

# BRE Properties, Inc.

Fisher Center for Real Estate and Urban Economics  
32<sup>nd</sup> Annual Real Estate & Economics Symposium  
Real Estate Section: Have We Turned the Corner Yet?

November 23, 2009



# Safe Harbor Statement

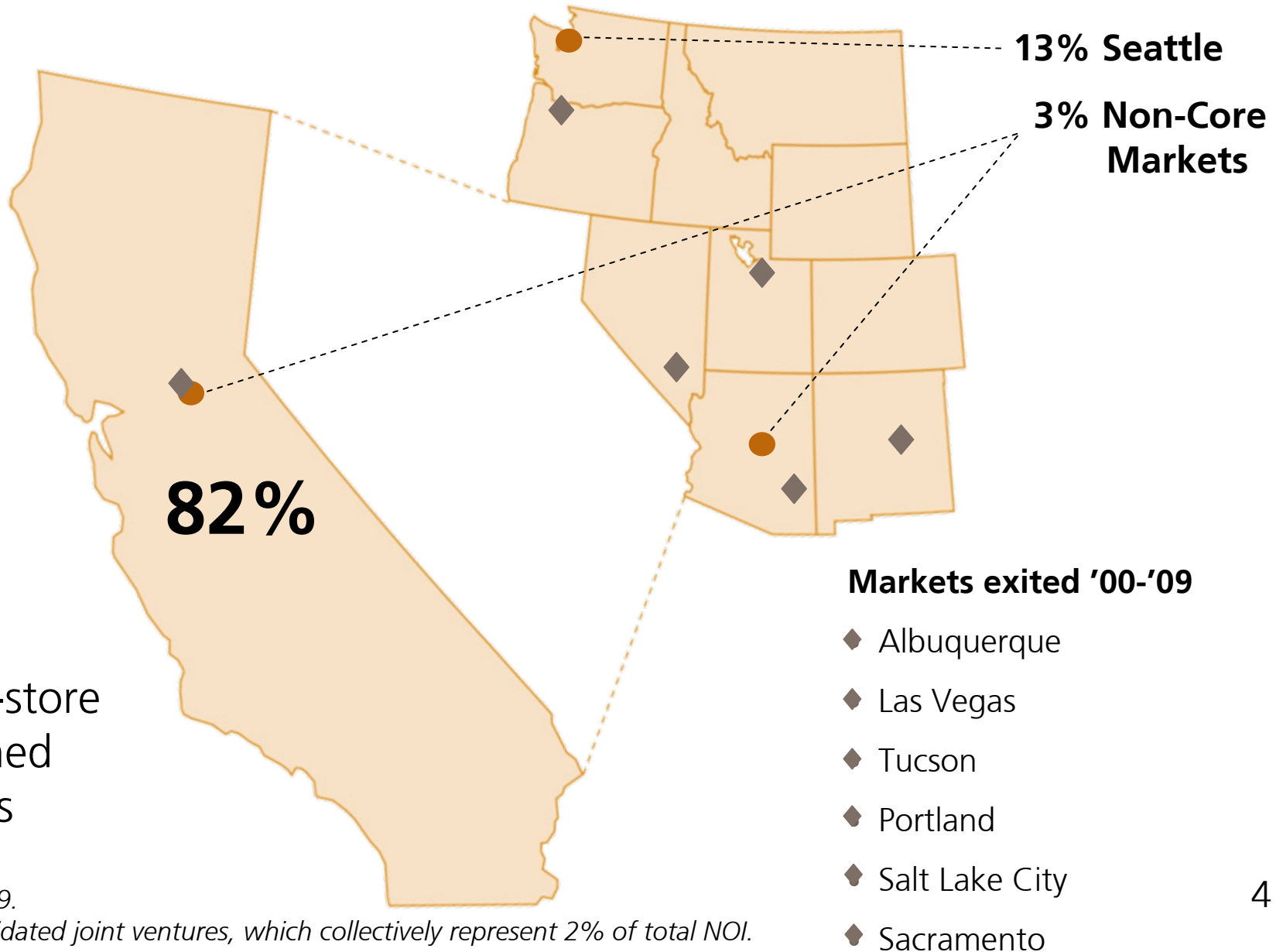
“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: Except for the historical information contained herein, this presentation contains forward-looking statements regarding Company and property performance, and is based on the Company’s current expectations and judgment. Actual results could vary materially depending on risks and uncertainties inherent to general and local real estate conditions, competitive factors specific to markets in which BRE operates, legislative or other regulatory decisions, future interest rate levels or capital markets conditions. The Company assumes no responsibility to update this information. For more details, please refer to the Company’s SEC filings, including its most recent Annual Report on Form 10-K and quarterly reports on Form 10-Q.

