



# SECURITY CAPITAL

**ANNUAL MEETING OF SHAREHOLDERS**

May 17, 2001

# AGENDA

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Real Estate Market Overview

Thomas G. Wattles

Public Companies and  
Private Divisions

C. Ronald Blankenship

Simplification and The Future

William D. Sanders



**SECURITY CAPITAL**

**REAL ESTATE  
MARKET OVERVIEW**

# CURRENT PERSPECTIVES

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## Overall Conclusions:

- New Real Estate Supply Reacting Quickly to Business Slowdown
- Markets in U.S. and Europe Generally in Very Solid Shape
- Flattening of Rental Rate Growth and Increases in Vacancy Rates from 20-Year Lows Likely

# CURRENT PERSPECTIVES

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- United States Real Estate Markets
  - Office
  - Industrial
  - Retail
- European Real Estate Markets
  - Office
  - Industrial
- Direct Investment Climate for Real Estate

# CURRENT PERSPECTIVE: U.S. REAL ESTATE MARKETS

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- Office
  - Cautious View Towards 2001: Markets and Developers are Responding to Business Climate
  - Q1 2001 Negative Space Absorption Focused in Five Markets with Technology, Telecommunications, or Financial Services Concentrations
  - Q1 Construction Starts Down 19% Over Q1 2000
  - Effective Vacancy Rate Projected to Climb 1-3 Points from Historically Low Level of 8.3%

# CURRENT PERSPECTIVE: U.S. REAL ESTATE MARKETS

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- Industrial
  - Strong 2000: Net Absorption of 148 Million Sq. Ft. Exceeded New Completions
  - 2001: 8% Forecast Decline in New Starts to be Matched by Declining Absorption: 1% - 2% Uptick in National Vacancy Rate Possible
  - Major Supply Chain Reconfigurations Continue to Generate Attractive Investment Opportunities
- Retail
  - Fundamentals are Moderating
  - Consumer Spending and Confidence Have Slowed
  - Retail Sales are Growing at a Slower Pace
    - 2000: 4.9%
    - 2001 (Q1): 1.6%

# CURRENT PERSPECTIVE: U.S. REAL ESTATE MARKETS

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- Retail Sales Trends

	<u>2000</u>	<u>2001 (Q1)</u>
Malls	1.1%	-1.7%
Discounters*	4.2%	3.1%
Grocers*	1.5%	1.6%
Drugs*	9.0%	10.2%
Food/Restaurant*	n/a	2.0%
Personal Services*	n/a	13.1%

\* Represent 67% of Regency's Portfolio

Source: CSFB Weekly REIT Commentary, Goldman Sachs

# CURRENT PERSPECTIVE: U.S. REAL ESTATE MARKETS

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- Shopping Center Fundamentals are in Balance

	<u>1998</u>	<u>1999</u>	<u>2000E</u>
Occupancy <sup>(1)</sup>	92.6%	92.4%	92.1%
Rent <sup>(2)</sup>	\$16.91	\$17.31	\$17.80
New Supply / Stock	1.9%	2.0%	2.7%

(1) Torto Wheaton Research, data is based on top 53 MSAs.

(2) F.W. Dodge and National Real Estate Index.

# CURRENT PERSPECTIVE: EUROPEAN REAL ESTATE MARKETS

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- Office
  - Markets Remain Strong
    - Record Absorption in 2000 Driven by Technology and Telecommunications Companies Creates Unsustainable Low Vacancy Rates:
      - London 4.0%
      - Munich 1.1%
      - Madrid 1.7%
      - Paris 3.7%
  - 2001
    - Reduction in Starts Likely Given TMT Sector Pullback; Developers Remain Cautious
    - Completions in 2001 are Significantly Pre-leased
    - Permitting Environment Remains Very Difficult — Long Lead Times to Add to Supply

# CURRENT PERSPECTIVE: EUROPEAN REAL ESTATE MARKETS

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- Industrial
  - Significant Distribution Network Reconfiguration Continues
  - Major Markets are Extremely Strong and Levels of Uncommitted, Modern Space are Low
  - Like the U.S., Average Building Size Increasing Rapidly to Meet Modern Logistics Requirements

# DIRECT INVESTMENT CLIMATE FOR REAL ESTATE

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- U.S.
  - Two-tiered Institutional Market: Pricing Has Weakened for Non-trophy Assets
  - Overhang of Office Space for Sale
- Europe
  - Shortage of Investment Product in Continental Europe
  - UK: More Sellers Today than Buyers — Investment Volumes Still Strong



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**PUBLIC COMPANIES AND  
PRIVATE DIVISIONS**

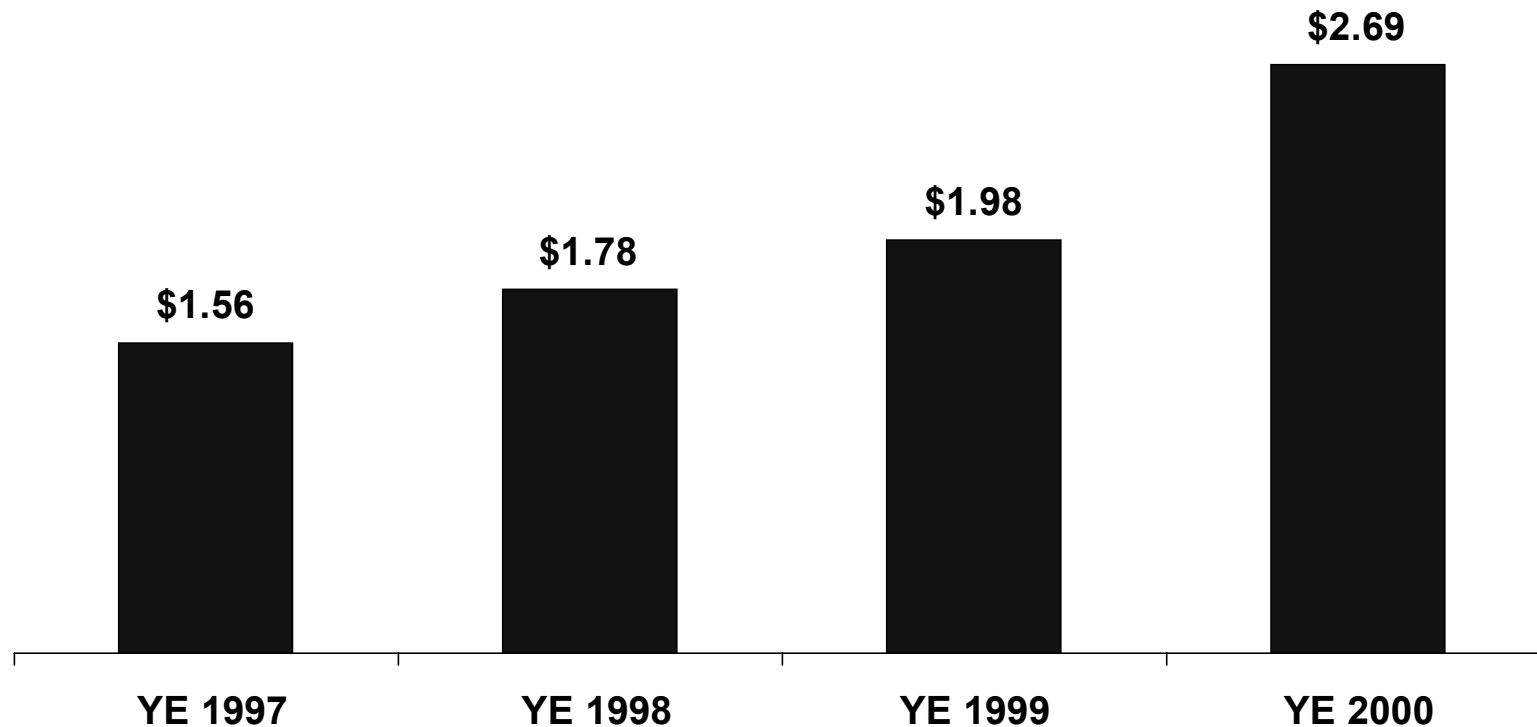
# SCZ: 2000 FINANCIAL RESULTS

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Strong Public Company / Private Division Performance  
Results in Growth in Per-Share Earnings

