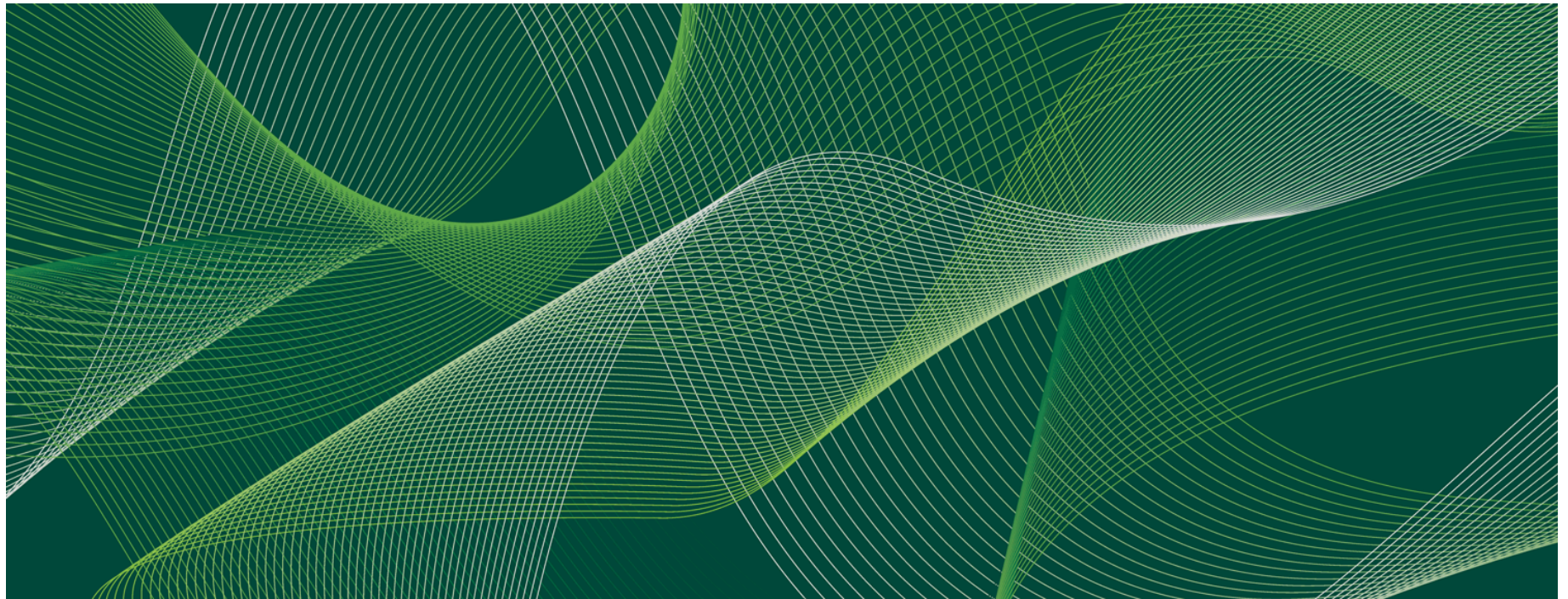


# Archstone Q2 2008 Update



Confidential Presentation

# Valuation Overview

Archstone is a ~\$22bn enterprise that encompasses several discrete components of value

## Purchase Price Allocation

Component of Value	ADJUSTED PP (Less \$1.0b PV)			Green Street	ADJUSTED PP (Less \$2.37 bn PV)		
	Value (at % share)	Per Unit	2008 Cap Rate	Platform Value Value (at % share)	Value (at % share)	Per Unit	2008 Cap Rate
Wholly-Owned Core Portfolio	\$17,273,515,776	\$327,621	4.06%	\$17,273,515,776	\$15,901,515,776	\$301,599	4.41%
Joint Ventures	1,179,568,176			1,179,568,176	1,179,568,176		
Mezz Notes, Ground Leases & Other	569,980,920			569,980,920	569,980,920		
Development	1,445,414,788			1,445,414,788	1,445,414,788		
Cash, Reserves, and NWC	623,142,570			623,142,570	623,142,570		
Platform Value	1,000,000,000			2,372,000,000	2,372,000,000		
<b>Total Purchase Price</b>	<b>\$22,091,622,230</b>			<b>\$23,463,622,230</b>	<b>\$22,091,622,230</b>		

### Core

- ◆ The acquisition basis of the core operating portfolio is \$328k per unit, or a 4.06% cap rate; this pricing represents a material discount to estimated replacement cost of ~\$390k per unit
  - Observable replacement value due to ASN’s large in-process development pipeline
  - Great Physical Assets: Achieved the highest grade for physical asset quality [Green Street Advisors, May 17, 2007]

### Development Platform

- ◆ Archstone operates an integrated development platform with over 100 dedicated development professionals
  - The Company controls a robust pipeline of ~15,000 planned units with a total expected investment of over \$5.1bn
  - Significant embedded value exists in fully entitled projects in supply constrained submarkets

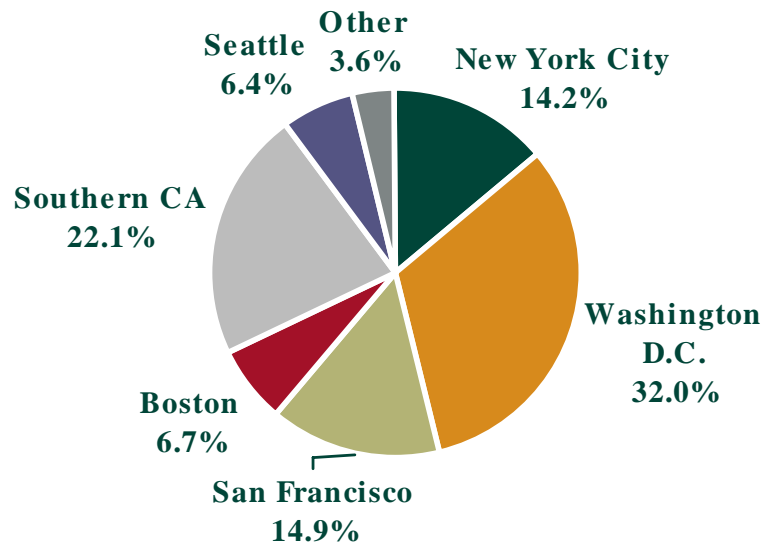
### Asset Management Platform

- ◆ Archstone has a greater value of assets under management than any public multifamily REIT - \$4.8bn

# Operating Portfolio Overview

The core operating portfolio is comprised of high-quality properties positioned in the most attractive real estate markets

## U.S. NOI Distribution<sup>(1)</sup>



1. Archstone pro rata share of budgeted 2008 Net Operating Income.  
 2. Occupancy figure as of 04/30/08.

## Asset Characteristics

- ◆ A portfolio of highly attractive assets
  - ASN’s high-barrier coastal market focus has produced the highest cumulative NOI growth of any multifamily REIT over the last 7 years
  - More than 96% of core NOI is derived from assets located in high barrier-to-entry coastal markets<sup>(1)</sup>
  - Concentrated in prime submarkets within each market
  - Class A assets with many unique high-rise properties
  
