

Real Estate Company Analysis

Corporate Pro Forma

FJCL Annual Model (in \$000s)						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Forecasting Variables						
Acquisitions during period	\$0	\$11,200	\$20,000	\$30,000	\$30,000	\$30,000
Developments during period	\$0	\$22,500	\$37,800	\$50,000	\$50,000	\$50,000
Rate of return on new acquisitions	0%	8.5%	8.5%	8.5%	8.5%	8.5%
Rate of return on new development	0%	8%	8%	8%	8%	8%
Dispositions during period	\$0	(\$30,000)	\$0	\$0	\$0	\$0
Cap rate on dispositions	NA	9.2%	9.0%	9.0%	9.0%	9.0%
Revenue growth (Internal)	0.0%	5.3%	4.4%	3.3%	2.9%	2.9%
Rental expense as percentage of revenues (Internal)	35.0%	32.1%	32.7%	34.0%	35.0%	36.1%
NOI Growth		8.5%	5.3%	3.8%	3.3%	3.2%
Income Statement						
Rents - Existing properties	\$287,450	\$302,612	\$316,097	\$331,527	\$347,983	\$364,674
Rents - New acquisitions	\$0	\$952	\$1,700	\$2,550	\$2,550	\$2,550
Rents - New developments	\$0	\$1,800	\$3,024	\$4,000	\$4,000	\$4,000
Rent - Dispositions	\$0	(\$2,760)	\$0	\$0	\$0	\$0
Subtotal	\$287,450	\$302,604	\$320,821	\$338,077	\$354,533	\$371,224
Parking	\$12,712	\$11,501	\$11,501	\$11,789	\$12,016	\$12,415
Other	\$6,301	\$6,305	\$6,308	\$6,965	\$7,601	\$8,409
Properting operating	(\$100,605)	(\$97,009)	(\$103,418)	(\$112,604)	(\$121,918)	(\$131,666)
Property NOI	\$205,858	\$223,401	\$235,213	\$244,227	\$252,232	\$260,383
Fees from noncombined affiliates	\$1,508	\$1,609	\$1,618	\$1,656	\$1,649	\$1,618
Interest income	\$4,012	\$2,502	\$2,000	\$2,000	\$2,000	\$2,000
General and administrative	(\$11,564)	(\$13,113)	(\$12,912)	(\$13,645)	(\$14,578)	(\$15,356)
EBITDA	\$199,814	\$214,399	\$225,919	\$234,238	\$241,303	\$248,645
Interest expense	(\$72,876)	(\$82,519)	(\$82,253)	(\$84,802)	(\$88,305)	(\$92,523)
Amortization of financing costs	(\$500)	\$0	\$0	\$0	\$0	\$0
Depreciation	(\$57,500)	(\$68,200)	(\$69,712)	(\$73,218)	(\$75,300)	(\$78,209)
Impairment on securities and assets held for sale	(\$12,685)	\$0	\$0	\$0	\$0	\$0
Net income before minority interest	\$56,253	\$63,680	\$73,954	\$76,218	\$77,698	\$77,913
Minority interest in OP	(\$7,612)	(\$10,136)	(\$10,085)	(\$10,800)	(\$11,998)	(\$12,118)
Minority interest in partially owned assets	(\$812)	(\$500)	(\$500)	(\$500)	(\$500)	(\$500)
Income from investment in limited partnerships	\$6,908	\$10,712	\$6,600	\$6,800	\$7,000	\$7,200
Gain (loss) on sale of real estate	\$8,125	\$0	\$0	\$0	\$0	\$0
Net income before pref div and extra items	\$62,862	\$63,756	\$69,969	\$71,718	\$72,200	\$72,495
Preferred dividends	(\$5,700)	(\$5,600)	(\$4,500)	(\$4,500)	(\$4,500)	(\$4,500)
Net income before extraordinary items	\$57,162	\$58,156	\$65,469	\$67,218	\$67,700	\$67,995

Valuation Assumptions

- Acquisition and Development
- Rate of return on new acquisitions and developments
- Dispositions during the period
- Revenue growth – existing properties
- Rents – new acquisitions and developments
- Fees from noncombined affiliates
- EBITDA (earnings before interest, tax, depreciation and amortization)
- Interest Expense
- Minority interest
- Depreciation and Cap Ex

