MIG II Realty Advisors

2009 Tactical Plan

Prepared for:

The Real Estate Committee

for

City of San Jose
Police & Fire Department Retirement Plan
December 18, 2008

MIG-Managed Portfolio
2009 Expected Performance

Camelback Pointe and Deerwood Apartments

- **12/31/08 Value - $44,985,000; $3,965,000 below 12/31/07 (-8.1%)**
- **2009 NOI - $2,916,012; 2.0% ($56,000) over 2008**
- **2009 Net Income After Capital - $2,419,882, 7.5% below 2008**
- **2009 *Gross* Income Return -6.58%**
- **Recommendation: HOLD Camelback near term; consummate pending sale of Deerwood**

2009 Expected Performance

	Total *Net* Return (After Fees)	*Net* Income Return (After Fees)	Return Ratio	Property Cap Rates*	Market Cap Rates*	Total *Net* Return (Real)**
Camelback	1.76%	6.41%	364.2%	6.83%	5. 86%	-1.24%
Deerwood	-0.50%	5.59%	-1118.0%	6.03%	5.86%	-3.50%
Portfolio	0.76%	6.05%	796.1%	--------	-------	-2.24%
Target			66.7%	--------	-------	6.00%

*Property Cap Rate = 2009 NOI/12/31/08 Value; Market Cap Rate = Korpacz Q3 2008 average
**Real Total *Net* Return = Total *Net* Return less 3.0% (est. annual inflation rate)