- ◆ Attractive fundamentals
  - Purchase price of \$328K per unit significant discount to the estimated replacement cost of \$390K per unit
  - 94.3% Occupancy rate across total portfolio<sup>(2)</sup>
  - FY07 vs. FY06 same store revenue growth of 5.1%
  - 1Q08 vs. 1Q07 same store revenue growth of 5.1% (vs. EQR at 3.5%)
  - 2008 NOI 1.4% ahead of budget through April
  
- ◆ Robust Development Platform
  - FY08 revenue contribution expected from projects comprising more than 5,000 units that delivered units in 2007 or are anticipated to begin delivery in 2008
  - Best-in-class development/management partner

# Strong Submarket Demographics

Archstone's assets are typically located in submarkets with outstanding demographic profiles

## Submarket Demographics

### Representative Submarkets:

Property	Market	Submarket	2008 Estimated Household Income by Radius		
			.25-mile	1-mile	3-mile
Archstone 101 West End	New York City	Upper West Side	\$117,814	\$143,715	\$114,997
Park Connecticut	Washington D.C.	Rock Creek NW	149,890	134,980	118,764
Archstone Boston Common	Boston	Boston Common	41,374	111,112	75,741
Lofts 590	Arlington	Pentagon Row	89,336	105,206	96,083
Archstone Santa Monica on Main	West Los Angeles	Santa Monica	83,728	79,762	100,907
Archstone Belltown	Seattle	Seattle Center	63,678	63,640	74,355
Archstone South Market	San Francisco	SoMa	87,359	62,018	94,812
<b>National 2008 Estimated Household Income</b>			<b>\$67,918</b>		
<b>Mean</b>			<b>\$90,454</b>	<b>\$100,062</b>	<b>\$96,523</b>
<b>Premium / (Discount) to National Average</b>			<b>33.2%</b>	<b>47.3%</b>	<b>42.1%</b>

# Platform Value

## ASN has a greater value of assets under management than any public multifamily REIT

### Components of Platform Value

- ◆ Significant value is embedded in the operating businesses of the enterprise
  - Asset management businesses
    - Annuitized fee streams
    - Promoted share of upside upon sale or recapitalization
  - Merchant-build development model
    - Recurring profits akin to a manufacturing business
    - Development and project management fees
    - Promoted share of upside upon sale or recapitalization

### Platform Value Overview

- ◆ An independent research firm estimated ASN's platform value at \$2.4bn, the most valuable platform of any public apartment REIT [Green Street Advisors, June 14, 2007]

Company	Components of Platform Value		Total
	Development	Asset Management	
Archstone	\$1,800,000	\$572,000	\$2,372,000
AvalonBay Communities	1,600,000	347,000	1,947,000
Equity Residential	360,000	528,000	888,000
BRE Properties	240,000	155,000	395,000
Post Properties	180,000	66,000	246,000
Essex Properties	90,000	142,000	232,000

### Asset Management: Comparable Company Analysis

- ◆ Archstone has built an asset management platform significantly more robust than any of its public REIT peers
  - Since acquisition, ASN has aggressively grown and diversified its asset management businesses
    - Irvine Joint Venture (\$1.5bn), Germany Fund (\$1.0bn), Mezzanine Fund (\$350mm)

Company	REIT Joint Ventures			
	W.A. Ownership	Total Projects	Total Units	Total Capital Investment
AvalonBay Communities (1)	17.4%	24	5,276	\$1,104,608
Equity Residential (2)	25.0%	44	10,446	NA
BRE Properties	NA	13	4,080	NA
Post Properties (3)	29.7%	6	1,884	361,038
Essex Properties (4)	28.2%	15	2,965	526,602
<b>Archstone</b>	<b>Varies</b>	<b>49</b>	<b>16,921</b>	<b>\$4,775,835</b>

1. Includes the 20 properties in the AvalonBay Value Added Fund, three operating properties and one development asset.

2. Weighted average ownership is implied based on EQR's share of unconsolidated debt.

3. Includes five apartment assets and one condominium project that is currently under development and will be completed in 2009.

4. Total units and total capital investment do not include one development asset that is in the preliminary stages of construction.



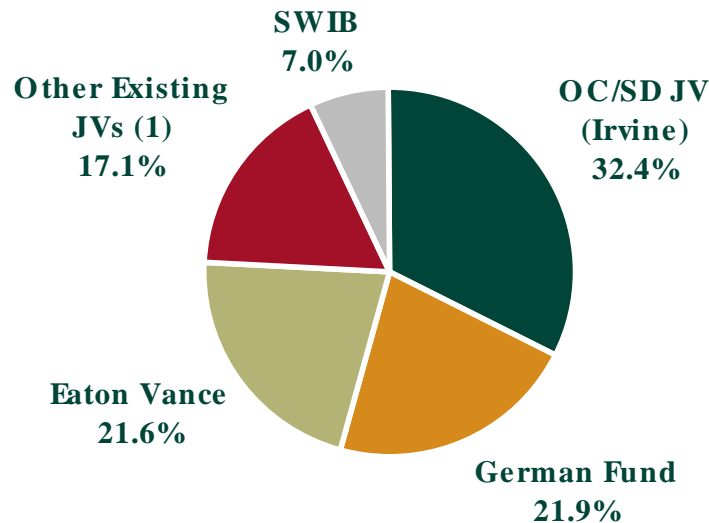
# Asset Management Platform

Archstone has capitalized a diverse group of asset management vehicles with a roster of globally recognized institutional investors

## Existing Value of Assets Under Management

(\$ in millions)

	Existing AUM	
	\$	%
OC/SD JV (Irvine)	\$1,546	32.4%
German Fund	1,045	21.9%
Eaton Vance	1,032	21.6%
Other Existing JVs (1)	819	17.2%
SWIB	334	7.0%
<b>Total Value of AUM</b>	<b>\$4,776</b>	<b>100.0%</b>



## Asset Management Detail

- ◆ OC/SD Irvine JV (16 assets / \$1.5 billion Gross Value)
  - 90% / 10% JV formed concurrently with Merger
  - Investments in Orange County and San Diego
- ◆ German Portfolio (10,243 Units / \$1.0 billion Gross Value)
  - Comingled institutional equity fund, established May 2007 with ASN target ownership of 15%
  - Primarily located in former West Germany and Berlin
- ◆ Eaton Vance JV (23 Assets / \$1.0 billion Gross Value)
  - 75% / 25% JV formed in 2006 to invest primarily in southeastern markets
- ◆ Other Core JV's (4 Assets / \$819 million Gross Value)
  - Consists of four single property joint ventures in New York, San Diego, and Virginia
- ◆ SWIB JV (6 Assets / \$334 million Gross Value)
  - 80% / 20% Joint Venture with investments in Florida, Texas and Orange County, California

# Asset Management Platform

Archstone continues to enhance its return profile by growing fee and promote based asset management businesses

## Asset Management Platform

- ◆ Existing asset management businesses will generate an ongoing fee stream of approximately \$13.2mm/yr
- ◆ A promoted share of the upside in these deals is typically retained by Archstone
- ◆ Archstone is aggressively seeking to grow fee generating opportunities
  - A major institutional investor is currently in advanced negotiations around forming a mezzanine debt fund

## Asset Management Fee Overview

	Property Management (1)		Asset Management		Total
	% of GPR	\$	% Fee	\$	Fees
OC/SD JV (Irvine)	2.75%	\$1,073,546	0.35% on LP Equity	\$1,521,450	\$2,594,996
German Fund (2)	-	-	0.60% on GAV	6,980,373	6,980,373
Eaton Vance	4.00%	1,513,965	-	-	1,513,965
Other Existing JVs	2.50% - 3.50%	500,141	-	-	500,141
SWIB	4.00%	518,560	7.25% on NOI	1,090,588	1,609,149
<b>Subtotal Fees-in-Place</b>		<b>\$3,606,212</b>		<b>\$9,592,411</b>	<b>\$13,198,623</b>
Mezzanine Fund (3)		1.00% origination fee + 0.50% servicing fee		\$2,125,000	\$2,125,000
<b>Total Incl. Mezzanine Platform</b>		<b>\$3,606,212</b>		<b>\$11,717,411</b>	<b>\$15,323,623</b>

1. Property management fees shown are net of a corporate G&A allocation of \$300/unit per year.

2. German Fund asset management fees are offset by approximately \$4.3mm of net annual G&A, resulting in net asset management fees of \$2.3mm/yr.

