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Introduction

U.S. economic growth remained sluggish through the third quarter of 2011 as concerns of a “double dip” recession have begun to resurface through the media. In September, nonfarm payroll employment increased by a modest 103,000 as the unemployment rate stayed at 9.1% for the third consecutive month. The final 2Q 2011 GDP was revised upwards, but still was indicative of a weak economy during the period. The fall-out from the S&P U.S. Treasury downgrade, the European debt crisis and the related stock market volatility caused consumer and business confidence to decline in August and remain at a depressed level in September. However, there are indications of modest improvement within the economy. Although the housing market remains under pressure, existing home sales climbed nearly 8.0% in August. Meanwhile, the latest ISM manufacturing index signaled expansion in September and retail sales in September recorded the largest gain in seven months.

Due to uncertainty in the economy and the investment environment, recovery in the commercial real estate market has been slowed somewhat. During the latest quarter, rising borrowing costs and

sluggish economic growth have slowed the velocity of transactions. The slump has benefitted investors seeking to acquire distressed assets, which still remain plentiful within the market. Despite the recent slowdown, property fundamentals continue to gradually improve as cap rates continue to compress, excess space gets absorbed and rental rates stabilize. Investment sales activity is on pace to exceed 2010 totals as more investors pursue deals, primarily for core assets in prime markets, but low interest rates and greater credit liquidity are encouraging investors to consider secondary markets and non-core assets. Favorable demographics and pent-up demand from the economy has positioned the multi-family sector as the most desirable. CMBS issuances jumped in September and are forecasted to record the highest total since 2007, while commercial and multi-family loan originations continue to increase.

The following summarizes key issues related to the current economic conditions:

- **GDP Growth Rises but Slow.** U.S. gross domestic product (GDP) increased at a 1.3% annual pace during 2Q 2011, following a revised 0.4% rise during the previous quarter.
- **Unemployment Rate Remains Unchanged.** The unemployment rate stayed at 9.1% in September for the third consecutive month despite the addition of 103,000 new jobs. During the second and third quarter, an average of roughly 96,000 jobs was created per month, lagging the 166,000 per month average recorded during the first quarter.
- **Construction Spending Unexpectedly Rises.** Total construction spending increased 1.4% in August, primarily due to the largest jump in state and local government outlays in more than two years.
- **New Home Sales Decline.** In August, new home sales fell 2.3% to an annualized 295,000-unit pace, the fourth straight monthly decline and below the 700,000-unit pace economists say is needed for a healthy housing market. Despite the decline, it appears new home sales have bottomed at around 300,000. Sales fell in every U.S. region except the Midwest.
- **Durable Goods Orders Rebound.** New orders for big-ticket manufactured goods declined 0.1%, but still beat expectations. July durable goods orders were revised slightly upward to a robust 4.1% monthly increase.

Introduction (continued)

- **Consumer Confidence Flat.** U.S. consumer confidence was basically unchanged in September as consumers still express considerable concerns regarding earnings and employment prospects. Since April 2011, consumers' view of current economic conditions has fallen by roughly 20%.
- **Leading Economic Indicators Index Up Slightly.** The Leading Economic Index (LEI) increased 0.3% in August despite disappointing economic concerns. Lifting the index were increases in the monetary supply and the yield spread.
- **Retail Sales Increase.** In September, retail sales increased by a better than expected 1.1%, driven by robust automobile purchases. This was the largest gain in seven months and a hopeful sign for the economy. Retail gains were largely broad-based across department, general merchandise, furniture and specialty clothing stores.
- **Factory Orders Slip.** A 0.2% decrease in new factory orders occurred in August, which was below expectations. The decline was driven by a 4.6% drop in transportation.
- **Consumer Prices Increase.** In August, consumer prices jumped 0.4%, led by increases in housing, gasoline and food. Energy and gasoline increased by 1.2% and 1.9%, respectively, during the last month.
- **Personal Income Falls.** Personal income fell 0.1% in August as wages and salaries decreased 0.2% during the month. Contributing to the weakness is the lack of job growth as well as a decline in the number of hours worked.
- **Industrial Production Increases.** U.S. factory output gained 0.2% in August after a 0.9% advance in July. Increases in manufacturing and mining offset a drop in utilities to propel the monthly gain.

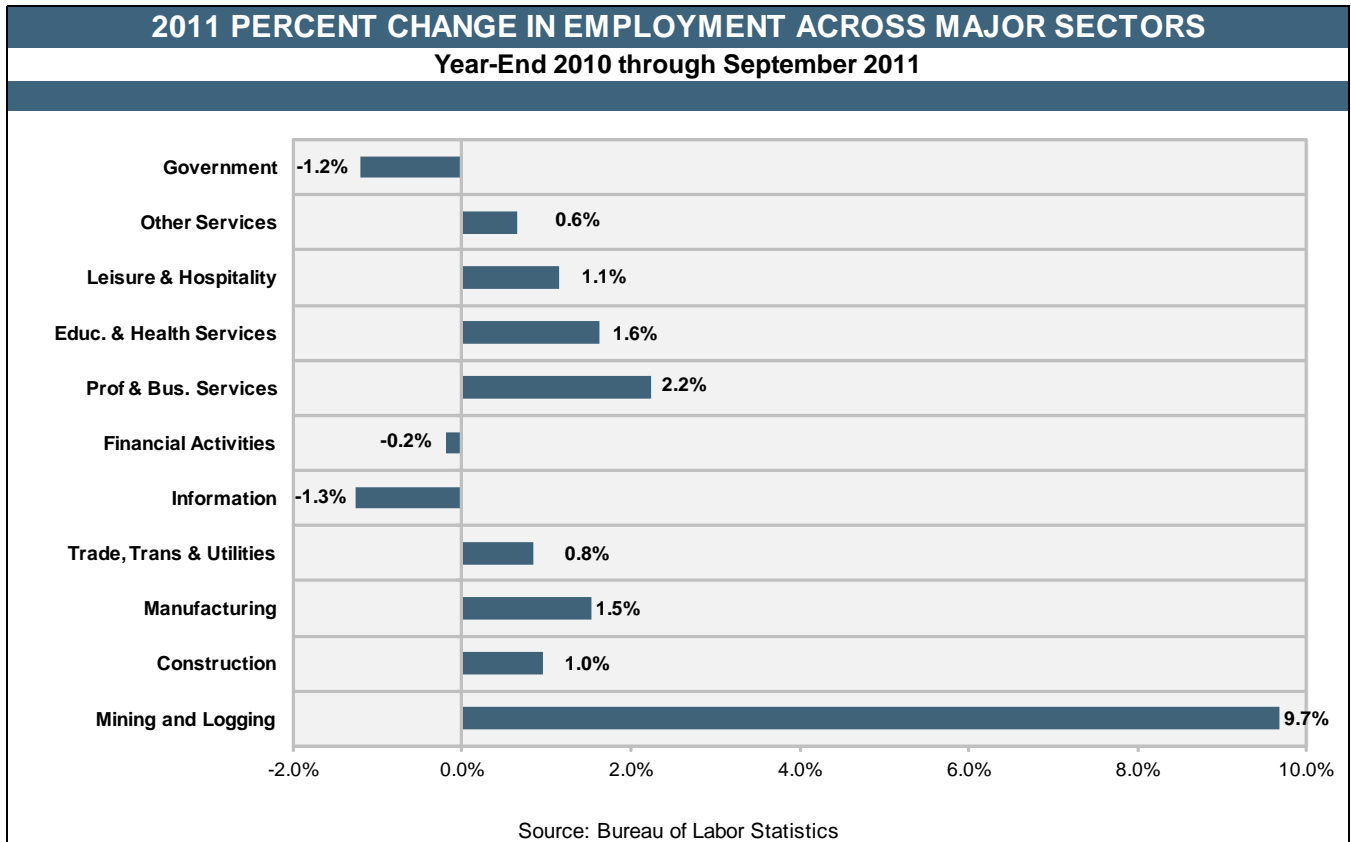
Employment

In September, U.S. employers added 103,000 jobs to payrolls after the Labor Department revised up the number of jobs created in August to 57,000 from a previous estimate of zero and in July from 85,000 to 127,000. During the past three months, a monthly average of 96,000 jobs has been created, well short of the economist's prior estimate of 200,000. The report was the latest indication of an economy struggling to gain momentum. As a result of the minimal job growth, the unemployment rate remained at 9.1% for the third consecutive month. In addition, the number of long-term unemployed, those seeking jobs for more than six months, continued to rise and represents 45.0% of all unemployed workers. Currently, an estimated 14.0 million Americans are unemployed.

In September, the largest gains occurred in the professional and business services sector, with 48,000 jobs, and the healthcare sector, with 44,000 positions. The long-declining construction sector added 26,000 jobs, mostly in the non-residential building area. However, some of the gain in private payrolls was offset by a continued decline in government jobs, which fell by 34,000 and a decline of 13,000 positions in the manufacturing sector.

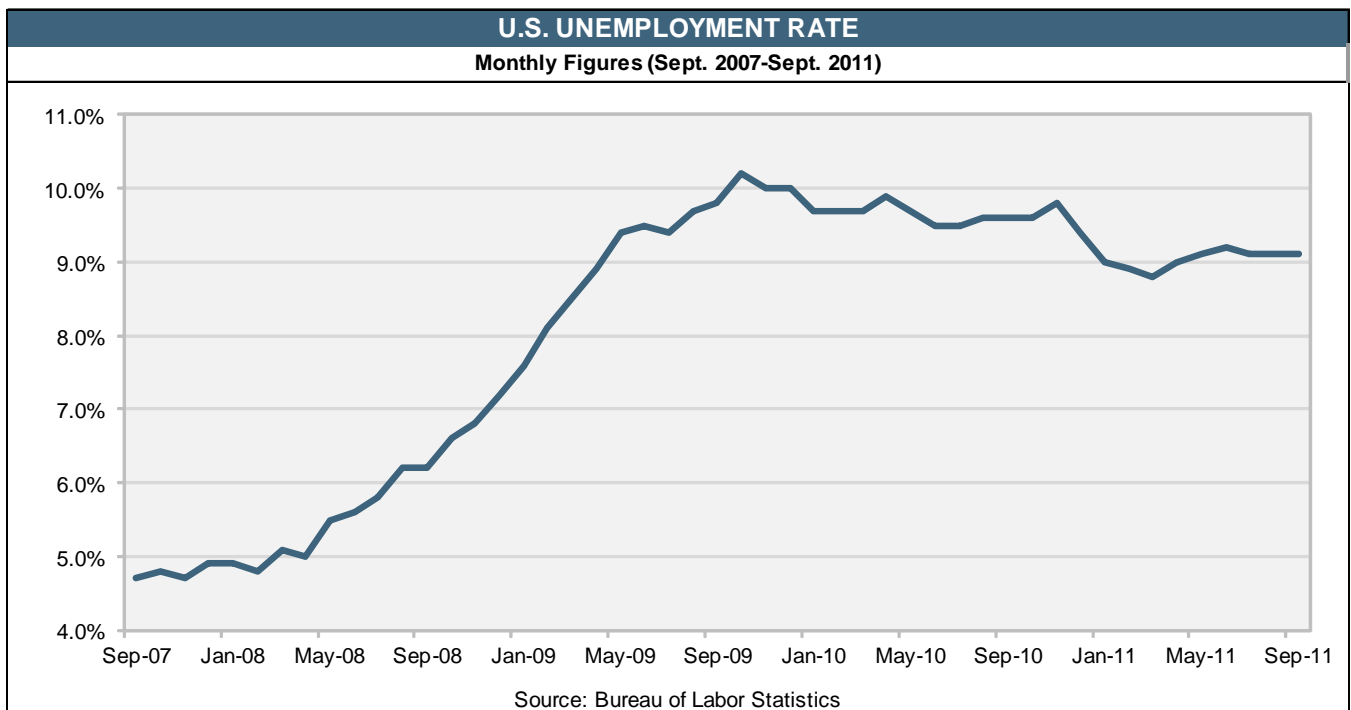
UNITED STATES NON-FARM EMPLOYMENT BY INDUSTRY								
Historic & Current Figures (millions)								
INDUSTRY	Sep-11 Employment	Total Percent	2010 Employment	Total Percent	2009 Employment	Total Percent	% Change June-11 - 2010	
Mining and Logging	805	0.6%	734	0.6%	662	0.5%	9.7%	
Construction	5,551	4.2%	5,498	4.2%	5,647	4.4%	1.0%	
Manufacturing	11,741	8.9%	11,565	8.9%	11,456	8.9%	1.5%	
Trade, Trans & Utilities	24,952	19.0%	24,746	19.0%	24,561	19.0%	0.8%	
Information	2,660	2.0%	2,694	2.1%	2,742	2.1%	-1.3%	
Financial Activities	7,603	5.8%	7,617	5.8%	7,682	5.9%	-0.2%	
Prof & Bus. Services	17,280	13.2%	16,902	13.0%	16,482	12.7%	2.2%	
Educ. & Health Services	20,081	15.3%	19,760	15.2%	19,352	15.0%	1.6%	
Leisure & Hospitality	13,223	10.1%	13,074	10.0%	12,932	10.0%	1.1%	
Other Services	5,453	4.2%	5,418	4.2%	5,319	4.1%	0.6%	
Government	21,985	16.7%	22,252	17.1%	22,485	17.4%	-1.2%	
Total Nonfarm	131,334	100.0%	130,260	100.0%	129,320	100.0%	0.8%	

Source: Bureau of Labor Statistics



The change in employment through September 2011 showed three sectors (financial activities, information, and government) recording losses in employment since 2010. The mining and logging sector recorded the largest growth throughout the third quarter of 2011 followed by the professional and business services sector.

Below is a graph depicting unemployment since September 2007.



