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Property Solutions Worldwide

2002 REAL ESTATE FORECAST

GREAT PLAINS

Des Moines
Kansas City
Oklahoma City
Omaha
St. Louis
Wichita

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A Letter from the Chief Operating Officer:

I am pleased to introduce this most recent edition of our 2002 Real Estate Forecast, an important element of the exceptional research and analysis for which Grubb & Ellis is known and respected.

This year, we once again offer you the very best of our knowledge regarding the direction, trends, rates and changes in regional real estate markets from coast to coast. In this issue, we focus specifically on the opportunities and challenges corporations face as they plan for the coming year as well as for the years to come.

As always, our research resources are superb. It gives me great pleasure, as Chief Operating Officer, to hear from both clients and colleagues that the information we gather, report, analyze and interpret ranks among the most highly regarded in our industry. Under the leadership of Bob Bach, our National Director of Market Analysis and Chris McDougall, National Director of Research Services, our experts monitor real estate markets nationwide, analyzing a broad array of transactions, availabilities, characteristics, prices and other essential data. It's meticulous work that requires dedication, diligence and accuracy. And that's only the beginning of their contribution.

When you peruse these pages, you'll discover one of the key advantages that sets Grubb & Ellis apart: our specialists do far more than supply you with information, they arm you with market intelligence. The trenchant insights they deliver help ensure that your real estate assets and actions support your corporate business objectives.

This is of critical importance today as dramatic events have altered our world, our economy, the very ways in which we think, plan and operate. The recent terrorist attack, for example, has many firms revisiting how they group and locate corporate talent on a global basis. On the West Coast, volatile occupancy rates reflect the rapid growth and precipitous demise of companies in the technology sector. All across the country, significant economic shifts lead firms to debate whether to continue owning multiple properties or to sell and lease back some or all of their holdings.

Issues like these – and the decisions they foster – can prove fundamental to profitability. These are precisely the concerns Grubb & Ellis professionals can help you address as you plan where, how and at what cost your organization will prosper in the months and years ahead.

On behalf of my colleagues at Grubb & Ellis, I offer this market intelligence to you with pride, pleasure and a reminder – that we are here to help in any way we can as you improve, position or reposition your business to meet today's challenges and seize tomorrow's opportunities.

Sincerely,

Mark R. Costello
Chief Operating Officer

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Sources:

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Kansas City – Grubb & Ellis|The Winbury Group, Experian/Applied Geographic Solutions, Home Builders Association of Greater Kansas City, Kansas City Business Journal, U.S. Bureau of Labor Statistics

Oklahoma City - Grubb & Ellis Company, Grubb & Ellis|Beffort Brook Hogan Research, Greater Oklahoma City Chamber of Commerce

Omaha – Grubb & Ellis|Pacific Realty, Building Owners & Managers Association of Omaha (BOMA), Nebraska Department of Economic Development, Omaha Chamber of Commerce, SIOR Comparative Statistics of Industrial and Office Real Estate Markets

St. Louis - Keith M. Kramer Associates

Wichita – Center for Economic Development & Business Research – Wichita State University, The Martens Companies, Sedgwick County, Wichita Area Chamber of Commerce, *Wichita Business Journal*

Note: Year-end 2001 numbers include estimates for the fourth quarter that were derived in November. Final published numbers may vary slightly. Totals may not add precisely due to rounding of numerals.

AT A GLANCE
OFFICE MARKET

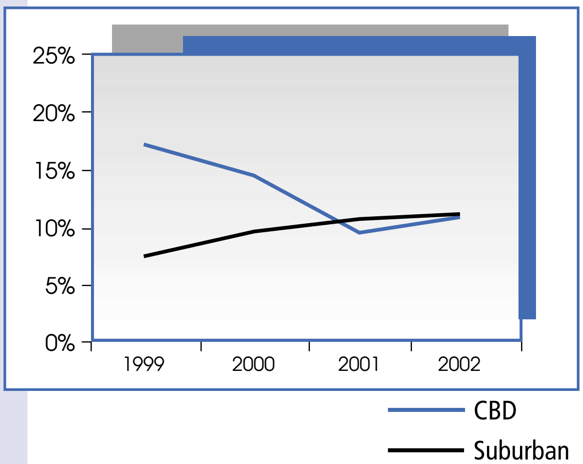
2001 Year End

	CBD	Suburban	Total
Rentable*	6,005	4,998	11,003
Vacant*	570	545	1,115
Vacancy Rate	9.5%	10.9%	10.1%
Absorbed*	230	107	337
Under Construction*	75	145	220
Rental Rate**			
Class A	$20.15	$17.27	$18.44
Class B	$14.59	$13.98	$14.32

* Square feet in thousands; excludes owner-occupied, medical, government

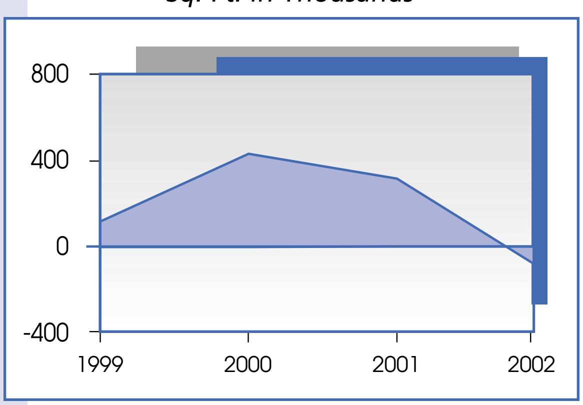
** Weighted average asking rent/SF/year Full Service

Vacancy Rate



Net Absorption

Sq. Ft. in Thousands



Reflecting the 2001 national office market trend, Des Moines will continue to see declining rental rates and a rising level of available space, both direct and sublease, through at least the first half of 2002. As the U.S. tilted toward recession, the events of September 11th accelerated the trend. Des Moines office users put expansion plans on hold and/or reduced current lease space needs through downsizing. This "tenant's market" will challenge landlords to structure competitive lease terms and entice tenants with attractive concessions.

Through 2002, opportunities for Des Moines office tenants will be found from the CBD to the West Des Moines suburbs. In recent years high demand for CBD Class A space had been frustrated by product shortage. As the new Gateway East and CPMI buildings come on line in 2002, the supply of Class A space will likely overtake demand. Landlords with creative solutions for tenants will reap the benefit of higher occupancy. For tenants positioned to do so, 2002 will bring the strong likelihood of negotiating desirable lease agreements for quality space at a comparative discount. This will allow tenants to enjoy lower rates longer, for a time dodging increases that may be seen when the market cycles upward. For less risk-averse developers who can afford to land bank, there will also be opportunities to acquire development land.

As the office market moves through 2002, landlords will face the challenge of securing good credit tenants to reduce vacancy and shore up their investment position. It will be in their best interest to sign intermediate term leases to protect cash flow in the fourth and fifth year or leases with CPI increases. When the market cycles back and supply is in synch with demand, savvy landlords will be positioned to take advantage of rental increases. Developers and owners who seek prudent advice and maintain slow growth during the downturn will be poised for more aggressive growth when the opportunity presents. This market will separate well-managed real estate investments from over-leveraged, poorly managed portfolios.

Des Moines - Industrial

The Des Moines industrial market's earlier momentum stalled in the last half of 2001, a year that had included one of the largest transactions in the region; the $12.1 million sale of the Interstate Acres Business Park on behalf of TIAA. In the midst of an economic downturn exacerbated by the events of September 11th, many existing and potential industrial users shelved plans for expansion in the Des Moines area. As the U.S. economy moved further into recession, the local market began 2002 with high vacancy levels and declining rents, clear indicators of a tenant's market.

In the Northwest and Northeast submarkets over 500,000 square feet of bulk warehouse space available for sublease spells opportunity for users who have been biding their time waiting for bargain lease deals. The flex property vacancy level presents similar opportunities. An abundance of speculative flex product lingering on the market after a period of rapid development could provide the break needed for companies positioned to take advantage of current market conditions. Barring additional impediments to recovery, absorption will begin to reduce vacancy during the course of 2002 and begin to move supply in balance with demand during 2003.

Over the longer view, tenants looking for the best rates and most attractive concessions may need to accelerate their planning process and commit to space earlier. Once absorption makes a meaningful inroad on available space, rates are likely to stabilize at a higher level. Industrial users and investors willing to wager on the timing of an economic upturn will reap the biggest benefits if they win their bet.

In the meantime, landlords will need to deal with the challenges of a soft leasing market through the first half of 2002. The flexibility exercised by landlords will be key to luring cautious tenants out of their holding pattern. Nevertheless, the Des Moines market has historically been characterized by its economic stability. In the industrial sector, this stability will help to counterbalance any national economic turbulence that occurs over the next few years.

AT A GLANCE
INDUSTRIAL MARKET

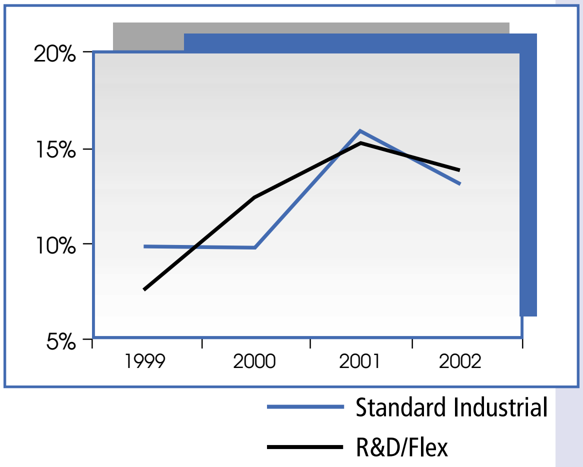
2001 Year End

	Standard Industrial	R&D/ Flex	Total
Total*	5,417	4,553	9,970
Vacant*	900	695	1,595
Vacancy Rate	16.6%	15.3%	16.0%
Absorbed*	-310	170	-140
Under Construction*	112	375	487
Rental Rate**	$3.62	$5.31	$4.46

* Square feet in thousands; multi-tenant building 10,000 square feet or more

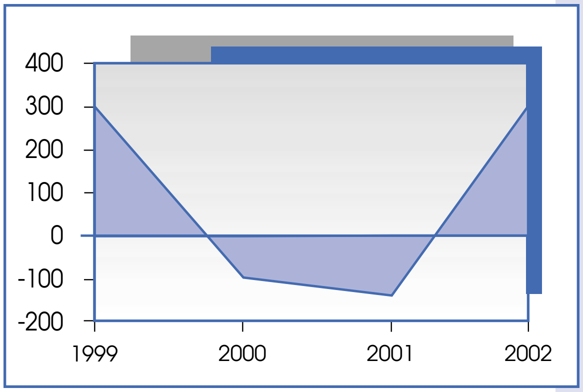
** Weighted average asking rent/SF/year Triple Net

Vacancy Rate



Net Absorption

Sq. Ft. in Thousands



As the Des Moines retail market wrapped up 2001, sagging consumer confidence and rising unemployment heavily impacted the marketplace. Going into 2002, fewer tenants were looking for new locations while the availability of small strip center space increased. Reduced demand combined with new construction will generate increased opportunities for tenants through 2002. Landlords are seeking advice from third party professionals to ensure that their properties are competitively positioned, offering more concessions such as rent abatement, early termination rights and rate cuts to retain tenants and lure new lessees. Small retailers in an expansion mode have numerous options in the market. These tenants will take advantage of the oversupply of small shop space.