3. Mezzanine Fund fees assume stabilized run-rate of fully invested series of funds; FY08 fees estimated to be \$562k.

# Development Platform

Archstone has assembled an impressive \$5.1bn development pipeline in the nation's strongest markets

## Pipeline by Market

Metro Area / Region	Units	Total Expected Investment	% of Total
Washington, D.C.	4,819	\$2,337,342	45.5%
Southern California	2,359	930,788	18.1%
Texas, SE & Other	5,111	877,840	17.1%
Boston	1,428	696,383	13.6%
San Francisco	592	272,555	5.3%
New York	-	20,964	0.4%
<b>Total</b>	<b>14,309</b>	<b>\$5,135,871</b>	<b>100.0%</b>

## Pipeline by Stage of Completion

Development Stage	Units	Total Expected Investment	Total
Under Construction	4,382	\$1,351,290	26.3%
In Planning	8,608	3,241,840	63.1%
Land Owned	-	177,437	3.5%
Redevelopment	721	272,505	5.3%
JV Equity	598	92,800	1.8%
<b>Total</b>	<b>14,309</b>	<b>\$5,135,871</b>	<b>100.0%</b>

## Comparable Company Analysis

(\$ in thousands)

Company	Development Units			Capital Cost			Green Street Advisors Estimates (1)	
	Under Construction	Planning/ Pipeline	Total	Under Construction	Planning/ Pipeline	Total	Estimated Nominal Yield	Dev. Pipeline as % of Oper. R.E.
AvalonBay Communities	7,016	13,266	20,282	\$2,209.7	\$3,914.0	\$6,123.7	6.1%	17%
Equity Residential (2) (3)	4,484	NA	4,484	1,703.5	368.5	2,072.0	6.7%	8%
BRE Properties	1,097	2,751	3,848	366.9	1,030.3	1,397.2	5.9%	7%
Post Properties (4)	2,116	3,311	5,427	358.7	760.0	1,118.7	6.3%	16%
Essex Properties (5)	1,658	1,452	3,110	615.3	342.9	958.2	6.3%	10%
<b>Total Comps - Mean</b>	<b>3,274</b>	<b>5,195</b>	<b>7,430</b>	<b>\$1,050.8</b>	<b>\$1,283.1</b>	<b>\$2,334.0</b>	<b>6.3%</b>	<b>12%</b>
<b>Total Comps - Median</b>	<b>2,116</b>	<b>3,031</b>	<b>4,484</b>	<b>\$615.3</b>	<b>\$760.0</b>	<b>\$1,397.2</b>	<b>6.3%</b>	<b>10%</b>
<b>Archstone (6)</b>	<b>4,382</b>	<b>9,927</b>	<b>14,309</b>	<b>\$1,351.3</b>	<b>\$3,784.6</b>	<b>\$5,135.9</b>	<b>6.5%</b>	<b>8%</b>

1. Source: Company filings.

2. Source: SNL Financial.

3. Mid-point of company's guidance.

4. Archstone unit count represents current core operating units at pro rata share



# Peer Operating Performance

Asset level operating fundamentals continue to deliver results in-line with the peer group

## Comparable Company Analysis – Operations

Company	Enterprise Value	Units Owned (1)	Occupancy (2)		In-Place Rent/Unit	1Q08 Same Store y-o-y (2)			2008 Same Store y-o-y (3)		
			Current	y-o-y Change		Revenue Growth	Expense Growth	NOI Growth	Revenue Growth	Expense Growth	NOI Growth
AvalonBay Communities	\$11,089,270	45,151	96.4%	0.3%	\$1,897	4.4%	4.2%	4.4%	3.3%	2.5%	3.8%
Essex Properties	5,032,742	28,621	95.9%	0.4%	1,354	5.7%	4.4%	6.4%	3.8%	3.3%	4.5%
BRE Properties	4,567,758	26,760	94.3%	1.0%	1,412	4.6%	5.6%	4.2%	4.3%	3.5%	4.3%
<b>Primary Comps - Mean</b>			<b>95.5%</b>	<b>0.6%</b>	<b>\$1,554</b>	<b>4.9%</b>	<b>4.7%</b>	<b>5.0%</b>	<b>3.8%</b>	<b>3.1%</b>	<b>4.2%</b>
<b>Primary Comps - Median</b>			<b>95.9%</b>	<b>0.4%</b>	<b>\$1,412</b>	<b>4.6%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>3.8%</b>	<b>3.3%</b>	<b>4.3%</b>
Equity Residential	\$21,633,446	149,769	94.4%	(0.4%)	\$1,284	3.5%	1.6%	4.7%	3.5%	2.9%	3.9%
AIMCO	11,261,823	127,116	94.8%	0.4%	934	3.6%	4.0%	3.4%	3.0%	2.5%	3.5%
United Dominion	6,662,603	43,559	94.6%	0.6%	1,168	5.0%	0.5%	7.7%	4.3%	3.3%	5.3%
Camden Property Trust	5,981,739	62,918	93.8%	(0.7%)	948	1.5%	1.6%	1.4%	2.5%	3.1%	2.8%
Home Properties of N.Y.	4,470,912	36,898	94.9%	0.5%	1,116	3.5%	3.0%	4.0%	3.5%	3.6%	3.5%
Post Properties	2,633,989	19,206	94.5%	0.5%	1,287	3.1%	5.1%	1.9%	3.3%	NA	NA
<b>Total Comps - Mean</b>			<b>94.8%</b>	<b>0.3%</b>	<b>\$1,267</b>	<b>3.9%</b>	<b>3.3%</b>	<b>4.2%</b>	<b>3.5%</b>	<b>3.1%</b>	<b>3.9%</b>
<b>Total Comps - Median</b>			<b>94.6%</b>	<b>0.4%</b>	<b>\$1,284</b>	<b>3.6%</b>	<b>4.0%</b>	<b>4.2%</b>	<b>3.5%</b>	<b>3.2%</b>	<b>3.8%</b>
<b>Archstone (4)</b>		<b>53,090</b>	<b>94.3%</b>	<b>(0.2%)</b>	<b>\$1,605</b>	<b>5.1%</b>	<b>7.9%</b>	<b>3.7%</b>	<b>5.0%</b>	<b>4.2%</b>	<b>5.5%</b>

