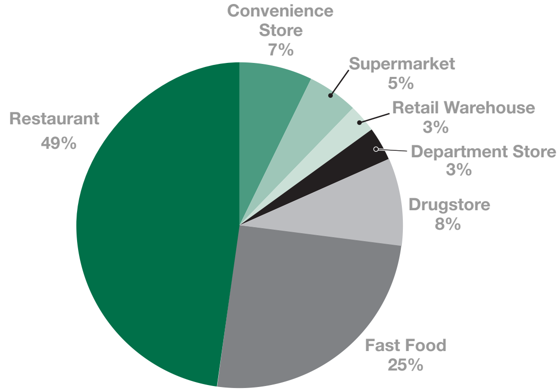
Single-Tenant Transactions
By Product Type – 2004 Estimate



▲ No Credit, No Problem. Properties with low- or non-credit tenants remain a popular choice among buyers seeking single-tenant net-leased investments. A lack of available investment-grade assets and a significant amount of capital still chasing deals have also prompted lenders to look at properties occupied with sub-credit tenants. Comparatively lower per square foot prices and higher cap rates, coupled with available financing, will continue to drive demand for these deals in 2005.

▲ Net-Lease Retail Prices Still Climbing. Single-tenant net-lease retail continues to be in high demand throughout the United States. With demand exceeding available supply, prices registered growth of approximately 12 percent in 2004, to around $200 per square foot.

▲ Retail Spending Strong. Consumers supported the retail sector through the most recent economic downturn. Retail sales finished 2004 up an estimated 7 percent. Growth will decelerate in 2005 but is expected to come in at a still healthy 4 percent.

Retail Tenant Outlook: Leading Retail Chains Aggressively Expanding

Solid operations and excellent fundamentals continue to entice investors to buy retail properties over other property types. Moreover, strong appreciation will support sustained buyer demand in 2005 for most single-tenant net-lease product. While not quite to the record level posted in 2003, transaction velocity has remained strong, with sales of less than $5 million accounting for 95 percent of all single-tenant deals in 2004. Despite expected bumps in interest rates, demand for retail will remain strong in 2005, as sales encourage retailer expansion and single-tenant net-lease assets continue to outperform other property classes.

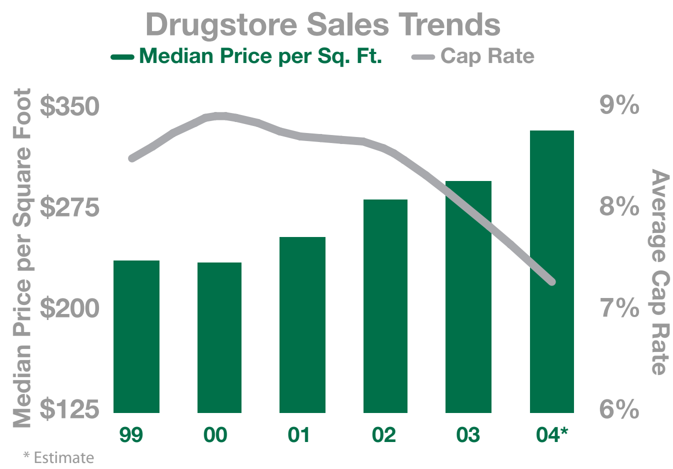
Vacant Big Boxes: Problem or Opportunity?

Bankruptcies, consolidations, relocations and mergers have left vacant big-box stores scattered across the country. The biggest and most criticized contributor has been Wal-Mart, which contends that the estimated 100 sites it vacates annually are simply a by-product of its explosive growth. The retail giant currently has over 160 empty stores on its books, with more on the way in 2005. Kmart's 2003 bankruptcy resulted in the closure of 600 stores, many of which are still vacant. Additionally, if the recent Kmart bid for Sears comes to fruition, more vacant boxes are likely, as many speculate that Sears will venture out of malls and into freestanding spaces. The challenge with vacant spaces becomes determining the best use for the location. Retail is undoubtedly the first choice for many sites. For instance, expanding retailers such as Kohl's have opted for vacant Wal-Mart space in Southern California, where building costs are high. Many times a space can be subdivided and re-let to tenants that better support an area's demographics. Large REITs such as Kimco Realty Corp. have recognized the opportunity in many of these potential white elephants and purchased portfolios of vacant boxes. The REIT's strategy has been to re-tenant spaces and then sell the newly occupied boxes individually. When retail has not been the best use, entertainment facilities, temporary tenants, office space and government facilities can find homes in dark stores.