One retail group that remains relatively unaffected by the economic slowdown is the restaurant and fast food segment. Sale prices of vacant restaurant buildings and pad sites have not decreased and activity still remains at a high level. Restaurant development continues to be centered in and around big box discount developments and office parks. This trend will carry into the first half of 2002, but perhaps not far beyond, depending on economic factors.

The main focus for many key Des Moines retailers over the next couple of years will be positioning their stores in or near General Growth's proposed Jordan Creek Town Center in West Des Moines. Local and national developers continue to scurry to gain control of raw ground and tenants seek locations on the perimeter of the proposed 1.2 million square foot enclosed mall. The influence of this project on the entire market will not be clear for at least two more years. Nevertheless, as space in this development comes on line, vacancy levels are expected to rise, not only at Des Moines' three existing regional enclosed malls, but also strip centers in the western suburbs.

The biggest challenge in 2002 and beyond will be absorbing the vacant retail space that currently exists as well as the new strip space currently under construction. With five mid-sized strip centers now under construction and the Jordan Creek Town Center project taking shape, many developers are going to have a difficult time leasing their centers to historically normal occupancy levels of 90 to 95 percent. As the gap between the projected and actual lease rates continues to widen, landlords will need to adopt new strategies. They will likely give careful consideration to short-term leases in order to fill their centers and provide necessary income during the economic slowdown.

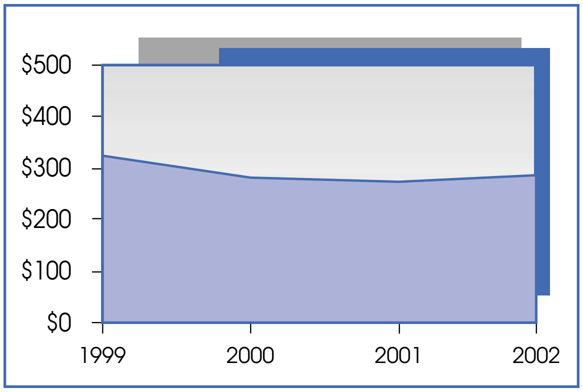
Key Shopping Centers Under Construction

Center Name	Center Type	Size (SF)	Anchors	Developer
Warrior Plaza	Strip Center	70,000	Small Shop	Local Developers
Knapp Development	Strip Center	60,459	Bed Bath & Beyond	Knapp Properties
Somerfield Village Market	Strip Center	34,393	Walgreens	Urban Development
Country Club Plaza	Strip Center	21,856	Small Shops	Stanbrough Realty
Urbandale Marketplace	Strip Center	21,837	Small Shops	Oppidan
Crown Point	Strip Center	15,000	Small Shops	Vista Group
Southeast Plaza	Strip Center	12,000	Small Shops	Kroenke Group

2001 Key Investment Transactions

Buyer	Seller	Property Type	Property Name	Sale Price (millions)
R & R Investors	Teachers Ins & Annuity	Warehouse	Interstate Acres	$12.1
Christopherson, William R & Karen C	Horizon East Apartments	Multi Housing	Horizon East Apartments	$10.2
Park Fleur Investment, L.L.C.	Primate Realestate, Inc.	Multi Housing	Park Fleur Plaza	$9.9
Wakonda Properties, L.P.	Equity Residential	Multi Housing	Wakonda Village & Manor	$8.3
2600 Westown, L.C. & C III, L.C.	Mack-Cali Century III Investors, L.L.C.	Office	Century III	$5.4
Eric Sheldahl	Allied Development Company	Multi Housing	Ambassador West Apts	$3.8

Des Moines Investment Volume
In Millions



In the Des Moines investment arena, multi housing product has enjoyed strong demand and this trend is expected to continue through 2002. Consistent with demand seen for multi housing property, the sales price for a majority of these complexes has remained high. It is anticipated that many regional multi housing buyers will continue to target the Des Moines market for acquisitions. Multi housing can be a stable investment, especially in times of uncertainty, and many owners are recognizing this fact as they consider their strategies for 2002 and beyond.

Des Moines' industrial market had one of the largest transactions in the region in 2001 with the sale of the Interstate Acres Business Park on behalf of TIAA. Transactions of this magnitude in the near future are not expected due to the negative impact of current economic conditions on many manufacturing and logistics firms. Lower interest rates early in 2002 may spur some investor interest in flex properties and smaller industrial buildings.

Investment in office property slowed significantly going into 2002. The rising level of available space and resulting downward pressure on rental rates caused many investors to rethink their strategies. As some over-leveraged owners are forced to sell, bargains could abound. Challenges will surface in the valuations for these office properties, playing an important role in their sale. Many preliminary valuations were made while occupancy and rental rates were high, but current conditions contradict those assumptions. In the Des Moines office market in 2002 and beyond, the opportunities for investment will come to those with ample capital and holding power.

On the retail side of the Des Moines investment scene, a rise in the vacancy rate is expected to continue into 2002, both in new and old strip centers. This is amid construction and proposed plans for a number of 20,00 to 30,000 square foot strip centers in the Greater Des Moines area. The attacks of September 11th caused retailers to change gears. Going forward, many national and local tenants will downshift, putting the brakes on previously drawn plans for expansion. This is especially true for big box retailers and for any centers that come on line in the current market conditions. The projections for 2002 will be negative, however, for investors positioned to assume more risk it will also be a good time to increase their portfolio size as opportunities present themselves.

AT A GLANCE
OFFICE MARKET

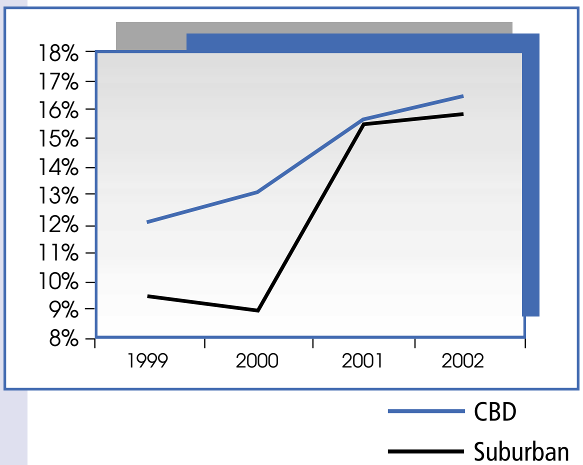
2001 Year End

	CBD	Suburban	Total
Rentable*	12,093	27,556	39,649
Vacant*	1,901	4,257	6,158
Vacancy Rate	15.7%	15.4%	15.5%
Absorbed*	-212	-299	-511
Under Construction*	120	818	938
Rental Rate**			
Class A	$20.59	$22.57	$21.69
Class B	$15.72	$17.12	$16.74

* Square feet in thousands; excludes owner-occupied, medical, government

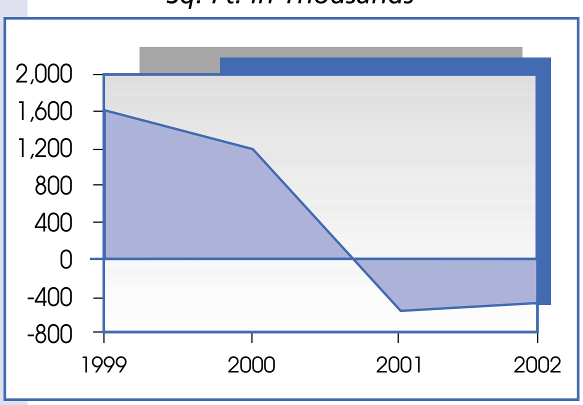
** Weighted average asking rent/SF/year Full Service

Vacancy Rate



Net Absorption

Sq. Ft. in Thousands



The economic downturn caused a slowdown in the Kansas City office market during 2001. Lack of demand for expansion and tentative decision making resulted in less leasing activity, compared to the past four years. Consequently, rates flattened and vacancy increased.

The next 12 months will likely pose much of the same. Real estate demand, driven by the economy, typically lags months behind economic recovery. Local experts predict the economy will rebound by mid to late 2002. Therefore, it is likely Kansas City will not experience positive activity for the first three quarters of 2002. Extended softening conditions can be expected, including increasing vacancies, slowing of new construction, company consolidations and lower effective lease rates. Sublease opportunities should also increase, as more tenants vacate early, causing further downward pressure on lease rates.

Tenants will possess stronger leverage for negotiations during 2002. Opportunities will be available to lower real estate costs by taking advantage of anticipated soft conditions and capitalizing on aggressive landlords preserving occupancy levels. Lenders will also apply pressure on developers, requiring higher pre-leasing percentages before funding is provided.

Given the dynamic conditions, new trends are developing. More tenants are seeking offices with higher parking ratios to accommodate business requirements. Also, demand for medical office space is on the rise, as medical groups expand to support community needs.

Over the past two years, office activity has decreased in the popular Johnson County and Country Club Plaza areas and increased in once forgotten submarkets. The highest concentration of new activity took place in Kansas City North, largely due to competitive lease rates and close proximity to Downtown and Kansas City International Airport. Further development and leasing activity is expected in the Northland during 2002 and 2003. Eastern Jackson County will also continue to experience an upturn, as employers seek to locate closer to their employment base.

Kansas City - Industrial

Although slower than in the past two years, the Kansas City industrial market maintained moderate activity in 2001. The sluggish economy, combined with national and worldwide events, forced decision-makers to become tentative and cautious. The economy obligated companies to downsize or consolidate locations to minimize overhead costs. These actions increased sublease space, causing vacancy rates to gradually climb and rental rates to flatten. Local experts feel the economy has not reached its lowest point; therefore, this trend will likely continue through the first half of 2002.

As the local industrial market continues to stagnate, lagging demand will have an impact on speculative construction. Consequently, newly constructed industrial space that has been delivered to the market will also take longer to be absorbed. Thus, developers have pulled back on prospective projects for 2002. The reduction of speculative space will help vacancies stabilize, while maintaining balance of supply and demand. As demand rebounds in the last half of 2002, speculative construction will likely return on a selective basis.

The challenge decision-makers now face is working through the economic cycle and taking advantage of real estate opportunities as they arise. Local industrial prospects will be greatest for tenants in 2002. Given the surplus of space combined with the weakening economy, landlords will be forced to be more aggressive in offering incentives such as additional tenant improvement allowances and lower effective rents to attract tenants. Tenants seeking space will be afforded the opportunity to search for industrial properties equipped with the most desirable amenities.

With consumer confidence declining, sectors that will likely be adversely impacted include manufacturing and distribution, which will lead to decreased activity in Kansas City's industrial base during the first half of 2002. Signs of recovery in the local industrial market, based on renewed prospect activity and increasing rents, are anticipated to occur in the third or fourth quarter of 2002.