1. Source: Company filings.

2. Source: SNL Financial.

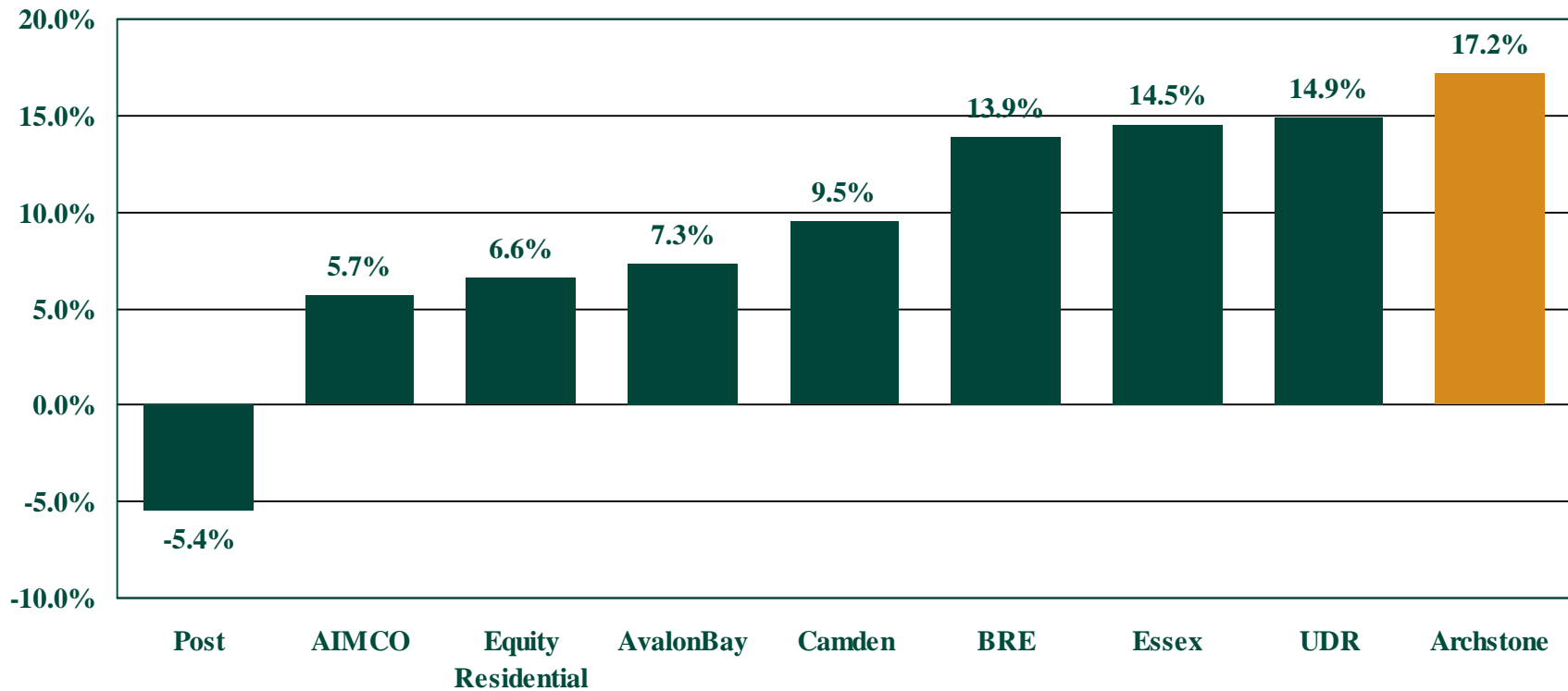
3. Mid-point of company's guidance.

4. Archstone unit count represents current core operating units at pro rata share

# Historical Operating Performance

Archstone has consistently delivered superior operating performance relative to its public REIT peer group

Cumulative Same-Store NOI Growth 2001-2007



# Asset Sales

Archstone will continue to execute strategic asset sales and joint ventures to retire debt and enhance the liquidity position of the Company