Retailers Get Creative in Order to Chart New Territory

In ongoing efforts to break into new markets, the nation's largest retailers are tweaking their conventional formats to placate opposition in some communities. Wal-Mart is entering Rego Park, N.Y., in a high-rise mixed-use building. The chain is also opening a tri-level concept store in Hawaii, consisting of a ground-floor parking structure, a Wal-Mart on the second level and membership discounter Sam's Club on the upper level. Family Dollar is going urban, with plans to open 300 stores in big cities in 2005. The stores will be smaller and geared toward walking urbanites in search of bargains. Whole Foods opened a 59,000-square foot store in New York's Time Warner Center, with a strong emphasis on prepared foods. The chain has been called the first grocer to combine New York's exclusiveness with mainstream America's affinity for size. Home Depot has also adapted, entering markets by filling existing sites or changing their inventory to meet the regulations of the community. In Hyannis, Mass., the home improvement company not only took on a space left vacant by a grocer but zoning regulations made it necessary for the store to give up its paint sales.

- Convenient Alternative. The popularity of convenience stores is climbing as investors continue to seek lower-priced alternatives to drugstores. Dollar volume has more than doubled since 2001, while the median price per square foot has risen only 8 percent to $246.
- Fast-Food Prices Rise. Profits for fast-food retailers are growing and chains are expanding, garnering the attention of investors. Although prices have climbed approximately 40 percent since 1999, with the median per square foot price at around $408, cap rates often register in the 7.5 percent to 8.0 percent range.
- Drugstores in Demand. The scarcity of for-sale product has resulted in a slower year for drugstore transactions and record-high prices. Freestanding drugstore prices hit approximately $325 per square foot in 2004, a 10 percent jump from 2003. A shortage of properties available for sale, however, resulted in a 33 percent decrease in transaction velocity.



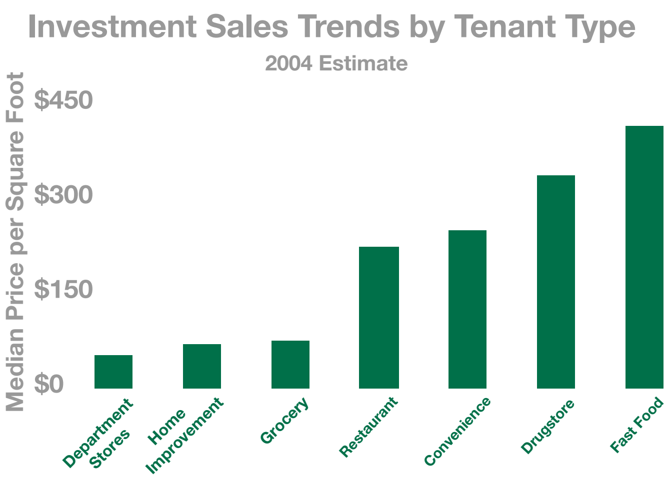
Retail Tenant Outlook: Drugstores/Fast Food

Drugstore Wars: and then There Were Three

It is no surprise that drugstores continue to gain the attention of investors. Climbing revenues and aggressive expansion are being fostered by an aging population, with the nation's three largest chains growing at a blistering pace. The big news for drugstore chains in 2004 was the sale of JC Penney-owned Eckerd to Jean Coutu and CVS. With the addition of 1,268 Eckerd stores, CVS now operates approximately 5,400 drugstores in the United States and plans to continue expanding in 2004, in areas where neither retailer has a strong presence, such as California and Arizona. While CVS' same-store sales are climbing, they do not yet reveal the effect of the Eckerd purchase; however, total sales do reflect the purchase, as they jumped 24 percent during the third quarter of 2004. Walgreens is keeping its pledge to operate 7,000 stores by 2010 by adding 436 new units in 2004, bringing its total to 4,619. While a distant second to CVS in store count, the behemoth chain's earnings continue to set records with fiscal 2004 same-store sales up 10.9 percent over 2003. Additionally, Walgreens has practically no long-term debt. Expansion plans for 2005 will include an assertive play for space in Manhattan and its surrounding boroughs, one of the few large markets where it is lacking a dominant presence. Rite Aid is also expanding, but at a more restrained pace, following almost 600 store closures and internal troubles. The company posted its first profitable year since 1997 in the fiscal year ended March 2004 and has 145 new stores planned for fiscal 2005.

