
Duff & Phelps Investment Management Co.

THE REIT ASSET CLASS ALTERNATIVE

Presentation
at the
Money Management Institute

March 29, 2005

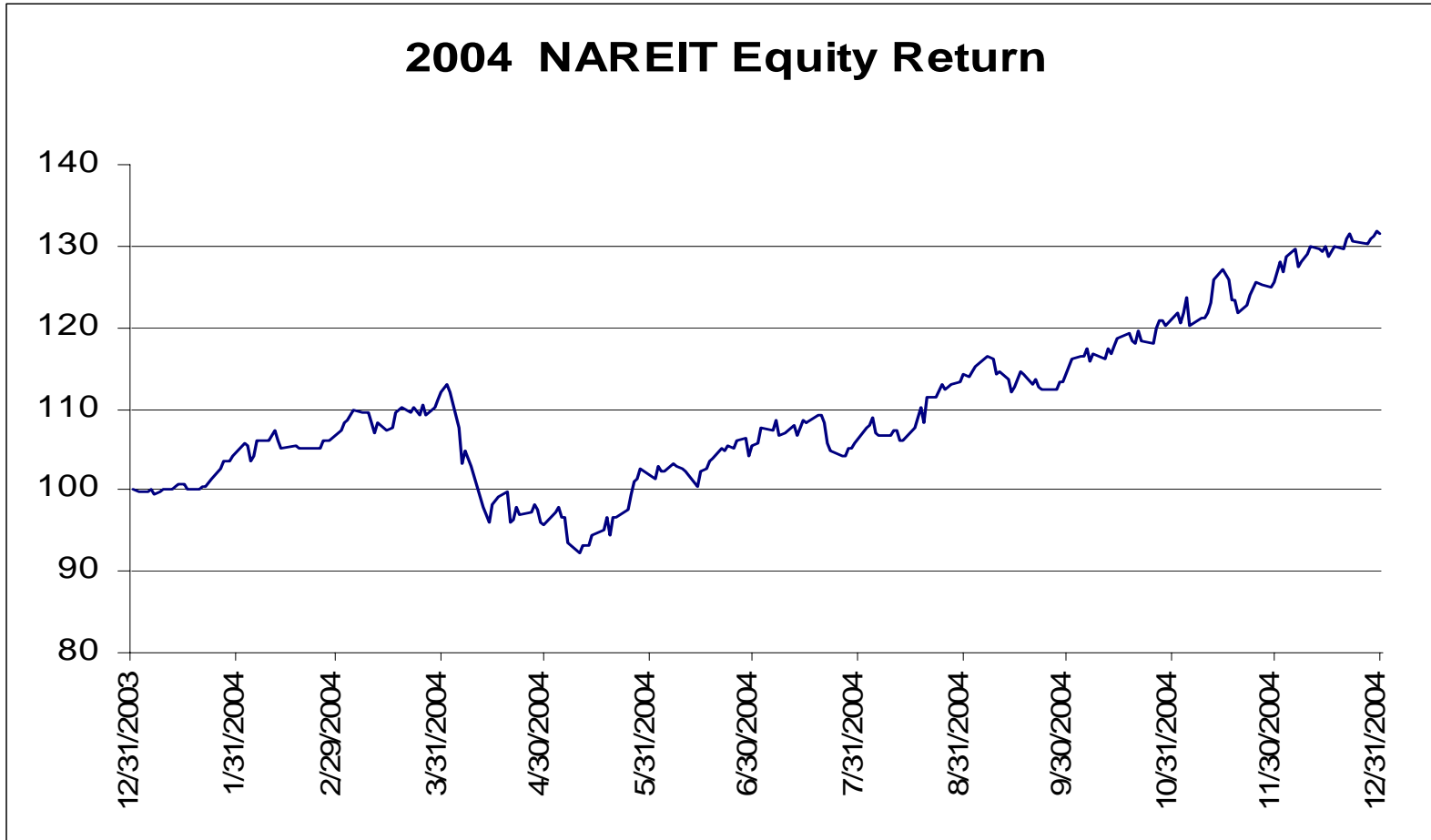
Michael Schatt
Senior Portfolio Manager
312.630.4611
michael_schatt@dpimc.com