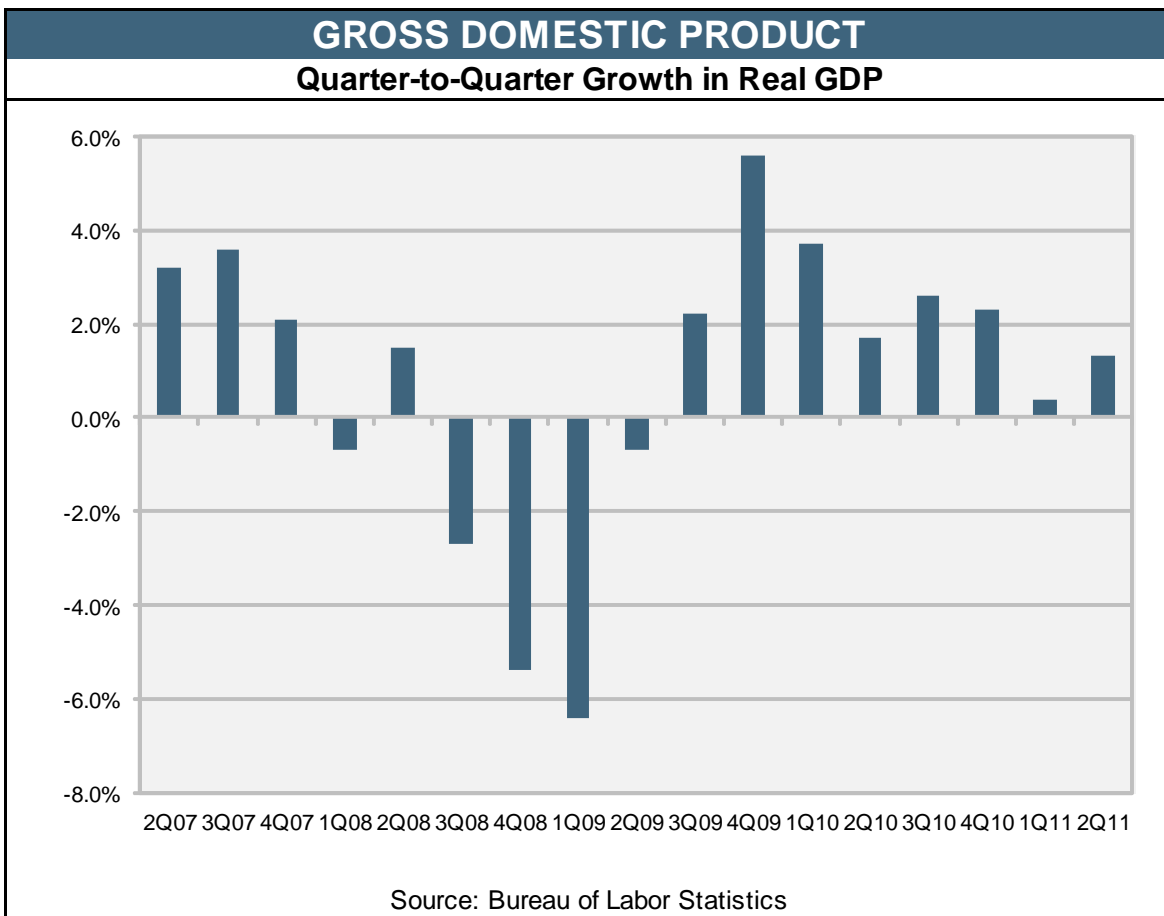
Gross Domestic Product (GDP)

The GDP growth rate is considered the most important indicator of economic health. When the GDP is growing, the expectation is that business, jobs and personal income will also grow. On the contrary, if GDP is contracting, then expectations are that businesses will hold off investing in new purchases and hiring new employees as they wait to see if the economy will improve. A negative GDP growth rate is indicative of a recession.

The U.S. economy grew slightly more than previously reported in the second quarter, helped by consumer spending and export growth that was stronger than earlier estimated. Gross domestic product grew at an annual rate of 1.3% during the second quarter, up from the previously estimated 1.0%. This marks the eighth consecutive quarter of U.S. economic expansion and an increase from the 0.4% growth recorded during the first quarter of 2011. Although consumer spending growth was revised up to a 0.7% rate from 0.4%, the increase in spending was the smallest since the fourth quarter of 2009. Export growth was stronger than previously estimated, rising at a 3.6% rate instead of 3.1%. In summary, the increase in real GDP in the second quarter primarily reflected positive contributions from nonresidential fixed investment, personal consumption expenditures, exports, and federal government spending that were partly offset by negative contributions from state and local government spending and private inventory investment.

There is cautious optimism that the economy will avert another downturn as factory output continues to grow, although at a slower pace than earlier in the recovery, and as businesses maintain spending on capital goods. Looking ahead, many analysts have been cutting growth estimates for the July-September quarter due to weaker-than-expected data. Forecasts range in the general vicinity of 1.5 to 2.0%.

The following chart summarizes GDP growth on a quarterly basis since 2Q 2007.



Institute for Supply Management (ISM) Manufacturing Index

The ISM index, a national survey of purchasing managers, is calculated based on a weighted average of the following five sub-indexes: new orders (30%), production (25%), employment (20%), deliveries (15%), and inventories (10%). Conditions for the nation's manufacturers improved unexpectedly in June, easing fears of a double dip. In September, the Purchasing Managers' Index increased 1.0 percentage point, consistent with the slow improvement in the overall economy. Economic activity in the manufacturing sector expanded in June for the 26th consecutive month and the overall economy grew for the 28th consecutive month. The production index returned to growth after contracting in August for the first time since August 2009. New orders remained below the breakeven point, which may be indicative of less support for gains in manufacturing production in the near future. Comments from respondents to the ISM survey reflected concern over the sluggish economy, political and policy uncertainty in Washington, and forecasts of ongoing high unemployment that will continue to put pressure on demand for manufactured products.

MANUFACTURING AT A GLANCE - September 2011

Index	Series Index September	Series Index August	Percent Point Change	Direction	Rate of Change	Trend* (months)
Purchasing Managers' Index	51.6%	50.6%	1.0%	Growing	Faster	26
New Orders	49.6%	49.6%	0.0%	Contracting	Same	3
Production	51.2%	48.6%	2.6%	Growing From Contracting		1
Employment	53.8%	51.8%	2.0%	Growing	Faster	24
Supplier Deliveries	51.4%	50.6%	0.8%	Slowing	Faster	28
Inventories	52.0%	52.3%	-0.3%	Growing	Slower	2
Customer Inventories	49.0%	46.5%	2.5%	Too Low	Slower	30
Prices	56.0%	55.5%	0.5%	Increasing	Faster	27
Backlog of Orders	41.5%	46.0%	-4.5%	Contracting	Faster	4
Exports	53.5%	50.5%	3.0%	Growing	Faster	27
Imports	54.5%	55.5%	-1.0%	Growing	Slower	25

Source: Institute for Supply Management

*Number of months moving in current direction

- Purchasing Managers' Index (PMI).** A reading above 50.0% indicates that the manufacturing economy is generally expanding; below 50.0% indicates that it is generally contracting. Manufacturing continued to grow in September, increasing 1.0 percentage point from the August reading of 50.6%.
- New Orders Index.** A New Orders Index above 52.1%, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders. The New Orders Index contracted for the 3rd consecutive month in September. Seven industries reported growth in new orders in September.
- Production Index.** An index above 51.0%, over time, is generally consistent with an increase in the Federal Reserve Board's industrial production figures. The index increased 2.6 percentage points in September from August. Nine industries reported growth in production during the month.
- Employment Index.** An Employment Index above 50.1%, over time, is generally consistent with an increase in manufacturing employment. Nine of the eighteen manufacturing industries reported growth in September. This represents the 24th consecutive month of growth in manufacturing employment.
- Supplier Deliveries Index.** A reading above 50% indicates slower deliveries. Seven industries reported slower supplier deliveries in September. This was the 28th consecutive month above 50%.
- Inventories Index.** An Inventories Index greater than 42.7%, over time, is generally consistent with expansion in the Bureau of Economic Analysis' (BEA) figures on overall manufacturing inventories. Manufacturers' inventories decreased by 0.3 percentage points in September although eight industries reported higher inventories during the month.

Construction Spending

The Commerce Department reported U.S. construction spending rebounded unexpectedly in August to a seasonally adjusted annual rate of \$799.1 billion, which is 4.8% above the 11-year low recorded in March, but still half the \$1.5 trillion pace that economists consider healthy. The 1.4% rise in August reversed a 1.4% decline in July. Since 2010, construction spending has totaled \$511.4 billion, roughly 3.0% below construction activity recorded during the same period in 2010 as cautious developers delay and place projects on hold. Many analysts believe that it may take upwards of four years for construction to return to healthy levels.

The increase in construction was broad based during the past month. Spending by public entities jumped 3.1% from the prior month, the most since February 2009, as spending increases for the building of schools, streets and highways and waste disposal plants increased. While federal construction spending fell 0.5%, the third consecutive drop, state and local agencies spent 3.5% more. Private construction spending increased 0.4% during the last month. Private residential expenditures jumped 0.7% after two consecutive monthly declines. Despite the gain, single-family construction spending is likely to remain at historically low levels unless excess inventory is absorbed and the pace of foreclosure sales moderates. Private nonresidential construction climbed 0.2% in August and is now up 7.0% from levels recorded a year ago, largely due to power construction spending reflecting investments in oil and gas fields, pipelines and renewable energy. Despite improving commercial real estate fundamentals, construction expenditures within the sector are only forecasted to improve slightly during the next several quarters.

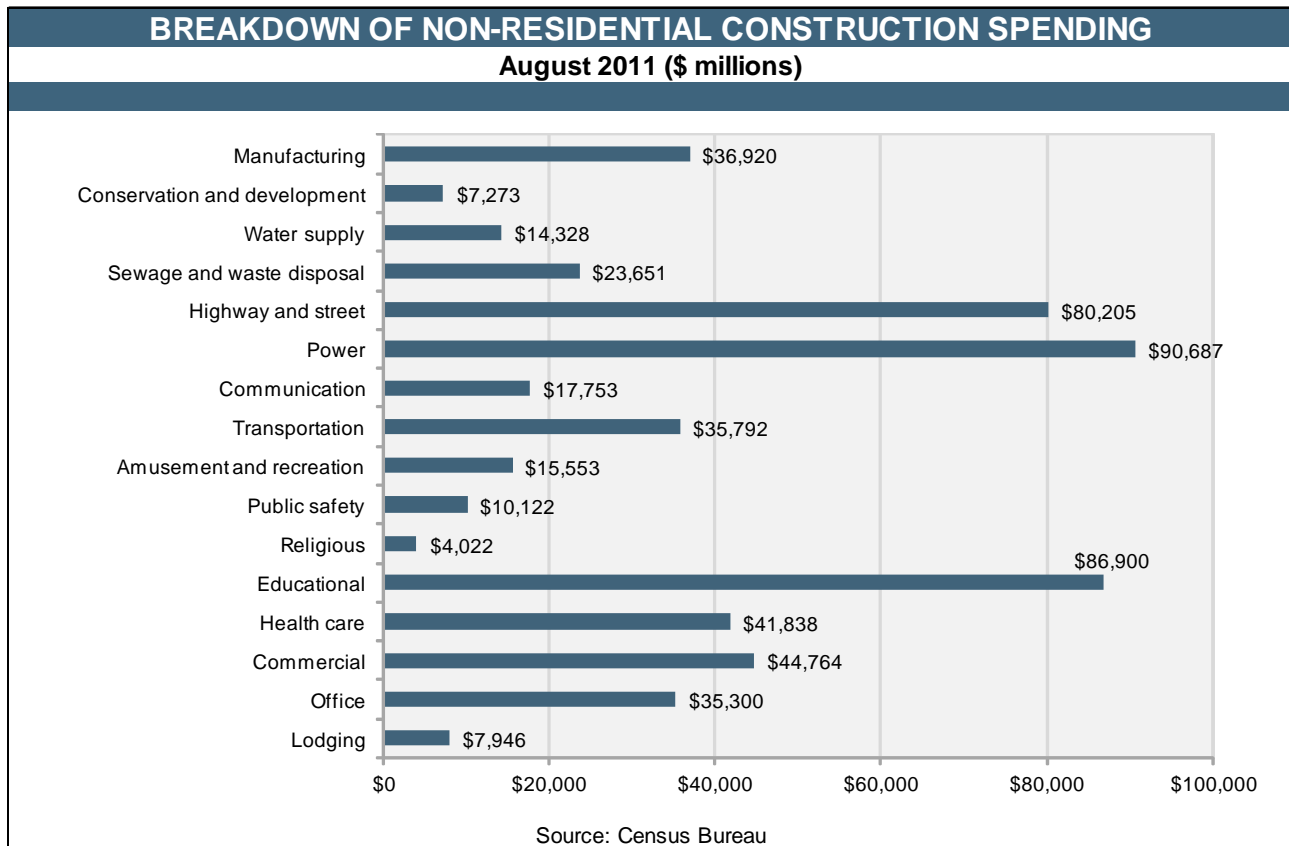
Of total construction spending, private construction comprised 64.0% of total expenditures, while public construction accounted for 36.0% of total spending. Non-residential spending accounted for 69.2% of total expenditures compared to 30.8% for non-residential projects. Within the non-residential sector, only five sectors have recorded gains in construction spending since August 2010, including the power, commercial, health care, conservation and development and manufacturing sectors. Areas where declines in spending occurred included the lodging (-28.6%), sewage and waste disposal (-13.2%) and water supply (-13.0%) sectors during the past 12-month period.

VALUE OF CONSTRUCTION PUT IN PLACE - SEASONALLY ADJUSTED ANNUAL RATE							
(\$ millions)							
	Aug-11	Jul-11	Jun-11	May-11	Aug-10	Percent change Aug 2011 from -	
						July-11	Aug-10
Total Construction	\$799,145	\$788,308	\$799,568	\$787,396	\$791,749	1.4%	0.9%
Residential	\$246,092	\$243,824	\$252,273	\$257,200	\$239,236	0.9%	2.9%
Non-Residential	\$553,053	\$544,485	\$547,295	\$530,196	\$552,513	1.6%	0.1%
Lodging	\$7,946	\$8,419	\$8,792	\$8,308	\$11,131	-5.6%	-28.6%
Office	\$35,300	\$35,220	\$35,456	\$34,451	\$36,136	0.2%	-2.3%
Commercial	\$44,764	\$46,003	\$45,494	\$43,604	\$41,023	-2.7%	9.1%
Health care	\$41,838	\$41,979	\$41,594	\$39,395	\$40,484	-0.3%	3.3%
Educational	\$86,900	\$84,184	\$85,107	\$82,541	\$89,393	3.2%	-2.8%
Religious	\$4,022	\$3,953	\$3,824	\$4,131	\$4,842	1.7%	-16.9%
Public safety	\$10,122	\$9,609	\$10,279	\$9,960	\$10,742	5.3%	-5.8%
Amusement and recreation	\$15,553	\$15,351	\$15,332	\$15,896	\$17,602	1.3%	-11.6%
Transportation	\$35,792	\$34,995	\$35,956	\$35,621	\$37,922	2.3%	-5.6%
Communication	\$17,753	\$18,435	\$18,306	\$17,701	\$18,721	-3.7%	-5.2%
Power	\$90,687	\$88,945	\$88,976	\$86,258	\$74,609	2.0%	21.5%
Highway and street	\$80,205	\$77,449	\$76,369	\$74,812	\$83,646	3.6%	-4.1%
Sewage and waste disposal	\$23,651	\$22,626	\$23,070	\$22,990	\$27,256	4.5%	-13.2%
Water supply	\$14,328	\$14,212	\$13,180	\$13,270	\$16,283	0.8%	-12.0%
Conservation and development	\$7,273	\$6,828	\$7,126	\$7,353	\$6,832	6.5%	6.5%
Manufacturing	\$36,920	\$36,278	\$38,435	\$33,907	\$35,892	1.8%	2.9%

Source: Census Bureau

Construction Spending (continued)

Below is a further breakdown of non-residential construction spending, which totaled a seasonally adjusted annual rate of \$553.1 billion during August 2011.



