

I. History of Strong Performance

1. Operations

- **Highest cumulative same-unit NOI growth** among all apartment REITs since 2001 (ASN = 17.2% vs. peer average 8.4%)
- **2nd highest same-unit revenue growth** among all apartment REITs in Q1 '08 (ASN = 5.1% vs. peer average 3.9%)
- **Average same-unit occupancy of 95% since 2001** [Currently 94.3%; peer REITs average 94-96%]

2. Strong Multifamily Fundamentals

- **Favorable Supply-Demand Imbalance**
 - a) **Limited new apartment supply:** expected to remain at 1% of inventory over next 5 years
 - b) Apartment demand growing as “Echo Boomers” enter prime renting age
 - c) **Lack of Affordable Homeownership:** ASN markets have highest cost of ownership relative to rents: own / rent = 1.9x in ASN markets vs. 1.6x average (historically 1.5x vs. 1.3x)
 - d) **Single-Family Market Dislocation:** Unit turnover attributable to homebuyers was down ~350bps y/y for Q1, to 9.7% from 13.2%
- **High-barrier coastal markets outperform non-coastal markets:**
 - a) 10-year historical rent growth CAGR in ASN markets **outperforms non-ASN market average by 200bps**
 - b) 10-year historical occupancy in ASN markets **outperforms non-ASN market average by 400bps**

3. Development & Acquisition Capability

- **Dramatic portfolio repositioning from less than 5% to 96% supply constrained markets** since mid-90's
- Completed over \$4.9 billion of development since 1995
- Acquired over \$16 billion of multifamily assets since 1995
- Realized **unleveraged IRR of ~16% on over \$13 billion of dispositions** since 1995

II. The Plan

1. Delevering

- **Execute Strategic Asset Sales and Joint Ventures to Retire Debt and Enhance the Liquidity Position of the Company**
 - a) Over \$1.9bn of assets sold to date
 - b) \$400mm of assets under contract to be sold
- **Continue to Retire Higher Cost Term Debt with More Efficient Asset Level Financing**
- **Net Proceeds of \$1.2bn (\$558mm at LEH share)** anticipated from sales & financings

III. Enterprise Valuation: Sum-of-the-Parts

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

1. Core Operating Portfolio

- >50,000 wholly owned stabilized units in the country's most desirable markets
 - a) **Best Markets:** ASN's high-barrier coastal market focus has produced the **highest cumulative NOI growth of any multifamily REIT over the last 7 years**
 - b) 96% of NOI derived from these supply constrained markets
 - c) **Highest Rents:** ASN had the **highest rent per square foot** as compared to all public multifamily REITs [*Green Street Advisors, May 17, 2007*]
- Basis of **\$328k/unit at a material discount to est. replacement cost of \$390k/unit** [observable replacement value due to ASN's large in-process development pipeline]
 - a) **Great Physical Assets:** Achieved the **highest grade for physical asset quality** [*Green Street Advisors, May 17, 2007*]

2. Development Pipeline

- Integrated platform with **over 100 dedicated development professionals**
- **Robust Pipeline:** ~15,000 planned units with Total Expected Investment of \$5.1bn
- Significant **embedded value in entitled projects** in supply constrained markets
- \$1.4bn book value

3. Platform Value

- 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*]
 - a) **Asset Management Platform:** ASN has **greater value of assets under management** than any public multifamily REIT - **\$4.8bn**
 - Since acquisition, **ASN has aggressively grown and diversified its asset management businesses** – Irvine JV (\$1.5bn), German Fund (\$1.0bn); Mezz Fund currently closing (\$350mm)
 - b) **Development Platform:** ASN has the **2nd largest development pipeline** as compared to all public multifamily REITs
 - Merchant build model drives IRR through fees and promotes

ENTERPRISE VALUATION: SUM-OF-THE-PARTS							
Components of Value	Purchase Price (\$1.00 bn PV)			Green Street	Adjusted Purchase Price (\$2.37 bn PV)		
	Value (at % share)	Per Unit	2008 Cap Rate	Platform 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		
Total Purchase Price	\$22,091,622,230			\$23,463,622,230	\$22,091,622,230		