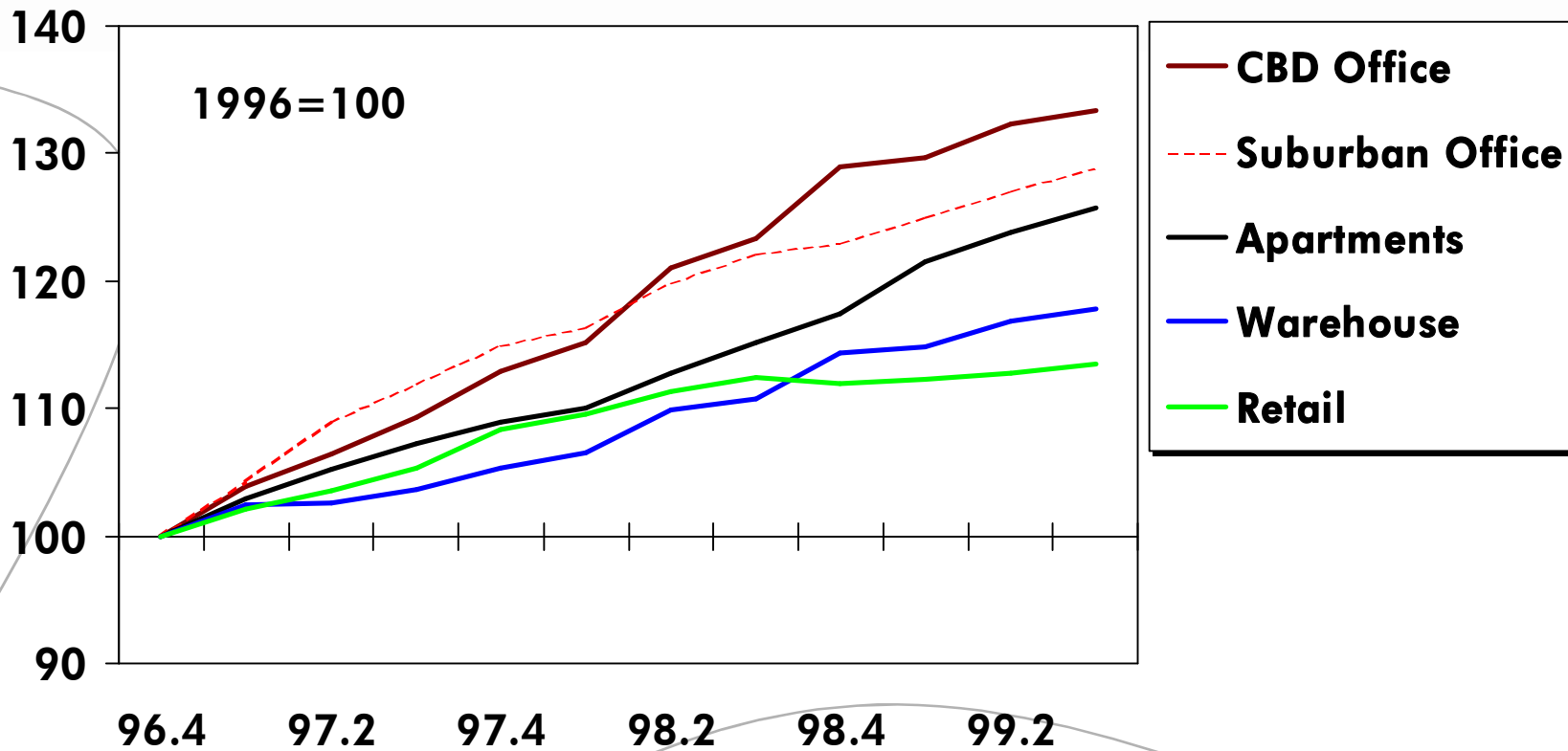
PRICING INDICATORS PRICES PER SQ. FT. - LONG-TERM TREND



* As of second quarter

Source: CB Richard Ellis National Real Estate Index

PRICING INDICATORS PRICES PER SQ. FT. - SHORT-TERM TREND



Source: CB Richard Ellis National Real Estate Index

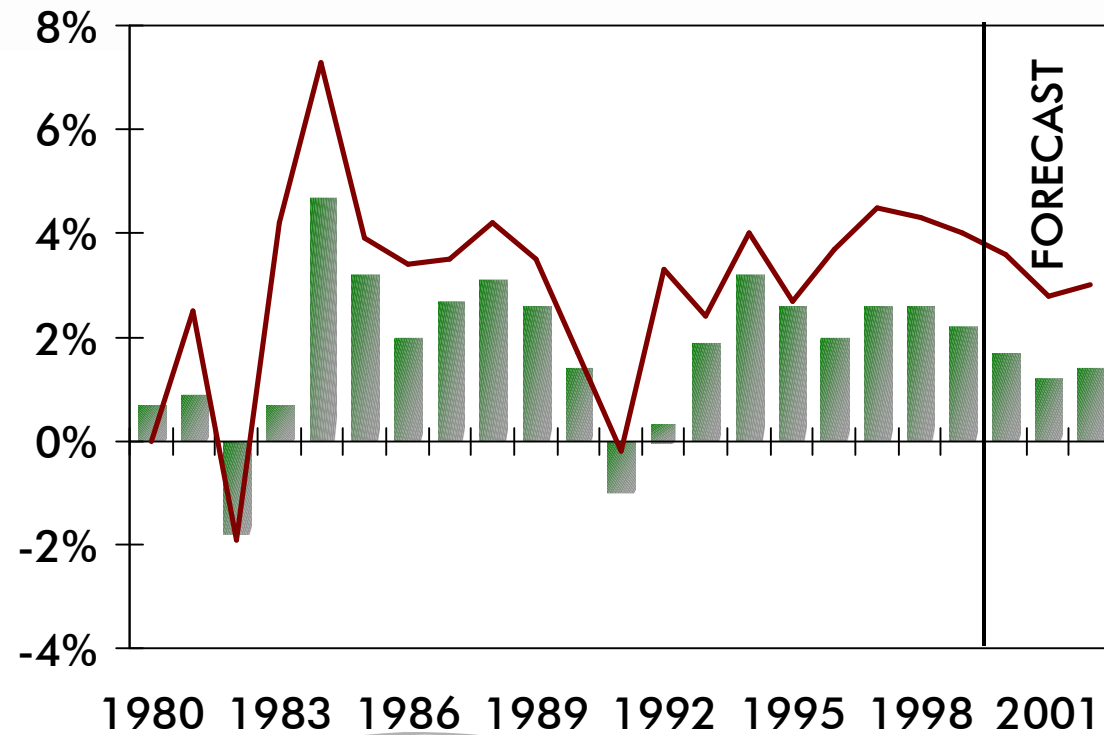
U.S. Property Market Overview

Office: Is There Life After Recovery?