EBDADT Per Share

Compounded Annual Growth Rate: 19.9%

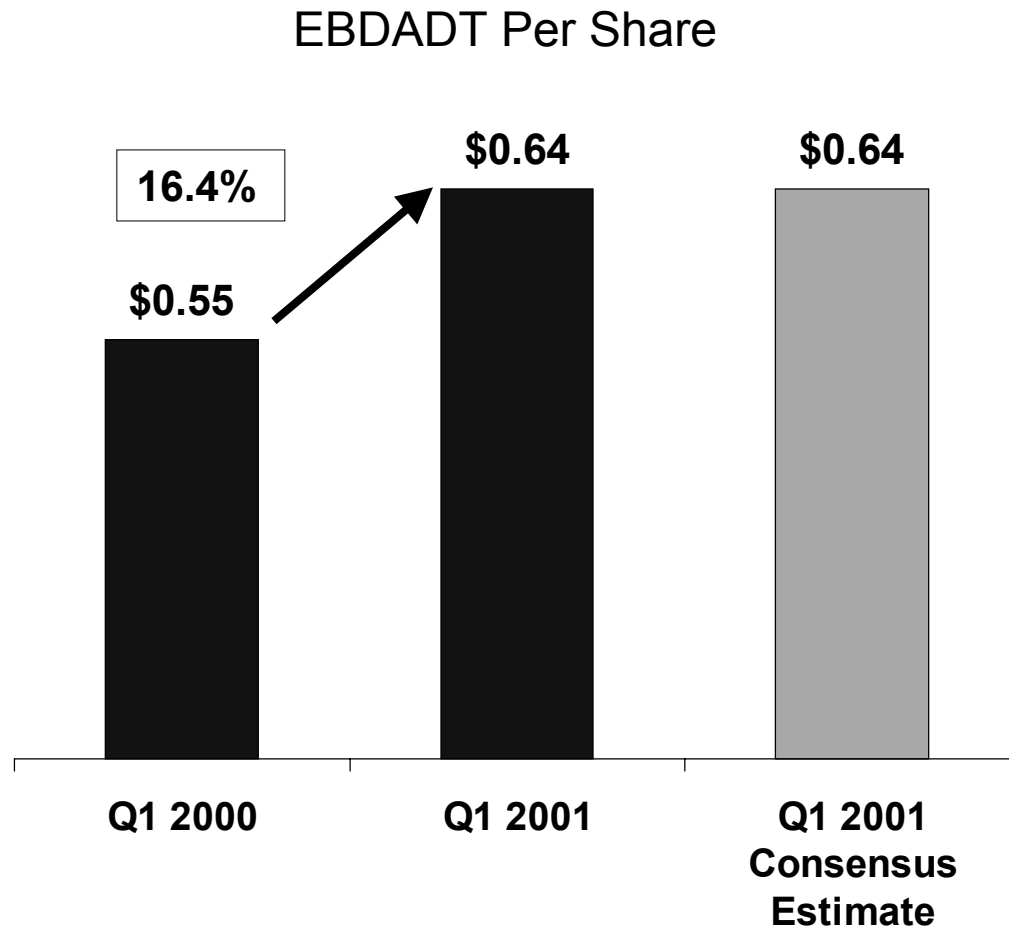


Before Special Charges

# SCZ FINANCIAL HIGHLIGHTS

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## Q1 2001 EBDADT Results



# SCZ: 2000 / 2001 FINANCIAL HIGHLIGHTS

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## Strong Growth Driven By:

- Operating Performance of Public / Private Investees
  - Strong Same-Store Sales Growth
  - Internal Growth Related to Focused Development Activity
  - Growth in Service Revenues
  - Balance Sheet Flexibility
- Growth in Security Capital Research & Management Business
  - Assets Under Management Grew 52.2% from \$1.3 Billion to \$2.0 Billion at 3/31/01
  - Operating Margin in Excess of 50%
- Share Repurchase Program
  - \$310.3 Million (20.8 Million Shares) Invested in Share Repurchase at Average Price of \$14.89 per Share as of 3/31/01
  - Dutch Auction, Completed on April 17, Resulted in the Repurchase of \$191 Million of Stock (9.3 Million Shares) at a Price of \$20.50 per Share
- Other Important Factors that Will Impact 2001 and Beyond
  - SC-U.S. Realty Transaction
  - Sale of Archstone Position

# SCZ FINANCIAL HIGHLIGHTS

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## Q1 2001 Investment Return Analysis

	<u>Q1 2000</u>	<u>Q1 2001</u>
<b>Weighted Average Investment Yield <sup>(1)</sup></b>	<b>11.8%</b>	<b>12.7%</b>
<b>Return on Invested Capital <sup>(2)</sup></b>	<b>10.5%</b>	<b>11.2%</b>
<b>Return on Equity <sup>(3)</sup></b>	<b>12.0%</b>	<b>11.3%</b>

- Investment Yield -- Overall operating improvements by investees
- ROIC -- Expense controls improve overall margins
- ROE -- Reduction due to the deleveraging impact of the ASN sale

(1) Calculated as annualized Equity in EBDADT, including net fees from Security Capital Research & Management, divided by total investment cost.

(2) Calculated as annualized EBDADT before interest and depreciation, including income taxes, divided by total investment cost. Reflects fee income and expenses.

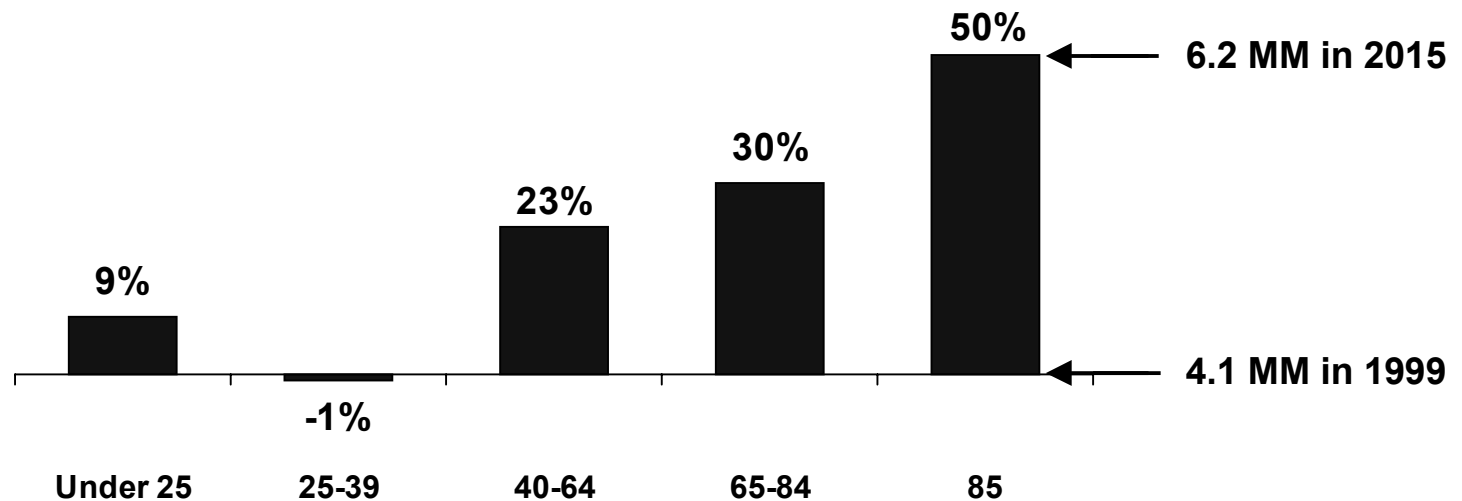
(3) Calculated as annualized EBDADT divided by GAAP equity.

