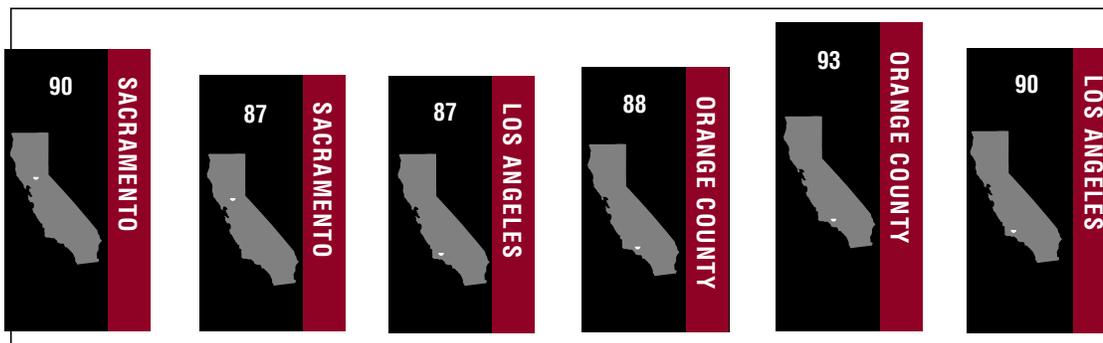




## Highest Potential Return Markets



Rank	CBD Office		Suburban Office		Industrial		Retail		Apartments		Hospitality	
	Market	Score	Market	Score	Market	Score	Market	Score	Market	Score	Market	Score
1	Sacramento	90	Sacramento	87	Los Angeles	87	Orange County	88	Orange County	93	Los Angeles	90
2	Washington, DC	89	W. Palm Beach	85	Seattle	86	Oakland	88	San Diego	90	Las Vegas	89
3	San Diego	88	San Diego	85	Oakland	86	Nashville	86	New York	89	Honolulu	88
4	Portland	87	Tampa-SP	83	Dallas-Ft. Worth	84	Washington, DC	86	Boston	89	New York	86
5	Manhattan Down	87	Richmond	83	Newark-No. NJ	84	Austin	85	Nassau-Suffolk	88	San Francisco	86
6	Honolulu	86	New York	83	Denver	83	Salt Lake City	85	Fort Lauderdale	88	Nassau-Suffolk	85
7	Denver	85	Washington, DC	83	Tampa-SP	83	San Francisco	85	Oakland	88	Stamford	85
8	Manhattan Mid	85	Boston	82	Houston	82	New York	85	Sacramento	87	W. Palm Beach	85
9	Austin	85	San Antonio	82	Louisville	82	Minn.-St. Paul	85	Riverside-SB	87	Miami	85
10	Nassau-Suffolk	85	Oakland	82	Chicago	82	Denver	84	Honolulu	87	Washington, DC	84

**Explanation:** The leading local markets listed above are from the 66 markets regularly analyzed in *MarketScore*. These ratings represent the *relative* total return potential for a two-year time horizon. A complete market listing appears beginning on page 8.

**Important:** No statement, ranking, or “score” in this publication is to be construed as a recommendation or as investment advice to buy or sell properties. Like many investments, real estate requires careful consideration of financial objectives and independent research before investing. (See page 11 for a discussion of the methodology and limitations of this analysis.)

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# MARKET SCORE

NATIONAL  
REAL ESTATE  
INDEX

## National Economic/ Demographic Norms

The following **national** econometric data is provided for comparative purposes.

<b>6/00-6/01 Job Formation:</b>	<b>0.3%</b>
<b>6/01 Unemployment:</b>	<b>4.7%</b>
<b>1990-00 Population Growth:</b>	<b>13.2%</b>

Note: Unemployment and employment figures used in this report are “not seasonally adjusted”.

### Text Footnotes

<sup>1</sup> Ranked on six levels from “Extraordinary” to “Speculative.” An “extraordinary” grade is defined as a market that, **relative to other markets nationwide**, offers the greatest appreciation and total return potential over the succeeding two years and has a corresponding “investment score” of 95 or above on a 100-point continuum. A “Speculative” grade denotes those markets where the total return potential ranks near the bottom of markets analyzed for the foreseeable future. Their corresponding “investment score” is below 60.

<sup>2</sup> An average of the investment potential ratings for each local property sector, weighted by the property stock of each sector at the national level.

### Note

Retail rankings represent grocery-anchored shopping centers only; hospitality rankings refer exclusively to limited-service properties. The prospects for other retail space categories and for full-service hotels differ dramatically in many local markets.

**Important:** *MarketScore* is sold with the understanding that neither the publisher nor the editorial advisor is engaged in rendering investment, tax, accounting, or other professional advice through this publication. *No statement, ranking, or “score” in this issue is to be construed as a recommendation or as investment advice to buy or sell properties.* Real estate is generally a long-term, illiquid investment and requires careful consideration of financial objectives and independent research before investing. Copyright © 2001 by the National Real Estate Index.

# Baltimore

**Overall Score<sup>1</sup>**  
**78.6**

## Metropolitan Market/ Econometric Factors

6/00-6/01 Job Formation: 0.9%  
6/01 Unemployment: 4.8%  
6/00 Unemployment: 5.1%  
1990-00 Pop. Growth: 7.2%

**Overview:** Ninety-five percent of greater Baltimore's recent job growth occurred in the service sector, with the addition of 11,300 new jobs. The only other labor category to score a notable gain (2,500 jobs) was transportation/public utilities; four sectors posted losses. The city continues to attract research dollars, though. Both Johns Hopkins and the University of Maryland are adding facilities. Construction has begun on a \$1.8 billion expansion of BWI Airport that calls for 12,000 new parking spaces, 20 additional gates, and a monorail-style people mover system. More than 19.6 million passengers flew through here in 2000, a 12% increase over 1999, the biggest growth among major U.S. airports. First quarter 2001 activity was even more impressive—up 14% from 12 months prior.

