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NATIONAL REAL ESTATE INDEX

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Prices Reveal Market Doldrums

◆ Class B Apartments Show Only Gain
◆ Suburban Office Has Deepest Loss

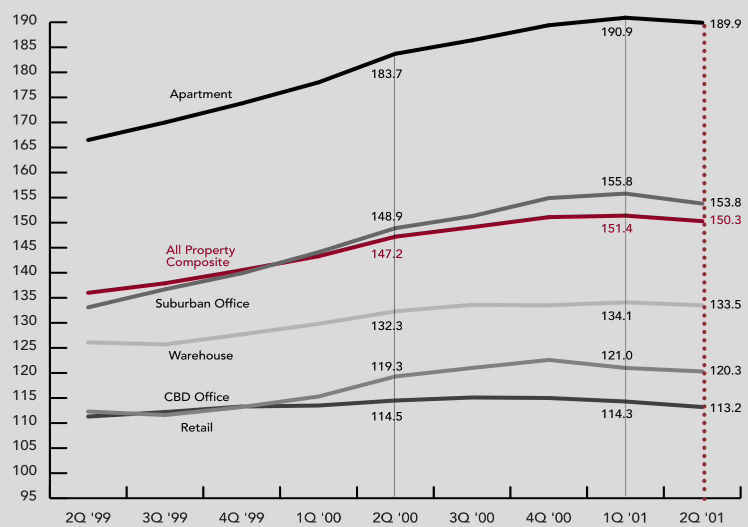
Two quarters ago, just one major property sector (retail) reported a quarterly decline in its average price. The tide turned in the first quarter 2001, with all but one of the six sectors tracked by the INDEX showing a loss. This quarter follows the same pattern. The Class B apartment sector, the only gainer, was able to muster a mere 0.5% increase in average price during the past three months. It also had the largest annual price gain and third-largest rise over the past 24 months (behind suburban office and Class A apartments).

The biggest turnaround occurred in the suburban office sector. Between June 1999 and June 2001, it scored the largest gain in average price (15.6%). During the most recent quarter, however, it was responsible for the biggest decline (1.3%). The second-biggest quarterly fall occurred in the troubled retail sector, which was the only sector to experience a loss for the year (1.1%) and produced the barest of gains (1.7%) for the past two years.

% Change in Price	2Q01	1Q01	2Q00–2Q01	2Q99–2Q01
Apartment	(0.5)	0.8	3.4	14.1
Warehouse	(0.4)	0.5	0.9	6.6
CBD Office	(0.6)	(1.3)	0.9	7.1
Retail	(0.9)	(0.6)	(1.1)	1.7
Suburban Office	(1.3)	0.6	3.3	15.6
Class B Apartment*	0.5	0.0	3.7	13.8
All Property Composite*	(0.8)	0.2	2.1	10.5

*Class B apartments are not included in the Composite indices.

National Real Estate Composite Price Index* (Two-Year Trend)



The *Composite Price Index* is based on average Class A prices weighted by the property stock in local markets in the CBD office, suburban office, warehouse, retail, and apartment sectors, using regional and local market property stock weights from F.W. Dodge and CB Richard Ellis. The second quarter 1987 is the base period (i.e., all property sectors = 100). The Price Index is not adjusted for inflation.

COMPOSITE RENT INDEX

Rents Decline in All Property Categories

- Largest Drop Since Early 1990s
- Office Sectors Lose Most Ground

Average rents declined between the first and second quarters 2001 in all six property categories tracked by the INDEX—the first time this has happened since the early 1990s. The suburban office sector experienced the largest decline (2.4%), followed closely by CBD office (2.3%). This is a dramatic swing for the latter category, which enjoyed the largest gain in average rents during the 24-month period ending in June.

Class A and B apartments, the only sectors to score rent gains in the first quarter, joined the rest of the real estate market with respective 0.7% and 0.4% drops.

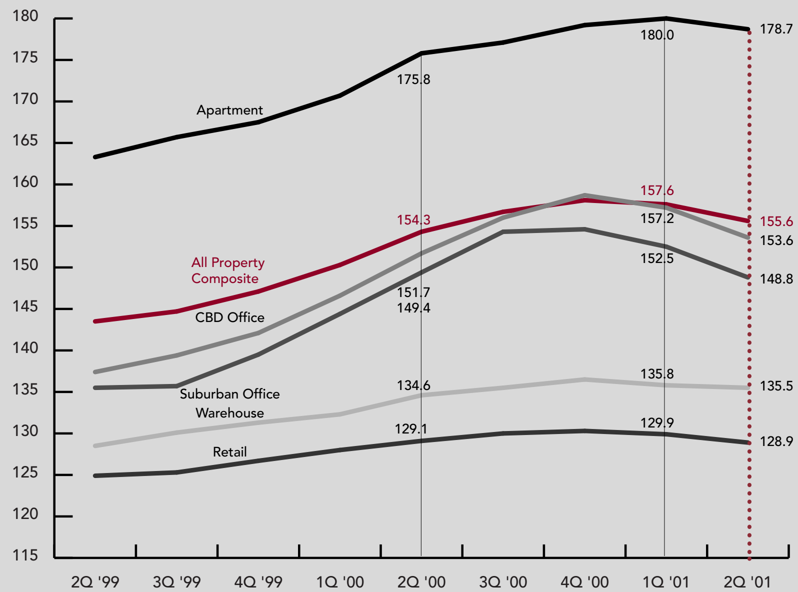
The sluggishness of the retail sector—clearly evident in the minimal 3.3% gain over the past 24 months—continued with a 0.7% loss for the quarter.

The somber quality of the recent period was reflected in the "all property composite"; it had its second negative showing (1.2%) in the history of this publication. Its first decline occurred last quarter.

% Change in Rent	2Q01	1Q01	2Q00–2Q01	2Q99–2Q01
Apartment	(0.7)	0.4	1.7	9.4
Warehouse	(0.2)	(0.5)	0.7	5.2
CBD Office	(2.3)	(1.0)	1.3	11.9
Retail	(0.7)	(0.3)	(0.1)	3.3
Suburban Office	(2.4)	(1.4)	(0.4)	9.8
Class B Apartment*	(0.4)	1.0	2.6	11.1
All Property Composite*	(1.2)	(0.3)	0.8	8.5

*Class B apartments are not included in the Composite indices.