## Asset Sales to Date

Property	Sale Date	Total Units	2008 Budget NOI (at % share)	TS ALLOCATION (\$1B Targeted)			LB ALLOCATIONS (\$1B PV Pro Rata)			SALES PRICE			VARIANCE TO TS PP		VARIANCE TO LB PP	
				Value (at % share)	Per Unit	2008 Cap Rate	Value (at % share)	Per Unit	2008 Cap Rate	Value (at % share)	Per Unit	2008 Cap Rate	\$ Var	% Var	\$ Var	% Var
Archstone Escondido	10/05/07	264	2,014,621	49,695,157	209,155	4.05%	46,635,236	196,276	4.32%	49,695,157	209,155	4.05%	-	0.00%	3,059,921	6.56%
Archstone Harborview	10/05/07	387	3,633,282	101,197,410	290,547	3.59%	94,966,299	272,657	3.83%	101,197,410	290,547	3.59%	-	0.00%	6,231,111	6.56%
Archstone La Jolla	10/05/07	296	3,221,162	94,872,572	356,128	3.40%	89,030,905	334,200	3.62%	94,872,572	356,128	3.40%	-	0.00%	5,841,667	6.56%
Archstone Mission Valley	10/05/07	736	8,342,478	236,729,655	357,382	3.52%	222,153,306	335,376	3.76%	236,729,655	357,382	3.52%	-	0.00%	14,576,349	6.56%
Archstone Pacific View	10/05/07	451	4,842,266	145,471,277	358,392	3.33%	136,514,055	336,324	3.55%	145,471,277	358,392	3.33%	-	0.00%	8,957,222	6.56%
Archstone Seascapes	10/05/07	208	1,813,986	45,177,415	241,332	4.02%	42,395,669	226,473	4.28%	45,177,415	241,332	4.02%	-	0.00%	2,781,746	6.56%
Archstone Torrey Hills	10/05/07	340	4,128,960	110,232,893	360,238	3.75%	103,445,433	338,057	3.99%	110,232,893	360,238	3.75%	-	0.00%	6,787,460	6.56%
Archstone UTC - San Diego	10/05/07	328	3,263,611	84,029,992	284,654	3.88%	78,855,945	267,127	4.14%	84,029,992	284,654	3.88%	-	0.00%	5,174,048	6.56%
Archstone Aliso Town Center	10/05/07	192	1,634,357	45,177,415	261,443	3.62%	42,395,669	245,345	3.86%	45,177,415	261,443	3.62%	-	0.00%	2,781,746	6.56%
Archstone Aliso Viejo	10/05/07	241	2,546,072	67,766,123	312,430	3.76%	63,593,504	293,193	4.00%	67,766,123	312,430	3.76%	-	0.00%	4,172,619	6.56%
Archstone Fountain Valley	10/05/07	182	1,700,691	43,370,319	264,776	3.92%	40,699,842	248,473	4.18%	43,370,319	264,776	3.92%	-	0.00%	2,670,476	6.56%
Archstone Huntington Beach	10/05/07	152	1,385,581	37,045,480	270,800	3.74%	34,764,449	254,126	3.99%	37,045,480	270,800	3.74%	-	0.00%	2,281,032	6.56%
Archstone Las Flores	10/05/07	504	4,515,978	124,689,666	274,889	3.62%	117,012,047	257,963	3.86%	124,689,666	274,889	3.62%	-	0.00%	7,677,619	6.56%
Archstone Mission Viejo	10/05/07	216	1,995,567	63,248,381	325,352	3.16%	59,353,937	305,319	3.36%	63,248,381	325,352	3.16%	-	0.00%	3,894,444	6.56%
Archstone Placentia Place	10/05/07	416	3,985,207	104,811,603	279,946	3.80%	98,357,952	262,708	4.05%	104,811,603	279,946	3.80%	-	0.00%	6,453,651	6.56%
Archstone Tustin	10/05/07	160	1,373,907	37,949,029	263,535	3.62%	35,612,362	247,308	3.86%	37,949,029	263,535	3.62%	-	0.00%	2,336,667	6.56%
The Metro (Zanjero)	11/15/07	253	2,282,100	41,240,000	163,004	5.53%	41,240,000	163,004	5.53%	41,200,000	162,846	5.54%	(40,000)	(0.10%)	(40,000)	(0.10%)
Arbor Vista	12/17/07	379	1,106,369	15,800,000	41,689	7.00%	11,587,858	30,575	9.55%	15,800,000	41,689	7.00%	-	0.00%	4,212,142	36.35%
Hedges Creek	12/27/07	408	657,817	13,812,500	135,417	4.76%	13,812,500	135,417	4.76%	13,800,000	135,294	4.77%	(12,500)	(0.09%)	(12,500)	(0.09%)
Westchester at Buckhead	12/27/07	408	2,099,153	48,200,000	118,137	4.36%	48,200,000	118,137	4.36%	48,200,000	118,137	4.36%	-	0.00%	-	0.00%
Crystal Square	12/27/07	377	5,394,877	122,657,095	325,350	4.40%	122,251,899	324,276	4.41%	121,969,670	323,527	4.42%	(687,425)	(0.56%)	(282,229)	(0.23%)
The Bennington	12/27/07	348	4,317,056	93,619,905	269,023	4.61%	94,247,909	270,827	4.58%	94,030,330	270,202	4.59%	410,425	0.44%	(217,579)	(0.23%)
Wharf Holiday Inn	01/31/08	n/a	3,224,650	53,300,000	-	6.05%	53,300,000	-	6.05%	53,300,000	-	6.05%	-	0.00%	-	0.00%
Archstone Harbour Pointe	02/26/08	230	2,129,211	40,846,600	177,594	5.21%	40,620,546	176,611	5.24%	40,850,000	177,609	5.21%	3,400	0.01%	229,454	0.56%
Emeryville Watertower	03/07/08	n/a	-	3,500,000	-	0.00%	3,500,000	-	0.00%	3,500,000	-	0.00%	-	0.00%	-	0.00%
Parkway Plaza	04/09/08	113	875,381	16,942,000	149,929	5.17%	18,076,014	159,965	4.84%	17,150,000	151,770	5.10%	208,000	1.23%	(926,014)	(5.12%)
Ontario Inland	05/07/08	n/a	-	18,000,000	-	0.00%	18,000,000	-	0.00%	17,200,000	-	0.00%	(800,000)	(4.44%)	(800,000)	(4.44%)
Archstone Woodsong	05/30/08	262	2,177,556	47,900,000	182,824	4.55%	52,198,114	199,229	4.17%	44,000,000	167,939	4.95%	(3,900,000)	(8.14%)	(8,198,114)	(15.71%)
<b>Total: Closed Deals</b>		<b>7,851</b>	<b>74,661,897</b>	<b>1,907,282,486</b>	<b>260,381</b>	<b>3.96%</b>	<b>1,822,821,448</b>	<b>248,380</b>	<b>4.14%</b>	<b>1,902,464,386</b>	<b>259,810</b>	<b>3.97%</b>	<b>(4,818,100)</b>	<b>(0.25%)</b>	<b>79,642,938</b>	<b>4.37%</b>

# Asset Sales

**An additional \$2.0bn of assets are under contract or in negotiation with a prospective buyer;  
Net sales proceeds anticipated to be \$800mm (\$376mm at Lehman share)**

## Assets Under Contract and in Negotiation

Property	Anticipated Close	Total Units	2008 Budget NOI (at % share)	LB ALLOCATION (\$1B PV Pro Rata)			HIGH BID			VARIANCE TO LB PP		DEBT		
				Value (at % share)	Per Unit	2008 Cap Rate	Value (at % share)	Per Unit	2008 Cap Rate	\$ Var	% Var	Release Price = Mortgage	110% Mezz	1.50% Net Proceeds
<b>Assets Under Contract</b>														
Archstone San Jose	06/27/08	948	9,199,444	237,395,090	250,417	3.88%	192,500,000	203,059	4.78%	(44,895,090)	(18.9%)	155,328,800	36,323,133	(2,039,433)
Summit	08/11/08	366	2,309,795	43,223,787	118,098	5.34%	40,750,000	111,339	5.67%	(2,473,787)	(5.7%)	14,850,000	-	25,288,750
Archstone Monterey Grove	06/30/08	224	2,528,867	57,997,905	258,919	4.36%	56,000,000	250,000	4.52%	(1,997,905)	(3.4%)	40,146,700	6,675,711	8,337,589
Archstone 2000 Commonwealth	06/30/08	188	3,308,371	72,482,050	385,543	4.56%	67,000,000	356,383	4.94%	(5,482,050)	(7.6%)	51,080,049	4,864,089	10,050,862
Apartments at Sunset	06/27/08	453	3,298,792	58,615,247	129,393	5.63%	51,375,000	113,411	6.42%	(7,240,247)	(12.4%)	41,327,417	3,913,846	5,363,112
Essex Garage	1Q09	-	1,500,000	30,000,000	-	5.00%	30,000,000	-	5.00%	-	0.0%	-	-	29,550,000
Governors Green	06/26/08	-	5,796,999	101,000,000	-	5.74%	93,000,000	-	6.23%	(8,000,000)	(7.9%)	-	-	91,605,000
Archstone Walnut Creek Station	08/20/08	360	3,205,819	82,177,224	228,270	3.90%	82,500,000	229,167	3.89%	322,776	0.4%	57,912,499	5,514,708	17,835,293
Archstone Walnut Creek	08/20/08	510	5,113,827	119,451,500	234,219	4.28%	113,000,000	221,569	4.53%	(6,451,500)	(5.4%)	84,220,783	7,975,991	19,108,226
Archstone Walnut Ridge	08/20/08	106	1,168,377	30,707,823	289,696	3.80%	29,200,000	275,472	4.00%	(1,507,823)	(4.9%)	21,026,227	2,675,126	5,060,647
Archstone Stamford	07/01/08	160	2,983,396	66,324,487	414,528	4.50%	53,650,000	335,313	5.56%	(12,674,487)	(19.1%)	44,308,000	8,367,212	170,038
Worldgate	06/26/08	-	3,659,098	69,000,000	-	5.30%	58,000,000	-	6.31%	(11,000,000)	(15.9%)	-	-	57,130,000
Ellipse	06/26/08	-	4,802,330	93,000,000	-	5.16%	76,000,000	-	6.32%	(17,000,000)	(18.3%)	-	-	74,860,000
Waltham	06/30/08	207	2,052,389	38,500,000	185,990	5.33%	36,000,000	173,913	5.70%	(2,500,000)	(6.5%)	37,888,000	-	(2,428,000)
Archstone Fairfax	08/12/08	-	-	32,500,000	-	0.00%	28,634,002	-	0.00%	(3,865,998)	(11.9%)	30,498,382	-	(2,293,890)
One Superior Place	08/12/08	-	-	54,500,000	-	0.00%	50,365,998	-	0.00%	(4,134,002)	(7.6%)	18,446,602	-	31,163,906
Hogg Farm	1Q09	-	-	4,500,000	-	0.00%	4,675,900	-	0.00%	175,900	3.9%	-	-	4,605,762
Lakeshore East Land	1Q09	-	-	19,000,000	-	0.00%	19,000,000	-	0.00%	-	0.0%	-	-	18,715,000
<b>Total: Assets Under Contract</b>				<b>\$1,210,375,112</b>		<b>4.63%</b>	<b>\$1,081,650,900</b>		<b>5.20%</b>	<b>(128,724,212)</b>	<b>(10.6%)</b>	<b>\$597,033,458</b>	<b>\$76,309,816</b>	<b>\$392,082,862</b>
<b>Deals in Negotiation</b>														
Crystal House		827	8,881,670	218,431,118	264,125	4.07%	175,652,000	212,397	5.06%	(42,779,118)	(19.6%)	139,328,125	29,264,520	4,424,575
Crystal Plaza		537	8,206,858	183,184,717	341,126	4.48%	159,690,000	297,374	5.14%	(23,494,717)	(12.8%)	129,095,193	12,293,069	15,906,388
Crystal Towers		915	11,781,705	301,670,562	329,695	3.91%	266,560,000	291,322	4.42%	(35,110,562)	(11.6%)	192,423,106	40,416,605	29,721,890
Lofts 590		212	3,409,729	85,557,016	403,571	3.99%	67,912,000	320,340	5.02%	(17,645,016)	(20.6%)	54,573,263	11,462,583	857,474
Lofts at Crystal Houses		-	-	20,000,000	-	0.00%	10,186,000	-	0.00%	(9,814,000)	(49.1%)	-	-	10,033,210
<b>Crystal City Portfolio</b>		<b>2,491</b>	<b>32,279,962</b>	<b>808,843,413</b>	<b>324,706</b>		<b>680,000,000</b>	<b>272,983</b>		<b>(128,843,413)</b>	<b>(15.9%)</b>	<b>515,419,686</b>	<b>93,436,777</b>	<b>60,943,536</b>
Archstone Reading		204	2,562,636	53,207,580	260,821	4.82%	54,750,000	268,382	4.68%	1,542,420	2.9%	40,000,000	-	13,928,750
Archstone Gaithersburg		648	6,112,441	124,492,516	192,118	4.91%	109,000,000	168,210	5.61%	(15,492,516)	(12.4%)	43,839,213	-	63,525,787
Archstone Vanoni Ranch		316	3,894,057	105,465,560	333,752	3.69%	90,000,000	284,810	4.33%	(15,465,560)	(14.7%)	76,063,900	9,138,838	3,447,262
<b>Total: Deals in Negotiation</b>				<b>1,092,009,068</b>		<b>4.18%</b>	<b>933,750,000</b>		<b>4.86%</b>	<b>(158,259,068)</b>	<b>(14.5%)</b>	<b>675,322,799</b>	<b>102,575,616</b>	<b>141,845,335</b>
<b>Total Net Sales Proceeds to Banks</b>														<b>\$799,646,613</b>
<b>Lehman Share</b>														<b>\$375,662,661</b>

