a Research: Investing Guide

The *Research* Magazine Guide to REIT INVESTING




A SPECIAL SUPPLEMENT TO RESEARCH: MAGAZINE

NYSE: NNN
Dividend Yield: 6.7%

NATIONAL RETAIL PROPERTIES
NYSE : NNN

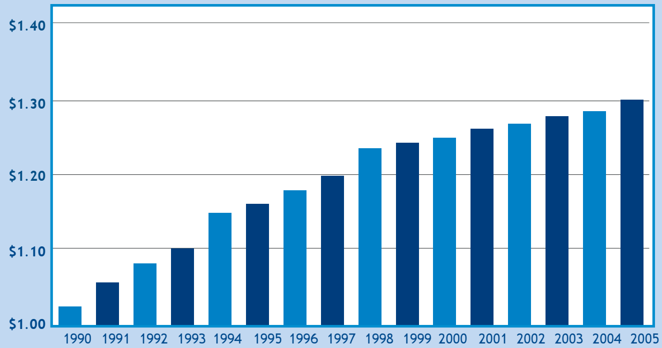
Overview:

National Retail Properties, (NYSE: NNN), a real estate investment trust, invests primarily in high-quality properties subject to long-term net leases with retail tenants such as Barnes & Noble, Best Buy, Circle K, CVS and Uni-Mart. As one of only 198 out of the more than 10,000 publicly-traded companies that have increased annual dividends for 16 or more consecutive years, we are a powerful partner for our retail customers and a proven investment for our shareholders.

We acquire, build and manage a diversified portfolio and own 607 properties in 41 states with total gross leasable area of approximately 8.9 million square feet. These properties are leased to 180 tenants in 63 industry classifications.

A net lease generally places substantial financial and operating responsibilities of property ownership, maintenance and use on the tenant rather than the landlord. Our leases typically provide for attractive initial yields and potential growth in cash flow through a combination of base rents, periodic increases in these base rents and/or percentage rents based upon tenant sales.

16 CONSECUTIVE YEARS OF INCREASED DIVIDENDS



Total Assets	$1.7 billion
FFO per share 2nd Qtr	$0.42
Quarterly Dividend	$0.335
Annual Dividend	$1.34
Dividend Yield	6.7%
52 Week Stock Range	$18.06 - $23.54

ANNUAL TOTAL RETURN COMPARISON
For Periods Ending June 30, 2006 (quarterly)

	1 Year	3 Years	5 Years	10
National Retail Properties (NNN)	3.7%	12.2%	15.1%	12.8%
S&P 500 Index (SPX)	8.6%	11.2%	2.5%	8.3%
Nasdaq (CCMP)	6.5%	10.9%	0.7%	6.7%
S&P 600 Index (SML)	13.9%	20.4%	11.1%	11.8%

Kevin B. Habicht
Chief Financial Officer

Investor Relations:
Chris Barry
Carole Jones

450 S. Orange Avenue
Suite 900
Orlando, FL 32801
(800) NNN-REIT
(407) 265-7348
Fax: (407) 650-1044
www.nnnreit.com

Ask about our Direct Stock Purchase & Dividend Reinvestment Plan*
*(*currently at a discount of 1%)*

THE NNN REIT™

Information as of June 30, 2006 unless otherwise noted

NYSE: NNN
Dividend Yield: 6.7%

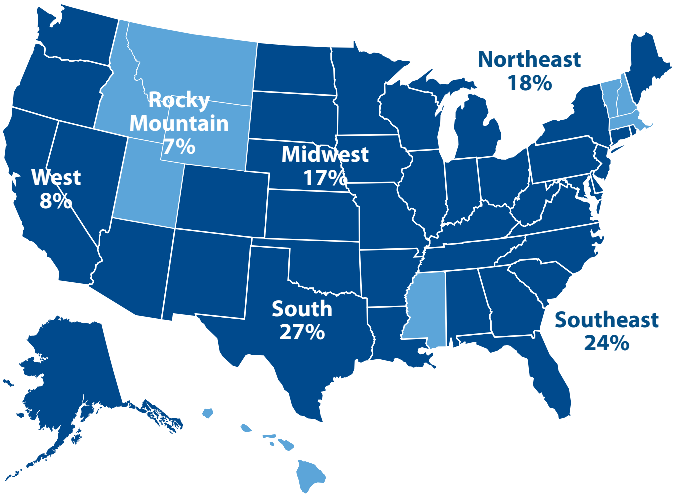
TOP TENANTS

(As a percentage of annual base rent)

1.	Circle K (Susser)	8.2%
2.	CVS	5.6%
3.	Best Buy	4.3%
4.	Uni-Mart	4.3%
5.	Barnes & Noble	3.8%
6.	OfficeMax	3.8%
7.	Eckerd	3.4%
8.	Academy	3.3%
9.	The Sports Authority	2.7%
10.	Road Ranger	2.5%
11.	Majestic Liquors	2.3%
12.	Borders Books	2.3%
13.	Taco Bell	2.2%
14.	United Rentals	2.1%

DIVERSIFICATION REDUCES RISK

607 Properties • 180 Tenants • 41 States



COMPANY HIGHLIGHTS:

- 16 consecutive years of annual dividend increases
- Strong balance sheet - investment grade rated by S&P, Moody's and Fitch
- Diversified - 607 properties totalling 8.9 million square feet
- Total market capitalization over $2 billion
- Long-term net leases with average term over 11 years
- 98.4% occupancy

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The REAL DEAL

BY ROBERT SCOTT MARTIN

Investors can now collect the rent with both domestic and international REIT properties.

OVER THE LAST FEW YEARS, it's gotten hard to ignore real estate. In innumerable conversations in airport terminals, restaurants and on the golf course, Americans have spent hours talking about their rental properties, sharing hot tips and simply basking in their big paper returns. In the speculative fever of the great housing boom, everyone became a buyer, and as everyone from Ben Bernanke on down knows, every speculative fever sputters out sooner or later.

Indeed, the writing is probably already on the condo wall where residential real estate is concerned, or as Deutsche Bank's chief U.S. economist Joseph Lavorgna puts it, "the housing market's in trouble." The long shadow of housing has darkened the outlook for consumer spending, the equity market and the economy in general: Wall Street now takes its tone from home sales data, instead of the other way around.

Of course, there's more to real estate than the home builders. The real estate investment trust (REIT) industry concentrates on retail, industrial, office, apartment and other commercial properties, not houses. REITs have enjoyed meteoric returns, averaging 14 percent performance every year since 1992. And like the housing sector, REITs showed some signs of weakening last spring, when REIT stocks slid around 6 percent in two months.

But even then, Michael Grupe, executive vice president for research and investor outreach for the Washington-based trade group National Association of Real Estate Investment Trusts (NAREIT), notes that those who read the sector's spring flu as a taste of deeper losses ahead were missing out on the big picture.

"On the FTSE NAREIT All-REIT index, the broadest index we calculate for U.S.-based REITs, we had a total year-to-date return of 13.78 percent in mid-July," he explains. "When I look across other market indices, the closest I have to that would have been the Russell 2000 Value index, which was up 12.51 percent at that time. Then it falls off pretty substantially. The S&P 500 was up 0.52 percent, the Dow up 1.20 percent and the Nasdaq limping at -6.86 percent. So just looking at the numbers, we find ourselves in the enviable but interesting position of being in the seventh consecutive year of outperforming the other broad market benchmarks."

REITs ON THE WEB

For more information on REITs, and to download our 2006 REIT Reference Guide, visit www.Researchmag.com. ***See Research Supplements.***

Grupe says that 6 1/2 years of outperformance "hasn't been a flash in the pan" by any standard, but he's more interested in publicly traded real estate companies' emerging role as an essential component of long-term investment strategy. "The real story is that these are high-dividend paying stocks with critical diversification benefits," he says. "We think that's how investors should consider REIT stocks when managing, in particular, their retirement portfolios: as one of a number of core assets with an allocation they're comfortable with. It might be 5 percent or 10 percent, for example."

Real estate may in fact behave somewhat like a bond (in that about two-thirds of its return is a fixed-income-like dividend) and somewhat like a stock, but since its returns do not actually correlate to either traditional asset class, Grupe recommends that it's best considered a thing unto itself. "It sort of stands alone and should be viewed on its own," he says.

THE NEW NORMAL

Naturally, historical context is critical. Part of what's driven the long REIT rally is the fact that these stocks started out from such a low baseline. The 1989 commercial real estate crash helped knock 25 percent out of the sector's aggregate market cap and left a bad taste in investors' mouths. It wasn't until 1993 that cash-starved property companies felt confident enough to return to the public market; then, ironically enough, these stocks were considered growth plays, and were soon pushed aside as the Internet bubble began to inflate.

After the Internet implosion, income was back in vogue and REITs — which are legally required to distribute at least 90 percent of their taxable income as dividends — were one of the few safe bets on the Street. At the end of 1999, the S&P 500 was trading around 1,470 and the 203 REITs then on the market were worth a collective $124 billion. Six years later, the broad index was still down close to 18 percent, but the REIT sector was six companies lighter and $206 billion heavier, having gained roughly 166 percent in total capitalization and throwing off substantial dividends along the way.

While NAREIT's Grupe calls the grand rotation that closed out the '90s a "once-in-a-generation type of thing," he believes that the fundamental relationship between real estate and other asset classes has changed for good. "What we're seeing worldwide is an ongoing rebalancing of portfolios," he says. "I think that's at least part of the reason there's been so much capital over the last year or two moving into alternative investments generally and real estate in particular."

In an environment that forces investors to accept increased levels of volatility for lower (perhaps even single-digit) average returns, Grupe says, real estate offers certain compelling propositions.