ECONOMIC OVERVIEW

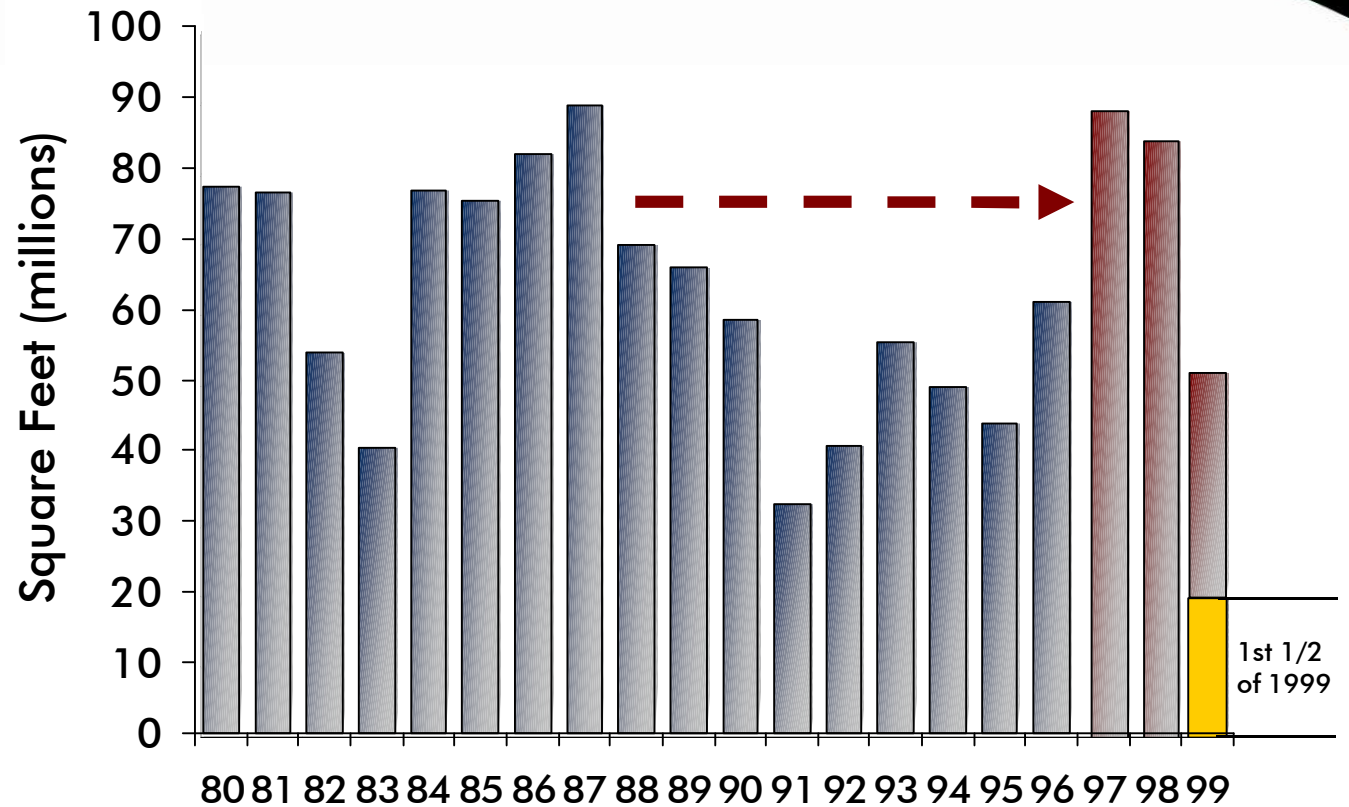
GDP VS. EMPLOYMENT GROWTH



■ Total Non-Agricultural Employment — GDP

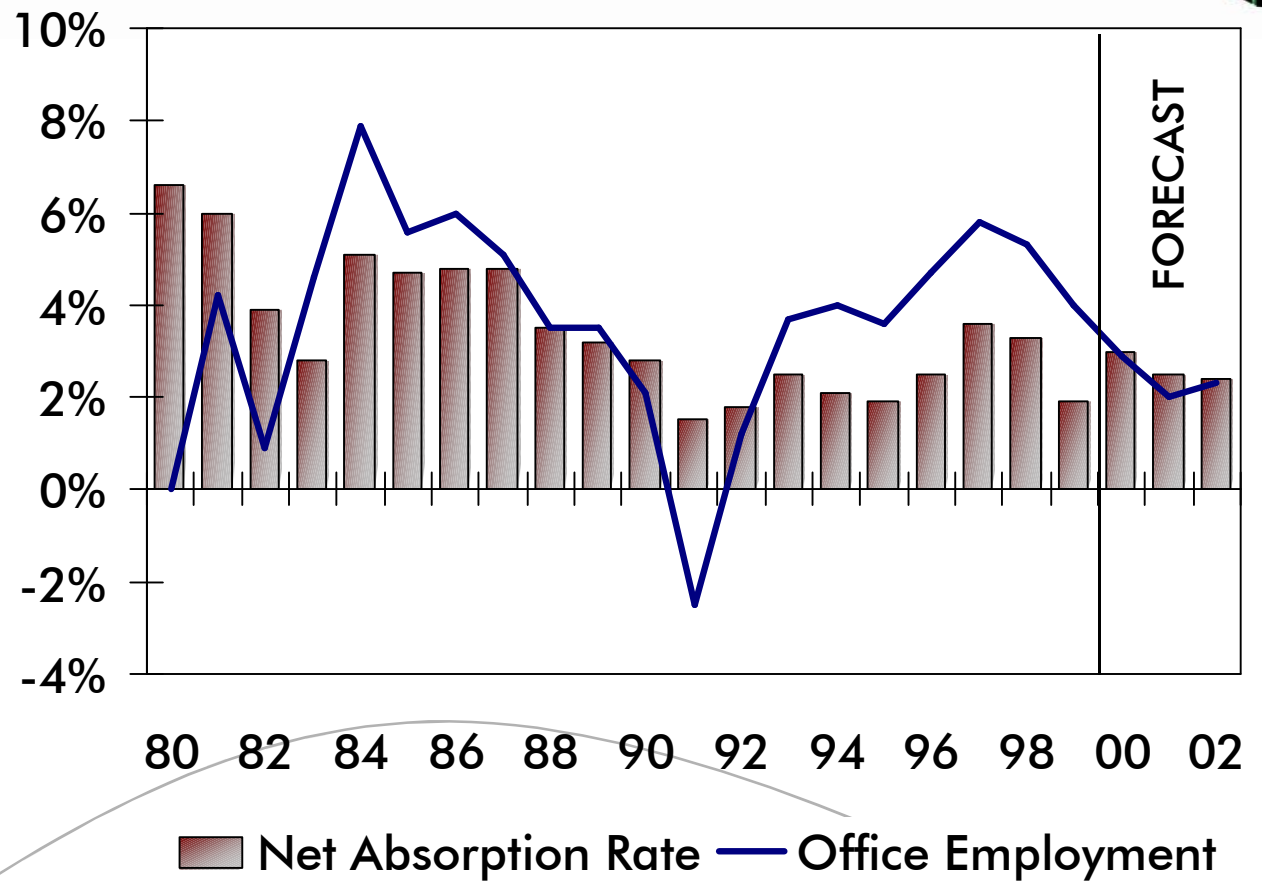
Source: Regional Financial Associates

