



InSITES

ONE OF THE NATION'S LEADING REAL ESTATE FUND MANAGERS

Fourth Quarter
2008

Position of Strength in Volatile Times



Daniel M. DiLella
President/Chief Executive Officer

One of the many advantages of investing with BPG is that we have been in business for close to thirty years. In an industry that prides itself on survival

of the fittest this longevity is a testament to our ability to thrive in periods of great prosperity and take advantage of opportunities during periods of great distress. Our experience with each downturn has left us stronger and wiser and in an even better position for the start of the next cycle.

We have found that there are three primary characteristics that are fundamental to emerging from a downturn in a position of strength. The first is building and maintaining a talented and seasoned staff of real estate professionals. Our greatest asset at BPG is our people. As part of our direct operating platform we operate seven regional offices located throughout the United States staffed by dedicated real estate professionals. These loyal professionals are actively asset managing our existing portfolio of investments and patiently

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Madison at Vinings Ridge, Atlanta, GA

BPG Acquires 494 Unit Apartment Community in Atlanta, Georgia

During the fourth quarter, BPG Properties, Ltd. (BPG) acquired Post Woods, a 494 unit Class B+ multi-family community located in a high end suburb of Atlanta, Georgia from Post Apartment Homes, L.P. for \$52,750,000. The community has been renamed Madison at Vinings Ridge and will be managed by BPG's multi-family operating arm, Madison Apartment Group, L.P. (Madison). The purchase was made on behalf of BPG Investment Partnership VIII & VIIIA, L.P. (Fund VIII), a fully discretionary private equity fund with total equity commitments of \$850 million.

The acquisition of Post Woods was overseen by Steve Pogarsky, Vice President of BPG. Financing was provided by Freddie Mac.

Post Woods is located in the highly desirable Vinings/Cumberland submarket of northwest suburban

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2008 YEAR IN REVIEW

Wow. What a year it was. The intensity of the capital market turmoil during the fourth quarter certainly curtailed business and consumer activity globally, nationally and for our firm. It is times like these when we are reminded of the value of our diversified direct operating platform. Being the sole operator of all of the assets in our portfolio provides the nimbleness to quickly adapt to market challenges for the benefit of our investment partners.

Despite these challenging conditions, we were able to continue making attractive acquisitions, financings and dispositions throughout the year most notably in the multi-family sector. The multi-family sector has remained liquid due in part to the early and decisive support of the government in stabilizing Freddie Mac and Fannie Mae, the two primary financing sources for the multi-family industry.

The other factor supporting multi-family is that the operating fundamentals for the apartment industry strengthened to a stable level over the last few years as the overheated “for sale” home market retreated.

During 2008, we invested more than \$150 million of discretionary equity in acquiring more than \$475 million of properties located in 10 markets around the country. Consistent with my previous comments more than 90% of this activity was in the multi-family sector. Although most of the capital markets have fallen into disarray, during the year we completed nearly \$700 million in financing transactions and \$250 million in dispositions with the multi-family sector

again comprising the majority at 58% and 82% respectively.

We are especially proud of our commercial operating staff throughout the country for completing more than 500,000 SF of leases in more than 90 transactions during the turbulent fourth quarter alone (*see page 8*). For the year they completed more than 3.5 million square feet of leases in 395 transactions. Slightly more than one-half of all commercial lease transactions were with new tenants.



*Arthur P. Pasquarella
Executive Vice President and
Chief Operating Officer*

We continue to solidify and expand our relationships with investors, brokers, tenants and lenders throughout the country. We look forward to working closely with all of you in 2009. ■

POSITION OF STRENGTH IN VOLATILE TIMES

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searching for acquisition opportunities resulting from increasing stress in the markets.

The second requirement for successfully weathering a downturn is access to capital. BPG has historically invested a significant amount of equity in each of our investments. With approximately \$500 million of uncommitted equity remaining in our latest fund, BPG Fund VIII, we are waiting to take advantage of forced or distressed sales.