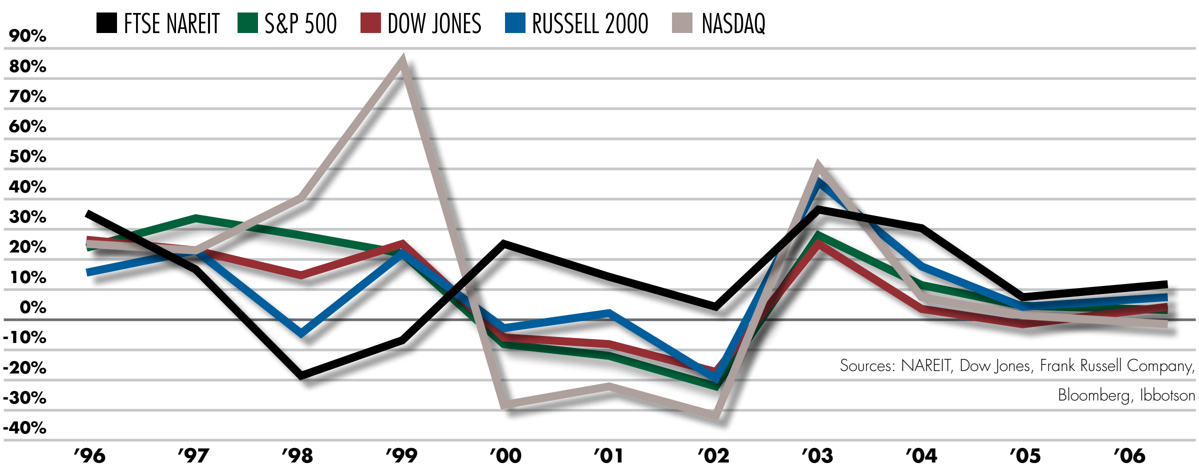
First, like any income-oriented business, the dividend appeals to those willing to trade higher risk and capital appreciation potential for a dependable quarterly check. Second, as he puts it, real estate is "a story that's easy to understand," and that transparency is in itself comforting to many investors burned by years of accounting scandals and nonsensical business plans.

Finally, demographics play a central role in the REIT renaissance. "People in my age cohort are getting old and looking for more stability in their investments," he says. "They're looking for income. I don't know of a better place where you can get stable income than the rent."

And since this demographic imperative is also at work in Europe and Asia, Grupe sees it as one of the factors driving U.S. REITs to seek untapped opportunities beyond North America's property markets — while spurring the creation of similar investment structures overseas. "The real story is the global story," he explains. "A number of U.S.-based REITs are increasingly including properties outside the United States in their portfolios. It's not a large part of the industry yet, but it's a growing part of the industry. It's essentially another level of diversification that helps them benefit from the fact that not all economies perform the same way at the same time."

Meanwhile, NAREIT has also grown beyond the "national" part of its name. In partnership with FTSE in London and the European Public Real Estate Association (EPRA) in Amsterdam, the organization now tracks REITs that operate in about 20 countries, as well as

Equity Returns: REITs vs. Other Indexes



REITS: The Full Spectrum

Investors can tap into a variety of real-estate investment vehicles, which have very different characteristics – especially in terms of their liquidity.

PUBLICLY TRADED REITs

- File with SEC; shares trade on national stock exchanges.
- Shares are listed and trade daily, with minimum liquidity standards.
- Broker commissions are like those of other publicly traded securities.
- Investment banks may receive 2%-7% for offerings.
- Typically self-advised and self-managed.
- Investors can buy as little as one share.
- Most directors must be independent in keeping with stock exchange rules.
- Regular financial disclosure to investors and filings to SEC required.

NON-EXCHANGE TRADED REITs

- File with SEC, but shares do not trade on stock exchanges.
- Redemption programs are limited and vary by company.
- Portfolio liquidation is generally linked to a required period of time (5-10 years), or to the listing of the stock on an exchange.
- A percent of gross-offering proceeds are used to pay commissions, advisory fees, etc.
- Typically advised and managed by an external entity.
- The minimum initial investment can often range from $1,000-$2,500.
- Most directors must be independent in keeping with North American Securities Administrators Association rules.
- Regular financial disclosures to SEC required.

PRIVATE REITs

- Not registered with the SEC and do not trade on stock exchanges.
- Redemption programs are limited and vary by company, as do transaction costs.
- Typically advised and managed by an external entity.
- The minimum initial investment is generally $1,000-$25,000, with higher minimums for institutional investors.
- Independent directors are not required.
- Regular SEC disclosures are not required.

Source: NAREIT

REIT-like companies that are publicly traded elsewhere. Japan, Hong Kong, South Korea and Singapore, among other big-league markets, already have their own REITs. Europe offers plenty of "REIT-like" approaches, each with its own rules. The United Kingdom is introducing the REIT structure next January and Germany's considering it. Grupe recommends that your clients should think globally as well.

"About half the market weight of the listed real estate companies worldwide is inside the United States and the other half is, obviously, outside. If a U.S. investor is looking to efficiently execute an allocation to real estate, you ought to consider that half of the universe that's outside the United States."

TAKING THE LONG VIEW

Another sign that real estate is here to stay comes from the institutional markets. Over the last decade or so, institutional REIT ownership has exploded from a niche practice to the norm as fund managers have caught on to the liquidity and scalability of $100 shares over $10 million properties.

There currently are more than 200 real estate mutual funds to choose from. Real estate ETFs, which track baskets of REITs like the MSCI Real Estate Index, are also making it easier for smaller accounts to get one-stop diversification. NAREIT's indices (now calculated by FTSE), have yet to be converted into ETF vehicles, but Michael Grupe expects to see additional exchange-traded real estate funds emerge in the future. "The ETFs have the attractive feature of being a relatively low-cost way for investors to invest in an index in the industry," he says.

Of course, while the real estate story may be straightforward, the diversity of companies, regional markets and property types still ensures a place for professional advice. "That is where the investment advisor or the financial planner can provide real value to clients," Grupe notes. "To work through the process with them and come up with a reasonable number of core assets — not just real estate, but domestic stocks, international stocks, government bonds, inflation-protected Treasury securities, maybe a few others — and structure a portfolio with a relatively long investment horizon that will perform for the client as long as they need."

"For most investors the best way to go in real estate, in my judgment, is to basically identify two or three mutual funds, index funds or ETFs and take whatever allocation you want to make to real estate and split it among those funds. Those funds are going to be broadly invested, but you'll still need to be prepared to exercise discipline." ®

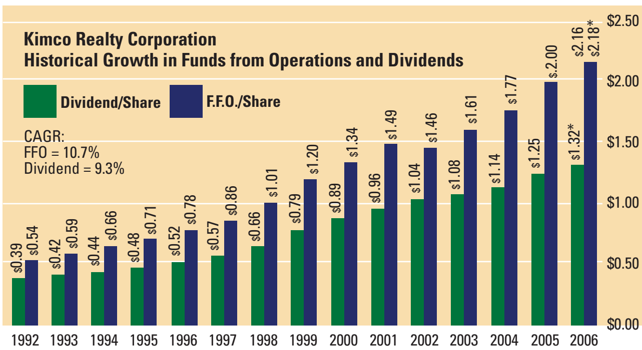
Kimco Realty Corporation

Kimco Realty Corporation (**NYSE: KIM**), with interests in 1,118 properties in the U.S., Canada, Mexico and Puerto Rico totaling approximately 143.6 million square feet, is the nation's largest publicly traded owner and operator of neighborhood and community shopping centers.

Kimco Realty Corporation was added to the S&P 500 Index on March 31, 2006, a benchmark used by over 97 percent of U.S. money managers. The Company has specialized in shopping center acquisitions, development and management for over 45 years.

The Company concentrates on increasing cash flow and property value through renovation, expansion and re-tenanting. Kimco's largest tenants are well known national retailers including Home Depot, Lowe's, Kohl's, Walmart and others.

Kimco's strong operating performance has resulted in consistent earnings growth. Since its 1991 IPO, Kimco has achieved a compound annual growth rate of 10.7% in funds from operations (FFO) per share and the dividend has grown at a compound annual rate greater than 9.0%.



*Based upon Company guidance for operating results on a diluted basis and expected dividend distributions.
All amounts adjusted for 3:2 stock splits on December 22, 1995, December 21, 2001 and 2:1 Stock Split on August 24, 2005

2006 MERGENT DIVIDEND ACHIEVER

CONTACT: Scott Onufrey, Vice President of Investor Relations
(516) 869-7190 • www.kimcorealty.com

BY JANE WOLLMAN RUSOFF

REIT Roundtable

T. Ritson Ferguson

Alex Peters

Sam Wald

There's real pricing power in Real Estate Investment Trusts: Apartment and office rents, for example, continue to head up, up, up. That's been just great for mutual funds that own such REITS, which invest mostly in a variety of commercial properties, including residential buildings, office properties, hotels and retail.

This year so far, apartment and office REITs are taking honors as the arena's best performers. And outstripping the S&P 500 for more than five years now, REIT mutual funds have risen an average 139 percent since 2001, according to Lipper research.

The key question: How long will the party last? That is, will rising interest rates, fickle consumer spending and a slow-down in the residential housing market put a chill on the toasty REITs market?

The answer from three portfolio managers — each of whose mutual funds has an advisor share class, at least — that *Research* spoke with last July was a resounding: "Party on!"

The REITS experts were T. Ritson Ferguson, manager of ING Clarion Real Estate Securities; Alex Peters, Franklin Real Estate Securities Fund; and Sam Wald, Fidelity Advisor Real Estate T.

Strong fundamentals point to continuing high company earnings, and the outlook is for a steadily recovering office sector, a continuing excellent hotel sector — in all, a healthy REITs market.

What other sectors look particularly good? There's no consensus among our three panelists — but isn't that what makes the securities markets fascinating?

Why should advisors suggest that clients invest in REIT funds?

Ferguson: They have a good total return history and the same prospects going forward, a decent dividend yield — about 4 percent average right now — and diversification benefits. Historically, REITs haven't had high correlation to the returns of other stocks, and it has low correlation to bonds as well. So it's a good thing to put in the portfolio for something different.

Wald: I don't see REITs as something investors should trade into or out of. I think everybody should have a small allocation of REITs within their broader investment basket.

What kind of year have REITs had so far?

Peters: They've outperformed the broader market. They had a very strong first quarter, but the second quarter was weak. I don't know that anybody knows the reason.

Wald: It's probably just a function of some of the macro stuff that's going on as opposed to having to do with the companies or stocks. Fundamentals remain very strong in general. I'm not expecting anything on the fundamental side that would explain the [second quarter] short-term performance.

U D R

QUALITY REAL ESTATE

United Dominion is the fourth largest apartment REIT, owning and operating apartment communities nationwide. The Company has raised the dividend each of the last 30 years. United Dominion is included in the S&P MidCap 400 Index. At June 30, 2006, the Company owned 74,753 apartment homes and had 1,357 homes under development.