New Concepts Dominate Fast-Food Industry

Fast-food chains are constantly evolving to meet the never-ending changes in consumers' eating habits. In the quest for diner loyalty, restaurants are broadening their menus and venturing down varied paths to distinguish themselves from the rest of the field. Fast casual restaurants continue to expand and now account for approximately $5 billion in sales annually. By providing diners with healthier options and more choices, sandwich chain Panera Bread has grown to over 700 stores, with plans of opening an additional 100 stores in 2005. One-time sibling Au Bon Pain is also eyeing expansion via franchises, rather than their preferred company-owned store method, in hopes of growing faster. Restaurant giant Brinker International pulled back on its Corner Bakery stores, closing seven of the fledgling chain's 86 stores in 2004 in order to "fine-tune" the concept. Mexican food is becoming a more popular fast casual concept, posting annual receipts of almost $1.5 billion, with sales growing at an annual rate of over 25 percent. Jack in the Box launched an aggressive expansion campaign with its Qdoba Mexican Grill, increasing the chain's size 60 percent by opening 78 stores in 2004, with plans to open an additional 100 per year over the next five years. Jack in the Box is also finding success with its more upscale JBX restaurants and plans to open 300 units over the next five years. McDonald's is plowing ahead with plans to open 100 new Chipotle stores, the chain's entry into the Mexican food arena. Wendy's, however, pulled back on expanding Baja Fresh in 2004 and announced plans to close at least 18 stores. Newcomer Moe's Southwest Grill plans to more than double its 135 stores by early 2005 and is positioning to be a formidable competitor.



- Gas Prices High. Many analysts are predicting that continued higher prices at the pump will negatively impact the nation's deep-discounters. Retailers such as Dollar General and Family Dollar could experience a 20 basis point decline in same-store sales for every five-cent increase in the price of a gallon of gas.
- It's in the Aisles. Circuit City and Best Buy are finding success in competing with Wal-Mart by exciting customers with the latest high-tech offerings. By widening aisles, they are also able to provide shoppers with a more relaxed buying atmosphere.
- Filling Vacant Anchors. Unoccupied anchor space is becoming less detrimental to property owners as creative investors find alternative uses for empty boxes. If a single tenant is not found, space is being subdivided for multiple complementary tenants. If traditional uses are impractical, vacant mall anchors are being razed and resurrected as streetscape entries or lifestyle wings.

Retail Tenant Outlook:
Dollar Stores/Discounters

Dollar Stores Seeing Green

Deep discounters and fixed-price stores are continuing to expand at a record pace, garnering the attention of single-tenant net-lease investors with affordable prices and solid returns. In 2004, the median price for these assets was approximately $79 per square foot, which is at the low end of the single-tenant pricing spectrum. Cap rates for these stores are also higher compared to other net-lease product, with assets often trading at cap rates of 8 percent or higher. Furthermore, dollar stores are usually small, and most are priced at less than $1 million, which makes them appealing to a broad array of investors. It is clear why investors are taking note of this growing asset class. Dollar stores often boast gross margins exceeding 40 percent, and double-digit total sales growth is common. The rate of expansion is staggering. For instance, in August 2004, Family Dollar opened 109 new stores and now operates over 5,300 units in 43 states, with plans to add 500 stores in 2005. Although rising energy costs have caused a shift from high-margin discretionary goods to low-margin consumables, decreases in discretionary spending should eventually benefit deep discounters in the long run as their low prices draw in fringe customers who usually shop at more expensive chains. Despite this shift, Dollar General's 2004 earnings are still anticipated to be 16 percent higher than 2003. The company will continue its aggressive expansion plans for 2005 and open 730 stores, including many in smaller urban locations.

