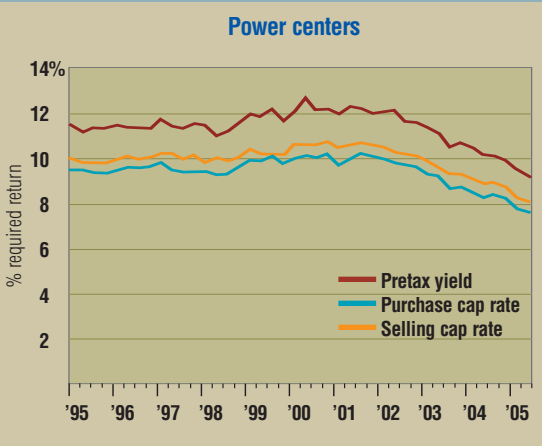
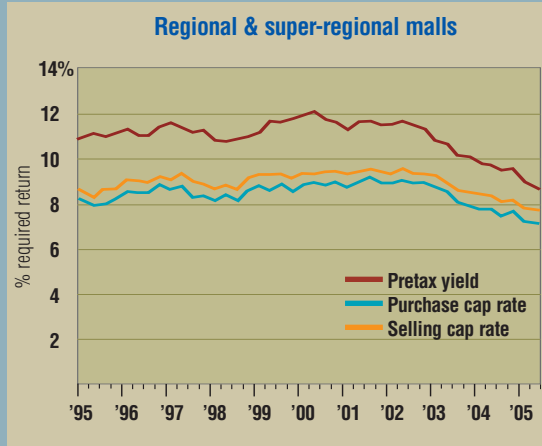
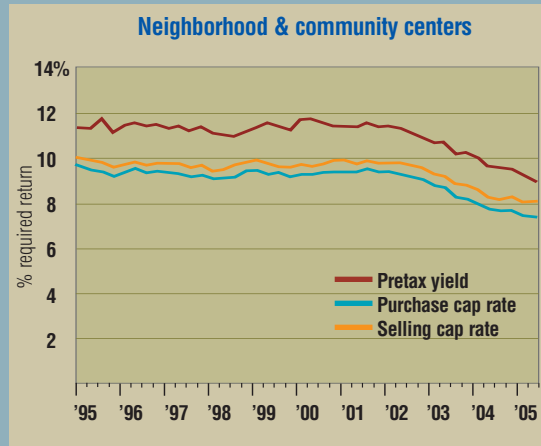


THE BOTTOM LINE

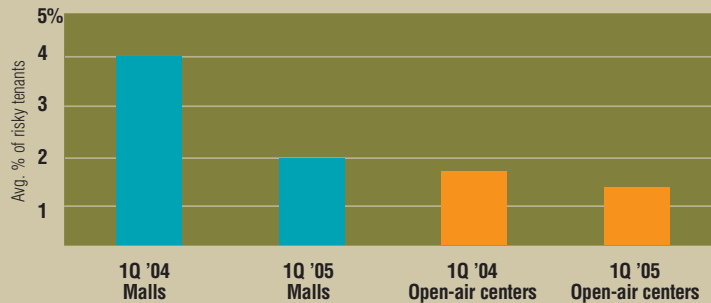
Investors willing to accept lower returns in retail property deals



Real estate investors have lowered their expectations for returns. Second-quarter pretax yields on neighborhood and community centers decreased to 9 percent from 9.7 percent for last year's comparable quarter. Returns on regional malls, meanwhile, fell from 9.7 percent to 8.6 percent, and power center yields dropped from 10.1 percent to 9.1 percent.

Sources: Real Estate Research, CCIM (Certified Commercial Investment Member) Institute

Risky business?



Mall and open-air center portfolios contain fewer risky tenants these days, a trend that first emerged in September 2004. Morgan Stanley removed several retailers from its watch list of risky tenants and added only a few names.

Source: Morgan Stanley

A tale of two hurricanes

	No. of shopping centers	Current balance	% of CMBS property sf	% of CMBS property \$
New Orleans	101	\$650,848,109	0.50%	0.42%
Houston	622	\$3,182,254,882	3.05%	2.07%
U.S. CMBS	20,402	\$153,470,422,107	3.54%	2.50%

Hurricane Katrina not only inundated New Orleans with flooding and a host of other problems, it also exposed the city's notoriously insular business investment climate. In a tally of CMBS-financed properties affected by hurricanes in August and September, Houston eclipsed New Orleans in terms of several CMBS-related criteria for shopping center properties.

Source: Wachovia Securities