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## BUILDING VALUE

# Insiders Sell REIT Shares As Market Heats Up

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In the latest sign that real-estate investment trust stock prices may be a bit bubbly, executives at REITs have been selling their shares of company stock at a feverish pace.

Total insider sales volume more than doubled in the fourth quarter from the third reaching \$270 million, according to Lehman Brothers, making it the second-highest level in the firm's records.

REITs including office company **Boston Properties** Inc., Boston, industrial-property owner **ProLogis**, Aurora, Colo., and office landlord **SL Green Realty** Corp., New York, are among those that saw a flurry of insider sales in the last three months of 2004. All of the stocks have reached or neared 52-week highs in the past three months.

"To me, it's one sign that the stocks have gotten expensive," says Lehman Brothers analyst David Shulman, who has a negative view on REITs and expects returns this year to be lower than previous years. REITs have outperformed the overall market in each of the past four years.

Among the most notable transactions was the sale earlier this month of 150,000 shares of Vornado Realty Trust by Steven Roth, its chairman and chief executive. Mr. Roth, who has led the company since 1989 and is considered a savvy real-estate investor, last sold Vornado stock in February 1993.

His recent sales came shortly after Vornado's stock reached a 52-week of \$77.05 on Jan. 3. The stock is up about 50% from its 52-week low of \$47 reached May 10. In 4 p.m. New York Stock Exchange composite trading, shares fell \$1.56, or 2.1%, to \$71.35.


They also came on the heels of heavy insider selling by others at the New York office and retail REIT.

The fourth-quarter sales at Vornado "effectively wiped out all the purchases made earlier in 2004 and represent a dramatic increase in the number of shares sold as well," says David Coleman, editor of Vickers Weekly Insider Report, an insider-trading newsletter. Vornado insiders sold 6.9 million shares in 2004, and 3.66 million of those were in the fourth quarter, he says. They bought 3.2 million shares all year. "Generally speaking, when they sell at such a magnitude, it carries significant bearish implications for that stock."

John Lutzius, a principal at real-estate research firm Green Street Advisors Inc. in Newport Beach, Calif., adds: "Given the big run-up in Vornado's share price over the past year, investors are wondering whether the stock is still cheap. This sale by Mr. Roth might indicate that he doesn't think so."

Through a representative, Vornado officials and board members declined to comment. Edward H. Linde, chief executive of Boston Properties, who sold 444,000 shares in November, says the sales were done to fund a

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## CASHING OUT

Executives at many major real estate investment trusts are selling shares in their own companies, which some analysts say is a sign they believe the stocks are not likely to rise much in the near future. [See a chart.](#)<sup>0</sup>

charitable family foundation, not because of the company's share price. Other firms did not return calls seeking comment.

To be sure, Mr. Roth's sale represents a small portion of his Vornado holdings. According to the company's most recent proxy statement, he owned 14,828,865 company shares and units, or 11.4% of the company's stock and 9.9% of the company's shares and units.

The high level of insider sales may not be as bad as it seems. About 70% of the sales involve insiders exercising stock options rather than outright sales. In some cases, the executives may have been acting because the options were due to expire rather than because of the stock's performance.

Mr. Lutzius adds that investors should take comfort in the fact that REITs still have a high level of insider ownership. The sales are "a signal that fewer REIT CEOs see their stocks as cheap," he says, "but given the high level of insider ownership in the REIT industry I wouldn't necessarily view these data as suggesting that individual investors should sell."

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### Cashing Out

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Executive/Title	Company	Dates of Sale	Number of Shares	Total Value
Edward H. Linde, CEO	Boston Properties	Nov. 22–29, 2004	444,900	\$26,468,268
K. Dane Brooksher, CEO	ProLogis	Nov. 2–4, 2004	288,185	11,208,958
Marc Holliday, CEO	SL Green Realty	Dec. 21, 2004	185,000	11,109,250
Steven Roth, CEO	Vornado	Jan. 13, 2005	150,000	10,770,457
Robert E. Torray, director	CarrAmerica	Nov. 8–11, 2004	300,000	9,611,391

Source: Thomson Financial

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