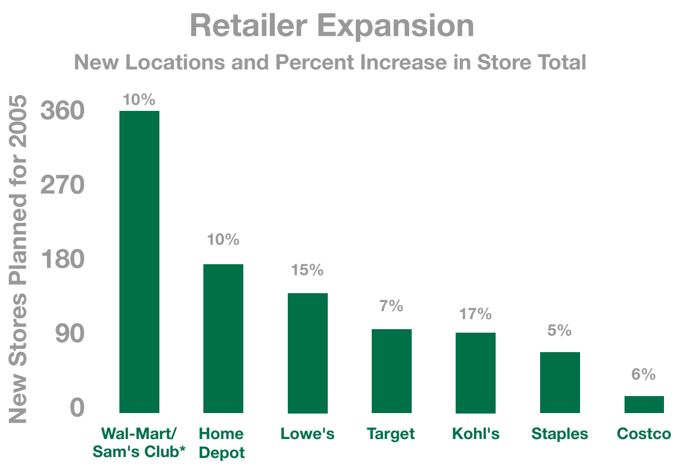
"Searsmart" Targeting Wal-Mart

What were the chances that Kmart could emerge from bankruptcy and launch a successful bid to purchase a competitor? After reporting a fourth straight quarterly profit, the once floundering retailer tendered an $11.5 billion bid for Sears in November. While not yet a done deal, the transaction is scheduled to close in early 2005. Most analysts agree that the new company would not likely be able to take on Wal-Mart but that it should overtake Target on sales. The changes to the new company will likely include the migration of Sears mall locations to off-mall sites and converting several hundred Kmart sites to Sears. Kmart locations now have customer demographics that are a better fit for Sears. The true value of the acquisition might rest in the real estate to be vacated by Sears, as it owns approximately 520 stores that could provide the new company with a potential windfall of capital. Wal-Mart is well aware that more than 80 percent of consumer spending is done outside of malls, and while most consumers will have a muddied idea of what "Searsmart" represents, they know Wal-Mart means low prices. Despite bleak Black Friday sales due to underselling by its competitors, Wal-Mart is on track to post record sales for its current fiscal year. Additionally, over the next five years, Wal-Mart is expected to generate cash after capital expenditures of 2.5 percent of its market capitalization. Investors should take note because it is estimated that Wal-Mart would triple that rate if it leased rather than owned more of its real estate, an option the company is surely exploring. Wal-Mart opened approximately 150 stores in 2004 and has similar plans for 2005.

▲ Specialty Grocers Find Their Forte. In a crowded and complex field of grocers, specialty markets are finding success. Whole Foods has become the nation's largest natural-foods grocer and has posted double-digit profits each of the past five years. Trader Joe's is attracting customers with a wide array of bargain-priced gourmet foods, generating annual sales of approximately $1,100 per square foot, twice that of traditional chains.

▲ Prices Steady. Supermarket prices have remained relatively flat over the past five years, with properties typically trading at a median per square foot price in the $70 to $80 range. Cap rates are often 8 percent and above.

▲ Traditional Hardware Stores Secure Niche. While smaller markets are becoming the preferred arena for traditional hardware stores, aggressive marketing has kept Ace Hardware a household name. Ace has maintained strong sales figures by promoting itself as a convenient alternative to warehouse-style stores and offering a more personal buying environment.



* Includes the relocation of approximately 160 stores

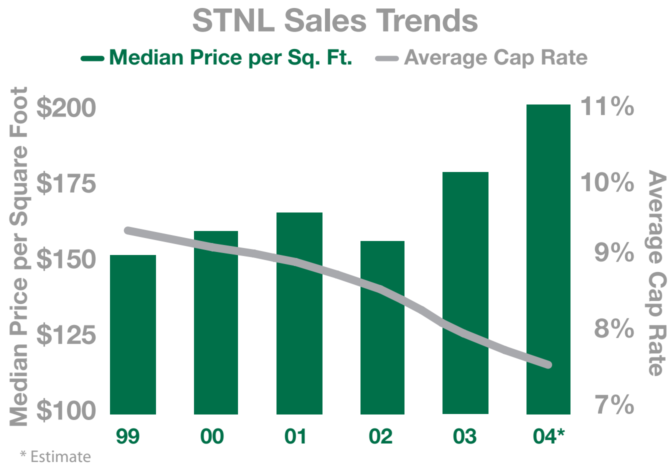
Retail Tenant Outlook: Grocery/Home Improvement

The Fight for Market Share

Wal-Mart continues to expand into the grocery arena, which has forced the closure of some traditional grocery stores. Wal-Mart's low-cost approach is attracting consumers from all walks of life, especially in the face of rising food and energy costs. In any one of the company's 225,000-square foot Supercenters, a consumer can find just about anything, from food to camping equipment. Wal-Mart's long-term plans call for the addition of 2,700 Supercenters over the next several years, which typically register $400,000 per store each week in food sales alone. Sears embarked on a more aggressive growth plan for its foray into the grocery segment, Sears Grand. While not a full-service supermarket – the stores currently offer dry goods, milk and frozen foods but no produce or meat – speculation is that "Searsmart" will continue to expand the Grand format to eventually position itself alongside of its competitors. Target is also staying on course with its Supertarget stores that are expected to account for over one-third of the company's new space in 2005. Target currently operates 136 of the concept stores, and 10 were added in 2004. Traditional grocers are feeling the crunch. With stores that occupy a fraction of the space of a superstore, traditional chains simply cannot offer the options of a Wal-Mart, but they are finding ways to compete. Albertsons' overall strategy is to balance its price-cutting push with a $1 billion cost-cutting program initiated in mid-2001. Safeway continues to focus on the customer, with the goal of providing superior service. Despite the California grocery workers strike in early 2004, the company is still expected to post sales increases in 2004, although they will fall short of the previous outlook.

