

KTR Capital Partners

Company Overview

KTR Capital Partners is a private equity firm on the leading edge of a small but growing group of private real estate investment companies that at one time or another lived and traded in the public world. Formerly known as Keystone Property Trust (the "REIT"), today KTR blends the knowledge, transparency, reporting practices and institutional controls of the public markets with the nimbleness, flexibility and entrepreneurial vigor of the private markets to give its investors the best of both of worlds.

"The public markets were good to us," commented Jeff Kelter, CEO of KTR and previously the REIT. "We had a terrific shareholder base and a very engaged and supportive Board of Trustees. But when we evaluated our alternatives as a company in 2004, we felt that there were buyers for our portfolio that were willing to pay a price to own the assets that we as a management team weren't excited about owning them at. The idea of starting a company from scratch again really appealed to us."

And thus, in the fall of 2004 after the sale of the REIT to ProLogis and its joint venture partner, Eaton Vance, for \$1.6 billion, KTR Capital Partners (KTR was the REIT's ticker symbol on the NYSE) was formed. From inception in 1997 to liquidation, the REIT delivered a total return to shareholders of 264 percent and an annualized return of 21 percent, which were the highest returns among the industrial REIT peer group.

As a private equity firm, KTR was formed to combine the best elements of a financial sponsor model with an operating platform capable of creating value at both the investor level and real estate level. The result is a vertically integrated firm encompassing all aspects of real estate invest-

Experience Matters

KTR Capital Partners is led by a highly experienced team of professionals with an average of more than 20 years in the real estate industry. Prior to forming KTR, the principals founded, ran and eventually sold Keystone Property Trust, a REIT listed on the New York Stock Exchange. The team has a wide array of industry knowledge combining institutional experience and entrepreneurial skill.



(L-R) Don Chase, Partner; Bob Savage, President; Jeff Kelter, CEO; and John DiCola, Partner

ment including development and redevelopment, construction, environmental regulation and remediation, debt financing, market research, asset management, and hands-on operations. Today the firm employs 43 people throughout its two corporate offices in New York City and suburban Philadelphia and two additional property management offices in South Florida and Chicago. All of the group heads are continuing in roles they served at in the REIT, lending a sense of continuity, cohesiveness and stability well beyond KTR's two-plus years of existence.

KTR launched its first investment vehicle — the \$505 million Keystone Industrial Fund — in 2005 and is currently acquiring and developing industrial assets in markets throughout the United States and Canada. KTR can act as either a financial partner or an operating partner, but the com-

pany typically looks to add value by assuming both roles when acquiring assets for its diversified portfolio.

"Though the industrial sector has clearly evolved into one of the four major food groups, there are still only a limited number of national players with expertise in acquisition and development that have access to entity-level capital," stated Bob Savage, president of KTR. "We feel that with a sector-focused operating platform we are very well positioned as a value-add investor and we are offering investors a unique investment approach."

The firm's principals have a wide array of industry experience representing expertise in all facets of real estate acquisitions, development, finance, operations and asset management. In many cases, professional and personal relationships among the team span two decades.

Focused Strategy and Investment Approach

Focused Strategy

KTR uses a focused investment strategy to add value through its vertically integrated operating platform. KTR believes its infrastructure and capabilities enable it to identify and capitalize on a myriad of different investment opportunities utilizing expertise in creative deal structuring, development and redevelopment, design and construction, environmental regulation and remediation, debt financing, market research, and hands-on operations.

KTR's investment strategy emphasizes portfolio construction. KTR earmarks approximately 75 percent of its investment capital to build scale in major industrial markets. In these "scale" markets (currently South Florida, Chicago, New Jersey and Phoenix) KTR's goal is to be one of the most active developers and buyers in the marketplace. The anticipated result is a portfolio of properties that is uniquely concentrated, highly attractive to core buyers and thus garners a premium when KTR looks to exit its investment.

The remaining 25 percent of the fund is opportunistically allocated among transactions in industrial markets with strong long-term fundamentals and established institutional appetite but where KTR does not want nor expect to be a dominant player.

KTR's strategy is designed to avoid competitive situations and derive operational advantages by establishing scale in major markets. KTR's management seeks to mitigate competition by targeting opportunities that involve operational and structural complexity or pursuing one-off acquisitions that are not as attractive to large institutional investors. KTR believes it generates additional investment opportunities and operational advantages by being a significant owner/operator in its markets.

Industrial Opportunity

The industrial real estate sector offers an attractive and compelling investment opportunity for three primary reasons.