The Architecture Billings Index (ABI)

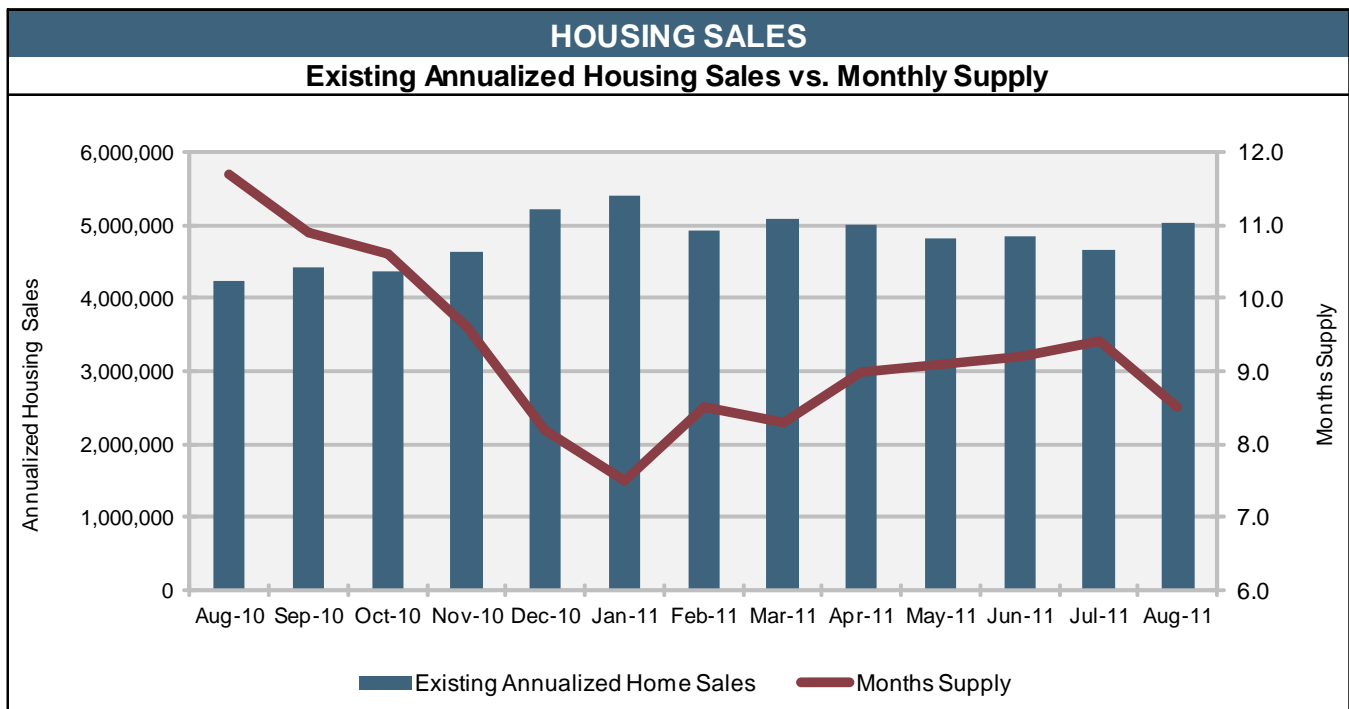
The Architecture Billings Index (ABI) is a diffusion index derived from the monthly Work-on-the-Boards survey, conducted by the AIA Economics & Market Research Group. Survey participants are asked whether their billings increased, decreased, or stayed the same in the month that just ended. According to the proportion of respondents choosing each option, a score is generated, which represents an index value.

- The ABI is a leading economic indicator of nonresidential construction activity, reflecting an approximate nine to twelve month lag time between architecture billings and construction spending. Any measure below 50 indicates contraction in demand for architects' services.
- After four straight monthly declines, the ABI turned positive in August, rising to 51.4, reflecting an increase in demand for design services.
- Regionally, the Midwest scored the highest, followed by the South, West and Northeast.
- The mixed-use sector showed the most promise for future construction, followed by institutional, commercial/industrial and multi-family residential properties.
- Stalled projects remain a major issue for architecture firms. Nearly two-thirds of firms mentioned having at least one design project under contract that is currently stalled, but likely to eventually proceed with construction.
- Limited credit for construction projects is named as the chief concern affecting future activity along with state budget constraints.
- Participants have indicated that owners are taking longer to begin contracts and the majority of clients are renovating existing structures instead of breaking ground on new developments.

State of the Housing Market

- The housing market continues to struggle, characterized by sluggish sales activity, oversupply and foreclosures. Due to the large supply on the market, appraisals are more conservative, which is making it less attractive for homeowners to market their homes.
- In the latest report, National Association of Realtors President Ron Phipps commented, “The biggest factors keeping home sales from a healthy recovery are mortgages being denied to creditworthy buyers, and appraised valuations below the negotiated price.”
- On the positive, existing single-family sales increased 7.7% in August. Regionally, existing home sales increased 18.3% in the West, 5.4% in the South, 3.8% in Midwest and 2.7% in the Northeast. Sales within the Northeast were likely slowed by the disruption of Hurricane Irene in the closing weekend of August.
- Distressed home sales accounted for 31% of all sales in August, consistent with levels posted during the past several months.
- The jump in August sales activity was attributed to favorable affordability conditions, rising rental rates and increased acquisitions of foreclosed properties.
- The national median price for an existing home declined by \$2,900 to \$168,300 in August, and is off 5.1% from August 2010 levels. Price declines are lessening as bargain prices have resulted in the highest affordability conditions within the past 40 years.
- Unlike existing homes, new home sales declined 2.3% in August, the fourth consecutive monthly decline. Sales decreased in every region except the Midwest.
- Despite the continued slide in new home sales, analysts speculate that new home sales may have bottomed.

Below is a breakdown of annualized existing housing sales and monthly supply.

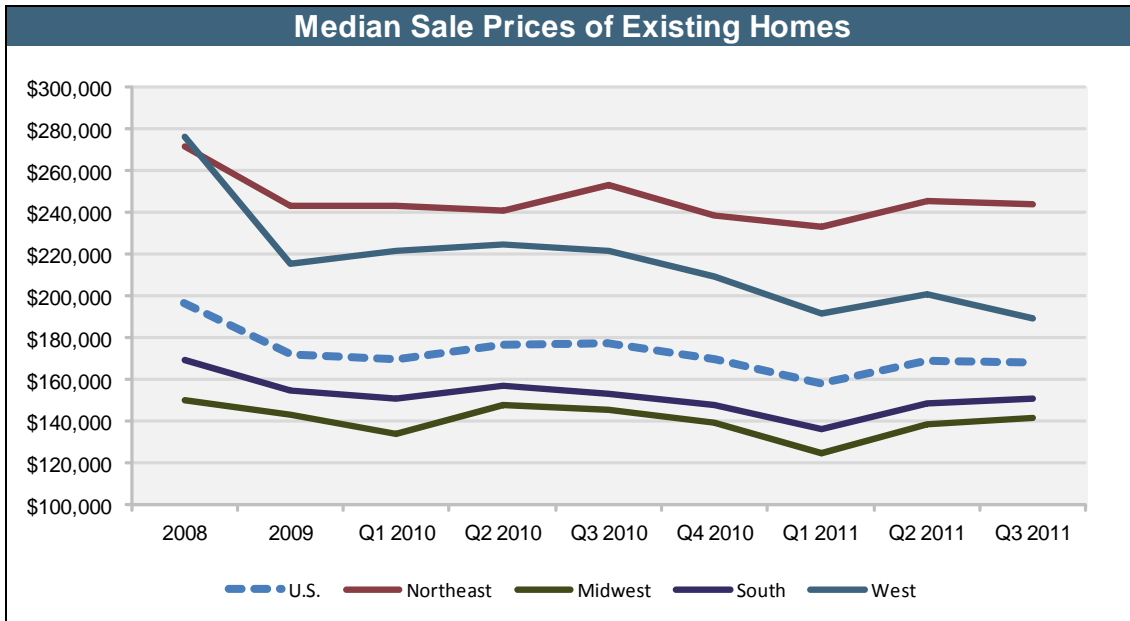


Source: National Association of Realtors

Existing Home Prices

Since August 2010, existing single-family home median prices have fallen 5.1% to \$168,300 across the United States; median prices are highest in the Northeast at \$244,000 and lowest in the Midwest at \$141,000. Within the South, price retention was greatest during the past 12 months as homes declined just 0.8% to \$151,000. Conversely, home prices fell 13.0% in the West to \$189,400, the largest percentage drop since August 2010 across the four United States regions.

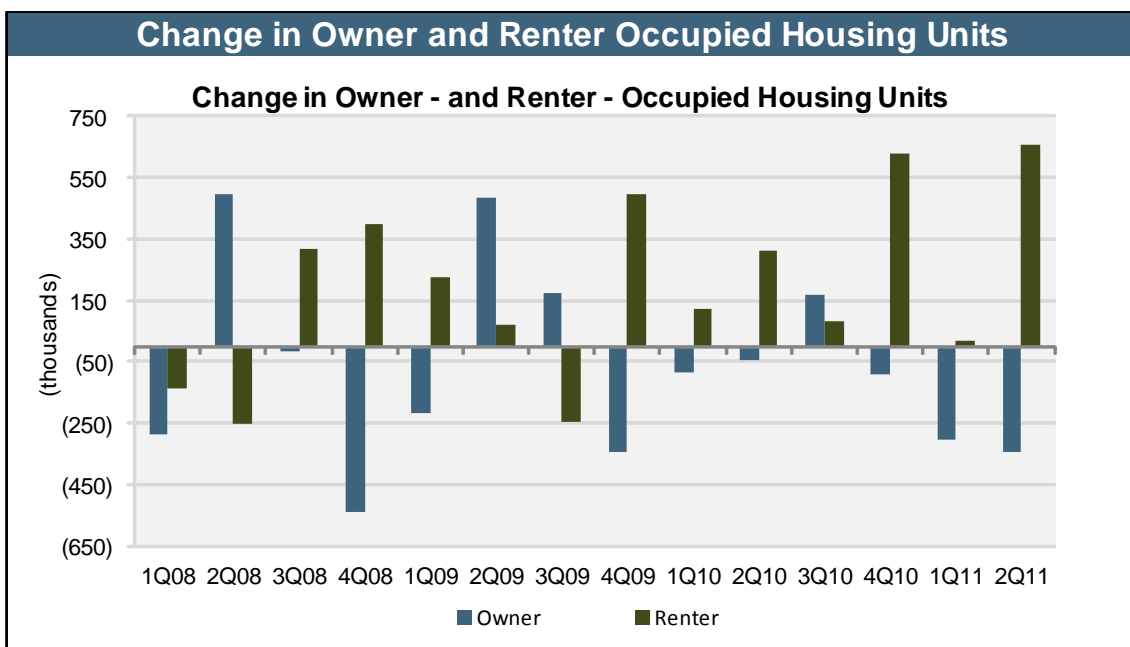
Below is a breakdown of the median sale price of existing homes by region.



Source: National Association of Realtors

Owner vs. Renter Occupied Units

Despite accounting for roughly two-thirds of occupied housing units, the number of owner households continues to decline due to shifting demographics and weak economic conditions. Since 4Q09, more than 2.3 million renter households have been created within the United States, coinciding with the loss of roughly 1.1 million owner households during this time period.