# Net Paydowns

A combination of asset sales and financing is anticipated to produce \$1.8bn of net proceeds to the bank group (\$822mm at Lehman share)

## Anticipated Net Paydowns

### Archstone: Anticipated Paydowns

Source	Sale / Financing Amount	Paydown to:						Total to Banks	Lehman Share
		Mortgage (110%)	Mezz (110%)	Ground Lease	Development	Term Loan A	Revolver		
<b>Asset Sales</b>									
Under Contract (1)	\$1,081,650,900	\$510,200,474	\$76,309,816	\$48,944,984	\$56,603,000	\$144,027,197	\$229,340,665	\$555,225,662	\$260,898,739
In Negotiation	933,750,000	675,322,799	102,575,616	-	-	70,922,667	70,922,667	244,420,951	114,763,921
Related / NYC (2)	1,330,000,000	\$915,160,000	-	-	-	197,445,000	197,445,000	394,890,000	184,436,858
<b>Subtotal Asset Sales</b>	<b>\$3,345,400,900</b>	<b>\$2,100,683,273</b>	<b>\$178,885,432</b>	<b>\$48,944,984</b>	<b>\$56,603,000</b>	<b>\$412,394,865</b>	<b>\$497,708,332</b>	<b>\$1,194,536,613</b>	<b>\$560,099,518</b>
<b>Financings</b>									
NYC / Fannie 2nds	\$175,000,000	-	-	-	-	\$175,000,000	-	\$175,000,000	\$80,703,196
Northpoint I	-	-	-	-	-	140,000,000	-	140,000,000	64,562,557
Prudential	84,000,000	-	-	-	84,000,000	-	-	84,000,000	39,728,348
TIAA-CREF	71,000,000	-	-	-	71,000,000	-	-	71,000,000	33,579,913
Calabasas 2nd	61,000,000	-	-	-	-	61,000,000	-	61,000,000	28,130,828
Misc. Land Loans	32,761,910	-	-	-	32,761,910	-	-	32,761,910	15,494,959
<b>Subtotal Financings</b>	<b>\$423,761,910</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$187,761,910</b>	<b>\$376,000,000</b>	<b>\$0</b>	<b>\$563,761,910</b>	<b>\$262,199,801</b>
<b>Total</b>	<b>\$3,769,162,810</b>	<b>\$2,100,683,273</b>	<b>\$178,885,432</b>	<b>\$48,944,984</b>	<b>\$244,364,910</b>	<b>\$788,394,865</b>	<b>\$497,708,332</b>	<b>\$1,758,298,523</b>	<b>\$822,299,319</b>
Current Balances (3)			\$1,034,819,705	\$76,000,000	\$408,185,015	\$1,166,195,504	\$555,000,000	\$3,240,200,224	\$1,518,718,083
Anticipated Paydowns			(178,885,432)	(48,944,984)	(244,364,910)	(788,394,865)	(497,708,332)	(1,758,298,523)	(822,299,319)
<b>Ending Balances</b>			<b>\$855,934,273</b>	<b>\$27,055,016</b>	<b>\$163,820,105</b>	<b>\$377,800,639</b>	<b>\$57,291,668</b>	<b>\$1,481,901,701</b>	<b>\$696,418,764</b>
<i>Lehman Share</i>			<i>\$404,819,697</i>	<i>\$12,795,846</i>	<i>\$77,479,787</i>	<i>\$174,226,966</i>	<i>\$27,096,468</i>		

1. Assumes first \$93.7mm of net asset sales proceeds are redirected to pay down revolver and incremental TLB commitment is reduced by a like amount.
2. Assumes Related / NYC sale is executed at a price of \$1.33bn with ASN providing bridge equity for 40% of the equity.
3. Revolver balance anticipated to be \$555mm as of 06/20/08; outstandings requiring paydown will be dependent on timing of asset sales.