AT A GLANCE

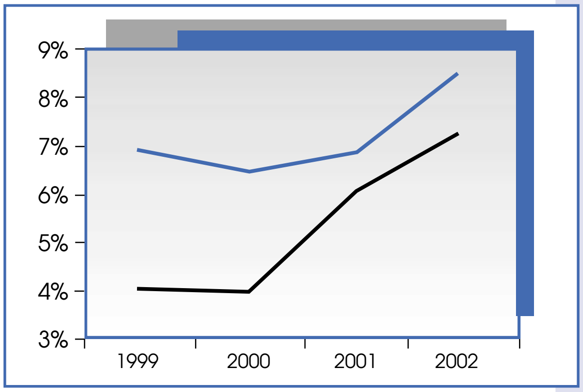
INDUSTRIAL MARKET

2001 Year End

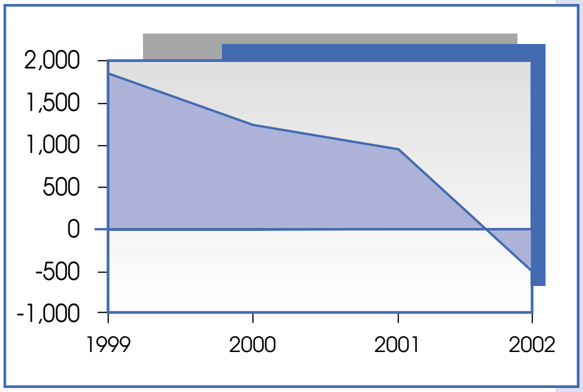
	Standard Industrial	R&D/ Flex	Total
Total*	136,200	10,300	146,500
Vacant*	9,300	625	9,925
Vacancy Rate	6.8%	6.1%	6.8%
Absorbed*	1,100	-115	985
Under Construction*	300	240	540
Rental Rate**	$4.25	$7.50	$5.05

* Square feet in thousands; includes owner-occupied
** Weighted average asking rent/SF/year Triple Net

Vacancy Rate



Net Absorption
Sq. Ft. in Thousands



Despite the deterioration of economic conditions, the Kansas City retail market remained relatively strong during 2001. Activity levels failed to match the record setting years of 1999 and 2000; nevertheless, the retail market remained steady. Vacancy did, however, inch slightly upward and rental rates flattened as retailers either closing up shop or relocating to larger and newer shopping centers pushed available space to market. Consequently, the occurrence of sublease space and second-generation usage became more prevalent.

Kansas City witnessed a change in retail development over the last couple of years. Grocery-anchored centers were traded in for the consumer preferred large power centers, anchored by major national retailers, such as Wal-Mart, Home Depot, Lowe's, Costco and Super Target. These centers, designed to attract a large volume of foot traffic, constructed throughout the metropolitan area, eliminated much of the demand for small retail shopping centers.

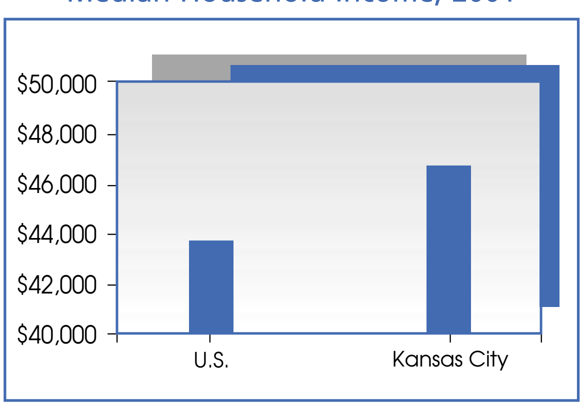
The next 12 months will likely produce similar activity. Although consumer confidence levels have fallen, local retail activity is expected to push forward in a selective manner. The lack of speculative projects currently under construction benefits the long-term health of the market. This shortage allows the second-generation space available on the market to be absorbed.

Residential development continues to be strong in the suburbs, paving the way for new retail construction projects during 2002 and 2003. These new projects, mostly big box centers, operate alongside the residential areas, with the highest concentration in Johnson County. Casual dining restaurants and hotels will likely continue to expand into these areas as well. Dictated by residential growth, the development of grocery-anchored centers will occur in select areas. Additionally, several shopping malls, hoping to remain competitive, have unveiled re-development or enhancement plans along with the addition of new tenants.

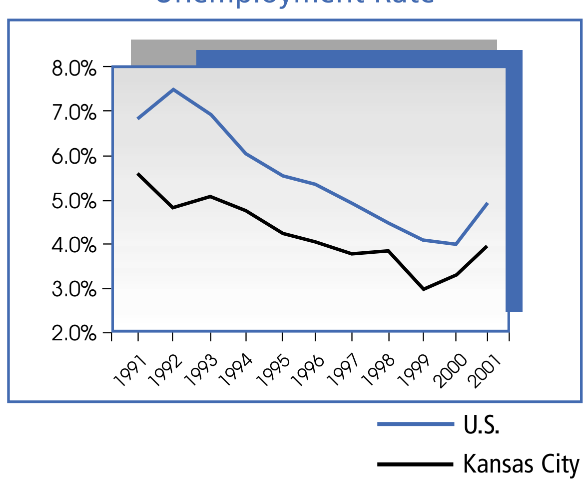
Significant Retail Under Construction

Center Name	Center Type	Size (SF)	Anchors	Developer
NWC I-35 & Highway 152	Power	54 Acres	Home Depot	David Block
The Walk at High Pointe	Super Regional/Lifestyle	1,249,953	Van Maur, Famous Barr	Copaken White Blitt
Kansas Speedway	Entertainment	590,000	Nebraska Furniture Mart, Warren Theater	Red Development
South Market Shopping Center	Power	450,000	Wal-Mart, Lowe's	Price Brothers
Village of Overland Point	Power	270,000	K-Mart, Walgreens	Terra Venture Investments
Mall at Fall Creek	Entertainment	92,000	Golden Corrall, 54th Street Grill	Parker Construction

Median Household Income, 2001

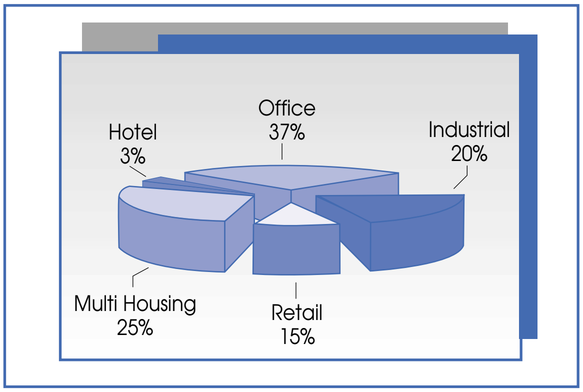


Unemployment Rate

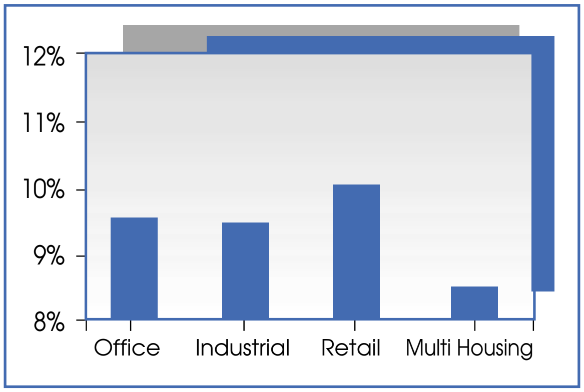


Investment by Property Category

2001



2001 Capitalization Rates



Once again, Kansas City's 2001 commercial real estate investment market was quite healthy. Investment activity was approximately the same in 2001 as it was in 2000, with the greatest concentration in multi housing and retail transactions. The economic downturn and unpredictability of Wall Street made real estate emerge as an attractive and predictable investment alternative. This environment, coupled with the Federal Reserve's interest rate reductions, increased the number of investors in a market already depleted of product.

The number of available investment opportunities in 2002 could be less than the previous year, as some sellers may feel buyers will be apprehensive of the national and international uncertainty. However, this concern may well be offset by the positive leverage that can be earned by lower interest rates and the constant need of pension funds to find acceptable real estate investments to meet present allocations.

Preferred properties for investment will still be industrial, Class A and B multi housing, grocery-anchored retail shopping centers and single-tenant sale/leaseback transactions. Due to the instability of corporate America, along with the typical difficult economics involved, office properties will still be the least favorable real estate investment, with power centers running a close second.

As has been the case for the past four years, 2002 appears to be another solid investment year for Kansas City with the anticipation of low, long-term interest rates and continued demand for investment properties.

AT A GLANCE
OFFICE MARKET

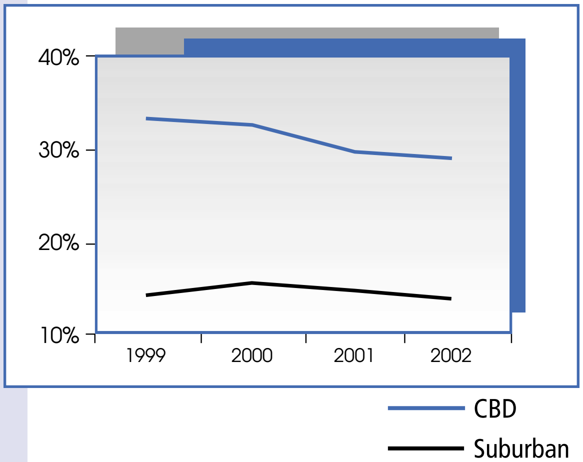
2001 Year End

	CBD	Suburban	Total
Rentable*	5,758	9,399	15,157
Vacant*	1,707	1,413	3,120
Vacancy Rate	29.6%	15.0%	20.6%
Absorbed*	173	180	353
Under Construction*	30	0	30
Rental Rate**			
Class A	$15.00	$17.96	$16.89
Class B	$12.52	$13.45	$13.07

* Square feet in thousands; excludes owner-occupied, medical, government

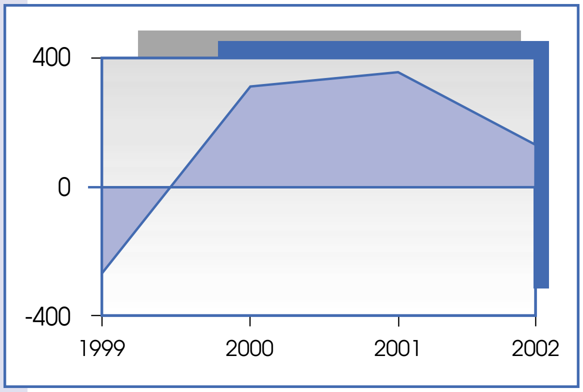
** Weighted average asking rent/SF/year Full Service

Vacancy Rate



Net Absorption

Sq. Ft. in Thousands



Oklahoma City's office market will remain stable throughout 2002. Growth in the downtown submarket will slightly outpace the suburban submarket as it continues its ongoing recovery with a 1.4 percent increase in occupancy.

Continued activity in the oil & gas and financial sectors will serve as the catalyst in maintaining this healthy market. The expansion in these two sectors has been instrumental in offsetting the recent consolidations of regional and national companies in the office market. However, Oklahoma City no longer solely relies on these two industries to fuel it's economy. By diversifying the industry base over the past seven years, it has helped the market maintain stability and will continue to do so for years to come.

Another factor shielding the local market from the troubled national economy is the lack of technology companies located in the area. Whereas the closings and consolidations of high tech companies have heavily impacted most office markets around the country, Oklahoma City has experienced minimal effects.

With only 30,000 square feet of space currently underway during 2001, new construction in 2002 will be solely limited to built-to-suit projects. As interest rates remain at such low levels, some companies will opt to build new facilities to house their operations. All speculative construction projects planned for 2002 have been put on hold.

Values in the office market will remain attractive to investors despite the small growth in rental rates. Expected absorption of 146,000 square feet in 2002 will aid in offsetting the stabilized rental rates creating values throughout the marketplace. Furthermore, the central business district will attract a majority of the attention from local and regional investors because of the aggressive redevelopment downtown has experienced over the past five years as a direct result of the MAPS program. Class A and B space will outperform Class C space in both downtown and suburban submarkets. In addition, there will only be a small amount of sublease space available on the market.

After a year in which the industrial market experienced a significant adjustment, 2002 will provide some relief in curbing the softening market. The fallout from the industrial mergers, aquisitions and consolidations in 2001 will subside to a greater degree in 2002 allowing the market an opportunity at recovery. Oil and gas companies and government facilities, such as the FAA and Tinker Air Force Base, located within Oklahoma City, have been a stabilizing force during the national economic downturn and will play a significant role in stimulating activity.