National Real Estate Composite Rent Index* (Two-Year Trend)



The *Composite Rent Index* is based on average Class A rents weighted by the property stock in local markets in the CBD office, suburban office, warehouse, retail, and apartment sectors, using regional and local market property stock weights from F.W. Dodge and CB Richard Ellis. The second quarter 1987 is the base period (i.e., all property sectors = 100). The Rent Index is not adjusted for inflation.

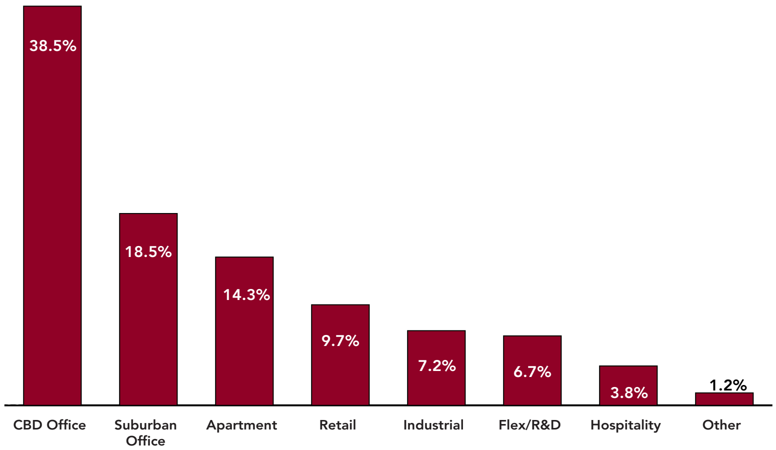
ACQUISITION REPORT - ALL PROPERTIES

Per-Transaction Value Slips from 2000

- CBD Office Nears 40% of Sales Activity
- Dollar Value of Deals Doubles Last Quarter's Total

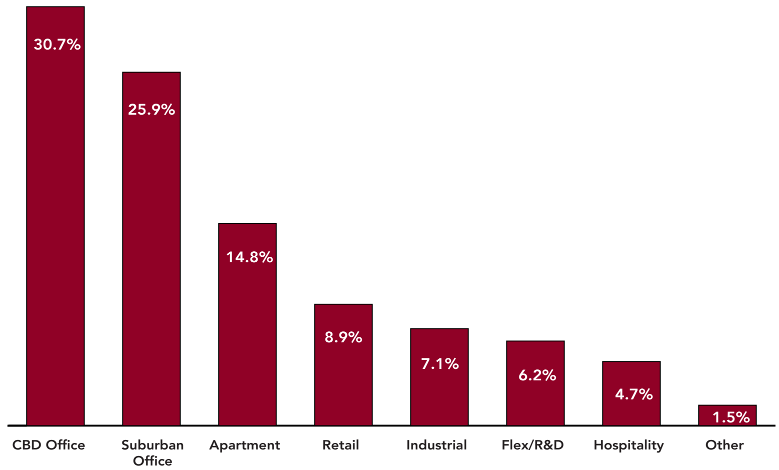
Despite the downward trend seen in average prices and rents, the number and dollar value of property transactions doubled between the first and second quarters. The more interesting comparison is with the fourth quarter 2000, though. During that three-month period, the 1,637 transactions analyzed by the INDEX had a value of $27.7 billion. The second quarter produced a similar dollar value, but with 29% more transactions, reflecting a dramatic decline in the per-transaction value. CBD and suburban office properties continued to garner the greatest percentage of sales activity.

Percentage of $$$ Value in Property Sales By Sector
2001—2nd Quarter*



*Based on 2,114 closed property transactions totaling $26.6 billion in the second quarter, excluding land, unconventional uses (e.g., restaurants, garages), and small properties. Transactions may include more than one property.

Percentage of $$$ Value in Property Sales By Sector
12 Months Ending in 2001—2nd Quarter*



*Based on 6,842 closed property transactions totaling $86.3 billion in the 12 months ending June 30. Land, unconventional uses (e.g., restaurants, garages), and small properties have been excluded. Transactions may include more than one property.

LOCAL MARKET RECAP

San Francisco & San Jose Disappear from Chart

The chart below tracks 12-month percentage gains in prices and rents. A quick glance reveals that the traditional leaders have been displaced. For instance, only one of northern California's three Bay Area markets appears—i.e., Oakland-East Bay. San Diego, Austin and Boston continue to demonstrate strength, along with newcomers West Palm Beach, Houston, Riverside-San Bernardino, and Central New Jersey (which includes Mercer, Middlesex, Somerset, and Hunterdon Counties). The latter scored particularly impressive annual gains in industrial rents and Class B apartment prices. The retail sector turned in another lackluster performance. Not one of the 58 markets tracked by the INDEX was able to mount a double-digit increase in either retail prices or rents.

Leading Local Markets 12 Months Ending in the Second Quarter 2001*

	CBD OFFICE		SUBURBAN OFFICE		WAREHOUSE		RETAIL		CLASS A APARTMENT		CLASS B APARTMENT	
	% CHANGE		% CHANGE		% CHANGE		% CHANGE		% CHANGE		% CHANGE	
	PRICE	RENT	PRICE	RENT	PRICE	RENT	PRICE	RENT	PRICE	RENT	PRICE	RENT
Austin	3.2	7.6	8.7	11.4	0.1	1.8	0.4	3.1	14.4	4.8	6.9	0.9
Boston	1.4	5.7	9.1	10.7	2.5	0.5	(3.6)	(0.7)	1.5	1.5	8.7	5.6
Central NJ	0.9	6.8	(1.3)	2.3	3.3	9.1	1.1	3.6	3.3	1.0	10.4	6.2
Houston	5.9	7.4	7.3	1.6	4.9	10.0	0.5	1.1	2.6	3.5	9.8	1.6
Oakland-East Bay	12.3	17.5	8.6	5.9	(1.0)	(1.8)	(4.7)	(0.3)	13.0	1.6	12.5	0.5
San Diego	8.9	3.8	3.8	10.4	2.6	6.8	7.4	0.6	6.5	3.5	6.8	4.4
Washington, DC	6.7	5.5	5.9	(0.1)	2.5	6.4	3.6	0.9	2.3	1.2	6.5	6.6
West Palm Beach	5.5	2.0	17.5	8.6	14.3	2.5	3.6	2.7	3.7	(1.0)	4.6	3.3
United States	**0.8**	**1.2**	**3.0**	**(0.1)**	**1.1**	**0.7**	**(0.6)**	**(0.1)**	**3.0**	**1.4**	**3.5**	**2.0**

