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Economic & Real Estate Overview

3rd Quarter 2009

Contents

Introduction

Nearing the close of the third quarter, several economists and institutions believe the 22-month-long recession of 2008-09 has ended. Job losses have begun to moderate, the stock market continues to rebound, several economic indicators have recently exceeded expectations and expanding GDP is forecasted for upcoming quarters. Federal stimulus programs, the cash-for-clunkers program and the $8,000 tax credit for first-time homebuyers, are helping drive activity in the near term. Despite the cautious optimism, labor market conditions remain soft, which has weakened fundamentals and demand for commercial properties.

The struggling commercial real estate market continues to be burdened with increasing vacancy rates, declining rents and rising delinquency rates for commercial mortgage backed securities (CMBS). Non-residential construction has already pulled back significantly, as many commercial projects have been delayed or canceled. As commercial real estate conditions are expected to weaken into 2010, many commercial banks that provided loans during the commercial real estate boom now face capital shortfalls and will begin clearing their balance sheets of troubled assets. Seeking opportunities in distressed commercial real estate, several REITs have recently filed for IPO's to capitalize on lowered valuations of commercial real estate to add to their portfolios.

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

- **GDP Growth Remains Negative.** U.S. gross domestic product (GDP) contracted at a 1.0% annual pace in the second quarter of 2009, following a 6.4% decline in the previous quarter.
- **Unemployment Rates Rise.** The unemployment rate increased to 9.7% in August, the highest in 26 years. The number of weekly hours worked remained at 33.1, above the low of 33.0 reached in June
- **Construction Spending Decreases.** Total construction spending declined 0.2% in July from June, less than expected. Residential spending jumped 2.3%, driven by an increase in single family outlays. Non-residential construction fell 1.0% as developers remain cautious in hotel, commercial and retail building.
- **Durable Goods Orders Rise.** New orders to U.S. factories for big-ticket manufactured goods increased 4.9% in July, the largest increase in two years. The gains were driven by a jump in non-defense aircraft and parts orders and a 0.9% gain in automotive orders in July.
- **Consumer Spending Increases.** Consumer spending increased 0.2% in July, due in part to the early stages of the cash-for-clunkers automobile program.

Introduction (continued)

- **Wholesale Inventories Fall.** In July, wholesale inventories fell by 1.4%, nearly double the expected decline. Over the year, wholesale inventories are down by 12.8%.
- **New Home Sales Move Higher.** New home sales increased 9.6% in July. This marked the second straight month sales increased more than 9.0%. Sales are now up more than 30% from the January low.
- **Leading Indicators Up.** The Leading Economic Index (LEI) increased 0.9% in August, the 5th straight monthly gain. The positive contributors were interest rate spread, an increase in consumer expectations, index of supplier deliveries (vendor performance), rising stock prices, and a jump in building permits.
- **Retail Sales Jump Higher.** Retail sales increased 2.7% in August, the best gain since February. Sales at motor vehicle and parts dealers rose 10.6%.
- **Consumer Credit Declines.** Consumer credit fell $21.1 billion, or at a 10.4% pace, in July. The record drop in July is likely due to large charge-offs at many banks, with the charge-off rate at the highest level since records began.
- **Consumer Prices Increase.** The CPI increased 0.4% in August, mainly due to the 9.1% increase in gasoline prices. Food prices continue to moderate and inched up 0.1% in August and are up 0.6% for the year.
- **Business Inventories Decline.** Business inventories across the supply chain declined at a 1.0% pace in July. Declines in retail auto inventories helped spur the decline.

Employment

After more than 3.0 million jobs were trimmed in 2008, the job losses continued through August of 2009, with nearly 4.0 million more jobs eliminated. However, the pace of layoffs softened as 216,000 jobs were cut in August, the smallest amount in a year. Job losses averaged 691,000 in the first quarter and fell to an average of 428,000 in the April-June period.

Job losses in August were widespread as the construction sector trimmed 65,000 positions, manufacturers cut 63,000 jobs, business and professional services firms shed 22,000 positions, leisure and hospitality employment lost 21,000 positions and the government downsized by 18,000 jobs. On the positive, jobs in education and health services rose by 52,000 in August.

UNITED STATES NON-FARM EMPLOYMENT BY INDUSTRY

Historic & Current Figures

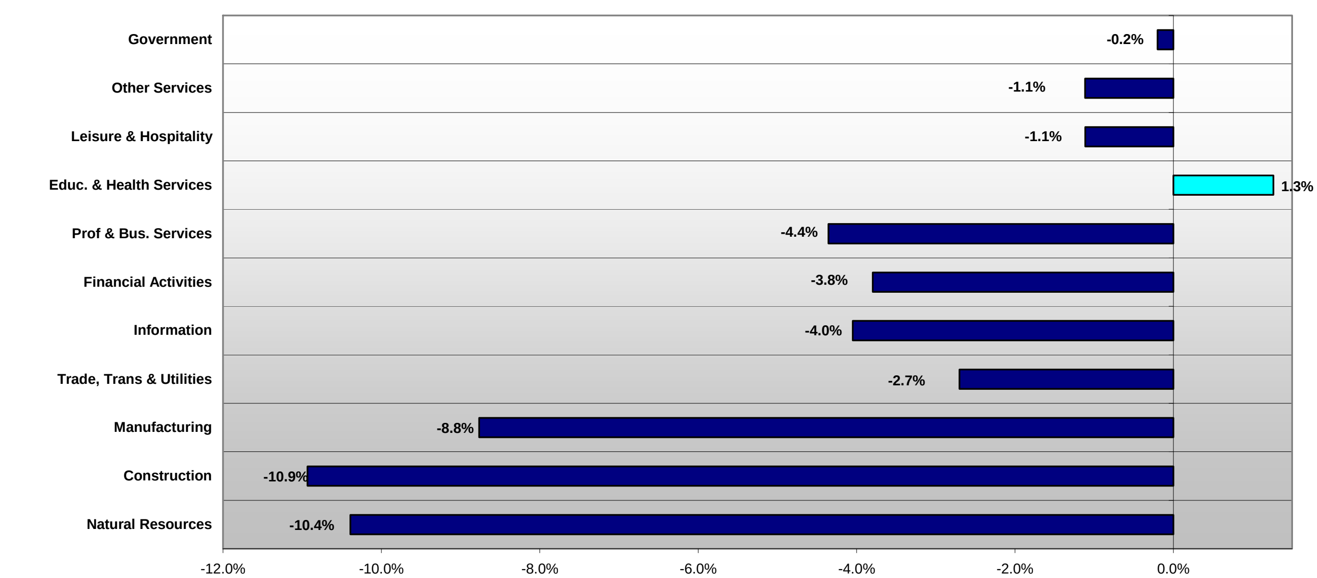
INDUSTRY	Aug-09 Employment	Total Percent	2008 Employment	Total Percent	2007 Employment	Total Percent	% Change Aug-09 - 2008
Natural Resources	707	0.5%	789	0.6%	739	0.5%	-10.4%
Construction	6,093	4.6%	6,841	5.1%	7,465	5.4%	-10.9%
Manufacturing	11,771	9.0%	12,902	9.6%	13,777	10.0%	-8.8%
Trade, Trans & Utilities	25,145	19.2%	25,843	19.1%	26,658	19.3%	-2.7%
Information	2,821	2.1%	2,940	2.2%	3,018	2.2%	-4.0%
Financial Activities	7,706	5.9%	8,010	5.9%	8,252	6.0%	-3.8%
Prof & Bus. Services	16,600	12.7%	17,356	12.8%	18,131	13.1%	-4.4%
Educ. & Health Services	19,321	14.7%	19,080	14.1%	18,568	13.4%	1.3%
Leisure & Hospitality	13,156	10.0%	13,304	9.8%	13,635	9.9%	-1.1%
Other Services	5,416	4.1%	5,477	4.1%	5,507	4.0%	-1.1%
Government	22,487	17.1%	22,532	16.7%	22,333	16.2%	-0.2%
Total Nonfarm	**131,223**	**100.0%**	**135,074**	**100.0%**	**138,083**	**100.0%**	**-2.9%**

Source: Bureau of Labor Statistics

Employment (continued)

2009 PERCENT CHANGE IN EMPLOYMENT ACROSS MAJOR SECTORS

2008 through August 2009



Source: Bureau of Labor Statistics

The change in employment through August 2009 showed only one sector, Educational and Health Services, recording gains in employment since 2008. Payroll employment has declined by nearly 3.7 million since 2008.

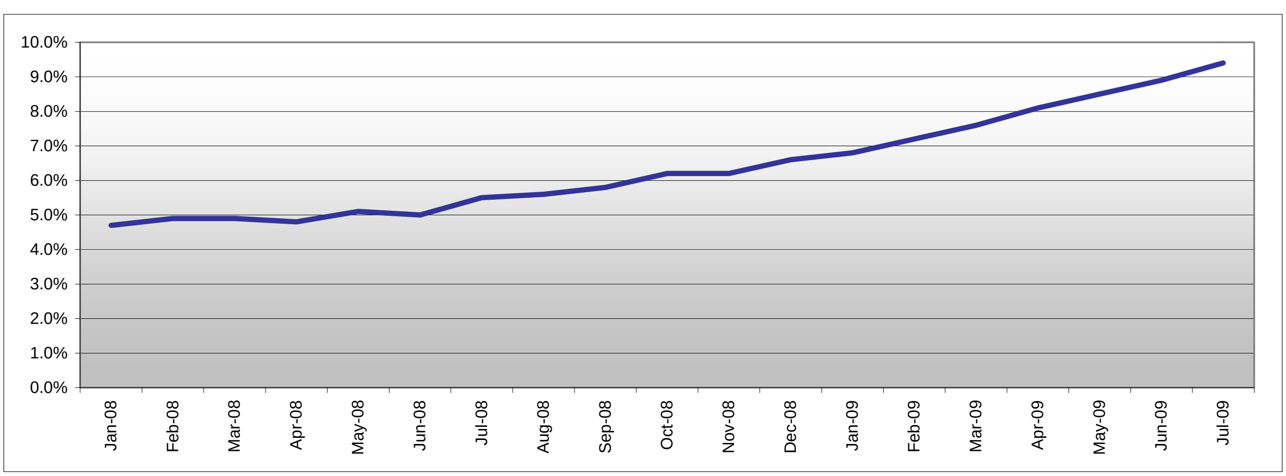
Despite an easing of job losses, the unemployment rate has increased to 9.7% in August from 7.2% at the close of 2008. This represents the highest unemployment rate since June 1983. Since March 2008, the unemployment rate has more than doubled.

Below is a graph depicting unemployment since March 2008.

U.S. UNEMPLOYMENT RATE

Monthly Figures

Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
4.8%	5.1%	5.0%	5.5%	5.6%	5.8%	6.2%	6.2%	6.6%	6.8%	7.2%	7.6%	8.1%	8.5%	8.9%	9.4%	8.9%	9.7%



Source: Bureau of Labor Statistics

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.

