

REAL ESTATE INVESTMENT TRENDS

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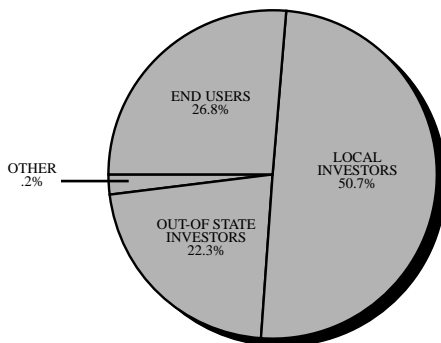
MID-YEAR
2000

The information contained herein is the result of a survey of participants in the commercial real estate markets of North Texas conducted during the first half of 2000. The respondents include pension fund managers, life insurance companies, local and national developers, asset managers, loan officers in local lending institutions and federal agencies, brokers, as well as consultants, mortgage bankers, title company executives and individual investors. Some of the data reported reflects a weighted average using the transactions and total dollar amounts as the basis. Thus, the respondents that were the most active within the period had more influence on the data reported.

The responding group as a whole participated in 223 transactions totaling approximately \$1.398 billion during the first half of 2000. Of the respondents, 9.1% were lenders, 13.6% were investors, 59.1% were brokers and 18.2% were other real estate professionals.

“Who are the active buyers in today’s market?” The following chart reflects the actual buyers, based on the number of transactions, according to the respondents.

ACTIVE BUYERS



We asked respondents to estimate changes in revenue and expenses by property type, which is demonstrated in the following table.

REVENUE AND EXPENSE EXPECTATIONS

Property Type	Year 1		Year 2		Thereafter	
	Revenue	Expense	Revenue	Expense	Revenue	Expense
Apartments	3.1%	2.8%	3.6%	3.0%	3.7%	3.3%
Office	3.2	3.1	3.1	3.0	3.2	3.2
Retail	3.2	2.7	3.4	2.9	3.3	3.0
Industrial	3.7	2.6	3.5	2.9	3.2	2.8
Hotel	2.4	3.2	1.8	3.5	3.6	3.3

Direct capitalization, expressed as a rate, converts a single year’s net operating income into a value. The market recognizes three types of “Cap Rates.” The “going-in” rate is based on the investor’s analysis of the current income at time of purchase. The “stabilized rate” is based on the investment’s typical operating year at a stabilized occupancy. The “reversion rate” is the capitalization rate anticipated by investors at the time of resale. The following table presents the mid-year 2000 range of rates and the averages.

CAPITALIZATION RATES

Property Type	Going-In		Stabilized		Reversion	
	Average	Range	Average	Range	Average	Range
Apartments	9.2%	8.5-11.0%	9.3%	8.8-10.0%	9.7%	9.3-11.0%
Office	9.4	8.8-10.5	10.0	8.8-11.0	10.2	9.5-11.0
Retail	9.7	8.8-10.5	10.0	9.0-12.0	10.2	9.3-11.0
Industrial	9.5	9.0-11.0	10.2	9.0-14.0	10.0	9.0-11.0
Hotel	10.3	8.5-11.0	11.0	10.0-12.0	11.3	10.5-12.0

The capitalization rates reported basically reflect Class A and B type properties; 39.9% Class A, 42.4% Class B and 16.0% Class C.

A discount rate (interest rate to the lender, yield to the investor) is the rate that equates the property’s present value to its future income over a period of years and eventual resale. The following table presents the range and the average discount rates, as compared to the year-end 1999. The discount rates presented in the table were allocated by property type as follows: Class A 46.8%, Class B 39.5%, and Class C 11.4%.