Additional information about United Dominion may be found on its Web site at

WWW.UDRT.COM

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What about yields?

Peters: They're lower than they've been in recent years. There are still some attractive yields, but not as many as we've seen recently.

How are rising interest rates impacting this market?

Peters: That's one of the risks of the real estate sector, no question. So far rates haven't risen much, but any significant increase from here would definitely hurt fundamentals.

Wald: With regard to the Fed's raising short-term rates, most companies don't have much exposure to floating-rate debt. So their finances aren't being impacted very much. The Fed is raising rates because it views the economy as strong, which bodes well for the future growth of a lot of these companies.

So, you think that real estate is a good inflation hedge?

Peters: Yes. In a period of rapid inflation, the replacement value of real estate goes up: It costs more to build a building. Therefore, the existing building next to it is worth more as well. This is something we're already seeing with the rising cost of construction over the past several years. That means replacement cost is higher. Inflation leads to higher replacement cost, which leads to higher valuation of existing real estate assets.

What effect does the slow-down in the residential housing market have on REITs' performance?

Wald: The vast majority of companies aren't impacted by that directly at all. If anything, the apartment companies might benefit [because] people are a little less inclined to buy; there's increased likelihood they'd be renters. And obviously rising apartment rents are positive for the apartment companies as their growth rate accelerates.

What would be really bad for REITs?

Ferguson: A slowing economy is probably Worry No. 1. Real estate tends to do better in a growing economy. So the demand side of the equation is critical. We also have to follow the supply side. The '80s are an example of a growing economy where real estate was still down and out because we built more new real estate than we were generating demand for.

Let's talk about specific REIT sectors. How about office companies?

Ferguson: Along with the apartment and hotel sectors, we've been overweight the office sector for the last six months; and it's worked out well. We don't see any reason to reverse that.

Some of our favorites include S.L. Green and Corporate Office Properties. And we still have a big position in Trizec Properties, which is being acquired by Blackstone Real Estate and Brookfield Properties. It's been a fairly prominent position in the fund.

Peters: The office sector is starting to turn around. We're beginning to see more demand for office space. Substantial vacancies are declining, and it's starting to grow. One of our favorites is Corporate Office Properties, which is very focused on the Washington, D.C. area. They've done a great job of leveraging their relationship with the government — it's their largest tenant. So as the government grows, the company is able to grow its portfolio.

We also own Vornado Realty Trust, which has a lot of exposure to New York City office space. That's been a very hot area. Midtown Manhattan has the highest demand and best rent growth.

What about the apartment sector?

Wald: I wouldn't say I'm bullish or bearish on apartments. I'm more company by company. Within the apartment universe, I tend to favor more of the national players as opposed to the players focused on high-barriers-to-entry markets — companies that focus more on markets where it's harder to build new apartment buildings, like in the Northeast and California.

One reason I [like] national players is that over the next few years, as the apartment market recovers, they should grow almost as quickly as the companies that have focused on the barriers-to-entry markets. In fact, there's a pretty substantial difference between the two groups now — and the national players are valued much more attractively. I don't think the difference in valuation is going to explain the difference in growth rates going forward.

Peters: One of our largest holdings is a Canadian apartment company, Boardwalk Real Estate Investment. Canada hasn't had the boom in apartments we've seen here because they didn't have the condo-conversion craze over the last couple of years. So stocks haven't performed as well as some of those in the U.S. But we think [Boardwalk] is really well positioned over the next few years. It's been a good long-term holding.

Ferguson: We like AvalonBay Communities, Camden Property Trust and BRE Properties.

How about the retail sector?

Peters: I like that area. Simon Property Group and Macerich Co. are two big holdings for us. They both own high quality small portfolios and tend to own [shopping] malls. The mall structure isn't being developed much anymore, so a lot of the well located malls have become very valuable since you can't develop a cheap product against them.

The landlords that own these have good rent growth and good demand for space. Retail sales have continued to grow over the past two years. It's been a strong sector and the valuations are pretty attractive as well. Somebody is always worried about the consumer rolling over, but these stocks have an attractive valuation.

Wald: I think that middle-market malls are being overly penalized in terms of their valuations because of the fear of a middle-class and lower-class consumer slowdown. These companies are still going to be able to grow in the high-single to low-double digits. That makes the valuations look very attractive.

How about the hotel sector?

Ferguson: An improving, vibrant economy helps the hotel sector a lot. And it's the good economy that's also driving and improving fundamentals, which we think are going to translate to better-than-average share-price appreciation.

Our favorites are LaSalle Hotels, Strategic Hotels and Host Hotels & Resorts. We're not big investors in the gaming sector [e.g., Trump]. It's had some good returns, but it turns a lot more on gaming operations than on the hotel travel trends that we follow.

Peters: The big recovery [in travel] continues, and hotels are doing very well. Two names that we own, among several, are Host Hotels and Starwood. This is an area where you're still seeing very strong growth and demand, most of it driven by business travel.

Some of the best fundamentals in real estate are occurring in the hotel business. We think that's going to continue. Supply growth is very low. That's always a risk, but right now there's not a lot of supply coming online because it's very expensive to build.

Wald: There's a unique opportunity to buy some better quality companies at average valuations: Historically companies that trade in higher barrier-to-entry markets in hotels trade at premiums, as do companies that focus on managing hotels and that own the brand. [But] those companies are actually trading in line right now, and some are trading at discounts.

What else do you like?

Peters: In the industrial area, Prologis Trust, which owns industrial real estate, like warehouses. They're a global company, so they've recently been the beneficiaries of global growth and global-trade growth. As companies try to sell their products on a global basis, they need more and more real estate.

What do you analyze when evaluating a company?

Wald: I take a bottoms-up approach. I try to stay pretty flexible because in different markets different types of things work. I'm a GARP (Growth at a Reasonable Price) investor. I like buying stocks where I think the future growth rate isn't reflected in the current valuation of the company. If you work hard enough and turn over enough stones, you can always find some really good opportunities.

Ferguson: We think top-down: What's the economy doing? What property sectors are going to benefit? What regions of the country will benefit? We look at what we think the private market value of the real estate is; we compare that net asset value to the current price.

Peters: We look at factors such as what sector of the real estate business they're in. How is the sector doing? How are they positioned within it? What sort of growth is expected from the sector? Are they going to be growing faster than the market or slower? We evaluate the management team. What's its history? How does it rank versus the other management teams in the sector? And then: Is the stock fairly valued?

Anything else look promising?

Peters: Forrest City — their expertise is in development. They're in many sectors of the real estate market and don't focus on just one, and are very good at large, complex development projects. It's hard to find a better development company than Forrest City.

We also like Meritage Homes, a home building company, predominantly in the Western and Southern U.S. It's very well managed. The housing markets are softening right now; but we don't see any reason why, over the next five years, it's not going to continue to be a good growth company.

What's the short-term outlook for REITs?

Ferguson: Still good. We're looking at probably 7 percent earnings growth this year, with a 4 percent dividend yield. That translates to high single-digit, low double-digit returns. Not bad, given the alternatives.

Lexington: Minimize Risk, Maximize Returns

Lexington is a REIT that owns and manages a well-diversified portfolio of properties (197 properties in 40 states totaling 40.2 million sq. ft. as of June 30, 2006) primarily subject to triple-net leases with single tenants. Approximately 66% of rents are from office properties, 30% from industrial and 4% from retail.

Lexington's Conservative Strategy With Triple-Net Leases
With triple-net leases, the tenant pays all property operating expenses, such as insurance, real estate taxes, maintenance and repairs. This greatly reduces Lexington's risk of rising property-related costs and inflation. Lexington takes several steps to maintain a low-risk profile:

- Triple-net lease tenants pay property operating expenses
- Investment-grade tenants represent about 40% of rents
- Leases are long term with staggered maturities
- Properties are diversified by type, industry and geography
- Fixed-rate debt comprises about 99% of total debt

Investment Highlights

- Price (week of July 28, 2006): $19.75
- 52-week range: $19.53 -$24.33
- Equity market cap: $1.05 billion
- Annual Dividend: $1.46 per share
- Dividend yield: 7.4%

Investment Considerations

Thirteen Consecutive Years Of Dividend Growth
Lexington has increased its dividend every year since going public, yet maintained a conservative annual payout ratio. The 2Q 06 payout ratio was 77.7% of FFO, which allows the company to rapidly pay down debt, secure the dividend, and invest in quality growth opportunities. In 2006, LXP increased its annual common dividend per share to $1.46 from $1.44.

Prospects For Growth
Lexington's assets under management have more than tripled in the past five years. Lexington acquired a record $1.1 billion of property in 2005 and has the capacity to invest an additional $1 billion in growth opportunities. The properties acquired in 2005 generate an annual FFO yield of approximately 15.9%.

Enhancing Returns with Joint Ventures
Joint ventures generate fee income and enable Lexington to enhance its returns without taking more risk while improving portfolio diversification. These investment programs enable LXP to enhance its returns beyond those of typical triple-net lease REITS and allow access to additional capital without going to the capital markets. These growth opportunities distinguish Lexington from many other REITs.

For Additional Information:

Will Eglin, President and CEO
Pat Carroll, CFO and Treasurer
(212) 692-7200

One Penn Plaza, Suite 4015
New York, NY 10119
www.lxp.com

LXP
LEXINGTON
CORPORATE PROPERTIES TRUST
Corporate America's Real Estate Partner

ProLogis Harbor Park, Budapest, Hungary

What's New:

In June, we acquired a portfolio of more than 3.5 million square feet of recently-developed industrial space and land in Mexico City and Guadalajara, Mexico. The portfolio comprises 18 buildings in six industrial parks and includes land that can support development of an additional 2.9 million square feet. The acquisition bolstered our Mexican platform by more than 40% and has made ProLogis one of the country's largest providers of distribution facilities.

sustainability

Sustainability

The long-term growth plan ProLogis put in motion in 2005 is well underway. Our 2005 results were excellent, and we are confident in our ability to continue to execute our plan for sustained, profitable growth well into the future. Sustaining our performance and building a company that excels long term transcends traditional financial growth. As an industry leader, we are committed to implementing innovative solutions for sustainable development while making a difference in our communities and in our world.