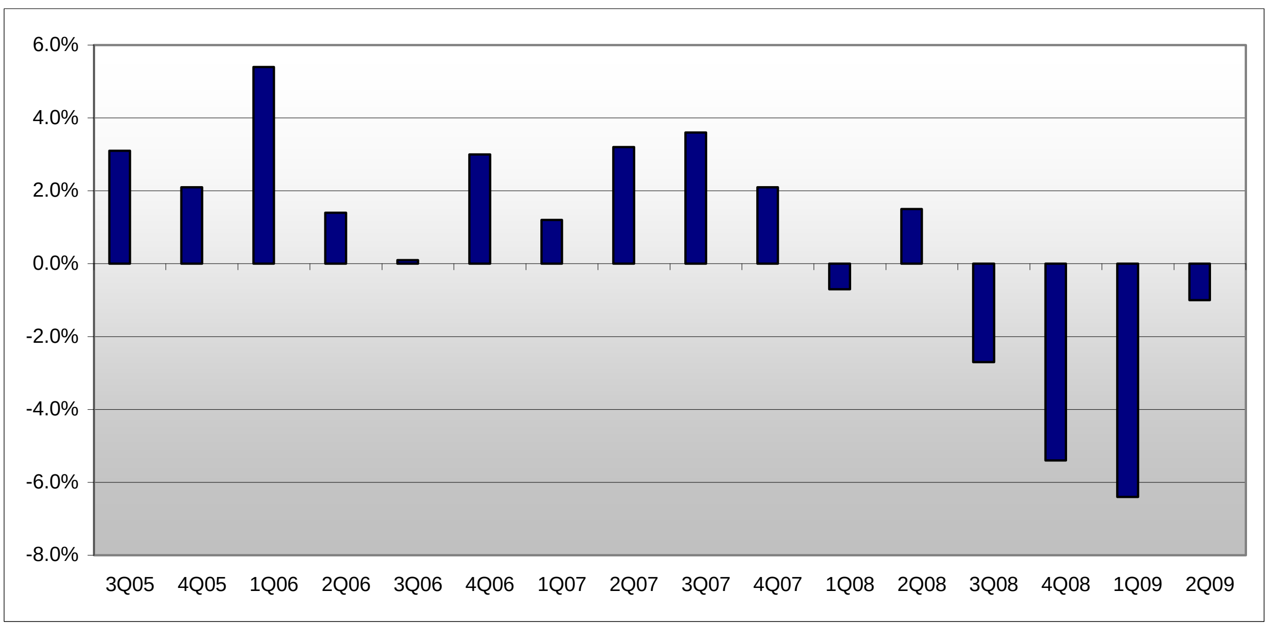
The Commerce Department reported that U.S. GDP contracted at a 1.0% annual pace in the second quarter of 2009. This marked a significant improvement from the 5.4% and 6.4% declines recorded during the past two quarters. The improvement from 1Q09's performance was primarily due to smaller decreases in nonresidential fixed investment and in exports, an increase in state and local government spending and smaller decreases in private inventory and residential fixed investment. Also benefitting GDP for the period, declines in consumer spending and spending on durable/non-durable goods fell less than previously thought. Weakness in the second quarter GDP number was primarily attributed to private inventory investment, residential/nonresidential fixed investment and personal consumption expenditures. Economists at Wells Fargo Securites predict the economy will grow 3.4% next quarter and at a 2.6% pace during the fourth quarter of 2009.

The following chart summarizes GDP growth on a quarterly basis since 3Q 2005.

GROSS DOMESTIC PRODUCT

Quarter-to-Quarter Growth in Real GDP

	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
GDP Growth	3.1%	2.1%	5.4%	1.4%	0.1%	3.0%	1.2%	3.2%	3.6%	2.1%	-0.7%	1.5%	-2.7%	-5.4%	-6.4%	-1.0%



Source: Bureau of Labor Statistics

Consumer Price Index (CPI)

The Consumer Price Indexes program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

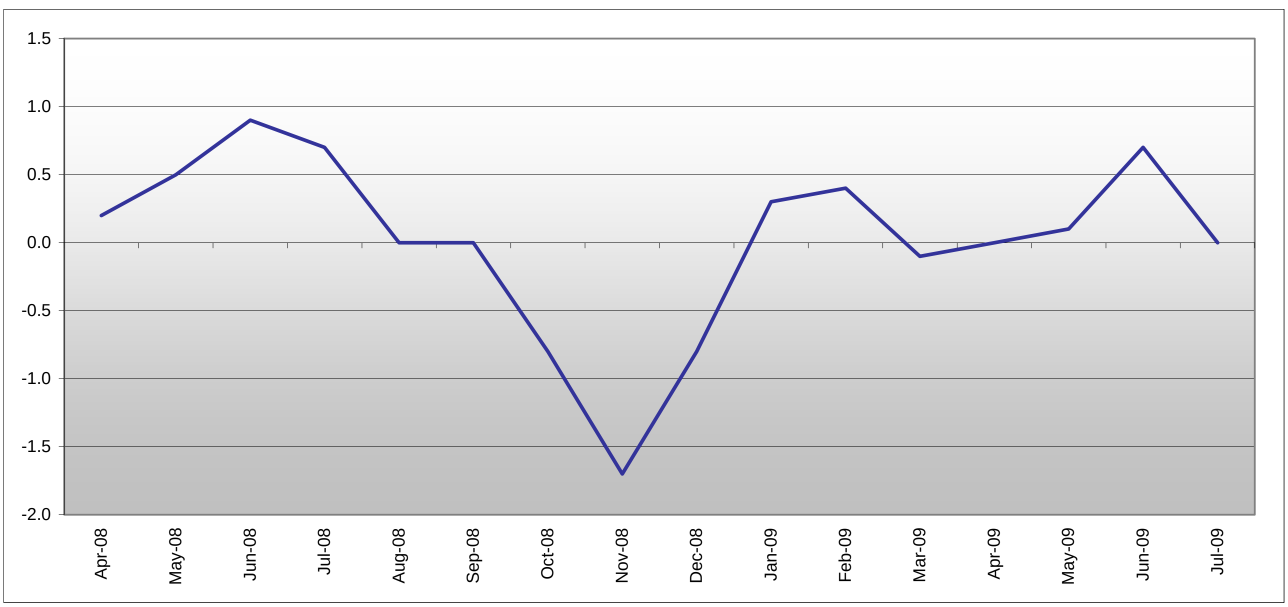
The Labor Department reported consumer prices were unchanged in July after increasing 0.7% in June. Small declines in the food and energy indexes offset a small increase in the index for all items less food and energy. The food index declined 0.3% in July with all six major grocery store food groups recording declines. The energy index, which rose 7.4% in June, fell 0.4% in July. Energy costs are currently 28.1% below the level of 12 months ago, which has driven down prices for petroleum products. Decreases in the indexes for gasoline, fuel oil, and electricity more than offset an increase in the index for natural gas. The moderation in food and energy prices has greatly restrained inflation over the past year. The overall CPI is down 2.1% year-to-year, marking the largest drop in nearly sixty years. Economists believe inflation is not likely to become a problem in 2009 and core inflation will likely moderate for another year or two.

Below is graph summarizing the month-over-month change in the CPI for the last 18 months.

US CONSUMER PRICE INDEX

Month-over-Month Percent Change

	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
CPI - % change	0.2%	0.4%	0.2%	0.5%	0.9%	0.7%	0.0%	0.0%	-0.8%	-1.7%	-0.8%	0.3%	0.4%	-0.1%	0.0%	0.1%	0.7%	0.0%



Source: Bureau of Labor Statistics

Institute for Supply Management (ISM) Manufacturing Index

The ISM, 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%). Economic activity in the manufacturing sector expanded in August, following 18 consecutive months of contraction, and the overall economy grew for the fourth consecutive month. The ISM index broke 50 with gains in new orders, supplier deliveries and production. Headline ISM manufacturing increased to 52.9 in August, consistent with expansion in the manufacturing sector and at the highest level since June 2007. The 4 percentage point increase was driven by significant strength in the New Orders Index, which is up 9.6 points to 64.9 percent, the highest since December 2004. The growth appears sustainable in the short term, as inventories have been reduced for 40 consecutive months and supply chains will have to re-stock to meet this new demand. Eleven of the 18 manufacturing industries reported growth in August. Production is picking up as demand for orders is being accelerated and demand from automotive manufacturers increasing thanks to The Cash for Clunkers Program.

MANUFACTURING AT A GLANCE - AUGUST 2009

Index	Series Index August	Series Index July	Percent Point Change	Direction	Rate of Change	Trend* (months)
PMI	52.9	48.9	4.0	Growing	From Contracting	1
New Orders	64.9	55.3	9.6	Growing	Faster	2
Production	61.9	57.9	4.0	Growing	Faster	3
Employment	46.4	45.6	0.8	Contracting	Slower	13
Supplier Deliveries	57.1	52.0	5.1	Slowing	Faster	3
Inventories	34.4	33.5	0.9	Contracting	Slower	40
Customer Inventories	39.0	42.5	-3.5	Too Low	Faster	5
Prices	65.0	55.0	10.0	Increasing	Faster	2
Backlog of Orders	52.5	50.0	2.5	Growing	From Unchanged	1
Exports	55.5	50.5	5.0	Growing	Faster	2
Imports	49.5	50.0	-0.5	Contracting	From Unchanged	1

Source: Institute for Supply Management

*Number of months moving in current direction

- **PMI**. A reading above 50% indicates that the manufacturing economy is generally expanding; below 50% indicates that it is generally contracting. The PMI finally began to grow and registered 52.9%, indicating growth in the overall economy as well as the first expansion in manufacturing sector since January 2008.

- **New Orders Index**. A New Orders Index above 48.8%, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders. Thirteen industries reported growth in new orders in August.

- **Production Index**. An index above 50.4%, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures. Thirteen industries reported growth in production in August.

- **Employment Index**. An Employment Index above 49.7%, over time, is generally consistent with an increase in manufacturing employment. Four of the 18 manufacturing industries reported employment growth in August.

- **Supplier Deliveries Index**. A reading above 50% indicates slower deliveries with nine industries reporting slower supplier deliveries in August.

- **Inventories Index**. An Inventories Index greater than 42.6%, over time, is generally consistent with expansion in the Bureau of Economic Analysis' (BEA) figures on overall manufacturing inventories. Three of the 18 manufacturing industries reported higher inventories in August.

Construction Spending

The U.S. Census Bureau reported that construction spending during July 2009 decreased 0.2% to a seasonally adjusted annual rate of $958.0 billion from a slightly revised June estimate of $959.5 billion. During the first 7 months of 2009, construction spending amounted to $543.8 billion, 11.4% below the $613.5 billion for the same period in 2008. Total nonresidential construction spending decreased by 1.0% during July and the residential component increased 2.3%. Signs of stabilization in the housing market may indicate further gains in residential construction spending in the future. Even with the rise home building in July, residential construction is still 27.8% below where it was a year ago.

In July, total public construction declined 0.7%, the first drop since January. Many economists forecasted an increase due to the $787 billion economic stimulus bill approved by Congress in February. Although federal construction activity increased 0.8%, state and local construction spending dropped 0.8% in July as severe budget problems are impacting many states amidst falling tax revenues.

Of total construction spending, private construction accounted for 65% of total expenditures, while 35% were public. Non-residential spending comprised 73% of total expenditures compared to 27% for non-residential projects. During the past 12 months, residential construction declined 26.9% while construction for non-residential properties fell by only 2.6%. Within the non-residential sector, the largest declines in spending were within the lodging (-35.4%), commercial (-32.4%) and communication (-20.1%) sectors. On the positive, total construction on manufacturing projects has increased 46.5% since July 2008. Other gains in spending occurred on health care, educational, power facilities, public safety and transportation.