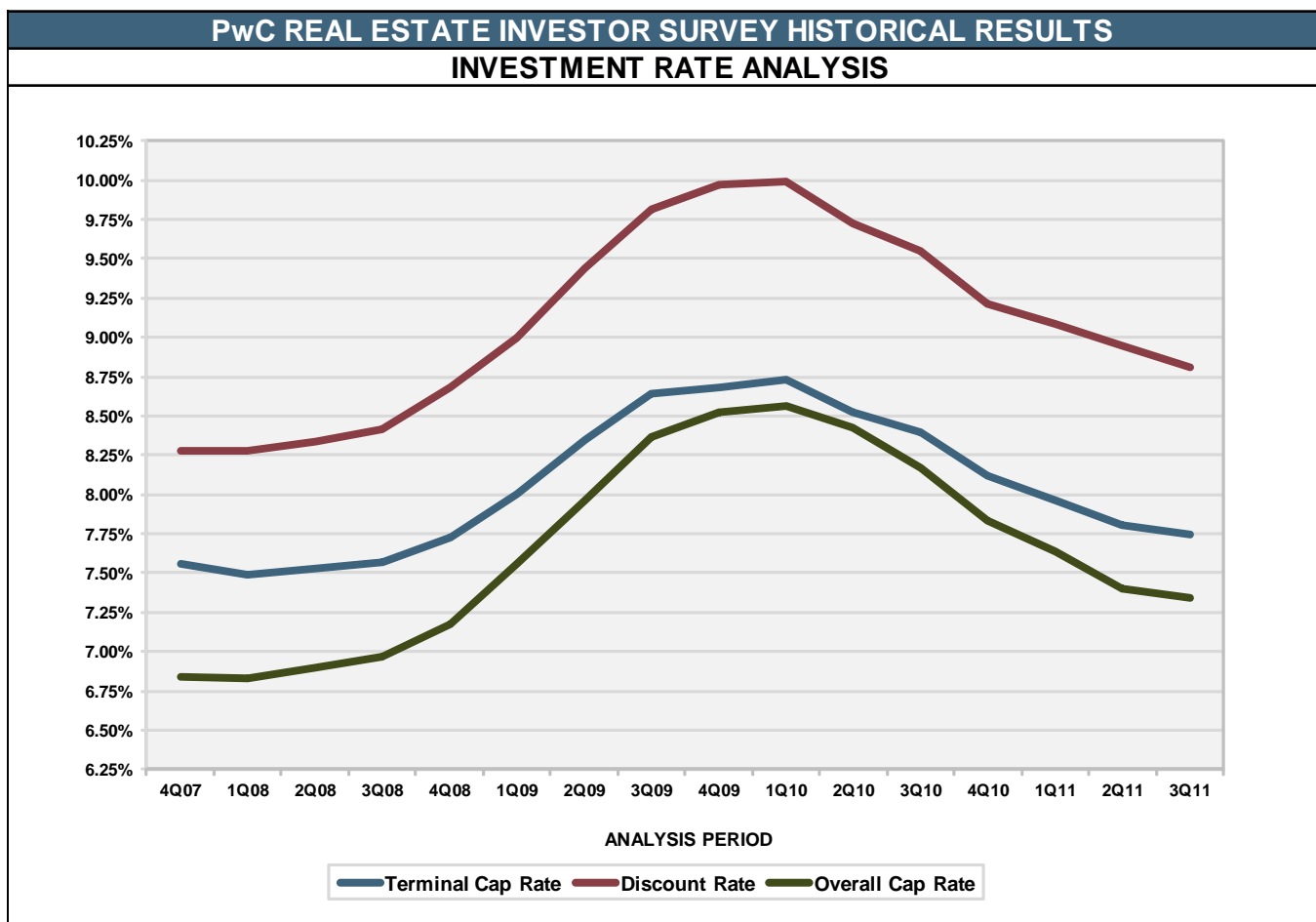


Source: Census Bureau

PwC Real Estate Investor Survey

- More than 100 institutional and private investors surveyed for the PwC Real Estate Survey reported that overall cap rates (OARs) have declined in 26 of the survey's 31 tracked markets during 3Q 2011. Since 2Q11, the average decrease was 6 basis points across nearly all major property types. The report notes that surveyed investors cautious optimism regarding the future of the commercial real estate industry has been tempered by sluggish job creation, volatility in the stock market and a slowdown in GDP growth. Despite the challenges facing the economy, the consensus view of many investors is that the commercial real estate industry is a bright spot in a turbulent investment market.
- Terminal cap rates declined to 7.75% during 3Q11, the lowest level since 4Q08. The average decrease was 16 basis points (BPS) across all surveyed markets and property types since 1Q11. This compares to a 65 BPS decrease for terminal cap rates between 2Q10 and 2Q11.
- Discount rates (IRR) decreased across all surveyed markets and product types during 3Q11, the sixth consecutive quarterly decline. The average decline was 14 BPS across nearly all major property types since 2Q11. This compares to a 74 BPS decline for discount rates between 3Q10 and 3Q11.

Simple averages of the capitalization, terminal capitalization and discount rates are presented in the following table for the following property types: flex/R&D, warehouse, central business district (CBD) office, suburban office, apartment, strip center, regional malls and power centers.



3Q11 Survey Highlights

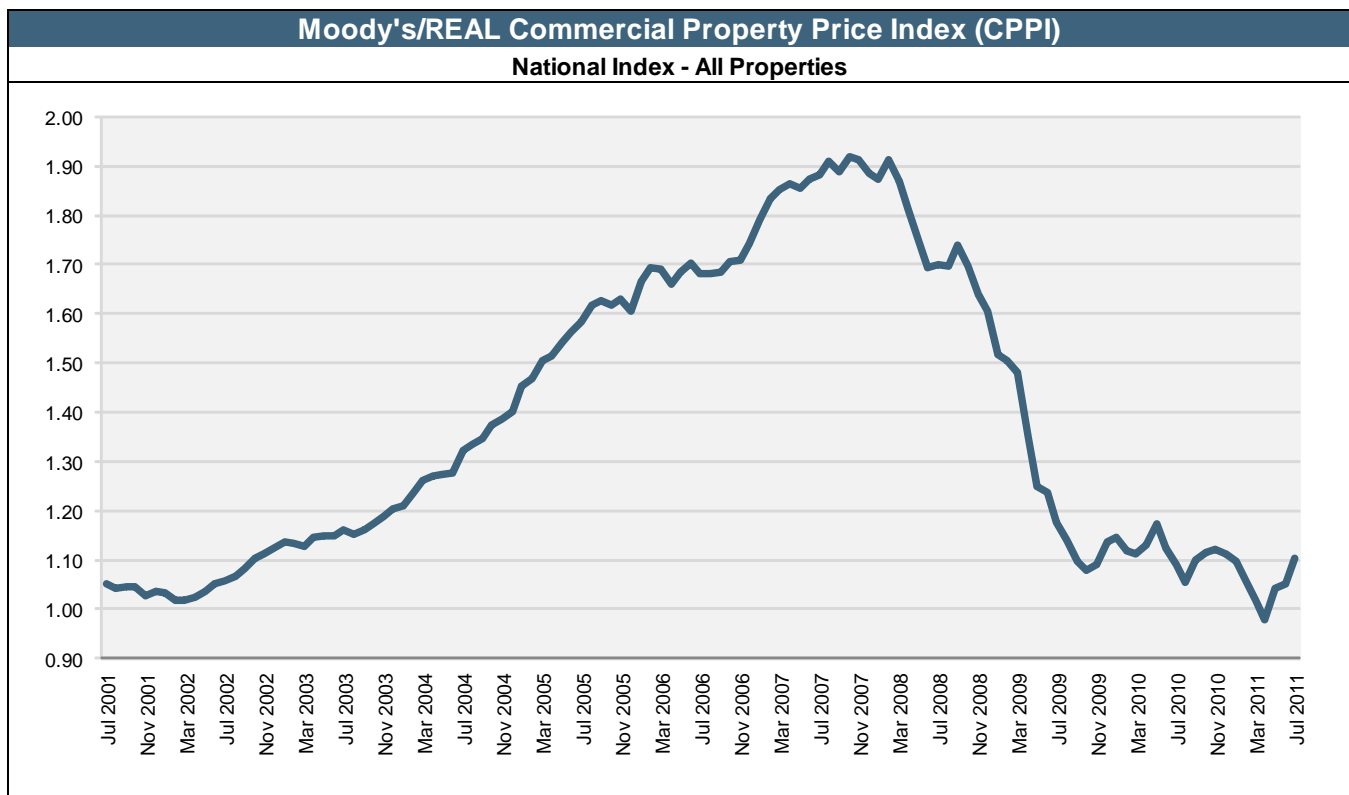
- The *PwC Real Estate Barometer* tracks the anticipated performances of the four main property sectors (office, retail, industrial and multifamily) from 2011 to 2014. According to the barometer, all multi-family assets will be in recovery and/or expansion mode by year-end 2011, the highest among the core property types. The barometer predicts that 76.0% of office assets and 52.2% of industrial assets will be in recovery and/or expansion mode by year-end 2011. The forecast is not as optimistic for the retail sector as only 17.4% of assets are expected to be in recovery and/or expansion mode by year-end 2011.
- Rental growth was noted as a concern for many surveyed investors, resulting from weaker tenant demand and slower leasing activity outside of core cities.
- Downward pressure on OAR's and terminal cap rates was reduced during 3Q11 as compared with the prior few quarters.
- OARs declined within the majority of major property types during 3Q11; the largest decreases were recorded within the suburban-office (13 BPS) and strip center (13 BPS) sectors. Slight increases of 2 BPS were recorded within the regional mall and power center sectors.
- As of 3Q11, flex/R&D properties had the highest average OARs at 8.67%, followed by the regional mall (7.50%) and power center (7.50%) sectors. The lowest average OARs were recorded within apartment (5.98%), CBD-office (6.91%) and strip center (7.20%) sectors. The simple average OAR across all sectors was 7.34%.
- Terminal cap rates declined in the majority property types during 3Q11; the largest decreases were recorded within the regional mall (15 BPS) and flex/R&D (11 BPS) sectors. Slight increases were recorded within the power center and apartment sectors.
- As of 3Q11, flex/R&D properties had the highest terminal capitalization rate at 8.64%, followed by the regional mall (8.04%) sector. The lowest terminal capitalization rates were recorded within the apartment (6.38%) and CBD-office (7.33%) sectors. The simple average terminal capitalization rate across all sectors was 7.75%.
- IRRs declined in the majority of major property types during 3Q11; the largest decreases were recorded within the apartment (29 BPS) and strip center (24 BPS) sectors. The CBD-office sector was the only sector to record an increase.
- As of 3Q11, flex/R&D properties had the highest IRR at 9.58%, followed by the regional mall (9.56%) sector. The lowest IRRs were recorded within the apartment (8.34%), warehouse (8.54%) and suburban-office (8.56%) sectors. The simple average IRR across all sectors was 8.81%.
- Surveyed investors believe that debt remains available, specifically for trophy assets with stable rent rolls in core locations. Average loan-to-value percentages (LTV ratios) were 59.4% across the 35 markets tracked by PwC.
- Looking ahead, the survey reported that strong buyer interest, low interest rates and a positive economic outlook is recognized in investors' expectations that overall cap rates will either hold steady or decline over the next six months in most markets across the United States.

Moody's/Real Commercial Property Price Index (CPPI)

The Moody's/REAL commercial property index (CPPI) is a periodic same-property investment price change index of the U.S. commercial investment market based on Real Capital Analytics (RCA) data. RCA collects price information for every commercial property transaction in the U.S. that is over \$2,500,000. The CPPI is widely followed by economists and researchers in understanding the movement of U.S. commercial real estate prices. The index is designed to track same-property realized round-trip price changes based purely on the documented prices in completed, contemporary property transactions. The methodology was developed by the Center for Real Estate at MIT and is an extension of market-accepted regression-based, repeat-sales indices. The index uses no appraisal valuations.

- The CPPI increased 5.0% in July, the third consecutive monthly increase. The CPPI has increased 12.6% since its post-peak low recorded in April 2011.
- It is speculated that the recent gain within the index is more a continuation of the bottoming process of the market rather than the start of a recovery.
- Since peaking at the end of 2007, the CPPI is down roughly 42.5%.
- Although transaction volume continues to grow, distressed transactions continue to weigh down the index. Distressed sales have now accounted for at least 20% of the repeat-sales transactions for 20 consecutive months.
- In July, 192 repeat-sales were recorded, bringing the average transaction count in 2011 to 181. This shows a clear upward trend in activity from 2009 and 2010, when monthly counts averaged 96 and 144, respectively.
- Since peaking in 2007, the apartment, industrial, office and retail sectors are all currently 30.0% to 40.0% off their high index values. On the positive, three of the four sectors increased during the past quarter, led by the office sector. Only the retail sector recorded a slight decline.
- The CPPI is unlikely to show much upward momentum until the share of distressed sales diminishes.

Below is a chart detailing changes within the CPPI since July 2001.

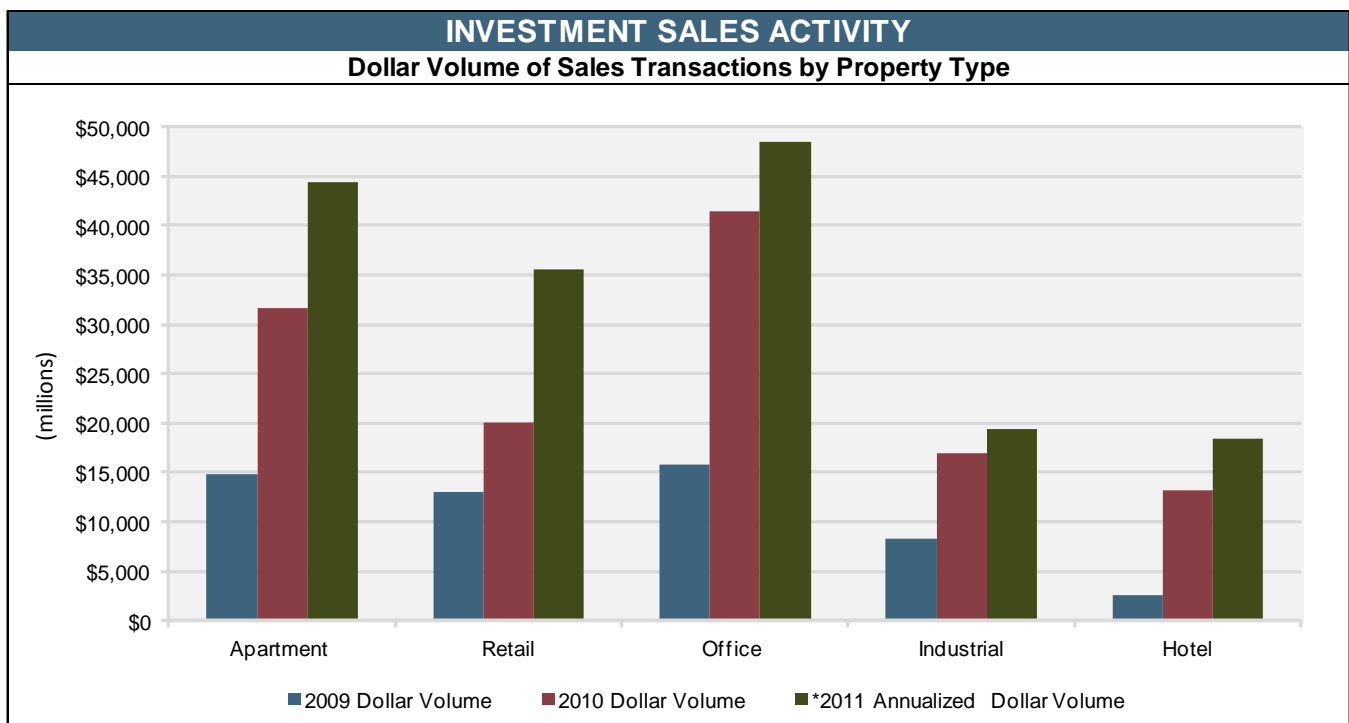


Commercial Property Sales Analysis

Based on data recorded through August 2011 from Real Capital Analytics, commercial property sales activity is on pace to total \$166.1 billion in 2011, a 34.7% increase from 2010 totals and up 205.1% from 2009. Although commercial real estate sales in the U.S. remain limited by historical standards, investor's appetites for acquisitions are increasing.