Sustaining Profitable Long-Term Growth

One of our goals is to achieve total assets under management of over $30 billion by 2009. In 2005, we acquired Catellus Development Corporation for $5.3 billion and ramped up our development pipeline to over $2 billion per year, helping us to achieve over $24.8 billion of assets owned and managed as of June 30, 2006. While our global development continues to drive our expansion, our business plan supports growth by accessing a variety of capital sources. We raise third-party capital for property funds. We contribute our completed, stabilized properties to these funds, generating development gains, and co-invest a portion of these gains in our funds. In this manner, we recycle our initial investment into new development and acquisitions. By continuing to manage the properties under long-term agreements, we recognize management fees and our proportionate share of each fund's earnings while retaining customer relationships.

The Ability to Provide Superior Service

ProLogis was founded on a simple idea – we could create exceptional value by forging long-term ties with our customers and focusing on quality facilities complemented by exceptional customer service. These relationships are the foundation of our growth, as historically 50% of our new development is leased by existing customers. To date this year, approximately 74% of our customers remained in place when their leases expired. Behind these relationships is our team of local nationals. These skilled real estate professionals have in-depth knowledge of their local markets and communicate fluently with customers in their native language.

Sustaining Our Business and the Planet

Sustainability is defined in many ways. We see it as a state where the needs of people and commerce are met while supporting our communities, protecting our environment and in some cases, restoring the ability of the land to provide for future generations. Our business requires that we work effectively with government agencies and community groups to address concerns about our facilities' impact on neighborhoods and natural habitats. We have world-class expertise in this area and strive to be the leader in developing standards for economically feasible sustainable development.

Company Profile

ProLogis is a leading provider of distribution facilities with over 404 million square feet in 2,401 properties owned, managed and under development in 81 markets in North America, Europe and Asia as of June 30, 2006. We continue to expand the industry's first and largest global network of distribution facilities with the objective of building shareholder value. We expect to achieve this through the ProLogis Operating System® and our commitment to provide exceptional facilities to meet our customers' expansion and reconfiguration needs.

Stock Information (as of June 30, 2006)

Common Share Price:	$ 52.12
Common Share Dividend Rate for 2006:	$ 1.60/yr
Dividend Yield:	3.1%
Equity Market Capitalization:	$ 13.4 bil
Total Debt:	$ 8.9 bil
Total Market Capitalization:	$ 22.3 bil
Total Debt to Total Market Cap:	39.9%
Member:	S&P 500 since July 2003 MSCI since May 2004 Fortune 1000

Contact Information

Investor Relations
ProLogis
4545 Airport Way
Denver, CO 80239
303.567.5690
www.prologis.com
ir@prologis.com

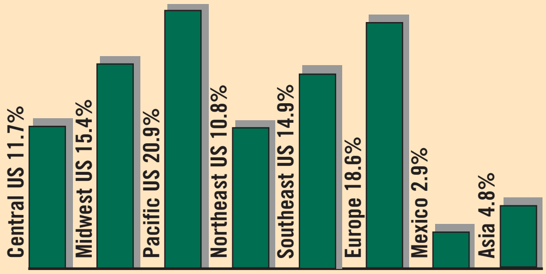
To order copies of this Fact Sheet, call (800) 458-2700.

NYSE:PLD

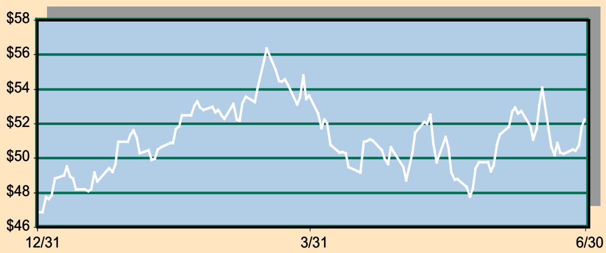
ProLogis®

Geographic Distribution Total Operating Portfolio

(374.3 msf)

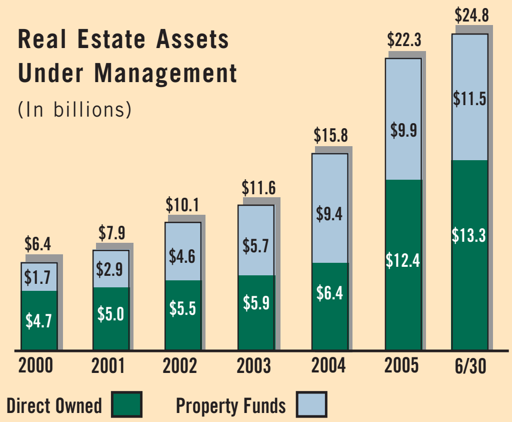


Stock Price Performance 2006 Year to Date



Real Estate Assets Under Management

(In billions)



sustainability

Company Strengths

- Global platform allows us to serve our customers in major markets throughout North America, Europe and Asia and diversifies our revenue stream
- Development pipeline of over $2.2 billion allows us to meet future needs of customers and assures continued growth
- 12 years of dividend growth, including an 8.1% increase in 2006

Analyst Comments*

David Fick, Stifel Nicolaus
PLD recently bought a 3.5-million sf portfolio in Mexico, and the company continues to expand its international platform across Europe and Asia. We believe PLD's diversified portfolio effectively insulates the company from a domestic real estate downturn and provides earnings growth from both its funds and development-for-sale businesses.

Jim Sullivan, Green Street Advisors
PLD has developed an enviable operating platform on three continents that is benefiting from improving industrial fundamentals in the U.S. and abroad. The business model is generating strong operating performance and significant value creation.

Ross Nussbaum, Banc of America Securities
ProLogis has been our favorite name in the industrial space and one of the top picks in the REIT industry. PLD has built a first class global platform that is benefiting from increased global logistics activity and more efficient supply chain management.

Analyst Coverage*

Analyst	Firm	Recommendation	Telephone
Ross Nussbaum	Bank of America	BUY	212.847.5668
Stephanie Krewson	BB&T Capital Markets	BUY	804.782.8784
Ross Smotrich	Bear Stearns	OUTPERFORM	212.272.8046
Jonathan Litt	Citigroup Global Markets	BUY	212.816.0231
Lou Taylor	Deutsche Bank Securities	BUY	203.863.2381
Paul Morgan	Friedman, Billings, Ramsey & Co.	OUTPERFORM	703.469.1255
Jonathan Habermann	Goldman Sachs & Co.	OUTPERFORM	917.343.4260
Jim Sullivan	Green Street Advisors	BUY	949.640.8780
Michael Mueller	JPMorgan Securities, Inc.	OVERWEIGHT	212.622.6689
David Harris	Lehman Brothers	UNDERWEIGHT	212.526.1790
Steve Sakwa	Merrill Lynch	BUY	212.449.0335
Matt Ostrower	Morgan Stanley	EQUAL WEIGHT	212.761.6284
Sri Nagarajan	RBC Capital Markets	SECTOR PERFORM	212.428.2360
David Fick	Stifel Nicolaus	BUY	410.454.5018
Christopher Haley	Wachovia Securities	OUTPERFORM	443.263.6773

* ProLogis is followed by the analysts listed above. Please note that any opinions, estimates or forecasts regarding ProLogis' performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of ProLogis or its management. ProLogis does not by its reference here imply its endorsement of or concurrence with such information, conclusions or recommendations.

BY ALEXEI BAYER

HIGH RATES *versus* HIGH-FLYING REITS

Despite pressure on prices, the U.S. property market should continue to hold up.

IN THE CURRENT ECONOMIC CYCLE, real estate has become less local and more global — largely as a result of the greater sophistication of the financial services industry, globalization of investment flows, growing securitization of residential and commercial properties and the rising popularity of REITs. By some estimates, as much as 20 percent of single family and other residential real estate sales have been driven by investment demand, not the need for shelter.

As to REITs, their consistent stock-market outperformance in the current decade has attracted a flow of investment funds into existing trusts, as well as the creation of numerous new ones. In fact, 11 REITs have been included into the broad S&P 500 index of U.S. stocks. An additional source of asset flows into the sector has come from mutual funds and, more recently, exchange-traded funds devoted to REITs.

Headed for a Crash?

Having returned their investors about 40 percent per year in 2003 and 2004, returns from American REITs began to slow last year, based on major U.S. REIT indices. Clearly, such returns could not be expected to endure indefinitely, especially not in an environment of rising interest rates and much higher Treasury bond yields.

Analysts point out that dividend yields on U.S. REITs as an asset class have come down substantially, and that the attractiveness of REITs vis-à-vis U.S. Treasury bonds has declined as long-bond yields rose above 5 percent. Yield spreads were positive from 1997 until very recently. In 2003, REITs yielded as much as 350 basis points more than the 10-year Treasury bond, but now the spread has been reversed and measures nearly 100 basis points in the other direction.

However, not all REITs are created equal. Even those economists and fund managers who are turning negative on single-family homes are still quite optimistic about commercial real estate such as office buildings, hotels and shopping malls. The U.S. economy is expanding, consumption remains robust and a number of real estate markets and types are likely to benefit from continued economic growth, even in an environment of rising interest


Washington, D.C.


Southern California


Boston


Northern California


Northern New Jersey

We're Focused
on Quality & Location

Premier Markets

Supply Constrained Sub-Markets

High-Demand Locations

High-Quality Office Properties

Glenborough is a Real Estate Investment Trust (REIT) which owns and operates a portfolio of high-quality multi-tenant office properties. The company has been listed on the New York Stock Exchange since 1996 and its common and preferred stocks trade under the symbols GLB and GLB PrA. Glenborough is a member of the National Association of Real Estate Investment Trusts and is included in the Standard and Poor's SmallCap 600 Index. The property portfolio encompasses approximately 8 million square feet. Glenborough's assets are concentrated in Washington, D.C., Southern California, Northern New Jersey, Boston and Northern California.

GLENBOROUGH
REALTY TRUST

400 South El Camino Real
San Mateo, California
Tel: 650 343 9300
www.glenborough.com

Represented in the S&P SmallCap 600 Index
NYSE Listed
Common Stock: GLB
Preferred Stock: GLB PrA

rates. Rental properties, for example, are likely to hold their value well, since rents are expected to rise when higher mortgage rates price homebuyers out of the single family market. Moreover, some fund managers buy mining companies, which they consider real estate investments because of their large property holdings.