## Property Sector

### Summary of Prospects

## Investment Potential<sup>2</sup>

Rating      Score

CBD Office	Downtown leasing activity weakened in the second quarter with all property classes experiencing an increase in vacancy rates. Construction began on the first Class A tower in Baltimore's CBD in a decade with a lead tenant already committed.	Fair	79
Suburban Office	New construction during 2001's second quarter surpassed the amount reported during the same period last year. Baltimore city (not including the CBD) dominated market activity with the highest absorption and the highest level of construction.	Fair	75
Industrial	Baltimore's industrial market softened in the first half of 2001 with vacancy rising to 11.5% in June from 9.2% at the end of 2000. Net absorption increased to positive levels following negative absorption in the first three months of this year.	Fair	73
Retail	The new 1.4 million square foot Arundel Mills opened its doors in November and is attracting big box retailers such as Wal-Mart and Costco to its periphery. The Inner Harbor retail/entertainment district is expanding east.	Fair	75
Apartment	Seven apartment projects were under construction during the second quarter in downtown Baltimore. The city of Baltimore was estimated to have a scant 0.2% vacancy rate in early 2001.	Good	82
Hospitality	Hotel occupancy averaged 71% in 2000, up 2% from 1999. The average room rate increased 7% to \$96. Through April 2001, however, occupancy dropped 2.5% to 63%, while the room rate rose 4% to \$94. The 750-room Marriott Waterfront opened in February. Orioles owner Peter Angelos wants to build a convention hotel at Light and Conway Streets.	Good	84

# Central New Jersey

**Overall Score**  
**81.3**

## Metropolitan Market/ Econometric Factors

6/00-6/01 Job Formation: 0.6%  
6/01 Unemployment: 3.5%  
6/00 Unemployment: 2.7%  
1990-00 Pop. Growth: 13.0%

**Overview:** Services and government added the most new jobs during the recent 12 months; manufacturing contracted by a net 5,400 positions. Information technology firm Sarnoff Corp. plans to transform 335 acres on Route 1 in West Windsor into a 12-building high-tech campus totaling 3.5 million square feet. The latest phase of construction (80,000 square feet) has begun at the Technology Centre of New Jersey in North Brunswick. The Centre currently houses six companies with 400 employees in 190,000 square feet of space. Fleet Boston plans to close 80 branches throughout the state following its merger with Summit Bancorp.

## Property Sector

### Summary of Prospects

## Investment Potential

Rating      Score

CBD Office	Roughly one-half million square feet of sublease space was returned to the Princeton market recently driving vacancy up to 14.8% by June, approximately twice as high as one year ago. Though rents are holding, some downward pressure is occurring.	Fair	79
Suburban Office	Central New Jersey's overall vacancy rate grew one percentage point over the past year due to robust levels of construction. Somerset County experienced the most negative absorption.	Good	81
Industrial	Central New Jersey experienced a steep decline in absorption between the first and second quarters of 2001. New space under construction at the end of June totaled 5.8 million square feet, most of which was concentrated in Middlesex County.	Fair	78
Retail	Big chains are eagerly expanding in Central New Jersey banking on it as one of the best retail markets in the country. Along Route 9, Home Depot and Lowe's battle for market share. The Mannalapan Epicenter is nearing 100% occupancy.	Good	82
Apartment	Due to restricted suburban development, downtown New Brunswick is becoming a focal point for new multifamily projects. More than one thousand new apartment units are in the planning pipeline for the area.	Good	82
Hospitality	Occupancy in Middlesex and Hunterdon Counties averaged 67.5% through April, up 4% from 12 months prior. The room rate increased 7% to \$98. The Princeton market reported 65.6% occupancy, for a 5.5% gain. The room rate there rose 3.6% to \$110.	Good	81

# Denver

**Overall Score**  
**82.8**

Metropolitan Market/ Econometric Factors	Property Sector	Summary of Prospects	Investment Potential	
			Rating	Score
<p>6/00-6/01 Job Formation: 3.0%</p> <p>6/01 Unemployment: 3.2%</p> <p>6/00 Unemployment: 2.9%</p> <p>1990-00 Pop. Growth: 30.4%</p> <p><b>Overview:</b> Greater Denver added 41,800 jobs in the recent 12 months, the seventh-largest gain in the country. The first phase of Stapleton's \$4 billion redevelopment has begun. It will include a 740,000 square foot retail center, a 150,000 square foot neighborhood town center, and 1,100 homes and apartments. Engineering giant CH2M Hill plans to break ground soon on a \$53 million, 250,000 square foot headquarters along Denver's southeast corridor. Access will be facilitated by the multi-billion dollar expansion of Interstate 25—scheduled for completion in 2006. WorldCom opened a \$20 million data center in the Denver Tech Center. United plans to add 35 gates at Denver International by 2005; a sixth runway (16,000 feet) will open there in 2003.</p>	CBD Office	Construction should moderate in downtown Denver as sublease space becomes available following the mergers of Wells Fargo/Norwest and Qwest/US West. Denver's second quarter vacancy was a stable 6.6%.	Good	85
	Suburban Office	The overall 9.6% vacancy rate in greater Denver highlights this market's strength although a gradual softening is in progress. The Southeast and Northwest remain major growth areas.	Good	80
	Industrial	Denver's industrial market fared well through the second quarter with a 5.5% vacancy rate. The Southwest was the tightest area with a bare 1.7% rate while the Southeast, a prime development area, posted the only double-digit vacancy rate.	Good	83
	Retail	Development of new retail space was widespread in the first half of 2001. The largest project to break ground was Colorado Mills, a 1.2 million square foot shopping center in Lakewood.	Good	84
	Apartment	Nearly 9,000 multifamily units are expected to come on-line in 2001, ranking Denver among the top cities in terms of multifamily construction this year. Completion of these units will probably push vacancies up near 5%.	Good	83
	Hospitality	Union issues have stopped plans for a 1,100-room Hyatt, thus holding up expansion of the convention center. A 172-room Embassy Suites is being built near Denver International. Stability resulted in a 1.6% increase in occupancy for the first quarter 2001 (to 63%) and a minimal uptick in average room rate (to \$81).	Good	81