REITs 2004 Performance

REITs have performed well versus the S&P 500 and the Russell 2000 while maintaining a lower standard deviation

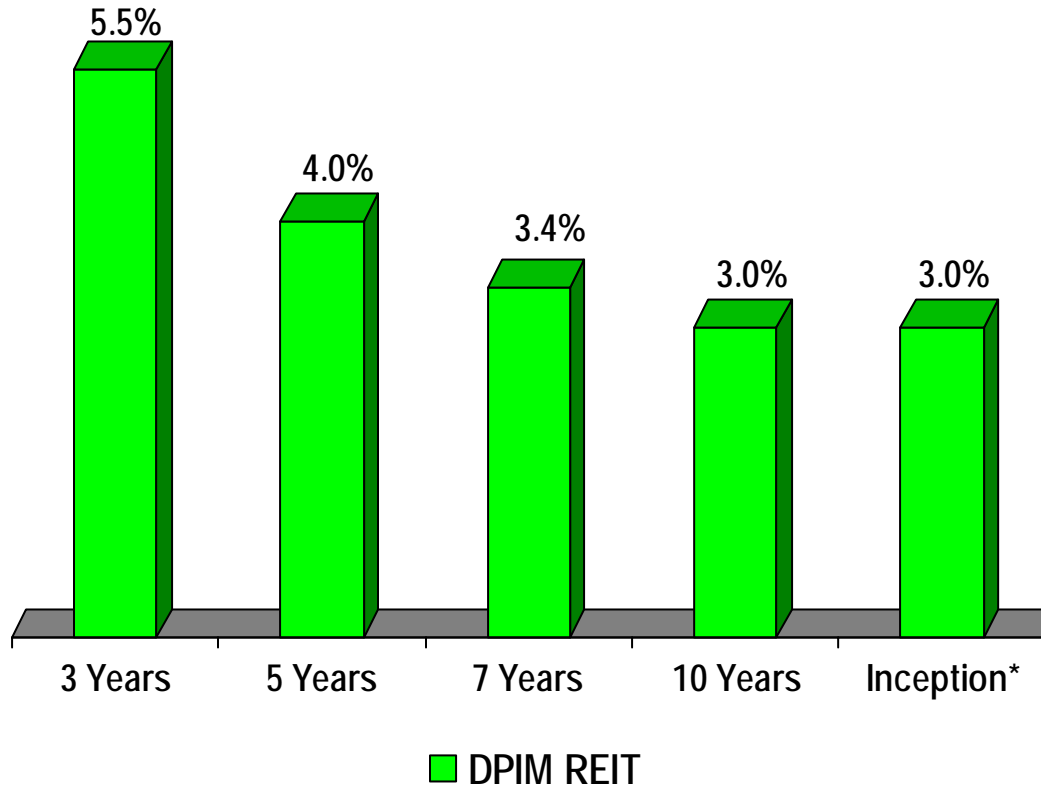
Index	1 Year	3 Year	5 Year	10 Year	10 Year Std. Dev.
NAREIT Equity	31.56%	23.27%	21.94%	14.81%	12.91%
S & P Utilities	24.28%	3.22%	3.71%	5.70%	
S & P 500	10.86%	3.59%	-2.31%	12.11%	15.59%
Russell 2000	47.25%	6.27%	7.13%	9.47%	19.66%

REITs 2004 Performance (con't.)



Source: NAREIT

Positive Alpha



As of December 31, 2004. *Inception: January 1, 1995. This material is deemed supplemental and compliments the REIT composite performance in the Appendix. Gross returns include reinvestment of dividends and other earnings. Returns are annualized. Performance figures do not reflect deduction of fees and other expenses. Source: Frank Russell. For additional information on NAREIT Equity Index and DPIM REIT performance, please see notes in Appendix. Past performance is no guarantee of future results.

REITs 2004 Performance (con't.)

PROVEN ASSET CLASS ATTRIBUTES

- Funds flows reflect asset class identification

REITs 2004 Performance (con't.)