On the other hand, since real estate prices across various property types are generally positively correlated, price support for commercial real estate or for rental properties means that prices of single family homes are not going to crash to the ground.

International experience, in fact, doesn't provide cause for alarm. Property prices have been at very high levels in New Zealand and the U.K., two countries where interest rates began rising before the U.S. Federal Reserve started tightening its own monetary policy in mid-2004. In most markets in those countries, including the red-hot London market, prices stopped growing and even dipped. However, property prices everywhere stabilized at high levels, despite higher interest-rate levels.

Greener Grass

In the current economic cycle, real estate prices have been rising the world over, reflecting rapid economic development in Southeast Asia, Eastern and Central Europe and Latin America. Many indices around the world leave the U.S. index in the dust, despite its generally strong performance in recent years. Cities such as Budapest, Moscow, Shanghai and Istanbul have been experiencing blockbuster property booms, both in commercial and residential real estate.

A much-publicized survey by Mercer Human Resource Consulting recently ranked Moscow the world's costliest city in 2006. The survey is based on various cost-of-living factors affecting expatriate executives, with real estate values providing one of the key determinants. Along with Moscow, which jumped to the top from the No. 4 position last year, Seoul rocketed to second from fifth, and Chinese and Brazilian cities also moved up in the global rankings.

Recently, U.S. investors have been looking for opportunities to take advantage of this boom. Accordingly, several investment vehicles now provide access to foreign property markets. Northern Trust Corp. is launching the Northern Global Real Estate Index Fund, the first index-tracking fund for U.S. retail investors to focus on properties in 21 developed countries, including Australia, Germany and Japan. Other global real-estate funds either recently set up or currently in the works include Franklin Global Real Estate, Kensington International Real Estate, ING International Real Estate, Goldman Sachs International Real Estate Securities, and Cohen & Steers Asia Pacific Realty.

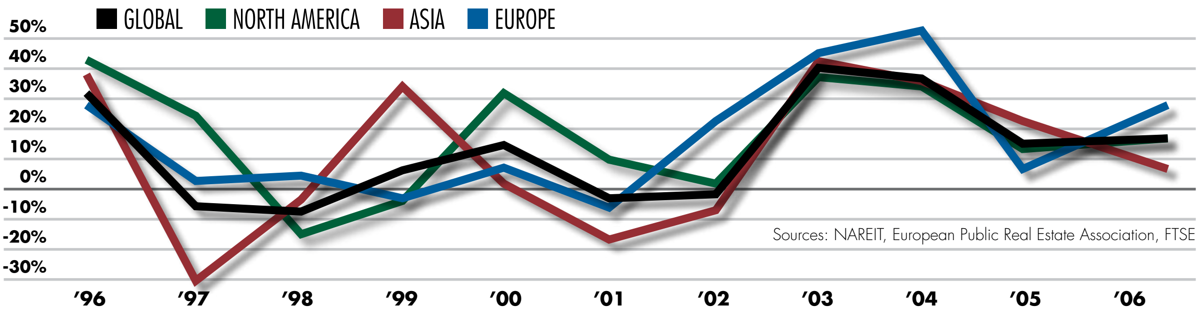
Property values abroad have been especially attractive in the eyes of U.S. investors because the U.S. dollar has been so weak. Dividend yields from foreign-based REITs, too, swelled when translated into softening U.S. dollars. But, if history is any guide, the downside for the dollar tends to be limited. The greenback is now near its historic lows, after which a period of appreciation usually follows.

When the dollar falls to a certain level, those assets become bargains from the point of view of foreign investors. They rush in to buy up shares of global brands such as GE, Microsoft and Google — and yes, they also put their money into U.S. real estate holdings, both directly and through REITs and ETFs.

In fact, from the perspective of foreigners holding cheaper dollars, U.S. property is by no means overvalued. The Mercer Human Resources survey, for example, places New York City at number 10 among the world's most expensive metropolises — even though many U.S. analysts believe New York real estate and housing prices have become unsustainably high and are ready for a correction. Clearly, as far as foreign investors are concerned, the U.S. real estate boom has more room to go.

Global Real Estate Index Returns ($U.S.)

Most of the world's real-estate markets are showing a strong performance in '06 vs. '05 and are up more than 16 percent year to date.



Research: Recommended REIT Websites & Resources

The following websites are some of the best-available resources for information on REITs, REIT trading, the real-estate industry and the indexes that track it.

Researchmag.com

REITS ON THE WEB For a special listing of the190-plus publicly traded real estate investment trusts — broken down by sector, sub-sector and market capitalization — and information on non-exchange traded REIT funds, go to **researchmag.com.** See the *Research Supplements* section.

www.nareit.com
The website of the National Association of Real Estate Investment Trusts includes daily index/market data, industry updates, the latest news stories, event guides and more.

www.investinreits.com
Operated by NAREIT, this investor-friendly site is full of information on some 200 REIT stocks and their associated investment terminology. It includes a directory of REITS by type, REIT ETFs, REIT mutual funds, non-exchange traded REITS, closed-end REIT funds and other investment vehicles. Visitors can also subscribe to a daily newsletter on REIT investment returns.

http://biz.yahoo.com/industry/
This Yahoo Industry Center site includes links to REIT company news, industry events, earnings releases, daily stock data, sector trading statistics and more. Information on REITs is broken down into categories, such as diversified, health care, hotel/motel, industrial, office, residential and retail.

www.wilshire.com/Indexes/RealEstate
Wilshire Associates shares the latest information on the stock index, the Dow Jones Wilshire Real Estate Securities Index, the Dow Jones Wilshire Real Estate REIT Index and the Dow Jones Wilshire Real Estate Operating Companies (or REOC) Index.

www.inman.com
Up-to-the-minute headlines on the real-estate industry from Emeryville,Calif.-based Inman News, an independent news provider. Daily updates on broad news, as well as specific stories on mortgages, real-estate technology, investing and related topics.

www.nareit.com/portfoliomag/default.shtml
NAREIT's print publication, *Real Estate Portfolio*, shares stories and news on the Web at this location. The site features articles from the bimonthly magazine, snapshots of companies, news, fund information and more.

www.realestatejournal.com/reits/
The *Wall Street Journal*'s online guide to property and REITS has quarterly-performance information, charts and experts' views on trends in the REIT sector.

www.rer.org
The home of the Real Estate Roundtable, a trade group representing owners of more than $700 billion in properties, this site highlights the latest political and economic topics, such as terrorism insurance. It includes links to academic and other resources related to the real-estate industry.

web.mit.edu/cre/index.html
The MIT Center for Real Estate share news information and analysis of real-estate prices, housing, investing and other issues. Academic research is posted and updated regularly.

www.cushwake.com
This Cushman & Wakefield website encompasses research reports, headline news, industry analysis and rental/vacancy rates from around the globe.

Publicly Registered Non-Exchange Traded REITS: Web-Based Resources

Behringer-Harvard
Behringer-Harvard's REIT I (with a focus on office and other properties) and Opportunity REIT I (which targets commercial properties) are still open to investors. See http://www.behringerharvard.com.

Boston Capital
The Boston Capital REIT, which invests in apartments, is described at: https://www.bostoncapital.com/indInvRealEstate.html.

CNL
The CNL Hotels & Resorts Inc. REIT is profiled at: http://phx.corporate-ir.net/phoenix.zhtml?c=179773&p=irol-newsArticle&ID=896074&highlight=.

More information on the CNL Income Properties REIT can be found at: http://www.cnl.com/incomeprop/.

CNL Retirement Properties REIT is described at: http://www.cnlretirement.com/retirementprop/.

Desert Capital REIT
News on this investment vehicle can be found at: http://www.desertcapitalreit.com/investment_news_21.html.

Dividend Capital Group
The real-estate investment firm shares information on its Dividend Capital Trust REIT, which investments in warehouses and light-industrial properties, and the company's diversified commercial REIT, Dividend Capital Total Realty Trust, at: http://www.dividendcapital.com/dividendcapital/corporate/?cid=257,366.

Hines REIT
This REIT invests in office properties; see: http://hinesreit.myhines.com/reit/reit.portal.

NNN Apartment REIT
Sponsored by Triple Net Properties, which is liquidating its G and T REITS, this REIT invests primarily in apartments. See: http://www.1031nnn.com/companyInfo.aspx?m=7.

Wells Fargo
The Wells Fargo REIT II invests in commercial properties and is described at: http://www.wellsref.com/index.html.

JOE RODRIGUEZ is the lead manager of three AIM real estate funds (including AGREX and IARAX) and the director of sister company INVESCO's real estate securities unit. Both AGREX and IARAX have outperformed their category over the last year. Where's he finding value?

Research: Is real estate still a compelling investment?

Rodriguez: Obviously, managing in the sector, you would tend to think I would say yes, and I'm going to say yes! But what I would say is when you look at real estate — whether here in the U.S. or other parts of the world — a lot of people get very focused on interest rates because their association with real estate tends to be narrowly defined as single-family housing. I would say the current environment is a big negative on housing, but guess what? We're not investing in housing. We primarily invest in commercial real estate, which means what we're focused on is more tied into the general health of the economy. In fact, some areas of the real estate market benefit significantly from rising interest rates, namely apartment rentals. If at the margin, people are being priced out of buying homes, the alternative is staying in your apartment and you'll have lower turnover of tenants and rising occupancy in your rentals, which is exactly what we're seeing on that side of the market. So is the sector "compelling?" No. But it's solid, barring unforeseen circumstances.

And in general there's no strong correlation to the housing market?

The answer's yes. Historically, our funds have invested very little in the housing market. The primary reason for that is most people will buy our funds for diversification. In general, they have lower beta than the average equity fund, but if you look at housing and you look at the homebuilders specifically and look at their betas, they're generally higher than the average S&P 500 company. Generally, homebuilders have a very high correlation to what's going on in the equity market and generally pay very low dividends, relatively.

Given your decade-long track record, can you put the last few years into a larger context?