# Miami

**Overall Score**  
**81.9**

Metropolitan Market/ Econometric Factors	Property Sector	Summary of Prospects	Investment Potential	
			Rating	Score
<p>6/00-6/01 Job Formation: 2.2%</p> <p>6/01 Unemployment: 6.3%</p> <p>6/00 Unemployment: 5.6%</p> <p>1990-00 Pop. Growth: 16.3%</p> <p><b>Overview:</b> The Miami area added 22,200 jobs during the 12 months ending in June. The 740,000 square foot Technology Center of the Americas, which will house one of south Florida's new network access points, is underway downtown. The Miami Customs District moved \$14 billion worth of goods during the first quarter, a 7% increase over one year ago. The Miami-Dade Aviation Department has thus earmarked \$12 million to buy warehouse property along the southern edge of the airport. MIA's cargo volume totaled 1.8 million tons in 2000. It ranks first in the U.S. for international freight, and third for international passengers.</p>	CBD Office	Downtown Miami tightened over the 12-month period ending in June 2001 bucking the downward trend experienced by many other central cities. Class A rates are running high in the CBD as there is still strong demand for space in centrally located areas.	Good	80
	Suburban Office	Most of Miami's suburban submarkets saw vacancy increases between the second quarters of 2000 and 2001. Over two million square feet were still in progress at the end of June, but the overall vacancy rate remains below 10%.	Fair	76
	Industrial	As the U.S. economy weakens, booming trade with and an increase in investments from Latin America is keeping the Miami-Dade industrial market healthy. Demand for traditional warehouse/distribution space remains strong.	Good	81
	Retail	Miami-Dade County registered a retail vacancy rate of 7.5% in Spring 2001. More than one million square feet are on the docket for downtown Miami including the 750,000 square foot Brickell Commons on the Miami River.	Good	84
	Apartment	Miami's Brickell Village area is slated for residential development as 2,100 new housing units are on the drawing board. The first phase of Brickell View will contain 320 luxury units; another 300 units will be included in phase two.	Good	83
	Hospitality	Plans for a hotel next to the Ritz Plaza on Collins Avenue have been scaled back, but lawsuits are still pending. Ritz-Carlton opened properties in Coconut Grove (115 rooms) and Key Biscayne (402 rooms). PKF reports 84% occupancy through the first quarter (unchanged from 12 months prior) and an average room rate of \$157.	Good	85

# Minneapolis–St. Paul

**Overall Score**  
**78.5**

Metropolitan Market/ Econometric Factors	Property Sector	Summary of Prospects	Investment Potential	
			Rating	Score
6/00-6/01 Job Formation: 0.8% 6/01 Unemployment: 3.6% 6/00 Unemployment: 3.2% 1990-00 Pop. Growth: 16.9%  <b>Overview:</b> A net 14,500 new jobs were created here during the recent 12 months. Corporate projects abound. Best Buy is building a 1.5 million square foot campus at I-494 and Penn Avenue to consolidate 7,500 area employees. American Express is completing its move to a new headquarters in downtown Minneapolis and Target Corp. is getting ready to occupy its new headquarters at Nicollet Mall; both are vacating space in the IDS Center. Residential projects are underway in both downtowns. Laying of steel is set to begin this Fall on an 11.6-mile light rail line. It will connect downtown Minneapolis, the airport and the Mall of America. Completion is set for late 2004. The state has approved double-digit reductions in property tax rates.	CBD Office	Dominated by large corporations, downtown Minneapolis sailed through the dot.com collapse with a 6.6% vacancy rate in the first quarter 2001. In contrast, St. Paul's vacancy remained in the double digits as absorption dipped into the red.	Fair	78
	Suburban Office	Growth and consumption of office space hit the wall at the end of March in suburban Minneapolis-St. Paul. The greatest impact was in the Southwest where a glut of sublease space has been returned to the market.	Fair	77
	Industrial	Vacancy rates in the Twin Cities' industrial market rose to the double digits as net absorption dropped significantly in the first half of 2001. Widespread layoffs and added sublease space are of growing concern for the entire market.	Fair	79
	Retail	Regional centers in the Minneapolis-St. Paul area are seeing vacancy rates increase as they go through major renovations and repositioning. Several mixed-use projects are being planned along the Mississippi River in Minneapolis and St. Paul.	Good	85
	Apartment	During the first quarter, downtown Minneapolis approved 273 new housing units while zoning restrictions and community opposition have blocked many suburban projects. In St. Paul, 587 units will open for occupancy in the Upper Landing complex in 2002.	Fair	77
	Hospitality	A 227-room Courtyard by Marriott and a 130-room Residence Inn have opened at the Milwaukee Depot in downtown Minneapolis. The convention center is being expanded to 1.5 million square feet. Occupancy slipped slightly (to 61.1%) during the first quarter; the average rate rose 9.5% (to \$99).	Fair	78