- **Office:** Based on sales through August 2011, the office market is positioned to record nearly \$48.4 billion in sales transactions during the year, up nearly 17.0% from 2010. Reversing a three-year trend, CBD sales are outpacing suburban sales.
- **Industrial:** The industrial market has gained momentum and is on pace to record \$19.4 billion in sales activity in 2011, a 13.0% increase from 2010 levels. Warehouse sales are nearly doubling flex sales.
- **Retail:** Sales activity is set to increase 78.0% to \$35.6 billion from 2010 to 2011. The spike in activity is due to Blackstone's \$9 billion acquisition of Centro Properties Group U.S. retail assets across 39 states.
- **Hotel:** Sales activity is set to jump 39.0% to \$18.4 billion from 2010 to 2011. Full-service sales in gateway cities have accounted for the vast majority of all activity.
- **Apartment:** Sales activity is on pace to increase 40.0% to \$44.3 billion from 2010 to 2011. Garden apartments have accounted for 61.0% of the activity within this sector.

Sales transaction activity by property type is summarized in the table below.



Source: Real Capital Analytics Data projected on totals through August 2011

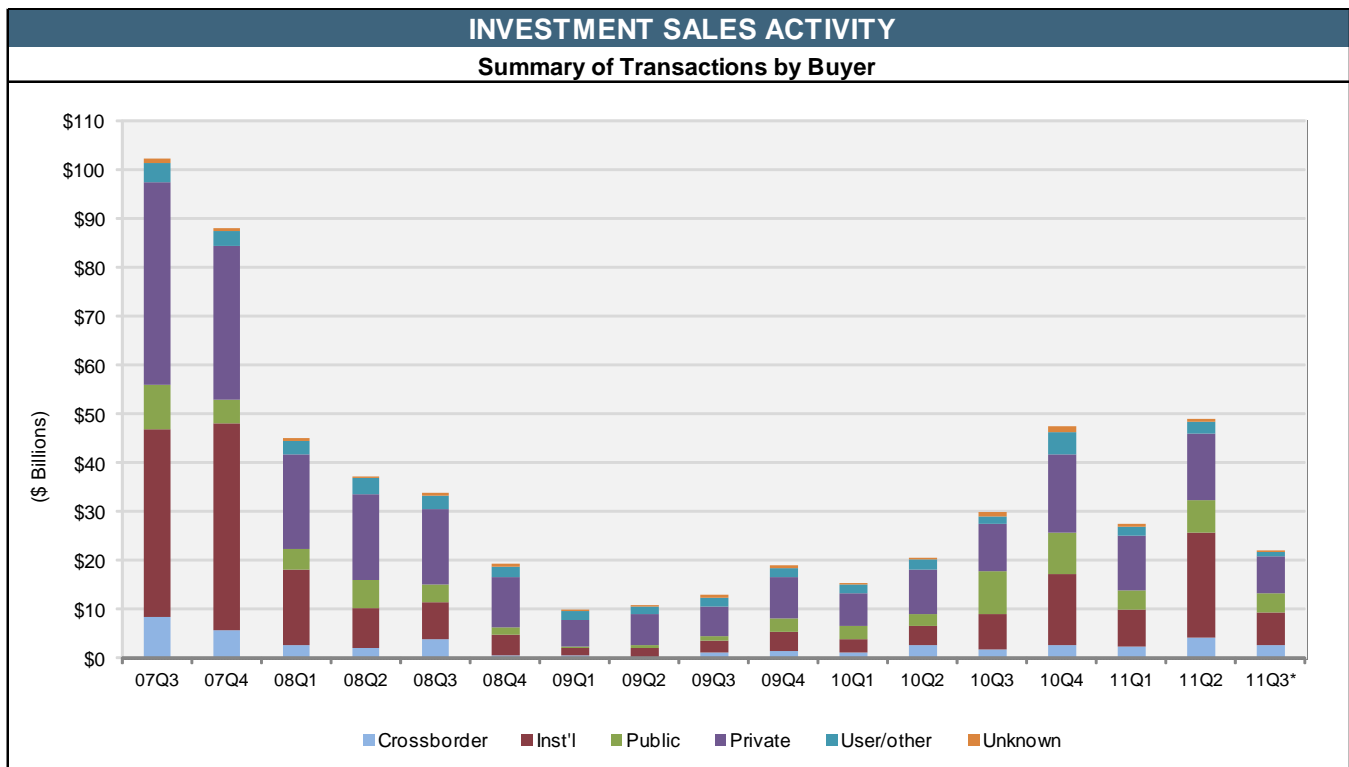
Commercial Property Sales Analysis (continued)

Despite a slowdown in the velocity of sales activity in August, more investors have been active in the market due to a better outlook for property fundamentals and more credit liquidity. Investors continue to favor global gateway cities, offering an excellent transportation network, desirable labor pool, an established corporate base and high barriers to entry. New buyers are emerging, including former investment managers leading their own investment vehicles and longtime property managers who are increasingly utilizing capital to leverage their access to deal flow. Despite the overall increase in investor activity and confidence, the “Flight to Quality” is still evident among investors. A trifurcation in the commercial real estate market currently exists where trophy assets in major markets are seeing price increases, non-distressed assets are witnessing flat rates of return and distressed assets are experiencing large price declines.

During the first eight months of 2011, the number and volume of sales have exceeded output recorded during the same time frame during 2010. Real Capital Analytics (RCA) reported that roughly 5,250 properties have traded through August 2011, which translates into roughly 7,900 transactions forecasted for 2011 within the office, industrial, retail, apartment and hospitality sectors. Historically, real estate investment activity peaked in 2007, when nearly 20,000 sales transactions occurred. The prior five-year period between 2002 and 2006 witnessed transaction volume more than tripling.

In addition to the preceding data, we have also analyzed RCA historical sales activity by buyer type.

- **Institutional buyers** have been the most active buyer type in 2011, accounting for 36.0% of sales activity. This follows an upward buying trend where institutions have steadily increased their market share from 18.8% in 2009 and 27.0% in 2010.
- **Private buyers** still are active in the market, but have continued to lose market share to other players since 2009. The latest data shows private buyers executing 33.0% of total investment sales activity, which is down from 37.0% in 2010 and 49.0% in 2009.
- The **public sector**, comprised of REITs, REOCs and publically-listed funds, gained the largest market share in 2010. However, the pace of buying is down in 2011 as public sector acquisitions currently comprise 15.0% of total buyer activity, down from 19.0% of sales transactions last year.
- Foreign investors are returning to U.S. real estate, highlighted by strong inflows of investment capital from Canada and Latin America. **Crossborder** acquisitions currently account for 9.0% of activity, up from roughly 7.5% from 2007 to 2010.



Source: Real Capital Analytics * Data through August 2011

Significant 3Q 2011 Sales Transactions

Below are noteworthy sales transactions within the office, industrial/flex, retail, multi-family and hospitality sectors.

Office Sale Transactions						
Address	City	State	Size (SF)	Sale Price (\$ mil)	Price/\$SF	Buyer
601 W 26th Street	New York	NY	2,320,000	\$920.0	\$396.5	RXR Realty
200 Fifth Avenue	New York	NY	852,000	\$719.5	\$844.4	JP Morgan Chase & Company
750 Seventh Avenue	New York	NY	750,000	\$625.0	\$833.3	RXR Realty
42-09 28th Street	Long Island City	NY	662,000	\$415.0	\$626.9	H&R Real Estate Investment Trust
600 W Chicago Avenue	Chicago	IL	1,571,386	\$390.0	\$248.2	CommonWealth REIT
33 Arch Street	Boston	MA	603,309	\$365.8	\$606.2	TIAA-CREF
1918 8th Avenue	Seattle	WA	668,333	\$350.1	\$523.9	JP Morgan Chase & Company

Source: CoStar

Industrial/Flex Sale Transactions						
Address	City	State	Size (SF)	Sale Price (\$ mil)	Price/\$SF	Buyer
7010 & 7140 N Cajon Boulevard	San Bernardino	CA	1,402,825	\$95.0	\$67.7	INVESCO
1001 Columbia Avenue	Riverside	CA	507,000	\$91.5	\$180.5	Cole Real Estate Investments
2965 W. Corp. Lakes Boulevard	Weston	FL	680,000	\$84.6	\$124.4	CBRE Investors
910 E. Stevenson Road	Ottawa	IL	1,000,350	\$48.6	\$48.6	American Realty Capital Trust
2700 W. Haven Avenue	Joliet	IL	860,100	\$47.9	\$55.7	Heitman Capital Management Corp.
17871 Von Karman Avenue	Irvine	CA	415,000	\$47.0	\$113.3	Menlo Equities LLC
4100-4180 W 190th St	Torrance	CA	363,574	\$44.1	\$121.2	CenterPoint Properties

Source: CoStar

Retail Sale Transactions						
Name	City	State	Size (SF)	Sale Price (\$ mil)	Price/\$SF	Buyer
Fashion Outlets of Niagra Falls	Niagra Falls	NY	530,000	\$200.0	\$377.4	The Macerich Company
Plaza Frontenac	Frontenac	MO	347,000	\$135.5	\$390.5	GGP Limited Partnership
The Promenade	Scottsdale	AZ	443,018	\$110.0	\$248.3	Excel Trust, Inc.
ABQ Uptown	Albuquerque	NM	225,678	\$95.0	\$421.0	Simon Property Group, Inc.
White Oak Crossing	Garner	NC	539,381	\$95.0	\$176.1	Inland American Real Estate Trust
Park Road Shopping Center	Charlotte	NC	426,000	\$82.0	\$192.5	Edens & Avant, Inc.
Encinitas Village	Encinitas	MN	183,675	\$78.7	\$428.2	Terramar Retail Centers LLC

Source: CoStar

Multi-family Sale Transactions							
Name	City	State	Size (SF)	Units	Sale Price (\$ mil)	Price/\$ Unit	Buyer
Rivergate Apartments	New York	NY	835,279	706	\$443.4	\$628.1	UDR, Inc.
Archstone Crystal Plaza	Arlington	VA	624,343	539	\$191.0	\$354.4	Dweck Properties
Archstone Redmond Hill	Redmond	WA	197,420	882	\$151.3	\$171.5	Essex Property Trust, Inc.
21 Chelsea	New York	NY	174,621	210	\$138.0	\$657.1	UDR, Inc.
Millennium Warner Center	Canoga Park	CA	415,040	438	\$132.9	\$303.3	Essex Property Trust, Inc.
Ellington Plaza	Washington	DC	216,824	190	\$100.0	\$526.3	TIAA-CREF
Cambridge Court	Baltimore	MD	726,813	544	\$90.4	\$166.2	Home Properties, Inc.

Source: CoStar

Hospitality Sale Transactions							
Name	City	State	Size (SF)	Rooms	Sale Price (\$ mil)	Price/\$Room (000's)	Buyer
New York Palace Hotel	New York	NY	815,240	899	\$377.0	\$419.4	Northwood Investors LLC
Beverly Hilton	Beverly Hills	CA	737,695	570	\$300.0	\$526.3	Oaktree Capital Management, L.P.
Cheeca Lodge & Spa	Islamorada	FL	100,000	214	\$101.3	\$473.1	Northwood Investors LLC
Courtyard by Marriott	Honolulu	HI	178,925	401	\$85.0	\$211.9	Lodging Capital Partners, LLC
Hotel Chelsea	New York	NY	181,181	276	\$80.0	\$289.9	The Chetrit Group, LLC
Napa Valley Marriott Hotel	Napa	CA	114,434	275	\$72.0	\$261.8	Inland American Lodging Group
La Jolla Marriot	La Jolla	CA	274,200	360	\$71.0	\$197.2	HEI Hotels & Resorts

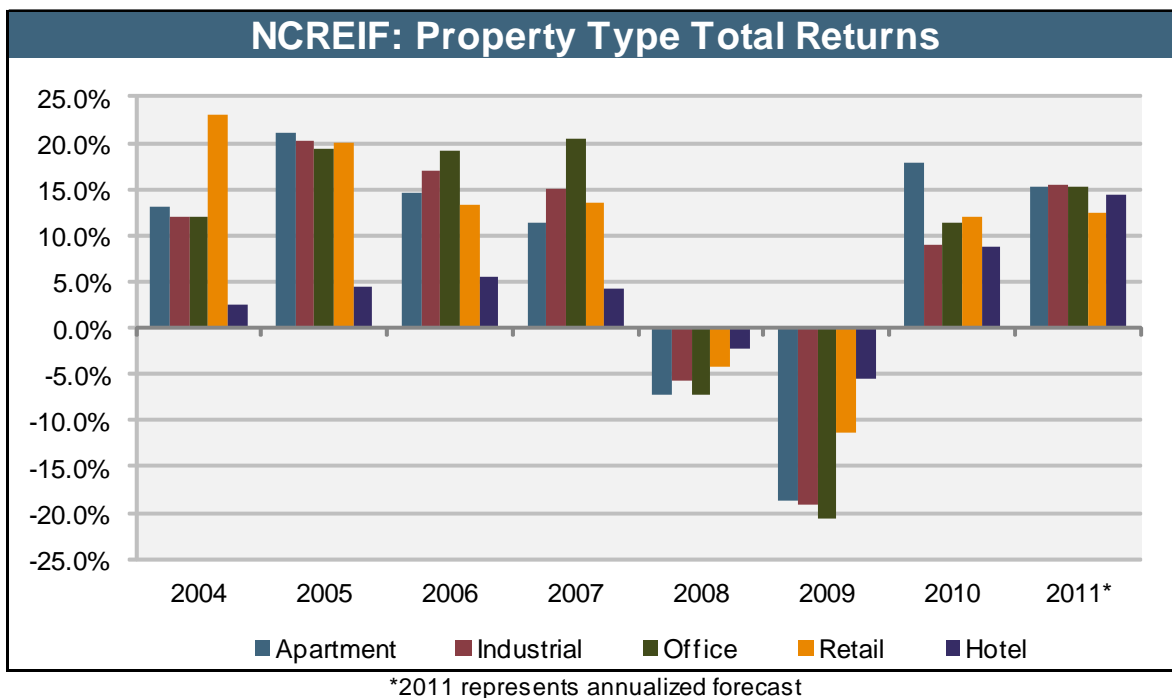
Source: CoStar

NCREIF Property Index

The NCREIF (National Council of Real Estate Investment Fiduciaries) Property Index (NPI) is a quarterly time series composite total rate of return measure of investment performance of individual commercial real estate properties acquired in the private market for investment purposes only. Properties in the NPI are accounted for using market value accounting standards. NCREIF requires that properties included in the NPI be valued at least quarterly using standard commercial real estate appraisal methodology. Each property must be independently appraised a minimum of once every three years. The capital value component of return is predominately the product of property appraisals. When entering the NPI, properties must be 60% occupied; investment returns are reported on a non-leveraged basis and properties must be owned/controlled by a qualified tax-exempt institutional investor or its designated agent.