The fundamentals are solid across all property types except single-family housing. The sector has outperformed the S&P 500 for six years straight now; but it started at a low base because in 1998 and 1999 you could not give these stocks away because everyone was chasing dot-com things. And the stocks are still doing better than the average company in the S&P 500. We've had a bit of a correction, but our domestic fund is up 17 percent. Even if we do have a pullback in share prices (maybe driven by the Fed), I would suggest that might be closer to an opportunity rather than a cause for one to avoid the sector. I don't think people should look back over the last several years and say these stocks will continue to

BEHRINGER HARVARD REIT I, INC.

$952,000,000

$10.00 per share

Behringer Harvard REIT I, Inc. is a non-traded real estate investment trust (REIT) with a strategy to acquire and operate institutional-quality real estate. This Fund focuses primarily on acquiring office properties but also may acquire other types of existing or newly constructed buildings, properties for development, or other real estate investments. As of July 31, 2006, the Fund owned interests in 28 office properties in 12 states with a combined total of approximately 8,875,000 square feet.

To learn more about this offering, see a Behringer Securities LP representative at:

FINANCIAL ADVISOR SYMPOSIUM, SEPTEMBER 25-27, CHICAGO, IL
FINANCIAL PLANNING ASSOCIATION NATIONAL CONVENTION, OCTOBER 21-24, NASHVILLE, TN

Behringer Securities LP is dealer manager for this offering. To request copies of the prospectus, contact Behringer Securities LP:

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BY E-MAIL	brokeragesupport@behringersecurities.com
BY PHONE	TOLL-FREE AT 866.655.3600

BEHRINGERHARVARD
REAL ESTATE INVESTMENTS

THE PROPERTY PORTFOLIO OF BEHRINGER HARVARD REIT I, INC. INCLUDES ASSETS IN CALIFORNIA, COLORADO, GEORGIA, ILLINOIS, MARYLAND, MASSACHUSETTS, MINNESOTA, MISSOURI, NEW JERSEY, OREGON, TENNESSEE, TEXAS, WASHINGTON, D.C.

generate 20 percent returns on a go-forward basis, but if people adjust their expectations to a long-term range of 7 percent to 10 percent, that's probably more realistic.

Where are you finding opportunities?

I'd say in the U.S., hotels are extremely attractive right now. But where I'm looking for value is commercial real estate companies in Hong Kong and Singapore and those that are focused on office properties in London. Those, I would put into the "compelling" category because you can buy them at a 15 percent to 30 percent discount to what the assets are worth. In the U.S., they're more in line with what the assets are worth. We also think the consumer recovery in Japan is real, so we're focused on Japanese retail spaces as well.

What makes international real estate investing different?

In markets like Australia, the U.S. and Canada, you have a very defined REIT market with a mature group of investors in the sector. You've got good understanding, a good legal framework and good transparency. When you go to other countries, the transparency sometimes is not as good and so we are compelled to spend a lot more time in those countries on the ground doing research and correlating a lot of different data sources. In those countries, we feel that it's even more necessary to do a lot more work, but that not only comes through in the returns, but sometimes what's overlooked is the element of risk control — avoiding big mistakes.

What's your interest-rate outlook?

Remember, I would draw the distinction between the single-family housing market and what we tend to focus on. When people tend to become overly concerned about interest rates, it's because they tend to treat residential and commercial real estate with one overly broad brush. If we do see a correction in the sector because of interest rates, my tendency would be to say it creates an opportunity for us. Most mutual funds have cash lying around, so in that environment we would edge toward getting fully invested. Our share prices might go down in the short term, but over the longer term if higher interest rates were resulting from a positive economy, that's ultimately going to be a positive factor.

When we look across every property type right now, we see limited new supply in terms of new office space, for example. If you have positive GDP growth across the G7 and places like Japan accelerating quite nicely, that will generate more space demand and that will trickle down.

So where are the risks?

When we've seen commercial real estate go through a down cycle, it's generally not because of interest rates; it's because of too much supply, overbuilding. We fundamentally do not see that in many of the markets around the world today. We may be wrong about the share prices, but the fundamentals give us a whole lot of comfort. We don't see overbuilding. We see the power in the landlord's hand.

And inflation is not a threat?

Traditionally, real estate has been a pretty good hedge against inflation because No. 1, you have building costs — material costs, labor — that rise over the very long term. If you have inflationary pressure on cement, steel, copper, whatever it may be, that inherently means that for a building you put up, the rents have to be higher to justify the construction. There might be some lag, but in essence the reproduction cost of that commercial building should keep pace with inflation over time. Looking at it a little differently, regional malls for example actually tie some of their rents to overall sales by their tenants, so if you have inflation, sales go up and the rent goes up. You're increasing your pricing on your goods at the same shop, and your landlord is going to get a percentage of your gross sales. You see how that is capturing the underlying inflation rate.

What would you tell financial advisors about how to integrate real estate into a portfolio?

We are very aware of how our funds should fit into the general portfolio: Obviously, we think people should buy our funds — for the right reasons! All investors should really think about maintaining a well-diversified portfolio at all times, and we think our funds (and the very acute focus that we have) should be in a person's portfolio. Our focus is quite a bit different from some of the other funds in the sector because we concentrate on low correlation to the broader equity market as well as high yields. Most advisors we've seen are allocating generally in the 5 percent to 15 percent range of an overall portfolio to real estate.

TO ORDER FACT SHEETS FROM THESE COMPANIES, CALL (800) 458-2700, OR USE THE ORDER FORM IN SEPTEMBER *RESEARCH*

BY DAVID J. DRUCKER

Post-Bubble PLANNING

Home equity is many clients' largest asset. What happens now that home prices are falling?

IS A CLIENT'S PRIMARY RESIDENCE an asset that should figure prominently in his ability to retire?

When I entered the industry in the early '80s, most financial advisors would have answered, "No." But that philosophy is no longer realistic for a wide swath of the industry's clients, most notably baby boomers. It's often said that for boomers who don't inherit, residential real estate equity will be their largest asset.

This stands to reason. Boomers are, after all, known for profligate spending, often in the form of palatial homes lavish by the conservative standards of their parents' generation. Their financial salvation, then, may come in the form of downsizing so as to redirect equity from their homes into new primary residences, such as condos or even RVs, leaving a chunk of assets to invest and spend down.

This "residential bailout," of sorts, looked to be a solid plan until real estate prices started crumbling last year. Some clients are "upside down" on mortgages and watching their home equity melt away. As these clients' financial advisor, how will you address this problem?

Kevin Brosious, CPA, CFP and president of Wealth Management in Allentown, Pa., says, "I consider the home an investment in real

EQY LISTED NYSE

WHY EQUITY ONE?

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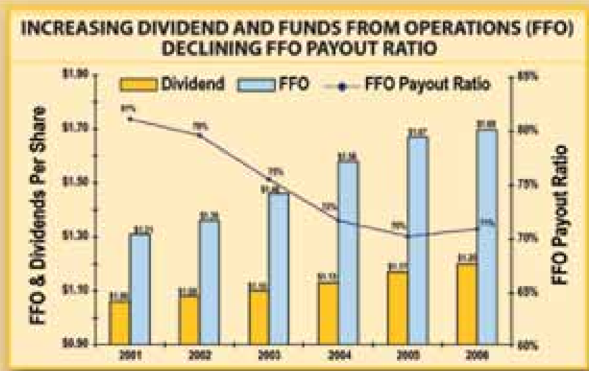
- $2.5 billion total market capitalization
- Focus on high growth, urban markets of Florida, Texas, Georgia and New England
- 5.5% dividend yield; 71% payout ratio

Contact information:
Howard Sipzner, Executive VP & CFO
305-947-1664, ext. 110
hsipzner@equityone.net



Equity One is a real estate investment trust that principally acquires, renovates, develops and manages neighborhood and community shopping centers anchored by national and regional supermarket chains and other necessity-oriented retailers such as drug stores or discount retail stores in major metropolitan markets of the southern and north-eastern United States.

Equity One's 20.4 million square foot portfolio consists of 198 properties (including 29 in one unconsolidated joint venture) encompassing 128 supermarket-anchored shopping centers, four drug store-anchored shopping centers, 54 retail-anchored shopping centers, five development parcels and seven non-retail properties.

EQUITY ONE™

Notes and disclaimers:
1- Total market capitalization as of July 31, 2006. Dividend yield based on annualized June 30, 2006 $0.30/share regular dividend and July 31, 2006 stock price.
2- 2006 FFO/share as per analyst consensus. 2006 dividend and payout ratio reflect annualized June 30, 2006 $0.30/share regular dividend and analyst consensus FFO. 2006 $1.20/share dividend reflects the June 30, 2006 $0.30/share regular dividend annualized and excludes the $1.00/share special dividend of June 30, 2006.
3- Past performance is not indicative of future results. Investors are encouraged to review the "Risk Factors" described in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and in the Company's other SEC reports and filings.

The Shopping Center REIT

www.equityone.net

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HOSPITALITY, INC.

SUPERTEL BRINGS VALUE TO TRAVELERS AND SHAREHOLDERS

Supertel Hospitality, Inc. (**NASDAQ: SPPR**) is a self-advised real estate investment trust (REIT) specializing in limited-service hotels. Supertel provides clean, friendly and affordable accommodations to the business and leisure traveler. As a real estate investment trust, Supertel distributes most of its earnings to its sharholders as dividends.

Supertel's mission is to be a growth-oriented, income-producing REIT that increases shareholder value by:

- Increasing the operating results of its owned hotels, and
- Increasing earnings through hotel acquisitions that fit our operating model.

Supertel's hotels are primarily operated under national franchise agreements. This diversity enables Supertel to participate in the best practices of these respected brands. Supertel owns 79 hotels in 17 states primarily located in the Midwest and Eastern U.S. Supertel's Series A Convertible Preferred Stock (**NASDAQ: SPPRP**) pays an 8% annualized dividend… payable monthly. See graph for common dividends.

SUPERTEL COMMON SHARES DIVIDENDS
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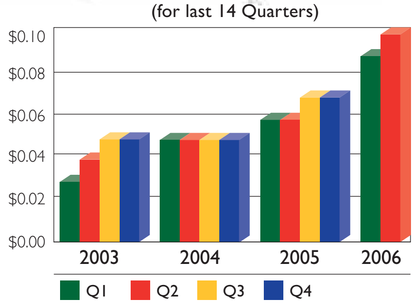

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For information, contact: **Donavon A. Heimes, Chief Financial Officer** • 309 North 5th Street, Norfolk, NE 68701
dheimes@supertelinc.com • 402.371.2520 www.supertelinc.com

estate and include it in the client's portfolio. If the client owns a home, I usually don't recommend any exposure to investment real estate, especially if the client has an expensive home or has seen significant appreciation over the years."