Cumulative funds flows and % of assets under management

	Flows (\$ MM)	Flows as % of AUM
Real Estate	\$6,817	+24.7%
Taxable Bonds	\$61,389	+5.3%
General Equities	\$194,217	+6.1%
Utilities	(\$717)	(5.7%)

Source: Deutsche Bank and AMG Data.

REITs 2004 Performance (con't.)

Recent Annual Funds Flows

(\$ MM)	Real Estate	All Fixed Income	All Equity	Utility
2004	\$6,900	\$51,700	\$194,500	(\$717)
2003	\$4,500	\$84,800	\$140,200	(\$1,100)
2002	\$3,400	\$150,400	\$6,700	(\$2,700)
2001	\$56	\$103,000	\$30,800	(\$2,000)

Source: Smith Barney and AMG Data.

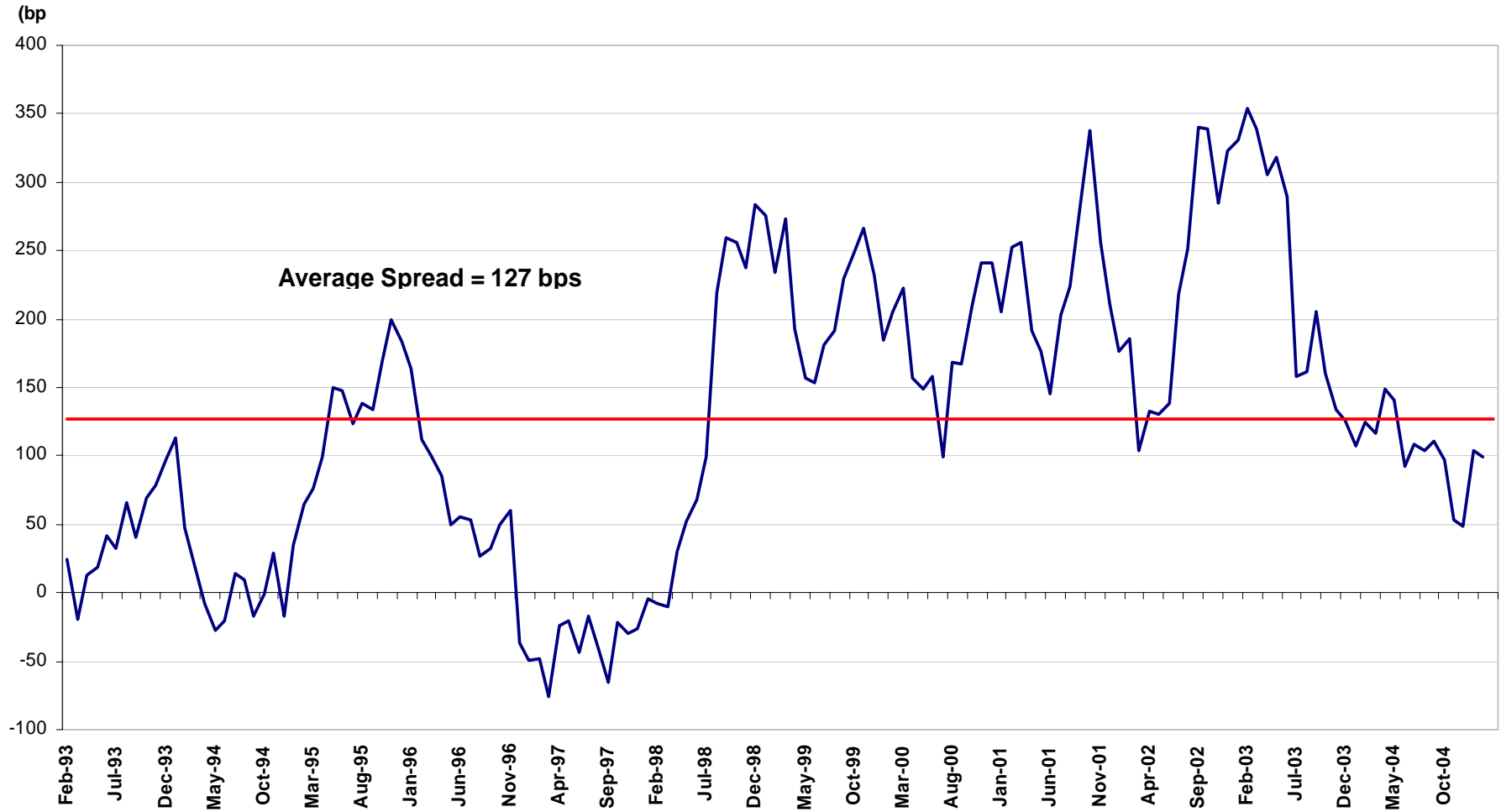
REITs 2004 Performance (con't.)