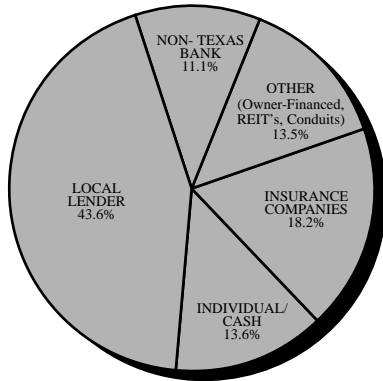
DISCOUNT RATES

Property Type	Year-End 1999 Average	Mid-Year 2000 Average	Mid-Year 2000 Low	Mid-Year 2000 High
Apartments	11.2%	11.7%	10.5%	15.0%
Office	11.4	12.3	10.0	15.0
Retail	11.4	12.2	11.0	15.0
Industrial	10.5	11.6	10.3	13.5
Hotel	13.0	13.3	11.5	16.0
Ground Leases	9.7	10.0	8.0	12.5



The following graph shows the sources of funds used in the transactions (based on the dollar amount of the transactions.)

SOURCES OF FUNDS



When asked what would be a reasonable exposure time for a property to sell in the open market, the respondents answered as follows:

REASONABLE EXPOSURE TIME

Property Type	Months	Property Type	Months
Apartments: Class A	7.7	Land: Leased Fee Sites	8.3
Class B	8.3		
Office: High Rise	10.3	Industrial: Bulk Warehouse	6.3
Class A Suburban	9.9	Office/Warehouse	6.6
Class B	10.8	Tech/Flex	6.0
Retail: Regional	8.2	Hotels: Full Service	9.9
Community	7.6	Limited Service	10.4
Neighborhood	7.2	Economy	11.6
Unanchored	10.6		

The following table reflects the anticipated term of ownership (from acquisition to resale) for certain property types.

HOLDING PERIOD (YEARS)

Property Type	Avg	Range	Mode	Property Type	Avg	Range	Mode
Apartments	5.3	3.0-9.0	3.0	Industrial	6.4	2.0-10.0	7.0
Office	8.0	3.0-18.0	7.0	Hotels	6.7	2.0-10.0	9.0
Retail	6.3	2.0-12.0	5.0	Ground Lease	11.9	10.0-18.0	10.0

INVESTMENT OPPORTUNITY IN 2000

Land was viewed as being the best investment opportunity, followed by retail, industrial, office, apartment and hotel properties. The participants were asked to provide their forecast for the remainder of 2000: 7.1% said great, 64.3% think good, 28.6% say stable and none anticipate a decline.

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The following table reflects market averages and ranges for finish-out in office, industrial and retail properties. These are shown on a per square foot basis. Please note that the ranges for industrial reflect both bulk and flex type space. The upper end reflects flex space, with the lower end being more representative of warehouse or bulk type space and is usually only applied to the office portion.

FINISH-OUT

Property Type	New			Renewal		
	Average	Low	High	Average	Low	High
Office	\$19.06	\$12.5	\$30.00	\$9.94	\$5.00	\$20.00
Industrial	10.29	5.00	17.5	3.63	2.00	6.00
Retail	18.81	15.00	25.00	10.00	3.00	20.00

We asked the investment community about their acceptable returns when investing in land. Most of the respondents reported leverage or equity yields. Thus, the low end of the range reflects unleveraged yields.

YIELDS FOR LAND

Property Type	Average	Low	High
Pad Site	20.3%	12.0%	30.0%
Industrial	17.2	12.0	25.0
Residential Lot Development	25.4	16.5	30.0
Speculative Land Purchase	32.0	25.0	50.0

We asked the respondents what they used for a stabilized vacancy and collection loss when analyzing different property types. The following table summarizes their responses, presenting both the average and the mode.

VACANCY AND COLLECTION LOSS (Average and Mode)

Multi-Tenant	Loss (%)	Single Tenant	Loss (%)
Retail: Strip Center	8.0/10.0	Retail: Credit	2.8/3.0
Neighborhood	7.7/10.0	Non-Credit	5.9/5.0
Anchored	5.9/5.0		
Multi-anchor	6.6/5.0	Office: Class A	8.1/10.0
		Class B	18.7/10.0
		Garden (Class C)	9.2/10.0
		Small	8.8/8.0
Industrial: Bulk	6.3/5.0	Office: Credit	3.3/5.0
Flex	7.1/5.0	Non-Credit	6.4/5.0
Apartments: Class A	5.7/6.0		
Class B	6.6/7.0		
Class C	8.3/8.0		

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