# Phoenix

**Overall Score**  
**75.4**

Metropolitan Market/ Econometric Factors	Property Sector	Summary of Prospects	Investment Potential	
			Rating	Score
6/00-6/01 Job Formation: 0.8% 6/01 Unemployment: 3.7% 6/00 Unemployment: 2.8% 1990-00 Pop. Growth: 45.3%  <b>Overview:</b> Greater Phoenix produced a net 12,600 new jobs in the past 12 months. Several office parks are planned near the airport. Investors have been buying up apartment properties, particularly in the Mesa area. The city of Glendale is providing \$180 million for the construction of a 17,500-seat arena for the NHL's Phoenix Coyotes. The team's owner has agreed to develop at least 800,000 square feet of retail space around the arena. Construction is expected to start this Fall, with completion in 2003. In November, voters will be asked to decide whether to spend as much as \$300 million on a proposed \$600 million expansion to the Phoenix convention center.	CBD Office	The Downtown South submarket softened between the first and second quarters as 512,000 square feet came on-line and absorption plunged into the red by nearly 300,000 square feet. Downtown North has seen no new construction so far this year.	Fair	77
	Suburban Office	Overall vacancy grew during the year ending June 2001 to 10.9%. The Scottsdale Airpark and Deer Valley Airport submarkets experienced the greatest amount of construction in 2001's second quarter.	Fair	73
	Industrial	Approximately 3.5 million square feet were completed in greater Phoenix during the first half of 2001 outpacing net absorption for the same period. The vacancy rate, while still healthy, has increased two percentage points.	Fair	75
	Retail	The completion of Loop 101 in the West Valley is attracting retail developers to this area. A prime example is the planned Agua Fria Towne Center, a 524,000 square foot community retail venue slated for groundbreaking later this year.	Good	80
	Apartment	Phoenix's multifamily occupancy rate was 93.7% at the end of March (in communities with 100 units or more). Development continues at a rapid pace on the fringes of the Valley, taking advantage of new freeways. Infill development is also booming.	Fair	75
	Hospitality	Work is underway on the \$180 million Westin Kierland resort; it is expected to open in 2002. Starwood is eyeing the new mixed-use Waterfront project in Scottsdale for a 250-room W hotel. PKF reports 76.1% occupancy for the first quarter, up 1.5% from last year; the room rate was unchanged at \$129.	Fair	70

# Riverside–San Bernardino

**Overall Score  
82.0**

Metropolitan Market/ Econometric Factors	Property Sector	Summary of Prospects	Investment Potential	
			Rating	Score
6/00-6/01 Job Formation: 3.1% 6/01 Unemployment: 5.0% 6/00 Unemployment: 5.6% 1990-00 Pop. Growth: 25.7%  <b>Overview:</b> The Inland Empire produced 30,500 new jobs in the 12 months ending in June. There were impressive gains in all eight major labor categories. A 440,200 square foot distribution center is underway in Victorville; Mars Candy is the rumored tenant. Home Depot plans to open a 153-port truck terminal in Rialto by year-end—one of 15 set to open nationwide. A new 820,000 square foot shopping center is planned near Norco. The \$90 million Agua Caliente casino has opened along I-10 near Rancho Mirage; a \$200 million golf resort/office park has been proposed for Palm Springs. Ontario Airport handled 6.8 million passengers and 510,700 tons of cargo in 2000; both showed increases from 1999.	CBD Office	Although Riverside and San Bernardino both tightened in the first half of this year, vacancies remain in the double digits. With just over one million square feet each, net absorption was minimal in both cities.	Poor	68
	Suburban Office	The overall vacancy rate for office space in the Inland Empire fell from 18.2% to 15.8% between the second quarters of 2000 and 2001. Four buildings came on-line in the first half of the year creating positive absorption.	Fair	77
	Industrial	The Inland Empire delivered 4.3 million square feet of new industrial space in the second quarter. Despite this, the vacancy rate saw just a marginal increase to 3.5% as net absorption totaled four million square feet.	Good	81
	Retail	Approximately three million square feet of retail space is expected to come on-line in 2001, mostly in high-demand areas. Vacancy is expected to remain at about 10% this year. Retail transactions fell in 2000.	Fair	79
	Apartment	Job growth outpaced new apartment development last year and supply is expected to lag this year as well. Vacancy has been steadily declining.	Good	87
	Hospitality	Four new hotels (totaling 350 rooms) are set to open in Murrieta and Temecula during the next 18 months. In addition, a 520-room hotel is being built as part of the Pechanga tribe's \$250 million casino expansion. Smith Travel reports occupancy averaged 68.6% through April, up 8% from one year ago; room rates increased 7% to nearly \$66.	Fair	78