U.S. OFFICE MARKET ABSORPTION IN SQUARE FEET



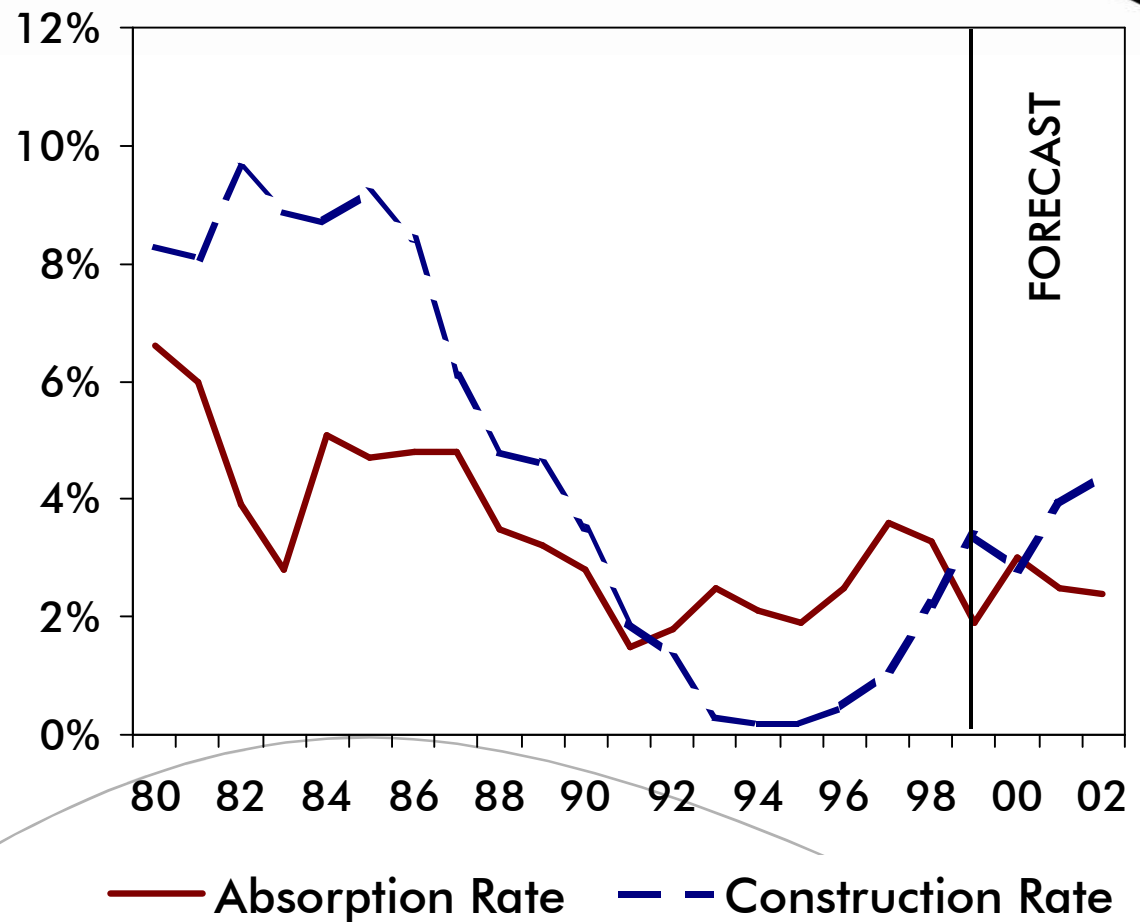
Source: CBRE Torto Wheaton Research

OFFICE EMPLOYMENT VS. NET ABSORPTION RATE



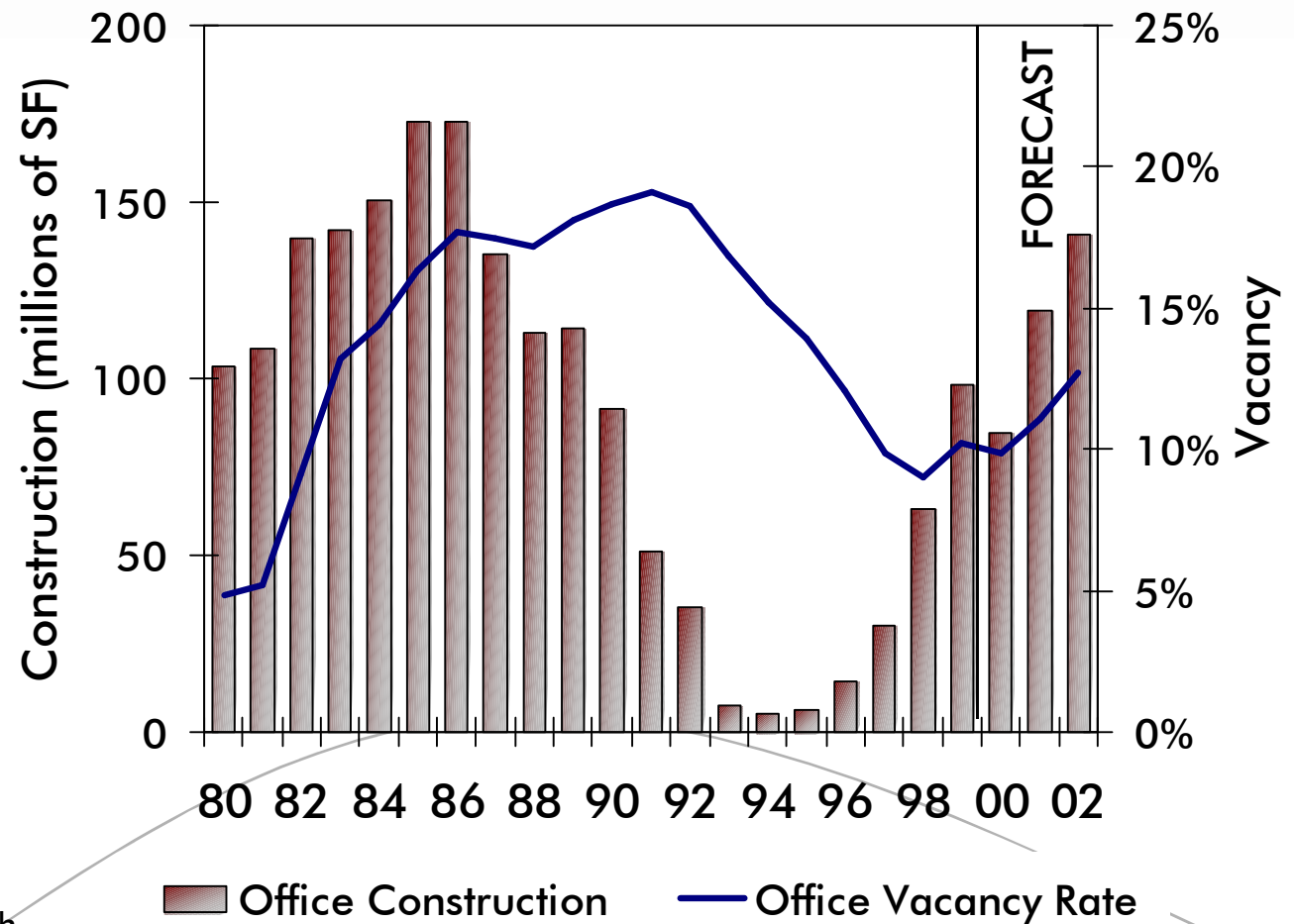
Source: CBRE Torto Wheaton Research; RFA