# BRE Properties

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- Publicly traded REIT (NYSE: BRE)
  - Multifamily focus; founded 1970
  - 73 wholly owned properties; 21,245 units
  - 13 JV communities; 4,080 units
  - 5 development sites; 1,526 units
  - \$3.8 billion total market cap
  - Uninterrupted dividends since inception

*Data as of 9/30/09.*

# California-Centric Market Focus



% NOI, same-store wholly owned properties

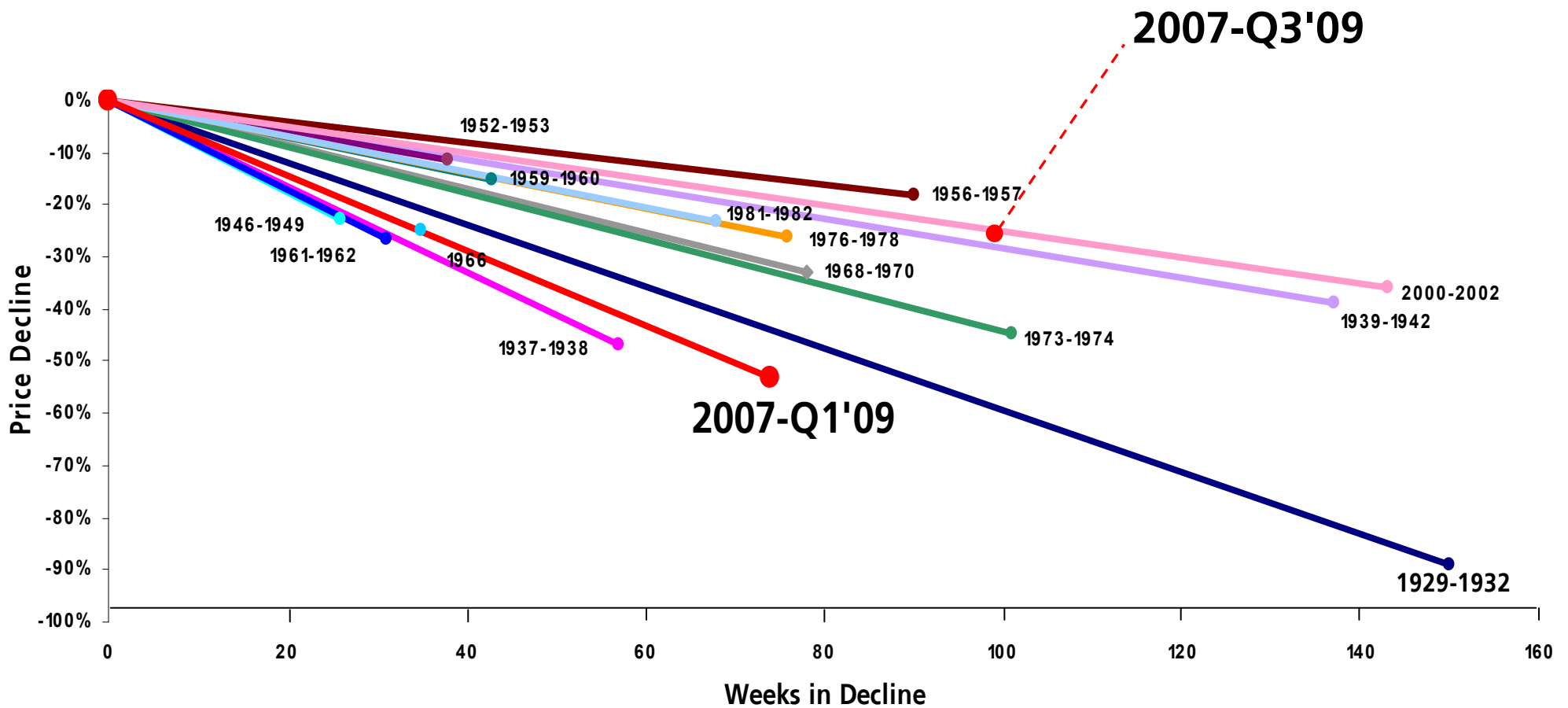
*NOI data as of 9/30/09.*

*Excludes 13 unconsolidated joint ventures, which collectively represent 2% of total NOI.*

# Climate of Crisis

- Economic climate: severe recession
  - Jobs, asset liquidation, financial tumult
  - Economic crisis faced by only a few generations
- Global deleveraging is the main theme
  - Removing 5-10 years of excess leverage