# BELMONT CORP

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## Senior Population Growth Fuels Demand

Projected Population Growth (1999 - 2015)

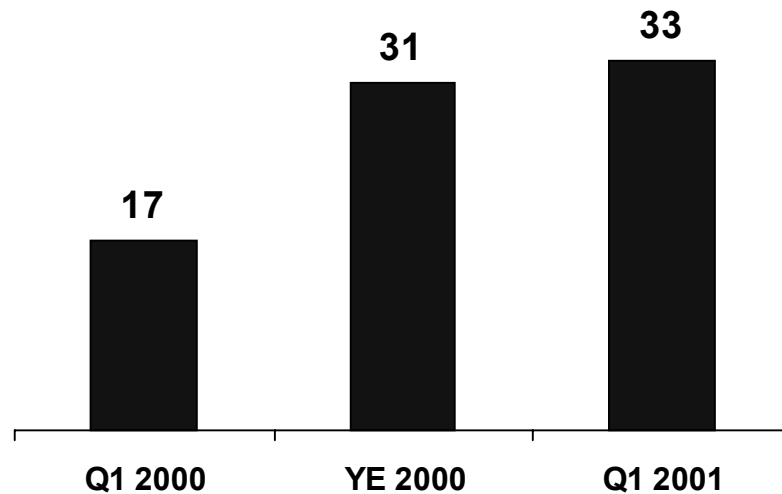


- 6 Properties in Operation, 3 Under Construction with Another 6 in Planning, Representing an Expected Investment of \$285 Million
- Stabilized Properties are 98.5% Occupied, Prestabilized Properties are 39.5% Leased
- Rent Increases Average 8.5% on an Annualized Basis

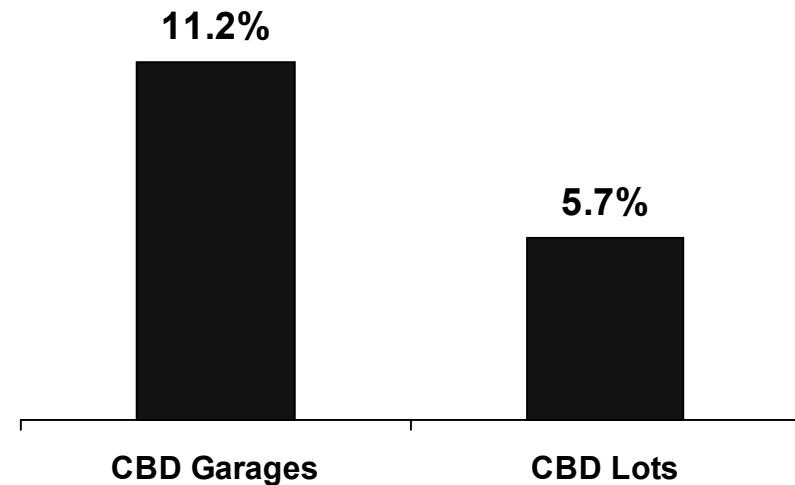
# INTERPARK

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Number of Owned CBD Locations



Q1 2001 Same-Store Revenue Growth

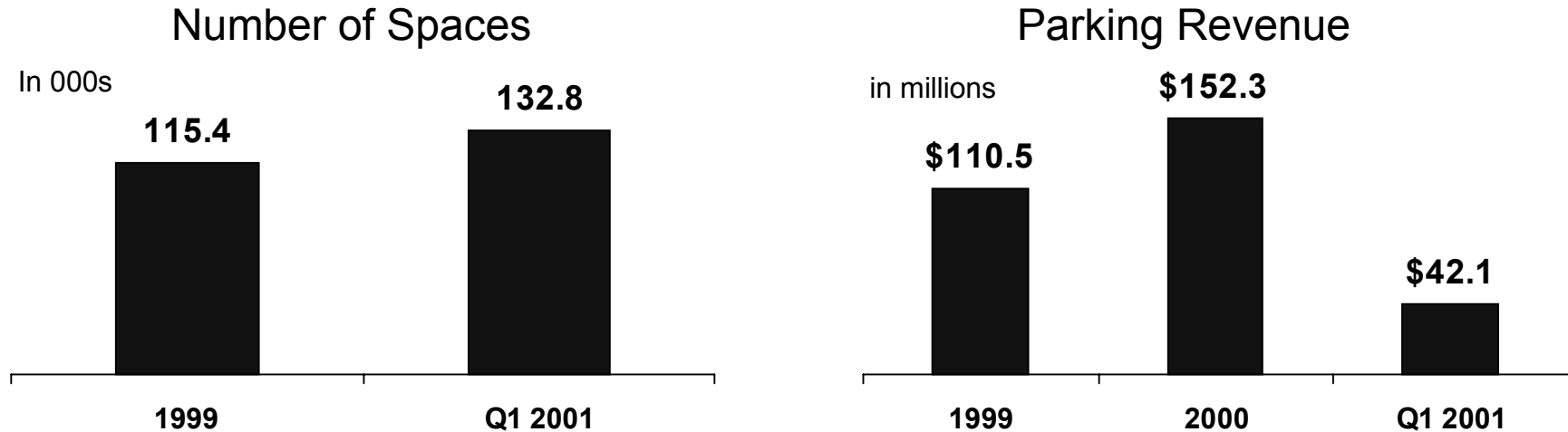


- Objective is to Create the Leading 24 / 7 Market Parking Company
- Significant Opportunity
  - Fragmented and Localized Industry
  - Revitalization of 24 / 7 Parking Markets
  - Parking Supply not Meeting Demand
- Currently Owns 41 Lots and Operates an Additional 342 Lots in 12 Markets
- Off-Airport and Service Businesses are Prestabilized

# SC-EUROPEAN REALTY

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## Parking



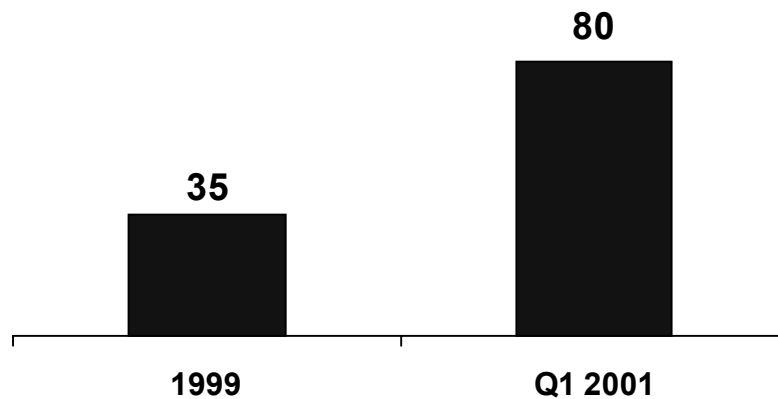
- 132,822 Spaces Off-Street in 79 Cities in 7 Countries
- Business Growth Driven By Selective Acquisition and Development in Key Markets
- Growth in EBDADT in Q1 2001 Versus Q1 2000 was 36.9%, Reflecting Same-Store Growth and Acquisitions