In general, Brosious guides clients towards or away from home purchases based on low interest-rate levels. "I may seem like a contrarian, but I tell new home buyers that historically it's been a good time to buy real estate when interest rates are higher because prices usually modulate or come down when rates go higher. A buyer can always refinance when rates drop."

But how does he advise clients in his red-hot real estate market of Lehigh Valley, Pa., who have already bought and owned their homes for a number of years? "In the past five years here, the average home has increased 100 percent, and prices have begun to level off the past few months. So clients who need to sell haven't really missed the boat. But they've got to live somewhere, and real estate has increased everywhere [locally]."

When clients consider the cost of selling, moving, sales taxes, condo fees and other new-home expenses, says Brosious, they will end up with less money than originally expected and the switch may not look so attractive. "If clients really like their current neighborhood but no longer want to cut the lawn, trim the hedges or perform other maintenance, they could consider hiring a lawn service or handyman. I think in most cases, this will be a less expensive option [than moving]."

False Sense of Security

Alan Gappinger, ChFC, CFP, and certified financial educator with Heartland Institute of Financial Education in Aurora, Colo. — the financial literacy organization he founded — says clients dependent on home equity for retirement may have to play a waiting game if they've experienced a reduction in their home value. "This is not dissimilar to people who were expecting to retire soon after the year 2000 and then experienced a major decrease in the value of their investments. Yet, while these events can be incredibly stressful for clients, it's important for them to remember that, in time, most assets rebound."

If a client is experiencing a shrinking home value and reduction of equity, he says, it's probably time for some serious cash flow planning and budgeting. "Most Americans, by their own admission, live above their means, and they count all of their projected home equity as available to them in retirement." Clients need to learn they can only safely plan on having available 40 percent to 60 percent. "[Setting their sights lower] protects a person from a false sense of security," he adds.

George Middleton, a CPA as well as a certified financial analyst with Limoges Investment Management in Vancouver, Wash., doesn't have many clients dependent on their home equity. Those who do need to downsize, he says, are facing longer selling times rather than falling prices.

"The more difficult real estate planning is for new home buyers. The past years of appreciation have made the proposition difficult. If they plan to remain in the house five years or more, I recommend they move ahead if they have a reasonable down payment. But I also caution them about all the exotic mortgages that are out there, such as negative amortization mortgages."

Mortgage Madness

The main planning issue for buyers, he adds, is the same as always: Don't over-commit to a mortgage payment. Don Martin, with Mayflower Capital in Los Altos, Calif., a suburb of San Francisco, applies specific criteria in his advice to new home buyers in his inflated market. "They should assume their new property will go down by 30 percent — enough to create negative equity if they put 20 percent down — and take five to seven years or more to break even if they include the cost of selling the home."

If some clients must endure inflated prices when buying a home and others must wrestle with the problem of falling prices when selling, how about those who mortgaged homes to the hilt at the height of the bubble? Glenda Moehlenpah, a CPA and advisor with Financial Bridges in San Diego, is seeing an increase in the flow of new clients dealing with debt management in her bubble market. "This led me to develop a debt management/cash flow workshop for clients facing the inevitable downside to the San Diego real estate market. Some of these people have maxed out their home equity lines and have adjustable rate mortgages that will soon be bumping up against the three- or five-year mark."

Moehlenpah knows she can't perform miracles but — getting back to the education theme — she says, "I believe I can assist clients in looking hard at the choices they have made, and that they continue to make."

And maybe education is what this is really all about. Just as we educate clients and try to manage their expectations around stocks and bonds, now that the equity in residential real estate is considered an integral part of most clients' portfolios, shouldn't we educate them on what they can expect in that market too? ®

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Research: 2006 REIT Reference Guide

COMPANY	TICKER SYMBOL	INVESTMENT SECTOR	PROPERTY SUBSECTOR	MARKET CAP (IN MILLIONS)
PROPERTY SECTOR: INDUSTRIAL/OFFICE				
Equity Office Properties Tr	EOP	Equity	Office	13,367.4
Boston Property	BXP	Equity	Office	10,170.8
SL Green Realty	SLG	Equity	Office	4,502.9
Trizec Properties	TRZ	Equity	Office	4,473.5
Reckson Assoc Realty	RA	Equity	Office	3,416.3
Mack Cali Realty	CLI	Equity	Office	2,861.6
Brandywine Realty	BDN	Equity	Office	2,835.5
CarrAmerica Realty	CRE	Equity	Office	2,621.1
HRPT Properties	HRP	Equity	Office	2,426.0
Alexandria Real Estate Equity	ARE	Equity	Office	2,287.0
Kilroy Realty	KRC	Equity	Office	2,234.2
Highwoods Prop	HIW	Equity	Office	1,954.8
Corporate Office Properties	OFC	Equity	Office	1,778.5
BioMed Realty Trust	BMR	Equity	Office	1,672.3
Maguire Properties	MPG	Equity	Office	1,628.4
Franklin Street Properties	FSP	Equity	Office	1,392.7
American Financial Realty Trust	AFR	Equity	Office	1,242.4
Glenborough Rlty	GLB	Equity	Office	696.8
Parkway Properties	PKY	Equity	Office	639.9
Republic Property	RPB	Equity	Office	242.9
Columbia Equity Trust	COE	Equity	Office	212.9
Government Property Trust	GPT	Equity	Office	194.7
Amerivest Properties	AMV	Equity	Office	105.6
SUBSECTOR TOTALS				**62,958.3**
Prologis	PLD	Equity	Industrial	12,768.1
AMB Property	AMB	Equity	Industrial	4,304.3
First Industrial Realty Trust	FR	Equity	Industrial	1,686.8
Eastgroup Properties	EGP	Equity	Industrial	1,020.8
First Potomac Realty Trust	FPO	Equity	Industrial	590.0
Monmouth REIT Cl A	MNRT.A	Equity	Industrial	159.3
SUBSECTOR TOTALS				**20,529.3**
Duke Realty Corp	DRE	Equity	Mixed	4,738.9
Liberty Property Trust	LRY	Equity	Mixed	3,942.9
PS Business Parks	PSB	Equity	Mixed	1,286.5
Mission West Md	MSW	Equity	Mixed	203.4
Gladstone Commercial	GOOD	Equity	Mixed	143.8
SUBSECTOR TOTALS				**10,315.5**
SECTOR TOTALS				**93,803.2**
PROPERTY SECTOR: RETAIL				
Kimco Realty Cp	KIM	Equity	Shopping Centers	8,774.0
Developers Diversified Realty	DDR	Equity	Shopping Centers	5,639.8
Regency Centers	REG	Equity	Shopping Centers	4,262.4
Federal Realty Invs	FRT	Equity	Shopping Centers	3,688.1
Weingarten Realty Investors	WRI	Equity	Shopping Centers	3,395.0
Pan Pacific Retail Properties	PNP	Equity	Shopping Centers	2,818.3
New Plan Excel	NXL	Equity	Shopping Centers	2,573.4
Heritage Ppty Investment Tr	HTG	Equity	Shopping Centers	1,649.4
Equity One Inc	EQY	Equity	Shopping Centers	1,570.5
Inland Real Estate	IRC	Equity	Shopping Centers	997.3
Tanger Factory Outlet Center	SKT	Equity	Shopping Centers	993.6
Acadia Realty	AKR	Equity	Shopping Centers	751.1

COMPANY	TICKER SYMBOL	INVESTMENT SECTOR	PROPERTY SUBSECTOR	MARKET CAP (IN MILLIONS)
Saul Centers	BFS	Equity	Shopping Centers	688.2
Ramco-Gershenson Properties	RPT	Equity	Shopping Centers	453.0
Cedar Shopping Centers	CDR	Equity	Shopping Centers	448.8
Kite Realty Group Trust	KRG	Equity	Shopping Centers	445.2
Urstadt Biddle Properties	UBA	Equity	Shopping Centers	305.1
AmReit	AMY	Equity	Shopping Centers	45.8
SUBSECTOR TOTALS				**39,498.8**
Simon Property Group	SPG	Equity	Regional Malls	18,317.4
General Growth Properties	GGP	Equity	Regional Malls	10,859.7
Macerich	MAC	Equity	Regional Malls	5,039.5
CBL & Associates Properties	CBL	Equity	Regional Malls	2,481.5
Taubman Centers	TCO	Equity	Regional Malls	2,158.7
Mills Corp	MLS	Equity	Regional Malls	1,489.8
Penn Real Estate Invest	PEI	Equity	Regional Malls	1,472.7
Glimcher Realty Trust	GRT	Equity	Regional Malls	903.9
Feldman Mall Properties	FMP	Equity	Regional Malls	143.6
SUBSECTOR TOTALS				**42,866.8**
Realty Income	O	Equity	Free Standing	1,933.5
Alexanders Inc	ALX	Equity	Free Standing	1,365.6
National Retail Properties	NNN	Equity	Free Standing	1,154.7
Trustreet Properties	TSY	Equity	Free Standing	890.7
Getty Realty	GTY	Equity	Free Standing	701.2
Agree Realty	ADC	Equity	Free Standing	260.7
SUBSECTOR TOTALS				**6,306.4**
SECTOR TOTALS				**88,672.0**

