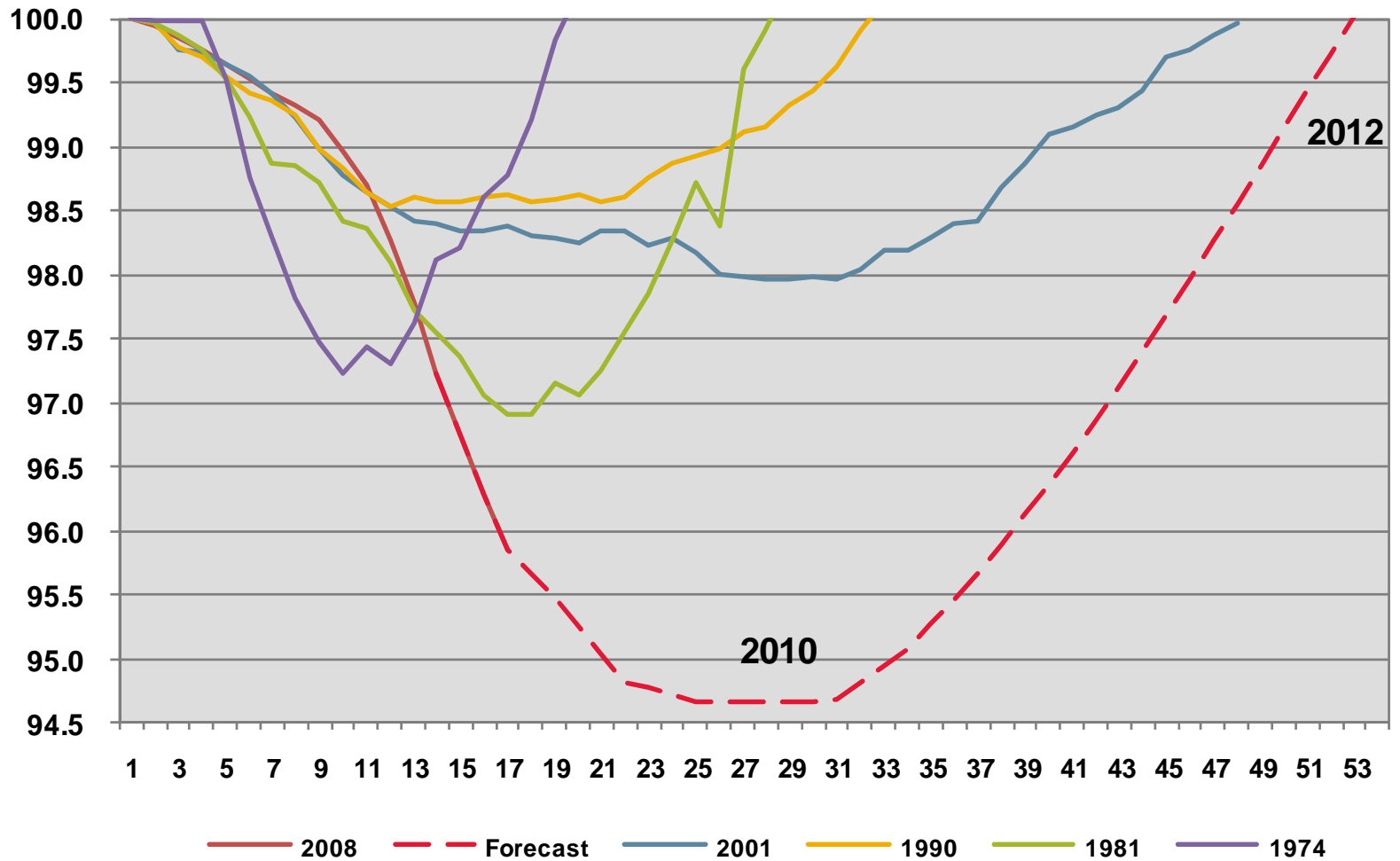


The Current Recession in Context

Even with massive stimulus, we expect the deepest and longest recession since WWII