OFFICE ABSORPTION RATE VS. CONSTRUCTION RATE



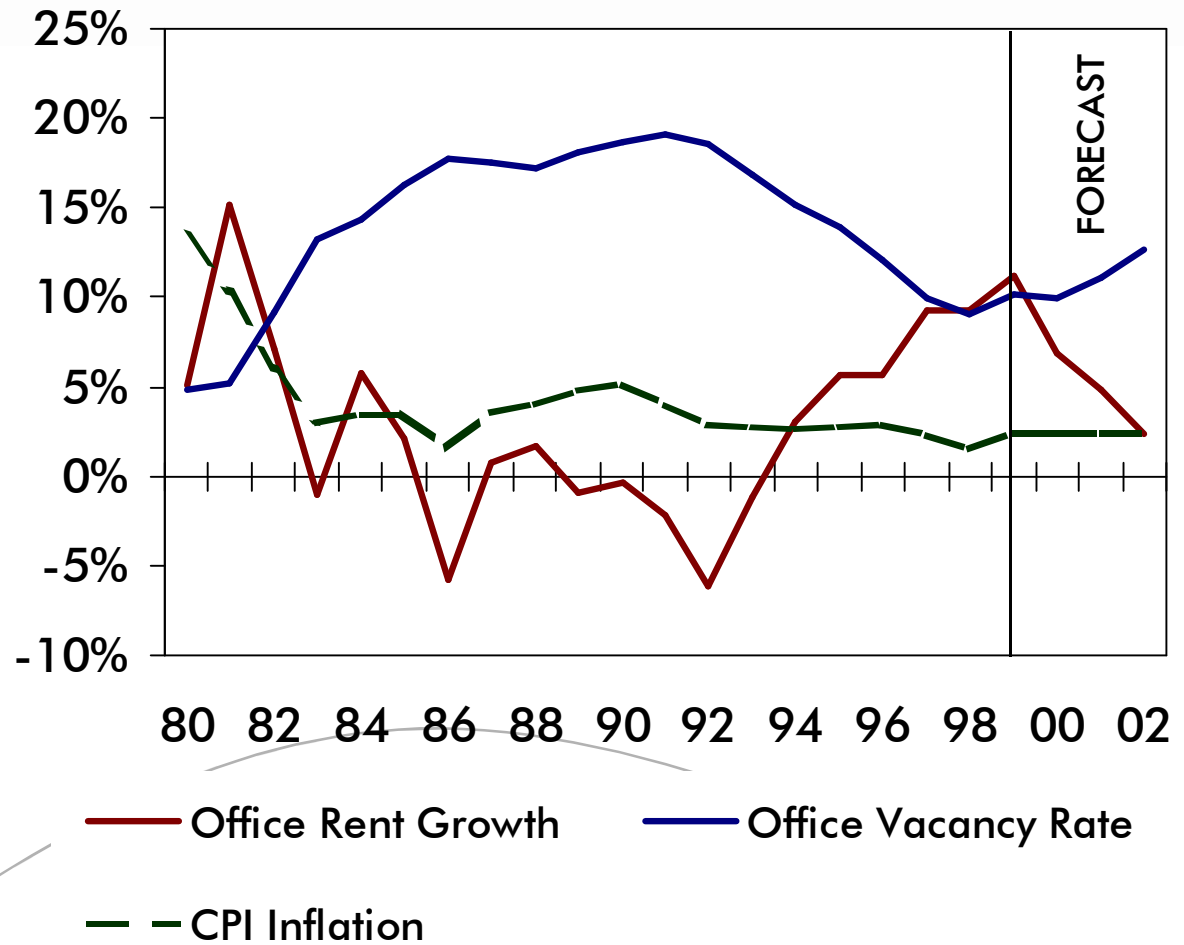
Source: CBRE Torto Wheaton Research

OFFICE CONSTRUCTION VS. VACANCY



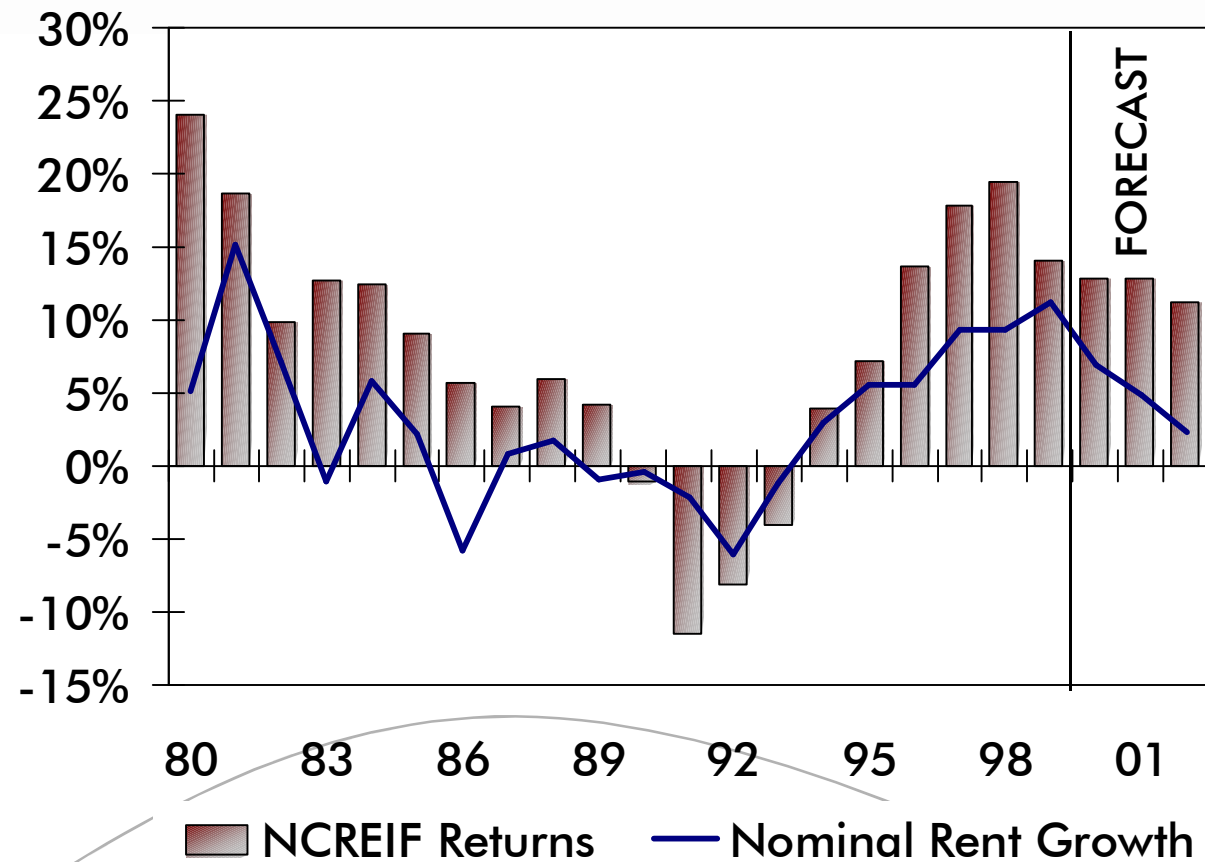
Source: CBRE Torto Wheaton Research

OFFICE VACANCY VS. RENT GROWTH



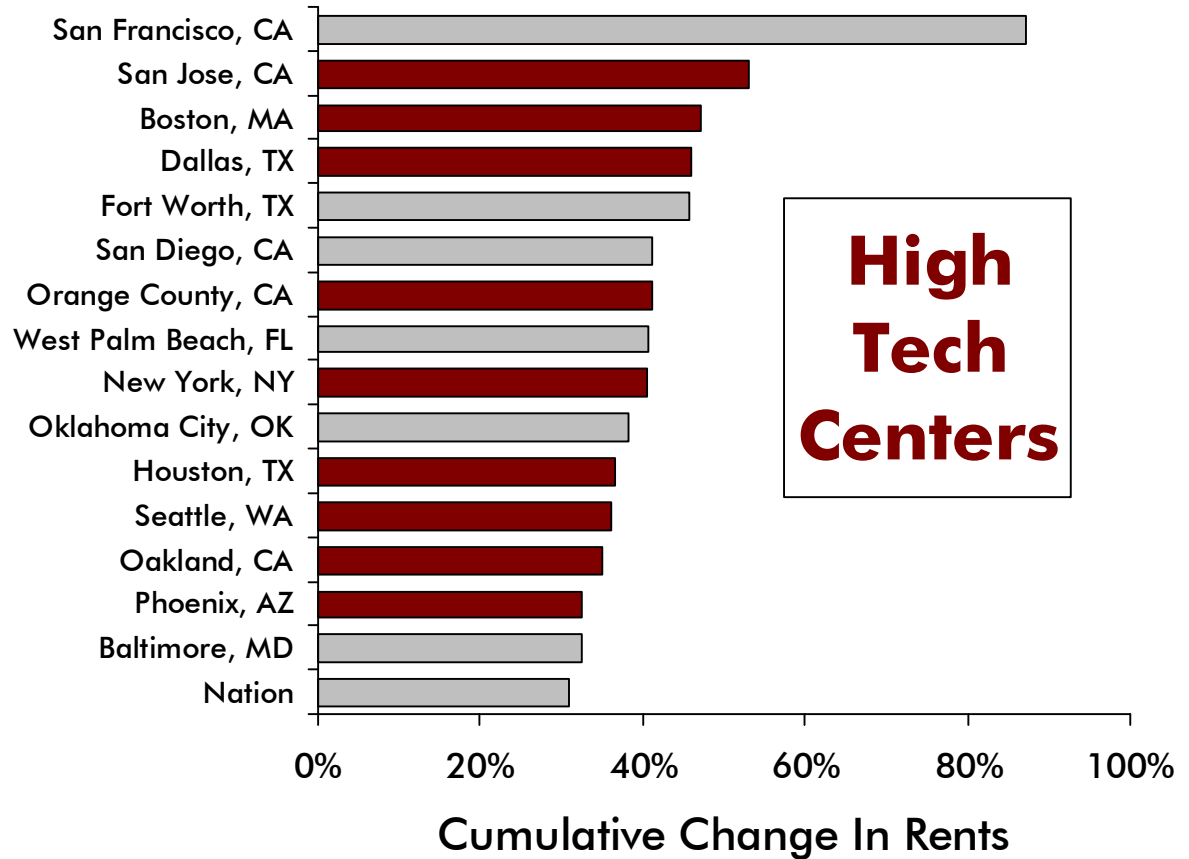
Source: CBRE Torto Wheaton Research, RFA