Despite the slow down in the market, opportunities will still abound. Because the cost of capital remains low, more industrial firms will be searching for space that in recent years has been scarce due to high occupancy. Market conditions will allow tenants a broader selection of available properties from which to choose.

Lease rates, despite being lower in 2002, will remain strong enough to generate good returns. Building prices will also decrease slightly creating an opportunity for investors to acquire properties at discounts. Even though the supply of buildings for sale will continue to be sparse, demand will also diminish, bringing balance to the market. Longer term, Oklahoma's passing of the Right-To-Work bill in 2001 will automatically open doors for expanding national companies. There is also a promising possibility of an economic stimulus package being generated by the federal government that may contain reductions in long term capital gains. If passed, it would also contribute to the recovery of the market.

Despite the correction in 2001, 2002 will see improving market conditions. The greatest challenge will be determining when companies will resume their growth and expansion plans. During late 2001, most companies looking to expand were quickly reevaluating the timing and placing plans on hold while evaluating economic conditions. Consequently, new construction will slow significantly with only a handful of build-to-suit properties slated for completion in 2002. Construction activity will primarily be limited to the North and Southeast submarkets.

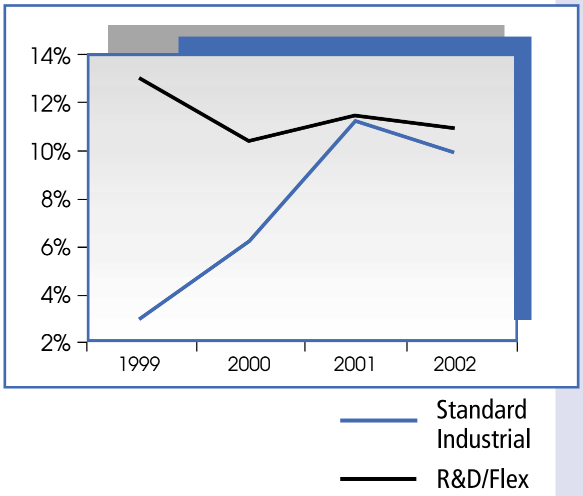
AT A GLANCE
INDUSTRIAL MARKET

2001 Year End

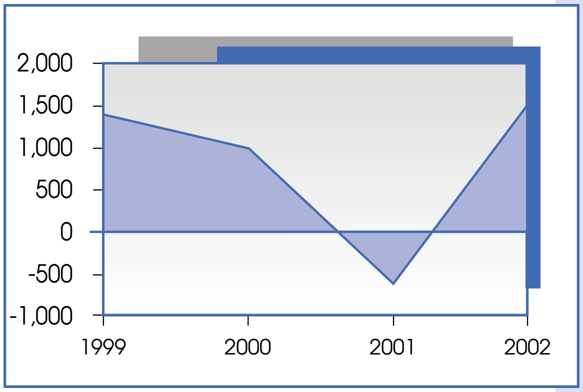
	Standard Industrial	R&D/ Flex	Total
Total*	71,330	3,172	74,502
Vacant*	7,998	369	8,367
Vacancy Rate	11.2%	11.6%	11.2%
Absorbed*	-583	37	-546
Under Construction*	900	0	900
Rental Rate**	$3.50	$5.50	$3.60

* Square feet in thousands; includes owner-occupied
** Weighted average asking rent/SF/year Triple Net

Vacancy Rate



Net Absorption
Sq. Ft. in Thousands



Oklahoma City's solid retail market will experience minimal changes in 2002 as demand for space diminishes. 2 million square feet of new construction was delivered to the market in 2001 adding 8 percent to the market's total; 2002 will see fewer construction projects.

Occupancy rates will decline at least 1 percent in 2002 as a direct result of grocery store, movie theater and chain stores vacating older space. Grocery stores will continue to close because of Wal-Mart's aggressive expansion of Supercenters and Neighborhood Markets. Many large grocery anchor spaces in neighborhood shopping centers and theaters will be vacant in 2002, forcing owners to reposition these spaces into new big box retail spaces or specialty uses. These spaces will require significant tenant improvements (ranging from $10 to $20 per square foot) to adapt to retail standards. As a result, they will not immediately compete head-to-head with existing space or force asking rates down right away. Second and third generation space will lease between $4 and $10 per square foot. Rates for newly constructed space will remain stable at $12 to $22 per square foot. The range in rates reflects differences in market position, construction and trade area demand.

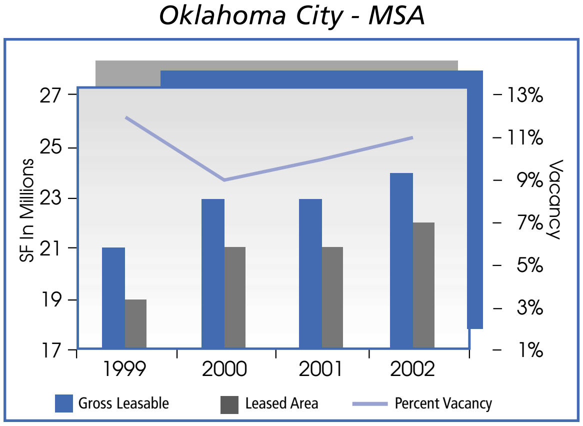
Softening markets in 2002 will cause slight declines in per square foot rental rates. Most owners are financially healthy and will defend current rates. The Oklahoma City economy has remained steady, so the retail market will decline only slightly as current economic uncertainties shake themselves out in 2002. Some areas of the market will be stronger than others, as discount retailers will fare better than high-end retailers. The Northwest OKC, Southwest OKC, Norman and Edmond submarkets will continue to see steady retail activity resulting from steady population and income growth.

AT A GLANCE
RETAIL MARKET

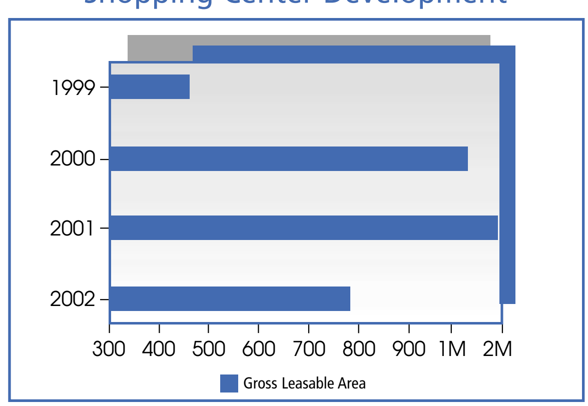
2001 Year End

Center Type	GLA	% of Market	Occupancy EOY '99
Anchored Neighborhood Center	5,278,278	22.20%	84.27%
Unanchored Neighborhood Center	6,555,910	27.64%	87.93%
Power Center	3,205,863	13.52%	97.32%
Community Center	4,219,208	17.79%	90.51%
Regional Mall	4,457,217	18.79%	95.01%

1999-2002 Historical & Projected Occupancy Comparison
Oklahoma City - MSA

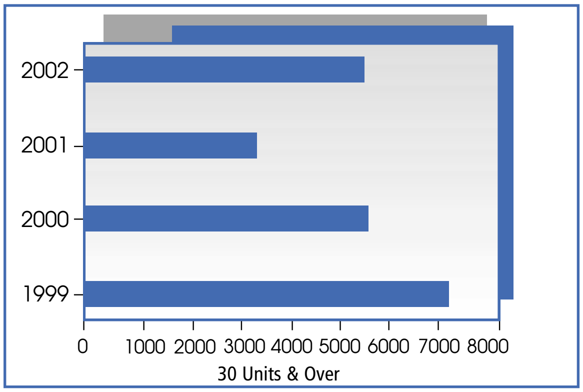


Shopping Center Development

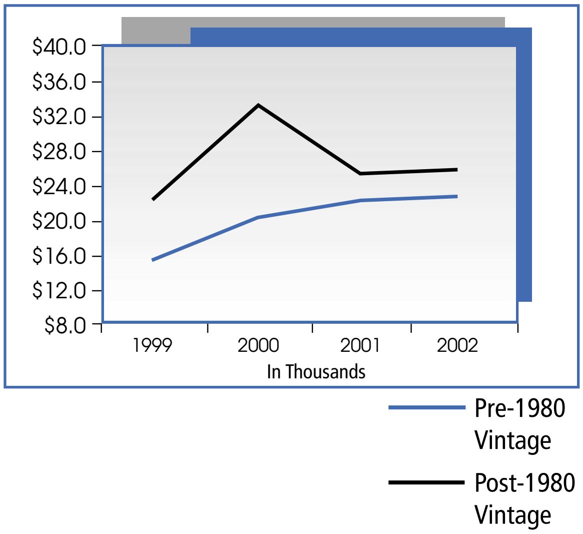


Oklahoma City - Multi Housing

Investment Activity
Total Units Sold



Average Price Per Unit
All Property Classes



As more properties are expected to be available for sale, Oklahoma City's multi housing market will see sales activity in 2002 increase by as much as 40 percent over 2001. This activity will be partially fueled by the uncertainty in the stock market causing multi housing to become more attractive as an alternative investment. Furthermore, Oklahoma City's stability and diversity will continue to attract buyers to the market. Out-of-state investors from such states as California, Colorado, Utah and Texas will continue to view Oklahoma City as a sort of "exotic" location due to the low prices and opportunities available in the market.

However, amidst the traumatic events of 2001, some investors will remain uncertain. While unemployment is rising and the economy struggling, the federal government is aggressively supplying antidotes of economic stimulus in the form of reduced capital gains tax and reduced interest rates.

Even though well-managed properties may see property values increase, sellers' expectations will be tempered some over the next two years by careful lender underwriting and more conservative Performa assumptions by buyers. Demand for good product will continue to exceed supply in the coming year. A number of properties between 1996 and 1999 were refinanced with conduit mortgages that carry discouraging pre-payment penalties and will be out of play for at least the next few years. The most likely sellers will be those who have owned for several years, are willing to price on actual performance and eye an opportunity for profit taking.

Buyers will face such challenges in 2002 as slower rent growth and higher vacancies due to the loss of residents to home ownership and more residents sharing units in order to save money. Those buyers with a three to five year hold strategy will find 2002 as an opportunity if they can purchase at a modest return and ride the wave of recovery.

Rising insurance costs will put downward pressure on net operating incomes over the next year. In addition, owners may face flat rent growth and an increase in concessions, but lower interest costs could ease the dilemma if new financing is an option.

While 2001 experienced few dramatic rehabilitation plays, the anticipated foreclosure of a 2,033-unit portfolio will provide a unique turnaround opportunity in 2002. In addition, the distinction between pre- 1980 and post- 1980 construction will continue to fade. Some reversals of value are starting to show up with the aging of early 1980s built properties and the rehabilitation of multi housing constructed in the 1970s.