*National averages for all property types have been weighted using actual local market property stock in the nation's largest real estate markets from the **F.W. Dodge** and **CB Richard Ellis** building stock databases. For **CBD office**, the INDEX reports **Class A** property transaction trends within metropolitan areas. Except for retail, **rents** are **effective gross**. **Retail rents** include only in-lying space and are **NNN**. **Warehouse rents** reflect lease rates for **warehouse space only** (lease rates for office build-out in some industrial properties can be significantly higher).

**To receive a chart ranking 12-month changes for over 50 metropolitan areas, call (415) 733-5322.

Lukewarm Performances at Regional Level

The chart below documents 12-month gains in prices and rents at the regional level. In sharp contrast to past quarters, California forfeited its leadership role. During the 12 months ending in March, California scored double-digit price and/or rent gains in four of the six property categories. During the recent June 2000-June 2001 period, however, it joined the other regions with an anemic performance.

In terms of sector strength, Class A and B apartments scored the biggest gains, with the West (which includes Denver and Portland) leading the way. California actually maintained its annual lead in CBD office price, but the honor shifted to the West for CBD office rents. The biggest gain in suburban office price occurred in the Southeast (which includes Atlanta and Memphis). Dallas-Ft. Worth, Houston, and Oklahoma City helped the Southwest clinch the lead for annual gain in average industrial price.

Regional Market Performance 12 Months Ending in the Second Quarter 2001*

	CBD OFFICE % CHANGE		SUBURBAN OFFICE % CHANGE		WAREHOUSE % CHANGE		RETAIL % CHANGE		CLASS A APARTMENT % CHANGE		CLASS B APARTMENT % CHANGE	
	PRICE	RENT	PRICE	RENT	PRICE	RENT	PRICE	RENT	PRICE	RENT	PRICE	RENT
California	3.9	(3.7)	4.6	(5.1)	(0.7)	0.3	0.2	0.9	5.8	3.9	5.2	4.0
West	2.1	3.7	(2.6)	(1.6)	1.0	0.6	2.2	(0.4)	7.3	2.5	5.3	2.7
Southwest	2.0	3.6	4.6	1.8	6.0	1.5	(1.5)	(0.6)	2.6	1.7	3.3	1.3
Southeast	(2.1)	(0.1)	6.8	(0.6)	(2.2)	(0.6)	(2.0)	0.1	(1.2)	0.4	2.4	0.0
Midwest	(2.7)	(0.7)	(1.3)	0.5	(0.2)	(0.7)	(3.0)	(0.3)	1.8	(0.5)	(0.1)	0.4
Florida	2.0	2.1	4.9	2.0	2.6	2.0	2.3	0.8	2.0	(0.4)	3.5	1.9
Northeast	0.7	3.5	3.8	2.1	1.5	1.9	(2.1)	(1.0)	2.4	1.9	4.9	3.6
United States	**0.8**	**1.2**	**3.0**	**(0.1)**	**1.1**	**0.7**	**(0.6)**	**(0.1)**	**3.0**	**1.4**	**3.5**	**2.0**

*National averages for all property types have been weighted using actual local market property stock in the nation's largest real estate markets from the **F.W. Dodge** and **CB Richard Ellis** building stock databases. For **CBD office**, the INDEX reports **Class A** property transaction trends within metropolitan areas. Except for retail, **rents** are **effective gross**. **Retail rents** include only in-lying space and are **NNN**. **Warehouse rents** reflect lease rates for **warehouse space only** (lease rates for office build-out in some industrial properties can be significantly higher).

MACRO MARKET REVIEW

CBD Office

Economic Downturn Pulls the Plug on Gains

- Manhattan Sees Highest CBD Price Increase
- Two California Markets Lose Steam

QUARTER REPORTED TRENDS*

PERFORMANCE MEASURE	GAIN/LOSS	VALUE 1Q01	VALUE 2Q01
Price/Sq. Ft.	(0.6%)	$214.43	$213.10
Rent/Sq. Ft.	(2.3%)	$35.33	$34.52
Cap Rate	0.0%	8.77%	8.77%

YEAR REPORTED TRENDS*

PERFORMANCE MEASURE	GAIN/LOSS	VALUE 2Q00	VALUE 2Q01
Price/Sq. Ft.	0.9%	$211.31	$213.10
Rent/Sq. Ft.	1.3%	$34.09	$34.52
Cap Rate	0.9%	8.70%	8.77%

Prices and rents in the nation's CBDs depreciated between the end of 2001's first and second quarters by 0.6% and 2.3%, respectively. On an annual basis, a more pronounced downturn is evident as office values and rents in central cities flattened (the INDEX sets an annual 4% benchmark to identify statistically significant changes) registering 0.9% and 1.3% advances, respectively. This reflects a reversal from last year when both categories surpassed the annual benchmark. The CBD office sector continued to outperform other sectors for sales capturing 30.7% of the total transaction activity for the year.

Manhattan Downtown pulled ahead of all other markets with a CBD office price gain of 13% during the 12-month period ending June 2001. But with the destruction of the World Trade Center twin towers and subsequent damage to surrounding structures, the Manhattan real estate market is poised for dramatic changes in the coming months, the extent to which remains to be seen. CBD office rents in Downtown Manhattan saw just a 2.6% increase over the past year. The Oakland-East Bay market continued to score high marks for price (12.3%) and rent (17.5%) gains in the CBD office sector. Portland experienced the next-highest price increase (9.8%). Oklahoma City saw its CBD office values appreciate 9.1% and rents rise 10.6%. San Diego also numbered among the leading markets with an 8.9% uptake in prices and a 3.8% rise in rents. In contrast, San Jose and Riverside-San Bernardino, which experienced double-digit price gains last year, were not able to muster value increases of even 1% during the 12 months ending in June 2001.