# Sacramento

**Overall Score  
85.1**

Metropolitan Market/ Econometric Factors	Property Sector	Summary of Prospects	Investment Potential	
			Rating	Score
6/00-6/01 Job Formation: 2.9% 6/01 Unemployment: 3.9% 6/00 Unemployment: 4.3% 1990-00 Pop. Growth: 21.3%  <b>Overview:</b> Over 20,000 jobs were created here during the recent 12 months. TRW's defense electronics unit is relocating from Silicon Valley to the former McClellan Air Force base. Milgard, the window manufacturer, plans to build a 177,000 square foot plant in south Sacramento. Progressive Insurance has agreed to take 140,000 square feet in two buildings underway in Rancho Cordova. Oracle is building a 120,000 square foot facility in Rocklin; it is scheduled to open in Spring 2002. But, at the same time, Hewlett-Packard is vacating a half million square feet of warehouse space in the Lincoln AirCenter. UC-Davis is seeking a developer for a 27-acre business park south of I-80.	CBD Office	Sacramento is gaining from the recent downturn as more companies seeking economic relief migrate from the San Francisco Bay Area. The second quarter vacancy was below 5% with positive net absorption.	Excellent	90
	Suburban Office	The Highway 50 Corridor experienced the highest level of new development in greater Sacramento with second quarter construction totaling more than one million square feet. Midtown posted the lowest vacancy rate at 0.8%.	Good	87
	Industrial	The most active areas for industrial leasing are along the I-80 and I-5 corridors. The overall industrial market remains in balance and is expected to put in a healthy performance with continued growth throughout 2001.	Good	81
	Retail	Approximately 3.6 million square feet of retail space were either planned or underway in metropolitan Sacramento during 2001's first quarter. Growth areas are experiencing vacancy rates between 1% and 3%.	Good	80
	Apartment	Average apartment vacancy in the greater Sacramento area was 3% going into 2001; nearly all submarkets saw vacancies fall in 2000. The Elk Grove-Laguna submarket reported the lowest vacancy at 0.3%.	Good	87
	Hospitality	A 500-room Sheraton has opened next to the convention center. A 242-room Embassy Suites is due to open south of Tower bridge next Spring. Plans call for a 150-room hotel-conference center to be built in Davis. PKF reports 69.7% occupancy for the first quarter, a 2.8% increase from last year, and a 4% rise in rates (to \$88).	Fair	79

## Scoreboard Market Rankings – Overall Market<sup>1</sup>

Orange County	87.9	
San Diego	86.8	
Oakland	86.4	
New York	86.0	
Nassau–Suffolk	85.4	
Sacramento	85.1	
Washington, DC	84.5	
Boston	84.0	
Honolulu	83.6	
Fort Lauderdale	83.5	
Seattle	83.2	
Los Angeles	83.1	
Denver	82.8	
San Francisco	82.6	
Riverside–San Bernardino	82.0	
Miami	81.9	
West Palm Beach	81.8	
Newark–Northern NJ	81.6	
Tampa–St. Petersburg	81.4	
Central New Jersey	81.3	
Stamford	80.8	
Austin	80.7	
Chicago	80.7	
Fresno	80.3	
San Jose	80.2	
Albuquerque	79.8	
Las Vegas	79.6	
Houston	79.6	
Dallas–Fort Worth	79.5	
Grand Rapids	79.4	
Richmond	79.4	
Portland	79.2	
Salt Lake City	79.1	
Nashville	78.6	
Baltimore	78.6	
Minneapolis–St. Paul	78.5	
Raleigh–Durham	77.9	
Tucson	77.8	
Atlanta	77.2	
Kansas City	77.1	
Tulsa	77.0	
Jacksonville	76.9	
Indianapolis	76.5	
Knoxville	76.2	
Norfolk	76.0	
Charlotte	75.9	
Columbus	75.8	
Louisville	75.6	
Greensboro/Winston-Salem	75.5	
Phoenix	75.4	
Birmingham	75.4	
San Antonio	75.2	
Greenville	75.2	
Orlando	75.1	
Oklahoma City	75.0	
El Paso	75.0	
Detroit	74.8	
Cincinnati	74.8	
Philadelphia	74.6	
St. Louis	73.8	
Hartford	73.5	
Milwaukee	73.4	
Memphis	73.3	
New Orleans	72.9	
Cleveland	72.8	
Pittsburgh	72.4	

<sup>1</sup> Each **metropolitan** market is ranked on a 100-point continuum as to its total return potential, **relative** to other markets, for the succeeding two years. The “overall” market score represents an average of the investment potential ratings for each local property sector, weighted by the property stock of each sector at the national level. (Reflecting the relative proportions of space at the national level, **apartments**, by a wide margin, are **weighted highest**, followed by retail, warehouse, suburban office, CBD office, and hospitality.) For market ratings for **individual property sectors**, see pages 8 & 9.

For a more in-depth explanation of the variables employed to determine the market ratings, see the Methodology on page 11.