VALUE OF CONSTRUCTION PUT IN PLACE - SEASONALLY ADJUSTED ANNUAL RATE

(millions of dollars)

						Percent change Jul 2009 from	
	Jul-09	**Jun-09**	**May-09**	**Apr-09**	**Jul-08**	**Jun-09**	**Jul-08**
Total Construction	**958,037**	**959,507**	**958,347**	**971,363**	**1,070,249**	**-0.2%**	**-10.5%**
Residential	**254,202**	**248,464**	**249,143**	**260,305**	**347,694**	**2.3%**	**-26.9%**
Nonresidential	**703,835**	**711,043**	**709,204**	**711,059**	**722,555**	**-1.0%**	**-2.6%**
Lodging	24,061	26,250	28,458	30,310	37,259	-8.3%	-35.4%
Office	58,765	59,144	58,693	58,760	71,419	-0.6%	-17.7%
Commercial	58,405	59,460	62,742	65,808	86,404	-1.8%	-32.4%
Health care	49,851	50,104	48,740	48,109	48,825	-0.5%	2.1%
Educational	108,022	109,436	107,757	108,027	106,085	-1.3%	1.8%
Religious	6,508	6,415	6,105	6,858	7,040	1.4%	-7.6%
Public safety	14,636	14,819	14,870	14,202	12,754	-1.2%	14.8%
Amusement and recreation	20,192	20,317	19,546	19,918	21,454	-0.6%	-5.9%
Transportation	35,267	35,407	34,380	32,889	34,677	-0.4%	1.7%
Communication	20,088	20,079	21,191	21,171	25,135	0.0%	-20.1%
Power	91,094	92,802	92,684	92,096	82,797	-1.8%	10.0%
Highway and street	83,889	84,787	81,403	80,395	81,155	-1.1%	3.4%
Sewage and waste disposal	25,412	25,819	25,324	25,981	25,151	-1.6%	1.0%
Water supply	17,263	16,606	15,543	16,047	18,449	4.0%	-6.4%
Conservation and development	5,732	5,788	5,778	5,785	6,186	-1.0%	-7.3%
Manufacturing	84,652	83,811	85,991	84,703	57,766	1.0%	46.5%

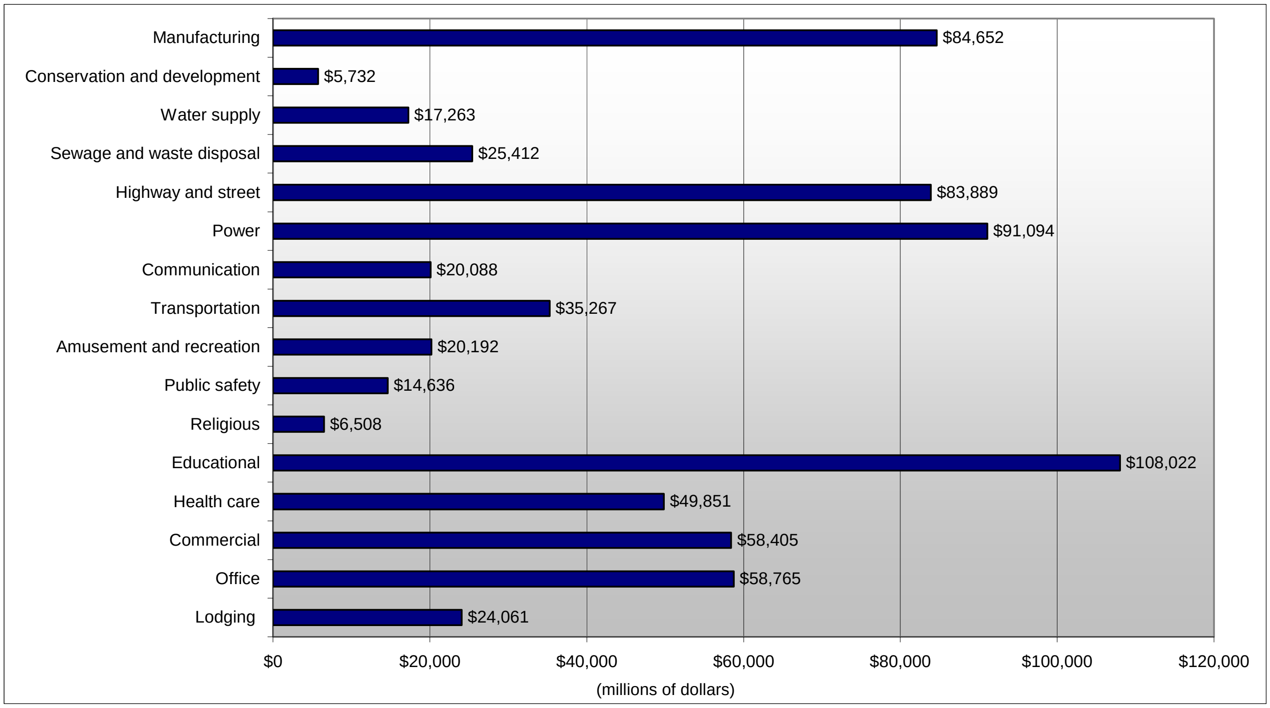
Source: Census Bureau

Construction Spending (continued)

Below is a further breakdown of non-residential construction spending, which totaled $703.8 billion. Spending on educational facilities accounted for the largest percentage of construction spending.

BREAKDOWN OF NON-RESIDENTIAL CONSTRUCTION SPENDING

July 2009



Source: Census Bureau

Korpacz Real Estate Investor Survey

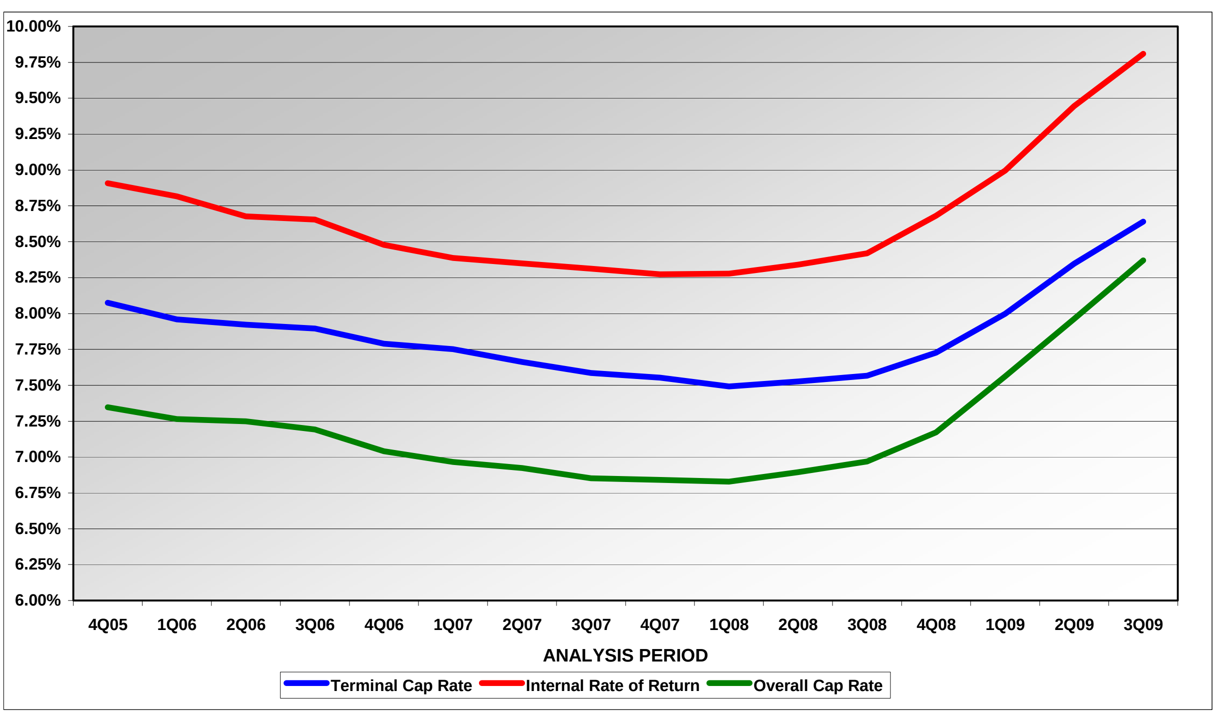
- More than 100 institutional and private investors surveyed for the Korpacz reported that overall cap rates (OARs) have increased for nearly all surveyed markets and product types during 3Q09. The average increase was 41 basis points across nearly all major property types since 2Q09. Respondents predicted that OARs will rise by an average of nearly 60 basis points (BPS) over the next six months across almost all property categories and metro markets. The largest increases were predicted for Suburban Office (81 BPS), CBD-Office (69 BPS) and Regional Malls (67.0 BPS). The smallest increases were predicted for strip shopping centers (29 BPS).
- Terminal cap rates have increased for all surveyed markets and product types during 3Q09. The average increase was 29 BPS across nearly all major property types since 3Q09. This compares to a 41 BPS rise for overall cap rates during the same period.
- Discount rates (IRR) have increased for all surveyed markets and product types during 3Q09. The average increase was 36 BPS across nearly all major property types since 2Q09. This compares to a 41 BPS rise for overall cap rates and 29 BPS increase for terminal cap rates during the same period.

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, CBD Office, Suburban Office, Apartment, Strip Center, Regional Malls and Power Centers.

KORPACZ REAL ESTATE INVESTOR SURVEY HISTORICAL RESULTS

INVESTMENT RATE ANALYSIS

	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09
Overall Cap Rate	7.35%	7.26%	7.25%	7.19%	7.04%	6.97%	6.92%	6.85%	6.84%	6.83%	6.89%	6.97%	7.17%	7.56%	7.96%	8.37%
Terminal Cap Rate	8.08%	7.96%	7.92%	7.90%	7.79%	7.75%	7.66%	7.59%	7.55%	7.49%	7.53%	7.57%	7.73%	8.00%	8.35%	8.64%
Internal Rate of Return	8.91%	8.82%	8.68%	8.66%	8.48%	8.39%	8.35%	8.31%	8.27%	8.28%	8.34%	8.42%	8.68%	9.00%	9.45%	9.81%



Korpacz Real Estate Investor Survey (continued)

3Q09 Survey Highlights

- OARs increased within all major property types during 3Q09 with the largest increases recorded within the Power Center (59 BPS), Warehouse (53 BPS) and Strip Center (50 BPS) sectors. The smallest increases occurred within the CBD-Office (17 BPS) and the Regional Mall (19 BPS) sectors. Since 3Q08, OARs across all property sectors increased an average of 140 BPS.
- As of 3Q09, Flex/R&D properties had the highest average OARs at 8.77%, followed by Suburban-Office (8.72%) and Power Centers (8.63%). The lowest average OARs were recorded within Apartment (7.84%), Regional Mall (7.98%) and CBD-Office (8.11%) sectors. The simple average OAR across all sectors was 8.37%.
- Terminal cap rates increased across all major property types during 3Q09 with the largest increases recorded within the Flex/R&D (55 BPS) and Strip Center (54 BPS) sectors. The smallest increases occurred across Regional Mall (1 BPS) and CBD-Office (13 BPS) properties. Since 3Q08, overall cap rates across all property sectors increased an average of 107 BPS.
- As of 3Q09, Flex/R&D properties had the highest terminal capitalization rate at 9.11%, followed by Power Centers (8.88%) and Suburban-Office (8.85%). The lowest terminal capitalization rates were recorded within the Apartment (8.06%) and CBD-Office (8.44%) sectors. The simple average terminal capitalization rate across all sectors was 8.64%.
- IRRs increased across all major property types during 3Q09 with the largest increases recorded within the Power Center (54 BPS), Flex/R&D (43 BPS) and Strip Center (40 BPS) sectors. The smallest increases occurred for CBD- Office (21 BPS) and Suburban Office (38 BPS) properties. Since 3Q08, IRRs across all property sectors increased an average of 139 BPS.
- As of 3Q09, Regional Mall properties had the highest IRR at 10.43%, followed by Suburban Office (10.24%) and Apartment (10.06%). The lowest IRRs were recorded within the CBD-Office (9.24%), Warehouse (9.35%) and Strip Center (9.38%) sectors. The simple average IRR across all sectors was 9.81%.