Home Improvement Sales Still Improving

Concerns that rising interest rates and a reduction in cash-out refinancing activity will affect the bottom lines of home improvement retailers seem unfounded. After posting a 15 percent gain in net profits for the fiscal third quarter of 2004, Home Depot, the nation's second-largest retailer, increased profit expectations for the third time in 10 months. The chain expects per-share profits to climb 20 percent in 2004. Increased profits reflect the firm's continued progress in renovating older stores and increasing offerings of large-ticket items, such as cabinets and appliances. Additionally, the chain's "do it for you" concept has continued to gain popularity, with installation services operations jumping 26 percent in 2004, accounting for 5 percent of total sales. Home Depot opened 185 stores in 2004. The chain has similar plans for 2005, with approximately 20 percent of the new stores expected to stray from the traditional big-box layout. Lowe's is also ringing up sales, with 2004 receipts expected to climb 18 percent. The company is anticipating an increase in per-share earnings of 7 percent. The home improvement darling of Wall Street opened 140 stores in 2004 and expects that the vigorous housing market, improving employment and strong demographic trends will underpin further expansion in 2005. Wisconsin-based Menards is continuing to expand its 186-store portfolio by up to 20 stores annually, with more emphasis on 250,000-square foot "superstores" to compete with Home Depot and Lowe's.



▲ Pad Retailers Aim for Target. When Supertargets come to town, pad retailers and shadow tenants fight for space to take advantage of the retailer's high traffic. Properties for sale near these giant retail stores are in top demand. Typically, space in these areas demands higher lease rates, and usually higher-end stores, as Target tends to attract a higher demographic than its competition.

▲ Small Prices for Big Boxes. Big-box transaction volume comes in at the bottom of the single-tenant net-lease market at around 200 transactions annually nationwide. Prices are also on the low end of the scale. The median per square foot price is currently below $50 and has only increased 2 percent since 2000.

▲ No Membership Fee Proves Smart. Smart and Final, the warehouse store without the membership, continues to register double-digit profit growth following record sales in 2003. A solid growth strategy and effective cost management are keeping the chain's 230 stores in the black and on investors' radar screens.

Retail Tenant Outlook:
Recent Sales Highlights

Property Name	City	State	Sales Price	Square Feet	Price per Sq. Ft.
Advanced Auto Parts	Palmetto	FL	$1,008,090	7,000	$144
Applebee's	Tucker	GA	$1,550,000	5,281	$294
Blockbuster	Greenacres	FL	$1,765,000	6,006	$294
Burger King	Irving	TX	$1,500,000	3,707	$405
Carl's Jr Restaurant	Tucson	AZ	$1,650,000	3,052	$541
Circle K	Phoenix	AZ	$665,000	2,650	$246
CVS	Union	NJ	$5,550,000	12,000	$463
Dave & Busters	Marietta	GA	$11,800,000	53,314	$221
Dollar General	Manvel	TX	$700,000	9,100	$77
Dollar General	Cleveland	OH	$620,000	9,014	$69
Eckerd	Lake Worth	FL	$5,656,000	14,129	$400
Eckerd	Lawrenceville	GA	$2,100,000	9,504	$221
Family Dollar	Commerce City	CO	$1,000,000	7,864	$127
Family Dollar	Shallowater	TX	$640,000	8,000	$80
Former Target Store	Plano	TX	$4,780,000	101,730	$47
Home Depot	San Fernando	CA	$17,387,000	139,123	$125
Jack in the Box	Sacramento	CA	$1,700,000	3,480	$489
Kmart	Rocklin	CA	$5,430,000	86,279	$63
Lowe's	Timonium	TX	$11,000,000	154,413	$71
Marshall Fields	Oak Brook	IL	$26,000,000	375,247	$69
Office Depot	Lakewood	CO	$1,475,000	25,845	$57
Publix	Pompano Beach	FL	$6,736,800	42,617	$158
Rite Aid	Bronx	NY	$4,900,000	8,518	$575
Sears	Peoria	AZ	$13,300,000	103,402	$129
7-Eleven	Hawthorne	CA	$1,525,000	5,600	$272
Staples	Dallas	TX	$3,900,000	23,942	$163
Starbucks	San Diego	CA	$1,377,000	2,133	$646
Sweet Tomatoes	Tampa	FL	$3,155,000	8,032	$393
Taco Bell	Snohomish	WA	$800,000	2,000	$400
Walgreens	Duluth	GA	$5,384,615	13,650	$394
Walgreens	Romeoville	IL	$5,000,000	14,822	$337
Wal-Mart	Turnersville	NJ	$7,274,660	123,200	$59