## Scoreboard Market Rankings – Individual Property Sectors

Rank	CBD Office		Suburban Office		Industrial		Retail		Apartments		Hospitality	
	Market	Score	Market	Score	Market	Score	Market	Score	Market	Score	Market	Score
1	Sacramento	90	Sacramento	87	Los Angeles	87	Orange County	88	Orange County	93	Los Angeles	90
2	Washington, DC	89	W. Palm Beach	85	Seattle	86	Oakland	88	San Diego	90	Las Vegas	89
3	San Diego	88	San Diego	85	Oakland	86	Nashville	86	New York	89	Honolulu	88
4	Portland	87	Tampa-SP	83	Dallas-Ft. Worth	84	Washington, DC	86	Boston	89	New York	86
5	Manhattan Down	87	Richmond	83	Newark-No. NJ	84	Austin	85	Nassau-Suffolk	88	San Francisco	86
6	Honolulu	86	New York	83	Denver	83	Salt Lake City	85	Fort Lauderdale	88	Nassau-Suffolk	85
7	Denver	85	Washington, DC	83	Tampa-SP	83	San Francisco	85	Oakland	88	Stamford	85
8	Manhattan Mid	85	Boston	82	Houston	82	New York	85	Sacramento	87	W. Palm Beach	85
9	Austin	85	San Antonio	82	Louisville	82	Minn.-St. Paul	85	Riverside-SB	87	Miami	85
10	Nassau-Suffolk (1)	85	Oakland	82	Chicago	82	Denver	84	Honolulu	87	Washington, DC	84
11	Stamford	85	Tucson	81	Jacksonville	82	Nassau-Suffolk	84	Washington, DC	86	Baltimore	84
12	Nashville	84	Central NJ	81	Portland	81	San Diego	84	Newark-No. NJ	85	Orange County	83
13	Houston	84	Austin	81	Cincinnati	81	Miami	84	Los Angeles	85	San Diego	83
14	Boston	84	Albuquerque	80	Oklahoma City	81	Seattle	84	San Francisco	84	Boston	82
15	San Antonio	84	Stamford	80	Sacramento	81	San Jose	84	Fresno	83	Oakland	82
16	Oakland	84	Orange County	80	Nassau-Suffolk	81	Fort Lauderdale	84	Seattle	83	Austin	81
17	San Francisco	84	Nassau-Suffolk	80	Miami	81	Stamford	83	Miami	83	Newark-No. NJ	81
18	Tampa-SP	84	Grand Rapids	80	Kansas City	81	Portland	83	Denver	83	Central NJ	81
19	Raleigh-Durham	83	Seattle	80	San Diego	81	Las Vegas	83	Chicago	83	Denver	81
20	Richmond	83	Denver	80	Riverside-SB	81	Knoxville	82	Central NJ	82	Hartford	80
21	Seattle	83	Birmingham	79	Milwaukee	81	W. Palm Beach	82	W. Palm Beach	82	San Jose	80
22	San Jose	82	Tulsa	79	New York	80	Grand Rapids	82	Baltimore	82	Chicago	79
23	Jacksonville	82	Oklahoma City	78	Orange County	80	Central NJ	82	Las Vegas	82	Sacramento	79
24	W. Palm Beach	82	Los Angeles	78	Greenville	80	Tampa-SP	82	Stamford	81	Riverside-SB	78
25	Philadelphia	81	Louisville	78	Memphis	80	Raleigh-Durham	82	Albuquerque	81	Fresno	78
26	Fresno	80	Kansas City	78	New Orleans	80	Indianapolis	81	Dallas-Ft. Worth	81	Minn.-St. Paul	78
27	Miami	80	Dallas-Ft. Worth	78	Norfolk	79	Charlotte	81	San Jose	81	New Orleans	77
28	Los Angeles	80	Norfolk	77	Honolulu	79	Honolulu	81	Tampa-SP	81	Atlanta	77
29	Orange County (2)	80	Honolulu	77	Minn.-St. Paul	79	Richmond	81	Houston	80	Orlando	77
30	Kansas City	80	Riverside-SB	77	Detroit	79	Albuquerque	81	Salt Lake City	80	Raleigh-Durham	77
31	Central NJ (3)	79	Orlando	77	Austin	78	Chicago	80	Grand Rapids	80	Seattle	77
32	Baltimore	79	Minn.-St. Paul	77	Tulsa	78	Phoenix	80	Richmond	79	Detroit	77
33	Tucson	79	Memphis	77	Indianapolis	78	Tucson	80	Austin	79	Salt Lake City	76
34	Orlando	79	San Francisco	77	Central NJ	78	Sacramento	80	Portland	79	Dallas-Ft. Worth	75
35	Fort Lauderdale	79	Fresno	77	San Francisco	78	Atlanta	80	Greensboro/W-S	78	Fort Lauderdale	75
36	Atlanta	78	Columbus	76	Charlotte	78	Dallas-Ft. Worth	79	Tucson	78	Philadelphia	75
37	Chicago	78	Raleigh-Durham	76	Washington, DC	77	Riverside-SB	79	Nashville	78	Grand Rapids	75
38	Minn.-St. Paul	78	Miami	76	Fort Lauderdale	77	Los Angeles	79	El Paso	78	Albuquerque	74
39	St. Louis	78	Houston	76	Atlanta	77	Greensboro/W-S	79	Tulsa	77	Louisville	74
40	Albuquerque	77	Las Vegas	76	Columbus	77	Boston	78	Columbus	77	Cleveland	74
41	Grand Rapids	77	Indianapolis	76	Boston	76	Newark-No. NJ	78	Minn.-St. Paul	77	Pittsburgh	74
42	Phoenix	77	New Orleans	76	Raleigh-Durham	76	Fresno	78	Atlanta	77	St. Louis	73
43	Charlotte	77	Fort Lauderdale	75	Grand Rapids	76	Jacksonville	77	Kansas City	77	Jacksonville	73
44	Knoxville	76	Hartford	75	Cleveland	76	Houston	77	Raleigh-Durham	77	Kansas City	73
45	Detroit	76	Newark-No. NJ	75	San Jose	76	Orlando	77	Cincinnati	77	Norfolk	73
46	Louisville	76	Jacksonville	75	W. Palm Beach	76	Pittsburgh	77	Knoxville	76	Tampa-SP	72
47	Norfolk	75	San Jose	75	El Paso	76	Tulsa	77	Greenville	76	Milwaukee	72
48	Birmingham	75	Nashville	75	Albuquerque	76	Louisville	76	Birmingham	76	Knoxville	71
49	Cincinnati	75	Chicago	75	Fresno	76	Norfolk	76	Indianapolis	76	Columbus	71
50	Salt Lake City	74	Atlanta	75	Richmond	75	Milwaukee	76	Hartford	76	Houston	71