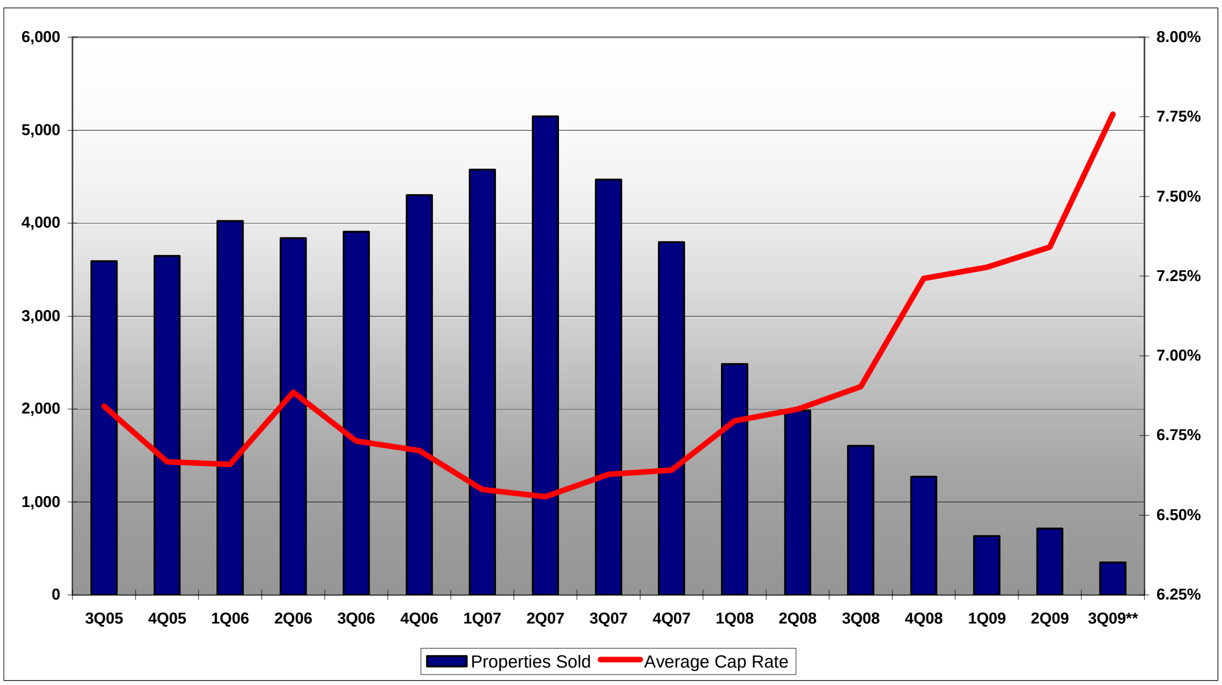
Real Capital Analytics

A weak economy and credit crunch continues to limit sales activity, characterized by few noteworthy transactions and a sharp fall in buying by foreign and institutional investors. After declining to 6.56% during 2Q07, average overall cap rates (OARs) have steadily risen since and currently stand at 7.76% through August 2009. This represents a 420 basis point increase from 2Q09. Real Capital Analytics reported that an average of 620 properties sold per quarter so far this year, off 65% from 2008 totals. During the first two months of 3Q09, only 347 properties were sold. RCA reported 3Q09 OAR's within the various sectors: 9.3% for flex; 9.1% for warehouse; 8.5% for suburban office; 8.4% for regional malls; 8.3% for strip centers; 8.1% for CBD office; 7.3% for garden apartments and 6.6% for mid/high-rise apartments.

REAL CAPITAL ANALYTICS HISTORICAL RESULTS

AVERAGE CAP RATES vs. PROPERTIES SOLD*

	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09**
Average Cap Rate	6.84%	6.67%	6.66%	6.89%	6.73%	6.70%	6.58%	6.56%	6.63%	6.64%	6.80%	6.83%	6.90%	7.24%	7.28%	7.34%	7.76%
Properties Sold	3,590	3,648	4,022	3,838	3,907	4,301	4,575	5,150	4,469	3,795	2,484	1,983	1,605	1,271	634	713	347



* Based on independent reports of properties and portfolios $5 million and greater. Data believed to be accurate but not guaranteed.

** Data is through August, 2009

Commercial Property Sales Analysis

Commercial property sales activity is projected to total $37.8 billion in 2009, off 70% from 2008 totals and considerably lower than historical averages. Limited credit is hampering commercial real estate sales in the U.S. as potential buyers struggle for affordable financing in a market where lenders are finding difficulty securitizing and re-selling mortgages. The widening imbalance between investor demand and the supply of assets has exerted downward pressure on prices.

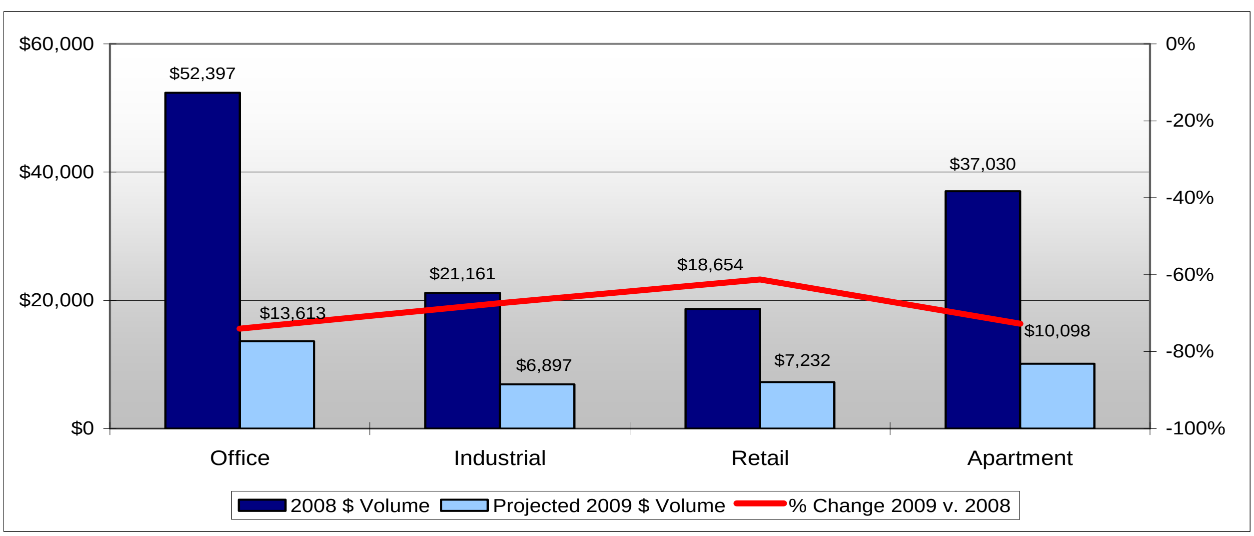
- Office: Based on sales through August 2009, the office market is projected to be the largest generator of property investment at $13.6 billion. However, the sector is projected to decline by 74% from 2008 levels. The decline is expected to hit CBD properties harder than suburban properties.
- Industrial: The industrial market is projected to record the lowest sales volume at $6.9 billion. This represents a projected drop of 67% from 2008 levels. Sales of flex properties fell more than that of warehouse properties.
- Retail: For 2009, the retail market is projected to decline the least of the four property types. Projected sales, totaling $7.2 billion, are forecasted to lag 2008 totals by 61%. As consumers limit spending and retailers close stores, the majority of retail REITS continue to struggle with increased vacancies and declining revenues.
- Apartment: Projected sales of apartment properties totaled $10.1 billion, a projected 73% drop from 2008 totals. Sales of garden apartments and mid-high apartments are forecasted to decline the same.

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

SALES TRANSACTION ACTIVITY BY PROPERTY TYPE

Projected 2009 v. 2008 (Dollar Value in Millions)

Property Type	2008 $ Volume	Projected 2009 $ Volume	% Change 2009 v. 2008	$ Change Projected 2009 v. 2008	2008 # of Sales	Projected 2009 # of Sales	% Change Projected 2009 v. 2008	# Change Projected 2009 v. 2008
Office	$52,397	$13,613	-74%	-$38,784	3,860	434	-89%	-3,426
Industrial	$21,161	$6,897	-67%	-$14,264	2,694	348	-87%	-2,346
Retail	$18,654	$7,232	-61%	-$11,422	3,460	554	-84%	-2,906
Apartment	$37,030	$10,098	-73%	-$26,932	3,820	559	-85%	-3,261



Note: Based on properties and portfolios $5 million and greater: August 2009 Data
Source: Real Capital Analytics, Capital Trends Monthly Reports

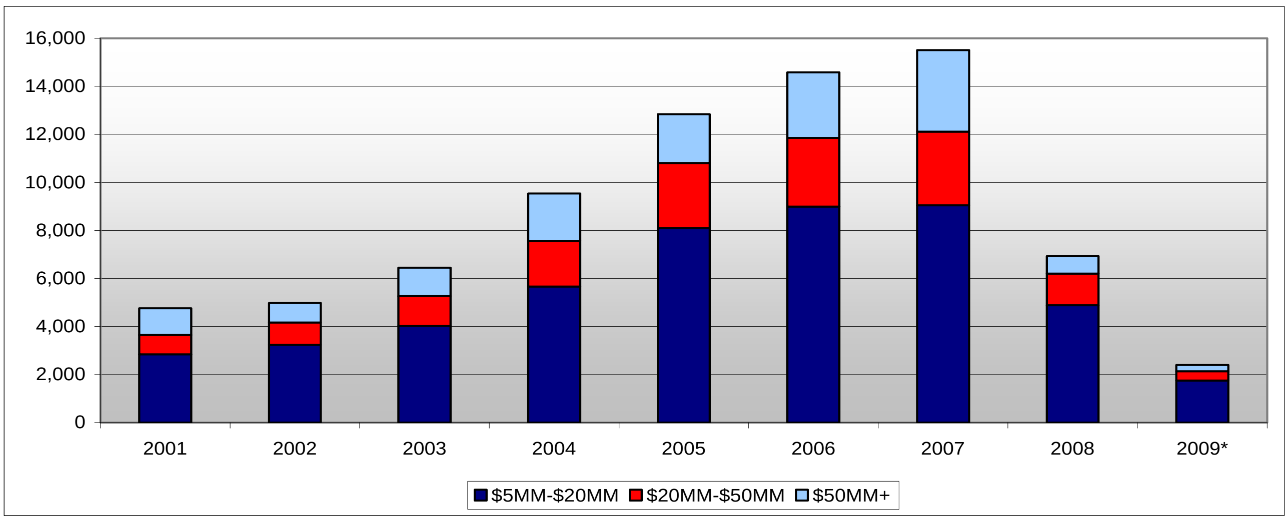
Commercial Property Sales Analysis (continued)

In addition to the preceding data, we have also looked at historical sales activity by price point on an overall basis and by asset class; this data is summarized below. Transaction activity remains sluggish through the first eight months of 2009. Projected over a full year, the number of transactions is projected to decline 65% from 2008 levels to nearly 2,400. This considerably lags the previous five-year moving average of roughly 12,000 deals per year. Office and retail property sales are forecasted to record the largest declines in 2009. Roughly 75% of total transactions are expected to fall within the $5-$20 million range in 2009, as large deals valued in excess of $50 million are expected to comprise 11% of total activity. Looking ahead, it is forecasted that activity will gradually escalate as more investors explore distressed property opportunities.