The third characteristic that has brought us through previous downturns is our ability to make

a decision. This is no time to be paralyzed with fear. We have learned that you cannot sit on the sidelines and attempt to time the bottom. With a seasoned staff, our valued relationships with lenders and brokers around the country and disciplined approach to investing, we are poised to make prudent investments when the opportunities become available.

Overall we are cautiously optimistic about the next couple of years. We have many assets for which we have completed our repositioning plan that are ready to be sold when the capital markets rebound.

These sales will provide needed cash flow for our institutional investors. We are also anticipating some attractive acquisition opportunities. It is interesting to note that it was during some of the most difficult periods that we made acquisitions which later produced our strongest returns.

As in past years we would like to thank our many investors, lenders, brokers, construction firms, architects and law firms who we have had the pleasure to work with over the past year. Thank you for your support and we wish you a healthy and prosperous 2009. ■

Fourth Quarter Acquisitions



MADISON AT HUNT CLUB
North Wales, PA
Multi-Family
320 Units
Seller represented by Bob Miller of CB Richard Ellis' Philadelphia Office



MADISON AT VININGS RIDGE
Atlanta, GA
Multi-Family
494 Units
Seller was represented by Malcolm McComb, Kevin Geiger, Paul Berry of CB Richard Ellis' Atlanta office

Fourth Quarter Dispositions



MADISON AT ASHLEY FOREST
Alpharetta, GA
Multi-Family
220 Units
Seller represented by Keith Geiger and Kevin Krieger of CB Richard Ellis' Atlanta Office



MADISON AT BUTTERNUT RIDGE
Olmsted, OH
Multi-Family
261 Units
Seller represented by Rick Vidrio and Rick Brace of Hendricks and Partners' Detroit Office



RIVERWIND APARTMENTS
Spartanburg, SC
Multi-Family
194 Units
Direct Transaction



STONESTROW APARTMENTS
Greenville, SC
Multi-Family
338 Units
Direct Transaction

BPG Development's Stillings Earns LEED® AP Accreditation

Kate Stillings, vice president of BPG Development Company, L.P. has earned her LEED® Accredited Professional (AP) designation from the Green Building Certification Institute (GBCI), which was established by the United States Green Building Council (USGBC) to handle and administer the LEED credentialing program.

LEED Accredited Professionals (LEED APs) have demonstrated a thorough understanding of green building practices and principles and the LEED Rating System.

Kate is the second professional in the firm to hold the LEED AP designation,

the first being BPG's Director of Sustainability, Nancy Cleveland. In 2007, BPG made the commitment to design and construct all new ground up commercial developments and existing building renovations utilizing sustainability standards in accordance with the recommended practices of LEED Green Building Rating System. In addition, BPG has been upgrading all existing building operations toward a higher sustainability standard.

As vice president of BPG Development, Kate is responsible for the execution of major renovation and new construction projects for the firm. Most recently, she oversaw the construction management



Kate Stillings

of Barbizon/63, BPG's highly successful condo conversion of the former Barbizon Hotel on the Upper East Side of New York City. She is currently overseeing the tenant improvements of 1000 Continental, the firm's 200,000 square foot, Class A LEED Silver Certified office development in King of Prussia, Pennsylvania. ■

BPG ACQUIRES 494 UNIT APARTMENT COMMUNITY

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Atlanta, just one mile from the interchange of Interstates 75 and 285, providing direct access to the pre-eminent business districts of Atlanta, namely Cumberland/Galleria, Buckhead and Midtown.

The garden style community is situated on 50 acres of rolling picturesque woodlands and includes two on-site lakes, extensive walking trails and frontage along the popular Chattahoochee River. Residents enjoy being located within walking distance to several shopping centers, the nationally recognized Cobb Galleria Centre and the new Cobb Energy Centre for the Performing Arts.