MONTHS OF DECLINE AND RECOVERY FOR TOTAL EMPLOYMENT



Source: BLS, Moody's Economy.com

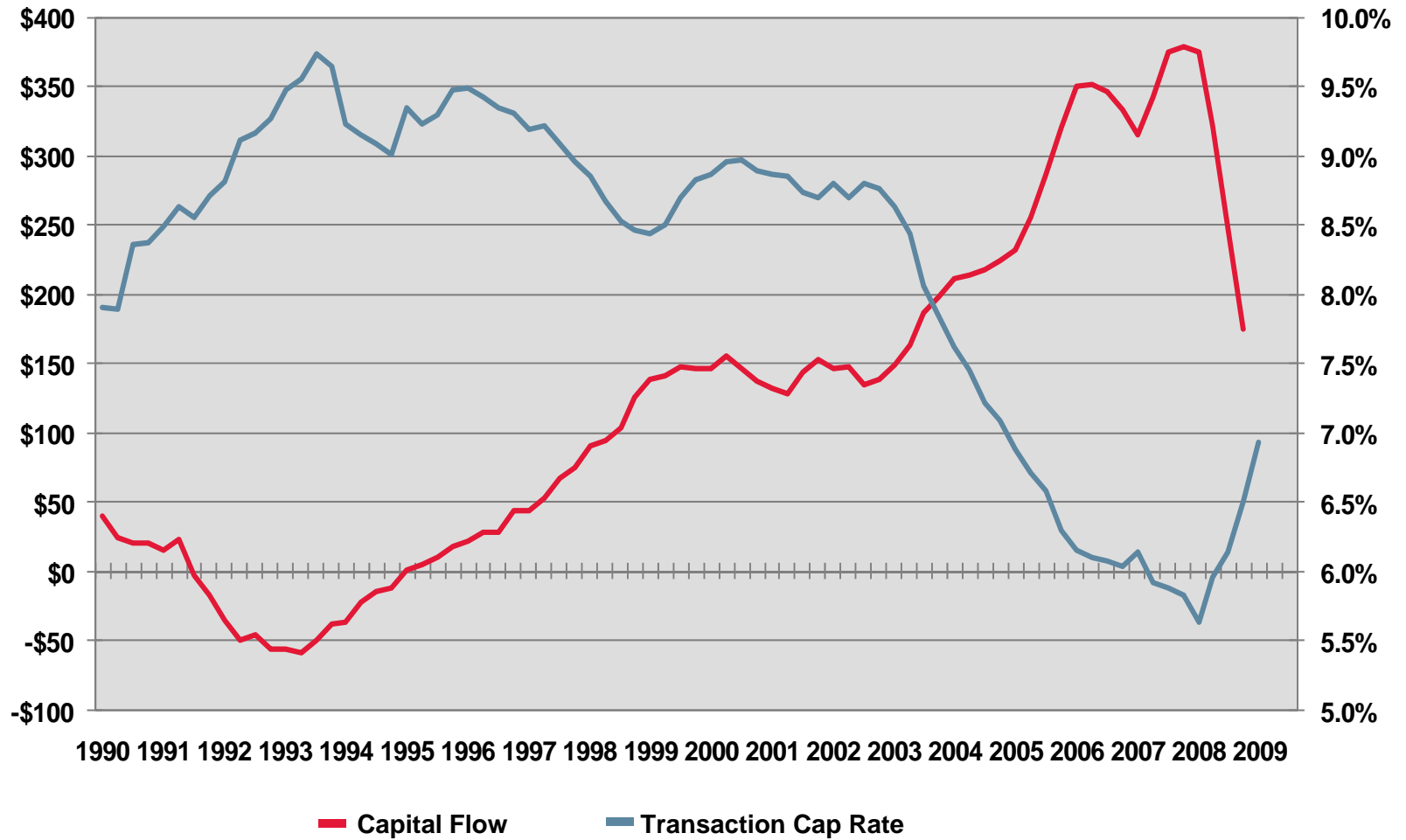
Debt Drives Real Estate Pricing

Capital flows drive pricing

Availability more important than cost

More debt = lower yields

FOUR QUARTER MOVING AVERAGE OF DEBT FLOWS AND CAP RATES