AT A GLANCE
OFFICE MARKET

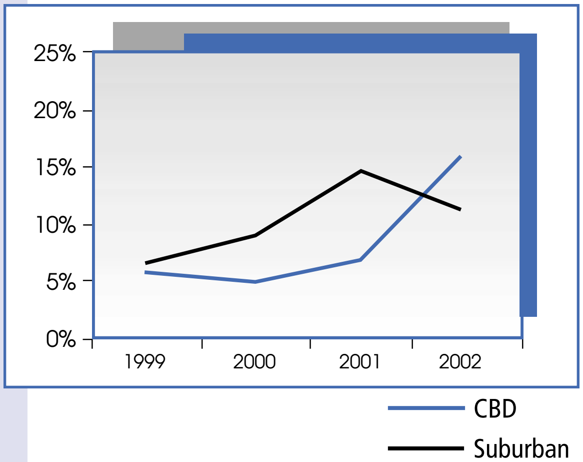
2001 Year End

	CBD	Suburban	Total
Rentable*	2,860	6,971	9,831
Vacant*	209	1,036	1,245
Vacancy Rate	7.3%	14.9%	12.7%
Absorbed*	-58	-241	-299
Under Construction*	0	173	173
Rental Rate**			
Class A	$19.50	$20.22	$20.06
Class B	$15.08	$17.08	$16.29

* Square feet in thousands; excludes owner-occupied, medical, government

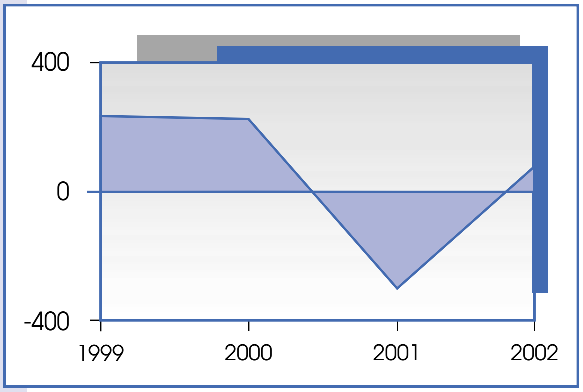
** Weighted average asking rent/SF/year Full Service

Vacancy Rate



Net Absorption

Sq. Ft. in Thousands



The year 2001 will be remembered as one of the more challenging periods the Omaha office market has experienced in many years. As the year unfolded, the economy saw the conclusion of a nine-year stretch of unparalleled growth, a prosperous period during which owners and developers benefited from a red-hot economy with a sizable appetite for office space. However, as quickly as many companies geared up and expanded, they just as quickly geared down. This reversal took place with unprecedented speed. The end result for office markets was double trouble: growing supply combined with falling demand. The Omaha office sector experienced negative absorption for the first time in a decade.

From a tenant's perspective, 2002 will generate significantly more leasing opportunities in both the suburbs and the CBD. Due in large part to vacancy rates in the single digits since 1997, growth as it relates to expansion space had been challenging for many area businesses. However, by the close of 2001, Omaha's citywide office vacancy rate reached a seven-year high of 12.7 percent. This compares with a vacancy level of 7.9 percent only one year earlier. Anticipated absorption in 2002 is expected to be approximately 100,000 square feet. This adds up to welcome news for tenants planning for expansion with plentiful lease opportunities remaining.

In 2002, opportunities for landlords will be closely associated with the health of the U.S. economy. Assuming renewed economic expansion by midyear, as most economists anticipate, Omaha's office market will have weathered the storm in reasonably good order. The suburban vacancy rate is perhaps only 5 to 6 percent above the level most industry experts identify as the ideal balance point for supply and demand. According to Grubb & Ellis|Pacific Realty's annual survey of developers, new construction projects scheduled for 2002 will be a fraction of what was built in the previous four years. This should set the stage for absorption to move back into positive territory in both the suburbs and central business district. Demand should slowly work its way back in line with supply in 2002 as long as the economic environment is favorable.

Omaha - Industrial

After five years of stable growth with the supply of available space relative to absorption near equilibrium, the Omaha industrial market has executed a quick transition from a landlord's to a tenant's market. Pressure from a slowing U.S. economy as it tipped toward recession precipitated a rapid rise in availability. Users jettisoned space or put expansion plans on hold. With few exceptions, developers abruptly curbed plans to add speculative space to the industrial market inventory. This marketplace shift points to future opportunities for industrial users and buyers who have patiently waited for the dynamics of the Omaha market to swing in their direction.

Opportunities in the Omaha industrial market will be abundant for buyers throughout 2002, especially for those willing to assume the higher risk associated with properties occupied by lower credit tenants. Buyers will likely be able to acquire property at higher cap rates than seen for some time in this marketplace. Should lower interest rates persist, pent-up demand will loosen, potentially spurring development as absorption whittles down vacancy levels. Going into 2002 many landlords will continue to hold the line on lease rates. However, tenants will likely enjoy more concessions and find reduced rates on older, less competitive properties. Overall, the view to the future suggests that less risk-averse industrial users and investors positioned to take advantage of the tough economic climate will be in their element.

Immediate challenges focus on creating innovative approaches to marketing properties and generating transactions. Reaffirming business relationships and advising clients as they reposition to leverage opportunities once the economy swings into a positive growth cycle will be critical. Going into 2002 tenant/buyer representation will be the focus of many brokerage operations. Buyers/investors will negotiate for lower sales prices on properties lingering on the market. Challenges beyond 2002 will depend on many factors, not the least of which is the health and viability of national and global economies.

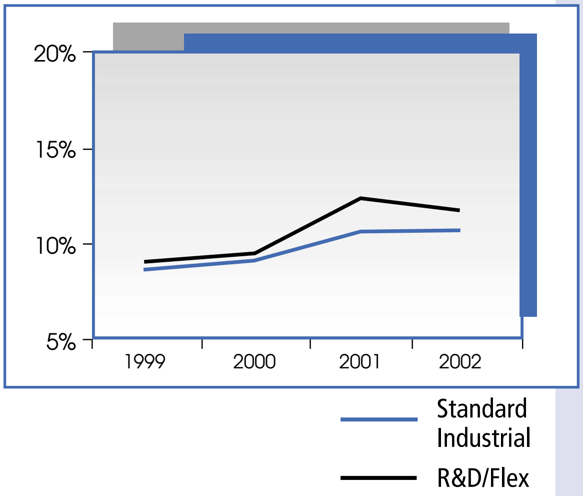
AT A GLANCE
INDUSTRIAL MARKET

2001 Year End

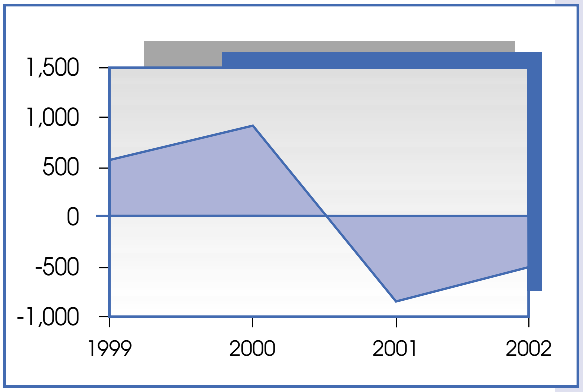
	Standard Industrial	R&D/ Flex	Total
Total*	31,189	4,253	35,442
Vacant*	3,212	531	4,961
Vacancy Rate	10.3%	12.5%	14.0%
Absorbed*	-704	-96	-800
Under Construction*	294	160	454
Rental Rate**	$4.50	$6.50	$5.30

* Square feet in thousands; includes owner-occupied
** Weighted average asking rent/SF/year Triple Net

Vacancy Rate



Net Absorption
Sq. Ft. in Thousands



Retail market opportunities during 2002 will appear primarily in grocery-anchored centers and newly constructed neighborhood strip centers positioned to serve Omaha's record setting residential growth. Consumers living in expanding suburban areas need grocery and service-oriented retailers conveniently located nearby. The vacancy rate for these two key products should remain in the 5 to 7 percent range in 2002, despite the overall pullback in the retail sector. Correspondingly, rental rates for these product types should remain stable in the $15 to $17 NNN per square foot range. The weighted average rate across the total market is about $11 per square foot. As 2002 progresses, lessees will likely enjoy more concessions, specifically in the form of free rent offered by landlords wishing to maintain a higher face rate. Conversely, there will be limited opportunities in big box retailing and older community centers. The increase Omaha has previously seen in big box retailing will shift dramatically as national retailers put the brakes on expansion plans across the country. Older, non-grocery-anchored community centers are exposed to the greatest risk as tenants under competitive pressure begin to reposition in response to economic conditions.

The current state of the economy will create opportunity for speculators in the local market. The pattern of development in the Omaha area has become more predictable over the past five years. With retail developers possessing a clearer understanding of where Omaha's residential and commercial growth is headed, they can begin pursuing land acquisitions for projects that are three to five years out. The current economic climate could present unique buying opportunities for developers able and willing to land bank. However, these same developers will need to pay attention to their existing projects as the overall market transitions to a "tenant-friendly" market, something Omaha retail tenants have not seen in over five years.

Beyond 2002, the long term potential for Omaha is quite positive. The community is well equipped to face the future. There is a commitment by both the private and public sectors to develop the infrastructure and economic environment needed to promote business development. A substantial increase in residential housing is a direct outcome of the city's business growth. Despite a weakened U. S. economic trend seen through 2001, the fundamentals for this community have not changed. Omaha, with its stable, diversified local economy will continue to be an attractive market for retailers.

AT A GLANCE
RETAIL MARKET

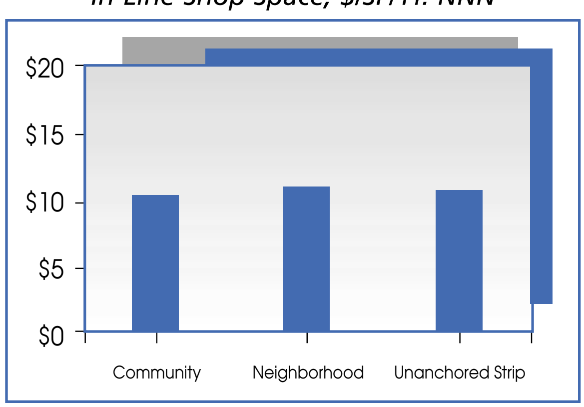
2001 Year End

	Total Market
GLA*	16,696
Vacant*	1,000
Vacancy Rate	6.0%
Absorbed*	283
Under Construction*	652
Rental Rate**	$10.68

* Square feet in thousands; includes all property types i.e. community, free-standing, neighborhood, power, specialty/theme, strip

** Weighted average asking rent/SF/year Triple Net

Average Rent by Center Type
In-Line Shop Space, $/SF/Yr. NNN



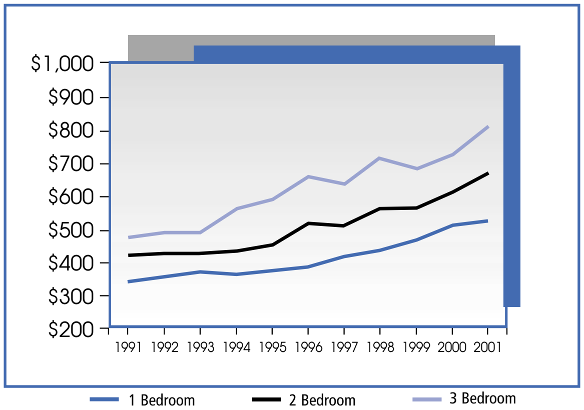
Omaha - Investment

The multi housing market will remain a bright spot on the Omaha horizon in 2002. Overall, the metropolitan market has recently maintained occupancy rates of 95 percent, in comparison to the previous occupancy rate norm of 97 to 98 percent. New development at the end of 1999 and in early 2000 added units primarily to the luxury, high-end segment. As absorption continued on a steady track, rental rates increased, translating to a 6 to 8 percent rise last year. However, in 2002 rents are expected to rise at a more moderate 3 to 4 percent annual rate.