INVESTMENT SALES ACTIVITY

Summary of Transactions by Price

	Price Range	2001	2002	2003	2004	2005	2006	2007	2008	2009*
All Property Types	$5MM-$20MM	2,846	3,234	4,021	5,660	8,098	8,989	9,039	4,881	1,754
	$20MM-$50MM	809	937	1,250	1,912	2,710	2,861	3,069	1,316	380
	$50MM+	1,107	807	1,175	1,967	2,028	2,733	3,391	728	258
	Grand Total	4,762	4,978	6,446	9,539	12,836	14,583	15,499	6,925	2,391



	Price Range	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Apartment	$5MM-$20MM	854	903	1,163	1,643	2,466	2,639	2,455	1,467	530
	$20MM-$50MM	308	313	423	679	1,040	1,062	997	501	171
	$50MM+	119	106	138	152	376	747	646	107	18
	Grand Total	1,281	1,322	1,724	2,474	3,882	4,448	4,098	2,075	719
Industrial	$5MM-$20MM	684	758	894	1,263	1,945	2,336	2,322	1,274	425
	$20MM-$50MM	123	137	185	280	386	423	518	238	56
	$50MM+	476	308	163	285	682	485	438	75	158
	Grand Total	1,283	1,203	1,242	1,828	3,013	3,244	3,278	1,587	638
Office	$5MM-$20MM	743	726	887	1,289	1,640	1,786	1,871	983	326
	$20MM-$50MM	256	307	351	559	723	859	955	350	96
	$50MM+	200	208	585	778	523	922	1,597	254	60
	Grand Total	1,199	1,241	1,823	2,626	2,886	3,567	4,423	1,587	482
Retail	$5MM-$20MM	565	847	1,077	1,465	2,047	2,228	2,391	1,157	474
	$20MM-$50MM	122	180	291	394	561	517	599	227	57
	$50MM+	312	185	289	752	447	579	710	292	23
	Grand Total	999	1,212	1,657	2,611	3,055	3,324	3,700	1,676	554

* 2009 Sales activity is projected on preliminary sales figures - January through August 2009

Source: Real Capital Analytics Research Department

FTSE National Association of REITS U.S. Real Estate Index

Comprised of 99 REITS, The Financial Times of London and the London Stock Exchange (FTSE) NAREIT U.S. Real Estate index continued its resurgence through the third quarter of 2009. After decreasing 32% during the first quarter of 2009, the Index has posted 24% and 41% gains during the past two quarters. The largest advances among REITS during the quarter were recorded within the office (54.7%) and regional mall (51.2%) sectors. The total REIT index is up 23.7% YTD, but still down nearly 33.0% during the past 12 months. Historically, health care, self storage and free-standing retail REITS have experienced the largest compound annual returns.

Investment Performance by Property Sector and Subsector

	Number	Total Return (%)			Compound Annual Total Returns			
Property Sector/Subsector	of REITS	M-T-D	Q-T-D	Y-T-D	1-Year	3-Year	5-Year	10-Year
Equity REIT Index	**99**	**12.4**	**40.9**	**23.7**	**-32.8**	**-13.7**	**0.1**	**8.4**
Industrial/Office	26	12.4	50.2	28.3	-40.5	-18.5	-3.2	6.1
Industrial	7	12.3	45.7	8.6	-58.1	-30.2	-11.5	3.2
Office	14	14.1	54.7	34.8	-34.6	-13.7	0.7	7.3
Mixed	5	5.9	40.4	39.3	-23.8	-14.3	-3.0	6.7
Retail	23	14.5	42.8	25.7	-41.7	-18.1	-4.2	9.2
Shopping Centers	14	13.7	36.8	3.7	-44.4	-19.9	-4.5	7.9
Regional Malls	5	16.5	51.2	51.9	-45.6	-20.3	-6.1	9.6
Free Standing	4	8.7	29.6	30.6	2.6	6.3	8.8	14.6
Residential	16	17.7	43.3	24.5	-30.7	-14.3	1.8	7.9
Apartments	14	17.8	44.0	24.2	-31.5	-14.6	2.0	8.2
Manufactured Homes	2	16.3	31.8	31.9	-14.6	-6.0	-3.0	3.5
Diversified	6	18.3	48.9	16.0	-38.9	-15.4	-0.7	7.4
Lodging/Resorts	8	17.1	46.6	58.1	-30.5	-23.2	-6.0	2.3
Health Care	11	3.3	33.1	16.4	-9.9	5.6	10.5	16.8
Self Storage	4	12.6	24.0	3.8	-19.6	-6.6	7.6	13.7
Specialty	5	4.7	20.6	18.6	-23.0	3.0	9.1	4.3

Source: FTSE® Group and National Association of Real Estate Investments Trusts®.: Data as of September 22, 2009

Below is a listing of the largest REITS by market cap within FTSE NAREIT U.S. Real Estate Index.

REIT	Symbol	Property Subsector	Market Cap
Simon Property Group, Inc.	SPG	Regional Malls	17,985
Public Storage	PSA	Self Storage	12,005
Vornado Realty Trust	VNO	Diversified	10,294
Boston Properties Inc.	BXP	Office	8,256
HCP Inc.	HCP	Health Care	7,760
Equity Residential	EQR	Residential	7,450
Ventas Inc.	VTR	Health Care	6,136
Host Hotels & Resorts Inc.	HST	Lodging/Resorts	6,007
AvalonBay Communities Inc.	AVB	Residential	5,147
Plum Creek Timber Co. Inc.	PCL	Speciality	4,931
Prologis	PLD	Industrial	4,922
Kimco Realty Corp.	KIM	Shopping Centers	4,723

*Values as of August 31,2009 in millions of dollars

National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index

The NCREIF Property Index (NPI) is a quarterly time series composite total rate of return measure of investment performance of a large pool 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, not historical cost. NCREIF requires that properties included in the NPI be valued at least quarterly, either internally or externally, using standard commercial real estate appraisal methodology. Each property must be independently appraised a minimum of once every three years Because the NPI is a measure of private market real estate performance, the capital value component of return is predominately the product of property appraisals. As such, the NPI is often referred to as an "appraisal based" index. 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. Properties exit the NPI when assets are sold or otherwise leave the database. All historical data remains in the database and in the Index. The Index represents investment returns from a single class of investor.

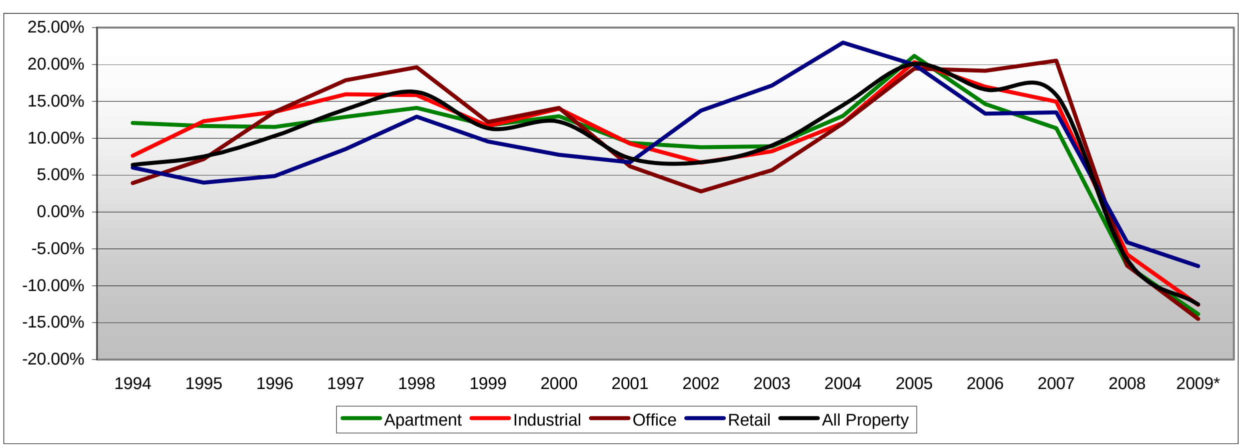
NCREIF Property Index Annualized Returns by Property Type

For the second consecutive year, all property types recorded negative annualized returns in the face of a credit crunch and challenging economic conditions. At -12.5%, the NPI index registered its lowest return in recorded memory. Through the first half of 2009, the office sector fared the worst (-14.5% return) and the retail sector (-7.3%) beat the national average. As the nation's real estate market flourished from 1996 to 2000, fueled by the technology boom, the NPI enjoyed five consecutive years of double digit growth. A cool-down during the next three recessionary years brought the NPI moving average down from 12.8% to 7.7%. Beginning in 2004, a record run in real estate growth allowed the index to achieve a four-year moving average of 16.8% annualized gains through 2007 and breaking the 20.0% threshold in 2005. Between 1997 and 2007, the four property types averaged annualized returns between 12.6% and 13.6% before retreating in 2008.

NCREIF PROPERTY INDEX

Summary of Annualized Returns by Property Type

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Property Type	Apartment	12.1%	11.7%	11.5%	12.9%	14.1%	11.7%	13.0%	9.4%	8.8%	8.9%	13.0%	21.2%	14.6%	11.4%	-7.3%	-13.8%
	Industrial	7.6%	12.3%	13.6%	15.9%	15.9%	11.7%	14.0%	9.3%	6.7%	8.2%	12.1%	20.3%	17.0%	15.0%	-5.8%	-12.6%
	Office	3.9%	7.2%	13.6%	17.9%	19.6%	12.2%	14.1%	6.2%	2.8%	5.7%	12.0%	19.5%	19.2%	20.5%	-7.3%	-14.5%
	Retail	6.0%	4.0%	4.9%	8.5%	12.9%	9.6%	7.8%	6.7%	13.7%	17.2%	23.0%	20.0%	13.4%	13.5%	-4.1%	-7.3%
	All Property	6.4%	7.5%	10.3%	13.9%	16.3%	11.4%	12.3%	7.3%	6.8%	9.0%	14.5%	20.1%	16.6%	15.9%	-6.5%	-12.5%



* Through 2Q 2009 Source: NCREIF

NCREIF Property Index (continued)