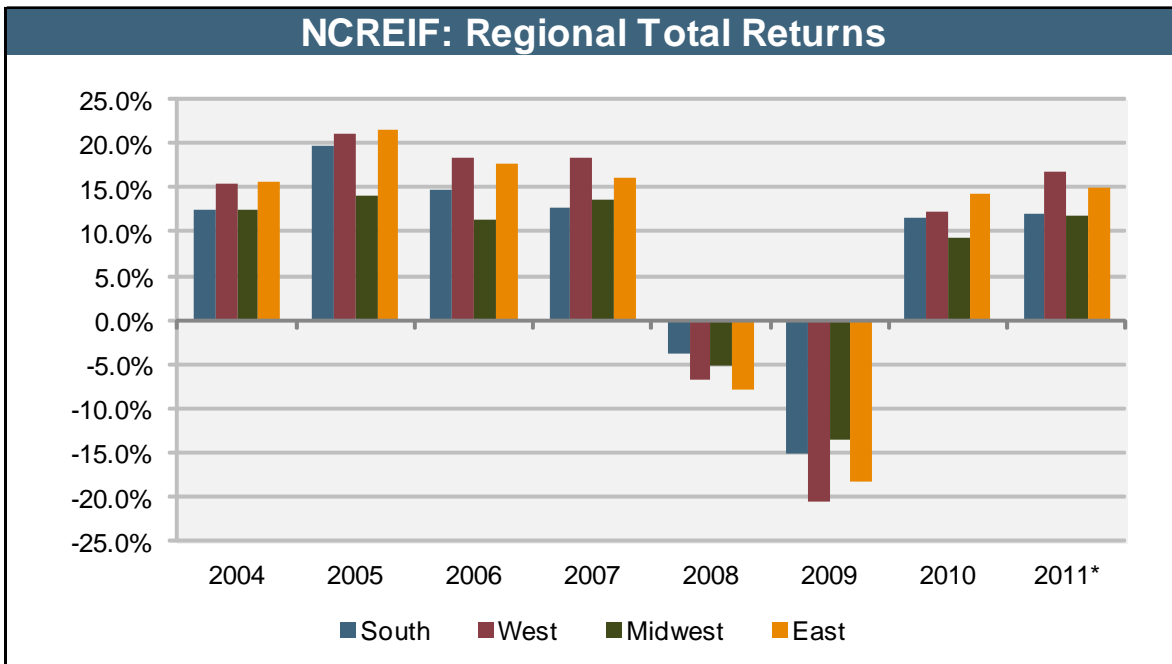
NCREIF Property Index Annualized Returns by Property Type

- NCREIF reported the sixth consecutive quarter of positive growth during 2Q11. Total returns registered 3.9%, comprised of a 1.5% income return and a 2.4% capital appreciation return. Annualized, 2011 returns are forecasted to register 14.6%, 2.0 percentage points higher than 2010.
- After outperforming all other sectors in 2010, the apartment sector returned 7.6% through 2Q11. This equates to a 15.2% annualized gain, less than the 17.9% gain returned in 2010.
- The industrial sector rebounded during 2Q11, recording a 7.7% return. The forecasted 15.4% annualized return considerably exceeds the 9.1% gain recorded last year.
- After recording an 11.3% return in 2010, the office sector is forecasted to record a 15.2% annualized return in 2011.
- The retail sector has recorded a 6.2% return in property values through 2Q11. Annualized, this results in a 12.4% gain during 2011, exceeding the 12.1% gain in 2010.
- After returning the smallest gain in 2010, property returns within the hotel sector are forecasted to return 14.4%, the highest return in recorded memory.



NPI Annualized Returns by United States Region

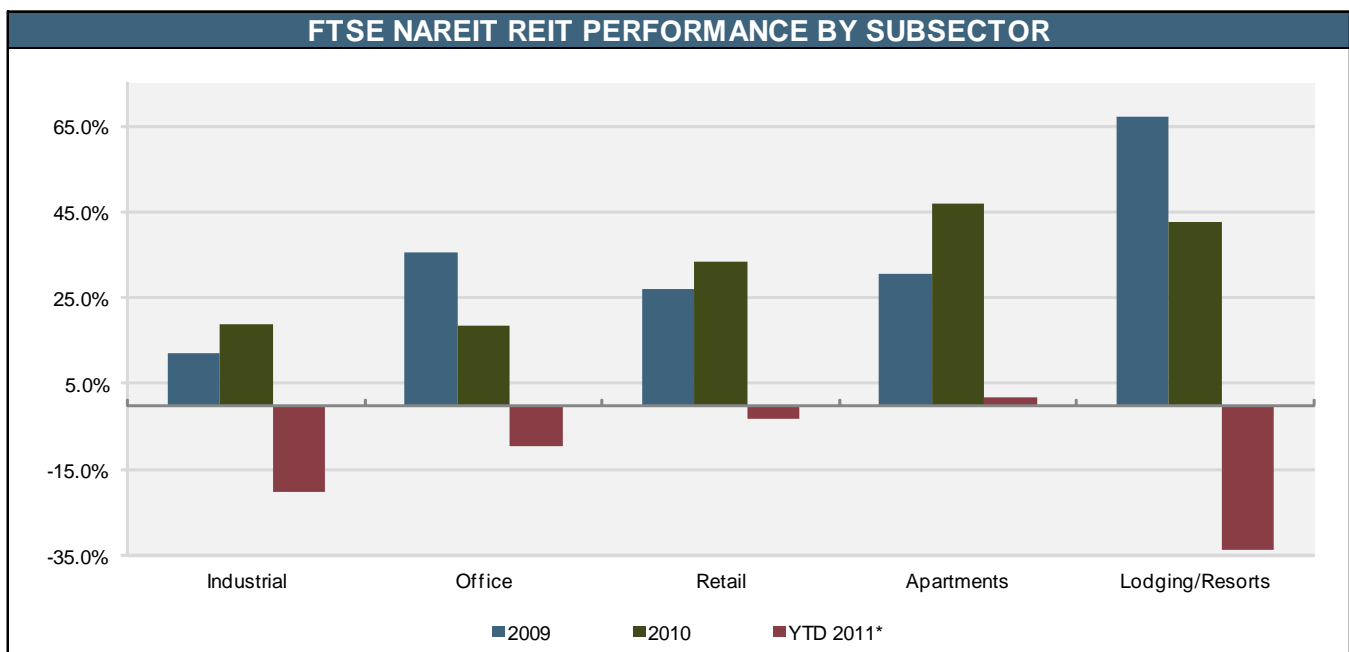
- The spread in regional returns has remained consistent in 2011. During 4Q10, the gap between the worst and best performing sectors was about 175 basis points. In the latest quarter, the gap was 180 basis points.
- After returning 14.4% in 2010, a 15.0% return is predicted for 2011 for the East, based on data through 2Q11. Before falling in 2008 and 2009, average annualized returns of 17.8% were recorded between 2004 and 2007.
- Property returns in the Midwest have consistently lagged other regions of the U.S. A 5.9% return was recorded through 2Q11, the lowest among the regions. Annualized, the forecasted 10.8% return would exceed gains recorded for 2010.
- The South region is projected to record a 12.0% property return during 2011, which is slightly higher than the 11.6% gain recorded last year. Before falling in 2008 and 2009, average annualized returns of 15.0% were recorded between 2004 and 2007.
- Property returns in the West region are projected to increase 16.8% during 2011, the highest total. Between 2005 and 2007, annualized returns exceeding 18.0% were recorded.



*2011 represents annualized forecast

FTSE National Association of REITS (NAREIT) U.S. Real Estate Index

Comprised of 123 REITS, The Financial Times of London and the London Stock Exchange (FTSE) NAREIT U.S. Real Estate index declined 15.1% during the third quarter, marking the industry's largest quarterly drop since the first quarter of 2009. Through September, the NAREIT U.S. Real Estate index is down 6.1% due to economic worries. The third quarter marked a big change from earlier this year, when investors acquired REIT stocks for their high dividend yields and because they were thought to be resistant from the unrest of Europe's debt crisis and disorder in the Middle East. Declines have been most pronounced within the lodging/resorts sector, where a negative 32.7% return was posted during the third quarter of 2011. After returning the highest percentage gain during 2010 at 47.0%, apartment growth has cooled, but is one of the few sectors to return positive growth during 2011. During the latest quarter, office and industrial REITs declined 19.8% and 28.1%, respectively. Compared to other major sectors, retail REITs performed better during the third quarter, posting declines of only 12.4%. For 2011, regional mall REITs have posted gains of 1.0% and shopping center REITs have fallen by 3.4%. Many analysts believe that investors are showing some of the panic that was part of the market's collapse during the recent financial crisis and are leaving REITs that have a lot of debt on their balance sheets. However, these same analysts feel that the majority of REITs are well prepared to withstand the current market volatility, as many have successfully recapitalized their balance sheets by selling new shares and low-interest-rate debt.



* Data through September 30, 2011

Below is a listing of the largest REITS by market cap within the FTSE NAREIT U.S. Real Estate Index. During the past quarter, nearly \$24.0 billion was erased from the market capitalization from the largest REITs within the index, illustrating volatility within the market.

REIT	Symbol	Property Subsector	Market Cap*	Change from 2Q 2011**
Simon Property Group, Inc.	SPG	Retail	32.0	(2.7)
Public Storage	PSA	Self Storage	18.4	(1.4)
Equity Residential	EQR	Residential	15.1	(3.0)
HCP Inc.	HCP	Health Care	13.9	(1.2)
Vornado Realty Trust	VNO	Diversified	13.0	(4.5)
Boston Properties Inc.	BXP	Office	12.4	(3.3)
General Growth Properties, Inc.	GGP	Retail	10.5	(6.2)
AvalonBay Communities Inc.	AVB	Residential	10.2	(1.4)

*Values as of October 4, 2011 in billions of dollars; ** Change in billions

Commercial Lending Increases

The Mortgage Bankers Association's (MBA) Quarterly Survey of Commercial/Multi-family Mortgage Bankers Originations reported that commercial and multi-family mortgage loan originations were 107% higher than during the same period last year, and 52% higher than the first quarter of 2011. The latest increase in commercial/multi-family lending activity from 2Q10 totals was driven by increases in originations for all property types.

When compared to 2Q10, the healthcare and hotel sectors recorded the largest increases. Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research, commented, "Greater stability in property fundamentals and prices, and an improving sales market, are providing greater clarity for borrowers and lenders alike. Property values and interest rates, coupled with job growth, consumer spending, household growth and other macro-economic trends that drive demand for commercial real estate, will be keys to how property owners seek and qualify for mortgage financing going forward."

Lending Activity 2Q 2011

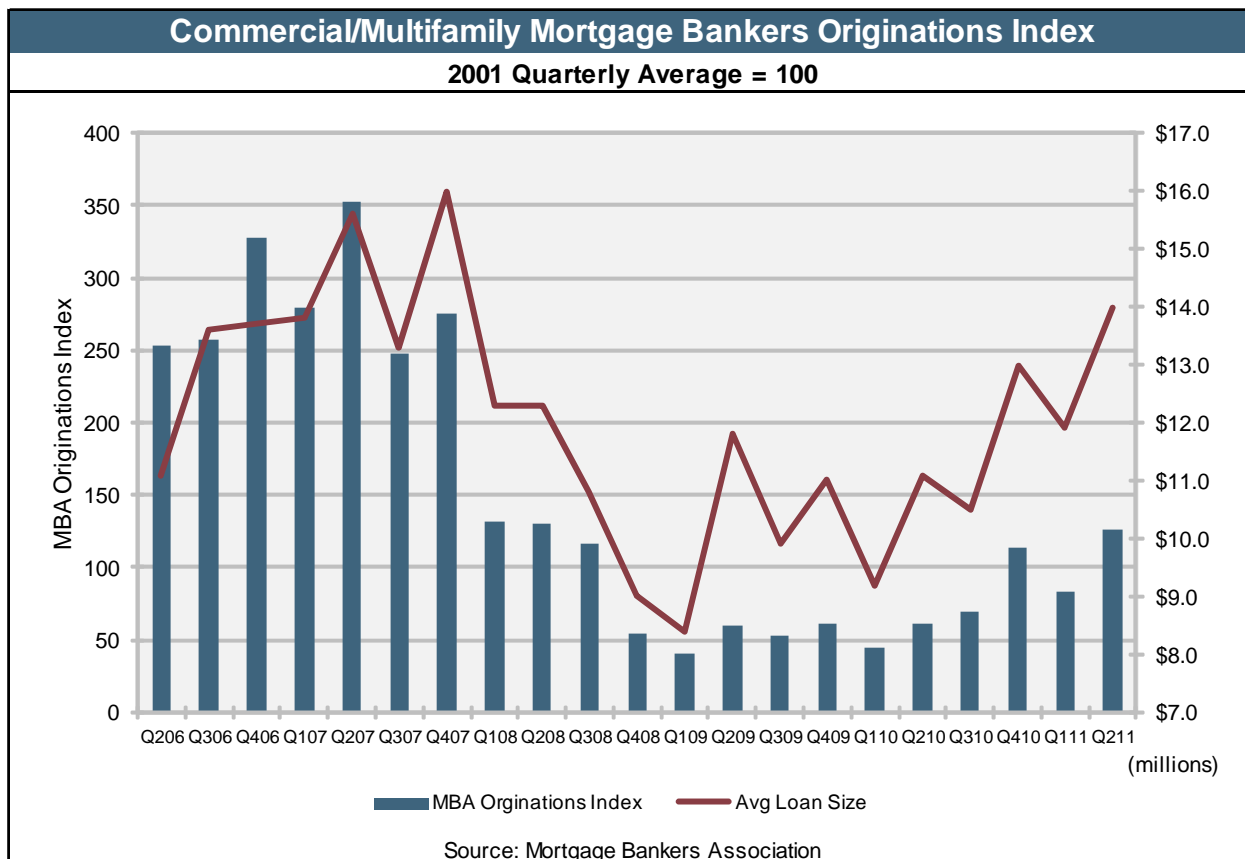
Property Type	% Change since 2Q 2010	% Change since 1Q 2011
Overall	107.0%	52.0%
Industrial	34.0%	6.0%
Multi-Family	114.0%	47.0%
Office	54.0%	31.0%
Retail	116.0%	73.0%
Hotel	125.0%	87.0%
Health Care	141.0%	161.0%

Source: MBA

Among investor types, loans for conduits for CMBS witnessed a 638% increase during second quarter 2011 compared to the second quarter of 2010. There was also a 150% increase in loans for life insurance companies, an 87% rise in loans for commercial bank portfolios, and a 58% jump in loans for Government Sponsored Enterprises.