OFFICE RENT GROWTH VS. RETURNS



Source: CBRE Torto Wheaton Research; NCREIF

RECENT TOP OFFICE RENT GROWTH MARKETS



Source: CBRE Torto Wheaton Research; Milken Institute

PROJECTED OFFICE RENT GROWTH TOP TEN CITIES

Orange County, CA

New York, NY

Oakland/East Bay, CA

Chicago, IL

Honolulu, HI

San Diego, CA

Washington, DC/VA/MD

Phoenix, AZ

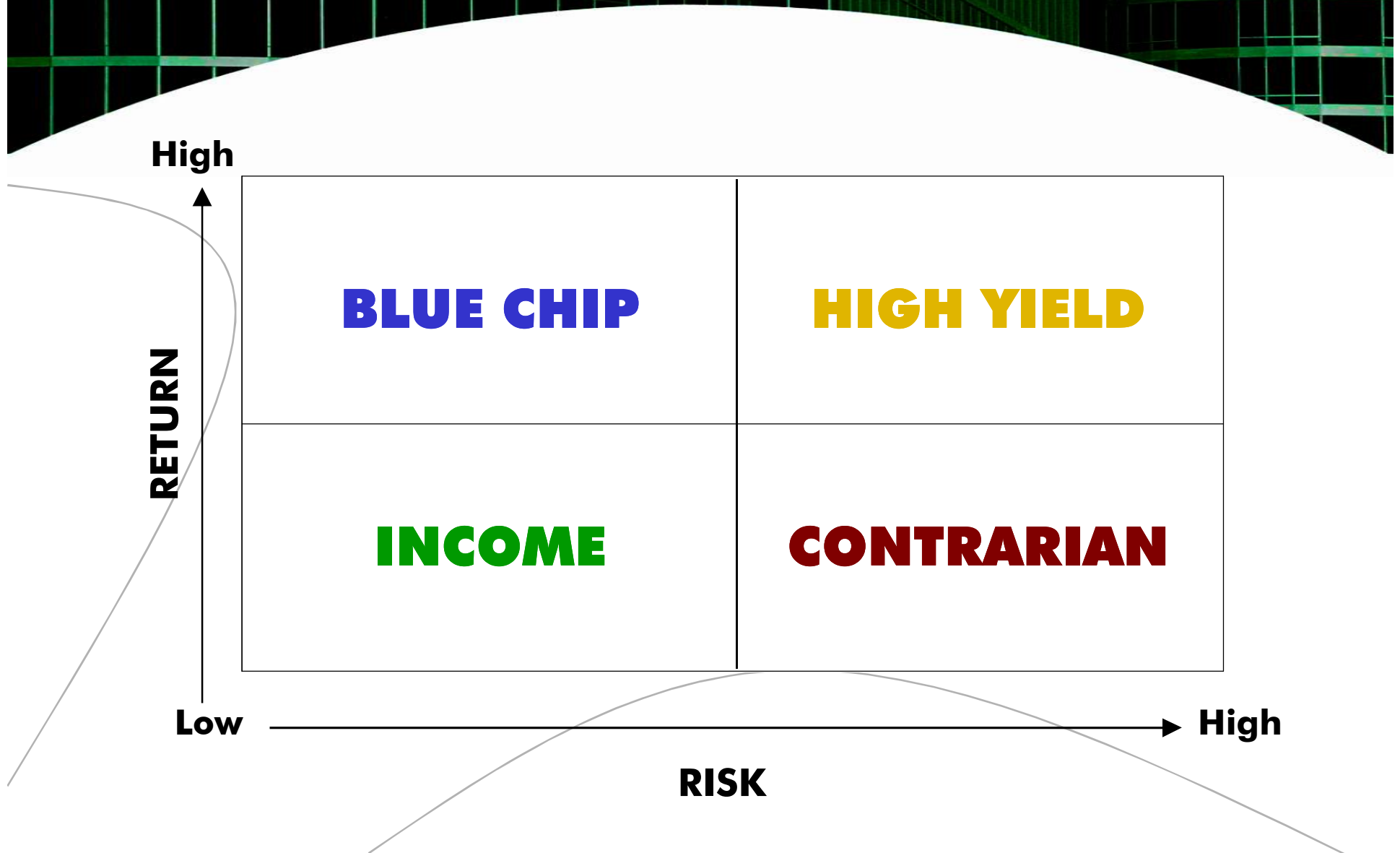
Northern New Jersey

Stamford/Fairfield County, CT



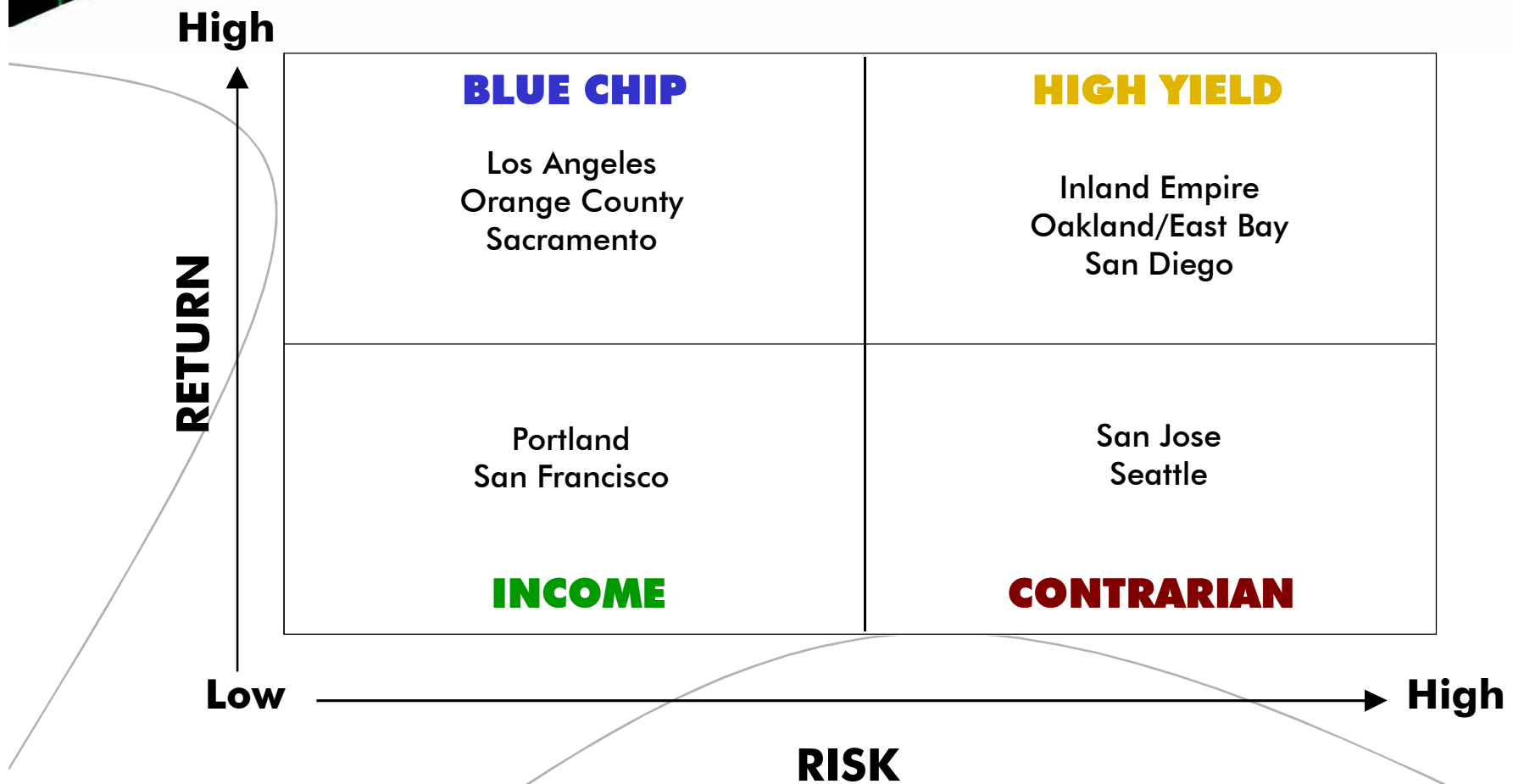
Source: CBRE Investors; CBRE Torto Wheaton Research

INVESTMENT MATRIX QUADRANTS



OFFICE INVESTMENT MATRIX

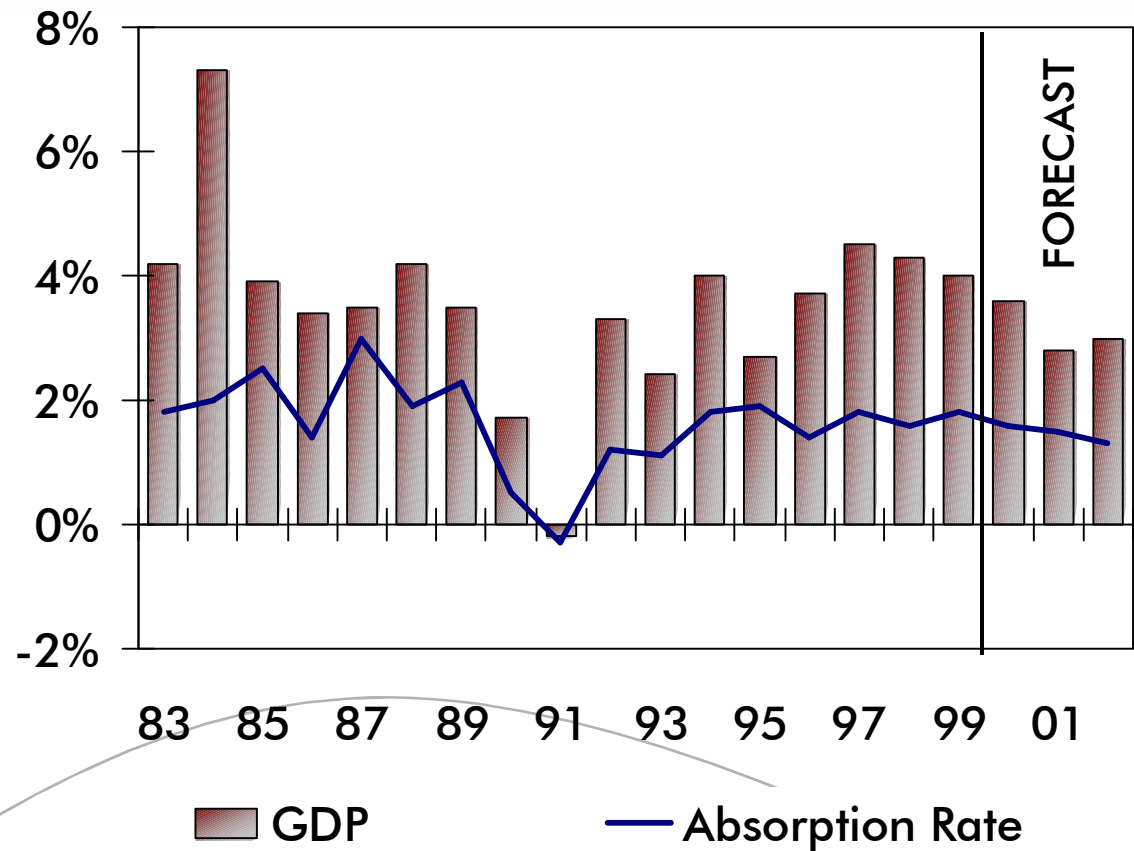
West Coast Markets By Quadrant



Industrial: Still Stable After All These Years?