Industrial property acquisitions continue to be in high demand, however property owners are reluctant to offer their holdings. Within the Omaha market, industrial sales typically are to users rather than investors, looking for smaller-size facilities in the 20,000 to 70,000 square foot size category. Development around area interstate systems increased in 2001 with a focus on smaller flex buildings.

Going into 2002, the retail markets are expected to see little sales activity as grocery and drugstore-anchored strip centers, fashion-oriented retail, power centers and regional malls remain in the control of a handful of investors. There have been no meaningful sales to report, as current owners are pleased with occupancy levels and cash returns. Smaller unanchored retail and single tenant properties will likely continue to experience the most activity, with local investors seeking tax trades and owner/users looking for value-added opportunities during 2002 and beyond. Retail development remains the healthiest investment sector in the Midlands as national retailers expand into second tier markets.

Metropolitan Rental Rate Trend



Suburban office trades have been hurt by the economic slowdown. Corporate downsizing and credit risk pushed vacancy rates into the middle teens by the end of 2001. This trend is expected to continue throughout 2002. However, new office development slowed to a trickle by the close of 2001 allowing for much needed absorption. With strong institutional ownership prevalent in the market, it is expected that potential marketing decisions for the disposition of assets will be delayed until the end of 2002 or into 2003.

The CBD office market will provide a challenge for the next few years. First National Bank of Omaha will complete their 680,000 square foot office tower and Union Pacific is scheduled to commence construction of their new 1.1 million square foot headquarters facility. The impact of these developments will be strongly felt in the downtown market. Both companies occupy significant space in competitive CBD buildings and their relocation will leave a large supply in its wake. The heaviest impact will be on Class B and C buildings, a large component of the CBD inventory. Owners will have to consider repositioning their assets with major capital investments or disposing of them as value-added plays. Potential adaptive reutilization may be an alternative as CBD residential and retail activity increases.

AT A GLANCE
OFFICE MARKET

2001 Year End

	CBD	Suburban	Total
Rentable*	17,525	32,752	50,277
Vacant*	1,585	3,632	5,217
Vacancy Rate	9.0%	11.1%	10.4%
Absorbed*	380	746	1,126
Under Construction*	0	1,465	1,465
Rental Rate**			
Class A	$21.18	$23.72	$22.87
Class B	$17.30	$19.22	$18.67

* Square feet in thousands; excludes owner-occupied, medical, government

** Weighted average asking rent/SF/year Full Service

Long-regarded as the bellwether area of the country, St. Louis' central geographic location and mid-market size has helped make this a historically consistent and stable real estate market. While St. Louis does not typically witness the extreme highs in rental rates, absorption and construction seen during boom times in other cities across the country, it also does not see the extreme lows that can occur at the opposite end of the spectrum. St. Louis is known as a traditionally safe, "middle of the road" market.

Opportunities in the coming year will reside on the tenant side of the equation. As more space hits the market and vacancy rates inch upwards, building owners and managers will take a more proactive role to try and keep existing tenants in place. Words such as free rent and free trips -- now an intrinsic part of the market vocabulary -- will continue throughout the better part of 2002. The market will see more aggressive renewal offers with higher tenant improvement allowances in an effort to keep tenants from shopping around for better options. At best, lease rates will remain flat, and will probably drop slightly in the coming year. The market will also see a fair amount of reshuffling as tenants will now have the option to upgrade from class B to class A buildings at close to the same costs.

The pipeline of new construction will continue to decline as new projects are completed. There is currently 1.4 million square feet under construction in St. Louis, most of which is occurring in the Highway 40/Chesterfield, St. Charles and Clayton markets. Of this new space, 47 percent, or 549,271 square feet, is already pre-leased. Three new buildings in the Clayton market have recently increased that market's size by 14 percent. Despite the increased market size and the estimated 100,000 square feet of sublease space available in Clayton, most of the new buildings are attracting tenants. The new 300,000-square-foot Plaza in Clayton is already 84 percent leased.

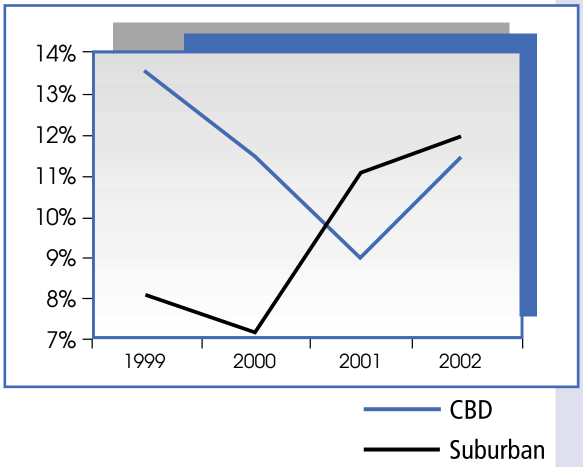
However, the St. Charles market is not seeing as much leasing activity. This area has seen unprecedented growth in the last several years, as larger land parcels and lower ground costs have persuaded some of the area's largest employers, such as MCI WorldCom and MasterCard International, to relocate their regional operations centers there. Leasing activity has significantly slowed with vacancies posting at 25.1 percent this year, the highest in St. Louis. While build-to-suit development will probably continue, with the likes of Citigroup's new operations center starting in the next year, speculative construction will taper off until more space in this market is absorbed.

Keeping this delicate balance of supply and demand in check will be the main challenge the market will face in the next year. The prevailing sentiment is that St. Louis does not appear to be overbuilt as it was in the early '90s. Developers and lenders are closely monitoring market activity and proceeding with only those projects that have hit a certain pre-leased threshold. There are currently only two speculative development projects under construction, namely Opus' 142,500-square-foot One Chesterfield Place and TriStar's 116,547-square-foot Riverport Commons Office Building I. Both of these projects were already underway before the current slowdown hit.

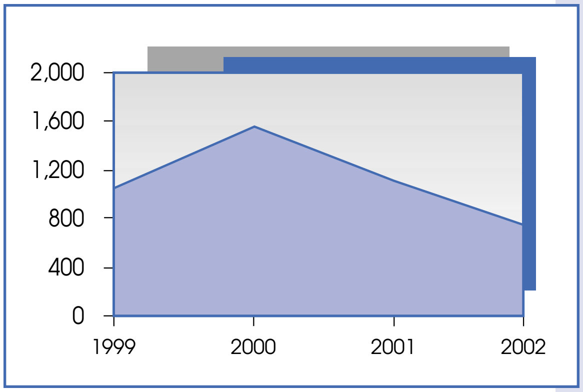
In lieu of new development, owners will instead opt to renovate existing buildings and provide updated amenities. The market has seen some of this recently, particularly in the Downtown area with the $10 million renovation of the 500 Broadway Building and the updated lobby in the Laclede Gas Building. There is also talk of a $73 million proposal to redevelop the Old Post Office building along with the Syndicate Trust and Century Complex. New construction will remain quiet in the Downtown market as new projects such as Ballpark Village, Cupples Station and the second phase of the Highlands at Forest Park have been put on hold, pending new tenants.

As some sectors of the economy level off in the coming year, other parts of the market will pick up and keep things in balance. Lower interest rates and available capital will provide a cushion during these uncertain times. Leasing rates will most likely rebound a year from now, and projects that have been put on hold will get back on the drawing board. As we go through these unavoidable and temporary cyclical changes, St. Louis' steady and dependable reputation, advantageous mid-market size, and diverse employment base will continue to work in its favor and help keep the commercial real estate industry on solid ground.

Vacancy Rate



Net Absorption
Sq. Ft. in Thousands



Like its office counterpart, the St. Louis industrial market has good geography working in its favor. St. Louis is the closest major city to the mean population center, ranks among the top 20 in terms of population size, has a central time zone, and provides excellent highway access. The interstate system could get even better if the proposed NAFTA north/south highway ends up passing through St. Louis, allowing for easier transportation between Canada and Mexico. These traits, along with a good labor pool and economical land costs, have put St. Louis on the map for companies determining their manufacturing and distribution center locations. St. Louis also benefits from a diverse manufacturing base including biotech, automotive, defense and high-tech companies.

One segment of the industrial market that could be well-positioned to weather the after affects of September 11th is the manufacturing business. In the past, "just-in-time" manufacturing has been the goal of companies looking to save money through more efficient supply chains by limiting inventory and transportation costs. Now companies are facing lengthy inspections, grounded flights and closed borders which are adversely affecting deliveries. In the coming year, companies will most likely increase their inventories and production schedules to overcome these new business realities.

Increased inventories, and the additional space it would require, would be good news for the industrial market. St. Louis has an ample supply of bulk distribution space. Of the current 9.6 million square feet available in the market, 85% represents bulk distribution space. There are some additional developments under construction that will push that number even higher within the next six months. These include developments at Park 370 and Lambert Pointe Business Center in the Bridgeton/Hazelwood area totaling 871,183 square feet. Cranes continue to work overtime in St. Charles as well with 399,900 square feet under construction. The majority of this space is being developed by a new breed of investors who have recently turned to the industrial development arena as a way to increase their returns.

While there are ample opportunities for larger users, the market for smaller, multi-tenant users is balanced and will remain so in the coming year. However, tenants of all sizes will most likely sit tight for now – moving only due to downsizing or for new building requirements. The market will continue to see leasing rates trend slightly downwards, causing owners to become more and more aggressive to fill future vacancies. The lower interest rates will help owners during these tough times by providing a needed safety net until the market rebounds in the next year.

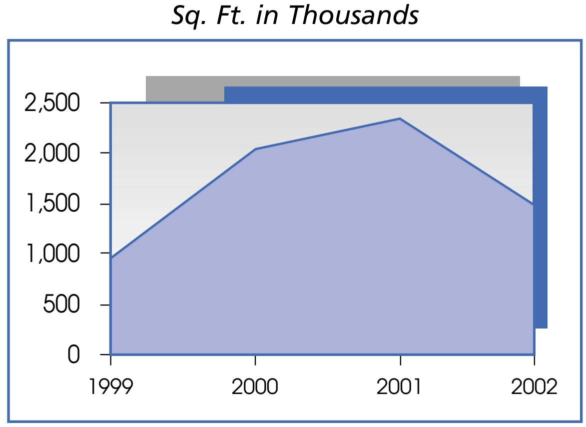
AT A GLANCE
INDUSTRIAL MARKET

2001 Year End

	Standard Industrial	R&D/ Flex	Total
Total*	86,866	4,638	91,504
Vacant*	9,160	525	9,685
Vacancy Rate	9.5%	11.3%	10.6%
Absorbed*	2,106	216	2,322
Under Construction*	1,581	406	1,987
Rental Rate**	$3.61	$7.81	$4.28

* Square feet in thousands; includes owner-occupied
** Weighted average asking rent/SF/year Triple Net

Net Absorption
Sq. Ft. in Thousands



New/Expanding Tenants 2001/2002

Merchant	Store Type	Location(s)
Nordstrom	Department Store	Westfield Shoppingtown, West County (under const.)
Famous-Barr	Department Store	Westfield Shoppingtown , West County (under const.)
REI	Outdoor Equipment	Brentwood Square
Orvis	Men's & Women's Clothing	Brentwood Square
SteinMart	Discount	Olde Towne Plaza
Bass Pro Shops	Fishing & Hunting Equipment	Mark Twain Mall
J Crew Kids	Children's Clothing	Plaza Frontenac
Ultimate Electronics	Electronics	Brentwood, Bridgeton, Ballwin, Fenton
Costco Wholesale Corporation	Retail	St. Peters, South County
St. Louis Bread Co.	Restaurant	Brentwood Square, Chesterfield, South St. Louis City, Webster Groves
Deals Nothing Over A Dollar Store	Retail	North, West & South Counties

Despite the downward shift in both the office and industrial segments of the St. Louis market, the retail segment is strong and expected to stay that way throughout the better part of 2002. Retailers have not been plagued by the massive layoffs and corporate downsizing that have hit other industries so hard and have caused tenants to vacate thousands of square feet. Leasing rates have stayed consistent, with owners giving slightly more in tenant improvement allowances as an incentive to lease space. Although the struggling economy and wartime uncertainty has undoubtedly shaken consumer confidence, some St. Louis retailers are actually thriving and expect to post modest gains in the coming months.