PROPERTY SECTOR: RESIDENTIAL

Equity Residential	EQR	Equity	Apartments	13,027.4
Archstone-Smith Trust	ASN	Equity	Apartments	10,783.9
Avalonbay Communities	AVB	Equity	Apartments	8,227.5
Apartment Inv Management	AIV	Equity	Apartments	4,223.0
Camden Property	CPT	Equity	Apartments	4,123.8
United Dominion Realty	UDR	Equity	Apartments	3,821.4
BRE Properties	BRE	Equity	Apartments	2,795.8
Essex Prop Trust	ESS	Equity	Apartments	2,572.0
Post Properties	PPS	Equity	Apartments	1,905.6
Home Properties	HME	Equity	Apartments	1,748.8
Mid-America Apartment Comm	MAA	Equity	Apartments	1,317.0
GMH Communities Trust	GCT	Equity	Apartments	523.2
Education Realty Trust	EDR	Equity	Apartments	439.7
American Campus Communties	ACC	Equity	Apartments	427.2
Associated Estates Realty	AEC	Equity	Apartments	211.3
BNP Residential Properties	BNP	Equity	Apartments	177.4
American First Apartment Investors Inc	APRO	Equity	Apartments	164.2
Roberts Realty	RPI	Equity	Apartments	44.7
Maxus Realty Trust	MRTI	Equity	Apartments	19.2
SUBSECTOR TOTALS				**56,553.1**
Equity Lifestyle Properties	ELS	Equity	Manufactured Homes	1,033.3
Sun Communities	SUI	Equity	Manufactured Homes	587.8
American Land Lease	ANL	Equity	Manufactured Homes	186.4
UMH Properties	UMH	Equity	Manufactured Homes	152.7
SUBSECTOR TOTALS				**1,960.2**
SECTOR TOTALS				**58,513.3**

PROPERTY SECTOR: DIVERSIFIED

Vornado Realty	VNO	Equity	Diversified	13,691.7
Colonial Prop	CLP	Equity	Diversified	2,212.6
Crescent Real Estate Equity	CEI	Equity	Diversified	1,873.2
Washington Real Estate Inv	WRE	Equity	Diversified	1,658.7
Cousins Property	CUZ	Equity	Diversified	1,556.5

COMPANY	TICKER SYMBOL	INVESTMENT SECTOR	PROPERTY SUBSECTOR	MARKET CAP (IN MILLIONS)
Lexington Corp	LXP	Equity	Diversified	1,142.0
Spirit Finance	SFC	Equity	Diversified	1,090.5
Investors Real Estate Trust	IRET.S	Equity	Diversified	420.5
Sizeler Property Investors	SIZ	Equity	Diversified	338.4
Newkirk Realty Trust	NKT	Equity	Diversified	336.4
Winthrop Realty Trust	FUR	Equity	Diversified	240.4
One Liberty	OLP	Equity	Diversified	187.3
HMG/Courtland Properties	HMG	Equity	Diversified	9.4
SECTOR TOTALS				**24,757.7**

PROPERTY SECTOR: LODGING/RESORTS

COMPANY	TICKER SYMBOL	INVESTMENT SECTOR	PROPERTY SUBSECTOR	MARKET CAP (IN MILLIONS)
Host Hotels & Resorts	HST	Equity	Lodging/Resorts	11,318.4
Hospitality Properties Trust	HPT	Equity	Lodging/Resorts	3,158.1
LaSalle Hotel Properties	LHO	Equity	Lodging/Resorts	1,849.7
Sunstone Hotel Investors	SHO	Equity	Lodging/Resorts	1,676.5
Strategic Hotels & Resorts	BEE	Equity	Lodging/Resorts	1,517.5
FelCor Lodging	FCH	Equity	Lodging/Resorts	1,308.3
Diamondrock Hospitality	DRH	Equity	Lodging/Resorts	1,038.8
Equity Inns	ENN	Equity	Lodging/Resorts	913.7
Highland Hospitality	HIH	Equity	Lodging/Resorts	840.9
Innkeepers USA	KPA	Equity	Lodging/Resorts	741.7
Ashford Hospitality Trust	AHT	Equity	Lodging/Resorts	715.2
Winston Hotels	WXH	Equity	Lodging/Resorts	323.4
Hersha Hospitality Trust Cl A	HT	Equity	Lodging/Resorts	249.9
Boykin Lodging	BOY	Equity	Lodging/Resorts	191.6
Eagle Hospitality Properties	EHP	Equity	Lodging/Resorts	171.0
Supertel Hospitality	SPPR	Equity	Lodging/Resorts	78.4
MHI Hospitality	MDH	Equity	Lodging/Resorts	59.7
SECTOR TOTALS				**26,152.7**

PROPERTY SECTOR: SELF STORAGE

COMPANY	TICKER SYMBOL	INVESTMENT SECTOR	PROPERTY SUBSECTOR	MARKET CAP (IN MILLIONS)
Public Storage	PSA	Equity		9,756.3
Shurgard Storage	SHU	Equity		2,932.4
U-Store-It Trust	YSI	Equity		1,075.2
Sovran Self Storage	SSS	Equity		899.6
Extra Space Storage	EXR	Equity		841.0
SECTOR TOTALS				**15,504.5**

PROPERTY SECTOR: HEALTH CARE

COMPANY	TICKER SYMBOL	INVESTMENT SECTOR	PROPERTY SUBSECTOR	MARKET CAP (IN MILLIONS)
Health Care Prop Inv	HCP	Equity		3,633.0
Ventas Inc	VTR	Equity		3,519.7
Healthcare REIT	HCN	Equity		2,136.3
Nationwide Health Properties	NHP	Equity		1,651.9
Healthcare Realty Trust	HR	Equity		1,555.1
Senior Housng Prop Trust	SNH	Equity		1,286.2
OMEGA Healthcare REIT	OHI	Equity		757.5
Medical Properties Trust	MPW	Equity		441.3
Universal Health Rlty Income	UHT	Equity		366.7
Windrose Medical Pptys Tr	WRS	Equity		295.7
National Health Realty	NHR	Equity		185.6
Cogdell Spencer	CSA	Equity		150.2
SECTOR TOTALS				**15,979.2**

PROPERTY SECTOR: SPECIALTY

COMPANY	TICKER SYMBOL	INVESTMENT SECTOR	PROPERTY SUBSECTOR	MARKET CAP (IN MILLIONS)
Plum Creek Timber Co	PCL	Equity		6,496.0
Global Signal	GSL	Equity		3,171.5
Rayonier	RYN	Equity		2,900.9
Potlatch Corp. REIT	PCH	Equity		1,453.7
Entertainment Properties Trust	EPR	Equity		1,138.8
Longview Fibre	LFB	Equity		975.1
Digital Realty Trust	DLR	Equity		891.4

COMPANY	TICKER SYMBOL	INVESTMENT SECTOR	PROPERTY SUBSECTOR	MARKET CAP (IN MILLIONS)
CentraCore Properties Trust	CPV	Equity		271.9
Pittsburgh & West Virginia Railroad	PW	Equity		13.2
SECTOR TOTALS				**17,312.4**

PROPERTY SECTOR: HYBRID

COMPANY	TICKER SYMBOL	INVESTMENT SECTOR	PROPERTY SUBSECTOR	MARKET CAP (IN MILLIONS)
iStar Financial	SFI	Hybrid		4,254.6
Natl Health Investors	NHI	Hybrid		746.5
LTC Properties	LTC	Hybrid		520.5
Capital Lease Funding	LSE	Hybrid		374.7
BRT Realty Trust	BRT	Hybrid		201.9
PMC Commercial Trust	PCC	Hybrid		136.6
Presidential Realty Cl B	PDL.B	Hybrid		23.3
Arizona Land Income Cl A	AZL	Hybrid		7.2
SECTOR TOTALS				**6,265.3**

PROPERTY SECTOR: MORTGAGE

COMPANY	TICKER SYMBOL	INVESTMENT SECTOR	PROPERTY SUBSECTOR	MARKET CAP (IN MILLIONS)
Thornburg Mortgage	TMA	Mortgage	Home Financing	3,118.2
New Century Financial	NEW	Mortgage	Home Financing	2,591.0
Annaly Mortgage Management	NLY	Mortgage	Home Financing	2,021.4
American Home Mtg	AHM	Mortgage	Home Financing	1,827.0
KKR Financial	KFN	Mortgage	Home Financing	1,672.6
Redwood Trust	RWT	Mortgage	Home Financing	1,245.3
Novastar Financial	NFI	Mortgage	Home Financing	1,038.1
Impac Mortgage	IMH	Mortgage	Home Financing	850.3
Saxon Capital Inc	SAX	Mortgage	Home Financing	571.5
MFA Mortgage	MFA	Mortgage	Home Financing	544.9
HomeBanc	HMB	Mortgage	Home Financing	448.0
Fieldstone Investment	FICC	Mortgage	Home Financing	447.4
Anworth Mortgage Asset	ANH	Mortgage	Home Financing	376.7
Luminent Mortgage Capital	LUM	Mortgage	Home Financing	362.8
MortgageIT Holdings	MHL	Mortgage	Home Financing	350.8
Aames Investment	AIC	Mortgage	Home Financing	307.6
Resource Capital	RSO	Mortgage	Home Financing	228.6
Opteum	OPX	Mortgage	Home Financing	219.4
Origen Financial	ORGN	Mortgage	Home Financing	162.0
Capstead Mortgage	CMO	Mortgage	Home Financing	144.5
ECC Capital Corp	ECR	Mortgage	Home Financing	121.7
Sunset Financial Resources	SFO	Mortgage	Home Financing	88.2
Dynex Capital	DX	Mortgage	Home Financing	83.2
New York Mortgage Trust	NTR	Mortgage	Home Financing	72.6
Hanover Capital Mortgage Holdings	HCM	Mortgage	Home Financing	44.6
Capital Alliance Income Trust	CAA	Mortgage	Home Financing	3.0
SUBSECTOR TOTALS				**18,941.5**
Friedman Billings Ramsey	FBR	Mortgage	Commercial Financing	1,744.9
Newcastle Invt Corp	NCT	Mortgage	Commercial Financing	1,108.1
RAIT Investment Trust	RAS	Mortgage	Commercial Financing	814.5
Anthracite Capital	AHR	Mortgage	Commercial Financing	678.5
Deerfield Triarc Capital Corp.	DFR	Mortgage	Commercial Financing	670.5
Gramercy Capital Corp/New York	GKK	Mortgage	Commercial Financing	668.1
Capital Trust Inc. Cl A	CT	Mortgage	Commercial Financing	545.9
NorthStar Realty Finance	NRF	Mortgage	Commercial Financing	489.5
Arbor Realty Trust	ABR	Mortgage	Commercial Financing	430.9
JER Investors Trust	JRT	Mortgage	Commercial Financing	399.4
American Mortgage Acceptance	AMC	Mortgage	Commercial Financing	122.5
SUBSECTOR TOTALS				**7,672.9**
SECTOR TOTALS				**26,614.4**
INDUSTRY TOTAL				**373,574.7**