# SC-EUROPEAN REALTY

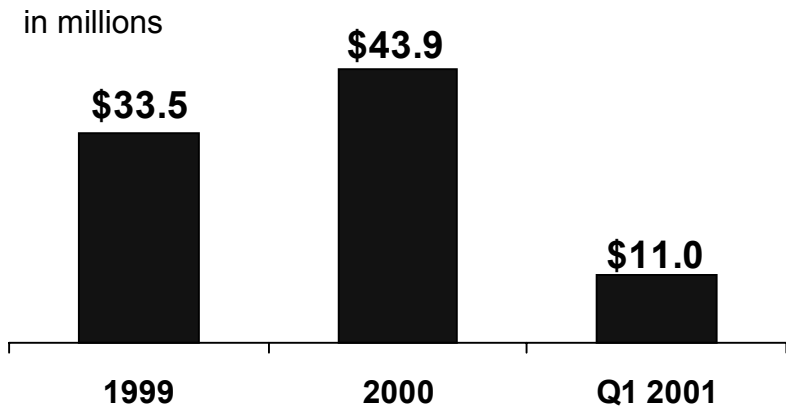
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## Storage

Number of Locations



Revenue Growth



- In the United States, there are Over 30,000 Self-Storage Facilities, in Europe there are Less than 375
- 80 Locations in Operation with an Additional 12 Under Development
- Growth in EBDADT in Q1 2001 Versus Q1 2000 of 115%

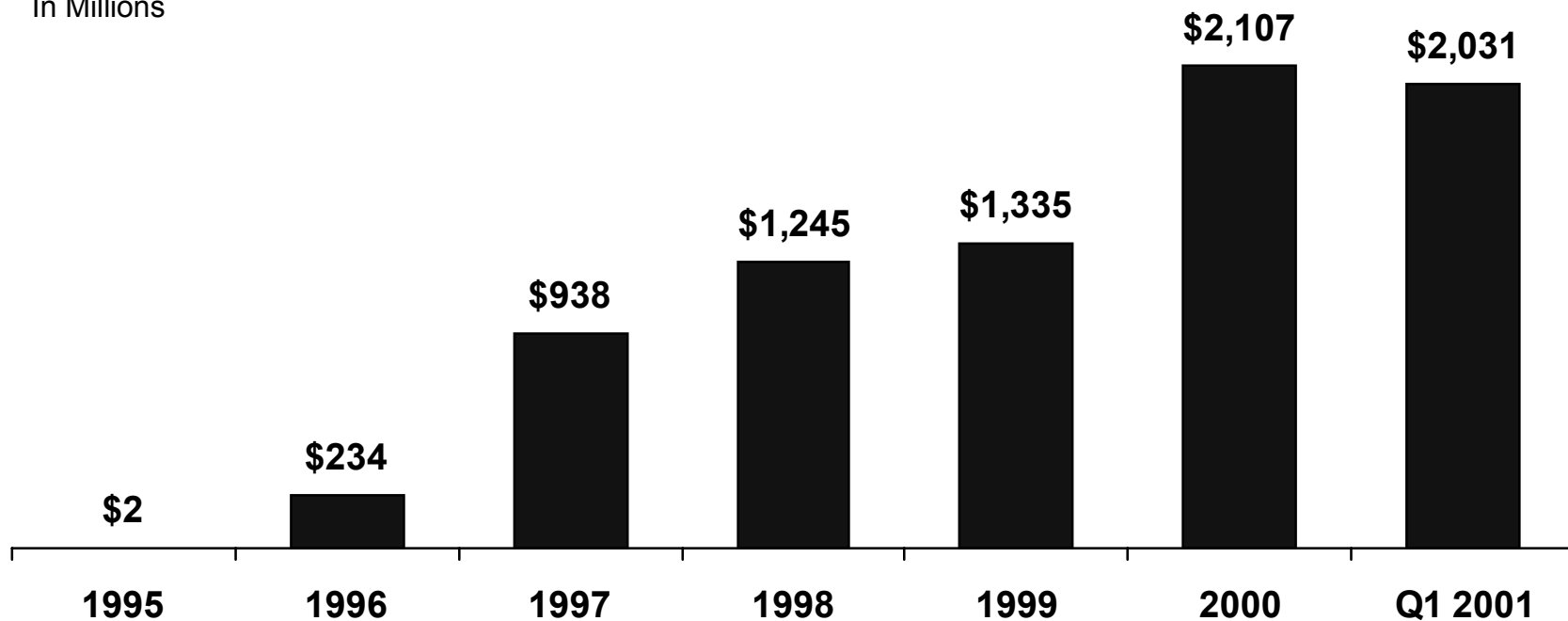
# SECURITY CAPITAL RESEARCH & MANAGEMENT

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- Assets Under Management Increased 29.3% to \$2.0 Billion at Q1 2001 Compared to Q1 2000
- Separate Accounts Increased from \$413 Million at Q4 1999 to \$895 Million at Q1 2001

Assets Under Management

In Millions



# 2001 OBJECTIVES AND BEYOND

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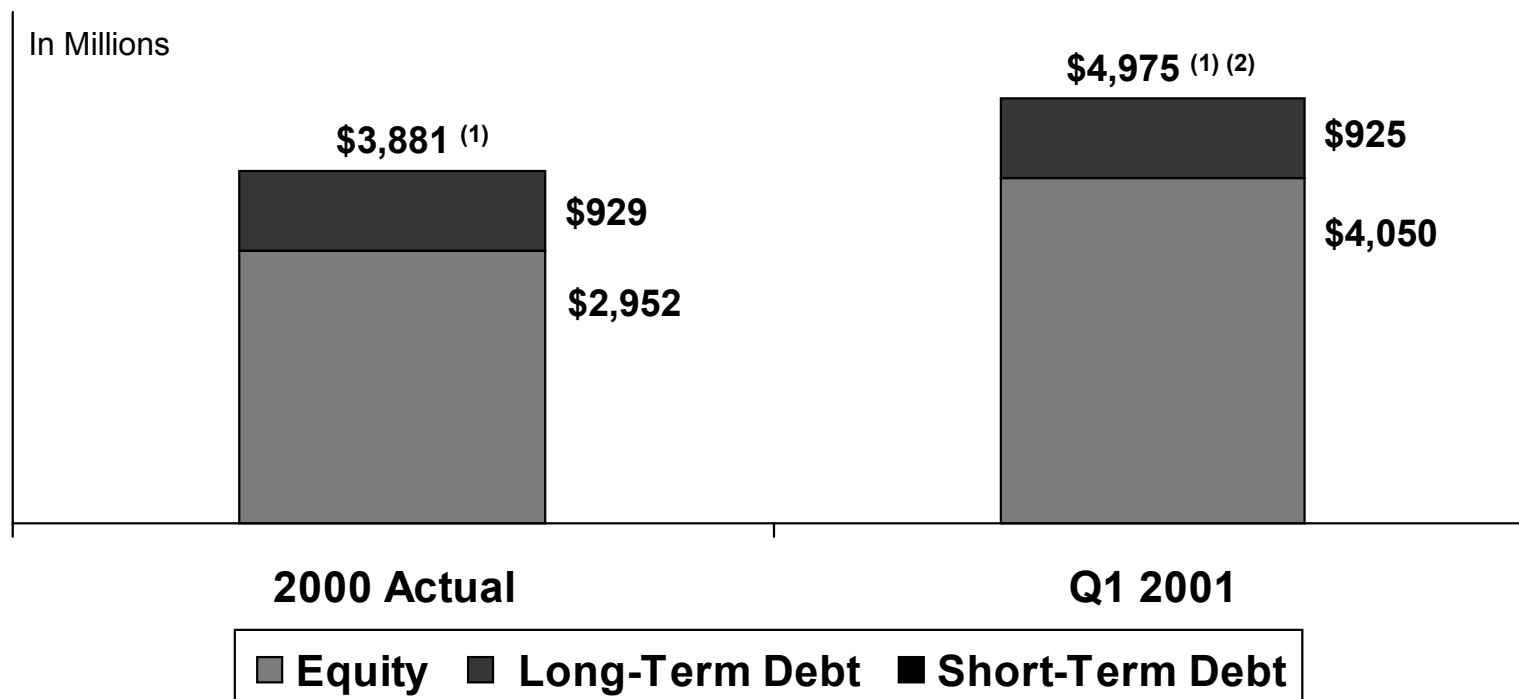
- Continued Focus on Simplification
- Repositioning of Operating Company Investments
  - Sell Those that Do Not Fit
  - Own a Higher Percentage of Those that Do
  - Expect Temporary Dilution as This Occurs
- Growth in Cash Flow
  - Internal Growth Through Focused Development Activity
  - Service Income
  - Joint Ventures / Managed Entities
- Maintain Strong Balance Sheet
- Attract and Retain the Best People