As of 2008Q4
Source: Federal Reserve, NCREIF

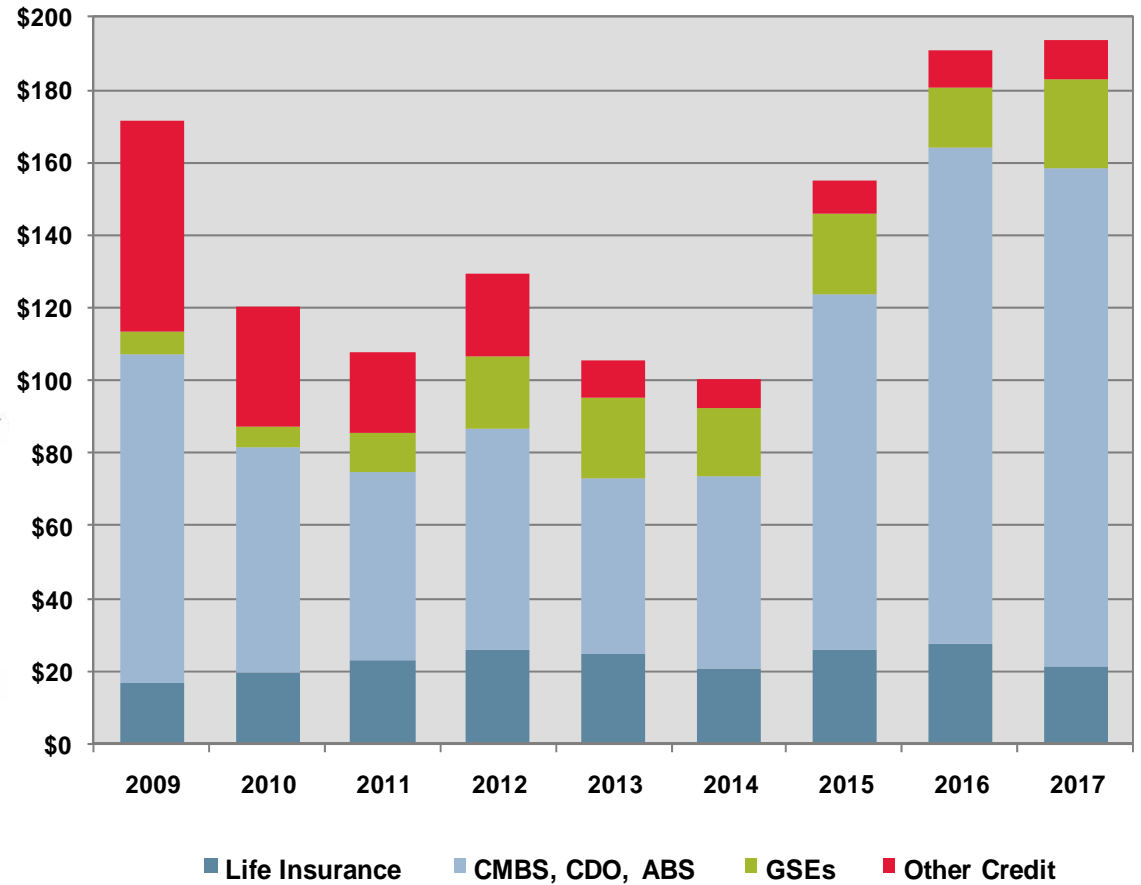
Maturing Loans Will Be Difficult to Finance

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"Of course, you could try another bank, if there were any other banks."