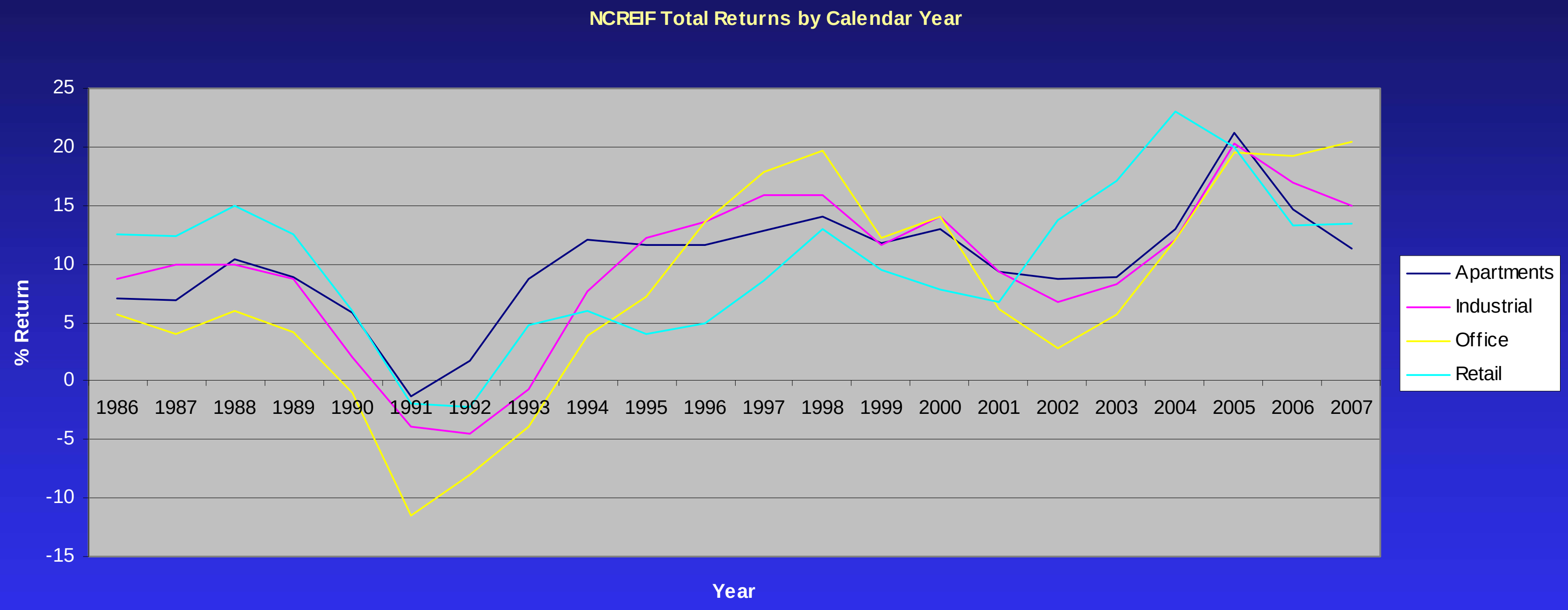
Return Trends By Property Type

NCREIF Historical Annualized Gross Returns						
	1-Year		3 -Year		5-Year	
Property Type	Income	Total	Income	Total	Income	Total
Apartments	4.48%	3.06%	4.94%	10.96%	5.35%	12.54%
Industrial	5.94%	5.09%	6.36%	13.03%	6.91%	13.69%
Office	5.02%	6.07%	5.72%	15.54%	6.43%	14.82%
Retail	5.81%	6.33%	6.03%	11.75%	6.61%	15. 60%

Source: NCREIF Q3 2008

HIGHER RISK = HIGHER RETURNS

Return Trends by Property Type



MULTIFAMILY = MORE STABLE RETURNS

Return Trends by Region

NCREIF Total Annualized Returns By Region			
	1-Year	3-Year	5-Year
East	5.15%	13.76%	15.22%
Midwest	4.80%	10.13%	10.82%
South	5.64%	12.11%	12.97%
West	5.31%	14.51%	15.36%

Source: NCREIF Q3 2008

HIGHEST RETURNS = EAST, WEST

Investment Objective and Opportunities

San Jose P&F Existing Real Estate Portfolio

(MIG and Kennedy Combined)

Property Type Diversification			
	San Jose P&F		
Property Type	**2007 Appraised Value**	**% of Total**	**NCREIF**
Multifamily	$48,950,000	33%	25%
Office	$90,640,903	61%	25%
Industrial	$9,600,000	6%	34%
Retail	$0	0%	15%
Hotel	$0	0%	1%
Total	$149,190,903	100%	100%

Note: Does not include MEPT investment; NCREIF data as of Q3 2008.

Investment Objective and Opportunities

San Jose P&F Existing Real Estate Portfolio

(MIG and Kennedy Assets Combined)

Geographical Diversification			
	San Jose P&F		
NCREIF Region	**2007 Appraised Value**	**% of Total**	**NCREIF**
Midwest	$20,400,000	14%	14%
South	$22,250,000	15%	29%
East	$0	0%	24%
West	$106,540,903	71%	33%
Total	$149,190,903	100%	100%

Note: Does not include MEPT investment; NCREIF data as of Q3 2008.

National *Multifamily* Market Overview

- Occupancy - 93.1% (Q3 2008) vs. 94/.4% (Q3 2007) (Reis, Inc.)
- Effective rents - 3.5% annually (TTM @Q3 2008) (Reis, Inc.)
- Multifamily completions - 86,000 units -2006; 85,000 units -2007 (lowest levels since 1999); 98,700 units - projected 2008 (largest addition since 2004)
- Shadow market of foreclosed single family homes/condos for rent add pressure to apartment occupancy in certain markets (South Florida, Phoenix, Las Vegas)
- Job losses beginning to negatively impact occupancy nationwide; unemployment at 6.5% as of 10/08 highest level in 14 years

National *Multifamily* Market Outlook

- 2009 Vacancy - Projected to increase to 6.8%
- Effective Rents - Up 1.7% in 2009 vs. 2.7% (est.) in 2008
- Continued credit issues = double edged sword; Positive - more people forced to rent vs. buy; Negative - ongoing foreclosures provide additional for-rent options in some markets
- Further economic deterioration predicted nationwide in 2009; anticipate negative impact on multifamily performance as households consolidate due to job loss

National *Multifamily* Market Outlook

- Traditionally strong apartment markets – high prices for single family homes, positive job/population growth, and development constraints
- Strongest performance projected for Pacific Northwest; Mid-Atlantic and Texas (Citigroup Global Markets 12/05/08)
- Seattle, San Francisco, Washington, DC, New York, Houston cited as top markets for investment (Urban Land Institute: Emerging Trends in Real Estate 2009)

Investment Objective and Opportunities

Allocation Status / Acquisition Strategy

- Real Estate Allocation Status
  - Real estate investments - Below 12.0% target
  - Potential for additional investment

  - **TARGETED MULTIFAMILY MARKETS**:
    - Class A properties in the ***Northeast*** to increase geographical diversification in constrained markets (Mid-Atlantic, New York) and ***West*** (Northern California, Seattle) benefiting from stronger economic outlook/global market dynamics