“We have commenced an extensive



Madison at Vinings Ridge, Atlanta, GA

\$6 million improvement program to upgrade the complex including exterior painting, roofs, clubhouse, fitness center as well as renovations to the kitchens and bathrooms,” added Steve Pogarsky of BPG. ■

BPG Completes Portfolio Acquisition



Hunt Club, Lower Gwynedd, PA

In November 2008, BPG completed the second phase of a three property multi-family portfolio acquisition from a publicly traded REIT. This phase included the acquisition of Hunt Club, a 320 unit, multi-family community located in suburban Philadelphia, Pennsylvania. It will be also be managed by Madison. The purchase was made on behalf of Fund VIII. The first phase of the transaction closed in September 2008 and included the acquisition of two multi-family communities totaling 650 apartment units in the Hartford, Connecticut metro area.

“The acquisition of Hunt Club provided us with the opportunity to acquire a Class A multi-family community in a highly desirable and convenient location,” commented Steve Pogarsky, vice president of BPG who along with Greg Curci, acquisition manager, was responsible for the transaction. “Further, it allowed us to expand our Pennsylvania multi-family portfolio which now consists of 25 communities totaling more than 4,400 units.”

Hunt Club is located 20 miles north of Philadelphia in Lower Gwynedd, an affluent township within

Montgomery County. It offers residents convenient access to many nearby employment centers as well as to Center City Philadelphia by SEPTA’s Regional Rail or Route 309 and I-276 (the Pennsylvania Turnpike). On-site amenities include a business center, swimming pool and tennis and basketball courts.

“\$3.4 million is budgeted to upgrade the physical condition of both the buildings and apartment units,” commented Greg Curci. “The program will address the roofs, facades, parking lots, landscaping as well as upgrades to kitchens and bathrooms.” The seller was represented by Bob Miller of CB Richard Ellis. Fixed rate mortgage financing was provided by Freddie Mac. ■



Hunt Club, Lower Gwynedd, PA

Madison's Niklaus Elected President of Local IREM Chapter



Anne-Marie Niklaus

Anne-Marie Niklaus, regional vice president of Madison Apartment Group, L.P. (Madison) was elected president of the Delaware Valley Chapter of the Institute of Real Estate Management (IREM) in November 2008. With over 18,000 members worldwide, IREM has been the source for education, resources, information and membership for real estate professionals for more than 70 years.

In her role as president of the IREM Delaware Valley Chapter, Anne-Marie is responsible for leading various IREM initiatives in 32 counties throughout the eastern half of Pennsylvania and the state of Delaware.

As regional vice president for Madison, Anne-Marie oversees six regional property managers and is responsible for the operations of 28 communities totaling more than 9,000 units. She is an integral part of all phases of Madison's properties including acquisitions, operations and dispositions.

Anne-Marie is a member of the National Apartment Association and is a Certified Property Manager (CPM) and an Accredited Resident Manager (ARM) under IREM. ■

BPG Multi-Family Dispositions Remain Strong

While the turmoil in the capital markets has substantially slowed commercial property transactions, BPG's multi-family dispositions remained on track with four dispositions closing during the fourth quarter 2008. In total, the communities sold for more than \$60,000,000 and included 1,063 units, located in Georgia, South Carolina and Ohio.

"Despite the challenges in today's capital markets, we are pleased to have successfully marketed and closed multi-family sales at attractive pricing," commented Joseph Nahas, vice president of dispositions for BPG.

The sale of Madison at Butternut Ridge was enhanced by BPG being able to offer the property subject to the buyer assuming the existing below market fixed rate financing. This is the second consecutive time that this property was traded with existing financing. BPG acquired the 261 unit multi-family community in Olmsted, a suburb of Cleveland, Ohio in December 2001 and assumed the then existing financing. The firm refinanced the property with



Madison at Ashley Forest, Alpharetta, GA

Freddie Mac at the end of 2003 and it was this loan that was assumed by the new owner. The garden style community sold for \$19,000,000 to a private investor in December 2008.

