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GREAT ESCAPES: LUXURY DESTINATION CLUBS OFFER MORE CHOICES

A WIN-WIN SITUATION

GE Equities Plus Arden Realty Equals Powerful LA Real Estate Platform

BY CHRISTINA DYAR

When a leading global commercial real estate capital and solutions provider purchases the largest landlord of office buildings in Southern California, the result is one of largest transactions of its kind to date and a proverbial "win-win" for both parties.

In early May, GE Real Estate, a division of GE Commercial Finance, North America acquired all of

Arden's common stock for \$45.25 per share in a cash merger transaction. The total transaction consideration was approximately \$4.8 billion, which included the assumption and refinancing of approximately 1.6 billion of Arden's outstanding debt. In connection with the deal, Trisec Properties acquired 13 Arden properties, totaling 4.1 million square feet, concentrated in West Los Angeles and San Diego, for approximately \$1.6 billion.



1260 Crown Cabot Financial Center



Richard Ziman
Former CEO
Arden Realty

"This merger cements the relationship between the global endeavors of GE Real Estate and the dominant regional leverage of Arden. It's a blending of corporate cultures that will produce a powerful new real estate entity in this region," says Richard Ziman, co-founder and former CEO of Arden

Realty. "GE received a good company, a great platform and a band of assets that would be impossible to cobble together."

Clearly, the Arden purchase was one of the largest and significant acquisitions for GE Real Estate. According to Joe Parsons, who as president of GE North America Equity leads a group of real estate businesses stretching throughout the United States and Mexico, the transaction gave GE a unique West Coast office platform and infrastructure for the company to expand and grow and a high quality portfolio of real estate assets.

"That was the driver," explains Parsons. "It fits with our global strategy to grow our balance from \$35 billion to \$50 billion. Arden was a highly sought after property." Parsons transformed a \$2.5 billion U.S. portfolio into a diversified North America equity portfolio of approximately \$9.5 billion before the Arden acquisition.

In recent years, the Southern California office market has been buoyed by strong job growth, which helped cut office vacancy in the Los Angeles to less than 10 percent, according to Grubb & Ellis. "We're confident in the growth rate dynamics, strong occupancy and business recovery in the Los Angeles market," explains Parsons.

While the 13 assets that Trisec purchased for \$1.6 billion didn't fit the GE profile, they did fit in with Trisec's desires for a West Los Angeles and San Diego market presence. It gave Trisec a strong foothold in Southern California and helped mitigate risks for GE.

Well Run Auction

It's no stretch to see how the transactions benefits GE and Trisec, but why would Arden Realty, a successful regional REIT with a portfolio of 118 properties of 194 buildings and approximately 18.9 million net rentable feet initiate the transaction? "Our tune, our mantra, is to maximize shareholder value," says Ziman.



The concept of the merger and sale of the company began conceptually in June, 2005. "At that time real estate values were up but stock wasn't. It was also a time that interest rates prompted an influx of foreign and institutional investors were looking for alternatives to stock and bond investments, making a highly favorable market condition for REITs. "We felt if we structured a very sophisticated transaction, we could maximize shareholder values." Arden brought in Lehman, Wachovia and Secured Capital Corp. who did a complete analysis.

What the Future Holds

The name, the platform and the assets—with the exception of the Trisec properties—are all being retained. Additionally, most employees are staying as well. During the transition period of next six months, Ziman is staying on as consultant. "I'm leaving behind a good legacy," he says.

According to Richard Petticord, the new chief operating officer of Arden and a long time Arden executive, the transaction provides Arden with more opportunities for growth and the ability to be more flexible and nimble in the

"WE'RE CONFIDENT IN THE GROWTH RATE DYNAMICS, STRONG OCCUPANCY AND BUSINESS RECOVERY IN THE LOS ANGELES MARKET," EXPLAINS PARSONS.

According to Ziman, the board voted unanimously for the merger agreement. In addition to maximizing shareholder value, the timing was right and the deal addressed the limitations that REITs have in their business model. GE's structure and reach gives Arden more opportunities as a real estate company.

"Through the banks, we looked at a number of bidders and potential buyers. We looked for buyers with sophistication, experience, knowledge and resources that could do what was at that time the largest deal like this in the United States."