On a regional level, California maintained its first place ranking with a 3.9% increase in CBD office values during the year compared to a 7.5% price gain one year prior. An even more significant turnaround can be seen in the rental rates for California's CBD office space with a 3.7% depreciation in the most recent 12-month period compared to the robust 15.5% rental uptake reported one year ago. The Midwest saw CBD office values depreciate 2.7% and rents fall 0.7%. Gains were down considerably in all regions from last year.

HIGHLIGHTED MARKETS—CBD OFFICE*

	Price Per SF	Rent Per SF	Cap Rate
Manhattan Downtown 2Q 01	***$326.62***	***$48.13***	***7.5%***
1Q 01	307.06	49.13	8.0
2Q 00	289.08	46.92	7.9
Oakland–East Bay	***$202.57***	***$38.37***	***8.9%***
1Q 01	205.19	38.48	8.8
2Q 00	180.33	32.65	9.4
San Diego	***$192.24***	***$26.07***	***7.8%***
1Q 01	193.96	26.54	7.8
2Q 00	176.57	25.12	8.0
Oklahoma City	***$79.52***	***$15.34***	***8.9%***
1Q 01	77.18	14.78	9.0
2Q 00	72.91	13.87	9.0

*Performance is denoted as flat for quarterly changes of less than 1%, and yearly changes of less than 4%.

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Suburban Office

Prices and Rents Sputter

- California Stalwarts Fading
- Southeast Region Moves into First Place

QUARTER REPORTED TRENDS*

PERFORMANCE MEASURE	GAIN/LOSS	VALUE 1Q01	VALUE 2Q01
Price/Sq. Ft.	▼ (1.3%)	$184.06	$181.69
Rent/Sq. Ft.	▼ (2.4%)	$27.75	$27.08
Cap Rate	◀▶ 0.0%	8.46%	8.46%

YEAR REPORTED TRENDS*

PERFORMANCE MEASURE	GAIN/LOSS	VALUE 2Q00	VALUE 2Q01
Price/Sq. Ft.	◀▶ 3.3%	$175.89	$181.69
Rent/Sq. Ft.	◀▶ (0.4%)	$27.19	$27.08
Cap Rate	◀▶ (1.4%)	8.58%	8.46%

Suburban office prices gained 3.3% and rents depreciated 0.4% during the year ending June 2001, reinforcing the negative impact that the sluggish economy is having on real estate. Over the same period last year, suburban prices advanced 9% and rents grew 7.7%. Nevertheless, the suburban office sector remains an attractive investment category capturing the second-highest volume of sales transactions on both a quarterly and annual basis. As shown in the Acquisition Report on page 3, the suburban office sector accounted for 18.5% of all quarterly sales activity and 25.9% of annual sales transactions.

As recently as a few months ago, several over-achieving cities in California were still seeing double-digit gains in suburban prices and rents. But these markets are steadily fading from the top tier. For instance, San Francisco, San Jose and Riverside-San Bernardino were all recognized for their aggressive performances in 2000's second quarter. In San Francisco, vacancy was less than 1% in some locations causing prices to leap 30% and rents to catapult 53%. But the bigger you are, the harder you fall. These markets have taken the biggest brunt of the technology bust and have been recording severe corrections in 2001. In their place, West Palm Beach rose as the rising star at the end of 2001's second quarter with a 17.5% uptake in suburban prices and an 8.6% rise in rents. Atlanta and Memphis had annual price gains of 14.4% and 11.1%, respectively. San Francisco was the only northern California market to make it into the top five for suburban price gains with a 9.8% advance, but rents took a dramatic 11.1% tumble here during the year. Boston saw suburban office prices grow 9.1% and rents increase 10.7%. Austin posted an 8.7% value increase and an 11.4% gain in rents. San Diego realized a 10.4% uptake in suburban office rents, but price gains of 3.8% fell short of the INDEX's annual 4% benchmark for performance.

On a regional basis, the Southeast put in the strongest annual price performance registering a 6.8% increase, but rents depreciated 0.6%. Florida saw suburban values grow 4.9% and rents appreciate 2% during the year. California's suburban prices and rents seesawed with the former advancing 4.6% and the latter dropping 5.1%. The Southwest reported a 4.6% price uptake and a 1.8% rent increase.

*HIGHLIGHTED MARKETS—SUBURBAN OFFICE***

	Price Per SF	Rent Per SF	Cap Rate
West Palm Beach 2Q 01	***$166.88***	***$25.50***	***9.0%***
1Q 01	166.05	24.01	8.6
2Q 00	141.99	23.49	9.1
Atlanta	***$174.93***	***$22.65***	***7.8%***
1Q 01	175.27	23.04	8.1
2Q 00	152.92	22.94	8.9
Austin	***$184.77***	***$31.67***	***9.2%***
1Q 01	188.73	31.59	9.0
2Q 00	170.02	28.44	9.2
Boston	***$235.94***	***$44.58***	***9.1%***
1Q 01	239.38	45.90	9.1
2Q 00	216.35	40.27	9.3

*Performance is denoted as flat for quarterly changes of less than 1%, and yearly changes of less than 4%.

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MACRO MARKET REVIEW

Warehouse/Distribution

Annual Gains Marginal

- Industrial Sector Barely Above Water
- Northern California Markets Concede Top Slots

QUARTER REPORTED TRENDS*

PERFORMANCE MEASURE*	GAIN/LOSS	VALUE 1Q01	VALUE 2Q01
Price/Sq. Ft.	(0.4%)	$45.29	$45.10
Rent/Sq. Ft.	(0.2%)	$5.77	$5.76
Cap Rate	0.3%	8.93%	8.96%

YEAR REPORTED TRENDS*

PERFORMANCE MEASURE*	GAIN/LOSS	VALUE 2Q00	VALUE 2Q01
Price/Sq. Ft.	0.9%	$44.69	$45.10
Rent/Sq. Ft.	0.7%	$5.72	$5.76
Cap Rate	(0.4%)	8.99%	8.96%

The industrial sector turned in anemic performances in both the second quarter and the 12-month period ending June 2001. Warehouse/distribution space posted only marginal gains in annual values and rents (less than 1% each) and depreciated between the first and second quarters. In sales activity, this property category accounted for just 7% of the total sales volume for both the second quarter and the year.