# SCZ FINANCIAL FLEXIBILITY

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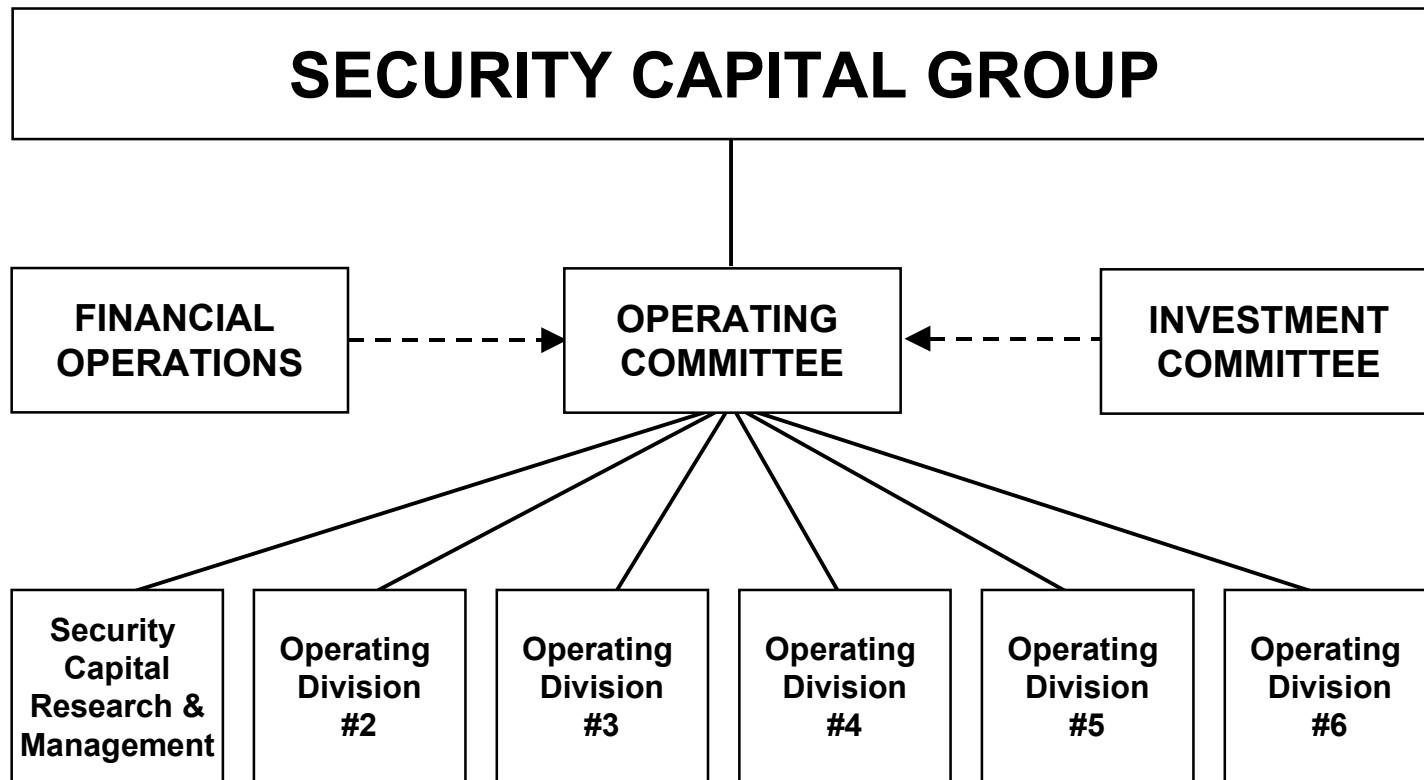
## Strong Balance Sheet Creates Financial Flexibility

- Free Cash Flow for the Four Quarters Ended March 31, 2001, was \$214.0 Million, up from \$87.2 Million for the Four Quarters Ended March 31, 2000
- \$925 Million of Long-Term Debt Average Life of 11.8 Years at an Average Fixed Rate of 7.2% (Leverage of 18.8%)



(1) After reduction for accounts payable and other liabilities.

(2) Adjusted to reflect the impact of the Tender Offer which was completed on April 17, 2001.



### **Benefits of a Simplified Structure**

- Economies of Scale
- Development / Movement of People Without Barriers
- Utilization of Best Practices
- High ROE Businesses Operating as Private Divisions Which Produce S&P Competitive Returns



SECURITY CAPITAL

**SIMPLIFICATION  
AND  
THE FUTURE**

# SIMPLIFICATION STRATEGY: 40%+/- COMPLETE \$4.6 BILLION IN TRANSACTIONS EXECUTED

## SECURITY CAPITAL GROUP

	<u>Ownership</u>	SCZ Investment at Public Price / Private Cost Value* (in millions)
• <b>Public Companies</b>		
– CarrAmerica	46%	\$794.6
– ProLogis	29%	\$1,014.0
– Regency	60%	\$818.8
– Storage USA	43%	\$394.6
• <b>Private Divisions</b>		
– Belmont	99%	\$114.8
– CWS Communities	94%	\$256.7
– Homestead Village	99%	\$766.3
– InterPark	97%	\$292.2
– SC-Research & Management <sup>(1)</sup>	100%	\$111.6
– SC-European Realty	35%	\$440.6
– Access Storage Solutions	100%	
– EuroOffice	100%	
– Interparking	74%	
<b>Value of Operating Businesses</b>		<u><u>\$5,004.3</u></u>

\* As of May 15, 2001.

(1) No value ascribed for SC-Research & Management fee business.