PROVEN ASSET CLASS ATTRIBUTES

- Funds flows reflect asset class identification
- Dividends
 - Visible, Secure, and Exhibited Growth
 - Attractive yield level versus 10 year Treasury over time
 - Majority of long-term return from dividend income

REIT Dividend Yield vs. 10 Year Bond

(Feb '93 - January '05)



Source: Salomon Smith Barney

REITs 2004 Performance (con't.)

PROVEN ASSET CLASS ATTRIBUTES

- Funds flows reflect asset class identification
- Dividends
 - Visible, Secure, and Exhibited Growth
 - Attractive yield level versus 10 year Treasury over time
 - Majority of long-term return from dividend income
- Low correlation vs. other investment alternatives

REITs 2004 Performance (con't.)

Correlation of REITs with other asset classes

	1974-2004	1994-2004
S&P Utilities Index	0.39	0.40
S&P 500	0.51	0.27
Russell 2000	0.61	0.44
NASDAQ Composite*	0.46	0.16
ML Govt./Corporate Bond	0.20	0.07

*Price appreciation only.

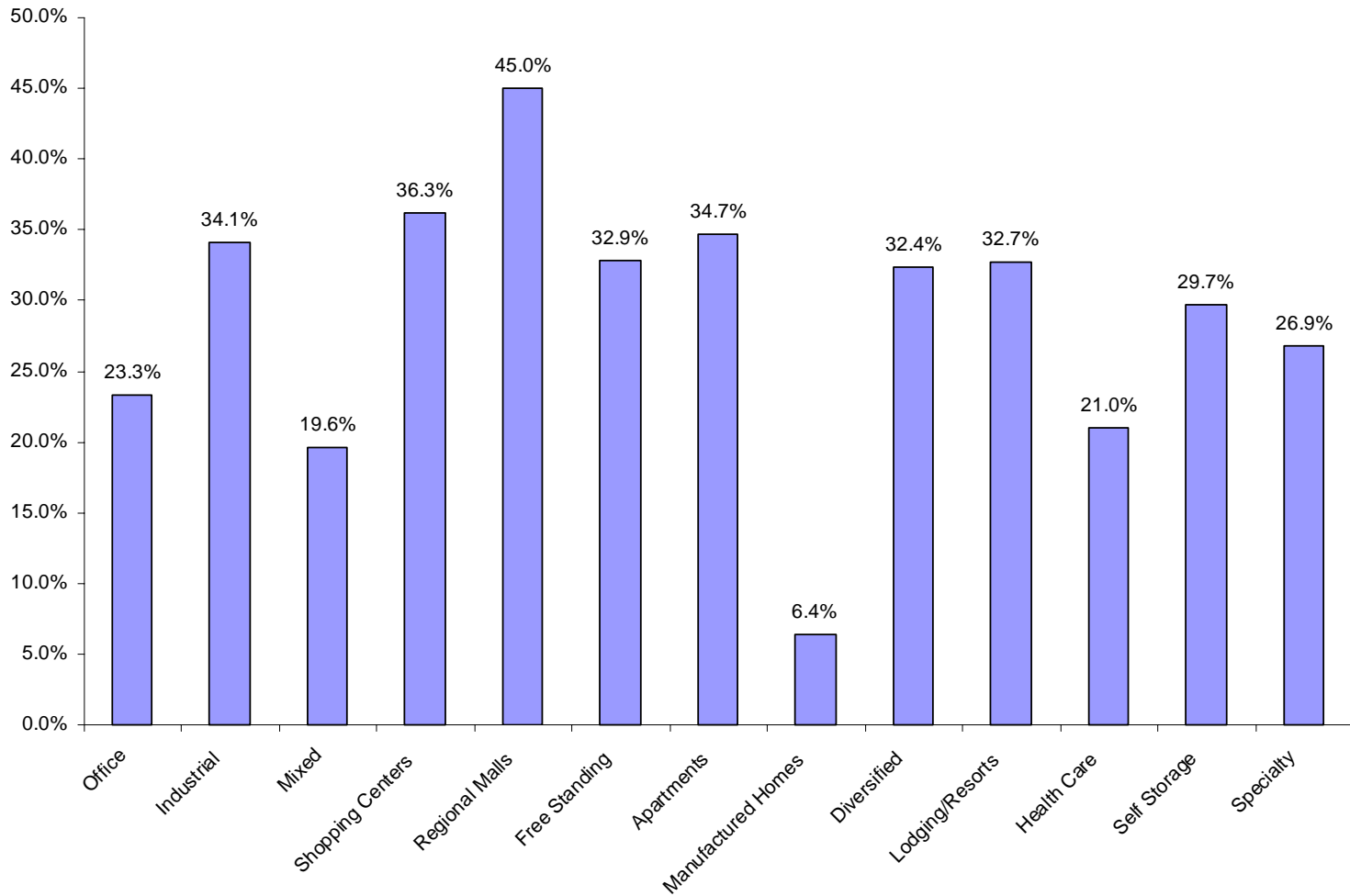
Source: NAREIT®, Ibbotson Associates, Frank Russell Company.