West Palm Beach produced the only double-digit annual price gain (14.3%) in warehouse space. Undoubtedly, the low vacancy rates and positive demand recorded in 2001's second quarter helped push prices and rents up there. With a minimum amount of sublet space available and construction pacing demand, West Palm Beach should remain somewhat cushioned from the cool-down affecting other markets. A strong performance was also evident in Riverside-San Bernardino, which posted a 9.4% price increase. Even though this market saw 4.3 million square feet added at mid-year and 8.6 million square feet remained underway, the vacancy rate rose just marginally to 3.5% by the end of June. Dallas-Ft. Worth saw prices increase 9.3% over the year, mostly due to a record performance in 2000 followed by a strong showing in the first quarter 2001. Houston, where vacancy, absorption and construction activity indicate a stable market, was the only area to register a double-digit rent uptake (10%). Central New Jersey had the second-highest rent increase (9.1%), followed by Oklahoma City (7.3%) and San Diego (6.8%).

On a regional basis, the Southwest saw the largest growth in industrial values at 6%. Florida experienced the highest rent uptake at 2% and a 2.6% increase in price. All other regions lagged with price gains well below the INDEX's 4% annual performance benchmark. The Southeast and Midwest saw rents fall 0.6% and 0.7%, respectively.

*HIGHLIGHTED MARKETS—WAREHOUSE***

	Price Per SF	Rent Per SF	Cap Rate
West Palm Beach 2Q 01	***$50.71***	***$5.85***	***8.2%***
1Q 01	50.63	5.82	9.0
2Q 00	44.38	5.71	9.2
Riverside-San Bernardino	***$49.54***	***$5.58***	***8.3%***
1Q 01	48.64	5.72	8.5
2Q 00	45.29	5.47	8.8
Houston	***$43.08***	***$5.28***	***8.8%***
1Q 01	42.59	5.16	8.8
2Q 00	41.08	4.80	8.8
Central New Jersey	***$50.41***	***$6.94***	***9.1%***
1Q 01	50.57	6.83	9.0
2Q 00	48.79	6.36	8.9

*Performance is denoted as flat for quarterly changes of less than 1%, and yearly changes of less than 4%.

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MACRO MARKET REVIEW

Retail
Malaise Continues

- Values Decline in Four of Seven Regions
- Nashville Takes Center Stage

QUARTER REPORTED TRENDS*

PERFORMANCE MEASURE	GAIN/LOSS	VALUE 1Q01	VALUE 2Q01
Price/Sq. Ft.	(0.9%)	$121.55	$120.41
Rent/Sq. Ft.	(0.7%)	$17.74	$17.61
Cap Rate	0.6%	9.13%	9.19%

YEAR REPORTED TRENDS*

PERFORMANCE MEASURE	GAIN/LOSS	VALUE 2Q00	VALUE 2Q01
Price/Sq. Ft.	(1.1%)	$121.77	$120.41
Rent/Sq. Ft.	(0.1%)	$17.63	$17.61
Cap Rate	1.9%	9.02%	9.19%

The retail sector continues to struggle. Only four of the INDEX's surveyed markets—Nashville, San Diego, Las Vegas and Fort Lauderdale—recorded price increases in retail space at or above the annual 4% benchmark for performance. Overall, retail values fell 1.1% and rents slipped 0.1% during the year ending in the second quarter 2001. On a quarterly basis, prices fell 0.9% and rents dropped 0.7%. The retail sector placed fourth in sales accounting for 9.7% of the quarterly volume and 8.9% of the annual activity.

Nashville saw the largest increase in prices for retail space (8.2%) during the most recent 12-month period. The opening of the 1.2 million square foot Opry Mills in May 2000 helped boost retail sales in Nashville while big box openings in suburban Franklin have turned that community into a retail hotspot. Road improvements are fueling retail growth and development throughout the metropolitan area. San Diego, with just a 3.7% vacancy rate in 2001's second quarter, saw the next-highest price uptake at 7.4%, followed by Las Vegas (6.6%) and Ft. Lauderdale (5.2%). In rents, Birmingham topped the list registering a 5.1% gain followed by San Francisco (4.6%) and Greensboro/Winston-Salem (4.3%).

On the regional level, Florida ranked first for price gains in retail space at 2.3%, but this fell far short of the 4% performance benchmark. The West (which encompasses five major markets outside of California) registered a 2.2% value gain; California saw a marginal 0.2% rise. The remaining four regions recorded price declines for the year ending in 2001's second quarter. A similar story was true for rents with minimal increases in California (0.9), Florida (0.8%) and the Southeast (0.1%).

HIGHLIGHTED MARKETS—RETAIL**

	Price Per SF	Rent Per SF	Cap Rate
Fort Lauderdale 2Q 01	***$118.91***	***$16.76***	***9.2%***
1Q 01	119.40	16.90	9.2
2Q 00	113.04	16.25	9.2
Nashville	***$98.25***	***$14.58***	***9.1%***
1Q 01	96.87	14.79	9.3
2Q 00	90.81	14.44	9.5
Birmingham	***$90.30***	***$13.76***	***9.4%***
1Q 01	89.51	13.52	9.4
2Q 00	87.16	13.09	9.5
Las Vegas	***$130.83***	***$18.07***	***9.0%***
1Q 01	127.63	17.58	9.1
2Q 00	122.68	17.72	9.3

*Performance is denoted as flat for quarterly changes of less than 1%, and yearly changes of less than 4%.

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MACRO MARKET REVIEW

Class A & B Apartment
Positive Annual Gains

- Northeast Region Retreats
- Austin, Denver Push to Top

The apartment sector retained its lead for overall price and rent gains over the past year, but the economic downturn has affected this property category, too. Apartments overtook retail properties in terms of annual transactions, however, the ascension was more a function of the retail sector's decline as the volume of apartment sales did not increase substantially from last year.