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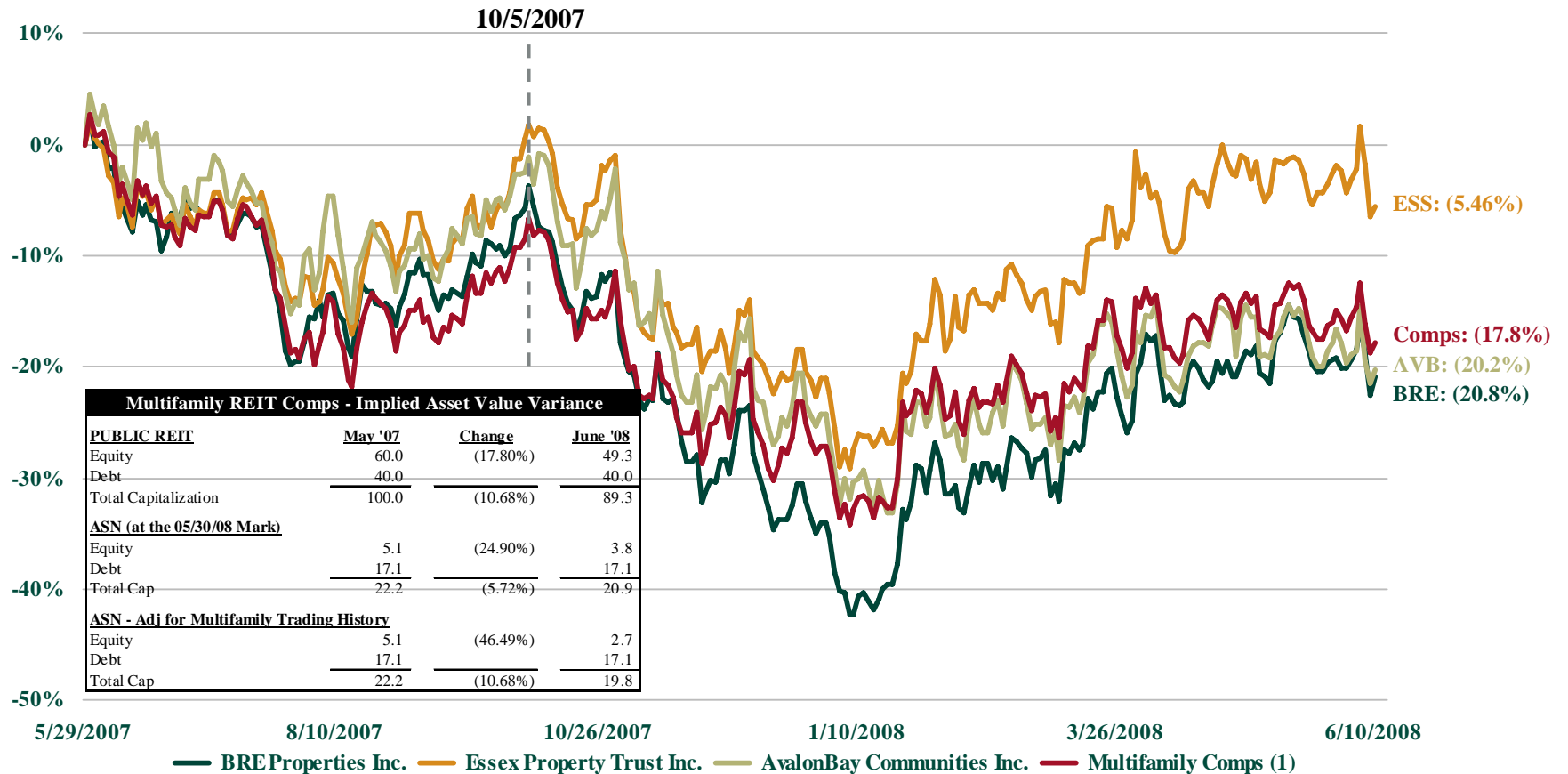
## Appendix: Archstone Exposure Summary



# Multifamily REITs – Total Return

## Multifamily REITs – Total Return

Indexed Price



1. Multifamily Comps include: AIMCO (AIV), Associated Estates (AEC), AvalonBay Communities (AVB), BRE Properties (BRE), Camden Property Trust (CPT), Equity Residential (EQR), Essex Properties (ESS), Home Properties (HME), Mid-America Apartments (MAA), Post Properties (PPS) and UDR (UDR).

# Archstone: Financial Summary

(\$ in millions)

## Overview

Property Type:	Multifamily
Location:	Nationwide
Transaction Value:	\$22.2 Bn
Sponsors:	Tishman Speyer & Lehman
Lehman Role:	Advisory
	Debt Financing (47%) (1)
	Bridge Equity

## Initial Capitalization

	Lehman \$ Amount	Total \$ Amount	% of Total
Mortgage Debt (2)	\$272.4	\$9,529.2	43.0%
Mezzanine Debt	505.7	1,096.7	4.9%
Assumed Debt	-	1,390.9	6.3%
Term Loans	2,253.2	4,764.0	21.5%
Preferred Equity	-	292.0	1.3%
<b>Total Debt &amp; Pfd.</b>	<b>\$3,031.3</b>	<b>\$17,072.8</b>	<b>77.0%</b>
Bridge Equity	\$2,142.0	\$4,600.0	20.7%
Lehman (GP) (3)	245.9	250.0	1.1%
Tishman Speyer (GP)	-	250.0	1.1%
<b>Total Equity</b>	<b>\$2,387.9</b>	<b>\$5,100.0</b>	<b>23.0%</b>
<b>Total Capitalization</b>	<b>\$5,419.2</b>	<b>\$22,172.8</b>	

## Fees & Marks

Advisory Fees	\$30.1
Origination & Bridge Equity Fees	203.0
<b>Total Fees</b>	<b>\$233.1</b>
Marks to date (5)	\$628.0

1. Other lenders include: B of A (28%) and Barclay's (25%)
2. Includes development acquisition and ground lease loans.
3. Includes \$4.1mm of ASN management rollover equity.
4. Includes \$44.3mm draw projected by end of June and \$70.4mm that may only be used to fund OID upon sale of the term loans.
5. Includes fees and the mark realized in IMD

## Lehman Exposure as of May 31, 2008

Type	Term	Rate	Initial	Repaid	Current Hold	Carrying (Mrkt) Value	
						\$	%
<b>Funded Debt</b>							
Mortgage Debt (floating) (2)	2, 5	L + 247	\$272.4	(\$43.4)	\$229.0	\$218.8	95.5%
Mezzanine Debt (fixed)	5, 7, 10	S + 272	242.3	-	242.3	239.9	99.0%
Mezzanine Debt (floating)	5 yrs	L + 288	263.3	(15.3)	248.0	245.5	99.0%
Term Loans	4, 5	L + 316	2,253.2	(288.9)	1,964.3	1,940.6	98.8%
<b>Funded Permanent Debt</b>			<b>\$3,031.3</b>	<b>(\$347.6)</b>	<b>\$2,683.6</b>	<b>\$2,644.8</b>	<b>98.6%</b>
Revolver	5 yrs	L + 300	-	237.1	237.1	234.9	99.1%
<b>Total Funded Debt</b>			<b>\$3,031.3</b>	<b>(\$110.5)</b>	<b>\$2,920.7</b>	<b>\$2,879.7</b>	<b>98.5%</b>
<b>Funded Equity</b>							
Bridge Equity			\$2,142.0	-	\$2,142.0	\$1,609.0	75.1%
Lehman (GP)			245.9	-	245.9	184.9	75.2%
<b>Total Equity</b>			<b>\$2,387.9</b>		<b>\$2,387.9</b>	<b>\$1,793.9</b>	<b>75.1%</b>
<b>Total Funded Exposure</b>			<b>\$5,419.2</b>		<b>\$5,308.6</b>	<b>\$4,673.6</b>	<b>88.0%</b>
<b>Unfunded Commitments</b>							
Revolver	5 yrs	L + 300	\$354.7	(\$237.1)	\$117.6		
Incremental Term Loan (4)	5 yrs	L + 325	114.7	-	114.7		
<b>Total Equity</b>			<b>\$469.4</b>	<b>(\$237.1)</b>	<b>\$232.3</b>		
<b>Total Exposure</b>			<b>\$5,888.6</b>		<b>\$5,540.9</b>		