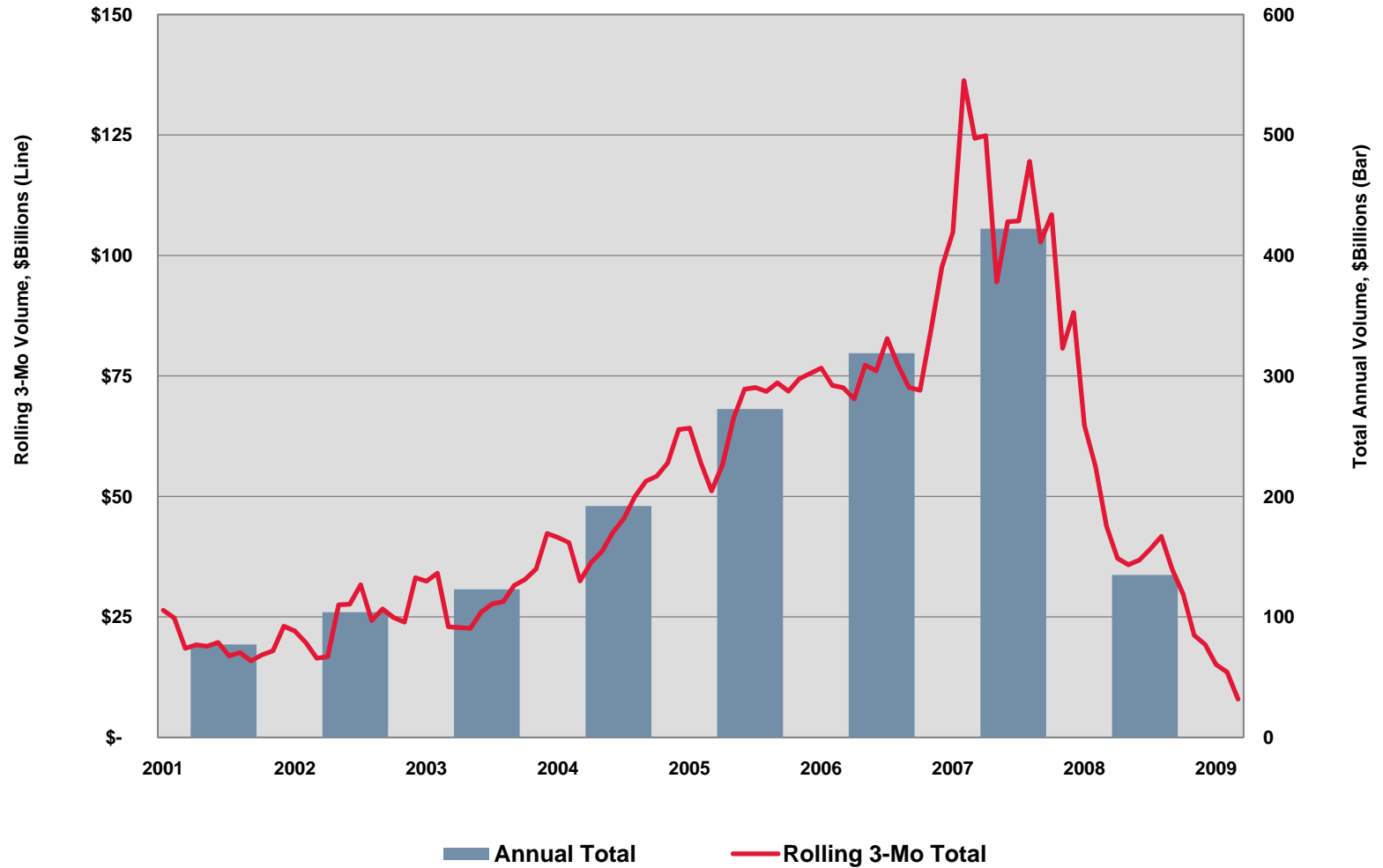
COMMERCIAL MORTGAGE MATURITIES (\$Billions)



Source: Mortgage Bankers Association

How Do We Value Assets in a World With No Trades?