First, in the industrial sector, ownership is fragmented and, in general, the participants are less sophisticated, which leads to inefficiencies in the marketplace compared to other major property sectors.

Second, logistics trends are evolving, creating opportunities in the industrial sector by shifting market fundamentals and creating functional obsolescence among older properties. Technological innovation as well as the surge in containerized imports from Asia are among the influences impacting the industrial property market.

Third, there are strong and stable market fundamentals that provide attractive risk-adjusted returns with low volatility. These factors contribute to the fact that the industrial sector produced the highest returns of all commercial real estate sectors over the past 12 years as measured by NCREIF, while maintaining its characteristic low volatility. In addition, sector transactions reached an all time high in 2006 — \$39 billion — indicating a liquid market with excellent exit possibilities.

Successful Investment Track Record

The KTR management team has demonstrated an ability to deliver results to partners and shareholders throughout varying investment and operating environments during the past 10 years. The table below illustrates the team's track record in the industrial sector. Prior performance is not an indicator of future results.

	Investment Period	Investors/Partners	Number of Properties	Invested Capital	Leveraged IRR	Equity Multiple
Keystone Property Trust	1997-2004	Public Shareholders	147	\$1.5 B	34.0%	2.3x
CalEast Joint Venture	2001-2004	CalPERS	12	\$175 M	33.5%	2.1x
AFL-CIO BIT Joint Venture	2003-2004	AFL-CIO Building Investment Trust	13	\$169 M	54.6%	1.7x
Keystone Industrial Fund	2005-Current	Various Institutional Investors	92	\$810 M	N.A.	N.A.

(1) Returns represent pro forma gross returns of 65% loan to value.

(2) Results for Keystone Property Trust includes industrial properties only.

Industrial Investment Profiles

Off-Market Transaction

Nashville, Tenn.
\$46 million/1.3 million s.f.



Unique Transaction Elements

- Transaction sourced off-market; KTR approached the local developer directly about a sale of his entire portfolio
- Tax abatement structure provides an advantage over competitive products
- Transaction provides right of first refusal on additional development properties

Compelling Project Attributes

- Stabilized cost significantly below comparable projects
- Increased attention in the North Submarket due to a new interchange, less congestion and quality bulk product
- High-quality functional assets with strong tenant base and additional upside

Speculative Development

Washington Township, N.J.
\$47 million/1.0 million s.f.



Unique Transaction Elements

- Direct approach to owner pre-empted marketing of property
- Likely buyer excluded from possible bid due to contentious history with seller
- Ability to secure all regulatory approvals during due diligence

Compelling Project Attributes

- Land purchase price well below market comparables
- Direct New Jersey Turnpike frontage in an established industrial park
- Acquired adjoining site to increase development yield.
- Ability to quickly deliver inventory to market

Scale in Key Markets

Chicago, Ill.
\$110 million/1.9 million s.f.



Unique Transaction Elements

- Reputation and relationships in the market allowed KTR to step into a transaction when another buyer failed to perform
- Extensive negotiations required with long-time owner
- Seller wanted to retain management and leasing

Compelling Project Attributes

- Very rare opportunity to acquire 2 million-square-foot, 23-building portfolio located in high demand, high barrier to entry O'Hare submarket
- Below-market rents and significant short-term roll provides for significant NOI growth; good basis for well maintained properties
- 16 of the properties are located on 33 contiguous acres adjacent to O'Hare International; site has strong long-term redevelopment potential

Joint Venture

Phoenix, Ariz.
\$80 million/1.2 million s.f.



Unique Transaction Elements

- Local developer controlled well located 99-acre site in southwest submarket of Phoenix
- Local developer was looking for experienced development partner — not a financing partner.
- KTR had a prior relationship with developer to exclusively negotiate a joint venture and co-development agreement

Compelling Project Attributes

- Contribution value of land to the JV was established below current values
- Secured approvals ahead of many competitors within a difficult regulatory environment
- Property is well located in favorable tax jurisdictions.
- Phoenix market is benefiting from demographic trends as well as logistics trends



Complex Situation

Edison, N.J.
\$116 million/1.25 million s.f. and 28 acres

Unique Transaction Elements

- Acquired a landmark industrial asset in northern New Jersey that was not broadly marketed
- Three separate leaseback deals; two with the *New York Times* — a short and a long-term — and an additional long-term lease with another tenant

- Negotiated and closed deal within 45 days, providing owner with a certainty and timely close