## Exit Strategy & Other Comments

- ◆ Majority of senior mortgage debt placed with Fannie & Freddie
- ◆ Asset-level mezzanine debt of \$1.04Bn (Lehman: \$490mm) to be opportunistically sold to mezz buyers and/or repaid with proceeds from asset sales
- ◆ Term loan marketing has been postponed
  - Initial term loan reduced \$582mm (Lehman: \$289mm) through asset sales
- ◆ Company is aggressively pursuing asset sales to repay debt
  - \$1.9Bn sold to date; \$410mm under contract or LOI; \$3.0Bn currently in the market
- ◆ Lehman evaluating all strategic alternatives for equity including M&A and IPO

LEHMAN BROTHERS

# Archstone: Carrying Value Analysis

The Archstone Bridge Equity has been marked to 75.1% of par, representing \$533mm of marks to date

## Key Assumptions

- ◆ Syndication of Bridge Equity assumed to occur on 12/31/08
- ◆ Debt assumed to be priced as follows:
  - Term Loan A is assumed to be repaid at par through asset sales and asset level refinancings.
  - Term Loan B is syndicated at 90% OID
  - Asset level mezzanine debt is syndicated at credit spreads of 450bps.

## Bridge Equity Basis and Carrying Value

Position	Historical Basis	Mark	Carrying Value
Archstone	\$2,142,020,000	75.12%	\$1,609,000,000

## Investor Returns and Implied Discount Analysis

Base Case <sup>(1)(2)</sup>		Failed Syndication Remedies <sup>(3)</sup>			05/31/08 Mark			Exit Cap Rate Sensitivity <sup>(5)</sup>			
Projected IRR	Implied \$Discount <sup>(4)</sup>	Projected IRR	Incremental IRR	Cumulative \$Discount <sup>(4)</sup>	Projected IRR	Incremental IRR	Cumulative \$Discount <sup>(4)</sup>	Base Case Exit Cap Rate is 4.82%			
								+25bps	+50bps	+75bps	+100bps
13.69%	(\$317,274,125)	15.44%	175 bps	(\$501,912,102)	21.82%	638 bps	(\$1,015,735,434)	20.14%	18.52%	16.90%	15.25%

1. Assumes Syndication Investors redeem outstanding LB Bridge Equity on 12/31/08 without paying Bridge Equity carry. Returns are calculated starting 12/31/08.

2. Assumes flex exercised on debt as follows: Term Loan B is syndicated at 90% OID and asset level mezzanine debt is syndicated at credit spreads of 450bps. Term Loan A is assumed to be repaid at par through asset sales and asset level refinancings.

3. Eliminate asset management fee and promote.

4. Reflects implied equity discount required to achieve the respective investor IRR assuming base case cash flows.

5. Assumes assets currently being marketed have been marked to current market values based on market feedback and clearing price visibility (includes \$410mm under contract, \$1.5bn in negotiation, and \$1.3bn NYC portfolio), and cap rate sensitivities are applied to the balance of the core portfolio.

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## **Appendix: Selected Commentary From 1Q08 REIT Earnings Calls**

# Peer Operating Performance

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## 1Q08 REIT Operating Update

### ◆ Avalon Bay

"Our same store portfolio performed largely as expected with revenue growth of 4.4%, expense growth of 4.2%, resulting in **NOI growth of 4.4%**. Overall the portfolio remains well positioned, with solid occupancy averaging 96.4% for the quarter. **The strongest regions continue to be Northern California and Seattle, both posting double-digit NOI growth.** In fact, if you look at the portfolio performance, it really is a tale of two coasts, with the West Coast reporting average revenue growth at twice the rate of the East Coast; 6.5% on the West Coast, 3.3% for the East Coast and the Midwest. We expect Northern California and Seattle to continue to show strength, while we would not be surprised to see increased weakness in the New York metropolitan area."

### ◆ BRE

"Year-over-year, same-store **NOI growth was 4.2%**, reflecting same-store revenue growth of 4.6% and property-level expense growth of 5.6%. The expense growth for the quarter was higher than our guidance for the full year, which we indicated at about 3 to 4%. This is largely related to the timing of expenses in 2007. For the quarter, the expenses came in on target, and our expectations for the full year are unchanged. As we indicated in the earnings release, we continue to see **positive operating conditions in San Francisco, Seattle and San Diego. Year-over-year revenue growth in these markets ranged from 5 to 9%**. Those operating markets with the greatest exposure to single-family housing, specifically...the Inland Empire...continued to struggle. In the Inland Empire, revenue growth was up 2.5%."

# Peer Operating Performance

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## 1Q08 REIT Operating Update

### ◆ EQR

"On a same-store, quarter-over-quarter basis, revenues were up 3.5%, operating expenses increased 1.6% and **net operating income increased 4.7%**. Overall, the primary driver of the revenue growth was a 3.9% increase in average rental rates, offset by a slight decline in occupancies. Operating expense growth in the quarter was minimal and in line with our expectations. Our expense control initiatives continue to pay dividends in the quarter, resulting in very limited expense growth. Our results also benefited from comparatively high 5.2% quarterly expense growth in the first quarter of 2007. We would expect second quarter expense growth to trend to the high-end of our range, and annual expense growth we feel will comfortably be within our range of 2.5 to 3.25%."

"While utilities expenses were up 8% in the quarter, we expected a 7% increase for the whole of 2008. We saw a reduction, a 13% reduction in our insurance expense and saw payroll come in at about a 2.2% increase. **Our G&A expenses were up in the quarter, due primarily to severance costs we incurred as part of our reduction in force. We have spoken before about our commitment to having an operating structure that is appropriate in size to our transformed portfolio.**"



# Peer Operating Performance

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## 1Q08 REIT Operating Update

### ◆ Essex

“As expected, **Northern California reported superior results leading the company with 11.8% same-property revenue growth**, well above guidance of 5.5 to 7%. Our Seattle results were also stronger than expected and above guidance. In Southern California, our revenue growth was within our 2008 guidance range of 1.5 to 3%, although we continue to see deterioration in operating performance in several submarkets attributable to increasing multifamily supply and/or job losses in specific areas. Operating expenses grew at 4.4% for the quarter, slightly above our guidance range of 2.5% to 4%.”

### ◆ UDR

“Revenue was up 5% at...same community homes. Expenses actually decreased by .5% resulting in **NOI being up 7.7%**. The revenue growth is the result of effective rent growth at 3.6% and an increase in occupancy of 60 basis points from 94.0% last year to 94.06% this year. 15 our 22 markets had higher occupancy year-over-year and 19 of the markets had higher revenue.”