Earlier in the quarter,

BPG sold Madison at Ashley Forest, a 220 unit multi-community located in Alpharetta, Georgia. The garden style community was purchased for \$16,200,000 by a buyer, who had previously purchased two other multi-family properties from BPG and who had secured its own financing. BPG acquired Madison at Ashley Forest in the first quarter of



Madison at Butternut Ridge, Olmsted, OH

2001 as part of a 12 property multi-family portfolio located in five southeastern states.

Other dispositions during the quarter included two communities located in South Carolina. Riverwind Apartments, a 194 unit multi-family community in Spartansburg, sold for \$9,956,150 while Stonestrow Apartments, a 388 unit community in Greenville, sold for \$15,631,074. ■

KEMPER LAKES BUSINESS CENTER NABS TOBY FOR BEST RENOVATED BUILDING

Kemper Lakes Business Center in Long Grove, Illinois has been recognized as The 2008 Building of the Year (TOBY) in the Renovated Category by the Suburban Chicago Chapter of the Building Owners and Managers Association (BOMA). The TOBY Award was created by BOMA International in 1985 to salute excellence in the office building industry.



*Building Lobby, Kemper Lakes Business Center
Newly Renovated*

“We are extremely pleased that Kemper Lakes Business Center has been honored with the TOBY award,” said Timothy Scannell, vice president of BPG who was responsible for overseeing the renovation.

Since acquiring the 1.1 million square foot Class A office property in 2005, BPG has completed more than \$20 million in capital improvements, which transformed Kemper Lakes into a first class, full service multi-tenant office complex.

The improvement program included driveway-to-doorway enhancement to reinvigorate the landscaping and setting of the picturesque 164-acre campus that is situated between two lakes and adjacent to the world class Kemper Lakes Golf Course. The four interconnected buildings that make up Kemper Lakes Business Center received extensive interior renovations including new upgraded finishes throughout the lobbies, the common corridors and restrooms. The center’s main two-story atrium lobby was transformed with a new at-grade entrance and all new exterior and interior finishes.

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*BEFORE ^
AFTER >*



The many amenities at Kemper Lakes include a state-of-the-art fitness center, conference facilities with auditorium seating for up to 600 people, a full service cafeteria with professional catering services, on-site management, 24 hours, seven days a week security and an on-site daycare center.

Located approximately 30 miles northwest of downtown Chicago, Kemper Lakes Business Center is situated along both Route 22 and Old McHenry Road, with direct access to both Chicago and Milwaukee through Interstates 94, 290 and 90 and Route 53. The center is also within 30 minutes of O'Hare International Airport. ■



^ AFTER
< BEFORE

580 ALSO JOINS THE WINNERS CIRCLE

The 580 Building, an office and retail complex in downtown Cincinnati, Ohio, was also recognized as The 2008 Building of the Year (TOBY) in the Renovated Category by the Cincinnati Chapter of BOMA.

BPG has completed more than \$14 million in improvements to the 17-story, 516,622 square foot building since acquiring it in 2003. Improvements to 580's exterior included reconstructing the ground floor façades while simultaneously expanding the ground floor retail areas. The building's main entrance was also relocated to improve the building's street identity. The popular national seafood chain, Oceanaire, was recently added by BPG.

Interior renovations included a complete lobby renovation which introduced high-end finishes

such as anigre wood paneling and translucent ceilings as well as new sculptural elements, refurbished elevator cabs and an inviting public area. A water feature was crafted of stainless steel and glass to add a focal point to the main lobby area.

Numerous mechanical upgrades were completed with the addition of new energy efficient chillers, domestic water booster station and air filtration system. Elevator controls were modernized with a new state of the art operations system. These upgrades resulted in reduced energy usage and helped the 580 building earn the Environmental Protection Agency's Energy Star rating in 2007.