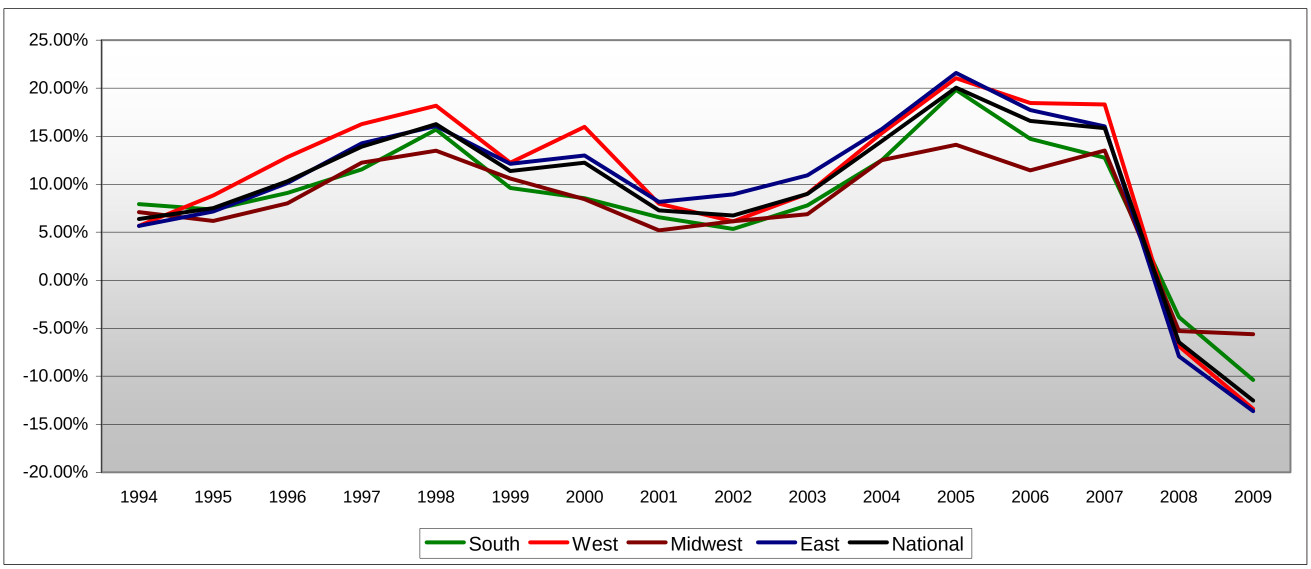
NPI Annualized Returns by United States Region

After posting positive returns for 15 consecutive years beginning in 1993, the NPI Index turned negative in 2008 due to the economic downturn, which has continued into 2009. Since 2008, annualized returns across all property sectors declined by the largest amount in the East (-13.6%), followed by the West (-13.4%), South (-10.4%) and Midwest (-5.6%). From 1997-2007, average annualized returns registered 13.1% across all regions with the greatest rate of return occurring in the West (14.4%) and East (14.1%). Returns in the South (11.4%) and Midwest (10.4%) lagged behind the national average. The greatest periods of growth occurred between 1996-2000 and 2004-2007 when economic expansion resulted in robust years for the real estate industry.

NCREIF PROPERTY INDEX

Summary of Annualized Returns by Region

	Region	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
All Property Types	South	7.9%	7.4%	9.1%	11.6%	15.7%	9.6%	8.6%	6.6%	5.3%	7.8%	12.5%	19.8%	14.7%	12.8%	-3.8%	-10.4%
	West	5.7%	8.8%	12.8%	16.3%	18.2%	12.3%	16.0%	8.0%	6.1%	9.0%	15.3%	21.0%	18.5%	18.3%	-6.9%	-13.4%
	Midwest	7.1%	6.2%	8.0%	12.2%	13.5%	10.6%	8.5%	5.2%	6.1%	6.9%	12.5%	14.1%	11.5%	13.5%	-5.3%	-5.6%
	East	5.7%	7.2%	10.1%	14.3%	16.1%	12.1%	13.0%	8.2%	8.9%	10.9%	15.8%	21.6%	17.7%	16.0%	-7.9%	-13.6%
	National	6.4%	7.5%	10.3%	13.9%	16.3%	11.4%	12.3%	7.3%	6.8%	9.0%	14.5%	20.1%	16.6%	15.9%	-6.5%	-12.5%



* Through 2Q 2009 Source: NCREIF

Distressed Commercial Properties

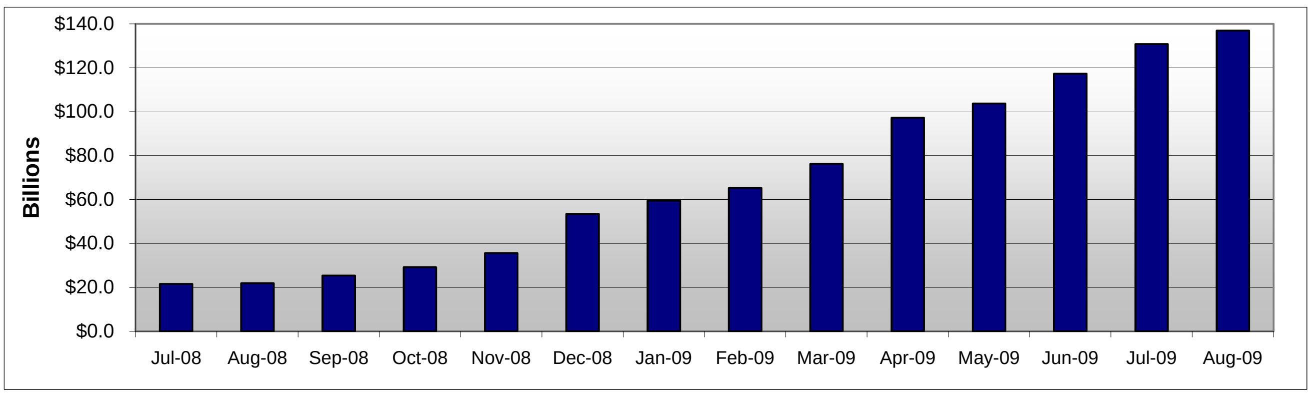
As the economy worsened, Real Capital Analytics (RCA) began to track distressed real estate assets in 2008. Real Capital Analytics' definition of distressed encompasses properties that are in default of their mortgages, including ones taken over by lenders, owned by a troubled or bankrupt entity or have a major tenant in bankruptcy; it also includes properties whose debt has been restructured and those taken over by the holders of junior debt.

During the past 12 months, the total volume of distressed assets has increased more than 625% and currently stands at $136.9 billion as of August. After more than $13 billion of distressed properties were added in both June and July, distressed property additions slowed in August. The largest monthly increase ($21 billion) occurred in April following the bankruptcy of General Growth Properties, who is the largest borrower in the CMBS Universe with $27 billion of liabilities.

DISTRESSED U.S. PROPERTIES

Monthly Cumulative Distress (Billions)

	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
All Property Types	$21.6	$21.9	$25.4	$29.2	$35.6	$53.4	$59.4	$65.3	$76.2	$97.2	$103.7	$117.3	$130.8	$136.9



Source: Real Capital Analytics

- The retail sector represents 31.4% of the total distressed assets among the five major property types. On the positive, distress increased by the smallest percentage during the past month.
- After retail, the hotel sector recorded the greatest volume of distress. Due to the bankruptcy of Extended Stay and troubles in casino-hotel properties in Las Vegas and Atlantic City, distress is up 300% YTD.
- The apartment sector has the third highest volume of distress among the five major property types with $21.7 billion. Within the sector, mid/high-rise and low income properties have the highest rates of default.
- Roughly $21.1 billion of office properties are in distress. However, the sector has proportionately lower levels of distress than the retail, hotel and apartment sectors.
- The industrial sector is facing the lowest amount of trouble so far, with $3.6 billion of distress spread across warehouse and flex properties.

Commercial Mortgage Backed Securities (CMBS) Trouble

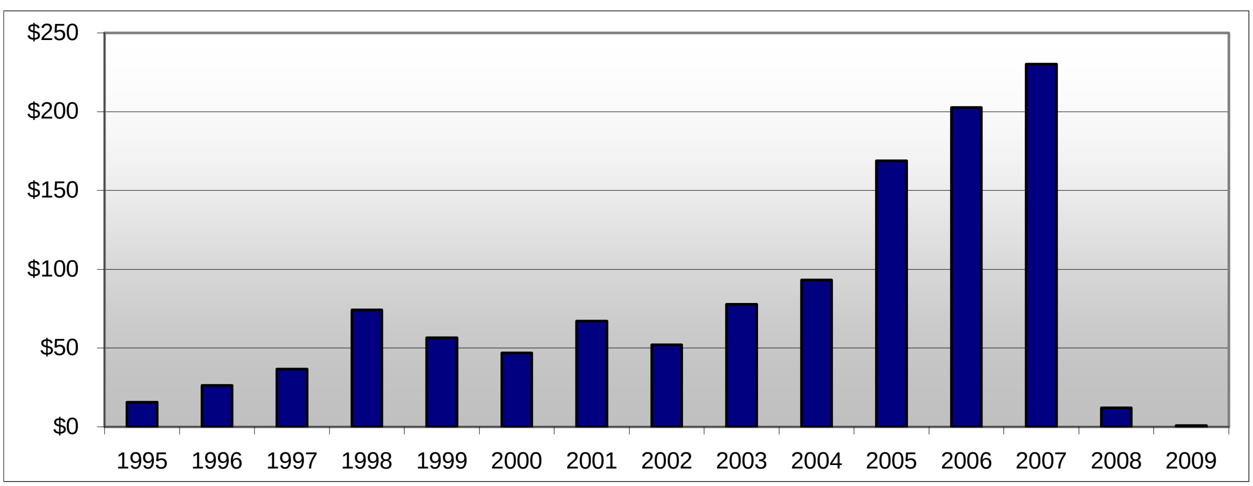
The financing drought in commercial real estate has continued into the second half of 2009. New issuances of commercial mortgage-backed securities, which fueled the boom in commercial real estate prices between 2005 and 2007, are few and far between. As delinquencies have escalated within commercial property sectors, investors have been kept at arm's length to reduce risk. As a result, a large drop in commercial property sales has occurred since 2008. U.S. banks reported the default rate for commercial real estate mortgages more than doubled in the second quarter compared with the same period last year. According to Real Estate Econometrics, the proportion of loans more than 90 days past due increased from 1.18% at 2Q08 to 2.88% at 2Q09. Reis Inc. stated that defaults and late payments on loans bundled into CMBS could exceed 7.0% by the end of 2009 as downward pressure on net operating income and declining property values continue to make refinancing for existing loans a challenge.

Earlier in the year, the Federal Reserve began accepting older commercial real-estate bonds created before 2009 and existing commercial mortgage-backed securities, called legacy bonds, to become eligible as collateral under the Term Asset-Backed Securities Loan Facility (TALF). This action was performed to inject more credit into the commercial real estate market. In August, the Federal Reserve Board and the Treasury Department approved an extension to the TALF aimed at bringing new liquidity to commercial real estate financing. To promote the flow of credit to businesses and households and to ease the financing of commercial properties, TALF loans were extended against newly issued ABS and legacy CMBS through March 31, 2010 and against newly issued CMBS through June 30, 2010. Steven Wechsler, president and CEO of the National NAREIT, remarked, "We are very encouraged by the Federal Reserve's decision to extend this extremely important program. The TALF program can be a strong lever to reopen the CMBS market, a critical source of funding for commercial real estate that has been shuttered for the past 18 months."

Below is a chart detailing U.S. CMBS issuances. After a six-year period commencing in 2002 where CMBS issuances increased from $52.1 billion to a peak of $230.2 billion in 2007, issuances have fallen dramatically. Currently, $900 million U.S. CMBS issuances have been recorded through August of 2009.

U.S. CMBS Issuances ($ billions)

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
$15.7	$26.4	$36.8	$74.3	$56.6	$46.9	$67.1	$52.1	$77.8	$93.3	$168.7	$202.7	$230.2	$12.1	$0.9



Source: Commercial Mortgage Alert: * through August 2009

CMBS Trouble (continued)

CMBS Delinquencies Keep Rising

The slow economy and lack of financing continued to weaken commercial loan performance through the second quarter of 2009, resulting in more loan defaults. Larger loans in the 2006 and 2007 vintages have begun to default, causing 2009 defaults to spike. Fitch Ratings' CMBS "loans of concern", in special service or whose performance is declining, jumped by 7% between June 1 and July 31 due to deteriorating property performance and increasing CMBS defaults. As of July 31, Fitch had designated 5,993 loans totaling $80.7 billion, or 17% of its U.S. CMBS portfolio, as loans of concern. Fitch's currently rated CMBS portfolio encompasses 464 transactions with an unpaid principal balance of $472.1 billion. The largest loan that is current, but which Fitch considers of concern, is a $3-billion financing secured by the 56-building Peter Cooper Village/Stuyvesant Town multifamily complex. Fitch forecasts delinquencies to reach 5% by year's end due to an increasing number of loans rolling over from 30 days past due to 60 days past due.