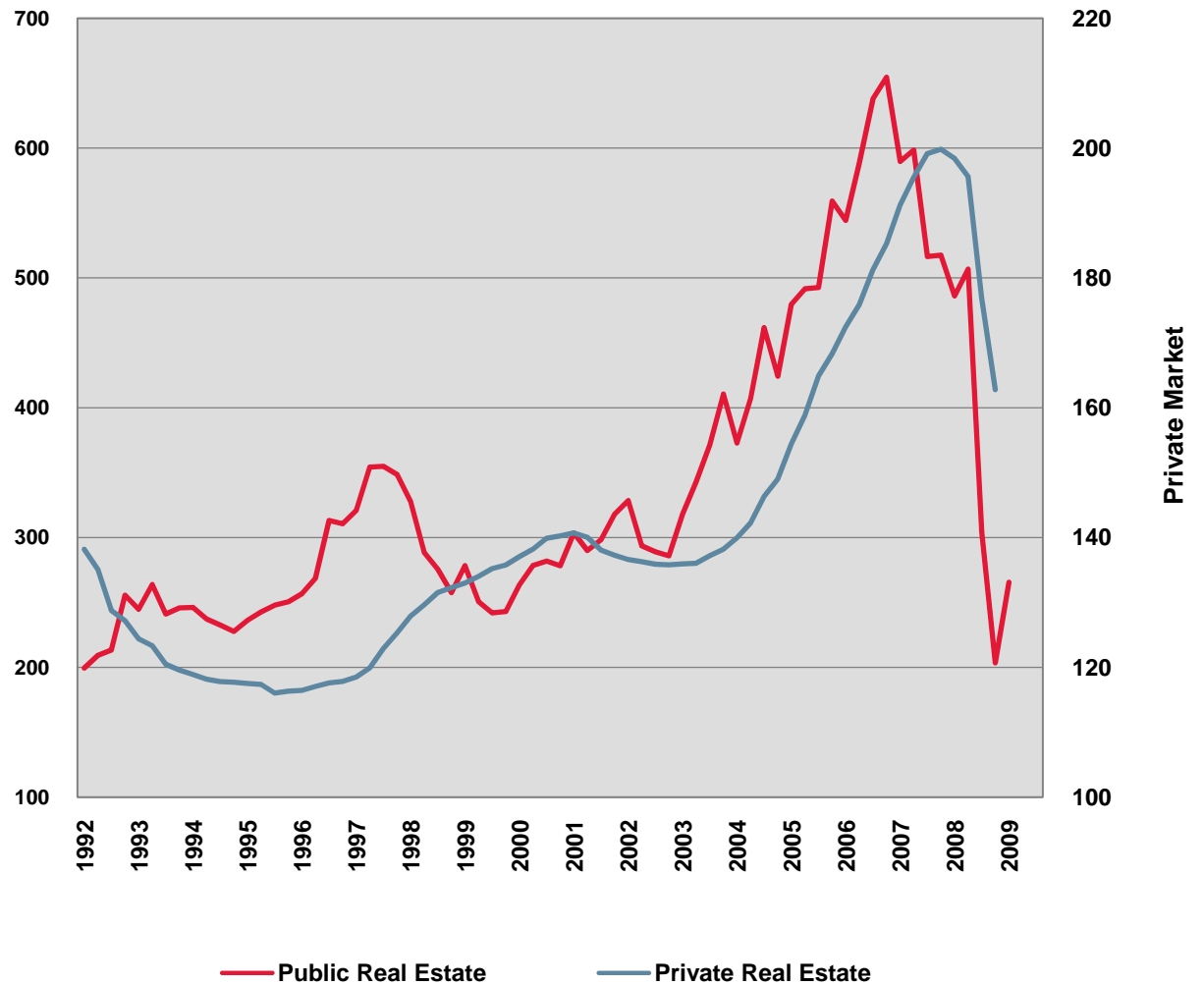
With limited debt available, transaction volumes are down more than 80% from peak



Source: Real Capital Analytics, Inc.
Includes office, industrial, retail, apartments