# SCZ's SIMPLIFICATION PRODUCES AN INCREASE IN OPERATING CASH FLOW

	4 Qtrs. Ended Q1 2000	4 Qtrs. Ended Q1 2001	2000 Pro Forma EBDADT
Dividends from Public Investees			
Archstone	\$81.5 MM	\$60.7 MM	\$ -
CarrAmerica	-	13.2 MM	87.7 MM
ProLogis	65.7 MM	67.4 MM	114.8 MM
Regency	-	17.1 MM	92.7 MM
Storage USA	-	-	40.5 MM
Operating Cash Flow of Private Divisions <sup>(1)</sup>			
Belmont	(12.9) MM	(9.1) MM	(4.9) MM
CWS Communities	-	1.6 MM	15.3 MM
Homestead Village	32.8 MM	147.5 MM	82.5 MM
InterPark	-	4.2 MM	15.1 MM
SC-Research & Management	25.7 MM	37.6 MM	29.0 MM
SC-European Realty	<u>44.2 MM</u>	<u>69.0 MM</u>	<u>30.6 MM</u>
<b>Consolidated Cash Sources from Operations</b>	<b>237.0 MM</b>	<b>409.2 MM</b>	<b>503.3 MM</b>
Cash retained by Divisions	(44.2) MM	(69.1) MM	
Operating, interest, and tax expense, net	<u>(105.6) MM</u>	<u>(126.1) MM</u>	<u>(149.5) MM</u>
<b>Free Cash Flow</b>	<b><u>\$87.2 MM</u></b>	<b><u>\$214.0 MM</u></b>	<b><u>\$353.8 MM</u></b> <sup>(1)</sup>

(1) SCZ share of investee cash flow from operations

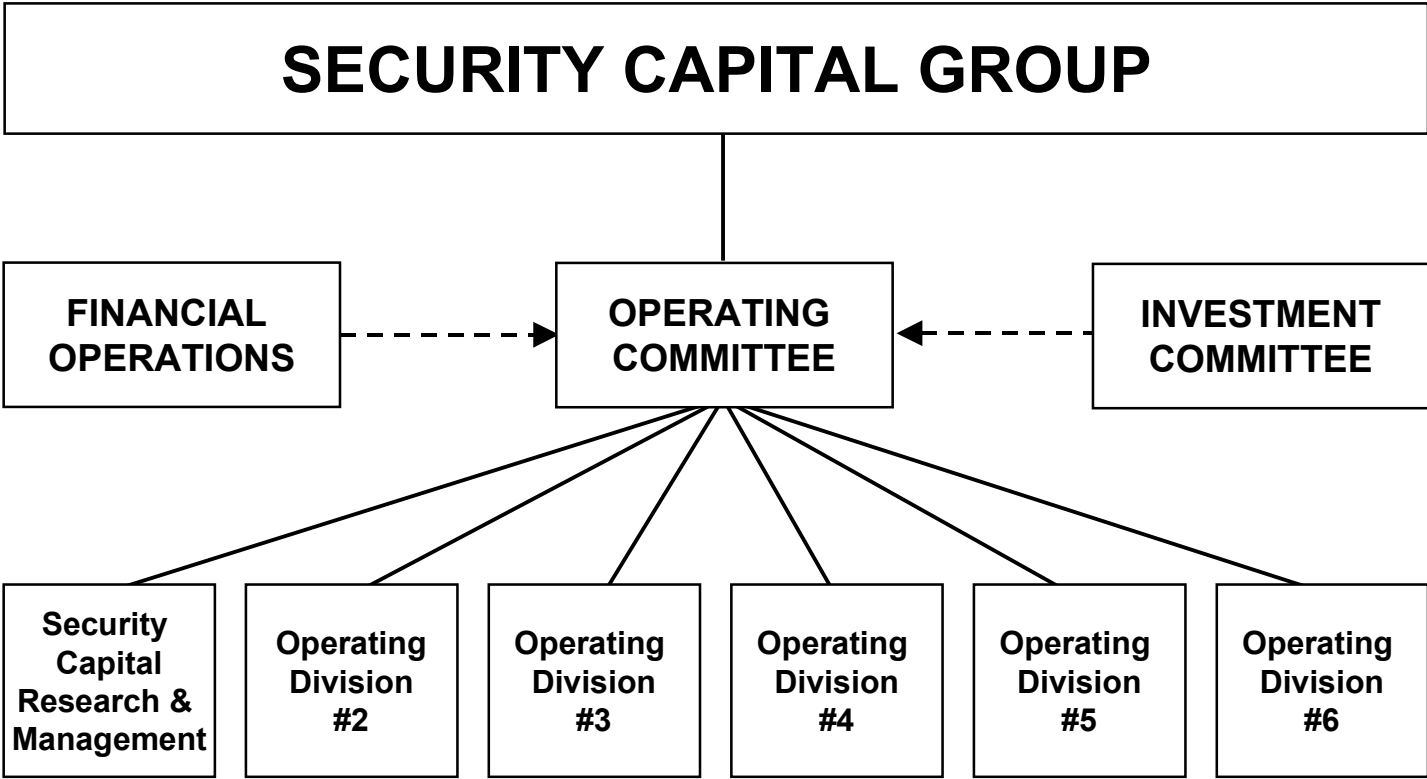
# **SECURITY CAPITAL GROUP**

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100% / High Percentage Ownership of  
a Few Select Real Estate Operating Divisions

## **Key Characteristics of Operating Divisions**

- Ultimately #1 or #2 Brandable Leadership Operating Platform in Specific Niches
- Post Development — Transition Assets to Managed Entities
- Produce Substantial Third-Party Customer Service Income
- High Sustainable ROE Businesses Operating as Private Divisions Which Produce S&P Competitive Returns