The retailers who will do well in the coming year are those providing value-oriented merchandise. This could indeed be called the "Era of the Discount Retailer." Business is brisk for stores such as Target, Wal-Mart, Sam's Club and Old Navy as consumers look for bargains on groceries, household goods and clothing during tougher economic times. Power centers continue to do well – particularly those that are anchored by one or more of these big box discount tenants.

Both Lowe's Home Improvement Stores and Home Depot have recently expanded and plan to open more stores in the coming year. Other discount retailers including SteinMart, Costco Wholesale Corporation and Ultimate Electronics are all newcomers to the St. Louis scene and all either have additional stores under construction or planned for the coming year. Taking the discount concept even further, Deals Nothing Over a Dollar Stores added ten stores in the last year and plans to add up to sixty more in St. Louis and the Midwest in 2002.

While consumers can't get enough of the discount retailers, it is the smaller neighborhood centers and stand-alone stores that will face the most challenges in the year ahead. Hill Behan, St. Louis' oldest lumber supply store, recently shut down all twelve of its locations, as did Frank's Nursery and Crafts which closed up three of its St. Louis stores. And the higher-end apparel and department store retailers such as Famous-Barr, Lord & Taylor and the new Nordstrom opening in August at the redeveloped Westfield Shoppingtown will most likely have a tough time competing within the framework of a weakened economy and St. Louis' ample supply of discount stores.

However, despite the expected setbacks for some area retailers, the overall St. Louis retail market looks bright. While expansion plans for some of the larger, national retailers may be put on hold in the next year, the area's discount stores will continue to carry the day.

While the St. Louis investment market has slowed, it has not dried up altogether. Although an uncertain economic climate and a downward spike in demand have reduced both the volume and the velocity of investment transactions in the last few months, owners are not in the panic mode of the early 90s when many felt pressure to sell their assets. Now buyers and sellers are looking past the weak economy, and owners seem more inclined to hold on to their properties and weather the cyclical market downturn. Lower interest rates and available capital are helping this effort, allowing many to refinance and better leverage their assets.

As office vacancies inch upwards, investment underwriting for this product has become increasingly conservative. Only the well-located, class A office properties with strong occupancy and good tenants will attract investor attention in the coming months. Gone for now are the days where the strong market meant investment offering packages could be sent out without asking prices. The gap between "bid" and "ask" will likely stay wide during the balance of 2002.

However, the industrial and retail investment sectors should see activity in the coming year. There are still buyers for good quality office/warehouse space, especially those with leases in place for three years or more. Investors are now not as concerned with the building’s location, instead focusing on the credit of its tenants and exposure to lease rollover. Investors will also keep their eyes out for both grocery-anchored retail centers and class A and B apartments in the coming months. Multi housing has proven to be a historically stable investment in St. Louis.

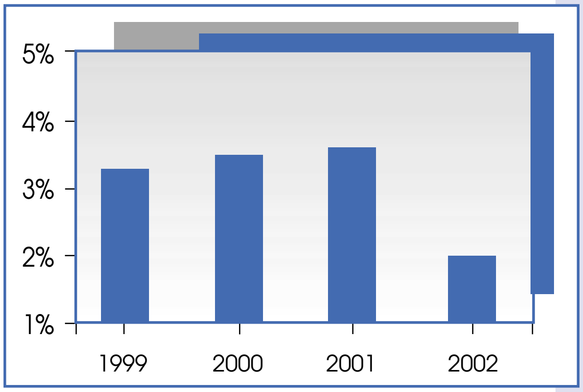
The good news is that this slower market is expected to be temporary as everyone readjusts to the changed economic landscape. There will be some opportunistic buys from higher-risk investors. And users/investors will most likely make favorable purchases for both office and industrial product. The flight to quality will continue at the institutional level, and by the end of 2002, investment transaction volume is likely to accelerate, rebounding back to active levels.

2001 Key Investment Transactions

Buyer	Seller	Property Type	Property Name	Sale Price (millions)
UBS Realty Investors LLC	Tristar	Industrial	Proctor & Gamble Warehouse	$23.1
Whichard Family	TIAA	Office/Retail	One City Center	$15.0
Franklin Partners	Miller Global Pauls, LLC	Office	Timberlake I & II	$42.1
Gannon Management Co.	Century	Apartments	Heather Ridge Apartments	$9.4
Gannon Management Co.	Camden Development, Inc.	Apartments	Knoll Apartments	$7.7

St. Louis - Multi Housing

Apartment Rental Rate Increases



Although vacancies have increased slightly over the last few months, the St. Louis multifamily market remains healthy, posting a 96 percent vacancy rate and a 3 percent rental rate increase in the last year*. This is primarily due to the fact that construction in St. Louis has historically lagged behind demand. And although there is no shortage of developers who would like to build in the area, there are many barriers to entry that deter new construction and keep the market tight. Where in years past, these tight reigns on new construction have been viewed as a negative trait limiting growth in this sector, the uncertain economic times the area is now facing may actually make this a blessing in disguise.

While multi housing development has been weak throughout most of St. Louis, the Downtown market is showing moderate activity. Thanks in part to Historic Tax Credits and financial incentives from many civic organizations, developers are continuing to renovate some of the older Downtown buildings with great success. The former Edison Brothers Warehouse recently underwent a $54 million facelift to become a Sheraton Hotel and luxury condominium development. Buyers have already taken 38 of the 72 condominiums. The $44 million renovation of the Merchandise Mart into 200 units and the $28 million Continental Building with 100 units are both under construction.

St. Charles is another area that will see more development in the coming year. The area's unprecedented growth has caused the employment base to double in the last 10 years. Developers are clamoring to meet demand, and the availability of land and support of a pro-business local government have made this market an easier arena to work in. The Enclave at WingHaven is one new development now underway and will include 650 luxury apartment units. There are also six other developments currently under construction here with completion scheduled for 2002.

While zoning issues continue to deter traditional multi housing development, higher-end, luxury buildings are getting through the red tape. With 25 percent under contract, The Plaza in Clayton is scheduled to open in April with condominiums ranging between 2,000 and 7,000 square feet and priced from $500,000 to $3,750,000. Construction will also begin on the Villas at Brentwood, a $42 million, 330-unit luxury apartment complex with prices ranging from $860 to $2,060 per month. And the first phase of Conrad Living's upscale Summit Lofts development at Olive and I-270 is scheduled to open Spring 2002.

Looking ahead, despite the demand for luxury developments and activity in both the St. Charles and Downtown markets, new development will most likely remain scarce as the lack of land, strict zoning regulations and a slowing economy prove to be a restrictive combination. Leasing rates will increase slightly as favorable interest rates make home buying a more viable option.

*Source: Keith M. Kramer Associates, Inc.

Active but soft, with the exception of medical office space has been and will continue to be the status of the Wichita office market in the coming year.

The northeast submarket will continue to see the most new development through 2002. Wilson Estates, with amenities such as door-side parking, a landscaped campus setting and modern space all minutes from home continues to draw tenants from the CBD to its single-tenant or two- to three-tenant buildings. The Comotara area along K-96 continues to develop in much the same manner. Ridge Road in the northwest from 34th to 37th Streets will continue to grow in popularity for small BTS projects. Availability of sub-lease space, commonly scarce in Wichita, will be on the rise in 2002 as technology users and travel related industries enter a very challenging year.

CBD value, in the face of recession, may have an impact on those firms making a move not only in the coming year but also beyond. Old Town continues to add converted warehouse space to the mix, providing modern, economic retro space in comparison to northeast BTS. Wichita's ever improving highway systems allow for ease of commute from 5 to 20 minutes from any suburban area. The chief challenge for the CBD remains parking. Adequate parking is available to support higher daytime populations, however the general public's aversion to walking any distance has proved prohibitive. A number of Class B properties have greatly improved occupancy to near 100 percent demonstrating that good rental values and tenant-friendly negotiations are effective. Those CBD properties aggressively adopting this tact, which have parking nearby, will be very successful in the 2002 economy. Class A space has remained healthy overall and will remain so, as owners understand the need to differentiate from suburban markets with price.

The last seven years have placed thousands of square feet of large headquarters space on the market. Several have successfully made the transition to multi-tenant facilities, while others due to large footprints, undesirable configurations or inconvenient locations remain vacant. Replacement office users on the scale required are limited as the struggle continues for quality and cost effective air service, a crucial component in headquarters decisions. The challenge of recruiting talent and businesses to this area of high living standard and low cost continues to be of concern.

AT A GLANCE
OFFICE MARKET

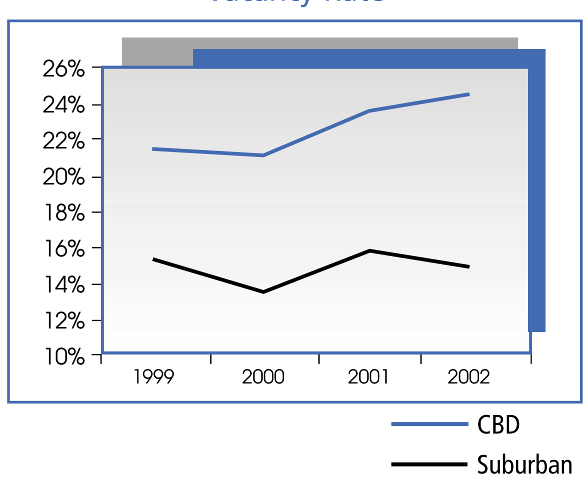
2001 Year End

	CBD	Suburban	Total
Rentable*	3,228	3,246	6,474
Vacant*	768	515	1,283
Vacancy Rate	23.8%	15.9%	19.8%
Rental Rate**			
Class A	$14.56	$18.00	$16.10
Class B	$9.45	$13.34	$11.08

* Square feet in thousands; excludes owner-occupied, medical, government

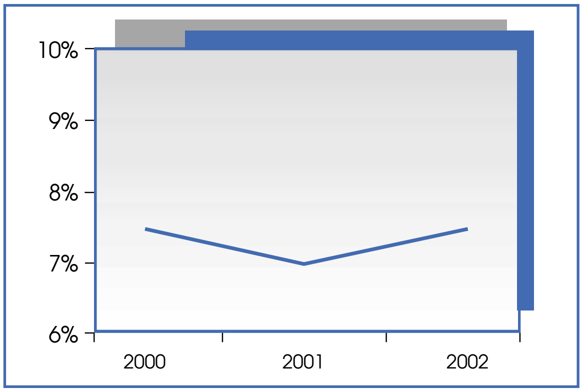
** Weighted average asking rent/SF/year Full Service

Vacancy Rate



Wichita - Industrial

Vacancy Rate



AT A GLANCE
INDUSTRIAL MARKET

2001 Year End

	Standard Industrial	R&D/ Flex	Total
Total*	18,885	539	19,424
Vacant*	1,335	75	1,410
Vacancy Rate	7.1%	13.9%	7.3%
Rental Rate**	$3.55	$10.11	$4.93

* Square feet in thousands; includes owner-occupied, excludes Aerospace Mfg. Of 25 Million

** Weighted average asking rent/SF/year Triple Net

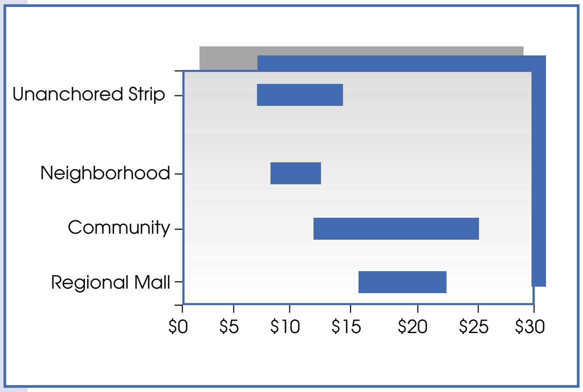
Manufacturing, related to the aerospace industry, has been the hardest hit since the events of September 11th. Wichita's largest manufacturers announcing layoffs include Boeing, Raytheon and Bombardier with combined employment dropping by 7,000 through early spring 2002. It is important to note that this downturn, while impacted by the terrorist attacks, is a natural cycle demonstrated by Wichita's manufacturing sector at the outset of the last four decades. As these manufacturers began pulling out of non-campus based facilities in 1999, it should not have a negative impact in the industrial segment. Remaining leaseholds off campus that can be cost effectively vacated will actually provide larger space that is much needed in this tight market. It is doubtful that such manufacturers will make campus space available for lease or sale.