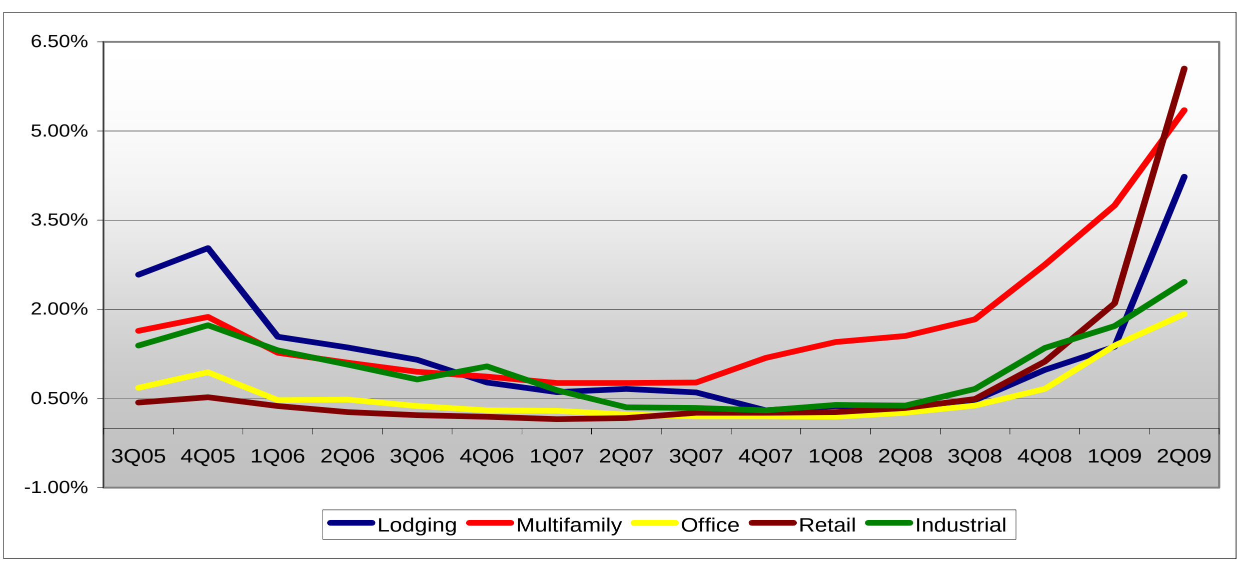
According to Trepp's September CMBS performance report, the percentage of commercial loans 30 or more days delinquent rose to 4.03% to end August. Multifamily loans led overall weak performance, rising to a 6.80% delinquency rate, while lodging loans registered a 6.15% delinquency rate. Retail and industrial delinquency rates more than doubled from six months ago, reaching 4.21% and 2.89%, respectively, in August. Office loans jumped to 2.27% delinquent from 0.87% six months ago, while industrial loans more than doubled to 2.89% delinquent.

Below is a chart tracking CMBS delinquencies. During the second quarter of 2009, delinquencies increased nearly 150% for all major property types to reach an average of 4.7%. Retail properties led in loan failures with a rate of 6.05%, while office properties had the fewest at 1.92%. Since 1Q09, lodging delinquencies have more than tripled.

CMBS DELINQUENCIES

Summary of Delinquency Percentages based on 30+ Days

Property Type		3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
	Lodging	2.58%	3.03%	1.54%	1.36%	1.15%	0.77%	0.61%	0.66%	0.60%	0.30%	0.37%	0.35%	0.47%	0.98%	1.37%	4.23%
	Multifamily	1.64%	1.87%	1.27%	1.10%	0.95%	0.87%	0.76%	0.76%	0.77%	1.18%	1.45%	1.55%	1.83%	2.75%	3.75%	5.35%
	Office	0.68%	0.94%	0.47%	0.48%	0.37%	0.30%	0.29%	0.23%	0.20%	0.20%	0.19%	0.26%	0.38%	0.66%	1.39%	1.92%
	Retail	0.43%	0.52%	0.37%	0.27%	0.22%	0.19%	0.15%	0.17%	0.26%	0.26%	0.27%	0.34%	0.49%	1.12%	2.10%	6.05%
	Industrial	1.39%	1.73%	1.31%	1.07%	0.82%	1.04%	0.64%	0.35%	0.34%	0.30%	0.39%	0.38%	0.66%	1.35%	1.72%	2.46%



Source: Trepp LLC, CMSA. (Deliquency rates are for fixed-rate, conduit CMBS transactions)

CMBS Trouble (continued)

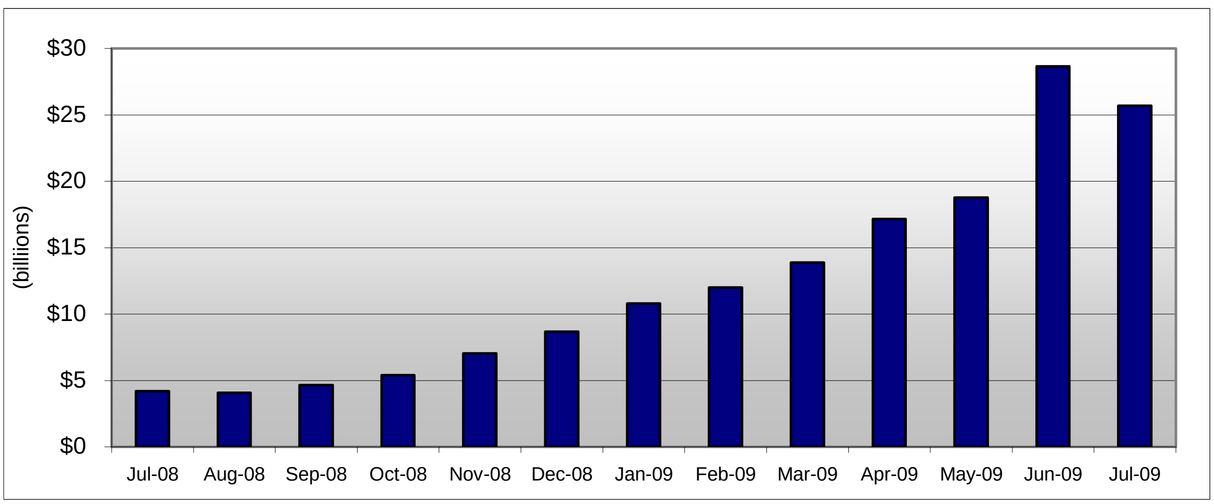
Realpoint Monthly CMBS Research

According to Realpoint, a national credit-rating agency that has been tracking monthly commercial mortgage-backed securitization delinquency trends across various categories since January 2001, the delinquent unpaid balance for CMBS declined in July for the first time since August 2008 after 10 straight monthly increases. The recent 1.0% decline occurred as billions of loans sponsored by General Growth Properties were removed from 30-day delinquent status. According to Realpoint, "While the ultimate resolution of these GGP-sponsored specially-serviced loans has yet to be determined, many were reported as current in July 2009 after multiple master servicers made modifications to their systems to account for the non-default rate interest-only payments being made on previously amortizing (principal and interest required) loans." Despite the decline, the delinquent unpaid balance through July 2009 has increased 511% from 12 months ago. At the current rate, Realpoint is projecting delinquencies of about $50 billion, or at least 6% by the end of 2009.

Below is a chart depicting the monthly CMBS delinquency balance during the past 12 months:

Monthly CMBS Delinquency Balance

Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
$4.20	$4.07	$4.64	$5.39	$7.03	$8.68	$10.79	$11.99	$13.89	$17.15	$18.78	$28.65	$25.68



Source: Realpoint

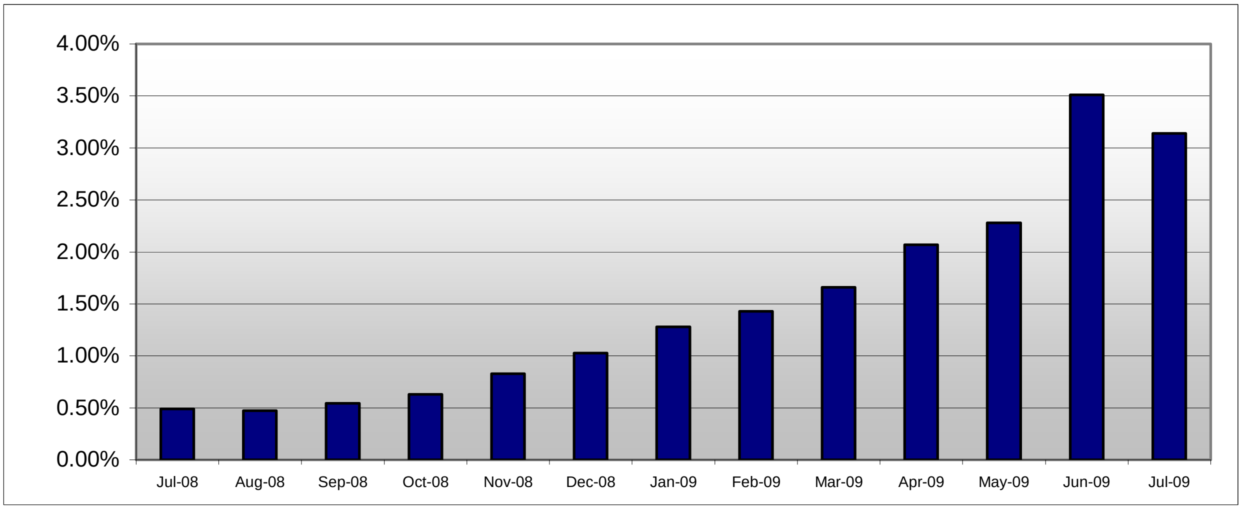
The monthly CMBS delinquency ratio for July 2009 of 3.14% was slightly less than the June 2009 total. During the past 12 months, the delinquency percentage has jumped six-fold. Based upon an updated trend analysis, Realpoint projects the delinquency percentage to grow in excess of 6% before year-end 2009. The negative outlook results from several large loans from recent vintage transactions continuing to show signs of stress along with continued balloon maturity defaults from older transactions. The top three states by delinquency exposure have remained consistent since January 2009, as California, Texas and Florida collectively comprise more than 30% of total delinquencies through July 2009. The 10 largest states by delinquent unpaid balance account for 62% of CMBS delinquencies.