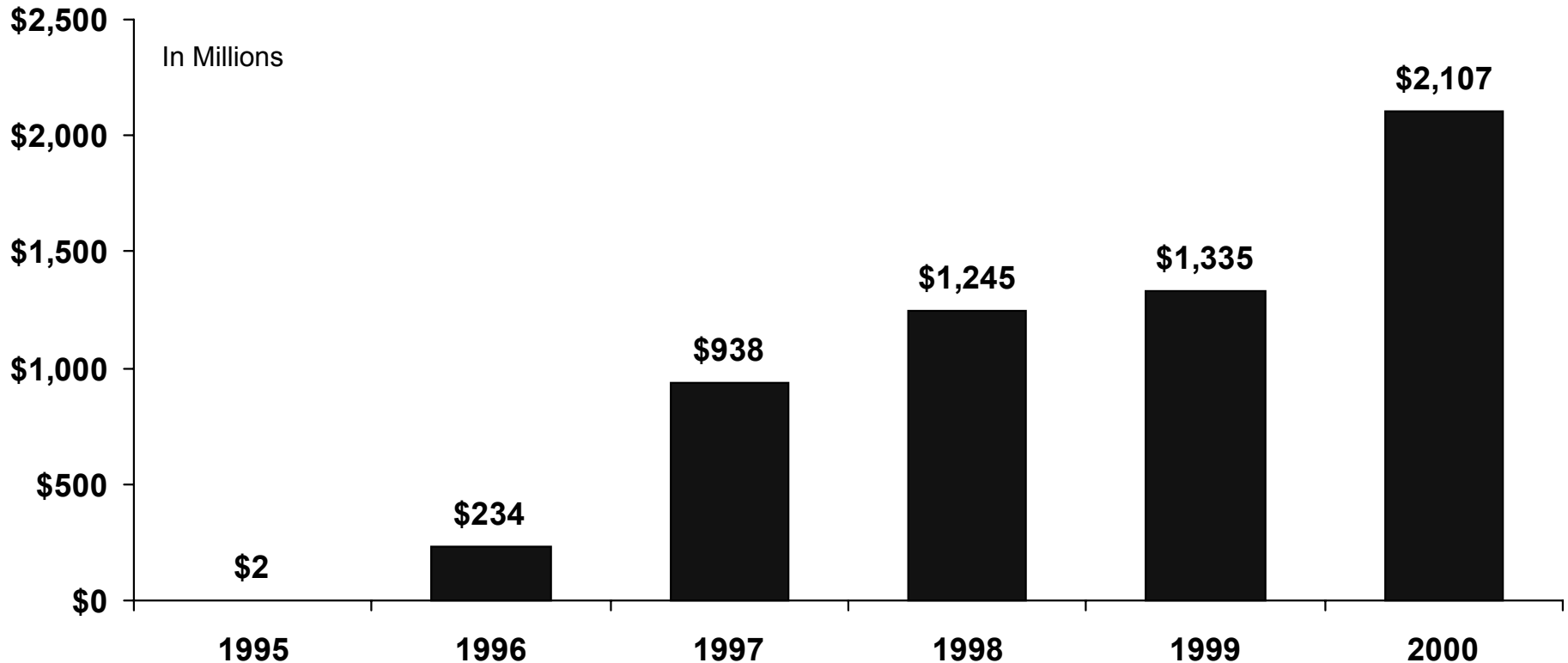


# SECURITY CAPITAL RESEARCH & MANAGEMENT

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\$2.1 Billion Assets Under Management as of Year End 2000

Assets Under Management

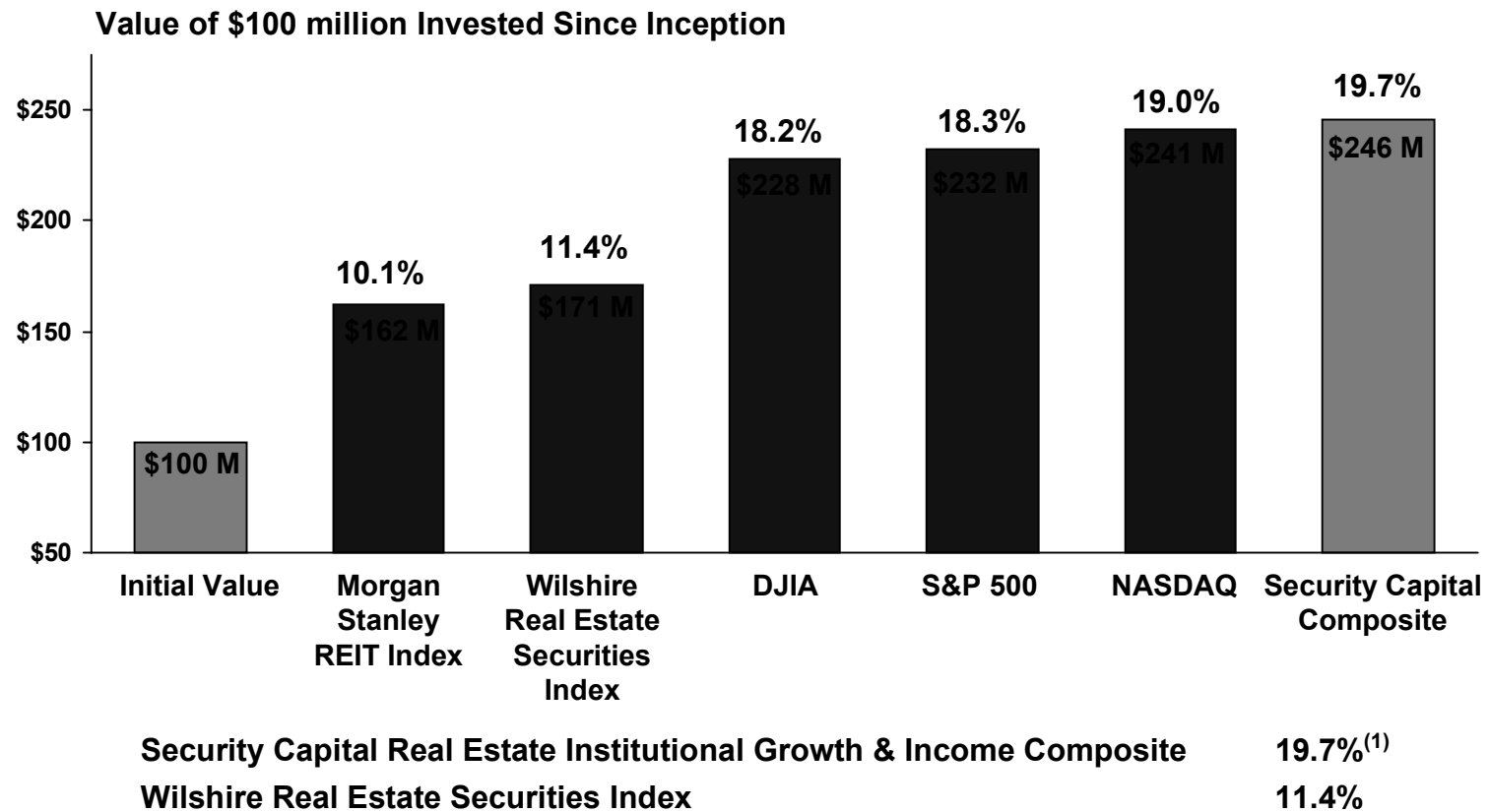


# SECURITY CAPITAL RESEARCH & MANAGEMENT

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## Institutional Separate Accounts

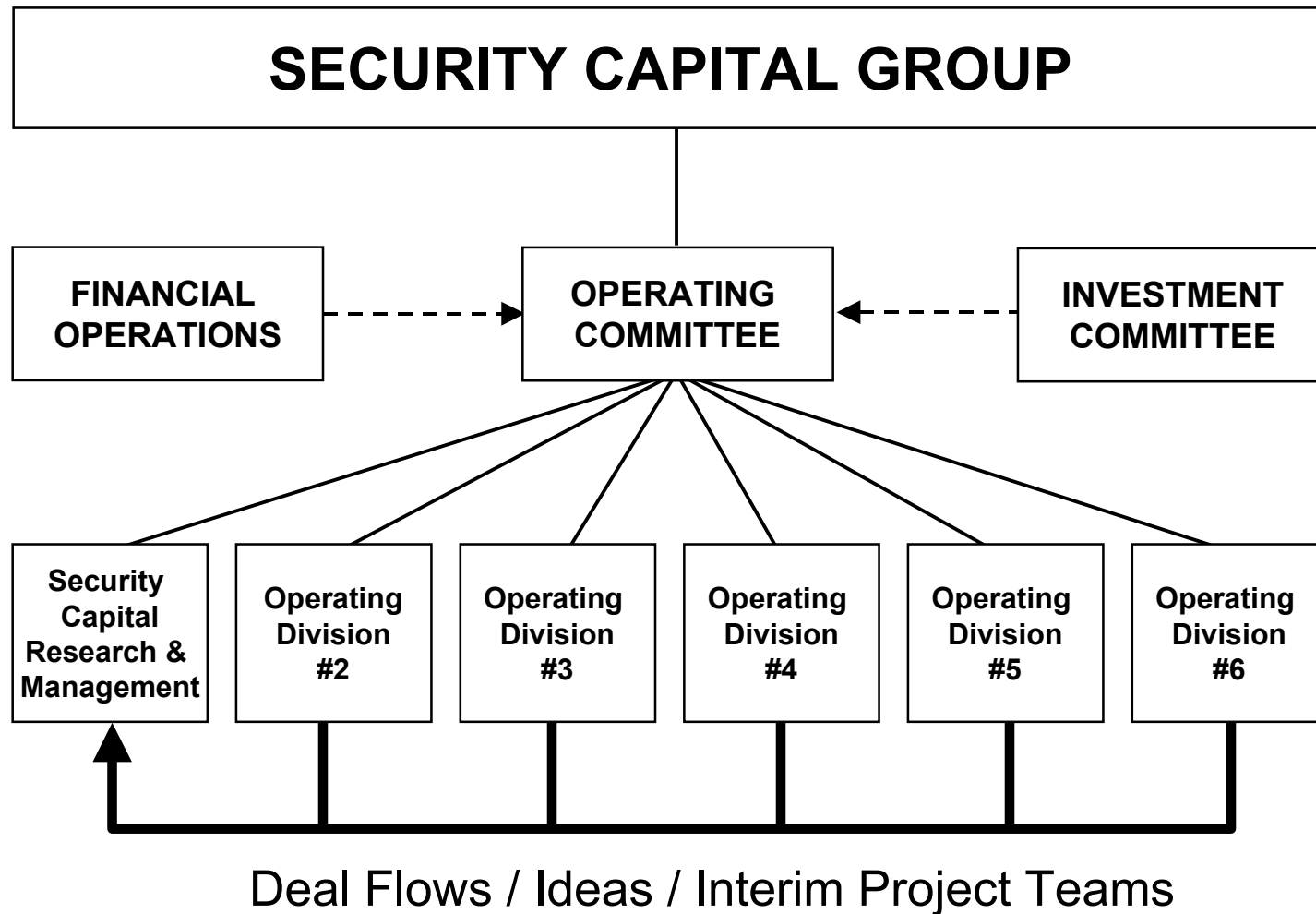
Average Annual Rate of Return  
December 31, 1995–December 31, 2000