This segment is expected to remain strong and tight over the course of several years. Functionally obsolete Class C space is amply available, while much needed modern space with greater than 20 foot clearance above 20,000 square feet remains elusive. Class C rental rates are slow to adjust to the lack of demand and are currently priced near B levels. Due to the limited use options these properties will remain vacant without significant concessions and/or rents dropping from current levels.

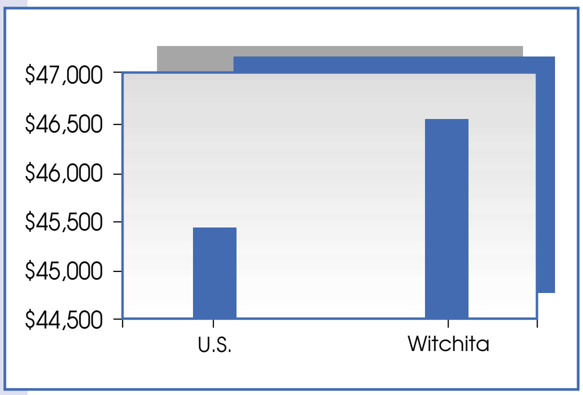
The historical trend for new versus infill of parks, coupled with demand, indicates continuation of park additions or announcements at the rate of one per year through 2004. Park City is proven business friendly, as nearly 1 million square feet of industrial development along I-135 north has occurred in the last two years. 200,000 square feet of spec development was leased prior to completion based upon this business attitude, location and build-out to market needs. Additional land has been purchased in this corridor and earmarked for future development. Regency Park along K-96 has enjoyed both actual and planned construction of over 100,000 square feet. These two areas will continue to gain momentum for BTS through the later half of 2002. Demand for modern space from 30,000 to 100,000 square feet will continue to outstrip supply.

Long-term outlook for this segment remains positive as larger metro areas are pushed to their infrastructure limits and face environmental boundaries. Markets such as Wichita with strong infrastructure, ample land, a business friendly environment, and comparatively low cost of living will appeal to manufacturing, warehousing and distribution firms.

Rent Range by Center Type
In-Line Shop Space, $/SF/Yr. NNN



Median Household Income, 2001



Rock Road – historically the retail epicenter of Wichita holds limited opportunity. With the exception of Bradley Fair fill in, the Shopko vacancy and rehab opportunities like Northrock 6 Theatre and Sears Homelife, few vacancies are available. What is available comes at the high end of the rental scale, $20 per square foot triple net plus. Several strip centers have broken ground on Phase 1 construction east of Rock Road, Cambridge Market at Webb and 21st and Crestview Plaza at Central and 127th. Retail expansion east of Rock Road will continue along with housing developments along east 21st, 13th, Central and Kellogg and South along Webb and Greenwich from 21st to Kellogg. The Collective, a 124,000 square foot village concept at 21st Street and K-96 is pre-leasing for a 2004 opening.

There has been positive activity in the northwest quadrant with the opening of New Market Square's Phase 1. Top new retailers include Casual Corner Annex, Eddie Bauer Outlet, Shoe Carnival and Dress Barn. For others, this 750,000 square foot center is an ideal second location. The center also features (200,000 square foot) Super Wal-Mart. Phase 2 will begin construction with several openings during 2002. Restaurants and unanchored strip centers in the general vicinity of 21st and Maize Road will fare well in 2002 and beyond. The east west streets of emphasis are 21st, 13th, Central and Maple, west of Maize Road to 135th Street. Wichita has appeal to national retailers still involved in expansion programs, due to strong demographics.

Regional malls remain vibrant. Town West experienced a potentially detrimental vacancy with the Montgomery Wards collapse, however Dillards absorbed the space prior to the holiday season. 2002 will mark the opening of the 120,000 square foot Von Maur department store at Towne East.

The widening of U.S. Hwy 54/400 will create relocations and closings along Kellogg from just east of Armour to Webb from 2002 through 2004. A prime beneficiary of relocation will be the One Kellogg Place power center at Kellogg and Greenwich Road. Currently under construction are the anchors of Wal-Mart and Lowes.

The opening of the historic Eaton apartment building featuring small office and retail suites at street level in January was a welcome bridge from the CBD to Old Town. This retail area along with the Old Town Cinema project currently under construction and scheduled to open in late 2002 will solidify this area as Wichita's prime entertainment district. Old Town provides an ideal location for tenants with single location plans. Wichita may vote next year on a proposed Downtown Sports Arena with close proximity to Old Town, enhancing retail growth in the area.

Investment

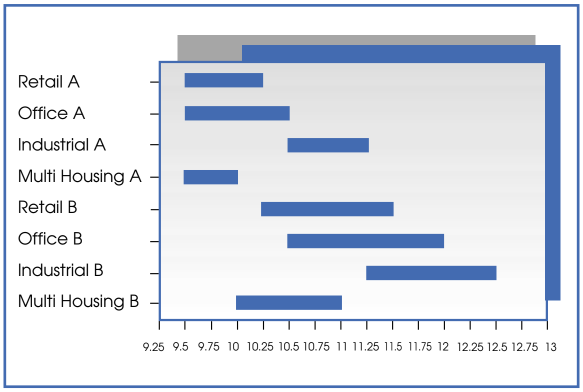
Although local investors have dominated the Wichita market, more out-of-area investors are coming into the market place. High yields on local investments have been one reason the area is gaining more regional and national attention.

With the increased interest by out-of-area investors, the availability of quality investment property has been in short supply. Wichita is a market where limited institutional grade properties exist. Multi housing with high occupancy, single credit tenancy of net leased office/retail, grocery-anchored community or neighborhood strip centers and standard industrial with long term leases often do not make it to market but rather are traded within the tight knit local investment community. The challenge in the coming years will be to identify and bring to market those properties with requested specs and to work with property owners to reposition, through pricing or tenancy traits, to appeal to a broad audience. Land for the speculative buyer remains in ample supply for reasonable long-term returns. Investors willing to take risks in office and industrial sectors with shorter-term leases from one to five years have opportunity for good returns as demonstrated by the area's market cap rates.

Multi Housing

Unprecedented ownership changes within the multi housing market valuing in excess of $50 million occurred during 2001. Demand for existing product remains very strong unlike that for new product. Despite low interest rates, economic uncertainty will slow home buying helping to stabilize steadily increasing occupancy rates. Vacancy overall sits from 5 to 7 percent due to heavy concessions in the first three quarters of 2001. Such concessions have all but ceased. Expect Class A building to begin with stabilization of occupancy in the 92 to 98 percent range within 12 to 18 months. This market is supportive to multi housing with large university and blue-collar populations, as well as a military base.

Cap Rate Range by Market Sector/Class



KEY INVESTMENT TRANSACTIONS 2001

Buyer	Seller	Property Type	Property Name	Sales Price (millions)
Dermot Wichita East, LLC	Windsor (Various)	Multi Housing	Six Windsor Properties	$36.0
Eagle Rock Apt. Assoc.	Franklin Eagle Rock Assoc.	Multi Housing	Eagle Rock Village	$10.7
Millstein Industries, LLC	Best Buy Stores, LP	Retail	Best Buy	$8.4
Pizza Hut, Inc.	PH Property, LLC	Office	Pizza Hut HQ Building	$8.0
The First National Bank of Chicago	Maple Gardens Apartments	Multi Housing	Maple Gardens Apartments	$5.3
Varde Dial fund II, LLC	Cherry Creek Sh. Ctr. Etal	Retail	Cherry Creek Shopping Ctr	$5.0

Property Management

Professional property management, long a recognized function for real estate service providers in the U.S., is an emerging discipline in the rest of the world. The devastating attacks of September 11th, using real estate as a target to strike at America, may hasten the introduction of this service in urban centers around the globe.

Emergency Preparedness

Increased security measures, complex risk management issues and a host of tenant lease issues have confronted the industry in the wake of September 11th. The protection of people and the safeguarding of assets have become of critical importance. Emergency preparedness and security planning have been pushed to the forefront of the minds of all property owners, managers and tenants.

Actions taken in response to an emergency are rarely effective unless comprehensive emergency plans and recovery operations are properly planned for in advance. Early in 2001, Grubb & Ellis introduced a web-based Emergency Preparedness Plan (EPP) to its portfolio of managed properties. The EPP is an emergency planning and training tool containing industry standard guidelines and procedures for a variety of possible occurrences, both natural and security-related. The web-based application allows managers to customize an effective emergency plan for their properties that incorporates standard procedures, recognized best practices, local governmental requirements and property-specific information. The plan provides a foundation for an effective emergency response. Emergency planning is a valuable service to assist clients in preparing their properties for the unexpected.

Recognizing that many of the recent terrorist acts represent a new set of threats and challenges, Grubb & Ellis is working closely with the Building Owners and Managers Association to monitor the latest information and to adapt emergency preparations accordingly. While many of the threats may indeed be new, they can be combatted with proper planning, increased awareness and proper training among employees and tenants.

Energy Management

In response to the uncertainty of electricity prices, Grubb & Ellis has developed an energy management program that enables property managers to analyze energy consumption and develop strategies to manage energy more efficiently in order to better control total operating lease costs. In conjunction with strategic alliances with Enerwise Global Technologies and Strategic Energy LLC, Grubb & Ellis has developed an internet-based energy-management platform. This platform enables managers to collect and analyze energy use data, share information and best practices and help clients to develop demand-side and supply-side energy management programs. This platform provides the ability to isolate costs unique to individual tenants and allocate these costs based on actual tenant use.

On the demand side, energy-savings strategies include voluntary curtailment of energy and the implementation of energy conservation programs. Capital improvements such as lighting and HVAC retrofits and automated energy monitoring and controls systems are also evaluated. On the supply side, Grubb & Ellis assists clients in designing purchasing programs customized to their particular needs; conducting tariff and rate analyses; and acting as the client's agent to procure energy in deregulated markets, including the use of aggregation to increase purchasing power. Savings typically range from 6 to 11 percent, annually for owners and managers of large portfolios of properties.

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