- More than 7.6 million jobs lost in the U.S.
- Current unemployment rates
  - United States: 10.2%
  - California: 12.2%
- Median home price declines – U.S. 16%; CA 38%

# Bear Markets Peak to Trough



# BRE's Tactical Response

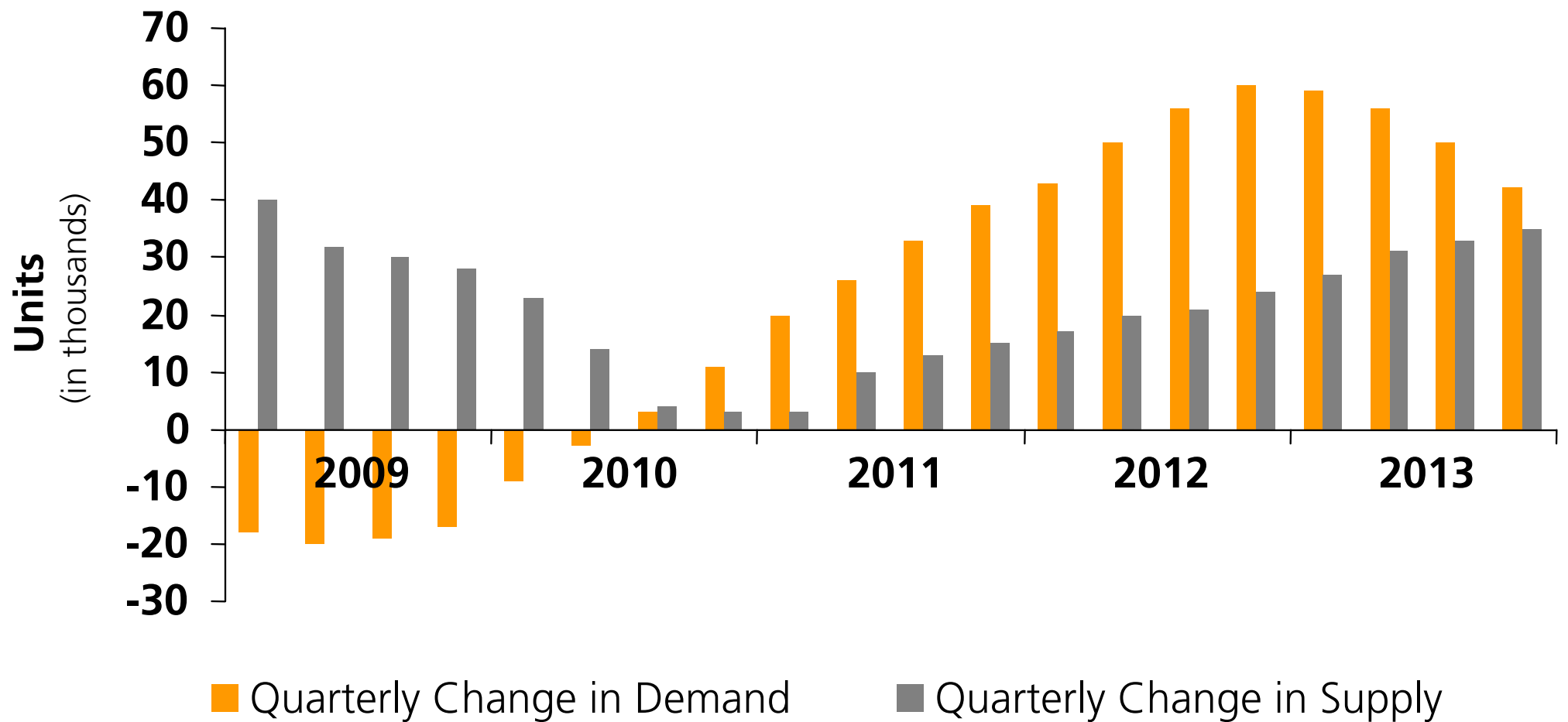
- Enhanced liquidity
  - \$620 million Fannie Mae 5.6% debt closed April 2009; 10-year term
  - Preserved financial flexibility; unencumbered NOI 68.8% of total NOI
- Addressed forward maturities
  - \$470 million of debt retired
  - 2009 through 2011 & 2013; 6.5% cost of funds
- Delevered the balance sheet
  - Implemented \$125 million ATM equity program
  - Debt to Total Gross Assets 52.6% at 9/30/09
- Preserved cash flow
  - Reduced common dividend to \$1.50 per share; retains \$40 million annually
- Sold \$84 million of assets YTD
- Development program decelerated