INDUSTRIAL ABSORPTION VS. GDP GROWTH



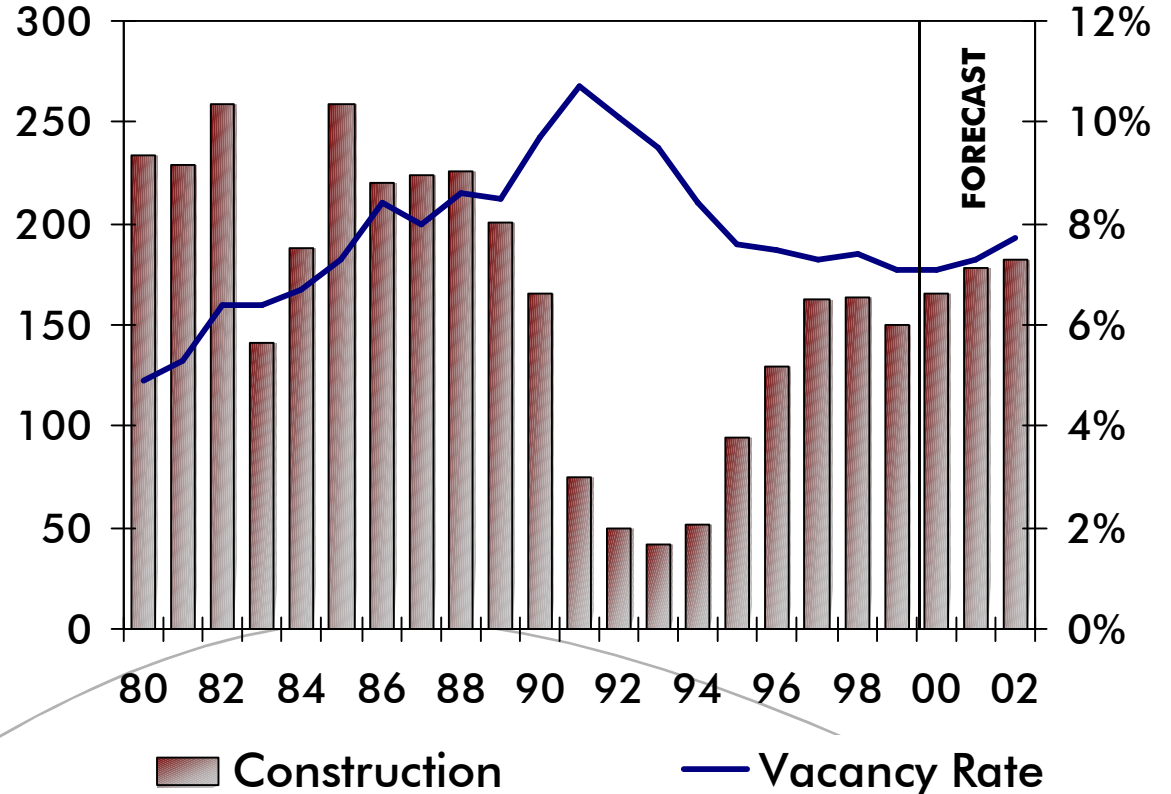
Source: CBRE Torto Wheaton Research; RFA

INDUSTRIAL CONSTRUCTION VS. VACANCY



Construction
 (in millions of square feet)