Four cities recorded double-digit Class A price gains—Austin (14.4%), Denver (13.8%), Oakland-East Bay (13%), and Portland (11%). Riverside-San Bernardino moved into the lead for advances in Class A rents with a 10.3% uptake. In the Class B apartment category, the Oakland-East Bay market pulled out a 12.5% price gain and Central New Jersey saw values rise 10.4%. Double-digit rent gains were noticeably absent in Class B apartments during the year ending in 2001's second quarter. Washington, DC and Nassau-Suffolk tied for first place in Class B rents recording annual increases of 6.6% each. Orange County and Central New Jersey trailed closely with respective 6.5% and 6.2% rent uptakes.

The Northeast and California regions dominated the apartment scene from mid-1999 to mid-2000 with double-digit price increases and large rent gains in both Class A and B properties. During the most recent 12-month period, however, the Northeast fell below the INDEX's annual 4% performance benchmark in all but one category—Class B values (4.9%). California and the West both put in positive showings as illustrated in the Regional Market Recap on page 5. But relative to last year, these markets are showing clear signs of weakening.

HIGHLIGHTED MARKETS—APARTMENT**

	Price Per SF	Rent Per SF	Cap Rate
CLASS A APARTMENT			
Austin 2Q 01	***$88.29***	***$11.86***	***7.6%***
1Q 01	87.45	11.59	7.5
2Q 00	77.18	11.32	8.4
CLASS B APARTMENT			
Oakland–East Bay	***$119.67***	***$19.19***	***8.5%***
1Q 01	122.61	19.89	8.6
2Q 00	111.14	19.09	9.0

CLASS A APARTMENT

QUARTER REPORTED TRENDS*

PERFORMANCE MEASURE	GAIN/LOSS	VALUE 1Q01	VALUE 2Q01
Price/Sq. Ft.	(0.5%)	$105.36	$104.81
Rent/Sq. Ft.	(0.7%)	$14.63	$14.53
Cap Rate	(0.1%)	8.43%	8.42%

YEAR REPORTED TRENDS*

PERFORMANCE MEASURE	GAIN/LOSS	VALUE 2Q00	VALUE 2Q01
Price/Sq. Ft.	3.4%	$101.36	$104.81
Rent/Sq. Ft.	1.7%	$14.29	$14.53
Cap Rate	(1.6%)	8.56%	8.42%

CLASS B APARTMENT

QUARTER REPORTED TRENDS*

PERFORMANCE MEASURE	GAIN/LOSS	VALUE 1Q01	VALUE 2Q01
Price/Sq. Ft.	0.5%	$70.09	$70.45
Rent/Sq. Ft.	(0.4%)	$11.17	$11.13
Cap Rate	(0.9%)	9.26%	9.17%

YEAR REPORTED TRENDS*

PERFORMANCE MEASURE	GAIN/LOSS	VALUE 2Q00	VALUE 2Q01
Price/Sq. Ft.	3.7%	$67.93	$70.45
Rent/Sq. Ft.	2.6%	$10.85	$11.13
Cap Rate	(1.5%)	9.31%	9.17%

*Performance is denoted as flat for quarterly changes of less than 1%, and yearly changes of less than 4%.

**Prices, rents, and cap rates for over 50 metropolitan areas provided by the National Real Estate Index, (415) 733-5322. The highlighted markets represent those areas with the most dramatic price and/or rent increases over the past 12 months.

Market Performance Falls into Negative Territory

The trend of the current Tick Report began last quarter, when most of the markets turned in mediocre performances. Once again, the "equilibrium" part of this chart (i.e., average price and/or rent changes over the past 12 months falling in the negative 2% to positive 2% range) is dominant. The only sector in which the majority of markets did better was Class A apartments. But even then, the difference was slight—17 markets experienced "healthy" (2%-5%) gains in average price; 16 fell into the "equilibrium" slot. There was also a demonstrable increase in the number of markets that experienced "weak" (negative 5% to negative 2%) and "poor" performances (with price/rent changes of negative 5%+).

	CBD OFFICE		SUB. OFFICE		WAREHOUSE		RETAIL		CLASS A APARTMENT		CLASS B APARTMENT	
	NO. OF MARKETS	PRICES	NO. OF MARKETS	PRICES	NO. OF MARKETS	PRICES	NO. OF MARKETS	PRICES	NO. OF MARKETS	PRICES	NO. OF MARKETS	PRICES
Robust (5%+)	10	9	16	5	7	10	4	1	12	3	18	11
Healthy (2% to 5%)	6	14	7	11	13	9	7	10	17	12	14	15
Equilibrium (-2% to 2%)	28	28	20	31	22	26	22	37	16	39	20	28
Weak (-5% to -2%)	12	5	12	8	10	10	22	6	10	4	5	4
Poor (-5%+)	3	3	2	2	5	2	3	4	3	0	1	0
% of Markets ≥ 2% gains	27%	39%	40%	28%	35%	33%	19%	19%	50%	26%	55%	45%

CANADIAN MARKET OVERVIEW

Calgary

Double-Digit Office Vacancy; Industrial Market Is Tight

The absorption of office space in downtown Calgary reversed course from a positive 472,000 square feet in the first quarter to a negative 65,700 square feet in the second quarter. Unlike other urban centers suffering from the demise of dot.coms, Calgary's slowdown was more influenced by contractions within the energy industry, which caused a 365,000 square foot increase in the market's sublease space. CB Richard Ellis expects conditions to improve in the second half, leading to 800,000 square feet of net absorption for the year. As of June, conditions were most sluggish in the West End, with year-to-date absorption of 55,400 square feet and a 20.9% vacancy rate, double downtown's total (10.2%). Though no new construction was underway, three buildings were recently completed—Bankers Hall West, the Ernst & Young tower, and TransCanada tower. Eight projects are on the drawing boards, totaling more than three million square feet. None are expected to break ground without substantial pre-leasing, however.

That is not the case in the suburban office market, where nearly 700,000 square feet was underway in the second quarter. Most of this space is being built in the Northeast submarket, with high-tech and build-to-suit projects leading the way. The suburban vacancy rate increased slightly to 11%; the largest increase occurred in the Beltline area. This submarket also had the greatest amount of negative absorption and sublease space. South Central has the highest vacancy rate (16.3%).