Funds From Operations

FJCL Annual Model (in \$000s) FFO Calculation						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Forecasting Variables						
Capital Expenditures as % of rental revenues (Internal)	5.4%	6.9%	7.2%	6.1%	6.9%	6.9%
Subtotal: (Rents from existing properties, new acquisitions, new developments, dispositions)	\$287,450	\$302,604	\$320,821	\$338,077	\$354,533	\$371,224
Adjustments to Derive FFO:						
Net income before extraordinary items	\$57,162	\$58,156	\$65,469	\$67,218	\$67,700	\$67,995
Minority interest in OP	\$7,612	\$10,136	\$10,085	\$10,800	\$11,998	\$12,118
(Gain) loss on sale of real estate/other adj.	(\$8,125)	\$0	\$0	\$0	\$0	\$0
Real estate depreciation (incl jv deprec)	\$61,300	\$71,800	\$73,300	\$75,900	\$78,800	\$81,800
Impairment on assets held for sale	\$218	\$0	\$0	\$0	\$0	\$0
Other adjustments	\$0	\$77,514	\$0	\$0	\$0	\$0
Funds from Operations	\$118,167	\$217,606	\$148,854	\$153,918	\$158,498	\$161,913
Estimated Capital Expenditures	(\$15,619)	(\$21,025)	(\$23,014)	(\$20,736)	(\$24,594)	(\$25,725)
Straightline rent adjustment	(\$6,616)	(\$7,900)	(\$7,900)	(\$7,900)	(\$7,900)	(\$7,900)
Adjusted Funds from Operations (FAD)	\$95,932	\$188,681	\$117,940	\$125,282	\$126,004	\$128,288

DCF Valuation

A Simple DCF Example (in \$000s)						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
EBITDA	\$199,814	\$214,399	\$225,919	\$234,238	\$241,303	\$248,645
Cap Ex, TIs, & Commissions	(\$15,619)	(\$21,025)	(\$23,014)	(\$20,736)	(\$24,594)	(\$25,725)
Operating Income - Operating Expenses	\$184,195	\$193,374	\$202,905	\$213,502	\$216,709	\$222,920
					Terminal value: \$2,786,494 CF 2006/.08	
PV of Cash Flows @ 11%	\$2,349,452					
Average Debt Outstanding (in 2001)	(\$1,027,810)					
Equity Value	<u>\$1,321,642</u>					

Cap Rate Approach

Cap Rate Approach (\$ in thousands)	
Stabilized EBITDA	\$234,238
Less: Cap Ex	(\$20,736)
Stabilized NOI in 2004	<u>\$213,502</u>
Cap Rate (discount- growth)	(11%-3%) 8.0%
Capped Stabilized NOI	\$2,668,772
Debt in 2004	(\$1,237,790)
Equity value with cap rate approach	<u>\$1,430,982</u>
Equity value with DCF	\$1,321,642
% Difference between Equity Values	8.27%

Net Asset Value

Sample NAV Components and Calculation	
(\$ in thousands)	
	<u>Baseline</u>
	9.00%
NOI Stabilized 2004	\$244,227
Property Ownership Cap Rate	9.0%
Value of property portfolio	\$2,713,631
<u>Other Income 2004</u>	
Parking	\$11,789
Parking Multiple	4.7 X
Fees from Noncombined Affiliates	\$1,656
Fees from Noncombined Affiliates Multiple	4.8 X
Other	\$6,965
Other Multiple	5.6 X
Value of management or fee income	\$102,361
Add other assets:	
Development project underway	\$50,000
Land held for future development or sale	\$6,762
Other investments in unconsolidated subsidiaries (2004)	\$10,800
Cash and equivalents	\$8,452
Other miscellaneous assets	\$10,142
Gross value of assets	\$2,902,148
Deduct:	
Total liabilities	\$1,447,031
Preferred stock	\$16,000
Net Asset Value	\$1,439,117
DCF Equity Value	\$1,321,642
% Difference between NAV and DCF	8.89%

Net Asset Value (cont'd)

Sample NAV Components and Calculation (\$ in thousands)			
	Baseline		
	9.00%	8.50%	9.50%
NOI Stabilized 2004	\$244,227	\$244,227	\$244,227
Property Ownership Cap Rate	9.0%	8.5%	9.5%
Value of property portfolio	\$2,713,631	\$2,873,256	\$2,570,808
Other Income 2004			
Parking	\$11,789	\$11,789	\$11,789
Parking Multiple	4.7 X	4.7 X	4.7 X
Fees from Noncombined Affiliates	\$1,656	\$1,656	\$1,656
Fees from Noncombined Affiliates Multiple	4.8 X	4.8 X	4.8 X
Other	\$6,965	\$6,965	\$6,965
Other Multiple	5.6 X	5.6 X	5.6 X
Value of management or fee income	\$102,361	\$102,361	\$102,361
Add other assets:			
Development project underway	\$50,000	\$50,000	\$50,000
Land held for future development or sale	\$6,762	\$6,762	\$6,762
Other investments in unconsolidated subsidiaries (2004)	\$10,800	\$10,800	\$10,800
Cash and equivalents	\$8,452	\$8,452	\$8,452
Other miscellaneous assets	\$10,142	\$10,142	\$10,142
Gross value of assets	\$2,902,148	\$3,061,773	\$2,759,325
Deduct:			
Total liabilities	\$1,447,031	\$1,447,031	\$1,447,031
Preferred stock	\$16,000	\$16,000	\$16,000
Net Asset Value	\$1,439,117	\$1,598,742	\$1,296,294
DCF Equity Value	\$1,321,642	\$1,321,642	\$1,321,642
% Difference between NAV and DCF	8.89%	20.97%	-1.92%
% Difference from baseline NAV	NA	11.09%	-9.92%