REIT Share Prices and NCREIF Value Index

INDEX, 1977 = 100

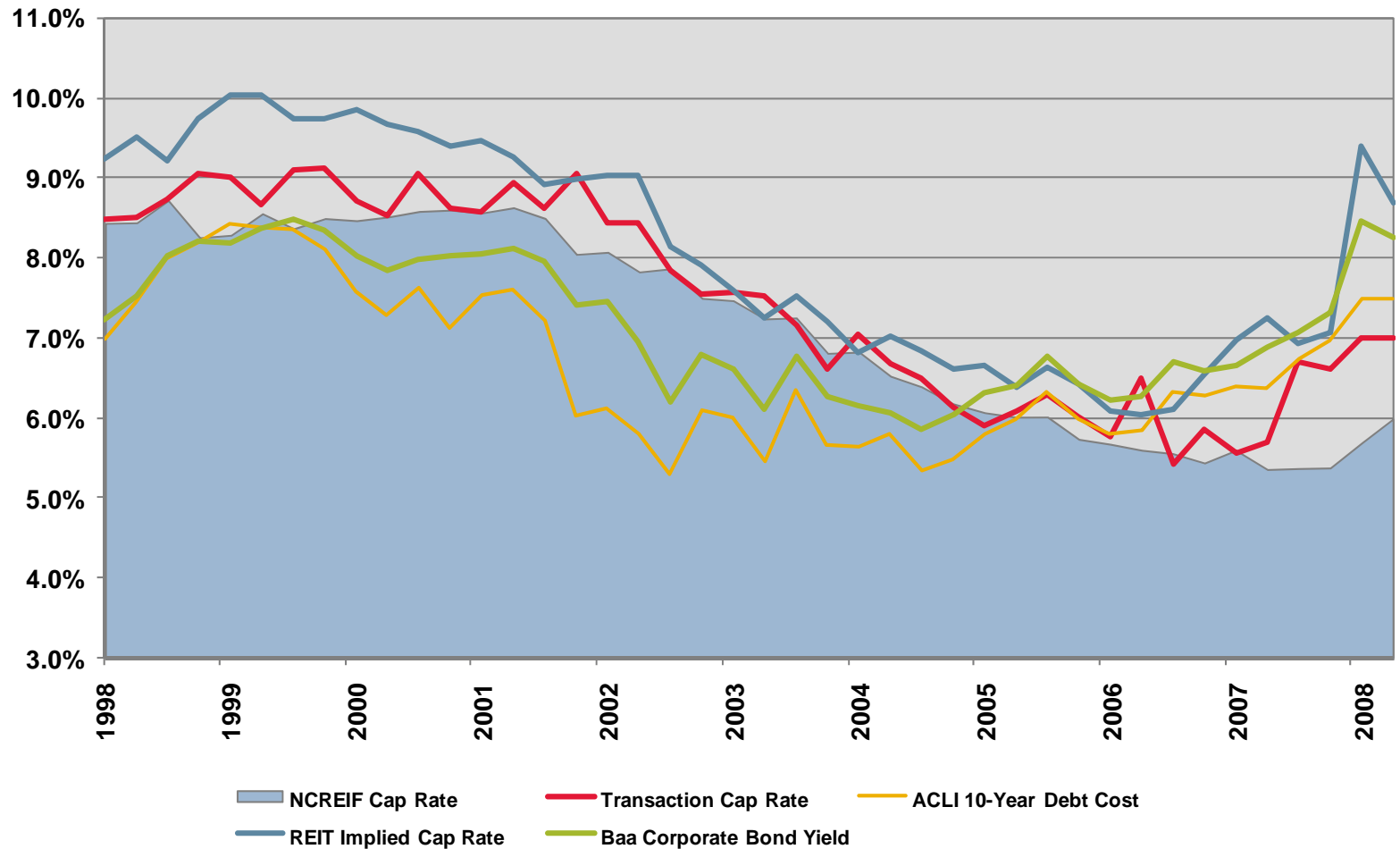


Source: NAREIT, NCREIF, AEW Research

Putting Real Estate Equity Yields in Context

Property yields are simply too low relative to other “risk” yields

COMPARATIVE YIELDS: MORTGAGE RATE, BONDS, PUBLIC REITS



Source: NCREIF, American Council of Life Insurers (ACLI), Green Street, Bloomberg

What to Expect for NOI Growth

PEAK-TO-TROUGH DECLINE IN PROPERTY NOI

	EARLY 1990s	EARLY 2000s
APARTMENTS	(10%)	(13%)
INDUSTRIAL	(11%)	(14%)
OFFICE	(20%)	(16%)
RETAIL	(5%)	(3%)
AVERAGE	(12%)	(12%)