The industrial picture is quite different. The overall vacancy rate finished the second quarter up slightly at 3.1%. New and expanding tenants pushed net absorption to 239,000 square feet for the second quarter. Over one million square feet of new space was completed between April and June.

Toronto

Space Returns to Office Market; Industrial Absorption Is High

Moving to eastern Canada, we also see a rise in greater Toronto's office vacancy rate, to 9.1%. Despite the trend in the overall rate, there is great variation across the city and across class categories. For instance, the Class A vacancy rate downtown is an impressive 4.5%. Year-to-date absorption is negative in all downtown and suburban submarkets; 850,000 square feet came back to the market during the second quarter (70% of it was sublease space). The Maritime Life tower is under construction downtown; the 540,000 square foot Transamerica Life project is expected to get underway soon in North Yonge; plans have also been announced for a 140,000 square foot project in Mississauga for Microsoft.

Industrial conditions, on the other hand, are strong. Revised data show that 790,000 square feet were absorbed during the first three months, followed by the taking of another 1.8 million square feet in the second quarter. The availability rate changed little, landing at 4.4% for the quarter. Approximately 3.2 million square feet of speculative space is under construction; one-third has been pre-leased.

CANADIAN MARKET OVERVIEW—AREA BREAKDOWN

Calgary Office Market

—Second Quarter 2001—

SUBMARKET	INVENTORY	VACANCY RATE	ABSORPTION	UNDER CONSTRUCTION
Downtown				
West End	978,202	20.9%	(53,367)	0
Mid West Core	8,310,442	10.5%	205,881	0
Central Core	19,730,599	10.6%	250,169	0
East End	1,972,777	2.5%	5,659	0
DOWNTOWN TOTAL	**30,992,020**	**10.2%**	**406,342**	**0**
Suburban				
Beltline	3,150,642	11.4%	(107,901)	168,000
S. Central	1,918,209	16.3%	16,126	98,000
South	2,178,487	5.7%	(47,518)	0
Northeast	3,801,063	9.8%	199,237	431,000
Northwest	1,319,764	14.2%	(22,173)	0
SUBURBAN TOTAL	**12,368,165**	**11.0%**	**37,771**	**697,000**

Source: CB Richard Ellis (Calgary). Absorption is year-to-date.

Toronto Office Market

—Second Quarter 2001—

SUBMARKET	INVENTORY	VACANCY RATE	ABSORPTION	UNDER CONSTRUCTION
Downtown	54,501,000	7.1%	(465,000)	453,000
Midtown	14,521,000	7.6%	(66,000)	0
East	21,900,000	10.1%	(144,000)	847,000
North	10,439,000	12.3%	(121,000)	0
West	26,536,000	11.8%	(471,000)	1,133,000
TORONTO TOTAL	**127,897,000**	**9.1%**	**(1,267,000)**	**2,433,000**

Source: CB Richard Ellis (Toronto). Absorption is year-to-date.

Toronto Industrial Market

—Second Quarter 2001—

SUBMARKET	INVENTORY	AVAILABILITY RATE	ABSORPTION
West	254,500,000	6.5%	1,430,000
Central	275,700,000	3.2%	1,300,000
North	113,000,000	3.5%	(70,000)
East	47,600,000	2.8%	(60,000)
TORONTO TOTAL	**690,800,000**	**4.4%**	**2,570,000**

Source: CB Richard Ellis (Toronto). Absorption is year-to-date.

VACANCY/ABSORPTION INDICES[1]

METROPOLITAN MARKET	CBD OFFICE VACANCY[2]	SUBURBAN OFFICE VACANCY	METRO OFFICE NET ABSORPTION	INDUSTRIAL VACANCY[3]	METRO INDUSTRIAL NET ABSORPTION
Albuquerque	12.5	10.5	109,361	5.2	427,717
Atlanta	9.0	15.3	1,125,221	10.1	785,264
Austin	7.4	7.1	(303,584)	n/r	n/r
Baltimore	9.6	11.0	327,052	11.5	1,063,514
Boston	5.8	11.5	(4,041,130)	7.8	(378,844)
Central New Jersey	11.0	10.5	(681,669)	5.7	(126,261)
Charlotte	5.1	13.6	424,390	6.8	(403,561)
Chicago	8.1	11.7	(213,995)	8.6	3,222,692
Cincinnati	8.6	13.1	73,380	6.3	367,815
Cleveland	10.2	16.5	(347,173)	6.6	242,147
Columbus	20.0	15.6	(83,698)	8.6	607,762
Dallas-Ft Worth	26.3	15.8	(1,064,582)	6.9	(1,176,550)
Denver	6.6	10.5	(174,606)	5.5	468,561
Detroit	18.8	9.9	(167,046)	9.2	1,120,000
Fort Lauderdale	9.4	14.9	27,458	7.9	1,514,927
Houston	6.9	15.6	91,511	7.5	821,802
Indianapolis	19.4	14.0	(321,535)	7.0	474,000
Jacksonville	9.6	19.6	115,208	6.5	(1,781,489)
Kansas City	14.0	12.2	(299,037)	5.0	170,238
Las Vegas	17.2	14.4	153,060	6.3	(272,077)
Los Angeles	15.1	10.6	184,557	3.5	1,859,149
Manhattan Dwntwn	5.6	n/a	(1,459,030)	n/a	n/a
Manhattan Midtwn	4.9	n/a	(137,140)	n/a	n/a
Memphis	17.2	12.4	(126,410)	16.3	1,024,472
Miami	8.8	10.4	(268,306)	7.0	66,853
Minneapolis-St. Paul	6.7	12.0	(40,910)	4.8	129,693
Nashville	12.9	12.8	(287,326)	8.6	2,226,072
Nassau-Suffolk	10.0	8.3	(456,150)	n/r	n/r
Newark	14.6	13.3	(998,477)	7.5	(891,009)
Oakland	7.8	7.3	(311,831)	4.9	(1,375,838)
Orange County	12.4	13.2	36,320	2.0	147,542
Orlando	9.5	12.7	485,714	8.7	(104,568)
Philadelphia	8.6	8.4	239,145	6.2	4,518,677
Phoenix	12.9	12.8	371,567	8.9	458,670
Portland	7.4	11.7	47,429	5.4	(256,405)
Raleigh-Durham	6.1	11.3	686,635	14.0	(234,387)
Riverside-San Bernardino	26.3	14.1	218,428	3.5	3,953,878
Sacramento	4.6	6.8	183,624	9.7	2,425,483
Salt Lake City	13.6	16.6	(231,807)	6.9	1,293,875
San Diego	7.0	7.5	56,054	5.6	1,075,181
San Francisco	10.5	9.7	(2,592,031)	6.1	(1,257,598)
San Jose	7.6	8.8	(1,620,498)	6.4	(5,080,030)
Seattle	9.6	10.1	(1,310,709)	4.7	(259,449)
Stamford	8.6	9.5	(517,703)	9.8	(164,562)
St. Louis	13.8	9.1	(912)	6.8	1,457,680
Tampa-St. Petersburg	12.7	11.9	476,651	7.7	323,564
Ventura County	n/a	11.2	248,972	3.8	211,024
Washington, DC	4.4	5.1	465,029	6.9	(350,101)
West Palm Beach	12.4	13.3	(120,819)	6.2	528,446
Wilmington	6.6	3.8	(66,852)	6.9	131,823
Total US [4]	**8.4**	**11.4**	**(12,098,200)**	**6.9**	**19,289,484**