Compelling Project Attributes

- Opportunity to enhance presence and increase portfolio in northern New Jersey industrial market
- Highly functional warehouse distribution product with direct frontage along the New Jersey Turnpike
- Redevelop the printing facility to modern distribution and warehouse requirements
- Additional land parcels acquired have potential for expansion as well as multiple property uses that include industrial, office, retail and hotel

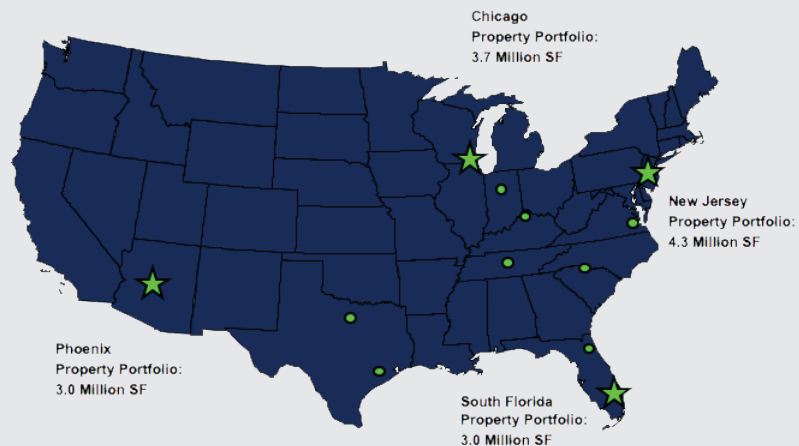
Keystone Industrial Fund

KTR's Keystone Industrial Fund acquires, develops and operates industrial assets in North America with a focus on distribution markets that exhibit strong demand characteristics, possess high barriers to entry, or otherwise demonstrate the potential for meaningful value creation and economic sustainability. KTR has full discretion over the fund's investments. The fund specifically targets investment opportunities in markets and assets that are positioned to benefit from evolving logistics trends. To date, Chicago O'Hare, South Florida, New Jersey and Phoenix have been its most active targets.

As KTR's first fund, Keystone Industrial Fund has set the bar high for the funds that may follow. The \$505 million value-added industrial fund — which will eventually hold nearly \$1.5 billion in industrial assets — had its final closing in March 2006 and 75 percent of its equity was committed by June 30, 2007. Currently, the Fund has more than 90 properties com-

prising more than 17 million square feet including 6 million square feet in various stages of development. The diversified portfolio of properties is spread across eight states, four NCREIF regions and consists of 330 tenants. No single tenant accounts for more than 8 percent of the rental revenues. KTR is currently evaluating approximately \$300 million in industrial investment opportunities to complete the Fund.

KTR's 11-member investment team has been able to directly source value-added deals off market, thus avoiding auctions and their often inflated pricing. The KTR team also has produced a development pipeline that will bring new stock on line in areas that lack modern facilities. The sector's continued strong core pricing should make exit prices attractive for both acquisitions and new development.



Looking Ahead

More than 75 percent of the capital raised for the Keystone Industrial Fund has already been committed, and the remaining 25 percent will be committed within the next 6 months. Based on the success of KTR's first fund, KTR is exploring strategies for the logical extension of its industrial platform beyond North America.

"Obviously, logistics and supply chain evolution is a global phenomenon. Our knowledge of the industrial sector in North America is, to a large degree, exportable to other markets," states Kelter. "One of our strengths as an organization is our ability to obtain the local market expertise necessary to generate interesting deal flow while retaining a broader investment perspective."

Previously, operating the REIT in the public market, the KTR management team received accolades for the quality and transparency of its investor reporting as well as its corporate governance from the National Association of Real Estate Investment Trusts (NAREIT) and Institutional Shareholder Services (ISS). Over time, KTR believes it can leverage this experience and its current reporting and asset management infrastructure by pursuing focused strategies beyond the industrial sector. To the extent new strategies are pursued, the company expects to do so by adding seasoned investment professionals with proven transaction experience in the relevant sector.

KTR CAPITAL PARTNERS OFFICE LOCATIONS

NEW YORK CITY

140 Broadway, 43rd Floor
New York, NY 10005
Phone: (212) 710-5060

SUBURBAN PHILADELPHIA

300 Barr Harbor Drive, Suite 150
Conshohocken, PA 19428
Phone: (484) 530-1800

Web site: www.ktrcapital.com

CORPORATE CONTACT

Robert F. Savage Jr, President
E-mail: rsavage@ktrcapital.com

J. Peter Lloyd, Partner
E-mail: plloyd@ktrcapital.com

MEDIA CONTACT

Caroline D. Lannen
E-mail: clannen@ktrcapital.com