# Recovery: A Ways Off, but Promising

- Entering late-stage recession
  - GDP expected to stabilize 3Q/4Q'09
  - Jobs expected to stabilize 1H'10
- BRE business model benefits from recovery
  - California-centric strategy leads to outperformance
- Favorable long-term fundamentals
  - No new supply; rents run with jobs
  - Gen-Y demographic 70+ million strong
  - Growing propensity to rent; ownership levels dropping

# Light at the End of the Tunnel

Projected apt. supply & demand coming out of the recession



# Current Management Assessment

- BRE is well-positioned
  - Hard assets in favorable long-term markets
  - Strong balance sheet; result of well-executed plan
- Understand the reality of the environment
  - House is in order; preparing to exploit opportunities
- Financial markets recovering
  - Open access to all forms of capital
- California fiscal/economic crisis – strategic implications

# BRE's California-Centric Model

## California (SWOT)<sup>1</sup>

Strengths	Weaknesses
Pacific rim economy	Fiscal crisis – expenditures per capita; threatens economic vitality/Prop 13 risk
Size, depth & breadth of economy	Highest taxes in nation (income tax limited to high-income earners)
World-class university system	Entitlement crazy without sunsets
Geographic barriers (ocean & mountains)	Aging infrastructure
Reprice of California capacity	K-12 education
Internal generator of jobs	Term limits – general assembly/senate; unintended consequence – leadership crisis
Immigration flows	
Open to diversity	
Propensity to rent (renter society)	

(1) Strengths, Weaknesses, Opportunities, Threats

# BRE's California-Centric Model

## California (SWOT)<sup>1</sup>

Opportunities	Threats
California reset – get it right	California dynamic broken
Emerge from crisis – ready for growth	CA cannot create/draw jobs
Private equity exploits CA reprice	University system erodes
CA markets remain supply constrained	Statewide bankruptcy
Rent-to-own gap maintained (increased)	Rent-to-own gap collapses
Favorable propensity-to-rent levels	Propensity-to-rent levels erode
CA participates in Pacific Rim growth	CA morphs into a hybrid/commodity market

(1) Strengths, Weaknesses, Opportunities, Threats



# California and BRE – Going Forward

- Struggling California may still outperform
  - Commodity market rents unlikely
- How to continue California-centric business model
  - Urban infill; coastal focus
  - Strength in concentration
    - Scale at submarket level
  - Disciplined investment program
  - Conservative balance sheet management
  - Be open to compelling opportunities in other markets
    - Higher rate of return will be required

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