REITs 2004 Performance (con't.)

PROVEN ASSET CLASS ATTRIBUTES

- Funds flows reflect asset class identification
- Dividends
 - Visible, Secure, and Exhibited Growth
 - Attractive yield level versus 10 year Treasury over time
 - Majority of long-term return from dividend income
- Low correlation vs. other investment alternatives
- Diversification within sector
 - 153 companies
 - 13 property types - some may demonstrate strong fundamentals (malls and shopping centers) while others demonstrate soft fundamentals (office and apartments)

Performance of REITs in 2004 broken down by property sector



Source: NAREIT

PERFORMANCE OF THE TOP 5 PROPERTY SUB-SECTORS VS. THE NAREIT EQUITY INDEX FOR 2004

	Total Return
1. Regional Malls	45.01%
2. Shopping Centers	36.25%
3. Apartments	34.71%
4. Industrial	34.09%
5. Lodgings/Resorts	32.70%
NAREIT	31.58%

REITs 2004 Performance (con't.)

FUNDAMENTAL REVIEW

- Occupancy increases (adding to pricing power in retail and lodging while partially offsetting rent roll down in national office, industrial and to some extent, apartments)
- Concessions in office and apartments have been/will slowdown once targeted levels of occupancy are achieved in markets which were soft
- Operating expense increases can offset initial improved revenue in national office and apartment portfolios
- Earnings growth rates highest in retail and lodging, but other sectors to narrow the gap somewhat in 2005
- Demand/supply equilibrium varies by sector
- Easy to sell properties / tough to buy