(Continued on next page)

## Scoreboard Market Rankings — Individual Property Sectors *(continued)*

Rank	CBD Office		Suburban Office		Industrial		Retail		Apartments		Hospitality	
	Market	Score	Market	Score	Market	Score	Market	Score	Market	Score	Market	Score
51	Newark-No. NJ	73	Baltimore	75	St. Louis	75	Greenville	76	Jacksonville	75	El Paso	71
52	Greenville	73	Philadelphia	75	Salt Lake City	75	Baltimore	75	Charlotte	75	Portland	71
53	Oklahoma City	73	Detroit	74	Phoenix	75	Kansas City	75	Norfolk	75	Indianapolis	71
54	Tulsa	73	Salt Lake City	74	Las Vegas	75	St. Louis	74	Philadelphia	75	Phoenix	70
55	Greensboro/W-S	72	St. Louis	74	Orlando	74	Birmingham	74	Detroit	75	Oklahoma City	69
56	Las Vegas <sup>(4)</sup>	71	Milwaukee	74	Nashville	74	Columbus	74	Phoenix	75	San Antonio	68
57	Memphis	71	Phoenix	73	Stamford	74	San Antonio	74	Oklahoma City	75	Nashville	67
58	Indianapolis	71	Knoxville	73	Philadelphia	73	El Paso	72	San Antonio	74	Tulsa	67
59	Cleveland	71	El Paso	73	Baltimore	73	Cleveland	72	Cleveland	74	Greensboro/W-S	66
60	Columbus	71	Charlotte	72	Hartford	73	Detroit	72	Orlando	74	Richmond	66
61	New Orleans	70	Portland	72	Tucson	73	Philadelphia	71	Memphis	73	Birmingham	66
62	Pittsburgh	69	Greenville	71	Birmingham	73	Oklahoma City	71	Louisville	73	Cincinnati	66
63	Milwaukee	68	Cincinnati	69	Knoxville	72	Cincinnati	71	Pittsburgh	73	Memphis	65
64	Hartford	68	Cleveland	69	San Antonio	72	Memphis	68	St. Louis	73	Charlotte	63
65	El Paso	68	Greensboro/W-S	69	Greensboro/W-S	72	New Orleans	68	New Orleans	72	Tucson	63
66	Riverside-SB	68	Pittsburgh	67	Pittsburgh	72	Hartford	67	Milwaukee	71	Greenville	61
67	Dallas-Ft. Worth	67										

(1) Refers to the Central Nassau County submarket.

(2) Refers to mid- and high-rise office structures in the Greater Airport submarket.

(3) Refers to the Princeton-Route 1 Corridor submarket.

(4) Refers to mid- and high-rise office structures throughout Clark County.

### Median Score by Sector

	<b>Current</b> <b>(i.e., Vol. 34)</b>	<b>Spring 2001</b> <b>(i.e., Vol. 33)</b>	<b>Summer 2000</b> <b>(i.e., Vol. 30)</b>	<b>Summer 1999</b> <b>(i.e., Vol. 26)</b>
<b>CBD Office:</b>	<b>79</b>	<b>77</b>	<b>82</b>	<b>83</b>
<b>Suburban Office:</b>	<b>77</b>	<b>77</b>	<b>83</b>	<b>83</b>
<b>Warehouse:</b>	<b>78</b>	<b>78</b>	<b>84</b>	<b>83</b>
<b>Retail:</b>	<b>80</b>	<b>80</b>	<b>82</b>	<b>81</b>
<b>Apartment:</b>	<b>79</b>	<b>79</b>	<b>84</b>	<b>80</b>
<b>Hospitality:</b>	<b>76</b>	<b>76</b>	<b>78</b>	<b>76</b>
<b>Composite:</b>	<b>79.2</b>	<b>78.2</b>	<b>82.9</b>	<b>80.0</b>

**NOTE:** Retail rankings represent grocery-anchored shopping centers only; hospitality rankings refer exclusively to limited-service properties. The prospects for other retail space categories and for full-service hotels differ dramatically in many local markets.

## Top Ten Markets (Vol. 30 vs. Vol. 34)

### CBD Office

Rank	Volume 30		Volume 34*	
	Market	Score	Market	Score
1.	San Francisco	95	Sacramento	90
2.	Oakland	95	Washington, DC	89
3.	Denver	93	San Diego	88
4.	Manhattan Down	93	Portland	87
5.	Manhattan Mid	92	Manhattan Down	87
6.	Austin	92	Honolulu	86
7.	San Jose	92	Denver	85
8.	Stamford	91	Manhattan Mid	85
9.	San Diego	90	Austin	85
10.	Tucson	90	Nassau-Suffolk	85

### Retail

Rank	Volume 30		Volume 34*	
	Market	Score	Market	Score
1.	Raleigh-Durham	95	Orange County	88
2.	San Jose	95	Oakland	88
3.	Washington, DC	92	Nashville	86
4.	Newark-No. NJ	90	Washington, DC	86
5.	Denver	90	Austin	85
6.	San Francisco	90	Salt Lake City	85
7.	Stamford	89	San Francisco	85
8.	Austin	89	New York	85
9.	Oakland	89	Minn.-St. Paul	85
10.	New York	88	Denver	84