Vacancy



Source: CBRE Torto Wheaton Research

INDUSTRIAL VACANCY VS. RENT CHANGE



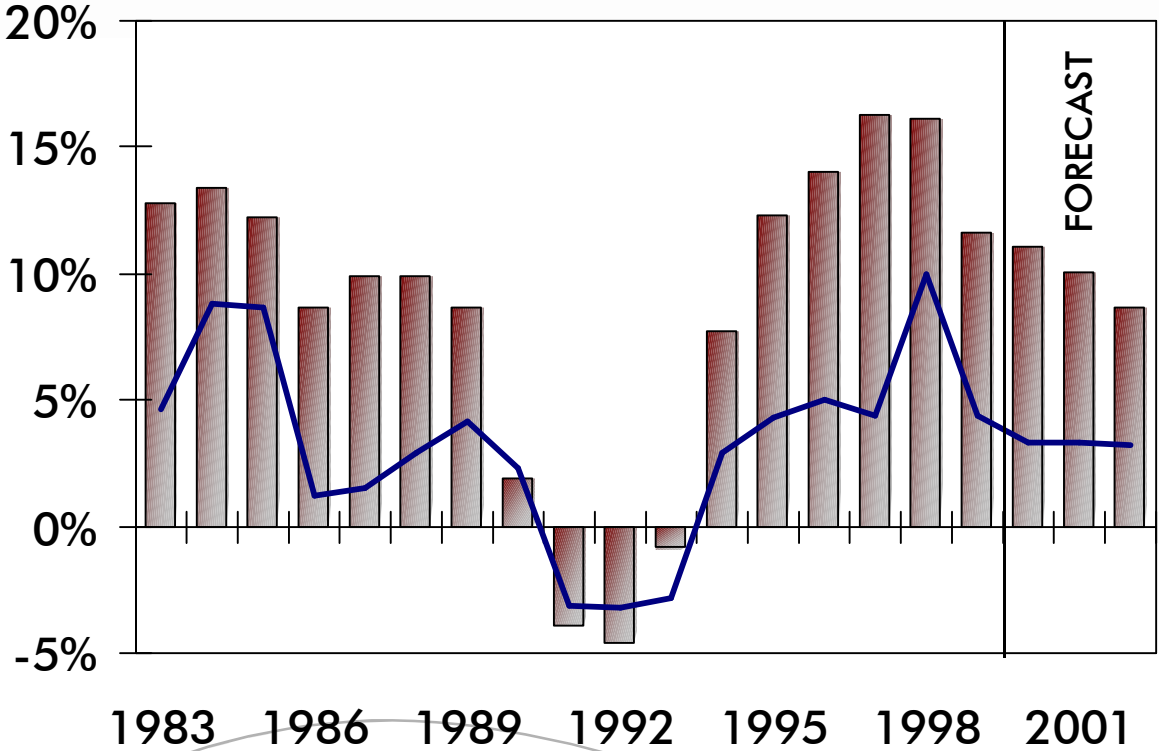
— Rent Change

— Vacancy Rate

— CPI Inflation

Source: CBRE Torto Wheaton Research

INDUSTRIAL RENT GROWTH VS. RETURNS



■ NCREIF Industrial Return
 — Nominal Rent Change

Source: CBRE Torto Wheaton Research; NCREIF; CBRE Investors

PROJECTED INDUSTRIAL RENT GROWTH: TOP TEN CITIES

Washington, DC/VA/MD

Houston, TX

Boston, MA

Oakland/
East Bay, CA

Stamford/Fairfield
County, CT

Orlando, FL

Los Angeles, CA

Baltimore, MD

San Francisco, CA

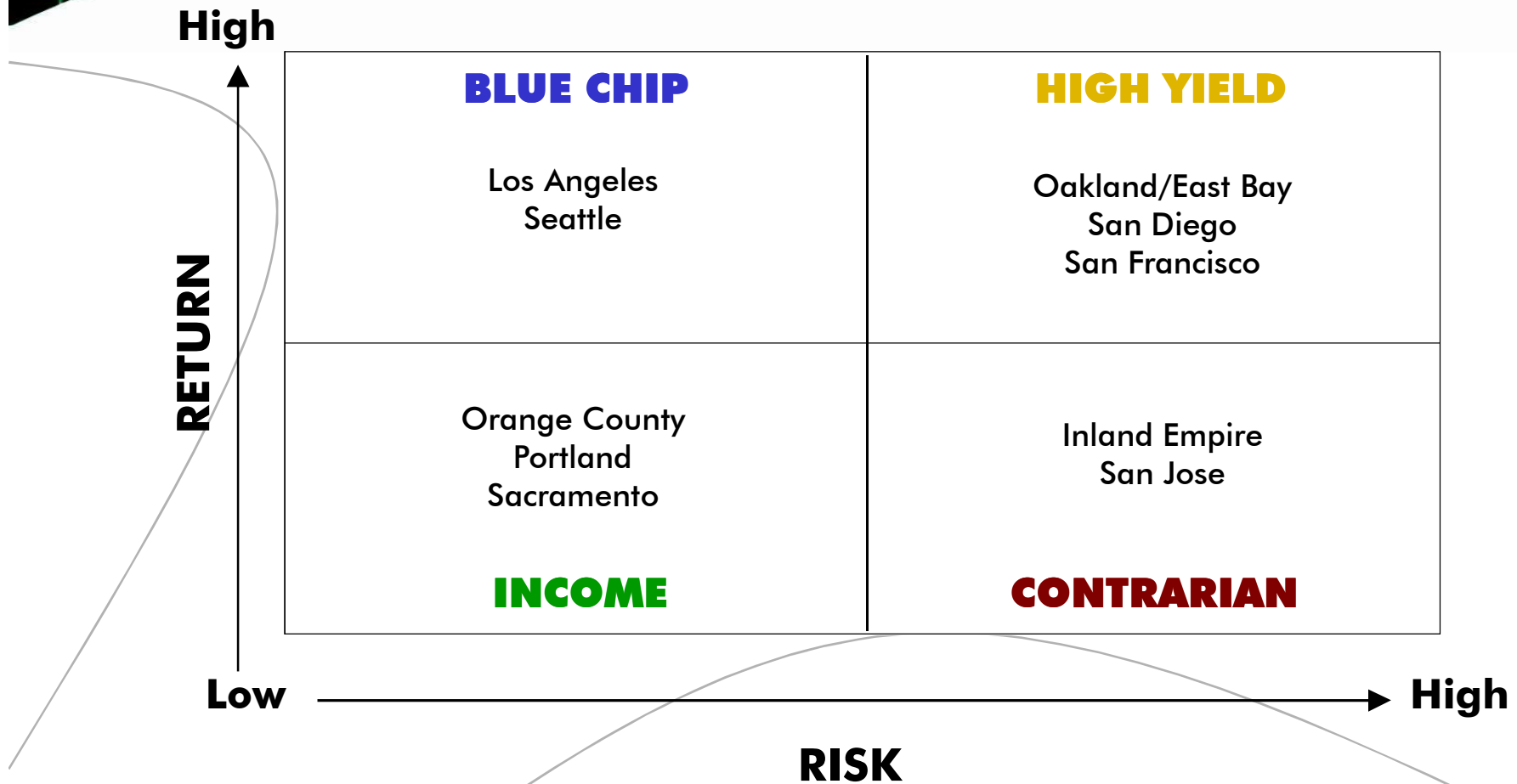
San Diego, CA



Source: CBRE Investors; CBRE Torto Wheaton Research

INDUSTRIAL INVESTMENT MATRIX

West Coast Markets By Quadrant

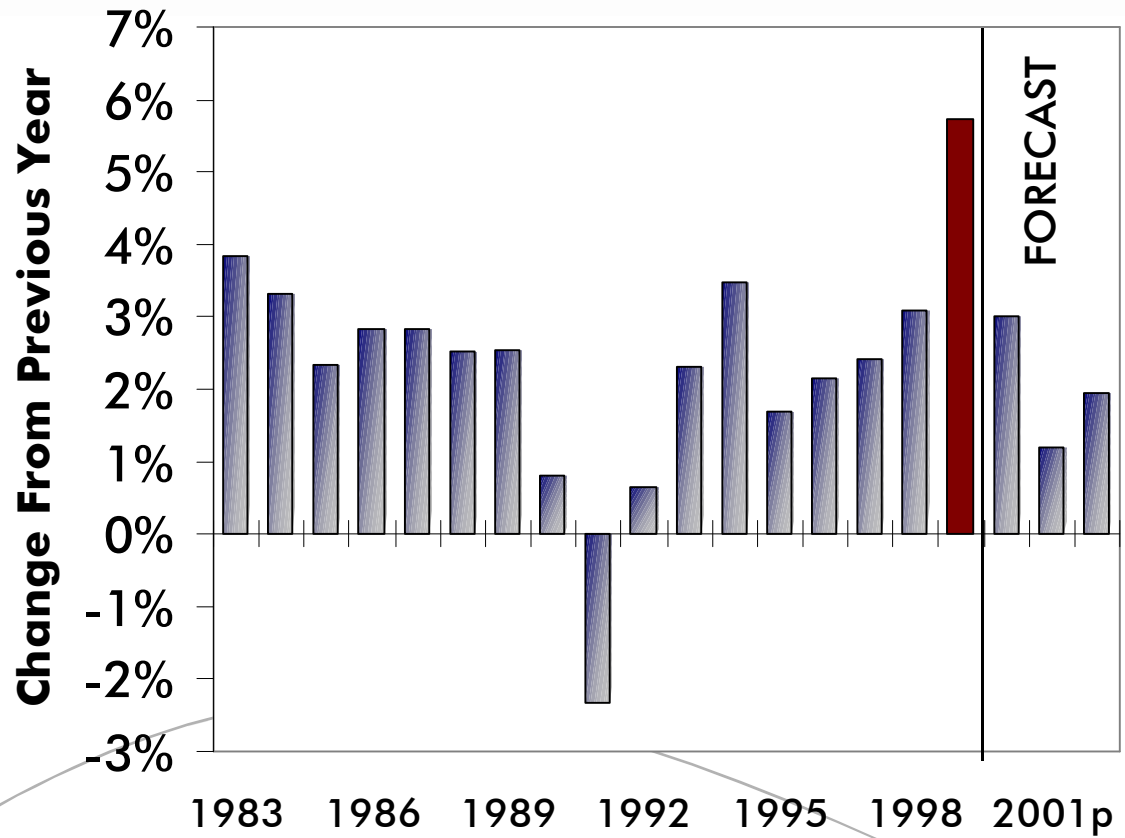




Retail: Which Bricks Beat Clicks?

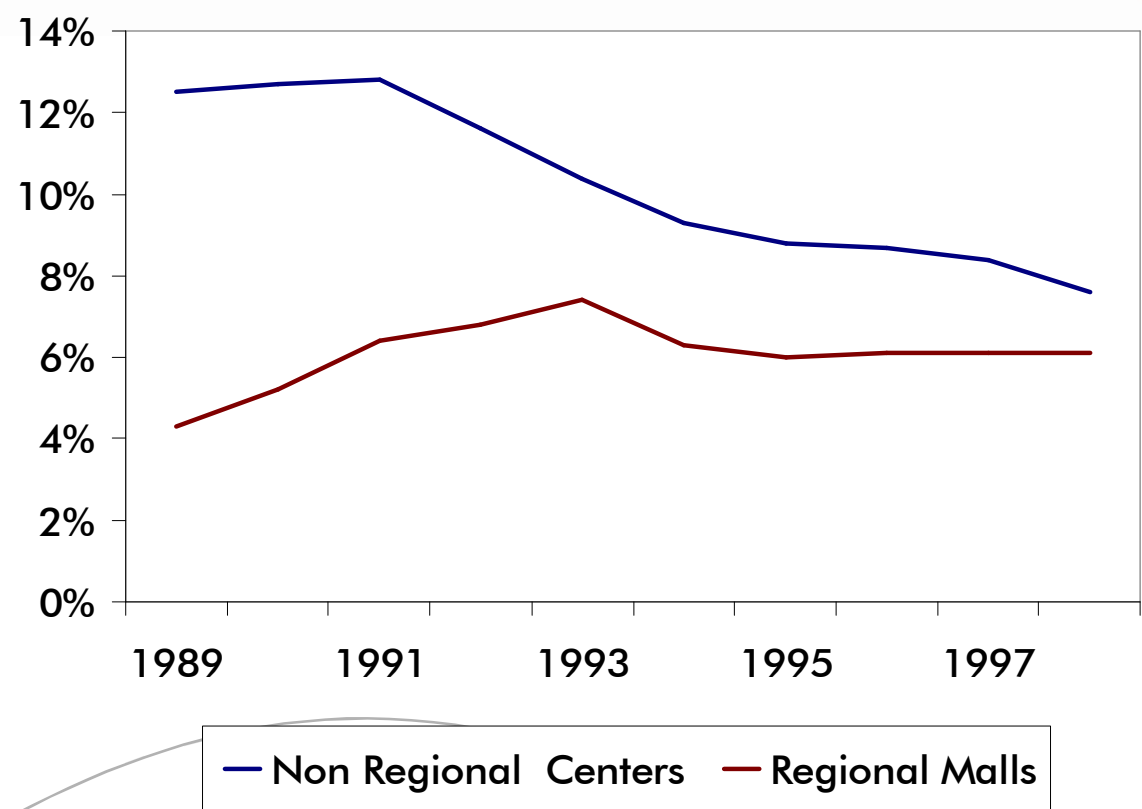
RETAIL SALES CHANGE

Total Less Auto



Source: CBRE Torto Wheaton Research;
U.S. Department of Census; RFA

VACANCY RATE BY CENTER TYPE



Source: CB Richard Ellis Investors, L.L.C

RETAIL CENTERS - FORMAT PROSPECTS

MORE PROMISING

- 24-HOUR DOWNTOWNS
- DOMINANT REGIONAL MALLS
- NEIGHBORHOOD CENTERS
- LIFESTYLE VILLAGES

LESS PROMISING

- POWER CENTERS
- FACTORY OUTLET CENTERS

RETAIL CENTERS - MORE PROMISING...