(1) Net of fees.

# ULTIMATELY, PRIVATE DIVISIONS WILL CREATE SIGNIFICANT VALUE FOR SC-R&M

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# **SECURITY CAPITAL GROUP**

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100% / High Percentage Ownership of  
a Few Select Real Estate Operating Divisions

## **Key Characteristics of Operating Divisions**

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# SCZ EARNINGS GROWTH IS POSITIVELY IMPACTED BY DEVELOPMENT PIPELINE

Since Q2 1991, SCZ Affiliates / Divisions Have Developed \$7+ Billion and Placed into Managed Entities \$5+ Billion of Assets

Strong Embedded Growth

**14.3% Prestabilized  
\$2.4 B of Assets**

		% Prestabilized	\$ of Assets
BelmontCorp	84%		
CarrAmerica	3%		
CWS Communities	18%		
SC-Research & Management*	0%	<b>12.6%</b>	<b>\$1.9 B</b>
Homestead Village	0%		
InterPark	8%		
ProLogis	13%		
Regency Centers	20%		
Storage USA	16%		
<hr/>			
Access Storage Solutions	29%		
EuroOffice	58%	<b>28.0%</b>	<b>\$0.5 B</b>
Interparking	0%		
			<hr/>
<b>TOTAL</b>			<b>\$2.4 B</b>

Data as of March 31, 2001.

\* Money management group which does not develop properties.

# **SECURITY CAPITAL GROUP**

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100% / High Percentage Ownership of  
a Few Select Real Estate Operating Divisions

## **Key Characteristics of Operating Divisions**

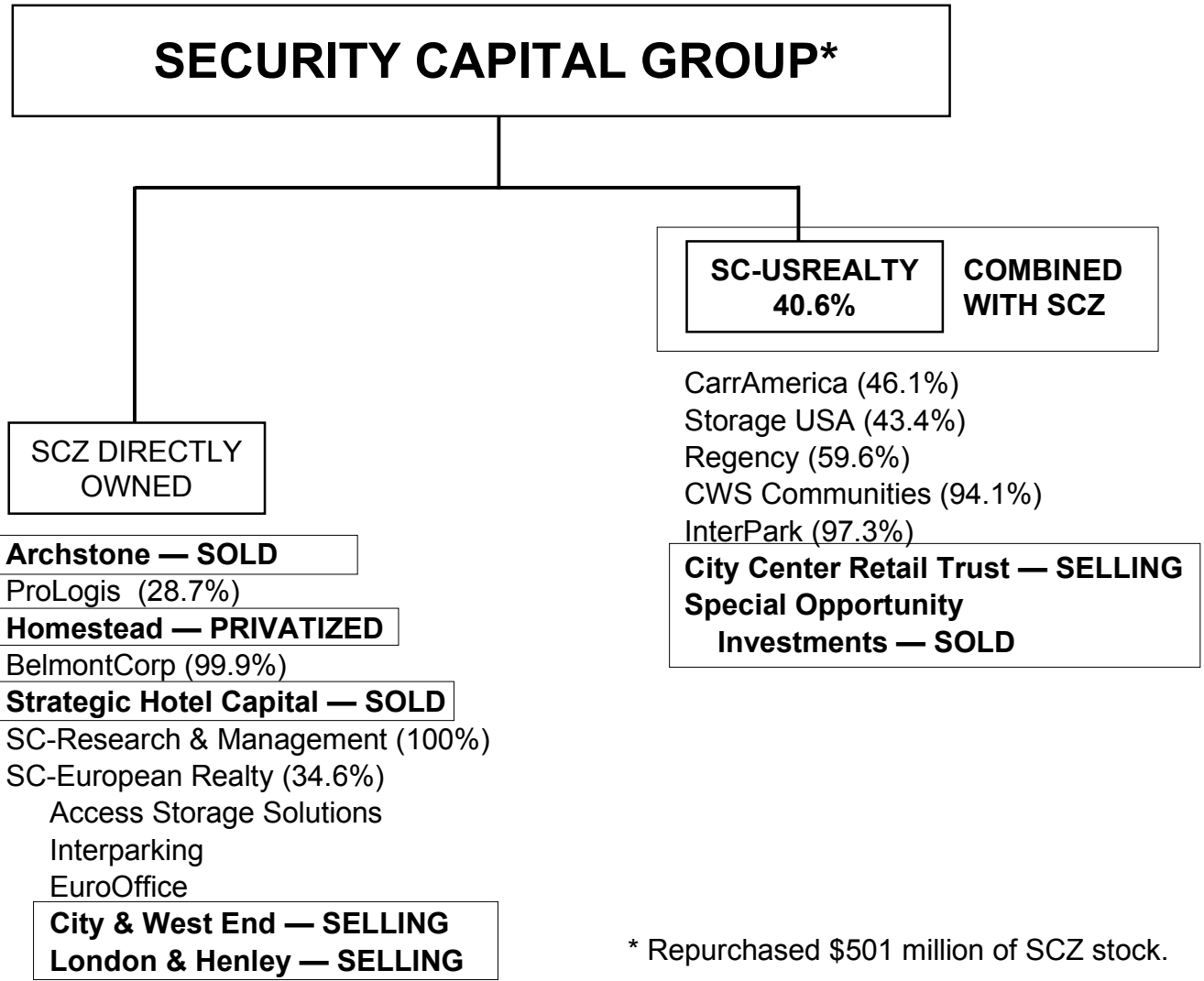
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- Produce Substantial Third-Party Customer Service Income
- High Sustainable ROE Businesses Operating as Private Divisions Which Produce S&P Competitive Returns

# SIMPLIFICATION STRATEGY: 40%+/- COMPLETE

## \$4.6 BILLION IN TRANSACTIONS EXECUTED

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\* Repurchased \$501 million of SCZ stock.