Ziman feels that the transaction demonstrated the strong diversified economy in Southern California and with Arden's valuable real estate portfolio, but also it was a testimony to the ability of Arden's management team and employees for creating value and generating a strong current return for investors.

"We participated in a highly competitive and highly well-run auction process," says Parsons. "Arden was a well run company. We were pleasantly surprised at how few issues surfaced."

marketplace. "It's a big change and it will see interesting to see what can be accomplished outside of the REIT structure."

His vision for the future? "Just as GE said from day one, to use us as a platform for growth utilizing our markets and growing our current markets in Southern California." ●



FACTOIDS

GE Real Estate

First GE real estate transaction completed in early 1950s

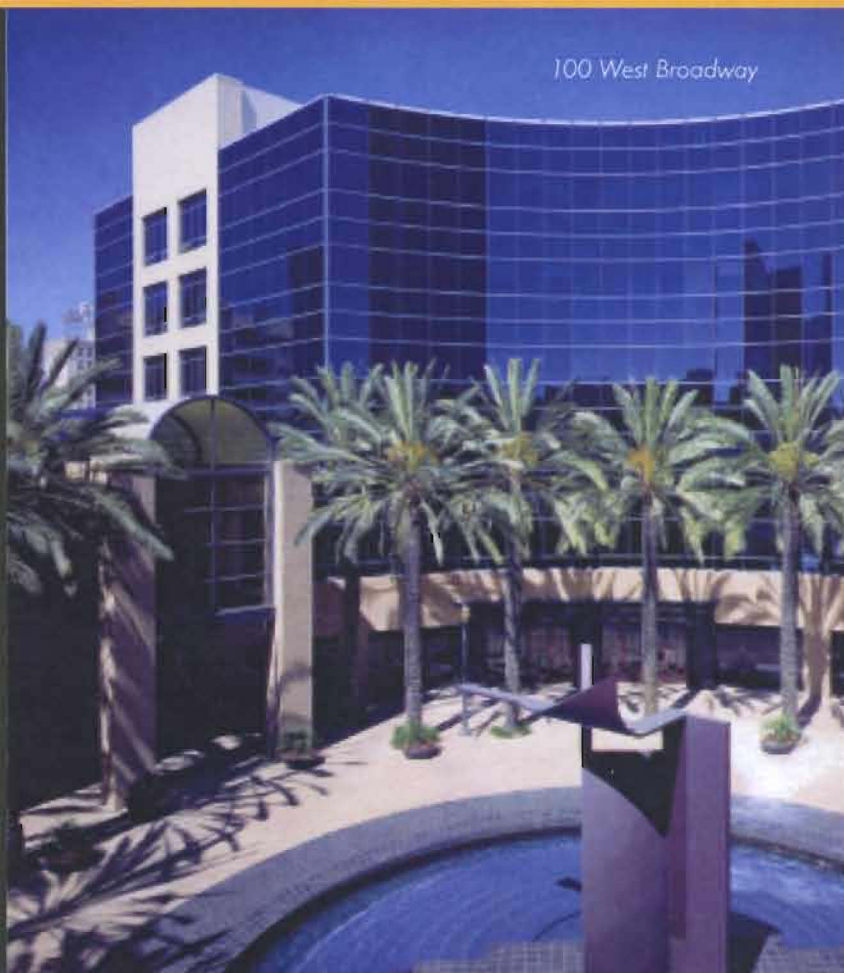
Established: in 1972

Net income: \$1.82 billion in 2005

Growth: 25% compound annual growth rate since 1993, achieve more than 10% net income growth for 12 consecutive years

Assets: \$38 billion in total assets before Arden transaction, \$53 billion assets under management before Arden transaction, \$274 million square feet of global real estate before Arden transaction

Investments: in 21 countries and more than 13,000 properties, 44 offices in North America, Europe, Asia and Australia/New Zealand ●



100 West Broadway

FACTOIDS

Arden Realty

(before transaction)

Based: West Los Angeles

Properties: Los Angeles, Orange County, San Diego

- 116 Properties
- 192 Buildings
- 18.5 million net rentable space

In-house operations include: leasing, property and asset management, construction, development and acquisition. ●