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Archstone Bid Gets Cool Reply  
Tishman Speyer's Offer Is Seen  
As Too Low Given the Pricing  
In Commercial Real Estate  
By ALEX FRANGOS  
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Investors and analysts reacted coolly to Tishman Speyer Properties and Lehman Brothers Holdings Inc.'s bid for apartment giant Archstone-Smith Trust, saying the offer is too low given the recent pricing in the commercial real-estate world.

The proposal, which also is backed by Bank of America Corp., is valued at \$15.2 billion in cash plus the assumption of nearly \$6.5 billion in debt. That comes to \$60.75 a share, less than Archstone-Smith's high share price in January of \$64.77, though more than a 20% premium to its stock price before published reports of a deal appeared.

Archstone-Smith's board unanimously approved the deal. It expects to close the deal in the third quarter.

It isn't clear whether shareholders will approve the deal at this price or if other bidders will emerge. Tishman Speyer's offer is equal to or lower than several estimates of the value of Archstone-Smith's underlying real-estate assets. It comes at a time when commercial properties such as offices and apartments are trading at record prices. The Archstone-Smith offer could open the market for other deals among public apartment real-estate investment trusts. Alexander Goldfarb, analyst at UBS Securities, said several apartment REITs' stocks trade below his calculation of net-asset values for the companies. Among the companies trading at a discount: Apartment Investment & Management Co., Essex Property Trust Inc., AvalonBay Communities Inc., Colonial Properties Trust and BRE Properties Inc.

"I don't think it's a good price," said James Corl, chief investment officer at Cohen & Steers Inc., an investment firm specializing in REITs. At the end of the first quarter, Cohen & Steers owned 8.2 million Archstone-Smith shares, or 3.7% of outstanding shares, according to Thomson Financial. Mr. Corl estimates the replacement value of Archstone-Smith's properties at more than \$68 a share.

Craig Leupold, analyst at Green Street Advisors Inc., a Newport Beach, Calif., real-estate research company, called the price "disappointing," adding, "I'm surprised that management and the board would endorse a deal at this level." Mr. Leupold estimates Archstone-Smith's "net asset value," a measure of the value of the actual buildings, at \$59 a share.

"We think if you just look at the underlying assets the price is close to net asset value," said Jay Rosenberg, real-estate equities portfolio manager at FAF Advisors, a money-management unit of U.S. Bancorp. Mr. Rosenberg said the company has "an extensive platform" of development and management skill that isn't included in the price. He adds Tishman Speyer could realize business synergies by using Archstone-Smith's rental-pricing software and its entrepreneurial development team in Tishman Speyer's own real-estate empire. Mr. Rosenberg said Tishman Speyer would be getting those tools "for free at this price."

Archstone-Smith said the \$60.75 a share price represents a 22.7% premium to the company's shares before news of a possible merger came out last week. Apartment stocks had fallen sharply in recent months, however, amid fears of an overall economic slowdown that could damp future rent growth. R. Scot Sellers, Archstone-Smith's chief executive, said in a news release: "We have always been committed to maximizing value for our shareholders, and we believe this merger accomplishes that objective." Spokeswoman Dana Hamilton didn't return calls for further comment. Tishman Speyer also declined to comment beyond a short statement in Archstone-Smith's news release. "Archstone is an exceptional company that has built one of the finest collections of multifamily assets in the industry," said Rob Speyer, Tishman Speyer's senior managing director.

Archstone-Smith shares rose \$4.92, or 8.9%, to \$60.15 in 4 p.m. composite trading yesterday on the New York Stock Exchange.

The news release indicates Mr. Sellers would stay on as a Tishman Speyer manager, an arrangement that could draw scrutiny from investors. "If management is significantly benefiting from the deal, the market may view this suspiciously," said FAF Advisors' Mr. Rosenberg. The news release didn't indicate if the proposed acquisition includes a breakup fee. A large breakup fee could deter other bidders for the company.

Archstone-Smith, Englewood, Colo., is the second-largest owner of apartments in the country, as measured by stock-market value, behind Equity Residential Properties Trust. It owns 344 apartment complexes concentrated in high-barrier-to-entry markets such as New York, San Francisco and Germany.

Closely held Tishman Speyer, New York, is a major real-estate player, with operations in the U.S., Europe, South America and Asia. It owns real-estate trophies such as Rockefeller Center and the Chrysler Building. Last year, along with BlackRock Inc., it beat out dozens of bidders to buy Stuyvesant Town and Peter Cooper Village, two sprawling apartment complexes on New York City's east side for \$5.4 billion. At the time, it was one of the largest real-estate transactions.

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