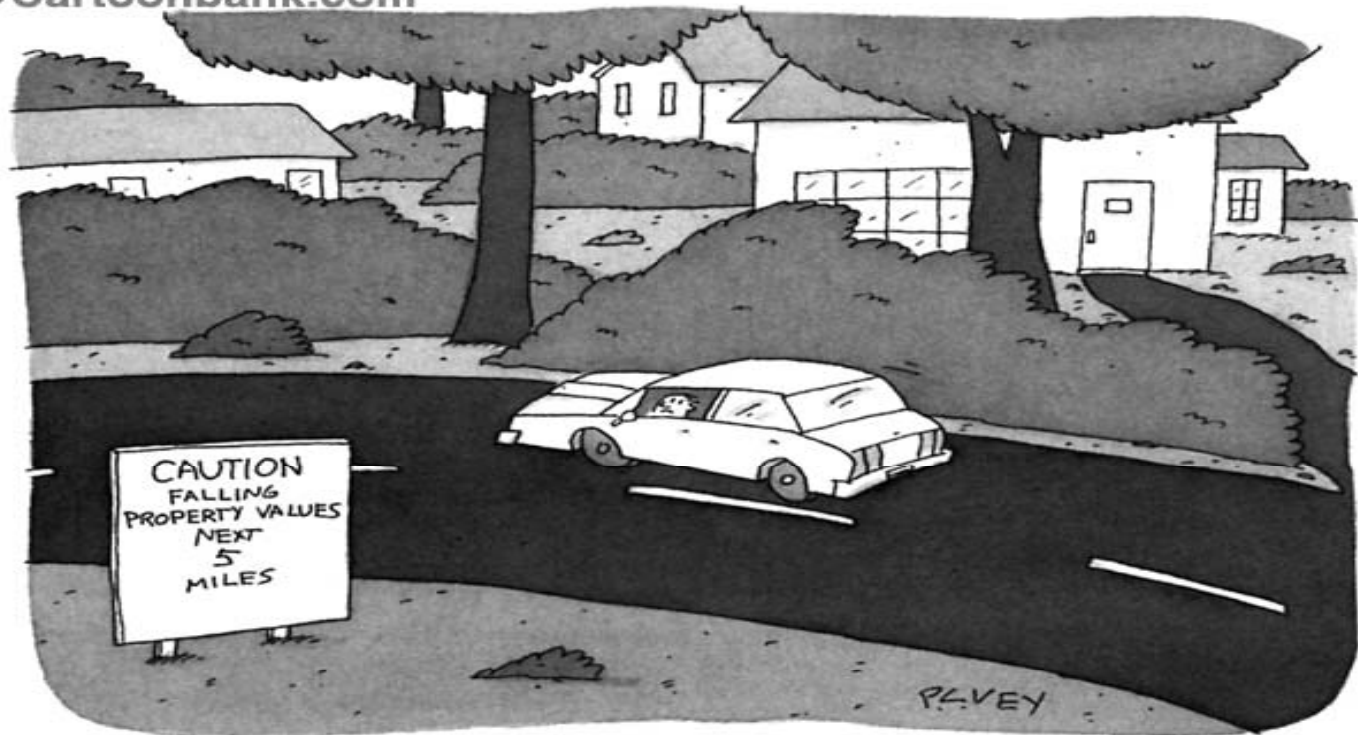
Economy is worse in this cycle and the property markets will be weaker

Must assume that NOI declines will be greater

What is the Futures Market Saying?

CONTRACT AS OF DEC. 2008	SHORT SIDE WILL PAY NCREIF+	IMPLIED CUMULATIVE TOTAL RETURN	IMPLIED CUMULATIVE CAPITAL RETURN
2009	20%	(20%)	(24%)
2010	15%	(30%)	(38%)
2011	9%	(21%)	(33%)

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Source: VYAPAR Capital Market Partners LLC.

Impact of NOI and Cap Rate Changes on Value

THE WALL STREET JOURNAL.



"I told you we should have sold last winter."

POTENTIAL NOI DECLINE	CAP RATE INCREASE FROM NCREIF 2008 Q4 LEVEL OF 5.5% (BASIS POINTS)						
	25	50	75	100	150	200	250
(15%)	(19%)	(22%)	(25%)	(28%)	(33%)	(38%)	(42%)
(10%)	(14%)	(18%)	(21%)	(24%)	(29%)	(34%)	(38%)
(5%)	(9%)	(13%)	(16%)	(20%)	(25%)	(30%)	(35%)
(0%)	(4%)	(8%)	(12%)	(15%)	(21%)	(27%)	(31%)

Biographical Information

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Rick Brace is a senior professional in AEW Research, the firm's in-house research group. With over 20 years of experience in applied market research, Rick has primary responsibility for providing strategic support and risk assessment in asset and portfolio management decisions for the AEW Partners Funds. Rick joined AEW in 2007, after eight years with Torto Wheaton Research in Boston, where he was senior vice president and director of investment strategy services. Previously, he was research director at AMRESKO, Inc., supporting real estate and capital markets needs for the firm and its subsidiaries. Rick also held a position earlier in his career with AEW Research. Rick is a graduate of Dartmouth College (A.B. Economics) and also holds the Chartered Financial Analyst designation. He is active in a number of professional associations, including PREA, NCREIF, Boston Security Analysts Society, Urban Land Institute and the CFA Institute.