The pace of lending has also increased at a strong clip since the prior quarter. Health care assets recorded the largest increase since 1Q11, followed by hotel and retail assets. Among the property sectors, the industrial sector was the only one to record a single-digit percentage increase since 1Q11. Among investor types, first quarter 2011 originations for conduits for CMBS jumped by the largest percentage compared to the first quarter of 2011.

Below is a graph depicting the frequency of commercial/multi-family loan originations since 2Q06.



Commercial Mortgage Backed Securities (CMBS) Market

The revitalization of the CMBS market continues as a vital action for the recovery of the commercial real-estate market, with owners and developers receiving the majority of their financing during the past decade through the securities market. Banks, including J.P. Morgan, Deutsche Bank and Goldman Sachs Group Inc., are continuing to rebuild and strengthen their CMBS operations.

CMBS Issuances

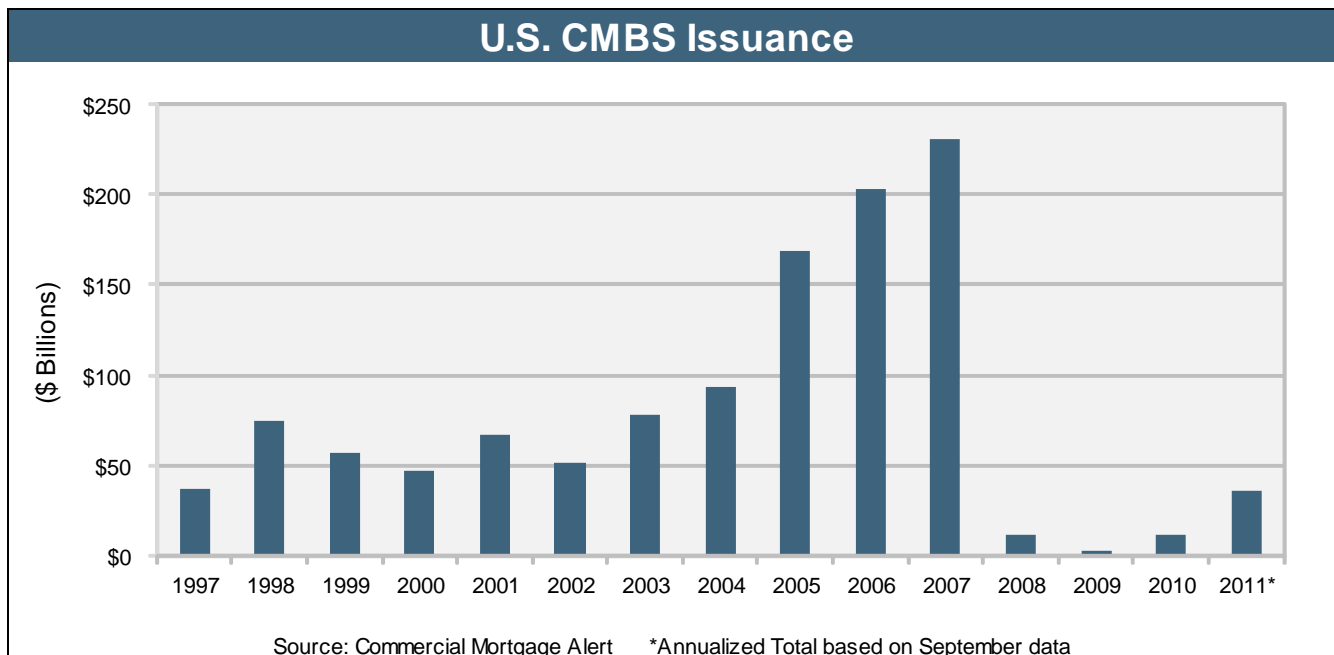
The CMBS market revival cautiously continued during the third quarter of 2011 with CMBS issuances slightly exceeding those recorded during the first two quarters of the year. Through the first nine months of 2011, roughly \$26.9 billion of CMBS issuances were priced according to data from Commercial Mortgage Alert. Issuances are projected to reach approximately \$35.9 billion in 2011, the highest output since 2007 and would nearly triple the issuances recorded last year. Reasons driving the increased issuances include improving commercial real estate fundamentals, better underwriting and growing demand from commercial real estate investors. Although the CMBS market appears to be recovering from the financial crisis, market participants still are concerned regarding the lessening quality of the securities being offered. Historically, after falling significantly in 2008 and remaining quiet in 2009, the CMBS market slowly rebounded in 2010 with approximately \$12.5 billion of CMBS issuances.

Due to worries about the economy prompting heightened investor worry, analysts predict that new issuances of commercial mortgage backed securities this year will need to offer investors increased protection and more-favorable terms for the riskiest portions of deals as weakening investor demand is impeding the sale of riskier portions of new CMBS issuances. According to analysts at J.P. Morgan, the pipeline of commercial mortgage backed securities is expected to fall to about \$3 billion during the fourth quarter of 2011.

Analysts are forecasting CBMS issuances to reach upwards of \$40 billion in 2011.

Top 2011 U.S. CMBS Underwriters (in billions)	
J.P. Morgan	\$4.96
Deutsche Bank	\$4.84
Wells Fargo	\$3.91
Bank of America	\$2.76
UBS	\$2.34
Morgan Stanley	\$2.30
Goldman Sachs	\$1.98
Citigroup	\$1.57
RBS	\$1.35
Barclays	\$0.49

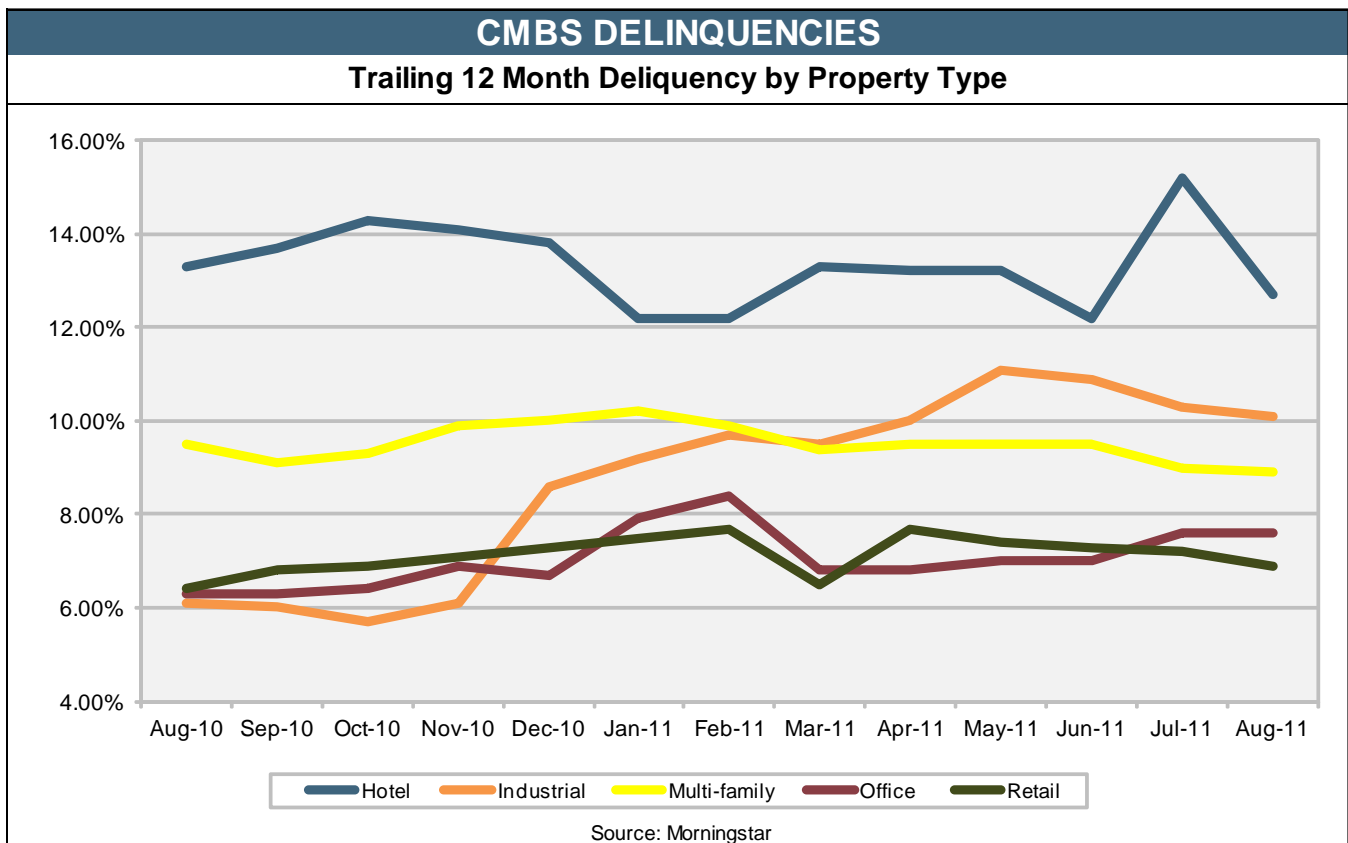
Source: Commercial Mortgage Alert



CMBS Delinquency

- By property type, hotels continue to have the highest delinquency percentage at 12.7%, followed by industrial (10.1%), multi-family (8.9%), office (7.6%) and retail (6.9%).
- Multi-family secured loans have remained the greatest contributor to overall CMBS delinquencies since overtaking retail loans in June of 2010.
- Retail and office collateral loan delinquencies as a percentage of the CMBS universe remain slightly higher when compared with one-year ago, but at a much more moderate growth level. These delinquencies are still of concern for the balance of the year as a prolonged economic recovery could cut into consumer spending and job growth, primary factors for the continued growth of the retail and office sectors.
- The total delinquency rate for CMBS hotel loans has shown some volatility in recent months. Future collateral performance is dependent on pent-up business and leisure travel and the potential for improving fundamentals in 2011.
- The 10 largest states by delinquent unpaid balance reflect 61.0% of CMBS delinquencies. California, New York and Texas account for the largest delinquencies.
- Due to aggressive pro-forma underwriting and depressed market conditions, larger loan vintages between 2005 and 2007 continue to default and cause delinquencies. Roughly 84.0% of the delinquent unpaid balance through August 2011 came from such loans.
- Of future concern, the amount of outstanding commercial mortgages is about \$1.4 trillion. The amount scheduled to mature in the coming years is estimated at \$125 billion in 2012.

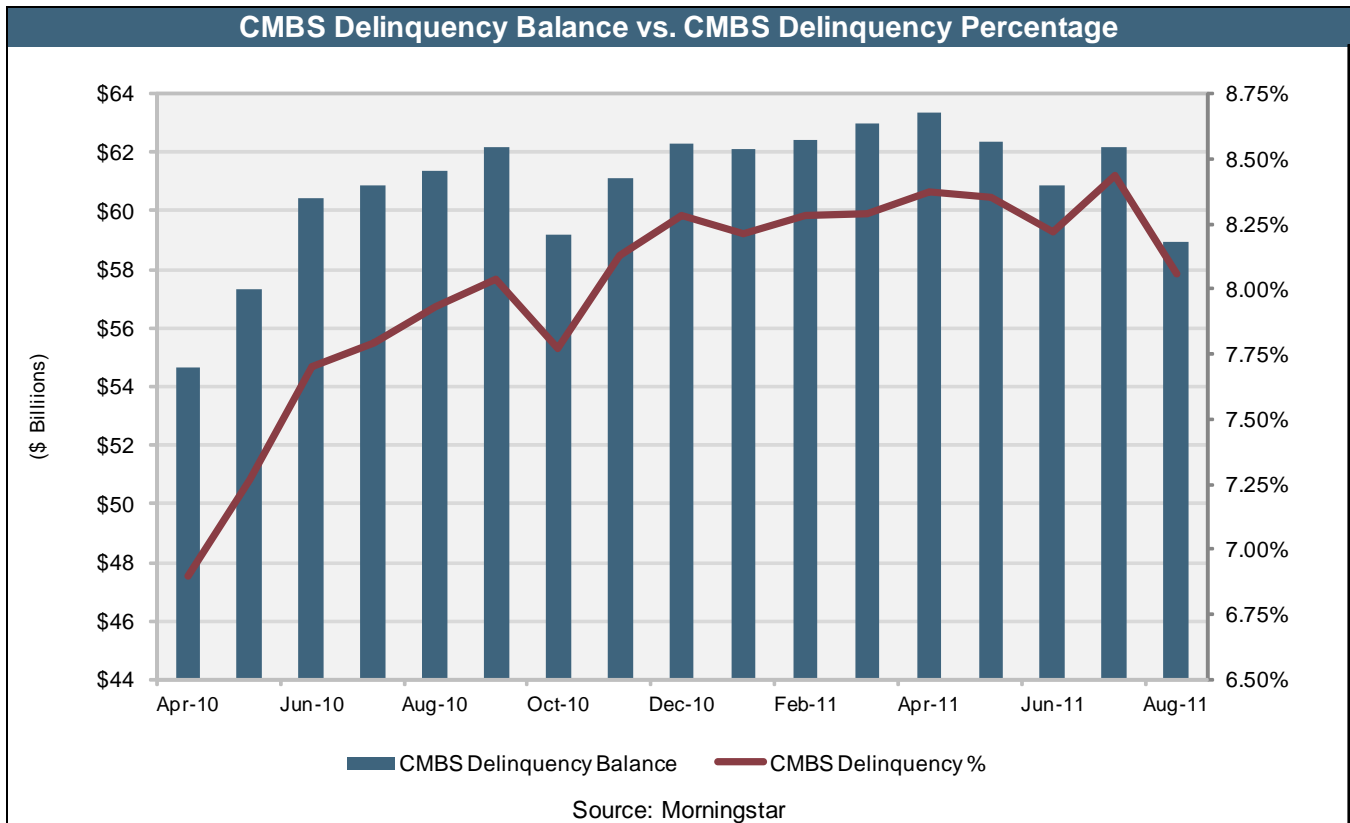
Below is a chart depicting the monthly CMBS delinquencies during the past year.



CMBS Market (continued)

- Recent CMBS figures indicate market improvement with delinquent balances declining.
- In August, Morningstar reported that the U.S. CMBS delinquency rate fell from 8.43% to 8.06%. During the prior 12-month period, delinquency rates averaged 8.20%.
- The delinquent unpaid balance for CMBS slightly decreased \$3.2 billion or 5.2% from the prior month to \$58.9 billion in August 2011. Declines have now been experienced in three of the previous four reporting periods.

