

ARCHSTONE “ASN” – TALKING POINTS

Summary of Article

- The Barron’s article made two related major points.
 1. Multi-family cap rates have increased significantly (to as high as 6%)
 2. The ASN bridge relative to where Avalon Bay stock trades (and increasing cap rates) is under water.

(FYI - Barron’s ignored our entire rebuttal)

Rebuttal

1. While there has been some pressure on multi-family pricing the actual facts contradict the Barron’s thesis. According to the company the 10 most recent trades in ASN’s market happened at an average of a 4.58% cap rate. Two recent trades out of the ASN portfolio in Washington D.C. (ASN largest market) happened at a 4.1% cap rate (closed in January). Additionally, rents in the ASN portfolio increased over 5% in 2007, and the company expects a similar increase in 2008.

Reasons multi-family asset pricing staying relatively strong.

- a. Agencies continue to finance actively (low treasury rates).
 - b. Fewer renters moving to owned housing because of credit crunch (albeit some for sale housing overhang in rental pool).
 - c. Pricing of stand alone assets will never stray too far from replacement cost before local developers buy. This is an important fact and can largely explain the difference between where stocks trade versus asset value.
2. a. According to Green Street, the most widely followed Real Estate research publication public multi-family reits are trading at a 30% discount to NAV. The public market often has these pricing anomalies.
 - b. Barron’s gave zero value for the company as a platform and its development pipeline and looked only at a draconian view of asset value. To suggest that the company has no value beyond its assets is wrong. Archstone has hundreds of people out in the market developing assets and opportunities including a development pipeline of over \$4 billion and \$3 billion of third-party assets under management and growing.