Located at 580 Walnut Street in the heart of historic downtown Cincinnati, the property encompasses half a city block near Fountain Square, adjacent to the Aronoff

Center for the Arts, Backstage District and the Lois & Richard Rosenthal Center for Contemporary Art. The complex is designed with connected twin towers in a distinctive Z-shape, creating generous window exposures that provide impressive views of the city. Underground parking is also provided for more than 400 cars. ■

New Hires

BPG MANAGEMENT COMPANY, L.P.

MARGARET ORANTES,
Assistant Property Manager
Washington DC Regional Office

LAURA ROGAN,
Regional Portfolio Manager
Boston Regional Office

JULIE MCGREGOR,
Tenant Coordinator
Washington DC Office

BPG WOULD LIKE TO THANK THE FOLLOWING BROKERS AND THEIR FIRMS FOR HELPING US LEASE 515,972 SQUARE FEET IN THE 4TH QUARTER OF 2008:

Aegis Property Group (PA)	Kim Harris and Jim Kinzig
Balke-Brown Associates (MO)	Steve Stradel
Beacon Commercial (PA)	Taylor Young
Bradford Allen Realty Services (IL)	Ben Azulay, Jeff , Andrew DeMoss and Steve Fitzgerald
CB Richard Ellis (AZ)	Jerry Noble, Pat Devine, Greg Mayer and Nate Goldfarb
CB Richard Ellis (FL)	Joe Ayers, Rhonda Clark, Wade Clark, Scott Hanigan, Jack Hoskins and Peter Ramsey
CB Richard Ellis (GA)	Jim Bob Taylor
CB Richard Ellis (IL)	James Shook
CB Richard Ellis (MA)	Andy Majewski, Matt Siciliano and Rob Walles
Colliers Bennett & Kahnweiler (IL)	David Florent and Francis Prock
Colliers International (CA)	Jim Beeger, Dion Campisi and Susan Gregory
Colliers Turley Martin & Tucker (MN)	Mark Stevens
Collier Turley Martin & Tucker (MO)	Piers Pritchard and Josh Roddemeier
Corporate Site Selectors (IL)	Laurence Lewis
Cushman & Wakefield (CA)	Charlie Allen and Ryan Hattersley
Cushman & Wakefield (MA)	Matt Adams, Rich Ruggiero, Emily Ou, Torin Taylor and Rory Walsh
Cushman & Wakefield (MN)	Jason Butterfield
Cushman & Wakefield (TX)	Angus Hughes
Cushman & Wakefield (VA)	Peter Berk, Malcolm Marshall and David Miller
Dugan Realty Advisors (CA)	Jim Dugan
EVS Realty Advisors (MO)	Susan Finney
Equis Corporation (IL)	Jim Marron
Gateway Commercial (MO)	C. Kevin Gallagher
GVA Advantis (GA)	Ann Cameron
GVA Smith Mack (PA)	Jeff Mack, John Susanin and Doug Newbert
Jones Lang LaSalle (IL)	John Robinson
Jones Lang LaSalle (MA)	Bill Bailey, Phil DeSimone, Matt Giffune, Ben Heller, Sean Lynch, John McHugh, Patrick Nugent and Ted Wheatley
KW Commercial (AZ)	Devida Lewis
NAIBT (CA)	Nick Lazzarini
NAI Brannen Goddard (GA)	David Beak and Stephen Pond
NAI Geis Realty Group, Inc. (PA)	Jim Eaton and Charlie Tarloski, Jr.
NAI Merin Hunter Codman (FL)	Jason Sundook and Lesley Sheinberg
Richards Barry Joyce & Partners (MA)	Rob Byrne
Rube McMullen & Company (GA)	Rube McMullen
Summit Realty (IL)	Chad Collier
Studley (PA)	Greg Soffian
Studley (VA)	Todd Valentine
Taylor & Mathis	Emily Ingerick and Angela Odell

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BPG PROPERTIES, LTD. is one of the nation's leading private equity real estate fund managers. BPG's portfolio consists of over 20 million square feet of office, retail, student housing, and industrial properties and more than 25,000 apartment units in more than 100 communities located throughout the United States.

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