CMBS Trouble (continued)

Below is a chart illustrating the monthly CMBS delinquency percentage during the past 12 months:

Monthly CMBS Deliquency Percentage

Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
0.49%	0.47%	0.54%	0.63%	0.83%	1.03%	1.28%	1.43%	1.66%	2.07%	2.28%	3.51%	3.14%

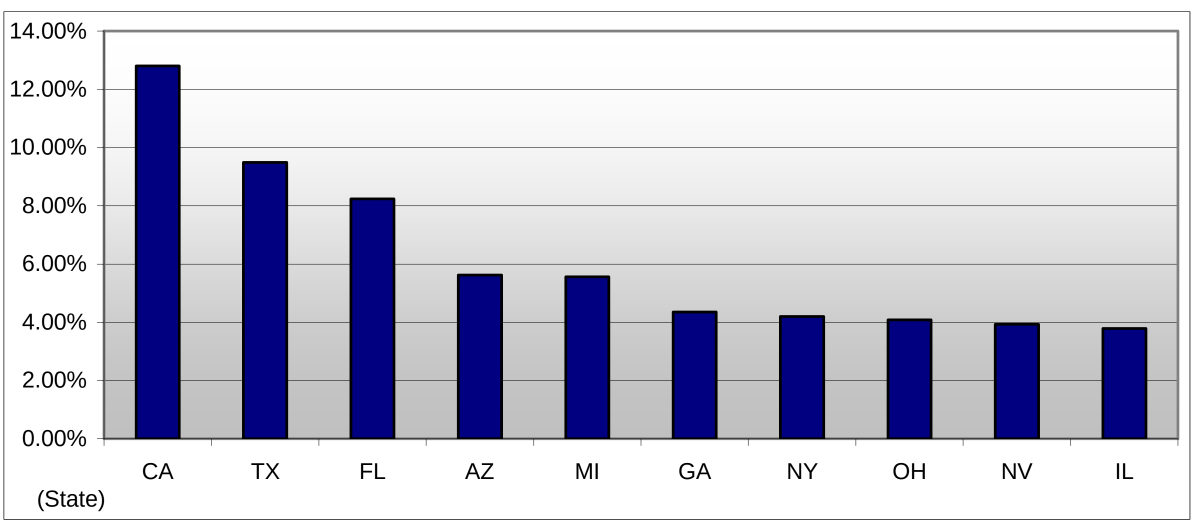


Source: Realpoint

Below is a chart depicting states with the highest CMBS delinquency percentages within the United States.

CMBS Deliquency Percentage by State (July 2009)

CA	TX	FL	AZ	MI	GA	NY	OH	NV	IL
12.80%	9.49%	8.24%	5.62%	5.56%	4.35%	4.20%	4.08%	3.93%	3.79%



Source: Realpoint

Treasury Eases Tax Rules for Commercial Real Estate

Revenue Procedure 2009-45

In an effort to limit the rising number of defaults, new tax rules were issued by the IRS, effective September 16, that will make it easier to refinance some commercial real estate loans and ease requirements for collateral and other guarantees in many cases. The rules would allow commercial loans that are part of investment pools known as Real Estate Mortgage Investment Conduits, or REMICs, to be refinanced without triggering tax penalties for investors. The investment pools were designed to encourage mortgage-backed securities by offering tax benefits not typically available through other investment vehicles. Under the new regulations, these changes will affect lenders, borrowers, servicers, and sponsors of securitizations of mortgages in REMICs, but not affect commercial mortgage loans held by investment trusts or REITs. The guidance permits a change in the terms to be negotiated if, based on all the facts and circumstances, and after meeting the threshold for a qualified loan, the holder or servicer reasonably believes there is a "significant risk of default" of the loan upon its maturity or at an earlier date, and that the modified loan will present a "substantially reduced risk of default."

Prior to the guidance, CMBS servicers incurred severe tax penalties if they began discussions before borrowers fell behind on their payments. The Treasury guidance relaxes these rules so CMBS borrowers will be able to negotiate loan workouts to avoid defaults.

Steven Wechsler, president and CEO of NAREIT, stated, "This new guidance provides servicers with a useful tool to assist the workout process, and we look to them to utilize it in a reasonable manner to support the nation's efforts to recover from the financial crisis and the Great Recession." Jeffrey DeBoer, CEO of the Real Estate Roundtable, added, "Amidst a massive wave of maturing commercial real estate debt — and still virtually no credit available for refinancing — borrowers need to be able to talk with their loan servicers about restructurings in a timely manner, before the point of default. By easing the tax penalties on changes to securitized 'conduit debt' — i.e. loans held within a REMIC — IRS has taken a very positive step toward easing today's crushing liquidity crisis in commercial real estate."

Capitalizing on Distress: The Rise of REIT IPO's

Seeking to take advantage of the distressed commercial property market, an increasing number of real estate and private equity firms have been assembling vehicles to capitalize on the distressed commercial property market. As property prices descend, investors are increasingly seeking to acquire bargains and take advantage of the federal government's promise to provide low-rate financing to investors willing to buy existing mortgage debt held by banks. Many are forming publicly traded REITs to buy or originate debt used to finance offices, retail centers, industrial projects and multifamily projects. Since early June, Ten REITS have filed for initial public offerings (IPO), while several more REITs completed IPO's during this time period.

Completed REIT IPO's since June

Highlighted by Starwood Property Trust (NYSE: STWD), several REIT's completed their IPO's during the past few months. In mid-September, CreXus Investment Corp., managed by a unit of Annaly Capital, debuted on the New York Stock Exchange after raising $200 million for its IPO. Forecasted to be the largest U.S. initial public stock offering of the year, Starwood Capital Group, a private-equity firm specializing in real-estate investments, raised $951.5 million through its IPO in August. The Starwood REIT, called Starwood Property Trust Inc., intends to invest the proceeds in commercial mortgage-backed securities sold under the U.S. government's public-private investment program (PPIP). In July, PennyMac Mortgage Investment Trust (NYSE: PMT), completed its $320 million IPO to buy residential mortgages and mortgage-related assets. The offering's press release stated that a substantial portion of the assets may be distressed. In June, Government Properties Income Trust (NYSE: GOV), priced its initial public offering at $200 million. The REIT is focused on buildings with government tenants and expects to use the funds to pay down what it owes under a credit line. In the same month, Invesco Mortgage Capital, Inc. (NYSE: IVR) raised $170 million in proceeds to invests in and finance residential and commercial mortgage-backed securities and mortgage loans. Cypress Sharpridge Investments, Inc. (NYSE: CYS), a specialty finance company that invests on a leveraged basis exclusively in whole-pool residential mortgage pass-through certificates, raised $100 million in June.

Hines Global REIT, Brookfield Consortium and Vornado Bond Sale

Several other companies announced actions to capitalize on distressed assets. In August, Hines, a global real estate firm, announced the initial public offering of Hines Global REIT, a public non-traded real estate investment trust. The company seeks to raise a maximum of $3.5 billion in the offering and would target commercial real estate properties and other real estate equity and debt investments. Charles Hazen, president of Hines Global REIT, stated, "In this challenging market, we see many opportunities on the horizon. We plan to make strategic acquisitions and dispositions, and will be seeking out undervalued assets as well as aggressively pursuing opportunities in markets around the world."

That same month, Brookfield Asset Management Inc. and Brookfield Properties Corporation announced the formation of a $4 billion Investor Consortium dedicated to investing in under-performing real estate. Brookfield is one of the largest global property investors with over $38 billion of real estate assets under management that is spread over more than 190 properties and development sites totaling 125 million sf. Investments are to be focused at corporate property restructurings mainly within North America, Europe and Australia.

Vornado Realty Trust recently announced plans to raise upwards of $600 million through a bond sale taking advantage of the TALF program. The potential deal is among the first batch of offerings of CMBS to use TALF and would provide Vornado a needed source of capital. Vornado has about $440 million of debt maturing in 2009, followed by $1.04 billion in 2010, $2.7 billion in 2011 and $3.2 billion in 2012.

Capitalizing on Distress: The Rise of REIT IPO's (Continued)

Below is a table highlighting recent IPO filings from REITS since June 2009.

Recent IPO Filings from REITS

Company Name	Proposed NYSE Symbol	File Date	Amount	Overview
Ladder Capital Realty Finance	LCG	9/17/2009	$400 million	A newly-organized REIT that plans to invest in commercial real estate loans and senior CMBS. The New York, NY-based company plans to raise $400 million by offering 20 million shares at $20, which would represent a market value of $513 million. J.P. Morgan, Wells Fargo Securities, and Citi are the lead underwriters on the deal.
Marathon Real Estate Mortgage Trust	MRE	8/28/2009	$300 million	A residential mortgage-focused REIT organized by Marathon Asset Management. The company's manager had $14.5 billion in assets under management as of June 30, 2009 and was selected by the Treasury to participate in the Public-Private Investment Program. No pricing terms were disclosed.
Brookfield Realty Capital	BKF	8/28/2009	$500 million	A newly formed REIT managed by Brookfield Asset Management that will invest in commercial real estate mortgage loans. As of June 30, the manager had $82 billion in assets under management, including $35 billion in real estate.
Transwestern Realty Finance	TWF	7/29/2009	$300 million	A REIT planning to invest in whole mortgage loans and subordinated debt secured by U.S. commercial real estate. Barclays Capital is the lead underwriter on the deal.
Bayview Mortgage Capital	BAY	7/28/2009	$500 million	A newly-formed REIT that plans to invest in a variety of mortgages and mortgage-backed securities, initially targeting Agency MBS. The Coral Gables, FL-based company will be externally managed by a subsidiary of Bayview Asset Management, a full-service real estate company that is 46% owned by Blackstone Group. No pricing terms were disclosed.
AG Financial Investment Trust	AGFI	7/10/2009	$300 million	An Angelo, Gordon & Co.-managed REIT that intends to invest in real-estate related securities, triple net lease assets and mortgage assets. The New York, NY-based company was organized in June 2009. J.P. Morgan and Wells Fargo Securities are the lead underwriters on the deal. No pricing terms were disclosed.
Apollo Commercial Real Estate Finance	ARI	7/10/2009	$400 million	An Apollo Global Management-backed REIT planning to invest in commercial real estate securities and corporate debt. The newly-organized company plans to raise $400 million by offering 20 million shares at $20.00. Morgan, Citi, and Barclays Capital are the lead underwriters on the deal, which is expected to price during the week of Sept. 21.
Foursquare Capital	FSQR	7/9/2009	$500 million	A newly-organized, New York, NY based mortgage REIT planning to invest in commercial and residential MBS, mortgage loans and asset backed securities. The company was founded in 2009 and will be externally managed by a subsidiary of AllianceBernstein. Merrill Lynch and Morgan Stanley are the lead underwriters on the deal. The REIT priced its initial public offering and made its trading debut the week of Sept. 21.
Colony Financial	CLNY	6/30/2009	$500 million	A newly-formed REIT, based in Los Angeles, CA, planning to invest in commercial mortgages and real estate debt. The company plans to raise $500 million by offering 25 million shares at $20.00, which implies a market value of $523 million. BofA Merrill Lynch, Goldman Sachs, and Morgan Stanley are the lead underwriters on the deal. The REIT priced its initial public offering and made its trading debut the week of Sept. 21.
Western Asset Mortgage Capital Corp.	WMC	6/12/2009	$500 million	A newly formed mortgage REIT that plans to invest primarily in non-Agency RMBS, CMBS and other asset-backed securities. The Pasadena, CA based company was founded in June 2009. Merrill Lynch, Deutsche Bank, and Citi are the lead underwriters on the deal. No pricing terms were disclosed.

source: ipomarketwatch.com, renaissancecapital.com

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The Schonbraun McCann Group (SMG), an FTI Company (NYSE: FCN), is a global consulting firm dedicated 24/7 to creating integrated financial, tax and real estate solutions for clients having underlying value in real estate operations and assets. SMG provides an unsurpassed range of advisory services and represents leading public and private real estate entities including owners/developers, financial institutions, investment banks, opportunity funds, insurance companies, hedge funds, and pension advisors who are challenged by today's changing market conditions.

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For Additional Information

Marc R. Shapiro, MAI
Director of Valuation Services
New York, NY & Roseland, NJ
973-287-5431
mshapiro@smgllp.com
marc.shapiro@fticonsulting.com

Prepared and edited by
Mark E. Field
Senior Associate
Real Estate Advisory Services

The Schonbraun McCann Group

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