### Suburban Office

Rank	Volume 30		Volume 34*	
	Market	Score	Market	Score
1.	Austin	93	Sacramento	87
2.	Oakland	93	W. Palm Beach	85
3.	San Jose	92	San Diego	85
4.	Boston	92	Tampa-SP	83
5.	Stamford	92	Richmond	83
6.	San Francisco	91	New York	83
7.	Nassau-Suffolk	89	Washington, DC	83
8.	Newark-No. NJ	89	Boston	82
9.	Orange County	89	San Antonio	82
10.	Los Angeles	89	Oakland	82

### Apartment

Rank	Volume 30		Volume 34*	
	Market	Score	Market	Score
1.	Orange County	98	Orange County	93
2.	Oakland	98	San Diego	90
3.	San Francisco	97	New York	89
4.	Boston	94	Boston	89
5.	San Diego	94	Nassau-Suffolk	88
6.	San Jose	93	Ft. Lauderdale	88
7.	Nassau-Suffolk	93	Oakland	88
8.	New York	93	Sacramento	87
9.	Riverside-SB	93	Riverside-SB	87
10.	Los Angeles	92	Honolulu	87

### Industrial

Rank	Volume 30		Volume 34*	
	Market	Score	Market	Score
1.	San Jose	97	Los Angeles	87
2.	San Francisco	95	Seattle	86
3.	Los Angeles	92	Oakland	86
4.	Oakland	91	Dallas-Ft. Worth	84
5.	Portland	90	Newark-No. NJ	84
6.	Newark-No. NJ	90	Denver	83
7.	Austin	89	Tampa-SP	83
8.	Seattle	89	Houston	82
9.	Milwaukee	88	Louisville	82
10.	San Diego	88	Chicago	82

### Hospitality

Rank	Volume 30		Volume 34*	
	Market	Score	Market	Score
1.	New York	95	Los Angeles	90
2.	San Francisco	93	Las Vegas	89
3.	Los Angeles	92	Honolulu	88
4.	Las Vegas	92	New York	86
5.	San Diego	91	San Francisco	86
6.	Washington, DC	90	Nassau-Suffolk	85
7.	San Jose	89	Stamford	85
8.	Nassau-Suffolk	89	W. Palm Beach	85
9.	Newark-No. NJ	89	Miami	85
10.	Honolulu	89	Washington, DC	84

\* New top ten. Volume 30 represents the top ten markets in the Summer 2000 issue.

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The National Real Estate Index has created a proprietary model for analyzing the real estate investment potential in 66 metropolitan markets nationwide. *MarketScore* evaluates the potential performance over a two-year horizon of Class A CBD and suburban office, warehouse, unenclosed grocery/drug-anchored shopping center, apartment, and limited service hospitality properties. The rankings are based on key econometric and real estate-related data, portions of which are derived from our extensive proprietary property database.

**NOTE:** Retail rankings represent grocery-anchored shopping centers only; hospitality rankings refer exclusively to limited-service properties. The prospects for other retail space categories and for full-service hotels differ dramatically in many local markets.

**Investment Potential Ratings:** The investment potential is expressed both on a six-point continuum (i.e., "Rating") and on a numerical scale of 60-100 (i.e., "Score") that reflect our view of the **comparative total return potential of properties in the respective sector/market for the succeeding two years**. The investment score is based, first and foremost, on the rental prospects, as well as on a number of documentable (but not necessarily quantifiable) variables that impact the prospects for future price appreciation of real estate in local markets. Potential rental changes are formulated using a proprietary model of documentable and quantifiable economic, demographic, and real estate trends. Naturally, the variables employed vary from property sector to sector, but among the variables included are vacancy, construction, rental rate trends, job growth and related absorption, the distribution of employment within local markets, population and household growth, and household income.

Among the "clusters" of factors that supplement the rental prospects in the total return calculus are: (1) obstacles to construction; (2) corporate location preferences; (3) labor costs and quality; (4) the relationship between government and business, as well as corporate taxes; (5) the quality of life; (6) infrastructure and market access; and, finally, (7) current property values.

These factors are assessed weights in the overall model based on their relative importance and the extent to which they characterize the respective market in question. The continuum for investment prospects are shown below. The "rating" and "score" columns correspond as follows:

**Investment Potential**

<u>Rating</u>	<u>Score</u>
Extraordinary	95+
Excellent	90-94
Good	80-89
Fair	70-79
Poor	60-69
Speculative	59 and below

**General Observations and Model Limitations:** As is appropriate for any comprehensive market analysis and rating, a clarification as to what the data purports to measure, as well as the potential pitfalls, is in order. First and foremost, the investment performance ratings reported in *MarketScore* are **comparative**. That is, we are attempting only to identify those markets that offer superior total return potential relative to other real estate markets. What absolute level of return will be achieved, or how the performance of any local real estate market will compare to that of financial assets such as stocks and bonds, is not analyzed here.

Second, like other analysts, we cannot forecast major exogenous events that may impact performance. The model's emphasis on analyzing comparative rather than absolute returns, however, should mitigate somewhat the prospective impact of major external macroeconomic or political events, should they occur.

Third, we have purposely chosen to emphasize documentable data, thereby largely eschewing forecasts (especially long-term ones) from third parties. We acknowledge that our emphasis on documentable trends may cause some readers to perceive a conservative bias in our strategic model. Consequently, all markets are ranked and "scored" each quarter.

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