24-HOUR DOWNTOWNS

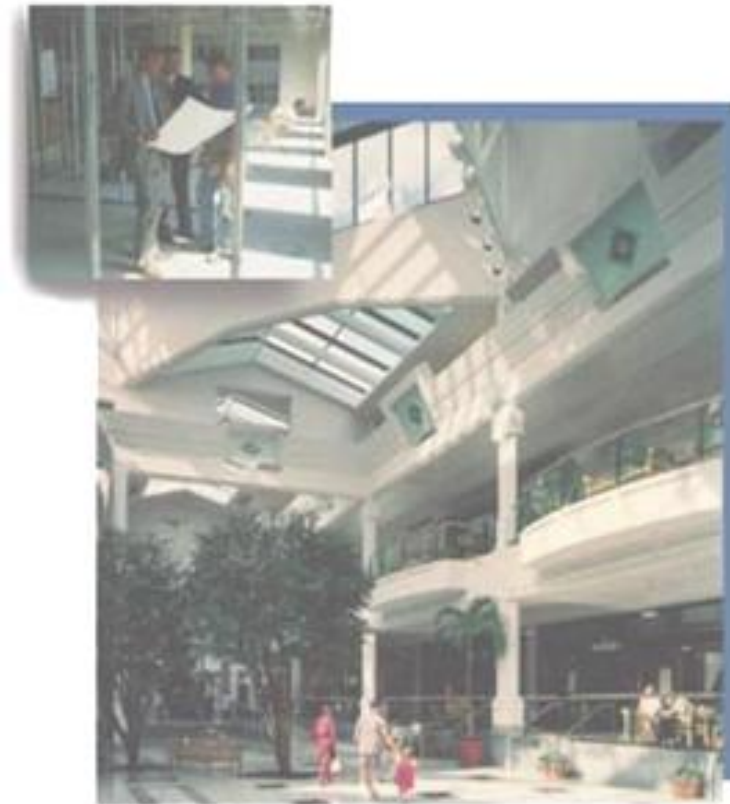
- Upscale department stores and retailers (Saks Fifth Avenue, Gucci)
- Customers are tourists, residents and office workers



RETAIL CENTERS - ...MORE PROMISING

DOMINANT REGIONAL MALLS

- One million sq. ft. + centers with 3 or more department stores
- Large selection of brand name and fashion tenants



RETAIL CENTERS - ...MORE PROMISING

NEIGHBORHOOD CENTERS

- Open air centers with a supermarket (Safeway)
- Provides convenience goods and services to local area residents



RETAIL CENTERS - ...MORE PROMISING

LIFESTYLE VILLAGES

- Open air centers with name brand tenants (Gap), large bookstores (Barnes & Noble) and restaurants
- Provides fashion goods in a convenient, social setting



RETAIL CENTERS - LESS PROMISING...

POWER CENTERS

- Large open-air centers anchored by “big box” stores (Wal-Mart, Circuit City, Toys ‘R Us)
- Risky due to evolving store concepts and threat of Internet competition



RETAIL CENTERS - ...LESS PROMISING

FACTORY OUTLET CENTERS

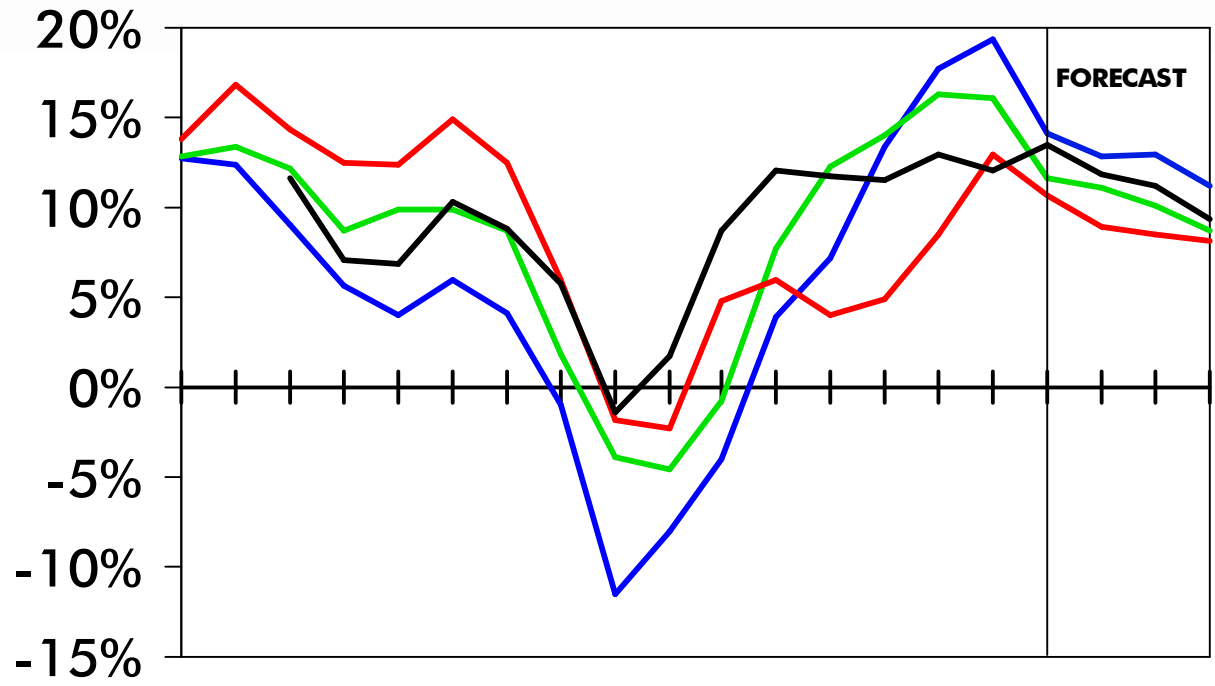
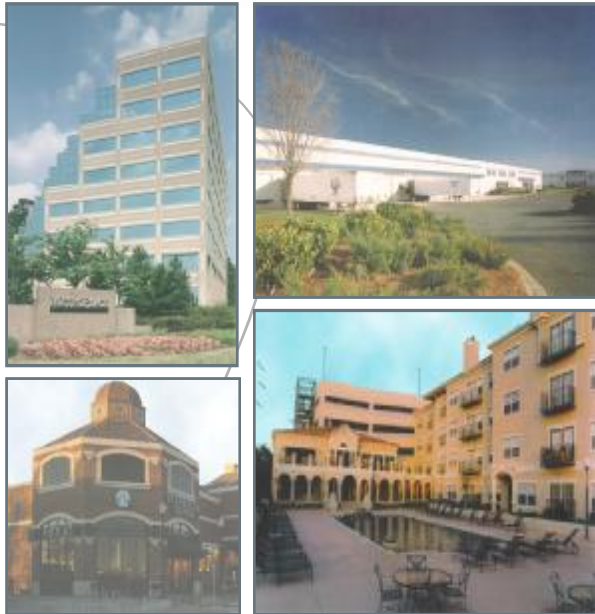
- Open-air centers tenanted by manufacturers' stores (Polo Ralph Lauren, Nike)
- Large tourist draw, vulnerable to newer, larger centers closer to major metropolitan areas



Looking Forward: Investment Market Outlook



NCREIF RETURNS BY PROPERTY TYPE



83 85 87 89 91 93 95 97 99 01

- **Office**
- **Retail**
- **Industrial**
- **Apartments**

Source: NCREIF; CBRE Investors



CB  **Richard Ellis**
I N V E S T O R S
A Limited Liability Company

Presented By:
Doug Herzbrun
Managing Director
CB Richard Ellis Investors

January 26, 2000