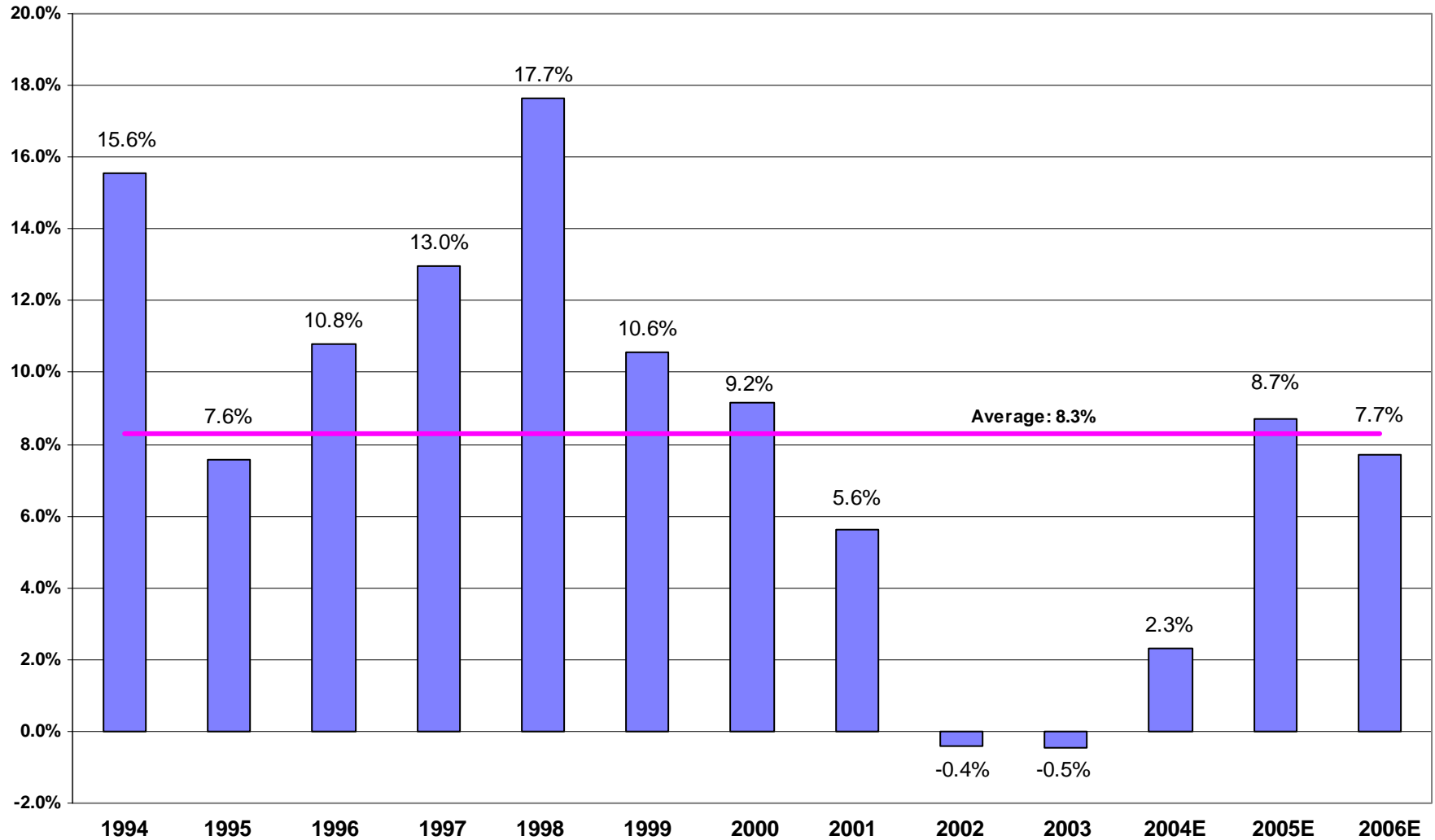
Outlook for 2005

Issues for 2005

- Level of job growth & types of jobs
- Industrial and Lodging more dependent on GDP and less on job growth
- Apartments and Office could benefit with accelerated job growth
- Interest rate increases
 - + could reduce competitive external growth impact
 - + could reduce new supply deliveries in multifamily
 - would offer more income alternatives...lack of correlation mitigates risk
- Capital Recycling

Expectations for 2005 (con't.)