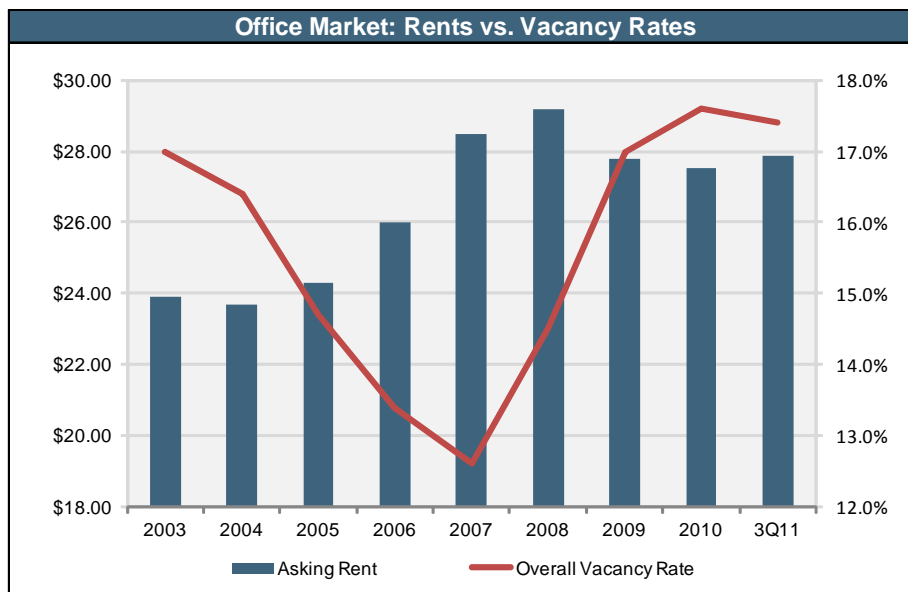
Below is a chart depicting the monthly CMBS delinquency balance and monthly CMBS delinquency percentage since April 2010.



Property Sector Overviews

Office:

- Market fundamentals are slowly improving within the office sector, although sluggish employment growth continues as the biggest impediment to sustained, long-term growth.
- Overall vacancy rates are moderating and have slightly retreated since 2010. 3Q11 marked the fourth consecutive quarter in occupied space increases. After bottoming in 2010, average asking rental rates have slowly begun to rise.

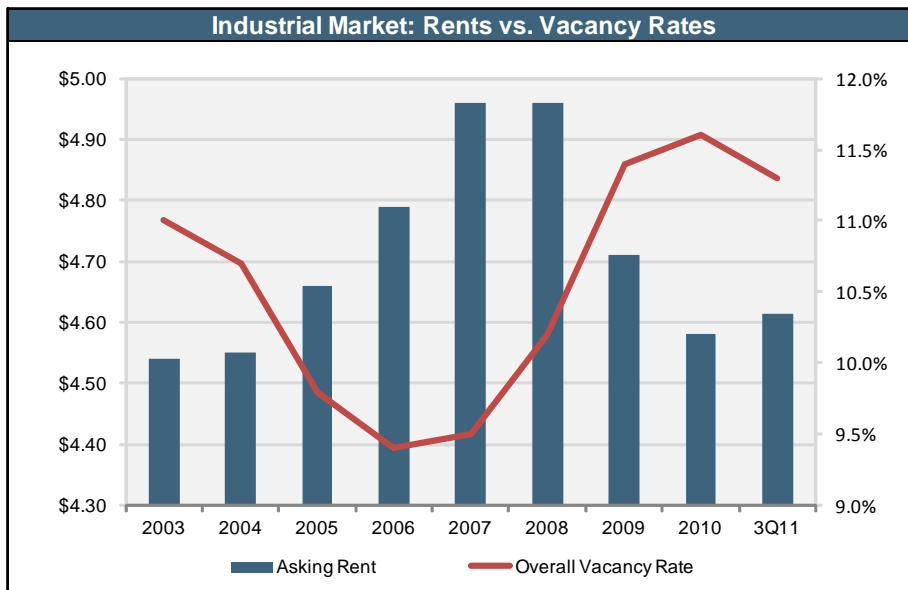


Source: REIS, Inc.

- Although leasing activity is low by historical standards, tenant activity has begun to increase.
- Central Business Districts (CBD) are outperforming suburban locales as evidenced by greater rental growth, lower vacancy rates, greater absorption and greater investor demand.

Industrial:

- Demand drivers remain generally favorable for growth, including an expanding manufacturing sector and positive recent economic reports for factory and durable goods orders.
- Improving market fundamentals have resulted in declining vacancy rates since 2010. However, rental rates continue to remain flat due to abundant available product on the market.

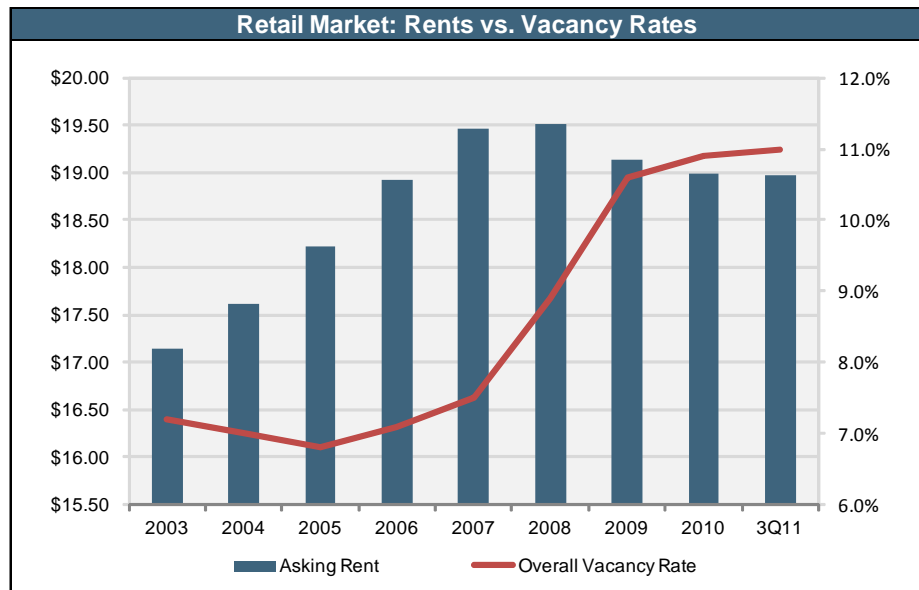


Source: REIS, Inc.

- Developers remain cautious, leading to limited new construction. The lack of new supply has benefitted the sector by allowing for the absorption of older product.
- Investors continue targeting warehouse product in prime locations. The limited availability of quality product is increasing competition for core assets. There is weaker demand for Flex/R&D properties, as plentiful suburban office product has given tenants more options for higher grade space.

Retail:

- Recovery remains slow within the retail sector as economic worries continue to restrain consumer spending and keep the U.S. savings rate at elevated levels. According to REIS, the national retail vacancy rate has hovered around 11.0% since the end of 2010. Retail is the weakest in “residential bust” markets, while strongest in core urban markets.
- Record low supply levels have allowed for more absorption of empty storefronts. Developers are more focused on remodeling and repositioning existing centers.

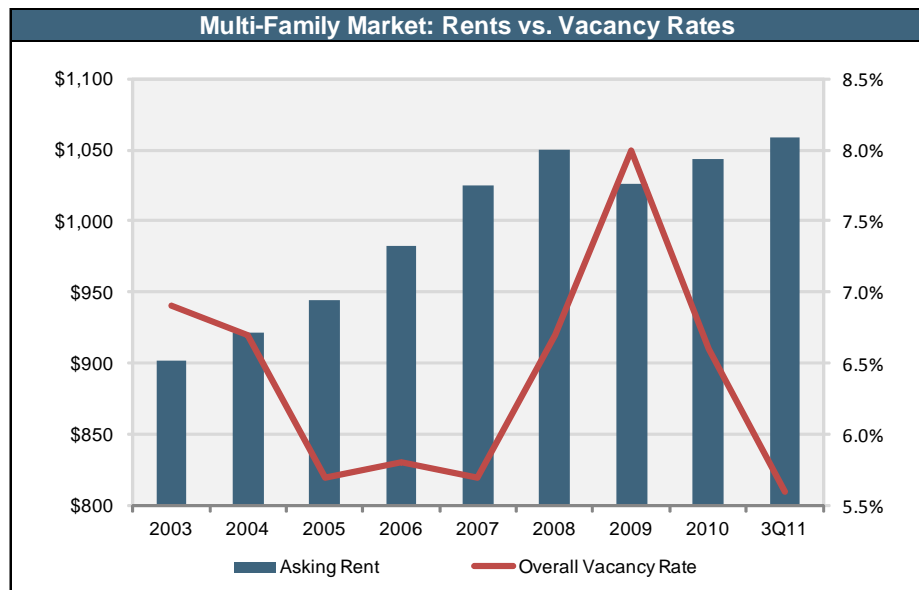


Source: REIS, Inc.

- Few high-end regional malls that are showing steady performance are being marketed, while numerous lower-quality, lesser performing malls are currently available.
- As lenders and investors remain cautious due to macro-economic trends, retail properties are seen as a more risky bet than other commercial properties.

Multi-Family:

- The multi-family sector continues to lead all commercial property sectors in recovery as low apartment supply and rising renter demand continues to shrink vacancies, place upward pressure on rental rates, limit concessions and generate increasing interest from investors.
- Since 2010, vacancy rates decreased 100 basis points to 5.6%, while rental rates continue to increase. The multi-family sector continues to benefit from declining homeownership rates, the increased appeal of renting and the rise of the prime renter group, aged 20 to 34 years old, entering the market.



Source: REIS, Inc.

- Access to low-cost government agency debt continues as a competitive advantage. The recent uptick in multi-family permit issuances is indicative that the sector will be the first to witness steady new development to alleviate demand.

Property Forecast

Due to weaker than expected economic growth and job creation, projections for commercial real estate growth have been tempered somewhat due to a slowdown in demand for space. As a result, a slower recovery for the majority of commercial real estate sectors is expected, excluding the multi-family sector, which has benefitted from pent-up demand from renter households and falling home ownership rates. According to the DLA Piper State of the Market Survey published in early October 2011, the majority of real estate executives are bearish for the next twelve months, primarily due to the volatile global financial markets, stagnant U.S. job growth, political turmoil between the White House and Congress, and turmoil in the CMBS market. Despite this pessimism, respondents reported cautious optimism due to abundant real estate equity money on the sidelines, a large amount of capital still interested in income-producing investments due to low interest rates, and the perceived safety of real estate to other investments.

On the positive, cap rates continue to compress for all property types and the majority of participants within the latest PwC Investor survey believe cap rates will hold steady or decline further during the next six months. Low levels of new construction has allowed for the continued absorption of product and stabilization of vacancy rates across most sectors. Although trophy assets in major markets are seeing the highest demand and price appreciation, more buyers are beginning to expand their horizon and seek bargains in non-core secondary and tertiary markets to capture anticipated rental spikes as recovery occurs.

National Association of Realtors (NAR) and REIS Inc. forecast the following:

- **Office:** Despite concern about job creation, vacancy rates are projected to decline slightly to 16.2% by 4Q 2012 as absorption strengthens and rental rates stabilize. Completions are expected to peak during 3Q 2012.
- **Industrial:** Vacancy rates are projected to decline 60 basis points through 4Q 2012 as excess warehouse space gets absorbed. Developers are forecasted to regain confidence as rental growth turns positive in 2012.
- **Retail:** Vacancy rates are forecasted to fall to 12.0% with 13.1 million sf of absorption in 2012. A slight uptick in construction activity is forecasted along with growing rental growth.
- **Multi-Family:** The multi-family sector is forecasted to outperform the three other sectors. Vacancy rates are expected to decline for the third consecutive year and drop to 4.3% by 4Q 2012.

Forecast						
OFFICE	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Vacancy Rate	16.60%	16.70%	16.60%	16.50%	16.30%	16.20%
Net Absorption ('000 sf)	11,628	7,374	9,729	11,675	17,999	9,243
Completions ('000 sf)	5,790	2,527	3,890	5,465	13,735	8,627
Rent Growth	0.00%	0.10%	0.10%	0.30%	0.40%	0.70%

Forecast						
INDUSTRIAL	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Vacancy Rate	12.70%	12.20%	12.30%	12.30%	12.10%	12.10%
Net Absorption ('000 sf)	15,292	14,336	16,951	20,341	31,359	16,103
Completions ('000 sf)	4,865	4,014	5,675	7,980	13,854	11,577
Rent Growth	0.00%	0.00%	0.10%	0.50%	0.60%	0.80%

Forecast						
RETAIL	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Vacancy Rate	12.90%	12.90%	12.80%	12.30%	12.20%	12.00%
Net Absorption ('000 sf)	662	753	2,237	3,422	4,080	3,422
Completions ('000 sf)	1,980	2,792	876	2,130	5,260	4,896
Rent Growth	-0.30%	0.00%	0.00%	0.10%	0.30%	0.30%

Forecast						
MULTI-FAMILY	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Vacancy Rate	5.50%	5.30%	5.10%	4.80%	4.60%	4.30%
Net Absorption (Units)	83,099	68,853	31,513	28,992	35,294	30,252
Completions (Units)	15,250	9,475	12,570	18,350	31,954	25,770
Rent Growth	0.70%	0.80%	0.70%	0.80%	0.80%	1.20%

Source: National Association of Realtors / REIS

Vacancy Rate Outlook		
	2011	2012
Office	16.6%	16.4%
Industrial	13.0%	12.2%
Retail	13.0%	12.3%
Multifamily	5.6%	4.7%

Rent Growth Outlook		
	2011	2012
Office	0.8%	1.5%
Industrial	-0.9%	2.0%
Retail	-0.4%	0.7%
Multifamily	2.5%	3.2%

Net Absorption Outlook		
	2011	2012
Office (sf)	28,344,000	48,646,000
Industrial (sf)	47,786,000	84,754,000
Retail (sf)	1,478,000	13,161,000
Multifamily (units)	237,743	126,051

Completions Outlook		
	2011	2012
Office (sf)	14,463,000	31,717,000
Industrial (sf)	16,308,000	39,086,000
Retail (sf)	2,026,000	2,039,000
Multifamily (units)	40,330	88,644

Source: National Association of Realtors / REIS

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