n/r = These data are not compiled or reported by CB Richard Ellis.
n/a = These data are not applicable for these markets.

1) These figures were compiled by CB Richard Ellis' local and regional offices, and, unless otherwise noted, reflect the **second quarter 2001**.
2) The "CBD" is defined as Mercer County (Central NJ); Dallas (Dallas–Ft. Worth); Downtown and Brickell Ave. (Miami); Minneapolis (Minn.–St. Paul); the Garden City submarket (Nassau–Suffolk); Midtown and Downtown Manhattan (New York); Essex County (Northern NJ); the Greater Airport submarket (Orange County); the downtown Riverside and San Bernardino submarkets (Riv.–San Bernardino); the Financial District (San Francisco); the District of Columbia (Washington, DC).
3) Figures for some markets reflect availability rather than just the percentage of space currently unoccupied.
4) U.S. totals are based on the local markets that appear in the chart and are weighted according to the underlying inventory in each market.

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METHODOLOGY

The National Real Estate Index (INDEX) reports data on large income-producing properties bought and sold nationwide. The primary market makers include pension plans, real estate investment trusts, banks, savings and loans, commercial real estate brokers, appraisers, and investment program sponsors. The properties analyzed in the INDEX include office buildings, warehouse/distribution properties, retail centers, apartments, and hotels.

Mean Prices: The INDEX *Market Monitor* compiles and reports average transaction prices, rents, capitalization rates for Class A properties in local and regional markets throughout the United States, as well as prices for lower quality properties in many markets. All transactional data is calculated at the point of purchase/sale, reflecting values based on arm's length negotiations.

Effective Gross Rents: Except for retail, stated rents reflect all occupancy costs. Because reported rents include rent concessions and operating cost chargebacks, if any, reported rents are therefore effective gross rents. Reported *retail* rents include in-lying small shop space only and are *triple net. Warehouse rents* reflect lease rates for *warehouse space only.*

Capitalization Rates: Cap rates are determined from reported actual net operating income, either from property sales or from representative properties.

Important: Please note that because the rent figures represent quoted rates (after concessions) on space currently available (rather than the total rental income for all buildings surveyed), prices, rents, and cap rates may not always appear "internally" consistent. Reported price and rent trends are moderated by independent market surveys conducted by the INDEX research staff. Where there are too few transactions to constitute a statistically-significant sample or the underlying data for the transactions are incomplete, the performance of prototype properties is used to supplement the transaction data in deriving average values and cap rates.

BUILDING NORMS: In order to maintain quality data and monitor rental rate trends, specific "prototype" or "tracked" properties that conform to the norms discussed below have been identified in each market.

All tracked properties have no leases that are significantly higher or lower than the market rates for similar space. Buildings are of high quality, have current construction materials and techniques, and are aesthetically modern and attractive. The buildings are representative of local conditions, stabilized with modest vacancy, and ten years old or less. *Norms* for specific property types (and local market *prototypes*) reported in the INDEX are as follows:

Office: Ten stories or greater size, steel frame (or other high quality) construction, and a high quality modern exterior finish and glass application. Properties are located in the Central Business District (CBD) or, where noted, a submarket recognized as a primary office location.

Warehouse/Distribution: The INDEX employs space originally designed and used for true warehouse/distribution or storage as the property norm. Buildings are usually of tilt-up concrete construction, with flat roofs and a clear space span of at least 18 feet. No more than 20% of the total space is office build-out. The buildings have a minimum of 50,000 square feet and are located in a quality industrial park or other superior location.

Retail: A "neighborhood" or small community center, rather than an enclosed mall, is the property norm for shopping centers. The typical center is 75,000–225,000 square feet and contains at least one major anchor tenant, usually a high quality national or regional grocery store. Generally, 30%–50% of the space in prototype retail centers is occupied by anchor tenants. All construction is single story and of modern design, with a 3.5:1 parking-lot-to-developed-space ratio. Properties are located in established neighborhoods.

Apartment: Apartments are garden- or campus-style. Construction is standard stud frame with a stucco or other high quality exterior. Some decorative facia is applied, usually of brick, and the peaked roof is built on prefabricated trusses of material other than blacktop buildup. There is quality landscaping with some mature trees and shrubbery. Prototype apartment communities contain 100–300 units and have amenities appropriate for the geographic region. Amenities usually include a pool, tennis courts and/or health/fitness rooms. Tenants have covered parking for at least one car per apartment unit. Class B apartments are defined as properties built or substantively renovated from 1980 through 1989.

Note: As for most statistical data services, previously-reported data is revised as needed to reflect the receipt of new data. Specifically, because a number of property transactions for any given quarter are reported too late to be included in that quarter's issue of the *Market Monitor,* the INDEX revises data released in prior issues if the values previously reported have changed significantly. We believe this approach helps assure the most reliable data over the long-term.

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