FFO Growth



Expectations for 2005

- Total sector return 4 to 6%
- Earnings growth 5 to 8%
- Dividend average 4-5%, growth 2 to 4%
- Contracting Multiples

Public vs. Private Real Estate — How to Compare

■ Core Properties

- Private – NCREIF – Office and Retail
- Public – NAREIT – Apartment and Retail

■ Valuation

- Private – Appraisal based – Smoothing
- Public – Mark to market – Daily

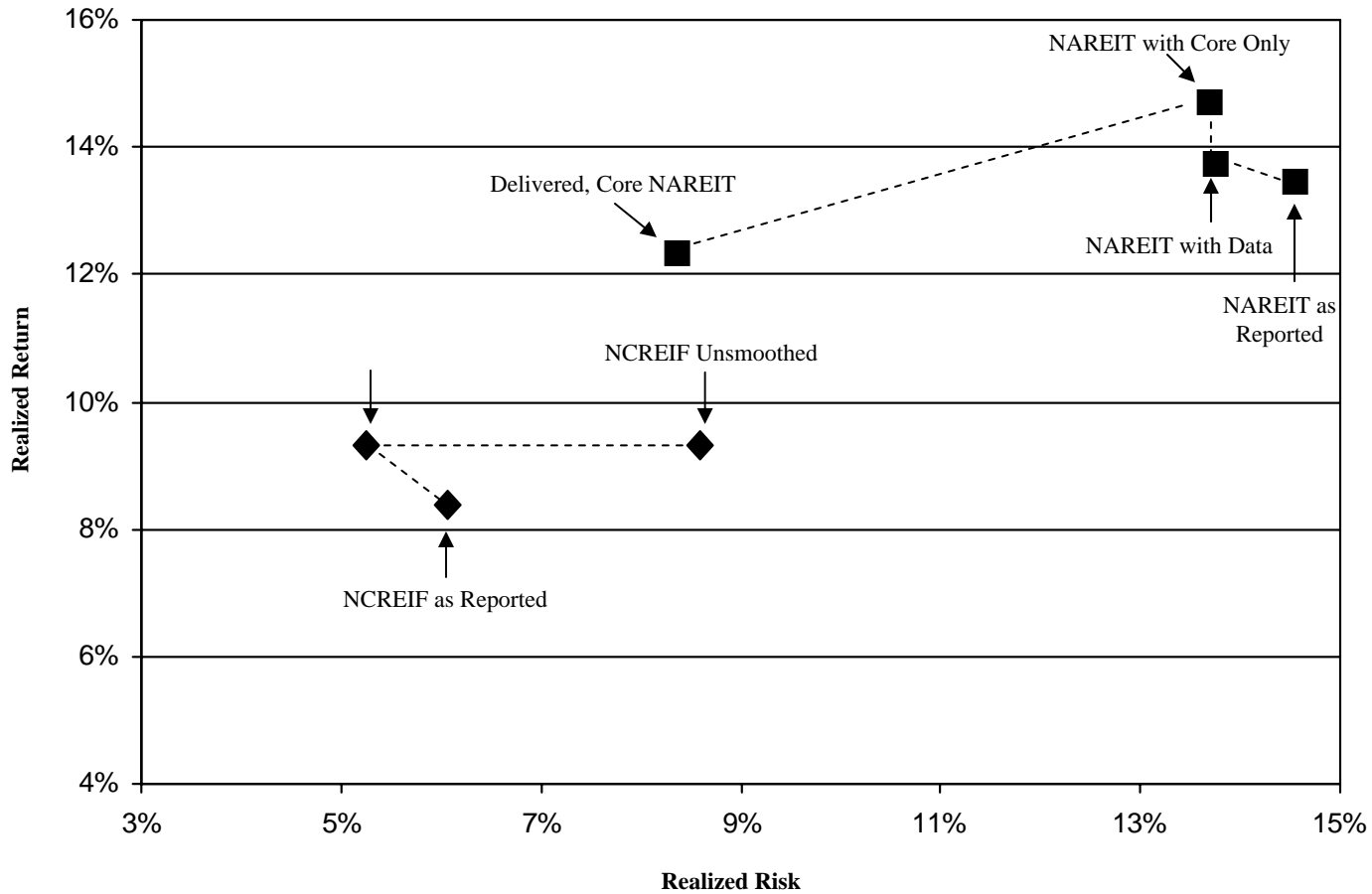
■ Leverage

- Private – Unleveraged
- Public – Leveraged

■ Other Issues

- Trophy properties
- Large urban markets
- Stable properties
- Franchise value

Restated Return Series 1981-2001



Source: The Journal of Portfolio Management – Special Issue 2003